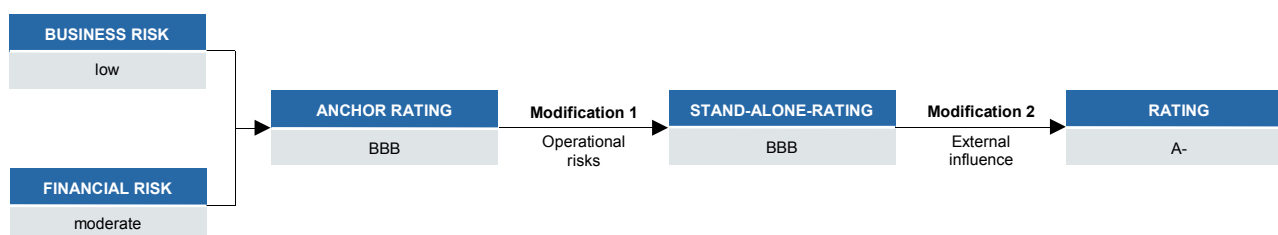


Issuer Rating

| | | | |
|---------------------------------------|--|----------------|---------------|
| Elia System Operator S.A./N.V. | | 22 May 2019 | A- |
| | | Issuer rating | |
| | | Outlook | Stable |
| Industry | Electricity transmission system operation (TSO) in Belgium and Germany | 2018 revenue | € 1.9 billion |
| | | 2018 employees | >2,400 |



| | |
|--|------------|
| 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, interconnecting 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 Weakly satisfactory financing structure with a significant decrease in the ability to deleverage over the medium term 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* | 2016 actual | 2017 actual | 2018 actual |
|--------------------------|-------------|-------------|-------------|
| EBITDA margin (%) | 50.7 | 57.1 | 37.9 |
| ROCE (%) | 5.9 | 6.7 | 5.6 |
| Equity ratio (%) | 36.8 | 35.6 | 22.0 |
| Leverage (%) | 54.1 | 54.7 | 63.0 |
| Total debt / EBITDA | 9.2 | 8.7 | 15.0 |
| Net debt / EBITDA | 6.3 | 5.8 | 7.2 |
| EBIT interest coverage | 3.0 | 4.0 | 3.9 |
| EBITDA interest coverage | 4.3 | 5.6 | 6.1 |

* adjusted on the basis of EHR's analytical methodology. Eurogrid International CVBA/SCRL (Eurogrid) included using the equity method in 2016 and in restated 2017 actual (IFRS 9, 15), consolidated from May until December in 2018 actual and for the full year in the 2019-2021 planning periods

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. Rating strengths include 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. We believe Elia has the potential to provide new digital services for demand-side, peak-load and network management. In our view, risks include license renewal, grid instability and greater EU deregulation arising from changes in energy policy and the regulatory framework.

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, fair regulated returns on equity and capital employed and its legally protected ability to recover its regulatory and non-regulatory costs. However, we expect that its ability to deleverage will be increasingly impacted by its need to finance large growth investments 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, reasonable cash reserve and freely available lines of credit, we view Elia's financial flexibility as good. Its investments and business projections for the years ahead 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, its tight integration and the high (sub) sovereign credit ratings of Belgium, Germany, and the Belgium provinces and municipalities to be positive rating factors. We therefore assign two notches of uplift to the stand-alone rating of BBB, resulting in a rating of A-.

Rating History

| | 30 April 2015 | 12 July 2016, 11 July 2017, 3 July 2018 | 22 May 2019 |
|---------|---------------|---|-------------|
| 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 grid 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. 8,800 km under a license that expires in 2042. It possesses over 94 % of regional high voltage transmission systems (30-70 kV). In 2018, with a workforce of around 1,400 employees, Elia generated revenues of € 898.4 million and an adjusted operating profit (EBITDA) of € 364.5 million (EBITDA margin: 40.6 %). Elia System Operator S.A./N.V. is headquartered in Brussels. 51.89 % of its shares are freely floated, and 48.11 % are owned by Belgian municipalities and intermunicipal companies (thereof 44.87 % 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 in Belgium, 20 % of these shares have been held by the German State-owned bank KfW since 22nd August 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), similar to 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 north-western and eastern Europe). In the 2018 financial year, Eurogrid/ 50Hertz generated revenues of € 1,297.5 million and an adjusted EBITDA of € 447.7 million with around 1.000 employees (EBITDA margin: 34.5 %).

Management of the Elia Group

Elia's management committee consists of Chris Peeters (Chairman and CEO), Catherine Vandendorre (CFO), Markus Berger (COID), Frederic Dunon (COO), Ilse Tant (CCAO), Patrick De Leener (COCMS), Pascale Fonck (CERO) and Peter Michiels (CHR). 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 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), Ecetia Collectivites SCRL (public law entity) and Solar Chest S.A. (2017-2018)
- Excerpts from the internal reporting system of Elia, Eurogrid and the Ecetia Group (e.g. business performance in 2019, tariff calculations, analysis of bank liabilities, etc.)
- Market analyses
- Strategy and corporate planning activities of Elia, Eurogrid, the 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
- 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

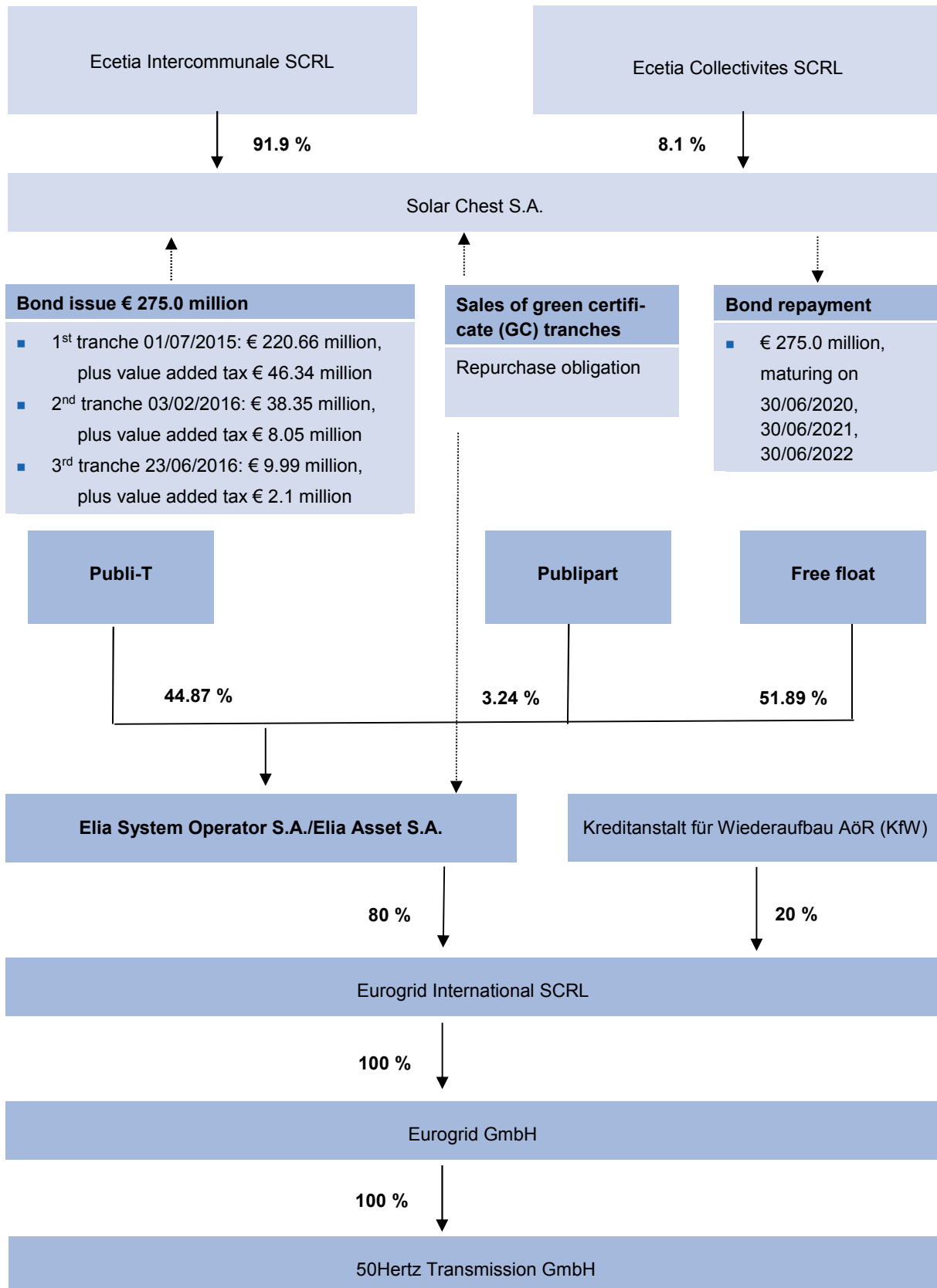
Friedensallee 254
22763 Hamburg
GERMANY
Phone: +49 (0) 40/88 34-64 0
Fax: +49 (0) 40/88 34-64 13

info@eulerhermes-rating.com
www.eulerhermes-rating.com

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 24 April 2019.

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 22 May 2019. This rating report was given to the client on 20 June 2019, 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.

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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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Hamburg, 21 June 2019