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# ENGIE ENERGÍA CHILE S.A.

## Presentation to investors

1H 2017 Results



# AGENDA



Highlights

Industry and Company

Projects

Financial Results



# 01

## Highlights



# FINANCIAL SUMMARY

## 1H2017

- **EBITDA** reached **US\$140 million** as operating cost savings offset the effect of new green taxes, higher costs in emission reduction processes and lower physical sales.
- **Net income increased 5%** excluding non-recurring items, which in 1H16 were primarily explained by the sale of 50% of the TEN project.
- Gross debt has remained unchanged, but expansion CAPEX has so far been financed with available cash, resulting in a **39% increase in net debt to US\$654 million**.

Financial Highlights	1H16	1H17	Variation
Operating Revenues (US\$ million)	471.1	530.4	+13%
EBITDA (US\$ million)	142.0	140.4	-1%
EBITDA margin (%)	30.2%	26.5%	-3.7 pp
Net income (US\$ million)	233.6	51.2	-78%
Net income-recurring (US\$ million)	41.8	43.7	+5%
Net debt (US\$ million)	470.0 *	654.2	+39%

\* As of the end of December 31, 2016

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# HIGHLIGHTS

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## Industry

- The Ministry of Energy and the CNE have been progressing in the drafts of the following documents: (i) **regulations related to the new Transmission Law** (ruling ancillary services, among others), which should be published by YE 2017; (ii) amendments to the Distribution Law; (iii) energy sector's 30-year development plan; and (iv) a study referred to electricity supply auctions and power demand evolution.
- The “**CEN**” or “**Coordinador Eléctrico Nacional**”, implemented measures to cope with the intermittence caused by the increasing penetration of renewable energy sources, such as (i) increasing the spinning reserve and (ii) extending the visibility of LNG supply. This contributed to decrease the volatility of spot energy prices in 2Q17.
- **CO<sub>2</sub> taxes** began to accrue in 2017, with the first payment due in April 2018. The tax is equivalent to **US\$5/ton of CO<sub>2</sub>** generated.

## Company

- In July 2017, both **S&P and Fitch Ratings confirmed EECL's BBB rating** with stable outlook.
- A final **US\$12.85 million dividend** on account of 2016's net income, was paid on May 18, 2017.
- The commissioning of new power plants in the system during 2016 led to a decrease in our own generation and an **increase in energy purchases from the spot market in 1H17**.

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02

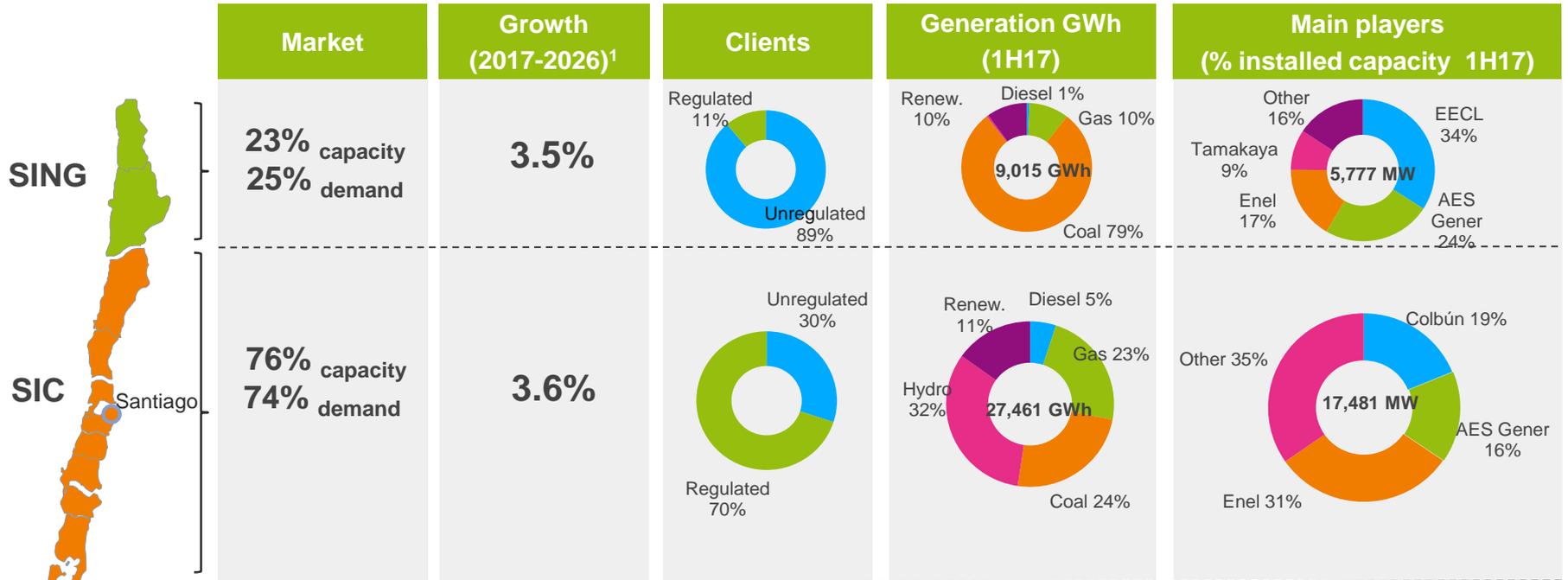
Industry and Company

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# CHILEAN ELECTRICITY INDUSTRY

## 1H 2017: Two main separate grids preparing for interconnection



(1) Compounded annual sales growth based on projection by the Comisión Nacional de Energía (CNE) as per the *Informe de Previsión de Demanda* – January 2017.

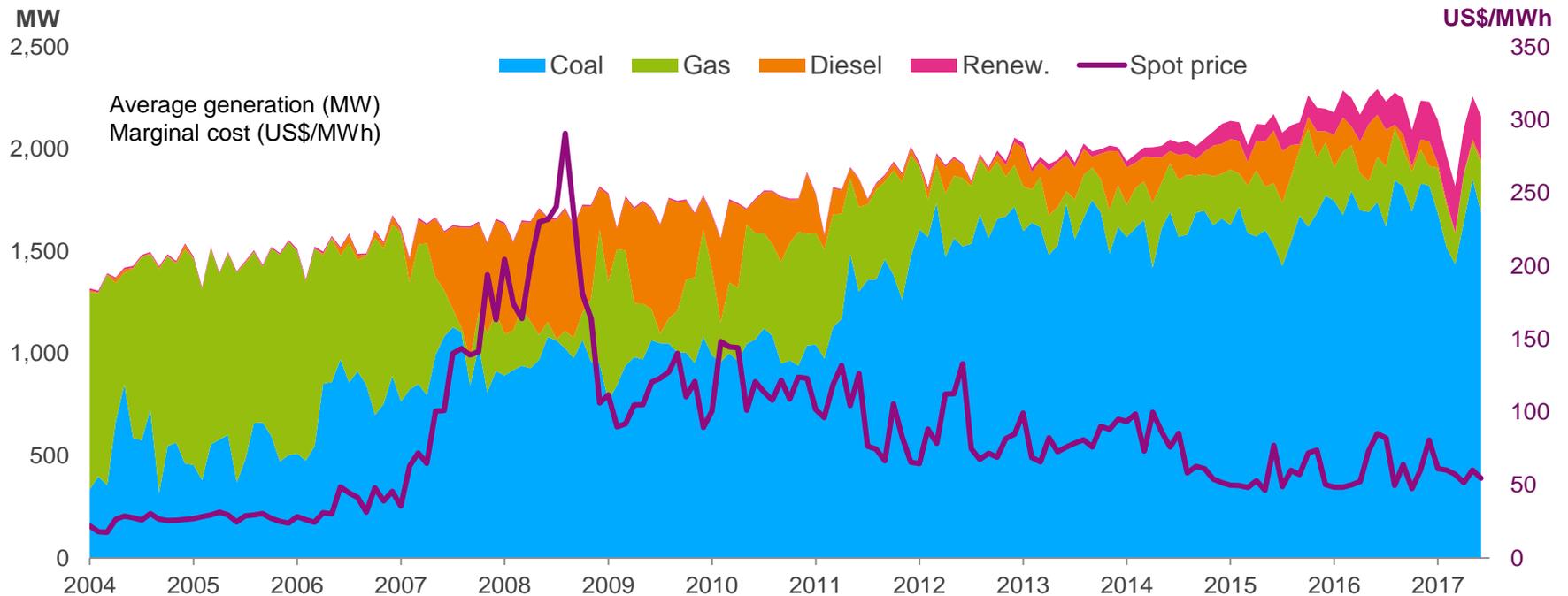
Notes:

- Sources: CNE, CEN
- Excludes AES Gener's 643MW Termoandes plant located in Argentina, since it is no longer dispatching electricity to the SING.
- In the SIC, Endesa includes Pangué and Pehuenche.
- AES Gener includes EE Guacolda as well as EE Ventanas, and E. Santiago.

# THE SING

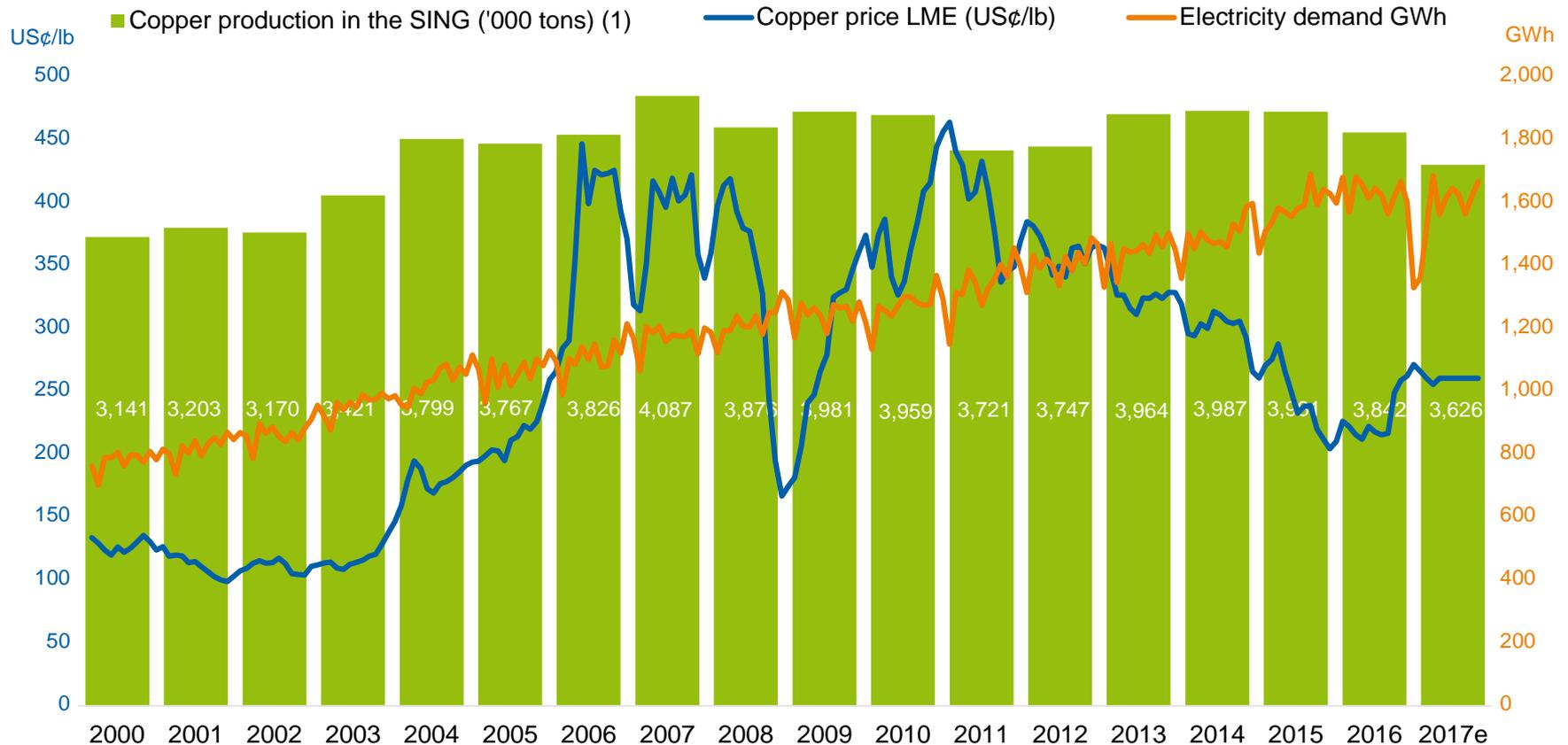
A predominantly thermal system, with growing presence of renewables

- No exposure to hydrologic risk
- Long-term contracts with unregulated clients (mining companies) accounting for 89% of demand (bilateral negotiation of prices and supply terms)
- Maximum demand: ~ 2,511 MW in April 2017; expected 3.5% compounded average annual growth rate for the 2017 - 2026 period



# CHILE, A WORLD-CLASS COPPER PRODUCER

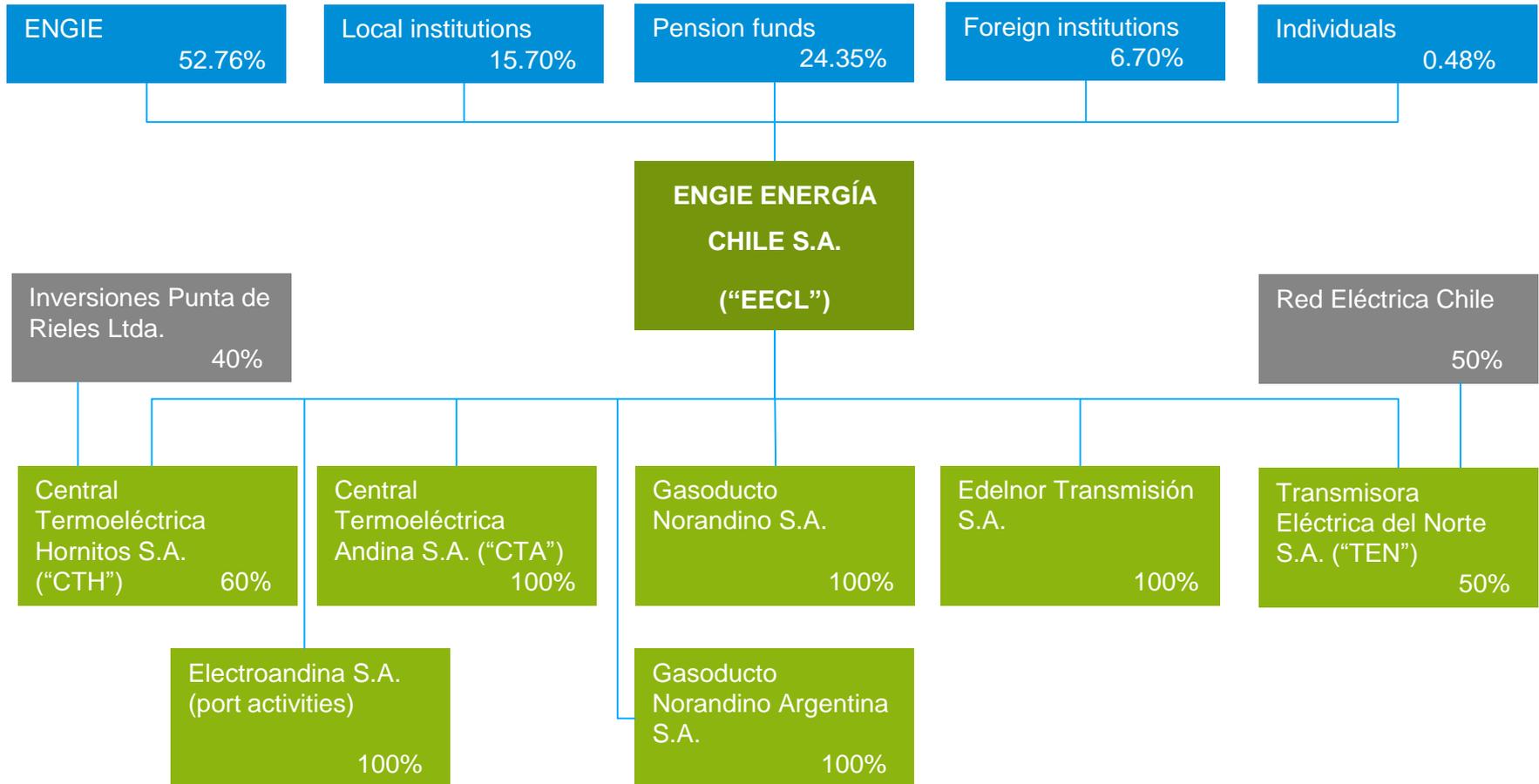
Power demand growth due to declining ore grades and water pumping needs



(1) Copper Produced by SING producers calculated as Chile's total copper production less El Teniente, Andina, Salvador, Los Pelambres, Anglo American Sur, Candelaria and Caserones. Source: COCHILCO

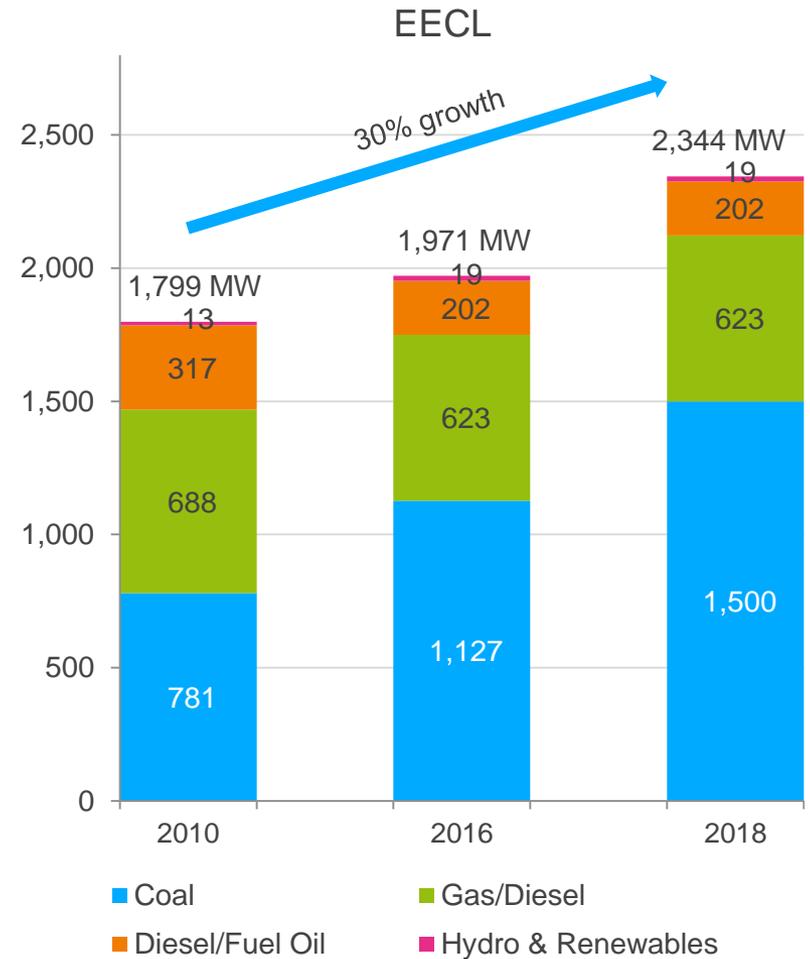
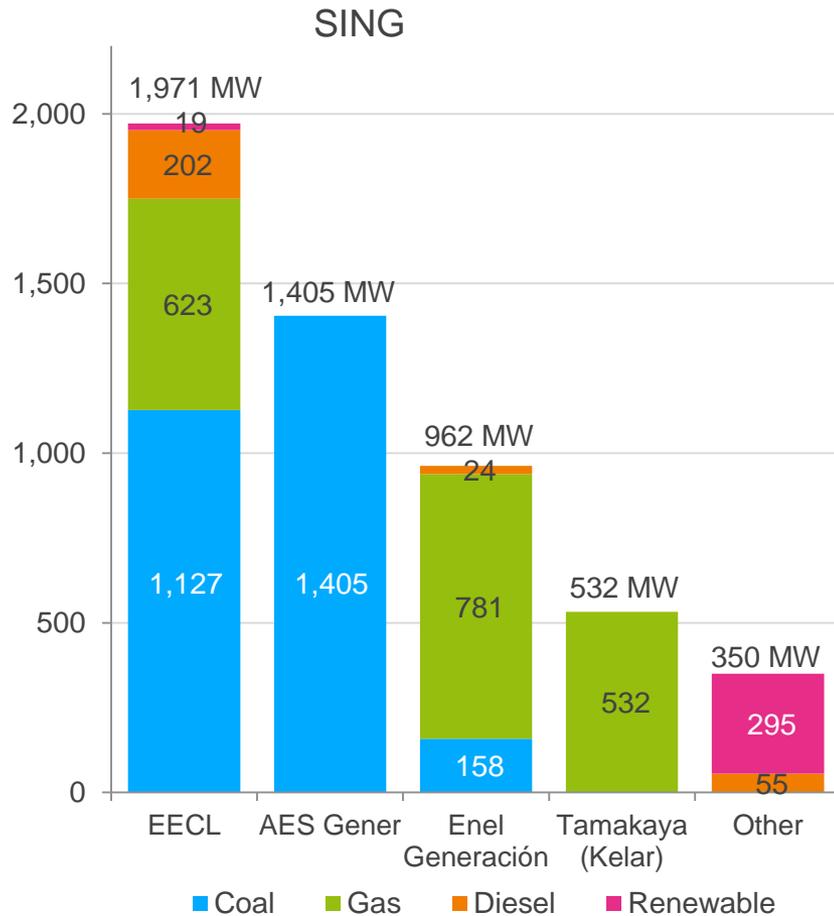
# OWNERSHIP STRUCTURE AS OF JUNE 30, 2017

A world-class controller and a diversified ownership base



# GROSS INSTALLED CAPACITY

## SING and EECL as of June 30, 2017



Sources: CNE & CEN

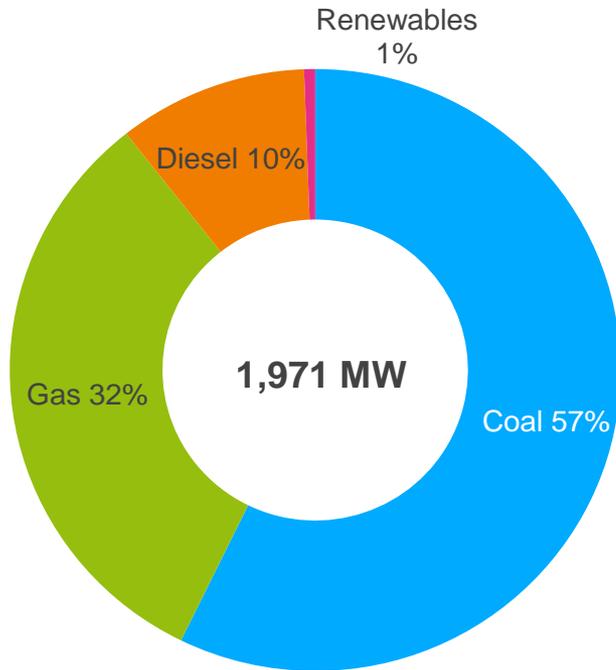
AES Gener excludes Termoandes (located in Argentina and not available for the SING)

"Other" includes ENEL Green Power

# INSTALLED CAPACITY AND OPERATING ASSETS

Efficient thermal power plants, port, transmission lines and gas pipelines

## Installed Capacity (June, 2017)

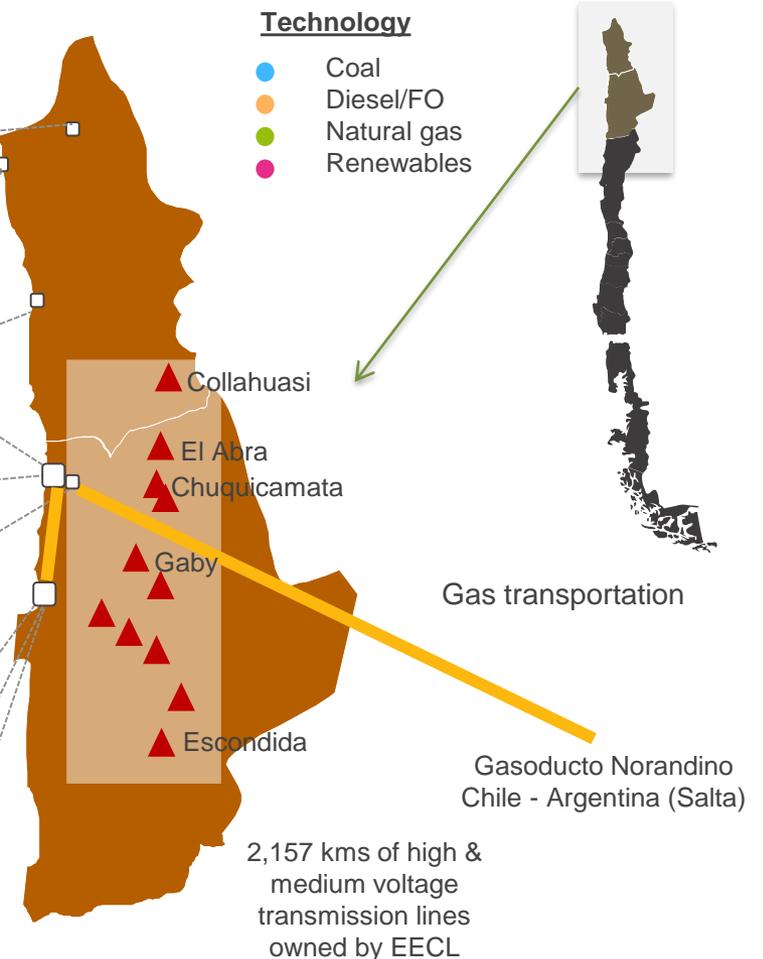


■ Coal ■ Gas ■ Diesel ■ Renewables

## Technology

- Coal
- Diesel/FO
- Natural gas
- Renewables

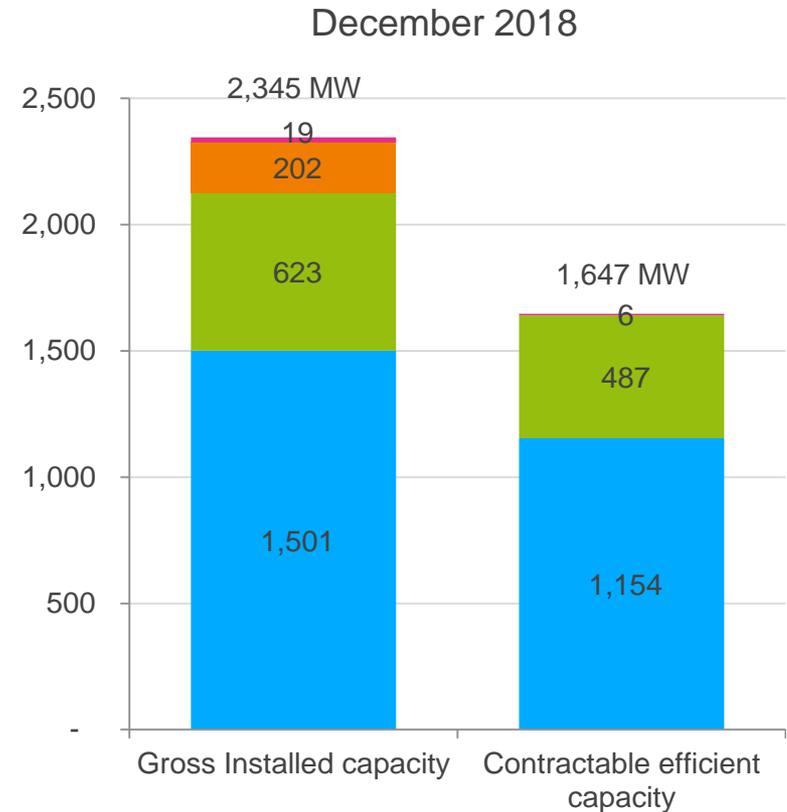
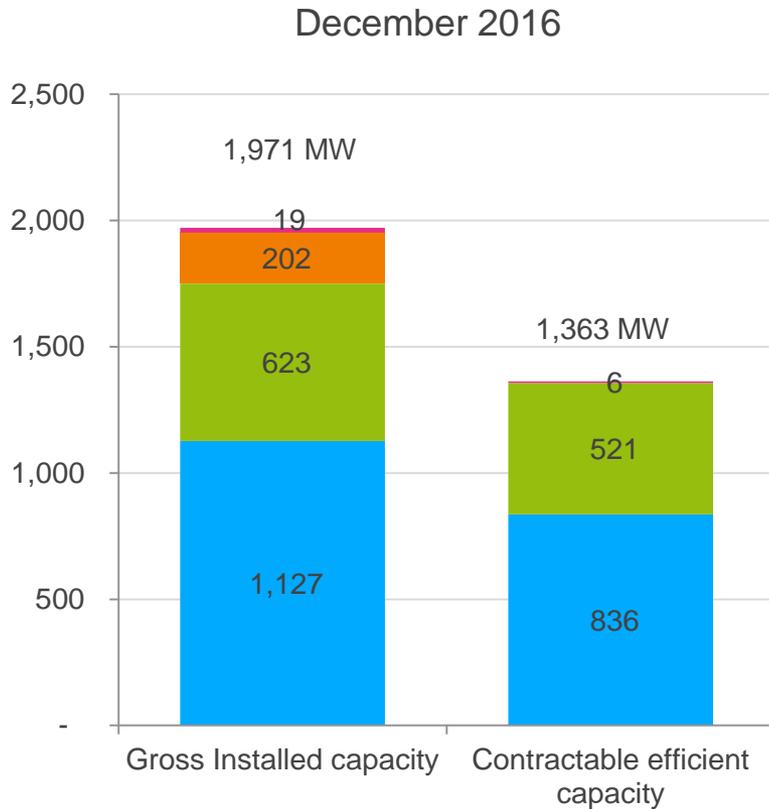
- Chapiquiña (10MW)
- El Aguila I (2MW)
- P. Camarones (6MW)
- Diesel Arica (14MW)
- Diesel Iquique (43MW)
- TE Tocopilla (877MW)
- Tocopilla port
- C. Tamaya (104MW)
- TE Mejillones (560MW)
- CT Andina (177MW)
- CT Hornitos (177MW)



Sources: CNE & CDEC-SING

# CONTRACTABLE EFFICIENT CAPACITY

## IEM to contribute additional capacity in 2018



■ Coal ■ Gas/Diesel ■ Diesel/Fuel Oil ■ Renewables

■ Coal ■ Gas ■ Diesel/Fuel Oil ■ Renewables

Source: Engie Energía Chile

“Contractable” efficient capacity is measured as net installed capacity of coal, gas and renewable plants *minus* spinning reserve, estimated maintenance, degradation & outage rates, and transmission losses



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# SIC DISTRIBUTION COMPANIES AUCTION

A larger, more balanced commercial portfolio was secured

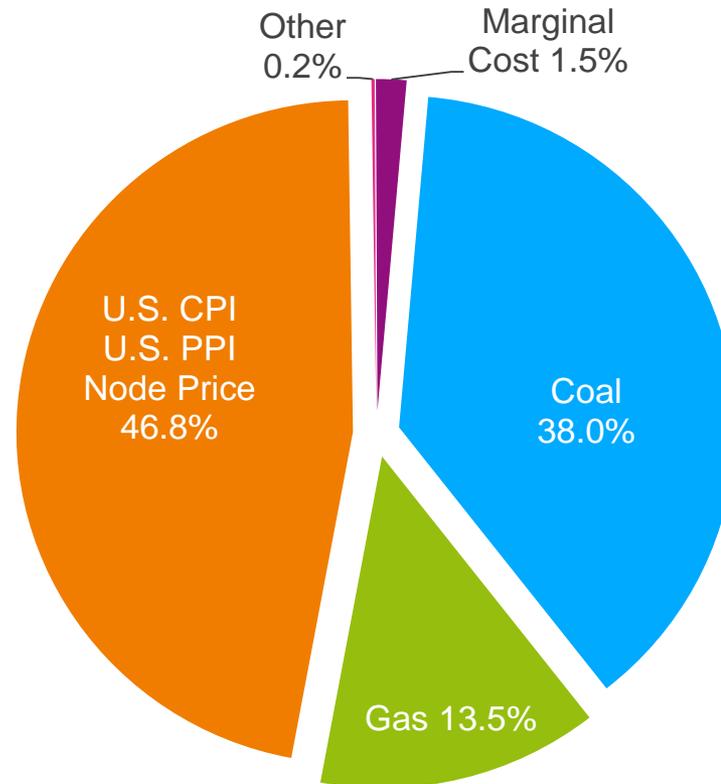
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- In December 2014, EECL secured 15-year sale contracts to supply electricity to distribution companies in the SIC:
  - Up to 2,016 GWh in 2018, equivalent to 230 MW-average
  - Up to 5,040 GWh per year between 2019-2032, equivalent to 575 MW-average
  - **Monomic price: US\$ 121.43/MWh** (until Sept. 2017)
- This will represent a significant increase in contracted sales, a more diversified client portfolio, and access to the SIC, Chile's main market and three times larger than the SING.
- To meet these commitments, EECL took the following main initiatives to expand its generation capacity:
  - Construction of a new US\$1.1 billion coal-fired plant (IEM1) and associated port;
  - New 15-year LNG supply contracts for use at its existing combined-cycle units (2 LNG cargoes in 2018, 3 LNG cargoes per year as from 2019 onwards)

# PPA PORTFOLIO INDEXATION

Matched with cost structure

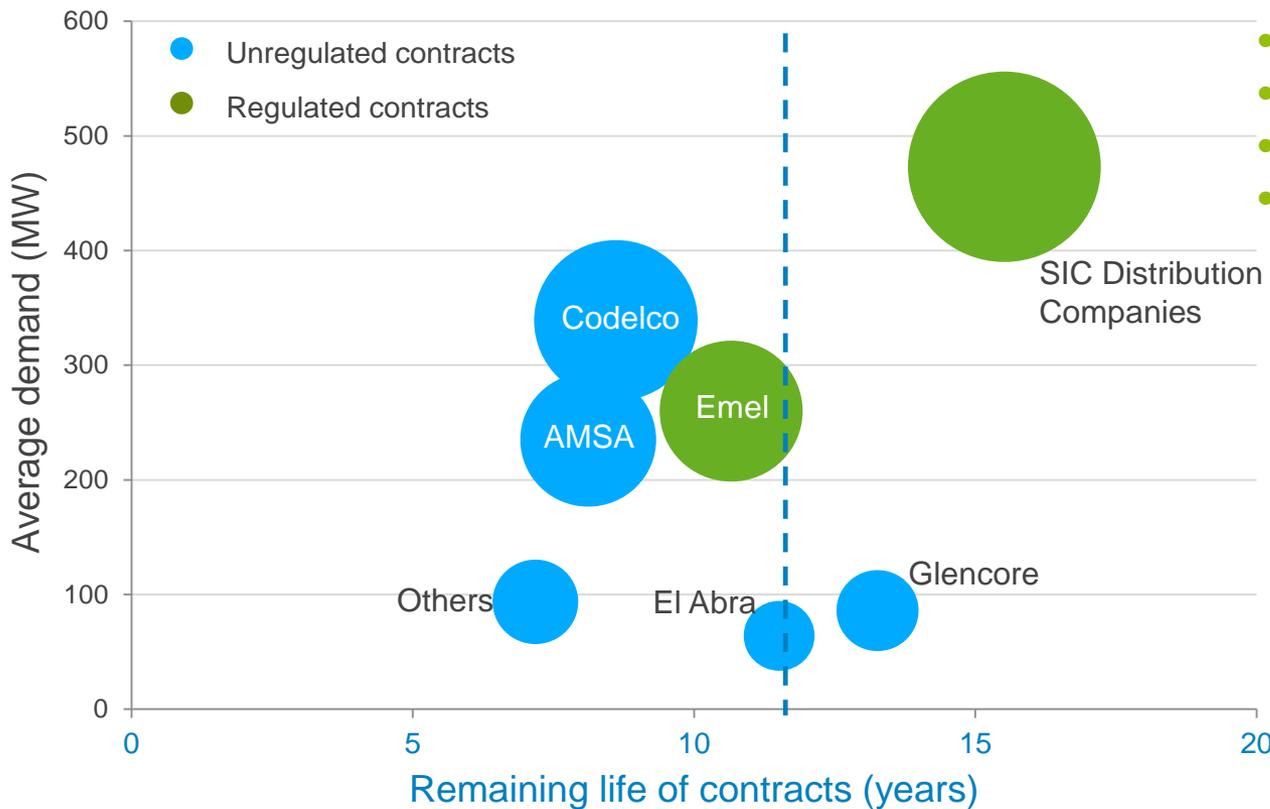
Overall indexation applicable to electricity and capacity sales  
(as of June 2017)



# LONG-TERM CONTRACTS WITH CREDITWORTHY CLIENTS

With average remaining life of 11.1 years

**Average demand<sup>1</sup> [MW] and remaining life [years] of current contracts**



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)

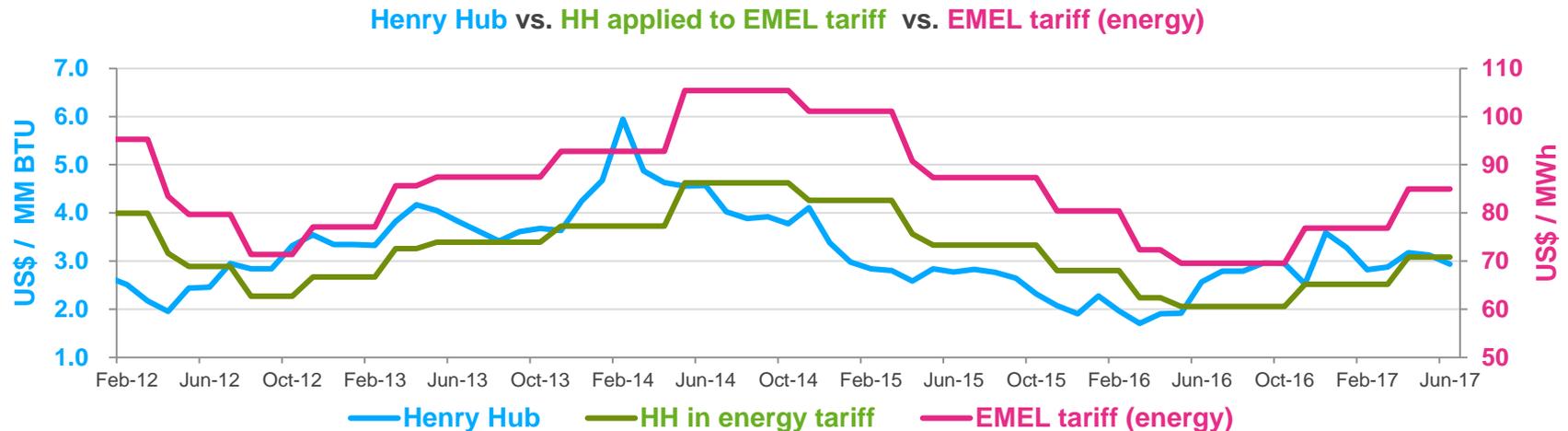
Source: EECL

<sup>1</sup> Average demand based on actual 2-year records, except for new contracts, for which an average 85% load factor has been assumed, and distribution companies in the SIC, for which average contracted demand has been used.

# PPA PORTFOLIO INDEXATION

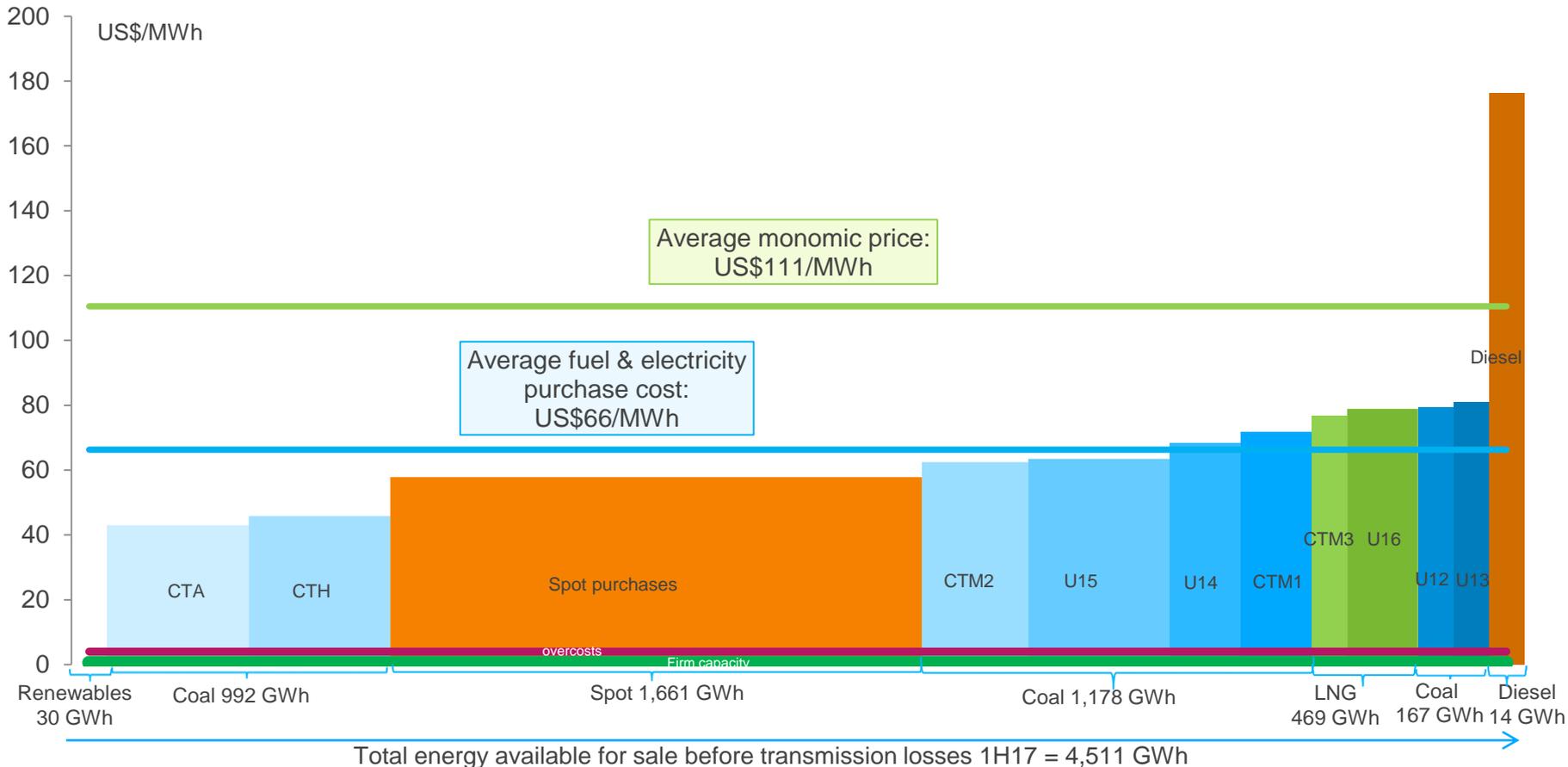
## Distribution company tariff indexed to H.H. and U.S. CPI

- EMEL PPA tariffs fixed for 6-month periods every April and October (modified by Res.Ext. 641 & 778)
  - The tariff is set in US dollars and converted to CLP at the average observed CLP/USD rate of the month prior to the tariff setting.
- Capacity tariff per node price published by the National Energy Commission (“CNE”)
- Energy tariff: ~40% US CPI, ~60 % Henry Hub gas price (“HH”):
  - Based on average HH reported in months n-3 to n-6
  - Immediate tariff adjustment triggered in case of any variation of 10% of more



# ENERGY SUPPLY CURVE – 1H17

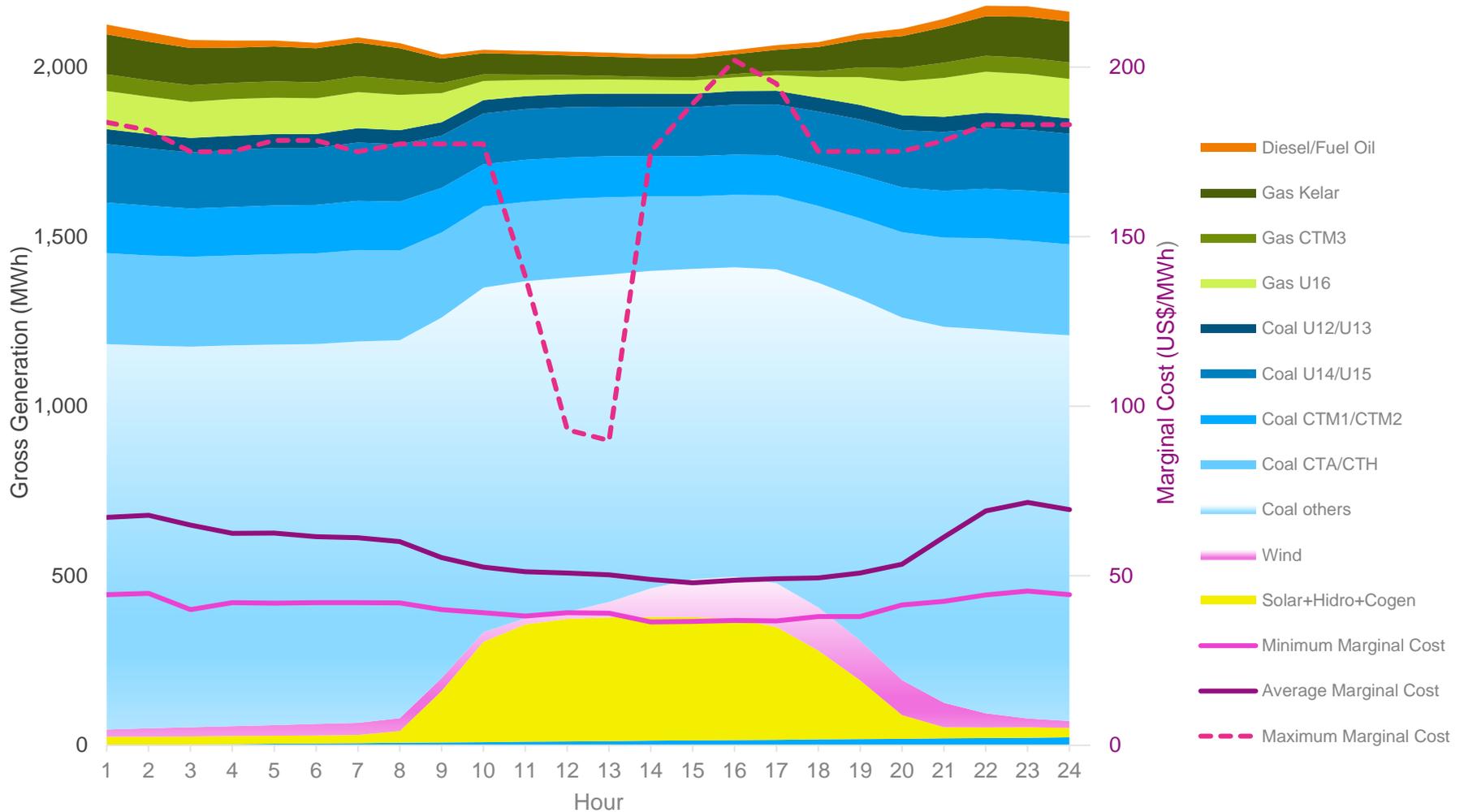
Supply curve based on generation costs and purchases from the spot



- Generation and operating costs of each unit including fixed regasification costs, variable and fixed hydrated lime costs and green taxes.
- Average realized monomic price, spot purchase costs and average cost per MWh based on EECL's accounting records and physical sales per CDEC data.
- Average fuel & electricity purchase cost per MWh sold includes the LNG regasification cost, green taxes, firm capacity, self consumption & transmission losses
- System over-costs paid to other generators averaged US\$0.5 per each MWh withdrawn by EECL to supply demand under its PPAs.

# AVERAGE HOURLY GENERATION IN THE SING – 1H17

Increased and more volatile spot prices despite new base-load generation



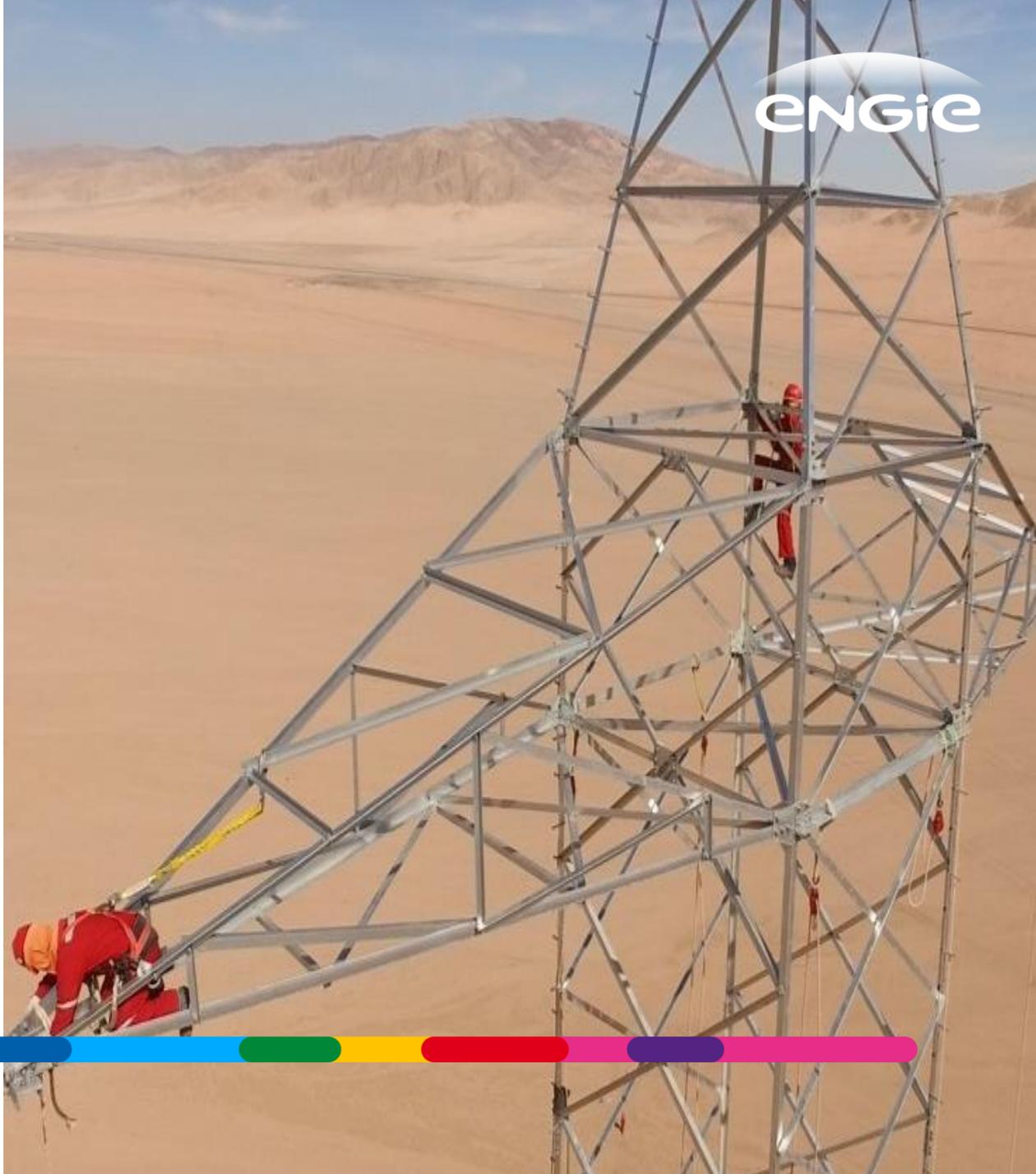
Source: CEN

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# 03

## Projects

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# INFRAESTRUCTURA ENERGÉTICA MEJILLONES (“IEM”)

A major project with strict environmental standards

- Pulverized coal-fired power plant in Mejillones
- 375MWe gross capacity;  
337MWe net capacity
- Mechanized port, suitable for cape-size carriers
- Developed to supply SIC distribution companies
- ~US\$1.0 billion investment including port and associated infrastructure
- Turnkey EPC contracts with:
  - IEM plant: SK Engineering and Construction (Korea)
  - Port: BELFI (Chile)
- Scheduled completion dates:
  - IEM: 3Q 2018
  - Port: 4Q 2017 (ready for load testing)



# INFRAESTRUCTURA ENERGÉTICA MEJILLONES (“IEM”)

is progressing according to budget and schedule

- Status as of June 30, 2017

- **Construction:**

- Boiler steam drum lifted and fixed in final position
- Heavy equipment installation ongoing
- Step-up & auxiliary transformers w/cables connected
- **Overall progress rate: 80%.**

- **Permits:**

- Environmental Impact Study (EIS) approved, with a new minor modification submitted through an Environmental Impact Declaration (EID)
- Land owned by EECL; approved marine & port concessions owned by 100%-owned CTA subsidiary

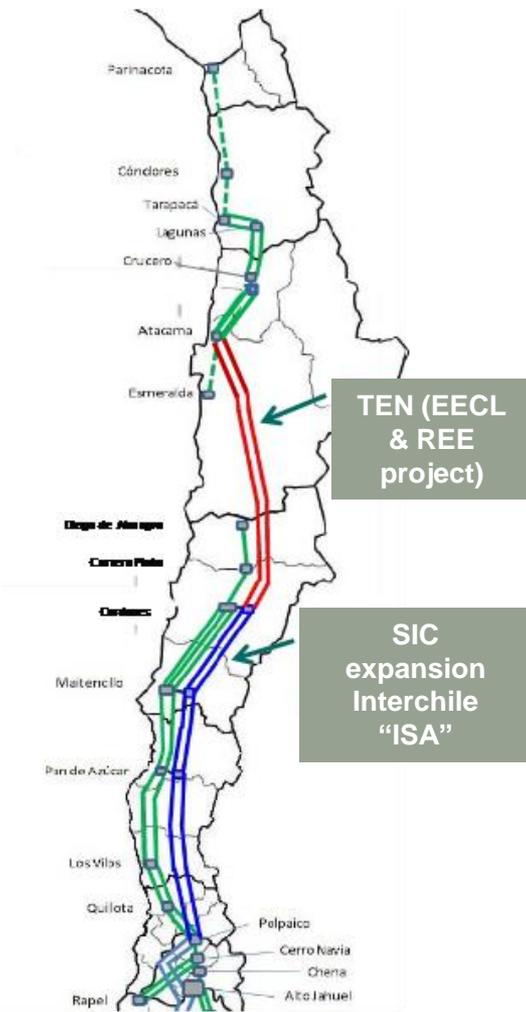
- **Key contractual protections:**

- Advance payment, performance and retention money bonds, securing EPC contractor obligations including delay and performance liquidated damages
- PPAs with SIC distribution companies consider up to 24-month delay in PPA start-up under certain force-majeure circumstances
- Construction insurance package



# TRANSMISORA ELÉCTRICA DEL NORTE (“TEN”)

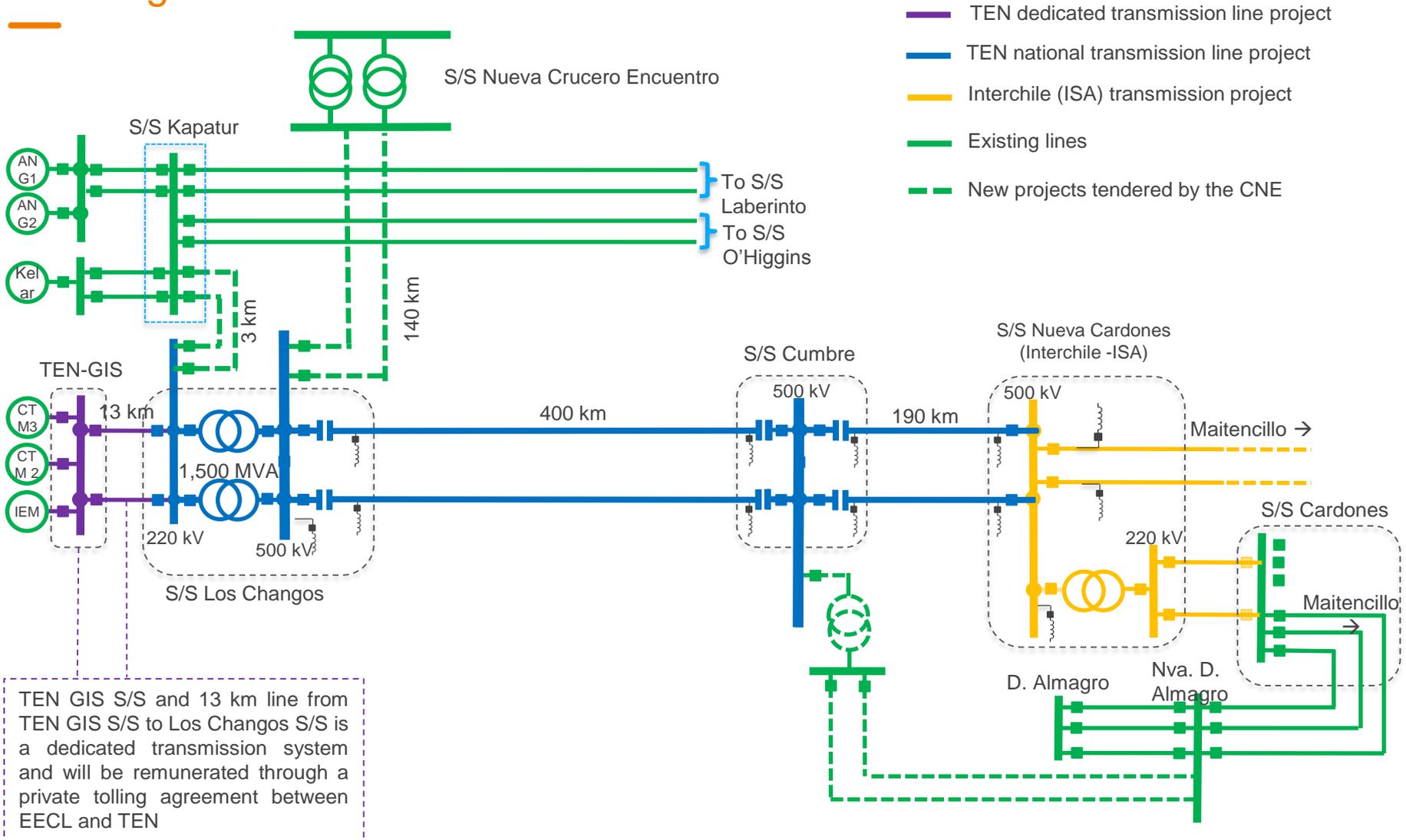
## The long awaited SIC-SING interconnection



- TEN, a 50/50 joint venture between EECL and Red Eléctrica (Spain)
- Double circuit, 500 kV, alternate current (HVAC), 1,500 MW, 600-km long transmission line
- Key part of the national transmission system interconnecting the SIC and SING grids
- ~US\$ 827 million CAPEX including engineering costs, easement payments, contingencies, etc.); close to US\$1 bn total investment including financing costs and VAT
- Two EPC contracts with GE (former Alstom Grid) for substations and Sigdo Koppers for transmission lines
- Regulated revenues for the national transmission system already defined by the authorities for the first regulatory period
- Financing:
  - 50% sale to Red Eléctrica completed in January 2016
  - Project Finance for 80% of project costs + VAT closed in December 2016
- Scheduled completion date: 4Q 2017
- Legal deadline to start operations (Decree #158): December 31, 2017

# TRANSMISORA ELÉCTRICA DEL NORTE (“TEN”)

## The long awaited SIC-SING interconnection



# TRANSMISORA ELÉCTRICA DEL NORTE (“TEN”)

## The long awaited SIC-SING interconnection

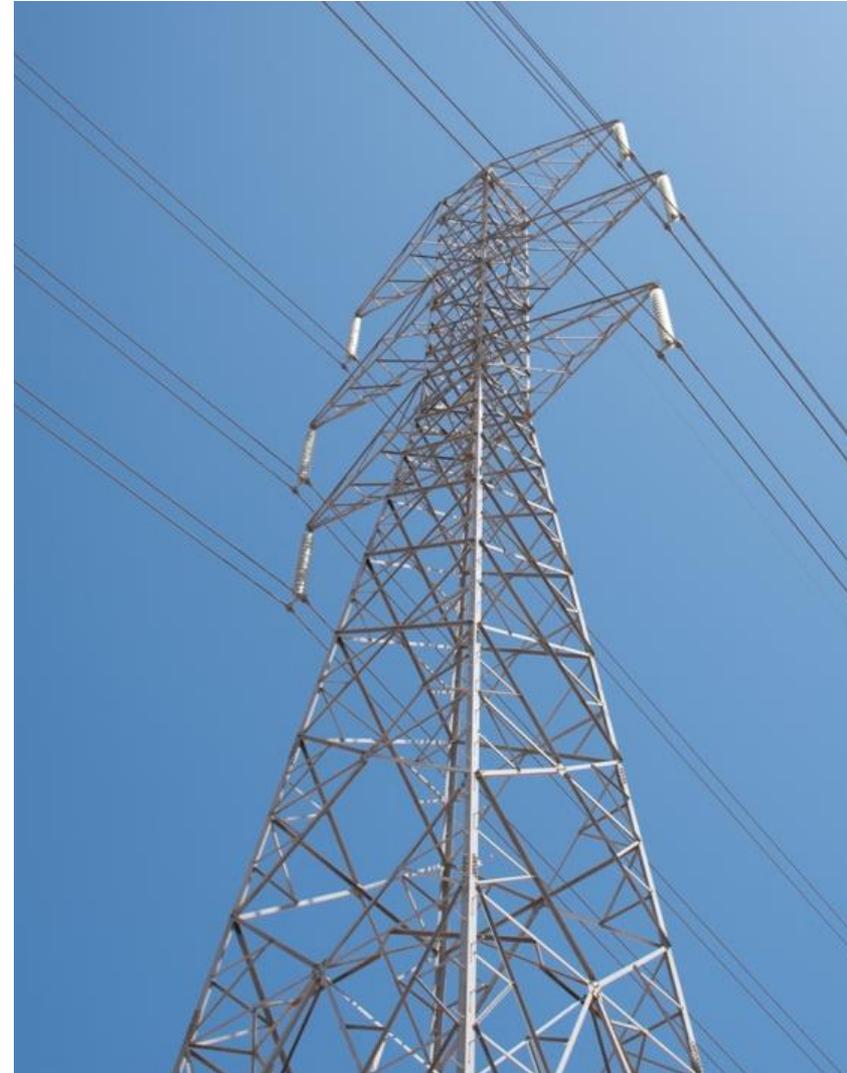
- Status as of June 30, 2017

- Relevant events:

- In January 2016, Red Eléctrica acquired 50% of TEN's share capital
- In December 2016, TEN signed a multi-tranche long-term project financing for the equivalent of US\$745 million plus a US\$111 million VAT financing. The first disbursement (~US\$457 million) allowed TEN to repay US\$171 million of the funds provided by EECL to develop the project
- TEN's regulated revenues were defined as described in next slide
- Interchile (ISA) N.Cardones-Polpaico transmission line project (TEN's south-end connection to the SIC) is progressing, but has announced delays in the project's southern segment
- EECL signed an EPC contract to build Transelec's 3-km long Changos-Kapatur line, which is a condition precedent for TEN to begin receiving regulated transmission revenue
- As of June 30, 2017, **the project's overall progress rate was 95%**

- Construction: Critical path on schedule and within the approved budget:

- Substations: 91.6% average progress rate
- Lines: All towers erected (1,355)



# TRANSMISORA ELÉCTRICA DEL NORTE (“TEN”)

## Tariff setting

VI	Indexation		AVI	COMA	VATT	AVI	COMA	VATT
In MUS\$ @ Oct 2013 FX Rates	In CLP to Chile CPI	In USD to US CPI	(In MUS\$ @ Oct 2013 FX Rates)			(In MUS\$ @ <b>June 2017</b> FX Rates)		
738.3	41%	59%	75.1	10.2	85.3	72.9	8.8	81.7

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

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

$\alpha_j$	41%	$\beta_j$	59%
$IPC_0$	100.90	$IPC_k$	115.18
$CPI_0$	233.55	$CPI_k$	244.96
$CLP/USD_0$	500.81	$CLP/USD_k$	664.29

**TEN's annual revenues** (values at June 30, 2017 exchange rates):

AVI	US\$ 72.9 million
+ COMA	US\$ 8.8 million
= <b>VATT</b>	<b>US\$ 81.7 million</b>
+ Tolling fees payable by EECL on TEN's dedicated assets	

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# RENEWABLE ENERGY PROJECTS

## Commitment with the Energy Transition

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- Renewables
  - A portfolio of Solar Photovoltaic and Wind Projects at different locations under study.
- Energy Storage
  - Storage solutions to remedy the intermittence of some renewable sources, to guarantee continuous electricity supply are being explored.
  - Our first 2 MWh Battery Storage pilot is under construction in Arica Substation.



# NATURAL GAS

## A Key Role in the Energy Transition

- ENGIE Energía Chile has identified natural gas, a low CO2-emission energy source, as a good complement to renewables, to ensure continued energy generation.
- We are developing Las Arcillas, a 480MW combined-cycle gas turbine (CCGT) project, in Pemuco, southern Chile.
  - Early development and socialization stage performed
  - Answers for the first set of questions from the authorities (Addenda #1) was filed in July 2017, as part of the Environmental impact assessment (“EIA”) process.
  - Gas procurement and transportation alternatives under study



# CAPITAL EXPENDITURE PROGRAM

An intensive CAPEX program is ongoing

CAPEX (US\$ million)	2015	2016	2017 <sup>e</sup>	2018 <sup>e</sup>	TOTAL
EECL-Current business	88	56	68	59	271
IEM (including port)	109	314	412	169	1,004
<b>TOTAL</b>	<b>197</b>	<b>370</b>	<b>480</b>	<b>228</b>	<b>1,275</b>

TEN CAPEX (US\$ million)	2015	2016	2017 <sup>e</sup>	2018 <sup>e</sup>	TOTAL
TEN CAPEX (100%)	160	290	363	--	813 <sup>(*)</sup>
EECL Equity contr. (10%)	16	29	36	--	81

## — Notes:

- The TEN transmission line project is being developed off-balance sheet. EECL's equity contribution is assumed to be equal to 10% of the total investment amount (50% ownership; 80:20 debt-to-equity ratio)
- Without assuming any new CAPEX for renewable projects
- CAPEX figures without VAT (IVA) and interests during construction. (\*) US\$14 million were invested in TEN prior to 2015

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# CAPEX FINANCING PROGRAM

A responsible plan is underway

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- EECL is committed to maintaining its strong investment grade rating
- EECL has a flexible dividends policy; pay-out has been reduced to cope with the required investments
- IEM and new port: financed within EECL's balance sheet, with a mix of funding sources, in the following order of priority:
  - Available cash (US\$93 million as of June 30, 2017) and cash flow from operations
  - New senior debt, including a US\$270 million, 5-year, Committed Revolving Credit Facility closed on June 30, 2015 with five top-tier banks (undrawn as of 06/30/17)
  - Other (e.g., non-core asset sales proceeds; non-recourse project financing of non-controlled subsidiaries)
- TEN: developed in a 50/50 partnership and financed with non-recourse project finance facilities closed in December 2016
  - Long-term, non-recourse debt: ~80%
  - Equity: ~20% (10% from EECL, 10% from Red Eléctrica)

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# 04

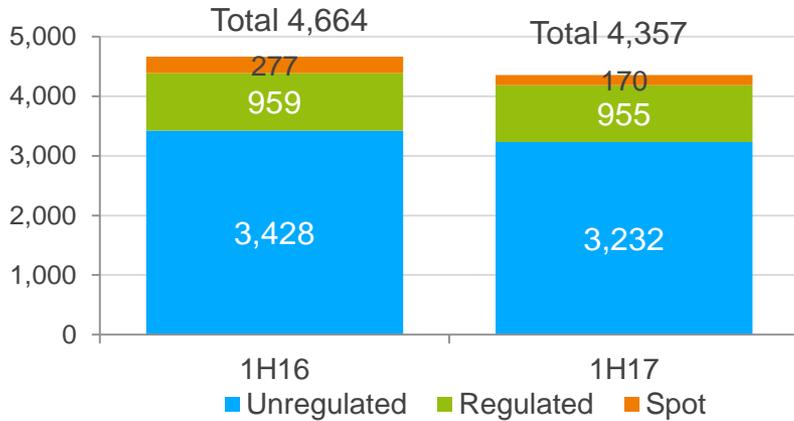
## Financial Results

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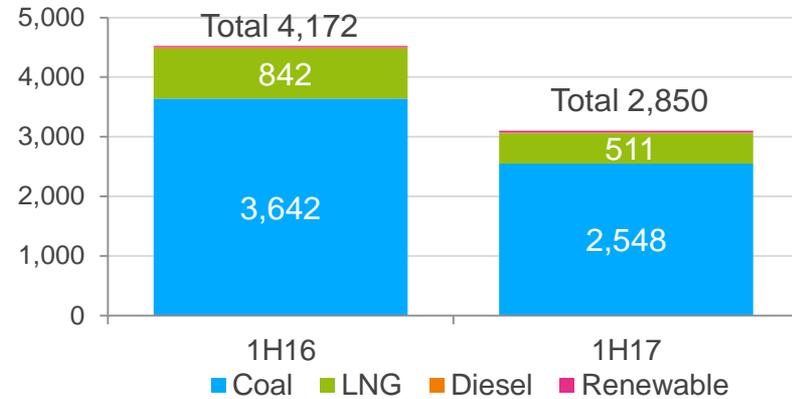


# FINANCIAL RESULTS

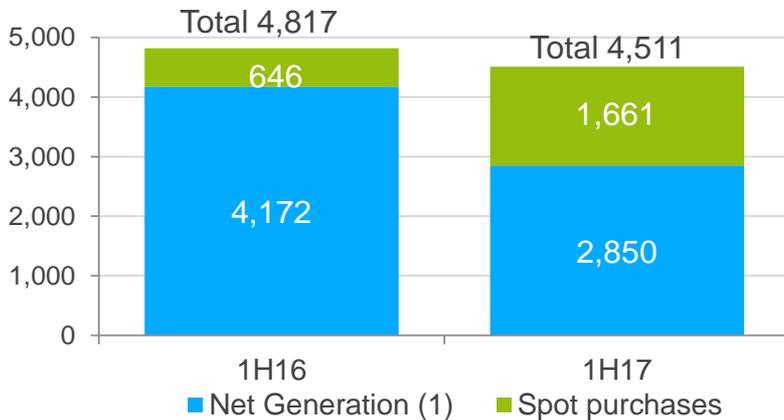
### Electricity sales (GWh)



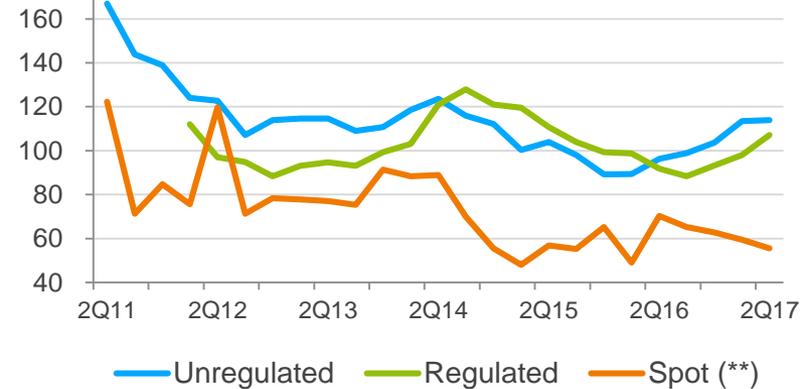
### Net electricity generation (GWh)



### Electricity supply sources (GWh)



### Average monomic prices (US\$/MWh)



(1) Net generation = gross generation minus self consumption  
 (2) Electricity available for sale before transmission losses

(\*\*) The spot price curve corresponds to monthly averages and does not include overcosts ruled under RM39 or DS130. It does not necessarily reflect the prices for EECL's spot energy sales/purchases.

# FINANCIAL RESULTS

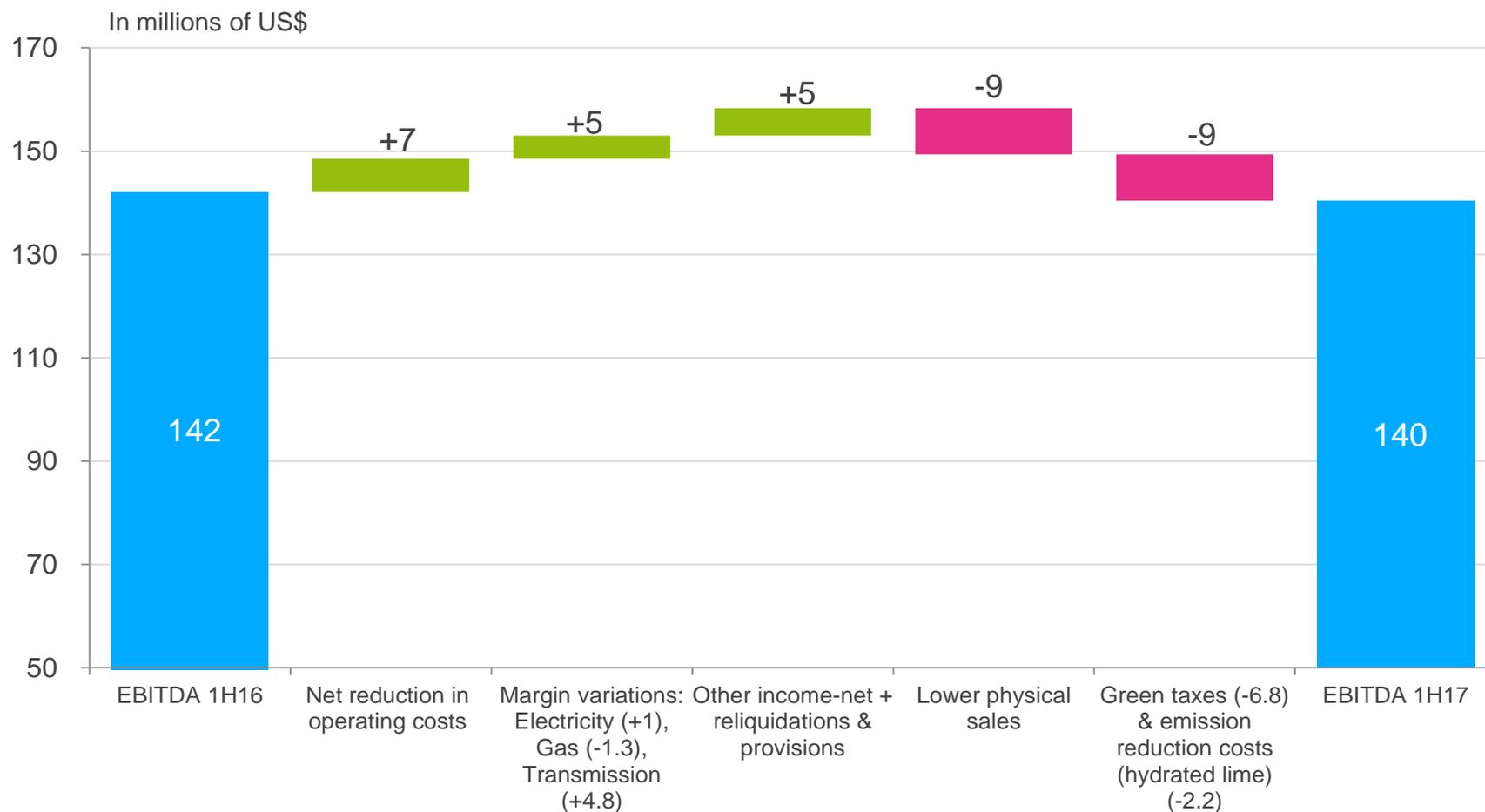
## Slight increase in recurring net income

Income Statement (US\$ millions)	1H16	1H17	% Var.
Operating revenues	471.1	530.4	+13%
Operating income (EBIT)	73.2	73.0	0%
EBITDA	142.0	140.4	-1%
Net income	233.6	51.2	-78%
Net income excluding non-recurring items	41.8	43.7	+5%
Average realized monomic sale price (US\$/MWh)	93.3	111.3	+19%

- Operating revenues increased 13% mainly due to higher fuel prices, which resulted in higher average realized monomic prices.
- EBITDA decreased 1% to US\$140.4 million as a result of the following main factors:
  - (-) lower volume sales
  - (-) new green taxes and higher emission reduction costs (hydrated lime)
  - (+) continued operating cost savings
- Net income reached US\$51.2 million. It increased 5% excluding non-recurring items (income on asset sales (50% of TEN) in 1H16 and insurance claim in 1H17).

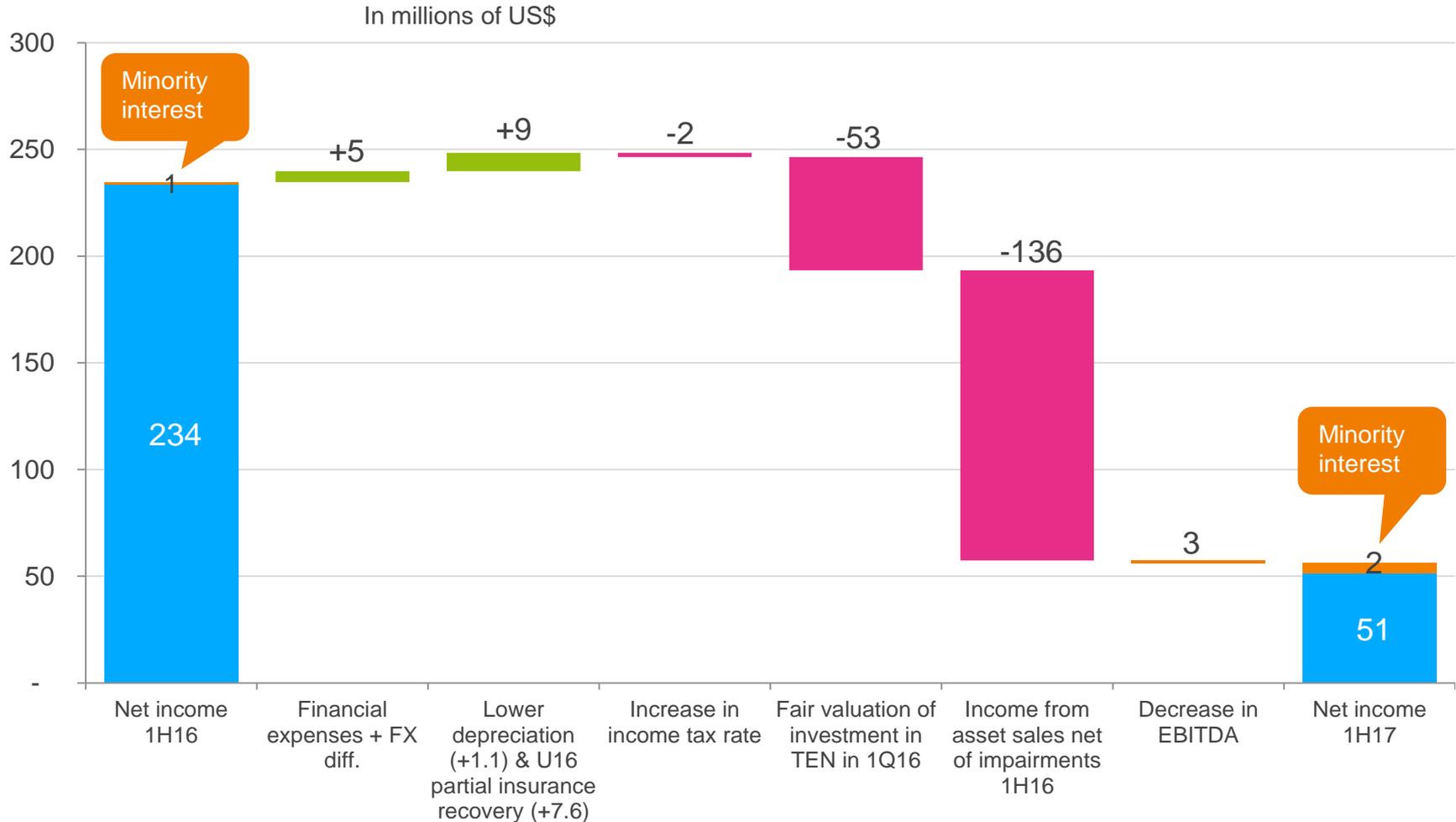
# EBITDA COMPARISON 1H17 vs. 1H16

Impact of lower physical sales and green taxes offset by operating cost reductions



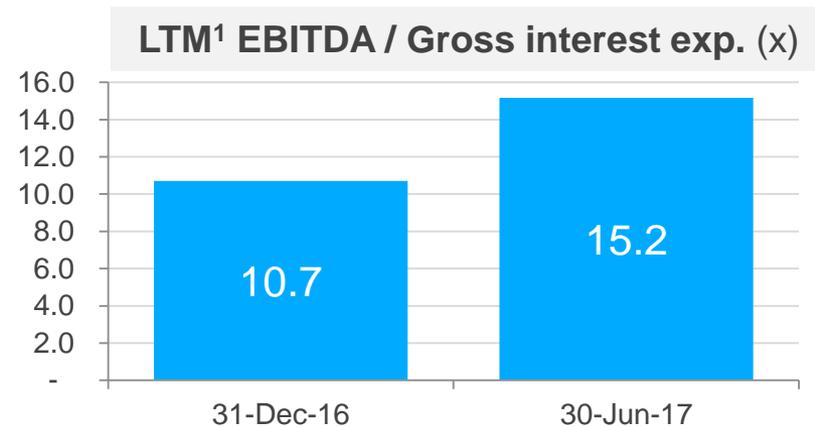
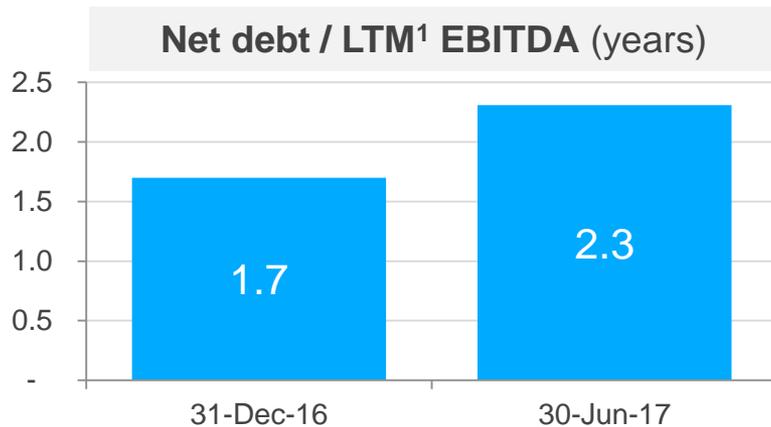
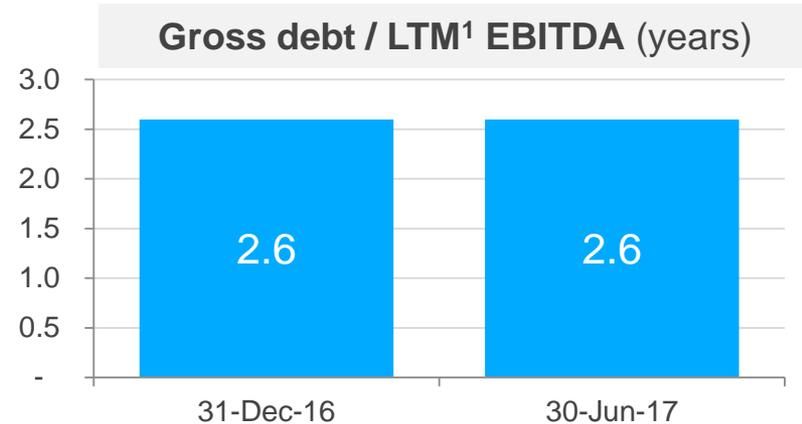
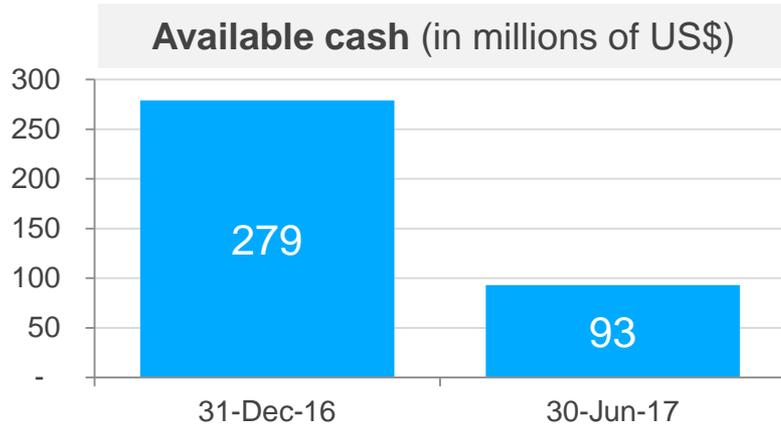
# NET INCOME COMPARISON 1H17 vs. 1H16

Net income comparison affected by non-recurring income reported in 1H16



# FINANCIAL RESULTS

Strong liquidity and low leverage ratios



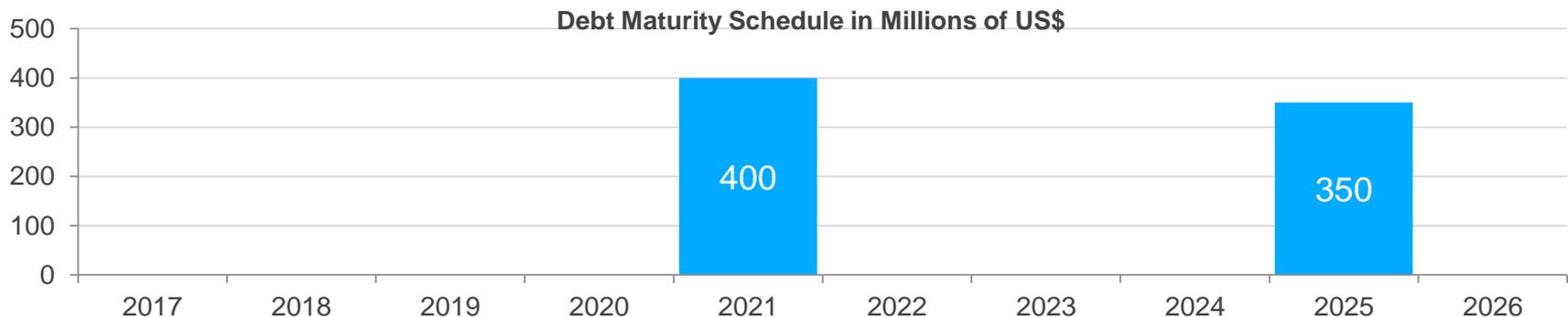
(1) LTM = Last twelve months

# DEBT BREAKDOWN

Long-term maturity, with no exposure to FX or interest-rate risk

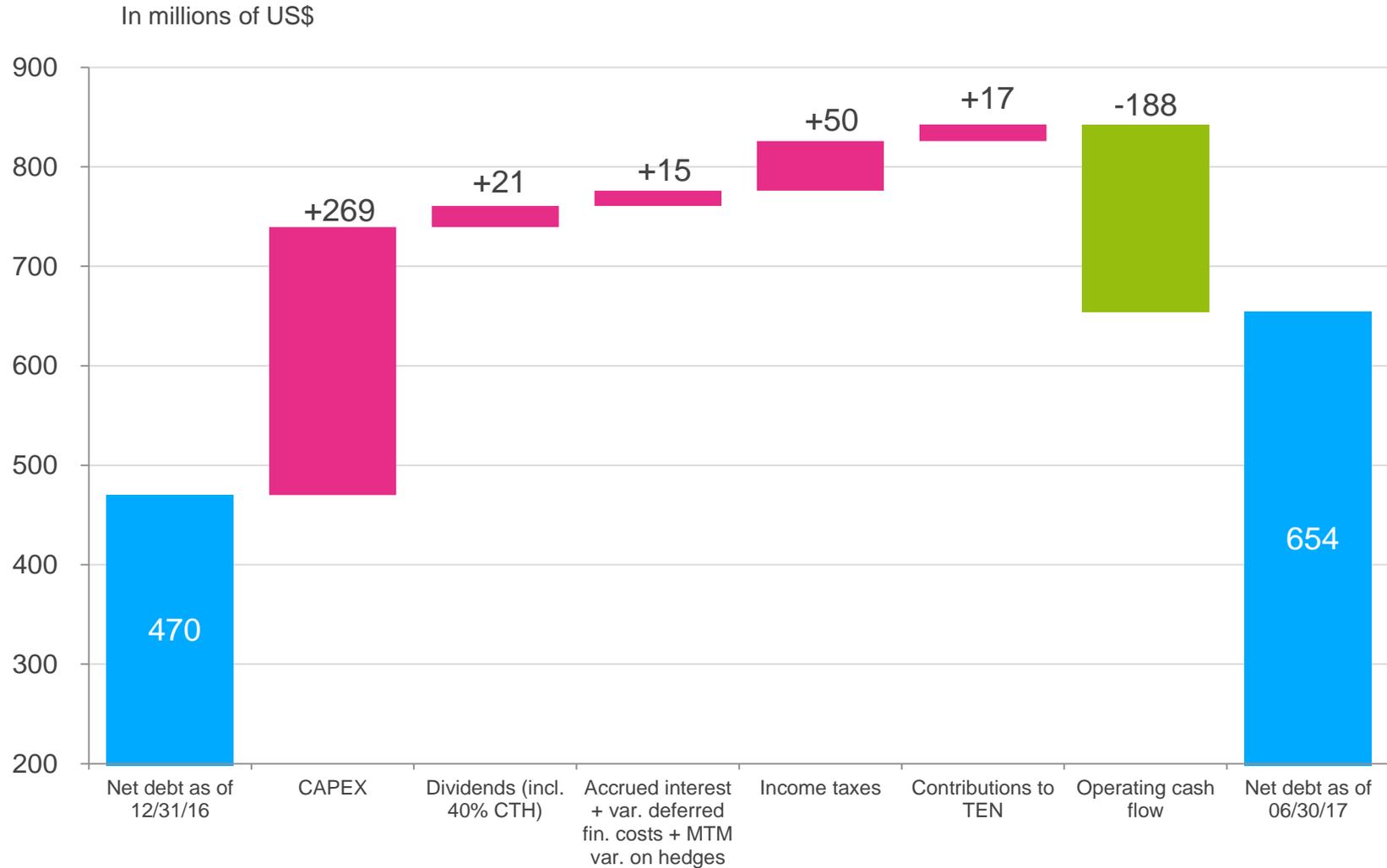
- US\$750 million in 144-A/Reg-S notes at EECL corporate level. Bullet, unsecured with no financial covenants:
  - 5.625%, US\$400 million 144-A/Reg-S notes maturing January 2021 (YTM = 2.785% as of June 30, 2017)
  - 4.500%, US\$350 million 144-A/Reg-S notes maturing January 2025 (YTM = 3.835% as of June 30, 2017)
- 5-year Revolving Credit Facility for US\$270 million maturing June 2020 (undrawn)
  - Bullet, unsecured, only balance sheet covenants (Minimum Equity, Net Financial Debt/Equity )
  - Club deal: Mizuho, Citi, BBVA, HSBC, Caixa

EECL debt figures	Average coupon:	5.1%	Average life:	5.4 y	Duration:	4.1 y
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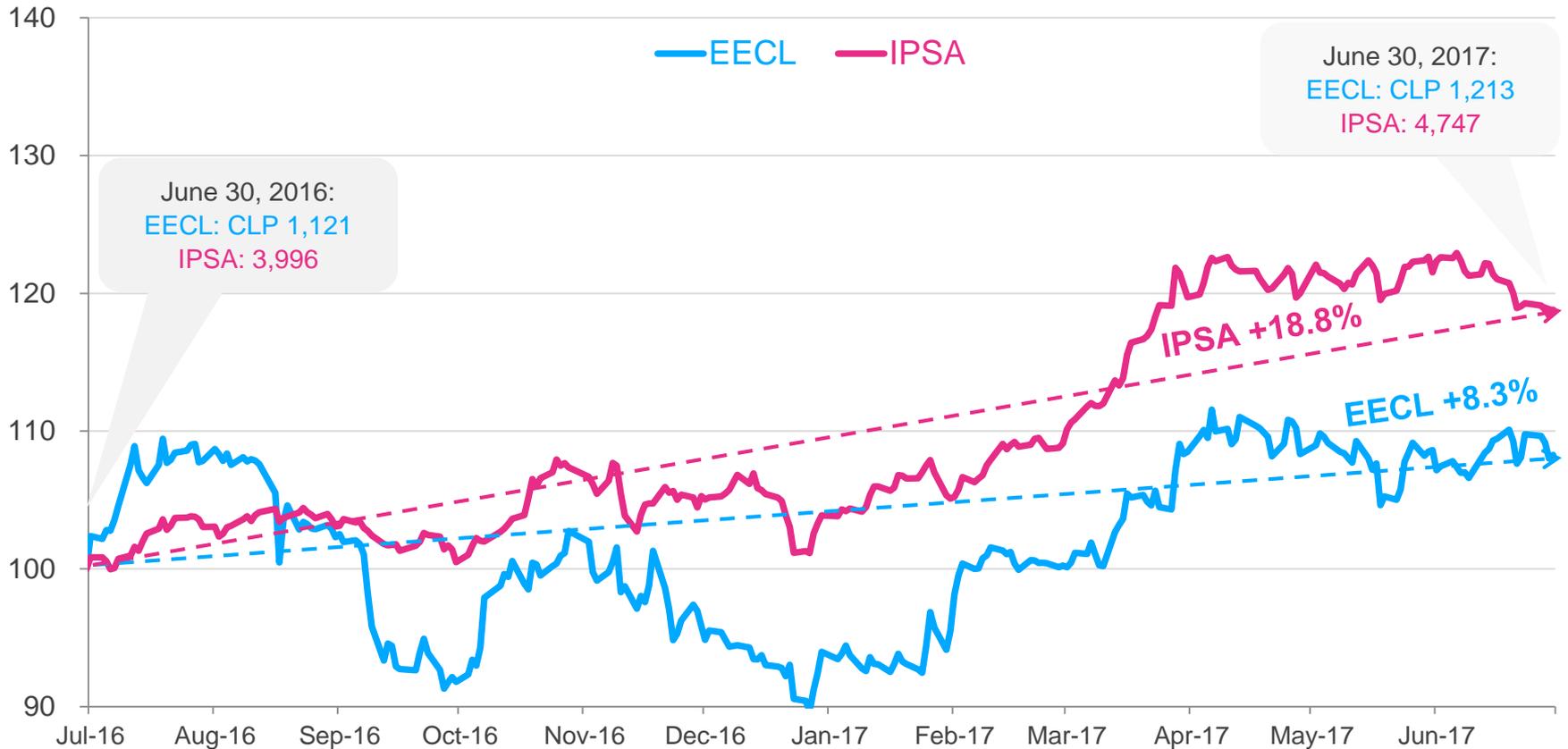
# NET DEBT EVOLUTION 1H17

CAPEX financed with available cash and operating cash flow



# EECL SHARE PRICE EVOLUTION LTM (\*)

In the last 12 months ending June 30, 2017, EECL has evolved positively (+8.3%), although behind the IPSA.



(\*) EECL share price including dividend distribution adjustments

# RATINGS

Strong investment-grade ratings reaffirmed

## International ratings

	Rating	Perspective	Date last review
Standard & Poor's	BBB	Stable	July 2017
Fitch Ratings	BBB	Stable	July 2017

## National ratings

	Rating	Perspective	Shares	Date last review
Feller Rate	A+	Stable	1 <sup>st</sup> Class Level 2	December 2016
Fitch Ratings	A+	Stable	1 <sup>st</sup> Class Level 2	July 2017

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# VALUE CREATION

## Sound financial performance and value creation for our shareholders

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### Development and Implementation:

- Intensive CAPEX program with approximately US\$2 billion committed investments between 2015 and 2018, including TEN 1,500 MW, 600-km transmission project and 375 MW IEM coal project which will allow EECL to enter the SIC with an excellent PPA portfolio.
- Projects under construction on budget, schedule and performance.

### Operation:

- Strong PPA Portfolio: Contracted level and duration of PPA portfolio consistently increased in line with additional efficient capacity.
- Successful execution of optimization plans to reduce G&A, O&M and financial expenses between 2015 and 2018 to adequate EECL's cost structure to new market needs and to increase our competitiveness.

### Capital Structure:

- Successful execution of an intensive financing program, including a non-recourse project finance, named Latam Power Deal of the Year by PFI, and a 270 MUSD revolving credit facility.
- Commercial strategy and development of new projects will allow an important organic increase in sales, EBITDA and cash generation in the medium term.

### New Developments:

- EECL will continue developing additional alternatives to support Chile's growth, mapping new renewable technologies and other energy services.

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