



Powering the decade of electrification

Elia Group Analyst Call

TRANSCRIPT

Marleen: Good morning, and thank you for joining us. During today's livestreamed event, we will be giving you an overview of Elia Group's half-year results. For this, we are joined by the Group's CFO, Catherine Vandendorre, and the Group's CEO, Chris Peeters. Welcome to you both. What will we be examining this morning? We will first look back at some of the Group's notable successes from the past six months. Chris Peeters will join me to talk about the current geopolitical context and explore how Elia Group can contribute to the establishment of a more independent, resilient and climate-neutral energy system. Catherine Vandendorre will then take us through the financials, and finally, she will present the Group's outlook for the rest of the year. Before we start, we must share a disclaimer with you, as mentioned in the slide on screen now. You must read this before we can continue. And I suggest we continue this presentation, as the slides and the scripts will be made available online later today. And with that, we can move on to some highlights from the first half of 2022. Let's start off with a short video of a recent Euronext Brussels moment. At the end of June, Elia Group took part in the bell-ringing ceremony, following its successful rights offering of 590 million euros.

Marleen: This 590 million euros from the rights offering is the biggest amount that Elia Group has ever raised since its IPO, which was 17 years ago already. The transaction took place in the midst of turbulent geopolitical events and difficult financial markets. Nevertheless, one hundred per cent of the new Elia Group shares were subscribed. Chris, without becoming too overconfident, we can say it was a success, wasn't it?

Chris Peeters: Yes, indeed. So, it was a very successful capital raise. And that was nice then, to have, of course, the bell-ringing ceremony to celebrate that. We already felt, during the roadshow, that we were very well received, and people liked the activities that we discussed with them, and also that the investment story that we had was a very attractive investment story, and that we had a good track record in delivering that. Today, as well, we are facing the future with confidence. We have many challenges in our sector, as you know, but we have a good track record and a very capable team to deliver on them.

Marleen: Indeed, a robust growth story. Only three years ago, Elia Group celebrated a successful rights offering of about 430 million euros, at 57 euros per share. The latest offering was at 124.50 euros per share. So, that's two and a half times more than in 2019. Catherine, what does that say about how the Group and its shares have evolved in the last three years?

Catherine Vandendorre: Well, I think that the change here in our share price reflects a healthy mix of resilience and growth. And so, in a different or existing infrastructure, we are operating in a segment where investment opportunities will continue to present themselves. Combined with our strategic vision, I think we can say this appeals to investors, Marleen.

Marleen: Yeah. And what about the shareholder mix? Has this evolved much since this last transaction?

Catherine Vandendorre: Not really. When the subscription period came to an end, almost 89 per cent of the new Elia Group shares had been subscribed. This reflects the trust that both our core reference shareholders and existing investors have placed in us. The remaining 11 per cent of rights were offered through a private placement to institutional investors. The offer was oversubscribed 6.3 times. We see this successful capital increase as a reflection of the great appreciation that investors have for our work, but at the same time, we recognise the responsibility we have to maintain our high level of performance for everyone who has invested in the company.

Marleen: Talking about performance, let us dive into some numbers. Catherine, without going into too much detail yet, what results from the first six months of the year can you share with us?

Catherine Vandendorre: Well, let me start by saying that ETB and 50Hertz have invested, so far, 623.6 million, with a focus on projects that are aimed at strengthening the backbone in both the Belgian and German grids and integrating increasing amounts of renewable energy into the system. And Chris will walk you through the key CAPEX projects later. In terms of financial results, Elia Group achieved strong results across all three segments, leading to an increase in the adjusted net profit of 24 per cent, to 186.7 million, compared to the first half of 2021. This also translated into an increase in the earnings per share, up to 2.29 euros per share, and this based on the weighted average number of shares outstanding - this being the result of the strong performance across the segments and the higher remuneration in Belgium, following the capital increase. In addition, with a reliability level of 99.999 per cent, we provide society with a robust power grid that is so important for socio-economic prosperity, making us one of the most reliable grids in Europe - and this in very turbulent times.

Marleen: Thank you, Catherine. Before we dig deeper into the Group's financial results, let's take a moment to discuss the context in which Elia Group has carried out its activities over the past few months. The first half of 2022 involved record-breaking energy prices and the Russian invasion of Ukraine. Both at European and Member State levels, policy changes have occurred, to make the energy system more independent, resilient and climate-neutral. Chris, what has the impact of this been on Elia Group?

Chris Peeters: Well, let me give you two examples, Marleen. First of all, if you look at Germany, the German Government issued, in April, the 'Easter Package'. This was a number of legislative measures that were aimed at, of course, decreasing the dependence on Russian gas, but on top of that, of course, also to accelerate the energy transition. If you look at the targets they've put in place now, so they want to have 80 per cent renewable energy coverage by 2030, coming from 42 per cent now. And they want to go to 100 per cent coverage by 2035. And meanwhile, of course, they also want an acceleration of the level of electrification, meaning more EVs, more heat pumps, more industrial electrification to come. And you look at the European level, one month later, Europe issued its REPowerEU report. And in that REPowerEU report, we again see an acceleration of the energy transition that is needed in the context of the independence Europe wants to have from Russian gas.

Marleen: Okay, so what's the impact on Elia Group? More pressure?

Chris Peeters: Well, of course there will be more pressure on us, but as you know, we are used to having this kind of pressure. And so, our teams have worked over the last few months on two dimensions. First of all, of course, we supported our government as a trusted advisor on the short-term issues at hand. Some of those short-term issues are, of course: how do we overcome the challenges of the upcoming winter? And so there, our teams worked on market measures that we could do, like a capacity remediation mechanism that we have in Belgium, but also other short-term measures that we could take. And of course, we also worked on: what does it take to have those long-term more structural measures implemented? What does it mean in terms of accelerating permits, etc. So, our teams worked very hard, but I think that we delivered nice results on that.

Marleen: A clear signal to accelerate the development of offshore wind was also given during the North Sea Summit, in May, which was held in Denmark. Let's take a look at a short video clip from the European Commission.

Ursula von der Leyen in the European Commission video: Thank you very much. Mette, thank you very much for convening this important meeting. And therefore, I'm very happy to be here today, to witness the action you are taking here, as four countries with the memorandum you have signed, which, indeed, is a very strong political commitment from your countries to making the North Sea Europe's green power plant.

Marleen: The North Sea summit brought together, as you just saw, the heads of state and energy ministers from Belgium, Germany, the Netherlands and Denmark. And as we can see in the picture now, Chris, on the right, you took part in this remarkable event. How can Elia Group contribute to making the ambitions of the North Sea Summit a reality?

Chris Peeters: Well, Marleen, it was not only an interesting event, it actually was very symbolic. It was on the same day that Europe issued its REPowerEU document. So, that was quite, quite interesting, that we had both elements at the same time. Both were pleading for an acceleration. Of course, when you have acceleration, you need to adjust the grid, not only to have more renewable energy coming from offshore wind that will be connected from the North Sea to the countries that we just discussed, but also to have more interconnectors. Because what we see is that there is a difference between the level of renewable energy that you can integrate between the different markets, and therefore, more interconnectors will create a more integrated market that will ensure that every country will have access to sufficient renewables. The second thing, of course, is that it's also important that we see that between the ambition level that Europe has set and the reality that we see on the ground, in terms of permitting or in terms of incentives or investment stability that we see for the different participants in this, there is still a mismatch. And for that, Elia Group has issued a white paper that discusses how we can actually tackle those ... those problems. This document was presented at the WindEurope conference in Bilbao and is still under discussion today, at the European level, between the different actors.

Marleen: In recent years, Elia Group has built up a strong reputation for publishing reports and white papers on relevant societal topics concerning the energy sector. In November this year, we are due to publish yet another of these studies about the electrification of industry. Its title will be *Powering Industry Towards Net Zero*. And by way of a preview of this publication, Elia organised a partner event in April that was dedicated to the 'decade of electrification'. The decarbonisation of society is bringing about drastic changes, especially in industry. Chris, why did the Group choose to focus on the electrification of industry? And here, you see some images of this partner event in April.

Chris Peeters: Well, of course, industry is very relevant in terms of making the transition happen. As we have seen, as a consequence of, for instance, the Fit for 55, many companies started to work on their plans to accelerate their transition towards a net-zero company. And of course, the events that we have seen lately with the impact on the energy markets, more specifically on the gas market, has also shown that, for many companies, investing early pays off. Those companies that have progressed most in terms of the transition, meaning that they have already heavily electrified some of their processes, have access to PPAs, have access to renewable energy, were of course less affected by the high gas prices over the last year. And therefore, there's a big incentive these days for companies to work on that. The contribution of Elia Group, of course, is that we want to make sure that that can be done in a smooth way, integrating them into the electricity grid in a correct way. And of course, the relationship between us and those companies will change, because there will be more volatility, more variability, on the grid that needs to be managed. And therefore, we see them as partners to manage the energy transition going forward, together.

Marleen: The new Elia Group study on *Powering Industry Towards Net Zero* will be launched on Friday the 18th of November, during a livestreamed event. In recent months, as well as bringing representatives from industry together, we also organised our very first Elia Group Offshore Innovation Day in Ostend. And that brings us back to the sea. Chris, what added value can innovation bring to our offshore activities?

Chris Peeters: Well, actually, today you see that there is a very positive dynamic in the offshore sector. Not only is there a high ambition to develop the sector, but we also see that, in terms of technology and innovation, a lot is happening in the sector. And so, there are many opportunities both for Elia, but also for other sector players, to further improve the effectiveness and the efficiency of the activities that we have at sea. And the commitment that we have, as Elia Group, by bringing together the whole sector, is that we exchange the results, because of course, collaboration is beneficial for everybody. Many times, we have to go out to sea in difficult circumstances, and doing this together with the right technology is, of course, something that will be helpful for every actor in the offshore sector.

Marleen: Yes, innovation, collaboration. These are also the drivers of Elia Group's Open Innovation Challenge, our annual competition that is aimed at fostering collaboration with start-ups. The ultimate aim of this is to strengthen a culture of innovation across our company, and the central theme of this year's challenge was sustainability. In June, Sentrিসense, from Poland, was chosen as this year's winner. And its winning product was a sensor that monitors the operational state of overhead lines using digital analysis. Catherine, as sustainability lies within your responsibilities, you were also the sponsor of the event. Were you happy with this year's winner?

Catherine Vandenborre: Oh, yes, absolutely! Yeah, no. We chose Sentriesense because its technology can be quickly deployed, and it's easy to scale up. The constant monitoring of overhead lines and use of data analysis extends their lifespan. In fact, the Open Innovation Challenge is one of the many initiatives that Elia Group organised this year with our ActNow programme in mind.

Marleen: And talking about ActNow, we would like to invite you for another joint ... For another livestreamed event on the fifth of October, during which we will provide an update about our sustainability objectives. It is important to mention now that we have decided to add two new Sustainable Development Goals to our ActNow programme: SDG 9 on 'Industry, Innovation and Infrastructure', and SDG 14 on 'Life Below Water'. Catherine, what's the rationale behind this decision?

Catherine Vandenborre: Well, the Sustainable Development Goals of the United Nations act as a reference framework for us, helping to positively contribute to the global development goals. Since our industry is evolving so rapidly, we are constantly looking at how we can adapt our ActNow programme to the new reality. And both innovation and resilient infrastructure are key for a robust energy future. Chris already explained how we would like to support the electrification of industry. And therefore, it seemed logical to add an SDG which was related to those topics to ActNow. We approached the 'Life Below Water' SDG to ActNow for the same reason. We want to explicitly take our impact on and positive contributions to offshore development into account.

Marleen: Yeah. Can you give one concrete example of how our offshore activities can contribute positively to life below water?

Catherine Vandenborre: Yes, sure. We are currently working on the development of an artificial energy island in the North Sea, approximately 45 km off the Belgian coast. As we design and construct the energy island, we will adopt various measures to minimise the impact of our activities on the marine ecosystem. In fact, we will go further than just mitigating any negative effects. We have adopted an approach called Nature Inclusive Design. Along with a group of experts, we are working on a smart design for this island, which will have positive effects on the local environment. And as you mentioned, Marleen, more details will be shared during our sustainability event in October.

Marleen: Yeah. Now, our sustainable approach to the island's design is clear. Chris, what is the relevance of the island, in light of the energy transition?

Chris Peeters: Well, yeah. So, the energy island is very relevant if you look at the further evolution of the energy transition. It will be the first artificial energy hub in the North Sea. Actually, it will be the first artificial energy hub, so far, in the world. And what it will do is not only bring to shore 3.5 gigawatts of additional offshore wind that is in the Princess Elisabeth Zone, on top of that, it will have two HVDC interconnectors coming to the island, and it will come from there to the Belgian shore. So, we will have the Nautilus interconnector and the Triton interconnector that will arrive on the island, and therefore not only bring renewables from the Princess Elisabeth Zone, but also create the opportunity to trade renewable energy with Denmark and with the UK. And over time, probably, we can add additional interconnectors to this hub. It is therefore a key project for the further development of the North Sea, as we see that these kinds of projects will be needed to further develop the North Sea in an efficient way. And so, by 2024, we will start the construction of this island. It will have to be delivered by midyear 2026, in terms of the physical island. That will be built based on a caisson structure, in which we then inject sand. And on top of that comes a good, stable environment, where we can build the AC fields that we have, but also the DC connections that we will have on this island.

Marleen: Yeah, I also see a small port and helicopter deck. This island is still under development, but let's have a look at some key projects currently under construction. So, we have a lot of projects under construction. What are the most important ones to mention, Chris?

Chris Peeters: Well, if we look at Belgium, I would like to mention the Mercator-Bruegel project. So, that is already part of the backbone. Today, we are more or less doubling the capacity on this line, which is from close to Antwerp to close to Brussels, in Dilbeek, that we'll land. So, we will double the capacity of transition. And so by reinforcing the backbone in Belgium, we create a robust grid that is also resilient, and then can accept this further development of renewable energy and interconnection with other countries. If we look at Germany, the Ostwind 2 project is well underway. So, in the Ostwind 2 project, in June, we installed the topside of the Arcadis Ost platform, which is the first platform that we have in this Ostwind 2 project. It has, overall, two platforms. The other one is the Baltic Eagle platform. It's still under construction today, in Hoboken. And it will sail out probably after summer. And then we will install it, as well. And maybe, very recently, we also already installed, meanwhile, the cable that is connecting the Baltic...

Marleen: The Arcadis Ost.

Chris Peeters: Arc... Sorry, the Arcadis Ost platform to shore. So, we're ready, now, to electrify the moment that the wind turbines are installed in that region.

Marleen: About the Arcadis Ost 1 project, in mid-April, Elia Group organised a press trip to the construction site of the platform. At that point, it was still under construction at a shipyard in Denmark. The press trip was attended by the Belgian Deputy Prime Minister, Pierre-Yves Dermagne.

Chris Peeters in video on press trip: This is a very important project for us. It is one of our current offshore expansion projects in Germany. In recent years, we connected one gigawatt in the Baltic Sea. This is the next project. It will add about 250 megawatts. We are also building a platform with Iberdrola, good for another 500 megawatts. By 203, we will connect up to 6 gigawatts in the Baltic Sea and partially in the German North Sea.

Stefan Kapferer in video on press trip: Offshore wind energy is a key element for the countries bordering the Baltic Sea and the North Sea, in becoming less dependent on fossil energy imports. The last few months have shown how important that is. I think the projects 50Hertz has already implemented show that we are extremely well positioned for offshore wind energy. I'd like to mention the Combined Grid Solution that we have implemented, together with our colleagues from Energinet. We have the competence, we have the expertise, and we look forward to further projects.

Pierre-Yves Dermagne in video on press trip: It is clear that the cost of renewable energy is getting ever lower, even though projects like these are huge and require significant amounts of capital. I believe that, in the future, although financial support will still be needed for such projects, less support will be required. The role of public authorities was to initiate the process, as Belgium did in a pioneering way in 2004, when the Federal Government decided to build its first wind farm. This approach has yielded good results today. It has enabled Belgian companies to acquire know-how and expertise that can now be exported worldwide.

Marleen: And to end our section on the highlights, one last topic remains. The Belgian regulator just approved the new tariff methodology for Belgium that will start in 2024 and will run for 4 years, until 2027. Catherine, we can see that the Belgian regulator, CREG, has opted for stability. Can you walk us a bit through the key parameters?

Catherine Vandendorpe: Yep, for sure. So, as you were saying, Marleen, I think it's fair to say that it remains broadly in line with the current methodology. So first, it will remain a cost-plus model with coverage of all reasonable costs, including our fair remuneration and incentives. Second, there is no risk on volume, and also the embedded debt principle remains applicable, meaning that all the cost of debt is fully covered by the tariffs. So the rising interest rates we are observing today have no direct impact on the profitability of ETB. And finally, in terms of the funding of the company, the regulatory gearing also remains unchanged, meaning we will finance our activities with 40 per cent equity and 60 per cent debt. So, what precisely is changing? Well, first, in terms of remuneration, we will have, in the future, as of 2024, an equity remuneration that is set at 4.1 per cent, compared to 4.68 per cent today. This means that 40 per cent of the average RAB will be remunerated at 4.1 per cent. Then, similar to MOG I, we will receive a risk premium for MOG II. For both projects, this premium leads to an aggregated net contribution of 20 business points. Also, two additional incentives have been defined by the regulator, and its total contribution is estimated at around 1.4 per cent, compared to 1.3 per cent today, as long, of course, as ETB succeeds in reaching a reasonable target of around 65 to 70 per cent for its incentives. This leads to an average net return on equity for the next regulatory period of around 5.7 per cent that we see as being only a minor reduction, compared to the current period.

Marleen: Catherine, you already provided us with a few key figures. You have many more, of course. So, let's have a look at the Group figures now.

Catherine Vandendorre: Yes. Thank you, Marleen. And indeed, we posted solid results across all the segments over the first six months of the year. First, Elia Group's revenues amount to 1.9 billion, an increase of 48.8 per cent, mainly driven by the increase in revenues in both Belgium and Germany. In Belgium, our revenue was impacted by higher regulated net profit, higher depreciations linked to the growing asset base, one-off tariff compensation for the financial cost linked to the capital increase and higher costs for ancillary services. The higher ancillary services resulted from the high gas prices caused by the war in Ukraine and the increase of imbalance volume caused by the increase of the renewables share. In Germany, revenues increased, mainly driven by the higher energy revenue, due to the continuing rise in energy prices. EBIT increased compared to the previous period, totalling 296.3 million. This increase is driven by the following elements. For Belgium, it was the result of a higher regulated net profit, higher depreciations linked - like we said - to the growing asset base and higher financial costs linked to the capital increase, all passed through into revenue in conformity with the Belgian regulatory framework. In Germany, the higher EBIT was mainly a result of higher investment remuneration and lower operational expenditures, as prior year costs were marked by a peak in the maintenance cycle. Also, associates contributed quite strongly to the Group's EBIT, up to 24.5 million, mainly driven by the Nemo Link interconnector. The Elia Group's adjusted net profit increased by 24.1 per cent, reaching 186.7 million, with Germany contributing a little bit less than 50 per cent, ETB a little bit below 40 per cent and Nemo Link had a very strong start with a 12 per cent contribution to the net result. Let us now turn to the net debt of Elia Group. At the end of June, we carried a net debt of around 3.5 billion, a decrease of more than 28 per cent, compared to the end of last year. This decrease was mainly driven by two elements. First, the capital increase that took place at the end of June, mentioned earlier, with net proceeds amounting to around 583 million. Second, the strong decrease in net debt at 50Hertz, which is fully attributable to the high EEG cash inflow, which resulted from the very high energy market prices. And as I mentioned at the start of the presentation, Elia Group invested 623.6 million over the first half of the year. These investments were mainly financed by the cash flow from our operating activities. As no new debt has been contracted by Elia Group, the average cost of debt remained flat, at 1.7 per cent, and the credit rating by S&P remained unchanged, with a BBB+ rating and a stable outlook.

Marleen: Yeah, you mentioned solid results across all three segments. Can you highlight what have been the key drivers for Belgium, for instance?

Catherine Vandendorre: Sure, Marleen. And ETB posted strong results over the first half of the year, in line with our guidance. I explained earlier why the revenues increased, so let us move straight to the adjusted net profit of 74.2 million, up by almost 20 per cent year-over-year. The key drivers were the following: first, we have a higher fair remuneration, up by 6 million, driven by both the asset growth and a higher equity following Elia Group's capital increase. Also, the contribution from incentives increased by 0.5 million. This linked to a better performance of the timely commissioning and interconnection capacity incentives. Furthermore, the results indirectly benefitted from the one-off tariff compensation for the financial costs linked to the capital increase, up by 3.4 million. These are accounted through equity, under IFRS, but as you may know, these costs are fully passed through to tariffs under the embedded debt principle in Belgian cap. Finally, the result also benefitted from regulatory settlements and the reversal of provisions for the influenceable incentive, following the Saldi 2021 review, up by 2.2 million, while the capitalised borrowing costs increased, due to a higher level of assets under construction.

Marleen: Yeah. We have mentioned the capital increase a few times now. It drives, on the one hand, the results of ETB, but it also strengthened the financial position of ETB. Catherine, can you comment on this?

Catherine Vandendorre: Yes. ETB, indeed, strengthened its balance sheet, with around 287 million of equity representing the net proceeds of the capital increase allocated to the Belgian regulated activities, in view of financing our organic growth. Together with the profit reservation, these are the biggest drivers for the strong increase in equity. The company's liquidity position remains robust, and both the sustainable RCF and commercial paper are fully undrawn at the end of June. The ETB credit rating by S&P remains unchanged, with a BBB+ and a stable outlook. And finally, ETB has a well-balanced debt maturity profile. It has a weighted debt duration of 5.9 years and no upcoming near-term material maturities. The average cost of debt of the remaining debt is unchanged, at 1.9 per cent, as no new debt was contracted in the first half of the year.

Marleen: Yeah. Let's go to Germany. Germany contributed approximately 50 per cent of the Group's results. What are the key drivers there, Catherine?

Catherine Vandendorre: Yes, indeed Marleen, the adjusted net profit in Germany increased by more than 23 per cent, to 98.7 million, as a result of: first, higher investment remuneration following the growth of the asset base, up by more than 19.6 million. Second, higher financial results, up by 10 million, driven by the revaluation of provisions for congestion income from interconnectors, to be returned to grid customers based on upward revision of the interest forward curve. Then, we had lower onshore OPEX and other costs ... Sorry, we also had other costs, up by 1.7 million, mainly following the ramp-down from last year's peak of the maintenance cycle and lower digitalisation costs, partly offset by the growing workforce, driven by the expanding business. These effects were partially offset by the higher depreciations, driven by the commissioning of projects. Let's now look at the financial position of 50Hertz. The total equity increased by 202 million, to around 2.1 billion. This increase is primarily driven by the higher hedge reserve for future contracts, up by 190 million, which was due to the further increase in energy prices in the first half of the year, and resulted in an increase in the fair value of these contracts. Note that the 200 million, the portion of the proceeds of the capital increase of Elia Group allocated to Eurogrid GmbH, will take place in the third quarter of 2022, when the statutory capital increase will be effective, and therefore is not yet reflected in the equity. In parallel, our partner KfW intends to increase its equity participation on a *pro rata* basis, by contributing 50 million of equity, leading to a total equity injection of 250 million. The liquidity position of 50Hertz remains strong, at 4.4 billion, with all revolving and overdraft facilities fully undrawn. Important to note is that, out of the 3.5 billion cash position, 3.1 billion is linked to the EEG cash position and has to be given back to the consumers. 50Hertz didn't tap into the debt market either, and given all outstanding debt, has a fixed coupon. The average cost of debt remained at 1.4 per cent at the end of June 2022. The maturity profile remains balanced, with a weighted debt duration of 6.9 years. There has been no change to the rating of Eurogrid, which remains BBB+ with a stable outlook.

Marleen: Besides the regulated activities in Belgium and Germany that we just discussed, Elia Group also operates Nemo Link and is developing various non-regulated activities. Catherine, how did this third segment contribute to the results?

Catherine Vandendorre: The third segment performed quite well, Marleen. Its adjusted net profit came in at 13.9 million. The key drivers were as follows: First, the contribution from Nemo Link rose by 7.3 million, leading to a total net contribution of 22.8 million. This contribution was the result of a very strong performance, reflected by, operationally, a high availability - 100 per cent availability - of the interconnector, but also, important market spreads characterised by many flow reversals between Belgium and the UK. Note that, if Nemo Link continues to keep up this very high availability and spreads continue on the same trend, we believe we'll reach the cap in the third quarter this year. This would, therefore, result in a total net contribution to the Group for the entire year of around 30 to 35 million. Also, EGI contributed positively to the result, due to the recovery of the international consulting business and tight cost control measures. Thirdly, we had higher holding costs, driven by ongoing business development activities and the set-up of WindGrid in the beginning of the year. And finally, we had a lower contribution from re.alto, due to further business development and higher other non-regulated costs.

Marleen: Okay. And to end today's presentation, let's have a look at the outlook. What can we expect from the next six months, Catherine?

Catherine Vandendorre: Well, we reiterate our outlook, and we are aiming for a return on equity towards the lower end of the 6.25 to 7.25 per cent range. This return depends, as you know, on the return on equity of our three segments. So, in Belgium, we remain confident about being able to achieve a return on equity of between 5 and 6 per cent, while investing around 425 million. In Germany, we aim to achieve a return on equity of between 8 and 10 per cent, and due to the good progress that Chris mentioned of the Ostwind 2 and SuedOstlink, we expect to invest roughly 1 billion, instead of the 850 million announced during the first quarter. For the third segment, we expect it to make a contribution of between 10 million and 15 million to the Group's result. This, of course, will depend on the performance of Nemo Link, given its contribution to this segment, but also on the costs linked to business development activities. And as always, I would like to point out that this guidance doesn't take into account any potential M&A transactions.

Marleen: Okay, thank you very much, Catherine. Ladies and gentlemen, we have shared a lot of information with you. I suggest we now move on to the Q&A section. Yannick Dekoninck, our Investor Relations Manager, will guide us through this. Yannick, could you share the first question with us, please?

Yannick Dekoninck: Thank you, Marleen. I am very happy to welcome our analysts from KBC, Kepler Cheuvreux and Degroof Petercam. I would propose to start straight away with Olivier Vandewoude from KBC. So, please, Olivier. Give us your questions.

Olivier Vandewoude: Yes, good morning, everyone. Thank you for taking my questions. My first question would be about Belgian CAPEX, and more specifically, about the projects Ventilus and Boucle du Hainaut. There are some political discussions going on, and I want to ask for your opinion about: what would happen in the scenario that the cables would be underground, instead of overground, or in the air, as you have now? What would be the impact on Elia's, like, global CAPEX then in Belgium? Not only the project, but maybe other projects that would be impacted by such a decision? That would be my first question.

Marleen: Chris?

Chris Peeters: Okay, so in case it would become an underground scenario, as you know ... Important to mention here is that the underground scenario would not fulfil the objectives of the plan that was defined by the former federal government. So, we continue to plead for an overhead line solution, because that's the only solution that will give a robust grid. So, that's quite important to mention, that Elia will continue to plead for an overhead line. Obviously, it is a decision of the government: where they, in the end, want to be. In case they would decide to go to an underground, it actually would mean that we would have to rework the federal development plan. So, that would take some time, in terms of restudying how that would be done. As you see, we've made, in light of the discussion around Ventilus and Boucle du Hainaut, we've made a calculation called 'the additional CAPEX' that would give. So, there would be an order of magnitude of around 5 billion additional CAPEX that would need to be delivered. But of course, with an important time delay. We, at that moment in time, would see that that would be a delay of this project of at least an additional five years, compared to the current schedule that we have. The current schedule that we still continue to try to hold onto, given the discussions that the government had, in terms of: what dates are they going to take a decision? So, if the Flemish Government would have taken a decision in September and still then develop a scoping note and a trajectory definition by the end of the year, we would still be in time for the CAPEX plan as you see it today. In case they would decide for undergrounding, we would first of all have to rework the CAPEX plans fully. We estimated this to 5 billion, with a five year delay that would come in. But of course, obviously, it would also have an impact on the island, the artificial island, that we plan to build at sea. That's a quite important project that we have and that would probably then shift, together with the rest of the programme, because you cannot connect wind farms without the presence of the Ventilus and Boucle du Hainaut projects. And therefore, there would be no reason to have the timeline that we have today for the island. And so, that one would also be postponed in time. For the rest of the grid reinforcement, we continue, of course, the plan that we have, because in any scenario, those grid reinforcements will be needed. And so, there will not be a drastic impact on the rest of the projects that we will continue to execute in that case. It might be, of course, that we will use, then, the benefit of that situation to bring a couple of those projects forward, as we will have less, let's say, need of outages to plan the Ventilus and Boucle du Hainaut programmes, and we would probably use those possibilities of outages to re-plan the number of other projects that we can put forward, a little bit. But I think, overall, the impact will be a higher CAPEX, but delayed in time.

Olivier Vandewoude: Okay. Very clear. Thank you. My second question would be about the EEG. So, I read that the German Government had decided to make some changes on who pays and maybe when they pay. And I asked myself: What would be the impact, in practice, on the EEG balance of 50Hertz? Could it become, for example, less volatile? Or ... How should I see that?

Catherine Vandenborre: No, I don't think that volatility will increase based on these measures. So, what will be the impact? It will be an impact on, let's say, the speed with which the cash excess that we have today, linked to the EEG, will be given back to the consumers. To put it differently, today, we recover the cost of the EEG through two mechanisms. The first mechanism is a kind of 'surcharge' on the electricity tariff, and the second mechanism is a tax on CO2, which was raised by the government last year and which is given back to the TSOs, in order to cover the cost of the EEG mechanism. What the government decided to do is to, let's say, skip one of the two mechanisms, so the surcharge is currently set at zero, and we will keep the recovery of the EEG mechanism through the CO2 tax. So basically, we have, today, an excess cash linked to the EEG of around 3.1 billion. And the speed with which we will give it back, or the amount of the excess we will use, let's say, faster than if the government had not taken any measure. Anyhow, this cash is not called the company's cash. We always comment, and you know that because of the fact that it has to be considered cash to be given back to the consumers for revaluation.

Olivier Vandewoude: Okay. Thank you. And then my third and last question for now is about the leverage in Germany. So, currently you can put additional leverage on 50Hertz and Eurogrid. Would there be any risk, going forward, that the German regulator, like, forbids you to do that, so that you would lose that advantage? Or is that not coming up?

Catherine Vandenborre: Well, it's not something that was discussed in the context of the definition of the parameters for the regulatory framework of the next period. So, that's something that we do in the current period. In the next period, starting in 2024 and lasting for five years, we know that, let's say, the parameters of the regulatory framework have been set. Some elements still have to be defined, like the efficiency factors. But the parameter linked to the efficiency or the leverage we can benefit from, the financing policies we applied to 50Hertz, has not been questioned for this next regulatory period.

Olivier Vandewoude: Okay. Thank you.

Yannick Dekoninck: Thank you, Olivier, for those interesting questions. I propose now to give the floor to Vivien Maquet from Degroof Petercam. Vivien, do you have any questions?

Vivien Maquet: Perfect. Thank you very much for the presentation, first. Two questions on my side. Firstly, on Nemo Link. So, I understand from your comments that you might reach the cap in Q3, leading to a potential contribution for the full year of about 30 to 35 million. I just wondered if you could give us some comments on next year. Because I understand, of course, the cap is based on a rolling three years. So, I wonder, if you reach the cap this year, what... How can it affect next year? Is there a risk you will reach the cap more rapidly next year, then? Or can you give any comment on that front? Thanks.

Catherine Vandenborre: Yeah, so the regulatory framework of Nemo Link is based on a five-year period, rolling cap. So, we will, let's say, end the five-year period next year, in 2023. It started in 2019. The cap that we believe we will reach at, let's say, the beginning of Q3 is the yearly cap for 2022. For the year 2023, we have already sold approximately three-quarters, or 75 per cent, of the capacity of Nemo Link, based on long-term auctions. And so, we expect the, let's say, result of Nemo Link, the net profit, the contribution of Nemo Link to the third segment, to be, indeed, quite high in 2023, depending, of course, on the availability of the cable. As you know, there are always two elements to consider. One is price, and the second is volume. And of course, the volume will depend on the availability of the cable.

Vivien Maquet: Okay. Thanks. And then my second question will be: Can you remind us, on the calendar, of the next item to be discussed for the regulatory period in Germany for the next one?

Catherine Vandenborre: So, if I understand your question correctly, first what is still to be discussed with the regulator is the base year. So, what is the reference, or what will be the reference for the cost? And second, the efficiency factors: both the individual efficiency factor and the general productivity or efficiency factor. So, those are the three elements that will be discussed with the regulator. For the base year, all the information has been sent to the regulator, and we expect discussion to really start at the beginning of next year. And then, we expect discussion on the productivity factors, so basically, 2023 will be the year where we will have more or ... finance visibility on what we can expect, in terms of this year and productivity factors in Germany.

Vivien Maquet: Okay. Thank you. That's all from my side.

Yannick Dekoninck: Thank you, Vivien. Then I would propose we switch to Juan from Kepler Cheuvreux.

Juan Camilo Rodriguez: Hi, thank you. Thank you and good morning. Thank you for taking our questions. I have two in my view, on my side. I want to double-check with you, especially on the guidance front ... If we look just to the capital increase, the new updated guidance that you're seeing on the lower range of the 6.25 to 7.25 ratio ... return on equity, sorry. That would imply something north of 300 million of net income on the share ... or attributable to shareholders, right?

Catherine Vandenborre: In the magnitude, yes.

Juan Camilo Rodriguez: Okay. Perfect, thank you. And the second is: I want to understand better, on the H2 one-offs, because we saw some in Belgium, some in Germany ... Are there any that can be extrapolated from H1? Are there any additional ones that we could expect on H2?

Catherine Vandenborre: Yeah. So, for Belgium, we expect, let's say, the result to be a little bit more front-loaded, precisely due to one-offs that we had, and so we don't expect to have one-offs of the same magnitude in the second semester of the year. For Germany, one of the elements contributing to the one-offs is always linked to, let's say, regulatory decisions. And the timing of those regulatory decisions is not easy to predict or to anticipate. So, very difficult to answer your question for Germany, whether we can expect, let's say, a little bit more one-offs at the end of the period than what we saw in the beginning of the period. So, like I said, it will depend on a number of factors, the timing being not under our control.

Juan Camilo Rodriguez: Okay, I understand. Thank you. That will be all on my side.

Catherine Vandenborre: Thank you.

Yannick Dekoninck: Thank you. Maybe just for completeness, we also had Quirijn Mulder from ING, but unfortunately, he could not dial in. But he shared his questions. The questions he had - but I think those have been tackled already - were also about the performance that we had in the Q1 or the half-year results, compared to the full-year guidance. And so, the questions on the one-offs. And secondly, also the question on the performance of Nemo Link, but I think that was also clearly tackled in the presentation and answered as part of Vivien's question. So, I don't think that we need to go much deeper on those questions like this.

Catherine Vandenborre: Okay.

Chris Peeters: Okay.

Yannick Dekoninck: Any pending questions from any of the analysts, following the questions raised by Olivier, Juan or Vivien?

Olivier Vandewoude: Maybe I have one more question. It's linked to inflation. With inflation, your projects that you execute, your investments, will become more expensive. Do you take that into account for your investment guidance this year? Or when will we start to see the impact from that inflation in your investments, and eventually the RAB?

Catherine Vandenborre: So, for 2022, we don't expect the CAPEX to be much impacted by inflation, and the reason is that most of the contracts signed to deliver the CAPEX in 2022, we already signed by the end of last year. So, in 2021. At prices including some inflation, but the 2021 inflation, and not really the 2022 inflation. So, neither in Belgium nor in Germany do we expect to have a high impact of inflation on the 2022 CAPEX programme. The reason why we increased the guidance in Germany is really linked to the fact that we have anticipated some milestones on, especially, two projects. And so, that's really the reason why there is an upwards revision of the guidance.

Olivier Vandewoude: Okay, thank you.

Yannick Dekoninck: Thank you. I think if there are no further questions, Marleen, I think we can close the analysts' call ...

Marleen: Indeed.

Yannick Dekoninck: ... and thank everybody for their participation.

Marleen: Indeed. Thank you, Yannick. We suggest we bring this presentation to a close. And luckily, nobody fainted today in the studio during our presentation. Thank you, Yannick. Thank you, Chris and Catherine for your contributions. A recording of the presentation, the slides and a script will be made available online later today. Thank you for joining us, and enjoy the summer!