MOODY'S INVESTORS SERVICE

CREDIT OPINION
8 February 2022

Update

Rate this Research

RATINGS

**CDP RETI S.p.A.**

| | |
|---|---|
| Domicile | Italy |
| 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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# CDP RETI S.p.A.

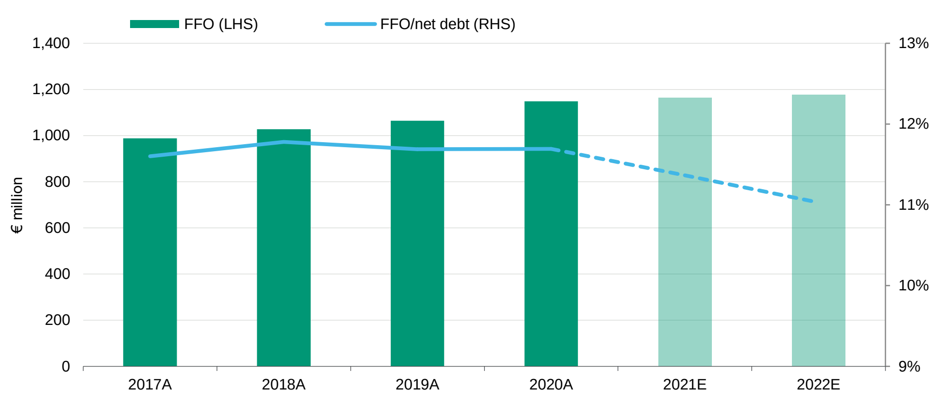
## Update to credit analysis


## Summary

CDP RETI S.p.A.'s (CDP RETI, Baa3 stable) credit quality is supported by the well-established and transparent regulatory frameworks applicable to its operating subsidiaries, namely SNAM S.p.A. (SNAM, Baa2 stable), Terna - Rete Elettrica Nazionale S.p.A. (Terna, Baa2 stable) and Italgas S.p.A. (Italgas, Baa2 stable); the stable and predictable cash flow generated by SNAM, Terna and Italgas, which support a steady dividend flow; our view that CDP RETI will remain strategically important to its 59.1% shareholder Cassa Depositi e Prestiti S.p.A. (CDP, Baa3 stable) and the Italian government, which increases its likelihood of receiving financial support from its immediate parent in case of need; and its strong influence on the governance of its operating subsidiaries.

These positives are counterbalanced by the leveraged financial profile of the proportionally consolidated group, which includes the additional debt issued by CDP RETI; the structural subordination of creditors at CDP RETI's level; and the country risk associated with Italy (Baa3 stable) because the company generates practically all of its earnings domestically.


Exhibit 1
**We expect a modest decline in CDP RETI's FFO/net debt over 2020-2022**




[1] Projected ratios represent Moody's forward view and not the view of the issuer.
[2] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[3] All ratios are based on the proportional consolidation of CDP RETI's equity participations (namely, SNAM, Terna and Italgas).
*Source: Moody's Investors Service*

## Credit strengths

» Stable dividend flow from a static portfolio of equity participations, which supports debt service at the holding company level

» Well-established and transparent regulatory frameworks, which underpin the stability and predictability of the cash flow of SNAM, Terna and Italgas

» CDP RETI's strong influence on the corporate governance of SNAM, Terna and Italgas

» Strong strategic links with the parent company, CDP

## Credit challenges

» High proportionally consolidated leverage

» Structural subordination of creditors at CDP RETI relative to those at the operating companies

» Country risk associated with Italy

## Rating outlook

The stable outlook on CDP RETI's Baa3 ratings is in line with the stable outlook on the Government of Italy's rating. The stable outlook also reflects our expectation that CDP RETI will maintain its current stable financial profile and good liquidity.

## Factors that could lead to an upgrade

An upgrade would be contingent on the following factors:

» an upgrade of the ratings of SNAM, Terna and Italgas

» a strengthening of CDP RETI's financial profile, illustrated by, for example, its funds from operations (FFO)/net debt in the mid to high teens in percentage terms and its net debt/fixed assets below 70% (as a proxy for net debt/regulatory asset base [RAB] below 60%) on a proportionally consolidated basis

## Factors that could lead to a downgrade

A downgrade would be contingent on the following factors:

» a deterioration in the credit quality of SNAM, Terna or Italgas, which would likely result in a corresponding adjustment in CDP RETI's ratings

» a weakening of CDP RETI's financial profile, such that, for example, its FFO/net debt appears likely to fall persistently below 10%, retained cash flow (RCF)/net debt below the mid-single-digit percentages or net debt/fixed assets higher than 85% (as a proxy for net debt/RAB higher than 75%)

» CDP RETI's adoption of a more aggressive financial policy

» a significant change in CDP RETI's ownership structure, if it leads to a less supportive stance from its shareholders

## Key indicators

Our assessment of CDP RETI's credit quality is based on the proportionally consolidated financial metrics of CDP RETI, SNAM, Terna and Italgas (the CDP RETI group).

Exhibit 2
**CDP RETI S.p.A.**
**The company's proportionally consolidated key financial metrics**

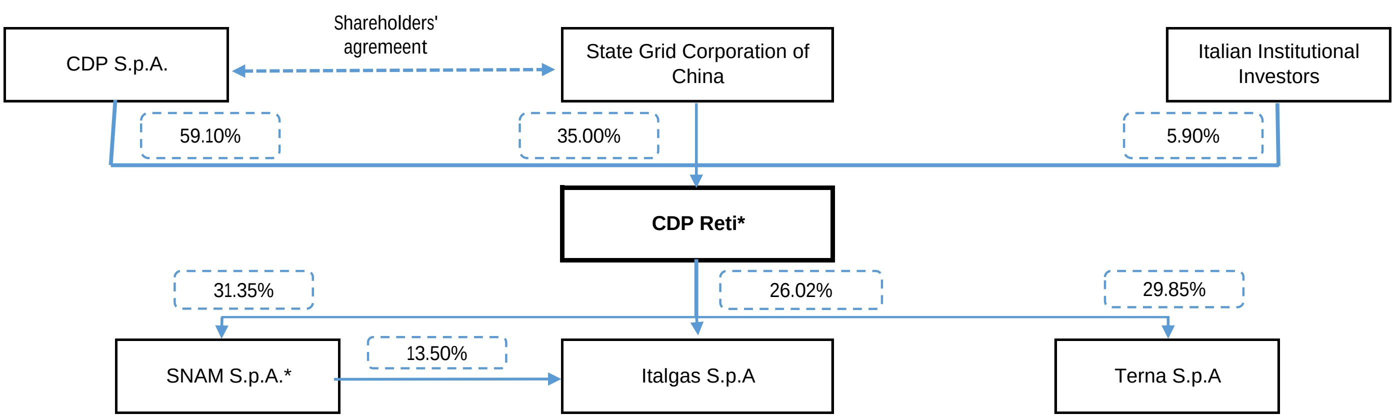
| | Dec-17 | Dec-18 | Dec-19 | Dec-20 | 2021 (E) | 2022 (E) |
|---|---|---|---|---|---|---|
| (FFO + Interest Expense) / Interest Expense | 8.3x | 8.7x | 9.4x | 10.6x | 10x - 11x | 9x - 10x |
| Net Debt / Fixed Assets | 78.7% | 77.0% | 75.9% | 77.4% | 76% - 79% | 76% - 79% |
| FFO / Net Debt | 11.6% | 11.8% | 11.7% | 11.7% | 10.5% - 12.5% | 10% - 12% |
| RCF / Net Debt | 6.2% | 7.2% | 7.3% | 7.3% | 6% - 8% | 5% - 7% |

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] Fixed assets include power plant and equipment (PPE), intangibles (excluding goodwill) and equity participations.
[3] Projected ratios represent Moody's forward view and not the view of the issuer.
*Source: Moody's Investors Service*

## Profile

CDP RETI S.p.A. (CDP RETI) is the holding company of SNAM, Terna and Italgas. CDP RETI's main shareholder is CDP, which has a 59.1% ownership stake, followed by State Grid Europe Limited (SGEL, a company that is part of the State Grid Corporation of China [A1 stable] group) with a 35% stake. The remaining 5.9% is owned by a group of Italian institutional investors. CDP RETI's assets are entirely represented by its equity participations in SNAM (31.35%), Terna (29.85%) and Italgas (26.02%). SNAM is the main gas transport and storage operator in Italy, and Terna is the main high-voltage and very-high-voltage electricity transmission owner and operator. Italgas is the largest gas distribution operator in the country.

Exhibit 3
**CDP RETI's group structure**




* A shareholders' agreement was signed between CDP RETI and SNAM regarding the equity investments in Italgas.
*Sources: CDP RETI and Moody's Investors Service*

## Detailed credit considerations

### Stable dividend flows, underpinned by well-established regulatory frameworks

CDP RETI's cash flow substantially consists of the dividends received from its equity participations in SNAM, Terna and Italgas.

The dividends paid by SNAM, Terna and Italgas reflect the strong and predictable underlying operating cash flow of these three companies, derived almost entirely from regulated activities, with limited exposure to volume fluctuations. The regulatory frameworks applicable to SNAM's gas transport and storage, Italgas' gas distribution and Terna's electricity transmission activities are well established and generally supportive, and underpin the companies' revenue and cash flow stability. The tariff-setting process, designed and implemented by the Italian energy regulator Autorità di Regolazione per Energia Reti e Ambiente (ARERA), is transparent, and the methodologies used are based on an assumption of efficient cost recovery and fair return on capital employed.

Exhibit 4

**Regulatory frameworks applicable to SNAM, Terna and Italgas**

| | Gas transport | Gas distribution | Gas storage | Electricity transmission |
|---|---|---|---|---|
| Regulatory body | ARERA | | | |
| | Independent authority, 7-year mandate. 2/3 majority vote by Parliament required to appoint board members | | | |
| Tariff-setting framework | Return on RAB, price-cap with incentives | | | |
| Regulatory period | 2020-2023 (4 years) | 2020-2025 (6 years) | 2020-2025 (6 years) | 2016-2023 (8 years) |
| RAB calculation | Re-evalued historical cost | Inflation indexed historical cost, parametric method for centralized assets | Re-evalued historical cost, recognition of site restoration costs | Inflation indexed historical cost |
| Allowed return (WACC) | 5.1% real pre-tax | 5.6% real pre-tax | 6.0% real pre-tax | 5.0% real pre-tax |
| Next WACC parameters review | 2025 for risk free rate, regulatory gearing, inflation, tax rate and country risk premium parameters | | | |
| Incentives on development investments | +1.5%, 10 years (2020-22) if benefit-cost ratio>1.5; output based, details tbd (2023 onwards) | Quality of service incentives | None | +1% for 12 years. Quality of service incentives |
| Regulatory lag on investments | 1 year, no compensation (2018-19) | 1 year | 1 year | 1 year on investments; 2 years on D&A |
| Allowed costs | Ex-ante operating costs, CPI-X on historical data | | | |
| Efficiency factor on opex | 0.9% | 3.53% (Distribution) 0% (Metering) | 1.0% | 0.4% |
| Volume risk | ~1% of allowed revenues | Limited revenue exposure. Ex post volume correction | No exposure | Overall limited exposure |
| Inflation | Gross Investment Deflator/CPI on RAB and allowed opex (updated annually). ECB inflation forecast embedded in WACC (updated at the end of each WACC interim period review) | | | |

*Sources: ARERA and Moody's Investors Service*

The tariffs for the operating companies reflect the application of a price cap mechanism under which regulated revenue is the sum of allowed operating costs, depreciation and an allowed return (weighted average cost of capital [WACC], real pretax) on the RAB. The regulations ensure a good degree of cost recovery and fair capital remuneration, although operating expenditure is subject to an efficiency parameter (X-factor) and allowances are not updated annually (except for inflation and volume reference).

The first regulatory period applicable to the formula of the allowed WACC applicable to all electricity and gas grids in Italy started in January 2016, and spanned over six years (2016-21), divided into two interim periods (2016-18 and 2019-21). At the end of the first regulatory sub-period, in December 2018, the risk-free rate, regulatory leverage, inflation, tax rates and country risk premium (CRP) parameters were updated according to preestablished mechanisms for all regulated energy networks. Although the lower tax rate and higher regulatory gearing drove a reduction in allowed returns, these negatives have been offset by the increase in CRPs and inflation.

On 23 December 2021, ARERA published its final resolution on the criteria for determining and updating the WACC over 2022-27. The final resolution followed two consultations on the subject, held in July and November 2021 (see Lower returns will likely weaken credit metrics from 2022 and Second regulatory consultation points to a progressively lower WACC). The regulator validated a methodology exhibiting broad continuity with the historic approach, with the main adjustments reflecting a progressive implementation of parameters that more closely reflect the current macroeconomic environment characterised by low yields. All in all, the new methodology resulted in 2022-24 allowed returns being cut by 60-70 basis points (bps) versus previous (2021) levels. The regulator decided to implement its new, less-generous cost of debt approach in a progressive manner, which moderated the decline in the WACC in 2022-24 versus the 2021 levels, but the 2025-27 WACC will be further reduced by around 30 bps from the 2022-24 levels, assuming macroeconomic parameters remain unchanged. Also, the level of WACC can be revised in 2023 and 2024 according to a trigger mechanism.

Potentially offsetting some of the negative impact, in June and December 2021, the Italian regulator published two consultation documents that started the process to implement a total expenditure system for the remuneration of electricity and gas grids from 2024 — one year before the potential further step-down in WACC. The consultation process is likely to be completed by year-end 2022. The credit implications of the potential shift to a total expenditure system are unclear at this stage.

We expect CDP RETI's revenue to increase steadily throughout 2021-23, underpinned by the dividends received from SNAM, Terna and Italgas. SNAM is committed to increasing its dividend per share (DPS) at a compound annual growth rate of 5% over 2017-22 and 2.5% over 2023-25. Terna envisages an 8% compound annual growth rate for its DPS until 2023 and a 75% average payout (with a floor at the 2023 level) in 2024 and 2025. In its latest business plan, Italgas set a dividend policy that aims at increasing its DPS to the higher of 4% a year and 65% of the company's adjusted net income. We expect these dividend policies to translate into an average annual dividend stream paid to CDP RETI of about €540 million over 2021-23.

Exhibit 5

**Dividends paid to CDP RETI are set to increase over 2020-23**


*Source: Moody's Investors Service*

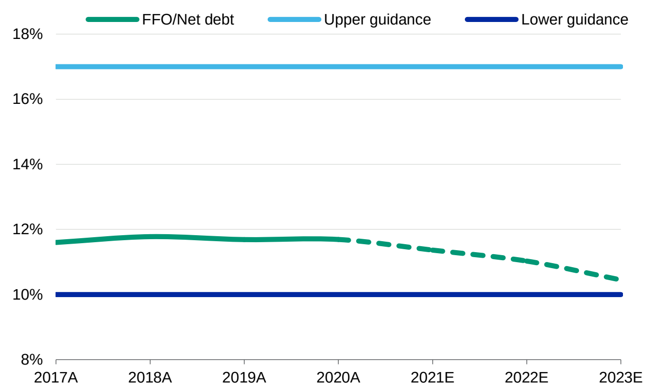
The ability of SNAM, Terna and Italgas to distribute dividends in line with their stated policies will be supported by their good operating efficiency and the progressive reduction in their cost of debt.

### High consolidated leverage, mitigated by SNAM's and Terna's balanced financial policies

Over 2021-24, we expect CDP RETI's proportionally consolidated net debt/fixed assets to remain below 80% (versus 77% as of year-end 2020). The continuing high leverage reflects SNAM's and Terna's investment plans, and Italgas' strategy to grow through gas tenders and M&As. Also, as a result of the sizeable investment plans of the three subsidiaries and the decline in WACC starting from 2022, we expect CDP RETI's proportionally consolidated FFO/net debt to exhibit a slight downward trend over the period. However, SNAM and Terna have historically been characterised by balanced financial policies, and we expect this trend to continue. Although Italgas has a more limited track record (the company was spun off from SNAM in November 2016), it will likely maintain a prudent financial policy as well.

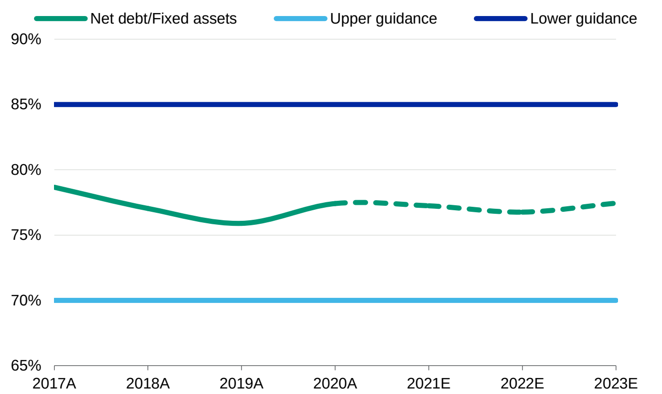
At the holding company level, we expect net debt to remain broadly stable. We expect CDP RETI's net debt to represent, on average, 16% of the proportionally consolidated net debt of the wider CDP RETI group, or around 15% of the current market value of CDP RETI's stakes in SNAM, Terna and Italgas. We do not assume any significant increase from the current debt level of the holding company (around €1.6 billion as of year-end 2020), and we expect the company to maintain flexibility with regard to the financial covenants of its bank loans. The headroom on covenants should also be compatible with a full dividend upstream to CDP RETI's shareholders, reflecting CDP RETI's function as a pure investment vehicle. However, CDP RETI retains the flexibility to reduce the payments to its shareholders to match a hypothetical reduction in the dividends received from its equity investments.

Exhibit 6
**FFO/net debt**
**We expect CDP RETI's FFO/net debt to remain at the low end of the guidance range**




[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] All ratios are based on the proportional consolidation of CDP RETI's equity participations (namely, SNAM, Terna and Italgas). [3] Projected ratios are Moody's forward view and not the view of the issuer.
*Source: Moody's Investors Service*

Exhibit 7
**Net debt/fixed assets**
**We expect CDP RETI's net debt/fixed assets to remain within the guidance range**




[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] Fixed assets include PPE, intangibles (excluding goodwill) and equity participations. [3] All ratios are based on the proportional consolidation of CDP RETI's equity participations (namely, SNAM, Terna and Italgas). [4] Projected ratios are Moody's forward view and not the view of the issuer.
*Source: Moody's Investors Service*

## Structural subordination of CDP RETI's debt, mitigated by its strong influence on the governance of SNAM, Terna and Italgas, and the supportive stance of CDP RETI's shareholders

The Baa3 ratings of CDP RETI reflect the structural subordination of the holding company's debt to SNAM's, Terna's and Italgas' debt, mitigated by its strong influence on the governance of its operating subsidiaries; and the likely supportive stance of its main shareholder, most notably, CDP.

CDP RETI's significant stakes in SNAM, Terna and Italgas give it a high degree of control over the companies. For instance, six out of the nine members of SNAM's and Terna's boards of directors, and seven out of the nine members of Italgas' board of directors were appointed by CDP RETI. Furthermore, the ultimate controlling shareholder of SNAM and Terna — the Italian government — retains legal veto powers for M&A activities and change in control for these operators because they are considered strategic assets with regard to national security.

CDP RETI's strong control over Italy's gas and electricity transmission operators (notably, SNAM and Terna) makes it a strategically important asset for CDP and the Italian government. This factor increases the likelihood of CDP RETI receiving financial support from its immediate parent, CDP, in case of need. CDP RETI also has operational links with its parent company because the latter has seconded its management to CDP RETI and has entrusted all organisational functions through service agreements. In addition to being a shareholder, CDP acts as a creditor by providing 33% of CDP RETI's total financing.

## Portfolio of equity participations to remain stable over time

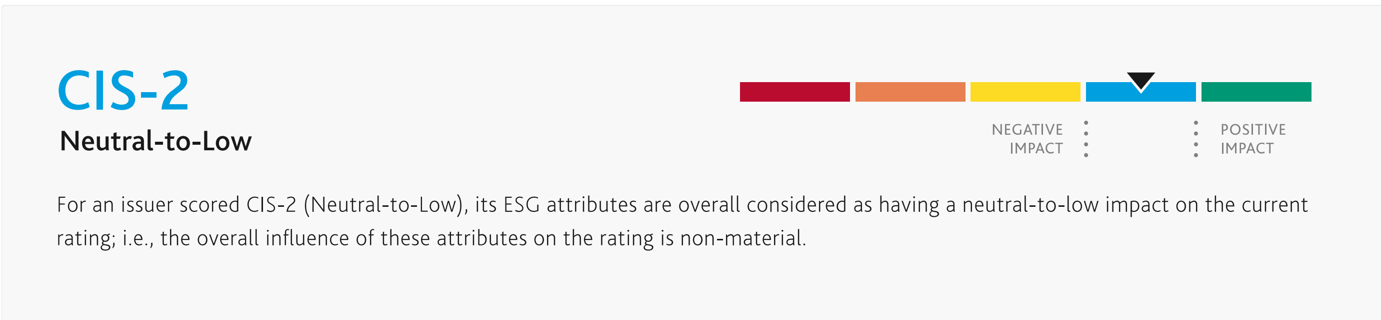
CDP RETI is a pure financial holding company. Its bylaws limit the corporate purpose to that of a holding company for SNAM, Terna and Italgas. The existing shareholders' agreement with SGEL, which was renewed in November 2020 for an additional three years, further reduces the likelihood of any variation in CDP RETI's scope of activity because it gives veto and withdrawal powers to SGEL on a number of corporate decisions and M&A activities.

In July 2020, SNAM reported the cancellation of the 33.98 million treasury shares in its portfolio, without reducing share capital. This cancellation resulted in an increase in the share of CDP RETI in SNAM to 31.35% from 31.04%. We do not expect any further modifications to CDP RETI's portfolio of equity participations.

## ESG considerations

### CDP RETI's ESG Credit Impact Score is neutral-to-low CIS-2

Exhibit 8
**ESG Credit Impact Score**




*Source: Moody's Investors Service*

CDP Reti's ESG Credit impact Score is neutral/low (**CIS-2**), indicating that its ESG attributes are not material to its credit rating. Its score reflects moderate environmental, social and governance (ESG) risks, which are offset from a rating impact standpoint by CDP Reti's strong strategic links with its main shareholder, CDP.

Exhibit 9
**ESG Issuer Profile Scores**


*Source: Moody's Investors Service*

### Environmental

CDP Reti's environmental risks are moderately negative (**E-3**), reflecting its large exposure to Italian gas networks, which score **E-3** because of moderate carbon transition risk. CDP Reti's exposure to water management, waste and pollution, and natural capital risks is credit neutral.

### Social

CDP Reti's social risks are moderately negative (**S-3**), reflecting its exposure to Italian gas and electricity regulated networks, which score **S-3**, because of the risk, common to all regulated networks, that public concern over environmental, social or affordability issues could lead to adverse regulatory or political intervention, and the inherent explosion risks common to all gas networks. These risks are balanced by neutral-to-low risks to health and safety, human capital and customer relationship.

### Governance

CDP Reti's governance risks are moderately negative (**G-3**), reflecting moderate risks related to financial strategy and risk management, given high proportionally consolidated leverage; moderate risks related to concentrated ownership structure; and moderate risks related to organisational structure, given the structural subordination within the group. However, these risks are moderated by neutral-to-low risks related to management credibility and track record, compliance and reporting, and board structure, policies and procedures.

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

CDP RETI's internal cash flow generation is almost entirely underpinned by the dividends received from its three subsidiaries — SNAM, Terna and Italgas — and we do not expect this arrangement to change. As of December 2020, CDP RETI's liquidity was backed by cash and cash equivalents of almost €72.8 million, which have been and will likely be used, together with the dividends received from its subsidiaries, to fund dividend payments in 2020, 2021 and 2022. Dividends are distributed after the repayment of all cash costs incurred by CDP RETI and, in any case, only if the distribution does not affect its financial stability, according to CDP RETI's bylaws.

CDP RETI's main cash outflow (other than dividends) is represented by its debt service, which should remain between €15 million and €25 million a year over 2021-23. We expect a full upstream distribution of the dividends received from its equity participations. Although CDP RETI has no substantial source of cash flow other than dividends, the company will likely maintain good liquidity because its debt service requirements are modest and the payments to its shareholders can be reduced to match the hypothetical reduction in dividends distributed by its operating companies.

In May 2020, CDP RETI issued a €938 million term loan, expiring in May 2025, which it used to repay the €750 million and €188 million term loans maturing in May 2020 and May 2023, respectively. All of CDP RETI's debt is bullet, with no refinancing risk before the first significant maturity, namely, a €750 million bond to be repaid in the second quarter of 2022. We expect CDP Reti to be able to refinance the expiring bond in a timely manner.

## Methodology and scorecard

To assess CDP RETI, we apply the Regulated Electric and Gas Networks rating methodology, published in March 2017.

For scoring purposes, we have consolidated the financials of SNAM, Terna, Italgas and CDP RETI proportionally, netting the intragroup components (dividends of SNAM, Terna and Italgas). The debt issued by CDP RETI and its related costs result in weaker pro forma credit metrics for the group than what would be calculated only on the basis of the operating companies. Other qualitative factors are generally aligned with the scoring grids of SNAM, Terna and Italgas, with the exception of Factor 3 (Financial Policy). The Ba score assigned to CDP RETI (versus the Baa scores assigned to SNAM, Terna and Italgas) reflects the company's high dividend payout ratio (around 100%) and leverage.

CDP RETI's Baa3 final ratings also capture the structural considerations discussed in the paragraph above (structural subordination of CDP RETI's debt, mitigated by its strong influence on the governance of SNAM, Terna and Italgas, and by the supportive stance of CDP RETI's shareholder).

Exhibit 10
**Rating factors**
**CDP RETI S.p.A.**

| Regulated Electric and Gas Networks Industry Grid [1][2] | Current FY 12/31/2020 | | Moody's 12-18 Month Forward View As of February 2022 [3] | |
|---|---|---|---|---|
| **Factor 1 : Regulatory Environment and Asset Ownership Model (40%)** | **Measure** | **Score** | **Measure** | **Score** |
| a) Stability and Predictability of Regulatory Regime | | Aa | | Aa |
| b) Asset Ownership Model | | Aa | | Aa |
| c) Cost and Investment Recovery (Ability and Timeliness) | | A | | A |
| d) Revenue Risk | | Aa | | Aa |
| **Factor 2 : Scale and Complexity of Capital Program (10%)** | | | | |
| a) Scale and Complexity of Capital Program | | Baa | | Baa |
| **Factor 3 : Financial Policy (10%)** | | | | |
| a) Financial Policy | | Ba | | Ba |
| **Factor 4 : Leverage and Coverage (40%) [1] [2]** | | | | |
| a) FFO Interest Coverage (3 Year Avg) | 9.5x | Aaa | 9x - 10x | Aaa |
| b) Net Debt / Fixed Assets (3 Year Avg) | 76.8% | Ba | 76% - 79% | Ba |
| c) FFO / Net Debt (3 Year Avg) | 11.7% | Baa | 10% - 12% | Baa |
| d) RCF / Net Debt (3 Year Avg) | 7.2% | Ba | 5% - 7% | Ba |
| **Rating:** | | | | |
| a) Indicated Rating from Grid | | Baa1 | | Baa1 |
| 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] Fixed assets include PPE, intangibles (excluding goodwill) and equity participations.
[3] This represents Moody's forward view and not the view of the issuer.
[4] All ratios are based on the proportional consolidation of CDP RETI's equity participations (SNAM, Terna and Italgas).
*Source: Moody's Investors Service*

## Ratings

Exhibit 11

| Category | Moody's Rating |
|---|---|
| **CDP RETI S.P.A.** | |
| Outlook | Stable |
| Issuer Rating -Dom Curr | Baa3 |
| Senior Unsecured -Dom Curr | Baa3 |

*Source: Moody's Investors Service*

## Appendices

The key financials of CDP RETI's operating companies are presented below.

Exhibit 12

**SNAM S.p.A.**

**Select historical financial data**

| (in EUR million) | FYE Dec-15 | FYE Dec-16 | FYE Dec-17 | FYE Dec-18 | FYE Dec-19 | FYE Dec-20 |
|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | | |
| Revenue | 2,470 | 2,419 | 2,493 | 2,555 | 2,635 | 2,735 |
| EBITDA | 1,976 | 2,017 | 2,013 | 2,103 | 2,227 | 2,157 |
| EBITDA margin % | 80.0% | 83.4% | 80.7% | 82.3% | 84.5% | 78.9% |
| EBIT | 1,385 | 1,388 | 1,352 | 1,407 | 1,505 | 1,384 |
| EBIT margin % | 56.1% | 57.4% | 54.2% | 55.1% | 57.1% | 50.6% |
| Interest Expense | 386 | 426 | 227 | 199 | 167 | 140 |
| Net income | 763 | 984 | 940 | 1,007 | 1,154 | 1,117 |
| **BALANCE SHEET** | | | | | | |
| Total Debt | 14,034 | 11,179 | 12,717 | 14,080 | 15,453 | 16,741 |
| Cash & Cash Equivalents | 17 | 34 | 1,069 | 1,872 | 2,851 | 3,044 |
| Net Debt | 14,017 | 11,145 | 11,648 | 12,208 | 12,602 | 13,697 |
| Net Property Plant and Equipment | 15,533 | 17,909 | 18,458 | 18,835 | 19,193 | 20,212 |
| Total Assets | 24,989 | 20,166 | 21,871 | 22,638 | 24,055 | 25,663 |
| **CASH FLOW** | | | | | | |
| Funds from Operations (FFO) | 2,162 | 1,978 | 1,587 | 1,678 | 1,748 | 1,872 |
| Cash Flow From Operations (CFO) | 2,115 | 1,732 | 1,910 | 1,867 | 1,505 | 1,609 |
| Dividends | 875 | 875 | 718 | 731 | 746 | 779 |
| Retained Cash Flow (RCF) | 1,287 | 1,103 | 869 | 947 | 1,002 | 1,093 |
| Capital Expenditures | (1,175) | (1,135) | (1,018) | (851) | (949) | (1,161) |
| Free Cash Flow (FCF) | 65 | (278) | 174 | 285 | (190) | (331) |
| **INTEREST COVERAGE** | | | | | | |
| (FFO + Interest Expense) / Interest Expense | 6.6x | 5.6x | 8.0x | 9.4x | 11.5x | 14.4x |
| **LEVERAGE** | | | | | | |
| FFO / Net Debt | 15.4% | 17.7% | 13.6% | 13.7% | 13.9% | 13.7% |
| RCF / Net Debt | 9.2% | 9.9% | 7.5% | 7.8% | 8.0% | 8.0% |
| FCF / Net Debt | 0.5% | -2.5% | 1.5% | 2.3% | -1.5% | -2.4% |
| Debt / EBITDA | 7.1x | 5.5x | 6.3x | 6.7x | 6.9x | 7.8x |
| Net Debt / EBITDA | 7.1x | 5.5x | 5.8x | 5.8x | 5.7x | 6.4x |
| Net Debt / Fixed Assets | 90.2% | 62.2% | 63.1% | 64.8% | 65.7% | 67.8% |

All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
*Source: Moody's Investors Service*

Exhibit 13

**Terna - Rete Elettrica Nazionale S.p.A.**

**Select historical financial data**

| (in EUR million) | FYE Dec-15 | FYE Dec-16 | FYE Dec-17 | FYE Dec-18 | FYE Dec-19 | FYE Dec-20 |
|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | | |
| Revenue | 2,470 | 2,419 | 2,493 | 2,555 | 2,635 | 2,735 |
| EBITDA | 1,976 | 2,017 | 2,013 | 2,103 | 2,227 | 2,157 |
| EBITDA margin % | 80.0% | 83.4% | 80.7% | 82.3% | 84.5% | 78.9% |
| EBIT | 1,385 | 1,388 | 1,352 | 1,407 | 1,505 | 1,384 |
| EBIT margin % | 56.1% | 57.4% | 54.2% | 55.1% | 57.1% | 50.6% |
| Interest Expense | 386 | 426 | 227 | 199 | 167 | 140 |
| Net income | 763 | 984 | 940 | 1,007 | 1,154 | 1,117 |
| **BALANCE SHEET** | | | | | | |
| Total Debt | 14,034 | 11,179 | 12,717 | 14,080 | 15,453 | 16,741 |
| Cash & Cash Equivalents | 17 | 34 | 1,069 | 1,872 | 2,851 | 3,044 |
| Net Debt | 14,017 | 11,145 | 11,648 | 12,208 | 12,602 | 13,697 |
| Net Property Plant and Equipment | 15,533 | 17,909 | 18,458 | 18,835 | 19,193 | 20,212 |
| Total Assets | 24,989 | 20,166 | 21,871 | 22,638 | 24,055 | 25,663 |
| **CASH FLOW** | | | | | | |
| Funds from Operations (FFO) | 2,162 | 1,978 | 1,587 | 1,678 | 1,748 | 1,872 |
| Cash Flow From Operations (CFO) | 2,115 | 1,732 | 1,910 | 1,867 | 1,505 | 1,609 |
| Dividends | 875 | 875 | 718 | 731 | 746 | 779 |
| Retained Cash Flow (RCF) | 1,287 | 1,103 | 869 | 947 | 1,002 | 1,093 |
| Capital Expenditures | (1,175) | (1,135) | (1,018) | (851) | (949) | (1,161) |
| Free Cash Flow (FCF) | 65 | (278) | 174 | 285 | (190) | (331) |
| **INTEREST COVERAGE** | | | | | | |
| (FFO + Interest Expense) / Interest Expense | 6.6x | 5.6x | 8.0x | 9.4x | 11.5x | 14.4x |
| **LEVERAGE** | | | | | | |
| FFO / Net Debt | 15.4% | 17.7% | 13.6% | 13.7% | 13.9% | 13.7% |
| RCF / Net Debt | 9.2% | 9.9% | 7.5% | 7.8% | 8.0% | 8.0% |
| FCF / Net Debt | 0.5% | -2.5% | 1.5% | 2.3% | -1.5% | -2.4% |
| Debt / EBITDA | 7.1x | 5.5x | 6.3x | 6.7x | 6.9x | 7.8x |
| Net Debt / EBITDA | 7.1x | 5.5x | 5.8x | 5.8x | 5.7x | 6.4x |
| Net Debt / Fixed Assets | 90.2% | 62.2% | 63.1% | 64.8% | 65.7% | 67.8% |

All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
*Source: Moody's Investors Service*

Exhibit 14
**Italgas S.p.A.**
**Select historical financial data**

| (in EUR million) | FYE Dec-17 | FYE Dec-18 | FYE Dec-19 | FYE Dec-20 |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| Revenue | 1,571 | 1,584 | 1,820 | 2,058 |
| EBITDA | 800 | 843 | 910 | 1,054 |
| EBIT | 433 | 444 | 504 | 610 |
| Interest Expense | 42 | 50 | 71 | 56 |
| **BALANCE SHEET** | | | | |
| Total Debt | 3,865 | 4,111 | 4,825 | 5,473 |
| Cash & Cash Equivalents | 3 | 138 | 262 | 664 |
| Net Debt | 3,862 | 3,973 | 4,563 | 4,809 |
| Total Liabilities | 4,731 | 5,430 | 6,672 | 7,388 |
| **CASH FLOW** | | | | |
| Funds from Operations (FFO) | 608 | 663 | 687 | 823 |
| Cash Flow From Operations (CFO) | 562 | 750 | 725 | 764 |
| Dividends | 162 | 168 | 208 | 221 |
| Retained Cash Flow (RCF) | 447 | 495 | 479 | 602 |
| Capital Expenditures | (509) | (505) | (716) | (773) |
| Free Cash Flow (FCF) | (108) | 77 | (199) | (231) |
| **INTEREST COVERAGE** | | | | |
| (FFO + Interest Expense) / Interest Expense | 15.6x | 14.3x | 10.7x | 15.8x |
| **LEVERAGE** | | | | |
| Net Debt / Fixed Assets | 75.0% | 68.1% | 64.8% | 65.3% |
| FFO / Debt | 15.7% | 16.1% | 14.2% | 15.0% |
| RCF / Debt | 11.6% | 12.0% | 9.9% | 11.0% |
| FFO / Net Debt | 15.8% | 16.7% | 15.0% | 17.1% |

[1] All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] Italgas' ratios do not include the adjustment related to Italgas' sale of receivables because the company does not disclose the amount.
*Sources: Italgas and Moody's Investors Service*

## Moody's related publications

- SNAM S.p.A., Update to credit analysis, January 2022
- Italgas S.p.A., Update to credit analysis, November 2021
- Regulated electric and gas networks - EMEA: 2022 outlook stable, with limited changes to key regulatory parameters, January 2022
- Italgas S.p.A., Acquisition raises exposure to Greece and could impact metrics, September 2021
- Europe's electricity markets: In Italy, higher power prices support decarbonisation ambition (Slides), November 2021
- Terna - Rete Elettrica Nazionale S.p.A., Update to credit analysis, June 2021
- Moody's takes action on CDP RETI and CVA following the sovereign downgrade, October 2018

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.

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