



FINANCIAL INFORMATION AS OF MARCH 31, 2018

May 15, 2018

Isabelle Kocher

Good morning, and thank you for being with us today. I am very pleased to welcome you, with Judith Hartmann, our CFO, to present our results for the first three months of 18. These results are sound, in line with what we announced earlier this year.

I will start with an overview of the salient numbers and an update on our main operational developments, and then Judith will comment our financial performance.

This has been another strong quarter. Q1 results are in line with our expectations. We are rapidly growing organically. Our net debt continues to drop. And we therefore confirm our 18 guidance.

Our Q1 numbers are in line with what we shared with you last March. EBITDA is up 3% despite a significant negative forex impact. This is due to the strong organic performance of our activities, that are up 6%.

CFFO is in line with our expectations, with a less favourable working capital requirement evolutions, but a strong operating cash flow generation.

Net debt continues to be reduced. Here again by more than €3 billion in Q1, mainly as a result of disposals.

This solid financial structure enables us to further invest for profitable growth with development capex increasing by €800 million compared to last year.

A quick zoom now on the business trends of our activities.

Three out of four activities are now growing, with the fourth one only temporarily decreasing. The repositioning of our portfolio continues to translate positively. Our financial performance is also helped by our merchant gas midstream business.

Networks show a year-on-year decrease, but only due to a timing effect, as Judith will later explain. For the year, we expect this business to be up.

On Client Solutions, this activity will grow faster over the next three quarters than the reported 2% at the end of Q1, on the back, in particular, of an improved performance for B2C and continued growth from B2B and B2T activities, that are extremely dynamic.

As regards operational developments, our activities have shown strong momentum and we have further reinforced our leadership positions over Q1.

In Renewables, we target to install 1.3 GW of capacity this year. We are in good shape on this, thanks to a healthy pipeline following recent successful actions and the acquisition of a wind developer in the US.

And I'd like to highlight the fact that we have not adapted our investment criteria for renewable projects, regardless of the strong competition that we observe in some geographies. In other words, where we win

projects, it means that the conditions and rates offered allow us to meet our investment criteria and therefore return on investment above WACC + 2%.

This requires, of course, an optimisation of each of the levers of the value chain of the technologies. In this regard, the particularity of Engie compared to certain competitors is to have, for solar, an internalised EPC capacity since the acquisition of Solairedirect. And, for wind, a certain know-how as to managing projects in an EPCM format.

On top of that, our diversified geographical footprint is clearly a key competitive advantage.

In Networks, we have reached a new milestone with the regulation of our storage business. We now have more than €27 billion of regulated asset base in France, becoming one of the biggest regulated networks operator in Europe.

In Client Solutions, we are keeping a brisk tempo.

In B2C, we have now 24 million customer contracts around the world, driven by both new services and energy sales contracts signed. On the latter, we are number-one in France in market offers, with 7 million contracts. In Q1, we have continued gaining market share in Power, strongly, while defending our strong position in Gas.

In B2B, we seized a lot of opportunities, materialising into increased order intakes. Indeed, the installation and engineering backlog is up 8% at the end of Q1.

And, finally, in B2T, we continue to further develop our worldwide infrastructure and decentralised energy solutions platform, with key wins and acquisitions in Q1.

And I will now let Judith comment in details our Q1 financial performance.

Judith Hartmann

Thank you, Isabelle. We are indeed happy with the Q1 results.

Let's look at the year-on-year evolution of EBITDA. The important message here: organic growth of EBITDA is at 6%, thus fully in line with the full-year trajectory indicated in March.

On FX, the negative impact of €100 million is mainly coming from the depreciation of the US dollar and the Brazilian real.

On scope, the impact from scope-out is limited – €30 million – mainly coming from the disposals of UK and Australia thermal assets. Over the next quarters, you should expect a higher impact from disposals, which is mainly driven by the seasonality, notably from Loy Yang B.

The scope-in impact is mainly coming from the contribution of last year's transactions, mainly the two hydro concessions won in Brazil and, to a smaller extent, from Tabreed and Keepmoat in Client Solutions.

Let me remind you that Q1 2017 EBITDA reported here excludes EPI and LNG upstream and midstream activities as per IFRS treatment for discontinued operation.

On the next page, let me give you more colour on the quarterly performance of our main activities. Client Solutions' contribution increased year-on-year thanks to a very good performance of the B2B, B2T service activities. In B2C, we benefitted from a positive temperature effect and a positive volume effect in power, as we continued to gain market share.

This was offset by positive one-offs recorded in 2017, leading to a negative year-on-year comparison, and some margin pressure in gas. We are mainly impacted by the rising cost of energy saving certificates. This will have a temporary effect on margins as these costs will be eventually passed through to final customers, either following the next tariff review for regulated clients or at contract renewal for market offers.

In Electricity, margins suffered from a similar cost increase in energy saving certificates, but here are offset by the growth in the number of customer contracts that I already mentioned.

By year-end, we expect Client Solutions to grow faster, on the back of improved retail performance, the ramp-up of Lean 2018 contributing to margin expansion, and continuous positive business dynamics in Services.

Networks show a slight organic decrease. The new favourable storage regulation will have a positive impact from April 1 onwards. We expect to book the full-year contribution, including the Q1 retroactive impact from this new regulation, over the next three quarters.

The unfavourable 2017 tariff revisions for Transport and LNG terminals in France, and gas distribution in Romania, will only impact the Q1 comparison to last year, as both took place on April 1 last year.

Adjusted for these timing factors, Q1 performance on Networks would have been slightly positive year-on-year.

In Generation, on renewable and thermal contracted activities, we benefitted from a very strong quarter in renewables in France, with favourable hydrology conditions, a 39% increase in our hydro production in France, and good wind resources.

On Merchant activities, we benefitted from a very good performance of our midstream gas activity, resulting from active portfolio management, and favourable market conditions in Europe. This positive impact more than compensates the lower gas spreads captured by our European gas-fired fleet. Of course, you remember Q1 2017 was a very strong quarter on the back of EDF nuclear outages and pressure on renewables. This quarter, we were also impacted by lower achieved prices and outages in our nuclear activities.

Lean 2018 contributed across the board with a 70 million positive impact in Q1.

As mentioned by Isabelle, our balance sheet and financial structure show continued strength. The CFFO is down €900 million year-on-year mainly due to the negative working capital evolution of €1.1 billion. This negative evolution is mainly coming from three drivers, namely the impact of temperature, some timing effects on operational working capital, and the impact of margin calls related to the evolution of commodity prices. I remind that 2017 benefitted from a very positive change in working capital requirements of 1.3 billion. Yet the operating cash generation remains strong, at €2.9 billion, up €100 million versus Q1 last year.

Hence, as you can see on the next page, we have significantly reduced our financial net debt during the quarter, leading a historically low level of €19.4 billion. This is resulting mainly from the sound operating cash generation and from the portfolio rotation programme. Indeed, we have booked a €2.6 billion net debt reduction, coming mainly from the closing of three transaction, namely Loy Yang B, EGAZ-DEGAZ in January, and E&P mid-February.

Just keep in mind that the positive impact of 1 billion coming from the recent hybrid issuance will only be temporary, as this issuance is meant to refinance by anticipation hybrids maturing in the coming months.

The cost of debt continues to decrease and stands at 2.53%. Financial net debt to EBITDA stands at 2.1 at the end of Q1 2018, improving significantly versus December 2017 and remaining well below the 2.5x target. Economic debt to EBITDA stands at 3.6 at the end of Q1 2018, also improving significantly.

S&P has recently reaffirmed our A category rating, revising the outlook from negative to stable. With that, I am handing back to Isabelle.

Isabelle Kocher

Thank you, Judith. Well, our Q1 figures are very good and we confirm our full-year guidance. We changed the course of the company two years ago and it's now paying off. And we are now happy to take your questions.

Q&A

Credit Suisse

Yes, good morning everyone. Two very simple questions, please.

The first one is on the organic growth you are giving us for the quarter, at Group level and at divisional level: could you split the various components, and maybe the simplest way to do it is price, volumes and temperature, or however you can help us measure. Effectively what I'm trying to get to is the pricing power that you may be regaining versus the last few years.

And my second question is on Client Solutions: Judith, you just said you expect Client Solutions earnings to improve based on an improved performance in the next three quarters. Could you develop a bit and help us understand what you call the improved performance?

Thank you very much.

Judith Hartmann

Yes, absolutely. Let me start with the second question first. So Client Solutions, as you saw, had a 2% increase in Q1. We expect this to be much higher for the total year and, really, the big driver of this non-linearity (if I may call it that way) is the pressure in Q1 on B2C. As you can see on the page, we were at -12%. This was mostly driven by the French B2C business, which was at -10%, which is going to be positive. We'll have positive organic growth for the total year. So really there were some specific items in that business that are going to level out over the course of the years, and in fact are going to make this a positive organic increase. I mentioned most of it: there were some unusuals in Q1. There were also some unusuals, by the way, in the rest of the quarters in 2017 that are going to make for a good comparison. And then the impact was mainly also due to pressure on gas, like I said, of costs increasing, and that's going to level out through time. And, by the way, part of that is of course offset in some of our other businesses... B2B when it comes to the CEE, the energy saving certificates, and some of it also in Generation, when it comes to capacity payments that are increasing the cost for B2C but are a positive on the Generation business.

Now, on your question on the main drivers splitting EBITDA changes into scope, price, volumes, Lean and so on, change and... So, you know, FX and Scope was laid out. It's about 100 million. That is mostly due to foreign exchange; I mentioned it, it's US dollar and real. Scope: almost no impact on Q1, it will be higher for the rest of the year for the reasons I mentioned. Price is about 100 million and most of it I've just mentioned: it's the B2C effect. There is, of course, some impact on Generation. Those would be the main ones I would mention here. And then volumes: a positive 150 with temperature being positive, 60 million, Renewables positive, Generation positive, and the rest is really the Lean contribution that I mentioned, which is close to 100 million.

Bank of America

Yes, good morning. Two questions from me.

Firstly, you've been reported to have been selected as preferred bidder for the TAG pipeline network being sold by Petrobras. I was wondering if you could tell us a little bit about that asset, why it might be a good fit for you and what growth opportunities it would bring.

And then a second question was on the competitive environment in the French energy retail market. I was just wondering what sort of shifts you're seeing there. I mean, we've seen Total recently acquire Direct Energie. I guess it looks like both the regulated gas and electricity tariffs are going to be sort of phased out over the next, well... At some point in the future. So I was just interested in your views on the competitive dynamics in the French market.

Isabelle Kocher

Yes, first of all about Brazil, we already mentioned that we are seeking to diversify our activities in Brazil, that are, as you know, mainly hydro. We started, in fact, already, developing transmission lines, particular. We spoke about that in the last quarters. We also are starting developing an Energy Services activity. And the gas network in Brazil will play an important role in the energy strategy of that country. You know that we have very strong know-how in that domain. We are one of the most experienced gas transmission player in the world. Those are effectively the reasons why we said our interest for TAG. Apparently we presented the best offer at the bidding phase and then we are currently negotiating the terms and conditions of a potential transaction. It's not yet an exclusivity phase. It is a long process. That's not the end. And we'll have the opportunity to update you over the months to come.

Regarding B2C, so you mentioned the move from Total on this market. It's not easy to say if it will reinforce the competition. Direct Energie, the company Total bought, was in fact already very aggressive. Well, anyway, we will continue to develop and to... to develop our competitive advantage in that market, that is to say, first of all, quality of services, and we continuously increase the level of our client satisfaction on this domain. Quality of energy, as you know, probably, we are now proposing only 100% renewable power on this market. And, finally, and that's maybe the most differentiating point, the ability to accompany our services... our clients with services. We have, for example, 1.5 million contracts now to maintain boilers at home, and we recently extended the range of services, developing for example rooftop installation offers and maintenance offers. That's only one example. So I really believe that, in that domain, we have an ability to make a difference. The very strong dynamic we have on this B2C power market in France. Because in particular, we gained 16%... a number of contracts in this field over Q1... shows that effectively we can play a very significant role.

Citi

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

The first one is that you are the main shareholder of Suez, which raises two questions: who will represent Engie on the Suez board? Will Mr Mestrallet remain your representative or will you appoint someone new? And what is the strategy that you want to employ to deal with this troubled asset? Will you let Suez work on its own problems or do you want to take a more active role?

The second question has to do with your comments on the midstream business. Your press release and your comments spoke about an improvement in margins. Are we talking about something structural or something seasonal?

And my last question has to do with Belgium. The Belgian State has recently confirmed that it is planning to shut down all nuclear assets by 2025 but, if you look at the energy mix in Belgium, it's very hard to see how it would work without nuclear. So what is the replacement plan? Are you in talks with the Belgian government to build replacement gas plants, or renewable assets, or giant batteries? What is the game plan in Belgium? Is there a reinvestment opportunity? Thank you very much.

Isabelle Kocher

So, on Suez, first, and then I will let Judith answer the midstream question.

So, on Suez, no change expected in the governance. And, of course we have an active role. We are... As you said, we are the main shareholder. Our main objective is that Suez is back to growth and a value-creative situation. You've seen that Suez management announced a strong action plan. So we fully support this action plan and we closely follow the results. Judith, on midstream?

Judith Hartmann

On midstream, indeed, a very good quarter. I would mention a few topics here: one is we had pressure last year, in 2017. You might remember that the south zone in France was missing gas and that we had to deliver gas at some cost. That was actually a 40 million impact of a positive comparison to 2017. And then, very positively, I would like to mention really the teams have been able to take advantage, this year, of some of the cold spikes

in Q1, with about a 50 million impact of really optimisation around flexibility of contracts when it comes to gas. That's the two things I would mention.

Isabelle Kocher

Well and, as far as Belgium is concerned, nothing really new in fact: just the fact that, every day, it is even more challenging to replace, in due time, the nuclear fleet, that is expected to be shut down between 2022 and 2025. You have maybe seen that a monitoring committee has been set in place by the Belgian government and the role of this monitoring committee is to check and to report, yearly, on the fact that this nuclear shutdown to come is compatible with the objective of the so-called *Pacte Énergétique*. You have maybe seen the objectives of this *Pacte Énergétique*, which are based on four pillars: security of supply, safety, affordability (and, of course, you all know that a nuclear fleet is extremely competitive) and CO2 emissions. I would say, anyway, Electrabel has a big role to play in that country. Electrabel is the main supplier of power in Belgium. It is the main player in the energy sector. So what we are very simply doing is to prepare Electrabel to be even more competitive, month after month, in order to play that role, either by the prolongment of part of the nuclear fleet or by the construction, through the construction, of a new portfolio of capacities. And I believe that we really made progress in the quality of services we have in this country, in the development of B2B services, B2B solutions, EV solutions now, and the fact that we stabilised our B2C activity, B2C portfolio, plus renewable development. So, in Belgium, what we are doing is that we extended, relatively significantly, our scope of offers in order to be that key player whatever the scenario, the energetic scenario, is for the future.

J.P. Morgan

Good morning, everyone.

First, very quickly, on the gas storage, there were low volume and there should be a retroactive clawback in the transmission tariffs as per the new regulation. How much would this be, according to your estimate based on Q1?

Second one, on the working capital, you have been saying that the energy saving certificates should be clawback at some stage, so would it be by the year end? And, in your estimates, how much would this represent?

And I would also ask a question regarding Brazil: we saw the recent auctions on renewables and some of your competitors are being extremely aggressive regarding wind, among other things with prices bids of around \$20 per MWh. That does not seem anywhere economic... We were pleased to see you did not that bid at these prices but could you give us a bit of colour on your investment criteria and how did you play in this environment?

Judith Hartmann

So let me first start with your question on gas storage. The total year catch-up to be booked over the next three quarters is around €120 million. So quite significant. And, of course, in line with our expectation for when we gave the guidance. It was... You know, it goes into effect on 1 April 2018 but it is effective of 1 January. So that's why you're going to have the retroactive catch-up for the total year that you will see coming through, in line with what we had assumed in the guidance.

On your question on the certificates, there is two things that I would mention. One is... Like I said, there is a partial offset in the B2B business, that is relatively immediate (let's put it that way), but the bigger part is going to be translating into gas prices over a period of time, and, like I said, partially through the regulated tariffs that are going to be updated and partially through the market offers that will align over time. So some of this you can assume it's going to actually take, you know, 12 to 18 months.

And then, on your third question, on renewable auctions in Brazil, like Isabelle mentioned, we are looking at renewables like we look at any other project, which means that we only accept them if there is the right value creation, and indeed we had some wins in Brazil when it comes to wind over the last 12-18 months, and those are good projects for us. Campo Largo, if you remember, is one of them. But there is a number of projects that are very positive and we're quite positive about the Brazilian market from our viewpoint.

Morgan Stanley

Hello, good morning everyone. Thank you for taking my questions. I have three.

One, going back to Brazil, the gas transmission pipeline is quite a sizeable investment. So my question is when... if you have, in your mind, an idea or a target of maximum exposure to the Brazilian real.

My second question is looking into long-term: you are very close to completing your transformation plan; when should we expect for you to tell us what is the plan beyond 2018, so when should we get longer-term guidance?

And, finally, when you announced the sale of your LNG business to Total, there was a 550 million potential increase in price in case oil-markets recover. My question is if we are already at that point to consider that this 550 million are very likely to be cashed in. Thank you very much.

Isabelle Kocher

Thank you for your question. So, on Brazil, first, and then Judith will take the two other questions you asked.

On Brazil, again, what we are trying to do is to diversify our portfolio in order to balance the type of exposure we have in this country. We intend to go... I suppose it's what you expect: we intend to go for this TAG acquisition, if we gain that competition, with partners. As we do in a very high number of cases. So you have to take that into account in your... In the way you see our future exposure in Brazil.

Our transformation plan and what we expect for beyond 2018... So, as I already said, we will organise, before the end of the year (it will be during Q4) an investor day and it will be the opportunity for us to give you more guidance and more details on the way we see our company. And we will disclose the date for that investor relations meeting over the months to come. A little too early today.

Judith, on LNG?

Judith Hartmann

On LNG, indeed, there is of course positive news to come on the earn-out that we're hoping to get. We have... All I can say at this stage is we've started to monetise this option and there will be a partial impact already in 2018.

Société Générale

Good morning, everyone.

I would start by a clarification on your press release, on the bottom of page 2 please, to make sure I'm not confused: you mentioned on note number 1 about the accounting of your LNG midstream activity, saying that it is classified as discontinued as from March 2019. I wanted to know therefore if there was anything for the LNG business for at least part of Q1 18 and, if so, how much.

My second question would... I'd like to come back to your full-year 17 slides, especially slide 36, where you give us a very informative bridge for the guidance at the EBITDA level for 2018. And, in particular, you were expecting, for the middle of your range, an improvement in EBITDA for the Networks business of about 150 million. In the context of your slight decline in Q1, are you still comfortable with that budget for the full year?

And a similar question for Client Solutions, which is supposed to bring the biggest increase in EBITDA, at around 300 million for the full year: you reported only a slight increase in Q1. Again, are you comfortable with that kind of 300 million increase for the full year?

And, to finish on this topic, on the contrary, you were only hoping for about a 50 million increase for Merchant and Other. The market conditions seem to be helping you. As you've already achieved much more than that in Q1, is that a factor that could help you aim to top off your guidance for the full year?

And, finally, coming back to Belgium, we've had news about some outages at some of your plants. All in all, could you give us your best budget for nuclear production for Belgium for this year and, if you're not able to give

us a hard number, are you still comfortable with your assumptions as projected in your budget for nuclear in Belgium? Thank you.

Judith Hartmann

Yes, so, a lot of great questions.

Let me start with your questions on the EBITDA, you know, the different drivers of businesses, and how it's going to look like for the end of the year. So you can see from the pages that Isabelle and I presented, Client Solutions indeed an increase of 2% in Q1. We expect a much higher increase for a total-year number. And, yes, we do feel confident around that. You can assume a double-digit increase for the total year number and most of it, I explained earlier, when Vincent was asking the question, it's a B2C timing. You're going to see continued positive dynamics in B2B and B2T, and some of the cost I mentioned in the B2C, like I said, is going to wash out over time. So that's Client Solutions.

When it comes to Networks, a negative 3% in Q1, which assumes a big increase if we want to be at an increase as projected for the end of the year, and that is mainly driven by... And, yes, same thing, confident, mainly driven by what I mentioned earlier: it is the catch-up on the total-year number of storage, which doesn't show in the first quarter. Adjusted for that, Q1 would have been flat on Networks. And so you can assume a... you know, single-digit growth in Networks for total year.

When it comes to Generation and Renewable Thermal Contracted, it was 12% in Q1. Now this is more positive than what we were expecting from the total year. The total year is in line... what we thought was going to happen... you know, we had in the... in 2017, in the latter part of the year, some positives around LDs, around BD costs, around some litigation, and so it is going to be a positive increase at the end of the year but nothing like the 12%. It's, you know, single-digit, in the low single-digits.

And then Generation Merchant we obviously had the very good Q1 – I mentioned the main reasons – 37% up. This is going to reduce over the course of the year, mostly driven by nuclear volumes and nuclear price – both of them already in our guidance. So, you know, you can expect a lower growth rate for the total year. But high single digit, I guess, would be what I would say to that.

So, you know, I want to... Obviously, one of the underlying questions behind this is how do you feel about the total year. We feel good. We are confirming our guidance here. There is some changes in between the lines but, fundamentally, you know, the dynamics are like we expected them so that's good news.

Your question on Belgium is of course part of the answer of what I just said. We do have... The biggest thing that is impacting at this year – but, like I said, was already in the guidance – is Doel 3, which... With an outage that is supposed to go until August. You will remember that we had some outages last year, also, on a number of things (Doel 3, Tihange 1). And so, quite frankly, the way it's expected right now, there isn't that much difference between the two years. Maybe pressure of, you know, maybe 15, 20 million on the year-on-year comparison, but, like I said, that is already baked into our guidance and we feel relatively confident for the rest of the year, on the dates that we have assumed.

So, now, when it comes to your first question, on LNG, yes, because it's a major business line, it is now treated in IFRS 5, and so we have restated the numbers. Those numbers are public (also for 2017). It is now shown as discontinued activities for both the quarters 2017 and 18, which means that LNG does not contribute to our operational KPIs and EBITDA and COI, and there was a proforma that was put out there that you should be able to access. You know, the year-on-year comparison of this, which was part of your question, is similar. It was a slightly... It would have been slightly more negative, I guess, last year, but, like I said, it is now excluded because of the IFRS 5 treatment in line with, obviously, IFRS accounting.

J.P. Morgan

Just a quick follow-up on this one because we received a couple of questions from clients on that, regarding the guidance. My understanding there is that IFRS 5 you deconsolidate, so good. If you feed into the net income,

but your guidance is on the net income excluding these activities, so you shoulder your treatment for your full year guidance. So that would be one additional clarification.

And, second, a question regarding Nord Stream 2, there has been a fair amount of noise there. Could you give us a bit of colour on what is at stake, financially speaking, for you, if Nord Stream 2 were to enter into difficulties, and, let's say, be stopped. Even if it's remotely realistic, it would be of interest. Thank you very much.

Judith Hartmann

Very good clarification. Yes, of course, what I've just described on IFRS 5, on LNG, is in line with how we gave the guidance and so there is no difference there.

And, on Nord Stream, Isabelle probably?

Isabelle Kocher

Nord Stream 2, you follow closely the situation, as we do. That's true that this project is facing strong opposition, despite the fact that this would be a key infrastructure for Europe. But key... strong opposition from the US, from the EU Commission, from some Eastern and Central European parties, from Ukraine... So we are active in order to discuss with the relevant players on the elements that would ease that project. You have to be confident on the fact that we are well protected, legally speaking, so it's not a project on which we have a financial risk. And it's probably too early to say what will really happen.

Well, thank you very much. This is then the end of our conference call. Thank you for attending and we wish you a good day.