Project Elqui

November 3, 2017

Report for Enel Chile S.A. Board of Directors

LarrainVial

Important Information

- LarrainVial Servicios Profesionales Limitada ("**LarrainVial**") was hired by Enel Chile S.A. ("**Enel Chile**") to act as independent evaluator to its Board of Directors (the "**Board**") with respect to the Proposed Transaction, as the term is defined below. The scope of this advisory service is defined by Law No. 18,046 in its article 147, which makes reference to independent evaluators
- This report was prepared in Spanish; any translation into another language is merely for reference and, therefore, the Spanish version must prevail for all purposes
- This report must be read as a whole; any dissemination or partial distribution thereof must be previously authorized by LarrainVial
- In preparing this report, LarrainVial has relied on information provided by Enel Chile, Enel Generación Chile (**"Enel Gx"**), Enel Green Power Latin America Limited (**"EGP Latam"**) and their respective advisors, in addition to public information, in respect of which LarrainVial cannot guarantee, directly or indirectly, its accuracy, precision, authenticity, validity or completeness. Likewise, LarrainVial has relied on the estimates, projections and forecasts received and trusts they have been prepared in good faith by the respective administration, advisor or expert. Although LarrainVial has analyzed such projections and considers that they are reasonable estimates, it assumes no responsibility with respect to the information reviewed or the conclusions that may arise from any error or inaccuracy of the aforementioned information
- The analysis and conclusions of this report constitute the best view or opinion of LarrainVial at this date in relation to the Proposed Transaction based on the information that was available. These conclusions are based on market conditions, financial conditions, economic contingencies and regulations in effect at the date of the report, with the understanding that future events, developments or situations that may modify the conclusions set forth herein could occur. LarrainVial does not undertake any obligation to revise or update this report, nor to communicate any variations that may arise from new developments
- LarrainVial is acting as financial advisor to the Board and has not assumed any commitment or obligation to provide legal, accounting, or tax services, or to conduct a due diligence process for the companies subject to the Proposed Transaction. The contents of this report should not be considered as legal, accounting or tax advice. Any reference, directly or indirectly, to legal, accounting or tax aspects should be understood as a general analysis in the context of the financial analysis carried out by LarrainVial

Content

Chapter I

Executive Summary

Executive Summary

Role of independent evaluator	▪ Larrain Vial Servicios Profesionales Ltda. ("**LarrainVial**") has been hired by Enel Chile to assist its Board and act as independent evaluator in the Proposed Transaction (as defined below) ▪ This report considers a description of the transaction, an analysis of the effects and potential impact for Enel Chile, including whether it contributes to the social interest ▪ In addition, at the request of Enel Chile, this report includes a valuation of Enel Chile, Enel Gx and EGP Latam, and the estimation of the conditions of the transactions described below in a way that contributes to the social interest of Enel Chile
Background and description of the transaction	▪ On July 3, 2017, Enel Chile proposed to Enel SpA ("**Enel**") a corporate restructuring (the "**Proposed Transaction**") in which Enel Chile incorporates, in a merger through absorption with EGP Latam, the generation assets of non-conventional renewable energy it owns in Chile (the "**Merger**"). The proposal conditions this merger to declare a successful mixed Tender Offer, that is, in cash and in shares, of Enel Chile for up to 100% of Enel Gx (the "**Tender Offer**"). The success of the Tender Offer would be fulfilled if Enel Chile manages to achieve a controlling stake greater than 75% of the share capital of Enel Gx ▪ On August 25, 2017, Enel SpA welcomes the proposal incorporating some conditions therein, such as that the transaction should increase the earnings per share ("**EPS**") of Enel Chile and that Enel maintain an ownership percentage in Enel Chile similar to the current one, among others ▪ Enel Chile also informed that the operation, which contemplates the two stages mentioned above that make up a single integral operation, will be subject to the rules established in Chile that govern operations between related parties ▪ As of October 26, 2017, Enel Chile communicated as material fact (*Hecho Esencial*) that the Tender Offer will be paid entirely in cash and that part of the cash will be required for subscribing shares of Enel Chile by the vendors
Conclusions	▪ Based on the information received and analysis undertaken, the Proposed Transaction, in the terms described in this report, contributes to the social interest of Enel Chile and complies with the requirements of Enel ▪ The performance of Enel Chile and Enel Gx shares since the announcement of the Proposed Transaction has been above local comparable stocks and above or in line with the local market, which are good indicators that confirm the above the market's positive view of the transaction ▪ The estimated price and exchange ratio ranges for the Proposed Transaction are as follows: ▪ Tender Offer Price: between CLP 534 and CLP 586 per Enel Gx share ▪ Enel Chile (Tender Offer & Merger) between CLP 80.2 and CLP 86.6 per share of Enel Chile ▪ Tender Offer Exchange Ratio: between 6.38 and 7.01 Enel Chile shares for each Enel Gx share ▪ Tender Offer Cash %: between 57.0% and 62.6%, determined by the price of the Tender Offer ▪ EGP Latam Equity Value: between USD 1,633 million and USD 1,880 million ▪ Merger Exchange Ratio: between 15.04 and 17.31 Enel Chile shares for each EGP Latam share ▪ The result of the Tender Offer is uncertain. However, it is reasonable to assume that the final ownership percentage obtained by Enel Chile in Enel Gx will be higher (lower), depending on whether the final values of the Merger and Tender Offer are more (or less) favorable for Enel Gx's minority shareholders ▪ At the same time, considering fixed results for the Tender Offer, there are different combinations of company prices (and therefore of exchange ratios) in which Enel Chile and its shareholders obtain equivalent results in terms of the average EPS for the 2018-2022 period compared to the current scenario ▪ With regards to the Tender Offer, the greater the percentage of cash to be used, the greater the benefit in terms of EPS for Enel Chile. Assuming a fixed maximum leverage for Enel Chile, the greater the price of the Tender Offer, the lower the percentage of cash allowed in the Tender Offer

Chapter II

Description of the Proposed Transaction

Background

- On July 3, 2017, Enel Chile sends to Enel a proposal for a corporate restructuring in which Enel Chile would incorporate, in a merger through absorption with Enel Latam, the non-conventional renewable energy generation assets it owns in Chile. The proposal conditions this merger to declare a successful mixed tender offer, in cash and in shares, on the part of Enel Chile for up to 100% of Enel Gx. The success of the Offer would be fulfilled if Enel Chile manages to achieve a controlling percentage greater than 75% of the share capital of Enel Gx
  - In this proposal Enel Chile states that the purpose of the Proposed Transaction is to consolidate a vehicle that maximizes its Open Power strategy, in which renewable energy has a high priority
  - In addition, Enel Chile establishes that the Tender Offer for up to 100% of Enel Gx seeks that (i) Enel's stake in Enel Chile does not exceed the statutory maximum limit of 65% and (ii) the optimization of cash flow and financial capital structure of Enel Chile, increasing it EPS
  - This proposal was sent to local securities and insurance regulator Superintendencia de Valores y Seguros ("**SVS**") on July 4, 2017 as reserved material fact (*Hecho Esencial Reservado*), therefore neither the shareholders of Enel Chile nor the market in general were aware of it until August 25, 2017, as explained below
- On August 25, 2017, Enel Chile communicated to all shareholders and the market in general, as material fact (*Hecho Esencial*), that having received a favorable reception of the Proposed Transaction from its controlling shareholder, with unanimous approval from members of the Board, it would initiate all work, analysis and steps leading to the execution of the corporate restructuring initiative
  - In this communication, Enel Chile released the letter sent by Enel in which it states that the Proposed Transaction is in line with some of its strategic objectives such as the simplification of the structure of minority shareholders in Chile and the consequent alignment of interests. In addition, Enel indicates that the minimum conditions that the Proposed Transaction should comply with in order to have its support would be the following:
    1. That the operation is carried out on market terms, taking into account the growth perspectives for renewable energy in Chile
    2. That an increase in the net earnings per share of Enel Chile be obtained
    3. That Enel maintain at the end of the process a shareholding in Enel Chile similar to its current stake and without at any time losing its controlling status, according to the statutory limit of maximum shareholder concentration stipulated at 65%
    4. That, after the process, Enel Gx cease to be subject to Title XII of D.L. 3500 of 1980, eliminating from its bylaws the limitations to share concentration and other restrictions specified therein
  - The Proposed Transaction contemplates two stages that make up the whole operation:
    1. Tender offer, by Enel Chile for Enel Gx shares, to be declared successful subject to certain conditions described further below
    2. Merger between EGP Latam and Enel Chile, considering its new shareholder base resulting from the tender offer described above
  - In addition, Enel Chile establishes that it will submit the described transaction to the norms established in Chile that govern related-party transactions. That is why Enel Chile, Enel Gx and EGP Latam, and their respective Board of Directors and board Committees in the case of Enel Chile and Enel Gx, hired independent evaluators and experts to study the Proposed Transaction
- As of October 26, 2017, Enel Chile communicated as material fact (*Hecho Esencial*) that the Tender Offer will be paid entirely in cash and that part of the cash will be required for subscribing shares of Enel Chile by the vendors

Scope of LarrainVial work and available information

Scope of LarrainVial Work

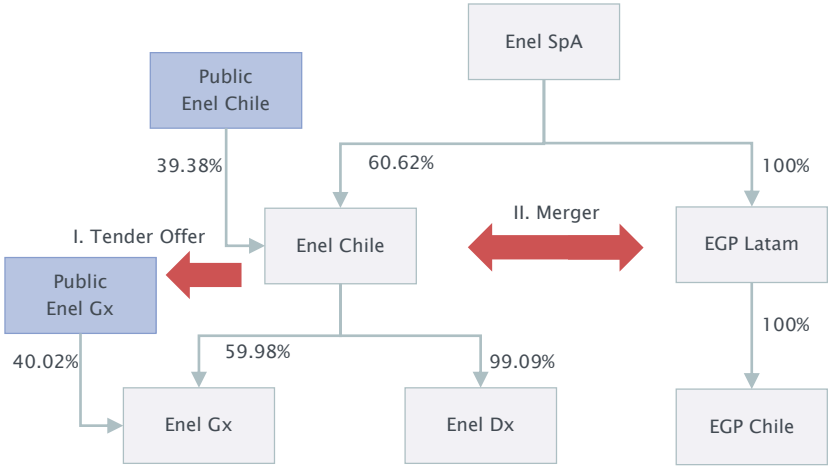
- LarrainVial was hired as independent evaluator of the Board of Enel Chile with respect to the Proposed Transaction. The scope of this service is defined by Law No. 18,046 in its article 147, which makes reference to independent evaluators
- This report, at the request of the Board, considers the following aspects:
  - Description of the proposed restructuring
  - Analysis of the strategic reasons and potential impact on the value with respect to the Proposed Transaction, in order to estimate if it contributes to the social interest of Enel Chile
  - Valuation of Enel Chile, Enel Gx, EGP Latam in the context of the Proposed Transaction
  - Decision regarding the exchange ratio of the merger between Enel Chile and EGP Latam
  - Evaluation of the most convenient terms and conditions of the Tender Offer, ensuring it contributes to the social interest of Enel Chile, and that it is in line with the requirements of Enel
- It is expressly noted that this report does not consider an analysis of alternative restructurings other than the Proposed Transaction, since it is not within the scope of the advisory service to the Board
- Additionally, the report does not consider an assessment of whether the Proposed Transaction is fair in price, terms and conditions to those that will prevail in the market at the time of its approval, since no specific proposal has been made by the companies or their Boards of Directors in relation to the stock swap of the Merger, the price per share of Enel Gx in the tender offer, the percentage of the price to be paid in Enel Chile shares, nor the exchange ratio of the portion of the Tender Offer to be paid in Enel Chile shares

Available Information

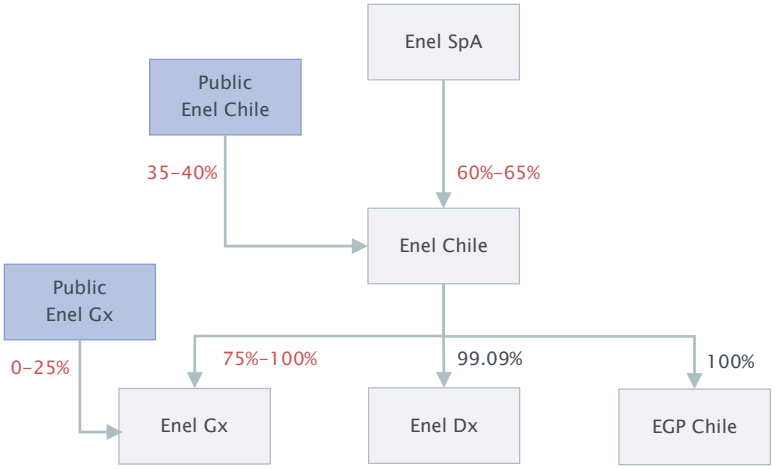
- To prepare this report, LarrainVial used public information of the companies that are part of the Proposed Transaction, information of other electricity generation and distribution companies in Chile and international markets, and information of the markets in which they trade
- In addition, LarrainVial had access to a Virtual Data Room with information on the Proposed Transaction, of Enel Chile and its subsidiaries, and EGP Latam and subsidiaries
- LarrainVial participated in face-to-face meetings and telephone calls:
  - Management presentations of Enel Chile, Enel Gx, Enel Distribución ("**Enel Dx**") and EGP Latam held on September 26, 2017
  - Work meetings and telephone calls with management and financial advisors of Enel Chile, Enel Gx, Enel Dx, and EGP Latam
  - LarrainVial asked questions to Enel Chile, which were answered through the Virtual Data Room, along with questions from other advisors

Description of the Proposed Transaction

Current Situation



After the Proposed Transaction



- The transaction consists of a Merger by incorporating EGP Latam into Enel Chile and a Tender Offer by Enel Chile to acquire up to 100% of the shares issued by Enel Gx owned by the minority shareholders of Enel Gx. Both transactions are subject to compliance with the requirements described on page 7 of this report, in addition to the requirements described below.
- The Enel Chile offer for Enel Gx will be a mixed tender offer, in cash and shares, and should contemplate the following:
  - In order to carry out the mixed tender offer, and to be able to pay part of the same in Enel Chile shares, Enel Chile must proceed to the realization of a capital increase to incorporate the minority shareholders of Enel Gx participating in the Offer
  - The Tender Offer would be declared successful provided that Enel Chile reaches a percentage higher than 75% of the share capital of Enel Gx
  - The foregoing is subject to a statutory amendment to Enel Gx, inasmuch as it is necessary to eliminate the limitations on the stock concentration allowing Enel Chile to acquire up to 100% of Enel Gx shares
- The second stage of the transaction contemplates the merger through absorption of EGP Latam with Enel Chile, considering its new shareholder base resulting from the tender offer described above.
  - The conditions of the merger must be approved prior to the launch of the tender offer and should only be subject to the success of the Tender Offer. That is, the conditions for the stock swap of Enel Chile, for each share of EGP Latam, must be independent of the Enel Chile's final equity stake in Enel Gx

EGP Latam

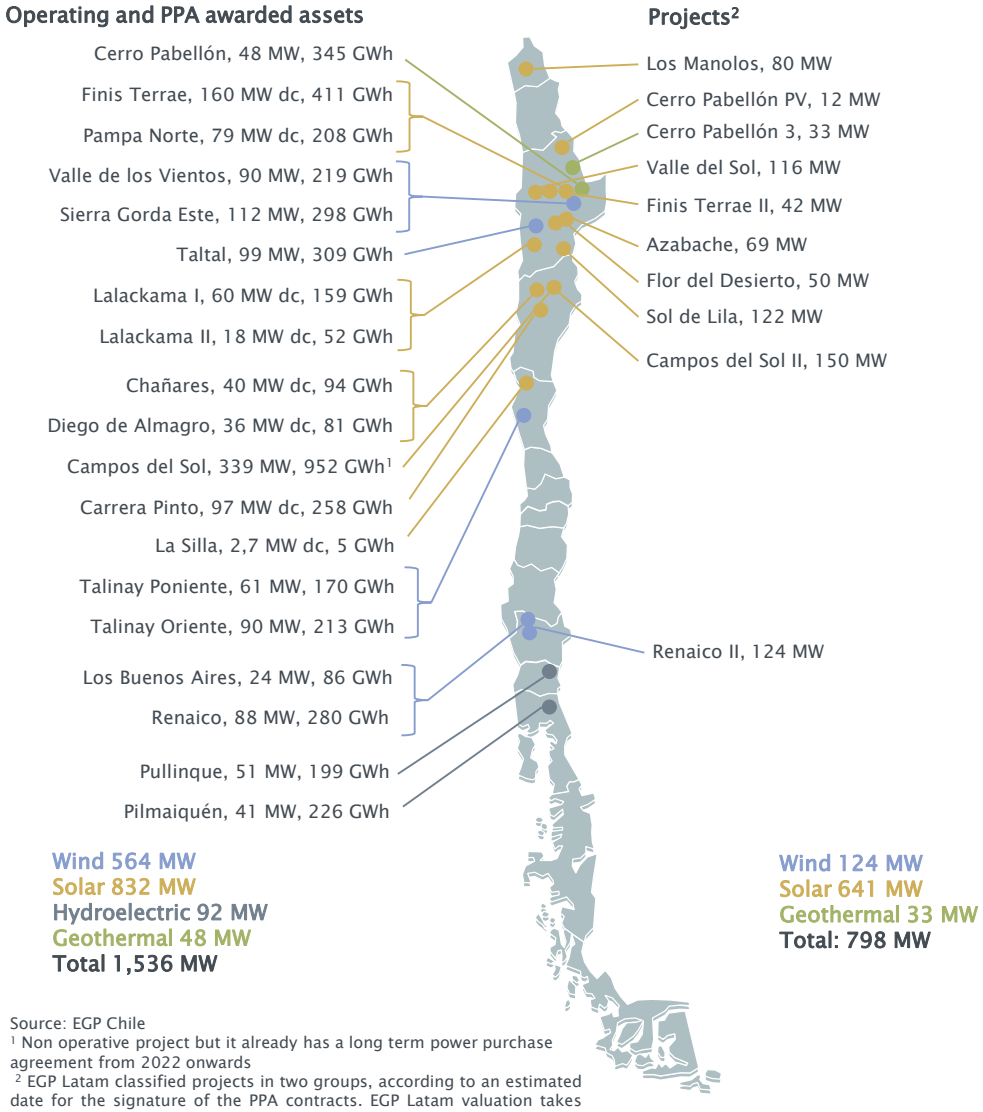
- 100% owned by Enel Green Power, a global renewable energy company present in more than 19 countries, with over 39 GW installed in more than 1,160 plants (16 GW excluding dam-powered hydro)
- EGP Chile is the largest renewable energy generator in Chile (excluding dam-powered hydro) with 1,195 MW of installed capacity
- Expansion projects for more than 1,135 MW, of which 339 MW already have a long-term power purchase agreement (PPA)

Evolution of EGP Chile Installed Capacity and Technologies

	2012	2013	2014	2015	2016	2017
Tecnologies	Hydro	Hydro Wind	Hydro Wind Solar	Hydro Wind Solar	Hydro Wind Solar	Hydro Wind Solar Geothermal
Facilities	2	4	8	10	17	18
Installed Capacity (MW)	92	180	311	486	1,005	1,195
Generation (TWh)	0.5	0.6	1.0	1.5	2.2	3.2

Source: EGP Chile

EGP Chile's Current Assets and Location



Source: EGP Chile
[1] Non operative project but it already has a long term power purchase agreement from 2022 onwards
[2] EGP Latam classified projects in two groups, according to an estimated date for the signature of the PPA contracts. EGP Latam valuation takes this into account for defining the valuation range

Chapter III

Analysis of Strategic Reasons for the Proposed Transaction

Reasons to justify the transaction from Enel Chile's perspective

1	Growing role of renewable energies in the global context	Strategic
2	Future challenges in the industry, and technology and business integration	
3	High competitiveness of renewable energies in the expansion of the domestic power sector	Industry/ Tactic
4	Combination and complementarity of traditional and non-conventional renewable technologies	
5	Alignment of interests in a single investment vehicle	Financial
6	Reduction of holding company discount	
7	Increased liquidity of the stock	
8	Capital structure optimization	
9	Technological diversification and decreased operational risk	

Enel Chile would become the first Chilean operator of renewable generation, conventional generation and distribution

Analysis for reasons that would justify the Proposed Transaction (1/4)

1 Growing role of renewable energies in the global context

- The decline in costs that renewable energy has seen in recent years has allowed them to compete directly with traditional sources of electricity generation without the need for state subsidies or additional incentives, triggering an explosive growth of generation projects based on these technologies[1]
- At the global level, the installed capacity of renewable energy increased from 843 TW in 2000 to 2,006 TW in 2016[2]
- The role these types of technologies have had, and are expected to continue having in emerging markets is significant and is the result, among other things, of the quick response that these new sources of energy deliver to the needs of each market in terms of development time, construction, modularity, among other characteristics

2 Future challenges in the industry and technology and business integration

- The development of non-conventional renewable energy poses important challenges from the operational and strategic point of view. On a large scale, variable generation plants, such as wind turbines, and intermittent plants, such as solar plants, require special synchronization with conventional sources. On the other hand, distributed generation and advances in storage technology must be integrated into systems whose structural design considers discrete units of large-scale instantaneous generation
- The incorporation of EGP Latam into Enel Chile will allow Enel Chile to face future challenges such as energy efficiency, energy storage and distributed generation, from an integral perspective, from energy generation to distribution, always complying the current regulatory framework
- This integration is in line with the definition of Enel's Open Power strategy, and hence of Enel Chile, as a platform for growth with the vision of participating more openly in a new era for energy. This is in line with global trend *"transforming energy utilities companies like Enel from simple producers and distributors of energy to services suppliers and systems optimizers"*[3]

3 High competitiveness of renewable energies in the expansion of the domestic power sector

- The result of the last tender for electricity supply awarded, at the date of this report, which had an average award price of USD 47 per MWh[4], had a significant share of renewable energies that were the most competitive in the process. This result could be ratified, and even surpassed (i.e. obtaining a lower price) for the current tender that will be awarded during November 2017
- As such, local industry growth seems to be strongly influenced by renewable sources. In this sense, if the Proposed Transaction does not materialize, Enel Chile is clearly restricted to increasing its installed capacity, limiting its possibilities of generating value for its shareholders
- The geographical context, the availability of renewable resources, and the growing restrictions imposed on traditional sources, make Chile a significant player in the world in the use of these technologies
- Finally, non-conventional renewable energy (wind, solar, geothermal, biomass, run-of-river hydro, among others) could already be considered conventional technologies:
  - To date they represent 16.8% of the local market in terms of installed capacity and 13.9% in terms of generation in the last 12 months[5]
  - Important global players with local presence have discarded the development of new projects with some conventional technologies such as coal
  - Public policies have focused on increasing the relative weight of these types of energy sources in the local matrix, such as public tenders for energy supply with time blocks that encourage the development of solar projects

[1] According to the National Renewable Energy Laboratory (U.S. Department of Energy), the investment cost of a fixed solar PV plant fell from $ 4.6/W in 2010 to $ 1.0/W in 2017
[2] Source: IRENA, 2017 renewable capacity statistics
[3] Report of Enel's Board on the acquisition of the minority interest of Enel Green Power in January 2016
[4] Source: Chilean National Energy Commission (CNE)
[5] Source: Generadoras de Chile, Electrical Market Bulletin, Generation Sector May 2017

Analysis for reasons that would justify the Proposed Transaction (2/4)

4 Combination and complementarity of traditional and non-conventional renewable technologies

- The combination of traditional technologies such as hydroelectric dams, gas or coal, with non-conventional renewables such as solar or wind, seems equally important than the pure growth of renewable energy. The relative decrease in exposure to current hydro risk of Enel Chile and the potential benefits of future commercial offers or development of projects combining different technologies are examples of this
- From Enel Chile's point of view, the Proposed Transaction will allow it to have exposure to a mix of technologies and assets in which it had not been able to participate in to date[1] as well as integrate the know-how of Enel Green Power, a global leader in renewable energy, to its asset base and projects
- As a result of the Merger, Enel Chile and EGP Latam could benefit from the complementarity between traditional and renewable generation sources. Although this transaction is not a necessary condition for this to occur, being under the same investment vehicle would facilitate it from a practical point of view
- In any case, it should be noted that according to the information reviewed, the companies do not expect the Proposed Transaction to generate additional benefits or cost savings in the short term from an operational, administrative or financial point of view. In fact, this report considers the quantitative impact of any eventual operational, administrative or financial synergies from the transaction to be insignificant within the analysis

5 Alignment of interests in a single investment vehicle

- The incorporation of EGP Latam into Enel Chile would enable the integration in a single vehicle of all the generation and distribution investments of the Enel group in Chile, eliminating potential conflicts of interest existing in the development of the generation business that, if the current structure were to be maintained, could affect the minority shareholders of Enel Chile and Enel Gx
- Given that the market may be punishing the existence of the conflict of holding EGP Latam or Enel Gx as a vehicle through which to develop certain generation projects[2], it is reasonable to think that if companies lessen their potential conflicts of interest and reduce their agency problems, this could be beneficial to their valuations

6 Reduction of holding company discount

- The difference between the market capitalization of a parent company or holding company in relation to the sum of the market values of the parts that make up the whole, or it net assets value (NAV) is commonly known as a holding discount or premium. In situations where the parent company and its subsidiaries are listed on a stock exchange, these discounts or premium may be calculated directly from market prices
- This eventual discount is attributed to different reasons such as: agency problems between the controlling and minority shareholder and between shareholders and management, differences between cash flow rights (economic rights) and control rights (political rights), liquidity differences between holding assets and those of its subsidiaries, parent or holding company tax costs, costs specific to the holding company, the conglomerate effect (negative diversification), holding company extraordinary costs to rescue subsidiaries against possible bankruptcies[3], among others[4]. At the same time, there are generally accepted arguments for considering that a holding company may have a premium over its subsidiary such as operational and financial synergies resulting from the combined control of different companies, risk diversification and the possibility of extracting private profits from a subsidiary to the holding controller or tunneling
- The discount that would occur between a holding company and a sole subsidiary, when both are publicly traded and have high liquidity, could be defined as a "pure" holding discount. However, Enel Chile's case is more complex since, despite the fact that both Enel Chile and Enel Gx have high liquidity, Enel Chile also participates in Enel Dx which has low or practically no liquidity, and any discount analysis requires, therefore, an estimate of the economic value of this subsidiary

[1] Except for the Canela I and Canela II wind power plant of 78 MW in total
[2] Lefort, Walker, 2005, *"The Effect of Corporate Governance Practices on Company Market Valuation and Payout in Chile"*
[3] Lefort, González, 2011, *"Holding Company Discount and Business Groups Optimal Bailout of Subsidiaries"*, Working Documents 34, UDP, Faculty of Economics and Business
[4] Specific cases in Chile are studied in the works of (i) Lefort, González, 2010, *"On Holding Discounts Determinants"*, y (ii) Gálvez, 2009, "*El Descuento por Holding en el Mercado Chileno, 1993-2007: Evolución y Análisis Estadístico*", Thesis for Masters, Pontifical Catholic University, Faculty of Economics and Management

Analysis for reasons that would justify the Proposed Transaction (3/4)

6 Reduction of holding company discount (continued)

- Based on market prices (daily close) of Enel Chile, Enel Gx and Enel Dx since the beginning of its simultaneous listing[1], it can be concluded that Enel Chile has had a holding discount of around 11%. However, if the market value of Enel Dx is adjusted, this discount increases to 16% (detail on Appendix I)
- This holding discount implicit in market prices could be explained by an alternative to invest directly in Enel Gx compared to investing in its holding Enel Chile. If, as a result of the Tender Offer, Enel Chile significantly increases its ownership stake in Enel Gx, reducing the liquidity of the share, and therefore rendering the option to invest directly in Enel Gx more difficult, it could be concluded that the holding discount could decrease, and in a scenario where Enel Chile would have close to 100% of Enel Gx shares, it could be eliminated, benefiting the shareholders of Enel Chile

7 Increased liquidity of the stock

- The Proposed Transaction requires a capital increase of Enel Chile that enables the realization of the Merger and allows the payment of part of the Tender Offer in shares. Both effects would increase the stock market capitalization of the company assuming that the Proposed Transaction is realized at fair prices and in line with those of the market
- Meanwhile, the number of Enel Chile shares in the hands of investors other than its controlling shareholder, or free float, will also increase if the transaction is executed, which will mean a potential increase in the liquidity of the stock[2]
- In addition, the increase in the free float valuation would cause Enel Chile to increase its relative weighting in the stock market indices in which it is currently present, as well as be potentially considered to be part of new indices. This increase in the weighting of indices would lead passive investment funds following indices to generate a buying environment for the stock, thus increasing, at least in the short term, the value of Enel Chile shares
- Although there is evidence that companies in Chile with low liquidity have higher capital costs than highly liquid stocks[3], and therefore the latter tend to have better valuations than the former, because Enel Chile already enjoys high liquidity in the local market, we do not necessarily believe that the increase in liquidity, as a result of the transaction, would necessarily benefit its valuation in the long term

8 Capital structure optimization

- There are multiple points of view to assess whether one capital structure is better than another. Different perspectives such as financial or fiscal may have opposite conditions when evaluating the suitability of one capital structure over another
  - For example, from a purely fiscal perspective, it is advisable to increase significantly the indebtedness of a company that has a positive net profit so that the increase in interest expenses may reduce, and in the extreme eliminate, the payment of corporate taxes. However, from a financial point of view this may turn out not to be convenient if the higher indebtedness has a relevant impact on debt cost
- We will consider that one capital structure is better than another, from a financial point of view, if it generates value for the company´s shareholders. In a simplified way, from this point of view, a capital structure more indebted than another, considering the same assets to be financed, will be more convenient than a structure that is less indebted by (i) a lower tax payment due to higher financial expenses of the most leveraged structure and (ii) a lower discount rate required, provided that the increase in debt does not generate a significant increase in the cost of the debt

[1] Enel Chile began trading on April 22, 2016 after the division of Enersis into Enersis Americas and Enersis Chile, today Enel Americas and Enel Chile respectively
[2] The Appendix I analyses the Selective Share Price Index (IPSA), which groups the main 40 listed companies in the BCS, showing the correlation between liquidity and the free float valued in millions of USD
[3] An ongoing study by the International Monetary Fund concludes that shares with low liquidity in the Chilean capital market would have an average annual capital cost of 350 bps more than those with high liquidity (Brandao-Marques, 2016, Working Paper, "*Stock Market Liquidity in Chile*", IMF Working Paper, WP/16/223)

Analysis for reasons that would justify the Proposed Transaction (4/4)

8 Capital structure optimization (continued)

- The net financial debt as of June 30, 2017 of Enel Chile is 1.0x its consolidated EBITDA and it is expected that following the Proposed Transaction, Enel Chile would increase this debt ratio as a result of (i) the absorption of EGP Latam that has a more leveraged structure, and (ii) that a high portion of the Tender Offer for Enel Gx to be paid in cash will be financed through debt in Enel Chile
- Given the magnitudes involved, and the internal restrictions imposed by Enel Chile on its level of indebtedness, Enel Chile should not see its credit risk nor its risk classification[1] significantly modified and therefore its cost of long-term financing should not be altered

9 Technological diversification and decreased operational risk

- The financial performance of Enel Chile without a transaction are influenced by the hydrology present in the country, generating uncertainty in future cash flows
- On the other hand, EGP Chile's assets are characterized by greater operational predictability, which, coupled with long-term energy sales contracts and therefore their low exposure to the spot energy market, generate less uncertainty of their future flows
- Hence, if the Proposed Transaction materializes, Enel Chile would reduce its market risk, which could impact the implicit discount rate at which the market calculates the present value of its future flows, and thus have a positive impact on its valuation

Other significant considerations of the Proposed Transaction

Resolution 667

- In essence, Resolution 667 of the Resolution Committee of October 30, 2002 states:
  - That Enel Chile (as a continuing company of Enersis S.A.) must maintain the development of electricity generation and distribution activities "*separately, through different companies representing independent business units*",
  - That Enel Chile, Enel Gx and Enel Dx (as continuing companies of Enersis, Endesa and Chilectra) must maintain independent external boards and audits, and
  - That these companies "*should continue to be subject to the supervision of the SVS and observe the provisions applicable to public limited companies, even if they lose that character*"
- In line with the above mentioned, the Proposed Transaction is in line with Resolution 667

[1] Following the announcement of the Transaction, Feller Rate assigned "CreditWatch with developing implications" to Enel Chile and Enel Gx, without providing further indications as to levels of indebtedness or effects that would trigger a change in the CreditWatch or risk ratings. In turn, Fitch Ratings indicated that under certain parameters of indebtedness it could change Enel Chile's Outlook from Positive to Stable, though it would not affect the rating. Finally, S&P indicated that there could be a change in its classification if Enel Chile exceeds the ratio of net financial debt divided by EBITDA of 2.0x

Chapter IV

Analysis & Considerations for Valuation Ranges

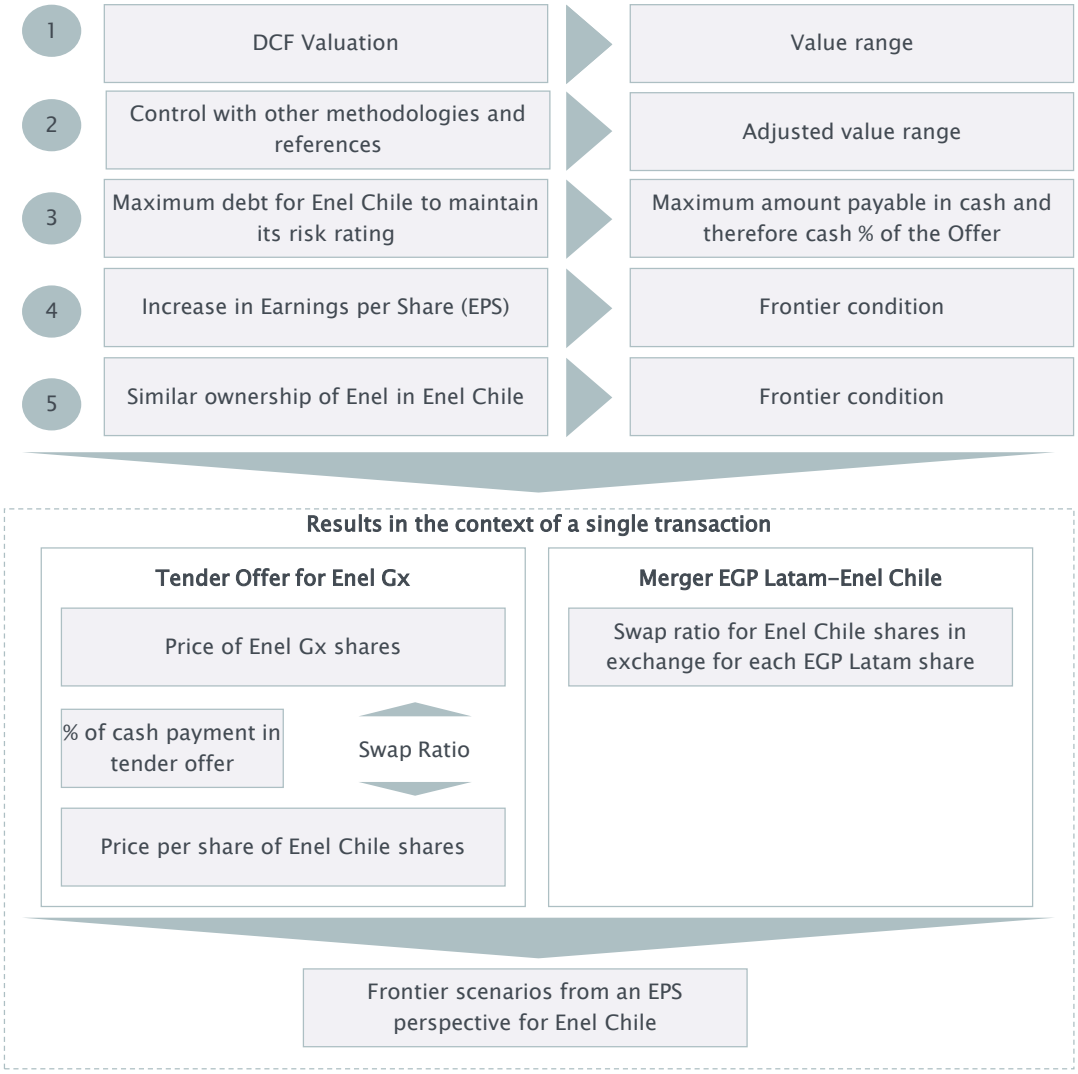
LarrainVial

Methodology to determine the valuation range for Enel Chile, Enel Gx and EGP Latam in the context of the Proposed Transaction

General Considerations

- Taking into account local and international market practices for transactions of this type, and considering the information available, the Discounted Cash Flow (DCF) methodology was used to determine the value ranges for Enel Chile, Enel Gx and EGP Latam in the context of the Proposed Transaction
- In addition to the DCF, the following references were used as control variables:
  - Market prices (Enel Gx and Enel Chile)
  - Prices estimated by market analysts (Enel Gx and Enel Chile)
  - Comparable market companies that trade in Chile or in international markets
  - Transactions of renewable companies (EDF, Iberdrola, EGP)
- The main objective is to find the value ranges of the companies involved in order to determine the final conditions of the Proposed Transaction:
  - Price of Enel Gx shares, percentage of cash to be considered in the price and swap ratio of Enel shares in exchange for each Enel Gx share
  - Swap ratio of Enel Chile shares in exchange for each EGP Latam share
- An additional analysis was carried out to determine the combinations of these conditions that from a perspective of the Enel Chile shareholders would be indifferent from a financial point of view
- It is important to note that, since the outcome of the Offer is uncertain and the range of possible results is broad, the analysis was based on specific result scenarios which were then sensitized to different tender offer scenarios

Methodology to identify plausible transaction ranges given the restrictions



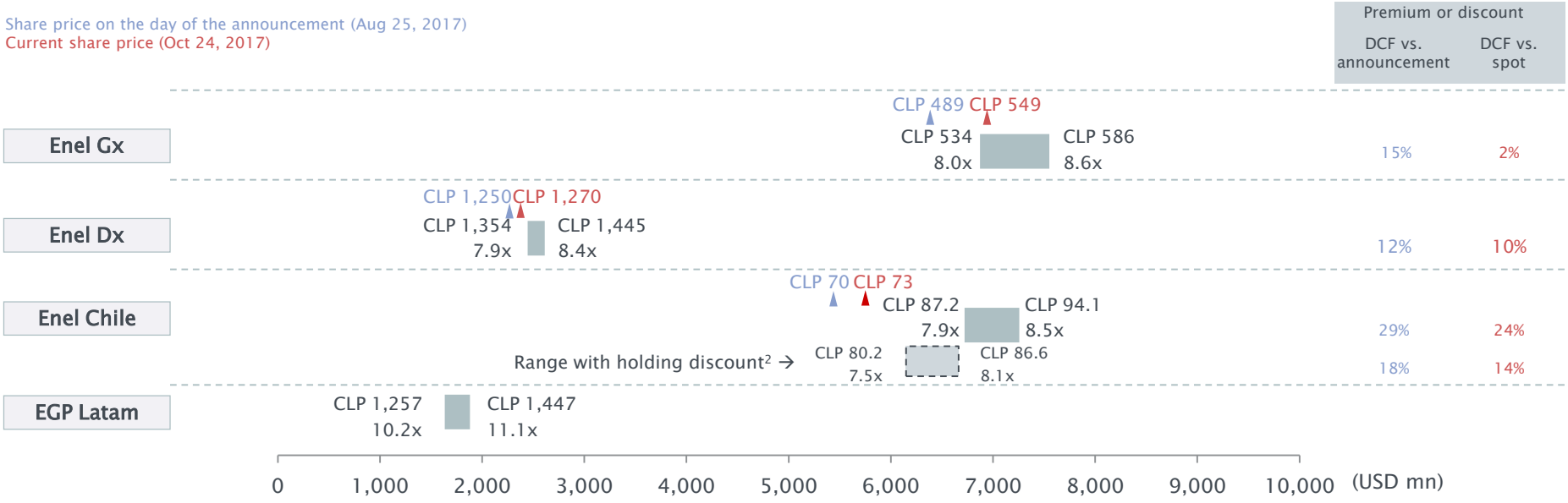
Results based on discounted cash flow

Base-case DCF Valuation (USD mn)

Company	Enterprise Value (EV)	Net Financial Debt (NFD)	Minority Interest	*Equity Bridge*	Equity Value (E)	Price per share (CLP[1])	EV/EBITDA		P/E	
							2017e	2019e	2017e	2019e
Enel Gx	8,860	1,067	167	435	7,221	561	10.9x	8.1x	11.7x	11.6x
Enel Dx	2,734	142	0	66	2,527	1,398	9.9x	8.1x	12.2x	12.3x
Enel Chile[2]	11,331	759	3,080	534	7,004	90.9	10.6x	8.0x	12.5x	12.5x
EGP Latam A[3]	3,148	1,194	126	-52	1,880	1,447[4]	12.9x	11.1x	37.7x	18.6x
EGP Latam B[3]	2,901	1,194	126	-52	1,633	1,257[4]	12.2x	10.2x	32.7x	16.2x

[1] Exchange rate USD 1 = CLP 636.8 (November 02, 2017)
[2] Obtained by the sum of individual shares of Enel Gx, Enel Dx and Enel Chile
[3] Financial estimates of EGP Latam A consider the execution of all projects detailed in the financial forecast whereas EGP Latam B does not consider cash flows from some projects that still don't have PPA
[4] EGP Latam is a Limited Liability Company, the price per share considers a future transformation to a Public Limited Company with 827,205,371 shares

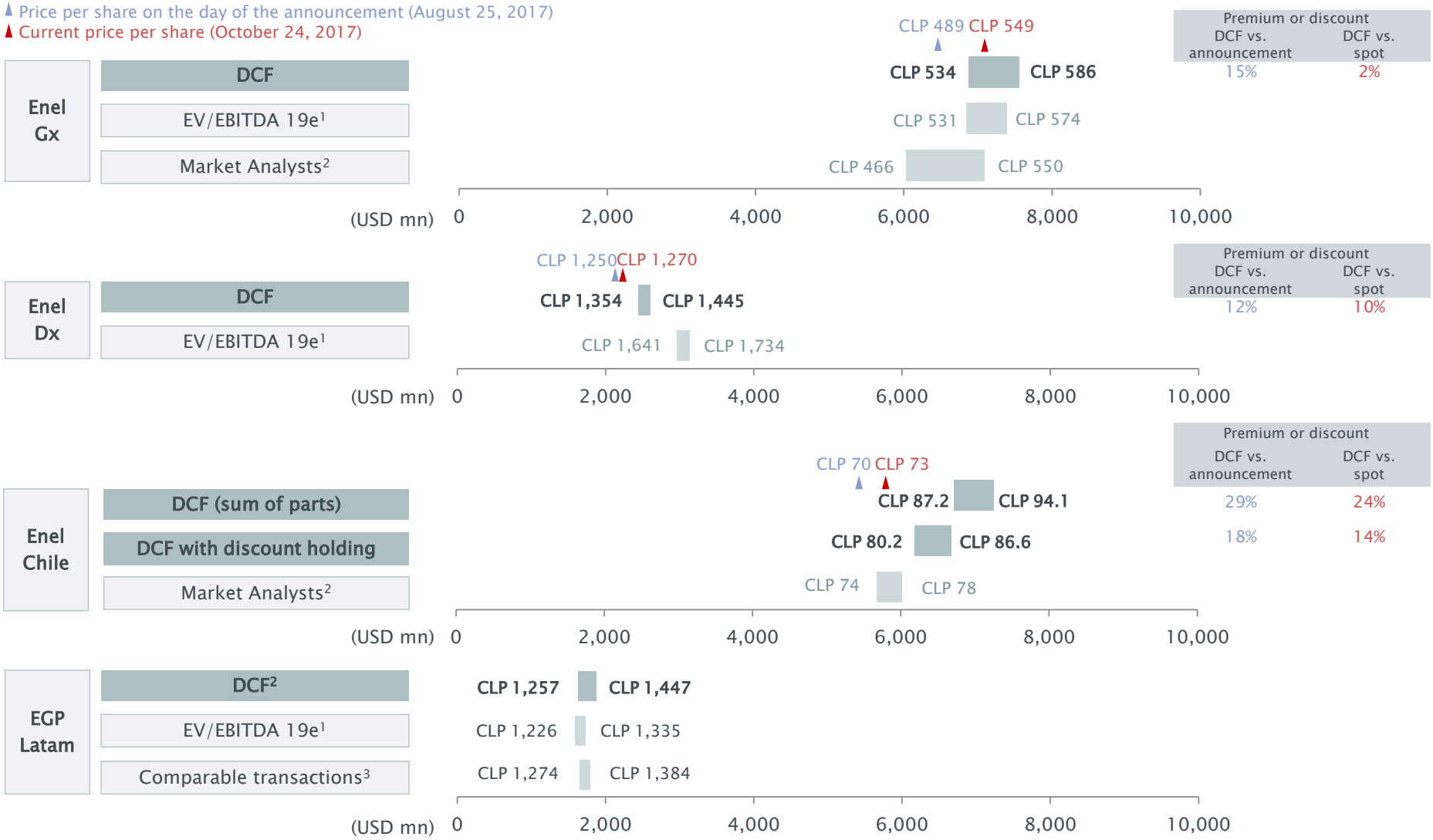
Equity Value based on discounted cash flow[1] (USD mn, CLP for price per share, times for EV/EBITDA 2019e)



[1] Estimated valuation range with WACC +/-0.2% and terminal value growth of +/- 0.2%, except EGP Latam whose range was estimated based on the execution or not of some projects.
[2] Holding discount considered: 8%, estimated as 50% of the median daily holding discount for Enel Chile (see Appendix 1)

Estimated value range

Equity Value based on DCF and Control Methodologies (USD mn, CLP for implicit price per share)



[1] Detail of comparable companies used in Appendix II
[2] Analyst reports prior to the announcement of the Proposed Transaction by Bci, Bice, Credicorp, Goldman Sachs, Scotiabank and LarrainVial. Median for Enel Gx CLP 520 per share, median for Enel Chile CLP 77
[3] Valuation range of comparable transactions based on the average and median of Iberdrola/Iberdrova Renovables, EDF/EDF Energies Nouvelles and Enel / Enel Green Power (see Appendix III)

Considerations regarding frontier conditions of the Proposed Transaction

Cash portion of Offer according to maximum debt objective

- For the estimated valuation range, the greater the percentage of cash in the tender offer, the lower the number of Enel Chile shares that are issued for the purpose of paying the transaction, and therefore, the greater the increase in the estimated EPS for Enel Chile
- The assumption was made that Enel Chile has USD 100 million in cash for the tender offer and that the additional amount will be financed through financial debt at an annual cost of 4%
- The total cash required by Enel Chile to pay part of the tender offer will depend on the price of the offer for Enel Gx and on the final result of the offer
- In addition, the cash payment is limited by the level of maximum indebtedness desired by Enel Chile. In this regard, a desired maximum level of net financial debt (NFD) of 2.5x the estimated EBITDA for 2017 was considered, in a scenario where 100% of the minority shareholders of Enel Gx decide to sell in response to the Offer (limit scenario)
  - The maximum percentage of the Offer price to be paid in cash depends then on the tender offer's price per share
- For the definition of the proposed range, a safety margin was defined of 0.1 times NFD/EBITDA over the maximum indebtedness accepted by the company
- Thus, taking as a reference a price range for the offer between CLP 534 and CLP 586 per share, and considering a maximum NFD/EBITDA 2017e ratio of 2.4x, the maximum cash percentage that can be contemplated by the offer is between 57.0% and 62.6%, according to the table below:

Price Enel Gx		CLP	534	561	586
Maximum cash %		%	62.6%	59.6%	57.0%
Consolidated DFN/EBITDA 2017e for Enel Chile according to ownership % in Enel Gx post takeover	75%	Times	1.67x	1.67x	1.67x
	80%	Times	1.81x	1.81x	1.81x
	85%	Times	1.96x	1.96x	1.96x
	90%	Times	2.11x	2.11x	2.11x
	95%	Times	2.25x	2.25x	2.25x
	100%	Times	2.40x	2.40x	2.40x

Increase in Earnings Per Share

- Due to the debt assumed to pay for the tender offer and the low contribution to the earnings of EGP Latam during the first post-transaction years, under certain scenarios of transaction prices and Offer results, the annual EPS is less than the scenario of continuity
  - Therefore, the EPS that is meant to increase will be the average EPS of the 2018-2022 period ("**ΔEPS**")
- The EPS of Enel Chile will depend on:
  - (i) the price of the Offer, which in turn determines its cash portion, and the swap ratio with Enel Chile shares,
  - (ii) the swap ratio for the Merger with EGP Latam, and
  - (iii) the result of the tender offer
- Thus, from the perspective of Enel Chile, in relation to its EPS, there are different combinations of Offer prices and share swap ratios, and of exchange ratios for the merger, to which it is indifferent:

% owned by Enel in Enel Chile post transaction similar to current

- It will be assumed that an acceptable range for Enel is between 60% and 65% of the final ownership of Enel Chile
- Based on DCF values of Enel Gx, Enel Chile, and EGP Latam discussed in the previous pages, and taking into account the cash percentages described above, this restriction is met in any Tender Offer scenario in which Enel Chile ends with 77.5% of Enel Gx shares or more (results in the next page)

Estimated range of variables to define in the Proposed Transaction

Exchange Ratios

Tender Offer for Enel Gx

Price per share for Enel Gx	CLP 534 – CLP 586
% of cash as payment for Offer	57.0% – 62.6%
Price Per Share for Enel Chile	CLP 80.2 – CLP 86.6

Between 6.38 y 7.01[1] Enel Chile shares for each Enel Gx share

EGP-Enel Chile Merger

Equity Value for EGP Latam Price Per Share for EGP Latam	USD 1,633mn – USD 1,880mn CLP 1,257 – CLP 1,447

Between 15.04 and 17.31[2] Enel Chile shares for each EGP Latam share

[1] Estimated range based on Enel Chile's price per share obtained by DCF and the maximum and minimum price per share range for Enel Gx
[2] Estimated range based on Enel Chile's price per share obtained by DCF and the maximum and minimum price per share range for EGP Latam

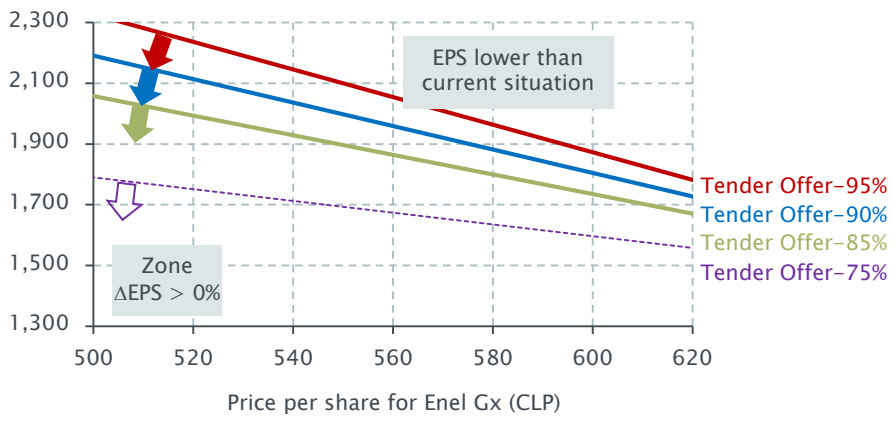
Frontier conditions results based on Tender Offer results[1]

		% Enel SpA de Enel Chile	Average EPS 2018-2022e	DAverage EPS 2018-2022e	NFD/EBITDA 2017e
Current Situation		60.6%	CLP 7.63	-	0.51x
Enel Chile's ownership % in Enel Gx post Tender Offer	75.0%	65.6%	7.55	-1.0%	1.67x
	80.0%	64.5%	7.64	0.1%	1.81x
	85.0%	63.4%	7.72	1.2%	1.96x
	90.0%	62.4%	7.79	2.2%	2.11x
	95.0%	61.4%	7.87	3.2%	2.25x
	100.0%	60.4%	7.94	4.1%	2.40x

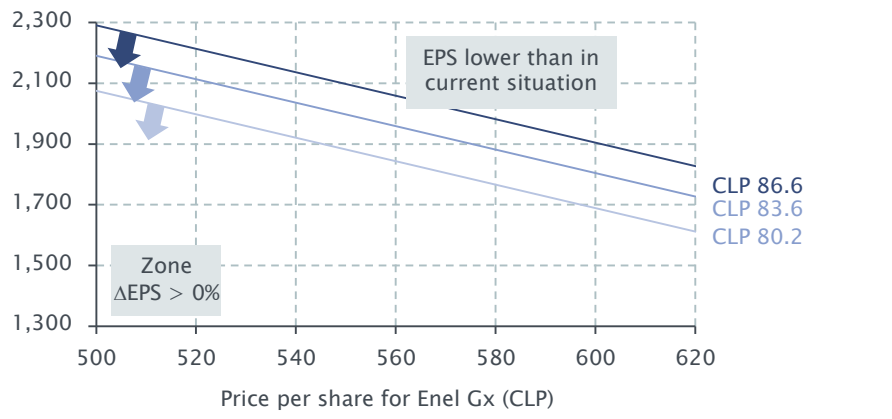
[1] Tender Offer CLP 561 per share; 59.6% in cash; Enel Chile price CLP 83.6 per share; EGP Latam price USD 1,756 million

Frontier scenarios from an EPS perspective for Enel Chile

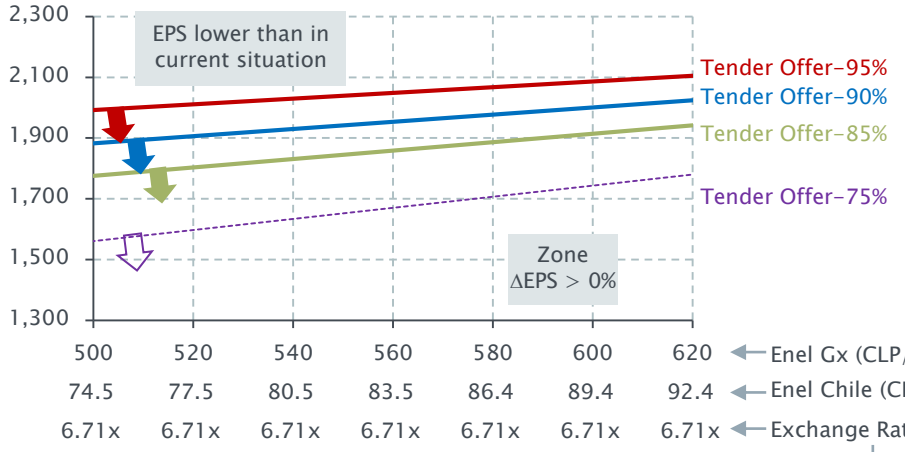
Frontier of ΔEPS=0%[1] based on tender offer result and fixed Enel Chile price



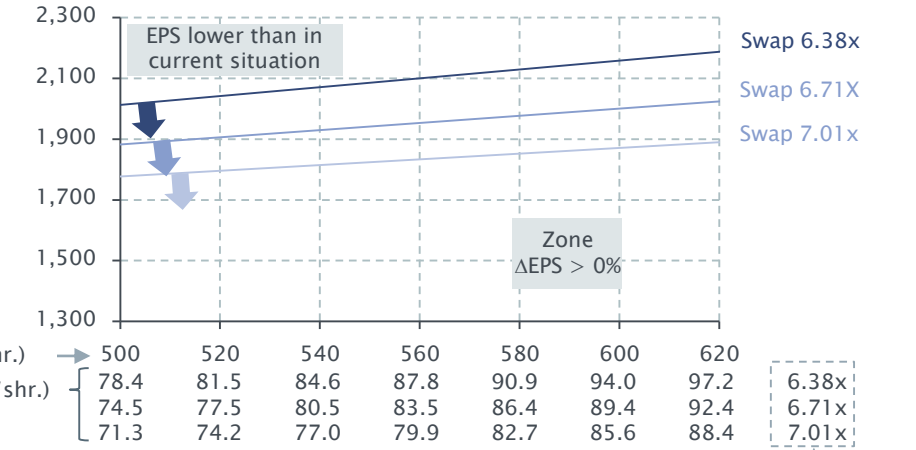
Frontier of ΔEPS=0% based on Enel Chile price and tender offer at 90%



Frontier of ΔEPS=0% based on tender offer result and fixed exchange ratio



Frontier of ΔEPS=0% based on exchange ratio and tender offer at 90%



[1] The cash percentage for the tender offer in all the tables is determined by the price per share of Enel Gx, according to the ratio on page 21
[2] The exchange ratio is calculated from the DCF results for Enel Gx and Enel Chile with a discount equivalent to CLP 561 per share and CLP 83.6 per share, respectively

Chapter V

Conclusions

Conclusions (1/2)

- The Proposed Transaction, as defined in this report, is seen generating benefits for Enel Chile and, therefore, for its shareholders:
  - The Proposed Transaction would allow Enel Chile participation in the unconventional renewable energy segment that has seen high growth at the global and local level, while at the same time it would enable the company to better face the future challenges of integration of generation technologies (traditional and new), in addition to addressing energy efficiency, and energy storage and distributed generation from an integral perspective that encompasses all from generation to electricity distribution
  - Renewable technologies have proven to be more competitive than traditional alternatives for the expansion of local headquarters and the Proposed Transaction would enable Enel Chile to access an interesting group of growth projects that would generate value to the company
  - From a financial perspective, the Proposed Transaction aligns Enel's interests in Chile in a single investment vehicle, potentially reduces the holding discount, gives greater liquidity to the stock, optimizes the capital structure and reduces risk for the company by incorporating technologies with a higher level of operational predictability
  - This implies that the Proposed Transaction is positive for Enel Chile shareholders to the extent that the price for EGP Latam, for Enel Gx and for the capital increases required to execute the Merger and the Tender Offer, fall within the ranges specified in this report as beneficial to those shareholders
- The market has reacted positively since the announcement of the Proposed Transaction. Both Enel Chile and Enel Gx shares have had positive performances, higher than the market in general and higher than their main comparable shares in the local energy sector
- The estimated price and exchange ratio ranges for the Proposed Transaction are as follows:

Tender Offer Price	between CLP 534 and CLP 586 per Enel Gx share
Enel Chile (Tender Offer & Merger)	between CLP 80.2 and CLP 86.6 per share of Enel Chile
Tender Offer Exchange Ratio	between 6.38 and 7.01 Enel Chile shares for each Enel Gx share
Tender Offer Cash %	between 57.0% and 62.6%, determined by the price of the Tender Offer
EGP Latam Equity Value	between USD 1,633 million and USD 1,880 million
Merger Exchange Ratio	between 15.04 and 17.31 Enel Chile shares for each EGP Latam share

Conclusions (2/2)

- Different possible scenarios for the participation of Enel Gx minority shareholders in the tender offer generate different final scenarios for the transaction:
  - Considering that there is an important component of cash payment, the greater the tender offer price for Enel Gx, the greater the acceptance of the offer by Enel Gx minority shareholders should be
  - In addition, assuming a constant price for each of the three companies (Enel Gx, Enel Chile and EGP Latam), the greater the participation in the tender offer, the more beneficial the transaction will be in terms of EPS for Enel Chile shareholders. Conversely, a lower EPS scenario for Enel Chile shareholders would be expected if Enel Chile obtains only a 75% stake in Enel Gx
  - In spite of these conditions, there exists a combination of the parameters within the proposed range for valuation and exchange ratios that for some PTO outcome, not all frontier conditions are fulfilled
- In a scenario where the result of the tender offer is fixed, there are combinations of exchange ratios for the Merger and the Tender Offer in which Enel Chile is indifferent from an EPS perspective
  - Considering a fixed Enel Chile price, a "high" value for Enel Gx combined with a "low" value for EGP Latam could generate the same expected EPS as a combination of "low" for Enel Gx and "high" for EGP Latam
  - However, if the price of Enel Chile is not what is fixed, but the exchange ratio between Enel Chile and Enel Gx, Enel Chile could increase the price for Enel Gx (implicitly increasing that of Enel Chile) and, at the same time, increase the price for EGP Latam implicit in the Merger, maintaining the same expected profit in terms of EPS
- Within the proposed ranges for company valuations, or exchange ratios, it can be further concluded that:
  - The higher the price of the tender offer, the lower the maximum cash percentage to be included in the offer to keep a reasonable indebtedness ratio
  - The greater the percentage of cash in the tender offer, the more convenient it is for Enel Chile in terms of EPS

Appendix I: Stock Market Context

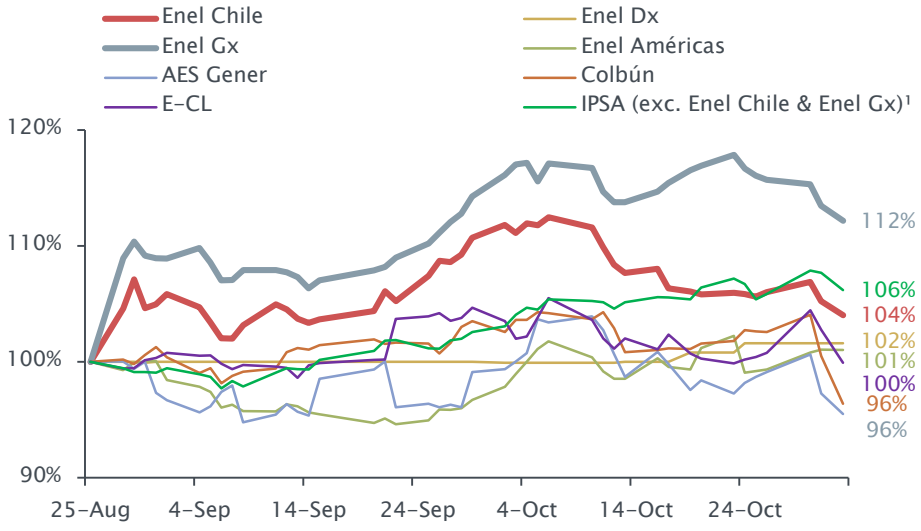
Market reaction since the announcement of the Proposed Transaction

- Since the date of the transaction announcement, Enel Chile and Enel Gx shares have outperformed those of other energy sector companies in Chile
- Furthermore, Enel GX has had a performance above market since the announcement whilst Enel Chile, even though it outperformed the IPSA index for two months, due to recent variations, it is now in line with average market performance
- Since the transaction announcement, the market capitalization of Enel Chile is strongly explained by the variation of the market capitalization of Enel Gx until October 16, 2017. From that date onwards, there has been variations in the market capitalization of Enel Chile and Enel Gx

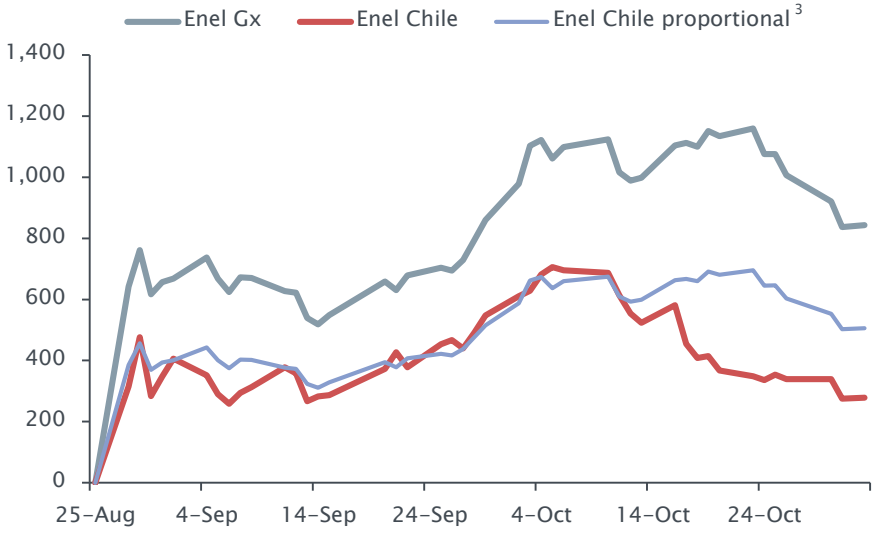
Price per share for Enel Chile and Enel Gx (CLP)

	Enel Gx	Enel Chile
Day of the announcement	70.5	489.0
Average of previous 30 working days	71.8	505.4
Average of previous 60 working days	72.7	507.0
Current at 02/11/2017	73.3	548.5
Current/Day of the announcement	104%	112%
Current/Average previous 30 working days	102%	109%
Current/Average previous 60 working days	101%	108%

Profitability of industry companies since announcement day (%)



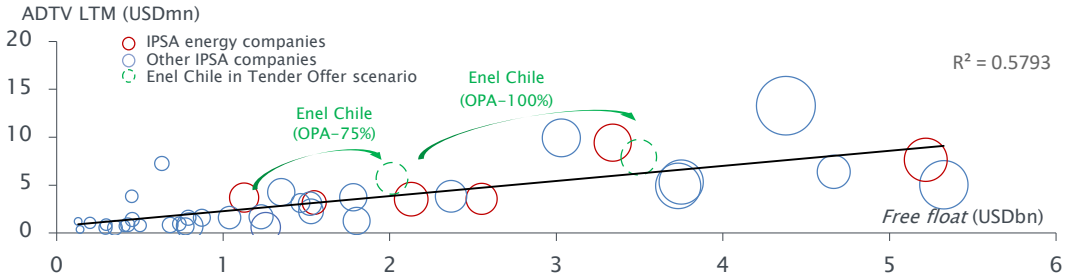
Variation in market capitalization[2] since announcement day (USD mn)



Source: Bloomberg at November 2, 2017
[1] Calculated by weighing the returns of the shares according to their relative weighting in the IPSA index
[2] Converted to dollars using the historical exchange rate
[3] Calculated as the change in the market cap of Enel Gx with respect to the initial date and weighted by the participation of Enel Chile in this company

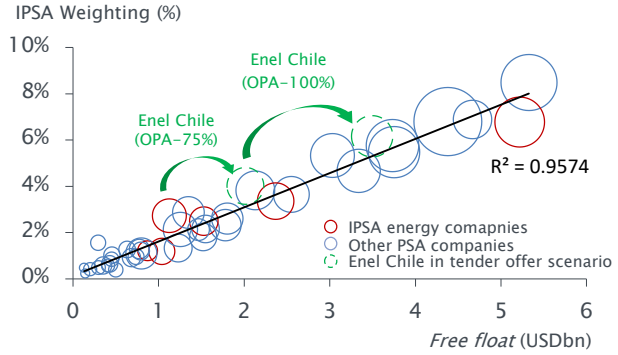
Considerations regarding the free float and liquidity of Enel Chile stock

Liquidity *vs.* free float of companies that make up the IPSA



- There is a positive correlation between the liquidity of the companies, measured as the Average Daily Traded Volume (ADTV), and the free float
- If the tender offer is successful, that is, Enel Chile obtains at least a 75% ownership in Enel Gx, Enel Chile's free float will increase from USD 1.1 billion to a minimum of USD 2.0 billion and a maximum of USD 3.5 billion
  - Considering the trend curve of IPSA companies, the ADTV would increase from USD 3.6 million to USD 5.6 million at the lower limit and USD 7.8 million at the upper limit

IPSA Weighting vs. Free Float

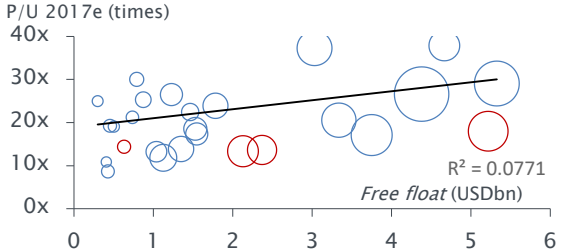


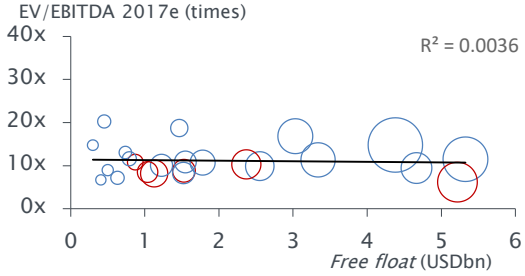
Other Stock Market Indices

		% Enel Chile
Bolsa Comercio Santiago	IPSA	2.71%
	IGPA	2.43%
	INTER - 10	5.88%
	IGPA - *LARGE*	3.91%
Bec	Chile - 65	6.21%
MSCI	*Emerging Markets*	0.05%
	Emerging Markets Latin America	0.36%
	Emerging Markets IMI	0.03%
	Chile	n.d.
S&P Dow Jones Indices A Division of S&P Global	Chile IMI	2.94%
	Chile 15	n.d.
	Emerging Markets	0.09%

- Companies with higher free float in value tend to have a greater relative weighting in the stock market indices to which they belong, so an increase in the free float would mean an increase in the relative weight of the share in those indices
- In addition, the increase in the free float of Enel Chile would allow the stock to enter new indices that have liquidity or minimum size requirements that it previously did not qualify for
- The increase in the weight of the indices would generate a bullish environment for the stock among passive investment funds that follow indices and may increase the value of the share, at least in the short term

Valuation Multiple vs. Free Float





- On the other hand, there is no clear correlation, at least in the sample used, between the implicit market valuation multiples and the valued free float of IPSA companies
- This independence between the variables analyzed becomes even more noticeable when companies with an ADTV of less than USD 0.5mn are eliminated from the sample
- It is reasonable to have an effect when a company with scarce liquidity significantly increases its free float[3], although it is not obvious that this also happens with companies that already have significant liquidity

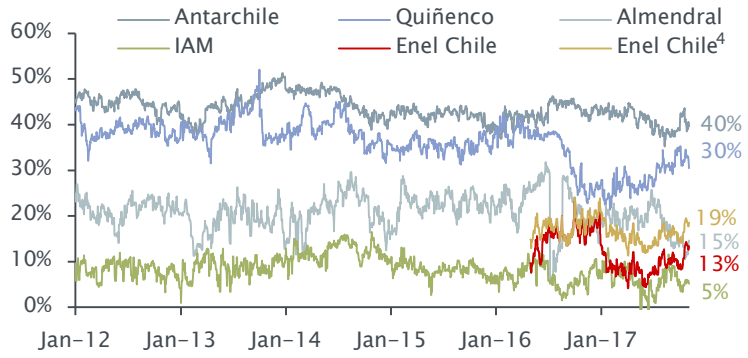
Source: Bloomberg November 2, 2017

[1] Size of bubbles represents the average market capitalization during 2017 to October 24, 2017. The red bubbles correspond to E-CL, Colbún, AES Gener, Enel Américas, Enel Chile and Enel Gx

Enel Chile holding discount

- The holding discount or premium is set when there is a difference between the market value of a parent or holding company and the sum of the parts of the assets that compose it at market value. The latter is often referred to as the company's net asset value or NAV
- Some of the main reasons usually given for the existence of holding discounts are as follows:
  - Agency problems between the controlling and minority shareholder and between shareholders and administration
  - Liquidity differences between holding shares and that of the companies that integrate its portfolio
  - Tax costs at the holding level
  - Holding company's own expenses
  - Eventual bail-outs of subsidiaries facing bankruptcy to preserve the controlling group's reputation[1]
  - Portfolio or conglomerate effect
- On the other hand, there are also reasons that would suggest the existence of a holding premium
  - Operational and financial synergies resulting from the combined control of different companies
  - Diversification of risk
  - Possibility of extracting private profits from a subsidiary to the holding company or *tunneling*
- Different authors[2], based on statistical studies of real Chilean cases, conclude that even holdings that have all their assets listed on the stock market, and therefore the NAV is calculated directly, trade at a discount in relation to the NAV
- It is difficult to separate the pure holding discount (a parent company with a single underlying asset, both with reasonable liquidity, as in the case of IAM-Aguas Andinas) of other effects such as the portfolio effect, or agency problems
  - However, information from the Chilean market suggests that holdings that own more than one asset, such as Quiñenco and Antarchile, have a higher holding discount than those with a single underlying asset such as IAM
- The case of Enel Chile is special although both underlying assets, Enel Gx and Enel Dx, trade in the stock market, the former has a high liquidity, while for the latter liquidity is low or practically nil
  - If the market prices of Enel Gx and Enel Dx are used for the calculation of Enel Chile's NAV, the average daily holding discount since April 29, 2016 is 11%, the discount at the time of the announcement was 10%
  - However, the market value of Enel Dx would be undervalued if compared to other regulated businesses or its valuation done by discounted cash flows. Considering an adjustment to the value of Enel Dx based on a multiple of 9.0x $EV/EBITDA_{LTM}$ the median from April 29, 2016 is 16% and the discount at the time of the announcement was also 16%

Discount of key holding companies in Chile[3] (%)



Holding	Listed Assets	ADTV holding (USDth)	Holding Discount				
			Min.	Max.	Current	Median	Average
IAM	Aguas Andinas	842	-1%	17%	5%	8%	8%
Antarchile	Empresas Copec, Colbún	644	35%	51%	40%	43%	43%
Almendral	Entel	224	6%	32%	15%	21%	21%
Invercap	Cap	145	-315%	36%	-13%	11%	-18%
Quiñenco	B.Chile, CCU, CSAV, others	717	21%	52%	30%	37%	36%
Enel Chile	Enel Gx, Enel Dx	3,772	4%	23%	13%	11%	12%
Enel Chile[4]	Enel Gx, Enel Dx adjusted	3,772	11%	24%	19%	16%	17%

Sources: Company reports and Bloomberg at November 2, 2017

[1] Lefort, González, 2011, *"Holding Company Discount and business Groups Optimal Bailout of Subsidiaries"*, Working Document 34, UDP

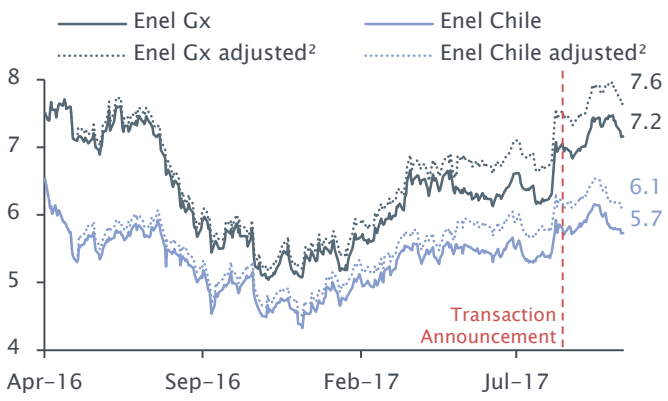
[2] Lefort, González, 2010, *"On Holding Discounts Determinants"*, and Gálvez, 2009, "El descuento por Holding en el Mercado Chile, 1993-2007: Evolución y Análisis Estadístico". Thesis for Masters, PUC

[3] In order to calculate the NAV of each holding company, the market capitalization of the subsidiaries that it consolidates was added, the net financial debt of the holding company was subtracted and the individual EBITDA of the holding company and that of the unlisted subsidiaries was added, estimated as the difference between the sum of the listed subsidiaries and the holding company, valued at the $EV/EBITDA_{LTM}$ of the holding company in its respective period, and adding the book value of the investments with minority interests

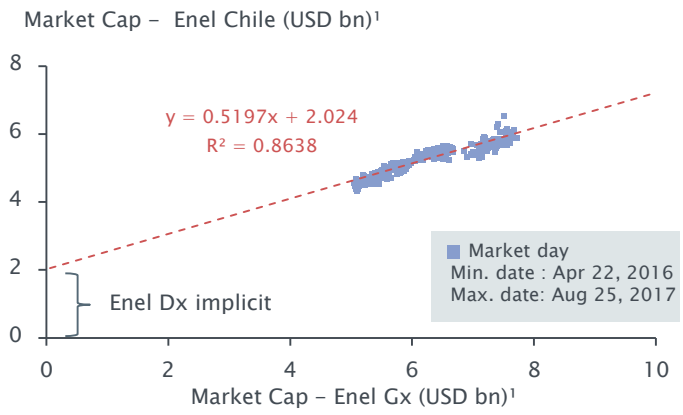
[4] Considers the equivalent value of Enel Distribution valued at 9.0x $EV/EBITDA_{LTM}$

Relation between Enel Chile and Enel Gx share prices

Market Capitalization (USD bn)[1]

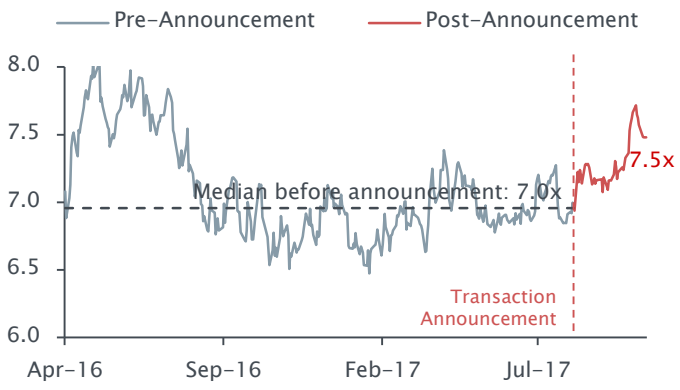


Daily Market Capitalization[2] of Enel Chile *vs.* Enel Gx Pre-Announcement

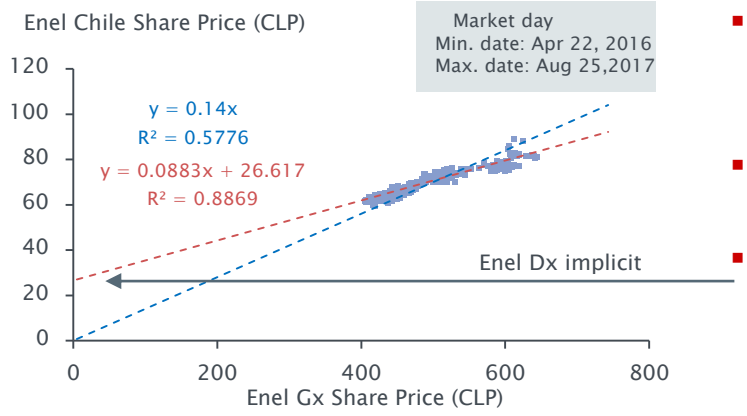


- There is a clear positive correlation between the market cap of Enel Chile and Enel Gx
  - A 10% variation in the market cap of Enel Gx translates into approximately a 6% variation in the market cap of Enel Chile

Share Price Enel Chile/Enel Gx (times)



Share Price of Enel Chile *vs.* Enel Gx Pre-Announcement



- The value that the market gives to Enel Dx can be estimated from the relationship between the market prices of Enel Chile and Enel Gx
- The above assumes that the value of Enel Dx is constant during the analysis period
- The implicit Enel Dx value is CLP 26.6 per share of Enel Chile, equivalent to USD 2,071 million [4], a 18% discount with respect to the DCF-based valuation

Source: Bloomberg at November 2, 2017
[1] Historic exchange rate
[2] Market cap considers dividend distribution
[3] Value of Enel Dx implicit in the relation of market prices for Enel Chile and Enel Gx represents a 17% discount compared to the DCF-based value specified on Chapter IV

Appendix II: Valuation Parameters

Main parameters and conventions used in DCF valuations

Construction of free cash flow

Operational information

Revenues, cost & expenses

(+) EBITDA

(–) Depreciation and amortization

(=) Operating Result (EBIT)

(–) Taxes over EBIT

(+) Depreciation and amortization

(–) CAPEX

(–) Working capital investment

(=) Free Cash Flow

Discount rate WACC[1]

(=) Enterprise Value (EV)

(–) Net Financial Debt[2]

(–) "*Equity Brigde*"[3] adjustments

(–) Minority interest

(=) Equity Value

[1] Weighted Average Capital Costs (WACC)
[2] Net financial debt = Financial debt – Cash & Cash equivalents
[3] Corresponds to adjustments provided by the management that considers, besides net financial debt, accounts receivable and accounts payable, accounting provisions and dividends to be paid, among other

Valuation Criteria

Assets	▪ Enel Gx individual and subsidiaries with minority stakes, Enel Dx, Enel Chile individual and EGP Latam consolidated and subsidiaries with minority stakes
Forecasts	▪ Prepared by company management for all the companies and all assets ▪ Business Plan for 2017–2022 period and gross margin details of generation companies through 2045
Currency of cash flow to discount	▪ USD for Enel Gx, Enel Chile and EGP Latam ▪ CLP for Enel Dx
Valuation Period	▪ September 30, 2017 to December 31, 2045 for Enel Gx, Enel Chile and EGP Latam ▪ September 30, 2017 to December 31, 2022 for Enel Dx
Valuation Date	▪ September 30, 2017
Tax Rate	▪ 27%

WACC Calculation Per Company

	Enel Gx USD	Enel Chile USD	EGP Ch. USD	Enel Dx USD	Enel Dx CLP
Unleveraged Beta	0.60	0.58	0.65	0.55	0.55
Leveraged Beta	0.75	0.72	1.12	0.75	0.75
Rate free of risk US T 20 years	2.66%	2.66%	2.66%	2.66%	
Premium for country risk	1.10%	1.10%	1.10%	1.10%	
Rate free of Chile risk	3.76%	3.76%	3.76%	3.76%	4.91%
Premium for market risk	6.50%	6.50%	6.50%	6.50%	6.50%
Tax rate	27.0%	27.0%	27.0%	27.0%	27.0%
Company D/P Ratio	0.33	0.33	1.00	0.49	0.49
Company D/(D+P) Ratio	0.25	0.25	0.50	0.33	0.33
Cost of the debt	5.00%	5.00%	5.00%	5.00%	6.15%
Premium over risk free	1.24%	1.24%	1.24%	1.24%	1.24%
Cost of equity	8.61%	8.45%	11.07%	8.62%	9.77%
WACC	**7.4%**	**7.2%**	**7.4%**	**7.0%**	**8.0%**

Valuation methodology based on comparable multiples

Valuation Methodology

Valuation Multiples

Comparable listed companies

Identification of comparable assets

Obtaining the market value of those assets

Conversion of market value into standardized ratios

Valuation Multiples

Application of valuation multiples to the asset under analysis

EV/EBITDA

Enterprise Value (EV)

(–) Net Financial Debt

(–) *Equity Bridge"* adjustments

(–) Minority interest

Equity Value (E)

Multiples of comparable companies

Name	Country	Market Cap	Enterprise Value (EV)	EV Adjusted[1]	EV/EBITDA 2019 Adjusted
Renewable generation:					
Infigen Energy	Australia	538	906	906	7.4x
Tilt Renewables	Australia	453	884	884	8.3x
TransAlta Renewables	Canada	2,874	3,694	3,695	10.4x
Boralex	Canada	1,356	3,470	3,489	10.6x
Innergex Renewable Energy	Canada	1,283	3,872	3,906	13.5x
Alterra Power	Canada	239	627	645	11.8x
Pattern Energy	USA	2,157	5,031	6,005	12.6x
TerraForm Power	USA	1,254	6,027	5,748	12.4x
TerraForm Global	USA	548	1,430	1,318	9.2x
8point3	USA	437	1,741	1,634	13.6x
Saeta Yield	Spain	929	2,628	2,628	9.5x
Median					10.6x
Average					10.8x
Generation Chile:					
AES Gener	Chile	2,994	7,174	7,262	8.6x
Colbún	Chile	4,246	5,572	5,623	8.3x
Engie Chile	Chile	2,259	3,040	3,028	6.8x
Median					8.3x
Average					7.9x
Distribution					
Aguas Andinas	Chile	3,870	5,334	5,529	10.5x
EEB	Colombia	6,277	8,373	8,444	9.4x
Median					10.0x
Average					10.0x

[1] Minority interest adjustment to market price consisting of subtracting from the Enterprise Value the accounting minority interest plus minority interest adjusted by market capitalization divided by the book value of the company

Source: S&P Capital IQ at October 24, 2017

Appendix III: Other Relevant Transactions

Recent transactions from renewable energy subsidiaries acquired by their diversified energy parent companies

Enel Green Power acquisition by Enel

- On November 17, 2015, Enel and Enel Green Power SpA (EGP), the latter controlled at the time by Enel with a 68.3% shareholding, announced the full integration of EGP into Enel through a capital increase in Enel to be subscribed by the shareholders of EGP with shares of EGP
- The transaction meant a capital increase of about USD 3.3 billion in Enel, equivalent to 2.4% of its ownership that was subscribed in EGP shares by its minority shareholders
- On April 1, 2016, following the closing of the transaction, EGP was delisted from the Milan and Madrid stock exchanges

Acquisition of Iberdrola Renovables by Iberdrola

- On March 8, 2011, already holding 80% of Iberdrola Renovables' share capital, Iberdrola announced that it planned to acquire the remaining shares it didn't already own of its subsidiary in a merger through absorption
- The transaction amounting to approximately EUR 2.5bn was carried out through the distribution of an extraordinary dividend of Iberdrola Renovable for the equivalent of 40% of the amount, plus an exchange in shares of both companies for the remainder
- Iberdrola executed a share repurchase plan for approximately 4.3% ownership in the company in order to offer these shares to the minority shareholders of Iberdrola Renovables

Acquisition of EDF Energies Nouvelles by EDF

- On April 8, 2011, Electricité de France ("EDF") made an offer to acquire the remaining 50% of its subsidiary EDF Energies Nouvelles for EUR 1.4bn through a combination of EDF cash and shares
- The offer considered a price per share of EDF Energies Nouvelles of EUR 40, a 9% premium from the day before the announcement of the transaction
- The transaction was completed on June 23, 2011 and considered paying 56% of the Price in cash and 44% in EDF shares

Relevant information

Parent Company		Iberdrola	EDF	Enel		
Renewable Subsidiary		Iberdrola Renovables	EDF Energies Nouvelles	Enel Green Power	Average	Median
Announcement Date		08-03-2011	08-04-2011	17-11-2015		
Transaction Date		08-07-2011	23-06-2011	31-03-2016		
% Acquired by parent company	%	20.0%	50.0%	31.7%		
Transaction amount	EUR bn	2.5	1.4	3.0	2.3	2.5
Transaction amount	USD bn	3.6	2.0	3.4	3.0	3.4
Type of acquisition/merger		shares and cash[1]	shares and cash	shares		
$EV/EBITDA_{LTM}$ on the day of the transaction						
Unit	times	12.3x	15.6x	10.8x	12.9x	12.3x
Parent Company	times	7.8x	5.1x	6.1x	6.3x	6.1x

Source: S&P Capital IQ, Company Reports

[1] The transaction included the distribution of an extraordinary dividend for EUR1.2bn on the part of Iberdrola Renovables days before the close of the transaction. The price per share implied in the offer considered for the premium calculations considered an adjustment for this amount