

Corporates Ratings Navigator		
Publish Date:	23-Nov-15	
Sector Details:		
Sector:	EMEA Regulated Utilities	
Region:	Developed Markets - Europe	
Country:	Belgium	
Country IDR:	AA Negative	
Country IDR Action:	Affirmed	
Country Action Date:	24-Jul-15	
Country Ceiling:	AAA	
Ratings History		
Date	IDR	Action
08-Oct-15	A Stable	Affirmed
16-Oct-14	A Stable	Publish



Bar Chart Legend:		
Vertical Bars = Range of Rating Factor		
Bar Colors =Relative Importance		
Red	Higher Importance	
Dark Blue	Average Importance	
Light Blue	Lower Importance	
Bar Arrows = Rating Factor Outlook		
Up Arrow	Positive	Down Arrow
Double Up Arrow	Evolving	Double Down Arrow
Down Arrow	Negative	Double Down Arrow
Double Up Arrow		Double Down Arrow
Double Down Arrow	Stable	
Analysts		
1st	Artur Galbarczyk	
	+48 22 338 6291	
	artur.galbarczyk@fitchratings.com	
2nd	Timo Tikkala	
	+44 203 530 1202	
	timo.tikkala@fitchratings.com	
Relevant Criteria & References		
Introducing Ratings Navigators for Corporates Corporate Rating Methodology		
EMEA Regulated Utilities: Ratings Navigator Companion		

Direct Peer Group			
Company Name	IDR	Action	Action Date
Fingrid Oyj	A Stable	Review - No Action	17-Jun-2015
Red Electrica Corporacion S.A.	A- Positive	Affirmed	01-Apr-2015
Amprion GmbH	A- Stable	Review - No Action	17-Jun-2015
Energie Baden-Wuerttemberg AG (EnBW)	A- Stable	Affirmed	26-Oct-2015
Terna S.p.A.	BBB+ Stable	Review - No Action	17-Jun-2015
Snam S.p.A.	BBB+ Stable	New Rating	23-Jul-2015
Teollisuuden Voima Oyj (TVO)	BBB Stable	Affirmed	21-May-2015
HSE Netz AG	BBB- Stable	Affirmed	03-Aug-2015

Drivers & Sensitivities	
Regulated Multi-Utility	The standalone credit profile of 'A-' reflects the group's solid business profile as a network-focused multi-utility covering a large part of Belgium's Flemish region with strong expected credit metrics.
Links With Shareholders	Infrac's IDR of 'A' includes a one-notch uplift, reflecting its strong links with shareholders. However, creditors do not benefit from direct recourse to the asset base or the owners, which are not subject to bankruptcy proceedings.
Group Structure Limitations	Fitch views the lack of a joint guarantee from all the distribution system operators (DSOs) as a credit constraint, despite overall comparable business and financial profiles and tight integration between the DSOs.
Evolving Regulatory Framework	Infrac's electricity and gas network regulation moved to the regional level in 2014, with a concurrent shift from the cost-plus to a more demanding price cap tariff methodology. Pass-through of new tariff deficits and gradual recuperation of past deficits are positive developments.
Obligation to Buy Certificates	Infrac is obliged to purchase green (GPC) and combined heat and power (CHP) certificates from power producers. From 2015, costs of the GPC and CHP can be fully reflected in tariffs with past deficits to be recovered over the next five years.
Positive Rating Sensitivities	FFO net adjusted leverage sustainably below 3.5x, greater regulatory clarity with full and timely resolution of the regulatory differences, GPC and CHP carry would be positive for the rating.
Negative Rating Sensitivities	FFO net adjusted leverage sustainably above 4.5x, worsening in the regulatory environment with uncompensated or increasing regulatory differences, GPC and CHP carry or tax burden are negative rating drivers.

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc			

Sector Positioning

a+	Operation Type	bbb	Local or regional monopoly asset owners, regional monopoly asset operators.
a	Non-Regulated Earnings (% of Total Earnings)	a	up to 10%
a-			
bbb+			
bbb			

Asset Base

a	Diversification	bbb	Limited diversification by geography without regulatory diversification; regional utility.
a-	Critical Mass	a	Critical mass in one regulated asset; does not affect efficiency of operations (cost base, customer base, key personnel).
bbb+	Asset Quality	a	High asset quality likely to benefit opex and capex requirements compared with peers.
bbb			
bbb-			

Profitability and Cash Flow

a	Return on Capital	bbb	Return on capital comparable with the regulatory benchmark.
a-	Volatility of Profitability	bbb	Stability and predictability of profit in line with utility peers.
bbb+	Investment Cycle	a	Investment cycle position not leading to significantly negative free cash flow.
bbb			
bbb-			

Financial Flexibility

aa-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a+	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well spread debt maturity schedule but funding may be less diversified.
a	FFO Fixed-Charge Cover	a	4.5x
a-	FX Exposure	aa	No material FX mismatch.
bbb+	PMICR: (CFO - Maintenance Capex)/Interest		n.a.

Management and Corporate Governance

bbb+	Management Strategy	a	Coherent strategy and good track record in implementation.
bbb	Governance Structure	bbb	Good governance record but board effectiveness/independence less obvious. No evidence of abuse of power even with ownership concentration.
bbb-	Group Structure	bb	Complex group structure or non-transparent ownership structure. Related-party transactions exist but with reasonable economic rationale.
bb+	Financial Transparency	bb	Financial reporting is appropriate but with some failings (eg lack of interim or segment analysis).
bb			

Regulatory Environment

a	Independence, Transparency, Licensing, Ring-Fencing, Concessioning	bbb	Less transparent frameworks, with emerging track record and multi-year tariffs; exposed to political risk. Medium-term predictability.
a-	Cost and Investment Recovery	bbb	Less demanding licensing and ring-fencing provisions; moderate concession renewal risk.
bbb+	Volume and Price Risk	a	Tariff setting with challenge mechanisms that may marginally limit cost and investment recovery, with little regulatory lag.
bbb		a	High insulation from price and volume risk, little revenue under-recovery.
bbb-			

Operations

aa-	Performance Measures	a	Key performance measures in line with or above sector average and/or regulatory target.
a+	Counterparty Risk	a	Low counterparty risk. Diversified regulated counterparties or pooled counterparty risk; high collection rates for water suppliers.
a	Revenue Profile and Market Risk	a	Strong revenue profile and low market risk. Economy of area served provides structurally stable background, favorable customer mix.
a-			
bbb+			

Financial Structure

aa-	Lease-Adjusted FFO Gross Leverage	a	4.5x
a+	Lease-Adjusted FFO Net Leverage	a	4.0x
a	Net Debt/Asset Base	a	60%
a-			
bbb+			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

https://www.fitchratings.com/creditedesk/public/ratings_definitions/index.cfm?rd_file=intro#lmt_usage. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2015 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.