Press release
28 February 2019

ENGIE Capital Markets Day

AMBITION TO LEAD THE ZERO CARBON TRANSITION

- **FOCUSED STRATEGY TARGETING CORPORATES AND LOCAL GOVERNMENTS**
- **SELECTIVE INVESTMENTS TO DRIVE ACCELERATED GROWTH**

- Presenting to shareholders an updated strategic plan to continue the Group's successful transformation begun in 2016 on the basis of decarbonization, digitalization and decentralization.
- Strategic ambition to lead the industry in enabling a cost-efficient zero carbon transition for companies and local authorities, utilizing ENGIE's unique combination of infrastructure expertise and client relationships.
- Increasingly selective strategic and financial investment criteria across business lines and geographies, intensifying our investment focus in 20 countries and 30 urban areas.
- €11-12 billion development CapEx accelerating growth for 2019-21, led by Client Solutions and Renewables.
- Deploying uniquely integrated solutions spanning customer strategy, design, assets, services, digital platforms, financing and operations management; Client Solutions are expected to deliver approximately one quarter of Group operating income by 2021.
- In Renewables, targeting 50% of new projects dedicated to specific customers, to be a leading corporate PPA supplier, to add 9 GW of capacity by 2021, and to play a major role in sophisticated technologies including offshore wind and green gas.
- In Networks, attractive returns and cash flow in France to be complemented by growth in dynamic developing markets.
- Further reduction in thermal capacity, led by continuing disposals of coal generation; Belgian nuclear operations continue to stabilize with rising operational availability.
- Continuing drive to reduce costs and enhance profitability: new €800 million program to 2021.
- 2019-21 financial guidance of 7%-9% Net Recurring Income (Group share) CAGR for 2018-2021, based upon indicative expectations of COI acceleration to 6.5%-8.5% CAGR.
- New dividend policy targeting a 65%-75% NRIgs payout ratio.

Over the past three years, the ENGIE Group has undergone a deep transformation, by focusing its development on three core activities: gas, renewable energies and energy efficiency, while firmly positioning itself in innovative activities (green mobility and smart grids in particular). This transformation has allowed ENGIE to return to organic growth and establish itself as a leader in the competitive energy transition.

A second wave in the energy transition is emerging

At today's capital markets day in London, Isabelle Kocher, Chief Executive Officer, will present ENGIE's insights into the structural shift in the profile of global energy infrastructure. Decarbonization and digitization are continuing, while decentralisation is accelerating: local authorities and companies must now respond to climate change and the zero-carbon imperative. It is a complex challenge requiring cost-efficient, proactive investment to improve stakeholder quality of life, driving new demands on energy industry players to enable these transitions.

ENGIE's ambition is to be the world leader in the growing market for integrated zero-carbon solutions

ENGIE's customer transition roadmaps increasingly require a sophisticated integration of strategy, design, engineering, energy-efficient asset construction, digital platforms, operations management, financing syndication and outcome assurance. ENGIE believes that its unique capability to integrate all these solution elements "*as a service*" to its customers affords the Group a distinctive leadership position in the industry.

This approach lends itself to ENGIE's leading portfolio of customer relationships and infrastructure expertise. This is highly relevant for the world's top 500 global companies which, far more than in the past, seek global strategy and implementation planning to address their sustainability and zero carbon requirements. ENGIE is seizing industry leadership with comprehensive 360° programs that cater to these companies with an approach that is strategically focused, cost-efficient and subject to robust performance management.

To achieve this ambition, ENGIE adopts an aligned approach to higher value activity across business lines

Ms. Kocher will describe the ways in which each of ENGIE's business lines is aligning to these customer requirements to enable the zero carbon transition: high value-added solutions which are tailor-made, technologically sophisticated, and often enabled by ENGIE's leading access to bespoke syndicated financing.

- Accelerating growth in Client Solutions across a broadening array of services including on-site co-generation, heating and cooling networks, public lighting, rooftop solar and EV charging stations.

- In Networks, the Group will continue to generate attractive returns and substantial cash flow. In France, the next regulatory return review will be effective in 2020, and ENGIE will continue to invest in the sustainability of its gas networks, adapting to future green gas requirements. ENGIE will also actively seek attractive opportunities to invest in the growth and energy transition management of networks in dynamic developing markets.

- In Renewables, ENGIE is further scaling its design of complex, multi-source, profiled power purchase agreements (PPAs) and 24/7 green energy flows which are now widely sought. Over the longer term, ENGIE will play a leading role in next generation renewable platforms including offshore wind and green gas. ENGIE targets 50% of new renewable projects dedicated to specific customers by 2021, to be a leading corporate PPA supplier, and to be the world leader in 24/7 green PPAs. The Group plans to add 9 GW of renewables capacity to its portfolio by 2021.

- In our other generation businesses, ENGIE will continue to optimize operations, reducing its CO_2 footprint. ENGIE will further narrow its thermal capacity, reducing coal generation and selectively honing gas-fired capacity to customer requirements, including combined technologies such as desalination and co-generation. ENGIE's Belgian nuclear operations continue to stabilize, with operational availability anticipated to rise as previously announced.

- In Supply, ENGIE is continuing to increase its consumer and business contract base, driven by innovative offers and improving service quality. The profitability of this growing customer base is forecast to be offset by industry margin pressure in the consumer segment, and in this context ENGIE's strategic ambitions in this segment remain limited to our current country footprint.

ENGIE leverages key digital technology and financing syndication capabilities

ENGIE has deployed global digital platforms that strengthen our competitiveness, and will continue to scale up software content in ENGIE's solutions to differentiate us as the leading proprietary energy software provider.

With an industry-leading flow of customer projects, a strong infrastructure investor relationship network and systematic, proprietary structuring capabilities, ENGIE designs financing syndication as an integrated part of our solutions, optimizing customers' cost of capital and ENGIE's ability to accelerate its growth with lower individual project capital intensity. This model has been utilized over time in ENGIE's thermal and renewables portfolios, and will now be implemented across our Client Solutions and other innovation project pipelines.

ENGIE is aligning its organization and simplifying its financial reporting

To further align ENGIE's organization with this strategy, four Global Business Lines will be created – Client Solutions, Networks, Renewables and Thermal – to support our local teams and accelerate cross-functional performance programmes. ENGIE's financial reporting will be simplified, with fewer geographic segments and strategic visibility into the progress of each Global Business Line and our energy Supply operations.

ENGIE adopts selective offer and investment criteria: prioritization of 20 countries, 30 urban areas

Judith Hartmann, Group Executive Vice President and Chief Financial Officer, will present on ENGIE's capital allocation strategy and criteria and will provide Group medium-term financial expectations and guidance.

ENGIE applies rigorous strategic and financial investment criteria, and has a clear perspective on attractive investment characteristics. Complex, innovative, integrated, longer-term, outcome-based customer programs are preferred to simple, commoditized, standard fee-for-service business. Investment will be differentiated over distinct time horizons, with consistent hurdles of 200 bps over ENGIE's WACC, and 400 bps over cost of equity.

In a move to sharpen geographic focus and capital allocation, twenty countries and thirty major developing market urban areas have been identified as ENGIE's top investment-led growth priorities, with an objective to build scale, top-3 positions and higher density of operations. ENGIE will also exit approximately 20 countries over the next three years in a move to enhance focus and economic returns.

ENGIE expects to invest approximately €11-12 billion in growth over the 2019-2021 period

ENGIE intends to invest approximately €4 billion annually in growth capital expenditures and smaller bolt-on acquisitions over the 2019-2021 period, while €6 billion of asset disposals are expected over the period. This €11-12 billion program is anticipated to be led by €4-5 billion for Client Solutions. €2.3-2.8 billion will be allocated to Renewables growth to fuel the c. 9GW of incremental capacity, while €3.0-3.3 billion of additional capital will be invested in our Networks business line.

ENGIE will drive continuing internal cost reduction and improved profitability

A further 2019-2021 performance program has been launched, consisting of cost reduction initiatives (spanning procurement, digitalization and shared service centers) and revenue and margin enhancement opportunities stemming from optimization of ENGIE's assets and customer offers. The aggregate operating profit impact of the program is currently targeted at €800 million, with delivery weighted slightly towards 2020 and 2021.

ENGIE's indicative profit growth expectations point to sustained acceleration

Based upon key assumptions[1] to be described by Ms. Hartmann, an ENGIE Group EBITDA CAGR of 3.5-6% is expected over the 2018-2021 period. ENGIE Group COI is expected to accelerate to

[1] Key assumptions: for FX, 1.23 $/€ and 4.42 BRL/€ in 2021; forward power prices as of end December 2018 for unhedged outright volumes; normalized climate conditions in France for gas distribution, energy supply and hydro production; improved hydrology conditions in Brazil in line with market expectations; pass-through of supply costs in French regulated gas and power tariffs; regulatory review on French networks in 2020-21; Belgian nuclear availability expectations in line with REMIT, with financial contingencies taken on Belgian operations; effective tax rate of 30% in 2019-20, 28% in 2021.

a CAGR of 6.5-8.5% over the same period, predicated on indicative business line COI growth expectations of:

- **Client Solutions**: 11-14% CAGR, driven by revenue acceleration and more profitable asset-based Solutions
- **Networks**: (4%) – (1%) CAGR, given a regulatory review of French infrastructure returns in 2020 and growth expectations in other markets
- **Renewables**: 8-11% CAGR, driven by commissioning of 9GW of additional capacity by 2021 and increasing complexity and profitability of our customer activities
- **Thermal**: (6%) – (3%) excluding the impact of the disposal of Glow, given continuing generation portfolio optimization, with disposals focused on contracted coal plants and selected merchant assets
- **Nuclear**: expectation of a stemming of losses and COI neutrality by 2021
- **Supply**: expectations of approximately flat COI over the period

Group net debt: the Group forecasts financial net debt of approximately €20 billion at the end of 2021 (ratio to EBITDA of <2.5x) and economic net debt in the range of €35-37 billion (ratio to EBITDA of <4.0x) at that time, and ENGIE reaffirms its current commitment to the retention of its 'A' debt rating. These debt forecasts assume no change in the existing Belgian nuclear provision legal and regulatory framework.

ENGIE's growth will fuel faster net income growth and attractive dividends to shareholders

During the capital markets day presentation, Ms. Hartmann will provide ENGIE's financial guidance for strong growth in Net Recurring Income (Group share) of a 7-9% CAGR over the 2018-2021 period.

On the basis of this outlook, as announced with ENGIE's 2018 results, the Board has set forth a revised dividend policy which targets an NRIgs payout ratio band of between 65% and 75% as the Group continues to make investments to drive its accelerating growth and transformation.

Summing up ENGIE's capital market day, Ms. Kocher said: "*ENGIE's customers seek to design and execute their zero carbon transitions with increasing urgency. It is core to their strategic goals, but often not core to their operational capabilities. The integration of ENGIE's infrastructure and customer management capabilities, with accountability for targeted outcome delivery, is now an aligned focus across ENGIE as we pursue our ambition to be recognized by all stakeholders as a leader in this field. Our transformation continues, and we look forward to accelerating growth, profitability and shareholder returns.*"

About ENGIE
We are a global energy and services group, focused on three core activities: low-carbon power generation, mainly based on natural gas and renewable energy, global networks and client solutions. Driven by our ambition to contribute to a harmonious progress, we take up major global challenges such as the fight against global warming, access to energy to all, or mobility, and offer our residential customers, businesses and communities energy production solutions and services that reconcile individual and collective interests.
Our integrated - low-carbon, high-performing and sustainable - offers are based on digital technologies. Beyond energy, they facilitate the development of new uses and promote new ways of living and working.
Our ambition is conveyed by each of our 160,000 employees in 70 countries. Together with our customers and partners, they form a community of imaginative builders who invent and build today solutions for tomorrow.
2018 turnover: 60.6 billion Euros. Listed in Paris and Brussels (ENGI), the Group is represented in the main financial (CAC 40, BEL 20, Euro STOXX 50, STOXX Europe 600, MSCI Europe, Euronext 100, FTSE Eurotop 100, Euro STOXX Utilities, STOXX Europe 600 Utilities) and extra-financial indices (DJSI World, DJSI Europe and Euronext Vigeo Eiris - World 120, Eurozone 120, Europe 120, France 20, CAC 40 Governance).
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