

Rating Action: [Alliander N.V.](#)

Moody's upgrades Alliander NV and Alliander Finance BV ratings to Aa3 from A2

Approximately EUR2 billion of debt affected

Prague, March 11, 2010 -- Moody's Investors Service has today upgraded the long-term ratings of Alliander N.V. and its guaranteed subsidiary Alliander Finance B.V. to Aa3 from A2. The short-term ratings have been affirmed at Prime-1. The outlook on all ratings remains stable.

The upgrade reflects Moody's view that the level of systemic support provided to Alliander by its municipal shareholders has increased as it has transformed itself into a pure electricity and gas distribution network company by spinning off its generation and supply activities during the recent unbundling process. Moody's assessment of a higher support level reflects Alliander's strategic importance and Moody's view that extraordinary support from its governmental owners is more likely for a pure electricity and gas distribution network company compared to a vertically integrated utility.

Although Alliander's ownership is relatively fragmented among approximately 58 provinces and municipalities, Moody's regards the shareholders' ability to act in conjunction with one another as relatively high, considering that the four largest provinces together have over a 77% ownership share. Furthermore, the increased level of support incorporates Moody's view that the legal and political mechanisms established in the Netherlands, including the legal requirement of public ownership of energy network assets, increase the probability of systemic support in case of extraordinary need.

Given its 100% ownership by Dutch provinces and municipalities, Alliander falls within the scope of Moody's rating methodology for government-related issuers (GRIs). In accordance with this methodology, Alliander's rating incorporates an uplift from its standalone credit quality. This is expressed by Moody's as a Baseline Credit Assessment (BCA) of 6 (on a scale of 1 to 21, where 1 represents the lowest risk and 6 is equivalent to an A2 rating). The BCA of 6 reflects a combination of: (i) the low-risk business profile of Alliander's domestic electricity and gas regulated distribution network operations, which generate over 90% of the group's earnings and cash flows, (ii) the well-defined, transparent, but strongly cost-efficient-oriented Dutch regulatory framework, (iii) the group's conservative financial profile, reflected by its strengthened capital structure and solid liquidity position.

Despite the recently negotiated acquisition of Endinet (not rated) for an enterprise value of EUR712 million, a smaller neighbouring distribution company, Moody's has not changed Alliander's BCA of 6. Moody's perceives Alliander's financial position, supported by its cash reserve, which has to a large extent been accumulated through the sale of high-voltage grid assets, as strong enough to absorb an acquisition of such a size without materially threatening its positioning within its BCA category. Moody's recognises that the Endinet 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.

To remain safely positioned within its current rating category, the rating agency expects Alliander not to significantly divert from its current financial policy of FFO/Net debt at 20% and FFO interest cover above 3.5x. Moody's does not anticipate any such divergence and thus maintains a stable outlook on the company's ratings.

The previous rating action on Alliander was implemented on 27 February 2009, when Moody's affirmed the A2/Prime-1 ratings with a stable outlook of Alliander N.V. and its guaranteed subsidiary Alliander Finance B.V.

The principal methodologies used in rating Alliander were Moody's Regulated Electric and Gas Networks, published in August 2009 and "The Application of Joint Default Analysis to Government Related Issuers", published in April 2005. These methodologies are available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

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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