

Issue Rating for the Fixed Rate  
Secured Notes of

**Solar Chest S.A.**

22 May 2019



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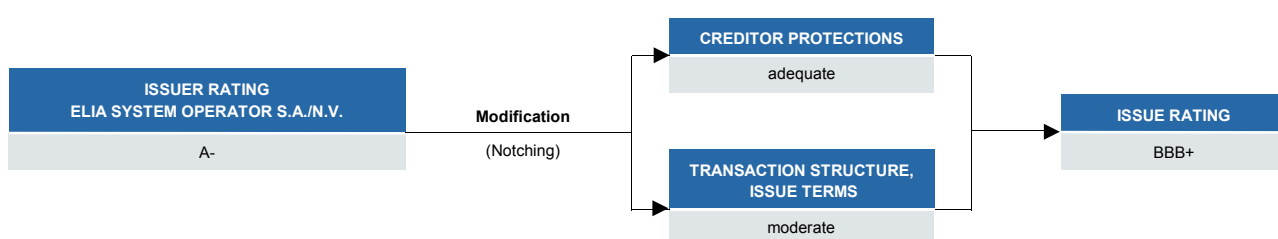
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# Issue rating

Fixed Rate Secured Notes of Solar Chest S.A.		22 May 2019	BBB+
		Issue rating	
		Outlook	stable
Industry	Electricity transmission systems operation (TSO Elia) in Belgium and Germany	Total amount issued	€ 275 million
		Coupons	2.129 % for the 2020, 2.387 % for the 2021, 2.636 % for the 2022 notes



ISSUER RATING	A-
<ul style="list-style-type: none"> <li>The issue rating is largely based on Elia's guarantee to repurchase green certificates that Solar Chest had previously acquired from Elia, Elia's issuer rating and the legal and regulatory framework</li> <li>We assigned Elia an issuer rating of A- on 22 May 2019.</li> </ul>	

CREDITOR PROTECTIONS	+/- 0
<ul style="list-style-type: none"> <li>Adequate creditor protections</li> <li>Standard termination rights</li> </ul>	

SECURITY STATUS	- 1
<ul style="list-style-type: none"> <li>Elia has a legally guaranteed repurchase obligation</li> <li>Public service levies on electricity rates cover purchases of green certificates as well as transaction, operating and interest costs charged to Elia</li> <li>No other debt securities have been issued</li> </ul>	

EXTERNAL INFLUENCE	+/- 0
<ul style="list-style-type: none"> <li>External influence recognized in the issuer rating of Elia</li> </ul>	

KEY DATA		
ISIN	BE6279145443, 6279148470, 6279151508	
Total amount issued	€ 275 million	Issue date: 30 June 2015. The bond was issued to finance the acquisition of 4,138,462 green certificates at the legally guaranteed minimum price of € 65 (excluding VAT) from Elia System Operator S.A./N.V. ("Elia").
Fixed coupon	2.129, 2.387 and 2.636 % p.a.	Three tranches to be paid yearly starting on 30 June 2016, and every 30 June thereafter
Maturity	5-7 years	1 <sup>st</sup> tranche until 30 June 2020, 2 <sup>nd</sup> tranche until 30 June 2021 and 3 <sup>rd</sup> tranche until 30 June 2022 at the latest

## Rating rationale

Euler Hermes Rating affirms the **BBB+** rating of the **Fixed Rate Secured Notes** with an issue volume of **€ 275 million** maturing between **2020 and 2022** depending on the tranche. The issue rating is largely based on Elia's guarantee to repurchase green certificates that Solar Chest had previously acquired from Elia, Elia's issuer rating and the legal and regulatory framework.

**Legal, regulatory and contractual transaction structure are adequate**

The Walloon government authorized Solar Chest to buy green certificates in order to stabilize electricity tariffs in the Walloon Region based on the law of 12 April 2001 and the decrees approved on 12 December 2014 and 28 June 2017, which we consider to be a key element of the legal framework. We expect a high recovery rate based on the bond terms (offering circular) and the legal and contractual reservation process, both of the latter requiring the local transmission system operator (LTSO) to repurchase the certificates (at the end of each reservation or at the occasion of an earlier mandatory buy-back event) at the price paid by Solar Chest to buy the green certificates. Elia will pay the interest, transaction and administration expenses as set out in the regulatory mandate. In return, Elia is authorized to impose future levies on electricity consumers in order to recoup financial charges, other transaction and operating costs, and all the costs associated with the return of unmarketable certificates within justified budget overruns and budgets approved by the federal regulator (CREG).

**Adequate creditor protections**

The creditor protections are reasonable in our view and include extensive oversight rights for the responsible regulators (CWaPE, CREG). We believe Solar Chest has sufficient financial flexibility given its cash position of € 8.2 million at 31 March 2019, its option to demand advance payments from Elia, and Elia's obligations to provide additional funds in the event of budget overruns. We view as strengths the fact that external trustees monitor the use of funds and that bank accounts, receivables, certificates and securities have been pledged to bondholders and other secured creditors. The special rights of termination – for example if Elia or Solar Chest declare bankruptcy and cross acceleration clauses – are reasonable and appropriate in our view. The repurchase obligation of Elia is contractually linked to the transmission system operator's concession (which expires on 17 September 2022). We believe that creditors are adequately protected in the event of an early change of transmission system operators since the repurchase obligation will pass to Elia's legal successor. We also view as positive the fact that Solar Chest is contractually treated *pari passu* with other unsecured creditors of Elia. Other positive factors include public sector control over Solar Chest as a municipally owned entity.

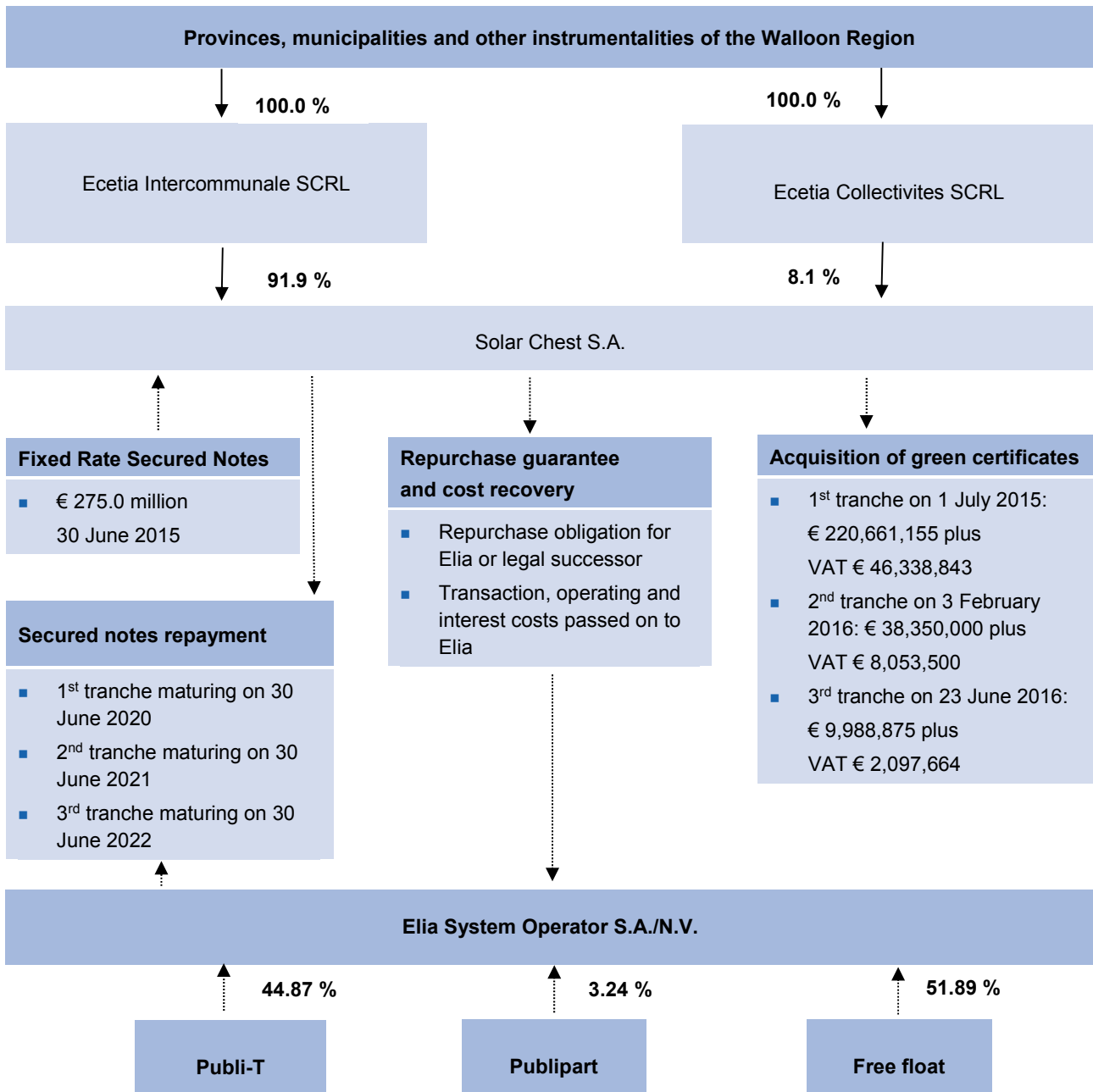
**Issue rating is based on Elia's issuer rating**

The final issue rating of the Notes is based on the issuer rating of Elia (A-) to which we apply one downward notch to account for the transaction structure and the issue terms (Solar Chest issue rating: BBB+).

## Rating history

	17 July 2015	12 July 2016	11 July 2017	3 July 2018	22 May 2019
<b>Issue rating for Fixed Rate Secured Notes</b>	BBB+	BBB+	BBB+	BBB+	BBB+
<b>Elia's issuer rating</b>	A-	A-	A-	A-	A-
<b>Outlook</b>	stable	stable	stable	stable	stable

## Appendix 1: Transaction structure



## Appendix 2: Execution

### Analysts

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

### Rating committee

- Dörte Mählmann, director
- Holger Ludewig, director

### Principal sources of information

- Certified consolidated financial statements for 2016-2018 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 2016-2018 of Ecetia Intercommunale SCRL (ECETIA; public law entity) and Ecetia Collectivites SCRL (public law entity)
- Statutory annual accounts as of 31 December 2018 of Solar Chest S.A. (approved of 26.03.2019)
- Excerpts from the internal reporting system of Elia, Eurogrid and the Ecetia Gruppe (e.g. business performance in 2018, tariff calculations, analysis of bank liabilities, etc.)
- Market analyses
- Strategy and corporate planning activities of Elia, Eurogrid and Ecetia Group
- Financial model and yearly budget of Solar Chest as of 15 August 2018
- Corporate and financing agreements, Elia Group
- Legislation, regulatory framework
- Talks with the management of Ecetia, Solar Chest S.A. and Elia
- 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
- Terms and conditions of the Notes, status as of 25 June 2015
- Agreement for the purchase and reservation of green certificates (CRA) between Elia, Solar Chest S.A. and Security Agent, status as of 22 June 2015
- Master definitions and common terms agreement between Elia, Solar Chest S.A., ECETIA, Security Agent, Bank Degroof S.A., U.S. Bank Trustees Limited and BNP Paribas Fortis S.A., status as of 22 June 2015
- Corporate services and cash administration agreement between ECETIA, Solar Chest S.A., Security Agent and Cash Supervisor status as of 22 June 2015
- Security agency agreement between Solar Chest S.A., Elia, Security Agent, Corporate Services Provider, Cash Administrator, Account Bank and Cash Supervisor, status as of 22 June 2015
- Management agreement between ECETIA, Ecetia Collectivites, Solar Chest S.A. and Security Agent, status as of 22 June 2015
- Account bank agreement between Solar Chest S.A., Cash Administrator, Cash Supervisor, Security Agent und Account Bank, status as of 22 June 2015
- Bank accounts pledge agreement between Solar Chest S.A. and U.S. Bank Trustees Limited, status as of 22 June 2015
- Receivables pledge agreement between Solar Chest S.A. and U.S. Bank Trustees Limited, status as of 22 June 2015
- Green certificates pledge agreement between Solar Chest S.A. and U.S. Bank Trustees Limited, status as of 22 June 2015
- Securities account pledge agreement between Solar Chest S.A. and U.S. Bank Trustees Limited and BNP Paribas Fortis S.A., status as of 22 June 2015
- Cash Supervisor Agreement between Bank Degroof S.A., ECETIA, Solar Chest S.A., Security Agent 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 Issue Rating Methodology of December 2014  
(<http://www.ehrg.de/seiten/Methodology%20Issue%20Rating%202014.pdf>)

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## Appendix 3: Rating categories

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



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