FINANCIAL INFORMATION FOR THE PERIOD ENDING 30 SEPTEMBER 2020

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Aarti Singhal

Good morning, everyone, and welcome to the Engie 9-month results conference call.

The outline for our presentation this morning is as follows: our first speaker this morning will be our Chairman, Jean-Pierre Clamadieu. After his opening remarks, you'll hear from our Management Team: Claire Waysand, interim CEO, Judith Hartmann, Group CFO, and Paulo Almirante, COO. Following their presentation, as usual, we will open the lines to Q&A. And so, without further ado, I'm please to hand you over to our Chairman. Thank you.

Jean-Pierre Clamadieu

Thank you very much, Aarti, and good morning to all.

As you know, earlier this year, the Engie Board asked me to provide additional support to the Group during this leadership transition period. We are now close to this transition phase. The Board has announced the appointment of our new CEO, Catherine MacGregor, who will join us on 1 January next year. Although I can tell you that she's already very busy preparing herself for this date. I'm very pleased with the decision to select Catherine as our next CEO. She has indeed a very strong industrial experience and a very strong track record when it comes to execution. So I think she fits very well with the ideal profile that I shared with you in previous discussions. She will come on board with a very clear strategic roadmap, based on the strategic directions that we have shared with you in July this year, and she will come with a very strong mandate to turn this strategic orientation into reality very, very swiftly and effectively.

I would like to take a moment today to recognize the strong contribution of the transition management team, who are here with me today: Claire, Judith and Paulo. It has been an incredibly challenging year, where on one hand, the Group had to tackle the pandemic, operationally and financially, and on the other hand they had to drive forward the new strategic orientation and the simplification of the Group.

As you've seen we've moved also pretty quickly on some of this strategic orientation. The strategic review of our Client Solutions activities has been successfully initiated, with the first phase already completed. This is indeed a key project for the Group, as it concerns several thousands of employees and a very large number of our customers. It will be managed with thorough attention to the social as well as commercial aspects. And Claire will cover it in some detail in her presentation this morning.

You've seen us exiting very effectively from our Suez ownership. You will hear today that we have decided to put our stake in GTT under strategic review. But our new strategic orientations are not just about simplification and divestment: it's also about growth, and you will hear in our Q3 results that, indeed, we have a very strong base to grow in our Renewables business, and this is something which is indeed, for Engie, a key priority.

So I think we have moved at pace in the past few quarters. And, as we will hear today, the Group is well prepared to minimize the impact of the Covid crisis and to capture opportunities for future growth.

With that brief introduction, I would like now to give the floor to Claire, Judith and Paulo. Thank you.

Claire Waysand

Thank you, Jean-Pierre, and good morning, everyone.

So let me start by a few words on our main financial topics, before moving to the implementation of our strategic orientations.

So, first message I'm very pleased to share with you this morning: Q3 showed a clear recovery. It's up, in organic terms, 2% year on year, with a strong growth in Renewables and a recovery in Client Solutions. We have talked a lot about Client Solutions being very affected by the crisis. They are 9% up in organic growth, in COI, versus last year, so Q3 2019. First point of satisfaction that I want to share.

Second point: we have continued to deliver on our major capital projects, with 3.3 billion being invested so far in the nine first months of the year. And, as you would expect, we are strongly focused on minimizing the impacts of the new Covid restrictions. We are now better equipped to face the current situation. And so, in this context, we are pleased to be able to confirm our 2020 guidance under the current conditions. And Judith will come back to this.

Moving to our strategic orientations, the Board had announced in July new strategic orientations that were several-fold.

First, an increased focus on Renewables and Infrastructure. This is clearly in train.

Second, some divestment of a number of financial assets, to be able to reinvest in our priorities. As Jean-Pierre just stated, we have completed the sale of 29.9% of the capital of Suez, at the beginning of October, generating 3.4 billion, and a capital gain of €1.8 billion. We have also completed the first phase of a Client Solutions strategic review, with a preliminary scope defined, and I will come back to this in a moment.

And, finally, we are launching today the strategic review of our participation in GTT. That's a 40.4% stake in GTT. And, as you probably know, GTT is a very nice, very technological company, a leading global engineering company, in containment systems for transport and storage of LNG, with a very unique expertise and a strong commitment to innovation. So, on GTT, Engie will consider selling all or part of this stake, either to a third party via a formal sale process, or selling via equity capital markets.

Let me go into a bit more detail on the strategic review of Client Solutions. So, as was said by Jean-Pierre and I just said also, we have completed the first phase. What is the first phase? The first phase was the definition of two perimeters: client solutions that would remain within Engie and client solutions which will be provided with a new leader, which will become a new leader in asset-light services, and which could have a change in ownership. So, when doing this work, defining what will stay and what would become an autonomous entity, we considered three main criteria: the business model, the nature of the activity and the potential development in each geography. We have done this work very thoroughly, examined each activity to ensure that it brings synergies that it has the right environment for successful growth. In particular, Engie Client Solutions will stay in countries where Engie has a strong footprint and that are priorities for Engie, and where we assess that there is a strong growth potential for asset-based services. The ultimate objectives of this review are to maximize value, to reinforce leadership positions, and to seize future growth opportunities, through a coherent perimeter and adapted organization and its own management. And, in particular, we made sure in this work that no geographic entity would be a subcritical entity.

So, as you can see on this slide, the first phase of this strategic review is now complete, and we are now sharing with you what comes out of this work.

The preliminary scope which is defined comprises the following: on one hand, client solutions remaining with Engie, that will focus on decentralized energy infrastructure; on the other hand, the creation of a new leader in asset-light services, which could have a change of ownership.

So what do we keep within Engie? What we keep within Engie are low-carbon energy production, energy infrastructure and associated services, to be able to provide complex, integrated and large-scale solutions. From a business point of view, this would primarily service cities and communities, as well as industries, with a focus on long-term contracts that provide visibility, resilience and an attractive growth potential. To be a bit more concrete, key activities in the client solutions that will stay within Engie, comprise DHC (district heating and cooling), on-site generation, energy efficiency, smart city, green mobility and engineering. These services activities that will stay in Engie represent around 35,000 employees and they would build on very strong positions, in France in particular, as well as in a number of other European and broader geographies. From a financial standpoint, this would generate around 7 to 8 billion revenue (this is based on 2019 figures) and a COI of around 0.55 to 0.65 billion.

Turning now to the activities that would constitute the new perimeter, and which ownership could change, they would become a leader in asset-light services. This is mainly installation, maintenance and related services. These activities benefit from strong positions and leadership positions, but they are less aligned with Engie's new strategic orientation. There is a strong expertise along the value chain of installation and related services, and the entity would be based on two business models: first, design and build projects; and second recurring O&M services for a wide range of customers. Key complementary activities will comprise electrical installation, HVAC as well as information and communication system services. This new leader will be mainly active in Europe, especially in France, in BeNeLux, in the UK, with further prospects, in particular in North America. It represents around 74,000 employees, who are well recognized in their different expertise fields. From a financial standpoint, the proposed entity would generate around €12 billion to €13 billion of revenues (based again on 2019 figures) and between 0.35 to 0.45 billion of COI.

Let me now turn to the next steps concerning this entity. So, today we are at a very early stage, where we have just completed the first phase. We are sharing this with you, and I would say, almost as importantly, or as importantly, we are sharing it with our employees. It's very important at this stage to give clarity to the employees of the Group, and that's part of the thorough social dialogue that we have undertaken on this project, and that will continue in the next few months.

The next phase for the project itself is to organize the new entity and to appoint the future management of this new entity. This will allow us to continue preparing for the separation of the activities, and we will be able to review different options for future ownership. As I said before, and as was also pointed out by Jean-Pierre, this whole process is undertaken with a strong social dialogue, underway, that will lead to a formal consultation process, with the appointed employee representatives, at the start of Q1 2021.

With this, I now turn to Judith for the financial presentation.

Judith Hartmann

Thank you, Claire, and good morning, everybody.

We have seen strong recovery in our Q3 financial results, from very low Q2 levels. As you will remember from our H1 presentation, Engie had been heavily impacted by Covid, and to a lesser extent but also significantly, by warmer temperature as well as by foreign exchange deterioration.

Before reviewing our 9-month financial performance, I will start with an overview of our standalone performance in Q3. To show Q3 separately is important in a year where no quarter looks like the other—in particular, of course, in a year where Q2 was significantly impacted by Covid.

On the left-hand side of the slide, you will see the impact of Covid in Q3 of roughly negative 150 million, which is far less than the Q2 number, where it was roughly negative 720 million. This major improvement is due to less lockdown measures, but also the fact that we were better prepared. In Q3, the French temperature effect was neutral year on year.

Turning to the waterfall on the right-hand side, foreign exchange deterioration impacted earnings but, organically, the Group delivered 2% growth, mainly due to a strong performance from Renewables, which is, of course, a key growth priority for us. This organic growth is noteworthy as it was achieved despite over 100 million of favorable operational one-offs in Q3 2019, and roughly 150 million Covid impacts in Q3 2020.

Looking at the organic evolution per business line in Q3, Client Solutions was up 9%, with good asset-light performance despite Covid-19 impacts. Implementation of performance actions contributed to an organic cost reduction of roughly 180 million in Q3. Networks was up 4%, Renewables were up driven by commissionings in North America and higher power prices in France and Brazil. Thermal and Others were down, but demonstrated a good underlying performance driven by our European merchant fleet, GEM market activities and GTT, which partly offset 2019 positive operational one-offs in these businesses. Supply was down, driven by Covid impacts. And Nuclear was lower due to availability.

On the next slide, let's now have a look at the key numbers for the first nine months of 2020. Reflecting significant impacts we experienced in H1, EBITDA and COI at 6.2 and 2.8 billion were down 13% and 28% respectively on a gross basis. Organically, this evolution is slightly better. Year on year, the total COI decrease of around 1 billion was mainly driven by a negative 1 billion Covid impact followed by pressure from foreign exchange and French temperature, with negative 200 million each. Despite lower operating cash flow, our CFFO improved by 400 million year on year, benefiting, as in H1, from dedicated cash action plans. Lastly, Financial Net Debt at 25.7 billion showed a gross decrease of 200 million versus 2019 year-end. Good cash generation, positive FX evolution as well as disposals were all positive factors here.

We also invested 5.2 billion total Capex, with growth Capex of 3.3 billion, so continuous investing in a year which is significantly impacted by Covid.

Turning now to COI evolution by business line, let's start with Client Solutions, which faced unprecedented headwinds in H1 from Covid-19. The expected recovery was clearly seen in organic growth in Q3. But Client Solutions experienced an additional Covid impact in Q3 of approximately 45 million, leading to a 9-month total Covid impact of roughly 530 million, mainly due to loss of revenue, specific additional expenses and bad debt. The significant cost-cutting and variabilising measures were not sufficient to offset the material decrease in revenues. The lower contribution from Suez is also mainly impacted by Covid. Positive contributions from acquisitions were offset by other smaller headwinds including warmer temperatures in Europe, headwinds on some contracts, as well as investments for the future and start-up costs. Excluding temperature, our district heating and cooling and on-site generation activities remained resilient.

Let's now move to Networks, which demonstrated a resilient performance despite the pandemic, but have been impacted by warm temperature in H1. In France, the negative temperature effect was indeed 115 million with lower gas volumes distributed by GrDF. Besides this temperature effect, French networks were also impacted by Covid, mainly due to lower volumes distributed, temporary suspension of maintenance work and gas smart meter installations during the lockdown, which meant we were unable to capitalize as many costs as in 2019. These negative effects have been partly offset by lower Opex. I'd like to remind you that, for these regulated activities, volume effects impact the P&L in the current year but are recoverable in the short to medium term through the claw-back mechanism and are thus value-neutral. In Latin America, negative foreign exchange and volume effects in Mexico and Argentina were more than offset by the positive 6-month scope-in effect of TAG as well as other positive developments in Brazil. Lastly, we had some headwinds related to price and temperature effects in Europe and Asia. Globally, the Covid impact was limited and mainly focused on distribution activities, and especially on French networks. And, again, let's keep in mind that volume effects there will be recovered in the coming years.

Turning now to Renewables on the next slide, which demonstrated continued progress with organic growth of 25% in the first nine months. Starting with Latin America, which is our biggest contributor to Renewables COI, the region faced headwinds from foreign exchange due to the devaluation of the Brazilian real against the euro. In France, we benefited from both higher volumes produced by our Hydro and Wind assets, and from better achieved prices for our Hydro power production. These positive effects were partly offset by the disposal of non-core legacy activities and by the effects of DBSO operations in 2019. In the US, we benefited mainly from commissioning of new capacity, which included the first effects from the tax equity financing signed in spring 2020. In most European countries, we also benefited from better wind conditions. And, globally, the Covid impact was minimal.

On the next slide, you can see the 9-month financial performance of our Thermal activities. On a gross basis, Thermal activities showed a lower COI contribution, mainly attributable to the disposals of Glow in Thailand and of coal power plants in Germany and in the Netherlands. The 9-month organic evolution was flat due to over 100 million positive operational one-offs last year not repeating in 2020. You will recall the LDs received by the plants in Brazil and Chile in 2019. Offset by three positive factors: (1) a better performance of European merchant gas plants with the very good results from our Italian assets, driven by a high level of ancillaries received, as well as higher spreads captured throughout Europe; (2) the commissioning of Pampa Sul as well as higher volumes dispatched at higher margins in Brazil; and (3) a positive roughly 30 million timing effect on capacity remuneration mechanism in the UK. Globally, the Covid impact for our Thermal activities was minimal, with lower demand mainly in Chile and Peru.

Turning now to Supply, where the Q3 headwinds were much lower than in H1. You will remember the strong impacts from Covid and warmer temperature in the first six months. Supply suffered an additional net Covid impact in Q3 of about 45 million, leading to a 9-month total net Covid impact of 280 million, mainly due to lower consumption, lower B2C services and bad debt. Warm temperature in H1 also weighed on B2B and B2C energy consumption, mainly in France for B2C gas volumes. Again, this caused both a negative volume effects with margin losses, and a negative price effect with the unwinding of over-hedged positions. Of course, we continued to minimize these significant impacts with dedicated action plans, of which Opex reductions and G&A resizing as well as with financial derivatives. We also booked higher margins for gas retail in France and posted better results in our supply activities in Romania.

Let’s now move to Nuclear and Other activities. Firstly, Nuclear improved organically by 35%, mainly reflecting higher achieved prices and lower Opex. These positive effects were partly offset by lower availability of our Belgian assets, mainly due to planned maintenance and higher depreciation. For Nuclear activities, the Covid impact was minimal. Secondly, the COI for our Other activities was similar to last year. Last year benefited from a positive one-off related to a partial sale of a gas supply contract in Q3, and 2020 was impacted by Covid, mainly due to credit losses for GEM. These headwinds were almost entirely offset by the outperformance of GEM activities, due to market volatility, which is also partly related to headwinds in Supply, and by the higher contribution of GTT, thanks to a strong order book intake last year. As just mentioned, for Other activities the Covid impact was globally limited.

Now let’s look at our Cash Flow from Operations. Liquidity and cash remain at the heart of our concerns, given the current situation, and are being closely monitored. We saw a year-on-year increase of roughly 400 million in CFFO, in line with the H1 evolution. Operating cash flow reflects the impact of Covid. Lower Working Capital Requirements contributed to an increase of 1.5 billion. This was mainly driven by variations in commodity-related margin calls and financial derivatives from our Energy Management activities. We continued to successfully put in place more dynamic CFFO monitoring to cope with unprecedented volatility in commodity prices. Secondly, we also benefited from an improvement in operating working capital, notably due to a decrease in trade receivables, partly due to Covid-19, but also better cash collection in Europe. Interest and tax paid were flat.

With that, let me now hand over to Paulo for the operational view.

Paulo Almirante

Thank you, Judith; good morning everyone.

After a very difficult Q2, our operational activity recovered significantly in Q3. You can see on the left graph the ramp-up of activity to levels that are back to normal, with partial unemployment nearly at zero. Our teams are now used to the new working procedures developed during Q2 and apply a full series of adapted ways of working to prevent Covid contamination. So far, we had no significant Covid clusters amongst our employees, and the numbers of cases are in line or below the levels in the countries where we operate. I remind everyone that we run a global business with 170,000 employees.

If we now look at gas and power consumption, we can also confirm that, over the past months, demand went back to almost historic levels in our main geographies. I say almost because we estimate that there is a level of remaining demand reduction caused by the Covid crisis of the order of 3 to 4%, assuming average weather conditions.

For Q4, new restrictive measures have recently been announced in some of the Group's key geographies. These new measures are designed by the governments to support economic activity to the extent possible. In most countries, construction and industrial activities have not stopped. These measures can evolve. However, under the current conditions, we believe that the impacts on our activity will be significantly lower than the impacts we suffered in Q2.

Moving now to the next slide, let's look at Client Solutions. We returned in Q3 to a strong level of activity. Gross revenues for the quarter were 1.3% above last year, with many of our clients wanting to catch up on the work time lost during Q2. At the same time, we continued the implementation of performance actions to improve margins. In Q3, we achieved organic cost reductions of around €180 million for Client Solutions. This has resulted in a COI of €169 million for the quarter, which represents an organic growth of 9%. In H1, revenues were down by 5%. After Q3 recovery, revenues for the first nine months are down 3% on a gross basis.

The commercial dynamic was strong, both for asset-based and for asset-light contracts. In Asia, we signed contracts for the design, build and maintenance of datacenters. In Europe, we entered into installation and energy performance contracts in France, the UK and Italy, for clients such as the Kingston University in London or the Perugia hospital. For District Heating, we won contracts to design, build and operate networks in France, the UK and Austria. The cumulative order intake for the nine months is €8.7 billion, which is 4% above last year on a gross basis. The backlog shown on the slide for the Projects business model, is reflecting the larger order intake and lower execution in Q2. This level of backlog provides confidence for Q4 and visibility for next year. 44% of this total backlog is scheduled for 2021. In the other business models, we see a similar positive momentum. In our Recurring Services business, the net commercial development is up 3% versus last year. In Asset-Based, our District Heating and Cooling capacity is also up 3% over the last year. We are confident for Q4, assuming that the new restrictions will not stop economic activity beyond the level we see today, and also assuming normalized weather conditions.

Let's move now to the next slide and look at how the Supply business did over Q3. The commercial dynamic that we already saw over H1 continued also over Q3, with net volumes sold increasing by 8 TWh, which is 9% above last year, after taking into account the loss of 4 TWh caused by the Covid crisis. The gross impacts of Covid, of €61 million, shown in the middle graph, result from three components: the loss of margins on unsold volumes; the unwind of the hedges, already executed in Q2 but accounted for in Q3; and the bad debt, partially offset by a positive contribution of B2C services. We are continuing our efforts to mitigate these adverse circumstances. And so performance plans have been launched to reduce variable and fixed costs. On Q3, we achieved €47 million of performance gains and portfolio effects, on top of the €80 million we already achieved over H1. This, together with additional volumes sold, has resulted in a COI for Q3 broadly in line with last year. We have adapted our hedging strategy for winter 2021 and the unwind of the hedges are already executed. But impact on accounts takes place on the quarter when volumes were expected. We are monitoring very closely the impact of lockdowns on our most important markets. For Q4, assuming the current restrictions stay, we estimate an overall 6 to 8% demand reduction. So a significantly lower impact than Q2.

Let's now move to the other business lines on the next slide. Despite the difficulties of this period, our teams have been on the front line, working with our clients and suppliers to continue developing the business. I will not go through all the achievements per business line, but let me select a few highlights.

Starting with Networks, an additional 1.3 million gas smart meters were added this year, up to the end of September. The Capex of smart meters is an important contributor to the growth of the regulated asset base. The gas transported outside Europe has increased by 63% year on year, benefiting from the contribution of TAG in Brazil.

Regarding Renewables, we are proceeding with the construction of 5.4 GW of Wind and Solar. We worked very closely with our suppliers during the Covid crisis, and were able to avoid major disruptions of the supply chain.

We are still on track to deliver the 9 GW over the period 2019-2021. On Q3, a total of 250 MW renewable capacity has achieved commercial operation. And the construction of offshore wind is also progressing well, with almost 400 MW of capacity operational to date in the Seamade project in Belgium. On the first nine months of the year, we have signed 1.3 GW of PPAs, supporting the development and resilience of this business line.

For Thermal and Nuclear, we have accelerated hedging for Q4, for 2021 and 2022, benefiting from high spreads and increased forwards. The merchant gas fleet in Europe has captured good price levels of power and ancillary services, benefiting from a significant level of volatility and increasing security of supply concerns. The Nuclear units are on track to finalize lifetime extension works as scheduled, despite the challenges of Covid in these last months. By the end of the year, the full LTO program will be completed with operations and availability expected to return to normal.

To conclude, first, this group of business lines have confirmed their resilience, both on business development and delivery of results. Second, our traditional focus on health and safety has resulted in the strong adoption by our teams of specific procedures and working practices, adapted to the Covid context. These are two important elements that support a reasonable level of confidence to face the uncertain times ahead.

With that, I hand over back to Judith.

Judith Hartmann

Strong operational recovery and significant focus on minimizing the impacts of the new restrictions, indeed. Thank you, Paulo.

Let me now give you an update on our financial outlook for 2020. We confirm our guidance. We are benefiting from a strong financial recovery in Q3, following a significantly impacted Q2. There are new Covid restrictions in some of the Group's key geographies. However, as outlined, we are well prepared. The main activities where some impacts are expected are Client Solutions, in particular asset-light activities, and, to a lesser extent, Supply activities. For the rest of the business, impacts are expected to be relatively limited.

Following the sale of a 29.9% shareholding in Suez for 3.4 billion, Q4 earnings will exclude previously expected earning contributions from Suez.

With respect to foreign exchange movement since July, deterioration occurred compared to the rates assumed within our July guidance, in particular for the Brazilian real.

Engie benefits from stability and good visibility for the majority of its operations. Networks have clarity through their regulatory framework, Renewables and Thermal generation benefit from PPAs and long-term contracts, and expected merchant power generation output for 2020 is almost entirely hedged. Overall, we expect the resilience of these activities to largely offset the impact of new developments for Q4.

Turning now to a summary of our presentation today, we're moving on the new strategic orientations at pace, making significant early progress with the disposal of the 29.9% shareholding in Suez, the completion of the first phase of the Client Solutions strategic review. We showed strong improvement from Q2, both operationally as well as financially, with Q3 organically slightly up on last year at the COI level. With continued focus on cost variabilisation, sourcing of personal protective equipment and adaptation of our processes, we are well prepared to minimize the impacts of the new Covid restrictions. And we've confirmed our 2020 guidance.

With that, let me now hand over to the operator to open the lines for the Q&A session.

Q&A

J.P Morgan

Good morning, everyone, and congratulations for excellent Q3 numbers. I'm sure there will be plenty of questions for Q3, but I'd like to focus on the strategic review now, which seems to be moving at a fast pace. Like any asset rotation, the disposals are likely to generate some earnings dilution at the beginning, to be offset later through reinvestment. So it's quite key for the market to understand the earnings trajectory there. So my first question is related to that: could you confirm it's realistic to see the symbolic €1 per share adjusted EPS as a floor? When will you provide an update for this guidance? Can we expect that for the full-year results in February?

Second question is moving to Belgium, where a new government has been now in place since October. Could you update us on the discussion regarding the nuclear assets there, and should we expect a regulated investment framework for life extensions, as we are likely to see in France, or rather are you considering potentially the option of a phase out?

And the last one is just a flag on the comment that Mr. Clamadieu made during his Senate hearing two weeks ago, about a potential 10% stake sale in GRTgaz. Do we have a timeline on these projects? Have discussions already started there? Thank you very much.

Judith Hartmann

Bonjour Vincent and thank you for these questions.

On your question around the impact of the program and the dividend, we will come back in H1 next year. Of course we have in mind the topic that you have mentioned. We will work very hard to offset dilution. We believe that the announcements of today, though, are really the right path, also in terms of providing clarity and a simplification of the equity story. But, yes, indeed, we will come back on this and on the dividend, of course, at the beginning of next year.

On Belgium, Claire?

Claire Waysand

Yes, thank you, Judith, and good morning.

So, on Belgium, on the Nuclear question, as you have seen, I'm sure, the new government has taken office and has announced its decision to complete a phase-out from nuclear, from 2025. It has also indicated that it's only if there is a risk of supply to Belgium that, by the end of 2021, it could consider the extension of two nuclear units. On our side, we have communicated a number of times, including publicly, the fact that the LTO, so the life extension of the centrals, would imply, both for industrial and for regulatory reasons, a decision by 2020, by the end of 2020, at the latest. So we are now clearly not in this situation. And we are pursuing the dialogue with the Belgian government.

Judith Hartmann

Thank you, Claire. And, on the third question, regarding GRT, indeed we had talked about this potential disposal in the past. We had also mentioned it in July. There is no precise timeline on this at the moment, as there are no ongoing discussions, quite frankly. So this is something that is not imminent. I just want to take the opportunity, though, the reiterate that we would not deconsolidate GRTgaz and this will stay a very integral part of the portfolio.

Deutsche Bank

Good morning. I had two questions.

The first is on the potential routes for Client Solutions and the businesses you're looking at potentially selling. Is there a preferred route there? You talked about an IPO in the past. You also today talked about keeping most businesses together. Does that mean that, if you started to get offers for individual businesses within that entity that you would be averse to selling them individually? Is there a strong preference for either selling them all together and is that pointing you in the direction of an IPO?

And then the second question is just on the hedging for your gas plants, merchant gas plants: could you remind us how you hedge forwards those gas units? You give a very clear profile for your absolute hedging and the prices that you've achieved. Should we look at that and see that as a reasonable indication of how you might be hedging the gas plants, or is it a different profile? Thanks.

Judith Hartmann

Thank you, James for these two questions.

On Client Solutions, very important, we will keep the assets together the way it was presented by Claire. Really, the idea is, like you heard… This is already a leader. There's greater growth opportunities and a dedicated management will make sure that this company will have a great future.

On your question on IPO or other options, we will look at this. We're not excluding any of the routes at this stage. It could be IPO, it could be M&A. But, again, the important message here, it is a great scope of businesses that fit well together and that will have a great future, no doubt.

And Paulo for the gas hedging?

Paulo Almirante

Yes, thank you, Judith.

So, what we have seen in these last months was significant levels of spark spreads, both in France and Belgium, of the order of €20 to €25 per MWh in France and around €15 in Belgium. So our hedging strategy adapts to the market conditions. So, when we see that there are levels of spreads that are interesting, we will hedge our assets as much as we believe is important at that time. To give you a feeling, our European fleet for 2021 over these last months increased their hedging from around 40% to over 70% today. And the same for 2022. Of course at different levels forward: we were around 10% for 2022 and we are now around 40%. These levels of spark spreads are very healthy, very good, and we do not stay and wait just on a time basis: we implement actions to accelerate the hedging.

Société Générale

Good morning, everyone.

My first question is on the portfolio restructuring. You announced this morning that the stake in GTT was put up for sale. I was wondering if you felt you were under similar constraints than in the Suez situation a few weeks ago regarding potential new owners. After all, GTT, I known, is French born and bred, and also is a very appealing technological company. So I was wondering if you had in mind to keep it under French flag.

My second question, still on strategy, is referring to comments by Jean-Pierre Clamadieu in a recent parliamentary hearing: very interestingly, you said that… you explained that you would like the company to develop and own more technology in-house in the future, as opposed to being what it has been historically, more of an *assembleur*. Could you develop on this idea a bit? Why do you see more value in owning more technology? And what sort of businesses did you have in mind? I guess that, if you develop more technology in-house, you need to deploy a little bit more capital towards that goal. I was wondering if you could share with us some order of magnitude there.

And, not a question because I've done my two questions, but more of a clarification on an answer to Vincent's questions earlier: Judith, I think you said that we would hear more in H1 about potential impact on dilutions, stuff like that. Does it mean that you expect that the new CEO, Ms. MacGregor, would need a little bit more time to consider the mid-term guidance and may not be ready to update us at the full-year results in February? Or is it still the plan that we will get an update in February? Thank you very much.

Judith Hartmann

Bonjour Emmanuel and thank you for those great questions. I will start with 1 and 3 and then of course let Jean-Pierre answer the question that you have addressed directly to him.

On GTT, again, it was important for us to be able to announce it today, to really start the process. This is a great company, it really is a leading global engineering company, as you know, with unique expertise and a strong commitment to innovation, and a very strong management team also. We are going to start the process now and be quite open in terms of the potential transactions. And, of course, you will hear back more on the next update.

On your third question, which was on the timing of announcements, very, very important, Emmanuel, of course, what our commitment is, and I'm talking also in Catherine's name, is really to come back, every quarter, with updates. When I mentioned earlier… So, of course, yes, there will be a significant update also in the full-year results. The full strategic update… we are still debating on the timing of this, but it will be in H1. But, again, we are very committed to every quarter coming back with updates and, like you have seen today, we are moving at pace here. Jean-Pierre, on the technology question?

Jean-Pierre Clamadieu

Thank you, Judith.

No, Emmanuel, don't overread the comments I've made at the Senate hearing. I guess the Board believes that differentiation is key for Engie and we have various ways to differentiate ourselves from our competitors. In some areas, and I'm specifically thinking of green gases, biogas or hydrogen, I think there is space for us to do a bit more research and development than what we do today. This could apply, by the way, on some very specific aspects of renewables, where we can develop in-house—again, on very specific points—solutions which could differentiate us from our competitors. But don't expect Engie to turn into an equipment maker or developer. I think, at the end of the day, most of our business model will be made out of assembling solutions coming from suppliers. But, again, a bit more of innovation and differentiation could make sense. And this is one of the subjects on which Catherine and the Comex will have to work when she will be on board.

Société Générale

Thank you very much, that's very clear, Jean-Pierre.

Judith, just to be clear: so, in February we would likely have an update on full-year guidance for 21 but, in terms of the mid-term plan, you may want to take the time to consider doing it later in H1? Is that the right way to understand it?

Judith Hartmann

Yes, for sure, our full-year guidance in February, that's for certain, and then obviously we will see if there is… you know, what the right timing is for the full update.

Morgan Stanley

Thank you and good morning, everyone.

So I think the market will welcome these indications of a quick pace of change. And, so, to that topic, could we ask over what timeframe you envisage the structural changes to the Group to play out? Could we see further announcements, in particular on Client Solutions, by year-end? Could this all be done in H1 2021, full-year 2021 or will this spill over into 2022?

The second question, if I may, is just a bit of housekeeping: may we ask what quantum of asset rotation gains are now embedded in your full-year 20 guidance, and how you expect that to evolve for next year? Thank you.

Judith Hartmann

Thank you, Rob, for these questions.

On the quick pace, indeed, we're very committed of course. On Client Solutions, though, it will… don't expect any new updates by the end of the year. The timing, you know, we're going to work closely with the employee representatives, of course, so we will come back on a more specific time on Client Solutions. But it is a very significant move. It is a very positive move, including of course for all of our employees. And it will take some time to execute.

On the asset rotation, since our guidance is on net recurring income, based on an indication on COI, there is no gains that are currently… that are in that piece in terms of capital gains. Of course, like I said when I presented earlier, we have assumed that we will not have the recurring results of Suez and obviously that's normal since the transaction has been signed already, in October. So hopefully that answers your question.

Claire Waysand

And, if I may, Judith, just complementing your point on Client Solutions, we are at a very early stage of the process. What we have described to you today is the constitution of the new entity, with its perimeter. As said before, what lies ahead of us is really to appoint a management for the new entity, to have an organization, to work on the carve-out. So that's a lot of work ahead. And I speak under the control of Catherine, who has been working on this in her "previous life". So lots of work ahead to be able to complete the, I would say, the "making" of an autonomous entity. That's one. And, second, as also you understood, what's very important for us, all along this process, is to embark our employees. This is a very sizeable project, more than 70,000 employees, so we have started the dialogue early on. Today is part of the dialogue. It will continue and it will take the form of a formal consultation process, with the relative bodies, in H1 2021. So that gives you a first sense of timing. And then we will be able to assess the various options for evolution of ownership in this period. So no set calendar at this stage, but process well in place and moving ahead both in a fast way and taking on board the employees.

Morgan Stanley

That's very interesting, thank you very much.

Goldman Sachs

Good morning. I have two questions.

I guess one is on the subject of the Covid virus: when I look at the 9-month results, and back out what's implied for Q4 on COI, I get roughly a 23% reduction in Q4 on Q4 required for the middle of your guidance. And I just wanted to understand, you know, we started this guidance from a perspective of no further lockdowns, and clearly now we are in that. I just wanted to understand, is there any one-offs in the Q4 base year, in 2019, that we should be aware for when we're looking in 2020? And what kind of impacts are you now assuming into the numbers for Covid in Q4? Just because Client Solutions is quite a sizeable number, I know it's far reduced, but there is potential for the virus to continue beyond maybe the turn of the year. So is there a chance of maybe getting something like a, for a month, cost or impact for these Client Solutions that we can sort of have in mind when looking at the business?

And then the second question that I had was more… within the strategy that you announced in H1, it spoke about a potential of 8 billion of disposals. And, with that rotation, could you give us maybe a proportion of those disposal, potential disposals, that may go into acquisitions, and what would be into organic, just so that we have a sense of the balance between the two. Thank you.

Judith Hartmann

Thank you for these questions.

Indeed, the first one on the lockdowns and what to assume on the impact, you know, what I can reiterate is we are very happy about our Q3 performance, you heard it in our presentation, that we have put in place significant measures, on the one side improved of course the processes, have protective equipment, are much better prepared on lockdowns. Indeed, like you said, there is new lockdowns, and we are in one in our biggest country, which is France, but, again, like we said, there is new lockdowns, we are in one in our biggest country, which is France. But, again, like we said, the governments are very keen on making sure that activity continues. That is the case, for example, for construction activities, which was one of the impacts we had in Q2. So, you know, when you look at the Covid impact so far, I mentioned it is about a billion 150-ish in Q3. We had talked about 720 in the second. You know, we're assuming some impact but nothing at the size of Q2, because of the two elements I mentioned: governments much keener to keep economies going and because of a much better preparation. So we are confident to confirm this guidance. We've highlighted some of the new developments. Of course, Q4 will exclude the contribution from Suez, the Brazilian real is some headwind, and again the restrictions that I've just mentioned.

On your question on the disposal plan and the redeployment of the funds, of course a very important question, no doubt. It is part of the updates of the beginning or of the first half of next year.

UBS

Thank you very much. I've got a question on the Client Solutions side and then a quick one on Nuclear.

On Client Solutions, looking at my diary, I think it's about a year exactly since we had your Client Solutions seminar, and I remember you saying that a 6- to 10-times EBITDA multiple was appropriate for the Projects business and maybe 8- to 12-times for the Services business. So looking at the asset-light carve-out that you described today maybe 9-times overall would be the implication of what you said last year. So I just wanted to check if that's still a good benchmark in your view. And if you could just comment on what the EBITDA for that part of the business would be, assuming some recovery from the worst Covid impacts that we've had this year. On my numbers it looks like about 700 million but I'm not sure if that's right or not. So maybe can I let you answer on that one and then I'll come back with my other question.

Judith Hartmann

Yes, indeed, those were the multiples that we talked about in the past. Now, of course, you know, it's very early days. You heard us explain the presentation. The multiples will of course depend also on business plans and on the growth opportunity that we're seeing for this entity. And so clearly it is too early to give a specific benchmark on this one.

UBS

Would the EBITDA be about 700 million or so, if you think about maybe excluding the worst Covid impacts this year?

Judith Hartmann

So the COI numbers you have seen, and the 700 is probably not too far off, yes.

UBS

Thank you for confirming. And I suppose my comment there is just, you know, maybe not totally good, maybe you could do… maybe there's other issues to think about, maybe you could even do a bit better in the transaction. In any case, it looks like the bulk of your 8 billion disposal target in H1 could be covered if you go ahead with changing the ownership, as you said, on the side of this asset-light business. I guess you said that the 8 billion was the floor and not the ceiling. But I just wanted to check that it looks like it's quite a low floor for your current plan.

Judith Hartmann

There is a few shortcuts, though, in the logic that you have just used because, indeed, of course a multiple depends on many things including margins, growth perspective and those kind of things. I wouldn't want to take to the bank what you have just mentioned. But, indeed, of course, those will be, again, part of the update. There's a lot of work still to do. Today's scope discussion is a huge step forward because it gives you a strategic view on where we think this scope will be. But, of course, there is, you know, a lot of work still to be done to take it forward.

On the disposal plan that you're alluding to, again, we're at a very good pace here. You've seen of course the 3.4 billion of our Suez stake that was disposed. We have announced today the strategic review of GTT. So we will be moving at pace. But also we will make sure, like we mentioned earlier on Vincent's questions, to manage dilution, and make a good mix of those two elements, basically. So hopefully that answers your question.

Then I think you had a question on Nuclear?

UBS

Yes, I did. So thank you on Client Solutions. That's super helpful and I should have said thank you for everything you set out today, which is also really valuable and useful.

On Nuclear just a quick one but, if memory serves me correctly, you still have a participation in two of the French reactors, so I'm sure you're tracking the developments with potential reregulation of the French nuclear fleet. And I'm just wondering, when you look at your equity in those French assets, do you have a view on what kind of power prices are going to be needed for the new French nuclear regime?

Claire Waysand

Thank you for the question. We are actually following with attention what's going on in the discussions between the French government and the European Commission on the broader framework, which is indeed the nuclear regulation; among other things (it's also the hydroelectricity in France). So we are looking at this both, indeed, because of our drawing rights in Tricastin and Chooz, but also because, as you know, we are an important player in terms of having customers in electricity in France. So that's an issue which we are following closely, but no update at this stage.

UBS

Okay. Well, I thought I'd try. Thank you very much anyway and thanks for your presentation today.

Credit Suisse

Good morning. Two questions from me.

The first one on Renewables, if you can comment or if you have any further thoughts on what is the right mix in the future for you, between retained growth in terms of installed capacity and BSOs.

And the second question, if you can comment… You announced today to have signed 1.3 GW of PPAs year to date: can you elaborate a bit on what is your view on the current state of the PPA market and what is the average duration of the contracts that you have signed.

Judith Hartmann

So, on Renewables, the mix, like we've mentioned in some of our previous meetings, is really… the idea is really to have a better balance between DBSO and DBOO. So it's not very easy to give a precise number or percentage. But what I will say is the way we think about this is really, in countries where we're still coming up the learning curve or where there is a specific country risk, we would go with a DBSO. It helps us to limit risk, it helps us also to use of course the sell-down as part of the competitiveness that we're doing. And then, the more that we come up on size, in certain countries, the more you're going to see consolidation. That's certainly the case right now already in the United States. You saw us do a deal mid-year on a partial sell-down, where we're keeping the assets consolidated, with of course two very important impacts. One is financial (higher COI from consolidation) and the other one is of course operational in terms of really running these assets and optimizing them ourselves during the asset life. And so that's how we think about it. And so you will see that, gradually, over time, we're moving towards more DBOO. And, again, this would be a great element to update you on in H1 next year also.

Paulo Almirante

We see significant interest from industrial clients, from the GAFAs for example, on entering into green PPAs with us. Our ability to mix different technologies, in particular in Europe, in the US, where we can bring wind, solar, hydro, provides us with the opportunity to tailor-make the offers for some of these clients. So far this year, we have achieved 1.3 GW of new PPAs. We continue to develop this, as it is absolutely essential for supporting the development of renewable assets, both in Europe and the US. And, just to complement, these PPAs normally are from 5 to 12 years in duration.

Morgan Stanley (follow-up)

Given your role as an independent supplier in France, may we ask Engie's perspective on the proposed nuclear reform to ARENH, whether you consider this a negative outcome, whether the company's feedback in the process has influenced the outcome?

And if I may, also, a second follow-up question. It's a bit left-field but let's see what the answer is: there was a media report in *La Lettre A* suggesting Engie would be interested in a stake in EDP. Could you talk to the attractiveness of this suggestion, if it's true of course, in light of your new strategic direction? Thank you.

Claire Waysand

Okay, thanks for the question.

The second answer is easy: no comment on this issue.

Moving to the first one, to ARENH and our perspective on ARENH, well, several considerations. Clearly, the old system of ARENH was outdated and there was a need to move to another system. As you know, we were discussing every year what was the ceiling of the volume that could be sold under ARENH and there was usually some tension on this ceiling and the need to be able to sell higher volumes under ARENH, which were ongoing discussions with the authorities year after year. So clearly an outdated system. That's one. And, second, a system that wasn't looked at very favorably by the European Commission. So these two reasons clearly provided for the need for further discussions between the French government and the European Commission on the future mechanism that will come after ARENH. From our perspective, the first and foremost priority is that it's a system that's fair and that ensures a level playing field between all suppliers of electricity in France. So these are the two… I mean, this is the main angle through which we will look at the future reform. But, as I have indicated before, these are discussions going on between the government and the European Commission and we haven't been updated yet on the results—nor have you, I'm afraid! If you have, I'd be happy to hear! But we haven't been updated yet on the result of these discussions.

Judith Hartmann

Thank you very much for calling in and for all of the great questions. Just to reiterate the three main messages: Q3 was great progress in comparison, of course, to the highly impacted Q2; we are confirming our guidance is the second message; and I hope you saw all the strategic progress that is happening and we will of course come back every single quarter to update you on both of those topics. So thank you very much and have a nice day.