

Issue Rating for the Fixed Rate
Secured Notes of

Solar Chest SA

14 May 2020

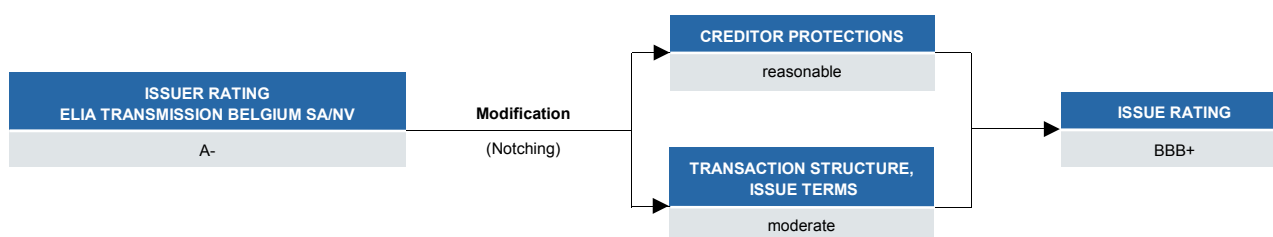


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Issue rating

Fixed Rate Secured Notes of Solar Chest SA		14 May 2020	BBB+
		Issue rating	
		Outlook	stable
Industry	Electricity transmission systems operation 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"> The issue rating is largely based on Elia Transmission Belgium's ("ETB") guarantee to repurchase green certificates that Solar Chest had previously acquired from ETB, Elia Group's issuer rating and the legal and regulatory framework We assigned Elia Group an issuer rating of A- on 14 May 2020 	

CREDITOR PROTECTIONS	reasonable
<ul style="list-style-type: none"> Adequate creditor protections Standard termination rights 	

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

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

KEY DATA		
ISIN / WKN	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)
Fixed coupon	2.129, 2.387 and 2.636 % p.a.	Interests to be paid yearly starting on 30 June 2016
Repayments	€ 75 (2020), 100 (2021) and 100 million (2022)	Annual repayments starting 30 June 2020
Maturity	5-7 years	Until 30 June 2022 at the latest
Collateral	€ 275 million	Repurchase guarantee

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 Group's and ETB's guarantees to repurchase green certificates that Solar Chest had previously acquired from ETB as legal successor of Elia System Operator SA/NV, Elia Group'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. In September 2019 and February 2020 Solar Chest sold 1,153,846 green certificates on the market through an auction process in the total amount of € 80.9 million, from which € 75.0 million will be used by Solar Chest to repay the 1st tranche of the bond maturing on 30 June 2020. The remaining € 5.9 million was transferred by Solar Chest to ETB as profit. ETB will pay the interest, transaction and administration expenses as set out in the regulatory mandate. In return, ETB 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 € 89.6 million at 31 March 2020, its option to demand advance payments from ETB, and ETB'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 ETB or Solar Chest declare bankruptcy and cross acceleration clauses – are reasonable and appropriate in our view. Positive we assess that the repurchase obligation of Elia is contractually linked to the transmission system operator's concession (which expires in 2039). 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 ETB's legal successor. Positive we also assess the Elia Group's guarantee in favor of ETB. We also view as positive the fact that Solar Chest is contractually treated *pari passu* with other unsecured creditors of ETB. Other positive factors include public sector control over Solar Chest as a municipally owned entity.

Issue rating is based on Elia Group's issuer rating

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

Upgrade / Downgrade Factors

Factors that could lead to an upgrade

- Upgrade of the underlying issuer rating (by at least one notch)
- Additional capital injections and newly issued guarantees of the provincial and municipal shareholders'

Factors that could lead to a downgrade

- Downgrade of the underlying issuer rating, e.g. due to the reorganization of the Elia Group (by at least one notch)
- Sustainable negative changes in the legal framework
- Significant decrease in the expected recovery rate or deterioration of the creditor protections

Rating history

	17 July 2015, 12 July 2016	11 July 2017, 3 July 2018	22 May 2019, 14 May 2020
Issue rating for Fixed Rate Secured Notes	BBB+	BBB+	BBB+
Elia Group's issuer rating	A-	A-	A-
Outlook	stable	stable	stable

Appendix 1: Execution

Analysts	Rating committee
<ul style="list-style-type: none">▪ Karl Holger Möller, senior analyst and project manager▪ Michel Graire, senior analyst	<ul style="list-style-type: none">▪ Dörte Mähmann, director▪ Holger Ludewig, director
Contact: Tel.: +49 (0) 40/60 77 81 200 info@eulerhermes-rating.com	

Rating, Solicitation, Principal Sources of Information
<ul style="list-style-type: none">- This credit rating has been issued in accordance with the CRA Regulation. <p><input checked="" type="checkbox"/> Solicited Rating</p> <p><input type="checkbox"/> Unsolicited Rating</p> <ul style="list-style-type: none"><input type="checkbox"/> No participation of the rated entity or related third party<input type="checkbox"/> With participation of the rated entity or related third party<ul style="list-style-type: none"><input type="checkbox"/> Access to internal documents<input type="checkbox"/> Access to management <ul style="list-style-type: none">- 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:<ul style="list-style-type: none">- Statutory annual accounts 2017-2019 (2019 unapproved, general assembly will be held on 23 June 2020) of Solar Chest SA, Ecetia Intercommunale SCRL/CVBA (ECETIA; public law entity) and Ecetia Real Estate SA (public law entity)- Internal reporting (e.g. business development 2020, financing overview, etc.)- Market and regulatory analyses, legislation, regulatory framework- Financial model and yearly budget of Solar Chest SA as of 8 December 2019- Information on strategy and company planning- Guarantee Elia System Operator SA/NV in favor of Solar Chest SA (24 December 2019)- Appointment ETB and replacement Elia System Operator SA/NV as TSO (13 January 2020)- Accession Agreement between Elia System Operator SA/NV, 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- 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 SA and Security Agent, status as of 22 June 2015- Master definitions and common terms agreement between Elia, Solar Chest SA, ECETIA, Security Agent, Bank Degroof SA, U.S. Bank Trustees Limited and BNP Paribas Fortis SA, status as of 22 June 2015- Corporate services and cash administration agreement between ECETIA, Solar Chest SA, Security Agent and Cash Supervisor status as of 22 June 2015- Security agency agreement between Solar Chest SA, Elia, Security Agent, Corporate Services Provider, Cash Administrator, Account Bank and Cash Supervisor, status as of 22 June 2015- Management agreement between ECETIA, Ecetia Real Estate SA, Solar Chest SA and Security Agent, status as of 22 June 2015- Account bank agreement between Solar Chest SA, Cash Administrator, Cash Supervisor, Security Agent und Account Bank, status as of 22 June 2015- Bank accounts pledge agreement between Solar Chest SA and U.S. Bank Trustees Limited, status as of 22 June 2015- Receivables pledge agreement between Solar Chest SA and U.S. Bank Trustees Limited, status as of 22 June 2015- Green certificates pledge agreement between Solar Chest SA and U.S. Bank Trustees Limited, status as of 22 June 2015- Securities account pledge agreement between Solar Chest SA and U.S. Bank Trustees Limited and BNP Paribas Fortis

SA, status as of 22 June 2015

- Cash Supervisor Agreement between Bank Degroof SA, ECETIA, Solar Chest SA, Security Agent as of 22 June 2015
- Interviews with the management

Rating methodologies and definitions

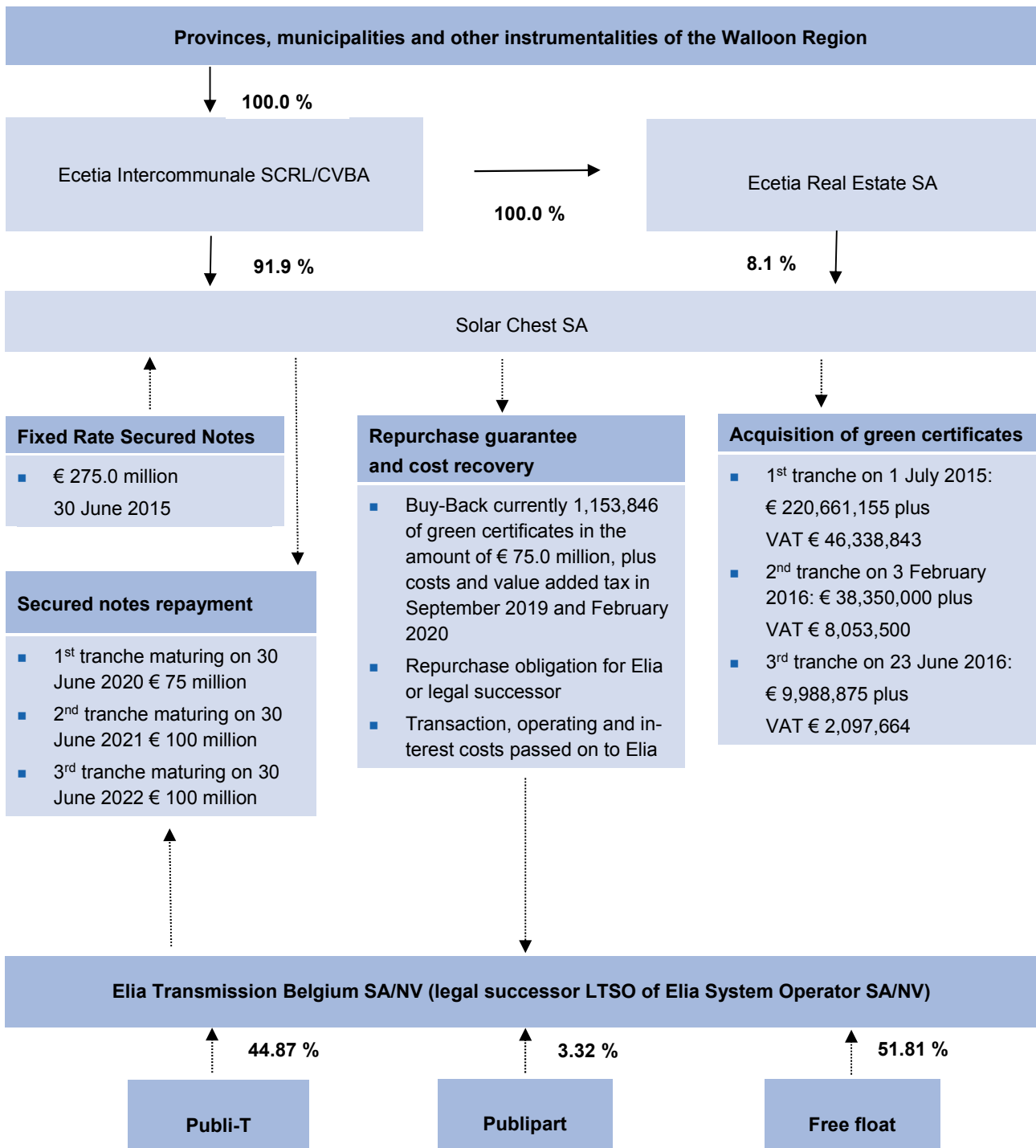
- Methodology: Issuer Rating as of May 2016
(https://www.ehrq.de/seiten/Methodology_Issuer%20Rating_20171114.pdf)
- Basic principles for Assigning Credit Ratings and Other Services as of March 2020
(https://www.ehrq.de/seiten/Principles_2020.pdf)
- Guidance Regarding the Consideration of ESG Factors in Euler Hermes Rating Credit Ratings as of March 2020
(https://www.ehrq.de/seiten/ESG_2020.pdf)

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Appendix 2: Transaction structure



Appendix 3: Rating categories*

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

* For more explanations and definitions please refer to: Basic principles for Assigning Credit Ratings and Other Services (https://www.ehrg.de/seiten/Principles_2020.pdf)

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