H1 2025 RESULTS

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Delphine Deshayes

Thank you. And good morning, everyone. It's my pleasure to welcome you to ENGIE's H1 conference call. Shortly, Catherine and Pierre-François will present our half-year results, following which we will open the lines to Q&A and with my polite request of limiting your questions to one or two only please.

And with that, over to Catherine.

Catherine MacGregor

Thank you very much, Delphine. And good morning, everyone, and welcome to the presentation for our first half 2025 results. I can report a robust set of numbers within an economic, political and geopolitical context of some turbulence. Once again, we are able to demonstrate the relevance and resilience of our integrated mix of flexible and renewable generation, our extensive downstream customer portfolio, our unrivalled expertise in energy management, and our defensive and highly cash-generative network business. We remain laser-focused on driving forward the energy transition by carefully targeted expansion in renewables, batteries, and power networks, embedding a performance culture into everything we do, further streamlining our business portfolio, motivating our talented and engaged staff, winning and retaining the trust of our customers, and rewarding our shareholders.

Two particular confirmations of recent weeks. First, we successfully completed the initial extension works of the Tihange 3 nuclear reactor, following on from the completion of the deal with the Belgian government and transfer of the bulk of our nuclear waste liabilities. And second, something that perhaps isn't that widely recognized, we have become very much a big-ticket renewables operator, with the completion of the largest wind farm in Egypt, final negotiation of a PPA for a 1.5GW solar project awarded in the UAE. In fact, as we speak, we have 37 wind, solar, and BESS plants of 250MW capacity or more, either operational or under construction. I will also provide an update on the situation in the U.S.

Moving on to the next slide, some headline numbers, EBIT excluding nuclear was down 6% on an organic basis at €5.1bn. I am pleased at the strength and resiliency of our H1 numbers and our activities, both completely in line with our expectations. Couple of highlights, first, a strong contribution from newly commissioned assets at

€220m. Second, a notable rise in our networks business supported by new gas tariffs in France, benefiting from the regulatory clawback mechanism, as well as by the construction of new power lines in Brazil.

Net recurring income group share comes to €3.1bn, down from €3.8bn. Cash flow from operations stands at a strong level of €8.4bn, benefiting once again from substantial free cash flow that is generated by our networks and downstream activities. The structure of our balance sheet is solid. Economic net debt was down by €1.1bn over the first half to €46.8bn, equating to 3.1x EBITDA, the same as the end of last year and below a ceiling of 4x.

In view of these good results, despite the macro uncertainties and forex headwinds, we approach the coming months with confidence, and I can confirm our guidance for the full-year with net recurring income group share between €4.4bn and €5bn. As we anticipated, EBIT excluding Nuclear is reaching its low point in 2025 as a whole, although within 2025 we are expecting a year-on-year rebound in the second half. In this slide, I would like to talk about how we are dealing with the situation in the U.S., which I would summarize as follows.

We have 8.6GW of operational onshore wind, solar and BESS, all unaffected by new legislation or proposed measures. We have 2.4GW under construction, of which two-thirds in batteries, which are largely protected against tariff as we were very quick to move to de-risk and safe-harbour. For projects under development yet to reach FID, we have more visibility with the OBB bill having been signed into law, with residual uncertainty on tariff and precise definition of safe-harboured. In this context, we are ready for FID on three projects with combined capacity of over 1GW, providing adequate risk profiles with tailored safeguards that reflect well the context. I am convinced that onshore renewables enjoy an attractive future in much of the U.S., with, for instance, runaway load demand in Texas forecast by the ERCOT regulator, to rise from 85GW this year to 218GW by 2031. Renewables backed by batteries have every prospect of being part of the solution to meet this demand growth. If I am wrong about this, well, we have built a truly global business in renewables and BESS that adds optionality and cuts the need to be tied to any one country, as I will illustrate in the next slide, which shows that we continue our inexorable rollout of our renewables and BESS platform with 1.9GW of additions over the first half to almost 53GW of capacity.

And what I really want to stress here is our growing scale. First, in terms of the sheer extent of what we are building, it's consistently close to 8GW, close to 100 projects under construction. And second, the nature of the projects completed under construction or won, and the location of these projects. We are capable of building the biggest ticket solar and onshore wind farms in all of our key regions, which is a testament to our efficiency of execution, purchasing, longstanding presence, and stakeholder relationships in these countries that we have built over many years. And as I mentioned quickly, we delivered Africa's largest wind farm in Egypt ahead of schedule by four months. And in the UAE, we are in final negotiations of a PPA for a 1.5GW solar project that we have been awarded, as well as an ongoing bid for a 1.4GW OCGT project. Finally, in offshore, we recently generated first power at our Ile d'Yeu and Noirmoutier offshore wind farm in France, and we expect to have it fully on stream by the end of this year. You can see that our global pipeline in Renewables and BESS is now 118GW, well split between the regions, but with AMEA more than doubling since the end of 2022, as countries such as India and the UAE embrace energy transition as a response to rising demand. This all sounds really impressive, but of course, it doesn't work unless we find a project that matches or exceeds our IRR minus WACC spread criteria, which is at least 150 to 250 basis points, that we deliver the project in timely fashion and on budget, and that we use our energy management expertise to maximize the revenue potential of the project.

And just to finish on this slide, a word on the volume of PPA signed, 1.2GW over the first half. Given the U.S. projects that I already mentioned and are ready for FID, we are optimistic of a strong H2, despite appetite for PPAs in Europe being somehow subdued.

In the next slide, I am pleased to announce good progress in the cleaning of our portfolio, aimed at improving our regional and strategic focus, exiting coal, recentring our Local Energy Infrastructure business onto its five European core markets, as well as Singapore and Tabreed. We are on track to deliver €4bn of debt reduction via divestment for the period 2025 to 2027. And as our markets normalize, we are doubling down on our efforts to optimize not only our business portfolio, but also on our performance. Running parallel to what we're doing on the portfolio is indeed a big effort to bolster our performance with an EBIT boost of at least €1bn by 2027 versus 2024. In other words, almost double the pace of previous years. I am determined to instil a culture of performance throughout ENGIE via numerous measures that have been identified. As if we want to be the best energy transition utility, we must make the most of our integrated and flexible asset mix with a constant striving for efficiency and affordability. We're making good progress with a €246m impact in the first half, on track for €300m to €500m target for the full-year. Almost half of the improvement comes from elimination of loss-making sources, in particular EV Box, together with operational excellence initiatives in areas such as networks, flex power, PPA renegotiations, and cleaning our local energy infrastructure contract portfolio in France. What we expect to accelerate as ongoing measures take hold are in what we term Culture and Competitiveness, where we are seeing initial contributions from actions such as travel, events, and consulting, as well as efficiency in IT and digital. Headcount efficiency measures that we expect to kick in from next year.

Finally, in Belgian nuclear, focus has switched to the first stage extension work of the two reactors that will belong to the joint venture between us and the Belgian government. Works on the first reactor, Tihange 3, were completed successfully. The plant was reconnected to the grid slightly ahead of schedule. Now works on the second unit, Doel 4, have been underway since the start of July and should be completed by the start of November, at which point the remaining sum of around €3.6bn will be paid.

So, gradually, in H2, our exposure to merchant will fade away to be replaced by our FlexLTO structure for Tihange 3 and Doel 4, with output at a quasi-regulated price. At that point, it is a new chapter that kicks off for ENGIE in Belgian nuclear, with our earnings set to be relatively modest, but very importantly, de-risked and stable, with our balance sheet free from the millstone of nuclear waste liabilities.

And with that, I will pass over to Pierre Francois.

Pierre-François Riolacci

Thank you very much, Catherine. And good morning, all. Let's go through our first half '25 results, which reflect a continued solid performance in what are the last quarters of normalization across our markets. After a very strong Q1, Q2 is coming exactly as expected. EBITDA and EBIT excluding Nuclear stand at €7.4bn and €5.1bn, respectively, both slightly down compared to last year, reflecting a high comparison base and some foreign exchange headwinds. Organically, the decline is contained at -3% for EBITDA and -6% for EBIT after more than two years of continued decline in energy prices. We continue to generate strong cash flows with CFFO at €8.4bn, confirming the healthy fundamentals of our operations and the high quality of earnings. Net financial debt stands at €35.7bn, up €2.4bn due to the €2.6bn payment in cash related to the closing of the Belgian nuclear agreement in Q1 that Catherine was just mentioning. Economic net debt is down by €1.1bn, and our credit ratios remain stable at 3.1x, well below our 4x target. We are getting closer to the awaited inflection point for EBIT excluding Nuclear, and we anticipate year-on-year growth in the coming quarter, mainly in Q4. In this context, we are confirming, of course, our 2025 guidance.

Let's now turn to the EBIT evolution in more details. We closed H1 '25 with EBIT excluding nuclear at €5.1bn, down organically by €349m compared to last year. This evolution reflects a mix of external headwinds and internal drivers, starting with four negative impacts, all expected. First, forex had a minus €98m impact, mainly due to the depreciation of the Brazilian real. We expect the BRL impact to fade a bit in H2, but the effect of the U.S. Dollar will be more visible in the second half. Secondly, scope effects amount to minus €80m, primarily driven by the disposal of Senoko in Singapore and Uch in Pakistan, and the deconsolidation of Safi in Morocco. Thirdly, price and volatility contributed to minus €258m, mostly within our Supply and Energy Management activities. This reflects normalizing market conditions and increased transportation costs in Energy Management and a high comparison base in B2B and B2C, which included positive price-related non-repeat and timing items last year. Those headwinds were significantly mitigated by tariff increases in our Networks activities. Fourthly, volumes were down, minus €392m, largely due to lower hydro volumes, following exceptionally high levels in H1 '24. On the positive side, two long-term trends relentlessly supporting earnings growth. Commissioning added €221m, this includes around €150m for Renewables and BESS, and €70m for Infrastructures, highlighting the relevance of our development strategy and our very disciplined execution. Performance contributed €246m, reflecting operational improvements across all our segments, and I will provide more details later on. Other impacts amount to minus €166m, and it includes notably the cost of our employee shareholding plan for a bit more than €50m, along with various one-offs. Finally, Nuclear EBIT stands at €503m, down €267m, with lower captured prices, the shutdown of Doel 1 in February, and the conformity outage of Tihange 3 in the second quarter. Overall, while market normalization and lower volumes weigh on EBIT, our investments and performance initiatives are delivering at pace and secure further our trajectory for the year, and I should say beyond.

Let's start the review of our reporting segments' performance with Renewable and Flex Power. EBIT was impacted by scope and FX, minus €111m, split almost evenly between both forex and scope. Organically, EBIT was down -9%, of which minus €104m on Renewables and BESS, and minus €91m on Gas Generation. The decline on Renewables and BESS is driven by lower volumes, which had a minus €340m impact, reflecting a return to more normal hydrological conditions in Europe, after an exceptionally strong H1 '24. This was partly offset by high level of commissioning, plus €155m, and by lower hydro taxes, plus €66m. We added 1.9GW of capacity over the period, and we achieved prices for hydro in France, basically stable at €110 per MWh. Turning to Gas Generation, EBIT decreased organically by €91m. The main driver was a minus €243m impact from lower captured spark spreads in Europe, reflecting a hedging strategy under normalizing market conditions. However, this was partially offset by the absence of inframarginal taxes in H1 '25, which had a positive plus €108m effect, and also by a positive one-off in Chile, and a favourable price effect in Australia. So, while market conditions were less supportive in Europe, our balance portfolio, our investments and discipline operations helped mitigate the impact with a compelling H1, and we continue to build momentum in our growth platforms.

Let's move to Infrastructures which delivered an outstanding performance in the first half with +43% organic growth. Scope and FX had a slightly negative impact with the depreciation of the BRL. Networks EBIT increased by €633m organically supported by new tariffs in both Europe and LatAm. This was partially offset by lower spreads in gas storage in the U.K. and Germany, reflecting again, market normalization after a persistently strong 2024. Importantly, our investment efforts are paying off with a plus €52m contribution to EBIT from newly commissioned assets. Connected biomethane capacity in France increased to 13.8 TWh per year at the end of June '25. Looking at Local Energy Infrastructures, performance improvements helped mitigate the impact of lower spreads and cogeneration assets, notably in France, which drives EBIT margin down compared to last year. All-in-all, Infrastructures is now back in being a strong and stable contributor to the Group's results, with further growth driven by both regulatory frameworks and our disciplined investment strategy.

Moving on to SEM, Supply and Energy Management, as anticipated, EBIT for the segment was impacted by the market normalization resulting in a -32% organic decrease compared to H1 '24. B2C activities are in line with expectations. The decrease versus last year is largely due to a high comparison base, which included then a positive non-repeat and timing items in '24. That said, we maintained sound commercial margins in H1 '25 and benefited from performance actions, which helped cushion the impact and are supporting a full-year ambition close to €0.5bn. In B2B, EBIT was down to €220m, mainly due to a reduction in seasonality spreads, which led to a lower positive timing effect. This effect has no impact on full-year as it reverses over H2. Moreover, we are in a good commercial momentum with a Q2 stable compared to last year, excluding a positive one-off. That should translate into a stronger H2 than previous year. Energy Management was more significantly affected by market normalization, leading to first lower market reserve reversals, that was something we commented already in Q1. A negative one-off related to the re-evaluation of loss-making gas transportation contracts following tariff increases in Austria and in the Netherlands. And three, softer activity in Q2 due to geopolitical and economic uncertainty. Volatility is there, but it is driven by unpredictable geopolitics. Therefore, we remained cautious with the hedging strategies in Q1 '25 and we decided to reduce volumes, which led to lower margins. Overall, SEM performance is on track and we expect former GEMS, B2B plus Energy Management, to land the year close to €2bn EBIT.

A few words on our Nuclear activities. As expected, EBIT came in at €503m, down from €70m in H1 '24, reflecting a 35% year-on-year decrease. This evolution is explained by price, by volumes, and higher depreciation. First, we recorded lower captured price from €104 to €97 per MWh, which is a 6% drop. This was partly offset by the absence of the inframarginal tax in France in H1 '25 and also a lower G2 tax in Belgium, which helped cushion the decline. Net year-on-year impact is a negative €149m on EBIT. Second, volumes went down from 16 to 13.8 TWh, with the phase-out of Doel 1 in February and a drop in availability in Belgium from 88% to 81%, driven by the conformity outage of Tihange 3 in Q2. This translated into a minus €71m year-on-year impact on EBIT. And then depreciation and other effects had a minus €47m impact due to higher depreciation on investments in Belgian assets, which were commissioned in '24, '25, and these are being depreciated now over a very short remaining lifetime of the asset. So, while the year-on-year comparison is negative, the performance is in line with expectations and we continue to manage a nuclear fleet with discipline as we transition through the end-of-life phase of several units.

Let's now turn to our performance program. In the first half of 2025, performance initiatives contributed €246m to EBIT, putting us firmly on track to deliver full-year target by year end. As you can see, all three performance drivers are now contributing. Operational excellence delivered €96m. This includes tangible actions such as PPA renegotiations, asset and contract portfolio optimization, procurement efficiencies, these are not one-offs. They reflect a strong and sustainable momentum across the group, and we have delivered that now for a few years. We also made our first gains on culture and competitiveness on new plan with €38m of EBIT contribution. Good example is the LEI business, which is leading the way by simplifying its structure, such as removing a management layer in France. Expect this effort to continue in H2. On loss-making activities, we saw a €112m contribution driven by the closure of EV Box activities, but also the positive impact from performance action in the supply activities. While some one-off impacts in a few entities slightly weighed on the net result, we expect a stronger contribution in the second half. All-in-all, we are well on track to deliver our performance target, and we remain focused on embedding these improvements structurally across the Group.

Let's take a look at the main items driving net income, EBIT, we discussed. Net financial expenses are stable at €1bn, as lower average cost of gross debt was offset by lower cash remuneration, resulting from the decrease in short-term rates. Recurring income tax decreased slightly to €1.1bn, with an effective tax rate at 25.8%, which notably includes the special tax in France. As a result, Net Recurring Income Group Share stands at €3.1bn, compared to €3.8bn last year. The reported Net Income Group Share amounts to €2.9bn after accounting for non-recurring items, including minus €0.2bn from mark-to-market on energy derivatives, and minus €0.1bn in restructuring costs.

Let's look at the cash flows. CFFO reached €8.4bn in H1, a high amount, demonstrating the Group's ability to generate cash flow on a sustainable basis. Please remember that we do not have tailwinds anymore from price decreases in our working cap variation, which was still substantial in H1 last year. Operating cash flow remains strong, despite normalizing market condition again. And the €0.3bn negative year-on-year impact on variance in net working capital comes from margin calls, which are higher, following the decrease in commodity prices. Taxes and interests paid were largely stable. As you can see, not much to report in this item, except for our confirmed ability to generate cash.

Let's now move on net debt. Net financial debt increased from €33.2bn to €35.7bn due to the funding of a nuclear obligation in Q1. CapEx and dividends were largely covered by strong cash generation in H1. You may have noticed that our net gross CapEx were down compared to last year. This is mainly due to timing of acquisitions and also higher sell downs in the U.S. Economic net debt is down €1.1bn to €46.8bn and our leverage ratios remain solid with net financial debt to EBITDA at 2.4x, economic net debt to EBITDA stable at 3.1x, well below our 4x threshold. We are very pleased to see our credit ratios remain stable and well within target despite a significant payout made in Q1 as part of the closing of the Belgian nuclear agreement.

To wrap up, we delivered a robust financial performance with a good start of the year. Q2 came in as expected supported by strong cash generation. We confirm our 2025 guidance with EBIT excluding Nuclear in between €8bn and €9bn, and net recurring income between €4.4bn and €5bn. We are confident in achieving these targets. It's a strong start to the year. Just keep in mind the expected FX headwinds ahead, particularly from the U.S. dollar. We are a utility and our priority is not to upgrade or beat our guidance each other quarter but to deliver consistent, predictable, durable growth of earnings. On that note, we are now at an inflection point for EBIT excluding Nuclear and we expect year-on-year growth to gently resume in the second half of the year, especially in Q4, leaving most of the consequences of the energy crisis of 2022 behind us.

We are entering normalized quarters and going forward we expect momentum to build with the contribution of new investments and performance. This sets the stage for the confirmed growth trajectory in '26-'27, which we remain very confident about.

With that, I hand over to Catherine for the conclusion.

Catherine MacGregor

Thank you, Pierre-François.

So, to conclude, we delivered indeed good results in what has been an unpredictable macro environment. Very importantly, and this has been truly a guiding principle for the whole management team at ENGIE for now a few years, we are very focused on delivery and execution. So, we are implementing the plan that we shared with you earlier this year. We are confident about our earnings guidance for 2025, and indeed, looking forward to delivering on our growth strategy from next year onwards.

Thank you for your attention, and I am turning it back to Delphine for the Q&A.

Delphine Deshayes

Thank you, Catherine. Operator, can you please open the lines to Q&A?

Q&A

Operator

The first question is from Harry Wyburd, BNP Exane.

Harry Wyburd

Hi. Good morning, everyone. Hi, Catherine. Hi, Pierre-François. So, two numbers-focused questions from me, please. So, firstly, Catherine, I think in your opening remarks, you mentioned that EBIT excluding Nuclear in the second half is expected to be up versus last year. So, if I've done the math right, that would be a floor, I think, of €8.37bn for the full-year, which is obviously not far off your midpoint guidance of €8.5bn. So, would it be fair to extrapolate that floor to being quite close to the €4.7bn midpoint for net income? Are you effectively saying that you can still achieve the net income midpoint? And given the number of one-offs and scenario effects in 1H, if we were to normalize the 1H '25 net income to construct a base for 1H '26, could you help us on what will we be adding or subtracting? So, what's the overall effect from one-offs and scenario in 1H of this year?

And then the second one is on the dividend. I think you've alluded in the first quarter call to an ambition to raise the dividend from floor in 2025, so started growing a year earlier than earnings. I guess if I was to look through that, it gives you a bit of an incentive to make next year's earnings grow rather than this year. So, I'm interested to know, are there any levers you can pull to kind of move earnings into next year, which should make it easier for you to raise the dividend given the payout ratio dynamics next year? Thank you.

Catherine MacGregor

I'll maybe just talk a little bit about our dividend. And just a reminder, our key principles, we obviously reaffirmed our profile as a utility company, so we understand the importance of dividend to our shareholders. We also are very attached, as you know, to the consistency in our dividend policy, reminded you that back in February. We are also obviously listening to the market. We understand the appetite to have a gently growing dividend trajectory. We heard that.

On the other hand, we have a dividend policy, which is a proportion of our net recurring income, which we will stick to. And obviously, being a decision that will be taken with the Board, it will be taken next year. And so it's really early to comment more than that, Harry. On the other hand, obviously, we are listening and we understand the importance of trying to get to that trajectory.

Pierre-François Riolacci

Yes. On the one-offs, I think that it's globally awash. They are actually slightly negative in SEM for, let's say, €50m to €100m. And they are slightly positive in Renewable and Flex Power, let's say, same kind of amount. So, you can say that H1 is globally awashed in terms of one-offs. So it's a fair representation of where we are.

And then, yes, you're right. I mean, if we do expect EBIT excluding Nuclear in H2 to go slightly up indeed compared to last year, which is at the end of the day very expected because it means it's pointing to the midpoint. It is true that it would take something that we struggle to see today, to miss the midpoint on the guidance. And this is achieved despite significant FX impact, bearing in mind that we have about €100m in H1. We expect even a bit more than that in H2. So we are over €200m of negative headwinds on FX. But with that, we are indeed comfortable to target our midpoint.

And then, I'm not going to elaborate on the dividend, but we are not moving results from one year to the other. We are managing, of course, our business and driving our business. We are steering risk management, of course, to prepare the future. And that's for sure. And that we are doing intensely in 2025.

Operator

Next question is from Arthur Sitbon, Morgan Stanley.

Arthur Sitbon

Yes. Thank you very much. Thanks for taking my questions. The first one is a follow-up to the question on EBIT evolution for H2. I was wondering if you could provide a little bit of granularity on which divisions will drive the rebound in EBIT in H2, basically.

And the other question that I have is on the situation in the U.S. I think we are awaiting clarity on the implications of the recent executive order on renewables. I was wondering if you could provide some thoughts on that, and what would be to you an outcome that would be particularly challenging and would require you to revise your ambitions. Thank you very much.

Catherine MacGregor

Yes. Okay. Let me maybe start with the U.S., indeed the situation has been super fluid, but maybe one general statement is that the fundamentals of the market remain very strong and customers' appetite is present. And I mean you just listened to some of the announcements that you've heard from hyperscalers on their CapEx spend in the coming weeks, coming months, it's just spectacular and everything will need to have energy. And as you guys know, this power will have to come from renewables, because it's just a plain queue in terms of natural gas, all nuclear will not be able to meet all this additional demand in the United States. So, fundamentals remain very strong on renewables. Now when you go into the details, you really have to follow it on a week-by-week, which is what our teams have done, I think with a frankly great success, I'm very pleased on where we sit. So, just to de-zoom a little bit, as you know we have 8.6GW under operation, so these assets are great, they're doing well. In fact, if anything, their value in my mind is only going to increase given the power demand situation that we are going to experience.

For the project under construction, or the ones who are advanced development, they're moving along, they're largely non-affected because we took some supply chain actions, remember there was already some tariffs looming. And so what we did is that we accelerated some deliveries, we also had obviously project contingencies and a strong execution, so all this is going well, no issue. And then what we did is that we used the clarity that came with the new bill to be able to indeed FID three projects for the total sum of 1.1GW. And so if I look at what this IRA or the OBB bill gave us in terms of more clarity on the IRA is the fact that wind and solar that's starting construction by end of 2025, they are completely okay, they'll get the ITC, PTC, so there is no issue. Then you have the ones starting in H1, 2026 and then there is this little qualifier of FEOC, which is really, do you have too much Chinese content, and there are different thresholds. So, this is something that we are obviously reviewing. And then battery and energy storage will benefit from IRA but, there will be a qualifier again on Chinese content. So, all of this now is clarified and we can really manage, with confidence the three projects that we have just FIDed. The nice thing about these three projects is that they will contribute EBIT to '26, '28 too. So really largely, what we see for the current period, '25-'27, our U.S. plan is quite solid and robust based on these projects that we are moving along.

Now, there remains one uncertainty, which has been well commented, and again, not to go into too many gory details, but it's really about what we can call start of construction. We're awaiting clarification on August 21 on this. The current definition, which exists today, is obviously a low threshold, so there is definitely room for us, for this threshold to be worsened. So, we don't really see a scenario where FID projects would be in trouble, but if they were, then obviously we would have not have taken so much commitment, so we would not be in a too dire situation. But it would be a welcome clarification for sure that we will wait sometimes in August. And then if I look beyond this, it's really we're taking it project-by-project. It depends on the technology, the permit risk. Obviously, the off-taker risk appetite, and I should have commented maybe the fact that the projects that we are moving along, they have a different nature in terms of the, I would say, T's and C's that we have with our off-takers, which is, by the way, a reflection of the need for these off-takers to secure the power. And so we are managing to balance much better, the risk distribution, in order for us to move this project under confidence. So, that's a little bit the view on the projects. And again, we'll be looking at beyond these three projects, depending on all of these aspects, whether we are able to move some more forward. I very much look forward to that. I hope that it will happen. And if not, then I'm sure, as you guys know, we have choices, we have options.

We've created an incredible situation at ENGIE where we have a geographical footprint, which is not huge, it's not all over the place, but we have a few countries where we have depth, where we can actually develop and reallocate some capital, which we have shown a little bit examples of today. And if we need to, we will continue. But big picture in the U.S., the power demand being such that we think that our renewable projects are going to be contributing to this demand for the coming months and years, and we will find a way.

Pierre-François Riolacci

Thank you, Arthur, for giving me the opportunity to talk a bit about the phasing. And clearly, that's a place where we can improve a bit also in the way we share you the information. So, in H2, what do we expect, so for Renewable and Flex the two big tickets is that the hydro normalization will come, so that we expect much less adverse trends in there. And also we are done now with the bulk of the spread decline in Gas Generation in Europe. So this is behind us. That was more Q1 event. So, going forward, we expect the most stability. And then of course we have the benefit of CODs. We have the benefit of the performance. So we do expect indeed R&F to be positive in H2.

Networks, we are also done with the big impact of tariff increase in France, but we still have some good wins coming from other places. It would depend, of course, on climate. But we will again expect the Networks to be in good shape for H2.

And then, of course, the big ticket is SEM, where there is a lot of seasonality and moving parts. Here we need to speak it. On Energy Management, remember that H2 last year, especially Q4, was not that strong. So, we do expect indeed to see normalization kicking-in in H2. Probably negative still in Q3, but much better in Q4. On one B2B, you see that Q2 was actually improving compared to last year and we expect this to keep going in Q3 and Q4, especially Q4. You remember that in ENGIE, Q1 and Q4 are important and more important than summer. And that's even more true for B2C, which is highly seasonal. A lot of our business is done in Q1 and Q4 for B2C. And here again, of course, we do not expect to be as strong in Q4 than we were last year, but we expect indeed H2 to be positive, especially in Q4 again.

So, you see that cycle coming through and clearly the key topic is that in H2, we start to have the benefit of the normalization of markets. And it took a while. It took more than two years. It started, you remember, in the first half of 2023. But given a hedging policy in three years, I mean, this has been actually spread over some time. But now in H2 '25, we are getting close to the point where we are more normal in terms of pricing. And that's why we expect indeed EBIT excluding Nuclear to start picking up toward the end of the year. I hope it helps.

Operator

Next question is from Ajay Patel, Goldman Sachs.

Ajay Patel

Good morning. And thank you very much for the presentation. I guess I wanted to focus on a strategy question. So, like, over the years, if I look at the success of your strategy, it's been amazing what you've achieved. And clearly you have a lot of opportunities in renewables, batteries, quite a large scope around the portfolio. I would say if I was being critical, the area that hasn't delivered to the same speed has been that full old definition of Energy Solutions. And even though we have a reduced scope this year, it seems that that business hasn't really taken huge steps going forward. And I'm just wondering, when does it become, it's a small amount of the portfolio, you have a lot of opportunity in other parts of your portfolio. Does it make sense to have this business as in what are the merits of having this within the portfolio, I guess is the better question. And when do we sort of really hold you accountable to its delivery going forward, so that we have a better understanding of that longer term trajectory of it?

Catherine MacGregor

All right. Thank you. Thanks for the direct question. We appreciate. And maybe a couple of points. I think we've shown as a management team that we are not shy to rationalize the portfolio. And so this is something that, you know, we have and almost no emotions to do. So, when we think that something doesn't belong to ENGIE, we tackle and we address the problem. In the case of LEI, we do think that LEI today has a very unique positioning to deliver the energy transition with our customers and in a decentralized manner. And we believe strategically that being able to have this decentralized position among our customers, among industrials, is going to give us a unique positioning on the flex side of the energy transition. And if you look at flexibility, which we talk a lot about on the production side, at some point it's going to have an emerging value on the demand side. I think you see that in some businesses on the B2C side, some companies actually have a very strong positioning there to leverage the flexibility of the demand side. And we believe that LEI, being a very successful business in decarbonizing customers, will have a special value within ENGIE being able to provide flexible service.

So, I know this sounds a little bit conceptual, and we agree today, we are not able to show that value. So, right now, the focus for LEI and here the accountability is there. I can tell you, Ajay, it is there. And I can tell you that the LEI team really feels it, is to focus, to perform, to industrialize, to digitalize as well, and to be good at what they do. And I really believe that this recovery that is taking a bit longer maybe than what we would have liked is today taking place and that we will be with the market able to show indeed trajectory that are free from the one-offs, because we have a bit suffered from one-offs here and there which have blurred this trajectory curve that we would have liked to show quicker. I'm pretty confident with what's happening and re-centering on five key European markets barring Singapore and Tabreed, collapsing the layers and actually the LEI team having done that, really at the forefront at ENGIE of doing a lot of this simplification spans and layer, et cetera.

They are all doing the right thing. So we will show soon hopefully those curves and give you and share with you the confidence and excitement that we have in the market. And then, in the coming years being able to have more proof points about indeed how strategically it does fit into a portfolio particularly providing flexibility services to the whole energy transition and to our portfolio. Finally, I would also add in terms of synergies, the fact that there are synergies also with Energy Management that we are actually already today materializing but obviously not yet to be reported to the market.

Ajay Patel

I was just thinking, it's just also really been nice to hear sort of from clearly like data centers increasingly gets more-and-more attention as the months go by. From your perspective what have you seen over the last 12 months and how is that picture revolving for you going forward, and do you think you could communicate a more frequent basis how that opportunity is materializing for you, so that we can sort of gauge that value that potentially presents to you?

Catherine MacGregor

Yes. No, look, the data center obviously, you guys know that, a lot of the PPAs, a lot of the renewable projects that we do are actually for a data center operators or hyperscalers, so it is definitely a big driver of our business. And so we are obviously working because, the data center is obviously a massive opportunity as a supplier because data centers they want PPAs, they want green electrons. There is also quite a lot of excitement about having, at ENGIE, a very specific positioning for example having connections to the grid and that obviously in itself can make a completely different conversation with data centers where we can bring something to developers that they don't have. So it's not just about PPA, it's also about our quite unique positioning.

And so we're definitely working on a lot of things around those topics. And so when we're ready, we will indeed communicate more, Ajay, on the topic. But we are very-very excited about what we are doing with data centers.

Operator

Next question is from Zach Ho, Jefferies.

Zach Ho

Hi. Yes. Thanks. Thanks for the time. Yes. Two questions for me. Firstly, on earnings. I think on hydro, you mentioned in your slide that there's a minus €340m year-on-year impact in the first half. I'd just like to know how much did you budget for 2025 in terms of lower volumes? I remember that in your February presentation, I think that the earnings bridge showed minus €300m to €500m. So I'm trying to figure out basically what needs to come through in the second half for in terms of hydro volumes for us to kind of gauge whether or not it's above or below your expectations.

And then quickly on GEMS, I think here, Pierre-François, you mentioned that in the second half, you expect B2B to be higher year-on-year. Just want to know if you can provide a second half 2024 figure for B2B, because I think that isn't disclosed. So I just want to know what the starting base is for second half 2024 for us to see an earnings increase?

And then my second question would be, just a quick follow-up on Ajay's question, and asking about data centers and more specifically your aim to offer 24/7 green power to customers, which you briefly talked about in your February presentation. I just want to know what the progress is like or what you're seeing on the ground with regard to that offering? What needs to come through for you to get closer to that goal of I think 20% of your PPAs being 24/7 green power? Is it just a technology thing or are there more developments that need to come through for you to kind of realize that ambition? Thank you.

Catherine MacGregor

Yes, I mean, I'll start with the last question and I can sense the excitement around data centers. So point well taken. In terms of '27 ambition, it is progressing quite well. We have a few customers where we have advanced discussions that are also a bit pioneering the concept and helping pushing us towards being able to offer this type of products. The key behind this ambition for us is really to have the right portfolio. It really is a portfolio play, the 24/7, which is why we think we have quite a good position and a unique position, because you need renewables, but you also need batteries. You need to be able to integrate a lot of different profiles in order to fit that customer profile.

So, these deals take some time. They are quite complicated to put together, but our teams are working on it, and we are seeing quite a few customers, indeed, very-very interested in those products. So, again, we'll make sure that we follow-up and give more data as we progress on the topic.

Pierre-François Riolacci

And maybe a couple of answers on your very good technical question, Zach. One on hydro, we budget for whatever is climate-related, we budget on P50, as you can imagine. So, we compare to budget what we have seen in H1 was not a big surprise, so no significant impact. We knew that was coming, so it was embedded in our guidance, and same goes for H2. We don't know yet what's going to happen in H2, but our budget, which is, as you can imagine, underpinning our guidance, is based on the midpoint in terms of forecast. So again, we are already covered for that.

And then when it comes to B2B, last year you remember that H1, you should have the numbers, but I just can share the numbers with you. H1 last year was €1,108m, and H2 was minus €29m. But the seasonality was very strong, and we have been working hard on the seasonality to make sure that our contracts are better shaped. So, clearly, we expect H2 to be higher, significantly higher than the reference that you have to 2024. And we expect B2B to come with a very nice year, and I mentioned that during Q1. And this is confirmed with very good commercial activity in B2B, very pleased with that. Not only we are indeed selling well, but we are locking margins, and we are even locking margins for longer maturity. So, it's really a business we are very pleased with.

Operator

Next question is from James Brand, Deutsche Bank.

James Brand

Hi. Good morning. Just one question for me. And that was on the outlook for batteries or storage in the U.S. Can you talk a little bit about the U.S. and how your investment was kind of coming down a bit? And obviously, it's understandable that the outlook is a little bit more mixed on the renewable side, given some of the changes. But I was wondering whether you could just talk to batteries specifically, because you've been very positive about batteries in the past. And as I understand it, the subsidies have largely remained in place. So, do you still see the outlook as being very positive there, or have there been some changes that make you feel a bit more moderately positive? Thank you very much.

Catherine MacGregor

No, we are very positive about, batteries prospects in general, in all of our key markets. They're very positive also in the United States, underpinned by the acquisition that we did from BRP a couple of years ago. And what's really important today for us on batteries is that we're really delivering on the pipeline that we purchased from BRP. So when you look at the pipeline that we purchased from BRP, they had two-something GW. We had 800MW in advanced development. And we are today, in 2025, executing on all of these pipelines, putting these batteries in service, and that's going really well. We have a little bit of a bottleneck, which is very punctual and has nothing to do with IRA or regulation, which is in ERCOT, where testing, at the time you commission batteries, you have to do some tests, and these tests are taking a bit longer. So within intra-year 2025, we are seeing a little bit of slippage, but apart from that, the delivery on battery is going very well.

Now, obviously, going forward, batteries, as you know, will continue to enjoy IRA tax credit benefits. So that's the good news. So we have that anchored. The remaining issue for us is this famous FEOC, F-E-O-C, which is basically putting a threshold or maximum amount of Chinese content on those batteries. And so this is really going to be now a supply chain play, whether or not we can be below this threshold, because if you are above this threshold, then the tax credits don't apply. And so then it's going to be a matter of, whether the battery is economical or not. So, that's really for us the question, but in terms of already delivering the value of BRP, we are pretty much there, so no problem.

And then again, taking a step back, what we are seeing today is that batteries, opportunities across all of our key markets outside the U.S. So, we were, as you know, very quick and very ambitious in the U.S., but the international non-U.S. markets were lagging behind the U.S. And now what we are seeing is that international markets are catching up. So we have really good performance, good development opportunities in Europe, in Chile, in Australia, and so that's really the good news because obviously we feel that we have a very-very strong position in batteries in general.

Operator

Last question is from Juan Rodriguez, Kepler Cheuvreux.

Juan Rodriguez

Good morning, and thank you for taking my question. I have two, if I may. The first one is on CapEx and related to the U.S. growth CapEx that you are now signaling around the €2bn level for 2025-'27. Looking back, it represents around a third of your renewables portfolio, and looking now, how can we see the €21bn, €24bn growth CapEx that you signal at your CMD? Can you expect lower growth CapEx or that it will be mostly compensated by other regions as you signal, or maybe some M&A angle on it? So that would be the first question.

And the second one is on the economic net debt, and mainly on the leverage ratio. We know you're going to fall well below the 4x economic net debt to EBITDA, but where do you expect the year to end given the current CapEx trends and so on? Thank you.

Catherine MacGregor

Maybe on your CapEx question, and if I understood properly the question, it was about the U.S. contribution to the growth CapEx, and I think a good proxy for renewable CapEx is to look at the pipeline, and we gave you the geographical split, and you can see that it's moving a little bit, and you will see that our share of pipeline from North America is actually decreasing to the benefit of AMEA.

So, you can use that as a proxy for CapEx, and so you might see a bit less U.S. CapEx and a bit more in AMEA in terms of renewables. But all-in-all, we don't expect to change our growth CapEx. As we mentioned, we have optionality and that's really-really important for us.

Pierre-François Riolacci

Yes. And on that note, indeed, we have identified a couple of potential acquisitions in renewables, which are, as you know, mid-size acquisitions. you know the story. And clearly, the market has opened a bit of opportunities here and there, so sometimes you can buy good assets. We are very pleased to secure this acquisition in the UK, but that was very small in H1. We have a couple of leads. If we were able to close this acquisition at year-end, it would, of course, help a bit of our CapEx for this year. As Catherine said, I mean, there are good years, there are less good years in terms of holding out, but no worries about the global envelope.

And then on the net debt to EBITDA, yes, we expect it to rise. Clearly, if you compare to a couple of years ago, we are expecting this ratio to rise much quicker. The hard fact is that, we have been able to harvest longer and higher the benefits of the crisis, so we are now exceeding with the ratio, which is a bit lower indeed than what we expected. However, for year-end, we do expect a further rise. It would be below 3.5x, that's for sure. So, below the level that we want to steer the group, so it will still leave significant room for more. So, indeed, somewhere between 3.1-3.4x, that's where we are trying to get at year-end, depending again on the pace where we can roll out of CapEx and what is done in H2 '25 will be done in H1 '26.

Delphine Deshayes

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

Catherine MacGregor

Thank you.