

CREDIT OPINION

23 February 2022

Update

✓ Rate this Research

RATINGS

Enexis Holding N.V.

Domicile	's-Hertogenbosch, Netherlands
Long Term Rating	Aa3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Enexis Holding N.V.

Update following rating affirmation

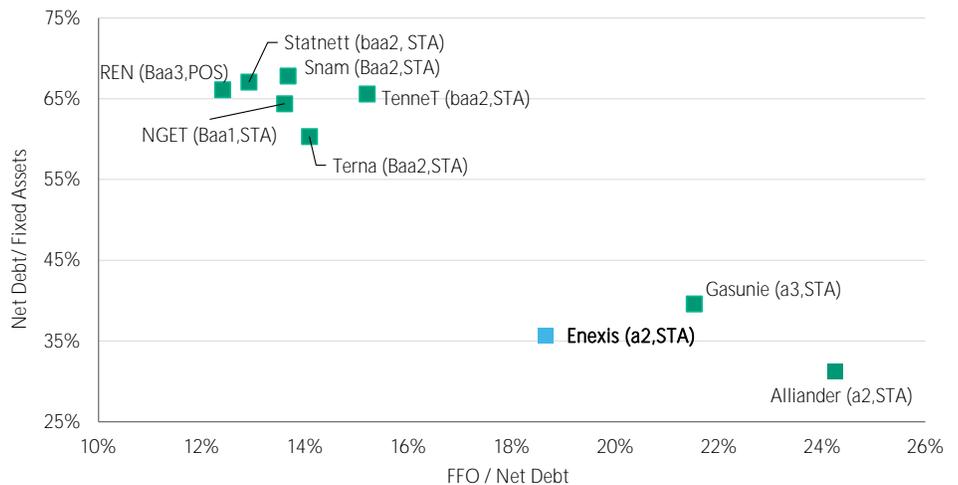
Summary

The credit quality of [Enexis Holding N.V.](#) (Enexis, Aa3 stable) is underpinned by (1) the low business risk of its monopoly operation of domestic electricity and gas distribution, which generates more than 90% of earnings and cash flow; (2) a well-defined and transparent regulatory framework; and (3) the company's balanced financial profile, with relatively modest leverage for the sector, and robust liquidity.

The company has historically maintained a strong financial profile, particularly when compared with most European peers. Over the new regulatory period 2022-26, we expect a modest decline because of falling regulatory allowed returns and growing capital spending, primarily related to facilitating the delivery of the [Netherlands'](#) (Aaa stable) ambitious energy transition objectives.

Exhibit 1

Modest leverage compared with that of its European peers supports strong stand-alone credit quality



Metrics are as at Dec 2020, except NGET at March 2021 and REN at Dec 2021. 2020 financial metrics for Enexis and Alliander were negatively impacted by one-off transmission grid charges which will be recovered in 2022. Ratings are the stand-alone credit quality, expressed as assigned final rating or Baseline Credit Assessment where applicable. NGET = National Grid Electricity Transmission  
Source: Moody's Investors Service

The Aa3 rating incorporates a two-notch uplift from Enexis' standalone credit quality, reflecting the likelihood of extraordinary financial support being provided by its owners — the largest of which is the Province of Noord-Brabant, holding around 31% of Enexis' shares — if needed.

### Credit strengths

- » Low business risk of monopoly distribution network activities, with limited contribution from unregulated businesses
- » Stable and transparent regulatory regime
- » Modest leverage, compared with the wider peer group
- » Expectation of strong support from local government shareholders, given the essentiality of assets

### Credit challenges

- » Reduction in allowed returns reduces financial flexibility
- » Increasing capital spending requirements to support the country's energy transition
- » Stranded asset risk faced by gas networks in the context of energy transition, albeit regulatory decisions to advance cash flows aim to ensure full recovery of investment over the remaining useful life

### Rating outlook

The stable outlook reflects our expectation that Enexis will continue to derive most of its revenue and cash flow from low-risk regulated activities and maintain a financial profile in line with our minimum guidance for the current rating as outlined below.

### Factors that could lead to an upgrade

A rating upgrade is considered unlikely at this time, taking into account the expected weakening in Enexis' financial profile as a result of decreasing allowed returns and the growing investment requirements in the context of the country's ambitious energy transition objectives.

### Factors that could lead to a downgrade

A rating downgrade could be triggered if Enexis fails to maintain minimum credit metrics for its rating, with a deterioration of financial metrics, such as funds from operations (FFO)/net debt persistently below 16% and net debt/fixed assets materially above 50%.

The Aa3 rating could also be subject to downward pressure if our view of the credit profile of the municipalities and provinces owning Enexis or our assessment of extraordinary support weakens.

### Key indicators

Exhibit 2

#### Enexis Holding N.V.

	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	2021 proj.	2022 proj.
FFO Interest Coverage	8.2x	10.0x	9.9x	11.7x	13.0x	14x-16x	16x-18x
Net Debt / Fixed Assets	32.5%	32.5%	32.3%	34.2%	35.7%	35%-40%	35%-40%
FFO / Net Debt	26.0%	24.8%	25.0%	22.3%	18.7%	18%-19%	17%-18%
RCF / Net Debt	21.0%	20.2%	20.6%	17.7%	15.1%	15%-16%	14%-15%

2020 financial metrics were negatively impacted by one-off transmission grid charges which will be recovered in 2022. All ratios are based on 'Adjusted' financial data and incorporate [Moody's Global Standard Adjustments for Non-Financial Corporations](#). Moody's projections (proj.) reflect Moody's view, not the view of the issue.

Source: Moody's Financial Metrics™

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## Profile

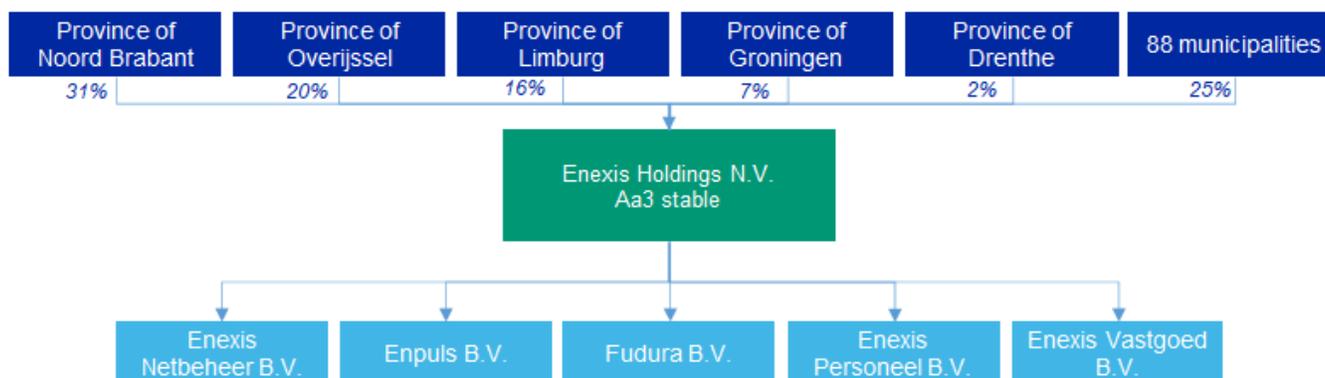
Enexis Holding N.V. (Enexis) is a holding company of Enexis Netbeheer B.V. (previously Enexis B.V.), which provides the regulated activities of owning and managing the gas and electricity distribution networks in several Dutch regions, covering around 31% of the country. The group's regulated activities generate more than 95% of revenue and represent around 90% of the group assets. The Enexis group is one of the three largest electricity and gas distribution network operators in the Netherlands, responsible for the maintenance, management and development of the medium-voltage electricity and gas distribution grids. It operates around 142,200 kilometres (km) of electricity cables and 46,300 km of gas pipelines, delivering electricity to around 2.9 million customers and gas to 2.3 million customers.

Enexis is also the holding company for non-regulated entities including Enpuls B.V., which focuses on innovation in relation to energy transition; Fudura B.V., which provides non-regulated energy management solutions; and two subsidiaries (Enexis Personeel B.V. and Enexis Vastgoed B.V.) that support the group in human resources and property management.

Enexis is owned by the five Dutch provinces (together owning 75.6%; Noord-Brabant (31%), Overijssel (20%), Limburg (16%), Groningen (7%) and Drenthe (2%)) and 88 municipalities (24.4%) of its service area.

Exhibit 3

### Simplified organisational structure of the Enexis group



Endinet Groep B.V., which was acquired in January 2016, was legally dissolved in 2019 after being fully integrated into Enexis.

Source: Enexis and Moody's Investors Service

## Detailed credit considerations

### Low business risk, underpinned by regulated cash flow

Enexis' core business activities relate to low-risk monopoly network operation. These activities generate predictable cash flow over the medium to long term and provide good visibility into future funding requirements.

Less than 10% of Enexis' revenue is derived from other utility services. These non-regulated businesses are complementary to the core activities and include the Fudura energy services brand. We understand that the company is in the process of selling Fudura, the main non-regulated cash flow contributor, with the proceeds applied to reduce leverage and support the ongoing investment programme.

### Established regulatory framework, but returns continue to decline in real terms; however, gas networks will collect higher cash flow over 2022-26

The Dutch regulatory framework, applied since 2000 and 2001 for electricity and gas networks, respectively, allows the country's distribution network companies to earn a return on their regulated asset base and provides allowances for costs adjusted for Consumer Price Index inflation and an efficiency incentive factor. The regulation incorporates incentives determined using a "yardstick" mechanism, which defines the cost efficiency and quality factors based on industry averages and encourages network companies to improve profitability by outperforming the sector. This approach is typical among regulatory regimes in Europe, and we believe that the application by the Dutch regulator, the Authority for Consumers and Markets (ACM), has been transparent and consistent to date.

In September 2021, the ACM published its final Method Decisions for [electricity](#) and [gas](#) distribution network operators in the Netherlands for the 2022-26 regulatory period. Allowed returns fell by around 180 basis points in real terms (pre-tax) between 2021 (3.0%) and 2022 (1.15% for distribution network operators), mostly reflecting the low interest rate environment.

However, gas network operators will receive advanced cash flows because the regulator switched from real to nominal returns, with nominal returns in 2022 expected to be around 2.9%. Depreciation of gas network assets was accelerated (by a factor of 1.2x for the distribution companies, compared with 1.3x for the gas transmission network) because of the uncertainty around the remaining useful life of the gas network assets and the regulator also allowed recovery for network decommissioning costs (if these costs occur, via subsequent calculation and a recovery after two years).

For electricity distribution network operators, 50% of the forecast inflation will be added to the real return, while the regulated asset base will inflate with the remaining 50%, such that cash returns will likely amount to around 2.0% in 2022. In addition, the transmission grid charges which had been increased in 2020 are included in the cost allowance, with a catch up in FY 2022.

Exhibit 4

#### Allowed return for Dutch network operators shows a declining trend

WACC - Dutch DSOs	2008-10	2011-13	2014-16	2017	2021	2021 comparison with 2022-26 method	2022	2023	2024	2025	2026
risk-free rate	4.00%	3.95%	2.50%	2.27%	1.33%						
risk premium	0.80%	1.50%	1.20%	0.91%	0.81%						
Utilities Bond Index Interest						1.48%	1.26%	1.07%	0.95%	0.90%	0.89%
transaction costs	0.00%	0.00%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
<b>Nominal Cost of Debt</b>	<b>4.80%</b>	<b>5.45%</b>	<b>3.85%</b>	<b>3.32%</b>	<b>2.29%</b>	<b>1.63%</b>	<b>1.41%</b>	<b>1.22%</b>	<b>1.10%</b>	<b>1.05%</b>	<b>1.04%</b>
nominal risk free rate for CoE	4.00%	3.95%	2.50%	1.28%	1.28%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%
market risk premium	5.00%	5.00%	5.00%	5.05%	5.05%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
asset beta	0.41	0.52	0.35	0.44	0.42	0.39	0.39	0.39	0.39	0.39	0.39
equity beta	0.86	0.81	0.61	0.77	0.74	0.63	0.63	0.63	0.63	0.63	0.63
<b>Nominal Cost of Equity (post tax)</b>	<b>8.3%</b>	<b>8.0%</b>	<b>5.6%</b>	<b>5.2%</b>	<b>5.0%</b>	<b>3.15%</b>	<b>3.15%</b>	<b>3.15%</b>	<b>3.15%</b>	<b>3.15%</b>	<b>3.15%</b>
cost of equity (pre tax)	11.14%	10.74%	7.40%	6.91%	6.69%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%
gearing assumption	60%	55%	50%	50%	50%	45%	45%	45%	45%	45%	45%
tax rate	26%	26%	25%	25%	25%	25%	25%	25%	25%	25%	25%
<b>Nominal WACC pre-tax</b>	<b>7.3%</b>	<b>7.8%</b>	<b>5.6%</b>	<b>5.1%</b>	<b>4.5%</b>	<b>3.04%</b>	<b>2.94%</b>	<b>2.86%</b>	<b>2.80%</b>	<b>2.78%</b>	<b>2.77%</b>
inflation (adjusted)						0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
<b>Real plus WACC pre-tax</b>						<b>2.19%</b>	<b>2.04%</b>	<b>1.95%</b>	<b>1.90%</b>	<b>1.88%</b>	<b>1.87%</b>
inflation	1.75%	1.55%	2.00%	0.90%	1.42%	1.67%	1.77%	1.77%	1.77%	1.77%	1.77%
<b>Real WACC pre-tax</b>	<b>5.5%</b>	<b>6.2%</b>	<b>3.6%</b>	<b>4.2%</b>	<b>3.0%</b>	<b>1.35%</b>	<b>1.15%</b>	<b>1.07%</b>	<b>1.02%</b>	<b>0.99%</b>	<b>0.99%</b>

(1) The WACC for 2021 corresponds to the original Method Decisions published in 2016, following the Cbb ruling of December 2019. (2) Between 2017-20 it would reflect straight-line extrapolation between the 2016 WACC (Amended Method Decisions) and the 2021 WACC (Original Method Decisions). (3) 2022-26 reflects the Final Method Decisions from September 2021.

Source: ACM

We estimate that the methodology changes will generate additional EBITDA of €120-130 million per year or €80-100 million of FFO per year for Enexis over 2022-26. This could improve FFO to net debt by ca. 2.5 percentage points on average over the period compared with the prior regulatory approach. However, the allowed equity return for Dutch network operators is also among the lowest across the European frameworks because the ACM places more weight on short-term averages in determining the risk-free rate.<sup>1</sup>

#### National energy transition plan increases need for investment

The Netherlands has committed to ambitious climate change targets, but progress has been slow to date. The country's total emissions make up 5.2% of the EU total and have decreased by 13.4% since 2005, below the EU-wide emissions reduction of 19% in the same period. Its carbon intensity also reduced at a lower rate than the EU-wide average, with a 29% reduction between 2005-19 for the Dutch economy. The share of renewable energy sources reached 8.8% in 2019, with a 27% target for 2030.<sup>2</sup>

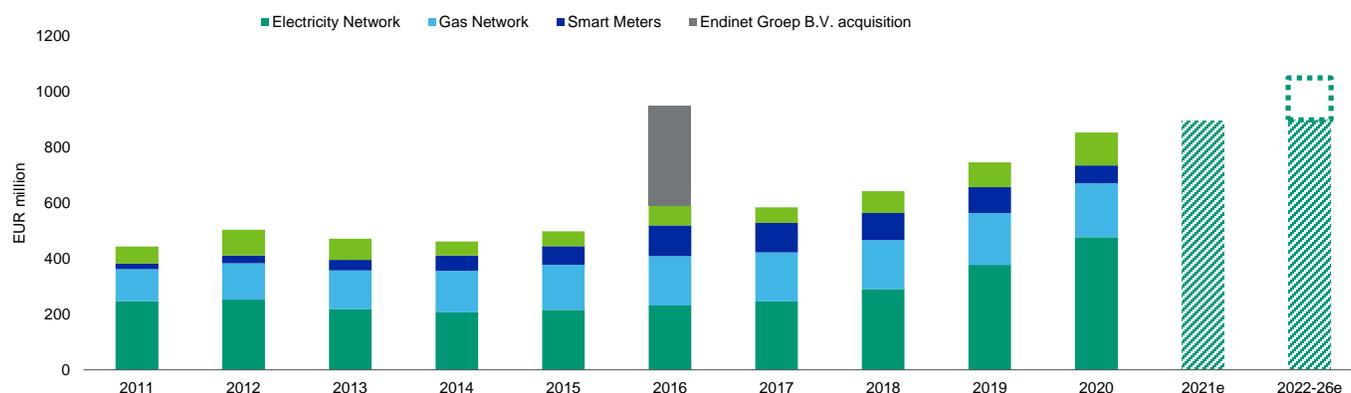
In June 2019, the Dutch Government adopted the Dutch Climate Agreement which commits the Netherlands to (1) a 49% reduction in CO<sub>2</sub> emissions (relative to 1990 levels) and the generation of 70% of electricity by renewable energy sources by 2030; and (2) a 95% reduction in CO<sub>2</sub> emissions (relative to 1990 levels) and the generation of all electricity carbon neutrally by 2050.

Compared with the progress to date, delivering these targets will require a significant acceleration of the energy transition across many areas that would result in material incremental capital spending for Enexis in the 2020s, including new connections for local renewable generation (primarily solar and onshore wind), reinforcing the grid to cope with the growth in electric vehicles and heat transition. Enexis has reported that, combined with the shortage of a skilled labour force, a shortage of grid capacity has led to some delay in connecting renewables to the grid.

The company's work package, which corresponds to long-term investments in its networks and smart meters and includes some operational costs, amounted to €882 million in 2020. This translated into €854 million total gross capital spending in 2020 and we forecast gross capital expenditure of at least around €900 million per annum over the 2022-26 period, with greater uncertainty in the later years of the period. As a result of the increase in capital spending need, Enexis's shareholders have provided additional funding through a €500 million convertible hybrid shareholder loan in 2020, but if investment requirements continue to grow, further balance sheet strengthening may be needed.

Exhibit 5

#### Enexis' gross capital investments will likely increase to support the country's energy transition



Source: Enexis and Moody's Investors Service

As illustrated by the cancellation of the requirement to provide compulsory gas connections to new residential areas, the Netherlands is moving away from natural gas towards more sustainable sources of energy, which raises the risk of stranded assets for gas networks. Reflecting this, the ACM included several methodology changes on allowed revenue, as discussed above. In parallel, the ACM is conducting analyses on the alternative uses of the gas network, such as green gas and hydrogen.

The country is also contemplating developing its district heating infrastructure. While the activity does not benefit from a similar regulatory framework as electric or gas networks, some Dutch network operators such as Enexis could decide to have a role in its operation.

#### Modest leverage, compared with peers, supports strong stand-alone credit quality, but increasing pressure from lower returns and higher investment

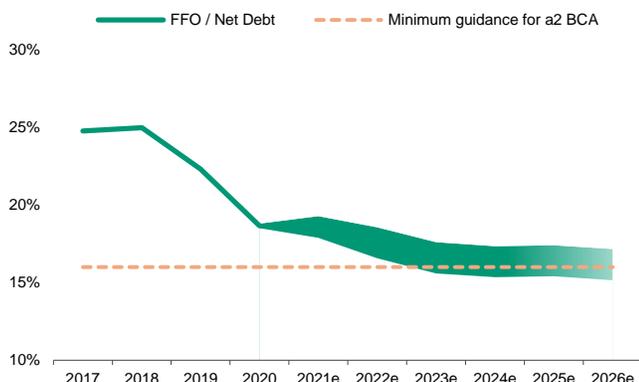
Like its closest peer [Alliander N.V.](#) (Aa3 stable), Enexis exhibits a strong financial profile with modest financial leverage compared with the wider European peer group of energy network companies. We expect Enexis' metrics to weaken during the 2022-26 regulatory period with the reduction in allowed returns (itself a reflection of the continued low interest rate environment) and increasing investment requirements to support delivery of the country's energy transition.

Financial metrics in 2020 have been negatively affected by the increase in transmission tariffs for the high-voltage grid in 2020 which has resulted in a €63 million increase in procurement costs paid by Enexis to [Tennet Holding B.V.](#) (A3 stable). However, these costs will be recovered by Enexis with a two-year lag and boost FFO/net debt in 2022.

Under Moody's base case, Enexis' FFO/net debt metric could fall towards in mid-teens in percentage terms, the minimum required for the current rating, in the later years of the current regulatory period. Higher than forecast investment requirements could increase the pressure unless offset by balance sheet strengthening measures, which could include additional equity. However, leverage, calculated as net debt to fixed assets (as a proxy for the regulated asset base) will likely remain modest compared with most European peers, and well below 50%. This will be supported by the company's dividend policy, with a maximum payout ratio of 50%, and an implicit commitment to shareholders to maintain an absolute dividend level of around €100 million on a best-efforts basis.

Exhibit 6

### We expect a decline in cash flow because of lower returns... FFO/net debt against ratio guidance

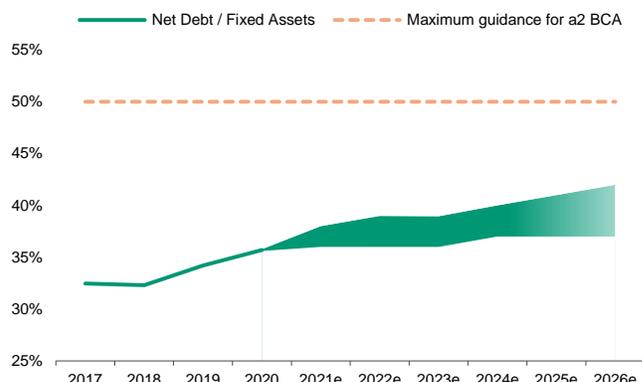


All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations; Moody's projections represent Moody's forward view; not the view of the issuer; and unless noted in the text, do not incorporate significant acquisitions and divestitures.

Source: Moody's Investors Service

Exhibit 7

### ... but relatively strong net debt/fixed assets Net debt/fixed assets against ratio guidance



All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations; Moody's projections represent Moody's forward view; not the view of the issuer; and unless noted in the text, do not incorporate significant acquisitions and divestitures.

Source: Moody's Investors Service

## Final rating incorporates two notches of rating uplift

Given its 100% ownership by Dutch provinces and municipalities, Enexis falls within the scope of our [Government-Related Issuers](#) rating methodology, published in February 2020.

Enexis' Aa3 rating incorporates a two-notch uplift from its standalone credit quality, expressed as a Baseline Credit Assessment of a2, reflecting the likelihood of extraordinary financial support being provided by its owners, if ever required, the largest of which is the Province of Noord-Brabant with around 31% shares. Although the ownership of Enexis is relatively fragmented among five provinces and 88 municipalities, our assumption of strong support reflects the importance of Enexis' network operations for the regional economy, the fact that the four largest provinces together hold around 73% of the company's shares and the strong governance framework in the Netherlands with oversight by the national government.

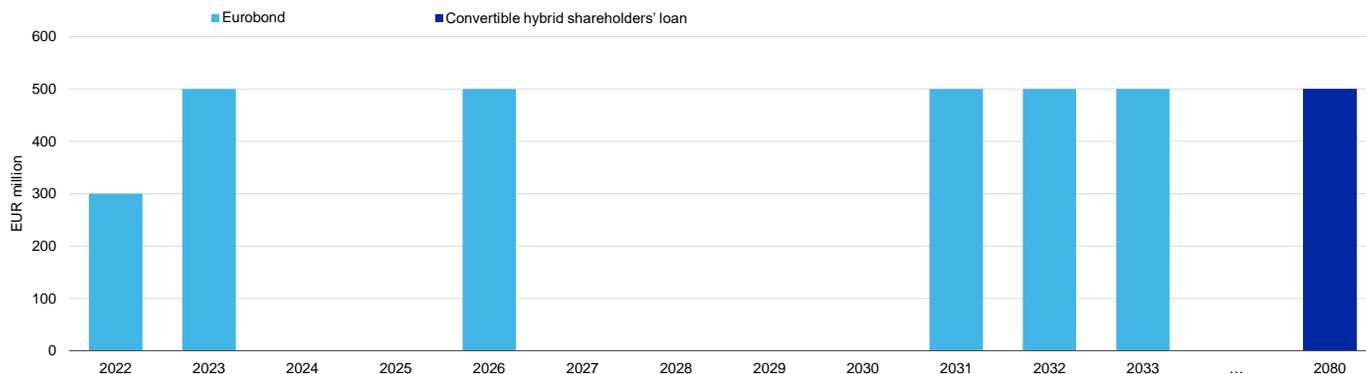
Our assessment of a very high level of default dependence reflects Enexis' significant exposure to the Dutch economy, as all of the company's revenue and cash flow are generated from domestic activities.

In addition, the Dutch government's ambitious decarbonisation agenda increases the strategic importance of Enexis to its owners as the central government increasingly sees municipalities as partners in the energy transition. In this context, we note the Dutch government's intention to "provide sufficient capital for network operators" to facilitate the national decarbonisation strategy. Although the exact form of potential additional support remains unclear, it is possible that new central government funds will be provided if necessary, as [outlined by the Ministry of Economy earlier this year](#).

## Liquidity analysis

Enexis' liquidity is supported by the strong and predictable cash flow generated from its regulated network activities, a cash and cash equivalent balance of €186 million and short-term deposits of €125 million as of 30 June 2021, access to a €850 million committed and undrawn revolving credit facility (RCF) of which €164 million mature in December 2024 and €686 million mature in December 2025.

Exhibit 8  
**Enexis' debt maturities are well distributed**  
 As of 30 June 2021



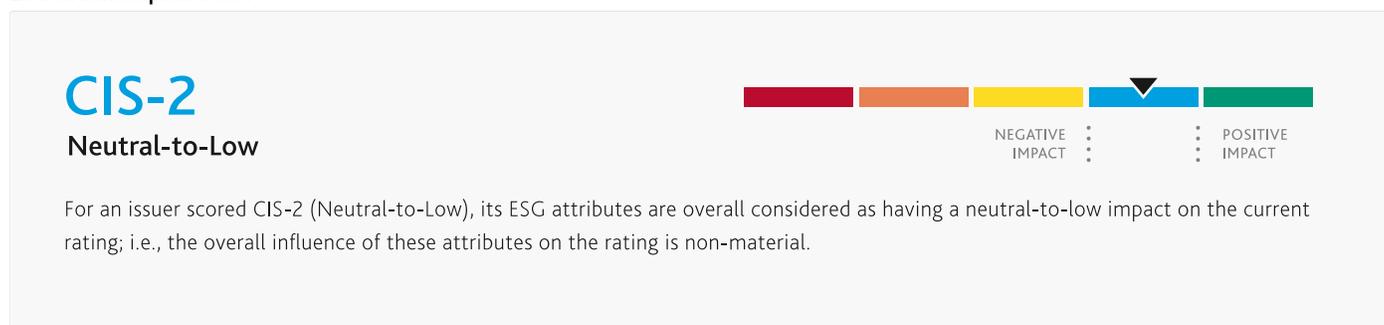
€300 million maturities in 2022 have been redeemed in January 2022 and are no longer outstanding.

Source: Enexis and Moody's Investors Service

## ESG considerations

### ENEXIS HOLDING N.V.'s ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 9  
**ESG Credit Impact Score**



Source: Moody's Investors Service

Enexis' ESG Credit Impact score is neutral to low (**CIS-2**), indicating that its ESG attributes have a neutral-to-low impact on the current rating. Enexis' **CIS-2** reflects moderately negative exposure to environmental and social risks, mitigated by the positive influence of governance considerations, and our expectation that its shareholders would provide support to the company, if this were to become necessary.

Exhibit 10  
**ESG Issuer Profile Scores**



Source: Moody's Investors Service

### Environmental

Enexis' environmental risk is moderately negative (**E-3** issuer profile score) as its electric and gas network assets have a moderately negative exposure to physical climate risk due to rising sea levels and, with regard to gas, carbon transition risk. Enexis generates c. 95% of its revenues from its regulated electric and gas distribution network activities with a substantial, although decreasing, share from gas (around 40% of its asset base in 2020). This is balanced by neutral-to-low risk exposure from water management, waste and pollution of air and soil, and natural capital.

### Social

We assess Enexis' social risk as moderately negative (**S-3** issuer profile score), reflecting the exposure of its regulated activities in the Netherlands to the risk that public concern over environmental, social or affordability issues could lead to adverse regulatory or political intervention, similar to other regulated electric and gas networks operators. Enexis also has moderately negative exposure to risk to public safety as a gas leak or explosion, although unlikely, could have significant negative impact on the company's reputation and financial situation. Enexis has moderately negative exposure to human capital risk as it has reported difficulties finding skilled labour. These risks are balanced by neutral-to-low risks to health and safety and customer relationships.

### Governance

Enexis has a positive exposure to governance considerations (**G-1** issuer profile score). While relatively concentrated ownership, as is the case for Enexis, reduces board independence and can affect governance negatively, the risk is mitigated by the company's track record of a prudent financial policy, resulting in very modest leverage compared to other European networks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Methodology and scorecard

Enexis is rated in accordance with the rating methodologies for [Regulated Electric and Gas Networks](#), published in March 2017, and [Government-Related Issuers](#), published in February 2020.

Exhibit 11

### Rating Methodology Scorecard

Enexis Holding N.V.

Regulated Electric and Gas Networks Industry [1][2]	Current LTM 6/30/2021		Moody's 12-18 Month Forward View As of Feb 2022 [3]	
	Measure	Score	Measure	Score
<b>Factor 1 : Regulatory Environment and Asset Ownership Model (40%)</b>				
a) Stability and Predictability of Regulatory Regime	Aa	Aa	Aa	Aa
b) Asset Ownership Model	Aa	Aa	Aa	Aa
c) Cost and Investment Recovery (Ability and Timeliness)	A	A	A	A
d) Revenue Risk	Aa	Aa	Aa	Aa
<b>Factor 2 : Scale and Complexity of Capital Program (10%)</b>				
a) Scale and Complexity of Capital Program	Baa	Baa	Baa	Baa
<b>Factor 3 : Financial Policy (10%)</b>				
a) Financial Policy	A	A	A	A
<b>Factor 4 : Leverage and Coverage (40%)</b>				
a) FFO Interest Coverage (3 Year Avg)	12.1x	Aaa	14x - 18x	Aaa
b) Net Debt / Fixed Assets (3 Year Avg)	35.3%	Aa	35% - 40%	Aa
c) FFO / Net Debt (3 Year Avg)	20.5%	A	17% - 19%	A
d) RCF / Net Debt (3 Year Avg)	16.9%	A	14% - 16%	A
<b>Rating:</b>				
Scorecard-Indicated Outcome Before Notch Lift		A1		A1
Notch Lift		0		0
a) Scorecard-Indicated Outcome		A1		A1
b) Actual Rating Assigned				Aa3
<b>Government-Related Issuer</b>			<b>Factor</b>	
a) Baseline Credit Assessment				a2
b) Government Local Currency Rating				n/a
c) Default Dependence				Very High
d) Support				Strong
e) Actual Rating Assigned				Aa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 06/30/2021. [3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Investors Service

## Ratings

Exhibit 12

Category	Moody's Rating
<b>ENEXIS HOLDING N.V.</b>	
Outlook	Stable
Issuer Rating -Dom Curr	Aa3
Senior Unsecured -Dom Curr	Aa3
ST Issuer Rating -Dom Curr	P-1

Source: Moody's Investors Service

## Appendix

Exhibit 13

### Selected peer comparison

(in EUR million)	Enexis Holding N.V. Aa3 Stable			Alliander N.V. Aa3 Stable			Fingrid Oyj A1 Stable			N.V. Nederlandse Gasunie A1 Stable			Tennet Holding B.V. A3 Stable		
	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM
	Dec-19	Dec-20	Jun-21	Dec-19	Dec-20	Jun-21	Dec-19	Dec-20	Jun-21	Dec-19	Dec-20	Jun-21	Dec-19	Dec-20	Jun-21
Revenue	1,491	1,516	1,574	1,930	2,009	2,065	789	682	805	1,278	1,372	1,378	4,422	5,021	5,117
EBITDA	737	650	685	755	706	758	241	223	259	899	909	857	2,007	2,376	2,267
Total Assets	8,258	8,749	9,239	8,791	9,422	9,665	2,144	2,305	2,243	10,118	10,376	10,347	22,946	26,718	27,395
Total Debt	2,696	2,976	3,397	2,376	2,805	2,945	1,120	1,175	1,133	3,821	3,629	3,585	10,998	14,439	13,961
Net Debt	2,634	2,929	3,086	2,224	2,508	2,731	1,037	1,049	1,028	3,775	3,611	3,559	10,795	13,963	13,952
(FFO + Interest Expense) / Interest Expense	11.7x	13.0x	12.9x	12.7x	14.8x	16.0x	14.1x	14.1x	16.0x	9.0x	10.8x	9.9x	8.4x	10.1x	10.0x
FFO / Net Debt	22.3%	18.7%	18.7%	28.4%	24.2%	24.8%	18.6%	16.6%	20.4%	20.9%	21.5%	19.5%	15.0%	15.2%	14.3%
RCF / Net Debt	17.7%	15.1%	16.3%	21.5%	19.5%	21.2%	2.0%	2.5%	6.9%	14.9%	13.5%	12.2%	13.4%	13.9%	12.9%
Net Debt / Fixed Assets	33.7%	35.2%	36.7%	29.5%	31.3%	33.0%	61.9%	60.6%	58.4%	43.1%	39.6%	39.2%	57.1%	65.6%	62.2%
Net Debt / EBITDA	3.6x	4.5x	4.5x	2.9x	3.6x	3.6x	4.3x	4.7x	4.0x	4.2x	4.0x	4.2x	5.4x	5.9x	6.2x

All figures are calculated using Moody's estimates and standard adjustments. LTM = last twelve months at June 2021.

Source: Moody's Financial Metrics™

Exhibit 14

### Moody's adjusted debt breakdown

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	LTM Jun-21
<b>As Reported Total Debt</b>	2,487	2,303	2,696	2,976	3,397
Leases	84	92	0	0	0
<b>Moody's Adjusted Total Debt</b>	2,571	2,395	2,696	2,976	3,397
Cash & Cash Equivalents	(286)	(31)	(62)	(47)	(311)
<b>Moody's Adjusted Net Debt</b>	2,285	2,364	2,634	2,929	3,086

All figures are calculated using Moody's estimates and standard adjustments. LTM = last twelve months at June 2021.

Source: Moody's Financial Metrics™

Exhibit 15

### Moody's adjusted funds from operations (FFO) breakdown

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	LTM Jun-21
<b>As Reported Funds from Operations (FFO)</b>	619	653	693	663	704
Leases	18	20	0	0	0
Capitalized Interest	0	0	0	(3)	(3)
Non-Standard Adjustments	(71)	(82)	(105)	(114)	(124)
<b>Moody's Adjusted Funds from Operations (FFO)</b>	566	591	588	547	578

All figures are calculated using Moody's estimates and standard adjustments. LTM = last twelve months at June 2021. Non-standard adjustments relate primarily to customer contributions, which we offset against capex as they fund new connections.

Source: Moody's Financial Metrics™

Exhibit 16

## Selected historical financials as adjusted by Moody's

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	LTM Jun-21
<b>INCOME STATEMENT</b>					
Revenue	1,398	1,445	1,491	1,516	1,574
EBITDA	725	760	737	650	685
EBITDA margin %	51.9%	52.6%	49.4%	42.9%	43.5%
EBIT	362	391	358	244	270
EBIT margin %	25.9%	27.1%	24.0%	16.1%	17.2%
Interest Expense	63	66	55	46	49
Net income	219	307	212	106	124
<b>BALANCE SHEET</b>					
Net Property Plant and Equipment	7,040	7,318	7,810	8,321	8,417
Total Assets	7,752	7,807	8,258	8,749	9,239
Total Debt	2,571	2,395	2,696	2,976	3,397
Cash & Cash Equivalents	286	31	62	47	311
Net Debt	2,285	2,364	2,634	2,929	3,086
Total Liabilities	3,944	3,783	4,146	4,634	5,098
<b>CASH FLOW</b>					
Funds from Operations (FFO)	566	591	588	547	578
Cash Flow From Operations (CFO)	575	617	542	610	585
Dividends	104	103	122	105	75
Retained Cash Flow (RCF)	462	488	466	442	503
Capital Expenditures	(532)	(581)	(669)	(772)	(769)
Free Cash Flow (FCF)	(61)	(67)	(249)	(267)	(259)
<b>INTEREST COVERAGE</b>					
(FFO + Interest Expense) / Interest Expense	10.0x	9.9x	11.7x	13.0x	12.9x
<b>LEVERAGE</b>					
Net Debt / Fixed Assets	32.5%	32.3%	33.7%	35.2%	36.7%
FFO / Net Debt	24.8%	25.0%	22.3%	18.7%	18.7%
RCF / Net Debt	20.2%	20.6%	17.7%	15.1%	16.3%

All figures are calculated using Moody's estimates and standard adjustments. LTM = last twelve months at June 2021.  
Source: Moody's Financial Metrics™

## Endnotes

- 1 Please also see '[Regulated Electric & Gas Networks – Europe: 2022 outlook stable, with limited changes to key regulatory parameters](#)', January 2022.
- 2 <https://uca.edu/politicalscience/files/2022/01/Climate-Action-in-the-Netherlands-European-Parliament-September-2021.pdf>

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