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# Acquisition of ENEL HV Grid

ROME - DECEMBER 22<sup>nd</sup>, 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

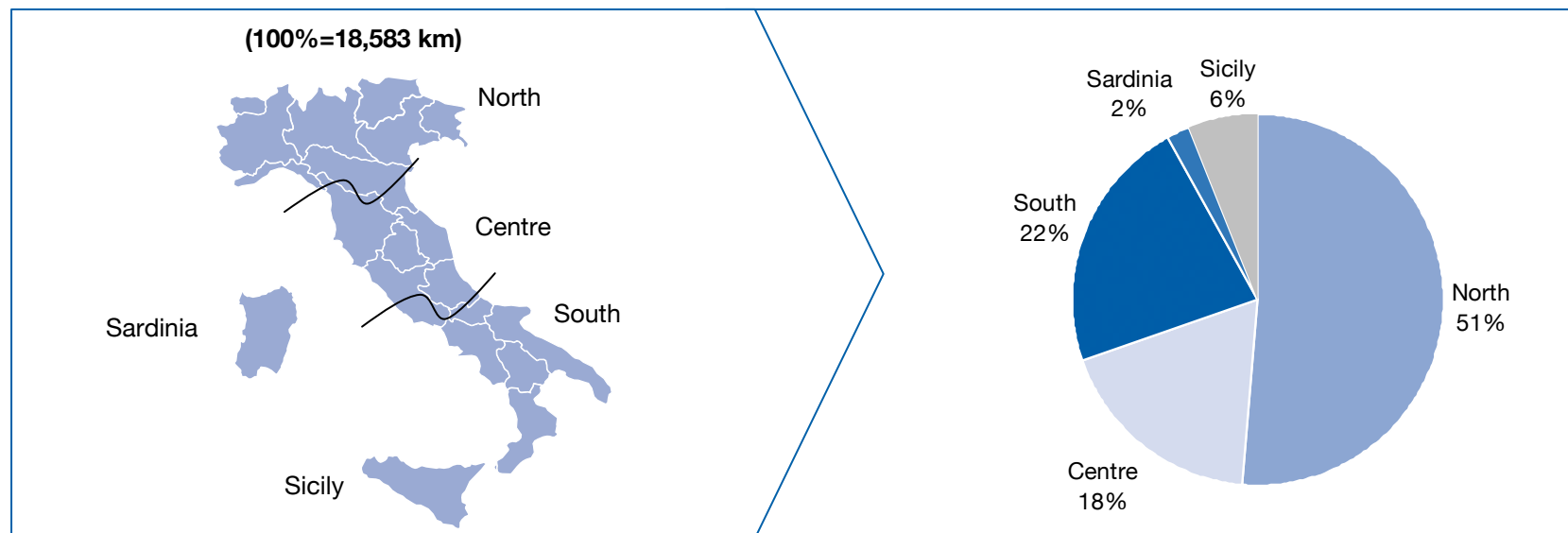
Expected in Spring 2009



# 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 <sup>(1)</sup>

- **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<sup>(1)</sup>**

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 <sup>(1)</sup>	500	0	500	June 2013
2006 - Revolving Credit Facility <sup>(2)</sup>	750	150	600	April 2013
<b>TOTAL</b>			<b>1.950</b>	

(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

CPI<sub>Jun07-May08</sub>: 2.4%

Deflator<sub>2Q07-1Q08</sub>: 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<sup>(1)</sup>, 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**

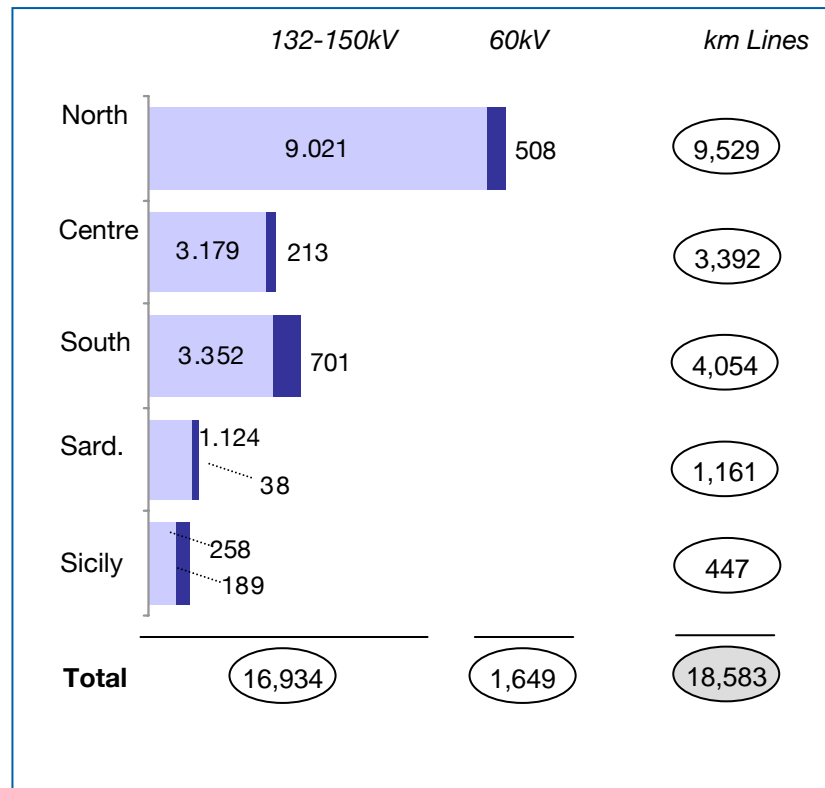


# ANNEXES



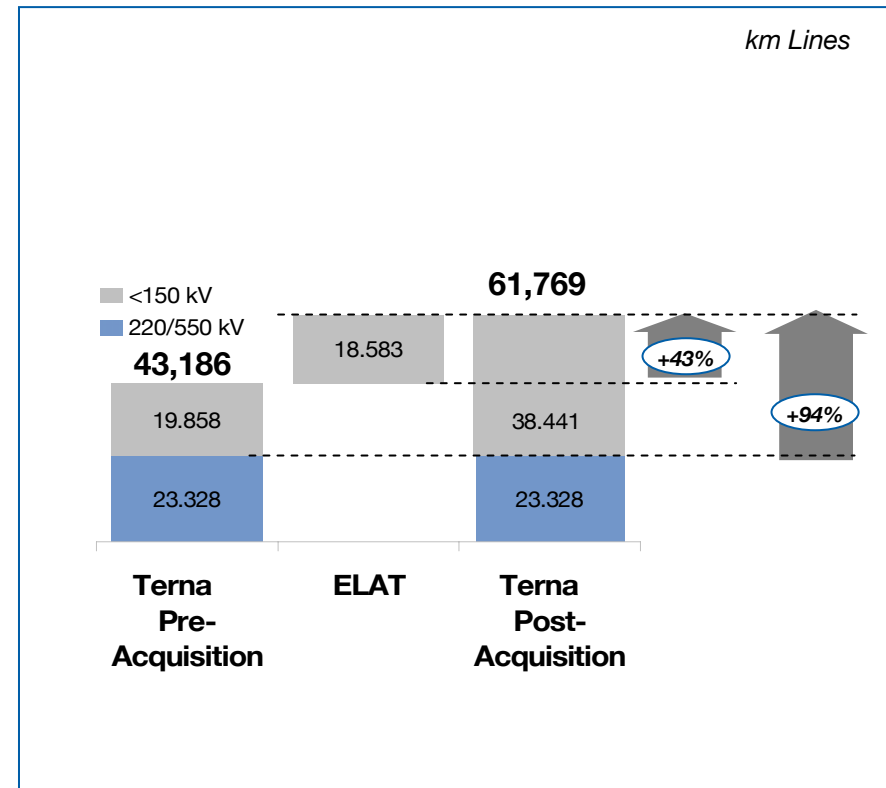
# TargetCo: Perimeter of Assets

## Geographical Split



Source: Enel Distribuzione (as of 30 September 2008)

## New Perimeter





# Resolution 188/08

## Mitigation Mechanism

### ▪ Annual Revenues Calculation

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

If:

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



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