Creditreform corporate rating
Eandis System Operator cvba (Group)

Creditreform Rating Agentur
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Rating object		Rating information	
Eandis System Operator cvba (Group)		Rating: **A+**	Outlook: **stable**
Creditreform ID:	2000000588	Prepared on:	**January 18, 2017**
Incorporation:	March 30, 2006	Monitoring period until:	January 17, 2018
(Main) Industry:	Operating company of seven Distribution system operators (DSOs)	Date of release:	January 19, 2017
		Rating methodology:	Corporate ratings
Management:	Walter Van den Bossche, CEO	Rating history:	www.creditreform-rating.de

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Abstract

Company

Eandis System Operator cvba (*Elektriciteit, Aardgas, Netten en Distributie* - ESO) and its three consolidated subsidiaries are the operating company of seven distribution system operators[1] (DSOs) active in Flanders, Belgium. The company was established in 2006 and is responsible for the distribution of the electricity and gas to private households and SMEs (low or medium voltage/pressure). ESO, its three consolidated subsidiaries and the seven DSOs constitute together the Eandis Economic Group (the EEG – the Group) that owns 97,312 of km electricity cables (2.6 million electricity connections) and 42,598 km of gas pipes (1.7 million gas connections) in a territory comprising 4 Walloon and 229 Flemish cities and municipalities. As ESO operates on a cost price basis on behalf of the seven DSOs and given that the seven DSOs provide guarantee for all debt obligations incurred by ESO, it seemed fair to us to consider the EEG as a whole in order to assess the creditworthiness of ESO.

The EEG employed about 4,480 people on average in 2015 and is by far the largest DSO group in Belgium. Following the new tariff methodology implemented by the *Vlaamse Reguleringsinstantie voor de Elektriciteits- en Gasmarkt* (VREG) for the period 2015-2016, i.e. revenue cap instead of cost plus method, the group achieved consolidated revenues of EUR 2,618.6 million in 2015 (previous year: EUR 2,694.96 million) and a net profit of EUR 332.5 million (2014: net loss of EUR -128.8 million). EBIT grew by 22.7% at EUR 612.1 million in 2015.

Rating Result

The current rating attests a good credit rating (creditworthiness) to ESO, representing a low insolvency risk for the company in comparison with the sector and the overall economy. The EEG has strategic importance for the region and disposes of a supportive regulatory framework in Flanders. We therefore assume that its public shareholders would support the EEG if needed. Any change in the sovereign rating of Belgium or of Flanders could therefore have an impact on Eandis corporate rating. The credit risk position of the Group could deteriorate if the financial needs of the company rise, considering that the Group already has a high gearing. The overall lower returns, expected in the regulatory period 2017-2020, have a dampening effect on the rating.

Outlook

The yearlong outlook of the rating is stable. This appraisal takes into account the low business risk profile of the company and the moderate financial risk profile of the Group even with the further increase of the Group's debt level given the guarantee of the DSOs and the assumed support of its shareholders in case of distress.

[1] Gaselwest, IMEA, Intergem, Imewo, Iveka, Iverlek and Sibelgas.

Relevant rating factors

Excerpts from the financial ratios analysis 2015

+ Increased revenues
+ EBITDA growth
+ Good profitability
+ Asset cover ratio

- Decreasing equity level
- Decreasing operating margin
- High net debt / EBITDA ratio
- Higher short term capital commitment ratio

Financial ratios' extract Basis: consolidated annual statement per 31.12 (IFRS)	Standardized annual financial statement (Eandis Economic Group)	
	2014	2015
Total assets	EUR 10,160.83 m	EUR 9,723.19 m
Revenues	EUR 2,694.96 m	EUR 2,618.65 m
EBITDA	EUR 796.50 m	EUR 945.34 m
EBIT	EUR 481.28 m	EUR 612.07 m
Total comprehensive income for the period	EUR -128.82 m	EUR 332.52 m
Equity ratio	28.75%	23.78%
Return on investments	1.22%	5.32%
Operating profit margin	78.56%	68.78%
Net Financial Debt / EBITDA	9.08	7.84
Interest expenses / debt	3.56%	2.86%
Short term capital commitment ratio	32.07%	52.55%

General rating factors

+ Strategic importance of the company for the region - crucial market player in the energy distribution in Flanders
+ Transparent and supportive regulatory framework with guaranteed revenues and predictable cash flows
+ Natural regional monopoly for gas and electricity
+ Probable and assumed support of the regional authorities (shareholders) if necessary
+ Low business risk profile of the DSOs
+ Guarantee of the DSOs for debts taken by ESO (in proportion of their capital share in ESO)

- Ongoing investments required
- Capital intensive business, high fixed costs

Current factors (rating 2017)

+ Higher EBIT and positive net profit in 2015
+ Increased revenues thanks to new tariff methodology for the regulatory period 2015-2016

- High gearing and net debt / EBITDA ratio
- Low investments for the past 5 years
- Current negative balance between budgeted and realized income and expenses
- Relatively high pay-out ratio
- Subject to corporate income tax from 2015 onwards

Prospective rating factors

+ Investments in the infrastructure
+ Allowed recovery of regulatory assets/liabilities 2010-2014 over a 5-year period until 2020

- Lower allowed return during the next regulatory period 2017-2020 than in 2015-2016
- Commitment of stable dividend payments until 2019 with a relatively high pay-out ratio
- Possible deterioration of the credit risk position following further indebtedness linked to necessary investments and debt refinancing

Best case scenario:	A+
Worst case scenario:	A

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

Best case scenario

In our best case scenario for one year, we assume a rating of A+. It is assumed that the overall lower returns from 2017 onwards will be partly compensated by the recovery of regulatory balances and that the business develops cost-efficiently. The Group successfully realizes its investments and deleverages in a few years.

Worst case scenario

In our worst case scenario for one year, we assume a rating of A. The lower cash flows from 2017 onwards combined with the rise in debt cause a significant deterioration of the Group's financial metrics. The rating could also be downgraded if the assumed support from the shareholders lowers.

Business development and outlook

During the year 2015, the Eandis Economic Group achieved revenues amounting to EUR 2,316 million (2014: EUR 2,014 million), among which 94.2% were generated by remuneration for the distribution and transport of electricity and gas, 3.1% by the direct sale of energy to households that have problems finding an energy provider (public service obligation), and 2.6% by construction work for other parties. The volume of electricity transported in 2015 was similar to the volume of 2014. Gas volumes increased but are strongly related to outside temperatures. The volume of electricity transported was nevertheless 2.5% lower than the average over 5 years and the gas volume was 9.0% lower than the average over 5 years. When considering only the revenues from the distribution and transport of electricity and gas, these increased by 8.4% due to the new tariff methodology of the Flemish regulator VREG, applied for the regulatory period 2015-2016. The current assets/liabilities unbalance of EUR -205.9 million will be recovered within the next five years.

The investment level was in a downwards trend over the past five years (minus 28.6%) but the group expects to invest EUR 3.0 billion in the period between 2016 and 2020 for both the investments in infrastructure and the refinancing of its debts. The investment program 2015-2018 requires between 500 and 650 million EUR every year, incl. repayments and interest payments under current debts and incl. proceeds from the sale of green power and cogeneration certificates.

After the exit of Electrabel from the share capital of the DSOs in 2014, the Group planned a merger of the seven DSOs into a single DSO (Eandis Assets) in 2016 in order to simplify the structure and to enable the entry of a new external partner into the share capital of the group. This operation has nevertheless been aborted. The seven DSOs will continue to operate as separate entities and the equity could not be strengthened.

In the first half year of 2016, revenues increased by 9.2% to EUR 1,249.7 million in comparison with H1-2015, reflecting again the increased tariffs decided by the VREG. The cost of trade goods increased disproportionately based on the cost of green and cogeneration certificates as well as due to the cost of purchase for grid losses. The operating margin decreased to 20.4% (H1-2015: 22.7%). Due to an increase of EUR 23.0 million in financing costs, EAT for the period decreased by 20.5% and amounted to EUR 118.5 million. Equity rose thanks to the reported profit for the period but the share capital decreased following the exit of a municipality and two provinces from the DSOs.

Structural risks

In 2015, the Eandis Economic Group was composed of the seven DSOs, Eandis cvba and its subsidiaries, De Stroomlijn cvba, Atrias cvba, Indexis cvba and Synductis cvba. As of January 1, 2016, Eandis cvba changed its name to Eandis System Operator cvba and its business purpose was expanded by including renewable energy sources into the grid. On that date, the Board of Directors also approved a full incorporation of Indexis into Eandis System Operator.

The Eandis Economic Group is therefore, as of January 1, 2016, composed of the seven DSOs, Eandis System Operator cvba, and its 3 subsidiaries: De Stroomlijn cvba, Atrias cvba and Synductis cvba. Furthermore, Eandis set up a joint venture (50-50) with Infrax in order to create a district heating company called warmte@vlaanderen.

DSOs' shares are held at 100% by 233 Belgian municipalities and provinces. In H1-2016, a municipality and two provinces exited the share capital of the DSOs. The province of West Flanders will also withdraw by the end of 2018.

Eandis System Operator CVBA (Group) prepares its annual accounts in accordance with Belgian-Gaap. The Eandis Economic Group prepares financial statements in accordance with IFRS. The Board of Directors of EEG is composed of 16 members. The Board appointed an Audit Committee that is responsible for risk management.

The seven DSOs are centrally managed by ESO, which acts on their behalf. The company has a legally based regional monopoly and was approved in its operating role by the VREG in 2014 for a period of 12 years. As stipulated by Decree, the DSOs have been mandated by the municipalities. The current statutory period ends on November 9, 2019 and we assume that the municipalities will to decide the extension of the statutory lifetime of the DSOs for another 18 years.

Until 2014, the company was regulated by the federal regulator CREG ("*Commissie voor de Regulering van de Elektriciteit en het Gas*") with a cost plus model. The competence was regionalized in 2014 and the tariffs are now determined by the Flemish regulator VREG on the basis of a revenue cap model, including a fair profit margin as remuneration on invested capital.

In our opinion, there are no core risks associated with the current organizational and share capital structure of the EEG. The merger of the seven DSOs in Eandis Assets would have increased structural risks but the aborting of the equity deal and the return to the former structure with seven separate DSOs increases financial risks (see below) rather than structural risks.

Business risks

The EEG is the biggest DSO group in Belgium and is system-relevant for the cities and municipalities where it operates. ESO discharges the seven DSOs of public functions such as maintaining the grids and solving network breakdowns, laying new cable and building new pipelines, making connections to households and companies, reading meters as well as managing public lighting. As a natural monopoly, the end consumers and the SMEs cannot choose their DSO. Eandis charges a fee for the transport and distribution from the TSO (Elia) or gas provider (Fluxys) to the end consumer (households and SMEs) at a tariff fixed by VREG. The main business risks of Eandis are therefore regulatory risks and / or any changes on a political level.

The DSOs are required to make efficient long term investments that ensure a secure, sustainable and reliable supply to the population. Business risks are linked to ageing assets and increasing requirements for transparency and efficiency in capex and opex. The energy transition is costly as the balance between power generation and demand will be more challenging than with the old energy generation systems. In order to satisfy customers, DSOs must account for an enormous variety of production and load scenarios.

Eandis has an obligation to buy green and cogeneration certificates that are offered at a fixed price. These are resold to the market, however at a lower price, which results in costs for the group amounting to EUR 443.5 million in 2015. As a result of the steady increase of these certificates, the Minister of Energy has decided to diminish the number of unsold certificates by increasing the quota for the market and by means of an increased contribution on the part of an

energy fund. As of December 31, 2016, the "green" receivables amounted to EUR 546 million (2015: EUR 627 million).

Safety and reliability are an issue for the DSOs. Nevertheless, blackout events are rare, occurring approx. one every three years according to management information, and may affect only a small territory.

Overall, we assess the company as having a low business risk profile as the company is system relevant and currently benefits from a supportive regulatory framework from the VREG, generating predictable cash flows. Despite its slowness, we view the timing clarification on the recovery of the regulatory unbalance positively. The lower allowed returns of the EEG in the next regulatory period 2017-2020 nevertheless have a dampening effect on the rating.

Financial risks

For analytical purposes, the CRA adjusted the original values in the financial statements in the context of financial ratio analysis. In order to assess the financial position of Eandis System Operator cvba (Group), we assessed the company both alone and within the Eandis Economic Group. Given that Eandis System Operator and its three subsidiaries operate at cost price and therefore do not make any profit or loss, CRA based its analysis on the consolidated annual accounts 2013-2015 of the EEG. The following descriptions and indicators refer to the Eandis Economic Group and are based solely on these adjustments.

To enable the exit of Electrabel and to refund the company, several capital increases and decreases took place in 2015. As a result, EEG share capital decreased from EUR 2,056.7 million as of December 31, 2014 to EUR 1,278.7 million as of December 31, 2015. Deferred tax liabilities amounted to EUR 334.9 million in 2015 (2014: EUR 312.5 million) following the new law in 2014, which stipulates that DSOs are subject to corporate income tax from 2015 (33.99%). The adjusted equity (incl. deferred taxes liabilities) amounted to EUR 2,312 million as of December 31, 2015. Even following the weakened equity base, the overall capital structure of the company remains adequate with an equity ratio of 23.78% (2014: 28.75%) and an asset cover ratio of 81.06% (2014: 87.13%). Following management information, the regulated asset base amounted to EUR 7,826.8 million (RAB electricity of EUR 4,735.7 million and RAB gas of EUR 3,091.1 million) in 2015 with an equity ratio at 31.7% of RAB.

In order to pay the exit fee to Electrabel, Eandis raised 965 million EUR debts in 2014, significantly increasing financing costs. In 2015, the group took up additional debts amounting to EUR 1,111.5 million. As of December 31, 2015, financial debt amounted to EUR 6,306.9 million incl. derivatives[2] (2014: EUR 6,219.5 million), among which EUR 5,528.6 million are middle and long term debt. The company's funding consists of bonds amounting to EUR 3,394.7 million (retail bonds, EMTN drawings, private placements), promissory and registered notes (German law) as well as bank loans.

Eandis System Operator cvba (Group) uses an EMTN Program of EUR 5.0 billion to finance its investments in the distribution grid as well as to refinance loans and pay interests. The notes are listed internationally (Luxembourg Stock Exchange, Euronext Brussels, Alternext Brussels, Open Market Frankfurt). All notes issued by ESO under this program are guaranteed by all DSOs on a non-joint and non-inclusive basis but limited to their proportional share in the capital of ESO. This program was used for an amount of EUR 2,660.5 million as of December 31, 2015 (53.2% program usage).

Cash and cash equivalents amounted to EUR 3.66 million at the end of 2015. The ratio of net debt / EBITDA is relatively high at 7.84. The EBIT interest coverage is 2.89, which is slightly

[2] Interest rate swaps to convert variable interest rate on long term loans into fixed interest rate.

lower than the average in the overall economy. The maturity profile of the long-term debt portfolio is well-balanced with a progressive deleveraging until 2029 (weighted average maturity of 9 years and 10 months). Regarding the next maturities, the group had to repay a bullet bank loan amounting to EUR 500 million by the end of 2016; the next retail bond repayment of EUR 150 million is foreseen on June 23, 2017; and the next EMNT-bond repayments are foreseen in 2021, 2022 and 2023.

A new long term issuance is envisaged in Q1-2017. Discussions on term sheet are ongoing.

All loans subscribed by Eandis System Operator cvba are on behalf and for the account of the DSOs that stand surety for their part and act as joint co-debtor. Bank overdrafts are not guaranteed. In order to mitigate liquidity risks, the Group can count on several short term credit lines: commercial paper within the framework of a treasury bill program of EUR 522 million, fixed advances and straight loans amounting to EUR 700 million (all in all 34% drawn as of January 1, 2017). Off-balance commitments are guarantees given amounting to EUR 12.5 million and leasing amounting to EUR 10.9 million as of December 31, 2015.

The company invested in mid and low voltage electricity networks for a total value of EUR 167.6 million in 2015 (2014: EUR 228.0 million) and in gas pipelines and connections at a value of EUR 111.6 million (2014: EUR 144.8 million). Following management information, investments within the next years should remain at this level, i.e. around EUR 400 million investments per year, among which approx. 70% for electricity and 30% for gas infrastructure. Dividends amounting to EUR 185.6 million were paid in 2015 (2014: EUR 190.2 million for all DSOs not including Electrabel), representing a pay-out ratio of 55.8%. The amount of dividends has been fixed until 2019.

We assess the financial risks of EEG as moderate and lower than in other industries. The Group disposes of a favorable business model with regulated tariffs, stability of earnings and low probability of a negative result. We furthermore assume that the Group will be able to count on the support of its public shareholders in the event of liquidity problems. Nevertheless, the expected lower allowed returns in the next regulatory period 2017-2020 as well as the further debt burden have a dampening effect on the rating. The EEG has the necessary financial instruments and capital market access to finance its investment plan, but its credit risk position may deteriorate following the expected bond issues (investments and bond refinancing). A significant increase of the net debt / EBITDA ratio could have a negative impact on the rating outlook and / or on the rating in a long-term perspective.

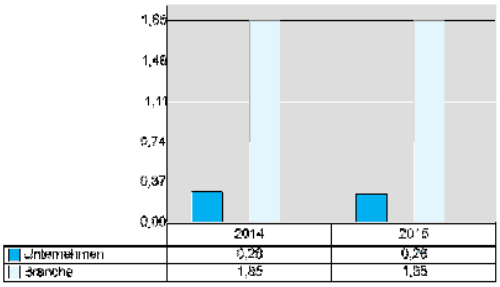
Financial ratio analysis

	2013	2014	2015
Structured assets	**TEUR**	**TEUR**	**TEUR**
Commercial licenses, industrial property rights etc.	1.349	1.350	1.205
Advances paid on intangible assets			
Other intangible assets	105.855	105.209	104.381
Adjusted intangible assets	107.204	106.559	105.586
Land, buildings	7.613.864	7.745.624	7.800.585
Technical equipment, machinery			
Other equipment, fixtures and fittings			
Advances paid, assets under construction			
Fixed assets	7.613.864	7.745.624	7.800.585
Interests in affiliated companies	5	5	11
Loans to affiliated and associated companies as well as to companies in which participating interests are held			
Participating interests			
Investment securities			
Other loans and financial assets	988	1.092	919
Financial assets	993	1.097	930
TOTAL FIXED ASSETS	7.722.061	7.853.280	7.907.101
Trade Receivables with remaining period > 1 year			
Receivables from affiliated and associated companies as well as from companies in which participating interests are held with remaining period > 1 year			
Other assets with remaining period > 1 year	2.304	1.426	1.155
Medium-term current assets	2.304	1.426	1.155
Raw materials and consumables			
Finished and unfinished products and goods for resale			
Advance payments			
Other inventories	32.008	34.199	45.316
Inventories	32.008	34.199	45.316
Trade receivables with remaining period < 1 year	1.275.828	2.263.014	1.765.960
Receivables from affiliated and associated companies as well as from companies in which participating interests are held with remaining period < 1 year			
Other receivables and current assets with remaining period < 1 year	1.406		
Marketable securities	0	0	0
Cash and cash equivalents	5.036	8.913	3.656
Accruals (without discount)			
Current (short-term) assets	1.282.270	2.271.927	1.769.616
TOTAL CURRENT ASSETS	1.316.582	2.307.552	1.816.087
Adjusted balance sheet total ASSETS	9.038.643	10.160.832	9.723.188

	2013	2014	2015
Structured Shareholders' Equity and Liabilities	**TEUR**	**TEUR**	**TEUR**
Nominal capital, capital account I	1.924.415	2.056.752	1.278.688
- Own Shares			
+ Capital reserves	520.437	679.802	759.548
+ Revenue reserves / partnerships' reserves	687.087	570.241	589.313
+ Balancing item to consolidated balance sheet			
+ Minority interests in equity	1.079	1.079	1.079
+ Other equity	-153.643	-699.505	-651.430
Financial equity	2.979.375	2.608.369	1.977.198
- Goodwill			
- Self-generated intangible assets			
- Amounts owed by shareholders			
- Active deferred taxes			
+ Grants (incl. grants to cover building costs)	0	0	0
+ Amounts payable to shareholders with equity character (subordination)			
+ Profit participation rights capital			
+ Passive deferred taxes		312.524	334.860
Adjusted equity	2.979.375	2.920.893	2.312.058
Pension provisions and similar long-term provisions			
Non-subordinated amounts payable to shareholders			
Loans payable in > 5 years	1.795.456	3.072.381	3.074.790
Amounts owed to banks, with remaining period > 5 years	916.038	849.036	1.022.862
Amounts payable to affiliated and associated companies as well as to companies in which participating interests are held with remaining period > 1 year			
1/3 grants to cover building costs	0	0	0
Other liabilities and tax liabilities with remaining period > 5 years			
Long-term outside capital	2.711.494	3.921.417	4.097.652
Amounts payable to shareholders in 1 to 5 years			
Loans payable in 1 to 5 years	319.994	319.982	319.970
Amounts payable to banks in 1 to 5 years	1.562.739	1.292.155	779.771
Amounts payable to affiliated and associated companies as well as to companies in which participating interests are held with remaining period 1 to 5 years			
Other liabilities and tax liabilities payable in 1 to 5 years	421.633	427.360	331.250
Medium-term outside capital	2.304.366	2.039.497	1.430.991
Provisions for taxes and other provisions	24.734	20.476	18.027
Amounts payable to shareholders in < 1 year			
Loans payable in < 1 year			
Amounts payable to banks in < 1 year	495.540	685.965	1.109.511
Trade accounts payable in < 1 year	520.948	569.464	647.471
Amounts payable to affiliated and associated companies as well as to companies in which participating interests are held with remaining period < 1 year			
Other liabilities and tax liabilities with remaining period < 1 year	2.186	3.120	107.478
Accrued expense			
Short-term outside capital	1.043.408	1.279.025	1.882.487
TOTAL OUTSIDE CAPITAL	6.059.268	7.239.939	7.411.130
Adjusted balance sheet total LIABILITIES	9.038.643	10.160.832	9.723.188

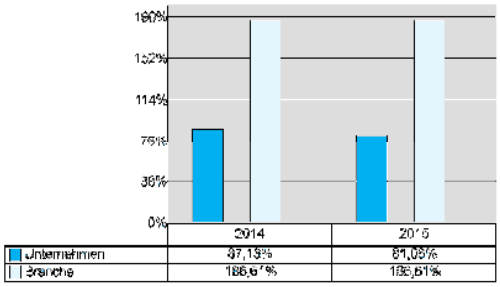
	2013	2014	2015
Structured Income Statement	**TEUR**	**TEUR**	**TEUR**
Sales	2.212.757	2.148.647	2.315.718
Changes in inventories (+/-)			
Other own work capitalized	645.485	546.308	302.928
Gross performance	2.858.242	2.694.955	2.618.646
Cost of materials purchased	924.874	1.006.921	1.025.983
Cost of purchased services			
Gross profit	1.933.368	1.688.034	1.592.663
Other operating income	97.329	86.052	59.116
non-periodic income			
Wages and salaries	393.072	383.343	368.472
Social security, pensions and support			
Depreciation and amortization, incl. amortization of goodwill	343.065	315.221	333.272
Other operating expenses	823.226	594.240	337.962
non-operating expenses			
Earnings from operating activities	471.334	481.282	612.073
Net income from participating interests			
Net income from other securities			
Other interest etc. income	43.756	4.857	27.011
Write-downs on financial assets			
Other interest etc. expenditure	187.101	257.837	211.874
Net investment / interest income	-143.345	-252.980	-184.863
Result from ordinary business activities	327.989	228.302	427.210
Extraordinary income	112.581		51.003
Extraordinary expense		545.862	2.929
Extraordinary result	112.581	-545.862	48.074
Total result	440.570	-317.560	475.284
Taxes on income and earnings	7.831	-188.737	142.767
Other taxes			
Annual profit / loss	432.739	-128.823	332.517
Profit and loss transfer			
Annual profit / loss after transfer	432.739	-128.823	332.517

Asset structure	2013	2014	2015
Fixed asset intensity (%)	85,43	77,29	81,32
Asset turnover	--	0,28	0,26
Asset coverage ratio (%)	73,70	87,13	81,06
Liquid funds to total assets (%)	0,06	0,09	0,04
Capital structure			
Equity ratio (%)	32,96	28,75	23,78
Short-term-debt ratio (%)	11,54	12,59	19,36
Long-term-debt ratio (%)	30,00	38,59	42,14
Capital lock-up period (in days)	85,93	96,74	102,05
Trade-accounts-payable ratio (%)	5,76	5,60	6,66
Short-term capital lock-up (%)	22,49	32,07	52,55
Gearing	2,03	2,48	3,20
Financial stability			
Cash flow margin (%)	--	27,17	23,59
Cash flow ROI (%)	--	7,21	6,35
Debt / EBITDA adj.	7,44	9,09	7,84
Net Debt / EBITDA adj.	7,43	9,08	7,84
ROCE (%)	0,06	0,05	0,07
Debt repayment period	--	-16,56	5,89
Profitability			
Gross profit margin (%)	87,37	78,56	68,78
EBIT interest coverage	2,52	1,87	2,89
EBITDA interest coverage	4,35	3,09	4,46
Ratio of personnel costs to total costs (%)	13,75	14,22	14,07
Ratio of material costs to total costs (%)	32,36	37,36	39,18
Cost income ratio (%)	107,54	102,91	86,98
Ratio of interest expenses to debt (%)	3,09	3,56	2,86
Return on investment (%)	6,37	1,22	5,32
Return on equity (%)	--	-4,37	12,71
Net profit margin (%)	15,14	-4,78	12,70
Operating margin (%)	16,49	17,86	23,37
Liquidity			
Cash ratio (%)	0,48	0,70	0,19
Quick ratio (%)	122,89	177,63	94,00
Current ratio (%)	126,18	180,41	96,47



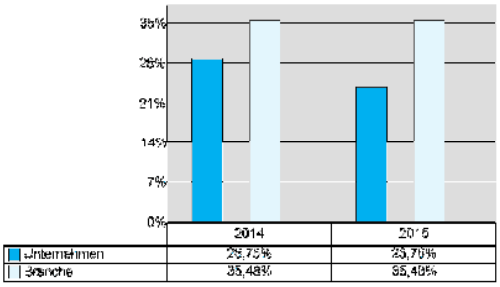
Asset turnover

Due to the nature of the business, the asset turnover of Eandis has remained stable in 2015 in comparison with 2014.



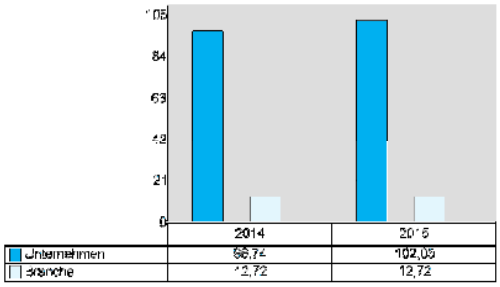
Asset coverage ratio (%)

The asset coverage ratio decreased in comparison with 2014 due to a slight drop in equity and a slight increase in fixed assets.



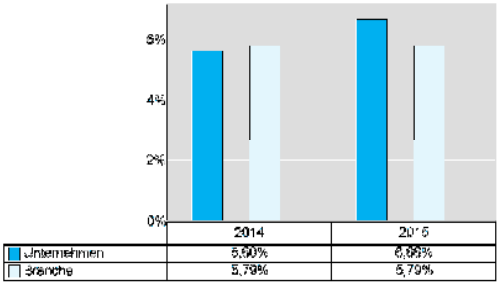
Equity ratio (%)

The equity ratio decreased after several capital increases and decreases in order to allow an exit of Electrabel from the equity of the group.



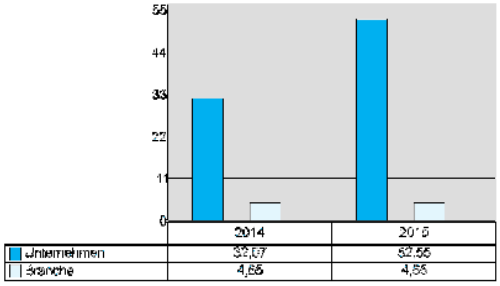
Capital lock up period (days)

The capital lock-up period increased in comparison with last year due to an increase in the trade accounts payable that overcompensate the increase in sales.



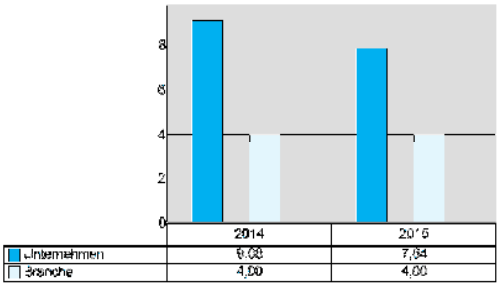
Trade accounts payable ratio (%)

The increase in trade accounts payables as well as the decrease in the total balance sheet are responsible for the increase of this ratio of 1%.



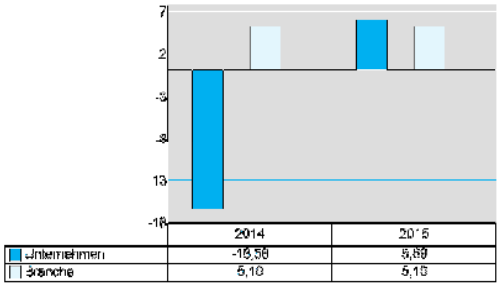
Short-term capital lock-up (%)

As of December 31, 2015, the Group had taken up additional short term loans in comparison with 2014, which explains the increase of this ratio.



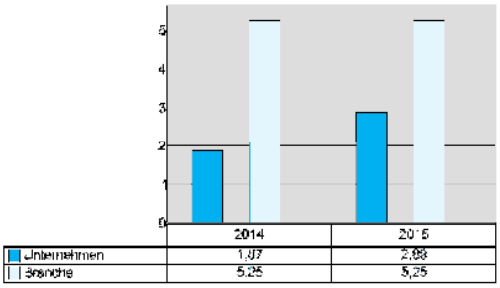
Net Debt / EBITDA adj.

In comparison with last year, the net debt / EBITDA ratio has decreased. This is mainly due to the new tariff methodology and better operating performances, leading to an increase in EBITDA of 18% in 2015.



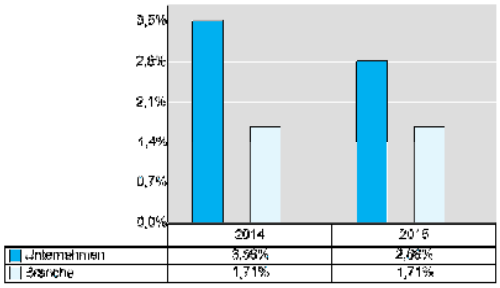
Debt repayment period (years)

The debt repayment period of Eandis is comparable to the peers' ratio. The weighted average maturity calculated by Eandis is 9 years and 10 months



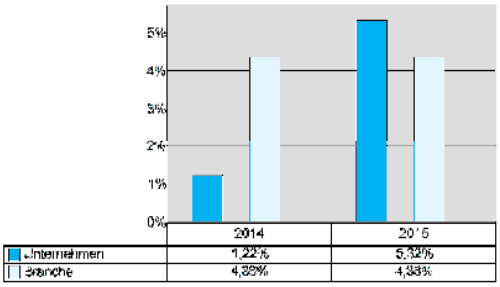
EBIT interest coverage

This ratio has improved thanks to the increase in EBITDA related mostly to the new tariff methodology decided by the VREG for 2015-2016.



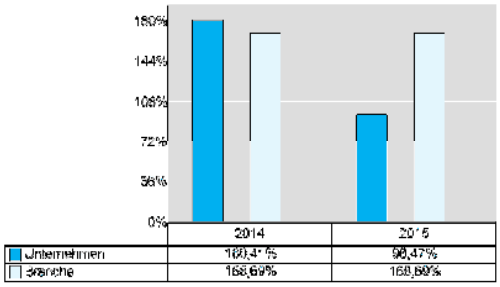
Ratio of interest expense to debt (%)

Eandis could reduce its financing costs of about 1% while taking on new financial debt in 2015.



Return on investments (%)

The return on investments improved significantly in comparison with 2014, mainly due to the changes in tariffs and the extraordinary character of the year 2014 with the exit of Electrabel from the company's capital.



Current ratio (%)

Because of an increase in short term debt as well as due to a decrease in total current assets, the current ratio of the Group has deteriorated in 2015.

Regulatory requirements

After having prepared an unsolicited rating of the company on November 2016, the management of Eandis System Operator cvba has commissioned Creditreform Rating AG with the preparation of the rating (solicited rating) on December 7, 2016.

The rating is based on qualitative and quantitative analysis of relevant factors as well as on an estimation of the sector-specific influencing factors. The quantitative analysis is primarily based on the annual report for 2015, intermediate reports and press releases of the company.

An important information source was a management meeting that took place on October 20, 2016 in Brussels with the participation of

- Mr. Koen Schelkens (Eandis – Investor Relations)

and completed by several calls.

The rating was prepared by analysts Marie Watelet (lead analyst) and Rudger van Mook (co-analyst).

Following the management interview, the analysts of Creditreform Rating AG were provided with the following additional internal documents:

Submitted documents
Accounting and Controlling
▪ Business Plan 2016-2020
▪ Capex Projections 2016-2020
▪ Regulatory transfers 2015-2017
▪ Project Volta – Investor's model
▪ Budget 2016 – Asset planning and network development
▪ LT Plan 2016-2027 EM
Financing
▪ Repayment table of the long term debts
▪ Repayment table of all debts since 2003
▪ Overview of the current debts as of October 2016
▪ Update on new debts and existing debt (December 2016)
Miscellaneous
▪ Update regarding green certificates (December 2016)

The information and documents meet the requirements and are in accordance with the published Creditreform Rating AG's rating methodology. An electronic version of our rating methodology can be found on our website www.creditreform-rating.de.

A Rating Committee of highly qualified analysts of Creditreform Rating AG was called on January 18, 2017. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant risk factors, the Rating Committee arrived at a unanimous rating decision.

The rating result and the present rating report have been communicated to Eandis on the same day. A rating summary and a rating certificate have also been provided to the company.

The rating will be monitored for the duration of one year within which rating updates may occur. After the expiration of this term, a follow-up rating will be needed so that the rating remains valid.

Please note:

This report exists in an English version only. This is the only binding version.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the "Verhaltenskodex der Creditreform Rating AG" ("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 to – systematically and with due diligence – establishing its independent and objective opinion about the sustainability, the risks and the opportunities of the company / 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 own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client were 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.

Creditreform Rating AG

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