Elia Group Half-Year Results

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Elia Group Half-Year Results

Marleen Vanhecke: Good afternoon and thank you for joining us for this live-streamed event. Today, we will be giving you an overview of the Elia Group's half-year results. And for this, we are joined by Elia Group's CFO, Catherine Vandenborre, and the Group's CEO, Chris Peeters. Welcome to you both.

The agenda for today is as follows. First, we'll give you an overview of the highlights. We will talk with Chris Peeters about the "Fit for 55" legislative package from the European Commission. We will also discuss some of our newest publications; for example, we recently published a paper about a new market design. Catherine Vandenborre will then take us through the financials and finally, we will present the Group's outlook for the coming six months.

Before we start, I would like to point out the disclaimer for today's presentation. As mentioned on-screen now, you must read the disclaimer before we can continue, and I suppose you have all done it by now. So let's immediately kick off with the presentation.

Although we will be focusing on the past six months, it is difficult to ignore very recent events in Belgium. In mid-July, Wallonia in particular was hit hard by floods. In addition to the human suffering, an immense amount of material damage occurred and Elia was also affected.

Let's have a look at some images from our substation in Pepinster, taken on Wednesday 14th of July. The substation is next to the River Vesdre and was flooded. Shortly after these images were taken, our teams had to leave because the situation was becoming too dangerous.

Yeah, Chris, these are shocking images. How did Elia handle the crisis?

Chris Peeters: Well, Elia was warned before that we would have heavy rainfall in the region but we were not warned for the fact that it could have been those floods that we have seen. We had our teams on-site to immediately[?] start to work to save the sites that could have been impacted. So we had seven substations that were under threat and they did everything to keep it online. As an example, for instance, the substation in Spa, thanks to the support of the accident fire brigade, we could, with heavy[?] pumps[?], clear that site and make sure it was not impacted.

But finally, we had two sites that were really heavily impacted, the ones that you have seen in Pepinster and another one in Rochefort. Those ones we had for safety reasons switched off, of course, to avoid further damages and also for safety reasons. And we did that in coordination with [inaudible], the distribution [inaudible] operator, to minimise the impact on the region and to re-dispatch as much as possible, the electricity supply.

To just give the impact of that, the overall capacity of those two substations all together is 100 megawatts. In the end, we only had to switch off six megawatts in one and seven megawatts in the other one and all the rest could be re-feeded by other means.

We also started right away with the emergency procedure which means that our crisis centre in Brussels is immediately manned and that they monitor the situation, do all the calculations and observe[?] the situation in [inaudible] to make sure that we are prepared for any event that could still happen later in the day. Luckily, it didn't happen and as of the next day, we saw that the water levels were going down again.

But I would like to take the opportunity as well now to thank our teams because many people came out of holidays to support us to make this happen, and as well, many of them now have shown their solidarity to the people in the region and they are now volunteered to support it.

Elia as well has already given around €10,000 to the Red Cross to make sure that we can support the recovery of the situation.

Marleen Vanhecke: As Chris just mentioned, the substation in Pepinster was most impacted by the floods. Here you can see a picture of the station taken from a distance during the floods. And the next picture shows us what the station looked like when it was safe for our teams to return to the site. You can imagine the workload required to get it all up and running.

Chris, how are the reparation works progressing?

Chris Peeters: Well, our people started right away with [inaudible] worked in close collaboration to make sure that we could bring both stations back online. The substation in Rochefort was made back online in less than 24 hours, which is an amazing impact that we could have there and so as well that we could refeed as well the people that support all the activity that is happening now in the recovery.

On the other hand, Pepinster, as you have seen in the pictures, there's much more damage over there. It probably will take until the end of the month of August before we can be back online. Meanwhile, we work together with the people in distribution to ensure that we have minimum impact on the supply of energy.

Marleen Vanhecke: Yes. We have mainly discussed the operational impact of the flooding. What about the financial impact, Catherine?

Catherine Vandenborre: Yes, and the operational situation was indeed very complicated, and thousands of people were very hardly affected. Nevertheless, the serious damage to all electrical installations contained to two substations for which repair work has been started. And we believe that the impact on net profit will remain limited, because the damages we suffered, which are honestly minor compared to others, are covered by our insurance policies and the regulatory framework.

Marleen Vanhecke: Okay, that's all the news we have about the floods in Belgium. Thank you Catherine and Chris.

But we still continue to discuss other events which are very much still current. Two weeks ago, the European Commission adopted the "Fit for 55" package, its largest ever legislative package related to the pursuit of climate goals. The package aims to reach the goal of cutting CO_2 emissions by 55% by 2030 and put the continent on track to hit Net Zero by 2050. Chris, what is the impact of the new legislative package on Elia Group?

Chris Peeters: Well, Marlene, as you can imagine, it's an opportunity for Elia Group and we welcome this package very much because it creates a clear framework going forward. The European Commission wants to move from 32% of renewables towards 40% of renewables towards the overall energy supply, and this is an important increase. We, as Elia Group, are fully committed to ensure that we deliver the infrastructure to make sure that this integration can happen.

On top of that, it will mean as well an acceleration of the electrification of certain sectors like mobility and heat. And there as well there is an opportunity for us to accelerate in terms of digitalisation. Not only the European Commission has made their targets in the Fit 55, also Germany has made an acceleration. They want to be Net Zero by 2045 and that means as well that there we will see an increase and acceleration in the long-run in our investment programme, likely more offshore zones that will be developed to ensure that they can deliver on that target.

Finally, Elia Group wants to continue to contribute to the debate of decarbonising society and therefore, we issued a paper "Fit for 55" which you can find on the website, and which gives indications about all the things that you have to take into account if you want to deliver on a society which is governed [inaudible].

Marleen Vanhecke: As Chris just said, Elia Group is fully committed on delivering transmission infrastructure. In the press release that we published this morning, we stated that the company is well on track in its CAPEX programme. Catherine, without going too much into details yet, how has this impacted the first half of the year?

Catherine Vandenborre: Yes, so ETB and 50Hertz have invested so far €386.5 million to build the necessary infrastructure to integrate low-carbon generation and flexibility resources into the grid. Chris will walk you through the key CAPEX projects a little bit later.

In addition, with a reliability level of 99.999%, we provide society with a robust power grid that is so important for social-economic prosperity. This makes us one of the most reliable grids in Europe.

In terms of financial results, the adjusted net profit of the Elia Group share increased by 0.6% to €124.9 million compared to the first half of 2020. This increase was driven by the realisation of our investment plan and the strong performance of Nemo Link. It was offset by the lower results of 50Hertz due to higher operational costs. I will give more detail about this later Marleen.

Marleen Vanhecke: Okay. Thank you, Catherine, for these first figures. Before we dig deeper into the financial results, we would like to take a moment to discuss two of our most recent reports. In mid-June, Elia Group published its paper on a consumer-centric market design. The advent of electric cars and heat pumps will lead to consumers interacting differently with the grid. *Towards a Consumer-Centric and Sustainable Electricity System* describes what needs to be done so that consumers can better gear their consumption to the needs of the power grid. Let us have a closer look at what this newest vision paper is all about.

[Video starts]

The use of flexible appliances like electric cars and heat pumps is on the rise. They are opening the door for new ways for consumers to interact with the electricity system. In a world led by renewable energy, the most efficient way to charge these kinds of appliances will be when there is plenty of wind or sun available. This will be cheaper for the consumer and will help to keep the electricity system in balance. Today we have the right digital technologies to allow this to happen, but a number of barriers stand in the way. That's why Elia Group has developed a new consumer-centric market design. Just two small changes are needed to make it a reality.

Firstly, a hub allowing an exchange of energy blocks is needed, so different parties can exchange energy with each other on a 15-minute basis. If your solar panels produce more energy than you need, you'll be able to sell this excess to friends, an energy community, or other suppliers. This involves sharing a real-time energy price which fluctuates according to factors like the weather, the time of day, and general demand for electricity. Sharing this real-time price will encourage consumers to use electricity when it's cheaper and most convenient for the system.

The new market design will therefore allow the efficient integration of more renewable energy into the system, allow consumers to optimise their energy costs, and ultimately support the decarbonisation of society. So let's break down barriers to better services.

[Video ends]

Marleen Vanhecke: Apart from industrial companies, consumers are not directly linked to the high voltage grids of Elia Group. So Chris, why is Elia Group interested in consumer services?

Chris Peeters: Well, Marleen, the paradigm shift that we see happening in the sector is making the case for consumer-centric services more and more obvious and more and more attractive. So what you see in terms of paradigm shift is the following. We come from a system where the suppliers and large industrials are delivering the flexibility of the system. So, we have a change in demand which is actually happening when it happens because there are little signals to change that at this point in time, and we see turbo[?] plans[?] and large industrial players that provide flexibility for the system.

Now, if you see what's happening in the energy transition, you see that we're moving to a system where there is more electrification at the consumer side, also in the lower voltage levels. And meanwhile, we are replacing those turbo plans with more and more intermittent renewables. And therefore, of course, those consumers that have flexibility can adjust their behaviour towards the availability of that system.

This is not something which is new to Elia. We launched already a paper on this two and half years ago where we, at that moment in time, introduced the three building blocks of a consumer-centric system. The first one was around a real-time communication [inaudible] for which we then launched the Internet of Energy and together with 65 other companies, experimented in the way how we could, with that communication, ensure that flexibility was better managed.

This paper now is about the two other dimensions, which are about upgrading the market design, so allowing consumers to directly interact with the wholesale market and exchange blocks of energy and get those price signals to optimise their position. And so we will develop a number of tools so that people can use those tools to make that happen for themselves.

What we will do from now is together with the sector, but also the sectors that are electrifying, we will organise until the end of the year, a number of workshops to go into the details on how the system will work. And on top of that we will also have a hackathon[?] in the mid of October, where together with everybody who is interested, we will develop a number of use cases that will allow that we showcase how such a consumer-centric system will work in the future.

Marleen Vanhecke: All nice examples of co-creation. Besides our report on consumer centricity, at the end of June, Elia also published its Adequacy and Flexibility study for Belgium.

As provided by the Belgian Electricity Act, Elia is required to calculate, every two years, Belgium's adequacy and flexibility needs for the coming decade. To maintain the security of supply, special attention must be paid to the impact of the nuclear exit and the changes brought about by the European Green Deal. The study contains three key messages.

Chris, could you give us a quick explanation on the three key messages that we see now on screen?

Chris Peeters: Yes Marleen. It was a long-awaited report this time. It's the fourth report in a row that we have on this topic, but obviously, we are now very close to the decommissioning of the nuclear capacity, as is foreseen by the Belgian law on that. And so everybody was of course interested what a report would say about that impact.

You see here on the page what is going to happen between now and 2025, and you see that we will decommission 6 gigawatts of nuclear capacity. And all reports confirm that you need to have replacement capacity in the order of 3.6 gigawatts, which is in line with what we have stated in the previous reports.

Similar to those previous reports as well, we have analysed that those capacities that are needed will not come by themselves, so that you will need a supporting mechanism to make that happen. That was already in the previous reports. Therefore, the former government already started with the process with the European Commission to ensure that a capacity renovation mechanism could be put in place. We expect an answer from Europe in the coming weeks about this mechanism and if this one will be positive, there will be an auction in the mid of October to provide for that replacement capacity.

New in this report is the fact that we not only look at the nuclear exit in Belgium, we also look beyond that. You have seen before that Europe is looking at a Net Zero society. Belgium will as well have to look at a Net Zero society going forward. And one of the obvious things, of course, is that Belgium will be short in renewable energy as we are a dense country in terms of energy demand. We have industries that have a high demand in electricity as well, and we have a limited potential in terms of renewable energy. Therefore, we will have to make alliances with other countries. A good example of that is the hybrid interconnector that we plan to do with Denmark on which we have made announcements earlier in this year already.

Marleen Vanhecke: Okay, thank you Chris for explaining our recent studies. Let's now focus on the half-year results and we start with the CAPEX delivery. What milestones, Chris, have been achieved?

Chris Peeters: Well, in terms of total investment, we have delivered on €387 million for the first half of the year, of which €165 million were in Belgium and €222 million were in Germany.

Important investments that we have done is in the offshore region, Ostwind 2 in Germany where we laid the first sections of the offshore cable, and also where we laid successfully the onshore cable. We have delivered and commissioned a phase shifter in the south of Belgium at the French border, which will be important to ensure the security of supply coming forward. And we have both in Germany and in Belgium done important reinforcement works of the backbone.

In Belgium, that means that we have replaced certain lines by lines with more capacity so that we can transport more capacity over the grid. We have done similar projects in Germany, but on top of that in Germany as well, we have reinforced the grid around Berlin, that we have a safer supply in Berlin.

And then finally as well, we have contracted the convert station for Sued Ost Link, which is the largest investment Elia ever has done. We already had contracted the cable works, 540 km of cable works that we have jointly with Tanet to deliver on that. But this is of course an important signal that we are on track with this project and that we will deliver it on time, on budget, as planned, in the plans that we have made public.

Marleen Vanhecke: And the covert stations were awarded to Siemens. Thank you Chris for this update.

Earlier in this presentation, we witnessed how climate change could affect all of us. On our Capital Markets Day in April, Elia Group provided you with a deep-dive on our targets with regard to sustainability. And we introduced the Act-Now Programme. Catherine, could you provide us an update on the realisation of these targets.

Catherine Vandenborre: So, first, and as mentioned by Chris, our business strategy embraces sustainability and supports many dimensions of the Green Deal. And as an international TSO, we believe we are in a unique position to integrate renewables into the system and as such, contribute to the decarbonisation of the power sector. With the execution of the investment plan and the adequate market design and system operations, we can have the most impact in terms of climate actions.

On our second dimension, we have increased the number of herbicide-free substations from eight to 31 for Elia and 50Hertz is on track to be fully banning herbicides by 2022.

In our third dimension, health and safety, we made progress on the implementation of the Safety Programme for works undertaken by our contractors. Some of them performed safety audits, allowing to identify which behaviours need to be improved and what actions still need to be taken to fully anchor safety in their processes and operations, thus minimising risk situations.

Also, we published a Diversity, Equity & Inclusion Charter outlining the management team's commitment to further embedding diversity, equity and inclusion across the organisation. And in this connection, a Group-wide Diversity and Inclusion Awareness campaign was launched that involved interactive discussion sessions that focus on how diversity can be fostered and celebrated in our day-to-day activities. ETB's management has also committed on long-term KPIs related to Diversity and Inclusion

Finally, we are also back on the road. Since COVID measures are being eased, we are resuming in-person dialogues to engage in discussions about the grid.

Marleen Vanhecke: Thank you Catherine for this update on sustainability.

Our activities span several countries and different regulations. Today, Elia Group is active under three different regulatory frameworks. Nemo Link's is fixed until 2044. For both Belgium and Germany, a new period will start in 2024, in about three years from now.

Chris, have you had any discussions with the respective regulators on the framework so far?

Chris Peeters: Well, yes, Marleen. So what you as well could have witnessed a few weeks ago in the German Press, BNetzA, the German Regulator, made a first proposal for the ROE for the next regulatory period and that was proposed at 4.59% pre-tax and 3.74% post-tax ROE for that period.

BNetzA made very clear that this was a minimum value and it was based on the calculation matter that they used in the past. There will of course be now quite some discussion that will happen. As Elia and 50Hertz, we are preparing an argumentation, together with some other grid operators, that we will have to submit by the 25th August. Then there will be a public hearing about this proposal and then we expect that we will have a final view on that by October.

At the Belgian side, we are preparing now for discussion with the Belgian regulator, CREG, that will start as of early 2022 and we will, of course, report as soon as we have more news on that.

Marleen Vanhecke: Thank you for the update on the frameworks. Catherine already provided us with a few key figures. I assume, Catherine, you have many more to show us. Let's start by looking at the Group figures.

Catherine Vandenborre: Thank you, Marleen.

So first, Elia Group's revenues amount to €1.3 billion. This represents an 11.5 % increase compared with the same period last year.

This increase was driven by higher revenues in Belgium which were up by €63.7 million, and higher revenues in Germany which were up by €89.7 million. It was partly offset by lower revenues for Elia Grid International, which were down by €2.3 million, driven by the impact of the COVID-19 on the international consulting business.

The higher revenue in Belgium was due to a higher regulated profit and increase in costs that are all passed through into revenue under the cost-plus regime we have. We will go into more detail on the key drivers when presenting the Belgian segment.

In Germany, revenues increased due to the higher energy revenue (which was also passed through) and a higher investment remuneration due to the asset growth.

The EBIT decreased by 7% compared with last year, amounting to €265.3 million. This is the result of a slightly lower EBIT in Belgium, which decreased by €3.1 million, and a lower EBIT in Germany which was €26.1 million lower. This was partially offset by a higher contribution from associates of €9.7 million.

In Belgium, the lower EBIT in 2021 was driven by lower financial costs which are passed through. The lower costs were due to the refinancing of a shareholder loan in 2020 at better financial conditions and one-off costs for the unwinding of an interest rate swap. In Germany, the lower EBIT was the result of increasing staff and IT costs and also, a peak in the maintenance cycle. The associates contributed for approximately 6% of Group's EBIT, reflecting the strong operational and financial performance of Nemo Link over the first half of the year.

Elia Group's adjusted net profit was down by 1.6%, reaching €150.5 million. Germany contributed for approximately 50% to the result with a lower adjusted net profit due to higher operational costs. This was partly compensated by the very strong performance of Nemo Link, contributing for 10% to the result, and a higher result in Belgium with a relative contribution slightly above 40%.

Let us now turn to the net debt of Elia Group. At the end of June, we carried a net debt of around €5.8 billion, which represents a decrease of 22% compared with the end of 2020.

This decrease is entirely attributable to Germany. At the end of last year, we saw a big drop in the EEG cash balance. This was due to a very high renewable electricity infeed combined with low electricity prices and lower consumption volumes. In order to finance this EEG deficit, Eurogrid contracted, in 2020, several facilities for a total amount of €700 million. Today, we have received two federal contributions, which amount to roughly €1.6 billion, to settle the EEG deficit and allowed us to pay back all the temporary revolving credit facilities drawn at the end of last year.

As we mentioned earlier, the Group invested €386.5 million in infrastructure. These investments were mainly financed by cash flow from our operating activities.

Furthermore, Eurogrid took advantage of favourable market conditions to issue a €500 million Eurobond, securing part of the liquidity for the 50Hertz upcoming investment programme. Following this issuance, the average cost of debt of Elia Group reduced by 27 basis points to 1.62%. This is largely to the benefit of society, as the cost of debts are mainly passed through.

Elia Group only has fixed-rated debt outstanding. Elia Group's rating remains unchanged at BBB+ with a stable outlook by S&P.

Marleen Vanhecke: Yes. These were the results for Elia Group. Let's zoom in now on Belgium. We are now in the 2nd year of the current regulatory period in Belgium. Catherine, is it fair to say that Belgium is performing as expected?

Catherine Vandenborre: Indeed Marleen, Belgium is performing in line with our guidance. Let me take you through our key figures.

Our revenue in Belgium increased by 13.5%, totalling €534.8 million.

The revenues were impacted by a higher regulated profit, also higher depreciation linked to the growing asset base, and higher costs from ancillary services. The latter was driven by the energy mix, reflecting a high nuclear baseload and higher wind capacity during the first half of 2021. This was offset by lower financial costs. All these items were passed through into revenue.

The adjusted net profit came in at €62.1 million, up by 1%. What were the key drivers of this increase?

First, a higher fair remuneration, up by €2.9 million to €52.2 million. This was driven by both an increase in the Regulatory Asset Base and consequently higher equity.

Second, the contribution from incentives increased slightly, reaching €10.4 million. This increase was primarily driven by the incentives linked to interconnection capacity and to the availability of the grid, and was partly offset by a lower performance on data quality and balancing.

Finally, the result was positively impacted by lower damages to electrical installations at end of June compared with the prior period.

These positive elements were offset by lower capitalised borrowing costs due to a lower average cost of debt and the commissioning of major projects in the second half of 2020.

Marleen Vanhecke: Okay, thank you Catherine. You mentioned earlier in this presentation that the execution of our investment programme is well on track in Belgium. Could you provide us with some insights into the financial position of ETB?

Catherine Vandenborre: I think ETB continues to have a solid capital structure. It has an equity portion slightly above 40% of the regulated asset base. Equity rose slightly, mainly because of the half-year profits and the revaluation of post-employment benefit obligations linked to an increase in the discount rate.

The company's liquidity position remains robust and the sustainable RCF and commercial paper are both fully undrawn.

ETB also obtained its own public credit rating from Standard & Poor's. It is rated BBB+ with a stable outlook.

Finally, ETB has a well-balanced debt maturity profile. It has a weighted debt duration of 6.9 years and no upcoming near-term material maturities, and the average cost of debt of 1.91%.

Marleen Vanhecke: We go from Belgium to Germany. Germany has always been an important contributor to Elia Group's results. How was the performance of 50Hertz Transmission over the last six months, Catherine?

Catherine Vandenborre: I will start with the top-line, where we see that revenues increased by 12.6% to reach almost €784.9 million. This was driven by higher energy revenues, which were passed through, and a higher investment remuneration from asset growth.

The adjusted net profit came in at €79.9 million, down by 15.4% compared with the previous year. And the key drivers of this result are the following:

First, higher operational costs, which increased by €19.3 million as 2021 marks a peak in the maintenance cycle. The OPEX costs also increased due to our expanding business and digitalisation efforts to manage increasing complexity in system operations.

Secondly, the ongoing investment programme led to increased asset remuneration, which is up by €3.6 million. At the same time, depreciation costs increased by €2.1 million.

And additionally, the result benefitted from higher regulatory settlements, up €1.1 million and this following a review by the regulator of the 2018 regulatory account, while prior-year results also included a partial release of the easement provision for €1.5 million.

Finally, on the plus side, the financial result improved by €3.6 million, and this is driven by lower interest expenses as a high-interest rate bond was refinanced at more favourable conditions in Q2 of last year.

From a balance sheet perspective, the equity remains solid. The slight decrease is driven by the payment of dividends being not fully compensated by the half-year results.

The liquidity position of 50Hertz remains very strong at €2.7 billion, with all revolving and overdraft facilities fully undrawn. In the €1.8 billion cash position, an amount of €948 million of EEG cash is included and has to be given back to the consumers.

In addition, in 2021, Eurogrid GmbH took advantage of favourable market conditions to issue a €500 million senior bond with a 12-year tenure and fixed coupon of 0.74%. Hereby it secured part of the liquidity for financing its investment programme and further reduced its average costs of debt to 1.34%.

The maturity profile is well-balanced with a weighted debt duration of 6.9 years. There has been no change to the rating of Eurogrid GmbH which remains BBB+ with a stable outlook.

Marleen Vanhecke: Okay. Let us now zoom in on our third segment – the non-regulated segment and Nemo Link. We already said that there was a very strong start in 2021. Could you give us some more details, Catherine?

Catherine Vandenborre: Indeed, our third segment performed well. Its adjusted net profit came in at €8.4 million, and the key drivers were the following.

First, we had a higher contribution from Nemo Link**,** which was up by €9.6 million. This reflects a strong operational and financial performance during the first semester. With an overall availability of 99.89%, Nemo Link continues to be one of the highest-performing assets of its kind in the world. In addition, the market price spread increased compared with the same period last year, from +5.0 €/MWh to 13.5 €/MWh in the same period. This followed on from the strong nuclear availability in Continental Europe and increased gas and carbon prices in the UK. This led Nemo Link to contribute €15.6 million to the Group's results.

Second, the segment's result benefits from lower regulatory settlements following the 2020 Saldi review by the CREG while also the operating loss of re.alto reduced by €0.8 million, reflecting tight cost control measures and the generation of first fee income.

Finally, holding costs increased by €1.5 million, due to the higher operating cost driven by business development activities.

Marleen Vanhecke: Okay, and finally we still need to cover the outlook for 2021. What can we expect from Elia Group in the coming 6 months, Catherine?

Catherine Vandenborre: We expect to end the year with an adjusted return on equity in the upper end of the targeted 5.5% to 6.5% range for 2021. If we look at the three segments, for Belgium, we remain confident about achieving a return on equity of between 5% and 6%, while investing around €390 million in our grid. The slight upward revision in CAPEX is mainly driven by the good progress we made on our investment programme and the acceleration of certain projects that were originally planned for 2022.

In Germany, we remain confident about achieving a return on equity of between 8% and 10%. 50Hertz Transmission intends to invest roughly €860 million in its grid. The realisation of the investment programmes in Belgium and Germany are, of course, always subject to external risks.

And finally, on the back of a strong performance of Nemo Link for the first half of the year, we expect a positive contribution for the third segment to the Group's result. Nevertheless, I would like to stress that the final contribution of this segment will depend highly on the performance of Nemo Link in the second half of the year, which remains subject to the volatility in the market spread of the electricity commodity price.

I would like to note that this guidance obviously does not take into account any potential M&A transactions

Marleen Vanhecke: Okay. Thank, you Catherine. In conclusion, it's clear that during the first half of the year, our investment plans were executed in line with our original intentions and that we remain confident about achieving the predicted return on equity.

Let us look a little further beyond the end of the year. Chris, you have said in previous presentations that this sector is in full swing and that this offers us many opportunities. How do you see the future today?

Chris Peeters: Well, we continue to be very optimistic about that. Our business is about supporting energy transmission and we have only seen acceleration in the last couple of years and we expect to have an acceleration into that segment. The reason for that is of course that the extreme weather events that we have seen across the globe make very clear that we have to do something about the climate change that is happening as we speak and that means that we will see more renewables are coming in faster. That we see also the electrification in sectors like mobility and heat will go faster and that means of course, for us, more investments, more digitalisation, and more focus on ensuring that flexibility can make available towards the market.

This is fully in line with the strategy we have seen in the past. We expect even a faster acceleration in terms of the offshore developments and this is fully in line with what we are preparing for. Therefore, we can only look at the future with optimism in terms of the business side.

Of course, we are as concerned as everybody else with the climate change. So we have to continue to work on that and to deliver in line with the [inaudible].

Questions and Answers

Marleen Vanhecke: Okay. Thank you Chris and thank you also Catherine for today's update. Ladies and gentlemen, we have been provided with a comprehensive update on Elia Group's latest figures and I suggest we now move on to the Q&A. Operator, it's your turn now. Did you receive any questions?

Operator: Thank you. Ladies and gentlemen, we'll start the question and answer session now. If you have a question or remark, please press star one on your telephone. Go ahead please, star one for questions or remarks.

And there is a question coming in from Olivier Vandewoude. I am going to put you through.

Olivier Vandewoude (KBC Securities) [?]: Hello, good afternoon. Thank you for taking my questions. I have a question. The first is related to the investment in Belgium. As I understood correctly, you increased your investment outlook from €365 million to €390 million for 2021. Is that mainly because the projects are progressing faster than expected? So do you bring basically investments from 2022 forward to this year?

And then also, a little subquestion regarding the floods in Belgium. You mentioned that you do not expect them to have any direct impact on net profits but given that you have some investment programmes in the affected regions, could it be that it will result in a delay in the execution of the investment programme? Or the idea that you increase your outlook, don't we expect any delay on those projects there?

Catherine Vandenborre: Thank you, Olivier. So on the first question, I can only confirm that you understood it perfectly. So we increase slightly the guidance on the CAPEX to its pre-€90 million from 2021, and the reasons for this increase is exactly what you described, namely that we are progressing well. We are anticipating on some investments of 2022.

There is also a minor acquisition of some assets which were foreseen and for which the price might be slightly higher than initially projected, but most of the reason behind the increase is progression in the investment in anticipation in 2022.

On the second aspect, I mentioned that we expect very limited impacts of the flooding on our net result. To be complete, we can still have an impact because you know that with insurance, you have always excess you need to take into account. We have also a re-insurance programme through our Elia Re company, where we have some loss. So it's not that we will not have any impact but those impacts are expected to be very limited and remote on the P&L.

Do we expect some delay in the execution of the investment? No. First, because we had not that much investments going on in the regions that were affected. Of course, we had to redirect a little bit the workload on cleaning the debris and afterward ensure the infrastructure would be put in a situation to work correctly again. But this was done in the vast majority for the last 15 years. For the rest, we will have more investments to do in one of our substation, the one of Pepinster, but that will be mainly related to 2022. We had anyhow planned some works in the substations in 2022.

So I hope to have been complete in my answer to your question.

Olivier Vandewoude: Yes, very clear, thank you. Then, the second question relates to 50Hertz in Germany. So the higher OPEX and then the investments and digitalisation and personnel costs had an impact of roughly €20 million. On the net profits, do you expect that amount to be equal in the second half of the year, or are we already at the top-end[?]? Do you say okay, the second half of the year, it will be a little bit less, or can't you say anything on that?

Catherine Vandenborre: [Inaudible] impact in the OPEX of 50Hertz, if you look back at the situation of previous years, and the point is that often, we have somewhat more expenses in the second half of the year than in the first half of the year. So, if you look at the impact on the total year related to the maintenance, it's not completely balanced between the first semester and the second semester.

That being said, I don't know how you precisely identified the €20 million that you were referring to and I propose on this one that we have a discussion afterward.

Olivier Vandewoude: Okay. Thank you.

Operator: And the next question is coming from Juan Rodriguez at Kepler. Please go ahead.

Juan Rodriguez (Kepler): Thank you and good afternoon, everyone. Thank you again for taking our questions. My question around CAPEX has been already answered, but then I take the opportunity to double-check on the guidance provision on return on equity.

If we take the middle of the range of the 6-6.5%, if we take that, and at the middle of the range, let's say 6.25%, then it's correct that the guidance upgrade that you're providing is from $10-15 million of the net income level. That will represent something around the

€240-245 million adjusted net income, correct? I want to double-check with you if this is correct. Thank you.

Catherine Vandenborre: Yeah, so in terms of guidance, like we are saying, based on the information we have today, we expect to end in the higher end of the guidance. If you want to translate this guidance in impact on the result, you have also to make some assumptions on the equity. I would like to check with you which type of net profit you referred to. I suppose it's the one relating to the owners of the company. And if that's the case, it should be, according to our estimation of the equity, a little bit higher than the €240 million that you mentioned.

Juan Rodriguez: Yes, yes. It's on the shareholders of the company so, okay, perfect. And then as the follow-up on that one, can we say that mainly the [inaudible] up for revision on your guidance is mainly driven by the positive performance of the other segments after the €9 million loss that you had in 2020, now that you said that you expect them to finish in the positive territory? Is that correct?

Catherine Vandenborre: Indeed. So the revision of the guidance is linked with the good performance of Nemo Link during the first half of the year and of course, we expect this performance to continue somewhat – not necessarily exactly in the same trends but somewhat in the second half of the year. And that's the reason why we think that the guidance will be subject to possible evolution on Nemo Link. But that's exactly the reason Germany and Belgium are performing, according to us, in line with the year-end guidance and Nemo Link is performing better.

Juan Rodriguez: Excellent. Quite clear. Thank you very much.

Operator: And the next question is coming from Akhil Bhattar from Citi. Please go ahead.

Akhil Bhatar (Citi Research): Hi, it's Akhil Bhattar from Citi Research. I have three questions, if I may. The first one is what is your view of the initial German proposal of allowed returns, and what is the potential impact on the returns or, let's say, net income if it comes in line with the initial draft?

The second question is, if the returns are in line with the proposal, how do you think it changes the capital requirement in the medium-term?

And lastly, we are seeing inflationary pressure across all peers in this industry, so how do you think this impacts Elia's big CAPEX plan for the next two, three years? Thank you.

Catherine Vandenborre: Sorry, could you repeat your second question? Because there was some background noise and I didn't catch the second question.

Akhil Bhattar: So, for the second one, if the returns are in line with the proposal, how do you think it changes the capital requirement? I mean, do you think CAPEX needs to be changed for the medium-term target?

Catherine Vandenborre: I will give a first answer and afterwards, Chris if you want to complete. So in terms of a low return before estimating any possible impact on the bottom line, I would rather advise to wait for the complete picture on the regulatory framework.

You know that there are different components on these regulatory frameworks so the fair remuneration is certainly one of the components. But next to that you have the situation related to the incentive regulation that will be needed – that we will have to take into account. And of course, we have the evolution of the [inaudible] towards a possible a cost-plus model.

So it's very hard for the time being to predict any impact in terms of the bottom line because we don't have the full picture yet. We have a number of indications, but I would really advise to wait first on the publication of the final decision regarding the return on equity, and then to the publication of the other elements. And of course, as soon as we have this information, we will give this information and make it public.

The second element in terms of capital. We see it's the other way around. To put it more clearly, we know – everyone knows within society that there is a huge need for delivering on the energy transmission and that TSOs are key players in facilitating this energy transition. So we rather see increasing needs for investments in our infrastructure, and we rather believe that the proper environments, including the regulatory environment, should be given in order to facilitate the speeding up of the investments in the network. #

That's for the second aspect, and I think with that, I also covered your third question but don't hesitate to come back if it's not the case.

Akhil Bhattar: Okay, thanks.

Operator: For further questions or remarks, please press star one. Go ahead, please.

There are no further questions. Please continue.

Marleen Vanhecke: Thank you. If there are no further questions, I suggest we bring this presentation to a close. Thank you, Chris, thank you, Catherine, for your contributions. A recording of the presentation, along with the slides used throughout, will be made available online later today.

Thanks for being with us and stay safe.

[END OF TRANSCRIPT]