FY 2016 RESULTS

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Well, good morning to everybody. Thank you for being here this morning. We are very happy, with Judith Hartmann, our CFO, with our colleagues from the Executive Committee, of the Engie 50 also, to welcome you for this full-year presentation 2016.

You remember, probably, that one year ago – exactly one year ago – we presented our vision for the sector, for Engie, and we presented our 3-year transformation plan. So we are just one year later. That's our first anniversary, our first *bilan*, and we are very happy to share with you very good news this morning.

Since, first of all, we achieved all our financial engagements, all the elements of our guidance – of course we will go back to that – but also we are ahead of schedule in our transformation plan.

When we presented this transformation plan last year, we had a lot of questions; not on the adequacy of this plan but on the feasibility of it. And we are very happy to tell you that, not only we implement this transformation plan but that we are ahead of schedule, which is of course a very good news. And that's the reason why you will see that we are very confident to be more rapidly than expected, that is to say, already in 17, back to organic growth. And I would like to warmly thank all our colleagues within Engie because, as you can imagine, this, what I just said, is the result of a strong commitment, strong involvement of everybody.

So we will review in this presentation four topics.

The first one, of course, our 16 results. You will see that they are in line with our guidance.

Then we will describe where we are on our transformation plan. And you will see why we are effectively ahead of schedule in this transformation plan, meaning that we are shaping more rapidly than expected a group which is focused on growth and value creation.

We will describe further these growth engines.

And, finally, we will describe our guidance, where you will see that we are back, already this year, to organic growth.

So let's start by our 16 results.

And, of course, Judith Hartmann will comment in more details later on. The main message is that we are right where we said we would be. In a context which is not easy, and which we can develop further in the Q&A if you want.

So we are exactly where we said we would be. I remind you that we made four commitments. The first one on Net Recurring Income (Group share). So we are at €2.5 billion, inside the range.

Second, on the structure of our balance sheet with a Net Debt on EBITDA ratio below or equal to 2.5. In fact, we lowered this… we improved this ratio at 2.3 times, meaning that we got an additional flexibility for our Group.

We maintained our A category rating.

And we maintained also our dividend policy.

So here are the four commitments we made.

We also reviewed, as we do every year, our book values, and we took into account negative and positive effects. Negative because our merchant activities they continue to suffer. That's the reason why we decided – I'll go back to that – to massively lower their size in the context of this transformation plan, to maximum 15% of EBITDA by the end of 18. And also positive impacts because we managed, in good conditions, our disposal programme and then we got capital gains.

Finally, cash generation is very strong, at €9.7 billion, allowing us to reduce our net debt by almost 3 billion.

So our results are robust and in line with what we said.

Now, second point we cover in this presentation: our transformation plan.

So we announced this plan a year ago. It is clearly an ambitious one. I remind you that this plan relies on four pillars.

The first one is very important: it's to redesign and simplify our portfolio in order to refocus our Group on growth engines and on activities that have a better risk profile.

So the purpose is to do that through an ambitious disposal programme: €15 billion over 3 years. So we signed for more than 50% of this programme. And, again, in good conditions. I will describe that further. The goal is to reinvest this cash in an investment programme which is significant: €16 billion over 3 years, mainly organically, with a small part of acquisitions. And this reinvestment programme is well on track. And more than that even, because we secured, committed, 75% of this investment programme.

So you see that the goal is value creation. Disposals and value creation through this disposal programme and investment with value creation through a programme which is massively organic.

So these activities on which we invest – we will go back to that – allow the Group to boost its growth and these activities they will support the growth for the 3 years to come.

Second pillar of the plan, on top of that, to prepare additional growth levers at 5 and 10 years. So we implemented in this domain exactly what we said during our investment day: we have set in place new structures that will be key for our future – Engie Fab, which is a unicorn factory, and Engie Digital for example, which is an internal platform to develop our own softwares. And our investment programme is in line with what we expected.

Third pillar of the pillar, to improve our efficiency. So we set up an ambitious continuous improvement programme, Lean 2018. We exceeded our target for 16, with €530 million. I remind you that we targeted initially 1 billion over 3 years. And then we decided to increase this 3-year target by 20%, moving then from 1 billion to 1.2 billion. And this is already visible; the impact of this Lean programme, since our return on productive capital employed moved already from 6.5% to 7.4% in 16. I'd like to add that this Lean programme, on top of the savings, on top of the EBITDA impact, allows us to improve, more globally, the efficiency of our activities on all the domains: industrial KPIs, health and safety, client satisfaction.

And, finally, a fourth pillar of our transformation programme: to adapt our Group. To prepare ourselves in fact. To behave in an environment that is extremely rapidly changing. Here we went through key steps. We have now a new organisation, which is more decentralised, with more innovation and initiative potential. And this organisation is not only on paper: it is up and running. We have now a transformation plan which is translated in each of the 24 BUs we have in our Group. We have a performance map to describe the path, the transformation path, in each of these 24 BUs, and we monitor this performance map collectively within the Engie 50, which is the group of the top 50 leaders of our Group.

We have an incentive plan which is in line with our transformation. So, globally, we have a system which is aligned. And that delivered.

A last word on this transformation programme to tell you that it is all about value creation. Since it means that we are progressively, and rapidly in fact, refocusing our Group on activities that are growing (significant growth potential), better risk profile and better profitability.

We made three additional specific commitments when we presented this transformation plan, with the idea to have a Group less exposed to commodity prices, with contracted or regulated activities representing at least 85% by the end of 2018, and we are already, end of 16, at 75%. And the disposal of the US thermal assets will enable us to make further improvement, further progress, in 2017.

Second, we made the objective to have a Group having more downstream activities. We are… That's probably the point in which we are less advanced. But we are accelerating since the 2016 figures they not yet translate the restructuring we managed in some of our oil and gas services activities. And also these figures not yet… Doesn't take into account yet the impact of acquisitions we made in 16. And also the impact of a big acquisition we signed today to acquire a big UK company, Keepmoat. Keepmoat is a leading player in the UK market on the refurbishment and energetic renewal of buildings in the social and public domain. This is a company having £800 million of turnover, 2,500 people, and in a sector which is extremely promising for the future.

Finally, the last specific commitment we made – and I'd like to review also – is the priority to focus on low-CO_2 activities. And what we said is that we would be at least at 90% by the end of 2018 on low-CO_2 activities. And we are already, end of 16, at 81% of low-CO_2 activities. So another way to show you to what extent we are implementing rapidly this transformation programme with a real impact, already, in the profile of our Group.

Now let's look more specifically at our key operational activities. And starting with the non-core activities that we already sold in 16, that is to say mainly the US merchant assets, and also 50% of our coal portfolio. My message is to tell you that, not only we managed a significant part, quantitatively, of this programme, but in good conditions, with value creation. Since we got attractive multiples, then we unlocked hidden value and we crystallised capital gains.

Last comment on that point of disposal programme to tell you, again, that we decided to make a strategic review on our E&P activities. We have, in fact, advanced discussions with a potential buyer.

So these disposals they allow us to accelerate our development on three growth engines. What are these growth engines? I will develop them, describe them, in each of our three *métiers*.

First in the low-CO_2 power-generation *métier*, the growth engine is renewables and gas contracted power plants.

In the global networks, the growth engines are gas infrastructure and also projects in power infrastructures.

In customer solutions, the growth engines are the decentralised offer to individuals, to companies, to cities or territories. So B2C, B2B, B2T.

Here are the three growth engines in our different *métiers*.

We chose these growth engines – that is to say the domain on which we decide to invest massively – because they are at the heart of the energy revolution.

Gas and renewables, of course, are needed to push away more CO_2 polluting fuels. The global networks, the infrastructures, they are key to secure the supply in a context where the energy systems they are welcoming more and more intermittent capacities. And the customer solutions, this is a way for us to shape solutions for each of our type of clients, to help them managing their own and local energy revolution.

So we chose them because they are the heart of the energy revolution. We chose them because we have strong positions, already, and a proven ability to create value for us. All these activities I just described as growth engines… They are not new for us. At all. And we even have leadership positions and ability – proven ability – to create value. We are world IPP leader with 9% RoCE today in this activity. We are the European leader in gas infrastructure with 7% RoCE today. And we are leader in B2B energy solutions, with 11% RoCE today. So you see that we are betting, in fact, on activities that we master well, on which we have existing very strong positions, and on which we already create value. And, finally, we chose these activities because they have proven their ability to grow. You see that… On the right hand side of the slide you see that these activities, historically, these growth levers, historically, on average, they have been able to grow by 4% per year, and to deliver 9% RoCE.

By the way, these growth engines they already represent 80% of our Current Operating Income and 100% of our Net Recurring Income (Group share).

So our roadmap it is clear. Our roadmap is to focus our growth capex on these growth engines. And you will see that it is massively what we are doing. And our roadmap is also to continue to strongly work to further optimise all the activities we have. Let me just give you a few examples on each of our *métiers*, on these two elements of our roadmap, that is to say to continue to optimise and to massively develop our growth engines.

Low-CO_2 power generation: I believe that we, on the optimisation side, we went through key steps in 16, we got 10-year visibility on the nuclear plants in Belgium, since the law that allows us to prolong by 10 years the life of our plants has been voted. We also manage a very efficient plan to restructure our Generation Europe plants. And now we have a fleet which is flexible, able to capture the volatility of power prices in Europe, and that, effectively, provides cash generation and profitability in 16. That's for the optimisation part.

For the development part, we accelerated a lot, we have been able to commission 2.4 GW in 16, in particular the plant in Kuwait, a big one, a wind farm in Brazil, solar farms in France. So, in all these domains, all these low-CO_2 power production *métiers*, we are accelerating. If I make zoom, a focus on renewables, we increased our commissioning on renewables by 22% compared to 15. We also won a lot of bids – 2.2 GW in 16 – for example Fadhili. Fadhili is a big gas power plant in Saudi Arabia (1.4 GW) in a country where we are already a very big independent power producer. We also are currently building Kathu. Kathu is a CSP (concentrated solar plant) in South Africa (100 MW). So, all in all, we spent, in this low-CO_2 power generation, €2.1 billion growth capex.

Global networks – if I go back to this segmentation, optimisation and development – optimisation… a lot of work has been done. On the gas midstream activity, we renegotiated long-term contracts with Gazprom, with Statoil; we have also negotiations in progress on the LNG supply. On LNG we also made strong measures to lower the breakeven point of these activities (-40% in opex).

And then also we developed, we accelerated our development, on the French gas infrastructure, we continued to invest, we got a visibility for 4 years as far as the regulation is concerned, and we managed to extend the development of this European infrastructure abroad, outside of Europe, both in the gas domain (we commissioned a big gas pipeline in Mexico, Los Ramones), and we also started to build a big power transmission line in Chile. In this global network, we spent €0.8 billion growth capex in 16.

And, finally, on customer solutions, on the optimisation side, we managed to restructure the services for oil and gas sector (I already mentioned that), we also managed to stabilise our market shares. You remember that we come from a monopoly situation in some countries so, by definition, we lost market shares. Now it is stabilised. The activities are restructured, the breakeven points are lowered. And we boost our development on the B2C side. We have now 3 million clients in power in France. You remember that we had initially only gas clients in this country. We have a strong commercial dynamic in the B2B segment. And we doubled our pipeline for our B2T activities. So, as far as growth capex are concerned, we spent €0.8 billion.

So you see that, globally, we invested €3.7 billion on these growth engines. And we will continue to accelerate our pace of investment: between 16 and 18, we intend to spend €14 billion on our growth engines. Again, 65% are already committed. We have strong industrial ambitions. And we expect significant growth.

If I try to give you the range of this growth, *métier* by *métier*, growth engines by growth engines, what we expect is mid-single-digit growth for the renewable and gas contracted activities, in low-CO_2 power generation, we expect a low-single-digit pace of growth in the global network, and we expect a mid-high-single-digit growth for customer solutions.

So, finally, what is the global picture? We have, end of 16, three kinds of activities.

First, the activities we already sold. By definition, their contribution will go to zero in 17.

Second, activities that are exposed to commodity prices – the so-called merchant activities – and they will continue to decrease. But you see that now they represent a small part of our COI or EBITDA.

And, three, the growth engines: already 80% of our COI end of 16, and they will grow now at a pace I already described.

So what it means is that we are back to a dynamic profile where the acceleration on the growth engines will more than compensate the pressure from disposals and from merchant activities. And here is the key point. We are, since… on the back of this very rapid transformation plan, we are back to organic growth, already in 17.

And we'll give you further elements, much more specific elements, on our full-year 17 guidance. But, before doing that, of course, I now hand over to Judith Hartmann who will describe in more detail our 16 figures. Judith?

Judith Hartmann

Thank you, Isabelle. It is really great to be here with all of you today. I will give some more details on what Isabelle has just presented around the 2016 results then talk about the transformation plan and about the 2017 expectations.

So, if we go into 2016, first, Net Recurring Income (Group share) at €2.5 billion, which is in line with our guidance, EBITDA at €10.7 billion is broadly in line with the indication that we had given last year when you consider for the negative scope impact which had not been embedded in the range of indication.

The Current Operating Income shows organic growth of 1.6%, which is mainly driven by lower D&A, and Net Income (Group share) has been impacted by significant non-recurring items both positive and negative.

CFFO remains very strong and is broadly stable despite the reduction in EBITDA, and clearly very strong numbers there with 9.7 billion, and Net Debt is at 24.8 billion, which is reduced by almost 3 billion this year, and thus obviously positively impacting the Net Debt to EBITDA ratio, which is now at 2.3.

So, overall, a good year. You know, still heavily impacted by a negative external environment, but the results are robust and the financial structure is very solid.

If you go on to the next page, on EBITDA, like I just said, EBITDA at €10.7 billion is in line with the indication we had given. Organically, EBITDA is down by 2.7% year-on-year when excluding the adverse impact from foreign exchange and scope. Foreign exchange in fact had an impact of about 136 million, which was about a third, a third, a third on the Norwegian krone, the Brazilian real and the pound sterling. The negative scope impact was 150 million and comes mostly from the sale of our US merchant assets, that we had announced some time ago.

Excluding these two impacts, so excluding effects in scope, EBITDA is down 2.7%, like I said, driven by negative impacts from prices and from favourable one-offs booked in 2015 on the one hand, and upsides from volumes and from Lean 2018 on the other hand.

The negative price impact was about 700 million and mostly relates to E&P, midstream LNG and power production.

On outright activities specifically, which is E&P and outright power in Europe, the impact is a negative 400 million.

The main price drivers are the following.

E&P and outright power in Europe: there is an impact from lower achieved prices year-on-year, following the role of hedges.

On midstream, there's a less favourable impact from the renegotiation of long-term contracts in 2016 versus 2015.

On LNG, continued supply disruption from Yemen.

On power production at the international level, there have been unfavourable price impacts in Latin America, mainly in Chile and in Brazil.

On volumes, the impact is positive, of around 300 million. We benefited from a very favourable year-on-year comparison on nuclear volumes following the restart of Doel 3 and Tihange 2 and the life extension of Doel 1 last year.

Temperatures in France have been close to average temperatures in 2016, with an impact of 50 million. But, when comparing to 2015, the variation is quite favourable at approximately 200 million.

Commissioning of new assets delivered a contribution which was in line with our expectation and obviously positive.

E&P volumes were down as expected and the year-on-year impact here is a negative €100 million. We had talked about this already at the Q3 results.

We'd also already mentioned that the B2B supply is impacted by strong competition, competitive pressure, and storage by low winter-summer spreads and lower-than-expected capacity reservations. These two effects had an impact of close to €300 million year over year.

On the positive side, Lean 2018 had a very positive impact of €530 million. Isabelle mentioned it. You can really see the impact of this on our profitability now.

And the block "Other" at minus 400 million is mostly impacted by 2015 one-offs including liquidated damages for example related to two coal projects in Europe last year.

So, overall, again, a context that remains difficult but we managed to compensate a large part of the negative external headwinds from foreign exchange and commodity prices.

Let me show you now some variations by reportable segment. And I will focus on those that have the largest year-on-year changes in euro terms, and that's the ones that you can see at the top of the page.

First, EBITDA of the LatAm segment benefits from the reversal of provisions in Brazil and from better results in Peru and Mexico, partially compensated by lower results in Chile. The Benelux segment benefited from the very favourable impact of higher nuclear volumes. On the other hand, the EBITDA there was impacted by lower results in service activities, mainly in the oil and gas area, and by negative impacts from various provisions.

The performance of GEM and LNG has evolved negatively year-on-year, mainly due to the less favourable impact of supply contract renegotiations in 2016 and 15, as well as the disruption in volumes coming from Yemen, which I've already mentioned.

There has been a positive impact, albeit more marginal, from LNG spot sales, opportunities in Asia in Q4 2016, and from reduced opex thanks to Lean 2018.

The EBITDA of the E&P segment has been mainly driven by lower gas and oil prices as well as by lower production volumes in Norway.

And, finally, the performance of the segment "Other" has been driven by positive one-offs in 2015 that I mentioned earlier, but also lower results at Tractebel Engineering, which is partially compensated by better performance of our power generation assets.

Now let's have a look at Net Income and Cash Flow. I will start with Net Recurring Income first. The resilience is clear at the Net Recurring Income (Group share). It stands at €2.5 billion, down only €100 million year-on-year. As you can see, the drop in EBITDA described earlier is almost fully compensated by positive impacts from lower depreciation and amortisation, and, to a lesser extent, from slight upsides on financial results and on taxes.

Indeed, of course, the D&A line benefited from the impairments booked at the end of 2015, as well as from the held-for-sale treatment since the end of 2015 of the US thermal merchant generation portfolio.

The next slide shows the main non-recurring items below COI which have impacted net income. The main negative effects come from impairments, industrial provisions and restructuring items.

The main positive effects relate to gains on disposals, the impact from the new French finance law and the positive mark-to-market impact.

On the negative side, impairments have been booked for a net amount of 3.8 billion (this is post-taxes and minorities). The main drivers are the revised long-term outlook on European power prices and the impact on dismantling nuclear provisions from the regulatory review that took place in the second half of last year, as you know.

Industrial provisions relate mainly to nuclear provisions, following the triennial revision, and to the additional provisions that we have booked following the announcement of the upcoming closure of the Hazelwood power plant in Australia.

Restructuring items derive mainly from the transformation process to adapt the Group and include plant closures, redundancy plans and the impact from real-estate rationalisation.

Although this is of course a cost in 2016, I view this very positively because it will decrease our cost base for 2017 and beyond.

On the positive side, the asset rotation programme has resulted in important capital gains. The new finance law in France will lead to a revised tax rate as from January 2020, which results in a recognition of a positive non-recurring impact.

Last, marking-to-market of the commodity contracts lead to a positive impact also, of which half is related to the unwinding of positions, which was largely expected, and the other half related to the evolution of commodity prices over 2016.

Overall, items below COI, which are listed here, had a combined impact on the Net Income (Group share) of 2.9 billion negative.

Now let's look at cash generation on the next page.

The slide shows the bridge between EBITDA and Cash Flow from Operations. The cash generation remains strong over 2016. The CFFO was relatively stable year-on-year despite the decrease in EBITDA, as it benefited, mainly, from favourable year-on-year comparisons on taxes and working capital.

Looking at the cash equation on the right hand side, as you can see, it is in surplus by close to €3 billion after taking into account the payment of dividends and the net capex we have spent of €3.4 billion.

The next slide illustrates the continued strength of our financial structure. Net Debt to EBITDA stands at 2.3 at the end of 2016, improving versus 2015, and thus remains below the limit that we set ourselves of 2.5.

Net Debt continues to decrease compared to the end of 2015. In fact, it is down by almost 3 billion and stands at 24.8 billion, benefiting from solid cash generation and from the first impacts of the portfolio rotation programme with transactions booked in 2016 amounting to €4 billion.

The cost of debt has continued to decrease and today stands just below 2.8%. This reflects not just the market environment but also our liability management and the optimisation of financing operations.

In addition, the evolution of the economic net debt in 2016 was marked by the decrease in the benchmark rates used to discount long-term pension benefits and the decrease, of course, in the discount rate related to nuclear provisions in Belgium.

Now let's turn to the transformation plan.

Isabelle has mentioned it already: we are ahead of plan. This is a slide that you're already familiar with, which tracks the progress made on each of the different parts of the transformation plan, and you can really see that we have made significant progress in 2016. We are clearly ahead of schedule on all fronts: on investments, on disposals and on Lean 2018.

Let me go into some more details on each of these.

Let's look at our investments first. We will spend 14 billion on growth engines and the rest on our legacy projects on merchant activities. We have about three-quarters of this already identified. In fact, in 2016, we have already invested 4.7 billion, of which 3.7 billion on our growth engines that Isabelle has highlighted. In fact, most of our capex is already committed or identified (like I just said, three-quarters).

The development pipeline is very strong. And we have 7.3 billion already committed on additional projects. A few words on some of the projects we have in our pipeline: we're working on a large number of renewable projects; we have under construction 1.5 GW of renewable projects and there is about 20 projects which are under development.

Two-thirds of the capex in global networks will go into regulated infrastructure businesses in France and the rest into projects outside of France, both in gas and in power.

In customer solutions projects are very diverse, ranging from district heating and cooling networks to energy efficiency, facility management and smart cities, just to name a few. And Isabelle has just mentioned the acquisition we're announcing today of Keepmoat in the UK. Obviously not yet in the 2016 figures but a significant achievement because it really will help us to speed up our growth in this specific area.

The value creation is very clear here. We expect new projects to contribute about a billion to the COI based on full-year contributions, so we're generating growth. The project pipeline has a higher average RoCE than the average RoCE of today so we're generating higher returns.

Let's look at the portfolio rotation programme. Let me first remind you of the strategic importance of this rotation programme. It is really a very important lever for us. It helps us to exit non-strategic activities, it improves our returns on average, and it frees up resources that we can invest into our growth engines.

Out of the 15 billion net debt impact targeted over 3 years, we have already executed transactions above 50% of this programme for €8 billion. This is a significant achievement, just 1 year into the programme. For the rest of the programme, as you can imagine, it is too early to make any specific announcements. However, I can reassure you that processes have been launched for the bulk of the remainder and that's why we are very confident that we will be able to achieve 85% of the portfolio rotation by the end of 2017. In fact, we are in advanced discussions with a potential buyer on E&P, which is obviously one of the big bricks that is going to happen or is to come.

On Lean 2018, very good performance. In fact, again here I want to reiterate first on why it is so important. It is not only to improve efficiency. It really helps us to transform and simplify the Group, and to foster a culture of agility. In 2016, we exceeded our target: we had savings of €530 million at the EBITDA level, which is 6% higher than our initial target, which was half a billion.

The breakdown of savings by reportable segment is provided here and, obviously, the relative contributions depend in part on weight of the respective segments in total EBITDA – but not entirely. We showed you at the Investor Day that the intensity of savings has been tailored to the different business dynamics.

Also very importantly, the programme helps us to align our cost structure to the strategy and, in terms of levers, 67% came from operational efficiencies and 33% from G&A. The opex base has thus decreased organically by 1.5%, which is an acceleration in comparison to the previous years. In previous years, typically we were able to offset inflation but we had opex flat, and so, you can see that, really, the teams have done an outstanding effort here. And I'd like to give you a few examples of some of the things that are contributing to Lean 2018.

We did a complete review of our E&P exploration costs and we've reduced them by more than €40 million. We are closing underperforming thermal power plants in continental Europe. That's about €20 million. We have changed suppliers. We've moved from original equipment manufacturers in some areas to independent suppliers for thermal plants maintenance. In MESCAT alone that's about 6 million. We have a complete… We've completed a restructuring of our E&C activities, which is the unit selling electricity and gas in businesses in France. About 11 million optimisation of B2C in France, call centres, optimisation of field resources, also in the remaining gas activities, and an overhaul of the credit management and billing approach in B2C businesses. As an example, Italy and Australia for about €10 million.

So, with the success of 2016 behind us, we feel comfortable to accelerate our performance plan and we will thus increase our target by 20% to €1.2 billion. In fact, we have identified actions representing 83% already of this €1.2 billion and thus we are very confident that we are able to deliver this.

So, again, I want to summarise by saying the team is highly engaged on executing the transformation. The plan is progressing quickly and, to date, has exceeded our initial objectives on a number of fronts. And we will obviously keep you posted every time that we report out on our quarter results.

To sum up the part on the transformation plan, this is clearly focused around value creation. We said it at the investor relation day, Isabelle has just mentioned it. And it really comes from additional growth, but also the higher returns. We are de-risking the profile, we have an improved risk and reward profile, we're focusing on higher returns. We have a very strict financial discipline to reinforce our financial structure while keeping high visibility on the dividend.

We will achieve all this by focusing our capex on the growth engines, which have higher returns on average. We're exiting lower-return activities and freeing up funds to accelerate the execution of our strategy, and, as you can see, we are working heavily on our competitiveness and enhancing our efficiency with Lean 2018.

Now let's move to 2017, where we are comfortable that there will be already organic growth in comparison to 2016.

So let me first of all point out that the financial targets presented here exclude any significant impact of disposals not yet announced. Please also note that the EBITDA 2017 includes the nuclear contribution in Belgium following the agreement finalised last year. Hence we have adjusted 2016 EBITDA by the nuclear contribution of 2016 for close to 100 million. This makes no impact at the net recurring result but is an accounting change following the acceptance of the law at the end of the year.

A few comments here on the detailed EBITDA bridge showing the main year-on-year drivers between 2016 and 17. We expect an upside on foreign exchange of around 150 million, mostly coming from the Brazilian real. Scope effect from announced disposals is expected around 650 million (negative, of course), coming mainly from the sales of the US merchant assets and of Paiton. This year, we expect the overall price impact to be close to zero. We expect no impact from outright. There will be an upside on E&P compensating for the decrease in achieved prices on outright power. Less favourable impacts from long-term supply contract renegotiations in the midstream activity, as well as lower infrastructure tariffs. This will be compensated by positive price impacts on outright E&P and on generation assets in Europe and internationally. On volumes, the net impact of lower E&P volumes will be more than offset by positive effects from commissioning of new assets.

Lean 2018 will continue to yield very important efficiency gains to the tune of €300 million.

At the bottom of the page you can see directionally what we expect in terms of gross variation for each of the reportable segments. Actually, all of the segments are expected to show organic growth. But, when looking at gross variations presented on this slide, the North America segment decreases year-on-year due to the scope impact following the sale of the thermal assets announced in February 2017.

So, overall, the 2017 indication shows organic growth year over year. Indeed, when adjusting for the impact of disposals already announced, for foreign exchange and for the new accounting treatment of the nuclear contribution, the restated EBITDA 2016 becomes 10.1 billion and you can really see the increase for 2017.

So let me finish on this positive note on 2017 and hand over to Isabelle to give you more details on the guidance.

Isabelle Kocher

Thank you, Judith. So, if we look now at the year, bottom line, the Net Recurring Income (Group share), which is at the core, the core, of our guidance. So we target for 17 Net Recurring Income (Group share) which is in the range of €2.4 billion to €2.6 billion. You see that, when restating forex and disposals we signed already, the 16 Net Recurring Income (Group share) stands at 2.2. So what is embedded in this guidance is a very significant organic growth.

We keep our dividend, our guidance on the A-category rating, our Net Debt on EBITDA ratio below or equal to 2.5 times, and we confirm, as well, that we will propose to the next shareholder meeting in May, next May, a €0.7 dividend per share in cash for 17.

So, to conclude, what are the key takeaways?

So you have seen that we are very engaged in this transformation plan, with rigour, with resoluteness, with enthusiasm. And you see also that we are moving rapidly towards a Group which is more agile, more flexible, more efficient and refocused on growth and value creation.

So we have achieved all our 16 engagements, all the elements of our guidance. 17 will be another key milestone so we are ahead of schedule in our transformation plan at the end of 16 and we all are motivated to keep this lead.

And, indeed, that's just the beginning. I mean, we have now already growth levers… and with this redesigned portfolio we have these growth levers already securing the growth for the 3 years to come. And, on top of that, in parallel, we work on additional growth levers for 5 and 10 years.

The world is changing. That's clear. But we don't consider this change as a threat. We consider this change as an opportunity for our Group. Since we have growth levers. They already represent 80% of our COI. They are at the core of the energy revolution. And since the professional leadership of our teams, their leadership, their professionalism, their expertise is a key strength for us in the future.

So here are the elements we wanted to share with you. And now we are in situation to welcome your questions coming from this room, coming also from the WebEx because we have analysts and investors connected through WebEx this morning.

Q&A

J.P. Morgan

Good morning. I would have a few questions.

First, obviously on the E&P. You said you were optimistic on delivering there. So two questions: first, we've seen on the press recently an article talking about the disposal to CIC and Trident. Is this the discussion you are currently having? And, second, when you're talking about getting to, if I recall, 85% of your disposal programme, that would mean another 4.7 billion of disposals this year, potentially. E&P would be a big chunk. Is this a fair assessment?

So that's the first question. A second question would be regarding Belgium. We finally had a vote from the parliament over there, so the situation is unlocked and one could ask if indeed that could mean there could be some change being done strategically there regarding the ownership of the nuclear and the related assets. So that would be the second question.

And third question would be related to the nuclear outages we saw in France last year. There have been material spikes in power prices and did this benefit or impair the 2017 outlook for Engie and, if so, by how much?

Thank you very much.

Isabelle Kocher

Okay, thank you. So, as far as E&P is concerned, we are not used, and you know that well, to comment what is in progress. You will be updated in due time. So the only point is that we are confident in our ability to manage, to the end, this disposal process, and it is a key part of our €15 billion of our disposal programme.

Belgium: so Belgium, it's clear that we went through key steps since we fixed two important points. The first one is provisions. Since we went to the end of the process of reassessment of the right level of provisions for dismantling and also for the retreatment of our nuclear fuel. So it is done. The second element is the vote at the parliament of the two laws we needed. The first one was to restate the fiscal agreement we have with the country, and it is key, of course, for our activities in Belgium. And the second one to obtain the prolongment of the life of our plants. So it is done also. Now it opens, effectively, a new phase. And we already said that we will envisage – and it is something which is discussed openly with the Belgian authorities – how can we make stronger, so rebase our Belgian activities, to re-increase the local anchorage in this country, which is course good for Engie and for Electrabel. So that's something that we will continue to work on.

Nuclear outages in 16, so, effectively, a level of volatility of power prices in France – and not only in France: in Western Europe more generally. And you know that these markets they are connected. High volatility. So we benefited from that. I told you we managed to restructure our thermal fleet so we have now a fleet which is much more flexible, and then able to behave in a volatile environment in terms of prices. That is to say to start rapidly, to be, well, dispatched, even to run only a few hours. It was not the case before. The teams under the leadership of Paulo Almirante here this morning made a great job. And then we got cash and profitability. And that's the same for the beginning of 17, since the positive impact is shared between the two years.

Judith Hartmann

Yes, so the 2017 impact we've assumed about 100 million positive on EBITDA.

Société Générale

You've made a visible effort to help us bridge the gap to the earnings of future years. The message seems to be clear: you're in an organic growth path. I would like to understand whether the 17 guidance you are giving us is setting a floor of net earnings, ordinary net earnings, for the Group, so we can work towards the 18 estimate adding the return on the investment. You have given us some ideas about savings. What would be great is to get an update on how much dilution from disposals we still have to come, beyond the 650 million you've booked in your figures. And secondly, also, getting an update on the bridge on the commodity impact to 18. It looks like the impact from prices in 17 is pretty low. Basically, are we close to the end of that earnings pressure? And, again, the conclusion would be do you think 17 is a floor for the earnings on current market conditions?

Thank you.

Isabelle Kocher

So we managed to give you the global picture on the size, the proportion of our activities. What is visible already now is that the portion of merchant activities, with potential further decreases for them, because you know the price landscape for these activities… So the portion is lower and lower. It accounted for 20% at the end of 16 and it will be lower and lower. What we show is that, if we look at Net Recurring Income (Group share) – I remind you that this is the parameter we have chosen because that's the best way to secure a dividend policy – so, as far as Net Recurring Income (Group share) is concerned, this balance is positive already in 17. And, then, since we will continue to increase the size and the proportion of growth engines in the future, yes, what we expect is to continue to see this kind of balance over the years to come. So, now, Judith, as far as prices are concerned?

Judith Hartmann

Yes, so the question was on the overall bridge of, you know, getting further to 2018. Of course, we don't give guidance on 2018. But, if you look at the information that we had given on the Investor Day, you know, you can, when you listen to us here, you can make a few assumptions, I would say, on, obviously… The cost impact is going to be positive in comparison to what we said 6 months ago since we're increasing by 200 million Lean 2018. When it comes to the commissioning of new assets, it's broadly in line with what we said then and I think we've given some details here on the additional EBITDA that we're expecting of 1 billion in the presentation. And the last thing I would say, on the disposals, you know, there's obviously still a lot of moving pieces in this. Half of it is done and so… and locked in; half to come. But I would say, from on the bridge that we had done back then (15 to 18) it's roughly in line of the Net Income of what we had said, which was roughly 300 million. You have to take into account when we talked about the held-for-sale impact, which is 2015-16. That's a temporary impact and so, when you do the full walk in 15-18, then you're not taking it into account. So that should give you an indication without trying to do a 2018 guidance here.

From the floor

Good morning. Two questions. Just coming back on what Emmanuel just asked, maybe asking slightly differently on the assumptions underlying your 2017 numbers, typically LNG, outright price in Europe… Last year you gave us a mark-to-market of your numbers in February 16. That was very helpful. So maybe if you can help us get a better grip on that?

And, second, very simple question: D&A 17, if you can help us bridge from 16 to 17 given all the changes in the scope.

Thank you.

Isabelle Kocher

Okay, so, D&A, Judith, you will answer.

As far as outright prices are concerned, what is important is to see that we are hedged already. So there is no volatility in budget, in our guidance from this point of view. We are massively hedged in 17 – and 18 by the way. And, if needed, Judith you can give more details.

And, on LNG… So, the goal for LNG – and Pierre Chareyre who is here and in charge in the Executive Committee to manage these operations... Our goal in the LNG is to change progressively our business model. We are less and less exposed to commodity prices, since we renegotiate our prices, our supply prices, to align them with the price at which we then sell this LNG to our clients. I mentioned the fact that we have very important renegotiations in progress. And then the business model is changing. Plus a part of infrastructure. You remember that we built a terminal in the US. So this LNG business, which is historically extremely exposed to commodity prices, is less and less exposed. Nevertheless, Pierre Chareyre will give you additional elements on the prices landscape.

Pierre Chareyre

Hello, yes, good morning everybody. So our view on the LNG market is clearly that it's growing quicker than the rest of the gas market. We… You know that we are saying, midterm, the gas market is growing around 2% and the LNG market is growing about 4%. Now, you know that the situation at the moment, in our view, is oversupply because of the new projects which have been decided in terms of liquefaction and which are coming onstream now… and these relate mainly to Australia and the US. So it brings an additional about 50% liquefaction capacity, an LNG capacity on the market, which will be gradually absorbed. So we see that the market is going to be fairly liquid and fairly long in terms of LNG until at least the year 2020. That's the global outlook on the LNG market. So what do we do ourselves in that respect? Well, first of all, we are making all sorts of efforts to optimise our portfolio. And you have seen on the slide that we have reduced our opex this year compared to last year by 40%. That's mainly on development expenses and shipping expenses. We have a fleet of LNG tankers which we are optimising. And, also, we are renegotiating some of our important LNG supply contracts in order to balance them. And, in that sense, I can say that, for 2017, we are expecting a better result than 2016. That's all I want to say.

Judith Hartmann

The D&A question. So, for 2017, there isn't a big impact that we're resuming from 2016. You know, the 2016-17 bridge. I would say there is almost no impact from the disposals. On that line. And, from the impairments, you know, you can assume maybe 70 million positive.

Citigroup

Good morning, ladies and gentlemen. I have a few questions.

The first one is that, looking at the capex programme that you showed us, comparing what you said today to what you said a year ago, it seems you have changed the mix. You broadly want to do 5 billion in customer solutions, which is the same thing as last year, but last year you had more regulated and less low-CO_2 generation, and now the proportion has flipped. You've gone for more low-CO_2 generation and less regulated. So my first question is what drove that change in the mix.

And that leads to my second question on renewables: you are saying that, in low-CO_2 generation, you are getting a RoCE of about 9%. Many investors have been questioning whether renewables can continue to earn strong returns. So can you please reassure us on that, because we know you have criteria and financial discipline. So, clearly, if you are increasing your exposure it's because you're seeing value. You could help us see it as well.

And my last question is on the net income bridge 2016 to 2017. I understand how you rebase from the 2.5 you've reported to 2.2. I have a clear starting point for 2016. What I don't understand is how I go from the 2.2 to the target of 2.4-2.6. Could you help us bridge that?

Thank you very much.

Isabelle Kocher

Okay, thank you. A lot of questions in your question.

So, first of all, as far as the investment programme is shaped, it is true that we rebalanced a little bit between low-CO_2 power generation and global networks. It is just because we faced a huge pipe. It's a question of opportunities, also. We marginally changed the proportions. Strong pipe in low-CO_2 power generation. And I have to say, also, short-term time to develop them. And it means that, if we look strictly over the three first years, we have the ability to commission a lot of our low-CO_2 new capacities. In parallel of that, we work on big infrastructure, very big infrastructure projects that just will be longer. Longer to develop because, as you can imagine, when you build a transmission network or a big terminal, there is a development phase which is longer than for just a plant. That's the first element.

As far as the profitability of renewables are concerned, I understand that your question is more focused on solar. I have to say that we managed to integrate the portion of complexity of these projects within our company. What do I mean saying that? Usually, when you look at gas power plants for example, we were not used to manage the EPC part. The complexities of the plant were elsewhere; in the design, the financing, the development phase. Now, looking at solar, it is different. The complexity is in the ability to master the EPC part of it. And then we developed, internally, over one year, under the leadership of Shankar Krishnamoorthy, who is here, a solar platform, supply chain, global for the Group. It was on the basis of Solairedirect. We bought the year 2015 and then, taking that, mixing that with our internal forces, we built a global supply chain in order to be able to manage this EPC part. And then the value creation is, for a significant part, based on that. So that's for the profitability elements on solar. And Shankar, if needed, could develop further.

Now for the… more detail on the bridge, Judith, between 2.2…

Judith Hartmann

You know, I would remain with the same things that I've given when I talked to the EBITDA, which is we see an increase on volumes from the new commissioning of plants. In fact, including renewables, it was a very good question on profitability and, again, I can reassure you just like Isabelle said that we're applying the same criteria for all of our projects, and obviously also to renewables. So about 300 million coming from volumes on EBITDA, then a big chunk on additional Lean 2018. Again, this is now really a programme that is showing an impact. And then… That's really the two things I would say. You know, if you ask me… Where does it come from, business-unit-wise or geographically, really when you look at it, it's roughly… It is across the line in many places. I mentioned renewables and I would also mention our customer solutions business.

UBS

Yes, good morning. Thanks for taking my question. Just a very quick one on my side. As a follow-up to the previous, maybe it's still on the bridging profitability for 2017. I think it's on your slide 26 at EBITDA level. Can you just give us a bit of colour on what is included in the "Others" category for about 200 million? If there are some key element in there I'd be curious to know about what it is.

Thank you.

Judith Hartmann

Yes, so, in the "Others" is a number of things that we're including there on basically items that we were expecting this year that are going to happen, on negotiations that are ongoing, and so really it is one-offs… you know, that are in there that we trust are going to happen. Or that they were negative in 2016 and they're going to have a positive impact in 2017.

J.P. Morgan

Thank you. Just to do a follow-up on a question on LNG: I understand that you're structuring new business more back-to-back with, I would say, a stable margin there. But you still do some arbitrage on volumes, redirecting the gas you don't need in Europe to other markets, and this is, I would say, by nature, a fairly volatile business. That's why I'm not 100% sure I understood why the LNG would not be volatile anymore. One part of the business yes but the other one, I got difficulties with that.

And I will have a second question regarding Chile. I asked this question to Suez. It seems that there is a law proposed which has not been voted by senate, which would reduce the return on regulated assets over there. You have a fairly big project over there for a transmission line. This would not impact returns before 2020 if it were to happen (we don't know yet if it were to happen). It may seem a bit unlikely at this stage. However, I'd be interested in knowing the size of this project and what you expect in terms of earnings in order to understand what is at risk – if.

Thank you.

Pierre Chareyre

Yes. On LNG, effectively, we have in fact two types of business in LNG. We have, effectively, a midstream activity and there this activity is effectively quite dependent on the market situation and the difference in prices. Our strategy is to be much less open in terms of outright position and our counterparties. And I think this strategy is paying off. When you see all the people who have effectively committed to buy LNG from the States we are probably one of the companies which has off-sold most of its exposure at the moment to the market. And so we are not struggling with Henry Hub purchases as some other companies would be doing in the present market circumstances. So I think we are trying to keep this element of volatility as low as possible. But, at the same time, benefiting from the size of our portfolio, which, as you know, is significant, and therefore doing short-term optimisation, which… well, effectively, the market risk is much less important. So this is the difference in time between long-term exposure and short-term exposure. Then I think we have also… You have also to know that we are investors, in the LNG business units, in a project like Cameron, for example, and there we are getting secured dividends from something which is fully contracted, and therefore it gives a basis of stability for those earnings, a little bit like if it was a fully contracted activity. So that helps stabilise the P&L of that activity.

Isabelle Kocher

And to go back to your question on Chile, so, first of all a word about this big project. It is a big one to connect – in one second – the goal is to connect the north part of the country to the centre. You have in mind the geography of this country. That's strategic for Chile this power transmission line. So it is a project which is a €1 billion investment. But not only for Engie. That's a project we have at 50%. And we have it, as we do in… well, in a big majority of cases, in an associate situation. So it is an equity for us (exposure). And it is a way to spread our risk. So what we understand that if we go back now to this project of law… It's not yet defined, the perimeter of it, not clear if the strategic asset will be covered or not… There is a discussion there, for evident, obvious reasons. And then it's true this de-risking process we always manage to have partners and to be exposed only at equity level, the impact wouldn't be very big for our Group.

Judith Hartmann

And if I may add, it's been a very successful project already, since we've de-risked it through the sell-down that Isabelle just mentioned and had a gain of €200 million on this last year, which is very positive of course.

Natixis

Good morning. I have two questions. A more strategic one: concerning Electrabel, you mentioned that you are working now to a little bit more anchor the company in the Belgium area. Do we consider looking the advancement of your plan that what could happen to Electrabel means your decision to divest or partly divest has to be included in the 2018 plan, or it could come after 2018. That the first question. And the second one, I do think that you are expecting then, you… the press speculation about Suez in January… you mentioned clearly your position. In the meantime you have a standstill period, looking the market rules, Suez is itself running after GE currently. Do we consider your announcement of January as the final one?

Isabelle Kocher

I don't know what you mention, what you say, our announcement of February… I will say the same. So we are happy with the current stake we have in Suez Environnement. And, as far as Electrabel now is concerned, you know, we are not in a hurry. That's not the purpose. What was key, and urgent, was to fix the two elements I mentioned. That's done. Now we open, but smoothly, a period of conversations with all the stakeholders in this country, and it's too early to give you additional elements on the timing.

Morgan Stanley

Hi, hello, good morning. Thanks for taking my questions. I have two on E&P if I may. Can you please disclose what has been the earnings contribution of E&P business? And also on the updated cost-cutting target of 1.2 billion, how much of that is coming from E&P?

Thank you very much.

Judith Hartmann

On the E&P earnings contribution, in 2016, it was about 50 million. That is… will go up in all likelihood this year of course, with the prices where they are. And as, you know, if you… On the Net Income, yes. Net recurring results, of course, 50 million. And on the… And to go up to about 100, I would say, in 2017.

On the… On how much is on Lean on E&P, on one of the pages I showed for 2016 you saw 11% coming from E&P, and that doesn't really tell the full story, if I would say, because it's a massive impact for… A massive effort that is going on in the teams and I really want to salute them for everything that they're doing. You know, they're working on a 30% reduction on their total opex and have really been one of the teams that have been the most engaged and have proven that they can do this in 2016 and are very confident on 2017.

Goldman Sachs

Good morning. I have two questions, please.

To what extent does non-cash financial charges in 2017 benefit from lower discount rates on your nuclear operations? And second, on working capital, there's quite a good result in 2016, could you give us a little bit more colour; exactly sort of what's sustainable and what could reverse, maybe going into 17.

Thanks.

Judith Hartmann

So I'll start with the working capital question. You know, again, very sustained cash flow in 2016. We don't typically give very, very much detail on the outlook and so we won't on 2017 either. As you know, we have impacts on margin calls here that are always very important. But I am absolutely, you know, sure about the fact that we're going to continue to have strong cash flow, as we have had in the past. It's clearly one of the strengths of this company. And you saw it again in our 2016 results.

There was a question on the non-cash financial charges benefit from nuclear provisions. Yes, there is an upside. It's small, however. I would say roughly around 40 million.

Morningstar

Good morning. I have one question on Cameron LNG. You mentioned it and I understand that the bulk of volumes are contracted. And I'd like to know what kind of earnings contribution can we expect from Cameron LNG and the timing of it.

Thank you.

Isabelle Kocher

So one word about the project and where we are in terms of sales of the volumes. Of course, the goal for us is to sell on a long-term basis the bulk of it. It is done. We still increased this portion in 16, signing with AES in particular, supply, LNG supply, in the Caribbean, for example, and in Panama. So it is… You can consider that the bulk is secured.

About the contribution figures, one word from Pierre Chareyre.

Pierre Chareyre

Yes, so Cameron LNG, for those who don't follow this market very closely, is effectively an LNG liquefaction facility, which is under construction, in the States. And we are a shareholder in that facility, as well as an off-taker for 4 million tonnes of LNG. And our shareholding… The construction is progressing significantly. We expect first gas to come out in 2018. And there the contribution in terms of dividend for us should be around 100 million in 2018, and double in 2019 with the full load of this plant.

Société Générale

Thank you. I was looking at slide 21, which is a slide on future capex, which I find fascinating. Looking at 17 and 18 capex, you are planning to spend 4 billion in customer solutions. Now it says very clearly that about 2 billion is tuck-in acquisitions. That may or must include what you announced today or recently. I was wondering if you could you give us a couple of details on that. I haven't read the press release.

And then… So acquisitions… We'll wait to see. You've got another 2 billion to spend on what is a very diverse portfolio of businesses ranging from cogeneration (capital-intensive) to really capital-light businesses. Are you able to give us a bit more, you know, details about those 2 billion, how much is identified capital-intensive cogen, very high visibility of earnings, and how much is still to be defined. I guess that's an area of business which is rather new in the scope of the sector at the moment.

Thank you.

Judith Hartmann

So, yes, we have assumed about 2 billion of investments into this area coming from acquisitions. Typically, we've done this very successfully in the past already, where, you know, it's not very big acquisitions but really the team has proven in the past that we buy these tuck-ins like we said, we integrate them and we create value. Keepmoat, that we're announcing today or have announced this morning, is 400 million of that. It really is a leader in what… In the sector on energy efficiency, on renovation, basically, of housing. Clearly a very… Had been identified for some time, for the Group as a whole, as a key programme of things that we're working on. It is, you know, like I said, clearly in line with our strategy. And, for the UK, very importantly there, this is the leader that we're buying. And we're very comfortable that we can create value not just through the energy-efficiency piece but also combining with the rest of our portfolio in terms of smart homes, connected homes and these kinds of things. So hugely important for us. In terms of what the future opportunities could be, again, at any given time you can assume that we're looking at these kind of companies across the planet if I may say so. We have bought a number of acquisitions, we did a number of acquisitions already last year. You might remember OpTerra in the United States. Also in the energy efficiency space. And that's clearly areas we're going to go after. And your question is it going to be more on the capital-intensive or not so much, there's a mix of both. You know, I have a very concrete example in my head that I cannot mention because it's an ongoing transaction. But it's on the district heating and cooling leader in their respective geography. And that could be also a very nice, very nice acquisition. So, you know, if you have to make an assumption, maybe go for half and half. But we're literally looking at several acquisitions in this field that we consider as very strategic for the company. And that we're going to continue to invest in.

Isabelle Kocher

And maybe don't forget that, yes, it is new for the sector, but not new for Engie. Engie is the leader in energy services for the B2B segment. So that's not something we discover. We have a lot of… we have a huge footprint in this *métier*. I don't know if you are aware of that but two-thirds, two-thirds of our collaborators they are involved in this services *métier*, which is a huge one, internally, and well mastered.

So, well, we are at the end of this session. Thank you for your presence this morning in this room and through the WebEx connection, and we wish you a very nice day. Thank you very much.