



## Joint Venture with Fiat Chrysler Automobiles

### TRANSCRIPT

#### Investor Call held in Milan, 12 November 2020, h11:00am CET

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**Giorgia Byrne:** Welcome, everyone, and thank you for joining us today for this transformational event, earlier today ENGIE Eps and Fiat Chrysler Automobiles jointly announced that the 2 companies have entered into a memorandum of understanding in creating a joint venture to become a leader in the European e-mobility landscape. Today's call will focus on the announcement. It will be hosted by our Chief Executive Officer and General Manager, Carlalberto Guglielminotti and our Chief Innovation Officer, Giovanni Ravina, in charge of strategy, innovation and global mobility.

Also present today Giuseppe Artizzu Executive Director in charge of global energy markets and business development, Andrea Rossi Chief Financial Officer and Francesca Cocco in charge of Investor Relations.

The presentation material for today's call has been posted on the ENGIE Eps website, and you can find it in the dedicated pop-up appearing on the home page of our corporate website [www.engie-eps.com](http://www.engie-eps.com). After their presentation, both Carlalberto and Giovanni will be available to answer investors. If you wish to ask a question, you may enter the queue by pressing “\*”1 on your telephone keypad.

Before we begin, I just want to point out that any forward looking statements made during today's call are subject to the risks and uncertainties mentioned in the "Safe Harbor Statement", which is included on page 2 of today's presentation. This also includes the risk that the agreed transaction discussed during today's call remains subject to standard conditions for this type of transaction, as well as any other risks and uncertainties associated with the execution of the proposed transaction.

And as customary, the call will be governed by that language. So, with that, I'm going to turn the call over to Carlalberto Guglielminotti.

**Carlalberto Guglielminotti:** Thank you, Giorgia, and good morning, ladies and gentlemen, welcome to this investor call. As you know, by now, the ENGIE Eps board has unanimously approved the signature of the binding memorandum of understanding with Fiat Chrysler Automobiles, aimed at creating a Joint

Venture to become a leader in the European e-mobility landscape. Well, you cannot even imagine how proud I am to make this announcement today on behalf of ENGIE Eps, a company born, and you will all remember, as a spinoff of the Politecnico di Torino, in a sort of garage let me say in 2005, that eventually merged with the spin-off of the Politecnico di Milano a few years later, that passed through an indefinite series of challenges, cash constrained and almost a Chapter 11 in 2013 a further obvious IPO in 2015 and then eventually the acquisition by ENGIE, by the ENGIE Group, in 2018, not to mention the recent announcements by ENGIE Group on the strategic review and potential divestment by ENGIE of its participation into our company, challenges that have been coupled with a series, however, of iconic results.

You will remember Technology Pioneer of the World Economic Forum, even well before our IPO and my arrival in late 2013 and then worldwide leader in microgrids immediately thereafter, more than 100 million Euro raised in equity and debt capital, then pioneer hydrogen technologies, then the battery energy storage markets with today 185MW online and in operation and more than 600MWh of tenders won in the last 12 months.

On top of more than 800 million Euro pipeline of which 130 million dollars of secured contracts, it places ENGIE Eps today between the worldwide leaders in energy storage. Then eventually today this announcement, I mean, ENGIE Eps and FCA plan joining forces in a JV to create a leading player in the eMobility space. Well, this is the result of a very intense work. This is the result of a remarkable commitment of our Teams, of our Engineers, of our PhDs, this is the results of our remarkable passion and of an almost embarrassing commitment to make things happen.

And eventually this is the result of people, people, if I may, no one can imagine anything of who have done thinks no one can imagine, as Alan Turing used to say.

We are not only proud, but also very excited about creating this new company that is going to become a leader for a new era in electric mobility.

And again let me take this opportunity to express my sincere and warm thanks to our teams, the cross-company teams that have been working so hard over the last few months to create this opportunity for both FCA and ENGIE Eps. I would also like to thank our shareholders and not only ENGIE, obviously, but also, if not more importantly, our minority shareholders for the trust they have demonstrated in giving us the opportunity to continue our equity story and eventually be here today to create these new iconic company.

This is a tremendous opportunity for all of us. And we clearly acknowledge the importance of the European, if not global, challenge we have to face. eMobility is, of course, a must, we all know that, but the elimination of barriers we have to face to make eMobility easy and let's say affordable... It's unbelievable and this is what our customers are expecting from us.

They will be expecting from us easy, safe, clean and affordable electric mobility. And behind this deal, if I may, there is a broader picture. If you... you would have seen in the press release earlier today, Mike Manley, Chief Executive Officer of FCA, correctly said that the signing of this memorandum of understanding originates from a fruitful 3-year cooperation between the 2 companies, which eventually allowed the implementation of truly disruptive projects... such the easyWallbox or the recently launched Vehicle to Grid project or the innovative customer-oriented energy packages.

But even more importantly, he said that the envisioned joint venture will allow an even higher commitment from both parties to extend the scope of this cooperation and develop further products and solutions and services to enable this smooth shift to e-mobility in Europe.

I mean, he was right... we all know that: electrification represents an inevitable trend pointed to disrupt urban mobility and most of all an unstoppable paradigm change of worldwide energy system.

And the signing of this MoU is not only a testament of the joint commitment aimed to accelerate this change by leading such a disruption towards a more sustainable future, but the new dimension in which this new company will have a unique play, a play that nobody has in the market.

You know, we have a lot of carmakers, this is a world with a lot of carmakers playing in the e-mobility space, then a lot of product manufacturers, in this world, making wallboxes, charging devices, software, platforms. Few of them are also selling electricity or sort of energy packages, sometimes connecting EVs with the electrical grid, saying that this is working, they are exchanging energy with the grid, if I may, sometimes in a chaotic way, trying to explore a world that is new for them at the forefront between the energy world, the automotive industry, and in the middle of the most complex engineering dilemmas. A lot of ambition, certainly. But if I may not always substantiated by solid electrical engineering know-how.

Then we have a different world, the energy world, here we have players specialized in system integration, system engineering, electrical engineering, players specialized in energy storage, in batteries. Players surfing the energy transition and its challenges.

Well, today's announcement is an historical step in the history of e-mobility because we are merging all such worlds.

Combining forces will give us a unique play in the market in terms of innovation, know-how, expertise, capability to accelerate the transition to e-mobility, again the expectation is simple. It's all about sustainable, clean, safe and affordable electric mobility, and combining forces will be, of course, a very strong lever to achieve a remarkable and unique play in the e-mobility sector.

Let me then go through the presentation very quickly to outline the key figures and steps we have to focus on. And I'm on page 3 of the presentation that you can download from our website here.

Here we have the background, to where we were 'till today, obviously, essentially we launched 2 iconic projects: the easyWallbox from the one hand and the Vehicle to the Grid project from the other... from the other hand.

The easyWallbox is covered per se by 3 family patents that will be extended in 146 countries and 50.000 units are already in production. I mean, we all know that in Europe we have just slightly more than 200 points of charge, public points of charge, so you can easily imagine how much this 50.000 units in production is represented in the market.

Then we have the V2G project. That today and tomorrow will be the largest project worldwide. Today 2MW, by the end of next year 25MW, I mean, this is a power plant giving capacity and flexibility to Terna and that's the reason why Terna that is the Italian TSO - Transmission System Operator - was partnering with us and the project has been blessed also by the European Commission, 64 vehicles connected today and 700 by the end of next year. That's... that's really impressive.

Moving to page 4, we announced today what we just said. I mean... that's a partnership to move ahead into the new era of more sustainable mobility.

We will offer a full suite of products and solutions and to all customers in Europe and... coupling essentially a portfolio of hundreds of patents and trade secrets, some strong teams of electrical and system engineers and the established automotive industrial footprint, so that we can clearly see at page 5 where we're trying to represent the unique technology and industrial play.

I mean, we are merging the excellence in the automotive industry with more than 100 years history, the Fiat Chrysler Group well present in both Europe, North and Latin America. Obviously, a player with more than... more than 100 billion revenues, so you can imagine the solidity of the balance sheet and the financial resources, an unbelievable industrial footprint, technology partnership all over the world and premium luxury brands like... I think to Alfa Romeo or Maserati or even the iconic Fiat 500 electric. Then we have our world, the ENGIE Eps one, so... we have developed... we are not an excellence in the automotive industry, we are an excellence in the development of technologies for the energy sector from both the system perspective and the product perspective with a successful tech play in Europe and North America. You will remember that we installed until a year ago the majority of our systems in Europe, while the entirety of the tenders we won in the last 12 months were in North America. There are few companies all over the world that have more than 600MWh contracts in North America.

Certainly we have not a strong balance sheet or financial resources, but we have a growth capital stage in e-mobility with a unique product portfolio and a unique technological know-how and intellectual property... with a compelling electrical and system engineering and this sum up to what we call excellence in e-mobility, which stands for a solid industrial footprint, plus unique know-how in the energy storage and electrical engineering sectors, there's the reason why we would... we would develop and we will launch in the market on top of what we already done, a full suite of products, residential, business and public charging in the coming months. On top of the innovative solutions that we already announced, and of which we will get more details in the coming weeks, on green energy packages and the Vehicle to the Grid project, then moving to page 6, what's the status? And next step, I mean, the binding memorandum of understanding has been signed. This is obviously subject to standards conditions foreseen for this type of transactions. This is obviously subject to all necessary communication approval from competent authorities, institutions...antitrust if necessary.

And in terms of next step, we are planning obviously the approval from work councils and labor unions, the signature of the full settlement agreement, which is expected by the end of the year, and the incorporation of the joint venture, which would occur in the first days/months, of the first quarter next year.

And very quickly, on page 7. Before leaving the stage to Giovanni, just as a reminder, particularly for our analysts, you know, that we have today, we recently announced more than 800 million Pipeline of Projects, 130 of which already secured with tenders won, in the United States, with Guam, Hawaii, New England, totaling 600MWh, then... revenues evolution, we know our last year revenues, 20 million, our guidance in 2022 which is still subject to, obviously, Covid impact, but... in terms of visibility and contracts awarded we have a clear visibility of that of 100 million in 2022, and 400 in 2025.

Well, such figures do not include the fact of the e-mobility joint venture with FCA, for obvious reasons. We will think to that after closing. But that's an important message because what we have done today with FCA... is today represented in our figures exclusively by a 2% of our pipeline. You clearly see on the right part of this slide. So essentially, the whole value, whatever it is of what we have done with FCA, particularly in light of the fact that we were expected to consolidate in full in our P&L the figures of such a pipeline... of such joint venture, in terms of revenues, margin and EBITDA, are today contemplated into our figures as a mere 2% lower pipeline, which is obviously not representing what could happen and then we would update in due course.

Well, again, the message. Well, that's expected that ENGIE Eps will fully consolidate and guidance and expectations do not include the fact of the e-mobility Joint Venture consolidation.

And this said, from here I want to hand over to Giovanni Ravina, our Chief Innovation Officer in charge of strategy, innovation and global mobility for analyze the market potential we have in front of us.

**Giovanni Ravina:** So, thank you Carlalberto, and good morning everyone Ladies and Gentlemen, I'm very proud to be here today and I will take the stage to give you a quick snapshot of the 3 main markets that JV is gonna take as a priority in the European Union market.

We are finally into the e-mobility era and charging infrastructure market will boom over the next decade, totaling more than 40 million chargers to be deployed worldwide, that you see on the top left corner of the slide; looking instead in the below, what you can see... is Europe, the primary focus of the JV, is gonna have a leading role.

Interesting to note this as well is how residential charging equipment segment, mainly known as Wallbox will represent the majority of devices sold by 2030 in terms of volume, but only a fraction in terms of total investment dominated by the public charging due to the higher power rates of the single point of charge installed.

As already done for the easyWallbox that made residential charging plug and play for everyone, on the public segment we at EPS believe that energy storage integration, a core competence for us will play a similar role, being an enabler to match the fast charging customer needs with the power grid limitation in terms of available power... and business on charging infrastructure, following on Slide 9 EV charging energy demand in Europe, electricity obviously will be the fuel of the e-mobility revolution, 77 TWh will be demanded in the EU to charge the EV in 2030 representing only the 2.2% of the total electricity demand for the continent at date. How we are gonna tackle this market, in the continuous effort of facilitating the transition to e-mobility, we have jointly developed over the last months with FCA the concept of energy packages, everything an EV driver need included in a flat monthly subscription, a combination of private green energy supply, Wallbox and related installation done by professionals, as well as access to the largest public charging network in the EU. That, by the way, will be made carbon neutral for the energy package customer. All of that will be packaged to best fit any customer need.

Following on slide 10 related to Vehicle-to-Grid and the declination of that "EV charging a source flexibility", we will focus on what is a key challenge of the e-mobility revolution from the electricity grid perspective, the power needs for EV charging, only taking into account the battery electric vehicles so the full electric vehicles in 2030, we can estimate up to 900GW of EV charging power need, potentially required only in European Union, meaning 70% of the total foreseen capacity by then.

So it's important to look at how the energy consumption, electricity consumption was something negligible from the power grid perspective, representing 2% but looking at power instead it's gonna be a tremendous impact. EPS multi-tech integration capability, proven now in Microgrids all over the world, are a unique asset to transform this from a challenge into an opportunity. And the Drosso is the flagship example of that. The Drosso is the Vehicle-to-Grid parking presented by Carlalberto at the beginning of this call.

More in general, the massive deployment of bidirectional vehicle to X that can be declined in Vehicle to Grid, Vehicle to Building, Vehicle to Home depending on the location, will make electric vehicles a relevant source of additional capacity for the grid operators and will be then remunerated, reducing the

total cost of ownership, for FCA EV drivers first, while fostering more sustainable and resilient electricity network all over the continent.

Summing up before giving back the floor to Carlalberto and to everyone for questions, the EU market that the JV will take represents in terms of cumulative value by 2030, 45 billion for the EV charging and we have not included in that the storage needs in order to allow fast charging to be deployed in public spaces.

Electricity demand will be 80 billion cumulated, whereas the Vehicle to X market is something that we see taking off in the medium term, so 2023 - 2025 on, and cumulated almost 2 billion of value creation between 2025 and 2030.

Carlalberto floor is yours.

**Carlalberto Guglielminotti:** Thank you Giovanni then to sum up, the figures represented by Giovanni essentially are well embodied in sort of 3 silos.

This is seen at page 8, 9, 10, so essentially EV charging infrastructure silos, the EV charging energy demand in Europe and the flexibility.

Essentially, we will address the first, the EV charging infrastructure with the easyWallbox and a series of new products that we will launch in the coming months, we will address the EV charging energy demand with the energy packages and we will address the EV charging as source of flexibility with the Vehicle to the Grid technology. And with that, let's now take your questions, and together with Giovanni and my team we are ready to answer to any question you may have. Thank you very much.

## Q&A Session

**Giancarlo Bollero:** Hi Carlalberto... team... thank you very much for this... for this update. I think it's a... it's a great achievement and... and I think it's a great step forward to the growth of the company, so congratulations.

So, I just have a question regarding economics, right? So, I'm looking at the JV, I can understand the potential from the market overview that you gave, I'm just wondering from an economics perspective, have you already or are you in process of agreeing the economics of the JV, from a business model perspective what do you have... what do you have in mind? Is this gonna be... so in the first instance you just sell products, you just sell the EV box, and then you can get to a sort of recurring revenue stream or how are you thinking of this? And how can this develop to create a stable and consistent flow of revenues? Thank you.

**Carlalberto Guglielminotti:** Thank you, Giancarlo, very... very good question, so let me start from the first, in the right order, economics, so obviously we have a plan, we have a clear view of the market that has been summarized by Giovanni, and obviously, the financial details of the plan have not been disclosed, but what's important is to keep in mind that we can easily have a clear color of the figures looking from the one perspective to the market and from the other perspective to a very simple concept in the automotive industry, which is the market share.

So, in a nutshell, from the infrastructure perspective, so from the product perspective that we will address with the easyWallbox and the other products, Giovanni was saying that the market estimates approximately by 2025, Europe will require an installation of around 9 million charging points, ok?

A large portion of which 80- 90% will be needed from homes and offices, then from 2025 to 2030, so I would suggest to split also for your benefit, for the benefit of the analysts connected to this call... I will split the wording in 2020-2025 and 2025-2030...so from 2025 to 2030 the estimates refer to another 15 million making up for a total of 24 million chargers in the next 10 years. That's almost clear... and almost unanimously in the markets acknowledged.

Then on the assumption that, without even taking installation into account, and residential Wallbox cost an average of no more than 800 Euro, while the infrastructure we... has been clearly represented by Giovanni, the infrastructure for the business and public segment cost twice to 3 times... that given the need for fast charging, we are looking for... at the market potential of over 17 billions in the next 10 years... and this is from the product perspective, and then I will be back to your second question.

Then from the energy demand perspective, so even without taking into account the V2G, from the energy demand perspective, that we will address with the green energy packages, estimates for the European markets alone suggests over 20TWh of energy consumption per year in 2025, rising to over 70TWh annually by 2030, Ok?

So, assuming very conservatively, this is public and private, but assuming very conservatively 25 cents per kWh, the consumption mentioned earlier will result in an automatic market for Europe alone of over 15 billions to be spent on charging electric cars forward to 2025 and between 2025 and 2030 reaching over 60 billion, ok?

These are the key figures, then in this framework, in the automotive industry, the prior concept I was referring to is the market share, so without even taking into account potentially further collaboration with other carmakers, let me mention, obviously, PSA.

So, looking just at the FCA current market share in Europe, ok? We know that approximately the market share for passenger cars in Europe by FCA is almost 6%, 5.8%, almost 6% and in light commercial vehicles is 12%, so you can plug whatever success rates you prefer in your models to have a clear picture of our potential figures and of the plan we had in mind.

And this is just the beginning, so back... back to the... back to your second question, in terms of business model, you were right, I mean, that's a proper business model coupled with... with a recurrent revenues business model, because if you look just to the first 2 main businesses, which are EV charging infrastructure then products and EV charging energy needs, then services, OK?

The first one is selling products, so it's very easy. There is one car sold, by definition if you buy an electric vehicle you need a charger at home, obviously there are circumstances in which you don't have a garage and some others... but in principle, in principle an EV driver, or at least in 80 to 90% of the cases, EV drivers have a residential Wallbox, therefore, we can imagine the success rates, but this is a sale business model, Ok? So FCA sells a car, we sell a charger.

And this is the first one, on the second one, which is the energy play, with the energy cards or the energy packages, as you prefer, those are recurrent revenues because that's a subscription business model.

So essentially, in order to valorize this business model, you may imagine that in the package you... you would certainly have private charging and therefore the cost for a Wallbox, plus the value or part of the value of the electricity on annual basis... for each single customer.

And that's a subscription business model, and obviously, if you wanna have in the subscription cost the wallbox, you would have to engage for a certain number... number of years, 3, 4 or 5, let's... let's see what's the final pricing will be and this is a major step... you correctly raised an important point because that's a major step in our business model, we were not used to have recurrent revenues, and... and this changes everything.

Because this would give to the company not only a growth pattern that is among other orders of magnitude from my perspective, compared to the one we had in mind, at least in our guidance, but even more importantly, giving a clear visibility on future revenues with recurrent revenues coming from this second business model, which is the energy packages and essentially addressing all the needs of...

**Giancarlo Bollero:** Ok... Ok... and when you say... when you say that there is a potential, obviously, I understand there is a potential expansion from different clients within the FCA spectrum.

But when you say that there is the potential to extend the same business model, the same JV structure with other carmakers, are you... are you saying that the idea is to expand into... a sort of expanded partnership within the JV or independently from FCA at that point? Obviously outside that perimeter.

**Carla Alberto Guglielminotti:** Yes, I have a clear answer on that. I mean, the governance structure has been agreed within... within the framework of the binding and what we have signed, and frankly speaking... I do not... I clearly see the opportunity to further develop, within the context of the JV, collaboration with other carmakers for an obvious reason... this is standard in the automotive industry.

I mean, even if you look to the presentation of some carmakers, but also FCA, there are collaborations in place between carmakers, selling, let me say, respective platforms, technologies, joint plans, joint industrial plans and so on.

You will remember that... that was even mentioned the BMW in a presentation by FCA when they announced the merger with PSA. So is absolutely... is absolutely standard in the market, and therefore, I do not imagine any collaboration with other players outside the perimeter of the JV, but I clearly see the opportunity within the context of the JV, within the context of the governance we agreed.

**Giancarlo Bollero:** Clear, thank you very much Carlalberto, Thanks a lot again... to the whole team.

**Operator:** The next question is from Alex Monk from Schroders, please go ahead.

**Alex Monk:** Hi, Carlalberto, thanks very much for the time and the super interesting presentation. My question was actually just sort of covered, so I'll just say that this is a super exciting news and congratulations on the JV, and I'll follow up potentially offline afterwards, but I won't ask the same question again so thank you very much.

**Carlalberto Guglielminotti:** OK, thank you... message to the operator, next question please.

**Operator:** The next question is from Kerem Aksoy from Glacier Pass, please go ahead.

**Kerem Aksoy:** Hi, I wanted to thank the whole team for hosting this conference, it's a great step forward for the company and demonstrate FCA strong endorsement here.

I really had a couple of questions, just maybe go down the last one or... and then maybe a couple specific questions about the announcement, I think Carlalberto gave a great big picture overview of this opportunity... and I think it is really large, which is great.

I was wondering if you could talk about maybe just the next couple of years... how you saw this kind of flowing through from the revenue perspective for the company as you see this JV ramping up.

**Carlalberto Guglielminotti:** Thank you Kerem for your question. Obviously, we have not given... for a series of reasons, we have not updated our guidance to the market, so I can give you some color, but this is not the intention, first because this would be absolutely... absolutely not a responsible... not responsible towards our stakeholders, simply because the deal is not yet closed.

Second aspect, because in obviously disclosing... disclosing clear guidance when... you deal in a very competitive and volatile sector, which is e-mobility, but even more importantly in the automotive industry, obviously has an impact also on our partner, which is FCA, so frankly speaking, the level of disclosure in terms of financial figures, particularly in the short term, has obviously to be agreed with FCA and we have to take into account their size when thinking to such aspects.

So just to sum up, what is privileged for us, is not necessarily privileged for them. And that's just in terms of size, right? So that's an obvious consideration, then, I will, try to give you some more color on the next few years.

I mean, if you jump on page 8 of the presentation, I mean, 2021 - 2022 there is a clear revenue projection of the market right, you see between public and residential and essentially is half billion for residential and a billion and a half for public in 2021, so do we have already public products? Not yet. Ok? So, this will take the time for certification, launching in the market... so making assumptions around... around public...

we have to take into account that we will release the products in the next few months and therefore revenues recognition cannot be followed in full in the year.

And then half a billion residential... a product we already have, then the exercise that we all should do is to apply, as far as we believe in, obviously, but... but that's the methodology, ok? So you apply the market share of FCA in Europe and then you apply a factor, which is the conversion rate. So which is the likelihood that a customer that buys a Fiat 500 electric would also buy a Wallbox to charge at home, branded Fiat, at a cost lower than the market? Ok, I'm saying lower than the market simply because we all know that the cost of the easyWallboxes is dramatically lower than the market.

So basically an exercise. I cannot tell you what is my assumption. And the same exercise can be done in 2022 and then in 2023 is slightly different because we will have available for the full year also public products, so we will address for 12 months let me say the 1.8 billion market for public charging in 2022 and certainly we will address in full the 0.6 billion market in Europe for residential.

So again, let's apply... 5.7 and the factor or if you look also to the light commercial vehicles like the Ducato, but you know, has a very strong market share and the hybrids... vehicles will be launched by the FCA according to their plans. You do the exercise... this exercise, and certainly you arrive very close to the figure we have in mind. But we will not... and this was the intention to not give a specific guidance.

Slightly different from the energy perspective, because the energy packages, has already been disclosed by FCA not in terms of details, but in terms of product, you will remember that in September 14 Roberto di Stefano leading the e-mobility division of FCA has given a clear... a clear development line around the energy packages that will be developed by the joint venture now... at that time was by EPS.

And again, if you look to the estimated market just in Europe for EV charging, let's look to page 9, in 2021 and in 2022 that's 1.6 and 2.3 billion to which it is absolutely reasonable to apply a market share to have some color on the possibility we have, so on our addressable market, ok? And then applying the conversion factor, keeping in mind also B2B, people that do not want to install the Wallbox and so on, this is the exercise in 2 main markets, then if you are looking for short term revenues, I mean, on top of the Vehicle-to-Grid... on top of the current Vehicle to the Grid project that we will extend by the end of next year. So, on top of revenues coming from this project, I mean, I do not expect further, let me say, commercial developments in terms of V2G in the next couple of years or at least changing the figures, ok?

So, if you want to have a good proxy of the figures for the next 2 years, if you do this exercise using the figures at page 8 and 9 and you apply the factors with being reasonable, you have a good proxy over where we are going.

**Kerem Aksoy:** Thanks, that's helpful and I will kind of work through that... that math... and, you know, I just... you know, I think the recurring business model and the subscription business model is very powerful. So, it would be pretty interesting to follow once the public option becomes available, and it's obviously a permanent thing that flows through.

I have just a couple of specific questions on the announcement. I understand the MoU is signed, but when do you expect the definitive agreement to be signed?

**Carlaalberto Guglielminotti:** The final agreement, I mean, is expected to be signed by the end of this year. The reason why is very simple, you might imagine that this is essentially... this is not a split from the organizational perspective because we would consolidate, so our people will continue to work for the

greatest, let me say, not only for the JV, but also for the greatest... how can I say... feeling of being part of the EPS project, ok? So that's one of the reasons why consolidation was so important for us and FCA agreed to define a balanced governance however enabling our consolidation, so this is not a split from the people perspective. However, in terms of assets, in terms of systems, in terms of IP, yes it is, ok? So that's the reason why it takes a few weeks/months to close the transaction.

So that's the reason why I think is absolutely challenging but feasible to sign the definitive agreement by the end of this year and start operating with the JV fully operational and online in the first half of 2021.

**Kerem Aksoy:** OK, that's perfect, that was... was my second question, when the JV is formed, it operates right away... there's not a time like there... So, you know, Q1 is something going in that range?

**Carlalberto Guglielminotti:** Yes, I mean, conservatively saying that full operation, which means also the availability of certifications, and so on... that's a Newco, ok? And as you know, we are, as FCA is, we are an industrial player, meaning that in order to sell products, very simply, you need certification.

So, we need also to do the certification. You need to transfer the certifications, rebuild the integrated management system and re-apply for the certification, belonging to the same group obviously is a quick process, but cannot be a 1-2 month process, ok?

So that's the reason why the horizon for the full operation in terms also of revenue recognition is the first half of 2021.

However, we might have some good news considering the level of speed that both parties have made in the last... in the last weeks and months we might accelerate a bit imagining a full operation by Q1.

But if you want to take a conservative and solid approach, considering the full operation by the first half of 2021 is absolutely the most important suggestion that I can give you.

**Kerem Aksoy:** Yes, that makes more sense, and I mean, that's a very fair response, you have a lot of things to deal with... you know, I noted that you're planning on consolidating the JV, may I ask some details on who's in control of the JV's voting rights, economic rights. Has any of that been decided or how will that work?

**Carlalberto Guglielminotti:** I mean, in the memorandum of understanding, we agreed on the control and governance mechanism that will be included in the definitive agreement, right?

So, on the basis of this mechanism, we are expected to consolidate the results of the Joint Venture, and this is for a series of mechanisms that are obviously technical aspects... but at the governance level from the traditional perspective the board of directors is balanced.

I mean, one of the mechanisms we agreed, is that the board would be composed by 6 members, 3 of whom would be appointed by FCA, including the CEO and 3 appointed by ENGIE Eps including the Executive Chairman.

So essentially... there is... the message... the main message is that there is a very well-structured equilibrium between the parties because we are contributing to this business in terms of assets and financial resources in the same way.

However, eventually the governance technicalities that we agreed would enable ENGIE Eps to consolidate entirely line by line this business.

**Kerem Aksoy:** OK, and then... Ok, that makes sense. There is a name for it yet or anything...

**Carlalberto Guglielminotti:** Sorry I didn't get you.

**Kerem Aksoy:** I was going to ask the name for the JV, etc.,

**Carlalberto Guglielminotti:** No... No... No... there is not yet the name and logo and legal seat are not yet decided, the first... on the logo and the name let me say that this is one of the items that would be finalized before... certainly before the signature of the definitive agreement and will be communicated in due course. So, a bit of patience, and we will also update the market also on those very important commercial aspects... the same thing for the logo... whilst from... from the legal seat perspective the JV will be initially based in Milan... and not in Turin which is the headquarter of FCA in Italy.

I mean, ENGIE Eps is an Italian company... based in Milan and for obvious reasons, keeping the headquarters of the Joint Venture in the same city will mean that its operation can begin in the shorter term obviously. It's more a matter of speeding up things. Thank you very much Keren.

**Kerem Aksoy:** I have one more question...

**Carlalberto Guglielminotti:** Ah sorry.

**Kerem Aksoy:** Can I... I have one more question... could you provide an update on the ENGIE sales process. And I was just wondering, how does this announcement play into that or does it play into that all?

**Carlalberto Guglielminotti:** Ok, I mean... there is no impact, nor correlation between this deal, which is purely driven by... value creation... of the business strategy perspective and the process ran from ENGIE, which is, as you know, a strategic review that might end with a potential divestment of their stake in EPS, ok?

So having said that, that's almost totally irrelevant, meaning that we are all aware that ENGIE Eps is an Italian company, spin off of the Polytechnic university of Turin and Milan with facilities in Milan, Turin and Valtellina, and we are entirely based in Italy, and listed in Paris, than for the benefit of everybody, because that's an important point, in late September, our majority shareholder, which is ENGIE today, the French government group that currently holds 60% of our capital, announced a strategic review of its holdings, ok? That could result in the stakes of ENGIE Eps.

This was not coming as a surprise, let me say from our perspective, the newspapers have reported various ongoing major divestment, by the way, that are not correlated with the strategic review of ENGIE Eps, but certainly that's the same effect, ok?

So, the creation of the joint venture with FCA is unrelated to all of this ok? And it is solely focused on strengthening the e-mobility business, which is one of our product lines by offering suite of products, services for our customers, making revenues and margins. That's... that's... that's the goal of the JV. And that is totally unrelated to obviously very well publicly discussed projects by our majority shareholder, ok?

And on the process, obviously, in terms of next steps... of the strategic review and potential divestment, I will suggest you to directly revert to ENGIE that question, because that's not a process that I'm in control of, I mean, I'm in control of the business, I'm not in control of what our majority shareholder is doing, even if we are... we have an exceptional relationship in that being super supportive as a shareholder and super

supportive also at the board level of this transaction and that's the reason why this transaction has been approved unanimously at the board level, but that's totally unrelated, just for sake of clarity.

**Keren Aksoy:** Thank you very much and congratulations for this transaction. It looks great.

**Carlalberto Guglielminotti:** Thank you Karen, operator any further question?

**Operator:** The next question is from Fabrice Theveneau from Lyxor, please go ahead.

**Fabrice Theveneau:** Yes, hello to all, hello Carlalberto... I was just thinking back on the envelope calculation, and it seems to me that without having a precise number, I mean, the size of this business could be in 5 years from now comparable to the average size of the other businesses? Does that make any sense? And it could potentially rank as the second biggest division you have probably behind the Giga Project? The second question relates to financing, so you have, I mean, all your businesses are in exciting areas. You also relaunching the hydrogen part, which is also expected to grow very quickly. Could you explain a bit the financing? So, I guess you... there's many ways, but parts of the ways could be that you might get significant advance payments on the large contracts with the government in Hawaii, it could also relate to... with more volumes, I guess profitability will improve. Could you explain us a bit... and also in this JV, I guess you organize that to... to have a capital-light structure and probably not involved a lot of financing... that would be useful to understand, thank you very much.

**Carlalberto Guglielminotti:** Thank you very much for those questions. I will address the first 3 and then leaving the floor to Giuseppe for the fourth related to Guam and Hawaii.

So, on the comparability of size, so adding further color to... to the potential of this JV, I totally agree with you. I mean, certainly the size of this opportunity is comparable in terms of volumes and in terms of... in terms of potential size of our revenues with the major one we have, which is Giga Storage.

So, it certainly is not lower than... it's a matter of the ramp up, ok? We can plug whatever... whatever assumption we have in mind, but certainly is comparable in terms of growth to the figures that we already have in mind for the Giga Storage and Industrial Solution, then from the... the second question the answer is yes, certainly this will become the second product line by importance in this company after Giga Storage if not comparable, in the, if not short, in the medium term, Yes, with no doubt.

On the... on the hydrogen growth, you have seen that we recently launched very important projects on the growth going forward, you know, we consider hydrogen as a technology. So essentially that's part of our heritage, that's absolutely part of our compelling know-how in this field, which is certainly not unique but few players in the world have the ability to integrate hydrogen as we have done. However, we consider hydrogen as a pure technology play, meaning that we are not selling hydrogen, Right? So, we are selling Industrial Solutions, ok? So, we sell Giga Storage projects, Industrial Solutions and e-mobility, that's very simple. So, we consider hydrogen not as a sort of religion or something in which we have to necessarily believe in, we leave these mantras to other kinds of companies because hydrogen is not necessary for us in order to develop our projects. Therefore, as far as hydrogen will be competitive in the specific business case we will develop with the customer or with the industrial customer or the specific customer is requesting hydrogen for a series of reasons, which might be the tremendous liquidity that will be injected also by the European Union for this... for this sector, like the 40 billion plan that is... that has been announced, certainly we are able to provide our customers, because it makes sense, in the first case or because the customer is requesting that, we are ready to integrate electrolyzers, fuel cells, whatever, because that's our job we are integrators not energy provider, we have always dealt with

hydrogen, and certainly if there would be an opportunity we would be there playing very clearly as a leader in this space.

Then on the JV... I reply to the JV capital structure, but before there was... the fourth question you made... so Guam and Hawaii... And therefore... no problem, and I hand over to Giuseppe and then I will come to you with the answer on the capital structure, Giuseppe floor is yours.

**Giuseppe Artizzu:** Thank you, Carlalberto. I mean, the answer is not actually Guam and Hawaii specific, but in general on the working capital profile of our contracts. So, I would say that normally, and again it applies to Guam and Hawaii and it's particularly relevant for Guam and Hawaii, because they are larger because of the sheer magnitude of the contract, but it is a general contest.

So normally our contracts start, as you rightly pointed out, as working-capital negative, meaning that it is market practice that we get 10 to 20% cash advance at the beginning, and then we have sort of milestone payments when we deliver front end engineering on the projects.

So, initially, our contracts are normally capital-light, actually, working capital negative. Then we have always a large cash outflow when the batteries are delivered, and that happens roughly at 2/3 of the life of the project. And that bring us to cash flow neutrality, occasionally marginally working-capital positive. And then the project remains marginally working-capital positive through the end, because the last milestone payment is normally at acceptance of the project and normally there is a gap of a few weeks, maximum a-couple-of-month time, between the time we pay the last suppliers and the time the last payment is released because the contract is accepted.

Guam and Hawaii will not change that from a timetable perspective, so looking at the advance payments on Guam and Hawaii or other large contracts as a structural source of potential financing, I think that's a bit... it would be misleading, even though it may actually be the case on a single contract basis. Because, I mean, they are not overlapping, so in general, the working-capital-negative phase of a project would compensate the marginally working-capital-positive phase that is the tail end of other projects.

So, I would not look at, for sure with respect to the joint venture, but generally to the way we finance our business, the operating cash flow around contracts as a structural source of funding. So we do need a financial planning, and so financing... bank financing or equity financing, to support the working capital dynamics of the business, despite the fact that we are generally extremely careful to maintain the cash flow neutrality of the operating cash flow profile of the large contracts cycle. I hope I addressed the question.

**Carlalberto Guglielminotti:** Ok, and then last question you made was on the JV capital structure and the financing structure, I mean, I would take really the exact wording of the press release because this joint venture will rely on FCA's financial resources and industrial footprint and on ENGIE Eps technological know-how and intellectual property portfolio. That's the reason why we do not expect any negative cash absorption or investment needed in order to do what we announced today.

**Fabrice Theveneau:** OK, very good. Thank you. And just also. I know you don't... you can't come in too much on the... on the potential ENGIE disposal, but as far as we are concerned we would be delighted if

this stock... would... we have a similar situation where the stock would remain quoted and we could remain shareholders in the company for the long run? Thank you.

**Carlalberto Guglielminotti:** Thank you very much, you know that we... we can clearly see our pride when we see... when we heard words like that, in any event the market is the market and therefore we

will accept with the same level of excitement and commitment any decision the shareholder would make in the event in which a tender offer would be launched. Thank you very much.

**Fabrice Theveneau:** Thank you.

**Operator:** Again, if you have a question, please press "\*" then 1... This concludes our question.... and excuse me, the next question is from a Jean Bellanger from Société Générale. Please go ahead.

**Jean-Michel Belanger:** Ok, yeah, hi, good morning and congratulations for a very nice achievement. I just had a quick one. When you mentioned that the JV would be consolidated in your accounts. Do you mean that it would be consolidated for the equity method or fully consolidated?

**Carlalberto Guglielminotti:** Thank you, Jean Michelle. That's absolutely correct and smart technical question and the answer is that we are expecting a full consolidation, therefore line by line. Sorry for the unclarity... but this is a footnote in our Press Release... so it is absolutely clarified, that's a full consolidation line by line, this is what to expect.

**Jean-Michel Belanger:** OK, so it means that you would have the majority stake in the JV.

**Carlalberto Guglielminotti:** I mean, not necessarily, you know, there are governance, being in 2020... there are governance mechanism for which not necessarily a majority stake of the equity is turning into an automatic... automatic consolidation of the business, so we are considering the level of... the level of governance that we agreed with FCA, we would not be surprised to see maybe ENGIE Eps at 49.9 and FCA at 50.1 with a balanced board, as I mentioned, however, with a full consolidation, there are plenty of mechanisms of technicalities, particularly from the IFRS perspective. And considering the analysis that we have done with the current sophistication of governance we agreed in the memorandum of understanding... this would... this would give the full consolidation line by line of results into our P&L.

**Jean-Michel Belanger:** OK, thanks a lot Carlalberto and congratulations again.

**Carlalberto Guglielminotti:** Thank you, Jean Michel.

**Operator:** This concludes our question and answer session. I would like to turn the conference back over to Carlalberto Guglielminotti for any closing remarks.

**Carlalberto Guglielminotti:** Well, simply, thank you very much for attending this investor call and for all your good question, and we all wish you a great day, Thanks again.