(Translation from the Italian original which remains the definitive version)

Enel S.p.A.
Enel Green Power S.p.A.

Report pursuant to article 2343-ter.2.b) of the Italian Civil Code on the valuation of a business of Enel Green Power S.p.A. to be carved out to its parent, Enel S.p.A.

KPMG S.p.A.
10 December 2015
The report comprises 23 pages

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1 Introduction

1.1 Scope of the engagement

On 17 November 2015, the Boards of Directors of Enel S.p.A. (“Enel”) and Enel Green Power S.p.A. (“EGP” or “Enel Green Power”) approved the carve-out proposal pursuant to articles 2506-bis and 2501-ter of the Italian Civil Code, involving the partial non-proportionate carve-out (the “carve-out”) of Enel Green Power S.p.A. (the “transferor”) to its parent Enel (the “beneficiary”) as part of the project to integrate the operations of Enel Green Power into those of Enel. The proposal specifically covered the transfer of the 100% investment in Enel Green Power International B.V. and the related assets, liabilities, contracts and legal relationships (the “carved-out business”) to Enel with the issue and non-proportionate allocation (through the exchange for existing shares) of newly issued shares of the beneficiary to the EGP’s shareholders .

As a result of the share exchange, the transaction will increase Enel’s share capital by a maximum of 770,588,712 shares to be assigned to EGP shareholders other than Enel. In addition, 998,451,288 shares earmarked for Enel would be cancelled concurrently with the issue of the new shares pursuant to articles 2504-ter.2 and 2506-ter.5 of the Italian Civil Code and they would not be included in Enel’s actual capital increase.

The final number of newly issued Enel shares will only be known after the procedure for the rights of first refusal and first offer of the EGP shares subject to the put options or withdrawal rights has been completed, considering that Enel intends to purchase all the shares for which these rights are exercised and that it will cancel any remaining shares it holds.

Similarly, the value of Enel’s capital increase and any share premium as well as changes in other equity reserves (the “capital increase”) will be defined at the carve-out agreement date.

For the purposes of the transaction and pursuant to article 2506-ter.2 of the Italian Civil Code, EGP shall, inter alia, provide its shareholders with a valuation of the carved-out business prepared by an expert, stating that the value of the carved-out business is at least equal to the value attributed to it to calculate the capital increase to be approved by Enel to service the carve-out.

Accordingly and in accordance with article 2343-ter.2 of the Italian Civil Code, EGP and Enel engaged KPMG S.p.A. (“KPMG”) as its independent expert to prepare a report on the company to be transferred by Enel Green Power S.p.A. to Enel S.p.A. as a partial non-proportionate carve-out pursuant to article 2506-bis.4 of the Italian Civil Code (the “engagement”).

As required by the above legislation, the scope of KPMG’s engagement is to estimate the fair value of the carved-out business’ assets, in accordance with generally accepted standards and criteria for the valuation of the assets to be carved-out. Fair value is defined as the consideration for which an asset could be exchanged in a market transaction between willing knowledgeable parties.

In addition to this definition, we have prepared the report considering the transaction's structure and the legal requirements, i.e., to avoid that the beneficiary's equity would be artificially modified due to the over-valuation of the cared-out business' assets.

Accordingly, our estimate of the carved-out business has been used to confirm that its value is at least equal to that attributed to it for the purposes of calculating the capital increase to be approved to service the exchange ratio necessary for the carve-out.

Our findings cannot be used for any other purpose other than those for which we were engaged.

1.2 Reference date

The reference date of this valuation for the purpose of our engagement is 30 September 2015. This is also the reporting date of the carved-out company's statement of financial position (provided to us by EGP), attached as Annex 1 (the "reference statement of financial position").

Any differences between the carrying amount of the assets and liabilities of the carved-out business between 30 September 2015 and the carve-out effective date will be settled between the parties as provided for by the carve-out proposal.

1.3 Documentation used

We have considered the documentation and information listed below for the purposes of our work:

- separate and consolidated financial statements of Enel Green Power at 31 December 2014, with the reports thereon issued by Reconta Ernst & Young S.p.A. on 8 April 2015;
- condensed interim consolidated financial statements of Enel Green Power at 30 June 2015, with the report thereon issued by Reconta Ernst & Young S.p.A. on 3 August 2015;
- interim financial statements of Enel Green Power at 30 September 2015, on which Reconta Ernst & Young S.p.A. is currently performing its review;
- statement of financial position of the carved-out business at 30 September 2015;
- the 2016-2020 business plan of Enel Green Power approved by the board of directors on 12 November 2015 (the "EGP business plan");
- projections prepared by Enel Green Power management of the carved-out business' financial position and results of operations for the years from 2016 to 2020;
- projections prepared by Enel Green Power management of the carved-out business' financial position at 31 December 2015 and its results of operations ("pre-closing figures");
- long-term financial and operating assumptions prepared by Enel Green Power management for the years after the EGP business plan period;
- details of the net financial debt and other assets and liabilities at 30 September 2015 used to estimate the value of the carved-out business' economic value, starting from its enterprise value (bridge-to-equity), including the net financial debt to be transferred by Enel Green Power to the carved-out business and its allocation to the various assets being valued;

- stock market performance of the Enel Green Power share;
- surveys and financial analyses of Enel Green Power published by brokers and investment banks;
- surveys, financial statements and analyses of companies active in the energy and renewable energy sectors;
- opinion prepared by EGP's related party committee pursuant to article 8 of the Regulation on related party transactions dated 16 November 2015;
- proposal for the partial non-proportional carve-out of EGP to Enel dated 17 November 2015 and its annexes;
- report presenting the partial non-proportional carve-out of EGP to Enel prepared by EGP's board of directors dated 17 November 2015;
- abstract from the minutes of the board meeting of EGP's directors of 17 November 2015 of the matter on the agenda presenting the carve-out;
- statement of the directors of EGP and Enel about the value of the carved-out business compared to the value of EGP before the carve-out (as an amount and a percentage);
- "Project X – Valuation of Compendio Scisso" drawn up by Barclays and Mediobanca on 17 November 2015;
- "Project X – Considerations on relative contribution of Carve-out Perimeter vs EGP" prepared by J.P. Morgan on 17 November 2015;
- "Carve-out Perimeter" prepared by Credit Suisse on 17 November 2015;
- data presenting EGP Group's net financial position ("EGP NFP") extrapolated from its accounting records and reporting system at 30 September 2015 broken down by company;
- details of the assets and liabilities included in the reference statement of financial position obtained through inquiries of EGP management.

1.4 Work performed

Our engagement comprised the following phases:

- analysis of the documentation and information listed in section 1.3;
- discussions with EGP management about the general situation, the reasons for and planned performance of the transaction;
- discussions with EGP management about the forecast figures for the carved-out business and the underlying assumptions and reasons;
- analysis of the financial figures related to the carved-out business prepared by EGP management, especially its reference statement of financial position;

- application of estimate methods to the carved-out business, selected from those generally accepted methods deemed appropriate in the circumstances and that comply with the relevant legislation;
- preparation of a sensitivity analysis of the results of the estimate, changing the main application parameters and some of the underlying assumptions.

We performed the following procedures on the carved-out business' net financial position at 30 September 2015 (the "carved-out business' NFP"):

- we obtained details of the elements making up the EGP NFP at 30 September 2015 from EGP's accounting records and reporting system and we checked that the balances matched EGP's interim financial statements at the same date;
- we identified the elements of EGP's NFP that referred solely to the companies included in the carved-out business;
- we calculated the carved-out business' NFP (as reported in Annex 3 "Application of the financial method").

To complete our procedures, we obtained a representation letter signed by the legal representatives of EGP and ENEL attesting that they were aware of the information and assumptions used by us to prepare this report and confirming that EGP and Enel were unaware of any other information that would have substantially changed our findings.

1.5 Limitations

- EGP management provided us with all the documents, data and information about EGP used by us for the purposes of our work listed in section 1.3. We discussed the carved-out business' operating and financial characteristics with EGP management.
- EGP management prepared the reference statement of financial position of the carved-out business using the same policies applied to prepare EGP's separate and consolidated financial statements. Our engagement did not include any audit procedures on these figures nor were we required to check the existence of any unrecognised tax, legal, social security or other contingent liabilities.
- The projections of the carved-out business are based on the figures prepared by EGP management for the period from 2016 to 2020 in line with EGP's 2016-2020 business plan approved by its board of directors on 12 November 2015 and the long-term financial and operating assumptions made by EGP management.
- During our work, we did not become aware of any facts that would have led to us to believe, at the date of this report, that the assumptions and data underlying the projections were not a reasonable basis for such projections. They were based on general assumptions about future events, subject to uncertainties that management expects to materialise, and actions that management intends to undertake when it prepared the projections. They were also based on general assumptions about (i) future events and actions that management does not necessarily expect will materialise or (ii) situations that it does not have significant past experience of in order to back up future estimates.

- The materialisation of expected events used as assumptions is heavily dependent on factors that management cannot control (such as, for example, the incentives regime and, more generally, regulations for the renewable energy sector and the performance of the energy markets in the countries in which EGP operates, the load factor and the average sales price of electrical energy) and the uncertainty factor increases as the horizon lengthens.
- The beneficiary's directors will check whether new and significant factors arise that would alter the value assigned to the carved-out business considerably pursuant to article 2343-quater of the Italian Civil Code within the timeframe of 30 days after registration of the resolution to increase share capital for the purposes of the carve-out.
- The results set out in this report may solely be used for the purposes of our engagement as specified in section 1.1 and within the time period established by the applicable regulations.

2 The carve-out

2.1 The transferor

Enel Green Power is an Italian company listed on the Italian stock exchange and those in Madrid, Barcelona, Bilbao and Valencia using the Spanish electronic trading system, SIBE. It operates in the renewable energy sector.

Enel is currently the controlling shareholder of EGP and it owns roughly 68.29% thereof at the carve-out proposal date. It manages and coordinates EGP pursuant to article 2497 and subsequent articles of the Italian Civil Code.

2.2 The beneficiary

Enel is an Italian company listed on the Italian stock exchange. Its business object is the acquisition and management of equity investments and interests in Italian and foreign companies. It also provides strategic guidance and coordination services to its subsidiaries with respect to both their industrial structure and operations.

Enel carries out various activities directly and indirectly related to the energy sector through its investees.

2.3 Scope and description of the transaction

As described in the report prepared by EGP's board of directors pursuant to articles 2501-quinquies and 2506-ter of the Italian Civil Code, the strategic and industrial reasons for the transaction may be summarised as follows.

Certain factors are radically changing the global energy sector: a rise in demand for energy due to economic growth and the urbanisation of emerging countries, highly volatile commodity prices, rising competition for renewable energy sources, development of new technologies, energy efficiency, greater sensitivity to and focus on environmental issues.

The renewables sector has gained an increasingly important role in this context due to both the increasing competitiveness of the less mature technologies (wind and solar power), triggered by rapid technological process, and the energy model's contribution to environmental sustainability.

As a result, the major utility companies initially took steps to exploit the opportunities offered by the renewables business by setting up companies entirely focused on developing and managing renewable source systems. Accordingly, in 2008, Enel incorporated Enel Green Power giving it all the renewable energy generation activities and listing it on the stock exchange in 2010.

Over the last few years, there have been many signs of change, as can be seen from some comparable transactions carried out in Europe, initially triggered by the rapid large-scale development of renewable energy sources and the related issues of modifying the grids.

New technologies were necessary to facilitate the electrical system’s evolution to a more integrated model including both the conventional, and therefore programmable, energy sources and the renewable sources. The latter sector has continued to develop at a fast pace worldwide.

This growth has been seen in the emerging markets (characterised by economic growth and fast urbanisation rates), where renewables are the quickest answer to the rise in demand for electrical energy, and in the mature markets due to the steady cut back of energy generation by conventional sources (e.g., coal fed plants) replaced by new renewable energy capacity.

The greater need to integrate the renewable and traditional sources, the distribution networks and the market (“single integrated system”) has rapidly led to the modernisation of the electricity grid, transforming the energy utilities companies like Enel from simple energy producers and distributors to service providers and system optimisers.

Enel Group is well placed in this new model, as it is one of the few global sector operators and one of the most diversified technologically with a customer base of more than 60 million customers.

Its decision to fully integrate the renewables business is consistent with the development strategy for the Group, based on many strategic, industrial and financial reasons. The project offers the Group the opportunity to create value. In short, the transaction would allow Enel Group to develop its renewables business, availing of the entire Group’s financial stability. It would also allow the streamlining and simplification of the Group’s structure leading to operating and management synergies that, in turn, would generate cost savings through the combination of internal skills and expertise and a reduction in risks.

In order to achieve the above industrial objectives, on 17 November 2015, the boards of directors of Enel Green Power and Enel approved the carve-out proposal pursuant to articles 2506-bis and 2506-ter of the Italian Civil Code. The proposal envisages the partial non-proportionate carve-out of Enel Green Power to its parent, Enel, and was prepared on the basis of the two companies’ statements of financial position at 30 September 2015, drawn up and approved by the same boards of directors of Enel Green Power and Enel that approved the carve-out proposal, in accordance with article 2501-quater of the Italian Civil Code, referred to by article 2506-ter.3 of the Italian Civil Code with respect to carve-outs.

After examining the reports prepared by their financial advisors and, with respect to the resolution about the exchange ratio, the documented favourable opinion of the related party committee, the two boards of directors approved the following assisted by their financial advisors:

- an exchange ratio of 0.486 newly-issued Enel shares for each EGP share offered for exchange (the “exchange ratio”);
- the value of the carved-out business of €8,600 million equal to 72.8% of the value of EGP before the carve-out.

As the carve-out is non-proportionate, at its effective date, Enel Green Power's share capital equal to the carved-out business, i.e., 3,640,000,000 shares, will be exchanged using the exchange ratio and the value of the carved-out business as follows:

- the shareholders of EGP other than Enel will exchange all their shares of EGP;
- Enel will only exchange part of its shares (2,054,426,517 shares), equal to the total number of EGP shares offered for exchange, less the EGP shares offered for exchange by EGP shareholders other than Enel.

As a result, at the carve-out effective date, the beneficiary will increase its share capital by issuing a maximum of 1,769,040,000 shares (with regular dividends rights and a unit nominal amount of €1.00) to the shareholders of EGP using the exchange ratio. The capital increase used to service the exchange may not be higher than the value attributed to the carved-out business by the expert's valuation prepared in accordance with article 2506-ter.2 of the Italian Civil Code.

Specifically:

- the EGP shareholders other than Enel will receive a maximum number of 770,588,712 new Enel shares under the exchange ratio against the cancellation of 1,585,573,483 EGP shares they already held when the exchange takes place, while
- Enel will receive and concurrently cancel 998,451,288 Enel shares pursuant to the ban as per article 2504-ter.2 of the Italian Civil Code against the cancellation of 2,054,426,517 EGP shares it already held when the exchange takes place.

Based on the above, at the carve-out effective date, the beneficiary's share capital will be increased by a maximum 770,588,712 new shares, all to be allocated to EGP's shareholders other than Enel.

The number of new Enel shares will vary depending on the number of EGP shares Enel purchases as part of the rights of first refusal and first offer it exercises for any EGP shares that are subject to the put options and withdrawal rights.

The carve-out will only be effective if the total sales value of the EGP shares, for which the withdrawal rights and put options are properly exercised, is not higher than €300,000,000 (the "condition precedent"). This condition precedent shall be taken to be met, including when the this limit is breached, if Enel states its intention to purchase all the shares for which the above rights have been exercised within 60 calendar days from the inclusion of the last of the shareholders' resolutions approving the carve-out as per article 2502 of the Civil Code in the Rome company register

3 The carved-out business

3.1 Operating profile of the carved-out business

Enel Green Power, set up in December 2008, is the Enel Group company that develops and manages renewable energy generation activities at international level. It operates in Europe, America, Asia and Africa.

It is one of the major international operators in the renewables generation sector with annual production of 32 billion Kwh, mainly generated from hydro, sun, wind and geothermal energy sources. Enel Green power has a total installed capacity of roughly 10.6 GW with 761 plants installed in Italy and abroad and a generation mix, which includes wind, solar, hydroelectric, geothermal and biomass energy.

The carve-out comprises nearly all the foreign investees and financial activities of Enel Green Power to Enel, while Enel Green Power will keep its Italian operations and the remaining foreign investees.

Specifically, the main assets, liabilities and legal relationships that will be assigned to the beneficiary are:

- the 100% investment in the Dutch company Enel Green Power International BV;
- a current loan asset with Enel Green Power North America Inc. for its financial restructuring in 2014; this asset is hedged against currency risk by a currency forward;
- legal relationships related to the non-current credit facility granted to Enel Green Power International BV;
- legal relationships with six employees who are part of the business unit to be carved-out and the related assets and liabilities;
- guarantees given by Enel Green Power on behalf of Enel Green Power International BV and its subsidiaries for some of their obligations (the “guarantees”).

3.2 Reference statement of financial position

The carve-out will be based on the statements of financial position of Enel Green Power and Enel at 30 September 2015, attached to the carve-out proposal.

As noted earlier, the carve-out will entail the transfer of nearly all the foreign equity investments, financial assets, legal relationships related to some employees and guarantees related to the carved-out business of EGP to Enel, while EGP will keep its Italian operations and the other foreign equity investments.

The accounting policies adopted for the assets and liabilities in the reference statement of financial position are the same as those used by EGP to prepare its separate and consolidated financial statements, which comply with the IFRS issued by the International Accounting Standards Board (IASB) and the IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulation (EC) 1606/2002.

The reference statement of financial position shows that the assets to be carved-out have a carrying amount of €4,895 million, while the liabilities have a carrying amount of €1,231 million. The difference is a positive €3,664 million at the reference date.

The assets and liabilities presented in the reference statement of financial position that will be transferred to the beneficiary include:

	€’000
Assets	
Deferred tax assets	116
Equity investments	4,458,392
Other non-current financial assets	41
Other current financial assets	436,504
Other current assets	1
Total assets	**4,895,054**
Liabilities	
Non-current loans and borrowings	1,200,000
Post-employment benefits and other employee benefits	223
Deferred tax liabilities	5
Derivatives	126
Other current financial liabilities	30,241
Other current liabilities	297
Total liabilities	**1,230,892**
Accounting difference	**3,664,162**

3.3 Description of the assets and liabilities

3.3.1 Deferred tax assets

The caption of €116 thousand includes deferred tax assets calculated on temporary differences between the carrying amounts and tax bases of assets and liabilities, applying the tax rate that will be in force on the date the temporary differences will reverse, calculated using the tax rate enacted or substantially enacted at the reference date.

The caption mainly reflects the tax effect of non-deductible accruals for employee benefits as follows (€’000):

	Tax base	**Rate**	**Amount**
Additional months' remuneration	7	32.16%	2
Notice period compensation	2	32.16%	1
Loyalty bonus	26	32.16%	8
Healthcare assistance	132	32.16%	42
Fopen pension fund	0	32.16%	0
Post-employment benefits	2	32.16%	1
MBO	191	32.16%	62
Total	**360**		**116**

3.3.2 Equity investments

The caption of €4,458,392 thousand includes the 100% interest in the holding company, EGPI BV, recognised at cost. This Dutch subsidiary holds nearly all the foreign equity investments of EGP.

During 2015, EGP recapitalised EGPI BV, injecting €274 million into its share premium reserve as follows:

- €19 million in the first quarter of 2015 to allow the Dutch subsidiary to recapitalise Enel Green Power Hellas SA and Enel Green Power Brasil Partecipacoes LTDA;
- €75 million in the second quarter of 2015 to allow it to recapitalise Enel Green Power Brasil Partecipacoes LTDA and Enel Green Power Egypt S.A.E;
- €180 million in the third quarter of 2015 to allow it to recapitalise Enel Green Power Brasil Partecipacoes LTDA, Enel Green Power Mèxico Srl de Cv, Enel Green Power Turkey Enerji Yatirimlari AS and Enel Green Power Development BV (the latter to facilitate its acquisition of an investment in the Indian company BLP Energy Private LTD).

3.3.3 Other non-current financial assets

The caption of €41 thousand includes receivables for loans to employees provided for their purchase of their first home or for family reasons. The employees repay the loans in line with agreed plans.

3.3.4 Other current financial assets

The caption of €436,504 thousand includes the current loan asset (€436,161 thousand) and related accrued interest at 30 September 2015 (€343 thousand) with Enel Green Power North America Inc., directly wholly controlled by EGPI BV.

The loan was provided in 2014 when part of the equity of the two North American companies was converted into debt, mainly by using the current credit facilities granted by EGP.

The loan asset is hedged against currency risk by a currency forward (see section 3.3.9).

3.3.5 Other current assets

The caption of €1 thousand mainly comprises the accruals for the 14th month remuneration and payments made to bodies that provide health assistance services to group employees as per internal agreements.

3.3.6 Non-current loans and borrowings

The caption of €1,200,000 thousand entirely consists of the non-current credit facility (loan facility agreement) with EGPI BV, originally agreed in 2010 and subsequently amended.

3.3.7 Post-employment benefits and other employee benefits

The caption of €223 thousand includes the liabilities for employee benefits paid during or after the employees' service for defined benefit plans or for other long-term benefits provided over the employment relationship. The liabilities are calculated separately for each plan using actuarial assumptions, estimating the amount of future benefits the employees have accrued at the reference date (projected unit credit method).

The caption refers to six employees who work in the business unit to be carved-out. It may be analysed as follows (€'000):

Post-employment benefits	56
Additional months' remuneration	7
Notice period compensation	2
Loyalty bonus	26
Energy discount	0
Healthcare assistance	132
Fopen pension fund	0
Total	**223**

3.3.8 Deferred tax liabilities

These liabilities of €5 thousand are calculated using the tax rates ruling at the reference date for certain captions related to the employees of the business unit to be carved out.

3.3.9 Derivatives

The caption of €126 thousand shows the fair value of the currency forward agreed to hedge the current loan asset described in section 3.3.4.

3.3.10 Other current financial liabilities

The caption of €30,241 thousand is entirely composed of interest accrued at 30 September 2015 on the non-current loan given to EGPI BV described in section 3.3.6. The subsidiary paid interest of €22,129 thousand in 2015.

3.3.11 Other current liabilities

The caption of €297 thousand includes liabilities for the employees who work in the business unit to be carved-out. Specifically, it comprises payables to employees (€241 thousand), social security institutions (€24 thousand) and accruals for the 13th remuneration (€32 thousand).

3.3.12 Guarantees

In addition to the above assets, liabilities and legal relationships, the carved-out business also includes guarantees given by Enel Green Power on behalf of EGPI BV and its subsidiaries for some of their obligations. Sub-annex 2 to Annex G of the carve-out proposal provides details of these guarantees.

3.4 Financial data

The projections prepared by EGP management for the period from 2016 to 2020 for the carved-out business' financial position, results and operations were drawn up on a combined basis by country (see Annex 2). EGP management provided the main long-term financial and operating assumptions for the period after the plan.

The main operating and financial assumptions for the 2016-2020 period are:

- Installed capacity: investments of roughly €9.8 billion for new installed capacity of approximately 6.9 GW. The projections include investments of about €1.7 billion in Chile, €1.5 billion in Brazil, €1.5 billion in South Africa, €0.9 billion in North America and €0.7 billion in Mexico.
- Gross operating profit: increase in the gross operating profit from €1.4 billion to €2.1 billion, mainly as a result of the greater installed capacity and a reduction in operating costs thanks to the maximisation of plant efficiency and renegotiation of the O&M and preventive maintenance contracts.

The main operating and financial assumptions for the period after 2020 are:

- Installed capacity: investments of around €4.9 billion, including €0.2 billion for maintenance, with new installed capacity of roughly 4.8 GW (67% wind, 32% solar and 1% geothermal);
- Gross operating profit on installed capacity in 2020: a normalised gross operating profit was identified for 2021 by country which was projected using the plants' average useful life;
- Gross operating profit on installed capacity in the 2021-2025 period: Gross operating profit per MW was identified diversified by technology and country using the plants' useful life.

4 Valuation

4.1 General approach

We estimated the value of the carved-out business pursuant to article 2343-ter of the Italian Civil Code for the purposes set out in the introduction.

The valuation was based on the combined financial data described in section 3.4.

The data and related estimates refer to the carved-out business assumed to be able to operate independently and on a going concern basis as it currently exists. The effects of the expected industrial synergies after the integration between the carved-out business and Enel were not considered.

We selected the valuation method from those developed by the relevant theory and used in professional practice, considering the rationality, demonstrability, neutrality and stability of the criteria and base parameters.

We also considered the reasons for the transaction and especially the legal requirements about adequacy and the proposed amount of the capital increase to cover the transfer of the carved-out business to the beneficiary.

The carved-out business' characteristics were evaluated, along with the nature of its activities and its geographical and business/technological diversification.

Accordingly, it was decided to use an analytical approach based on the financial method or the discounted cash flow (DCF) method. This entails appraising the company's capital directly related to its expected profitability and a precise calculation of the expected cash flows, their riskiness and distribution over time.

The market multiples or comparables methods were not deemed appropriate as the comparability of the carved-out business is affected by differences principally due to the applicable regulations, the term and characteristics of incentives, the different geographical and technological mix and the development projects for the installed capacity.

4.2 Financial method

The carved-out business' economic value was estimated using the discounted operating cash flow method, which involves appraising the company's capital directly related to its expected profitability and a precise calculation of the expected cash flows, their riskiness and distribution over time. The unlevered (or asset-side) version of the method was applied, considering the return on invested capital gross of the financial structure.

The value of a company (or its invested capital) is calculated as the present value of the operating cash flows that the company will be able to generate in the future for the purposes of the unlevered version of the DCF method. The rate used to discount the future cash flows is the weighted average cost of capital (WAAC), calculated as the weighted average of the cost of capital and debt. The cost of capital is estimated to be equal to the return on risk-free assets increased by a premium for the specific risk for the sector and company being valued.

Under the DCF method, future cash flows are usually specified for a set number of years (explicit period) after which a residual value is considered, normally estimated using synthetic methods (perpetual income model). The economic capital (equity value) is estimated by deducting the net financial position's market value from the enterprise value.

In this case and given the characteristics of the carved-out business and the differences in terms of the risk/return profile of EGP's businesses in the various geographical segments, our approach was to analyse the sum of figures by country.

We adopted the following approach to value the carved-out business:

- the explicit period was taken to be the same as the business plan period (2016 - 2020);
- the long-term financial and operating assumptions prepared by EGP management were used for the years after 2020;
- the residual value at the end of the plants' useful life was defined as their salvage value, i.e., the recoverable amount at the end of a concession or the useful life of a plant. We applied the method considering the weighted useful life of the EGP plants in each country;
- the operating cash flows were discounted using the WACC of each country in which EGP works.

4.3 Results

The economic value of the carved-out business at 30 September 2015, calculated using the financial method, approximates €8,503 million. Annex 3 summarises the results of the analysis and details of the valuation parameters used to apply the method.

5 Other considerations

We analysed the target prices of stock market analysts that study the Enel Green Power share in order to check the results of the method applied and the conclusions set out below.

Given the limitations of the analysis due to the fact that the asset being valued is a business belonging to EGP and that the reports used to analyse the target prices refer to EGP Group as a whole, we deemed that the analysis reflects the results of the method applied.

For the purposes of the analysis, we assumed a contribution to the carved-out business' enterprise value proportional to the average long-term impact of the gross operating profit attributable thereto compared to the gross operating profit for EGP.

Our analysis of the main reports issued by analysts in the last six months after the date on which the transaction was communicated to the market showed an average share target price of €2.1. Based on the above considerations, it can reasonably be assumed that the economic value attributable to the carved-out business is in line with the results of the financial method.

6 Conclusions

Based on the factors described earlier in this report and pursuant to article 2343-ter.2.b) of the Italian Civil Code, we estimated the value of the carved-out business arising from the partial non-proportionate carve-out of Enel Green Power to its parent, Enel, to be approximately €8,503 million at the reference date of 30 September 2015.

Enel management informed us that the transaction will be recognised using the continuity of the carrying amounts method.

The capital that will be paid-up for the purposes of the carve-out transaction as part of the share capital increase will equal 1,769,040,000 shares and their value will be calculated at the carve-out agreement date, assuming that none of EGP's shareholders will exercise their withdrawal rights or put options.

Pursuant to the ban as per article 2504-ter.2 of the Italian Civil Code, which will entail the concurrent cancellation of 998,451,288 shares issued to Enel, the beneficiary's share capital at the carve-out effective date will be increased after the issue of a maximum of 770,588,712 shares, all to be allocated to EGP's shareholders other than Enel.

The capital that will be paid up for the purposes of the carve-out transaction as part of the share capital increase may decrease depending on the number of EGP shares purchased by Enel as part of the offer of rights of first refusal and first offer for the EGP shares that its shareholders exercise their put options and withdrawal rights for.

That being said, the beneficiary's capital increase to be approved for the purposes of the carve-out may not exceed the estimated value set out earlier.

Yours faithfully

Rome, 10 December 2015

KPMG S.p.A.

(signed on the original)

Renato Naschi
Director of Audit

Annex 1

Reference statement of financial position of the carved-out business at 30 September 2015

Reference statement of financial position	
€m	
Deferred tax assets	0.1
Equity investments	4,458.4
Other non-current financial assets	0.0
Other current financial assets	436.5
Other current assets	0.0
Total assets	**4,895.1**
Non-current loans and borrowings	1,200.0
Post-employment benefits and other employee b	0.2
Deferred tax liabilities	0.0
Derivatives	0.1
Other current financial liabilities	30.2
Other current liabilities	0.3
Net accounting balance	3,664.2
Total liabilities	**4,895.1**

Annex 2

Operating cash flows of the carved-out business

Operating cash flows												
	2016-2020 business plan					Long-term financial assumptions (2021 - 2050)						
€m	**2016**	**2017**	**2018**	**2019**	**2020**	**2021-25**	**2026-30**	**2031-35**	**2036-40**	**2041-45**	**2046-50**
Gross operating profit	1,410	1,633	1,667	1,822	2,068	13,994	15,916	16,132	14,690	7,938	2,311
Amortisation and depreciation	(238)	(310)	(319)	(288)	(330)						
Operating profit	1,171	1,323	1,348	1,534	1,738						
Tax	(253)	(254)	(252)	(289)	(342)						
Tax %	*22%*	*19%*	*19%*	*19%*	*20%*						
Amortisation and depreciation	238	310	319	288	330						
Capex	(1,953)	(1,799)	(1,451)	(1,589)	(1,673)	(5,619)	(1,452)	(1,482)	(1,232)	(670)	(203)
NWC	(31)	(29)	(44)	(41)	(3)	(78)	39	(103)	143	(252)	99
Salvage value	-	-	-	-	-	-	-	973	2,155	3,938	1,517
Operating cash flows	**(575)**	**(195)**	**172**	**192**	**392**	**8,296**	**14,503**	**15,521**	**15,756**	**10,954**	**3,725**

Annex 3

Application of the financial method

Equity value of the carved-out business	
€m	
Enterprise value by country	15,994
Enterprise value of third parties	(2,528)
Enterprise value of special projects	(416)
Badwill	(343)
Enterprise value	12,706
NFP	(4,548)
NFP of third parties	649
NFP of special projects	47
NFP	(3,852)
Other assets/liabilities	(517)
Other assets/liabilities - third parties	165
Equity value	**8,503**