H1 2021 RESULTS TRANSCRIPT

30 July 2021

Aarti Singhal

Good morning, everyone. It's my pleasure to welcome you to Engie's first-half 2021 results.

In terms of the agenda for this morning, as usual, first you will hear from our CEO, Catherine MacGregor. She will be followed by our CFO, Judith Hartmann. Catherine will then come back to conclude the presentation. And, following which, as usual, we will open the lines to Q&A. And my team and I we're here to assist you, so do please reach out if we can be of any help. And now I hand you over to Catherine.

Catherine MacGregor

Thank you very much, Aarti. Before I start discussing the H1 results, I would like to acknowledge with deep sadness the news of the tragic accident two weeks ago involving employees of Sigdo Koppers Ingeniería y Construcción (SKIC), a subcontractor of Engie Brasil Energia. SKIC is engaged in the construction of the Novo Estado transmission line in Brazil. You will be aware that seven workers tragically lost their lives in this accident, and four we hospitalized. All our thoughts are with the families of all those affected in this very difficult time. As you would expect, safety is our number-one priority at Engie. A very thorough investigation is underway, prior to safe resumption of activities, and to ensure that every lesson is learned to maximize safety for all workers.

As we now move to the financial results, I am pleased to report a strong performance for H1, with a strong recovery from last year. On an organic basis, EBIT increased 44% to €3.1 billion, and Net Recurring Income Group share grew 67% to €1.4 billion. This major improvement is a testament to the commitment of our teams, who helped drive a strong operational performance.

We also maintain our focus on delivering on our strategy towards net-zero and wider ESG goals. One of our key targets is to increase the Renewables capacity in our portfolio. And, with an additional 1.2 GW commissioned in H1, total Renewables capacity increased to just over 32 GW.

We are progressing on our coal-exit plan. Most recently, with exclusivity rights signed for the sale of the Jorge Lacerda thermoelectric complex in Brazil, which includes a coal plant.

And, on gender diversity, we are 24% women in management, and this of course remains an area of focus for us in the coming years.

And now a few words on the guidance upgrade, before I discuss H1 performance in more detail. Our results have benefited from a strong overall operational performance, where we were able to largely offset the impact of the Texas extreme weather event and achieve high levels of availability for our Nuclear assets. In addition, the effect of colder temperature in France in H1 and a more favorable pricing environment are contributing to higher expectations for the full year. As a result, we are upgrading the guidance for 2021. We now expect Net Recurring Income Group share to be 200 million higher, in the range of €2.5 billion to €2.7 billion, and this is based on a revised EBIT indication of between €5.5 billion to €5.9 billion.

Alongside this strong financial performance, we maintain continuous momentum on the strategic plan that I presented to you in May. Group simplification and improving the business mix are at the heart of our plan, and we have taken several important steps forward. EQUANS was created as scheduled. And today we have announced the partial sell-down of GRTgaz. The partial sale of GTT was completed in May and the sale of Engie EPS was completed in July.

We have also progressed on geographic rationalization, with agreements to exit a further four countries in H1, and we are targeting to be operating in under 30 countries by 2023.

Since the start of this year, we have stepped up on performance improvement and we are enhancing efficiencies across businesses and support functions. We have achieved €50 million of net EBIT contribution through procurement cost savings and operational actions. And so we are on track for €100 million of net EBIT contribution for the full year. Overall, our target remains to achieve 600 million net EBIT contribution by 2023.

A major pillar of our simplification program is the creation of EQUANS, a new leader in multi-technical services that is truly empowering transitions. With competencies that include electrical installation, HVAC and cooling, as well as digital, EQUANS is operating in sectors that benefit from strong tailwinds.

From 1 July this year, EQUANS is a separate division within Engie and we are moving now, at pace, on the future shareholding structure. There is strong interest in this business. The process is underway. We will continue to consider all options and select the best one that maximizes the future growth potential and the value of EQUANS. We expect to be in a position to update you in H2 with the completion targeted in 2022.

Operationally, EQUANS has driven a strong recovery from last year's Covid impacts, with growth in both order intake and backlog, and Judith will cover the financial performance later.

This morning, we announced another important milestone in the execution of our strategic plan, to rebalance exposure from French gas networks towards Renewables and other infrastructure assets. Engie has entered into an agreement with our longstanding French partners Caisse des Dépôts and CNP Assurances for the sale of an 11.5% stake in GRTgaz. This transaction implies valuation to RAB of 148% and evidences our shared vision with our partners on the long-term role of gases, that will become increasingly renewable and will enable net-zero through a balanced energy mix. This is absolutely essential for ensuring affordability, flexibility and system resilience. This transaction will reduce Engie's net financial debt by €1.1 billion and is expected to be completed before the end of this year.

Let me now briefly touch on the EU Fit for 55 roadmap, with which our strategy is so fully aligned. Obviously, this is a positive development for Renewables. Around 40% of our pipeline is in Europe and we should benefit from this improved Renewables framework.

Energy Solutions has expertise in energy efficiency and low-carbon distributed energy infrastructure. It's well positioned to drive this decarbonization effort. One of our key targets for this GBU is to develop additional capacity of 8 GW in low-carbon distributed energy infrastructure by 2025.

Our Gas networks are working towards building a strong position in renewable gases, especially in hydrogen. We are aiming to have renewable hydrogen production capacity of 4 GW by 2030.

And Thermal, which will continue to play a key role in facilitating Renewables growth through mitigating intermittency.

Four global business units, strongly positioned for this welcome Fit for 55 roadmap.

Turning now to operational progress in H1 this year, starting with Renewables, a strong focus for the Group, with organic growth being the prime driver. In H1, Renewables output rose by 22%, with higher production across all of our technologies (Hydro, Wind and Solar). We commissioned 1.2 GW, mainly in Western Europe, Brazil and the US.

On the construction program, our teams are managing through the cost inflation and pressures on global supply chain, and we are progressing on delivering the 3 GW in 2021.

Ocean Winds, our joint-venture with EDPR for offshore wind, continues to progress in this high-growth market. Recently, they secured a 25-year Contract for Difference for offshore projects in Poland, totaling 370 MW. We signed a further 1.4 GW of green corporate PPAs, mainly in our priority regions of North America, Europe and Latin America. We continue to see strong demand from a range of clients across consumer goods, technology and industrial sectors.

Commercialization of Renewables requires expertise, and particularly around market and customer access, hedging and risk management, portfolio management optimization and forecasting. We are convinced that Engie has a competitive edge here, and we have built this expertise not only through the growth of our own Renewables portfolio but also through our presence of over 20 years in energy markets. Through our GEM activities, we have market access to a base of over 800 large multinational clients.

A few words now on the performance of the Networks global business unit, which has been marked by cold weather, particularly in France, where we distributed higher volumes and also saw record withdrawal from gas storages, demonstrating, once again, the importance of gas during periods of high energy demand.

In France, we continued to progress on the deployment of gas smart meters, with over 1 million installed in H1, taking the total number of smart meters installed to over 8 million.

Sixty-seven biomethane sites were connected to our networks, taking the total to 271 units. Overall, France is targeting, for biomethane, to reach 10% of the gas mix by 2030.

Outside France, the integration of TAG has progressed well, and TAG is expanding commercially. We are progressing on the construction of Gralha Azul. With first testing in July, the power line is on track for COD in the fall of this year.

Our Energy Solutions GBU is helping clients with their decarbonization targets. Through France Relance, for example, we secured projects with industrial clients totaling 100 MW of low-carbon onsite generation, more than doubling the historic win rate.

These projects benefit from average contract duration of 15 years and with double-digit margins. And, since last year, our total distributed infrastructure capacity has increased by 800 MW.

Energy Solutions is also focusing on performance improvement through various initiatives, which include geographic rationalization, contract management to improve margins, and a stronger cash focus.

And now I will pass it over to Judith for a review of our financial performance. Judith.

Judith Hartmann

Thank you, Catherine, and good morning, everyone. Thanks for joining our call today.

Indeed, we had a very strong H1 and I'd like to thank our teams for their tireless work to enable this level of performance. Before going through the financial figures in detail, let me take a step back and remind you of the value creation framework we presented in May. Our focus is to create value using three levers.

First, we are driving simplification by exiting non-strategic activities and geographies. Our 3-year target of 9 to 10 billion disposals is clearly on track. Catherine shared the great progress made in H1. On GRTgaz, I'm particularly pleased to continue our longstanding relationship with our French co-investors Caisse des Dépôts and CNP Assurances based on a shared vision of the value and future role of gas networks.

Our progress this half means that we are now expecting our full-year 2021 disposals to be around 2.5 billion while maintaining the related dilution at up to 100 million. Strategically, disposals enable us to simplify and reallocate capital.

Second, we're improving our business mix: in H1, growth Capex was primarily organic and allocated 90% to Renewables, Networks and Energy Solutions, supported by significant growth opportunities and, as we said in

May, we expect growth Capex of between 15 to 16 billion in the 2021 to 2023 period. These investments should be rather evenly phased across the period, with 2021 growth Capex expected to be around 5 billion.

Third, we are enhancing our performance through operational and support functions excellence. This half, we moved swiftly on loss-making activities, on delivering procurement cost savings, and on optimizing structures in various geographies. We have already delivered 50 million of net performance at the EBIT level and we're on track to deliver 100 million for full-year 2021.

I'm very pleased with the upgraded guidance and will come back to it later.

Throughout this transformation, we will ensure alignment to our climate commitments alongside maintaining a strong investment-grade balance sheet.

Moving now to our Group figures for H1 on the next slide, EBIT was up 42% on a gross basis and 44% organically, driven by progressive Covid recovery, colder temperature and a robust operational performance.

At the EBIT level, the negative foreign exchange impact of 107 million was mainly due to the Brazilian real depreciation. This headwind was largely offset by the 87 million positive scope effect. This arose primarily from the disposal of 29.9% of our shares in Suez, which contributed negatively in H1 2020. In addition, we had the positive scope-in effect from the Hydro assets we acquired in Portugal.

I will detail organic EBIT evolution by activity in the next slides.

Net Recurring Income Group share was up 86% on a gross basis and 67% organically. Net Income Group share was also up significantly year on year, reaching €2.3 billion.

We delivered strong cash flow generation with CFFO increasing by 1.3 billion, and total Capex was slightly higher year on year. This increase was mainly driven by timing our Nuclear provision funding.

Financial net debt increased by 1.8 billion, reflecting the dividend paid in May, while CFFO is broadly offsetting gross Capex.

We improved our credit metrics, including the economic net debt to EBITDA ratio, which reduced from 4x to 3.7x compared to the end of 2020.

Let's now look at the EBIT evolution. EBIT organic growth was very strong, at plus 44%, and, as you can see on this slide, Client Solutions, Nuclear and Networks contributed significantly to the 940 million increase in total.

Moving now to each activity, starting with Renewables.

On a gross basis, Renewables EBIT evolution was slightly negative, mainly due to a negative FX impact. Renewables EBIT was up 14% organically, driven by a strong Hydro performance. Indeed, we benefited from higher achieved prices in France, and in Brazil despite the drought conditions there. The 3.3 GW Wind and Solar assets we commissioned over the last 12 months also contributed to this organic growth. In total, we more than offset the negative one-off 90 million impact from the Texas extreme weather in February 2021. I'm pleased to say that, with our integrated business model, our local systems play enabled us to largely offset this negative one-off at the Group level.

We invested 700 million growth Capex in Renewables in H1, our commissioning activity was up 38% year on year, and we brought 1.2 GW capacity online.

Let me take you through Networks on the next slide.

Networks EBIT evolution was very positive, both on a gross and an organic basis. Foreign exchange and scope effects had a limited impact, with some pressure mainly from the Brazilian real, partly offset by the scope-in effect of the additional 10% of TAG.

Organic EBIT was up 21%. This was mainly driven by around 200 million positive temperature effects in Europe, especially in France.

Networks also benefited from higher contribution from Latin America, mainly through the construction progress of power transmission lines in Brazil.

We invested 700 million growth Capex in Networks over H1, primarily in the two power lines in Brazil, and in our gas smart meter deployment in France.

Moving to Client Solutions, you can see major recovery from the significant Covid impact in 2020. Although we still had restriction in H1 2021, they were much less stringent than last year. This, combined with our improved processes, enabled a significant but not quite full recovery, both for Energy Solutions and for EQUANS.

Energy Solutions EBIT also increased notably in district heating, driven by colder temperature. This was partly offset by lower performance of some start-up activities. There was also a positive scope effect. Again, Energy Solutions benefited from the disposal of shares in Suez, which contributed negatively in H1 2020.

EQUANS' EBIT also rose due to good performance in insulation projects. Remember that this activity is typically weighted to H2, and therefore we expect EQUANS' full-year EBIT to be similar to 2019 levels, in the range of 350 to 450 million. EQUANS' commercial performance led to a strong increase in order intake and a higher level of backlog.

The following slide shows the evolution for Thermal and Supply activities.

Thermal EBIT was impacted by a negative foreign exchange evolution due to the US dollar. EBIT was down 7% organically, mainly due to a drop in energy margins in Chile. Here, the electric system was affected by a series of negative events leading to an increase in spot sourcing prices due to lower production, thereby reducing our PPA margins.

Our European merchant plants benefited from higher ancillaries and captured spreads. Overall, their contribution was broadly stable in comparison to a very good H1 2020.

Supply EBIT was significantly up, due to the Covid recovery and to colder temperature.

And now let's look at Nuclear and Others.

Nuclear posted an improved EBIT contribution mainly reflecting better achieved prices and a very high availability of 92% for Belgian units. D&A was lower, mainly following the 2020 impairment.

EBIT for Others decreased. GEM's contribution normalized following a particularly strong performance in H1 2020, which had benefited from positive one-offs and better market conditions, with high volatility. These year-on-year negative evolutions were partly offset by the Covid recovery.

French B2B Supply activities from Entreprises et Collectivités had a higher contribution, mainly driven by Covid recovery and colder temperature.

GTT's contribution normalized and, following the partial sale at the end of May 2021, GTT is accounted for under the equity method starting June.

Moving to cash flow generation, CFFO was 4.3 billion in H1 2021, up 1.3 billion year on year, mainly driven by the following effects.

First, operating cash flow was 700 million higher, reflecting the EBITDA increase.

Second, the overall change in Working Capital Requirements had a positive effect of 700 million, driven by a positive change from energy management activities. This was largely due to margin calls resulting from a commodity price increase. On the other hand, this was partly compensated by a rise in gas prices, weighing on inventory and client invoicing.

Please note that the change in Working Capital Requirement for Other activities was flat, which represents a good performance for a period showing growth.

And, finally, the outlook for 2021.

We are now expecting Net Recurring Income Group share to be in the 2.5 to 2.7 billion range, which is an upgrade of 200 million versus the initial guidance, based on an EBIT indication in the 5.5 to 5.9 billion range, an upgrade of 300 million.

This is based firstly on a strong operational performance in H1. In Texas, our integrated business model and local systems play meant that we are able to largely offset the impact of the extreme weather event in February, and we achieved a very high level of availability for our Belgian nuclear assets.

Secondly, we benefited from French temperature, which was colder than average in H1.

We have also updated our view on H2, mainly based on higher power prices in Belgium and France.

As a reminder, we remain committed to a strong investment-grade credit rating and continue to target a ratio of below or equal to 4x Economic Net Debt to EBITDA over the long term.

And, importantly, we reaffirm our dividend policy, which relies on a 65 to 75% payout ratio based on Net Recurring Income Group share, with a floor at 65 cents per share.

I will now hand you back to Catherine to conclude this presentation.

Catherine MacGregor

Thank you very much, Judith. I would like to conclude this presentation by saying how thankful I am for all the hard work, for all the dedication that the teams at Engie have shown, and also all that has been accomplished in such a short period of time.

We are moving at pace on the execution of our strategic plan. We already are seeing the first benefits of this very focused delivery. We're making progress on simplification, we're starting to deliver on the performance improvement plan, and, as a result, the strong financial performance is enabling us to upgrade our guidance for this year.

We are very well positioned to seize the growing opportunities brought forward by the need for a faster energy transition. It is our mission to develop today the low-carbon energy system of tomorrow, for this energy transition to be really sustainable, affordable and reliable.

Thank you very much for your attention, and we will now open the lines for Q&A.

Q&A

J.P. Morgan

Yes, good morning everyone. Very, very strong set of results. It's good to see. I wish the market was reacting a bit more closer to the fundamentals here.

So I think question number one will clearly be regarding the simplification. So you have announced GRTgaz today. And you said, if I noted this properly, that you are likely to announce, actually, a disposal in H2 on… for a close on the deal in 2022. So… But the question I would have here is: we understand that Eiffage, Bouygues, Spie, among other things, could be interested, according to the press. You say that all the options are on the table. Given the timeline, is it fair to assume that an IPO is probably not on the table, given the timeline, and we are more likely to see a sale to either an industrial or a financial investor? So that would be the question number one.

The question number two is, we see that you've increased your guidance 2021, showing a very strong start of the year. Now power prices have been going up very much, really, year to date, versus whatever standing as of the end of last year. You actually have not moved, potentially understandably your guidance for 2023. It may be a bit too early, but could you provide us with a bit of an estimate of… if we were to mark-to-market 2023 versus your guidance, yeah? What type of impact would you have? According to estimates, we may have about 300 million of EBIT, 10% of Net Income. I would be interested to see if it makes any sense.

And, finally, a quick one, very quick, it's FX year on year in H1 is slightly negative, however the FX evolution has been fairly okay. Similarly, Covid recovery. Could you provide us with an impact, maybe a full-year impact, of both elements, looking at how things are standing as of today? Thank you.

Catherine MacGregor

All right, Vincent, thank you, thank you for your questions. So I will try and address them, obviously leaving a couple for Judith to complement.

So maybe… Just on the simplification and our disposal program, obviously put it back in the context of what we announced in May, which is a program of 9 to 10 billion of disposals over the period 21 to 23. You're right to highlight the fact that we are indeed making progress at pace. You know, we had announced GTT, an operation, a transaction on GTT, and today GRTgaz, and of course the creation of EQUANS. So, to clarify my comment, what I said in my script is that we would go back and give you an update this year, in H2, which obviously doesn't mean necessarily, you know, that it will be something different than an update. What I would like to say is that EQUANS is an incredible business. It is differentiated, it is enjoying tailwinds and it's faced with absolutely growth perspectives. The management team has put together an organization that is fully energized behind this new name, but not just: behind the focus on projects, behind the focus on this type of activities. So we are very, very excited about what's happening with EQUANS. We have indeed repeated, and I am repeating here today, that all options are open. Obviously, M&A options are there but we are also keeping the dual track of an IPO and obviously, you know, the calendar for an IPO versus an M&A will be slightly different. But, in any case, you know, we are still targeting, or really hoping, that the completion will be done, will be behind us by the end of 2022. So I hope that answered the question.

I will take a little bit now the second question, which was around the guidance. And indeed, you know, you are highlighting that we have a strong performance this semester, which allows us indeed to upgrade our guidance for the full year. In terms of outlook to 2023, I just obviously remind you that we are on a path of delivering what we said in May, which is a fairly clear strategic roadmap, with a program of disposals, more importantly a program of reinvestment – we have a €15 billion to €16 billion investment program, which you know, will allow us to provide important contributions through this period. And so we are very, very focused on executing this strategic roadmap, and this, frankly, is not fundamentally changing the way we look at the future.

Obviously, obviously, we are faced with some tailwinds, which, you know, we will be able to give you a more quantified impact on our 2023 view in February, when we give you an updated outlook for, obviously, 2022, but also for the medium outlook. And maybe just to say that, obviously, you know, in this context of high power and commodity prices, we are also working on really focusing on making sure that our assets are as available as possible to capture, you know, some of these tailwinds that are there. So maybe I'll stop here and pass it on to Judith to comment a little bit on the FX… And maybe also just as a complement, remember also, as you do your mark-to-market calculation, that you need to take into account to 2023 things around a different type of volume in Nuclear, obviously, and also don't forget that, you know, with power prices we do have an exposure to the clean spark spreads, so you also have to take into account gas prices and impact on our Thermal fleet as well. So, on this, maybe I'll turn to Judith to comment a little bit on FX and if you want to add any color.

Judith Hartmann

Yes, absolutely, thank you Catherine and bonjour Vincent.

So, indeed, on power prices, to keep in mind is also the hedge ratios that obviously we have in the material: 64% of 22 and 43% of 2023.

On foreign exchange, there was a negative impact in H1, with mostly the Brazilian real at 6.49. We are projecting, for the total year, the Brazilian real to be at 6.28. That's our biggest impact, you know, foreign exchange, dollar, we're seeing 1.2. So that should indeed create an improvement over the rest of the year. And obviously way too early to talk about the other years on this.

In terms of Covid impact, I just wanted, you know, to reiterate a few things here. About a 700 million impact last year if you exclude some of the disposals, mostly Suez, and this year much, much lower; you know, we're much better prepared, the lockdowns or the restrictions are much less stringent, they're here, they're rotating in different countries, we're dealing with it. So we have chosen not to flag it in our results because the impact is now much, much lower and, you know, we're well prepared to deal with the restrictions.

Deutsche Bank

Hi. Well done on the good results. Two questions from me.

So, firstly, on Networks, you obviously had the stake sale GRTgaz this morning for a very good price. You're now down to 61%. What should we be… or how are you thinking about your regulated network assets now, post that sale? Could we expect to see more stake sales, or have you got to the point where you're happy with your rebalancing away from gas networks to some degree post this deal? And I'm asking that question mindful of the fact that transaction multiples for Networks, as you demonstrated today, are just extremely attractive at the moment.

And then, second question, on the kind of preference for investments versus acquisitions going forwards: you obviously set out a pretty clear plan earlier this year, but it does seem like you're running a little bit ahead of that in terms of how well you're disposing of assets. If you do end up in a position where you've got a kind of strong balance sheet in a year or two's time, and you're running below your metrics, what would be the preference: would it be to increase organic investment and you feel like there's opportunities for that, or should we expect you to be a bit more aggressive in terms of making acquisitions? Thank you very much.

Catherine MacGregor

Okay, thank you very much for your questions, and thank you also for recognizing… Yes, we are very pleased with the transaction that we announced this morning, at GRTgaz. And obviously we are pleased because it's completely in line with what we said we would do. We wanted to do this rebalancing so this is really what we've just done, and we are really happy to have done that. I think it's also really important because it confirms our view, it confirms the fact that others are sharing this view, that gas has a long-term role to play in the future energy mix of France, but also of course in Europe. And, you know, that view is reinforced by the fact that there is a perspective to decarbonize this gas and at the same time continue to enjoy the inherent qualities of the gas as an energy vector. And, just to remind you, it is dense, it is stockable, you can store it, it's storable, and it has this flexibility, which allows you to dispatch it, you know, in a very short time. And this is going to come very handy in winter times where, we know, you know, the electrical grid is going to be put under tension. So we are very, very pleased with this transaction, and we think, you know, it's very much in line with our strategy, as well as our view of the long-term importance of gas. And I think that partially, you know, answers your question as to what our intentions are there. So very pleased with that. And I think, in terms of what we want to do, we are… We have a very busy roadmap ahead of us. We have this €15 billion to €16 billion growth Capex that we want to spend, that we see, we have loads of opportunities to spend on, of course, Renewables opportunity set is very significant. On the Energy Solutions side, if you remember, in May we talked about our €11 billion pipeline. And now, with what's happening with our different packages, including Fit for 55 but also what's happening in the US, you know, we are seeing, actually, that pipeline numbers increasing rather than decreasing. So… which is really good because, you know, it allows us to have and look forward for very attractive investment opportunities, at the same time, you know, remaining fairly selective. We have choices. And that is very exciting. So this is our primary working scenario, if you like, it's really to invest organically as our main trajectory, because we feel that we are aligned with incredible opportunity sets, and that the strategic decisions that we are taking now are allowing us to really be aligned with very attractive opportunity sets. So that's really our main plan.

Morgan Stanley

Yes, thank you. A few questions, if I may.

If I could just pick up on the question around gas assets, could we ask why you sold a stake in GRTgaz, obviously which is on the transport side, rather than in GRDF, and does that reflect a strategic choice that you prefer distribution over transport?

The second question I have is around EQUANS, and was the creation of this as a standalone business a prerequisite to the disposal, due to, shall we say, potential acquirers' desire for this type of structure? Or was it to keep the IPO dual track as a viable option? And I suppose an addition to this, what would be the residual ownership of EQUANS if you went down the IPO route?

And the last question, if we can just change tack a little bit here, is just around the supply chain bottlenecks and inflation, particularly for your Renewables business, if you could talk a little bit about to what extent there are risks to IRRs there, how much costs are secured, and whether your project contingencies are proving sufficient. Thank you very much.

Catherine MacGregor

Yes, okay, thank you, thank you very much. So maybe I'll start on the EQUANS question: the creation of EQUANS as an entity is a very important step because, just to remind you, a lot of the asset-light activities that were run within Engie were run in different business units and not as one division or one autonomous entity within Engie. So, as we decided to put these asset-light activities under strategic review, and looking for a different shareholding structure, the first step we had to do was to put it together as an organization, as a coherent entity, which, you know, is actually, a lot of work, which we did, with, in parallel, obviously a social partners consultation. So that's what we did in H1. And now, of course, you know, the fact that we have it as an independent, autonomous entity within Engie allows us to go to the next step, whatever next step it might be. And so we would have done that no matter what options we would consider. So very natural step towards our goal, which is to indeed evolve the shareholding structure of this entity. And, in terms of keeping a stake or not, obviously, you know, we are convinced at Engie that there will be a lot of value creation with this transaction. We believe EQUANS has a bright future, a strong, also, business improvement to be delivered, as it will be run as a dedicated service business. And so, you know, if we had the opportunity, it would not be necessarily a bad idea for us to be able to take part of this value creation that we believe, we absolutely believe, will happen through this process. Now, of course, you know, that decision is not made and it will depend of course of the route that will be decided on and the type of options that eventually will materialize. So we will see. But, obviously, value creation will be there, so if we can have some of that we will be of course quite happy to do that.

I will take the second question, which is around the inflation and the supply chain risk, and particularly you ask around Renewables. Of course, you know, this is something that we are very much, very much, monitoring, and looking very, very closely at. Our global business unit, as you know, dedicated to Renewables, is now deploying its whole capabilities to manage this risk as well as possible. We do believe, by the way, that some of the cost inflation that we are seeing are going to be short-term because, when we take a longer-term view, we are absolutely convinced that evolution of technology will be able to compensate this kind of increase. So, in general and a bit macro, we believe that the LCOE will continue to decrease. Now, of course, in the short term, some of the protections we have, which are natural protections in the fact that some of our prices are already locked, in the 7 GW of assets that are today under construction or secured, so, you know, that is giving us some sort of protection and we are also obviously in full negotiation and discussion with our suppliers. I think it's really important also to remind you that, as we are building our global business unit dedicated to Renewables, we are also in a much better position to leverage our procurement capability, to leverage our size, and to have strategic discussions at CEO level of our key suppliers, to make sure that, you know, we have a very strategic partnership on some of the key technologies that are going to be so important for us in the development of our Renewables business. And this is all happening so, all in all, you know, I'm pretty comfortable that we are managing this risk really well and really looking forward to doing, developing, deploying our Renewables roadmap, you know, within the ranges of the investment return criteria that we shared with you in May. So quite exciting.

And I think there was a question on GRTgaz rather than GRDF. I think, you know, GRTgaz is obviously a major asset for us. We have been co-owner of GRTgaz with Caisse des Dépôts, and so it was a very natural deal that we did with Caisse des Dépôts and GRTgaz, very much, again, you know, reflecting what we think will be the role of gas in the future. And, when you think really, really far out, you know, you can see that the transport of gas, when applied to hydrogen, is going to be quite important in a future hydrogen market, so maybe some elements of response here. Thank you very much.

Société Générale

Thank you. Good morning, everybody.

My first question is on EQUANS: in order to assess how attractive this business can be to potential buyers, whoever they are, would you mind sharing with us some indication of top line performance, how much of a redound have we seen in H1 21? What would be really helpful is some form of organic rebound versus maybe H1 19. Equally interesting would be a quantification of the EBITDA contribution from EQUANS in H1 21 and what you are budgeting in full year 21 to get to your EBIT budget of .35 to .45.

My second question would be on disposals: you are pointing at target proceeds of 2.5 billion for the full year, on a dilution to net earnings in the full year of .1. Taking into account everything you've announced so far, how much of these numbers would that represent? And maybe taking into account, again, everything you've announced, how much the dilution would be in a full-year contribution?

My third question is on Renewables: how much did your farm-down gains contribute in H1, maybe in comparison to H1 last year? And, as a continuation or a follow-up to Rob's questions on the supply chain, have you noticed any or suffered from any physical bottleneck in procuring your capacity? Have you seen any slowdown or delay to your construction program because of that?

And my final question would be on reorganization: you now have finished your consultation process, so you should be totally free to speak up on what you are trying to achieve. What is your next… What are your next kind of goal lines on this organization? You've made progress on closing down a couple… four countries, I guess, are you able to tell us now that you've appointed all your heads of BUs and your BUs are structured from a managerial point of view? So what are your next goal lines? What can you tell us that we should focus on, on the next maybe few months? IT improvements, more cost-cutting, or, you know, what sort of progress are you making there? Thank you very much.

Catherine MacGregor

Yes, thank you very much for your questions, and I will start actually with the last two and then I will have Judith to comment a little bit on the others.

So maybe on the reorganization, obviously very, very pleased with what we have done with the global business units in such a short time. We now have them, you know, fully in charge, and we have been working in parallel on the geographical dimension of our metrics, because… in reality we are establishing metrics, and this is going well. We've done the international and we're working now on the European. So we'll pretty be done with the bulk of the reorganization by 1 January, and we will have the machine in place, if you like, if I may use the term. Now, in terms of what are the next steps to really fully leverage the reorganization and that organization, I think it's really going to be around taking advantage of the strong *métier* focus, and as well as the support functions. So I'm very much looking forward to efficiencies that will derive from support functions that are fully deployed and that take advantage of the size. That's one thing. The second thing is obviously on data, digital, which, you know, when you talk… If you remember, when we presented you the performance plan, there was really these three things: there was the support functions, the digital and IT and operational performance. And really, for me, you know, setting up the organization is key in order to fully, fully get that… those efficiencies out, and a lot of the performance plan will actually come from this organization being fully leveraged. So a bit of a long answer but really think fully charged global business units and, in parallel, fully charged support functions to deliver efficiency, some cost gains and, of course, operational gains as well, from a better utilization of data and digital. So I hope that answers that.

I think you asked a question around… Yes, on physical bottlenecks, what we're seeing a little bit in some of our Renewables projects, you know, is logistics that are being a little bit strained. And here it's really for our teams and they are working out, you know, through every hurdle, every obstacle. So we don't see any really major disruption. You know, sometimes you have maybe experiencing a little bit of delay here and there on construction. But, globally and big picture, you know, we don't see any impact. And that's why we're saying we're on target for our 3 GW in 2021. Because our teams are working well through these obstacles. And so nothing major to report there.

On the farm-down, I think farm-down EBIT in 2021, you know, it's obviously not… It's really not significant at all at this stage, Emmanuel.

And I will now pass it on to maybe Judith to comment a little bit on the dilution question that Emmanuel asked.

Judith Hartmann

Yes, bonjour Emmanuel. So, on the dilution, so indeed it is, when I said, you know, well, around 100 million, it is related to the disposals that we have announced, largely, right? So we've mentioned GTT. We have mentioned some of the country exits. The countries, like we had said earlier, the ones that we're exiting tend to be very small so there's almost no dilution here. And then GRT, as we have mentioned earlier, since it's going to close at the end of the year, there isn't really any dilution to speak of for this year. So that's where… that's why we're staying below the 100 million impact for the year.

So, again, very happy with the progress, 2.5 billion that we're now projecting, and really exactly in line with what we had mentioned that we were going to work on.

And on EQUANS your question was around revenue growth and more broadly, you know, how we think about their financials. This is again really a leader that is being created here, or that is already existing inside the company. The sales growth in H1 is significant. It is 18% for H1 and it's also an increase versus 2019. And then, of course, what we're really projecting here is a margin improvement. You know, we've talked about the performance program of the total company. This is clearly also related to what we're working on at EQUANS, loss-making contracts are being renegotiated, we're working on the cost structure, so quite frankly we are very positive on both growth and the margin improvement. And, again, it is an activity where you have – and that was the case in 2019 already – where you have a seasonality that is basically almost, you know, a quarter in the first half and then three quarters in the second half. So thank you for that question, Emmanuel.

Aarti Singhal

It's Aarti here, just to say we're running out of time and so I would very humbly request analysts if they could just maybe keep to one or two questions in the interest of time. Thank you.

Citi

Hi, thank you for the presentation. Just one question from me: on EQUANS, you mentioned on the call that you expect 350 to 450 million COI this year, and then you expect revenue growth. But what's embedded in that 2023 disposals. I recall there was 600, so how much did you pencil in for EQUANS out of this 600 or has this number changed or we should think differently about it?

Catherine MacGregor

Yes, so maybe just to clarify, when we gave our 2023 numbers, there was the assumption that no EQUANS contribution embedded. So there was no EQUANS contribution to our 2023 numbers, as an assumption. So I have to say the 600 million… I'm not sure I understand, I think what… The 600 million that I recognize is the ones that we are going to obtain from our performance plan on the EBIT number, so I don't know if that's what you mean, but maybe you can clarify what you mean…

Bank of America Securities

Good morning. Two quick ones from me.

So, firstly, are there any potential negative effects that we need to worry about from the current spike in forward gas prices, whether that's in Trading, Thermal or Downstream?

And then secondly, just back to EQUANS, have you given what the perimeter is in terms of EBITDA or COI for 2021 for that business and, if you have, can you remind me what it is, and if you haven't can we sort of get an indication please? Thank you.

Catherine MacGregor

Yes, so, on EQUANS, on EBIT 2021, the indication we gave was that EQUANS will be in the range of the 2019 figure, which we gave, was between 350 and 450 million. So… And that's an EBIT figure, okay? That's on EQUANS.

And then I think there is a question on negative effect from gas prices. Just as a reminder, for our Thermal business, our exposure is really on spark spreads, so, you know, no direct negative impact, you know, on gas price there. And then I think, in general, because maybe I can expand a little bit your question to in general power prices for 2021, remember our hedging ratio as very high for 2021, right? So, in terms of changes to our view from the power price point of view, you know, we have some visibility thanks to this hedging ratio at this stage.

Okay, so I think we are coming to the end of this call. So thank you, thank you very much all for your attention. Again, you know, just as a closing remark, just to remind that we are very pleased with the progress that we are making on the execution of our strategic plan with the simplification, with the performance improvement plan, and of course, you know, enjoying strong financial results, which allows us to review the guidance for 2021. So thank you very much for your attention and looking forward to speaking to you next quarter. And, meanwhile, enjoy your summer. Thank you.