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Santiago, November 4, 2015

Mr. Enrico Viale
Chairman of the Board of Directors
Empresa Nacional de Electricidad S.A.
Santiago

Ref: Corporate Reorganization report

Dear Sir,

In accordance to the required by the Directors' Committee of Empresa Nacional de Electricidad S.A. ("Endesa") by agreement No. 200-1 dated August 13, 2015 and article 50 bis of the Chilean Companies Act 18,046, on behalf of the Director's Committee of Endesa (the "Committee"), Mr. Enrique Cibie Bluth, Mr. Felipe Lamarca Claro and Mr. Jorge Atton Palma, hereby report the following with respect to the corporate reorganization process described in the significant events filed on April 22 and 28, 2015 and July 21 and 27, 2015, ("Corporate Reorganization").

I.- Introduction and background information

On April 22, 2015, Enel, the controller of Enersis S.A. ("Enersis"), Endesa and Chilectra S.A. ("Chilectra"), released an agreement of its Board of Directors conveying the Boards of Directors of Enersis, Endesa and Chilectra to begin the analysis of an eventual corporate reorganization process ("Corporate Reorganization") with the intention of separating the electricity generation and distribution assets in Chile from those in other countries in Latin America.

Enel's communication stated the following:

- The Corporate Reorganization proposal is an initiative, which is part of the group rationalization and simplification program announced previously by Enel.
- This Corporate Reorganization would eliminate duplications and overlaps among companies reporting to Enersis that (i) are affecting the assets valuation for all shareholders, reducing the visibility of the different businesses, and (ii) are making the decision-taking process unnecessarily complex.
- Differentiate clearly the operations in Chile from those in other Latin American countries would facilitate the creation of value for Enersis, Endesa and Chilectra, and all their shareholders.
- The competent organs of Enersis, Endesa and Chilectra would evaluate the eventual conditions and procedures to implement the Corporate Reorganization, in compliance with applicable laws.

On the same date, April 22, 2015, the Boards of Directors of Enersis, Endesa and Chilectra were informed of Enel's communication.

On April 28, 2015, the Board of Directors of Enersis, our parent company, resolved to begin the assessment of a potential Corporate Reorganization to separate electricity generation and distribution activities in Chile from those carry out by Enersis and its subsidiaries, Endesa and Chilectra, outside of Chile, and after to merger the latter in just one vehicle to be named Enersis Américas.

On the same date, the Board of Directors of Endesa reported that (i) the Board of Directors of Enersis informed to Endesa that Enersis had begun the assessment of the Corporate Reorganization and (ii) the Board of Directors of Endesa had decided to begin the assessment of the Corporate Reorganization.

On July 21, 2015, Endesa received an Official Letter No. 15452 from the Superintendence of Securities and Insurance ("SVS") with instructions relating to the Corporate Reorganization. The Official Letter included, among other things, the recommendation that the Management would consider a request of a explicitly pronouncement to the Directors' Committee with respect to the Corporate Reorganization, given the complexity of the operation and in order that shareholders have additional information for a proper operation analysis.

On July 27, 2015, Enersis, Endesa and Chilectra informed that their respective Board of Directors agreed that if the Corporate Reorganization were approved, would be carried out by the following corporate operations:

- Each of Enersis' subsidiaries Endesa and Chilectra would be divided to create (i) a new company from Chilectra spin-off ("Chilectra Américas") to which would be allocated the corporate participations and other assets that Chilectra owns outside Chile, plus their related liabilities, and (ii) a new company from the Endesa spin-off ("Endesa Américas") to which would be allocated the corporate participations and other assets that Endesa owns outside Chile, plus their related liabilities. For the purposes of this report, the successor companies of Chilectra and Endesa will be called "Chilectra Chile" and "Endesa Chile" respectively.
- Enersis would be divided to create a new company ("Enersis Chile") from this spin-off to which would be allocated the corporate participations and assets of Enersis in Chile, including the participations in Chilectra Chile and Endesa Chile (after Chilectra and Endesa spin-off), plus the related liabilities, remaining in the successor company (to be called "Enersis Américas" after the spin-off) the non-Chilean corporate participations of Enersis and those in each of the new companies Chilectra Américas and Endesa Américas created from the Chilectra and Endesa spin-off mentioned above, plus their related liabilities.
- Once the above spin-offs have been completed, Enersis Américas would absorb through a merger Chilectra Américas and Endesa Américas, and therefore, the latter companies would be dissolved without winding up, grouping all the non-Chilean participation of the Enersis Group. This merger, which involves two newly- incorporated companies (Endesa Américas and Chilectra Américas), shall be carried out as soon as legally pursuant to the provisions of the applicable regulations.

In addition, Enersis advised that (i) the resulting companies would be domiciled in Chile and their shares would be listed on the same stock exchanges as the existing companies of the Enersis Group, and (ii) that none of these abovementioned transactions would require additional financial contributions from the shareholders.

By its Resolution 1500-06 dated July 27, 2015, the Board of Directors agreed to require to the Directors' Committee to pronounce explicitly on the Corporate Reorganization.

On August 3, 2015, the Committee appointed Asesorías Tyndall Limitada ("Tyndall") as financial adviser to the Director's Committee to work within the scope and objective of Corporations Law ("LSA"), article 147, regarding independent appraisers, and also to comply with the general terms and conditions set forth by SVS in Official Letter No15442.

On July 20, 2015, the SVS published Official Letter No.15443, in which responded Enersis' private request related to the Corporate Reorganization, and stating the following among other:

1. The LSA, Chapter XVI regulations are not applicable to a publicly held corporation, except for the provisions specifically regulating the spin-off agreements.
2. The LSA, Chapter XVI regulations are not applicable in a merger involving one or more publicly held corporations, except for the provisions specifically regulating the merger agreements.
3. The LSA, Chapter XVI regulations regarding related party operations are not applicable to a spin-off and merger of the Corporate Reorganization, whether individually or considered as a whole. Only the provisions specifically regulating such agreements are applicable.

After the SVS pronouncement, AFP Habitat challenged its legality before the Santiago Court of Appeals, and is currently pending resolution.

II.- Tyndall Report

During August, September and October 2015, the Committee held periodic meetings with members of the Tyndall team to clarify the scope of the mandate, exchange impressions on the Corporate Reorganization and enter into the details of the methodology and preliminary results of the analysis.

On November 4, Tyndall presented to the Committee its final report on the Corporate Reorganization (the "Tyndall Report").

Following a very detailed analysis of the operation, Tyndall in its report concludes as follows with respect to the proposed Corporate Reorganization:

1.- In its opinion, this would be an operation generated from the perspective of Enel and Enersis, but not Endesa

- a. The precedent behind the Corporate Reorganization is that the present configuration of the Enersis Group presents three types of problem: (i) administrative inefficiencies,

(ii) inefficiency in the use in Chile of credits for taxes paid at the operative corporate level outside Chile, and (iii) market under-valuation of the assets of the Group.

b. These three types of problem however seem to be matters of more interest to Enel than to Endesa.

i. Administrative inefficiencies

1.-More than resolve inefficiencies, it appears to them that the Corporate Reorganization seeks to adapt the organizational structure to a particular form (of various possibilities) in which Enel wants to manage the group of companies under its control. While this is a legitimate objective of the controller of a group, it should not be confused with “inefficiencies”.

2.-If there were important inefficiencies, three problems persist:

a. They have not been precised.

b. Being management matters, it is reasonable to think that the solution might be implemented without having to incur the costs and risks the Corporate Reorganization implies, and

c. There is not much sense that the solution involves separating Chile, on the one hand, and leaving together on the other hand countries as dissimilar as Argentina, Brazil, Peru and Colombia.

ii. Inefficiency in the use in Chile of credits for taxes paid at the operative corporate level outside Chile.

This is a benefit produced mainly at the level of Enersis shareholders and, among them, with respect to shareholders with final rates of tax (*Global Complementario* and *Adicional*) higher than the current rate of income tax in Chile and, in the case of non-residents in Chile, with respect to those that reside in countries with current double-taxation agreements with Chile.

iii. Market under-valuation of the assets of the Group

1.- The Corporate Reorganization does not point to changes in the generator factors (drivers) of value of the operative companies, but speculates on a possible reduction in the discount at which Enersis and Endesa would trade if the participations are grouped in different companies.

2.- The conflict of interest with respect to the controller is maintained (if not increased) with respect to Endesa Chile.

3.- The principal beneficiary of a reduction in the discount, if any, would in our opinion be Enersis.

2.- It would confirm what is stated before, the fact that Enel has proposed the Corporate Reorganization as the only possible solution, in spite there are various alternative options.

- a. When the board of Enel considered appropriate that the boards of Enersis, Endesa and Chilectra begin an analysis of a possible corporate reorganization process, it has not been presented as a process of open strategic reflection, seeking the best solution to resolve the problems of the current structure, but directly stated that the operation to be analyzed should be the separation of the electricity generation and distribution assets in Chile from those in other countries in Latin America, through the specific operations that conform the Corporate Reorganization.
- b. Given the scope of the report which was limited to the proposed operation, Tyndall did not comment on others alternative options, but stated the following:
 - i. There is low probability that a sole proposed structure would be the optimal to resolve simultaneously all issues;
 - ii. From Endesa's point of view, among the three identified issues, the one that is of most interest to its shareholders would be the third, this is, the potential undervaluation of its shares, compared to the value of its underlying assets, and
 - iii. Of the three identified issues, however, the one that the Corporate Reorganization would better resolve would be the second, this is, the use of credits in Chile for taxes paid at the level of operating companies located outside of Chile.

3.- The proposed Corporate Reorganization, by not seeking changes in drivers of value for the operating companies, would not have, as an effect, a value creation in absolute terms.

- a. There are no important changes at the level of the operating companies in terms of expected cash flows, or factors that make the applicable rates of discount to change for discounting those flows.
- b. At the level of the parent companies, the net benefits in terms of cash flow, if any, would be marginal.
- c. Tax benefits resulting from the improved use of credits at the shareholder level is not equal for all shareholders.
- d. Therefore, in order for value creation to exist for the shareholders of the different companies, it would have to come from:

- i. An eventual reduction in the discount at which Enersis and Endesa is currently traded, due to¹:

Enersis Chile + Endesa Chile + Enersis Américas > Enersis + Endesa

- ii. The resulting ownership stake for the different groups of shareholders in the merger of Enersis Américas.

4.- A reduction in the discount at which Enersis and Endesa is currently traded is possible, but uncertain.

- a. It is difficult to determine the discount at which Enersis and Endesa is currently traded with respect to their intrinsic value as this value is not observable. Any effort to quantify that discount would therefore be a simple approximation.
- b. The valuation analysis of Tyndall suggests that:
 - i. Both companies trade at a discount with respect to the value of the sum of their parts or net value of their assets.

As indicated in the report, this is a common occurrence in the case of holdings and diversified companies.

- ii. The discount would be greater for Enersis than it would be for Endesa.
 - 1. While the market value of Enersis and Endesa show a discount similar to the net value of assets determined according to the discounted cash flow (DCF), the result using the market multiples methodology for the underlying operating companies is a discount almost twice as greater for Enersis.
 - 2. As explained in the report, one of the issues of valuing a company using DCF is that the result depends on the assumptions on which the projections are prepared. In this case, the projections were prepared by the companies' management units, which are not necessarily neutral regarding the Corporate Reorganization. Therefore, Tyndall prefers the use of the results based on market multiples.
- c. Determining a priori how much of this discount might disappear because of the Corporate Reorganization is highly speculative as it implies predicting the levels at which all the resulting companies will trade following the Corporate Reorganization.

¹ Chilectra Chile is considered within Enersis Chile

It is particularly difficult to determine the level at which the merged Enersis Américas will trade as:

1. There are no “comparable” companies, and
 2. Enersis Américas would be quite an atypical investment vehicle: a holding listed in Chile whose assets would be ownerships in distribution and generation companies in other countries.
- d. The hypothesis that this discount would be due to investors not valuing Enersis and Endesa properly because of the lack of visibility of the underlying businesses has two problems:
- i. First, it would imply that market prices are “incorrect”, an argument that should always generate mistrust.
 - ii. Second, it does not seem to be confirmed in the case of Enersis and Endesa based on the carried analysis, since a revision of market analysts’ reports show that these currently value Enersis and Endesa as the sum of all their participations in the different underlying businesses.
- e. Tyndall therefore concludes that it would be reasonable to conclude that the discount that the market applies to Enersis and Endesa can have other causes and even be justified by other factors.

5.- If, as suggested in the analysis realized by Tyndall, Enersis trades at a greater discount than Endesa, determining the Exchange Ratio on the merger with Enersis Américas using the relative contribution based on the value of the sum of the parts, without market adjustment, would be detrimental for Endesa shareholders.

- a. The valuation by sum of the parts without adjustment ignores the discount that the market applies.
- b. By eliminating the discount applied by the market therefore, the valuation by sum of the parts favors the company which has the greater discount (in this scenario, Enersis).
 - i. As a reference, Tyndall states, the difference in relative contribution in the merged Enersis Américas of the minority shareholders of Endesa using market multiples without adjustment and with such adjustment, would be 1.5 percentage points:
 1. 13.6% without adjustment.
 2. 15.1% with adjustment.
- c. A similar discussion, Tyndall adds, happened during the capital increase of Enersis back in 2012, when it was discussed whether the participations contributed by the controlling shareholder should be valued according to their discounted cash flow value or market value, prevailing the latter.

6.- In addition, given the asymmetrical distribution of possible benefits, costs and uncertainty between the different groups of shareholders involved, the Corporate Reorganization presents a greater risk for Endesa than for Enersis.

- a. Endesa will incur an effective cost of US\$ 251 million, for concept of capital gain, due solely to executing the Spin-Off.
- b. The greater use as credit of foreign taxes mainly benefits Enersis shareholders and its calculation depends on the specific conditions of each shareholder.
- c. If the market effectively applies to Enersis Américas a discount lower than the one currently applied to Enersis, most of the benefit would apply to Enersis shareholders.
- d. Regarding Endesa shareholders, there is a risk that the new Endesa Chile, resulting from the Spin-Off, would trade at a discount of its closest comparables (Colbún and AES Gener), a result that cannot be discarded *a priori* considering that:
 - i. By focusing exclusively on Chile, its growth prospects can be limited, and
 - ii. May be exposed to the conflict of interest with its controlling shareholder.

7.- A reasonable approximation for determining the Exchange Ratio should consider:

- a. The relative contribution made by each group of shareholders to the merger of Enersis Américas at values that consider the relative discounts at which Enersis and Endesa are currently traded, this is, at most similar values to the market.
- b. A compensation for the effective tax cost that Endesa will incur on the spin-off, and
- c. The relative risks incurred by the different groups of shareholders.

8.- Tyndall believes that a methodology to achieve these goals would be as follows:

- a. To begin with a reasonable range of relative contribution built using the value of the sum of the parts, adjusted to market.
 - i. In this case, the DCF (13.9%), market multiples (15.1%), or an average of both (14.5%) can be used.
 - ii. While the average of both methodologies is a good option, due to reasons aforementioned, Tyndall recommends the valuation by multiples, adjusted to market.
- b. To recognize to Endesa shareholders a larger participation in Enersis Américas in order to compensate the reduction in value resulting at the Endesa Chile level, regarding the tax payable, as a consequence of the spin-off operation (0.8% of greater participation in Enersis Américas).

- c. On the basis of possible multiples at which Enfdesa Chile and Enersis Américas expect to be traded, determine the Exchange Ratio at which, with a reasonable minimum width, is equivalent to the present value of the Endesa shares.

As this is a minimum, “expected” values should not be considered (since they do not consider a possible asymmetric distribution of the scenarios), but that level of participation in Enersis Américas which, supposing reasonable levels of valuation, covers more than half of the possible scenarios.

9.- Based on its analysis, Tyndall estimated that an Exchange Ratio that would meet these conditions would be one that resulted in a participation for the minority shareholders of Endesa of at least 16% of Enersis Américas.

- a. This percentage would not be very different to the result of the relative contribution according to market multiples adjusted to market (15.1%), incorporating a compensation of 0.8% due to the net present value of the tax effects of the spin-off.
- b. It would reflect an achievable valuation scenario for Endesa Chile and Enersis Américas without having to “bet” that the market would “correct” a supposed valuation “error”.
- c. It would comply with the restriction imposed by Enel, as it would maintain more than 50% of the shares of the merged Enersis Américas, and
- d. Also leave Enersis’ shareholders in a comfortable position to maintain its present value, considering the conservative valuation scenarios of Enersis Chile and Enersis Américas.
- e. To the extent that conflicts of interest with respect to Endesa Chile are resolved and the risks of the process are mitigated for the Endesa shareholders (both described in points 15 to 18 of the Executive Summary of the Tyndall Report), the minimum participation for the minority shareholders of Endesa could decrease, albeit marginally, because the 15.9% obtained through the relative contribution plus adjustment for tax would be applied.

10.- Given the relative weight of the Chilean and non-Chilean assets in the value of the equity of Endesa, the impact on the value of the Corporate Reorganization for Endesa’s shareholders is going to depend largely on how Endesa Chile trades in the future.

- a. Depending on the methodology used, the pro-forma value of the equity of Endesa Chile (assets and liabilities retained in the spin-off) represents ~65% of the total pre-operation value.
Therefore the value at which Endesa Chile is expected to trade has a greater impact than the value at which Enersis Américas is expected to trade.
- b. The conflict of interest mentioned as a reason for the Corporate Reorganization, while mitigated in the case of Enersis Américas, is not eliminated in the case of Endesa Chile, as the difference is maintained between voting rights and economic rights of Enel.

- c. It could even be reasonably argued that such conflict, with respect to Endesa Chile, could increase with the Corporate Reorganization.
 - i. Growth opportunities (organic and inorganic) in the future outside Chile are going to be developed through Enersis Américas.
 - ii. In the unlikely event that the Board of Endesa Chile, controlled by Enel, decided to grow in a market outside of Chile, it would have to compete with Enersis Américas.
- d. It should be understood that Endesa Chile should remain focused exclusively on Chile in the future.
 - iii. However, Enel Green Power (“EGP”), a company in which Enel holds 69% and could increase to 100% as has been announced, is increasing its participation in Chile.
 - iv. Therefore, aside from large projects, Endesa Chile is going to have to compete with EGP, affecting its growth opportunities in Chile.
- e. If Endesa Chile remains focused exclusively on Chile, by the nature of its asset base and its large relative weight in the generation market, decreasing net investment rates can be expected along with a consequent significant reduction in the “net debt” of the company.
 The pyramid ownership structure like that in which Endesa Chile will remain, with dissociation between control and economic rights, generates incentives to reduce debt and retain cash in the base (Endesa Chile), as that reduced “net debt” is recognized 100% at the top of the pyramid, increasing the borrowing capacity of the intermediate entities.

11.- A concern when evaluating the Corporate Reorganization should therefore be to adopt safeguards with respect to the future situation of Endesa Chile, especially related to the following matters:

- a. Endesa Chile’s future debt and dividend policies.
 - i. As indicated in the previous point, if Endesa Chile is focused exclusively on Chile, it is to be expected that there will be decreasing net investment rates and a significant reduction in the company’s “net debt”.
 - ii. It appears that Tyndall does not believe this to be negative *per se* as companies with structural cash generation surpluses can also be attractive as an investment alternative, in particular for investors that are focused more on yields based on dividends (dividend yield) than on capital appreciation.
 - iii. A negative scenario however would be if Endesa Chile on the one hand does not grow and accumulates cash, and does not distribute the generated cash surpluses to its shareholders.
 - iv. It is unlikely that this would happen in a context of symmetrical horizontal ownership in terms of voting rights and economic rights.
 However, as indicated above, in a pyramid ownership structure like that in which Endesa Chile would find itself, with dissociation between control and economic rights, there is an incentive for the controlling shareholder to reduce debt and retain cash in

the base (Endesa Chile), as such reduced “net debt” is recognized 100% at the top, increasing the borrowing capacity of the intermediate companies.

- v. An important concern in deciding on the spin-off of Endesa should therefore be to ensure, for example, fixed rules in the company’s bylaws, a financial policy scheme for Endesa Chile which makes it an attractive stock for investors focused on dividends.
 - 1. Range with minimum debt, and
 - 2. Cash surpluses distribution policy.
- b. The potential conflicts of interest with Enel, in particular with respect to the active presence of EGP in Chile.
 - i. The Corporate Reorganization does not resolve the potential conflict of interest relating to Enel Green Power.
 - ii. While this is outside the Corporate Reorganization, we believe that it could be a good opportunity to resolve it by, for example, signing a joint investment agreement in Chile.

12. The Corporate Reorganization, in the terms proposed, presents certain risk for Endesa shareholders.

- a. Risk that Endesa is divided and then the merger with Enersis Américas is not completed.
 - i. As a result of the spin-off, Endesa shareholders are going to receive shares in Endesa Chile and Enersis Américas.
 - 1. Endesa Chile does not imply a change with respect to the merger.
 - 2. Enersis Américas on the other hand would be a finance holding company without its own organizational structure.
- b. If the merger is not completed, there are various risks that can impact the value, among which Tyndall mentions:
 - i. Company management in the future if the merger is not completed or is postponed.
 - ii. Uncertainty regarding the future may significantly affect the quoted price of the share, and
 - iii. Share liquidity.
- c. Risk that the Exchange Ratio is modified after the approval of the spin-off.
 - i. Of the three divided companies, Tyndall considers Enersis Américas to be the most exposed in a renegotiation of the terms of exchange.
 - ii. From a purely organizational point of view, Enersis Américas pre-merger should not be very different to the entity once merged and Chilectra Américas (99% Enersis Américas) would not require an organization, as their management would not change. Enersis Américas however would be in an intermediate position, requiring a separate organization, which implies costs not currently considered.
 - iii. From the point of view of costs and benefits, some of them (the most tangible) will already have been produced, the capital gains tax in Peru will already have been triggered (principally affecting Endesa Chile) the use of credits for taxes paid abroad does not require the merger (the Enersis Américas shareholders are the main beneficiaries of this effect).
- d. The right to withdraw may not be a sufficient protection for a dissident shareholder.

Should the merger be approved and an Endesa shareholder feels disadvantaged and wants to withdraw from the company, due to the timing of the different steps, it is highly probable that the exercise price for withdrawal has already incorporated the terms of the merger exchange and therefore offers insufficient protection in terms of the exercise price.

13.- In order that the Corporate Reorganization contributing to the best interests of Endesa and meets what might be considered as market prices, terms and conditions at the date of this Report, Tyndall suggests that the following conditions should be met as a minimum the following conditions:

- a. The Exchange Ratio for the merger of Endesa Américas with Chilectra Américas and Enersis Américas should be that resulting in a participation of the Endesa's minority shareholders of no less than 16% of the shares of the merged Enersis Américas.
- b. Prior to the approval of the spin-off of Endesa into Endesa Chile and Endesa Américas, the following aspects should be verified, clarified and/or corrected, as the case may be:
 - i. Confirm with a third party expert in tax matters the tax benefits derived from a better use of credits for taxes paid abroad.
 - ii. Adopt precise conventions with respect to how to adjust the Exchange Ratio for variations that would be produced in the equities of the companies to be merged between June 30, 2015 and the reference balance sheets used for the approval of the different operations.
 1. The date of valuation and the date of the reference balance sheets used to calculate the equities of the companies to be merged was June 30, 2015.
 2. Under Tyndall's understanding, the pro forma balance sheets as of September 30, 2015 are going to be used for the spin-offs.
 3. The merger is going to occur in 2016, using the pro forma balance sheets corresponding to that year.
- c. Adopt contractual safeguards ensuring that once the spin-offs are approved, the Exchange Ratio will not be changed.
- d. Define a compensation for Endesa shareholders in the event in which the spin-off of Endesa is completed, but the merger with Enersis Américas do not occur or occurs outside the term considered for approving the spin-off.
- e. Ensure that if cash surpluses are accumulate in Endesa Chile, these are going to be distributed quickly as dividends (given the percentage that Enersis Chile is going to control in Endesa Chile, this should be incorporated in the bylaws of Endesa Chile and require a majority of over two-thirds of the shares with voting rights for its amendment).
- f. Mitigate conflicts of interest at the Endesa Chile's level, especially with respect to the exploitation by Enel Green Power, or other entities controlled by Enel, of generation opportunities arising in Chile through vehicles other than Endesa Chile.

III. Other information

The following information was taken into account by the Committee in addition to the Tyndall Report:

1. Document presented to the Board of Directors by Deutsche Bank called "Project Carter II Board Discussion Materials" dated November 2, 2015.
2. Reference Expert Appraisal Report and Economic Valuation Report dated October 30, 2015 issued by independent expert appraisal, Colin Becker, partner of PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada.
3. Various presentations made to the Board of Directors by the Endesa's Management; and
4. Corporate Reorganization Report provided by the Management.

The Committee points out the following with respect to this information:

- a) Both the Deutsche Bank report and the Reference Expert Appraisal Report use as estimation of the value of the equity for determining the reference exchange ratio for the merger of Enersis América, Endesa Américas and Chilectra Américas, the estimated economic valuation according to the criterion of sum of the participations corresponding to the generation, transmission and distribution businesses in Peru, Colombia, Brazil and Argentina under the discounted cash flow method, without any adjustment for market discount.
- b) In our opinion, the valuations used to determine the exchange ratio should reflect conditions prevailing in the market at the time of the operation, with which such valuations should be consistent in relative terms with the present market valuation of Enersis and Endesa, which implies considering the discount at which these companies currently trade.
- c) In addition, in the case of the Reference Expert Appraisal Report, two points come to our attention which seem to be important:
 - a. Despite obtaining a positive value for the Argentine participations valued using the discounted cash flow method, no value is assigned for valuation purposes, but instead considering the various participations as zero for the purposes of calculating the reference exchange ratio.
 - b. The assumptions adopted by the Expert Appraisal for determining the terminal value of the different operative companies favor the distribution assets, by assuming a higher growth rate in perpetuity for these than for the generation assets. This does not make much sense, considering that these are growth rates in perpetuity, a horizon in which one would expect supply and demand for electricity to coincide.
- d) For these considerations, our analysis will use the estimated values included in the Tyndall Report, in which a market adjustment is made.

IV. Committee's pronouncement

1.- Nature of the operation and protection of the interests of Endesa's shareholders

- a. As first point, this Committee wishes to note that there is a specific pronouncement by the SVS in the sense that it is not appropriate to use in the spin-off and merger operations, which composed the Corporate Reorganization, the regulations governing operations with related parties of Title XVI of the LSA. Only the provisions that specifically regulate the respective spin-off and merger agreements have to be applied. This pronouncement is also subject to appeal proceedings before the Santiago Court of Appeal. This Committee has considered itself inhibited from pronouncing on whether such regulations apply or not and will wait until the court resolves the case, as the

Directors' Committee has no legal powers to change an already-defined classification of the SVS, as this is the organ expressly called by law to interpret it.

- b. Beyond the legal qualifications on the operations comprising the Corporate Reorganization, this Committee considers that the Corporate Reorganization, from an economic-financial point of view, is unequivocally an operation between related parties as the interests of Endesa, a subsidiary in which Enersis only holds 60% ownership, go against the interests of the parent company Enersis itself and of another subsidiary, Chilectra, controlled 99% by Enersis. This clash of interests is produced specifically in the merger, by having to set an exchange ratio based on values related to the equities of the three companies involved, the clash of interests affects the whole Corporate Reorganization as the intended objective is only achieved if each and every one of the proposed stages is carried out.
- c. Therefore, regardless the legal discussion, this Committee is concerned with the asymmetry produced between the different shareholders, especially the position of the Endesa's minority shareholders .
- d. In the absence of an explicit pronouncement by the authority with competence for administratively interpreting the LSA, this Committee considers that there would have been sufficient arguments for submitting the Corporate Reorganization to the procedure established in Title XVI of the LSA.
- e. In any event, this Committee has taken all safeguards for acting with the due diligence established in legislation. We have therefore seen and analyzed all the legal, technical and financial-accounting reports made for this operation, ensuring that shareholders have the highest possible standard of information.
- f. From this point of view, this Committee believes it is necessary to ask whether, considering the specific and concrete situation of the Corporate Reorganization, the special regulations covering spin-offs and mergers grant sufficient protection from an economic-financial point of view or whether it would be advisable to adopt additional safeguards to protect the interests of all Endesa's shareholders.
- g. For the reasons set out below (and in point 3 below), this Committee believes that the special regulations covering spin-offs and mergers may be insufficient in the case of the Corporate Reorganization.
 - i. The Corporate Reorganization supposes, as a first step, to be agreed at a shareholder meeting to be held in December 2015, that Endesa is spin-off into two companies: Endesa Chile (the successor of the current, which retains the Chilean assets) and Endesa Américas (a new company to which the participations in foreign companies is assigned), and, as a second step, to merge Endesa Américas with Chilectra Américas and Enersis Américas in the third quarter of 2016.
 - ii. The safeguards that would contain the special regulations on spin-off and merger would be: both the spin-off and the merger should be approved at extraordinary shareholder meetings with the consenting vote of shares representing at least two-thirds of the shares with voting rights and (ii) in the case of the merger, shareholders who consider themselves prejudiced by the merger should have the right to withdraw from the company by selling their shares in the respective company at market price, as this is defined in the LSA.

- iii. The agreement whose approval would grant the withdraw right to dissident shareholders is not the initial agreement approving the spin-off, but the meeting that approves the merger in 2016. This leads to several problems:
 - 1. If the terms of the referential exchange informed at the spin-off's meeting are unfavorable for Endesa's shareholders, they may not withdraw from the company, leaving them as the only option the sale of their shares at a price, which, on knowing the exchange ratio, would have adjusted to such unfavorable terms.
 - 2. After the spin-off is approved, if the merger is not carried out, the Endesa shareholders will remain in an defenseless position as their share in Endesa would have been spin-off, on the one hand, into a share with own business identity (Endesa Chile) and, on the other hand, into a kind of share "in transit", without own business identity.
 - 3. Of the three actions resulting from the spin-offs, Endesa Américas is the one most affected as it would have no own organizational structure, non-consolidated participations and uncertainty with respect to its future. The uncertainty generated during the time between the spin-off and the merger may affect negatively the market value of Endesa Américas.
 - 4. A share that is not traded well during the period between the spin-off and the merger generates two problems:
 - A) Damages the position of the Endesa Américas' shareholders (with respect to the Enersis Américas' shareholders) in the determination of the definitive exchange ratio, and
 - B) Annuls the potential benefit of being able to exercise the withdraw right when the merger is approved, as the exercise price of that right is the market price calculated over the period between the spin-off and the merger.
- h. Due to these considerations, we believe that the pure and simple application of the special regulations covering spin-off and merger to the Corporate Reorganization would be insufficient. In its recommendation, this Committee therefore is going to suggest that a series of additional safeguards be adopted for carrying out the proposed operations.

2.-On the Corporate Reorganization

Regarding the Corporate Reorganization, the Committee believes the following, after a detailed analysis of the information:

- a. It is an operation designed by Enel to satisfy the interests of Enel and which has been presented as the only possible solution. Enel has refused to consider other possible alternatives of operation that, complying with the objectives identified in justification of the operation, could be more attractive for Endesa.
- b. It is more an financial operation than strategic. The new allocation of the group's assets does not seek to adapt or anticipate strategic changes in the industry and markets in which the companies participate, but instead seek to:

- i. Reduce the discount currently applied by investors, mainly to the share of Enersis, through the:
 - 1. Reduction of the misalignment of interests with the controller.
 - 2. Reduction of the cross participations of Enersis and Endesa, and
 - 3. Improvement of the visibility of participations in operating companies.
 - ii. Improve the use of credits in exchange of *Global Complementario and Adicional* taxes for taxes paid by operating companies located outside of Chile.
- c. The Corporate Reorganization does not generate, in itself, changes in expected cash flows or synergies, and therefore, there is no creation of value as such. Although the business plans presented to justify the operation, in the case of being materialized in the terms described by the management, would create value (in any case, to the date, conceptual statement and aggregate amounts with no major detail have been announced), by their nature these are considered as management improvements that could be achieved, in its majority, without the Corporate Reorganization.
- d. As a result of the Corporate Reorganization, Enel increases its participation in the non-Chilean generation assets of Endesa, from the current 36% to over 50%, in exchange for reducing its participation in the non-Chilean distribution assets, from 60% to +50%. This would enable Enel, in the future, to directly control these generation assets without investing additional resources and without losing control on distribution assets.
- e. For Endesa, the spin-off implies certain costs:
- i. A certain payment of taxes in 2016 of US\$ 251 million in Peru, partially offset by a credit of US\$ 60 million, corresponding to tax paid in Peru, to be used in Chile in 2017. Tyndall estimates the present value of these effects at US\$ 188 million.
 - ii. A higher tax in Chile due to a reduced monetary correction resulting from a reduction in its equity due to the spin-off. Tyndall estimates the present value of this effect at US\$ 23 million.
- f. Identified tax benefits of US\$ 729 million (i) are not certain (this amount is the expected present value over a long-term horizon, assuming there are no changes in current conditions and regulations), (ii) are mainly generated for the Enersis Américas shareholders (mainly Enersis shareholders), and (iii) mainly benefit shareholders with high tax rates, including those residing in countries with double taxation agreements with Chile (3% additional tax).

3.- Principal risks of the operation

This Committee believes that the Corporate Reorganization, in the proposed terms, generates the following additional risks:

- a. That the spin-offs are approved and then the merger is not materialized (see point IV, 1.g. above for more details).
- b. That, once the spin-off is approved, the discussion about the exchange ratio reinitiates and the definitive exchange ratio proposed is less favorable for Endesa shareholders than the reference exchange ratio considered at the time of approving the spin-offs (see point IV, 1.g. above for more details).
- c. That at the time the merger of Endesa Américas is approved, the price for exercising the right to withdraw applicable is low and therefore, does not give protection to shareholders who feel that the operation disadvantages them (see point IV, 1.g. above for more details). This, as was indicated, could arise from two factors:
 - i. The share price of the new Endesa Américas during the period between the spin-off and the merger will already reflect the referential exchange ratio, with which, with the spin-off approved, which has no right to withdraw, an eventual right to withdraw in the merger would have to be exercised at a price that already incorporates the effects of the agreement motivating the withdrawal.
 - ii. If the merger is delayed and doubts arise about whether it will be approved or not, the price of the Endesa Américas share would be affected as, of the three companies to be merged, it would be the most vulnerable.
- d. That the *equity stories* of the continuing companies from the Corporate Reorganization, this is, Endesa Chile and Enersis Américas, are not attractive and their shares are quoted at a significant discount (and greater than the current ones of Endesa and Enersis) with respect to the value of their underlying participations.
 - i. In the case of the new Endesa Chile resulting from the spin-off, we are concerned about the following:
 1. Implicitly, the spin-off implies that Endesa Chile may only grow in Chile. This compares negatively with its natural comparables, AES Gener and Colbún, which do not have this restriction.
 2. Given the relative size of Endesa Chile with respect to the Chilean market, the strategy announced by Enel/Enersis of not invest in large generation projects and the active presence in Chile of Enel Green Power in *Energías Renovables No Convencionales (ERNOC)*, Endesa Chile could be perceived as a share with little growth.
 3. As Enel is going to consolidate 100% of the debt and cash of Endesa Chile, but is only going to have the equivalent of 36.36% of the dividends, there is an incentive not to distribute the cash surpluses generated.
 4. The announcement of Enel, the controller of Enersis, to focus Endesa on small-scale projects leaves uncertain the water rights that it currently has, making it

more vulnerable in the long term. In addition, the declarations of Enersis executives to prioritize the Group's distribution businesses make the development of the new Endesa Chile more uncertain, increasing the risk of losing value on the market.

- i. In the case of Enersis Américas, we are concerned about the following:
 1. It is going to be a purely financial holding company and therefore, may suffer the same discounts that the market currently applies to other holding companies of this sort, including Enersis.
 2. It is going to be a company registered and quoted in Chile despite that the totality of its investments will be outside of Chile. This may bring negative implications.
 3. There are not going to be comparable companies with which the market can compare relative values.

4.- Exchange Ratio

In the opinion of this Committee, the exchange ratio sets for the merger of Endesa Américas with Chilectra Américas and Enersis Américas should meet the following criteria:

- a. It should be coherent with the conditions prevailing in the market at the time of approving the first of the operations that comprise the Corporate Reorganization. Therefore, the valuations of Endesa Américas, Chilectra Américas and Enersis Américas should be consistent, in relative terms, to the current market value of Enersis and Endesa.

In the opinion of this Committee, the discounted cash flow method based on projections made by the managements of Enersis and Endesa, especially for the Corporate Reorganization, is not the most suitable due to:

1. It does not consider the relative discount, with respect to the value of their underlying participations, at which Enersis and Endesa are currently traded.
2. The results of the discounted cash flow depend on the assumptions used. Being an operation in which there are conflicts of interest, it seems reasonable to be slightly more cautious regarding the assumptions and results of this valuation method.

This Committee believes that the criteria to determine the relative contribution of Endesa Américas to Enersis Américas should be the valuation of the sum of the parts, based on the multiples of comparable companies to the operating companies to be contributed, adjusted by the discount the market currently applies to Enersis and Endesa, as the case may be.

Considering the analysis realized by Tyndall, this criteria would result in a relative contribution of between 14.2% and 15.9% of Enersis Américas merged for the minority shareholders of Endesa.

- b. It should be considered the taxation cost that Endesa would incur by materializing the spin-off:
 - i. Tyndall estimates the present value of the combined effects of taxes to be paid in Peru and the credit for this tax that will be benefit in Chile at US\$ 188 million.
 - ii. This higher cost to Endesa could be compensated in cash or through a larger participation in Enersis Américas.
 - iii. If it is recognized as an increased participation in Enersis Américas, Tyndall estimates that the additional percentage to be recognized to the minority shareholders of Endesa would be 0.8%.
- c. The aforementioned risks of the operation to Endesa shareholders should be reflected.

The effect in the exchange ratio, this last element is going to depend on the safeguards adopted to eliminate or at least mitigate these risks.

The minimum conditions that, in the opinion of the Committee, should be adopted by Endesa shareholders for the Corporate Reorganization to be acceptable, are enumerate in point 5 below.

If these safeguards are suitably implemented, this Committee believes that the Corporate Reorganization would contribute to the interests of Endesa, if the participation of the minority shareholders (40%) of Endesa Chile in the merger of Endesa Américas amounts 16.7%, as a minimum.

The following would be the justification for the minimum exchange ratio of 16.67%:

- i. We take as a starting point the top of the range of relative contribution, before the net effect of the tax generated in the spin-off, estimated by Tyndall, of 15.9%.

The reason for taking the highest point of the range is due to the uncertainty that the Corporate Reorganization still generates for Endesa shareholders, considering the possible valuation scenarios of the new Endesa Chile and the merged Enersis Américas.

- ii. We add to this percentage the effect of the tax payable in Peru, net of the credit will applicable in Chile, whose present value expressed in additional percentage terms in the exchange ratio, would be equivalent to 0.8%.

- iii. The resultant percentage of 16.7% for the minority shareholders of Endesa is above the minimum of 16% estimated by Tyndall based on the analysis of the creation of value from the possible valuation scenarios of the new Endesa Chile and the merged Enersis Américas (indifference curves).

As the 16% corresponds to a minimum, from which the minority shareholders of Endesa would have the same value that they currently have with their share in Endesa, this Committee believes it reasonable to estimate a percentage above that the minimum, at 16.7%, which, as explained, corresponds to the highest point of the relative contribution range (15.9%) plus the net effect of the tax in Peru (0.8%).

5.- Conditions that should comply the Corporate Reorganization to be acceptable to the Endesa shareholders

In the opinion of this Committee, in order that the Corporate Reorganization to be beneficial to all the Endesa shareholders, the following conditions should be complied:

- a. If for any reason the merger is not completed, Endesa Chile should be compensated for the payment of capital gains taxes incurred due to the spin-off.
- b. Mitigate the other risks for Endesa shareholders in the case that the spin-off is approved and then the merger is not completed or that the merger is approved with a less favorable exchange ratio for Endesa shareholders than the reference exchange ratio considered at the time of approving the spin-off.
- c. Define a right to withdraw exercise price for the merger of Endesa Américas with Enersis Américas which is equivalent to the market price of Endesa prior to the announcement of the spin-off.
- d. Regulate satisfactorily toward the future, through easily-monitored and unforceable obligations, the conflicts of interest with respect to Endesa Chile that the activities of Enel Green Power represent in Chile and that Endesa Chile being the main growing generation vehicle in Chile.
- e. Protect the investment value of Endesa Chile post spin-off, by incorporating permanent regulations on its bylaws that ensure at least the following:
 - i. That the potential growth in Chile and the company's financial capacity will be taken advantage of to the maximum, by setting strategic criteria and financial objectives for developing investment projects.
 - ii. The current water rights owned by Endesa will be protected and taken advantage at the maximum.

- iii. That in the absence of investment projects that meet the defined investment criteria, cash surpluses generated annually are going to be distributed to shareholders, as dividends or as reductions of capital, not avoiding that the leverage (net debt/EBITDA) decrease below a pre-determined minimum.

Sincerely yours,

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Enrique Cibie Bluth
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Chairman of the Directors'
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