direct energie

Press release

Paris, 14 March 2018

Operating profitability in line with target
Proposed dividend up by 40%

New growth in revenue and in EBITDA expected for 2018

The 2017 financial year demonstrates again the Group's capacity to expand business momentum with a record number of nearly 1 million customer sites acquired. Supporting this performance, the movement of vertical integration, marked primarily by the purchase of the Quadran group at the year's end, provides improved visibility of the future margins whilst reducing exposure to variations in wholesale market price.

Customer portfolio up by **24%**	**2.6 million customer sites**
Revenue up by **16.2%**	**€1,966.3 million**
Current operating income up by **17.6%**	**€102.1 million**
Operating production capacities	**1.35 GW**

In thousands of euros	**31/12/2017**	**31/12/2016**	**Change**
Revenue from ordinary activities	**1,966.3**	**1,692.4**	**16.2%**
Gross margin	**287.4**	**233.8**	**22.9%**
EBITDA (*)	**142.7**	**117.7**	**21.2%**
Current operating income	**102.1**	**86.8**	**17.6%**
Net income (**)	**51.9**	**123.6**	

(*) EBITDA corresponds to Current operating income restated for depreciations and share-based payments
(**) non cash effect of deferred taxes that impact the Net income (net change of €(66.8) m between 2016 and 2017)

Today's Board of Directors has approved the 2017 annual consolidated accounts. The audit procedures on the consolidated accounts have been completed and the audit report for the certification of the financial statements is being issued.

Dynamic growth

Annual revenue 2017 posts an increase of 16.2% rising to €1,966.3 million. This performance is based on the contribution from the Commercial Trade segment, still dynamic at €1,900 million (up by 13.1%), on the thermal Production segment whose contribution has increased 4.5-fold to €54.9 million thanks in part to the integration of the Marcinelle power plant, and on the consolidation of the Quadran group over the final two months of the year (€10.9 million).

The ramp-up of both conventional and renewable production assets reflects the implementation of the vertical integration strategy lead by the Group since 2016. The objective of this strategy is to have diversified production capacities, adjusted to the flexible energy needs of the customer portfolio, and in line with the French energy mix.

With 949,000 acquisitions (gross) achieved over the year versus 782,000 in 2016 (up by 21.4%), the Group confirms its ability to expand its business momentum in France in an increasingly competitive environment. The customer portfolio sites is thus showing growth of 24% (a net increase of 495,000 sites) to reach 2,558 thousand sites at end of 2017.

In thousands	**31/12/2017**	**31/12/2016**	***change***
Residential	2,161	1,705	***26.7%***
Non residential	397	358	***10.9%***
Total	**2,558**	**2,063**	***24.0%***

In thousands	**31/12/2017**	**31/12/2016**	***change***
Electricity	1,968	1,607	***22.5%***
Gas	590	456	***29.4%***
Total	**2,558**	**2,063**	***24.0%***

Continuing with vertical integration

At end of 2017, the Group's production capacities stand at 1.35 GW, 800 MW of which is thermal power and nearly 550 MW gross of renewable energy. Over the year, Quadran and its subsidiaries have generated 773 GWh of power, and commissioned nearly 187 MW of new projects.
Benefiting from the Marcinelle plant's consolidation in the Production segment, thermal energy production rises significantly from 1.4 TWh to 3 TWh.

Operational profitability up again

In this setting of sustained acquisitions of customer sites and increase in the volumes of energy sold, the Group cleared a gross margin of €287.4 million, up by 22.9%.

The commercialisation of gas and electricity, the main contributor to gross margin, reports gross growth of 1.2% at €227.2 million, rising to 6.8% after restatement with regulatory positive impacts for 2016. The gross margin 2016 effectively benefited from net positive effects amounting to €11.9 million, stemming specifically from the contribution delivered by the services contract with Enedis, which ended in September 2016, and from tariff adjustments further to the publication of retroactive orders in the second half of 2016.

The contribution from the gas power plants was particularly high in 2017 (€49.7 million versus €9.2 million in 2016). It underscores the relevance of the vertical integration strategy, which allowed the flexible production assets to take advantage of stress situations on the wholesale market, and to offset the increase implied in supply costs downstream.

Note should be taken of the entry of the Quadran group into the consolidation scope as from 31 October, 2017 and whose contribution is €10.5 million.

Current operating income shows growth of 17.6% at €102.1 million, thus highlighting the Group's ability to control costs in a context of high growth. The main components underlying this performance are as follows:

- the benefits of the vertical integration strategy, with thermal power assets contributing €25.3 million as opposed to €(5.7) million the year before;
- a €(6.5) million* increase in the other operating income and expenses linked to the French energy supply business, of which €(16.4) million attributable to an increase of expenditures incurred with external service providers in relation with the customer portfolio growth and the high pace of acquisitions. This rise in expenditures is partially offset by different components generating a net positive impact of €9.9 m (clearing of different recourses against administrative rulings, court decisions and legal disputes, increase of the unpaid receivables notably due to exogenous factors…)

(*) restated with the non recurring impact from the repayment in 2016 by GRDF of almost €10 million of unpaid amounts for distribution costs relative to the gas supply business

Impact of deferred taxes on the net income

The increase in the cost of net borrowings from €(10.8) million in 2016 to €(14.4) million in 2017 reflects the shift in the Group's financial structure further to the purchase of the Quadran Group at the end of October 2017, financed in particular by a dedicated acquisition loan of €230 million.

Furthermore, whereas the Group recognised deferred tax income of €40.9 million in 2016, a deferred tax expense of €(25.9) million was recorded in 2017. This variation of €(66.8) million, having no impact on cash-flow and which explains solely the fall in net income to €51.9 million versus €123.6 million at the end of 2016, is related primarily to:

- on the one hand, the reversal of temporary differences over the year linked in particular to the unwinding of energy forward purchases and which carried, at the end of 2016, significant deferred tax assets;
- and on the other, to the utilisation of losses carried forward from previous financial years and specifically from 2016.

Changes to the financial structure further to the integration of Quadran

Shareholders' equity amounted to €395.9 million, up by €178.4 million compared to 31 December 2016. This increase is explained for the most part by the capital increase carried out in July 2017 amounting to around €130 million in view of the acquisition of the Quadran group, and by the year's result of €51.9 million.

This external growth operation logically leads to a change in the financial structure of the new consolidated entity. Besides the acquisition debt, borrowings now also integrate the non-recourse project debts issued by the Quadran group to finance the development of its power production capacity. The consolidated net financial debt thus stands at:

€ m	31/12/2017	31/12/2016
Gross financial debt (*)	423	196
Margin calls received in cash	57	132
Margin calls paid in cash	(16)	(3)
Cash and cash equivalents (gross)	(291)	(369)
Net financial debt Direct Energie	**173**	**(44)**
Financial debt corporate	64	
Financial debt projects	465	
Retained earnings for financing	(14)	
Cash and cash equivalents (gross)	(43)	
Net financial debt Quadran	**472**	
Consolidated net financial debt	**645**	**(44)**

At 31 December 2017, interest rates on 86% of the Group's financial debt are fix or hedged.

(*) including the €230 million term loan raised for the acquisition of the group Quadran

Impact of the application of IFRS 15 starting January 2018

The implementation of the standard IFRS 15, mandatory as from 1 January 2018, has resulted in supply services, carried out by the grid operators and billed to end-users, no longer being recognised in revenue. This change has no impact on the Group's gross margin or its cash flow.
Restated with this change, 2017 revenue would have amounted to €1.141 million (a negative impact of €(825) million on published revenue).

2018 targets

Trusting in its ability to expand business momentum and to pursue the development of its production activities, specifically in the renewable segment, the Group has set itself 2018 objectives that again point to strong growth:

- a portfolio of three million customer sites;
- revenue between €1,350 million and €1,400 million at seasonal average temperatures, a growth rate ranging from 18.4% to 22.7%
- commissioning of new renewable energy projects by the Quadran group totalling 190 MW;
- EBITDA, at seasonal average temperatures, ranging between €195 million and €205 million.

The Group has decided to provide information on a projected range of EBITDA following the Quadran acquisition. This indicator, now monitored by the Board of Directors of Direct Energie, is indeed relevant to measure the performance of the renewable assets, and thus becomes key to evaluate the consolidated financial profitability.

Furthermore, the group reaffirms its target of reaching a portfolio of four million customer sites by the year 2020.

Proposed dividend up by 40%

The Board of Directors, at the next Shareholders' General Meeting to be held on 29 May 2018, has decided to propose a 2017 financial year dividend of €0.35 per share, an increase of 40%, with detachment scheduled for 1 June 2018 and payment on 4 June 2018.

The Board of Directors has also decided to the cancellation of 400,000 treasury shares, i.e. 0.88% of share capital, pursuant to the authorisation granted by the combined Shareholders' General Meeting of 30 May 2017 under the 21st resolution, as part of its share buy-back programme. Share capital now stands at €4,483,247.90 divided into 44 832 479 shares. The total number of theoretical voting rights is 70 019 021.

"*2017 is a new financial year of profitable growth for our business in a tougher competitive environment. Direct Energie has slightly exceeded its goal for current operating income, thus underscoring our strategy of vertical integration that has made a strong contribution over the year. 2017 was also a major milestone in the Group's consolidation; I am delighted with the integration of the Quadran group and their teams, with whom we will be pursuing the commissioning of new renewable energy production capacities. Thanks to robust fundamentals, Direct Energie will deliver another year of strong commercial growth,*" declares Xavier Caïtucoli, Chairman and CEO of Direct Energie.

Next publication:

Revenue for 1st quarter 2018 on 14 May 2018 after the markets close

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Publications: The Group's annual activity report, the financial statements and the presentation used for the analyst information meeting may be consulted on the Group's website (www.direct-energie.com).

About Direct Energie

As France's leading alternative energy player, Direct Energie positions itself as the energy operator of the 21st century by focusing its strategy on customer satisfaction, innovation and the development of the energies of the future. Operating in France (continental and overseas territories) and Belgium, the Group supplies electricity and gas to over 2.6 million residential and non-residential customer sites. Direct Energie also produces electricity through renewable production facilities (onshore wind, solar, hydraulic, and biogas) and conventional plants (natural gas combined cycle), located throughout the region.
In 2017, the Group achieved consolidated revenue of €1,966 million.

For more information, visit our website www.direct-energie.com

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Profit & Loss Account

In thousands of euros	31/12/2017	31/12/2016
Revenue from ordinary activities	**1,966,284**	**1,692,429**
Cost of sales	(1,678,884)	(1,458,660)
Gross margin	**287,400**	**233,769**
Personnel expenses	(39,956)	(34,583)
Other operating income and expenses	(107,300)	(83,242)
Depreciation and amortisation	(38,082)	(29,186)
Current operating income	**102,063**	**86,758**
Changes in fair value of Energy financial derivative instruments operational in nature	2,162	21,394
Disposals of non-current assets	(759)	(2,453)
Impairment of non-current assets	-	(112)
Income and expenses related to changes in scope of consolidation	(7,305)	(628)
Operating income	**96,161**	**104,959**
Cost of net debt	(14,417)	(10,819)
Other financial income and expenses	(467)	(389)
Financial income/(loss)	**(14,884)**	**(11,208)**
Corporate income tax	(29,326)	29,454
Share of net income from companies accounted for by the equity method	(66)	352
Net income from continuing operations	**51,885**	**123,557**
Net income from discontinued operations	-	-
Net income	**51,885**	**123,557**
of which Net income, Group share	51,871	123,557
of which Net income, minority interests	14	-
Earnings per share (in euros)	**1.21**	**3.01**
Diluted earnings per share (in euros)	**1.14**	**2.85**

Balance Sheet Assets

In thousands of euros	31/12/2017	31/12/2016
Goodwill	220,916	-
Intangible assets	70,214	50,170
Property, plant and equipment	718,179	76,217
Holdings in equity accounted companies	34,319	1,434
Non-current derivative financial instruments	14,596	19,334
Other non-current financial assets	40,765	1,342
Other non-current assets	4,873	8,210
Deferred tax assets	46,362	66,467
Non-current assets	**1,150,224**	**223,173**
Inventory	68,454	38,458
Trade receivables	523,602	413,279
Current derivative financial instruments	132,443	137,084
Other current financial assets	59,054	18,364
Other current assets	109,651	30,263
Cash and cash equivalents	333,582	368,867
Current assets	**1,226,786**	**1,006,314**
TOTAL ASSETS	**2,377,010**	**1,229,487**

Balance Sheet Liabilities

In thousands of euros	31/12/2017	31/12/2016
Share Capital and share premiums	169,106	15,307
Retained earnings and profit or loss	229,538	188,769
Treasury shares	(16,503)	(207)
Other comprehensive income	7,502	13,630
Shareholders' equity - Group share	**389,644**	**217,499**
Non-controlling interests	6,271	-
TOTAL SHAREHOLDERS' EQUITY	**395,915**	**217,499**
Non-current provisions	41,131	37,658
Non-current derivative financial instruments	12,479	17,311
Other non-current financial liabilities	933,599	182,843
Other non-current liabilities	5,982	4,759
Deferred tax liabilities	46,124	13,065
Non-current liabilities	**1,039,315**	**255,637**
Current provisions	19,100	14,169
Trade payables	350,740	242,602
Current derivative financial instruments	117,646	103,925
Other current financial liabilities	122,145	145,689
Other current liabilities	332,149	249,966
Current liabilities	**941,780**	**756,351**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,377,010**	**1,229,487**

Statement of changes in equity

In thousands of euros	Share capital	Share premiums	Retained earnings and profit or loss	Treasury shares	Changes in fair value	Shareholder's equity (Group's share)	Non controlling interests	Total shareholder's equity
Shareholder's equity at 31/12/2016	**4 150**	**11 157**	**188 769**	**(207)**	**13 630**	**217 499**	**-**	**217 499**
Net income	-	-	51 871	-	-	51 871	14	51 885
Other comprehensive income	-	-	-	-	(6 128)	(6 128)	35	(6 093)
Comprehensive income	**-**	**-**	**51 871**	**-**	**(6 128)**	**45 743**	**49**	**45 792**
Capital increase	295	145 023	-	-	-	145 318	-	145 318
Options excercised	74	8 407	-	-	-	8 481	-	8 481
Options	-	-	2 527	-	-	2 527	-	2 527
Treasury shares purchases/sales	-	-	(16)	(16 296)	-	(16 312)	-	(16 312)
Dividends paid	-	-	(10 407)	-	-	(10 407)	-	(10 407)
Other changes	-	-	(3 205)	-	-	(3 205)	6 222	3 017
Shareholder'equity at 31/12/2017	**4 519**	**164 587**	**229 538**	**(16 503)**	**7 502**	**389 644**	**6 271**	**395 915**

Cashflow table

En milliers d'euros	31/12/2017	31/12/2016
Consolidated net income	51 885	123 557
Tax expenses / income	29 326	(29 454)
Financial income / (loss)	14 884	11 208
Income before taxes and financial expenses	**96 095**	**105 311**
Depreciation and amortisation	38 080	29 186
Impairement	(0)	112
Provisions	15 545	31 926
Effect of changes in consolidation scope and other gains/losses on disposals	1 855	0
Expenses related to share-based payments	2 527	1 738
Change in fair value of financial instruments	3 270	(25 280)
Other financial items with no cash impact	(98)	2 138
Share of income from associates	77	(352)
Items with no cash impact	**61 257**	**39 468**
Income tax paid	(8 300)	(10 636)
Change in working capital requirement	(67 522)	84 873
Net cash flow from operating activities	**81 531**	**219 016**
Acquisition of fixed assets	(108 142)	(33 770)
Disposal of fixed assets	154	0
Change in deposits and guarantees	(91 358)	184 812
Acquisition of shares in companies not fully integrated	0	(10)
Disposal of shares in companies not fully integrated	141	-
Disposal of securities available for sale	299	-
Acquisition of subsidiary and merger, not including the acquired cash	(268 165)	(35 453)
Net change in loans originated by the company	(10 304)	2 154
Net cash flow from investment activities	**(477 374)**	**117 733**
Sums received from shareholders during capital increases	137 688	6 304
Treasury shares	(16 312)	(119)
Proceeds from borrowings	277 582	185 541
Repayment of borrowings	(11 546)	(177 117)
Interest paid	(16 882)	(11 173)
Interest received	521	901
Dividends paid	(10 407)	(8 242)
Net cash flow from financing activities	**360 645**	**(3 904)**
Net change in cash and cash equivalents	**(35 199)**	**332 844**
Cash and cash equivalents at beginning of year	**364 837**	**31 993**
Cash and cash equivalents at end of year	**329 638**	**364 837**