

Scope Hamburg affirms the A- issuer rating of Elia Group SA/NV and withdraws the rating

The rating has been withdrawn for business reasons and is related to the re-payment of the Fixed Rate Secured Notes of Solar Chest SA with the total issue volume of € 275 million and the related interest costs.

The latest information on the rating, including rating reports and related methodologies, is available on this [LINK](#).

Rating action

Scope Hamburg has affirmed the A- issuer rating of Elia Group SA / NV and has subsequently withdrawn Elia Group's issuer rating for business reasons as the Fixed Rate Secured Notes for the acquisition of green certificates in 2015 / 2016 in favor of Elia Group and to buy-back certificates in the period 2019 – 2022 with the total issue volume of € 275 million and the related interest costs were redeemed to the bondholders on 30 Jun 2022.

Rating rationale

The A- affirmation reflects the strong grid operator's business risk profile, assessed at AA-, characterised by its long-term monopolistic position in Belgium (concession until 2040) and Eastern Germany. Scope Hamburg expects the transmission grid operator to continue to achieve higher EBITDA margins (around 46% by 2023) and increased operating cash flows supported by Elia Group's regulated frameworks until 2023, a fixed 25-year concession to the Nemo Link interconnector UK and the cross-border interconnection of new concession areas and offshore developments in its service territories. Scope Hamburg believes that Elia's business benefits from tailwinds to accelerate energy transition and reduce (Russian) fossil fuels import dependence, which limit the likelihood of adverse changes to regulations in the near future. In Scope Hamburg's view, the regulatory regimes with coverage of all reasonable costs, incentives and adequate remuneration for the upcoming 2024-2027 period in Belgium and 2024-2028 in Germany are expected to be preserved.

The Elia group's much weaker financial risk profile, assessed at BB, continues to limit the stand alone credit quality, and is mainly driven by the consistently high and ongoing rising debt levels and generally weak credit metrics as a result of high infrastructure funding needs. Elia Group's accelerated sustainable five-year energy transition capex and grid development plan (credit positive ESG factor) of € 9.6 billion for the growth and upgrading of transmission corridors and the integration of offshore wind capacities for the 2022-26 period will burden the high leverage with Scope-adjusted debt/EBITDA of around 7.5x until 2023. Negative free operating cash flows (FOCF) are leading to the need for external funding. Elia's liquidity assessment is adequate. Available cash funds, currently covering EEG impacts from the high

energy market prices, and unused credit facilities, are, however, expected to weaken to around € 1.2 billion (FYE 2023) from € 3.0 billion with committed undrawn credit lines and revolving credit facilities of € 1.6 billion until FYE 2023.

Scope Hamburg's issuer rating on Elia Group incorporates a one-notch uplift to the group's standalone credit quality of BBB+, leading to a final issuer rating of A- in accordance with Scope's Rating Methodology for Government Related Entities. This is based on Scope's assessment of the 'high capacity' and 'medium willingness' of Elia's major joint controlling ownership of sub sovereign shareholder to provide potential support. Drivers are Elia Group's very high economic importance as well as the shareholder's capital commitments over the years thanks to the state-backed shares in Eurogrid GmbH, shareholder loans and ongoing equity injections.

One driver in this credit rating action is considered as ESG-related factor but this factor mentioned has no substantial impact on the overall assessment on credit risk.

Outlook and rating-change drivers

Not applicable as the rating has been withdrawn.

Stress testing & cash flow analysis

No stress testing was performed. Scope Hamburg performed its standard cash flow forecasting for the company.

Methodology

The methodologies used for these Credit Ratings and/or Outlook, (Corporate Rating Methodology (6 Jul 2021), Corporates – Rating Methodology: European Utilities (17 Mar 2022), Public Finance – Government Related Entities (6 May 2022), are available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

Scope Ratings GmbH, Scope Ratings UK Limited and Scope Hamburg GmbH apply the same methodologies/models and key rating assumptions for their credit rating services.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Basic Principles for Assigning Credit Ratings and Other Services 8 Jun 2022', published on https://scopehamburg.com/seiten/Principles_20220608.pdf. Historical default rates of the entities rated by Scope Hamburg can be viewed in the 'Credit Rating Transition and Default Study Feb 2021' at https://scopehamburg.com/seiten/Validation_Update_31Dec21.pdf. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope Hamburg's definitions of default and Credit Rating notations can be found at https://scopehamburg.com/seiten/Principles_20220608.pdf. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Hamburg's internal sources.

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Scope Hamburg considers the quality of information available to Scope Hamburg on the Rated Entity or instrument to be satisfactory. The information and data supporting the Credit Ratings originate from sources Scope Hamburg considers to be reliable and accurate. Scope Hamburg does not, however, independently verify the reliability and accuracy of the information and data. Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and/or Outlook and the principal grounds on which the Credit Ratings and/or Outlook are based. Following that review, the Credit Ratings were not amended before being issued.

Regulatory disclosures

These Credit Ratings and/or Outlook are issued by Scope Hamburg GmbH, Ferdinandstraße 29-33, D-20095 Hamburg, Tel +49 40 524724-170.

Lead analyst: Karl Holger Möller, Senior Analyst

Person responsible for approval of the Credit Ratings: Werner Stäblein, Managing Director

The Credit Ratings/Outlook were first released by Scope Hamburg or its predecessor on 17 Jul 2015. The Credit Ratings/Outlook were last up-dated on 21 Apr 2022.

Potential conflicts

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About Scope Group

With more than 250 employees operating from offices in Berlin, Frankfurt, Hamburg, London, Madrid, Milan, Oslo and Paris, Scope Group is the leading European provider of independent credit ratings, ESG and fund analysis. Based on forward-looking and innovative methodologies, Scope offers a European perspective that contributes to greater diversity of opinion for institutional investors world-wide. **Scope Ratings** is the largest European credit rating agency, registered in accordance with EU and UK rating agency regulation, offering opinion-driven and non-mechanistic credit risk analysis. **Scope ESG Analysis** provides tools for analysing and reporting on ESG impact and risk, as well as second-party opinions on green, social and sustainable bonds. **Scope Fund Analysis** rates more than 10,000 funds and asset

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managers across all major asset classes. The shareholders of Scope Group include CEO and founder Florian Schoeller and anchor shareholder Stefan Quandt, numerous senior personalities in European finance and industry as well as institutional investors from several Europe-an countries. More on www.scopegroup.com

Contact

Analyst: Karl Holger Möller h.moeller@scopehamburg.com

Team leader: Werner Stäblein w.staeblein@scopehamburg.com



For questions and comments, please contact us via: press@scopegroup.com.

Scope Hamburg GmbH

Managing Director: Werner Stäblein, Vincent Wald, Christian Werner • Commercial Register Hamburg: HRB 60759

scopehamburg.com

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