

ENGIE: STRATEGIC TRANSFORMATION OF AN ENERGY CONGLOMERATE

The future of energy will be decentralized, decarbonized and digitized.
—Gérard Mestrallet, outgoing CEO of ENGIE, April 18, 2016¹

The name of the game was to take the lead in the new energy world.
—Isabelle Kocher, incoming CEO of ENGIE, May 28, 2016²

INTRODUCTION

In August 2015, Gérard Mestrallet, Chairman and CEO of French multinational energy giant ENGIE, looked out at an energy landscape that had changed more in the previous few years than it had in the past 40. With the precipitous drop in fossil fuel prices, the energy industry was experiencing serious revenue declines globally—and ENGIE was in the thick of it. The €75 billion, 194-year-old conglomerate owned Europe’s biggest natural gas pipeline and was a major global producer, supplier, and energy trader of natural gas and other energy sources. Some people in the energy industry thought the price drops were just part of a cycle—like the many previous cycles before it. But ENGIE saw it as a major shift toward another type of infrastructure, and in 2014 announced plans to massively transform its strategy and operational imperatives toward renewable energy. ENGIE called this its “Strategic Epiphany,” which included goals to double renewable power capacity in Europe over the next decade and expand its renewable footprint quickly in high-growth regions such as India and Chile. It was also planning to slash its lines of business that were based on commodities from 50 to 15 percent (revenues), and reduce future exploration of oil and gas. In 2016, Gérard Mestrallet would be handing the CEO reins to COO Isabelle Kocher, who would push forward the company’s new

¹ Gérard Mestrallet interview with case authors, April 18, 2016.

² Isabelle Kocher interview with case authors, May 29, 2016. All subsequent quotes are from interviews with case authors unless otherwise noted.

Debra Schifrin and Professor Stefan Reichelstein prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Special thanks to Didier Liautaud for his many valuable suggestions and efforts in organizing the interview process for this study.

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vision in a tough environment; due to lower energy prices and upcoming massive impairment charges, ENGIE was anticipating losses of €4.6 billion for 2015. (See **Exhibit 1** for ENGIE financial statements.)

Both Mestrallet and Kocher believed that in the long term solar power would play a dominant role not only for ENGIE but also the entire world's energy supply. Thus, they were convinced that ENGIE had to build a strong global solar portfolio quickly. In July 2015 ENGIE acquired French solar company Solairedirect for €200 million—making ENGIE the number-one solar company in France and giving it an international presence and project pipeline. The nine-year-old Solairedirect had a profitable business model that enabled it to build utility-scale photovoltaic (PV) installations at a rapid pace: it would develop and build utility-scale solar plants, known as “solar parks,” sell them to outside investors before operations began, and then recycle the cash to build the next one. The company was able to make these solar installations competitive, even without government subsidies, by standardizing the engineering, procurement, and construction process across its portfolio. Despite these successes, the French equity market had not embraced the company. When ENGIE acquired Solairedirect, the solar company had just gone through an unsuccessful IPO attempt. Naturally, the question arose as to whether a company in that situation was a good acquisition target.

ENGIE

ENGIE was a conglomerate of mostly European energy companies that traced its history back to 1822. The main antecedents of the conglomerate were the French multinational corporations Gaz de France (founded in 1946) and Suez SA, which had built the Suez Canal in the 19th century. The two corporations merged in 2008 to create GDF-Suez. The conglomerate had looked quite different just 10 years earlier. Suez had been dominated by financial services businesses until the mid-1990s, when it started to divest itself of many of its companies, which left it with a substantial amount of cash but no investment projects. Beginning in 1997, it started a series of M&A activities in the energy sector around the world, including the biggest one, the merger with Gaz de France. The merged company then acquired a number of European utilities and energy producers, including companies in Belgium and Great Britain. In 2015, GDF-Suez changed its name to ENGIE. ENGIE was present in 70 countries, with the bulk of its revenue coming from Europe, and the French government retained a 33 percent stake in the company. Its presence in the United States included energy generation and a strong liquefied natural gas (LNG) component in the northeast United States and southeast Canada. (See **Exhibit 2** for ENGIE global revenue by geographic region.)

In mid-2015, ENGIE had three main lines of business: 1) exploration and power production; 2) natural gas transportation and distribution; and 3) energy services. The company had 150,000 employees, 50,000 of whom worked in exploration and production—a number that would be shrinking in upcoming years as ENGIE transitioned to less coal production. The remaining 100,000 employees worked in ENGIE's other lines of business.

Power Production and Supply

ENGIE was the number-one independent power producer in the world, with 115 gigawatts of installed power-production capacity. Just over half of its production base came from natural gas,

with about 15 percent each of coal and renewable energy, and 5 percent nuclear. (See **Exhibit 3** for production base mix.) It also operated as a utility business—selling electricity to millions of customers, including 2.2 million retail customers in France.

Natural Gas

ENGIE owned and operated the number one natural-gas distribution network, and the third-largest LNG portfolio in the world. Through its enormous transportation and distribution infrastructure, it supplied 120 billion m³ of natural gas yearly. (See **Exhibit 4** for natural gas end use in 2014.)

Energy Services

Energy services were a crucial component of ENGIE's business. The largest piece of Energy Services was B2B, as ENGIE worked with businesses on their energy needs—for instance, designing electricity network systems for new installations or factories. In France, ENGIE employees would do the installation work, while in other countries ENGIE would coordinate with local contractors. Energy services also included energy efficiency—enabling businesses to reduce energy and lower their bills by optimizing energy consumption.

ENGIE'S "STRATEGIC EPIPHANY" (2013 - 2014)

Starting in 2008, ENGIE had been struggling with its profitability. In 2013 the company embraced a fundamentally new strategy moving towards an energy future anchored in a low-carbon energy economy in Europe. According to Kocher:

In 2013 we said to the market, "The decrease in power prices and gas prices in Europe is not something which is just another low point." At that time we booked massive impairment charges [on existing assets]. We would now be focusing on renewables in the developed world, and mostly on our big power plants (non-renewables) in the developing world—to make it simple.

Mestrallet emphasized that ENGIE's strategy moving forward was grounded on the 3Ds: Decentralized, Decarbonized, and Digitized.

Decentralized: With energy technology changing dramatically, it was no longer necessary to build 500-megawatt (MW) centralized generation facilities to reach reasonable scale economies. Solar PV and windmills with smaller capacities (of distributed energy generation) could be added in a reasonably cost-effective manner.

ENGIE had three categories of clients in mind for decentralized, localized solutions: 1) the B2B segment; 2) cities and regions—developing activities such as district heating or cooling networks; and 3) retail—including rooftop installation and storage.

Decarbonized: ENGIE was committing to low-carbon energy production; moving out of coal while maintaining a considerable presence in natural gas. Renewable energy was gaining an

increasing share of the market. This vision was influenced by the perception of an unfolding cultural revolution—customers wanted to know where their energy came from.

Digitized: With the growth of renewable energy, there would be a push for flexible and dispatchable energy sources that could fill the void of intermittent renewable sources. This created a need for storage and digital control technology so as to ensure a stable energy supply. ENGIE specifically was working on the design of battery storage systems that could be integrated with new or existing solar generation assets.

ENGIE “STRATEGIC EPIPHANY” PHASE TWO: 2015

In February 2015, ENGIE realized that the energy transition to renewables was happening much faster and wider than the industry had anticipated. Kocher said that at the time the move toward renewable energy was even more rapid in emerging countries—especially in African nations, India, and Chile, “because these countries face an increase of their energy demand, which is even more rapid. A number of them have real troubles in terms of energy independence. If they are able to deploy wind and solar resources rapidly, they can decrease their gas and coal imports.”

Based on this realization, ENGIE took a second step in its strategic transformation. It would focus on renewables in the emerging countries where ENGIE was present, not only in the developed world. ENGIE developed three guidelines for the future, which would determine how it allocated its resources.

- 1) Over a three-year period, implement only solutions that were part of the long-term energy transition move. This meant focusing investments increasingly on renewables and on natural gas in some places.
- 2) Spend €1.5 billion over three-years on digital technology solutions related to energy. Most of these solutions were still in the development stage, and ENGIE wanted them to be at the core of its new strategy.
- 3) Transform the business to be less vertical and hierarchical. According to Kocher, “In a decentralized world, we can’t run the company from the top.” This guideline led to an important reorganization in 2016 that evolved around strong geographical Business Units.

SOLAIREDIRECT

In 2006, Thierry Lepercq founded Solairedirect and became its CEO. By mid-2015 the company had developed 486 MW of capacity across 57 solar parks in France, South Africa, India, and Chile, and it was projecting expansion in the Middle East and Southeast Asia. Solairedirect, then with about 200 employees, had a profitable business model that was based on the four pillars of DBSO (Develop, Build, Sell and Operate). The company developed and built utility-scale photovoltaic installations ranging from 5 to 100 MW in generating capacity, sold the assets to outside investors—usually before starting operations—and then maintained the plant. Solairedirect provided the working capital to complete the system and get it to a turnkey state before flipping the asset. It could then use the cash proceeds to begin development of a new installation. This model allowed the company to put a large quantity of solar installations into

operation within a relatively short period. Solairedirect remained involved by maintaining the solar parks once they became operational. According to Lepercq:

What we bring to the story is the capacity with basically unlimited amount. I'm not saying we can do an unlimited amount of projects. But we know how to leverage. Today we have the same number of people that we had five years ago, and we're doing 15 times more megawatts. And I'm confident that with a very limited number of people we can do that again in the next few years, multiply that by 15, and it will work.

By contrast, ENGIE had traditionally retained either a majority or at least a minority ownership stake in the power generation facilities it had developed and built. This tendency partly reflected that gas-fired power plants, in contrast to renewable energy, had relatively low upfront capital expenditures but correspondingly higher operating expenses for fuel.

In many parts of the world, Solairedirect was able to make solar power competitive, even without government subsidies, by standardizing and streamlining the Engineering, Procurement and Construction (EPC) process across its portfolio. Thus, Solairedirect was developing large-scale solar projects at low cost—nearly at parity with other types of power. The cost of solar power had traditionally been much higher than that of power obtained from fossil fuels. But solar system prices had dropped dramatically in the previous few years, and Solairedirect had found a way to capitalize on that.

Solairedirect operated through four main segments, with combined revenue of €156.4 million, EBITDA of €7.3 million, and net income of €0.9 million in the fiscal year ended March 31, 2014. (See **Exhibit 5** for Solairedirect financial statements.) This financial data was originally revealed in its IPO prospectus, which ENGIE used for its valuation analysis. (See **Figure 1** for revenue by segment).

Figure 1: Solairedirect Business Segments Revenue and Gross Profit (in MM)

	Year ended		Half-year ended	
	March 31, 2014		September 30, 2014	
	Revenue	Gross Profit	Revenue	Gross Profit
Development and Construction	€ 142.3	€ 28.7	€ 73.2	€ 5.0
Asset Services	€ 5.6	€ 2.5	€ 3.0	€ 1.7
Investment Management*	€ 1.8	€ 1.8	€ 0.9	€ 0.9
Other**	€ 24.6	€ 4.5	€ 4.3	€ 2.0

* The Group's Investment Management segment manages the Group's portfolio of investments in projects built for sale at the brownfield stage as well as residual minority stakes in projects that were the subject of prior greenfield sales.

**The group owns and operates a solar power assembly factory in South Africa whose entire production is sold to ReneSola, a manufacturer of solar panels.

Source: Solairedirect Prospectus, March 2015.

Solairedirect's Unsuccessful IPO

In April 2015, Solairedirect attempted an IPO on Euronext Paris. It was looking to raise €175 million in the transaction, and would be seeking to place 9 million shares between €16 and €21.5 each. The list of shareholders in some of the SPV (Special Purpose Vehicles) founded by Solairedirect included BlackRock Inc., J&J Group, KGAL GmbH & Co. KG, and Old Mutual. The transaction would have represented an exit for some of these firms. The IPO was expected to complete on April 30, 2015, but on April 29, 2015 the IPO was postponed because the company failed to get enough investors on board.³ Some reasons cited at the time were liquidity issues because potential investors appeared to be limited to mostly specialist green funds, rather than more generalist mid-cap investors.⁴

ENGIE'S ACQUISITION OF SOLAIREDIRECT IN 2015

In early 2015, ENGIE was actively looking for M&A opportunities that would help it aggressively move into the scalable solar space and obtain an international solar footprint. Solar production was not as complex as projects that ENGIE had historically done in fossil fuel production, so barriers to entry for competitors were lower. It was possible for newer players to jump in, and there would always be pressures on the margins. As such, ENGIE was interested in acquiring a company that not only had a volume strategy for developing solar on a large scale, but also did so within ENGIE's high profitability requirements.

After doing its due diligence, ENGIE chose to acquire Solairedirect for three main reasons: 1) it was the number-one solar company in France; 2) its global solar projects would expand ENGIE's portfolio beyond Europe; and 3) it had a strong pipeline of projects.

Mestrallet said the acquisition reflected ENGIE's belief that solar PV would ultimately play a dominant role in the company's—and in fact the world's—energy supply in the future:

In particular we were stunned by number of rather spectacular PPA's [Power Purchase Agreements⁵] in India, Peru, and Mexico, where the effective price of solar power was in the range of \$.04-\$.06 per kilowatt hour. This was certainly fully competitive with the corresponding figures for fossil fuel, including natural gas. From those perspectives, increased focus on solar PV made sense, and the acquisition of Solairedirect fit the overall corporate strategy.

Kocher said solar power production was scalable, which created new opportunities for ENGIE:

The technology of power production through solar energy decreased in cost massively over the last few years, which was the tipping point for the

³ Olivier Holmey, "Solairedirect Pulls Paris IPO After Low Demand," Global Capital, May 18, 2015 (January 25, 2015).

⁴ Tara Patel and Stefan Nicola, "ENGIE Buys Solairedirect for \$222 million in Renewables Push," Bloomberg, July 1, 2015, <http://www.bloomberg.com/news/articles/2015-07-01/engie-buys-solairedirect-for-222-million-in-renewables-push> (January 26, 2016).

⁵ Power Purchase Agreements are long-term contracts between electricity generators and off-takers (possibly utilities) with a pre-specified amount of energy at a fixed price.

decentralized distribution of the system...and solar is well distributed over the world. It is also a technology you can master at a large, but also a relatively small, scale. That opens the door to a very different kind of energy infrastructure.

She saw an ENGIE acquisition of Solairedirect as mutually beneficial because Solairedirect was looking for a way to accelerate its development, so it needed to be backed by a strong balance sheet and a support network of teams in many countries, which ENGIE was able to provide. Kocher added, “On ENGIE’s side, we absolutely needed a team of specialists being able to build these types of projects.” She added, “The discussions between the companies were rapid and successful, and after that it was a question of people, and we had a good fit.”

In July 2015, ENGIE announced that it was buying Solairedirect for about €200 million. In the acquisition, ENGIE acquired 95 percent of the voting rights, while management retained 5 percent. The acquisition happened quickly—it took six weeks to sign the deal—due in large part to a big push from Kocher and other top management. Thierry Kaflon, Senior Vice President of Finance in ENGIE’s European Business Unit, and part of the due diligence effort, said that at the beginning of the process the M&A team was cautious about Solairedirect because it was not yet convinced of the business model—the team had trouble understanding how Solairedirect could get the prices of the solar parks so low and still make a profit. That was something that ENGIE had not been able to do. But as the process continued, the M&A team saw that Solairedirect’s standardization and streamlined EPC processes made those prices possible.

Solairedirect’s Value

ENGIE was not put off by Solairedirect’s unsuccessful IPO. According to Nicolas Piau, director of M&A, “Sometimes I don’t care what the market thinks. The market can be wrong.” ENGIE gave several reasons why the IPO might have failed. One reason was that it was difficult for investors to understand Solairedirect’s business model and it was hard to value its pipeline. In addition, Solairedirect may have been at too early a stage for an IPO. ENGIE also noted that if Solairedirect had been a US company, the offering might have been successful. No French investors has signed up for ENGIE’s IPO book, which made it challenging for a company to list on the French exchange.

For valuation purposes, ENGIE did a detailed cash flow analysis. Sergio Val, ENGIE Group Financing Treasury and Insurance Director, said that ENGIE conducted the analysis based on scenario assumptions about how fast and how big Solairedirect would be able to develop its pipeline of projects. In valuing the company, the M&A team assessed a net-asset value of €134 million, and an additional “future value” of around €60 million.

It was a tough negotiation and, given ENGIE’s valuation, Piau said that ordinarily his team would have pushed hard to shave off about 10 percent of the ultimate transaction price of €200 million. Ultimately, ENGIE was paying in part for intangible assets related to the management team—well beyond the pipeline of projects that Solairedirect had at the time. The valuation of Solairedirect was also affected by earn-out components that allowed the funds that had invested in Solairedirect’s SPV’s to receive around €22 million in additional payments. That included €11 million for successful completion of permits in France and the exercise of options. According to Mathieu Lassagne, ENGIE’s M&A officer in charge of the Solairedirect deal,

“During negotiations, at times Solairedirect was talking about an acquisition price near their IPO numbers. At other times, Solairedirect argued that it should be a higher range because ENGIE was taking control—but we stuck to a cash flow analysis—and the intangibles were the Solairedirect team.” He added, “An accounting-based valuation model would have a hard time justifying this purchase price.”

Kaflon had another view of how ENGIE determined the acquisition price: “ENGIE looked at the value of the assets and placed a bet on what the company could do in the next five to ten years based on its pipeline. We did that because it was hard to put a price on the development process.” However, he said that in the end: “We did not buy the company for the incumbent assets or the pipeline—what we bought are the founders and the management team. The rest is boring financials. The price is the confidence we have in Lepercq and Solairedirect’s other founders. That is why it was crucial for us to find a way to retain them. Everything started with the confidence Kocher and Lepercq had in each other at the time.”

ENGIE’s New Opportunities and Capabilities with Solairedirect

ENGIE had been successful in developing a few solar parks in France, but had found it difficult to do so internationally. Solairedirect had been successful internationally, and had a global project pipeline—which would bring ENGIE the international solar presence it wanted. Solairedirect also brought to ENGIE its solar EPC value chain, which the conglomerate did not have. Shankar Krishnamoorthy, head of ENGIE’s Centralized Generation Métier and future Chairman of the Solairedirect board, said that even with all its resources, ENGIE was not planning to try to emulate Solairedirect’s EPC model: “That was not the thinking in the company at that time—for several reasons. Even today, Solairedirect remains specialized as an arm of ENGIE that can do solar EPC.”

When ENGIE had been looking at its options for acquiring a solar company, it was particularly interested in one where it could work with the founders. ENGIE was also attracted to the entrepreneurial spirit of Solairedirect, and was hoping there would be spillover in terms of how to run the business, acquire new customers and land projects in different continents. On top of that, in the future ENGIE would be buying other smaller, entrepreneurial companies and integrating them, so the Solairedirect acquisition was a good first step in learning how to do that. Krishnamoorthy noted that ENGIE was deriving value from the high-profile acquisition because ENGIE began “talking and breathing solar,” which was necessary for moving into a new era where solar power was increasingly important.

As a separate company, Solairedirect did not have enough capital to build the solar parks it wanted at the speed it wanted. Being acquired meant that ENGIE could provide Solairedirect with a strong balance sheet and cash injections at a low price. According to Lassagne, who became the Deputy Group Managing Director of Solairedirect after the acquisition, “It was not just a takeover, but a capital increase for Solairedirect. They now have more cash and are more comfortable in terms of reliability, which is important for relationships with banks and financial institutions.” Given ENGIE’s balance sheet, it would be possible for Solairedirect to obtain working capital at lower rates than it had in the past. In addition, Solairedirect would be able to sell its parks later in the process—after construction, rather than after development—which would yield higher margins.

ENGIE projected that after the acquisition Solairedirect would be able to broaden its geographic reach and scale up considerably in both the number and size of the projects it could tackle. ENGIE's projection for 2016 was that Solairedirect would develop 300 MW, and that it would be able to move up to 600 MW per year within a short timeframe.

Solairedirect's Positioning within ENGIE

At the same time ENGIE was engaged in the acquisition of Solairedirect, it was independently restructuring its organization into 24 Business Units (19 geographical BUs and 5 global), each one configured as a profit center (see **Exhibit 6**). The geographical BUs were designed to carry out all operational activities in their respective regions. There were also five large Métiers (non-P&L transversal teams tasked with coordinating a consistent set of activities across geographies), Operational Functions, and Support Functions. The reorganization plan had not envisioned the acquisition of Solairedirect. ENGIE decided to position Solairedirect within the Centralized Generation Métier (ENGIE's central Métier), but made it a stand-alone business with P&L responsibility.

Mestrallet explained, "Solairedirect was to have considerable autonomy within ENGIE; it would not be carved up to fit into different geographical BUs, but would remain a central entity capable of operating globally." Carving up Solairedirect would have disrupted the operational model it had developed. The other goal of Solairedirect's organizational positioning was to keep its entrepreneurial, start-up spirit. Kaflon noted, "Start-ups don't like processes. We wish to protect Solairedirect from our own processes and give them breathing room—that is why they report to a Métier." According to Krishnamoorthy, ENGIE recognized that it was necessary to allow the people at Solairedirect to maintain a competitive streak, and for the company to retain its character:

We are not blind to the differences that exist between them and us, and we don't want them to become exactly like us. Not at all. But there is recognition that this will be a continuing discussion. There will be voices coming from the headquarters saying, "They are not doing this, they are not reporting that." And then the other culture will fight and say, "Look, if you make them like us, then the whole purpose of acquisition is lost." So you have to keep striking that balance, and that's a management challenge at the moment. The challenge lies in living with the situation where Solairedirect is a foreign entity in our structure that has geographic BUs responsible in their respective territories.

CONCLUSION

There was excitement at ENGIE and Solairedirect about the acquisition, given the opportunities it presented for both companies. While the near-term vision for Solairedirect was relatively clear, there would be many things to consider in the medium and long term about how Solairedirect's business model might evolve and whether and how it would be integrated into the ENGIE conglomerate. The acquisition was generally viewed as a milestone, but not as the high-point, of the Group's shift to renewable energy. Mestrallet observed that while the acquisition fit well into ENGIE's overall corporate strategy, ENGIE would need to evaluate the results of the

acquisition in a year's time to see how successful it was. "As always, the proof is in the pudding," he noted.

Exhibit 1 ENGIE Financial Statements

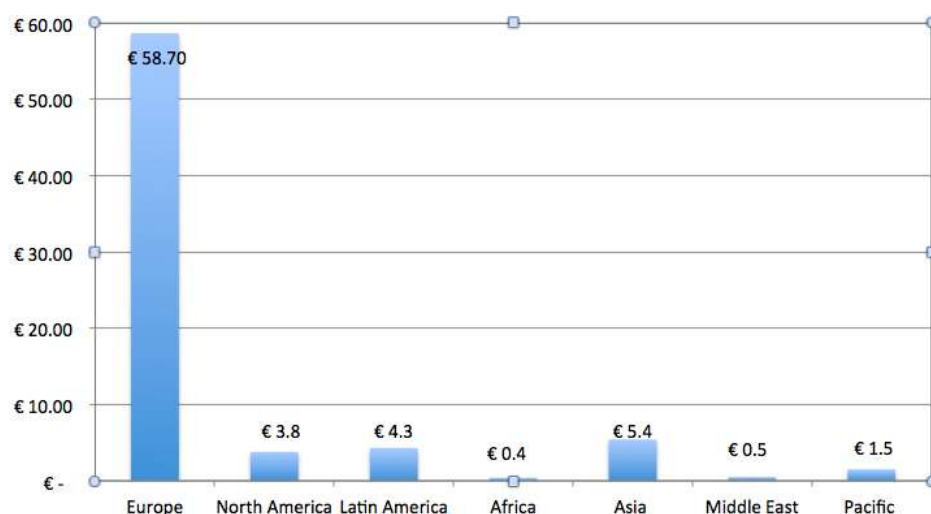
In EUR billion	31/12/2015	31/12/2014 ²	Δ 2015/14 gross	Δ 2015/14 organic
Revenues	69.9	74.7	-6.4%	-8.8%
Ebitda	11.3	12.1	-7.2%	-9.1%
Net recurring income, Group share ³	2.6	2.7	-5.0%	na
Net income, Group share	-4.6	2.4		
Cash Flow From Operations (CFFO)	9.8	7.9	+€1.9bn	
Net debt	27.7	27.5	+€0.2bn	
Net debt/Ebitda	2.5 x	2.3 x		
Credit rating	A / A1	A / A1		

In €bn

ASSETS	12/31/14 ⁽¹⁾	12/31/15	LIABILITIES	12/31/14 ⁽¹⁾	12/31/15
NON CURRENT ASSETS	110.0	101.2	Equity, group share	49.5	43.1
CURRENT ASSETS	55.3	59.5	Non-controlling interests	6.4	5.7
of which financial assets valued at fair value through profit/loss	1.5	1.2	TOTAL EQUITY	56.0	48.8
of which cash & equivalents	8.5	9.2	Provisions	18.5	18.8
			Financial debt	38.3	39.2
			Other liabilities	52.5	53.9
TOTAL ASSETS	165.3	160.7	TOTAL LIABILITIES	165.3	160.7

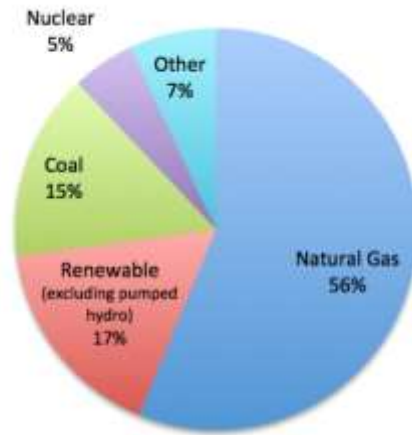
Source: ENGIE 2015 annual report.

Exhibit 2 ENGIE 2014 Global Revenue by Region (in billions of Euros)



Source: ENGIE 2015 annual report.

Exhibit 3 ENGIE Production-base Energy Sources in 2014



ENGIE Renewable Energy Production in June 2015

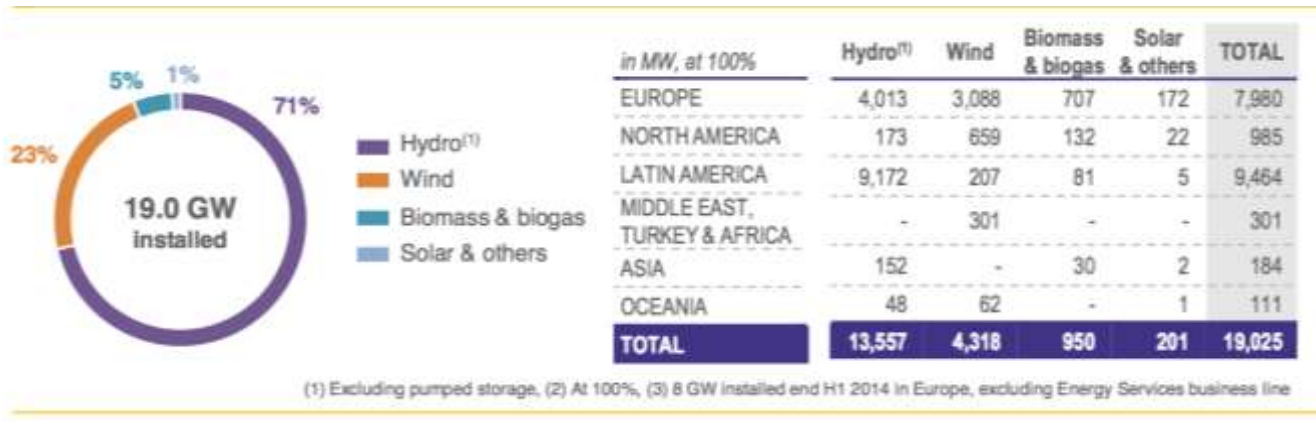
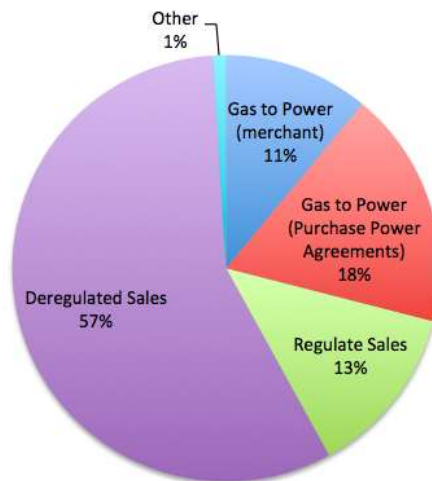


Exhibit 4 ENGIE Natural Gas End Use in 2014



Source: ENGIE Investor Presentation, June 2015.

Exhibit 5 Solairedirect Selected Financial Information

<i>In € millions</i>	Fiscal year ended			Six months ended	
	31 March 2014 (12 months) ⁽¹⁾	31 March 2013 (15 months) ⁽¹⁾	31 December 2011 (12 months) ⁽¹⁾	30 September 2014	30 September 2013
				<i>(unaudited)</i>	
Revenue	156.4	126.2	213.5	69.6	45.6
Cost of sales.....	(113.5) ⁽²⁾	(68.6)	(146.9)	(60.9)	(31.6)
Personnel expenses	(18.9)	(23.5)	(18.3)	(8.1)	(10.2)
External costs.....	(15.6)	(17.1)	(18.2)	(5.3)	(5.4)
Taxes other than on income	(0.6)	(0.8)	(0.8)	(0.3)	(0.4)
Other recurring operating expenses	(1.1)	(3.5)	(1.4)	(1.7)	(2.8)
Other recurring operating income.....	0.8	2.9	--	0.2	0.3
EBITDA	7.3	15.5	27.8	(6.6)	(4.5)
Depreciation and amortization expenses .	(1.7)	(1.5)	(1.2)	(0.8)	(0.9)
Net additions to impairment and provisions	1.6	(1.5)	(2.6)	(0.4)	(0.6)
Other non-recurring operating expenses.....	(3.7)	--	(0.9)	--	--
Net operating income	3.5	12.6	23.1	(7.8)	(6.0)
Net financial income (expense)	0.1	0.9	0.7	0.8	(1.5)
Pre-tax income	3.6	13.5	23.9	(7.0)	(7.5)
Income tax expense	(2.6)	(4.3)	(5.0)	1.2	1.4
Share of net income (loss) of associates .	(0.1) ⁽²⁾	0.5	0.4	0.4	1.7
Net income (loss) for the period	0.9	9.7	19.3	(5.4)	(4.5)
Net income attributable to owners of the parent	0.7	9.7	19.3	(5.2)	(4.4)
				30	
<i>In € millions</i>	31 March 2014	At 1 April 2013	31 March 2013 ⁽¹⁾	31 December 2011	30 September 2014
					<i>(unaudited)</i>
Total non-current assets	28.9	17.1	31.4	26.7	48.3
<i>Of which tangible assets</i>	11.8	10.1	10.1	4.1	32.5
<i>Of which non-current financial assets</i>	11.1	0.1	15.1	21.0	9.4
<i>Of which investments in equity- accounted companies</i>	0.8	0.8	0.3	--	0.8
Total current assets	95.8	125.5	125.5	92.9	105.9
<i>Of which cash and cash equivalents</i>	39.0	33.5	33.5	17.2	19.6
Total assets	124.7	142.6	156.9	119.5	154.2
Total shareholders' equity	41.3	41.5	55.8	45.0	38.9
Total non-current liabilities	11.0	7.3	7.3	19.3	21.2
<i>Of which non-current financial debt</i>	5.7	3.6	3.6	4.2	17.8
Total current liabilities	72.5	93.8	93.8	55.3	94.0
<i>Of which current financial debt</i>	14.4	2.6	2.6	11.8	8.9
Total equity and liabilities	124.7	142.6	156.9	119.5	154.2
<i>Of which non-current and current financial debt</i>	20.1	6.2	6.2	16.0	26.7
<i>Of which non-recourse debt subscribed by the consolidated SPVs</i>	3.5	--	--	--	--

Source: Solairedirect March 2015 Prospectus.

Exhibit 6
ENGIE Organizational Structure

