Acquisition of ENEL HV Grid

ROME - DECEMBER 22nd, 2008

Agenda

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Transaction Details

Highlights

- **Share Deal**

  Acquisition of 100% of “Enel Linee Alta Tensione Srl” (“ELAT”) from Enel Distribuzione

- **Total Consideration for ELAT’s Equity : € 1,152mn**

  100% debt financing, fully paid at closing

- **Closing**

  Subject to specific conditions precedent, among which:

  - Ministry of Economic Development to include the assets in the National Transmission Grid
  - Antitrust approval
  - AEEG resolution

  Expected in Spring 2009

Transaction Details

Overview of TargetCo

- 18,583 km of lines
- Transfer of ancillary contracts, in particular regarding telecommunication services

Source: ENEL

Strategic Rationale

Key Features

- **Perfect Fit**
  Scaling up: +43% of km of lines and +18% of RAB (1)

- **Low Risk Profile**
  Existing low-risk profile preserved (good knowledge of the assets)
  Established regulatory framework

- **Beneficial to the Country**
  Optimization and acceleration of existing development projects
  Potential for additional development capex
  Improvement of the quality of the transmission service in the medium-long term

(1) RAB for 2008 tariff

Strategic Rationale

Valuation

- **Financials**[1]
  2008 Revenues: about € 133mn + € 3mn from non-regulated businesses
  2008 EBITDA margin: 83%

- **Total Consideration = Equity Value = EV = € 1,152mn**

- **Valuation Based on:**
  HV Grid (RAB07 = € 1,152mn)
  Non-Regulated Business
  "Development capex option" for free

- **EPS Accretion from Year 1**

(1) Pro forma figures

Strategic Rationale

Funding

- **Acquisition fully funded through existing credit lines**
  - Average credit spread around 35bps
  - Cost of funding: < 5%
- **Future Funding**
  - Residual funding from existing lines (0.8bn)
  - Currently scouting for new sources of funding to retain financial flexibility
- **Cost of Debt in Italy not to exceed 5%**

- **Funding (as of November 2008)**

ITALY	Total Amount € mn	Utilized Amount € mn	Available Amount € mn	Maturity
Cash at November 2008			850	
2008 - Revolving Credit Facility (1)	500	0	500	June 2013
2006 - Revolving Credit Facility (2)	750	150	600	April 2013
TOTAL			1.950	

(1) Applicable margin: Euribor + 70bps; step-up according to rating and utilization
(2) Applicable margin: Euribor + 15bps; maturity 2011 and 2 years extension option

Strategic Rationale

Optimization of Capital Structure

- **Re-Leverage Delivered Ahead of Plan**

- **Impact on WACC**
  Internal WACC reduced (mix of re-gearing and competitive spreads on incremental debt)
  Return above our Internal WACC

- **Impact on Rating**
  Stable cash-flows and low risk profile of new assets should minimize impacts
  Ratios post-deal to remain strong
  Commitment to maintain single A credit rating going forward

Closing Remarks

Resolution 188/08 and 189/08: 2009 Tariffs

- **2009 Tariffs:**

  Transmission tariff "from producers": 0.0270 c€/kWh (from 0.0256 c€/kWh)

  Transmission tariff "from distributors": 0.0344 c€/kWh (from 0.326 c€/kWh)

  Dispatching tariff: 0.014 c€/kWh (from 0.013 c€/kWh)

- **2009 Revenues Expected ca. 1.15bn**

  Transmission: 1.1bn

  Dispatching: about 45mn

- **Key Elements Used in the Formula**

  RAB: 6.8bn

  - Transmission: 6.6bn
  - Dispatching: 0.18bn

  $\text{CPI}_{\text{Jun07-May08}}$: 2.4%

  $\text{Deflator}_{\text{2Q07-1Q08}}$: 2.5%

  Volumes: 303 TWh

Closing Remarks

Resolution 188/08 and 189/08: Upsides

- **Hedged Against Potential Slowdown in Electricity Consumption**

  Sensitivity to volumes strongly mitigated

  Up until 2011, sharp decline in volumes will call for annual adjustments

  Adjustments through the Electricity Sector Equalization Fund[1], at the end of each year

- **Improved the Capex Incentive Scheme: Time-Lag Curtailed**

  Starting from 1/1/2010, incentives applied also to *work-in-progress* related to certain predetermined projects

  Additional premium/penalty mechanism granted if operational phase is ahead/post predetermined pipelines

(1) So called "Cassa Conguaglio del Sistema Elettrico"

Closing Remarks

Looking Ahead

- **Presentation of 2009-2013 Strategic Plan**

- **2009 Focus**

  Close the acquisition

  Capex deployment

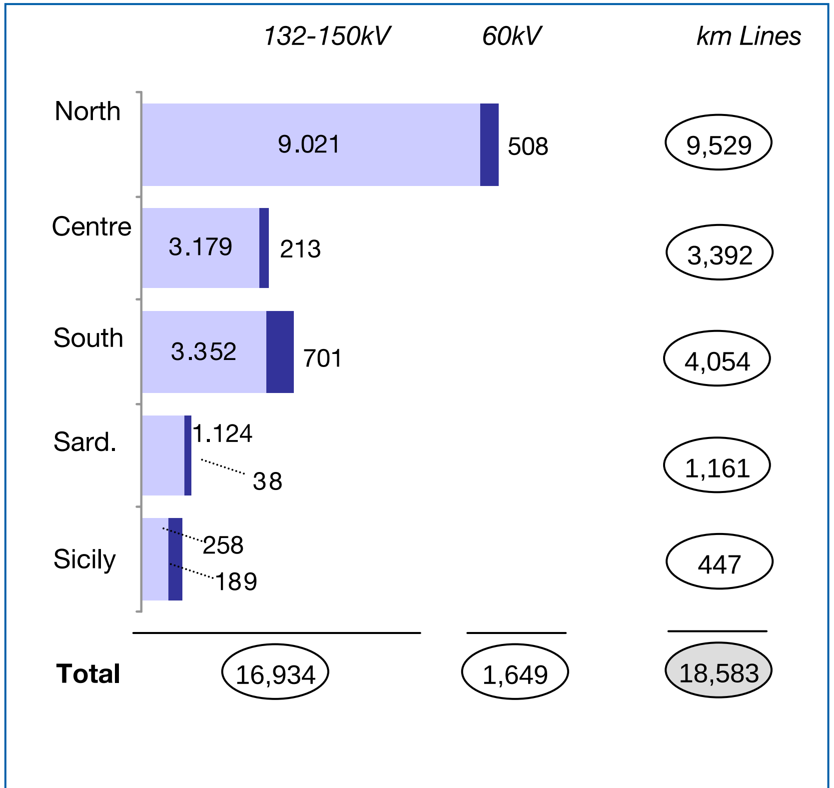
  Cost control and increase in efficiency

- **No M&A on Schedule**

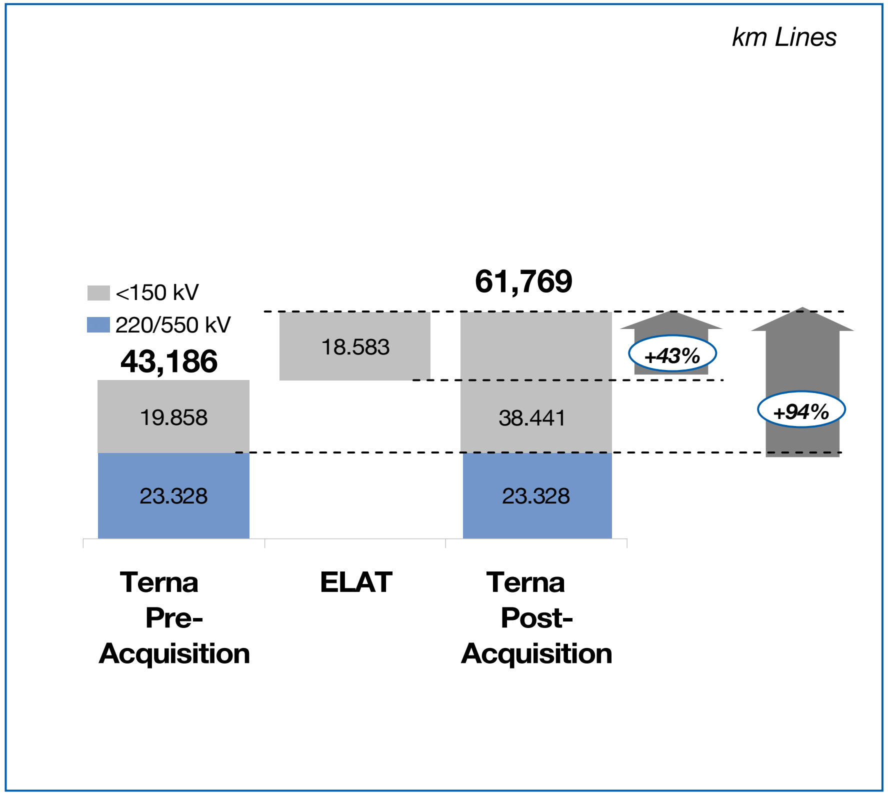
ANNEXES

TargetCo: Perimeter of Assets

▪ Geographical Split



▪ New Perimeter



Source: Enel Distribuzione (as of 30 September 2008)

Resolution 188/08

Mitigation Mechanism

- **Annual Revenues Calculation**

$$\textbf{Revenues}_t = \textbf{Unitary Tariff}_t * \textbf{Volumes}_{AEEG\ t}$$

If:

- $(\text{Volume}_t / \text{Volume}_{AEEG\ t}) > (1+0.5\%)$ → $\text{Revenues}_{t=}\ \text{Unitary tariff}_t{}^* \ \text{Volume}_{AEEG\ t}{}^*(1+0.5\%)$
- $(\text{Volume}_t / \text{Volume}_{AEEGt}) < (1-0.5\%)$ → $\text{Revenues}_t = \text{Unitary tariff}_t{}^* \ \text{Volume}_{AEEG\ t}{}^*(1-0.5\%)$
- $(1-0.5\%) < (\text{Volume}_t / \text{Volume}_{AEEGt}) < (1+0.5\%)$ → $\text{Revenues}_t = \text{Unitary tariff}_t{}^* \ \text{Volume}_t$

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