

**Rating object**

Infrabel S.A.  
Long Term Local Currency Senior unsecured Issues issued by Infrabel S.A

**Rating incl. outlook / watch**

AA- / negative  
AA- / negative

The present update is, in the regulatory sense, a public unsolicited rating.

**Date of inception / disclosure to rated entity / maximum validity:**

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Infrabel S.A.	15.10.2021	18.10.2021	withdrawal of the rating
Long Term Local Currency Senior unsecured issues of Infrabel S.A.	15.10.2021	18.10.2021	Withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

**Rating summary:**

The current rating of AA- attests a very high level of creditworthiness to Infrabel S.A under public law, which represents a very low default risk.

During the business year 2020 Infrabel generated revenues of EUR 941 million (2019: EUR 1,020 million). Revenues declined particularly due to implemented measures related to COVID-19, which limited the transport of persons and goods. This resulted in lower traffic on Infrabel's railway network, which caused a decrease of more than 10% in infrastructure fees to EUR 707 million (2019: EUR 781 million). In light of this fall in revenue, operating grants were increased by EUR 78.8 million to EUR 174.9 million (2019: EUR 101.7 million), which largely made up for the COVID-19 related operating revenue losses. EBITDA before operating capital grants and EBIT fell slightly to EUR 44.2 million (2019: EUR 63.9 million and 11.2 million (2019: EUR 32.9 million respectively). EAT was EUR -24.8 million (2019: EUR 32.9 million).

During the course of 2020, Infrabel received governmental grants in total of EUR 1,441 million worth of grants. Next to the operating grants of EUR 174.9 million million, the Company received interest grants of EUR 40.1 million (2019: EUR 41.1 million) and capital grants of EUR 1,226 million (2019: EUR 952 million). The increase in capital grants is not related to COVID-19, but meant to accommodate the increase in its investment program. During the business year 2020, the Group invested EUR 1,002 million (2019: EUR 952 million) in total, which led to an increase in its adjusted balance sheet total to EUR 22,937 million (2019: EUR 22,294 million). The equity ratio remained relatively stable at 77.95% (2019: 78.16%) due to capital grants allocated to the Group's equity. Indebtedness increased slightly to EUR 3,361 million (2019: EUR 3,123 million), mainly due to pre-financing obligations to the RER works in Wallonia.

Because revenues from infrastructure fees in 2021 are also affected by the COVID-19 pandemic, the Belgian government has implemented measures to compensate Infrabel for the shortfalls. On 20 July 2021, the Belgian state published new amendments to the royal decree of 31 December 2013 with regard to provisional rules to the management contract between Infrabel and the Belgian government. Due to the urgent necessity to enable Infrabel to carry out its 2021 business and investment plan, and to avoid a deterioration of its financial situation, the Belgian government redefined the grants for the business year 2021. The operating grants have now been defined at EUR 423 million, and capital grants at EUR 1,087 million, which should enable Infrabel to perform its duties for the current business year. The management contract between Infrabel and the Belgian government officially ended on 31 December 2012; however, according to article 5, §3, subsection two of the law of 21 March 1991, the contract will remain valid until a new one comes into force. The Belgian government has started negotiations with Infrabel to draw up a new management contract which sets out the rights and duties of the parties involved. The Ministry of mobility now calls it a performance contract, with a more significant emphasis on the Infrabel's performance. The new contract is expected to be concluded by the end of 2022 and should last for a period of 10 years.

We continue to believe that Infrabel has a very close relationship to the Belgian state, which has a current unsolicited sovereign rating by CRA of AA / negative). This is, in our view, evidenced by the shareholding of the Belgian state (99.3%), and the financial help in the form of ongoing grants to enable Infrabel to execute its operating and investment duties. These grants have also been redefined in light of the COVID-19 pandemic to enable the Company to execute its business and investment plans. The close relationship is also a result of Infrabel's legal status and legislation of the railway code Article 47, §1, which stipulates that the government must take appropriate measures if, over a period of maximum of 5 years, Infrabel's revenues fail to cover the costs of operating and maintaining the railway infrastructure. In our opinion, this should sufficiently protect Infrabel from insolvency by guaranteeing financial equilibrium. Nevertheless, this does not include formal government protection against liquidity shortages or a guarantee for the indebtedness of Infrabel. We do assume, however, that the Belgian federal government would intervene if the Group needed extraordinary financial support.

We believe that, due to the aforementioned factors, Infrabel's creditworthiness should remain one notch below the level of CRA's unsolicited sovereign rating of the Kingdom of Belgium. The unsolicited sovereign rating of Belgium was updated on 22.06.2020 and now stands at **AA** with a **negative** outlook, resulting also in a negative outlook for the unsolicited corporate issue rating.

Based on the unsolicited corporate issuer rating of Infrabel S.A. under public law (**AA- / negative**), Creditreform Rating has conducted unsolicited corporate issue ratings (ISIN) for the Notes issued by Infrabel S.A. under public law, and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the ECB's website. All the following issues (ISIN) are rated at **AA- / negative**.

**Primary key rating drivers:**

- + Close relationship between the Government / Kingdom of Belgium (**AA / negative**) and Infrabel
- + Reduced risk of insolvency due to the financial equilibrium guaranteed by legislation
- + Monopoly position in the railway infrastructure management in Belgium
- + Strategic and systemic importance for the Kingdom of Belgium, high entry barriers
- + Ongoing grants for both investments and operative business, additionally in the form of interest grants
- + Grant allocation revised upwards after implemented COVID-19 restrictions, to compensate for revenue decline
  
- Decline in infrastructure fees due to COVID-19 restrictions; reduced railway traffic
- No explicit short-term government guarantee against liquidity shortages
- High capital intensity with high structural costs which cannot be recovered in the long-term from operating income (dependency on grants)

**ESG-criteria:**

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Infrabel S.A. we have identified ESG factors with significant influence on the following categories, which is described in the sections below.

Due to tightening regulations over the course of the last years with regard to environmental policy in Belgium and the European Union we have changed our view with regard to ESG-factors of Infrabel, and see factors with significant influence, particularly with regard to environmental factors. We believe that the business model of Infrabel S.A. will contribute to the reduction of CO2 emissions by the transport of cargo and passengers in Belgium. We view Infrabel as a Company that will play an important role in Belgian and European climate protection and transport policy in the future, which ultimately might lead to rising revenues. However, we do view negative that Infrabel has not published a recent sustainability report discussing its strategy with regard to ESG in more detail.

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](#).

**Rating scenarios:**

*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.*

Best-case scenario: AA-

In our best-case scenario for one year, we assume a rating of AA-. This scenario is closely linked to our assessment of the sovereign rating of the Kingdom of Belgium. As the outlook for the sovereign rating of the Kingdom of Belgium has been revised to negative, we see it as unlikely that the unsolicited corporate issuer rating of Infrabel S.A. will be upgraded within a one-year period. For more information, please see our rating report on the Kingdom of Belgium.

Worst-case scenario: A+

In our worst-case scenario for one year, we assume a rating of A+. This scenario is closely linked to our assessment of the sovereign rating of the Kingdom of Belgium, and is based on the assumption that legislation remains unchanged and the credit rating of Belgium is downgraded by one notch to A+.

**Analysts / Person approving (PAC):**

Name	Function	Email-Address
Rudger van Mook	Lead analyst	R.vanMook@creditreform-rating.de
Christian Konieczny	Analyst	C.Konieczny@creditreform-rating.de
Stephan Giebler	PAC	S.Giebler@creditreform.rating.de

**Initial rating:**

Rating object	Event	Rating created	Publication date	Monitoring until	Result
<b>Corporate Issuer Rating of Infrabel S.A.</b>	Update	15.10.2021	<a href="http://www.creditreform-rating.de">www.creditreform-rating.de</a>	Withdrawal of the rating	AA- / negative
<b>LT LC Senior Unsecured Issues issued by Infrabel S.A.</b>	Update	15.10.2021	<a href="http://www.creditreform-rating.de">www.creditreform-rating.de</a>	Withdrawal of the rating	AA- / negative

**Status of solicitation and information basis:**

The present rating is, in the regulatory sense, a public **unsolicited** rating. 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

**Rating methodology / Version / Date of application:**

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.3	29.05.2019
<a href="#">Government-related Companies</a>	1.0	19.04.2017
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

**Regulatory requirements:**

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**Conflict of interests**

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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.

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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 .

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

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Creditreform Rating AG

## Contact information

### Creditreform Rating AG

Europadamms 2-6  
D-41460 Neuss

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

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

E-Mail: [info@creditreform-rating.de](mailto:info@creditreform-rating.de)

Web: [www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch

Chairman of the Board: Michael Bruns

HR Neuss B 10522