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Santiago, October 8<sup>th</sup> 2014

Shareholders of Enersis S.A.

Subj: Pronouncement Concerning the Operation to Restructure Equity of Central Dock Sud

By means of this document I share an individual pronouncement, as Director of the publicly traded corporation Enersis S.A. ("Enersis" or "the corporation"), of the investment company, established in the Republic of Chile and registered before the Superintendency of Securities and Insurance of this country ("SVS" in its Spanish acronym), under the No. 175/198 regarding the proposal presented by the Enersis administration to purchase the debt that Central Dock Sud ("CDS") maintains with Endesa Latin America ("ELA"), within the framework of the equity restructuring operation of CDS, according to the following terms and conditions:

**I. DECLARATIONS CONCERNING THE CAPACITY OF DIRECTOR OF THE BOARD AND ITS RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS**

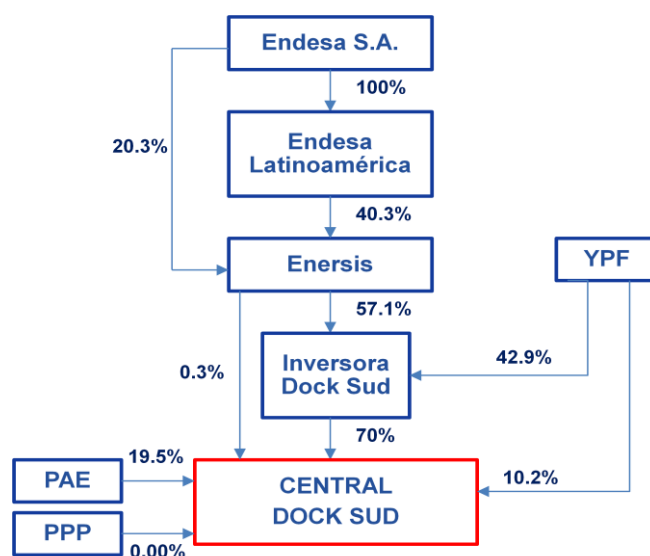
1. I declare that I am currently the Director of Enersis S.A., elected April 16<sup>th</sup> 2013, designated Director with the votes of the controlling shareholder Endesa, S.A. ("Endesa"), registered company in the Kingdom of Spain. These votes were decisive to my election as Director.
2. I declare that I currently hold the position of Chairman of the Board of Directors of Endesa. Additionally I am the Executive Director of Enel Energy Europe, S.r.l. and member of the Board of Trustees. Furthermore, I declare that I hold 4,889 shares of Endesa that represent 0.000005% of the equity.
3. I declare that I have an interest in the Operation, according to the administrative interpretations presented in the SVS. Such a declaration was formally acknowledged in the Enersis Board of Directors meeting held on July 30<sup>th</sup>, 2014.
4. I declare that I have neither direct nor indirect ownership of shares of Enersis, notwithstanding of what was declared in item 2 abovementioned.
5. I declare that I do not have any other relationship, aside from the aforementioned, with the companies involved in the operation.

**II. BACKGROUND AND CHARACTERISTICS OF THE PROPOSED OPERATION**

1. Enersis is currently a shareholder of Inversora Dock Sud ("IDS" in its Spanish acronym). Both corporations have established residencies in Argentina and have shareholders that aren't associated to the Enersis Group.
2. IDS is a holding company, while CDS is an electricity generation company in Argentina.
3. Due to the losses that CDS would have registered as of year-end 2013, this company requires restructuring of its equity as an alternative to its complete dissolution and

compulsory liquidation according to current Argentinian law. The effect of such losses is extensive to IDS, obliging the latter to its dissolution or liquidation as well.

4. The shareholders as a whole have considered a capital increase for its reintegration to be a more efficient and viable solution. This would entail many creditors (companies of the shareholders' economic group) to contribute with foreign currency loans that have been granted to CDS.
5. Enersis has no outstanding loans granted directly to CDS or IDS, yet its parent company ELA does. ELA is in no way a direct shareholder of the aforementioned companies.
6. In order to concentrate the shareholdings in Latin America in Enersis, it is necessary that ELA sell and transfer its loans against CDS to Enersis and that the latter, along with the other partners of IDS and CDS, capitalize their loans in order to restructure the equity of IDS and posteriorly that of CDS. This, in compliance with the commitments acquired by Endesa, within the context of the last capital increase of Enersis.
7. In both cases, the loans will be contributed at their nominal value by all creditors in equal conditions, converted to Argentinian pesos at a previous and same date for all of the loans, writing-off CDS of interests and other fees (redemption fees and commissions). In exchange of the loans, the contributors will receive shares emitted by IDS and CDS, respectively, in proportion to their contribution.
8. Considering that the partners Pan American Energy ("PAE) and YPF hold a smaller proportion of debt to capitalize in comparison to those that Enersis will possess after purchasing ELA's loans, in order to maintain the business group's participation previous to the operation, partners have agreed to the following:
  - a. PAE contribute ARS\$ 125,000,000 in commercial loans with CDS and/or in cash, which shall be capitalized, and that
  - b. With a portion of these funds, CDS amortize ARS\$ 88 million of the loans that Enersis will acquire, amount which will not be subject to capitalization.
9. Once this operation is settled, the shareholdings of IDS and CDS would be as follows (these correspond only to estimated values. The actual participation will depend on the final agreement among partners, the date that the operation will take place and the exchange rate):



### III. DECLARATIONS CONCERNING THE RECEIVED REPORTS

For the elaboration of my opinion concerning the proposed operation, I have had at my disposition the following documents:

1. IM Trust Asesorías Financieras S.A. (to be further referred to as "IM Trust") report, commissioned by the Directors' Committee, dated September 30<sup>th</sup> 2014.
2. Itaú BBA de Banco Itaú Chile (to be further referred to as "Itaú") report, commissioned by the Board of Directors of Enersis, dated October 2<sup>nd</sup>, 2014.
3. Directors' Committee of Enersis report, dated October 6<sup>th</sup>, 2014.

In my opinion, IM Trust and Itaú, institutions with recognized prestige both in Chile and internationally, deliver sufficient professional guarantees and analysis for the development of a financial evaluation of a subsidiary of the Enersis group. They have the necessary independence required by the demands established by Chilean authorities. Both institutions have experience in complex financial operations within the Latin American electricity sector.

IM Trust and Itaú have had wide access to information, in a timely manner, concerning the main financial, strategic, regulatory, legal, and tax matters, among others, that explain the current situation of CDS, as well as the major consequences and considerations for Enersis. This information was delivered diligently by the Enersis administration.

Both independent advisors have made use of the best international market practices in relation to the methodology used for valuation. This entails the determination of the value by means of the discounted cash flow method, contrasting results with other tools, such as the market multiples of comparable companies, and recent transactions, among others. I consider that the use of the cash flows provide an adequate estimate of the value of CDS and the credits involved.

As required by Chilean law, it is required that the independent appraisers inform the shareholders about the conditions of the operation, and whether this contributes to public interest and adjusts to the price, terms, and conditions that prevail in the market. Additionally, the advisors must attend to the inquiries that might have been issued by one or more of the members of the Board in the process of analysis.

The reports mentioned above are available to all of the shareholders of the Company at [www.enersis.cl](http://www.enersis.cl).

#### IM Trust Report

September 30<sup>th</sup> 2014, IM Trust issued a report in which it assigns a value to ELA's debt at a range between **US\$ 20.1 million and US\$ 23.6 million**. This outcome is obtained by assuming that the purchase of the debt is similar to the acquisition of 29.24% of the equity of CDS, in the scenario in which Enersis wouldn't have contributed to ELA's debt, with a consequent dilution to 10%.

Therefore, the value of the equity of CDS fluctuates between US\$63.4 million and US\$70.3 million, and considering 29.24% of the equity, its value ranges between US\$18.5 million and US\$20.6 million.

According to the way the operation is set forth, the transaction is subject to the cash repayment of ARS\$ 88.1 million to Enersis, equivalent to approximately US\$ 10.5 million at current market conditions. Furthermore, according to the government regulations applicable in Chile and Argentina, the payment of all taxes ranges between US\$ 7.4 million and US\$ 7.9 million. In short, considering all of the above, the value of the loans for Enersis would be between **US\$21.1 million and US\$ 23.6 million**.

As previously pointed out, IM Trust applies the prevailing methodology in the market for this type of analysis.

## **Itaú Report**

On October 2<sup>nd</sup> 2014, Itaú issued a report in which it assigns a value to ELA's debt at a range between **US\$20.1 million and US\$ 50.7 million**, estimating the upper limit of the value creation to be **US\$ 33.8 million** for Enersis. This outcome is obtained by determining that the current value of Enersis' participation in CDS' equity is zero, which is consistent with its current equity condition. Itaú assumes that the purchase of the loans will grant Enersis access to 39.99% of CDS' capital, provided that the agreement established with the partners is maintained and the operation stipulated is executed.

Within the analysis performed, Itaú pointed out that Enersis must also consider that it will receive ARS\$ 88 million on behalf of CDS as the amortization of debt.

Itaú estimates that Enersis' current participation in CDS' equity (39.99%) has no economic value, due to which the purchase of ELA's loans and its further capitalization will allow Enersis to acquire 40.25% of CDS' equity and also receive ARS\$ 88 million as amortization to CDS' debt. Enersis must consider the payment of certain taxes in Argentina and Chile.

As previously pointed out, Itaú applies the prevailing methodology in the market for this type of analysis.

## **Directors' Committee of Enersis Report**

On October 6<sup>th</sup> 2014, the Committee published its report, in which no value or range of values was agreed upon. Nevertheless, there were reasonably similar appreciations of value. In this regard, the appreciations of the members of the committee are the following:

- Mr. Rafael Fernández M.: maximum of US\$ 23.8 million
- Mr. Hernán Somerville S.: maximum of US\$27.8 million
- Mr. Leonidas Vial E.: range between US\$22.4 million and US\$27.0 million

## **IV. DECLARATION CONCERNING THE OPERATION'S BENEFIT TO PUBLIC INTEREST**

As aforementioned, article 147 of the Corporations Law of Chile ("LSA" in its Spanish acronym) establishes that the criteria to approve of an operation among related parties is that the operation must contribute to public interest and adjust to the price, terms, and conditions that prevail in the market at the time of its approval.

### **IV.1. Contribution to Public Interest**

Taking the available information into consideration, I declare as required by article 147 of the Corporations Law, LSA, that my opinion is that acquiring the debt currently held between Endesa Latinoamérica and Central Dock Sud would be beneficial to Enersis from a strategic and business standpoint.

I believe that the proposed operation does contribute to public interest, due to the following reasons:

It will allow Central Dock Sud to rearrange its equity, making their business plan viable and avoiding its dissolution and liquidation. Otherwise, according to Argentinian law, if the corporation were to maintain negative equity, it must be liquidated. Considering that the assets are high quality and efficient, liquidation does not seem to be the convenient alternative, because it would destroy value for Enersis and eliminate the opportunity to capture value in the future.

It will maintain the value of the company, allowing the electricity generation business to continue with high quality assets and in a strategic location in Argentina, particularly in the province of Buenos Aires, the country's main consumption region.

It will receive new resources, due to the cash contribution by PAE, according to its capitalization proposal.

It represents Enersis' commitment to all of the businesses and activities in the region, in both the electricity generation and distribution sectors. Enersis operates in the generation sector, as well as CDS, and the subsidiaries Endesa Costanera and HidroelEI Chocon Hydroelectric Power Station, and in distribution through the company Edesur. Any action taken against the improvement of the equity of CDS would be prejudicial to the value of the other subsidiaries.

During 2014, there has been an improvement in the Argentinian business environment, particularly the regulation that determines compensation of the group's generation assets. In a more globalized context, financial agents have noticed an improvement in the Argentinian economy. In fact, so far this year, the Argentinian stock market has had the greatest increase worldwide, in both local currency and dollars.

#### **IV.2. Market Price and Other Terms and Conditions**

The execution of the proposed operation, according to the precedents previously mentioned in this report, would bring forth positive effects for Enersis from a strategic standpoint. Therefore, price is critical for the decision regarding the acquisition of the loans.

Even though the recent signs of market recovery and regulatory improvements in Argentina reveal a change of trend in the business environment of this country, we cannot assimilate the expected regulatory improvements to the current value of loans, because they have not yet been agreed or approved. Therefore, the analysis performed by IM Trust and Itaú, based on current regulations, are adjusted to the conditions in force in the market.

I agree with the criteria established in the reports of both advisors regarding the connection that must be established between the value or market price of the debt to its equivalent in equity and/or in shares, given the subsequent capitalization that will be executed with the debt in CDS.

The following table summarizes the market price or value estimate that has been performed by IM Trust and Itaú regarding the acquired debt:

	<b>Date</b>	<b>Value of Loans</b>	<b>Methodology</b>
IM Trust	09/30/2014	21.1 to 23.6 MUSD	Range of values determined through the DCF method weighted at 50%, averaged with 3 other more pessimistic scenarios (weighted altogether at 50% as well), considering that after credit capitalization Enersis will have access to 29.24% of CDS's cash flows, in addition to a ARS\$ 88 million payment from Argentina, minus tax payments in Chile for Capital Gain (one-time payment) and minus the Argentinian yearly personal asset tax equal to 0.5%.
Itaú	02/10/2014	20.1 to 50.7 MUSD, with a maximum value of 33.8 MUSD for the value creation.	Range of values determined through the DCF method, considering that after credit capitalization Enersis will have access to 40.25% of CDS's cash flows, in addition to an ARS\$ 88 million payment from Argentina, minus tax payments in Chile for Capital Gain (one-time payment) and minus the Argentinian yearly personal asset tax equal to 0.5%.

The alternative that Enersis has to the capitalization of CDS via the contribution of loans necessarily derives into the liquidation of the company. If there is no agreement among the

partners, the operation will not take place, and therefore the company will be liquidated. In this case, both independent appraisers estimate that the value for Enersis would be zero, without considering the impact of accounting practices on the consolidated figures derived from the liquidation. Therefore, this scenario would not represent an alternative as long as there are agreements among the partners who tend to safeguard the equity of CDS.

Taking into consideration that the dissolution of the company leads to the liquidation of assets whose proceeds will later be used to pay creditors, and additionally, that there is already an existing senior debt in which ELA is participating, in the hypothetical liquidation scenario, ELA would acquire 57% of CDS and YPF would keep the remaining 43%. Therefore, it is necessary to agree upon a price that will guarantee the success of the transaction.

Regarding the price calculation, while both reports represent an accurate analysis of the value of CDS and of ELA's debt, I am inclined towards the scenario proposed by Itaú, in which the current value of CDS' equity is zero and in which the only way to preserve the share of Enersis in this certain subsidiary is through the capitalization of ELA's debt. In this aspect, I agree with Itaú that 40.25% of the equivalent equity is a proper proxy of the future ownership share of Enersis. In this regard, I estimate that the value must consider:

1. **Upper limit of the value creation in Enersis to be US\$ 33.8 million.** This discounted cash flow value represents the upper limit of the price to be paid by Enersis allowing for value creation. The consideration of this limit allows increasing the odds for the operation to succeed, given that at greater values Endesa would be willing to sell the debt.
2. **Discount.** Taking into account that the debt will be acquired by Enersis, it therefore makes sense to apply a market criteria related to the company in order to obtain a range of values where the upper limit is the one previously mentioned. In this regard, I have considered that the application of the holding discount (related to the value of Enersis in the Chilean market) to the upper limit (US\$ 33.8 million) would provide a reasonable range for the value of the debt. The following table shows the holding discounts applied by market analysts that currently follow in Enersis.

Analyst	Holding Discount
Security	5.00%
BICE	15.00%
Itaú	5.00%
Citi	10.00%
Penta	10.00%
IM Trust	10.00%
Scotiabank	10.00%
<b>Average</b>	<b>9.29%</b>

*Source: Analysts' public reports*

Hence, the application of a discount of 9.29% to the upper limit of **US\$33.8 million** results in a maximum of **US\$ 30.7 million**.

## **V. CONCLUSIONS**

The target of this operation is to restructure the equity of one of the companies of the Enersis Group, that due to regulatory and market reasons, has registered negative equity. According to the laws of Argentina, if this situation persists, the dissolution and liquidation of the company is mandatory.

It is in the partners' interest to structure a financial operation in order to preserve the value of the assets and support the continuity of the Central Dock Sud business.

Based on this perspective of the operation, I conclude:

- In my opinion, acquiring Central Dock Sud's debt would be beneficial for Enersis from a strategic and business standpoint, because it would preserve the value of the assets and the possibility to capture the value of a highly strategic asset of Argentina.
- Regarding the value of the debt, it seems adequate to base the purchasing decision on the ranges of value established by the independent advisors. Nevertheless, I agree with the theory presented by Itaú.
- In my opinion, the maximum value in market conditions should be approximately US\$30.7 million.
- Due to all of the above, I consider that the proposal regarding the capital increase does contribute to public interest.

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Enersis S.A.

## **Appendix: Description of Dock Sud**

### **Central Dock Sud**

Central Dock Sud is a facility composed by two units with a total installed capacity of 870 MW.

Central Dock Sud has four gas turbines and one steam turbine. A combined cycle is formed by two of the gas turbines and one of the steam turbines.

The investments in Central Dock Sud were carried forth mainly until the year 2001, during which the combined cycle was launched targeted to supply the necessities of electricity of the Argentine interconnected system and focus the idle capacity to exports to neighboring countries.