

Rating object	Rating information		
Eurogrid GmbH Creditreform ID: 2012185726 Incorporation: 26.02.2010 Based in: Berlin, Germany Main (Industry): Electricity transmission CEO: Stefan Kapferer <u>Rating objects:</u> Long-term Corporate Issuer Rating: Eurogrid GmbH 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	8
Financial ratio analysis	10

Analysts

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

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

Neuss, Germany

Summary

Company

Eurogrid GmbH – hereinafter also referred to as “Eurogrid” or “the Group” - is a holding company, which holds a 100% interest in the German Transmission System Operator (TSO) 50Hertz Transmission GmbH – hereinafter also referred to as “50Hertz” or “the Company” - and does not have any own operating activities. The operating activities are all conducted by its subsidiaries 50Hertz Transmission GmbH and 50Hertz Offshore GmbH. 50Hertz operates in Northern and North-Eastern Germany as a TSO. Its activities encompass operating, maintaining and developing the transmission network, which has a length of approximately 10,490 km and an installed capacity of 57,500 MW (of which approximately 34,300 MW renewables).

During the business year of 2020 the Group generated revenues of EUR 1,365 million (2019: EUR 1,276 million), EBITDA of EUR 585 million (2019: EUR 536 million) EBIT of EUR 340 million (2019: EUR 321 million) and an EAT of EUR 154 million (2019: EUR 142 million).

Rating result

The current rating attests Eurogrid GmbH a high level of creditworthiness, representing a low to medium default risk.

We believe that Eurogrid GmbH has an overall low risk profile. Via 50Hertz it operates in a regulated environment and is supported by a transparent supportive regulatory framework, which incentivizes the TSOs to manage costs efficiently, leading to relatively stable revenues, margins and stable cash-flows in the grid business. Additionally, 50Hertz has a high systemic relevance as it provides essential services to the population, operates in a natural monopoly in its region and plays an active role in the energy transition in Germany.

The controlling shareholder of the Group is Elia Group S.A. (A / stable – 02.07.2021) with 80% of the Group's share capital, which has a positive influence on the rating result. At the same time, as Elia Group S.A. has a large influence on the Group's financial and strategic alignment the rating of Eurogrid GmbH is constrained by the rating of Elia Group S.A. The remaining 20% are indirectly owned by the German government via the KfW, which has a slightly positive influence on the corporate rating.

Liquidity risks are elevated, in particular with regard to 50Hertz' EEG-account, which is responsible for the pre-financing of the market premium and potential gap between selling and feed-in tariffs. The potential discrepancies between the pre-financing obligation and the surcharge could lead to significant liquidity shortages as was seen during the business year 2020. This is partially offset by Eurogrid's high capital market access.

Outlook

The one-year outlook is stable. The appraisal is based on the current business environment of 50Hertz and also incorporated the increase in investments in our outlook. We assume that the stability and support offered by the regulatory framework required for the financing of these investments will continue to be present. However, it is noteworthy to point out that the Group plans to finance these investments over the coming years with 60% of external financing, which might lead to a deterioration in the financial key figures. If the financial profile of the Group deteriorates, the outlook or rating of Eurogrid GmbH may need to be adjusted accordingly.

Relevant rating factors

Table 1: Financials I Source: Eurogrid GmbH Annual Report 2020, standardized by CRA

Eurogrid GmbH 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)	1,276	1,365
EBITDA (million EUR)	536	585
EBIT (million EUR)	321	340
EAT (million EUR)	177	193
EAT after transfer (million EUR)	142	154
Total assets (million EUR)	6,900	7,560
Equity ratio (%)	21.93	20.78
Capital lock-up period (days)	113.35	95.22
Short-term capital lock-up (%)	103.99	109.84
Net total debt / EBITDA adj. (Factor)	8.66	9.84
Ratio of interest expenses to total debt (%)	1.24	1.11
Return on investment (%)	3.52	3.38

General rating factors

- + Supportive regulatory framework
- + Natural monopoly in the grid area (one of four TSO's in Germany)
- + Predictable cash-flows in the grid business
- + Strong access to capital markets

- Capital intensive costs (high fixed costs and ongoing capital investments)
- No flexibility in tariff setting
- Blackout and supply shortage risks
- Obligation to pre-finance the feed-in volumes of renewable energy

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.

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:

+ Increased profitability (EBITDA, EBIT, EAT)

+ Ratio of interest expenses to total debt

- Increased indebtedness
- Net total debt / EBITDA adj.
- 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 (-).

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

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.

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.

Current rating factors

- + Distribution of federal grants stabilized the negative EEG account
- + No negative effects from the COVID-19 pandemic on the profit and loss account
- + Approval of the scenario framework for 2021 – 2035 by the Federal network Agency
- Large negative fluctuations with regard to EEG-account due to surcharge discrepancy
- Increased investment plan for the energy transition will cause large cash outflows
- Increase in indebtedness against prior years

Prospective rating factors

- + Improvement of financial structure
- + Improvement of regulatory environment
- Deterioration of the financial structure due to increased indebtedness following increased cash outflows due to investments
- Worsening of the regulatory environment
- Downgrade of the unsolicited corporate rating of Elia Group S.A.

ESG-factors

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Eurogrid GmbH we have not identified any ESG factor with significant influence.

The Group makes great effort to further reduce CO2 emissions in Germany and has identified clear targets in order to realize this. Eurogrid has set a new strategic objective "From 60 to 100 by 2032: for an economy with prospects", which aims to cover the electricity consumption in 50Hertz's grid area with 100% of renewable energy. With these targets the Group is making a significant contribution to national and EU climate targets. 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](#).

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: A

In our best-case scenario for one year, we assume a corporate issuer rating of A. We believe that a rating upgrade within the time horizon of one year is unlikely. Due to the expected increase in cash-outflows resulting from the Group's investment plan in order to finance the energy transition.

Worst-case scenario: A-

In our worst-case scenario for one year, we assume a corporate issuer rating of A-. The rating could be downgraded if the Group's leverage will increase more than expected, which could lead to a deterioration in its rating relevant financial key ratios. Another significant upward adjustment in the investment plan could also have a detrimental effect on the Group's rating or outlook.

Business development and outlook

The consolidated profit and loss account of Eurogrid GmbH was adjusted by its "non-profit" business, as the revenues generated are completely cancelled out by the costs and therefore do not present a fair picture of the Group's operating performance. These revenues and costs are primarily generated by the purchase and sale of the EEG feed-in charges, of which the costs, including the management and financing thereof, are completely passed through to the revenues. The "non-profit" business generated revenues of EUR 9,686 million (2019: EUR 9,410 million) and a corresponding amount in costs. Adjusted by this, during the business year of 2020 the Group generated revenues of EUR 1,365 million (2019: EUR 1,276 million), EBITDA of EUR 585 million (2019: EUR 536 million) EBIT of EUR 340 million (2019: EUR 321 million) and an EAT of EUR 193 million (2019: EUR 177 million).

The increase in revenues was mainly driven by revenue from regulatory items and energy revenues. In particular the higher costs for reserve power plants in the 50Hertz area charged to other TSOs. EBITDA rose to EUR 585 million (2019: EUR 536 million) primarily due to the growing RAB and the non-recurring regulatory settlements for the period 2013 – 2017 and the release from a regulatory provision related to the acceptance of historic personnel costs. Net profit rose to EUR 193 million (2019: EUR 178 million), also mainly due to the regulatory provisions and the release of the provision also described above, higher investment remuneration due to the growing RAB and higher capitalized borrowing costs.

The COVID-19 crisis did not have a material effect on the Group's profit and loss, but caused lower spot prices and electricity demand, which significantly affected the Group's EEG account due to the TSOs pre-financing obligation of the market premium and the gap between the sale of electricity and the feed-in tariffs. These factors had a significant effect on liquidity and caused the EEG account of 50Hertz to drop to a low of EUR -904 million in November 2020 and amounted to EUR -809 million as of 31.12.2020, which forced 50Hertz to take on additional financing to bridge the deficit. The pro rata EEG account of 50Hertz has stabilized since the Federal government of Germany decided to provide a grant of EUR 10.8 billion, which has to be divided among the 4 TSOs in Germany. 50Hertz will receive three grants in 2021, of which one in January of EUR 1,020 million, one in March EUR 600 million and one in October of EUR 540 million to even out the EEG balance. The grant received in January pushed the EEG balance back into the positive.

Eurogrid invested EUR 716 million into maintenance and grid expansion during the business year of 2020, but expects this number to increase over the following years. The Federal Network Agency (BNetzA) approved the scenario framework for 2021 – 2035 on 26 June 2020, which incorporated the current legal framework, and energy targets and assumes a significant increase

in the electricity demand. Additionally, the Group's new strategic objective "From 60 to 100 by 2032" targets to cover the entire energy consumption in its grid area with renewable energy by 2032. The share of energy demand covered by renewables in its grid area was 60% in 2019 and 62% in 2020. In order to finance the energy transition 50Hertz expects to significantly increase its investment volumes. The Group expects to invest approximately a total volume of EUR 4.7 billion over the period 2021 - 2025. For the business year of 2021 the Group expects to invest approximately EUR 860 million, with a gradual annual increase in investments until 2023.

Currently 50Hertz is appealing against a decision by the BNetzA with regard to the calculation of 50Hertz's individually determined revenue cap. When reviewing the individual cost base of 50Hertz, the BNetzA cut back a significant part of the current assets (The EEG Account). These assets were accepted for determining the revenue cap during the first and second regulatory period but were not taken into account when the revenue cap for the third regulatory period was determined. 50Hertz filed its appeal on 21 January 2019, which was dismissed by the OLG (Higher Regional Court, Düsseldorf), after which 50Hertz filed an appeal at the BGH (Federal Court of Justice). This appeal is still pending.

Furthermore, 50Hertz is awaiting an appeal against the BNetzA with regard to the newly determined Xgen factor at 0.9, which reduces the initial level of the revenue cap. 50Hertz is waiting for the outcome of a similar proceeding in the gas industry where the OLG revoked the decision by the BNetzA in which it also changed the Xgen factor. BNetzA is currently appealing that decision at the BGH (Federal Court of Justice). The outcome of the above mentioned appealing cases might have a detrimental effect on the Group's profitability and liquidity.

In its quarterly statement, the Elia Group has reiterated its outlook. It continues to expect a return on equity of 5-6% for its Belgian regulated segment and 8-10% for the German segment and expects a slight increase in the performance of Nemolink. Overall, we believe that Eurogrid and Elia Group has developed itself well this year. However, the foreseen investments of Elia Group and Eurogrid GmbH could increase its leverage over the coming years, thus bringing about a deterioration in its credit position as a whole.

Structural risk

Eurogrid GmbH is a holding Company with the core task of holding participations, particularly in the transmission grid operator industry. The Group has a 100% holding in 50Hertz Transmission GmbH, which owns, operates, maintains and develops the 380 kV - 220 kV transmission network in Northern and North-Eastern Germany. The network has a length of approximately 10,380 km and an installed capacity of 57,500 MW (of which approximately 34,300 MW renewables). It is noteworthy to point out that there exists a profit and loss and a cash-pooling agreement between Eurogrid GmbH, 50 Herz Transmission GmbH and 50Herz Offshore GmbH, which was created to optimise the treasury, financing and investment management of the Group, as well as for trade and corporate tax purposes. These agreements exclude the EEG account, which is managed by 50Hertz Transmission GmbH itself. Additionally, 50Hertz is the guarantor for all of Eurogrid's financial indebtedness, which is one of the corner stones of the Group's financial policies.

The controlling shareholder of Eurogrid GmbH is Elia Group S.A. (A / stable - 02.07.2021), which indirectly holds 80% of the Group's share capital. Elia Group S.A. is a holding company, which, in addition to its holding in 50Hertz, holds a 100% participation in Elia Transmission Belgium, which owns, operates, maintains and develops 100% and 94% of the Belgium very high and high voltage electricity network respectively and is listed on the Brussels stock exchange. The Group consolidates Eurogrid GmbH and its subsidiaries into its financial statements.

The remaining 20% of Eurogrid GmbH is owned by Kreditanstalt für Wiederaufbau (KfW), a government owned institution, which serves public policy objectives.

Eurogrid is governed by a management board, comprised of at least two directors and who are appointed by a non-obligatory supervisory board consisting of five members. Four of the five members are appointed by Elia Group and the fifth (the vice-president) is appointed by the KfW.

In our view the Group has a low structural risk profile. The Group is influenced by the Elia Group, as it has shared group functions, in particular for IT, procurement, strategy group controlling and EU affairs. The Elia Group has a clear funding policy, which stipulates that the financing activities and pension schemes are to remain separated and that Eurogrid will not supply any guarantees or assets as collateral to the Elia Group as well as other factors that ensure separation. We believe that this this policy is favourable. However, as there are no real ring-fencing structures in place, and because we believe that Elia Group S.A. has a large influence on the strategic and financial alignment of Eurogrid the rating of Eurogrid GmbH is constrained by the corporate issuer rating of Elia Group S.A. Additionally, the fact that the German government indirectly holds a 20% share in Eurogrid has a slightly positive effect on the rating.

Business risk

The business risk of Eurogrid GmbH is completely derived from its holding in 50Hertz Transmission GmbH. As a transmission system operator, 50Hertz has the object to construct, maintain, operate and to maintain the energy balance of its transmission network.

The Company operates in a regulatory business environment and is therefore exposed to regulatory risks. The Group's on-shore regulatory environment is regulated by the EnWG (Energy and Industry Act), which is the overall legal framework for the electricity and gas industry in Germany and is supported by several ordinances, laws and other regulatory decisions. The enforcement of this legal framework is ensured by the Federal Network Agency (Bundesnetzagentur – BNetzA). The legal framework for the tariff setting for TSO's in Germany is based on these laws and sets out a revenue cap model, which means that 50Herz is not permitted to retain revenue earned in excess of its individually determined revenue cap. A compensation mechanism is triggered once the revenue cap is exceeded, which will reduce future tariffs. Regulatory periods have a duration of 5 years, after which the regulatory formula will be reviewed. The current regulatory period started in 2019 and will end in 2023.

Tariffs are set based on benchmarking values and the individual cost basis of the TSO. These guidelines are set out in the Incentive Regulation Ordinance (ARegV), which regulates how the TSO's costs are incorporated in the tariffs. Essentially, the TSOs costs are divided into three separate classes. The permanently non-influenceable costs (currently approximately 50% of total costs) are the costs that cannot be influenced by the TSO itself and are therefore completely accounted for in the tariffs. The residual costs are divided into two separate classes. The temporarily non-influenceable costs, which are the residual costs that are deemed fully efficient. These are reduced with a productivity factor ("Xgen"). The influenceable costs are also adjusted by the productivity factor, but additionally adjusted with an efficiency benchmark ("Xind") to incentivize TSO's to keep costs down. It is noteworthy to point out that 50Herz was deemed fully efficient for the third regulatory period and therefore none of its costs were classified as "influenceable". The return on capital is included in the tariffs and is for the current regulatory period based on a 40% equity and 60% indebtedness financing mix. The return on equity before tax for assets belonging to the regulatory asset base is determined at 5.12% for investments made before 2006 and 6.91% for investments made after 2006.

The TSO's in Germany are obligated to take-off the feed in volumes produced by renewable energy facilities and have to sell them on the day-ahead or intraday markets on a power exchange. This line of business has no effect on the Group's profitability because the costs related to these activities, including management and financing thereof, are completely pass through and are recovered in full via the EEG-Surcharge. To recover these costs in the same year the surcharge is calculated on the basis of forecasts of electricity spot prices and renewable energy volumes, which might deviate significantly from the actual prices and volumes. This could result in a lower than required EEG-Surcharge, which might lead to higher liquidity needs, as evidenced during the 2020 business year. The discrepancy between incurred costs and the EEG-Surcharge will then be factored into the EEG-surcharge of the following year.

50Hertz has to draw up a grid development plan every two years, which is subject to approval by the BNetzA. The costs for these investments are then calculated within the tariffs. The Group has to connect offshore windfarms to the grid and incur the costs themselves. These costs are also passed through, including ROE, to the tariffs and is based on a cost-plus model. Just as with the feed-in charges from renewable energies there also is a residual liquidity risk with regard to these surcharges as there is a time lag with regard to the costs incurred and the actual costs settlement in the tariffs.

We see the business risk profile of 50Hertz as low. The Group benefits from a supportive regulatory framework and operates in a natural monopolistic environment. As a result, the Group's revenues are relatively easy to predict. The regulatory framework does account for productivity and efficiency benchmarks, which do put the Group under pressure to keep its costs down. Additionally, changes to the regulatory framework might have a significant impact on the Group's operations and could have a negative impact on the Group's performance or financials, as well as the potential liquidity problems resulting from potential discrepancies between costs incurred and the paid tariffs or surcharges, which have a time lag.

Financial risk

For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. The following descriptions and indicators are based primarily on these adjustments.

The foundation of the structured financial analysis is its equity ratio of 20.78% (2019: 21.93%), which decreased in comparison to the prior year. The adjusted equity increased slightly to EUR 1,571 million (2019: EUR 1,513 million) and was mainly the result of partial retention of the Group's annual result. The lower equity ratio was caused by an increase in indebtedness to EUR 4,053 million (2019: EUR 2,901 million), which was primarily driven by the issue of its first green bond in the amount of EUR 750 million to finance the offshore grid connections of Ostwind 1 and 2 and an opportunistic private placement of EUR 200 million for capital structure adjustments and further capital expenditure financing.

Additionally, to warrant its liquidity position Eurogrid concluded new financing agreements to finance the deficit of the EEG account of 50Hertz, which was strongly affected by the COVID-19 pandemic by lower prices and demand. This forced Eurogrid to take on additional financing agreements of EUR 700 million that serve exclusively to finance the EEG account. The cash position of 50Hertz can deviate strongly due to the EEG cash-settlement, as evidenced during the COVID-19 pandemic, which forced them to take on additional financing. The EEG surcharge will reimburse the discrepancy between the incurred costs and received surcharge in the next year. As of 31.12.2020, the Group had a total liquidity position of EUR 1,196 million consisting out of cash and cash equivalents of EUR 296 million and unused undrawn cash facilities of EUR 900 million.

Eurogrid's investment program foresees a significant increase in the planned capital expenditure over the coming years in order to finance the energy transition. It plans to invest a total amount of EUR 4.7 billion over the time period 2021 – 2025, which is up significantly from its former capex plan 2016 – 2020 which amounted to EUR 2.9 billion and up EUR 500 million from its 2020 – 2024 plan. It plans to externally finance 60% of the investment program. We expect that capital structure will come under pressure over the coming year due to an increase in indebtedness, which will most likely lead to a deterioration in the financial key figures of the Group. Additionally, the ability of the Group to deleverage is very limited, as is shown by its financial key ratio net total debt / EBITDA adj. of 9.84 (2019: 8.66) and operating cash flow before working capital changes of EUR 585 million (2019: EUR 536 million), and negative cash flow after investments. It is noteworthy to point out that the cash flow after investments would also be negative without the negative effects of the EEG account balance due to increasing investments.

The Group aims to target a dividend policy of 70% on average. As the Group is already generating negative cash flows, of which the deficit is expected to grow due to the growing investment program, we view this policy as negative as it puts further pressure on the Group's cash flows. Eurogrid describes that it reviews its dividend policy regularly and aims to keep the distribution of dividends aligned with the regulatory framework in order to retain its balance sheet strength.

Despite 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. Additionally, the liquidity risks regarding the EEG account balance increase the financial risk position mildly, but are mitigated by the Group's good capital market access.

Issue rating

Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euro, issued by Eurogrid GmbH issuer, 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 30 April 2020 and a 1st supplement dated 9 April 2021. This EMTN program amounts to EUR 5 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, a change of control clause, and a cross default mechanism. All notes issued under this program are guaranteed by 50Hertz Transmission GmbH and 50Hertz Offshore GmbH.

Corporate issue rating result

We have provided the debt securities issued by Eurogrid GmbH with a rating of **A** with **stable** outlook. The rating is based on the corporate rating of Eurogrid GmbH. 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
Eurogrid GmbH	02.07.2021	A / stable
Long-Term Local-Currency Senior-Unsecured Issues	02.07.2021	A / stable
Other	--	n.r.

Table 3: Overview of 2020 Euro Medium Term Note Program | Source: Eurogrid GmbH, Base Prospectus dated 30 April 2020

Overview 2020 EMTN Program			
Volume	EUR 5,000,000,000	Maturity	Depending on the respective bond
Issuer	Eurogrid GmbH	Coupon	Depending on the respective bond
Arranger	BNP Paribas Cooperatieve Rabobank U.A. Landesbank Hessen-Thüringne Girozentrale Commerzbank AG ING Bank N.V. MUFG Securities (Europe) N.V. Nat West markets N.V. Unicredit Bank AG	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 Eurogrid GmbH 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: Eurogrid GmbH annual report 2020, structured by CRA

Asset Structure	2017	2018	2019	2020
Fixed asset intensity (%)	64.30	64.40	76.36	76.38
Asset turnover	0.19	0.18	0.18	0.20
Asset coverage ratio (%)	35.41	65.38	30.98	62.12
Liquid funds to total assets (%)	19.83	20.67	11.49	3.92
Capital Structure				
Equity ratio (%)	20.81	22.03	21.93	20.78
Short-term-debt ratio (%)	37.17	39.46	41.28	32.91
Long-term-debt ratio (%)	1.95	20.07	1.73	26.67
Capital lock-up period (in days)	82.63	103.66	113.35	95.22
Trade-accounts-payable ratio (%)	4.01	4.83	5.74	4.71
Short-term capital lock-up (%)	56.75	67.45	103.99	109.84
Gearing	2.85	2.60	3.04	3.62
Leverage	4.63	4.66	4.55	4.69
Financial Stability				
Cash flow margin (%)	24.72	21.45	30.87	31.44
Cash flow ROI (%)	4.52	3.76	5.90	5.89
Total debt / EBITDA adj.	11.90	12.53	10.15	10.33
Net total debt / EBITDA adj.	8.92	9.21	8.66	9.82
ROCE (%)	11.12	10.69	8.89	6.37
Total debt repayment period	7.21	7.57	64.14	-7.89
Profitability				
Gross profit margin (%)	43.08	43.54	48.05	49.90
EBIT interest coverage	5.74	8.01	4.82	5.10
EBITDA interest coverage	8.40	11.37	8.04	8.78
Ratio of personnel costs to total costs (%)	7.67	8.12	8.86	9.29
Ratio of material costs to total costs (%)	58.18	57.80	53.54	51.90
Cost income ratio (%)	77.98	75.33	79.01	79.51
Ratio of interest expenses to total debt (%)	1.00	0.81	1.24	1.11
Return on investment (%)	3.34	3.71	3.52	3.38
Return on equity (%)	12.31	15.05	11.10	12.50
Net profit margin (%)	14.09	17.75	13.44	13.61
Operating margin (%)	24.89	28.79	24.34	24.02
Liquidity				
Cash ratio (%)	53.35	52.38	27.85	11.92
Quick ratio (%)	95.82	89.88	57.08	71.57
Current ratio (%)	96.04	90.24	57.28	71.77

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 Eurogrid GmbH

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 Eurogrid GmbH

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

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

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 rating was carried out by the following analysts:

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

On 02 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 05 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