

Rating object	Rating information	
Elia Transmission Belgium S.A. Creditreform ID: FNR0000113896 Incorporation: 2019 Based in: Brussel, Belgium Main (Industry): Electricity transmission CEO: Chris Peeters <u>Rating objects:</u> Long-term Corporate Issuer Rating: Elia Transmission Belgium S.A. Long-term Local Currency (LT LC) Senior Unsecured Issues	Corporate Issuer Rating: A / stable	Type: Initial rating Unsolicited Public rating
	LT LC Senior Unsecured Issues,; A / stable	Other: n.r.
	Rating date: 02 July 2021 Monitoring until: withdrawal of the rating Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Government Related Companies" CRA "Rating Criteria and Definitions" Rating history: www.creditreform-rating.de	

Content

Summary.....	1
Relevant rating factors.....	2
Business development and outlook.....	4
Structural risk.....	5
Business risk.....	6
Financial risk.....	7
Issue rating.....	7
Financial ratio analysis.....	9
Appendix.....	10

Summary

Elia Transmission Belgium S.A – hereinafter also referred to as ETB, or the Company - is the subsidiary of Elia Group S.A (A / stable – 02.07.2021), which holds all of the regulated Belgian activities, as well as the Nemolink grid. The Company was established on 31 July 2019, following an internal reorganization of the Elia Group S.A., which was implemented to separate the Belgian regulated activities from the foreign regulated and unregulated activities to prevent cross subsidization during the new Belgian tariff methodology that was about to enter into force on 1 January 2020. On 31 December 2019, The Company completed its internal reorganization, after which all Belgian regulated activities and Nemolink Ltd, were transferred from Elia Group S.A. to ETB. On 20 January 2020, the Group announced that the designation of TSO had been successfully transferred to ETB, and is now the operator of the Belgian transmission networks for the very high (380 kV – 150 kV) and the high voltage (70 kV – 30 kV) electricity networks and the offshore grid in Belgian territorial waters and the North Sea.

A new regulatory tariff period (2020 – 2023) began during the prior business year. In 2020 the Group managed to generate revenues of EUR 858 million, EBITDA of EUR 422 million, EBIT of EUR 234 million and an EAT of EUR 127 million.

Rating result

The current rating attests a high level of creditworthiness to Elia Transmission Belgium S.A, representing a low default risk for the Group.

ETB has a low business risk profile due to the nature of its business, which is supported by a supportive regulatory framework. This is further enhanced through its monopoly status as the only transmission system operator in Belgium. A further positive factor contributing to the rating is the relatively stable financial performance of the Company. It generates stable revenues with good margins, has an adequate capital structure and is able to generate stable and relatively predictable cash-flows due to the nature of its business profile. Additionally, the close relationship with the Belgian government, mainly via Elia Group's shareholder Publi-T also has a positive influence on the rating. These factors are partially offset by the ambitious targets the Company has set itself and the renewed investment program, which might lead to rising indebtedness over subsequent years. We therefore expect the Group's leverage to increase in the mid-term.

Analysts

Rudger van Mook
 Lead Analyst
R.vanMook@creditreform-rating.de

Christina Sauerwein
 Co-Analyst
C.Sauerwein@creditreform-rating.de

Neuss, Germany

The controlling shareholder of the Group is Elia Group S.A., with 100% of the Group's share capital. The Rating is currently constrained by the unsolicited corporate rating of Elia Group S.A., as we believe that it has a large influence on the Group's financial and strategic alignment.

Outlook

The one-year outlook for the corporate rating is stable. This appraisal is based on the current regulatory framework (2020 – 2023) and the investments ETB plans to make in the 2021 and 2022 business years. We continue to assume that the stability and support offered by the regulatory framework required for the financing of these investments continues to be present and believe that the planned investments in the current investment plan will not lead to a significant change in leverage in the course of the next year (2021 / 2022). However, it is noteworthy to point out that ETB will have to resort to external debt financing in order to execute its renewed investment plans, which might lead to a deterioration in the financial key figures in the mid-term. If the financial profile of the Company deteriorates more than expected, the outlook or rating of ETB might be adjusted accordingly.

Relevant rating factors

Table 1: Financials | Source: Elia Transmission Belgium S.A. Annual Report 2020, standardized by CRA

Elia Transmission Belgium S.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, etc.)	CRA standardized figures ¹	
	2019	2020
Sales (million EUR)	914	858
EBITDA (million EUR)	395	422
EBIT (million EUR)	244	234
EAT (million EUR)	125	127
EAT after transfer (million EUR)	125	127
Total assets (million EUR)	5,812	6,398
Equity ratio (%)	23.05	22.58
Capital lock-up period (days)	111.47	152.65
Short-term capital lock-up (%)	76.54	28.81
Net total debt / EBITDA adj. (Factor)	11.22	11.04
Ratio of interest expenses to total debt (%)	1.46	1.52
Return on investment (%)	3.26	3.12

General rating factors

- + Supportive regulatory framework with the current methodology still valid until 2023
- + Monopoly status in Belgium
- + Stable revenue and cash-flow generation due to the regulatory framework
- + Close relationship with the Belgian government
- + Good capital market access

Reference:

The relevant rating factors (key drivers) mentioned in this section, are predominantly based on internal analyses, evaluations of the rating process, the derived valuations of the analysts participating in the rating and, if applicable, other rating committee members. The fundamental external sources used, are specified in the section "Regulatory requirements" and "Rules on the presentation of credit ratings and rating outlooks".

Excerpts from the financial key figures analysis 2020:

- + EBITDA
- + short-term capital lock up

- Indebtedness
- Return on investment

General rating factors summarize the key issues that – according to the analysts as per the date of the rating – have a significant or long-term impact on the rating, whether positive (+) or negative (-).

¹ For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt considers all balance sheet liabilities. Therefore, the key financial figures shown often deviate from the original values of the company.

- Capital intensive business; high ongoing investment required
- High regulatory risks due to the high share of regulated revenues
- No flexibility in tariff setting
- Blackout and supply shortages

Current rating factors

Current rating factors are the key factors that, in addition to the underlying rating factors, have an impact on the current rating.

- + The COVID-19 pandemic had no significant negative impact on the Company's performance in 2020
- + New tariff methodology entered into force (2020 – 2023)
- + Growing regulatory asset base
- Updated investment plan; which will go accompanied with large cash outflows in the coming years
- Decrease in electricity consumption due to the COVID-19 pandemic; did not have a result on the annual result
The climate targets are forcing the Company to speed up its investment plans

Prospective rating factors are factors and possible events which – according to the analysts as of the date of the rating – would most likely have a stabilizing or positive effect (+) or a weakening or negative effect (-) on future ratings, if they occurred. This is not an exhaustive list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

Prospective rating factors

- + Positive regulatory changes; affecting the Group's net income
- + Decrease in indebtedness
- + Meeting investment goals with retention of rating relevant financial key figures
- Another upward adjustment of the investment plan
- Negative regulatory changes; affecting the Group's income
- Deterioration of relevant financial key figures

ESG factors are factors related to environment, social issues and, governance. For more information, please see the "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

ESG-factors

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Elia Group S.A. we have not identified any ESG factor with significant influence. Because ETB does not have an own sustainability report, our analysis is based on the ESG-factors of Elia Group S.A. (Group).

On the basis of the sustainability report of Elia Group S.A. and the other documents available to us, we currently assess the risks from ESG factors in relation to the rating object as low.

As a Transmission System Operator Group we believe that Elia Group S.A. plays an important role in the decarbonisation of the energy market by integrating the increasing amount of renewables into their systems. Elia Transmission Belgium assigned a strategic priority to the decarbonisation of society. Compared to its peers we consider the environmental, social and governmental aspects as average.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Best-case scenario: A

In our best-case scenario for one year, we assume a rating of A. We believe that a rating upgrade within the time horizon of one year is unlikely. The reason for this is primarily the updated investment plan, which means a ramp up in investments. We therefore expect the Group to increase its leverage in the medium-term.

Worst-case scenario: A-

In our worst-case scenario for one year, we assume a rating of A-. In this scenario we assume a further increase in leverage, which will have an adverse effect on the financial key figures for ETB, deteriorating its credit profile. Another significant upward adjustment in the investment plan could also have a detrimental effect on the Company's rating or outlook.

Business development and outlook

During the 2020 business year, ETB was able to generate revenues of EUR 858 million, EBITDA of EUR 422 million, EBIT of EUR 234 million and EAT of EUR 127 million. Despite a decline in revenues, the total income from the Belgian regulated activities (excl. Nemolink) increased by 5.9%, mainly due to the settlement mechanism, which settles the deviations in the budgeted costs and the actual incurred costs. The total revenues and income increased by 5.9% to EUR 1,005 million (2019: EUR 949 million). EBITDA also increased by EUR 27 million compared to 2019. The increase in total income and EBITDA were primarily due to the growing Regulatory Asset Base (RAB) and a higher regulated net profit that is passed on to revenues, which resulted from the new regulatory period (2020 - 2023). Under the new tariff methodology the risk-free rate of the Belgian ten-year linear bonds (OLO) have now been set at 2.4% (2019: 0.19%) for the entire regulatory period instead of taking the average of every year and the regulatory leverage for the RAB was increased from 33% to 40%. These changes increased the adjusted regulatory net profit by EUR 59.7 million. This was partially offset by the investment mark-up, which is no longer accounted for under the current regulatory period and which affected the regulatory adjusted net profit by EUR -48.4 million. EBIT decreased slightly to EUR 234 million, primarily because intangible assets under the new tariff methodology are directly activated in the RAB and written off while they were directly expensed and covered by the previous tariff period. EAT came in slightly lower than in 2019 due to a non-recurring effect in 2019 of EUR 6.1 million relating to the capital increase. The COVID-19 pandemic impacted electricity consumption within Belgium where consumption dropped by 7% compared to the prior year. The drop in electricity did not, however, have an impact on ETB's profit as the deviations from the budget is recoverable through future tariffs and is settled through the settlement mechanism.

The Nemolink segment and other non-regulated activities was mainly driven by the positive contribution of Nemolink. The Nemolink interconnector generated an EAT of EUR 15.1 million due to strong operating performance. ETB's share of this net profit amounted to EUR 7.4 million. After deducting finance costs, including the regulatory settlement for 2019 and the costs of the private placement for Nemolink the net profit for this segment amounted to EUR 1.7 million.

ETB invested approximately EUR 348 million during the business year of 2020. The bulk of these investments went into grid reinforcement and maintenance, offshore and renewable developments and cross-border interconnections. In order to accelerate the energy transition, ETB has drawn up a new investment plan, which is significantly higher than the prior plan. The new investment plan amounts to EUR 3.2 billion for the period 2021 - 2025, up EUR 900 million from the prior plan for 2020 -2024 of EUR 2.3 billion. Approximately one third of the new investment plan will be allocated to grid maintenance of the existing grid. The residual amount will mainly

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

be allocated to grid reinforcements, cross-border interconnections to integrate renewable energy at a European level and facilitating offshore energy to accommodate the increasing offshore capacity. For the business year 2021, ETB expects to invest approximately EUR 365 million in capex, with this amount increasing over subsequent years, and with a significant ramp-up in 2025. The Company expects to increase its RAB by 8 - 9% annually.

ETB's outlook continues to show a return on equity of 5 - 6% and the Company expects to invest approximately EUR 365 million in the business year 2021 growing its RAB to EUR 5.4 billion. According to a press release of Elia Group on 19 May 2021, ETB confirms its 2021 outlook. We believe that the Company has developed well over the last year. With the new investment program, we do expect a slight increase in the Group's leverage in the medium term.

Structural risk

Elia Transmission Belgium S.A. is the transmission system operator of the Belgian very high (380 kV -150 kV) and high voltage 70 kV – 30 kV) electricity networks as well as the offshore grid in Belgian territorial waters and the North Sea. EBT was established as a limited liability company (société anonyme) on 31 July 2019.

The Company is fully owned by Elia Group S.A. (A / stable - 02.07.2021), one of the European leading transmission system operator groups. Besides the holding of Elia Transmission Belgium S.A., it also is the indirect majority shareholder of the German TSO 50Hertz Transmission GmbH and its subsidiaries with an 80% stake. The main shareholders of Elia Group S.A. as of 31.12.2020 were Publi-T (44.82 %), Publipart (3.32 %), Katoen Natie Group (6.15 %), Interfin (3.78 %) with the rest in freefloat. Publi-T and Publipart are municipal holding companies, which have special rights with regard to appointing members of the board of directors and shareholder resolutions voting. On 1 January 2020, the Elia Group finalized an internal reorganization, which changed the structure of ETB. The goal of the reorganization was to isolate and ring-fence its Belgian regulated activities from the other activities in order to prevent cross-subsidization within the framework of the new Belgian tariff methodology. To accomplish this, ETB was established, and all Belgian regulated activities and Nemolink Ltd. were transferred to ETB from Elia Group S.A., which then effectively became a holding Company. ETB then was appointed the role of TSO for the Belgian very high and high voltage grid by ministerial decree and by the VREG (Flemish regulator for gas and electricity markets).

The electricity transmission networks (all of the very high voltage network and approximately 94% of the high voltage network) and the related physical assets not owned by ETB itself but are owned by its subsidiary Elia Asset S.A., are operated by ETB. Elia Assets and ETB signed a silent partnership agreement on 31 December 2019, which stipulates the terms of the partnership. Other subsidiaries of the ETB-Group are Elia Engineering S.A. and Elia RE S.A. Elia Engineering offers engineering and consultancy services in the field of design and management of infrastructure projects related to the high-voltage and extra-high-voltage electricity network and works almost exclusively for Elia Asset. Elia Re is a reinsurance Company established to optimise insurance policies. Additionally the ETB-Group has several minority holdings and a joint venture called Nemolink Ltd, which holds an electrical interconnector between the United Kingdom and Belgium with a transfer capacity of 1,000 MW and which began commercial operations on 30 January 2019.

We consider the structural risk profile of Elia Transmission Belgium S.A. to be low. The rating is currently constrained by its parent Company to a maximum of that of the unsolicited corporate issuer rating of Elia Group S.A, due to its large influence on the strategic and financial alignment of ETB. Additionally, we see a high degree of systemic relevance due to the nature of its business and we see that the Company has close ties with the Belgian government (AA / negative –

17.06.2021) resulting from the ownership of Publi-T, which has a positive effect on the rating result.

Business risk

Most of the Company's revenues are generated by regulatory activities such as the regulated tariffs its charges for the use of its transmission network. As such, ETB is exposed to regulatory risks. The regulatory environment is mainly determined by European, federal but also regional laws. The guidelines with respect to the tariff methodology are set out in the Belgian electricity act. The CREG (Belgian authority for the supervision of gas and electricity markets) establishes the tariff methodology for TSO's and is valid for 4 years. Elia draws up a tariff proposal on the basis of this methodology, which then has to be approved by the CREG. The tariffs are then set for the entire regulatory period. However, both the CREG and Elia can ask for a revision of the tariffs if one of the party thinks the tariffs no longer accurately reflect the costs incurred.

The current methodological framework is based on a cost plus model and is valid between the years 2020 – 2023. The methodology is mainly based on the budgeted costs minus non-tariff revenues and are forecasted based on expected volumes of transported electricity. These costs are then divided into non-controllable and controllable costs. The non-controllable costs are completely passed through to the tariffs and deviations from the budget are completely allocated to future tariffs. The controllable costs are subject to an incentive regulation mechanism where any of the savings with respect to the budgeted costs affects the Company's net profit before taxes by 50%.

As the forecasted volumes of electricity transmitted may deviate from the actual amount there is a settlement mechanism, which settles the deviation from the budget. Negative gaps have to be pre-financed and all deviations are taken into account for the setting of tariffs in the next period, but have no effect on profit. The regulatory costs are mainly determined by a regulatory formula, which is centred around the Company's RAB. The RAB are the assets that the Company uses in order to fulfil their regulatory tasks. The biggest changes in the formula for the calculation between the old and new regulatory tariff regimes are the fact that the leverage for the RAB was increased from 33% to 40% and the risk free rate of the Belgian ten-year linear bonds has now been set at 2.4% for the entire regulatory period instead of taking the average of each year. The investment mark-up is no longer accounted for under this regulatory period. The average return on equity is targeted at around 6% under this tariff methodology.

The regulatory regime for the Nemolink interconnector is separate from this. The regulatory framework has a long life of 25 years (2019 – 2044) and is based on a revenue based cap and floor regime. Any revenue earned in excess of the cap will be returned to Elia and to the NETSO (National electricity transmission system operator) in the United Kingdom on a 50/50 basis. If revenue falls below the floor, the TSO's will have to compensate the Interconnector operator (NemoLink). Every 5 years the regulators will assess the revenues over the period against the cap and floor levels, floor and cap levels will then be adjusted if necessary.

We consider the business risk profile of ETB to be low. The Company currently benefits from a supportive regulatory framework, and operates in a natural monopolistic environment. As a result, its revenues and cash flows are relatively easy to predict. The Company is particularly exposed to risks deriving from potential changes to regulatory frameworks at the European, federal or regional levels. These changes could strongly affect the Company's operations and profitability through adverse changes with regard to its tariff methodology, renewable targets and other changes to the electricity markets. Changes to the interest rates also play an important role as the methodological formula for tariff remuneration is partially based on the Belgian 10-year government bond and the Company regularly accesses the capital markets for external financing.

Financial risk

For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. Contrary to our normal practice, we deducted the goodwill shown on the balance sheet from equity only by 50%, suggesting a certain recoverability of goodwill. The following descriptions and indicators are based primarily on these adjustments.

As of 31 December 2020, financial key ratio analysis remained stable, which is due to the relatively predictable and stable business model of the Group. At the basis of this analysis lies the ETB's adjusted equity of EUR 1,445 million (2019: EUR 1,340 million), which translates into an equity ratio of 22.58% (2019: 23.05%). The equity grew mainly due to the retention of the Company's annual result, after distribution of dividends (EUR 18.9 million). The slight decrease in ETB's equity ratio is primarily caused by an increase in indebtedness. During the business year the Company raised EUR 405 million more debt than it repaid, which next to a slight decrease in the equity ratio also led to an increase in indebtedness.

ETB's indebtedness rose to EUR 3,703 million (2019: EUR 3,298 million) due to the issuance of an EUR 800 million bond. Also, the joint venture in Nemolink issued an amortising bond of EUR 200 million in total. As well as some other debt, that was issued to refinance outstanding debt. The decrease in the short-term capital lock up ratio from 76.54% to 28.81% indicates that ETB has successfully refinanced its short-term debt and realigned its maturity profile, and has fewer refinancing requirements in the current financial year.

The cash flow after investments was negative at EUR -245 million, mainly due to negative working capital changes in combination with the capex investments during the year. Due to the newly introduced investment plan of EUR 3.2 billion for the period of 2021 – 2025, we expect the Company's indebtedness to increase, leading to an increase in leverage in the medium term. This is primarily due to a gradual ramp up in investments with a spike in investments during the last year of its investment plan. A significant increase in the Company's indebtedness might lead to a downgrade of the rating as its ability to deleverage is limited, as evidenced by its rating relevant financial key ratio Net Total Debt / EBITDA adj. 11.04 (2019: 11.22).

ETB's liquidity position as of 31.12.2020 is strong. The Company had cash and cash equivalents of EUR 189 million (2019: EUR 42 million) at its disposal due to a bond issuance. Additionally, it had an undrawn revolving credit facility of EUR 650 million and an unused commercial paper program of EUR 300 million adding up to a total cash position of EUR 1,139 million, which completely covers the current liabilities of the Group as of the end of 2020.

Despite of the Group's relatively high leverage and low ability to deleverage, we consider the financial risk profile of the Group to be low thanks to its favourable business model (regulated tariffs, stability of earnings and low probability of a negative result). The foreseen investments of the Group could increase the Group's leverage and with that deteriorate the whole credit position of the Group.

Issue rating

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euro, issued by Elia Transmission Belgium S.A., which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes have been issued under the EMTN program with its latest prospectus from 17 April 2020. This EMTN program amounts to EUR 3 billion. The notes and coupons under the EMTN program constitute direct, unconditional, unsubordinated, unsecured obligations of the Issuer, and rank at least pari passu among themselves and with all other present and future unsecured obligations of the issuer. Additionally, the notes benefit from a negative pledge provision and a cross default mechanism.

Corporate issue rating result

We have provided the debt securities issued by Elia Transmission Belgium S.A. with a rating of **A**. The rating is based on the corporate rating of Elia Transmission Belgium S.A. Other types of debt instruments or issues denominated in other currencies of the issuer have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Overview

Table 2: Overview of CRA Ratings | Source: CRA

Rating objects	Details	
	Date	Rating
Elia Transmission Belgium S.A.	02.07.2021	A / stable
Long-Term Local-Currency Senior-Unsecured Issues	02.07.2021	A / stable
Other	--	n.r.

Table 3: Overview of 2021 Euro Medium Note Term Program | Source: Elia Transmission Belgium S.A.; Base Prospectus dated 17 April 2020

Overview 2020 EMTN Program			
Volume	EUR 3,000,000,000	Maturity	Depending on the respective bond
Issuer	Elia Transmission Belgium S.A.	Coupon	Depending on the respective bond
Arranger	BNP Paribas	Currency	Depending on the respective bond
Credit enhancement	none	ISIN	Depending on the respective bond

All future LT LC senior unsecured Notes that will be issued by Elia Transmission Belgium S.A. and that have similar conditions to the current EMTN program, denominated in euros and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN program. Notes issued under the program in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG. For the time being, other emission classes or programs (such as commercial paper program) and issues not denominated in euro will not be assessed. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Financial ratio analysis

Table 4: Financial key ratios | Source: Elia Transmission Belgium S.A. annual report 2020, structured by CRA

Asset Structure	2019	2020
Fixed asset intensity (%)	95.13	88.61
Asset turnover	--	0.14
Asset coverage ratio (%)	26.41	27.77
Liquid funds to total assets (%)	0.72	2.95
Capital Structure		
Equity ratio (%)	23.05	22.58
Short-term-debt ratio (%)	28.26	18.74
Long-term-debt ratio (%)	2.07	2.02
Capital lock-up period (in days)	111.47	152.62
Trade-accounts-payable ratio (%)	4.80	5.61
Short-term capital lock-up (%)	76.54	28.81
Gearing	3.31	3.30
Leverage	--	4.38
Financial Stability		
Cash flow margin (%)	--	36.61
Cash flow ROI (%)	--	5.03
Total debt / EBITDA adj.	11.33	11.48
Net total debt / EBITDA adj.	11.22	11.04
ROCE (%)	5.35	4.96
Total debt repayment period	--	58.83
Profitability		
Gross profit margin (%)	56.79	55.72
EBIT interest coverage	3.75	3.11
EBITDA interest coverage	6.06	5.60
Ratio of personnel costs to total costs (%)	11.84	19.07
Ratio of material costs to total costs (%)	43.21	45.65
Cost income ratio (%)	74.29	78.59
Ratio of interest expenses to total debt (%)	1.46	1.52
Return on investment (%)	3.26	3.12
Return on equity (%)	--	9.09
Net profit margin (%)	13.68	14.38
Operating margin (%)	26.68	26.65
Liquidity		
Cash ratio (%)	2.56	15.73
Quick ratio (%)	16.33	59.54
Current ratio (%)	17.22	60.76

Appendix

Rating history

The rating history is available under <https://www.creditreform-rating.de/en/ratings/published-ratings.html>.

Table 5: Corporate Issuer Rating of Elia Transmission Belgium S.A.

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	02.07.2021	www.creditreform-rating.de	Withdrawal of the rating	A / stable

Table 6: LT LC Senior Unsecured Issues issued by Elia Transmission Belgium S.A.

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	02.07.2021	www.creditreform-rating.de	Withdrawal of the rating	A / stable

Regulatory requirements

The rating² was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating, that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

The rating was conducted based on the following information.

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.3	29.05.2019
Government-related Companies	1.0	19.04.2017
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

² In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Rudger van Mook	Lead analyst	R.vanMook@creditreform-rating.de
Christina Sauerwein	Analyst	C.Sauerwein@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Tobias Stroetges	PAC	T.Stroetges@creditreform-rating.de

On 2 July 2021, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 5 July 2021. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the [ESMA website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

Contact information

Creditreform Rating AG

Europadamm 2-6
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626
Telefax: +49 (0) 2131 / 109-627

E-Mail: info@creditreform-rating.de
Web: www.creditreform-rating.de

CEO: Dr. Michael Munsch
Chairman of the Board: Dr. Hartmut Bechtold

HR Neuss B 10522