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Research Update:

AEG Power Solutions Placed On CreditWatch Negative On Heightened Risk Of Missing An Interest Payment

Primary Credit Analyst:

Abigail Klimovich, CFA, London (44) 20-7176-3554; abigail.klimovich@standardandpoors.com

Secondary Contact:

Anna Stegert, Frankfurt (49) 69-33-999-128; anna.stegert@standardandpoors.com

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Research Update:

AEG Power Solutions Placed On CreditWatch Negative On Heightened Risk Of Missing An Interest Payment

Overview

- 3W Power, the parent holding company of Netherlands-based AEG Power Solutions B.V., announced that it has suspended the decision to pay interest on its €100 million unsecured notes maturing Dec. 1, 2015.
- We are therefore placing our 'CC' long-term corporate credit rating on AEG Power Solutions on CreditWatch with negative implications.
- The CreditWatch placement reflects the possibility of us lowering the rating to 'D' (Default) or 'SD' (Selective Default) if AEG Power Solutions fails to make the interest payment within, or defers the payment to after, the 30-day grace period, which started on Dec. 1, 2013. This would constitute an event of default under our criteria.
- We aim to resolve the CreditWatch shortly after the second noteholder meeting on Dec. 18, 2013 and within the 30-day grace period expiring on Dec. 30, 2013.

Rating Action

On Dec. 2, 2013, Standard & Poor's Ratings Services placed on CreditWatch with negative implications its 'CC' long-term corporate credit rating on Netherlands-based AEG Power Solutions B.V.

Rationale

The CreditWatch placement reflects our view that there is a high risk that 3W Power, the parent holding company of AEG Power Solutions, will not make the coupon payment on its €100 million notes, maturing in 2015, within the 30 days following the coupon's Dec. 1, 2013 due date.

3W Power has suspended its decision to pay the 9.25% coupon until after a second noteholder meeting, which the company plans to hold on Dec. 18, 2013.

This date is within the 30-day grace period allowed by the bond documentation for remedying the non-payment. According to our criteria, if the interest on the notes is not paid before this period expires, this would constitute an event of default.

If, as a result of the second noteholder meeting, the coupon payment is deferred and/or a financial restructuring is consummated, we would lower the

rating on AEG Power Solutions to 'SD' (Selective Default).

Liquidity

We assess AEG Power Solutions' liquidity position as "weak" under our criteria. This reflects the recently announced shortage of liquidity anticipated for the next 12 months, if no remedial action is taken.

Outlook

We aim to resolve the CreditWatch shortly after the second noteholder meeting on Dec. 18, 2013 and within the 30-day grace period after the coupon due date.

Upside scenario

We could affirm the rating at 'CC' if the company makes the required coupon payment before Dec. 30, 2013. Nevertheless, the ratings would remain constrained by the announced review of AEG Power Solutions' capital structure and the associated high risk of a distressed exchange offer, which we would view as a default under our criteria.

Downside scenario

We will lower the corporate credit to 'D' (Default) if 3W Power does not make the coupon payment within the grace period, which ends on Dec. 30, 2013, or to 'SD' (Selective Default) if the coupon payment is deferred and/or a financial restructuring is consummated.

Related Criteria And Research

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Nov. 19, 2013
- Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012

Ratings List

CreditWatch/Outlook Action

	To	From
AEG Power Solutions B.V. Corporate Credit Rating	CC/Watch Neg/--	CC/Negative/--

Additional Contact:

Industrial Ratings Europe; Corporate_Admin_London@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect at

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