



## **REPORT OF THE BOARD OF DIRECTORS ON THE SECOND ITEM ON THE AGENDA**

### **Allocation of the annual net income and distribution of available reserves**

Dear Shareholders,

we remind you that the dividend policy contained in the 2016-2019 Strategic Plan (presented to the financial community in November 2015) provides, with specific regard to the 2016 results, for the payment to Shareholders of an amount equal to the value of whichever is higher: either Euro 0.18 per share or 55% of the net ordinary income of the Enel Group for 2016.

The new dividend policy – contained in the 2017-2019 Strategic Plan presented to the financial community in November 2016 – confirms the above indicated dividend for the financial year 2016 and provides, starting with net income for 2016, to pay dividends to Shareholders in two instalments, with payment of an interim dividend scheduled for January and payment of the balance of the dividend scheduled for July.

In light of the above, on November 10, 2016 the Board of Directors has approved, pursuant to Article 2433-*bis* of the Italian Civil Code and Article 26.3 of the Corporate Bylaws, the distribution of an interim dividend for the financial year 2016 of Euro 0.09 per share (for a total amount of Euro 915,001,195.14), that has been paid, gross of any withholding tax, from January 25, 2017.

Given the amount of the paid interim dividend and taking into account that the Group's ordinary net income for 2016 amounts to approximately Euro 3,243 million (against the Group's net income of approximately Euro 2,570 million), in accordance with the above mentioned dividend policy, the Board of Directors proposes to distribute a balance of the dividend amounting to Euro 0.09 per share (for a total amount of Euro 915,001,195.14), to be paid in July 2017. Therefore, the

total dividend for the financial year 2016 amounts to Euro 0.18 per share, for a total amount (approximately Euro 1,830 million) slightly above the one (approximately Euro 1,783.6 million) resulting from the application of the indicated pay-out ratio of 55% of the net ordinary income of the Enel Group.

Moreover, taking into account that Enel S.p.A.'s net income for 2016 amounts to approximately Euro 1,719.9 million, in order to allow the distribution of the aforementioned balance of the dividend, it is envisaged that a part of the available reserve named "retained earnings" (amounting to approximately Euro 4,534.3 million as of December 31, 2016) will be used in addition to Enel S.p.A.'s net income.

In light of the foregoing and considering that the legal reserve is already equal to the maximum amount of one-fifth of the share capital (as provided for by Article 2430, paragraph 1, of the Italian Civil Code), we therefore submit for your approval the following

### **Agenda**

The Shareholders' Meeting of Enel S.p.A., having examined the explanatory report of the Board of Directors,

### **resolves**

1. to earmark Enel S.p.A.'s net income for the year 2016, amounting to Euro 1,719,938,733.46, as follows:
  - for distribution to the Shareholders:
    - Euro 0.09 for each of the 10,166,679,946 ordinary shares in circulation on the ex-dividend date, to cover the interim dividend payable from January 25, 2017, the ex-dividend date of coupon no. 25 having fallen on January 23, 2017 and the "record date" (*i.e.* the date of the title to the payment of the dividend, pursuant to Article 83-*terdecies* of the Legislative Decree no. 58 of February 24, 1998 and to Article 2.6.6, paragraph 2, of the Rules of the Markets organized and managed by Borsa Italiana S.p.A.) on January 24, 2017, for an overall amount of Euro 915,001,195.14;
    - Euro 0.07 for each of the 10,166,679,946 ordinary shares in circulation on July 24, 2017 (*i.e.* on the scheduled ex-dividend date), as the balance of the dividend, for an overall amount of Euro 711,667,596.22;

- for “retained earnings” the remaining part of the net income, for an overall amount of Euro 93,269,942.10;
2. to earmark for the distribution to the Shareholders, always as the balance of the dividend, also a part of the available reserve named “retained earnings” allocated in the financial statements of Enel S.p.A. (amounting as of December 31, 2016 to Euro 4,534,347,074.01), for an amount of Euro 0.02 for each of the 10,166,679,946 ordinary shares in circulation on July 24, 2017 (*i.e.* on the scheduled ex-dividend date), for an overall amount of Euro 203,333,598.92;
  3. to pay, before withholding tax, if any, the overall balance of the dividend of Euro 0.09 per ordinary share – of which Euro 0.07 as distribution of part of the remaining 2016 net income and Euro 0.02 as partial distribution of the available reserve named “retained earnings” – as from July 26, 2017, with the ex-dividend date of coupon no. 26 falling on July 24, 2017 and the “record date” (*i.e.* the date of the title to the payment of the dividend, pursuant to Article 83-*terdecies* of the Legislative Decree no. 58 of February 24, 1998 and to Article 2.6.6, paragraph 2, of the Rules of the Markets organized and managed by Borsa Italiana S.p.A.) coinciding with July 25, 2017.