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CREDIT OPINION
29 June 2022

Update

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RATINGS

Terega SAS

Domicile	France
Long Term Rating	Baa3
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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Terega SAS

Update to credit analysis

Summary

Terega SAS' (Baa3 stable) credit quality is supported by that of its operating subsidiary Terega SA's (Terega, Baa2 stable) and underpinned by the low business risk of the latter's monopoly-like gas transmission and storage activities in the southwest of France, and stable and predictable revenue under a supportive and transparent regulatory framework.

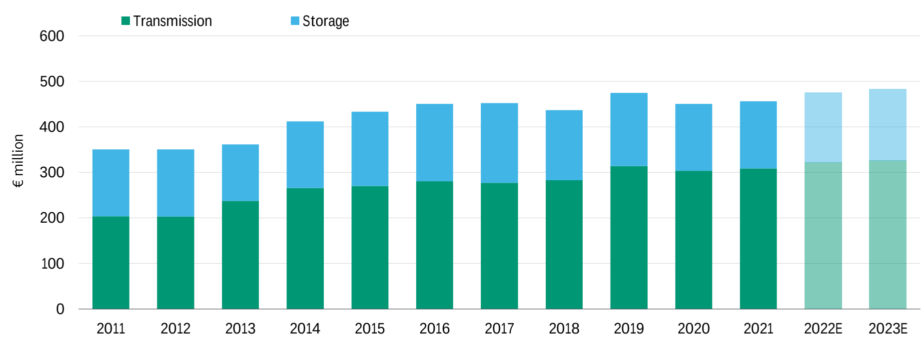
Terega's gas transmission business entered its seventh regulatory period in April 2020, although gas storage has been regulated in France only since 2018. In January 2020, the French energy regulator, Commission de Régulation de l'Energie (CRE), published its final determinations for the 2020-23 period, cutting allowed returns by 100 basis points (bps), which reduced Terega's earnings. The company is also exposed to potential operating cost overruns for gas storage as regulation moved away from a transitory cost-pass-through arrangement and introduced an incentive regime.

The debt of the consolidated Terega group is predominantly located at the level of Terega; however, the parent company, Terega SAS, issued €400 million of senior unsecured notes in February 2020 to reimburse €200 million bonds mandatorily redeemable in shares (Obligations Remboursables en Actions or ORAs) and pay exceptional dividends of €192 million. With the new holding company debt, Terega group's financial metrics have weakened but remain within guidance for the current rating.

Exhibit 1

Regulated gas transmission and storage activities underpin Terega group's low business risk profile

Revenue in € million



Revenue is presented excluding gas sales, subsidies and grants. The 2022 and 2023 estimates represent our forward view, not the view of the issuer.

Sources: Company, CRE and Moody's Investors Service

Credit strengths

» Low business risk profile of monopoly-like gas transmission and storage activities

» Transparent and supportive regulatory framework

» Supportive debt contractual features

» Commitment of shareholders to maintain credit quality

Credit challenges

» Cut in allowed returns from 2020 reduced financial flexibility

» Exposure to operating cost overruns for gas storage from 2020 as regulation moved away from cost pass through and introduced an incentive regime

Rating outlook

The rating outlook is stable for Terega SAS, reflecting our expectation that, over the next 18-24 months, metrics for the group will remain in line with current rating guidance of funds from operations (FFO)/net debt above 10% and net debt/regulated asset base (RAB) not above the high 70s in percentage terms.

Factors that could lead to an upgrade

We do not currently expect upward rating pressure given lower allowed returns and higher group leverage. Nevertheless, the rating could be upgraded if the group were to demonstrate a track record of maintaining FFO/net debt in the midteens in percentage terms.

Factors that could lead to a downgrade

Terega SAS' rating could be downgraded if the group's credit metrics appeared likely to fall below the levels commensurate with a Baa2 rating (that is, FFO/net debt above 10% and net debt/RAB not above the high 70s in percentage terms) as a result of further distributions to shareholders, business acquisitions or underperformance. The rating could also be downgraded if management appears likely to deviate from our assumptions about maintaining credit quality and capacity against the current rating guidance.

Key indicators

Exhibit 2

Terega group

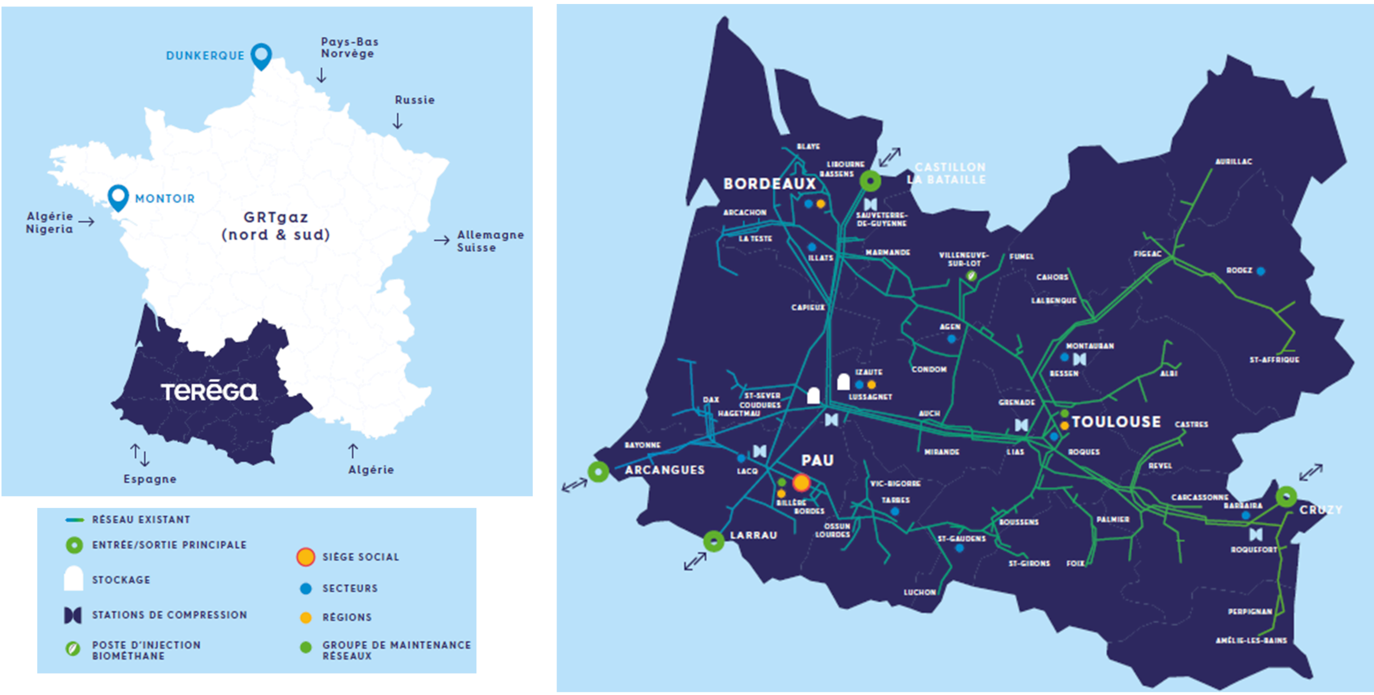
	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	2022-23 proj.
(FFO + Interest Expense) / Interest Expense	7.0x	6.8x	7.4x	6.1x	6.6x	6x-8x
Net Debt / Regulated Asset Base	55.7%	53.4%	51.5%	63.1%	59.6%	58%-63%
Net Debt / Fixed Assets	60.0%	61.0%	60.1%	74.8%	71.9%	57%-72%
FFO / Net Debt	15.8%	14.6%	16.3%	11.6%	12.2%	11%-13%
RCF / Net Debt	10.5%	9.2%	11.5%	-2.0%	10.1%	5%-7%

Financial metrics presented are for Terega SA until 2019. 2020-21 financial metrics and projections for 2022-23 are for Terega group, including the €400 million issuance completed by Terega SAS. Terega SA paid a special dividend of €192 million in 2020. All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Ratios do not include the benefit of a tax shield at Terega Holding level resulting from the tax deductibility of interest payments on the group's bonds mandatorily redeemable in shares (ORAs). For definitions of our most common ratio terms, please see the accompanying User's Guide.
Source: Moody's Financial Metrics™

Profile

Headquartered in Pau, France, Terega SAS owns 100% of the shares of Terega, which is the owner and operator of about 16% of France's gas transmission network and 25% of its underground storage capacity, both in the southwest of the country. The transmission business, with about 5,115 kilometres (km) of pipelines transporting more than 120 terawatt-hours (TWh) annually, generated 64% of the company's EBITDA in 2021. The storage business, which comprises two underground sites at Izaute and Lussagnet with a combined useful storage capacity of 33 TWh, generated the remaining 36%. The combined RAB of Terega was around €3.0 billion as of 1 January 2022.

Exhibit 3
Terega's assets are located in the southwest of France



Source: Company

Terega SAS is owned by a consortium comprising Italian gas transport and storage operator SNAM S.p.A. (Baa2 stable), Singaporean sovereign fund GIC, EDF Invest and Credit Agricole Assurances, which indirectly hold 40.5%, 31.5%, 18% and 10% of the company's share capital, respectively.

Detailed credit considerations

Gas transmission activities benefit from a well-established and transparent regulatory framework

The revenue generated by Terega's gas transmission activities is regulated under a well-established regime overseen by an independent national regulator, the CRE. The regulatory framework uses a building-block approach to determine revenue based on operating expenses, cost of capital and asset depreciation. Revenue has limited exposure to the gas volume transported because tariffs are based on the sale of capacity, payable even if not used. A backward-looking mechanism called Compte de Regularisation des Charges et Produits (CRCP) compensates for differences between collected and allowed revenue. The same mechanism applies for inflation included in the calculation of weighted average cost of capital (WACC) and authorised revenue, with an annual adjustment on the basis of the real inflation rate recovered through the CRCP.

The CRE's methodology and models are published, and are transparent in terms of capital spending and operating spending targets/trajectories and RAB remuneration. Tariffs are set for four-year periods based on an assumption of efficient costs and a fair return on capital employed. Terega entered its seventh regulatory period (ATRT7) in April 2020 after the previous regulatory period was shortened by a year to align subsequent periods with those for gas distribution and gas storage.

The CRE's final price determination for ATRT7 included a 2.5% reduction in tariffs in 2020 followed by an annual increase of 1.7% over the period. This determination reflects a WACC of 4.25% (real, pretax), down from 5.25% during the previous regulatory period (ATRT6) as a result of the low interest rate environment and the decrease in the French corporate tax rate (see Exhibit 4)[1]; and an operating spending efficiency target of 2.1% over the period. A capital investment programme of around €425 million over the period is likely to result in a 9.8% increase in nominal terms in the company's RAB between 1 January 2020 and 1 January 2023; and an annual 1.4% increase in its operating expenditure allowance over 2021-23, which is meant to support the company's transformation including development of its information systems and recruitment of additional employees. For the new regulatory period, the CRE adopted a total expenditure approach limited to Terega's spending on information systems, under which assets will be included in the RAB based on an ex-ante trajectory according to whether actual spending was made through capital spending or operating expenditure. Preparatory works for the next regulatory period will start from Q3 2022, with a public consultation process expected over the summer 2023 and a final deliberation published in December 2023. The Ukrainian conflict might result in greater attention on security of supply and an accelerated shift from natural gas towards green gases.

Exhibit 4

Lower allowed return for transmission reflects the lower-yield environment

	ATRT4	ATRT5	ATRT6	ATRT7
Regulatory period	**2009-2013**	**2013-2017**	**2017-2020 [2]**	**2020-2023**
Risk-free rate	2.3%	2.0%	1.6%	*0.4%*
Nominal risk-free rate	4.2%	4.0%	2.7%	1.7%
Debt spread	0.4%	0.6%	0.6%	0.9%
Tax deductibility of cost of debt	100%	100%	75%	100%
Tax rate	34.43%	34.43%	34.43%	28.02%
Cost of debt (nominal, pre-tax)	*4.6%*	*4.6%*	*3.7%*	**2.6%**
Gearing	40%	50%	50%	50%
Asset beta	0.70	0.58	0.45	0.50
Equity beta	1.00	0.96	0.75	0.86
Market risk premium	4.5%	5.0%	5.0%	5.2%
Cost of equity (nominal, pre-tax)	*13.3%*	*13.4%*	*9.8%*	**8.6%**
WACC (nominal, pre-tax)	*9.8%*	*9.0%*	*6.8%*	**5.60%**
Inflation	*1.9%*	*2.0%*	*1.1%*	1.3%
Allowed return (WACC, real, pre-tax, ATRT7 calculation)	*7.7%*	*6.9%*	*5.6%*	**4.25%**
Allowed return (WACC, real, pre-tax, ATRT6 calculation)	**7.25%**	**6.50%**	**5.25%**	*4.00%*
Bonus for interconnection investments [1]	**3.0% for 10 years**	**3.0% for 10 years, but for 3 projects only**	**Based on CRE analysis of each project**	**n/a**

[1] Bonus for investments reducing the number of balancing zones in France or increasing interconnection capacity. [2] The regulatory period for ATRT6 was shortened by one year to align with the regulatory periods for gas distribution and gas storage. Values in blue italic have not been published by the regulator or its consultant but are extrapolated by us from published data.

Sources: CRE and Moody's Investors Service

Gas storage enters second regulatory period, which supports predictability of cash flow

Amongst other things, French Act No. 2017-1839 of December 2017 approved the regulation of domestic gas storage facilities and in February 2018, the CRE published its final determination for gas storage tariffs for the two-year period from 1 January 2018 (ATS1). The introduction of regulation was credit positive for Terega, whose gas storage activities had previously operated under a commercial model in a competitive environment.

Regulated tariffs apply to all gas storage facilities deemed necessary to ensure security of supply and allow for the proper functioning of the domestic gas network system. All of Terega's gas storage assets currently fall under the scope of regulation but this could change if circumstances evolve. The risk is, however, mitigated by the characteristics of Terega's storage assets, including strategic location, technical efficiency and a lower average cost than that of Storengy (a subsidiary of ENGIE SA [Baa1 stable]), the other main gas storage operator in France.

The key regulatory principles and mechanisms for storage are similar to those for gas transmission and gas distribution in France. Under the regulatory framework, gas storage operators auction their capacities. Any shortfall between the proceeds from these auctions and the allowed revenue set by the CRE is recovered subsequently from consumers through a surcharge on transmission tariffs. Conversely, any revenue surplus arising from auctions will be clawed back. As a result, Terega is not exposed to volume and price risk, a credit positive.

Allowed revenue comprises an allowance for operating costs, depreciation and a return on the RAB. The final price determination published by the CRE for ATS2 included an annual increase of 2.4% over the whole period (2020-23), which includes a 2.1% operating efficiency target, in line with gas transmission. While the costs requested by the gas storage operators for ATS1 were fully allowed by the CRE and passed through to reflect the limited time it had to perform a detailed audit, ATS2 includes incentives on most operating costs.

The allowed depreciation is based on the assumption of a 75-year regulatory life for buffer gas, whereas the WACC has been set at 4.75% (real, pretax), compared with 5.75% (real, pretax) in ATS1. The WACC for gas storage corresponds to the WACC for the gas transmission network plus a 50-bp premium, which reflects the specific economic, technical and geological risks associated with gas storage, and was cut by 100 bps for ATS2, in line with the WACC for gas transmission.

Exhibit 5

Revenue building block for gas storage and underlying assumptions

	ATS1		ATS2			
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
Regulated Asset Base at 1 January (€ million)	1156	1229	1245	1270	1299	1320
WACC (real, pre-tax)	5.75%	5.75%	4.75%	4.75%	4.75%	4.75%
Return on assets under construction (nominal, pre-tax)	4.20%	4.20%	3.10%	3.10%	3.10%	3.10%
Net opex (€ million)	37.2*	44	44	46	46	47
Capital charges (€ million)	111	120	104	106	109	111
Revenue allowance (€ million)	153	164	147	151	154	158

*Actual value as published by the regulator.
Sources: CRE and Moody's Investors Service

Regulatory balances arising from the over- or under-recovery of revenue or costs will be clawed back in the following year under the CRCP mechanism, provided the impact on allowed revenue is not greater than 5% (if the 5% annual threshold is exceeded, the remaining regulatory balances will be clawed back in subsequent years).

Incentives related to the commercialisation of gas storage capacity have evolved between ATS1 and ATS2. While ATS1 tariffs enabled operators booking more than 75% of their capacity to retain a proportion of the proceeds from the auctions (up to 5% if 100% capacity is booked), ATS2 includes a bonus/malus of 1% of the difference between the auction price and the seasonal value of storage (winter-summer spread less storage cost) for each auction, on the condition that security of supply is maintained.

Manageable capital spending in the next 18-24 months, supported by solid financial performance in 2021

The regulatory determinations for Terega for 2020-23 include annual investments between €150 million and €170 million, of which around two-thirds will be dedicated to the maintenance, strengthening and development of the transmission grid.

Projects for the current regulatory period include a new 68-km pipeline between Villaries and Albi (near Toulouse, France), and modification of 4.4 km of existing delivery pipelines for an estimated cost of €76.6 million. In parallel, Terega has launched a second major project to secure gas injection and withdrawal rates from the Lussagnet and Izaute reservoirs for an estimated cost of €58.5 million. Both projects should be completed in 2026 and 2028, respectively. Terega has also started development of an 8.5 megawatt (MW) solar plant to provide electricity to Lussagnet facilities for a total cost of €7.4 million. The commissioning is planned in 2023.

Terega's performance was solid in 2021, evidencing the predictability and stability of earnings. Terega's storage capacity has been 100% subscribed for 2022 with auctions contributing 43% of the authorised revenue. Over 2022-23, we expect the group to maintain its financial flexibility, as reflected by a FFO-to-net debt ratio in the range of 11%-13%, supported by sound EBITDA given that the effects of inflation are covered by the regulation and lower cost of debt following the refinancing that took place in 2020, which will mitigate the impact of rising spending to develop new unregulated businesses (€5 million-€10 million annual spending).

New businesses to adapt to energy transition in France

In the context of the French government's 2020 decision to phaseout natural gas by 2050, Terega is considering new activities, partially unregulated.

The group is investing to adapt its current transmission and storage infrastructure to new gases, focusing on green hydrogen and biomethane, whose expansion will be supported by the favourable European legal framework currently under discussion. In particular, Terega joined the European Hydrogen Backbone, alongside other European gas TSOs, which will consist of a 39,700-km network by 2040 to transport hydrogen.
In 2021, Terega also developed unregulated businesses. Terega invested €10 million in HDF Energy, a listed hydrogen project developer. Concomitantly, the group initiated in 2020 the construction of infrastructure to connect biomethane sites to gas stations, in parallel to the acquisition of minority stakes in French companies specialised in anaerobic digestion process.

Finally, Terega is developing digital systems to help customers optimise their energy consumption, like the other European TSOs.

2020 financing increased leverage, but shareholders have maintained a balanced financial policy

Following Terega SAS' issuance of €400 million of new notes, FFO/net debt fell to 11.6% as of 31 December 2020 from 16.5% as of 31 December 2019 at the group level, in line with the guidance for the current rating (FFO/net debt above 10%). The new debt issuance followed a relaxation of lockup ratios in September 2019 (see below) after which we expected shareholders to take advantage of the opportunity to increase gearing.

Amendment of lockup ratios allowed for an increase in leverage

Terega's bond documentation includes two lockup ratios, which prevent distributions to shareholders of Terega SAS, including principal and interests payments on shareholder debt (including the €470 million 8% bonds mandatorily redeemable in shares, or ORAs).

The lockup ratios were amended following a consent process launched in September 2019 and are now set as follows:

» Interest cover (EBITDA/net financial charges) not less than 4.0x, where net finance charges exclude interest on shareholder debt

» Total net leverage (net debt/EBITDA) below 7.25x in 2019-20 and 7.0x from 2021 because of ORA principal repayment and other restricted payments; net debt excludes shareholder debt

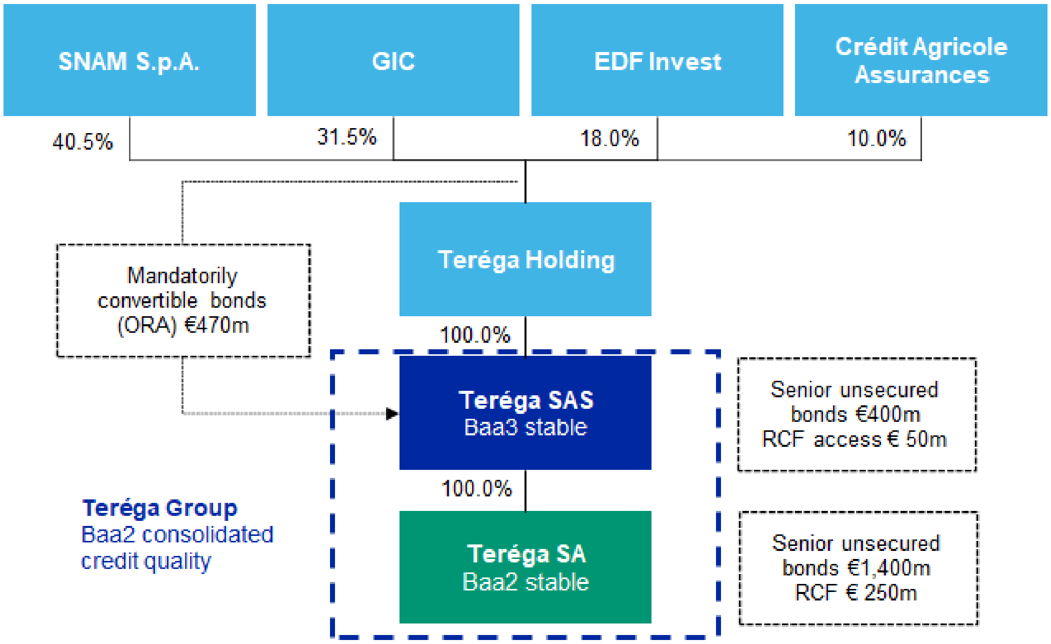
These ratios are calculated at the level of the Terega group. The making of restricted payments, while in breach of the lockup ratios, is an event of default under the bond documentation.

The company has said that it intends to maintain at least 0.25x - 0.5x headroom against its lockup ratios, which should protect against credit metrics falling sustainably below our ratio guidance. More broadly, the current rating assumes that shareholders will act in accordance with their stated intention to maintain credit quality and take measures to bolster balance-sheet strength if necessary to support financial metrics in line with the guidance for the current rating.

Supportive debt contractual features

Our assessment of Terega group's leverage excludes the €470 million 8% bonds mandatorily redeemable in shares (ORAs) due 2043, issued by Terega SAS (see Exhibit 6), because of their strong equity-like characteristics. These include the mandatory conversion of principal into shares at maturity or in case of insolvency, the option to defer perpetually the payment of coupons, and the deep subordination to all other present and future instruments. Terega repaid €200 million of the ORAs in 2020 using part of the proceeds of its €400 million bond issuance at the group level. Shareholders received extraordinary dividends of €192 million with the rest of the proceeds.

Exhibit 6
Terega's group structure



Sources: Company and Moody's Investors Service

Our assessment of Terega's financial profile also takes into account the terms and conditions of the notes, and an undertaking agreement from the holders of the ORAs and Terega Holding to Terega and Terega SAS. These, in combination with the ORAs and the consortium's expected prudent financial policy, provide a financial framework that is consistent with a Baa2 rating.

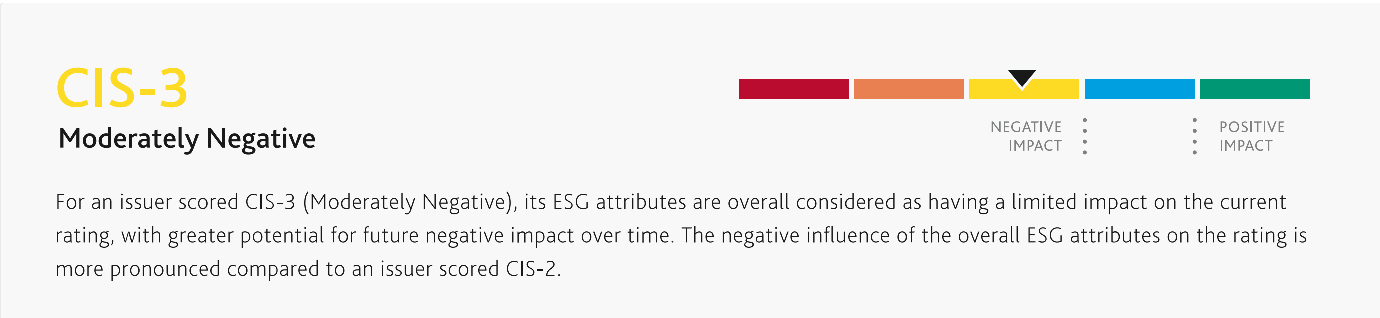
Noteholders benefit from events of default if Terega SAS makes certain payments to its shareholders at a time when it was aware that it has not complied with the following financial covenants: consolidated net debt/EBITDA of 7.25x (decreasing to 7.0x from 2021) and EBITDA/interest of 4.0x; certain changes are made to the subordination provisions, payment restrictions or mandatory conversion provisions of the ORAs; or there is a breach or termination of, or a significant amendment to, the undertaking agreement — the main purpose of which is to mirror these terms and conditions — entered into by, inter alia, Terega, its parent and some of the parent's shareholders or their affiliates.

The restrictions incorporated in the financing terms limit the calls on the cash flow of Terega and Terega SAS. In addition, the restrictions against changes in the ORAs' terms and conditions, and the notification requirements in the public notes and in the undertaking agreement should maintain the ORAs' credit-supportive qualities with respect to the notes, notwithstanding the private nature of the instrument.

ESG considerations

TEREGA SAS ESG Credit Impact Score is Moderately Negative CIS-3

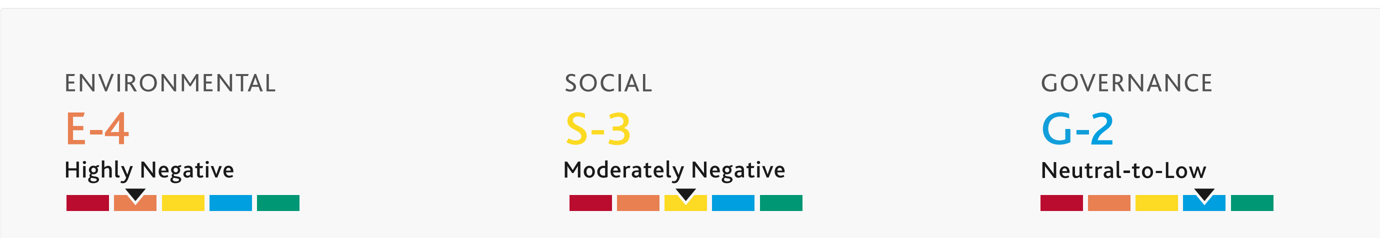
Exhibit 7
ESG Credit Impact Score



Source: Moody's Investors Service

Terega's ESG Credit Impact Score is moderately negative (**CIS-3**), indicating that its ESG attributes overall have a limited impact on the current rating, with greater potential for future negative impact. Terega's **CIS-3** reflects its high exposure to environmental risks, associated with the risk of stranded gas assets. The effect of these considerations on the rating is mitigated by a moderate exposure to social risks and a low-to-neutral exposure to governance risks.

Exhibit 8
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Terega's exposure to environmental risks is highly negative (**E-4** issuer profile score) given the group's concentration in gas transmission and storage infrastructure in France, where a new energy transition law plans to phase out natural gas in the country by 2050. It also takes into account the moderate physical climate risk inherent to gas networks. Exposure to water management, waste and pollution, and natural capital risks is low to neutral.

Social

Moderately negative social risks (**S-3** issuer profile score) reflects the fundamental utility risk that demographics and societal trends could include public expectation that utilities act as public service, utility's reputational risk. These pressures could turn into adverse political intervention as illustrated by the future natural gas phaseout in France. Terega also has moderately negative exposure to risk related to public safety as a gas leak or explosion, although unlikely, could have a significant negative impact on the company's reputation and financial situation.

Governance

Governance factors are similar to peers' and do not pose a particular risk (**G-2** issuer profile). This is supported by neutral-to-low scores on financial strategy and risk management, management credibility and track record, organisational structure, compliance and reporting, and board structure policies and procedures, and, to some extent, a diversified shareholding structure.

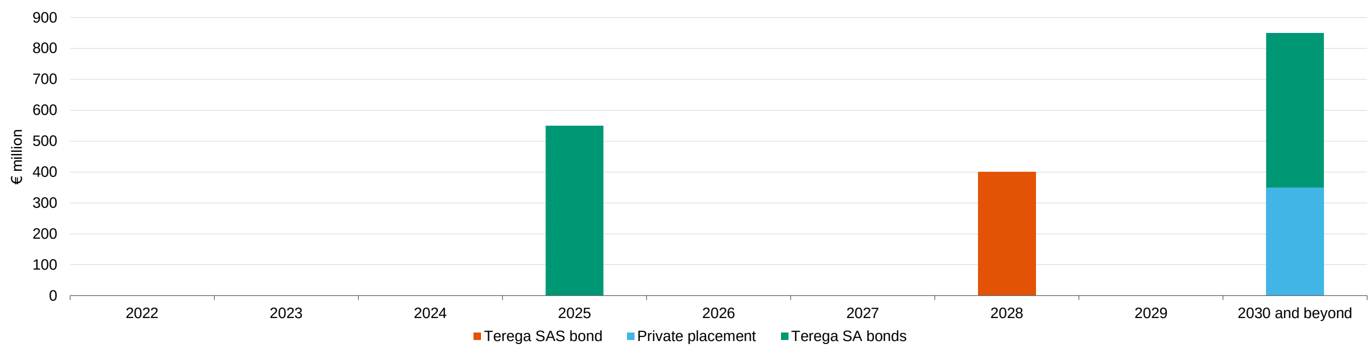
ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on www.moodys.com. To view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Terega's liquidity is solid, underpinned by a committed €250 million revolving credit facility which will mature in July 2026. Terega SAS is a co-borrower on the facility for an amount that cannot exceed €50 million.

In addition, stable and predictable operating cash flow in excess of €200 million per year is sufficient to cover the annual capital spending requirement of between €150 million and €170 million. The next debt maturities are the €550 million notes due 2025, €500 million notes due 2030, €400 million notes due 2028 and a €350 million private placement due 2035.

Exhibit 9
Debt maturity profile for the Terega group



Sources: Company reports and Moody's Investors Service

Structural considerations

We assess the consolidated Terega group's credit quality as commensurate with the Baa2 rating. The documentation of Terega's bonds includes covenants that are calculated at the level of Terega group, and provide no ring-fencing between Terega and its direct parent. In the absence of ring-fencing, the Baa2 rating of Terega is in line with the group's consolidated credit quality. The Baa3 rating of Terega SAS is one notch below the consolidated rating of the group to reflect structural subordination.

Methodology and scorecard

Terega is rated in accordance with our Regulated Electric and Gas Networks rating methodology, published in April 2022. The assigned Baa3 rating is lower than the scorecard-indicatedoutcome range of Baa1-A2, which reflects Terega SAS' structural subordination.

Exhibit 10

Rating factors

Terega group

Regulated Electric and Gas Networks Industry Grid [1]	Current FY 12/31/2021		Moody's 12-18 Month Forward View As of 06/16/2022 [2]	
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	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) FFO Interest Coverage (3 Year Avg)	6.7x	Aa	6x - 8x	Aa - Aaa
b) Net Debt / RAB (3 Year Avg)	58.1%	A	58% - 63%	Baa - A
c) FFO / Net Debt (3 Year Avg)	13.2%	Baa	11% - 13%	Ba - Baa
d) RCF / Net Debt (3 Year Avg)	6.2%	Ba	5% - 7%	Ba - Baa
Rating:				
Indicated Rating from Grid Factors 1-4		A3		Baa1 - A2
Rating Lift				
a) Indicated Rating from Grid		A3		Baa1 - A2
b) Actual Rating Assigned				Baa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] 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 Financial Metrics™

Ratings

Exhibit 11

Category	Moody's Rating
TEREGA SAS	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
Senior Unsecured -Dom Curr	Baa3
TEREGA SA	
Outlook	Stable
Issuer Rating -Dom Curr	Baa2
Senior Unsecured -Dom Curr	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 12
Peer comparison
Terega Group

(in EUR million)	Terega SAS Baa3 Stable			Enagas S.A. Baa2 Stable			SNAM S.p.A. Baa2 Stable			2i Rete Gas S.p.A. Baa2 Stable		
	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-19	FYE Dec-20	FYE Dec-21
Revenue	499	458	484	1,153	1,054	976	2,635	2,753	3,285	714	702	722
EBITDA	294	278	282	985	924	860	2,227	2,157	2,267	518	503	527
Total Assets	3,062	3,532	3,101	8,844	9,009	9,874	24,055	25,663	27,141	4,535	4,468	4,993
Total Debt	1,491	2,310	1,795	5,333	5,738	5,686	15,453	16,741	15,384	3,046	2,853	3,297
Net Debt	1,452	1,821	1,776	4,234	4,874	4,242	12,602	13,697	14,047	2,693	2,666	2,854
FFO / Net Debt	16.3%	11.6%	12.2%	18.0%	14.5%	16.2%	13.9%	13.7%	13.0%	12.6%	14.1%	14.3%
RCF / Net Debt	11.5%	-2.0%	10.1%	9.2%	5.7%	5.7%	8.0%	8.0%	7.2%	9.2%	12.2%	9.9%
FCF / Net Debt	2.2%	-8.9%	1.5%	11.1%	5.0%	5.4%	-1.5%	-2.4%	-5.2%	-0.4%	1.1%	-1.4%
(FFO + Interest Expense) / Interest Expense	7.4x	6.1x	6.6x	7.2x	8.0x	8.2x	11.5x	14.4x	13.8x	6.4x	7.7x	8.0x

All figures and ratios calculated using Moody's estimates and standard adjustments. FYE = Financial year-end.
Source: Moody's Financial Metrics™

Exhibit 13
Moody's-adjusted debt breakdown
Terega Group

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported Total Debt	1,446	1,488	1,491	2,310	1,795
No Adjustments	0	0	0	0	0
Moody's Adjusted Total Debt	1,446	1,488	1,491	2,310	1,795
Cash & Cash Equivalents	(33)	(34)	(38)	(490)	(20)
Moody's Adjusted Net Debt	1,413	1,455	1,452	1,821	1,776

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 14
Moody's-adjusted EBITDA breakdown
Terega Group

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported EBITDA	307	284	279	278	282
Unusual Items - Income Statement	0	0	15	0	0
Moody's Adjusted EBITDA	307	284	294	278	282

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 15

Select historical Moody's-adjusted financial data

Terega Group

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
INCOME STATEMENT					
Revenue	468	457	499	458	484
EBITDA	307	284	294	278	282
EBITDA margin %	65.7%	62.1%	58.9%	60.6%	58.3%
EBIT	174	152	192	169	173
EBIT margin %	37.3%	33.3%	38.4%	36.9%	35.7%
Interest Expense	37	37	37	42	39
Net income	92	50	87	72	84
BALANCE SHEET					
Total Debt	1,446	1,488	1,491	2,310	1,795
Cash & Cash Equivalents	33	34	38	490	20
Net Debt	1,413	1,455	1,452	1,821	1,776
Net Property Plant and Equipment	2,355	2,386	2,415	2,436	2,468
Total Assets	2,962	3,037	3,062	3,532	3,101
CASH FLOW					
Funds from Operations (FFO)	223	213	237	211	217
Cash Flow From Operations (CFO)	208	197	244	211	205
Dividends	76	78	71	247	38
Retained Cash Flow (RCF)	148	135	167	(36)	180
Capital Expenditures	(179)	(169)	(141)	(126)	(140)
Free Cash Flow (FCF)	(47)	(49)	32	(162)	27
INTEREST COVERAGE					
(FFO + Interest Expense) / Interest Expense	7.0x	6.8x	7.4x	6.1x	6.6x
LEVERAGE					
FFO / Net Debt	15.8%	14.6%	16.3%	11.6%	12.2%
RCF / Net Debt	10.5%	9.2%	11.5%	-2.0%	10.1%
FCF / Net Debt	-3.3%	-3.4%	2.2%	-8.9%	1.5%
Debt / EBITDA	4.7x	5.2x	5.1x	8.3x	6.4x
Net Debt / EBITDA	4.6x	5.1x	4.9x	6.6x	6.3x
Net Debt / Fixed Assets	60.0%	61.0%	60.1%	74.8%	71.9%

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Moody's related publications

Issuer Comment:

» TIGF SA: Proposed regulation of gas storage is credit positive; impact to depend on final deliberation and financial policy, 15 January 2018

Sector Comment:

» Power generation projects – France: Government action to reduce early solar tariffs is credit negative for affected projects, 12 February 2021

» Regulated gas networks - France: Cut in allowed returns for gas transport and storage from 2020 is credit negative, 19 December 2019

» Regulated Electric & Gas Networks - France: France's proposal to significantly cut allowed returns for gas transport and storage from 2020 is credit negative, 29 July 2019

» Electric & gas utilities - EMEA: Regulation of gas storage in France will enhance cash flow visibility, 28 February 2018

Sector In-Depth:

» Europe's electricity markets – France: In France, the rise in power prices and decarbonisation targets will support new nuclear capacity, 30 November 2021

Outlook:

» Regulated Electric & Gas Networks – Europe – 2022 outlook stable, with limited changesto key regulatory parameters, 10 January 2022

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

1 See **Regulated gas networks - France: Cut in allowed returns for gas transport and storage from 2020 is credit negative**, 19 December 2019.

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