



Moody's Investors Service

Issuer Comment: **Moody's: Alliander financially strong enough to absorb potential acquisition of Endinet**

Global Credit Research - 14 Dec 2009

Moody's Investors Service says Alliander N.V.'s (A2/P-1/stable) financial position, supported by a its cash reserve, is strong enough to absorb the potential acquisition of Endinet's (not rated) gas and electricity distribution assets, following an earlier announcement of a preliminary agreement between both companies. Moody's recognises that the potential acquisition is in line with Alliander's strategy of becoming one of the leaders in the long-term development of the Dutch regional network sector.

Moody's perceives Alliander's financial strengths to be sufficient to cover an acquisition of such a size without materially threatening its position within the A2 rating category. However, the rating agency cautions that Alliander's currently strong liquidity position will likely weaken in the short term, as most of its cash reserve, to a large extent accumulated through a sale of high voltage grid, will be consumed by the Endinet acquisition. Furthermore, a long-term impact of the Endinet acquisition will strongly depend on Alliander's success in utilising potential synergies in operating, maintenance and investment areas. Moody's understands Alliander will execute a thorough due diligence process to assess the condition of the assets to be acquired before making a final decision on the acquisition and its value. Moody's will continue to closely monitor further developments. To remain safely positioned within its current rating category, the rating agency expects Alliander to retain credit metrics commensurate with its current financial policy of FFO/Net debt at 20% and FFO interest cover above 3.5x.

Headquartered in Arnhem, Netherlands, Alliander N.V. is the Netherlands' largest owner and operator of electricity and gas networks, servicing 2.8 million customers.

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