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Santiago, November 4, 2015

Mr. Borja Acha B.,  
Chairman of the Board of Directors  
Enersis S.A.

Ref.: Opinion about the Corporate Reorganization Proposal of Enersis S.A.

TO WHOM IT MAY CONCERN:

Pursuant to the provisions of the Official Letter N° 15.443 ("**Official Letter**") dated July 20, 2015 of Chile's Superintendence of Securities and Insurance ("**SVS**", in its Spanish acronym), the provisions of Title IX of The Chilean Companies Act Law N° 18,046 ("**LSA**" in its Spanish acronym), and as required by the Board of Directors of Enersis S.A. ("**Enersis**" or the "Company") via the unanimous agreement adopted on July 27, 2015, by virtue of the present instrument, and on behalf of Enersis' Directors' Committee ("**Committee**"), Messrs. Hernán Somerville S., Herman Chadwick P. and Rafael Fernández M., hereby comply with the requirement to report about the Corporate Reorganization proposal depicted in Enersis' Significant Event published on July 27, 2015.

## **I. Introduction**

On April 22, 2015 the Board of Directors of Enersis was informed of a Significant Event released by its controller, stating that it would be advisable that the Board of Directors of Enersis, Empresa Nacional de Electricidad S.A. ("**Endesa Chile**") and Chilectra S.A. ("**Chilectra**") initiate a corporate reorganization process aimed at separating the electricity generation and distribution activities performed in Chile from those performed in the other countries in which the Enersis group operates in Latin America (Argentina, Brazil, Colombia and Peru). The objective of such reorganization is to eliminate duplicities and redundancies derived from the current complex corporate structure, and to generate value for all its shareholders. Eventually, subsequent to these corporate spin-offs, the resulting companies could merge focusing on the operations outside of Chile.

Also on April 22, 2015, and after an Extraordinary Board of Directors meeting, Enersis announced to the market in a Significant Event that it had received notice of the Significant Event released by its controller and that it had agreed, by the unanimity of its members, that once a new Board of Directors was appointed by the Ordinary Shareholders' Meeting ("**OSM**"), it would examine the convenience of initiating a study

of the corporate reorganization initiative at its next Ordinary Board of Directors Meeting scheduled for April 28, 2015.

On April 24, 2015, prior to such meeting, the SVS issued the Official Letter N°8,438, which request to the Chairman of Enersis' Board of Directors to inform about: *"(i) any communication that the controller could have forwarded to the Chairman or other executives of Enersis on the possible structures to be analyzed in the reorganization and, (ii) the term of the use of proceeds of Enersis' last capital increase and the amount available of such funds"*. On April 27, 2015, Enersis' Management answered to the SVS by including a presentation of the proposed operation sent by the controller to the Chief Executive Officer of Enersis. Use of proceeds of the capital increase and the funds still available were detailed.

The Enersis OSM was held on April 28, 2015, and a new Board of Directors was appointed, some of which were elected for the first time. Following this OSM, a Board of Directors' meeting was held at the end of which the Company announced, through a Significant Event dated April 28, 2015, the initiation of the corporate reorganization analysis, granting powers to Management to that effect.

As part of the analysis requested, on May 18, 2015 Enersis Management filed a Reserved Event to the SVS, inquiring the following: (i) to confirm that the spin-off of Enersis, Endesa Chile and Chilectra does not constitute a related parties transaction ("**OPR**" in its Spanish acronym) pursuant to Title XVI of Law 18,046 of the LSA; (ii) to confirm that the merger between the resulting companies is not an OPR on the same terms as described in point (i); (iii) in case that any of the aforementioned operations was an OPR, to identify the companies or persons that should be considered as related parties; and, (iv) that the withdrawal right does not apply to the spin-off companies. Such petition was submitted without considering the opinions of the Board of Directors, notwithstanding the petition realized by the Director Mr. Rafael Fernández M., via e-mail to the Chief Executive Officer and the Chairman of the Board of Directors of Enersis, to wait until the Board of Director's Meeting to be held the following day, in order to receive the comments of the Directors regarding this inquiry to the SVS. The Director, Mr. Hernán Somerville stated that, in its opinion, such power was delegated to the Chief Executive Officer through a Board of Directors' agreement.

Notwithstanding the works initiated by the Company in order to analyze a potential corporate reorganization, on the same day, May 18, 2015, the SVS issued Official Letter N°10,119, asking to clarify press releases mentioning that Bank of America – Merrill Lynch ("**BofA**") and Deutsche Bank were appointed to provide determined advisory services. On May 19, 2015, Enersis Management answered the above-referred official letter, informing the appointment of BofA, by the unanimity of the Board of Directors of Enersis adopted at its meeting of April 28, 2015, as a possible Advisor, although, the advisory services agreement had not yet been signed with such advisory bank.

Finally, on June 22, 2015, and once the terms and conditions for its services had been agreed to, Enersis Management informed, through a Significant Event, that the advisory bank, BofA, had been hired solely in relation to the reorganization process

and had received instructions to not communicate with other market players nor act as an open communications channel.

On the other hand, through Official Letter N° 15,443 issued on July 20, 2015 by the SVS in answer to Enersis' inquiry dated May 18, 2015, the SVS confirmed that the corporate reorganization did not constitute an OPR; and consequently, that the applicable regulation was Title IX of the LSA instead of the regulation included in Title XVI of that same law.

Notwithstanding the above, the SVS stated that *“the Board of Directors must have sufficient, ample and timely information at the time of adopting its decisions regarding the “corporate reorganization” as a whole, with their various stages, since (...) the spin-offs and mergers cannot be analyzed independently or autonomously”*. Due to this, the Official Letter establishes that the information that must be at the shareholders' disposal in order to resolve the referred spin-offs, must include, in addition to the usual information required for this type of operations related to spin-offs:

- *“detailed information about the objective and expected benefits of the spin-offs, as well as their respective terms and conditions;*
- *a report that includes assets, liabilities and shareholders' equity of the entity subject to each spin-off, with a column of adjustments, if appropriate, and, finally, the balances that represent the continuing and the resulting companies, as appropriate;*
- *A description of the main assets allocated and liabilities delegated to the resulting companies;*

*And in relation the planned mergers:*

- *detailed information about the objective and expected benefits of the mergers;*
- *reports issued by independent experts appraisers on the estimated value of the entities to be merged and estimated exchange ratios of the corresponding shares”.*

The SVS also indicated that the managements of the companies involved may consider other measures in order to enable shareholders to have more elements for an adequate analysis of the operation, *“such as an explicit pronouncement issued by the Directors' Committee with respect to the above-referred corporate reorganization object of your inquiry”*.

On July 24, 2015, the SVS issued Official Letter N° 15,761, which request to the Chairman of the Board of Directors of Enersis to inform about press releases referring to a eventual change to the originally-proposed corporate reorganization.

After the Enersis Board of Directors' Meeting on July 27, 2015, the Company's Management responded the abovementioned Official Letter through a Significant Event published the same day, indicating that the operation to be studied would be

the spin-off of Chilectra and Endesa Chile, from which new companies would result ("Chilectra Américas" and "Endesa Chile Américas"), which would allocate the non-Chilean assets and liabilities. In the case of Enersis, a new company will emerge to which the assets and liabilities of the Chilean shareholdings ("Enersis Chile") will be allocated.

Additionally and in accordance with the provisions of the Official Letter, the Board of Directors unanimously agreed to request that **the Company's Directors' Committee issue its opinion on the corporate reorganization operation** as described in the Significant Event released the same day.

In order to support the execution of their work, through a Significant Event published on August 13, 2015, it was informed that the Enersis Directors' Committee agreed in the meeting held the same day, by majority of its members, to appoint "IM Trust" as its financial advisor in order to support the issuance of the Committee's opinion regarding the convenience of the operation.

Moreover, and in compliance with the provisions of the Official Letter, a Significant Event was published on September 15, 2015, informing that the Enersis' Board of Directors had unanimously appointed Mr. Rafael Malla as independent expert appraiser, in order to comply with the provisions of the referred Official Letter.

A corporate reorganization could be structured in different ways; however, this Committee will issue its opinion regarding the operation in accordance with the terms in which it has been submitted.

The Director Mr. Rafael Fernández M., expressed his concern because as the analysis moved forward, given the arguments invoked and since the declared objectives to impulse this operation did not seem to be achievable with the proposed organization formula, asked on August 19, 2015, that a new issue be included in the Board of Directors agenda, so that he could submit an alternative corporate reorganization proposal to the one submitted by the controller.

On September 15, 2015, the Director Mr. Rafael Fernández M. submitted a reorganization proposal by business lines, as generally used in the business world, which substantially proposes to reorganize all shareholdings into two business lines: Generation and Distribution, offering two alternatives for its materialization. This proposal was filed as an official document annex to the minutes of this meeting.

In the Board of Directors' Minute dated October 13, 2015, there is a summary of such proposal, contained in pages 2, 3 and 4.

In summary, as main conclusions of the organization by business lines submitted, the Director Rafael Fernández M. highlighted that:

- It diminishes the number of holdings,
- It allows bringing the operating income-generating sources closer to the shareholders,

- It diminishes the minority interests,
- It eliminates the competition for shareholder investors between Enersis, Endesa Chile and Chilectra,
- It does not undermine the source of income stability provided by the geographical diversification,
- It simplifies the value generation analysis of the group of companies, and
- It improves the decision-making process.

Finally, the Director Mr. Rafael Fernández M. stated his conviction that this reorganization offers superior achievements regarding the objectives sought by the geographical reorganization promoted by the controller.

The Director Mr. Hernán Somerville stated on that occasion that this meant, in its opinion, the implicit need to analyze the organization of this group of companies.

## **II. Description of the operation.**

The proposed geographical reorganization is structured in two phases, but the proposal must be considered as a single operation whose objective is the corporate reorganization of the Enersis group, resulting in one hand in a holding company containing Chilean generation and distribution assets and, on the other hand, one vehicle to consolidate shareholdings in the other Latin American countries where currently Enersis has subsidiaries. In summary, the operation consists in the following:

1. Phase I: Both Chilectra and Endesa Chile will spin-off, emerging: (i) Chilectra Américas, to which would be allocated shareholdings and other related assets and liabilities of Chilectra outside of Chile; and (ii) Endesa Américas, to which would be allocated the shareholdings and other related assets and liabilities of Endesa Chile outside of Chile. On the other hand, each one of the continuing companies would keep the totality of the business they currently developed in Chile, including the equity portion comprised, among others, by the assets, liabilities and administrative permits that each of them currently owns in the country.

Enersis will be spun-off, and as a result it will emerge Enersis Chile, to which would be allocated the shareholdings and assets and liabilities related to Enersis in Chile, including the shareholdings in both the spun-off companies, Chilectra and Endesa Chile. In the spun-off company Enersis (which, subsequent to the spin-off will be renamed "**Enersis Américas**") would keep the equities owned by Enersis outside of Chile, including those that Chilectra Américas and Endesa Américas might have, as well as the liabilities related to them.

At the time of the spin-off, each shareholder of Enersis, Endesa Chile and Chilectra would receive an equal number of shares as those owned by them in such companies on a "one-to-one" (1:1) basis in the new Enersis Chile, Endesa Américas and Chilectra Américas companies.

2. Phase II: According to the above, Enersis Américas would absorb Chilectra Américas and Endesa Américas by merger, which would be dissolved without liquidation, pursuant to the law.

Since the beginning of the analysis of the operation, the Director, Mr. Rafael Fernández M., argued at the Board of Directors and the Directors' Committee that this is a unique and indivisible operation between related parties, and that as a consequence the legal regulations governing related parties transactions ought to have been applied. This would have meant to analyze whether the objective of the operation proposed by the controller is to contribute to the best interest and whether it meet prices, terms and conditions to those prevailing in the market at the time of its approval. The foregoing has been reflected in the Board of Directors' and the Directors' Committee minutes. The Director, Mr. Rafael Fernández M., indicated that this operation, as promoted by the controller, Enel, implies a *sui generis* and particular form of reorganization. He pointed out to be unaware of any Chilean or international corporate group to operate in such manner, with Chile separated from the rest of the Latin American assets; namely, Enersis Chile and Enersis Américas. The Director reiterated his request for Enel to state which are today its long-term intentions regarding the form of organizing Enersis. Moreover, he said that Enel is an Italian state-owned company with a debt of € 54.3 billion (as of June 30, 2015) and a current market capitalization of € 39.5 billion, approximately.

The Directors, Messrs Chadwick and Somerville, indicated that the Board of Directors had agreed to delegate on the Directors' Committee the issuance of an opinion as if it were an operation between related parties, to be pronounced about the best interest of the Company and the market terms and conditions and, along those same lines, that an advisor had been appointed with a scope of work equivalent to that of an independent appraiser. The Directors, Messrs Chadwick and Somerville, added that since this is an operation including a merger, the minority shareholders are as well protected as if it were a related party transaction.

The Director, Mr. Rafael Fernández M., disagreed with the statements of Messrs. Chadwick and Somerville, because the appointment and engagement of the independent appraiser must be made with the favorable vote of the independent Director, while the referred financial adviser was appointed with his vote against. The legal obligations of an independent appraiser in a related party transaction are absolutely different from those assigned to the previously-alluded Financial Adviser designated by the Directors' Committee. He also disagreed that the merger regulations safeguard the interests of the minority shareholders as well as by those applicable to related parties transactions. He stated that he was convinced that both the merger regulations as well as the related party transaction regulations must be applied complementarily.

The operation must be considered as a single operation, comprising in a coordinated and successive manner each and every one of the Company's acts indicated above, even if carried out in different stages. Additionally, and according to the provisions of the Official Letter, it corresponds to apply the provisions of Title IX of

the Chilean Companies Act that specifically govern spin-off agreements and subsequently the one of the merger, whereas the regulations pursuant to Title XVI of the Chilean Companies Act related to transactions between related parties are not applicable.

### **III. Background information analyzed by the Directors' Committee.**

The Directors' Committee considered the following reports:

1. Report of the financial advisor of the Board of Directors, BofA, dated October 30, 2015.
2. Report of the financial adviser of the Directors' Committee, IM Trust, dated November 2, 2015. Although, the operation is not formally a related party transaction, it was appointed with a scope of work equivalent to an independent appraiser.
3. Report of the independent expert, Mr. Rafael Malla, dated November 2, 2015.

All, BofA, IM Trust and Mr. Rafael Malla, declared they had due independence, the necessary information and reasonable time to carry out their analysis, all of which are available to all shareholders. The Directors, Messrs Somerville and Chadwick indicated that there were no objections raised by the Directors' Committee regarding the lack of independence of the above-identified advisers.

The Director, Mr. Rafael Fernández M., stated that it was the Board of Directors who appointed Mr. Rafael Malla; therefore, the Board of Directors must receive the report, something that had not occurred as of today. Consequently, in the Director Mr. Rafael Fernández's opinion, the Directors' Committee cannot use that report to issue its recommendation until the Board of Directors declares having received such expert report.

Directors, Messrs Chadwick and Somerville, reminded that on November 2, a final and notarized version of Mr. Malla's report was forwarded to all Directors.

#### **a. BofA report**

In its meeting held on April 28, 2015, Enersis' Board of Directors unanimously resolved to appoint BofA as financial advisor to carry out technical support work to analyze the corporate reorganization process.

On October 30, 2015, BofA issued a report regarding the corporate reorganization process as it was defined. In the document, BofA identifies certain benefits of the operation, particularly: (i) a strategic match with the geographical organization, which will enable improvements in Enersis' competitive advantages and organizing the decision-making; (ii) will simplify the structure, increasing the visibility of the businesses, reducing the holding's discount and unlocking value, (iii) will generate cost efficiency and a better utilization of fiscal credits in Enersis Américas, and (iv) the creation of investment vehicles, which present different investment opportunities

according to the investor risk preferences between Chilean risks and other Latin American country risks. The report indicates also that there are certain costs related to the transaction, particularly certain tax impacts and transaction costs for advisories, among other expenses.

The methodology used by the adviser consisted in an analysis of discounted cash flows by each of the companies of the group on an individual basis, so as to reflect the risks of each country and business. After obtaining the results, the sum of the parts were calculated and weighted by each company's shareholding in the case of Enersis Américas.

The discount rates used by BofA for the valuation correspond to nominal dollar rates, adjusted by country risk, which reasonably reflect the subsidiaries risks according to the industry and markets where they operate. The cost of capital was defined with techniques and methodologies commonly and worldwide accepted for valuating companies.

Likewise, the methodology of comparable companies multiples was applied, considering similar companies of the sector based on real stock exchange information.

According to BofA, the range of share exchange ratios for Enersis' equity, from the point of view of the current shareholders of the companies, are the following:

<b>Equity range of Enersis Américas</b>				
	<b>Enel</b>	<b>Minority shareholders Enersis</b>	<b>Minority shareholders Endesa Chile</b>	<b>Minority shareholders Chilectra</b>
Proportional	50.70%	33.00%	12.80%	0.03%
shareholding by DCF	52.60%	34.30%	16.30%	0.10%

- b. Report of the financial adviser of the Directors' Committee, IM Trust. The Directors Messrs. Somerville and Chadwick refer to the preceding comment regarding the commission assigned to IM Trust.

At its extraordinary meeting held on August 13, 2015, the Enersis' Directors' Committee resolved by unanimous vote of its members, to appoint IM Trust as financial adviser to support the Directors' Committee in the studies and analyses related to the Reorganization.

The Director Mr. Fernández emphasized that IM Trust was appointed by the majority of the Directors' Committee with his vote against. He opposed to IM Trust selection, due that at the begging of 2015 IM Trust's corporate group issued an opinion regarding the Reorganization, and 10 days prior of being appointed by the Directors' Committee, a newspaper published that they would be hired by Enel as Enersis' financial advisers. Mr. Fernández stated that IM Trust's services were approximately 4 times more expensive than the other bid submitted, by Econsult, financial adviser that Mr.



Fernández suggested, and which the Directors' Committee unanimously invited to submit its bid in the process of election of the adviser.

Directors Mr. Chadwick and Mr. Somerville stated the following: with respect to an eventual hiring by Enel, both IM Trust and Enersis' General Management categorically denied any contractual relationship between IM Trust and Enel. Moreover, they clarified that IM Trust was under the obligation and a notarized affidavit of independence. They added that in the investment banks there is total independence between analysts and the corporate area. In addition, they added that with respect to the reorganization costs and due to its complexity, this bank had the record experience and all the means required to approach this subject, and the cumulative information gathered in its participation in 2013 capital increase, which was considered fundamental for analyzing this operation.

The Director, Mr. Morandé said that in this operation there is no independent appraiser with the legal obligations that it implies, since the related party transaction regulations are not being applied.

On November 2, 2015, IM Trust, appointed by the Directors' Committee of Enersis, issued a report that included an opinion about Enersis' corporate reorganization considering, among other elements, the operation rationale and the business model proposal, the cash flow impacts, the tax impacts and the transaction costs. Likewise, IM Trust referred to the estimated exchange ratios for the companies: Enersis Américas, Endesa Américas and Chilectra Américas in a subsequent merger of the three companies.

For its analysis, IM Trust used the discounted cash flows methodology for each company to be merged. For validating the results, IM Trust applied a market approach, consisting on estimating the companies valued through the current market multiples in the five countries where the companies operate.

The discount rates used by IM Trust for the valuation corresponded to nominal dollar rates, adjusted by country risk, which reasonably reflect the subsidiary risk according to its industry and markets. The capital cost was defined with techniques and methodologies commonly accepted for valuating companies worldwide.

IM Trust based its analysis, among others, in the information provided by the Company, mainly: (i) projected cash flows of the Enersis' subsidiaries; (ii) business plans; (iii) meetings with Enersis Senior Management; and (iv) proforma financial statements.

According to IM Trust, the range of share exchange ratios for Enersis, from the point of view of current shareholders of the companies, are the following:

<b>Equity range of Enersis Américas</b>			
<b>Enel</b>	<b>Minority shareholders</b>	<b>Minority shareholders</b>	<b>Minority shareholders</b>

	<b>Enersis</b>	<b>Endesa Chile</b>	<b>Chilectra</b>	
Proportional shareholding by DCF	51.84%	33.67%	14.40%	0.08%
Proportional shareholding according to market criteria	51.92%	33.73%	14.25%	0.10%

c. Report of the independent expert appointed by Directors' Committee, Mr. Rafael Malla

As provided in Official Letter N° 15,443 of the SVS dated July 20, 2015, and as might be applicable by paragraph a) and g) of the Decree DL N° 3,538 of 1980 and the final paragraph of article 147 of the LSA, on September 15, 2015, Enersis' Board of Directors at its extraordinary meeting, resolved by the majority of its members, to appoint Mr. Malla as independent expert to issue a report on the estimated value of the companies to be merged and their estimated exchange ratios..

Regarding the report signed by the expert, Mr. Malla, the Director Mr. Fernández stated that according to his own inquiries, the development and execution of the report was carried out by Mr. Malla and Deloitte Advisory, a company that was not appointed by the Board of Directors, thereby compromising the independence of the expert. For this reason, Mr. Morandé considers that such report must not be admitted by the Board of Directors nor the Directors' Committee can use it to analyze and issue its recommendation. The report would not have been issued by an independent expert since there was a third party's intervention. Therefore, the Director Mr. Fernández does not share any of the statements consigned under point III. c "Report of the independent expert appointed by Directors' Committee, Mr. Rafael Malla".

Directors Mr. Chadwick and Mr. Somerville stated that they were aware that Mr. Malla was assisted by the firm Deloitte, also a signatory of the contract. They value positively that Mr. Malla was supported by such a renowned and prestigious firm. Likewise, they verified that the expert report was signed by the expert. Additionally, the Directors' Committee was informed by the Administration and Finance Manager that (i) there is no conflict of interest in hiring Deloitte; and that (ii) it is a normal practice that when an appointment is made of an expert that belongs to an auditing firm, the latter also executes the contract.

On October 30, 2015, Mr. Malla issued an expert report including an opinion regarding 100% of the equity value estimation of the companies that might be merged: Enersis Américas, Endesa Américas and Chilectra Américas.

The methodology used by Mr. Malla consisted in estimating the economic value of the equity of the companies to be merged by adding parts of the value of each of their own shareholdings in the Enersis' subsidiaries. He estimated the economic value of

each subsidiary, subtracting from such value the net financial debt and adding the value of other non-operational net assets. Finally, he considered the net financial debt and the value of other assets of each of the companies to be merged at the parent level.

The estimates were calculated based on discounted cash flows by subsidiary. Additionally, the study used market multiples and stock exchange values of the different companies traded in Latin America. According to the expert report, the results obtained applying the discounted cash flows are within ranges similar to those obtained by using market multiples.

The discount rates used by Mr. Malla for the appraisal correspond to nominal rates in local currencies as of June 30, 2015, which reasonably reflect the risk of the subsidiaries according to the industry and the markets in which they operate, according to the current state of the businesses. In order to calculate the cost of capital, it used techniques and methodologies commonly accepted for the purposes of valuating companies worldwide.

Mr. Malla used multiple sources of information in preparing his expert report. He had access to information provided by Enersis' Management, highlighting: (i) financial projections; (ii) presentations about the different markets in which the group operates; (iii) financial statements as of June 30, 2015 and proforma balance sheets as of September 30, 2015, among others. Likewise, the expert had access to Enersis' Senior Management to better understand (i) business plans; (ii) debt and cash allocations; (iii) tax effects; and, (iv) operating costs, among others. Finally, the expert used both financial as well as business public information sources.

According to Mr. Malla, the range of share exchange ratios for Enersis, from the point of view of the current shareholders of the companies, are the following:

<b>Equity range of Enersis Américas</b>				
	<b>Enel</b>	<b>Minority shareholders Enersis</b>	<b>Minority shareholders Endesa Chile</b>	<b>Minority shareholders Chilectra</b>
	50.90%	33.10%	13.20%	0.10%
Proportional shareholding by DCF	52.60%	34.10%	15.90%	0.10%

#### **IV. Opinion.**

In this report, the Committee shall refer to the proposal with respect to which the Enersis' Board of Directors requested the Director's Committee to issue an opinion regarding the corporate restructuring, as agreed to at the Board's meeting of July 27, 2014.

- a. The rationale of the operation.

The proposed operation entails benefits in the management of the companies. Enersis' current corporate structure, which is the result of a long history of equity acquisitions in Latin America, as well as of other financial operations, resulted in an effective geographical and business diversification of the group in the region. However, the complex corporate structure that resulted from this process does not provide an accurate value of the businesses operated by Enersis. It also generates potential conflicts of interest, and it does not allow to the Management to have an efficient corporate decision-making structure. For this reason, it is necessary to reorganize the corporate structure in order to simplify the organization and enable management to be more agile and focused.

The Director, Rafael Fernández M., expressed his disagreement with the aforementioned paragraph.

b. The business model proposed.

The proposed structure, to separate the Chilean operations from those of the rest of Latin America, responds to a geographic approach that is similar to the one adopted by many other large, global energy operators.

It should be mentioned that Enersis' current controller, the Italian electricity company, Enel, with an extensive experience in developing energy projects in Europe and the rest of the world, has adopted the structuring of its divisions according to a geographical approach, as one of its business model pillars. Therefore, the proposed structure of the operation is aligned with the goals of the controller.

**Consequently, the Committee believes, by the majority of its members, that it is reasonable to implement a business model consistent with the normal practices of the sector, using a geographical approach in line with the model used by its current controller, Enel.**

The Director, Rafael Fernández M., expressed his disagreement with the aforementioned paragraph.

c. Impacts and risks of the operation.

The operation, as described above, assumes certain impacts and risks in various areas:

*Economic-financial impacts:*

- *Costs of the Operation:* Executing the operation requires incurring in certain transaction costs, such as financial and legal advisory services which amount to US\$ 41 million for Enersis, Endesa Chile and Chilectra; of which, approximately US\$ 8 million corresponds to expenses subject to a subsequent evaluation.
- *Improved Efficiency:* The business plan related to the corporate restructuring considers the implementation of an efficiency plan and improvements in

various areas; which, if carried out will generate benefits for Enersis Américas and Enersis Chile, which are:

- *Improvements in Operating Costs:* reduced costs in Enersis Chile and Enersis Américas. Primarily related to the optimization of the operations of Endesa Chile and Chilectra.
- *Overhead in Holding Companies:* reducing costs primarily related to payroll reductions.
- *Overhead in Operational Companies:* reducing overhead costs.
- *Improvements in Management of Financial Resources.*
- *Taxes: Better use of tax credits.*

In total, it is estimated that the improvement plan should produce benefits of approximately US\$ 100 million in Enersis Chile and US\$ 327 million in Enersis Américas. These benefits should be realized if Management executes the established plans and develops the processes necessary to achieve the improvement objectives, since they are linked to the corporate restructuring process and to the efficiency program submitted by Management.

The Director, Rafael Fernández M. stated that according to IM Trust these potential values are substantially lower, since a significant portion of them “are not” related to this geographical reorganization proposal. IM Trust estimates that the actual value of the improvement plan in Enersis Américas that is attributable to this reorganization proposal is US\$ 18 million, and not US\$ 327 million.

All these improvements will be reflected on an annual basis and will be effective beginning in 2019.

- *Tax Impacts:* As a result of the Spin-Off, tax liabilities will be generated due to capital gains. Specifically, the taxes created as a result of separating Endesa Chile and Chilectra is estimated to be US\$ 278 million.

It should be noted that similar to the costs that will emerge at the time of the division, tax benefits will also be generated for the merged company, which will be recorded in the future, due to more effective use of the tax credits that will emerge from the payment of dividends in the different countries.

#### *Stock Exchange Impact:*

The division of Enersis into two companies, one focused on the operations in Chile, and the other concentrated on shareholdings in the other Latin American countries, may potentially bring liquidity to the stock exchange trading prices of the companies and may differ from Enersis’ current stock exchange trading prices. Currently, Enersis is the second most traded company in the Chilean market, while Endesa Chile occupies the fourth place. Following the division and subsequent merger, Enersis Américas, Endesa Chile and Enersis Chile will remain as part of the IPSA index (which groups the 40 most traded companies in the Santiago Stock Exchange). However, these

companies could have a lower liquidity level than the original companies. Despite the potential lower liquidity, Enersis Américas and Enersis Chile will remain eligible for international stock indices, such as for example: S&P, MSCI, and FTSE, among others.

The new companies, Enersis Américas and Enersis Chile may potentially attract new investors with a preference for risk exposure only in Chile and, on the other hand, for those investors with a preference for growth potential of Latin America. This would increase the shareholder base of both companies, giving greater visibility to the value of the assets.

In the opinion of the majority of the Committee, there is a potential value increase for the divided companies from a reduction of the holding discount, that is, the discount that the market applies to a holding company considering its individual-level costs, complexity of the structure of companies and corresponding decision-making, among other reasons. Currently, Enersis trades with a holding discount of 20%, while its subsidiaries Endesa Chile and Chilectra trade with a holding discount of 10% and 22%, respectively. A simplified structure and improved efficiencies may provoke a reduction in the holding discount perceived by the market, and thus increase value for all shareholders.

*Risks:*

- *Non-merger Risks:* There is the possibility that the shareholders of the companies involved in the approval of the divisions of Enersis, Endesa Chile and Chilectra or the shareholders of the newly created companies do not approve the merger of the “Américas” companies according to the terms proposed. This possibly could arise due to the exercising of the withdrawal rights in any of the companies involved in the merger in an amount that exceeds reasonable and habitual limits for these types of transactions.

In this sense, similar to other mergers that have occurred recently in Chile, in order for the proposed merger to take effect, in accordance with Article 5 and Article 158, of the LSA, it is expected that the merger will be subject to a condition precedent consisting in that the withdrawal rights that can be eventually exercised by the shareholders of Enersis Américas, Endesa Américas and Chilectra Américas on account of the merger do not exceed, respectively, the given percentage which is to be determined in the shareholders’ meetings held to vote on the divisions.

- *Risk of Losing Investment Grade Rating:* There is the possibility that after the Spin-Offs, the companies, as well as those resulting from subsequent mergers, will not be rated as investment grade by the credit (risk) rating agencies. The potential consequences of such an occurrence could be less access to financial markets and greater financing costs. The Company’s CFO has received verbal confirmation from the credit rating agency S&P that all four of the companies resulting from the split of Enersis and Endesa, will receive a shadow rating above Investment Grade.

- *Risk of Legal Action.*

d. Exchange ratio and other terms and conditions.

*Exchange ratio:*

As mentioned above, the operation should be considered as a single operation, and it should be assumed that the division of Enersis, Endesa Chile and Chilectra will be followed by the subsequent merger of the companies with non-Chilean assets. In this sense, the SVS, in its Official Letter, has stated that the shareholders who will vote on the Spin-Offs must know preliminary exchange ratios for the merger of Enersis Américas, Endesa Américas and Chilectra Américas *ex-ante*.

The Official Letter emphasizes the fact that the companies involved in the merger do not yet exist nor have recorded any trading price whatsoever; therefore, logically, the shareholders' meetings that will vote on the division cannot issue an opinion on the exchange ratios, using the estimates of the financial advisers, independent appraisers and experts whose sole purpose is to meet with the provisions of the SVS Official Letter.

In the opinion of the majority of this Committee, **the exchange ratio should be one that maintains a balance between the contribution to be made by the shareholders of Enersis Américas, Endesa Américas and Chilectra Américas in the merged Enersis America that is consistent with the best market value estimates of their respective shareholdings.**

According to this, our recommendation is that the exchange ratio range must be the one which adequately reflects the valuations obtained by BofA, Rafael Malla and IM Trust, all of which have made their calculations using best market practices for appraising companies. Considering the middle point of the exchange ratios, the ranges proposed by the majority of the Committee, with Director Rafael Fernández M. voting against, are the following:

Exchange ratio range of Enersis Américas						
	Enersis Shareholders		Endesa Chile Shareholders		Chilectra Shareholders	
	Min	Max	Min	Max	Min	Max
Middle point:	84.4%	86.5%	13.4%	15.5%	0.1%	0.1%

e. Best interest contribution.

In the opinion of this Directors' Committee, by the majority of its members, from a strategic and business point of view, the operation contributes to the best interest of Enersis.

The Committee would like to note that in order for the proposed operation to contribute to the best interest, it is required that value is created and that the terms and conditions be equal for all shareholders.

The main reasons for which this Committee, with the majority vote of its members, believes that the proposed operation contributes to the best interest of Enersis, are the following:

1. *Implementation of the business model by geographical area:* This Committee, by the majority of its members, considers that the proposal analyzed is consistent with the vision of comparable relevant operators in the energy sector regarding the management of the operations with a geographic focus, also applied by other multinational companies. It is valid for Enel, the controlling shareholder, to consider convenient a reorganization based on a geographical distribution, as currently implemented by other companies in the rest of the world. Enel has a proven international track record and its business model integrates a geographical vision to organize its operations.
2. *Efficiency improvements:* Management's plan related to the reorganization process, considers a reduction of operating costs and administration expenses, since duplicities and redundancies will be eliminated at the holding level. There would have a positive impact on the company value if all efficiency measures are carried out.
3. *Greater value due to reduced holding discount:* The operation intends to provide greater visibility to the shareholdings of the Enersis Group which are currently distributed in different investment vehicles or companies. The reorganization operation will reduce the complex corporate structure and, consequently, will potentially reduce the holding discount currently granted by the market.
4. *Expanding the shareholder base:* The demerger of Enersis into Enersis Chile and Enersis Américas will generate attraction in those investors that prefer (i) total exposure to a balanced assets portfolio between the generation and distribution businesses in Chile; and, (ii) in those investors that prefer a similar scheme but in markets with potential future growth. This larger shareholders base will enable to evaluate the real value of the operations, through a better visibility of the corporate structures.
5. *Optimizing the fiscal scheme:* The creation of a holding with a total exposure to assets located outside Chile will enable a better use of the fiscal credits arising from the dividends payment in subsidiaries.

**Minority vote from the Director Rafael Fernández M.:**



Regarding the merit of the controller's proposal on a geographical reorganization, this Director has been able to collect information directly from the company's senior management, as well as from IM Trust. In summary, it can be stated the following:

- i. There are impact in the cash flow for Enersis shareholders with a cost component payable at the time of the Spin-Off and the benefits will be perceived in the long term, as long as there are no legal tax modifications, with a Net Present Value of US\$ 377 million. I must state that this Present Value calculated for the first 5 years is Negative by US\$ 27 million.
- ii. Pursuant the main objective to reduce the holding discount, IM Trust indicates that it may decrease by up to 5% (US\$ 768 million), resulting from an eventual revaluation of the Chilean operations of Endesa and Chilectra, inasmuch as the market *"perceives a level of growth and performance equal to those of the comparables"* (AES Gener and Colbún). Considering that IM Trust points out that such "up to" implies, as stated in its preliminary reports, that it may be zero and that the business plans approved by the majority of the Board of Directors do not permit, in the opinion of this Director, comply with this condition, this potential benefit is discarded.
- iii. This Director highlights the fact that Enersis Chile is a company organized along two business lines, through a distribution company and a generation holding.
- iv. IM Trust also pronounced on the impact on liquidity, given the smaller sizes of the new holdings in comparison to Enersis, indicating that *"the impact on liquidity as a result of the reorganization should not alter significantly the value of the resulting companies"*, from a negative point of view.
- v. Finally, IM Trust considers that the size and lower diversification that will affect both new holdings, and the exposure of Enersis Américas to a higher-risk markets, would make expectable a lower risk classification. The present value of this potentially negative effect is estimated at US\$ 143 million for Enersis shareholders.

This Director represents the eventual possibility that once the Spin-Off is effective and having already incurred in a series of costs, amounting approximately US\$ 300 million, these companies may ultimately not merge. There are two identifiable risks in this regard, that a legal proceeding (either current or new) may stop de reorganization process or that the right to withdrawal, manifested up to 30 days after the Extraordinary Shareholders' Meeting ("ESM") that approves the merger, exceed what was agreed at this ESM. A scenario with the companies already divided and with delays in the merger, may imply high costs for many shareholders; a situation that must be considered.

| The Director considers that the described situation may be so onerous to the shareholders that he recommends to evaluate the possibility of redesigning this operation, in the case of being carried out.

**In conclusion**, the vision of the Director regarding this proposal is that it contains inevitable cost elements at the beginning of its execution; its potential benefits will be perceived in the long term, having a negative impact during the first five years; he does not attribute a significant impact to the holding discount and; the proposal contains the risk that the merger will not materialize, risk that this Director would not take. The Director considers that the present proposal does not contribute to the best interest of the company and contains risk elements eventually burdensome; and there is an alternative proposal of organization by business line that reach better the declared objectives for this reorganization. Therefore, the Director recommends to the Board of Directors to vote against executing this geographical reorganization.

The Director also indicated that in the case that the Board of Directors recommends to shareholders to execute this geographical reorganization proposal promoted by the controller, a detailed explanation of the conciliation and correspondence between the 2012 Capital Increase and this reorganization proposal, along with all its elements and implications, must be given to shareholders.

During the second stage of the proposed operation, i.e. the merger of Endesa Américas and Chilectra Américas into Enersis Américas, it must be considered an exchange ratio that adequately and fairly reflect the shareholdings of each shareholder in each of the companies to be spun-off and merged in function to the best value estimation of their shareholdings.

This Committee acknowledges the existence of certain risks in the execution of the operation that may affect the aforementioned efficiency improvements, costs and structures.

The Directors' Committee expressed, unanimously, that it was indispensable that the Controller ratify each and every of the commitments formulated by the Controller at the time of the capital increase of Enersis S.A. approved by the ESM held in December 2012, in order to leave no doubt on the term and enforceability of it.

Mr. Somerville stated for the record that at the OSM held on April 28, 2015, no question was asked about the capital increase and its relation with the corporate reorganization declarations made by Mr. Francesco Starace, the Chief Executive Officer of Enel, on different dates prior to this OSM and subsequently, became Significant Events.

f. Evolution of the business in Chile

The majority of the Committee stated that the corporate reorganization will enable the definition of investment plans and growth plans in line with the different characteristics of each market. Particularly, in the case of Chile, two companies will be created and will focus exclusively on local operations, as is the case of Endesa Chile and Chilectra, and will become "*pure players*" in the generation and distribution businesses, respectively. In this effect, it is important that both companies have the

necessary tools in order to take advantage of all possible growth opportunities for the development of their business plans.

With respect to Endesa Chile, it is considered that it should become a company with a relevant generation of cash flow that would permit an attractive remuneration to its shareholders, without affecting the possibility of undertaking new growth projects. On the other hand, during the last years, a strong trend has been observed in Chile toward developing the generation of non-conventional renewable energy, which it is estimated to continue in the future, and is confirmed to be a key component in the energy matrix of the Country.

The controlling shareholder currently owns a subsidiary that specializes in the construction and operation of non-conventional renewable energies at worldwide level, *Enel Green Power*, which has already proven its capacity to develop this type of projects in Chile.

In the unanimous opinion of this Committee, it is essential to achieve an agreement with *Enel Green Power* that would permit to Endesa Chile the possibility to participate in projects with non-conventional renewable technologies.

The Director Mr. Fernández Morandé added that also should be permitted the development of hydroelectric projects that are economically, environmentally and socially feasible without size restrictions. To that effect, it is essential to ensure an own engineering and management capacity.

g. Conclusions

As aforementioned, we restate that an operation of this type could be structured in different ways. However, the Board of Directors has requested this Committee to issue an opinion exclusively about the corporate reorganization proposal proposed by the controller and submitted on July 27, 2015 by the Upper Management, reason why the pronouncement by this Committee on the operation is under the terms that have been raised.

Regarding the aforementioned, the Committee, considering the majority of its members and the vote against of the Director, Rafael Fernández Morandé, concludes that this operation effectively contributes to the best interest of Enersis in the terms that they have been described.

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**Hernán Somerville Senn**  
Rut: 4.132.185-7  
Chairman of the Directors'  
Committee.

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**Herman Chadwick Piñera**  
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Financial Expert

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