



**Transcript  
1H 2015 consolidated results  
July 29, 2015**

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## Corporate Participants

**Francesco Venturini** *Enel Green Power SpA - CEO*

**Giulio Carone** *Enel Green Power SpA - CFO*

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

## Conference Call Participants

**Monica Girardi** *Barclays - Analyst*

**Cosma Panzacchi** *Sanford C. Bernstein & Company - Analyst*

**Javier Suarez** *Mediobanca - Analyst*

**Hugo Liebaert** *UBS - Analyst*

**Mehul Mahatma** *Berenberg - Analyst*

**Anna Maria Scaglia** *Morgan Stanley - Analyst*

**Enrico Bartoli** *MainFirst - Analyst*

**Dario Carradori** *Goldman Sachs - Analyst*

**Antonella Bianchessi** *Citigroup - Analyst*

**Roberto Letizia** *Equita SIM - Analyst*

**Pinaki Das** *Bank of America Merrill Lynch - Analyst*

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## Presentation

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

Good afternoon, ladies and gentlemen.

My name is Donatella Izzo and I'm the Head of Investor Relations at Enel Green Power. Welcome to our conference call on our first half 2015 results that will be illustrated as usual by our Chief Executive Officer, Mr. Francesco Venturini, and by our Chief Financial Officer, Mr. Giulio Carone.

Let me hand over to Mr. Venturini.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Thank you, Donatella. Good evening to everybody. Let's start with a quick strategic update. I'm on chart number 2.

Enel Green power today is a global player with fast growing operations outside Europe characterized by different market features. We manage assets and this means: seizing the maximum value from our existing fleet, breeding new growth opportunities, and monetizing future cash-flows or taking advantage of value creative consolidation options.

We are committed to optimizing our plants performance through a combination of O&M cost reduction and increase in production alongside a proactive approach to energy management given the increasing role renewables are called to play in network balancing services.

Our operations generate strong cash-flows, marginally absorbed to keep our machine running. We therefore have abundant financial resources which we currently deploy to grow. We have quite a sizeable CapEx plan. This is the result of the wide array of projects we have been able to develop in anticipation of market trends across the most promising regions and across technologies.



We originate more projects than we have elected to invest in. We have therefore tactically started to sell some of them if they do not match our return standards.

We also actively manage our portfolio to accommodate modifications to the strategic fit over time, as in the case of our deal in France. Some financial investors now look at renewables with a different eye, attracted by the increasing technological maturity of the sector. They do not have greenfield development capabilities and they therefore look at operating assets with predictable and stable cash-flows.

As asset managers we can also pursue selective non-organic growth opportunities in markets where value creative options arise or where small acquisitions may serve as an entry point into new geographies.

Switching to our cash-flow generation, on chart n. 3.

During the past five years we have generated an average of €1.6 billion of cash per year for a total of close to €8 billion. To keep the engine running we have spent a total of €3.3 billion.

Thanks to the active portfolio management actions carried out in the period, we have been able to crystallize around €600 million of value through, among others, the disposal of our French assets and our Italian retail arm – Enel.si – and the LaGeo settlement.

This has translated into more than €5 billion of cash available for growth with which we have financed over 70% of our total capital expenditure in the period.

In the past five years we have been able to repeatedly identify high quality growth opportunities and this has triggered the decision to invest more than what we had originally planned. Let me remind you that we have added over 4GW of new capacity generating additional EBITDA of €900 million at regime.

We have doubled our size without jeopardizing our financial structure and we have also distributed dividends of €600 million over the same period.

We will follow a similar path for the next five years. I am now on chart n. 4.

As announced at our capital markets day in May, we expect to generate €6.6 billion after paying taxes, interest and maintenance CapEx. This will enable us to cover over 70% of our capital expenditure in the five year plan.

We believe that our capital structure provides flexibility for an increased level of debt. However, as mentioned before, we will also consider divestment options to accelerate monetization of future cash-flows to be invested in new projects with higher expected returns. We have already finalized the sale of a minority stake in the US and we are progressing on the disposal of our Portuguese assets.

Our total cash available for growth, including our conservative estimate of the inflows generated by our portfolio management activities, is expected to exceed €9 billion.

With this CapEx plan we will almost double our current size, and I am now on chart n. 5.

The projected capacity growth is highly visible as we are currently executing over 4GW of projects across all the geographies we envisage in our plan.

We have already addressed over 60% of this growth providing high visibility on future additions in the long run.

I will give more specific details later on.

The contribution of such growth to the EBITDA at regime will exceed €1 billion.

This growth is predicated on a solid two to three hundred basis points spread over our average WACC.



Our growth trajectory, is therefore well on course. On chart n. 6.

it is evident that planned yearly growth is ensured up to 2017 and we are already half way to fully cover 2018.

For 2015, besides the 300MW entered into operation during the first half, we expect to add: approximately 200MW of wind capacity during the third quarter in Latin America over 350MW during the fourth quarter, with 76% accounted for by wind plants in North America, and 19% in Latin America in solar and hydro. The remainder is mostly biomass in Italy.

Since May, we have started construction for over 400MW across Chile, Mexico and South Africa.

In Chile, we are: diversifying into our fourth technology, geothermal, with a 38MW plant that is the first one of the kind in South America building a 160MW solar PV installation, the largest of the South American continent.

In Mexico we are building a 100MW wind plant.

In South Africa, with the opening of the construction site for the last PV plant belonging to the third round of auctions we now have 'in execution' over 500MW.

We are also working on the residual 2.6GW that we will need to fully cover 2018 and 2019, and I am now on chart n. 7.

We have several projects already identified, currently included in our pipeline, which are backed by PPAs.

Indeed, we have about 1GW with fully negotiated bilateral contracts in the US and Latin America.

We will progress to finalize the necessary steps to bring such projects to the investment committee.

Another part of the equation to cover for the residual target is the participation into public tenders which are complementary to negotiations occurring on a regular basis with private companies to be awarded bilateral contracts.

On chart n. 8, there is a snapshot of the upcoming ones we are monitoring.

As usual, the capacity shown in the slide refers to the one governments are expected to tender by technology and not to the capacity we intend to bid for.

The activities on our radar screen in Latin America are in: Brazil, where we are assessing participation to both the wind and photovoltaic tenders scheduled for the second half of the year, Chile, Mexico and Peru where we are closely monitoring upcoming auctions for both wind and solar. In Peru, we are also following potential hydro tenders.

We are actively working to expand our reach in Africa. Namely, we plan to participate to the following tenders: round 4.5 in South Africa for wind and solar PV. This has just been announced for the month of October a 850MW wind tender in Morocco, with bids expected to be submitted in September.

On top of this, in Morocco and in Egypt solar tenders are expected by year-end and we keep on monitoring the evolution of the regulatory framework in Kenya where auctions for geothermal capacity might be scheduled for November.

As anticipated during the Investor Day in May, we are also working to enter into new markets in Asia. Indeed, we are following the evolution of some solar PV tenders in India to be launched in August. We will probably set foot participating in at least one of the upcoming auctions.

Moving to the third strategic lever, the active portfolio management, on chart n. 9.



We believe that much of the value creation lies in greenfield development activities. We are one of the few global players strongly active in this field and benefit from the strong reputation we have built over the years.

Indeed, we are the partner of choice to both international and local developers that help select the best investment opportunities.

This generates a number of options in excess of our needs that we can monetize as we have done this year in the US. We will likely replicate the same approach in other areas.

As I mentioned in my introductory comments, we also actively manage our portfolio. This means selling when the strategic fit has modified or when the life cycle has reached a stage that makes them appealing to investors with different return criteria. We don't generally look for minority stake sales but we may consider them if they create a solid basis for strategic partnerships aimed at accelerating our growth.

We may also re-enter countries which we had chosen to leave. Indeed, we still keep options in the pipeline so that if things turn around, and a new wave of investment starts, we are ready to consider investing again.

As asset managers we can also pursue non-organic growth opportunities in markets where value creative options arise and where small acquisitions are the preferred entry strategy.

As you are aware, we have announced our exit from Portugal. On chart n. 10.

We have included an update on the process.

Beside the conclusion of the split of the ENEOP consortium that will lead to the consolidation of about 500MW, we do not see any further relevant development in the country, at least in the short term.

It is common knowledge that the economy in the country is in the recovery mode and there is broad consensus that the regulatory framework will continue to be stable also as a consequence of the strong involvement of large foreign investors in the country.

We have engaged a global financial advisor with the aim of contacting potential investors.

We have ended up with several NDAs, twice the number we recorded for France, and a long-list of not binding offers.

We are now assessing them to get to a short-list of potential buyers.

We are not targeting a specific deadline for the process. We are going to sell only if it creates value to our shareholders.

We are deeply committed to innovation, as shown on slide n. 11, at all levels.

We endeavor to innovate processes and products and we are active in looking for new opportunities through emerging business models.

A key example of how we have innovated O&M processes is predictive maintenance. This is a set of structured techniques and statistical analysis to monitor and evaluate the plant components residual life, in order to prevent severe outages and to reduce failure rate.

Energy storage is a new interesting opportunity. The greatest barrier, right now, is represented by costs/MWh but the declining cost trend and the associated learning curve is vastly similar to the one recorded for solar PV in recent years. Currently, dynamics are mostly driven by the automotive sector given the large volumes involved. Our interest in the field is twofold: explore supplementary energy margin devices in order to minimize intermittence and maximize the use of the existing connections, implement micro-grids in rural areas where they may play an important role in



optimizing energy generation and demand. Indeed, off-grid electrification is the most cost-effective option to bring electricity to remote rural areas.

In the first instance, we have already tested their utilization at two Italian plants for an equivalent of 3MW. In the second, we have installed an energy-storage system in the Chilean village of Ollagüe at an off-grid hybrid wind-photovoltaic power plant with a backup diesel generator.

A few elements concur to identifying distributed generation as a further business opportunity in the new areas we are developing. We are closely monitoring this since we can leverage on our past experience at the retail level in Italy with Enel.si. Indeed, before selling the activity to a subsidiary of our parent company focusing on the energy efficiency sector, we had been present in the retail segment for a long number of years selling an equivalent of 500MW and contributing to install more than 15,000 small-scale PV plants.

Currently, these are start-up initiatives but we feel we need to strategically watch closely the evolution of these opportunities that may represent relevant business developments in some regions of the world.

I now hand over to Giulio for a more detailed section on our 1H 2015 results.

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**Giulio Carone** *Enel Green Power SpA - CFO*

Thank you Francesco and good afternoon ladies and gentlemen.

Our operating assets have generated a robust cash-flow of close to €900 million in the period.

Our growth is faster in all of our targeted markets and this has led to a capital expenditure of close to €1 billion in the first half of this year.

The newly added capacity contributes strongly to our EBITDA compensating weaker hydro resource and pricing environment in Italy.

On the asset management side, we have completed the sale of a minority stake in the US to GE and we have consolidated the 3Sun PV factory.

Let's start with our cash-flow, on chart n. 14.

As anticipated, our operations have generated a robust flow of €900 million, partially absorbed by: first, a negative change in net working capital of €430 million associated with a seasonal first half cash-out for the operating CapEx recorded in late 2014, second, the payment of taxes and interest of close to €340 million, finally, maintenance CapEx of almost €80 million.

The residual positive cash flow and the cash-in associated with the sale of the minority stake in North America amounted to close to €400 million of cash available for growth and dividends.

We have spent close to €900 million on growth CapEx in targeted areas and we have distributed over €170 million of dividends to our shareholders.

We have also consolidated around €140 million of debt relating to 3Sun, already accounted in the first quarter of this year.

I will now provide details on capital allocation on chart n. 15.



Close to two thirds of the growth CapEx have been dedicated to our development in Latin America and mainly relate to wind projects in Brazil, Mexico and Chile where we are also developing four solar plants and we have recently started construction of a geothermal plant, the first on the South American continent.

16% has been allocated to our wind and solar development in South Africa where we have opened construction sites for all the projects we have been awarded in the third round of auctions.

In North America the spending is connected to the wind development in the region.

The CapEx spent in Europe mainly relates to biomass in Italy.

A closer look to our additions in the period on chart n. 16.

We continue increasing our presence in Latin America including our technological diversification.

We have added a 100MW wind plant in Mexico, Dominica II, and a solar PV plant in Panama. Let me remind you that in the first quarter we had already connected to the grid one wind plant and one solar plant in Chile for a total of 79MW and one wind plant in Mexico, Sureste, for 102MW.

This is in line with our target to reach over 1GW of new additions in 2015 and brings our total installed capacity above 9.9GW.

Including ENEOP, which is already fully operational, our total installed capacity would be 10.4GW. The split is currently underway and is expected to be concluded in the next months. The timeline is delayed versus our assumptions given a longer than planned regulatory clearance.

In terms of production on chart n. 17.

We report a 4% increase in output driven by the contribution of the new installations in the last twelve months almost entirely in the Americas.

In terms of resource, we record: a strong contribution of hydro in South America for 400GWh thanks to improved conditions, the full contribution of our Brazilian assets for 150GWh, and better wind in Rest of Europe, mainly in Romania, for 140GWh.

This has been offset by: lower hydro in Italy for close to 550GWh, given the higher than historical average of last year, and weaker wind resource in Iberia and North America for 700GWh.

Perimeter mainly relates to the sale of our French assets at the end of 2014.

Good operating performance goes also through an effective management of our plants, as shown on chart n. 18.

Investment in state-of-the-art IT systems as well as best practices sharing allow us to optimize the production curve of our plants. We have built an efficient remote monitoring system that tracks in real time the performance of our fleet, globally. Statistical analysis of the data collected allows to implement innovative O&M practices, like predictive maintenance, so to maximize plants availability and reduce costs. We report an availability index above 97% across all the technologies.



On top of this, diversification provides a natural hedge against resource volatility. Hydro is an example. The lower hydro resource recorded this year in Italy has been counterbalanced by a recovery in Latin America, mainly in Panama. The average hydro load factor remained stable above 50% and at group level, for all technologies, we are above 40%.

Production optimization and efficient O&M activities, coupled with economies of scale, underpin cost reduction. In the period, we have reduced OpEx/MW by 2% in real term compared to December last year.

I will now go into a detailed EBITDA analysis, starting with chart n. 19.

The energy margin rises over last year as a combination of: + €73 million of the new installations, - €22 million of resource, slightly improving versus the first quarter this year, and - €38 million of price, mainly due to lower contribution of Italy partially compensated by an improved situation in Spain thanks to the hedging activities implemented in 2014 soon after the enforcement of the new regulation in the country. Overall, the stronger performance of Latin America has almost fully counterbalanced the lower hydro in Italy and wind in North America.

Other revenues of €153 million mostly include the accounting impact of the finalization of the 3Sun acquisition, with €50 million already posted in the first quarter this year, including the €12 million indemnity paid by one of our former partners, and €94 million accounted in the second quarter after the finalization of the purchase price allocation process.

Operating expenses rise by €35 million as a result of the higher capacity in the period.

We also report a positive ForEx contribution of €62 million.

In terms of drivers by business area, on chart n. 20.

Latin America almost doubles its contribution, up 95% on last year, with an EBITDA of €166 million.

This is mainly explained by a strong energy margin of + €80 million thanks to: the higher installed base in Chile and Mexico normalised operating conditions in Panama and the full contribution from the Brazilian assets.

The €23 million rise in OpEx is mainly due to the increase in installed asset base.

We also report a positive ForEx effect of €26 million.

In North America, on chart n. 21.

EBITDA increases by 34% to €194 million.

The energy margin is almost flat. This is a combination of: first, a positive contribution from new capacity, second, a persisting lower wind resource and finally, a weaker price component due to the increased weight of new wind additions.

Other mainly relates to revenues connected to the sale of a few wind projects.

We also report a positive ForEx impact of €36 million.



In Europe, and I am now on chart n. 22.

EBITDA totals €718 million, or +8% vs last year with: Italy at €538 million, or +13% Iberia at €111 million, or -2% Rest of Europe at €69 million, or -7%. Net of the deconsolidation of the French assets, we would have recorded a €9 million increase in EBITDA or +12%.

The positive additional capacity component reflects the increase in geothermal fleet in Italy, where last year we connected Bagnore 4, a 38MW plant, and the contribution from our initial South African operations.

Resource is equal to - €50 million mainly due to lower hydro and wind in Italy and Spain respectively.

The - €24 million price component is mainly explained by: - €38 million in Italy driven by the lower pricing environment, and + €16 million in Spain thanks to the active hedging policy implemented this year.

I have already commented on other revenues that include mainly the accounting impact of the finalization of the 3Sun acquisition.

Our net income in the period, on chart n. 23, is equal to €342 million. Besides the commented increase in EBITDA, we report: first, higher D&As of €105 million. Just half of this is connected to the increase in installed capacity. The remainder is associated to impairments of some projects in the US, of regulatory credits in Spain and of a PV plant in Chile affected by the flood occurred in March. We haven't accounted any compensation we will receive through insurance of losses incurred in the latter case second, better net financials mostly thanks to higher capitalized interest given the higher growth CapEx spending third, lower income from equity investment mainly as a result of the sale of our stake in Lageo fourth, lower taxes mainly due to the cancellation of the Robin Hood Tax in Italy.

Minorities increased on a better performance of Panama.

Turning now to our debt evolution, on chart n. 24.

We report a net financial debt of €7 billion.

On top of the already commented items, we also accounted a negative ForEx effect of over €160 million.

Our net debt/EBITDA ratio is 3.3 times, stable quarter over quarter, while the average maturity remains also unchanged at approximately 6 years.

In terms of structure on chart n. 25.

Our gross debt is equal to €7.9 billion, of which one third is denominated in dollars or other currencies.

We are progressively increasing the weight of debt denominated in currencies other than euros to finance our growth outside Europe and to mitigate the foreign exchange risk through natural hedge deriving from the balance between assets and liabilities.

We have slightly increased the floating portion, to 35%, in order to optimize our debt structure leveraging on current low interest rate environment.

Moving to the current status of our forward sales, on chart n. 26.



In Italy we have hedged 91% of 2015 at an overall price of €80/MWh and 48% of 2016 at an overall price of €106. The corresponding conventional energy component is €55 in 2015 and €48 in 2016.

As for Spain, the merchant production is 75% hedged in 2015 at an average price of €46/MWh. For 2016, in line with our strategy to gradually reach the optimal coverage, we have hedged 31% of our production at an average price of €48/MWh. We will further progress over the year to reach the same level as in 2015.

In Latin America we have covered 96% in 2015 and 91% in 2016 at an average price above \$90/MWh for 2015 and 2016.

Finally, in North America we have covered 91% both in 2015 and 2016 at an average price of \$45/MWh in 2015 and \$43/MWh in 2016.

Before handing over to Francesco for the closing remarks, let me spend few words on the high quality of our portfolio of PPAs, on chart n. 27.

We have optimally structured the organization to prevent potential losses deriving from offtakers' lack of liquidity or defaults.

This is carried out through a well established framework of sales governance and credit risk management practices.

We screen each counterparty prior to entering into long-term PPAs or other commercial transactions. We assign an internal rating, supplemented, when available, with data from credit rating agencies. The result is a high quality portfolio.

We manage the portfolio dynamically, running periodical assessments to prevent any possible issue.

Its geographical and counterparty breakdown is well diversified.

In principle, new PPAs have a 20 to 25 year duration. Currently, 96% of our agreements have an average remaining life of over 10 years.

Let me now hand over to Francesco.

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**Francesco Venturini** *Enel Green Power SpA – CEO*

Today we have laid out in a very granular way that we can grow more than we have done in the past since we have a wide array of options to choose from. This preserves our return spreads and positions us as an accretive CapEx player.

This is possible thanks to our business development and industrial capabilities that are allowing us to be a reference player in the sector.

We can grow significantly, since we can rely on a robust cash-flow generated from operations we have built globally and this positions us strongly among other operators. Investing such cash in new builds gives us the possibility to enlarge our business operations and counterbalances headwinds in markets where regulation or pricing have altered the original profitability of our assets.

We actively manage our portfolio of assets to accommodate strategic changes and we also look carefully at selective acquisitions which create value or serve as a tool to set foot in new geographies.



Our set of interim results is solid on the back of our growing operations outside Europe, proving once again that these are sound markets and that the pursuit of diversification is the winning strategy.

Thank you for your attention. We would be now happy to take your questions.

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## Question and Answer

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**Monica Girardi** *Barclays - Analyst*

Hello, good evening, everybody. I have a few questions, actually. The first question is related to the full-year targets of EBITDA €1.8 billion. I was wondering if you can just clarify, and it's not clear to me if the contribution of other revenues, particularly 3Sun, is included into that target or not. And if not, can you just drive? It seems to me that your operating underlying evolution of drivers is going to be weaker than what you had expected in? What you had last year. So I was wondering if you can just drive us through the operating drivers that you can see in the second half, including capacity, which seems? Because it seems to me that a full-year target is lower than what you can realistically achieve.

The second question is on the Italian market. Sorry to go back to the same question again and again. You were talking about the de-neutralization of the exposure to the full price in Italy at your Investor Day. I think Giulio was kind of saying that that was not the right moment to do that. I was wondering if in the meantime, given the size, if you had changed your mind and if you are working to get a solution there.

The third question is on the IRRs. If you can just provide us an idea of? On achieved, at least on an achieved capacity, the capacity addition that you mentioned on slide 16. If you can just give us an idea of what's the IRR that you got there?

The last question, I promise, is on working capital. Giulio, can you just drive us through the movements in working capital in the next quarter just to give us an idea of what's going to be the closure. Thank you.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Just a few questions. I'll go with the? I think that you were asking if we could expect the number two more megawatts sealed in by the end of the year than what originally planned. Is that the question?

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**Monica Girardi** *Barclays - Analyst*

Yes, and also the impact on the underlying operating performance in the second half. If it's on track with the target or if it's actually going into the target's going to be too conservative?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Okay. Our expectation is to get to the 1 gigawatt at least by the end of the year in terms of megawatts installed. We could theoretically be slightly above the number, but right now our target is the 1 gigawatt that we promised to build. Obviously you need to add to this the almost 400 megawatts that you have in Portugal that if things go in the way they're supposed to go, they would just enter and then exit in a few weeks or a month later.



Operating wise, we are totally on track in terms of OpEx. Actually I think that OpEx wise this is going to be a very extremely good year. I think we have done a terrible job to keep reducing costs all over the places. The indicator that is more commonly used, or more commonly used lately here in Enel is the cash costs.

So looking at OpEx and looking at the same time at maintenance CapEx, I think that this year we are going to definitely over perform, especially if you look at previous years. A lot of stuff has been done and then more and more stuff is in the pipeline to be deployed in our plants. And I think that we will be able to discuss about this during the presentation of our next business plan in more detail.

So my expectation again is at minimum to one gigawatt and operating wise I think that we are definitely over performing, especially if compared to previous years. I'm honestly very happy at what we're doing.

IRR wise, you were asking about what we are? If I understood the question, is what the average IRR is going to be for the second half. I exploit the question, pointing out essentially two things. Number one, is I think that the average IRR that you will see coming up in the next half is going to be above 10%. And the reason why it is around that range is because there is a lot of new installed capacity in the US. I believe that we are probably one of the best performers in terms of IRR for US projects still and it is my assumption that we will keep being. Our development team in the US is absolutely fantastic. So, but again, the levered return in the US is likely, in our case at least, below the 10% mark. If you add to this the fact that we are installing capacity also in Latin America, the average should be around 10% or slightly above. This is the first thing.

The second thing I'd like to point out is, during the Investor Day we were talking about the fact that and going back and looking at what we have done with not so much with installed capacity, but averaging out the new capacity with the capacity, let us call it the legacy capacity. Our average IRR was slightly above 9%. I can honestly say that we are looking at new investments and I'm talking about in euro. We will keep performing above that number. My expectation is to see this company and to keep installing capacity in average between 9% and 10% worldwide in euros. And I think that the big thing is that even with generally lower interest rates this is a constant result that we keep seeing coming out of our pipeline.

One of the five or six questions that you had was regarding, if I'm not mistaken, about the exposure in Italy and the potential, how we could reduce that exposure. As you know, because we have been talking about this with most of you on the other side of the phone, we keep working on this. And again, the reason why it hasn't been done, as you know, probably a lot of you know that we were looking at an intercompany transaction to do this, is we need to be, to make sure what we're doing is correct for both counterparts.

So it's a little bit more difficult than what I initially thought. But again, it's something that we're still working on. Let's see how it goes. My previous forecast was that by the beginning of fall, we could have something done that made some sense. Let's see.

There were another couple of questions. One was working capital and the other thing was the EBITDA.

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**Giulio Carone** *Enel Green Power SpA - CFO*

Going to your first question, Monica, obviously we have included in our estimate, when we prepared our business plan only what we knew at the moment. And what we knew was let me say more or less around €70 million of potential impact on our P&L. All the other evaluation has been done after the acquisition and for this reason hasn't been included in our original estimation.

To complement the question about the Italian market, we have introduced a representation of our new hedging strategy. We are following that strategy in our daily operation. We have used our hedging and we are, let me say, not targeting the same amount as in the past of 80%, 85% of hedging. And we'll accelerate hedging of only if there will be the potential opportunity to do it.



Looking to the net working capital evolution, obviously this is, let me say, the usual trend. I think is the fourth or at least the third year so that we have this net working capital evolution. As is usual, I expect to recover this increase in net working capital by the end of the year as in the same amount of what we did in 2013 and 2014. For this reason, I plan that we can go around minus €100 million in terms of net working capital in comparison to the €400 million that we have recorded in this half of the year.

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**Cosma Panzacchi** *Sanford C. Bernstein & Company – Analyst*

Hi, good evening and thank you for taking my questions. I have three questions here regarding your opportunities going forward. Starting with the opportunities in Italy, you have talked about an opportunistic approach to create value and I wonder if within this opportunistic approach you are also considering buying a secondhand solar plants in Italy. And in particular, if you are considering that, if this would be part of your potential partnership with F2i going forward? And if yes, if that would represent an upside compared to your current plan.

My second question again is on additional opportunities in Italy. So we have seen that you have started investing in biomass. If I read the draft Green Act by the Renzi government right now, there is clearly an additional opportunity on formal sugar refineries to be converted in biomass power plants. And I don't see that in your plan while clearly the Enel Group has an agreement with the Maccaferri Group, which might be exploited to this end. So I was wondering if the Green Act gets approved as it is, would that again, be an additional upside to your current plan? And if yes, what could be the estimate of the impact?

And then finally I have a final question on your international plan and in particular regarding Brazil, which is clearly still a crucial part of your asset portfolio and if I look at the plan for next tenders, will also continue to play a key role in the growth. However, because you insist on your strict returns criteria, I wonder what do you think of the interview of the head of ABEEólica who said last week that the ceiling price of \$61 per megawatt hour for the new tenders is actually unattractive. Do you agree with the head of the Brazilian wind association? And if not, why? And if yes, does it mean that Enel Green Power will not participate in the next tenders in Brazil?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Let me start with opportunistic opportunities. You were focusing on Italy, but it's my priority to tell you that and probably the reason is because of my background, that we're not focusing our attention on Italy only. I honestly believe that if you are able to do it in the right way, so buy low and sell high, there are tons of opportunities in this business that can be exploited.

Obviously, I mean it's not a big chunk of what we do, but as you can see, and probably as you have noticed in the past three or four years, has been a constant growing part of the business. And I honestly believe that it's going to keep growing together with our portfolio assets.

I have to say that we make money, we make money through development activities. Greenfield is where you make money. The buying assets just for buying assets, I love when I hear some of our competitors saying now we are the greatest solar IPP in country X. I just don't get it. I don't see where the value is when you're just buying to try to save a few bucks in O&M costs.

But there are other opportunistic ways of making money. I believe that solar plants in Italy is one in the list. Not very many players I believe can do what we plan to do for many reasons that I'm not going to list here, because otherwise people are going to start thinking about what we're going to do. But it's really a potential. Are these upside in our



current business plans? Absolutely not. In our current business plans there are not eventual potential extraordinary gains from sales of assets and there are no? That is it's not accounted for any opportunistic M&A opportunity.

Biomass, sugar refineries is, in fact, this is what we consider a greenfield development and is partially included in our business plan. Actually one of the biomass plants that we are building right now and we expect to see the COD by the end of the year is part of the pack.

International, Brazil. I believe that they screwed up, to put it bluntly. They came out with a ceiling price for wind that didn't make any sense. So my expectation is that not very many players are going to show up at the tender. But they correct their aim with the cap price for solar that came out a week later.

So, if I look at Brazil right now wind wise, the next tender in August is not making so much sense. If I look at PV, I think that there are still great opportunities there. In general does my comment regarding Brazil and other, how should I put it, economies with high volatility is the fact that we are a long-term investor.

So, in my career I lived in Brazil in 1996-1998. It was such exactly the same thing. Economy going up and then economy going down. The big difference between now and 20 years ago is that I believe that there is a much bigger middle class in all these countries, not just in Brazil. And they don't want to give up. I mean you see the wind of change in how they're trying to change things in their country right now, fighting against corruption, which is an endemic problem. Not just in Italy, but also in other countries as well.

So, for wind, no. I doubt that we will participate to that tender, but solar wise I think that the ceiling price makes some sense and potentially we would be very active in that tender.

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**Javier Suarez** *Mediobanca - Analyst*

Hi, good evening to everyone. Three questions on my side. The first one is on the slide number 18. As you have shown quite of a remarkable decrease on the OpEx per megawatt hour, can you guide us through the reasons why this OpEx reduction has been so significant and what we can achieve in terms of OpEx reduction through your business plan?

Then the second question is on the match in between the cash flows the debt financing that the CFO has highlighted. I'm trying to assume that, because of the fact that the Company is basically investing on emerging market, we should see an increase in the cost of debt of the Company that I guess should be quite sizable in terms, because the Company needs to match the cash flow generation with the debt financing. Is this a fair statement?

And the third question is on the level of debt that the Company feels is sustainable going forward. We see the Company as 3.3 times net debt to EBITDA. Does the Company feel that at this level and that the Company needs to maintain or this could be considered hard to be increased? And related to that, we have seen several of your peers considering the list of Yieldcos as a way to accelerate CapEx. How the Company does see this Yieldcos evolution?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Can you just repeat question number two? Because I'm not sure I understood it.



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**Javier Suarez** *Mediobanca - Analyst*

The question number two is on the matching between the cash flow generation and the debt financing that obviously you are investing in emerging market and your debt financing and the financing of these projects should be matching the cash flow generation that you get. So is it a fair assumption to make that the percentage of debt financing that you get in currency is different on the euro and the US dollar is going to go on the way up.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

That's an easy question, yes. What we're working right now is to try to match as much as possible and as quick as possible. And we are also... Again, in this business, I keep repeating this, there are four components. Cost of capital, O&M, BOP and cost of equipment. But there's a fifth one, which is the cost of BD, but relatively it is more compared to the other ones.

For us, cost of capital is internal a priority. We've been focusing on the costs in general very much in the past four months and one of the theories that we have been working on is, obviously, to try to match as much as we can the two currencies. So revenues or cash outflows with the debt that we need to incur to build these plants.

Just to clarify something, because I believe it's important, though. When we tell you that our counterparts and the PPAs are number one counterparts, it's not just debt. I mean most of the PPAs are either dollar or mostly a dollar linked. I was going to dollar or euro, but mostly are dollar linked PPAs or they are inflation linked PPAs or they're both dollar and inflation linked PPAs. So it's true that you need to match and it's absolutely true that I believe that we need to do a better job in doing that. At the same time, don't forget that the cash inflows very often are linked to strong currency.

Regarding the OpEx target, look, I mean we are... I think that again, I'd like to repeat this. I mean we are killing ourselves to beat everybody. And this is not just a matter of carrying expenses. It's just a matter of committing the right way. I think that when you guys look at OpEx, especially O&M OpEx you need to match O&M OpEx with the availability of our plant. And we run a very high availability. So I mean that's a skill because carrying OpEx is very easy, you just don't spend money. But then you need to match this with the level of availability that we have. And it's impressively high.

OpEx targets wise, I mean we just for now confirmed the target that we present in our plan. And then we will see from...If we will revise them again in the next plan. I'm pretty confident that we're going to be able to show you that we have done better than what we forecasted and that we will challenge ourselves in lowering OpEx and at the same time growing in availability in the next plan again.

Debt level. This is the question that? it's the question of every quarter. I strongly believe, and I think that many of you do, that I mean with the current level of interest rates, the debt level that we are showing here is not, it's totally sustainable actually. We probably should use leverage even more right now, but at the same time, we are a utility. We like to be conservative and we don't like to be excessively exposed debt wise.

So again, and I keep repeating this? I think that 4 times EBITDA level is still something that is totally sustainable by this Company. But the current plan, what the current plan does is foreseeing disposals in an accretive way in such a way that we keep it down to a 3.5 times EBITDA. But again, right now with the current situation, I honestly believe that we could leverage more.



My opinion about the yieldcos is, there are good yieldcos or bad yieldcos. The yieldco model is something that we could in theory deploy in the US, but I'm not sure exactly why we would need it at least right now. I haven't found any reason for doing this yet. Again, in Europe I don't see it happening. In the US, is a completely different scheme. There are a lot of questions for how long it's going to last. But again, I don't have anything against the model. I have probably something to say against who uses it to an extreme and when you have a Company that is able to make an acquisition every week for \$1 billion or more dollars, and in every possible sector and every possible business, every possible country. I wonder how they manage all that.

And then there are yieldcos that are doing the job, like they used to do before. Just doing it right works. So until the interest rates are so low, probably makes sense. Then when they're going to up, I mean it's going to be a different question and they will have to manage. That's different instrument, no big instrument. I don't think that we are in that bunch for the simple reason that we have many more development capabilities than these guys.

Again, I don't see the reason for doing it that at least right now. I would just add another public vehicle to the Enel Group and that's probably not something that makes some sense.

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**Hugo Liebaert** *UBS - Analyst*

Yes, hi, thanks for taking my questions. Three questions on my side. First question is about the non-recurring elements. Could you maybe just briefly give us a quick overview of what are the key one-off that you saw over H1? I understand there's a €130 million one-off positive at EBITDA level from the 3Sun deal. Can you maybe comment on the other elements as well?

And second question is about the potential expenses that we see that are substantially lower versus last year with in parallel roughly comparable increase in financial expenses? What exactly is that and what portion of that is recurring?

And the third question is just going back to your Investor Day guidance; I think you mentioned the CapEx pool over 2015 to 2019 of €8.8 billion over five years. And in parallel you mentioned the €900 million EBITDA growth targets to be derived from that CapEx over 2016 to 2019. So over only four years. Do we need to make an upward adjustment to that EBITDA target to make these periods comparable? And if yes, what would be the impact in terms of returns that you expect?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Okay. To be totally honest with you I heard probably half of the words that were going through the wire. So let me try to see if I understood. Number one is non-recurring items, what are they in our current P&L?

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**Hugo Liebaert** *UBS - Analyst*

Yes.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

The second one you were talking about expenses, but I'm not sure exactly what you were referring to?



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**Hugo Liebaert** *UBS - Analyst*

Financial expenses, they were substantially lower than same period last year, or in parallel an increase in derivative expenses.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Okay. And then the €8.8 billion of CapEx and the question was related to EBITDA?

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**Hugo Liebaert** *UBS - Analyst*

Exactly. You mentioned €8.8 billion growth CapEx to over 2015 to 2019, so five years of growth. And in parallel you mentioned €900 million EBITDA growth from that CapEx over 2016 to 2019, so only four years. So do I need to make an upward adjustment to that EBITDA target to make these two periods comparable?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Yes. Sorry, I mean, just like that. In the EBITDA from 2015 to 2019 the current plan is we were talking about the €900 million in reality needs to adjust adding 2015. And if I'm not mistaken, the total was €1.1 billion in total. So you need to add to the 2019, for the EBITDA number, the 2015.

The expenses financials, I believe that they are not non-recurring item I will leave it to Giulio. I just want to make sure that it's understood one thing here. And it's going to be more and more of this, so either we clarify ourselves or we're going to have a problem in the next phone call.

Yes, some of these are non-recurring items or you can define them as non-recurring items. But they're going to be recurring to me. So you're going to see them every single freaking quarter because that's what we do. So it's one of the three legs. I'm going to do more and more of this and I'm going to make money out of it. So just to be clear.

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**Giulio Carone** *Enel Green Power SpA - CFO*

In defense and I support Francesco in his interpretation, the only non-recurring item that we have recorded in the first half of 2015 is the 3Sun consolidation. And if you want, we have recorded all over €150 million of 3Sun, which it is €70 million were included in our estimation for the year 2015 and the other were not possible to be estimated.

Going to the financial expenses, it's true, we have a number that is lower than the year 2014, but it's also true that we have the possibility now given the large number of projects that are under construction to increase the capitalization of the financial expenses. That and the end we had capitalized nearly €20 million more than the previous year. And that's the main explanation for this reduction in financial expenses.



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**Mehul Mahatma** *Berenberg – Analyst*

Hi there. Good evening. I only have one question and it's about FX. How do you protect yourself against a devaluation of the South African rand? And how do you take that risk into account into your project hurdle rates?

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**Giulio Carone** *Enel Green Power SpA - CFO*

Okay. We are using a strategy that is, I may say, that is replicated also in Brazil and we shall, let me say, the two countries, which we have money that is not linked. They're not directly linked to US dollar or to euro, which is let me say a very simple strategy. We create a current balance sheet in which assets and liabilities are denominated in the same currency.

In many countries, and Francesco has already told you that all the PPAs are inflation linked for this reason. Let me say that some of inflationary PPAs fund, in local currency and the valuation of the project in the currency that we are using to build and operate this project, create the current environment in which we can protect the investment.

Obviously we always say on this topic that we are protecting the profitability of the project because we create a triple link between the cash inflow and cash outflows. We can't protect the translation risk. For this reason we for sure it would have a positive or negative impact when we consolidate and translate the rand or the Brazilian or the US dollar in euro. But by chance this first half of the year, we have recorded a positive translation effect and we have accounted a very important support from this effect on our EBITDA.

But in the end, we look at the project profitability, we want to protect project profitability and for this reason the main instrument is to fund the project in the currency of the cash inflows, or the future cash inflows. And we exploit also the possibility to have in many countries, if not all the countries, inflation linked PPAs.

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**Anna Maria Scaglia** *Morgan Stanley – Analyst*

Hi. Good afternoon, everyone. Two questions for me. The first one is relating to your EBITDA target for the year of €1.8 billion. Given you have €80 million more of one-off on non-recurring than what you are expecting, is this implies upside risk to your guidance? Or are you still confident for that so why you're not changing this? Is anything performing worse than what you expected?

Secondly can you explain to me the €24 million that you report in the US, say one-off? Why do you don't consider this non-recurring? Is it because this is the third leg of the strategy going forward?

Therefore, following on that, on your EBITDA targets for the following years, are you already including proceeds from disposals or this should be on top and therefore an edge on the performance of the operating businesses?

And the last on G&A, can you please quantify the write-downs for you as in the line? I guess you cannot give, have visibility for the rest of the year otherwise you would have written-down further assets, but was this not in your original guidance so do this two affect the G&A and the one-off in EBITDA offset each other, therefore your EBITDA almost unchanged?



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**Francesco Venturini** *Enel Green Power SpA - CEO*

So Anna Maria, you said two questions, I counted four. But we should be okay. So EBITDA for the, let me, okay let's start from number three, which I believe is very much related to number one. In the plan and in the future plans, you will not see any extraordinary earnings from disposals. Or let's say active portfolio management. We have absolutely nothing regarding Portugal, for example, or any other disposal that we have right now in the plant included in our numbers. And we're never going to put them in because again you never know how it goes and we don't want to account for it.

So for year-end, no, there is in the guidance no more one-offs. That doesn't mean that you're not going to have more one-offs. They are not included in the big number. So I think the €20 million regarding the USA is just what we mentioned it. We created, we generated almost I would say it was total of more than 1.5 gigawatts of PPAs in the United States for this round of PTCs. Some of these projects though were not meeting our return thresholds. And we sold them. We sold them and we sold them for a very nice price because our people who are able, probably better than us to exploit their tax appetite and/or they have just lowered return thresholds. And that's what it is. And in the US it's just trading projects better, generating new projects, getting PPA, and then selling them because we're not making enough money out of them.

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**Giulio Carone** *Enel Green Power SpA - CFO*

Anna Maria, starting from what we accounted in the first half of the year, I have already clarified, but it's important to repeat again. We have accounted €54 million of impairment in the first half of the year due to the devaluation of some regulatory credit in Spain. The problem of a PV plant in Chile that was affected by the flood and the other are associated to some specific project in North America. Overall this accounted for €54 million.

If you eliminate this from the G&A, you can more or less make a consideration for the G&A of the total year debt, including again these could bring to a number that is €850 million of G&A. I repeat again, including this €54 million.

Obviously we can't anticipate now, we can't evaluate it now if there would be more impairment in the future, but this is simply a linear projection including also the deployment of new capacity in the following months.

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**Enrico Bartoli** *MainFirst - Analyst*

Hi, good evening. A couple of questions I'll ask, please. First of all, back on the one-off, the ones related to 3Sun and the €24 million. Could you guide us on the tax treatment on these items, in order to be able to calculate some adjustment at the bottom-line?

And again on the tax rate, it was according to my calculation very low in the second quarter, around 17% if I'm right. Could you elaborate a bit on the reason for that and on what we can expect for the full-year?

And lastly, if you can give us a guidance on net debt that you expect at the end of the year.



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**Giulio Carone** *Enel Green Power SpA - CFO*

Hi, Enrico. First of all, the one-off of 3Sun was neutral from the tax standpoint and this is one of the reason why you see a very, very low tax rate.

On an overall basis, if you look to a normally you can expect a tax rate that can in the range of 34% to 35%, excluding these items that in any case it's something different. The American one are completely taxable items for this reason. No, the real impact for debt.

Going to net debt estimate, we can confirm what we anticipated in the last quarter. We expect a net debt without taking account to the impact of the potential sales of Portugal in the range of €7.3 billion to €7.5 billion at the end of the year.

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**Dario Carradori** *Goldman Sachs - Analyst*

Yes. Good evening. Just a couple of questions. First of all on the potential disposals. As you have received strong interest for the Portuguese assets, I'm just wondering whether you are trying to accelerate disposal to take advantage of the current valuations and investor interest and on this basis, whether we can expect further disposals in 2016.

And secondly, just to clarify on the full-year guidance, and sorry to go back to this point, but as you have recorded more let's say other revenues in the first half of the year, is it correct that we should be closer to €1.9 billion for full-year 2015?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

I'm not sure if I understood the question. You're asking if it's not the case of accelerating the disposal and close it by year-end, or you were asking if there are other disposals that we are planning to do in 2015?

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**Dario Carradori** *Goldman Sachs - Analyst*

I'm referring to other disposals that you could do in addition to Portugal. Maybe not in 2015, but in 2016 and whether you see any opportunity.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Yes, I mean I honestly believe that this is something that has potential. Again, if people, we discuss this every quarter, but if there are other investors who are looking at your assets with a different set of eyes, and they are available in paying a premium to you, because of the fact that it's now a mature technology, that the assets have been proved in the right way that they're essentially operating assets and they're good assets, and you can make a premium out of the disposal, why not? Do I have any specific portfolio of assets right now in mind for 2016? Absolutely not.

We are working on it, I mean. And working on it means that's essentially monitoring every single market right now to look at M&A opportunities. Not just Europe, all over the place and God only knows, I mean this is the profit



environment. Again I believe that if there are people who are willing to pay \$2.1 million per megawatt in the US, I mean they should buy also your assets. But we'll see.

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**Giulio Carone** *Enel Green Power SpA - CFO*

Going to your question about the guidance, I can only confirm that we are committed to reach our target and that's all. No more than that. At least for now.

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**Antonella Bianchessi** *Citigroup – Analyst*

Yes. I have only two small questions. The first question is on your slide number 4. You're talking about the dividends and other over the next five years in the region of €1 billion. I guess this includes also dividends to minority, so shall we deduct that the dividend is going to remain and let's say you won't even decline compared to current level? All this compared with the earnings dynamic of the Company.

The second question is if you can give us a little bit of indication about the expiry of your incentive in Italy. If you can give us a timing of when they would expire over the next, let's say, five to ten years?

And last, on your EBITDA guidance for 2015, if you confirm the guidance, even adjusting for the non-recurring means that the second half you're going to make a ton you expect something like €800 million, which is below even lack of, always adjusting for non-recurring compared to last year. Also this semester net of exchange rate and non-recurring is below, so should we expect this trend to continue in the long run?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Okay. So, regarding the dividends, apology because I think this is the question Antonella, tell me some more. No, we don't envision any change in policy right now. And as far as I'm concerned, I mean this is going to be our position at least until the next business plan and then we'll see. But I mean honestly speaking, that's where it stays for now.

Green Certificates, why is? I don't have the numbers, I guess, because I think that's what you're talking about.

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**Antonella Bianchessi** *Citigroup – Analyst*

Yes.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Again that's a wild guess. I don't have the numbers here, but we can definitely follow-up with you later. I believe that with what we are also doing in terms of planning to do, again, we call it asset optimization. This will bring in definitely more support to our P&L in the future, which again is not included in our numbers right now.

Regarding the expiration of the subsidies it's something that probably we need to give to you later. I don't have the numbers here. I don't remember the third question.



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**Giulio Carone** *Enel Green Power SpA - CFO*

On the Green Certificates Antonella, give us a minute, we will answer maybe during this conference call later.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Okay, what was the third question? I don't remember.

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**Antonella Bianchessi** *Citigroup – Analyst*

Yeah, my point was on the EPS. I mean if the dividends, including dividends to minority shareholders remains flat, that doesn't mean that the net profits is expected to remain flat. Is your business plan implying a flattish net profit over the next five years?

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**Giulio Carone** *Enel Green Power SpA - CFO*

The net profit is expected to grow obviously during the period. Looking at the minorities, we have to take in account two main. The main point, the only main big difference, not two, but only one, is that starting from 2015 we will start paying interest to our partner in North America. All the other items will remain stable because the other big minority is Panama.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

And I'll rephrase if for my own benefit, no, the net income is not supposed to be, it's not going to be flat in the next five years. Although obviously keep investing in the next five years means also additional depreciation of our assets. So you always need to look at this business as you well know in the long-term. And the reason that we are keeping investing, obviously this has an impact on the G&A number. But net profit wise, trust me, it's not going to be flat.

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**Roberto Letizia** *Equita SIM – Analyst*

Yes, good evening. Sorry, almost everyone made a question on the EBITDA guidance, so I will also make the same and the clarification. And I know you don't want to provide a new figure, but at least can you help me to understand if I composed the picture correctly.

So you have a €1.8 billion of guidance for the EBITDA. This should be presumably be adjusted for around €70 million to €75 million of one-off that were not initially included, as Giulio said at the beginning, in the guidance. But then we probably have to adjust this number, subtracting the expected contribution of ENEOP that probably will no longer contribute as initially expected because of the timing and the decision of making it on sales. And so can you tell me if this way of looking at is correct? And what was the original expected contribution of ENEOP in the €1.8 billion figure?

And then I would like to go on Antonella's question on the net income decrease is also one of my main concerns. And I would like to understand if you want to consider at a certain point in time, maybe next strategic presentation in November from Enel to provide a guidance on the net income because one of the most upsetting things of Enel Green Power is the revision of the consensus at net income level in the last 15 months. And it is actually continuing.



So actually the whole financial community made a very big mistake, and me included of course, in forecasting the net income. And while you have adjusted the expectations on the EBITDA guidance, as is now the consensus conditions have ended, actually I think a lot of mistakes still persist in the net income. So can you provide an indication on net income in order to make the estimate correctly focus on the right things of Enel Green Power and not still being upset by the downward revision of earnings?

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**Giulio Carone** *Enel Green Power SpA - CFO*

Yes, starting from your first question, obviously your way of calculating the result of the year 2015 is correct. We have expected to start consolidating ENEOP in the first month of 2015. This is what happening and clearly this is affecting our EBITDA.

This could have an impact of around €50 million to €70 million on a full-year basis if the process delays farther. And for this reason, you can let me say add these to the positive contribution as a negative component to the positive contribution of the increase in the 3Sun contribution.

On the other hand, we take your suggestion. I think that we will increase the level of communication regarding our result in the next presentation and given the fact that the next presentation will be in perhaps November, that will be the right moment to add all this information to our communication. This is only an interim result communication.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Now we know you, Roberto, we know that you're fairly good at calculating anyway, so.

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**Giulio Carone** *Enel Green Power SpA - CFO*

I can answer now to Antonella regarding the Green Certificates. We have an average residual life for our Green Certificates of seven years. But the evolution is such that we will decrease the number of Green Certificates starting from 3.2 in the year 2016 to 2.8, 2.5, 2.3 going down to 2.2 in the year 2019. This is due to, let me say, the start when, sorry, the year 2020, sorry. The year 2020. I repeat it. 3.2 to 2016, 2.8 in 2017, 2.5 in the year 2018, 2.3 in the year 2019 and 2.2 in the year 2020.

And this is linked to the fact that we have the right get a Green Certificates for 15 years and this is linked to the expiration of each right for all the plants we have in our portfolio.

Obviously this effect that is linked to the current fleet will be partially compensated by a new development that we will run during the period that could add some number to this. Obviously this will not change the trend, it will remain. It is what I have illustrated.

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**Pinaki Das** *Bank of America Merrill Lynch - Analyst*

Thank you, guys. Actually I had a question on the guidance, but I think it's been mostly uncertain. There have been a number of questions. But I would still say that actually your answers are very big on the guidance. I don't think we are clear at all what the €1.8 billion includes and what the €1.8 billion should be considering, you've got more one-off and you probably will have to exclude any up from it. So, I don't think most of them, I mean I'm getting my view instead, I didn't come off feeling as if I know the answer to your €1.8 billion guidance?



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**Francesco Venturini** *Enel Green Power SpA - CEO*

Can I try to answer the question? The €1.8 billion was not including about €70 million of the 3Sun transaction. But at the same time, was including most of the €60 million of EBITDA that we were considering for the full-year 2015 for the consolidation of ENEOP. Which means substantially that the more time the Authority is going to take to provide the okay to allow the split, the more of the €60 million you will have to include to detract from the €1.8 billion.

Net, net, I think that, if you net the two amounts, we are talking about peanuts in terms of EBITDA guidance because the €1.8 billion is enough, is big enough to offset each other.

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**Pinaki Das** *Bank of America Merrill Lynch - Analyst*

Okay. Is it fair enough to say that you included €70 million in the €1.8 billion? You knew that €70 million was a one-off for the underlying number. If you exclude the one-off, your underlying earnings should be around €1.73 billion? Is that a fair way to look at it if I exclude 3Sun as a one-off?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

You may look at it in that way. I mean it is actually €1.8 billion less €70 million. But then again, you need to add back the ENEOP EBITDA.

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**Pinaki Das** *Bank of America Merrill Lynch - Analyst*

The €1.8 billion already included ENEOP, right and you also said I think that €70 million of one?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

It included it, but it's not in our numbers. So I mean if you like to play with the two numbers, you need to subtract the €70 million from the €1.8 billion, assuming that €1.8 billion is...

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**Pinaki Das** *Bank of America Merrill Lynch - Analyst*

But the way I'm looking at it is, you've got €1.8 billion, you subtract the €150 million on one-off that you already reported in H1.

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**Francesco Venturini** *Enel Green Power SpA - CEO*

No, you're subtracting too much. Of the €150 million, about the €70, I don't know, €70 million was already included in our projection.

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**Pinaki Das** *Bank of America Merrill Lynch - Analyst*

Yeah and another €60 million was already included of ENEOP, so ENEOP can happen either way, but what I'm saying is that excluding ENEOP, your underlying guidance, back when you gave the guidance of €1.8 billion, included a €70 million one-off, so down the line number of € 1.73 billion at that point?

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**Francesco Venturini** *Enel Green Power SpA - CEO*

Yes.

I think to be done with the question's answer, yes.

I think we are done. And again, I think that we have closed a great semester. My expectation is to see the next semester to look as good. So thank you very much for being with us today and we'll talk to you soon. Thank you.