MARKET UPDATE 2025

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Delphine Deshayes

I would like to hand over to Catherine for our Market Update.

Catherine MacGregor

All right. So hello again everyone. I am now going to kick off our Market Update section joined by Paulo and Pierre-François. But first let us look back at what we have achieved over the past four years because I don't think it is an exaggeration to state that ENGIE has completely transformed itself over that period. We have invested €25 billion on our strategic priorities. Half of this investment has been funded thanks to an active disposal program of €12 billion over the period which has been covering pretty much the 4 continents where we operate each of our business units.

We have added 15GW of new capacity in renewables and we have more than doubled our combined wind and solar capacity. We have made a pivotal and decisive move into the battery world. We were nowhere in battery just a couple of years ago. All this expansion with outstanding execution both in terms of schedule and budget.

We have also expanded in power networks to complement our existing strong position in highly cash generative gas networks. We just discussed them and we have achieved commercial success capitalising on our energy management expertise. And you can see that in the results of our PPA position where we have today a portfolio of 14GW.

We have also worked on our organisation. We have simplified it. We have reorganized around 4 global business units back in 2021. We are really working to bring a more centralized, industrial and less decentralized conglomerate like structure that is making us far more effective as a group with over €900 million of efficiency gains over the last 4 years.

And you can see the result of all these efforts into our numbers. I think the graph on the right hand side speaks for itself. We have actually doubled our annual net income from the €2.5 billion level during the period of 2016 and 2021 to the €5 billion plus average of the last 3 years from '22 to '24. We have rewarded our shareholders with over €10 billion in dividends and we have achieved a total shareholder return of no less than 64% in the period '21 to '24. At the same time we have derisked and transformed the makeup of our earnings, because

40% of these earnings back in 2016 came from E&P, LNG, coal and Belgian nuclear merchant, over all of which will have been either stopped or sold by 2027.

Meanwhile, our balance sheet headroom has improved markedly with a ratio of net debt-to-EBITDA down from 4.0x to 3.1x between '21 and '24. And I have to add the nuclear deal which we worked alongside all these achievements, that represents indeed a major de-risking step for our Group.

The biggest achievement of all in our mind when we talk between us here at ENGIE is that we feel that we have turned ENGIE into one single team, super focused on business, all about business, with obviously incredible skills, expertise, motivation, strong alignment with the company's purpose, always and also self-confidence. But I can guarantee you there is not one ounce of complacency among ENGIE team members.

So what now? Obviously, in the highly dynamic context, I think that's an understatement that we are all facing. It is really important to reaffirm a few convictions. Our view at ENGIE is that they are structural engines to the energy transition. These engines, they include power demand, they include a need for affordability. They include sovereignty. They include of course, climate considerations.

Electricity demand, because it is set to rise faster over the coming years, which is going to be based on economic growth, on decarbonization and the rapid development of sectors such as cloud, AI, crypto, EV, etc.

Affordability, undisputably another factor for the energy transition, all the more in Europe because renewables are now cheaper. It is a fact and with the right combination of storage, flexible backup, efficiency, grid, there is a path towards bringing low carbon power that is affordable.

The third key driver is sovereignty. It is the drive for home grown homegrown electrons, homegrown molecules. It removes the dependency of our countries, of the country where we operate on outside influences when it comes to feedstock supply and also pricing. This means obviously expansion in renewables, but also making use of whatever local resources you can find, which is why we are so excited about the potential in biomethane in France and in Europe.

And of course the fourth driver bringing momentum for cleaner energy is definitely climate, as a vast majority of countries, governments, corporations and citizens still see the fight against climate change as a critical agenda item.

And we have three convictions still, as you know them very well:

The first is that there is a wave of electrification, but gas has a crucial complementary role. I'm not a big poet, but I would say electrification is on its way, molecules are here to stay. That's what we like to say at ENGIE and this is the poet in me.

Second of our conviction, flexibility in all its forms is needed to underpin the resiliency of the infrastructure and to adapt to the greater complexity of a more renewables led power market.

The third of our conviction is that electrification will require massive power grid strengthening. But this investment will obviously need to be made very wisely given the affordability and the acceptability constraint that these big infrastructure build out represents.

So given this context, what does that mean for ENGIE? We want ENGIE to be role modeling the most affordable and secure energy transition and we have what it takes. In fact, we have this realistic ambition to be simply the best energy transition utility. And what do we mean by that? We mean that we are going to rely on some key differentiators and we have some. Sometimes people ask us what is so special about ENGIE?

Well, first, we have the right business and geographical mix. We have a business mix which starts with an incredible portfolio of assets, assets that are fit for purpose, especially given the convictions that I have just laid out. And we have for this asset unrivalled energy management capabilities. We also have a geographical balance. That geographical balance gives us optionalities. As you can see, market shifts do occur every so often.

The second, the best utility has to include a share of highly regulated and predictable assets. And we have exactly that in the form of our gas networks in France, which are very highly cash generative and contribute to our growth investments. In our mind, being the best utility also means that we have to have a very strict discipline in our capital allocation decisions with a strong focus on performance. We are not going to accept low productivity or bureaucracy. You will notice, in fact that we are going to double the pace of our performance targets for '25 to '27.

And third, people and expertise. As CEO of ENGIE you can imagine I get all the motivation I need from my 98,000 colleagues who themselves are so committed to get up and every day make the transition happen. And I would like to take a second to thank every one of them today for their unswerving efforts, because I like to say this is my little bragging moment at ENGIE, we simply have the best people in the industry.

So to support this ambition, we are making changes to our organization. We are evolving the makeup of our Global Business Units for 3 reasons.

We want to be in the best possible position to capture the opportunities that we see in the market. Particularly to advance this ambition that we have to be one of the first to offer 24/7 carbon free electricity to all of our customers as well as to expand in power networks.

The second reason is that we want to further strengthen our industrial dimension and unlock synergies, particularly in the renewable and battery space.

And third, which is a well-known bugbear of mine, to continue to simplify organization and our processes.

As you can see, we start from a position of strength. If I look at the new Renewables and Flex Power, which is led by Paulo here, it combines 102GW of power generation capacity with scale in renewables, in colocated batteries, in standalone batteries, in pump storage and gas fired generation.

The Network's global business unit comprises €32 billion of RAB in French gas and €5 billion of capital employed in power and gas networks overseas.

Local Energy Infrastructures, new name for Energy Solutions is a leader industry heating and cooling with close to 350 urban networks under ENGIE operations.

The new Supply and Energy Management Global Business Unit brings together energy management and our two downstream activities, B2B which was the S in GEMS and B2C which is our retail business. Those two total to more than 500TWh of energy supply a year. And finally we have moved from, remember the 25 business units back in 2019 to 4 Global Business Units. And we are further simplifying under 3 reporting segments from now on, which are shown from left to right.

Over recent years, we have aggressively ramped up our competencies in data, digital and AI. Today, obviously they play a fundamental role from the top to the bottom in our industrial processes. And given the complexity of our markets, it's essential for us to keep up the pace. So for instance, we put the vast majority of data in the cloud. We have a 80% target at the end of 2027 and we want to more than triple the amount of near real time data collected by that same date.

And how to create value from this? There are many, many ways. So I just picked one example which is within the asset optimization world, where forecasting energy supply and demand is very important. So we're doing it as accurately as possible. It is important because it allows us to optimize production to match client needs and ultimately to ensure that energy systems are balanced. It requires processing a lot of data from a variety of sources, all kind of sources, including weather data, but in very, very short time frames.

So what we do is that we continuously reinforce our forecasting capabilities, obviously using AI, which means that last year in 2024, a control desk was able to save in the high teens of millions of euros in a pilot project. So obviously we're working to scale up this for even more impact. Stay tuned on this. And we're making sure that every business, every support function today at ENGIE is progressing alongside its data and digital roadmap to make sure we have business impact, but also that we are contributing to the performance plan that Pierre-François is going to elaborate on.

I'm going to now turn to our climate strategy as decarbonization remains a key consideration behind all of our decisions. Today we are announcing a new objective for total scope 1, 2 and 3 greenhouse gas emissions. We are targeting a range of 120 million tonnes to 140 million tonnes in 2030, which implies a 55% decrease from 2017, which is the reference year. It's an improved ambition, which is really the result of the good progress that we have made already in reducing our emissions to-date. We are also of course extending our climate strategy to climate adaptation, which means at the asset level we have and working on detailed plans for every site which is subject to climate risk and at the portfolio level, more resiliency that can be achieved through a more diversified asset mix, both in terms of technology and geography.

These targets will be voted on via a consultative say on climate at the AGM at the end of April. And we are very encouraged by the progress that we've made on this ESG criteria because they have been very carefully chosen to be fully in line with our performance requirements. They are meaningful to the business, to our value creation and they are ultimately guaranteeing the sustainability of the company on all dimensions, including economically and in a way, future proofing our Group.

So what are our key 2030 operational targets?

Well, we aim for 95GW of renewables and storage, which is compared to a position of 51GW today, an average of 7GW of additional capacity per year. You will see that for this target we no longer split up renewables and batteries targets as we are benefiting from strong pipelines in both. And we want to keep the optionality depending on what opportunity will bring us the most attractive returns as well as will play a more important role in our asset portfolio.

And outside generation, we target a near doubling of power transmission lines in operation, a near quadrupling of biomethane capacity connected to our gas grid in France and a 40% rise in B2B and B2C power sales.

So with these growth targets we are obviously determined to deliver even more value to our shareholders over the coming years. So despite lower energy forward prices compared to what we showed you last year, I'm pleased indeed that we are raising our guidance for NRIgs for 2025 and we are improving our outlook for 2026. We provide our first guidance for 2027 and this will result in a mid-single digit year-on-year rise.

And as a result of our investment plan and the Belgian deal, very importantly from the start of 2026 we become more stable, more utility like in terms of our earnings mix and trajectory. We are cutting our exposure to open market power prices and in batteries we aim for half of the revenues over the first five years to be contracted. Potential benefits of course from market volatility and high unhedged prices such as what we see intraday movements in Europe, in Texas, from higher penetration of renewables, this to a large extent becomes a bit like icing on the cake. On the back of a stabler, steadier earnings mix.

From 2026 we are proposing to increase the dividend floor from €0.65 to €1.10 while maintaining our 65% to 75% payout range.

With that I'm going to turn over to Paulo Almirante for a deep dive on our Renewables and Flex Power Global Business Unit. Thank you. Paulo?

Paulo Almirante

Thank you, Catherine. Good afternoon everyone. After talking about the dividend policy, I think my presentation is not going to raise any interest. Anyway the new Global Business Unit, Renewable and Flex Power as mentioned by Catherine, is bringing together all our upstream power assets, a significant installed capacity, or around 100GW which 50% is green power and 50% is gas generation. These assets are well distributed geographically which brings diversity of business models and diversity of regulatory framework. One-third is in Europe, one-third in AMEA and one-third in the Americas. In these regions we focus in each of them in three key countries in Europe, France, Spain and the UK, in AMEA, India, South Africa and Australia and in the Americas, Brazil, Chile and the U.S. This new GBU represents around 40% of the Group EBIT in 2024 and aggregates 9,000 employees, maximizing synergies from BD to operations, for example, optimizing BD teams, optimizing land leases, or benefiting from economies of scale when using common suppliers. One important element is that by combining renewables with batteries, we can offer our clients 24/7 green power. When we add gas generation, we can ensure security of supply with low CO2 impact.

Let's have a look at our pipeline. At the end of '24 we have reached 115 of renewable and batteries pipeline. As you know, there is no growth without pipeline and there is no value creation without a quality pipeline. At ENGIE, we have a solid and competitive pipeline developed by BD teams well established in our key countries and that with the coordination of a central team which pilots devex, monitors time to market and prioritize these projects based on value creation. They can create this level of pipeline and prepare ourselves for new projects as we go along. When we look at the graphs, you can see that about 60% of the pipeline is secured or is in advanced development, 40% is wind and 40% is solar, with batteries accounting now around 20GW of that pipeline. This is a significant growth from almost nothing just a couple of years ago. In terms of geographical footprint, this pipeline is well diversified, which gives us flexibility to choose the projects where demand and markets are more attractive. For example, if there is a slowdown in growth in the US we have enough pipeline to redirect investments to other regions. The target for '25 is 50GW of renewables as announced in 2021 and we are on track to achieve that. When we combine all technologies, we should achieve 57GW. And if we apply a cover ratio of 2.4x to our pipeline, we can add 38GW over the next five years, bringing our installed capacity of renewables and storage to 95GW by 2030. This becomes our new target, all renewable and storage capacities combined.

Well, it's important now that we are entering into a new phase to look at our track record in the last 4 years. As you can see in the slide, between 2020 and 2023 we invested €12 billion of CapEx in renewables and batteries. And this is mainly through organic development. This resulted in a significant increase of capacity of 14GW and a strong contribution to earnings with EBIT of €1 billion in 2024. That demonstrates that our growth is about profitable MWs.

In the center of the slide you can see project IRRs for a representative sample of investments. Most projects achieve an IRR of 7% to 11% and the average has increased by 50bps in '24. This is the result of applying strict investment criteria, a high level of execution performance and a business model with a contracted profile of around 70%. We have almost forgotten the challenges that we have faced in recent years with supply chain disruptions, CapEx inflation, political turmoil. Despite all that, we were able to deliver growth and value creation.

And we will continue to face challenges going forward, negative prices, curtailment and once again political turmoil. But our teams are well prepared, experienced. They are based on robust processes and growing with digital tools that can support this level of deployment. As Catherine mentioned, execution on time and on budget.

So we have the confidence to deliver on these targets by 2030. And one thing we are sure, renewables will continue to grow. This is the only technology that can be deployed at scale and with a competitive price. However, renewables are intermittent and intermittency brings volatility to the markets. What you see in the slide are a few examples. ERCOT in the US, France and Belgium, which clearly show a structural increase on the volatility of daily prices. This is caused by excess of solar generation during the day, bringing prices down or to negative levels and also the variability of wind which can create significant price spikes during the day. The only response to this kind of problems are flexible assets, mainly batteries or gas generation. Another factor of intermittency is that it is changing the way gas assets are remunerated. And this is illustrated on the right side of the slide for our European fleet. You can see load factors are reducing by half. However, whilst the capture spark spread is not flat, is increasing massively more than double which is the contrary to the load factor that you see on that slide. Another important element of course that you see on the bars is that EBIT is reducing. However it stays well above the pre-crisis level. So the new driver for remunerating gas assets is mainly volatility.

On the lower side of the slide we want to show that flexible assets provide value to all stakeholders across the value chain. They can support the grid and benefit from CRMs, capacity remuneration. They can participate in the intraday markets benefiting from balancing services or they can capture a premium from customers to enable base load green power.

So let's have a more detailed look at our gas fleet. The international fleet around 36GW in LATAM and AMEA is mainly contracted under long term PPAs with a remaining life of 8 to 10 years. In LATAM we do have some market exposure which we hedge with our downstream portfolio. You are aware in recent months we announced the sale of assets in markets like Singapore, Kuwait or Bahrain. These divestments allow us to align with the CO2 trajectory of the group and with this geographical strategy. This fleet contributed with around 60% of the gas generation EBIT in 2024.

On the lower side of the slide we have the European fleet, around 15GW with a business model which is more exposed to the market. On one side the need for security of supply allows us to capture good margins on the hedging and on the other side the daily balancing allow us to capture price spikes with the open positions. So globally we have a performing fleet that contributes with strong earnings and offer good visibility. Going forward we can expect an EBIT contribution of €0.6 billion to €1 billion per year.

Let's look at batteries now. There are two major needs in the sector today. Balancing the intermittence of renewables to stabilize the system, and strong demand for 24/7 green power. In other words, to move from as-generated to as-consumed PPAs. The only industrial solution that can be deployed at scale are batteries to resolve these two issues. ENGIE was in fact the first mover on this market. And as mentioned by Catherine, with the acquisition of Broad Reach Power in 2023, we are now able to have 5GW of assets in operation or under construction. We expect a significant growth of this market and of ENGIE with an increase of negative hours across all the markets where we have a presence and a significant decrease in the cost of batteries by more than 30% since 2023.

In addition, we can benefit from co-location, not only in terms of costs, but mainly in terms of time to market with faster access to permits, with faster access to the grid. However, there is an important element to reveal. Capturing the revenues of batteries is not simple. It requires sophisticated systems and strong skills which we have with our energy management teams. And we believe it is a competitive advantage for this specific market. Typically we target to secure 50% to 70% of the battery revenues and for '27 we have already secured more than 50% of the batteries that are in operation. So here our plan is to invest €5 billion of gross CapEx and achieve around €0.4 billion of EBIT contribution by 2027.

So to conclude, we are starting a new phase with a new objective to achieve 95GW of installed capacity by 2030. We are well prepared to execute the plan and deliver growth with value creation as we have been doing since 2021.

With that I hand over back to Catherine.

Catherine MacGregor

Thank you, Paulo. I will cover now, very briefly, the other three GBU's and then we will have a break, short break. So I'm going to start with the Supply and Energy Management GBU, which is going to be instrumental to our 24/7 decarbonized power ambition. This GBU has an unrivalled energy and risk management know how, coupled with a very strong commercial franchise.

The B2B, which is on the left hand side we obviously supply gas and power to around 200 energy intensive multi-site clients and other 200,000 non-residential users. With contracts of average 2 year duration this business gives us strong visibility with about 80% of the margin that is locked in at the start of the year. We also run within B2B the largest global risk management franchise amongst utilities. We support 800 large customers and obviously these services tend to become more valuable especially after what has happened with the energy crisis in Europe.

Through ENGIE OneB2C we serve more than 20 million contracts. We are recognized as a low carbon supplier with 76% of our electricity volume sold through green offers. And for both of these businesses we have this ambition to increase our power sales by 40% up to 300TWh by 2030.

And finally Energy Management on which is GEMS, ex-GEM without the S. Energy Management leverages and extracts value from our portfolio of assets whether it's generation assets, whether it's storage assets but also the sourcing contracts we have in our portfolio. We consider them as assets and it also manages procurement for our B2B and B2C businesses optimizing our position accordingly, the heart of the integrated model of ENGIE.

And as mentioned earlier we are amongst the largest corporate PPA provider. I repeat, we have a capacity of 14GW in our portfolio, in 2024 almost half of the 4.3GW that we signed were with data centers. So no surprise, growth is expected. We target actually by 2030 annual PPA volumes to be over 100TWh which would be a tenfold rise versus 2020.

Obviously the energy transition makes it more challenging for large users to get the power they want as they decarbonize. Increasingly they are asking us to provide power when they want it, not just when we produce it. Very similarly to what Paulo was saying. And we've tried to illustrate with this pyramid is, how a PPA becomes more sophisticated as we start from a base of local renewables production that can be provided via so called as-produced contracts. At the base of the pyramid you have the as-produced simple PPAs. And then you move up the pyramid, you top up with the whole toolbox of storage, of flexible solutions, of also green market access. Each additional element adds complexity and therefore adds value to the overall product. And we are determined to provide full carbon free power to our customers. This is why we have a target of 20%. This is an ambition that we have set for Edouard and his team and ENGIE actually because we are all contributing to this target that we want to be at 20% of our PPA volumes being 24/7 carbon free by 2030.

Moving on now to our Networks business which is going to be key in contributing to our asset balance and energy mix, the role of utility that I described earlier Networks providing this predictability, this long term cash flow that we have mentioned earlier, our regulated gas assets again they have a regulatory asset base of €32 billion. They have at least 3 years remaining in the current regulatory period.

Revenues are largely immune to inflation and volumes variation as they are claw back mechanism. And actually we discussed that in the first section. And they are substantial generators of cash flow because as you can see, we expect for those assets, a free cash flow generation of €8 billion for the period '25 to '27. It's also important to note that they are going to be playing a very important role in the decarbonization of the molecule. We are expecting to invest over €1 billion in that same period of time in raising the share of green gas. By 2030 we are actually aiming to quadruple the French biomethane production capacity that will be connected to our gas grid.

And for our own biomethane production we are targeting 10TWh that will be in France and also in a few countries in Europe when we have a presence. This rollout demonstrate that decarbonization of the existing infrastructure is real. It's achievable. It's happening, especially with biomethane which is very mature today. In green hydrogen we do maintain our ambition to be producing about 4GW by 2035. We recognize though that the market is taking a bit more time to emerge. We're still optimistic about its potential and its very important role in the success of the energy transition.

Turning to the next slide, still in the networks arena, we want to continue to raise the share of power in relation to gas in our Networks Business Unit. This is not something new. We've said that before, between 2021 and 2024 the power share of Networks EBIT more than tripled to over 8% and we are aiming to have that near doubling to 15% for 2027. At the end of 2024 we already operated 5,400 kilometers of lines. We target this to double over 10,000 kilometers, mainly in Latin America, where there is both a need for massive strengthening of its networks and also we have established competency and a very good track record that we rely on.

Last, it's no secret that we bid unsuccessfully for the UK electricity distributor ENWL in 2024 during the summer. We are going to continue to monitor the developments in distribution in Europe. We will consider a potential acquisition only if such an opportunity is value creative, aligned with a capital allocation policy offering us operational control and supported by a robust market regulation. We are determined, we will be focused on quality, but we are patient. We are patient and we are mindful of value.

Moving to Local Energy Infrastructures this is a new name for Energy Solutions Global Business Unit. Its financial results will be reported within the Infrastructures segment, but it remains a GBU. The market drivers for this activity continue to be very good with strong growth expected in heating and cooling solution, especially where at ENGIE we happen to have a very strong position. We are today among European leaders in district heating and in district cooling we have a sizable platform in the Gulf region with our shareholding at 40% in Tabreed, and our objective is to provide more than 20TWh of green distributed heat, cooling and power by 2030.

But we cannot be everywhere, and this is particularly true in these Global Business Units. So in parallel of focusing on growth in the domain I've just mentioned, we are taking bold decisions to focus on our 5 core markets in Europe where underlying margins and revenues have been trending upwards and we are placing our businesses in the Americas and in smaller European countries under strategic review. And I repeat, for the sake of clarity, I am only talking here about the Local Energy Infrastructures business ex-Energy Solutions. And we want to recenter, refocus geographically this business because as we are doing that, we are taking the opportunity to carry out an optimization of spans and layer. In this case, we are removing a regional consolidation level and merging support function. And I wanted to highlight this, as a very good example from the team representing a good concrete application of a performance and simplification program.

All right, I think we've all earned a break. Thank you for the attention. I think we have to come back at 3:30 sharp.

Thank you very much for the attention.

Pierre-François Riolacci

Okay, excellent. Thank you. And thank you for being back. I hope that you had an opportunity to stretch your legs and grab a good cup of coffee. And now we move into the funny part, because that's the numbers. So we all like it. And that's a difficult start. And I have to apologize because we changed a bit reporting segments and I know usually you don't like that very much, so never a very good moment, of course.

But I hope that you had a chance yesterday at least to put your head around our '23 pro forma so that you're not fully surprised. And now it's in line indeed with our new management reporting. So here are the key changes that you need to have in mind.

So Renewables and Flex Power our upstream activities will combine renewables, power storage facilities that include batteries but also pump storage. And we had pumped storage both actually in Renewables and Flex Gen. So now they are all in that same pack. And also gas generation. We are basically combining Renewables and Flex Gen together to maximize integration synergies. Batteries contribution will be reported together with renewables as increasingly the business is actually mingled. But to make sure that you can keep track of progress on batteries, we will keep sharing their specific contribution, including what is transferred and reported in Energy Management. So we would have the batteries number separate.

Infrastructures, no major change here versus previous organization. For reporting purpose we are including in that segment Local Energy Infrastructure which corresponds to former Energy Solutions, excluding assets under strategic review and therefore this Local Energy Infrastructure business would be completely focused on DHC, industrial utilities and energy performance. Infrastructures as a whole also includes our developments in biomethane, hydrogen and e-molecules.

Supply & Energy Management our downstream activities is basically the combination of GEMS and retail. New organization, new segment reporting but same principles of value creation.

No surprise on that page, no surprise first, that our medium-term trajectory goes by a low point in '25 excluding nuke and then in '26 goes to a further low point including the start of the three nuclear units in '25. No surprise, neither that from then we expect a continued growth of earnings in '27 and onwards. And this growth is underpinned by three main drivers.

The first one is that we keep creating value from our investments. Over the next three years we plan to deploy in the range of €21 billion to €24 billion of gross CapEx. Investments will be focused on renewables, power networks and batteries, in our core markets where we can leverage from our integrated model. We keep targeting a healthy spread of 200bps above WACC on average.

The second driver is performance. We delivered €231 million in '24, and as Catherine was mentioning, we plan to accelerate to reach above €1 billion on incremental EBIT by '27. Our new organization is a key enabler as it will promote operational synergies and also simplification. But you will see that we will also work on culture and competitiveness as a whole to pull new handles of performance.

Third, we will improve ENGIE's risk profile through our investments in contracted and regulated assets. Through the derisking of our nuclear activities and through portfolio management as we keep pruning our asset base. By '27 we expect close to 2/3 of the EBIT to be either regulated or long term contracted.

Executing on these three elements will grow sustainable earnings and cash flows. As a result, we are updating our dividend policy with the same payout 65-75% on net recurring income but increasing the floor to €1.10 for '25-'27 and in parallel we will maintain a strong investment grade rating.

Let's start first with growth driver investments. So we plan total gross CapEx €21 - €24 billion for the next three years which is somewhat comparable to our last 3 year plan which was €22 - €25 billion, €1 billion less. Our capital policy has been, and will be consistent over the years, but we are fine tuning total amount as proven and also allocation based on market opportunities and based on returns. 75% of our growth CapEx will be focused on renewables, power networks and batteries, as you can see on the graph. More green electrons but smarter. Of course there will be no deviation from our capital discipline. It's at the core of our organization and at the core of our investment decision and now well embedded for all people.

In addition:

One, our investments will be fully aligned with our CO2 reduction trajectory and with our industrial and geographic strategy.

Two, most of it will be organic.

And three we will be selective. We clearly do not see growth at the expense of returns.

As a result, we expect this investment plan to contribute at least €1.5 billion of incremental EBIT by '27.

Having discussed capital allocation in detail, let's now turn to the evolution of capital employed. As you can see we do expect capital employed to grow by around 20% between '24 and '27, in line with the deployment of our growth CapEx. Supply & Energy Management is stable and relatively insignificant in terms of capital employed.

Our mid-term target ROACE is unchanged at 7% to 9% despite the significant increase in capital employed. And you know it's not easy to keep the ROACE as it is when you invest a lot. ENGIE owns a strong portfolio of mature and profitable activities in gas infrastructures and a unique franchise in downstream with healthy profits and limited capital requirements. It helps tremendously. With our integrated model we can actually deliver growth while not diluting shareholder return and not wearing out the balance sheet. But, and we proved it recently, we keep a significant upside when market conditions offer further opportunities to leverage our asset base. Let's now be a bit more granular on projects and evidence how our investments are actually creating value. So we have many opportunities to invest as Catherine and Paulo pointed out.

Firstly in renewables, where we still plan to deploy about half of our growth CapEX and you heard Paulo to respond to power demand. Renewables generation is second to none. And as it is intermittent it pulls growth from power storage for batteries and for power transmission and distribution. But the investments we plan only make sense if they are carried out with perfect execution. And you heard the comments of Catherine on construction performance both in time and budget. We are delivering on that, but they only make sense if they come also with the right returns. And you may recognize the graph on the right of the slide. You know we had the same a couple of years ago and I know some of you will point very precisely where they are on the graph and I'm sure the IR team will entertain a good discussion on that. But you can see the returns from the various projects, the average of which well above WACC, WACC which is higher than 2 years ago since the risk free rates have gone up of course. And of course as you can expect batteries, part of the revenues being merchant and unhedged yields better returns than the other projects, much higher IRRs. The recent track record in deploying capital speaks by itself and we intend to keep the same discipline in project delivery and compliance with our hurdle rates.

I like that one because when I went for my induction tour three years ago, there was a widespread skepticism with the investors about the capability of ENGIE to deploy capital and create value. So I cannot resist to present four of our achievements in batteries, power networks, solar and B2B. These four activities had no material contribution to EBIT in '21 and you can see that in '24 they generated together €1.7 billion. Not so bad. And we expect this contribution to rise further to a range of €2.2 - €2.8 billion in '27, mostly thanks to batteries, solar and power networks.

The decrease in B2B is mainly due of course to the phase out of contracts locked in at high margin and the normalization of profits, but at sustainable level and then increasing level again. What's more, the risk profile of these activities is attractive and will actually strengthen the group immunity to market fluctuation. Power networks is regulated, solar is long term contracted. We plan to have 50% of batteries revenue hedged over 5 years. And B2B is a commercial activity and as such relatively immune to variation in energy prices. We had the question for '24.

Of course it does not come without a lot of efforts and also some investments. We have €11 billion of capital employed in these four businesses in '24 and we expect to double in '27. As you can see, we are developing future proof value and we are doing it fast. Also critical to drive earnings up is performance. And we plan to deliver more than a €1 billion of incremental EBIT by '27 significant increase versus the last 3 years.

We have identified 3 drivers to deliver this ambitious plan. And 2, you are already familiar with. Operational excellence and recovery of loss making entities, as I mentioned, with '24 results. I'm not going to dwell on that. You know them. The third driver is to work on our culture and competitiveness, with four buckets of action.

One is to be lean and agile. To do so, the new organization will be an opportunity to reduce management layers and to increase span of controls. And no better example, as it was mentioned by Catherine, that the new organization of Local Energy Infrastructure.

The second handle is efficiency with optimization and mutualization of our structure and support functions and the development of digital solutions to improve process performance. We are using, and we have been using these good years to invest in our processes, to invest in our systems, to make sure we can deliver now more efficiency.

Third handle is to be even more focused and selective in business development in the world to improve our hit rate.

And the fourth one is to do more with less, meaning that we plan to cut nonessential expenses and promote a culture of cost management. And rest assured that there is some room to do that in ENGIE.

Now a very key dimension of our earnings growth is the spectacular improvement of our business profile as you would expect from the best energy transition utility. Let's look first at the business mix. On the left, in '27 the EBIT share of regulated networks, activities supported by our gas network back to normal profitability and growth in power infra should increase significantly while the weight of Supply & Energy Management should decrease. The relative importance of Renewables and Flex Power should stay quite stable. But of course we expect renewables and batteries to grow and gas generation to reduce.

Looking now at the risk profile, in 2024, 42% of the EBIT was regulated or long term contracted. By '27 we expect this number to rise to 63%. As you can see, it's a massive derisking. Furthermore, overall our merchant exposure to outright power prices in Europe will reduce drastically from 20% in '24 to less than 5% in '27, notably thanks to the Belgian deal. Our market exposure is actually shifting from prices to volatility. And it's not a bad thing as volatility should stay higher for longer due to the high level of intermittent energies, but also, as volatility cannot be negative.

Of course, if market volatility is above our expectations, we will capture more value from our merchant assets which will be positive for EBIT even if it means that there might be a dilution of the percentage but of a bigger number. The important point here is that roughly two-third of our '27 EBIT guidance will be regulated or long term contracted, which give us a better protection against energy market headwinds and greater visibility in achieving our ambition.

And let me insist on one point, '27 EBIT is roughly the same that in '24. So it's not that we have decreased the merchant EBIT and that's it. No there is a real same kind of EBIT but with a much better split. And this is consistent of course with our guidance of EBIT for '27.At this point I probably need to give you more color on what is not regulated, not long term contracted so specifically on EBIT for Supply & Energy Management activities, focusing on former GEMS business. First on Energy Management, which was previously known as Asset Management and Optimization within GEMS. Its earning powers benefits from volatility rather than energy prices per se. You can see that EBIT rose during the energy crisis and in its aftermath as technical reserves normalized. We expect that under the new normal, EBIT should settle in a range of €500 million to €900 million. But it could go above if there is significantly higher volatility.

Moving on to B2B, that is commercial in nature and more predictable. We are expecting EBIT in the range of €0.9 billion to €1.1 billion split roughly 2/3 supply and 1/3 risk management on the same customers, risk management on the customer, which are in B2B, and aiming for underlying EBIT growth of about 5% to 2030,

once we stabilize. Still in '25 and maybe in '26, we expect some nice tailwinds from contracts of the past to take us above the mid-term range. Remember that the bulk of this unit is supply of energy for which 80% of the margin is locked when we start the year.

For the non-believers, and there may be a few non-believers in this room or in the call, if you add up the ranges of Energy Management and B2B, you get to €1.4 billion to €2 billion. And that does compare very well with the €1.5 billion for GEMS that we have shared with you in the past. By the way, the same number, this €1.5 billion for 2025 is expected to be around €2 billion.

As you can see, we did not allow a good crisis to go to waste and we are expecting results significantly above their pre-crisis level on a sustainable basis. Let's turn now to see how all of this translates into EBIT, global EBIT. We expect '27 EBIT excluding nuke to stand between €9 billion and €10 billion, an average sustained increase per year of 10% compared to 2021, which is the best basis for comparison in terms of energy market conditions. Prices and volatility will have a negative impact in the range of a €1 billion to €1.3 billion, mostly impacting our energy management activities and our CCGTs in Europe as we have limited hedging of course on '27 today.

On the other side, Networks will see a positive impact from indexation and tariff increases, including clawback on previous years.

We expect hydro volumes to be negative in the range of €300 million to €500 million as volumes were significantly above average in '24.

And disposals should also account for about minus €700 million as we keep pruning our asset portfolio.

Investments would be the main driver of the growth, mostly coming from renewables, batteries and power networks.

Performance will also be a key driver of EBIT growth and all our segments are expected to contribute under our new plan.

Beyond '27 we expect sustainable yearly earnings growth fuelled by both gross investment and continued improvement.

Moving on to the main EBIT drivers by activity in Renewables and Flex Power, we expect, despite a demanding comp base from hydro volumes and captured prices, a steady EBIT growth from Renewables and BESS, thanks to new capacity including batteries and continued performance improvement from a growing asset base. And of course, when your asset base grows, it gives more capabilities, more assets to actually optimize.

We expect a decreasing contribution from our CCGTs due to market normalization in Europe, residual coal exits and assets arbitrage overseas, but with upside potential depending on volatility in Europe. In Infrastructure we expect EBIT to be in the range of €3.9 billion to €4.3 billion, a significant progress compared with '24 when our EBIT amounted to €3 billion. It reflects gas assets back to their normal profitability, augmented by the clawback from previous years in France and growth in power networks, also a sound recovery of our Local Energy Infrastructure business.

Supply and Energy Management should land in between €1.9 billion to €2.5 billion versus €3.1 billion in '24, and this decline reflects the normalization of energy markets in Europe, the phase out of contracts locked in at high margins for B2B and the €0.5 billion non-recurring market reserves that was reversed in '24 for Energy Management activities.

All-in-all, we expect EBIT excluding nuke to be in the range of €9 billion to €10 billion by '27 above '24 and comparable to a record high in '23.

Let's look at the cash balance over '25-'27. Here again, that's a graph that you are familiar with. No major change compared to two years ago. Cash inflows should reach €38 billion to €42 billion, mostly coming from operating cash flows and to a lesser extent from disposals related to the pruning of the portfolio. Excluding nuclear phase out, cash outflows will stand between €42 billion and €46 billion. Maintenance CapEx should be near €8 billion and gross CapEx are expected to be in the range of €21 billion to €24 billion. Dividends to shareholders and minorities, but also a few other items should land between €13 billion and €15 billion. Cash outflows are therefore a bit higher than cash inflows, so the net debt is going to rise for a few billions over the next years, but credit ratios will stay within our target as you can see on the right part of the slide.

Let's finish with our guidance. Details on our assumption can be found in the additional materials. I have already commented EBIT. So net recurring income group share is expected in the range of €4.4 billion to €5 billion in '25. You recognize in the guidance our expectation to reach a low point of EBIT excluding nuke in '25 and a low point of a recurring net income in '26 and then '27 is expected to come back to '25 level including higher cost of debt.

That being said, it would be significantly above pre-crisis level with net recurring income group share up 60% versus '21 showing how the group reshaping can actually generate value for shareholders. We are updating the dividend policy with increased floor to €1.10 and unchanged payout ratio 65% to 75% of net recurring income. We stick to the strong investment grade credit rating and economic net debt-to-EBITDA below 4x.

With that I hand over to Catherine to conclude the presentation.

Catherine MacGregor

For me three key messages really to sum up.

First, the success factor for the energy transition are fairly clear. Electrification, flexibility and pragmatic build out of infrastructure.

The second point is that ENGIE's strategy happens to be fully aligned with this transition and is totally fit for purpose indeed, with green electrons supported by molecules targeting fully 24/7 decarbonised PPAs offers at scale, expansion in power networks.

And finally we have 3 underlying strengths that when taken together truly set us apart.

A highly cash generative portfolio, an incredible portfolio of assets, unrivalled skills and reputation in energy management.

So with this by 2027 we will be a transformed group with a successful reallocation of capital, drastic simplification, embedded performance culture and an earnings trough that will be firmly behind us. We will have a massively derisked structure with almost 2/3 of EBIT regulated or contracted and our nuclear business becoming quasi regulated. So by 2027, we will have constructed a rock solid platform, a springboard from which we will be in the best position to look forward for a bright and growing future for ourselves, for our customers, for our shareholders, with steady, sustainable, more predictable and reliable expansion, fuelled by investment, execution and performance.

In conclusion, I hope we can convey to you that we have conveyed to you our confidence in our goal of being the best energy transition utility. Thank you very much. And I think I'm going to pass it on to Delphine.

Thank you.

Delphine Deshayes

Thank you, Catherine. So we'll open the floor for your questions. And I remind you that we'll also be taking questions online. Just before taking questions from the room, operator, could you please remind our online participants the process for asking a question, please?

Q&A

Meike Becker

Thank you so much. Meike Becker of HSBC. Maybe kicking up with a broader question, I really like the slide 39. The waterfall makes it very easy for us analysts. If we could go into two parts of that. The performance bucket of it, roughly a €1 billion of EBITDA growth between '24 and '27. What gives you confidence that, that will actually hit your numbers? That it will not be competed away, that if it's in the networks it will not eventually have to be shared with the customers? That would be my first question.

The second question is in your CapEx slide you said 80% of your investments is organic, assuming there's 20% inorganic. Does that also hit your EBITDA guidance so in your EBIT or in your EBIT growth expectations, is there also an inorganic part to the growth? Thank you very much.

Catherine MacGregor

Okay, thank you for your question. So maybe let me give it a start on the performance bucket. The first thing about this performance bucket is that we have confidence in its delivery based on the track record. We have managed to deliver, I think I mentioned €900 million over the four years period. But we also feel that to a certain extent we have scratched the surface.

We have a lot more to do on performance. As you know, the transformation of the Group into a more industrially run set of Global Business Unit gives us many opportunities that we've laid out in a few different categories. But I would probably single out continued opportunity in supply chain. We are still to draw all the benefit of leveraging the size of the company of our Global Business Unit.

So supply chain is a big thing. We've talked about what we want to do on cultural organizations span and layer. We've given example in Energy Solution, Local Energy Infra as we call it now, collapsing on the structure. So we have a set of actions, very well defined where we are going to be simplifying our Global Business Unit and derive performance from it. So we really have elements all over the businesses. So indeed we will do a little bit on Networks and we have that to play. Some of it might be caught by the regulator. But to a larger extent I do think that we have a responsibility, as you know, gas consumption is likely to come down to deliver performance on the network as well, because we want to keep the use of our infrastructure affordable for society and customers.

So I think that's completely fine. We're going to ask the Networks organization to deliver performance as well. But frankly the €1 billion that we've identified is something that we will take advantage of. And maybe I will add also the list of underperformance units. We continue to have some. So we addressed them, you know, the most visible and you guys know very well EV Box. We've talked to you about a lot. We don't have as big ones anymore, but we do have a few small objects that we continue to work, turn over and fix. And this will contribute very much to the €1 billion.

Pierre-François Riolacci

Maybe to complete, and just to give a number to illustrate what Catherine said, to give you an idea, our procurement efficiencies in '24 were north of €400 million. But you're right, part of it you don't keep for you and

part of it will go either in tariffs or it will be going through performance to customers. So to the numbers that we discuss is a net, the gross ambition is higher than that. But of course we have given our asset base, given our growth, we are refuelling every year new opportunities to manage our assets and to find efficiency.

So yes, it's a net number, and we are confident that we can deliver on that. And then to your point about M&A, yes, indeed we have about 20% of our total CapEx which is in M&A, part of it is well identified, part of it is less identified. But we take of course that this M&A will deliver EBIT as well. So it is embedded in our numbers.

Catherine MacGregor

And you know, the performance plan at ENGIE we call it competitive plan. The driver for us at ENGIE to make us more competitive, to be able to win project, to continue to deliver the project and to protect the return. So there is a strong internal motivation to go after these performance gains because this is a condition for growth and people have now integrated that because otherwise we just can't find the projects to meet the criteria that we want. So it's very important to everyone.

Arthur Sitbon

Thank you. Thank you for taking my question and for the presentation. It's mainly a question on your various assumptions for your plan. The first one is on the assumption for Networks. The EBIT is quite high in 2027. I was wondering if you could quantify the part of that that is non-recurring and will normalize in '28 I imagine due to the catch up, and as well if you assume any inorganic growth in there. And the last part of the question is if the trajectory for your '27 EBITDA networks sticks to the volume trajectory of the regulator or if you take something a bit more conservative?

And the second question still on assumptions is on the tax rate. It's quite lower, I think for the next 3 years than what we've seen in '24. I was just wondering the reason for that. And as well you talk about contingencies for potential tax changes. If you could quantify that, that'd be great. Thank you.

Pierre-François Riolacci

Thank you. You can look at the engine, but don't look too close to the engine neither. So '27 Networks EBIT a bit indeed is high. To answer directly your question, yes, there is a bit of inorganic contribution in there. I mean just very much related to the previous question. We have some M&A assumption. We would be disappointed if there was nothing in power networks, not massive, but there is something in there. So that's part of it.

The big part is coming indeed from the gas assets where there is no acquisition and there indeed there the clawback. And there is a point about, okay, but are we at risk to see a significant amount of this going away? I think the answer is in your third question. What kind of volumes assumption are you taking? So the answer is that we are not necessarily taking the same volumes expectation that the one which is supporting, underpinning the tariff, because indeed in the tariff, there is an expectation of volumes which may be with some ambition and doesn't mean that our projection are with the same.

So what does it mean? Either the volumes are back to what was anticipated in the tariff assumptions, that would mean higher EBIT actually, because then there were more volumes and then there would be this time, there might be no clawback in '28 and maybe even a negative clawback, really, really very high.

But the other assumption is that the volumes are in line with what we believe and they mean that we are okay. But then it means that maybe next time we're going to have to discuss, okay, there is a shortage. How do we do? So I think that you should not base your views that there will be a fall in '28 because there is a kind of an extra amount which will disappear.

There will be a big discussion, that's for sure in the next 4 years. And we cannot say what's going to happen. But I don't think there is embedded risk with that one.

And then on the tax rate, if you look at the guidance that we have today, it's very close. What we are suggesting is very close to the average tax rates in our operating jurisdictions. So there is nothing really weird in there. The point is that we had in the previous setup some tax inefficiencies and we can fix some of these tax inefficiencies on the back of the new deal. Part of it was linked to the holdings which were commended, directed by some regulations. Now that we are taking this away because we are going to close by 14th of March, then of course it allows us to kill some of these inefficiencies over time and help us to be more normal, I would say in terms of tax rate, which was pretty high.

Delphine Deshayes

Thank you. One question from here?

Wanda Serwinowska

Two questions from me. The first one is on the US. If I look at the pipeline, you have basically 1/3 in the US. Can you please, I mean give us a breakdown. How much is onshore, offshore, solar, how much is safe harbored, because what I'm trying to understand, what if the renewables growth stops tomorrow? How big is it for energy? I know that over time, as you mentioned, you can move the capital, but the question is how quickly you can move it and what is the risk.

And the second is on the Belgian nuclear. The new government said that they are willing to extend further by another 10 years the two units or even think about new nuclear. What is ENGIE's view on that one? Thank you.

Catherine MacGregor

All right, so I'll start and then Paulo can complement a little bit on the flexibility he has on his pipeline in the US.

So he's mentioned already a few words on this, but maybe we starting with the Belgian, and so our key priority is obviously, is to close the deal, which will be done by March 14th. So we are on the last technical steps that we are conducting with the Belgium government. Our position on nuclear at ENGIE is totally unchanged. We do not want to be involved in nuclear development. We have enough to do with renewables and flex and all the stuff that we've talked about. But we are obviously absolutely ready to accompany the Belgium government in the closeout of these aging plants, first of all, because they had decided to exit and because also of the age and the conditions of this plant. So that plan has not changed. We will be closing the deal, which as you know, covers two, sorry of our nuclear plants. The other ones, the other three ones are going to be shut down this year in 2025. In fact, the first one was shut down on February, the first one of the three was shut down, stopped on February the 14th. But of course there is a new government and it has been quite vocal and supportive of nuclear. They've also talked about SMR development, which could be interesting for other developers, again, not for us at ENGIE. And we will have discussions, we will listen to what they want to do. Today, we don't have a plan, certainly not to bring a third tranche to the deal for the 10 years extension. You know, frankly, it's too early to say. The key for us, priority is security, is excellence in operation. It is executing this LTO. Let's not forget that LTO, it's not a small thing. It looks like we just continue and restart, no, we have a lot of work to do to make sure that this two trenches are fit for purpose to operate for 10 years. We are very focused on that. But of course we will discuss with the government in a constructive manner as we've done with the Belgian government now for the past 4 years. So that's the key priorities.

And then maybe on the situation in the US I will pass it on to Paulo and to talk about the agility he has on his pipeline and the makeup of his pipeline. But just to remind you that obviously there is the offshore wind topic in the US and you know, the decision was taken already taking into account the fact that we feel that there's

probably going to be delay in development. Remember, we have three projects. We have one which is quite advanced. It's a great project. So if we pause it, it's okay, you know, let's see what happens in 4 years. I think what's really important to understand in the US is that, you know, if the economy goes well and if AI continues to be such a strategic topic for the United States and for the new administration, power demand is going to be exploding and frankly, renewables is an indispensable part of the solution to meet energy demand, just simply because even if you say I want nothing but gas, you will not be able physically, because of time to market considerations permitting. Even if you say okay, I forget about permit, supply chain. Supply chain bottlenecks are such that it's going to be very difficult to meet all of these demand growth with gas power generation, which is why, you know, there is room, no matter, you know, how people dislike renewables. If people were to decide that they don't like renewables, renewables are going to be needed. And I believe that the US doctrine that is seems to be emerging, all of the above, the so called, which needs to be obviously defined in more level of details by the new Energy Dominance Council will give us more color. But I think the spirit is indeed to provide all the means to power Americas and this will have to include renewables and batteries.

That's our view. On the other hand, of course we have, you know, flexibility and maybe Paulo, you can comment a little bit on exactly how you can do that.

Paulo Almirante

Yeah, so if you look at the slide, we have about 90GW to be delivered between '26 and 2030 on our pipeline at this stage, around 30GWare in the US. And if you assume that typically we can achieve a third of the pipeline, so we're talking about 10GW. If there is a significant reduction of growth in the US we can assume out of that 10GW we could deliver half of it, let's say 5GW. So you could easily see that 5GW we can spread across all the other regions that we have with the pipeline and that we will continue to grow. Of course this pipeline is at this stage today. It will continue to grow over the next years. And on safe harbor we normally have around 1GW to 1.5 GW of safe harbor projects because it is the visibility we have in terms of construction for the following two years.

Delphine Deshayes

So we now take some questions online and then we come back to the room. Operator, can we start with the first question please?

Operator

The first question is from Bartek Kubicki, Bernstein. Please go ahead.

Bartlomiej Kubicki

Hello, and good afternoon. Thank you for taking my questions. Very good presentation. If I may ask, actually 3 questions or 3 issues I would like to discuss. First of all, if we think about your flex gen gas capacities in Europe, how will they behave under two scenarios? One scenario will be a significant increase in power demand in Europe. Many companies are already talking about this, about gigawatts of connection requests which could drive power demand significantly up. And second scenario is if the batteries market is quite saturated and consequently the spreads may decrease. So how do you think the gas assets will behave? And maybe you can also think about your gas infrastructure assets in a situation of increased power demand in Europe.

Second of all, on your dividends, if we look at your net income guidance and we flex a little bit your payout ratio towards the upper end, we may actually have a situation when there is no dividend decrease in the next three years. And now what is your feeling about future dividend? Are you okay with having a DPS cut or are you actually more willing to keep the dividend at least flat or growing for the next three years, given the flexibility you have in the dividend dividend payout ratio range?

And thirdly, apologies for three questions. Electric grids, what if you actually get a grip on an electric grid which is rather large in size rather than small in size? Do you think this could change your capital allocation policy, meaning you may for instance, decrease your renewable targets or you may sell some gas assets? How do you think about this when you actually get a bit more power grid via M&A than you are assuming in the plan? Thank you very much.

Catherine MacGregor

All right, so quite a program. So I'll distribute some of that. Maybe Paulo, you want to talk a little bit about your fleet, and how does it behave under power demand increase?

Paulo Almirante

So it depends very much on at what time of the day power demand increases. If power demand increases during the day, we have an excess of solar generation and so we would not expect a significant increase of load factors for our gas generation. On the other side, if there is a significant increase of power demand at peak, then our gas generation would capture very high prices and depending on the spread, depending on the gas price, can go into good level of margins.

But what we see, at least today is, as I mentioned before in the presentation, is that this fleet is now fundamental for resolving the volatility problem and the intermittency caused by renewables. This is what we see today. And we are able, whilst the load factor is coming down, we are able to capture the price spikes that tend to happen with the variability either of demand, but more of wind. And that's the driver for this business. So we don't expect load factors to go significantly higher, but we expect that margins that we can capture related to volatility will continue at good levels.

And there is another one on battery market saturated.

I mean the today batteries are coming to resolve problems across the value chain. We can see them as a potential solution for constraints in the network. And transmission companies are looking at how they could incentivize companies like us to bring batteries where they have constraints in certain nodes. And that's I think a solution that could reduce the needs for CapEx into networks but also to avoid the time lag between the need and the effective upgrade of the transmission. So batteries can deliver that service.

Batteries are balancing the day-to-day together with the gas generation. And in Europe in particular there is no significant capacity yet for what is going to be needed. And finally for companies like us that are ready to make 24/7 green offers, of course we can only do that with covering in terms of hedging our position when there is not enough green power available in the system to guarantee an as consumed PPA.

So there is a significant use for batteries which are more attractive for the market, as prices are coming down massively. You see a massive reduction of the price of batteries and that is from a couple of years and the expectation is that this is going to continue to happen, like it happened with solar PV panels for example. So additional volumes, what can be expected, efficiency of manufacturing and the ability for reducing the prices to companies like us that need them to develop answers to flexibility, answers to intermittency associated flexibility.

Catherine MacGregor

And just to complement maybe on Paulo, I think Europe is a little bit late on the battery development and is finally integrating in its market design. And I think it's coming very strong from the clean industrial deal that they have understood they need to get into these flexible topics, and therefore have enough CRM schemes for every country to develop batteries. Batteries are very important for all the reasons you said, the retirement of baseload, etc., but also avoiding overbuilding of the grid. Often, you know, you have bottlenecks in the grid and batteries

can help actually relieve those bottlenecks or avoiding to have to invest overinvest in the grid. So we continue to be super bullish on batteries for all of these reasons and we think finally, you know, Europe is taking the right measures on the policy point of view to make sure that we can go ahead and develop what needs to be developed. So I think we are very happy with that.

Maybe I'll just take the dividend one because we obviously are acutely aware of the importance of this topic. You hear us often on dividend that we like to be quite consistent. We think to be consistent in dividend policy is good. So we retain this consistency. We have as you know, a payout scheme based on the net recurring income which almost by design means that there could be some viability. So particularly when you look at our net recurring income in 2026, you have a little bit of drop. So we cannot guarantee that because we want to stay in the payout ratio that we can give you a progressive growing trajectory of dividend. That cannot be guaranteed, even though we do have a bit of flex that we can play with should we decide to do so. But it cannot be at this stage yet a commitment. I think if you take a bit of a longer view from 2026, based on our current understanding of our earnings trajectory, we should be able indeed to deliver this progressive growing trajectory within the dividend policy that we have. And then I will highlight the fact that we obviously have increased the floor significantly to also send a signal of confidence about the visibility, the predictability of earnings result of ENGIE, new ENGIE. 63% of EBIT in 2027 coming from regulated and contracted, etc. etc.…

So that's more color on our dividend policy. Maybe you want to take capital allocation on electric grid question?

Pierre-François Riolacci

Big, depends what big is. But so we discussed earlier our plan and I was pretty clear that in our numbers we have made some room for some incremental acquisition in power in France. So we have a bit of room there. Now it's not necessarily big, but it is somewhat significant. I don't want to go into sci-fi, but if you just take what was the plan for ENWL, I mean clearly we had the plan with ENWL to go for this acquisition and execute of course on our capital policy.

What does that mean? That means that if we go there we're going to have to make maybe a few choices of investment. So it means that we're going to have to decide to do a bit less capital expenditures in other parts of the business. We may also decide to monetize other assets. I mean we mentioned that we are reviewing our portfolio and you have an indication in our cash equation that we plan to dispose about €4 billion of assets in the next 3 years. But we have also some flex and we have some handles that we could pull because at the end of the day it's capital allocation. So you can decide if you find a good return to make calls of that kind. So we have this possibility to play within the bandwidth and then there are also some structuring which is possible. I mean carry on an asset like that, you can find some very strong financial partners. And on ENWL we were not on our own. So you have partners who can also bring the balance sheet to help you. And that definitely is something that we are, you know, in ENGIE, very strong at. And we have a lot of experience doing this from Middle East to the US and everywhere. So we would do it.

There are also some financial instruments that can help, hybrids. I mean, that's also a solution that can help if it is on the high side of big. So there are ways that we can mobilize the balance sheet. You've seen that we have deleveraged significantly and we have some room for somewhat big electric grid acquisition without changing the capital allocation policy, which means without moving away from our strong investment grade and without of course jeopardizing our dividend policy.

Operator

The next question is from Juan Rodriguez, Kepler. Please, go ahead.

Juan Rodriguez

Good afternoon. Thank you for taking our questions. I have two on my side, if I may. The first one, as you signal, is on page 34. You signaled that questions might come. So I'm going to try actually. I'm curious on the renewable projects on the left side of the curve that have IRR above five, but below your current WACC. Can you give us more colors or some clarity on these projects? Are there some specificities on it either on power price assumptions, lower regional WACC. We'd like to better understand on it. And what is your plan with those assets?

And the second one is on coming back on these networks M&A. You signal distribution assets that are your key. What about transmission networks? Are there some assets needing some capital in some of your key regions on that side? Thank you.

Catherine MacGregor

Okay, so I'll talk a little bit about networks. So in terms of M&A. Indeed, you know, we've narrowed down the inorganic growth opportunities to the distribution assets in strong regulated play. So we're looking more at Europe type of objects. On the transmission side, we're very happy with what we can do organically and in general, maybe taking a step back, we like to remind ourselves that we feel that we create more value organically at ENGIE, especially as we have strengthened our industrial and operational capabilities. And that's exactly what we're doing on the transmission side in Latin America. I won't remind you all the numbers that were quoted in the presentation several times. But really on the transmission side we really feel like we can do more on the organic. And that's what we are doing and that's where our target is.

On the IRR questions, I guess, do we know what slide? You want to comment, Paulo? Maybe a little bit, what are your outliers?

Paulo Almirante

Yeah, most of the projects where we have low IRRs are related with the kind of contracted structure we have with CFDs or feed in tariffs, typically in France, where we bid very close to our cost of capital. And of course, the overall portfolio where we have more risky projects, balances the total average that we can see on the chart. But what's important is that most of our projects are between 7% and 11% IRR, and the average has increased in 2024. So I think, and in fact you've seen the EBIT contribution and Pierre Francois every quarter discloses the contribution of assets that are commissioned specifically for renewables. And I think we can confirm that our growth is about profitable megawatts.

Pierre-François Riolacci

Maybe it's an opportunity to remind you some basics of our capital allocation and also the way we look at FIDs when it comes. So first the WACC that you see is group WACC. So of course you have project which are above and then you have project which are lower, as Paulo pointed out. So each and every project we look at the risk profile of the project and we will determine the cost of equity for that project. That will convert into a hurdle rate. And we take in account of course especially the contracted part or not, also the maturity of the technology, any risk which is related and that will influence the beta of the project. And that's the way we will be ranking our project to make sure we can invest our money in the best possible way you recognize maybe some principles that you are very familiar with. We do the same. So for us it's a business of capital. We need to be very sharp in the way we allocate. So it may end up with a project coming with a very low cost of equity because fully derisked and it could be below indeed the IRR could be below the group WACC, but doesn't mean that the project value is restrictive because the group WACC is reflected in the average IRR. And that's of course we bench the total returns against the WACC. So the average portfolio and then of course we are confident that we can deliver 200bps above WACC on the portfolio of projects.

Delphine Deshayes

Okay Ajay, and then James.

Ajay Patel

I guess I want to sort of ask a little bit, is this sort of chapter one of a one chapter story or chapter one of a three chapter story in the sense that you've described, you know, a 24/7 power where renewables is complemented by gas generation and batteries and a bit of a reprofiling towards power networks over the course of the plan and a prioritization or maybe more CapEx going to 10 countries. And I just wonder how far does it go as in, is the end result to get 50% electricity networks, 50% gas? Is it to exit out of all the countries where you don't have renewables gas and well, not a renewables gas and batteries present together?

So it's basically all complementing each other. So you exit out of the ones that are just gas only, for example? And then as the end result maybe being in 10 countries rather than your current scope, such that there's a bigger simplification here than maybe current plan implies. So just any sort of thoughts? Is this a direction of travel and there's far more that the end game is far more significant? Or is it, this is the plan, this is as far as we want to take?

Catherine MacGregor

Yeah, maybe I'll give it a start and then my colleagues can compliment. But maybe the way we think our deployment of capital, at ENGIE is that we look indeed our key geographies. I will remind you that 90% of our CapEx goes to 10 countries. So we do have 10 key countries. And then we look at obviously the portfolio of assets that we have. We look at the state of our integrated business model. We look also at the policy of that country, its appetite for energy transition, the regulation, the type of priorities that they put when they think about their energy policy. And then we really look at the intersection of that and then we tailor make our strategy locally at the country level. Sometimes it can be a bit more regional. When it comes, for example to Europe, we also look very much at the region because you know there is a European energy market and we really make sure that we develop and invest to complement this integrated business model that we have in complement with what we think the opportunities are because of this policy that are being set by the government.

So which means that, we obviously adjust locally, very much so especially that we never start from a blank page. We have you know, history. We have indeed, you know, some gas assets. For example, in Romania we have gas distribution. We have gas distribution in Mexico. So you know, we always look at, okay, how are we going to build the Mexico energy transition future? How we can contribute to the energy transition future of Mexico, for example, using our assets, using of the Flex Gen that we have there, investment. Is the policy supportive of this investment? If not, you know, we can make a decision and I'm not announcing anything on Mexico, this is illustrative only. But then indeed, you know, we can decide if we think that there is no intersection between what the country is trying to do, our asset base and where we think and how we think we can create value, then we can take decisions such as exiting a country.

And the example of that is, for example, in the Middle East, in the countries that we've announced. Yes, I mean we have, you know, gas assets. They are great. I mean those ones are contracted, they have PPAs. But at some point these PPAs are going to expire and we do not see an energy transition story strong enough that we are going to be investing capital towards renewable battery, etc. So in this case, you know, it's actually better to take a decision to exit that country early enough before actually we are at the end of the value of the assets, and then to say we're going to reallocate and turn to a neighbouring country, such as, for example, the Emirates, UAE, where we have assets. We have a long history in the UAE, but there is also an appetite to develop renewables, battery and energy storage solutions. So here that's really interesting for us because we use our history, our presence, our brand to invest and start to develop and deploy the ENGIE model obviously adapted to the country, right. So that's really how we think about it. And you can think of every of our geography like that.

If I take the UK for example, I see Mia is in the room. That's a very interesting set of opportunities. Strong regulation, clean power, 2030. We have assets, but we are a bit short generation. Paulo, no pressure. That's why you know, he said UK is a priority asset. We have incredible flexible assets. Our first hydro is just amazing. We're developing also battery and we have a very strong B2B franchise. So we are very strong on downstream, a bit light on the generation.

And so we are looking at how we can balance that by indeed deploying capital to increase our generation. Because we do like the balance between upstream and downstream. And by that I mean generation and customer. So we are looking at balancing it, but again always when and where it makes sense and when the country is developing the right policy.

So that's really how we think about and we make a decision on a continuous basis because as we can see also sometimes governments and directions changes. And so we have to remain, despite, you know, having this big machine, we have to remain a bit flexible and agile and sometimes to course correct as we go.

Delphine Deshayes

James.

James Brand

James Brand from Deutsche Bank. Thank you for the presentation and also just going back Catherine, to your comments at the beginning. Well done on the transformation over the last few years. It's been pretty impressive. So two questions for me, one for Pierre-François. Obviously as you know, people do worry about the gas price and you know, speculate on the war in Ukraine and Russia ends and the gas price comes down and volatility comes down, what could it mean? You talked about the energy management business guidance of €0.5 billion to €0.9 billion potentially having upside of volatility was higher. How should we think about that guidance in the context of that main concern or that concern that people have around volatility dropping, price dropping in the case of the end of the war. Should we be thinking low end of the range or is it something that would make the range, million dollar question, downside to the range? That's the first question.

And then the second question is more of a kind of long term big picture one is that around gas networks in France, how do you see the long term outlook for gas networks in France. Obviously, it's a very important area for you. And I don't think you talked about hydrogen at all today, which I know you were never that big in talking about hydrogen even when it was like everyone's obsession. And I guess talks about building dedicated hydrogen pipelines and is coming through France up to Germany. So you know what are your thoughts longer term? And then for gas distribution obviously hydrogen is a bit less relevant. But you know, could biomethane be a substitute for natural gas or is there some kind of other long term vision? Just some thoughts on that would be great. Thank you.

Catherine MacGregor

All right. So I start with that second part. I'll try to be short but it's quite, it's so interesting. I could go on for a long time. I'll try and be concise. Maybe just a quick one. So on the gas mix of France, well, maybe first of all there is no energy transition without remaining molecules in the system. Today when you look at final energy consumption in Europe, I guess it's about the same in France. Electricity is 18% to 20%. The more you can grow electrification we think is about bringing us to about 50% of electricity in the final energy demand. So there will remain a certain amount of molecules in the final energy use. There is no other way. And that is proven and it's just for physical reasons is because of industrial processes. There are many reasons for that, but you cannot electrify all usages. So even in the most ambitious scenario of electrification, molecules will be needed. Of course it will be less or there will be less volume, but there will be remaining volumes needed and in a significant

quantity. Which means that our networks will be needed for this molecule for a long time. That's the big picture view.

Then of course, what molecule. And you're right to say that today we are excited about biomethane, and I mentioned it. We are excited in France for a long time now, but I think Europe now is really taking the measure of the potential, the opportunity, also the risk of being overly dependent on imports. So biomethane is homegrown molecule and is the same molecule as the fossil, that's the fossil gas, right. So this is a no brainer exploiting the full potential of biomethane. And in France we expect the numbers I showed you, that about 20% by 2030 of the gas in our networks being biomethane. And that's we can tell you which project will contribute to this 20%. So that's real.

H2 is also a huge potential. And you know, we were in love with H2. And then there is a bit of cynicism kicking in. But to be honest, again, there are a lot of processes that won't be able to decarbonize without H2. And you can see Europe, particularly doing two things.

First, being a bit more pragmatic about the definition of green. H2. So that's coming in the, you know, in all the regulation. We'll see it's going to be technology agnostic. So this should help the emergence of the molecule, which is frankly a good news. And then indeed Europe is taking a fairly high level planning approach to infrastructure, saying we're going to need to have H2 pipe and H2 infrastructure. And we have many countries, UK is one of them. France is also doing it. Germany starting to launch projects dedicated for H2. So we have for example at ENGIE, that's NaTran, ex GRTgaz, a pipe which is being converted, it's about 100 kilometers long in the northeast of France for hydrogen. So this is really happening today. The question of course is when and where will there be sufficient H2 molecules? And Europe just gave us about €45 million of subsidies across a number of projects covering quite a few of our infrastructure, but transport infrastructure, we have storage infrastructure and we have also the terminal that could be adapted maybe not to hydrogen, but to e-ammoniac. So every one of our infra in France actually has the potential to be reused to a certain extent to other molecules as well, which is really exciting. Not mentioning the CO2 that's not super green, but capturing CO2 from industrial process is going to be very important. And here again our ability to provide gas infra convert it to CO2 will be very important to help supporting that decarbonization. So yeah, we continue to be really excited about our gas infra.

And you know, that was also the scenario that CRE published two years ago to show that we needed the gas infrya for all of this region, including, you know, assurance of providing energy even to 2050 and beyond. That was a long answer, but maybe gas price, guys, you want to take that one.

Pierre-François Riolacci

Maybe an even longer answer so or we can keep it very short. Yeah, it's of course it's an important topic. Now we are not a gas producer. So we have no primary exposure to gas price. I think we discussed that with the '24 numbers. We have incrementally an exposure on commercial margin. That's part of it. Our model is not based on gas at €200 per MWh, even not at €60 or €50. I mean our model is sustainable with a price of gas which is decent and today. The price was pretty high only a few weeks ago, north of €50. And that's not the way it is building.

If we have a settlement, there will be a lot of things to happen. And so first it may take a few months before you see gas coming in. Today in the price, you have already embedded the assumption that there might be some coming in. To what extent we don't exactly know, but it is already there. It would mean, by the way, that some small issues are also put behind, like there are a few disputes with Gazprom, they need to be addressed because otherwise there will be other issues because of course a lot of creditors are hanging around and waiting for their money. So something may happen. So there will be a discussion, maybe around the Nord Stream about commercial discussion between the different suppliers. So that has to be addressed.

The Gazprom contracts, they are not, I think you alluded that they are not gone. They are suspended, but they are there. So they would resume. And by the way, these are not bad contracts necessarily. There could be also very good contracts with a lot of optionalities embedded in there, which are not there anymore. But if there was contracts that were initiated, they would come back. So I think it's not easy to make a final call about the total impact of what, first on gas prices and then on our own Energy Management business.

There is a second round effect is that gas is a price setter for electricity in Europe to a certain extent, but it is and at least in some markets in Europe. So there is here a second round effect because we are also a power producer. I made the point that we have decreased very significantly and we will be decreasing further outright power price exposure. So that's definitely pointing into the right direction. But what will be left will be very much in France. And in France you know that gas is not setting the tone of everything. And there are also nuke, which is a very big ticket and hydro, that can actually impact the prices significantly. So long story short, we don't see that as a major driver of earnings for us. I mean the level of price of gas of course has some impact, but I would not see that as a major one to move the numbers in the long run. There may be of course a few on the short term. In the long run, what does matter at the end of the day, if gas prices go down, there should be a better economy in Europe. And that is not bad for ENGIE because clearly that will be also means probably more gas volumes. And gas volumes are not bad. They actually impact also the question of long term gas infra. Because if volumes are back, I mean that also helps of course to support affordability and it doesn't mean that the decarbonization journey is gone neither.

So at the end of the day, rather good news in the long run.

Delphine Deshayes

So unfortunately we're running short of time. So this is the end of one very last question from Harry.

Harry Wyburd

Thank you very much, it's Harry Wyburd from Exane. I will keep it just to one and try and keep it short. One of the most striking things from the presentation was the B2B slides. So you're maintaining about a €1 billion of EBIT. What I can gather from your comments is that you've got some profitable contracts rolling off, but you're adding 300TWh of additional volumes that you think you're going to sell. Reading through the EU's Affordable Energy Plan, one of the things they identified was supply, and they want to make it more competitive. So how plausible do you think it really is to replace those profitable contracts with B2B growth? And is that something you can do under political or regulatory scrutiny? And how would you achieve that when you know a new entrant or one of your competitors isn't?

Catherine MacGregor

So maybe let me take this area because I'm super excited about our B2B business. And in fact I'm very pleased that we're going to give it a bit more visibility because they are real customers behind B2B, real drivers behind this business. And it is I think well illustrated with the PPA market that we are seeing. There are two things that are very important. We are going to grow our power sales and we are going to grow our power sales from grey to green. So we are going to increase the green power share of our overall sales. And the green power sales happen to be higher margin than the grey power sales.

The other aspect is the huge appetite for many of our customers to secure long term low carbon power supply. So PPA market continues to be very strong and we can, you know, we could talk for hours on what we see on the PPA market but there continues to be a very strong demand.

And I understand the angle that you're taking for your question. You're asking, you know, is Europe going to continue that or is going to allow that. There is today a market for PPAs, this is not about regulated, this is not.

This is about meeting customers' needs. And in fact Europe through its CID is going to be favoring the development of PPA market which is by the way something that we as well as the other utilities have been pushing massively. We have said and said over and over again that we need to deploy and facilitate cross country PPAs in order for customers to meet affordable decarbonized PPAs suppliers. And for that you need frankly regulation changes. And what we understand from EU is that they are actually putting in place those changes in regulation. For example, accessing cross country transmission, things that were quite complicated to do so limiting the PPA market.

So no, we continue to be quite bullish on the PPA market and today, you know, we do find customers that are very happy not to buy 100% of that energy through PPA. You know, they are much more organized. I think maybe taking a step back is that the market to buy energy is completely different today than what it was pre-crisis. And you know, when we show you what we've done on the B2B sales front, it's because we are more organized ourselves. But because the market has changed completely and people are very organized and they are structuring their energy supply with, I want to have a layer of predictable green electrons PPAs, and then I will work on spot, and then I will work on short term. Now we add spot, I will add short term contract and I will have that way protection against future power variation.

And this obviously calls on quality providers such as us and helps us delivering and protecting margins. So yes, we've said that the margins when obviously power price normalize, the unit margin might drop. But the quality and the quantity of contract that we are facing make us quite comfortable with the numbers that we've showed you.

And we'll give you more color in the future on what our customers want from us. Thank you.

Delphine Deshayes

Okay, this is the end of the Q&A session. Thank you all again for joining our market update. Of course, if you have any follow up questions, do not hesitate to call the IR team and we invite you to a cocktail right now. So thank you very much.