

2013 Annual Results : video interview with Gérard Mestrallet

Adrian Dearnell: GDF SUEZ reports results for 2013. Gérard Mestrallet, hello. What are the main takeaways from 2013?

We had a solid operational performance in 2013, achieving all of our industrial and financial goals. Organic revenues grew to 81.3 billion euros. Recurring net income turned out at 3.4 billion euros. Our Group continued with its ambitious investment program and significantly reduced its net debt. Our debt dipped below 30 billion euros, one year ahead of our original schedule. Finally, our cash generation was so strong that our Board of Directors is able to put forward to the General Shareholders' Meeting a proposed dividend of 1.5 euro per share for 2013.

2013 was also a very good year from an industrial perspective. All of this confirms our strategy.

Adrian Dearnell: Let's talk about your strategy. What are its key features?

It's really quite simple - we have two goals. We want to set the standard, in order to be the benchmark energy company in fast growing markets. We also want to be leader of the energy transition in Europe.

We continued to expand our leadership in independent power production in fast growing markets. We commissioned significant generation capacity in the Middle East and South America. We also entered promising new markets in South Africa, Mongolia, India and Uruguay. Our gas activities were also very successful this year. We are even expecting to export LNG from the United States, thanks to a project to develop a liquefaction plant in Louisiana. In our energy services activities, we have significantly strengthened our worldwide presence, in Brazil and Australia for instance.

Adrian Dearnell: What about your strategy in Europe ?

We want to be leader of the energy transition in Europe. For that to happen, we need to be the energy partner of our customers, by promoting energy efficiency. We also need to support energy decarbonisation in Europe, thanks to renewables. Lastly, we need to take advantage of the opportunities offered by the digitalization of our businesses.

As you know, the situation in Europe is very difficult. By the way, along with other leading energy companies, I warned governments about this several months ago. I consider that the situation regarding energy production and natural gas storage in Europe has unfortunately deteriorated, both profoundly and durably. To reflect the impact of this environment on our accounts, we have made impairments of 15 billion euros to the Group's assets.

Adrian Dearnell: That is a significant amount. Could you explain a bit more ?

It is indeed a large amount, but it should be compared to the total amount of our assets, of more than 100 billion euros. In order to understand these impairments, we need to go back a few years, at the time of the merger between Gaz de France and SUEZ in 2008. Market conditions were radically different: high prices, increasing energy demand, and high share prices at both companies. By applying the new accounting standards at the time, the Group recorded asset revaluations of 24 billion euros instantaneously. Today, our industrial outlook has led us to make large impairments on the book value of some of our European activities, for an amount of 15 billion euros.

Although the amount of the impairments impacts our 2013 net profit, I want to underline that it does not affect our cash generation. It is consistent with the scale and strength of our strategic choices. Furthermore, these accounting impairments do not undermine the Group's growth outlook worldwide. Nor do they cast doubt on the quality, expertise and commitment of our teams working in these locations.

Adrian Dearnell: Tell us about Perform 2015. Has this ambitious performance plan, launched in 2012, yielded the expected results?

We easily surpassed the initial targets that we set for ourselves: Perform has had an impact of more than 400 million euros on the Group's net profit in 2013. This performance was made possible by the efforts and commitment of all our teams worldwide, both in support services and operational structures. I would like to take this opportunity to thank them all today.

However, the plan is not yet over. In an environment that remains difficult, we will be maintaining and extending our efforts in the coming year. Therefore, Jean-François Cirelli and I have together decided to give up 50% of our annual bonus for 2013. Everyone is making an effort.

Adrian Dearnell: In the current environment, how do you see 2014 for GDF SUEZ?

2014 must be dedicated to accelerating the implementation of our strategy worldwide. In both electricity, natural gas and energy services, we have ambitious industrial objectives for all our businesses, which lead us to raise our financial targets. In order to reach them, we have decided a new capital allocation policy, focusing on profitable growth. It combines the end of our asset disposal programme -- limited to normal minimal rotations from now on -- with an increase in our growth investment programme. We will invest 9 to 10 billion euros a year, starting in 2014, compared to 7.5 in 2013. At the same time, we are implementing a new shareholder return policy, with a payout ratio between 65 and 75% from now on, with a minimum dividend of 1 euro compared to the current 1.5 euro. The savings we are making will be fully dedicated to our investments for growth.

2014 should also enable us to prepare the future by strengthening innovation and research, while positioning ourselves in new business. Biogas, retail LNG, smart cities, demand-management and digital technology services are all examples of future themes, which our teams are already working on. To go further still, to better serve our customers, we have just set up a dedicated entity "Innovation and New Business". It aims to stimulate innovation within the Group and to capture new growth drivers.

Lastly, 2014 should also enable us to demonstrate how importantly we feel about environmental and social challenges, and corporate social responsibility. For example, we are committed to reducing our specific CO₂ emissions by 10% by 2020.



Adrian Dearnell: GDF SUEZ is also a major employer. What are your ambitions in this area ?

Indeed, we are and remain a leading employer, with plans to hire 15,000 people across the world in 2014, 9,000 of which in France. In parallel, GDF SUEZ is a responsible employer, with 150,000 employees, and strong ambitions in terms of health and safety, as well as promoting diversity at the heart of our companies.

Adrian Dearnell : Gérard Mestrallet, thank you.

Thank you.