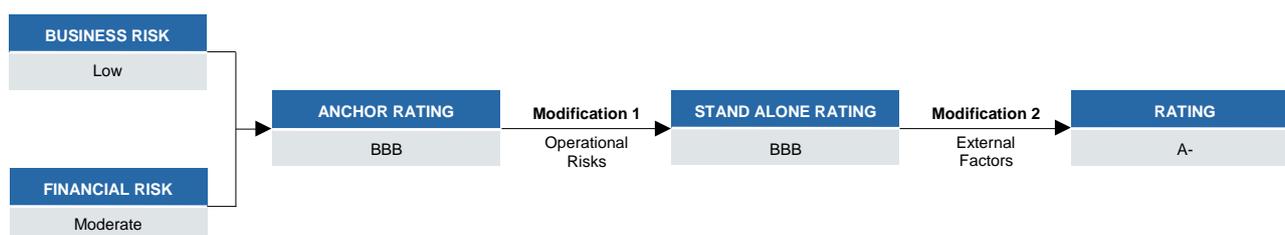


Issuer Rating

Elia System Operator S.A./N.V.		12 July 2016	A-
		Issuer rating	
		Outlook	Stable
Industry	Expansion and operation of electricity transmission systems (TSO) in Belgium and Germany	2015 revenue	€ 780.1 million
		2015 employees	>2,000



BUSINESS RISK	Low
<ul style="list-style-type: none"> 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 and renewable energy integration Potential for digital services in the network management and to integrate smart grids 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 returns, cash flows and recovery of costs Appropriate financing structure with a significant decrease in the ability to deleverage over the medium term Very 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*	2013 actual	2014 actual	2015 actual
EBITDA margin (%)	53.5	49.9	54.5
ROCE (%)	7.0	6.3	6.7
Equity ratio (%)	35.6	36.2	34.0
Leverage (%)	59.0	57.1	55.7
Total debt / EBITDA	7.9	8.7	9.4
Net debt / EBITDA	6.3	6.5	6.1
EBIT interest coverage	2.6	2.5	2.9
EBITDA interest coverage	3.5	3.4	3.9

* adjusted on the basis of analysing principles of EHR

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

In our assessment, Elia System Operator S.A. / N.V. represents a low business risk. We view as strengths Elia's regional monopolies in Belgium and Germany and its position as a transmission system operator (TSO) with its own transmission infrastructure and government concessions. Heavy investment in modernising the grid, integrating renewable energy into the grid, and expanding supranational transmission lines in northwestern 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 and limit the need for costly redispatch requests that curtail feed in of renewable energy to the grid, bring central power plant reserves online and increase imports of electricity from adjacent control areas. We believe Elia has the potential to provide new digital services in the network management and integrated smart grid solutions for optimising power flows. The Elia Group is broadening its service and problem-solving capabilities as it expands its international consulting business. In our view, its risks include growing EU deregulation and withdrawal of the concession.

Moderate financial risk thanks to secured cash flows and very 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 flows, reasonable returns on equity and its legally protected ability to recover its regulatory costs. However, we expect that its ability to deleverage will increasingly be impaired by its need to finance large growth investments and its potential obligation in 2020-2022 to repurchase the green certificates that Solar Chest S.A. bought from Elia. Elia's financial flexibility is very good, in our opinion, thanks to its preferred access to funding from municipal shareholders, good access to capital markets, large cash reserve and freely available lines of credit. We see risks in the dividend expectations of its shareholders. The investments and business projections for the coming years appear realistic to us overall. We expect electricity rate risks to affect business beyond the 2020 financial year.

Modifications to the anchor rating due to external factors

In our view, the Elia Group has reasonable structures, processes, systems and basic conditions in place in order to achieve its strategic goals. We believe the operational risks are consistent with the anchor rating. We see as rating strengths the high economic priority of Elia's public utility role for Belgium and Germany, the tight integration and the high (sub)sovereign credit ratings of Belgium, Germany, the Belgium provinces and municipalities. For that reason, we give the BBB standalone rating a two-notch uplift to A-.

Disclaimer

The request for the Corporate rating of Elia System Operator S.A./N.V. was submitted on 25 March 2015 by Solar Chest S.A. (client) 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. The company visit to Elia System Operator S.A./N.V. took place on 27 April 2016. This rating report was presented to Elia System Operator S.A./N.V. on 13 July 2016, meaning that the rating process has now been concluded. On 12 July 2016 the notation proposal and the report on which it was based were reviewed by the Rating Committee and were approved in its present version. If this rating is not made public, the rating refers to this date. If the rating assessment is published on the rating agency's website (www.eulerhermes-rating.com), it will be followed by a subsequent one-year monitoring process. During this period, the company and the environment in which it operates remain under observation. The rated company (Elia System Operator S.A./N.V.) is subject to unrestricted disclosure obligations during this period. Any change in the rating agency's assessment will result in a change in the published rating, meaning that the rating as shown on the internet represents the current rating assessment at all times. Continued publication after the expiry of the monitoring period is contingent upon a follow-up rating being conducted.

Elia System Operator S.A./N.V. does not take responsibility nor does it guarantees that the rating report and all of the information which it contains is correct and complete in all significant respects, that no major aspects have been concealed and that any forward-looking statements which it may include are based on plausible, verifiable and current data and have been prepared with the diligence of a prudent businessman, even though they have made the best efforts to provide Euler Hermes Rating GmbH with its comments and suggestions for modification if necessary. Elia System Operator S.A./N.V. cannot be held liable if actual results differ from the forward-looking statements, in particular the projections, presented in this document. Changes in the economic environment and unforeseen events may impair the validity of the forward-looking statements and projections.

The rating report may not be construed as constituting a recommendation to participate in certain facilities. All recipients of the information should conduct their own independent analysis, credit assessments and other reviews and evaluations which are customary and necessary to reach a final decision about the participation in certain facilities. It should be noted that the summaries of contracts, legislation and other documents included in the report are no replacement for examination of the corresponding full texts. As of the date on which this information is published, it is not possible to guarantee that the information has not changed since being collected and that all information provided is still valid. Elia System Operator S.A./N.V. is under no obligation to update the information.

The publication of this rating report may be prohibited by law in certain jurisdictions. Elia System Operator S.A./N.V. therefore requests that any persons who gain possession of this information enquire about and comply with any such restrictions. Elia System Operator S.A./N.V. does not assume any liability of any kind towards anyone with respect to the dissemination of this rating report in any jurisdiction whatsoever.

The management of Elia System Operator S.A./N.V. issued a declaration of completeness in writing to Euler Hermes Rating GmbH.

We have prepared this report to the best of our abilities and knowledge.

Euler Hermes Rating GmbH

Hamburg, 18 August 2016

Analysts

Karl Holger Möller, Senior Analyst and Project Head
Torsten Schellscheidt, Senior Analyst
Michel Graire, Junior Analyst

Rating Committee

Dörte Mählmann, Director
Holger Ludewig, Director

Principal sources of information

- Certified consolidated financial statements for 2013-2015 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 2013-2015 of Ecetia Intercommunale SCRL (ECETIA; public law entity), Ecetia Collectivites SCRL (public law entity) and Solar Chest S.A. (2015)
- Excerpts from the internal reporting system of Elia, Eurogrid and the Ecetia Gruppe (e.g. business performance in 2016, tariff calculations, analysis of bank liabilities, etc.)
- Market analyses
- Strategy and corporate planning activities of Elia, Eurogrid, 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 (27.01.2015)
- Offering Circular with respect to the private placement of € 275 million, status as of 22 June 2015
- Preliminary agreement for the purchase and reservation of green certificates between Elia, Solar Chest and Security Agent, status as of 22 June 2015

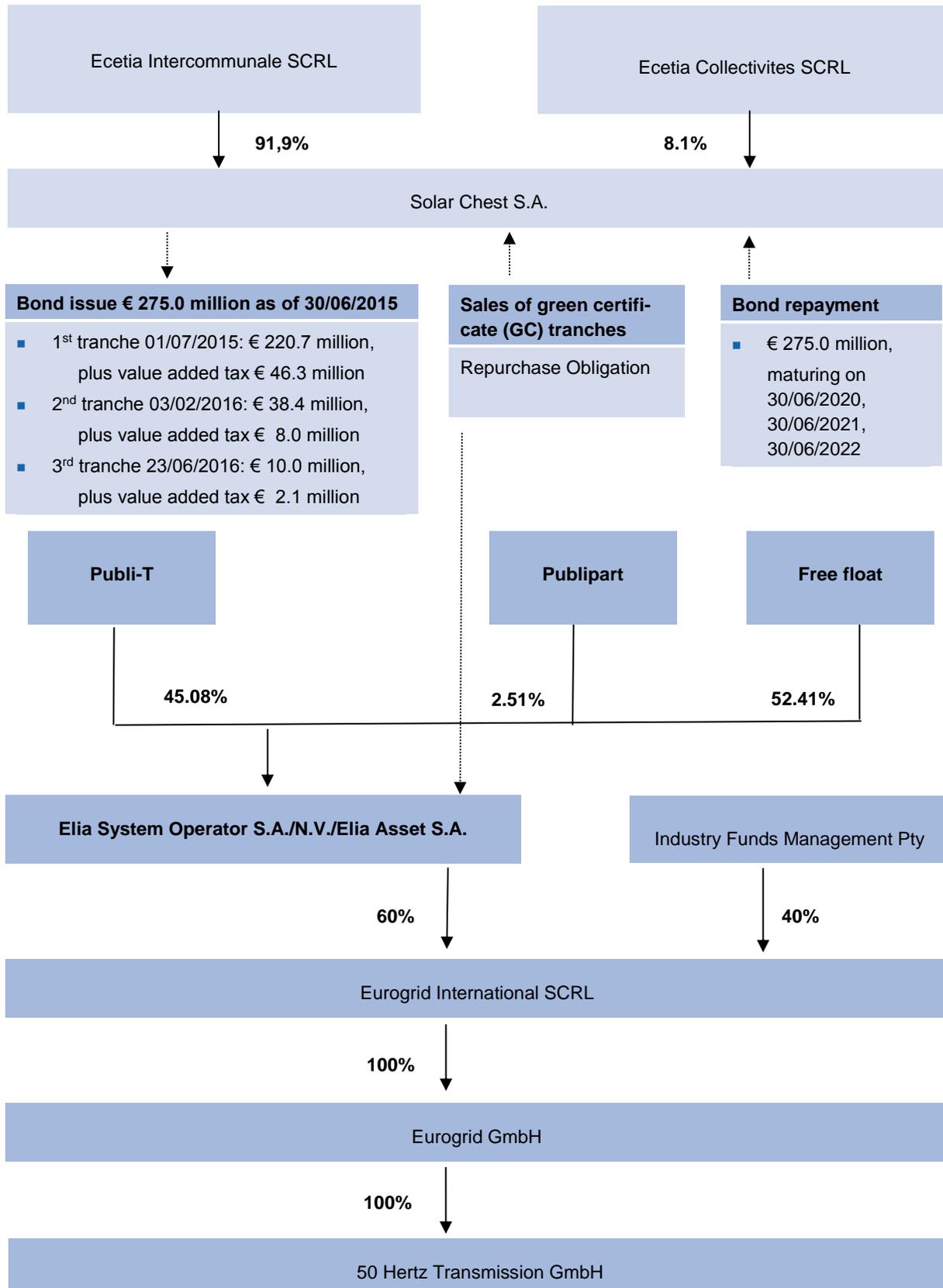
Rating method

Issuer rating of Euler Hermes Rating GmbH as of May 2016
([http://www.ehrg.de/seiten/Methodology - Issuer rating 2016 \(EHR\).pdf](http://www.ehrg.de/seiten/Methodology%20-%20Issuer%20rating%202016%20(EHR).pdf))

Appendix 1: Rating notations

Category	Explanation
AAA	AAA rated companies demonstrate an excellent credit quality. Such companies are characterized by an extremely positive future outlook and are viewed as being “first class” business partners. Although the various security elements can certainly change, such changes – to the extent this can be assessed - are highly unlikely to adversely affect the fundamentally strong position of such companies.
AA	AA rated companies demonstrate very high quality with respect to future security. Along with the AAA rated companies, this group forms the so-called “quality class.” Security margins may, however, be comparatively thinner, the solidity of the security elements may fluctuate more or individual assessment components may indicate a greater long-term risk than is the case for AAA rated companies.
A	A rated companies demonstrate high quality with respect to future security. They show many favourable features which secure their future. Nevertheless, there may be isolated factors which reveal a slightly in-creased susceptibility to the worsening of circumstances and general economic conditions in the future.
BBB	BBB rated companies demonstrate reasonable quality with respect to future security. Compared to A rated companies, however, it is more likely that worsening of general economic conditions could weaken the capability of fulfilling financial obligations.
BB	BB rated companies still have structures adequate to secure their future. Yet they are subject to greater insecurities. Negative business developments or changes in the general financial and economic conditions can make it impossible for them to fulfil their financial obligations in a suitable manner.
B	B rated companies lack the usual structures to secure their future. Negative business developments or changes in the general financial and economic conditions will most likely make it impossible for them to fulfil their financial obligations in a suitable manner.
CCC	CCC rated companies have structures which greatly endanger the security of their future. Capital service is in jeopardy. Such a company is dependent on a favourable development of general economic conditions if it is to be able to meet its financial obligations in the long term.
CC	Companies receiving a CC rating have very little security for their future. Capital service is in great jeopardy.
C	C rated companies have the least future security of all. The basic conditions enabling such debtors to fulfil their financial obligations are extremely poor. Default is imminent.
D	Companies with a D rating are already in default of payment or have filed for bankruptcy. The D rating is irrelevant for the future; it documents solely the bankruptcy of the company.
SD	If an issuer defaults with respect to a certain financial liability or class of liabilities but is still able to honour its payment obligations under other financial liabilities or classes of liabilities within the requisite period, it is assigned SD (selective default) status.
NR	A debtor or an issuer not rated by Euler Hermes Rating is classified as NR (Not Rated).
PLUS (+) MINUS (-)	Rating notations from AA to CCC may be complemented by a PLUS (+) or MINUS (-) if required, in order to show their relative position within the respective rating category.

Appendix 2: Shareholder and transaction structure



Appendix 3: Definition of ratios

Earnings power and profitability

EBITDA margin

EBITDA margin
Numerator
EBITDA
Denominator
Total revenues

Returns

ROCE
Numerator
Adjusted operating result (= EBIT)
Denominator
Net debt + economic capital (= capital employed)

Total return on capital
Numerator
Adjusted operating and financial result + interest expenses
Denominator
Adjusted total capital

Cash flow return on Investment

Cash flow Return on Investment (Cash flow ROI)
Numerator
EBITDA
Denominator
Adjusted total capital

Capital structure and Debt

Debt

Equity ratio
Numerator
Adjusted equity (= economic capital)
Denominator
Adjusted total capital

Leverage
Numerator
Net debt
Denominator
Net debt + economic capital (= 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 capital – 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