CA SGA 02.10.2025

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Comments on Sibelga's interim accounts

As at 30-06-2025

These brief comments are presented in 3 questions:

1. How is Sibelga remunerated for its activities?
2. How is this reflected in the accounts?
3. What are the conclusions and prospects?

How is Sibelga remunerated for its activities?

Sibelga has agreed the regulatory framework for the 2025-2029 tariff period with the regulator, Brugel. The tariff proposal under this framework was validated by the regulator at the end of 2024. The answer to Question 1 comes within this framework and covers three points: return on equity, incentive return and profit from non-regulated activities.

Return on equity

The return on equity is made up of three components: fair return, financial result and return on tariff balances.

1. **Fair return**

Under the 2025-2029 tariff methodology, Sibelga's fair return is determined on the basis of the RAB (*Regulatory Asset Base*), i.e. the value of the network, and a rate of return, the WACC (*Weighted Average Cost of Capital*).

The various parameters of the WACC formula have been fixed in advance by the 2025-2029 tariff methodology for the entire period. The WACC was set at 4.910%.

This ensures that the fair return remains relatively stable, given that the only variable is the RAB, which shows an upward trend given that the level of investment in the network is higher overall than the level of depreciation.

2. **Financial result**

Unlike the previous tariff period, the financial result - mainly interest on loans - is now considered controllable. It is therefore directly reduces the fair return. This change includes the explicit inclusion of the cost of debt in the calculation of the return, based on a debt ratio of 55% and a cost of debt set at 3.822%.

3. Remuneration of tariff balances.

The 2025-2029 tariff methodology also provides for tariff balances to be remunerated on the basis of the cost of debt.

Incentive return

There are two mechanisms for incentive return. One focuses on the controllable cost variance and the other on KPIs.

1. Controllable cost variance

The incentive return on controllable costs is an incentive that makes it possible to improve fair return through incentive regulation by making savings on controllable costs. All of this variance now benefits the shareholder.

On the other hand, in the event of additional costs on controllable costs, the mechanism works in the opposite direction and affects the result negatively. It should also be remembered that the tariff methodology rightly considers that inflation cannot be controlled by the DSO. It therefore provides for a correction mechanism for controllable costs to neutralise the effect of inflation on the incentive return.

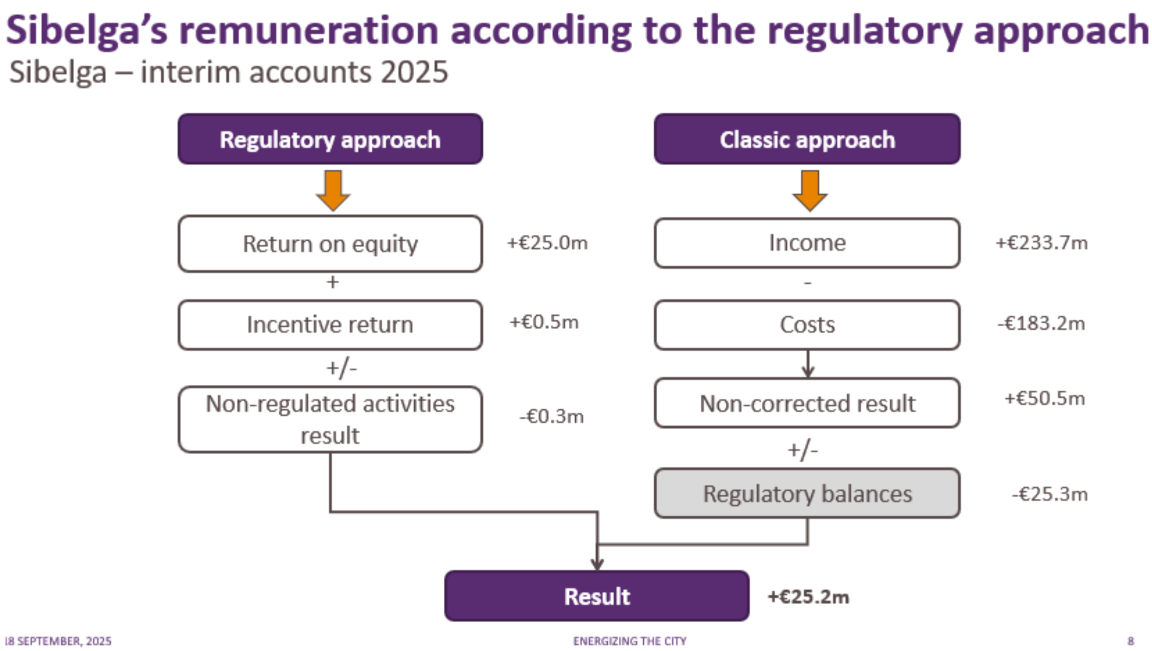
2. On KPIs

KPI-based incentive return is an incentive based on quality of service, the roll-out of smart meters and the development of the smart grid.

A maximum envelope was set ex ante in the tariff methodology for 2025 and is then indexed for the years 2026 to 2029.

Earnings from non-regulated activities

A final component of Sibelga's remuneration is the earnings from its non-regulated activities. These include Mobiclick, H2Mobility, the ex-supply and radiator businesses and, since 2025, the heating networks.



How is this reflected in the accounts?

As a preliminary remark, it is important to note that the Statutory Auditor in charge of Sibelga SC's accounts did not carry out a financial audit or a limited review of Sibelga's interim accounts as at 30 June 2025. The half-yearly closure is not a complete closure and that the regulatory balances, corresponding to the over-recovery or under-recovery of the non-controllable part of the tariff envelope, are only processed in a complete/analytical manner at the end of the financial year. At the end of June, we took into account a global estimate of the regulatory balances and adjusted the interim results accordingly. An over-recovery of €25.3m was thus added to the regulatory balances.

The result for the first half of 2025 is therefore €25.2m, an increase of €1.3m compared with the first half of 2024. This increase is the result of various factors, but is chiefly attributable to the effects of the new tariff methodology.

- Operating income rose to €207.0m (-€15.4m).
    - The Grid Fee (an essential component of sales) increased by €12.2m for electricity and by €14.2m for gas. These increases are mainly the result of a price

effect following the application of the new proposed tariffs, which in particular made it possible to catch up with real inflation. It should also be noted that in terms of volumes billed, the situation at the end of June 2025 represents an increase of +10.5% for gas and a decrease of -1.9% for electricity, compared with the situation at the end of June of the previous financial year.
The increase in Grid Fee revenue is however diminished by the treatment of regulatory balances for an amount of €25.3m (over-recovery) compared with an improvement of €30.9m during the first half of 2024; i.e. a decrease of €56.2m compared with 2024.

- Other income was up (+€1.5m), mainly impacted by the increase in compensation indemnities (fraud and recovery from protected customers) in the first half of 2025 compared with the first half of 2024 (+€0.9m), and by the portion of gas customer interventions that can no longer be activated by the 2025-2029 methodology (+€0.6m).
- Non-recurring operating income rose by €12.9m, reflecting the reversal of provisions imposed by the new methodology (+€12.9m).

• Operating expenses came to €167.2m, down by ↘ €18.5m, with the following effects:
  - Significant decrease in supplies and merchandise (↘ €16.1m), mainly energy purchases resulting from a favourable FERESO reconciliation of €15.5m.
  - Decrease in Services and miscellaneous expenses (↘ €4.4m) (including payroll under the BNO subsidiary) mainly due to the decrease in BNO's management fee bill (↘ €3.2m) following the reversal of the provision for the jubilee bonus for €6.2m in view of the new methodology.

What are the conclusions and prospects?

The **interim result** amounts to €25.2m, an increase of €1.3m compared with the first half of 2024. The increase on the previous year reflects a different tariff methodology.

The **fair return** on invested capital is no longer affected by fluctuations in the 10-year OLO rate, as was the case during the previous financial year. It is therefore more predictable and should come to around €65.2m at the end of the financial year, from which financial charges and the remuneration of regulatory balances should be deducted.

The **incentive regulation**, which should make it possible to further enhance the return on equity: at this stage, we are expecting a forecast of around €2.8m at the end of the financial year.

Non-regulated activities have an impact on earnings estimated at -€0.8m.

Given the regulatory framework in force, Sibelga's **likely result** at the end of the financial year will be around €51.0m after factoring in the rejections of the year 2024 estimated at -€0.1m.

Moreover, **additional financing** will be necessary in 2025 (€30m) and in the coming years (~€70m/annum).