



VOLTA GRANDE - HYDRO CONCESSION BRAZIL

INVESTORS PRESENTATION

September, 29th 2017



Agenda



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Key Transaction Terms

HPP Volta Grande



- ❑ On September 27th, the Brazilian power regulator auctioned **4 hydropower plants** (*Sao Simao; Jaguará, Miranda and Volta Grande*) owned by CEMIG
- ❑ Enel Américas, through its subsidiary Enel Brasil, was awarded the concession to operate **Volta Grande** hydro-power plant (380 MW) for a 30-year period
- ❑ The tender amounted **BRL 1,419 Mn (US\$ ~445)** to be paid on November 30th
- ❑ The Company is expected to **take over** the facility in January 2018

- ❑ Enel hydro capacity in the country will increase to **1,270 MW** from the current 890 MW
- ❑ Enel Américas gets substantial opportunity of value creation due to potential **synergies** with the Cachoeira Dourada operation
- ❑ **Attractive implied return based** on a more disciplined offer strategy with a limited premium in price. Potential upside connected to the economy recovery
- ❑ **Accretive acquisition** with strong cash flow that will deliver immediate value to the Company
- ❑ Opportunity to **grow in the free market** in line with the targets announced in the Company's Strategic Plan

The Company increases by 42% its hydro capacity in the country

Volta Grande at a glance

HPP Volta Grande



HPP VOLTA GRANDE

Start of Construction and COD

- Start of Construction: 1970
- COD: 1974

Reservoir

- Area (km²): 222
- Minimum Upstream Water Level: 493.87
- Maximum Upstream Water Level : 495.47
- Municipalities: 8

Power House

- Installed Capacity (MW): 380
- Number of units: 4 (Kaplan) x 95 MW
- Garantia Fisica (MWavg): 230.6
- EOH: 5316 (Load Factor 60.7%)
- Flow per unit (m³/s): 216.5

Dam

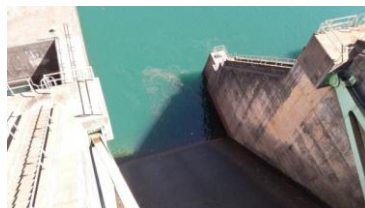
- Type: earth with rockfill
- Length: (m): 2,330
- Maximum Height (m): 56
- Crest level (m): 498



Hydro plant in excellent state of conservation

Investment Rationale

HPP Volta Grande



Strategic Plan fitting	<ul style="list-style-type: none">Sound and stable cash generation aligned with the Strategic Plan. Growth in the free market and customer focus
Energy balance	<ul style="list-style-type: none">V. Grande can mitigate the impact of own energy available as in 2027 expires the concession of C. Dourada)
Operational synergies	<ul style="list-style-type: none">Close to Cachoeira Dourada HPP: high operational & commercial synergies expected
Asset status	<ul style="list-style-type: none">Assets are in excellent conditions.No additional CAPEX needed
Time to EBITDA	<ul style="list-style-type: none">Immediate EBITDA: January 2018
Risks	<ul style="list-style-type: none">Low risk profile:<ul style="list-style-type: none">70% of the revenues is almost zero riskNo risk of construction

Transaction fits with the growth strategy carried out by the Company

Regulated Revenues

HPP Volta Grande



$$\text{RAG} = \text{RBO} + \text{GAG Improvements} + \text{GAG O\&M} + \text{Regulatory Fees} + \text{Ajl}$$

Length	<ul style="list-style-type: none"> • 30 years
Tariff	<ul style="list-style-type: none"> ▪ The auction provide signing a contract for <u>SERVICE</u> of Operation and Maintenance of the assets, with a fixed revenue (RAG): <ul style="list-style-type: none"> ▪ RBO = Return for the Bonus Payment* ▪ GAG Improvements = related to CAPEX for maintenance ▪ GAG O&M = related to OPEX for operating the asset ▪ Regulatory Fee = some duties due to regulation will be reimbursed ▪ Ajl = yearly adjustment based on performance * A parcel of RBO is not considered in the EBITDA as it is regarded as restitution of a loan given by the concessionaire to the Government
Indexation	<ul style="list-style-type: none"> • IPCA
Counterparty	<ul style="list-style-type: none"> • Discos through CCEE (<i>camara de liquidacion</i>)
Strategy	<ul style="list-style-type: none"> ▪ 30% of the Firm Energy will be sold in the Free Market : competitiveness can be increased depend on the Trading Strategy.
Minimum Generation	<ul style="list-style-type: none"> ▪ Performance is measured comparing PLANT AVAILABILITY during the year vs. Reference Values of: <ul style="list-style-type: none"> ▪ Planned stops for usual maintenance ▪ Forced stops due to unexpected events
Penalties and bonus	<ul style="list-style-type: none"> ▪ Penalties and bonus (Ajl) are applied only on the GAG parcel; <ul style="list-style-type: none"> ▪ The annual Equipment Availability will be compared to the Reference Values defined for a each asset and the <u>penalties or bonus</u> will be applied on the GAG revenues: advantage for competitor with High Performance Efficiency. ▪ Maximum penalty in 4 first years: <u>10%</u> i.e. worst case will be 2.3% of revenues From the 5th year and on, no limits (bonus and onus)

Financial overview

HPP Volta Grande



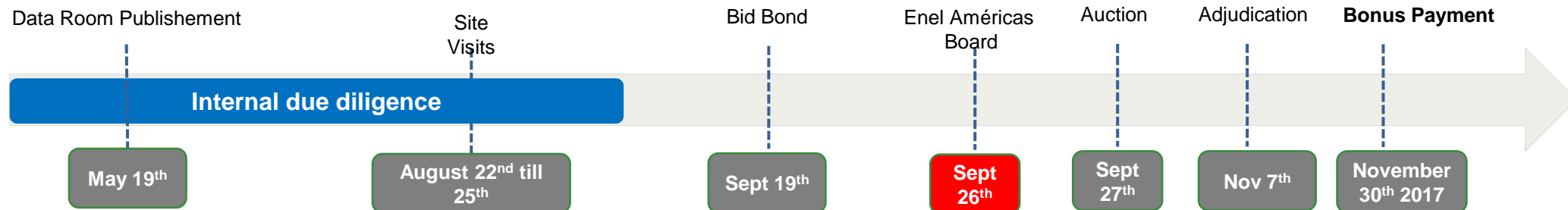
Financial assumptions @ 2018E (US\$ mn)

- Concession bonus:
 - Minimum: ~408
 - Bid: ~445
 - Premium (%): +9.8%
- Operating revenues⁽¹⁾: ~87
- OPEX: ~23
- EBITDA: ~60 (EV/EBITDA Ratio: 7.3x)
- EBITDA + Bond repayment (~15): ~75 (EV/EBITDA Ratio: 5.9x)
- CAPEX: ~1
- Debt: No existing debt
- Risks: 70% of the revenues is almost zero risk
- IRR: ~18%

Financing structure

- Cash needs: Investment of ~445 US\$ mn to be disbursed on November, 30th 2017
- Bridge financing to be substituted by long term debt at the operating Company level
- As of today, the remaining portion of the 2013 equity raise proceeds is ~150 US\$ mn. This operation will entirely exhaust all the resources if there are not different and most optimal alternatives after November, 30th

Tender Schedule

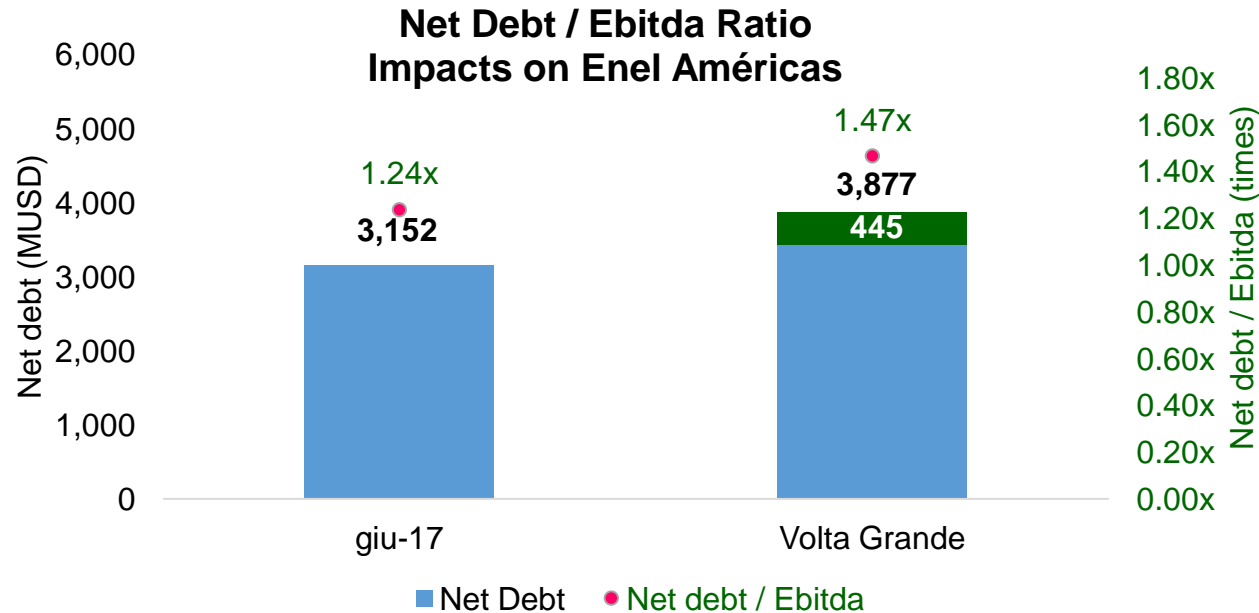


Attractive returns and low risks. Company will adopt the most optimal financing structure

1.- All revenues indexed by inflation

Rating Considerations

HPP Volta Grande



Rating considerations

- Investment Grade rating for Enel Américas will not be jeopardized as a consequence of the transaction since the financial performance of the Company will continue to be in line with the Rating Agencies expectations
- Net debt to EBITDA ratio will continue to be below 2.0x and with an adequate liquidity
- Current rating valuations already factor Brazil's significant contribution to Enel Americas

Ratings on Enel Américas will remain unchanged

Financial information as of June 2017: Gross Debt=4,424 MUSD; Cash= 1,272 MUSD. Net Debt= 3,152 MUSD; EBITDA Enel Américas (YoY)= 2,549 MUSD. Additional Ebitda (base case acquisition)=50-70 MUSD on annual basis per facility, considering 2018E, and USDBRL of 3.13. Net debt / Ebitda as of June corresponds to accounting data. Adjustments: lower cash by 280 MUSD of Easter project, already assigned to other purposes.

Analyst first stake

Market analysts / Credit Rating Agencies



 **BICE** INVERSIONES



FitchRatings



S&P Global
Ratings

LarrainVial 

J.P.Morgan

Positive market reaction

Closing Remarks

HPP Volta Grande



Enel Americas increases by 380 MW or +42% its hydro capacity in Brazil

Volta Grande operating assets in excellent conditions and potential synergies with Cachoeira Dourada

Sizeable acquisition (US\$ ~0.45 bn) and reasonable premium paid (+9.8%)

Low risks; 70% of the guaranteed capacity being contracted 30 years at a pre-established specific price

2018E EBITDA at approximately US\$ 60 mn

Rating levels will remain unchanged after the transaction

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Disclaimer

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