

ISSUER COMMENT

26 MARCH 2015

RATINGS

Alliander N.V.

issuel ratilig	Ado
Senior Unsecured	Aa3
Junior Subordinated	(P)A3
ST Issuer Rating	P-1
Outlook	Stable
Enexis Holding N.V.	
Enexis Holding N.V. Issuer Rating	Aa3
	Aa3 Aa3
Issuer Rating	

KEY METRICS:

Alliander N.V.

	Dec 2013	Dec 2012	Dec 2011
FFO Interest Cover	6.8x	5.9x	6.1x
Net Debt/Fixed Assets	34.7%	36.8%	35.0%
FFO/Net Debt	28.8%	26.8%	34.9%
RCF/Capex	0.9x	0.8x	1.2x

Enexis Holding N.V.

	Dec 2013	Dec 2012	Dec 2011
FFO Interest Cover	5.5x	6.4x	6.5x
Net Debt/Fixed Assets	31.4%	33.3%	31.6%
FFO/Net Debt	30.5%	30.5%	32.8%
RCF/Capex	0.9x	0.9x	1.1x

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Dutch electricity and gas distribution networks:

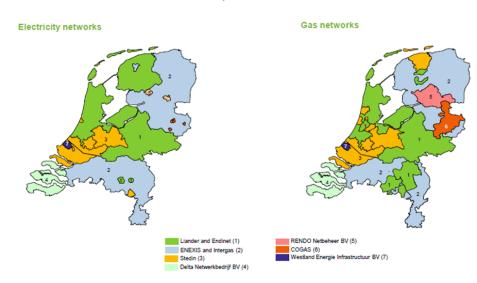
Asset Swap not expected to affect Alliander's or Enexis' Aa3 ratings

The proposed exchange of regional networks between Dutch electricity and gas distribution network operators, Alliander N.V. (Aa3/P-1 stable) and Enexis Holding B.V. (Aa3 stable), if executed, is not expected to affect the companies' ratings, given the small scale of the transaction in the context of the companies' overall businesses.

As announced by the companies on 25 March 2015, the transaction will see Enexis transfer its networks in the Friesland province and the Noordoostpolder area, in exchange for Alliander's network in the Eindhoven and southeast Brabant region (marketed under its Endinet brand). The asset swap is part of the Dutch government's wider policy to arrange network operations along provincial borders (see Exhibit 1 for an overview of the Dutch distribution networks).

Exhibit 1

Dutch Distribution Networks and Network Operators



Source: EnergieNed "Energy in the Netherlands" 2011 publication, adjusted for Endinet acquisition by Alliander and Intergas acquisition by Enexis

Source: Alliander N.V.

Moody's believes that the asset swap will be credit positive from a business risk perspective as it (1) brings all electricity and gas distribution networks within the affected regions under one network operator; and (2) the transferred assets will blend into each company's existing network operations in those regions. This may create opportunities to achieve cost savings through additional operational efficiencies.

The financial impact of the proposed transaction will depend on any compensation agreed between the parties. Alliander's Endinet business serves a larger number of customers (108,000 electricity and 398,000 gas connections) than the Enexis assets to be transferred (combined 79,000 electricity and 223,000 gas connections). It is therefore likely that Enexis may have to compensate Alliander for the larger revenue generation capability of the latter's assets to be transferred. Depending on the size and funding of any such payments, Enexis' financial metrics may weaken marginally. Given the relatively small size of the assets to be swapped when compared with the companies' existing businesses we expect any direct financial implications stemming from the agreement to be small, and thus unlikely to materially alter either companies' overall credit quality.

Following yesterday's announcement of the outline agreement, Alliander and Enexis will continue their due diligence process as well as consult with various stakeholders. The transaction is scheduled to complete on 1 January 2016.

Alliander N.V. owns and manages low and medium voltage electricity and gas distribution networks in the Dutch provinces of Gelderland, Noord-Holland and large parts of Flevoland, Friesland, Zuid-Holland and Noord-Brabant. Alliander is fully owned by Dutch provinces and municipalities, with the largest owners being the provinces of Gelderland (45%), Friesland (13%), Noord-Holland (9%), and the City of Amsterdam (9%). Alliander is the largest electricity and gas network operator in the Netherlands with approximately 3.1 million electricity and 2.6 million gas connections and it has a combined market share of 37% in the Netherlands.

Enexis Holding N.V. is a holding company of Enexis B.V., which owns and manages the gas and electricity distribution networks in several Dutch regions. Enexis is one of the three largest electricity and gas network operators in the Netherlands responsible for the maintenance, management and development of the medium-voltage electricity and gas distribution grids. It operates around 137,000km of electricity cable and 45,000km of gas pipelines, delivering electricity to approximately 2.7 million customers and gas to 2.1 million customers. Enexis is fully owned by Dutch provinces and municipalities, with the largest owners being the provinces of Noord Brabant (31%), Overijssel (19%), Limburg (16%), Groningen (6%) and Drenthe (2%).

Peer Group:

- » https://www.moodys.com/credit-ratings/Alliander-NV-credit-rating-600056655
- » https://www.moodys.com/credit-ratings/Enexis-Holding-NV-credit-rating-821897790

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