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Madrid, October 8th, 2014

Shareholders of Enersis S.A.

Subj.: Pronouncement concerning the operation between related parties

My consideration:

In accordance with Article 50 bis of the Corporations Law 18,046, via this document, I honor informing about the Enersis ("ENI", in its Spanish acronym) acquisition of debt held by Central Dock Sud ("CDS", in its Spanish acronym) that had been granted by Endesa Latinoamérica S.A. ("ELA", in its Spanish acronym)—henceforth known as "the Operation".

1. Pronouncement regarding the capacity of Director of the Board of Enersis S.A. and its relationship with the controlling shareholder:

- i. I declare that I am a Director of ENI since April 16th of 2013, when the firm's annual general Shareholders Meeting took place, and where part of the Board of Directors was renewed. I was appointed by the votes of the controlling shareholder, Endesa, S.A.. I would also like to add that those votes were decisive in my election as Director. Previously, I had been Vice President of ENI from April 22nd of 2010 until April 16th of 2013.
- ii. I declare that I have an interest in the Operation, abiding by the administrative interpretations provided by the Superintendency of Insurances and Securities ("SVS", in its Spanish acronym). My interest in the Operation was formally declared to the firm during the Board of Directors meeting that took place on July 30th of 2014.
- iii. I declare that I am not a direct nor indirect shareholder of Enersis S.A.
- iv. I declare not maintaining any relationship, other than the stated above, with any of the companies involved in the Operation.

2. Introduction:

Since the first half of 2013, it was expected that CDS would conclude the financial year with negative equity, for which Enersis maintained conversations with the other partners (YPF, holding a 40% share, and Pan American Energy ("PAE"), holding 20%¹), in order to resolve the situation.

¹ The remaining 40% is owned by ENI, through its ownership of 57% of Inversora Dock Sud ("IDS", in its Spanish acronym), investment vehicle that holds 70% of CDS.

Regulation in Argentina require partners to take rectifying measures to offset the equity situation, or, alternatively, liquidate the company. The partners opted for capitalizing the company, through a series of interventions that will leave the company in a healthy and debt-free financial situation, after the proposed operation.

Consequently, on September 19th of 2014, the Group received an irrevocable offer (“the Offer”) from the partner Pan American Energy (“PAE”), to stand for 70 days, which proposes the necessary actions to be implemented by each party (partners and creditors).

On September 22nd of 2014, the irrevocable² acceptance on behalf of YPF was received, outlining the actions they are responsible of undertaking.

3. Characteristics of the Operation:

The terms of the Offer are the following:

- i. Currency conversion of all debt to Argentine pesos: all creditors must convert the denomination of their loans into the Argentine peso using the exchange rate as of December 31st, 2013 (6.521 ARS\$/US\$).
- ii. Capitalization of CDS loan principals: The Shareholder’s Loan and a portion of the Structured Loan, leaving US\$³ 13,500,000 not capitalized.
 - Shareholder’s Loan: Refers to the loan granted on November 8th of 2007, for a total amount of US\$ 34,000,000, with Endesa Internacional S.A. (currently Endesa Latinoamérica S.A.) holding 40%, YPF International S.A. holding 40%, and Pan American Energy LLC (later transferred to Pan American Sur S.A.) holding 20%, due September of 2013 (“Shareholder’s Loan”). The due date of the Shareholder’s Loan was extended until September of 2014. The balance due on this loan amounted to US\$ 45,520,806 as of December 31st, 2013 (principal US\$ 34,000,000 and interest US\$ 11,520,806).
 - Structured Loan: Refers to the loan granted on April 16th of 1999, for a total amount of US\$ 258,000,000, 57% held by Endesa Internacional S.A. (currently Endesa Latinoamérica S.A.) and 43% by Repsol International Finance B.V. (later transferred to YPF International S.A.) intended to partially cover costs of the combined cycle power plant project, with a maximum repayment period of 13 years (“Syndicated Loan”). In order to ensure the payment of all financial obligations, Central Dock Sud S.A. constituted a series of guarantees to its creditors, including the mortgage of the land where the power plant is located, pledges for all plant equipment and movable property, among others. Additionally, the shareholders of Inversora Dock Sud S.A., YPF S.A. and Pan American Energy Holdings Ltd pledged their Central Dock Sud shares as a guarantee for the fulfillment of all financial obligations. Until now, the Syndicated Loan has experienced diverse amortizations and extensions, which as of December 31st, 2013, ultimately added up to a consolidated debt—including penalty fees and contractually established accrued commissions—of US\$ 147,877,451 (Principal: US\$ 90,704,696 and interest and commissions: US\$ 57,172,755).

² On September 26th, 2014, YPF ratified its irrevocable acceptance.

³ Equivalent in Argentine pesos to US\$ 13.5 million, at the 6.521 ARS\$/US\$ December 31st, 2013 exchange rate.

- Taking into account that these credits are held by ELA and not by ENI, and striving to maintain the commitment adopted by Endesa, S.A. in the latest Enersis capital increase, regarding Enersis being the sole investment vehicle in South America, prior to the conversion of debt to Argentine pesos described in i) and the aforementioned capitalization, ELA must sell and transfer the loans to ENI. Abiding by Chilean norms, this operation is considered a **Related Party Transaction (“OPR”, in its Spanish acronym)**, which, following the criteria developed by the SVS, must be submitted for approval by the Extraordinary Shareholders Meeting (“JEA”, in its Spanish acronym), with at least 2/3 of issued shares with voting rights. By the end of June 2014, the nominal value of debt held by ELA amounted to approximately US\$ 104 million (principal and interest).
- iii. Capitalization of the principal of the debt IDS granted CDS:
- **Subordinated Debt:** Debt granted on November 8th 2001 for a total amount of US\$ 14,799,522 due to June 30th 2004. The loan is subordinated in accordance with the terms stated in Article 9.2 of the “Amended and Restated Common Terms Agreement”, signed by CDS, BEI and BBVA Banco Francés S.A. on September 17th 2001. After some slight alterations to the contract, the debt amounted to US\$ 7,729,982 maturing on June 30th 2009, date at which 50% of the capital was paid and the rest was refinanced up until December 31st 2014. As of today, total principal amounts to US\$ 3,864,991.
- iv. Interest and commission write-offs on all debts as well as the write-off on redemption differences of preferred shares⁴.
- v. PAE contributes ARS\$ 125 million to CDS, with cash or transferring accounts receivable related to gas sales to CDS. PAE’s contribution is necessary as a means to complement the capitalization of its credits in order to maintain its ownership share similar to that prior to the operation.
- vi. If necessary, reduce capital in both CDS and IDS by absorbing accumulated losses, as a means to comply with the Argentine Corporations Law (Article 206).
- vii. CDS pays ENI ARS\$ 88 million corresponding to the US\$ 13.5 million (at the December 31st, 2013 exchange rate) as an amortization of one of the credits that ENI will acquire. This payment is necessary, aiming to maintain all partner’s ownership share similar to the percentages prior to the operation.

Following the aforementioned steps, ownership share would remain practically identical to current percentages (ENI 40.25%, YPF 40.25%, and PAE 19.5%). With regard to the “Programa de Propiedad Participada” (“PPP”, in its Spanish acronym, referring to an ownership participation program), it would not take part in the capitalization and as a result will be diluted.

⁴ Preferred shares are not capitalized and readjustment is eliminated as of January 1st 2014. Preferred shares would only have preference under company liquidation conditions, not turning them into common shares without modifying current ownership shares.

4. Records at my disposal:

In addition to the presentations given by the ENI administration during Board of Director meetings, I have also taken into consideration the following reports:

- i. Independent Advisor Report dated as of September 30th 2014, issued by IM Trust.
- ii. Independent Advisor Report dated as of October 2nd 2014, issued by Itaú BBA del Banco Itaú Chile ("Itaú BBA").
- iii. Directors' Committee Report dated as of October 6th 2014.

In my opinion, both Independent Advisors have duly carried out their task with the appropriate degree of independence, and have had access to all the required information to complete this endeavor.

- i. Independent Advisor Report dated September 30th 2014, issued by IM Trust.

On September 30th, the Independent Advisor IM Trust, which was appointed by the Directors' Committee, issued its Report, estimating the market value of the credits for ENI to be between US\$ 21.1 million and US\$ 23.6 million, highlighting that this value is compounded by the equivalent of 29.4% CDS shares, plus the cash payment, minus tax effects.

The discounted cash flow method was used to calculate the value of the shareholding, and calculating the weighted average of a base scenario and three pessimistic scenarios.

Additionally, the report shows other scenarios, related to the same discounted cash flow method but with other cashflows, with comparable multiples, and at the value equivalent to the contribution made by PAE, but that does not take into account the market value for ENI, as it is considered to be eventual.

- ii. Independent Advisor Report dated on October 2nd 2014, issued by Itaú BBA.

On October 2nd, the Independent Advisor Itaú BBA, appointed by the Board of Directors, issued its Report, determining that the value that contributed to social interest of ENI was equal or less than US\$ 33.8 million.

The first stage of the analysis considered the market value of the credits for any buyer (not ENI), which rendered a valuation range from US\$ 20 million to US\$ 50.7 million. The analysis took into account debt repayment capacity along with the capital structure and the hypothetical liquidation of the company by the third year.

From ENI's perspective, debt was valued considering the ownership share that would be reached after the capitalization. According to Itaú BBA, the percentage amounts to 40.25% of the shares, since the privileges granted by the Structured Loan allow for, in the event of its execution, the owner of the debt to keep 57% of the shares, and that ENI completely lose its position. Additionally, just like IM Trust, it considers the partial amortization of the debt and tax effects for ENI.

It is worth highlighting that both reports coincide in the way the debt is handled, differing basically in the percentage to be considered (29.24% in the case of IM Trust and 40.25% for Itaú BBA).

iii. Directors' Committee Report dated October 6th of 2014.

The members of the Committee agree with the following concepts of the methodology applied by both independent advisors to ascertain the value of the credits:

- i. Discounted cash flows are the best method to obtain the value of a company.
- ii. The sum that Enersis receives as repayment for the acquired debt must be added (ARS\$ 88 million).
- iii. The taxes to be paid in Chile and Argentina, directly associated with the operation, must be deducted.

Regarding the value, the advisors provide a maximum value ranging from US\$ 23.8 million to US\$ 27.8 million, which are based on different assumptions concerning the ownership share of CDS and cash flow.

5. Pronouncement:

Article 147 of the Corporations Law, dictates that the criteria for the approval of related party transactions, is that they must contribute to public interest and adhere to price, terms, and conditions prevailing in the market at the time of approval.

I will address these two aspects below:

i. **Contribution to social interest:**

In my opinion, ENI's acquisition of the credits, for its later capitalization, would be positive from a strategic and business point of view, subject to the appropriate transfer price, terms and conditions. Thus, I believe the proposed Operation does contribute to public interest.

It is important to note that, for the proposed Operation to contribute to public interest, beyond the aforementioned strategic and business benefits, it must also create value.

I believe the Operation contributes to public interest, from a strategic and business perspective, because of the following:

- a. The Operation in itself does not inherently imply greater exposure in Argentina, but more likely, reaffirms and preserves ENI's ownership of 40% of CDS. The former has a direct relationship with the seniority of the Structured Loan. The owners of this debt are protected by a package of guarantees, which include, guarantees on land, power plant, contracts, and share pledges; in essence, the creditors of this loan could ultimately execute the loan and own the company.
- i. Case 1: In the case that ENI does not acquire the debt, ELA could sell these loans to a third party (high risk investor), who could potentially have the right to not accept the credit waiver (would have 57% of the credit) and execute it. In this scenario, YPF (the other creditor with 43% of the loan), would not be able to oppose this decision, as it could be accused of conflict of interest for simultaneously being a creditor and shareholder, ultimately being forced to accept the execution of the loan. In this case, ENI not only would lose its current ownership (diluted to 11% after a potential capitalization by the rest of the creditors), but would lose its entire ownership.

- ii. Case 2: The alternative is one in which ELA and ENI reach an agreement, paying an adequate price for both portions, and the latter is able to maintain its current 40% shareholding.
- b. Quality of the asset: CDS is a state-of-the-art Alstom combined cycle power plant, being an extremely important asset of the Argentina electricity system, particularly in the city of Buenos Aires. Therefore, buying the debt as part of this Operation, allows it to continue operating normally into the future.
- c. Quality of the partners: YPF and PAE are both leaders in their markets and are the natural partners any investor would seek to invest in the Argentine energy sector. Therefore, it is reasonable to maintain a healthy business relationship with them. The agreement reached by them evinces this relationship, given that even PAE will inject new money into the company.
- d. Relationship with other investments in Argentina: CDS is not the only asset that Enersis Group owns in Argentina. Enersis Group holds other important assets such as Costanera, El Chocón, Edesur, CTM, TESA, and Yacylec, in addition to an ownership share of Foninvemem which will be activated in its due time. Any investment decision must incorporate a global outlook of the Group's investments in Argentina, especially since one of the partners, YPF, is the Argentine state itself.
- e. Improvement in Net Income: According to Itaú's Report, if the purchase is executed at US\$ 33.8 million, Net Income will increase by US\$ 55 million in 2014, as a consequence of the elimination of third party debt, the write-off of interest, commissions, and differences in redemption that other partners partake, as well as taxes. This impact is even better than that of the alternative scenario where the company would be liquidated. For 2015 and 2016, the impact on Net Income would be approximately US\$ 7 million each year.
- f. Reduction of Net Debt: If the purchase of the loans takes place at US\$ 33.8 million, the operation gives way to the reduction of net debt by US\$ 188 million (the alternative scenario involving liquidation leads to a US\$ 194 million reduction).

ii. **Market price:**

If we analyze the market value of the loans, solely from the perspective of its debt service capacity, this value is not zero. On the contrary, according to the estimates presented by Itaú BBA, its value could fall between US\$ 12.3 million and 50.7 million, but it considers disruptive scenarios.

In order to determine a value for Enersis, however, one must consider the proposed Operation as a whole, in other words, that these credits be acquired to be capitalized (except the ARS\$ 88 million) and writing off interest, in addition to all the other cash flow effects of the operation (cash collection and tax impacts).

Based on the aforementioned, it is very reasonable to consider that 40% ownership is to be maintained (both direct and indirect) of CDS. Concretely, the economic present value of the assets is less than the amount of debt, thereby the value of the shares that ENI holds is zero. Consequently, ENI's participation in the proposed operation is very beneficial for the company, as it permits the

reinstatement of value into those totally depreciated shares. In this same vein, if we consider that PAE is contributing fresh resources, it is implicitly delivering a reference value in order to keep its ownership close to 20% (implying a valuation of CDS of approximately US\$ 75 million).

Therefore, I also agree with the methodology applied by Itaú BBA, in which the maximum price to pay amounts to US\$ 33.8 million, compounded by the value of the shares to be acquired, cash of the company after the operation takes place, payment to be received by ENI for the amortization of the ARS\$ 88 million, and tax effects.

I believe that this value adds to the public interest of ENI, and provides the option to take advantage—in the near future—of potential improvements within the Argentine market. Building off of a possible improvement of the regulatory framework (cost plus), the value of the loans could reach within the range of US\$ 71 million and US\$ 81 million. When using the comparable multiples method (EV/EBITDA of 4.5x), for 2014 the value range of the credits would fall between US\$ 76 million and US\$⁵ 90 million and for 2015, between US\$ 55 million and US\$⁶ 65 million.

From the perspective of ELA, this operation has to be seen as a complement to Enersis' Capital Increase. In such event, 100% of CDS' net worth was initially determined to be negative (US\$ -57 million in a Report by Eduardo Walker), and later valued at zero. Hence, in a way ELA "paid" the remaining ENI shareholders by transferring these shares.

Therefore, in my opinion, the upper limit of **the value of the debt** should be US\$ 33.8 million (the maximum established in the Itaú BBA Report), only if the repatriation of the ARS\$ 88 million amortization is possible, at the official exchange rate, or if there is a decision to keep funds in Argentina. In the event that the funds are expatriated at liquidation exchange rate, meaning, instead of ENI receiving US\$ 10 million it only receives US\$ 6 million⁷, the difference (US\$ 4 million) should be discounted from the value of debt, reducing it to US\$ 29.8 million.

iii. **Conclusion**

In my opinion, from a strategic and business perspective, acquiring these credits would be positive for Enersis, subject to the transaction taking place at the appropriate transfer price, and under appropriate terms and conditions. The key aspects are: the seniority of the debt, the quality of the asset, the quality of the partners, the global strategy of the Group in Argentina, and the improvement in Net Income and Net Debt for ENI.

Regarding the value, it seems reasonable to consider the following:

- 40% current company ownership is being maintained
- the valuation scenario of the company be a conservative one, allowing to take advantage of the potential market *upsides*.

⁵ EBITDA US\$ 34.3 million.

⁶ EBITDA US\$ 28.7 million.

⁷ ARS\$ 88 million divided by the "liquidation" exchange rate equal to 14.5 ARS\$/US\$

- It must take into account the impacts on cash for ENI (amortization payment and tax impacts). As for cash, a price adjustment must be applied, depending on the exchange rate used to expatriate funds.

Therefore, in my opinion, the market value of the loans falls within the range US\$ 29.8 million and US\$ 33.8 million, contributing to public interest.

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Madrid, October 8th, 2014.