



First Half 2018 Results

July 26, 2018

Agenda

1. Key highlights
2. 1H18 consolidated results
3. 1H18 results by business unit
4. Conclusions

Appendix

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Key highlights

Key highlights

- ✓ **Activity growth offset by non-recurrent items**
 - Positive evolution in Gas & Power notably in 1Q18
 - Stable performance of infrastructure businesses
- ✓ **Start up of efficiencies in 2H18; capture costs starting in 3Q18 (~€100M)**
- ✓ **Strategic review leads to €4.9bn write-down**
- ✓ **Recurrent net income up 22%**
- ✓ **Growth represents >70% of total capex**
- ✓ **New reporting perimeter with higher visibility and granularity**
- ✓ **Interim dividend of 0.28 €/share on 2018 results to be paid on July 31, 2018**
- ✓ **S&P rating reaffirmed at BBB (stable outlook)**

(€M)	1H18	1H17	1H18 recurrent	1H17 recurrent	Change (%; €M)
EBITDA	2,004	2,030	2,105	1,991	+6%
Net income	(3,281)	550	532	435	+22%
Capex	1,145 ¹	737	-	-	-
Growth	836 ¹	393	-	-	-
Maintenance	309	344	-	-	-

Start of the new 2018-22 Strategic Plan with impacts from 2H18

Non-recurrent items & FX

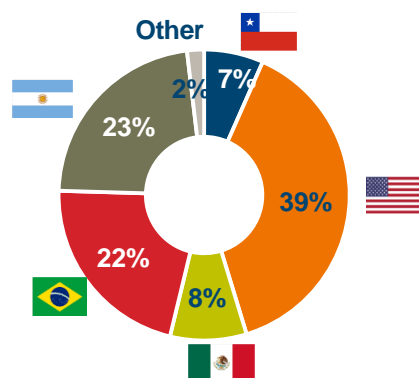
EBITDA

€M	1H18	1H17
Gas transport & procurement retroactivity	(38)	20
Chile extraordinary expenses	(32)	-
Restructuring costs	(24)	(16)
Asset write-down	-	-
Other impairments ahead of SP 2018-22	-	-
Discontinued operations and minority interests	-	-
Chile mergers tax effect	-	-
Other	(7)	35
Total non recurrent items	(101)	39

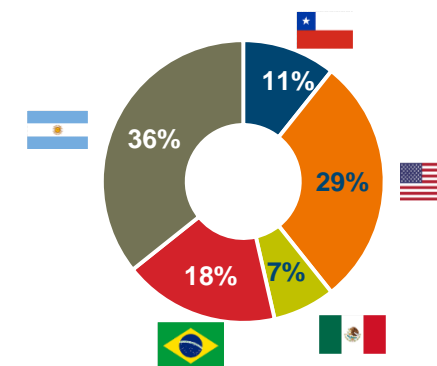
Net income

€M	1H18	1H17
Gas transport & procurement retroactivity	(28)	15
Chile extraordinary expenses	(20)	-
Restructuring costs	(22)	(12)
Asset write-down	(3,783)	-
Other impairments ahead of SP 2018-22	(48)	-
Discontinued operations and minority interests ¹	44	86
Chile mergers tax effect	42	-
Other	2	26
Total non recurrent items	(3,813)	115

**FX impact
€-106M**



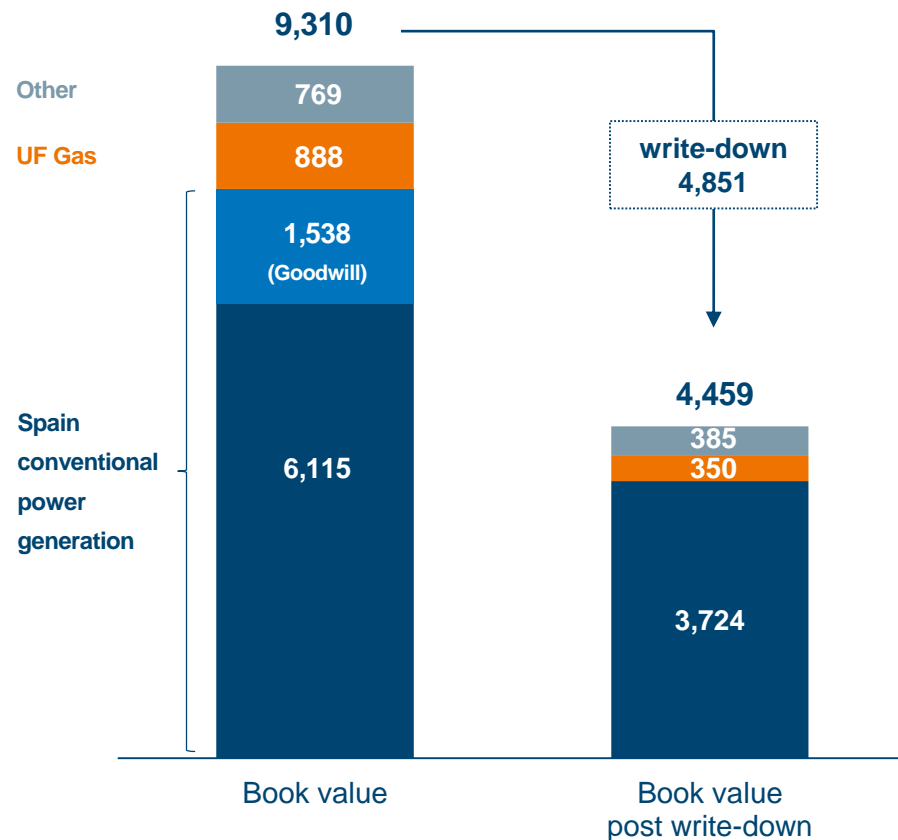
**FX impact
€-25M**



1H18 results impacted by non recurrent items and FX

Asset write-down

€M



Main impacts from write-down

Cash Flow (€M)	In 2018
FCF (one-off)	~200

P&L (€M)	From 2019
Yearly average net income accretion	>100

Positive cash impact in 2018 and EPS accretive from 2019

Update on business positioning

✓ Completion of disposals:

- Gas distribution and supply in Italy in 1Q18: Cash proceeds of €766M¹
- Nedgia Spain (20%) in 1Q18: Cash proceeds of €1,500M
- Colombia gas distribution and supply disposal on June 30, 2018: Cash proceeds of €334M

✓ Moldova, Kenya and Kangra businesses reclassified as discontinued operations

✓ Signing of agreement to dispose Kenya & Kangra on June 27, 2018

- Cash proceeds of ~\$80M

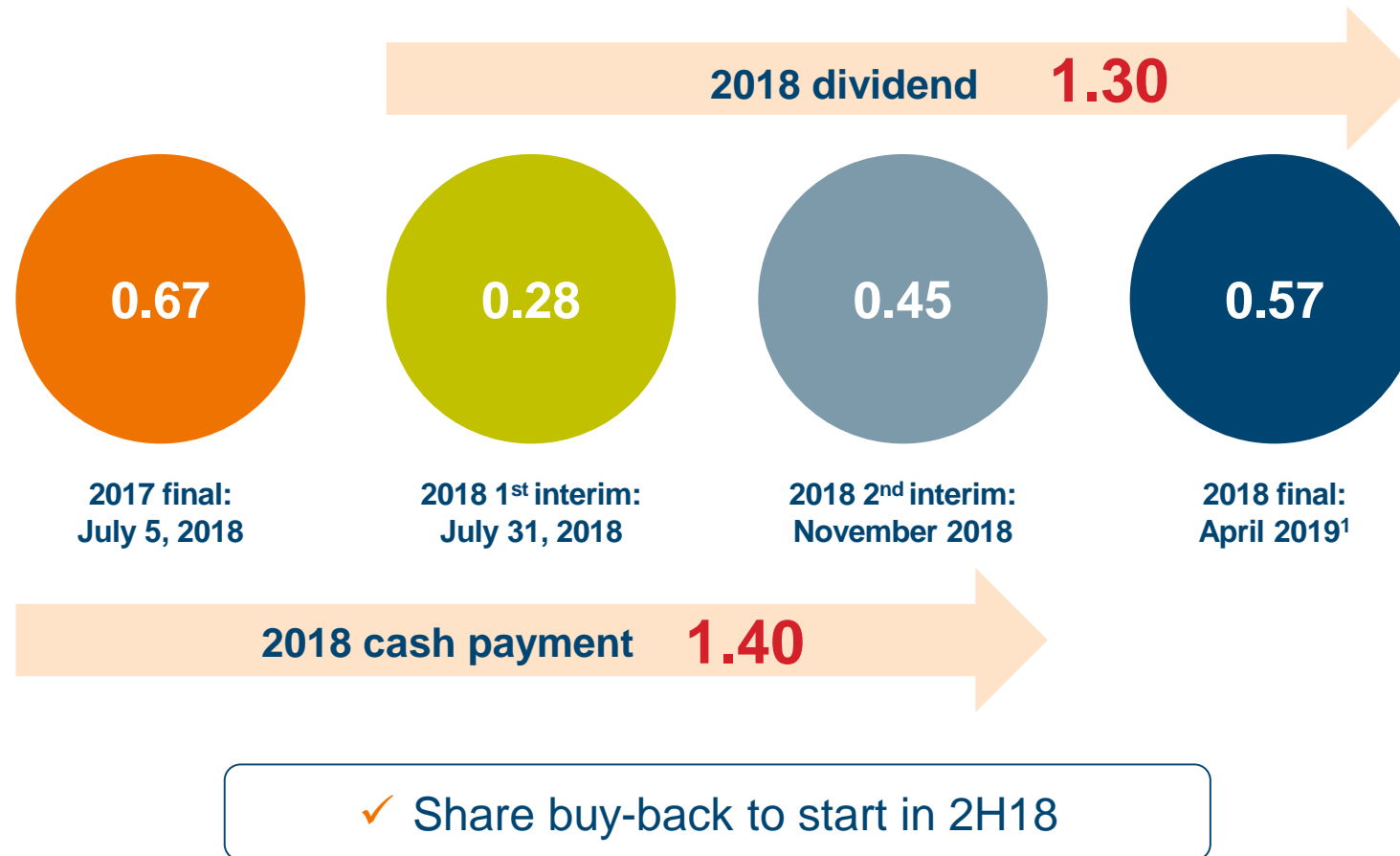
✓ Growing renewable energy exposure

- Addition of >200MW in Spain expected before year end; total investment ~€200M
- Acquisition of Guimaranía Solar I and II in Brazil (83MW); total investment ~€95M

Reallocation of capital into core business

Shareholder remuneration

Dividend 2018 accrued vs. cash
(€/share)

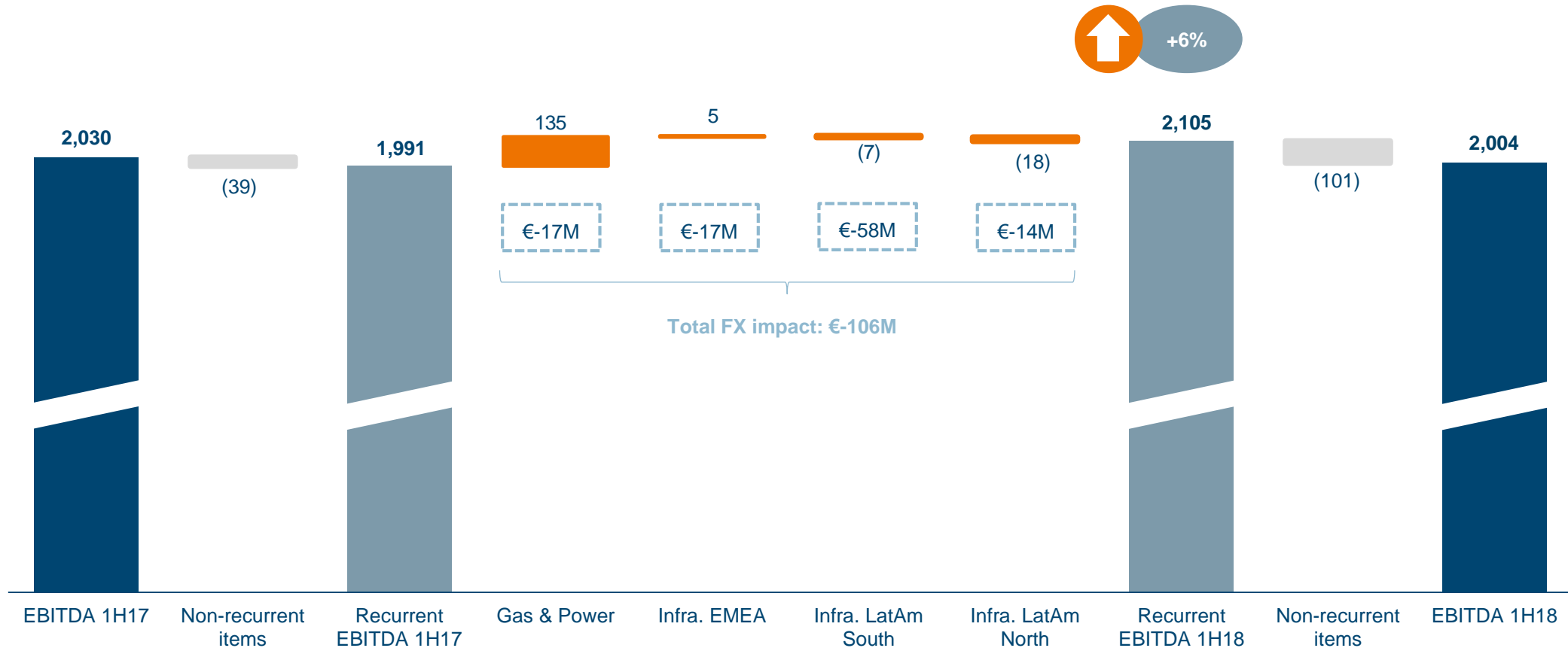


Commitment to an attractive and sustainable shareholder remuneration

02

1H18 consolidated results

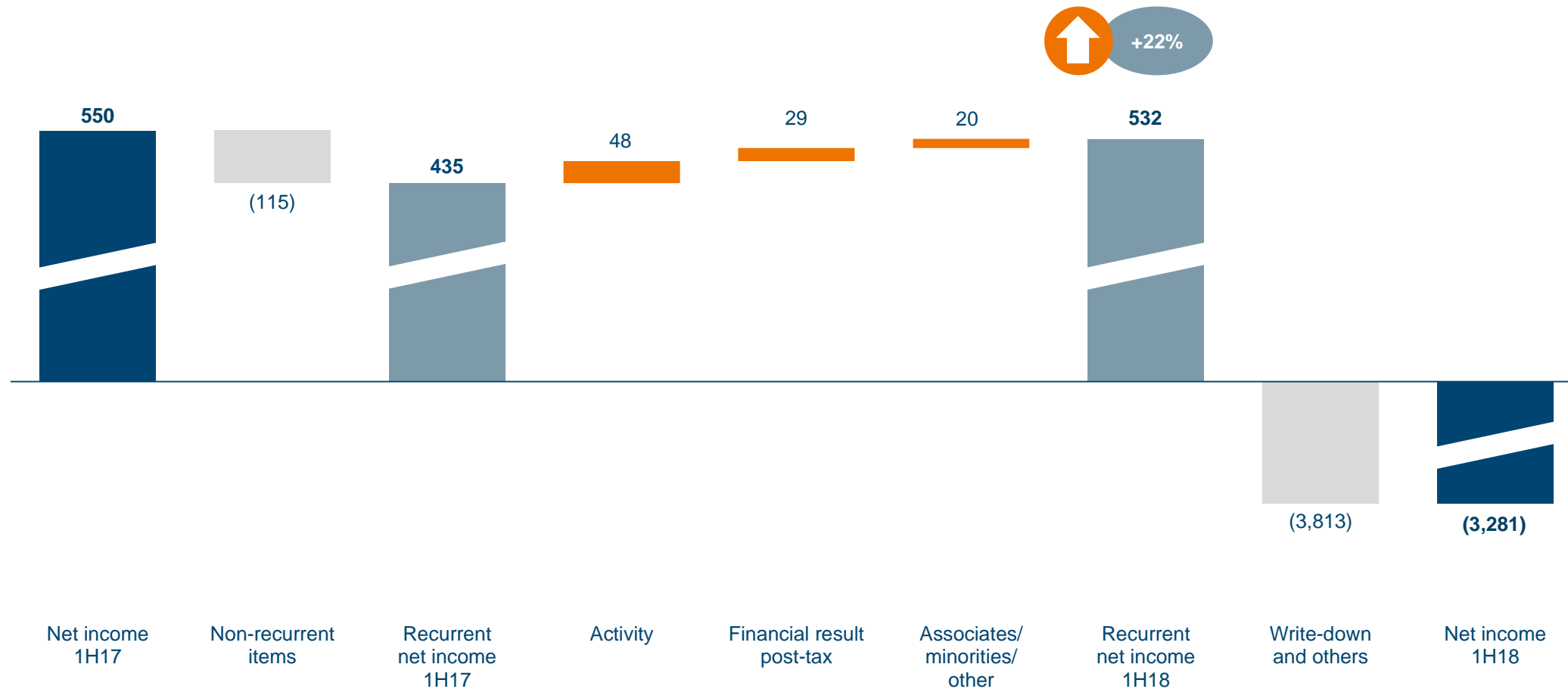
EBITDA evolution (€M)



↑ +6%

Recurrent EBITDA supported by improvement in Gas & Power

Net income evolution (€M)



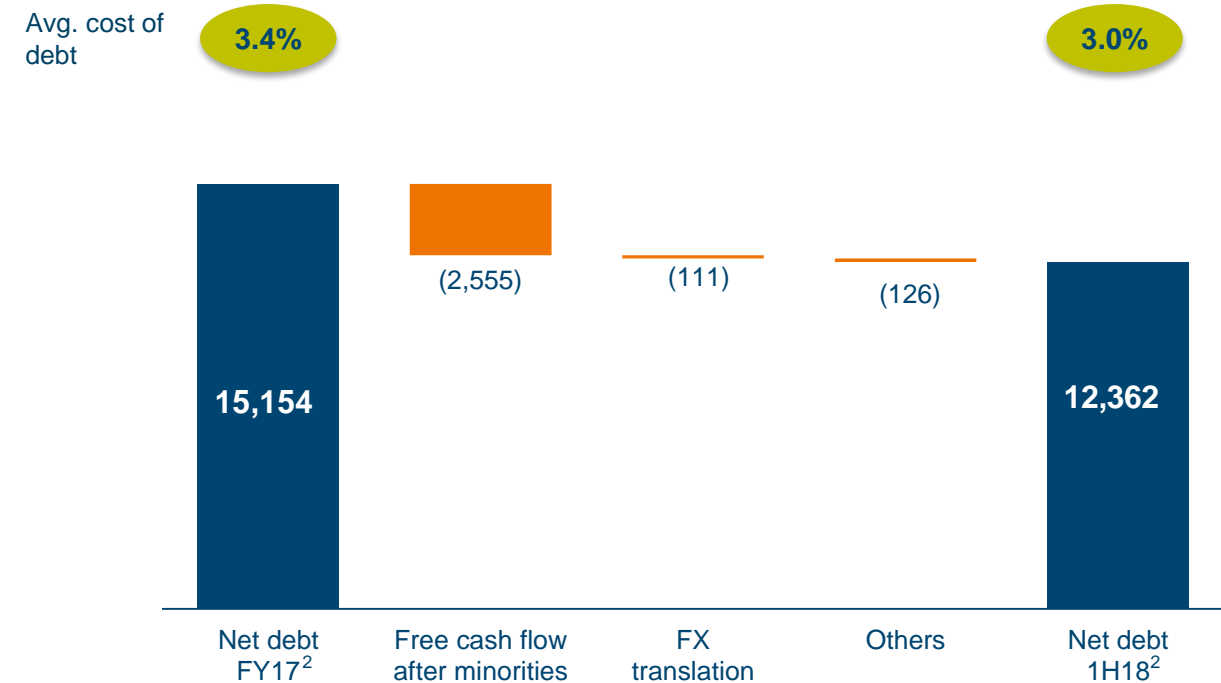
Solid recurrent net income supported by activity and lower financial expenses

Cash flow and net debt evolution

Cash flow (€M)

	1H18	Change vs. 1H17 (%)
EBITDA	2,004	-1%
Financial result	(306)	-12%
Variation in working capital	(286)	-42%
Operating cash flow	1,412	+19%
Investments ¹	(771)	+4%
Divestments	2,580	n.m.
Dividends to minorities & other	(666)	n.m.
Free cash flow after minorities	2,555	n.m.

Net debt (€M)



Temporary net debt reduction driven by disposals

Notes:

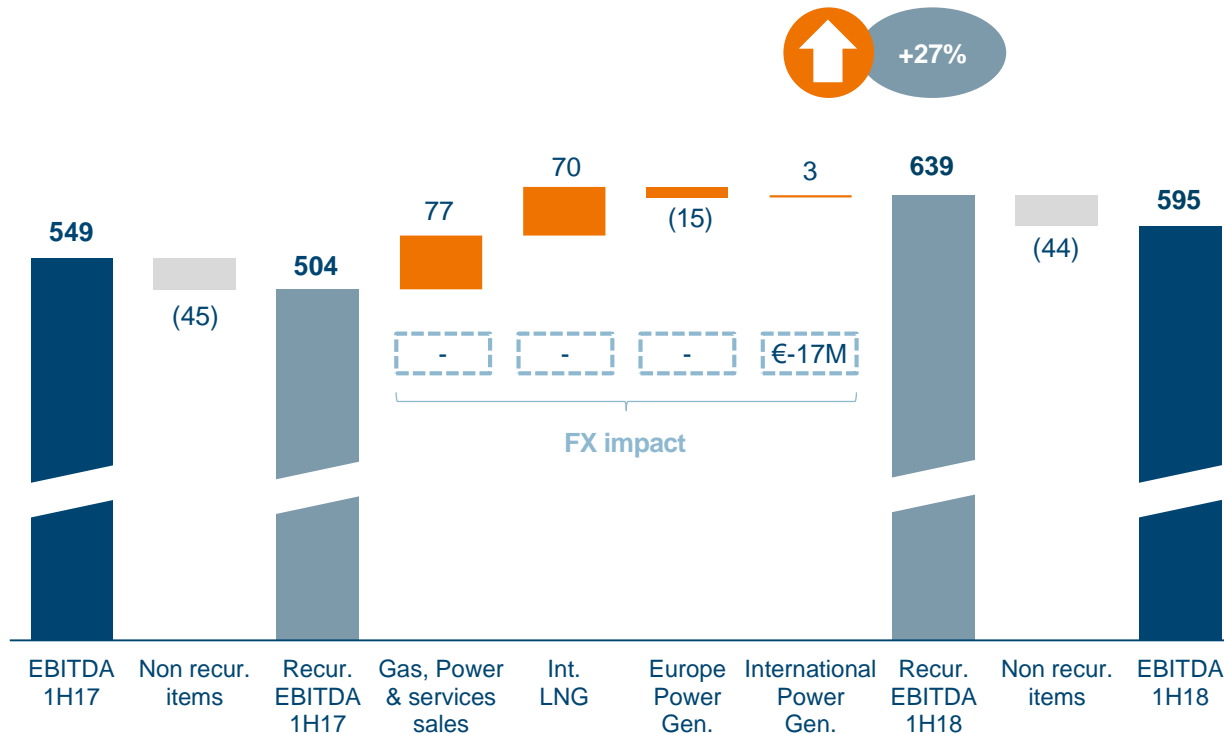
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1. Excluding €380m related to 2 LNG tankers in time-charter regime incorporated during 1H18 (non-cash investments)
2. Including the impact of IFRS 16 net debt as of 1H18 would be ~€14,000M, incorporating financial and operating leases of ~€1.65bn

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1H18 results by business unit

EBITDA evolution (€M)

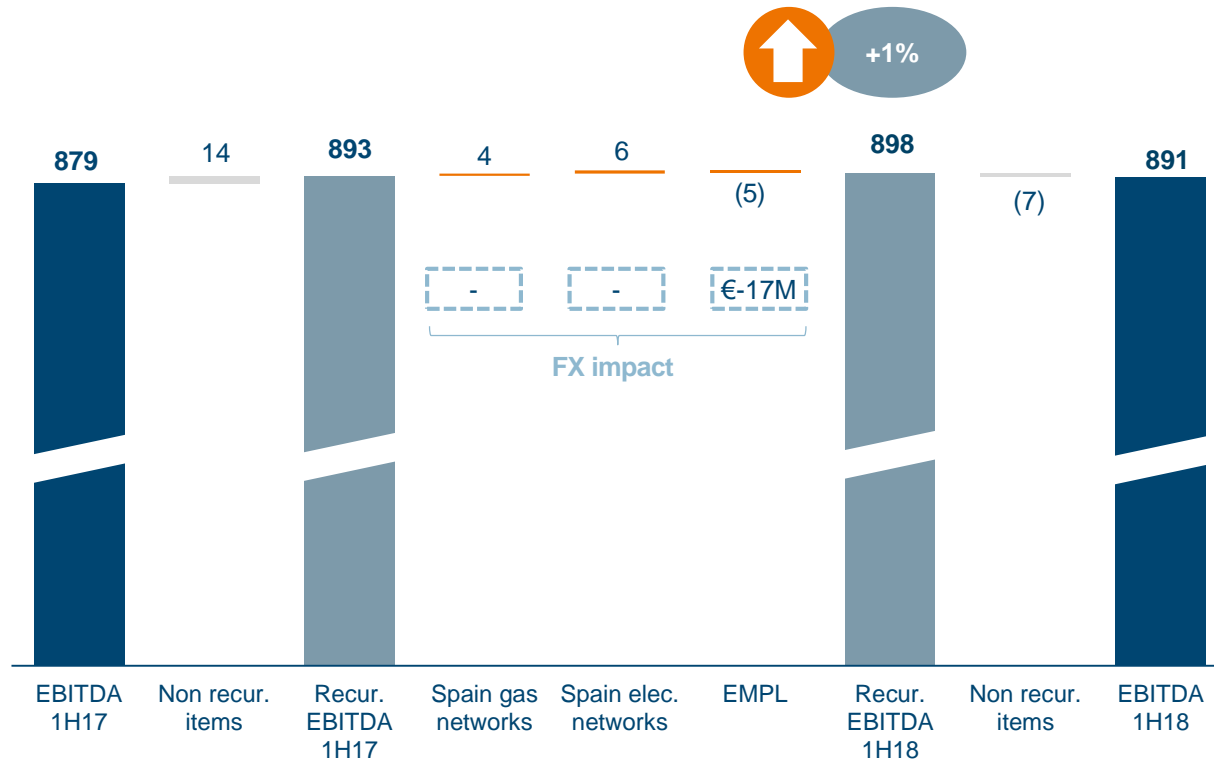


Highlights

- ✓ **Gas, Power & services sales:** Higher margins in power supply driven by lower pool prices; higher margins in gas supported by improved scenario
- ✓ **International LNG:** Strong results due to higher sales and margins, most notably into Asia
- ✓ **Europe Power Generation:** lower thermal contribution and rising CO₂ prices not fully compensated by hydro normalization
- ✓ **International Power Generation:** Growth from new capacity and better margins of excess energy sales

Positive impact of new Algerian contract to be reflected retroactively from 3Q18

EBITDA evolution (€M)



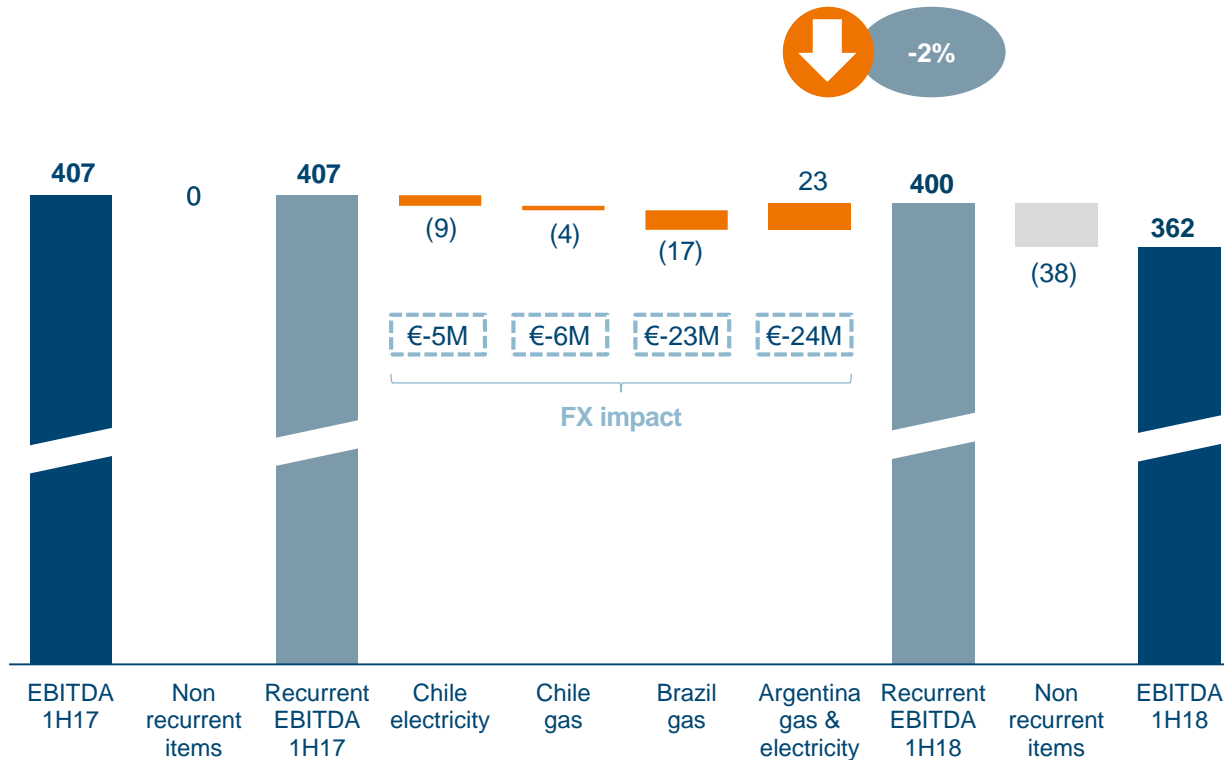
Highlights

- ✓ Higher sales in **Spain gas networks** due to lower temperatures partially offset by lower gas meters remuneration
- ✓ **Spain electricity networks** supported by investments
- ✓ **EMPL** benefits from activity increases offset by FX

Resilient performance despite negative effects from gas meter remuneration and FX



EBITDA evolution (€M)



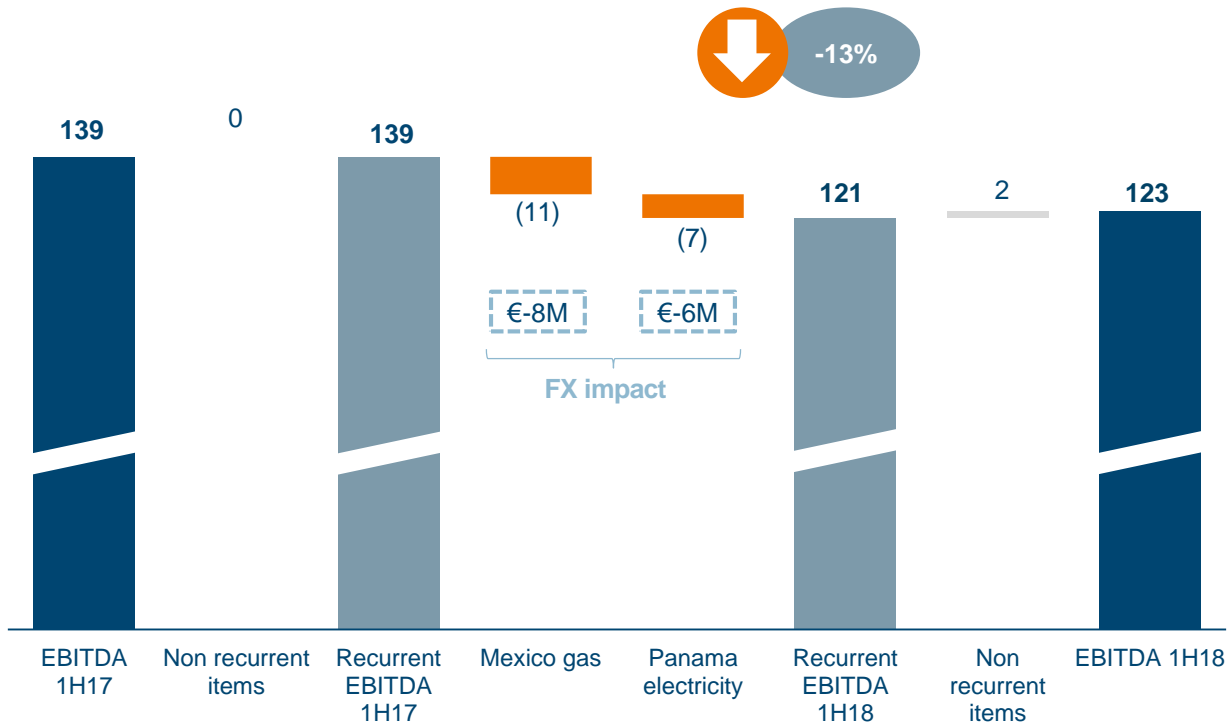
Highlights

- ✓ Higher sales in **Chile electricity** offset by ordinary tariff adjustments
- ✓ Positive performance in **Chile gas** supported by distribution, countered by higher opex from expansion plan and lower supply sales
- ✓ **Brazil gas** positively affected by increased sales into higher margin segments (GNV and domestic)
- ✓ Growth in **Argentina** due to the final implementation of the new tariff

Performance impacted by FX and non-recurrent items



EBITDA evolution (€M)



Highlights

- ✓ **Mexico gas** affected by lower sales and ongoing review of the commercial strategy into higher margin clients
- ✓ **Panama electricity** affected by lower temperatures and higher distribution losses

Results impacted by temporary factors and FX

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Conclusions

Summary 1H18 results

✓ Activity growth...

- Positive evolution in Gas & Power, notably in 1Q18
- Stable performance of infrastructure businesses

✓ ...offset by non-recurrent items...

✓ ...and affected by FX

✓ Strategic review leads to €4.9bn write-down and a one-off impact on Net income of €3.8bn

✓ New reporting structure with higher visibility and granularity

Start of the new 2018-22 Strategic Plan with impacts from 2H18

Outlook 2H18



- ✓ **Start up of Efficiency Plan**
- ✓ **Europe power generation**
- ✓ **Renewable growth**
- ✓ **Algerian gas contract renewal**
- ✓ **Financial results**
- ✓ **Write-down EPS accretion**






- ✓ **Efficiencies capture costs**
- ✓ **Power supply margins**
- ✓ **FX impact**



Share buy back to start in 2H18

Value creation pillars 2018-22

Simplicity & accountability

- ✓ Simplified governance and organization 
- ✓ Higher accountability and autonomy of BUs 
- ✓ Focused business positioning with ongoing divestment processes 


Shareholder remuneration

- ✓ DPS commitment regardless of operating performance 
- ✓ Buy-back of up to €400m p.a. to start in 2H18 





Value creation

Optimization

- ✓ Opex/gross margin target of 30% by 2022 
- ✓ Launch of Opex and Capex Committee 

Capital discipline

- ✓ “Golden rules” to ensure value creation and profitable growth 
- ✓ No M&A contemplated in the Strategic Plan 

Focus on value over size

First Half 2018 Results

Q&A

Appendix



Financials

Consolidated income statement



(€M)	1H18	1H17	1H18 recurrent	1H17 recurrent	Change (%)
Net sales	12,176	11,569	12,176	11,546	+5%
Purchases	(8,907)	(8,263)	(8,860)	(8,283)	+7%
Gross margin	3,269	3,306	3,316	3,263	+2%
Personnel costs	(464)	(469)	(440)	(453)	-3%
Taxes	(237)	(225)	(237)	(225)	+5%
Other expenses	(564)	(582)	(534)	(594)	-10%
EBITDA	2,004	2,030	2,105	1,991	+6%
Depreciation and impairment losses	(5,165)	(800)	(832)	(800)	+4%
Provisions	(63)	(58)	(63)	(58)	+9%
Operating income	(3,224)	1,172	1,210	1,133	+7%
Financial result	(306)	(349)	(312)	(349)	-11%
Equity income	(559)	7	13	7	+86%
Income before tax	(4,089)	830	911	791	+15%
Corporate tax	926	(183)	(210)	(173)	+21%
Discontinued operations results	(15)	64	-	-	-
Non-Controlling interests	(103)	(161)	(169)	(183)	-8%
Net income	(3,281)	550	532	435	+22%

EBITDA breakdown



(€M)	1H18	1H17	1H18 recurrent	1H17 recurrent	Change (%)	FX impact
Gas & Power	595	549	639	504	+27%	(17)
Gas, power and services sales	55	41	98	21	n.m.	-
International LNG	233	163	233	163	+43%	-
Europe power generation	166	207	167	182	-8%	-
International power generation	141	138	141	138	+2%	(17)
Infrastructure EMEA	891	879	898	893	+1%	(17)
Spain gas networks	432	433	437	433	+1%	-
Spain electricity networks	316	298	318	312	+2%	-
EMPL	143	148	143	148	-3%	(17)
Infrastructure South LatAm	362	407	400	407	-2%	(58)
Chile electricity	124	153	144	153	-6%	(5)
Chile gas	87	103	98	103	-5%	(6)
Brazil gas	110	126	109	126	-13%	(23)
Argentina gas & electricity	43	28	51	28	+82%	(24)
Peru	(2)	(3)	(2)	(3)	-33%	-
Infrastructure North LatAm	123	139	121	139	-13%	(14)
Mexico gas	78	87	76	87	-13%	(8)
Panama electricity	45	52	45	52	-13%	(6)
Other	33	56	47	48	-2%	-
Total EBITDA	2,004	2,030	2,105	1,991	+6%	(106)

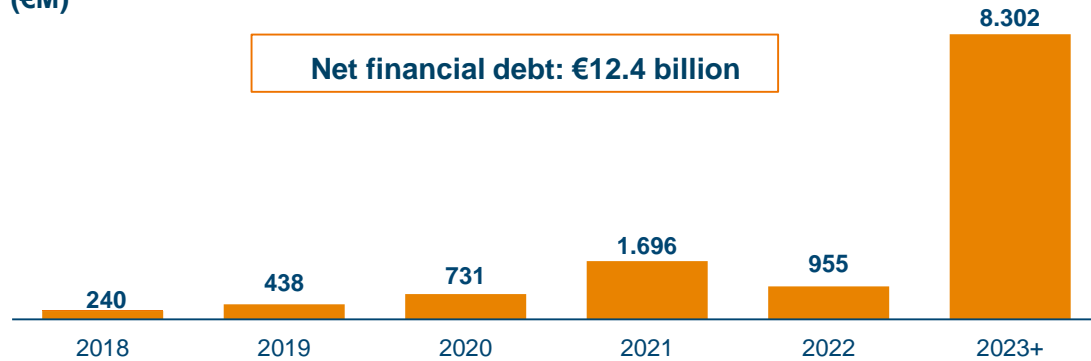
Investments

(€M)	1H18			1H17		
	Total	Growth	Maintenance	Total	Growth	Maintenance
Gas & Power	623	547	76	169	114	55
Gas, power and services sales	35			25		
International LNG	380 ¹			-		
Europe power generation	109			54		
International power generation	99			90		
Infrastructure EMEA	185	108	77	190	86	104
Spain gas networks	94			82		
Spain electricity networks	90			106		
EMPL	1			2		
Infrastructure South LatAm	238	127	111	230	118	112
Chile electricity	106			119		
Chile gas	64			37		
Brazil gas	35			49		
Argentina gas & electricity	27			21		
Peru	6			4		
Infrastructure North LatAm	80	52	28	93	62	31
Mexico gas	35			41		
Panama electricity	45			52		
Other	19	2	17	55	13	42
Total tangible + intangible	1,145	836	309	737	393	344
Financial	35			27		
Total gross investments	1,180	-	-	764	-	-
Disposals	(2,580)			-		
Other	(29)			(24)		
Total net investments	(1,429)	-	-	740	-	-




Financial structure

Maturities

As of June 30, 2018
(€M)



Selected credit ratios	1H18	FY17
Net debt/ LTM EBITDA	3.2x	3.9x
Adjusted Net debt ¹ / LTM EBITDA (S&P)	4.1x	4.7x
FFO/adjusted Net debt ¹ (S&P)	18.3%	15.7%

		Consolidated group								Holding & Other
		Jun '18	Dec '17	CLP	USD	BRL	ARS	MXN	USD	EUR/USD
Net financial debt	€M	12,362	15,154	1,760	14	234	27	311	475	9,541
Average cost of debt	%	3.0	3.4	5.8	3.5	7.9	32.4	8.5	4.0	2.3
% fixed rate (gross debt)	%	84	82	70	0	0	2	57	60	90

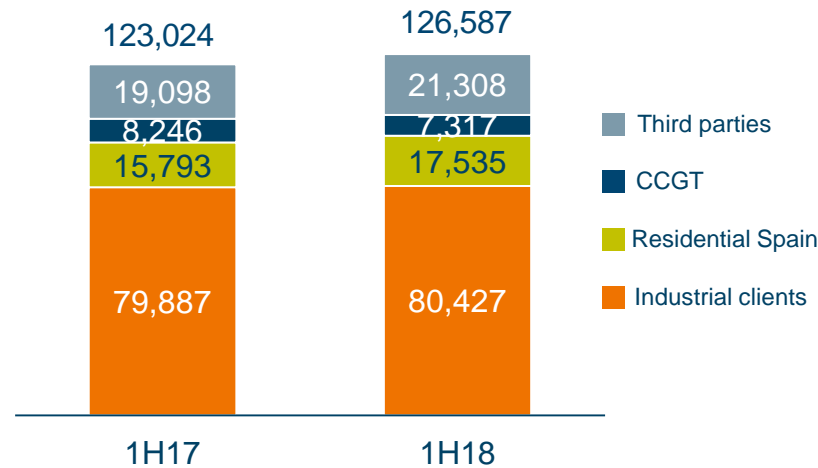


Operating figures

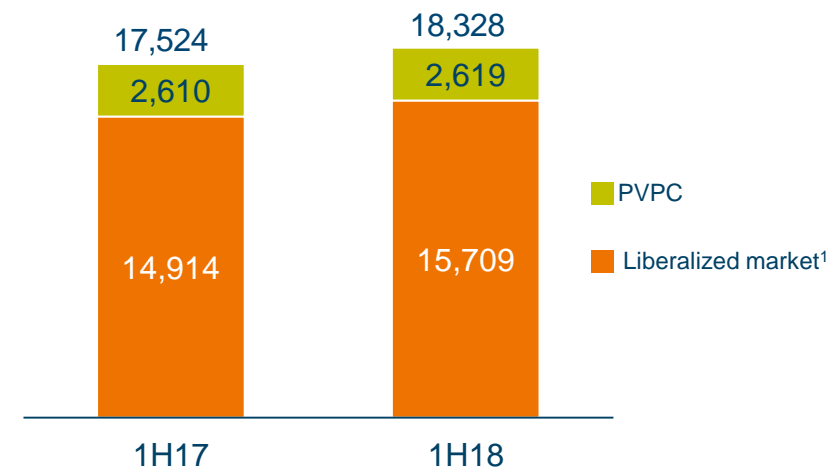
Gas & Power

Gas, power and services and LNG international sales

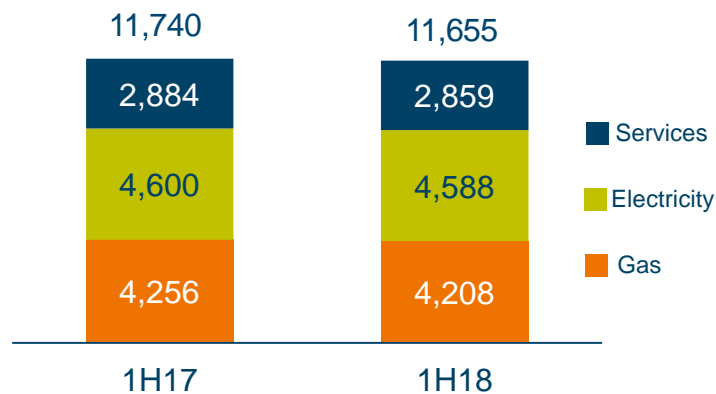
Gas sales (GWh)



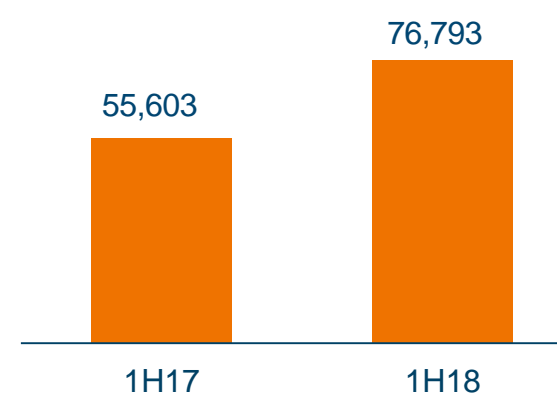
Power sales (GWh)



Contracts ('000)



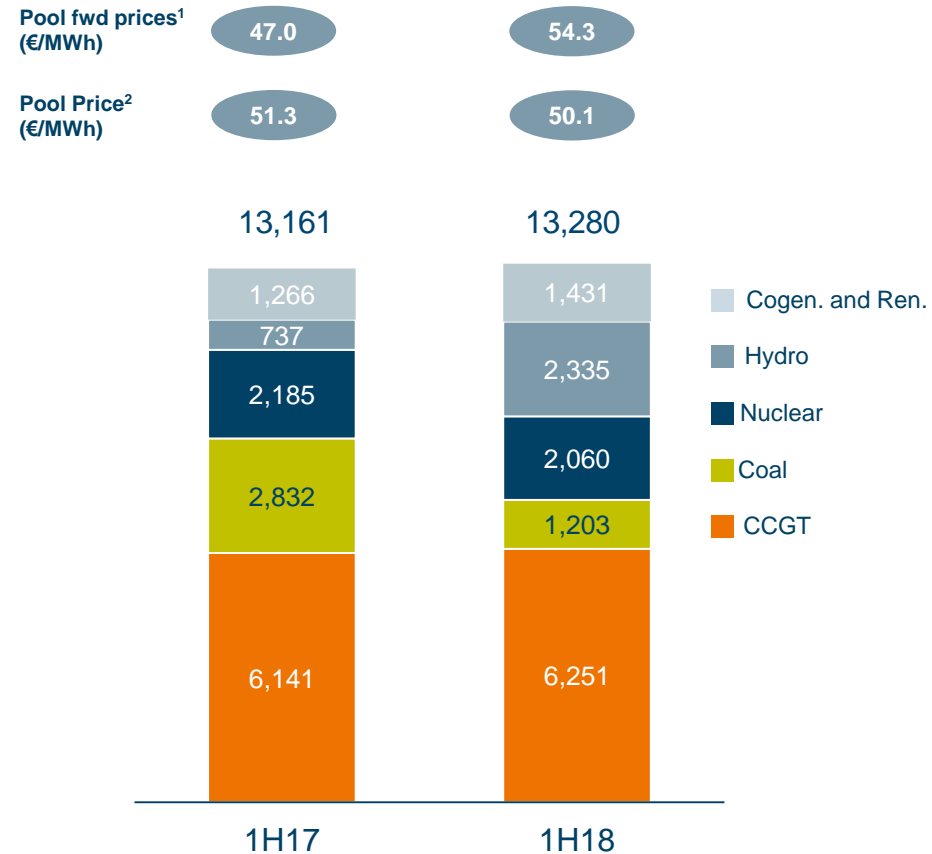
International LNG sales (GWh)



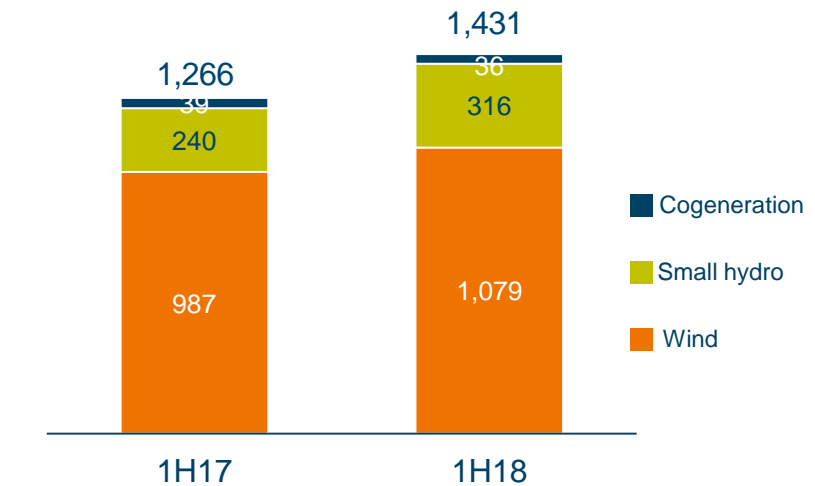
Gas & Power

Europe and International power generation

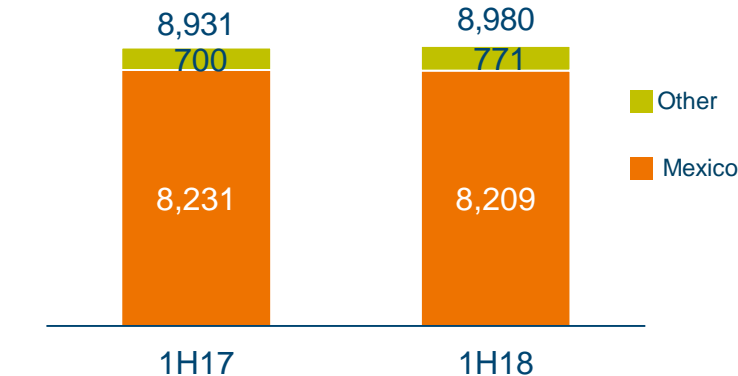
Europe power production (GWh)



Europe renewable power production (GWh)



International power production (GWh)

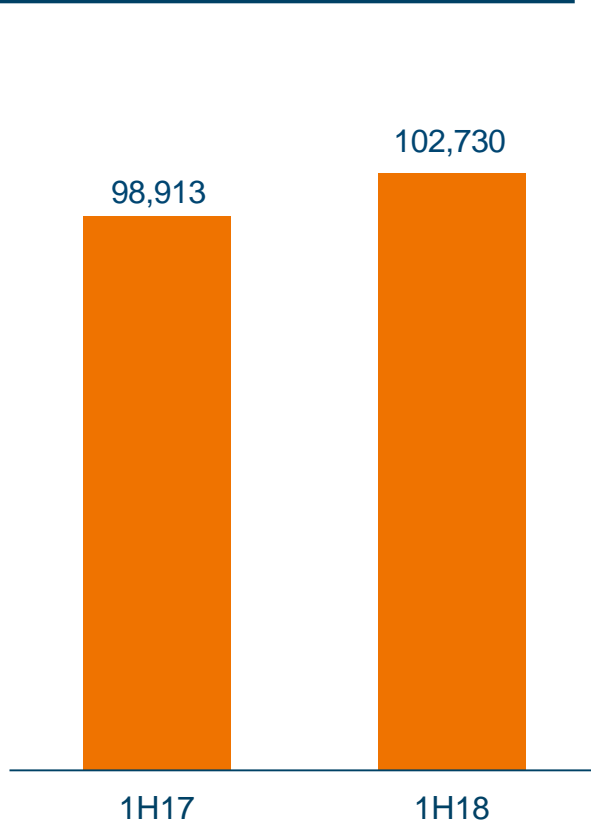


Notes:

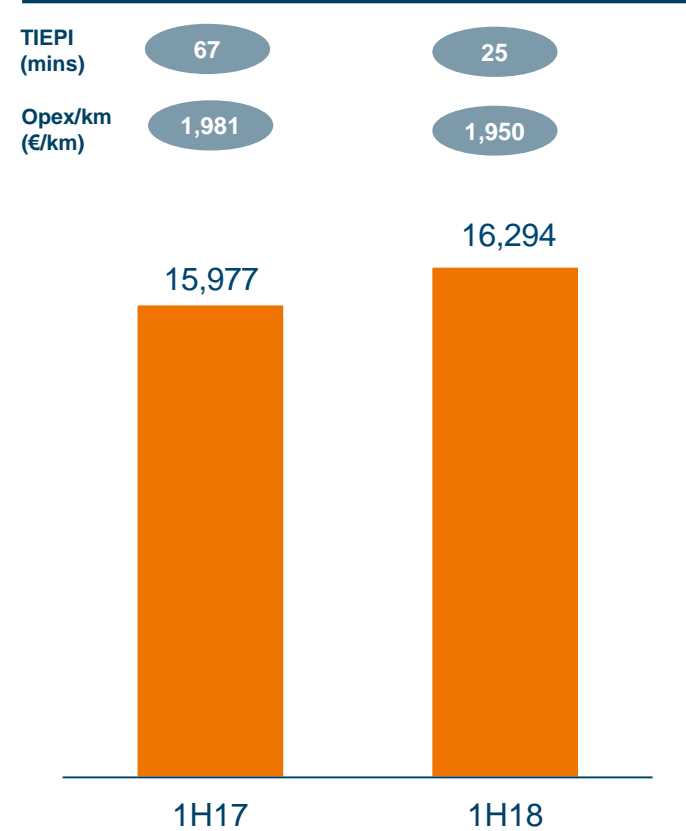
1. Monthly average of the 12-month forward Spanish base prices in the Iberian Energy Derivatives Exchange (OMIP) in the period
2. Average price in the daily power generation market

Infrastructure EMEA

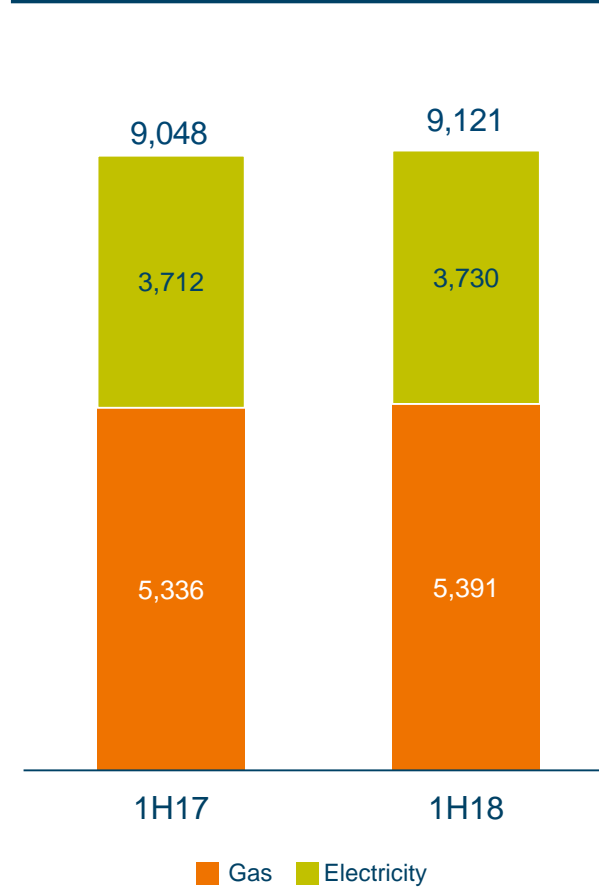
Gas sales Spain (GWh)



Electricity sales Spain (GWh)



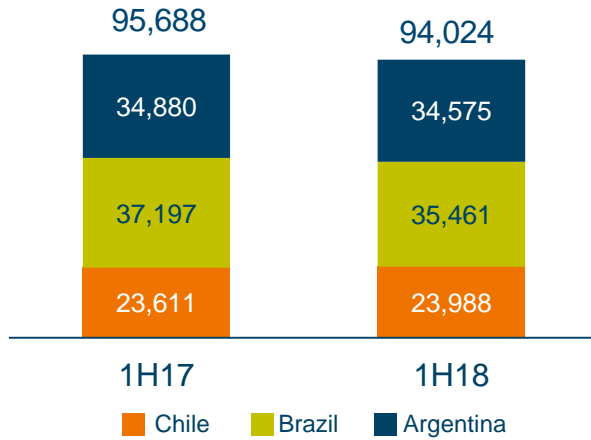
Connection points ('000)



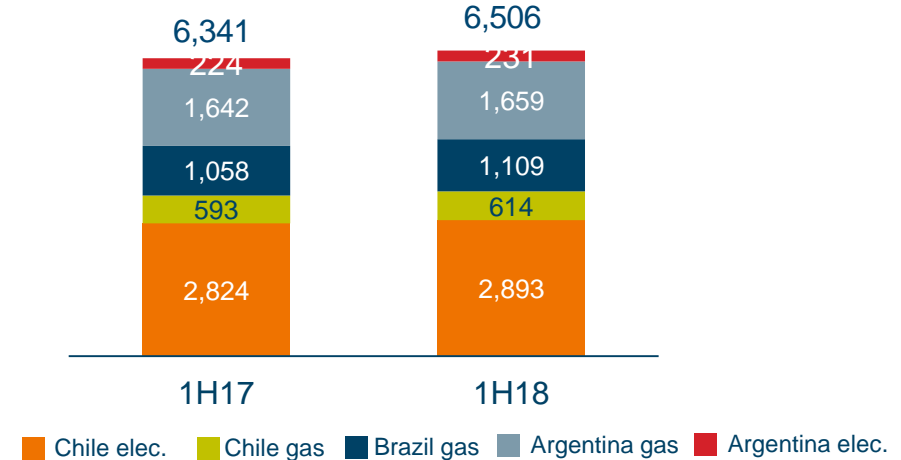
Infrastructure South LatAm



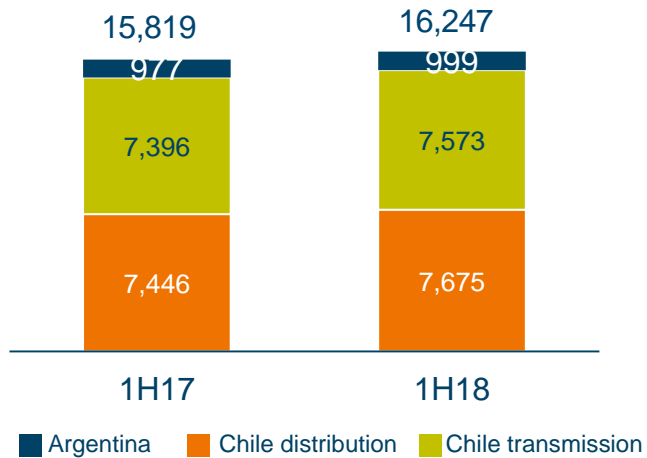
Gas sales (GWh)



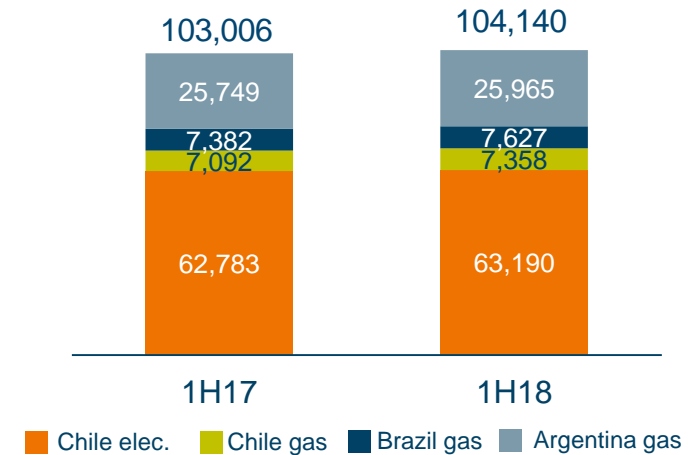
Connection points ('000)



Electricity sales (GWh)



Network (km)¹



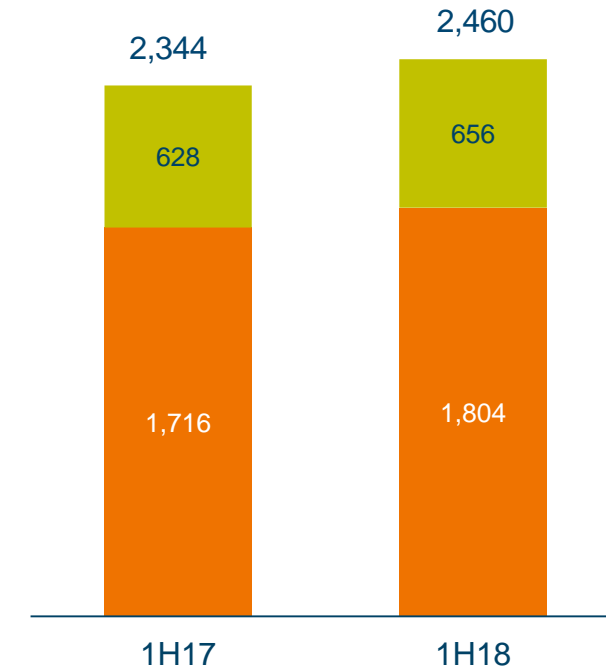
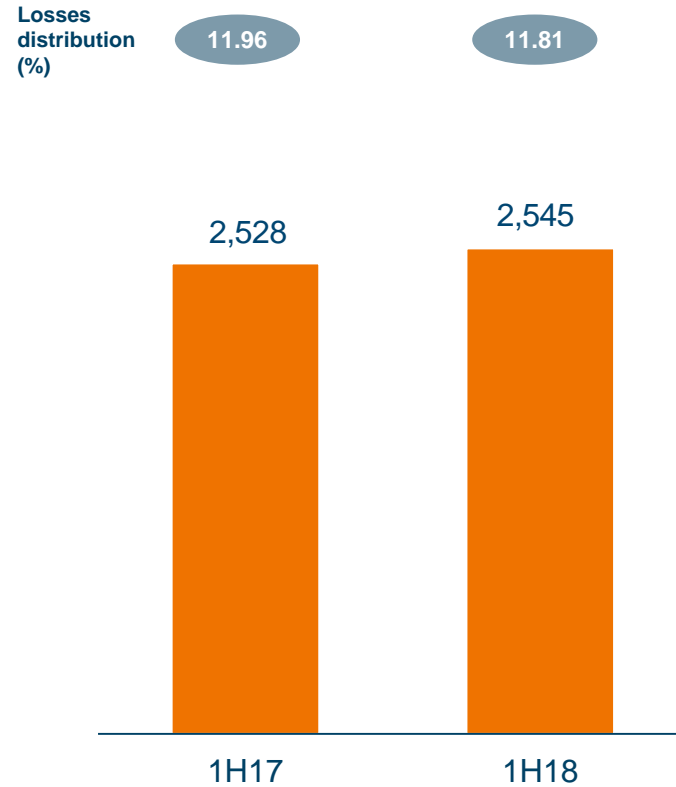
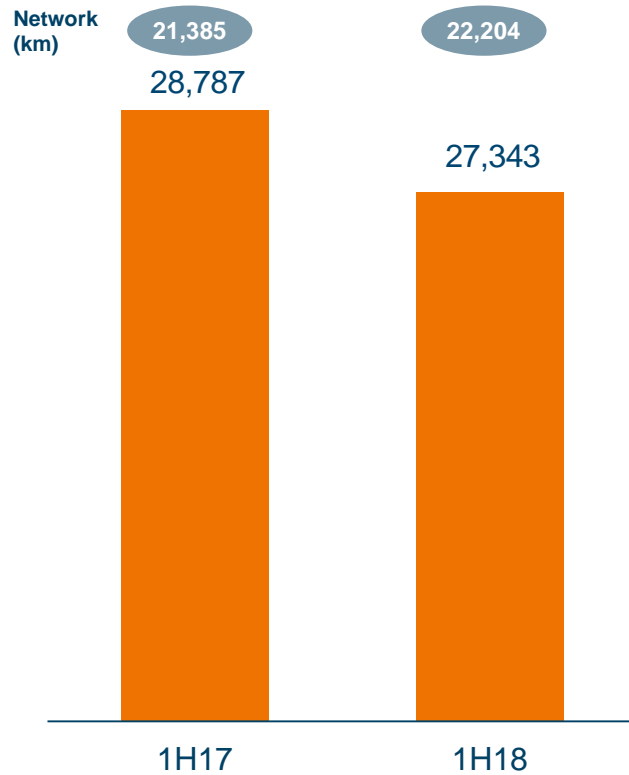
Note:
1. Excluding Argentina electricity network

Infrastructure North LatAm

Gas sales Mexico (GWh)

Electricity sales Panama (GWh)

Connection points ('000)



Mexico gas Panama electricity



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