

Rating object	Rating information	
Elia Group S.A./N.V. Creditreform ID: 2000000585 Incorporation: 2001 Based in: Brussel, Belgium (Main) Industry: Electricity transmission CEO: Chris Peeters <u>Rating objects:</u> Long-term Corporate Issuer Rating: Elia Group S.A./N.V. Long-term Local Currency (LT LC) Senior Unsecured Issues	Corporate Issuer Rating:	Type: Update unsolicited
	A / stable	
	LT Senior Unsecured Issues, LC:	Other: n.r.
	Rating date: 6 February 2020 Monitoring until: withdrawal of the rating Initial rating: www.creditreform-rating.de Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Government-Related Companies" CRA "Rating Criteria and Definitions" Rating history: www.creditreform-rating.de	

Summary

Content

Summary	1
Relevant Rating Factors	3
Business development and outlook .	4
Structural risk	6
Business risk	7
Financial risks	8
Issue rating	9
Financial ratio analysis	11
Appendix	12

Company

Elia Group S.A./N.V. (formerly known as Elia System Operator S.A./N.V.) – hereinafter referred to as Elia, or the Group – is the parent company of the Elia Group. The Group is a leading transmission system operator (TSO) and is mainly active in Belgium, via Elia Transmission Belgium S.A./N.V. and in Germany via 50 Herz Transmission GmbH. Elia was established in 2001, resulting from the merger between CPTe and an Electrabel entity. After the acquisition of 50Hertz Transmission GmbH in 2010, Elia became the fourth biggest TSO in Europe. The Group employs 2,435 people and operates 18,990 km of high voltage connections as of June 2019.

The Company is listed on the Brussels stock exchange (Euronext Brussels: ELI). In Belgium, its subsidiary Elia Transmission Belgium holds licenses for 380 kV, 220 kV and 150 kV national Belgian grids and for 70 kV 36 kV, and 30 kV grids in Belgium's three regions. The Group is responsible for transmitting electricity from power generators to its customers, particularly distributors and major industrial users. The Group holds an 80% stake in Eurogrid international SCRL/CVBA which indirectly controls the German TSO 50 Hertz Transmission GmbH, which is one of the four German transmission system operators active in northern and northeastern Germany.

With revenues amounting to EUR 1,822 million (2017: EUR 808 million), an EBITDA of EUR 689 million (2017: EUR 347 million) and EAT of EUR 315 million (2017: EUR 209 million) the Group significantly increased its revenues and income during the business year of 2018. The increase in revenues was mainly the result of the additionally acquired 20% stake and subsequent consolidation of Eurogrid GmbH.

As of January 2020, the Group changed the structure of its internal organization in order to separate its Belgian regulated activities from the foreign regulated and unregulated activities to prevent cross subsidization as a result of the new Belgian tariff methodology entering into force on 1 January 2020. As of 31 December 2019 the Group completed its internal reorganization, after which the regulated activities and Nemolink Ltd. were transferred from Elia System Operator to Elia Transmission Belgium S.A./N.V. On 20 January 2020 the Group published that the designation of TSO had been successfully transferred to Elia Transmission Belgium S.A./N.V. and that Elia System Operator S.A./N.V. was renamed to Elia Group S.A./N.V.

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Rating result

The current rating attests a high level of creditworthiness to Elia Group S.A./N.V., representing a low default risk for the Group.

We consider that the Group has a low business risk profile due to the supportive regulatory regimes in both Belgium and Germany, which is further enhanced through its monopoly status in Belgium and the regions where it is active in Germany. The Group registers stable revenues, good margins and has an adequate capital structure. Additionally, the close ties to the Belgian government and to a lesser extent the German government also have a positive influence on our rating assessment. The Group's close ties with the Belgian and German governments are the result of a high degree of systemic relevance and the ownership in both Elia Group and 50Hertz Transmission (Eurogrid GmbH) respectively via Publi-T (Belgian) and KfW (German). The structural reorganization did not result in a change to the creditworthiness of the Group.

Outlook

The yearlong outlook for the rating is stable. This appraisal takes into account the new regulatory period for the Belgian regulated activities and its ambitious investment plan. The financing of these investments requires the stability of the regulatory frameworks in Belgium and in Germany, as well as sufficient profitability. We assume that the stability and support by the regulatory framework required for the financing of these investments continues to be present.

Relevant Rating Factors

Table 1: Financials of Elia (Group) | Source: Elia Group S.A./N.V. annual report 2018, standardized by CRA

Excerpts from the financial key figures analysis 2018

+ Sales, EBITDA, EAT

- Equity ratio

- Net total debt / EBITDA adj.

- Return on investment

Elia Group S.A./N.V. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, Group)	CRA standardized figures ¹	
	2017	2018
Sales (million EUR)	808	1,823
EBITDA (million EUR)	347	689
EBIT (million EUR)	216	437
EAT (million EUR)	209	315
EAT after transfer (million EUR)	209	283
Total assets (million EUR)	5,698	12,480
Equity ratio (%)	29.89	18.45
Capital lock-up period (days)	99.72	120.63
Short-term capital lock-up (%)	25.86	120.68
Net total debt / EBITDA adj. (factor)	10.77	12.02
Ratio of interest expenses to total debt (%)	2.05	1.13
Return on Investment (%)	5.00	3.27

Please note:

General rating factors summarize the key issues that – according to the analysts as per the date of the rating – have a significant or long-term impact on the rating, positive (+) as well as negative (-).

Current rating factors are the key factors that have, in addition to the underlying rating factors, an impact on the current rating.

General rating factors

- + Sustainable assets and low business risk profile because of high market entry barriers
- + Legal monopoly in Belgium (owner and operator of the transmission network); regional monopolistic position in Germany (one of four regional transmission grids in Germany)
- + Predictable cash flows generated by regulated activities
- + Continuous investments in infrastructure (extension, modernization) ensuring network stability compensated through the tariff system
- + High probability of financial support from public shareholders
- + Good access to capital markets

- Capital intensive business; high fixed costs and ongoing capital investments
- The energy transition is costly (installation and maintenance)
- Revenues depend on tariffs determined by the authorities
- High safety risks
- Blackout and supply shortage risks

¹ For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

Prospective rating factors are factors and possible events that – according to the analysts as per the date of the rating – would most likely have a stabilizing or positive effect (+) and a weakening or negative effect (-) on future ratings, if they occurred. This is not a full list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

Best-case scenario: A

Worst case scenario: A-

Please note:

The scenarios are based on the information available at the time of the rating. Within the forecast horizon, some circumstances could occur that would lead to a rating change out of the indicated range.

Current rating factors (rating 2020)

- + Acquiring full control of Eurogrid GmbH (raising its stake from 60% to 80%)
- + Reorganization of organizational structure
- Increase in planned investments
- A decrease in electricity transmission tariffs in the new regulatory period in Belgium
- Increase in borrowings following the consolidation of Eurogrid SCRL/CVBA

Prospective rating factors

- + Improvement of profitability
- + Improvement of the regulatory environment with regard to the tariff system
- Possible deterioration of the credit risk position following indebtedness linked to necessary investments – increased capex

Best-case scenario

In our best-case scenario for one year, we assume a rating of A. We believe that a rating upgrade within the time horizon of one year is unlikely. The reason is the higher leverage in combination with the Group's ambitious investment plan up to 2023. The higher leverage results out of the consolidation of Eurogrid International SCRL/CVBA and the issuance of debt instruments raised for the purposes of acquiring 20% additional share capital of Eurogrid International SCRL/CVBA.

Worst-case scenario

In our worst-case scenario for one year, we assume a rating of A-. It is assumed that the investment's related costs are greater than expected, which impacts the cash flows and profitability of the Group. Additionally, a negative change in the rating of the Kingdom of Belgium might have a negative influence on the rating of Elia Group S.A./N.V.

Business development and outlook

During the business year 2018 the Group managed to generate revenue of EUR 1,822 million (2017: EUR 808 million), EBITDA of EUR 689 Million (2017: EUR 347 million), and EAT of EUR 315 million (2017: 209 million). The main reason for the increase in revenue, EBITDA and profit is the consolidation of Eurogrid International CVBA/SCRL from 26 April 2018 onwards, the company that indirectly holds the German TSO 50 Hertz Transmission GmbH. The consolidation is the result of the acquisition of an additional 20% stake in Eurogrid International CVBA/SCRL, which raised its shareholding to 80%, through which it had acquired indirect full control over 50 Hertz Transmission GmbH. The 20% stake in Eurogrid International SCRL/CVBA was purchased for a total consideration of EUR 989 million. The transaction was initially financed by a bridge loan, which was replaced by hybrid securities of EUR 700 million and a senior bond of EUR 300 million in September 2018.

Table 2: Segment reporting 2018 before consolidation entries | Source: Consolidated annual accounts of Elia System Operator S.A./N.V.

In million EUR	Elia Transmission	50 Hertz Transmission	Non-regulated activities
Total revenue	959	1,364	14
EBITDA	369	475	-8
Net profit	115	169	-2,8

The segment Elia Transmission generated revenue of EUR 959 million (2018: EUR 851 million), of which EUR 904 million was directly generated by management of the grid and related grid services. The growth in revenue and profit is mainly the result of a higher allowed regulated net profit. As the regulatory framework in Belgium functions according to a cost-plus model changes in costs result in a change in revenue. Therefore, the increase in depreciation and taxes in 2018 also contributed to the increase in revenue and were partially offset due to lower financing and ancillary services.

The segment 50 Hertz Transmission generated total revenue of EUR 1,364 million (2017: EUR 1,330 million). The grid revenue generated was EUR 1,403 million (2017: EUR 1,546 million). This fall in grid revenue was mainly caused by vertical grid revenues (tariffs to end customers), which decreased by EUR 194 million driven by the decrease in the total allowed revenues under the regulatory framework. Horizontal grid revenues and ancillary services both increased. Other income decreased by 6.9%. The settlement mechanisms, which settles deviations from the approved budget, adjusted the revenues by EUR -106 million. The EBITDA remained relatively stable with EUR 475 million, and the net profit increased to EUR 238 million, of which EUR 169 million (+54%) attributable to the owners of the company. This rise was mainly due to the release of a provision for legal claim easements and a growing asset base leading to higher investment remuneration, among other factors that had a minor impact (positive or negative) on the higher net profit.

The non-regulated segment includes the electrical interconnector Nemolink Ltd. between the United Kingdom and Belgium. The NemoLink is in operation as of 30 January 2019. During the business year 2018, non-regulated activities generated revenues of EUR 14 million (2017: EUR 20 million) due to a fall in revenues at Elia Grid International (EGI)

During the first half of 2019 the Group generated total revenue of EUR 1,160 million (1H 2018: EUR 632 million), a reported EBITDA of EUR 458 million (H1 2018: EUR 316 million), and an EAT of EUR 152.1 million (H1 2018: EUR 147.6 million). The growth in revenue was mainly caused by the consolidation of Eurogrid International SCRL/CVBA, which started from 26 April 2018 onwards thus contributing only two months to revenue in H1 2018. Reported EBIT rose to EUR 282 million in H1 2019 (H1 2018: EUR 219 million) also mainly due to the consolidation of Eurogrid International SCRL/CVBA. In the scenario of a full year consolidation of Eurogrid EBIT in H1 2019 EBIT decreased by 12.6% due to a fall in operating profit at 50Herz Transmission (EUR -69 million), a higher operating loss of the non-regulated activities, which was in part offset because of a strong operational performance (EUR +65 million) at Elia System Operator (TSO level). EAT stood at EUR 154 million (H1 2018: 148 million). It increased mainly due to consolidation effects, a higher normalized result at Elia Transmission and the positive contribution of Nemo Link.

During the first half of 2019 Elia Transmission invested EUR 273.6 million (incl. Nemo Link) and 50Hertz Transmission invested EUR 114.1 million, of which EUR 73.2 million in onshore projects and EUR 40.9 million in offshore projects. A large share of the investments was made to develop the renewable electricity infrastructure capacity and to further interconnect neighboring countries.

On 8 November 2019, Elia published a press release that the Extraordinary Shareholders' Meeting had approved the change of the organizational structure of the Elia Group which aims to isolate and ring-fence the Belgian regulated activities of the Group from its unregulated and foreign activities. This change in the organizational structure came into effect on 1 January 2020. Over the period 2019 to 2023, driven by the energy transition, the Group plans to invest an amount of EUR 5,600 million, of which EUR 2,200 million in the Belgian regulated activities and EUR 3,400 million in 50 Hertz Transmission.

Structural risk

Elia Group N.V./S.A. is the parent Company of the Elia Group and is headquartered in Brussels, Belgium. The Group prepares its financial statements in accordance with IFRS and is listed on the Brussels stock exchange (Euronext Brussels: ELI). The main shareholders as of 8 November 2019 were Publi-T (44.87%), a municipal holding company, Publipart (3.32%), Katoen Natie Group (6.16%), Interfin (3.78%) with the rest of the shares in freefloat (58.13%).

The Group's activities mainly comprise that of a Transmissions System Operator (TSO). It is active in Belgium through its subsidiary Elia Transmission Belgium S.A./N.V., and in Germany via 50 Hertz Transmission GmbH. Furthermore, the Group also has a 50% participation in a joint venture called NemoLink Ltd., which holds an electrical interconnector between the United Kingdom and Belgium with a transfer capacity of 1,000 MW. NemoLink Ltd. began commercial operations on 30 January 2019. In total, the Group consists out of 22 subsidiaries and/or holding companies, over which Elia has direct or indirect control.

On 26 April 2018, the Group raised its stake in Eurogrid International SCRL/CVBA to 80% by acquiring an additional 20% stake. Following this acquisition of shares the Group obtained full control over 50 Hertz Transmission GmbH. From the closing date of the Transaction, the Group consolidated 50 Hertz Transmission GmbH into its financial statements.

The Elia Group changed its organizational structure. The goal was to isolate the regulated activities in Belgium and to separate them from the Belgian non-regulated activities and the Group's regulated activities outside of Belgium. Our rating object, Elia System Operator N.V., was transformed into the holding company Elia Group S.A./N.V., which no longer will be an operative company. The newly founded Elia Transmission Belgium S.A./N.V. is designated as the new Belgian TSO and will hold Elia Assets S.A./N.V., the stake in the interconnector NemoLink Ltd., other minority stakes and the indebtedness that was raised for these purposes. Furthermore, Elia Group S.A./N.V. will continue to hold an 80% stake in Eurogrid international SCRL/CVBA, which holds 100% of Eurogrid GmbH, which in turn holds 50 Hertz Transmission GmbH. Both the board of directors and the extraordinary shareholders meeting approved the structural reorganization, which came into effect on 1 January 2020. Elia Group will remain listed on the stock exchange.

This reorganization will enable the Group to further implement its strategy and will prevent the risk of cross-subsidization between Belgian regulated activities regulated activities abroad and the unregulated activities. As a result, this will prevent any adverse financial impact of the new tariff methodology on investments in unregulated activities and regulated activities carried out abroad as of 2020. On the other hand, this isolation also means that the companies will no longer benefit from one another.

We consider the structural risk profile of Elia System operator N.V./S.A. to be low to intermediate. The new corporate structure of the Group has changed the purpose of our rating object to that of a holding company, which is to hold the Group's investments. The Belgian regulated activities, together with Nemolink Ltd. are effectively isolated from the Group's other activities together with the debt that was raised for these purposes. We do not see any large risks that arise from this reorganization because the indebtedness is also transferred to the regulated activities. We assume that the residual debt in the holding company can be serviced through profit distribution from its subsidiaries. Additionally, the Group is indirectly owned by the Belgian government (via Publi-T) and the German government is an indirect shareholder of Eurogrid CVBA/SCRL (20%, Kreditanstalt für Wiederaufbau / KfW), which confirms the high degree of systemic relevance we assign to the Elia Group.

Business risk

The Elia Group has three core tasks: (1) the management of the infrastructure, (2) controlling and balancing the electricity system, and (3) developing the EU market.

The Group operates in a regulatory environment and is exposed to regulatory changes in its environment. The Group is active in both Germany and Belgium and is therefore subject to different regulatory regimes. The regulatory framework in Belgium revolves every four years, and in Germany the regulatory framework revolves every 5 years. The biggest risk that the Elia Group faces are regulatory changes, which could have a large adverse financial impact on the Group's financial statements. The regulatory risk is somewhat mitigated by the number of regulatory regimes within which the Group operates as it reduces the impact of an adverse change to a particular regulatory framework.

The Belgian regulatory environment is governed by the CREG (commission for electricity and gas regulation) and is based on a cost-plus model. The regulatory framework (2020 – 2023) is based on "fair" remuneration plus incentives. Non-controllable costs, incurred by Elia, are passed down through to consumer tariffs. These tariffs include "fair" remuneration, which is based on a "fair" return on equity, and operational incentives which incentivizes Elia to reduce the manageable costs and ancillary services. The average regulated return on equity will be approximately 6%.

The German regulatory environment is governed by the Federal Network Agency (Bundesnetzagentur). The current regulatory framework (2019 – 2023) is based on a revenue-cap model. The Bundesnetzagentur sets a revenue cap for grid operators based on benchmarking and the individual cost basis of the operator, adjusted for inflation and general efficiency factors. The grid operators may not retain the revenues earned in excess of this cap. 50 Hertz's offshore activities are based on a cost-plus model. The average regulated return on equity will lie approximately between 8% and 10%.

Both Elia Transmission and 50 Hertz Transmission GmbH draw up an investment plan every four years which has to be approved by the authorities (CREG and BnetzA). In these plans, the companies identify the investments required over the next ten years. Once the plan has been approved these required investments are also accounted for in the tariff setting by the authorities.

The NemoLink has been operative since the end of January 2019 and has since been contributing to the income of the Group. After the reorganization, it will be positioned under the isolated assets of the Group. The regulatory framework has a long life of 25 years (2019 – 2044) and is based on a revenue based cap and floor regime. Any revenue earned in excess of the cap will be returned to Elia and to the NETSO (National electricity transmission system operator) in the United Kingdom on a 50/50 basis. If revenue falls below the floor, then the TSO's will have to compensate the Interconnector operator (NemoLink). Every 5 years the regulators will assess the revenues over the period against the cap and floor levels, floor and cap levels will then be adjusted if necessary.

The Group also faces operational risks. Elia is responsible for maintaining the energy balance, but due to dwindling capacity of production units, it is often dependent on electricity imports from abroad. Since 2014, due to the closing of several production units in Belgium, Elia created strategic electricity services for wintertime in order to cope with potential electricity shortages. Potential electricity shortages remain a real concern for future years. Additionally power outages also remain a threat.

We consider the business risk profile of Elia to be low. The Group currently benefits from supportive regulatory frameworks, and operates in a natural monopolistic environment. As a result, the Group's revenues and cash flows are relatively easy to predict. The Group however requires ongoing capital expenditure and further investments to prepare for the changing energy markets.

Financial risks

For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. Contrary to our normal practice, we deducted the goodwill shown on the balance sheet from equity only by 50%, suggesting a certain recoverability of goodwill. The following descriptions and indicators are based primarily on these adjustments.

The financial structure of the Group was changed during the 2018 business year as a result of the acquisition of an additional 20% stake in Eurogrid SCRL/CVBA. The capital structure was impacted significantly by 1) the integration of Eurogrid SCRL/CVBA into the financial statements of Elia Group, and 2) the additional borrowings that were taken on to finance the acquisition. It is also to be noted that the 2018 financial result was impacted by the fact that the consolidation of Eurogrid GmbH took place on 26 April 2018.

The equity ratio of the Group fell to 18.45% (2017: 29.89%). The drop in the equity ratio is a result of an increase in borrowings following the consolidation of Eurogrid International CVBA/SCRL (+ EUR 2,858 million) and financing the acquisition in its 20% stake. The 20% stake in Eurogrid International SCRL/CVBA was financed by a EUR 300 million senior bond, which matures in 2028 and a EUR 700 million perpetual hybrid bond with its first call date in December 2023. Because of its perpetual nature, we allocated 50% of the hybrid bond to equity and 50% to medium term borrowings. During the first half of the business year 2019, the Group strengthened its balance sheet by making a capital increase in the amount of EUR 439 million.

The Group's total borrowings stood at EUR 6,274 million (excl. interest and hybrid bond) as of 30 September, 2019 (31 December 2018: EUR 6,324 million). We believe that the maturity profile of the Group is well distributed, with only EUR 499 million maturing in 2020, EUR 2,241 million between 2020 and 2025 and EUR 3,534 million after 5 years. The Group's net debt/EBITDA adj. was 12.02 (2017: 10.77), which shows the limitation in the Group's ability to deleverage. This can however be explained by the nature of its business profile, and the fact that the regulatory frameworks are not based on maximizing profit, but on covering the costs and necessary investments.

Over the period from 2019 to 2023, the Group plans to invest EUR 5,600 million, of which EUR 2,200 million in its Belgian regulated activities and EUR 3,400 million in 50 Hertz Transmission, driven by the energy transition. The increase in investments will put pressure on the Group's cash flows and as a result, we cannot rule out an increase in the Group's borrowings and therefore a deterioration of its leverage and other financial key figures.

The Group's overall liquidity position is strong. As of 30 June 2019, Elia Group disposed over cash and cash equivalents of EUR 1,922 million (31.12.2018: EUR 1,789 million). At the subsidiary level, Elia Transmission disposed over a liquidity position of EUR 1,285 million of which, EUR 285 million was cash, and EUR 1,000 million unused CP's and undrawn credit lines. 50Hertz Transmission disposed of a liquidity position of EUR 2,413 million, of which EUR 750 million was a revolving facility, EUR 150 million bank overdraft and a cash position of EUR 1,513 million. Of this, EUR 805 million has to be given back to the consumers.

Following the structural reorganization of Elia Group, the Group's indebtedness in the amount of EUR 3,155 million, which was raised for the purposes of the Belgian regulated activities and Nemolink Ltd. was transferred to Elia Transmission Belgium N.V./S.A. The debt remaining on Group level is the EUR 300 million 1.5% senior bond (due September 2028) and the EUR 700 million hybrid bond, both used to finance the additional 20% stake in Eurogrid GmbH. The reorganization required that the terms and conditions of the senior bonds would be amended. The reorganization under the senior bonds would constitute an event of default under article 10 (f, Winding up) and 10 (g, transmission system operator). Bondholders waived any rights they would have and the terms and conditions were changed accordingly, so that it would not constitute a default.

Despite of the Group's relatively high leverage and limited ability to deleverage quickly, we consider the financial risk profile of the Group to be low to moderate thanks to its favorable business model (regulated tariffs, stability of earnings and low probability of a negative result). The foreseen investments of the Group could increase the Group's leverage, thus causing the overall credit position of the Group to deteriorate.

Issue rating

This Issue rating is exclusively valid for the long-term senior unsecured issues denominated in Euro, issued by Elia Group S.A./N.V., which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

Due to the internal reorganization of the Elia Group, the following bonds initially issued by Elia System Operator N.V./S.A. and that were rated by Creditreform Rating AG, were transferred to Elia Transmission Belgium S.A./N.V., an operative subsidiary involved in the regulated business in Belgium. As a result, the notes depicted in table 3 will until further notice not be rated by CRA.

Table 3: Bonds that experienced an issuer substitution

ISIN	EUR Volume	Maturity	Interest Rate
BE0002239086	500,000,000	27.05.2024	1.375%
BE0002629104	500,000,000	14.01.2026	1.375%
BE0002276450	250,000,000	07.04.2026	1.375%
BE0002432079	550,000,000	04.04.2028	3.25%
BE0002466416	350,000,000	07.04.2029	3.0%
BE0002433085	200,000,000	04.04.2033	3.5%

At the time of the rating, the following EUR-Note of Elia Group is rated by Creditreform Rating AG:

Table 4: Overview of Elia Group's bonds rated by CRA

ISIN	EUR Volume	Maturity	Interest Rate
BE0002596741	300,000,000	5.09.2028	1,50%

The outstanding bond creates uncollateralized und non-subordinate (pari passu) liabilities of the issuer that have parity with each other and all other uncollateralized and non-subordinate liabilities of the issuer, unless otherwise specified. The existing Euro-denominated bond of Elia Group S.A./N.V. has a total volume of EUR 300 million. The prospectus dates from 30 August 2018.

Table 5: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Elia Group S.A./N.V. (Issuer)	28.01.2020	A / stable
Long-term Local Currency (LT LC) Senior Unsecured Issues	28.01.2020	A-/ stable
Other	--	n.r.

All future LT LC Senior unsecured notes issued by Elia Group S.A./N.V. and will be denominated in euro, issued with similar terms and conditions as the relevant bond of this report and which are included in the list of ECB-eligible marketable assets, will, until further notice, receive the same rating as the current LT LC senior unsecured notes of this report. Notes issued in a currency other than euro or other types of debt instruments (i.e. undated deeply subordinated fixed rate resettable notes or social bonds) have not been rated by Creditreform Rating AG so far. The current ratings and information about the issuer and / or its issues can be found on the website of Creditreform Rating AG.

Corporate issue rating result

The notes issued by Elia Group S.A. have a structural subordinated status to all indebtedness of its subsidiaries. The issuer's subsidiaries have no obligation to pay any of the obligations arising from this program. The rating result for these notes is therefore set at one notch below the corporate issuer rating of the Elia Group. The rating result for these notes is set at **A-** with **stable** outlook.

Financial ratio analysis

Table 6: Financial key ratios | Source: Elia Group S.A./N.V. consolidated annual report 2018, structured by CRA

Asset Structure	2016	2017	2018
Fixed asset intensity (%)	88.93	91.17	80.79
Asset turnover	--	0.15	0.21
Asset coverage ratio (%)	79.12	34.81	57.38
Liquid funds to total assets (%)	3.29	3.43	14.34
Capital Structure			
Equity ratio (%)	31.04	29.89	18.45
Short-term-debt ratio (%)	18.65	17.03	30.58
Long-term-debt ratio (%)	39.32	1.84	27.91
Capital lock-up period (in days)	131.38	99.72	120.63
Trade-accounts-payable ratio (%)	5.37	3.88	4.83
Short-term capital lock-up (%)	31.20	25.86	120.68
Gearing	2.12	2.23	3.64
Leverage	--	3.28	4.54
Financial Stability			
Cash flow margin (%)	--	50.40	35.05
Cash flow ROI (%)	--	7.38	5.27
Total debt / EBITDA adj.	8.53	11.32	14.58
Net total debt / EBITDA adj.	8.12	10.77	12.02
ROCE (%)	7.32	5.04	5.85
Total debt repayment period	--	6.80	3.72
Profitability			
Gross profit margin (%)	57.98	59.35	48.80
EBIT interest coverage	3.29	2.63	3.79
EBITDA interest coverage	4.67	4.23	5.98
Ratio of personnel costs to total costs (%)	17.56	17.66	12.22
Ratio of material costs to total costs (%)	43.38	42.46	52.60
Cost income ratio (%)	70.26	77.44	79.65
Ratio of interest expenses to total debt (%)	2.43	2.05	1.13
Return on investment (%)	4.90	5.00	3.27
Return on equity (%)	--	12.38	15.70
Net profit margin (%)	22.01	25.02	16.76
Operating margin (%)	36.01	25.85	23.29
Liquidity			
Cash ratio (%)	17.64	20.12	46.88
Quick ratio (%)	56.64	50.05	62.23
Current ratio (%)	59.32	51.85	62.83

Appendix

Rating history

The rating history is available under:

<https://www.creditreform-rating.de/de/ratings/published-ratings/>

Table 7: Corporate issuer Rating of Elia Group S.A./N.V.

Event	Rating date	Publication date	Monitoring period	Result
Update	06.02.2020	www.creditreform-rating.de	Withdrawal of the rating	A / stable
Initial rating	07.10.2016	www.creditreform-rating.de	05.02.2020	A / stable

Table 8: LT LC Senior Unsecured issues issued by Elia Group S.A./N.V.

Event	Rating date	Publication date	Monitoring period	Result
Update	06.02.2020	www.creditreform-rating.de	Withdrawal of the rating	A- / stable
Initial rating	08.08.2018	www.creditreform-rating.de	05.02.2020	A / stable

Regulatory requirements

The present rating² is an unsolicited rating. Creditreform Rating AG was not commissioned by the Issuer with the preparation of the rating. The present analysis was prepared on a voluntary basis.

The rating is based on the analysis of published information and on internal evaluation factors. The rating was conducted based on Creditreform Rating AG's "Corporate Ratings" methodology, the "Government-Related Companies" methodology and the "Non-Financial Corporate Issue Rating" methodology, as well as on the "Rating Criteria and Definitions".

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies. A complete description of Creditreform Rating AG's rating methodologies and Creditreform Rating AG's basic document "Rating Criteria and Definitions" is published on the following internet page:

www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Rudger van Mook (r.vanmook@creditreform-rating.de) and e.damijan (e.damijan@creditreform-rating.de), both located in Neuss, Germany. A management meeting did not take place.

On 6 February 2020, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 6 February 2020. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

² In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

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Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

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