9M 2026 RESULTS

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Delphine Deshayes

Thank you, and good morning, everyone. It's my pleasure to welcome you to Engie's nine-months conference call. Shortly, Catherine and Pierre-François will present our nine-months performance, following which we will open the lines to Q&A. With my polite request of limiting your questions to one or two only, please.

And with that, over to Catherine.

Catherine MacGregor

All right. Thank you, Delphine. And good morning, everyone. Welcome to our nine-months 2026 results call. I am very happy, very pleased to report that ENGIE has maintained its dynamic performance in Q3. And we now expect to achieve the upper end of our full-year guidance. All of the regular hallmarks that you've come to expect were on display in Q3. Strong focus on the execution of our growth strategy with expansion on a global basis in renewables, in batteries, in networks, plus significant progress on performance. Notably through operational excellence and initiatives that are focused on culture and competitiveness efficiency. The key takeaway for me is that we have built a fantastic engine that is thriving in what is a new paradigm, a world with constant political, geopolitical, macro changes. We have optionality both in the technologies that we deploy and in the geographies where we invest in the business models and importantly we have the agility to allocate capital where we see the most value.

A few words on Belgian nuclear. Given the current circumstances, the complexity of the negotiations and the determination to leave no stone unturned in our efforts, we and the Belgian government have agreed to a further extension of negotiations up until the 12th of December. While we have made progress on some aspects of the negotiations, there are significant divergences related to the valuation of the transaction, notably of the liabilities, that we want to try to resolve.

Before I move on to my review of Q3, a few words on why macro risks, including the French ones, should not be confused with ENGIE risk. First, our financial structure. 78% of our net debt is at fixed rates, 79% of our euro debt and 90% of our sterling debt. That gives us strong protection against rising rates on our existing debt. And

the market recognizes it. Our spread over the Bund has stayed contained and in line with the sector, as you can see against the iBoxx Euro Electricity Index. Second, our earnings. Remember that our asset base provides a substantial natural hedge against the effects of inflation and higher rates. With UK Power Networks now on board, we are well on track for our 2028 guidance of two-thirds of EBIT from regulated or contracted activity with almost €50bn of RAB or RAB equivalents with indexed and or inflation protected revenues. And when I look at France on its own, the majority of our EBIT comes from gas networks and passthrough contracted local infrastructure. So one message, as a summary, remember we are long inflation at ENGIE. And third, our growth story, because if you look at our growth markets, the overwhelming majority are outside France, and they are underpinned by strong fundamentals. Whether you look at actual power demand, with year-on-year rises of 2% in Europe after years of declines of stagnation, 3% in the U.S. in the first nine-months of this year. Whether you look at supportive policies with the EU, for example, targeting a doubling in electricity share in energy consumption to 46% by 2040, this translates into growth. With clear evidence, network investment is accelerating, renewable generation is growing, and the need for flexibility is increasing. And we see these trends holding across all of our key markets. Of course, when it comes to new investment decision, for example, in renewables and batteries, we do take into account the new interest rates and inflation environment, but we are in a very good position to navigate this backdrop. Thanks to our supply chain and our execution capabilities, thanks to the size of our portfolio, that geographical optionality that we have built, as well as our energy management and commercial franchise.

Turning to the next slide. Some highlighted numbers at the nine-month stage. EBIT excluding nuclear reached €7bn up 9.7% year-on-year, underpinned, of course, by the inclusion from May of UK Power Networks, and growing by 3.3% organically. In fact, when you just zoom on the third quarter, EBIT excluding nuclear increased by 10.9% organically. Economic net debt amounted to €62.5bn. And we achieved another substantial contribution from performance improvements at €406m at nine-months, over €100m in the third quarter alone. This was half from operational excellence with initiatives such as asset efficiency, contract portfolio cleaning, cost optimization, quarter from culture and competitiveness action, such as improving span and layers of control, and the remaining quarters from loss-making entities with disposals and turnaround measures.

Let's now turn to our first growth pillar, Renewables and Flex Power, where we achieved a significant milestone in this quarter as we passed 60GW of operating capacity in BESS, solar and wind. We commissioned 3GW of new capacity over the first nine-months with 6.6GW under construction at the end of September. As usual, have been active worldwide on markets that we know well, and in the second half of 2026 so far, we have announced our largest BESS at 500MW in Saudi Arabia, and we brought on stream 450MW of solar in India and 250MW in Australia. Commercially, we maintain a high level of PPA signings with 3.2GW at the nine-months stage of 2026, similar level to 2025. Most recently, we signed a renewable energy supply agreement to provide up to 568MW of wind power for Oracle's expanding AI and cloud data centers in Texas, and there is plenty more in the pipeline for further substantial data center expansion.

Our B2B supply business is building up strong momentum in bespoke 24/7 supply contracts to customers such as Legrand in France and Aker BioMarine in the U.S. And we are far ahead of schedule to meet our 2030 objectives on volume supply to the tech and data center sector. In the third quarter, we achieved a milestone in storage capacity, reaching more than 10GW in operation or under construction. Out of this, 7GW is in BESS, an activity that didn't even exist at ENGIE five years ago, quite an achievement and demonstrating indeed the huge need for flexibility in power production. We made big strides in Europe over the third quarter, entering the Polish market through the acquisition of a 758MW portfolio, acquiring projects in Romania and Spain, starting constructions of facilities in Belgium and Portugal, and commencing operations at Maxima in the Netherlands and our first two batteries in the UK.

On our second growth pillar, Networks, where the acquisition of UKPN has added a major new dimension. We are delighted at the smooth and rapid process of integration. We have been particularly impressed by UK Power Network's strong data-driven culture, its operational focus, and the close connection between management and field operations. Over the first three years of the ED2 price control period, in other words, between April '23 and

March '26, UK Power Networks achieved a return on regulatory equity of 11.2%, maintaining its outstanding operational track record. UK Power Networks is now finalizing its ED3 business plan for Ofgem. And while the political and regulatory debate has become more focused on affordability, we do not see any credible pathway to deliver UK electrification, economic growth, and security of supply objectives without materially higher distribution network investment. We are confident that a significant step up in ED3 investments will be needed. Very relevant for a gas network is the development of biomethane in Europe and particularly in France. In October, we signed a framework agreement with CMA-CGM to develop a biomethane production unit in the industrial port area of Le Havre that will supply 100GWh of biomethane annually for their fleet from 2029 onwards, subject to FID.

With that, I will pass over to Pierre-François.

Pierre-François Riolacci

Thank you very much, Catherine. Good morning, everyone, and thank you for joining us in a busy day with another two releases. EBIT excluding nuclear reached €7bn, up 10%, including five months of contribution from UK Power Networks. We are delivering a second quarter in a row with double-digit organic growth, despite absorbing €54m of support to vulnerable households in France in Q3. Our 2026 earnings offer a very solid base from which we are growing as promised. Cash generation remains robust with CFFO at €7.5bn, despite a material, but temporary working capital headwinds on higher energy prices and margin calls. You know that our working capital tends to increase when energy prices go up. I will come back to it. CapEx reached €26bn, including the acquisition of UK Power Networks. This transaction, together with the working capital variation, explains the increase in net debt and leverage. Based on year-to-date delivery and current visibility, we now expect '26 to land at the upper end of our guidance range.

Let's turn now to the evolution of EBIT excluding nuclear, Forex was broadly neutral, and scope excluding UK Power Networks had a limited negative impact. UK Power Networks contributed €452m over five months. On an organic basis, EBIT excluding nuclear increased by €205m. Price and volatility effects were negative overall, mainly due to the roll-off of high price hedges put in place after the Ukraine crisis in European gas generation. We also saw continued price normalization in B2B. Supportive prices on unhedged generation volumes partly offset these headwinds. Volumes were down due to warmer weather, lower hydro generation in France, and lower gas consumption in regulated networks. Against this, commissioning and investment contributed strongly through new renewables and battery capacity, and the continued expansion of power networks and regulated assets. Performance added €406m, confirming that operational excellence translates into earnings. Modest negative others reflect variation of one-off from one period to the other. Nuclear EBIT declined to €113m, reflecting the Belgian nuclear phase-out that is now completed.

Looking now at the three reporting segments. Renewable & Flex Powered EBIT reached €2.6bn. Renewables and BESS grew organically by 5.5%, supported by new capacity and operational performance, and partly offset by lower hydro volumes and lower capture prices in Europe. Gas generation normalized, as expected, reflecting lower capture spreads in Europe, partly offset by good prices in Latin America, and commissioning of Flemalle in Belgium. The conjunction of geopolitics-driven volatility and record extreme weather require constant adaptation of the optimization of the assets to mitigate risk and extract value from the fleet. Infrastructures delivered strong growth with EBIT reaching €3bn, including €452m from UK Power Networks. Gas Networks benefited from performance and tariff increases, despite warmer weather and lower volumes in France. Power Networks grew organically in Latin America, while LEI, Local Energy Infrastructures, delivered close to 20% organic growth, driven by performance and development in district networks and EV charging. Supply & Energy Management EBIT reached €1.8bn. B2C increased strongly, supported by active portfolio management and a non-repeat of negative timing effects, partly offset by milder weather, and €54m of support to vulnerable households in France. B2B declined as expected with high margin legacy contracts phased out, compounded by positive one-offs in 2025. Commercial performance is on track. Energy management performed strongly in

gas, supported by market conditions and contract renegotiations, it was in H1, while power remained more challenging.

Turning now to cash generation. CFFO amounted to €7.5bn in the first nine-months, compared with €11.4bn last year. The year-on-year decrease is largely explained by a €3.6bn adverse movement in working capital requirements. Three items matter. Gas inventories had a €1.1bn negative impact from higher prices and injections. Operational working capital reduced CFFO by another €1.1bn year-on-year due to higher customer receivables. And finally, margin calls had a €1.5bn adverse effect reflecting reduced use of letters of credit and higher collateral requirements in volatile energy markets. These are temporary working capital effects, not a deterioration in underlying performance. The group continued to generate solid operating cash flow. Maybe, by the way, you have noticed that the operating cash flow is stable despite the phase-out of nuclear. But it is a fact that more cash has been tied up in the energy cycle. This is something we have seen, you remember, in '22 and '23, with a reversal in '24 and '25. We hence expect at the end, subject to market condition of course, some moderate increase in the working capital requirement.

Let us now move to net debt and credit metrics. Economic net debt rose from €45bn to €62bn, mainly reflecting the €13bn net impact of the UK Power Networks acquisition, net of capital increase and hybrids, and the €3.6bn working capital increase I just mentioned. Adjusting for the temporary working cap headwind, it's good to note that CFFO covered both the dividend paid to shareholders and CapEx, excluding, of course, the strategic acquisition of UK Power Networks. Economic net debt to EBITDA stood at 4.2x, including the full UK Power Networks debt impact, but with only five months of EBITDA. We expect the ratio to improve at year-end, despite increased pressure on working capital due to high energy prices targeting around 4.0x.

Now, a word on Belgian nuclear provisions. Catherine walked you through where we stand with the Belgian government and mentioned a significant gap in respective views on valuation, particularly regarding nuclear obligations. So before I wrap up with the guidance, we thought it could be useful to share with you what we plan to do at year-end with regard to nuclear provisions, notwithstanding any transaction. Until the end of 2025, the views of the CPN and Engie were compatible, and our provisions were therefore based on the CPN estimate. As these views have since diverged, group provisions will be based on our own best estimate in full compliance with IFRS. The chart on the right shows what this would mean for the provision. Starting from €8.6bn at the end of 2025, we currently expect it to remain broadly stable by year-end 2026. And there are three main effects at play. One, we are taking a conservative view on cost using the ONDRAF assumptions for overnight costs. Two, we adjust 2022 contingencies given changes in scope and factor in the impact of higher costs, which mechanically increase the contingency. And three, we are increasing the discount rate to reflect partly the rise in long-term interest rates observed in all capital markets over the last four years. The discount rates used in 2022, respectively 2.5% for back-end spent fuel and 3% for dismantling, are clearly out of market range. Overall, while the underlying assumptions are moving, we currently expect the provisions to remain broadly stable with no significant impact on Economic Net Debt. Of course, Synatom, our wholly owned subsidiary managing provisions and related financial investments, will keep using CPN assumptions and funding in the years to come will be fully compliant with Belgian law.

Let me conclude now with our outlook for 2026. Based on the performance achieved at the end of September and our current visibility, we now expect to land in the upper end of the guidance range. This confidence reflects investment contributions, continued performance plan delivery, and Q3 momentum. We remain focused on delivering in a fast-changing environment, monitoring FX, financing costs, weather events, commodity prices, and of course the broader economy. In summary, ENGIE is delivering on its strategic priorities, investing in attractive regulated and contracted assets, executing operationally, generating solid cash, and maintaining financial discipline.

I now hand over to Catherine for the final words.

Catherine MacGregor

Yes, indeed. So, thank you. Very strong nine-months for ENGIE. The second point is about the strength and the breadth of our industrial model that is showing its relevance in this world of constant geopolitical, market and weather uncertainty. And third, we continue to have a strong focus on execution, continued effort on performance, commitment to maximizing the value from our existing asset base, and of course, strict financial discipline in our new investment. All of these aimed at supporting our customers by supplying the affordable and reliable sustainable energy whenever they need it. And this is why I am very confident about what lies ahead. A strong performance over the first nine-months shows that we have all the building blocks in place to perform, to capture the head, and to deliver on our ambition to become the best energy transition utility.

Thank you very much. Delphine?

Delphine Deshayes

Thank you, Catherine. Operator, can you please open the lines to Q&A. And to all, please make sure to limit your questions to no more than two.

Q&A

Operator

The first question comes from Harry Wyburd of BNP Paribas.

Harry Wyburd

Hi, good morning everyone. Hi, Catherine. Hi, Pierre-François. So two for me, please. So firstly inevitably on the Belgian deal, can you give us any kind of flavor on the range of negotiation, on the liabilities you guided us on, where your assumptions going to land by the end of the year? Where's the Belgian or Synatom assumption going to land by the end of the year? Have you got any color on that which can just give us an idea of the range of negotiation that we're thinking of and then just a sub point on that you've given us kind of the liability guidance the end of the year, there's an associated sort of dedicated asset fund as I understand it, would that also be broadly flat or would you expect the value of that to have gone up or moved a little bit. So, question one.

Second one, totally different. On the thematic of rates in France as I understand it, when your networks review for gas comes around in a year or two, you should be getting an increase in allowed returns because the returns were partially iBoxx driven partially OAT yield driven. So, are you able to give us any kind of flavor as to what kind of movement you'd expect there. There's also a consultation suggesting they might move to full nominal, which presumably would also give you a revenue uplift? And would you expect any delta on volumes as well, so there's a lot in that but basically as a rule, trying to understand whether we should be upgrading our French gas networks, estimates a couple of years out because of what's going on in France?

Thank you.

Catherine MacGregor

All right. So maybe, Harry, what I'll say, I'll start with the nuclear story because I think it's important to comment a little bit. As we had said at the end of July, we have entered into these discussions that are dense, they are rich, they cover all of the aspects of the transaction. As you know, it's really a complex transaction, especially when it comes to valuation of the liabilities, but also, of course, the asset side. And indeed, we have progressed

through the discussions, very constructive engagement. We have also uncovered significant divergences of positions related to the valuations, and I would comment specifically when it comes to the liabilities, a divergence about estimating the whole risk profile of dismantling activities. These activities of dismantling, and we had many opportunities to discuss that, as an industrial player, we have experience in. This has an industrial nature. It's very different, obviously, from the long-term waste management. It's really an industrial project, by the way. We conduct dismantling activities in many parts of the world. We are doing that when we dismantle coal. We even have, as you guys know, mining dismantling, we are decommissioning a project in Australia. So, we know how to do dismantling. It's manageable in time. Well, I think it's fair to say that a government that would take on these activities might not be looking at this risk the same way as us. So, that's, I think, fair to say. And given the current circumstances in Belgium, as well, of course, as the strategic nature of the deal for the government. This is why we have decided to give it a bit more time to see whether these divergences can be reconciled with the principles of course of financial neutrality, which remains core to the whole transaction. So let's see how that goes and what we'll see on December the 12th.

Maybe you want to say a few comments on the provision and maybe sorry, before passing on to Pierre-François, of course, the situation is that if we are able to land a deal eventually there will be no more provisions. I think it's also important to give you clarity and this was the purpose of the slide that we put there and the comments on the provisions. We also want to give and share with you the view of what it would look like for us should a deal not be reached.

Pierre-François Riolacci

I'm not going to dwell too much more on the provisions. I think that since in our own books, we use the ONDRAF assumption for overnight cost, that's the plan. I think the key criteria will be around the contingency that you put on top of the estimate of cost, and that the second point is about the discount rate. And I make a link with your second question, which I think is somewhat linked to it, which is the performance of the dedicated assets in Synatom. I'm not going to give you any number for year-end, but what I can tell you is that at the end of September, the performance was 5.4%, which reflects, of course, the trend in the market. So, I think it's a very good point.

And then maybe on the gas revision, we don't like to comment too early on these kind of things, which are super sensitive. You know that we will file our first tariff proposal, I think, at the end of Q1 next year, so still a bit of time. Yes. I mean, the interest rates have gone up, and you could expect that there would be an impact that would come everything being equal. But of course, in the revision, there will be many things that we need to discuss, including potentially some significant decrease of risk. We need to take in account volume trends, we need to take the risk of stranded assets. So, this could trigger a broader discussion with the regulator, and of course, we get the benefit of the increase in rates. Now, you also refer to volumes. Historically, what we have seen is that the volumes which are used for the assumption and tariffs are usually rather ambitious. And that's something we discuss sometimes, we don't use the same assumption for our own forecast. So to be discussed, I guess that behind these questions of volumes, you had also the question about the CRCP, which is the volumes which are actually recovered from the previous period. I'm sure everybody remembers that in the current revision, we are recovering volumes which were short in the previous period. It's likely that in the next period, given what we see today, we will have also to recover on various operators some of the volumes. So that you should not expect a big cliff effect on that one. We discussed that a year ago and 18 months ago. And this is more or less confirmed, of course, depending on winter volumes, which are the main driver of this potential clawback.

Harry Wyburd

Super clear. Thank you. And just one rapid clarification on going back to the provisions. If the liability leg of €8.6bn is roughly flat, and you're saying you've had good progress on the dedicated assets, presumably the net liability, which I think is around €3bn. And is on track to shrink a little bit, if I got that right.

Pierre-François Riolacci

Yes. I mean, the vision of the liabilities may differ from one party to the other. I think we feel very strong about the value of the liability as an industrial operator for plants that we've been managing for tens plus years and with dismantling that we are familiar with. I mean, we dismantled in many places in the world, in Australia, in the U.S and in Chile, so we are used to it. Now, of course, for a government that would take over, they may come with a different opinion. So you can imagine the nice discussion that we can have around that.

Harry Wyburd

Understood, thank you very much.

Operator

The next question is from Ajay Patel of Goldman Sachs.

Ajay Patel

Good morning, and thank you for the presentation, a couple of questions, please. So firstly, I think previously, last set of results, you indicated a guide of €1.7bn on B2B and EM. I just wondered if you could give us an update on what that looks like at the nine-months.

And then I was wondering, just on the nuclear provisions again, what would be the difference if you would just continue with the existing practices that you were doing in '25 into '26, relative to what you're pointing to now? I just wanted to understand what a change it would have made.

Pierre-François Riolacci

Maybe to start with the provisions, I mean, we are compliant with IAS 37. So, it means that we need to use our best estimate when we close the books. And so, we did in '22, so we did in '25. And what we did in '22, when we booked the provision, we used the same set of assumptions than the CPN. And we have kept that assumption, and that was the practice as a good proxy of our best estimate. What happened today is that we have different views. And when we have different views, of course, it means that we have to use our own best estimate. And that's the number that we are reflecting here. So, the other route was to take the CPN valuation. And probably at some point, CPN will issue its own notification. And that's what they have to do. But of course, it's suspended due to the transaction discussion, but that should come. And then there will be a number pushed by CPN. And that number, we expect to see a different number based, again, mainly on the contingencies and the discount rate. So, I cannot talk on behalf of CPN. What I can tell you is that we have to use our best estimate and this is what it is.

Sorry. And the other question was about B2B EM. And we are indeed on track and we keep to the target.

Ajay Patel

Thank you very much.

Operator

The next question is from Arthur Sitbon of Morgan Stanley.

Arthur Sitbon

Hello. Thanks for taking my questions. The first one is on your 2026 recurring net income guidance. So I think the midpoint of the new indication is roughly €450m above the midpoint of your initial guidance at the start of the year. I was wondering if you could help us understand out of these incremental profits of €450m, what is the share of that that you would consider as recurring sustainable and what is more one-off in a sense? That's the first question.

The second one is, I noticed that the TTF and HH spread is up very significantly compared to earlier in the year. Even for the medium term, even when you look at forward prices for 2028, 2029, I was wondering if that makes a difference to your kind of normalized former GEMS EBIT guidance of €1.5bn if we think medium term. In the current condition, does that make it more of a ceiling than the actual level we should expect towards the end of the guidance time horizon?

Thank you very much.

Pierre-François Riolacci

Sorry. So, on the first one, I think the upgrade of the guidance, we commented that in H1, and now being at the upper part, it's always a bit the same story. Of course, when we upgraded in H1, you remember that they were also taking into account the early close of UK Power Networks, but this is of course, not going to go away. So it's the pace of it. Clearly, we have good level of performance, which is another point that we mentioned, which is there. At the end of the day, the growth of the net income is driven by good level of performance, good contribution of CODs. In one word, it means that it is recurring. And you should not see that as one-off or especially boosted. I think that we are pleased with the quality of earnings that we will deliver in 2026.

Now, you are mentioning, yeah, that we have also, of course, some spread in TTF and HH. I mean, that we are very careful and we don't speculate on HH. So, when we are sourcing in the U.S., we have a hedging policy to make sure that we protect ourselves of that kind of spread in quite a few years. Not for the full duration of the contract, but for quite a few years. We are, of course, not sensitive to that in the direct years to come. So, we are not directional. We never do that. We are not going to play games whereby we would be buying HH and selling TTF, that kind of thing. We don't do that. We are always hedging at inception. So, that's super important. So, you should not see a driver in there and us locking that kind of profit, which would be super volatile and, of course, super risky.

Arthur Sitbon

Ok thank you.

Operator

The next question comes from James Brand of Deutsche Bank.

James Brand

Hi. thank you for taking my questions. The first is a little bit political, obviously, and a sensitive topic. But just there has been press reports related to the Belgian discussions that the Belgian government might be threatening to nationalize the assets. And I was just wondering whether you had any comment on that. It seems like that may be inconsistent with EU energy rules. And therefore might not be able to be achieved, but it was interesting. Any comments on that?

And then secondly, just to follow-up on the earlier comment around the French regulatory review, and I appreciate you said that that is also sensitive. And obviously, very early stages, but I think the approach that was used last regulatory review was a mix of weighting on kind of current forward-looking bond yield expectations and trailing expectations and with quite a high weight on the trailing that might not fully take into account quite how much the cost of capital has gone up in recent years. So, I was just wondering whether you thought there might be an opportunity to kind of revise the framework and maybe get a fuller reflection of the rise that we've seen in rates?

Thank you very much.

Catherine MacGregor

Yeah. I mean, on the methodology, to be honest, it's really too early to comment. As you know, there is a lot of things that come in play on this whole regulatory parameters. And so, it's too early to comment on exactly how we will engage on calculating the WACC and the formula. So, I think we will for sure take into account what's happening in the rate environment today, but to get into the formula details is a bit too early, James.

On the noise, remember we always said, and we told you, please be careful about the media noise, because there is always media and press noise to very nicely accompany some of the discussions that can happen. And on the nationalization noise that you are referring to, it's really press rumors. We are very confident that the Belgium government is very seriously negotiating with us in good faith. And nationalization is definitely not on the agenda. And by the way, nationalization of nuclear operations would be really something but that's a side comment. So, yes, just noise rumors and not on the agenda.

Operator

The next question is from Bartek Kubicki of Bernstein.

Bartek Kubicki

Thank you very much. Good morning. Two things from me as well please. Firstly I would like to ask you about the U.S and the latest political change and how do you see this where there will be more opportunities to grow or less opportunities to grow for the time being?

And second of all, if we look at your growing batteries exposure, you're also expanding the coverage in terms of the markets you are moving to different markets. If you can just maybe give us a little bit of color how the attractiveness of particular markets you are exposed to look like in comparison to others. So what are the most attractive countries, what are the least attractive countries you are exposed to? I'm hearing from some of the industrial players you can even get 20% to 30% IRRs in some countries, whether you think this is the actual number.

And then lastly of course, how long do you think eldorado in terms of batteries will last? Because I suspect there's a lot of batteries coming on the market. So consequently the potential arbitrage opportunities you may be utilizing right now will be shrinking in the future.

Thank you very much.

Catherine MacGregor

Okay, maybe, so U.S, it's obviously a bit early, but what I think is fair to say is that there was quite a lot of pausing in momentum pre-elections. And I can think of in certain states there were pauses made on, for example,

permitting data centers. So, there was a little bit of a slowdown in momentum pre-election. So, elections are always a bit of a catalyst where things can resume. I think what's happening on the data center side and potentially push back and slow down, we'll have to see what the newly elected want to do about that. But I would think, hopefully, we will see eventually in the U.S. more all of the above energy policy. In other words, some technologies not being isolated, as we have seen in some circumstances. So hopefully, we can see permitting resuming. But again, we'll have to see. It's a bit early to say, that's what I would say on the U.S.

On the batteries, we see batteries frankly thriving in many markets, where renewables are being developed which is many markets actually. India for example doesn't do solar anymore they do solar and batteries. Obviously, any time you have only renewables GWs as an objective you will fall into trouble at some point because you're going to have too many negative hours. So, we see many markets now catching on flexibility and within that flexibility realm you see batteries we're going to see that even in Brazil, which was not so much a battery market before we're starting to see that. We've seen that in Chile, anywhere you have also grid congestion, a lot of renewables penetration you see batteries thriving. So, that's some of the commentary I can say about batteries, 20% to 30% return we see double-digit return for sure. I'm not sure that we can say 20/30%, but we see indeed part of the BESS are exposed to merchant exposure. So obviously, you will expect to have double-digit returns. And again, as long as renewable penetration continues, in Europe we still have a long way to go. We expect batteries to be able to capture value. And remember, the payback of batteries is typically quite short, so while in some cases when batteries get developed very quickly, you can see a little bit of a collapse of the intraday spread, but because you add more renewables, then batteries become important again. So, speed to market is really important, by the way, which is why we like our positioning. We have been quite fast in moving in batteries, and that's important because cannibalization can happen, but only if you come a bit too late. Maybe the last point I said on batteries is, what we have seen in the United States is that battery costs have increased quite a bit, and that will probably put pressure on battery development. If battery development gets a bit slow down in the U.S., you'll see it again in the spread, and that should be actually positive for existing assets for sure, and potentially help and facilitate new developments.

Operator

The next question is from Juan Rodriguez of Kepler Cheuvreux.

Juan Rodriguez

Thank you for taking our questions. I have two on my side, if I may. The first one is, again, on Belgium discussions and provisions. First is, okay, what is the red line for you? I thought you signaled that you expect neutrality on the deal, but what could be the level that you can stay into this, like a low, very low single-digit billion, low level for additional provisions and what will be your plan B on your side, if a no-deal is reached by the 12th and why the 12th? Can we expect a further update if no deal is reached on that date or there's a specific timeline that needs to be reached by that date? That's the first one.

And the second one is on the Energy Management and the expectations of power improving. We see that power has been relatively calm until Q3 and then we see that future prices have started to tick up. Can we expect the positive gas effects as well to be extended until 2027-'28 on new contracts. So this is mainly going to be a 2026 effect on the gas side.

Thank you.

Catherine MacGregor

Look, on nuclear again, what we said is that indeed we want to do a deal that allows us or gives us financial neutrality that needs to be looked at as a package, asset, and liability. And of course, given the sensitivity of the

discussion, I'm not going to go into more details. What I think is important, what we try to do today is to give you the realm of possibility. Either we have a deal and it will be a good deal for ENGIE in the sense that it will, one, allow us to meet a strategic goal for the government, two, have a financially neutral deal, and third, it will, in a way, derisk us from future nuclear exposure. And by exposure, I mean some of these discussions that we're having, are we prolonging or not, etc. So, that's what is today at the table. If we don't have a deal, it's okay as well. We had, as you know, a framework which is called Phoenix, a very famous Phoenix deal. And we will go back to some sort of Phoenix deal, by the way we didn't comment, but our plants have restarted after the LTO on time, one mid-October, one November the 1st, so the Phoenix deal is working. And very importantly, the purpose of that slide was to say we also have a view, a very clear view of the provisions that we will have on the balance sheet of the Group. So that's the two, if you like, possible situations that we will land in. And when you look at them, both actually are really, really good for ENGIE. So now it's how we give more clarity on whether we'll be on the left or on the right? Indeed, let's see, on 12th of December, that's the day that we have given ourselves with the government to get to that clarity because we have indeed this divergence in valuation that we need to bridge. And if not, we will fall into the other side. So let's see on 12th of December.

Pierre-François Riolacci

On prices, maybe, yes, on power, of course, there will be an impact because even if we have decreased our merchant exposure in power, we still have some residual merchant position in wind and solar. We have, more importantly, some hydro, as you know, and we have the French drawing rights in nuclear. So these are our power position. And we have a rolling three years hedging policy. So that means that, indeed, some of the benefit of the higher prices, to the extent that they are reflected into the forward curves would reflect in '27 and to a lesser extent in '28, based on the curve. So that should come through.

When it comes to gas, it's a bit of a different story because as you know, we are not a gas producer. We are hedging at inception, so there is not such an exposure. However, when gas prices are higher, indeed, there are deals that you can enter into. Some of these deals can go a bit further, indeed, than the quarter. And that could bring a bit of value, but that's not to the same extent. What we could expect if gas prices start to decrease is that we would have a better environment for clean spark spreads, which today have been squeezed. Of course, the power prices are going up, but they are pushed by the gas prices. So we can expect that if gas prices come down, there might be a bit more room for locking in better spreads for CCGTs. So that's what I can say when I look forward.

Operator

The next question is from Piotr Dzieciolowski of Citi.

Piotr Dzieciolowski

Hi. Good morning, everybody. I have two questions, please. I think we understand the liabilities part of a Belgium discussions, but can you tell us what is your view on the asset value? Is there any meaningful value remaining in the connection points of the five reactors that were closed and how you think about it? Is there a divergent view on this side as well or how shall we think about this? As I understand it, both sides are discussed.

And the second question, I wanted to ask you about the impact of the increase in rate on your future projected financial results. How does this impact '28 guidance or by the end of the decade how much of the extra financing cost you will have?

Thank you very much.

Pierre-François Riolacci

Thank you. I'm not going to comment on the details of the transaction again, but you're right, there is a liability side and there is an asset side. And of course, here in that case, it's kind of an M&A transaction, so you need to agree on both. And as you can imagine, we don't necessarily agree at the first discussion. So yes, there is also a topic that we need to dig in, in the valuation of assets.

When it comes to the long-term rates, I think Catherine shared a few elements about the structure of our debt. And you can see that we are fixed to a large extent. We do have also a cash position, which is offering a natural hedge on the short-term part of the curve. And that we have seen at work, you remember, when the long-term rates started to go up a couple of years ago. And you've seen that we have been pretty resilient. Now, that being said, we do have bonds which are maturing every year. Ballpark, €3bn, €4bn of bonds, which are maturing every year. And these bonds are carrying a historical rate, which is lower, because they were secure. Many of them, they were secure at a time when rates were more lenient to borrowers. So, you should see on this €3bn, €4bn a year which are lapsing you should see a gradual increase in the rates based on the market expectation that you can build by yourself. So, that I think a good way to look at the potential exposure going forward. The key point here is that it will take time because we are fixed, because we have long-term maturity and the average maturity of the debt is north of nine years. We are of course we have a lot of inertia in the way the rates will be reflected in our books.

Operator

The next question is from Louis Boujard of ODDO.

Louis Boujard

Yes. Hi. Good morning and thank you for the presentation. I appreciate that most likely there is not much to add on the nuclear deal. So, I will go to other topics at this point in time. Maybe the first one would be regarding the net debt level. And of course, with the rising power market price environment and the volatility into the system, could you in the end maybe provide us with some visibility regarding how you see the economic net debt landing by the end of the year, considering also the uncertainty that we should still take into consideration on the working cap level that might be partly at least reversed in 2027 and maybe 2028 as well?

And the second question, maybe a bit more on to the business line and specific aspects on the B2B. I think that we've seen that the EBIT declined 30% organically at nine-months, but the third quarter is a kind of improvement. And I would like to know if when you sign your 24/7 renewable supply contract into these divisions with large customers, is it only to retain these customers or is it also something that could potentially enable you to improve the margins going forward into these B2B divisions.

Thank you very much.

Catherine MacGregor

Think of the 24/7 contract as quite a differentiated product that we provide to our customers. Behind the 24/7 concept, there is a different flavor. You have the ones that are super demanding, that are 90% plus hourly matching, and you have the ones that are a bit more, let's say, democratic, more affordable, more reachable, which can be at 60%, 70% hourly matching. But those ones, obviously the big ones, the 90% plus are premium, but the 24/7 now is becoming a bit of a medium-tier product. So we are able to do more of those. It's less selective, it's for more medium-sized customers or customers that want to greenify, want to decarbonize, want to have better predictability on their power price, but can't afford the 90% plus hourly matching. And the beauty of this product is that it is both higher margin and we can do much more of that because the customer base is larger. And so, that's really what we like. It's a bit of a sweet spot between customer base and as well as indeed,

better margins than your normal supply contracts. And it really meets a customer's demand. We see good traction this year for the first time, actually, with this product.

Pierre-François Riolacci

Thank you and good question. Thank you for the working capital. So, there are three components you've seen on the variation. Gas storage, well, you should expect this actually to slow down in Q4 because at the end of September, we have the peak period in terms of gas storage, where at the end of December, we have been starting to use it, so you should see less of an impact at the year-end. When it comes to receivables, net of payables, that depends, of course, on the level of prices that we have at the very end. But of course, a lot of this is already hedged. So, we know that that is a real trend in the business, and clearly that's where we expect to see a bit more of working capital in the business. Margin calls, we have tools, we have the toolbox, and of course, at their end, we'll use a toolbox to minimize the impact of margin calls. This is something that we have been developing in '22, '23, so pretty used to that. We can do that. So, you should expect a lower impact on that side. And then indeed, the reversal will come when prices stabilize or even start to decrease. And that could mean that if the prices were to stay high, clearly that would mean locking in this money for longer but if the prices are high it's not necessarily bad for the operating cash flow. You remember that there is a direct link and again we would of course cover that in '27 with a strong operating cash flow. So all in all, again based on the experience of '22-'23 we are pretty relaxed that there might be a bit more working capital due to high prices. For the rest, we are in control of the mechanics.

Delphine Deshayes

So this is the end of the Q&A session. Thank you for joining the call today. And of course, if you have any follow-up questions, do not hesitate to call the IR team.

Thank you.