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# EDITED TRANSCRIPT

ELI.BR - Elia Group SA Capital Markets Day

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**Peter Michiels** *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

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**Stefan Kapferer** *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

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**Stéphanie Luyten** *Elia Group SA - Head of IR*

## CONFERENCE CALL PARTICIPANTS

**Sanjeet Sanghera** *BloombergNEF - Head of Power Grids and Utilities*

## PRESENTATION

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Welcome to Elia Group's Capital Markets Day 2023. Today, we will be sharing updates about our strategy with you, and we'll outline how we future proof our company. Many speakers will be joining us today, and to start, I've been joined by Catherine Vandendorre, who was recently appointed as our new interim CEO.

Catherine, how have you enjoyed your new role so far?

## QUESTIONS AND ANSWERS

**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

I must say that those three months went by extremely quickly, Marleen. We have finalized tariff negotiations in our regulated markets, which are now better aligned with market conditions. We have increased our ambitions in terms of network developments, and we are preparing for the future by acquiring a stake in energyRe Giga in the US. That being said, combining my CFO and CEO roles was a bit too much, so I proposed to the Board to appoint Marco Nix as Group CFO as interim. And as investors and analysts, you know Marco from his previous role as CFO for 50Hertz. Together and with all Elia Group employees, we are preparing Elia Group for the future.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah. Future proofing Elia is indeed what this Capital Markets Day is about. Many important achievements and updates have been announced in the past weeks. Let's briefly go through some highlights that you've just mentioned, Catherine.

In mid-November, the Belgian electricity and gas regulator, the CREG, approved the tariff proposal submitted by Elia for the next regulatory period which will start in January. An important progress has been made in this area in Germany as well. We'll come back to that later today. These tariffs

are crucial for the successful execution of our CapEx program that was recently updated. Over the next five years, Elia Group is investing EUR30.1 billion into its projects in Belgium and Germany. That is a significant amount and so a significant milestone in the history of Elia Group.

Catherine, what has led us to such an increase?

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**Catherine Vandendorre** - Elia Group SA - CEO Ad Interim & Member of the Management Board

Well, of course, there is no energy transition without massive investments in power grids. Grids need to be an enabler and not a bottleneck. And this is definitively having an impact on our CapEx program especially in Germany where the new grid development plan will soon be approved. One of the big changes here is that 50Hertz will expand its experience to the German North Sea.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

On Monday, another milestone was reached with regards to our inorganic growth ambitions. Elia Group entered a firm agreement to acquire 35.1% in energyRe Giga project, a clean energy company in the US. The total cost of this acquisition is USD400 million spread over three years. Catherine, what was the rationale behind this acquisition?

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**Catherine Vandendorre** - Elia Group SA - CEO Ad Interim & Member of the Management Board

Well, this acquisition fits in our growth strategy where we focus on expanding our activities abroad to support the development of transmission infrastructure contributing to sustainable energy solutions. We are entering the US market with a very strong partner. We both have specific strengths that are highly complementary. EnergyRe brings local expertise and has a strong pipeline of near-term projects. They operate in a robust regulatory environment. The country is undergoing a remarkable shift towards sustainability, supported by a wide range of incentives and a robust framework.

Elia Group has many experiences with infrastructure at sea, HVDC technology, and integrating big amounts of renewables.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Yeah, an increased CapEx program in Belgium and Germany, our first acquisition outside Europe in the US, how will Elia Group finance this all?

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**Catherine Vandendorre** - Elia Group SA - CEO Ad Interim & Member of the Management Board

It's a very relevant question, Marleen, and I will give more detail at the end of the presentation, but I can already confirm that our reference shareholder, Publi-T, has affirmed its continued support for the strategy and its execution. Also, there are no plans to raise equity in the near term as we have sufficient at home to fund our investments with debt in line with our financial policy. Lastly, it's crucial to secure long-term funding for our value-accretive investments. But assets, we'll delve into this further later in today's session.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Okay. Thank you, Catherine. You mentioned already the Board of Directors. Now let's hear a statement from Bernard Gustin, the President of the Board. He emphasizes the exceptional management and technical experience within Elia Group.

**Bernard Gustin** - *Elia Group SA - Independent Chairman*

More than ever, Elia Group is at the center of the energy transition and wants to develop its international activities to become a leading multinational energy transmission group. In our traditional markets of Belgium and Germany, we are planning to grow our regulated asset base quickly to ensure the success of the energy transition in both countries in line with their ambitions. The projects that we are leading such as the Princess Elisabeth Island in Belgium or the Sued Ost Link and Baltic Sea offshore projects in Germany demonstrate the unique savoir faire of Elia Group from a management and technological point of view.

The acceleration of our digital transformation will also allow us to stay at the forefront of our industry. We are also carefully organizing the funding of this important CapEx program. Recent positive developments of regulation in Belgium and Germany will help us in that task. Elia Group reference shareholder is organizing itself to uphold its participation in the future. Our very recent developments in the United States also highlight our willingness to promote our unique expertise beyond our traditional markets. It also constitutes a first concrete step towards wind grids being positioned as an important pillar of our future strategy.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

And let's wrap up this introduction with a video of some special guests visiting the Netzquartier in Berlin. These are images from this Wednesday during their state visit to Germany, the Belgian royal couple, His Royal Majesty King Philippe and Queen Mathilde visited 50Hertz. And this happened in the presence of the German President and the First Lady and many prominent figures from Belgian politics. Catherine, I think this is a strong recognition of Elia Group's support to the socioeconomic wealth of both countries, isn't it?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Indeed, and Elia Group has been presented as a great example of Belgian, German entrepreneurial success. And the group can indeed rely on the experience gained from the different context of the two countries. And so we talked about our pioneering project in offshore, the North-South corridor in Germany, and about the need for flexibility in the market. We also provided an explanation to the royal couple about the Belgian energy island named after their daughter, Princess Elisabeth. So, yes, it was a great honor to be part of this.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay. Thank you, Catherine, for providing us with this update. We are now going to welcome Yannick Dekoninck to join us.

Yannick, welcome. You're the Head of Capital Markets at Elia Group. There is much going on in the energy sector and in Elia Group, so we have to be somewhat a bit selective in choosing today's topics. What's on the agenda?

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**Yannick Dekoninck** - *Elia Group SA - Head of Capital Markets*

Indeed, Marleen. We have a full agenda today. I'm happy to say that all the members of the Elia Group Management and Board are present. They will come on stage and go through their specific topics. We will take straight away with Catherine who will take a broader look at trends and events impacting Elia Group's business.

Then, Stefan Kapferer and Frédéric Dunon will provide a comprehensive explanation of the evolution of the CapEx programs in Belgium and in Germany. As just heard by Catherine, the energy transition is gaining momentum. This is resulting in an accelerated execution of projects. Later on, Michael von Roeder takes us to our digital journey. Managing the electricity system is becoming increasingly challenging due to the volatile nature of renewable production. He will explain how we improve efficiency of the electricity system and make it more secure.

We will also discuss the non-regulated activities of Elia Group. As you just heard, significant progress has been made in that area as well. Catherine will provide further insights. Also, to fulfill all our ambitions, Elia Group needs the right people. Peter Michiels will explain our talent management strategy and the company culture we are aiming for.

Finally, we also have a very extensive chapter on financing. Marco Nix and myself will give a very comprehensive explanation about the new regulatory frameworks in Belgium and in Germany and our remuneration. This will be followed by Catherine who will conclude with insights on financing our future and the financial outlook.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

I remember from the last Capital Markets Day that we presented our ESG program, ACT NOW, to the viewers. How will we be presenting the progress related to ACT NOW today?

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**Yannick Dekoninck** - *Elia Group SA - Head of Capital Markets*

That's correct. Last time we presented the five dimensions separately. Each dimension is related to one or more sustainable development goals of the United Nations. ACT NOW is fully embedded into our core business. Therefore, today, our actions to improve sustainability will be integrated throughout the presentation. Our ESG activities help de-risking our core activities. They also create the means to better deliver a long-term growth strategy that needs funding, close cooperation with stakeholders, and talent acquisition.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

And each time we talk about a topic that is related to one of ACT NOW dimensions, a banner will appear on screen. Let's demonstrate this right away. When we talk about the electrification of industry and access to sustainable energy, a banner of the first dimension will appear, climate action. Keep an eye on the side of the screen. The SDGs related to each specific dimension will appear there. That's all clear, Yannick. Thank you very much and see you later.

I have one last practical announcement to share. During this event, our viewers will be able to ask our team some questions. Stéphanie Luyten, Head of Investor Relations, could you explain how the Q&A session will work?

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Hi, everyone, and welcome. Indeed, I hope everything went well now, and that you're now on the web page where you will find on the left-hand side the video, on the right-hand side the Q&A tab. If you joined us via YouTube, you will see in the description link below a link to click on that bring you to this webpage. You can ask your questions throughout the entire event. I will be consolidating them and presenting them to our speakers.

Can I kindly ask that you put your name and your company, so in case we run out of time, I will follow up with you offline. I think that's it in terms of practicalities, and we're ready to start our CMD, Marleen.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Thank you, and see you later, Stéphanie. Only a week ago, the European Commission presented its grid action plan to make sure that electricity grids across Europe will be rolled out further and faster, but it's not just Europe which is increasing its focus on grids. In October, the International Energy Agency published a special report on the topic, stating that grids are the weak link in the energy transition. And there is also a remarkable video of Bill Gates circulating on social media. As can be seen, he is also advocating for a lot of transmission.

(video playing)

Yeah, an explicit call to action for expanding our power grids. Catherine, how can we implement this in our business activities?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

We just heard our activities are clearly part of the solution, and it makes all strategy more relevant than ever. However, the environment we are working in became much more complex. The geopolitical context has had a big impact on the energy sector and to make our energy system more independent and resilient, society must carry out major investments not only in renewable generation but also in leading infrastructure in electrification and in digitalization.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah, and this means putting in maximum efforts at a time of rising interests, a time of inflation. That seems extremely challenging.

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Indeed, and as all activities are mainly regulated, it's highly important that all governments and regulators understand the difficult context. In Belgium, the negotiations on the new tariff period have been successfully concluded while they are still ongoing in Germany for a small part but heading in the right direction. All requests for a fair compensation is of utmost importance. Raising capital for a huge investment program remains an essential ingredient, enabling the acceleration of the energy transition.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

What will be the consequence if we have a delay in the timely buildout of that infrastructure for society?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Yeah, a delay will certainly come to at much higher cost for society. In June, we published our biannual study which focuses on Belgium's adequacy and flexibility needs for the coming decade, and one of the main message here it carries is that any delay in realizing grid infrastructure will result in additional capacity needs. On the graph of the study that we see on screen now, we can identify that any delay in the expansion of network infrastructure like project Boucle du Hainaut or Nautilus or TritonLink in different colors on the slide will have a negative impact on the efficiency and the cost of the energy transition in Belgium.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah, the timely buildout of grid infrastructure is indeed essential as is visionary leadership, as pointed out by Giles Dickson, the CEO of WindEurope, an association promoting the use of wind power in Europe.

(video playing)

Encouraging words from Giles Dickson as always. Thank you, Giles. Catherine, you already mentioned that in the current context, the current difficult context, our strategy is becoming more relevant, so let's do a deep dive on our approach now.

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Sure, Marleen, and let's briefly explain our strategy that consists of three pillars. We call them the pillars of growth. The first one is linked to our Belgium and German activities as transmission system operator namely to deliver the infrastructure of the future and develop and operate a sustainable power system. By doing so, we support the integration of renewable energy. We also shape the European markets and facilitate high security of supply.

Through our second pillar, we want to improve the customer experience. We are delivering new services and digital tools that benefit the entire energy ecosystem. We created re.alto, the first European marketplace for the exchange of energy data and services. So we want to enable the sector to make a huge digital step forward.

And finally, we want to grow beyond the current perimeter in order to deliver additional value for society. Let me give some example. Through our consultancy company, EGI, we help other TSOs to switch to a renewable electricity system. Through WindGrid, we are exploring opportunities, for example, in the US with the energyRe investment. And we are also looking at equity participations that create additional value in combination with our current portfolio. We will come back on this later when we talk about the non-regulated business of Elia Group and the participation we built in energyRe Giga.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Elia Group works in the interest of society. That's our societal mission. But what do our stakeholders expect from us? Let's hear some statements from them.

(video playing)

Yeah, don't make it too expensive, participate in discussions with many stakeholders, some of the advices that we are receiving. How are we ensuring, Catherine, that our strategy is aligned with the needs of the society?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

So first, we have many interactions with all kinds of stakeholders such as DSO, consumers, authorities, politicians, suppliers, NGOs, academia, and by doing so, we identify the most material trends that impact our business and the trends that are most material to society. We see that four major topics have gained further importance in the past year. We witnessed that affordability and the cost of the energy transition, as well the supply chain needed for deploying the necessary assets, skilled talents needed for the transformation of the energy system, and finally, funding needs for the energy transition are even more material to us and to our stakeholders than a year ago. We'll come back to the measure we take to tackle those material topics.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah. There are indeed some concerns. However, we discussed already the growing awareness of the need for the grid, so that can be seen as a positive change.

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Indeed and with, for example, an increased attention to speeding up the permit procedures especially in Germany. The updated grid development plans in Belgium and Germany are bringing more clarity on a future CapEx program, and intensive discussions are ongoing about the future market design in which flexible consumption will be key. Only two weeks ago, Elia Group published a study on consumer side flexibility. We thought consumer side flexibility, the stability of our electricity system would be at risk. That's why we have put it back at the top of the agenda. Michael von Roeder will tell more about it.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

And another topic that is gaining more prominence is international cooperation. In April this year, Belgium hosted the second edition of the North Sea Summit, bringing together the heads of state and government and energy ministers from nine countries, along with the President of the European Commission, Ursula von der Leyen. The Belgian Prime Minister, Alexander De Croo, called it the largest coalition ever around energy in the North Sea. And we have some interesting footage to share with you.

(video playing)

That was a clear call to do more and to do it quickly. Giles Dickson, Catherine, already referred to it. Next year, the theme of our viewpoints will be offshore development. What can we expect from it?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Well, first, offshore is a very important topic for society as we speak. And so we know that our seas will become the power engine of the future. How can we continue the European success story of offshore winds and empower our industries and households on the road to net-zero? Today, we are faced with several open questions regarding the framework, cost allocation across multiple countries, spatial planning, and integration of offshore winds into the European electricity system. Given the growing European ambitions, the spending issues are essential to address.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

And I have a last question for you, Catherine. Given that we are discussing a European corporation, as we mentioned earlier, the European Commission sets out the actions to accelerate the rollout of electricity grids. What's the consequence of that political ambition for Elia Group?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

The European Commission is proposing an action plan for electricity grids to enhance the efficiency and widespread deployment of grids within EU, a crucial element in achieving the goals of the European Green Deal. For Elia Group, the outcome is significant as it addresses challenges in expanding, digitalizing, and optimizing the use of electricity transmission grids. The proposed measures including accelerating key projects, improving long-term grid planning, and introducing regulatory incentives in line with Elia Group's objectives. The plan aims to unlock the necessary investments for European electricity grids, ensuring they are well prepared for the transition to cleaner and more sustainable energy systems.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah, indeed an interesting topic. Thank you, Catherine, for sharing your insights with us.

Ladies and gentlemen, let's now dive into our future investment program. And we'll begin with Germany where we have just made a significant upward revision to our CapEx. Before inviting Stefan Kapferer to join us, Stéphanie Luyten will set the scene.

(video starts)

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Sure, Marleen. Grid development plans, which are published every two years, are essential for planning out and deploying the transmission grids of the future. Ultimately, therefore, to help us ensure that the energy transition is a success. In Germany, we work on grid development plans with



the other countries' TSOs. In doing so, we ensure that the views of our stakeholders are gathered via extensive consultation processes. We also harmonize our plans with ENTSO-E, 10-year European network development plans.

After this, they are submitted to the Federal Network Agency, BNetzA, for final confirmation. Germany has set itself the goal of achieving climate neutrality as early as 2045. The latest grid development plan published in 2023 looks to the years 2037 and 2045. For the first time, it describes an electricity grid that can allow Germany to reach climate neutrality by 2045.

The plan envisaged a strong rise in renewable energy sources and electricity demand in order to decarbonize industry and society at earlier stages than originally planned. This will require the electricity system to be transported more quickly and means that the transmission capacity belonging to each of the countries TSOs will need to be rapidly increased. This has led us to announce a CapEx plan of EUR20.7 billion for Germany for the period '24 to 2028. This is more than double the investment volume for the last period, the key reasons being, first, integration of the new project into our grid development plan.

Second, the rolling forward of the five-year CapEx plan that is backloaded. And third, the rising costs associated with both grid assets and services. If we now look at the profiling of our German CapEx plan, we plan to invest around EUR3.3 billion per year in the years '24, '25 and then gradually increase to over EUR5 billion in 2028. For a deep dive on the project, let's turn back to Marleen and to the studio.

(video ends)

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Thank you, Stéphanie, and welcome, Stefan Kapferer, CEO of 50Hertz. As mentioned by Stéphanie, the new grid development plan is one of the main drivers of the revised CapEx plan of 50Hertz. Can you explain this sudden increase?

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**Stefan Kapferer** - *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

Yeah. The key reason for that obviously is that Germany wants to become climate neutral in 2045, and we have heard by Stéphanie that, for the first time ever, the four TSOs in Germany prepared a grid infrastructure planning which is really fit for climate neutrality. And obviously, this will have a lot of impact. One impact is that electrification will double. We will see a much higher demand in Germany in 2045 compared to today.

And as we want to cover this demand by renewables, we need five-fold generation capacities of renewables up to 700-gigawatt offshore wind, onshore wind, and solar. And obviously, we need then a stronger grid to integrate all these renewables and to transport it to the places where the demand side is.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah. And if you compare now the previous and the current grid development plan, what projects have now been placed as a priority in Germany?

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**Stefan Kapferer** - *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

Yeah, we all remember that in Germany, 50Hertz is working at the moment on two DC connections, the so-called South-East link and the South-East link plus, transporting electricity from the Baltic Sea region in Mecklenburg for Pomerania to the south of our control area and to the south of Germany in Bavaria. But there are three additional DC links for the future, one from the North-East corridor, one from East to West crossing from Lower Saxony to Saxony, and one more from the north to the south, so a clear proof that this is really now a strong pipeline of projects which will guarantee climate neutrality in 2045 and at the same time guaranteeing that we will see industrial value in Germany also in the future.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah. The Sued Ost Link that you saw on the map reached a first milestone in March this year. The groundbreaking ceremony at the Wolmirstedt substation near Magdeburg marked first day of construction of one of the converter stations. The guests of honor included Robert Habeck, Federal Minister for Economic Affairs and Climate Action.

(video playing)

Let's move to offshore development in Germany. Until recently, 50Hertz's focus was solely on the Baltic Sea. But two years ago, a collaboration agreement has been signed with TenneT to transport offshore wind also from the North Sea to the German grid. Further expansion in that area will be taking place as outlined in the new grid development plan. So, Stefan, what decisions have been made about the seas?

**Stefan Kapferer** - *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

Yeah, also there, Marleen, we will have a very strong pipeline of additional projects. 50Hertz will realize till the '40s of the century four additional projects in the North Sea, every one based on 2 gigawatts of offshore wind delivered to the German coastline. And the first project, NOR-11-1, will be realized till the beginning of the '30s. It's a very innovative project. You mentioned it. It's a multi-terminal hub at Heide West together with TenneT, and then with the DC corridor to the eastern part of Germany, so a big step forward from my perspective.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah. The North Sea is new territory for 50Hertz. But meanwhile, in the Baltic Sea, 50Hertz is actively working on the further development of the grid there. What are the most significant projects over there?

**Stefan Kapferer** - *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

Yeah, at the moment, the Baltic Sea is a little bit the hotspot of European cooperation. What we can see in the Baltic Sea is that radial connections to the coastline are becoming less relevant and hybrid interconnectors, European cooperation, is becoming more relevant. Germany is working a lot with Denmark in energy supply. And one of the next projects we will realize with Energinet, our colleagues from Denmark, is the so-called Bornholm Energy Island.

The existing island in Bornholm as a hub offshore wind farms around Bornholm and grid connections to Zealand in Denmark and to Mecklenburg for Pomerania in Germany. But it's not only a German-Danish cooperation, also a cooperation with Sweden is in reach. Germany has given the permission to ask for the Hansa Power Bridge. We are waiting now for our colleagues at the Swedish side, and we signed an LOE with Elering and Litgrid earlier this year to develop the project Baltic wind connector to harvest the full potential of offshore wind in front of the Baltic states.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Many projects indeed. 50Hertz, you set a strategic goal of 100% renewables by 2023. The year is not over yet. Probably, the percentage of renewable energy and the 50Hertz zone will rise above 70%. There are still many renewable projects coming as we just explained. Does this mean that you will achieve this strategic goal of 100% by 2032?

**Stefan Kapferer** - *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

Yeah, I'm very optimistic that we will reach the target in 2032. You mentioned 70%. That's a realistic figure. We've just seen a few days ago that power generation based on goal was shrinking a lot in Germany. Renewables are going up. So this is good news.

We see more and more investments from industrial investors in Eastern Germany, chip factories, battery factories, data centers, relying on this green energy, which is, of course, good news for all of us. So I'm very confident that we will be able to ramp up our ability to manage this target in 2032.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Catherine already touched the subject, discussions about the affordability and the cost of the energy transition are intensifying especially in Germany, I would say. As a system operator, we are just one link in a larger chain, but how can we ensure that our society is going to net zero in the most cost-efficient way?

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**Stefan Kapferer** - Elia Group SA - CEO, 50Hertz & Member of the Management Committee

Yeah. 50Hertz and Elia Group are extremely interested in this topic of affordability. It was mentioned by Catherine earlier today, and Stéphanie mentioned it as well. When we look at the figures, and obviously we have to think about a close cooperation with public authorities. How can we develop the supply chain situation to receive cheaper assets for our projects?

Second topic, standardization is needed. The 2-gigawatt standard for offshore projects is extremely helpful to reduce costs. And we have a lot of wasted interest in the energy transition process, not linked really to the climate neutrality target, and we have to discuss with politics, are all this wasted interest as well needed as the climate neutrality aspect?

And last but not least, please do not forget that flexibility will play a key role, that digitization will play a key role to make it more cost efficient, and to work always on our internal structures to be well prepared for the upcoming number of projects.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

At this time, currently, 50Hertz is applying for more than 1,150 kilometers of transmissions line, and it's expected that those permits will arrive soon. How come that you have sudden acceleration of those permits now in Germany?

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**Stefan Kapferer** - Elia Group SA - CEO, 50Hertz & Member of the Management Committee

Yeah. First of all, it's good news that we will see this wave of permits. We have heard Chancellor Scholz in Ostende when he once again said, yeah, we need faster permission procedures. That's true, but the bottleneck from my perspective is at the European level as well as the national level solved. So scaling up now, cooperating with the regulator and the local authorities is extremely relevant.

And when we look at the delivery process, we have to manage it. Our organization is well prepared for that. We did it with a matrix organization. We started at 50Hertz last autumn, and that will help us to deliver the projects in time.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Due to the extensive investment plans of numerous European TSOs and other industries, the supply chain is facing significant pressure. Delivery times are on the rise, and there is limited flexibility for negotiations. In order to guarantee the timely executions of projects upon receiving permits, 50Hertz has taken a proactive approach by securing big contracts with Prysmian and NKT. These contracts include the production and installation of submarine and land cables covering a total length of 3,500 kilometers with a substantial volume of EUR4.6 billion. These contracts mark a groundbreaking milestone.

(video playing)

Yeah, there is more to come, but the supply chain could become a bottleneck, Stefan. How are we adapting to a market where suppliers selectively choose tenders, projects, and customers to de-risk their offers?

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**Stefan Kapferer** - *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

Yeah. First of all, we have heard that these are European suppliers which is good news that the cable of NKT, for example, is produced in Cologne as a German manufacturing site of NKT as well. So the Net-Zero Industry Act, which is discussed at the moment in process, is extremely relevant because we need more manufacturing capacities in the European countries.

Second topic, we have to intensify the partnership with our suppliers. Obviously, a strong pipeline of projects is extremely relevant for the suppliers to invest in additional manufacturing capacity. So cooperation and having a clear pipeline, a strong pipeline for the future, is extremely relevant. Then we will see additional workplaces also in the supply chain in Europe.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Thank you, Stefan. To conclude, let's revisit the royal visit of Wednesday after a number of roundtable discussions at the 50Hertz Netzquartier. The royal couple visited the Berlin Kabeldiagonale project of 50Hertz. Stefan, Germans are not that familiar with kings and queens and royals in general. How did you personally experience the visit, and why did you propose this particular project to the royal palace?

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**Stefan Kapferer** - *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

Yeah. You can imagine, Marleen, sometimes we are a little bit jealous in Germany, but what we have noticed as well at the Netzquartier is the media interest, the media coverage based on the royal couple is extremely high. But nevertheless, it was also a clear proof that the energy transition is a European project. It will only work with European cooperation.

The challenges for a metropolitan area like Brussels are very similar to the challenges we will see in a metropolitan area like Berlin. So to transport a lot of electricity into the heart of the city to electrify transport, to electrify heating systems is the same challenge for all of us. So the visit in the tunnel was, I think, a good example for this kind of innovation and cooperation we can copy paste in different European states.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Indeed. It was a big success, and the feedback that we got from the palace was really good. Thank you, Stefan. For safety reasons, the royal couple could not visit the construction site of the Berlin Kabeldiagonale project. They visited the section that has been already completed. To conclude this section on the grid development in Germany, we have a nice video to share with you.

(video playing)

Our infrastructure program plays a vital role in integrating significant volumes of renewable energy, ultimately helping in the decarbonization of our society. However, we must also consider our own CO2 footprint. Through our ACT NOW program, we are firmly dedicated to providing complete transparency regarding this carbon footprint linked to the equipment we procure.

Marco, welcome on stage. As Catherine already mentioned, you're the new CFO at interim of Elia Group. Congratulations. How can you highlight some actions that we are taking in the regards of CO2 reduction?

**Marco Nix** - *Elia Group SA - Interim CFO*

Many thanks, Marleen. Walk the talk is part of our DNA. In our long-term cable supply tender, we have filled in an internal carbon price linked to a bonus and malus system, which we had never done before. That was a huge step for us and also for the sector. We then implemented the same principle in the Princess Elisabeth Island AC models tender. And have also decided to use it in the upcoming bond on energy island procurement process.

In order to track the actual footprint of the assets and works we contract, we recently launched our Scope 3 accounting platform. It will give us transparency on the carbon footprint of more than 60% of our investment activities and further drive the maturity level of our Scope 3 data from 2022, '24 onwards. In parallel, we embedded an internal carbon price to EUR200 per tonne of CO2 equivalents in our decision-making process in order to reflect the cost of our CO2 emissions for the society.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay. Thank you, Marco. Now let's shift our focus from the CapEx program in Germany to Belgium and start with a brief overview of the CapEx plan. Here comes Stéphanie Luyten again.

(video starts)

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

In Belgium, the federal development plan was approved by the federal government in May earlier this year. As always, it's produced following close working with the Belgium regulator and relevant public authorities. It identifies the country's grid expansion needs while taking into account technical, industrial and societal trends.

Between '24 and 2028, Elia is set to invest EUR9.4 billion in its onshore and offshore infrastructure. This rise compared to the Elia's latest CapEx plan is primarily due to the rolling forward of the five-year plan with back-loaded CapEx and the effect of price inflation.

The CapEx plan, which yearly investments of around EUR1.6 billion for 2024 to 2026 will be increased to over EUR2 billion in 2027 and 2028. These investments will serve to make progress on sustainable electrification efforts across Belgium by further integrating the country into the European electricity system.

This will be achieved through interconnectors, the reinforcement on the electricity backbone and by making more renewable energy sources available to consumers. As a result, Elia will estimate an annual RAB growth of 18% over the next five years.

One major project being worked on by the Elia team is the Princess Elisabeth Island. This artificial island, which is the first of its kind in the world, will connect offshore wind farms located in the Princess Elisabeth zone to the mainland. It can also function as a hub for hybrid interconnectors with the UK and Denmark. So constituting a significant step forward in establishment, of a meshed offshore grid in the North Sea.

These hybrid interconnectors are doubly valuable. They reconnect countries together, whilst also linking these countries to offshore wind farms. They are essential for integrating more renewables into system for securing competitive energy prices and increasing Europe's energy sovereignty.

To benefit from these higher volumes of renewable energy, the mainland high voltage grid needs to be reinforced. The Ventilus, the Boucle du Hainaut project, they will play a pivotal role in distributing offshore wind production across the country.

These onshore connections will provide additional hosting capacity and bolster the resilience, reliability and the stability of the 380 kV electricity grid. Approximately one-third of our investment budget is allocated to the maintenance of the existing infrastructure to ensure its continued functionality.

Back to you, Marleen.

(video ends)

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Thank you, Stéphanie. If you want to see at a glance what is going to happen in the Belgian electricity system over the next decade, then keep the following slide in mind. It's the graphic from Elia's latest adequacy and flexibility report published in June. Frédéric Dunon, Deputy CEO of Elia Group Transmission, welcome. We see a huge wave of electrification ahead. How will we cope with this?

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**Frédéric Dunon** - Elia Group SA - Deputy CEO, Elia Transmission Belgium SA

Doing nothing, Marleen, isn't an option. It would put the stability of the grid at risk. And when we see the figures on the slide that you presented before, we see this is not business as usual, it's impressive. And we see electrification is gaining traction in three key sectors, heating, the part in red, mobility, and especially industry, the orange block.

We have to avoid a situation in which those millions of electrical cars and heatpumps start charging at the same time. That's why unlocking consumer-side flexibility is essential and why we simply put it back high on the agenda before Vision Paper, the Power of Flex.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

50Hertz says strategic ambition is 100% by 2032, as Stefan just explained. That ambition is not realistic in Belgium given the country's limited renewable energy potential. But if you were to summarize Elia's ambition in one sentence, our strategic ambition, what would it be?

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**Frédéric Dunon** - Elia Group SA - Deputy CEO, Elia Transmission Belgium SA

I would say, ready for 50% increase by 2022. And just to be clear, that is not an increase of the electricity bill, that is the increase of the electrical consumption. Electrification is spreading across society both earlier and at a faster speed than predicted. The biggest increase comes from industry, 20 terawatt/hour, but we also predict an important uptake in mobility and heating, both with 10 terawatt/hour.

The challenge now is to bore the ongoing sector convergence in the most sustainable and affordable way. That means maximum use of renewable energy sources on and offshore. And at the same time, keep the lights on and support socio-economic development at reasonable cost. Affordability like Catherine said, like Stefan said, of the energy transition has to stay a point of attention if we, as a society, want to succeed.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Catherine already showed us how much impact the timely build out of the grid can have on linking up the generation capacity that will be needed to support electrification. Let's take a closer look at the green lines of the graphic seen on screen now, which demonstrates the impact of flexible consumption. And as you can see, flexible consumption can also be an important lever for reducing capacity needs. So Frédéric, if we go further in time, the bigger impact, if successfully unlocked, flexibility can really lead to significant efficiency gains, isn't it?

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**Frédéric Dunon** - Elia Group SA - Deputy CEO, Elia Transmission Belgium SA

Indeed, and it was one of the main messages in our last adequacy and flexibility report. Investing in accelerated digitalization to unlock flexibility is as important as investment in the time we build out of infrastructure. In 10 years from now, we have calculated that flexibility will be able to

reduce Belgian need for capacity by 2 gigawatts. That is the equivalent to two big gas power plants. Additionally, flexibility also helps to integrate increasing amounts of renewables as it can manage the variability of renewable production.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Yeah. And we will revisit better flexibility later on with Michael. Let's zoom in on the needs for grids and the Belgian federal development plan that was approved in May by the Belgian government. And the plan is based on five principles, and we will go through them one by one. And let's start by making optimal use of the existing grids, Frédéric, what reinforcements are we talking about?

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**Frédéric Dunon** - Elia Group SA - Deputy CEO, Elia Transmission Belgium SA

It means that we first want to optimize what we already have before building new things optimizing what we already have. It is basically assets and existing corridors. We are making good progress on the reinforcement of so-called major backbone. That's the existing 380 kilovolt high-voltage watt that you can see on the map.

Most efforts go to the upgrading of existing corridors with high performance conductors and at some places, the installation of a second system. This doubles the capacity of the existing corridors with a minimal visual impact. That reinforcement program started several years ago and will continue for many years, still at least 2040.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Yeah, important projects. So let's move to the second pillar of the Belgium grid development plan, maximizing the integration of the domestic renewable potential. Frédéric, renewable energy, that's a scarce resource in resource in Belgium. What additional renewable generation do we expect to tailor in the next 10 years in Belgium?

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**Frédéric Dunon** - Elia Group SA - Deputy CEO, Elia Transmission Belgium SA

Yes. indeed a scarce resource that we know, in Belgium we are short in renewable, then we have to maximize the use of it. Onshore, we expect a more than two-fold increase of the current capacity. On top of that, an additional 3.5-gigawatt offshore wind capacity will be added.

Those wind farms will be directly connected to the Princess Elisabeth Island. To bring capacity to the consumers centers on land, we need to build two missing links in our system: the projects Ventilus and Boucle du Hainaut.

Once complete, two additional loops will be created. It will make our AC system more robust in case of incident. Ventilus and Boucle du Hainaut have reached important milestones during the last summer. Currently, we are engaging with the impacted communities and authorities to ensure that the project will be delivered on time.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Yeah, you already mentioned to the Princess Elisabeth Island. And that brings us to the third pillar of the grid development plan, realizing a first offshore energy hub as a gateway to the North Sea, but progressive, Frédéric, have we seen there?

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**Frédéric Dunon** - Elia Group SA - Deputy CEO, Elia Transmission Belgium SA

The Princess Elisabeth is one of the most complex project we have ever realized and we are always quite proud of it as Elia but also as Belgian society because of our companies will also be able to shine, thanks to this project worldwide.

It's a key link in our future energy supply. It will enable the connection of 3.5-gigawatt Belgian offshore wind. At the same time, it will act as the entry point to the offshore work plans that the North Sea will become. It is essential building blocks to achieve the European ambitions of adding 300 gigawatts of offshore wind by 2050.

In March this year, we awarded the contract for the design and construction of the island to a consortium consisting of the DEME and Jan De Nul. Meanwhile, the design has been finalized and the construction yard in Vlissingen, where the foundation, meaning the caissons, will be built. It is in full preparation. We also accelerated the procurement process for the high-voltage infrastructures due to the increasing pressure on the supplies market. This will ensure the timely resolution of the necessary capacity.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes. And meanwhile, Elia was granted the environmental permits for the island and a month ago, we presented our nature inclusive design approach will be revisited a little bit later this morning. Now we will go to Denmark where the islands resistance to big waves and heavy currents was tested ahead of the construction. A large-scale model of the island was created in a test environment and such testing is necessary to de-risk the project. As Frédéric said, as the project, the Princess Elisabeth Island project is one of the biggest projects that Elia has ever carried out.

(video playing)

In addition to connecting offshore wind to the Belgium mainland, the energy island will serve as a landing point for two future hybrid interconnectors, one with the UK Nautilus and one with Denmark TritonLink project.

Both projects were recently recognized as key by the European Commission. And this means that they will benefit from streamlined permitting and regulatory procedures and will become eligible for EU financial support. And this brings us to the next pillar of the grid development plan integrating European electricity market. So Frédéric, what's the societal benefit of being interconnected with a growing number of countries around us?

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**Frédéric Dunon** - *Elia Group SA - Deputy CEO, Elia Transmission Belgium SA*

The potential for renewable energy in Europe is unevenly distributed. As you can see on the map -- from the roadmap to Net Zero report, there will be countries that have an excess and countries that has a shortage of renewable energy. For Belgium, and by the way, also for Germany, European collaboration will be key forging net-zero in 2050. Therefore, we need more interconnectors to share the potential -- the renewable potential between countries and to get access to competitive prices.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Now that's why we are establishing partnerships with other countries, how do you see the integration of Belgium into the European electricity system evolving?

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**Frédéric Dunon** - *Elia Group SA - Deputy CEO, Elia Transmission Belgium SA*

In February this year, we signed an MOU, a matter of understanding for a second interconnector with Germany. It's up and doing the Belgian-German energy submitted in Zeebrugge. In addition, we also assess other potential interconnectors with France, the Netherlands and Norway and that is on top of what we do for the moment with the UK for Nautilus, and with Denmark for Triton. Several visibilities to these are ongoing. Based on the outcome, we will or will not take further steps.



**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

And then the last driver of the Belgian grid development plan is enabling a far-reaching electrification of the Belgian society. What are the needs there?

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**Frédéric Dunon** - *Elia Group SA - Deputy CEO, Elia Transmission Belgium SA*

There, Elia expect the number of energy-intensive companies that are directly connected to the 380-kilovolt high-voltage grid to increase. Next to that, for smaller industries in cell clusters will also be subject to significant growth in consumption.

Cooperation with local authorities such as inter-communal development agencies in Wallonia or ports in Flanders and also industrial companies already connected to our grid or two distribution networks is essential. We need to be able to put future consumption needs into perspective by geographical area. So infrastructure will be ready on time.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes, the Netherlands, there is much discussion about the lack of connection capacity. Manon van Beeck, the CEO of Tenet has mentioned that more than 6,500 companies are currently waiting to be connected to the grid. Frédéric, could this happen in Belgium?

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**Frédéric Dunon** - *Elia Group SA - Deputy CEO, Elia Transmission Belgium SA*

The situation is not the same than in the Netherlands. Only yesterday, we built a so-called hosting capacity map. If you go on Elia website, you will see that over capacity reservation requests from consumers can be connected, of course, on the condition that the plant infrastructure works are completed on time.

However, network capacity is not infinite, that would be unaffordable. So it is becoming increasingly important to anticipate future consumers' needs, allowing us to plan infrastructure works well in advance. The hosting capacity map also shows that the so-called flexible connections can create substantial additional capacity on the network, connecting new grid users with an expected limited flexibility of 5% only, creates two to three times more space on the grid.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

So it's not only about flexible consumption, it's also about flexible connections. Thank you, Frédéric, for sharing your insights with us. We will now conclude our overview of activities in Belgium with a look at the Princess Elisabeth Island.

Over the past few months, Elia has been working with a nature conservation experts and marine experts to minimize the island's environmental impact. We want the island to become a global benchmark for nature-inclusive design approaches in offshore developments.

(video playing)

That's a future project. But Elia Group has hundreds of assets spread over a wide territory. In the context of climate change, their fragility can be quite high at times. For example, during the summer of 2021, there was devastating floods in Wallonia and the substation in Pepinster was severely damaged. The incident has highlighted the urgency of improving our climate resilience efforts. Marco, how can we ensure that our infrastructure really becomes resilient in the face of extreme weather events?

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**Marco Nix** - *Elia Group SA - Interim CFO*

Now on one hand, our infrastructure is part of the solution to fight the climate change by integrating the renewables. On the other hand, we are exposed to events like you mentioned, and our grid has to be resilient. We are therefore adapting current assets and sites and increasing preparedness for swift disaster recovery.

Based on the assessments of future wind, flooding and extreme temperature scenarios on our asset fleet, we have replaced and reinforced around 3,000 pilots to resist to local tornados. Furthermore, increased the flood protection on the most critical sides, to name a few of the measures.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay. Thank you, Marco. Not only our infrastructure needs to become more resilient, but the same applies to the operation of the electricity system. As our society embraces electrification, millions of electrical devices, including electric cars and heat pumps are being introduced.

How can we ensure that they don't all consume electricity at the same moment and the answer lies in adopting flexible consumption. We will now explore some interesting insights shared by Sanjeet Sanghera, the head of power grid and utilities at Bloomberg New Finance, followed by a discussion on our digital strategy.

(video starts)

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**Sanjeet Sanghera** - *BloombergNEF - Head of Power Grids and Utilities*

Hi, everyone. Thanks so much for giving me the opportunity to speak to you today, and on such an important topic, flexibility. At BNEF, we believe that flexibility is crucial to the future power system. We conduct this study out to 2050 on the future of the energy system. As part of that, we run an all-energy net zero scenario, with the objective of aligning with the Paris Agreement in limiting the impact of climate change. And this is what it shows us.

The future power system will be dominated by wind and solar. In fact, it grows to represent three quarters of global electricity generation by 2050. Now the variability of this generation creates a flexibility problem that needs to be addressed. In part, this problem can be solved by repurposing the legacy generation assets that wind and solar are replacing.

So on this chart, we see gas with carbon capture and storage, in purple. And so a lot of hydrogen generation as well. Now the demand side of the power system is also undergoing significant changes and offers other possible solutions. Power consumption grows more than three-fold digital widespread electrification. And this growth comes with opportunities to renegotiate how power systems interact with this new demand.

Some sectors like aluminum and steel production will be less flexible, but others like electric vehicle charging, heat pumps, data centers, electrolyzers will offer meaningful chunks of flexibility. All of this means that the grid will need to grow undoubtedly across all dimensions as well.

In fact, we estimate that the power grid of 2050 will be long enough to reach the sun, but this will happen gradually. It takes time to build good projects and although always to accelerate development should be considered, we are entering into an era where the Net Zero grid is likely going to lag behind net zero needs.

So how does flexibility help? Well here, we see a week in July 2030 from our Net Zero scenario. During the second half of the week, we see that wind is really booming and so fossil fuels shown in gray are not really needed. Instead, the system can curtail solar generation and charge its batteries. And when the wind and solar aren't available, which we see in the earlier half of the week, the system can call up stored energy as well as run fossil fuel generation.

And here we see how wind and solar and storage are impacting the capacity factors of fossil fuels by pushing them offline. And we look at the same week from the demand perspective, here, we see that EVs have grown to 10% of total demand. That's that layer of purple on top of base demand. And this segment of demand can flex to balance the power system.

Here we see EVs expand during periods of surplus and they contract during periods of shortage. In some ways, it becomes of the lungs of the power system. The small share of heat pumps, electrolyzers and flexible demand also do their share and take advantage of the sun during midday.

And that role is going to grow over time. We know this, we are still in the early days, but EV adoption is growing quite rapidly across Europe. The cost parity expected to be reached by 2025 for most vehicles. And EVs are just the near-term opportunity for flexibility, additional sources are going to come online out to 2030 and beyond. That includes heat pumps as well as other industry.

The chart on the right shows how we see the share of different sectors and whether they will go to hydrogen or electrify in their path to decarbonization. Honestly, in either case, we will see many new opportunities for our system flexibility. And so the demand side is rich with flexible assets, both in the near term as well as in the long term.

And to conclude, the electricity grid is going through a significant change, but those changes offer solutions. In Europe, EVs will be a critical source of flexibility, but in specific geographies within Europe and outside of Europe, they ought to rely more heavily on stationary storage. These mixes will vary, but flexibility is a solution that will be needed and be source from a completely different composition of resources than it was in our legacy system.

Thank you. That concludes my presentation, and I hope you all have a very good discussion today.

(video ends)

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Welcome back. To safely run the renewable system, we need a leading infrastructure and more flexibility and the link between both of these things is digitalization. And that brings us onto our -- the next topic. We have Michael von Roeder with us, Elia Group's Chief Digital Officer. Michael, we are evolving from a traditional group of transmission system operators to a group of digital transmission system operators, information technology is increasingly relevant. How would you pitch our digitalization strategy?

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**Michael von Roeder** - *Elia Group SA - Chief Digital Officer & Member of the Management Committee*

IT is the foundation for any digitalization strategy. And therefore, we evolve IT. Yesterday, IT was basically a cost and service center. And today, IT is becoming a business enabler, a product development unit essentially and in addition, IT converges with our operational technology. So our grid assets, the new ones, they become smarter and become more IT-driven.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes. You also have more execution. Real-time digitalization helps there as well. But you also see that you have digital interfaces that digitalization is not only in our own country -- in our own company, I mean, but it goes much farther. It goes beyond our company.

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**Michael von Roeder** - *Elia Group SA - Chief Digital Officer & Member of the Management Committee*

Goes way beyond. It also goes way beyond different countries, by the way. In essence, digitalization opens the energy systems to new parties, speed startups, speed consumers who use EVs or heat pumps. And what it enables, they can control the energy management much better as consumers.

Our job is to create a level playing field for everybody to enable all those parties to become this integral part of the energy system. And that way, digitalization not only benefits our company, but it benefits every single consumer with that society. So what we do is create a win-win.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes, indeed. It also helps to master the growing complexity of our activities. Can you give some examples to make it concrete?

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**Michael von Roeder** - *Elia Group SA - Chief Digital Officer & Member of the Management Committee*

There's obviously plenty of examples. I'll make a few digitalization can enhance decision making, be it controlling the grid, but also financial decision making, these kinds of things, it enables better stakeholder action. For instance, when we build something, we want to interact with society to explain things. You can use digital means for that.

And it also can be used to automate tasks. Keep in mind, we -- and Peter's going to talk about this later, we need a lot of more people, but we also have a lot of more work. So automation is, I think, very important. All this, we have to do in a robust and cybersecure way.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes. Cybersecurity, you mentioned that that might be something to pay more attention to. And given the fact that we opened a system to those millions of electrical devices that will come.

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**Michael von Roeder** - *Elia Group SA - Chief Digital Officer & Member of the Management Committee*

Indeed. What we do is we open the system, which increases -- at the first instance, it increases the risk because often, it's more risky. So what we have to do is we adopt -- we have to do -- adopt a new cybersecurity strategy, which is called Zero Trust strategy, which means always verify, never trust as a mindset.

Yesterday, we had what we called perimeter security. You can imagine that like a big castle with big walls, which was our company systems, with which we control the grid. Tomorrow and today, every single house within those walls will have to be defended and extending that through the whole energy system, every single system in the energy system has to be defended. So that extends our reach as TSO all being responsible to make the whole system secure, and that's what we do with that.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes. The digital transformation, it has a technical dimension. So it involves the hardware, the software, connectivity, data processing, but there is also a business dimension that focused more on the opportunities, the successful implementation of the transformation. Let's start maybe with that technical dimension, what will this involve?

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**Michael von Roeder** - *Elia Group SA - Chief Digital Officer & Member of the Management Committee*

So what we chose to do is what we call a platform approach. So before we had one silo for one problem. So we built a system -- a software system. We bought servers for one problem. Now we tried to develop common capabilities as a platform. And that means we can share capabilities between applications.

The side effect, by the way, is that the data is also being shared, which will become important when you think about AI and such things. This gives us speed. It gives us flexibility and also cost savings. And it bodes for us vendor lock-in with a single software or hardware vendor and it increases resilience, and as we mentioned before, cybersecurity.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Yes. So you go from the silos to a platform, but that on its own doesn't create any value. So therefore, you need also a business transformation. Can you elaborate a little bit more on that?

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**Michael von Roeder** - Elia Group SA - Chief Digital Officer & Member of the Management Committee

Sure. Technologies never value as such, it enables creating business value, as you said. So what we do there is we bring business experts and software developers together, building joint teams. So we not only remove the technical silos, but also the organizational silos and create new ways of working.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Yes. Can you give some examples again?

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**Michael von Roeder** - Elia Group SA - Chief Digital Officer & Member of the Management Committee

I can give some examples. Catherine already mentioned earlier today, our Vision paper on flexibility, which describes the need of consumer side flexibility. For that, we have a product team, which is called consumer centricity, which builds a number of digital products.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Yes, okay. Let's make this a little bit more concrete to our audience. One digital solution that was recently launched is the so-called multiple BRP. Industrial players connected to the earlier grids will have the option to split their consumption in two: a flexible and non-flexible consumption. We have a short video to share with you about it.

(video playing)

That is a digital solution for our customers. Can you also give an example of how digitalization can improve our own operations as a system operator?

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**Michael von Roeder** - Elia Group SA - Chief Digital Officer & Member of the Management Committee

Sure. The first one which comes to mind is our modular control center system, which basically to replace the current stack of EMS energy management system and scale-up systems going forward. This will support our operators in the control center, to control the grid, which becomes more complex as we establish, but also will support our offshore platforms to manage them and control them.

So here we have a perfect example of the platform strategy. I mentioned, we reuse roughly 80% of the capabilities between those two applications. And basically, that means we take our destiny in terms of our core business in our own hand, doesn't mean we don't buy any software, but the base platform we do in-house. So we talk about software, digitization and data.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah. Okay. Thank you, Michael, for this update on digitalization. The MCCS project that Michael mentioned is on track to reach full implementation by 2025. And recently, the MCCS team hosted internal events in Berlin and Brussels providing updates on their work. They impressed the audience with the demonstrations, which showcased the potential of MCCS.

(video playing)

Ladies and gentlemen, it's time for a short break. Grab a coffee. Take a moment to do whatever you want. After the break, we'll give an update on our non-regulated activities and our talent management strategy. We have an extensive chapter on the financing, and we'll conclude with some insights on financing our future and financial outlook. We'll be back in 10 minutes. See you.

Welcome back. We'll now talk about the non-regulated business of Elia Group. And just a few days ago, an important milestone was reached. Elia Group enters into a firm agreement to acquire a minority stake in energyRe Giga, a clean energy company in the US. Catherine, it doesn't come as a surprise. If you follow a little bit, Elia Group, you knew that we had an ambition.

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Yes, exactly. And I will say that the transaction aligns perfectly with the group's core strategy, which centers on expanding our activities beyond our core perimeters and reinforcing the group's development of sustainable energy solutions. Based on our shareholding and governance rights, the transaction will be reflected as an equity pickup in the group's consolidated accounts, with the closing currently expected in the first quarter of 2024.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay. Before we continue our discussions, let's first present the projects that are part of the deal. We have a footage from the virtual signing ceremony that took place last week.

(video playing)

And we will invest USD400 million, Catherine, what contribution can we expect from this transaction to the results of Elia Group?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Yes, of course, it will be accretive over time, to our earnings as the investments are set to yield a return that exceeds the current returns on our home markets. In addition, the business model of energyRe is based on capital recycling, with first sales of small generation assets in '26.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes, we will explore the funding sell later in detail, but however, how will Elia Group finance this particular investment?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Yes, given the first released of funds over time, the effect on our balance sheet is very limited. The transaction is entirely funded to a bridge loan, which will be refinanced in accordance with the financial policy of the group.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes, the offshore sector in the US has faced some challenges in the recent months. Have they been taken into account?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Yes, indeed, we have recently observed impairments in the future US offshore markets, they were incurred by specific projects that secured power purchase agreement with interest rates and whole material cost were relatively low.

Unfortunately, and despite the shifts in macro environments, such as higher costs, increased interest fees and project delays, the proposed revisions for higher PPAs were not accepted for certain project, resulting in substantial write offs.

In our evaluation process, we have considered the current market conditions and leverage our experience in the supplier market. Additionally, the recent expectation that future PPAs in the offshore wind industry will integrate inflation links to ensure they reflect changes in market mix, encompassing interest rates and raw material costs.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Interesting, that could be one of the topics of Elia Group's next viewpoint on putting offshore to work. Thank you, Catherine.

So far, ladies and gentlemen, we are focused on strategy, infrastructure on digitalization. But what about our people? As the energy sector undergoes a significant transformation, there is a growing need for professionals with the right skill sets and innovative thinking. Every year during the first week of December, Elia Group hosts an innovation week, both in Berlin and in Brussels.

Several events are organized as part of this, including an innovation fair. We were able to gather the thoughts of some of our staff about innovation at the group.

(video playing)

For those who want to learn more about innovation at Elia Group, you can visit the group's innovation website. We've just published our brand-new innovation strategy online. The team has worked hard on it, so make sure to take a look.

In the meantime, Peter Michiels, the Group's Chief Alignment Officer, has joined us. Peter, welcome. Over the next five years, we will invest more than EUR1 billion in Belgium and Germany, where we'll start our non-regulated activities in the US. So let me guess, finding the right skills and talents, that's very high on your agenda, I suppose.

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**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Yes, Marleen. If it wouldn't, we would have a big problem, I guess. So we talked about the enormous pressure on expanding the grids and the big investments that go with that. And to do that, of course, to realize this ambition, we need a smooth supply chain, not only of materials, but also of talents, of course, if we want to deliver these infrastructure projects on time for society to take benefit of them.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes, can you put a number of people that we need in the next four years, for example?

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**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Yes. Well, according to the current planning, we will need to recruit up to 1,400 new talents over the next four years, which is quite a big amount, as you can see on the slide. However, we have a track record of scaling up the company in the last few years.

For example, in the last year, we already successfully recruited and onboarded 450 new talents. But of course, the scale and the environment in which we will need to realize this in a market that is quite competitive, we should not rely just on old methods to do this. So we are reviewing the entire chain from attracting, recruiting and onboarding people to make sure we can do this in a successful and sustainable way.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Well, that's quite a challenge. So what is -- as a Group, what is our unique selling point?

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**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Well, I could ask you, Marleen. I mean, you look like you're a very happy and engaged employee. But of course, we have a great project that is quite attractive to the current generation of people on the labor market. I mean, we have a central role, a pivotal role in making the energy transition happen. And in that sense, fighting climate change.

However, we also have a number of other key topics and attraction points that are really relevant today. I mean, we're becoming more and more an international company so we can tap into a much wider talent pool beyond traditional Belgium, German talent recruitment areas. And as we will see later, we are becoming more and more an international company.

We also spend quite a lot of efforts on telling the right story because although we do a lot of great things, they're not always very well-known with the large public. So we are investing quite a lot in the branding, the storytelling, but making sure that all the things we do are also known in the market.

And thirdly, of course, we are not so naïve to think that we will find up to 1,400 talents that are fully skilled and equipped to start and be operational right away.

So on one hand, we recruit more and more for the right mindset and the right attitude, and then we can further develop and train them, onboard. But also you're looking at diversity and different profiles, we'll come back to that later. So not necessarily people with the right degrees and background because that's, I think, a naïve concept to start with, but we're looking at a very broad range of measures to make sure --

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

That brings me to the next question, you're growing, but how can you ensure that you're growing in a sustainable way?

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**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Yes. Of course, the key ambition should be to reinforce the project team so we can build the infrastructure in time, as previous speakers have already indicated.

But also, of course, we are currently embarking and have been embarking on a journey of mapping out, not just the capabilities and the skills needed for today and tomorrow, but also looking at a five-year horizon so that we already future-proof the organization at the same time by both



upskilling the current workforce, but also recruiting people with the right background and the right attitudes as we go along now in the next few years.

And of course, as we -- as Michael explained, very heavily investing also in digitization of our business. Digital technologies will also help us to be more efficient, but also be much more efficient in onboarding and training people and making them ready for business participation much quicker, which, in the end, will lead to a good retention rate.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes, indeed. We just start on the slide, the turnover rate is quite low, 5.46. You have to say that this rate includes, both the planned and the unplanned leavers. So the approach is paying off finally, yes.

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**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Yes, we could very well say so because the people leaving us for other opportunities, so excluding people who retire, is quite low. And of course, we have every interest of keeping that turnover as low as possible as we are a big investor in people.

We spent a lot of time and effort into training, certifying, keeping people safe and professional in the job, which has also been recognized in the certification as a top employer for now many years in a row in Belgium. And every year, we succeed even in getting a better score, which means we are still improving the way we do things.

And specifically last year, we took a big jump forward on our realizations on specifically diversity, equity and inclusion.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes, at Elia Group our staff works with high-voltage equipment at Hive, increasingly more at sea. So how are we keeping everyone safe, and especially the new ones that will arrive and the subcontractors?

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**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Indeed. And let's not be -- let's be clear about it. I mean, keeping people safe and sending people safe back to their families every day in the year remains our top priority. We are a big investor in people, not just in the physical safety, also in the psychological safety well-being. And in that sense, we spend a lot of time selecting, but also training people to be able to do that and we extend that also to our subcontractors.

Yes, I mean, there's lots of people working on our building sites from subcontractor companies. We take the same responsibility and seriousness in keeping them safe as our own staff. Through that aspect, I mean, we have also scaled up our training facilities and certifications for people working with subcontractors. So they get properly trained, certified before they enter the workspace now. And in that sense, I think the practice of that over the last few years has paid off.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes, we emphasize safety a lot. Can you put some numbers on it?

**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Yes, of course, I mean, if you look at the track record we've achieved over the last few years, we see that the total injury rate and incident rate has gone down tremendously. I think that's because both on reactive measures.

So when we measure what's going on and then adjust our safety systems accordingly, we can see that has resulted in a reduction of the frequency rate of incidents, but also the severity rate. So when an incident happened, it's much less serious than before. And as a result, the total recordable injury rate has gone down by over 50%.

Now also on the proactive side, I'm very proud to say that the learning factor, which is the reporting that people do of potentially unsafe situations, with all the campaigns and education that we've done has gone up by 130%. So I can also be confident that this trend will continue in the future.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yes, to be fully prepared in case of emergency, our teams often undertake safety trainings, as Peter said, both on land and at sea. And a few weeks ago, our offshore assets team set up a rescue exercise in collaboration with the Belgian Army.

(video playing)

Wow, impressive images. Peter, Elia been named as a top employer in Belgium several times now. You mentioned it already. But this year, we also won the TrendsImpact Award for our Let's Talk About Burnout community. So safety is crucial, but so seem well-being.

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**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Absolutely. I mean, we are a responsible employer, I would like to say, that cares about people. So that's not just about physical safety. It's also psychological safety. And we have many projects that have been running for a number of years. And I'm very proud to say that with this award, it's a very great recognition of what we've achieved here, specifically seen the potential impact of stress and burnout on a team that is highly stretched.

So I'm very proud to say that our absenteeism rates of people being off work for longer periods due to illnesses has decreased quite a lot and is at a quite good rate of 3.6, which is still too much, I argue, but it's very good compared to the overall market. And of course, the team has done a fantastic job of creating a community where these things can be discussed. And therefore, people can be helped before these things happen.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Another pillar of our ACT NOW program is diversity. Can you give some numbers in that regard?

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**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Yes, absolutely. And let's start by saying that, of course, we are a company that works quite a lot with public money through the tariffs in our regulated business. So in that sense, that's a privilege that we have. It also creates the responsibility of doing something back for society. And in that sense, we want to be a good reflection of the diverse societies that we operate in.

And that goes beyond just having a good gender balance. It also goes beyond that in age balances being open to people with different opinions and backgrounds, et cetera, and opening opportunities for everybody inside this company.

And as you can see from the numbers, we are increasingly becoming more international, but we are also increasing the number of female staff in our operations also in technical roles. And specifically, we put an emphasis on putting more female talent in leadership roles as we think this will make us a better company and a more efficient company in the end.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay. Thank you, Peter, for sharing your thoughts. Throughout today's event, we have highlighted different milestones that we have reached as part of our ACT NOW program. If you want to have a closer look at the progress we have made, please take a look at the overview provided on our website.

(video playing)

Let's talk money. Over the last 18 months, the financial markets have completely changed. The current environment is characterized by increasing interest rates, and this is having far-reaching impacts on different sectors with regulated utilities right at the forefront of these. Welcome, Marco Nix. Negotiations related to the new regulatory period have been taking place in this context. Not an easy task, I can assume.

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**Marco Nix** - *Elia Group SA - Interim CFO*

Indeed, it's a challenging time and exciting times as well. Throughout the year, we have intensively interacted with regulators in Belgium and Germany. We value, in principle, the willingness to adapt to a changing market.

We must ensure that adequate capital investment continues to flow as this is crucial, not only to maintain momentum of the energy transition, but also to prevent us becoming a bottleneck that could impede our progress towards a sustainable future. Today, we are here to share the insights and the progress we made.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Marco, Elia Group operates under different regulatory regimes. Before providing us with more specific details on Belgium and Germany, can you give us a high-level overview of the situation?

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**Marco Nix** - *Elia Group SA - Interim CFO*

The group comprise two regulated grid operators in Belgium and Germany. And the non-regulated segment, an interconnection between Belgium and the UK currently contributes most to the result. Our earnings continue to be shaped by these distinct regulatory frameworks. These regulatory frameworks have varying impacts on our financial performance.

The bulk of our cash flows originates from Belgium and Germany. Germany will continue to contribute for roughly 50% of our earnings, Belgium contributes around 40%, and Nemo Link approximately 10%.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Both frameworks, they will start from January onwards in both countries, so that's pretty particular, I would say.

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**Marco Nix** - *Elia Group SA - Interim CFO*

Indeed, we are currently at the beginning of a new regulatory period in both Belgium and Germany, something what happens only every 20 years and a revenue reset on top of for Nemo Link following its initial five years of operation. The new regulatory period in Belgium will extend 2027, while in Germany, it will continue until 2028.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay, let's do a deep dive now. Turning to Belgium -- hello, Yannick. In mid-November, the CREG officially approved the tariffs for the next regulatory period. Can you share the outcome of the discussions with us.

**Yannick Dekoninck** - *Elia Group SA - Head of Capital Markets*

Yes, indeed. Over the past year, we engaged in numerous discussions with our Belgian regulator, the CREG, leading to the approval of the tariff for the period 2024-2027 at the end of November. These tariffs will equip Elia Transmission Belgium with the necessary resources to fill our role in advancing the energy transition, particularly to the investment program we presented earlier today.

A meaningful part of the tariff negotiation was about the return on equity. This was evolving to the related circumstances, specifically the rise in interest rates as mentioned earlier. The proposed adjusted tariff methodology is currently undergoing a public consultation process, which is due to end on December 22. This will be followed by the final approval in the course of January '24.

As you may recall, in June last year, the fair remuneration for the forthcoming regulatory period was determined using the CAPM model, which utilized risk-free rate of 1.68%. Now the regulator has introduced a new mechanism to the methodology. It is based on the actual the 10-year Belgian state bonds called the OLO instead of a fixed risk-free rate.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Could you clarify how this new element of the remuneration is determined?

**Yannick Dekoninck** - *Elia Group SA - Head of Capital Markets*

Certainly. The regulator has introduced an additional compensation that is now tied to the changes in the 10-year OLO over time, aiming to better align the mechanism with the current market conditions. For this, the regulator employs the 10-year forward-looking OLO as the reference rate.

For each year, the regulator will calculate the annual daily OLO over average of the 10-year OLO. He will then carry out a three-step assessment, which is cumulative. The first step is shown in the box on the top called Number 1. As long as the 10-year OLO falls within the range of 0% to 1.68%, the fair remuneration remains fixed at 4.1% as initially outlined in the tariff methodology. This establishes the baseline.

Then, a second step is shown in the box in the middle, called Number 2. If the OLO -- if the 10-year OLO fluctuates between the 1.68% and the 2.87%, the entire average equity will receive an extra compensation equal to the difference between the 10-year OLO and the 1.68%.

Last step is shown at the bottom. If the rate surpasses the 2.87%, you will receive the remuneration from step one and two on the entire average equity, plus a contribution proportional to the difference between a 10-year OLO and 2.87%. Hereby, the regulator has decided to differentiate the remuneration between the old RAB and the new RAB.

As you can see on the bottom right, the old RAB being the assets commissioned before January 1, 2022, which will receive 50% of the difference; while the new RAB, which are the assets commissioned after January 1, 2022, will receive the full 100% of the difference.

End of '21, the regulatory asset base stood at EUR5.4 billion with an old RAB of EUR5 billion, which gradually decreased with depreciation. The remaining EUR400 million are assets under construction and counts towards the new RAB. As a reminder, the RAB includes the entire CapEx of ETB.

So in summary, this revised compensation structure considers both the fluctuation, interest rates and facilitates the growth of the grid, which we believe is a fair but positive development.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah, indeed. You provided us with some clarity on the mechanism, but what about the overall returns in Belgium?

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**Yannick Dekoninck** - *Elia Group SA - Head of Capital Markets*

Sure, Marleen. The regulatory framework remains a cost-plus model with coverage of all the reasonable costs, including our fair remuneration and incentives. You know that we sent our operation in accordance with the established regulatory gearing of 40% equity and 60% debt.

The fundamental principles of the regulation remain unchanged. First, we have no financial risk associated with volume fluctuations. Revenue differences caused by the variation in volume are carried forward to subsequent regulatory period. Also, the regulation incorporates the embedded debt principle, recognizing financial cost as uncontrollable costs that can be fully recovered through the tariffs.

When it comes to our remuneration structure, it consists of two components. First, as discussed just now, fair remuneration, which is an equity-based compensation, linked to the changes in RAB. The return on equity is applied to 40% of the average RAB.

The second element of our information is tied to incentives. These incentives are designed to encourage Elia to improve its performance in various regulated activities in Belgium. These incentives are expressed as well as a return on equity and have an absolute value gap.

Based on historical data, we anticipate that these incentives will contribute to around one of 1.4% to the result. So based on ETB's CapEx plan and considering the Belgian OLOs around today's level, this will result in average regulatory return on equity of around 7.2% for the period.

As explained, this return will be subject to the evolution of the 10-year OLO and timely execution of our CapEx plan. Please be aware that this represents the regulatory return. The overall return at entity level also includes adjustments linked to IFRS restatements, but more profit guidance on entity level will be provided later on by Catherine Vandendorre.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay, very clear, Yannick. Thank you. And let's zoom in on Germany now. As mentioned, Marco, Germany is accelerating its work to reach climate neutrality by 2045. The new German regulators -- the new regulatory period starts in January. Could you tell us more about it, please?

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**Marco Nix** - *Elia Group SA - Interim CFO*

Yes, the German regulator acknowledged to the importance of having an investment-friendly regulation that can attract funds. Achieving energy sovereignty and climate neutrality by 2045 is of paramount importance. It's worth noting that discussions have been constructive, resulting in a slight improved outcome.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Yeah. Moving on to the specifics of the regulatory framework, could you start by outlining its fundamental principles?

**Marco Nix** - *Elia Group SA - Interim CFO*

For sure. In Germany, in principle, there exist two distinct regulatory frameworks, the revenue cap principle for our onshore operations, which is an incentive regulation; and the offshore grid surcharge for our offshore business, which follows a cost-plus model.

For our onshore activities, we operate under a system that covers a significant portion of our operational expenses and existing assets. The basis for calculating these revenues is established through a cost assessment carried out by the regulator, referred to as the base year.

In this context, the year '21 has served as the reference point, the base year for the upcoming regulatory period commencing in '24. And the approved cost level appears to be reasonable in addressing the current operational challenges. If the extra costs fall below the base-year cost, the excess performance benefits the shareholder.

The influenceable costs or base-year costs are adjusted upwards to accommodate inflation, while individual efficiency and sector efficiency requirements may reduce them. In the case of 50Hertz operating at 100% individual efficiencies, no adjustments are made. For the general productivity factor, Xgen, reflecting the sector improvements, the review still ongoing by the regulator.

On top of the influenceable costs, we are granted non-influenceable costs, mainly covering energy costs relating to steering the grid, which are passed through via the regulation. They currently account for around 60% in 50Hertz revenue cap.

Furthermore, the revenue cap undergoes annual adjustments to account for new investments falling under the capital cost adjustment model. The regulated asset base will be updated on an annual basis with no differentiation between growth and replacement investments.

The regulator also stipulates the financing structure of our capital expenditures with maximum 40% accepted as equity and minimum 60% as debt. For the cost of debt remuneration, the regulator applies several methodologies. In the CCA model, the cost of debt is calculated with a predefined generic rate.

This interest rate is derived from two reference rates provided by the German Central Bank, and we are confident in our ability to secure financing at rates below the set threshold. If we manage to stay below this threshold, the benefits accrue entirely to our shareholders. Cost of debt for our existing onshore assets is fixed to the extra cost of the last base year, '21.

Concerning equity remuneration, the regulators approach -- distinguish between assets constructed or commissioned before '24 and those from '24 onwards. As it's predating 24, we'll be remunerated at the originally established return on equity of 4.13% post-tax.

New investments will receive remuneration at a higher return-on-equity rate of 5.78% based on a capital asset price model, which takes into account the current estimates of the risk-free rate over the year '24, the running yield of outstanding German securities and the risk premium on top of 3%.

**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay, that was onshore. Let's talk now about offshore.

**Marco Nix** - *Elia Group SA - Interim CFO*

The regulatory framework for our offshore operations is quite similar to the Belgian system. It involves annual updates of fair remuneration but without any incentive components. The mechanism for cost allowance is distinct as offshore costs are determined on an annual basis.

In case the actual costs exceed the budgeted amount, such as in the event of higher maintenance costs, these excess costs are recovered in the subsequent year. This involves a pass-through mechanism with the financial burden shared through the offshore surcharge.

For our offshore investments, we also secure financing with 40% equity and 60% regulatory gearing. The cost of debt is entirely passed through based on the funding raised in the respective year. In terms of equity remuneration, it closely resembles the onshore model with assets pre '24 receiving a 4.1% return and assets post '24 obtaining an average of 5.78% contingent on the evolution of interest rates.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Okay. What does this now mean in terms of the overall ROE?

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**Marco Nix** - Elia Group SA - Interim CFO

There are four components contributing to our overall remuneration. First, return on equity applied to 40% of the related asset base; second, outperformance incentives as part of our onshore regulatory framework; thirdly, consideration of IFRS accounting treatments, particularly focused on capitalized borrowing costs. Fourth point is the leverage at Eurogrid levels. The cumulative impact of these factors results in a total return on equity for the period ranging between 8% to 10%.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Yes, if you expect further changes to the German regulatory framework over the coming year?

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**Marco Nix** - Elia Group SA - Interim CFO

Given the complexities and the challenges we face today, it's obvious that establishing the sustainable regulatory framework is essential. The recent outcome of the cost assessment gives some certainty that costs can be covered by efficient management of operation in the nearest future.

But the basic mechanism is not made for growing business in a complex environment. All the requirements on digitalization and cyber security, for instance, will require further efforts. And although striving for efficient management, the likelihood of operational outperformance is rather low.

Furthermore, lift-up of return rates is a first and positive step, but attracting new capital will remain crucial to realize the CapEx plans. On these elements, we will continue to engage with the regulator in the coming year to come to a future-proof regulation addressing these challenges.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Okay. Thank you, Marco. We discussed the framework in Belgium and Germany. Let's zoom in on the third regulatory regime of Nemo Link. In 2022, Nemo Link's contribution was around 10% of the net result of the group. On average, it will contribute between 5% to 10%. Yannick, as the model is fixed for 25 years, can you remind us what drives this variability in the contribution?

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**Yannick Dekoninck** - Elia Group SA - Head of Capital Markets

As you know, Nemo Link operates under a cap-and-floor model as illustrated on the graph. The model is a building-block approach consisting of the depreciation cost on the regulated asset value, OpEx and commissioning costs determined for 25 years, and tax. On these blocks, a minimum and a maximum rate of return is added to constitute, respectively, the floor and cap level.

As a reminder, any revenue below the floor is recovered from the tariffs. Any revenue above the cap is returned to the tariffs. Nemo gets revenues from three elements. First, congestion income, this is the price Nemo Link receives for granting its interconnector capacity to Belgian or UK electricity traders, which they are willing to pay to benefit from price differentials between the Belgium and the UK electricity markets.

The interconnector capacity is auctioned by Nemo Link in different delivery periods. Like year ahead, day ahead, intraday to physically hedge the electricity price. As a second smaller but growing driver of the revenues, we have the capacity market revenue. This relates to governments locking in capacity in order to have it available for future capacity needs.

As a last source of revenue, we have ancillary services representing a smaller portion of the total revenues. Ancillary services are, for example, reactive power, voltage support, and network restoration services.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Next week, together with the British Embassy and with National Grid, we are celebrating the fifth anniversary of Nemo Link. But that means also that the first cumulative five-year period will come to a close at the end of this year. What does this mean?

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**Yannick Dekoninck** - *Elia Group SA - Head of Capital Markets*

As Nemo Link exceeded the gap in the cumulative five-year assessment period, the final amount to reimburse to the Belgian and the UK tariffs is determined and paid back. From '24 onwards, a new five-year assessment period starts. The cumulative revenues for '24 to '28 will be compared to cumulative allowed cap and floor over this period. And in case of an excess or deficit, return to or recovered from the tariffs.

In the current assessment period, there was high variability in the performance between the first two years of operation and the year thereafter. This was driven by the energy crisis. Therefore, Nemo Link benefited in '21 and '22, largely from a catch-up of all allowed cumulative revenues leading to extremely positive results in this year.

In the next assessment period, it is expected that Nemo Link's performance will normalize in line with the market after the energy crisis.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay. Thank you, Yannick, and thank you, Marco. We have covered all regulatory regimes in detail. Our next topic is funding, and Catherine Vandendorre will be joining us again for this.

(video playing)

We have just learned about how the updated regulatory frameworks will support new investments. This is important given our strong organic growth. In light of these developments, Catherine, could you guide us through Elia Group's financial policy?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

yes, a key topic for our CMD of today, of course. And so Elia Group's financial policy designed to ensure financial stability and the continuous access to the capital market as well as fostering growth and create long-term value for all shareholders.

Note as well that our financial policy remains unchanged compared to previous communication. And so I will start by reminding you the three pillars on which it is based. Firstly, we remain firmly committed to a minimum BBB flat target rating for Elia Group and for Eurogrid, and a BBB plus rating for ETB. We are confident that these targets are realistic deliverable, reflecting the strength and stability of our regulated operations, the CapEx profile, and the group's strategic ambitions.

Those rating targets are aligned with the current rating levels of the group, of Eurogrid, and of ETB as just confirmed by S&P. The key metric which is applied by S&P is the FFO to net debt. For ETB, S&P requires an FFO to net debt of at least 9%; while for Elia Group and for Eurogrid, the agency



required an FFO to net debt comfortably above 6%. We anticipate the leverage profile and credit metrics of each entity to stay within the agency's predefined targets.

Secondly, any form of debt financing at ETB and Eurogrid will continue to be raised separately and independently. The Elia Group will also continue to provide equity funding in order to maintain a capital structure aligned with the regulatory frameworks and gearing.

In practical terms, Elia Group will finance its CapEx plan in Belgium and Germany according to the set gearing ratios. Those ratios correspond to 40% equity and 60% debt to RAB for ETB, and 25% equity and 75% debt in relation to total assets for Eurogrid.

Thirdly, Elia Group maintains its current dividend policy tied to inflation. Consequently, we will continue to reserve a significant portion of our reserves, averaging over 50% throughout the period to support financing for investment in both Belgium and Germany.

Additionally, we are actively seeking to obtain capital grants linked to our CapEx projects such as PCIs and PMIs. Last week, the European Commission released the European Grid action plan and initial list of PCI and PMI projects. This list includes many projects from the Elia Group like the hybrid interconnector project TritonLink and Nautilus for ETB, Bornholm Energy Island for 50Hertz, also Brabo II and Brabo III projects, and the interconnection between Lonny and Gramme for ETB, as well as the SuedOstLink project for 50Hertz.

Securing PCI and PMI status is a prerequisite to apply for European funding from the connecting Europe facility. Overall, the group targets to receive at least EUR500 million in grants from Europe or national authorities over the next years.

Now looking forward to support or growth in the longer term, Elia Group might explore funding its accretive investments in RAB growth by issuing new equity or equity-like instruments or even considering equity-like instruments for organic growth. This will result in a net-positive impact on EPS for all shareholders as the regulatory asset base and regulated income will grow faster than they otherwise would do.

Like Bernard mentioned in the video that you saw, and like I said earlier today, Publi-T remains supportive of Elia Group strategy and committed to the execution of this plan. In this context, Publi-T is organizing itself to maintain its whole as the co-shareholder of the Elia Group.

Constructive discussions are underway and agreement in principles has been reached between Publi-T and sovereign fund in Belgium, in view of strengthening the participation of Publi-T and possibly supporting a capital increase.

Presently, the group has sufficient balance sheet headroom to fund its near-term contributions to ETB and Eurogrid CapEx plans with retained earnings and senior debt. Therefore, I confirm that there are no plans to raise equity for at least the next 12 months.

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**Marleen Vanhecke** - Elia Group SA - Head of Communication & Reputation

Okay. What does this mean in terms of targets at group level, Catherine? Can you provide our audience with some more guidance on this?

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**Catherine Vandendorre** - Elia Group SA - CEO Ad Interim & Member of the Management Board

Yes, and I will start with a short overview of the key CapEx figures from our long-term plan. It has been presented during this event. And so in Belgium for 2024, we anticipate investing approximately EUR1.4 billion. We took total CapEx plan over five years amounting to EUR9.4 billion. This is expected to result in a RAB growth of around 18% per year, leading to total RAB at the end of the five-year period close to EUR13.5 billion.

In Germany for '24, our investment is projected to be around EUR3.3 billion with a total capital expenditure plan over five years totaling around EUR21 billion. This is forecasted to lead to RAB growth of approximately 25% per year and the total RAB at the end of the five-year period close to EUR19.5 billion based on our 80% ownership.

Overall, at group level, this means that we will be investing around EUR30 billion, demonstrate a yearly organic growth of around 19% over the next five years. And I would like to remind you that this RAB only includes 80% of 50Hertz and doesn't reflect our investments in Nemo Link.

Now let's have a look at the financial performance we expect per segment. For the regulated activities in Belgium and Germany, this performance will be mainly driven by the growth of the regulated asset base but also the evolution risk-free rate following revision of our regulatory remuneration.

Let's begin with Belgium. For '24, we are confident in reaching a net profit hanging between EUR200 million to EUR230 million. This profit is considering a Belgian 10-year OLO of around 3.3% for the year. Over the entire regulatory period, 2024-2027, we expect to achieve an average IFRS return on equity between 7% to 8%. These projections are considering the investment profile as presented earlier, and an average risk-free rate of 3.2% over the period based on the latest projection of the federal plan office.

In Germany for '24, We are confident in achieving a net profit hanging between EUR245 million and EUR275 million. This profit is considering a base rate of 2.79% for the regulatory return on equity as proposed by the regulator. Over the entire regulatory period, 2024-2028, we target an average IFRS return on equity between 8% to 10% based on similar based on similar base rates.

For our third segment, including the non-regulated activities, Nemo Link, as well as WindGrid and its US investment in energyRe Giga, we expect for '24 to report a loss to the group results in a range of EUR35 million to EUR45 million. This expected loss is mainly composed of three items. First, Nemo Link will positively contribute for about EUR25 million, depending ultimately on the availability of the interconnector.

Secondly, the operational activities of the holding, other non-regulated activities like EGI and re.alto, the development of WindGrid, as well as the funding cost of energyRe Giga will lead to a loss in the range of EUR40 million to EUR45 million.

And finally, the group will also use balance sheet headroom in '24 to fund its contribution to the Eurogrid CapEx plan, leading to funding cost of around EUR20 million to EUR25 million for the existing and new debt, depending on the evolution of interest rates.

Finally, let's have a look at the overall expected performance at group level. And as mentioned earlier in this presentation, most of our revenue stems from regulated activities. Whereas revenues and EBITDA encompass various pass-through items, our level of net earnings ultimately reflects the benefits of our regulated business that accrue to shareholders. It is why our guidance predominantly focuses on return on equity.

Additionally, going forward, we will also provide clear guidance on the net profit for shareholders. It's important to emphasize that all of guidance excludes any potential impact from M&A transaction. Based on the performance of the segments, we anticipate that the net profit attributable to Elia share, excluding of non-controlling interest and hybrid interest, will range between EUR335 million and EUR385 million. This points towards an adjusted return on equity between 7% to 8% for '24.

Over the next five years and reflecting investments at ETB and Eurogrid level, we anticipate that the net profit Elia share will grow at a compound annual growth rate of approximately 20%, considering today's interest rate projection. Also, we are confident to achieve double-digit earnings per share growth over the upcoming five years and taken into account possible capital increase. Finally, we will continue to pay out reliable dividends to our shareholders, protecting against inflation.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay. Thank you, Catherine. That was a lot of text, but you did it excellently. It was really clear. Thank you.

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## QUESTIONS AND ANSWERS

### Editor

So ladies and gentlemen, we have shared a lot of information with you today, and we are getting ready for the Q&A session. Stéphanie Luyten, our Investor Relations Manager, will guide us through this.

Stéphanie, could you already share the first questions with us, please?

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Yes, Marleen, and it has been very busy here backstage. I have received a lot of questions around different topics.

So if it would be okay, we would first proceed with Catherine, questions obviously related to the funding and everything she has explained. So maybe, Catherine, the first question for you would be, could you give us some more clarity in terms of timing and also in size on what we could expect for future equity needs?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Sure, Stéphanie. So because I think the topic is extremely important, I will maybe start by recalling the principle that we apply for the funding, which like we just said, are based on the gearing ratios, which are defined within the regulated entities. That's the first step.

We take, of course, into account as well the dividends that we will pay. And so the reserved earnings that will come, and that will fund partially the activities. And finally, we deduct the grants that we will seek from European and national authorities, targeting at least, like mentioned, EUR500 million.

What does it mean? For the rest, taken into account this information coming from the financial policy that there is a scenario where you might expect equity or equity-like instruments are issued by Elia Group. Of course, before doing that, we will look at which type of instruments do we want to issue and making sure that if there was a capital increase, this would be accretive for the shareholders, meaning that the RAB growth that will come from the funding of the equity raise will be positive for all the shareholders.

According to the CapEx plan that we have and the simulation that we did, it means that we could have, on the next five years, a capital increase ranging between EUR4 billion, to EUR4.5 billion, depending on the grants that we can have. Of course, that's the total amount of capital increase that we see possible today. We need to take into account the fact that Publi-T, the reference shareholder, will take a portion of those capital increase.

Next to that, in terms of timing, we already said during the CMD today that there is no capital increase to be expected, let's say, on the short term in 2024. We can also say that capital increases are more foreseen at the end of the period. So following the trends of the investment that we see with strong increase at the end of the five-year period, that's what we can expect in terms of timing.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Okay. That's very clear, I think. Then another question is in terms of equity-linked instruments. You have mentioned them again. They are wanting to know if you are only referring to hybrids or if we see other instruments also and if we would use them in the very short term?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Yes. So for the for the time being, we have indeed a funding policy that would allow us to make use of a different type of instrument. So hybrid instrument could be one, but all types of equity-linked instrument could be another option. There are no plans to issue them on the short term.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Okay, clear. Then maybe going to the US question, it's about what our role will be within energyRe and what risks we see with this investment.

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Okay. So maybe before coming to the risk, I would also like to say that the investments that have been presented by energyRe management during a video are very crucial for bringing clean energy to the city centers in the US. So those investments, from a technical point of view, a little bit complex.

But they are, from a social point of view, really key for delivering the targets that a number of states in the US have established in terms of green energy. And that's one of the reasons for which we decided to invest in this company rather than in other companies or other possibilities.

Now coming to a role and coming to the risks that we see, well, the role that we'll play is the one of strategic investors knowing very well how to deliver and how to execute on those projects, the projects in question, they are the projects we are used to: transmission project or the transmission portion of offshore projects. We have been used to do that for years in Germany, in Belgium.

We have EGI advising a number of companies worldwide. And that's really the expertise that we will bring. And that's really the role that we will play next to energyRe, which has the competencies in terms of stakeholders management in terms of connecting with local players.

The risks that we see for those projects, they are very much linked to the ones we have in the project that we are doing and we are used to manage. So there are, of course, a number of operational risks linked to a delay in execution of the project.

As you know, we have adopted some years ago very strict risk management policies for the execution of the of the project that we intend to make use of as well in the context of the investments within energyRe.

Second, in terms of increases in interest rates and increases in supply chain on paper, it's a risk. But like mentioned, we have, of course, taken this risk in account for doing our evaluation exercise. And on top of that, we expect that for the PPAs, which are still to be concluded, they will benefit from inflation-linked mechanism and so offering some kind of protection.

So at the end, taken into account the business model of the company, the one-off capital recycling, the risk that we can see is a risk that the price that we expect for those investments is a price that we can't have when we start putting the assets on the market. And that's a risk that we will, of course, try to protect as much as we can by concluding the agreement as early as possible. But of course, after that we have proven that we are able to de-risk the project in question.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Okay, very clear. Catherine, I just have a last follow-up question that I have received on the participation of Publi-T. They would like to understand until which level they would potentially follow?

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**Catherine Vandendorre** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Yes. So that's something that's Publi-T has to mention, of course, itself. Based on what we have today on the table, there is a willingness to really remain as relevant the shareholding of the company as Publi-T is today.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Thank you, Catherine. Maybe now we can switch to Yannick.

Yannick, I have a few questions for you, if that's okay. Maybe the first one would be, could you clarify a little bit how we calculate our EPS guidance and what kind of financing we take into account?

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**Yannick Dekoninck** - *Elia Group SA - Head of Capital Markets*

Okay, for our EPS, we use basically the net result Elia share. So it's the net profit after minority interest and after our hybrids, which we divided by the weighted average number of share. It's a calculation that we are applying since many years, which are also included already in the APMs that we are publishing.

In terms of financing, I think Catherine mentioned already that equity will also be needed to fund our activities. If you looked at our debt, we are financing our TSOs in accordance with the regulatory gearing, which means that on average, we believe that we will need to raise around EUR4 billion of debt on a yearly basis for both entities together. And also, like we already mentioned, we will also leverage more the holding to fund our activities, but still within the limits of our financial policy.

That being said, for 2024, it means that we will need approximately around EUR800 million of debt that we will use to finance on the one hand, our TSO in Germany but also our acquisition in the US.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Very clear, Yannick. And then maybe a final question for you. Where could you guide us where we will end the year in terms of net debt for the year, excluding EEG?

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**Yannick Dekoninck** - *Elia Group SA - Head of Capital Markets*

As always, a very difficult question as the EEG is, of course, not fully easy to estimate. But without EEG, the net debt that we expect at year end will be close to EUR9.3 billion for Elia Group.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Thank you, Yannick. And now I have two questions for you, Marco. The first one would be, could you provide some details on the regulatory interest rate outperformance in Germany for its onshore debt?

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**Marco Nix** - *Elia Group SA - Interim CFO*

Yeah, happy to do so. The generic rate which we currently apply is derived from two public rows, which are published by the Central Bank as well. It contains all running yields of loans and outstanding debt of German issuers on different kinds of maturities, that's one; on the other side, different kinds of ratings.

So currently, this is at a 4.5% level, and that gives us confidence that we are able to be below that. That's currently the frame which we are in. The generic rate is simply multiplied 60% on a 4.5% on the entire investments which we face next year. That's what it is about.

**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Thank you, Marco. And then in the beginning of the presentation, you said there are some elements still outstanding about the German regulation. Could you give us a bit of a view on that and what we could expect from that?

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**Marco Nix** - *Elia Group SA - Interim CFO*

From a formal point of view, the return on equity file is not closed yet. There is a public hearing running, and we don't expect any changes compared to what we presented today. But the formal step in final determination is outstanding in particular for the rate, which is higher than the base rate of 4.1%. But for all new investment, it's something we expect, that this will be closed and published by end of the year.

And furthermore, the general productivity factor for the entire industry is outstanding as well. There, we don't see for the time being any indication how this calculation is going to be made. So far, at 0.9% for the electricity sector, and this is running until end of year. But we don't have visibility so far how this will be further evolved. However, for our company, it is, of course, a factor which drives profitability, but to a minor degree than compared to the other elements.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Great. Thank you, Marco. I just received one additional question that I think you will also be able to answer me on. In terms of our planning, when do we expect to receive some information about the grants and the and the grants that Catherine mentioned earlier today?

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**Marco Nix** - *Elia Group SA - Interim CFO*

On one hand, on the project, we are talking about, that's namely Bornholm Energy Island and Princess Elisabeth Island, we are already working on that one. The first step has been made, both projects on a PCI list in Europe being listed. That's been confirmed, and that gives us a frame to further move on to apply for funds from the EU.

That's something which is very concrete and which we further want to drive so far. The framework is limited to an extent in terms of allowance to use funds for works. That's something which we still need to work on.

But we don't expect a decision on that one soon, to be honest on that one, as this needs to be further worked on, in particular, the question how the prioritization is being made on European level on all these projects as they are more than 160 on the list in total, but not all of them are on that level of maturity as ours.

And if you want to accelerate energy transition, then I think it's reasonable that these projects, which are ahead of the curve, are getting funds soon in that regard, knowing that administration will take some time.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Thank you, Marco. I think that's it for you in terms of questions. It would be good to have Frédéric now, Stefan, and also Peter. I have some more questions for you. Let me maybe start off with Frédéric. More and more questions around affordability and what' could Elia do for this.

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**Frédéric Dunon** - *Elia Group SA - Deputy CEO, Elia Transmission Belgium SA*

Yes, I think it is a very relevant question, and we discussed about it already today. Affordability is key if you want to organize energy transition in Europe. The key levers to achieve that are, on the one end, infrastructure development; and on the other end, flexibility.

For infrastructure development, what we do -- what we planned in the federal development plan will allow us to reduce everything being equal, the commodity costs in Belgium by EUR10 to EUR15 per megawatt hour. For flexibility, that is key that the consumption, the new consumption that will come into the network will be able to unlock its flexibility like that. We can avoid some costs for system management, and we can also avoid to add additional power plants to the system to ensure the adequacy of the system.

To achieve that, we have of course to invest, and we spoke a lot of investment today. And the tariff, which had been approved by the Belgian regulator has an impact, an increase of the tariff by EUR3 to EUR4 per month for residential customer. Then you have to put that in perspective, the reduction of the commodity cost at one side, EUR10 to EUR15 per megawatt hour; and increase of tariffs for residential customer, for instance, EUR3 to EUR4 per month.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Thank you, Frédéric. Now the next question is for Stefan. So on the German grid consolidation, how do you see it evolve? And are you having any discussions with the other TSOs or with the government?

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**Stefan Kapferer** - *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

First of all, it's always relevant to have very strong shareholders, and 50Hertz is happy to have strong shareholders with Elia Group and KfW. And we all remember Elia Group confirmed several times that if there is a German consolidation, it is a key topic for Elia Group to remain relevant in Germany.

So nevertheless, it's relevant to look at the negotiation processes, but you shouldn't look at any kind of rumor. For us at 50Hertz, a key priority is to fulfill expectations of the government, expectations of society, and to deliver projects in time. So having strong shareholders and delivering projects in time, that's the best and a great place to wait for kind of a consolidation in Germany if it happens.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Thank you, Stefan, and then maybe another question. You've talked a lot about offshore in the Baltic Sea and in the North Sea. Do you see any plans to have interconnectors in Eastern Europe and other interconnection projects outside?

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**Stefan Kapferer** - *Elia Group SA - CEO, 50Hertz & Member of the Management Committee*

Yes, of course. We are in close contact with our colleagues in the Czech Republic as well as in Poland. We will see a stronger interconnector to the Czech Republic in a few years. And also in Poland, the interest in offshore wind is growing.

So I reported about the LOE we have with the Baltic states and the TSOs in the Baltic states. And obviously, we will see additional interconnectors in the next 10-year network development plans. So this is the future for the Baltic Sea, not only offshore but also onshore with our neighbors.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Very clear. Thank you, Stefan. And then I'll go for a last question for you, Peter. People are curious to see what is the timeline for us in finding a new CEO, and what are the qualities that we are after at Elia Group?

**Peter Michiels** - *Elia Group SA - Chief Human Resources and Internal Communication Officer, Chief Alignment Officer, & Member of the Management Committee*

Yes, thank you for that question. And before I start answering that, I mean, we need to understand that the plan and the strategy that we talked about today and you represented has been developed by the executive team and the Board and has been approved by the Board and the shareholders. And you can already see the results today.

It's the achievements, for example, with the deal in the US, the great results on the tariff negotiations. These are all execution of that strategy that we have seen. So that was the first priority, keep that pipeline going of executing the strategy that was set, developed, and agreed. And hence, the appointments of Catherine and Marco are also spearheads of that to make sure we continue rolling that out.

And now the Board will meet soon to develop and discuss how we replace the permanent position of the CEO, which clearly is a position that is more international than before as we have strong CEOs in Germany and Belgium. And therefore, we think it's important that we get somebody that can develop the group further at an international level in line with the ambitions that Bernard has explained in his video.

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**Stéphanie Luyten** - *Elia Group SA - Head of IR*

Thank you very much, Peter. I think that brings us at the end of our Q&A session. You all know you're always more than welcome to reach out to me if you have any additional questions. I will be taking them offline and in the next coming days, so don't hesitate to reach out to me.

Now I give it back to Marleen to have some closing words for our CMD. Thank you.

(video playing)

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Thank you, Stéphanie. Thank you, Marco, Yannick, Stefan, Frédéric, Peter, and Michael for your contribution to today's event and also for responding to the questions. Catherine, the floor is yours now for the closing remarks.

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**Catherine Vandendorpe** - *Elia Group SA - CEO Ad Interim & Member of the Management Board*

Thank you. I think, today, we have presented a transparent outlook on our value-creation drivers and funding for the upcoming five years. We are, as a team, fully dedicated to executing our strategy since transmission plays a vital role in shaping our sustainable and affordable energy future. The emergence of a new energy economy necessitates an accelerated grid expansion to avoid potential gridlock and prevent any delays in the transition. Clearly, this is not an option.

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**Marleen Vanhecke** - *Elia Group SA - Head of Communication & Reputation*

Okay. Thank you, Catherine. And with this message of trust and commitment, I would like to conclude today's event.

Ladies and gentlemen, we would like to thank you for attending our second Elia Group Capital Markets Day. We hope you enjoyed it. The full recording of the event and slides will be made available on the Investor Relations pages of Elia Group website later today.

A big, big thank you to all staff who contributed to this event and to the entire technical team behind the scenes. I wish you all a great day, and see you soon.



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