MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns (P)A3 rating to proposed hybrid notes of Alliander; stable outlook

Global Credit Research - 20 Nov 2013

London, 20 November 2013 -- Moody's Investors Service has today assigned a provisional (P)A3 long-term rating to the proposed issuance of Reset Perpetual Capital Securities (the "Hybrid") by Alliander N.V. ("Alliander, or the Company"); the rating outlook is stable. The size and completion of the Hybrid remain subject to market conditions.

RATINGS RATIONALE

The rating of (P)A3 is one notch lower than Alliander's a2 standalone Baseline Credit Assessment (BCA), and three notches lower than Alliander's Aa3 senior unsecured rating. This reflects (i) the features of this security (it is perpetual, deeply subordinated and Alliander can opt to defer coupons on a cumulative basis); and (ii) that the Aa3 senior unsecured rating benefits from two notches of uplift based on our expectations for potential extraordinary support from its Dutch province and municipality owners. The difference in ratings takes into account our view that in a distressed scenario, support from the owners could entail distinctions between deeply subordinated notes and senior unsecured bonds. This consideration has also been reflected in ratings of deeply subordinated instruments issued by other government related issuers, which are also rated lower than the BCA.

Moody's issues provisional ratings in advance of the final sale of securities and these ratings reflect Moody's preliminary credit opinion regarding the transaction only. Upon a conclusive review of the final documentation, Moody's will endeavour to assign a definitive rating to the Hybrid. A definitive rating may differ from a provisional rating.

As the Hybrid rating is positioned relative to another rating of Alliander, either (i) a change in the senior unsecured rating or (ii) a re-evaluation of its relative notching could impact the Hybrid rating. Negative pressure would develop on the senior unsecured rating in the event of a sustained deterioration in the group's financial profile, as would be evidenced, for example, by FFO interest coverage at or below 3.5 times and FFO/net debt below 20% on an ongoing basis. Such a deterioration could result from lower-than-expected profitability, capital investment unsupported by cash flow generation or large debt-funded acquisitions.

The methodologies used in this rating were Regulated Electric and Gas Networks published in August 2009, and Government-Related Issuers: Methodology Update published in July 2010. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

Headquartered in Arnhem, Netherlands, Alliander N.V. is the Netherlands' largest owner and operator of electricity and gas networks, servicing 3.0 million customers.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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