



**ENEL GREEN POWER S.P.A.**

**INFORMATION DOCUMENT ON TRANSACTIONS OF MAJOR IMPORTANCE WITH RELATED PARTIES**

drafted pursuant to Article 5 of the Regulation issued by Consob with resolution no. 17221 of March 12<sup>th</sup>, 2010 and subsequently amended with resolution no. 17389 of June 23<sup>rd</sup>, 2010

**PARTIAL NON-PROPORTIONAL DEMERGER OF ENEL GREEN POWER S.P.A.**

**IN FAVOR OF ENEL S.P.A.**

November 17<sup>th</sup>, 2015

## TABLE OF CONTENTS

INTRODUCTION .....	5
1. Warnings.....	6
1.1 Risks related to the potential conflicts of interest arising from the Transaction .....	6
2. Information related to the Transaction .....	6
2.1 Description of the characteristics, modalities, terms and conditions of the Transaction.....	6
2.1.1 Description of the Transaction .....	6
2.1.2 Exchange Ratio and methods of assignation of Enel shares to Enel Green Power shareholders .....	10
2.1.3 Valuation methodologies used to determine the Exchange Ratio and the relative value of the Set of Assets Demerged and Enel Green Power .....	11
2.2 Advisors involved in the Transaction, criteria for the appointment and relations with the Participating Companies to the Demerger.....	18
2.3 Indication of the related parties with which the Transaction is carried out, the nature of the correlation and, in case this information has been disclosed to the management body, the nature and the extent of the interests of such parties in the Transaction. ....	20
2.4 Economic grounds and convenience of the Transaction.....	20
2.5 Illustration of the economic, patrimonial and financial effects of the Transaction, providing at least the applicable indexes of importance .....	22
2.6 Variation of the amount of compensation for members of the Board of Directors of Enel Green Power and/or its subsidiaries as a result of the Demerger .....	23
2.7 Possible members of management and control bodies, general directors and managers of Enel Green Power involved in the Transaction.....	23
2.8 Indication of the bodies or directors who have led or participated in negotiations and/or directed and/or approved the Transaction, specifying the respective roles, particularly with regard to independent directors .....	23
2.9 If the significance of the Transaction results from an aggregation, pursuant to art. 5, paragraph 2, of a multiplicity of transactions carried out during the financial year with the same related party, or with parties related to it or to the company, the information indicated in the previous points must be provided with reference to all said transactions .....	24
ANNEXES .....	25

## DEFINITIONS

A list of the main definitions and terms used throughout this Information Document is presented below. Such definitions and terms, unless otherwise specified, have the meaning indicated below. The terms defined in the singular also include the plural, and vice versa, if the context so requires.

<b>Capital Increase</b>	The capital increase will be resolved by the Beneficiary Company in order to implement the Transaction.
<b>RPT Committee</b>	The committee composed only by independent directors of Enel Green Power, responsible for related party transactions in accordance with the RPT Procedure.
<b>Information Document</b>	This information document.
<b>Expert</b>	The joint expert in charge of drafting the report on the fairness of the Exchange Ratio pursuant to Article 2501- <i>sexies</i> of the Italian Civil Code, as well as the appraisal/estimate report on the value of the Set of Assets Demerged, drafted in accordance with Article 2506- <i>ter</i> , paragraph 2, of the Italian Civil Code, for the purpose of the capital increase of Enel.
<b>Demerger or Transaction</b>	The Demerger transaction contemplated by this Information Document whose main terms and conditions are described in section 2.1 below.
<b>RPT Procedure</b>	The procedure concerning related party transactions, approved by the Board of Directors of Enel Green Power on December 1 <sup>st</sup> , 2010, subsequently amended on February 3 <sup>rd</sup> , 2014.
<b>Demerger Plan</b>	The Demerger Plan approved by the Board of Directors of Enel Green Power on the November 17 <sup>th</sup> , 2015 as specified under sections 2.1.1. and 2.8 below.
<b>Exchange Ratio</b>	The exchange ratio determined by the Board of Directors of Enel Green Power on November 17 <sup>th</sup> , 2015 as specified under sections 2.1.2. and 2.1.3.
<b>Issuer's Regulation</b>	Regulation adopted by Consob resolution no. 11971 of May 14 <sup>th</sup> , 1999 as subsequently amended.
<b>RPT Regulation</b>	Regulation adopted by Consob resolution no. 17221 of March 12 <sup>th</sup> , 2010 and subsequently

---

amended with resolution no. 17389 of June 23<sup>rd</sup>, 2010.

**Participating Companies to the Demerger**

Jointly, Enel and Enel Green Power.

**Enel or Beneficiary Company**

Enel S.p.A., company with registered office in Rome, Viale Regina Margherita no. 137, share capital equal to Euro 9,403,357,795.00 entirely paid-up, entry in the Companies' Register of Rome and fiscal code no. 00811720580.

**Enel Green Power or Demerged Company**

Enel Green Power S.p.A., company with registered office in Rome, Viale Regina Margherita no. 125, share capital equal to Euro 1,000,000,000.00 entirely paid-up, entry in the Companies' Register of Rome and fiscal code no. 10236451000, subject to the direction and coordination of Enel S.p.A., pursuant to Articles 2497 of the Italian Civil Code et seq.

**TUF**

D.Lgs. of February 24<sup>th</sup>, 1998, no. 58 and subsequent amendments.

---

## INTRODUCTION

The Information Document has been drafted by Enel Green Power pursuant to Article 5 of the RPT Regulation, in order to illustrate the integration plan between Enel Green Power, a company incorporated under the laws of Italy whose shares are listed in Italy on the Milan stock exchange and in Spain on the Madrid, Barcelona, Bilbao and Valencia stock markets through the Spanish electronic trading system *Sistema de Interconexión Bursátil* ("SIBE"), and Enel, a company incorporated under the laws of Italy whose shares are listed in Italy on the Milan stock exchange, which will take place by means of the partial non proportional Demerger of Enel Green Power in favor of Enel.

On the basis of the control relationship *ex* Article 2359, paragraph 1, no. 1 of the Italian Civil Code and Article 93 of TUF existing between Enel Green Power and Enel and considering the significance of the Transaction, such Transaction constitutes a transaction of major importance between related parties pursuant to RPT Regulation and to the RPT Procedure.

Therefore, pursuant to Article 8, paragraph 1, letter b) of the RPT Regulation, and also pursuant to Article 6 of the RPT Procedure, the RPT Committee of Enel Green Power has been involved during the negotiation and investigation phases related to the Transaction through the receipt of a complete and timely information flow. The RPT Committee then issued, on November 16<sup>th</sup>, 2015, a reasoned favorable opinion on the interest of Enel Green Power in the completion of the Transaction, as well as the convenience and the substantial fairness of the relative conditions (see section 2.8 below).

The Demerger Plan was approved on November 17<sup>th</sup>, 2015 by the Board of Directors of Enel Green Power, subject to the receipt of the reasoned favorable opinion issued by the RPT Committee, as well as by the Board of Directors of Enel. In addition, on the same date, the Participating Companies to the Demerger resolved to call the relevant extraordinary Shareholders' Meetings for the approval of the Demerger on January 11<sup>th</sup>, 2016, and the relevant notices of call will be published on the websites of the relevant companies on November 18<sup>th</sup>, 2015 pursuant to the applicable laws.

This Information Document has been drafted specifically with reference to the resolutions adopted on November 17<sup>th</sup>, 2015 by the Board of Directors of Enel Green Power and has been made available to the public at the registered office of Enel Green Power, located in Rome, Viale Regina Margherita, no.125, and also on the website of the company ([www.enelgreenpower.com](http://www.enelgreenpower.com)) and on the authorized mechanism storage NIS-Storage ([www.emarketstorage.com](http://www.emarketstorage.com)).

The documentation required by the Italian Civil Code and by TUF in relation to the Demerger will be made available to the shareholders of the Participating Companies to the Demerger pursuant to the terms and modalities provided forth by applicable laws and regulations.

Please note that Enel Green Power and Enel will also publish a joint information document pursuant to Article 70, paragraph 6, of the Issuer's Regulation, pursuant to the terms and modalities provided forth by applicable laws and regulations, which will be reported, among others, the *pro-forma* financial information.

## 1. Warnings

### 1.1 Risks related to the potential conflicts of interest arising from the Transaction

On the date hereof, Enel controls Enel Green Power (pursuant to Article 2359, paragraph 1, no. 1, of the Italian Civil Code and Article 93 of TUF), as Enel holds a participation equal to approximately 68.29% of the share capital of Enel Green Power. Furthermore, pursuant to Articles 2497 et seq. of the Italian Civil Code, Enel Green Power is subject to the direction and coordination of Enel.

On the date hereof, the Board of Directors of Enel Green Power is composed by the following members, the majority of which are independent: Alberto De Paoli (Chairman), Francesco Venturini (CEO and General Director), Luca Anderlini<sup>1</sup>, Carlo Angelici<sup>1</sup>, Giovanni Battista Lombardo<sup>1</sup>, Giovanni Pietro Malagnino<sup>1</sup>, Paola Muratorio<sup>1</sup>, Francesca Romana Napolitano, Ludovica Maria Vittoria Parodi Borgia and Luciana Tarozzi<sup>1</sup>; the RPT Committee is composed of the following Independent Directors: Carlo Angelici (Chairman), Luca Anderlini and Giovanni Pietro Malagnino

None of the members of the Board of Directors of the Demerged Company has been appointed as Director or Statutory Auditor of the Beneficiary Company.

Please note that Alberto De Paoli (Chairman of the Board of Directors of Enel Green Power) is the Head of the Administration, Finance and Control Department of the Beneficiary Company. Due to the office held by Alberto De Paoli in Enel (i) has not been involved on behalf of Enel Green Power during the negotiation and investigation phases related to the Demerger and (ii) within the meeting of the Board of Directors of October 5<sup>th</sup>, 2015, has declared to have an interest in the Transaction pursuant to Article 2391 of the Italian Civil Code, and at the meetings of the Board of Directors has not participated in the discussion and in the subsequent resolution relating to the approval of the Demerger Plan.

## 2. Information related to the Transaction

### 2.1 Description of the characteristics, modalities, terms and conditions of the Transaction

#### 2.1.1 Description of the Transaction

The Transaction described in this Information Document consists of the partial non-proportional Demerger of Enel Green Power in favor of its controlling company Enel, pursuant to Article 2506-*bis*, paragraph 4, of the Italian Civil Code.

In particular, the Demerger will give rise to the assignment of almost all the Enel Green Power's foreign shareholdings/subsidiaries and financial assets (the "**Set of Assets Demerged**") in favor of Enel, while Enel Green Power will keep its Italian assets and the remaining foreign shareholdings. In particular, the related balance sheet elements and legal relationships which, as a result of the Demerger, will be assigned to the Beneficiary are the followings: 1) totalitarian shareholding in the company organized and existing under Dutch law, Enel Green Power International B.V.; 2) short-term financial receivable owed by the company Enel Green Power North America Ltd. in connection with a financial restructuring transaction implemented 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 B.V.; 4) the legal relationship with the 6 employees that are part of the business unit comprising the Set of Assets Demerged and the consequent asset-side liability-side balance sheet items

---

<sup>1</sup> Independent Director pursuant to the articles 147-ter, paragraph 4, and 148, paragraph 3, of the TUF, as well as to art. 3 of the "Codice di Autodisciplina delle società quotate" and to art. 37 of the Consob resolution no. 16191, of October 29<sup>th</sup>, 2007 ("Regolamento Mercati").

referring to the same; 5) guarantees granted by Enel Green Power in the interest of Enel Green Power International B.V. and its subsidiaries related to the hedging of certain number of commitments undertaken. For the detailed description of the assets and liabilities and related legal relationships comprising the Set of Assets Demerged, as well as for the rules governing the contingent assets and/or contingent liabilities, if any, and for any other detailed information, please see the Demerger Plan.

On the Date of Effect of the Demerger (as defined in the following section 2.5), the Beneficiary Company will increase its share capital by issuing a maximum of no. 1,769,040,000 shares – with regular entitlement and nominal value of Euro 1.00 each – in favor of the shareholders of the Demerged Company on the basis to the Exchange Ratio. The amount of the capital increase of Enel to service the Exchange Ratio shall not be exceed the value attributed to the Set of Assets Demerged by the appraisal/estimate report of the expert drafted in compliance with Article 2506-*ter*, paragraph 2, of the Italian Civil Code. In particular: (i) the shareholders of Enel Green Power 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 Enel Green Power shares held by such shareholders, while (ii) 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, recalled by 2506-*ter*, paragraph 5, of the Italian Civil Code –, in exchange for the cancellation, at the time of exchange, of 2,054,426,517 Enel Green Power shares held by it.

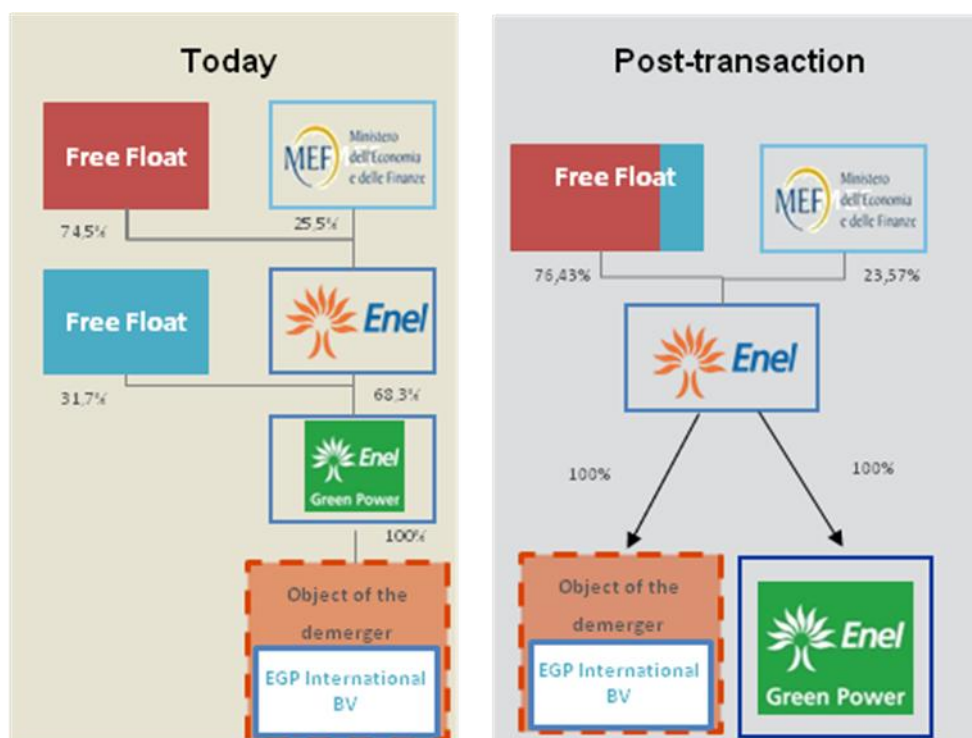
In view of the foregoing, on the Date of Effect of the Demerger, the share capital of the Beneficiary Company will be increased up to a maximum of no. 770,588,712 newly issued Enel shares, all addressed to the shareholders of the Demerged Company other than Enel.

The number of newly assigned Enel shares may change depending upon the number of Enel Green Power shares acquired by Enel through the procedure involving the offer under an option and pre-emption of the Enel Green Power shares that may be subject to the sale and withdrawal rights (as defined in this section).

Since, as of the Date of Effect of the Demerger, all of the above-mentioned 3,640,000,000 shares in Enel Green Power representing the portion of Enel Green Power'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 to a total of Euro 272,000,000.

As a result of the exchange by Enel Green Power shareholders other than Enel of all shares held by them in Enel Green Power, and the consequent cancellation of the same, Enel – as a result of the Demerger – will be the sole shareholder of the Demerged Company. The Demerged Company, as of the Date of Effect of the Demerger, will be delisted from both the Italian and Spanish markets.

The two graphs show below the structure of the Enel Group before and after the implementation of the Demerger:



The Demerger Plan is based on the balance sheets of Enel Green Power and of Enel as at September 30<sup>th</sup>, 2015, approved - pursuant to and in accordance with Article 2501-*quater* of the Italian Civil Code recalled by Article 2506-*ter*, paragraph 3, of the Italian Civil Code - by the respective Boards of Directors on November 17<sup>th</sup>, 2015.

The Demerger Plan has been approved by both the Board of Directors of Enel Green Power (after having received the reasoned favorable opinion of the RTP Committee) and the Board of Directors of Enel on November 17<sup>th</sup>, 2015.

Pursuant to the Demerger, Enel Green Power's shareholders that do not concur to the approval of such Demerger will be granted to:

- (i) the right to sell to Enel the Enel Green Power shares owned by such Enel Green Power's shareholders, in whole or in part, pursuant to Article 2506-*bis*, paragraph 4, of the Italian Civil Code, in exchange for a cash consideration for each share of Enel Green Power determined according to the criteria provided forth by Article 2437-*ter*, paragraph 3, of the Italian Civil Code with respect to the withdrawal (the "**Right of Sale**");
- (ii) the right of withdrawal pursuant to Article 2437, paragraph 1, lett. a), of the Italian Civil Code, in exchange for the same consideration determined pursuant to Article 2437-*ter*, paragraph 3, of the Italian Civil Code, since Enel, the Beneficiary Company of the Demerger, has a clause of its corporate purpose that allows for the conduct of business that differs significantly from that described in Enel Green Power's corporate purpose clause ("**Right of Withdrawal**").

The procedure for the exercise of the Right of Sale and the Right of Withdrawal are the same, *i.e.*, the procedure provided forth by the applicable laws for the exercise of the Right of Withdrawal (in particular, provided forth by Article 2437-*bis*, of the Italian Civil Code). Indeed, such procedures are able to provide



protections for the minority shareholders which are not equal but more extent. In any case, the Right of Sale and the Right of Withdrawal could not be exercised for the same action.

The liquidation value of the shares of Enel Green Power in both of the above cases (*i.e.*, exercise of the Right of Sale and exercise of the Right of Withdrawal) will be equal to the average of closing prices in the six months period before the publication of the notice of call of the Extraordinary Shareholders' Meeting of Enel Green Power called to approve the Demerger Plan. The liquidation value will be announced to the shareholders and the market through a specific press release viewable on Enel Green Power's website and through the publication of a notice on at least one national daily newspaper.

The process of liquidation of the shares for which the Right of Sale and/or the Right of Withdrawal are exercised will take place, in a single context, in accordance with art. 2437-*quater* of the Italian Civil Code. In this respect, it is worth mentioning that the joint procedure allows to realize the best protection of the shareholders' rights, taking into account that the shareholders of Enel Green Power shall be entitled to exercise the option right and the pre-emption option, in compliance with the principle of equal treatment. In particular, the terms of the offer under an option and pre-emption that will be addressed to all of Enel Green Power's shareholders pursuant to the above-mentioned provisions of law, will be announced in accordance with the procedures provided under the applicable legal framework, specifying in such regard that the related notices will be published a reasonable time in advance on the Demerged Company's website ([www.enelgreenpower.com](http://www.enelgreenpower.com)) and in at least one national daily newspaper.

In such regard, Enel has declared its intention to purchase all shares subject to the Right of Sale and the Right of Withdrawal that have not been sold following the offer under option and pre-emption right referred to below.

The effectiveness of the Right of Sale and the Right of Withdrawal is subject to the completion of the Demerger.

The effect of the Demerger is conditioned upon the circumstance that the total liquidation value of the Enel Green Power shares in connection with which the Right of Withdrawal and the Right of Sale is validly exercised does not exceed Euro 300,000,000 (the "**Condition Precedent**").

The Condition Precedent shall be deemed likewise satisfied if Enel, within 60 calendar days from the registration with the Companies Register of Rome of the last of the shareholders' meeting resolutions approving the Demerger pursuant to art. 2502 of the Italian Civil Code, declares its intention to purchase all of the shares for which the above-mentioned rights have been exercised.

Considering that, as already mentioned, the Enel Green Power 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 of the 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 shares admitted to trading on the above-mentioned Spanish markets (through the Spanish centralized management/administration 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 shares in Italy on the MTA through authorized intermediaries, incurring the costs of the transaction.

Within the Transaction, the activities indicated below have been performed, each of which shall be considered as essential and integral phases of the Transaction. In particular:

- 1) On November 9<sup>th</sup>, 2015, the Participating Companies to the Demerger filed with the Court of Rome a joint application for the appointment of the Expert in charge of drafting i) a fairness opinion on the Exchange Ratio pursuant to and in accordance with art. 2501-*sexies* of the Italian Civil Code, recalled by art. 2506-*ter*, paragraph 3, of the Italian Civil Code, and ii) the appraisal/estimate report on the value of the Set of Assets Demerged, drafted in compliance to Article 2506-*ter*, paragraph 2, of the Italian Civil Code, in order to increase the share capital of Enel.
- 2) On November 16<sup>th</sup>, 2015, the RPT Committee, taking into account the fairness opinions issued by financial advisors appointed by the RPT Committee, *i.e.*, Lazard and Prof. Enrico Laghi and the entire documentation examined (and listed in detail into the opinion of the RPT Committee), issued with the unanimous vote of all the independent directors its reasoned favorable opinion on the interest of Enel Green Power in the completion of the Transaction, as well on the convenience and substantial fairness of its relevant conditions.
- 3) On November 17<sup>th</sup>, 2015, the Board of Directors of Enel Green Power resolved, *inter alia*, to:
  - (a) approve the Demerger Plan, providing, *inter alia*, the indication of the Exchange Ratio, taking into account: (i) the valuation results of the independent financial advisors appointed by it, *i.e.*, Mediobanca and Barclays and fairness opinions issued by these latter (please see, respectively, Annex 2 and Annex 3), (ii) the reasoned favorable opinion of the RTP Committee (please see Annex 1) issued on November 16<sup>th</sup>, 2015, taking into account, in its turn, *inter alia*, the fairness opinions issued by the independent financial advisors appointed by the RPT Committee, *i.e.*, Lazard and Prof. Enrico Laghi (please see Annexes 4 and 5);
  - (b) call for January 11<sup>th</sup>, 2016, on single call, the Shareholders' Meeting also in extraordinary session to approve the Demerger and the consequent amendments to the Corporate Bylaws connected to the demerger;
  - (c) approve this Information Document.

### **2.1.2 Exchange Ratio and methods of assignation of Enel shares to Enel Green Power shareholders**

On November 17<sup>th</sup>, 2015, the Boards of Directors of the Participating Companies to the Demerger, also on the basis of the guidance of the valuation methodologies applied by their respective financial advisors, as far as the Board of Directors of Enel Green Power is concerned, as indicated above, also based on the reasoned favorable opinion of the RTP Committee, and on the fairness opinions issued by Lazard and Prof. Laghi, fixed the Exchange Ratio, in the following way, without cash adjustments: no. 0.486 newly issued Enel shares for each share of Enel Green Power in exchange. No charges will be applied to the Enel Green Power shareholders for the exchange operations.

By virtue of such Exchange Ratio, As of the Date of Effect of the Demerger, the quota of Enel Green Power's share capital corresponding to the Set of Assets Demerged, comprised of no. 3,640,000,000 shares in Enel Green Power, will be exchanged using the Exchange Ratio indicated below, as follows:

- (i) Enel Green Power's shareholders other than Enel will exchange all of the shares held in Enel Green Power;
- (ii) Enel, on the other hand, will exchange only a portion of its shares held in Enel Green Power, corresponding to the above-mentioned total number of Shares in Enel Green Power exchanged, after deducting the Enel Green Power shares exchanged by shareholders of Enel Green Power other than Enel.

It is acknowledged that for purposes of the determination of the above-mentioned number of shares in Enel Green Power referring to the Set of Assets Demerged pertaining, respectively, to Enel and to the shareholders of Enel Green Power other than Enel and, therefore, the criterion for the non-proportional assignment of the newly issued shares in the Beneficiary Company to the shareholders of the Demerged Company, also based on the opinions issued by independent experts appointed by them, have attributed to such Set of Assets Demerged a value of 8,600 million of Euro euro in terms of absolute value, corresponding to 72.8 percent of the entire value of Enel Green Power as a whole prior to the Demerger.

The assignment to Enel Green Power's shareholders other than Enel of the newly issued shares in the Beneficiary Company will take place, under a regime of dematerialization and through authorized intermediaries, starting from the Date of Effect of the Demerger, in accordance with the timetable and the procedures to be announced to the market through the publication of a specific notice on the Demerged Company's website ([www.enelgreenpower.com](http://www.enelgreenpower.com)) and in at least one national daily newspaper.

Please note that it will be made available to the shareholders of Enel Green Power a service to allow you to round off the unit immediately above or below the number of shares assigned pursuant the Exchange Ratio, without charges, stamp duties or commissions. Alternatively, different activities may be started in order to ensure the overall positive result of the transaction.

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

The shares issued by Enel to service the Exchange Ratio will have regular entitlement and thus they will grant the same dividend rights pertaining to the other shares of the Beneficiary Company already issued as at the Date of Effect of the Demerger. No costs will be imposed upon Enel Green Power's shareholders in connection with the exchange transactions

### **2.1.3 Valuation methodologies used to determine the Exchange Ratio and the relative value of the Set of Assets Demerged and Enel Green Power**

For the purpose of the valuations and analysis required to determine the Exchange Ratio, the Board of Directors of Enel Green Power has retained Mediobanca – Banca di Credito Finanziario S.p.A. ("Mediobanca") and Barclays Bank PLC ("Barclays") as independent financial advisors. In particular, the Board of Directors of Enel Green Power has acknowledged and adopted the valuation methodologies used by its advisors in order to determine the exchange ratio ranges.

The fundamental premise underlying the valuations made was to identify relative and comparable economic values in order to determine the Exchange Ratio. Priority was therefore given to the consistency and comparability of each of the methods adopted rather than to the absolute values of the companies separately considered. In order to ensure consistency in the valuations, we have therefore taken into consideration the consistency of the criteria used, bearing in mind the specific features of each of them and the fact that both Enel Green Power and Enel are companies with shares listed in regulated markets. This, however, does not necessarily entail the use of the same valuation methodologies for Enel Green Power and Enel, nor the attribution, for a given valuation methodology, of the same relevance for both companies; rather, what it does entail is the adoption of criteria and methods which are based on the same valuation rationale and which are the most appropriate, given the differences which characterize them, for the purpose of determining the exchange ratios. The methodologies chosen, however, should not be analysed individually but should be treated as part of the same valuation analysis.

The valuations have been made with the objective of providing a comparative estimate of the value of Enel Green Power and Enel; they should therefore be interpreted exclusively in relative terms and as referring to the Demerger and they are not in any way expressing absolute values of any of the

Participating Companies to the Demerger, nor should they be considered as representative of current, estimated or future market prices.

The valuations of the Participating Companies to the Demerger have been performed from a stand-alone perspective, i.e. on the basis of business plans separately elaborated by Enel Green Power and Enel, irrespective of the outcome of the transaction.

In view of the process and timetable foreseen for the exercise of the Right of Withdrawal and the Right of Sale, and given the fact that it is not possible to quantify the future impact of such exercise, the exercise of any such rights by shareholders of Enel Green Power who have not contributed to the relevant resolution has not been taken into consideration.

Reference date and documentation used

The reference date for the valuations made in order to determine the Exchange Ratio is the same as the date of this Information Document, based on the assumption of no events, deeds or acts occurring for each of the Participating Companies to the Demerger that would significantly alter the capital, earnings and financial profile of the companies covered by the analysis, in the intervening period between the most recent available statutory and consolidated situations and the date hereof.

The documentation utilized for the purpose of determining the Exchange Ratio consists of the following for Enel Green Power and Enel:

- (a) Enel and Enel Green Power statutory and consolidated financial statements for FY 2014;
- (b) Enel and Enel Green Power consolidated interim and quarterly financial statements as at June 30<sup>th</sup>, 2015 and September 30<sup>th</sup>, 2015;
- (c) presentation of Enel Green Power 2016-20 Business Plan dated October 22<sup>nd</sup>, 2015 and presentation of Enel Green Power 2016-20 Business Plan approved by the Board of Directors of Enel Green Power on November 12<sup>th</sup>, 2015 (jointly, the “**EGP Business Plan**”);
- (d) presentation of Enel 2016-20 Business Plan dated November 3<sup>rd</sup>, 2015 and presentation of Enel 2016-20 Business Plan approved by the Board of Directors of Enel on November 12<sup>th</sup>, 2015 (jointly, the “**Enel Business Plan**”);
- (e) projections prepared by the management of Enel and Enel Green Power for the 2016–20 period for the key capital, earnings/financial and operating indicators of the respective groups (including splits for the main divisions/geographies);
- (f) projections prepared by the management of Enel and Enel Green Power for the key capital, earnings/financial and operating indicators of the respective groups (including splits for the main divisions/geographies) for FY 2015 (“pre-closing”);
- (g) long-term earnings/financial and operating projections prepared by the management of Enel and Enel Green Power for the years subsequent to the period covered by the respective Business Plans;
- (h) data on net debt and other equity items as at September 30<sup>th</sup>, 2015 used to estimate the value of the economic capital, starting from the Enterprise Value (“bridge-to-equity”), including the allocation of such items among geographies and business units;
- (i) information regarding the number of Enel and Enel Green Power shares as at the date of this Information Document;
- (j) Enel and Enel Green Power stock market performance;
- (k) equity research and financial analysis regarding Enel and Enel Green Power published by brokers and investment banks.

Other information available in the public domain has also been used, such as:

- research, financial statements and analysis on companies operating in the energy and renewable energies sectors; and
- the terms and stock market performances of select companies involved in precedent transactions (in particular EDF / EDF Énergie Nouvelles and Iberdrola / Iberdrola Renovables) deemed to be comparable to those under review, in the sense that they derive from the integration between companies operating in the renewable energies sector and their respective parent companies with diversified activities in the energy sector.

#### Limits of the analysis and difficulties in the valuation

The conclusions of the valuation process followed should in any case be considered in the light of certain limitations and difficulties which are summarized below:

1. the pre-closing data, the estimates and the earnings / financial projections used for the valuations reflect, by their nature, a degree of uncertainty with reference to the actual predictability of the operating and earnings performance, due amongst other things to potential changes in the reference scenario;
2. the high volatility of the current situation of financial markets, which is liable to change significantly with potential impact on some of the parameters used in the valuation, such as (without limitation), those used to calculate the WACC;
3. the “sum of the parts” approach used in the Discounted Cash Flow (“**DCF**”) methodology required a complex allocation of certain earnings, financial and capital ratios to the individual parts being valued;
4. the trading volumes observed for Enel and Enel Green Power reflect different degrees of liquidity, making the market prices methodology not entirely homogeneous;
5. within the brokers’ target prices methodology, reports published prior to the approval of the new Enel and Enel Green Power Business Plan were taken into consideration, and the estimates and expectations included in such reports might differ, even significantly, from those contained in the Business Plans recently approved by the respective Boards of Directors;
6. the methodologies based on trading multiples or precedent transactions’ multiples have not been considered relevant, due to the limited comparability of the companies involved in the transaction driven by differences in the regulatory scenario, in the duration and nature of the incentives, in the different geographical and technological mix, and in the amount of projects under development compared to the capacity already installed.

#### Description of the valuation methodologies adopted

The valuation methodologies adopted take into account the best Italian and international practice in transactions of this kind, in view of the specific operating and business characteristics of Enel Green Power and Enel. In this particular case, the following have been identified as the principal valuation methodologies:

- discounted cash flow methodology, applying the “sum of the parts” approach, and
- the market prices methodology, considering, for Enel Green Power only, also the premia paid in precedent transactions in the renewable energies sector.

The analysis of the exchange ratios implied in the target prices published by financial analysts on Enel Green Power and Enel has been used as a control methodology.

### Discounted cash flow methodology

The Discounted Cash Flow methodology (or “DCF”) determines the value of a company or of an asset as a whole based on its capacity to generate cash flows.

This valuation methodology has been adopted in order to capture the specific characteristics of Enel Green Power and Enel in terms of profitability, growth, risk profile and capital structure.

The DCF methodology has been applied based on the sum-of-the-parts approach, that is the value of each of the two companies has been calculated as the sum of the values of each of their individual parts, considered as economic entities able to be valued on a stand-alone basis.

In particular, such methodology is based on the assumption that the value of a company or of an asset is equal to the present value of the cash flows that are expected to be generated in the future. The value of the economic capital of a company or an asset is therefore equal to the sum of the present value of (i) the expected cash flows, and (ii) the terminal value of the company or the asset, net of (iii) the net financial debt, minority interests and any further adjustments.

$$W = \sum_{t=1}^n \frac{FC_t}{(1+WACC)^t} + \frac{VT}{(1+WACC)^n} - DF_{t0}$$

Where:

W = value of the economic capital

FC<sub>t</sub> = yearly cash flow at year t

VT = terminal value

DF<sub>t0</sub> = net financial debt, minority interests and other adjustments at the year t=0

N = number of periods of projections considered

WACC = weighted average cost of capital

The terminal value represents the value of the company or of the asset under valuation at the end of the periods of projections considered.

In calculating the terminal value, in order to capture the specific characteristics of the asset being valued (for instance, in terms of geography, technology and regulatory framework), different methodologies have been adopted such as the perpetuity growth rate, the “annuity” (growth assumed for a limited number of years) and the reference to the *Regulated Asset Base* (in case of regulated activities).

The terminal value deriving from the above calculation is considered as an additional cash flow and, therefore, it is discounted at the weighted average cost of capital as all other cash flows.

The weighted average cost of capital represents the weighted average (on the basis of the capital structure of the company or of the asset) of the cost of the financing sources utilized (equity and debt net of tax effects):

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

Where:

Kd = cost of debt

Ke = cost of equity

D = debt

E = equity

t = marginal tax rate

In particular, the cost of debt used represents the long term cost of debt applicable to companies or assets which present a similar risk profile, net of tax effects. The cost of equity reflects the return on equity expected by an investor, taking into account the risk profile of the investment, calculated according to the *Capital Asset Pricing Model*, through the following formula:

$$K_e = R_f + \beta(R_m - R_f)$$

Where:

Rf = expected return on risk-free assets

$\beta$  = coefficient that measures the correlation between the expected returns from the considered investment and the expected return of the reference equity index

Rm = expected return of the reference equity index

(Rm – Rf) = extra return expected from the reference equity index compared to the return of risk free assets

In the calculation of the weighted average cost of capital (WACC), the useful parameters have been identified specifically for each country and *business unit* (i.e. electricity generation, distribution and retail) depending on the characteristics of the activities being valued.

### *Market Prices*

Market prices allow identifying the value of the equity of a company based on the value attributed by the stock market in which the company's shares are traded.

Such methodology consists in valuing the shares of the company on the basis of the market price at a certain date or of the average of market prices registered in the stock market where the shares are traded, during certain periods of time.

In particular, the choice of the time period on which the average of market prices are calculated shall reflect a balance between the mitigation of potential short time volatility effects (that would suggest to consider longer time horizons) and the necessity to reflect recent conditions of the market and of the company being valued (that would suggest to consider more recent market prices). In addition, the period of time considered should include exclusively market prices which are unaffected from press rumors on the potential transaction or from other information that could have a disturbing effect (*"unaffected"*). In this regard, both for Enel and Enel Green Power, market prices after October 26<sup>th</sup>, 2015, that is the latest date prior to the joint press release in which both companies – after press rumors - informed the market about a potential integration of Enel Green Power's operations in Enel, have not been considered.

In this case, the ratio between market prices of Enel Green Power and Enel allows, therefore, to derive an implied exchange ratio, as a function of market prices observed during the different time horizons considered.

The application of such methodology has allowed identifying a minimum and maximum market price both for Enel Green Power and Enel in the last twelve months prior to October 26<sup>th</sup>, 2015.

With reference to Enel Green Power only, in the context of the market prices analysis, premia on market prices of selected precedent transactions have been taken into consideration (in particular, EDF / EDF Energie Nouvelles and Iberdrola / Iberdrola Renovables) deemed to be comparable to the transaction under review, as they refer to companies operating in the renewable energies sector with their respective parent companies having diversified activities in the energy sector. The premia observed in such precedent transactions have been applied to the *unaffected* market prices during certain time horizons, resulting in an implied market price range for Enel Green Power that has been compared to the closing market price of Enel as of October 26<sup>th</sup>, 2015, in order to obtain an exchange ratio range.

*Target prices published by research analysts on Enel Green Power and Enel*

Such methodology relies on the analysis of Target Prices published by research analysts covering both Enel Green Power and Enel. As for the market prices, the results of such methodology arise from a process which is different from the traditional valuation methods, which are based on explicit assumptions regarding future cash flows, timing and riskiness of such cash flows, as well as on the current and projected capital structure. However, they represent an indication of the value of companies, whose shares are listed, completing the sample of reference valuation methodologies. The observation of Target Prices of Enel and Enel Green Power published by research analysts allow to obtain, for each broker considered, an implied exchange ratio.

Consistently with market prices methodology described above, both for Enel and Enel Green Power, research reports published after October 26<sup>th</sup>, 2015 have not been taken into consideration.

Summary of results

On the basis of the considerations and the limits described above, the table below reports the results of the different valuation methodologies used to calculate the Exchange Ratio:

Calculation of the Exchange Ratio

Valuation Methodology	Exchange Ratio	
	Minimum	Maximum
Discounted Cash Flows	0.37x	0.54x
Market Prices	0.38x	0.51x
Market Prices with Precedent Transactions' Premia	0.47x	0.52x
Brokers' Target Prices	0.28x	0.57x



The Board of Directors of Enel Green Power, taking into consideration the considerations above as well as the valuation process adopted, has determined the following Exchange Ratio:

0.486 Enel shares with a nominal value of Euro 1.00

for each Enel Green Power share with a nominal value of Euro 0.20.

\*\*\*

Valuation methodologies used to determine the value of the equity of the Set of Assets Demerged and the ratio between the value of the equity of Set of Assets Demerged and Enel Green Power (pre-demerger)

In determining the value of the equity of the Set of Assets Demerged, given the non-listed nature of the entity and the need to indicate (in percentage terms) the relative value compared to the equity value of Enel Green Power pre-demerger, with the purpose to ensure consistency between the criteria used, only the discount cash flow methodology has been used, applying a “sum of the parts” approach. This same methodology, when determining the relative valuation compared to Enel Green Power (pre-demerger), has been used also for this latter.

A detailed description of such valuation methodology, also known as DCF, is included above.

Reference date and documentation used

For what concerns the reference date, the same considerations expressed above on the Exchange Ratio apply.

With regards to the valuation of Set of Assets Demerged, the following documentation has been utilized:

1. Detailed information prepared by the *management* of Enel Green Power for the 2016–2020 period for the key capital, earnings/financial and operating indicators of the Set of Assets Demerged;
2. Detailed information prepared by the *management* of Enel Green Power for the key capital, earnings/financial and operating indicators of the Set of Assets Demerged for FY2015 (“*pre-closing*”);
3. long-term earnings/financial and operating projections prepared by the *management* of Enel Green Power for the years subsequent to the period covered by the Enel Green Power *Business Plan*;
4. data on net debt and other balance sheet items as of September 30<sup>th</sup>, 2015 used to estimate the value of the equity starting from the *Enterprise Value* (“*bridge-to-equity*”), including the amount of net debt to be transferred from Enel Green Power to the Set of Assets Demerged, and the allocation among the different activities being valued.

Limits of the analysis and difficulties in the valuation

In addition to the points 1-3 indicated as limits with regard to the valuation of the Exchange Ratio, we highlight also the non-listed nature of the Set of Assets Demerged, that has imposed certain limitations to the valuation exercise, excluding the possibility to rely upon certain methodologies typically used for entities listed in regulated markets (i.e. market prices or target prices).

Summary of results

On the basis of the considerations and the limits previously outlined, we report in the table below the result of the application of the above valuation methodology in order to determining the value of the equity of the Set of Assets Demerged.

Ratio (expressed as percentage) between the value of the equity of the Set of Assets Demerged and of Enel Green Power (pre-demerger)	Ratio (expressed as a percentage)	
	Minimum	Maximum
Discounted cash flows	68%	75%

The Board of Directors of Enel Green Power, taking into consideration the considerations above as well as the valuation methodologies adopted, has determined the relative value of the Set of Assets Demerged equal to:

**72.8% of the value of the equity of Enel Green Power (pre-demerger).**

## **2.2 Advisors involved in the Transaction, criteria for the appointment and relations with the Participating Companies to the Demerger**

The Board of Directors of Enel Green Power has been supported by independent financial advisors, namely, Barclays and Mediobanca. These advisors represented by means of specific declarations to be able to assist and act with the necessary independence.

In particular, Mediobanca, after having conducted the appropriate investigations, represented that there are no economic, patrimonial and financial relations with: (i) Enel Green Power, with (ii) entities controlling same, companies controlled by Enel Green Power or subject to a common control, as well as (iii) with the directors of the companies referred to under points (i) and (ii), that could jeopardize the independence and autonomy of judgement of Mediobanca. Moreover, considering that Mediobanca is part of a banking group, the companies belonging to which are engaged in a wide range of financial transactions (both on their own and on behalf of their clients), it is possible that other group companies or certain clients of the same group, execute agreements or hold shares or other securities of Enel and Enel Green Power. However, Mediobanca highlighted that appropriate internal procedures have been established to monitor and manage potential conflicts of interest, in order to ensure that the activities of financial advice are performed independently, and managed separately, from the activities mentioned above. Despite the fact that Mediobanca, in the ordinary course of its activities and services, provides to Enel advisory services for acquisitions, reorganization of the ownership structure and participation to financings, same Mediobanca considers that such circumstances do not affect its independence with reference to the Transaction.

Barclays, after having conducted the appropriate investigations, represented that there are no economic, patrimonial and financial relations of investment banking (meant as any engagement of financial advisory, debt capital markets, equity capital markets, corporate broking and credit) with: (i) Enel Green Power, with (ii) entities controlling same, companies controlled by Enel Green Power or subject to a common control, as well as (iii) with the directors of the companies referred to under points (i) and (ii), that, if compared to the total assets and consolidated revenues of the Barclays Group, may affect the independence and autonomy of judgement of Barclays itself. The latter also specified to be part of a leading banking group, the companies belonging to which are engaged in a wide range of financial transactions, both on their own and on behalf of their clients, and that (i) it is therefore possible that other group companies or certain

clients of the group, execute agreements or hold shares or other securities of Enel or Enel Green Power, but (ii) appropriate internal procedures have been established to monitor and manage potential conflicts of interest, in order to ensure that the financial advisor activities are performed independently, and managed separately, from the above mentioned activities. The advisor has, therefore, confirmed that (i) a separate team within Barclays will assist Enel S.p.A. in the context of a specific engagement as equity advisor, (ii) Barclays is providing assistance in the M&A financial advisory services to a subsidiary of Enel S.p.A. with reference to a “sell-side” mandate not related to the Transaction and (iii) it does not believe that these engagements lead to a significant conflict of interest in relation to the engagement granted in connection with the Transaction or may in any way undermine the independence and the autonomy of the judgment of the Barclays itself in the performance of such engagement.

The RPT Committee was supported by its independent financial advisors, Lazard and Prof. Enrico Laghi and, having regard also to the evaluation outcomes and the fairness opinions of said advisors, has expressed its favorable opinion on the interest of Enel Green Power in connection with the completion of the Transaction, as well as with the convenience and substantial fairness of its conditions.

The RPT Committee has verified the independence of financial advisors appointed, taking into account the specific declaration issued by same, whereby the financial advisors certified to be able to provide the required assistance in the context of the Transaction, with the due independence.

Specifically, Lazard represented that (i) there are no economic, patrimonial and financial relations with Enel Green Power, with the entities that control same, nor with any of the companies controlled by or under common control with Enel Green Power; (ii) no partner, director or associate of Lazard holds offices in the management or supervisory corporate bodies of Enel Green Power, of its controlling entities, nor any of its subsidiaries or companies under common control with Enel Green Power; (iii) there are no situations that undermine the independence of Lazard pursuant to the regulations concerning related party transactions under the RPT Regulation or, in any event, give rise to conflicts of interests in relation to the activities of the advisory in the context of the Transaction. Lazard has also pointed out that it is part of an international group and that other companies belonging to this group are engaged in asset management; therefore, such companies could trade shares or other securities of Enel Green Power or Enel, on their own behalf and on behalf of their clients. However, they appropriate internal procedures have been established to monitor and manage potential conflicts of interest, in order to ensure that the activities of financial advice are performed independently, and managed separately, from asset management businesses.

Prof. Laghi represented that he (i) has not been in any way involved in the structuring of the Transaction, nor in the determination of any aspect relating to the Transaction; (ii) has not held any office in the management or supervisory corporate bodies of Enel Green Power, of its controlling entities, nor any of its subsidiaries or companies under common control with Enel Green Power; (iii) has not performed throughout the last five years, any professional activities in favor of Enel Green Power, its controlling entities, nor any of its subsidiaries or companies under common control with Enel Green Power, nor of directors of the above companies; (iv) does not have with Enel Green Power, nor with its controlling entities, nor with those who have an interest in the Transaction, personal, economic/financial or professional relationships, that could undermine his independence of judgment.

In light of the declarations rendered by the advisors and taking into account the scale and the articulation of the activities performed by same in the overall of their organizations, the multiplicity of clients and the reputation achieved by same, in general, in Italy and worldwide, the advisors have been qualified as independent respectively by the Board of Directors of Enel Green Power and the RPT Committee.

The aforementioned advisors of the Board of Directors and the RPT Committee have been identified in light of their qualifications of proven ability, professional competence and experience in this kind of

transactions, which are adequate to perform the engagement and to assist the Board of Directors and the RPT Committee in their respective decisions.

On November 17<sup>th</sup>, 2015, Barclays and Mediobanca, as independent financial *advisors* of the Board of Directors of Enel Green Power, issued their fairness opinions, which, *inter alia*, evidence the fairness of the Exchange Ratio from a financial point of view. For further information on the assessments of Mediobanca and Barclays, please refer respectively to Annexes 2 and 3.

On November 16<sup>th</sup>, 2015, Lazard and Prof. Enrico Laghi, as independent financial advisors of the RPT Committee, issued their opinions, which, *inter alia*, evidence the fairness of the Exchange Ratio from a financial point of view. For further information on the assessments of Lazard and Prof. Enrico Laghi, please refer respectively to Annexes 4 and 5.

### **2.3 Indication of the related parties with which the Transaction is carried out, the nature of the correlation and, in case this information has been disclosed to the management body, the nature and the extent of the interests of such parties in the Transaction.**

The Transaction is effected with Enel, the company that controls Enel Green Power, through a direct participation of roughly 68,29%, and exercises on Enel Green Power direction and coordination activity pursuant to art. 2497 et seq. of the Italian Civil Code.

The correlation between the Participating Companies to the Demerger results, therefore, from a control relationship by law existing between same in accordance with art. 2359, paragraph 1, n. 1, of the Italian Civil Code and 93 TUF.

Enel, therefore, must be considered a “related party” of Enel Green Power pursuant to Article 1, lett. a), Annex 1 to the RPT Regulation.

There are not interests of other related parties in the Transaction.

### **2.4 Economic grounds and convenience of the Transaction**

The renewable energy’s sector has assumed a more significant role in the energy scenario, both in light of the growing competitiveness of less mature technologies, such as wind and solar, triggered by rapid technological progress, and of the contribution offered by same to the energy pattern in terms of environmental sustainability.

Big utilities in order to pursue the opportunities offered by the renewable business, incorporated companies completely dedicated to the development and the management of renewable energy plants. In this framework, in 2008 Enel established Enel Green Power, gathering therein the activities for the production of renewable energy, and listing such company on the Stock Exchange in 2010.

Such energy model, during the last few years, has experienced deep changes, initially triggered by the rapid large-scale development of renewable energy sources, with the consequent issues related to the necessity to adapt the networks. Also other circumstances have occurred, such as, among others, distributed production, energy efficiency, electric cars and the energy storage, which are more and more leading to a radical transformation of consumers’ behaviors, that are progressively more active both as energy “producers” and as “managers” of their electric request. In addition to the above, there is a need to develop new technologies that allow the electrical system to evolve towards a pattern which better integrates the conventional production’s sources and therefore programmable, and the renewable ones, sector that continues to be characterized by a globally high rate growth.

This growth becomes evident mainly in two manners. On the one hand, in the context of the emerging markets (characterized by economic growth and a broad process of urbanization) renewables represent the fastest answer to the increase of electric request. On the other hand, also in the context of the mature markets there are opportunities for the development of renewables, in light of the process of gradual dismantling of conventional production capacity (for example the coal plants) and the replacement with new renewable capacity, mainly from wind and solar, characterized by a rapid activation, contained risks of execution and competitive costs.

The increasing need to integrate the renewables and the traditional sources, the distribution systems and the market ("single integrated system"), is leading to a rapid modernization of the electricity network, through the digitalization and "smart meters", transforming the energy utilities from mere producers and distributors of energy to suppliers of services and system optimizers. This circumstance is leading to new business opportunities that the utilities will be ready to pursue only if they become global and integrated operators in the electrical system.

In this context, Enel Group is well positioned along the guidelines of the new model. Being one of the few global operators in the relevant sector, one of the most diversified in terms of technology and having more than 60 million customers, the Group is able to pursue the many opportunities of global growth, leveraging, *inter alia*, its high geographical diversification (the Group is present in all the geographic areas with significant growth prospects, including the Asian continent, where the Group recently established a base with entrance in the Indian renewables market).

In the Enel Group, Enel Green Power achieved in the last years important operational and financial results, reaching its growth and internationalization targets. In fact, from the listing date up to now, there has been a growth of 82,7% of installed renewable capacity, from 5,8 GW to the current 10,6GW, and of 38% of EBITDA, from Euro 1.3 billion in 2010 (8% of Group's EBITDA) to Euro 1.8 billion expected in 2015 (12% of Group's EBITDA), followed by an international presence (expressed in percentage compared to the installed capacity) which increased from 54% in 2010 to the current 69%.

In light of the aforementioned evolution in the energy market and of the important results achieved by Enel Green Power, jointly with the integration plan, it is expected an increase of the investments in development of renewable energies for the next five years; such investments should be around at the 50% of growth investments of the entire Enel Group, in order to allow the pursuance of the substantial market opportunities, in line with the increasing focus on the renewable energies.

The process of full integration of the renewable business is, therefore, consistent with the development strategy of the Enel Group and presents significant reasons, not only strategic, but also industrial and financial, offering substantial opportunities in order to create value.

The industrial reasons of the prospected Demerger – on which the interest of Enel Green Power to complete the Transaction is based – follow, therefore, two main guidelines: the growth and the integration strictly speaking, as also confirmed by similar foreign integration transactions.

As to growth, the Transaction would permit a greater creation of value for the Group through the possible further investment acceleration and the implementation of the strategy of the Active Portfolio Management. In fact, in a context in which the capabilities demonstrated by Enel Green Power, both in the field of the development of plans, and in terms of their realization, exceed its investment capacity in a "stand-alone" view (to preserve the financial strength of the company) and in light of the financial capacity of the Enel Group, the full integration between Enel and Enel Green Power would allow the latter to accomplish additional growth plans in the business of renewables.

As to the integration strictly speaking, that constitutes the second guide line of creation of value, same is realized through the creation of operational and management synergies, achievable through: the ability to pool together the business skills of both companies, with consequent cost efficiency; the possibility to jointly manage different production chains, with consequent risk reduction; the opportunity to take advantage of the Group's financial strength.

Another area of possible efficiency / optimization deriving from the Transaction would be the reduction of the "merchant" risk in the Countries / markets in which both Enel and Enel Green Power are present, essentially linked to a vertical integration and consequent centralized management of the coverage of the volume production and of the related risk, and the optimization of the integrated maintenance plan of the renewable and conventional plants and a greater commercial competitiveness guaranteed by the synergic management of renewable assets with the conventional ones.

Finally, the Demerger will allow Enel Green Power to benefit of a reduction of costs and expenses (both in terms of management and in operational terms), as well as greater organizational and managerial flexibility. In particular, as a result of the Transaction, Enel Green Power can start a process of simplification of the governance – also in line with the objective of major focus on domestic business of renewable energies and subsequent minor complexity - which will allow a more expeditious and dynamic decision-making process, as well as exercise of the strategic, managerial and technical-operational control. Similarly, the rationalization of the functions and of the processes will allow, in any case, the structures and the functions of Enel Green Power the maintenance of its own high level of specialization (in the production and market), in an harmonic manner and without operational discontinuity. On the other hand, the separation of the international business will allow Enel Green Power to concentrate the economic and financial resources of its core business in Italy, where currently a significant development of renewable sources with respect to the market of the traditional sources is taking place.

Ultimately, the proposed Transaction would enable the Enel Group to realize additional growth plans in the renewables' business, since Enel Green Power would be in a position to take advantage, *inter alia*, of the financial strength of the Enel Group. The Transaction would also allow a rationalization and simplification of the structure of the group, with the achievement of operational and managerial synergies of which it will benefit, with a consequent cost optimization through the combination of different business skills and the reduction of risk.

## **2.5 Illustration of the economic, patrimonial and financial effects of the Transaction, providing at least the applicable indexes of importance**

The Demerger will be effective from a civil law perspective, pursuant to art. 2504-*bis* of the Italian Civil Code, starting from the date of the last registration of the deed of Demerger in the competent Companies' Register (*i.e.* the Companies' Register of Rome for both Participating Companies to the Demerger), or from such other later date that may be indicated in the deed of Demerger (the "**Date of Effect of the Demerger**"). To such end, the Shareholders' Meetings of the Participating Companies to the Demerger will grant a specific mandate to their boards of directors in order to set the Date of Effect of the Demerger, if later than the last of the registrations in the Companies Register. Starting on the same date, the transactions pertaining to the balance sheet elements 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.

For more details, please refer i) to the Demerger Plan approved by the Board of Directors on November 17<sup>th</sup>, 2015, which will be submitted to approval of the extraordinary shareholders' meeting of Enel Green Power on January 11<sup>th</sup>, 2016, as well as ii) to the Information Document that Enel Green Power and Enel will draft pursuant Article 70, paragraph 6, Issuers' Regulation, which will contain, among others, financial

information *pro-forma*; these documents will be published in the terms and with the modalities provided for under applicable law and regulations.

The Transaction constitutes a transaction of major importance with a related party pursuant to the RPT Regulation and the RPT Procedures. Specifically, all the indexes of importance – *i.e.*, the index of importance of value, the index of importance of assets and the index of importance of liabilities – are higher than the threshold of 2.5%.

## **2.6 Variation of the amount of compensation for members of the Board of Directors of Enel Green Power and/or its subsidiaries as a result of the Demerger**

No variations are expected in the compensation of the members' of the management bodies of Enel Green Power and its subsidiaries as a result of the Demerger.

## **2.7 Possible members of management and control bodies, general directors and managers of Enel Green Power involved in the Transaction**

No member of management and control bodies, general directors and managers of the Participating Companies to the Demerger are involved in the Transaction as related parties.

## **2.8 Indication of the bodies or directors who have led or participated in negotiations and/or directed and/or approved the Transaction, specifying the respective roles, particularly with regard to independent directors**

The RPT Committee, which have been promptly informed on the Transaction during the meeting of the Board on October 5<sup>th</sup>, 2015, has immediately started the preparatory activities for the examination of the Transaction and has been involved in the negotiations and investigation phase, through a flow of information, in a timely, full and adequate manner, which has allowed the RPT Committee to be constantly updated in relation to the development of the activities carried out. The information flows concerned, among others, the main terms and conditions of the Transaction, the expected timing of its implementation, the evaluation procedure proposed, the reasons underlying the Transaction, as well as the potential risks for Enel Green Power and its subsidiaries. In this context, the RPT Committee exercised its right to ask questions and make comments, receiving prompt response to their requests and comments by the management involved in the Transaction.

The RPT Committee met in order to discuss and evaluate the Transaction on October 5<sup>th</sup>, 2015, October 14<sup>th</sup>, 2015, October 20<sup>th</sup>, 2015, November 2<sup>nd</sup>, 2015, November 9<sup>th</sup>, 2015, November 11<sup>th</sup>, 2015 and November 16<sup>th</sup>, 2015.

Please note that at the RPT Committee's meetings also the other independent directors of Enel Green Power (Giovanni Battista Lombardo, Paola Muratorio e Luciana Tarozzi) were invited, and usually, participated, in order to ensure a wide sharing of the evaluations and analysis referred to the Committee; also the members of the Board of Statutory Auditors participated.

On November 16<sup>th</sup>, 2015, the RPT Committee, taking into account the fairness opinions issued by the independent financial advisors that confirm, *inter alia*, the fairness of the Exchange Ratio from a financial point of view, expressed unanimously its justified favorable opinion on the interest of Enel Green Power in the Transaction, and on the convenience and substantial fairness of its conditions (see Annex 1).

Subsequent, on November 17<sup>th</sup>, 2015, the Board of Directors of Enel Green Power, in light of the aforementioned opinion of the RTP Committee, as well as of the evaluation outcomes and the fairness opinions of the financial advisors appointed by the Board of Directors, i) approved the Demerger Plan, and ii) called the extraordinary Shareholders' Meeting in order to approve the Demerger, for January 11<sup>th</sup>,

2016, on single call; the aforementioned resolutions were adopted with the favorable vote of all Directors eligible to vote, in the absence of Director Paola Muratorio and the Chairman of the Board of Directors Alberto De Paoli. The latter – having declared to have an interest in the Transaction pursuant to and in accordance with art. 2391 of the Italian Civil Code, in consideration of the position as Head of Administration, Finance and Control Function held in Enel, did not participate to the discussion and the subsequent resolution related to the approval of the Demerger Plan.

**2.9 If the significance of the Transaction results from an aggregation, pursuant to art. 5, paragraph 2, of a multiplicity of transactions carried out during the financial year with the same related party, or with parties related to it or to the company, the information indicated in the previous points must be provided with reference to all said transactions**

The significance of the Transaction exists autonomously and does not derive from the aggregation with other transactions.



# ANNEXES

To the members of the Board of Directors  
of Enel Green Powers

**Object: Opinion of the Related-Party Transactions Committee of Enel Green Power S.p.A. pursuant to Article 8 of the Regulation issued by Consob with resolution no. 17221 of March 12<sup>th</sup>, 2010 and to Article 6 of the Procedure governing related party transactions, approved by the Board of Directors of Enel Green Power on December 1st, 2010 and subsequently amended**

Dear Sirs,

We refer to the prospected transaction of partial non-proportional demerger (the “**Transaction**” or the “**Demerger**”) of Enel Green Power S.p.A. (“**EGP**” or the “**Company**”) in favor of Enel S.p.A. (“**Enel**”), which controls EGP ex Article 2359, paragraph 1, no. 1 of the Italian Civil Code and Article 93 of Legislative Decree of February 24<sup>th</sup>, 1998, no. 58 and subsequent amendments, and exercises on the same EGP direction and coordination activities pursuant to Articles 2497 and followings of the Italian Civil Code. The envisaged Transaction – as described below – constitutes for EGP, pursuant to “*Regulation Governing Related-Party Transactions*” adopted by Consob resolution no. 17221 of March 12<sup>th</sup>, 2010 (the “**RPT Regulation**”), and to the “*Procedure for Related-Party Transactions*” approved by the Board of Directors of Enel Green Power on December 1<sup>st</sup>, 2010 (“**RPT Procedure**”), a transaction of major importance with related party. In this regard, pursuant to Articles 8.1, let. c), and 11, paragraph 2, of the RPT Regulation and Articles 6 and 7 of the RPT Procedure, the Related Party Transaction Committee (the “**Committee**”) issues the following opinion:

#### **1. Terms and conditions of the Transaction**

On the basis of the information provided by the Company’s management and of the documentary evidences submitted to the Committee, please find below the main characteristics of the Transaction that concerns, as mentioned above, pursuant to and in accordance with Article 2506-*bis*, paragraph 4, of the Italian Civil Code, the partial and non-proportional demerger of EGP - a company organized and existing under Italian law with shares listed in Italy on the *Mercato Telematico Azionario*, and in Spain on the stock markets of Madrid, Barcellona, Bilbao and Valencia through the Spanish electronic trading system *Sistema de Interconexión Bursátil* “SIBE” – in favor of Enel - a company organized and existing under Italian law with shares listed in Italy on the *Mercato Telematico Azionario*. In particular, the draft of the Demerger Plan that will be submitted to the approval of the Board of Directors, give rise to the assignment of virtually all of EGP’s foreign shareholdings/subsidiaries and financial assets (the “**Set of Assets Demerged**”) in favor of Enel, while EGP will keep its Italian assets and the remaining foreign shareholdings. In particular, the related balance sheet elements and legal relationships which, as a result of the Demerger, will be assigned to Enel are the followings: i) totalitarian shareholding in the company organized and existing under Dutch law, Enel Green Power International B.V.; ii) short-term financial receivable owed by the company Enel Green Power North America Ltd. in connection with a financial restructuring transaction implemented in 2014; the exchange rate risk related to such financial receivable is hedged through a currency forward contract; iii) legal relationships related to the long-term credit line with Enel Green Power International B.V.; iv) the legal relationship with the 6 employees that are part of the business unit comprising the Set of Assets Demerged and the consequent asset-side liability-side balance sheet items referring to the same; v) guarantees granted by Enel Green Power in the interest of Enel Green Power International B.V. and its subsidiaries related to the hedging of certain number of commitments undertaken. For the detailed description of the assets and liabilities and related legal relationships comprising the Set of Assets Demerged, as well as for the rules governing the contingent assets and/or contingent liabilities, if any, and for any other detailed information, please see the Demerger Plan.

The Demerger will be approved on the basis of the balance sheets of EGP and Enel as of 30<sup>th</sup> September 2015, which will be submitted to the approval – pursuant to and for purposes of art. 2501-*quater* of the Italian Civil Code recalled by art. 2506-*ter*, paragraph 3, of the Italian Civil Code – by the Boards of

Directors which will be held on 17<sup>th</sup> November, 2015. Therefore, this opinion is issued on the base of draft balance sheets that will be approved to the Board of Directors on the date hereof.

Pursuant to the Demerger, EGP's shareholders that do not concur to the approval of such Demerger will be granted to:

- (i) the right to sell to Enel their EGP shares, in whole or in part, pursuant to Article 2506-*bis*, paragraph 4, of the Italian Civil Code, in exchange for a cash consideration for each share of Enel Green Power determined according to the criteria provided forth by Article 2437-*ter*, paragraph 3, of the Italian Civil Code with respect to the withdrawal (the "**Right of Sale**");
- (ii) the right of withdrawal pursuant to Article 2437, paragraph 1, lett. a), of the Italian Civil Code, in exchange for the same consideration determined pursuant to Article 2437-*ter*, paragraph 3, of the Italian Civil Code, since Enel, the beneficiary company of the Demerger, has a clause of its corporate purpose that allows for the conduct of business that differs significantly from that described in Enel Green Power's corporate purpose clause ("**Right of Withdrawal**").

Considering the opinion issued by Prof. Gambino required by the Committee, the modalities for the exercise of the Right of Sale and the Right of Withdrawal are the same, *i.e.*, the modalities provided forth by the applicable laws for the exercise of the Right of Withdrawal (in particular, provided forth by Article 2437-*bis*, of the Italian Civil Code). Indeed, such procedures are able to provide protections for the minority shareholders which are not equal but more extent.

The liquidation value of the shares of Enel Green Power in both of the above cases will be equal to the average of closing prices in the six months period before the publication of the notice of call of the Extraordinary Shareholders' Meeting of Enel Green Power called to approve the Demerger Plan. The process of liquidation of the shares for which the Right of Sale and/or the Right of Withdrawal are exercised will take place, in a single context, in accordance with art. 2437-*quater* of the Italian Civil Code, considering that the joint procedure allows to realize the best protection of the shareholders' rights, taking into account that the shareholders of Enel Green Power shall be entitled to exercise the option right and the pre-emption option, in compliance with the principle of equal treatment. In such regard, Enel has declared its intention to purchase all shares subject to the Right of Sale and the Right of Withdrawal that have not been sold following the offer under option and pre-emption right referred to below.

The effect of the Demerger is conditioned upon the circumstance that the total liquidation value of the Enel Green Power shares in connection with which the Right of Withdrawal and the Right of Sale is validly exercised does not exceed Euro 300,000,000. The aforementioned condition precedent shall be deemed likewise satisfied if Enel, within 60 calendar days from the registration with the Companies Register of Rome of the last of the shareholders' meeting resolutions approving the Demerger pursuant to art. 2502 of the Italian Civil Code, declares its intention to purchase all of the shares for which the above-mentioned rights have been exercised.

The Demerger will be effective from a civil law perspective, pursuant to art. 2504-*bis* of the Italian Civil Code, starting from the date of the last registration of the deed of Demerger in the Companies' Register of Rome, or from such other later date that may be indicated in the deed of Demerger. To such end, the Shareholders' Meetings of the Participating Companies to the Demerger will grant a specific mandate to their boards of directors in order to set the Date of Effect of the Demerger, if later than the last of the registrations in the Companies Register.

On the date of effect of the Demerger, Enel will increase its share capital by issuing a maximum of no. 1,769,040,000 shares – with regular entitlement and nominal value of Euro 1.00 each – in favor of the shareholders of EGP on the basis to the exchange ratio settled for the Transaction (the "**Exchange Ratio**"). The amount of the capital increase of Enel to service the Exchange Ratio shall not be exceed the value attributed to the Set of Assets Demerged by the appraisal/estimate report of the expert drafted in compliance with Article 2506-*ter*, paragraph 2, of the Italian Civil Code. In particular: (i) 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 (ii) 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 –, in exchange for the cancellation, at the time of exchange, of 2,054,426, EGP shares held by it.

The number of newly assigned Enel shares may change depending upon the number of EGP shares acquired by Enel in the execution of the aforementioned procedure for the liquidation of the shares subject to the Right of Sale and the Right of Withdrawal.

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 EGP's share capital will be reduced from its current total amount of Euro 1,000,000,000.00 to a total of Euro 272,000,000.

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 EGP, that will be delisted from both the Italian and Spanish markets.

## **2. Summary of the activities performed by the Committee**

The Committee, which have been promptly informed on the Transaction during the meeting of the Board on October 5<sup>th</sup>, 2015, has immediately started on the same date the preparatory activities for the examination of the Transaction and has been involved in the negotiations and investigation phase, through a flow of information, in a timely, full and adequate manner, which has allowed the Committee to be constantly updated in relation to the development of the activities carried out. The information flows concerned, among others, the main terms and conditions of the Transaction, the expected timing of its implementation, the evaluation procedure proposed, the reasons underlying the Transaction, as well as the potential risks for EGP and its subsidiaries. In this context, the Committee exercised its right to ask questions and make comments, receiving prompt response to their requests and comments by the management involved in the Transaction. Indeed, starting from the beginning of the Transaction, the Committee benefited from a continuous receipt of the relevant documentation provided by the Company and the advisors appointed by the Committee itself, that has been, among others, examined during the meetings held by the Committee. In particular, the Committee met:

- on October 5<sup>th</sup>, 2015, with respect to a preliminary illustration of the Transaction by the competent corporate structures of EGP and to the selection of i) two independent financial advisors of the Committee, Lazard and Prof. Enrico Laghi (also referred to hereinafter “financial advisors”), for the examination of the financial, economic and industrial aspects of the Transaction and for the issuance of a fairness opinion on the Exchange Ratio; and ii) one independent legal advisor, Prof. Agostino Gambino, for the examination of the Transaction from a legal standpoint. The verification of the independence of the aforementioned advisors have been made, by the Chairman of the Committee, through specific declaration of independence issued by the same advisors.
- on October 14<sup>th</sup>, 2015 and October 20<sup>th</sup>, 2015, with respect to the examination of the in-depth analysis performed by the legal advisor concerning the legal structure of the Transaction and the rights arising therefrom to the shareholders that would not concur to the approval of such Demerger, as well as of the analysis performed by the financial advisor concerning the financial, economic and industrial aspects of the Transaction and the potential valuation methodologies to be adopted in order to determine the Exchange Ratio;
- on November 2<sup>nd</sup>, 2015, with respect to the examination of the in-depth analysis performed by the financial advisors on the comparison between the Industrial Plans of EGP and the one of Enel, as well as with respect to the preliminary analyses regarding the valuation of the two companies in order to determine the Exchange Ratio;
- on November 9<sup>th</sup>, 2015, with respect to the in-depth analysis of the Transaction's structure and of the strategic-industrial rationale of such Transaction, as well as with respect to the in-depth analysis regarding the valuations of the participating companies to the Transaction provided by the financial advisors;

- on November 11<sup>th</sup>, 2015, with respect to the performance of the valuations concerning the presentation prepared by the financial advisors on an Exchange Ratio's range. Then, the Committee expressed, during the meeting of the Board of Directors on November 12<sup>th</sup>, 2015, its comments to the CEO of EGP inviting him to consider, in the phase of the negotiations within the Transaction, the Exchange Ratio's range established by the Committee;
- on November 16<sup>th</sup>, 2015, for the issuance - taking into account the fairness opinions issued by the advisors appointed by the Committee, *i.e.*, Lazard and Prof. Enrico Laghi, and the entire documentation examined, specified at point 4 below – of this reasoned favorable opinion on the interest of Enel Green Power in the completion of the Transaction, as well as the convenience and the substantial fairness of the relative conditions.

At the Committee's meetings, also the independent directors of EGP (Giovanni Battista Lombardo, Paola Muratorio e Luciana Tarozzi) have been invited to attend and, usually, were in attendance, in order to ensure a wide sharing of the evaluations and analysis of the Committee; also the members of the Board of Statutory Auditors attended the Committee's meetings.

### **3. Estimate on the interest of the Company in the Transaction and on the fairness of the financial terms of such Transaction**

The Committee, in particular during the meeting of November 9<sup>th</sup>, 2015, estimated the items regarding the strategic-industrial rationale of the Transaction, with the support of the documentation provided by the Company's management and by the financial advisors. This opinion was drafted by the Committee, taking into account, *inter alia*, the information contained in the aforementioned documentation.

#### **3.1 Industrial Reasons**

The renewable energy's sector has assumed a more significant role in the energy scenario, both in light of the growing competitiveness of less mature technologies, such as wind and solar, triggered by rapid technological progress, and of the contribution offered by same to the energy pattern in terms of environmental sustainability.

Big utilities in order to pursue the opportunities offered by the renewable business, incorporated companies completely dedicated to the development and the management of renewable energy plants. In this framework, in 2008 Enel established Enel Green Power, gathering therein the activities for the production of renewable energy, and listing such company on the Stock Exchange in 2010.

Such energy model, during the last few years, has experienced deep changes, initially triggered by the rapid large-scale development of renewable energy sources, with the consequent issues related to the necessity to adapt the networks. Also other circumstances have occurred, such as, among others, distributed production, energy efficiency, electric cars and the energy storage, which are more and more leading to a radical transformation of consumers' behaviors, that are progressively more active both as energy "producers" and as "managers" of their electric request. In addition to the above, there is a need to develop new technologies that allow the electrical system to evolve towards a pattern which better integrates the conventional production's sources and therefore programmable, and the renewable ones, sector that continues to be characterized by a globally high rate growth.

This growth becomes evident mainly in two manners. On the one hand, in the context of the emerging markets (characterized by economic growth and a broad process of urbanization) renewables represent the fastest answer to the increase of electric request. On the other hand, also in the context of the mature markets there are opportunities for the development of renewables, in light of the process of gradual dismantling of conventional production capacity (for example the coal plants) and the replacement with new renewable capacity, mainly from wind and solar, characterized by a rapid activation, contained risks of execution and competitive costs.

The increasing need to integrate the renewables and the traditional sources, the distribution systems and the market ("single integrated system"), is leading to a rapid modernization of the electricity network, through the digitalization and "smart meters", transforming the energy utilities from mere producers and

distributors of energy to suppliers of services and system optimizers. This circumstance is leading to new business opportunities that the utilities will be ready to pursue only if they become global and integrated operators in the electrical system.

In this context, Enel Group is well positioned along the guidelines of the new model. Being one of the few global operators in the relevant sector, one of the most diversified in terms of technology and having more than 60 million customers, the Group is able to pursue the many opportunities of global growth, leveraging, *inter alia*, its high geographical diversification (the Group is present in all the geographic areas with significant growth prospects, including the Asian continent, where the Group recently established a base with entrance in the Indian renewables market).

In the Enel Group, Enel Green Power achieved in the last years important operational and financial results, reaching its growth and internationalization targets. In fact, from the listing date up to now, there has been a growth of 72,5% of installed renewable capacity, from 5,8 GW to the current 10GW, and of 38% of EBITDA, from Euro 1,3 billion in 2010 (8% of Group's EBITDA) to Euro 1,8 billion expected in 2015 (12% of Group's EBITDA), followed by an international presence (expressed in percentage compared to the installed capacity) which increased from 54% in 2010 to the current 69%. However, as specified below, the current investment capacity does not suffice to sustain the existing potential development capacities.

In light of the aforementioned evolution in the energy market and of the important results achieved by Enel Green Power, jointly with the integration plan, it is expected an increase of the investments in development of renewable energies for the next five years; such investments should be around at the 50% of growth investments of the entire Enel Group, in order to allow the pursuance of the substantial market opportunities, in line with the increasing focus on the renewable energies.

The process of full integration of the renewable business is, therefore, consistent with the development strategy of the Enel Group and presents significant reasons, not only strategic, but also industrial and financial, offering substantial opportunities in order to create value.

The industrial reasons of the prospected Demerger – on which the interest of Enel Green Power to complete the Transaction is based – follow, therefore, two main guidelines: the growth and the integration strictly speaking, as also confirmed by similar foreign integration transactions.

As to growth, the Transaction would permit a greater creation of value for the Group through the possible further investment acceleration and the implementation of the strategy of the Active Portfolio Management. In fact, in a context in which the capabilities demonstrated by Enel Green Power, both in the field of the development of plans, and in terms of their realization, exceed its investment capacity in a "stand-alone" view (to preserve the financial strength of the company) and in light of the financial capacity of the Enel Group, the full integration between Enel and Enel Green Power would allow the latter to accomplish additional growth plans in the business of renewables.

As to the integration strictly speaking, that constitutes the second guide line of creation of value, the same is realized through the creation of operational and management synergies, achievable through: i) the ability to pool together the business skills of both companies; such circumstance will allow to benefit from a decrease of the operational costs through the efficiencies deriving from the integration between the human resources of Enel and Enel Green Power; ii) the joint management of the renewable energy plants and the conventional energy plants, with consequent reduction of the risks connected with climate changes to which Enel Green Power would be exposed running its business on a stand-alone view; iii) the opportunity to take advantage of the Group's financial strength.

Another area of possible efficiency / optimization deriving from the Transaction would be the reduction of the "merchant" risk in the Countries / markets in which both Enel and Enel Green Power are present, essentially linked to a vertical integration and consequent centralized management of the coverage of the volume production and of the related risk, and the optimization of the integrated maintenance plan of the renewable and conventional plants and a greater commercial competitiveness guaranteed by the synergic management of renewable assets with the conventional ones.

Finally, the Demerger will allow Enel Green Power to benefit of a reduction of costs and expenses (both in terms of management and in operational terms), as well as greater organizational and managerial

flexibility. In particular, as a result of the Transaction, Enel Green Power can start a process of simplification of the governance – also in line with the objective of major focus on domestic business of renewable energies and subsequent minor complexity - which will allow a more expeditious and dynamic decision-making process, as well as exercise of the strategic, managerial and technical-operational control. Similarly, the rationalization of the functions and of the processes will allow, in any case, the structures and the functions of Enel Green Power the maintenance of its own high level of specialization (in the production and market), in an harmonic manner and without operational discontinuity. On the other hand, the separation of the international business will allow Enel Green Power to concentrate the economic and financial resources of its core business in Italy, taking advantage of the market opportunities.

In a nutshell, the proposed Transaction would enable the Enel Group to realize additional growth plans in the renewables' business, since Enel Green Power would be in a position to take advantage, *inter alia*, of the financial strength of the Enel Group. The Transaction would also allow a rationalization and simplification of the structure of the group, with the achievement of operational and managerial synergies of which it will benefit, with a consequent cost optimization through the combination of different business skills and the reduction of risk.

### **3.2 Valuations regarding the Exchange Ratio**

The Committee, on the basis of the information flow provided by the Company's management and of the valuations issued by the financial advisors, considers that, for the purpose of the valuation of the Exchange Ratio of the Transaction, the analyses and the financial valuations should be based on the methodologies used in the professional practice. It is specified that each considered methodology has specific limits and it is based on hypotheses and specific assumptions; the Committee, therefore, considers appropriate to determine the Exchange Ratio on the basis of a valuation process that, on the basis of a reasoned synthesis, take into account the results of the analysis methodologies and the valuations adopted.

In particular, for the purpose of the aforementioned determination, the reference is made to the following methodologies and valuation analyses: (i) discounted cash flow methodology, (ii) the market prices methodology, (iii) target prices methodology. The aforementioned methodologies were substantially shared by the two financial advisors. Given the above, the Committee notes that the Exchange Ratio which was determined as a result of the negotiations, whose results have been made available to the Committee on the date hereof – equal to 0.486 Enel shares for each share of Enel Green Power in exchange – ranks within the ranges identified by the financial advisors on the basis of valuation methodologies correctly used in the professional practice, which results were positively estimated by the Committee.

### **4. Conclusions**

The Committee, composed by Prof. Carlo Angelici (Chairman), Prof. Luca Anderlini and Mr. Giovanni Pietro Malagnino, as outcome of the above mentioned meetings and after considering:

(i) company's documentation provided by law in respect of the Demerger Transaction (*i.e.*, draft Demerger Plan, and the valuation and the reasons pointed out in the draft Report of the Board of Directors to the extraordinary Shareholders' Meeting of EGP called to approve the Demerger);

(ii) draft information document set out under Article 5 of the Consob Regulation no. 17221/2010 concerning the related parties transactions;

(iii) the valuation results determined by the financial advisors appointed by the Committee, *i.e.*, Lazard and Prof. Enrico Laghi, on the basis of the valuation methodologies analytically described in the documentation made available and duly illustrated to the Committee;

(iv) the proposed Exchange Ratio to be applied in the context of the Demerger, defined by the negotiations between the parties, in relation to which also the observations raised by the Committee to the Board of Directors on the basis of the valuations of the financial advisors Lazard and Prof. Laghi that have used the documentary support, as specified in the documents issued respectively by them, provided by

the EGP and Enel management have been taken into account;

(v) illustrative document of the industrial-strategic rationale of the Transaction and of the elements for its valuation, submitted by the Company's management to the Committee and to its financial advisors on November 9<sup>th</sup>, 2015;

(vi) the fairness opinion issued by Lazard and Prof. Laghi on the fairness of the Exchange Ratio determined in 0.486 Enel shares for each EGP shares in exchange from the financial point of view;

(vii) the additional documentation made available by the Board of Directors of EGP for the purpose of valuations necessary to take the decisions concerning the Demerger.

#### **ACKNOWLEDGED**

- with reference to the provision of Article 14, paragraph 1, Consob Regulation n. 17221/2010, that everything duly indicated in paragraph 4 below highlights the reasons of the Transaction – from a strategic, industrial and economic/financial point of view– and the convenience of the Transaction, also from the the point of view of the Group and therefore in the light of the overall result of the direction and coordination activity of Enel – that on the basis of the above mentioned documentation made available to the Committee and in the light of the aims pursued by the Company through the Transaction, such Transaction is in the effective and current interest of the Company and of the shareholders of EGP other than Enel;
- the process carried out so far, also with reference to substantial terms and conditions of the Transaction, including the valuations of the participating companies to the Demerger and the determination of the Exchanger Ratio, results correct and in compliance with the applicable laws;
- the Transaction, as far as the Committee is involved in the same, results convenient for EGP and its shareholders other than Enel, also in light of the established Exchange Ratio;

#### **CONSIDERED**

- that the Demerger transaction, with the full integration between Enel and EGP, will allow to accomplish additional growth plans in the business of renewables, in light of the financial capacity of the Enel Group and taking into account the capabilities demonstrated by EGP, both in the field of the development of plans, and in terms of their realization;
- that the Transaction allows the creation of operational and management synergies, achievable through the ability to pool together the business skills of both companies (with consequent cost efficiency), the possibility to jointly manage different production chains (with consequent risk reduction) and the opportunity to take advantage of the Group's financial strength;
- that the Transaction would allow an efficient/optimization also through the reduction of the "merchant" risk in the Countries / markets in which both Enel and Enel Green Power are present, essentially as a consequence of a vertical integration and consequent centralized management of the coverage of the volume production and of the related risk, as well as the optimization of the integrated maintenance plan of the renewable and conventional plants and a greater commercial competitiveness guaranteed by the synergic management of renewable assets with the conventional ones;
- that the Demerger will allow Enel Green Power to benefit from a reduction of costs and expenses (both in terms of management and in operational terms), as well as from a greater organizational and managerial flexibility;
- that, as the conditions for the exercise of the Right of Withdrawal and the Right of Sale are met, it will be guaranteed to the shareholders of EGP the so called cash way out, at market prices;

#### **THE COMMITTEE UNANIMOUSLY EXPRESSED ITS REASONED FAVORABLE OPINION**

on the subsistence of an interest of EGP in the completion of the Transaction, as well as on the convenience and the substantial fairness of the relevant terms and conditions.

Rome, 16<sup>th</sup> November, 2015

Carlo Angelici – Chairman

Luca Anderlini

Giovanni Pietro Malagnino





**MEDIOBANCA**  
*Banca di Credito Finanziario S.p.A.*

This is an unofficial courtesy translation only and is in no way legally binding. The original text in Italian remains the only authoritative version of this document

Milan, 17 November 2015

To:  
Enel Green Power S.p.A.  
Viale Regina Margherita 125  
00198 Rome  
Italy

For the attention of: the Board of Directors

At a Board meeting held today on 17 November 2015, the Directors of Enel Green Power S.p.A. (“**EGP**”, or the “**Company**”) adopted a resolution approving the partial non-pro rata demerger of EGP in favour of Enel S.p.A. (“**Enel**”), pursuant to Article 2506-*bis*, para. 4, of the Italian Civil Code (the “**Demerger**” and/or the “**Transaction**”). Enel is the parent company of EGP with a stake of 68.29%.

According to the demerger plan drawn up in accordance with Article 2506ff of the Italian Civil Code (the “**Demerger Plan**”), the Demerger involves the beneficiary company Enel being assigned virtually all the non-Italian subsidiaries and financial assets of EGP (the “**Combined Demerged Assets**”), while EGP will retain the Italian assets and the remaining non-Italian investments.

The Demerger entails newly-issued shares in the beneficiary company Enel being allocated on a non-pro rata basis to EGP shareholders on the basis of an exchange ratio established as of today, 17 November 2015, at 0.486 Enel shares for every ordinary EGP share (the “**Exchange Ratio**”). Accordingly, as at the date on which the Demerger becomes effective, the share of the EGP share capital corresponding to the Combined Demerged Assets will be exchanged as follows: the shareholders of EGP other than Enel will exchange all shares held by them in EGP; (ii) Enel will exchange only part of the shares it holds in EGP corresponding to the total number of EGP shares tendered in exchange minus the EGP tendered in exchange by EGP shareholders other than Enel.

In particular: i) the EGP shareholders other than Enel will be allocated newly-issued Enel shares - ranking for dividends *pari passu* - based on application of the Exchange Ratio, with the EGP shares held by them being cancelled simultaneously; ii) a number of shares deriving from application of the Exchange Ratio will be issued to Enel - and simultaneously cancelled pursuant to Article 2504-*ter*, para. 2, of the Italian Civil Code, without ever actually being allocated - in return for the EGP shares held by Enel, corresponding to the number of EGP shares forming part of the Combined Demerged Assets net of those attributable to EGP shareholders other than Enel.

In order to calculate the number of EGP shares forming part of the Combined Demerged Assets attributable to Enel and the EGP shareholders other than Enel respectively, the Board of Directors of EGP has adopted a non-pro rata allocation criterion for the newly-issued Enel shares to be allocated to EGP shareholders, deriving from a ratio based on the Combined Demerged Assets as a percentage of the total value of the entire EGP shareholding prior to the Demerger.

As a result of the Transaction, Enel will be the sole shareholder of the demerged EGP, and EGP will be delisted from the markets on which it is listed.

The Demerger is being approved on the basis of the financial situations of EGP and Enel as at 30 September 2015, approved by the Boards of Directors of EGP and Enel on 12 November 2015.

By virtue of the *de jure* control exercised over EGP by Enel, for EGP the Transaction constitutes a “transaction of major importance” between related parties as defined in Consob regulation no. 17221/10 and in the EGP procedure in respect of transactions with related parties (the “**EGP Procedure**”). The Transaction is therefore subject to the authorization process set forth in the EGP Procedure for transactions of this type.

In connection with the Transaction, EGP has granted Mediobanca - Banca di Credito Finanziario S.p.A. (“**Mediobanca**”) a mandate (the “**Mandate**”) which provides, among other things, for the issue of a fairness opinion (the “**Opinion**”) to the Board of Directors of EGP on the fairness from a financial standpoint of the Exchange Ratio.

The Opinion is addressed exclusively to the Company’s Board of Directors within the scope of its decisional process regarding the Transaction as represented in the Demerger Plan and is based on the assumption that the Transaction is implemented on terms and conditions which do not differ significantly from those represented therein. In particular, the Opinion is based on the assumptions set forth in Section 2.2.

The Opinion has been drawn up by Mediobanca for internal and exclusive use by the Company’s Board of Directors who may use it in connection with its own decisions within the limits and terms contained in the Opinion. Accordingly, the Opinion: (i) should not be published or disclosed, in whole or in part, to third parties or used for purposes other than those set forth in the Opinion itself, without the prior written authorization of Mediobanca or unless requested by law or regulations or requests made specifically by the relevant authorities, without prejudice to the authorization to publish a full copy (not an excerpt) of the Opinion as an attachment to the information document which the Company will publish under the terms of the Consob regulations applicable to the Transaction; (ii) is addressed exclusively to the Company’s Board of Directors, hence no-one, with the exception of the recipients of the Opinion, is authorized to rely on the contents of the Opinion, and accordingly every judgement by third parties, including the EGP shareholders, regarding the quality and appropriateness of the Transaction shall be exclusively their own responsibility. In particular, the Opinion expresses the judgement and valuation of Mediobanca exclusively in relation to the fairness of the Exchange Ratio from a financial standpoint; it does not express any and should not be interpreted as judgement or opinion regarding the interest for the Company to the Transaction and the convenience and substantial fairness of the conditions thereof.

It should be noted that Mediobanca is acting as financial advisor and that for this reason it has not provided and is not providing any advice of a legal, accounting, tax, industrial environmental, actuarial and/or technical nature (such instances not to be construed restrictively). Any power on the part of the financial advisor to restrict or otherwise condition in any way the Company’s Board of Directors in its own decisions regarding the Transaction is hereby expressly excluded, and the Opinion is based on the assumption that the Demerger and the terms and conditions thereof shall be assessed by the members of the Company’s Board of Directors in independence of judgement.

Mediobanca shall receive remuneration in accordance with the Mandate which is not conditional upon the Transaction being consummated. It should also be noted that:

- having carried out the necessary enquiries, Mediobanca believes it has no earnings, capital and/or financial relations with: (i) EGP, (ii) the parties controlling it, the companies controlled by EGP or subject to joint control, or the directors of the companies listed under points (i) and (ii) above, which could compromise the independence and autonomy of judgement of Mediobanca;

- Mediobanca is part of a leading banking group, the companies of which are involved in a wide range of financial transactions, on a proprietary basis and on behalf of their clients. Accordingly, it is possible that other Group companies or certain Group clients may enter into agreements or hold equity investments or other securities issued by Enel or Enel Green Power. Nonetheless, appropriate internal procedures have been put in place to monitor and manage potential conflicts of interest, to ensure that the financial advisory activities are provided independently of, and managed separately from, the activities mentioned above;
- in the normal course of its activities and services, Mediobanca currently provides Enel, the parent company of EGP, with advisory services in connection with acquisitions, ownership structure reorganizations and participates in lending transactions, and in the past two years Mediobanca has provided advisory and debt capital market services in particular to Enel;
- it is felt than none of the circumstances mentioned above, in accordance with the Mediobanca “Policy in respect of managing conflicts of interest”, compromises Mediobanca’s independence vis-à-vis the Transaction.

The valuations made refer to the economic and financial situations of EGP and Enel as identified in the information made available to Mediobanca, of which Mediobanca has not carried out any independent review. The Opinion necessarily refers, given the valuation criteria used, to the economic and market conditions prevailing as at 13 November 2015. Mediobanca has based its analysis on the fact that in the period between the most recent economic and financial situations available and the date of the Opinion, no material change has taken place in the economic and and financial situations of Enel and EGP. Without prejudice to the foregoing, and in general, it is hereby understood that subsequent developments in market conditions, as is the case with all the Information referred to in the terms and conditions of the Transaction, could impact even significantly on the Opinion’s conclusions. Accordingly, Mediobanca does not accept and shall not be under any duty or responsibility to update or revise the Opinion or reconfirm its conclusions as stated herein, including in the event of one or more of the changes referred to above occurring.

The conclusions stated in the Opinion are based on the set of considerations contained herein, and for this reason no part of the Opinion may be used separately from the Opinion as a whole. Partial use of the contents of the Opinion and/or use of the same for purposes other than those for which the Opinion was prepared may lead to wrong interpretation, even to a significant degree, of all the considerations contained in the Opinion and/or its conclusion. Under no circumstances may the valuations contained in the Opinion be considered in a scenario other than the one referred to herein. In particular, the Opinion and the conclusions contained therein do not constitute the provision of investment services and activities pursuant to Italian legislative decree 58/98, as amended. The Opinion does not constitute an offering to the public or advice or a recommendation to buy or sell any financial product.

The valuations stated in the Opinion have been carried out on a stand-alone and going concern basis, hence the results of the analysis take no account whatsoever of possible operating synergies and/or the tax and/or accounting and/or financial and/or operational effects of the Transaction. The Opinion also contains assumptions and estimates considered appropriate by Mediobanca, *inter alia* with reference to Italian and international practice, and determined on the basis of the Information.

Furthermore, it should also be noted that the valuation analysis has been carried out solely for the purpose of valuating the fairness, forma a financial stand point of the Exchange Ratio. Accordingly, in the Opinion Mediobanca does not express any judgement regarding: (i) the economic value and/or market price, pre- or post-Transaction, which EGP post Demerger, the Combined Demerged Assets and/or Enel could have in the future or in a different scenario from the one under review herein, including in the assumption of the Transaction being executed on different terms and conditions from those proposed in the Demerger Plan, nor may anything contained in the Opinion be considered now or in the future as a guarantee

or indication of the future earnings, capital and financial prospects of EGP post Demerger, the Combined Demerged Assets and/or Enel; or (ii) the financial situation and/or solvency of EGP post-Demerger, the Combined Demerged Assets and/or Enel. Mediobanca therefore disclaims all liability, direct and/or indirect, for damages which could be caused by improper and/or partial use of the information contained in the Opinion.

## 1. Documentation used

In performing the Mandate and compiling the Opinion, Mediobanca has referred to the information available in the public domain considered relevant for the purposes of applying the various valuation methodologies selected, to the documents, data and information provided by EGP and Enel (via EGP), including in the course of meetings with the management, and/or by third parties on their behalf (jointly, the “**Information**”), including the following documents (the “**Relevant Documentation**”):

- a) the Demerger Plan and the draft Directors’ reports submitted to the Board’s approval today;
- b) Enel and EGP statutory and consolidated financial statements for FY 2014;
- c) Enel and EGP consolidated interim and quarterly financial statements as at 30 June 2015 and 30 September 2015 respectively;
- d) EGP 2016-20 business plan approved by the Board of Directors of EGP on 12 November 2015 (the “**EGP Business Plan**”);
- e) Enel 2016-20 business plan approved by the Board of Directors of Enel on 12 November 2015 (the “**Enel Business Plan**”, and, jointly with the EGP Business Plan, the “**Business Plans**”);
- f) detailed information prepared by the Enel and EGP management for FY 2016-20 regarding the key capital, earnings/financial and operating indicators of the respective groups (including splits for the main divisions/geographies), along with an indication of the main hypotheses and assumptions used;
- g) detailed information prepared by the Enel and EGP management on the key capital, earnings/financial and operating indicators of the respective groups (including splits for the main divisions/geographies) for FY 2015 (“**pre-closing**”);
- h) long-term earnings/financial and operating projections prepared by the management of Enel and EGP for the years 2021-25 subsequent to the period covered by the respective Business Plans;
- i) data on net debt and other equity items as at 30 September 2015 used to estimate the value of the economic capital, starting from the Enterprise Value (“**bridge-to-equity**”), including the allocation among the various countries and business units;
- j) Information regarding the number of Enel and EGP shares as at the date of the Opinion;
- k) Enel and EGP shares’ stock market performance over varying time horizons;
- l) equity research and financial analysis on Enel and EGP published by brokers and investment banks;
- m) the terms and stock market performances of the companies involved in select previous deals deemed to be comparable to the Transaction.

Further enquiries have been carried out with the EGP management and also, with the EGP management in attendance, the Enel management with a view to obtaining clarifications regarding the principal assumptions underlying the earnings/financial projections contained in the Business Plans, on the accounting and financial reporting methodologies, and on the expected performances of Enel and EGP and the reference sector.

In performing the Mandate, preparing the Opinion and all the analysis carried out, Mediobanca has:

- (i) relied on (a) the truthfulness, completeness and accuracy of the Information used, including the Relevant Documentation, without carrying directly or indirectly any independent review, enquiry and/or analysis thereof, and (b) the fact that no undisclosed data, Information or facts exist, the omission of which would make the Information misleading;
- (ii) relied on (a) the legal, accounting, tax and technical aspects of the Transaction as stated in the Information and the Relevant Documentation, and (b) the fact that the Business Plans and any other detailed earnings/capital projections regarding Enel and/or EGP received by Mediobanca have been prepared on the basis of assumption which are reasonable and which reflect the most accurate estimates possible made by the management in relation to the future development of the business and the economic and financial results of the companies involved in the Transaction.

Accordingly, Mediobanca disclaims all liability regarding the truthfulness, completeness and accuracy of the Information used in its analysis and in order to draft and prepare the Opinion.

## **2. Principal difficulties and limitations of the valuation and the assumptions underlying the Opinion**

### **2.1 Principal difficulties and limitations of the valuation**

The limits and principal difficulties involved in the valuation include the following aspects:

- 1) the pre-closing data and estimates and earnings/financial projections used for the purpose of making the valuations reflect, by their very nature, a degree of uncertainty, the change in which could thus impact, even significantly, on the results of the valuations. The companies being valued also operate in a sector influenced by the trend in the reference energy scenario and by the legislative and regulatory framework: the principal assumptions underlying the Business Plans could therefore, *inter alia* in relation to variable nature of the current macroeconomic scenario and to possible changes in the legislative and regulatory framework, not materialize, which could therefore impact, even significantly, on the results of the valuations;
- 2) the “sum of the parts” approach used in the Discounted Cash Flow method has required a complicated allocation of certain earnings, financial and capital ratios to the individual assets being valued;
- 3) in applying the methodology of the target prices indicated in the research produced by financial analysts, account was taken of the reports published prior to the approval of the new Business Plans, the estimates and expectations of which could differ, even significantly, from those contained in the Business Plans approved by the respective Boards of Directors on 12 November 2015.

### **2.2 Principal assumptions underlying the Opinion**

In relation to the foregoing, it is hereby represented that for the purpose of preparing the Opinion, specific assumptions have been made regarding:

- a) the earnings/capital projections for the 2021-25 period issued and led by the management and reflected in the calculation of the Terminal Value in accordance with the guidance made available by the companies;
- b) the capability of the companies being valued to deliver on the earnings/financial projections contained in the Business Plans and the assumptions referred to above.

It should therefore be noted that if subsequent to the date on which the Opinion is issued, changes were to emerge compared to the assumptions set forth above, the conclusions of the Opinion itself may also change significantly. Mediobanca, as stated in the introduction, does not accept and shall not be under any duty or responsibility to update or revise the Opinion or reconfirm its conclusions as stated herein, including in the event of one or more of the changes referred to above occurring.

### **3. Valuation process carried out**

#### **3.1 Purpose of the Opinion: distinctive features of valuation**

The conclusions set out in this Opinion must be considered as a whole. Such assessments should not be considered individually, but construed as an inseparable part of a single valuation process. Analysis of the results obtained from each methodology independently and not in the light of the complementary nature of the relationship created with the other criteria necessarily entails a loss of significance for the valuation process as a whole. Accordingly, under no circumstances may individual parts of the Opinion be used separately from the Opinion itself in its entirety.

#### **3.2 Valuation process**

##### **3.2.1 Valuation methodologies**

Taking into account, in addition to the Information available, the type of transaction, the reference sector in which the companies involved in the Transaction operate, the companies' individual characteristics and type of operations, and valuation practice in line with the national and international standards, the following methods have been identified.

Principal valuation methods used:

- a) discounted cash flow method, applying the "sum of the parts" criterion, and;
- b) the stock market performance method;

Control valuation methods used:

- c) target price method for the Enel and EGP stocks published by financial analysts.

Methodologies based on stock market multiples or deriving from comparable transactions have been deemed to be not relevant, as the comparability of the companies involved in the transaction is marred by differences in the areas chiefly of regulatory scenario, duration and the nature of the incentives, the different mix of geographies and technologies, and development projects vs installed capacity.

##### **3.2.2 Discounted cash flow**

DCF is acknowledged in valuation theory and international practice as the most analytical valuation method and the only methodology out of those selected which is able to fully reflect the earnings/financial projections made available to Mediobanca.

The Discounted Cash Flow method, or DCF, expresses the “value of the company” (MV) as the difference between the net actualized value of its operating activities (EV), the market value of its net financial position (NFP), any minority interests (MINT), the staff severance indemnity provision (SSP), other significant provisions and deferred tax assets/liabilities.

The DCF methodology has been applied based on the sum-of-the-parts criterion, i.e. the value of the economic capital of each of the two companies has been calculated as the sum of the values of each of their individual assets, defined as economic entities able to be valued on a stand-alone basis.

The EV is equal to the sum of:

- the value of the “unlevered free cash flow” (“FCFun”) for the explicit forecast period (“n”) discounted at the “weighted average cost of capital” (“WACC”) and
- the terminal value (or “TV”), representing the value of the company or economic activity being valued at the end of the projection period.

For the purpose of the Opinion, the 2015-20 time horizon has been used as the explicit period (with, for 2015 only the period subsequent to 30 September, the valuation date, being considered) (the “Explicit Period”) based on the earnings/capital projections explicitly provided by the management of EGP and Enel, also projected over the 2021-25 based on specific guidance issued by the respective companies’ management.

The foregoing may be summarized in notation form by the following formula:

$$EV = \left[ \sum_{t=1}^n \frac{FCF_{un_t}}{(1+WACC)^t} + \frac{TV}{(1+WACC)^n} \right]$$

The WACC, or the “weighted average cost of capital”, has been calculated based on a financial formula which takes into account the cost of debt, cost of equity and financial structure of the company, where the cost of equity is calculated based on the customary Capital Asset Pricing Model formula.

For the purposes of calculating the TV, with the objective of reflecting the peculiar features of the assets being valued (e.g. their geographical, technological and regulatory characteristics, various methodologies have been used, such as perpetual growth, the “annuity” method (i.e. growth over a given time range), and reference has been made to the Regulated Asset Base (for the regulated activities).

The terminal value thus obtained was then treated as though it were additional cash flow and discounted along with the other cash flows, at the average weighted cost of capital. A sensitivity analysis of the average weighted cost of capital was performed, in order to establish the valuation range.

To determine the equity value of EGP and Enel, the EV has been adjusted for the following items as at 30 September 2015: (i) net financial debt, (ii) minority interests, (iii) staff severance indemnity position, (iv) provisions for risks and charges (chiefly environmental and redundancy incentives) and (v) deferred tax assets/liabilities.

Based on the results obtained from applying the DCF method, the Exchange Ratio is defined as being in range of between 0.38 and 0.53 ordinary Enel Shares for each EGP share.

### 3.2.3 Stock market performance method

For companies listed on the stock market, best practice recommends considering stock market prices as relevant information for the purpose of estimating the economic value of

such companies, utilizing their market capitalization as calculated on the basis of prices recorded during periods of time considered to be significant.

In this particular case, it was deemed appropriate to apply this methodology by adopting the following criteria: (i) use of the arithmetical averages of official stock market prices weighted by volumes; (ii) use of reference period of 1 month, 3 month, 6 months and 1 year prior to 27 October 2015, the day on which the first press release on the Transaction was issued. In this way the time range chosen should only include prices not influenced by rumours regarding the Transaction.

For EGP alone, with reference to analysis of market prices, account was also taken of the premiums paid relative to market prices in select deals considered to be comparable to the Transaction under review, in the sense that they derive from combinations between companies operating in the renewable energies sector and their respective parent companies with diversified activities in the energy sector.

It should be noted that the premiums recorded in these deals were applied to “undisturbed” (unaffected) market prices measured over given time horizons, delivering a price range for the EGP share which was then related to the closing price for Enel shares recorded on 26 October 2015, in order to obtain a range of Exchange Ratio values.

Based on application of the stock market performance method, the following results were obtained:

- (i) an Exchange Ratio of between 0.38 and 0.51 ordinary Enel Shares for each EGP share (without taking account of the premiums paid relative to market prices in select deals considered to be comparable to the Transaction) and
- (ii) a range of between 0.47 and 0.51 ordinary Enel Shares for each EGP share (taking account of the premiums paid relative to market prices in select deals considered to be comparable to the Transaction).

#### **3.2.4 Target price method**

This methodology consist of analysing the target prices set by financial analysts in their research coverage of the EGP and Enel stocks. As is the case with analysis of stock market prices, target prices constitute useful guidance for the purpose of calculating the value of companies whose shares are listed on the stock market, completing the set of benchmark values. Observation of the target prices published by financial analysts covering the Enel and EGP stocks enables an implicit Exchange Ratio to be derived for each of the brokers considered.

Based on the results obtained from applying the target price method, an Exchange Ratio of between 0.34 and 0.53 ordinary Enel Shares for each EGP share is obtained.

## **4. Conclusions**

In view of the foregoing, it is considered that in connection with the Transaction, the Exchange Ratio is fair from a financial standpoint.

The Mediobanca Fairness Opinion Committee has approved the issue of the Opinion.





Board of Directors  
Enel Green Power S.p.A.  
Viale Regina Margherita 125  
00198 Rome, Italy

November 17, 2015

Dear Members of the Board,

We understand that the Board of Directors of Enel Green Power S.p.A. ("EGP") has met to approve the terms and conditions of a transaction entailing the non-proportional demerger of EGP in favour of Enel S.p.A. ("Enel") (the "Demerger"). Enel holds a 68% stake in the economic and voting capital of EGP.

Pursuant to the terms of the Demerger, the holders of EGP shares (other than Enel) (such holders the "EGP Shareholders") will receive 0.486 newly issued Enel ordinary shares ("Enel Shares") for every 1 EGP ordinary share they hold (the "Share Exchange Ratio").

Pursuant to the terms of an engagement letter dated 13 November 2015 (the "Engagement Letter"), EGP has engaged Barclays Bank PLC, acting through its investment bank ("Barclays") to provide financial advisory services to EGP in connection with the Demerger and the Board of Directors of EGP has requested Barclays to provide an opinion as to the fairness, from a financial point of view, of the Share Exchange Ratio to the EGP Shareholders.

For the purposes of this letter, we have:

- i) reviewed the published yearly and interim, statutory and consolidated financial statements of Enel and EGP (each a "Company" and together the "Companies") for the year 2014 and as of 30<sup>th</sup> June 2015;
- ii) reviewed draft interim financial statements of the Companies as of 30<sup>th</sup> September 2015;
- iii) reviewed the 2016 – 2020 EGP business plan approved by the Board of Directors of EGP (the "EGP Business Plan");
- iv) reviewed the 2016 – 2020 Enel business plan approved by the Board of Directors of Enel (the "Enel Business Plan");
- v) reviewed the 2016-2020 financial and operating projections of the Companies, prepared by the management of EGP and Enel;
- vi) reviewed the pre-closing 2015 financial and operating projections of the Companies, prepared by the management of EGP and Enel;

Confidential

Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register No. 122702).

Registered in England. Registered No. 1026167. Registered office: 1 Churchill Place, London E14 5HP.



- vii) discussed a set of assumptions and estimates, produced by each Company, for the years between 2021 and 2025 with the senior management of each Company in respect of the relevant Company;
- viii) held conversations with the senior management of each Company with regards to the past performance, current financial situation, future prospects and risks of the relevant Company;
- ix) reviewed two drafts of the Demerger Plan received on 11 November 2015 and 16 November 2015, respectively (the "Drafts Demerger Plan");
- x) reviewed reported price and trading activity for the shares of the Companies over certain time periods;
- xi) reviewed a sample of reports available on the public domain published by research analysts covering each Company;
- xii) compared the financial performance of each Company and the prices and trading activity of the shares of EGP and Enel with those of certain other companies that we deemed relevant;
- xiii) reviewed the financial terms, to the extent publicly available, of certain other transactions that we deemed relevant and compared them with the financial terms of the Demerger; and
- xiv) reviewed such other information and undertook such other studies, analyses and investigations as we deemed appropriate.

We have, with your consent, assumed and relied upon the accuracy and completeness of the financial and other information and documents reviewed by us for the purposes of this letter, without any independent verification of such information and documents (and without assuming any responsibility or liability for any independent verification), and have, with your consent, further relied upon the assurances of EGP's and Enel's management that it is not aware of any facts or circumstances that would make any such information inaccurate or misleading. With respect to the financial forecasts and projections contained in the EGP Business Plan and the Enel Business Plan, we have assumed, with your consent, that they have been reasonably prepared on bases reflecting the best currently available information, estimates and judgments of EGP's management or Enel's management as to the future financial performance of EGP (in the case of EGP's management) or Enel (in the case of Enel's management). We assume no liability or responsibility for and express no opinion with respect to such financial forecasts and projections or the assumptions on which they are based. In arriving at our opinion, we have not conducted a physical inspection of the properties and facilities of any of EGP or Enel and have not made or obtained any independent valuation or appraisal of the assets or liabilities (including any pension fund obligation, derivative or off-balance sheet assets and liabilities) of either of EGP or Enel, nor have we evaluated the solvency or fair value of either of EGP or Enel under any laws relating to bankruptcy, insolvency or similar

Confidential

Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register No. 122702).

Registered in England. Registered No. 1026167. Registered office: 1 Churchill Place, London E14 5HP.

10



matters. Our opinion is necessarily based on financial, economic, market and other conditions as they exist, and can be evaluated, on the date of this letter and we assume no obligation to update, revise or reaffirm our conclusion based on circumstances that may occur after the date of this letter.

We also have assumed, with your consent, that in the course of obtaining necessary regulatory and third party approvals and consents in connection with the Demerger, no modification, delay, limitation, restriction or condition will be imposed that will have an adverse effect on EGP or Enel, and that the Demerger will be consummated in accordance with the terms of the Drafts Demerger Plan without waiver, modification or amendment of any material term, condition or agreement therein. We do not express any opinion as to any tax or other consequences that might result from the Demerger, nor does our opinion address any legal, regulatory or accounting matters, as to which we understand that EGP has obtained such advice as it deemed necessary from qualified professionals.

For the purpose of our opinion the primary valuation methodologies that we used were: i) the discounted cash flow methodology (“DCF”), applying a “sum-of-the parts” approach for both Enel and EGP, and ii) the historical trading prices methodology (“Market Prices”), taking into account, for EGP only, the premia to market prices observed in a selected set of comparable precedent transactions involving companies operating in the renewable energy sector. Furthermore, we considered the target prices from a sample of equity research analysts as a control valuation methodology for both Companies (“Brokers’ Target Prices”), to benchmark the primary valuation methodologies’ results. We did not consider the trading multiples from a sample of comparable companies methodology and the multiples from a sample of precedent transactions methodology due to the intrinsic differences in the applicable regulatory frameworks, characteristics of incentives, geographic and technological mix and stage of development, which we believe would undermine the overall comparability with the Companies (and with EGP in particular).

The preparation of a fairness opinion is a complex process and involves various determinations as to the most appropriate and relevant valuation methodologies and analyses and the application of those valuation methodologies and analyses to the particular circumstances. Considering any portion of our analyses, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying our opinion and, consequently, our opinion as expressed herein.

The analyses performed lead to the determination of relative and comparable economic values, functional to the definition of the Share Exchange Ratio. We focused on the consistency and comparability of each of the adopted valuation methodologies, rather than on the absolute



value of the individual companies, taking into account the specific characteristics of Enel and EGP and the fact that they are both listed in a regulated stock market. However, because of the inherent differences between Enel's and EGP's businesses, we believe that it is inappropriate to use exactly the same valuation methodologies for both companies, or to necessarily attribute the same weight to any single methodology used to evaluate Enel or EGP. Accordingly, Barclays adopted those valuation methodologies deemed more appropriate to determine the comparable economic values for the definition of the Share Exchange Ratio.

For the purposes of our opinion, we have evaluated each Company on a standalone basis, based on the EGP Business Plan, the Enel Business Plan and the set of projections, assumptions and estimates received by and discussed with the senior management of each Company. We have evaluated the proposal as at today's date and not evaluated any impact of the potential exercise of the right to withdraw or the right to sell by the minority shareholders of EGP who may not approve the Demerger.

The table below provides the ranges of the share exchange ratios for each of the above mentioned valuation methodologies:

Valuation Methodology	Exchange Ratio	
	Low End	High End
DCF	0.36x	0.54x
Market Prices	0.38x	0.51x
Market Prices, with Precedent Transactions Premia for EGP	0.47x	0.53x
Brokers' Target Prices	0.28x	0.57x

This letter is not intended to provide an opinion as to EGP's underlying business decision to proceed with or carry out the Demerger, or the relative merits of the Demerger as compared to any strategic alternative that may be available to EGP. Furthermore this letter is not intended to evaluate or opine or constitute a recommendation on (i) the expected benefits deriving from the Demerger; (ii) the risks associated with the Demerger; (iii) the trading price of Enel Shares following the Demerger; or (iv) how any shareholder of EGP should vote in respect of the approval of the Demerger. In addition, we do not express any opinion as to the trading value of the shares of EGP and/or Enel as of the date hereof up to the execution of the Demerger deed and, therefore, nothing contained herein may be construed as an opinion on the future results



or prospects of EGP or Enel (even following the Demerger) or as an assurance as to the market value of such shares after the announcement of the Demerger.

According to the terms of our engagement letter with EGP, Barclays has been engaged to provide financial advisory services to EGP exclusively in the context of the Demerger. We have not been requested to evaluate alternatives to the Demerger, nor did we solicit any indication of interest from any third parties with respect to the purchase of all or any part of EGP's business or assets or of any or all of its securities.

We are acting as financial advisor to EGP in connection with the Demerger and will receive a fee for our services, a substantial portion of which is contingent upon the consummation of the Demerger. In addition, EGP has agreed to reimburse us our out of pocket expenses and indemnify us for certain liabilities and other items arising out of our engagement.

We point out that:

- (i) Barclays has in the past provided, and is currently providing, various investment banking, lending and financial advisory services to the Companies and their respective affiliates for which services Barclays has received and expects to receive compensation and may also provide investment banking services to the Companies and their respective affiliates in the future, for which we would expect to receive fees;
- (ii) Barclays Bank PLC, together with its affiliates, (the "Barclays Group") is a major global financial services provider, engaged in a wide range of commercial banking, investment banking, investment management and other activities. In the ordinary course of such activities, Barclays Bank PLC and other members of the Barclays Group (or investment funds managed by them or in which they have financial interests) may trade, for their own account or the accounts of their customers, and, accordingly, may at any time hold a long or short position, in debt and/or equity securities (and/or related derivative securities) of the Companies and/or any of their respective affiliates. Furthermore, members of the Barclays Group may have maintained, and may continue to maintain, banking and other commercial relationships with the Companies and/or any of their respective affiliates from time to time;
- (iii) the above paragraph (i) and (ii) should be read in conjunction with the Engagement Letter and the independence declaration (*Dichiarazione di indipendenza*) dated 13 November issued by Barclays in favour of EGP and for the avoidance of doubt are without prejudice to and do not intend to amend or vary the content of the declaration as to the independence and autonomy of judgment with respect to the Demerger as therein limited and qualified.

Confidential

Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register No. 122702).

Registered in England. Registered No. 1026167. Registered office: 1 Churchill Place, London E14 5HP.



This letter, the delivery of which has been approved by the Barclays Fairness Opinion Committee, is for the benefit of the EGP Board of Directors only, for the sole purpose of their evaluation of the Demerger.

This opinion is not intended to be relied upon or confer any rights or remedies upon any employee, creditor, shareholder or other equity holder of EGP. It remains understood that this letter and the opinion herein is addressed to and can be relied upon by the Board of Directors of EGP only and nothing in this letter is intended to give any opinion, including but not limited to any opinion as to the fairness of the Share Exchange Ratio, to Enel as shareholder of EGP. This opinion is confidential and must not be disclosed or referred to publicly, or be communicated to, or be relied upon by, any other person or used for any other purpose without our prior written consent; provided that a copy of this opinion may be included in its entirety in any public document that EGP is required to publish in connection with the Demerger, including the information document to be published in accordance with the Consob Rules no. 17221/2010 for major transactions with related parties.

This letter does not in any way constitute a recommendation as to whether or not the EGP Shareholders should accept the Share Exchange Ratio, or how they should act in relation to the Demerger or as to any other matter.

This letter has been provided to the Board of Directors in English. A translation in Italian has also been made available to the Board of Directors. In case of any discrepancy or controversy between the English and the Italian versions, the English version shall prevail.

\*\*\*\*\*

Based upon and subject to the foregoing, we are of the opinion on the date hereof that the Share Exchange Ratio is fair, from a financial point of view, to the EGP Shareholders.

Yours faithfully,

Barclays Bank PLC, acting through its investment bank

A handwritten signature in black ink, appearing to read "Duke Ell".

Confidential

Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register No. 122702).

Registered in England. Registered No. 1026167. Registered office: 1 Churchill Place, London E14 5HP.

# LAZARD

Related Party Committee (Comitato Parti Correlate)  
Enel Green Power S.p.A.  
Viale Regina Margherita  
00198 Roma

16 November 2015

Dear Sirs:

We understand that the Board of Directors of Enel Green Power S.p.A. (“EGP”) intends to approve and enter into a Non-Proportional De-Merger Plan with the Board of Directors of Enel S.p.A. (“Enel” and together with EGP, the “Companies”), a draft of which dated 5 November 2015, was provided to us (the “De-Merger Plan”), and that as of the date hereof, Enel holds 68.29% of the ordinary shares, nominal value Euro 0.20 per share, of EGP (individually, an “EGP Share” and collectively, the “EGP Shares”). Pursuant to the De-Merger Plan: (i) EGP will transfer to Enel all of the shares of Enel Green Power International B.V. and certain other assets and liabilities, including certain employment contracts (the “De-merged Going Concern”); (ii) EGP will retain all other assets and liabilities not included in the De-merged Going Concern; and (iii) the holders of EGP Shares will be entitled to receive 0.486 newly issued ordinary shares, each having a nominal value of Euro 1.0 per share, of Enel in exchange for 1 EGP Share (the “Exchange Ratio”), except that Enel will exchange only a portion of the EGP Shares held by it and all of the newly issued ordinary shares of Enel to be attributed to Enel for such portion of EGP Shares will be voided simultaneously upon their issuance (the “Transaction”). Upon completion of the Transaction, all of the share capital of EGP will be held by Enel.

While certain provisions of the Transaction are summarized above, the terms and conditions of the Transaction are more fully set forth in the De-Merger Plan.

Pursuant to articles 5 and 8 of Regolamento Consob n. 17221 of 12 March 2010, as subsequently amended (the “Related Party Regulation”), the Related Party Committee of EGP (the “Committee”) has requested the opinion of Lazard S.r.l. (“Lazard”) as of the date hereof as to the fairness, from a financial point of view, of the Exchange Ratio to the holders of the EGP shares other than Enel (the “EGP Shareholders”).

In connection with this opinion, we have:

- (i) reviewed the financial terms and conditions of the De-Merger Plan;
- (ii) reviewed certain publicly available historical business and financial information relating to the Companies, including the annual reports of the Companies for the year ended December 31, 2014, the half-year reports ended 30 June 2015 and the third quarter reports ended 30 September 2015;
- (iii) reviewed selected balance sheet items as of 30 September 2015, allocated by country/business units, provided to us by the respective managements of EGP and Enel;

- (iv) reviewed the business plans of EGP and Enel for the period 2016-2020 provided to us by the managements of EGP and Enel, respectively, as well as the guidelines related to the evolution of the financial projections of EGP and Enel after 2020 provided to us by the managements of EGP and Enel, respectively (the “Guidelines”);
- (v) held discussions with members of the senior managements of the Companies with respect to the business and prospects of the Companies;
- (vi) reviewed the historical stock prices and trading volumes of the shares of the Companies;
- (vii) reviewed the premiums paid in certain transactions we believe to be generally comparable to the Transaction; and
- (viii) conducted such other financial studies, analyses and investigations as we deemed appropriate.

In preparing this opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all of the foregoing information, including, without limitation, all the financial and other information and reports provided or discussed with us and all representations made to us by the respective managements of the Companies. Any integration, modification, or successive update of the information listed above may affect this opinion and the assumptions on which it has been based. We have not undertaken any independent investigation or appraisal of such information, reports or representations. We have not provided, obtained or reviewed on your behalf any specialist advice, including but not limited to, legal, accounting, actuarial, environmental, information technology or tax advice, and accordingly our opinion does not take into account the possible implications of any such specialist advice.

We have assumed that the valuation of assets and liabilities and the profit and cash flow forecasts, including future capital expenditure projections made by the managements, respectively, of the Companies are fair and reasonable. We have not independently investigated, valued or appraised any of the assets or liabilities (contingent or otherwise) of the Companies or the solvency or fair value of the Companies, and we have not been furnished with any such valuation or appraisal. With respect to the financial forecasts, projections and Guidelines utilized in our analyses, we have assumed, that they have been reasonably prepared based on the best currently available estimates and judgments of the managements, respectively, of the Companies as to the future results of operations and financial condition and performance of the Companies, respectively, and we have assumed that such financial forecasts, projections and Guidelines will be realized in the amounts and at the times contemplated thereby. We assume no responsibility or liability for and express no view as to any such forecasts, projections, Guidelines or the assumptions on which they are based.

In preparing our opinion, we have assumed that the Transaction will be consummated on the terms and subject to the conditions described in the De-Merger Plan without any waiver or modification of any of its material terms or conditions. We have also assumed that all governmental, regulatory or other approvals and consents required in connection with the consummation of the Transaction will be obtained without any reduction in the benefits of the Transaction to the EGP Shareholders or any adverse effect on the Companies. Consequently, we hereby underline the conclusions contained in the present opinion could vary depending on numerous conditions, including the actual terms and conditions of the De-Merger Plan and related documentation prepared and approved by the Boards of Directors of EGP and Enel.





The Exchange Ratio will be subject to an independent report on fairness to be issued by the expert nominated within the meaning of article 2501-sexies of the Italian civil code. The methodologies and criteria utilized by us may differ, in whole or in part, from the methodologies and criteria used by the independent expert nominated within the meaning of article 2501-sexies of the Italian civil code, and, therefore, the results of our analyses and such expert's analyses may differ.

Further, our opinion is necessarily based on the financial, economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events or circumstances occurring after the date hereof (including changes in laws and regulations) may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this opinion. We further note that the current volatility in the credit and financial markets may or may not have an effect on the Companies and we are not expressing an opinion as to the effects of such volatility on the Companies. In addition, changes in the renewable energy and power and gas utility sectors and the laws and regulations applicable to such sectors could affect the financial forecasts of the Companies.

We are acting as financial advisor to the Related Party Committee of EGP (the "Committee") in connection with the Transaction and will receive a fee for our services, payable upon delivery of this opinion. In this regard, we have not been engaged to act as financial advisor to the Committee in connection with, among other things, the determination of the structure of the Transaction or of the assets and liabilities of EGP to be included in the De-merged Going Concern. Lazard has in the past provided financial advisory services to Enel for which it has received customary fees, and Lazard or other companies of the Lazard Group may in the future provide financial advisory services to the Companies for which they may receive customary fees. In addition, certain companies of the Lazard Group may trade in the shares and other securities of the Companies for their own account and for the accounts of their customers, and accordingly, may at any time hold a long or short position in such securities, and may also trade and hold securities on behalf of the Companies and/or certain of their respective affiliates. Notwithstanding the foregoing, as it is better specified in the declaration of independence issued by us for the benefit of the Committee, we confirm that as of the date hereof, the foregoing does not undermine the independence and the autonomy of the judgment of Lazard in carrying out its engagement with respect to the Transaction. We do not express any opinion as to the price at which the shares of the Companies may trade at any time.

This opinion is being provided solely for the benefit of the Committee – it being understood that the same may be sent to and shared with the other members of the board of directors of EGP– in connection with, and for the purposes of, its consideration, in its sole independence of judgment, of the Transaction and is not on behalf or for the benefit of, and shall not confer rights or remedies upon any shareholder of EGP or Enel or any other person or be used for any other purposes. This opinion addresses only the fairness, as of the date hereof, from a financial point of view, to the EGP Shareholders, of the Exchange Ratio, and does not address any other aspect or implication of the Transaction, including without limitation, any legal, tax, regulatory or accounting matters or the form or structure of the Transaction, the terms and conditions pursuant to which the EGP Shareholders may exercise sell-out or withdrawal rights, or any agreement or arrangement entered into in connection with, or contemplated by, the Transaction.

In addition, our opinion does not address the relative merits of the Transaction as compared to any alternative transaction or strategy that might be available to EGP or the merits of the underlying decision by EGP to engage in the Transaction. This opinion is not intended to and does not constitute a recommendation to any person as to whether such person should approve the Transaction or vote or act with respect to the Transaction or any matter relating thereto.

Except as otherwise expressly required by law or regulation or if specifically requested by a competent governmental authority, and in particular pursuant to article 5, clause 5 of the Related Party

Regulation and its related Annex 4, the present opinion is confidential and may not be disclosed, referred to or communicated by you (in whole or in part) to any third party for any purpose whatsoever without our prior written authorization. This opinion is subject to the mandate entered into between EGP and Lazard and dated as of 13 November, 2015.

### **Valuation Methodologies and Analyses Performed**

The following is a brief summary of the material financial analyses and reviews that Lazard deemed appropriate in connection with rendering its opinion. This brief summary of Lazard's analyses and reviews provided below is not a complete description of the analyses and reviews underlying Lazard's opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of analysis and review and the application of those methods to particular circumstances, and, therefore, is not readily susceptible to summary description. Considering selected portions of the analyses and reviews or the summary set forth below, without considering the analyses and reviews as a whole, could create an incomplete or misleading view of the analyses and reviews underlying Lazard's opinion.

For purposes of its analyses and reviews, Lazard considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Companies. No company, business or transaction used in Lazard's analyses and reviews as a comparison is identical to the Companies, and an evaluation of the results of those analyses and reviews is not entirely mathematical. Rather, the analyses and reviews involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the values of the companies, businesses or transactions used in Lazard's analyses and reviews. The estimates contained in Lazard's analyses and reviews and the ranges of valuations resulting from any particular analysis or review are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by Lazard's analyses and reviews. In addition, analyses and reviews relating to the value of companies, businesses or securities do not purport to be appraisals or to reflect the prices at which companies, businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Lazard's analyses and reviews are inherently subject to substantial uncertainty.

Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before 13 November 2015 and is not necessarily indicative of current market conditions.

### **Financial Analyses**

In arriving at our opinion, the principal valuation methodologies utilized have been (i) the discounted cash flow analysis ("Discounted Cash Flow" or "DCF") and the (ii) historical price performance methodology. As control methodology, an analysis of the target prices of equity analysts for EGP and Enel was performed. Lazard also performed an analysis of the premiums paid in transactions we considered generally comparable in principle to the Transaction.

### **Discounted Cash Flow Analysis**

Based on the Companies' respective management projections and Guidelines provided by the respective managements of the Companies, Lazard performed a discounted cash flow analysis of the Companies to calculate the estimated present value of the standalone, unlevered, after-tax free cash flows that the Companies could generate from 30 September 2015 onwards. Given that the



Companies' business plans cover a limited time horizon (2016-2020), the respective managements of the Companies provided Lazard Guidelines related to the evolution of the financial projections of EGP and Enel after 2020.

### EGP

In order to appreciate the different risk-return profile of the countries in which EGP operates, Lazard analyzed the unlevered free cash flows on a country-by-country basis (*i.e.*, Sum-of-Parts approach). Based on EGP's business plan and management guidelines related to the evolution of financial projections, proportionate (*i.e.*, excluding cash flows attributable to minority shareholders of entities not fully owned by EGP) unlevered after-tax free cash flows were projected across the average plant life for each country. The terminal value was calculated, on a country-by-country basis, as the scrap value of the plants, net of dismantling costs at the end of the average plant life.

The unlevered free cash flows, net of taxes, and the terminal value were then discounted using a cost of capital, differentiated by country, calculated on the basis of the capital asset pricing model (CAPM), in particular:

- (i) the risk free rate was determined by reference to the yield on ten-year U.S. government bonds;
- (ii) unlevered beta of EGP itself and the unlevered beta of listed companies operating in the renewable energy business were taken into consideration;
- (iii) the equity risk premium was calculated taking into account the different risk profile of each country; a base equity risk premium (common for all countries) plus a country-specific risk premium were used;
- (iv) the cost of debt was also differentiated by country and determined as a base rate (common for all countries) plus a country-specific spread; and
- (v) the leverage ratio of EGP and the leverage ratio of listed companies operating in the renewable energy business were taken into consideration.

For the purposes of determining the equity value of EGP, certain items were summed algebraically to the values resulting from the DCF methodology: (i) the net financial position (adjusted for the portion attributable to minority shareholders) as of 30 September 2015, (ii) the book value of provisions (adjusted for the portion attributable to minority shareholders) as of 30 September 2015.

### Enel

In order to appreciate the different risk-return profile of the countries / business segments in which Enel operates, Lazard analyzed the unlevered free cash flows by country and business segment (*i.e.*, Sum-of-Parts approach). Based on Enel's business plan and management guidelines related to the evolution of financial projections, proportionate (*i.e.*, excluding cash flows attributable to minority shareholders of entities not fully owned by Enel) unlevered after-tax free cash flows were projected until fiscal year end 2025. The terminal value was calculated with approaches differentiated by business segment:

- (i) Electricity Generation: normalized unlevered free cash flow at 2025 determined on the basis of management assumptions in terms of replacement capex and long term

depreciation discounted in perpetuity. A perpetuity growth rate equal to 1.9% (in line with EU long term inflation) was applied;

- (ii) Electricity Distribution: RAB estimated value as provided by the management of Enel; and
- (iii) Retail (sales of electricity and gas): terminal value at 2020 based on an exit multiple equal to 6.0x EBITDA (in line with brokers report evaluation of this business).

The unlevered free cash flows, net of taxes, and the terminal value were then discounted using a cost of capital, differentiated by country and business segment, calculated on the basis of the capital asset pricing model (CAPM), in particular:

- (i) the risk free rate was determined by reference to the yield on ten-year U.S. government bonds;
- (ii) unlevered beta of Enel and the unlevered beta of listed companies operating in the power and gas utility business were taken into consideration;
- (iii) the equity risk premium was calculated taking into account the different risk profile of each country; a base equity risk premium (common for all countries) plus a country-specific risk premium were used;
- (iv) the cost of debt was differentiated by country and determined as a base rate (common for all countries) plus a country-specific spread; and
- (v) the leverage ratio of comparable listed companies, differentiated by business segment, was used.

For the purposes of determining the equity value of Enel, certain items were summed algebraically to the values resulting from the DCF methodology: (i) the equity value of the 68.29% stake in EGP (as determined based on the DCF methodology), (ii) the net financial position (adjusted for the portion attributable to minority shareholders) as of 30 September 2015, (iii) the book value of provisions (adjusted for the portion attributable to minority shareholders) as of 30 September 2015.

Result deriving from the application of DCF methodology

On the basis of the results obtained from the application of the DCF methodology, we derived a range of values for the exchange ratio of new Enel shares (individually, an “Enel Share” and collectively, the “Enel Shares”) for 1 EGP Share as follows:

	Minimum	maximum
Exchange ratio	0.40x	0.55x

Historical Price Performance

The historical price performance of the Companies has been deemed by Lazard as a reliable valuation analysis considering that both Companies have (i) a significant free float and relevant

trading volumes, (i) a wide equity analyst research coverage, (iii) been listed for several years, and (iv) institutional investors representing a significant part of their shareholder base.

Lazard reviewed the historical price performance of the Companies' shares for the 52-week period ending as of 26 October 2015, *i.e.*, the date on which the first rumours about the Transaction appeared in the press. The exchange ratio implied in the market share prices of EGP and Enel has been analysed at different periods, taking into consideration the official prices (*prezzi ufficiali*) of the Companies. For each relevant period, the exchange ratio of Enel Shares for one EGP Share has been calculated following two different approaches: (i) by calculating the daily exchange ratios implied in the official share prices of EGP and Enel on each trading day, and then calculating the average of the exchange ratios derived over the period; and (ii) by calculating the average prices for EGP Shares and Enel Shares over the relevant period, and then deriving the exchange ratio between such two values. The result of the analysis is summarized in the table below:

Period Ending 26 October 2015	daily ratios	Ratio between average prices
Last day (26 October)	0.44x	0.44x
1 month period – avg.	0.43x	0.43x
2 month period – avg.	0.42x	0.43x
3 month period – avg.	0.43x	0.43x
6 month period – avg.	0.43x	0.43x
12 month period – avg.	0.45x	0.44x
12 month period - min	0.39x	n.m.
12 month period – max	0.52x	n.m.

Result deriving from the application of historical price performance methodology

On the basis of the results obtained from the application of the historical price performance methodology, we derived a range of values for the exchange ratio of new Enel Shares for 1 EGP Share as follows:

	minimum	maximum
Exchange ratio	0.39x	0.52x

Analyst Target Price

Lazard reviewed the research equity analyst target prices for the EGP Shares and the Enel Shares published in the last 12 months. The reliability of such analysis as a control methodology is supported by the large number of analysts covering the Companies. Those target prices for EGP Shares which included a premium to reflect the expected execution of the Transaction, have been



adjusted to exclude such premium. In total, 25 target prices for EGP and 29 target prices for Enel have been taken into consideration.

The analysis has been performed following two approaches:

- (i) calculating the exchange ratios implied in the respective minimum, maximum, average and median target prices of EGP Shares and of Enel Shares; The result of the analysis is summarized in the table below:

	minimum	average	median	maximum
Exchange ratio	0.41x	0.43x	0.43x	0.47x

- (ii) calculating the minimum, maximum, average and median of the exchange ratios implied in the target prices of each analyst covering both EGP and Enel. The result of the analysis is summarized in the table below:

	minimum	average	median	maximum
Exchange ratio	0.35x	0.45x	0.45x	0.57x

Result deriving from the application of analyst target price methodology

On the basis of the results obtained from the application of the analyst target price methodology, we derived a range of values for the exchange ratio of new Enel Shares for 1 EGP Share as follows:

	minimum	maximum
Exchange ratio	0.35x	0.57x

Premium Paid Analysis

Lazard performed a premiums paid analysis based on premiums paid in certain Italian public transactions since 2005 whereby a company holding a controlling stake in a listed company launched a voluntary tender offer (in cash or stock) on such listed company. Only offers having a total value over €500m were taken into considerations. We performed the same analyses on the premiums paid in two transactions whereby a company involved in the utility sector acquired the minority stake in a listed company it already controlled involved in the renewable energy sector, *i.e.* the acquisition by EDF of EDF Energie Nouvelles and the acquisition by Iberdrola of Iberdrola Renovables.

The implied premiums in this analysis were calculated by comparing the per share acquisition price to:

- (i) the target company’s share price one-day prior to announcement (or prior to the first public rumour of the transaction);
- (ii) the target company’s average share price for the six-month period prior to announcement (or prior to the first public rumour of the transaction).

The result of the analysis is summarized in the table below:



	Avg. premiums on price one-day prior to announcement	Avg. premiums on average price for the 6-mo period prior to announcement
Italian public transactions (average premiums)	12%	16%
EDF/EDF Energie Nouvelles and Iberdrola/Iberdrola Renovables (average premiums)	11%	20%

Lazard compared the premiums calculated as per above with the premiums in favour of EGP implied in the Exchange Ratio, which are equal to (i) 10%, calculated on the exchange ratio implied in the market prices of the shares of the Companies as of 26 October 2015, and (ii) 14%, on the average market exchange ratio over the 6-month period ending 26 October 2015.

### Critical issues and limitations

In carrying out our financial analyses and valuations, the following critical issues and limitations have been identified. It is noted that any possible changes or differences in respect of the following could have an impact, even significant, on the results of our analyses and valuations.

- (i) The analyses and valuations were performed using economic-financial forecasts prepared by managements, respectively, of EGP and Enel; such data by their nature entail profiles of uncertainty and unpredictability. Changes in the assumptions underlying the forecast data could have an impact, also significant, on the results underlying the present opinion;
- (ii) The forecasts and projections made available by the respective managements of the Companies provide for certain assumptions regarding the realization of certain extraordinary transactions; variations in such assumptions could have an impact, also significant, on the results underlying the present opinion;
- (iii) Estimates and projections contained in the forecasts utilized for the valuations and analyses and the results deriving from the application of the valuation methodologies, depend to a substantial degree on the macroeconomic and political conditions and competitive environment in which the Companies operate; the current macroeconomic uncertainty and possible changes in variables of the relevant environment (such as, as example, evolution of power demand, power prices, exchange rates), could have an impact, also significant, on the results underlying the present opinion; and
- (iv) The business plans of the Companies provided to us cover the period 2016-20. The respective managements of the Companies provided us Guidelines related to the evolution of the financial projections of EGP and Enel after 2020. The unlevered free cash flows of EGP and Enel beyond 2020 account for ca. 90% and ca. 80%, respectively, of the total net present value of the unlevered cash flows over the entire projected periods. Therefore, the results of the DCF valuation methodology, which is based on the discount of the unlevered free cash flows, is dependent upon long-term projections and assumptions that, by their nature, are subject to a high degree of risk and unpredictability.


\* \* \*

This opinion is issued in the English language, and if any translations of this opinion may be delivered, they are provided only for ease of reference, have no legal effect and we make no representation as to (and accept no liability in respect of) the accuracy of any such translation. This opinion shall be governed and construed in accordance with Italian law.

Based on and subject to the foregoing, we are of the opinion, as of the date hereof, that the Exchange Ratio is fair, from a financial point of view, to the EGP Shareholders.

Very truly yours,

Lazard S.r.l.

By:   
Marco Semaja

By:   
ALBERTO CIARDONE



To:  
**Enel Green Power S.p.A.**  
Viale Regina Margherita, 125  
00198 - Rome

For the kind attention of:  
The Related Parties Committee  
of Enel Green Power S.p.A.  
Prof. Carlo Angelici  
Prof. Luca Anderlini  
Dr. Giovanni Pietro Malagnino

**Contents of the following document are intended as just a translation of the original document issued by the author in Italian language. The purpose of the translation reported below is just to let non Italian speakers understand main concepts underlined by the author. So the following document does not constitute any legal term for the transaction and it must be considered as courtesy copy only.**

**Re: Fairness Opinion on the exchange ratio proposed between the ordinary shares of Enel Green Power S.p.A. and the ordinary shares of Enel S.p.A.**

Enel Green Power S.p.A. ("Enel Green Power", "EGP" or the "Company") and Enel S.p.A. ("Enel", together with EGP, the "Parties" or the "Companies") have initiated discussions with a view to verifying whether the relevant industrial, financial, economic and legal conditions exist to support a possible partial, non-proportional demerger of EGP in favor of Enel (the "Transaction").

On the basis of the information provided to the author by EGP, the Transaction was subject to the procedure applicable to more important transactions with related parties provided under Consob Regulation No. 17221 dated 12 March 2010, as subsequently amended and integrated and implemented by the Company (the "Procedure").

EGP's related parties committee (hereinafter also referred to as simply the "Related Parties Committee" or the "Committee"), in order to express the opinion referred to in art. 7 of the Procedure, has engaged the author to advise it in defining the range of values within which the value of the exchange ratio between EGP's shares and Enel's shares (the "Exchange Ratio") falls; and to express an opinion on the fairness from a financial statement of the Exchange Ratio determined (the "Opinion").

The Opinion is to be considered confidential and addressed to and directed exclusively at the members of the Related Parties Committee - provided however that it may be disclosed to and directed at the entire Board of Directors - of Enel Green Power solely for purposes of assessing the economic terms of the Transaction and may not be used as a reference by any shareholder of the Company or any other person, with the exception of the members of the Enel Green Power's Related Parties Committee.

The author is acting on behalf of the members of Enel Green Power's Related Parties Committee and on behalf of no one else in connection with the Transaction and will have no liability whatsoever towards others, with the exception of the members of Enel Green Power's Related Parties Committee as regards to the issuance of the Opinion.

The author hereby authorizes the Company: (i) to describe the contents of the Opinion in the context of the disclosure document on more important transactions with related parties prepared by EGP in connection with the Transaction in accordance with Consob regulation no. 17221/2010; (ii) to attach the Opinion to the same disclosure document referred to in sub-paragraph (i) above; and (iii) to send the Opinion to Consob and to Borsa Italiana.

The author clarifies: (i) that he was in no way involved in the structuring of the Transaction, or in the determination of any aspect related to the Transaction; (ii) that he has been engaged exclusively to assist the Committee in defining the range of values within which the value of the Exchange Ratio falls and to render the Opinion on the fairness from a financial standpoint of the Exchange Ratio determined; (iii) that he has not held, as of the date hereof, any role on the corporate bodies of EGP or Enel, or any of the companies controlled by EGP or Enel; (iv) that he has not provided, in the last five years, any professional services to the Company or Enel, or to companies controlled by EGP or Enel. The author further points out that after performing appropriate verifications, as of the date of this letter, no economic, asset-related or financial relationships exist between him and: (i) EGP, (ii) the persons/parties that control it, the companies controlled by EGP or subject to common control with it, or the directors of the companies referred to in points (i) and (ii), that would be capable of impairing his independence and autonomy of judgment.

1. For purposes of the preparation of the Opinion, the following documents were reviewed:
  - EGP's "Business Plan 2016-2020" approved by Enel Green Power's Board of Directors on the 12<sup>th</sup> of November 2015 (the "EGP Plan");
  - Enel's "Business Plan 2016-2020" approved by Enel's Board of Directors on the 12<sup>th</sup> of November 2015 (the "Enel Plan" and, together with the EGP Plan, the "Plans");
  - the economic-financial plans (business plans) prepared by the Parties for each of the geographic areas/business areas in which EGP and Enel operate, as well as the assumptions concerning the period after the explicit timeline of the Plans and the additional data and input sent by the management of the companies

examined (the "Management") for purposes of the estimate of the related forward-looking economic, financial and capital/asset-related data taken into consideration (the "Forecasts");

- data provided by the Management on the economic and financial conditions of EGP and Enel as of the 30<sup>th</sup> of September 2015 approved by their respective Boards of Directors on the 12<sup>th</sup> November 2015;
- registered trend prices and share trades of Enel Green Power and Enel over the last 12 months;
- draft of the Demerger Plan for the Transaction dated 12<sup>th</sup> of November 2015;
- data and information available on the economic-financial database Bloomberg;
- all other information and elements deemed useful for the purpose of drafting the Opinion.

It should also be noted that during the performance of the activities in preparation of the issuance of the Opinion, "Q&A" meetings were held with the Management with a view to clarifying and supplementing the basic information and assumptions underlying the Plans and the estimates.

2. The Opinion has been rendered on the basis of the following assumptions and limitations:

- the data, information, estimates and forecasts considered in the Opinion may not be used for any purpose other than that expressly specified in the Opinion;
- the conclusions reached by the author in the Opinion are based upon all of the assessments set forth therein. No portion of the Opinion may be used separately from the document in its entirety and for purposes other than those expressly specified;
- the assessment was carried out on the basis of current economic and market conditions and in light of reasonably foreseeable expectations with regards to forecasts. In this regard, the difficulty of making forecasts in the current economic and financial context must necessarily be duly taken into consideration. None of the contents of the Opinion may be interpreted as an assurance or opinion on the future performance of the companies examined. Events that occur after the date hereof may have an impact on the Opinion and on the assumptions used for purposes of its preparation. The author undertakes no obligation to update, correct or reiterate his opinion;
- the author assumed that the Forecasts were formulated reasonably on the basis of data that reflect the best estimates on the future performance of the Companies. The Forecasts, since they are based upon assumptions and expectations regarding future events, are characterized by intrinsic elements of subjectivity and uncertainty and, in particular, the riskiness related to the fact that events that are expected to occur and actions deriving from them may not occur or may occur to an extent and in a timeframe that differs from what is envisaged, and similarly events and actions may occur which were not foreseeable at the time the Forecasts were prepared. It follows that

discrepancies, including significant ones, may occur between final figures and forecasted figures;

- the information that constitutes the quantitative and qualitative support for the estimate was provided by Enel Green Power S.p.A.; the author has relied upon such information without performing any independent verification on the accuracy or completeness of the same;
- it was assumed that the Transaction will be perfected in accordance with the terms and conditions specified in the communication dated 16 November 2015 sent by the Company to the author which indicates the Exchange Ratio traded between the Parties;
- it has also been assumed that any authorizations necessary to conclude the Transaction will be obtained within an appropriate timeframe without any prejudice for the Company;
- it has been assumed that no material change has occurred in the economic, capital and financial condition of the Company after the 30<sup>th</sup> of September 2015, the most recent date for which the accounting data is available;
- it has been assumed that the author has been provided with all information necessary to prepare and render the Opinion and that there do not exist any facts or circumstances that have not been brought to his knowledge that would have rendered the information provided for purposes of issuing the Opinion inaccurate or misleading;
- no independent verification of a legal, tax, accounting, actuarial or other nature has been performed on the Company or the Transaction and, therefore, no opinion is expressed on such matters;
- no independent verification or assessment/valuation has been performed on the assets and liabilities of the Company or the entities controlled by it or its affiliates;
- the Opinion is based upon current economic, financial, market and other conditions, as well as upon current information made available through the date of this letter. For any events that occur after the date hereof that may affect the Opinion and its assumptions; the author does not undertake any obligation to update, revise or confirm the Opinion rendered on the date hereof;
- the Opinion does not contain assessments on the price at which the EGP share or the Enel share may be traded in the future;
- the Opinion does not contain any assessments on the Transaction as compared with other alternative transactions, nor does it contain any assessments on the feasibility or availability of such alternative transactions. The Opinion does not examine the industrial, strategic, financial aspects or other reasons on the basis of which the Transaction has been structured and may be approved.

3. The Opinion has been rendered using financial analysis and valuation methods used in professional practice. Each method used presents specific limitations and, consequently, we have decided to express the opinion on the fairness from a financial point of view of the Exchange Ratio on the basis of a valuation process which, in the

form of a reasoned summary, has taken into account the results attained through the analysis and valuations methods followed.

In light of the circumstance that the envisaged the Transaction under examination entails a partial, non-proportional demerger of EGP in favor of Enel, the purpose of the analysis is to arrive at a relative valuation of the value of EGP and Enel. In light of this circumstance, for purposes of the choice of valuation methods and the related application of the same, it was borne in mind that the absolute values resulting from the estimates carried out are not relevant, since what is relevant is the ratio between such absolute values.

In particular, for purposes of determining the Exchange Ratio, the author found it advisable to use the following valuation methods and analyses:

- i) Discounted Cash Flow method: an estimate was elaborated of the value of EGP and the value of Enel by applying the fundamental method known as the Discounted Cash Flow model (DCF), based upon the determination of the present value as of the reference date of the 30<sup>th</sup> of September 2015 of the cash flows that are expected to be generated by each of the Parties in the future. In particular, the DCF method was used by applying the “sum of the parts” method or, in other words, developing a financial type valuation from a stand-alone point of view for each of the geographical areas/business areas in which EGP and Enel operate on the basis of their respective business plans prepared by the Parties and then determining the total value of EGP and Enel as the sum of the estimated value of the geographical areas/business areas falling within their respective business perimeters. The economic, financial and capital forecasts were determined on the basis of Plans approved by each of the Parties and the Forecasts, while the discount rates used to determine the present value of the cash flows were estimated on the basis of an analysis of EGP’s and Enel’s shares and relevant market;
- ii) stock market price quote method: reference was made to the trend in price quotes of EGP’s and Enel’s shares over the last several years in order to take into account the trend on the market and in the shares of each of the Parties and the exact values and average values of the prices quoted on the stock market were determined for various periods of time prior to the 27<sup>th</sup> of October 2015;
- iii) target price method: financial reports concerning the EGP share, the Enel share and their business sectors issued in the last several months by the principal banking institutions, investment funds and specialized consultancy firms have been analyzed. In particular, elaborations have been carried out on the basis of the target price of EGP shares and Enel shares as estimated by the analysts and stated in such financial reports.

More specifically, the valuation methods used entailed the adoption of the following assumptions, expectations and estimates.

- 3.1. DCF Method. The Discounted Cash Flow model (DCF) is a fundamental method that equates the value of a business complex to the current value of cash flows that are attainable by the enterprise over the entire duration of its estimated economic lifetime.

The method in question may be applied following two separate approaches: the equity approach to valuation or the entity approach to valuation, depending upon whether the valuation formula is aimed at reaching an estimate, on a direct and immediate basis, of the own capital invested by shareholders (equity) or of the capital invested in the enterprise (firm value or enterprise value). In such latter case, the estimate of the company's value is reached by subtracting from the firm value (or enterprise value) the market value of the net financial position.

The formula for appraising the capital of a business complex based upon the equity-type method is the following:

$$W = \sum_{t=1}^n Fl_t(1+i)^{-t} + VT(1+i)^{-n}$$

where:

- W is the economic value of the business complex being appraised;
- $\sum_{t=1}^n Fl_t(1+i)^{-t}$  is the sum of the present value of expected net cash flows ( $Fl_t$ ) for the explicit forecast period (the first flow includes the value of initial liquidity);
- $VT(1+i)^{-n}$  is the terminal value (VT) of the business complex being appraised, determined in its present value as of the reference date of the valuation;
- i is the present value/discount rate to be applied to the expected net cash flows.

The most commonly used formula for the valuation of the economic capital of a business complex based upon fundamental entity-type methods is the following:

$$W = \sum_{t=1}^n Flgop_t(1+wacc)^{-t} + VT(1+wacc)^{-n} - Pfn$$

dove:

- W is the economic value of the business complex being appraised;
- $\sum_{t=1}^n \frac{Flgop_t}{(1+wacc)^t}$  is the sum of the current value of expected cash flows from ordinary business operations ( $Flgop_t$ ) over the explicit forecast period;
- $VT(1+wacc)^{-n}$  is the terminal value (VT) of the business complex being appraised, determined in its present value as of the reference date of the valuation;

wacc is the discount rate to be applied to the cash flows from ordinary business operations;

$Pfn$  is the market value of the net financial position of the business complex being appraised.

The estimate of the economic value of a business complex using the fundamental method, whether it be equity-based or entity-based, requires that the following elements be defined: (a) the expected cash flows over the explicit forecast period; (b) the discount rate to be applied to the cash flows; (c) the terminal value of the business complex.

Let us point out that, in this case, for purposes of the valuation of EGP and Enel, an entity-type approach was followed.

As regards to the estimate of the *expected cash flows over the explicit forecast period* (referred to in letter *a*) it should be noted that, for each of the Parties, such cash flows were calculated on the basis of the input data and the forward-looking data set forth in the Plans and the Forecasts for each geographical area /business area in which EGP and Enel operate.

In light of the differences in terms of risk/return profile of the various countries/business areas in which EGP and Enel operate, we decided to follow a sum-of-the-parts valuation and analysis approach (or, in other words, a country by country valuation for EGP and by country/business area for Enel).

As regards the estimate of the discount rate (aspect referred to in letter *b*), it should be noted that the estimated cash flows and the terminal value referring to each geographical area/business area in which EGP and Enel operate were discounted at a specific weighted average cost of capital (*Weighted Average Cost of Capital*, or “wacc”), calculated on the basis of the following formula:

$$wacc = K_e \frac{E}{E + DN} + K_d(1 - T) \frac{DN}{E + DN}$$

where:

$K_e$  is the cost of own capital or risk capital (*Cost of Equity*) of the specific geographical area/business area;

$\frac{E}{E+DN}$  is the incidence of capital out of the total of all sources of funding;

$\frac{DN}{E+DN}$  is the incidence of the net financial position out of the total of all sources of funding;

$K_d$  is the weighted average cost of debt (*Cost of Debt*) of the geographical area/business area;

$T$  is the estimated tax rate for each geographical area/business area.

The cost of own capital/equity may be estimated using several approaches. Of these, one of the most widespread in valuation practice is the so-called “build up approach” method for which the discount rate is determined as follows:

$$K_e = i_1 + i_2$$

where:

$K_e$  is the discount;

$i_1$  is the risk-free rate;

$i_2$  is the risk premium calculated using the CAPM (*Capital Asset Pricing Model*) technique. On the basis of such valuation method, the risk premium is determined by multiplying the *beta-factor* ( $\beta$ ) (which constitutes the measurement of operating and financial risk of the business complex) for the average premium of the market (determined by taking the difference between the average return expected on the equity market -  $R_m$  - and the average return expected for risk-free investments -  $i_1$ ):

$$i_2 = \beta(R_m - i_1)$$

As regards to the estimate of the terminal value (VT) of the business complex (the aspect referred to in letter c), it should be noted that the VT was determined by applying different methods depending upon the relevant sector of each of the units valued, based upon the following approach:

- as for EGP: estimate of the salvage value (net of the dismantling cost) of the plants at the end of their useful lifetime, calculated on the basis of the assumptions/expectations provided by the Management;
- as for Enel:
  - o generation: normalized cash flow as of 2025 in perpetuity calculated on the basis of the assumptions/expectations provided by Management (long term replacement CAPEX and long term depreciation);
  - o distribution: value of the RAB as of 2025 on the basis of assumptions/expectations provided by Management;
  - o sale: exit multiple on EBITDA.

The valuation range for EGP and Enel was obtained by changing the value of estimated wacc with reference to each geographical area/business area in a relative measure equal to  $\pm 5\%$  or, in other words, considering the respective exact estimates increased (decreased) by multiplying such values by a coefficient equal to 1.05 (0.95).

The application of such method led to an estimate of an exchange ratio range of **0.40** to **0.54** ordinary EGP shares for each ordinary Enel share.



- 3.2. *Stock market price quotes method.* The stock exchange price quotes method is aimed at determining the value of a company on the basis of the capitalization expressed with reference to prices of the shares representing such company that are traded on regulated stock markets.

In this case, the analysis was performed on the basis of the trend of the official price of the ordinary share of Enel Green Power and of the share of Enel observed over a 12 months period preceding the 27<sup>th</sup> of October 2015 or, in order words, starting on the 27<sup>th</sup> of October 2014.

The choice of the reference time period was made considering the trade-off existing between the need to attenuate the impact on statistics of possible short term volatilities – which would lead to an expansion of the time window to be considered – and the need to reflect the price quotes of the company to be appraised and, in general, more recent market conditions – which would lead to a reduction of the time window to be considered.

In addition to such criterion, there exists a further constraint consisting in the need to exclude share prices after the date on which it is reasonable to conclude that rumors have been disseminated on the market in connection with the envisaged Transaction. In this case, such date was determined to be 27 October 2015.

The valuation range for EGP and Enel was obtained by taking the minimum and maximum values of the implicit Exchange Ratio among stock exchange prices of the Company observed in the last 12 months.

The application of such method led to an estimate of an exchange ratio range of **0.38** to **0.51** ordinary EGP shares for each ordinary Enel share.

- 3.3. *Target price method.* The target price valuation method was applied taking into account the target price values for Enel Green Power and Enel estimated by a number/group of financial analysts.

Such method was used since, although it does not constitute a fundamental type method based upon explicit expectations/assumptions and detailed analysis of expected cash flows, like the stock market price quotes method, it nonetheless constitutes a useful indication for purposes of appraising the Companies.

In this case, we considered the data related to the target prices obtainable, as of the date of the valuation, on the main economic-financial data providers with reference to the reports issued by the main banking institutions, investment funds and specialized consultancy firms on a recent date before the reference date of the valuation.

The valuation range for EGP and Enel was obtained taking into consideration the average (minimum) values of EGP along with the minimum (average) values of Enel.

The application of such method led to an estimate of an exchange ratio range of **0.35** to **0.56** ordinary EGP shares for each ordinary Enel share.

4. The analysis conducted have led to a determination of a range of values that goes from 0.35 to 0.56 which, taking into account the results of the valuation methods used, the information (including market information) available over the course of the performance of the analysis and a reasoned summary of the estimates reached, resulted in a range that goes from **0.47 to 0.52**. It should be noted that such choice was made also bearing in mind the fact that the valuation methods used and the individual parameters used for purposes of their application constitute inseparable parts of a single overarching process aimed at determining a range of values which, through a reasoned summary, at a given moment in time, also taking into account market trends, is considered to be representative of the range of exchange values that is fair from a financial point of view.
5. In conclusion, based upon the foregoing considerations and upon the conclusion of the analyses performed, the author is of the opinion that, as of the date of the Opinion, the Exchange Ratio set at 0.486 ordinary EGP shares for each ordinary Enel share is fair from a financial point of view.

I thank you for the trust placed in me and send my best regards.

Rome, 16<sup>th</sup> of November 2015

Enrico Laghi