



# Quarterly statement: Elia Group Q1 2022

## Regulated information

## Highlights

- Elia Group expanding its international offshore activities
- Good progress on delivering the investment plan in Belgium and Germany
- Enabling end consumers to contribute to the energy transition
- Public consultation on tariff methodology 2024-2027 for Elia Transmission Belgium
- Chris Peeters named Manager of the Year 2021
- Financial outlook for 2022 reiterated

### Elia Group expanding its international offshore activities

Over the next few years, large-scale investments in renewable energy production and the offshore grid are due to be undertaken to decarbonise society and reduce EU's dependency on imported fossil fuels. To make a fundamental contribution to the accelerated development of offshore energy, Elia Group has created a new subsidiary WindGrid. Its formation is a logical step in the further expansion of Elia Group towards an international energy company.

### Direct current connection between Germany and Sweden moving forward

The German Federal Maritime and Hydrographic Agency (BSH) has started the approval procedure for the construction and operation of the Hansa PowerBridge - a 300 kV direct current submarine cable which will link Germany to Sweden. The approval procedure relates to the cable section which will cross the German continental shelf in the Baltic Sea; it is the last of five approval procedures which need to be completed, which means an important milestone in the project has been reached.

### Further progress on Nordring Berlin line

For the 380 kV overhead line Nordring Berlin, two further sections were completed in March 2022 after a construction period of 17 months. 75 additional power pylons have been erected in this period, which means that the largest part of replacing this important line in the north of Berlin is now in place. The remaining sections are scheduled for completion by the end of 2023. The overhead line is an integral part for transporting the growing volumes of renewable energy from the northeast of Germany to the centers of consumption and to securely supply the Berlin metropolitan area with an increasing share of renewable energy in the long term.



For further information

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## **50Hertz gains access to the North Sea in Germany in partnership with TenneT**

50Hertz and TenneT have signed a cooperation agreement relating to the realisation of an innovative multi-terminal hub in the area of Heide (Schleswig-Holstein) and an extra-high-voltage direct current link (HVDC) which will run to Mecklenburg-Vorpommern. The project is included in the 2035 grid development plan endorsed by the German Federal Network Agency (BNetzA). The multi-terminal hub will accelerate the integration of renewable energy because it will bundle several offshore and onshore DC power lines together. The hub will additionally be connected to AC power lines in the area and electrolyzers for the production of green hydrogen, making it easier to manage volatility whilst speeding up the German energy transition. The hub is therefore highly innovative, since until now, onshore and offshore DC connections have solely been realised as point-to-point connections; however, the multi-terminal hub will involve several DC connections converging at the same location.

The electricity running through the hub will be fed into the transmission grid via DC or AC lines in accordance with the corresponding transmission capacities and demand situations. This means only one AC/DC converter station has to be built in the Heide area (instead of three). This will reduce costs and land consumption on site - and will help to make load flows more flexible.

## **50Hertz studies identify Germany's Northeast as an excellent location for climate-neutral industry**

50Hertz is preparing for an increase in electricity and hydrogen demand across its own network area: by 2030, electricity demand is likely to have risen by a third, whilst hydrogen consumption is likely to grow from 500 million kWh today to 7 billion kWh by 2030. Two studies published by 50Hertz demonstrate in detail where such increases can be expected, highlighting what a gigantic task Europe is facing in terms of reaching climate neutrality - renewable energy sources and power grid infrastructure must be expanded at a much faster pace than until now. Despite this challenge, 50Hertz's studies also outline where actions can be taken and where the opportunities lie: eastern Germany is very well-placed to be transformed into a climate-neutral industrial region. However, a prerequisite for this to happen is politicians, authorities and infrastructure companies working together to remove existing obstacles which slow down project approval procedures.

## **Work on further strengthening the Belgian backbone is progressing well**

The high-voltage grid is constantly being adapted to secure the supply of electricity that is needed and meet the needs of consumers and the market. To strengthen Belgium's electricity backbone and allow higher amounts of renewable energy to be integrated into the system, Elia Transmission Belgium needs to undertake both replacement and reinforcement work along its grid. These works are advancing well.

## **Enabling end consumers to contribute to the energy transition**

Over 100 households have been helping to keep the Belgian electricity grid in balance through the Flexity project. The households involved are currently contributing their electric boilers to Elia's balancing market; eventually, these households will also be able to contribute their heat pumps and electric cars to it. The project's second phase will see



the volume of capacity being offered to the balancing market being significantly scaled up. Flexity is an open collaboration project that involves distribution system operators and service providers such as ThermoVault working together to test the technical ability of households providing flexibility to the market.

As part of the FlexMC project in Germany, 50Hertz is working with Theben, a company which specialises in smart home systems and systems technology, and decarbon1ze, a new start-up. The project aims to investigate how heat pumps, electric vehicles or batteries can offer small-scale flexibility to the electricity system. Work is being done on the correct control, measurement and settlement of such flexibility. Smart measuring infrastructure is playing a key role in this. The project is being funded by the German Federal Ministry of Economic Affairs and Climate Action.

### **Public consultation on tariff methodology 2024-2027 for ETB**

The Belgian regulator - CREG - and ETB have completed their bilateral dialogue phase and have reached an agreement regarding a draft tariff methodology for the period running from 2024 to 2027. The results of this dialogue phase were published by the CREG on 21 April 2022, when a public consultation relating to the 2024-27 tariff methodology was launched. Once the consultation period has come to a close, the CREG will take a final decision fixing the tariff methodology and send it to the Belgian Parliament. The CREG will publish the final tariff methodology for the period running from 2024-27 by no later than 30 June 2022.

The principles of the proposed tariff methodology are broadly similar to the main principles which are in force under the current tariff methodology. The regulatory framework included in the proposed methodology remains a cost-plus model, with cost coverage of all reasonable costs and remuneration. Based on the parameters described in the draft methodology the average regulatory return on equity for the period should be around 5.7%, in function of effective results on incentive regulation.

### **Chris Peeters named Manager of the Year 2021**

The weekly business and finance magazine Trends named Elia Group CEO Chris Peeters as Manager of the Year 2021. Elia Group is now able to boast an unprecedented triptych: board members Peter Michiels and Catherine Vandendorre were previously elected as HR Manager of the Year and CFO of the Year in 2018 and 2019 respectively. The jury chose Chris Peeters for his strong vision regarding the future of the energy transition and the complex stakeholder management that is needed to make the latter a success. With a strong focus on internationalisation and innovation, Elia Group has transformed from being a traditional grid operator into a leading European company. Elia Group drives innovation and holds an impressive portfolio of major onshore and offshore infrastructure projects.

After the announcement, Chris Peeters commented: "This is a recognition for all of Elia Group's employees. They are the ones who, over the last few years, have made the company a leading European player which is mainly focused on its societal impact."



## Thibaud Wyngaard joins Elia Group as new director

On 1 January, Thibaud Wyngaard replaced Luc Hujoel as a co-opted director. His appointment was confirmed during the general meeting which took place on 17 May 2022. Thibaud Wyngaard is an alderman in the town council of Uccle and an assistant researcher at the Free University of Brussels (ULB).

## The impact of the war in Ukraine on our activities

Given the nature and location of its operations and the fact that Elia Group does not currently have activities in Russia nor in Ukraine or with Russian companies, Elia Group does not foresee a direct impact of the Ukrainian conflict on its business. However, there is a strong push at the European level to become less dependent from Russian gas and fossil fuels. Accordingly, the Group observes a willingness among the authorities in Belgium and Germany to accelerate the energy transition. This could lead to an increase of the Group's investment program over the mid-term.

In addition, with regard to the increasing inflation rates, no material negative profit impact is expected by Elia Group under its regulatory frameworks.

## Financial outlook for 2022

**Elia Group** remains confident in its ability to deliver an **Adjusted Return on Equity (ROE adj.<sup>1</sup>) of between 6.25% - 7.25% for 2022.**

- In **Belgium** we are confident of achieving a return on equity (ROE) of between 5% and 6% while investing roughly €425 million. The realisation of this investment programme is always prone to external risks.
- In **Germany** we are confident in our ability to deliver a return on equity (ROE) of between 8% and 10%. 50Hertz Transmission is expected to invest roughly €850 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 and EGI) and the operating costs inherent in the management of a holding company, is expected to contribute to the Group's result in the range of €10 million to €15 million. The final performance of this segment will depend largely on the contribution of Nemo Link, which remains subject to volatility in the market spread of the electricity commodity price as well as the availability of the interconnector.

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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).



The guidance does not take into account any potential M&A transactions.

### Financial calendar

Trading of ex-coupon number 19	30 May 2022
Record date	31 May 2022
Payment of dividend for 2021	1 June 2022
Publication of half-year results 2022	27 July 2022
Quarterly statement Q3 2022	25 November 2022
Publication of full-year results 2022	3 March 2023



## 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 northeastern Germany (50Hertz), we operate 19,192 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 socioeconomic 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 our activities as a transmission system operator, we provide various consulting services to international customers through our third subsidiary, Elia Grid International (EGI). Elia (in Belgium) is also part of the Nemo Link consortium, which operates the first subsea electrical interconnector between Belgium and the UK.

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

More information: [eliagroup.eu](https://www.eliagroup.eu)

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