

CREDIT OPINION

22 February 2023

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

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

Federico Wilhelm +49.69.70730.787  
Associate Analyst  
federico.wilhelm@moodys.com

Enexis Holding N.V.

Update to credit analysis

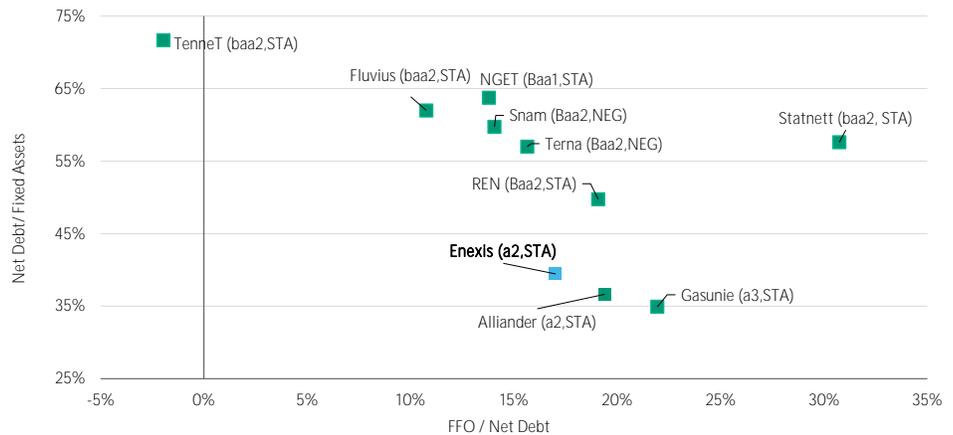
Summary

The credit quality of [Enexis Holding N.V.](#) (Aa3 stable) is underpinned by the low business risk of its monopoly operation of domestic electricity and gas distribution, which generates more than 90% of 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.

The company 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 metrics 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 standalone credit quality



Metrics are as of June 2022, except NGET (as of March 2022) and REN (as of September 2022). Ratings reflect the standalone 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, expressed as a baseline credit assessment of a2, reflecting the likelihood of extraordinary financial support from by 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 of monopoly distribution network activities, with limited contribution from unregulated businesses
- » Stable and transparent regulatory regime
- » Modest leverage compared with that of the wider peer group
- » Expectation of strong support from local government shareholders and the Dutch state, given the essentiality of assets

## Credit challenges

- » Reduction in allowed returns, which lowers 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 (partly mitigated by advanced cash flows)
- » No final decision yet on the handling of higher grid losses beyond 2023 until the end of the current regulatory period ending in December 2026

## 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 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 in 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 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.

	Dec-18	Dec-19	Dec-20	Dec-21	LTM 30 June 2022	2022 (E)	2023-2024 proj.
(FFO + Interest Expense) /	9,9x	11,7x	13,0x	15,1x	15,6x	14x-16x	16x-18x
Net Debt / Fixed Assets	32,3%	33,7%	35,7%	37,3%	39,4%	23%-25%	30%-35%
FFO / Net Debt	25,0%	22,3%	18,7%	19,5%	17,0%	30%-32%	17%-19%
RCF / Net Debt	20,6%	17,7%	15,1%	17,1%	14,1%	24%-26%	15%-17%

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 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

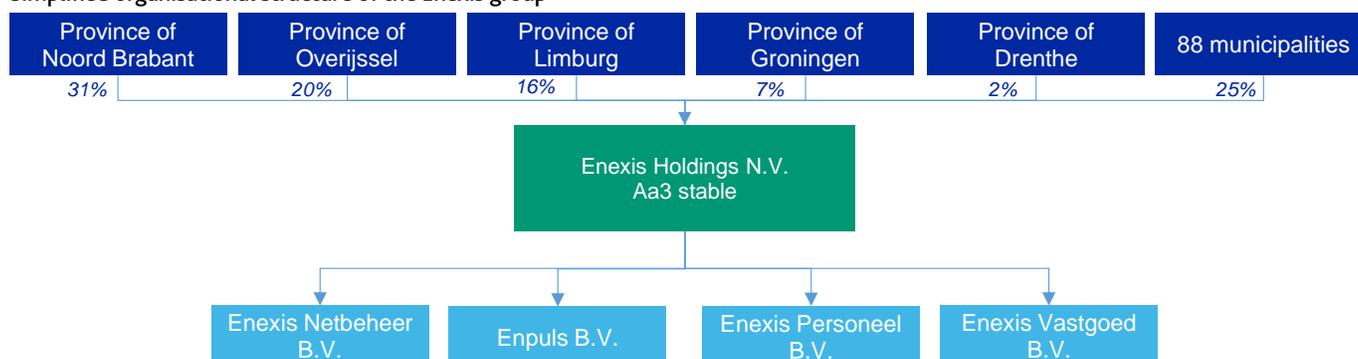
Enexis Holding N.V. is a holding company of Enexis Netbeheer B.V. (previously Enexis B.V.), which owns and manages the gas and electricity distribution networks in several Dutch regions, covering around 31% of the country. The group's regulated activities generate more than 90% of the entire revenue and represent close to 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 144,200 kilometres (km) of electricity cables and 46,200 km of gas pipelines, delivering electricity to around 2.9 million customers and gas to 2.3 million customers per 30 June 2022.

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 in 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 88 municipalities (24.4%) in its service area.

Exhibit 3

### Simplified organisational structure of the Enexis group



The sale of Fudura B.V. was announced on 22 March 2022 and executed on 24 August 2022.

Sources: 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 (up to 2026) to long term and provide good visibility to support future funding requirements. Enexis aims to concentrate on its core capabilities to lower its share of unregulated revenue.

Only a minor share of ca. 5.5% of Enexis' revenue is derived from other utility services (including metering services). These non-regulated businesses are complementary to the core activities. On 22 March 2022 the sale of the former major contributor to non-regulated revenue, Fudura B.V., was announced and finally executed on 24 August 2022 after the European Commission granted it approval on 3 August 2022. It was sold to a consortium of infrastructure funds for €1.3 billion, leading to 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, and will help 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 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 (pretax) 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 flow because the regulator switched from real to nominal returns, with nominal returns in 2023 likely to be around 2.9%. 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 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%. 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, smoothing fluctuations in tariffs and ultimately Enexis' cost profile. Furthermore, the ACM amended the regulatory framework to account for strongly rising interest rates and inflation (annually updated for actual figures versus the assumed risk free rate and interest utility index, reflected in the tariff t+2) and the higher cost of grid losses; the latter are driven by increased power prices to compensate at least for higher-than-allowed costs in 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 is already secured for until the end of the current regulatory period.

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

Initially, we assumed that the changes in the methodology will generate additional EBITDA of €120 million–€130 million per year or €80 million–€100 million of FFO per year for Enexis over 2022-26, which would have led to an improvement in FFO/net debt by around 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>.

However, strong increases in inflation and interest rates, and especially massive increases in power prices compared with the numbers anticipated when the regulatory framework was determined in 2021, are weighing on Enexis's profitability. These changes are addressed in the regulatory parameters as outlined above by the ACM. The mitigating factors such as higher tariffs to reflect increasing costs for grid losses and higher transmission costs, however, only are implemented for 2023 as of now. A continuation in 2024 and onwards seems likely, if energy prices stay high, because otherwise the allowed income would not be sufficient to capture actual costs, which would be credit negative.

### 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 and 2019 for the Dutch economy. The share of renewable energy sources reached 8.8% in 2019, with a 27% target for 2030<sup>2</sup>.

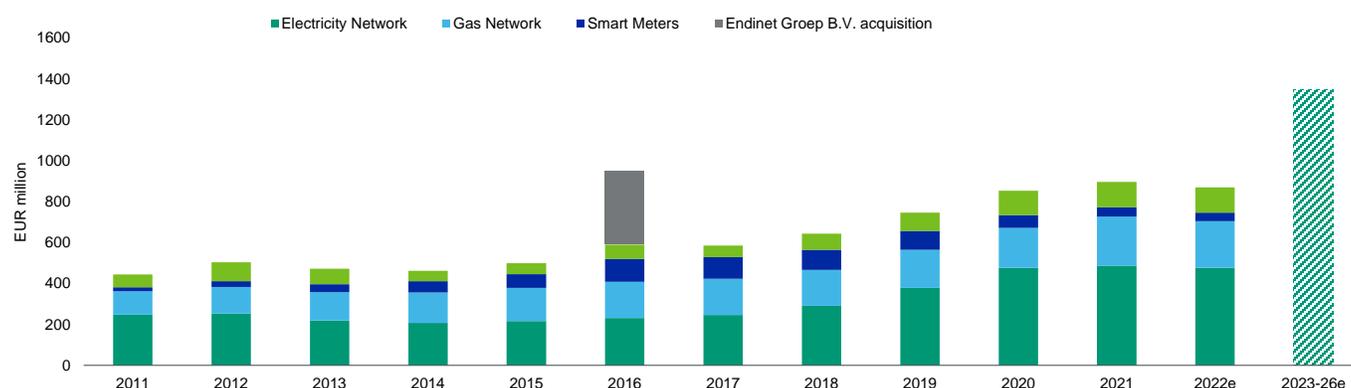
In June 2019, the Dutch government adopted the Dutch Climate Agreement, which commits the Netherlands to a 49% reduction in CO<sub>2</sub> emissions (relative to the 1990 levels) and the generation of 70% of electricity by renewable energy sources by 2030; and a 95% reduction in CO<sub>2</sub> emissions (relative to the 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 significant incremental capital spending for Enexis in the 2020s, including new connections for local renewable generation (primarily solar and onshore wind) and reinforcing the grid to cope with the growth in electric vehicles and heat transition. While a shortage of grid capacity has led to some delay in connecting renewables to the grid, this is further hampered by other factors, like shortages in skilled labour force and supply of material. Ultimately, prices are subject to indexation.

Long-term investments in its networks and smart meters are the main driver for Enexis' capital spending. In 2021, total gross capital spending amounted to €897 million. We forecast an increase in capital spending over the course of the current regulatory period to more than €1.2 billion on average per year over 2022-26, with greater uncertainty in the later years of the period (see Exhibit 6). As a result of the increase in capital spending needs, Enexis' 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, such as that represented by the sale of the Fudura subsidiary or an agreement with the government for optional equity injections.

Exhibit 5

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



Sources: 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. Since 2021, Enexis has been a part of a pilot project to expand the use of hydrogen for residential buildings.

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. It is however yet unclear how funding needs will be covered and a regulatory framework would be structured.

### Modest leverage, compared with that of peers, supports strong standalone credit quality, but increasing pressure from lower returns and higher investment

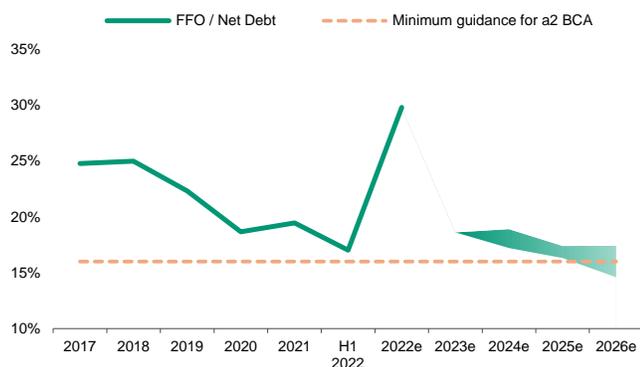
Like its closest peer [Alliander N.V.](#) (Aa3 stable), Enexis exhibits a strong financial profile with modest financial leverage compared with the wider European peer group of energy network companies. Nevertheless, we expect Enexis' metrics to weaken during the 2022-26 regulatory period because of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

Financial metrics for 2022 will likely be strong on back of the Fudura sale, which led to a strong cash inflow and hence a high cash position at year-end. In addition, Enexis had to pay higher procurement costs of €63 million to [Tennet Holding B.V.](#) (A3 stable) in 2020, which were recovered in 2022, supporting its FFO/net debt.

Under our base case, Enexis' FFO/net debt metric could decline towards the midteens in percentage terms, the minimum required for the current rating, in the later years of the current regulatory period. Higher-than-forecast investment requirements or a lack of reimbursement of costs above the allowed revenue cap could increase the pressure unless offset by either ACM interventions or other balance-sheet strengthening measures, which could include additional equity. However, leverage, calculated as net debt/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 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. In addition, the Fudura sale strengthened the company's balance sheet and credit metrics. To mitigate the effects of a further worsening of the capital structure, the Dutch government, together with the three Distribution System Operators (DSO), agreed on a legal framework that gives them access to additional government funding in 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 6

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

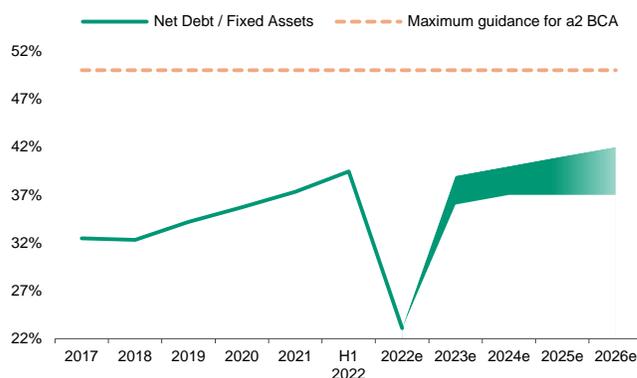


All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations; Moody's projections represent Moody's forward view; not the view of the issuer; and unless noted in the text, do not incorporate significant acquisitions and divestitures. The spike in 2022 is caused by the cash inflow of the Fudura sale.

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. The spike in 2022 is caused by the cash inflow of the Fudura sale.

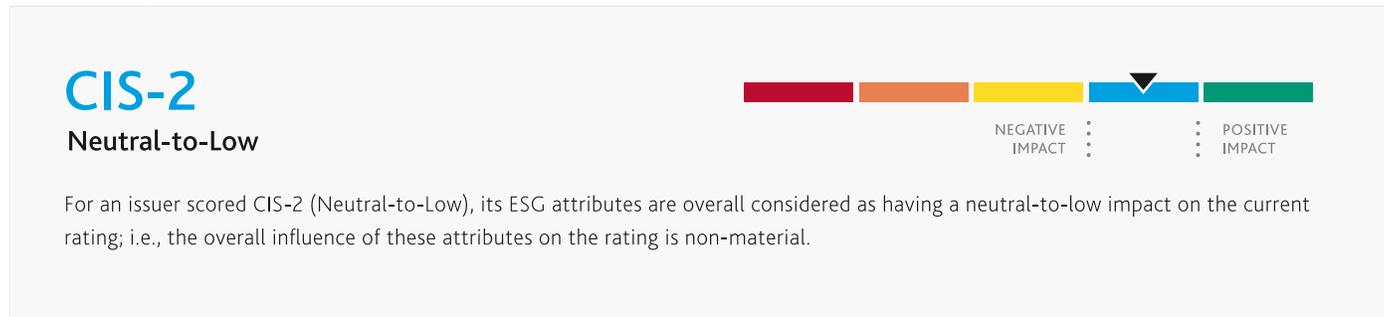
Source: Moody's Investors Service

## ESG considerations

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

Exhibit 8

#### 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 9

#### 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 Moodys.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

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% of 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 because all of the company's revenue and cash flow are generated from domestic activities.

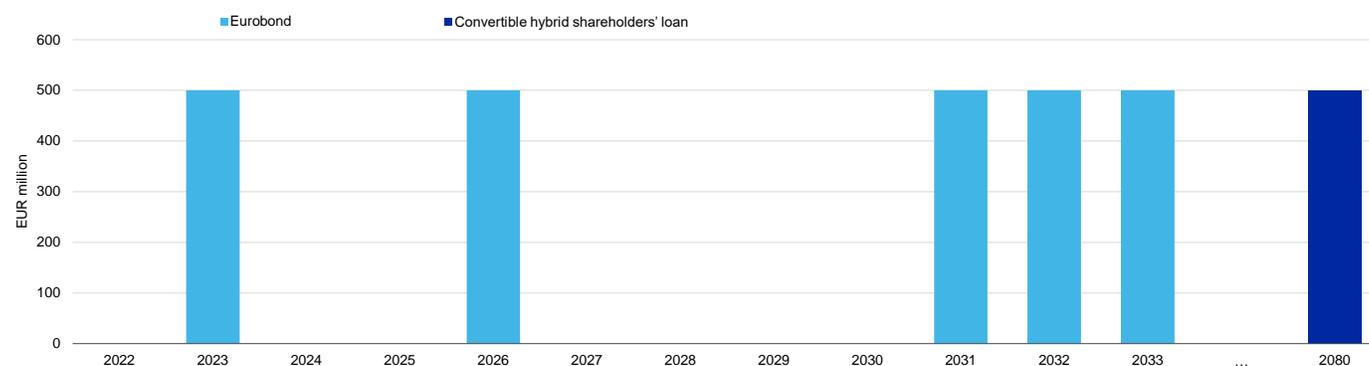
In addition, the Dutch government's ambitious decarbonisation agenda increases the strategic importance of Enexis to its owners as the central government increasingly sees municipalities as partners in the energy transition. In this context, the Dutch government intends to "provide sufficient capital for network operators" to facilitate 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 €21 million and short-term deposits of €12 million as of 30 June 2022, and access to a €850 million committed and undrawn revolving credit facility (RCF) of which €164 million matures in December 2024 and €686 million matures in December 2025, with the option to increase it by another €150 million. Driven by the Fudura sale, we expect a significant increase in the still to be reported cash position as of year-end 2022.

Exhibit 10

### Enexis' debt maturities are well distributed As of 30 June 2022



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

Sources: Enexis and Moody's Investors Service

## Methodology and scorecard

Enexis is rated in accordance with the rating methodologies for [Regulated Electric and Gas Networks](#), published in April 2022, and [Government-Related Issuers](#), published in February 2020.

Exhibit 11

### Rating factors

Enexis Holding N.V.

Regulated Electric and Gas Networks Industry Grid [1][2]	Current LTM 06/30/2022		Moody's 12-18 Month Forward View As of December 2021 [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
<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)	14,1x	Aaa	16x - 18x	Aaa
b) Net Debt / Fixed Assets (3 Year Avg)	37,2%	Aa	30%-35%	Aa
c) FFO / Net Debt (3 Year Avg)	18,6%	A	17% - 19%	A
d) RCF / Net Debt (3 Year Avg)	15,6%	A	15%-17%	A
<b>Rating:</b>				
Indicated Rating from Grid Factors 1-4		A1		A1
<b>Rating Lift</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
a) Scorecard-indicated outcome		A1		A1
b) Actual Baseline Credit Assessment				a2
<b>Government-Related Issuer</b>				
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 06/30/2022. [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

### Peer comparison

(in EUR million)	Enexis Holding N.V. Aa3 Stable			Alliander N.V. Aa3 Stable			Fingrid Oyj A1 Stable			TenneT Holding B.V. A3 Stable			N.V. Nederlandse Gasunie A1 Stable		
	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM
	Dec-20	Dec-21	Jun-22	Dec-20	Dec-21	Jun-22	Dec-20	Dec-21	Jun-22	Dec-20	Dec-21	Jun-22	Dec-20	Dec-21	Jun-22
Revenue	1.516	1.634	1.688	2.009	2.120	2.129	682	1.091	1.317	5.025	5.524	6.909	1.371	1.387	1.566
EBITDA	650	752	756	706	775	780	223	235	203	2.378	830	(129)	908	794	809
Total Debt	2.976	3.389	3.459	2.805	3.482	3.529	1.175	1.158	1.102	14.482	15.589	18.545	3.618	3.476	3.299
Net Debt	2.929	3.182	3.438	2.508	2.859	3.280	1.049	939	677	14.005	15.587	18.145	3.600	3.438	3.203
(FFO + Interest Expense) / Interest Expense	13,0x	15,1x	15,6x	14,8x	15,5x	16,1x	14,1x	18,0x	12,6x	10,1x	3,4x	-0,4x	10,8x	11,1x	13,9x
Net Debt / Fixed Assets	35,7%	37,3%	39,4%	31,3%	33,2%	36,6%	60,6%	51,8%	36,5%	65,6%	64,3%	71,6%	39,6%	37,8%	34,9%
FFO / Net Debt	18,7%	19,5%	17,0%	24,2%	22,4%	19,4%	16,6%	22,9%	22,7%	15,2%	3,4%	-2,0%	21,5%	19,7%	21,9%
RCF / Net Debt	15,1%	17,1%	14,1%	19,5%	19,0%	16,2%	2,5%	8,5%	2,9%	13,9%	2,1%	-3,1%	13,5%	12,0%	15,1%

Source: Moody's Financial Metrics™. All figures &amp; ratios calculated using Moody's estimates &amp; standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR\* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.

All figures are calculated using Moody's estimates and standard adjustments. LTM = Last 12 months (that ended June 2022).

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	LTM Jun-22
<b>As Reported Total Debt</b>	2.303	2.696	2.976	3.389	3.459
Leases	92	0	0	0	0
<b>Moody's Adjusted Total Debt</b>	2.395	2.696	2.976	3.389	3.459
Cash & Cash Equivalents	(31)	(62)	(47)	(207)	(21)
<b>Moody's Adjusted Net Debt</b>	2.364	2.634	2.929	3.182	3.438

All figures are calculated using Moody's estimates and standard adjustments. LTM = Last 12 months (that ended June 2022).

Source: Moody's Financial Metrics™

Exhibit 15

## Moody's-adjusted FFO breakdown

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	LTM Jun-22
<b>As Reported Funds from Operations (FFO)</b>	619	653	693	663	739	696
Leases	18	20	0	0	0	0
Capitalized Interest	0	0	0	(3)	0	0
Alignment FFO	0	0	0	0	0	7
Non-Standard Adjustments	(71)	(82)	(105)	(114)	(120)	(118)
<b>Moody's Adjusted Funds from Operations (FFO)</b>	566	591	588	547	619	585

All figures are calculated using Moody's estimates and standard adjustments. LTM = 12 months that ended June 2022. 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)

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	LTM Jun-22
<b>INCOME STATEMENT</b>						
Revenue	1.398	1.445	1.491	1.516	1.634	1.688
EBITDA	725	760	737	650	752	756
EBITDA margin %	51,9%	52,6%	49,4%	42,9%	46,0%	44,8%
EBIT	362	391	358	244	323	307
EBIT margin %	25,9%	27,1%	24,0%	16,1%	19,8%	18,2%
Interest Expense	63	66	55	46	44	40
Net income	219	307	212	106	199	189
<b>BALANCE SHEET</b>						
Net Property Plant and Equipment	7.040	7.318	7.810	8.205	8.526	8.718
Total Assets	7.752	7.807	8.258	8.749	9.395	9.465
Total Debt	2.571	2.395	2.696	2.976	3.389	3.459
Cash & Cash Equivalents	286	31	62	47	207	21
Net Debt	2.285	2.364	2.634	2.929	3.182	3.438
<b>CASH FLOW</b>						
Funds from Operations (FFO)	566	591	588	547	619	585
Cash Flow From Operations (CFO)	575	617	542	610	612	548
Dividends	104	103	122	105	75	99
Retained Cash Flow (RCF)	462	488	466	442	544	486
Capital Expenditures	(532)	(581)	(669)	(772)	(800)	(804)
Free Cash Flow (FCF)	(61)	(67)	(249)	(267)	(263)	(355)
<b>INTEREST COVERAGE</b>						
(FFO + Interest Expense) / Interest Expense	10,0x	9,9x	11,7x	13,0x	15,1x	15,6x
<b>LEVERAGE</b>						
Net Debt / Fixed Assets	32,5%	32,3%	33,7%	35,7%	37,3%	39,4%
FFO / Net Debt	24,8%	25,0%	22,3%	18,7%	19,5%	17,0%
RCF / Net Debt	20,2%	20,6%	17,7%	15,1%	17,1%	14,1%

All figures are calculated using Moody's estimates and standard adjustments. LTM = Last 12 months (that ended June 2022).

Source: Moody's Financial Metrics™

## Endnotes

- 1 Please also see [Regulated Electric & Gas Networks - Europe: 2023 Outlook - Stable as higher inflation and interest rates credit neutral for sector](#), January 2023.
- 2 [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).

© 2023 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 BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") 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 PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS 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 PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS 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 ITS PUBLICATIONS 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 PUBLICATIONS 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 PUBLICATIONS 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.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS 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 Publications.

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 fees ranging from \$1,000 to approximately \$5,000,000. 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.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

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 61 003 399 657 AFSL 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 Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1358290