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CREDIT OPINION
17 June 2021

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

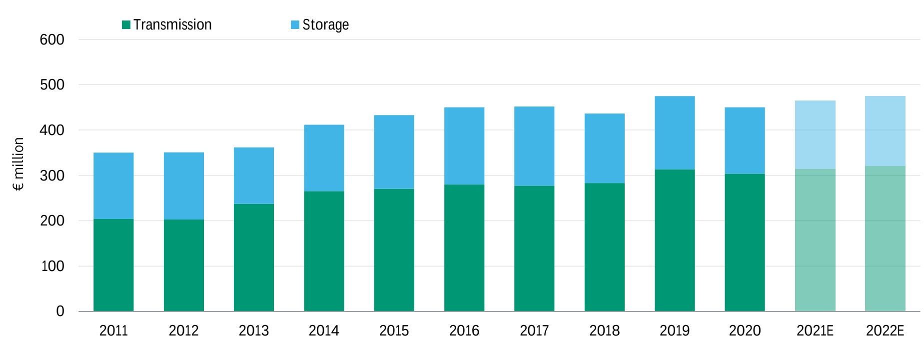
Summary

Terega SAS's (Baa3 stable) credit quality is supported by that of its operating subsidiary Terega SA's (Terega, Baa2 stable), which is underpinned by the low business risk of its 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 SA'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), reducing Terega SA'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 SA, however, the parent company, Terega SAS (Baa3 stable), issued €400 million of senior unsecured notes in February 2020 to reimburse €200 million bonds mandatorily redeemable in shares (Obligations Remboursables en Actions, "ORAs") and pay exceptional dividends of €192 million.

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 2021 and 2022 estimates represent our forward view, not the view of the issuer.
Sources: Company, CRE and Moody's Investors Service

With the new holding company debt, Terega group's financial metrics have weakened but remain within guidance for the current rating.

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, has 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 metrics for the group will remain in line with guidance for the current rating 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 anticipate 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 mid teens in percentage terms.

Factors that could lead to a downgrade

Terega SAS's 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 high 70s), as a result of further distributions to shareholders, business acquisitions or underperformance. The rating could also be downgraded if management appears unlikely to act in accordance with our assumption to maintain credit quality and headroom against the current rating guidance.

Key indicators

Terega group

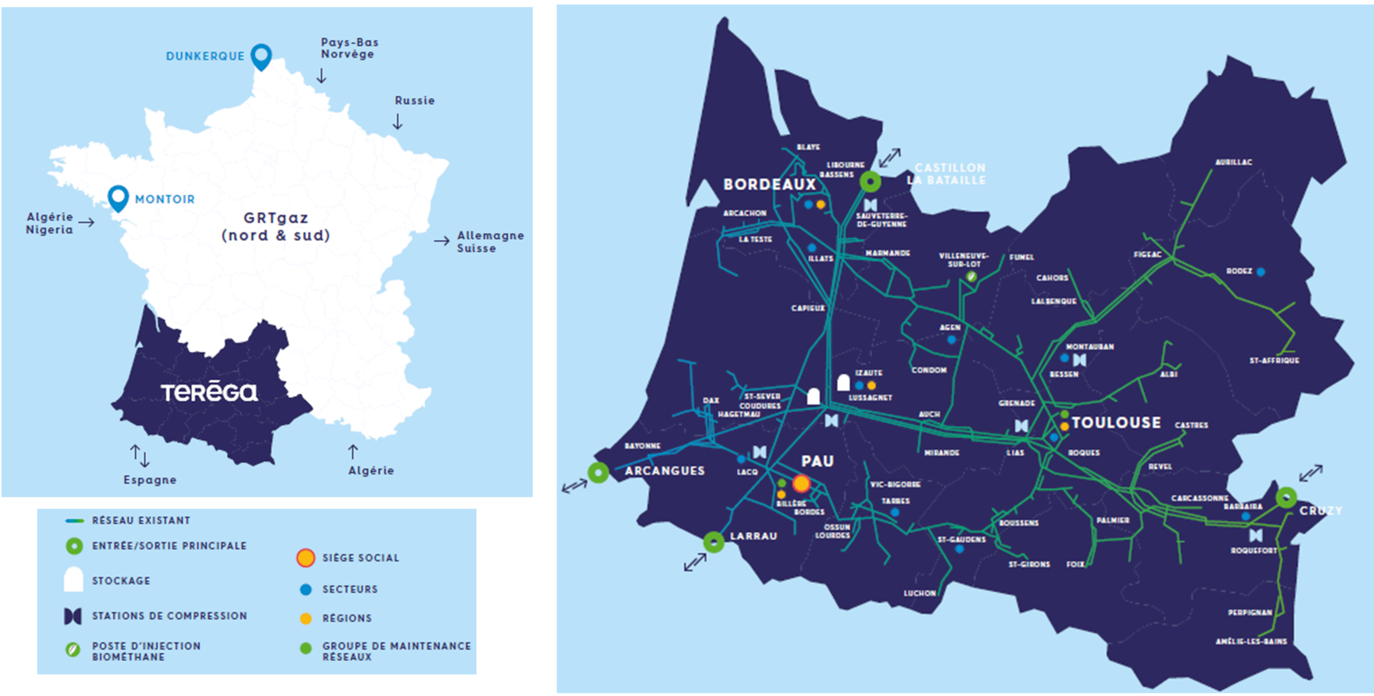
	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	2021-22 proj.
FFO Interest Coverage	5.6x	5.9x	5.6x	5.8x	6.1x	5.5x - 7x
Net Debt / RAB	n/a	55.7%	53.3%	51.3%	63.1%	57% - 62%
Net Debt / Fixed Assets	83.3%	82.5%	82.7%	81.9%	74.8%	67% - 72%
FFO / Net Debt	15.3%	15.5%	14.2%	14.8%	11.6%	10.5% - 12.5%
RCF / Net Debt	9.4%	10.0%	8.6%	10.0%	-2.0%	6% - 9%

Financial metrics presented are for Terega SA until 2019. 2020 financial metrics and projections over 2021-22 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 SA (Terega), which is the owner and operator of about 16% of France's gas transmission network and 26% of its underground storage capacity, both in the southwest of the country. The transmission business, with about 5,127 kilometres (km) of pipelines transporting more than 122 terawatt-hours (TWh) annually, generated 63% of the company's EBITDA in 2020. The storage business, which comprises two underground sites at Izaute and Lussagnet with a combined useful storage capacity of 33 TWh, generated the remaining 37%. The combined RAB of Terega was around €2.9 billion as of 1 January 2021.

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 through a framework 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. This 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 compensates for differences between collected and allowed revenue.

The CRE's methodology and models are published and 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. Overall, the regulatory framework is well established and transparent.

The CRE's final price determination for ATRT7 included a 2.5% reduction in tariffs in 2020 and an annual increase of 1.7% over the period. This determination reflects a weighted average cost of capital (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 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, is intended to support the company's transformation including development of its information systems and recruitment of additional employees. For the new regulatory period, CRE has 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.

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 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

French Act No. 2017-1839 of December 2017 approved the regulation of domestic gas storage facilities, among other things, 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. Although at the outset all of Terega's gas storage assets were identified as falling under the scope of regulation, this could change in the future if circumstances evolve. This risk is mitigated by the fundamental 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 principles and regulatory mechanisms set by the CRE 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 no longer exposed to volume and price risk, which is 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 a 1.6% reduction in tariffs between 2018 and 2020 because of the cut in allowed returns, and an annual increase of 2.4% over the whole period, which includes a 2.1% operating efficiency target for the period, 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 2020

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 the construction of a new 68km pipeline between Villaries and Albi (near Toulouse, France), and the modification of 4.4km of existing delivery pipelines for an estimated cost of €76.6 million. In parallel, Terega 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 2024, respectively. Terega also started the 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.

COVID-19 has had little impact on revenue and has been slightly positive for EBITDA. The pandemic has, so far, only led to delays a minor portion of planned investments. Terega's storage capacity has been 100% subscribed for 2021, with auctions contributing for 63% of the authorised revenue. Over 2021-22, we expect the group to maintain its financial flexibility, as reflected by a FFO-to-net debt ratio in the range of 10.5%-12.5%, supported by sound EBITDA and lower cost of debt following the refinancing that took place in 2020, which will mitigate the rising spending to develop new unregulated businesses.

New, unregulated businesses to adapt to energy transition in France

In a context of natural gas phaseout by 2050 in France, decided by the government in 2020, Terega is considering new, unregulated activities.

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 discussions. 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 2020, the group also initiated 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 to maintain a balanced financial policy

Following Terega SAS' issuance of €400 million of new notes, FFO/net debt decreased 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%). We expected shareholders to take advantage of the opportunity to increase gearing after lockup ratios were amended in September 2019 to extend shareholders' ability to increase leverage.

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 SAS group. The making of restricted payments, while in breach of the lockup ratios, is an event of default under the bond documentation.

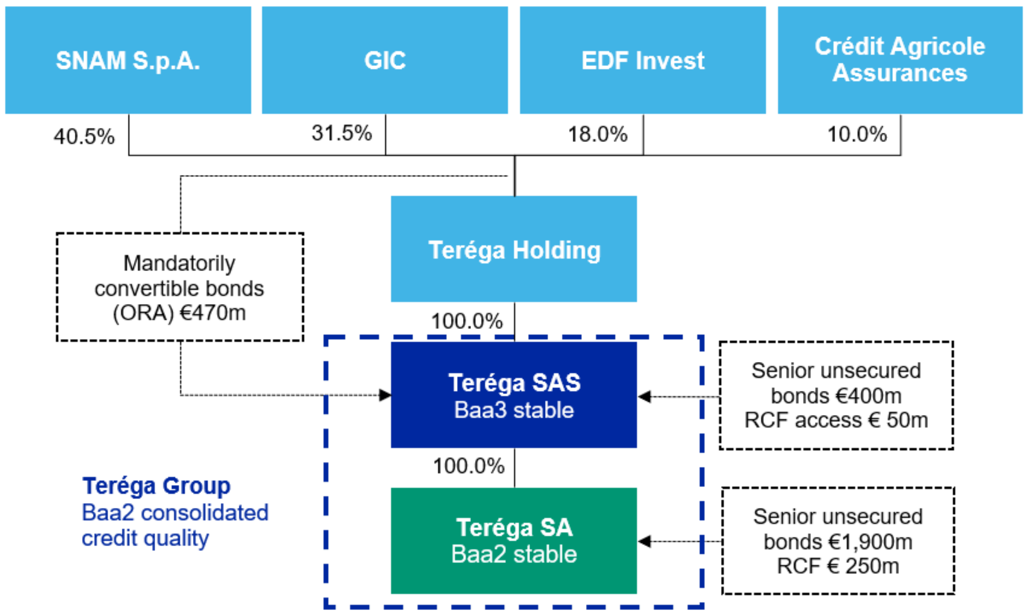
The company has said that it intends to maintain at least 0.25x-0.5x headroom against its lockup ratios, which should protect bondholders against credit metrics falling sustainably below our ratio guidance.

We assume 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



The level of gross debt presented at Terega SA level is temporarily higher as €500 million of senior unsecured bonds have been issued in 2020 to refinance a similar bond with a maturity date in July 2021.
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 the existence of 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 as well as 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

The EU has committed to reduce greenhouse gas emissions by 40% from the 1990 levels and increase the contribution of renewables to energy demand to 27% by 2030. These targets, agreed in 2014, formed the basis of the EU's Nationally Determined Contributions incorporated into the Paris Agreement and are designed to significantly decarbonise the region's economies. France has committed to ambitious climate targets, including a 40% reduction in greenhouse gas emissions by 2030 and carbon neutrality by 2050. In addition, the French government decided to phase out natural gas by 2050.

Decarbonisation is raising questions about the long-term future of gas transmission operators in some developed countries. Terega has high exposure to decarbonisation risk, compared with its electric and gas network peers in Europe, including a risk of stranded assets driven by French government's commitment to phase out natural gas by 2050. However, that could be somewhat mitigated through the re-use of natural gas infrastructure for hydrogen and other biogases.

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.

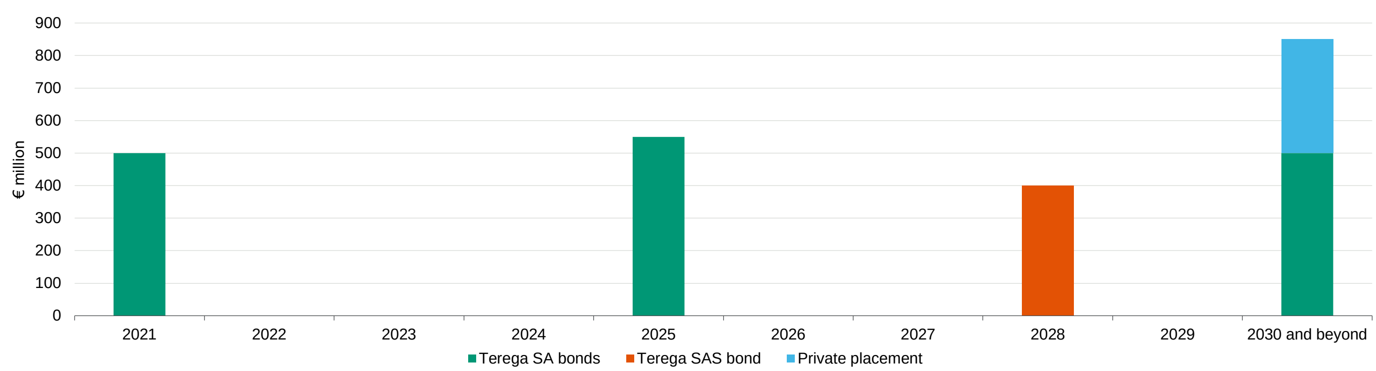
Liquidity analysis

Terega's liquidity is solid, underpinned by a committed €250 million revolving credit facility, which was amended and extended in July 2019 for a period of five years, with two one-year extension options. 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 annum is sufficient to cover the annual capital spending requirement of between €150 million and €170 million. The next debt maturities are the €500 million notes due 2021, €550 million notes due 2025, €400 million notes due 2028 and a €350 million private placement due 2035. In September 2020, Terega issued senior unsecured notes of €500 million due in 2030 to reimburse at maturity the notes due in 2021.

Exhibit 7

Debt maturity profile for the Terega group



The level of gross debt presented at Terega SA level is temporarily higher as €500 million of senior unsecured bonds have been issued in 2020 to refinance a similar bond with a maturity date in July 2021.
Sources: Company reports and Moody's Investors Service

Appendix

Exhibit 8

Peer comparison
Terega Group

	Terega SAS Baa3 Stable			Enagas S.A. Baa2 Stable			SNAM S.p.A. Baa2 Stable			2i Rete Gas S.p.A. Baa2 Stable		
(in EUR million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-18	FYE Dec-19	FYE Dec-20
Revenue	457	499	458	1,295	1,153	1,054	2,493	2,555	2,635	674	714	702
EBITDA	284	294	278	1,095	985	924	2,013	2,103	2,226	480	518	503
Total Assets	3,037	3,062	3,532	9,705	8,844	9,009	21,871	22,638	24,032	4,800	4,535	4,468
Total Debt	1,488	1,491	2,310	6,033	5,333	5,738	12,717	14,080	15,453	3,380	3,046	2,853
Net Debt	1,455	1,452	1,821	4,861	4,234	4,874	11,648	12,208	12,602	2,693	2,693	2,666
FFO / Net Debt	14.6%	16.3%	11.6%	17.8%	18.0%	14.5%	13.6%	13.7%	13.9%	13.5%	12.6%	14.1%
RCF / Net Debt	9.2%	11.5%	-2.0%	10.0%	9.2%	5.7%	7.5%	7.8%	8.0%	10.3%	9.2%	12.2%
FCF / Net Debt	0.0x	0.0x	-0.1x	0.1x	0.1x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x
FFO Interest Coverage	6.8x	7.4x	6.1x	9.0x	8.2x	9.9x	8.2x	9.9x	12.1x	7.1x	6.5x	7.7x

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

Exhibit 9
Moody's-adjusted debt breakdown
Terega Group

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported Total Debt	1,445.7	1,488.3	1,490.6	2,310.3
Non-Standard Public Adjustments	0.0	0.0	0.0	0.0
Moody's Adjusted Total Debt	1,445.7	1,488.3	1,490.6	2,310.3

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

Exhibit 10
Moody's-adjusted EBITDA breakdown
Terega Group

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported EBITDA	307.0	283.6	279.2	277.6
Adjustments	0.0	0.0	0.0	0.0
Moody's Adjusted EBITDA	307.0	283.6	294.4	277.6

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

Exhibit 11

Select historical Moody's-adjusted financial data

Terega Group

(in EUR million)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
INCOME STATEMENT				
Revenue	467.6	456.9	499.5	457.7
EBIT	174.3	151.9	191.6	168.7
EBITDA	307.0	283.6	294.4	277.6
Interest Expense	37.0	36.9	37.0	41.7
BALANCE SHEET				
Total Debt	1,445.7	1,488.3	1,490.6	2,310.3
Cash & Cash Equivalents	32.6	33.7	38.5	489.6
Total Liabilities	1,786.6	1,870.8	1,873.6	2,697.5
CASH FLOW				
Funds from Operations (FFO)	223.3	212.6	237.4	210.9
Cash Dividends - Common	(22.0)	(24.5)	(17.1)	(195.4)
Retained Cash Flow (RCF)	147.7	134.5	166.6	(35.9)
Capital Expenditures	(178.8)	(168.6)	(140.7)	(126.1)
FFO / Net Debt	15.8%	14.6%	16.3%	11.6%
FCF / Net Debt	-3.3%	-3.4%	2.2%	-8.9%
INTEREST COVERAGE				
FFO Interest Coverage	7.0x	6.8x	7.4x	6.1x
LEVERAGE				
Net Debt / Fixed Assets	60.0%	61.0%	60.1%	74.8%

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

Methodology and scorecard

Terega is rated in accordance with our Regulated Electric and Gas Networks rating methodology, published in March 2017.

Rating factors
Terega Group

Regulated Electric and Gas Networks Industry Grid [1]	Current FY 12/31/2020		Moody's 12-18 Month Forward View As of 02/06/2021 [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	5.5x - 7x	Aa
b) Net Debt / RAB (3 Year Avg)	56.1%	A	57% - 62%	Baa - A
c) FFO / Net Debt (3 Year Avg)	14.0%	Baa	10.5% - 12.5%	Ba - Baa
d) RCF / Net Debt (3 Year Avg)	5.6%	Ba	6% - 9%	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 13

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

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:

» 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

Outlook:

» Regulated electric and gas networks - EMEA: 2020 outlook stable, underpinned by transparent and predictable regulation, 6 December 2020

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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