FY 2025 RESULTS

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Delphine Deshayes

Good morning, everyone. I'm delighted to welcome you to ENGIE's 2025 Full Year Results and Mid-Term Outlook Presentation. And of course, we'll have the pleasure to present in detail the acquisition of UKPN. We have two speakers today, our CEO, Catherine MacGregor, and our CFO, Pierre-François Riolacci. A quick view of the agenda for this morning. In the first part, Catherine and Pierre-François will review our results and the main events of 2025.

In the second part, Catherine will lead us through UKPN's acquisition and Pierre-François through the valuation and the financing of the transaction. Then Catherine will present our medium-term outlook and Pierre-François our capital allocation strategy, before some concluding remarks from Catherine. Finally, there will be a Q&A session. We'll take questions from the floor and online.

With that, over to you, Catherine, for the review of 2025.

Catherine MacGregor

Thank you very much, Delphine, and good morning, everyone. Super pleased to address you here from London in what are truly exciting times for ENGIE. We have a packed agenda for you this morning. So, I'm going to get started, kicking off with a very brief summary of our 2025 results. 2025 proved another highly active year. We have continued to establish ourselves as a Utility. We like this word at ENGIE, which means that we are both de-risked and growing, balanced both operationally and geographically, agile in seizing opportunities through our flexible and green power portfolio, a trusted partner in supporting our customers to achieve their decarbonization targets, and on track to meeting this goal that we have to become the best energy transition utility.

Performance in 2025, well, in an unpredictable geopolitical environment and with normalizing energy prices, ENGIE was able to extend its track record of robust financial performance. With 2025 net income at the top end of the guidance range. We moved a big step forward in Renewables with record new capacity and big-ticket projects around the world. We ranked once again as the global leader in corporate PPAs. And in Belgium, we ended both merchant nuclear production and our exposure to nuclear waste liabilities. At our upcoming AGM on

29th of April, we will be proposing a dividend of €1.35 per share, corresponding to a payout of 67% based on the current number of shares outstanding today.

Summary of our headlines number. EBIT excluding Nuclear was virtually flat at €8.8 billion. Infrastructure was up significantly, driven by the positive impact of new tariffs in France and Europe, as well as performance. Renewables and Flexible Generation was almost stable, with a contribution from newly commissioned plants offsetting headwinds such as lower hydro volumes. Supply and Energy Management performed excellently on a commercial level but was negatively impacted as market conditions normalized. And across our businesses, we out-delivered on our performance goal, which we are very pleased with. Net recurring income, Group share amounted to €4.9 billion versus €5.5 billion in 2024. Cash flow from operations was up year-on-year to €13.6 billion, with substantial free cash flow from our Networks and downstream activities. Really pleased with the resilience of our results, which show that our integrated model is able to deliver pretty much whatever the underlying conditions.

Moving on to the next slide. 2025 was also a record year for new Renewables and BESS, with over 6GW of additional capacity opened around the world. We commissioned 2.4GW in the U.S, and that was led by batteries, as we successfully rolled out the pipeline that was taken on when we acquired BRP back in 2023. But we also added 1.6GW both in Europe and LATAM, and 600MW in AMEA. A truly global and balanced footprint in terms of operational capacity, plants under construction, and pipeline is a unique attribute and provides us with the optionality and the agility to react to or even to anticipate headwinds or tailwinds in particular countries. We raised our Renewables and BESS portfolio to 57GW by the end of 2025, at which time almost 8GW was under construction, continuing to execute on budget and close, very close to schedule. We maintain a leading position in PPAs, signing 4.8GW in 2025, of which 3.6GW of corporate clean PPAs. 2025 was a pivotal year for ENGIE in Belgium. When you look at 2025, we started the year with almost 4GW of consolidating nuclear capacity, selling output at open market prices, almost 3GW of gas-fired capacity at around 90% merchant, €11 billion of waste management liabilities on our balance sheet.

And we ended the year with quasi-regulated nuclear production at two extended reactors, now co-owned with the Belgian government, no nuclear merchant output, no nuclear waste management liabilities, plus a new gas-fired plant at Flemalle, and major new BESS unit at Vilvoorde, both benefiting from capacity payment. The two reactors were reconnected to the grid on or ahead of schedule, and Vilvoorde was open two months ahead. We have delivered, and we stand ready to remain a strong contributor to the energy system in Belgium for years to come.

With that, I'm going to hand it over to Pierre-François, who will summarize our 2025 financial performance.

Pierre-François Riolacci

Thank you very much, Catherine, and thank you for those joining us here physically, also on the webcast, in a quite eventful release, of course. And 2025 was indeed a pivotal year for Belgium in ENGIE, but it is also pivotal for EBIT, EBIT excluding Nuclear, that starts growing again after more than two years of energy market normalization and with very strong cash generation. EBIT excluding Nuclear reached €8.8 billion, which is a 2% organic growth, supported by a strong second-half performance, as expected. While Net Recurring Income group share was €4.9 billion, reaching the top end of our guidance. Turning to cash, we delivered cash flow from operation of €13.6 billion, which is up €0.6 billion compared to last year. That is a total of €40 billion of CFFO generated over the last three years, which highlights the quality of earnings. CapEx decreased compared to last year due to some slowdown in the U.S, and as we have been also bracing ourselves for the announcement of today. Net financial debt is up, driven by the nuclear agreement in Belgium, and at the same time, economic net debt decreased by €2.7 billion, benefiting from our strong cash generation and some lower investment level. Importantly, our leverage remains firmly low, with economic net debt to EBITDA at 3.1x, well below our 4x threshold, which offers meaningful headroom and which is supporting also our strong investment grade credit profile.

Finally, as part of our commitment to attractive and sustainable shareholder returns, we will propose a dividend of €1.35 per share to be paid in 2026. This proposal is aligned with our dividend framework and corresponds to a payout ratio of 67%, based on the current number of shares outstanding to date. Payout is up from last year to soften the dividend decrease versus EPS. It is a clear and strong signal that the Group is willing to step away from the minimum range, when conditions are met. We believe this level is compatible with a sustainable dividend trajectory based on expected earnings growth.

Let's now turn to the EBIT evolution. EBIT excluding Nuclear is broadly stable, with some negatives and positive. On the negative side, FX and Scope weighed, driven by the impact of the Brazilian real and the U.S dollar, as well as some portfolio rationalization. We also recorded a sizable negative impact from prices and volatility, notably within Supply and Energy Management, with the normalization of energy markets. But those impacts were partly compensated by the tariff increases in Networks. Volumes were down, impacting mostly Renewables and BESS, with lower hydro and wind conditions in Europe. These headwinds were, however, offset by the continued execution of our strategy. Commissioning contributed to €507 million, reflecting the ramp-up of new assets across Renewables, Networks, and LEI, and this illustrates the strength of ENGIE's growth engines. Our performance program delivered an exceptional €823 million, driven by operational excellence and competitiveness initiatives across all GBUs. In that amount, we have fixed some legacy issues with underperforming assets for €368 million. In summary, despite the headwinds of market normalization and weaker volumes, ENGIE's investment-led growth, combined with strong performance delivery, has allowed us to maintain EBIT at a robust level.

Let's now turn to Renewable and Flex Power, with a 3% organic growth. Scope and FX is a headwind with negative impacts, again from U.S dollar and Brazilian real, combined with a coal exit and portfolio reshaping. Renewables and BESS delivered a 7% organic EBIT growth, with momentum building in Q4. The uplift was driven first by our investments, contributing for €395 million, a clear proof point of execution quality and financial discipline. We are hitting our development objectives with a large organic component, keeping execution tight and CapEx overruns below 1%. Performance added a bit more than €100 million. These positives were partly offset by the normalization of volumes in Europe with hydrology returning to more typical levels after an exceptionally favorable situation last year.

Gas Generation EBIT decreased due to continued and expected drop in capture spreads in Europe, but this headwind was partly balanced by favorable international price effects in Latam and in Australia, alongside ongoing performance levers and some positive one-off in '25 for about €140 million.

Moving on to Infrastructures, which delivered a strong organic growth of 24%, clearly underpinned by Networks. Scope and FX had a negative impact driven by the Brazilian real. Organic growth in Networks reflects the outcome of new tariffs, solid execution of our performance plan, and organic development. Our power transmission network has grown by 450km, and biomethane production capacity connected to French networks increased by 12%, supporting decarbonization and the long-term relevance of our gas infrastructure.

LEI EBIT was broadly stable with a strong Q4 contribution. Performance actions and development helped offset expected lower spreads for our cogenerations, especially in France. For '26, we anticipate strong double-digit growth driven by performance and continued development. Overall, Infrastructures is, again, a strong and predictable contributor to the Group, supported by robust regulatory frameworks, selective investments, and continuous performance improvements.

Turning to Supply and Energy Management, the picture is consistent with market normalization, but resilient commercial dynamics. B2C EBIT stands in line with expectations. The organic decrease is due to last year's tailwind and one-off not repeating in '25. That said, commercial performance in Europe is good, and the market still allows a full valuation of risks, so we are leaving '25 with a good momentum.

In B2B, full year '25 EBIT includes about €200 million of positive one-offs and about €100 million coming from high commercial margins that were locked during the crisis, which will normalize this year in '26. So, we expect an EBIT in '26 around €900 million as a starting point for future growth.

Energy Management EBIT reflected market normalization and lower market reserve releases than last year. Results were also weighted by a minus €95 million, transport tariff one-off in H1, whereas last year benefited from the positive one-off linked to gas contract renegotiation. Big picture, S&EM delivered on target. As we look ahead, '26 EBIT for S&EM should land a bit north of €2 billion. Energy Management is expected to revert toward a normal year in '26, with lower provision release than '25. The combined Energy Management plus B2B EBIT should be slightly above €1.5 billion in '26, a number we mentioned a couple of years ago, in summary, all as expected.

Let's turn out to our performance program. Sorry, I'm going a bit fast. I'm missing nuclear. This would be a pity. Moving on to our Nuclear activities, little surprise. The decrease in EBIT is mostly due to lower volumes with phase-out of certain units and the long-term operation outages, which started, of course, in '25. Now, quickly on dismantling provisions. The Group submitted its file to the Nuclear Provision Commission, CPN, recommending a decrease in provisions of about €1 billion, linked to lower uncertainties and higher interest rates. In December, ONDRAF, the National Agency for Radioactive Waste, issued a non-binding report suggesting a significant increase of the estimated overnight costs. ENGIE considers this opinion overly conservative and, in some respect, inconsistent. Discussions are progressing, and the CPN's final opinion is expected no earlier than early April, which is, of course, a bit later than the usual calendar you are used to. The Belgian government is quite adamant to develop further nuclear energy, and a regulation that provides a stable and trustworthy environment is a prerequisite. We are, therefore, confident a reasonable outcome will be found in the end.

Let's turn to our performance program. In 2025, performance initiatives delivered an outstanding €823 million of EBIT. Operational excellence contributed through concrete and recurring actions across all GBUs. Some examples, PPA renegotiation and asset optimization in renewables, contract portfolio cleaning and pricing improvements in LEI, lifetime extensions in Flex Power, and, of course, procurement gains across the organization. Under our culture and competitiveness plan, we are simplifying the organization, with LEI removing a management layer in France, while frugality actions curb spend on travel, consulting, events, and digital and support function efficiency is ramping up with some somewhat significant plans. Contribution from loss-making activities is driven by stopping losses of EVBox, but also improvement in some supply activities. Now, on that field, most of the heavy lifting is behind us, has been executed, which means incremental effects on loss-making activities will be more limited in '26-'28, as you could expect. Key takeaway, 2025 marked a standout performance year. We expect additional gains going forward, but at a more normalized pace.

Let's take a look at the main items driving net income. Recurring financial costs at €2 billion are in line with expectations. Lower average cost of gross debt was offset by lower cash remuneration resulting from the decrease in short-term rates. Recurring income tax amount to €1.6 billion, with an effective tax rate of 25.5%, which notably includes the special tax in France. Non-recurring items include restructuring costs for about €0.3 billion and impairment costs for €0.8 billion, a collection of mid-size items driven by commodity prices decreases in France, disposals of some non-strategic assets, and U.S regulatory reforms, leading to reported net income Group share at €3.8 billion.

Moving to cash flows. Cash generation is once again very strong this year, with a CFFO of €13.6 billion. It is worth highlighting, the positive cash impact from the gradual phase-down of our nuclear activities, which reduced working cap requirement by €600 million. Across the last three years, ENGIE generated about €40 billion in CFFO, providing the financial capacity to invest for growth and continue to reward shareholders with healthy dividends, while retaining strong balance sheet headroom, and our investment-grade credit. Let's finish with net debt. Our leverage ratios remain well within our target, with net financial debt to EBITDA at 2.6x and economic net debt to EBITDA at 3.1x. Net financial debt increased, reflecting the cash-out related to the Belgian nuclear transaction, but CFFO more than covered maintenance and growth CapEx, while also funding dividends. Other items include €1.4 billion of proceeds from disposals. You know our track record in that matter.

CapEx came in low this year, reflecting a temporary one-off effect in the U.S, where the sell-down structures allowed us to monetize a large volume of assets developed in previous years. Those sell downs came as a reduction of our gross CapEx. In addition, investment levels in the U.S were reduced due to regulatory and tariff uncertainties in H1, and then with the government shutdown in H2 that delayed some permitting. Also, we have been preparing ourselves for our move on UK Power Networks that we have been working on now for a while. Balance sheet continues to strengthen, with a decrease in economic net debt supported by working cap improvement and strong cash generation. This is it for 2025.

And now back to Catherine to present the reason, why we are here today. The move towards power networks that has been awaited for a while with the acquisition of UK Power Networks.

Catherine MacGregor

Indeed super excited now to cover the acquisition of UK Power Networks, which is truly the best-in-class power distribution network operator here in the UK. This acquisition represents indeed a perfect strategic fit for us at ENGIE. In a nutshell, it fundamentally rebalances our Group to be much more of an electrician. And what that means is that, we will be from now on in a position to maximize our exposure to all the growth opportunities offered by the energy transition. Perhaps to start with a bit of context, in today's climate of political and geopolitical turbulence, energy is more than ever top of minds. It's about the decarbonation still, but it's also about affordability. It's about security. It's about sovereignty. And in many places, it's actually a combination of the above.

Our ambition at ENGIE, with our balanced geographical and operational mix with our integrated structure is to be the best energy transition utility. And frankly in the context I just mentioned, I'm convinced that this goal is more relevant than ever. With base-load coal and nuclear closures, aging infrastructures economic growth, technology explosion, the energy transition is actually accelerating and it requires fast electrification. It requires the need for flexibility but also support for development of green gas. Because remember molecules are here to stay. Gas will be important in this energy transition. But it will also require massive grid reinforcement and deployment. A domain in which frankly it's fair to say ENGIE has not been so far very an influential participant, which is what we are here to address with the acquisition of UK Power Networks. We are given; we are seizing this unique opportunity to participate in the tremendous growth journey in the field of Power Networks. And we are going to do so by raising the predictability of our earnings and cash flow by bolstering our presence here in the UK, which now becomes our second largest country. A country, where we do have a longstanding presence across the whole value chain, with renewables offshore and offshore production. Green biomethane gas, pump storage with our First Hydro asset notably, and also gas storage as well as Supply and Energy Management for business customers. And with this transaction, we will deliver a transaction that we expect to be earnings accretive from the first year, while keeping our commitment with an unchanged 65% to 75% payout dividend policy and maintain credit rating.

UK Power Networks is truly the best-in-class regulated power distribution in the UK. I have to say, my team and I, we have been so impressed by the quality of the people we have met. And I would like to salute UKPN's 6,500 employees, who are represented with us this morning by Basil Scarsella, the CEO, who I'm delighted to have joining ENGIE. Thank you, Basil and welcome. We share with your employees the high standards that you hold for safety, for performance, for decarbonation, and for providing top ranked service to your customers with a leading rank also for innovation. As a regulator recognizes, you guys are the best in the business. We are really delighted to have you on board and are thoroughly looking forward to working with you. You can count on us to approach the integration, with a great deal of humility and respect as well as to bring our long-term industrial view of operating critical energy infrastructures.

So, for those who don't know UKPN, it operates three adjacent networks in London in the southeast and the east of England, being one of five power distribution operators or DNOs. UKPN regulated asset value amounted to £9.2 billion in March 2025. Its network length is 192,000 kilometers, about three quarter of which are underground. And in terms of connection, it ranks number one at 8.5 million. UKPN rather is expected to grow by an average of 4% per year in the final three years of the current ED2 price control to £10.5 billion in March 2028, with growth rates accelerating in the upcoming ED3 price control period and beyond, on the back of sharply higher TOTEX. Through the need to prepare, what is generally aging grid to the challenges of higher demand, but also accelerating renewable connection, given the UK net-zero commitment for 2050. And you can see from this chart, I think, it speaks for itself, that UK Power Networks is a top-performing company, and that's been consistent over a number of years. The result of 15 years of very hard work under Basil's leadership. Among its peers, it realized highest return on regulated equity over the ED1 price control, which ended in March 2023, and continued after that as best-in-class over the two initial years of the five-year ED2 period ending in March 2028. Also, UKPN is the only DNO expecting TOTEX outperformance during ED2 as a whole, a testament to the enduring quality and professionalism of its people.

Now, why are we making such a move in the UK? Well, we can see strong momentum for the energy transition in the UK, where the 2050 net zero objective is actually bound in law, and more generally, for electrification. The numbers in this slide, they speak for themselves, I'm sure many of you, know them already. I'll just to recall a few, UK power demand is expected to double by 2050. The UK government targets 95% clean generation by 2030, which implies a two-third reduction of carbon intensity as compared with 2024. This requires stronger, longer transmission grid to connect offshore to demand centers, and it also requires distribution to connect solar, in particular with the end user. The National Infrastructure Commission stated last year that allowances for load-related UK distribution networks, CapEx, which means new miles, could reach £45 billion to £60 billion by 2050, and that is on top of business-as-usual investment. Recent renewable auctions show that these aims are actually being met with actions, with actually a doubling in approval to a record 45GW of projects in 2025, with almost 15GWs so far in 2026, in particular the largest ever award of solar capacity. All impressive numbers, to be sure, but above all, dedicated teams to serving the customer, which are the DNA of the DNO, Basil.

The UK is a place with an energy regulation that we consider one of the best. We believe it is a mature, sophisticated regulation that aims at balancing the needs of the investors, who need visibility, risk protection, adequate return on their investment, and the customers, who need reliability, good customer service, and overall system affordability. It achieves this through a range of mechanism, including inflation and volume protection, an incentive mechanism to encourage TOTEX outperformance, connections delivery, reliability, and customer metrics, with some rewards being shared with customers. Ofgem's current regulatory price control period, which is ED2, is a little bit more than halfway through, and we're now in the preliminary stages of determining the regulatory parameters for ED3, which will start in April 2028. There are a few themes that are emerging. Energy transition, electrification, rising power demand provide once-in-a-generation opportunity, which is triggering a significant TOTEX acceleration expected into ED3 versus ED2. And then ED3 TOTEX is viewed today by Ofgem as strategic versus ED2, which is viewed more as just-in-time, which means there is a sense that anticipation will be needed, anticipating rather than leaving it to the last moment, using a longer-term outlook, avoiding bottlenecks. And then meter connections such as solar, EV pumps connected to distribution networks will also be a new and significant part of ED3. So, in short, we are super excited today. We're looking forward with our new colleagues at UK Power Networks to fully supporting the UK in its energy transition journey.

And with that, I'm going to hand it over to Pierre-François to talk about funding and valuation.

Pierre-François Riolacci

Yes. Let me take you briefly at the heart of this transaction, and first starting with the valuation. You can get the slide. Thank you. We are acquiring UKPN for an enterprise value of £15.8 billion, which for the sole regulated business represents a multiple of 1.5x, the estimated regulatory asset value at March '26. Many of you know this asset. And this level of premium, of course, reflects both its exceptional quality and its strong long-term fundamentals, as Catherine just alluded to. It is also fully in line with the most recent transactions observed in the regulated power distribution sector, confirming the robustness of our valuation approach.

I'm sure you all remember we have been bidding on a similar asset, albeit smaller, a bit more than a year ago, and we are not, in any shape or form, more complacent this time. At this price, the implied 2027 EBITDA. '27 will be the first full year of consolidation. This implied '27 EBITDA multiple is 10x, including the contribution of unregulated activities, which is about £100 million. As part of the transaction, ENGIE will acquire 100% of UKPN, and therefore, will be fully consolidated. We expect closing around mid-'26, subject to the customary regulatory approvals and shareholders' approval of the seller. Based on legal analysis and based on precedence, we consider the non-execution risk as remote.

For those who are not familiar with UKPN, a few data points. UKPN is a serial outperformer in all dimensions of the UK regulation and it is reflected in consistently solid results, even if the yearly contribution in EBITDA, EBIT or net income can be impacted by the two-year adjustment cycle of the regulation. Cash generation is another key feature. UKPN maintains a high level of CFFO at £1.4 billion in year ending March '25 that funds all the investments. Total CapEx rose to £1.3 billion in year ending March '25, supporting network modernization and growth. Importantly, this continued investment underpinning the TOTEX growth translates directly into the expansion of the regulatory asset value. Looking forward, the trajectory is equally solid. Over the period '26-'28, the company will deploy about £2.2 billion of CapEx. And as a result, the RAV is set to reach £10.5 billion by 2028. UK Power Networks is therefore expected to deliver £0.8 billion EBIT in year ending March '26, with significant growth over '26-'28, despite the depreciation gap triggered from 2015 by the longer RAV depreciation profile. Overall, UK Power Networks combines proven financial performance, robust cash generation and clear medium-term growth, with a bottom-line profit expected to increase at a mid-single-digit pace in the long run.

Let me briefly walk you through how we plan to finance the acquisition. Given the existing debt in UK Power Networks for €6 billion, which is intended to stay. We need to finance an equity check of around €12 billion, which is fully covered by committed bridge loans. In the end, we will rely on a balanced mix of instruments, starting with around €5 billion of debt and hybrid new issuance. In parallel, we intend to execute an additional €4 billion disposal program by 2028, fully consistent with a disciplined portfolio rotation strategy. You know ENGIE's track record in executing disposals. To complement this, the Group plans to raise up to €3 billion of equity through an accelerated book building. This is a targeted action, designed to reinforce our capital structure and support our long-term commitment to a strong investment-grade rating. We plan to execute swiftly, subject to market conditions, with a very clear focus on protecting shareholder value. The plan is defined, one, to optimize shareholders' value creation measured by EPS accretion, supported by UK Power Network's contribution net of disposals and net of financing costs, and two, to achieve credit metrics in line with our strong investment grade in the long run. Importantly, post-acquisition, we will retain significant financial flexibility, both in capital spending and in the management of our assets' portfolio. This means we can continue to roll-out our organic growth plans, notably in renewables and networks, and deliver solid returns to shareholders, without requiring further equity in the years to come. At this point is, of course, critical. From a value creation perspective, the acquisition of UK Power Networks gives us further long-term growth opportunities in deploying capital in a diversified and friendly risk environment, improves our credit risk profile, and decreases significantly our weighted average cost of capital.

Now, back to Catherine for the presentation of our medium-term outlook.

Catherine MacGregor

Okay. So, now that we have discussed the strategic rational, valuation and funding of the UKPN acquisition, what does that mean for our medium-term outlook? So, for the next slides and next numbers, we have assumed the integration of UKPN from July 1st. So, let me start with a quick strategic overview. Last year, we introduced you to the new ENGIE, looking like this. It was the result of a fast-paced transformation that we've conducted over the past five years, resulting in setting and establishing a leading energy transition player, with a market strength in renewable generation, a strong downstream customer business and infrastructures, which historically have relied on gas, with an emerging position in power transmission.

In parallel, we have, as you know, a deep cultural transformation underway around performance, efficiency, focus, financial discipline, and results are good proof points of our progress on this front. We have now a strong delivery machine and with this transition, we have no intention of slowing down. Adding a major Power Networks business through UK Power Networks, means that we no longer have a single growth pillar via renewable generation and battery. We actually now have two. As can be seen on this chart, showing a total CapEx increasing in the next three years to €34 billion to €38 billion versus around €31 billion in the previous plan, with around 90% of that, that will be allocated on one side into Renewables and BESS, and on the other side to Infrastructures in pretty much equal proportion. So, this means that while Renewables and BESS will continue to grow pretty much at the same pace as before, Power Networks expansion will now fuel growth in Infrastructures. Zooming on Networks, we will have a combination of gas and power, gas and power infrastructure that gives us actually the best of the two worlds. We're going to have growth and we're going to have cash flow. To unpack this, '25, '28 will see an increase of more than a third in network RAB and within this RAB, the weight of power should jump from single-digit to around a third. That of course, will support Networks EBIT, which should rise by more than half over the period, and the share of power within Networks EBIT quadrupling to around 35%. Finally, and this is quite unique amongst our main peers, the cash flow generated by our Networks businesses will cover the total CapEx in '26-'28. This is a great advantage and it will allow us indeed to maintain the pace of our expansion in Renewables and BESS.

As you will see from this slide, which shows that first we have a renewables pipeline that is both robust and balanced. Second, that the proportion of our pipeline that is secured in execution or in advanced development has risen by 21GW in absolute terms, which boosts the achievability of a 95GW target for 2030, and all the while maintaining a strict financial discipline in our renewable projects. Remember, we do not chase GW for growth sakes at ENGIE, if the quality is not there. In addition, Renewables and BESS cash flow from operation will rise steadily as new capacity opens, which means that they will require actually less contribution from free cash flow of other businesses.

Finally, and this is really important, our integrated model continuously enhances and maximizes the value creation of our Renewables and BESS to a very attractive degree. We can put an extensive list of levers to squeeze the very most out of our Renewables and BESS assets over the long term, as now we tend to keep them for the long run. Now, on to the hot topic of data centers, to add some color to what I had mentioned back in November. In a nutshell, we do have quite a bit of what data centers want. We have an asset base and local presence to speed access to energy. We have the power to quickly deliver additional capacity through our Renewables and BESS pipeline. And we have an unmatched expertise in Supply and Energy Management to optimize the tech and the data center's energy competitiveness.

We are building on these big advantages. And today we have set a dedicated multidisciplinary data center team, a few goals to 2030. We've told them you have to achieve 3 to 4GW of co-sited data centers, which are today supported by a truly global 6GW pipeline, as you can see on the bottom left of the chart. We asked them to enable directly 5GW of new Renewables and BESS projects. And in direct supply business, 50TWh of power delivered to the tech and data center sector. Co-siting represents a significant value creating opportunity for ENGIE. Through a certain number of levers, they include land, they include margin uplift for ENGIE's co-sited assets. For instance, through reducing urban node risk exposure or providing redundancy from thermal assets in Europe. Also, of course, PPA, power supply volumes, as well as energy management services. We have built a partnership with tech companies over up to a decade in the supply of reliable green and cost-effective power, which now results in long-term partnerships, for example, such as the one we have with Google in Germany. So, this all sounds great. We're maintaining an impressive growth in Renewables and BESS. We are adding the new layer of growth in Power Networks. We are turbocharging our position as a major supplier of energy to data centers. We are leveraging the value derived from our integrated model and our industrial structure. What does it all add up to? It adds up to stronger foundations and consistent earnings improvement.

We are targeting a CAGR of 7% in EBIT, excluding Nuclear over '25 to '28, and our guidance range for '28, implies no less than about €3 billion of additional EBIT versus 2025 from new investments, of course, including UK Power Networks, but also from performance. You will always hear us talking about investment and performance. Here we'll expect a substantial €800 million to €1 billion of EBIT impact from performance improvement in '26 to '28 from a variety of sources. We will continue to focus on operational excellence from our assets, driving this culture of performance, tackling structural cost inefficiencies that we continue to have to chase. Balance is a critical component of the new ENGIE profile, or the new profile of ENGIE.

Geographical presence is very much part of this, especially given the geopolitical context. We're present in 30 countries, but actually 10 account for over 90% of our gross CapEx, with our top five countries being France, the UK, Belgium, Brazil, and the U.S The UK, as I mentioned, will become our second country at around 17% of '28 EBIT from 4% in 2025, with a presence across the value chain and now genuine critical mass. It really fits very nicely with our stated intent to make sure that we reach a sufficient size in our key countries. We want, in our key countries, to deploy our integrated model to have a sufficient size and to have a seat at the table.

In the transformation towards our utility profile, we've always emphasized the need to improve our risk profile with greater predictability. And our plan is going to deliver just that. As you can see from this chart, with the EBIT share of regulated networks and long-term contracted business, will rise from 42% in 2024 to two-thirds in 2028. The majority of the improvement will come from our own actions, notably the UKPN acquisition, the end of merchant nuclear in Belgium, and new, essentially contracted, renewable capacity.

And as we move to fast-forward mode, what will ENGIE look like by 2030? With the added directions and accelerated investment that I've just mentioned, our new plan allows us to not only to reiterate our key operational targets in Renewables and Flex Power and in Supply and Energy Management. But also to completely transform our exposure and our ambition in infrastructure, with a substantial €60 billion of RAB and capital employed in networks.

I'm really excited at the new potential that this plan brings, not just in terms of the additional growth, but also in terms of the nature of this growth. This gives you a perspective of the growth potential that we are going to carry over beyond our guidance overview, which today is 2028. This guidance looks like that. We have a solid plan to grow earnings and cash flow, which is a prerequisite to our capital allocation framework, which remains unchanged. It will be covered by Pierre-François. We expect a range of €4.6 billion to €5.2 billion for 2026, the mid-point of which corresponds to the level we achieved in 2025. With steady upper-mid-single digit increase in '27 and '28. Our dividend policy remains at 65% to 75% of Net Recurring Income group share, and we maintain a policy of maintaining a strong investment-grade credit rating, with an economic net debt to EBITDA ceiling at 4x.

Thank you for your attention, and now back to Pierre-François for the continuing ballet.

Pierre-François Riolacci

I'm tired of this ballet, and you still have some energy left, because the upload is not completely over. We met a year ago in the same room, actually, for the Market Update. I'm very pleased to tell you that a revised three years' projections are very consistent, actually, with what we discussed a year ago, boosted, of course, by the acquisition of UK Power Networks. First, let me highlight the key metric driving this outlook. I think Catherine just mentioned it, we are targeting a 7% CAGR in EBIT excluding Nuclear, over '25-'28, and this trajectory reflect both the solidity of the existing portfolio and the contribution from UKPN. EBIT will rise from €8.8 billion in '25 to €10.3 - 11.3 billion in '28. As you can see on the waterfall, FX and energy prices, volatility have negative, but at the end of the day, limited impact in the period. For the record, these headwinds are stronger than a year ago due to the U.S dollar depreciation and also some lower power prices in France. But we can offset all of them in '26 and half of it in '27 at EBIT level, showing the resilience of our portfolio and hedging strategy. These headwinds are fully offset at the bottom line. Disposals include the program to finance the acquisition of UKPN. Performance initiative will contribute positively, reflecting continuous progress in operational excellence and cost discipline. A significant uplift will come from investments, adding between €2.7 billion and €3.1 billion of EBIT. Excluding UK Power Networks and CapEx cut related to the acquisition. Contribution from investments would amount to €1.6 billion to €2 billion, which is bang in line with last year's market update.

Investments are concentrated in our key growth platforms, Power Networks, renewable generation and batteries. Catherine has already flagged our continued efforts in performance that will bring close to €1 billion, yearly EBIT contribution in three years. Overall, this trajectory demonstrates our strong capacity to combine growth, resilience and discipline execution also to leverage our integrated model. Moving on now to the cash equation. You are familiar with this format and we have split this time in three blocks. 2025 which is a strong year of excess cash generation, plus €2.8 billion, which is not accidental. UK Power Networks financing that I have detailed earlier and then the usual three years' projections, including the new cash flows and the new investments of UK Power Networks. You can add that up as you wish, I tend to look as a whole.

To a limited extent, we have decided to reprofile our assets portfolio and CapEx plans to allow, as it was the case before for a moderate increase of the debt on top of the acquisition. In such a way, that our credit ratios stay within our targets. Sustainability of our financial profile is part of our utility status both for credit requirements and shareholder returns. Looking to '26-'28 sources of funding include €37 billion to €41 billion of CFFO and an additional €2 billion from disposals. So, there will be €6 billion in total disposal, €4 billion which are linked to the acquisition and €2 billion which are in the three years' plan. This will finance our growth and maintenance investments for €34 billion to €38 billion and dividends and other commitments for €12 billion to €14 billion. As a result, net debt will increase slightly. This is not substantially different from the cash trajectories that was presented during last year market update. In other terms, the acquisition supports a strategic trajectory without altering the strength of our cash profile.

Let me now walk you through how we are rebalancing the Group further toward regulated infrastructure and more specifically Power Networks. Over the coming years, we expect a substantial step in Networks' capital employed moving from €25 billion today to around €45 billion by 2028. In that same year, Power Networks we represent half of the Group's Networks capital employed. This reinforces our strategic focus on electricity infrastructures. On the right-hand side of the slide, you have details on the Group's capital employed. We expect it to grow from €69 billion end of 2025, to around €100 billion by 2028, with the largest contribution coming from Networks. This rebalancing increases the share of regulated and long-term contracted activities, further de-risking the Group's earnings profile. Overall, this strategic shift enhances visibility, supports our investment-grade positioning, and creates the conditions for sustained profitable growth. This is not something to be missed, when you are assessing the WACC of ENGIE in your investment case.

Which is a good segway to turn to ENGIE's risk profile, credit metrics, and net-debt position. As Catherine alluded to, risk profile is improving structurally, thus reducing our cost of financing and also making credit metrics requirements less demanding. Target structure of our financial debt post-acquisition, as it is displayed on the screen, includes ENGIE's financial debt as of December '25, plus the senior debt linked to UK Power Networks acquisition for approximately €2 billion, and then UK Power Networks' financial debt as reported in its 2025 financial statements. On that basis, bonds represent two-thirds of borrowings, with a smooth maturity profile and no concentration peaks. With 91% of net financial debt fixed rate, we are largely immune against interest rate fluctuations. Net debt is predominantly euro-denominated, complemented by GBP, U.S dollar, and Brazilian real exposures that naturally hedge the Group's operating cash flows in these currencies.

Finally, on the right, you can see our economic net debt to EBITDA ratio. The ratio goes above 4x in 2026, because UK Power Networks only contributes to six months of EBITDA, but it immediately reduces below our fourth ceiling in 2027. Despite the enhanced risk profile of the Group, we keep this 4x ratio reference unchanged. We have significant financial flexibility to manage this ratio going forward, if needed. First, we have flexibility on our €34 billion to €38 billion CapEx program, with around 60%, which is uncommitted, as we speak. And secondly, we can go a bit further, when it comes to portfolio rationalization. Overall, our improving business mix, disciplined funding strategy, and strong balance sheet provide ENGIE with a solid and resilient financial foundation for the years to come.

Turning now to EBIT drivers by activity. This slide shows a balanced and diversified foundation of our growth over '26-'28. Starting from an EBIT excluding Nuclear of €8.8 billion in '25, we expect to reach €10.3 billion to €11.3 billion by '28, more than twice our EBIT in 2021. Beginning with Renewables and Flex Power, EBIT is expected to reach between €2.8 billion and €3.2 billion by '28 for Renewables and BESS. Growth here is primarily driven by investments in renewable assets and battery storage, complemented by performance actions. Conversely, gas generation should decrease from €1.1 billion in '25 to roughly €0.6 billion in 2028, driven by prices and disposals linked to the streamlining of our international gas generation portfolio. In Infrastructures, we see a solid EBIT uplift for all activities. Power Networks is expected to reach €1.6 billion to €1.8 billion in '28, with the acquisition of UKPN, but also organic development that goes along with it, as long as our development in Latam. Gas networks should benefit from investments, performance actions, inflated RAB, and tariff indexations to land between €3 billion and €3.2 billion in '28. And finally, Local Energy Infrastructure should grow and reach now €0.6 billion of EBIT coming from performance and investment in long-term contracted district heating and cooling networks. Last but not least, in Supply & Energy Management, EBIT should benefit from continued growth and performance initiatives. On the other hand, we'll face some headwinds in '26, in B2B, with a progressive phase-out of legacy contracts locked at high margins, I mentioned that for the '25 results, and positive one-offs in '25, same. These results in expected EBIT ranges of €0.5 billion to €0.7 billion for B2C, €1 billion to €1.2 billion for B2B, and €0.5 billion to €0.9 billion for Energy Management in '28.

Let me now remind you how our capital allocation choices underpin both our growth ambition and our financial commitments. Our framework is built to deliver predictability and long-term value creation for our shareholders. Everything starts with strong cash generation, everything. Although the last three years, we generated €40 billion of CFFO, and we plan to repeat that performance of close to in the next three years. Two activities stand out. Supply and Energy Management, with a CFFO net of CapEx, all CapEx, of about €2 billion per year and growing. Gas infra, with again strong cash generation and limited gross CapEx, delivering on average about €2 billion of cash flows after all CapEx. This consistent and predictable excess cash generation about €4 billion a year is a distinctive strength of ENGIE and clearly set us apart from the competition. One-point worth of attention is that Renewables and Flexible cash generation is growing consistently, funding an increasing share of its investment plan.

The acquisition of UK Power Networks reinforces our ability to deploy capital based on risk adjusted returns, where we can capture the most value and it is enhancing also our portfolio of investment opportunities. In parallel, we continue, of course, to optimize our existing asset base and drive operational performance across the Group. Our performance plan ensures that value comes not only from new investment, but also from better management of existing assets. So, this translates into an improved risk profile, more flexibility in credit requirements and a reduced cost of capital. Combined with a broader set of investment opportunities and strong cash generation profile, it supports balanced long-term growth, and therefore, sustainable, predictable and increasing shareholder returns.

Let's finish with our '26-'28 financial outlook, which provides, I think, a clear line of sight on the Group's earnings trajectory. Starting with '26, we expect EBIT excluding Nuclear between €8.7 billion and €9.7 billion. This reflects continued operational momentum, early contribution from our investment program and the ramp-up of performance actions. EBIT also includes six months of UK Power Networks contribution. Those headwinds are partly offset by FX and the phase-out of high-margin B2B legacy contracts. By 2028, the rise in EBIT will mostly come from organic developments stemming from investment and also, of course, performance. While disposals impact will peak at year-end. EBIT excluding Nuclear should be in the range of €10.3 billion - €11.3 billion. Over the period, net recurring income will rise from €4.9 billion in '25 to €5.2 billion to €5.8 billion in '28. Recurring net financial costs are expected to increase from €2.2 billion to €2.4 billion in '26 to €2.6 billion to €2.9 billion in '28, reflecting the acquisition of UK Power Networks.

Recurring effective tax rate should land between 20% and 23%, a decrease versus '25 as the Belgian nuclear transaction allow us to retire longstanding tax frictions and also as our profits are growing in geographies with no material tax impact on P&L. This sequence is consistent with our ambition to deliver a sustainable growth of EPS year after year. Excluding the UK Power Networks perimeter, the outlook is broadly unchanged compared with the guidance we presented last year. This is important. The underlying performance of existing business is fully in line with expectations, and the acquisition simply adds incremental value on top of it. At the bottom of the slide, we reaffirm our dividend policy alongside a strong investment grade rating.

With that, back to Catherine for wrap-up.

Catherine MacGregor

I just wanted to go back to the capital allocation framework that Pierre-François just presented. As we have been strictly adhering to that over the last five years, it's very important at ENGIE it's actually the cornerstone of our management practices. It's well-embedded throughout our organization. We are maximizing our cash generation. We are prioritizing our commitment to our shareholders. We're maintaining the strength of our balance sheet. And that allows us to size our net investment, including gross CapEx and disposal program.

And with the funding plan that we've laid out to you today, with this acquisition, we are going to be able to maintain our investment in the rest of our businesses, which by the way, will not be much impacted nor disrupted by the integration efforts that we expect, somehow limited, especially when you consider the size of this transaction. So, you can think of the acquisition of UK Power Networks, as even more opportunity within this framework, more opportunity for capital deployment, more earnings, all this with a better risk profile and a lower WACC.

Last words, you may have seen an announcement regarding our governance yesterday. I just wanted to bring it up, because it is a sign of both continuity and well-planned transition. I think it's important, because it highlights the quality of the governance at ENGIE, which is an asset in itself and does contribute to the performance of the Group. For this, but also for their general support to ENGIE and to me personally, I would like to thank the Board of Directors and its Chairman, Jean-Pierre Clamadieu. Whatever the challenges ahead with the incredible talented teams that we have at ENGIE and soon to be joined by the 6,500 UK Power Networks employees, let me tell you that at ENGIE, today, we look to the future with great excitement and confidence.

Thank you very much. And now I will pass it on to Delphine for the Q&A. Thank you.

Delphine Deshayes

Thank you, Catherine. We'll now have the Q&A session. We'll start by taking questions from the room, and then we'll take questions from online. So, we'll start by the room. Wanda?

Q&A

Wanda Serwinowska - UBS

Hi. Wanda from UBS. Congratulations on the deal. Amazing deal, I must say. Two questions for me. The first one is on the ABB. Do you need the agreement from the French government? Will the French government participate? Is it a must? Can they block the deal? Any comments on that one would be appreciated.

And the second question is about the disposals. I mean, what are you going to sell? Do you have any preferences, any businesses, any regions that you want to sell? And I do appreciate you show EBIT, but what EBITDA do you expect to basically drop? Thank you.

Catherine MacGregor

So, the financing plan that we have laid out to you obviously has been approved by our Board of Directors. As for the participation of the state to the operation, I think, you will have to ask them. I can't really comment on their behalf. In terms of the disposals, maybe just first of all, we do have a long history at ENGIE of disposals. First of all, in terms of execution, we have, I think, shown a good track record. Last year alone was €1.4 billion worth of disposal. So, in terms of track record, we feel confident with the plan that we've laid out, even though it's a little bit more in terms of run rate at €6 billion. In terms of details, obviously, you will understand, we're not going to give much color, because we don't want to jeopardize the sale conditions under which we will conduct these disposals. But we do have still at ENGIE quite a bit of flexibility. We have three themes that we have in mind. One theme, which is a number of assets, where we are participating, but we don't have necessarily the full operating control. These assets, when you look at our strategy to be much more of an industrial operator, are a little bit more now on the edge of our core strategy. That could be something that we consider. Another option, another theme is, we do sometimes have assets, where we could be opening up to a minority. And so that would be also another theme under this disposal list. And a third theme, which is the work that we've been doing now for years at ENGIE, which is a little bit of housekeeping of our portfolio, when we have entities or activities that are not core to our strategy. And then, typically we'll fall under that. And we've done actually a number of that last year. So, that's really the three themes that we are considering in our disposal plan over the years to come.

Pierre-François Riolacci

And to your question about the EBITDA impact, I mean, we don't disclose that, but I think if you use a proxy of the usual EBITDA to EBIT conversion of the Group, you would be on the high side of EBITDA.

Wanda Serwinowska - UBS

Thank you. And just to confirm, on the French government, you discussed this acquisition with the French government. There is no way they can block it?

Catherine MacGregor

The French government is represented on the Board of Directors.

Delphine Deshayes

Okay. Arthur, second row.

Arthur Sitbon – Morgan Stanley

Hello. Thank you for taking my questions. The first one are on the financial targets to 2028, given you are now quite used to over-deliver. I was wondering, I would like to understand, if there is any area of conservatism in your targets. So, there are three questions that I have on the bridge between 2026 and 2028 on EBIT. One is on the disposal dilution. I think you assumed €0.7 billion, which for the proceeds that you intend to have, it seems to imply quite a low multiple. The performance contribution seems also quite lower to what you've been doing so far in the plan. And then there is a last block of €300 million negative, which is called other, which it's not really clear what it is, if you could give some information on that.

And the second question is just on the indications you give in the press release on the contribution of UK Power Networks to the net income. As far as I understand, that contribution is before the impact of the cost of hybrids and potentially before the potential PPA as well of the deal. So, I was wondering if you could just give some information on that as well. Thank you.

Pierre-François Riolacci

Right. Thank you. That's a very precise question, Arthur, and I can see that you are already working on your model, which is of course the right thing to do. Yes, there is, so first with the '28 target and the bridge from '25, we, of course, there is a whole set of assumption behind the €700 million negative impact on disposal. Catherine mentioned there were different buckets. Indeed, in these buckets, there are a few which are minority stakes that we own in some assets. And therefore, you can get a very high multiple on the valuation, because what we are recording in EBIT is only the net income that we can consolidate. And therefore, that will drive a significant multiple, when it comes to valuation. So, part of it is there and that's also, we don't want to be too granular on this multiple, because we want to retain flexibility on the asset we put in there. And we will, of course, along the way give you more colors and the impact as we make our decision. We will be value driven for these disposals. We know that we have done already a lot of cleaning in our portfolio. So, we have already assets that we are pleased with and it's really valuation arbitrage that will come, so please give us a bit of flex, but clearly this multiple is reflecting these high multiples for some of the disposal.

Performance is low. I'm not sure this is the opinion of everyone in the organization, but €0.8 billion to €1 billion is still a big number coming every year. Of course, it's low compared to what we have achieved in '25, but remember the loss making activities, you can once you have fixed them, you cannot fix them again. And so it's much more difficult so to address it. Now can we do more than €0.8 billion to €1 billion? Let's first try to get at the top end of the number and then let's see if we can do better. Clearly, the push for performance is not stopped and you've seen I mentioned that briefly on '25, when you look at the guidance and we have been able to close some of the headwind that we have on FX and energy prices we did it through performance. So, I think that's important. And then in other there is a minus €0.3 billion, there are various topics and it's a small number €0.3 billion for ENGIE. And again you need to leave us a bit of intimacy in our numbers and if we want to put something to make sure that we deliver it's also, I think, a decent right of ENGIE to put some numbers in there. Now it's funny what you say about over-performing, this is a discussion that we have with UK Power Networks and I think they say that, it's under-promise over-deliver. I like that a lot. So, I think that, this is a culture fit is there and we will do everything we can, of course, to achieve, but if we can, of course, over-deliver.

For the contribution, indeed hybrids are not in there. So, hybrids, I mean, you can work it out by yourself. I mean you know, if we issue hybrids, you know the cost of hybrids, you know the market today is pretty lenient and very, very, very competitive. Our last issuance on hybrids was extremely strong, with no new issue premium. So, today it's a buoyant market, so this decreased the cost. And then there is, let's say a tentative PPA embedded in this number. So, we've done our work, of course, to try to assess, what would be the impact of the PPA, and that is factoring the numbers. Please give us also a bit of flex, because the PPA is a big thing, and we will have to go much further into details, but we've tried to give you an indication.

Delphine Deshayes

James?

James Brand – Deutsche Bank

James Brand from Deutsche Bank. Congratulations for me on the deal. I have three questions. Firstly, your ambition to have more Power Networks, is that now satisfied with this deal, or if another deal came up that was very attractive, would you attempt it to do even more? Because the market reaction seems to like this move from you.

Secondly, on the performance plan impact, it did actually seem like quite a good number to me. I was wondering, whether you could give some more details, because companies often throw around kind of big numbers for cost cutting and things like that, or performance improvement. So within that, if you could give us some kind of indication, how much is kind of cost cutting, how much is loss making businesses, if there are any left, how much of it is kind of running your equipment better because of best-in-class performance and things like that, that would be super interesting just to get an idea of what's driving that?

And then thirdly and finally, if we do see all this demand growth that everyone's talking about coming through in Europe and globally, because of data centers and electrification, we're going to need new gas fired generation. And you don't seem to have any, certainly not much capital going towards a new gas build, if any, in the plan. So, I was kind of wondering, what, is that because you don't want to invest in that area, because you think renewables is the future? Or would you need more regulatory visibility? What could push you into investing more in new gas? Thank you very much.

Catherine MacGregor

Okay. I'll start with one and three, and you can comment a bit more on the performance plan. Maybe on the Power Networks, we have a few years now to digest, what we're doing with UK Power Networks. I think, frankly, one of the really exciting things about the operation today, is that it's of a large size, which means that, in another scenario, we would have had to do quite a few of small deals, which means a lot of things and disruptions, and you have to do it in several places and this. And by doing it at once, it's sizable, but it really will allow us, to have our work done for a few years, at least in the distribution world in Power Networks, with this superb asset that we are acquiring today, or that we will acquire at closing, with quite a lot of challenges to accompany the growth under the ED3 plans are very ambitious. So, UK Power has a lot of work to do, a lot of investment, and so we feel that it's going to be, from power distribution point of view, very nice, and I don't expect that we have to do something anytime soon in power distribution.

On the transmission side, the plan that we have, which is to continue to do organic development in Latin America, that will probably continue as long as we can continue to win auctions. The auction is sometimes quite competitive, so we remain very disciplined in the way we participate in these auctions. And that should continue as expected. But I want to highlight the fact, that the fact that this transaction is really of a good size is actually for me a great benefit, because it allows us to do a one-off, and now we can get on and do growth with UKPN and the growth in the rest of the business at two levels, which, I think, is a great position to be in, frankly.

On demand growth and what we do with the gas-fired generation, I know, it's not very fashionable, but we continue to be set to be net zero to 2045. And so we're going to be very careful with our CO_2 budget, so we're really very focused in maximizing the CO_2 to EBIT ratio at ENGIE. So, we are pragmatic about energy transition and about CO_2, but we are committed to decrease our trajectory. And we believe that today, when you look at the requirement on power, there is a lot that we can do with smart renewables, with the right technology, with the right battery, with the right integration, with the right energy management expertise, we didn't talk too much about Energy Management today. But we have a differentiation at ENGIE with top-notch energy management capabilities, and these people are able to integrate the renewable and really green assets in order to provide customers what they want to do, to the most part. Now, it doesn't mean that every so often, if there is an opportunistic investment opportunity, we would be looking probably at the right CRM, we would like to have a capacity remuneration mechanism, because today everybody loves gas. I don't know that in five years everybody will love gas again. So, we would need to have a fairly low-risk investment proposition, as well, of course, as the right return. And then we might look at it from one project to a project, but it's not going to be a big chunk of our CapEx going to those assets, but the Flemalle is a good example of that. Right in Belgium, we're just opening up 875MW. So, it's a very large asset that we built from scratch. So, we've been able to do that. We're happy to CRM-based remuneration. So, we might do a few of that, but it's not going to be a big, indeed, investment proposition. We think we can do much more with renewables, batteries, and also speed to market, as you know, for this in terms of delivery and just execution, renewables and batteries are just unbeatable today, especially with the supply chain situation on gas plant that you know very well.

So, performance plan, Pierre-François?

Pierre-François Riolacci

Yes, performance plan. First, you may notice that our performance number, you can track them into the waterfall of EBIT. And that is critical for us, because we are not buying huge performance section, which are not translated into your variation of EBIT. So, we need to be and that's a discussion that we have internally as well. It is demanding, but it is also key, if we want to be credible, when we put these numbers in front of you. So, they are real contribution to EBIT, whether they are cost cutting, efficiency, whatever. They need to convert into P&L, and we need to be able to track it, and you are able to track it. Now, if you look at the big number, you have about still 10%, which are related to loss-making activities. This is going to come in '26, maybe early '27, so that would come quite early. And, of course, we have action plan, which are already launched, and the execution risk is very limited. Then you have about 40%, which are the usual operational efficiencies that you have seen many times now in ENGIE for years, and they are coming through. And there is still a lot of room because, of course, we got a lot of traction, when the GBUs, the Global Business Units were created, because there was standardization, professionalism, some common tools, which have been able, of course, to which we have been able to leverage to deliver efficiencies.

But it is by far not done, and we are also investing a lot. And when you invest a lot, you create new opportunities to, of course, improve your efficiency, because you get more scale effect. You enter new operations, which are not at the same level. You have maturing projects, which are getting not at the top and they need more time to get at the top. So, for example, when you see the commissioning contribution, you have the commissioning of year one. Then year two, you don't see it. But in year one, you're not at the top of your efficiency, so you get more coming from the improved performance and growth. So, growth helps actually to fuel further performance. And then we have half of the amount, which is what we call our C-square, competitiveness and culture, where we are addressing some other pockets. And the big so we mentioned agility. We mentioned agility, some frugality. But the big topic is about efficiency and efficiency, especially in the G&A, in the support function, where there is still a lot to be done in ENGIE. Catherine would say we just started to scratch the surface. Maybe.

Catherine MacGregor

I say that.

Pierre-François Riolacci

But we are not at the end, even not at the beginning of the end. We are maybe at the end of the beginning, and that's already general. So, there is more to come in there. I mean, some basics. I mean, we started, I mentioned that already our big SAP project to have basically one ERP in the company, except for regulated assets. And that was started in '22. And today, we are rolling out at pace. By the way, project on budget, on time, which is not always the case with that kind of project. So very, very pleased with the outcome. But we are in the middle of running it. So, there is more to come. And of course, it's paving the way to a new G&A approach. And we have now launched a big global business support project with significant moves. I mean, it is happening in ENGIE that we are actually revisiting our existing GBS operation in some countries, like in France and Belgium, and moving some of the activities towards Romania. So, this is happening as we speak. And of course, there will be delivery coming throughout the years. That's why it's a plan that needs to be carefully managed. It has to be done in a proper way, progressively. And maybe some of you would love to see more coming at once. But for us, it's very important that we commit to this delivery year after year. And we prefer to take our time, but launch something, which is solid and which is going to deliver for years. And to that note, this is not ended in '28. I mean, we had that conversation last year in '27. So, there will be more in '28. Of course, year three is always lower than year one and two, because people tend to be a bit conservative. And then you need to fuel more projects. And then you find new ideas. And then, of course, it's an ongoing revisiting. So, very optimistic about performance. This is an engine, which is going to be there for a long time.

Catherine MacGregor

And we bring along our social partners. That's the particularity of our footprint is that, we have very rich union representation. And so, the key for us is, throughout this transformation and the performance actions, is to bring along our social partners, which the team is really working very well to do so.

Operator

The next question is from Louis Boujard, ODDO. Please go ahead.

Louis Boujard - Oddo

Yes. Hi. Good morning. Thank you for taking my question. And congratulations on the operation. Maybe two on my side to focus a little bit on the UK Power Networks and what we can expect going forward. Looking at the historic earnings contribution, it has been quite volatile, most likely because of the current situation in the energy market, which has been relatively tough, and also because of some catch-up effect that could be expected.

How shall we forecast going forward the EBITDA and EBIT contribution of this business? Is it going to be a bit more steady growth pace going forward? Or, do you have also a lot of catch-up to be expected in the EBIT line for this contribution going forward by 2028? And could you maybe give us a bit more granularity on the geographic scope of your Power Networks contribution in EBIT by 2028, with regards to the Latin America contribution as well? And maybe if you could also elaborate regarding the potential synergies that could be expected with this operation. Do you think that eventually there is room for more business to be developed, notably with energy transition related activities and other business that could be used from this operation going forward? Thank you very much.

Catherine MacGregor

Maybe I'll start with your last questions and then Pierre-François can comment a little bit about the first part of the question. So, in terms of synergy, given the regulated nature of the business, obviously in our business plan and assumptions, we have a very, very small number. That makes sense. We do obviously expect to drive a few synergies around IT, insurance and procurement, of course, in these areas, which are as expected. By the way, the fact that we have not priced that much synergies is also a nice illustration of what we expect in terms of a complication of integration. We don't expect any difficulty and that's, I think, reflected in that number. And then there is, apart from the regulated activity, Louis, there is indeed a non-regulated activity with a very long-term contract, which can span over 50, 90 years. And these contracts are interesting. Right now, we value them at 10x EBITDA. So, we'll have to see as we work with the team at UKPN, if there is indeed potential for more growth. But right now, we have taken, let's say, a moderate view of the potential of this business. It will have to be looked at. And then in terms of other synergies, not in the numbers, but really for us, it's about making ENGIE much more of an electrician. And what that means is that, you know we expect over time to be able to learn from UKPN and to develop a culture and an understanding of the distribution activity expertise competency, that eventually maybe we'll be able to reuse in other places. Again, I'm putting my arms there, because I stayed true to what I said earlier. Short-term, we're very happy and we'll be content with this acquisition. But to develop a distribution expertise is obviously something that we look forward to with this acquisition as an outcome.

You want to talk about UKPN?

Pierre-François Riolacci

Yes, thank you. Good question, Louis. Yes, you're right. I mean, there is volatility in EBITDA, EBIT, and net income in UKPN. We are familiar with that, because we know, you know that we are also regulated gas assets and they feel the same way. Of course, regulation is different. There is some kind of catch-up in France, which is yearly, but then you may actually go for a catch-up, which is in the following revision period, so it's even more than that. This is something that we have discussed. Yes, they are regulated business. They are very stable, but there is some unpredictability indeed in the fine-tuning of the results in any one year. It can happen. So, we're going to have to put a head around this. We are prepared for that. We need to also create a bit of space to manage these uncertainties.

Hopefully, in a few years' time, there will be this new standard, which is a long-awaited, which is a regulated business, and that will allow to smooth this catch-up effect, and that will be welcome. And clearly, again, we have a lot at stake in our existing gas operation today. But there is no -- to your point, there is not a big clawback sitting that is going to reverse in the next couple of years. It's just a normal course of business that we expect. And then, on your point about Latam contribution, I mean, today you know that the contribution of power today is in Latam, so you have a good proxy, where we stand today. This will be growing, and it's fair to say in '28 there will be growth compared to where we stand today. And I would expect this to be north of €300 million contribution in '28 for the Latam assets.

Catherine MacGregor

And it will be mainly in Brazil and to a lesser extent Chile and Peru.

Pierre-François Riolacci

Brazil, by far, being the first one.

Operator

The next question is from Bartlomiej Kubicki, Bernstein.

Bartlomiej Kubicki - Bernstein

Thank you very much. Good morning and congratulations on the acquisition. Just on that one, maybe the first -- the first question. First of all, what has changed in terms of your risk appetite? Because I remember in the past you used to say much smaller transactions would be a perfect fit for ENGIE. Now you are aiming at something way bigger than previously indicated. And also on that one, if we think about some kind of return IRR to WACC spread, what kind of threshold is it or a minimum threshold is it meeting given the valuation of the transaction? So, that's on the transaction.

And now maybe just a little bit of clarification on the FY '28 and FY '27 guidance, and I would point here to three very small items if you can explain. First of all, last year you were saying that in FY '27, 63% of EBIT will be regulated or long-term contracted. Now you are mentioning -- sorry, you said 63 last year. You are mentioning 67 that in for '28. So, I just wonder, why is the increase so small, given the fact that you are doing a pivotal acquisition? And also on that, if we think about the renewables guidance for '27 and '28, it hasn't increased much. Actually, the bottom end is at the same level. Does it mean you're expecting some, I don't know asset rotation in the renewable space as well, or it simply means, there's a negative effects and power prices effect?

Thank you very much.

Catherine MacGregor

Maybe I'll start by the first one. In terms of your, this is a bit bigger than maybe what we had envisaged. When we discussed our willingness to develop our presence in distribution, and we talked about a long list of criteria.

When you remember, we said, we wanted a high quality, we wanted performance, we wanted single country with distribution. We wanted a place, where there is a good quality regulation and something that we would be able to integrate easily.

And indeed, I think, we did say, a size that we can digest, and probably that did imply a bit of a smaller size than what UKPN represents. But with UKPN today, we check a vast majority of this list, so we feel very, very confident. And again, today, ENGIE's is a bit of a different places. First of all, we've been very lucky to be able to engage in the process, because as you know, it's a non-process, so UKPN was not for sale. So, it was really for us an opportunity that we decided that we could seize, because despite the size, we didn't feel that it actually represented additional risk for us from an execution point of view and from an integration point of view. So, all the criteria that we had set were met, a bit bigger than what was envisaged originally. But the process or the non-process, the opportunity, the quality of the asset really made us very, very excited about the opportunity. And then, of course, the financing plan that we've presented, which makes us very confident that we can continue to deliver ENGIE's roadmap, and at the same time, made this structural move a one-off. That's it. It's done. We've done that. We've pivoted at least for a few years. For us, it's really a bit of the best of the two worlds. So, we are actually very, very excited by the size, as well, of UKPN and the size of this transaction.

Maybe Pierre-François?

Pierre-François Riolacci

On IRR and WACC, first, we are very committed to deliver on our investment, total investment, a premium of about 200 bps above WACC. That's very important. But we take it as a whole, of course, and we invest based on risk-adjusted return, which mean that some projects are coming with a spread above WACC, which is different from others. And when it comes to assets, which have a WACC, which is significantly lower than average, it's nearly impossible to deliver 200 bps on top of it. And in that kind of business, it is very difficult to achieve that kind of return. So, to be very candid, we are below the 200 that you would expect in general for ENGIE and we fully recognize that. Still, this investment is fitting criterias, which are adapted to its specific profile and we are delivering, of course, IRR significantly above WACC with, of course, all kind of assumptions surrounding this calculation.

When it comes to '27 versus '28 and the speed of regulated assets, I think, it's a good peak. And the reason, why it's growing, but not growing that much is that the rest of the business is growing and it's not only that we have UK Power Networks, but we do have other businesses. You mentioned Renewables and BESS, rightfully so, but you could also mention SEM, Supply Energy Management, which is growing as well over the period significantly. And therefore, we have a bit of a dilution of regulated assets even if, of course, they are growing. Now, it's really the story of ENGIE. And we have different growth engines and they are all going up, which is not, again a coincidence, something that which is architected. And therefore, it's not that easy. And the last point is that, ENGIE is starting to be a big thing. So, to move the needle, I mean, for you it's nothing to move from 63 to 67, but it's actually a lot to move, because it's a big business, which is growing in all its components. And I think we are pretty pleased with that.

Delphine Deshayes

Maybe coming back to the room, Peter?

Peter Crampton - Barclays

Peter Crampton here from Barclays and congratulations on the great deal. Three questions if I may. The first one relates to your longer term net recurring income group share trajectory, which has obviously been a big question of investors in the past. Looking at your guidance, getting a 6% CAGR and kind of '27 and '26 and '28 and '27. Is a 6% CAGR a realistic number to use longer term as well for net recurring income group share? And does this UK Power Network deal help with that delivery as you added a very visible kind of part, where you can grow the business?

The second question was you were referencing a decline in kind of Group WACC on back of this acquisition. Any numbers around how much you see kind of Group WACC reduced? And then thirdly, it's great to get that 6GW number on your data center kind of pipeline. How many projects does this relate to? And obviously UK Power Networks is a great part of the UK. Do you feel that maybe that number grows further after that deal completes? Thank you.

Catherine MacGregor

Okay. We have a number of projects. It's several 10s of projects that are feeding this pipeline on co-sitting on data center, just starting with that last part of the questions. And indeed, we have not really started to discuss in great level of details with UKPA and how potentially, there could be some opportunities that could be pursued together. But that's potentially indeed an exciting avenue. So, that's the last, the third question. I think in terms of the profile of growth, you want to not mention numbers beyond '28?

Pierre-François Riolacci

No, I mean, thank you. Of course, it is an important question. I think that you see that we are building a platform, which is definitely fit for growth, more balanced. We are achieving this 6% in the next three years. Is it something that you can extrapolate? I think you definitely see growth engines. I'm not going to elaborate again. The platform is designed for that. We need also to recognize that there maybe volatility from one year to the other. We mentioned, rightfully so, the point about clawbacks, when it comes to regulated asset, which are significant. So, there maybe years, which are above and years which are lower. We still have some energy exposure. I mean, clearly, we have been, I think, pretty convincing in showing that we can resist to lower energy prices. But we still keep some upside, especially on the volatility side. So definitely, there will be good years and there will be less good years. But still, I believe that this strong middle-digit profile is coming nicely with this platform. And that's what we are trying to build definitely. No, not committing to 2030 or whatever. But clearly, we are building an earnings power, which is significant and which is higher, of course, that what we had in the past.

UKPN, I mentioned it briefly. In the long run, this is a business, which can deliver a mid-single-digit growth, and that we believe. But again, there will be a period. We need to manage a depreciation gap period. We need to manage a clawback. There will be, of course, a trajectory. But we believe definitely that we can get there. And then on the decline of WACC, it depends how you look at it. If you look forward and if you look at the portfolio of CapEx and investment, which is coming through, the impact is significant. It's more than 50 bps in terms of WACC in the to-come investment. If you look at the existing ENGIE, the whole thing, there is, of course, a lot of inertia. But still, it's a few 10s of bps of decrease in the WACC of ENGIE as a whole. And you can work your calculation by yourself. But we see that as, of course, a very important component of value creation.

Delphine Deshayes

There's a question at the back.

Deepa Venkateswaran - Bernstein

Thank you. Deepa from Bernstein. I had a couple of questions on UKPN. So, if you look at the RAV growth of the companies in ED2, for some reason, UKPN is at the bottom. I think, overall RAV growth is 5%, for the next few years you mentioned 4%. So, I was wondering is there anything structural in ED2, which will be rectified into ED3 on catching up on the growth?

And second question again on valuation, I mean, this is a higher premium than what Iberdrola paid for ENWL. So, how would you justify, has anything changed? Is it UK regulation or is it the outperformance of UKPN? If you could just reconcile your statements at that point versus today? Thank you.

Pierre-François Riolacci

On the valuation, you know, that we have been very close to the ENWL value transaction, because we were the second bidder and we were in the outbid by our competitor. We believe a fair valuation. So, we know pretty well the multiples. I would, maybe something you can look at is the reference date of the RAV, which is used at the time of the transaction. You may notice that we are using a reference date, which is three months before an anticipated closing.

Maybe in the other transaction it was something like four months after the closing. With the RAV, which is growing it can make a difference very quickly in a few digits. And I would also highlight that we have a ticking fee in line with market practice, 4%. So, I think, if you work on the numbers, you will find out that our multiple is actually very much in line, which is what you would expect for an asset of this quality, which is definitely at least as good as the previous asset that we had been looking at.

Catherine MacGregor

Okay. On the first question, comparatively ED2 UKPN growth, I don't want to comment and stretch myself. But what is for sure is that, we are expecting a significant increase in TOTEX spend in ED3 in line with the very ambitious Ofgem plan that we have for the three licences. So, that's the main thing. That increase is of the order of 40%, 45% from ED2 and ED3 now.

What the other ones will do? I have to say, we'll have to check. But there is definitely growth expected in ED3 and each license has a slightly different profile. Obviously, London is a little bit less about new energy transition stuff. The other two licenses have a little bit more of that growth in particular with the solar development in the south of England, which is significant although, I know, it does rain a lot here.

Delphine Deshayes

Harry, second row. Thank you.

Harry Wyburd - Exane

Hi, thank you, it's Harry from BNP Exane. So, we've covered a lot of ground, so these are kind of questions on the questions, but I'll try and still keep them interesting. So, if I've interpreted all this right, you -- this is a big acquisition that's covered a lot of ground. So, you're very unlikely to do any more in the next couple of years, but you're not ruling out further distribution expansion, and you sort of alluded to this as a kind of platform deal. So, when you get to 2028 and you're 67% contracted, what is the kind of Group objective after that? Should we assume that this is a -- you maybe want to continue to build distribution, or do you want to look at other parts of the business? One thing that sticks out for me is your outright power exposure, say, in France, or the nuclear drawing rights, or the hydro. What is the philosophy after you get 67% on how you want to change the business mix? So, that's the first question.

And then on the second one, it's a bit of a, for Pierre-François, it's a little bit of a challenge. So you sort of, you alluded that you could continue with the performance plan for a long time. But at €300 million or so a year, it's sort of 5% earnings growth, which is obviously fantastic. But probably there's a point at which it gets quite hard to deliver that amount of incremental cost savings every single year. So, how long would you be able to go at €300 million a year of performance savings? And if there is a law of diminishing returns, how do you sort of pivot towards other sources of growth? Is it a continuation of M&A that we've just discussed, or is it something else? Thank you.

Catherine MacGregor

Yes. Maybe, Harry, we think in general at the ENGIE, we create more value organically than inorganically. We today are doing something, which is structural for us, developing a presence in distribution is a very important move for us. It gives us the profile of growth that we've commented, in length during the presentation. And I'm not expecting to do any big M&A in distribution anytime soon. I think it's very important for ENGIE to digest what we've done and to indeed, establish and learn from UKPN from an electricity distribution culture. It doesn't mean that, in '28, we're going to do another one. Not at all. That's not what I meant. I think we're very excited about the growth opportunity that UKPN is bringing in itself. And that's really the whole beauty of the transaction is that we're not just doing that thing, and then we have a presence in distribution. We have now a presence in distribution, and we are able to grow in distribution through UKPN. And that is really going to be in the short-term and mid-term our priority.

So, in terms of profile, I expect continuing investment in generation, continuing investment in infrastructures with, the power networks, organic development in Latin America. Organic now, it's so nice to be able to see that -- to say that. From July 1st, we're going to say that we are growing organically also in distribution, which is fantastic. And then the third thing, which is going to accompany our customers through our B2B franchise, which we didn't talk too much today about, but we are also very excited about. And there will be also growth there. And this is really going to be the three key growth avenues that we propose to explore. And I don't see any reason, why this will stop in '27 or '28, frankly. We think that is going to carry us along for quite a while.

Pierre-François Riolacci

And on your point about performance, I'm very optimistic that we can maintain that rate for a long time. First, the starting point gives opportunities for sure. And for those, who know a bit ENGIE, I mean, you know that, there is still room for improvement in many ways. And that's very, very common. Second, what we are doing, I mentioned the ERP project, but I could mention a few other IT projects. I mean, we are really breaking new grounds in terms of data management. We are, ENGIE, the legacy of ENGIE was this 24 business units, which were spread all over, with no common language, no common tools. This has moved. And now we are moving at pace, building some data access, which is really impressive. This is going to create a new layer for further savings, which are significant. It's not necessarily cost savings, but efficiencies definitely we see a lot for better maintenance.

We see a lot in procurement, not because we would be, adding new procurement savings as such, but because our ability to challenge the consumption, to manage the demand on procurement is going to be boosted by what we are rolling out as we speak. And I'm not here in these numbers incorporating any significant contribution from AI, but this is coming on top of it. And this is coming through. And if you look at '28, you may argue, okay, but these amounts are not going to be significant. But if you look deeper in time, and if you look to 2030, 2035, I have no doubt, there will be very significant contribution in efficiencies and also cost cutting coming from AI. So, on this part. When it come more about the competitiveness and the structure cost, I think, there is still a lot of potential. On the business part, I mean, we are talking about €100 million to €200 million a year, and that's what we are talking. I mean, given the size of this business, to me, it looks like infinite. I mean, you can always find €100 million or €200 million, because of new technology, because of fixing issues, and that's our daily job. So, I'm very, very convinced that we can have this €300 million contribution for a very long time.

Catherine MacGregor

And the CEO confirms as well.

Pierre-François Riolacci

CEO thinks it's shy. That's another story.

Operator

Yes, the next question is from Ajay Patel, Goldman Sachs.

Ajay Patel - Goldman Sachs

Thank you. And thank you for the presentation today, really informative and congratulations. My question was to sort of expand on one of the points it was making during the presentation. That as you look at this, you're improving your risk profile, becoming more regulated contracted in nature, you're effectively showing solid growth beyond even the '28 period from what we can tell. And I'm just thinking that, we have that 4x net debt to EBITDA, debt metric. And as time and as you execute on your plan, is there opportunity for that number to go up, and therefore, you have more balance sheet capacity to add to growth as you go further down the line?

And then on the data center strategy that you highlighted this morning. Could you maybe spend a few minutes just to go through how you crystallize the value from that as in, is ultimately to co-develop and then to sell out, is it just to provide an avenue for renewable and for the provision of energy? I'm just thinking of how are you thinking about the value you extract from that type of activity?

Catherine MacGregor

Okay. So, should I start with data center. So, there are really three buckets. Quickly so, they have the co-siting and then we have the enablement of our renewable. So, this is more traditional PPAs that come and enables us to decide the investment on new renewables generation. So, this is quite typical in that. And then there is a third bucket, which is supply deals. We tend to be a bit more sophisticated, a bit more higher value for ENGIE, because the tech center and the data center tend to be very demanding, when it comes to green electron to the type of product. And this is why you see this acronym the CFE, carbon free energy is something that they value and that we can provide. So, that's the last two.

The first one, which is the co-siting is indeed a bit of a new word for us. We are not taking participation in data center. I just want to be very clear. We remain, who we are, we are an energy provider. But and where it's a little bit difficult to talk generically about these things is that every project is different. So, the question was asked earlier, how many projects we have? We have about 30, 40 in a very, probabilized pipeline today. When we have either already a project under development or we have even existing assets and then we work with a data center developer to see how we can help them access the land. So, sometimes it can be just the sale of the land to them. And then use existing renewables to provide them directly existing generation, so it can be renewable, it can be battery or mix off, it can be a grid access to help them with their power requirements. So, either we have existing projects, and then you need to think of margin uplift on existing project. I talked about de-risking. As you know, in the United States, some of our projects get curtailed. Some of these projects, they get exposed to hub or node risk. And so the ability to co-site a data center, where we have this project, helps us, through the risk management brick and removing some of this risk, actually creates value for energy.

And then there is all of the things in between. Energy Management services, when you have co-location, managing grid, renewable production battery is also a service that we are able to value with our counterparts. So, that's really what we're talking about, is value creation as an energy management provider, as a renewable and green electron provider, but obviously we are not looking at investing in data center or co-develop at all. So, it's really about partnership and making sure that we bring to our partners our strength. So, we have a number of projects, and that's what makes the 6GW. And you noticed on the 6GW, it's quite U.S, but not just U.S We obviously have a strong asset base in Europe, and they will also contribute to some of these developments.

Pierre-François Riolacci

Thank you, Ajay, for a great question on the leverage. Maybe it's a busy morning, so maybe you have not seen, but the three rating agencies have released their confirmation of rating, with stable outlook. And the three of them, they have actually revised a bit their guidance in terms of a ratio that we need to comply to be a bit more relaxed. And I think it is exactly to your point that the credit profile is improving and create a bit of space in the balance sheet. So, we are very committed to our strong investment grade, because we believe that is part of our story. So, definitely we want to stay in there. But we will also use the flexibility, which is given, not necessarily right away. But this is part of clearly the new flex that we have. Very pleased with that. That was also part of the purpose.

You remember when we had the discussion, we wanted more regulated, because regulated is also the ticket to ride to get an efficient balance sheet. So, I think that, it does make sense. So, it's coming naturally, and clearly, we will use a bit of flex. Now, this is not today enough to revisit the 4x. We are still pretty far away from 4x. Of course, we'll be above 4x in '26, but we will be back. You remember we say that we were, yes, it's 4x, but we are guiding and we believe we should be steering the Group slightly above 3.5x. Clearly, we have a bit more flex, and that definitely helps the balance sheet to make sure we capture growth opportunities. Nothing crazy, very much in line with what we discussed, but very pleased to have a bit of flex.

Operator

Juan Rodriguez, Kepler Cheuvreux. Please go ahead.

Juan Rodriguez - Kepler Cheuvreux

Hi, thank you. Good morning. Two questions to my side, if I may. The first one is, it's on Belgium nuclear, around the discussions on possible nuclear extensions. And looking at the guidance, you do not include any provisions or additional provisions on Belgium nuclear, any quantification of possible revisions on your discussions could be helpful.

And the second is on the dividend and the credit rating matrix that you were addressing, because we know that the €1.1 floor is kind of indicative. Can we see €1.35 as a floor for the dividend looking forward, that some of the dilutive effects as well could be offset with a better payout ratio, given the structure of the Group and the credit rating, keeping your 65% to 75% payout?

Thank you.

Catherine MacGregor

Okay. Maybe I'll give a bit more color on what the discussions we're having with the Belgium government. So here, we're really talking about the dismantling provisions. So, these are the provisions that we are obviously much more in control of, in the sense that, they are being used as we speak, as we know, we have started to dismantle those nuclear reactors. So, it's not something that will happen to us in 50 years' time.

And indeed, you know, we have had a report from an intermediate report from the process that indicated an increase of provisions, which is very odd and at odds with at least our provisions and our understanding of the works that we need to carry out to dismantle. So, the discussion is ongoing. And I think, Pierre-François, you mentioned, the ONDRAF and then CPN, and we expect now a settlement at the end of April. The key thing is that, the government with whom we are engaged on a very regular basis, understands the need for an investor like ENGIE and an operator for ENGIE to have stability in the framework, including the way the provisions are set. So, we're having, from that standpoint, very constructive discussions, especially indeed that the government has questions on security of supply beyond 2035. And therefore, is very interested in the operator ENGIE to look at extending the current two units that we have left operating beyond 10 years.

Now, of course, this extension is something that we have said all along that, we were not super excited about considering. But that we could potentially indeed enter in a study to understand the economic, operational, safety, feasibility of such an extension. But of course, we can only do that, if we have a stable, clear, predictable dismantling provision framework. So, that gives you a little bit some of the nuggets without going into all the details of the discussion, but these are some of the things that are on the table. Again, very constructive Belgium government, I have to say. So, I am cautiously positive that there will be a good settlement, a good landing on the discussion, both on the provision topic, but also looking at potentially extending the two units that are currently in operations. I'll stop here. Maybe you want to talk about ?

Pierre-François Riolacci

Dividend.

Catherine MacGregor

The €1.35

Pierre-François Riolacci

Yes, it's €1.35. The €1.35 was not chosen by chance. So, there is a clear signal with €1.35, which is, it's a payout with a current number of shares of 67%. So, it's stepping out from the low end of the range to clearly signal that we are, of course, flexible within our payout range. The second point is that, there is a case, the capital increase could be happening before the general meeting. And therefore, that the new shares would get the dividend. If the new shares were getting the dividend, the payout would be mid-range, so something like 70%, depends, of course, on the price, but 70%, 71%. Which I give you an idea of what we are ready to do to smoothen the impact of the earnings decline.

The second point, which is very important, is that the new profile of earnings is different from what it was. And especially the low point in earnings that was expected to be in '26. Today, actually, earnings in '26 are expected to be broadly in line with '25. So, we are not committing to anything and certainly not creating a new floor at €1.35, because where is the floor? And only one at €1.10, but clearly the €1.35 is commensurate with our expectations on earnings. And we are acutely aware of the expectation of shareholders not to see the dividend to decrease. That's, of course, and that's why the €1.35 is, we believe, a right amount to set the tone for what is coming in terms of trajectory.

Delphine Deshayes

So, maybe the very last, sorry. Last question from the room, Alexandre.

Alexandre Roncier - Bofa

Alexandre Roncier, Bank of America. Thank you for the question. Just one, this is the last one as well. It's just regarding GEMS and S&EM in general. And you did mention that we didn't touch too much on Energy Management, so here we go. And I think the result for 2025 came at €1.85 billion for the former GEMS, which is a little bit below the initial €2 billion guidance that you had given like a year ago. So, maybe a bit of color on the reasons for that, is that higher provision, lower operational performance? And if you have an early view on 2026.

And I also thought that the 2026-2028 guidance was perhaps a tad more prudent than what we've heard last year regarding B2B in particular. Which I think is a little bit perhaps at odds with some of the message we're getting on partnerships with data center, ongoing growth in that business. So, just wondering how all of this fits in? Thank you.

Pierre-François Riolacci

Thank you. 2025 was not a great year in terms of Energy Management. When it comes to Energy Management, there is a lot about hedging positions. And when you have and making money out of this hedging of position, EM is managing a significant portfolio, which is related also to sourcing from other businesses. EM is really in the middle of everything we do. That is the heart of the integrated model. So, when you have all this position that you can manage, you can make your long volatility and you can make a lot of money in some circumstances. 2025 was not a good year, and I'm sure that it can echo what you've heard in the market. The main reason being that there was volatility, but it was politically driven. And when you want to make money out of energy management, you need patterns. You need the patterns that you can build some proxies around, and therefore, hedge your position.

Here the volatility was not in control and clearly the volumes have come down, because when you are in that business, you need to be careful, not to enter into transactions that you may regret. So for us, it was very important to be prudent and definitely the level of activities, the volumes were lower in Energy Management than expected. Not a great year in 2025. So, we've seen some normalization at the end of the year. We see some normalization now. So, we are very confident that we will stay in the bandwidth of Energy Management, as we said, during the market update and as we confirm this year. So, not a great year in 2025, but we expect that we will improve a bit further in '26.

Now on B2B, no, we are not stepping down in any shape or form on our ambition on B2B. Clearly, '26 will be lower and I mentioned very explicitly this €300 million coming from the former contracts and the one-off that we have in '25. But this €900 million is a solid base on which there will be growth for B2B, fueled in particular by the shift from gas to power, from power to green power and from green power to 24/7. So, we are really moving the needle towards the added value product, and of course, behind that, data centers are critical, because they are the ones, who are also pulling this added value move. So, very confident that we'll deliver.

Delphine Deshayes

Okay. This was our last question. Thank you for joining the event today. And of course, if you have any follow-up questions do not hesitate to call the IR team. Thank you.