

Enersis capital increase

Endesa Perspective

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Endesa perspective

- The Transaction proposed to the General Meeting of Enersis of 13 September consists of a capital increase of up to US\$8,020m by Enersis. It will require the approval of 2/3 of shareholders:
 - Endesa will participate through the contribution of all the stakes in Latam held directly by the company (valued at US\$4,862m by an Independent Expert appointed by the Board of Enersis)
 - The remaining shareholders of Enersis would be able to participate in the capital increase with cash contributions of up to US\$3,158m so as to maintain their existing level of participation in Enersis.
 - **The General Meeting is the sole authority to approve the valuation of the stakes and the resulting size of the capital increase and could therefore establish a different quantum for the capital increase and therefore a different cash amount to be contributed by other shareholders**

- Endesa has proposed this transaction to the Board of Enersis with a view to:
 1. **Increase the economic interest of Enersis** in the companies which it controls and operates, thus significantly reducing the gap in financial metrics at the level of Enersis between EBITDA (100%) and Net Income consolidation (currently 43%).
 2. **Provide Enersis with additional capital** to allow it to accelerate the company's growth plan in the context of the opportunities in the region. The cash raised in the capital increase will be used exclusively to accelerate a solid growth strategy and simultaneously undertake minority acquisitions, greenfield projects and regional M&A (described later in this document)
 3. **Eliminate the overlap of Endesa investment vehicles** in the region and make Enersis the **sole investment vehicle of Endesa in the Latam region**
 4. **Maintain the current level of Endesa shareholding** and commitment to Enersis in this context of accelerated growth.
 5. **Protect the financial strength of Enersis** in even in a phase of strong growth : the delicate global financial environment and the history of crises in the region suggest the need for a flexible balance sheet to be able to sustain a constant growth path

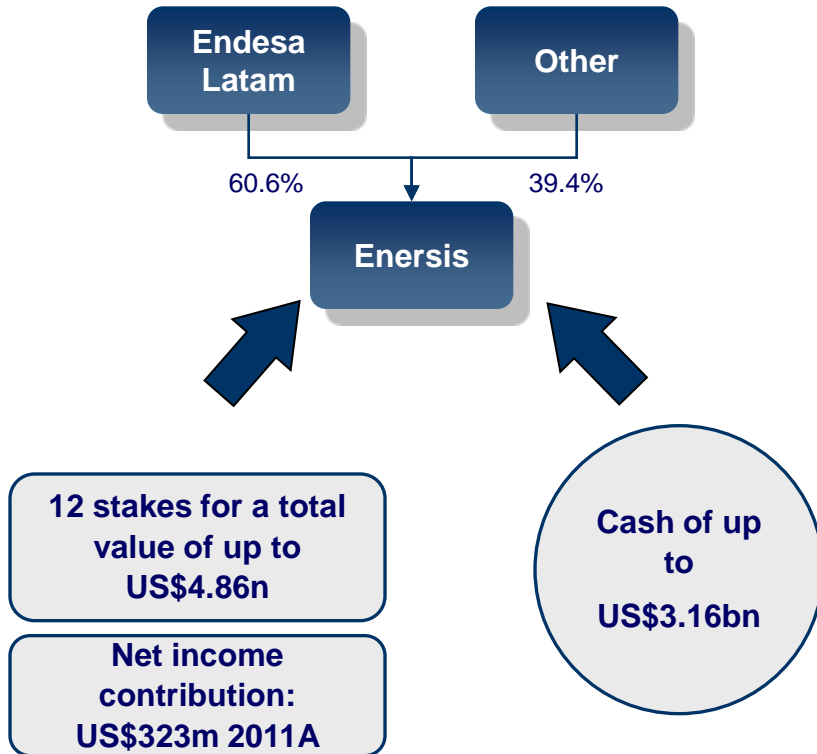
Endesa perspective

- Endesa considers that:
 - This capital increase will not lead to changes in the dividend policy of Enersis: Endesa has no intention of proposing to the governing bodies of Enersis that the funds raised be used for the payment of extraordinary dividends.
 - The funds raised through the capital increase will not be used in any way to make loans to the controlling entities of Enersis
 - Endesa Chile will continue to be the investment vehicle for Enersis in generation activities.

Endesa considers that the Transaction (if approved) generates significant benefits for Enersis and all the shareholders of Enersis and urges the other shareholders to participate in the General Meeting of Enersis of 13 September.

Proposed transaction

Enersis capital increase of up to US\$8.02bn



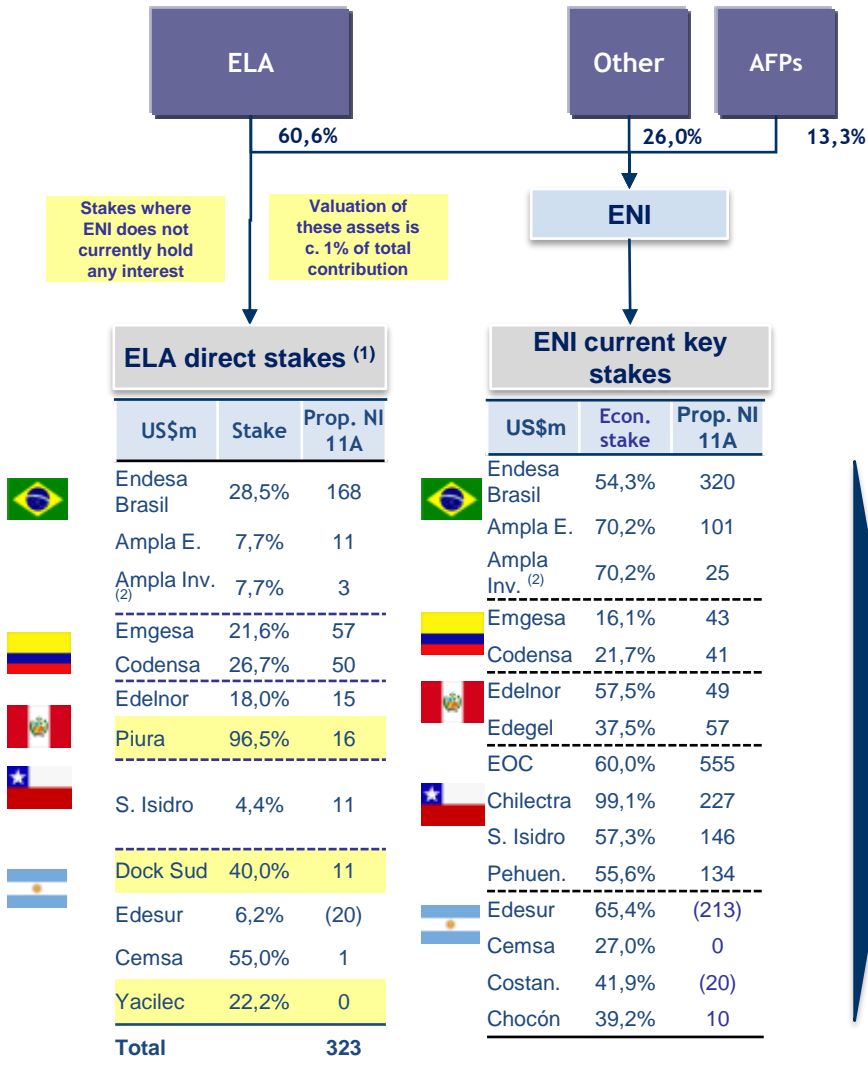
Positive financial impact for Enersis

US\$m	Pre	Post
NI 2011A	777	1,100
NI 2011A consol.	43%	c.60%

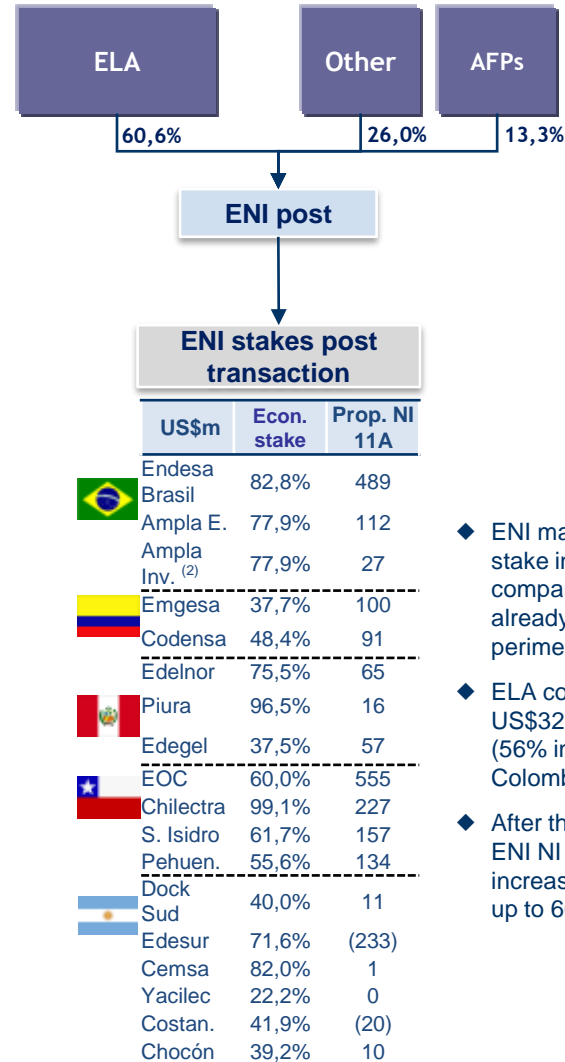
- Enersis net income would increase from current USD 777m up to USD 1,100 m
- Net income consolidation would increase from current 43% to c.60% post contribution. Consolidation could increase further after the growth plan is undertaken

ENI structure pre/post asset contribution

Current structure



Post transaction (100% subscription in capital increase)



- ◆ ENI mainly increases its stake in currently controlled companies (9 out of 12 are already included in the ENI perimeter)
- ◆ ELA contributes additional US\$323m of Net income (56% in Brazil, 33% in Colombia and 10% in Perú)
- ◆ After the asset contribution, ENI NI consolidation would increase from current 43% up to 60%

(1) Figures from public Enersis consolidated results
 (2) Ampla Inverimentos holds a 20.6% economic stake in Coelce

New value drivers for Enersis

1 Consolidate role as main Latam player

- ENI will be reinforced as the main Latam energy player and will be able to lead future consolidation processes in the region
- Assets contribution from ELA is a message to the market of the Enersis role as the sole Endesa vehicle in Latam
- ENI would be the investment platform of Grupo Endesa in Latam

2 Growth acceleration

- **Investment alternatives menu:**
 1. Minorities acquisition at attractive valuations, with a positive financial impact in ENI
 2. M&A activity increase: generation and distribution
 3. Greenfield projects: mainly in generation
- There are different profitable investment opportunities to invest the US\$ 3.16 bn of additional equity, but the plan is scaleable and compatible with a lower take-up in the cash capital increase
- A stronger financial profile allows a higher flexibility in the pay-out, compatible with a profitable growth plan
- Profile of potential investments allows for a strong start to the investment of the additional resources in 2013

3 Improved valuation ratios

- **Economic interest increase in stakes held by Enersis has various effects:**
 - Net income consolidation would increase from current 43% up to 60% after assets contribution
 - This percentage could significantly increase with the reinvestment of the cash resources raised in the capital increase
 - This increase reduces the “dividend leakage” and allows a higher financial flexibility to Enersis
 - Equally, certain value indicators become more important, such as EBITDA multiples (given the reduction of the gap between EBITDA consolidation and Net income consolidation)

4 Improved industrial profile

- Increased weight in markets with a high potential (Colombia, Brazil and Peru) from 27% up to 53% of proportional EBITDA. Final mix would be modulated via new investments
- US\$323m of additional Net income received from ELA (56% in Brazil, 33% in Colombia and a 10% in Peru)
- Increases stake in currently controlled companies without consuming managerial resources

5 Higher presence in capital markets

- 65% free float increase of up to US\$8.0bn (currently US\$4.9bn)
- Increase in index weight could drive demand increase: currently holds a 6% weight in the IPSA index, reaching a 10% post transaction

6 Coherent with current financial situation

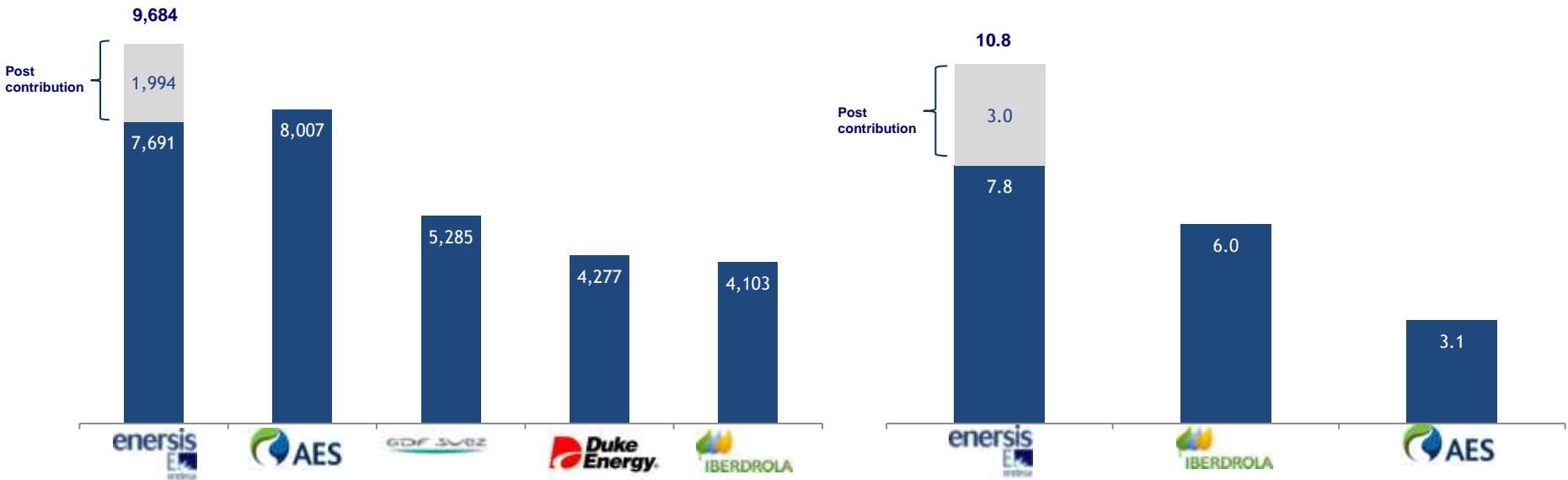
- Protect a solid rating and dividend policy in a strategy context of accelerated growth and global turbulence

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Consolidate role as main Latam player

Installed capacity (prop. MW) ⁽¹⁾

Clients (prop. m) ⁽²⁾



- The proposed transaction would permit ENI to maintain the leadership in a context of fast growing competitors
- Transaction would make ENI the main Pan Latam player by installed capacity and distribution clients
- ENI would be positioned to lead consolidation in the sector

(1) Proportional MW received in the contribution

(2) Proportional clients received in the contribution

High potential for accelerated growth – Menu





Minorities acquisition of ENI Group ⁽¹⁾

Company	Country	Stake to acquire
Endesa Brasil		4,2%
Coelce		41,1%
EOC ⁽²⁾		5,0%
Chilectra		0,9%
Pehuenche		7,3%
Emgesa		51,5%
Codensa		51,5%
Edegel		37,5%
Edelnor		24,3%
Inversión total	≥4.000	

(1) Subject to market conditions and investors willingness to transfer their stakes

(2) Current stake of Endesa is 60%. Endesa by-laws do not permit exceeding the 65% stake threshold

Investment in Greenfield projects

Project	Country	MW	Investment (US\$m)
Projects communicated to SVS		5,205	
Tabajara		178	
Sumauma (Aripuana II)		234	
Prainha (Aripuanã I)		406	
Puelo		849	
Campohermoso		138	
Oporapa		271	
Cuenca del Río Marañón		900	
Other projects sample		2,976	
Other non specified projects		3,219	
Total		11,400	> 16,000

M&A opportunities

Country	Description	Investment (US\$m)
<i>Undisclosed</i>		> 6.000

Menu of total investments for Enersis of more than US\$ 20,000 m greatly exceeds current financial capacities of Enersis, even with additional leverage

Higher presence in capital markets

Key considerations of the capital increase

- Capital increase should improve the liquidity of the stock
- Free float could increase c. 65% (US\$3.16bn in absolute terms over current US\$4.9bn)
- Free float increase could derive in an increase in the shares traded daily
 - ADTV (6m) in Chile would increase up to 34m shares (US\$13m) up 65% from current 20m shares (US\$8m) (or c. 0.2% of free float)
 - ADTV (6m) of ADRs (US) would increase a 65% up to c. 0.9m of ADRs (US\$17m) from current c. 0.5m ADRs (US\$10m)
- Enersis would be positioned as the second largest Chilean company by market cap and the first by weighting in the IPSA index

Enersis weight in IPSA index post transaction ⁽¹⁾

Position Post	IPSA Index Top 20 companies	Index weight	Mkt Cap (CLP bn)
1	Enersis post transaction	9,79%	10.088
2	Empresas COPEC SA	8,90%	9.216
3	Empresa Nacional de Electricidad SA/Chile	6,86%	6.954
4	Latam Airlines Group SA	6,64%	5.731
	Enersis pre transaction	6,18%	6.118
5	Sociedad Quimica y Minera de Chile SA	6,11%	7.459
6	Banco Santander Chile	5,61%	6.929
7	Cencosud SA	5,44%	6.974
8	CAP SA	4,61%	2.725
9	Empresas CMPC SA	4,56%	4.143
10	SACI Falabella	4,49%	11.069
11	Banco de Credito e Inversiones	3,66%	3.207
12	Banco de Chile	3,14%	6.017
13	Colbun SA	3,01%	2.414
14	ENTEL Chile SA	2,57%	2.303
15	Aguas Andinas SA	2,26%	1.887
16	Antarchile SA	2,19%	3.468
17	Sociedad Matriz Banco de Chile	1,85%	1.948
18	Molibdenos y Metales SA	1,75%	1.030
19	Cia Cervecerias Unidas SA	1,73%	2.043
20	AES Gener SA	1,63%	2.251

Potential improvement in index position

(1) Estimation based on IPSA index weighting as of 24 July 2012 (Source: Bloomberg)

Coherent with current financial situation

ENI financial situation as of 31 December 2011

	US\$m
Consolidated	
Financial debt	7.573
Short term	1.287
Long term	6.285
Total cash	2.351
Net debt	5.222
Net debt / EBITDA	1,2x
Individual	
Net debt	1.085
Total cash	633
Capex 2012 – 2016	
Generation (Greenfield and maintenance)	3.160
Distribution (organic and maintenance)	4.022

Source: Enersis data

Rating profile (2006 - 2011)

	2006	2011	Differential with Chile Republic
Moody's	Baa3	Baa2	5 notches (Aa3)
S&P	BBB	BBB+	3 notches (A+)
Fitch	BBB	BBB+	3 notches (A+)

Main considerations

- Current situation of Enersis Group:
 - At consolidated level it has a solid financial situation
 - At individual level, available cash (US\$ 0.6 bn) represent only 27% of total Group cash. The existence of minorities downstream and barriers in certain countries limit cash pooling
 - It is significant, that in the context of an improving financial situation, the rating has only improved one notch from 2006 to 2011
- Cash capital increase is an important element for the growth plan acceleration:
 - Existing significant investment commitments (US\$ 7.2 bn 2012-2016)
 - Finance M&A opportunities and minorities acquisitions to consolidate ENI as the Latam leading operator
 - A more solid financial situation, in an expansion context, is a necessary element for a stable dividend distribution policy
- Increase in shareholders equity can be a base for higher leveraging to multiply its effect. Maintaining a prudent leverage level is advisable in a growth context considering the history of regional financial crisis

Summary – The transaction, in the opinion of Endesa, is positive for Enersis and for all shareholders

- Unique opportunity to **acquire a significant set of stakes** in the whole region without increasing the industrial risk or the need for additional managerial resources
- Obtain **external resources to accelerate growth in Enersis: significant upgrade of the Enersis “growth story”** with no need to accept a higher risk financial profile or to decrease the dividend policy
- Confirmation of the **role of Enersis as the Endesa growth platform in Latam**
- Strengthening the size and resources of Enersis for a **consolidation of the sector in Latam**
- **Higher scale and liquidity of free float**
- Basis to simplify the structure and **to reduce the gap of financial indicators at Enersis level** between EBITDA consolidation and Net Income consolidation and therefore reduce the “dividend leakage”
- **Additional opportunity to invest in Chilean equity**, generally without exceeding the concentration limits of any relevant investor

Process considerations

Proposal to be considered by the General Meeting

- The transaction was presented by Endesa to the Enersis Board in June
- Taking into account the contribution in kind component, the Enersis Board, based on Chilean Law, designated an Independent Expert to value the assets subject of contribution
- The value calculated by the Independent Expert was US\$ 4,862m. Complete report available in www.enersis.cl
- Independent Expert report was presented to the Board of Enersis 25 of July
- The Board decided to call the General Meeting to consider the approval of the capital increase. The General Meeting is the sole governing body which can determine the terms and conditions of the capital increase

Main milestones

August / Sept.

- The terms and conditions of the capital increase will be proposed at a date to be determined by the governing bodies of Enersis. Terms to be set include the system of rounds and the mechanisms to set the price of the rights issue.

13 September

• General Meeting

- The capital increase can only proceed if it is approved by a majority of at least 2/3 of the shareholders.
- Endesa will maintain an open dialogue prior to the General Meeting with other shareholders to exchange opinions on the Transaction.

October

- Projected start of the subscription period