

Euler Hermes Rating confirms Vitens N.V. A+ issuer credit rating

Euler Hermes Rating has confirmed Vitens N.V.'s issuer credit rating at A+. The underlying factors were a combination of a low business risk profile, a moderate financial risk profile and a four-notch uplift for implied governmental support. We expect the rating to remain stable over the next twelve months.

The overall low **business risk profile** for Vitens is mainly a result of the regional monopoly position, virtually constant water consumption rates, low demand volatility, perpetual supply concessions and highly predictable cash flows. Further supportive factors include a reliable, well-established regulatory regime within the Dutch water sector, the favourable asset ownership model and long-dated protective legislation against the privatisation of drinking water services.

Moderate **financial risks** for Vitens mainly stem from the consistently high debt levels and generally weak credit metrics caused by the continuously high infrastructure funding needs and the imposed profit restrictions (WACC regulation). In view of the long track record of recurring, stable earnings, together with an overall low business risk profile for the Dutch drinking water sector, we believe that Vitens is able to comfortably sustain the sector specific high long-term debt levels. The broad external funding base, sustained access to new funding, unused credit facilities, low funding costs and additional funding potential from dividend cuts or municipal loans/guarantees provides Vitens generally with a high financial flexibility.

The **government-related status** of Vitens results in an adjustment of the stand-alone rating by four notches, which represents our expectation for a very high likelihood of extraordinary government support in situations of financial distress. The underlying factors are a combination of Vitens' strong link to municipalities and provinces, the very high public importance of drinking water utilities and the very high sovereign credit quality of the Netherlands.

With a share of 32 % of total connections in the Netherlands, Vitens is the largest of ten publicly owned drinking water supply companies, followed by Brabant Water (15 %), Evides (13 %) and PWN (10 %). With 2.6 million connections serving 5.7 million customers, Vitens supplies most of the central and northern part of the Netherlands through 93 production plants in the provinces of Flevoland, Friesland, Gelderland, Utrecht and Overijssel. At the end of 2018, Vitens employed 1,392 people and generated revenues totalling € 361.0 million.

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Further information on this rating can be found at www.eulerhermes-rating.com.

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