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ELI.BR - Q4 2025 Elia Group SA Earnings Call

EVENT DATE/TIME: MARCH 05, 2026 / 9:00AM GMT

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PRESENTATION

Stephanie Luyten - Elia Group SA - Head of Investor Relations

(video playing)

Good morning. Thank you for joining us as we present Elia Group's full year figures and have a look at what 2026 will bring for the group. I'm joined today with our CEO, Bernard Gustin and Marco Nix. Good morning both.

Before we start, please take a moment to review the on-screen disclaimer. It contains some important information you should take note of. And as always, the slides will be and the scripts will be published on our live stream afterwards.

Bernard, I'll let you kick off.

Bernard Gustin - Elia Group SA - Chairman of the Management Committee, Chief Executive Officer

Thank you, Stephanie. I want to start by saying how proud I am of what we've achieved this year. Three achievements stand out. First, we secured financing for significant growth and reestablished market trust. When I took on this role, there were questions about our capacity to fund ambitious growth and deliver on our promises. Addressing this was my main focus, and I'm pleased to say that we are back on track.

Second, we delivered operationally, investing EUR5.2 billion in CapEx this year, more than triple our historical annual average. And third, we are attracting exceptional talent. Despite challenges, people want to join us because they see Elia Group as a place to make a real difference and help build the energy infrastructure of the future. That tells me we have the right people and the right vision.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Thank you, Bernard. Before Marco takes us through the financials, let's have a look together at the major highlights that defined the year.

Bernard Gustin - Elia Group SA - Chairman of the Management Committee, Chief Executive Officer

Well, 2025 was indeed a year marked by major milestones, collective achievements, and moments that shaped who we are and where we are heading. When it comes to project execution, 2025 was a year of real tangible progress. In Belgium, we continued to advance on several strategic infrastructure projects that formed the backbone of the country's future electricity system.

Ventilus and the Boucle du Hainaut, both critical missing links in connecting large volumes of offshore wind and reinforcing Belgium's north-south transmission corridor, progressed through key regulatory and construction milestones. These projects are essential for integrating the Princess Elisabeth zone, strengthening system reliability, and ensuring Belgium can transport renewable energy efficiently across the country.

Brabo III also entered its final stretch, further reinforcing the Antwerp region and enhancing cross-border capacity with the Netherlands. The construction of the Princess Elisabeth Island also continued to advance steadily. The installation of the concrete caisson made solid progress with 11- of the 23 caissons already installed at the sea, and the remaining units are ready for deployment as soon as weather conditions allow it. This brings Belgium another step closer to achieving its decarbonisation targets.

And in Germany we also saw real progress. On SuedOstLink+, one of the country's most important north-south transmission corridors, with permitting moving ahead and technical preparation advancing, the project is now getting much closer to implementation. At the same time, offshore progress stayed on track. We successfully completed the cable laying for Ostwind 3, the link for the next wave of wind projects at the German Baltic Sea, securing future capacity to integrate more renewable energy.

And on Bornholm Energy Island, Germany and Denmark signed a landmark agreement for 3 gigawatts of offshore wind connected through new hybrid grid links to both countries. It's a major step forward to future cross-border offshore grids in the Baltic Sea and support Germany's vision for a more meshed and resilient offshore system.

We also put two new high voltage lines into service, each over 100 kilometers, boosting our transmission capacity and strengthening stability across key parts of the German grid. So overall it was a year of strong delivery with our teams moving forward the strategic projects, but at the same time congestion is becoming more visible.

As more renewables connect to the system, and that's a good thing, our consumption patterns also evolve, and that is putting pressure on our grid, and this isn't just a Belgian or German challenge; it's a European one. A recent study on storage shows just how quickly the landscape is changing. Storage and batteries in particular will be a cornerstone of the future system, but equally important is the question. How, where, and when storage operates.

Today, the current wave of connection requests isn't always a healthy growth. We are seeing a huge number of speculative projects across Europe. In Germany alone, TSOs are facing requests equivalent to the load of 100 million households. That's not sustainable. It strains the grid, dogs the queue, and delays more mature investments that society actually needs.

This is why we advocate for a new approach. We need to prioritize system-relevant, mature project, and move away from a first-come, first-served logic that is now being exploited and risk driving up costs for all consumers.

This is where the EU grids package helps set the direction. It supports anticipatory investment and clearer rules so that flexibility, renewables, and storage can work together as aligned pillars of a sustainable, affordable, and secure system.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

And another key factor for our long-term investment needs is the right regulatory frameworks. Based on what we know so far about the German regulation, we welcome Bundesnetzagentur's ambition and its recognition that the full package matters for investors. However, the draft framework still does not provide the balanced and internationally competitive returns needed to attract the level of capital required for the grid expansion.

Key adjustments are still necessary, particularly on return on equity level, debt cost coverage, OpEx predictability, and the effectiveness of the incentive schemes to ensure the framework truly supports the unprecedented investment effort ahead.

We remain committed to constructive dialogue to help shape the final determination that safeguards investments, capability, and supports Germany's long-term energy goals. To speak about 50Hertz goals, we will now share a short video from the CEO of 50Hertz, Stefan Kapferer, on the progress made and the milestones still ahead of us.

Stefan Kapferer - Elia Group SA - Chief Executive Officer - 50Hertz, Member of the Management Committee

With a new focus on resilience of the energy infrastructure and affordability of energy transition, it became clear in 2025 that an overarching responsibility for the electricity system is urgently needed. This can only be delivered by companies like Elia Group with two national TSOs, ETB in Belgium and 50Hertz in Germany.

In 2026, 50Hertz will once again invest a record high amount of money in additional grid infrastructure, substations, and new connections for consumers, EUR5.1 billion. So affordability of the energy transition will be key. We have to harvest efficiency potential and we have to take care that only those projects are included in the next grid expansion development plan which are really needed to make the energy transition happen.

And to finance these challenges, the current review of the regulatory framework in Germany has to deliver an internationally competitive return on equity to guarantee that the engagement of the investors will be the same also in the upcoming years.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

2026 will be a year in which significant regulatory developments and grid planning milestones emerge in both our countries, giving us much more clarity on the investment landscape and its associated returns. To build on that, I'd like to turn to the CEO of Elia Transmission Belgium, Frederic Dunon. He will walk us through the challenges and opportunities shaping our next steps.

Frederic Dunon - Elia Group SA - Member of the Management Committee, Chief Executive Officer of Elia Transmission Belgium

Discussions will begin on our regulatory framework for the period '28-'31. Two major objectives are at stake. First, to ensure that market parties have the right incentives to allow safe and efficient system development and operation. And second, to ensure that Elia has a financial and human means to realize the plans approved by the authorities.

The design of our '27-'37 Federal Development Plan will be at the center of the attention of our authorities. Indeed, it will define the boundaries of possible futures in terms of energy, industrial, and economical policies whereas development plans were seen in the past as an administrative process, it is now well understood that they are the foundation of our Belgian society for the coming decades.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Now that we've looked at Belgium and Germany, let's shift to what's happening internationally. As you know, we took a minority investment in energyRe Giga at the end of 2023 with a clear understanding that this is a long development cycle model and that progress would not be linear. Since then, the US environment has evolved.

At federal level, the current administration has created uncertainty for offshore winds with slower permitting and approvals, while at the same time, many states continue to actively push for grid expansion. In parallel, the US power system is facing rapidly rising electricity demand driven by electrification and data centers, which reinforces the structural need for additional transmission capacity.

Last year, we also saw the acceleration of the phase out of the wind and solar tax credits. This put pressure on the developers to bring the projects forward and required adjustments in project structures and portfolios across the sector.

Against this backdrop, we have taken a disciplined approach, prioritizing value protection over speed. As a result, contributions from energyRe Giga to the group results will come later than initially expected, but we remain supportive of the investment and of its long-term strategic rationale.

As we already flagged at our Q3 results, Clean Path New York faced a setback. For SoGreen, the picture is more positive. Permitting is close to completion, and land acquisition is largely secured. Finally, the offshore project leading light wind is, as you know, currently on hold under the present federal administration.

Translated in financials, this means the group recognizes an impairment on its US assets of EUR99.1 million. This consists of two elements. On the one hand, a EUR70.8 million right on the energyRe Giga portfolio, an additional provision of EUR28.3 million reflecting the group's remaining commitment to invest USD150 million to reach its 35.1% ownership stake.

Let me do remind you that this impairment is a non-cash and reflects a prudent reassessment of on the one hand, value and timing, and it's not at all a change in our discipline or our financial strength. Our exposure remains well controlled, our commitments are fully manageable within our balance sheet, and we retain flexibility on the pace of future capital deployment.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

Thank you, Stephanie. Let me now elaborate on some of the headline figures for '25. We delivered strong progress across all fronts in 2025. Our five-year CapEx plan remains fairly on track. We invested EUR5.2 billion, EUR1.4 billion in Belgium, and EUR3.8 billion in Germany.

As a result, our regulatory asset base expanded to EUR22.6 billion. Our hiring drive in '25 was also a success. We welcomed again more than 760 new employees, strengthening our operational capabilities and supporting the growth objectives we laid out during the Capital Markets Day.

On the operational side, system performance remained outstanding. Grid reliability reached 99.9% in Belgium and 99.8% in Germany, positioning our TSOs among the most reliable grid operators in Europe. These figures highlight our continued focus on operational excellence and the effectiveness of our investments in technology, infrastructure, and talent.

In terms of financial results, the group delivered a strong performance with net profit attributable to Elia Group shareholders of EUR556.6 billion. This corresponds to an adjusted return on equity of 7.3% and earnings per share of EUR5.51 per share.

As shown on the slide, we indeed had a busy year on funding as well. We proactively secured the funding needed to support our strategic priorities in Belgium and Germany. We executed a very diversified financing program across entities and instruments, reflecting the greater flexibility we have embedded into our funding strategy.

A key focus early in the year was strengthening the balance sheet. We completed a EUR2.2 billion equity package which reinforced our capital base, broadened our strategic partnerships, and provided significant financial flexibility.

On the debt side, we raised EUR3.6 billion in green financing through loans and bonds and both Elia and Eurogrid issued their first EU-labeled green bonds, an important milestone that broadened again our investor base and reinforced the central role of sustainable finance within our capital structure.

At the start of the year, Standard & Poor's reaffirmed the credit ratings of all entities. We also strengthened liquidity, bringing the total available funds at the end at EUR11.9 billion which underpins our prudent risk profile and supports our investment grade ratings.

Overall, the group's investment plan is backed by a robust financial framework designed to maintain its current ratings, ensuring continued strong access to capital markets, and providing funding flexibility.

Finally, the group is progressing on the various options of the funding toolkit as outlined to the market. Elia Group delivered strong operational and financial results reflected a sharp increase in adjusted net profit. This figures exclude material run-offs and reflects the group's underlying performance.

Adjusted net profit rose by 39.8% to EUR716.5 million driven by CapEx execution, higher equity remuneration, and solid operations. Additionally, the third segment benefited from the first time of a tax benefit linked to the application of tax consolidation in Belgium.

Germany remained the largest contributor, delivering just over 60% of the group adjusted result. Belgium added around 38% while non-regulated activities in nemo link contributed EUR5 million including EUR33.4 million in one-off adjustments, the reported net profit reached EUR683 million. After non-controlling interest and hybrid costs, net profit attributable to Elia Group shareholders increased by 32% to EUR556.6 billion.

On this slide, we show that the reported figures include several non-recurring items, both in Germany and in the non-regulated activities. We adjust for those to show the underlying performance. Starting with Germany, the reported net profit includes a EUR46.5 million deferred tax impact. This relates to the revaluation of deferred taxes following the planned reduction in the German federal corporate tax rate from 15% down to 10% between the years '28 to '32.

Turning to the third segment, there are two main adjusted items. As said by Stephanie, the US impairment amounting to EUR99.1 million negatively. On the positive side, the tax consolidation had a positive impact due to the application of the Belgium tax consolidation mechanism and linked to the tax periods prior to '25.

It is thereof a one-off effect, not reflected of a recurring tax benefit. After adjusting for all these items, adjusted net profit amounts to EUR716.5 million at group level.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

The RAB remains the core driver of the group's regulated remuneration. Supported by the execution of our investment program, Elia Group's RAB increased by 22.5% year-on-year, reaching EUR22.6 billion at the end of '25, up from EUR18.5 billion in 2024. This increase reflects the acceleration of major infrastructure projects in both Belgium and Germany that are critical to integrating growing volumes of renewable generation, reinforcing cross-border capacity, and strengthening the overall system resilience.

These investments ensure we can deliver the energy transition at the lowest societal cost while contributing to Europe's long-term energy autonomy. When we look ahead, we expect an average annual RAB growth of over 20% for the period '24 to 2028, supported by around EUR21.6 billion of cumulative CapEx over the next three years.

As we have invested EUR5.2 billion across our Belgian and German grids, the impact on our funding metrics remains well under control. Net financial debt increased by around a EUR1 billion, bringing the total to EUR14.1 billion. This limited increase reflects the successful capital increase and the fact that a large share of our investments was funded through operating cash flows.

Our average cost of debt rose slightly to 2.9%, and the portfolio remains very well protected from interest rate volatility, with 98% of our debt held at fixed rates. Finally, our credit profile remains solid. Standard & Poor's reaffirmed our BBB rating with a stable outlook, underscoring the resilience of our financial structure and the strength of our funding strategy.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

As this concludes the group overview, let me guide you through into the segments, starting with Belgium. In '25, adjusted net profit rose by 27% to EUR272 million. This was mainly driven by a EUR30 million increase in fair remuneration, reflecting continued RAB growth, a higher equity, and approved risk-free rate to 3.2%.

Incentives were up slightly by EUR1.1 million. Beyond the regulatory result, the outcomes was also influenced by IFRS restatements. These were mainly driven by higher capitalized borrowing costs from the larger portfolio of assets under construction, as well as tariff compensation for the costs linked to the capital increase.

This compensation is recorded as equity under IFRS, but these costs are fully passed through to the tariffs under the embedded debt principle. In total, the Belgium segment delivered a return on equity of 6.2% for the year.

For Germany, the adjusted net profit rose to EUR439 million, up 42%. This strong performance is the result of several key factors. First, asset growth continues to be the biggest driver of the result, combined with imputed depreciation and costs of debt coverage. This was further supported by a slight increase in the allowed equity remuneration on new investments, reaching 5.7% for the year.

On the cost side, the onshore OpEx outperformance declined slightly by EUR3 million. The inflation index-based year revenues helped to offset most of the operational cost increases associated with our expanding activity footprint.

At the same time, a number of offsetting effects also occurred. Depreciation increased as several major projects were successfully commissioned and brought online. Financial costs rose due to the higher interest expenses from debt financing. This was balanced by capitalized interest during construction, which increased and interest income from a pre-financing agreement.

After including a one-off deferred tax revaluation gain of EUR46.5 million, net profit reached EUR485 million. Considering the adjusted net profit, 50Hartz achieved a total return on equity of 11.1% for the year.

Finally, the non-regulated activities and nemo link segment delivered an adjusted net profit of EUR5.3 million in '25. This performance was mainly driven by the application of group contributions for the '25 financial year, which contributed EUR24.7 million to the result. This reflects the Belgium tax consolidation mechanism that allows to utilize the tax laws at the group level and Eurogrid International.

The positive impact followed a legislative change adopted at the end which removed the discriminatory treatment previously applicable when combining the group contribution regime with the dividend received deduction regime. This positive effect was partly offset by several factors, mainly higher holding company costs, a lower contribution of our consultancy business EGI.

Finally, nemo link contributed slightly less to the result. After taking into account net adjusted items, the net loss amounts to minus EUR74.5 million.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Before we move to the final part of the presentation or financial guidance for 2026, I'd like to briefly touch on the group's dividend policy. Elia Group proposes a dividend of EUR2.05 per share. This dividend proposal will be submitted for approval at the annual general meeting and is expected to be paid in June 2026.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

Ending with the outlook for '26. Elia Group expects a net profit at Elia Group share in the range between EUR690 million and EUR740 million. In Belgium, we plan to invest around EUR1.7 billion, delivering an adjusted net profit between EUR290 million and EUR320 million. While in Germany, we plan to invest around EUR5.1 billion and an adjusted net result in the range of EUR585 million and EUR625 million. The non-regulated and nemo link segment is expected to report adjusted loss of minus EUR10 million to minus EUR30 million.

Bernard Gustin - Elia Group SA - Chairman of the Management Committee, Chief Executive Officer

Well. Thank you, Stephanie. Thank you, Marco.

Before we move into our Q&A session, let me share some closing remarks with you. Earlier this year, the Hamburg North Sea Summit highlighted the urgency of building an integrated offshore grid with European TSOs presenting a joint framework for hybrid interconnections and shared cost models, capable of enabling up to 1,000 terawatt hours of clean energy by 2050.

At the same time, the Hamburg Declaration committed key North Sea countries to delivering 100 gigawatts of joint offshore wind projects, underscoring that system security and sovereignty will increasingly depend on collaborative offshore development rather than isolated national solutions.

Complementing this, Mrs. von der Leyen underscored at the recent Antwerp Industry Summit that Europe's continued dependence on fossil fuels exposes industry to volatile price swings and highlighted the urgent need to reduce this exposure by accelerating the shift towards stable, homegrown, clean energy sources.

The current war in the Middle East underlines once again how vulnerable Europe remains to external shocks. Strengthening and interconnecting the European grid is therefore essential, not only to expand access to affordable, clean electricity, but also to reinforce Europe's energy sovereignty and reduce dependence on increasingly unstable fossil fuel supply.

In this context, Elia Group stands out as the only international electricity transmission group in Europe, combining a multi-country footprint, deep operational presence in both the North and Baltic Seas, and a public-private capital structure capable of aligning public anchors with long-term private investors behind strategic and critical infrastructure. This combination is exceptionally unique in our sector and precisely what Europe needs in these troubled times.

Our leadership is most visible in our flagship hybrid interconnected portfolio. The first of its kind in Europe and the foundation of tomorrow's meshed offshore grid. (spoken in foreign language) thinks and acts on a European scale. Together with energy or net, they already have put the world's first hybrid interconnector, Kriegers Flak, into operation. Furthermore, together with Denmark, they will realize Bornholm Energy Island.

Unlocking large scale offshore wind in the Baltic Sea and connect through hybrid HVDC links. And in Belgium, Princess Elisabeth Island and Nautilus could form one of Europe's earliest true hybrid offshore hubs, pulling up to 3.5 gigawatts of offshore wind while interconnecting Belgium and the UK. [Hanz] link, a key project of our entity WindGrid, expands this logic across new cross-border corridors, drawing private capital into offshore infrastructure at scale.

And with Nemo link operating reliably for years, we have already proven our capability to deliver, operate, and maintain complex interconnectors safely and efficiently. This portfolio is unmatched in Europe. No other player combines so many hybrid assets across the two strategic European sea basins under one group, not as a concept, but as concrete investable projects that show how offshore wind and interconnection can be planned, financed, and built together.

Thank you for your attention. Stephanie, I think we are now ready to move to the Q&A section.

QUESTIONS AND ANSWERS

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Yes, thank you, Bernard. And in the meantime, Yannick Dekoninck, our Head of Corporate Finance, has also joined us.

So let's turn to the screen. I see that our first question comes from UBS. Wanda, please go ahead.

Wanda Serwinowska - UBS AG - Analyst

Hi, hopefully, you can hear me. Congratulations on the results and the CapEx delivery because there were some concerns last year, if you will deliver. The first question -- I mean two questions to Marco. The first one is on the capitalized costs at the net income level.

I mean, what was it in 2025 for 50Hertz because I couldn't see it disclosed. And what is embedded in your 2026 guidance? And also if you could give us any rough guidance on the capitalized cost until 2028, that would be much appreciated. It's a very hard to model item.

And the second question is on the S&P. As you said, back in September, S&P confirmed the rating, but they also said that the Elia Group consolidated business risk has marginally increased. And they raised the FFO to net debt threshold by 100 bps. And they also assume that your CapEx post-2029 will moderate. So does a higher FFO to net debt requirement worry you when thinking about CapEx plan or funding beyond 2028?

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

Maybe start with the technical question then on the capitalized borrowing cost is indeed something we are mindful of in the figures of '25, which subject to disclosure. Finally, with the annual accounts at year-end, there's a part close to EUR90 million considered in the German figures. So what is a non-cash result contribution. So -- and that puts a little bit 11% into a certain perspective. As, of course, this is being included in the 11% guidance.

For the future growth, it's indeed linked to some degree with the investments to be taken. However, it's not linear simply as we try to limit the impact to some degree, and it's being connected to relatively short period between two milestones of the projects where I must admit that it's a little bit hard to model in the future, whether I assume, on one hand, that the IFRS standard is subject of a change which might help us then in the future to limit that impact.

However, it will grow. And as a rule of thumb, potentially, it's good to look into the investments in the year being taken compared with the previous year, how it will be growing in the year '26.

Wanda Serwinowska - UBS AG - Analyst

So what should we -- what is embedded in your guidance? Because your guidance for 50Hertz was running much, much above consensus.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

In the guidance of 50Hertz, it's a similar area, so between EUR90 million and EUR100 million. So that's currently what we have embedded there. So and then on the FFO to net debt. So currently, after the capital raise, we feel rather comfortable, in particular, with an eye on the liquidity position the group currently has. So therefore, we are not in a rush.

Of course, we are looking into the horizon beyond '29. But as we stated that subject of the new CapEx plan, which is still under development as both the grid development plan in Germany and the federal development plan in Belgium is still under construction, if you want to say it like this. And as this is the underlying, combined with the regulation of our future capacity in funding and of course, in remuneration that is a necessary input for our funding plans.

And of course, the rating will play a significant role in there as, of course, we don't expect that the growth will stop and taking that into perspective, there is a solid investment-grade position being needed to fund the investments in the future as well.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Thank you, Wanda, let's go to the next question, I believe it is from Bank of America, Julius. Please go ahead.

Julius Nickelsen - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Thank you so much for the presentation and taking my questions. I have two. The first one is on German regulation. So in the draft methodology that came out in December, I think the BnetzA for now ruled out the concept of a return on equity adder. But I believe since then you and the other TSO have provided some evidence why there should be an adder. So if you have any update, do you still believe that this could come in the final methodology. Any update on the reception, that would be quite useful.

And then the second question is a little bit more high level. But if I look out to like beyond the summer and towards the end of the year. Correct me if I'm wrong, but I think at that point in time, you should have the new Belgian returns, the final methodology in Germany and a good idea on the grid development plan in both countries.

Could that be a point in time where you will upgrade the market, update the market on your investment plan and maybe roll forward to 2030 with the new CMD? It would be useful to know.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

Maybe starting from the last question and then developing to the other ones. Our expectation will be more towards year-end or beginning of next year to have that clarity as there are some specific aspect that you name a few of them in the regulation, but on a CapEx plan as well.

To name a few, in Germany, that will be the total amount of the sequence of the offshore grid connections, which will play a big role in our CapEx program or the question on overhead lines versus cabling and the big DC corridors. And that will, of course, change significantly the means being needed to realize that CapEx program.

And this debate to be fair, is still open. So there, we do not see really a landing zone for the time being. A little bit the same in Belgium with the Princess Elizabeth Island and the DC components or the interconnector there, even though government will potentially take a position then in the second quarter. You do see a kind of delay in that decision-making as this was originally being foreseen in March. So therefore, likely that is more towards the end of the year where we have that kind of clarity.

So on the point you mentioned in regards to the framework in the conference the BnetzA hosted. They stated a little bit that they are not convinced yet on an adder to the return on equity. That's still a subject of a discussion, at least they opened the door for, and we provided some evidence that this is being needed. But it's fair to say there's an ongoing discussion on that one.

What is, first of all, a positive sign that the door has not been closed. But so far, it's not being drafted in any adjustment of the determination of the return rates for the future.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Are there any other questions?

Temi, please go ahead.

Temitope Sulaiman - Barclays Services Corp - Equity Analyst

Congrats also on the results presentation this morning. I've got a couple of questions, but I'll keep it to two. One is just clarity on your 2026 net debt expectations. If you can provide an update on that, that would be very helpful. Clarity on the Belgian regulatory timelines in terms of the consultations but also the final determinations.

And then finally, it seems that you've had strong operational delivery in Belgium and Germany, '24, '25 even '26, you've raise the guidance above consensus expectations. And I'm just wondering whether you might consider revisiting your '24 to '28 guidance in terms of returns and when maybe you might consider that?

Yannick Dekoninck - Elia Group SA - Head, Capital Markets

Maybe net debt, I will take. So on the debt for '26, we expect to land with the CapEx that we have announced at a net debt of around EUR19.5 billion. So that's what we are targeting for in '26.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

On Belgian regulation, there's a relatively straightforward path being published. So there will be a public consultation of April 14, if I'm not mistaken, so mid of April. So happy to invite you to comment on that one once it is being out there and a final determination in the course of quarter two. So end of half year, there is likely a robust visibility how the scheme looks like.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

And in terms of guidance?

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

Guidance, I think we still stick to the guidance which we have given as the growth is still intact with the double-digit percentage growth on the EPS and on the net results to the shareholders and around, as you have seen in the past, the 20% growth on the RAB. So that's quite consistent to each other, even though the guidance for '26 seems to be a little bit higher than the expectation, if you make it linear, but that comes from some of the aspects, which are not that fully linearized as we try to optimize the results, of course, as we can.

And in connection with commissioning, for instance, we might have one or the other year an outlier and '26 seems to be one of them as a couple of significant investments come to commissioning, which gives us a favor, in particular, in Germany.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

The next questions will come from Piotr, Citibank.

Piotr Dzieciolowski - Citi Infrastructure Investments LLC - Analyst

I have a couple of questions. So the first thing I wanted to ask you about this financial result in 50Hertz. So in your disclosures, you also point out, apart from increased capitalized interest, you point out to accrued interest from the developer of an offshore platform of EUR28 million, plus EUR10 million from discounting effects on long-term provisions. So I just wanted to understand, can you please explain on this first item what it really means? And is there any change on these numbers between '25 and '26?

So I'm trying to get a bridge between '25 and '26 financial items, is it just capitalizing sales going up and these things disappear? Or how shall we think about these items?

And second question I wanted to ask you about your actual performance. So in your slide 19, you say that the net income of ETB increased by EUR1 million because of incentives. I was under impression that the incentive should grow in line with RAB with size of a business, but it doesn't seem so. So can you please tell us how do you assume the incentives increment between the '25, '26. And likewise, you don't disclose incentives for the 50Hertz, I think there are some outperformance.

So can you also say like operationally, do you improve? Or do you keep like a size of outperformance in line with the business growing, in rough growing or that basically the incentives and our performance becomes bigger, smaller relative to the size of RAB and so on. So these were two questions.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

Okay. Maybe tackling the first one on the wind farm contract, which we closed. So there's a nearshore wind farm at the German coast which is being connected by 50Hertz in an AC technology. And for efficiency reasons, we agreed on to share the platform with the wind farm developer so that both needs to have platform being erected, what saves cost for both sides, and it's more or less a 50-50 split there.

As the wind farm developer push back for some of the costs to some degree, and we had a relatively long-lasting negotiations on that one, we have finally agreed on that the funding cost, the financing cost of the chunk, which is related to the final agreement and which will be borne by the wind farm operator being out of the regulatory sphere. So that's something the 50Hertz and the Elia Group can keep finally.

And the number you referred to is the accumulated interest income over the period once we started that construction. So the effect itself will remain but the order of magnitude will potentially go down as this is a kind of loan agreement, which is related on one hand to the size and the second to the scheme where there's some flexibility on a wind farm operator side once they are paying us, then of course, the interest connected to the outstanding exposure will be lower in one of the years.

And as this wind farm will likely being the connection of the wind farm will likely be finished in '26 and a wind farm operator will potentially commission its assets then beginning of '27 despite the fact that there's a 15 years period on that contract, there might be some changes over time in the payment scheme as the flexibility is on the wind farm operator. So that's a little bit long explanation. It's relatively complex matter, but likely that there will be an interest income over a certain period of time with different kind of order of magnitude.

Yannick Dekoninck - Elia Group SA – Head of Corporate Finance

Okay. And maybe, Piotr, on your question on the incentives in Belgium, it's indeed correct that they increased by EUR1 million compared to last year. And it's indeed correct that there are, to a certain extent, correlated with RAB, but as well, they are -- they have in the regulation, a maximum amount that you can have on certain incentives. So that's one element and some of the incentives are a bit, I would say, binary between 0 to 1. If you remember last year, we had a cable issue linked to the availability of the MOG in '24.

So we had no incentive at that year. This year, we have a full incentive, a full maximum amount, so that gives a little bit why you don't see exactly that linear evolution on the incentives never delivers. I think we had a solid operational results, where incentives remain quite important to the overall result in Belgium.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Deutsche Bank, Olly.

Olly Jeffery - Deutsche Bank AG - Analyst

Good morning, everybody. Two questions from my side, please, like everyone else. So the first one just is on CapEx. Now I appreciate that you need to wait for the grid development plans to give a precise view on future CapEx for '29 onwards, and that's more likely to impact, believe me, the CapEx in the 2030s.

Are you able to give kind of a high-level view in Germany of kind of the broad level of increase you think might be likely given that most of the change to the grid development plan are probably going to impact in the 2030s. Any insight you can give there would be helpful.

And then secondly, just on funding the plans in '29 and onwards, I know obviously, you don't want to be precise about this. But could you say, is there a credible scenario where you think you might be able to find CapEx in '29 and 2030 without the need for equity using the rest of your equity toolkit, with the hybrids and opening up the capital structure of some of the TSOs potentially? Any views on that would be great.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

Taking the first one. It's still, as we said, a little bit too premature to lay out a number. So if you take the total volume, which is currently as a price tag being seen on a total grid development plan in Germany, you can compare the EUR320 billion, which was the number in the last grid development plan, which EUR340 billion, which is currently the number connected to the most likely scenario.

It's not chosen yet, but that gives a little bit the view that likely the outcome will be rather the same with an eye on EUR45 million in terms of euros. However, there will be a kind of different allocation on that one. And that what it makes that hard for the time being, really to say the CapEx is further growing or going down at a certain point of time. As, of course, only part of the EUR340 billion are connected then to 50Hertz and to the Elia Group. So as a rule of thumb, it was 20% all the time.

But the spread over 20 years is a difference than a spread over 10 years. So that's -- I mean, that's the simple math. And as the former government was quite in a rush to complete or to set very ambitious targets, which partially have been out of reality, the current government is more pragmatic in that view, and that's a little bit what the debate is on.

On the funding, I mean, we have full flexibility now. So that's currently what we are going to execute that all our options are valid. We are working on further optionalities as well. But please as we don't have the CapEx numbers currently in place, we do not want to give guess how we are continuing to fund the growth in the future at this moment.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Nor do we have the regulatory framework set in place. It would indeed be a bit too early. Thank you for the questions.

I see the next questions will come from ODDO, Thijs.

Thijs Berkelder - Oddo BHF SCA - Analyst

A couple of questions. Do you still require probably an additional EUR2 billion (inaudible). Can you confirm that you still aim to raise this by, in principle, EUR4 billion of hybrids? Second question is on your Energy Island and the DC connectivity there as well as Board for the UK connector. The HVDC cost price was too high. Any reason in Euros you knew why HVDC pricing now should be lower?

And third is on the North Sea Ostwind back targeting 15 gigawatts installations by 2031. What can we expect as impacts for your CapEx? Is it purely from that plan compared to what we currently are installing on the North Sea?

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

Maybe starting with the first one. Our tool kits provide us flexibility, and we stated that it can be both the hybrid capacity potentially being sufficient at this point of time, while another option is to open the capital on one of the subsidiaries and/or finding structural solutions to help us funding the growth. And that's still something we are closely monitoring.

And there's a couple of key elements to be considered and criterias in the decision-making once this timing -- another one is, of course, cost of capital. Third one is execution to name a few of them. And as we have a strong liquidity position and of course, the credit rating is comfortable as well. So we are carefully looking for the best solutions there.

And once this is being decided, it can be both extremes. So both elements of toolkits would give us the credit in total. So has the potential, however, it could be a combination as well depending on the point of time where we make the decision.

Bernard Gustin - Elia Group SA - Chairman of the Management Committee, Chief Executive Officer

On the Princess Elisabeth Island, I would say that, first, it was the right decision to postpone the project because, as you know, at the time, we were really in a very heated market on the HVDC component. However, the teams have been working on updated design. We have also some very good discussion between UK and Belgium on how to best share the cost and the benefits of the project.

And I hope that in the coming weeks, months, we can come with a solution that fits with the original objectives while being more reasonable from a cost point of view. We see that the HVDC technology remains an expensive technology, but we also see that the heat that we had a few months ago is a little bit lower.

On your North Sea approach, which actually the Princess Elisabeth Island is a subpart of. As I explained in my conclusion, I think we are really, as Elia Group extremely well positioned, being the only transmission group having a portfolio of assets already in our base today but of different nature because we have the Belgian port on the North Sea. We have the projects on the Baltic Sea with 50Hertz.

But we have also, with our subsidiary WindGrid, a project called Hanz Link. And the advantage, of course, of this setup is that it's a setup where you can also use financial players who can help the financing of the project. So I'm not going to preempt on the decision of Europe.

I think, by the way, we see with what's happening now in the Middle East that it's high time that we reduce our dependency on gas and that offshore wind in the North and the Baltic Sea is a critical element in there. We will see how Europe will evolve in and a great package already goes that direction, but how they translate that into a series of projects.

But I think what's interesting is that Elia by its strategic geographic positioning, by its current portfolio of projects, but also by its setup where we can leverage financing capital at different levels is very well placed to play a role in there. And already in our current portfolio of projects and in our current asset base, we have projects on both seas in the North and in the Baltic Sea.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Thank you Thijs, I see the next question coming from Dirk.

Dirk Verbiesen - ING Groep NV - Analyst

Complements for the good results and outlook, of course. Yes. On the -- I'm still going to try on the North Seas pack, and thank you for the answers so far. But looking at the ambitions and with the involvement of TSOs as well in these kind of framework conditions that were published, a step-up to 15 gigawatts already in 2031 and for a number of years, even a decade. And now looking at your CapEx approaching EUR7 billion.

So let's say, connecting all these gigawatts already upfront or preparing for that upfront and for a number of years to come. Is it fair to say that, yes, maybe previous assumptions on EUR7 billion being the higher end of forward CapEx. Is that something that we need to reassess to a larger number or a higher number? That's my first question.

And the second one is old CapEx, and it's a great achievement that, of course, you met the expectation after the -- I think the questions that were raised at the midyear presentation. What should we expect for 2026? Will it be a more balanced picture of the EUR6.8 billion or also one-third, two-thirds, maybe some guidance there.

Bernard Gustin - Elia Group SA - Chairman of the Management Committee, Chief Executive Officer

I will take the first one and let the team go for the second one. I think the guidance remains the same. So we are on EUR7 billion CapEx because we are talking on a series of projects that we know. Then we will have to see how the developments happen, and we will be looking at it as you do. And according to the developments, of course, Elia Group wants to position itself on these developments.

But I think then there will be also another way of looking at it. And I think from the European standpoint, from the political standpoint, we will have also to think of the tools to make sure that we can reach those developments without having always a direct impact on the balance sheet of the TSOs. And that's where I say with some of our tools like WindGrid and so, we are very well placed to test those type of model. We will also have to see what Europe does in terms of, say, funding and other conditions.

So just to say, within the current framework, we are in the current guidance, and there is no reason to change. Of course, we remain attentive and opportunists of what it would develop. But I think then there would be other ways of looking at the thing and not directly in the CapEx of a TSO, which will be one of the topic to manage. If we want to reach this great ambition, but also needed ambition when you see the situation of Europe.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

And maybe to complement, we published recently a paper then which could be a way forward in the future to fund in particular the offshore wind farm developments and the connection to that one mainly via hybrid interconnector where we are facing several constraints to go

ahead there and that could be an element of the so-called WSPV concept, which has both on one hand to unlock a little bit resistance in one or the other countries.

And secondly, combine the forces with giving some securities by public authorities like European investment banks, for instance, and combining with private capital to fund that in the future, as Bernard rightly said. It's questionable whether all TSO can absorb simply these big request of capital in the future.

In regards to our CapEx program, it's likely that you do see heavy loaded second half year again as this is, on one hand, a little bit in nature as during the summer, most of the construction is being made. And then, of course, we usually account for the progress once a certain milestone has been reached, and that's likely more in autumn than in spring.

And the second one is that at least in Germany, gives us a favor to have that backloaded profile as usually, you get remunerated for the average of the year, while for the capital cost as well. While, of course, the later you will have it, the bigger the gain could be. And that's something which we have seen in the results as well as in particular, the difference between the real funding cost and the funding costs, which are being embedded in the grid fees gives us a favor to some degree and contribute to results too.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Wim, KBC.

Wim Lewi - KBC Securities - Analyst

Also congrats from me. Lots of questions have been asked. I just want to throw in some add-ons. If I want to come back to the financing, the equity raise potential and I understand the regulatory framework has to be put in place. Can you give an idea -- suppose that if you want to do something like an [ABB], like in '24, EURO.5 billion, if that's possible, what you need to do whether you would need to have some kind of Board agreement first, if that's a possibility simply because the share price has rallied quite a lot. It's more than doubled since the last capital raise. So how you feel about that?

Then smaller questions on the dividend. I think in the past, you said that, that would go in line with inflation. I think it stays more flat now. Is that also the outlook for the future? I completely would agree that would make sense as well.

And then lastly, more like a general question is something that we've seen in the US, where the government has asked big tech to, yes, basically pay via some kind of taxes to upgrade the grid because obviously, we know that, that demands a lot of investments to accommodate all the hyperscale investments.

So just your view, is that something that could be possible in Europe? Obviously, things move a little bit slower. But if there's anything that you can say just in order to kind of divert the pressure that we have seen and the pushback from industry and consumers on, yes, obviously, offloading a lot of the investments via the energy prices. So those are my three questions.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Maybe I can tackle the dividends, if you like. We indeed gave a dividend or proposing a dividend of EUR2.05. But what you need to take is as a basis is actually the EUR2 because when we did the capital increase, we actually restated the dividend and if we were to increase the dividend on a restated basis, it would be close to EUR2, but we did not want to pay less than last year dividend. So we have increased it slightly. That has been our rationale for the EUR2.05.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

And we do see that as a strong signal that the investment in the Elia Group is a very accretive one, and the dividend payment is one of the elements there. So that give some certainty that our growth path is intact.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Regarding the ABB, what do we need to have in place for that? First of all is we will have to have an authorized capital in order to do such a transaction, but we, as Marco already highlighted today, we are not looking to use any non-dilutive -- we are looking to use non-dilutive options. And I think there, we have enough flexibility the way forward would be towards the future to bring back an authorized capital, put that in place, and that are the first steps that we need to take.

Bernard Gustin - Elia Group SA - Chairman of the Management Committee, Chief Executive Officer

And on the US, well, first of all, it reminds us of the potential in the US. We have a little bit of a setback at the moment, but we are convinced that over the long run, we know the situation of the grid in the US. It's certainly not at level with the AI ambition that the US has and the battle of AI will pass via a strong grid. So I think it's good that we are positioned in there.

It will take a little bit more longer than expected, but I'm convinced that the potential is the same because the grid becomes a critical asset in every region of the world that want to electrify. The debate, of course, is who needs to pay and we see the investments that the hyperscalers are doing and all things relative, the investment in the grids are indeed a fraction of the investment they are generally doing.

So the idea to make them contribute is a political decision where it will be difficult for me to take a position, but it's clear that we've seen in our countries that the development of AI and data centers is representing a certain burden on the net, burden on the consumption. And I think at some point, there are two positions that need to be taken.

The first one is what do we want in terms of industrial development and where do we give the priorities in terms of segments? AI data centers versus general industry. And then how do we make sure that the general consumer is not hampered by a consumption that he is not responsible for. So I think -- I don't know what is the exact recipe, but the direction is certainly a direction to investigate.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

And maybe to complement on that. One on one hand, there are multiple congestions on all these connection requests here. So funding is one. So in Germany, for instance, the consumers are not paying for the direct connection. It's indeed then the applicant.

On the other side, we do see that the grid is heavily loaded and simply that made the congestion in connecting a new device to the grid. So as this is something we need to be careful of as well to protect our people in the world doing the works there.

And last but not least, it's not all the time that visibility of how mature the project is. And our lead time, it's fair to say are still longer than the ones from this developer. And as they want to go in a staged process usually with extending the devices which are consuming then at this stage, but we are designing -- yes, the connection only once.

So that's all the time a little mismatch in the planning horizon, that's something which we need to work on commonly to make sure that we do see how mature the project is that we can give some access being granted, and we can rely on that one as well as, of course, we want to prevent that we invest in an area where nothing is going to happen then as we honestly have seen in Germany with the ship industry as it cancelled, the big factory in an area of Magdeburg.

And then the TSO was forced to bring down the commitments in that area. However, the land has been already being required. So that's a mismatch, which we need to be careful on. Yes, of course, we need to protect then the final consumer as Bernard rightly says that we are not socializing costs of the industry, yes. That's a little bit what we are in.

Bernard Gustin - Elia Group SA - Chairman of the Management Committee, Chief Executive Officer

But it's clear that AI needs the grid, but the grid also needs AI. And we will also -- and we are really developing an AI strategy and developing. We are already using a lot of AI, but we want to accelerate there because AI is also a way to solve some of the bottleneck issues that we have today. So it's really a very close relationship, both ends.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Juan, Kepler.

Juan Rodriguez - Kepler Cheuvreux SA - Analyst

I have two, which are more of a follow-up, if I may. The first one is on guidance. Can you please confirm that you have no additional hybrids included in your 2026 guidance. And on guidance as well, what is the targeted return on equity that you have on Belgium and Germany within the guidance that you that you're giving, especially on Germany is substantially above expectations.

And the second one is on the US impairment. What are your expectations now in terms of the timing and size of the expected earnings contribution that you expect in the region going forward? If you can give us more clarity on that, that would be helpful.

Bernard Gustin - Elia Group SA - Chairman of the Management Committee, Chief Executive Officer

You take the hybrid?

Yannick Dekoninck - Elia Group SA - Head, Capital Markets

I think in the guidance that we have given is a guidance that takes into consideration multiple options that we have in the funding toolkit. So we do not exclude -- to be clear, we do not exclude a hybrid issuance, but the guidance that we have published this morning takes into consideration multiple options.

Now in terms of return on equity, as you know, we are not guiding specifically on a return on equity for a specific year. We have guided on the return on equity over the period, over the regulatory period both in Germany and Belgium. That's still something that we are targeting for knowing that you could have certain variability year-over-year due to important one-off effects like we had this year. That's also why we have been very clear on what that one-off effect was in Germany.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee So to remind you the average guidance which we have given was between 7% and 8% in Belgium, while in Germany, it was 8% to 10%.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

And on the impairment?

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

Did we miss one?

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Yes, I think on the US impairment on the timing when we could expect a positive contribution, but that, Juan, is a little early to say today because there's still a lot of uncertainty on when those projects and how and when they will materialize, but that's more towards the end of the decade, I would say.

Bernard Gustin - Elia Group SA - Chairman of the Management Committee, Chief Executive Officer

Yes. And it's clear that, as you know, we have three projects, the projects on Clean Path New York, which is in line in New York didn't pass some regulatory approval, what we call priority transmission project, but it doesn't take away that New York needs an extra transmission line. And so we will use the assets to participate to further project development. So there, we believe we are rather facing a delay.

You know the uncertainty that exists today in the US about the offshore and things can turn very quickly one way or the other. So our strategy there is to secure the assets that we have in place. We have already the leasing rights on this project, that's Leading Light Wind and on SOO Green there for the moment, that's a project that, as Stephanie explained in the presentation, continues on its path of the different regulatory hurdles.

And so there, for the moment, there is no reason to review the project. So as you say, we are rather delaying in time, but as I said to your colleague just earlier, I'm convinced that the fundamentals stay and at some point, somebody will see that these projects are heavily needed.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

So in the '26 guidance, there's no positive contribution being expected to make that clear.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Alberto, Exane.

Alberto De Antonio - Exane Bnp Paribas - Equity Analyst

Congratulations for the results. A couple of follow-ups from my side. The first one is regarding the German regulation. Maybe if you could -- based on the -- like published consultation papers. If you could quantify what are your expectations in terms of ROE and WACC based on the current consultation papers and what else is needed. So maybe if you could give us some guidance of what would be your expected level of returns in order to get this competitive returns that you need for big competitive in the equity markets?

And the second one will be in regard the potential update to the market, the potential Capital Market Day. You have said that maybe by the end of the year or big enough 2027. When do you know that we will have more visibility if this is happening or if we can consider as confirmed? Or is it still pending?

Stephanie Luyten - Elia Group SA - Head of Investor Relations

I think maybe I'll start on the Capital Markets Day. That's still very much pending. As Marco clearly said there are still a lot of moving factors. We don't yet have clarity in Germany and also in Germany, the final elements will only be defined somewhere in 2027. So that's why we cannot fix today a date somewhere in the future.

So next to that, we also have grid development planning that is ongoing in Belgium, in Germany. Those timelines aren't super fixed neither. So this will be something, I think, towards the end of the year, we will have more clarity on. So I do not expect us to really do a CMD still this year.

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

So to come to the German regulation, if you really look into the paper even though it's heavy reading, I would say. For the time being, for our second more description of a structural approach while the ingredients are not being flagged yet. And even though WACC model could be something comparable, but the big debate on the cost of debt coverage is not finished yet, so that's still ongoing, whether rating adjustment is being made, which kind of reference rate is being used. These elements are still pending.

That's why it's a little bit too early really to say what the outcome could look like, and we previously discussed equity or return adder for the TSOs. What is still in the discussion, which is not in yet. So I would say we are not there yet. With that, what we assume BnetzA could

However, our clear target is not being worse than today. And if you take the return on equity, which we disclosed and take off all the accounting items, there's still a return rate above 8%, 8.4%, which is if you want to name it, kind of cash return. And as Bernard has already said, the total package matters, that's something we are requesting, and that's something which we are targeting to get out of that, which elements shall be put in place there, we have some openness. So if there's an incentive being put in place, which gives us an order of magnitude lending there.

We are fine with it as well. That's we are happy to get challenged in terms of our operations. But so far, it's not really clear. So therefore, we are hesitating to give a guidance what it could give for the time being.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Olly.

Olly Jeffery - Deutsche Bank AG - Analyst

Yes. Just one follow-up question, please. Coming back to the discussion on the capitalized interest within the guidance for '26 at 50Hertz is that -- which is non-cash. Is there anything else within that '26 guide 50Hertz that is non-cash in addition to the capitalized interest that we should know about? Or is that the only item?

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

I wouldn't --

Olly Jeffery - Deutsche Bank AG - Analyst

Is it material?

Marco Nix - Elia Group SA - Chief Financial Officer, Member of the Management Committee

There is -- now we come a little bit in grey territory as we assume commissioning which gives us a full depreciation in the revenues. There's a cash connected to that one, while the depreciation is lower, the real depreciation, which we are recording in that year. So for us, it's a cash item, which contributes to the results as well.

While the capitalized borrowing cost is a non-cash item as this is rewarded later stage. So -- and therefore, I would keep it on that one, knowing that, of course, the example which I raised could give us a favor in the results of next year as well. And as I said, only linearized that, the result would look a little bit outstanding compared to that linearization in line with the CapEx, which you otherwise would compute.

Yannick Dekoninck - Elia Group SA - Head, Capital Markets

And maybe if I can complement with Marco for those that have been following us for a couple of years, you see that we also have sometimes discounting of interconnecting provisions or interconnector income. As you know, you sometimes have spiked in the forward rates that has an impact on those long-term provisions.

That's not something that we estimate or take into account in the guidance at such, but that's always something that can happen, we were confronted with that a little bit at the end of Q4 of this year, where the interest rates started to move up, but that's not something that we can -- that we have a control on. That's not something that we can steer. So there we have a neutral approach but in the actuals, of course, that can have an impact.

Olly Jeffery - Deutsche Bank AG - Analyst

And what was the impact of that in the '25 result from that movement at the end of Q4?

Yannick Dekoninck - Elia Group SA - Head, Capital Markets

I think at the end of Q4, we had a net impact of EUR22 million that was coming from this discounting of provisions.

Stephanie Luyten - Elia Group SA - Head of Investor Relations

Thank you, Olly. If there are no further questions, let's wrap up today's presentation. First of all, a big thank you to all the teams who have contributed. Thank you, Bernard, Marco, Yannick. And thank you for joining us today. Have a nice day and see you soon.

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