
ENGIE ENERGÍA CHILE S.A.

Presentation to investors

1Q18 Results



AGENDA

Snapshots

Key messages

Financial update

Addenda



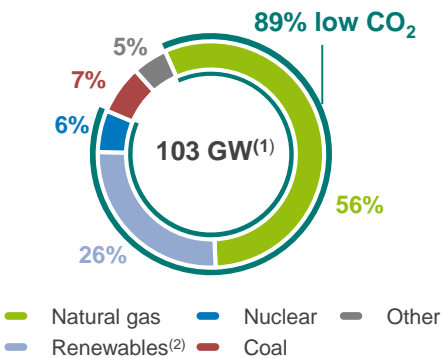
ENGIE: A GLOBAL ENERGY PLAYER



LOW CO₂ POWER GENERATION

- World leading independent power producer
- 103 GW⁽¹⁾ installed
- ~90% low CO₂
- 26% renewables⁽²⁾

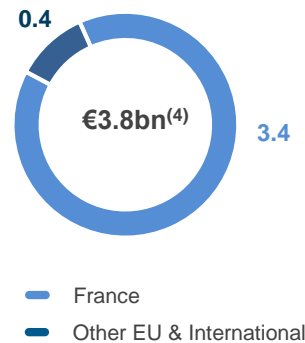
Capacity breakdown



GLOBAL NETWORKS

- European leader in gas infrastructures
- €27bn⁽³⁾ regulated asset base in France
- 12bn m³ storage capacity
- Expertise in power transmission & distribution

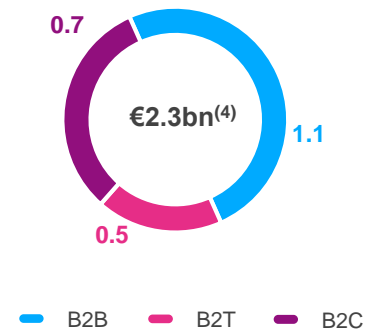
EBITDA gas infrastructures



CUSTOMER SOLUTIONS

- 24m customers in Europe
- Global leader in energy solutions for cities
- +250 distribution heating & cooling networks worldwide
- 23m individual and professional contracts

EBITDA by type of business

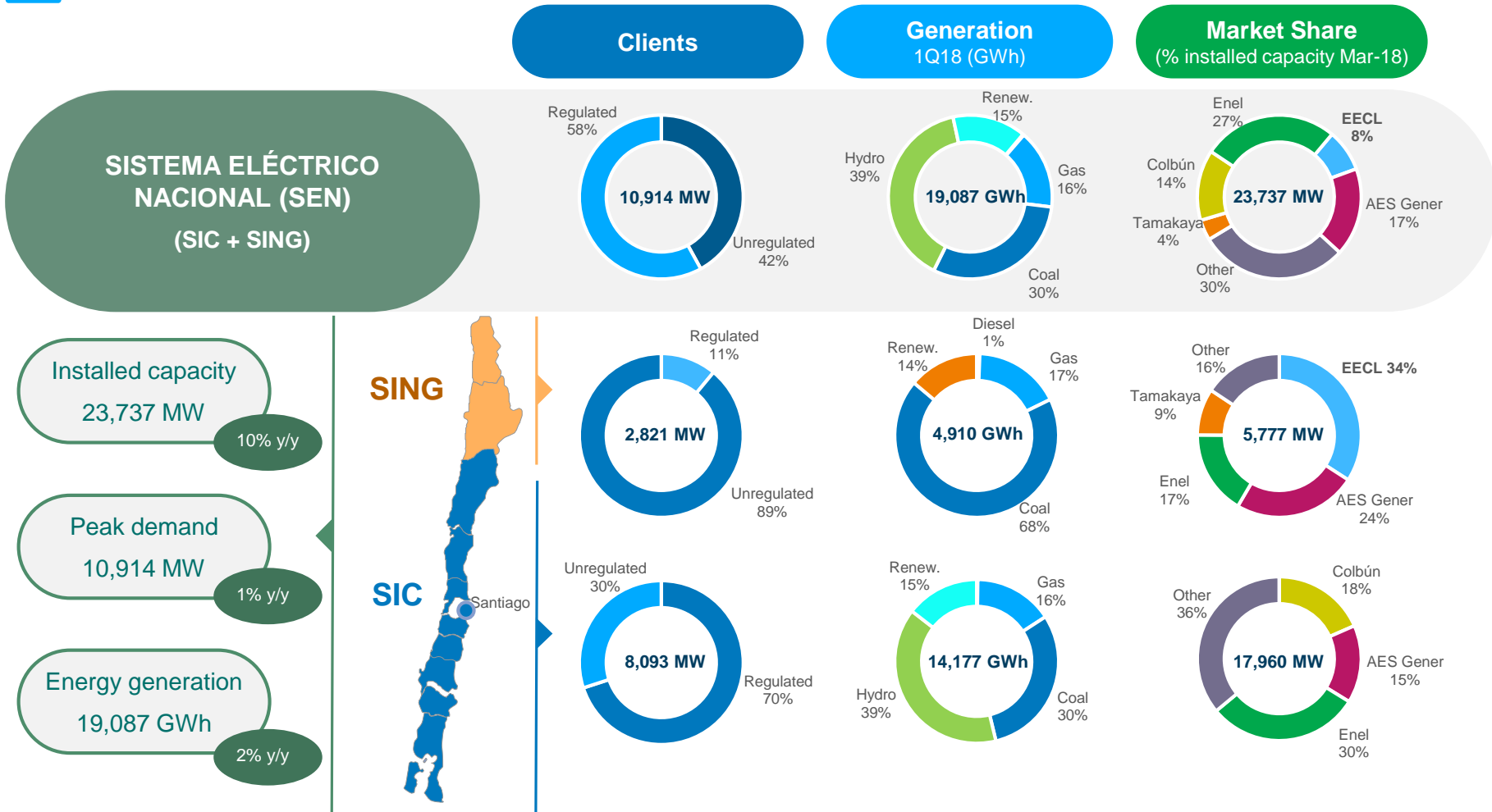


(1) At 31/12/2017, at 100%
 (2) Incl. pumped storage for hydro (3%)

(3) Incl. Storengy in France, regulated as from 01/01/2018
 (4) 2017 EBITDA

B2B: Business to Business
 B2T: Business to Territories
 B2C: Business to Customers

TWO MAIN GRIDS RECENTLY INTERCONNECTED



Sources: CNE, CEN, Asociación de Generadoras

EECL: A RELEVANT PLAYER IN THE CHILEAN POWER INDUSTRY



RELEVANT PLAYER IN THE ENERGY INDUSTRY

- **Leader** in northern mining region, **4th** largest **electricity generation** company in Chile
- **~2GW** gross generation capacity; **~0.3GW** under construction
- **3rd** largest **transmission** company
- **Seaport** infrastructure, gas pipeline

Prepared to provide energy solutions to its customers



GROWTH UNDERWAY

- **New 15-yr regulated PPA** w/distribution companies starting 2018 => **43% contracted physical sales growth** by 2019
- 50%-owned **TEN** ~US\$ 0.9 bn **transmission project** began operations in 4Q17
- **~US\$ 1 bn new power generation capacity + port** to start operations in 3Q18

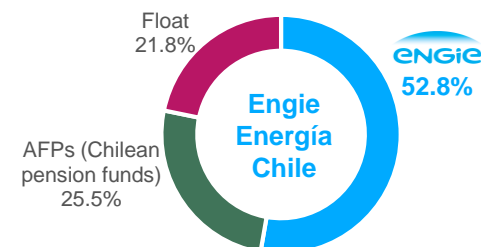
Good delivery in growth strategy implementation



CONTRACTED BUSINESS

- **Capacity contracted** under long-term sales agreements; **13 years** remaining average life
- Strong counterparties
 - Unregulated: mining companies;
 - Regulated: distribution companies

Strong sponsorship



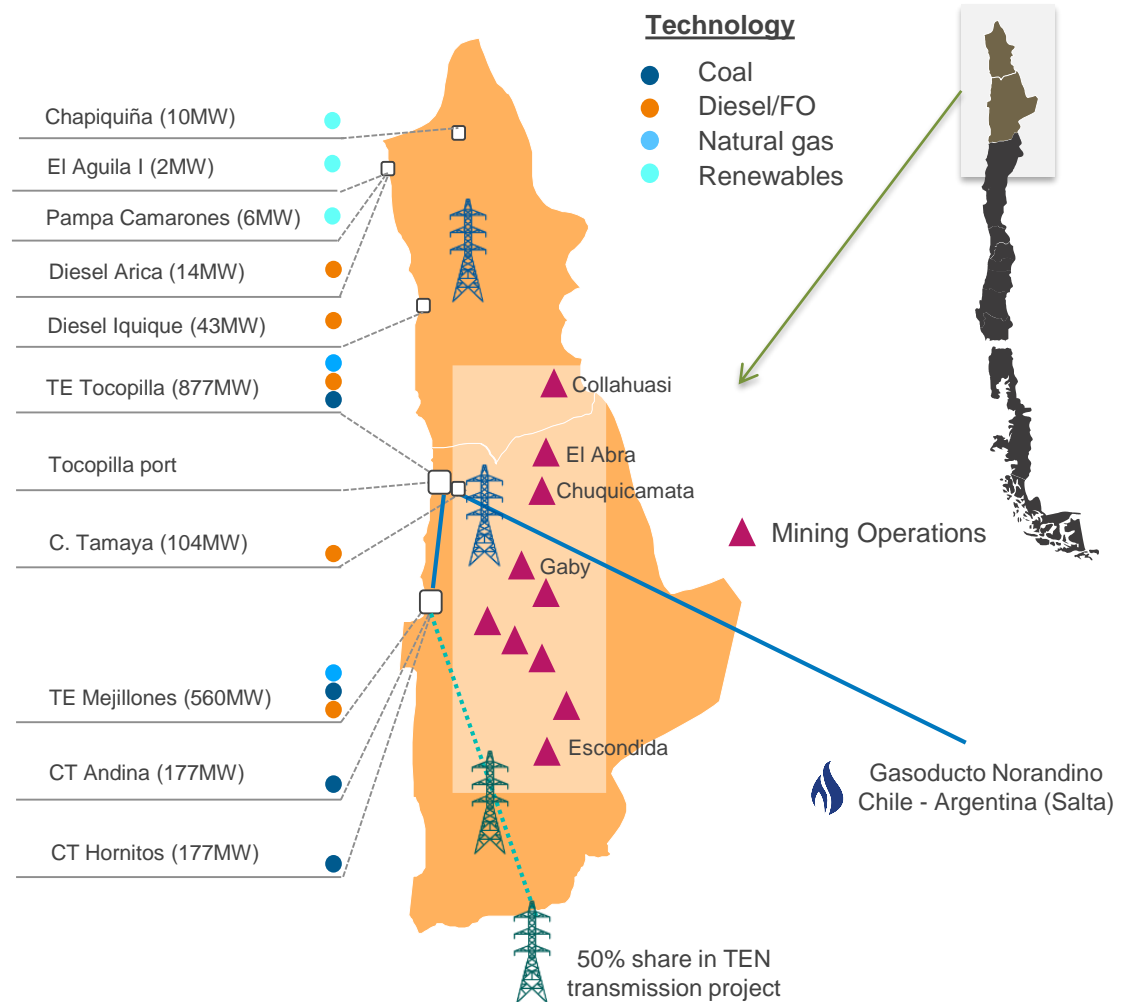
A DIVERSIFIED ASSET BASE TO MEET OUR CLIENTS' ENERGY NEEDS

  **1,971 MW (*) in operation & 375 MW in construction**

 **2,293 kms HV + MV transmission lines & 50% share in TEN 600 km, 500 kV project**

 **2 seaports**

  **Gas pipelines & Long term LNG supply agreements**



(*) EECL requested the CNE to authorize the disconnection of units 12 and 13 in Tocopilla, with combined gross capacity of 170 MW.

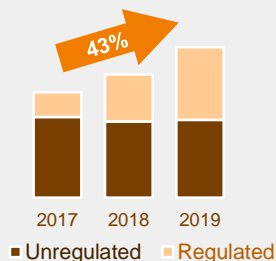


2018: THE BEGINNING OF A NEW ERA

NEW PPA: REVENUE & EBITDA GROWTH

- **Contracted revenue growth**
 - ~8,200 GWh p.a. in 2017
 - ~11,700 GWh p.a. in 2019
- More **balanced portfolio** (Unregulated/regulated)
 - 77%/23% in 2017
 - 52%/48% in 2019
- Expected **EBITDA growth** (>80% in 2 years)

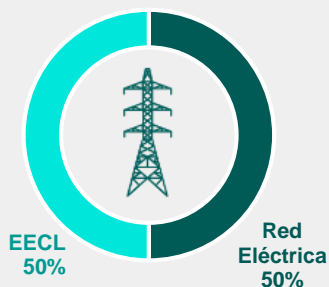
Clients' Sales (GWh)



INTERCONNECTION

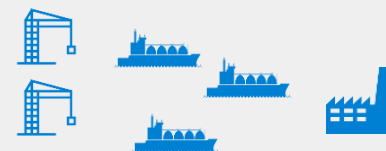
- **TEN:** 600-km, 500 kV, ~**US\$0.9bn**, **transmission** project
- On schedule, within budget, **operating since 24-Nov-17**
- Regulated & contracted revenue; ~**US\$80 million EBITDA p.a.**

TEN: 50/50 Joint Venture
80% project financed



NEW POWER SUPPLY

- **IEM + Puerto Andino**
- ~**US\$1 bn** investment including port
- In commissioning, on budget **IEM + Port COD: 3Q18**
- IEM: **375 MWe gross capacity**
- **+2 LNG cargoes – 2018**
+1 LNG cargo – 2019
- 1-year **bridge contracts** with generation PPA companies to meet new PPA



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KEY MESSAGES



Results in line with guidance

Mastering the growth achieved



Building our future together with our clients

PPA renegotiation, decarbonization & life extension



Paving the way for our energy transformation plan

Development focused on replacing coal with renewable capacity



Robust capital structure

Ample room to finance energy transformation plan

RECENT EVENTS



INDUSTRY

- **SIC-SING interconnection:** In operations since November 24, 2017, giving birth to the **SEN**. The **TEN project** was ready ahead of schedule and within budget
- Government and Generation Companies' agreement to phase out **coal generation**
- **New government** took office on March 11, 2018: Sebastián Piñera, President; Susana Jiménez, Minister of Energy; Ricardo Irarrázabal, Subsecretary of Energy
- **National transmission project bids** launched by the CEN: 6 companies presented offers for an aggregate US\$200 million



COMPANY

- **Amendments to the Codelco and Glencore PPAs** signed on April 2: tariff decrease, full indexation to CPI starting 2021, and PPA life extension
- Authorization to **disconnect U12 & U13 coal units** (combined 170 MW) was requested to the CNE
- The **new 15-year PPA** with distribution companies started in 2018 (up to 2 TWh), stepping up to 5 TWh in 2019
- **Bridge PPAs** with generation companies were signed to supply ~60% of demand under the above PPA
- **Puerto Andino** and **IEM** are in their commissioning phase



1Q18 RESULTS IN LINE WITH GUIDANCE

- EBITDA increased 39% mainly due to the new PPA with distribution companies
- Net income almost doubled due to expanded operations

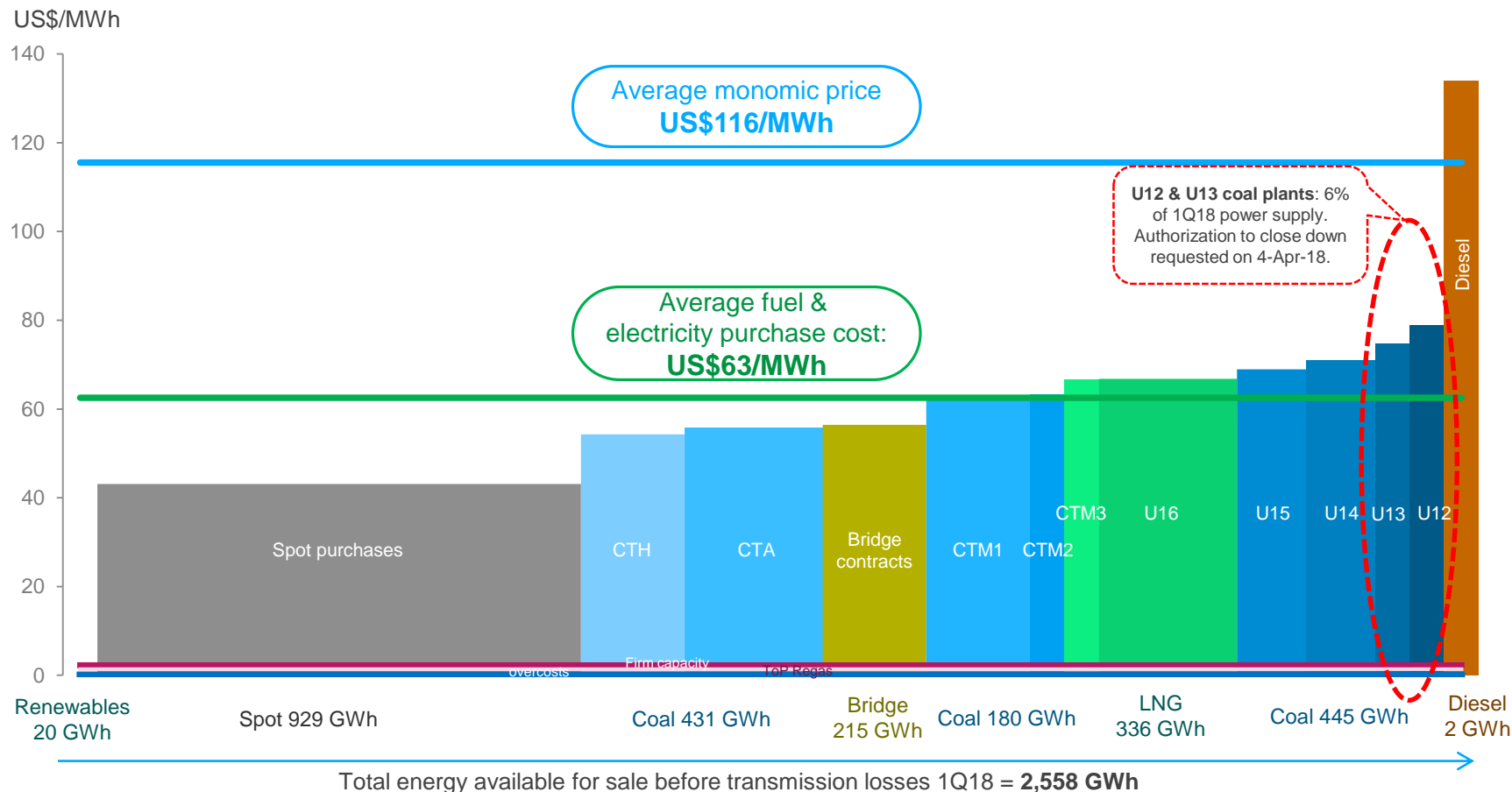
	1Q17	1Q18	Variation
Operating Revenues (US\$ million)	258.8	301.8	+17%
EBITDA (US\$ million)	66.0	91.7	+39%
EBITDA margin (%)	25.5%	30.4%	+4.9 pp
Net income (US\$ million)	19.7	39.2	+100%
Net income-recurring (US\$ million)	19.7	39.2	+100%
Net debt (US\$ million)	770.5 (*)	784.8	+2%
Spot energy purchases (GWh)	821	929	+13%
Energy purchases - Bridge (GWh)	0	215	<i>n.a.</i>
Physical energy sales (GWh)	2,164	2,408	+11%

- Net Income impacted by non recurring items in 2016
- Increase in net debt related to expansion CAPEX

(*) Net debt as of 12/31/2017

RESULTS IN LINE WITH GUIDANCE: MASTERING THE GROWTH ACHIEVED

DEMAND SUPPLIED WITH OWN GENERATION, SPOT PURCHASES AND BRIDGE CONTRACTS

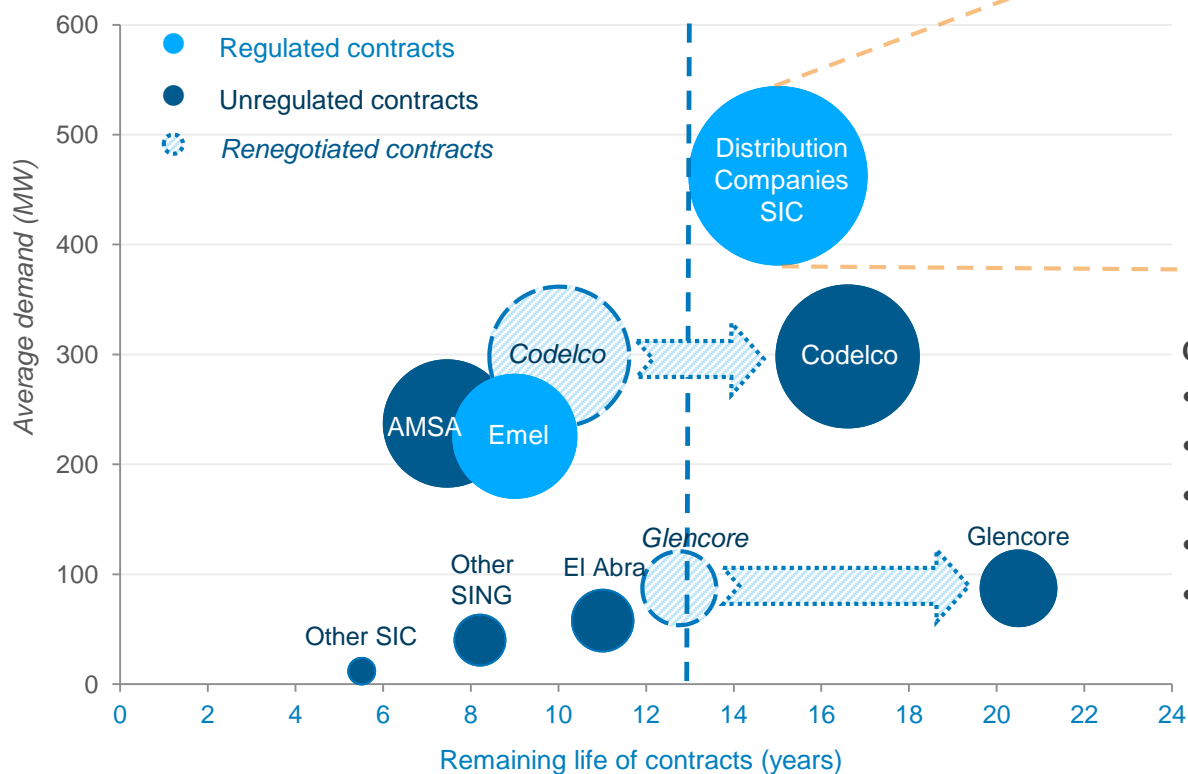


- Average realized monomic price, spot purchase costs and average cost per MWh based on EECL's accounting records and physical sales per EECL data.
- Average fuel & electricity purchase cost per MWh sold includes the LNG regasification cost, green taxes, firm capacity, self consumption & transmission losses
- Net system over-costs and ancillary service costs averaged US\$0.1 per each MWh withdrawn by EECL to supply demand under its PPAs.



PPA RENEGOTIATION, DECARBONIZATION & LIFE EXTENSION

Sound contract portfolio with average remaining life recently extended to 13 years (*)



A GROWTH DRIVING PPA

- 2018: **Up to 2,016 GWh** (230 MW-avg.)
- 2019-2032: **Up to 5,040 GWh** per year (575 MW-avg.)
- Monomic price (Jan-Mar 2018): **US\$128/MWh**

Clients' international credit ratings:

- Codelco: A+
- Freeport-MM (El Abra): BB-
- Antofagasta PLC (AMSA + Zaldívar): NR
- Glencore (Lomas Bayas, Alto Norte): BBB
- EMEL: AA-(cl)

Source: EECL

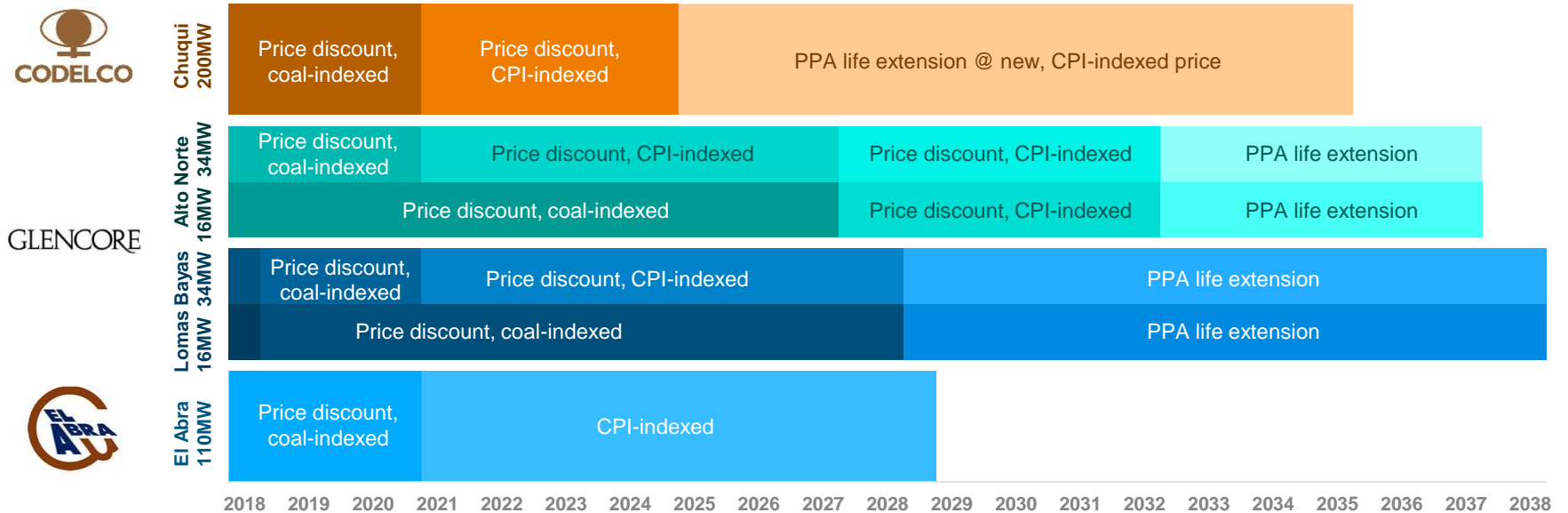
(*) Internal demand projections based on historic data and market intelligence, proforma PPA renegotiations signed on April 2, 2018.

(*) Proforma April 2 PPA renegotiations



PPA RENEGOTIATION, DECARBONIZATION & LIFE EXTENSION

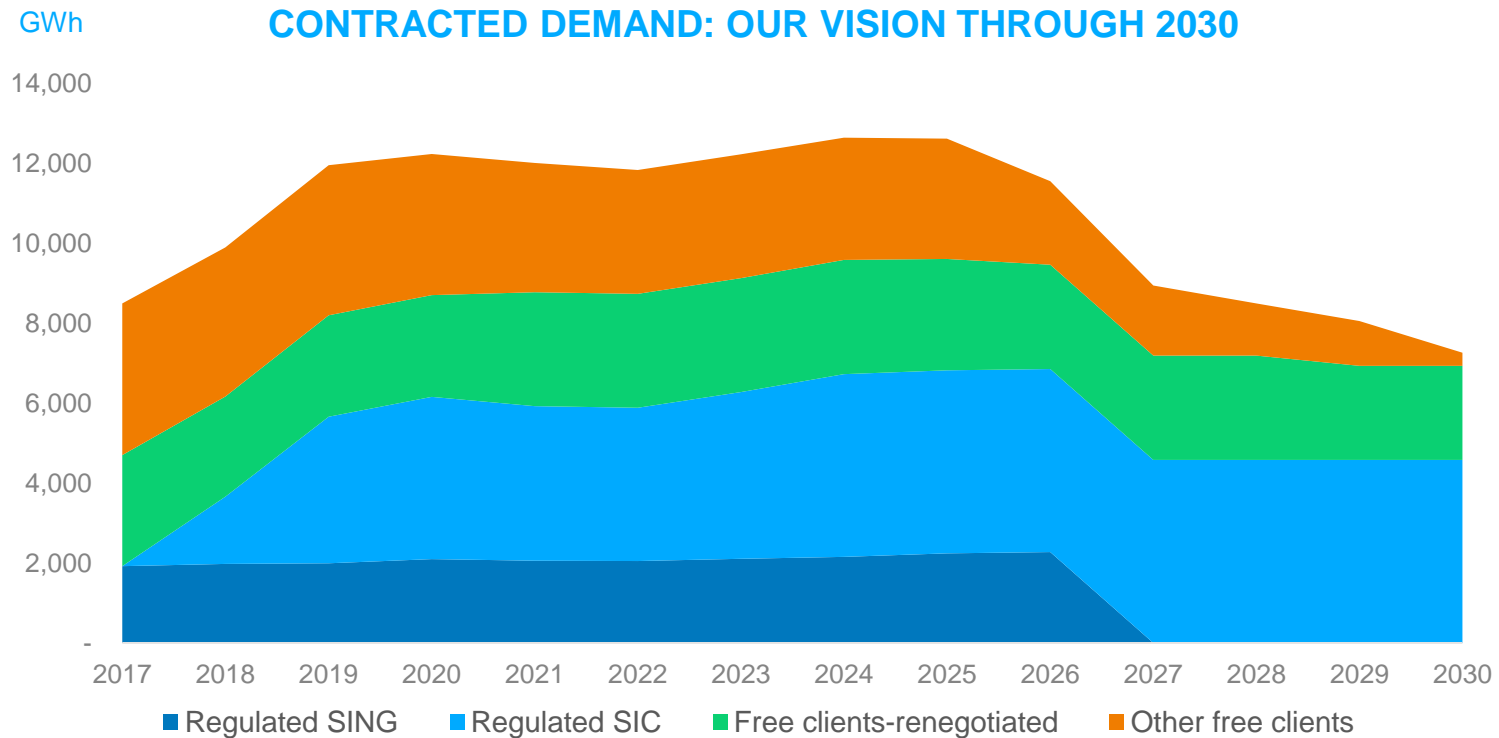
PPA renegotiations signed by EECL on April 2, 2018: A win-win transaction



- Extending the life of our PPAs and leaving behind their price indexation to coal will allow us to invest in renewable power sources and gradually replace coal capacity
- Our clients will benefit from lower power prices and a reduction in their carbon footprint



PPA RENEGOTIATION, DECARBONIZATION & LIFE EXTENSION



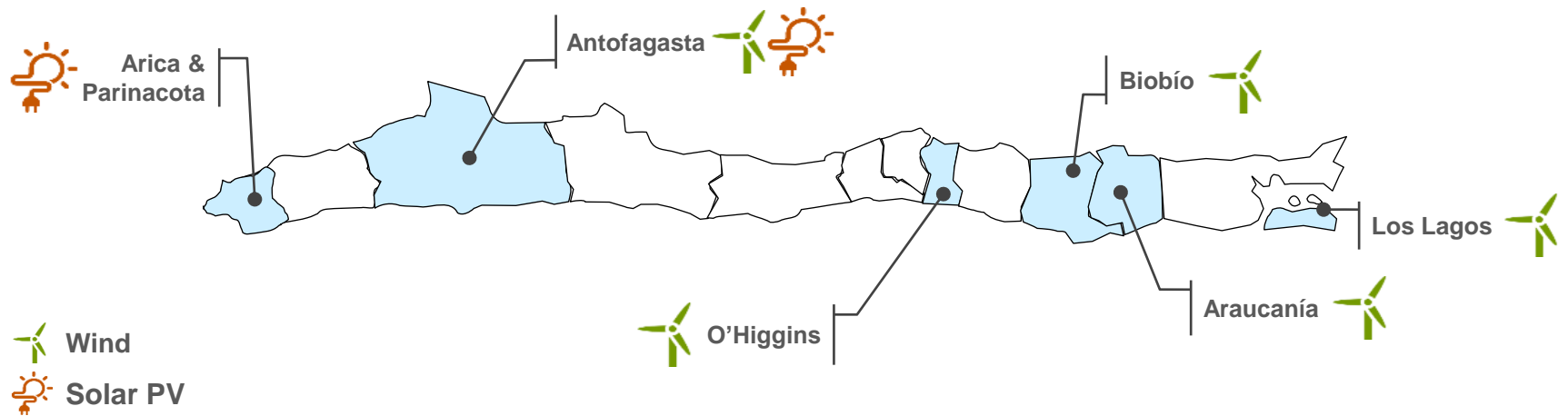
- We could potentially invest ~US\$1 bn in renewable power projects over the 2019-2023 period on the basis of the recent PPA life extension

Source: Engie Energía Chile: Average expected demand under existing contracts proforma April 2, 2018 renegotiation



RENEWABLE CAPACITY DEVELOPMENT PROJECTS

Project development focused on energy transition



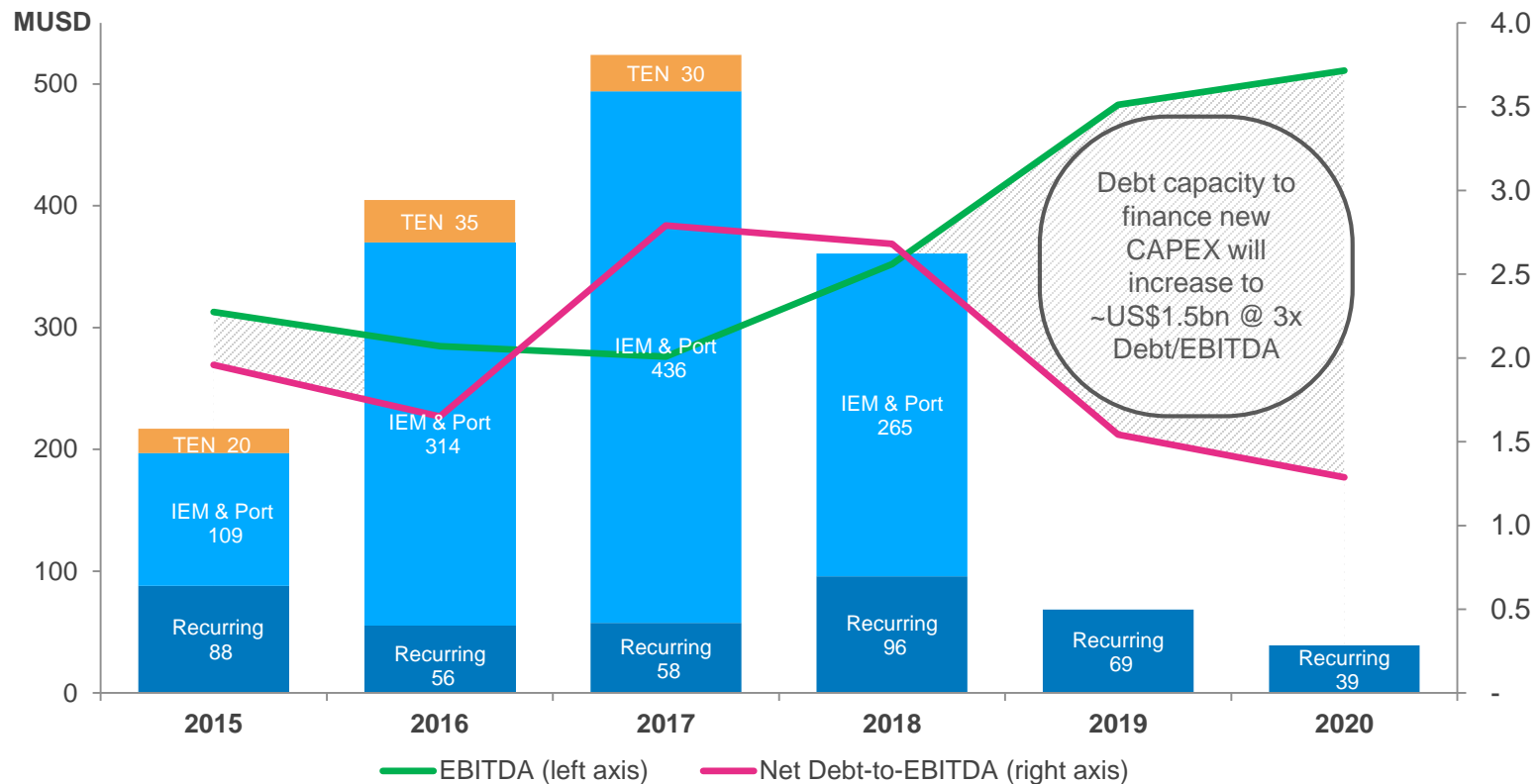
Geographic and power source diversification

Gradual replacement of aging thermal plants

Smoothing energy production and demand patterns

AMPLE ROOM TO FINANCE ENERGY TRANSFORMATION PLAN



- 2018: THE END OF A CAPEX-INTENSIVE PHASE
- FREE CASH-FLOW POSITIVE STATUS STARTING 2019 WILL RELEASE FINANCING CAPACITY FOR ENERGY TRANSFORMATION PLAN



(*) Recurring CAPEX includes upgrade investing in transmission assets



KEY DRIVERS FOR OUR RESULTS

 PPAs	<ul style="list-style-type: none"> • PPA with distribution companies • PPA renegotiation 	<p>+</p> <p>-</p>
 REGULATION	<ul style="list-style-type: none"> • Green taxes 	<p>-</p>
 DEMAND	<ul style="list-style-type: none"> • Client migration • Mining investment + Electric vehicles 	<p>-</p> <p>+</p>
 FUEL & SPOT PRICES	<ul style="list-style-type: none"> • Coal prices • Hydrologic conditions 	<p>-</p> <p>-</p>
 PRODUCTION	<ul style="list-style-type: none"> • IEM COD 3Q18 • U12/U13 coal plants closure 	<p>+</p> <p>+</p>
 INTERCONNECTION	<ul style="list-style-type: none"> • TEN COD • Delay in full interconnection 	<p>+</p> <p>-</p>

Source: Engie Energía Chile

ONGOING FOCUS ON DELIVERY IN OUR GROWTH PATH

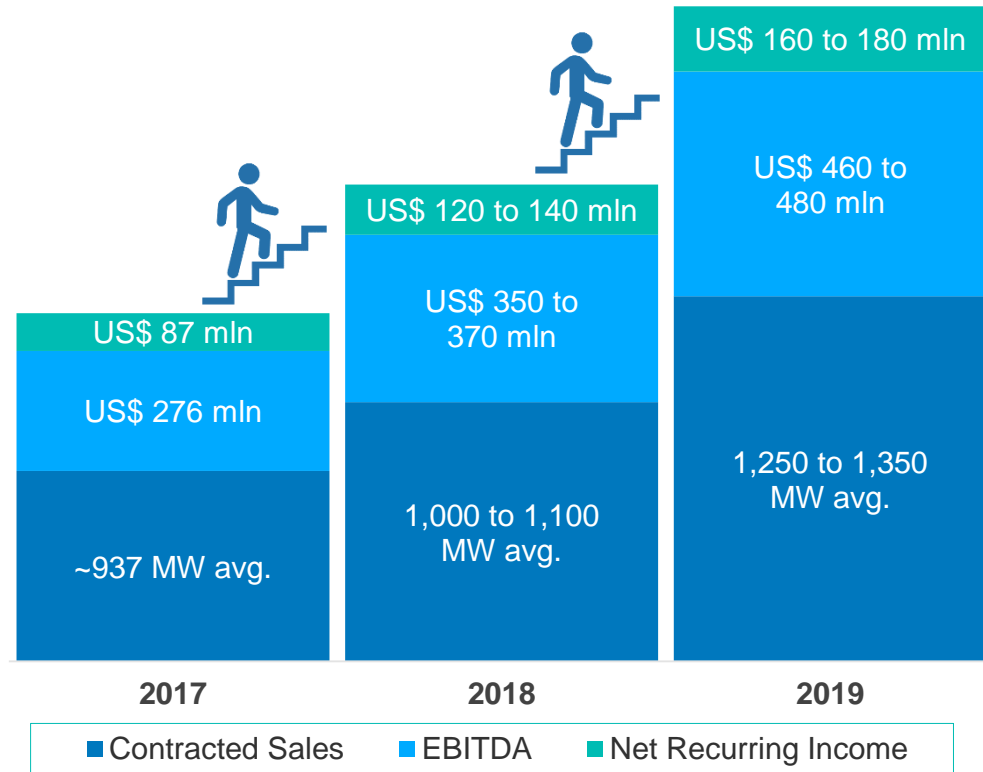


PREPARING THE GROUNDS FOR A LARGER-SCALE, LEANER OPERATION

- Embracing the growth achieved:
 - New PPA => larger sales volume
 - Interconnected system => larger, more complex market
- Innovating and developing digital solutions to service our clients, improve efficiency and reduce operating costs
- Completing our projects in time, on budget and within quality standards



Pursuing an AGILE organization



Source: Engie Energía Chile



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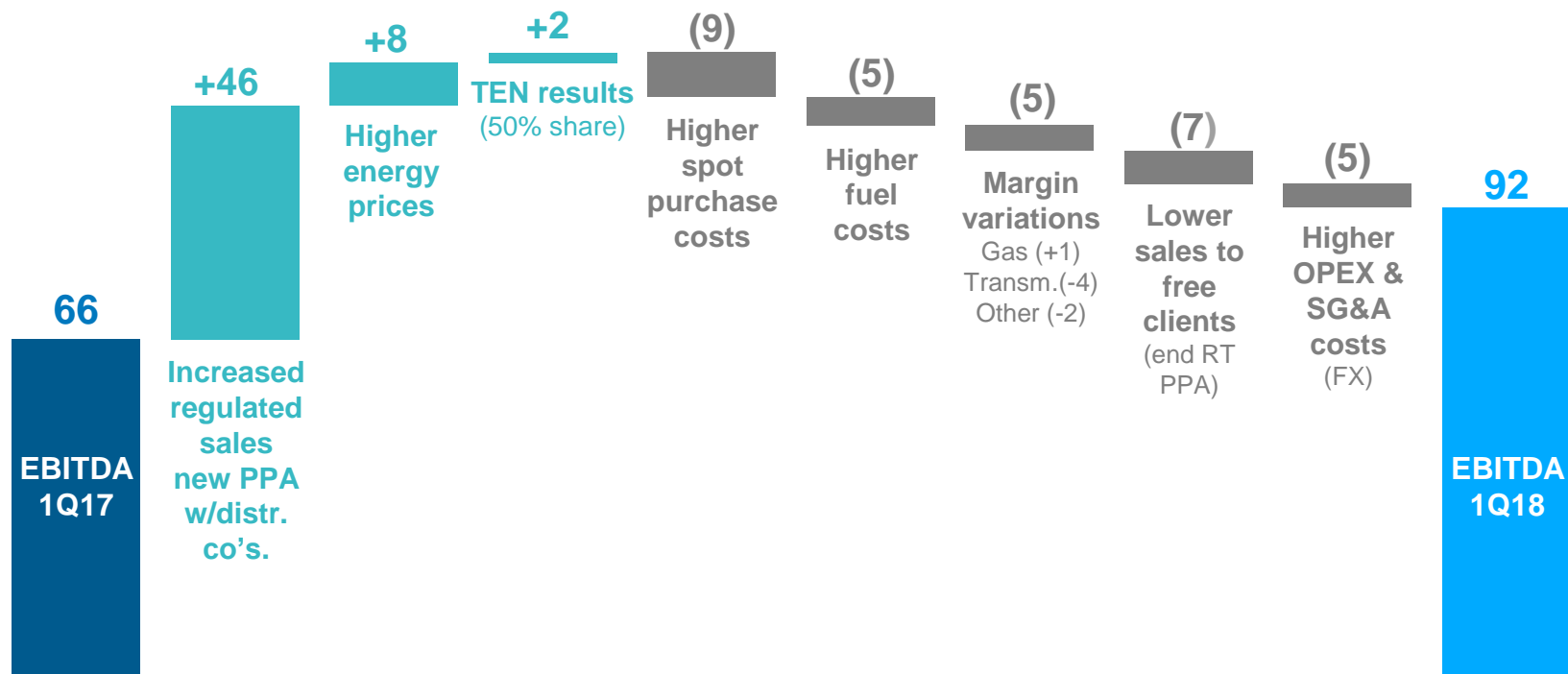
Financial update

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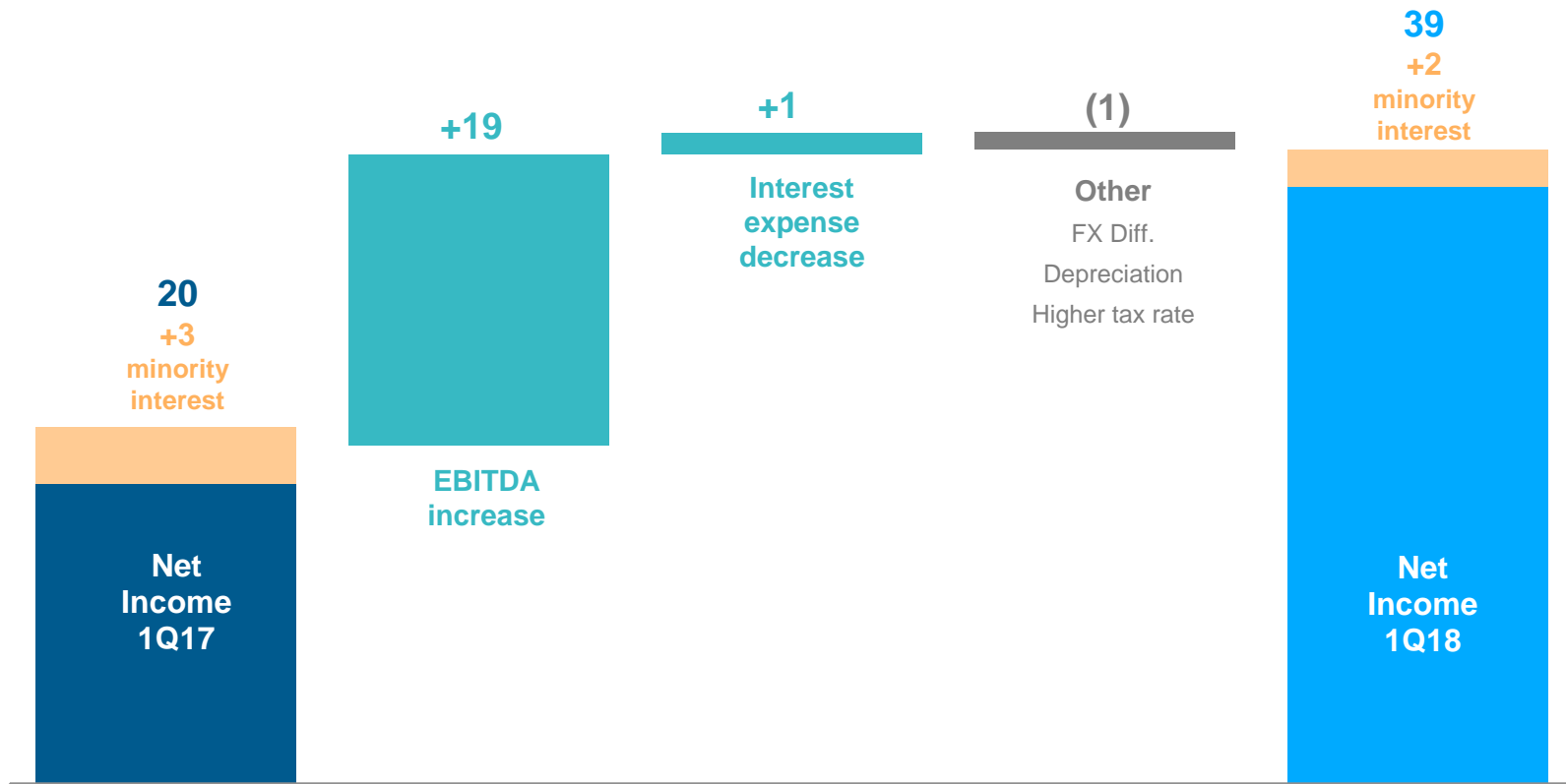
REGULATED REVENUE FROM NEW PPA WITH DISTRIBUTION COMPANIES LARGELY EXPLAINS THE 39% EBITDA INCREASE

By main effect
In US\$ Million



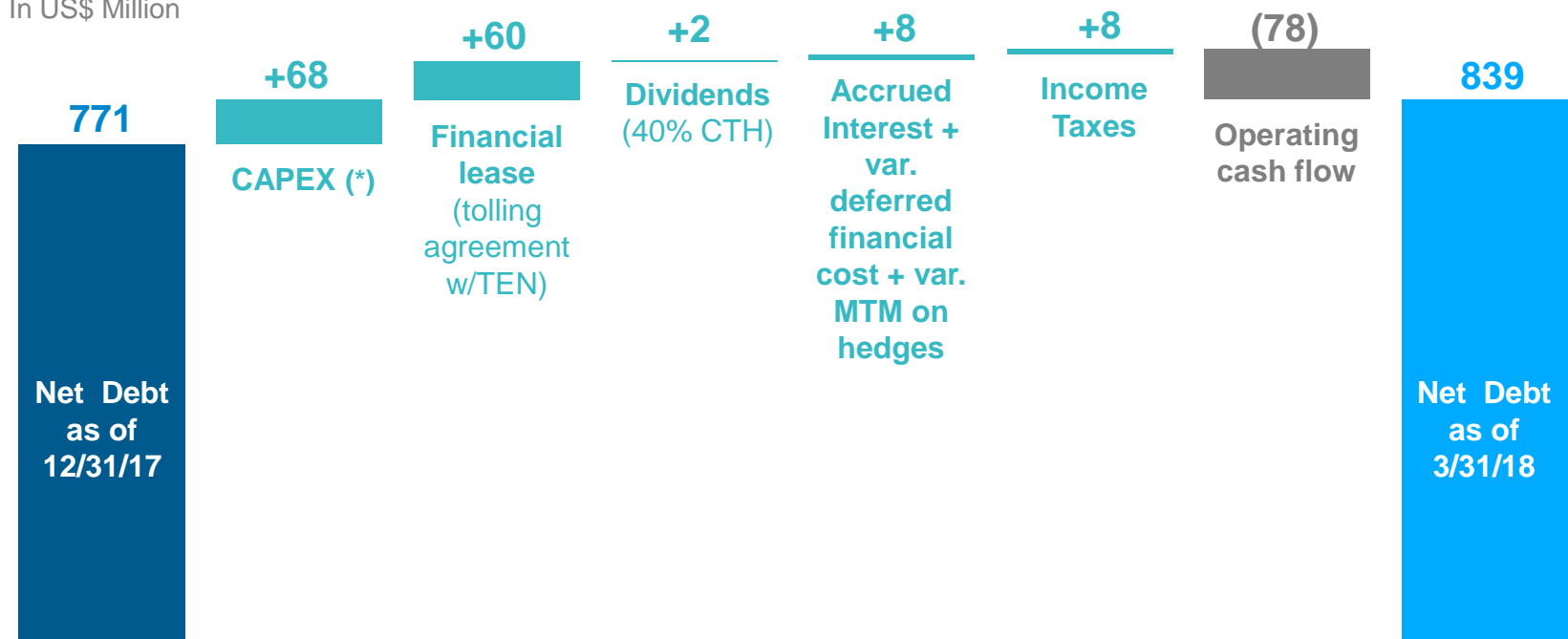
NET INCOME INCREASED IN LINE WITH EBITDA IMPROVEMENT

In US\$ Millions



NET DEBT EVOLUTION REVEALS CONTINUED STRONG CASH GENERATION

Main cash flows
In US\$ Million



(*) excludes capitalized interest

- CAPEX financed with operating cash flow
- Net debt increase explained by tolling agreement on TEN's dedicated transmission assets, which is accounted for as a financial lease

ROBUST FINANCIAL STRUCTURE: ROOM FOR FURTHER GROWTH

Net debt/EBITDA below 3.0x

- Strong cash flow generation
- Proceeds from asset sales (TEN) in 2016

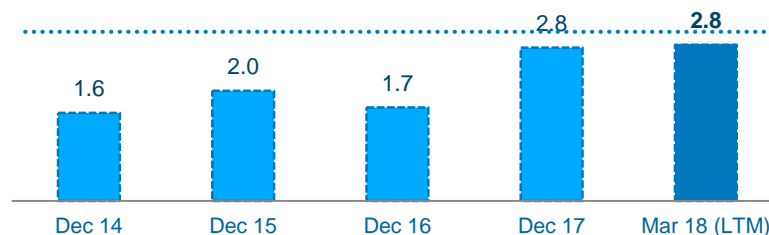
Rating confirmed @ BBB (Stable Outlook)

- International: S&P & Fitch – July 2017
- National scale: Feller Rate (Dec-17): A+ Positive Outlook; Fitch (Jul-17): A+ Stable Outlook

Debt details:

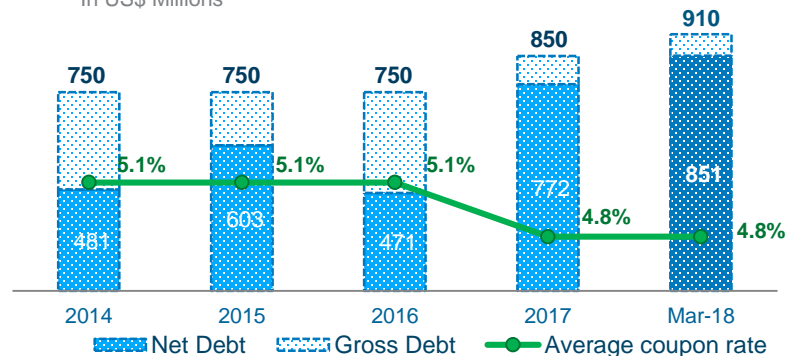
- US\$ 750 million 144-A/Reg S Notes:
 - 5.625%, US\$400 million 2021 (*YTM=3.501% at 3/31/18*)
 - 4.500%, US\$350 million 2025 (*YTM=4.155% at 3/31/18*)
- 1.58%, US\$100 million bank loans maturing 2018
- US\$60 million 20-yr. financial lease w/TEN for dedicated transmission assets
- US\$270 million bank revolving credit facility maturing June 2020 (*undrawn*)

NET DEBT/EBITDA ≤ 3.0 X



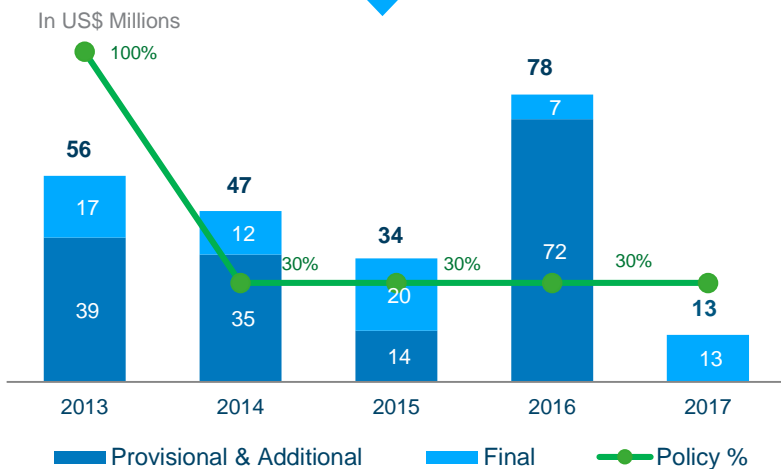
MODERATE DEBT INCREASE, WITH LOWER AVERAGE COST

In US\$ Millions

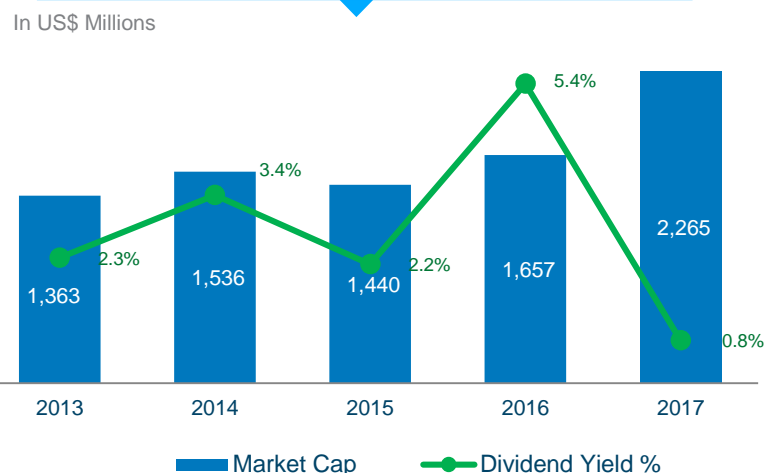


SHAREHOLDER RETURN

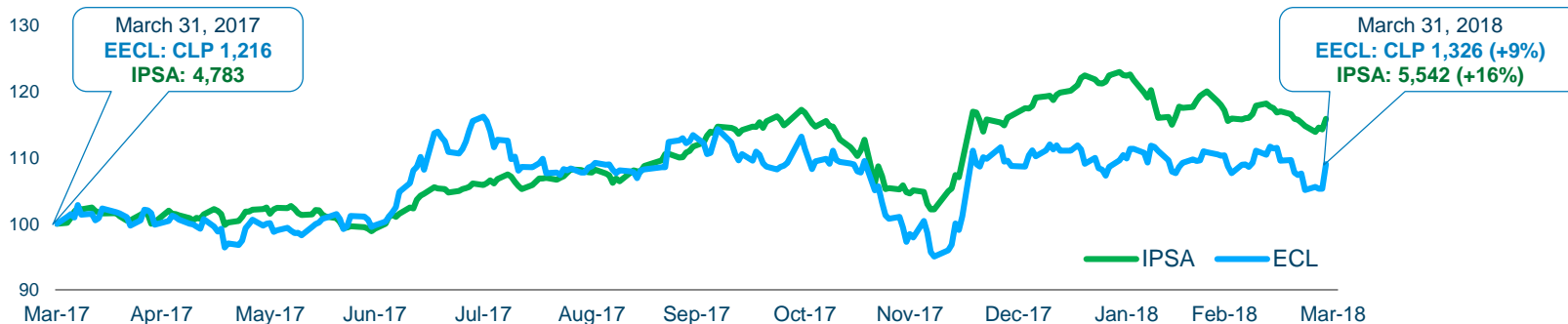
DIVIDENDS PAID



MARKET CAP & DIVIDEND YIELD



SHARE PRICE EVOLUTION



Index: 3/31/17 = 100
Includes dividends

Dividend yield: dividends per share actually paid in year n divided by year n-1 closing price

KEY TAKE-AWAYS: VALUE CREATION FOR OUR STAKEHOLDERS



DELIVERY AND DEVELOPMENT



IEM+PORT COD 3Q18



RENEWABLES PORTFOLIO



ASSET ROTATION



CUSTOMER SOLUTIONS



CLIENTS AND OPERATION



LEADERS IN ENERGY TRANSITION



PPA PORTFOLIO EXTENSION



NEW PPA WITH DISTRIBUTION CO'S



CAPITAL STRUCTURE & LEAN PROGRAM



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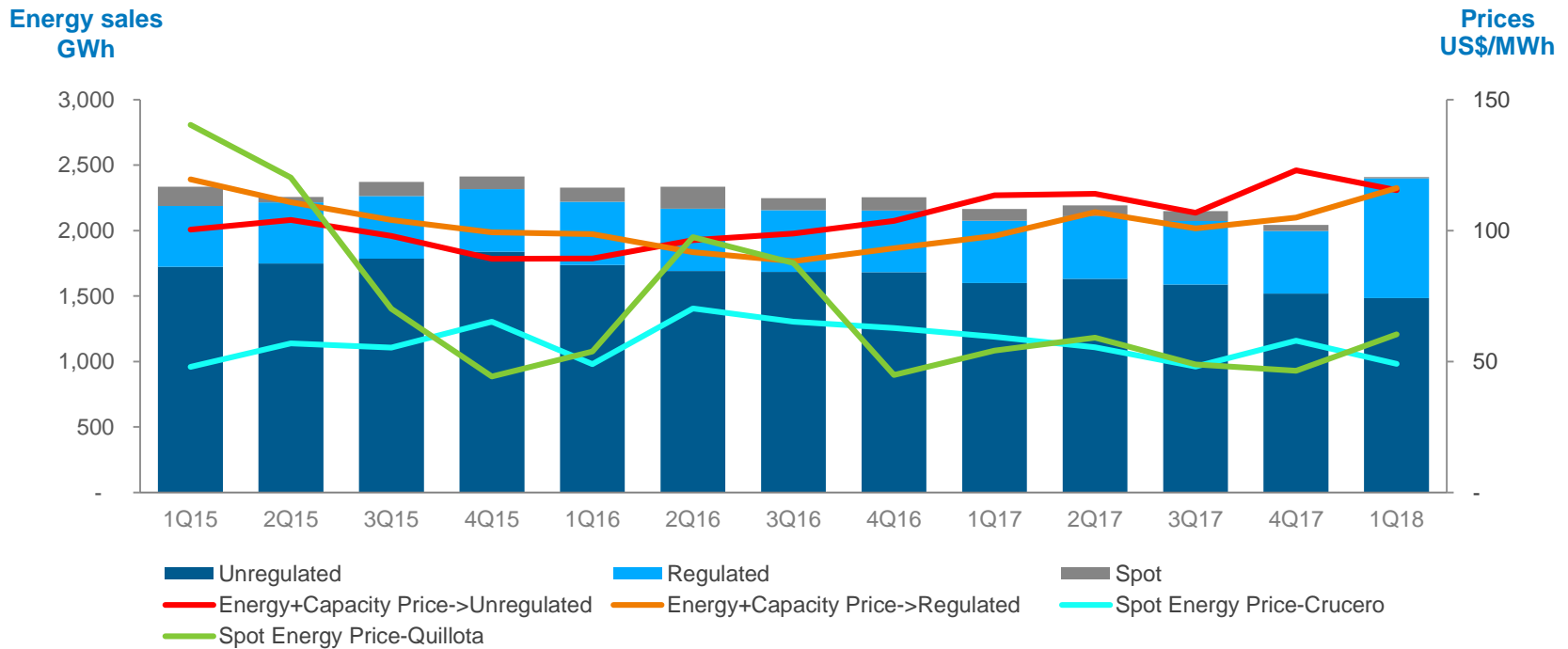
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LONG-TERM CONTRACTS: THE BASIS FOR STABLE SALES VOLUMES AND PRICES

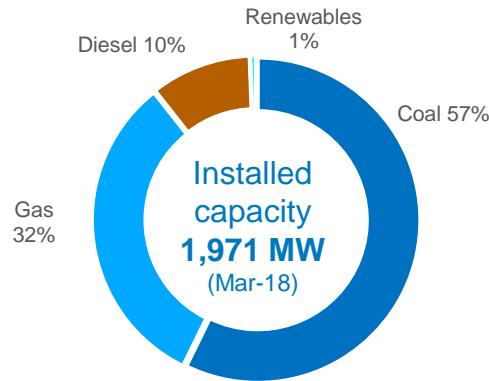
ENERGY SALES AND PRICES



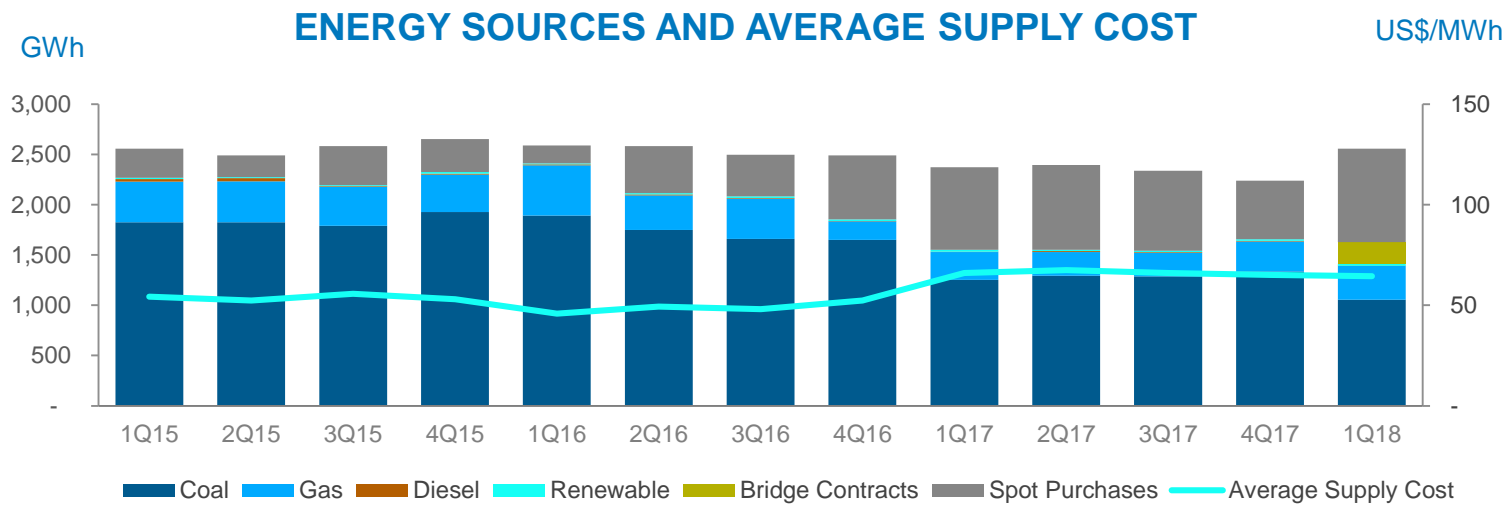
- Energy contract prices have moved in line with fuel prices
- Spot prices in the SIC have been sensitive to hydrologic conditions



DEMAND SUPPLIED WITH OWN GENERATION, SPOT PURCHASES AND BRIDGE CONTRACTS, HEDGED BY OUR INSTALLED CAPACITY

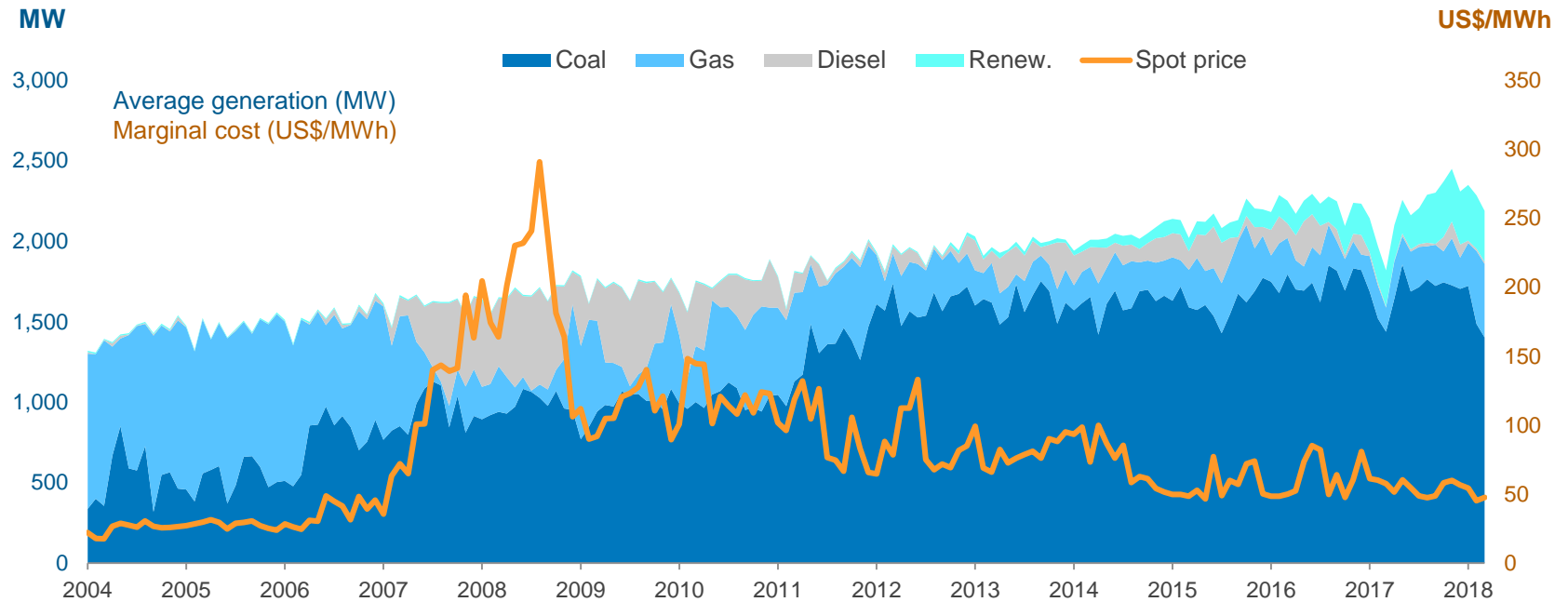


- Increasing spot purchases due to (i) coal, gas and renewable efficient capacity additions in the grid and (ii) start of PPA with distribution companies in central Chile
- Higher fuel prices, CO₂ taxes and emission-reduction costs have put pressure on average supply cost

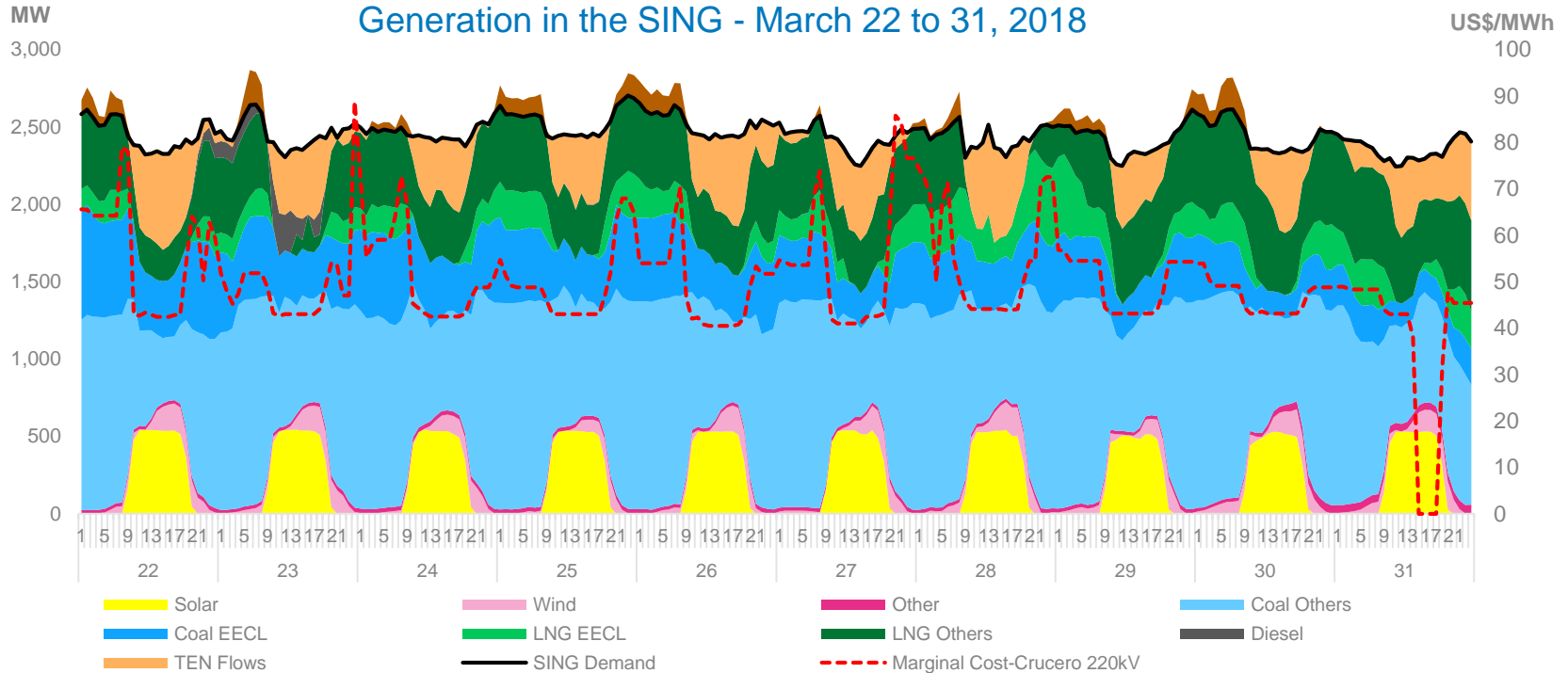


GENERATION AND SPOT ENERGY PRICE HISTORY IN THE SING

- No exposure to hydrologic risk until interconnection is fully operative
- Long-term contracts with unregulated clients (mining companies) accounting for 89% of demand (bilateral negotiation of prices and supply terms)
- Maximum demand: ~ 2,821 MW in 2018; expected 3.5% compounded average annual growth rate for the 2017 -2026 period



CURRENT REGULATORY AND GRID COORDINATION CHALLENGES



Penetration of intermittent renewable power sources and interconnection

- Lower marginal costs during sun & wind hours; renewable power imports through the TEN line
- Higher system costs to cope with intermittent output (more frequent CCGT start-ups, greater spinning reserve required to thermal plants)
- New ancillary services regulation required
- Need to develop economic 24 x 7 renewable generation solutions

Source: CEN

RECENT GAME CHANGERS IN THE CHILEAN POWER INDUSTRY

More agile, diversified, client-focused approach to face industry change



INCREASED COMPETITION

- More flexible power auction regulations (Law # 20,805)
 - De-risked regulated PPA to foster competition
- Falling energy prices
- Carbon footprint reduction => PPAs indexed to CPI
- Increased difficulty to execute projects

Evolution of Market Design in continuous change



TECHNOLOGIC DISRUPTION

- Lower investment cost of renewable capacity
- Shorter development period for renewables
- Improved plant efficiency
- Lower operational costs

High penetration of Renewables and new energy management products

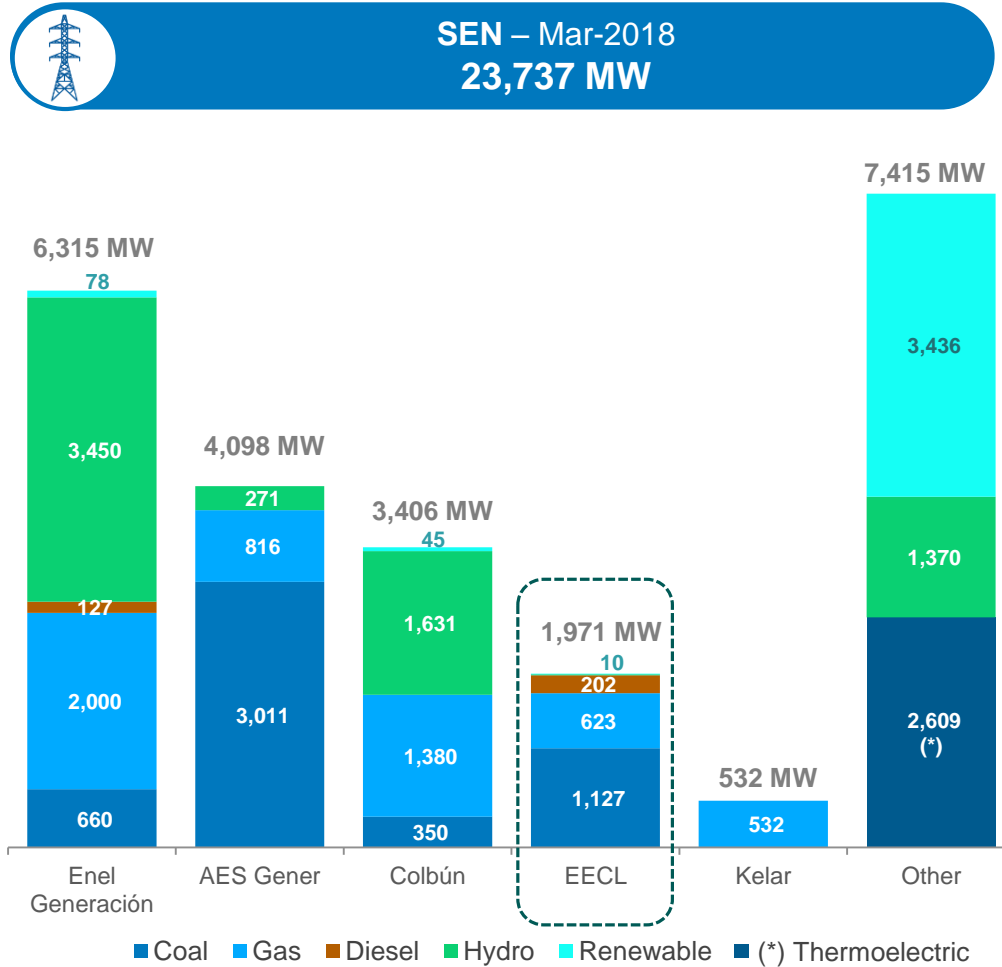


RECOVERY IN DEMAND GROWTH

- Mining industry recovery with copper > 3 \$/lb: revival of large mining projects
- GDP growth may be reversing
- Energy saving programs create x-sales opportunities
- Smart grid initiatives and electric mobility

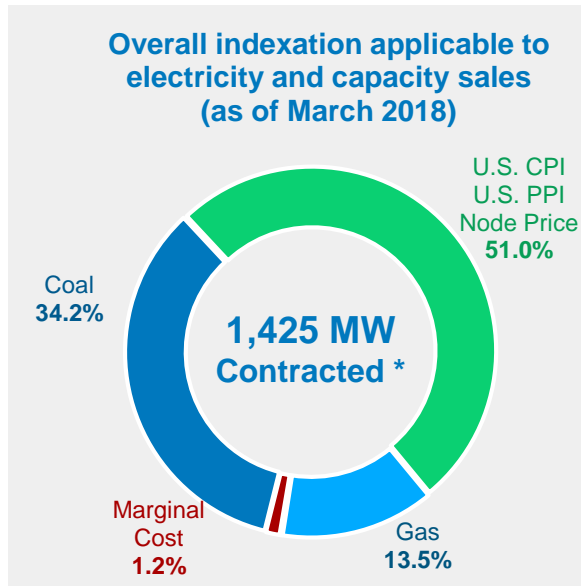
Trends may be reversing! (copper > 3 \$/lb)

THE “SEN”: A LARGER MARKET FOR ALL PLAYERS



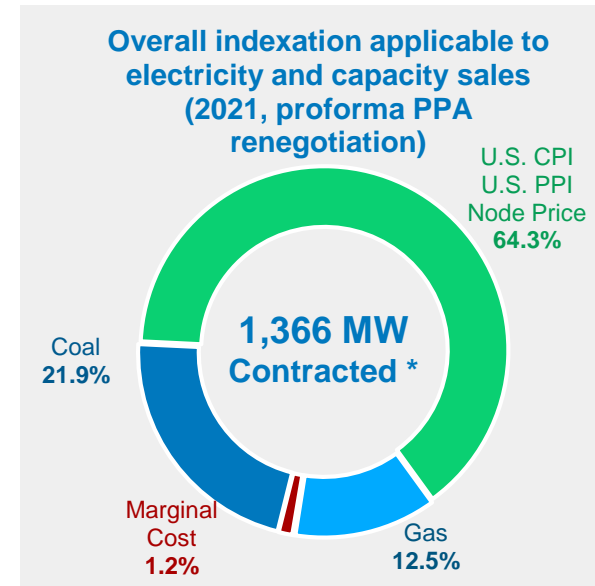
Source:
CNE (www.cne.cl)

PPA PORTFOLIO INDEXATION: SHIFTING AWAY FROM COAL



(*) Maximum contracted demand as of March 2018

Indexation frequency:
 Regulated : Semiannual
 Others : Monthly



(*) Maximum contracted demand projected for 2021

EMEL contract tariff adjustment:

- Energy tariff: ~40% US CPI, ~60 % Henry Hub gas price:
 - Based on average HH reported in months n-3 to n-6
 - Immediate adjustment triggered in case of any variation of 10% or more
- Capacity tariff per node price published by the National Energy Commission ("CNE")

New PPA with distribution Co's tariff adjustment:

- Energy tariff: ~66.5% US CPI, ~22% coal, 11.5% HH gas:
 - Based on average HH reported in months n-3 to n-8
 - Immediate adjustment triggered in case of any variation of 10% or more
- Capacity tariff per node price published by the National Energy Commission ("CNE")



TRANSMISSION



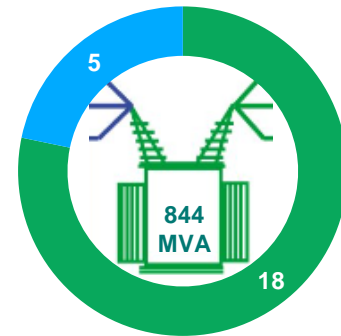
Infrastructure

► EECL, a relevant player in the transmission business

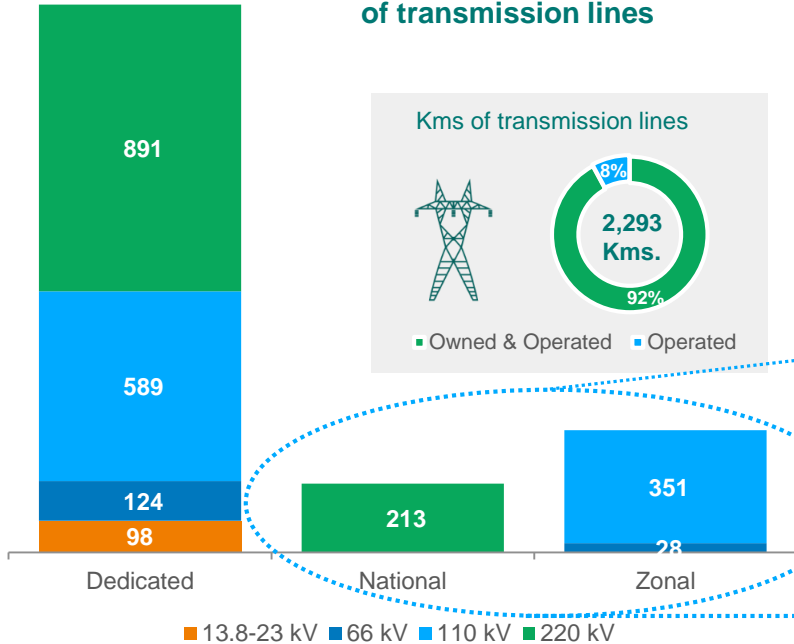
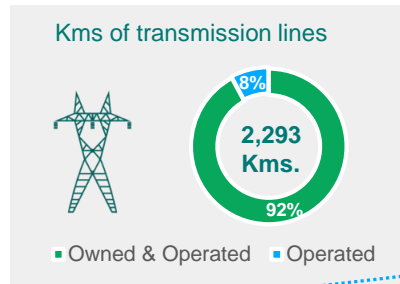
2,293 kms.
844 MVA
US\$ 16 million regulated revenue p.a.

EECL operates 23 substations with total capacity of 844 MVA

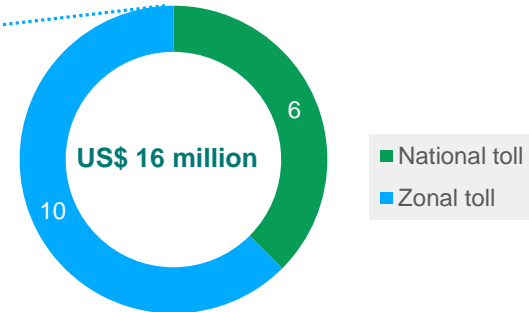
- Transmission substations
- Generation substations



EECL operates 2,293 kms. of transmission lines



AVI + COMA for National & Zonal systems (in millions of US\$)



TRANSMISORA ELÉCTRICA DEL NORTE S.A. “TEN” (PAGE 1 OF 2)

Infrastructure – Regulated

▶ **~US\$0.9bn investment, 50%-owned by EECL**



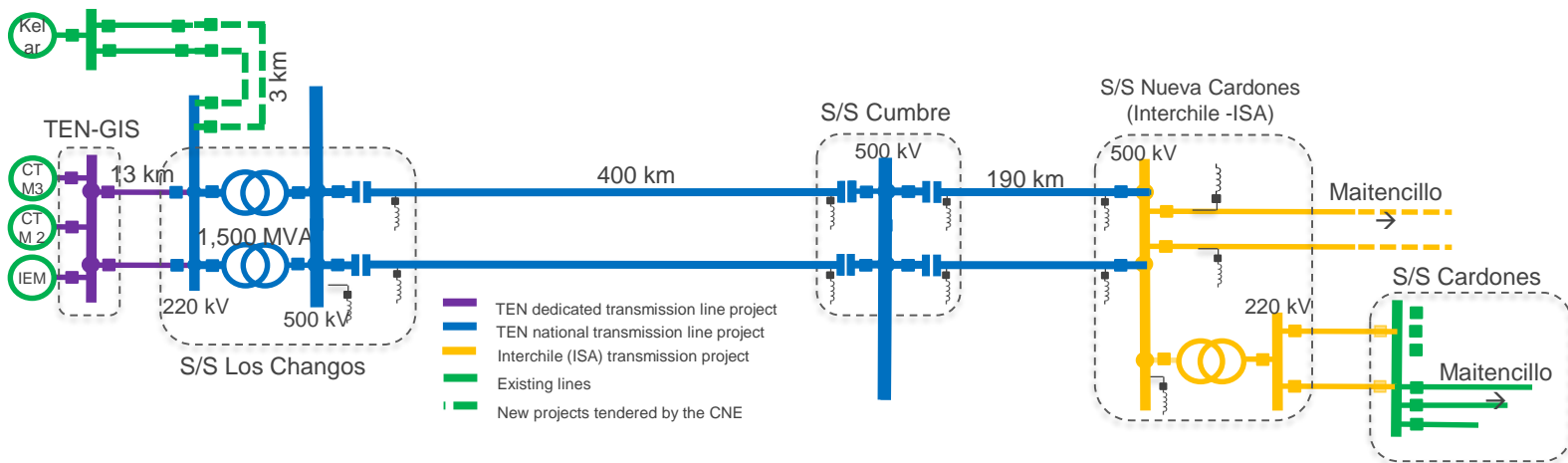
Project Highlights

- Double circuit, 500 kV, alternate current (HVAC), 1,500 MW, 600-km long transmission line
- National transmission system interconnecting SIC and SING grids
- **COD: November 24, 2017**



Main Contracts

- Regulated revenues on “national assets” + contractual toll on “dedicated assets”
- Turnkey EPC contracts:
 - Transmission lines: Ingeniería y Construcción Sigdo Koppers
 - Substations: GE Grid Solutions
- Project financing *(see next slide)*

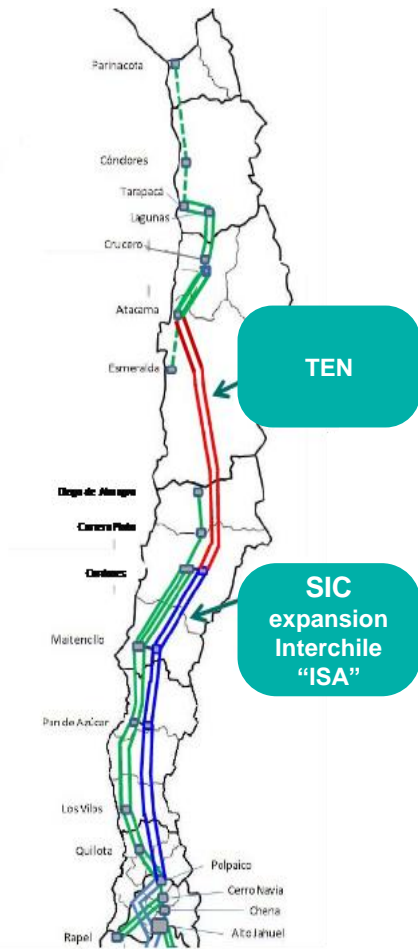


TRANSMISORA ELÉCTRICA DEL NORTE S.A. “TEN” (PAGE 2 OF 2)


 **Infrastructure – Regulated**



~US\$0.9bn investment, 50%-owned by EECL




Regulated & contracted revenue


Project financing

VI	Indexation	
In MUSD @ Oct 2013 FX Rates	In CLP to Chile CPI	In USD to US CPI
738.3	41%	59%

$$A.V. I_{n,k} = A.V. I_{n,0} \cdot \left(\alpha_j \cdot \frac{IPC_k}{IPC_0} \cdot \frac{DOL_0}{DOL_k} + \beta_j \cdot \frac{CPI_k}{CPI_0} \right)$$

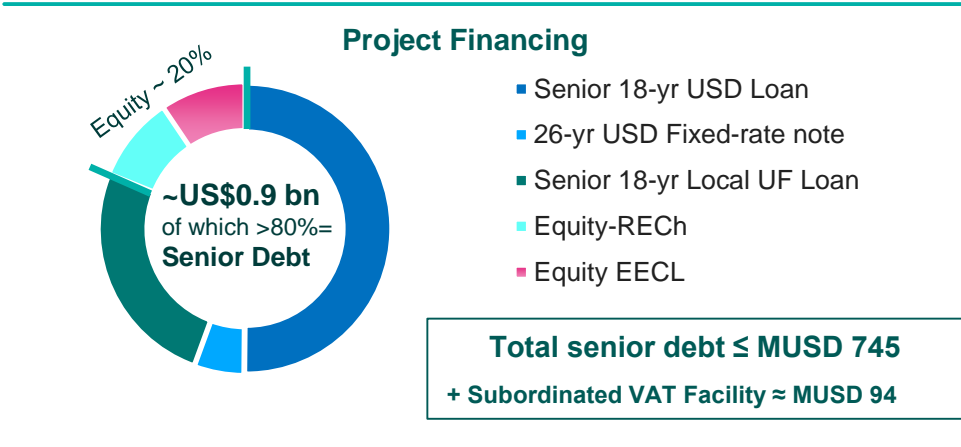
$$COMA_{n,k} = COMA_{n,0} \cdot \frac{IPC_k}{IPC_0} \cdot \frac{DOL_0}{DOL_k}$$

AVI + EECL toll ≈ MUSD 84, a good proxy of TEN's EBITDA p.a.


TEN's annual revenues:
(in USD millions at Mar.31, 2018 FX rates)

AVI (VI annuity): 77.1
+ COMA (O&M cost): 9.8
= VATT 86.9
+ Toll (paid by EECL): ~7.0

AVI = annuity of VI (Investment value) providing 10% pre-tax return on assets (at least 7% post-tax return beginning 2020)



INFRAESTRUCTURA ENERGETICA MEJILLONES. “IEM”

 Thermal contracted + port



US\$1.0bn investment, within schedule and budget



Project highlights

- 375MWe gross capacity => 337MWe net base-load capacity
- Pulverized coal-fired power plant meeting strict environmental standards
- Mechanized port, suitable for cape-size carriers



Main contracts & Progress

- Developed to supply distribution companies
- Turnkey EPC contracts:
 - IEM plant: SK Engineering and Construction (Korea)
 - Port: BELFI (Chile)
- Overall progress rate as of Mar. 31, 2018: 95.4%

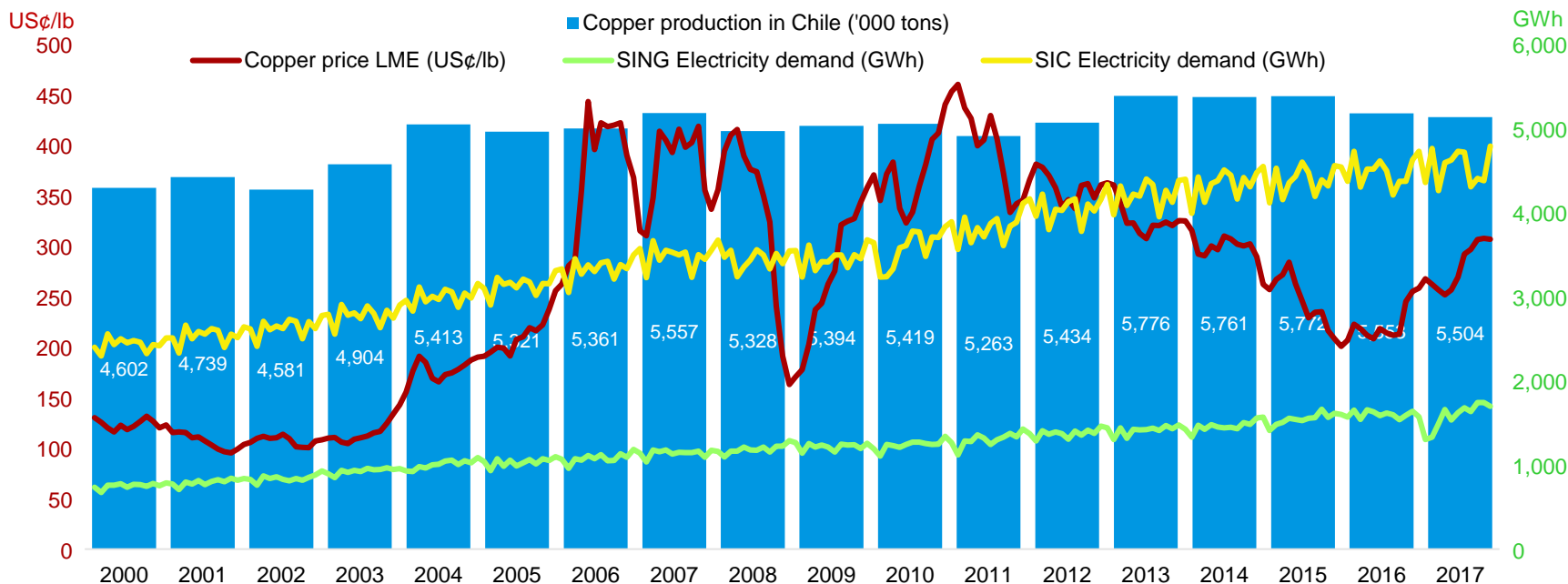


Ongoing developments

- Scheduled completion date: 3Q18
- IEM & port currently in commissioning & testing phase
- US\$1.0 billion investment (US\$764 million paid as of 3/31/18)
- Financed on-balance sheet within EECL

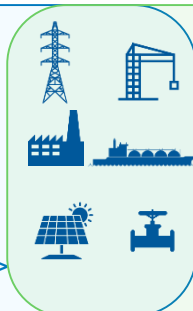


COPPER INDUSTRY



Chile's world-class copper industry is facing challenges:

- Scarce water resources => increasing sea water pumping and desalination needs => higher power costs;
- New port infrastructure required;
- Need to keep cash cost under control;
- More demanding environmental and social requirements => need to reduce carbon footprint.

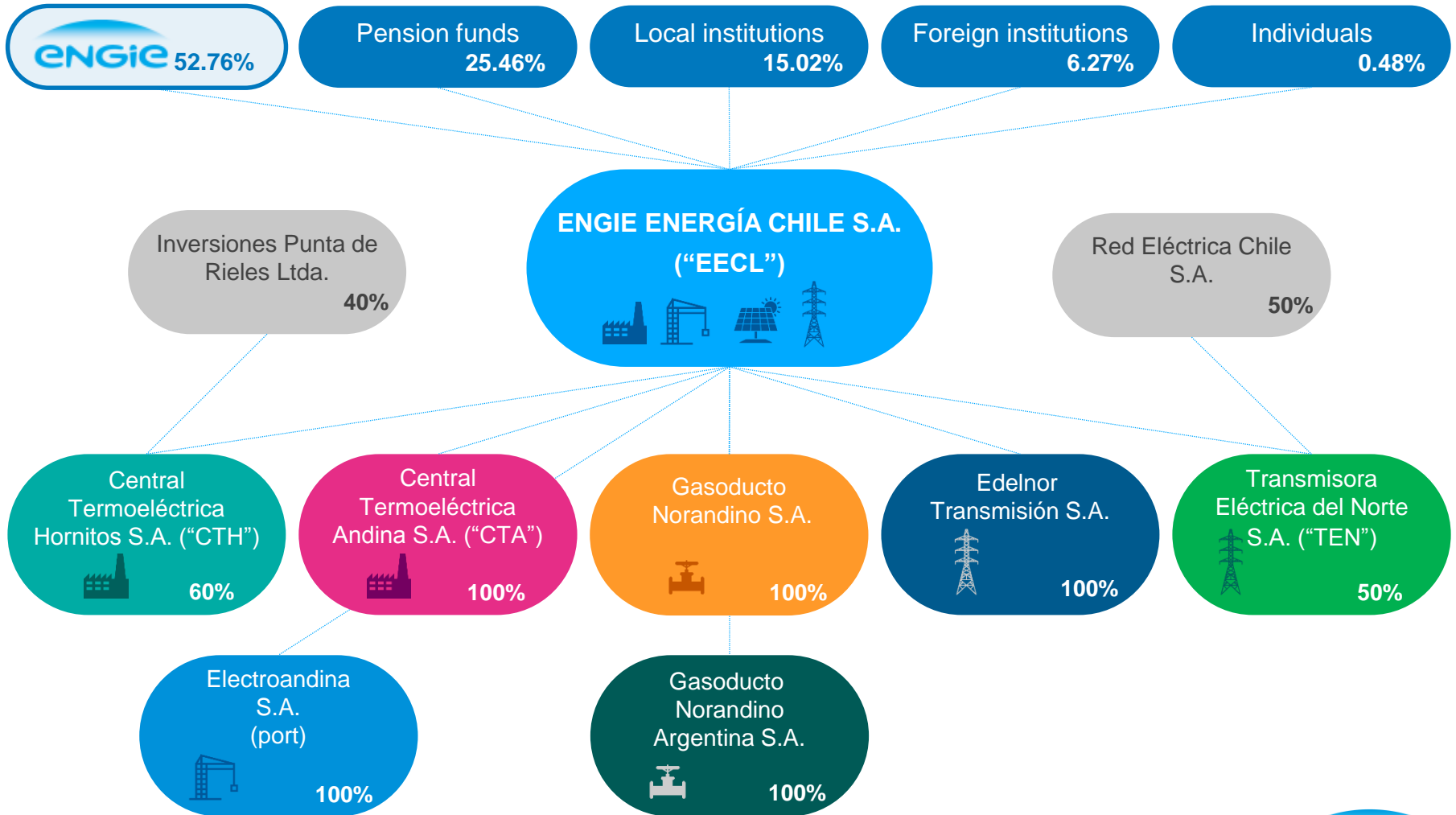


Engie is prepared to help our clients:

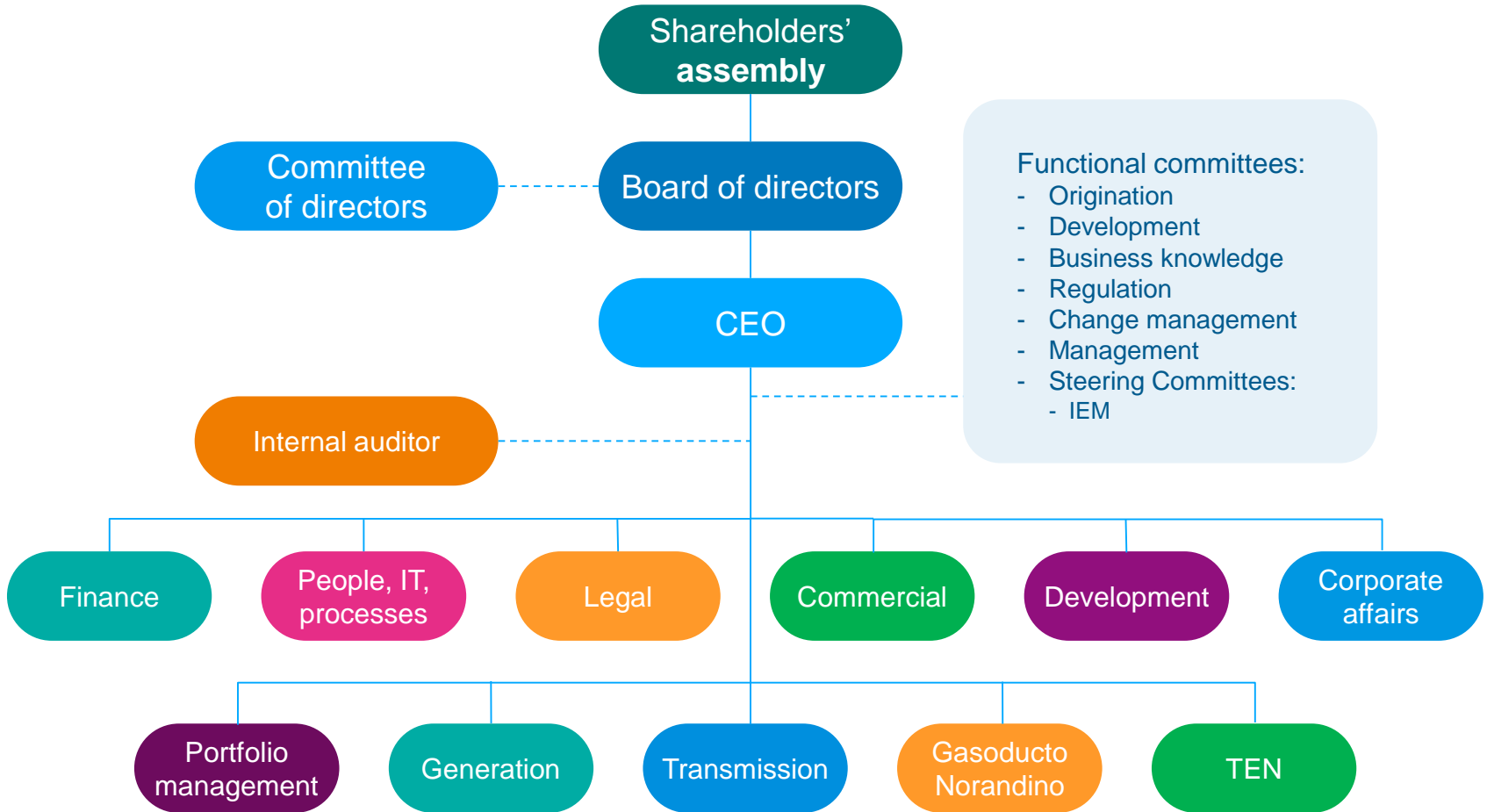
- Power production & transmission; financial strength; group expertise in the water business;
- Available port infrastructure;
- Ready to provide energy efficiency services;
- Diversifying power sources to reduce carbon footprint.

Source: COCHILCO

OWNERSHIP STRUCTURE



EECL ORGANIZATIONAL STRUCTURE



- The Board of directors includes three independent members out of a total of 7 directors
- The Committee of directors is formed by the three independent members and oversees all transactions among related parties

FOR MORE INFORMATION ABOUT ENGIE ENERGIA CHILE

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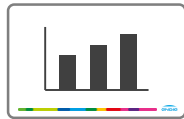


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MORE INFORMATION ON 1Q 2018 RESULTS IN OUR WEB PAGE



Presentation



Addenda



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Release



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conference
audiocast



Financial
report



Analyst
pack

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