Aarti Singhal

Good morning everyone and thank you for joining this call on the consequences of the Ukrainian crisis on the European gas market. In a moment, I will hand the floor to our CFO Pierre-Francois Riolacci. As this is a short call, please can you email me your questions if you haven't already done so? The email address is in the statement that we issued this morning, and I will read them out on your behalf. And with that, over to you Pierre-Francois.

Pierre-Francois Riolacci

Thank you Aarti and good morning everyone.

I need to start reminding you that as we said in today’s announcement the ENGIE Group of course condemns the invasion of Ukraine and expresses its support for the affected people. And of course, even if we talk about a lot of very important things, we need to keep that in mind.

We have organized this call in response to the number of questions that we received last week. But let me start by saying that the Group is progressing well on its commitments to plan, including the completion of the EQUANS transaction which remains on track.

Let me remind you also that we have a strong balance sheet, high liquidity, which is in the current market quite a strength. Also, let me remind you, as we speak, Gazprom is fully delivering on its commitments and the gas is flowing. But clearly a shortfall arising from Russian gas supplies being stopped would severely impact the gas market in Europe, for example, in case the EU was to decide to extend sanctions. I want to manage expectations, I’m not going to answer all the questions that you may have on this crisis which is unfolding day after day, but we will try to share in a transparent way some key facts which are very important. And especially we try to provide you with our best view of the price and volume effects in the extreme scenario that there is a disruption to the supply.

The first, the key point, is to understand how the market works. I mean, we buy our gas at market prices, variable price and that’s the bulk that’s the vast majority of the gas if not all. And then we sell the gas again on a variable price or fixed price, but if it is fixed price at the inception, we are actually hedging in the market, so that we eliminate, neutralized, the price risk. That’s why most of the gas, which is bought and sold at market price and unhedged volumes under fixed price contracts are quite insignificant. Another reason why ENGIE’s economic exposure to price increase is by design limited and actually mainly due to short term delivery in relation to the price mechanism.
As you know, most of the purchase contract they do include a provision that actually sets the price one month or quarter ahead of the delivery and thus create a short-term exposure. For Gazprom its one month ahead. And that relates to the 15 TWh that we have in the statement. So that's the first point to understand is that the market by design is not exposing us to a significant price risk. The second point is that in an extreme scenario of no Russian gas supply based on European and national regulations, authorities would step in to allocate scarcity between customers through curtailment on the predetermined merit order and therefore the normal market mechanisms, which are based on price, would not apply anymore.

The third point is that such measures and events would actually supersede, contractual arrangements or constitute force major events. These actions could come along with initiatives to stabilize the market in terms of pricing, for example price ceiling. Now, we're going to move to questions, but I would like to remind you that ENGIE benefits from a diverse and integrated portfolio that does contribute to a balanced energy mix which is key to supporting security of supply, affordability and overall system resilience. We remain very focused on driving strong growth in renewable energy and the transition to renewable gases.

Thank you very much for listening. Making yourself available on short notice and now Aarti, we can take questions.

**Q&A**

**Aarti Singhal**

Okay Pierre-Francois, thank you, we're just receiving some questions. The first one being what is the financial impact for ENGIE if there is no more Russian gas imported.

**Pierre-Francois Riolacci**

As I told you, I mean, in terms of price we have these hedging structure through the gas that we buy and the gas that we sell and therefore, our exposure would be limited on the price part. We estimate a short-term exposure due to this, mainly due to this one month ahead provision that we have in the contract with Gazprom about 15 TWh, and this is again short-term.

So, even if we actually supply 121 TWh from Gazprom under long-term contracts, that was the number for last year, no reason that it is very different this year, we do have a limited exposure to the price. Now, of course, if we move to another world, there would be scarcity and quantities, authorities would have to step in and that there are regulations on that and there would be allocation, not through suppliers, but through customers, so the authorities will define which customer has to stay away from the market and there would be allocation of the scarcity based on that criteria.

**Aarti Singhal**

Okay, so we have another question coming through, which is, can you explain what are the mechanisms in place for shocks in supply at the moment?

**Pierre-Francois Riolacci**

I think the basic scheme, which is in place at the moment is that the authorities by decree would actually decide which customers would have to stay away and there will be a merit order which can depend from one country to the other, and also there will be some flexibility.

So, you know that we've seen that in the past for short-term period and in short-term period usually the customers that would be, would have to stay away from the market would be the large industrial side, which have usually committed also to actually step away in case they were requested. So, it is something which is already
structured, that is for short-term situation, for longer-term situation, of course, that does trigger other choices which will be made again by the authorities. It could be that it’s not based on the national decision, it can be moved to a local decision depending on the situation in each and every region or marketplace. And then you will have those big ticket to the large industrial customers, the CCGT, the household, of course that also part of it and it’s not easy to actually cut, stop, providing the gas to household, because then it’s very difficult to start it again. So there is some stickiness on the household side, but the decision again will be made by authorities and based on decrees or any regulation. The law is already there, but there would be, of course, implementation decrees.

Aarti Singhal

Thank you, Pierre-Francois. The next question is realistically how long would it take to diversify away from Russian gas?

Pierre-Francois Riolacci

Yeah, that's a bigger question. And I think that you've heard already that it is significant, the Russian gas is 40% of the supply in Europe. So that's a big number it's clear that in the very short-term there is a limited impact because we are now moving to the summer season, the issue would be more in next winter. It's not easy to move away from gas in such a short time frame, it will probably take two to three years to actually ease the pressure developing new import sources, but also the developing biomethane which can be a good contribution to that one.

It's clear that in the short-term it would require some strong demand management and of course authorities would have to lead the way.

Aarti Singhal

Thank you, and we have some questions related to Gazprom. What is the proportion of long-term take or pay contracts that ENGIE has with Gazprom?

Pierre-Francois Riolacci

As we discussed, I mean, we last year we had 121 TWH of gas that we're bought from Gazprom. So that's the kind of volume you need to have in mind. Of course, we could buy on top of that but that's another story and clearly that's a different part and it's clear that these volumes are covered for vast majority through take or pay provisions, but of course, these take or pay provisions would go away if there was a EU sanction.

Aarti Singhal

And another question I think you partly addressed before but do you have flexibility in your contracts with other suppliers to increase volumes?

Pierre-Francois Riolacci

We do have a bit of flexibility, but this is very limited. And as you can imagine about the last few weeks we have even accelerated further our diversification that comes with indeed negotiating extra volumes with some of the providers that is being done and also securing new slots of LNG, but you know that now in Europe, we are getting close to the point where it is difficult to add new ships.

So we've done that, which is to extend to a maximum our diversification, but again not commensurate to what the volumes delivered by Gazprom.
Aarti Singhal
Okay. We have a question which is on the EBITDA of the supply activities and just to quickly take that for last year that was 375 million [Correction 445 million]. Okay.

So the next question is, if there's a situation where there's a certain shortfall of deliveries let's say 25% and not a total stop with government intervention, would ENGIE have to replace and buy on the market? And the second one is what is the risk of clawbacks in Belgium and France and further power price regulation for customers.

Pierre-Francois Riolacci
I think that if there is no scarcity…so if there is a partial limitation, I'm not sure what scenario could trigger that to be very candid…it could be more Gazprom not delivering part of it or something like that, it's hard to imagine that the EU sanctions would be a partial sanction, but I don't know, if there was that kind of scenario which we struggle, again, to build… remember that there is a natural hedge between what we sell and what we buy. So if there is still gas in the market, we will go and chase the gas, and then that would go to the customer, of course, with the different mechanisms that are applicable and those who have hedged, for example, the hedge would still work, so, that would still a function.

And on EBITDA, there is always a question on EBITDA, bear in mind that our job is not to, again, I need to highlight that it's not to buy gas and sell at a different price and the take a bet on the variation of price. I mean, our job is to deliver gas and make a margin for that service. So, we are not overexposed on that part.

Aarti Singhal
Okay. The next question is, you mentioned sanctions from EU. But what is the risk of Gazprom cutting gas deliveries?

Pierre-Francois Riolacci
It can of course always happen and that could be a decision that could come as kind of retorsion against the other sanctions. It would not change significantly the picture, you would have the same kind of stepping by the authorities to manage scarcity and we would also benefit from the force majeure and we would have a claim against Gazprom. To be very candid it does not make a huge difference if it is a decision from the Russian to stop the gas or if it is a EU sanction.

Aarti Singhal
Okay. So, we have next question is on, how much volume are we taking this year if only the elapsing contract would not be renewed with Russia for ENGIE?

Pierre-Francois Riolacci
Our contract structure is pretty stable, so there is no real change in volumes up to 2025. Then it start decreasing and the volumes are basically insignificant from 2030. In the next two three years ago, volumes are similar.

Aarti Singhal
Thank you. Bear with me one moment there is quite a few questions coming through. What's the impact if the French government limits the price passed through?
Pierre-Francois Riolacci
I think that, there might be, if there is scarcity, there would be a need to at some point find a way through determine the price, because the market would not be efficient anymore if there is physical imbalance between supply and demand. It's clear that the price cannot be determined by the market.

Could that be that there is a kind of a price ceiling? Yes, it could be. I think that the price ceiling would have to cope with two key principles that we are very used to. One is affordability, the other one is security of supply. Affordability means that the price should not be too high. And you remember that the price of gas is important. But it's also even more important because it is driving to a large extent the price of power. So clearly there would be a need to have a price cap. But that price cap needs to be high enough to make sure that there is good financing for Europe to buy the exact quantities in the market for LNG. So I think it's very important that this price is strong enough first to drive the right behaviour in terms of demand, but also to support operators buying the quantities abroad. With that in mind, and given again that we have this kind of balance in our sourcing and setting, this is something that depending of course on the regulation, and there are so many unknown we need to be very careful, but in principle, it's not something that would be detrimental to ENGIE.

Aarti Singhal
Okay. And the next question is on the dividend under the current situation, if things deteriorate is there a risk on ENGIE's dividend that was already announced for 2022.

Pierre-Francois Riolacci
In the current situation clearly, we have no reason to change our statement whether it is about dividends, whether it is about guidance, I mean in the current environment today there is no worry about that. Now, you cannot ask me to consider whatever happened in Russia, in Ukraine, and Europe, there would be no change. I mean, today you have a war, which is raging only a few hundreds of kilometres from the EU. This is something, of course, that we need to pay attention to, but if things stay into a reasonable framework, I think we are confident today with our guidance and dividend. Of course, you cannot know what will happen next week.

Aarti Singhal
Okay. Thank you. And there was actually a follow-up question, which was on the risk of clawbacks, which we didn't address before, in Belgium and France and for the price regulations for consumers?

Pierre-Francois Riolacci
Yeah. I mean, this is a different point, I mean, you remember that we had that discussion already on the back of the call of the release. It would not be advisable for ENGIE anyway to post massive profits at the time when there is a war and households are struggling to pay their bills whether they are gas and power.

And as a utility, again, this is something that we are very familiar with. So, that might be at some point if we were in that kind of situation we are not, but if we were in that type of situation where there would be an imbalance between the people and operators making huge profit, there is a possibility that there would be a kind of clawback. In Belgium we know that we have a law that the law is pretty stable that's what it is. And we just discussed that it could be a price gap or if there is a shortfall...there are too many unknowns today, again, we are not aware of anything of that kind, but clearly the situation is pretty fluid and unfolding quite quickly. But again, we believe that there is a good balance to find between affordability and security of supply and we are confident that with proactive dialogue with authorities we can reach common goals.
Aarti Singhal
Okay. Thank you. And the next question is about scenario of supply curtailment in France.

The volumes of gas flowing into your distribution and transmission network would be lower. Do you feel that the current regulatory framework would protect you against the loss of revenue, EBITDA, in your regulated pipeline business?

Pierre-Francois Riolacci
Well, the regulation does address the volume part, so there is a good cover in the existing regulation and lower volumes would trigger figure some adjustments. Now, of course, it's a constant regulation if you come into something, which is completely different you never know but clearly, we are well covered in our current agreements.

Aarti Singhal
Another question is when we talked about the price pass-through, you mentioned no impact on EBITDA, what about impacts on cash flow.

Pierre-Francois Riolacci
I think that's a good one. You know, that there is a tariff shield that has been decided by the government and we clawback the money through the future billings of the customers and it's clear that with what we see today, there is an increasing chance that the gas price will not drop soon. And therefore, the advanced cash that we have to carry on behalf of the government to support households is increasing. You know that we have a guarantee from the government. It's a guarantee which is carved in stone. And if the amounts were going to move further and there was no visibility and how to reclaim this announce there would be a need for a discussion to see how we can actually clawback that money. And again, we are not... there would probably be a discussion, but we will protect ENGIE’s right. But also very conscious that the situation is extremely difficult. So today, it's part of our job to help carrying the cash.

Aarti Singhal
Thank you. And we're jumping around here on topics. The next one is on CCGT power plants. And what about the profitability for these in the current market environment?

Pierre-Francois Riolacci
Well, for the time being, it's clear that, we still have the correlation between gas and power, so the CCGTs are profitable as you can imagine in the current environment. And you know that it is a very important source of flexibility, so it is in the best interests of all parties to make sure that the CCGT can play their role and balance the power market.

Aarti Singhal
Okay, and with regard to the Nord Stream project you have any update there? Nord Stream 2?
Pierre-François Riolacci

You need to check every day your email box, but as far as we know, there has been no formal announcement, but we've been pretty open that the situation is quite concerning and it is our expectation that we'll provision this amount soon, and of course, we are expecting any time from now the trigger which is that the company will file for insolvency or any kind of action of that same purpose.

Aarti Singhal

Okay. The next question is on the hedges and the duration. How long are your hedges in place for trying to ascertain when might the exposure to wholesale gas in future might be higher than it is now?

Pierre-François Riolacci

No, I think our hedge portfolio is matching exactly our commitments to our customers. There is a natural fit between the two. It is ongoing of course. The maturity is usually not very long for B2C, it would be typically one to three years or B2B can be a bit longer than that up to five years. Again, we work with very strong counterparties, our hedging is robust. Either it goes through the clearing houses or if it goes to ETC is with first class signatures and with limits which are tracked day in day out so, we are comfortable that our hedging portfolio is supporting our customer portfolio.

Aarti Singhal

Okay. We have six minutes we'll try and squeeze in a few more questions. Would you consider adding LNG regasification capacity in France?

Pierre-François Riolacci

It's too early to say, but that could be part indeed of the plan. You know that there is a resilience plan which is being defined and with the lead of the authorities of course, and we are part of this thinking and as we speak, we are working very hard with all the ecosystems, so the authorities but also other players to see what are the best actions and definitely building more capacities on regasification is on the agenda.

Aarti Singhal

Okay. And we also had a question on the gas from Gazprom comes through which pipelines and the answer there is the flows to France they transit in practice through Ukraine, through Poland, as well as through Nord Stream 1.

Bear with me one moment, I will see if we have any other final questions.

Can you clarify the first statement about how the month adjustments in your long-term contract, Gazprom contracts, work e.g. if month if month ahead price moves 25%, what proportion of price adjusts or is this adjustment only minor?

Pierre-François Riolacci

Yeah. Okay. Thanks for asking the question because that's an important one and maybe not that easy to understand. What it means is that the price on the delivery date is actually fixed 30 days ahead.

So on the 15 of February, we are locking the price of the delivery that will happen on the 15 of March. So in a normal time frame, in a normal business, what you do is that you will be hedging also, one month ahead. And that's what we have consistently been doing. And, then, that's a risk that we are referring to, the residual risk is
that one, That if for some reason Gazprom, but it would be true with any other provider, but if Gazprom was to stop supplying suddenly, then, we have this hedge in the market and that we would need to buy-back. And that's the risk that we are referring to. And so the risk is between the day you learn that the delivery will not come and the day of the delivery.

It can be significant in a time the market is of course very volatile.

**Aarti Singhal**

And I think you have addressed this before, but it's come back. What is the maturity of the gas contracts with Gazprom?

**Pierre-Francois Riolacci**

I tried to cover that already, but we have pretty stable volumes with Gazprom up to 2025. Then it starts decreasing up to 2030. And 2030 it starts to be a much smaller amount. You can say that the bulk of total volumes with Gazprom are not contracted beyond 2030.

And with that, if there is... there might be questions forever, but we are getting close to the end of this slot. Again, not big news, but just trying to give you some clarification, I hope it helps. And if I have not been fully clear, I'm sure that Aarti and the team will be happy to follow up with you guys.

Thank you very much for making yourself available in these very demanding times.

Thank you and be safe.

**Aarti Singhal**

Thank you