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ELI.BR - Full Year 2023 Elia Group SA Earnings Call

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PRESENTATION

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

Good morning, everyone. Thank you for joining us for this livestreamed event, which we are filming from our Brussels studio. Over the course of the next hour or so, we will cover the full-year results of Elia Group. For this, the Group's Interim CEO and CFO, have joined us, Catherine Vandendorre and Marco Nix. Welcome.

What's on the agenda? We will first look back at our most important achievements from 2023. Our activities in Belgium and Germany are clearly accelerating. We will provide you with an update regarding our most important projects. And of course, we will also revisit our first acquisition in the United States. So we have many topics lined up for an interesting discussion with Catherine Vandendorre. Marco Nix will then take us through the results of 2023 and the outlook for the rest of the year.

First, let's take a look at the least interesting but nevertheless important slide of this presentation, the disclaimer. Before we can continue, you must take note of the information which is on screen now. And later today, both the presentation slides and the script will be made available on our website.

Let's start off with some exclusive images of the construction yard in Vlissingen in the Netherlands. Along with our partners, we have started building the caissons or the foundations of the Belgian Princess Elisabeth Islands. The artificial energy island which will be located 45 kilometers off the Belgian coast is a world first it will connect new wind farms and additional interconnectors to the Belgian onshore grid. Only a year ago, we have announced that the contract for the construction of the caissons had been awarded to the DEME Jan De Nul consortium. Catherine, I'm sure that you are as pleased to see that the project is really kicking off, so it's really taking shape.

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Yeah, absolutely, Marleen. And let me elaborate a little bit on the progress we made. Immediately after we were awarded the contract, our teams in the consortium began working hard on the final design. We also tested the resistance, the resistance of the future islands against heavy storms and tidal waves using a small model of it. This happened in a special lab in Denmark.

Then, last Friday, the Belgian government awarded domain concession for the islands. This was the last legislative steps before the installation of the caissons could start at sea. The construction of the foundation will take about two years to complete. Before the summer, we expect to have the first caisson installed on the seabed. So to confirm, Marleen, I am very pleased that the project is beginning to shape.

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

Yeah. And we have more good news to announce regarding the Belgian energy islands. The European Life program that supports nature and biodiversity has chosen the bird protection program, which is included in the project, to receive financial support amounting to EUR3.7 million. Elia along with the nature conservation and marine environment experts from Belgian and European organizations will work on protecting the black-legged kittiwake, a vulnerable species of birds. Ledges will be attached to the outer storm walls of the island, where the kittiwake will be able to rest and to breathe.

And additionally, below the waterline, several measures will be implemented to create a diverse and rich artificial reef. A scientific and monitoring program will be rolled out to follow up the results of this unique project, and we will make adjustments where necessary. So I'm really keen to see what the benefits of this measure will deliver. Catherine, the kick-off of our flagship project has started. It's clear we have really shifted into higher gear with this project.

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Absolutely, and let me give you some examples. In 2023, 50Hertz was given the permit to construct 552 kilometers of new network infrastructure, 304 kilometer of onshore, and 248 kilometer of offshore infrastructure. That's a clear record. On the right hand side of the slide, you can see how this compares with previous years. It's about quadruple the length of lines approved in '22.

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

Yeah, more than 500 kilometers of network infrastructure permitted in Germany last year. That's really impressive. Can you provide us with some similar examples of Belgium?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Yes. In Belgium, the Flemish government recently made an important legislative decision that defines the corridor of the Ventilus line. This project is key for the integration of the second offshore wind zone in Belgium. We are hopeful that this will have a positive impact on the developments of the Boucle du Hainaut project in Wallonia. Both projects are crucial for the energy transition in Belgium.

We also started the construction work on the new 380 kV high-voltage substation in the port of Ghent known as the Baekeland project. This project is key for the further economic developments of the region. Many energy-intensive companies in the area are working on the decarbonization of their production processes for which they need more electricity.

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

Yeah. Let's make this a little bit more concrete. One of those companies is ArcelorMittal. They are aiming to accelerate decarbonization of steel production in their Ghent plant. The first important step for this is their planned investment in two big electric arc furnaces that will double the plant's electricity consumption. Let's listen to a statement from Manfred Van Vlierberghe, the CEO of ArcelorMittal Ghent about this.

(video playing)

Belgium currently holds the presidency of the Council of the European Union, and it's against this background that 20 industrial players from Belgium recently signed and published the Antwerp Declaration for a European Industrial Deal during the European Industry Summit. The event was attended by the Belgian Prime Minister Alexander De Croo and the President of the European Commission Ursula von der Leyen. And one of the points mentioned in the declaration is a call to transform Europe into a global leader in the provision of abundant and affordable low-carbon energy.

And Catherine, I remember that was one of the primary findings of our study on the electrification of industry two years ago. What progress have we made in this regard since then?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Well, I think we can see that, today, no one is questioning the important role of electrification in industries transformation. Access to renewable energy offers companies long-term price stability. It also ensures that competitiveness remains intact. To facilitate this, important investment in leading green infrastructure are needed. Last year, we devised our green development plans for the next decades in both Belgium and Germany. These plans followed areas of consultations with various stakeholders including government regulators and industry representatives.

In November, in anticipation of the projected cash and electricity demands and the expansion of renewable energy sources, we announced a substantial increase in our CapEx program which now totals EUR30.1 billion.

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

The updated federal -- the Belgian Federal Development Plan was approved by the Belgian government in May last year and the German plan has just been approved last Friday. We will delve deeper into this topic later on with Stefan Kapferer. Catherine, I'd like to highlight the importance of those development plans, what if we overlook the emerging trends and that we face the delays in group development. What would be the consequence?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Yeah. If we wouldn't deliver our infrastructure on time, it would hinder the completion of projects which are crucial for our industrial sector. Also, the rapid decarbonization of society would slow down. The risk of this happening is very real if we don't deliver on time infrastructure. For example, the Dutch media has reported on the fact that many companies in the Netherlands won't be able to connect to the grid over the coming years. For the sake of society's prosperity, we must absolutely avoid such a situation.

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

Yeah. To successfully electrify society, you need grid updates, but that's not enough. What's the next focus point?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Yes, indeed. And on top of our extensive grid investment plans, we are also preparing ourselves for the spread of digitalization and more efficiency in our system management activities. The electrification of the mobility, heating, and industrial sectors is offering up many opportunities. The latest vision paper on flexible electricity consumption, we illustrated how are consumers adjusting the electricity consumption in line with the availability of the green energy on the grid leads to more efficiency and cost savings. It benefits both the system and consumers.

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

During our Capital Markets Day in December, we covered the various highlights already from 2023 including discussions relating to the new tariff framework. These are very important for our regulated activities since they provide us with the necessary resources to realize our investment plans. However, Catherine, I believe if I was about to ask your personal highlight of the year, I think that might be the first acquisition in the US, is it?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

I think you are right, Marleen. The acquisition was announced in December and was completed last month. As a reminder, we acquired a minority stake of 35.1% in energyRe Giga, a prominent clean energy company based in the US. With a total cost of USD400 million spread over three years, this acquisition was definitively one of our highlights. Just as our IPO and our acquisition of 50Hertz were visionary steps that have put Elia Group in a unique position today, I'm convinced that our partnership with energyRe will once again add a new dimension to our activity. It will increase our presence and relevance, both in Europe and on the global stage.

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

Yeah. And positive news regarding one of the three projects in which Elia Group has invested in the US was delivered very quickly to us. The offshore wind project called Leading Light Wind, which is being worked on by energyRe and Invenergy, has successfully secured a Power Purchase Agreement from the New Jersey Board of Public Utilities. This project is situated about 60 kilometers off the coast in the New York Bight. And once operational, it will supply New Jersey with 2.4 gigawatts of clean energy. The project is currently the largest fully awarded offshore wind project in the US.

Now let's hear a statement from Ryan Brown, the COO of energyRe discussing the project in question.

(video playing)

Catherine, now that the financial clause has been finalized. What are the next steps in the collaboration with energyRe?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

So first, let me say that the capabilities of energyRe and Elia are very complementary, so it will allow us to maximize the value creation of these investments. Our primary focus will be on advancing the delivery of the three projects within our portfolio, each project being unique. And as part of this, we will work to mitigate the project risks and optimize the value of our investments. Additionally, we will also exploring opportunities to expand our project portfolio beyond its current scope.

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

Okay. Thank you, Catherine, for providing us these additional insights. It's high time to give the floor to Marco Nix, the interim CFO of Elia Group. Marco, what were the highlights from your perspective in 2023?

Marco Nix - *Elia Group SA - Interim CFO*

One of the first highlights of the year was Elia Group's recognition as one of the first Belgian companies to be included in the BEL ESG sustainable stock market index. This highlighted our dedication to environmental, social, and governance principles. This index monitors 20 listed Belgian-based companies that adhere to the best ESG practices, reflecting the growing demand for sustainable investment tools.

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

Yeah, that's indeed a nice recognition. We already discussed the group's investment investment needs. The CapEx program of about EUR30 billion. How will we finance this?

Marco Nix - *Elia Group SA - Interim CFO*

In 2023, Elia Group took significant steps to secure diversified funding sources. This showcases the confidence investors have in our strategic direction towards a low-carbon economy. Elia Group did a partial refinancing and tender of EUR500 million hybrid securities. Eurogrid secured a syndicated loan of EUR600 million in April, which is specifically earmarked for green initiatives. This loan provided by seven banks and refinanced under KfW's climate protection program will go towards the offshore grid connection for wind farm project in the Baltic Sea.

The subsequent issuance of a seven-year bond coupled with some other fundraising transactions totaling EUR1.6 billion underscored our commitment to sustainable financing and bolstered the success of the energy transition. Elia Transmission Belgium entered the market early in the year with the issuance of its first EUR500 million green bond. This marked an important moment demonstrating a commitment to finance sustainable projects and was highly appreciated in the market with high subscription levels and competitive pricing outcomes.

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

Okay. Let's dive into some of those key figures. As already announced in our press release this morning, 2023 was a record year in terms of investments. What other highlights can you share with us, Marco?

Marco Nix - *Elia Group SA - Interim CFO*

It was indeed a record year. We ramped up investments in Germany to nearly EUR1.7 billion and spent slightly over EUR700 million in Belgium. A large portion of these investments went towards strengthening or extending our onshore and offshore grid. Around EUR170 million was channelled into further digitalization to the power sector. This led to a significant increase in our regulated asset base, which ended the year at EUR12.2 billion.

Crucially, almost all our investments, more than 99.5% are aligned with the EU taxonomy, which underscores our sustainable funding strategy. We ended the year with a net profit of Elia Group share at EUR324.5 million, resulting in an adjusted return on equity of 6.9%. If you exclude the costs that are linked to the acquisition of energyRe, this would come to 7.14%. This leads to earnings per share of EUR4.4 which is also the basis for our EPS growth guidance that we provided during our Capital Markets Day.

Furthermore, in terms of system performance, we again demonstrated very high levels of good reliability, 99.9% in Belgium and 99.7% in Germany, while ensuring operational excellence, quality, and efficiency. This makes us one of the most reliable grid operators in Europe.

Finally, Elia's recognition as one of Belgium's top employers for the sixth year in a row underscores our commitment to fostering a diverse, inclusive, and sustainable workplace. We hired 496 new people across the group year '23.

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

Thank you, Marco. Later, we will return to you for a more detailed look at our figures. Catherine, given all the planned investments, the new hires, the pressure on the supply chain, how is Elia keeping the cost of the energy transition affordable?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Yes, Marleen. We have major responsibility to realize investment in the most cost-effective manner possible. Ultimately, the impact on consumers must be a positive one. And that's why we are giving priority to those projects having the greatest impact on society. In Germany, for example, we are focusing on infrastructure project that reduce congestions, the cost of which are borne by German consumers.

Moreover, improving our operational efficiency remains a top priority. We are achieving cost reduction by focusing on digitalization and automation and by improving our maintenance activities. Additionally, we also want to make the system more efficient by promoting flexible consumption and convincing customers to use most of their electricity when prices are low.

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

During last year's presentation of the annual reports, I remember, Catherine, that the energy crisis remained a prominent topic. How substantial was the energy crisis in 2023?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Yeah, for sure, the effects of the energy crisis were less acute in '23. However, lower prices that we see today are not guaranteed to remain so in future. Due to geopolitical tensions, it has become crystal clear that energy is of strategic importance. Fundamental issues linked to Europe's energy independence have not yet been solved.

Initiatives like the North Sea Summit in Oostende and the Baltic Offshore Wind Forum in Berlin have demonstrated that international collaboration is becoming key. Some European countries will be short on energy renewable like, for example, Belgium and Germany, while others will have too much renewable potential. This means that purely national solutions will not be appropriate.

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

We just saw the images from the North Sea Summit in April last year. In November, the European Commission published a paper on the grids. So it looks like redevelopment was an important focal point in 2023.

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Indeed, and there is no transition without transmission. It's also becoming crystal clear. We feel that there is an importance of awareness and increasing awareness of the fact that electricity grids are at the center of the energy value chain. We are doing everything we can to accelerate our investments. Along with the relevant authorities, we are addressing bottlenecks in permitting procedures and discussing ways to make the deployment of grids faster and more efficient.

At the same time, we are aiming to secure our supply chains and avoid delays.

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

Let's zoom in for a moment on our home country, and we will start our journey in Germany. Year after year, our colleagues from 50Hertz are integrating increasing volumes of renewables into their system. And last year, a new record was broken, 72% of consumption was covered by renewables, and there is much more to come. On the last week, the BNetzA approved the federal development plan that looks at the years 2037 and 2045 and thus at a target year for achieving climate neutrality in Germany.

Stefan Kapferer, 50Hertz CEO, can tell us more.

(video playing)

In Germany, some states will vote for a new parliament like in Sachsen, Thüringen, and Brandenburg. In Belgium, we have elections at all political levels. European elections will also be held. The US will vote for a new President. So Catherine, it will be a big year of elections 2024, what might be the impact on our business of this?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Yes. We expect that this year holds a dynamic political landscape of shifting governments. And given the geopolitical context, we also expect to see an increased focus on defense. However, the competitiveness of our industry is also gaining momentum with energy playing a crucial role in this. So in my opinion, the green deal is not the result of one political ideology. It goes beyond party lines.

The energy transition benefits all society and preserves all prosperity. The investment optimism that we have is reflected in our green development plans and CapEx program. We carry out our work in the interest of society. Additionally, we will continue to support new governments with advice and vision papers.

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

Yeah, indeed. Elia Group was involved in almost every major energy debate in 2023. The energy mix of the future, the transformation of offshore energy, the electrification of mobility and industry, et cetera. And that brings us to our next speaker, Frédéric Dunon, the CEO of Elia Transmission Belgium will take us through his highlights from 2023. And I must say our renewable energy figures in Belgium are not as impressive as those in Germany, but even in Belgium, we saw an all-time high record of 28%.

(video playing)

I will conclude our overview by revisiting the fifth anniversary of Nemo Link, the subsea interconnector that links Belgium to the UK. We celebrated Nemo Link's fifth birthday with our partner, National Grid in the presence of the Belgian Minister of Energy, Tinne Van der Straeten; and Martin Shearman, the British Ambassador to Belgium. Catherine, many happy faces on screen. At the time, Nemo Link was the first subsea interconnector for Elia. It was the first HVDC cable. How are we looking back at those five first years of operation?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Well, we can see that Nemo Link is one of the most efficient interconnectors of its type in the world. On several occasions, the cable provided an additional source of support to stabilize electricity supply and reduce energy prices in the two countries. Due to its cap and floor regulatory model and given its outstanding commercial performance, over EUR200 million will be returned to consumers in both the United Kingdom and Belgium.

And in addition to its significant benefits in terms of well-being for society, Nemo Link has also allowed us to improve our offshore interconnector expertise. Developing possibilities for exchanging electricity surpluses with all neighbors will be crucial for decarbonizing our continent.

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

Okay. Thank you, Catherine, for sharing these insights with us. Marco, you already provided some key figures. Let's take a deeper look at the full-year results, and we will start with the group figures. So I would say go ahead, Marco.

Marco Nix - Elia Group SA - Interim CFO

Happy to do so. Elia Group posted solid result across all segments for the year. Looking at the top line, revenues amount to EUR3.9 billion, a decrease of almost 4% compared to prior year. This is, first of all, good news for consumers, in particular in Belgium. In Belgium, revenues were down around 11%. Following a normalization on both energy and financial markets facing lower volatility, costs for ancillary services dropped significantly. Furthermore, interest income from cash deposits led to lower financial costs. The growing asset base and linked to that, the higher regulated profits and depreciation offset this trend partially.

In Germany, revenues remained flat. While imputed infrastructure costs increased, the lower energy prices affected the balancing, and redispatch costs similar to Belgium, which led to lower energy revenues. Both effects were partially offset by higher revenues from EGI as it strongly expanded its international consulting activities. The Elia Group's adjusted net profit remained almost flat at EUR411.4 million. The key drivers of the result was the execution of the investment program, a very solid operational performance on regulated activities, partly offset by lower financial results in Germany.

In total, Belgium contributes around 44% to the adjusted net result and Germany for 53%. The contribution from the non-regulated activities and Nemo Link was down around EUR3 million as Nemo Link reached a cumulative cap in '23 while the cost of WindGrid could further ramp up. This was partially offset by an increasing contribution from EGI and higher interest income at the holding. Considering the one-off M&A costs linked to the energyRe investment of EUR11.9 million, the noncontrolling interest and the costs for the new hybrid, the net profit attributable to Elia shareholders comes to EUR324.5 million, leading to a return on equity of 6.9% and earnings per shares of EUR4.4 per share. Excluding the one-off costs linked to the acquisition, the adjusted return on equity would be 7.14%.

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

Yeah, an important contributor to these results is the expanding asset base. How is this reflected in the regulatory asset base?

Marco Nix - Elia Group SA - Interim CFO

Certainly, the regulated asset base is a key driver of our remuneration. Thanks to a successful implementation of our investment program. The Elia Group's rep saw a notable 12.4% year-over-year increase, reaching EUR12.2 billion by the close of '23. Specifically, Belgium experienced a 9.5% increase while Germany saw a 15.2% uptick. This growth trend is attributed to significant infrastructure projects undertaken in both countries to support the development of a unified and sustainable European energy system. This network aims to incorporate extensive renewable energy production and cross-border electricity transmission, ultimately minimizing costs for consumers.

Looking ahead, we anticipate an average annual RAB growth of approximately 19% over the next five years at a group level, projecting a RAB of around EUR33 billion by the end of '28.

Let us now turn to the funding of the Elia Group. Debt issuance backed by strong operational cash flows remained the main sources of funding in '23. The key metric for the group in this respect is the net debt, excluding the renewable energy scheme or EG scheme and similar mechanisms. Let me remind you that 50Hertz acts as a trustee for these mechanisms, and these have no impact on the profitability of the group nor its credit rating.

Excluding EG and similar mechanisms, the group carried a net debt of close to EUR9 billion, reflecting a 22% increase compared to the end of last year. The main driver behind this rise stemmed from the realization of a EUR2.4 billion CapEx plan funded in part by operating cash flow and liquidity from the previous year's capital injection. Furthermore, the group also repeatedly accessed the debt market to support its organic growth.

As a result of these transactions and the elevated interest rates throughout the year, the average cost of debt has arisen by 20 basis points to 2.1%. Currently, Elia Group's outstanding debt consists solely of fixed rate debt. End of '23, S&P, the rating agency, revised the rating of the group to BBB flat with a stable outlook. This adjustment primarily reflects the announcement of the EUR30.1 billion CapEx plan spending from '24 to '28.

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

Okay. And that concludes the group overview. Let's zoom in on the Belgian segment. Halfway through the year, we reported that Belgium was well on track to reach its performance targets. And earlier, an increase in RAB was highlighted. How is this reflected in the year results, Marco?

Marco Nix - Elia Group SA - Interim CFO

Belgium achieved robust result over the year. We touched on earlier why the revenues decreased, so let us move straight to the bottom line. The adjusted net profit came in at EUR181 million, up by 15% year over year. The key drivers of this increase are, firstly, a higher fair remuneration up by EUR7.7 million. This growth can be attributed to mainly to the expansion of the asset base.

Secondly, the contribution from incentives increased by EUR12.9 million, indicating a strong operational performance by Elia Transmission Belgium. Despite the growth of its activities, the controllable costs remained under control, and we benefited from a better performance on the incentive for interconnection capacities driven by lower congestion costs. Thirdly, the activation of issuance cost linked to green bonds and capitalized borrowing costs contributed EUR5.3 million to the results.

Lastly, last year's results benefited from one-off tariff compensation for financial costs associated with the capital increase. All in all, this resulted in a return on equity of 6.2%.

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

Yeah, we have already touched upon the expansion of the asset base and the first green bond issuance. Could this affect the overall financial position of Elia Transmission Belgium?

Marco Nix - Elia Group SA - Interim CFO

For sure. Bolstered by a capital increase undertaken in '22, Elia Transmission Belgium has a very solid capital structure with an equity portion well above 40% of the regulated asset base. This supports our ability to finance and facilitate organic growth in Belgium. As mentioned, Elia Transmission ventured into the debt capital market issuing its first EUR500 million green bond to fund eligible green projects.

Proactively responding to the anticipated rise in interest rate, the company engaged in interest rate swaps, ensuring that the benefits are passed on to the consumers. Consequently, this bond issuance had a minimal impact on the average cost of debt which rose by 10 basis points to 2% by the close of '23. It's worth noting that Elia Transmission Belgium maintains a well-balanced debt maturity profile with all outstanding debt carrying a fixed coupon. The company's liquidity position remains robust with both the sustainable revolving credit facility and commercial paper remaining fully undrawn at year end.

ETB's credit rating was reaffirmed by Standard & Poor's at a BBB plus rating with a stable outlook. And that's going the company's financial stability and outlook for the future.

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

Yeah. These were the results of Belgium. Let's now shift our focus to Germany. We previously mentioned that the revenues remained flat as the higher investment remuneration due to the progress of the CapEx plan was offset by the lower pass through energy costs. But what about the 50Hertz bottom line? Marco, can you walk us through the key factors that influenced the performance of 50Hertz in 2023?

Marco Nix - *Elia Group SA - Interim CFO*

For sure, Marleen. Net profit came in at EUR218 million, down by 7% year over year. There were several key drivers behind these results. Firstly, the financial results dropped by EUR61 million. '22 was marked by strong drop in valuation of provisions linked to congested income due to the sudden spike in forward interest rates. These amounts need to be returned to the grid consumers over several years and are therefore discounted based on actual market rates, and '22 benefits from that heavily.

Secondly, the ongoing investment program led to increased asset remuneration, which was up nearly EUR53 million. At the same time, depreciation cost grew by EUR24 million due to the partial commissioning of Ostwind 2, an offshore wind farm connection in late '22 and progress made on other onshore investments.

Thirdly, onshore OpEx and other costs decreased by almost EUR11 million. Despite the expenditures on digitalization and growing activities no longer benefiting from the offshore lump sum anymore, operating costs were effectively managed. This was also supported by increasing base year revenues as the inflation adjustment exceeds the productivity factor given by the regulator.

Moreover, 50Hertz benefited from a higher energy bonus of around EUR4 million, driven by lower grid loss costs. This resulted in a return on equity of 9.5%, excluding hedging. With an eye on the 50Hertz financial position, the total equity decreased by EUR42 million to around EUR2.1 billion. This drop was mainly related to the hedge reserve linked to forward contracts concluded for hedging the risk of fluctuation in the expected amount of grid losses.

Due to a significant fall in energy prices, this contract's fair value decreased, resulting in a negative hedge reserve of EUR157 million. This was partially balanced by an equity injection of EUR120 million from Eurogrid shareholders, Elia Group and KfW, who continue to demonstrate their commitment to further shape the energy transition. 50Hertz's liquidity position remains robust at EUR1.6 billion. This includes an EG and similar mechanisms' cash position amounting to EUR353 million. This position witnessed a substantial drop over the year as no new federal grants were received and energy prices fell.

As mentioned earlier, Eurogrid actively participated in the debt market, securing EUR1.6 billion of debt to finance its accretive investments, and we paid the EUR750 million bond that was due in November. As a result, the average cost of debt increased from 1.52% to 2.01% at the end of '23. The maturity profile remains balanced with a weighted debt duration of 7.2 years.

In light of the announced CapEx plan for '24 to '28 and regulatory updates at the end of '23, S&P lowered your Eurogrid's credit rating to BBB flat with a stable outlook.

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

Besides, its regulated activities in Belgium and Germany, Elia Group also operates in Nemo Link and undertakes various non-regulated activities. How did this third segment contribute to the Elia Group results, Marco?

Marco Nix - *Elia Group SA - Interim CFO*

This segment contributed EUR12 million to the group's adjusted net result. The key drivers were as follows: Nemo Link contributed EUR27.3 million to group's result, representing a decrease of EUR9.6 million compared to previous year. This decline can be entirely attributed to Nemo Link reaching the cumulated cap for five years' assessment while the prior years through that partially benefited from the headroom coming from the years before.

By '23, the electricity markets in Europe and UK had stabilized following the turbulences of '22. Despite maintenance activities in Q4 '23, the interconnectors' availability remained high at 96% over the year. Over the first regulatory period from 2019 to 2023, Nemo Link performed exceptionally with an average availability of the interconnector of 97.7%, significantly contributing to the security of supply and grid balancing in Belgium and the UK.

Apart from the Nemo Link, we saw a lower loss for the holding, EUR5.3 million, driven mainly by higher interest income on cash deposits and lower business development costs, as costs linked to energyRe are presented as an adjusted item. Furthermore, we encountered higher cost of input especially in relation to the establishment of WindGrid US. And finally, we also saw a strong contribution from EGI which added about EUR4 million to the result. Considering the cost associated with energyRe, the net profit amounts to EUR0.2 million.

Let us also look at the liquidity position. Elia Group has maintained strong liquidity. We have a fully undrawn commercial paper program worth EUR35 million. As previously mentioned, Elia supported its investments in 50Hertz drawing EUR100 million from its revolving credit facility. This leaves EUR55 million in committed but undrawn credit lines available.

Additionally, in relation to the investments in energyRe, Elia Group has secured a bridge facility of EUR400 million, which remains fully undrawn at the end of '23. It's important to note that the transaction was finalized at the end of February '24 and partially drawn for an amount of EUR230 million. Regarding the outstanding debt profile of the segment, there are no imminent maturities. And as mentioned, we undertook a partial tender and refinancing of the hybrid at a rate of 5.85%.

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

Let's take a look at one last area. The dividend policy, what can we expect?

Marco Nix - *Elia Group SA - Interim CFO*

As per our policy, we will propose an increased dividend amounting to EUR1.99 per share to the General Assembly.

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

During our Capital Markets Day held in December, we already provided an outlook for 2024 and beyond. Are there any changes in that respect, Marco?

Marco Nix - *Elia Group SA - Interim CFO*

In a nutshell, there are no changes. We confirm the guidance given during our Capital Market Day in December. We anticipate that the net profit attributable to Elia Group share, excluding non-controlling interest and hybrid interest, will range between EUR335 million and EUR385 million. This points towards an adjusted return on equity between 7% and 8%.

For Belgium, we aim to achieve a net profit ranging between EUR200 million and EUR230 million. This profit is considering a Belgian 10-year OLO of about 3.3% for the year. Elia Transmission intends to invest roughly EUR1.4 billion.

In Germany, we aim to achieve a net profit ranging 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. 50Hertz intends to invest roughly EUR3.3 billion.

For our third segment, including the nonregulated activities, Nemo Link as well as WindGrid and its US investment in energyRe, 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 contribute for about EUR25 million, depending ultimately on the availability of the interconnector.

Secondly, the operational activities of the holding at our nonregulated activities like EGI and re.alto, development of WindGrid, as well as the funding cost for energyRe will lead to a loss in a 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 interest costs of around EUR20 million to EUR25 million for the existing and new debt, depending on the evolution of the interest rates. I would like to point out that this guidance obviously does not take into account any potential M&A transaction.

We do see ourselves well positioned in the market. This is underscored by the recent transaction at the start of '24, specifically, the issuance of a Elia Transmission's green bonds of EUR800 million and Eurogrid's green bonds of EUR700 million and EUR800 million. These transactions underpin our ability to deliver on the energy transition.

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

Okay. Thank you. And to conclude today's presentation, let's hear some final thoughts of Catherine. 2024, we're already March, but what are you looking for this year?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Well, first, to deliver, deliver, and deliver on the CapEx. The implementation of our EUR30 billion CapEx program is a key priority. Our company will experience immense growth not only in terms of assets but also in terms of people. And I'm very optimistic about this.

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

Yeah. During the Capital Markets Day, we already discussed the CapEx program in detail. In addition to CapEx delivery, Catherine, what is the focus for you for the year to come?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

I'm also looking forward to the progress that we'll make in terms of flexible consumption. Following the publication of our vision paper, the topic is becoming more tangible. We will work on issues such as real-time pricing and launch projects that allow our customers to benefit from offering the flexibility up to the market. At the end of this month, Elia Group is hosting its third hackathon to demonstrate the potential that lies in steering flexible assets like EVs and heat pumps based on real time prices. It will fundamentally change the way our system is managed and create value for consumers and for the system.

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

It's indeed a game changer, real-time pricing. Catherine, I have one final question for you. Earlier today, you already mentioned the importance of thought leadership, what studies can we expect in the course of the year?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Within the group, we are working on two vision papers that will explore how the European seas will become the power engines of the future. The first paper will be published later this month during the WindEurope conference in Bilbao. That's a paper in collaboration with the Danish wind developer, Ørsted. At the end of the year, we will publish an additional study with a broader scope.

And in Belgium, we'll also be studying the country's most suitable energy mix to move to net zero. That report will be published end of June.

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

It's something we all are looking forward to. Thank you, Catherine, and thank you, Michael.

QUESTIONS AND ANSWERS

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

Ladies and gentlemen, I suggest we now move on to the Q&A session. Yannick Dekoninck, our Head of Capital Markets will guide us through this. Yannick, do we have questions from one of your audience members for our speakers today?

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

Yes, I'm very pleased to welcome many of our analysts, So I would give the floor then to Mafalda to raise the first question.

Mafalda Pombeiro - *Goldman Sachs Group, Inc. - Analyst*

Thanks a lot, Yannick, and can you hear me?

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

Yes, we hear you very well.

Mafalda Pombeiro - *Goldman Sachs Group, Inc. - Analyst*

Hello, everyone, and thanks for taking my questions. I have two. The first one is whether you could give us some indication on when you expect net debt to land by year-end 2024. And if you don't want to be overly explicit, at least if you can briefly comment whether you are comfortable with consensus, which I believe is at EUR12.6 billion.

And the second question would be relating to your future equity needs, which we discussed in detail on your CMD and potential timing. Do you continue to have no plans to raise equity before the end of 2024? And is there anything that could make you change your views here? Yeah, I leave it there.

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

So maybe I will take the first one on the equity raise plans, and then I will give you the floor for the question on the debt. So I can confirm that we don't have plan to raise equity in 2024 like we said in the CMD in the Capital Market Day. We have a pretty good visibility on the CapEx that we need to deliver, both in Germany and in Belgium. We have also good visibility on the plans for the US. So outside of any very, very, very unlikely and exceptional event, I don't know. I can't imagine anything that would push us to change our minds on this topic.

Marco Nix - *Elia Group SA - Interim CFO*

Yeah. And based on debt, the question on the debt, a logical one to follow, we currently do see ourselves on a little bit higher level than you mentioned, taking the huge CapEx program ahead of us as EUR4.8 billion almost of the group. So that that will lead potentially to a lending point buffer EUR13 billion at the end of '24 on the debt level.

Wim Lewi - KBC Securities - Analyst

I have also got two questions. The first one is on the provision of the congested income, which you explained that because of the favorable situation in '22, there was a compensation. And in the press release, you referred to the decrease in the forward interest rates at the end of the year. So can we then assume as that now has balanced out a little bit over the first months of this year that you can get part of that back over the first half?

Marco Nix - Elia Group SA - Interim CFO

I can explain on the congested income as this is something which comes from a congestion management on the interconnectors. That's the money similar to Nemo which, contrarian to Nemo, is fully given back to the consumers, but over 20 years. So we are giving a '21 trends of the entire amount, which we gained there back to consumers over 20 years. And that lead to heavy discounting on these long-term liability.

And in '22, interest rate went significantly up at once, and as we do in the low-interest rate environment, we're close to nominal value as a liability that lead to a significant impact on the P&L, significant positive impact on the P&L.

That being said, assuming that the volatility of the interest rate environment will not be as high as we've seen in '22, the impact for future years should be lower than we've seen at '22. However, even in '23, we saw an impact in the P&L. So based on the difference between September and December, so it was a drop of almost 1 percentage point that lead to the impact on the result of EUR5 million. That gives you an order of magnitude how it could evolve over the years, year by year, in case there's a change in interest rate environment. Hope that answers your question.

Wim Lewi - KBC Securities - Analyst

Yes, yes. Very helpful. That's exactly what I was looking for. Then the second question is, and you already answered the equity raise question, so that's all clear for this year. Now you also mentioned that you are obviously watching the election outcome. And in Belgium, you have an election on June 9. My question is really in relation to the Publi-T financing, which we have seen that they are preparing also of capital increases to anticipate, the EUR4 billion Elia share of equity-like projects that you would want to raise over the period. Is there anything you can say or disclose on that, how that's progressing, and whether that's at all related to the elections or whether that scope could follow independent track independent of whatever outcome of the elections Belgium?

Catherine Vandendorre - Elia Group SA - Interim CEO, CFO

Yeah. So first, I fully understand your question on whether there was a link, let's say, between the election that we'll have later in June and the position of Publi-T, but the answer is, no. So PBT is really -- so municipalities behind the PBT are really organizing themselves with a long-term view, having a strong willingness to support the development of the company and to support the execution of the strategy. And they are really not looking at, let's say, short-term election moment. It doesn't modify neither the composition of Publi-T nor their willingness to support the execution of the strategy of the company.

So I can clearly say, there was a clear disconnect between election on the one hand and organization of PBT on the other hand. Regarding the progress that they have made in terms of organization within Publi-T to proportionately contribute to equity raise, that will come. They are progressing well. So they have finalized discussions regarding agreements with third parties, and they are still intending, and they confirmed that they are still intending to participate pro rata to the capital increase that will come beyond the 2024 time horizon.

Wim Lewi - KBC Securities - Analyst

Okay, that's clear. Thanks for taking my questions.

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

Thank you, Wim. I propose now to switch to Kepler with Juan. So Juan, please go ahead.

Juan Camilo Rodriguez - *Kepler-Chevreux - Analyst*

Good morning, and thank you for taking our questions. I have three, if I may. The first one is on the discussions with stakeholders about the future financing plans post 2025. My question is more specifically on the German side as big part of your CapEx plan is allocated towards Germany, and you have the state that has a 20% stake on 50Hertz, but there is none at the holding level. So my question is, has the state committed to contribute on their side in line with the CapEx needs, and this will be in parallel to any financing that will be needed at the holding level? So this will be my first question.

The second question is on the constraints that you're seeing on your CapEx plan. You signaled, first, the permitting plan in Belgium that could be an issue. And the second one is supply constraints. My question is how conservative are you on your CapEx targets assumptions? And will you be willing to adapt if that is the case? And what is the risk that you see on this?

And the third question, if I may, is on the EUR11.9 million adjustment cost that you're doing on the other segment, and how can this compare to, if I see the bridge to the EUR3.2 million already on WindGrid?

Marco Nix - *Elia Group SA - Interim CFO*

Maybe to the German situation, and it's the same commitment which we faced via the shareholders of the Elia Group. There is a commitment to support the energy transition. That being said, we didn't agree on specific plans for funding year by year for the time being. That's something we are doing year by year if you have really strong visibility on the CapEx execution.

That's the second point you raised, how uncertain it is. There, of course, some risks connected to permission procedures. We know that there is a kind of unlock in particular in Germany in that regard, as we received significant permissions. But we do see good progress in particular on the big backbone projects in Belgium as well that gives us some confidence that the permissions will be ended in time so that we can execute the plan.

In terms of supplier basis, we did quite a lot last year already like early ordering, entering into long-term partnerships with supplier, working on increasing the supplier base, so that the commitments we entered in on a five-year horizon are quite remarkable, and that gives us confidence, too, that the CapEx plan, which we have shown here, the EUR30.1 billion, is a robust one, not being said that we are hitting exactly the number than, particular on last year. But we do not see a huge deviation in a billion order of magnitude.

So that's the best estimate, the best we can currently provide you with. And that's the plan we are following. And there's a strong commitment to make it happen from all companies which are working on that one and a strong belief that this is affordable and feasible on the horizon.

Catherine Vandenborre - *Elia Group SA - Interim CEO, CFO*

Then maybe on your question on the possible delay on the permitting plans in Belgium. I'm not sure that we phrased it correctly in the press release, hearing the interpretation that is given. To say it differently, we always faced difficulties in terms of permitting on infrastructure. That's something which is part of the daily life of a TSO. But until now, we manage those difficulties, and maybe that's where you see, by the way, the difference between a TSO really wanting to deliver on the energy transition.

And so on the contrary, I would say, on very important investments that we have in the investment plan, we have seen good progresses on the last weeks and on the last months. And I was referring, for example, to Ventilus during the presentation, where we are really seeing good progress. I was also referring to the island where we received the concession domain last the last week or two weeks ago.

So very concretely, I would even say, on the contrary for the time being, we see good progresses on the number of key investments that we have in Belgium. What we meant, what we wanted to say is that we see even a potential to, on the one hand, decrease the burden linked to the administrative process of the permitting and, on the other hand, to possibly accelerate. There are a number of measures which have been defined at European level which have already been implemented in national legislation, like for example in Germany. And that led to an acceleration in the permitting process and the highest amount of permitting received last year in Germany versus the years before.

And I think that we received in 2023 as much permits as in the last four years of 50Hertz, to give an illustration, but it's not yet implemented in Belgium. So we see potential to accelerate the permitting process in Belgium. And if we wouldn't do that, if we wouldn't, the authorities wouldn't take those measure, then, of course, it could have an impact on the speed by which the energy transition is delivered.

But we don't see an impact in terms of possible delay on the CapEx plan that we have due to this permitting issue in Belgium, especially not for 2024. Of course, the longer is the time horizon, the more uncertain it is in terms of ability to predict very, very well the figures. But like usual, the figures that we give are pretty well defined for the first three years of the time of use. And afterwards, of course, we will adapt depending on the circumstances. I hope this clarifies.

Juan Camilo Rodriguez - *Kepler-Chevreux - Analyst*

Yes, quite so.

Marco Nix - *Elia Group SA - Interim CFO*

The EUR12 million on energyRe partly consisting of the payment to investment banks for the transaction and the EUR3 million for establishment of WindGrid US, I think, was more installment cost of an entity than where we -- which we implement then as a platform than for growth. It was, at this point of time, independent from the energyRe transaction, knowing that we structured it then via that WindGrid US.

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

Thank you Juan, I then please give the floor to one of our new analyst of Deutsche Bank. So Olly, please go ahead.

Olly Jeffery - *Deutsche Bank - Analyst*

Can you hear me okay?

Marco Nix - *Elia Group SA - Interim CFO*

Yes, we do.

Olly Jeffery - *Deutsche Bank - Analyst*

Super. So two questions, please. The first question is related to the equity raise again. But at the CMD, I believe you mentioned you're looking to raise something in the order of EUR4 billion to EUR4.5 billion. Can you confirm that's still the right order of magnitude? And can you give any visibility on what you're thinking here around cadence? I mean, do you think you'll be in one or two blocks over a couple of years or more spread out?

The first question is on - equity element. And the second question is just on tennet and read across yourself. I mean, that process between the German and Dutch government appears to have slowed a little bit recently. Do you have a view of maybe you think that will go ahead, and do you

have a view on whether you think the Dutch and the German government still wish to progress with that, and it's just a question of figuring out price effects, or do you think there's a willing on both sides to go ahead? Any commentary how, that would be interesting hear.

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

So would you like to take the one-off equity?

Marco Nix - *Elia Group SA - Interim CFO*

I could. So the order of magnitude, we confirm, which we which posted during the Capital Market Days, depending, of course, on the potential grants which we can acquire during the year as this is still our -- one of our funding sources, which we will want to and able to enter in. But the EUR4 billion to EUR4.5 billion depending on the grants which we can achieve is something which is still in our mind to fund the CapEx plan as this has not changed neither for the time being.

For the structuring of the market approach with these amounts, that's the subject of a discussion. We prepare ourselves, our shareholders preparing ourselves. And that will be done in a debate once we have better visibility when we are going to approach the market. So far, it hasn't decided yet, as a couple of opportunities or options are under evaluation in that regard.

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

As we've said, depending on market circumstances that we will see at that time, and still a little bit too early to answer this question on the cadence. On tennet, I think you were seeing it right. There are discussions between government, between the German government and the Dutch government. And of course, it's very difficult for a party like Elia Group to comment on discussions going on between the Dutch and the German government.

Of course, there are many rumors in the market, but usually we don't work based on the rumors. So I would say, first step is to see whether a transaction happens at a certain point of the time. And second, then keep in mind that the position we have on the German market is absolutely key for Elia Group, and that we want to keep our relevance on this market.

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

I now propose to switch to Exane. So Alberto, please go ahead with any questions you still may have.

I hope you can hear me properly. I will stick to two. The first one is coming back to your strategy in the US after the acquisition of energyRe Giga minority stake. If you could elaborate a little bit more on the rationale behind the acquisition, and what is your strategy going into the future in the US, if you want to keep growing there? And if you're looking at additional opportunities in terms of M&A or organic growth?

And also, if you could give us some guidance on what's the expected financial contribution for Elia Group of the acquisition? And if you have in mind any estimate of the IRR of your investment. That will be the first one.

And the second one, in terms of regulatory updates last year, you had a lot both in Germany and in Belgium, and I wonder if you are still in talks with the regulator especially in the case of your German existing assets, if you are expecting any upgrade or not or any other potential regulatory update in the coming months?

Catherine Vandendorre - *Elia Group SA - Interim CEO, CFO*

Okay. So maybe first on the rationale for the transaction and what we are expecting in terms of further development. So first, in terms of rationale, we really see a number of developments around of us and especially in the US market that we believe really interesting for a company like Elia

Group that has built knowledge and developed competencies on the field of transmission lines and especially big corridors, offshore investments, and management of the electricity system. We have really learned on the last years, first, to work with many different technologies. And we are probably one of the companies having experienced the highest number of different technologies in terms of transmission infrastructure.

We have really learned to manage the risks linked to those big infrastructure projects. We had expanded the volumes of procurements that we do. And we see opportunity to monetize these competencies outside of Germany and outside of Belgium, while at the same time continuing to develop the competencies that we have on other markets where, by definition, you will learn other elements.

And so we were looking for partnerships in the US, so we didn't want to do some development in the US without doing it with a, let's say, a local partner. We found energyRe which is very complementary to the competencies that we have. So energyRe has a higher focus in terms of local stakeholders, management, and ability to identify opportunities. And so having on the one hand, the technical expertise and, on the other hand, these stakeholders management was very, very appealing and interesting.

And on top of that, energyRe has already a portfolio of three projects on which they are currently working and that we can help support to do this. So that's really behind the rationale. Whether we want to continue to grow in the US markets, I would say there are two steps or two element in that.

First, and I mentioned that in the discussion before, we want to deliver on the existing investments. We want to maximize the value on the existing portfolio of the company or, to put it differently, we want to prove that we can be successful in the US together with energyRe. Once we have demonstrated this, indeed, we will consider possible other infrastructure in the US, always with energyRe as a partner or with a partner in the US, never in isolation, and always having in mind that the profitability that we target on those type of investment is, of course, higher than the one that we have on the regulated activities.

In the portfolio of energyRe, coming to your question of IRR, we set a minimum level of IRR of low two digits for doing the investments. For the regulation, I give you the floor.

Marco Nix - *Elia Group SA - Interim CFO*

I will take it, yes. So in Belgium, it's fair to say that our regulatory items are fixed for the running regulatory period which has recently been started in '24. Main components are, of course, OLO-based remuneration with a step-up of the interest rate depending on the underlying and an incentive scheme which includes multiple incentives on operational performance. That's the setup in Belgium. The fundamentals like asset base remuneration has not changed neither.

So in Germany, it's fair to say that it's formally not entirely closed for the regulatory period, but the main items, so we transferred all the asset into the new capital cost adjustment mechanism that's more or less a RAB-based remuneration of the entire RAB, and no distinction anymore between projects. That's a good one. On the other side, we lost OpEx lump sum partly and particularly on the offshore projects, which we cannot cover cost increase anymore.

However, the outcome of the cost assessment was finalized as well with a quite good outcome in that regard so that we feel comfortable at least midterm to manage the cost within the framework which has been given. So the adjustments by the inflation remains. And for the general productivity factors, under control of the costs as well, knowing that this component is not finalized yet. That's still outstanding. And to be honest here, we don't have visibility when the regulator is starting to tackle it.

However, we expect that that will be closed soon, potentially first half year as that is particular important for the DSOs, less for us as the impact for the general productivity factor has not been that high in the past. And as we stated in the figures for '23, it was contrarian to that inflation outweighed the adjustments by the productivity factor so that we get a higher cash allowance to imply in the revenues.

On our individual efficiency factor, that's being set again at 100%, so that there's no suffering from that one so that we feel comfortable to come through the regulatory period on operational side. What the regulator has started recently is a discussion how the future system should look like

and how it is going to be evolved. There are to be seen two trends already. One is that is aware of the challenges in particular we have, and that there is a willingness to cope with the expected costs grow over the time. So that is nothing they want to let us suffering from. That's good.

And the second is a distinction to some extent. And currently it's a distinction between DSOs, so distribution system operator and transmission system operator, as it is being seen that the load on a transmission system is a higher one and is a necessity to realize the CapEx program is more urgent than on partly of the DSOs level. And these two factors will lead to discussion which are partly being done commonly and partly being done separately over the time. But it has recently kicked off, and so far, we don't have visibility how it will evolve.

There are 15 theses being published by the regulator, so they approached it differently than in the past. But these 15 theses are mainly related to the distribution system operators but could give a guidance which topics are going to be tackled over the next 12 to 15 months.

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

Thank you, Marco. I think we already had an extensive Q&A. We started with giving the opportunity to ABN AMRO and Citi. I see now Piotr from Citi joined again. So Piotr, please go ahead.

Piotr Dzieciolowski - *Citigroup, Inc. - Analyst*

I have two questions, please. First of all, I wanted to ask you, how quickly do you expect your overall cost of debt to rise from 2.1% you provided last year's figure. And what's the amount about that mass you can generate on the debt financing side on the German element?

And then the second question I have specifically to 50Hertz net financial line. What is that you include in your guidance for the 2024? Because it looks to me that you have a EUR5 billion of net debt and rising. And so how much of that specific interest or net financial line will be in '24 in this division?

Marco Nix - *Elia Group SA - Interim CFO*

Not sure whether I understood the last one correctly. So you refer to the debt raising on the German segment?

Piotr Dzieciolowski - *Citigroup, Inc. - Analyst*

No, I just wanted to ask you what is the net interest line you included in your guidance for the 50Hertz? Because you have a EUR5 billion debt and rising, and you say you have a 2% cost of financing. So that's like EUR100 million financing charges at least or more, right? And then, at the same time, this line was just minus EUR60 million for the '23. So I just wanted to understand how the financial costs will evolve in the 50Hertz.

Marco Nix - *Elia Group SA - Interim CFO*

I think the guidance we have given to the net debt is a EUR4 billion increase, so it's a little bit lower than you expected and EUR2.5 billion of it in Germany. And we currently assume a debt cost of 4% on senior debts over the group entities more or less in that area. And if you now make the maths then with one-third on top of debt what we have today, then the 2% should go up depending on the point of issuance. So we are not issuing all the EUR4 billion the 1st of January. But as a rule of thumb, I would say that we are going to go up then to above 2.5% at the end of the year, knowing that is further growing.

In terms of financial result, we will do see the entire debts' costs in the financial results but not bottom line as there's a mechanism which enables us in Belgium. It's the pass-through due to the embedded debt principle. And in Germany, it's a artificial reference rate where we're usually relying on our debt funding. And as long as we are below that artificial reference line, we can pass the debt through as well, so that there's no bottomline impact on the debt funding currently planned. Hope that gives you --

Okay. That is clear.

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

Good. We also have a Thijs from ABN. So Thijs, I hope you can -- you have the opportunity as well now to raise your questions.

Thijs Berkelder - *ABN AMRO Oddo - Analyst*

Hooray. Congrats with a very strong operational performance. A couple of questions. Firstly, a bit of a technical one, why are the EUR12 million transaction cost labeled as one-off? Were they meant to be spent in 2024 or so?

Second question is on EEG cash. At year end, it has come down to EUR350 million. Can you maybe explain where it is now early March and what to expect for the remainder of '24?

Third question, that's on dividends. Looking at huge cash-out for CapEx in the coming years, why still pay a dividend and waste dividend withholding tax while it's not needed? Why not simply cut the dividend to zero?

And then final question on leverage. S&P downgraded in December, and you already explained that your net debt will go to EUR13 billion, so I would estimate close to 10 times EBITDA. Can you maybe also explain where the FFO to net debt ratio is right now, and where it will go in '24?

Marco Nix - *Elia Group SA - Interim CFO*

Okay. So let's pick the last one. You mentioned rightly the leading number, which we are following then in the rating consideration is the FFO to net debt number, and we recently hit the 9% which triggers then in the outlook the downgrade on the group and on the German level. That being said, we are steering our debt funding and, of course, the equity funding in a way that we maintain into the corridor which has been given by the rating agency. That's a 6% to 9%, knowing that we want to maintain a sufficient margin above the 6%. So that not unforeseen event would trigger additional actions. So for the time being, we feel comfortable in an area more on the upper level of that guidance of S&P. But it's fair to say that it will further go down over the years with the CapEx spending and the debt funding.

So then dividends. I think it's pretty clear that's part of our dividend and financial policy that we pay our dividend in line with the inflation in Belgium. And that's part of the agreement which we have with the main shareholders as they are relying on dividend payments to some extent. And we must say that taking back a look at the FFO to net debt, it wouldn't differ anyhow.

It helps to maintain money in the company. However, it helps -- the payout helps to further attract our anchor shareholder to go with us and to confirm the commitment they have. And that's a little bit the consideration which we have there which lead us to that agreement and where we are still sticking to, and we believe that's the best outcome, and that's why we are going to follow that.

Then on EEG cash. Last year, so beginning of '23, we started with a relatively high cash balance there, and no grants has been given by the government in that regard. So we use the cash payments to compensate the part of the deficit between the market price and the premium, the renewable energy producer received with this cash.

For the year '24, there's a EUR10.6 billion amount being budgeted over Germany to cope with that difference, and there's a scheme in place which adjust month by month with the certain liquidity corridor. And that lead to the fact that we will potentially not see the huge excess in cash in a certain month but all the time within the corridor. That being said, due to the drop in market prices, it seems the EUR10.6 billion might not be sufficient over a year, and we are in good discussion with the Ministry how to cope with that in particular, the additional budget to be provided by the German state to balance a potential deficit, which could be remarkable in a long run.

But for the time being, we are still in a positive territory and have a good discussion in that regard. That's so far too early to say something differently. And we are sticking to the plan that government provides sufficient funds to that one.

And on energyRe, EUR12 million installment or transaction costs, as Catherine said, currently, we are not having another file directly on the table. We want to develop that kind of investment and want to grow in the borders, which we have entered in. And therefore, we don't expect that we have it year by year. And that, simply said, was fair to assume that this is a kind of one-off to be stated in our accounts as this has nothing to do with our operational performance.

Thijs Berkelder - *ABN AMRO Oddo - Analyst*

Okay. Thank you very much.

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

And then I would go to the last analyst of Degroof Petercam. I see we have Kris as well. So Kris, please go ahead if you have still pending questions.

Kris Kippers - *Degroof Petercam - Analyst*

One remaining question from my side. I was thinking about the follow-up of the management team. I think it is an important period coming up for Elia in general for the coming years both in equity raises and debt raises, of course, with a big investment program. So any news about the, let's say, ad interim CEO and CFO shifts. Will this be permanent? Or what can you state about that, or will there be announcements on that front?

Catherine Vandenborre - *Elia Group SA - Interim CEO, CFO*

So it's a little bit too early to make any announcement on that. Otherwise, we would probably have done it today. The Board is currently looking at the succession for the CEO position. And so in terms of profile, like you can expect, there are many characteristics linked to a CEO function itself, more specifically to Elia. They are looking for someone having C-level experience in the energy sector business profile with also experience within an international environment preferably. And of course, as soon as there are more news, we will communicate on those news.

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

And then I saw that also ING end of the call, Quirijn. Do you still have a pending question that has not yet been raised? Quirijn, you are on on mute.

No, Quirijn? Then I propose that we end the session, and then we will contact you directly, Quirijn, so you can still ask your questions then offline. I propose then that we end this lively Q&A.

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

Yeah. And Yannick, since there are no further questions from our audience, I would like to conclude today's presentation. Thank you, Catherine Vandenborre; thank you, Marco Nix, for being with us. Thank you also, Yannick Dekoninck for your valuable contribution.

I would like to extend a special thanks to Stephanie Luyten, Maryline Vaeremans, Helen Burgess, and also [Catherine Bonet] and the entire technical team behind the scenes. A recording of the presentation along with slides and the script will be made available on our website later today. We look forward to connecting with you again soon. Have a nice day.

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