



**Enel S.p.A.**

Viale Regina Margherita 137 – 00198 Rome

Share capital of Euro 9,403,357,795 entirely paid in

Tax code and registration with the Companies Register of Rome No. 00811720580

Chamber of Commerce R.E.A. No. 756032 – VAT Code No. 00934061003

REPORT OF THE BOARD OF DIRECTORS ON THE SOLE ITEM ON THE AGENDA OF THE  
EXTRAORDINARY SHAREHOLDERS' MEETING CONVENED ON JANUARY 11, 2016, ON SINGLE  
CALL

<b>1. INTRODUCTION .....</b>	<b>4</b>
<b>2. DESCRIPTION OF THE COMPANIES TAKING PART IN THE DEMERGER .....</b>	<b>5</b>
2.1. BENEFICIARY COMPANY: ENEL S.P.A. ....	5
2.1.1. <i>Company Information</i> .....	5
2.1.2. <i>Corporate Purpose</i> .....	5
2.1.3. <i>Board of Directors</i> .....	6
2.1.4. <i>Committees of the Board of Directors</i> .....	7
2.1.5. <i>Executive in charge of preparing the corporate accounting documents</i> .....	7
2.1.6. <i>Board of Statutory Auditors</i> .....	7
2.2. DEMERGED COMPANY: ENEL GREEN POWER S.P.A. ....	8
2.2.1. <i>Company Information</i> .....	8
2.2.2. <i>Corporate Purpose</i> .....	8
2.2.3. <i>Board of Directors</i> .....	8
2.2.4. <i>Committees of the Board of Directors</i> .....	9
2.2.5. <i>Executive in charge of preparing corporate accounting documents</i> .....	10
2.2.6. <i>Board of Statutory Auditors</i> .....	10
<b>3. DESCRIPTION OF THE BUSINESSES OF THE COMPANIES TAKING PART IN THE DEMERGER .....</b>	<b>10</b>
3.1. ENEL'S BUSINESS .....	10
3.2. EGP'S BUSINESS .....	11
<b>4. EXPLANATION OF THE DEMERGER AND THE REASONS UNDERLYING THE SAME .....</b>	<b>11</b>
4.1. STRATEGIC AND INDUSTRIAL REASONS UNDERLYING THE DEMERGER .....	11
4.2. LEGAL ASPECTS OF THE DEMERGER .....	13
4.2.1 <i>Explanation of the Demerger</i> .....	13
4.2.2 <i>Issues related to the existence of a related party relationship between the Demerged Company and the Beneficiary Company</i> .....	14
<b>5. DESCRIPTION OF THE BALANCE SHEET ELEMENTS ASSIGNED TO THE BENEFICIARY COMPANY .....</b>	<b>15</b>
5.1. BALANCE SHEET ELEMENTS ASSIGNED .....	15
5.2. CHANGES IN EGP'S NET SHAREHOLDERS' EQUITY, ENEL'S SHARE CAPITAL INCREASE .....	16
5.3. ACTUAL VALUES OF THE NET SHAREHOLDERS' EQUITY ASSIGNED TO ENEL AND THE NET SHAREHOLDERS' EQUITY THAT WILL REMAIN WITH EGP .....	17
<b>6. EXCHANGE RATIO ESTABLISHED AND CRITERIA FOLLOWED FOR ITS DETERMINATION .....</b>	<b>17</b>
6.1. THE ASSIGNMENT CRITERION AND EXCHANGE RATIO .....	17
6.2. VALUATION METHODOLOGIES TO DETERMINE THE EXCHANGE RATIO AND THE VALUE OF THE SET OF ASSETS DEMERGED .....	18
<b>7. PROCEDURES FOR THE ASSIGNING THE ENEL SHARES TO EGP'S SHAREHOLDERS .....</b>	<b>27</b>
7.1. DATE OF ENTITLEMENT OF THE SHARES TO BE ASSIGNED TO THE SHAREHOLDERS OF THE DEMERGED COMPANY .....	27
7.2. DESCRIPTION OF THE RIGHTS RELATED TO THE SHARES TO BE ASSIGNED TO THE SHAREHOLDERS OF THE DEMERGED COMPANY .....	27
<b>8. DATE ON WHICH THE EFFECTS OF THE DEMERGER WILL START .....</b>	<b>27</b>
<b>9. THE COMPANIES FOLLOWING THE DEMERGER .....</b>	<b>28</b>
9.1. OWNERSHIP STRUCTURES OF ENEL AND EGP FOLLOWING THE DEMERGER .....	28
9.2. EFFECTS OF THE DEMERGER ON ENEL'S AND EGP'S SHAREHOLDERS' AGREEMENTS .....	28
9.3. AMENDMENTS TO ENEL'S BY-LAWS .....	29
<b>10. ASSESSMENTS ON THE RIGHT OF WITHDRAWAL AND THE RIGHT OF SALE .....</b>	<b>29</b>

10.1.	RIGHT OF WITHDRAWAL .....	29
10.1.1.	<i>Liquidation Value</i> .....	29
10.1.2.	<i>Procedure for the exercise of the Right of Withdrawal</i> .....	29
10.2.	RIGHT OF SALE.....	30
<b>11.</b>	<b>CONDITION PRECEDENT.....</b>	<b>30</b>
<b>12.</b>	<b>TAX IMPACTS OF THE DEMERGER ON ENEL AND EGP .....</b>	<b>31</b>

# EXPLANATORY REPORT BY ENEL S.P.A.'S BOARD OF DIRECTORS ON THE PARTIAL NON-PROPORTIONAL DEMERGER OF ENEL GREEN POWER S.P.A. IN FAVOR OF ENEL S.P.A.

Dear Shareholders,

This report explains, from a legal and economic standpoint, the partial, non-proportional demerger of Enel Green Power S.p.A. (“**EGP**” or the “**Demerged Company**”) in favor of Enel S.p.A. (“**Enel**” or the “**Beneficiary Company**”), and describes the elements comprising the demerger plan approved by the Boards of Directors of Enel and EGP on November 17, 2015 (the “**Demerger Plan**”), in accordance with the provisions of arts. 2506-ter and 2501-quinquies of the Italian Civil Code and art. 70, paragraph 2, of the Regulation approved through Consob resolution no. 11971 dated May 14, 1999, as subsequently amended (the “**Issuers Regulation**”), and Model No. 1 of Schedule 3A of the Issuers Regulation.

## 1. INTRODUCTION

The transaction described in this report consists in a partial, non-proportional demerger of EGP in favor of its controlling shareholder Enel, in accordance with art. 2506-bis, paragraph 4, of the Italian Civil Code (the “**Demerger**”), which entails:

- the assignment by EGP in favor of Enel of the Set of Assets Demerged (as defined and described in detail in Paragraph 5.1 below), essentially consisting of (i) the totalitarian shareholding held by EGP in Enel Green Power International B.V., a holding company organized and existing under Dutch law which holds shareholdings in companies operating in the renewable energies sectors in North America, Central America and South America, Europe, South Africa and India, and (ii) assets, liabilities, agreements, legal relationships pertaining to such shareholding;
- the retention by EGP of all remaining assets and liabilities other than those comprising the Set of Assets Demerged (and, therefore, essentially, the Italian assets and the limited remaining foreign shareholdings).

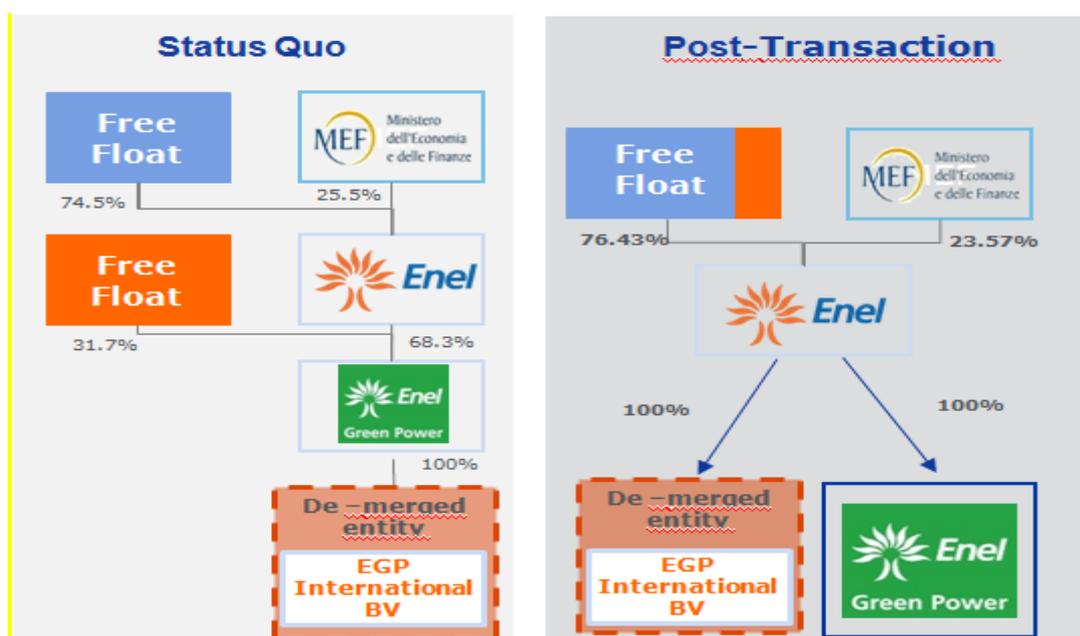
As of the Date of Effect of the Demerger (as defined in Paragraph 8 below), the quota of EGP’s share capital corresponding to the Set of Assets Demerged will be exchanged on the basis of the Exchange Ratio defined in Paragraph 6 below; the Enel shares issued to service the Demerger exchange will be assigned to EGP’s shareholders in accordance with the non-proportional assignment criterion also indicated in Paragraph 6. By virtue of such non-proportional assignment, all of the EGP shares held by shareholders other than Enel will be exchanged with Enel shares, while Enel will exchange solely a portion of its shares held in EGP; such shares will be simultaneously cancelled in accordance with the provisions of art. 2504-ter, paragraph 2, of the Italian Civil Code, as cited for demergers in art. 2506-ter, paragraph 5, of the Italian Civil Code, without proceeding with the assignment of the same. As a result, on the Date of Effect of the Demerger: (i) the Beneficiary Company will increase its share capital by the amount indicated in Paragraph 6 below; (ii) all of the EGP shares exchanged with Enel shares will be cancelled, resulting in a reduction of the share capital of the Demerged Company; and (iii) Enel will be the sole shareholder of EGP, while all of the other shareholders of the Demerged Company will become shareholders of Enel. For further information on the Exchange Ratio and the non-proportional nature of the Demerger, see Paragraphs 4 and 6 below.

The effectiveness of the Demerger is, in any case, conditioned upon, in addition to the completion of the relevant corporate procedures, satisfaction of the Condition Precedent (as defined in Paragraph 11 below), consisting in the circumstance that the total liquidation value of the EGP shares with respect to which the Right of Withdrawal and the Right of Sale (as defined in Paragraph 10 below) are validly exercised does not exceed Euro 300,000,000 (three hundred million /00).

The Condition Precedent will be deemed likewise satisfied - even if the above-mentioned limits are exceeded – if Enel, within 60 calendar days of the last registration with the Companies Register of Rome of shareholders’ meeting resolutions approving the Demerger pursuant to art. 2502 of the Italian Civil Code, declares its intention to proceed in any case with the purchase of all shares for which the above-mentioned rights have been exercised.

As explained in detail below, the transaction is aimed at achieving complete integration of the renewable energies sector within the Enel Group.

The two figures set forth below illustrate the Enel Group’s corporate structure before and after the completion of the Demerger, assuming that: (a) the current ownership structure of Enel and EGP remains unchanged until the perfection of the Demerger; and (b) none of EGP’s shareholders exercises the Right of Withdrawal or the Right of Sale:



On the Date of Effect of the Demerger, EGP shares will cease to be traded on the Electronic Stock Exchange (*Mercato Telematico Azionario*) organized and managed by Borsa Italiana S.p.A. (“MTA”) and on the Spanish continuous electronic trading system (*Sistema de Interconexión Bursátil*, SIBE).

## 2. DESCRIPTION OF THE COMPANIES TAKING PART IN THE DEMERGER

### 2.1. Beneficiary Company: Enel S.p.A.

#### 2.1.1. Company Information.

Enel S.p.A., a joint stock company organized and existing under Italian law whose shares are listed on the MTA, has its registered office at Viale Regina Margherita 137, Rome, Tax Code and Registration with the Register of Companies of Rome No. 00811720580; Chamber of Commerce (R.E.A.) No. 756032, VAT Code No. 00934061003. As of the date of this report, Enel’s share capital amounts to Euro 9,403,357,795, entirely paid in, comprised of 9,403,357,795 ordinary shares having a nominal value of Euro 1.00 each.

#### 2.1.2. Corporate Purpose.

Enel's corporate purpose is the acquisition and management of shareholdings and interests in Italian or foreign companies and firms and the performance in favor of subsidiary companies and firms of functions of strategic guidance and coordination of their industrial organization structures and business operations.

Enel, through its subsidiaries or affiliates, operates, in particular: a) in the electricity industry, including the activities of production, importation, exportation, distribution and sale, as well as transmission within the limits of existing legislation; b) in the energy industry in general, including fuels, and in the field of environmental protection, as well as in the water sector; c) in the communications, telematics and information-technology industries and those of multimedia and interactive services; d) in network-based sectors (electricity, water, gas, district heating, telecommunications) or those which, in any case, provide urban services locally; e) in other sectors in any way related to or connected with the activities carried out in the sectors mentioned above, allowing the facilities, resources and expertise employed in the sectors mentioned above and allowing the profitable use of the goods produced and the services provided in the sectors mentioned above; f) in the carrying out of activities involving systems and installations design, construction, maintenance and management; the production and sale of equipment; research, consulting and assistance; as well as the acquisition, sale, marketing and trading of goods and services, all activities connected with the sectors referred to in letters a), b), c) and d) above.

In the interest of its affiliates or subsidiaries, Enel may furthermore carry out directly any activity connected with or instrumental to its own business or that of its affiliates or subsidiaries themselves. Moreover, in pursuing its corporate purpose, Enel may also carry out all transactions that are instrumentally necessary or useful or at any rate related.

### 2.1.3. Board of Directors

Enel's Board of Directors, appointed by the shareholders' meeting held on May 22, 2014 and later supplemented by the shareholders' meeting held on May 28, 2015, through the appointment of a new director to replace a director who had previously resigned, will remain in office until the date of the shareholders' meeting called to approve the financial statement for year ended December 31, 2016. As of the date of this report, Enel's Board of Directors is comprised of the following members:

<b>Name</b>	<b>Office</b>
Maria Patrizia Grieco	Chairman <sup>(1)</sup>
Francesco Starace	Chief Executive Officer and General Manager
Alfredo Antoniozzi	Director <sup>(2)</sup>
Alessandro Banchi	Director <sup>(2)</sup>
Alberto Bianchi	Director <sup>(2)</sup>
Paola Girdinio	Director <sup>(2)</sup>
Alberto Pera	Director <sup>(2)</sup>
Anna Chiara Svelto	Director <sup>(2)</sup>

Angelo Taraborrelli	Director <sup>(2)</sup>
---------------------	-------------------------

<sup>(1)</sup> Independent director within the meaning set forth in arts.147-ter, paragraph 4, and 148, paragraph 3, of Legislative Decree No. 58 of February 24, 1998, as subsequently amended (the “**Consolidated Finance Act**” or “*Testo Unico della Finanza*”).

<sup>(2)</sup> Independent director within the meaning set forth in arts. 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Finance Act, and art. 3 of the Corporate Governance Code of listed companies.

#### 2.1.4. Committees of the Board of Directors

The Committees established within Enel’s Board of Directors are the Control and Risks Committee, the Nomination and Compensation Committee, the Related Parties Committee and the Corporate Governance Committee. In particular:

- the Control and Risks Committee is comprised of four independent directors: Angelo Taraborrelli (Chairman), Paola Girdinio, Alberto Pera and Anna Chiara Svelto. The committee has the task of supporting, through an adequate review process, the assessments and decisions of Enel’s Board of Directors regarding the internal control and risk management system and the approval of periodic financial reports.
- the Nomination and Compensation Committee is comprised of four independent directors: Alessandro Banchi (Chairman), Paola Girdinio, Alberto Pera and Anna Chiara Svelto. The committee has the task of supporting Enel’s Board of Directors, through proper enquiry, in its assessments and decisions on the size and composition of the Board itself, and on the policy on the remuneration of Directors and key Executives. The committee, in the context of its functions, elaborates, submits to the Board of Directors and monitors the application of incentive systems directed at management, including any stock-based remuneration plans.
- the Related Parties Committee is comprised of four independent directors: Alberto Bianchi (Chairman), Alfredo Antoniozzi, Alessandro Banchi and Angelo Taraborrelli. The committee has the task of performing the functions provided under the relevant Consob provisions and Enel’s specific procedure for transactions with related parties, with particular regard to the issuance of a reasoned opinion on transactions that are relevant for purposes of such procedure.
- the Corporate Governance Committee is comprised of three directors: Maria Patrizia Grieco (Chairman), Alfredo Antoniozzi, Alberto Bianchi. The committee has the task of assisting Enel’s Board of Directors through preliminary functions, of a propositive and consultative nature, in its assessments and decisions related to the corporate governance of Enel and the Group and to corporate social responsibility issues.

#### 2.1.5. Executive in charge of preparing the corporate accounting documents

The functions of executive in charge of preparing Enel’s corporate accounting documents are performed by the head of Enel’s “Administration, Finance and Control” function, Alberto De Paoli.

#### 2.1.6. Board of Statutory Auditors

Enel’s Board of Statutory Auditors, appointed by the shareholders’ meeting held on April 30, 2013, will remain in office until the date of the shareholders’ meeting called to approve the financial statement for year ended December 31, 2015. As of the date of this report, Enel’s Board of Statutory Auditors is comprised of the following members:

<b>Name</b>	<b>Office</b>
Sergio Duca	Chairman
Lidia D'Alessio	Statutory Auditor
Gennaro Mariconda	Statutory Auditor
Giulia De Martino	Alternate Auditor
Pierpaolo Singer	Alternate Auditor
Franco Tutino	Alternate Auditor

## **2.2. Demerged Company: Enel Green Power S.p.A.**

### **2.2.1. Company Information**

Enel Green Power S.p.A., a joint stock company organized and existing under Italian law whose shares are listed on the MTA and on the Spanish continuous electronic trading system (*Sistema de Interconexión Bursátil*, SIBE), subject to guidance and coordination on the part of Enel pursuant to art. 2497 *et seq.* of the Italian Civil Code. EGP's registered office is located at Viale Regina Margherita, 125, Rome, Tax Code and Register of Companies of Rome No. 10236451000, Chamber of Commerce (R.E.A.) of Rome No.1219253, VAT Code No. 10236451000. As of the date of this report, EGP's share capital amounts to Euro 1,000,000,000, entirely paid in, comprised of 5,000,000,000 ordinary shares having a nominal value of Euro 0.20 each.

### **2.2.2. Corporate Purpose**

EGP's corporate purpose is the conduct and development of activities of production and sale of electric power generated from renewable sources. To such end, EGP may, either directly or indirectly through subsidiaries or affiliates, operate both in Italy or abroad and perform any other connected, instrumental, similar, complementary or however useful activity to the pursuit of its corporate purpose.

EGP may, furthermore, carry out research, consultancy and assistance activities in all sectors pertaining to its corporate purpose, and any other activity that allows for a better use and valorisation of the assets, resources and competencies employed.

EGP may furthermore carry out directly, on behalf of its subsidiaries or affiliates, any activity connected with or instrumental to its activities or those of the subsidiaries or affiliates.

In pursuing its corporate purpose, EGP may, carry out all those operations which are necessary or useful in an instrumental function or in any way connected.

### **2.2.3. Board of Directors**

EGP's Board of Directors currently in office was appointed by the shareholders' meeting held on April 24, 2013 and was later supplemented (i) by the shareholders' meeting held on May 8, 2015, through the appointment of three directors previously co-opted by the Board of Directors to replace another three directors who had resigned and (ii) by the Board of Directors's meeting held on June 16, 2015, through the

co-optation of a director, to replace another director who had resigned in May 2015; the appointment of this latter director will be proposed to the ordinary shareholders' meeting called on January 11, 2016. The Board of Directors will remain in office until the date of the shareholders' meeting called to approve the financial statement for year ended December 31, 2015. As of the date of this report, EGP's Board of Directors is comprised of the following members:

<b>Name</b>	<b>Office</b>
Alberto De Paoli	Chairman
Francesco Venturini	Chief Executive Officer and General Manager
Luca Anderlini	Director <sup>(1)</sup>
Carlo Angelici	Director <sup>(1)</sup>
Ludovica Parodi Borgia	Director
Giovanni Battista Lombardo	Director <sup>(1)</sup>
Giovanni Pietro Malagnino	Director <sup>(1)</sup>
Paola Muratorio	Director <sup>(1)</sup>
Francesca Romana Napolitano	Director
Luciana Tarozzi	Director <sup>(1)</sup>

<sup>(1)</sup> Independent director within the meaning set forth in arts. 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Finance Act, and art. 3 of the Corporate Governance Code of listed companies and art. 37 of Consob resolution No. 16191 dated October 29, 2007 (Markets Regulation).

#### **2.2.4. Committees of the Board of Directors**

The Committees established within EGP's Board of Directors are the Control and Risks Committee, the Nomination and Compensation Committee and the Related Parties Committee. In particular:

- the Control and Risks Committee, is comprised of three non-executive and independent directors: Giovanni Battista Lombardo (Chairman), Luciana Tarozzi and Giovanni Pietro Malagnino. The committee has the task of supporting, through an adequate review process, the assessments and decisions by the Board of Directors regarding the internal control and risk management system and the approval of periodic financial reports.
- the Nomination and Compensation Committee, is comprised of three non-executive and independent directors: Carlo Angelici (Chairman), Luca Anderlini and Paola Muratorio. The committee has the task of assisting the Board of Directors, through proper enquiry, in its assessments and decisions on the size and composition of the Board itself, and on the policy on the remuneration of Directors and key Executives. The committee, furthermore, in the context of its functions, elaborates, submits to the

Board of Directors and monitors the application of incentive systems directed at management, including any stock-based remuneration plans.

- the Related Parties Committee is comprised of three non-executive, independent directors: Carlo Angelici (Chairman), Luca Anderlini and Giovanni Pietro Malagnino. The committee has the task of performing the functions provided under the relevant Consob provisions and EGP's specific procedure for transactions with related parties, with particular regard to the issuance of a reasoned opinion on transactions that are relevant for purposes of such procedure.

#### 2.2.5. Executive in charge of preparing corporate accounting documents

The functions of executive in charge of preparing EGP's corporate accounting documents are performed by the head of EGP's "Administration, Finance and Control" function, Giulio Antonio Carone.

#### 2.2.6. Board of Statutory Auditors

EGP's Board of Statutory Auditors, appointed at the shareholders' meeting held on May 13, 2014, will remain in office until the shareholders' meeting called to approve the financial statement for the year ended December 31, 2016. As of the date of this report, the Board of Statutory Auditors is comprised of the following members:

<b>Name</b>	<b>Office</b>
Franco Fontana	Chairman
Maria Rosaria Leccese	Statutory Auditor
Giuseppe Ascoli	Statutory Auditor
Anna Rosa Adiutori	Alternate Auditor
Pietro La China	Alternate Auditor
Alessio Temperini	Alternate Auditor

### **3. DESCRIPTION OF THE BUSINESSES OF THE COMPANIES TAKING PART IN THE DEMERGER**

#### **3.1. Enel's business**

Enel operates, through its subsidiaries and companies in which it holds stakes, in particular, in the energy sector, conducting, as holding company and controlling shareholder, various business operations directly or indirectly related to such sector.

As of September 30, 2015, the Enel Group operates in over thirty countries, on four continents, and is endowed with power generation plants (thermoelectric, hydroelectric, nuclear, geothermic, wind,

photovoltaic plants and other plants fuelled by renewal sources) with net installed capacity of approximately 89 GW, and distributes electricity and gas through a network spanning approximately 1.9 million kilometers.

With 61 million customers throughout the world, the Enel Group has the broadest customer base among its European competitors and is ranked among the leading electricity operators in Europe, in terms of installed capacity and reported EBITDA.

### **3.2. EGP's business**

EGP is the company of the Enel Group that is entirely focused on the development and management of the generation of electricity using renewable sources at the international level, in Europe, on the American continent, in Africa and in Asia.

In particular, as of September 30, 2015, EGP operates through 761 plants operating on the European, American, African and Asian continents, with installed power capacity of 10.6 GW, including wind, solar, geothermal, hydroelectric and biomass.

## **4. EXPLANATION OF THE DEMERGER AND REASONS UNDERLYING THE SAME**

### **4.1. Strategic and industrial reasons underlying the Demerger.**

A number of phenomena are causing significant changes to the energy paradigm at the worldwide level: a rise in demand for energy driven by economic growth and the process of urban development in emerging countries, a high level of volatility in the price of commodities, growing competitiveness in renewable sources, the development of new technologies, energy efficiency, greater attention and awareness focusing on environmental issues.

In this new “world”, the renewable energy sector has taken on an increasingly predominant role, as a result of both growing competitiveness of less mature technologies – wind and solar – brought by rapid technological advances, and contributions to the energy model with regard to environmental sustainability.

Large utilities operators have taken action to exploit opportunities offered by the renewables business, by establishing companies entirely dedicated to the development and management of renewable energy plants. In this context, in 2008, Enel created EGP, a corporate vehicle in which it concentrated its business related to the production of electricity using renewable sources, and later proceeded to have EGP listed on the stock exchange in 2010.

Over the last several years, a number of signs of changes have arisen in the above-mentioned energy model, initially triggered by the rapid large-scale development of renewable sources, resulting in issues related to the need to adapt grids/networks. This was coupled with the emergence of new phenomena such as, among others, distributed power generation, energy efficiency, electric cars and energy storage, which are increasingly determining a radical transformation in behavior of consumers, who are becoming increasingly active as “producers” and “operators/managers” of their own electricity demand. In addition, the need has arisen to develop new technologies which allow the electricity system to evolve toward a model that better integrates traditional generation sources and, therefore, plannable sources, with renewable sources, which latter sector continues to show a high growth rate at the worldwide level.

Such growth is seen principally in two main areas. Firstly, on emerging markets (characterized by economic growth and significant urban development), renewable sources constitute the fastest answer to the rise in electricity demand. Secondly, even on mature markets, there exist development opportunities for renewable sources, supported by a process toward the gradual dismantling of traditional power generation capacity (such as, for example, coal-fired plants) and its replacement with new renewable capacity, using, in

particular, wind and solar sources, characterized by faster commissioning timetables, contained execution/realization risks and competitive costs.

The increasingly rising need to achieve integration between renewable sources and traditional sources, as well as between the distribution networks and the market (the “single integrated system”), is swiftly leading to the modernization of the electricity grid, through digitalization and the “*smart meter*”, effectively transforming energy utilities companies like Enel from simple producers and distributors of energy to services suppliers and systems optimizers. This phenomenon is creating new business opportunities that utilities operators will be ready to exploit only if they are positioned as global operators that are integrated in the electricity system.

Within this context, the Enel Group is well-positioned in the main strategic areas of the new model, as one of the few global operators in the sector, as well as one of the more diversified operators from a technological standpoint, with a customer base exceeding 60 million. Moreover, the Group is optimally positioned to take advantage of numerous growth opportunities at the worldwide level, by exploiting its high level of geographical diversification. Indeed, it is present in all geographical areas featuring significant growth prospects, most recently the Asian continent, where the Group has recently established a base, entering the Indian renewable energy market.

In recent years, EGP has achieved significant results, from both an operating and economic-financial standpoint, achieving its growth and internationalization objectives. Indeed, since its listing until today, it has achieved growth of 82.7% in its renewable installed capacity, from 5.8 GW to its current 10.6 GW, and 38% growth in EBITDA, from Euro 1.3 billion in 2010 (8% of the Group’s EBITDA) to Euro 1.8 billion expected to be achieved in 2015 (12% of the Group’s EBITDA), coupled by an international presence (expressed as a percentage out of installed capacity) which rose from 54% in 2010 to the current approximately 70%.

In consideration of the significant market opportunities and in line with the growing focus on renewable energies, over the next timeline of the plan, a rise in investments in the development of renewable energies is expected, which are expected to account for about 50% of the Enel Group’s investments in growth.

The process aimed at complete integration of the renewable energy business is therefore consistent with the Enel Group’s development strategy and supported by significant justifications, which are not only strategic in nature (as described above) but also industrial and financial, offering opportunities for the creation of value.

The industrial reasons focus on two main objectives: growth and integration, in the strict sense.

The first strategic macro-area would allow for greater creation of value for the Group through the possible further acceleration of investments, and the implementation of the Active Portfolio Management strategy. In a context in which EGP’s now proven capacity with regard to both the development of projects and their realization, exceed its investment capacity from a “stand-alone” perspective (in order to preserve the company’s capacity solidity) and due to the Enel Group’s financial capacity, the complete integration between Enel and EGP would enable the latter to realize additional growth initiatives in the renewable business which are not sustainable in its current structure. The acceleration of investments would consist of a greater possible allocation of capital to EGP in the range of Euro 1.3 billion over the period from 2018 and 2019, which would be invested in development projects in emerging countries.

The second macro-strategy aimed at the creation of value is that of integration in the strict sense, which consists of the realization of operational and management synergies attainable through: the capacity to synergically exploit their respective business expertise/know-how, yielding cost efficiencies; the possibility of jointly managing various production chains, resulting in risk reduction; the opportunity to benefit from the Group’s financial solidity.

Another way to possibly achieve streamlining /optimization would be through the reduction of “merchant” risk in countries/markets in which both Enel and EGP operate, essentially thanks to a vertical integration and consequent centralized management of hedging and risk related to the optimization of the maintenance plan at an integrated level of the renewable and traditional plants and greater commercial competitiveness ensured by the synergetic management of renewable and traditional assets.

Lastly, the integration between Enel and EGP would be in line with Enel’s goal of gradually reducing and rationalizing of minority shareholdings in affiliates, also for purposes of achieving greater symmetry between the financial commitments aimed at the development of EGP and the profitability and cash generation of the Group.

## **4.2. Legal aspects of the Demerger**

### **4.2.1 Explanation of the Demerger**

In order to achieve the above-mentioned industrial objectives, the Boards of Directors of Enel and EGP, at the meetings held on November 17, 2015 approved, pursuant to art. 2506-*bis* and art. 2501-*ter* of the Italian Civil Code, the Demerger Plan, which, as already mentioned, envisages the partial, non-proportional Demerger of EGP in favor of its controlling shareholder/parent company Enel. The Demerger Plan was prepared on the basis of the financial statements of the companies taking part in the Demerger as of September 30, 2015, that were drafted and approved – pursuant to and for purposes of art. 2501-*quater* of the Italian Civil Code, cited on the matter of demergers under art. 2506-*ter*, paragraph 1, of the Italian Civil Code– at the same meetings of the Boards of Directors of Enel and EGP that approved the Demerger Plan.

With regard to the foregoing, it should be noted that, for purposes of determining the Exchange Ratio and the criterion for the non-proportional assignment of the shares at the time of the exchange (as better described in Paragraph 6 below), the companies taking part in the Demerger availed themselves of primary independent financial advisors of proven professional experience and, namely:

- for Enel, Credit Suisse and JP Morgan;
- for EGP, Barclays and Mediobanca.

The Demerger Plan, for both companies taking part in the Demerger, will be filed for registration in the Register of companies of Rome pursuant to article 2501-*ter*, paragraph 3, of the Italian Civil Code, cited in article 2506-*bis*, paragraph 5, of the Italian Civil Code.

The Demerger Plan, the financial statements drafted in accordance with art. 2501-*quater* of the Italian Civil Code, this report and the explanatory report by EGP’s Board of Directors drafted in accordance with art. 2501-*quinquies* of the Italian Civil Code, the expert’s report drafted in accordance with article 2501-*sexies* of the Italian Civil Code, and the financial statements for the three years 2014, 2013 and 2012 of the two companies taking part in the Demerger, will be filed by Enel and EGP, at least thirty days prior to the extraordinary Shareholders’ Meetings of Enel and EGP called to approve the Demerger, at the respective registered offices and published, by the same deadlines, on the websites [www.enel.com](http://www.enel.com) and [www.enelgreenpower.com](http://www.enelgreenpower.com), in accordance with article 2501-*septies* of the Italian Civil Code, cited in article 2506-*ter*, paragraph 5, of the Italian Civil Code, and in the authorized storage mechanism called “NIS-Storage” ([www.emarketstorage.com](http://www.emarketstorage.com)). In addition, in accordance with the provisions of art. 2506-*ter*, paragraph 2, of the Italian Civil Code, an estimate/appraisal report on the Set of Assets Demerged will be drafted by an independent expert, to be filed with the companies register of Rome and/or published through filing at the registered offices of Enel and EGP and on the websites [www.enelgreenpower.com](http://www.enelgreenpower.com) and [www.enel.com](http://www.enel.com) during the 30 days preceding the extraordinary Shareholders’ Meetings of Enel and EGP called to approve the Demerger and, lastly, filed with the authorized storage mechanism called “NIS-Storage” ([www.emarketstorage.com](http://www.emarketstorage.com)).

Enel and EGP will draft the information document provided under article 70, paragraph 6, of the Issuers Regulation, which will be made public at least fifteen days prior to the extraordinary Shareholders' Meetings of Enel and EGP called to approve the Demerger, in accordance with the same procedures indicated above.

Under art. 57, paragraph 1, letter a) of the Issuers Regulation, the publication of a listing prospectus is not envisaged in connection with the Demerger since, as specified in Paragraph 5.2 below, the number of Enel shares issued to service the Demerger exchange represent less than 10% of the values of the Enel shares issued in the last 12 months.

The above-mentioned extraordinary Shareholders' Meetings of Enel and EGP, called to approve the Demerger, are called on January 11, 2016, in a single session.

Starting on the date of registration of the related resolutions with the Register of Companies of Rome, the following terms will start to run (i) the sixty days within which the corporate creditors of the two companies may present an opposition to the Demerger in accordance with art. 2503 of the Italian Civil Code, as cited in art. 2506-ter, paragraph 5, of the Italian Civil Code, and (ii) the fifteen days within which EGP's shareholders who do not take part in the approval of the Demerger may exercise their Right of Withdrawal and/or Right of Sale (as illustrated in Paragraph 10 below).

In compliance with art. 47 of Law No. 428/1990 as subsequently amended and supplemented, Enel and EGP will complete the trade union disclosure and consultation procedure with regard to the Demerger.

Upon the completion of the above activities, the deed of Demerger will be executed.

As a result of the Demerger, EGP's shares will cease to be traded on the MTA, and on the Spanish continuous electronic trading system (*Sistema de Interconexión Bursátil*, SIBE).

#### 4.2.2 Issues related to the existence of a related party relationship between the Demerged Company and the Beneficiary Company

As regards Enel, the Demerger transaction, while being carried out with a related party, is exempt from the application of the special Procedure for transactions with related party (adopted in accordance with the Regulation on related party transactions approved by Consob through resolution no. 17221 dated March 12, 2010, the "**RPT Regulation**"), since the transaction is being concluded with a subsidiary in which there do not exist significant interests of other related parties (within the meaning set forth in art. 14, paragraph 2, of the RPT Regulation and art. 13.3, letter d), of the above-mentioned Procedure). In consideration of the foregoing, no involvement on the part of Enel's Related Parties Committee was required for the approval of the Demerger Plan.

As regards EGP, EGP's Related Parties Committee was involved for the activities falling under its responsibility and for the issuance of the necessary binding opinion, since, for EGP, the Demerger constitutes, under the RPT Regulation, a related party transaction of "major importance" that is not exempt, since it is concluded with its controlling shareholder. For the activities falling under its responsibility, EGP's Related Parties Committee was assisted by independent financial advisors appointed by the Committee, and namely Lazard and Prof. Enrico Laghi.

The Demerger Plan was therefore approved by EGP's Board of Directors, following the favorable reasoned opinion of the Demerged Company's Related Parties Committee issued on November 16, 2015. The information document required under the legal framework on related party transactions (art. 5 of the RPT Regulation) will be made available by EGP, by 24 November 2015, at its registered office, on its website [www.enelgreenpower.com](http://www.enelgreenpower.com), and on the authorized storage mechanism called "NIS-Storage" ([www.emarketstorage.com](http://www.emarketstorage.com)).

## 5. DESCRIPTION OF THE BALANCE SHEET ELEMENTS ASSIGNED TO THE BENEFICIARY COMPANY

### 5.1. Balance sheet elements assigned

As already mentioned, the Demerger will be approved by resolution on the basis of the financial statements of Enel and EGP as of September 30, 2015, attached to the Demerger Plan.

The Demerger will give rise to the assignment of almost all of EGP's foreign shareholdings and financial assets in favor of Enel, while EGP will keep its Italian assets and the remaining foreign shareholdings.

In particular, the balance sheet elements and related legal relationships which, as a result of the Demerger, will be assigned to the Beneficiary Company are the following (the "**Set of Assets Demerged**"):

- 1) totalitarian shareholding in the company organized and existing under Dutch law, Enel Green Power International BV;
- 2) short-term financial receivable owed by the company Enel Green Power North America Ltd. in connection with a financial restructuring transaction concluded in 2014; the exchange rate risk related to such financial receivable is hedged through a currency forward contract;
- 3) legal relationships related to the long-term credit line with Enel Green Power International BV;
- 4) legal relationships with the six employees pertaining to the business unit comprising the Set of Assets Demerged and the consequent asset-side and liability-side balance sheet items referring to the same;
- 5) guarantees granted by EGP in the interest of Enel Green Power International BV and its subsidiaries as security for a number of commitments undertaken.

The detailed description of the asset-side and liability-side balance sheet elements and related legal relationships comprising the Set of Assets Demerged which will remain assigned to the Beneficiary Company as a result of the Demerger is set forth in schedule G to the Demerger Plan.

In any case, where the assignment of assets, liabilities, rights or obligations is not discernible from the Demerger Plan, such elements shall be deemed assigned to the Beneficiary Company where the same pertain to the Set of Assets Demerged.

It should be further noted that any windfall assets or contingent liabilities that may arise after the Date of Effect of the Demerger shall remain, respectively, for the benefit of or borne by the Beneficiary Company provided that they pertain to the Set of Assets Demerged.

The composition of the net shareholders' equity for accounting purposes of EGP and Enel, after the Demerger, is set forth in specific tables (respectively called "Composition of the net shareholders' equity of the Demerged Company *ante* and *post* Demerger" and "Composition of the net shareholders' equity of the Beneficiary Company *ante* and *post* Demerger") set forth in Schedules H and I to the Demerger Plan.

It should be noted, in conclusion, that:

- the Set of Assets Demerged includes the contractual relationships pertaining thereto, including the employment relationships with the six human resources, as indicated in detail in the Demerger Plan;
- the asset-side and liability-side balance sheet elements and the legal relationships comprising the Set of Assets Demerged will be those existing on the Date of Effect of the Demerger, therefore also taking into account the changes that will take place between the date of reference of the balance sheet as of September 30, 2015 of the Demerged Company and the Date of Effect of the Demerger, as a result of the trends in day-to-day business operations. Therefore, any differences in the value/existence of such elements and relationships comprising the Set of Assets Demerged, between September 30, 2015 and

the Date of Effect of the Demerger, shall give rise to the registration of a credit/debit item between the Demerged Company and the Beneficiary Company.

## 5.2. Changes in EGP's net shareholders' equity, Enel's capital increase

The changes to the composition of the Net Shareholders' Equity of the Demerged Company deriving from the Demerger are attributable to the following:

- decrease in share capital of Euro 728,000,000 (seven hundred twenty eight million/00), corresponding to the nominal value of the cancelled shares;
- decrease in Other Reserves, including the quota corresponding to the Legal Reserve attributable to the decree in share capital carried out, in the amount of Euro 2,936,162,218 (two billion nine hundred thirty six million one hundred sixty two thousand two hundred eighteen/00);
- decrease in Other Reserves, in the amount of Euro 6,784,000 (six million seven hundred eighty four thousand /00), corresponding to the estimate of costs classified as ancillary costs directly attributable to the Demerger, net of the related tax effect.

The following table illustrates the composition of EGP's net shareholders' equity for accounting purposes after the Demerger.

	Share Capital	Other Reserves	Retained earnings (loss carried forward)	Net Income for the period	Total
<i>Net shareholders' equity ante demerger</i>	1,000,000,000	4,637,089,228	1,095,239,874	139,667,460	<b>6,871,996,562</b>
Cancellation of Shares	(728,000,000)	(2,936,162,218)	-	-	<b>(3,664,162,218)</b>
<i>Entry of ancillary costs related to the demerger</i>	-	(6,784,000)	-	-	<b>(6,784,000)</b>
<i>Net shareholders' equity post demerger</i>	272,000,000	1,694,143,010	1,095,239,874	139,667,460	<b>3,201,050,344</b>

The changes in the composition of the Net Shareholders' Equity of the Beneficiary Company Enel SpA deriving from the Demerger, assuming that no shareholder di Enel Green Power exercises the Right of Withdrawal or the Right of Sale, are attributable to:

- an increase in the Share Capital, in the amount of Euro 770,588,712 (seven hundred seventy million five hundred eighty eight thousand seven hundred twelve/00), corresponding to the nominal value of the newly issued shares attributed to EGP's shareholders other than Enel;
- an increase in Other Reserves, in the amount of Euro 2,302,519,071 (two billion three hundred two million five hundred nineteen thousand seventy one /00), corresponding to the excess over the theoretical issue price of the shares (equal to Euro 3.988 Euro per share corresponding to the Stock Exchange price quote for the Enel share on September 30, 2015) with respect to their nominal value;
- decrease in the Other Reserves, in the amount of Euro 7,250,000 (seven million two hundred fifty thousand /00), corresponding to an estimate of the costs qualifiable as transaction costs directly attributable to the Demerger, net of the related tax effect.

The following table illustrates the composition of Enel's net shareholders' equity for accounting purposes following the Demerger.

	Share Capital	Other Reserves	Retained earnings (loss carried forward)	Net Income for the period	Total
Net shareholders' equity ante demerger	9,403,357,795	9,197,808,130	5,303,025,796	1,066,017,771	<b>24,970,209,492</b>
Issuance of new shares	770,588,712	2,302,519,071	-	-	<b>3,073,107,783</b>

Entry of ancillary costs related to the demerger	-	(7,250,000)	-	-	(7,250,000)
<b>Net shareholders' equity post demerger</b>	10,173,946,507	11,493,077,201	5,303,025,796	1,066,017,771	<b>28,036,067,275</b>

### 5.3. Actual values of the net shareholders' equity assigned to Enel and of the net shareholders' equity that will remain with EGP

It is certified, pursuant to art. 2506-ter, paragraph 2, of the Italian Civil Code, that: (i) the actual value of the net shareholders' equity assigned to Enel as a result of the Demerger is not lower than the related book value (which as of September 30, 2015 is equal to Euro 3,664,162,218 (three billion six hundred sixty four million one hundred sixty two thousand two hundred eighteen /00); and (ii) the actual value of the net shareholders' equity that will remain with EGP as a result of the Demerger is not lower than the related book value (which as of September 30, 2015 is Euro 3,201,050,344 (three billion two hundred one million fifty thousand three hundred forty four/00)).

## 6. EXCHANGE RATIO ESTABLISHED AND CRITERIA FOLLOWED FOR ITS DETERMINATION

### 6.1. The assignment criterion and Exchange Ratio

Since this transaction is a demerger with a non-proportional assignment, as of the Date of Effect of the Demerger, the portion of EGP's share capital corresponding to the Set of Assets Demerged, consisting of 3,640,000,000 shares of EGP (the "**EGP Shares exchanged**"), will be exchanged on the basis of the Exchange Ratio indicated below, in accordance with the following proportions:

- (i) EGP's shareholders other than Enel will exchange all of their shares in EGP;
- (ii) Enel will exchange only a portion of the shares held in EGP, corresponding to the number of EGP Shares exchanged, after deducting the EGP Shares exchanged by EGP's shareholders other than Enel.

As indicated in the Demerger Plan, for purposes of determining the above-mentioned number of EGP Shares exchanged, respectively, by Enel and EGP's shareholders other than Enel, and therefore the criterion for the non-proportional assignment of the newly issued shares of the Beneficiary Company to the shareholders of the Demerged Company, the Boards of Directors of the companies taking part in the Demerger, after examining the reports by the respective financial advisors indicated above and with their support, have assigned to such Set of Assets Demerged a value corresponding to 72.8 percent of the entire value of EGP before the Demerger.

The Boards of Directors of Enel and EGP, at the meetings held on November 17, 2015, after examining the reports by the respective financial advisors indicated above and with their support – and, as regards the Demerged Company, acknowledging the Related Parties Committee's reasoned favorable opinion – approved the following Exchange Ratio: 0.486 newly issued Enel shares for each EGP Share exchanged (the "**Exchange Ratio**").

No cash adjustments are envisaged.

As a result, on the Date of Effect of the Demerger, the Beneficiary Company will increase its share capital through the issuance of up to 1,769,040,000 (one billion seven hundred sixty nine million forty thousand) shares – with regular entitlement and a nominal value of Euro 1.00 each - in favor of the shareholders of the Demerged Company on the basis of the Exchange Ratio. The amount of Enel's capital increase to service the Exchange Ratio may not exceed the value attributed to the Set of Assets Demerged under the appraisal report by the independent expert drafted in accordance with the provisions of art. 2506-ter, paragraph 2, of the Italian Civil Code.

In particular:

- a) the shareholders of EGP other than Enel will be assigned – through application of the Exchange Ratio – a total of up to a maximum of 770,588,712 newly issued Enel shares, in exchange for the cancellation, at the time of exchange, of a total of 1,585,573,483 EGP shares held by such shareholders, while
- b) Enel will be assigned a total of 998,451,288 Enel shares – with simultaneous cancellation of the same pursuant to the prohibition provided under art. 2504-ter, paragraph 2, of the Italian Civil Code, as cited in art. 2506-ter, paragraph 5, of the Italian Civil Code –, in exchange for the cancellation, at the time of exchange, of 2,054,426,517 EGP shares held by it.

Taking into account the foregoing, on the Date of Effect of the Demerger, the share capital of the Beneficiary Company will be increased by up to a maximum of 770,588,712 newly issued Enel shares, all of which are destined for the shareholders of the Demerged Company other than Enel.

The number of newly assigned Enel shares may change depending upon the number of EGP shares acquired by Enel upon the conclusion of the pre-emption offer of the EGP shares that may be subject to the Right of Sale and Right of Withdrawal (indicated below in Paragraph 10).

Since, as of the Date of Effect of the Demerger, all of the above-mentioned 3,640,000,000 EGP shares representing the portion of EGP's share capital corresponding to the Set of Assets Demerged forming the subject matter of the exchange will be cancelled in their entirety, on such date, the Demerged Company's share capital will be reduced from its current total amount of Euro 1,000,000,000.00 (one billion/00) to a total of Euro 272,000,000 (two hundred seventy two million/00), comprised of 1,360,000,000 (one billion three hundred sixty million) ordinary shares having a value per share of Euro 0.20 (zero/20) each.

As a result of the exchange by EGP shareholders other than Enel of all shares held by them in EGP, and the consequent cancellation of the same, Enel – as a result of the Demerger – will be the sole shareholder of the Demerged Company.

The Exchange Ratio will be subject to a congruousness opinion by one or more independent experts pursuant to art. 2501-sexies of the Italian Civil Code, as cited in art. 2506-ter, paragraph 3, of the Italian Civil Code.

## **6.2. Valuation methodologies to determine the Exchange Ratio and the value of the Set of Assets Demerged**

Enel's Board of Directors retained Credit Suisse Securities Europe Limited and J.P. Morgan Limited (the "Advisors") as its financial advisers with regard to the economic, financial and valuation aspects of the Demerger, in line with the international best practices. In particular, on November 17, 2015, the Advisors delivered to Enel's Board of Directors specific opinions (so called fairness opinion) on the fairness, from a financial standpoint, of the Exchange Ratio determined by the Board itself.

The fairness opinions delivered by the Advisors (the "Opinions") were independently prepared by them on the basis of several valuation methodologies, in line with market practice, assumptions and parameters, and reach similar conclusions.

The Opinions will be enclosed to the information document to be prepared in accordance with art. 70, paragraph 6, of the Issuers Regulation and in accordance with Schedule 3B to such Regulation, to be made available to the public as provided by the law.

With regard to the determination of the Exchange Ratio specified in section 6.1 and the relative valuation of the equity value of the Set of Assets Demerged with respect to EGP, reference was made to and took into account the elements indicated in the valuation methodologies described below and the results deriving from the application of such methodologies.

The valuation methodologies described in this document were identified and adopted with the sole objective calculating a comparative estimate of the equity value of Enel and EGP, on one hand, and of the Set of Assets Demerged and EGP, on the other, therefore shall only be considered in relative terms, with exclusive and limited reference to the Demerger; therefore, the same shall not be compared with market values, disposal prices, or considered representative of an absolute stand-alone valuation of either of the companies (or of the Set of Assets Demerged) analyzed, nor do they reflect the impact of any operating, financial or other benefits that are expected as a result of the Demerger.

In addition, the valuation methodologies were applied with the primary objective of allowing consistency and comparability of each of the criteria applied rather than the determination of an absolute value of the companies, or of the Set of Assets Demerged, considered individually and, for purposes of preserving such consistency for valuation purposes, the same valuation methodologies were applied to both companies, and – as regards the valuation of the Set of Assets Demerged – to such Set of Assets Demerged and EGP, taking into consideration the specific characteristics of each of them and their status of listed companies on regulated markets with regard to the valuation of Enel and EGP for the purpose of determining the Exchange Ratio..

In consideration of the purpose of the valuations, the specific characteristics of the entities being evaluated and in line with the best valuation practice at national and international level for similar transactions, several valuation methodologies were undertaken, both analytical and market-based. The application of such methodologies was carried out under the going concern assumption for both Enel and EGP.

Consideration has been given to the fact that Enel and EGP will not distribute any dividends for fiscal year 2015 before the Demerger effective date and it was deemed appropriate to solely express ranges for the Exchange Ratio, derived from the homogeneous application of each valuation methodology adopted, and not the absolute values resulting from them, since only the former are considered representative: fundamental condition for the definition of the exchange ratio is the quantification of the relative value of the individual companies taking part in the transaction, with the final goal not to calculate an economic value in absolute terms for each of them, but rather homogeneous and comparable values in relative terms.

Lastly, in consideration of the procedures and timetable envisaged for the exercise of the Right of Withdrawal and the Right of Sale, and since it is not possible to quantify their future impact, the effects of such rights that might potentially be exercised by EGP's shareholders who do not vote in favor of the relevant resolutions have not been taken into account.

#### *Reference date and documentation used*

The reference date of the valuations carried out to determine the Exchange Ratio coincides with the date of this report, assuming that for each of the companies participating to the Demerger, no events, facts or acts have occurred of such a nature to materially affect the assets, liabilities, economic and financial profile of the companies being analysed or the Set of Assets Demerged, in the period between the last available stand-alone and consolidated financial statements and the date of this report.

The documentation used to determine the Exchange Ratio includes, for Enel and EGP, the following documents:

- (a) the stand-alone and consolidated 2014 financial statements of Enel and EGP;
- (b) the consolidated half-yearly and quarterly reports of Enel and EGP as of June 30, 2015 and September 30, 2015, respectively;

- (c) presentation of Enel’s Business Plan 2016-2020 dated November 3, 2015 and presentation of Enel’s Business Plan 2016-2020 approved by Enel’s Board of Directors on November 12, 2015 (collectively, the “**Enel Business Plan**”);
- (d) presentation of EGP’s Business Plan 2016-2020 dated October 22, 2015 and presentation of EGP’s Business Plan 2016-2020 approved by EGP’s Board of Directors on November 12, 2015 (collectively, the “**EGP Business Plan**”);
- (e) forecasts prepared by the management of Enel and EGP for the years 2016-2020 with regard to the main balance sheet, economic, financial and operating data of the respective groups (including details for the main divisions/countries);
- (f) forecasts prepared by the management of Enel and EGP with regard to the main balance sheet, economic, financial and operating data of the respective groups (including details for main divisions/countries) for the year 2015 (“pre-closing”);
- (g) long-term economic, financial and operating forecasts prepared by the management of Enel and EGP for the years following the term of the respective Business Plans;
- (h) net debt data and other balance sheet items as of September 30, 2015 and estimates as of December 31, 2015 used to calculate the equity value from the Enterprise Value (referred to as “bridge-to-equity”);
- (i) information on the number of Enel and EGP shares as of the date of this report;
- (j) evolution of Enel and EGP share prices on the Stock Exchange;
- (k) financial research and reports on Enel and EGP published by brokers and investment banks.

Other publicly available information was also taken into account, including the following:

- research reports, financial statements and reports, analyses related to companies operating in the energy and renewable energy sectors; and
- share price evolution, downloaded from professional service providers, for the companies previously mentioned.

As for the valuation of the Set of Assets Demerged, reference was made to the following information:

- (a) forecasts prepared by EGP’s management for the years 2016–2020 related to the main balance sheet, economic, financial and operating data of the Set of Assets Demerged;
- (b) forecasts prepared by EGP’s management related to the main balance sheet, economic, financial and operating data of the Set of Assets Demerged for the year 2015 (“pre-closing”);
- (c) EGP’s Business Plan, as indicated above and including the presentation of EGP’s Business Plan 2016-2020 dated October 22, 2015 and presentation of EGP’s Business Plan 2016-2020 approved by EGP’s Board of Directors on November 12, 2015;
- (d) long-term economic, financial and operating forecasts prepared by EGP’s management for the years after the termination of the Business Plan.

*Limitations of the analysis and valuation difficulties in the determination of the Exchange Ratio*

The conclusions of the valuation analysis carried out must, in any case, be considered bearing in mind a number of limitations and difficulties that are summarized below:

1. forward-looking data and economic and financial estimates and forecasts used for the purposes of the relative valuations entail, by their nature, uncertainties with regard to the actual predictability of expected future operating and financial performance, also in consideration of potential changes in the reference markets;
2. the high level of volatility in the financial markets; in that respect the international financial context is currently characterized by an extremely high level of volatility, which can have significant as well as unpredictable impacts, not only with reference to the share prices of the companies under consideration, but also on their assets, liabilities and their economic and financial performance;
3. the valuation methodologies based on economic and financial projections refer to the stand-alone Business Plans approved by the respective Boards of Directors of the two companies that have not been certified by the relevant audit firm;
4. the application of the DCF methodology, using a “sum of the parts” approach required the use of economic, financial and balance sheet data for the specific business areas/countries in which the companies involved operate, requiring a complex allocation exercise of such items to the individual business units/ countries;
5. different methodologies have been applied, both analytical and market-based, which have required the use of different data, parameters and assumptions. In applying such methodologies, the Board of Directors considered the characteristics and limitations inherent in each of them, in accordance with professional valuation practice followed at national and international level;
6. in the application of the methodology of the target prices included in the research reports published by financial research community, only such reports published prior to the approval of ENEL’s and EGP’s new Business Plans were considered. Their estimates and expectations may differ, even significantly, from the Business Plans recently approved by the respective Boards;
7. the comparable companies trading multiples methodology was considered not relevant and not applicable given the low level of comparability of the companies being evaluated with other listed operators, also in consideration of the significant presence of minorities in the case of Enel.

#### *Valuation methodologies used for the determination of the Exchange Ratio*

In order to determine the Exchange Ratio, several valuation methodologies and criteria, both analytical and market-based, have been identified, in light of the specific characteristics of the companies being evaluated and in line with best valuation practice at national and international level for similar transactions. Such methodologies, however, should not be analyzed individually, but rather considered an integral part of a single and comprehensive valuation process. The analysis of the results achieved using each methodology individually, without considering the valuation process in its entirety, would result in an overall insignificant valuation process.

In light of the considerations mentioned above, the following methodologies have been selected individually:

- (a) Stock Exchange Share Price Methodology;
- (b) the DCF Methodology through a “Sum of the Parts” approach;
- (c) analysis of the implied Exchange Ratio derived from Enel and EGP target prices published by brokers and by the major investment banks.

The following paragraphs provide a summary explanation, from a theoretical standpoint, of the methodologies used and a summary of the results obtained using each of them to determine the Exchange Ratio.

In addition, the impact of potential drivers of value creation expected to derive from the transaction and the potential impact on the equity value of Enel of those benefits on the basis of the Exchange Ratio has been analysed and considered.

#### *Stock Exchange Share Price Methodology*

The Stock Exchange Share Price Methodology determines the value of a company being evaluated on the basis of the market capitalization deriving from the trading prices of the related shares exchanged on the regulated stock markets. In particular, such methodology is considered an important reference point for the valuation of listed companies where the shares exhibits high level of liquidity. Theory and professional practice further suggest, in light of the potential short-term volatility, to keep into account the evolution of the trading prices and calculate the price averages over several timeframes.

In this case, the ratio between the Stock Exchange prices (as provided by the FactSet database) at which Enel and EGP shares have been trading allows for the determination of an implied Exchange Ratio, based upon various timeframes. Moreover, it was deemed to consider the Stock Share Price Methodology appropriate in the case of Enel and EGP, considering their respective capitalizations and level of liquidity, the extensive research coverage of the companies by brokers and the major investment banks and the presence of a broad shareholder base including national and international institutional investors.

The application of the Stock Exchange Share Price Methodology has led to an observation of daily exchange ratios on the basis of the relevant Stock Exchange prices for Enel and EGP.

Such exchange ratios have been observed in the context of various time periods prior to (and including) September 30, 2015 and October 26, 2015 (included). Such dates are considered the most recent dates relevant for the analysis of the trading price methodology, since

- on October 1, 2015, Enel's Board of Directors resolved to start the process of analyzing and studying the transaction under consideration;
- on October 27, 2015, the Stock Exchange prices of Enel and EGP were significantly influenced by market speculations on a possible announcement of the transaction under consideration or of a similar one. It must be noted in such regard that a joint press release was issued by Enel and EGP on October 27, 2015.

With regard to the averages of the daily exchange ratios observed, the averages for the periods of 1, 3, 6, 12 months and starting from the date of EGP's listing were considered. The selection of such reference periods, in addition to the observations as of September 30, 2015 and October 26, 2015, is aimed at neutralizing any short-term volatility in the share prices of the two stocks, while at the same time attributing adequate weight to the most recent trading prices.

#### *DCF Methodology through "Sum of the Parts" approach*

Such valuation methodology was adopted in order to factor into the analysis the operating cash flows that Enel and EGP may generate in the future, as well as take into account their respective characteristics in terms of profitability, growth, risk level, capital structure and expected level of investments.

On the basis of this methodology, the equity value of a company is estimated as the algebraic sum of:

1. The net present value of the "unlevered" operating cash flows expected under the respective Business Plans;
2. Terminal value;

3. Net financial debt, including TFR and other employees' benefits, significant items of risks and other provisions and net deferred taxes (to be deducted);
4. Value of any ancillary, non-operating assets and assets held for sale (to be added)

as expressed by the following formula:

$$W = \sum_{t=1}^n \frac{CF_t}{(1 + WACC)^t} + \frac{TV}{(1 + WACC)^n} - FD_{t0} + OA_{t0}$$

where:

W = Value of economic capital

CF<sub>t</sub> = annual "unlevered" operating cash flow expected in period t

TV = terminal value

FD = net financial debt, including TFR and other employees' benefits, significant items of risks and other provisions and net deferred taxes

OA = Value of ancillary or non-operating assets and assets held for sale

n = Number of periods of explicit forecasts

WACC = weighted average cost of capital

The "unlevered" operating cash flows of the explicit forecast period can be determined in detail as follows:

+ Earnings before interest and taxes (EBIT);

- Theoretical taxes on EBIT (net of any non-monetary adjustments considered part of the taxable base for tax accounting purposes);

+ non cash amortizations/depreciations;

- Fixed investments;

+/- Changes in net working capital.

The terminal value, where relevant, constitutes the remaining value of the business at the end of the forecast period prepared by the management of Enel and EGP; such terminal value was estimated on the basis of data, parameters and assumptions discussed and shared with the management of Enel and EGP.

The weighted average cost of capital (WACC) used to calculate the present value of expected cash flows and terminal value is derived as the weighted average of cost equity and cost of debt using the following formula:

$$WACC = Kd(1 - t) \frac{D}{D + E} + Ke \frac{E}{D + E}$$

where:

Kd = Cost of debt

Ke = Cost of equity

D = Debt capital

E = Equity capital

t = Tax rate

In particular, the cost of debt represents the long-term cost of debt funding for companies or assets with similar level of risk, net of the tax effect.

The cost of equity reflects the return expected by the investor, taking into account the risk related to the investment, calculated on the basis of the Capital Asset Pricing Model through the following formula:

$$Ke = Rf + \beta(Rm - Rf)$$

where:

Ke = Cost of equity

Rf = Rate of return expected on risk-free investments

$\beta$  = Coefficient which measures the correlation between returns expected on the investment considered and returns expected on the reference stock market

Rm = Average return expected on equity investments on the reference stock market (Rm - Rf) = equity market risk premium of the reference stock market (Rm) compared to risk-free investments (Rf)

In general, the WACC rate used for the purpose of estimating the equity value of Enel and EGP reflects assumptions consistent with market benchmarks related to the cost of debt and cost of equity (expected rate of risk-free return, Beta coefficient, market risk premium), as well as with the capital structure of the assets/businesses being evaluated.

For purpose of the valuation of Enel and EGP using the DCF methodology, a “Sum of the Parts” approach was followed. The value of Enel and EGP for the purposes of this report is therefore determined as the sum of the values of the individual assets identifiable for each business area / country as identified by the management of both companies, considering the same as economic entities that can be evaluated separately.

The valuation of the economic entities in question also entailed the valuation of the same through the preparation of specific DCFs for each of them using different assumptions and estimates of WACC and Terminal Value consistent with the profile of the specific assets.

In particular, for Enel, WACCs have been estimated for each business area/country (for which a specific DCF was prepared) analysed; such differentiation was carried out in consideration of the following:

- The specific rate of return expected on risk-free investments (Rf) and the specific rate of return expected on equity investments in the relevant stock market of each country (Rm), taking into account the different risk profile of each country;
- specific tax rate of each country (t);
- specific beta coefficient of each business area ( $\beta$ );

The WACCs estimated in such manner result in a weighted average between approximately 6.6% and 6.8% for the Advisors.

Similarly, with regard to EGP, WACCs estimates have been differentiated for each country for which a specific DCF was prepared; in a manner similar to what is described above, such differentiation was carried out in consideration of the following:

- specific Rf and specific Rm, taking into account the different risk profile of each country;
- specific tax rate of each country.

The WACCs estimated in such manner result in a weighted average of approximately 6.2%.

Also with regard to the estimate of the Terminal Value specific assumptions were used for each business area / country (in Enel's case) or for each country (in EGP's case) for which a specific DCF was prepared. Such estimates of the Terminal Value were elaborated considering the specific characteristics of each business / country and on the basis of data, parameters and assumptions discussed and shared with the management of Enel and EGP and, in particular, the following methodologies were used with reference to the main business lines /countries:

- Enel: for the distribution business in Italy and Spain, a multiple of the regulatory asset base ("RAB") was used, ranging between 1.1x and 1.2x; for the supply business in Italy and Spain, the Annuity method was used, which assumes that the cash flow generated in the last year is extended for a certain period of time; for the remaining Enel businesses, with the exception of EGP, the perpetual growth rate methodology was used, with long-term growth rates ranging between 0.6% and 2.0%.
- EGP: the Salvage Value method was used, that is, the amount recoverable at the end of the concession or useful lifetime of the a plant. Such value, in practice, is often estimated as a percentage of the initial investment considered in nominal terms at the relevant date. The methodology was applied on the basis of the weighted useful life of EGP's plants in each country.

*Analyses of the Exchange Ratio implied in the target prices of Enel and EGP published by brokers and by the major investment banks*

Through such methodology, the valuations of Enel and EGP deriving from the research reports published by brokers and primary national and international investment banks were analysed in order to compare their relative target prices and calculate, using such target prices, a range of Exchange Ratios. Only research reports published until October 26, 2015 for both Enel and EGP were considered, excluding any publications that made reference to a potential extraordinary transaction involving EGP in order to avoid the risk that such target prices do not reflect a stand-alone valuation.

*Exchange Ratio: summary of the results*

Without prejudice to the considerations, assumptions and limitations described in the foregoing paragraphs, the following table sets forth a summary of the results achieved through the application of the various valuation methodologies described above for the purpose of determining the Exchange Ratio, that is the number of newly issued ordinary Enel shares for each ordinary EGP share.

<b>Methodology</b>	<b>Range of Exchange Ratios</b>
<b>Stock Exchange Share Price Methodology</b>	0.42 – 0.49
<b>Sum of the Parts DCF Methodology</b>	0.42 – 0.51
<b>Analysis of brokers target prices</b>	0.28 – 0.58

Enel's Board of Directors, in light of the foregoing considerations and following the valuation process and the detailed comparison of the results obtained through the application of the various methodologies applied, with the support of its Advisors, arrived at the following Exchange Ratio:

**0.486 Enel Shares having a nominal value of Euro 1.00  
for each EGP share having a nominal value of Euro 0.20.**

\*\*\*\*\*

#### *Valuation methodologies used to appraise the Set of Assets Demerged*

For the purposes of the valuation of the equity value of the Set of Assets Demerged and the comparison of the same with the overall valuation of EGP's equity value, we proceeded, in line with the valuation approach used to determine the Exchange Ratio and taking into consideration the specific characteristics of EGP and the Set of Assets Demerged – and in particular the fact that the Set of Assets Demerged is not a listed company and, therefore, it was not possible to apply either the Stock Exchange Share Price Methodology or the methodology of the target prices published by brokers and the major investment banks – to use the DCF Methodology.

The assumptions and estimates of the WACCs and Terminal Value for the valuation of the Set of Assets Demerged using the DCF Methodology were prepared in line with those used for the valuation of EGP using the DCF Methodology.

#### *Limitations on the analysis and difficulties in appraising the Set of Assets Demerged*

The conclusions of the valuation of the equity value of the Set of Assets Demerged and comparison of the same with the overall valuation of EGP's equity value must be considered in light of several limitations and difficulties which may be summarized as follows:

1. the non-listed nature of the Set of Assets Demerged made inapplicable certain valuation methodologies which have been used for the valuation of EGP, such as the evolution on the Stock Exchange of the share prices and the research reports and financial analyses published by brokers and investment banks;
2. the inapplicability of certain methodologies effectively reduces the applicable methodologies for the valuation of the Set of Assets Demerged to the DCF Methodology only.

#### *Valuation of the Set of Assets Demerged: summary of the results*

Without prejudice to the considerations, assumptions and limitations described in the foregoing paragraphs, the following table summarizes the result obtained using the valuation methodologies indicated above for the purposes of the valuation of the Set of Assets Demerged.

#### **Valuation methodologies used to appraise the Set of Assets Demerged**

DCF Methodology	71 - 78%
-----------------	----------

Enel's Board of Directors, in light of the considerations developed in the foregoing section and following the valuation process and the detailed comparison of the results attained through the application of the various

methodologies used, with the support of the Advisors, determined that the value of the Set of Assets Demerged amounts to:

**72.8% of EGP's equity value.**

## **7. PROCEDURE FOR ASSIGNING THE ENEL SHARES TO EGP'S SHAREHOLDERS**

The assignment to EGP's shareholders other than Enel of the newly issued shares of the Beneficiary Company, under a regime of dematerialization and through authorized intermediaries, starting on the Date of Effect of the Demerger, with the timing and procedures to be announced to the market through the publication of a special notice on the Demerged Company's website and in at least one national newspaper.

The newly issued Enel shares will be listed on the MTA like the shares of the Beneficiary Company already outstanding.

No charges will be imposed upon EGP's shareholders in connection with the exchange procedures.

A service will be made available to EGP's shareholders in order to allow for rounding to the immediately lower or higher number of Enel shares due upon the application of the Exchange Ratio, without any additional expenses, stamp duties or fees being charged. Alternatively, different procedures may be activated in order to ensure the overall successful outcome of the transaction.

Considering that, as already mentioned, the EGP shares are currently admitted to trading on the Spanish regulated markets and that the Enel shares assigned at the time of the exchange will not be admitted to trading on such markets, the Spanish Regulatory Authority (*Comisión Nacional del Mercado de Valores*) has notified that, in line with the previous similar cases that have occurred on the Spanish markets, it is necessary to appoint a dedicated "connection/reference" intermediary (referred to as the "*entidad de enlace*"), in order to enable the shareholders who, as of the Date of Effect of the Demerger, will hold EGP shares admitted to trading on the above-mentioned Spanish markets (through the Spanish centralized management system, Iberclear) to sell on the MTA, during the month following the Date of Effect of the Demerger, the Enel shares received in exchange, without any additional costs related to the sale on a foreign market. After the above-mentioned one-month period, the above-mentioned shareholders may purchase or sell the Enel shares in Italy on the MTA through authorized intermediaries, incurring the costs of the transaction.

### **7.1. Date of entitlement of the shares to be assigned to the shareholders of the Demerged Company**

The Enel shares issued to service the Exchange Ratio will have regular entitlement.

### **7.2. Description of the rights related to the shares to be assigned to the shareholders of the Demerged Company**

The Enel shares issued to service the Exchange Ratio will assign to their holders rights that are identical to the rights inherent in the Enel shares outstanding at the time of their issuance.

## **8. DATE ON WHICH THE EFFECTS OF THE DEMERGER WILL START**

The start date of the civil law effects of the Demerger will correspond with the date of the last of the registrations envisaged under art. 2506-*quater* of the Italian Civil Code, or such other later date that may be indicated in the deed of Demerger ("**Date of Effect of the Demerger**").

Starting on the same date, the transactions pertaining to the balance sheet elements and the legal relationships included within the Set of Assets Demerged assigned to the Beneficiary Company will be entered in the financial statement of the Beneficiary Company, with all related accounting and tax effects

also starting on the same date.

## 9. THE COMPANIES FOLLOWING THE DEMERGER

### 9.1. The ownership structures of Enel and EGP following the Demerger

As of the date of this report, the shareholders who hold, directly or indirectly, voting shares of Enel exceeding 2% of its share capital, on the basis of the communications received in accordance with art. 120 of the Consolidated Finance Act and the information available to Enel, are the following:

Shareholder Enel ( <i>pre-Demerger</i> )	% of the voting share capital
Ministry of the Economy and Finance	25.500%
People's Bank of China	2.042%

As of the date of this Report, the shareholders who hold, directly or indirectly, voting shares in EGP exceeding 2% of its share capital, on the basis of notifications received in accordance with art. 120 of the Consolidated Finance Act and the information available to EGP, are the following:

Shareholder EGP	% of the voting share capital
Ministry of the Economy and Finance <sup>(1)</sup>	68.29%

<sup>(1)</sup> Shareholding held through the subsidiary Enel S.p.A.

The following table indicates, in percentage terms, the expected shareholdings of Enel's main shareholders (considering, solely for explanatory purposes, the shareholders who hold, directly or indirectly, shareholdings exceeding 2% of Enel's share capital *post-Demerger*) as of the Date of Effect of the Demerger, on the basis of the Exchange Ratio. The percentages set forth below have been calculated assuming that: (a) the current ownership structure of Enel and EGP does not incur any changes until the perfection of the Demerger; and (b) none of EGP's shareholders exercises the Right of Withdrawal or the Right of Sale.

Shareholder Enel ( <i>post-Demerger</i> )	% of the voting share capital
Ministry of the Economy and Finance	23.569%

Following the Demerger, Enel will directly hold 100% of EGP's share capital.

### 9.2. Effects of the Demerger on Enel's and EGP's shareholders' agreements

On the basis of the notifications in accordance with art. 122 of the Consolidated Finance Act and the applicable provisions of the Issuers Regulation, there do not appear to be any shareholders' agreements related to Enel and EGP.

### **9.3. Amendments to Enel's by-laws**

Following the Demerger, Enel will increase its share capital through the issuance of up to a maximum of 770,588,712 new ordinary shares, with regular entitlement and nominal value of Euro 1.00 each, applying the Exchange Ratio and procedures for the assignment of the shares referred to in points 4 and 5 of the Demerger Plan.

The by-laws of the Beneficiary Company post-Demerger are attached to the Demerger Plan as Schedule D.

## **10. ASSESSMENTS ON THE RIGHT OF WITHDRAWAL AND THE RIGHT OF SALE**

### **10.1. Right of Withdrawal**

Any shareholders of EGP who do not take part in the approval of the Demerger will have a Right of Withdrawal, pursuant to art. 2437, paragraph 1, letter a), of the Italian Civil Code, (the "**Right of Withdrawal**"), since Enel, the Beneficiary Company of the Demerger, has a clause in its corporate purpose that allows for the conduct of business operations that differ significantly from what is described in EGP's corporate purpose clause.

#### *10.1.1. Liquidation Value*

The Right of Withdrawal may be exercised at the unit settlement value for EGP shares, determined, pursuant to art. 2437-ter, paragraph 3, of the Italian Civil Code, exclusively with reference to the arithmetic average of closing prices of EGP shares on the MTA over the six months preceding the publication of the notice of call of EGP's shareholders' meeting, which is equal to Euro 1.780 for each EGP share (the "**Liquidation Value**").

#### *10.1.2. Procedures for the exercise of the Right of Withdrawal*

In accordance with the provisions of art. 127-bis, paragraph 2, of the Consolidated Finance Act, any person in whose favor, after the date indicated in art. 83-sexies, paragraph 2, of the Consolidated Finance Act for the right to take part in EGP's shareholders' meeting called to approve the Demerger Plan (or, in other words, after December 29, 2015), but prior to the commencement of works at such Shareholders' Meeting, a registration in the relevant accounting records of EGP shares is made, will be deemed included among those who did not take part in the approve of the resolution and, therefore, will be entitled to exercise the Right of Withdrawal.

In accordance with art. 2437-bis of the Italian Civil Code, persons entitled to exercise the Right of Withdrawal may exercise such right, with respect to all or a portion of the shares held, through a registered letter which must be sent to EGP's registered office within fifteen calendar days from the date of registration of the related shareholders' meeting resolution.

Information on the procedures and deadlines for the exercise of the Right of Withdrawal will be announced by EGP in accordance with the procedures provided under applicable laws and regulations in force. In accordance with art. 2437-bis, paragraph 3, of the Italian Civil Code, the Right of Withdrawal may not be exercised and, if already exercised, will be null and void if, within ninety days, EGP were to revoke the resolution justifying such exercise.

If one or more of EGP's shareholders were to exercise the Right of Withdrawal, the liquidation process will be carried out in accordance with art. 2437-*quater* of the Italian Civil Code. In particular, the terms of the pre-emption offer that will be addressed to all of EGP's shareholders, will be announced in accordance with the procedures provided under the applicable legal framework, with the clarification in such regard that the related announcements/notices will be published in at least one national daily newspaper and on EGP's website [www.enelgreenpower.com](http://www.enelgreenpower.com), and on the authorized storage mechanism called "NIS-Storage" ([www.emarketstorage.com](http://www.emarketstorage.com)).

## 10.2. Right of Sale

EGP's shareholders who do not take part in the approval of the Demerger will be entitled to have their own EGP shares purchased by Enel pursuant to and for purposes of art. 2506-*bis*, paragraph 4, of the Italian Civil Code (the "**Right of Sale**").

The Right of Sale may concern all or even only a portion of the EGP shares held by the shareholders of the Demerged Company who exercise the Right of Sale. The price per share of the EGP share will be equal to the Liquidation Value determined in accordance with art. 2437-*ter*, paragraph 3, of the Italian Civil Code, on the basis of the provisions of art. 2506-*bis*, paragraph 2, second sentence, of the Italian Civil Code.

The Liquidation Value will be announced to the shareholders and the market through a specific press release viewable on EGP's website and through the publication of a notice on at least one national daily newspaper.

The Right of Sale may be exercised at the same terms and conditions for the exercise of the Right of Withdrawal. In any case, the Right of Sale and the Right of Withdrawal may not be exercised for the same share.

It should be noted in such regard that the process of liquidating the shares for which the Right of Sale is exercised will take place in the same context as the process of liquidating the shares for which the Right of Withdrawal is exercised, as governed by art. 2437-*quater*, of the Italian Civil Code.

\* \* \*

With reference to the process of liquidating EGP shares for which the Right of Withdrawal or the Right of Sale has been exercised, Enel declares its intention to exercise, in full, its option right for the quota to which it is entitled, and to exercise its right of pre-emption on any EGP shares for which the option right has not been exercised in accordance with art. 2437-*quater*, third paragraph, of the Italian Civil Code.

The effect of the Right of Sale and of the Right of Withdrawal, and therefore the related liquidation are conditioned upon the satisfaction of the Condition Precedent and, in any case, the perfection of the Demerger.

## 11. CONDITION PRECEDENT

The effectiveness of the Demerger is conditioned upon the circumstance that the total liquidation of the EGP shares with respect to which the Right of Withdrawal and the Right of Sale are validly exercised does not exceed Euro 300,000,000 (three hundred million/00) (the "**Condition Precedent**").

Enel and EGP will announce the data related to the satisfaction or the non-satisfaction of the Condition Precedent, through a notice published on their respective websites and in at least one national daily newspaper.

The Condition Precedent will be deemed nonetheless satisfied – even in the event that the above-mentioned limit is exceeded - if Enel, within 60 calendar days of the last registration with the Companies Register of Rome of the shareholders' meeting resolutions approving the Demerger pursuant to art. 2502 of the Italian

Civil Code, declares its intention to proceed with the purchase of all of the shares for which the above-mentioned rights have been exercised.

## **12 TAX IMPACTS OF THE DEMERGER ON ENEL AND EGP**

For purposes of direct taxes and pursuant to art. 173, paragraph 1, of D.P.R. No. 917 of December 22, 1986, the (the “**Tax Code**” or “**Tuir**”), the Demerger is neutral from tax standpoint for the companies taking part in it and, therefore, does not give rise to either a realization or a distribution of capital gains or capital losses of the assets of the Demerged Company being assigned.

The balance sheet/capital elements of the Demerged Company to be assigned to the Beneficiary Company will maintain the values most recently assigned for tax purposes to the Demerged Company.

The so-called subjective positions of the Demerged Company and the related instrumental obligations will be assigned the Beneficiary Company and the Demerged Company on a pro-rata basis in proportion to their respective quotas transferred or maintained of the net shareholders’ equity for accounting purposes, except in the case of subjective positions specifically or generally related to elements of the demerged assets which, as such, will follow/remain attached to such elements under their respective holders.

As regards the effects of the Demerger for the shareholders of the Demerged Company, the Demerger is neutral from a tax standpoint, since it does not constitute either a realization or distribution of capital gains or capital losses, and does not give rise to the attainment of revenues; as for the tax value of the shares of the Demerged Company held by shareholders other than Enel, it should be noted that according to the current opinion expressed by the Revenues Agency, such cost would not change as a result of the transaction and it would be attributed to the Enel shares acquired as a result of the transaction.

However, with reference to the shareholders of the Demerged Company who are not residents of Italy, we suggest that they carry out appropriate verifications on the tax regime in force in their respective countries of residence.

For all matters not expressly indicated herein, for purposes of income taxes, the provisions of art. 173 of the Tuir shall apply.

Demerger transactions are not specifically subject to the regional tax on productive activities (“IRAP”). However, as clarified by the Revenues Agency, for such purposes as well, a general principle of tax neutrality would apply, pursuant to which the Demerger does not give rise to any taxable element, or the automatic attribution of higher values entered on the financial statement as a result of such transaction.

For purposes of indirect taxation, the Transaction falls outside the scope of application of VAT pursuant to art. 2, paragraph 3, letter f), of D.P.R. No. 633 of October 26, 1972, and is subject to registry tax in a fixed amount pursuant to art. 4, letter b), first part, of the Rate attached to D.P.R. No. 131/1986.

\* \* \*

**Declaration by the executive in charge of preparing corporate accounting documents pursuant to art. 154-*bis*, paragraph 2, of the Consolidated Finance Act**

The executive in charge of preparing corporate accounting documents, Alberto De Paoli, certifies pursuant to paragraph 2 of art. 154-*bis* of the Consolidated Finance Act that the accounting information contained in this explanatory report corresponds with that contained in the accounting documentation, books and records.

## PROPOSAL OF RESOLUTION

Dear Shareholders,

In light of the above, the Board of Directors therefore submits for your approval the following:

### Agenda

“The extraordinary Shareholders’ Meeting of Enel S.p.A. (“Enel” or the “Company”),

- in consideration of the plan for the non-proportional partial demerger of Enel Green Power S.p.A. (“Enel Green Power”) in favor of Enel approved by the Boards of Directors of Enel and of Enel Green Power on November 17, 2015, registered in the Companies Register of Rome in accordance with art. 2501-*ter*, paragraphs 3 and 4, of the Italian Civil Code, as well as filed with the registered office of the Company and published on the relevant website in accordance with art. 2501-*septies*, paragraph 1, of the Italian Civil Code, as cited, respectively, in arts. 2506-*bis*, paragraph 5, and 2506-*ter*, paragraph 5, of the Italian Civil Code (the “Demerger Plan”);
- having examined the Directors’ explanatory report on the Demerger Plan drafted in accordance with art. 2501-*quinquies* of the Italian Civil Code - as cited in art. 2506-*ter*, paragraphs 1 and 2, of the Italian Civil Code - and art. 70, paragraph 2, of the Regulation approved through Consob resolution no. 11971 dated May 14, 1999, as subsequently amended (the “Issuers Regulation”);
- having examined the financial statements of the companies taking part in the demerger as of September 30, 2015 and drafted pursuant to art. 2501-*quater* of the Italian Civil Code, as cited in art. 2506-*ter*, paragraph 1, of the Italian Civil Code;
- having acknowledged the report on the fairness of the exchange ratio, drafted by the joint expert appointed by the Court of Rome pursuant to art. 2501-*sexies* of the Italian Civil Code, as cited in art. 2506-*ter*, paragraph 3, of the Italian Civil Code;
- having acknowledged the report drafted by an independent expert pursuant to art. 2343-*ter*, paragraph 2, lett. b) of the Italian Civil Code, regarding the assessment of the value of the Set of Assets Demerged (as defined in the Demerger Plan) and having acknowledged its publication on the Company’s website;
- having noted that, by the relevant legal deadlines, the Demerger Plan has been registered with the Companies Register of Rome in accordance with art. 2501-*ter*, paragraphs 3 and 4, of the Italian Civil Code, and the documentation referred to in art. 2501-*septies*, paragraph 1, of the Italian Civil Code, as cited, respectively, in arts. 2506-*bis* paragraph 5, and 2506-*ter*, paragraph 5, of the Italian Civil Code has also been published;
- having examined the information document on the demerger drafted pursuant to art. 70, paragraph 6, of the Issuers Regulation;

### resolves

1. to approve the Demerger Plan without any modifications whatsoever;

2. to grant a mandate to the board of directors in order to define, prior to the execution of the deed of demerger (the “Deed of Demerger”), the entity of the increase in the share capital of Enel and the number of shares that will comprise the relevant share capital as of the date of effect of the demerger, in accordance with the principles and criteria described in point 4 and point 10 of the Demerger Plan, provided that the amount of such capital increase may not exceed the value attributed to the Set of Assets Demerged under the estimate report drafted by the independent expert in accordance with art. 2343-ter, paragraph 2, lett. b) of the Italian Civil Code;
3. to grant to the Chairman of the Board of Directors and the Chief Executive Officer, with a release with regard to any imaginable conflict of interests, including on a several basis and with a power to sub-delegate, the broadest possible powers to implement the resolutions set forth above and, in particular, to:
  - a) enter into and execute the Deed of Demerger - determining all clauses and components of the same, including the date of effect and the amendment, as a result of the foregoing and with effect starting from the date of effect of the demerger, to art. 5.1 of the Company’s by-laws, in accordance with what is envisaged under the Demerger Plan and in accordance with the resolutions of the board of directors set forth under point 2 above - as well as any deed of acknowledgment, supplementary deed and/or deed of amendment that may become necessary or even merely advisable to ensure the successful outcome of the transaction, defining all conditions, clauses, terms and procedures of the same, all in accordance with the Demerger Plan and, therefore, first and foremost, the conditions indicated in the same, including the verification of the realization of the circumstance referred to in point 10 of the Demerger Plan;
  - b) to carry out all activities that may be necessary or even merely advisable to ensure the successful outcome of the procedure involving the liquidation of any share covered by the Right of Withdrawal and/or the Right of Sale (as defined in the Demerger Plan) and, more generally, the successful outcome of the demerger transaction;
  - c) to fulfill all formalities that may be required to ensure that the resolutions passed will obtain all necessary approvals, with a right to make to such resolutions, the Demerger Plan and the Company’s by-laws all amendments, additions or deletions that may be requested by the Authorities or at the time of registration in the Companies Register.