

# ENGIE Customer Solutions Investor Workshop June 20, 2017

## **Judith HARTMANN, Executive Vice President, Chief Financial Officer, Engie**

Hello and welcome to this Investor Day. It is a wonderful opportunity for us to be here today. Customer solutions is an integral part of our portfolio. It has very interesting financial dynamics and it is going to continue to grow. I am looking forward to this opportunity to exchange with you and we have a great line-up here with some of our most senior people in the company, who are going to give you a view of the different things they are working on.

I have a couple of pages on the total company. The transformation is clearly defined in our strategic priorities, which are very clear. I think they are well understood now, both outside and inside the company. On the transformation, we continue to be ahead of plan, which is great, and we are confirming our guidance here today, which is also good news.

I want to say a few words about where we are in the transformation. There are four big things we always talk about. One is how to reshape our portfolio, and really this discussion came along 18 months ago, when we looked at our portfolio and looked at the tremendous opportunity of the energy revolution and asked what parts of the portfolio were perfectly positioned for this. It turns out that there is 80% that we are very happy with, where we have the growth engines we have talked about, which we want to continue to invest in.

We decided we would like to get out of 20% of the portfolio – you have heard me talk about this before – mostly around coal, mostly merchant. We would then massively reinvest this EUR 15 billion of asset rotation into the core strategy and into the growth engines. Right now, we are about three-quarters done with those, in terms of asset rotation and defining the reinvestment. You have all seen since the last time we met that we have announced the disposal of E&P. This is a huge step forward and a historic event for the company. Hopefully, you have also seen over the last 10 days that we are getting out of Petronet, which was a minority stake in India, and also a great example of this asset rotation, with EUR 400 million of proceeds and the result that we are going to miss about EUR 3 million a year, so you can clearly see that it is creating leverage. On Monday, you have seen our investment in Tabreed, and Claude is going to talk about this later. It is a fantastic opportunity, which makes us the global leader in district cooling and heating and is a great addition as a development platform in the Middle East and some of the emerging countries.

Paving the way is a further aspect, and this is how we make sure we stay a global leader in the future and create the bridge between today and tomorrow. ENGIE Fab really looks at future technologies, some emerging and some still in their first ideas. Our digital teams have done an outstanding job over the last 12 months on how to transform this company from a digital perspective, driving additional growth in terms of customer experience, and also digital operations, which is a very important point when you look at our huge asset base.

Improving our efficiency with Lean 2018 is a EUR 1.2 billion impact on our bottom line, which is very significant and positive on our financials. Beyond that, it is also the simplification of our portfolio and aligning our cost structure with the new strategy. If you have a EUR 15 billion asset rotation, you cannot think that your structures are exactly where you wanted them to be, and so it creates a great opportunity for us to move in the future. Again, we are well in advance with 80% already defined, which is a great job by the teams.

Last but not least, on adapting the Group, people tend to think about this as the soft piece, when frankly it is very central to what we are doing. It is equally important to make sure that 150 000 people are aligned, all our managers incentivised, and all the teams engaged in going in the right direction.

**[Video played 0:05:54 – 0:09:27]**

As I said, there has been great progress on the transformation. You heard some of the themes on decarbonisation, decentralisation, digitisation, and clearly, when you keep that in mind, customer solutions fit in incredibly well. With these three things, customer solutions are really at the heart of it. If you say decarbonisation, there is the whole discussion around climate change, which a lot of our private and public customers are now worrying about, and we provide solutions to them in terms of energy efficiency. When you think about decentralisation, we will get some great examples later from my colleagues on the solutions that we are providing to our customers. It is clearly a trend we are seeing all over the planet and we have a great opportunity to respond. Of course, with digitisation, all of us are expecting a more digital way of living, and so do our customers, and it creates a huge opportunity for us and, as I said, also in customer solutions.

I now want to spend more time on going into more detail on why customer solutions are such a great part of the business and why it will create value for ENGIE and our investors. I want to start by saying that it has a lot of positive trends behind it, some of which I have just mentioned. It has a leading position and we are really second to none on this. It is a part of the portfolio that is very complementary, by which I mean it is benefitting from the rest of the portfolio and vice versa. Financially, it is very profitable. It is more visible. It is very recurring, and we will give you examples of that too, and it has significant growth perspectives. If you look at it financially, there are a lot of things to like about it.

To talk about the mega trends first, there is environmental awareness, which is here to stay. I have just come back from three weeks of travelling in 10 countries and three continents. Everywhere you go, people are talking about the environment, and it is clearly something that is here to stay and which creates opportunities. Energy efficiency is obviously closely linked with that, as are regulations and scarcity of resources, and the fact that there is a bigger drive for productivity, where we can provide a one stop shop solution for our customers and reduce costs. Then there is digitisation and all the smart solutions we can provide with our customer solutions.

I mentioned earlier that it is a unique platform. When a lot of our competitors talk about customer solutions, they think about B2C solutions, which are important for us too and we are in a leading position in some countries. You will hear later from Hervé-Matthieu about the French example and the innovative solutions that the teams are working on. It creates a great link with many of our customers and the additional things we can now provide to them. However, very few companies are in this part of the market, and the ones that we are typically used to looking at are not very present. Clearly, this is something where we are second to none and it differentiates us and will continue to grow. Combined, this represents 100 000 employees, so two-thirds of our employees are in these activities.

I said we are a global leader and I will give you a few examples. Of course, there is our historic presence in B2C in France, in gas, but also increasingly in electricity sales. In Belgium, we are a leader in both gas and electricity. We have 23 million contracts globally. On B2B we are really helping our customers to be successful. We have energy services where we are the leader in a lot of countries in Europe, and also starting much more internationally. We will get some great examples of B2T later today from our colleagues, for example from Frank in the United States and Wilfrid in the UK, on district heating and cooling, smart buildings, green mobility, distributed energy – all the different things that we can now provide to our customers and that make us a leader in this activity.

I mentioned that it is an integral part of the portfolio and I feel very strongly about this. I believe that some of these activities are obviously done by other companies, but where it becomes a real force is when you do it all and when you can start to benefit from having all this knowledge in the company. A lot of the examples you will hear later are from experts all over the planet, who are coming to work together on such a big deal, like Ohio State and Tabreed, or to work on Bordeaux district heating and cooling. It is really that which makes it happen and the different parts benefit from this. What people think about is power supply, which is the most obvious, but what I am trying to get across is that there is a very good link

between the parts of our portfolio, and customer solutions is one that can provide many things to the rest of the organisation, and the other way around. It is significant in size, already worth 60% of our sales. Some of that is supply, where the margin is not that high, so today it is 20% of our EBITDA. Most people think, when they hear customer solutions, that it is the supply side, but that is about one-third and two-thirds is in energy services. The different parts are Energy Efficiency, Installations and District Networks.

It is already big today and it is going to continue to grow. It is not just for the future, it is a growth engine, as we said a couple of months ago, and it is profitable. In this whole transformation, we are getting out of lower profitability activities and moving into ones with higher profitability. Customer solutions is much less capital intensive and therefore gives us a much higher ROCE and, typically, it is an activity with about 11%, which compares favourably with some of the other activities we are getting out of. When you look at upstream and thermal at 2%, then you can see how the shift is going to create value. All parts of customer solutions have one thing in common, which is a high ROCE, and also that we are projecting growth, so there are very positive trends from that perspective.

The other thing that you have to love, if you are CFO of a company, is how recurring this revenue is. As you will hear from the examples, these are long-term contracts where you have visibility. You start the year with very good visibility in terms of what the rest of the year is going to look like. A lot of this is recurring. We have a remaining portfolio duration of about eight years and there are 80% contract renewals in most of these contracts. Frank will talk about his business, for example, to give you a view there. Just on the installations backlog, is it EUR 5.7 billion of backlog, which means signed contracts that we will then execute over time. It is a very distributed customer base, with industrial, private and public, and 83% of them are below € 50 million, which gives very good coverage and annuity stream, as well as a very good risk profile.

It is also an activity that has been very resilient through time. When you look at our European activities, 92% of revenues so far are in Europe, with GDP growth basically flat. Our top line growth for CAGR is 1% over the same period of time, even though there was nothing happening in the economy from a growth perspective. The teams were able to consistently increase the bottom line faster than the top line every year. 3.3% EBIT CAGR in a period of flat GDP goes to show you that growth is possible even at times when you do not see much economic growth.

Where is the growth going to come from? We said that we want to grow this 50% EBITDA by 2018 and there are really three ways we look at this, all of which are equally important: organic development; tuck-in acquisitions (some of which I have already mentioned) and Lean. When you see the lift that we are able to create in terms of trading higher growth on the bottom line, you see that all three are very important.

I will start with Lean. You obviously know the total programme very well. A total of € 1.2 billion and a very significant impact for ENGIE over the next three years or until 2018. Almost half of that is coming from our Customer Solutions business and 80% of actions are already identified and about one-third were done in the first year. The teams are looking at different levels, working on purchasing efforts, simplification, delayering, relooking at contracts that do not have as much margin, working with the respective subcontractors, real estate. There is also a real performance culture in this part of the business, with a real entrepreneurial spirit and people who care fundamentally about the bottom line and who are driving lots of improvement here for us.

In terms of organic investment, it is not very Capex intensive. When we said € 4.8 billion in investments over three years, € 2 billion of which is for tuck-in acquisitions, some already announced and the rest is organic Capex. I would say that nearly two-thirds of the tuck-in M&A are done. District heating and cooling is a wonderful opportunity for us where we have been very successful in the past, in France first, and now we have been able to export this to the Middle East. Icomera is a wireless internet solution in transportation, which is also very future proof. Keepmoat we talked about at our results presentation and the UK teams have done a fantastic job on this transaction. The first few months have already been a great

new start and they are doing renovation. When you think about the fact that about 30%, about one-third, of energy consumption is in buildings, renovation is really a great way to drive energy efficiency and bring solutions to cities and places, as we call it in the UK. Then there are EV-Box charging stations for electric vehicles, which is something that is also going to continue to increase. You are going to hear some examples about Organic Capex today. You have already heard about Ohio State University and Etienne is going to talk about a great project with our industrial customers, DSM, Novartis and Syngenta where we do a biomass generation facility with them that is really going to add a lot of value as a corporate PPA.

It is not just the big M&A, which I get the questions on, but when you think about this activity and given what I described earlier on the competition, this is still a very fragmented space. We have been doing a strategy over the last few years that you could describe as a string of pearls. We have done 33 acquisitions in five years and the teams have been able to find these complementary portfolios and buying them in all cases, below a typical multiple of a company, integrating them and creating value. On average, € 500 million of revenue was added per year over the last five years. You have already seen a lot of these examples and some I have already touched on today. I mentioned that a lot of these are typically below the trading multiples and the peers in this area are trading at higher multiples. I want to get across two things. One is that we buy at a discount and create value that way and then it appears that there could also be a rerating opportunity here, because this part of the business is going to get bigger. I would sum it up by saying that it is key to the strategy and we have a unique positioning. This is really the French hitting us. It is a great part of the business with great financial dynamics behind it and it is going to continue to grow, which is why we thought it was important to spend a day with you on this entire topic. I will now hand over to my colleague, Claude Turbet. We will do a Q&A at the end of the session for myself. With that, I will hand over to Claude, who is going to give us the 'Métiers' view.

## **Claude TURBET, Managing Director, Solutions for Businesses**

Thank you, Judith. My name is Claude Turbet and I am Managing Director of Solutions for Businesses. I am a B2B services native and I am very happy to share my passion with you this afternoon. Customer solutions is my life.

The new organisation we put in place 18 months ago is very close to our customers, based on 24 BUs. Most of them are local BUs, the idea being to follow the great trend of a decentralised world. That means an organisation that is very close to our customers' expectations, to be very agile and understand what happens on the markets, to be able to identify new trends very quickly and adapt our forces to these new trends. My point today is that in addition to these 24 BUs, we put in place five Métiers lines connected with the rest of the organisation. Their mission is to be the glue between the BUs, to leverage every synergy, internal synergy, every potential coming from the BUs, to cross-fertilise, spread our solution commonly and for each BU to be stronger than it would be alone.

Three of these five Métiers lines are dedicated to customer solutions, B2B, B2C and B2T. We have specialised teams dedicated to these segments, with three main objectives. One is to be able to highlight the strategic vision for ENGIE in each Métier. We are in charge of thinking about options and promoting these options to the rest of the Group. Second, as Métiers, we are in charge of supporting our BUs operationally. It is at the core of our mission, to be aware of the strengths of ENGIE and to copy paste whatever can be copy pasted from one BU to another and be at the core of our internal development, thanks to our vision of these skills.

I will come back to Tabreed later and Frank will talk about Ohio State University, which has been a very big contract. In each of these cases, Métiers have played a key role in connecting the dots between the skills, mainly available in Europe now, and the rest of the world, by transforming our high knowledge potential into concrete achievements and contracts, sometimes very far from Europe. In Australia, we recently won a very large contract on data centres, thanks to the expertise coming from Europe. Without this expertise, our Australian colleagues would not have succeeded in winning this tender. These examples show the power of ENGIE, thanks to the cross-fertilisation we arrange in the day to day activities.

Our third role as Métiers is to develop new solutions, what we call key programs. We have identified some domains where the BU is not the right size to address a potential target. In this case, the Métier is in charge of strengthening the different BUs concerned in a new development and to develop new solutions collectively. One example of this is building renovation. We believe that we can offer our customers comprehensive solutions for building refurbishment, that is not only refurbishing the technical installation or the envelope, but also to be active in optimising the workplace of our customers. In this particular context, as Métiers we organised transversal work to promote and develop new solutions for the benefit of our BUs.

Judith has already mentioned the €1.9 billion EBITDA in 2016 for our Customer Solution activities. It is becoming a very strong contribution at Group level, mainly made up of European results for the moment, but we are very active and progressively increasing our footprint in other areas, such as the US and Asia, Singapore and Australia, especially. We will continue to grow in these countries, but we also have the ambition to grow our activities in other areas such as Latin America, Brazil and Mexico, and the Middle East, which Tabreed will be a very good example to highlight this, and Africa.

I will now present a few elements on each of the three Métiers, starting with B2C. The context of B2C is a context of big changes and evolving fast, due to the evolution of regulations in different countries, the emergence of new technologies (PV, heat storage, digitisation), which is key for this segment. Our customers are waiting for proactive, pleasant and personalised experience day to day with a company like ENGIE. In parallel we are also compared by our customers not only to our peers, but also to their other providers in banks and shops etc. The customer journey we provide is not only challenged by our competition

but by our neighbours in the connection with our customers. In this context, we believe we are very well positioned to capture market growth, thanks to two elements. First, we are developing a very wide range of solutions, shifting drastically from being a commodity provider to an integrated, modular, solutions provider. Second, we pay attention to the excellence of our customer relationship and we invest a lot in digital solutions to provide good solutions to our customers. Hervé-Matthieu will give a lot of examples on this in France. From my side, I will show you a video of what we are just delivering in the new field of electronic marketplace, the 50five business, which is an e-commerce platform. We launched it a few months ago and thanks to this platform we can sell to our customers connected devices.

**[Video played 0:35:36 – 0:37:06]**

This is an internal initiative, if you like an internal start-up. We are only just beginning, but the results are promising, with sales in May made of 3 000 devices, which is the total for the whole of 2016. It is very promising and a good example of increasing offers for our customers. Judith has already shown you the number of contracts at 23 million, with 16 million customers. It is well known that we have very strong leadership in France and Belgium, but we are also present in other countries and we need to pay attention to this. We are present in Romania, Turkey, Italy, the Netherlands, Germany and we are now entering the UK market. I would like to emphasise one point, that is the fact that we are present in many countries is very important for us. We can provide workers with our best practices. We can be enriched by these different teams on the ground serving our customers and it is a strength for us that allows us to propose the best solution to our customers. In this context, the role of the B2C Métier is key. Just one case outside Europe, we are also very active in developing our portfolio in Australia, which is now made up of 600 000 contracts. In some states, we have a market share of up to 12% and it is a very fast-growing market for us. It is a very interesting market and a very interesting country, with a high penetration of PV, which is interesting for us, and strong regulation about energy efficiency measures. Our ambition is to continue to grow in B2C with a target of 30 million contracts by 2020, against 23 million at the moment. We will develop this portfolio in our different countries thanks to three strategic axis. The first one is the improvement of our operational and commercial performance. The second is to develop new innovative offers. I just mentioned the e-commerce platform we are developing, I could also mention the decentralised solution, using rooftop solar, storage battery etc., these solutions are for tomorrow, and smart home services. We also intend to increase our geographical footprint. This increase in our portfolio will be made essentially in power services and in power we intend to grow by two the number of our contracts, thanks to strong organic growth in France and Italy, and other countries, such as the UK, where we hope to be very successful, and in Turkey.

Moving on to B2B, which is a very big activity for ENGIE, with two-thirds of our 150 000 employees working in B2B solutions. Our purpose is to increase the efficiency of our customers, that is energy efficiency but also, more broadly the improvement of their productivity, the attractiveness of their buildings. They have strong expectations from us in various new solutions, not only in the energy field. We are serving a very wide range of customers in every B2B segment, with a presence in community housing, office buildings, high rise buildings, data centres, the automotive industry, nuclear power plants, etc. It gives you an idea of the complexity and the various opportunities in our business in B2B. We are present all along the value chain, which means we are able to follow customer expectations from the birth to decommissioning or refurbishment of a building. We are present all along the lifecycle of a building and have developed skills at every step of the building: audit; design; installation; facility management; energy; sales etc. We can provide the customer with a comprehensive solution and accompany their needs at every moment in the life of a building. It is also important to mention that we are fundamentally agnostic in terms of technology. That is, we are not building or manufacturing equipment, we are an integrator, providing our customers with the best of the technology and adopting the good bricks on the shelves to provide a tailor-made solution that is the best one for the customer. The massive introduction of new technologies and digital solutions in our solutions has been a great trend.

We are currently doing Building Information Modelling (BIM), which is a very strong trend in how buildings are built, so that it can be modelled and followed throughout its life. We are trying to be at the top of this new development, which is very promising for our activities.

**[Video played 0:44:30 – 00:46:29]**

What is at stake is the way we manage innovation to stay as the frontrunner in the competition. We are making a lot of efforts in this domain in order to be the leader for building new solutions for our customers, thanks to the opportunities provided by the BIM solution.

I want to emphasise that we are a global leader in B2B services, but on top of this we have the very promising capacity to add two main skills, energy providing and services. The decentralised solution and the strong trend towards decentralisation is good news for us, because we have already begun and will progressively bundle energy and services more efficiently, to provide our customers with innovative offers. Frankly, we are the only one who can provide this bundled solution, because we have two cards in our hands.

We have three main strategic drivers behind our ambition. The first one is to continue to promote energy efficiency, which is in our DNA in B2B services. We want to be the front runner in energy efficiency and modernise and innovate, thanks to digital solutions, the Internet of things, connected devices, big data, etc. We are very active in developing solutions, to renew our business model for our customers.

Second, we want to develop actively integrated offers. That is, not only to be stuck to energy efficiency, but also to be able to follow our customers' needs, so that we can provide comprehensive solutions.

Third, is to increase our international footprint and, in some selected countries, not everywhere, to take advantage of the technical and human resources we have in Europe. It is a real strength for us to benefit from our European assets, which are not only technical skills but also human resources, to accompany strong development outside Europe.

To finish, I will move on to B2T.

**[Video played 0:49:34 – 0:50:58]**

Clearly, cities and territories are at the core of the energy transition. When we have discussions with public authorities and mayors, their expectations are: better air quality in the city; fewer traffic jams and less congestion; more security. The good news is that for these needs, ENGIE is the right choice for our customers, because we have all the cards in our hands. We have very strong DNA and long history in terms of our relationships with local authorities and a long history of partnerships with them. We have also developed a wide range of solutions in the different topics addressed by the customers' expectations. We are present in energy efficiency. We can develop district heating and cooling device schemes. We have capacities in green mobility, to lower emissions in the city. We are mastering everything in the city. In the domain of security, we have a very strong track record. We can accompany our customers in their different expectations.

Let me focus on a few examples in the cities. We have very strong expertise in smart lighting and we renovate, install, maintain and operate more than one million lighting points in the world, which is a very strong position. We are very active in smart security in CCTV systems. In Paris, we have 15 000 cameras to monitor the roads and we are present in this activity in more than 600 cities all over the world. We are also present in district heating and cooling, thanks to more than 250 DHC schemes, without the addition of hybrid schemes. For us, the B2T activities are a very strong segment, with a rapidly growing market thanks to urban expansion. We intend to grow in this segment through district networks. We intend to develop our DHC activities everywhere on earth, not only in Europe, but also in the rest of the world.

Tabreed is one key milestone. The cooling need is growing very rapidly due to three key factors: climate change and rising temperatures; urban development with more and more

bigger cities, with more and more need for cooling; and the rising income of the middle class in some countries, emerging countries. The cake is growing very rapidly and in this context, centralised solutions for providing cooling water to customers are the best solutions. There is a huge difference between standalone systems and centralised systems. Certainly, we can save 50% by using centralised in comparison to decentralised systems. It is a very good business to be developing in cooling. As you know, we acquired 40% of Tabreed and in doing that we have become a worldwide leader in district cooling, so it is a key milestone for us. In addition to our former position, because as you know we are very present in Paris, Barcelona and Lisbon, in Malaysia and the London Olympic park. This acquisition will add a very strong portfolio for us in the Middle East, a region where we did not have much of a presence in this activity.

Thanks to Tabreed we are now adding 71 district cooling plants in addition to ENGIE's existing portfolio. I believe it is the perfect illustration of what I have tried to show you, that is ENGIE's capacity, thanks to the BUs and the Métiers, to mobilise our skills and capacities to make a success of some opportunities. In the case of Tabreed, we mobilised our best experts in the cooling industry in Europe and other regions, to look at this opportunity. We mobilised the B2T Métier to provide the best experts to look at this. It is a great strength for us that whatever the geography of an opportunity, we can mobilise the rest of the company to make a success of it, just like this one.

## **Franck BRUEL, CEO, BU France B2B**

Hello everyone. I am Frank BRUEL and I have been doing services to businesses for the last 25 years. I joined the Executive Committee of ENGIE last year and I am in charge of the B2B business in France. I am going to try to describe it to you.

What do we do? Effectively, we help businesses and professionals to better use energy. In saying 'better use', I mean more efficiently, more safely, more sustainably, you name it. For that purpose, we create solutions that are relevant to the customer and then we install them, we operate and maintain them and along the way we create associated services. We are present on the whole value chain and that is what makes us different, because we create an understanding of the company, that in turn creates stickiness to the business. To do that, we are organised into four different businesses. Cofely is a leader in France in energy management and facility management. Ineo is the leader in complex electrical installations in any kind of context, whether transport, security, building or industry. Axima is a clear leader in Europe in air treatment, cooling and air conditioning. Endel is specialised in industrial maintenance in complex environments.

We operate in four segments, in fact all the segments where we can address professionals. That is industry, and ITER is a very good example of very sophisticated, ground breaking industries, where the four of our entities have been required to come and work on the project. Hikari is a building, zero emission buildings. Public business, any kind of public services, which would be schools or hospitals, any kind of public buildings. Infrastructure, where we are present in railway works, any kind of transport. We are very present in airports, everywhere where our expertise is required.

Some key figures. We were very close to EUR 7 billion last year and we hope that we will break that this year. EUR 400 million EBITDA and I see Judith smiling when I say that and we are very proud of our ROCE which is very healthy at very close to 20%. Our business is also very balanced between the entities and by market segment. We are not relying on any market segment. We are everywhere and we follow the business as it goes. As integrators, we use all the technology we have. We look for new technologies and we create solutions where they are needed.

Why are we different? We are different because we have those four entities and they can act separately or together and that is very much the customer's choice or the environment of the bid we are looking for. The second main driver is that we have 900 separate sites in France, whether self-standing or customer sites. That means we are close to our customers everywhere and we have built an understanding of the customer that is unique. When we come to a customer, we have the most relevant solution, we know how it fits and sometimes we know better than the customer himself, what he really needs for his business.

To design this business, we have 3 000 engineers. These are across the board and they create new solutions and ensure that they are implemented and are reliable. Professionals require reliable solutions and that is what we build for them. We also have the full range. We can discuss with the customers, find the right solution, design it, implement it and, because we believe in it, we can operate and maintain it. That is unique in the French segment. In the French market, you would find operators in some of those specialities. You would never find someone who could do the full range across all these technologies.

That gives us a business that is very resilient. In the installation part, at any given time, we have 11 months of booked orders. When we enter a new year, we already have more than six months of sales that are already signed and ready to be installed. On the service business, our average remaining time on a contract is eight years, so we have a long time ahead of us and when those contracts come to an end, 80% of them will be historically renewed. Our business is very sustainable, based on knowing and understanding the customers and being able to build new solutions to their requirements. That gives a business that is pretty resilient in terms of sales, and the market in France has been pretty gloomy for the last five years, and still we have been able to improve our profitability consistently year

after year. Our promise or commitment to the Group, is that we will improve our EBITDA by 25% between 2015 and 2018 and improve our margin by 40 bps. We will do that by keeping on doing what we know best. That is creating complex solutions for our customers. Complex because we can leverage our technology and knowledge of those technologies. We do not want to be doing everyday business with the customers, where we have to fight for prices. We want to be able to create new things, things that other people cannot do, cannot match, cannot do as safely as we do, so that we can leverage our knowledge and create more value. We will do that in every area that has been described before by Claude, in big cities, infrastructure, private companies or buildings.

I would like to give you some examples of what we do. These are only snapshots of different areas where we can act and there are a lot more than that. Airbus is interesting because we have all four companies working in it and it has a direct relationship to what you have seen this morning. In the end, because we were active everywhere in Airbus, they asked us to create the heating factory for the new assembly line for the A380. It looked in some ways like what you have seen this morning. We created that business for them and when they came to build the assembly line for the A350, we knew what they wanted, we were on site and we were the only ones to be able to extend our existing network to create the heating for the new hall. Because we are close to our customers, because we know where they are, we can extend our business and this is how it works. We have deployed a solution that is really state of the art in those areas.

The next case study is usually quite surprising, because people do not usually see us in that market. We are pretty good experts in the marine sector, whether in cruise ships, where we have a very large market share in Saint Nazaire, or in the navy. In those companies, we can do electrical work, or the air treatment, or the cooling for the nuclear reactor, or even, protection of the air for the crew when they are under biological or nuclear attack. This is the level of sophistication we can do and because we have done that in France, we are able to export that expertise to different countries and different navies.

IBM is quite the opposite. We entered IBM more than 20 years ago with technical facility management. Over the years, we created a relationship and an understanding that made us expand our business perimeter into new countries, into new parts of their business. Our contracts have evolved from very simple facilities management to energy performance contracts and that has been going on and growing for the last 20 years. Now, we are bringing them the expertise we have built on a separate business, on how to manage data centres. It is a very good example of how we create a long relationship based on technology and becoming more and more closely linked to our customer's business.

My last one is one of my favourites because it tells the story of how close we are to the customers. In France, we have a very long history of working with the cities in different areas, including facilities management, district heating etc. Knowing that much, we can identify that Paris, which is running out of money like most cities, had a big issue with schools, which are essential. They are creating the future and they have a very big weight in the image of the city, but they are expensive to run. We designed a contract and brought the technologies, to be able to renew 140 different schools inside Paris, where we would pay ourselves on the energy savings. That was a whole process that started by renovating some of those businesses, changing the windows and improving some of the insulation, bringing in technology, changing some of the heating systems. We brought sensors into the classrooms to understand where the heating was needed and to actually control that and ultimately, we trained the teachers to use the technology. With all this package, we can promise the city that it is going to make savings and we are going to finance the investments. That is typically the things that we do. Thank you very much. Q&A for me now.

## Questions and Answers

---

### **From the floor**

I see there are some cases where it is a technological edge, but could you develop a bit on the different types of leverage you have in your toolbox to grow outside France in this activity?

### **Franck BRUEL**

The technology is something that we can export as long as we have the local understanding, because very few things in the world are copy paste. Because ENGIE is already present in very different countries, we have that base and understand them. If they need and we do that throughout the year, we bring our technology to our colleagues to create the solutions. We do need to create density in the different countries and this is part of the plan, but it is going to take time. We are working on it and that expansion is going to happen through time, acquisition and organic growth. You have seen that explained somewhat by our English colleague. You will hear some more from Etienne about the rest of Europe and the different countries where we are already present around the world. That is the plan.

### **From the floor**

Looking at the brands and the different names of the businesses, from memory they were acquired more than a decade ago and were multi-country, if not pan-European for some of them. In the new organisation, they are split by country, at least for France and it is a kind of a carve-out. Is that the way we should understand this? Do you still have contact with your colleagues in the Benelux region, in the BU other Europe? How do you keep contact with them? How do you keep sharing best practice now that it is a separate organisation?

### **Franck BRUEL**

We get invited to special events, to England and then you will see Etienne. We meet on a regular basis on corporate events. I think this is the same question. We have that same expertise in different countries and we talk to each other continuously. The link to these is the Métiers and it is not by pure chance that Claude comes from that area. He knows the people. He knows how it works and he and his teams create that bond. You do not need to push it too much. Those guys are experts. If I have a cooling issue for a supermarket in the Netherlands or in Chile, for sure, I will call my colleagues in France who have had the contract for Carrefour for the past 20 years. I will get his advice and if needed he will travel. That is all part of how it works today.

### **From the floor**

So if your colleague in Chile has got a problem in that supermarket, he will call the Métier team or he will look at the portfolio and see that you have experience in France and he will second a team of your people to go to Chile. Is that how it works? Would you let them go and basically help out?

### **Franck BRUEL**

The truth is, if he is old enough and knows the good people, he will call direct, but the plan is that he would call the Métier and the Métier would know who is available, who has the expertise and who has done a similar job recently. They are the hub. They have some of the knowledge, but the knowledge is in the countries, so they are the ones that direct the people and the expertise.

### **From the floor**

As head of the BU in France, sending your people out to Chile would take out some of their availability. It would cost you money. Is there an understanding at Group level that you can invoice the other BU?

### **Franck BRUEL**

Yes. Depending on how complex the business is, we can actually take it over and get them along, so that they will learn as we do. Every job in our business is a different job and that starts with the contract, which is very different depending on what the job is. It is this collaboration that makes it different or special. We have all these techniques, but the same happens in France. If I am Cofely and I have a big job of air conditioning in a big tower, I will probably call the guys from Axima because they know better and they will find an understanding together. If Axima is trying to do this same job with someone else, we will find someone else. It is finding the right partner at the right time that makes it work. Inside the Group, we have faster access and better understanding of how it works. It works pretty well.

### **From the floor**

Coming back to your margin and return on capital employed, both seem quite high.

### **Franck BRUEL**

Not enough for Judith.

### **From the floor**

I understand that the returns are high, given that we are talking about services activities with low Capex. Regarding the EBITDA margin, which is currently above 25%. How sustainable is that given the emergence of a new kind of competition? We have seen companies from other sectors competing, as well as a lot of ambition from companies like SPIE, etc. How sustainable do you see these margin improvements?

### **Franck BRUEL**

SPIE is not really new on the market. SPIE has been there forever and they have not grown as fast as we have, so that is fine. I think that the protection we have on the market, is what I said, how present we are. We are everywhere and we understand the customers. We believe that we understand the customers better and if we renew them it is because they trust that we are giving them the best answer. Ineo signs 40 000 contracts, small ones, every year, because customers for whom we have done big jobs always come back to us. There is a big stickiness in that particular sector, of Ineo against Vinci or SPIE. The difference is that none of them can offer the whole chain. We have competitors for Axima. We have competitors for Cofely. We have competitors for Ineo. Nobody can offer all of it and that makes a big difference. I don't think we are in real danger in France.

### **From the floor**

Don't you think that the pricing will be a major criteria going forward or is it more your ability to offer a wide range of services?

### **Franck BRUEL**

Pricing is our daily nightmare, because when you are against someone who does not have the full offer, the reaction is always the price. That is why we keep insisting on being technologically different and having a full offer. In the case of the schools in Paris, the fact that we are able to put connectors, simple things, on the radiators, centralise the information, train the teachers and centrally control the way those schools will be operated was key. It was different. It was unexpected and we are able to make margin on that contract

### **From the floor**

I just have one question on the B2C business. I was surprised to see on the slideshow that you do not offer many services in Belgium and that it is mainly supply gas and electricity. I was wondering what explains this kind of delay in being more active in the services activity for B2C in Belgium?

### **Franck BRUEL**

I think the strategy of the Group is to be able to develop businesses when the timing is right and the opportunity is right. My Belgian colleagues have decided that it is not the right time for them to develop those services and that is fine. Imprinting solutions just because they work somewhere, does not work. We need to be very conscious of the markets. The fact that we have footprints in different countries, gives us a better understanding of when it is the good time to go and when it is the good time to wait.

### **From the floor**

A follow-up question on this ability to grow outside the French base. We are in a situation where ENGIE is putting some pressure on cost. One of the main levers to develop this activity abroad is sharing technology, knowledge and basically time and resources from the French base or others. How does it work internally? Is it something where you have a process with an allocation of these resources and basically you try to reduce to the maximum the potential in-fights of interest between either the Business Units in different geographies? Could you explain how this works from a process point of view internally? If there is any bottleneck there basically?

### **Franck BRUEL**

If there is a bottleneck it is good news because it means business is picking up. What we actually do on a daily basis is that we manage resources. The French markets have been very gloomy and we have seen glimpses of recovery in France for the past six months. The demand is going up and so we are increasing our capacities. When we have 40 000 employees, we also have 40 000 subcontractors, so we have a very strong base for elasticity on the market. When the market goes down we can shrink pretty fast. When the market goes up, workforce is rather easy, competence is very difficult. We need to handle that and we have training courses and in-built schools in our teams. Last Friday I was visiting a school we have created, a school on nuclear ventilation, because there are not enough resources and it is a shrinking resource. We create our own resource to be able to keep up the level of technicality and technology for that purpose. We do that all the time. If all the countries would raise at the same time, we would probably find it difficult to follow, but we will create those.

### **From the floor**

When you say that over half your sales are made up of installation and you then have services and integrated services, can you give us a sense of your market share in those businesses? How do you grow that? If it says installation, I want to think construction. Do I have to think of you as a company that grows with GDP or are there other drivers?

### **Franck BRUEL**

There are two main drivers, one would be GDP and the other the energy revolution, because independent from the GDP, people want to have better energy use. That is what we do as they want to be more green, more efficient. Installation is probably not only GDP. For us, installation is very closely linked to services. When we build a co-generation factory to produce steam on a factory, it is not the steam that is interesting or the installation, it is actually the contract that we are going to build with that industrial company for the next 20 years. We will provide them with steam, maintenance and electricity to the network and we will understand better what they do. There is a very good chance that we will be doing

maintenance of their process, their business and the facilities management. It is that knowledge of the customer that makes the difference. Thank you very much.



## Hervé-Matthieu RICOUR, CEO, BU France B2C

Good afternoon. My name is Hervé-Matthieu Ricour, I am the CEO of the B2C Business Unit for France. I will start with a snapshot of the B2C business in France. We have more than 12 million contracts, mainly in gas and electricity, with an EBITDA of EUR 230 million for 2016. We are a little bit ahead of the objectives given by the Group. One of our major assets is our granular presence in France. I will comment later on the other assets: the brand; the portfolio of products; our channel mix of sales channels, which is very large in France; and our digital strategy.

What I work on every day is to build the growth in B2C in France with four levers. The first is consolidating our position as leader with lots of growth in electricity. Second is to improve our sales by providing new products and a multi-channel approach. Third, is to develop new offers with a strong digital strategy. Fourth, to control costs.

We are making a very interesting move in France, moving from pure gas to gas and electricity and switching from a regulated tariff structure to a non-regulated one. This is very interesting because on a non-regulated tariff structure we can upsell products, we can sell additional services. Second, there is the importance of electricity, which is a major growth lever. Since 2016, we have had more customers on the non-regulated tariff structure than on the regulated one, which has opened-up a lot of opportunities for selling additional services.

The brand is our second big asset and in France, the ENGIE brand is quite new, July 2015. We are catching up on the incumbent operator and we have made a big difference with our first follower, which is below 30% of reputation whereas we have achieved 60% of reputation in May. What is reputation? We are just asking the man in the street to name someone in energy and 60% answered ENGIE.

Our service strategy is very important because by selling additional services, such as insurance products, which I will return to, we increase the profitability of the customer. We have additional revenue streams and sometimes they are very profitable. For example, we sell a EUR 9 product every month paid for by customers, to insure their plumbing. This is a very profitable service. We increase stickiness in the business the more we sell services to the customer with an energy contract followed by a maintenance contract and an insurance products, the more the customer will stay with us. Coming from the telecommunications sector, I know how it works quite well. You probably know, that the most efficient ones are the cable operators and this is the type of strategy we are running out. The figures we presented last year show that we are on track and we expect growth of 4% for our energy contract customers with service.

We have the widest range of sales channels in France, selling through the Web, door to door, incoming and outgoing calls, third party shops and even our technicians in the field. Some of the sales channels are costlier than others, as is the case with door to door for example, but generally speaking, it allows us to target and gain higher value customers.

Coming back to the product portfolio and what is important is that it is quite a virtuous circle. We have a stronger and stronger brand, which supports the launch of new products that we are selling to customers thanks to our large sales channel mix, which is increasing customer intimacy, which nourishes the brand etc. This virtuous circle works more and more in France, where we have a very strong position with energy contracts, gas and electricity, green electricity, heating equipment, installation and maintenance. We started the business with a good and active presence. I will talk a bit more about our green strategy, where I think we are paving the way in France on green electricity. One of the products we launched last year is a good illustration of what we are doing in digital with [manouvellechaudiere.fr](http://manouvellechaudiere.fr). This lets a customer go on to the Web and order a boiler, receiving a confirmed quote from ENGIE within two hours. The customer uploads pictures of his house and where he wants the boiler installed and he can have a 10-minute discussion with an expert. Within two hours he gets the confirmed quote from us. It has dramatically changed the customer experience, which has made it a reality in France to buy a boiler on the Internet in two hours.

What we are doing on electricity is another example of our product strategy in France. We have launched a self-consuming solution in France, where for EUR 7 000 a customer can install solar panels on top of his house to produce electricity. It is probably the best offer on the market, at the lowest price, with ENGIE technology embedded for which we have exclusivity. We have also succeeded in building a stronger follow-on service with one day installation, whereas for most of our competitors it is necessary for the customer to be at home several times, for the technical visit, the installation and the electrical control. We have managed to put all those elements into a single visit, which is a big element of customer expectation, not to have to stay home several times, even for the installation of solar panels.

In green electricity, we are the undisputed leader in France in terms of number of customers and electricity on B2C, with more than 600 000 customers. Since October 2016, all new electricity customers are green; we sell them green electricity at no extra cost. It is a very good example of what we are building with the brand, allowing us to sell new products through the widest mix of sales channels. We have seen our sales increase by 10% compared to what we expected, without changing the channel strategy, without massively increasing the media campaign. It is a mix of this new product, the green, with the performance of our sales channels and of the brand, which has made this success in 2017.

In July, having launched electricity with an interesting price structure and green for everybody, we are going to go a little bit further by launching green electricity from a source chosen by the customer, for a very limited number of customers at the start. This is a good example of the Group's transversality. We have built this with the BU in green generation from Gwenaëlle Huet and with the help of the GEM BU in order to be sure that we have the production site and tracking of the electricity from there to the customer. We expect a very limited number of customers for this offer, but it shows that we are paving the way on green electricity in France.

Other examples of services we are proving in France include the equipment we install at customers' premises, either changing the boiler or water treatment equipment. We do this by talking to our gas customers, explaining the products they can buy that will increase their comfort or reduce their consumption. Once we have the customer, we can hand over to the local branches to visit and carry out the installation. It comes back again to the value of a national presence with local branches, a strong and unique brand that supports the launch of new products. For example, we launched the water treatment product last year with zero customers and we now have hundreds and hopefully thousands to come. This type of product is very interesting because once we have installed the water treatment equipment at home, we have a maintenance contract and every year we return to the customer's premises. If he leaves us for a competitor for a gas contract, we have an opportunity every year to get it back.

On our digital strategy, we have multiplied by three the number of sales on the Internet in the last two years. We are on track for our self-care business, that is customers are using the Web more and more when they have questions or want to make changes to their contract, rather than calling us. This is good for two reasons. First, the customers like it and want to be able to change their contract or find answers to their questions, even if it is 10 o'clock on a Sunday. They like Internet access to a self-care possibility. Second, of course, it reduces our costs, which is a good example of what we are doing to achieve the Lean objectives we have for the three years from 2016 to 2018. We have identified around 75% on lots of expenses in IT, cash collection, procurement or self-care, outsourcing of call centres, offshoring some of them, etc.

We have stable costs to acquire so that even if we have increased the cost of the sales channels with some costly ones, like door to door, we are still keeping the cost of acquiring a customer and decreasing it a little from 2014. However, we have a very high benefit from that in that we are increasing the percentage of high value customers we are gaining, mainly customers with an energy bill over EUR 1 000 per year. That does not include the fact that we are increasing the sales of services on this customer base, which will increase the value of the customer even more.

To conclude, we are still on an EBITDA growth of 20% in 2018 compared to 2015. Our ambition is to have a 12% market share in electricity, against 9% in 2016 and to double the number of our customers in services compared to 2015. Our third objective is to develop and launch new offers, of which there are a lot to come in 2018, so that we can consolidate our leadership, our first position in gas, so that we can stay the undisputed leader of green electricity and the real challenger on the electricity market as a whole.

## Questions and Answers

---

### From the floor

Can I just ask about the specific interactions of the Arenh mechanism and whether it had any impact on you or whether you have seen any impacts on the competitors this year? Obviously, EDF suffered as a result of the Arenh mechanism.

### Hervé-Matthieu RICOUR

The Arenh has not changed currently. We are buying electricity with the security of the Arenh, but currently at a lower price because the bulk price and the electricity are lower than the Arenh.

### From the floor

Do you see specific benefits this year that will unwind next year? EDF is expecting an EBITDA hit this year because of the cost of the Arenh to EDF, which it does not expect to repeat next year. I was just wondering whether you were seeing anything on the other side of that?

### Hervé-Matthieu RICOUR

No, I don't see major effect on our business. We are buying electricity mainly on the market, which is below the Arenh, so the impact of Arenh will not change massively the P&L. The second point is, as you probably know, that we are hedged, so we bought a lot of electricity forward, which means that we are monitoring the cost of our bulk electricity year after year.

### From the floor

Do you happen to know what volumes you bought under the Arenh in December?

### Hervé-Matthieu RICOUR

I don't think that we are disclosing those volumes.

### From the floor

Just a quick one on gas supply and market offers. Could you give us an idea of the margin you make on supplying commodity versus services as a top up? I am getting there to try to understand the effect of the end of the regulated tariffs, to be able to compare. What is your profitability on the market based, pure supply, then add up from the services your way to increase margins and retain customers?

### Hervé-Matthieu RICOUR

What we are disclosing that more and more the split of the EBITDA of the Business Unit is going to be on business services. We were at something like 10% of the EBITDA of the BU last year. We are at 14% this year and we are heading to more in the coming year. We do not disclose the split between the various types of energy. Coming to the regulated tariff,

there are currently still regulated tariffs on the French market, even if there is litigation. I think that is the main purpose of your question. What ENGIE is saying, and I cannot comment on the litigation itself, is that the regulated tariffs are legal in France, even if they are meeting the expectations or ruling given by the European Court of Justice on this topic. We think that they should be maintained. If they were not, it is still okay and it may be the possibility for a major opportunity, because the end of the regulated tariff in gas will mean the end of the regulated electricity tariff as well. Whereas we have 5 million customers on the gas regulated tariff at stake, there are 27 million customers in electricity regulated tariffs at stake on EDF's side. That is the way we see things.

#### **From the floor**

I wanted to quickly go back to the potential end of the regulated gas tariffs. You said there is a litigation. Technically what is the process? Let us assume that it is ruled that there should not be regulated gas tariffs. Do you have to go to courts again to open a process to end electricity regulated tariffs? How would that work?

#### **Hervé-Matthieu RICOUR**

It is a very open question and the answer is very complicated. I can mainly tell you that there is already pressure on the end of regulated tariffs in gas and electricity coming from Europe. There is a draft directive, the famous Winter Package, which was issued by the European Commission at the end of 2016, stating the end of the regulated tariff in electricity, not gas, in the coming years. The pressure on terminating the regulated tariff in electricity in France exists already and is probably stronger than on the gas itself, because it is not yet the case from the point of view of the Directive to ask for the termination of the gas regulated tariff. Having said that, it is a very complex issue then after. Would there then be an end to the regulated tariff in gas? Would it be passed into a French law? Would there be a transition phase? We do not know yet the duration of the transition phase? I cannot answer your question in detail. It depends a lot on the results of the litigation itself and thereafter on the way the French government takes its responsibility for putting it legally into the French system. My view is that in the mid-long run, terminating the regulated gas tariff in France opens a huge window of opportunity, because we are going to tap into the end of the bulk of regulated tariff customers of EDF in a very short period of time afterwards. Again, we have the best performing sales channels in France and, as you have seen, we have built a strong brand and a net of products allowing us to grab a customer with a product and a service and then upsell something else. I think we are the most prepared for the coming four or five years to enter the big battle of acquiring new customers if, and it is a big if, regulated tariffs are terminated in France.

#### **From the floor**

If you look across the range of services you are offering, could you give us an idea of the average revenue per customer you achieved in 2016? Among the vast range you presented to us, maybe you could give us the top three products, services that are most successful today and for which you see most growth so it is a question about pricing.

#### **Hervé-Matthieu RICOUR**

As you have seen, we are disclosing the part of the EBITDA, not the revenues. If I come to the services themselves, the most important ones are boiler maintenance and the sale of insurance products to our existing customer base. I would say that the most promising ones, which still have small volumes, are around what we call home services and domestic works. We are seeing very interesting models arising in France, where you see that if you lose your keys, you call someone to come in an emergency. There are very interesting Uberlike models arising. We launched a service like that called GENIE, an anagram of ENGIE, two months ago in Paris and we intend to expand this type of services. It is in infancy and is not a big service now. We also see a lot of promising results, not in services but in the installation business with the PV panels, where our offer is very interesting on the French market. We

launched it two months ago and we have lots of customers calling us. Of course, the sales process is a long one for this type of products because it involves the customer a lot. You must put the panels on the roof. You must pay around EUR 7 000, which is an important item for customers, but there is good attraction on this type of product. Now that we only have one brand and we are upselling more and more on existing gas contracts, I see good possibilities in the future on installation.

#### **From the floor**

My second question was about the technicians. Are there more than 3 000 technicians you mentioned all employees and there are no subcontractors? Is this the right size or are you still trying to build on that for field technicians?

#### **Hervé-Matthieu RICOUR**

Yes, they are all employees. It is the right size for our current business, but if the business grows we will have to hire. In fact, we are hiring on short-term contracts for instance for the peak period of November, December, January, February. It is a moving number of employees and there are no particular social issues on this type of contract. We also rely, as Franck explained on B2B but in a different way, on external subcontractors. For example, there is no need for us to install a boiler ourselves. To keep the customer contact, we switch on the boiler once it has been installed, but often we externalize installation of the boiler itself. We have a quite flexible way to roll-out products and services and as of today, the number of employees is right and we will grow it if we have to. The most important and interesting thing we have to do is to...there still is one Department in France where we are not, I think it is the Ariège, which is very small, so we need to complete the map of France with a small branch here or there. In some areas where we are very dense we could buy a new portfolio of customers or a new branch. We have a very small tuck-in M&A, very very small, which is absolutely not material at the level of the Group, to complete our map of presence.

#### **From the floor**

On the target to increase EBITDA by 20%, how much is Lean in that?

#### **Hervé-Matthieu RICOUR**

I would say it is roughly 50/50: 50 growth and 50 Lean.

#### **From the floor**

If I am not mistaken, for example here in the UK, we have shared some push back and eventually some restrictions on the ability of energy companies to cross-sell products as well as how they market them. It looks as if a large part of your strategy and your ability to grow is cross-selling. You mentioned that someone who might take a boiler from you but has switched away on the gas side, by visiting them once a year you can potentially get them back as a customer. Are there any discussions in France about making the regulations a bit tighter in terms of cross-selling and how you can use your existing competitive advantage to win new customers?

#### **Hervé-Matthieu RICOUR**

Not to my knowledge. What we cannot do, which is why it is important to switch our customer base, is to upsell on regulated tariff contracts. It is a decreasing part of our portfolio and to my knowledge there are no discussions of any kind on preventing upsell on what I would call free contracts. You have to know that in France there are no retention schemes. You cannot keep an energy customer in any way, they can leave us whenever they want. Thank you very much.

## **Etienne JACOLIN, CEO, BU North, South & Eastern Europe**

Good afternoon, everyone. My name is Etienne Jacolin and I joined the Group in 1998, so it is really a long time ago, in the waste business. After five years when we created Suez Environment, now Suez, I was involved in the development of the Energy Services Branch and with a lot of colleagues, such as Wilfrid, Frank, Claude and many others, we created the 100 000 service networks that we have in ENGIE today.

In the new organization today, I am in charge of the North East and South Europa Business Unit, which is fully in line with the Group transformation plan. Half of our EBITDA for 2016 came from customer solutions, 50% of it is B2B and the other half is B2T or B2C. We are also extremely present in renewable energy, low CO<sub>2</sub> emissions. We have 1.2 gigawatt of renewable assets, mainly wind and hydro, and there is not so much sun except in the South of Europe. We also have a very important footprint in Romania where we have a gas distribution network that is contributing infrastructure business to the Group.

If we dig into it, because it is a very different animal to what you have seen so far, it is spread over various countries, some of which are more important than others. My three major countries are Italy, Germany and Romania, but they are quite diversified in terms of activity footprint. In fact, when you speak about energy transition, it is quite different when you talk about it in Norway from Greece. Inside our teams today, because we came from the services or energy businesses, we are not yet at the same level everywhere in terms of Group competencies. We want to develop all our business everywhere, which is why collaboration is key, we are really working together with the other entities and the Métiers of course, and the BU, to have the competencies to develop each of the businesses in each of the territories. We are benefiting from it and also contributing to it. Claude has just spoken about Tabreed and some of my teams went to Tabreed to do the technical diligence for the acquisition. It is really an area where we can leverage this Group expertise. We are not the incumbent in the countries, except South East Romania, where we have the distribution networks, which means that we can be innovative, digital, disruptive, to transform the business models in the way it is done in these other territories. We have opportunities in both the Nordic and the Baltic countries.

We are looking at different types of businesses, from energy to customer solutions. Claude has already spoken a lot about it, so just to tell you that we are moving from our historical activities everywhere, to more innovative solutions with a lot more digital and a much more decentralised mindset.

Starting with B2B, I can perhaps make some links with the questions of Emmanuel to Franck on how we diffuse our competence through the Group. In terms of driver we continue to think that Europe is the first market for energy efficiency and we think that we have a responsibility for that and will continue to make the planet great again. Of course, there is a lot of dynamism, regulatory pressure and the push coming from the customers. We have customers who are willing to be greener and I will talk later about a client who has decided to evaluate their own project using EUR 50 per CO<sub>2</sub> tons, to their scheme to evaluate and go greener. They also want to be more autonomous and not rely on the network all the time, depending on their type of activities. This is also an important tendency and price, as we said, is absolutely important but quality and transparency, more for industrial customers, are extremely important. That is what we are trying to do and we are implementing it quite successfully for the time being. Our installation backlog at the end of Q1 was 25% above last year and Judith will see it is even better at the end of May. We are trying to develop a lot of flagships in various countries. We are working a lot in data centres and now we are doing a very important project in Germany for Deutsche Telekom. It is a park of six data centres, of which we are doing number two for the time being, but if we succeed we hope to do the next one, which will give us some reliability and productivity. We have also developed our technical FM business a lot, as well as O&M and we have a new flagship in Greece. We won the contract for the new opera house and national library in Athens, a EUR 700 million building by Renzo Piano, funded by the Stavros Niarchos Foundation, which will be given to the Greek state for EUR 1 after completion. The Foundation wanted a reliable partner to

maintain and operate it rather than the bad memories of old Olympic assets that have not been maintained very well, which is not the case, of course, in London. This is a very important and prestigious project, which you can see on YouTube.

Finally, we try to leverage our global footprint. One of the strengths of energy is the ability to be what we call 'glocal', global and local at the same time, leveraging our capacity to propose an offer to a big client in all the countries. We are doing that, for example, on pan-European FM tenders quite successfully.

Moving on to the B2T segment, the BU is focusing on two initial businesses, district heating and cooling network and you have already heard some examples from Claude, such as Lisbon, Barcelona and other projects. We also consider public lighting a very important first step to be in line with the city and after that, to try to develop other services or digital tools around this network. We think that these two markets are on a very good growth path and we expect 5% CAGR on district heating and 4% on public lighting. Of course, we often pay ourselves from the energy savings, particularly on public lighting.

We are extending our historical base. We continue to connect our clients and we have even done some new green field projects with, for example, new district heating in Aosta, Italy. Of course, we contribute and are connected to our colleagues on other projects internationally. We have made an interesting step in Germany because we took over the Stadtwerke Gera, in which we had a minority stake and over which we took full control. After that we were able to propose a new decentralised energy scheme, selling the energy to the city, which is also creating a lot of value. We are trying to develop in public lighting from a relatively limited initial footprint, but we have signed an acquisition for 150 000 new lighting points and this has not yet closed, which is why you have not yet heard about it. We are also trying to move in green mobility, working a lot with the Métiers on that, with a lot of CNG and LNG stations. We have this corridor around Europe trying to develop new roads for tracks fuelled by gas.

On B2C, let me do a small zoom on the Italian situation, because we had a quite difficult situation there and we have done a lot of work to put the basics right. Today, our cash-in curve and churn rate are increasing significantly, which lets us reduce the level of accruals for bad debts and we are creating a strategy to grow. We have a system in place and the permits to increase the base without additional investments, other than commercial ones. We used all the competencies and partnership that the Group has in other countries. For example, in Italy, we are the only Group offering clients the Nest thermostat and we also have merged energy and services. We have now moved from 1 500 new clients to 10 000 new clients per month. This is also creating the dynamic to increase our base in Italy. As I said, if we increase the volume, this will help the profitability of the business as the systems are already in place. Therefore, we are considering new partnerships with new distribution channels or also some small acquisitions. At the end, the idea is to grow significantly the EBITDA to contribute to the Group transformation and our objective is to grow the EBITDA on the Customer Solutions BU by more than 50% over the transformation plan. Judith and Isabelle said to me that they wanted the same profitability in this BU as they had in the service branch level, so we have to increase it by 150 bps. We also want to increase our energy sales on the B2C and B2B portfolio. We are on quite a good track.

I have two examples of what we do in decentralized energy production, because this is something that we are focusing on. The first is a project for Danone that happened last year, when Danone had some problems with a supplier of powdered baby milk in Asia. They decided to speed-up the creation of new production capacity and decided to do it in Germany. They wanted us to help them to construct this new capacity as quickly as possible. The objective was to be fast, fast, fast. Integration with the other companies participating in the construction was key. Quality was key and reliability was key. The question was being able to produce the first box of powdered baby milk on a specific date and send it back to the market. It was quite a successful project. At the beginning the project was only about participating in the construction, but we suggested to them that they outsource the energy centre; the first time in history that Danone had done this. Of course, it was very successful

and it freed up some Capex capacity for them to build a new, additional factory. In addition, we have a full O&M over this and a contract over ten years; We delivered all the transformation energy to them with an energy performance contract, so that we are responsible and will be penalized if we not deliver and if we are more than successful, we have a part of the upsides. Of course, we try to manage it in the most energy efficient way.

My last example, which Judith mentioned, is the most recent and we had a ground-breaking ceremony last Monday. It is the first time ever for an energy asset for the Group in Switzerland and is perfectly in line with the Group transformation plan. It is a green business, because it is biomass. It is also contracted, because we have three key counterparties, DSM, Novartis and Syngenta, each with a 20-year contract. The total turnover for the future is EUR 550 million. It is very important in terms of various contributions to the project. We used the competencies of colleagues from Franck, for example, because the team from Cofely, with its expertise in biomass in France, has redone the computation and the evaluation of the project independently, to confirm that we had a good solution. We have also organised a biomass sourcing chain and one of your subsidiaries is delivering 55% of the biomass to the plant and is also a consultant for the remaining parts. The first contact about the plant was initiated at Group level six years ago. It is a very interesting project and one of the important subjects for the client was also that it was not consolidated for them, so it is not on their balance sheet, they are a free client using the same facility. It is a good example of what ENGIE is willing to do, with long-term contracting with key counterparties, responsibility, delivery, participation up the complete value chain, and we think that there are plenty of new projects coming that will let us duplicate this solution in every context. It is never a copy paste.

## Questions and Answers

---

### **From the floor**

Can I just ask you about the point you made about Nest in Italy? I am just surprised you chose to install Nest, as opposed to your own application, which I assume you have in another BU in the Group. How do you cope with the fact that you do not own the client data?

### **Etienne JACOLIN**

We have just started that, so it is an experiment. It is also based on the fact that it is a Group partnership on Nest, so we leveraged it to use it ourselves on, for the time being, a very limited basis but it is going quite fast. We are trying to see with them how we can develop it further and enlarge the type of cooperation we can do with them.

### **From the floor**

Are you not worried about the long-term ownership of the data?

### **Etienne JACOLIN**

We have so much data already. There are plenty of applications on this one, as you said, on some B2C clients. For me, it is not a major preoccupation. What I really need is to grow my customer base fast, because we have a lot of productivity improvements to do that.

### **Hervé-Matthieu RICOUR**

I cannot disclose everything, but the contract with Nest on access to data is not that bad.

### **From the floor**

I saw that your three-year target is based on the 2015 EBITDA. Could you share this EBITDA with us? I believe your presentation shows only the 2016 EBITDA.

### **Etienne JACOLIN**

The starting point for the Group transformation is 2015, so we go to 2018 and compare with 2016. The objective is to increase the EBITDA of the BU by more than 50% over this period.

#### **From the floor**

Was 2016 already growing on 2015? It is very easy, +50%, we are trying to guess the end number so I am asking you for the start number.

### **Etienne JACOLIN**

2016 was already a growing path, if you look at the result by BU, of the segment with the UK. Let's say that 80% of the growth was organic last year, by Lean and by organic growth.

#### **From the floor**

My second question was, looking at the map of your current position, I could not help noticing that some of the smaller countries are single digit EBITDA countries for services. I am thinking about scale and I guess that you are there and it is core, so you must believe it makes sense. I am struggling about that. Then I saw the potential countries dotted on the map and some of them are equally small, so I guess it is a local, people intensive business. How are you going to approach that? I guess it would be acquisitions.

### **Etienne JACOLIN**

There are different types of business in the BU, not just in services, but also in the renewables part, for example. Sometimes when you do a very good project in a small country, you generate a lot of good growth in other countries. For example, we did a fantastic job for Continental in Portugal, which is a small country for me, and due to that we have been able to recuperate a lot of contracts with Continental in a lot of countries. Today, my BU is working on another proposal in another big country in my BU for a much bigger factory, due to the reputation we have in Continental due to this small country contribution. It was the same thing for Renault in Morocco. We took care of Renault's factory in Tanger and it changed the image and helped us develop in a lot of other geographies, thanks to this expertise. Of course, the team in Morocco would not have been able to win the contract alone and they succeeded because they received the contribution from France, which is leveraged on a pan European basis afterwards. It is important for us to be present and global and we have regular questions on not dispersing ourselves, but there are plenty of opportunities so we need to be selective. On top of that, since the market is moving up for the time being, we have to be selective and choose the best projects, not only on short-term results, but for the potential of future projects. As Franck said, if we create a very long-term, confidence relationship with a big client, there are plenty of other projects we can do together. Coming back to your questions to Franck before, we all work very well together. First of all your question about is it admitted at Group level to spend some times helping the colleagues: collaboration is key and we give to colleagues and you get feedback, celebrating success and embarking the people in the same mindset. We have a lot of very successful operations with Franck's teams; you had another question about how to export the French expertise. We have regular business seminars together, inviting everybody and we share. And this is creating a lot opportunity. We also do workshops in a specific country to see what opportunities we can have together with our local knowledge and the competence of another team. Digital tools now help with transmissions, with the Yammer groups, some applications of the Métiers, B2B, to have all the references and all type of offers we are able to put every type of offer on the table. If we do not know a specific guy, but with 100 000 people in the services business around the Group, there is a lot of expertise. It is historical links that help this, I have explained the tools and the structure of the collaboration process helps it and I think we have had a quite good past and already good success.

### **From the floor**

Is it part of the financial incentive at the end of the year?

### **Etienne JACOLIN**

We only take care of the Group result. We are increasing the share of the businesses to increase the Group results, to increase the collaboration spirit. Of course, you are in charge of your business and continue to be in charge of your business, but you need to be able to take a step back and the objective is the Group results.

### **From the floor**

What kind of order of magnitude of growth do you need in your employees to deliver these targets? It seems as if the needs are going to be different in different areas. What parts of the value chain are growing more aggressively than others? What kind of resource do you need to deliver these numbers? You and Franck cannot have breadth at exactly the same time, using the same resource.

### **Etienne JACOLIN**

As Franck said, in my BU we have 15 000 employees and we also have a small additional issue compared to others, which is language. You may think that it's obvious that everybody speaks English, but it is not the case in a lot of countries. If you go on the technical and generating fields it is not obvious. We are currently doing a project in Switzerland, which is in English and we had to make acceleration costs for a lot of teams to be able to participate. We have teams from Belgium, from my BU, but also from Axima France, working on the project, so everyone discusses it together. As Franck said, competence is rare. We can manage execution or installation with subcontractors we have worked with for a long time, but we might have some issues in the future, if growth continues, in the capacity. It is a question of being selective and choosing the best projects, rather than doing everything. We are present in the complete value chain. You can use external resources for some parts of the value chain more than others. If I lack engineering capacity, I go to my colleagues at Tractebel Engineering to help me, but sometimes if you are working on an exotic project, with specific language skills, you need to find a project manager internally, who can integrate with the local culture and way of doing things. Of course, that is not always easy and sometimes we do not go because we do not have the resources.

### **From the floor**

Following on from that, what kind of advantages from a profit perspective in margin, or however you want to convey it, do you have by having the resources in-house and subcontracting? Is there a drastic benefit to you from having those internal resources relative to other people and other parts of the value chain just subcontracting for the resources they do not have?

### **Etienne JACOLIN**

Let me use an analogy of something else. Sometimes the Group uses consultants and when you use consultants you pay a lot of money. A guy comes from outside who say what you are doing is very nice and offers you an expert recommendation he has got from other guys. After that he leaves, writes a report and you do not have any competence in-house. If it has to be updated, he has to be called back. We consider our strength is our capacity to do very professional work for our clients and if we can base this on internal resources it is better. Of course, we need to be able to adjust our capacity on the cycle, which is why on some parts of the business we have a cushion of subcontractors, temporary workers. As Franck said, when it is more and more difficult to have the resources, it means that the market is going up, which is good news, but sometimes you are frustrated because you cannot do everything.

**Franck BRUEL**

Another leverage we have is the development of digital capacities is a matter of size. They require investment, competence, as well as a territory to spread it. We are working together in developing digital tools across the board on our operations, our engineering and for the customer. We create applications for customer for cities and we have developed the BIM insight, so we can create new solutions and maintain new buildings faster. All that is the process of being able to produce more with less.

**Etienne JACOLIN**

Axima France has quite an expertise in BIM and I have two countries that are quite advanced. So we have created a Group learning expeditions, for example, sending everyone in Spain for a seminar, to share all this with our colleagues and training them to integrate this technology into their business in their country.

**From the floor**

I think part of the presentation was talking about an 82% renewal rate with some of the existing clients. I did not quite understand the revenue increase or drop that happens with that? Do you provide a service and maybe move a building or an area very quickly to the latest technology in terms of energy efficiency, for example, and when that contract unwinds, the revenue goes down, because you cannot continue to reduce energy use at the rate you started at? Given that you are paying for that through savings, how does that fit?

**Etienne JACOLIN**

The danger when you have a long-term contract is not to take enough care of your client during its duration. Each time you have a new technology or improvement possibility, you have to demonstrate to your client that you are proactive in taking care of his needs. You do what is helpful to him and suggest that he adjusts the initial offer. In that spirit, at the end of the contract, he knows that you are proactive and he will renew it. If you do not care of this, then someone else will come in with a new offer and the customer will notice that you have not offered any adaptations during the contract and this is not good. The best savings are the things you do not use. Of course, if it is zero it is zero, but we are very far from this and maturity in energy efficiency is extremely different from country to another. Energy intensity is still very high in some countries and even in Switzerland, where they are very advanced, we are still making progress. For example, we are participating in an experiment with a building that is not connected to the grid. It needs to be completely autonomous and it means that you work with the inhabitants to determine their profile and how they work together. We have another partnership in Switzerland for an energy positive building, which exports energy rather than using it. There is plenty of opportunity even where the level is already low in a decentralized way. Thank you very much.

**Frank DEMAILLE, Chief Executive Officer, Engie North America**

My name is Frank Demaille. I am the CEO of Engie North America. The organisation of the Group as of today is the US plus Canada, and the headquarter is in Houston.

I will drive you through a journey, which is actually what the business unit was yesterday, and I think that most of you, when you heard about the US for the Group in the past month, I would say it was more about selling some merchant assets, so just a little bit of context and we will go quickly through this.

What we are today and where we are going tomorrow and you will see that the focus of the BU going forward is really around customer solutions and renewable, low CO2 generation. I will of course focus more on customer solutions.

A few figures about the business unit today and you can see there on the pie chart the grey piece is what you may hear me calling this Delta, it was the name of the project of the sale of our merchant assets in the US. We started with a base for the BU where you already have a very strong foothold in terms of customer solutions, and there are still some low CO2 generation and contracted assets.

If I try to show you this transformation from where we were until a few months ago when we closed this transaction and where we are today, you will see basically the footprint of the BU has decreased with this sale.

I would emphasise a few elements: first, I think it is of use, the 3Ds, the new strategy of the Group is fully applied, so sale of merchant assets and we focus on low CO2 generation and customer solutions.

Something important I think to note as well and it is something that we do not see through figures more through mindset is this business unit is going from a product-centric business unit, you build, you maintain CCGTs, you sell power to a series of customers, to a more customer-centric unit.

Something that is important here, and it is a link to some of the questions that you had before, is basically for this to happen this has a huge impact on the workforce, basically to have the mindset of the people moving from product-centric to customer-centric from big power plants to customer solutions, you can do that through training, through working with the rest of the Engie group, with the metier and the different BUs, through hiring, M&A, and some layoffs.

It is fair to say that in this transformation we will train and recruit more people. At the same time, you must let some people go. When you have some people who are specialists in improving the efficiency of large power plants, wind, solar and customer solutions are very far from their core competency. In the US, you can find a job quickly. It is part of the transformation as well.

Something I just want to highlight on top of that on that slide is basically in the bottom right corner: the move to customer solutions has been made in a large part through acquisitions. You will see later that we start having these acquisitions working together.

I think it is very important to say that – and in the Q&A session maybe you will have thousands of questions about the Trump administration and I will probably have not a lot of answers for you – but I think that it is very \_important for you to know that the economic policy landscape in the US and Canada actually is very favourable for what we want to do.

Just a few figures, and I think you probably know them: if you talk about GDP of the US and Canada, it equals GDP of the EU with the UK. If you look at the energy consumption it is close to twice in the US and Canada than the energy consumption of Europe. Huge consumers and of course very good ground to build this energy efficiency offers.

Here is something that I would like to highlight as well is the following and I will not go through all the bullet points: Digital of course is core to what we do as well in the US. The

acquisition of Ecova in 2014 was partly driven by this. Ecova is a digital company. We needed to make this move.

We did not speak a lot about storage. Today I can tell you when you visit a CEO, CFO, COO of one of your B2B B2T customers, he or she talks about solar and storage. That does not mean you can always sell solar or storage, you need incentives, but it is core in the solutions we bring. Finally, I wanted to say you must have a very differentiated approach depending on the State. If you pick the State of Texas, for example, the price of electricity is very low. If your value proposition to your customers is only about decreasing the cost of its bill, you will not go very far. It comes back to what was said before: you can talk about productivity, you can talk about enhancing the value of the property, and these kinds of things.

Where we are today, I will not go through all of this: you have services and supply. On the services side, thanks to the acquisition of OpTerra and as I said Ecova, we are working for more than 1,000 customers in the public sector and C&I, so B2B. Another important fact is basically you have 700,000 sites in the US that are monitored in a way by Ecova so there is a very large footprint and very large database.

On the supply side, you may think that it is a bit of a bizarre map because we are only present in some States in the US. For those who know the US regulation, EU regulation is almost simple compared to the US regulation. If you try to see which States are deregulated compared to others you have close to 15 States that are deregulated and we are in most of them. Actually, the map of the deregulated States for power and gas are not the same. It is very complex. Important to notice we are number three as a retailer in the deregulated States.

Moving forward, this is something I think that shows the purpose of these different acquisitions and where we want to lead our customers.

Let us pick any consumer – it could be Starbucks, could be Walmart – if you are starting in the right corner on the top, basically we tell Walmart, ‘Dear Mr CEO of Walmart, thanks to Ecova we can collect all your bills in terms of power, telecom, gas, waste, etc.’

If you aggregate all that we are talking about 25,000 utilities in the US. It is very complex to check all these bills if you have errors, mistakes, to have a better understanding of how you consume. Ecova gathers all these bills on behalf of the customer and can tell Walmart that this Walmart in Philadelphia is consuming more than the peers around. We can plug this customer to OpTerra, which is going to design completely the project that is going to reduce the consumption.

Then, for the customers who are ready, I am moving clockwise to the bottom left, we can also do the O&M or facilities management, we can take this on board. At the same time, we can supply some retail.

It is a very complete set of offers. That being said, it comes back to the talking approach we discussed before. Depending on the state, we can offer this full set of approaches. In other states, we are still missing some people. It is part of the complement going forward that we are looking for, for the business unit.

For the growth ambition, B2B, B2T and B2C are part of what we are looking at and that we want to develop in the US and Canada in the coming years.

Obviously, the focus is more on the US. As you look at the relative size of weight of the US and Canada, Canada is about 10% of the US. Basically, on the B2B or C&I we believe that we have already today - as I said before - a full set of solutions, and as we said like for Etienne Jacolin and the BU NECST, we can ask for and rely on the Métier, the BUs that are well established, like the BU France, to support our development and you will see this with the Ohio State University example that has been mentioned before and I will come back to it.

For B2T the same. It depends on the relationship that you have with a different potential customer. Take California for example: you have OpTerra that has a very close relationship with lots of school districts and municipalities. Actually, we are present even with Tier 1 cities, of course Boston, Los Angeles, all those cities everybody knows them, to be honest with you it is a very hard game, super competitive. It is a bit like average-size countries, you say why do you target small countries, or why do you target small States? Actually competition is less fierce, margins can be a lot better. We are targeting today as ENGIE tier two, tier three cities maybe they are not the first ones you can think about but basically, you have better margins.

For B2C we are at the beginning of the journey, a bit ahead but not very far from what the UK business unit is doing. Same thing: development around digital and that is coming with developments we are making with solar as well. For example, in Massachusetts you have a lot of community solar offerings, where you can bundle solar and sell to B2C customers.

If we look in terms of EBITDA, of course major change as I said customer solutions is a bit different.

The EBITDA between 2015 and 2018 is going to more than double. I know that you have a question about that, so how is it possible? Part of it is acquisition. As I said OpTerra for example joined the Group last year and you have other like Green Charge Networks for storage, this start-up we bought last year, is part of this growth as well. Thanks to the cross-selling so of course the acquisitions we made plus the cross-selling and upselling we believe we can more than double the revenues as well.

I will go through two case studies. The first one is Ohio State University, which we mentioned before.

**[Video played 0:13:45 – 0:16:21]**

What is this project about exactly, and why do we like this project? Ohio State University is not Ivy League. But if you are American, you know them by heart because they are very good football players. More importantly, it is a campus where you have every day more than 100 000 people coming to the campus. It is not only students. There are five hospitals there, and a lot of people coming there and it is a very wide and with a very high energy consumption.

The university was looking for someone, a partner, for 50 years who would take care, who would take out of their balance sheet in a way but on board, the utility piece so we are talking about steam, chilled water, gas, power etc, and more importantly - because if it were only this it would be great for sure but more importantly - someone who would reduce in the next 10 years by 25% the consumption of their buildings and that would be with them to go to net carbon zero in the next 30-40 years. With Axiom, the partner for this bid, we were successful. It is still not closed until 6 July. The signing occurred a month ago. It is important to see how competitive it was. You had to attend the first meeting where there were more than 100 companies in the room. Lots of them were just looking around watching the competition. They had 40 bids and they selected six final bidders and we were the winners. Very competitive with a long-term view, long-term cash flow.

On top of that, it is of a certain size: we are talking about more than 250 megawatts for steam and the same for chill water. As I said, it is a very comprehensive approach. I would say that on top of that it is a way to put the ENGIE brand out there. We saw just before for the B2C in France ENGIE brand is well recognised and when you are moving to B2T, B2B and B2C of course, you need your brand more well-known and I can tell you this kind of contract in the US helps you to be well known and out there.

Something important to notice as well once again this is a success we had the help of the BU France networks for the Réseau, for the district heating and cooling networks of the B2T métier and even the short movie that you saw like a few minutes ago this was done by Siradel, a start-up the métier acquired last year.

Another example which is not of the same size but is still interesting is how we have the different pieces of the business unit working and winning together, my last slide. As I told you OpTerra are based in California and Massachusetts and in California they have a very remarkable relationship with our customers. A large part of them are in the public sector – as you say in the US, MUSH (municipals, universities, schools and hospitals) – and because of this relationship with their customers they could help Green Charge Networks for the storage piece of the BU to be sold to this Los Angeles school district. The idea again is to have a comprehensive offer to our customers where basically we bring not only the basic reduction of consumption but a long-term partnership or contract. The contract for the storage piece is 10 years. Once again, it is a long-term view.

These were I would say the two examples of how we worked as the North American BU. As a conclusion, in a nutshell, as you understand it is a major shift for Engie in the US and Canada from more an IPP, because we had retail and gas, mainly IPP business which is largely merchant, to Engie US and Canada which is heavily based on the renewable and customer solutions. That is a trend that is happening right now with a very good base already. It needs lots of work to have the different pieces working together, and there are lots of questions around that, but there is some work as well needed on the team that has been with us for quite a while to adapt them to this transformation. Thank you. If you have any questions.

## Questions and Answers

---

### From the floor

Without giving away anything commercially sensitive could you just give us an idea about how the financials work for the Ohio contract because it looks like a billion-dollar initial cost and you are getting USD 45m starting payment per year plus then some extra on top for the Opex element. That is only just over 4% of what you are initially paying. How do the maths work? Are you relying on add-on services or opportunities to do other things?

### Frank DEMAILLE

A good question and different answers. The 1.2 billion: with Axiom, Axiom is a Canadian infra fund that you may know, and the beauty of partnerships is basically we are with them for the Canadian wind farms.

We have been working with them for a while. It is 50:50 for the equity piece so we leverage quite a lot of debt. During the 50 years of the contract, part of the flow of money is coming from the piece that we are going to provide plus there are some sharing on the savings that we are going to make for the utility.

On top of that they have already a plan where they will have to invest for the next years a cogeneration for example, another kind of Capex, a bit like what you have in the regulated business where you have a rate base and your rate base is increasing thanks to this Capex that you must invest for the next 50 years. We will get a return on that.

For the next 50 years what they have in their plan there is 1.7bn additional investment. Of course, it is subject to their own budget as well but that explains that we expect not only what you could see as the flow of money today but more long term coming from these additional sales.

### From the floor

In terms of when you are thinking about the capital you are putting in on which you want to earn a return on capital are you thinking about your equity or cash contribution rather than the gross amount which seems like a big number or more the equity portion?

**Frank DEMAILLE**

Correct, and we compare to cost of equity.

**From the floor**

On the 15 states that you highlighted, what stops you going into the more regulated portion of the market? Could you not sell other products into those markets? What are the barriers or the pros and cons of doing such?

**Frank DEMAILLE**

That is a very good question. The answer is the same; I cannot sell power in Idaho. To be honest it is not my dream to sell power in Idaho. To be a bit more serious about this today we do not sell power in California. If once again you know the regulation in the US California is part of the deregulated markets but there is a cap due to Enron. It is a long discussion. Retail, we are still growing organically but cannot open new markets. For OpTerra they sell in 48 states plus Hawaii, they sell everywhere in the US. Ecova have sites everywhere, and Ecova works in the regulated states where they design programmes for the utilities to offer to their end customers to reduce their consumption. Long story short: the market for us is not only New England and Texas; it is broader than that.



## Wilfrid PETRIE, CEO, Engie UK

I want to present in a few slides the UK business, what is unique in this UK business and how it fits within the Group. In terms of numbers it is a business which is slightly today less in customer solutions than low carbon solutions. This is before the acquisition we did a few weeks ago of Keepmoat Regeneration and will be more than 50% in customer solutions.

In low carbon, the big valuable asset we have is the hydro pump storage in north Wales, First Hydro, which is the biggest storage of electricity in the UK.

We are a significant player in the UK market with 20,000 employees and GBP3.3bn revenue including 800m from Keepmoat Regeneration.

I think one of the reasons why we wanted to get to this size and we have done quite a few acquisitions to get where we are, is because in the UK, it is a mature market so to be significant you need to be in these types of sizes. We have a certain amount of expertise. We are now in the regeneration business and previous acquisitions we have done have made us number one in regeneration and district energy. We are one of the big players in facilities management. And maybe to highlight one of the questions you asked before on synergies across the group and how we work together, we have a certain amount of cost (so a negative impact) in our business for support to facilities management in other countries. There is a committee with Claude, with Étienne, and on a quarterly basis we review how we can support countries using the facilities management capabilities in the UK.

The flip side of this is we use Ecova as a platform in the US, and we use the expertise our American colleagues have in order to develop our supply business. We have a large supply business, we are not quite the big six and as you may have heard earlier today we are today predominantly in B2B, and we have a large position in gas and electricity for businesses.

Now I think I have three main messages for the UK business in terms of our direction in the UK.

The overall message is we are an energy and service organisation.

As you have seen, we have a good mix between energy and services, it is 50:50 in our EBITDA and our results and we are focussing on sustainable energy solutions as well as innovative services.

There are three aspects on which we wish to position ourselves.

The first one is we see more value in reducing the amount of energy consumed than there is in the supply business itself. Today we have the right balance of the two capabilities to be able to implement these energy reductions.

The second aspect, which is to a certain extent today specific to the UK which is a very mature market, is there is an acceptance of outsourcing which is big. We believe there is more value in providing integrated solutions with a certain number of outcomes, and this as you may have seen this morning is an example of this, than providing more means based solutions.

The third aspect to our business: we believe in having a balanced portfolio of private and public customers which is the case in the next slide. One of the reasons we wanted to develop operations in local government solutions is that in the present climate, we believe it is, you may think of Brexit in what I am going to say, one of the safest markets to be in, where there still will be a demand and there is a strong political drive.

In terms of business mix, we have a bit more sales today in the private sector than public sector, so 1.6 compared to € 1.2 billion but this is because we have a larger supply business in the private sector. We have a mix of skills as some of you will have understood from visits today, from facilities management to back office. You can see a different type of mix, private sector and public sector is slightly different for which we have a core set of skills and as was

presented this morning we have a new focus on home energy and developing a residential market.

I quickly want to go through the three different markets.

First the private sector, where as I said in my previous slide there is an acceptance and a mature market in the UK for outsourcing. Outsourcing is driven by the savings and energy efficiency is a key element in being able to develop the proper solutions. We have this unique position of being able to provide an integrated facility management solution as well as being able to provide an energy reduction and energy supply solution.

We have today an increasing amount of this mix of business. If you compare to 2016 we had around 15% of our business which was mixed between facilities management and services and energy supply. By the end of 2019 we see 50% of the business, which will be an integration of energy and services.

There is a strong push for this new market in combining energy and services and we see additional growth coming from developing on-site solutions, on-site generation in a similar manner as Frank presented for the United States we see a drive for on-site solutions and microgrid. We see certain new markets in smart building solutions around building information management and I will show you an example of this. Finally, there is a growth potential by cross selling energy or services contracts.

That is my first message. We are uniquely positioned as an energy and services organisation.

My second message is there is an attractive market for us in places, cities and communities.

There is one specific aspect to the UK, which is there has been a certain amount of years of austerity measures and there is a political drive to devolve the decision-making from Westminster to local regions in the UK. I think this change within local government has increased the acceptance to outsourcing and is driving much more of a focus on outcome.

Today Engie has a significant size of references with local governments, we have references in 170 local governments out of a total of 400, a lot of it was through the recent acquisition of Keepmoat Regeneration. I think the unique aspect we have is the range of skills where we are able to provide the energy side, the management of venues and the regeneration, the capability to refurbish buildings, the capability we have to add with a certain amount of back office services smart government solutions. We see this market growing at a fast pace, we see it growing at 8% per year.

As I said, the attractiveness we see in this market is that it is a longer-term market to be in, in terms of contracts, and it is a stable market. There are, and I will show you in an example which follows in a couple of slides, we see in addition in this market, a certain amount of opportunities and linking in places with our offer to residents. We see opportunities in retirement living and retirement solutions, which is a growing market. We see a big potential in being able to cross-sell among our different references in the places where we are, to sell the different strands of capabilities we have.

We are a leader in regenerating places and we see ourselves being a leader in developing these services to places.

I will go quickly through this because we did present it earlier today, we decided to enter the residential market. We wanted to focus on a certain amount of customer segments. We have the advantage of not having a legacy in this market, so it is easier to focus on different customer segments. We wanted to focus on connected devices and services. We wanted to focus on communities, so as I said the synergies we can develop with the other parts of our business, and we want to have especially a focus on geographies where we have the people able to provide the home services which was presented to you earlier today.

All this is very much assisted by the capabilities within the Group. We would not have developed a home energy solution without the support and the expertise coming from

different parts of the Group. Underpinning the digital ambition, we have the Group's capability to mobilise these resources and these skills.

What is our ambition for 2018? Consistently with the overall ambition of the Group, we wanted to increase by 50% the EBITDA by 2018. As I said there is a piece of this to be done with the acquisition of Keepmoat Regeneration and there is a long pipeline of opportunities which will secure next year's results.

We want to be the number one in places. As I said, it is a growth which we see at more than 8% per year. We want by 2018, I gave you a 2019 objective, which is 50% combined energy and services. To be consistent, I added the 2018 objective, which is more than 35%, more than one-third of our business, will be a combination of energy and services.

Finally, in our home energy business we want to focus on value more than volume, so we are developing 25% of our home energy business in additional services.

I will go through three last examples as illustrations of what I have said.

The first one is a city, a place, Wakefield, which is in Yorkshire. It is a place where we have a long-term contract on a PFI with the university. We have a bit less than 400 employees with a €14m 20-year contract so it is a very long-term presence we have there.

We signed last year a 10-year contract to provide a certain number of services for schools' facilities management as well as a certain amount of public buildings and urban generation. We do the projects for the city, we do the urban development. With the acquisition, we have added a regeneration capability, and as you can see the UK is a sunny place, we have added PV and we are still adding PV as far north as Yorkshire.

We have a certain number of objectives for next year, which is we have secured a site with the council where we are going to develop a retirement community and provide a certain number of installations and services for 129 retirement dwellings. We will add onsite CHP for the university because we have long term PFI we are the providers of the energy. As I think I said we are leveraging the resources we have in Wakefield to develop our residential sales, our B2B business, our B2B business really makes sense for the integration we have with the rest of the business.

Another example is Ford Dagenham, east of London, not very far. We have a contract for the supply of energy and we have had this contract for quite a few years. It is by combining the services and the energy that we have been able to keep this contract at a reasonable margin.

To illustrate for discussion the words I said before on energy and services the supply business by itself is highly competitive especially on large sites. You can justify your existence by being able to find reductions in energy. It is easier to take a slice of 25% of reduction in energy as a margin than defend even 1% of margin on a large supply contract such as this. The purpose of this example is to show you how, by combining energy and services, we can keep long term contracts in the business which could be more of a commodity business and reach margins which are more in line with the average margin we want to achieve in customer solutions.

My last slide is on more of a digital solution: We have provided digital solution services for the British Library near St Pancras, which again has been an evolving contract for many years, for a bit less than 10 years. It is the ability we have to provide a building information management system like what was presented by Frank earlier today. We can add more value to the customer. We in addition have teamed up with a small company called Living Maps which gives visitors a more interactive map to the British Library which also gives us a better management to the assets with similar solutions as you saw earlier today. We have been able to reach 23% reduction in energy consumption.

## Questions and Answers

---

### **From the floor**

There have been some suggestions in the press following the Grenfell Tower fire that Keepmoat have used similar types of cladding in some of its tower refurbishments, I think Salford was referenced in one story. Have you done a review of the cladding that Keepmoat has done and if so if they have used similar types of cladding or not?

### **Wilfrid PETRIE**

We have done a review. It is compliant with the building regulations. There is a limited number of sites where there are similar types of cladding we have even on the limited number of sites, three sites, we have compliance with the fire regulations. Obviously, we are working with the government and the investigation which is being undertaken to answer any questions the government may have. It is a tragic thing which happened, and we will certainly provide any resources we have to help our councils if there is any need. I do not think I can say much more because I do not think anyone understands precisely the technical aspect. The only thing I can say is we have done the review and we have verified the compliance to regulations and offered our services to our customers and we will offer our services to the department for communities and local government.

### **From the floor**

A question regarding the entry in the residential supply. I can understand on a site like this one you have infrastructure so the marginal cost to supply residential is low and that makes sense, entering the UK supply even to the extent where you do it is not big six size is moderate but still another scale altogether, your pricing point is quite aggressive. I wanted to understand where is it coming from? Is it a competitive edge? You have been talking about legacy structural costs through the day so could you give us some colour on the type of structural cost which come from legacy that other competitors have and you do not so we understand the difference. Or is it coming from the fact that you want to have a root price for customers and then your target of 25% of revenues from services on these guys will bring the margin in. Basically, I want to understand the pricing point and strategy there.

### **Wilfrid PETRIE**

I cannot answer precisely because I do not know what our competitors' precise position is. What I can say is we are not developing this market to be loss making. We have a couple of years before we are break-even. These are not huge numbers because we have an existing platform. I do expect the business to be profitable in a couple of years, and we are pricing today our energy deals on a profitable basis. The specific aspects of us compared to some of our other new entrants into the business is we have an existing platform and we have an existing shared service centre in Newcastle. So this is an incremental cost. In addition, we are focusing in terms of services in the places where we have existing people on the ground able to both acquire customers and we are not launching ourselves into a very expensive marketing campaign, in fact we are not doing any marketing campaign, we are only doing it available through digital and through websites and only in places where we have the people. This is one of the reasons why we wanted to do, the acquisition, maybe the third reason, of Keepmoat Regeneration. They have a delivery capability for home services, we have the people, the men in the vans and the call centres to provide a certain number of boiler services, a certain number of minor repairs for flats.

To answer your question, the supply business is priced in a consistent manner with the rest of the business. I would not say that it is the most profitable market segment and the supply business in itself is not particularly the most profitable market to be in. However, the combination with these services will make it an attractive market for us.

### **From the floor**

If we look forward to ECO 3, how do you expect the funding levels for ECO 3 will compare to ECO 2 that we have got at the moment? And second question I know this is not on

customer solutions but First Hydro is the bulk of the EBITDA of the UK at the moment. Do you have preemption rights on the 25% stake that Mitsui is looking to sell at the moment?

**Wilfrid PETRIE**

The second question you asked on First Hydro is commercially sensitive information and I cannot give you the response to the second question. The first is really complicated technically. I was hoping that my competent colleague at the back could give a response on ECO 3 compared to ECO 2. I will come back to you with an answer which is more complete. What is difficult today is there are still quite a few unknowns today in the future government energy policies. I do not think we want to be misleading in giving you an answer but I will come back to you.

**From the floor**

On this EBITDA target how much of it are you expecting to be organic, and how much through acquisition?

**Wilfrid PETRIE**

We have done our acquisition between now and 2018 and maybe there will be a small tuck-in here and there but it is not part of the plan today. We have an additional amount which comes from the acquisition of Keepmoat which is about GBP 40m per year which is 800m in revenue and above 5% EBIT margin business. We then have a large pipeline of opportunities which will get us to the organic growth for 2018, so you have 100m plus 40m, plus a bit more for organic. Thank you.

**From the floor**

Could you provide your view on the Innogy rumour which came back again this morning?

The last question is regarding the energy services the growth. This far we see there is plenty of activity especially in Europe surrounding France, some cross feeding. However, as has been said today, the energy consumption of an average American is double the one of the European. It is the same market size so that looks the next short-term priority for the business and a more medium term will be emerging could you give your view in terms of strategy how do you plan to go step one step two in your development of the activity worldwide?

**Judith HARTMANN, Executive Vice President, Chief Financial Officer, Engie**

I am not entirely surprised by your first question and I will repeat what we said before. We are working on our transformation. Transformative M&A is not currently part of the plan.

On your question on the US, this in fact is a market that we are looking at very much soon on customer solutions. We have made a number of acquisitions recently over the last 24 months. Frank talked about Ecova, OpTerra, Green Charge Networks, all have been great additions to the team. If I talk about each of them for a second. Ecova does the analysis of data like Frank mentioned for big customers; Starbucks is a customer; Marriott for example; and provides opportunities for them in terms of what the improvement is.

You said very rightly so that energy efficiency measures in the US are going to be a big topic, quite frankly, in all of the developed markets, and this is a great opportunity for Ecova to tap into this. OpTerra is more on the execution piece. Once you know the opportunities if let us say you looked at the 100 Starbucks and you realise 10 of them have very different consumption profiles then with the help of our OpTerra teams you can make the changes, not just the suggestions.

Green Charge Networks is one where we can now predict the consumption of a big customer and then use the data and then use storage and solar before the next peak basically, and reduce their profile and thus reduce their electricity bill.

Those are the kind of things we are working on or have already acquired but absolutely we are looking at North America as a very big market. When I look at the deal flow of potential things that we are looking at, it is clearly one of the most active regions and I think because the opportunity is tremendous. I would say stay tuned but we are going to continue to look at that market. Clearly there is lots of opportunity there.

**From the floor**

You have presented to us the EBITDA targets that you have set for the different components of the customer solutions division so we have an idea of where you want to go at the EBITDA level. We understand how much you want to spend during the restructuring, which has a rotation component to it, so we can assume that the amount of Capex we are seeing is not normative of what this will be in the future. So once this is over and you have completed the turnaround plan at Group level what kind of free cash can you expect from the Customer Solutions division, say if it just funds organic growth, and what share of the total Group free cash would that be?

**Sergio VAL**

For the time being we do not provide that type of breakdown. Customer solution is a free cash flow business. We are now investing for the future but it is a business whereby maintenance Capex is very limited. The bulk of the Capex is at our full discretion to keep growing the business. Hence the portion of free cashflow that we can allocate to keep growing the business or keep growing the dividend is fully at our discretion.

**From the floor**

A related question which is: I appreciate that financing is done at a Group level. However, as the customer solutions part of the Group grows, how should we be thinking about the underlying financing or capital structure of that division? Because retail alone tends to maybe carry debt at maybe 1x EBITDA, infrastructure maybe 4 or 5x EBITDA as a debt-carrying capacity and the overall customers solution business may not be as capital intensive as infrastructure but it has been very steady over a long period in terms of its defensive cashflows. When you are thinking about that part of the Group growing, how are you thinking about that contribution to supporting the overall debt-carrying capacity of the Group?

### **Judith HARTMANN**

It is a much lower Capex intensity so everything being equal your debt...typically I get the question on the asset rotation of 15bn, everything else being equal you guys have calculated this many, many times for us, is our debt is obviously going to come down in quite a significant way. It is much less Capex-intensive, the debt will be lower and that is how it will work out.

#### **From the floor**

Do you think the amount of debt it could carry on a standalone basis is closer to the infrastructure end of the spectrum or closer to the pure retailing end of the spectrum?

### **Judith HARTMANN**

That will depend, you are going way out in the future. We are projecting by the end of 2018 a 50% increase of EBITDA will get us from 2 to 3. That is significant for the Group but does not yet completely change the financial equation.

Of course, let us see what it does in 5 or 10 years. There will be enough time I guess to look at that and see how much we want to leverage up the company and what the right ratios are at that stage. Right now, I think the important thing to...again keep in mind this is clearly an area we see growth in, it is not the only one but it's clearly an important one. To me it was important to have this day because we do not really have a comparable in this area it is important to spend this time and take you through the types of activities and growth. I really think my colleagues have done a great job showing in their respective areas what the growth opportunities are. Then of course the relative size is going to depend on how fast the other areas are also going to grow and that is what the model is going to depend on what we adjust on debt or what the cash flow is going to be.

### **Sergio VAL**

Just to add on, you should think when you look at the business, for supply you are right, there is less debt you can inject. Then you have the B2T as you have seen through the presentation with district heating and cooling business. This is an infrastructure business. Rating agencies by the way they treat it as infra, it is valued in the market as infra business, well above 15x EBITDA. You should think about it as a particular infra business.

#### **From the floor**

The growth opportunities of this business are very clear but still in 2016 versus 15 there has not been any growth, so why do you think that is? What are the risks for you not delivering the growth targets you have said today? My second question is you have done a lot on disposals with E&P but there are still 3.5-4bn disposals to do. Do you still expect to do that with minimal dilution to earnings?

### **Judith HARTMANN**

The 15 billion of asset rotation: we have a very clear line of sight on where it is going to come from. Some of it is of course already public knowledge of what we are working on. We are working on the sale of some coal assets in Australia as well as in Brazil. We have quite frankly when you look at what the outstanding work that the team has been able to do over the last 18 months we have had, I am not making this up, 30 projects at any given time running in parallel and so we have a good view on where the complete number will come from. It is very much what I have been repeating in the past it is first on strategic criteria do we think of these assets as part of the future yes or no? If it is coal if it is merchant we will look at it and then of course financial criteria we have prioritised our asset rotation programme around lowest impact. One of the biggest deals we did was what Frank mentioned, which was the sale of our merchant assets in the United States. I mentioned one earlier this afternoon when I said 400m net debt reduction, 3 million of results reduction.

Clearly, we have prioritised them so there is a very good view on how we get there, and I do not have a reason right now to think that the impact, if you look at the full transformation period, will be any different.

What is different, and you have seen it in 2016 already, is the explanation we did around the assets held for sale, where you have an accounting impact which gives you a positive for the year where you are selling this and then normalises afterwards. We will make sure to have a page on this also during our first-half results when it comes to E&P, giving the size of the impact. That is on the asset rotation piece. Remind me of your first question.

**From the floor**

It was the customer solutions EBITDA was flat, 2015 versus 2016.

**Judith HARTMANN**

Yes it was. There is a piece of it that was linked to our oil & gas business, mostly in the Benelux area where, given that, just like we did, renegotiate with all the suppliers on reducing margins, there was an impact there. It was a temporary blip and I would say that it does not undermine the underlying trajectory that we have been presenting today.

**From the floor**

At the start of the day, you provided us with a breakdown of your 2016 EBITDA through the main businesses B2B, B2C and B2T. Could you help us summarise the information you gave us through the day and tell us the split of this incremental 1 billion that is being created between '16 and '18 and split between B2B, B2C and B2T. Or maybe another way alternatively, if you look at 2018, that 3 billion, how much will come from the more infrastructure type businesses, and how much will be B2C or maybe the rest of the non-infrastructure, B2B and B2T?

**Judith HARTMANN**

We are not set on a specific split. We are open to opportunities. When you look at the 2 billion of tuck-in acquisitions and when you look at what we have just done, it was about half-half. I remember you asked this question at the year-end presentation, and this was the answer I gave at the time. Obviously, we were already working on Tabreed. Right now, we have spent two big chunks one on Keepmoat and one on Tabreed, and this is about half and half infrastructure and other B2B businesses. It is really going to depend on the opportunities, but that is not the worst of assumptions to say we will roughly split it in half. As always in M&As, you must be opportunistic. If it has the right trajectory and the valuation is the right thing and you believe in the long-term logic, strategically also, then you must be opportunistic in what you are going after, so I would not be able to give an exact split at this stage.

**From the floor**

You have not discussed much today about the initiative of the Group in the storage and battery segment. Can we have bit of colour of what your ambitions on this segment are and what kinds of technologies are emerging over others? On the digital, you mentioned that it is a full component of your offerings to clients and I was wondering whether you are developing one single digital platform internally, what is your strategy on the digital and whether you could leverage on Suez's acquisition of GE Water, which has a big significant platform on digital.

**Judith HARTMANN**

On the digital platforms, it is absolutely a very big area for what we are doing. As I mentioned, we announced about a year and a half ago about massively investing into this. The teams have done an outstanding job over the last 12-18 months to define what types of

areas we want to go after. I had said customer facing and digital operations. We are looking at both at the same time because they are both equally important. With this kind of asset base, you must be the best you can and digital is a huge opportunity for us there, and so it is on the customer facing.

Your question on one platform is something that we are working through. As you realise from looking at our company, you know our company very well, we are in very many business models. It is not going to be one platform to respond to all the different needs but we are in the process of defining the few platforms that we will then roll out globally.

When we talked earlier about data solution for Ecova customers for example there are different types of solutions that different countries have started to work on. Come July we will decide on do we use one, do we interface them, how do we really optimise it and so you are going to see different pockets where it is going to make sense to have a global platform but it is not going to be all encompassing because like my colleagues have very rightly mentioned customer needs can be very different. Your starting position is different. It is not always the same situation that you are looking at. One thing that is clear is there are opportunities also to leverage the size of the company and it is clearly a big lever in our Lean 2018 objective.

Your other question was around storage. One very nice storage technology that is already big today was mentioned by Wilfrid which is pumped storage in the UK this is an amazing asset that we have.

It is almost a gigawatt. You can have it spin on standby and within 11 seconds you can bring the full capacity to the grid. That kind of asset is already there and is quite fascinating when you look at the energy needs of the UK and this example, and the intermittency generated by the increasing use of renewables.

That is one that we obviously already have in the portfolio and one I mentioned earlier is of course batteries. The size of storage is a completely different league today when you talk about batteries which is nothing to do with a gigawatt more a megawatt.

We are working on one tender in one of the countries for 100 megawatts and that is a very big storage piece already. We believe there will be a lot of combination. We started to talk about dispatchable renewables, meaning renewables are there yes but they are intermittent: what are the solutions so you can make them dispatchable when you need them. Every time you see us there will be new things because it is an evolving field.

### **From the floor**

[Inaudible]

### **Judith HARTMANN**

We are working on this in different places. This is evolving. As I said, parts are completely established, pump storage. Parts are completely evolving so the example I have just given was Green Charge Networks, which is a US company working on this big tender that I was talking about, is actually in Australia. We are using the capabilities of the company to figure out what are some of the things that we need to scale up or what are some of the things that quite frankly will stay a local opportunity. But storage clearly will continue to be an opportunity in the future, with the intermittency.

However, it is not the only one. I want to give you another example that is already part of our portfolio, of course gas.

Gas electricity generation has gotten to become a completely different flexibility. Technically it is much more flexible than it was five years ago. Quite frankly I mentioned at the year-end call in the first quarter in Europe it was much colder than typically. There was no wind in many areas, no sun and, suddenly, our gas and electricity generation capacity had a huge value because we could fire it up very quickly. We did take some of our assets out of mothballing to respond to the market need. We were very successful at doing so.

Gas, quite frankly, like I said earlier is going to stay an integral part of the energy system and a great solution for many countries.

#### **From the floor**

Within B2B energy services in France, to what extent do you see EDF's presence there as a competitor to yourself just given the announcement this morning that EDF are looking to grow significantly within energy services as I know your business plan obviously has been around for a year and a half now so to what extent do you see that pressure from EDF being a fly in the ointment?

#### **Judith HARTMANN**

There was indeed an announcement this morning by EDF. What I would say is this is a big market. You heard about it from what we were talking about. We, I would say, welcome competition, it keeps us on our toes. If you look at what EDF announced this morning they want to be at I think they said 11-ish billion by 2030 you saw us present today that we are at 16bn in 2016. There are of course opportunities for other players too but I think it became clear when you listened to my colleagues that there is a lot of strength, a lot of inherent knowledge that is already there and a big presence. Let us see what they are going to be working on. Clearly as in any other space there always will be competition. It is a big market, I am not worried that we will not be able to win in this market.

#### **Franck BRUEL**

You gave the right answer. That announcement came a little bit out of the blue. Their performance so far has not been preparing us for that kind of performance. They are serious people. Again, I think we must drive our own path. We have big strength. We have a past, a technology and the size and a much wider offer than they have. If they come after our contracts just based on what they know I think we have enough arguments to widen the base and defend our positions and I think our growth will be bigger than theirs.

#### **Judith HARTMANN**

Again, in any market there is always going to be competition. We are not worried about that. Quite frankly it keeps you on your toes, you have got to run faster than everybody else. We have a very international presence. There were a lot of questions at the beginning of the presentations on how do we make sure we connect. It was great to see from the responses that yes of course there is the Métiers as one way of making sure people are working together but also when you look at the leaders who presented today they are so connected from their ways of working in the past and so on. So we create a lot of opportunity and that gives us again when you talk about scaling up and to make sure we are not just successful in one country but in many. I think that is a huge opportunity. I was jokingly saying at lunch that if I want to know what is happening in Paris I call Frank in the United States; these teams are very connected clearly one of the advantages also that I am seeing, we are very international and we have been able to create a network across the company.

#### **From the floor**

What is the potential impact, expectations, potential implications, worst case scenario, of any US sanctions relating to Nord Stream 2?

#### **Judith HARTMANN**

We are obviously following this closely. It is an evolving topic so it is not that anybody has a complete answer. We will have to see what it means. Let us see. We are not at the stage yet when we are worried. Let us see what comes out of this discussion to have sanctions on Russia that could impact on Europe from the United States. It is not immediately clear on how this will work out so we will stay close to the topic.

**From the floor**

I was wondering about your view about the implications of the tensions with Qatar? What will happen to the LNG market in your view in the case Egypt decided to close the access to Qatari cargos? Is GTT strategic assets for Engie and if yes, why?

**Judith HARTMANN**

Our presence in Qatar is we run two electricity generation plants and we have limited presence, not a very big country, in customer solutions also. What you are alluding to is the weight of Qatar in the LNG supply globally. It is something that we would follow. It is not something that would impact us directly as we do not source LNG from there. It could impact LNG prices, could be a positive for us, but obviously not saying that that is what we are hoping for. We are in 70 countries. We have been for decades in markets that have gone through different crises. We are used to looking at these things and will see what comes out of it. On GTT, it is a very nice business it is a great technology and clearly a nice part of our portfolio.

**From the floor**

IFRS 15: does the profiling of profit recognition change at all or would it essentially be as it is now for customer contracts? If you have a 30-year customer contract how that profile is over the 30 years, is it essentially the same under IFRS 15 as it is now?

**Sergio VAL**

It is pretty much the same profile for this business.

**Judith HARTMANN**

We will conclude here. Thanks a lot for coming. I think this was time well spent. It is such an important topic for us, I want to thank all the different speakers who have done an excellent job and thank you to all the organisers and most of all of course thank you for spending the time here. We look forward to seeing you all soon.