



9M 2021 RESULTS

10 November 2021

Aarti Singhal

It's my pleasure to welcome you to Engie's 9-month results.

Shortly, our CEO, Catherine MacGregor, will start the presentation, and she'll be followed by our CFO, Judith Hartmann, after which, as usual, we'll open the lines for Q&A. Just a very polite request: please, if you could limit your questions to one or two only. And, with that, over to Catherine. Thank you.

Catherine MacGregor

Thank you, Aarti, and good evening, everyone.

I want to start today's presentation by highlighting the strong progress Engie has made on the execution of our strategic plan that we announced in May.

This was a plan designed to build a strong foundation for long-term earnings growth and a sustainable dividend, while maintaining a strong balance sheet for the Group.

As a reminder, under this plan, we are exiting non-core activities to build a simpler Engie.

The disposal program is proceeding at pace and the recent EQUANS announcement is indeed a major milestone enabling Engie to reallocate capital into core activities and capture the many investment opportunities we see, particularly in Renewables.

We are also working to enhance the efficiency of the Group, through a rigorous performance plan. And, very importantly, we are ensuring that all our actions are driven by Engie's climate ambition of Net Zero by 2045 across all three scopes.

I am very pleased to say that we have made strong progress across each of these areas. And, crucially, this has been achieved alongside a very strong 9-month performance.

In addition to executing on the strategic plan, we are taking actions to maximize operational availability of our generation assets to capture the commodity-price tailwinds.

We are optimizing performance across our mix of assets, all of which have exposure to the power-price environment.

And, where possible, we have accelerated hedging for outright production for future years, and we will give you a full update on this at the Year-End results, when we provide a 3-year guidance to 2024.

Turning now to the announcement that we made last week, where we entered into exclusive negotiations with Bouygues for the sale of 100% of EQUANS: Bouygues' proposal was indeed the most compelling offer taking into account all criteria, including financial valuation.

Thanks to the quality and strategic fit of the assets, Bouygues intend to create a world leader in multi-technical services, anchored in France. And, on the social front, Bouygues has agreed not to implement any forced redundancy plans in France and Europe for 5 years and to create 10,000 additional jobs over 5 years. We truly believe that this operation will offer strong development opportunities for all EQUANS employees.

With an enterprise value at €7.1 billion, this is among the largest carve-outs in Europe and a testament to our ability to deliver complex projects.

The next steps include consultation with relevant employee representative bodies, and the transaction is subject to regulatory approvals and customary closing conditions. In line with the plan that we communicated, it is expected to close in the second half of next year.

Alongside the other previously announced disposals, such as four countries exited year-to-date, we have made significant progress towards exiting non-core activities. The speed of execution has been facilitated by the tireless work and commitment of our teams, whom I would like to sincerely thank for their contribution.

Turning now to the 9-month results, I am very pleased to report another strong quarter for Engie, continuing the trend of solid performance from the start of this year.

EBIT increased to €4.1 billion, up 57% on an organic basis. This strong performance was supported by measures that we put in place, enabling us to rebound rapidly from Covid, in line with a progressive recovery in economic activity levels, and by strong operational performance, with a high level of asset availability—in particular in Belgium, where nuclear availability of 92% led to much higher levels of output.

Our results benefited from temperature and price effects.

Our performance plan continued to deliver results across the board, underpinned by proactive management actions on loss-making entities, procurement savings and operational excellence.

As a result, we have upgraded the 2021 guidance. Engie now expects to deliver higher earnings in the full year than previously communicated. This reflects the very strong performance in the 9 months and the continued improvement in market conditions throughout the year for Nuclear and French Hydro production, as well as a positive volume effect from the Belgian Nuclear assets.

Engie now expects Net Recurring Income Group share in the range of 3.0 to 3.2 billion in 2021, based on an indicative EBIT range of 6.1 to 6.5 billion.

Moving to operational progress, across the four global business units, in Renewables we have commissioned 3.7 GW in the last 12 months—and I will cover Engie's progress in Renewables in more detail shortly.

Energy Solutions benefited from a strong recovery from Covid and activity levels are in line with expectations.

In our Networks GBU, we started commercial operation at the 1,000 km Gralha Azul power line in Brazil.

And, in Thermal, we progressed on coal exit with completion of the sale of Jorge Lacerda in Brazil.

In Supply, where the French government announced a tariff freeze for regulated customers from 1 November until the end of June next year, the government has proposed an amendment to the 2022 Budget Law with a view to compensating Engie and other suppliers for loss in revenue due to the regulated gas tariff freeze. And this amendment, when voted through, is expected to keep Engie economically neutral while enabling the Group to recognize revenues and margins.

Tackling climate change is at the heart of our Group's strategy. Engie is committed to accelerating the transition to carbon neutrality with our target to be Net Zero by 2045 across all scopes. And, in line with this strategy, I am proud to say that Engie is one of the founding members to join the First Movers Coalition, which was launched last week at COP26. By joining this coalition, Engie commits to buying low-carbon equipment to help develop decarbonized supply chains, which is crucial to reducing global emissions.

In the last 9 months, we have commissioned 1.8 GW of Renewables, covering solar, onshore and offshore wind assets, and we are on track to commission 3 GW in 2021. In France alone, we commissioned 27 projects in solar and wind, totaling around 300 MW, reinforcing our leadership position in Renewables with installed capacity of nearly 8 GW. In addition, we signed Green corporate PPAs for a total volume of 1.9 GW in 9 months, compared to 1.5 GW for the full year 2020, to provide major industrial and technology companies with renewable power, supporting them on the path to decarbonize their own operations. So, today, Engie has 33 GW of Renewables in operation, with strong O&M capabilities, underpinned by our expertise in commercializing Renewables.

We are accelerating investment in this area, while bringing our industrial and energy management approach. And, in line with that strategy, we will continue to invest in our key markets, where we can develop complementary asset portfolios.

In summary, our objective is to reach 50 GW by 2025 and 80 GW by 2030. And, importantly, we intend to achieve this whilst maintaining a consistently disciplined approach and a strong focus on returns.

And now, over to you, Judith.

Judith Hartmann

Thank you, Catherine, and good evening, everyone. It's great to be here with you.

I would like to start by highlighting the importance of the EQUANS announcement from a financial perspective. We are very pleased with the €7.1 billion enterprise value. This now clearly reflects the value of this great business, with opportunities for both growth and margin improvement.

These activities were less aligned to our business model but will greatly benefit from being part of the Bouygues group. On completion, this transaction will significantly simplify Engie. It will enable us to focus our management time and capital to core activities, notably to Renewables, to drive long-term earnings growth and shareholder returns. I would like to thank the teams for their tremendous work on this important step.

Turning now to our very strong results for the last 9 months, EBITDA and EBIT have increased by 23% and 50% respectively. I am particularly pleased with an organic EBIT growth of 57%.

The negative foreign exchange impact of minus €106 million was mostly due to the BRL and USD depreciation versus the EUR.

The scope effect was limited, at negative €25 million.

We delivered strong cash flow generation, with CFFO increasing by €1 billion.

Net financial debt increased, primarily driven by growth investments. Given the increase in earnings, this did not affect our credit metrics, which remain in line with our targeted rating.

Let's now take a closer look at the last 9 months' organic performance by activity. Except for Thermal, all activities grew organically.

Before I discuss the operational drivers, let me go through the following key favorable external effects.

Firstly, Covid restrictions were less stringent compared to last year, and our teams have worked tirelessly to adapt to this new environment. This led to a very good rebound, mainly in Client Solutions, Others and Supply.

Secondly, colder temperatures in 2021 supported the contribution of Networks, Supply and Others. In France alone, the total temperature effect was €283 million positive year on year.

And, thirdly, the price environment had mixed effects. On the positive side, higher power prices fueled higher contribution from Nuclear and Renewables. For example, outright power generation from Nuclear and Hydro in Belgium and France benefited from a price effect of over €300 million. On the flipside, Thermal was impacted by a negative timing effect due to market conditions for gas power plants in Europe and by a drop in energy margins in Chile.

In addition to these external effects, on the next slide you will see how operational progress and other effects contributed to this organic growth.

Renewables benefited from further positive GFOM rulings in Q3 2021 in Brazil, which allow us to recover past energy costs. These resulted from constructive exchanges with the regulator by our teams. Wind and Solar assets delivered a good performance, with overall higher volumes, in particular thanks to the commissioning of new capacity. These positive effects were partially offset by the impact of the Texas extreme weather event in Q1 2021.

In Networks, results increased with higher contribution from power lines and from TAG in Brazil. This was partly offset by lower RAB remuneration rates in France.

Client Solutions showed strong commercial progress, both for Energy Solutions and for EQUANS. But their EBIT contribution was also impacted by some loss-making activities as well as innovation businesses with higher development costs.

Thermal benefited from positive one-offs, mainly in 2021, and from higher ancillaries. Our teams also reduced internal unplanned unavailability by around 10%, which is a noteworthy operational achievement.

Supply was impacted by the reversal of 2020 positive one-offs and by lower margins in Belgium.

For Nuclear, our Belgian assets reached an excellent availability of 92%, reflecting substantial operational improvements as well as lower maintenance works. D&A was lower, following the 2020 impairment. In line with existing profit-sharing agreements in Belgium, Nuclear contribution taxes increased.

Activities reported in Others were impacted by the reversal of 2020 positive one-offs for GEM and by the lower contribution of GTT after a particularly strong 2020.

Finally, our performance plan continues to deliver results across the board, allowing us to confirm our 2021 full-year target of €100 million EBIT contribution.

Turning now to investments, year to date we invested €2.9 billion in growth Capex. This was focused investment, in line with our Net Zero target by 2045 and with the framework we presented in May: 37% was allocated to Renewables, 33% to Networks and 20% to Energy Solutions. More than 90% was invested organically.

Turning to CFFO, which was €5.3 billion in the first 9 months of 2021: CFFO was up €1 billion year on year, mainly driven by the following.

First, operating cash flow was €1.2 billion higher, reflecting the EBITDA increase.

Second, the overall change in Working Capital Requirements was flat. There was a positive change from energy management activities, largely driven by rising gas prices, leading to a positive effect from margin calls. This was linked to gas net buyer positions and was partly offset by a negative impact from an increase in gas inventory. At the same time, the change in Working Capital Requirements for Other activities was negative. This was mainly because of margin calls in our French Hydro affiliate CNR due to power selling positions with increasing power prices.

Moving to our balance sheet, net financial debt increased with gross Capex and Dividends exceeding CFFO and Disposals for the period.

On disposals, I should mention that we still expect the €1.1. billion proceeds from the GRTgaz partial disposal by the end of 2021, which are not included in this bridge. In addition, the reduction in net debt from EQUANS is expected at closing in H2 2022.

Regarding credit metrics, at the end of Q3, the Net financial debt over EBITDA ratio was 2.4 x, stable since year-end 2020. The Economic net debt to EBITDA ratio stood at 3.6 x, lower than at year-end 2020 and in line with our target ratio of below or equal to 4 x.

To conclude, let me take a step back and remind you of the value creation framework we presented in May.

Over the first 9 months of 2021, we continued driving simplification, notably of course with the EQUANS announcement, improving our business mix with focused growth investment on our key priorities, enhancing

performance by confirming our €100 million net EBIT contribution target for 2021. We delivered a very strong 9-month-2021 financial performance.

Lastly, we are of course very happy to upgrade our 2021 guidance, given the very strong 9-month results and the tailwinds we are operationally able to capture.

Before handing over to Catherine for the conclusion, again I would like to take this opportunity to thank our teams for their tireless commitment in achieving this performance.

Catherine, back over to you.

Catherine MacGregor

Thank you very much, Judith.

Before taking your questions, just a very brief summary of the key messages.

Indeed, we have posted very strong 9-month results, we are upgrading our full-year guidance, we've made a significant timely progress towards the execution of our strategic plan, and maybe as a last comment, just to reaffirm my conviction that Engie's core capabilities, assets, integrated business models, position the Group very strongly to successfully navigate what is today an unprecedented environment that the energy industry is facing, with a very sharp focus to execute and to create value.

Thank you very much for your attention, and we can now open the lines for questions.

Q&A

J.P. Morgan

Yes, good evening and thank you for this presentation.

Very strong results. We expected Engie to be very well on track to meet the guidance but maybe not to increase the guidance ahead of the elections so that shows quite a bit of confidence.

So two questions, as we need to refrain ourselves here.

One is a very simple one: the asset rotation. It's a question that keeps coming. You had, I would say, a fantastic track record, whether looking at Suez, GRTgaz and now EQUANS. So the disposal program has been delivered extremely well. It's almost done. A few extra bits. Now the question for the market is the reinvestment. So here you showed that you've done more than 90% of your Capex organically. There are some news for example that Engie is looking at Eolia in Spain. But could you confirm again, if I understood properly, that large M&A, transformational M&A, is not on the agenda. I believe that's an important message for the market, and whether you consider large M&A, give us a threshold if you can. That will be great.

If I have to pick and choose a second question, that will be regarding Nuclear: we're not talking taxonomy here, we're talking about the life extensions. So you say that, basically, given the coalition position in Belgium last year, you decided that it was too late, actually, to do the investment for life extension, so you recognized that in P&L. But the current situation is stressing to every government around that an energy transition can raise security-of-supply issues. So what is the situation there? Are they potentially changing their mind or not? Would you stick to your guts? What is other than work? And the key for Engie now is the capping of the liabilities on Nuclear, I would call it German style. So you've been discussing with them for a while. What is the update you can provide us on Belgian Nuclear please? So that's question number two. Thank you.

Catherine MacGregor

All right, Vincent, thank you, thank you for the questions. So maybe I will start by commenting on your first question, which is both on our disposal program as well as our reinvestment program.

So you are right to say that we are progressing really well in our disposal program. We still have a few, you know, themes that are still not complete, and here I would highlight, you know, our decarbonization plan, so you know we have a coal exit plan which is going to take us a little more time, we have announced 2025 and 2027 for the rest of the world (2025 for Europe). So we still have a bit of work to do but you are right to say that we have moved at pace and indeed we are very, very pleased with what has been achieved so far.

In terms of reinvestments, you know, our plan has not changed. We are very focused on, indeed, organic growth. We are very focused in investing in our global business units, namely Renewables, and also energy infrastructure, decentralized infrastructure. And that has not changed at all. We want to reaffirm, reassert, and increase, the value we bring to these projects, by being an industrial and an operational actor, particularly in the Renewables arena, so that is some of the things we really... we feel we have expertise, we have differentiation, and this is how we want to focus on bringing value. As well, of course, as you know, Vincent, deploying our energy management capability, which is so important. As, you know, the mix is diversifying and the energy systems are becoming more and more complex, our ability to manage energy is frankly very, very differentiator. So we are putting all this together, focusing our growth indeed on organic capability, on key geographies, which obviously doesn't exclude us to look in a very opportunistic manner at bolt-on potential organic—inorganic targets, sorry, which would completely fulfil the criteria that we have set, which is, you know, a complement to our strong geographical presence in a key market, which would help us build a complementary asset portfolio for which both our industrial and operational capabilities would add value, as well as, again, you know, the energy management capability would also add value. And that would be some of the criteria and, to that, of course, I would add a return criteria, which is very, very important. And, you know, there is a lot of discussions around Renewables targets, you know, is it competitive, it's not competitive, but we would be looking at targets project by project, in a very, very selective manner, to make sure that, if we go for one, it fits all these criteria. So, again, aligned with our strategy, we can fully play our role as an industrial and operational actor, it adds something to our portfolio—very important, our energy management portfolios—and of course it meets our return criteria. And that would be some of the criteria that we would—the only criteria that we would go for if we were to do inorganic growth. But, again, mainly organic growth, very selective inorganic targets.

And, moving now to your second topic, so switching gear a little bit on Belgium, so a couple of things are obviously our position on Nuclear is obviously unchanged, and you know we've always said that the time we will need to go for a full-fledged extension program is about 5 years. The law in Belgium today is calling for the end of nuclear activities by 2025. And, as we are getting into 2022 soon, you know, that window of 5 years has basically expired. Now that doesn't mean, indeed, that the discussion around security of supply in Belgium is not going... is not quite vivid. I'm sure that you have followed for example the CRM auction results—which were very positive for Engie by the way, because we secured two projects, a new gas project, the ability to construct two CCGTs, which is very good news. But it is true that one of the two projects is still pending a permit. So, you know, there is a bit of a question mark about our ability to go ahead with that project. So we're dealing with this situation now. And then we also secured some CRM schemes under existing capabilities. So, overall, the outcome of this CRM was very positive for Engie. But, of course, the question on permits is going to be very important to make sure that we can resolve that in order to move ahead with the project.

Deutsche Bank

Hello, good evening, and well done on the very strong results.

I'll start off... There might be three questions, I guess.

I'll start off with one that might kind of stretch into two, just following on from Vincent's questions on reinvestment. And I guess a lot of people are focusing on Renewables at the moment. And I was wondering, when you... I guess a couple of parts: when you think about your Renewables business, do you see your ambitions as being

regional or global? Because you have very strong Renewables business in some markets, you're strong in the US, you're strong in France, you know, there are other markets that you are strong in as well. Are you content with just sticking to a few markets, or do you want to really be, you know, very big in a global way on Renewables? And, secondly, if that is your ambition, do you feel like you can expand globally organically or do you think it is important to do bolt-on acquisitions to gain a kind of presence in markets that you're not in already? So that's the first one on reinvestment.

And then I was wondering just in terms of the results, if you could [lost audio] segments, sometimes you can have some gas gains. I'm sure your gas business has done quite well in the current environment. So maybe you could just tell us, quantify for us, if there are some gains coming through there or not. Thank you.

Catherine MacGregor

Sorry James, we need you to repeat to repeat the second question because we couldn't hear you well.

Deutsche Bank

The question on the gas side is, did you make any gains in Q3 in the gas trading business, and if you could quantify those.

Catherine MacGregor

Okay, all right, thank you, so a very clear answer: we are very focused, for our Renewables business, in our key markets. We believe local presence is a lever of differentiation and competitiveness. And we want to build on local presence. We think it's very, very difficult to be competitive in a market where you've not been before and to start developing one technology. We really believe in making sure that we have a diversified portfolio in our key markets, and that is very central to our Renewables deployment strategy if you like. So key markets. And, you know, we've listed them, so Western Europe, Latin America (with strong focus on Brazil, a bit of Chile, Peru) and then US, are some of the key markets that we're really focusing on, on Renewables. Of course, you know, Offshore is a little bit different, you know; Offshore is a little bit more global. So we always consider Offshore as a region to a certain extent. But, you know, for the typical Onshore wind and solar, think very focused key markets where we can really build on our presence. Also our understanding of local constraints. As you know, Renewables development is a lot about stakeholder management locally, permitting, environmental assessments, social acceptance, etc. All of this which is very, very local. And then, of course, managing constructions and activities of that kind also need to be... I mean, are largely de-risked when you have a local presence. So very, very much key markets, local presence. And, at the same time, we are deploying... I'm very pleased with the way the GBU is doing this: you know, we are an industrial machine and so we want to be very global as far as expertise and relationship with procurement, and industrial capability... Very local in our approach to the project, stakeholder management, etc. So I hope that makes sense.

Okay? I suspect that it makes sense so I move to the second question, which was around gas trading gains in Q3. So benefit from overall volatility... Okay. So, in terms of CCGTs and the performance of our CCGTs, what has happened in this business is obviously ancillary services, which tend to be called upon in high volatility and also when renewables are a big share of the production, are actually called upon, so CCGTs in general did quite well in the first 9 months of the year. Obviously, in terms of power price and the tailwind that power price has given to most of our assets, CCGTs get a little bit less because obviously, you know, the clean spark spreads are drivers for CCGT results and, of course, with the gas price being very high, you know, there was a bit of pressure there in terms of overall margin. But I'd say, in terms of ancillary services, they were called upon quite a lot and this, overall, is a positive for our CCGTs' results.

Deutsche Bank

[Audio lost] gas trading business? In the other line sometimes you can get some big swings there when you have commodity price volatility. Have you seen any... What did you see in Q3 in that business?

Catherine MacGregor

Yes, obviously volatility is, you know... with the talent we have in our energy commercialization business, volatility tends to be something that is a positive. And so yes, we did some tailwinds from that as well.

Goldman Sachs

Evening [Audio lost] presentation and congratulations on the numbers.

My questions are a little bit more granular but are just around one topic.

So a patient slide you highlighted, and a GFOM ruling in Brazil. Also a reversal of a 2020 positive one-off. And then I wanted to ask, can you just quantify those numbers roughly?

And then the second question is, what was the expectation for DBSO? Just so that I can get a better idea of just the moving parts.

Catherine MacGregor

Yes, okay, I'll just make a comment on the fact that, as you know, in Brazil, the regulation is very strong and there is a mechanism that allows to compensate the operator for extension of concessions. So we have a bit of a positive tailwind in this year, that Judith will give you a bit more color on.

And the second question was on DBSO and DBSO expectations. So, while we don't necessarily give the granularity of the number, you can expect it this year to be a little bit less than 2020, just because, as we presented in May, our model is shifting to a bit more DBO than DBSO. And therefore the margins of DBSO will be a little bit less than 2020. And, if I remember from the top of my head, in 2020 I think we had said it was around 100 million in terms of DBSO margins. So expect that to be a little bit less in 2021.

And Judith do you want to comment on GFOM?

Judith Hartmann

Yes, so on the DBSOs indeed to expect about half of that quite frankly is a good assumption, as we start to consolidate much more of our Renewables, as you know, as per our strategy that was laid out.

On GFOM, first of all I just want to reiterate what great news this is because it really shows the constructive nature of the Brazilian regulator. And so this is to catch up on past costs and out of merit basically production to save water. So we are looking at a number in Q3 year to date of roughly 150 million. So it is quite a significant positive for us, that we're very happy that we were able to get this together with the other energy companies in Brazil.

Morgan Stanley

Thank you. I think my key question was just answered in terms of explaining the Other line. So let's try a different tack.

It appears that the Belgian Supply margins were negative, and that's why the Supply business was certainly... Or the Supply result was less than perhaps we had hoped for. I was just wondering what was driving that and whether that's going to be recurring, or how sustainable that might be.

And, given everyone's having a couple of bites at the cherry, may I ask on the disposal plan? It seems now largely complete in terms of your quantum of proceeds you're seeking, with, as you said, a few more assets still to go. Is there scope to do more? And how would you think about the capital proceeds above the 9 to 10 billion targeted could be reallocated? Thank you very much.

Catherine MacGregor

Okay, thanks for the questions. So, in terms of Belgian Supply, you have to remember that Belgian government has developed or deployed social tariffs to cope with the Covid situation and to help households the most in need, and this social tariff is a vehicle that they have extended, actually, to help those same households to be coping with a higher power price and energy price. So we... You know, our Supply margins were a little bit affected by this social tariff extension during that period.

In terms of disposal plan completed, more proceeds and what we are going to do with the proceeds, we are obviously, again, very pleased with the way our disposal plan is going. As you know, we have put a plan together, announced in May, of about €9 billion to €10 billion disposal, with a 14 to... sorry, €15 billion to €16 billion investment program. What we will do in February, we will come back to you with obviously our new MTP, with a horizon of 2024, and we'll update the numbers. Obviously very pleased now with the way EQUANS is... the transaction is panning out, so we will update the numbers. But I think, very importantly, the key principles that we presented to you are not going to be very different. They will not change. We are going to be investing to accelerate our investments, particularly in Renewables, particularly in Energy Distributed Infrastructures business, about 40 to 45% we had said for our €15 billion to €16 billion investment... And, as we update our investment program over the next period, you should not see much... A huge departure from the type of percentage if you like. So, yes, the absolute figure might vary. Also, we'll take into account obviously our new outlook for 2024. Obviously, a lot has changed in terms of commodity prices, etc. So we will give you this new outlook, we'll update our disposal program but, more importantly, our investment program. However, the key principles will not change.

Morgan Stanley

That's great. And if I could just clarify maybe... this Others line. So, at the half-year, you were I think 122 million lower year over year than H1 2020 and now at 9 months you are 194 million better than 9 months 2020. So there's about a 300-320 million delta which has occurred in Q3. Could you just quantify (and apologies if I didn't hear it before) how much of that 300 million delta is this Brazilian one-off or whether there's any trading benefit in there as well? Thank you.

Judith Hartmann

Thank you for that question. The Brazilian GFOM would be in the Renewables line, because it's related to Renewables mostly, or 100% quite frankly (Hydro). And so what you see in Others, indeed, an improvement, trading has performed well in Q3. And, you know, it was said earlier, of course, in a time of volatility is when you have the best impact. And that really is the bulk of that improvement.

Barclays

Good evening and congratulations. I think one needs to go back many, many years to see two guidance upgrades in one year.

Two questions, if I may.

Because there have been so many questions around full-year 2021 guidance, can you maybe provide a bit more color on what's within the second upgrade, how much of this is power prices and Belgian Nuclear-related, how much are true one-offs. That would be the first question.

And then the second one relates to your kind of mid-term financial guidance, which you obviously provided 18 May, we've had two upgrades since. Can we expect for the full-year results kind of an update of your mid-term guidance? And would this be based on kind of a mark-to-market kind of end-of-year power prices? Thank you.

Catherine MacGregor

Yes, and thank you for your questions.

So one of the key things you have to look at, to understand, you know, the second revision for us... is you really have to look at the power throughout 2021 and you will see an extremely, extremely sharp increase—unprecedented, I think, is the word that qualifies, actually. And that all happened in H2. So very... And that was towards the end of July, I think that was fairly end of July, and then it really peaked. So that explains to you why we have had such a dynamic... A very, very dynamic year indeed, and a very specific timing situation that explains that.

In terms of guidance, so, yes, we will come back in February, we will give you an updated outlook to 2024, so you know we'll stay on this 3-year rolling forecast type of approach. Obviously, we are already anticipating some tailwinds from the commodity prices that we are seeing. We have given, by the way, as usual, hedging volumes, hedging percentages, as well as captured price, which, you know, if you want to calculate using normalized volumes you can, and estimate that impact. But, again, you know that would be the isolated impact of commodity prices on the hedged volume. And of course you would also have to take into account, as you know, that the Nuclear volume next year will be less, given the fact that one of the nuclear tranches will be shut down in October 2022. So there are some, you know... But, in general, yes, absolutely, tailwinds there. And so, yes, we will be redefining both our 2022 view as well as our horizon to 2024, to take into account both that commodity price new reality as well as, of course, as we've mentioned, in terms of investment program, the fact that we've done well on our disposal plan.

Société Générale

Hello, good evening.

My first question is on EQUANS and it's going to be to some extent a backward-looking question, as you very successfully are in the process of selling it. As a measure of the quality of your past investments, I was wondering if you could share with us the capital gain you are looking at booking on this transaction. We know the industrial capital employed at 3.8 billion but we don't have the book value. That would be an interesting data point to showcase past investments.

The second question is on the reorganization of your operations along the global business units that you mentioned in your exposé. I guess the new management teams are in place for these global business units and whether you use the GBU Renewables, which is very dynamic, or another. Are you able to share with us any real-life example of, you know, what makes this new organization better, almost on a day-to-day basis? Any example putting any color on your organization would be very helpful. Thank you very much.

Catherine MacGregor

Yes, of course Emmanuel, but you need to give me a lot of time, because I have actually a number of examples that actually comfort us in the fact that this GBU reorganization is paying off. And, you know, you quoted Renewables. I think it is where it probably is the most striking. But in Energy Solutions as well, where we are, for example, developing and defining very, very specific KPIs for the different businesses and making sure that these KPIs are harmonized throughout our geographies, so we are able to have a much, much, much better granularity of the performance of each of the businesses, having benchmarks and emulation, and being able to compare similar businesses between each other, and therefore drive improvement—which, you know, as you know, Emmanuel, when you had a multi-activity business unit, everything was mixed up and we didn't have this granularity. And now, you know, we're doing our QBR (Quarterly Business Review) with each of the GBUs and we are looking at their KPIs, which are operational, specific to their global business units, and that is now being standard for them. So, I mean, huge difference. I would also add, on procurement—I know I talk a lot about procurement—but this is really where... it's an area where I'm the most excited about in terms of almost quick wins. We are aligning our procurement organization with the global business units, and we are able to work with our suppliers, for example on wind turbines, on solar PV, you know, in an environment where there is a lot of talk about inflation and logistics, etc. So this very centralized, high-level engagement with suppliers is very, very important to de-risk our operation. And that's some of the examples. And, again, I could go on for ages, but I'm respectful of everyone's time this evening.

And then you asked a question about capital gains. So we have not disclosed that information. I'm sure we will in due time. It's a bit early for us to do that. I mean, the thing that is most important about EQUANS is the value that the candidates have seen with EQUANS is high, and it is a testimony of the potential and the upsides that EQUANS has, both in terms of market alignment, capabilities, and also performance improvement, by having a very, very dedicated, granular approach to this Service business—which, you know, we've always said was very different and needed to have a very specific approach. So we are obviously very, very pleased with EQUANS, and the potential that candidates are seeing in that business is indeed very promising.

Oddo

Yes, good evening, everyone. Thank you for taking my questions and congratulations of course for increasing your guidance again.

My first question would be maybe on Eolia, because you are rumored to have won, but anyway it's sure that you have made an offer on it, apparently with a price which is close to €2 billion. I would like to know how it fits with your strategy: do you see the Spanish market as a core business for you after the acquisition of the Hydro dam concession one year ago? And, if you see a further development here, notably with hydrogen or eventually the Supply business that could be developed in this specific market, considering that it seems to be of interest to you, it seems to make a lot of sense with your general comments regarding Renewables development, but more specifically on this market, what are the key points that you would like to highlight regarding these operations?

My second question would be regarding the Thermal business and more specifically the clean spark spread. We have touched a little bit this a few minutes ago, but maybe to have some idea on where we could go next year, in 2022, because currently it's clear that the clean spark spreads are a bit more under pressure because of the gas market situation. It is possible that this year you benefited from ancillary services, and one-offs as well in Thermal business which have helped a little bit Thermal. And, even in spite of it, Thermal was a bit under pressure. So what shall we expect for next year? Shall we expect that maybe your captured spark spread for the next few years might be a bit more under pressure, meaning eventually some downward pressure on Thermal that could be expected? That's my second question. Thank you very much.

Catherine MacGregor

Okay, so let me start with the first one. Obviously, I won't comment on any rumor or any specific deal. But what I would say, though, is that, in terms of approach to our key markets, we will be always, as I've mentioned earlier, looking at developing our Renewables capability as part of an integrated platform where we can really leverage our skills and expertise in energy management. And, in Spain, and if I look at the Iberian platform as actually quite an integrated platform, what we have done last year in terms of Hydro, which is the transaction that you mentioned, is giving us this very nice baseload, flexible assets, that we can integrate to what we're doing already in terms of Renewables development in that Iberian platform. So, you know, that's a very interesting region for us. And whatever we do we would always be looking at the integration of complementary assets as well as obviously bringing an industrial and operational role, which is very, very important in the way we want to develop our projects, whether new projects or inorganic opportunities.

And then the second question was on the spark spread being under pressure. So, look, we... obviously we'll come back to you more precisely in February 2022. Obviously, there's such a high volatility right now that it's very, very difficult to predict. So we'll give you better visibility in 2022 when we come back. I mean, the key thing, and very fundamentally, the role of the CCGTs in Western Europe is almost only gaining in importance, right? You have to remember, in Europe, this winter, in Germany alone there will be 3 GW of nuclear taken off, and about 1 GW of coal taken off the system. So, you know, there's going to be pressure on our CCGTs, which are, you know, very flexible assets, can be dispatched, etc. So we expect CCGTs to continue to play a very, very important role. As you know, the whole European energy mix is being transformed.

Bank of America

Hi, good evening, two questions from me.

So, firstly, I was wondering if you could expand a little bit on, you know, you mentioned in passing supply-chain and cost-inflation issues: can you just talk a little bit more about that, what you're experiencing on the ground at the moment in your Renewables business, and in particular have you had to delay or cancel any solar projects?

And then my second question, I guess kind of relates to that a little bit, is what trends in PPA prices have you been seeing, and maybe if you can compare and contrast between regions that would be helpful.

Catherine MacGregor

Yes, a bit of logistic tension, I think, across the world. I think no sector is immune to that. Our organization, Renewables organization, is working through the logistical hurdles in a very, very nice manner. A couple of projects, you know, are affected. We are seeing a couple of delays. But, frankly, nothing meaningful, nothing that makes us think that our targets, the targets that we've talked to you about, are going to be put at risk. We're managing the situation very well. And, again, you know, here, the centralized organization is also able to make sure that we make the right trade-offs, that we make the right... that we take the right... we give the right priority to the right projects, and this is happening in a very dynamic manner, and in a very professional manner. So, frankly, no meaningful impact. Obviously, we are strictly monitoring it, and I would leave it to that.

Judith Hartmann

And maybe if you allow me to add, for now, I think what's important to know also is on the 7 GW of assets under construction we have locked in the prices. And so, you know, that is obviously giving us a lot of confidence in the fact that, at this stage, no major impact from inflation on Renewables.

Catherine MacGregor

On the PPA, look, you know there is obviously strong support in Green PPAs these days. For many different reasons. You know, decarbonization commitments from all of our customers, and, you know, energy supply is one of their main and fastest ways to decarbonize their scope, so obviously very high demand in Green PPAs. And obviously PPAs are also enabling customers to give more predictability and more stability to the energy price when, you know, today's volatility is, for the people who didn't have the right protection, is frankly putting some of their operations at risk. So, if you look at that, we see a positive trend, good support and, you know, some increase in general. If I was to... if we could generalize, we are seeing a bit of an upward trend in PPA price. And just as a reminder, obviously at Engie we are very, very active in Green PPAs, where we have signed, this year, 1.9 GW in the first 9 months; 1.9 GW of Green PPAs. And that is up, even versus last year, for the full year. So both demand and price are going in the right direction, and we're very pleased because we are so well positioned on that.

Kepler

Hi, thank you. Yes, our key questions have been answered but I would like to come back again to the gas price freeze in France: can you please walk us through Engie's neutral impact to respect negative working cap for 2021, maybe in 2022, and especially what is the compensation mechanism discussed for now on regulated tariffs in France, as normally they are expected to end in mid-23, and normally the catch-up in tariffs is passed during the summer period, so we'd be interested to see this. Thank you.

Catherine MacGregor

Yes, so, you know, it's good to remind everyone that the government took this measure indeed to freeze the gas tariff in order to protect, you know, obviously, the households, from this high volatility in the market. And the government has been actually working very actively in defining the modality of how the suppliers, and particularly Engie, would be compensated from this tariff freeze. And a mechanism has been defined. In fact defined in great levels of details. An amendment, which is going through the whole approval process... it was voted at the *Assemblée*, at the lower house, I think last Friday, so it's moving along, which is fantastic. And the terms of the amendment are such that we will not see—if voted, it needs to be voted, but, you know, we are very... at this stage, because of that first vote being positive, you know, we are optimistic and we are positive that it will get voted through—so, when voted through, we will be able to recognize revenue and therefore no P&L impact, you know, in 2021, in 2022. So that's very good. As far as working cap is concerned, in terms of cash reimbursement, the terms are actually still being worked out. So the modality of the cash impact is not quite completely clarified. Work in progress. But obviously this is something that, at Engie, we definitely can manage and will manage.

I don't know, Judith, if you wanted to add to my answer if I missed something?

Judith Hartmann

No, I think it was very clear. Just to give you a sense of our confidence on being held whole here, we will be able to book a trade receivable on the French State and thus have no P&L impact this year. That's how firm this is now becoming. And on the cash flow, like Catherine said, we're still working out the exact mechanism. Of course, like you said, some of the regulated customers will go away. This is when the... also the State will come in. So some of that is still being worked out. So I don't... I think you need to assume there's some sort of spreading over the next couple of years, really, but on the whole we're being kept whole, which is great news. That's really the very strong assumptions that we have at this stage. And, of course, if there was a working capital delay of sorts, then, you know, we have a very strong liquidity to work this out and make sure that it happens. It is not an issue for the company.

Catherine MacGregor

Okay, I think that ends our call. I would like to thank everyone for participating despite the late timing, and enjoy, and have a very nice evening, everyone, thank you very much. Bye-bye.