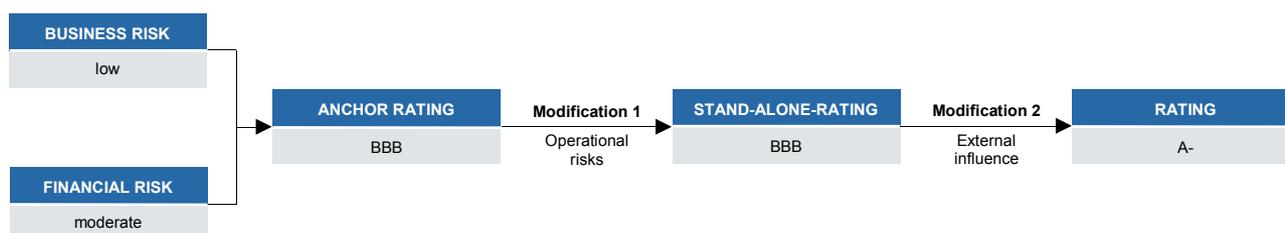


Issuer Rating

Elia System Operator S.A./N.V.		3 July 2018	A-
		Issuer rating	
		Outlook	Stable
Industry	Electricity transmission system operation (TSO) in Belgium and Germany	2017 revenue	€ 828.5 million
		2017 employees	>2,340



BUSINESS RISK	low
<ul style="list-style-type: none"> Secured market position due to very high barriers to market entry as a public utility with nationally and regionally diversified monopolies Ensuring transmission system stability in central Europe by investing heavily in grid expansion and renewable energy integration Risks from changes in the regulatory and energy policy environment 	

OPERATIONAL RISKS	- 0
<ul style="list-style-type: none"> Appropriate handling of operational risks overall 	

FINANCIAL RISK	moderate
<ul style="list-style-type: none"> Regulations ensure cash flows, recovery of costs and returns Appropriate financing structure with a significant decrease in the ability to deleverage over the medium-term Very good financial flexibility thanks to preferred access to capital markets and funds from municipal shareholders 	

EXTERNAL FACTORS	+ 2
<ul style="list-style-type: none"> High likelihood of financial support from major municipal shareholder Publi-T SCRL High sovereign credit ratings of Belgium and Germany 	

Key financial ratios*	2015 actual	2016 actual	2017 actual
EBITDA margin (%)	54.5	50.7	56,1
ROCE (%)	6.7	5.9	6,7
Equity ratio (%)	34.0	36.8	36,8
Leverage (%)	55.7	54.1	53,9
Total debt / EBITDA	9.4	9.2	8,5
Net debt / EBITDA	6.1	6.3	5,8
EBIT interest coverage	2.9	3.0	3,9
EBITDA interest coverage	3.9	4.3	5,4

* adjusted on the basis of EHR's analytical methodology.

Rating rationale

Euler Hermes Rating assigns an A- issuer credit rating to Elia System Operator S.A./N.V. We expect the rating to remain stable over the next twelve months.

Low business risk as a TSO with territorial monopolies

We assess the business risk of Elia System Operator S.A./N.V. as low. We view as strengths Elia's regional monopolies in Belgium and Germany and its position as a national public utility and transmission system operator with its own transmission infrastructure and government licenses. Heavy investment in modernizing and upgrading the grid, integrating renewable energy into the grid and expanding supranational transmission lines in north-western and central Europe will, in our opinion, improve grid stability and resilience and reduce the threat of blackouts over the long-term. Regulatory grid development plans and incentive systems appear likely to ensure the achievement of build-out targets. They limit the need for costly redispatch requests that curtail exports of renewable energy to the grid, tap central power plant reserves and increase imports of electricity from adjacent control areas. We believe Elia has the potential to provide new digital services in the demand-side and network management. In our view, its risks include growing EU deregulation, arising from changes in energy policy and regulatory framework, renewal of the license and grid instability.

Moderate financial risk thanks to secured cash flows and good financial flexibility despite rising debt

We rate the Elia Group's financial risk as moderate. Its earning potential and financing structure are reasonable in our view given its secured cash flow, reasonable returns on equity and its legally protected ability to recover its regulatory costs. However, we expect that its ability to deleverage will increasingly be impacted by its need to finance large growth investments, the funding of acquiring an additional 20 % stake in Eurogrid International SCRL (Eurogrid) and its potential obligation in 2020-2022 to repurchase green certificates from Solar Chest S.A. Thanks to its preferred access to funding from municipal shareholders, good access to capital markets, large cash reserve and freely available lines of credit we value Elia's financial flexibility as good. The investments and business projections for the coming years appear realistic to us overall.

Modifications to the anchor rating due to external factors

We believe the operational risks are consistent with the anchor rating. We consider the high economic priority of Elia's public utility role for Belgium and Germany, the tight integration and the high (sub) sovereign credit ratings of Belgium, Germany, the Belgium provinces and municipalities to be positive rating factors. Therefore we lift the stand-alone-rating of BBB up by two-notches to A-.

Rating History

	30 April 2015	12 July 2016/ 11 July 2017	3 July 2018
Rating	A-	A-	A-
Outlook	stable	stable	stable

Company

Rating subject: Elia Group

The Elia Group (“Elia”) is the rating subject (cf. Appendix 3). Elia is an electricity transmission system operator in Belgium and Germany. The Elia Group specializes in the expansion, modernization and upgrading of regional grids, the expansion of interconnectors to support cross-border market integration, and the integration of onshore and offshore wind farms in Belgium and Germany within the framework of long-term grid development plans. The Elia Group also maintains grid stability during periods of peak loading and load volatility by importing electric power, curtailing the output of renewable energy sources and connecting and disconnecting balancing power stations, baseload power stations and power storage plants.

Elia Asset S.A.: TSO with national monopoly in Belgium

In Belgium, Elia (Elia Asset S.A.) possesses a national extra-high voltage transmission system (30-380 kV) extending approx. 8,400 km under a license that expires in 17 September 2022. It possesses over 94 % of regional high voltage transmission systems (30-70 kV) (until 1 January 2024 in Flanders, 17 September 2022 in Wallonia and 21 November 2021 in Brussels). In 2017, with a workforce of around 1,350 employees, Elia generated revenues of € 828.5 million (39.9 % of the pro forma consolidated revenue) and an adjusted operating profit (EBITDA) of € 354.9 million (EBITDA margin: 42.8 %). Elia System Operator S.A./N.V. is headquartered in Brussels. 52.53 % of its shares are freely floated, and 47.47 % are owned by Belgian municipalities and intermunicipal companies (thereof 44.96 % by Publi-T SCRL).

50Hertz: TSO with regional monopoly in parts of Germany

For the activities in Germany Elia owns 80 % of Eurogrid International SCRL of Belgium, while 20 % of the shares are still held by the Australian infrastructure fund Industry Funds Management Pty (IFM) until the middle of the financial year 2018. Eurogrid GmbH is the holding company that owns 50Hertz. 50Hertz operates approx. 10,200 km of electricity transmission lines in Germany (nearly 30 % of the German transmission system) and holds a regional territorial monopoly (new federal states, Berlin, Hamburg), just like Amprion GmbH, Tennet TSO GmbH and TransnetBW GmbH. 50Hertz plays an important role in the challenging distribution of renewable energy produced as part of the energy transition (north-south power line expansion to Bavaria, energy highway to northwestern and eastern Europe). In the 2017 financial year, 50Hertz generated revenues of € 1,248.2 million and an adjusted EBITDA of € 471.3 million with around 990 employees (EBITDA margin: 37.8 %).

Management of the Elia Group

Elia's management committee consists of Chris Peeters (Chairman and CEO), Markus Berger (COID), Frederic Dunon (COO), Ilse Tant (CCAO), Patrick Deleener (COCMS), Pascale Fonck (CERO) and Catherine Vandendorre (CFO). Key decisions have to be approved by the board of directors.

Appendix 1: Execution

Analysts

- Karl Holger Möller, senior analyst and project manager
- Michel Graire, analyst

Rating committee

- Dörte Mähmann, director
- Holger Ludewig, director

Principal sources of information

- Certified consolidated financial statements for 2015-2017 of Elia System Operator S.A./N.V./Elia Asset S.A./N.V. (Elia) and Eurogrid GmbH (Eurogrid) as well as annual financial statements for 2015-2017 of Ecetia Intercommunale SCRL (ECETIA; public law entity), Ecetia Collectivites SCRL (public law entity) and Solar Chest S.A. (2017)
- Excerpts from the internal reporting system of Elia, Eurogrid and the Ecetia Gruppe (e.g. business performance in 2017, tariff calculations, analysis of bank liabilities, etc.)
- Market analyses
- Strategy and corporate planning activities of Elia, Eurogrid, Ecetia Group and Solar Chest S.A.
- Corporate and financing agreements, Elia Group
- Legislation, regulatory framework
- Talks with the management of Ecetia, Solar Chest S.A. and Elia
- Share purchase agreement of Elia and Global InfraCo S.a.r.l. (22 March 2018)
- Bridge facility agreement (22 March 2018)
- Guarantee agreement
- Information memorandum of the transaction for the reservation of green certificates (27 January 2015)
- Offering Circular with respect to the private placement of € 275 million, status as of 22 June 2015

Rating methodology

- Issuer rating of Euler Hermes Rating GmbH of May 2016 (<http://www.ehrg.de/seiten/Methodology2016.pdf>)

Euler Hermes Rating GmbH

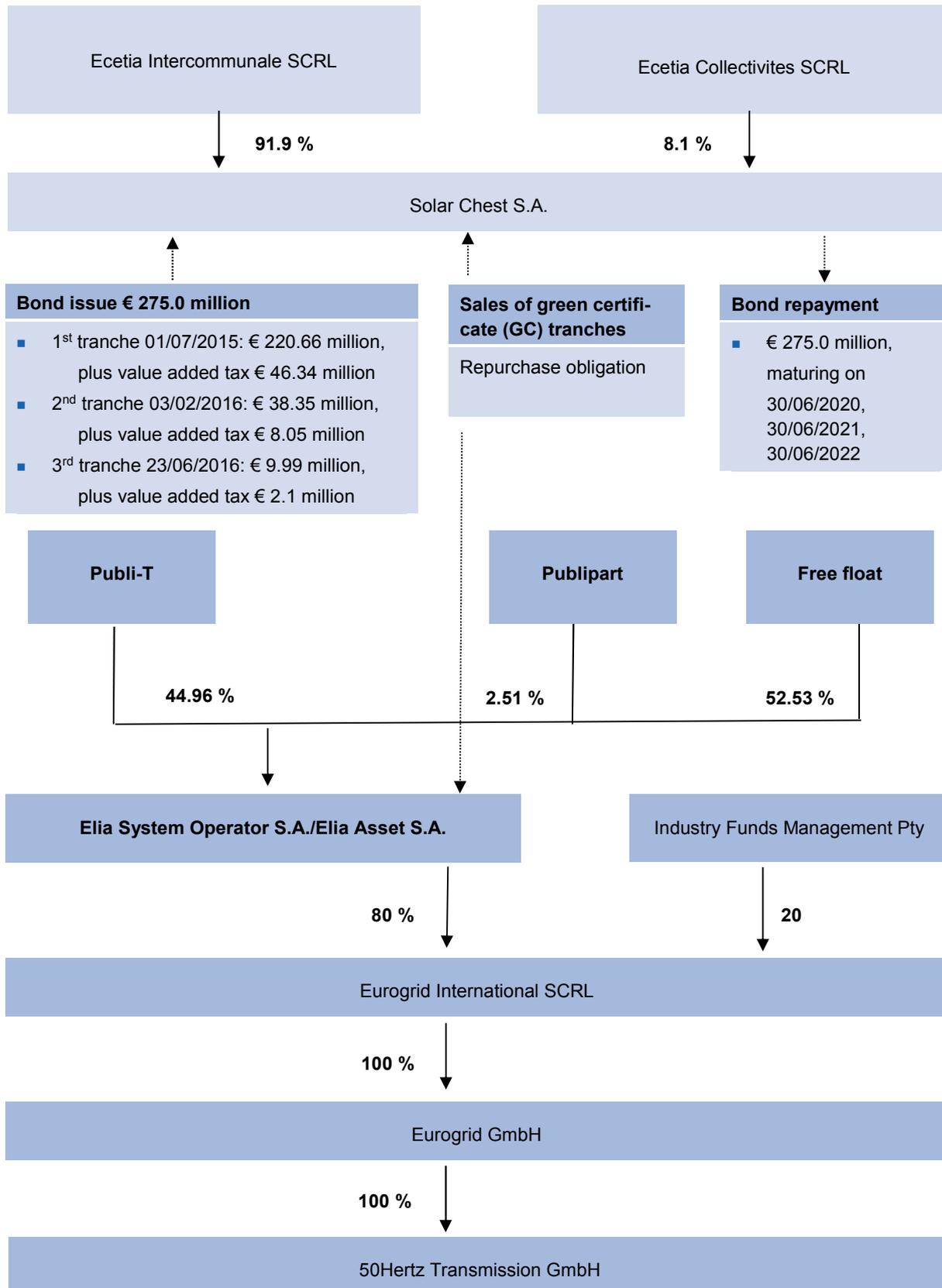
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Appendix 2: Rating categories

Category	Explanation
AAA	In the opinion of EHRG, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of EHRG, AA rated entities demonstrate a very high credit quality with a very low default risk.
A	In the opinion of EHRG, A rated entities demonstrate a high credit quality with a low default risk.
BBB	In the opinion of EHRG, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of EHRG, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of EHRG, B rated entities demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of EHRG, CCC rated entities demonstrate a very low credit quality with a high default risk.
CC	In the opinion of EHRG, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of EHRG, C rated entities demonstrate a very low credit quality, an event of default is imminent.
D / SD	D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations.
PLUS (+) MINUS (-)	Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.

Appendix 3: Shareholder and transaction structure



Appendix 4: Definition of financial ratios

Earnings power

EBITDA margin

EBITDA margin
Numerator
EBITDA
Denominator
Total revenues

Returns

ROCE
Numerator
Adjusted operating result (= EBIT)
Denominator
Net debt + economic equity (= capital employed)

Return on total assets
Numerator
Adjusted operating and financial result + interest expense
Denominator
Adjusted total assets

Cash flow return on investment

Cash flow return on investment (Cash flow ROI)
Numerator
EBITDA
Denominator
Adjusted total assets

Capital structure

Indebtedness

Equity-to-total assets ratio
Numerator
Adjusted equity (= economic capital)
Denominator
Adjusted total assets

Leverage
Numerator
Net debt
Denominator
Net debt + economic equity (= capital employed)

Net debt

Net debt
Bonds
+ Liabilities to banks
+ Bill liabilities
+ Other interest-bearing liabilities
+ Operating lease liabilities
+ Adjustments for ABS/factoring transactions
- Cash and cash equivalents

Deleveraging potential

Total liabilities / EBITDA
Numerator
Total assets - economic capital (= total liabilities)
Denominator
EBITDA

Net debt / EBITDA
Numerator
Net debt
Denominator
EBITDA

Interest coverage

EBIT interest coverage
Numerator
Adjusted operating result (= EBIT)
Denominator
Interest expenses

EBITDA interest coverage
Numerator
EBITDA
Denominator
Interest expenses

Disclaimer

Solar Chest S.A. (client) engaged Euler Hermes Rating GmbH to conduct a rating of the Elia System Operator S.A./N.V. (rated entity) on 25 March 2015 with the approval of Ecetia Intercommunale SCRL (public law entity) in connection with the placement of a Fixed Rate Secured Note issue by Solar Chest S.A. Solar Chest S.A. was not visited. Elia System Operator S.A./N.V. was visited on 2 May 2018.

The Rating Committee of Euler Hermes Rating GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 3 July 2018. This rating report was given to the client on 30 August 2018, thereby concluding the rating process.

The rating is Euler Hermes Rating GmbH's opinion of the creditworthiness of a rated entity. It is not a statement of fact. Euler Hermes Rating GmbH is not engaged in buying or selling securities. Its rating report is neither a prospectus nor a substitute for information assembled and presented by companies or issuers for investors regarding the purchase of a security or for assessing the creditworthiness of a rated entity. The rating is not a recommendation to participate in certain facilities. All recipients of the information must conduct their own independent analyses, credit assessments and other verifications and evaluations that are customary and necessary in order to reach a final decision about participating in any facility.

The rated entity is solely and exclusively liable for any errors and omissions in the documents and information openly and willingly provided to us in response to our requests for information. The rated entity has reviewed the rating report and certified that all the information considered in the rating report is accurate and complete in all significant respects, no significant aspects have been concealed and any forward-looking statements are based on plausible, verifiable and current data and were prepared by the rated entity exercising reasonable and commercial care. The rated entity's representatives have issued a written certification of completeness to Euler Hermes Rating GmbH. However, the rated entity cannot be held liable if actual results differ from the forward-looking statements presented in this document, particularly the projections. Forward-looking statements and projections may be adversely affected by unforeseeable events and changes in the economic environment. Euler Hermes Rating GmbH assumes no liability for the accuracy of the information it considers when issuing a rating and extends no guarantee whatsoever that the information is explicitly or implicitly correct, timely, complete, suitable for the market or fit for any particular purpose.

The rating is published on Euler Hermes Rating GmbH's website (www.eulerhermes-rating.com) or published for subscribers (e.g. on a portal) and will be followed by a subsequent one-year monitoring process. During this period, the rated entity and the sector and business environment in which it operates will remain under observation. The representatives of the rated entity remain subject to a full disclosure obligation during this period. Any change in Euler Hermes Rating GmbH's rating assessment will result in a change in the published rating notation, meaning that this notation represents the current rating assessment at all times. The rating will only remain published after the end of the monitoring period if a follow-up rating is performed.

Please note that summaries of contracts, laws and other documents contained in the rating report cannot replace careful study of the complete texts. Euler Hermes Rating GmbH cannot guarantee that the information used to prepare this report has not changed since it was collected and is still accurate at the time of publication. Euler Hermes Rating GmbH is under no obligation to complete the information that it considered when issuing the rating.

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Euler Hermes Rating GmbH

Hamburg, 30 August 2018