Revisione e
organizzazione contabile

**REPORT OF THE INDEPENDENT AUDITORS PURSUANT TO ARTICLES 2506-*TER* AND 2501-*SEXIES* CIVIL CODE**
(Translation from the original Italian text)

To the shareholders of Enel S.p.A.
To the shareholders of Enel Green Power S.p.A.

## 1 REASON AND PURPOSE OF THE ASSIGNMENT

By decision dated November 30, 2015, following the joint request of Enel S.p.A. ("**Enel**") and Enel Green Power S.p.A. ("**EGP**", together with Enel also the "**Companies**"), the Court of Rome has appointed PKF Italia S.p.A. as the common expert in charge to redact, in accordance with articles 2506-*ter* and 2501-*sexies* of the Italian Civil Code, the report on the exchange ratio for the project of partial non proportional demerger of EGP in favor of the parent company Enel (the "**Demerger**").

In order to prepare the report on the Exchange Ratio adequacy, we have received from EGP and Enel the demerger project (the "**Demerger Project**"), accompanied by Enel Board of Directors Report ("**Enel Directors Report** ") and by EGP Board of Directors Report ("**EGP Directors Report**" and, together with Enel Directors Report, the "**Directors Reports** " or the "**Reports**"), approved on November 17th , 2015, which indicate, explain and justify, in accordance with articles. 2506-*ter* and 2501-*quinquies* of the Civil Code, the exchange ratio of the new shares issued by Enel for the Demerger (the "**Exchange Ratio**"), as well as the balance sheets of the Companies as of the date of September 30th , 2015, assumed as balance sheets of reference (the "**Balance Sheets**"), pursuant to articles. 2506-*ter* and 2501-*quater* of the Civil Code.

To determine the exchange ratio and the criterion of non-proportional allocation of the shares at the time of exchange, the Companies availed themselves of certain financial advisors, respectively Credit Suisse Securities (Europe) Limited and JP Morgan Limited as regards Enel and Barclays Bank PLC and Mediobanca - Banca di Credito Finanziario SpA as regards EGP (together, the "**Advisors**").

The Demerger Project will be submitted to the approval of the Special Meetings of Enel and EGP Shareholders, called in a single meeting on January 11th , 2016.

Ufficio di Roma: Via Panama, 16 | 00198 Roma | Italy
Tel +39 06 68.80.94.35 | Fax +39 06 89.56.88.67| Email pkfrm@pkf.it | www.pkf.it

## 2 SUMMARY OF THE TRANSACTION

As indicated by the Directors in their Reports, the Demerger will result in the assignment by EGP in favor of Enel of the Demerged Perimeter, essentially represented by (i) the entire stake held by EGP same in Enel Green Power International BV, a Dutch holding company which holds shares in companies operating in the renewable energy sector in North, Central and South America, Europe, South Africa and India, and (ii) financial assets and liabilities, contracts, legal relationships, associated with that stake (the "**Demerged Perimeter**"). All remaining assets, other than those that are part of the Demerged Perimeter (and thus, essentially, the Italian units and the remaining foreign investments) will be entirely maintained by EGP.

In their respective Reports, the Directors explain the strategic and industrial reasons for the Demerger.

As shown in the Reports of the Directors, being a demerger with non-proportional allocation, at the effective date of the Demerger the capital share of EGP corresponding to the Demerged Perimeter, consisting of no. 3.640.000.000 EGP shares, will be exchanged pursuant to the Exchange Ratio, in the following proportions:

(i) the shareholders of EGP other than Enel will exchange into Enel shares all the shares held by the same in EGP, i.e. no. 1.585.573.483 shares;

(ii) Enel instead will exchange only part of the shares held by the same in EGP, and exactly no. 2.054.426.517 shares, corresponding to the number of EGP shares brought in exchange *minus* the EGP shares brought in exchange by the shareholders of EGP same other than Enel.

As shown in the Demerger Project, in order to determine the number of EGP shares related to the Demerged Perimeter of Enel and of EGP shareholders other than Enel, the Companies Boards of Directors, after reviewing the reports of their respective Advisors and with the support of the same, have assigned to said Demerged Perimeter a value corresponding to 72.8 percent of the value of the entire pre-demerger EGP .

Enel and EGP Boards of Directors on November 17th , 2015, after reviewing the reports of their respective Advisors, approved the exchange ratio equal to no. 0.486 new Enel shares for each EGP share brought in exchange.

The resolution of EGP Board of Directors was taken after an unanimous favorable reasoned opinion of EGP Related Parties Committee, under the Regulations adopted by Consob with resolution no. 17221 of March 12th, 2010, as amended by resolution no. 17389 of June 23rd , 2010 (the "**OPC Regulations**") and the internal procedure for transactions with related parties of EGP. The OPC Committee examined the Demerger with the support of the independent financial advisors Lazard and Prof. Enrico Laghi, as well as of the independent legal advisor Prof. Agostino Gambino, identified by the OPC Committee by virtue of their demonstrated ability, professionalism and experience in similar transactions (the "**OPC Committee Advisors**"), and proceeded to unanimously express a favorable opinion as regards the interest of EGP in completing the transaction and the convenience and substantial correctness of the related terms and conditions.

According to the Directors Reports, following the Demerger, Enel will increase its share capital by issuing a maximum of 1.769.040.000 shares - with regular rights and a nominal value of Euro 1.00 each – in favor of EGP shareholders pursuant to the Exchange Ratio.

In particular, the Directors of the Company state that to the shareholders of EGP other than Enel will be allocated a maximum total no. of 770.588.712 newly issued Enel shares, against the cancellation at the time of exchange, of a total of no. 1.585.573.483 EGP shares held by such shareholders. To Enel will be assigned - and simultaneously cancelled by virtue of the provisions of art. 2504-*ter*, paragraph 2, of the Civil Code – a total no. of 998.451.288 Enel shares, against the cancellation at the time of exchange, of no. 2.054.426.517 EGP shares held by the same. Upon completion of the Demerger, Enel will therefore hold the remaining no. 1.360.000.000 EGP shares and, therefore, it will be the sole shareholder of the latter.

From the Reports of the Directors it results that, on the effective date of the Demerger, no. 3.640.000.000 EGP shares representing the share capital of EGP corresponding to the Demerged Perimeter will be cancelled. Consequently, at that date, the share capital of EGP will be reduced from the current total of EUR 1.000.000.000,00 to the total of EUR 272.000.000,00, divided into 1.360.000.000 shares wholly owned by Enel.

The amount of the Enel share capital increase, as well as of the share premium and other reserves, for the Exchange Ratio shall not be higher than the value assigned to the Demerged Perimeter by the valuation report of the expert KPMG S.p.A., prepared in accordance with the provisions of art. 2343-t*er*, paragraph 2, of the Civil Code.

The Directors also report that EGP shareholders who will not approve the Demerger will have the right of withdrawal pursuant to art. 2437, paragraph 1, lett. a) of the Italian Civil Code (the "**Withdrawal Right**"), as Enel, the recipient company of the Demerger, in its corporate purpose has a clause that allows an activity significantly different from the one described in the clause of EGP corporate purpose.
Under Article. 2437-*ter*, paragraph 3, of the Italian Civil Code, the Withdrawal Right may be exercised for a unitary liquidation value of EGP shares, determined by reference to the mathematics average of the closing prices of EGP shares on MTA in the six months preceding the publication of the notice of call of EGP Shareholders Meeting, which is equal to Euro 1.78 for each EGP share.

EGP shareholders that should not approve the Demerger will also have the right to have their EGP shares bought by Enel, pursuant to art. 2506-*bis*, paragraph 4, of the Italian Civil Code (the "**Right of Sale**"), which may cover all or just part of the EGP shares held by the shareholders and can be exercised under the same conditions and terms established for the exercise of the Withdrawal Right .

As stated in the Directors' Report, the effectiveness of the Demerger is conditional on the fact that the total liquidation value of the EGP shares, in relation to which the right of withdrawal and the right of sale could be validly exercised, does not exceed Euro 300.000.000,00 (three hundred millions/00). The Condition Precedent shall be deemed equally realized, also if the above mentioned limit will be exceeded, if Enel, within 60 calendar days after the registration with the Register of Companies of Rome of the last resolution of approval of the Demerger by the shareholders meeting pursuant to art. 2502 Italian Civil Code, declares its intention to purchase all of the shares for which the rights above were exercised.

The Demerger, as reported by the Company Directors, will have legal effect from the date of the last registration provided for by art. 2506-*quater* of the Italian Civil Code, or from any later date stated in the Demerger document.

## 3 NATURE AND SCOPE OF THIS REPORT

In order to provide to the shareholders of Enel and EGP appropriate information on the Exchange Ratio, this report indicates the methods adopted by the Companies Directors for its determination and the difficulties in the valuation encountered by the same. It also includes our considerations on the adequacy, under the specific circumstances, of such methods, in terms of their reasonableness and not arbitrariness, and on their proper application.

When assessing the valuation methods adopted by the Companies Directors, identified also on the basis of their Advisors recommendations, we have not performed an economic valuation of Enel or EGP. Said assessment has been carried out exclusively by Enel and EGP Boards of Directors, with the assistance of Advisors appointed by the same.

The valuation of the Demerged Perimeter was made, pursuant to art. 2343-*ter*, para. 2, let. B) of the Italian Civil Code, by KPMG S.p.A..

## 4 DOCUMENTS USED

In order to perform our work we obtained by Enel and EGP documents and information considered useful under the circumstances.
We have analyzed the documentation received, and in particular:

- Demerger Project according to art. 2506 bis of the Italian Civil Code and its Annexes;
- Companies' Balance Sheets, in accordance with articles. 2506-ter and 2501-quater of the Italian Civil Code, as of the date of September 30th, 2015;.
- Directors' Reports addressed to the respective extraordinary shareholders' meetings offering the following exchange ratio: no. 0.486 Enel shares, with a nominal value of EUR 1.00 each with regular rights and rights identical to those granted to Enel shares in circulation at the time of the issuing, for each EGP share with a nominal value of Euro 0.20;
- fairness opinion and the attached document titled "Enel and Enel Green Power combination. Supporting valuation materials" prepared by Credit Suisse Securities (Europe) Limited;
- fairness opinion and its attached document titled "Partial non-proportional demerger of EGP into Enel. Fairness opinion back-up materials" prepared by JP Morgan Limited;
- fairness opinion and the attached document titled "Project X. Presentation to the Board of Directors" prepared by Barclays Bank PLC and Mediobanca - Banca di Credito Finanziario S.p.A. (hereinafter, the fairness opinions and the documents referred to in this paragraph and in the two preceding ones, respectively the "Fairness Opinions" and " Advisors Documents");
- Abstract of the minutes of Enel Board of Directors meeting of November 17th, , 2015, under registration, relating to the following item on the agenda: “Enel Green Power integration within the Group”;
- Abstract of the minutes of Enel Green Power Board of Directors meeting of November 17th, 2015, under registration, relating to the following item on the agenda: “X Project”;
- Enel financial statements at December 31st, 2014 approved by the shareholders meeting, audited by Reconta Ernst & Young S.p.A. which on April 8th, 2015 issued its audit report with a unmodified opinion with no emphasis of matter paragraphs;

- Enel consolidated financial statements at December 31st, 2014 approved by the Board of Directors of the company, audited by Reconta Ernst & Young S.p.A. which on April 8th, 2015 issued its report with a unmodified opinion with no emphasis of matter paragraphs;
- EGP financial statements at December 31st, 2014 approved by the company, audited by Reconta Ernst & Young S.p.A., which on April 8, 2015 issued its report with a unmodified opinion with no emphasis of matter paragraphs;
- EGP consolidated financial statements at December 31st, 2014 approved by the Board of Directors of the company, audited by Reconta Ernst & Young S.p.A., which on April 8th, 2015 issued its report with a unmodified opinion with no emphasis of matter paragraphs;
- the condensed interim consolidated financial statements of Enel and EGP at June 30th, 2015, subject of a limited review by Reconta Ernst & Young S.p.A., which on August 3rd, 2015, issued its report concluding that nothing came to their attention that caused them to believe that the financial statements mentioned above were not prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union, with no emphasis of matter paragraphs;
- Enel Business Plan 2016-2020 presentation approved by Enel Board of Directors on November 12th, 2015 ("Enel Business Plan");
- EGP Business Plan 2016-2020 presentation approved by Enel Green Power Board of Directors on November 12th, 2015 ("EGP Business Plan ");
- detailed information prepared by EGP and Enel management for the years 2016-2020 relating to the main economic-financial and operating assets of their respective groups (including the breakdown by main divisions / countries);
- detailed information prepared by EGP and Enel management in relation to the main economic-financial and operating assets of the respective groups (including the breakdown by main divisions / countries) for the year 2015 ("pre-closing");
- long-term economic-financial and operational assumptions prepared by Enel and EGP management for the years following those of their business plans;
- data of net indebtedness and other balance sheet items at September 30th, 2015 used to estimate the economic capital value starting from the Enterprise Value (so called "Bridge-to-equity"), including the allocation between countries and business units;
- the number of Enel and EGP shares at the date of the Directors' Reports;
- - trend in market prices of Enel and EGP shares detected at different time intervals preceding the dates of October 1st, 2015 and October 27th, 2015 until December 2010, as well as other information regarding the aforementioned shares;
- reports of financial analysts concerning Enel and EGP shares target prices;

The following additional documentation has been examined by us:

- information document relating to significant transactions with related parties concerning the non-proportional demerger of EGP in favor of Enel published by EGP and the opinion issued by EGP Related Parties Committee on November $16^{th}$, 2015;

- fairness opinion prepared by Lazard srl and Prof. Enrico Laghi as OPC Committee Advisors;
- market, accounting and statistics elements as well as all other information and documentation deemed useful for the purposes of this report.

We have also obtained confirmation that, to the best knowledge of the Companies management, there were no significant changes in the data and information considered in the conduct of our analysis, nor have occurred events that could alter the assessment made by the Company Directors as regards the determination of the Exchange Ratio.

# 5 VALUATION METHODS ADOPTED BY THE DIRECTORS TO DETERMINE THE EXCHANGE RATIO

## 5.1 Premises

The Company Directors, also on the basis of the recommendations of their Advisors, report that they have selected and applied valuation methods with the aim of reaching not just an estimate of the absolute values of the company being valued, but a uniform and comparable basis that, in addition to having established academic commentators and practical basis, allow to assess homogeneously EGP and Enel, in order to obtain comparable values when determining the Exchange Ratio.

In this context, Enel and EGP Directors, considering the specificities of the Companies and of their status of companies listed on regulated markets, report to have adopted a number of valuation methods, both analytical ones and market ones, which are not be analyzed individually, but are to be considered as an inseparable part of a single valuation process.

More specifically, Enel Board of Directors, for the purpose of determining the Exchange Ratio, used:
- The stock market prices method (see. Par. 5.2.1);
- The discounting cash flow or Discounted Cash Flow (DCF) method with a "Sum of the Parts" approach (see. Par. 5.2.2);
- The analysis of the exchange ratio implied in EGP and Enel securities target prices published by brokers and major investment banks (see. Par. 5.2.3).

EGP Board of Directors used, as main evaluation criteria, the following methods:
- The discounting cash flow or Discounted Cash Flow (DCF) method with a "Sum of the Parts" approach (see. Par. 5.5.1);
- The stock market prices method (see. Par. 5.5.2).

The analysis of the exchange ratio implicit in EGP and Enel securities target prices published by financial analysts was used as verification method (see. Par. 5.5.3).

The valuations of the Companies Directors were carried out with a standalone view, i.e. on the basis of business plans prepared separately by Enel and EGP without considering the Demerger effects.

In the following paragraphs from 5.2 to 5.4 the description of the valuation methods adopted by Enel Directors (par. 5.2), the summary of the results achieved (par. 5.3) and the valuation difficulties found (par. 5.4 ) by them will be given. Subsequently, in paragraphs from 5.5 to 5.7, the description of the valuation methods adopted by EGP directors (par. 5.5), the summary of the results achieved (par. 5.6) and the valuation difficulties found (par. 5.7) by them will be given.

## 5.2 Valuation methods adopted by Enel Directors and description of the same

### *5.2.1 The stock market prices method*

Enel Directors report that the stock market prices method determines the value of the company being valued as market capitalization, resulting from the prices of its securities traded on regulated stock markets. In particular, the method under discussion is considered relevant for the valuation of listed companies in the event of significant liquidity of the securities under exam. According to Enel Directors Report, as the academic commentators and the professional practice suggest, in light of the potential short-term volatility, it is necessary to take into account the results inferable from the stock market prices through the calculation of averages over different time horizons.

As illustrated by Enel Directors in their report, the relationship between the market price (as supplied by FactSet database) at which Enel and EGP securities have been exchanged, allows to infer an implicit exchange ratio, according to the different time horizons considered.
Enel Board of Directors has also found that EGP and Enel stock market prices were significant, due to the levels of capitalization and liquidity of the same, of the extensive coverage of the search made by brokers and major investment banks as well as the presence of widespread share ownership at national and international institutional investors levels.

Enel Directors report that the application of the method of the stock market resulted in the observation of daily exchange ratios detected on the basis of Enel and EGP relative exchange values. Said exchange ratios were observed, as shown in Enel Directors Report, under various time periods before last September 30 (included) and last October 26 (included). These dates have been considered by Enel Board of Directors as Closing dates for the methods under discussion, because:
- on last October 1, Enel Board of Directors resolved to start the process of analysis and study of the operation under discussion;
- on last October 27, EGP and Enel market prices were significantly influenced by market speculations about a possible announcement relative to the transaction under discussion or to a similar transaction.
In relation to the average of the exchange ratios observed daily, Enel directors have considered the averages at 1, 3, 6, and 12 months from the date of the EGP listing. The choice of such reference periods, in addition to the observations on September 30 and October 26, 2015, has been determined - as the Directors of Enel explain - by the need to offset any short-term fluctuations arisen in the level of the quotations for the two securities, while giving at the same time adequate importance to the prices negotiated more recently.

### *5.2.2 The cash flow discounting or discounted cash flow (DCF) method*

According to ENEL Directors Report, the evaluation method was adopted to reflect the operating cash flows that a company could generate in the future, and in order to grasp the respective specificity in terms of profitability, growth, risk level, capital structure and expected level of investments.

Under this method, the economic capital value of a company is estimated as the algebraic sum of:
a) the current value of "unlevered" operational cash flows expected by the respective Business Plans;
b) the terminal value;
c) the net financial debt, inclusive of severance pay and other employees benefits, relevant items of risks and charges funds and net deferred taxes (as a deduction);
d) the value of any ancillary or non-operational activities and of assets held for sale (to increase) as expressed by the following formula:

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

where:
W = value of economic capital
FCt = annual "unlevered" operating cash flow expected in period t
VT = Terminal value
DF = Net financial debt, including severance pay and other employee benefits, relevant items of risks and charges funds and net deferred taxes, as of September 30, 2015
AC = Value of any ancillary or non-operational activities and assets held for sale
n = Number of periods of projection
WACC = Weighted average cost of capital

The "unlevered" operating flows of the explicit projection period are determined analytically as follows:

+ Earnings before interest and taxes (EBIT);
- Theoretical taxes on EBIT (net of adjustments for non-cash items considered part of the taxable base in the tax accounting);
+ Depreciation / non-cash provisions;
- Fixed investments;
+/- Changes in the net working capital.

The weighted average cost of capital (WACC) used to discount the expected cash flows and the terminal value is calculated as the weighted average of the cost of shareholders' equity and of the debt, with the following formula:

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

Where:
Kd = Cost of debt
Ke = Cost of risk capital
D = Debt capital
E = Risk capital
t = Tax rate

In particular, the cost of debt capital is the rate of long-term financing applicable to companies or economic activities with a similar risk, net of tax.
The cost of risk capital reflects instead the return expected by the investor, taking into account

the risk relative to the investment, calculated on the basis of the theory of the Capital Asset Pricing Model using the following formula:

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

where:
Ke = Cost of risk capital
Rf = Expected rate of return on risk-free investments
β = Coefficient that measures the correlation between the expected returns on the considered investment and expected performance of the stock market of reference
Rm = Average return expected on equity investments in the stock market of reference
(Rm - Rf) = Return required by the stock market of reference (Rm) compared to risk-free investments (Rf).

As it is clear from Enel Directors Report, Enel Board of Directors in valuating Enel and EGP using the method under discussion, followed a "Sum of the Parts" approach. EGP and Enel value was then calculated as the sum of the values of the individual identifiable assets for each business area / country, as identified by the management of both companies, considering the same as economic entities autonomously increasable in value.
For the purpose of the enhancement of economic entities that make up the Company, Enel Directors evaluated the same by preparing specific DCF for each, using different assumptions and WACC and terminal value estimates consistent with the profile of the individual assets.

In particular, as to Enel, the Directors have used estimates of different WACC for each business area / country for which a detailed DCF was drawn up; Enel Board of Directors reports having made that distinction considering:
- specific expected rate of return on risk-free investments (Rf) and specific expected average return on equity investments in the stock market of reference of each country (Rm), in line with the different risk profile of each country;
- specific tax rate of each country (t);
- specific beta coefficient for each business area (β);

The WACC, as estimated by Enel Directors, results in a weighted average of approximately 6.6% and 6.8%.

As regards EGP, Enel Board of Directors used different WACC estimates for each country for which a detailed DCF was drawn up; as in Enel case, this differentiation has been made by Enel Directors considering:
- specific Rf and specific Rm, in line with the different risk profile of each country;
- specific tax rate of each country.

The WACCs as estimated by Enel Directors result in a weighted average of approximately 6.2%.

To determine the estimated terminal value, Enel Directors Report shows that the Directors have used specific assumptions for each business area / country (in the case of Enel) or for each country (in the case of EGP) for which a specific DCF has been prepared. Estimates of terminal value were processed by Enel Directors, taking into account the specific characteristics of each business / country and on the basis of data, parameters and assumptions discussed and shared with the management of the Company and, in particular, the following methods were used with

reference to the main business lines / country:
- Enel: for distribution activities in Italy and Spain a multiple of net invested capital for regulatory purposes ("RAB"), in a range between 1.1x and 1.2x was used; for sales activities in Italy and Spain the method of the Annuity was considered, which assumes that the cash flow generated in the last year will be extended for a specific period of time; for the remaining assets of Enel, with the exception of EGP, the method of perpetual growth rate, with rates of long-term growth between 0.6% and 2.0% was used.
- EGP: the Salvage Value method or the amount recoverable at the end of a concession or at end of the useful life of a plant was used. This value, in practice, is often estimated as a percentage of the initial investment appropriately revalued. The method was applied for the useful weighted life of EGP plants in each country.

#### *5.2.3 The analysis of the exchange ratio implicit in the target price of EGP and Enel securities published by brokers and major investment banks*

Enel Directors Report shows that through said method the increases in value of the companies involved in the extraordinary operation, arising from researches published by brokers and leading national and international investment banks are compared in order to compare the relative target prices, obtaining an interval of the exchange ratio.

To apply said method, Enel Directors report in their report to have taken into account the researches published until October 26, 2015 both for Enel and for EGP, excluding any publications that refer to a potential extraordinary operation on EGP in order to prevent that such price targets do not reflect a standalone evaluation.

### 5.3 Summary of the results of the application of the valuation methods adopted by Enel Directors

Herein below the intervals of the exchange ratio, achieved by Enel Directors by applying the evaluation methods described in the preceding paragraphs are reported:

| Evaluation Methods | Exchange Rate Interval | |
|---|---|---|
| | Minimum | Maximum |
| **Stock market valuation** | 0,42 | 0,49 |
| **DCF Sum of the Parts** | 0,42 | 0,51 |
| **Brokers target prices** | 0,28 | 0,58 |

### 5.4 Evaluation problems found by Enel Directors

Under Articles 2506-*ter* and 2501-*quinquies* of the Italian Civil Code, for the purposes of the evaluation analysis described above, Enel Directors report to have found the following difficulties:

– the forecasts and estimates and economic-financial projections used for the evaluations have, due to their nature, a degree of uncertainty about the actual predictability of the expected future operating and earnings performance, including as regards possible changes in the context of reference;

- high volatility of financial markets; in this respect it is stressed that the current international financial environment is marked by extreme volatility, with sometimes significant - and not predictable - impacts not only with reference to the market prices of the companies concerned, but also on the relevant assets and economic and financial substance;
- assessment methods based on economic- financial projections are based on the standalone business plans approved by the respective Boards of Directors of the two companies certified by the respective auditors;
- the application of the DCF method with a "sum of the parts" approach required the use of economic, financial and capital data for the individual business areas / countries in which the companies involved operate, complicating the allocation of items to individual business units / countries;
- methods of a different nature, analytical or market, were applied, requiring the use of different data, parameters and assumptions. In applying these methods, Enel Board of Directors has considered the characteristics and limitations implicit in each of them, based on the national and international professional evaluation practices;
- in the application of the target prices methods expressed by the financial analysts researches, reports published before the approval of the new Enel and EGP Business Plans have been taken into account, whose estimates and expectations may differ, even significantly, compared to the Business Plans recently approved by the respective Boards;
- the Multiples Method the was considered irrelevant and unreliable given the limited comparability of the companies being evaluated with other listed operators, also in view of the significant number of minorities, as regards Enel

## 5.5 The valuation methods adopted by EGP directors and the relative description made by the same

### *5.5.1 Application of the discounted cash flow method (DCF) as main method*

EGP Directors notice that the DCF method determines the value of a company or an economic activity as a whole, on the basis of its ability to generate cash flows.
Said valuation method was adopted to grasp Enel Green Power and Enel specificities as regards profitability, growth, risk level and assets structure.
The DCF method was applied by EGP directors on the basis of the Sum of the Parts criterion, or the value of the economic capital of each of the two companies was determined as the sum of the values of the individual assets of the same, deemed as economic entities whose value can be increased autonomously .

In particular, this criterion is based on the assumption that the value of a company or an economic activity is equal to the current value of cash flows generated in the future. The equity value of a company or an economic activity is therefore equal to the sum of (i) the value of the expected cash flows discounted to present value and (ii) a terminal value of the company or of the economic activity, net of (iii) net financial debt, third parties interests and any further adjustments.

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

Where:

W = value of economic capital
FCt = annual cash flow expected in period t
VT = Terminal value
DFt0 = Net financial debt, third parties interests and other adjustments at t moment equal to 0
n = Number of periods of projection
WACC = Weighted average cost of capital

The terminal value is the value of the company or of the economic activity subject to evaluation at the end of the projections period.
Upon calculation of the terminal value, with the purpose of reflecting the peculliarity of the acitivities under valuation (i.e. geographical, technological and regulatory), different methods where used such as the so called perpetual growth, the so called annuity (growth for a determined time interval) and the reference to the Regulated Asset Base (in case of regulated activities).
The terminal value obtained has been then dealt with as an additional cash flow and therefore used as all the ohter cash flows, at the weighted average cost of capital.

The weighted average cost of capital is the weighted average (on the basis of the financial structure of the company or of the economic activity) of the cost of the financing methods used (risk capital and debt capital, 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 risk capital
D = Debt capital
E = Risk capital
t = Tax rate

In particular, the cost of debt capital used is the rate of long-term financing applicable to companies or economic activities with a similar risk, net of tax effect. The cost of risk capital reflects instead the return expected by the investor, taking into account the risk relative to the investment, calculated on the basis of the theory of the so-called Capital Asset Pricing Model through the following formula:

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

Rf = Expected rate of return on risk-free investments
β = Coefficient that measures the correlation between the expected returns on the considered investment and the expected performance of the stock market of reference
Rm = Average return expected on equity investments in the stock market of reference
(Rm - Rf) = Return required by the stock market of reference (Rm) compared to risk-free investments (Rf).

In order to determine the weighted average cost of capital (WACC) EGP Directors identified specific parameters useful for country and business unit (generation, distribution and selling of electricity) in function of the specific characteristics of the assets under valuation.

EGP Board of Directors reports to have used the DCF evaluation method in order to capture the specificities of EGP and Enel in terms of profitability, growth, risk level and capital structure.

*5.5.2 The Stock Market prices method as the main method*

According to the EGP Directors Report, the Stock Market prices method enables the economic value of a company to be ascertained from the value attributed to it by the stock market in which the company's shares are traded.
The method consists of valuing the shares of a company on the basis of the market price at a certain date, or the average price of the shares recorded on the stock market where the shares are traded over certain time periods.
In this case EGP Directors point out that the choice of the time period over which to calculate the average price must enable a balance to be reached between the mitigation of any short-term volatility (which would make a longer time horizon preferable) and the need to reflect the most recent market conditions and the situation of the company to be valued (which could favour the most recent prices). Moreover, the time period selected should only include prices that are not influenced by news of the potential transaction or other information in the public domain (*"undisturbed"*).

With regard to the application of the Stock Exchange valuation method, EGP Directors Report shows that, both for Enel and EGP, the prices were not taken into consideration after October 26th, 2015, that is the last day of the open market before the joint press release of the Companies by which, following press leaks, the latter made known to the market that a possible corporate merger of EGP's business within Enel was under consideration.

The application of the Stock Market prices method enabled EGP Directors to identify the minimum and maximum price of EGP and Enel shares in the twelve months before October 26th, 2015.

With reference to EGP only, at the time of the market price analyses, EGP Directors also considered the premiums, compared to the market prices, paid out in specific merger transactions between a company operating in renewable energy and the respective parent company (specifically, EDF / EDF Energie Nouvelles and Iberdrola / Iberdrola Renovables). EGP Directors Report shows how the premiums seen in these transactions were applied to the *undisturbed* market prices, measured over certain time horizons, and how a price range for EGP shares was calculated that was then compared to the closing price of Enel shares recorded on October 26th, 2015, for the purpose of obtaining a range of exchange ratio values.

*5.5.3 Analysis of the exchange ratio implicit in Enel and EGP target prices published by brokers and the main investment banks as a control method*

This method consists in analysing the *Target Price* of the research analysts that cover EGP and Enel shares.
As with the analysis of stock market prices, the results deriving from the application of the method in question emerge from a different logical process to that applied to traditional valuation methods, that is, based on the explicit assumptions of the evaluator regarding the

expected future flows, the time scale and the level of risk to the current and perspective capital.
EGP Directors nevertheless state that the analysis of the *Target Price* by the analysts is an indication of the value of a company whose shares are listed on the stock market, in that they complete the framework of valuation references.
As with the valuation approach adopted at the time of the application of the stock market methods, EGP's Directors did not consider the researches made available by brokers after October 26th, 2015, either in relation to Enel or EGP shares.

### 5.6. Summary of the results arising from the application of the valuation methods adopted by EGP Directors

The periods for the Exchange Ratio that EGP Directors obtained by applying the valuation methods described in the previous paragraphs are given below:

| Valuation Methods | Exchange ratio | |
|---|---|---|
| | Minimum | Maximum |
| **Discounted Cash Flow** | 0.37 | 0.54 |
| **Stock Market valuation** | 0.38 | 0.51 |
| **Stock Market valuation with reference to premiums in comparable transactions** | 0.47 | 0.52 |
| **Brokers target prices** | 0.28 | 0.57 |

### 5.7 Valuation difficulties encountered by EGP Directors

In accordance with articles 2506-*ter* and 2501-*quinquies* of the Italian Civil Code for the purpose of carrying out the valuation analyses described above, EGP Directors report the following difficulties:

- the forecast data, the estimates and economic-financial projections used for the purposes of the respective valuations are, by their nature, uncertain as regards the effective predictability of the operating performance and expected future income, including possible variations in the context of reference;
- the high volatility of the current context in the financial markets, which are susceptible to significant changes with potential impact on some valuation amounts including, by way of example, the parameters used for the calculation of the WACC;
- the “sum of the parts” approach used in the DCF method made it necessary to carry out a complex allocation of certain economic, financial and equity amounts to the individual assets subject to valuation;
- trading in Enel and EGP shares displays a varying degree of liquidity, preventing the uniform application of the Stock Exchange valuation method;
- in applying the objective price method used for researches by financial analysts, the reports published before the approval of the new Enel Business Plan and the new EGP Business Plan and the estimates and expectations could be different, even significantly, compared to Enel and EGP Business Plans recently approved by the respective Boards of Directors;

– the methods based on the stock market multiples or deriving from comparable transactions were not judged to be relevant since the innate comparability of the companies involved in the transaction is invalidated by differences that mostly concern the regulatory context, the duration and characteristics of incentives, the different geographical and technological mix and the development projects regarding installed capacity.

### 5.8 The Exchange Ratio

On the basis of the valuation methods described above, on November 17th, 2015 the Boards of Directors of Enel and EGP, considering the share values as determined above and the consequent range of share exchanges, after having examined and incorporated the valuations and the Fairness Opinion of the respective Advisors and, as with EGP, having taken note of the favourable reasoned opinion of the Related Parties Committee, approved the following Exchange Ratio between EGP shares and Enel shares, which is within all the valuation ranges indicated in the previous paragraphs 5.3 and 5.6:

**0,486 Enel Shares with a nominal value of 1 euro**
**for each EGP share with a nominal value of 0,20 euros.**

No cash adjustments are envisaged.

## 6 WORK CARRIED OUT

In performing our task, we have carried out the procedures required for the correct exectuion of the task according to the consolidate practice, and in particular, we have:

– analysed the Demerger Plan and the respective attachments;

– carried out a critical reading of the Directors Reports, in addition to the Fairness Opinion and the Documents of the Advisors appointed by the Boards of Directors of Enel and EGP in order to check the uniformity of the procedures followed by the Company Directors in determining the Exchange Ratio, as well as the uniformity of the application of the valuation methods;

– analysed, on the basis of the discussions with the Management of the Companies and their respective Advisors, the work carried out by them to identify the Exchange Ratio determination criteria in order to confirm their suitability and that, under the circumstances, they are reasonable, justified and not arbitrary;

– confirmed, with the results given in this report, that the reasoning of the Directors of both Companies does not contradict the valuation methods adopted by them for the purpose of determining the Exchange Ratio;

– considered the elements required to ascertain that these methods were technically suitable, under the specific circumstances, for determining the Exchange Ratio;

– checked the consistency of the data used against the sources of reference and the documents used, described in the previous paragraph 4;

– checked the mathematical accuracy of the calculation of the ranges of exchange ratios identified by the Directors of the Companies by applying the valuation methods selected by them;

- carried out independent sensitivity analyses of the methods adopted by the Boards of Directors for the valuation of Enel and EGP, with the aim of checking how much the results could be influenced by variations in the valuation assumptions and the parameters used;
- carried out independent analyses on the trends in the stock market prices of Enel and EGP over different time periods, and checked the accuracy of the Directors calculations;
- through discussions with the Managements of the Companies and their respective Advisors, gathered information concerning events after the provision of the Reference Situations, and obtained specific, express representations that, as far as the administrative bodies were concerned, no significant variations had occurred, nor facts and circumstances that would make significant changes to the data and the information taken into consideration in conducting our analyses, nor did any events occur that would change the valuations of the Directors in determining the Exchange Ratio.

The aforementioned activities were carried out to the degree deemed necessary for the purposes of the engagement, indicated in the previous paragraph 3.

## 7. COMMENTS AND CLARIFICATIONS ON THE SUITABILITY OF THE VALUATION METHODS ADOPTED BY THE DIRECTORS TO DETERMINE THE SHARE EXCHANGE RATIO

With reference to this engagement, we consider it appropriate to underline that the main purpose of the Directors decision-making procedure was the estimate of the economic values regarding Enel and EGP, carried out through the application of uniform criteria for the purposes of obtaining values for comparison.
In the valuations for demerger transactions, in fact, the ultimate purpose is not so much the determination of the absolute values of the economic capital of the companies concerned, but rather the identification of values for comparison when determining the Exchange Ratio.
For this reason, the valuations for demerger transactions have significance as relative figures and cannot, by themselves, be taken as estimates of the absolute value of the companies with regard to the various operations.

The Directors accurately fixed the Exchange Ratio to be submitted to the approval of the respective Shareholders General Meetings, identifying it within the range of values determined with the aid of their respective Advisors.
The final determination of the Exchange Ratio by the Directors, considered also the contractual dynamics between the parties as underlined in the resolutions of the Boards of Directors of November 17$^{th}$, 2015, set the level at 0,486 Enel shares for every 1 EGP shares. On said value the Advisors issued the fairness opinions and the Advisors Documents summarized in para. 4.
The Reports provided by Enel and EGP Directors to illustrate the Demerger transaction indicate the methods adopted by the same, with the aid of their respective Advisors, and the results obtained for each of these for the purposes of determining the Exchange Ratio.
In this regard, we express below our considerations on the suitability in terms of reasonableness and non-arbitrary nature of the valuation methods adopted by Enel's and EGP's in determining the Exchange Ratio, as well as their correct application.

- The overall methodological approach adopted by the Directors is in line with valuation practices and the prevailing professional technique. The valuation of Enel's and EGP's economic capital was carried out by the Boards of Directors for the specific purposes of the transaction in question, using commonly accepted methods that are widely shared in professional practice.

- In the application of the valuation methods selected by them, the Directors have properly considered the characteristics and limits implicit in each, on the basis of the professional valuation techniques normally followed both nationally and internationally.

- The Companies were valued using multiple methods, in accordance with an approach widely accepted in professional practice since it enables the estimated relative values for each Company to be verified. In particular, the adoption by the Directors of multiple methods enabled them to achieve considerable analytical coverage which led to the identification of a range of exchange ratios, also confirmed by the Fairness Opinion and the Advisors Documents.

- As mentioned, in consideration of the specific characteristics of the transactions, the Boards of Directors carried out valuations of the Companies from the perspective of expressing an estimation of their values, giving prominence to the uniformity and comparability of the criteria adopted. The valuation criteria selected by the Boards of Directors are therefore underpinned by a principle of uniform valuation that is able, at the same time, to consider the specific characteristics of the individual companies involved. In this context, the choice made by the Boards of Directors appears, under the circumstances, to be reasonable and not arbitrary.

- The valuation of Enel and EGP were carried out by the Directors from a standalone point of view, that is, irrespective of any considerations concerning the impact of any operational, financial or other kind of benefit expected from the Demerger. These possible benefits, while susceptible to generating incremental value, do not influence the definition of the relative value of the Companies for the purposes of determining the Exchange Ratio. This choice was reasonable and appears to be in line with the consolidated guidance of the best corporate doctrine and with the established practice for this type of transaction.

- In the case in point, Enel Directors decided to use several methods (the Stock Market valuation method, the DCF method with the sum-of-the-parts approach and the financial analysts target prices method), giving them equal weight, which removed the need to identify criteria of relative importance, or the use of verification methods. EGP Directors instead decided to use, for each of the companies being valued, two main methods (DCF with the sum-of-the-parts approach and the Stock Market valuation method) and a verification method (financial analysts target prices method). Both approaches seem reasonable and are used equally in professional valuation practice.

- The choice of the Directors of both Companies to adopt, for the purposes of their respective valuations, both economic-analytical criteria and market criteria, appears reasonable and not arbitrary under the circumstances. The analytical type and market methods are currently the most widely applied, in consideration both of the solidity and consistency of the underlying theoretical principles and the greater familiarity among investors, experts and international observers.

- The use by the Directors of the DCF method to value both Companies is in line with current practices and professional technique. The DCF method is widely used in international corporate practice and is one of the methods based on forecast cash flows, recognised by the academic commentators and the generally accepted valuation principles. In this regard, a summary of the theoretical characteristics of the valuation method in question and the choices made for the identification of certain parameters are given in the Reports of both Boards of Directors. The Directors' decisions in this regard were checked by us, including on the basis of the detailed documentation made available by the Directors and their respective Advisors, and were appropriate from a technical and logical point of view.

- The DCF method was applied by both Boards of Directors based on the so-called sum-of-the-parts criterion ("*SOTP*"): the value of the economic capital of each of the two Companies was therefore determined by the Directors as the sum of the values of its individual assets, regarded as independently valued economic entities. The valuation of the various economic entities was then carried out by the Directors through the provision of appropriate DCFs for each of them, using various assumptions and WACC and Terminal Value estimates, in line with the profile of the individual assets. This approach, often adopted for the valuation of companies operating in various areas of business or asset classes since it enables the respective specificities to be fully taken into account, appears appropriate and in compliance with the principles laid down by the best academic commentators. Enel and EGP Directors and their respective Advisors used a timescale of ten years for the projections in the Business Plan, adopting a uniform approach in the application of DCF to both Companies.

- The reference to the Stock Market valuation method, identified by the Directors of both Companies as the main method, is commonly accepted and used at the national and international level, and is in line with the established professional practice, when dealing with companies whose shares are listed on regulated markets. In effect, the Stock Market prices are usually an essential parameter for the valuation of listed companies. The stock market prices, in fact, in an efficient market, express the value assigned by the market to the shares being traded and consequently provide significant indications concerning the value of the company to which the shares refer, since they reflect the information available to analysts and investors, as well as their expectations for the economic and financial progress of the company.

- In applying the stock market method to the case in point, the Directors of the two Companies used values found over time periods of different lengths, starting with reference dates preceding those of the respective Reports. Enel Board of Directors analysed the trend in Enel and EGP shares over various time periods before October 1$^{st}$, 2015 (the date when Enel Board of Directors resolved to start the process of analysis and study of the operation) and October 27$^{th}$, 2015 (the date of the joint press release of the Companies following the spreading of rumours on the market concerning a possible Demerger or similar operation). In turn, EGP Board of Directors analysed the trend in Enel and EGP shares over different time periods before October 27$^{th}$, 2015, the date of the aforementioned joint press release by the Companies. The choice of the Directors to conduct their analyses over different time periods using different reference dates in order to consider only so-called undisturbed time periods, and so not influenced by news of the operation spreading around the market, appears in line with the best academic commentators and valuation practices and should therefore be considered reasonable and not arbitrary.

- From the perspective of the length of the time periods taken as reference for the purpose of finding the average Stock Market price, it is emphasised that the Directors of the Companies took different approaches.

- Specifically, Enel's Directors took as reference the implicit exchange ratios found daily on the basis of the respective Enel and EGP share prices on the Stock Market. These implicit exchange ratios were observed (i) as accurate values on the days of September 30th, 2015 and October 26th 2015; (ii) as averages at 1, 3, 6 and 12 months starting from the dates indicated in (i); (iii) as averages, starting from the dates indicated in (i) at the date of EGP's listing in November 2010. For information, the values of the implicit exchange ratio found by the Directors over the aforementioned time periods are given in the table below:

| Date of reference | Peak | 1 month average | 3 month average | 6 month average | 12 month average | Average from IPO |
|---|---|---|---|---|---|---|
| 30 September 2015 | 0.42x | 0.42x | 0.43x | 0.42x | 0.44x | 0.49x |
| 26 October 2015 | 0.44x | 0.43x | 0.43x | 0.42x | 0.44x | 0.49x |

The lower (0.42x) and higher (0.49x) values among those found in the aforementioned surveys, shown in grey in the above table, were identified by Enel's Directors as the limits of the Exchange Ratio range with regard to the Stock Market valuation method.
The choice of ENEL's Directors with regard to these reference periods, indubitably broad compared to those usually found in professional practice, especially the upper part of the range, was justified by the need to neutralise any short-term fluctuations in the level of the prices of the two shares, giving at the same time suitable importance to the prices in more recent trading. Enel's Directors, in fact, deemed that the entire time period was relevant for the purpose of identifying the Exchange Ratio range, starting from November 2010 when EGP's listing began. In our opinion, this decision can reasonably be attributed, under the circumstances, to the need to consider the effects of the Demerger with regard to EGP's shareholders, other than Enel, taking account of the original IPO.

- With reference to the methods selected by EGP's Directors as part of the Stock Market valuation method, it is noted that they observed the trends in the official price of Enel and EGP shares over the 12 months before October 27th, 2015. On the outcome of the analysis, Directors took as reference the minimum (0.38x) and maximum (0.51x) values of the implicit exchange ratios recorded daily over the aforementioned time period of reference. The choice of method by EGP Directors with the aid of their Advisors is commonly found in valuation practices for these types of transactions and is also justified on the basis of the need to reach a balance between mitigation of any short-term volatility, which would make a longer timescale preferable, and the need to reflect the most recent market conditions and the situation of the company to be valued, which would favour the most recent prices.

- With reference solely to the valuation of EGP, as part of the analysis of the market prices, EGP Directors decided to consider also the premiums, compared to the market prices same, paid out in two previously selected transactions deemed comparable with the one in question, as the results of a merger between the company operating in the renewable energy sector and the respective parent company with diversified assets in the energy sector (specifically, EDF / EDF Energie Nouvelles and Iberdrola / Iberdrola Renovables). EGP Directors applied the premiums seen in these transactions to the undisturbed market prices of EGP shares measured over time periods of 1 (premiums found by the Advisors Mediobanca and Barclays respectively of 13.1% - 13.3%) and 12 months (premiums found respectively of 27.1% - 21.3%) The price range obtained by applying the premiums to EGP share was compared with the closing price of Enel shares recorded on October 26th, 2015, enabling EGP Directors to identify a range of Exchange Ratio values between 0.47x and 0.52x.

– The method of the objective prices expressed by financial analysts belongs to the market criteria and enables the value and attraction of a company to be appreciated on the basis of the information available to the market at the time of the valuation about the company and its sector of reference. As mentioned, Enel Directors gave equal importance to the method in question and the other methods used (DCF and Stock Market valuation). EGP Directors, on the other hand, used the objective price method as a verification method. In the specific case, the choice of both Enel and EGP Directors to use, with reference to the Companies, only the reports of analysts published before October 26th, 2015, and so not influenced by rumours about the transaction, appears reasonable, justified and not arbitrary.

– The sensitivity analysis drawn up by us to assess the impact of variations in the different valuation assumptions and the parameters used as part of the methods adopted by the Directors, as well as the analysis of the accuracy, including mathematical, of their application, confirm the reasonableness and non-arbitrary nature of the results obtained by the Directors.

– As regards the additional methods that the Directors decided could not be used in the case in point, the Reports provide appropriate explanations. Enel Directors expressly state that they did not take into consideration, as part of their valuation process, the method of market multiples, which consists in applying to the company a series of multipliers implicit in the market value of comparable listed companies. This decision was justified since this method was not considered relevant or sufficiently reliable, given the limited comparability of the Companies with other listed operators, as well as in consideration of the significant presence of minority shareholders as regards Enel. EGP Directors, in turn, justified the lack of consideration, for the purposes of their valuation process, both of the stock market multiples method, and the additional method of multiples of comparable transactions (on the basis of which, as is well known, the multiples are drawn from acquisition transactions involving companies of comparable sizes and characteristics). EGP Directors attributed their choice to the fact that the innate comparability of the Companies was deemed to have been influenced by differences mainly concerning the regulatory contexts, duration and characteristics of the incentives, the different geographical and technological mix and the development plans with regard to the installed capacity. The decisions of the Directors, therefore, appear justified and not arbitrary under the specific circumstances.

In line with current practices for this type of transaction, on the basis of the ranges resulting from the different methods developed respectively, the Exchange Ratio that will be proposed to the respective Shareholders General Meetings (equal to 0.486 Enel shares for every 1 EGP share) was defined by the Directors of the Companies, also taking account of the negotiation phase between the parties. The Exchange Ratio, subject of this opinion, places itself generally in the high band of ranges identified through the application of each of the selected methods and remains within the ratios ranges identified both by Enel and EGP Directors. This is a further confirmation, in terms of reasonableness and non-arbitrariness, of the adequacy, under the circumstances, of the considerations of this paragraph.

## 8. SPECIFIC LIMITS ENCOUNTERED BY THE AUDITOR AND ANY OTHER IMPORTANT ASPECTS ARISEN IN CARRYING OUT THE ENGAGEMENT

*i)* With regard to the difficulties and limits encountered in carrying out our engagement, attention is drawn to the following:

– The valuations by the Boards of Directors, through the application of the DCF method are based on economical and balance sheet forecasts taken from the Companies' business plans. It must be emphasised that the forecast data and assumptions used by the Directors for the purposes of their work, by their nature, contain elements of uncertainty, also due to the prolonged period of projection, and are subject to variations, also significant, in the event of any changes in the market context of the macroeconomic scenario and the legislative and regulatory framework of reference in the sector. It should also be noted that, due to the uncertainty connected to the realisation of any future event, both as regards the event actual occurrence and the degree and time of its occurrence, the deviation between the final values and the forecast data could be significant, even if the assumed events forecasted actually occur.

– The application of the DCF method with the "sum of the parts" approach required the used of economic, financial and balance sheet data concerning the individual business areas or the countries in which the involved companies operate, making difficult to allocate the items to the individual business units /countries and some estimates.

– The valuations based on methods that use variables and market parameters, such as the stock market valuation method and the target prices expressed by analysts, are subject to the trends of the financial markets. The performance of the financial markets, both Italian and international, tends to display significant oscillations over time, especially with regard to the uncertainty in the general economic framework. The trend of the shares may also be influenced by speculative pressure, upward or downward, entirely unconnected with the economic and financial perspectives of the individual companies. The application of market methods can identify, therefore, different values, to a greater or lesser degree, depending on the time when the valuation is made.

– In determining the Exchange Ratio, subject of this opinion, the Directors did not use, either for the purpose of the main methods or as a verification, the market multiples method or the multiples of comparable transactions since the Directors deemed them inapplicable in the case in point. In the Directors Reports, the reasons for these methodological choices are explained, already examined in the previous paragraph 7.

– The Directors Reports do not directly illustrate the analytical details regarding the different parameters used for the development of the various methods and the ranges of unit values of Enel and EGP found by the application of each of the selected methods. These elements and details were, however, made available to us, in accordance with professional practice, by the Directors and Advisors among the overall documentation requested by us and used in carrying out the work.

*ii)* Attention is also drawn to the following important aspects:

– The effectiveness of the Demerger depends on the overall liquidation value of EGP shares, in relation to which the Right of Withdrawal and the Right of Sale may be validly exercised, being no higher than 300.000.000,00 euros. According to the Directors

Reports, this suspensive condition will likewise be met also if the abovementioned limit will be exceeded, should Enel, within 60 calendar days from the registration with Rome Companies Register of the last Shareholders General Meeting resolutions of approval of the Demerger under article 2502 of the Italian Civil Code, declare its intention to proceed with the acquisition of all the shares for which the aforementioned rights were exercised.

- The Demerger will be submitted to the Shareholders General Meetings of Enel and EGP, based on the financial situations of the Companies at September 30th, 2015, attached to the Demerger Plan. The Directors Reports state that the balance sheet assets and liabilities and the legal relations included in the Demerger Perimeter will be those actually in existence at the date of validity of the Demerger, therefore also including the variations that will occur as a consequence of the company's operating dynamic, from the date of reference of the financial situation at September 30th, 2016 to the date of effect of the Demerger. Any differences in consistency of these elements and relations in the Demerger Perimeter between September 30th, 2015 and the date of validity of the Demerger will lead to the registration of receivable/payable entries, between the demerged companies and the beneficiary company.

- The Directors report that for EGP the Demerger amounts to a relevant transaction with related parties, in accordance with the OPC Regulations and the procedure on transactions with EGP related parties. Therefore, EGP Board of Directors approved the Demerger Plan, thanks to a previous favourable opinion of the EGP Related Parties Committee on the interest of the latter in the completion of the transactions, as well as the advisability and substantial fairness of the respective terms and conditions. On November 24th, 2015, EGP published the respective "*Information document on transactions of major importance with related parties"* drawn up in accordance with article 5 of the OPC Regulations, including the opinions of the EGP Related Parties Committee and the OPC Advisors Committee, summarised in the previous paragraph 4. As regards Enel, on the other hand, the Directors state that the Demerger, although carried out with a related party, was deemed to be exempt from the application of the appropriate procedure for the regulation of transactions with Enel related parties since the transaction was carried out with a subsidiary company in which there are no significant interests of other related parties, in accordance with article 14, paragraph 2 of the OPC Regulations and article 13.3, letter d), of the procedure on transactions with Enel related parties. Any consideration regarding the decisions of the Directors about the applicability of the regulations on transactions with related parties in the case in point is obviously beyond the scope of our work and our opinion; also the interest of the Companies in carrying out the transaction and the substantial fairness of the respective terms and conditions are beyond the scope of our opinion.

- Any consideration regarding the determination of the Directors of the structure of the transaction, the respective obligations and the launch and execution of the operation itself is also beyond the scope of our work.

- As mentioned in the previous paragraph 2, the Demerger will lead to the allocation of the Demerger Perimeter to Enel which, on the date of validity of the Demerger, will increase its share capital by a maximum of 1.769.040.000,00 shares in favour of EGP's shareholders. These shares will then be issued as contribution in kind of the Demerger Perimeter, which, in compliance with the provisions of article 2506-*ter*, paragraph 2 of the Civil Code, was subject to valuation by KPMG S.p.A. as expert in compliance with the provisions of article 2343-*ter* para. 2, lett. b) of the Italian Civil Code. In accordance with the aforementioned regulations, the amount of Enel capital increase for the Exchange Ratio may not be higher than the value attributed to the Demerger Perimeter by the valuation report of this expert. We believe it is advisable to point out that the purpose of this opinion is solely to give our considerations on the suitability, in terms of reasonableness and non-arbitrariness, under the circumstances, of the criteria adopted by the Directors to determine the Exchange Ratio, as well as the correct application of the aforementioned criteria. Any consideration regarding the methods described in the paragraph "*Valuation methods used for the purpose of the valuation of the Demerger Perimeter"* and in the paragraph "*Valuation methods used for the purpose of determining the value of the Demerger Perimeter and the percentage ratio between the value of the Demerger Perimeter and Enel Green Power (before the demerger)"* included in the Reports of both companies Directors, is consequently beyond the scope of this opinion, as well as the actual methods of application, that have been, on the contrary, considered by the expert identified in accordance with article 2343-*ter* para. 2, lett. b) of the Italian of the Civil Code.

– The Directors Reports do not mention any time constraints on the availability of newly-issued Enel shares, with the consequent full right of each EGP shareholder, following the delivery of the new Enel shares on the completion of the Demerger, to trade the aforementioned shares at the market prices existing at the time of the respective negotiation.

– There are no increases in share capital already resolved by Enel and EGP for either stock option plans or the issue of warrants or bonds convertible into shares of the Company.

*iii)* Attention is also drawn to the following assumptions on which this opinion is based:

– the valuations by the Directors are based on the assumption that, for each of the Companies involved in the Demerger, no events, facts or acts have occurred that would significantly change the economic and financial profile of the same, and the respective valuations, in the period between the date of the last statutory and consolidated financial statements available and the date of the Director Reports. This opinion is based on the assumption same and on its continuation until the date of the decisions of the shareholders in the respective General Meetings concerning the Demerger, called for January 11th, 2016.

– The valuations by the Directors do not consider the possible exercise of the Right of Withdrawal and the Right of Sale by EGP shareholders who do not agree with the relevant resolutions and their possible effects and future impacts, since these are currently deemed not to be quantifiable by the Directors. This opinion assumes that any exercise of these rights would have no effect on the Exchange Ratio.

## 9. CONCLUSIONS

On the basis of the documents examined and the aforementioned procedures, considering the nature and extent of our work as illustrated in this report, as well as the indications given in the previous paragraph 8, we believe that the valuation methods adopted by the Companies' Directors, with the aid of the respective Advisors, were suitable and, under the circumstances, reasonable and not arbitrary and that they were applied for the purposes of determining the Exchange Ratio **of 0,486 Enel S.p.A. shares with a nominal value of 1 euro for every 1 share of Enel Green Power S.p.A. with a nominal value of 0,20 euros. No cash adjustments are envisaged.**

Rome, 10 December 2015

This opinion is a translation into English of the original one redacted in Italian. In the vent of any discrepancies between the Italian original and this translation the Italian language version shall always prevail.