



## Quarterly statement: Elia Group Q3 2023

### Regulated information

- Grid development in both Belgium and Germany is proceeding as planned, making progress both onshore and offshore to implement the investment program and the necessary infrastructure for a successful energy transition
- Progress in regulatory discussions in both Belgium and Germany
- The outlook for 2023 has been revised towards the upper range of the 6%-7%
- New capital expenditure plan of €9.4 billion for Belgium and €20.7 billion for Germany for the period 2024-2028
- Capital markets day planned on 8 December 2023

### GRID DEVELOPMENT

#### 50Hertz secures contracts with NKT and Prysmian for extensive submarine and land cable projects

50Hertz secures contracts with NKT and Prysmian for extensive submarine and land cable projects 50Hertz has signed agreements with NKT and Prysmian Group to manufacture and install a minimum of 3,500 km of submarine and land cables, with the possibility of an additional 2,700 km. The contracts, totaling €4.6 billion, involve 525-kV cable systems with a 2 GW capacity per system. These projects align with Germany's climate neutrality goal by 2045 and are legally enshrined in the Bundesbedarfsplan or outlined in the draft of the Netzentwicklungsplan 2037/2045. The engineering, production, and installation of cable systems are set to commence in 2025, with completion and commissioning in the mid-2030s.

#### 50Hertz dismantles the old Uckermark line using helicopters

50Hertz has successfully executed a major dismantling operation, utilizing helicopters to remove the majority of pylons from the old Golzow to Panketal power line, originally constructed in 1958. The helicopters managed to remove an impressive total of 74 pylons in a single session, a task that would have taken a crane one week to accomplish. This move is part of 50Hertz's commitment to meeting the growing demand for renewable energy within its control area. The forthcoming 380 kV high-voltage line, stretching 115 kilometers, will establish vital connections between the Bertikow substation near Prenzlau, the Vierraden substation near Schwedt, and the Neuenhagen substation to the north of Berlin. The project is on track for completion in 2024, marking a new era of efficient energy transmission and sustainability in the region.

#### High-voltage power line upgrade: enhancing efficiency and environmental responsibility

Elia Transmission Belgium ("ETB") is upgrading the high-voltage power line between Liefkenshoek and Mercator in Kruikebeke. This involves replacing the existing 150 kV line with a stronger 380 kV line in the same location, while maintaining a similar appearance for the new towers. The project will proceed in phases, with wire removal followed by tower demolition until March 2024, followed by tower construction. Completion is expected by mid-2026. Additionally, ETB will implement measures to reduce electromagnetic fields (EMF) generated by the high-voltage line. This project serves multiple purposes, such as meeting the growing electricity demands of households and

businesses, enhancing energy exchange with the Netherlands, and reinforcing the backbone of the Belgian electricity grid to better navigate the evolving landscape of the energy transition and increased demand.

### **Critical role of the East Loop in enabling new generation capacity in a renewable energy-rich region**

The upgrade from 1x70 kV to 2x110 kV in the eastern part of Liège Province unlocks the potential for substantial wind power generation, increasing the initial capacity from 65 MW to 480 MW. This enhancement addresses grid saturation issues, enabling the integration of seven times more wind power and ensuring long-term capacity. Furthermore, this upgrade prioritizes public safety, infrastructure security, and grid reliability by replacing aging infrastructure to enhance supply security and overall grid resilience while significantly boosting power capacity.

## **SYSTEM MANAGEMENT**

### **Pilot project launched to simplify electric vehicle charging**

A pioneering collaboration among 50Hertz, LichtBlick, decarbon1ze, and Stromnetz Berlin seeks to simplify electric vehicle (EV) charging, marking a significant step toward supporting the electrical grid. Throughout an innovative pilot project, these partners are testing new IT processes that enable EV owners to choose their preferred billing system at public charging stations, allowing them to select their energy supplier rather than being locked into the station operator. This approach uses a virtual balancing area for power allocation and settlement, promoting flexibility and choice. This initiative aligns with the grid access rules for EV charging established by the Federal Network Agency (BNetzA) in 2021, fostering a dynamic market environment that enhances customer choice and facilitates the integration of renewable energy sources into EV charging.

## **INNOVATION**

### **Drones for rapid incident identification along overhead lines**

ETB is pioneering the use of drones to swiftly identify the causes of incidents along overhead lines within 10 minutes of occurrence. The key technology being utilized is a “drone-in-a-Box,” a specialized drone that takes off from and returns to a designated docking station. These drones are remotely controlled and have the capability to operate beyond the visual line of sight.

## **REGULATORY**

### **Germany**

50Hertz has achieved 100% efficiency for its upcoming regulatory period 2024 to 2028, confirmed by the Federal Network Agency (BNetzA). The BNetzA evaluates operational costs based on 2021 data to set revenue caps for grid operators. While inefficiencies are typically targeted during these periods, 50Hertz is exempt due to their 100% efficiency. The evaluation compares operators to a reference network and aims to reduce inefficiencies during the regulatory period. This efficiency factor contributes directly to the profitability of the company.

In June, the BNetzA (German regulator) launched a public paper to increase the regulatory Return on Equity (RoE) for onshore investments in response to an unexpected and substantial rise in interest rates. According to this public consultation, the RoE for new onshore investments starting in 2024 will be determined annually, incorporating a fixed risk premium and an update base interest rate for that specific year. This would mean an adjustment from 4.13% to

5.78% after tax for the year 2024. As for existing investments up to 2023 and projects that have already been realized, the initial unadjusted rate of 4.13% post-tax will be applied throughout the entire regulatory period.

Following discussions with the BNetzA, it appears that the same regulations may also be extended to offshore assets. In total, the current proposal would lead at this stage to a 96 bps higher average imputed return on equity over the period compared to the previous 4.13% initial post-tax return. It's important to highlight that we continue to work in collaboration with the regulator to further improve the returns, especially considering the unprecedented capital expenditure plan ahead of us. The regulator's final decision on the imputed return on equity is anticipated to be made toward the end of 2023.

### Belgium

The CREG (Belgian regulator) has granted approval to Elia's adjusted tariff proposal for the 2024-2027 regulatory period. These tariffs for the period are established in a high-inflation context, and are aimed at equipping Elia with the necessary resources to fulfill its vital role in advancing the energy transition, particularly through its ambitious investment program. Consequently, electricity transmission tariffs are scheduled to increase during the 2024-2027 timeframe.

Additionally, the 2024-2027 tariffs consider a revaluation of remuneration to consider the significant changes that have occurred in financial markets since the tariff methodology was established in the first half of 2022. In this regard, the CREG has initiated a public consultation regarding a revision of this tariff methodology for 2024-2027 to precisely define the parameters of the revaluation mechanism, which proposes to adjust the fair margin based on the evolution of the 10-year Belgian long term obligation rate (Belgian OLO) with a distinction between the new and the old investments. This suggests that the global remuneration during the upcoming regulatory period is projected to increase by an additional fair margin of 1.49%, if the Belgian OLO would remain at 3.17%, as observed in recent weeks, leading to a regulatory return of around 7.2% (compared to an initial regulatory return of around 5.7%). The proposed mechanism, currently open for public consultation, outlines that the new component of the fair margin (1.49% of remuneration) will proportionally increase or decrease based on whether the average Belgian OLO for a given year in the regulatory period surpasses or falls below the reference of 3.17%. When the Belgian OLO falls within the range of 0 to 1.68%, the fair margin remains fixed at 4.1%, as initially outlined in the tariff methodology published in June 2022. This establishes the baseline, ensuring a minimum return of 4.1%, with no additional compensation. The characteristic of this proposed mechanism is detailed in the ongoing public consultation.

## CORPORATE GOVERNANCE

### Catherine Vandendorre appointed as Chief Executive Officer Ad Interim of Elia Group

Catherine Vandendorre has been appointed as Elia Group CEO ad interim, after Chris Peeters decided to take his career in a different direction. This leadership change reflects the company's commitment to seamless continuity and effective governance during this transition period.

## FINANCIAL OUTLOOK FOR 2023

For 2023, **Elia Group** is confident in its ability to achieve an **Adjusted Return on Equity (ROE adj.<sup>1</sup>) towards the upper range of 6% to 7%**.

- In **Belgium**, we aim to achieve a return on equity (ROE) towards the upper range of 5% to 6%. ETB is expected to invest roughly €700 million. The realisation of this investment programme is always prone to external risks.
- In **Germany**, we aim to achieve a return on equity (ROE) towards the upper range of 8% to 10%. 50Hertz is expected to invest roughly €1,700 million. The realisation of the investment programme is always prone to external risks.
- The **non-regulated segment and Nemo Link**, which comprises the return of Nemo Link, the return of the non-regulated activities (mainly re.alto, EGI and WindGrid) and the operating costs inherent in the management of a holding company, is expected to report a loss to the Group's result in the range of €0 to -€5 million. Contingent upon the availability of the interconnector, Nemo Link is projected to contribute approximately €25 million to the financial result, considering the expectation that the cumulative cap over the 5-year regulatory period will be reached.

The guidance does not consider any potential M&A transactions.

## CAPEX PLAN 2024-2028 FOR BELGIUM AND GERMANY

The energy transition is gathering pace. Renewable energy sources (RES) - solar and wind - are increasing. The electrification of industry is accelerating, heat pumps are being installed at an increasing rate and electrical vehicles have reached a tipping point. The sharp rise in renewable energy and in electricity demand is triggering important consequences. The building of 'leading' grid infrastructure is critical for matching society's ambition to accelerate the transition. Since areas with high amounts of RES are often remote, the need for long-distance electricity transmission is rising. Moreover, areas with complementary production patterns need to be connected as the availability of RES is not equally distributed across Europe.

**In Germany**, the future path to achieving a decarbonized society will be guided by the rapid growth of renewable energy sources and a steadily increasing and more adaptable electricity demand. Ensuring a dependable power supply that can be utilized directly and with maximum efficiency is of paramount importance. Consequently, the essential groundwork for a carbon-neutral future hinges on the expansion and transformation of the transmission grid. The draft GDP (Grid Development Plan) outlines the requisite steps for enhancing the transmission grid and transitioning it towards a carbon-neutral infrastructure. This has led us to substantially revise upwards our **capex**

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<sup>1</sup> Determined as the result attributable to ordinary shareholder/Equity attributable to owners of ordinary shares adjusted for the value of the future contracts (hedging reserve).

**plan for 2024-2028 to €20.7 billion.** The rise is primarily attributed to the incorporation of three new onshore HVDC lines, multiple onshore AC projects, and the inclusion of four new offshore projects, resulting in an additional 8 GW of offshore connections in the North Sea, along with the scarcity and challenges in supplier markets. **In Belgium, the capex plan for 2024-2028 amounts to €9.4 billion,** driven primarily by an additional year of high capital expenditure in 2028 and by increasing costs due to scarcity and inflation in certain major projects.

Considering the significance of the growth in both Germany and Belgium, we should be prepared to reassess our capital expenditure plan if specific projects encounter delays due to permitting uncertainties or supplier capacity issues. It is important that we keep our focus on the future and find a way to connect this short-term complexity to significant opportunities that will ensure our success in the long term.

During the Capital Markets Day, Elia Group will present in-depth updates on its growth strategy, regulatory developments, its financial prospects, and funding strategy. Throughout the session, you will also gain valuable insights into our most recent digital innovations and sustainability initiatives. → Register [here](#)

## FINANCIAL CALENDAR

Capital Markets Day	8 December 2023
Publication of full-year results 2023	6 March 2024
Publication of 2023 Annual report	19 April 2024
General Meeting of Shareholders	21 May 2024
Quarterly Statement Q1 2024	22 May 2024
Ex-dividend date	30 May 2024
Record date	31 May 2024
Payment of dividend for 2023	3 June 2024

## About Elia Group

### One of Europe's top five TSOs

Elia Group is a key player in electricity transmission. We ensure that production and consumption are balanced around the clock, supplying 30 million end users with electricity. Through our subsidiaries in Belgium (Elia) and the north and east of Germany (50Hertz), we operate 19,349 km of high-voltage connections, meaning that we are one of Europe's top 5 transmission system operators. With a reliability level of 99.99%, we provide society with a robust power grid, which is important for socio-economic prosperity. We also aspire to be a catalyst for a successful energy transition, helping to establish a reliable, sustainable and affordable energy system.

### We are making the energy transition happen

By expanding international high-voltage connections and incorporating ever-increasing amounts of renewable energy into our grid, we are promoting both the integration of the European energy market and the decarbonisation of society. We also continuously optimise our operational systems and develop new market products so that new technologies and market parties can access our grid, thus further facilitating the energy transition.

### In the interest of society

As a key player in the energy system, Elia Group is committed to working in the interest of society. We are responding to the rapid increase in renewable energy by constantly adapting our transmission grid. We also ensure that investments are made on time and within budget, with a maximum focus on safety. In carrying out our projects, we manage stakeholders proactively by establishing two-way communication channels between all relevant parties very early on in the development process. We also offer our expertise to different players across the sector in order to build the energy system of the future.

### International focus

In addition to its activities as a transmission system operator, Elia Group provides consulting services to international customers through its subsidiary Elia Grid International. In recent years, the Group has launched new non-regulated activities such as re.alto - the first European marketplace for the exchange of energy data via standardised energy APIs - and WindGrid, a subsidiary which will continue to expand the Group's overseas activities, contributing to the development of offshore electricity grids in Europe and beyond.

The legal entity Elia Group is a listed company whose core shareholder is the municipal holding company Publi-T.

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