



Transcript
9M 2015 consolidated results
November 13, 2015



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Presentation

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

Good morning ladies and gentlemen. My name is Donatella Izzo and I am the Head of Investor Relations at Enel Green Power.

Welcome to our conference call on EGP's 9M 2015 results that will be hosted by our Chief Executive Officer, Mr. Francesco Venturini, and our Chief Financial Officer, Mr. Giulio Carone.

Let me remind you that we will present a business plan update next Wednesday, on November 18, during the Capital Markets Day organized by the Enel Group in London. I would therefore kindly ask you to concentrate the Q&A session on the 9M 2015 results.

Let me now hand over to Mr. Venturini.

Francesco Venturini *Enel Green Power SpA - CEO*

Thank you Donatella and good morning ladies and gentlemen.

Let me start with the highlights of the period, on chart n. 2.

Between December 2014 and September of this year, we have been able to successfully exit countries in which the strategic fit has changed over time. We have also pursued value creative non-organic growth opportunities when options arose or to accelerate our entry into new markets.

The most recent transaction is Portugal, where during the third quarter, we have signed a binding agreement to sale our entire wind portfolio leveraging on investors strong appetite for renewable assets. I will be more specific about this operation in a minute.

Earlier this year, we have also sold a minority stake in a diversified portfolio of operating assets in the US, setting up a strategic partnership with an important industrial player in the country, General Electric. At the end of 2014, we also closed two significant operations exiting from France and El Salvador.



All these transactions allowed us to raise approximately €1.8bn in less than a year.

Meanwhile we also pursued value creative consolidation options, either to quickly set foot in a new country, as in the case of India, or to take advantage of a very specific market momentum, as in the case of the solar sector in Italy.

Going into details, on slide n.3.

During our Capital Markets Day we announced our willingness to sell the wind portfolio in Portugal as we do not see any further relevant development in the country in the short term.

Following the split of the ENEOP consortium finalized at the end of September, we have taken ownership of six additional wind farms reaching an overall net installed capacity of more than 600MW in the country.

Leveraging on the strong demand for renewable assets in a mature market, we have signed an agreement with an infrastructural fund, First State Wind Energy Investments, for the sale of our entire fleet for a total consideration of €900m.

Valuation is in the upper range for comparable transactions, with a 9.3x EV/EBITDA multiple and a €1.4m/MW.

After France last year, the sale of our Portuguese assets marks another clear success in delivering on our strategy to adapt our portfolio to a fast changing environment by monetizing future cash-flow on operating assets or by capturing non-organic growth opportunities.

Within this framework, we have also entered into new countries as in the case of India, on slide n.4.

In May, as part of our strategy, we announced the willingness to broaden our international footprint by expanding into new markets, including countries in the Asia-Pacific region. Among those, India is well positioned owing to its high population and economic growth. In addition, the government is planning to increase considerably its renewable installed base, adding 175GW by 2022 with a target of 100GW in solar and 60GW in wind, up from around 4GW of solar and about 23GW of wind today.

We have chosen to respond to this market opportunity, through the acquisition of a local player, Bharat Light Power, an Independent Power Producer with a portfolio of 172MW of wind assets already in operation, a geographically diversified pipeline of wind projects at different stages and a large phase zero pipeline. Its established market position, consolidated expertise and market knowledge combined with strong development prospects bode well for our growth strategy.

The BLP team, with its expertise and market knowledge in wind and PV technology will give us a competitive edge in expanding in the market.

Moreover, we will take part in the regulatory debate expected to take place in the country, which will be necessary to support the growth of the installed base targeted by the government.

As in the case of South Africa for the African continent, we believe that India can be a solid gateway for potential further developments into the Asia-Pacific region.

To conclude on our portfolio management activities during the period on slide n.5.

We have just closed an agreement with F2i, the largest Italian closed-end investment fund, to take advantage of the consolidation currently under way in the Italian PV market.

We will do so by aggregating operating PV solar plants owned by different financial institutions and private operators.



Our active role in the joint venture will leverage on: reducing operating expenses by implementing the programs already in place for existing PV plants; optimizing energy management; optimizing debt to seize new financing opportunities in a low interest rate market.

We also have an option to acquire an additional 2.5% of the joint venture, which would give us control of the prospective leading operator in the Italian solar market. We expect to close the transaction by the end of the year upon completion of the necessary authorization steps.

As in the case of solar in Italy, we will pursue other value creative consolidation options in countries where market conditions provide for potential operational or financial synergies through the aggregation of assets.

Moving on to the progress made on our growth strategy, on slide n. 6.

Our future capacity additions are highly visible and cover over 75% of the current plan.

Up to date we have already hit 1GW of capacity entered into operation. This includes: our first plant in Uruguay; the capacity we have acquired in India and the Portuguese wind assets recently consolidated consequently to the split of ENEOP.

We plan to add close to 500MW during this quarter. In Brazil we expect the 118MW Serra Azul wind complex to be completed in the coming days, while in the US we will add close to 300MW with Goodwell and little Elk wind projects.

Since our last update in July, the pool of projects awarded doubled to close to 1.6GW as: we added an additional 553MW in Brazil with three new solar photovoltaic projects assigned during the last Reserve Auction; we have recently contracted a 150MW solar plant in the US expected to come on line within 2016.

Regarding the main tenders we are monitoring in the coming months, on chart n. 7.

Starting with Latin America: in Mexico the first auctions organized by the CFE as a result of the electricity market liberalization process will take place in February of next year. Renewable sources will be competing directly against traditional sources, and we expect more than 2GW of new capacity to be assigned including wind, solar, hydro and geothermal. We will also continue to rely on long term PPAs with industrial players to develop new capacity in the country; in Brazil, we will take part to the wind and solar reserve auctions that will be held today; in Peru we are preparing to participate to the upcoming auctions in wind, solar and hydro which could mark our first operating step in that country.

As far as new markets are concerned: we have recently participated to the round 4.5 in South Africa for wind and solar PV; in India as I already mentioned we are closely following the evolution of some solar PV tenders in the states of Karnataka and Maharashtra.

In addition, we are monitoring the upcoming wind auction in Turkey, that will likely add a second technology to the solar capacity already awarded in May.

Finally, in addition to the participation to these tenders let me highlights that in North America we have about 700MW of fully negotiated bilateral contracts.

I now handover to Giulio for the analysis of the 9 months results.

Giulio Carone *Enel Green Power SpA - CFO*

Thank you Francesco and good morning ladies and gentlemen.



Starting with the financial highlights of the period on chart n. 9, our operating assets have generated a robust cash-flow of close to €1.3bn in the period, bringing more than €800m of cash available for growth and dividends, twice the amount recorded in June.

We accelerated growth in all of our targeted markets leading to a capital expenditure of close more than €1.6bn.

The newly added capacity contributes strongly to our EBITDA, mainly in Latin America, compensating for weaker hydro resource and pricing environment in Italy.

We report a group net income of €245m, including a €133m net impairment relating to our activities in Romania where the harshening of the regulatory framework and the effect also on the pricing environment have prompted a revision of our assumptions for the country.

Moving on to our cash-flow, on chart n. 10.

In the period, we report robust generation of cash of close to €1.3bn, which was partially absorbed by: first, a negative change in net working capital of €300m improving compare to June, as a result of our attentive net working capital management during the period; second, the payment of taxes and interest for more than €400m, finally, maintenance CapEx accounting for €120m.

Proceeds from our portfolio management activities relate to the cash-in associated with the sale of the minority stake in North America already recorded for during the first half of the year. It does not include the proceed from the sale of Portugal, whose closing is expected to take place late during this quarter.

We therefore close the period with more than €800m of cash available for growth and dividends.

I will comment on CapEx at the next slide.

Portfolio management outflows relate to debt consolidation for the recently acquired assets in India and to 3Sun.

Going into details on capital allocation on chart n. 11.

Growth CapEx amounts to close to €1.6bn, an increase of more than €700m during the third quarter. The further acceleration means we will exceed the €2.1bn earmarked for 2015. Indeed, we expect to invest something between 2.2 and €2.4bn by the end of the year.

Latin America represents almost 70% of CapEx spending during the period dedicated mainly to our wind and solar development in Brazil, Mexico and Chile.

Africa is the second area in term of investment with €200m, as we are progressing on the construction of the 500MW of the wind and solar plants we were awarded during the round III auctions in South Africa.

In North America the spending relates to the ongoing wind development.

In Europe the CapEx spent is mainly connected to biomass plants in Italy.

A closer look to our additions in the period on chart n. 12.



We have already hit the 1GW mark, reaching 10.6GW of net installed capacity globally, including the consolidation of ENEOP's assets.

As already commented, we have set foot in Asia adding close to 200MW of wind to our portfolio.

In Latin America, we have further enlarged our footprint, adding a seventh country to our portfolio, Uruguay, after connecting to the grid our first wind farm. In Brazil, we have progressed on our diversification path, with the completion of the Fontes Solar PV projects. With 11MW of installed capacity, these plants located in the state of Pernambuco are currently the largest PV complex in operation in the country. It is also the first hybrid complex in Brazil, as the two plants are built alongside and share facilities with the 80MW Fontes dos Ventos wind farm.

Finally coming back to Europe, we have completed our first biomass-geo hybrid plant in Italy. The 5MW plant utilizes locally sourced short range fuels and will optimize the output of the Cornia 2 geothermal plant.

In terms of production, on chart n. 13, output increases by 6%, mainly thanks to the solid contribution of the new installations over the last twelve months, almost entirely in the Americas.

Indeed, the additional capacity mainly across the US, Chile, Mexico and Brazil contributed for more than 2TWh.

In terms of resource, we record a negative trend for approximately 600GWh, substantially in line with June, mainly as a consequence of: a strong contribution of hydro in South America for 600GWh thanks to improved conditions; the full contribution of our Brazilian assets for close to 300GWh, and better wind in Rest of Europe, mainly in Romania, for 180GWh.

This has been offset by: lower hydro in Italy for close to 800GWh, given the normalization of hydro conditions compared to last year; weaker wind resource in Iberia and North America for 700GWh.

Finally, the perimeter effect is mainly correlated to the sale of our French assets at the end of 2014.

Let's now turn to a detailed analysis of our EBITDA, on chart n. 14.

The energy margin improved significantly over the third quarter to €58m as a result of: the strong contribution from new installations for €136m which have more than offset; -€35m from lower resource, and -€43m from lower prices, mainly driven by Italy and partially compensated by an improved trend in Spain.

Other revenues of €86m mostly include the accounting impact of the finalization of the 3Sun acquisition accounted for during the first half of the year and the expected gain of approximately €30m deriving from our transaction in Portugal including the effect of the consolidation of ENEOP. For the sake of comparison let me remind you that during the third quarter of last year we received a €95m compensation related to the off-take agreement at the 3Sun factory.

Operating expenses rise by €62m as a result of the higher capacity in the period.

We also report a positive forex contribution of €83m.

In terms of drivers by business area, starting with Latin America on chart n. 15.

The area more than doubled its EBITDA contribution in the period, reaching €274m.



This increase was driven by the growth in the energy margin of €129m thanks to: the contribution of the higher installed base mainly in Brazil, Chile and Mexico and, normalized operating conditions in Panama and Brazil, a negative price component of €10m.

OpEx rise by €23m mainly due to the increase in the installed asset base. We also report a positive forex effect of €37m, improving compared to last quarter, as a result of our development strategy that relies on PPA mainly denominated in US dollars.

In North America, on chart n. 16, EBITDA increases by 34% to €257m.

The energy margin increases slightly by €7m as the contribution from the new capacity has been offset by persisting lower wind resource and a weaker price component.

Other revenues are mainly connected to the sale of wind projects, as part of our strategy to monetize project in excess.

We also report a positive forex impact of €46m thanks to the strength of the US dollar compared to the euro in last twelve months.

Moving on to Europe, and I am now on chart n. 17, EBITDA totals €939m, or -6% compared to last year with: Italy at €664m, or -12%; Iberia at €181m, or +29%; Rest of Europe at €94m, or -9%. Net of the deconsolidation of the French assets, we would have recorded an increase of +7%.

The energy margin marks a decline of €78m, as a combination of: the increasing contribution from the new geothermal capacity in Italy; a resource component equal to -€75m driven almost entirely by lower hydro and wind in Italy and Iberia; a -€29m price component mainly explained by the weaker price environment in Italy weighting approximately -€50m and an improvement in Spain of +€23m thanks to the active hedging policy implemented this year.

Other revenues that include mainly the impact of the finalization of the 3Sun acquisition and the before mentioned capital gain deriving from the sale of our Portuguese assets.

The increase in OpEx is mainly related to the spending for the ramp-up of our structure in South Africa, some cost related to the purchase and transport of solar panel from 3Sun and increase in taxes in Italy.

Our net income in the period, on chart n. 18, is equal to €245m, and was impacted by the impairment recorded in Romania during this quarter. Net of such impairment our net income is €378m.

The 4% decline is a combination of: €153m increase in EBITDA as previously commented; €131m higher D&As mainly connected to the increase of the installed base and to the write-downs recorded last quarter in the US, Chile and Spain; €36m higher net financials expenses mostly driven by: the increase in the average stock of debt, forex impact deriving from debt denominated in currencies other than the euro; €22m lower income from equity investment mainly as a result of the sale of our stake in LaGeo; lower taxes mainly due to lower taxable income in the period and the benefit deriving from the cancellation of the Robin Hood Tax in Italy; minorities that increased on a better performance of Panama and Iberia.

Turning now to our debt evolution, on chart n. 19, we report a net financial debt of €7.3bn.

I already commented on the net free cash flow movement previously.



The forex effect marginally improved to €129m, as the second part of last year was already characterized by a weakening of the euros compared to the dollar.

Our net debt/EBITDA ratio is 3.5 times, slightly increasing compared to last quarter, while the average maturity decreased to approximately 5 and a half years.

Our average cost of debt also remains stable close to an average of 5%.

Moving to the current status of our forward sales, on chart n. 20.

In Italy we have hedged 92% of 2015 at an overall price of €80/MWh and 54% of 2016 at an overall price of €99/MWh. The corresponding conventional energy component is €55 in 2015 and €48 in 2016.

As for Spain, the merchant production is 77% hedged in 2015 at an average price of €47/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. In the coming month we will complete our planned coverage to reach 70 to 75% of 2016 production.

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.

I now hand over to Francesco for a few closing remarks.

Francesco Venturini *Enel Green Power SpA – CEO*

Thank you Giulio.

We have demonstrated that we can increase the pace of our development, while adapting our portfolio to market trends in order to seize opportunities globally.

Our growth path remain highly visible as more than 75% of our additional capacity target for the next five year is already secured, with strong cash-flow generation supporting our expansion.

The proactive and flexible approach to our portfolio management generates additional resources that can be redeployed to further pursue our expansion in targeted areas.

Leveraging on EGP's unique footprint and features we are confident that we can continue to position ourselves as a global leader in the renewable field.

Thank you for your attention. We are now available for your questions.



Question and Answer

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

Before the Q&A session starts, let me remind you for those who connected to the call later, that we will present the business plan update next week in London during the Capital Markets Day organized by the Enel Group. Therefore, I would kindly ask you to concentrate your questions on the nine months 2015 results. Thank you. Operator, you may go ahead.

Cosma Panzacchi *Sanford Bernstein – Analyst*

Hi. Good morning. Thank you for taking my question. I have just three very short questions. The first one regards your recent deal with F2i that you have also presented today. So, could you detail the level of ambition in terms of extra returns from such a deal? And do you see the opportunity of pursuing similar partnerships also in other countries besides Italy? The second question would be regarding your LatAm results. The LatAm results of this quarter and of this year are very, very good. But if we look at the strategic outlook published by Enersis, it seems that the picture is becoming markedly bleaker in the area. So, do you expect anything changing in terms of your growth plans in the area in the coming years or not? And the final question regards, again, Italy. The Green Act in Italy is nearing its final approval. Could you please update us on what you see as the emerging opportunities or risks for EGP from the measure, especially with regards to biomass in Italy and the conversion of former sugar refineries? Thank you very much.

Francesco Venturini *Enel Green Power SpA - CEO*

Okay. Hi, Cosma. F2i. We haven't, how should I say, I think that with F2i, we established targets that probably are going to be reached much sooner than what we thought for what we can see right now in the market. So, as you know, we put together something like about 250MW together, and we were thinking about being able to get up to around 700MW, 750MW in the next four or five years. But from what we're seeing, there are really a lot of opportunities. So, we will see. I mean, potentially, it's a great opportunity. And then we need to really see what we can get in terms of value. The objective of this partnership, obviously, is not to put together plants just for fun. I mean, as you know, I don't believe in consolidating just for the fun of consolidating. There must be a lot of value attached to it. If we can keep finding value in the acquisitions, we will keep going until the values are there. Yeah. Other countries is possible. Actually, we're looking at a couple of targets right now. Again, it's just a matter of value creation. If we're just doing it to save money on O&M, the value creation attached to this consolidation process is extremely low. So it doesn't make too much sense. Whereas there must be something else. I strongly believe that there are a couple of places where there is something else attached to it, and right now, we're looking at it. LatAm growth plans. Yeah. There is a slowdown. But in reality, the need of energy is still out there. So, and we can see it from the tenders that they keep coming up almost on a monthly basis. Actually, we have a hard time to keep up with all the tenders coming out lately. So, in my view, we need to keep going with what our original plan was. LatAm is still an important target. And I believe that it's going to stay important for a while. We see margins going up lately, which, again, reflects in part, probably, the additional potential risk that these countries bear. But at the same time, we also believe that there has been a big shift in competition over there. So the competition in some of these countries is lower than it used to be. And especially if I look at competitors from North America, they're actually not present or not as strong as they used or believe to be. So, LatAm is still a great market. I think that we will see a lot of value coming out of it in the next few months. Green Act, biomass and sugar or former sugar well, conversion of former sugar plants, i.e., from what I've seen from the drafts that were circulating, I think that the plant that we had is probably going to be reshaped a little bit. So it's not going to be as important as we originally thought it was going to be. But I still believe that there is



opportunity to build something between 80MW and 100MW of biomass plants in the next few years, so still strong, not as strong as we expect it to be, but yeah, good enough, good investments.

Martin Young *RBC – Analyst*

Yeah. Good morning to all of you. I'll keep it to two given that we're, I guess, we're tight on time with the Enel call coming up as well. First question goes back to the solar PV JV. What sort of basis point uplift do you think you can achieve in returns from an acquisition program of small-scale solar? And then, secondly on the hedging, I just missed the 2015 Italian euro per MWh amount on the all-in basis. Thank you.

Francesco Venturini *Enel Green Power SpA - CEO*

Okay. Although I believe that you would rather listen to us than the Enel guys because we're much better than them. The F2i margins, the market right now for solar in Italy ranges between IRR level, not leveraged, probably between 6.5%, 7% for big portfolios, up to 9% for small plants. This is pretty much the range. This is just if you don't work on the add-ons. So, essentially, what I'm saying is that once you buy and you need to buy, well, that's the main point. Then you need to start working on the plant. Obviously, you need to improve the O&M costs, that's number one. We believe that scale is important but the fact also that we have operators all over the peninsula where we can substantially really make big changes to the construction of all these PV plants. The savings is going to be important. And then you need, obviously, to start working on the financial side of these plants. I mean, most of them were financed with project financing or leasing when there were very big spreads. Our objective is to unwind on those financial structures and replace them with cheaper debt. So, if you put all the stuff on top of it, I mean we would, our target is try to have money invested on something like low two-digit returns in Italy, which would be extremely appealing if we can really make it. We believe we can.

Giulio Carone *Enel Green Power SpA - CFO*

Going back to the hedge in Italy. In Italy, I repeat, we have hedged 92% of our production in 2015 at an overall price of €80/MWh. The 54% of 2016 has been fixed at an overall price of €99/MWh. It is important also to repeat the conventional energy component, that is €55/MWh in 2016 and €48/MWh in 2016.

Antonella Bianchessi *Citigroup – Analyst*

Yes. A very quick question on can you kindly isolate the contribution of the new capacity to EBITDA of the nine months, so just give us a number of this contribution? And the second question is if you can elaborate about the benefit that EGP would have in a potential merger with Enel. Thank you.

Francesco Venturini *Enel Green Power SpA - CEO*

I'll go with the potential merger, saying that we cannot provide answers now; that you will get all your answers in London next week.

Giulio Carone *Enel Green Power SpA - CFO*

Okay. Going to the contribution of the additional capacity to the growth in our EBITDA, let me say if we look at it in a synthetic way, heading the increase in revenues and the increase in costs, we can say that in these nine months, the contribution is around €120m. That is very simple.



Antonella Bianchessi *Citigroup – Analyst*

But sorry, because if I look at your slide, you said that the additional EBITDA is €136m, but some of it is coming from different, so €120m, can you repeat the math, how you calculate it?

Giulio Carone *Enel Green Power SpA - CFO*

Sorry, Antonella. Were you looking only to Latin America or the overall growth?

Antonella Bianchessi *Citigroup – Analyst*

No, the overall growth. Thank you.

Giulio Carone *Enel Green Power SpA - CFO*

All right. The overall growth is, let me say, €136m is the revenue component, the energy margin component. If I take in consideration also to the costs associated to this new capacity, I reach the €120m that I have introduced before. Obviously, we are taking out the forex component. So, this is a comparison on a peer-on-peer basis with 2014.

Antonella Bianchessi *Citigroup – Analyst*

Right. So, you assume that the cost of the new capacity is only €16m for 1GW?

Giulio Carone *Enel Green Power SpA - CFO*

It's very low, the cost of new capacity. The cost of maintenance of the new capacity is very low, going the fact that, first of all, we don't have to increase the overall structure of the people because they're there. So, we were talking about only O&M and the technology we are developing are, let me say, cheap; wind and solar are very cheap.

Antonella Bianchessi *Citigroup – Analyst*

So, the OpEx growth that I see, the €62m, is coming from existing capacity.

Giulio Carone *Enel Green Power SpA - CFO*

Yes.

Enrico Bartoli *Mainfirst – Analyst*

Hi. Good morning. A few questions. First of all, on the if you can guide us on the one-offs in the nine months EBITDA, if you had in addition to the €30m in the third quarter, additional one-offs that's contributed to EBITDA. Then I have a



question regarding India. You mentioned upcoming auctions there. Could you guide us on the features of the auctions in terms of currency, in terms of inflation, and how you think you can hedge your position to the country in some way? And finally on the JV with the F2i, could you give us your thought on, let's say, the opportunities that you could have in terms of growth of capacity in PV in the Italian market over the next few years? Thank you.

Francesco Venturini *Enel Green Power SpA - CEO*

Okay. I'll go back to F2i because I think that we briefly touched the topic already. We set targets that is to increase three-fold what the current portfolio is. Does it mean that we could do better than that or not? I think we can honestly. But what we are seeing as a reaction from the market, we believe that we can do better than that. But as you probably know, there are not very big portfolios in Italy. I mean, the whole market is very granular. So the big task here is not so much to go out and look for opportunities. It's to deal with all the opportunities that are there, and doing it in a systematic way and bringing value to us as acquirer. So again, we are very happy with this, let me call it, project that started about nine months ago, because we saw the opportunity probably before others and we understood a couple of things that can generate value sooner than others. So, I think we are very well positioned. We will see the results in the next six to nine months. India-wise. India is a very, very, very difficult country to deal with, not just for renewables, in general. I mean, it's a completely different country. It's a very, very competitive, tough environment. So, again, this is the reason why we took a shortcut compared to our usual strategy and we bought this company in India. More than anything else, we were not so much interested in 170MW of wind. We're interested in the management and what they could create in terms of a cultural bridge and network. And they're very active right now, helping us in understanding the market. So we are working on two main paths. Path number one is wind. We bought an IPP with a very decent pipeline. The pipeline is in states where the feed-in tariff is present for wind. So, obviously, we're going to try to accelerate the build-up of this pipeline and, at the same time, the execution of it and the construction because we would like to try to exploit these feed-in tariff programs that are out there. On the solar PV path, that's a different one. So there are different programs. The program that we are utilizing right now to learn how the market works is the so-called national program, which is based mostly on solar parks. So, you get the land, and then it's mostly cost-driven. You bid for getting usually lots of about to build about 50MW of PV. The first experience we had is that again, I mean, it was just a confirmation of the fact that the environment is extremely competitive. But we're not as far as we expected from the top three at the end of the auction. So, we still have some work to do, but I believe that sooner or later, we're going to get there. It's just a matter of optimizing your cost structure to the environment you're working in. Currency and inflation. As in Brazil, in South Africa, the currency is the local currency, although the government is working on linking the payment of the PPAs to US dollars. But right now, it's in local currency and it's not inflation-linked. So, under a risk profile, what you need to do is you need to calculate currency and inflation risk in your financial model and make sure that you're covered. So, in fact, I mean, even though the cost of the panels and the cost of labor, so the cost of BLP to build the plant out are probably the cheapest we have ever seen. We haven't seen record prices per MWh yet in the country because if you are a savvy investor, what you try to do is to cover the risk of currency and inflation in your cost.

Giulio Carone *Enel Green Power SpA - CFO*

Okay. We have to answer on your question on the one-off. Just for your clarity, for the clarity of everyone, we have only the one-off linked to the accounting of the ENEOP and Portugal transaction for €30m. Let me also remind you that last, in the third quarter of 2014, we accounted €95m for the other transaction with Sharp.

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

Now, ladies and gentlemen, unfortunately, we're running out of time. So, if there is just a very quick question, we may take a last one. Otherwise, we will have to close the session here.



Pinaki Das *BofA Merrill Lynch – Analyst*

Yeah. Hi. Good morning. I'll be very quick. I just wanted to understand your net income. I can see from your slide 18, you've given the €245m reported number. But obviously, you've taken out the impairment, which is the right thing to do. So, that number is €378m for net income this year versus €395m last year. We also know that you've had €86m more other revenues/gains. So, if I were to adjust the €378m for this extra €86m, is it fair to say that the net income, the underlying net income would have been closer to €290m compared to the €395 last year? Is that a fair way to look at things or do you have any other views?

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

Sorry, Das, but unfortunately, we did not get your question fully. So can you rephrase it in a slower way, please?

Pinaki Das *BofA Merrill Lynch – Analyst*

Yeah. Sorry. Yeah, You've mentioned an adjusted net income of €378m for nine months 2015 but that includes €86m of higher other revenues compared to last year. So if I were to adjust for that €86m of other revenues, is it fair to say that the underlying net income would have been closer to €290m?

Giulio Carone *Enel Green Power SpA - CFO*

I think that I clarified in the previous answer that also 2014 included, let me say, a non-ordinary items. So it's not so easy to simply compare 2014 and 2015, eliminating the non-ordinary contribution only in 2015. I think that Donatella, with her team, can clarify with you all the elements you need to make a detailed calculation.

Pinaki Das *BofA Merrill Lynch – Analyst*

Yeah. But you've, also, you've mentioned in your EBITDA bridge that the other revenues are €86m more than last year. So that's the extra one, no?

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

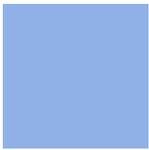
Das, we will get back to you on this offline. And of course, we are available to share the same kind of information with everybody offline. We are running out of time. Unfortunately, we cannot do the list of the items that we would need to reconcile properly the two figures.

Thank you for your understanding. And thank you so much, everybody, for attending the call. See you in London.

Francesco Venturini *Enel Green Power SpA - CEO*

Thank you.





Giulio Carone *Enel Green Power SpA - CFO*

Thank you.

