

CREDIT OPINION

12 February 2024

Update

Send Your Feedback

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.

Contacts

Maurice Loewe, CFA +49.69.70730.893
AVP-Analyst
maurice.loewe@moodys.com

Maxime Amalvict, +33.1.5330.5985
CFA
Sr Ratings Associate
maxime.amalvict@moodys.com

Andrew Blease +33.1.5330.3372
Associate Managing Director
andrew.blease@moodys.com

Enexis Holding N.V.

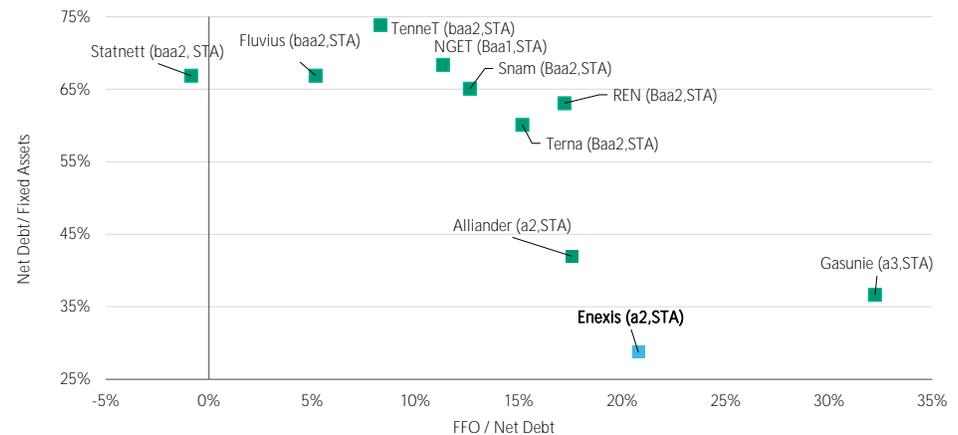
Update to credit analysis

Summary

The credit quality of [Enexis Holding N.V.](#) is underpinned by the low business risk associated with its monopoly operation of domestic electricity and gas distribution, which generates more than 95% of its earnings and cash flow; a well-defined and transparent regulatory framework; and the company's balanced financial profile, with relatively modest leverage for the sector and robust liquidity, although this is challenged by the strong increase in its capital spending.

Enexis has historically maintained a strong financial profile, particularly compared with that of most European peers (see Exhibit 1). Over the current regulatory period 2022-26, we expect a modest decline in its metrics because of a deterioration in its regulatory allowed returns and increase in its 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 standalone credit quality



Metrics are as of June 2023, except National Grid Electricity Transmission (NGET; as of March 2023) and Redes Energeticas Nacionais (REN; as of September 2023). Ratings reflect the standalone credit quality, expressed as assigned final rating or Baseline Credit Assessment (BCA) where applicable.
Source: Moody's Investors Service

The Aa3 rating incorporates a two-notch uplift from Enexis' standalone credit quality, expressed as a Baseline Credit Assessment (BCA) of a2, reflecting the likelihood of extraordinary financial support from its owners — the largest of which is the Province of Noord-Brabant, holding around 31% of Enexis' shares — or the Dutch state, if needed.

Credit strengths

- » Low business risk associated with monopoly distribution network activities, with limited contribution from unregulated businesses
- » Stable and transparent regulatory regime, further supported by the recent ruling from the Dutch Trade and Industry Appeals Tribunal (Cbb) on certain parameters of the current regulatory framework
- » Modest leverage compared with that of the wider peer group
- » Expectation of strong support from local government shareholders and the Dutch state because of the essentiality of assets

Credit challenges

- » Reduction in allowed returns compared to the previous regulatory period, which lowers financial flexibility
- » Significant increase in capital spending requirements to support the country's energy transition
- » Stranded asset risk faced by gas networks in the context of the energy transition (partly mitigated by advanced cash flow)
- » Uncertainty surrounding Enexis' role in the operation of the district heating infrastructure and the related yet-to-be-specified regulation. The draft district heating act does not stipulate a specific role or responsibility for the distribution system operators (DSO).

Rating outlook

The stable rating 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

We consider a rating upgrade unlikely, taking into account the expected weakening in Enexis' financial profile as a result of the decrease in allowed returns and increase in 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 the minimum credit metrics for its rating, with deterioration in its financial metrics, such as funds from operations (FFO)/net debt remaining persistently below 16% and net debt/fixed assets significantly above 50%.

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

Key indicators

Exhibit 2

Enexis Holding N.V.

	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	LTM 30 June 2023	2023-24 proj.
FFO Interest Coverage	9.9x	11.7x	13.0x	15.7x	19.55x	17.79x	15x-18x
Net Debt / Fixed Assets	32.3%	34.2%	35.7%	37.3%	24.6%	28.7%	32%-37%
FFO / Net Debt	25.0%	22.3%	18.7%	19.5%	27.7%	20.8%	16%-19%
RCF / Net Debt	20.6%	17.7%	15.1%	17.1%	23.2%	13.5%	10%-18%

All ratios are based on adjusted financial data and incorporate our [Global Standard Adjustments for Non-Financial Corporations](#). The projections (proj.) reflect our view, not the view of the issuer.

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 issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Profile

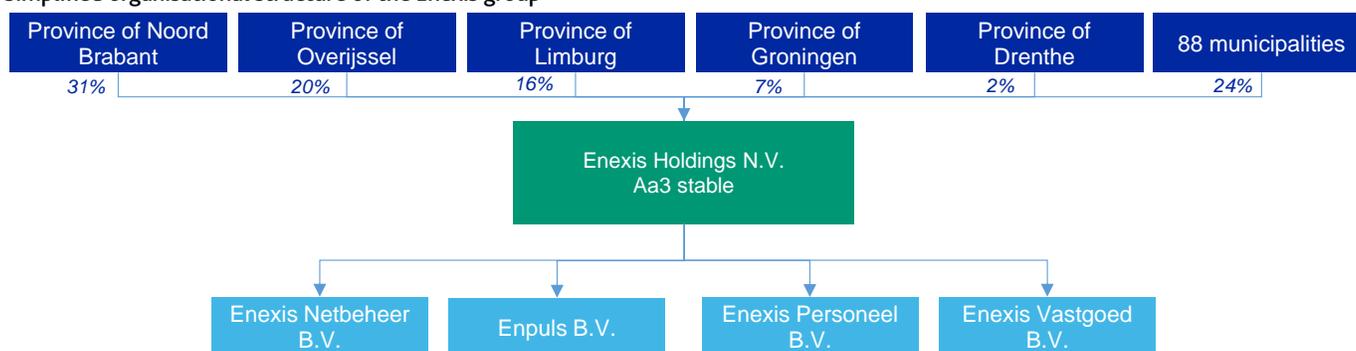
Enexis Holding N.V. is the holding company of Enexis Netbeheer B.V. (previously Enexis B.V.), which owns and manages the gas and electricity distribution networks in several Dutch regions, covering around 31% of the country. The group's regulated activities generate more than 95% of its total revenue 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 145,500 kilometres (km) of electricity cables and 46,100 km of gas pipelines, delivering electricity to around 2.9 million customers and gas to 2.3 million customers as of 30 June 2023.

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

Enexis is owned by five Dutch provinces (together owning 75.6%; Noord-Brabant [31%], Overijssel [20%], Limburg [16%], Groningen [7%] and Drenthe [2%]) and 86 municipalities (24.4%) in its service area.

Exhibit 3

Simplified organisational structure of the Enexis group



Sources: Enexis and Moody's Investors Service

Detailed credit considerations

Low business risk, underpinned by regulated cash flow

Enexis' core business activities are associated with low-risk monopoly network operations. These activities generate predictable cash flow over the medium (up to 2026) to long term and provide good visibility to support future funding requirements. As a result of Enexis' aim to concentrate on core capabilities, its share of unregulated revenue has declined in recent years.

In the first half of 2023, only a minor share of around 2.2% of Enexis' revenue was derived from other utility services. These non-regulated businesses are complementary to the core activities. In March 2022, the sale of its former major non-regulated revenue contributor, Fudura B.V., was announced and finally executed in August 2022 following the European Commission's approval on 3 August 2022. It was sold to a consortium of infrastructure funds for €1.3 billion, generating a net profit of €1.1 billion. Fudura's business is focused on "behind-the-meter" services. The sale is aligned with Enexis' strategy of focusing on core businesses. As a consequence leverage was reduced, creating more flexibility to fund its ongoing investment programme.

Established regulatory framework, but returns continue to decline in real terms; favourable CBB ruling alleviates pressure

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 (CPI) and an efficiency incentive factor. The regulation incorporates incentives determined using a "yardstick" mechanism, which defines 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 its 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 (pretax) between 2021 (3.0%) and 2022 (1.15% for distribution network operators), mostly reflecting the low interest rate environment in the reference period 2018-20. Starting this regulatory period, the ACM decided to apply a subsequent calculation for the risk-free rate as part of the compensation for the cost of equity and for the cost of assumed newly raised debt. Any difference to the predetermined levels will be reimbursed with a two year time lag. As a consequence, the DSOs will benefit from higher interest rates from 2022 onwards compared to the 2018-20 rates. In December 2021, Enexis and its Dutch network peers jointly appealed the ACM's determination to the CBB, stating that the Method Decision "takes insufficient account of the energy transition" and "nor is compensation given for new, possibly very high, costs of congestion management." In its ruling on 4 July 2023¹², the CBB ruled in favour of the DSOs on some of the major points they raised. A floor of 0.5% was set for the risk-free rate for the cost of equity calculation, while at the same time, the reference period was extended to 20 years from 10 years. In addition, for electricity networks, the actual 2021 costs corrected for CPI and the productivity factor should be used as beginning costs, instead of the 2018-20 average. Finally, the production enhancement factor needs to be determined using the 2017-21 numbers as the reference period instead of the rather long 2004-20 period. This will result in a -2.5% change in annual productivity for 2021-26 instead of +0.2%. Subsequently, on 21 December 2023, a revised Method Decision for system operators was published³. This includes the re-calculation of the WACC, which on average is up 0.68% compared to the pre-ruling WACC. The accumulated higher allowed revenue for 2022 and 2023 will partly be compensated for in 2024 with an ex-post tariff correction in the amount of €169 million. The remaining part will be reimbursed in yearly tariff adjustments until 2026. The final calculations are likely to be available in the first half of 2024. The total amount is expected to be at around €700 million until 2026.

Gas network operators will receive advanced cash flow because the regulator switched from real to nominal returns, with nominal returns of 3.2% in 2023. The depreciation of the 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 surrounding the remaining useful life of the gas network assets. 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%. In addition, the ACM made changes to pre-calculate [Tennet Holding B.V.'s](#) (A3 stable) transmission costs on a yearly basis to avoid large recalculations as was the case in 2020, smoothening fluctuations in tariffs and, ultimately, Enexis' cost profile. Furthermore, in 2022, the ACM amended the regulatory framework to account for the strong rise in interest rates and inflation (annually updated for actual figures compared with the assumed risk-free rate and interest utility index, reflected in the tariff $t+2$) and the increase in the cost of grid losses; the latter was driven by the increase in power prices to compensate for the higher-than-allowed costs for 2023. This is credit positive for Enexis because the regulatory compensation is based on the sector average, for which Enexis is in a favourable position because huge parts of the energy needed to cover grid losses are already secured until the end of the current regulatory period.

Exhibit 4

Allowed return for Dutch network operators has a declining trend, although partly mitigated by the favourable Cbb ruling

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%
Nominal Cost of Debt	4.80%	5.45%	3.85%	3.32%	2.29%	1.63%	1.41%	1.22%	1.10%	1.05%	1.04%
nominal risk free rate for CoE	4.00%	3.95%	2.50%	1.28%	1.28%	0.50%	0.50%	0.50%	1.22%	1.22%	1.22%
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
Nominal Cost of Equity (post tax)	8.3%	8.0%	5.6%	5.2%	5.0%	3.66%	3.66%	3.66%	4.39%	4.39%	4.39%
cost of equity (pre tax)	11.14%	10.74%	7.40%	6.91%	6.69%	4.88%	4.88%	4.88%	5.85%	5.85%	5.85%
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%
Nominal WACC pre-tax	7.3%	7.8%	5.6%	5.1%	4.5%	3.41%	3.31%	3.23%	3.70%	3.68%	3.67%
inflation (adjusted)						0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
Real plus WACC pre-tax						2.56%	2.41%	2.32%	2.79%	2.77%	2.76%
inflation	1.75%	1.55%	2.00%	0.90%	1.42%	1.67%	1.77%	1.77%	1.77%	1.77%	1.77%
Real WACC pre-tax	5.5%	6.2%	3.6%	4.2%	3.0%	1.71%	1.52%	1.43%	1.90%	1.88%	1.87%

(1) The weighted average cost of capital (WACC) for 2021 corresponds to the original Method Decisions published in 2016, following the Cbb ruling of December 2019. (2) Between 2017 and 2020, 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 revised Method Decisions from December 2023.

Source: ACM

As outlined, the Cbb ruling contributes favourably to Enexis' performance over the current regulatory period. To incorporate the recalculation of the risk-free rate in the weighted average cost of capital (WACC) for 2022, the allowed revenue for 2024 was increased. Allowed equity return for Dutch network operators was among the lowest compared to other European frameworks, but with the revised method decision the gap narrowed because of the extended reference period for the risk-free rate⁴.

Strong increases in inflation and interest rates, and especially massive increases in power prices compared with the expected numbers when the regulatory framework was initially determined in 2021, weigh on Enexis' profitability. These changes were addressed in the regulatory parameters by the ACM, as outlined above, with advanced payments in 2023. Based on the revised method decision that reflects the Cbb ruling, subsequent tariff calculation for the years 2022-24 (T+2) and combined with advanced payments, the allowed income is likely to be sufficient to capture actual costs.

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, which is below the EU-wide emissions reduction rate of 19% over the same period. Its carbon intensity also reduced at a lower rate than the EU-wide average, with a 29% reduction between 2005 and 2019 for the Dutch economy.⁵ The share of renewable energy sources reached 13% in 2021, with a 27% target for 2030.⁶

In June 2019, the Dutch government adopted the Dutch Climate Agreement, which commits the Netherlands to a 49% reduction in CO₂ emissions (compared with the 1990 levels) and generation of 70% of electricity through renewable energy sources by 2030; and a 95% reduction in CO₂ emissions (compared with the 1990 levels) and generation of all electricity carbon neutrally by 2050.

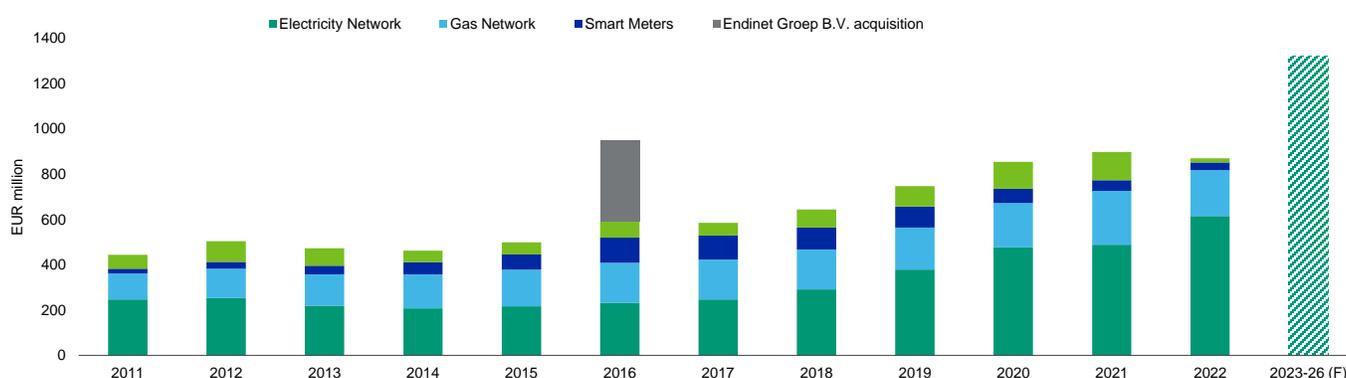
Compared with the progress to date, delivering these targets will require a significant acceleration of the energy transition across many areas. As a result, Enexis is likely to incur significant incremental capital spending in the 2020s, including new connections for local renewable generation (primarily solar and onshore wind) and for reinforcing the grid to cope with the growth in electric vehicles and heat transition. A shortage of grid capacity has led to some delay in connecting renewables to the grid and increased the need for

flexible customer contracts. Increasing the grid capacity is further inhibited by other factors, such as the availability of sufficient skilled labour force and supply of material.

Long-term investments in its networks and smart meters are the main driver for Enexis' capital spending. In 2022, total gross capital spending amounted to €867 million. We forecast an increase in capital spending over the course of the current regulatory period to more than €1.4 billion on average per year over 2023-26 (see Exhibit 6). This is about 20% higher than previous forecasts. Increased uncertainty regarding the later years of the period prevails, but high capital spending is likely to extend into the next regulatory period. As a result of the increase in its capital spending needs, Enexis' shareholders have provided additional funding through a €500 million convertible hybrid shareholder loan in 2020. The Fudura sale and the revised method decision will strengthen the balance sheet further. To mitigate the effects of a further deterioration of the capital structure, the Dutch government, together with the three DSOs, agreed on a legal framework that gives them access to additional government funding in the form of equity injections. At this point and based on our projections, it seems unlikely that Enexis will make use of this equity injection option during the current regulatory period.

Exhibit 5

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



Annual average over the 2023-26 period is shown. Moody's forecasts (F) reflect our view, not the view of the issuer.

Sources: Enexis and Moody's Investors Service

As demonstrated 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. However, substantial parts of the gas grid are still expected to be in use beyond 2050. The ACM included several methodology changes on allowed revenue to reflect this, as discussed above. In parallel, the ACM is conducting analyses on the alternative uses of the gas network, such as green gas and hydrogen. Since 2021, Enexis has been part of a pilot project to expand the use of hydrogen for residential buildings. The company has connected some homes to a newly developed hydrogen network.

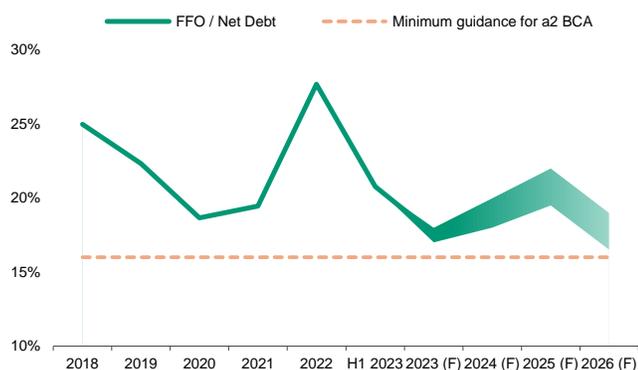
The Netherlands is actively considering enhancements to its district heating infrastructure. Should the decision be made to place heat grid infrastructure under public control, DSOs could be mandated to manage these heating networks. Consequently, this could lead to a significant increase in the already-high capital spending. However, a similar regulatory framework as that of electric or gas networks has not been developed. Discussions are ongoing and no definitive decision has been reached yet. The potential implications for Enexis and other DSOs hinge on the final outcome of these deliberations. The situation warrants close monitoring because of the potential for significant operational and financial impacts.

Modest leverage compared with that of peers supports strong standalone credit quality, although there is increasing pressure from diminished returns and increased investments

Like its closest peer [Alliander N.V.](#) (Aa3 stable), Enexis exhibits a strong financial profile with modest financial leverage compared with that of the wider European peer group of energy network companies. This was especially strengthened by the Fudura sale in 2022, which generated a profit of around €1.1 billion. The favourable CbB ruling further supports Enexis' financial profile over the current regulatory period. Nevertheless, we expect Enexis' metrics to weaken again towards the end of the current regulatory period in 2026, mainly because of increasing investment requirements to support delivery of the country's energy transition.

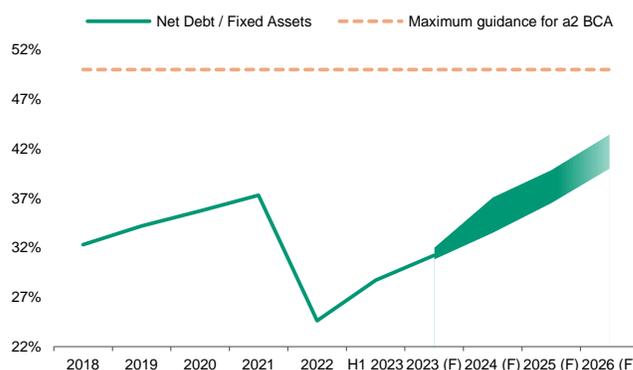
Under our base case, Enexis' FFO/net debt metrics could decline towards the high teens in percentage terms, while remaining above the minimum threshold required for the current rating. Higher-than-currently forecasted investment requirements or a lack of reimbursement of costs above the allowed revenue cap could increase the pressure unless offset by further ACM interventions or other balance-sheet strengthening measures (for example, equity injections or hybrid bond issuance). However, leverage, calculated as net debt/fixed assets (as a proxy for the regulated asset base), is likely to remain modest compared with most European peers, and solidly below 50%. This will be supported by the company's dividend policy with a payout ratio of 50%. In 2023, an additional extraordinary dividend of €100 million was distributed following the Fudura sale.

Exhibit 6
FFO/net debt declines towards the downgrade trigger on the back of significant capital spending...
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 our forward view, not the view of the issuer and, unless noted in the text, do not incorporate significant acquisitions and divestitures. The spike in 2022 is a result of the cash inflow from the Fudura sale.
 Source: Moody's Investors Service

Exhibit 7
...but net debt/fixed assets remains strong
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 our forward view, not the view of the issuer and, unless noted in the text, do not incorporate significant acquisitions and divestitures. The spike in 2022 is a result of the cash inflow from the Fudura sale.
 Source: Moody's Investors Service

ESG considerations

Enexis Holding N.V.'s ESG credit impact score is CIS-2

Exhibit 8
ESG credit impact score

CIS-2

ESG considerations do not have a material impact on the current rating.

Source: Moody's Investors Service

Enexis' **CIS-2** indicates that its ESG considerations are not material to the rating. The score 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 9

ESG issuer profile scores

Source: Moody's Investors Service

Environmental

Enexis' **E-3** score reflects that 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. This is balanced by neutral-to-low risk exposure from water management, waste and pollution of air and soil, and natural capital.

Social

Enexis' **S-3** score reflects 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' **G-1** score reflects the company's track record of a prudent financial policy, that results in modest leverage compared to other European networks. However, the relatively concentrated ownership, as is the case for Enexis, reduces board independence and can affect governance negatively.

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.

Government support considerations

Because of its 100% ownership by Dutch provinces and municipalities, Enexis falls within the scope of our [Government-Related Issuers](#) rating methodology, published in January 2024.

Enexis' Aa3 rating incorporates a two-notch uplift from its standalone credit quality, expressed as a BCA of a2, reflecting the likelihood of extraordinary financial support from its owners, if ever required, the largest of which is the Province of Noord-Brabant holding a stake of around 31%. 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 74% of the company's shares, and the strong governance framework in the Netherlands with oversight by the national government.

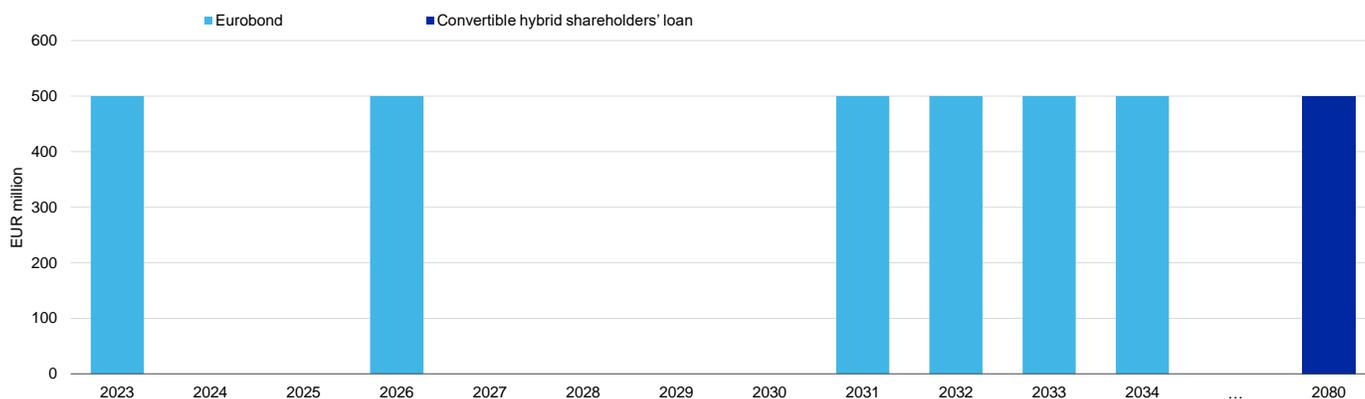
Our assessment of a very high level of default dependence reflects Enexis' significant exposure to the Dutch economy because all of the company's revenue and cash flow are generated from domestic activities.

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 energy transition. Within this context, the Dutch government intends to "provide sufficient capital for network operators" to facilitate the implementation of the national decarbonisation strategy. This is taken into account by a legal framework agreement between the central government and the Dutch DSOs under which the DSOs have the option to apply for an equity injection by the government to strengthen their capital structure.

Liquidity analysis

Enexis' liquidity is supported by the strong and predictable cash flow generated from its regulated network activities; cash and cash equivalents of €290 million as of 30 June 2023; and access to an €736 million committed and undrawn revolving credit facility (RCF), which matures in December 2025. In early 2024, Enexis further has entered into a €500 million loan facility with the [European Investment Bank](#) (Aaa stable), that is currently undrawn and has a three year availability period for drawdowns with a maximum tenor of 13 years. Although the current liquidity is strong, significant capital spending might require additional funding, either via bonds and loans or other capital injections as outlined above.

Exhibit 10
Enexis' debt maturities are well distributed
 As of 30 June 2023



Sources: Enexis and Moody's Investors Service

Methodology and scorecard

The methodologies used to rate Enexis are our [Regulated Electric and Gas Networks](#) rating methodology, published in April 2022, and [Government-Related Issuers](#) rating methodology, published in January 2024.

Exhibit 11

Rating factors

Enexis Holding N.V.

Regulated Electric and Gas Networks Industry Grid [1][2]	Current LTM 06/30/2023		Moody's 12-18 Month Forward View [3]	
Factor 1 : Regulatory Environment and Asset Ownership Model (40%)	Measure	Score	Measure	Score
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
Factor 2 : Scale and Complexity of Capital Program (10%)				
a) Scale and Complexity of Capital Program	Baa	Baa	Baa	Baa
Factor 3 : Financial Policy (10%)				
a) Financial Policy	A	A	A	A
Factor 4 : Leverage and Coverage (40%)				
a) FFO Interest Coverage (3 Year Avg)	15.0x	Aaa	15x - 18x	Aaa
b) Net Debt / Fixed Assets (3 Year Avg)	34.8%	Aa	32%-37%	Aa
c) FFO / Net Debt (3 Year Avg)	18.5%	A	16%-19%	Baa / A
d) RCF / Net Debt (3 Year Avg)	14.5%	A	10%-18%	Baa / A
Rating:				
Indicated Rating from Grid Factors 1-4		A1		A1
Rating Lift	0	0	0	0
a) Scorecard-indicated outcome		A1		A1
b) Actual Baseline Credit Assessment				a2
Government-Related Issuer				Factor
a) Baseline Credit Assessment				a2
b) Government Local Currency Rating				n/a
c) Default Dependence				Very High
d) Support				Strong
e) Final Rating Outcome				Aa3

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 30 June 2023. [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
ENEXIS HOLDING N.V.	
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

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-21	Dec-22	Jun-23	Dec-21	Dec-22	Jun-23	Dec-21	Dec-22	Jun-23	Dec-21	Dec-22	Jun-23	Dec-21	Dec-22	Jun-23
Revenue	1,634	1,705	1,840	2,120	2,150	2,437	1,091	1,815	1,678	1,386	2,258	2,464	5,524	8,299	9,707
EBITDA	752	750	653	775	767	778	235	233	262	823	1,270	1,367	892	275	2,254
Total Debt	3,389	3,078	3,581	3,482	3,797	4,228	1,158	1,056	1,049	3,462	3,559	3,523	15,589	21,683	23,052
Net Debt	3,182	2,211	2,666	2,859	3,593	4,033	939	323	424	3,424	3,431	3,506	15,587	20,401	22,423
(FFO + Interest Expense) / Interest Expense	14.8x	19.5x	17.8x	15.5x	12.4x	11.6x	18.0x	13.0x	9.4x	11.1x	18.6x	16.9x	3.0x	0.8x	5.2x
Net Debt / Fixed Assets	37.3%	24.6%	28.7%	33.2%	39.0%	42.0%	51.8%	17.7%	22.3%	37.8%	36.3%	36.7%	64.3%	74.0%	73.8%
FFO / Net Debt	19.1%	27.7%	20.8%	22.4%	17.4%	17.6%	22.9%	63.4%	35.3%	19.7%	31.2%	32.2%	3.1%	-0.2%	8.3%
RCF / Net Debt	16.7%	23.2%	13.5%	19.0%	14.5%	15.4%	8.5%	22.2%	3.9%	12.0%	24.8%	26.5%	1.8%	-1.2%	7.1%

All figures are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Exhibit 14

Moody's-adjusted debt breakdown

(in EUR million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Jun-23
As Reported Total Debt	2,303	2,696	2,976	3,389	3,078	3,581
Leases	92	0	0	0	0	0
Moody's Adjusted Total Debt	2,395	2,696	2,976	3,389	3,078	3,581
Cash & Cash Equivalents	(31)	(62)	(47)	(207)	(867)	(915)
Moody's Adjusted Net Debt	2,364	2,634	2,929	3,182	2,211	2,666

All figures are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Exhibit 15

Moody's-adjusted FFO breakdown

	FYE	FYE	FYE	FYE	FYE	LTM
(in EUR million)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
As Reported Funds from Operations (FFO)	653	693	663	738	731	683
Leases	20	0	0	0	0	0
Capitalized Interest	0	0	(3)	0	0	0
Alignment FFO	0	0	0	(11)	4	(6)
Non-Standard Adjustments	(82)	(105)	(114)	(120)	(123)	(123)
Moody's Adjusted Funds from Operations (FFO)	591	588	547	607	612	554

All figures are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months. Non-standard adjustments relate primarily to customer contributions, which we offset against capital spending as they fund new connections.

Source: Moody's Financial Metrics™

Exhibit 16

Select historical financials (Moody's-adjusted)

	FYE	FYE	FYE	FYE	FYE	LTM
(in EUR million)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
INCOME STATEMENT						
Revenue	1,445	1,491	1,516	1,634	1,705	1,840
EBITDA	760	736	650	752	750	653
EBITDA margin %	52.6%	49.4%	42.9%	46.0%	44.0%	35.5%
EBIT	391	357	244	323	281	180
EBIT margin %	27.1%	23.9%	16.1%	19.8%	16.5%	9.8%
Interest Expense	66	55	46	44	33	33
Net income	307	212	106	199	187	113
BALANCE SHEET						
Total Debt	2,395	2,696	2,976	3,389	3,078	3,581
Cash & Cash Equivalents	31	62	47	207	867	915
Net Debt	2,364	2,634	2,929	3,182	2,211	2,666
Net Property Plant and Equipment	7,318	7,810	8,205	8,526	8,981	9,286
Total Assets	7,807	8,258	8,749	9,395	10,348	10,780
CASH FLOW						
Funds from Operations (FFO)	591	588	547	607	612	554
Cash Flow From Operations (CFO)	617	542	610	612	550	552
Dividends	103	122	105	75	100	194
Retained Cash Flow (RCF)	488	466	442	532	512	360
Capital Expenditures	(581)	(669)	(772)	(800)	(812)	(919)
Free Cash Flow (FCF)	(67)	(249)	(267)	(263)	(362)	(561)
INTEREST COVERAGE						
(FFO + Interest Expense) / Interest Expense	9.9x	11.7x	13.0x	14.8x	19.5x	17.8x
LEVERAGE						
FFO / Net Debt	25.0%	22.3%	18.7%	19.1%	27.7%	20.8%
RCF / Net Debt	20.6%	17.7%	15.1%	16.7%	23.2%	13.5%
FCF / Net Debt	-2.8%	-9.5%	-9.1%	-8.3%	-16.4%	-21.0%
Debt / EBITDA	3.2x	3.7x	4.6x	4.5x	4.1x	5.5x
Net Debt / EBITDA	3.1x	3.6x	4.5x	4.2x	2.9x	4.1x
Net Debt / Fixed Assets	32.3%	33.7%	35.7%	37.3%	24.6%	28.7%

All figures are calculated using Moody's estimates and standard adjustments. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Endnotes

1 Cbb, [Method Decision ruling on E-DSO](#), July 2023.

2 Cbb, [Method Decision on G-DSO](#), July 2023.

3 ACM, [ACM revised method decision for system operators](#), 21 December 2023.

4 Please also see [Regulated Electric & Gas Networks - Europe: 2024 Outlook - Stable as higher interest rates feed through to returns](#), January 2024.

5 [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/696184/EPRS_BRI\(2021\)696184_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/696184/EPRS_BRI(2021)696184_EN.pdf).

6 Statista, [Share of energy from renewable sources in gross final energy consumption](#), 2024

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Clasificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Calificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

REPORT NUMBER 1394457