Enel

Press Release

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ENEL GROUP PRESENTS 2016-2019 STRATEGIC PLAN

The new plan builds on the one presented in March 2015, accelerating value creation across the four strategic pillars, with the addition of Group Simplification as a fifth focus area

- ***Upgraded efficiencies:*** *targeting* ***savings of 1.8 billion euros over the 2014-2019 period,*** *with an opex reduction of 1 billion euros, and decrease in maintenance capex by 0.8 billion euros, leveraging global scale and business flexibility*

- ***Shorter time to EBITDA*** *and* ***increase in growth capex by 2.7 billion euros*** *to drive industrial growth, generating* ***cumulative growth EBITDA from 6.7 to 7.2 billion euros*** *over the 2015-2019 period*

- *Further simplification of Group's corporate structure to enhance value creation; proposed* ***integration of EGP*** *and* ***reorganisation of LatAm operations*** *underway*

- ***Active portfolio management****: increased capital recycling target from 5 billion euros to about 6 billion euros*

- *Dividend policy confirmed:* ***minimum 0.16 euro DPS in 2015 and minimum 0.18 euro DPS in 2016****; payout ratio 65% by 2018*

Financial Targets

	2015	2016	2017	CAGR (%) 2015-19
Recurring EBITDA (€bn)	~15.0	~14.7	~15.5	~+4%
Net ordinary income (€bn)	~3.0	~3.1	~3.4	~+10%
Minimun DPS	0.16 €/sh	0.18 €/sh		~+17%
Pay-out	50%	55%	60%	+7%
FFO/Net Debt	23%	23%	26%	~+6%

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Francesco Starace, CEO and General Manager of the Enel Group, commented: *"The utilities sector is facing a very fast pace of change, and the flexibility inherent in Enel's business model allows us to position ourselves accordingly, accelerating the execution of our strategy. The plan we put in place in March, supported by the organisational improvements we have implemented over the last 18 months, pointed in the right direction. The good execution along these lines allows us to accelerate on efficiency gains and in the growth trajectory. Enel is leading the energy transition, with a clear vision for driving total shareholder returns, capturing the opportunities in the evolving energy sector."*

London, November 18th, 2015 – Enel Group is today presenting its 2016–2019[1] strategic plan to the financial markets.

The new four year plan builds upon the 2015 – 2019 plan presented in March 2015, and continues to focus on driving total shareholder return, leveraging the Group's global scale, leadership across all technologies, and diversification of business lines and geographies.

In the eight months since the last plan was presented, significant progress has been made against the objectives set out at the time:

- **Operational Efficiency** – Of the 10% reduction in cash costs targeted for 2014-2019, the Group is on track to deliver a 3% reduction in 2015.

- **Industrial Growth** – 80% of the EBITDA growth for 2015 was confirmed in the Group's nine month results to September 2015. Through current capex commitments, 65% of the cumulative 2017 EBITDA target has already been addressed.

- **Active Portfolio Management** – A 5 billion euro capital recycling programme was set out in March for the 2015-2019 period. By the end of 2015, a total of 1.9 billion euro disposals is expected to be finalised, while a further 2 billion euros is under execution.

- **Shareholder remuneration** – The Group is on track to deliver a minimum dividend of 0.16 euros per share for 2015.

This progress has been delivered despite a deterioration in the macro-economic environment, with downgrades to GDP forecasts globally, adverse currency movements in many of the Group's key markets, and downward pressure on commodity and power prices. In this context, the implementation of **the new organisational model** has enabled greater flexibility in the allocation of capital during 2015, allowing for further improvements in capex and opex efficiencies, and was a key enabler of the Group's delivery ahead of schedule.

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[1] The new plan covers a four year period, versus the five year plan presented historically. This reduction in the time horizon of the plan reflects the Group's evolving business model, characterized by a shortening time to EBITDA in the context of a rapidly-evolving electricity sector. Furthermore, while the Enel Group has historically presented its strategic plan in March, the decision has been taken to henceforth present the plan in November of each year, providing enhanced forward visibility of strategic and financial objectives.

On top of the faster than expected progress to date across the four strategic pillars presented in March, the new plan therefore incorporates a fifth pillar – Group Simplification – which is expected to be value enhancing for Enel and its shareholders.

FIVE PILLARS OF ENEL'S ACCELERATED STRATEGY

1. OPERATIONAL EFFICIENCY

The Group has increased its savings target to **1.8 billion euros** over the 2014-2019 period, through:

- A careful **reduction in maintenance capex**, achieving savings of 0.8 billion euros through technology best practices, improving efficiencies in maintenance across the portfolio. These efficiencies will further drive savings on opex;
- An enhanced **opex reduction target for 2019** of 1 billion euros, from 9.3 billion euros in 2014 to 8.3 billion euros in 2019. Efficiency gains will stem from Renewables, Networks and Conventional Generation technologies, as well as from headcount reduction and technical optimisation, through the closure of inefficient plants and network digitalisation.

2. INDUSTRIAL GROWTH

A key feature of the updated growth strategy is rebalanced growth capex, **which is planned to increase by 2.7 billion euros** to 17 billion euros over the 2016-2019 period, with a shift towards a lower overall technology and geography business risk profile. The Group has a large and diversified pipeline of mid and small sized projects, offering flexibility and optionality in the deployment of capex, in order to maximise returns. In addition, the project pipeline shows a **shorter time to EBITDA** (on average below two years), supporting improved self-financing through cash flow acceleration.

Over the 2016-2019 period, about **95% of the new growth capex will be devoted to low risk, stable return businesses**, such as Renewable and Conventional Generation under Power Purchase Agreements ("PPAs"), and Networks. A **30% increase in investment is planned in Italy**, where the roll out of the second generation smart meter will be brough forward and is expected to deliver a fair regulated rate of return.

The Group expects to generate **7.2 billion euros of cumulative growth EBITDA** over the 2015-2019 period, with growth in:

- The **Renewables** business line, in which new capacity planned for the period is expected to allow the Group's generation mix to reach over 50% from clean sources by 2019;
- The **Networks** business, where an additional 21 million second generation smart meters are expected to be installed over the period;
- **Retail**, where the Group is targeting a 15% increase in free market customers and 20% in energy sold over the period.

3. GROUP SIMPLIFICATION

The first step in simplifying the Group's corporate structure to enhance operational efficiency and reduce complexity was the **reorganisation of Endesa** finalised at the end of 2014, creating a pure-play Iberian business. Enel's management has now taken further steps to continue with this process, proposing 1) the full integration of **Enel Green Power** ("EGP") and its generation portfolio, and 2) the **reorganisation of Latin American operations**.

1. The proposed full integration of EGP into the Enel Group, with 100% ownership announced today, is expected to deliver a number of tangible benefits, including:
   - An acceleration in the pace of growth in the renewable business;
   - A faster introduction across all units of the Enel Group of best practices established and proven in Enel Green Power, resulting in increased cost efficiencies;
   - Optimised asset base and **reduced volatility** in energy production, improving price competitiveness;
   - Greater integration between **networks** and **renewable energy generation**, opening up new business opportunities as distributed generation increases its prevalence, demanding more **sophisticated energy management systems**;
   - An **enhanced retail offering**, developing smart, integrated, green solutions for customers to optimise their energy consumption.
2. The reorganisation of the Group's **Latin American operations**, which involves the spin-off of Enersis' Chilean operations from those in the rest of Latin America, followed by the subsequent merger of the non-Chilean entities into Enersis Americas. The proposed transaction has received the necessary support from the Boards of Directors of Enersis, Endesa Chile and Chilectra, and the shareholders' meetings of these companies have been called for December 18th to approve the first phase of the restructuring.

If approved, the overall reorganisation will deliver the following benefits:

- **Simplified governance,** resulting in a more efficient decision-making process and operational management;
- **Tailored approaches** to the Chilean market (low risk, stable regulatory regime, market maturity, high cash flow) and the rest of Latin America (higher volatility, higher forecast demand growth, significant growth investment pipeline);
- **About 360-380 million euros yearly efficiency savings by 2019**;
- Reduction of **multiple minority cross-shareholdings** between Enersis, Endesa Chile and Chilectra.

4. ACTIVE PORTFOLIO MANAGEMENT

Under the accelerated plan, the asset rotation target has been increased to about 6 billion euros, from 5 billion euros in the previous plan. The programme of disposals and reinvestment of capital is already providing value creation by accelerating the strategic repositioning of the Group, reducing business risk profile and driving higher returns by funding additional capex for strategic priority investments, such as in networks in Europe and in renewables worldwide.

Furthermore, it is predicted that the proceeds of portfolio management initiatives could support Group simplification initiatives.

5. SHAREHOLDER REMUNERATION

The dividend policy announced in March, which provides certainty in the short term, and significant upside potential in the medium term, has been confirmed. For 2015, the dividend will be the higher of 0.16 euros per share, or 50% of FY 2015 Net Ordinary Income. For 2016, the dividend will be the higher of 0.18 euros per share (also considering the shares to be issued in connection with EGP’s integration) or 55% of FY 2016 Net Ordinary Income.

Under the policy, the payout ratio will increase by five percentage points every year to reach 65% in 2018.