**2017 HALF-YEAR RESULTS**

***July 28th, 2017***

**Isabelle Kocher**

Good morning, and thank you for being with us today. I'm very pleased to welcome you, with Judith Hartmann, our CFO, to present our Group's results for H1 17.

I'll start with the key messages and update on operations, Judith will follow with the financial update on the transformation programme and a deep dive into H1, and we will finish with the full-year 17 outlook and conclusion.

So, today, we are actually very pleased to share with you a solid set of results, in line with our roadmap for our 16-18 transformation programme. We have reached 5% EBITDA growth on our key growth engines, and our net recurring income is up 15% (organic). Eighteen months ago, I engaged the Group in what was considered as a challenging and ambitious transformation, in order to reshape Engie for growth and for value creation. Today, timing-wise, we are halfway through this transformation and we are very proud to tell you that we are already very close to achieving our goals. We have delivered faster than expected. Our organisation is becoming more agile by the day, we have already identified 90% of our efficiency programme, 85% of our growth capex are already done or committed, and our disposal programme is completed at 73%. Today, we are ready to drive Engie on the path of growth.

Let's focus now on these results. I'm on slide 4. All main P&L indicators show organic growth over H1 year on year. As you can see here, year on year, organically, EBITDA is up +4% and COI is up +2.5%. The net recurring income is significantly up, year on year, organically, namely by +15%. The strong growth achieved does not come at the expense of balance sheet control. On the contrary, again over H1, we have managed to further reduce our indebtedness. Indeed, net debt has decreased by 4 billion compared to year on year… compared to year-end 16, reflecting, mainly, the cash flow from disposals. Net debt on EBITDA stands at 2.2 times at the end of June.

Overall, we confirm our full-year guidance and we target now the midpoint of initial range, as H1 results show that we are exactly on track with the growth dynamics announced back in March.

The achievement of these results is made possible by the rapid and effective implementation of our transformation plan. The objective of our action plan in fourfold, I remind you.

- First, refocus Engie on its three growth engines.
- Second, act as a pioneer on digital and new energy-related technologies, enabling us to secure midterm growth and tackle long-term growth opportunities. Each semester, we reassess our three-year, five-year, ten-year growth prospects.
- Third, improve our efficiency. As a business, we are increasingly competitive.
- And, last but definitively not least, we need to adapt and prepare our Group to a new growth model, faster and more decentralised than before.

On all these objectives, we are well underway. A few examples.

We have changed our incentive policy to further incentivise and encourage managers on growth and value creation.

Our efficiency plan is well underway also, with the Lean 18 upgraded targets already identified at 90%.

Engie is also particularly active in the field of innovation. We have launched new offers to increase our growth potential over time. For example, we have recently acquired EV-Box, one of the world leaders in EV charging business, with 45,000 charging stations already in service.

Finally, and this is something I'd like to insist on, the effort made on refocusing Engie on the three growth engines we elected is well underway, as these three growth engines now account for 90% of our EBITDA. And this thanks to a disposal programme already completed at close to 75%, and thanks to an investment programme focused on these three growth engines committed at 85% as of today.

We are therefore shaping our Group to tackle growth opportunities.

Let me remind you what are these three growth engines we have decided to focus on.

- First, renewables and thermal contracted.
- Second, infrastructures.
- And, third, customer solutions.

At end-H1, these growth engines account for 90% of our EBITDA. The growth potential of these growth engines is confirmed. They enjoy a strong momentum, growing by 5.4% year on year at end of H1. Given their weight, and given the dynamics they benefit from, they enable us now to make it up for both the decline of merchant activities and the dilution from disposals. We have hence passed the tipping point.

As regards the full-year outlook, we expect organic growth to remain sustained at Group level on these three growth engines, yet with distinct dynamics among them in H2.

We expect renewables and thermal contracted to continue increasing at roughly the same pace, mainly driven by the commissioning of new assets in Latin America.

Financial performance of global networks should a little bit reverse in H2, driven by the full impact from a lower remuneration rate for French gas transmission, by a 2% decrease for the July annual tariff review for gas distribution, and by a rather poor new annual campaign for French storage starting in April.

On the other hand, we expect customer solutions to perform more strongly in H2, benefitting from a reversal expected for the B2C segment because H1 was impacted by several one-offs while the underlying trends remain robust on the back of client gains and improved margins. And also from the first contributions from acquisitions announced in H1, mainly for B2B and for B2T segments.

I will now give you a business update on our three growth engines.

First one, renewable and thermal contracted. On the operational performance front, we have enjoyed strong performance in Latin America and in the Middle East, driven by new capacities and price effects. These positives have more than offset adverse hydrological conditions in France. Besides, we also work on our industrial performance. In that regard, the Darwin project that develops predictive maintenance allowing for better efficiency has significantly progressed with 2.4 GW of windfarms and solar plants now connected, and we target 7.5 GW by 19. The medium-term growth of this business line is secured by a strong pipe of projects at every stage of development. Renewables-wise, we have commissioned at Group level roughly 340 MW of capacities in H1. We expect more to come over the course of the year. We have now close to 700 MW of solar capacity under construction, mainly in France, in Latin America and in India. As regards wind, we have 600 MW under construction. Then we have won several solar projects for more than 400 MW in France and India. Finally, we have announced earlier this year the acquisition of 100% of our subsidiary La Compagnie du Vent in France. This move enables us to strengthen our position on the French wind and solar markets. Recently, also, in April, we have entered the Chinese solar market by acquiring a minority stake in Unisun, which is a photovoltaic power plant developer. Following these commercial successes, we enjoy a strong medium-term pipeline of renewable projects, which also includes solar CSP and wind offshore, two technologies that we will add to our industrial expertise. This is for renewables. On gas generation, we have commissioned around 400 MW in H1 in the United Arab Emirates, and we have also two plants for a total of 2.8 GW under construction in the Middle East.

Second growth engine, infrastructure. In H1, we have enjoyed a strong performance from our gas infrastructure, mainly driven by tariff increases, both in France and outside of France. Indeed, it is worth reminding that we have sizeable positions in Romania, in Thailand and in Latin America. Let me give you an update on these regulatory environments. In France, we have now visibility until 2020 on all activities currently regulated. We have resumed discussions on the potential regulation of the storage business, as we observe that market participants are not respecting rules in place and ensuring the security of supply of the country. In Latin America, we have just successfully concluded a round of tariff reviews in Mexico and in Argentina. Finally, a tariff review is scheduled for next year for our already sizeable gas distribution business in Romania. We have closed the acquisition of Elengy, that is to say the LNG terminals in France, by GRT Gaz. This planned acquisition, we already mentioned, responds to the challenges of European gas infrastructure, and to the needs of market players. We continue investing in our regulated infrastructure in France and also outside of France, notably in Romania, in the US and in Latin America.

Third growth engine, now, our customer solutions. Let me start with our B2C business first. As regards H1 performance, some negative one-offs have overshadowed a very good underlying performance, notably from services. We have increased our client base in French power by 340,000 over the last six months, hence getting closer to the 10% market share mark. We also continue to actively defend our market share in gas, with a very limited decrease recorded year to date. All in all, we are therefore growing our French customer base. And, as explained end of June, at the investor workshop, we have been very active, with new innovative offers that will help us to continue developing our portfolio of clients. In the B2B business, now, H1 performance has benefitted from the restructuring of energy supply business, as well as from better margins at our services business. As regards medium-term growth, our backlog of installation projects in France has increased by 4% year on year, now totalling €4 billion. We have also signed multiple new contracts in various areas such as decentralised generation, installation, multi-technical maintenance. We are also very active on our product offering. For example Keepmoat, the acquisition we made in the UK, adds a new complementary activity to our clients in the segment of building regeneration. In B2T, finally, the activity – that is to say business for territories – the activity continues to enjoy a strong momentum, both on our historical businesses (that is to say district heating and cooling) and decentralised energy, and also on new markets (cities, green mobility), with new references. We have enjoyed a strong commercial dynamic with numerous contracts won over the last few months, such as, for example, a 50-year concession contract with the Ohio State University in the USA, with a $1 billion investment programme. As you know, we acquired 40% of Tabreed. Tabreed is number-one of district cooling in the Middle East. And, in doing that, we have become a worldwide leader in district cooling, adding to strong positions in Europe (that is to say in Paris, London, Barcelona, Lisbon) and also in Malaysia. This acquisition will add a very strong portfolio for us in the Middle East, a region where we didn't have much of a presence in this activity.

So I just gave an update on these growth engines that will contribute to our future growth.

A few words now on our merchant activities, because we still have merchant exposure, yet these merchant activities account now for 10% of our EBITDA. The performance in H1 has been significantly impacted by lower achieved prices on outright power volumes, and this is in line with our expectations. In H2, all our nuclear plants are up and running. On the regulatory front and market environment, we see potential upsides from a new carbon pricing mechanism and the adoption of more capacity remuneration schemes. Yet, we manage this business based on current conditions. Our aim is to continue to optimise, as much as possible, these assets. And what our teams have done on our thermal generation fleet is quite impressive since, today, we have a cash-flow-positive fleet ready to capture the value embedded in the volatility of markets.

So here for the business update and I now hand over to Judith who will focus on the transformation plan's key metrics. Judith.

**Judith Hartmann**

Thank you, Isabelle, and good morning, everyone.

I will focus on three topics today: the status of the transformation plan, the first-half results, and the outlook for 2017.

Let's start with the transformation plan, which keeps progressing at a very sustained rhythm. As Isabelle mentioned, we have made significant progress in the first half of 2017 and we continued to be ahead of schedule on all fronts: on investments, on disposals and on Lean 2018.

Let me just focus on recent developments. In the first half of 2017, we have continued to make investments to generate future growth. On an accumulated basis, since early 2016, we have invested 6.4 billion in growth capex. This is almost 50% of our total capex envelope over the 3 years, which is 14 billion excluding E&P capex.

As you know, we have dedicated around 2 billion of our total envelope to small tuck-in acquisitions. To date, we have committed roughly 65 to 70% (1.3 billion) of that envelope, of which 700 million is already invested.

The development pipeline remains very strong and we have 5.4 billion already committed on additional projects. Each project fits our investment criteria, including many renewable and downstream projects. So, in total, around 85% of our growth capex envelop is committed or identified as of today.

On portfolio rotation, at the end of H1, we have reached 73% of the objectives, which is 11 billion of disposals either closed or announced.

We continue to make progress on Lean 2018, based on our revised target of 1.2 billion by 2018. We have already identified 90% of the actions and achieved approximately 60%.

Let's look at our first-half investments now. So far, we have invested around 6.4 billion, of which 3.7 billion in 2016 and 2.7 billion in H1. Around 40% of the H1 growth capex were invested in customer solutions, 40% in low-CO2 power generation, and 20% in global networks. This reflects the increasing acquisition momentum in downstream.

In H1, we have indeed 1.6 billion of financial capex coming from the acquisitions in customer solutions, namely Keepmoat, EV-Box and Icomera. But also including the minority buyout of La Compagnie du Vent, the capital increase of Suez, and the Nord Stream 2 project. Our development capex mainly relate to renewable projects, notably solar projects in India, France and Brazil, and wind projects in Brazil and France. Gas infrastructure in France, notably Val de Saone, the north-south interconnection project. And to customer solutions activities in France, where we have invested in biomass and cooling and heating network projects, but also in North America and in Australia.

The value creation is clear. As you know, we expect new projects to contribute 1.1 billion to the COI based on full-year contributions, so more growth. This is of course for the total capex programme.

Let's move to the portfolio rotation programme. To date, we have already announced 11 billion of disposals. That is 73% of the total programme. So, clearly, we continue to be very well advanced on our 3-year programme. We closed, in 2016, around 4.2 billion of disposals, and almost the same amount so far in 2017 (in other words, 3.9 billion).

In Q1, we had closed the sale of our merchant assets in the US and our coal assets in Poland. In Q2, specifically, we sold our 10% interest in Petronet in India. This was a non-consolidation participation that did not contribute to the EBITDA but this disposal has generated a financial debt impact of more than €400 million positive.

As of today, we have signed close to 3 billion of additional disposals, for which closing is in progress. In particular, we reached a very significant step in the second quarter, with the announcement mid-May of the sale of our 70% interest in E&P to Neptune Energy for a financial net debt impact at closing of €2.4 billion and an EV of €4.7 billion at 100%, and including provisions. We expect closing in Q1 of next year.

We have launched a process to sell our second coal plant in Australia, called Loy Yang B, and our subsidiary in Brazil has announced the process to sell two coal assets, namely Pampa Sul and Jorge Lacerda.

For the rest, we have enough options in our portfolio to be able to achieve the 15 billion target by end of 2018.

On disposals already booked and signed, the dilution impact is very limited at the level of the bottom line, with roughly 250 million full-year impact at net recurring result Group share level. And for the total 15 billion programme, I remind you that we expect a total dilution of roughly €300 million at the net recurring income level.

Now an update on Lean 2018. As a reminder, we have exceeded our target by 6% in 2016. This led us to increase the overall target size by 20% with 1.2 billion of net savings now targeted at the EBITDA level. In the first half, we have continued to make good progress on Lean with 180 million net achieved at the EBITDA level. Hence we are now at €710 million achieved on a cumulated basis since January 2016. This is around 60% of the overall programme. By the end of this year, we target to be around 850 million. We are well on track to achieve this target. The contributions in H1 came from operational efficiency for 70% and from G&A for 30%. As part of Lean, we are undertaking a reorganisation of our headquarters and we are restructuring some loss-making activities. Our efforts are bearing their fruits this year already.

Please note that our initial target of 1.2 billion by year-end 2018 included some contributions from E&P. Obviously, with the sale of E&P, this will go away. But, as mentioned from the start, we will aim to compensate this contribution through other means and keep the target at 1.2 billion. In the gains achieved in 2016, E&P accounted for around 10% or 50 million.

I would like to give you some examples of recent actions which contribute to Lean 2018:

- In Benelux Services, a restructuring of some loss-making entities.
- A number of personnel cost optimisation programmes through early retirements, reinforced internal mobility and voluntary departure plans in several business units and the headquarters.
- Insurance savings in LatAm.
- A significant effort at E&C, the unit selling electricity and gas to businesses in France, whose benefit can already be seen in the first half.

The breakdown of savings by intensity of savings and reportable segments is provided on the left. It is roughly constant through time and similar to the breakdown shown for full-year 2016.

On the next slide, you can see that, even if at first sight our opex base remains stable year over year, it is in fact coming from two opposite effects:

- A decrease of around 3% thanks to the Lean efforts. In particular we see a 3% SG&A decrease versus last year, reflecting accelerating efforts on structural costs across the Group. G&A Lean 2018 gains for instance are 50% more important in H1 of 2017 versus H1 of 2016.
- And then we can also see an increase, notably in services activity, which reflects the underlying growth, of course, of this activity.

So, to summarise, the teams are highly engaged on executing our transformation. The plan is progressing quickly and, after 18 months, we continue to be well ahead of schedule on every front. We will obviously continue to update you every quarter on further progress.

Let's now move to the first-half results. To start with, a few words on the accounting treatment of the disposal of E&P. According to IFRS rules, the announcement of the disposal on May 11th triggered the classification of our E&P business as discontinued operations. This is a different accounting treatment than the one which prevailed in 2016, for example for the US asset disposal. This is due to the fact that E&P is a major line of business. The impacts on the P&L and cash flow statements are retroactive from January 1st, except for D&A. We have restated our 2016 figures on this basis in order to compare apples to apples. You have seen that we have published our restated 2016 figures (H1 and total year) 10 days ago. In a nutshell, the classification of E&P as discontinued operations results in the following accounting impacts:

- E&P contribution is no longer shown in the different P&L lines of the P&L and cash flow statements but, instead, shown separately into one single line labelled as "discontinued operations". To take an example for the P&L, we are now showing the net recurring income Group share from discontinued operations separately.

- In addition, as from the signing date, E&P D&A are no longer booked, meaning that the net income from discontinued operations will benefit from the absence of D&A for 7.5 months, but this will mainly materialise in the second half, of course, as signing occurred on May 11th.

When talking about the full-year outlook for 2017, I will show you what the impacts of this accounting treatment are on our net recurring income guidance and on the year-on-year EBITDA bridge.

Let's now look at the year-on-year evolution of EBITDA over the first semester of 2017. EBITDA at €5 billion is in line with the trajectory expected for the full year, despite a negative volume impact during the first semester and the scope impact from disposals.

Year on year, EBITDA is flat on a gross basis, as you can see, and is up 4% organically, when excluding the impact of foreign exchange, scope and the new treatment of the nuclear tax. As you know, as from 2017, the nuclear tax is booked at the EBITDA level. It amounted to negative €71 million in the first half, which represents a slight increase year on year of 14 million.

The positive FX impact of around €90 million mainly comes from the Brazilian real and, to a lesser extent, from the US dollar. The negative scope impact of around €200 million comes mainly from the sale of the merchant assets in the US as well as Paiton in Indonesia.

Now let's have a look at the organic drivers of EBITDA. The price impact is up by around €220 million year on year. We saw a significant positive impact from the European thermal power fleet as we benefited with respect to volumes of H1 2017 from the pickup in spreads at the end of last year. We also have positive price impacts coming from our international power generation assets, mainly in Australia and Brazil. Finally, gas infrastructure in France benefited from the annual tariff indexations that took place last year.

These positive price impacts just mentioned were offset by lower achieved prices on outright production (mainly nuclear) and by lower results on the midstream gas activity. Indeed, on midstream, the year-on-year comparison is unfavourable due to negative price impacts and gas supply difficulties in the south of France in January, during the cold snap, and this was only partially compensated by a recent price revision of an LNG supply contract.

Volumes are down by €275 million, mainly due to lower outright volumes; clearly nuclear in Belgium, hydro in France and a slightly negative weather impact year over year, partially compensated by the commissioning of new assets. The lower nuclear volumes come from the outage of Tihange 1, which was offline for most of the first semester, as it restarted on May 20th.

Renewable output in France (mainly hydro) has been significantly down over the first semester (minus 34% year over year). Temperatures in France have been slightly colder than average in H1 this year, but less cold than in the first half of last year, hence a slight negative comparison of roughly €60 million year on year.

Commissioning of new assets delivered a contribution in line with our expectations.

Lean 2018 contribution was close to €200 million in the first half of 2017. We expect a slightly stronger contribution over the remaining quarters, as the programme was only upgraded early this year.

The block "Others" amounts to roughly 100 million, in line with the full year indication.

At the bottom of the slide, you can see the organic EBITDA variations by reportable segment. I will go quickly through the main variations. The EBITDA of the segment Latin America is up year on year thanks to the commissioning of new assets in Mexico and Peru, and thanks to positive price and tariff effects in the LatAm and Brazil business units. The Africa and Asia segment EBITDA benefitted mainly from the good performance of our Australian assets, given the higher power prices, and from the successful closing of a contract for the Fadhili power plant in Saudi Arabia. The Benelux segment was impacted by the outage of the Tihange 1 nuclear unit in Belgium until the end of May, and by the lower hedged prices on nuclear power sales compared to the first half of last year. EBITDA of the segment France is down year on year due to the combination of warmer temperatures, lower renewable production (mainly hydro, I mentioned it) and lower volumes and margins on B2C gas sales, which have only been partially compensated by higher volumes on B2C power sales and good performance of network activities. Within the segment "Other", EBITDA has been driven by the very good performance of thermal generation assets in Europe and also benefitted from the better performance of the power sale activity to B2B clients in France. I remind you that this activity has been reported under the segment "Other" since January. It was previously reported under segment "France".

Finally, and to sum up, EBITDA growth is driven by the good performance of our three growth engines, as detailed on top of the slides. H1 continued to be impacted by negative volume effects, some of which we expect to reverse in the second half. But, overall, it is in line with the full-year trajectory.

Now let's look at the net income and cash flow.

Net recurring income first. The net recurring income Group share is up 15.5% year on year organically, when excluding the scope and forex effects. As you can see, we have highlighted on each side of the bridge the contribution from E&P in the grey shaded area. When you exclude E&P, now reported as discontinued, and focus on continued operations only, the net recurring income Group share is up close to 13% organically, mainly coming from higher EBITDA organic growth and the improved financial results, mainly reflecting the lower cost of debt. But higher D&A charges resulting from the upward revision in H2 last year of dismantling obligations for our nuclear assets in Belgium.

Let's now look at the bridge between net recurring income and net income. The net income Group share at close to €1.3 billion is lower than the net recurring income Group share by around €250 million. This results from the combined impact of, on the one hand, a negative effect from marking to market financial instruments and from restructuring costs, and on the other hand a positive impact from perimeter changes, mainly related to the sale of our thermal merchant portfolio in the United States.

The mark-to-market impact of close to €800 million comes mainly from the negative price impact linked to the variation over the first half of forward prices of underlying commodities. This has been partially compensated by a net positive effect from the unwinding during the semester of derivative instruments, which had a negative market value at the end of 2016. Impairments have been non-significant in the first semester.

The next slide shows the bridge between EBITDA and cash flow from operations. The CFFO amounts to 3.5 billion in H1, down 1.1 billion compared to the first half of last year. This evolution reflects a solid operational cash flow generation but penalised by higher restructuring charges, by the settlement of litigations, and by a lower working capital variation, mainly related to changes in gas inventories in France, given warmer temperatures this semester compared to last year.

Looking at the cash equation on the right-hand side, as you can see, it is in surplus by around 1.9 billion, despite the payment of the final 2016 dividend in Q2.

As you can see, net capex was slightly negative given the disposal proceeds cashed in during the semester, mainly from the US portfolio.

The next slide is our usual slide on the balance sheet and financial structure. We benefited again from a sound cash generation in H1 of 3.5 billion despite some non-recurring effects previously mentioned. And from the positive impact of the portfolio rotation programme with significant cash in this semester from the US transaction booked in February for an amount of €3 billion, the Poland transaction at the end of March of €200 million and Petronet in June of €400 million.

At €22.7 billion at the end of June 2017, net debt therefore continues to decrease compared to the end of 2016. Adjusted for E&P inter-company debt, net debt stands at 20.9 billion. As a reminder, it was €24.8 billion at the end of 2016. Net debt to EBITDA stands at 2.2 times at the end of June, improving versus the end of last year and is significantly below the 2.5 limit that we had set.

The cost of debt has continued to decrease as well and today stands at 2.65%. This reflects the favourable market environment, of course, with lower interest rates but not only: it also illustrates our continued liability management initiatives, the optimisation of our financing operations and our credit strength. As a reminder, S&P and Moody's have recently confirmed our credit rating.

Let's now move to the 2017 outlook. As mentioned earlier, we confirm our initial 2017 guidance on the net recurring income Group share.

I would like to show how the IFRS 5 treatment and the accounting of E&P as discontinued operations impact our full-year EBITDA bridge and the net recurring income Group share.

On March 2nd, at the full-year results presentation, we presented a full-year bridge on EBITDA, which included E&P. On this slide, you can see the full-year EBITDA bridge year on year adjusted mechanically for the sale of E&P. When we presented this bridge initially, we assumed 12 months of EBITDA contribution from E&P in 2017. Now that the E&P deal has been signed, the IFRS 5 treatment means that we no longer consolidate the E&P contribution at the EBITDA level as from January this year. The EBITDA 2016 has been restated accordingly, as well as all the blocks of the bridge. Most of the blocks within the bridge rounded to the decimal remain unchanged following the exclusion of E&P. The only block that has changed is the block "Price", for which we now expect a slightly negative impact year on year, as previously we had assumed a slight upside on E&P oil prices. The adjusted EBITDA range for 2017 becomes 9.3 to 9.9 billion. Initially, the range was 10.7 to 11.3 billion and we had indicated that we had expected E&P EBITDA in 2017 to be around 1.4 billion. So, as you can see, this is just a mechanical adjustment to our initial EBITDA indication range.

I remind you that the scope impact relates to the disposals that had been announced until March 2nd (mainly the US assets and the stake in Paiton in Indonesia).

At the bottom of the slide, you can see the updated view at the end of June on each of the blocks, with some upsides and downsides compared to the initial bridge but, overall, the indicated EBITDA range remains the same, at 9.3 to €9.9 billion.

The last slide for my part is on the full-year guidance. As already mentioned, we confirm our initial guidance on the net recurring income Group share of 2.4 to €2.6 billion, and now target the midpoint of that range. Please note that this range includes a contribution of 100 million from E&P, comparable to what we had initially baked in in the guidance closed early March. This is the operational contribution of E&P. In other words, we exclude from our range of guidance the D&A windfall effect resulting from the IRFS 5 treatment of E&P.

Being now halfway through the year and with more visibility towards year-end, we are in a position to target the midpoint of the initial guidance range. Considering the midpoint of the 2017 range, organic growth is expected at close to 14%, which is of course significant and very positive.

I will now hand over to Isabelle for her conclusion.

**Isabelle Kocher**

Thank you, Judith. To conclude rapidly, Engie is evolving quicker than planned in a challenging environment. And, with our new redesigned portfolio, we are back to organic growth and we are preparing the powerful growth engines of tomorrow. I'd like to warmly thank our teams for their dedication to make our transformation happen. This solid performance is no doubt the result of their expertise but, more importantly, it is the result of their commitment to progress on our value creation journey. And it also shows that, I believe, our teams believe that Engie has a key role to play in the global energy transition.

Thank you for your attention. And we are now ready to take your questions.

## Q&A

**Citi**

Yes, good morning, ladies and gentlemen. I have two questions, please.

The first one: I would just pick up where you left. You showed us on the very last slide that your net income for 2017 would grow compared to 2016 on a comparable basis for scope and effects. So can we think the same thing about 2018? Can you confirm today that in 2018 we can expect continued growth at the earnings level?

And my second question regards Electrabel. You have, in the past, said that you were open to selling, possibly, a stake in Electrabel, as part of your disposal programme. You've done great progress on the disposal programme so there is not so much room left on that list. Is Electrabel still something you would consider selling a stake in or do you have other assets in mind? Thank you very much.

**Isabelle Kocher**

Thank you. So, on your first question, you will recognise that we are little bit early to speak about 18. Nevertheless, just I'd like to go back to what I said. You have seen the dynamics, you have seen that the growth engines now account for 90% of our EBITDA basis, you know, you have seen that they have a growth dynamic which is extremely good, and then, as I said, we passed the tipping point. But, well, of course, we will go back to that point over the next semester.

On Electrabel, so, that's a point I already mentioned several times. Yes, it is still something we look at: how to rebuild around Electrabel something which is stronger in order to redesign a company which is a Belgium-based one and potentially with local partners.

**J.P. Morgan**

Good morning. A couple of questions, which are related somehow to the authorities I would say.

So I'll start, first, with the carbon tax in France. We saw Mr Hulot talking about a carbon tax increasing to €100 per tonne. It doesn't seem to be related to generation at all but the Energy Minister says that this carbon tax would improve the profitability of renewables. So he gets all of us confused here. I'd like to get your views on what you potentially would expect from Macron's government regarding carbon taxation in generation in France.

A second question would be related to the regulated tariffs: we had the end of the regulated gas tariffs decided by the French Council and now this could potentially be extended to the electricity tariffs. That's something that Engie has talked in favour of. Yet this Council said that electricity is a first-necessity commodity. So what is your view on this specific point?

And, finally, the current government is looking for some money here and there for the budget. There have been rumours about government placing. I doubt you can comment on that but could you at least tell us if, legally speaking, there is some room for the government to potentially do something on reducing its stake in Engie? Thank you very much.

**Isabelle Kocher**

Thank you for these questions.

Just a few elements on the way we understand our… this environment. As you can, of course, see, it's not under our control the three elements or the three themes you mentioned.

So, carbon tax, first, you're right, the statement made by the new government is extremely encouraging, even if it's still not clear the way it will be implemented, you're right. So it's the discussion we have, also, and we are not the only player, of course. More generally, I'd like to tell you that what I see everywhere in the world is that these future CO2 schemes they are more and more at the top of the priorities of the governments. That's true also in Europe. So it's encouraging. Nevertheless, I told you, we don't count on that. That is to say that we continue to manage our fleet exactly in the current market conditions. So more elements probably over the next months.

On regulated gas tariffs, the decision made by the State Council is a very important one. Probably it will lead to the end, progressive end, of this regulated scheme in the years to come. So a transition period has to be organised. We started discussing that with the French authorities. What is extremely important is exactly what you mentioned. That is to say that it has to be done in parallel for power regulated prices. And then it means for Engie, effectively, room for a lot of opportunities. You have seen that we are extremely dynamic in our power development, in particular in France, and then, of course, the end of the regulated tariffs, that would open for us an avenue to develop our offers. Nevertheless, here again, to be… the concrete conditions, that is to say the pace of it, in particular, has still to be discussed and stated by a law, probably.

Regarding now the French State, so, effectively, there is room for manoeuvre for the French State, even in the current legal situation. I cannot say more. Just one point, which is that – we already mentioned that – for us it would be positive because it would lead to an increase of the free float on our stake and it is, I believe, a very good way to accompany our transformation.

**Bank of America Merrill Lynch**

Good morning. I have a question about the Tabreed acquisition: looking at, sort of, consensus estimates, it feels like you've sort of paid a, sort of, low to mid-teens EV/EBITDA multiple and something close to 20 times P/E multiple for that business, which, I think, is a bit higher than you've indicated on acquisitions to date. So I was just wondering if you concur with those multiples first of all and also if you could give us a little bit of justification as to why you think it deserves that kind of price.

**Judith Hartmann**

I can take that one. So, Tabreed for us is a very strategic acquisition, I would say. It makes us the global leader of district cooling, and this is obviously very much in line with our strategy. It is in a region that we know extremely well. As you know, we have close to 30 GW installed in the Middle East and really it's one of our traditional strongholds. And so we're very comfortable working in that area. When it comes to the multiples that you have mentioned, they are indeed on the mid-teens when it comes to P/E. You have to assume, though, that there has been growth. This is clearly a growth company that we've just bought here. It has had CAGR in the order of 4% of EBITDA in the last few years, and 10% of net income. And, obviously, if we bought this company and combined with our current portfolio, we are very confident that we'll have synergies – not just on costs but much more importantly when it comes to growth. So it is a very good acquisition for us.

**Credit Suisse**

Good morning, everyone. Two questions, please.

The first one is on organic growth. Is it possible – and I don't expect you to have a very precise number – but is it possible for you to help us split in the organic growth you reported today; what is coming from assets that, for example, were not in the portfolio one or two years ago, assets that just started in the last 12 months being in operation, versus what has been historically in the Group. Obviously, what I'm trying to go to is the impact of the transformation and new capex.

The second question is on cash flow (slide 23). You allude to… it's going to further strengthen in H2 (the cash flow generation). Maybe you can help us understand a bit what would change in H2. It's not on the slide but also working capital in the second half of the year would be a great help. Thank you very much.

**Judith Hartmann**

Okay, so your first question on organic growth, it's… you know, it's hard to split it exactly, but what I would say is of course there is a ramp-up of everything that we've just described. The investments that we continuously talk about… There's always a ramp-up that comes with it, so you can assume that we're going to add additional growth every year. But, if you say, you know, what comes from a year ago, quite frankly, obviously, there isn't that much in it yet except for the ones that had… where we had acquisitions. And, for that, I would say, when you look at the tuck-in acquisitions we just announced or just closed, such as Keepmoat and Tabreed, Keepmoat will only have a few months this year and Tabreed almost nothing, and you're going to see the bulk of it next year. So that would be on the first question.

On cash flow, your question was on the second half. It is really… One of the main effects that we saw in the first half was… That impacted us was an inventory fluctuation, mostly in France, a little bit in Italy and the UK. France and Italy related to gas, where basically given that it was cold but not quite as cold as last year, we had higher inventory than the year before (about 300 million in France, about 100 in Italy). We had a positive impact last year, also, of close to 100 million in the UK, where we had sold off the coal inventory, leading up to the Rugeley disposal. And so those are all main effects, you know, so it's really the gas piece that you would see reverse, and then we had some unusuals in the first half of… on litigations that we had talked about, that were in the P&L already of last year, such as the Autorité de la Concurrence, the competition authority in France, where we had provisioned for this last year but paid the amount this year. So, overall, we expect a good cash result for the complete year.

**Morgan Stanley**

Good morning, everyone. Thanks for taking my questions. I have three.

First one: I just wanted to have a view of where you see power prices going in Central Europe because the average price of your hedging has come down in 2018 by €1, and you also presented hedging for 2019 an average price of 32, so should we read this as you don't expect any recovery on power prices?

Second question: I was interested on LatAm because they seem to have some recognition of PPA cancelation penalty in Peru, some insurance collection in Chile, but you also note that in both countries there's a decrease in demand. So what should we expect from LatAm growth for the second half? And also how much were these improvements in EBITDA?

Third question: if you could talk a bit about the LNG business. In 2016, there was a positive settlement from an LNG gas. Can you just confirm that there wasn't one in 2017, for the first half, and if you still expect one for the full year? Thank you very much.

**Isabelle Kocher**

Thank you for your questions. I will ask Pierre Chareyre. Pierre Chareyre is a member of our Executive Committee and in charge of our LNG business in particular, to take your third question, and then I will ask Judith to answer the two first ones.

**Pierre Chareyre**

Yes, so, on the LNG business, I mean, in… we have… we confirm that the trends we have seen, I would say, for… on the long-term side, there will be more LNG coming onto the market, and so there will be, I think, more volumes being traded, hence more liquidity, and therefore there won't be much geographical spreads between Europe and the Far East. This is for the long term. As far as our results are concerned, I have said in March that we were targeting a breakeven situation for the LNG activities and that's what we have achieved so far this year, and that's still our target for the end of the year.

**Judith Hartmann**

And then on your question on power prices in Central Europe, we had… There is a page, I think, in the appendix, where you can see… you know, our view there. There is, of course, a higher hedging ratio already for 17-18, of 94%-83% and then in 2019 of 45%. The prices that we're seeing – achieved prices – are 37, 33, 32 for 17, 18 and 19, and we have a view that there's going to be a growth in this. So higher prices going forward. So that's the view there.

On your question on Latin America, I think you were referring to the fee of 25 million that impacted us on Las Bambas. However, I would say, on a general note, that we see very positive organic growth in Latin America, 14% in the first half, clearly, you know, when I look at the outlook, Latin America will continue to benefit from the tariff increases in Mexico and Argentina that we mentioned, as examples of first-half performance, and there is also an aspect of Brazil where there is lower GSF expected in the second half. But, in general, we do believe there's going to be continued growth.

**S&P**

How did the threat of US sanctions impact your investments in Nord Stream 2?

**Pierre Chareyre**

So, effectively, as you know, there is a threat of sanctions, which has to pass through both the Senate and the House of Representatives, and has to be endorsed by the President within 10 days. If that happens, Engie is concerned through its investment in Nord Stream 2, as the other four western interested parties, which account a number of major European companies like Shell and BASF. What is our position? We have, in fact, committed to support 10% of the total project cost, but I would like to say that this sanction law is not retroactive and so only future funding transfer would trigger the risk of international sanctions. So our existing exposure to this project is not at risk and our current legal view is that, if sanctions were effectively applicable to the project, then we could apply a drawstop and not continue to fund this project in order to not be subject to any sanction whatsoever. But we are not in that situation yet. And, as you know, advocacy is being pursued very actively by Engie, other European companies, and also by the European Union. And you have probably noticed the declaration from Mr Juncker on 26 of July, who has opposed vigorously this potential sanction from the US administration.

**Exane**

You've done good progress on cost cutting. There is still 18 months to go. What is the scope for more savings, either in 17-18 or beyond 18?

**Judith Hartmann**

That's a very good question. It's still… You know, we feel very confident on the 1.2 billion. You heard it from what Isabelle and I were saying. However, it is also a very big effort. You know… And so we're going to continue to work on this I would say… I would split it into several items. Operationally, it is of course a lot about our purchasing efforts, but also restructuring loss-making units or even restructuring commercial deals that are not at the right level of profitability. On SG&A, we have a huge effort going and, quite frankly, as I always say, this isn't just about the cost, it's also about the simplification of the company, about making us more agile, about driving the internal transformation. And so, you know, when you ask the question of 2018 and beyond, of course we're going to continue to look at our costs basis, as I've said in the past. This effort is also around aligning our cost structure with the strategy and, by definition, there's always going to be improvement areas to be made, to be looked at. It's obviously way too early to quantify what that would be. But we will continue to look at this. I think that the teams are highly engaged, a huge effort going on by all the teams, and so I'm very confident we can execute on what we committed. And then we're going to continue to look at this for the future.

**Goldman Sachs**

Yesterday, CEO of Suez stated, "we are a service company". As you focus on services, would an integration with Suez make sense, strategically-wise?

**Isabelle Kocher**

So that's not a new question! [Laughs] We get it at… Well, each moment when we present our accounts. And my answer won't surprise you: we are very happy with the current stake we have in Suez, so no project. We continue to reinforce our industrial cooperation. I'm happy to tell you that we have now a common subsidiary specialised in biogas, and with a strong commercial dynamic, and I believe that's typically the kind of thing we can do with Suez. And we will continue to open the field. For example, we believe that, to work on decentralised desalination plants, connected, linked, with solar power production, decentralised way, is also something which is potentially promising.

**Santander**

You mentioned that customer solutions would have strong growth in H2. What is, roughly, the level you're expecting?

**Isabelle Kocher**

I won't be very specific. Just to give you a global flavour, as I told you earlier in the presentation, we expect something which is even more dynamic in H2 compared to H1, because we will continue to see a very strong development in B2B and B2T, and we will see a recovery in B2C. So, globally speaking, we'll see an increase of the pace of growth in our customer solutions. And thank you to ask this question because, as you've seen, it is a significant part of our growth in the future.

So thank you very much. So have a good vacation for those who will take one. Thank you for your attention during this presentation.