

ERG S.p.A.
“Third Quarter 2018 Results”
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MODERATORS:
LUCA BETTONTE, GROUP CEO
PAOLO MERLI, GROUP CFO

Operator:

Good morning. This is the Chorus Call conference operator. Welcome, and thank you for joining the ERG Second Quarter 2018 Results Conference Call. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Mr. Luca Bettonte, CEO of ERG. Please go ahead, sir.

Luca Bettonte:

Good morning everybody and thanks for coming to this conference call on our 3Q 2018 results. Here with me is the CFO, Paolo Merli.

In this quarter we grew in terms of both gross operating margin and net profit. Our high-quality generation portfolio (well managed through the Energy Management), along with our growing European footprint and technological diversification, is allowing us to keep posting higher results through quarters.

Anyhow, in order to understand our performance, it is important to recall some specific factors that have had in these nine months a relevant impact on our business:

1. In Wind Generation the phase out from incentivised regulation of our wind factories. Some 286MW were out on 30th September: 93MW more than at the end of September 2017. As a result, the yearly production no longer eligible to get incentives has been of some 170GWh, whose value – simple to calculate - was around €17mn. Let me just remind you that till 2022 this number will not change that much, as just 55MW will lose the incentives over the next four years
2. In Wind Generation the change in the imbalance costs regulation with a negative impact, in the nine months, of some -€7mn, to be compared – on the contrary - with the positive effect of some +€9mn last year
3. In Thermal Generation the reduction of the unit price of the so-called White Certificates, due to the new regulation. On a nine-months basis the combined effect of the growing price trend in 2017 with the declining one in 2018 brought about a negative impact of some €11mn
4. In Hydro Generation we had last year a one-off positive item of some €8mn related to the recovery of past Green Certificates as regards to some Hydro plants.

All in all, the total value of these negative differential items sums up to some €52mn on a nine-months basis. These items should no longer have a significant impact in the future years, at least on a comparison basis.

Despite such a long list of negative items, we posted a €381mn EBITDA as the end of September 2018 (higher than €356mn of last year), and €105mn EBITDA (vs €98mn) over the third quarter.

The CFO later will bring you through an in-depth analysis of the specific reasons; on my side let me simply summarize that, as for the last nine months, what we lost in wind and thermal generation was even more than offset from what we got from:

1. Hydro generation: +€53mn EBITDA vs 2017 (like-for-like, excluding the one-off item associated to past Green Certificates in 2017), thanks to the very rainy season, higher unit energy prices at peak in the Northern Central Zone, and an appropriate use of the water storage
2. Wind abroad: +€4mn EBITDA vs 2017, due to higher production and a larger perimeter in France, and temporarily also in the UK
3. Solar (i.e. the new plants): €28mn EBITDA, and as usual
4. The Energy Management contribution of some €19mn in the first nine months.

Going down along the profit and loss, at the end of September the Net Result was again up €4mn vs last year. The main reason has to do with the better performance at Gross Operating Margin level, just commented, underpinned by financial charges just slightly up versus last year, despite the larger gross indebtedness stemming from investments and acquisitions, thanks to the positive impact on the cost side from the re-leveraging and re-negotiations of a relevant portion of the gross debt, made over the last 12 months.

And in the end the Net Financial Position, that grew of some €157mn mainly for the acquisitions and the investments made in the period by entering the Solar in Italy, growing significantly in Wind in France and in Scotland, plus some €171mn dividends distributed. Those cash-outs, as you know, were only partly financed through the disposal of Brockaghboy in the UK and the sale of TotalERG in 1Q 2018.

So, again a very good quarter, despite everything.

And now, Paolo, it is up to you to go ahead.

Paolo Merli:

Thanks Luca, good morning everybody. I will try to give you some more details about the third quarter by commenting on the price scenario and power demand.

Power Demand – I am commenting the top left table at **page no. 6** - in Italy was slightly up YoY by +1% in the quarter. A quarter characterized very much by higher water availability, slightly higher Solar irradiation, flat thermal and strong, strong decline in wind production, as you can see. Our performance, to some extent, was in line with those trends, with some exceptions though. In particular our hydro operations outperformed quite significantly, being up 73% YoY: that performance was prompted by our plants' specific location and, above all, by the exploitation of the reservoirs - which in our case are basically lakes - during the period. Our Thermal generation was down - 7%, maybe more than you could have expected, and this was driven by some maintenance works, which took place in July at the Steam Turbines of our plant. Both in Italy and over the border – I want to repeat - wind conditions were really exceptionally weak: -24% in Italy and -15% abroad on average, which is a quite weak availability of wind resource.

Prices. *Vice versa* the price scenario was very very solid, with PUN at 69€/MWh (+33% year-on-year), as prices are finally starting to reflect the rising gas and CO₂ cost. Price indicator for Renewables in Italy, including Feed-in-premium, was 168€/MWh (which means +6% YoY), as the decline in the incentive price (from €107 to €99) was more than offset by rising electricity prices. And quite important for us, for our portfolio, price in Sicily still traded at premium vs. PUN by 15€/MWh, higher compared to 3Q 2017, when it was 11€/MWh.

Our CCGT's Clean Spark spread – which is the net margin for the plant - was down slightly from 18 to 16€/MWh squeezed, on one hand, by a time-lag in absorbing rising gas prices and CO₂ costs, and - on the other hand, positive - inflated by the higher premium price in Sicily. The net result of these two effects was anyway negative for us. Price for White Certificates remained in the range of 250-260€ per unit.

Let us now comment on price scenario abroad. Here in the last graph (at right-bottom end) you can see the average reference selling prices for our productions, country by country. Let me make the same comment as usual. In France, Germany and Bulgaria the impact of the scenario is zero, as our assets are all eligible for feed-in tariffs. The only exceptions are Poland and Romania, where a Green Certificate mechanism is in place. In Poland OCs (i.e. Origin Certificates) were up consistently. In Romania I have to underline that since 2018 our assets benefit from 1 single Green Certificate instead of 2, as it was the case in 2017.

Let us see Economics for the Group in a nutshell. I will focus on the quarter, as per **page no. 7**. EBITDA was €105mn - up 7% YoY – and, if I could say, I would underline three positive effects which have driven our results:

1. the much higher hydro production also thanks to the use of our reservoirs during the summer
2. the contribution of solar assets which is an additional stream of revenues for us this year, and
3. positive merchant prices for electricity across our operations in particular, as I said, in Italy.

These positives were partly compensated by some negatives, most of them already expected in our budget, but for sure negative on a year-on-year basis:

1. the lower price value of incentives
2. the phase-out of some MWs of installed capacity in Italy from the incentive schemes
3. the higher imbalance costs in Wind following the change in regulations, and also
4. the bit lower revenues deriving from White Certificates.

But in particular I have to mention the major negative effect during the quarter, which was the significantly lower wind production in Italy and abroad.

So, all in all and once again, anyway we are very satisfied with our results, because - despite the weakness in wind conditions – they are stronger than last year despite these negatives and, above all, better than our budget.

This pretty much gives an idea of why our diversified portfolio is of great value, as sometimes there is no wind but either water or solar or spark spreads in CCGT – as it happened in the past - can make up for this shortage.

As usual, a quick comment on ERG's generation portfolio - I am on **page no. 8**. During the first nine months, ERG managed roughly 10.2TWh of energy, of which 5.7TWh generated by our portfolio of assets. The remainder was purchased on the Market in order to adjust our supply profiles, optimize the portfolio and perform hedging strategies, in line with our risk management policies.

Looking at the sales, our model is based most of all on the Wholesale market, which represents the biggest portion of our sales. For the remainder, 0.4TWh of electricity was sold to site customers in Sicily, and 1TWh was sold abroad.

Let us now comment on each business segment: I am on **page no. 9**, commenting Wind operations. EBITDA in Q3 was €40mn: down 30% YoY which is a quite important figure, but let me say that most of it is due to the drop in volumes occurred during the quarter because of the lack of wind both in Italy and abroad: this effect accounted for about €18mn. Then we have the lower contribution from incentives, and higher imbalance costs, which accounted for 1/3 of the year-on-year gap, in terms of negatives.

Those negatives were only partly offset by a better electricity price scenario both in Italy and abroad; but let me stress once again how important the production effect was during this quarter. Then in few minutes I will comment on the driver which allowed us to totally offset these negative effects.

Those negatives were only partly offset by:

1. a better electricity price scenario in Italy and abroad, and the contribution of new assets in France.
2. let me stress once again how important the production effect was during the period.

But meanwhile let me comment also the Solar - I am on **page no. 10** – which is basically in line with our expectations, with our budget. Here there is no year-on-year comparison, because - as you know - the assets entered into our scope of consolidation only since the beginning of this year.

Production in 3Q 2018 was 45GWh with a load factor of almost 23%, a quite important figure, because as you know the third quarter is usually the strongest in the year.

Unitary revenues in the region of €303/MWh due to the incentivized scheme – the so-called “Conto Energia” - our assets are entitled to.

And in the end, last but not least, EBITDA was €12mn in the quarter and €28mn YTD, pretty much in line with our budget, as already commented.

Now Hydro. I am on **page no. 11**. EBITDA was €38mn, double YoY driven essentially by higher production, which was up 73% YoY: you should remember that at the beginning of my review I commented that the country was up 9%, so it is a quite impressive performance, and this is driven by the usage of our reservoirs during the summer.

Unitary revenue for the plants was 119€/MWh vs. 122€/MWh – so slightly lower than last year - reflecting the lower unitary price of incentives.

Let us move now to CCGT, our thermal operations: I am on **page no. 12**. EBITDA was €18mn (-20% YoY), so again a quite disappointing number, but please consider that 3Q 2017 was a pretty solid quarter, and this year we had some maintenance activities at the steam turbines, which in some way limited our upside during the quarter. Anyway, the factors are clearly evident from the chart:

1. 7% drop in production due to some maintenance activities
2. a bit lower clean spark spread following the rise of natural gas and CO₂ costs, but we are happy to be located in Sicily, because our competitors located in the Mainland probably have suffered much more during this quarter, and
3. the third aspect - which is more or less in line with last year, but still represents a solid stream for our revenues - is the White Certificates price, which is in the region of 250€ per certificate.

We also have some efficiencies in terms of fixed costs (with a leap of +€1.1mn), which helped to limit the underperformance compared to last year, for the reason I hope I have fairly explained.

And now investments (I am on **page no. 13**). We invested in the period €484mn (which is a quite significant amount of money) during the first nine months, whilst in the quarter the amount is a bit smaller (€37mn), and it relates to the progress in some projects under construction. However, it is more representative to comment the full figure year-to-date, which includes €345mn relative to the Forvei acquisition, and €130mn in the wind business, part of which related to the acquisition of Epuron, our developing company venture in France.

So, these numbers anyway should give you a clear evidence of the execution and the progress towards the targets of our Business Plan.

I will now comment on Profit & Loss on a recurring basis. I am on **page no. 15**. I have already commented on adjusted Ebitda. So, going down, we had:

1. higher depreciation, which is consistent with the larger portfolio of assets (in particular the Solar)
2. net Financial expenses at €15mn: it is quite an important number because- despite the higher net debt - you see that financial charges remained more or less in line with last year, and this is because all the liability management activities we have announced late in the first semester are now going to service, delivering the results we were expecting
3. tax rate in the quarter at 26%, better YoY
4. minorities practically disappeared, as we acquired 25% of minorities of from Renvico in a venture in France, Vent D'est.

As a result of all this, adjusted Net Profit came at €17mn in 3Q 2018, +6% higher versus last year.

Let us now comment on the Cash Flow Statement. I am on **page no. 16**. Here I would like to underline the net deleverage: whenever we stop paying dividends or investing a lot of money in the growth, this company starts delivering an important deleverage. This is the case of the third quarter: the net deleverage was at €77mn, which reflects a positive €105mn of cash Ebitda (already mentioned), partly absorbed by CAPEX (already discussed), and a positive contribution from Net Working Capital (€36mn,) which is consistent with the nature of our business as in the third quarter we cashed in all the incentives generated in the 1Q, a very strong quarter, especially for Wind.

As a consequence of all these effects, net debt declined to €1,389mn, with leverage for the Group at 43% from the previous 45%.

I hope I have touched on all the key items, so I will now hand you over to Luca for his final remarks.

Luca Bettonte:

Thanks a lot, Paolo.

As for the Guidance, we simply confirm what we asserted just three months ago.

As for EBITDA, we forecast a value in the range between €490mn and €500mn.

As regards CAPEX, the range for year-end would be €520mn to €540mn.

And Net Indebtedness at year-end is expected at about €1.35bn.

More in details:

EBITDA: we see the year-end result higher than last year. We forecast a lower gross operating margin in Wind generation in Italy, due to lower productions, the adverse

effect of the new regulation of the imbalance costs, along with the phase-out of some 72MW from the incentive schemes.

We see also a weaker result for the Thermal generation, mainly due to the negative impact from the lower White Certificates prices, and a reduction of the generation margins in the fourth quarter.

These weaker results in Wind and Thermal generation should be more than offset by:

1. a much higher result from Hydro, thanks to the high availability of water
2. the contribution from the new solar plant, and
3. the slightly higher result in Wind abroad, stemming from a larger perimeter in France, an overall better energy price scenario, just partly offset by a lower wind availability
4. all that said underpinned by a good energy price scenario in Italy, overall.

CAPEX: we keep last guidance unchanged, as we are complying with the Business Plan projected investments, and pending the completion of the agreements with Quercus to create a partnership to take part into the consolidation of the solar industry in Italy.

Net Financial Position: the increase versus 2017 is simply the result of the mentioned changes in EBITDA and CAPEX, along with the dynamic of the Net Working Capital associated with.

So, nothing new: no news good news, I would say. So now, as usual, we are ready to take your questions.

Questions & Answers

Operator:

Excuse me. This is the Chorus Call conference operator. We will now begin the questions and answers session. The first question is from Roberto Letizia with Equita. Please go ahead.

Roberto Letizia:

Yes, good morning. I have several questions to begin with, maybe then followed by some follow-up later on. The first one relates to the new assets of Vallée de l'Aa and Torfou. I would like to understand when you expect them to start production, and if you expect any kind of contributions already this year. I would like to have an update on the Quercus JV, asking when this JV is going to be signed finally, and again when you expect the first contribution to come from the assets of this JV.

Then a detailed explanation on the hydro productions on the third quarter: I was wondering if the use of the reservoirs is going to affect negatively the fourth quarter

production, or if you believe the trend in rainfalls is already allowing you to forecast a normalized trend in hydro production from your assets, also during the fourth quarter of the year.

Another question is on the PPA agreement you recently signed on E.ON: can you better clarify to us which kind of benefit you are going to take from this PPA versus the Strategy Plan assumption, whether the pricing underlying the PPA is better than what you were forecasting, or because this allows you a better energy management overall? Which kind of quantitative benefit can we extrapolate from this PPA? Thanks a lot.

Luca Bettonte:

Right. Very quickly for the Torfou and Vallée de l'Aa: the COD as for Vallée de l'Aa is forecast January next year, and the Torfou on December this year, so at the end of the day, we are not having any benefit in this year from these two wind farms.

As far as Quercus JV, we are working with our counterparts in order to finalize the agreement. As you may have seen in the news, there is some delay due to some reshuffling or change in the management of Quercus. So, we are waiting for their procedure. There is a small delay, there is a short delay, but at the end of the day, we are working in order to get the agreements done by year end. Anyhow, we have already informally started working with them, pending the signing of this agreement, because at the end of the day we do not see any problem in signing this agreement... and so far, so good.

As for the hydro production: yes, we have benefited in this quarter from the use of reservoirs. Of course at the end of the day, the large production that we had during the first 6 months of the year suggested us to use the reservoirs as soon as possible, in order to have our reservoirs ready to receive more water during the fourth quarter, when - based on the forecast also on the 10-year average forecast, on what happened in the past - we may have more water, and so to have space to store it is going to be quite important. Then the production you have seen in our reports includes the use of reservoirs in the third quarter.

As for E.ON agreement you know, it is an agreement on a 3-year basis up to 1TWh per year, and through this agreement we can provide E.ON with our production. The price will be defined during the exploitation of this agreement, there is not a specific price defined. What we have agreed with E.ON is that we are a preferred bidder, because the production profile of our generating portfolio - in particular with reference to the production from renewables - is quite aligned with the consumption profile E.ON has provided us with, and referred to EON's customers. That is the value of this agreement.

And then - based on this specific feature, quality, characteristics of our generation portfolio - we think we would be been in a good position to provide them with 1TWh per year over the next three years.

Roberto Letizia:

Sorry, I did not understand the explanations on the water. Let me ask the question in a different way: would you expect the EBITDA of the fourth quarter from the Hydro segment to be higher than last year?

Luca Bettonte:

Yes, in the fourth quarter.

Roberto Letizia:

Yes.

Luca Bettonte:

Yes... was it enough?

Roberto Letizia:

Yes, I did not get the answer sorry.

Luca Bettonte:

Yes. The answer was "yes".

Roberto Letizia:

Oh, yes. Okay, sorry, yes.

Luca Bettonte:

In fact it was a very short answer.

Operator:

The next question is from Sara Piccinini with Mediobanca. Please go ahead.

Sara Piccinini:

Yes, good morning, thanks for taking my questions. I also have some of them. The first one is on the imbalance costs for wind: you have already mentioned in the first half that this increase in the imbalance costs is related with some changes in the regulation, is there any improvements so far or any signal from the Regulator that this could be reversed in the future? So, this is the first question.

The second question is, what is your expectation for the level of the spark spread for the fourth quarter? Are you seeing a further pressure on the pricing of White Certificates? Can you give us the level of the contribution of White Certificates for the full year?

The third question is on working capital: there is positive contribution from working capital as you have well explained, what is the level of working capital you expect for the full year?

And finally, on the guidance of the CAPEX: sorry, maybe I did not understand well, but is this guidance including also potential acquisition in the solar business? The press is mentioning your interest in Glenmont Partners assets: is this eventually included in the guidance? Thank you.

Luca Bettonte:

Right, as far as the imbalance costs regulation, I would say, unfortunately, I do not think we should expect any positive reversal change as for the existing one. So we are still coping with this regulation and we are improving our way to predict the production, that is the only way that works going forward. And that is all for the time being.

Paolo Merli:

If I can add, the regulation anyway is still evolving, and we should expect in the coming year - probably since as of mid-2019 - the bidding system will be evolved towards a more pre-short bidding before the delivery time. So, this could help us - as well as all the other operators - to reduce the impact of imbalance costs.

Luca Bettonte:

Right. In terms of spark spread, yes: for the fourth quarter our expectation is to have a spark spread lower than what we got over the first 9 months: that is the result of the dynamics of the natural gas price and the CO₂ price, in the end of the day.

The national average price is up, is going to be good for the fourth quarter, but as you know there are different zones in Italy. So, the impact of a higher price in Northern Italy is going to be a lower price in the South of Italy. That is affecting our performance on the fourth quarter. So, nothing new but, in the end of the day, lower spark spreads in the fourth quarter.

For the White Certificates, in the end I think the situation is stabilized, of course based on the regulation, and you can see this impact also looking at the results of the different auctions, either monthly or weekly auctions: you see that the price is converging to some 250-260 €/MWh. This is, you know, what we have in our forecast. So, at the end of the day, having a production of more or less about 100,000 certificates per year, the impact is on average €25mn-€26mn per year.

In terms of the net working capital, at the end of the day, we do not have any specific prevision, but it is quite easy to be managed in terms of production sold on the official market and the incentives that we receive, the payment relating to the CAPEX underlying, etc. So, at the end of the day, I would say, items in our cash flow are quite stable, under control, with no specific problem relating to that: just this year we paid €40mn of the debt we had to the oil company that it is the last portion of oil we had in our Business Plan at the end of the day.

Paolo Merli:

Which was a totally extraordinary item, and so whenever you want to figure out how our working capital works you have to consider that we are going to cash in the incentives six months later than the production time, so that means the third quarter usually is a positive one for our working capital, because we are cashing the wind generation - which is usually strong in Q1 - while the fourth quarter *vice versa* usually is absorbing considering that the production during the summer, wind especially is a bit weaker, but It is a normal and physiologic volatility of our working capital.

Luca Bettonte:

As for the CAPEX, the guidance for the CAPEX, you have asked me to tell you whether or not Glenmont is included: well, it is not included.

Paolo Merli:

Absolutely not.

Luca Bettonte:

It is not included.

Operator:

The next question is from Emanuele Oggioni with Banca Akros. Please go ahead.

Emanuele Oggioni:

Yes, good morning to everybody. Actually, some of my questions have been already answered, but I have maybe a more strategic long-term view about the evolution of the technology, a curiosity. I noted that some wind power producers have started to use batteries for storage of energy power. So, I wonder if you are looking for this kind of new technology for the storage: do you have some hints on this matter? Thank you.

Luca Bettonte:

Let us say, it is a 1 million dollars question. At the end of the day, we are having a look at, we are putting an eye on this technology but, in my opinion, progress is there, but it is going to take longer in order to have something that is going to be used from an

economic and industrial viewpoint. On a small case, I guess, it is going to be something that could be used and the experiments and trials are based on that. So, for us it is going to be important, but now we are simply looking at what is happening, we are not investing because we cannot afford such kind of research and that is all, I would say. The only storages we have are our lakes, and we have already discussed about that.

Emanuele Oggioni:

Thank you for your answer.

Operator:

The next question is a follow-up from Roberto Letizia with Equita SIM. Please go ahead.

Roberto Letizia:

Yes, thank you, I have no other questions, but just some follow-up. If the wind conditions have been poor during the third quarter, I was wondering if you can provide us with an indication of how it has gone in October and November, if you are experiencing a recovery, or if the conditions for wind are still poor. I wonder if you can provide us with a guidance on the net income for the full-year, because you know, we are now approaching the end of the year; maybe you have a better picture, and can drive us on a range at least for the net income level. On the possible deal that you may be involved in, with the press talking about the bid for the Glennmont assets, which we are expecting to be announced, I was wondering if you can give us an indication of what kind of EBITDA is associated to Glennmont assets, so what type of contribution you are looking to bid and potentially could arrive, if the deals got closes.

And my last one - I promise - is again a bit more strategic, but with reference to your repowering and reblading activity, can you first provide an update on how these activities are proceeding and when you expect to have the first asset fully repowered or rebladed? And then, I was wondering if the repowering and reblading gives you an optionality for an extension of the useful life, and will allow you to have a lower depreciation going forward, because now I guess you are a little bit more than 20 years on the depreciation, but the useful life is proving to be much longer. And I was wondering if the repowering and reblading offer you the occasions to fully revisit your depreciation policy, which means some positive element may arrive on the net income going forward? Thanks a lot.

Luca Bettonte:

Okay. You cannot try with any more questions. I will leave a specific one - -the one on Glennmont – to Paolo. However, before Paolo provides his answer, going down in that direction, I will start from wind: wind production was very good in October. So, for just one month the trend is good, but if you consider the very, very weak, low wind

availability in the quarter - we have commented on the third quarter - at the end of the year the production forecast is a bit lower than previous year in Italy. So far so good, as for the fourth quarter, so wait for the next week when there is going to be a big change in the temperature in the country: this should bring us some wind back. However, if you look at the numbers just for October, October went well.

In terms of net profit; we do not give any forecast for year-end. But you know very well the contribution of our profit and loss, so it is going to be quite easy for you to identify what is going to be the likelihood of very good result also for the last row in the profit and loss.

I skip the question on Glennmont, because I will let Paolo answer you at the end. As far as repowering and reblading, we are going to give an update of the Business Plan every 6 months. So, please wait officially speaking till March of next year, because we gave you an update at the end of the first half of 2018. Anyhow, let me tell you that so far so good: we are working very hard in order to get the authorization. So, I do not have anything to say different from what I told you 3 months ago. Now, we are in the first and second phase, getting authorization all across Italy, the feedback that I received from the meetings I had with the Chairman of the Regions, with the Minister of Culture, Arts and Tourism was very, very good and positive. In Sicily the Region changed and took away the previous ban to 120 days to get the authorization so they are quite positive oriented towards repowering. So, so far so good, but nothing more than that.

In terms of longer useful life: for sure, because we are installing new technology. We are improving the way we run the business, so in terms of useful life we are talking about 30 to 35 years... 30 years, for the time being. As for the depreciation, it is mainly a matter of tax allowance, so the shorter the better, because we want to retain most of the tax shield related to, but we are going to think a bit better when the first plants are going to be put on place, and - as you know if you look at the CAPEX deployment plan - that can be not earlier than late 2020-mainly 2021.

And then Paolo, it is up to you to say something on Glennmont assets.

Paolo Merli:

It is more a joke than an add, in the sense that we have signed a non-confidential agreement, so we are not allowed to say anything about the target. Sorry.

Operator:

The next question is a follow-up from Sara Piccinini with Mediobanca. Please go ahead.

Sara Piccinini:

Thank you. I have just a question, if you can comment on the decree on the renewables that the government is going to approve in the next month. Just to have a sense from you, being the main operator in Italy, what are the positives and negatives of this decree? Thanks.

Luca Bettonte:

For sure, the decree is something positive. We have to look at it positively. Let me say, they are working very hard: what is very important for us is what is going to be into the decree, as for the repowering and reblading (repowering, mainly), so the authorization process and the like.

In terms of potential investments in the country - I am referring to new assets - there is going to be auctions. They are working in order to define these auctions in a way to allow all the technologies to take part with them also with the minimum level, because there is something not really fair from a competition view point, if a source of energy could have some advantage if compared to the other ones, because at the end the day there is an impact also on the way the TSO has to run the business, or to manage the grid.

In the end, we are mainly focused on looking at what is coming out as for repowering and re-blading rather than for new potential installed capacity. As for potential installed capacity, you see that there is a lot of gigawatts to be put under the auction process; but as you know our Business Plan is mainly focused on growing abroad, in wind generation, whilst the strengthening of our position in the solar business aims mainly at generation portfolio mix optimization.

Sara Piccinini:

Many thanks.

Operator:

Mr. Bettonte, there are no more questions registered at this time.

Luca Bettonte:

Okay. Thanks a lot everybody for taking part in this conference, and meet you in March. See you, bye.

Paolo Merli:

Thanks, bye.