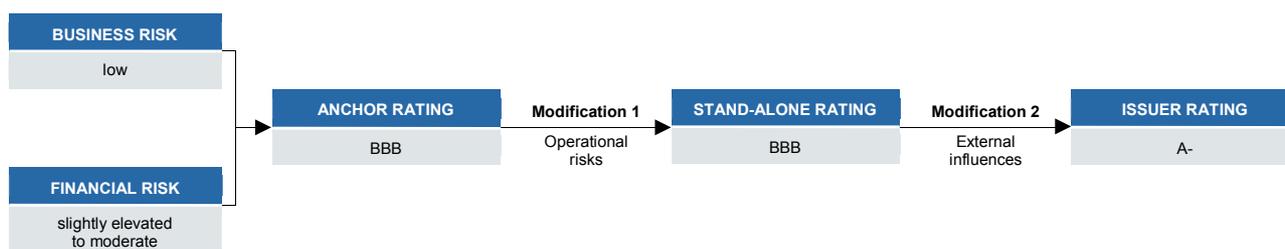


# Issuer Rating

Elia Group SA / NV		07 May 2021	
		Issuer rating	
		A-	
Industry		Outlook	
		stable	
Electricity transmission system operation (TSO) in Belgium and Germany	2020 Revenue	€ 2.3 bn	
	2020 Employees	>2,600	



BUSINESS RISK	low
<ul style="list-style-type: none"> <li>Secured market position due to very high barriers to market entry as a public utility with nationally and regionally diversified monopolies</li> <li>Ensuring transmission system stability in central Europe via grid expansion</li> <li>Growing importance in the context of (supra)national renewable energy integration</li> <li>Risks from adverse changes in regulatory frameworks and (European) energy policies</li> </ul>	

OPERATIONAL RISKS	- 0
<ul style="list-style-type: none"> <li>We believe that the operational risk profile is consistent with the anchor rating (no modification)</li> </ul>	

FINANCIAL RISK	slightly elevated to moderate
<ul style="list-style-type: none"> <li>Cash flows, recovery of costs and adequate capital returns ensured by reliable regulations</li> <li>Weakly satisfactory financing structure with a significant decrease in its ability to deleverage over the medium term</li> <li>Good financial flexibility thanks to preferred access to capital markets and funding from municipal shareholders</li> </ul>	

EXTERNAL INFLUENCES	+ 2
<ul style="list-style-type: none"> <li>High likelihood of extraordinary governmental support due to major municipal shareholder Publi-T SCRL ownership, high degree of (supra)national public importance and overall high sovereign credit quality of Belgium and Germany</li> </ul>	

Key financial ratios *	2018	2019	2020	2021 plan	2022 plan	2023 plan
EBITDA margin (%)	37.8	42.6	43.7	40.4	42.4	48.2
ROCE (%)	5.6	5.9	5.3	4.4	4.5	4.7
Equity-to-total assets ratio (%)	22.0	26.1	26.2	24.0	24.1	25.7
Leverage (%)	63.0	62.7	66.0	66.6	65.3	65.0
Total liabilities / EBITDA	15.0	10.7	10.2	12.1	12.4	11.4
Net debt / EBITDA	7.2	6.4	7.1	7.7	7.4	7.4
EBIT interest coverage	4.1	4.0	4.1	4.1	4.5	4.9
EBITDA interest coverage	6.5	6.8	7.2	8.1	8.6	9.2

\* adjusted on the basis of Scope Hamburg's analytical principles

# Rating Rationale

**Scope Hamburg GmbH confirms the A- rating of Elia Group SA / NV. The rating outlook is stable.**

***Low business risks due to territorial monopolies***

We assess the business risks for Elia Group as low. Rating strengths include Elia Group's regional monopolies in Belgium and Germany and its position as a national public utility and transmission system operator with own infrastructure assets and government licenses. Elia Group's growing (supra)national importance to integrate renewable energy prosumers and its high focus on investment activities to upgrade the grid and to expand supranational transmission lines across Northwest- and Central Europe ensures, in our opinion, an improvement in grid stability and the mitigation of power grid blackouts over the long term. Furthermore we believe, that regulatory grid development plans, incentive programs, the rollout of smart grids, e-mobility and power to hydrogen expansions are likely to accelerate the achievement of these targets. In this context, we consider Elia Group as well prepared to provide new digital solutions for the grid-based demand side or peak-load and network management services. Nevertheless some downside risks in relation to the prevailing European economic recession or structural changes may remain in our opinion. These include grid instabilities, interconnector technology and acquisition risks or greater EU deregulation arising from adverse changes in energy policies or regulatory frameworks.

***Slightly elevated to moderate financial risks thanks to secured cash flows and good financial flexibility despite rising debt***

We assess the Elia Group's financial risks as slightly elevated to moderate. Rating strengths include Elia Group's sufficient earning potential and financing structure, which rest on secured cash flows, the legally protected ability to recover regulatory and non-regulatory costs and adequately regulated capital returns. Overall, the actual investment budgets and business projections appear ambitious to us. Thanks to its preferred access to funding from public and municipal shareholders and good access to capital markets we assess Elia Group's financial flexibility structure as good, backed by adequate cash reserves and unutilised credit facilities. However, we expect that its ability to deleverage will significantly decrease looking forward. This is mainly due to Elia Group's ongoing needs to fund large growth investments.

***Modification to the anchor rating due to implied governmental support: +2 notches***

We believe the operational risks are consistent with the anchor rating. Due to its government-related status, however, we adjust Elia Group's stand-alone rating by two notches representing our expectation for a high likelihood of extraordinary government support in situations of financial distress. The underlying factors are a combination of the generally high importance of Elia Group's public utility role for Belgium and Germany, the strong link to Belgian municipalities, and the overall high (sub-)sovereign credit quality of Belgium, Germany and the Belgium provinces and municipalities.

## Upgrade / Downgrade Factors

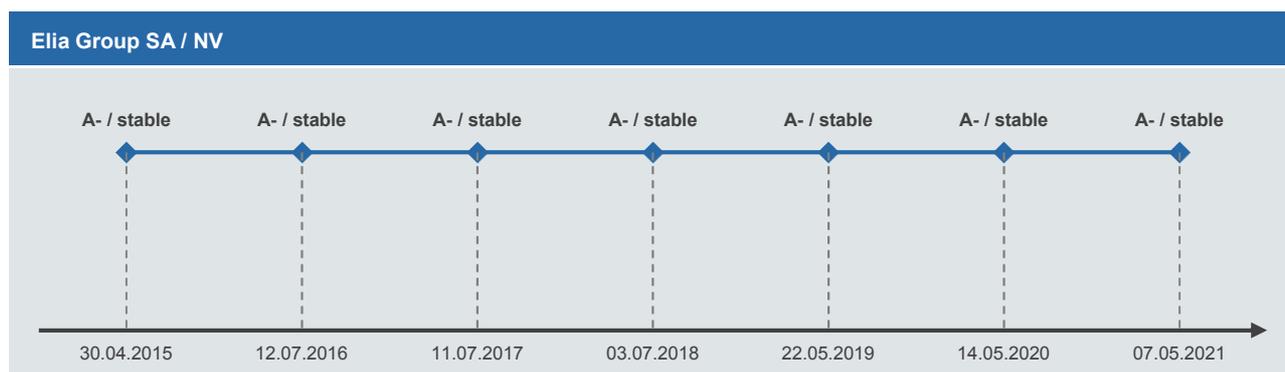
### **Factors that could lead to an Upgrade**

- Increase of (sub-)sovereign credit quality among government-related shareholders
- Sustainable increase of regulated capital returns with a positive impact on the overall deleveraging potential
- Corporate growth by regulated regional diversification

### **Factors that could lead to a Downgrade**

- Decrease of credit quality of government-related major shareholder Publi-T providing extraordinary support
- Declining cashflows and unadequate capital returns as a result of adverse changes to European energy policies or regulatory frameworks.
- Sustainable deterioration of the capital structure and the deleveraging potential as a result of investments exceeding internal projections to ensure grid and tariff stability (e.g. Net Debt / EBITDA > 8.0x)
- Sustainable decrease in financial flexibility due to adverse changes in corporate dividend policy or restricted access to funding.

## Rating History



# Company

**Rated entity:**

**Elia Group headquartered in Brussels/Belgium and Berlin/Germany**

Elia Group SA / NV (“Elia” or “Elia Group”) is the rated entity and holding company for a group of companies engaged in regulated electricity transmission system operations (TSO) in Belgium and Germany. In total 51.85 % of Elia’s shares are freely floated, and 48.15 % are held by Belgian municipalities and intermunicipal companies (thereof 44.83 % through Publi-T SCRL). The regulated assets are being held indirectly by the Belgium TSO subsidiary Elia Transmission Belgium (“ETB”) via Elia Asset SA / NV (99.99 %). ETB is also engaged in other regulated activities such as the 50 % joint venture Nemo Link Ltd., which interconnects the UK and Belgium (transfer capacity 6,065 GWh) with a fixed 25-year concession, and other minority participations (e.g. HGRT, Coreso).

The non-regulated activities of Elia Group mainly comprise financing activities (e.g. € 700m hybrid and € 300m senior acquisition loans for the 20 % stake in Eurogrid GmbH and the provision of holding services for ETB and Eurogrid International S.A. / N.V. with its subsidiary Eurogrid GmbH (German TSO “50Hertz” GmbH). Furthermore, synergies are being coordinated at holding level. For example, the associated Re.Allo-Energy B.V. / SRL is building a platform to facilitate users to exchange energy data and added value services. The consultant and engineering network service business of Elia Grid International S.A. / N.V. (EGI) has offices in Berlin, Brussels, Dubai and Singapore.

**ETB: Long-term licences and national monopoly in Belgium**

In Belgium, ETB holds a licence to operate the national extra-high voltage transmission system (30-380 kV; 8,896 km; renewed 2019 for 20 years). Moreover, 94 % of the regional high voltage transmission systems (30-70 kV) are being operated by ETB. With a workforce of around 1,450 employees, ETB generated 37 % (€ 858.1 million) of Elia Group’s revenues in 2020 (excluding net income from settlement mechanism) and 42 % of the corresponding adjusted operating profit (EBITDA € 429.1 million; EBITDA margin: 39.6 %).

**50Hertz: TSO with regional monopoly in parts of Germany**

In Germany, 50Hertz Transmission GmbH operates 10,380 km of electricity transmission lines (nearly 30 % of the German transmission system). Similar to its German peers (Amprion GmbH, Tennet TSO GmbH, TransnetBW GmbH) 50 Hertz is operating a territorial monopoly representing the federal states of Eastern Germany, Berlin and Hamburg. Furthermore, 50Hertz plays an important role in the challenging distribution of renewable energy as part of the energy transition (north-south energy highway expansion to Bavaria). With an annual average workforce of 1,173 employees, 50Hertz generated 59 % (€ 1,353.6 million) of Elia Group’s sustainable revenues in 2020 and 57 % of the corresponding adjusted operating profit (EBITDA € 573.4 million; EBITDA margin: 41.5 %).

**Management of Elia Group**

Members of Elia Group’s management board are Chris Peeters (Chairman and CEO), Catherine Vandendorre (CFO), Peter Michiels (CAO), Michael von Roeder (CDO) and Stefan Kapferer (CEO). ETB’s executive committee positions are currently held by Chris Peeters, Catherine Vandendorre, Peter Michiels, Markus Berger (COID), Frederic Dunon (COO), Ilse Tant (CCAO), Patrick De Leener (COCMS) and Pascale Fonck (CERO). Key decisions have to be approved by the board of directors. Stefan Kapferer, Dr. Frank Golletz (CTO), Dr. Dirk Biermann (CMO), Marco Nix (CFO) and Sylvia Borchering (CHRO) are appointed as members of the executive committee of 50Hertz.

## Appendix 1: Execution

### Analysts

- Karl Holger Möller, senior analyst and project manager
- Matthias Peetz, senior analyst

#### Contact:

Tel.: +49 (0) 40/60 77 81 200  
[info@scopehamburg.com](mailto:info@scopehamburg.com)

### Rating committee

- Dörte Mähmann, director
- Kai Gerdes, director

### Rating, Solicitation, Principal Sources of Information

- This credit rating has been issued in accordance with the CRA Regulation.

Solicited Rating

Unsolicited Rating

No participation of the rated entity or related third party

With participation of the rated entity or related third party

Access to internal documents

Access to management

- Prior to its publication the rating was disclosed to the rated entity. During this period, the rated entity had the opportunity to review the rating and to verify the underlying assumptions. Following this review, the rating was not amended
- Principal sources of information:
  - Consolidated financial statements for 2018-2020
  - Internal reporting (e.g. business development 2021, financing overview, etc.)
  - Market and regulatory analyses, legislation, regulatory framework
  - Information on strategy and company planning
  - Certificates Reservation Agreement (27 January 2015)
  - Guarantee Elia in favour of Solar Chest SA (24 December 2019)
  - Appointment ETB as TSO (13 January 2020)
  - Accession Agreement between Elia, Elia Transmission Belgium SA / NV, Solar Chest SA and Security Agent, Account Bank and Cash Supervisor effective on 31 December 2019 (24 December 2019)
  - 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
  - Interviews with the management

### Rating methodologies and definitions

- [Methodology: Issuer Rating as of May 2016](#)
- [Basic Principles for Assigning Credit Ratings and Other Services as of July 2020](#)
- [Guidance Regarding the Consideration of ESG Factors in Scope Hamburg Credit Ratings as of March 2020](#)
- [Guidance Regarding the Consideration of Governmental Support in Scope Hamburg Credit Ratings as of January 2021](#)

Scope Ratings GmbH and Scope Ratings UK Limited apply the same methodologies/models and key rating assumptions for their credit rating services, while [Scope Hamburg GmbH's](#) methodologies/models and key rating assumptions are different from those of Scope Ratings GmbH and Scope Ratings UK Limited.

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## Appendix 2: Rating categories\*

Category	Explanation
<b>AAA</b>	In the opinion of Scope Hamburg, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
<b>AA</b>	In the opinion of Scope Hamburg, AA rated entities demonstrate a very high credit quality with a very low default risk.
<b>A</b>	In the opinion of Scope Hamburg, A rated entities demonstrate a high credit quality with a low default risk.
<b>BBB</b>	In the opinion of Scope Hamburg, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
<b>BB</b>	In the opinion of Scope Hamburg, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
<b>B</b>	In the opinion of Scope Hamburg, B rated entities demonstrate a low credit quality with an increased default risk.
<b>CCC</b>	In the opinion of Scope Hamburg, CCC rated entities demonstrate a very low credit quality with a high default risk.
<b>CC</b>	In the opinion of Scope Hamburg, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
<b>C</b>	In the opinion of Scope Hamburg, C rated entities demonstrate a very low credit quality, an event of default is imminent.
<b>D / SD</b>	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.
<b>PLUS (+) MINUS (-)</b>	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.

\* For more explanations and definitions please refer to:  
[Basic Principles for Assigning Credit Ratings and Other Services as of July 2020](#)

## Appendix 3: Definition of financial ratios

### Earnings power

#### EBITDA margin

EBITDA margin	
<b>Numerator</b>	
EBITDA	
<b>Denominator</b>	
Total revenues	

#### Returns

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

Return on total assets
<b>Numerator</b>
Adjusted operating and financial result + interest expense
<b>Denominator</b>
Adjusted total assets

#### Cash flow return on investment

Cash flow return on investment (Cash flow ROI)
<b>Numerator</b>
EBITDA
<b>Denominator</b>
Adjusted total assets

## Capital structure

### Indebtedness

Equity-to-total assets ratio
<b>Numerator</b>
Adjusted equity (= economic capital)
<b>Denominator</b>
Adjusted total assets

Leverage
<b>Numerator</b>
Net debt
<b>Denominator</b>
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
<b>Numerator</b>
Total assets - economic capital (= total liabilities)
<b>Denominator</b>
EBITDA

Net debt / EBITDA
<b>Numerator</b>
Net debt
<b>Denominator</b>
EBITDA

### Interest coverage

EBIT interest coverage
<b>Numerator</b>
Adjusted operating result (= EBIT)
<b>Denominator</b>
Interest expenses

EBITDA interest coverage
<b>Numerator</b>
EBITDA
<b>Denominator</b>
Interest expenses

## Disclaimer

Solar Chest SA (client) engaged Scope Hamburg GmbH to conduct a rating of the Elia Group (former Elia System Operator) SA / NV (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 SA was not visited. Interviews with the management of Elia Group SA / NV took place on 04 May 2021.

The Rating Committee of Scope Hamburg GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 07 May 2021. This rating report was given to Elia Group SA / NV on 07 May 2021, thereby concluding the rating process.

The rating is Scope Hamburg GmbH's opinion of the creditworthiness of a rated entity. It is not a statement of fact. Scope Hamburg 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 Scope Hamburg 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. Scope Hamburg 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 Scope Hamburg GmbH's website ([www.scopehamburg.com](http://www.scopehamburg.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 Scope Hamburg 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. Scope Hamburg 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. Scope Hamburg GmbH is under no obligation to complete the information that it considered when issuing the rating.

The dissemination and use of this rating report may be prohibited by law in certain jurisdictions. Scope Hamburg GmbH therefore recommends that any persons who come into the possession of this information inquire about and comply with any prohibitions that may be in place. Scope Hamburg GmbH assumes no liability of any kind with respect to the dissemination and use of the rating in any jurisdiction whatsoever.

Scope Hamburg GmbH

Hamburg, 27 May 2021