alliander

Alliander N.V.

results 2012

Disclaimer

This report is a translation of a selection of sections of the Dutch annual report 2012 of Alliander N.V.. Although this translation and selection has been prepared with the utmost care, misinterpretations as a result of the selection process or deviations as a result of the translation process from the Dutch annual report may nevertheless occur, such that the information in this report may be misinterpreted or different conclusions may be drawn. In such cases, the Dutch annual report 2012 will prevail.

'We', 'Alliander', 'the company', 'the Alliander Group' or similar expressions are used in this report as synonyms for Alliander N.V. and its subsidiaries. Liander refers to grid manager Liander N.V. and its subsidiaries. The name Endinet refers to the Endinet group, including grid manager Endinet B.V.. In this report Stam refers to Stam Heerhugowaard Holding B.V. and its subsidiaries and Liandon refers to Liandon B.V.. Alliander N.V. is the sole shareholder of Liander N.V., Endinet Groep B.V., Liandon B.V., Alliander Telecom N.V., Alliander Participaties B.V., Verlian B.V., Stam Heerhugowaard Holding B.V and Alliander AG. Parts of this report contain forward-looking information. These parts may – without limitation – include statements on government measures, including regulatory measures, on Alliander's share and the share of its subsidiaries and joint ventures in existing and new markets, on industrial and macroeconomic trends and on the impact of these expectations on Alliander's operating results.

Such statements contain or are preceded or followed by words such as 'believes', 'expects', 'thinks', 'anticipates' or similar expressions. These prospective statements are based on the current assumptions and are subject to known and unknown factors and other uncertainties, many of which are beyond Alliander's control, so that actual future results may differ significantly from these statements.

This report has been prepared using the accounting policies applied in the preparation of the 2012 Annual Report of Alliander N.V., which can be found on alliander.com.

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This report has been prepared for roadshow purposes and is composed of parts of the Annual Report 2012 of Alliander N.V..

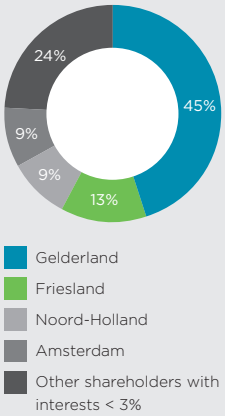
Key data Alliander [1]

	Unit	2012	2011
Customers			
Number of consumers	in thousands	3,349	3,326
Percentage of satisfied consumers [1]	per cent	93	92
Percentage of satisfied business customers [1]	per cent	87	89
Average outage duration per customer [1]	min. per year	24.5	20.0
Number of connections with feed-in installations [1]	in thousands	22	11
Number of smart meters	in thousands	379	154
Society			
CO_2 emissions	ktonnes	805	836
Employees at a disadvantage on the labour market [2]	number	75	74
Waste	ktonnes	21	20
Socially responsible procurement (SRP) [3]	per cent	42	30
Employees			
Number of employees at year-end	FTE	7,140	6,952
Absenteeism	per cent	4.0	4.1
Lost Time Injury Frequency (LTIF), average number of accidents involving absence from work per million hours worked	number	2.0	3.2
Employee satisfaction survey score [4]	rating	8.3	8.3
Shareholders and lenders			
Revenue	€ million	1,674	1,586
Profit after tax	€ million	224	251
Total assets	€ million	7,414	7,318
Capital expenditures on property, plant and equipment	€ million	578	475
Credit rating Alliander N.V.	S&P/Moody's	A+/Aa3	A+/Aa3

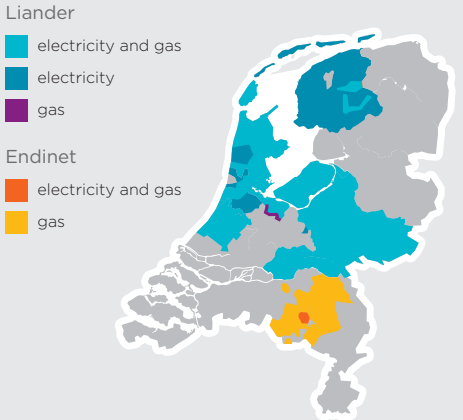
1 Key data 2012 and 2011 on customer satisfaction, outage duration and number of connections with feed-in installations concern Liander.
2 Alliander provides support to people whose personal circumstances make it more difficult for them to find work.
3 The SRP percentages for 2011 and 2012 concern Alliander excluding Endinet.
4 In 2012 (unlike in 2011), employees of Endinet did not participate in Alliander's employee survey.

the structure of our organisation

shareholders



geographical network distribution



introduction by CEO Peter Molengraaf

As a network company, we connect energy producers and users. The rapidly-changing energy landscape is creating new challenges.

"More and more customers are generating their own energy."

Energy and ICT technologies are advancing strongly, more and more customers are generating their own energy, energy flows are becoming more complex, investments in electric transport are growing, and governments have great ambitions to reduce CO_2 emissions. Amidst these dynamics, our challenge is to connect producers and consumers of both electricity and gas in a reliable, safe and affordable manner.

Alliander sees it as it's duty to facilitate the transition to a more sustainable energy system. In doing so, we are helping customers to gain more insight into their energy consumption as well as supporting local initiatives of customers to produce and share their own energy. We are also busy equipping our networks to handle two-way energy flows in a step-by-step process. Old sections are being replaced, the capacity of the electricity network is being increased and smart ICT solutions are being added to improve the management and control of energy flows.

While the contours of the future energy system are already visible, the exact shape of things to come is still unknown. Learning to deal with that uncertainty is a key aspect of the energy transition. There are no blueprints for the coming decades. The energy transition is simply too complex and too far-reaching to plan far ahead. By applying innovative technologies and smart ICT solutions and by working closely with customers, partners and government agencies, we are trying to anticipate trends and developments, wherever possible, in a responsible manner. All our strategic decisions and network investments are carefully assessed in the light of future energy distribution scenarios.

However, we as an organisation are not just looking to the future. After all, our customers clearly also need reliable and safe energy, now and in the future. In 2012, we invested more than in previous years in network construction and maintenance, as well as in the rapid resolution of faults. Approximately € 600 million was committed to the replacement and expansion of our networks. A solid and open energy distribution network plays a crucial role in our drive towards innovation, sustainability and new energy applications.

New energy for our customers

The figures for 2012 show a positive result. It was a year with a strong focus on reliability of supply and sustainability for our customers. In Amsterdam, a new intelligent energy network serving some 10,000 households became operational. In Nijmegen, we teamed up as a partner with the municipality and market parties to construct a heat transportation network, which will ultimately supply residual heating to more than 10,000 new homes.

While our customers are satisfied with the service we provide, continuing customisation is vital to meet their demands. This is a major challenge because, as is evident from the growing number of applications for feed-in connections to our energy networks, our customers are clearly moving with the times. In 2012 we also connected 350 new charging poles to the electricity network, thus stimulating the development of electric transport. Due to the growing number of customers investing in solar panels, applications for feed-in permission doubled. We also offered smart meters to 225,000 households, which doubled the total number of operational meters. Thanks to various pilots, we have learned how we can best offer the smart meters to customers. It is crucial, for instance, to give them online insight into their own energy consumption. Valuable lessons like these are helping us to prepare the large-scale offering of smart meters in 2014.

Achieving more together

We firmly believe that better results can be achieved by taking advantage of each other's talents, knowledge and potential. In our complex playing field, we need many good partners to meet the energy needs of today and tomorrow. Together with municipalities, we took initiatives aimed at encouraging residents to become involved in new energy saving and sustainability ideas. And we are engaged in an open dialogue with ministries as well as provincial and local authorities to help give direction and shape to the energy policy at national, regional and local level. In 2012, our energetic pursuit of cooperation also led to partnerships aimed at promoting technological innovations and new forms of service. Furthermore, we actively contributed to knowledge sharing and development by participating in the initiation of the European Network for Cyber Security and the creation of the Watt Connects inspiration centre in Arnhem.

We are achieving more together. Within the procurement chains of our organisation, we involve our partners and suppliers in efforts to create more sustainable and socially responsible purchasing solutions. And in the labour market, we worked intensively in 2012 with contractors, training institutes and ROC regional training centres to find solutions for the growing scarcity of skilled technicians. Together with our partners, we are engaged in a continuous search for innovations to make our energy supply even more affordable and reliable.

Operational Excellence
Efficiency is a key focus in our work. By further improving our operational management, we will be better able to carry out our projects and deal with the vast amount of work ahead. It will also help optimise safety, quality and customer satisfaction throughout our operations. In October 2012, several teams started using the LEAN method to carry out their daily work with increasing efficiency. Processes are discussed on a day-to-day basis to achieve permanent improvements. Operational Excellence means, above all, doing the job first time right, without needing to redo or repair things later. That is not only good for the customer, but reduces the workload and creates better cooperation with partners in the chain.

"While the contours of the future energy system are already visible, the exact shape of things to come is still unknown. Learning to deal with that uncertainty is a key aspect of the energy transition."

Our operations

The employees of Alliander make our company what it is. Working on energy infrastructures demands great skill and concentration. And of course safety is a priority in our work. The number of accidents with injury remained well within the set limit, but every accident is one too many. Safety at work therefore continues to demand our full and undivided attention.

The average electricity outage duration was 24.5 minutes in 2012. Despite having one of the most reliable networks in the world, we failed to meet our own target of 22 minutes as a result of several major outages at the end of 2012. In the coming years, we aim to achieve a further structural reduction in the outage duration in our networks. Another concern is that a number of investment projects have fallen behind schedule due to protracted consultation procedures and delayed decision-making. Together with all parties involved, we will continue our efforts to bring these vital network renewal processes to a successful completion. In connection with our 'right first time' commitment, we focused more intensively on improving our operational performance in 2012. That is good for our customers, reduces the workload and creates better cooperation with partners in the chain.

Operating in the midst of a complex energy transition, we are more dependent than ever on the professional skills, commitment and work ethic of our employees. By creating good, healthy and safe working conditions and by offering plenty of training opportunities, we encourage our employees to develop and deploy their competences and reach their full potential within our company.

A great challenge

Securing a reliable and sustainable energy supply is one of the biggest challenges our society faces today. In 2012, we were once again encouraged to see how many people, both inside and outside our company, are keen to help make this happen. By looking ahead together, remaining open to each other's potential and becoming more energy-conscious, we can rise to this challenge.

As in 2012, we will continue in the coming years to secure a reliable and sustainable energy supply with great passion and ambition.

Peter Molengraaf
CEO

profile

Alliander operates energy networks which distribute gas and electricity to large parts of the Netherlands. With our work we facilitate businesses, homes, transport and recreation. We want to strengthen and empower society by providing open access to the energy infrastructure and giving our customers more insight into their energy consumption. Alliander is helping to bring an open and sustainable energy market closer.

What Alliander does

Core tasks

Our most important task is to distribute gas and electricity to consumers, businesses and institutions. The network operators Liander and Endinet make this possible by keeping the energy networks in good condition, taking care of distribution and connecting customers to the energy networks.

In response to the rapidly changing energy landscape, we are working hard to build a future-proof and open network that can accommodate multiple energy providers. To obtain insight into society's energy ambitions at all levels, we consult with provinces, municipalities and other customers. We help them resolve their energy issues and develop complex energy infrastructures.

How we work

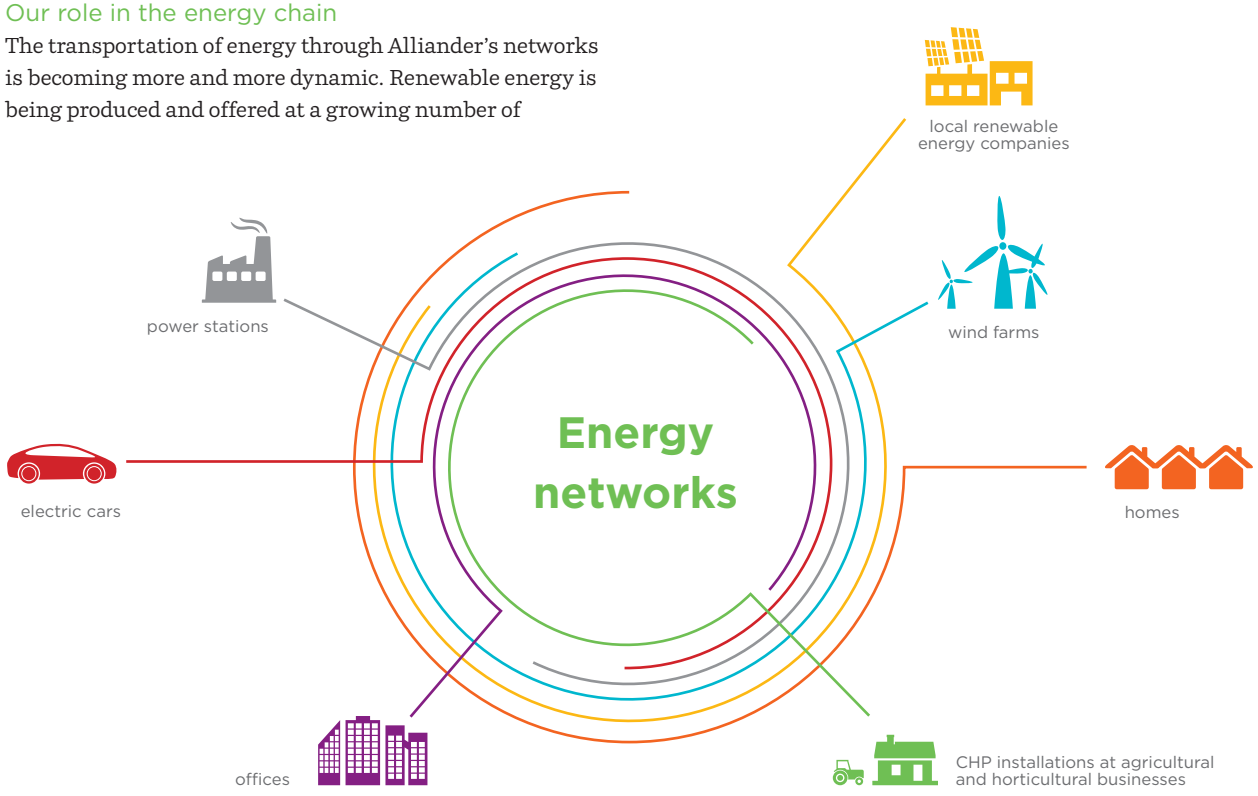
Our role in the energy chain

The transportation of energy through Alliander's networks is becoming more and more dynamic. Renewable energy is being produced and offered at a growing number of locations, while at the same time energy continues to be consumed in all regions.

The existing energy chain is still largely based on the centralised production of electricity and gas, which is transported by TenneT and Gasunie Transport Services. However, decentralised generation is now increasingly coming to the fore. More and more customers are feeding their renewable energy surpluses, from e.g. solar panels or combined heat and power (CHP) installations, into our energy networks.

Liander and Endinet then transport this energy to consumers, businesses and institutions, and now also to charging stations for electric vehicles.

The delivery and actual usage of electricity and gas is arranged between the customer and his energy provider. The customer is free to choose his own provider.



The organisational structure

Alliander N.V. is the holding company of our subsidiaries and group companies, including the regional network operators Liander and Endinet. Liandon is Alliander's knowledge centre and largely responsible for the technical innovations for the transportation and distribution of electricity and gas. Alliander's shareholders are Dutch provinces and municipalities. The largest shareholders are the provinces of Gelderland, Friesland, Noord-Holland and the municipality of Amsterdam. More information about the legal structure of Alliander can be found at alliander.com.

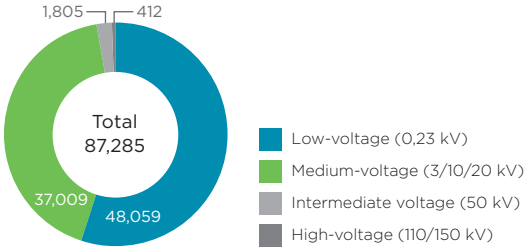
The regional distribution of energy in the Netherlands is the exclusive responsibility of network operators. This is laid down in the Dutch Electricity Act 1998 and the Gas Act. Network management is the most important activity within Alliander. About 90% of the revenue comes from connections and the distribution of energy by Liander and Endinet. The other 10% is generated by activities involving the construction and maintenance of complex infrastructures by Liandon, as well as the unregulated activities.

Network Operations Electricity

3,087,000 Active electricity connections

31,000 New electricity connections

Size of electricity transport network (in km)



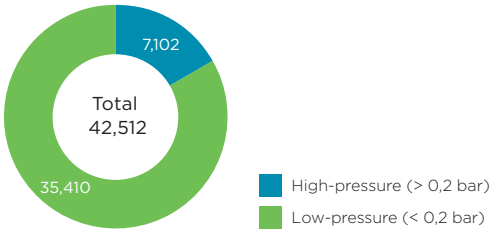
Transported electricity volume (GWh): 30,522

Network Operations Gas

2,644,000 Active gas connections

22,000 New gas connections

Size of gas transport network (in km)



Transported gas volume (million m³): 7,461

trends in energy

Many developments in society influence our energy system. People are living longer, the urban population is growing and society operates virtually around the clock. Moreover, technology is an increasingly pervasive presence in our daily lives. These developments also have a downside, particularly if you look at energy. Demand for fossil fuels and raw materials is growing, leading to rising prices, uncertain availability and harmful effects on the environment. To continue supplying society with sustainable, affordable and reliable energy in the future, we urgently need to adopt a new approach to the way we generate and use energy. This 'energy transition' also has implications for Alliander's role and the activities we are required to perform. We see it as our duty to society to facilitate the transition to a sustainable energy supply. Looking at the energy supply and the transition that is taking place, Alliander has identified five key trends.

Increase in decentralised energy generation

More and more consumers and businesses will be producing their own electricity, heating and biogas. They can do this individually or collectively (with neighbours or in cooperatives). Solar panels are particularly popular, as lower prices now make them economically profitable. Homes and buildings are also increasingly using solar and thermal heating as an alternative to natural gas.

New energy mix

Our customers' energy consumption patterns will look very different in the future. We currently use fossil fuels for transport (petrol, gas and diesel) and heating (natural gas). Moving forward, more use will be made of electricity, particularly when electric transport becomes more commonplace. The share of renewable energy will also rise through e.g. the use of solar boilers and heat pumps for spatial heating.

Strong impact of new technology

Thanks to technological developments and IT, appliances are becoming more energy-efficient and the number of smart applications is constantly expanding. Insight into energy flows and our energy consumption is improving. For instance, the smart meter, in combination with smart applications, enables consumers, institutions and businesses to see exactly how much energy they consume and manage their energy more effectively. Alliander is investing in new technologies that make it possible to monitor the energy networks, control the energy flows and feed energy into the network. This contributes to a more efficient energy supply.

More efficient energy consumption

Alongside the increasing number of electric applications, such as the electric car, houses are also becoming more energy-efficient. New buildings are designed to use less energy and, in due course, can even be made energy-neutral. Greenhouses, too, are becoming more energy-efficient and some actually produce more energy than they use. Meanwhile, industrial production processes are becoming more economical in their energy consumption.

Increased opportunities for energy storage

Innovative technologies make it possible to store electricity and other forms of energy. The storage capacity of batteries is also being steadily expanded. This opens up new opportunities for storing renewable energy, which has great implications for our future energy supply. In addition, new storage options for other forms of energy, such as (bio)gas and heat, are constantly being developed.

Trends in energy form an integral part in the determination of Alliander's strategic choices.

shareholders and lenders

For our shareholders and providers of borrowed capital it is our ambition to be a robust, socially and economically responsible investment.

Financial policy

Ratio	Result	Norm
FFO/net debt	30.9%	> 20%
Interest cover	6.0	> 3.5
Net debt/(net debt + equity)	37.7%	< 60%
Solvency	49.5%	> 30%
Rating		
S&P	A+/A-1/positive outlook	Solid A rating profile
Moody's	Aa3/P-1/stable outlook	

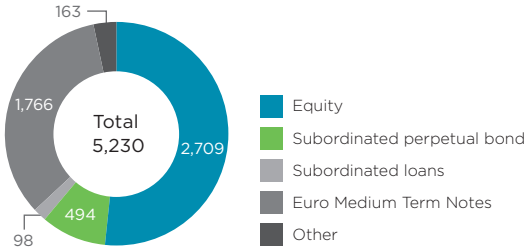
Our aim is continually to outperform the sector in terms of operational excellence, returning solid results compatible with the regulated permitted profit. Alliander has a healthy financial position, enabling the company to realise its operational and social goals, including the energy transition, which is discussed in greater detail elsewhere in this report. Retaining ready access to sources of finance is very important for Alliander. There is accordingly an active programme of investor relations activities directed at Alliander's financial stakeholders. In essence, these activities are largely determined by the company's financial policy. At the heart of the investor relations activities is the regular briefing of the financial stakeholders and providing them with opportunities to question us regarding our financial position and performance and developments affecting the figures concerned. This section provides an insight into our relations with financial stakeholders and into Alliander's financial policy, financial position and performance in 2012.

Alliander's financial stakeholders

Various instruments are used to fund the maintenance and expansion of the energy distribution networks and other activities, for which Alliander is dependent on its shareholders, institutional investors and banks. Alliander's creditworthiness is rated by rating agencies who publish their findings.

The capitalisation of Alliander as at year-end 2012 was build up as follows:

Capital structure Alliander/*€ million*



The capital structure reveals that Alliander's financing is more or less equally divided between equity and borrowed capital. The equity capital is provided by the shareholders and increases annually by the amount of the earnings retained. The shareholders receive a percentage of the net profit as dividend each year. Holders of the hybrid bonds also receive a fixed return on their investment out of the reported profit provided the dividend is declared. The profit which is retained is used as a source of finance. Alliander does not have access to finance by issuing new shares to private investors because private shareholdings in Dutch regional network companies are prohibited by law. To raise external finance, Alliander needs to turn to providers of borrowed capital. These are mainly institutional investors that buy debt instruments issued by Alliander. To meet its long-term finance requirements, Alliander has issued six bond loans that are quoted on the stock exchange, including a subordinated perpetual bond. The loans are listed on the Luxembourg Stock Exchange and NYSE Euronext Amsterdam. To meet its variable finance needs in the short-term, Alliander regularly issues short-term commercial paper. Additionally, Alliander has contracted committed credit facilities with a number of banks to serve as a source of finance, should it not be possible to raise the necessary funds on the capital market or the money market.

Open dialogue

Alliander pursues an active policy of maintaining an open and constructive dialogue with shareholders, bondholders, financial institutions, credit rating agencies, analysts and the media. We endeavour to provide all stakeholders with relevant financial and other information as accurately and promptly as possible, in reports, in press releases and in meetings as well as by other means.

Financial policy and long-term objectives

Alliander's financial policy and long-term objectives aim at achieving a balance between generating an adequate return for shareholders and protecting bondholders and other providers of borrowed capital while retaining the flexibility to be able to invest and allow the business to grow. The general principles of the financial policy are to ensure a balanced repayment schedule and to have available committed credit facilities and sufficient cash and cash equivalents. By operating within the financial framework and in accordance with the general principles, a solid A rating profile is maintained. For network operators Liander N.V. and Endinet B.V., separate criteria pursuant to the Network Operators Financial Management Decree (Besluit Financieel Beheer Netbeheerder) apply.

Financial framework

Alliander's financial framework is formed by the ratios FFO/net debt, interest cover, net debt/net debt plus equity and equity as a percentage of total assets less deferred income (solvency ratio). In a departure from IFRS, the subordinated perpetual bond loan issued in 2010 is treated as 50% equity and 50% borrowed capital.

Ratios

Alliander financial policy ratios

	norm	31 December 2012	31 December 2011
FFO/net debt [1]	> 20%	30.9%	34.1%
Interest cover [2]	> 3.5	6.0	5.8
Net debt/(net debt + equity)	< 60%	37.7%	37.0%
Solvency [3]	> 30%	49.5%	47.5%

The financial framework within which Alliander operates is based on the four ratios presented in the above table. These ratios are calculated according to the principles of our financial policy. These principles differ in one regard from IFRS accounting policies in that the subordinated perpetual bond loan is treated as equity under IFRS but as 50% borrowed capital and 50% equity for the purposes of our financial policy.

1 The ratio of funds from operations (FFO) to net debt concerns the 12-month profit after tax, adjusted for the movements in the deferred tax assets and liabilities, for the incidental items and fair value movements, plus the balance of depreciation and amortisation of property, plant and equipment and intangible assets and deferred income, divided by the net debt.
2 The interest cover ratio concerns the 12-month profit after tax, adjusted for the movements in the deferred tax assets and liabilities, for the incidental items and fair value movements, plus the depreciation and amortisation of property plant and equipment and intangible assets and the net amount of finance income and expense, divided by net finance income and expense adjusted for incidental items and fair value movements.
3 The solvency ratio is arrived at by dividing equity including the profit for the period by the balance sheet total less the expected dividend distribution to be made in the current year and less deferred income.

As at 31 December 2012, the FFO/net debt ratio amounted to 30.9% (year-end 2011: 34.1%). This decrease is mainly the effect of the increase in the net debt position.
As at 31 December 2012, the interest cover ratio worked out at 6.0, which is a slightly higher figure than at year-end 2011 (5.8). The ratio of net debt/sum of net debt and equity as at 31 December 2012 amounted to 37.7% (year-end 2011: 37.0%). The slight increase is largely due to an increase in the net debt position in 2012. Alliander's financial policy stipulates that this ratio should not exceed 60%. The solvency ratio as at 31 December 2012 amounted to 49.5% (year-end 2011: 47.5%). Alliander's financial policy stipulates that this ratio should be a minimum of 30%.

Dividend policy

The dividend policy (as part of the financial policy) provides for distributions out of the profit after tax, adjusted for non-cash incidental items, unless the investments required by regulators or the financial criteria demand a higher profit retention percentage and unless the solvency ratio falls below 30% after payment of dividend. Also taken into account is the requirement formulated by the Minister of Economic Affairs when the integrated energy companies where unbundled, limiting the dividend up to 1 January 2014 to a maximum of 45% of the profit after tax.

Investment policy

The investment policy is consistent with the financial policy and is part of Alliander's strategy. Elements of investment policy include compliance with regulatory requirements relating to investments in the regulated domain, generation of an adequate return on investment and social acceptance and support. Investment proposals are tested against minimum return requirements and criteria as set out in the financial policy. As well as quantitative requirements, investment proposals must also meet qualitative requirements, such as consistency with the corporate strategy and stakeholder interests. It should also be noted that in principle investments in the regulated domain arise from a network operator's statutory task.

Shareholders

All of Alliander's shares are held directly or indirectly by Dutch provincial and municipal authorities. The major shareholders are (percentages rounded):

- Province of Gelderland 45%
- Province of Friesland 13%
- Province of Noord-Holland 9%
- City of Amsterdam 9%

The remaining shareholders each hold less than 3% of the shares. A full list of the shareholders can be found on the Alliander website (alliander.com). For provisions governing the issue of shares, pre-emptive rights, repurchase of shares and reductions in share capital, reference is made to the company's articles of association, which can also be found on alliander.com. The articles also stipulate among other things that shareholders may exclusively be i) the Dutch state, ii) a provincial authority, iii) a municipal authority or iv) public or private limited liability companies whose shares, pursuant to their articles of association, may exclusively be held directly or indirectly by the Dutch state, a provincial authority or a municipal authority. This means Alliander is not allowed to be privatised. Each share of Alliander N.V. confers the right to cast one vote.

The authorised share capital of Alliander N.V. is divided into 350 million shares with a nominal value of five euros. All the shares are registered shares. As at 31 December 2012, there were 136,794,964 issued and paid-up shares.

Contacts with shareholders

Contacts with shareholders primarily take place in shareholders' meetings and through the Committee of Shareholders. Additionally we find regular interaction outside the formal meetings important. This gives us valuable feedback on the company's strategic and day-to-day management and also provides an insight into the wishes and concerns of shareholders.

The Annual General Meeting of Shareholders took place on 12 April 2012. The meeting considered the 2011 annual report and formally adopted the 2011 financial statements and the dividend declaration in respect of 2011. At the same meeting, the shareholders ratified the actions of the members of the Management Board and Supervisory Board in performing their duties. The meeting also passed the proposed revised resolution providing for a total capital expenditure of € 979 million for the roll-out of smart meters over the next few years. A resolution reappointing the presiding Committee of Shareholders for a period of two years was also adopted and Ms J.B. Irik and Ms A.P.M. van der Veer-Vergeer were reappointed members of the Supervisory Board.

The Committee of Shareholders is a group of shareholders appointed by the General Meeting of Shareholders from among their number on which certain powers are conferred to represent shareholders. These powers concern the right to recommend candidates for appointment to the Supervisory Board and to appoint and dismiss its members and a number of powers relating to the appointment and dismissal of members of the Management Board. The composition of the Committee, can be found on the Alliander website (alliander.com).

In 2012, the Supervisory Board consulted the Committee of Shareholders in writing on three occasions concerning the appointment and reappointment of Supervisory Board members. On 20 January 2012, the Committee was advised of two vacancies on the Supervisory Board. For the vacancies concerned, which had arisen in connection with the retirement of Ms J.B. Irik and Ms A.P.M. Van der Veer-Vergeer, the Committee of Shareholders did not have any enhanced right of recommendation but only an ordinary right of recommendation [1]. The Committee indicated that it would not be exercising its right of recommendation.
On 5 November, the Committee of Shareholders was advised of an interim vacancy arising on the Supervisory Board, following the death of Mr G. Ybema. In the case of this interim vacancy, the Committee of Shareholders did have an enhanced right of recommendation and exercised this right by recommending Ms J.W.E. Spies for appointment to the Supervisory Board. On 13 December, the Committee was advised of the vacancies arising after the Annual General Meeting of Shareholders (AGM) to be held on 27 March 2013 and concerning the proposal to reduce the number of members of the Supervisory Board from seven to six.

In preparation for the AGM held on 12 April 2012, the Committee had a meeting with the Selection, Appointment and Remuneration Committee on 15 March to discuss the achievement of the objectives for the short-term and long-term variable remuneration of the Management Board for 2011 and the 2011 Remuneration Report. Also discussed were the consequences of the Bill before parliament concerning the regulation of top salaries in the public and semi-public sector (Wetsvoorstel Normering bezoldiging topfunctionarissen publieke en semi-publieke sector).

Shareholder briefings were organised on 13 February and 30 July at which the Management Board gave presentations covering the results for the 2011 financial year and the interim results in 2012, respectively.

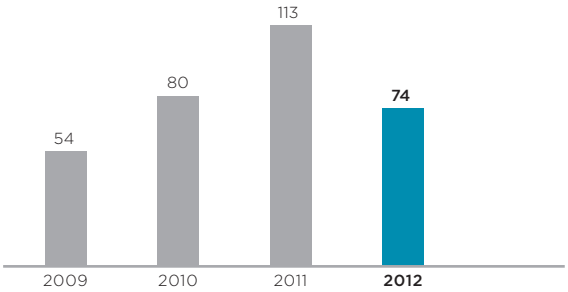
The Major Shareholder Consultation Body met on three occasions in 2012, preceded on each occasion by a meeting of the Sounding Board Group. The Sounding Board Group is an informal discussion forum at working group level which makes preparations for the Major Shareholder Consultation Body's deliberations. The Major Shareholder Consultation Body is in turn an informal government body in which preparations are made for the AGM, providing a forum for discussion of relevant developments, exchange information and promotion of mutual understanding. In these deliberations, the same shareholders and shareholder groups are represented as in the Committee of Shareholders. Discussions ranged over such matters as the strategic and day-to-day management of the company, trends in tariffs and developments in the fields of energy transition, innovation and sustainability.
There were also regular contacts with shareholders on an individual level and at the level of, for example, provincial government committees, clusters of shareholder municipal authorities and representatives of political parties regarding Alliander's course and strategy as well as practical matters concerned with implementation.

1 The Central Works Council and the Committee of Shareholders have an enhanced right of recommendation in respect of nominations for one third of the members of the Supervisory Board. This means that the Supervisory Board will propose a candidate nominated by the Central Works Council or Committee of Shareholders unless the Supervisory Board objects to the person recommended. This enhanced right of recommendation applies to every vacancy on the Supervisory Board arising through the resignation of a member of the Supervisory Board appointed as a result of the enhanced right of recommendation.

2012 profit appropriation

The Management Board has determined, with the approval of the Supervisory Board, to add € 150.0 million of the profit to other reserves. The remaining profit of € 74.4 million is at the disposal of the General Meeting of Shareholders. This is based on the profit after tax, excluding incidental items after tax that did not generate cash flows in the 2012 financial year.

Dividend/*€ million*



The lower dividend for 2012 compared with 2011 is mainly a consequence of the inclusion in the dividend computations for 2011 of the non-recurring income resulting from the settlement of corporate income tax assessments relating to prior years, giving rise to a dividend pay-out of € 113.0 million for 2011.

Institutional investors

A large part of our finance in the form of borrowed capital is provided by institutional investors in our bond issues, such as asset managers, insurance companies, pension funds and banks. These are professional parties on the international financial markets. In order to keep existing and potential bondholders informed regarding the company's financial position and results as well as developments in the industry, Alliander actively engages in investor relations activities in addition to complying with ordinary publication requirements. We organise roadshows, visiting investors on-site with regular updates on Alliander's financial performance, the strategic and day-to-day management of the business, trends in tariffs and other developments that are of importance in forming a picture of Alliander's creditworthiness and arriving at investment decisions involving Alliander.

In February 2012, Alliander held roadshows in Amsterdam, Paris, London and Frankfurt to publicise the company's annual results and other relevant developments. One-to-one talks with a number of investors also took place. Coinciding with the publication of the half-year figures at the end of July, an investor conference call was held, allowing investors to listen to a presentation of the figures on the telephone with the opportunity to ask questions. Throughout the year there were regular contacts with investors and analysts in response to questions and requests for information.

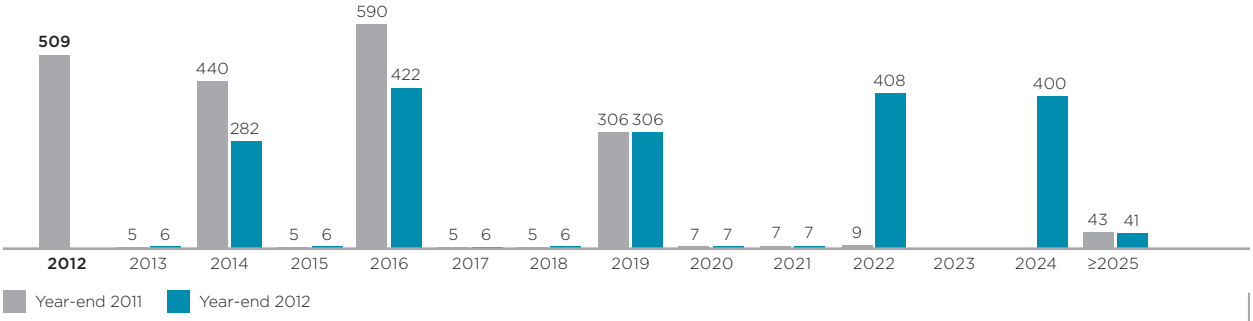
Capital market and money market activities

During the year under review, Alliander was active on the capital market and the money market in connection with a refinancing operation and a liability management transaction:

- in April, as contractually required, a € 500 million bond loan issued under the Euro Medium Term Notes (EMTN) programme was repaid, with funds provided partly from available cash and partly out of the proceeds from the issue of Euro Commercial Paper (ECP);
- in June, Alliander issued a new bond loan under the existing EMTN programme with a face value of € 400 million, a maturity of 12 years and a coupon rate of 2.875%. The funds raised were used to redeem the ECP in issue on schedule;
- in November, Alliander issued a new bond loan , again under the existing EMTN programme, with a face value of € 400 million, this time with a maturity of 10 years and a coupon rate of 2.25%. This issue took place after the success of a previously announced offer to buy back bonds maturing in 2014 and 2016. In total, bonds with a face value of € 324 million issued under the EMTN programme were redeemed. Investors taking up the offer were granted preferential allocation, on request, with respect to the issue of the new bond loan. This request for preferential allocation was made in the case of roughly half of the bonds offered for redemption. These two transactions produced a more regular maturity profile for the debt, extending farther into the future. In the longer term, this will lead to lower interest charges.

The repayment schedule for the interest-bearing debt as at year-end 2012 was as follows:

Repayment schedule for interest-bearing debt/*€ million*



The amounts scheduled for repayment in 2014, 2016, 2019, 2022 and 2024 mainly relate to the bond loans. The other amounts relate to the repayment of shareholder loans and other loans.

Alliander has a € 3 billion EMTN programme. As at year-end 2011, bonds totalling € 1.8 billion had been issued. In 2012, a total nominal amount of € 824 million was repaid/redeemed early and a nominal amount of € 800 million was issued, meaning that bonds with a carrying amount of € 1,766 million were in issue as at 31 December 2012 (nominal amount: € 1,776 million).

Alliander also has a € 1.5 billion ECP programme. Under this ECP programme, an amount of € 537 million was issued in the year under review. As at year-end 2012, however, all the ECP loans had been repaid.

Banks

Alliander has contracted a committed backup credit facility totalling € 600 million with six banks. The facility runs until 15 July 2017, with the option of an extension by 12 months, until 15 July 2018. Part of this facility can also be used to issue letters of credit relating to cross-border leases. The facility has not been drawn on.

During the year, a number of the banks concerned, not always in the same composition, were involved in the issue of the aforementioned two bond loans and the partial buyback of the two existing bond loans. A number of banks were also involved in the issue of commercial paper. The option to extend the credit facility with the group of banks by 12 months until 15 July 2017 was also exercised in 2012.

Rating agencies

In order to retain ready access to the capital and money markets, it is important for existing and potential financiers to have an accurate picture of Alliander's creditworthiness and associated credit ratings. Having a recognised credit rating is also an obligation under the terms of the cross-border lease contracts entered into at the end of the 1990s by Alliander's legal predecessors. Alliander has a credit rating from S&P and Moody's. These ratings comprise a long-term rating with an outlook, and a short-term rating. The outlook is an indication of the expected change in the rating over the next few years. In 2012, there have been no changes in the ratings or in the outlook. The credit ratings as at year-end 2012 were as follows:

Credit ratings

	long-term	short-term
Standard & Poor's	A+ (positive outlook)	A-1
Moody's	Aa3 (stable outlook)	P-1

Alliander has also been rated in recent years by rating agencies looking at corporate social responsibility. These CSR ratings are intended to give institutional investors an idea of how worthy of investment Alliander is from the point of view of sustainability. Topics covered by these ratings include environmental management, labour relations, customer relations, business ethics and corporate governance.

During the reporting period, Alliander was in contact with both types of rating agency on several occasions. Once a year there is a review in which the company's creditworthiness and sustainability credentials are re-examined by reference to the most recent financial and sustainability performance figures and projections for Alliander. The rating agencies publish their review findings and updates. At the time of issue of the new bond loans in June and November, issue ratings were also published by S&P and Moody's. They were the same as the corporate ratings.

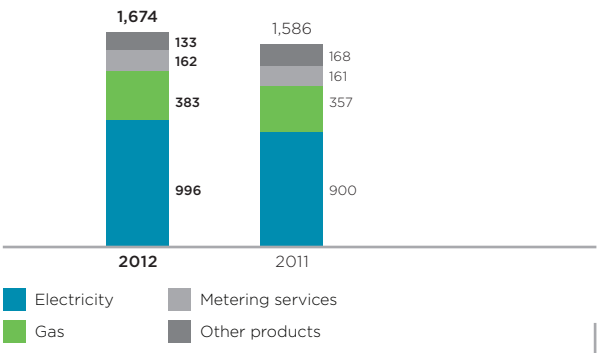
Financial results in 2012

The profit after tax for 2012 was € 224 million (2011: € 251 million). Excluding incidental items and fair value movements, the net profit was € 228 million (2011: € 228 million). In the 2012 reporting period, the regulated revenue was higher than in the preceding year, taking advantage of the higher tariff ceiling allowed by the Office of Energy Regulation. This tariff increase made possible the increased level of maintenance and network investments, as reflected in the costs of subcontracted work, operating expenses and amortisation/depreciation charges.

The cash flow from operating activities was slightly down, the solvency ratio and the net debt position increased and total assets increased by € 96 million, partly accounted for by an increase in the capital expenditure on the networks.

2012 income statement

Revenue/*€ million*



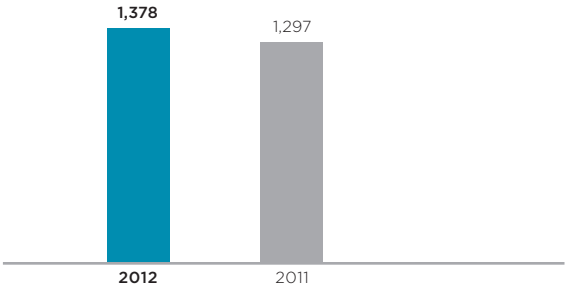
Revenue for 2012 was up by € 88 million (6%) compared with 2011, at € 1,674 million. This increase is largely accounted for by higher energy distribution tariffs (€ 122 million) for both electricity and gas (regulated activities), partially offset by lower revenue from deregulated activities (€ 35 million) reported by Liandon and Alliander AG among others.

Other income

Other income in 2012 came in at € 98 million (2011: € 109 million). The decrease of € 11 million is mainly due to a one-off compensation payment of € 7 million in 2011 connected with an incident involving a powder fire extinguisher.

Operating expenses

Total operating expenses/*€ million*



Total operating expenses for 2012 came in at € 1,378 million (2011: € 1,297 million). The increase of € 81 million compared with 2011 is mainly due to a higher level of activities connected with maintenance and capital projects and an increase in costs outside Alliander's control, resulting in:

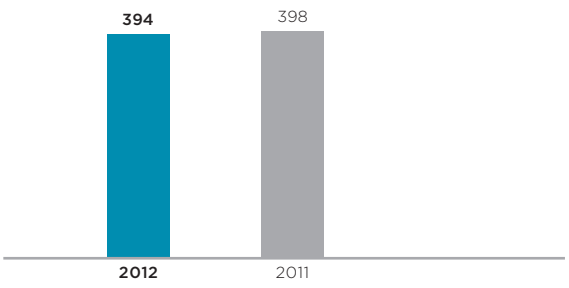
- an increase in both payroll and contract labour staff costs , totalling € 60 million. This was partly attributable to reorganisation costs amounting to € 15 million connected with organisational changes;
- higher amortisation/depreciation charges and a higher level of investment in the networks during the year but also affected by an increase in disposals – combined effect € 26 million;
- an increase in sufferance tax of € 13 million.

The increase in costs was partly offset by an increase of € 29 million in capitalised own production connected with the increased level of capital expenditure.

Operating profit

The operating profit for 2012 was down by € 4 million at € 394 million. Excluding incidental items, the operating profit came in at € 409 million, an increase of € 11 million compared with 2011.

Operating profit/*€ million*



Finance income and expense

Finance income and expenses in 2012 resulted in a net expense of € 145 million (2011: € 176 million). The reduction of € 31 million is due to the difference in fair value movements on financial instruments, a gain of € 39 million, and lower regular interest charges, down by € 7 million . The gains were partly cancelled out by higher costs (€ 14 million) connected with the bond buyback operation.

Associates and joint ventures

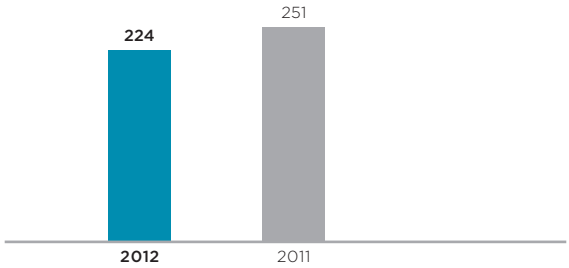
The share in the results after tax of associates and joint ventures in 2012 was a loss of € 15 million (2011: € 5 million loss). The 2012 and 2011 results include an impairment loss of € 12 million following adjustments of projected medium-term results.

Tax

The effective tax rate (the tax rate expressed as a percentage of profit before tax excluding the share in the results after tax of associates and joint ventures) for the 2012 financial year was 4% (2011: 15.1% negative). The difference between the standard rate of taxation and the effective tax burden in both years is mainly the effect of an adjustment in the forecast results in the long-term, which led to an increase in the carrying amount of the deferred tax assets, and the finalisation in 2011 of the corporation tax assessments for prior years.

Profit after tax

Profit after tax/*€ million*



The profit after tax for the year came in at € 224 million (2011: € 251 million). Excluding incidental items and fair value movements, the net profit for 2012 was € 228 million (2011: € 228 million). This result is accounted for by higher revenue (€ 88 million) resulting from the increase in regulated tariffs, the gain largely being offset by higher costs and amortisation/depreciation charges with a combined downside effect of € 81 million.

Incidental items

Alliander's results can be influenced by incidental items and fair value movements. Alliander defines incidental items as items which in the management's opinion do not derive directly from the ordinary activities and/or whose nature and size are so significant that they must be considered separately to permit proper analysis of the underlying results.

Net incidental items and fair value movements in 2012 combined to give a loss of € 4 million after tax (2011: € 23 million gain). The table on page 17 contains an overview of the reported figures and the figures excluding incidental items and fair value movements.

Reported figures and figures excluding incidental items and fair value movements

€ million	Reported		Incidental items and fair value movements		Excluding incidental items and fair value movements	
	2012	2011	2012	2011	2012	2011
Revenue	1,674	1,586	-	-	1,674	1,586
Other income	98	109	-	-	98	109
Total purchase costs, costs of subcontracted work and operating expenses	-1,222	-1,137	-15	-	-1,207	-1,137
Depreciation and impairments	-337	-312	-	-	-337	-312
Own work capitalised	181	152	-	-	181	152
Operating profit (EBIT)	**394**	**398**	**-15**	**-**	**409**	**398**
Finance income and expense	-145	-176	-50	-75	-95	-101
Share in results of associates and joint ventures	-15	-5	-12	-12	-3	7
Profit before tax	**234**	**217**	**-77**	**-87**	**311**	**304**
Tax	-10	34	73	110	-83	-76
Profit after tax	**224**	**251**	**-4**	**23**	**228**	**228**

Total purchase costs, costs of subcontracted work and operating expenses

(2012: € 15 million expense, 2011: nil)

The exceptional expense in 2012 is associated with the formation of the provision for reorganisation costs connected with organisational changes.

Finance income and expense

(2012: € 50 million expense; 2011: € 75 million expense)

The exceptional items mainly relate to:

- premium paid for the early redemption of bonds, € 44 million (2011: € 30 million);
- fair value movements on interest rate swaps, loss of € 18 million in 2012 (2011: € 39 million loss). In October 2012, the interest rate swaps were settled prior to maturity for an amount of € 57 million;
- items connected with cross-border leases, including costs arising from the revaluation of an asset relating to a cross-border lease and the movement in the associated provision, totalling € 9 million gain (2011: € 5 million loss). Also accounted for under this heading is the amount of KEMA's put and call options, totalling € 3 million.

Share in results of associates and joint ventures

(2012: € 12 million loss; 2011: € 12 million loss)

In both years, this relates to impairment losses arising from adjustments to the projected medium-term results.

Tax

(2012: income item of € 73 million; 2011: € 110 million income)

Incidental income in 2012 and 2011 relates to adjustment of the projected long-term results with a positive effect on deferred tax, the tax effect on the incidental items and fair value movements and the finalisation in 2011 of the corporation tax assessments for prior years.

Cash flows

Shown below is a summary of the cash flow statement for 2012.

Consolidated cash flow statement

€ million	2012	2011[1]
Cash flow from operating activities	545	557
Cash flow from investing activities	-498	-398
Cash flow from financing activities	-53	-554
Net cash flow	**-6**	**-395**

1 The figures for 2011 have been restated in connection with a change in presentation to include the premium paid in connection with the early redemption of bonds in the cash flow from financing activities.

The cash flow from operating activities in 2012 amounted to € 545 million (2011: € 557 million). The slightly lower figure compared with 2011 is mainly due to a lower profit after tax in 2012. The cash flow from operating activities covers the increase of approximately € 100 million in investing activities.

The cash outflow associated with investing activities in 2012 increased from € 398 million to € 498 million. The increase of € 100 million is largely explained by the increase in capital expenditure on the networks.

Investments in property, plant and equipment

€ million	2012	2011
Electricity regulated	272	236
Gas regulated	182	135
Metering devices	52	44
Buildings, ICT etc.	72	60
Total	**578**	**475**

The cash flow from financing activities in 2012 amounted to € 53 million negative (2011: € 554 million negative). The difference, of € 501 million, is due in part to the issue in 2012 of two new bond loans totalling € 800 million. In addition, bonds amounting to € 500 million were redeemed on schedule in 2012 and bonds in issue amounting to € 324 million were repurchased prior to maturity. An amount of € 220 million was also withdrawn from short-term deposits during the year, leaving a year-end balance of € 75 million. Finally, dividends totalling € 113 million were distributed along with € 24 million in coupon interest on the perpetual subordinated bond loan. The settlement in October 2012 of four interest rate swaps, involving a total amount of € 57 million, and the premium paid in connection with the early redemption of bonds, amounting to € 44 million (2011: € 30 million) have been included in the cash flow from financing activities.

Free cash flow in 2012

The free cash flow in 2012 totalled € 47 million, compared with a free cash flow in 2011 of € 159 million. The decrease of € 112 million compared with 2011 is largely explained by the increase in capital expenditure on the networks.

Reconciliation of free cash flow

€ million	2012	2011[1]
Cash flow from operating activities	545	557
Investment in property, plant and equipment	-578	-475
Investments in associates	-5	-4
Construction contributions received	85	81
Free cash flow	**47**	**159**

1 The figures for 2011 have been restated in connection with a change in presentation to include the premium paid in connection with the early redemption of bonds in the cash flow from financing activities.

Financial position

Net debt

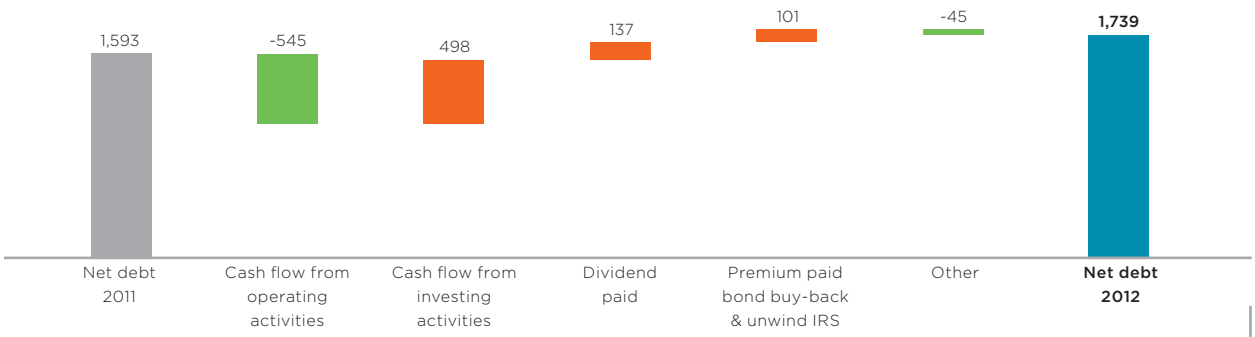
The following table presents the reconciliation of the net debt position as at 31 December 2012:

Reconciliation net debt position

€ million	31 December 2012	31 December 2011
Long-term interest-bearing debt	1,891	1,422
Short-term interest-bearing debt	5	509
Finance lease liabilities	131	133
Gross debt	**2.027**	**2,064**
Cash and cash equivalents	100	106
Non-current financial assets	137	130
Interest-bearing receivables from third parties	46	38
Current financial assets	75	295
Investments held for lease obligations related to cross-border leases	177	149
Total cash and cash equivalents and investments	**535**	**718**
Net debt in accordance with the financial statements (IFRS)	**1,492**	**1,346**
50% of the subordinated perpetual bond loan	247	247
Net debt on the basis of Alliander's financial policy	**1,739**	**1,593**

The net debt position as at 31 December 2012 amounted to € 1,739 million (2011: € 1,593 million). This is an increase compared with the net debt position as at year-end 2011 of € 146 million. The following graph provides further analysis of this increase.

Development in net debt position/*€ million*



The increase in the net debt position in 2012 by € 146 million is mainly due to the dividend distributions to shareholders in 2012 and the interest payments to the holders of the subordinated perpetual bond loan during the year, together totalling € 137 million, plus the premium paid in connection with the early redemption of bonds (€ 44 million) and the settlement of the interest rate swaps (€ 57 million).
The increase in the net debt position is partly compensated by the balance of the free cash flow (€ 47 million) and the € 35 million increase in 2012 of the available-for-sale financial assets. The latter is accounted for under 'Other'.

Segment reporting

General

Alliander has applied IFRS 8 (Operating segments) with effect from the 2010 financial year.
Alliander identifies the following segments:

- Network operator Liander;
- Network company Endinet;
- Other activities within the Alliander group.

The figures for each reporting segment, excluding incidental items and fair value movements, are shown in the table below. These figures directly reflect the regular internal reporting. Detailed information on segment reporting can be found in the Annual Report 2012.

Primary segmentation

	Network operator Liander		Network company Endinet		Other		Eliminations		**Total**	
€ million	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Operating income										
External income	1,558	1,433	109	114	105	148	-	-	1,772	1,695
Internal income	12	11	-	-	313	284	-325	-295	-	-
Total operating income	**1,570**	**1,444**	**109**	**114**	**418**	**432**	**-325**	**-295**	**1,772**	**1,695**
Operating expenses										
Total operating expenses	**1,178**	**1,076**	**87**	**88**	**423**	**428**	**-325**	**-295**	**1,363**	**1,297**
Operating profit	**392**	**368**	**22**	**26**	**-5**	**4**	**-**	**-**	**409**	**398**

Network operator Liander

The network operator Liander segment consists of the legal entity Liander N.V. which, as designated network operator within network company Alliander, has a statutory duty to manage the electricity and gas networks and related assets in the provinces of Gelderland, parts of Friesland, Noord-Holland, Zuid-Holland and Flevoland. Liander connects customers to the electricity and gas networks, through which it distributes electricity and gas. External income in 2012 was up by € 125 million compared with 2011, at € 1,558 million. This increase is mainly accounted for by the increase in the regulated tariffs in 2012. Operating expenses increased, by € 102 million, mainly owing to higher maintenance costs and depreciation charges. Operating profit was € 24 million higher compared with 2011, at € 392 million.

Network company Endinet

The network company Endinet segment comprises Endinet Groep B .V., including the network operator Endinet B.V.. Endinet was acquired by Alliander on 1 July 2010. On 1 January 2011, Liander integrated the activities of Endinet Haarlemmermeer B.V. into its existing activities. On the same date, the network operators Endinet Oost-Brabant N.V. and Endinet Regio Eindhoven B.V. were merged into Endinet B.V..

The external operating income in 2012 amounted to € 109 million, a decrease of € 5 million compared with 2011. This reduction is accounted for by the sale in 2012 of the public lighting and traffic signal activities to Ziut B.V.. The effect on the external income is € 9 million.
The negative effect is partially compensated by higher regulated tariffs. Operating expenses came in at € 87 million (2011: € 88 million). The operating profit for 2012 was € 22 million (2011: € 26 million). The drop is due to lower external operating income.

Other

The Other segment comprises all the other operating segments within the Alliander group, including the activities of Liandon, Stam, Alliander AG, the corporate departments and the service units. External operating income in 2012 was down € 43 million compared with 2011, at € 105 million. This decrease was a consequence of lower external income generated by Liandon B.V., together with other factors. The operating profit for the 2012 was € 5 million negative (2011: € 4 million positive).

Balance sheet

The abridged balance sheet as at 31 December 2012 is shown below.

Consolidated balance sheet

	Alliander N.V.	
€ million	**31 December 2012**	**31 December 2011**
Assets		
Non-current assets	6,875	6,612
Current assets	539	706
Total assets	**7,414**	**7,318**
Equity & liabilities		
Total equity	3,203	3,079
Non-current liabilities	3,758	3,264
Current liabilities	453	975
Total equity and liabilities	**7,414**	**7,318**

The following notes explain the significant changes in the balance sheet as at 31 December 2012 relative to the situation as at 31 December 2011.
Detailed information on balance sheet items can be found in the Annual Report 2012.

Non-current assets

The amount of non-current assets as at 31 December 2012 was € 263 million higher than as at 31 December 2011. This increase is mainly accounted for by the higher level of investment in the networks and is despite the fact that depreciation of the network assets also increased. There was also an increase of € 35 million in available-for-sale financial assets following re-measurement of the carrying amounts to a higher value. The deferred tax asset was reduced by € 11 million compared with the position as at year-end 2011. This reduction results mainly from utilisation of the tax break permitting accelerated depreciation of investments and higher depreciation for tax purposes. Partially offsetting this reduction was an adjustment in the projected long-term results, which had the positive effect of lifting the deferred tax assets by € 58 million.

Current assets

The decrease of € 167 million in current assets compared with the position as at 31 December 2011, to a figure of € 539 million, is partly due to the reduction in the short-term deposit position. The balance of trade receivables increased compared with the position as at year-end 2011, partly because of the increase in regulated revenues.

Equity

Equity as at 31 December 2012 increased by € 124 million compared with the level as at year-end 2011, to € 3,203 million. This increase is mainly accounted for by the net profit for 2012, amounting to € 224 million, less the dividend distribution for 2011 made in 2012 (€ 113 million). Additionally, the revaluation reserve relating to available-for-sale financial assets increased by € 28 million. A summary of the movements can be found in the Annual Report 2012.

Non-current liabilities

The amount of non-current liabilities was up by € 494 million compared with the position as at 31 December 2011. This increase was mainly due to the issue of bond loans under the EMTN programme totalling € 800 million, partially offset by the effect of repurchasing existing bonds in issue involving an amount of € 324 million.

Current liabilities

The current liabilities as at 31 December 2012 were down by € 522 million compared with the position as at year-end 2011, at € 453 million. This decrease is mainly due to the repayment of part of the EMTN portfolio in April 2012 (€ 500 million).

Events after balance sheet date

Network company Alliander will enter into a partnership with KPN and Entropia Digital in setting up a dedicated mobile telecommunications network for energy networks. In connection with this alliance, Alliander acquired the entire share capital of Utility Connect B.V. from KPN on 1 February 2013 for an initial purchase price of € 7 million. Utility Connect holds a CDMA frequency licence. Also on 1 February 2013, the entire share capital of Entropia Assets B.V. was acquired by Alliander from Entropia Digital B.V. for an amount of € 11 million. Entropia Assets owns the network of transmission masts.

In the years ahead, Alliander expects to see the expansion of 'smart grids'. Such networks incorporate sensors to allow better remote monitoring and control of energy flows. Data communications traffic will become more intensive and more important as a consequence and wireless telecommunications have an important role to play in these developments. Alliander's partnership with KPN and Entropia Digital is in anticipation of them.

Outlook for 2013

Investment

Gross capital expenditure, mainly on replacement and expansion of the networks but also including energy transition investment in SASensors, telecommunications networks and charging points for electric vehicles, will amount to a total of € 450-500 million. The pace of development of decentralised generation and feed-in to the network is taken into account in determining the level of our medium-term investment. One specific, and major, investment project that will increase our regular network investment programme is the phased roll-out of smart meters. Based on current projections, Alliander will be investing € 60-100 million a year in smart meters over the period 2013-2020.

Financing

Alliander's financial policy aims to preserve financial strength and flexibility and secure good access to the capital market at all times by maintaining a solid A rating profile and by such means as ensuring a balanced repayment schedule, having a balanced investment plan, controlling operating costs, having access to committed credit facilities and maintaining adequate reserves of cash and cash equivalents.

Results

Given that the majority of Alliander's operations are regulated and in the light of the current regulation methodology and the changes in the regulated tariffs in 2013, we expect, barring unforeseen and non-recurring developments, a higher operating profit in 2013 than in 2012.

Consolidated financial statements

Consolidated balance sheet

€ million	2012		2011	
Assets				
Non-current assets				
Property, plant and equipment	5,821		5,575	
Intangible assets	320		320	
Investments in associates and joint ventures	28		54	
Available-for-sale financial assets	314		279	
Derivatives	11		-	
Other financial assets	46		38	
Deferred tax assets	335		346	
		6,875		**6,612**
Current assets				
Inventories	36		28	
Trade and other receivables	316		277	
Derivatives	5		-	
Tax assets	7		-	
Other financial assets	75		295	
Cash and cash equivalents	100		106	
		539		**706**
Total assets		**7,414**		**7,318**
Equity & liabilities				
Equity				
Share capital	684		684	
Share premium	671		671	
Subordinated perpetual bond	494		494	
Hedge reserve	-2		-5	
Revaluation reserve	28		-	
Other reserves	1,104		984	
Profit after tax	224		251	
Total equity		**3,203**		**3,079**
Liabilities				
Non-current liabilities				
Interest-bearing debt	1,891		1,422	
Derivatives	73		120	
Finance lease liabilities	131		133	
Deferred income	1,530		1,505	
Provisions for employee benefits	59		55	
Other provisions	74		29	
		3,758		**3,264**
Short-term liabilities				
Trade and other payables	88		93	
Tax liabilities	78		59	
Interest-bearing debt	5		509	
Derivatives	-		49	
Provisions for employee benefits	63		58	
Accruals	219		207	
		453		**975**
Total liabilities		**4,211**		**4,239**
Total equity and liabilities		**7,414**		**7,318**

Consolidated income statement

€ million	2012	2011
Revenue	1,674	1,586
Other Income	98	109
Total income	**1,772**	**1,695**
Operating expenses		
Purchase costs and costs of subcontracted work	-449	-450
Employee benefit expenses	-433	-385
External personnel expenses	-121	-109
Other operating expenses	-219	-193
Total purchase costs, costs of subcontracted work and operating expenses	**-1,222**	**-1,137**
Depreciation and impairment of property, plant and equipment	-337	-312
Less: Own work capitalised	181	152
Total operating expenses	**-1,378**	**-1,297**
Operating profit (EBIT)	**394**	**398**
Finance income	64	29
Finance expense	-209	-205
Result from associates and joint ventures after tax	-15	-5
Profit before tax	**234**	**217**
Tax	-10	34
Profit after tax	**224**	**251**

The profit after tax for 2012 is entirely attributable to the shareholders of Alliander N.V..

The comprehensive income was as follows:

Consolidated statement of comprehensive income

€ million	2012	2011
Profit after tax	**224**	**251**
Other elements of comprehensive income		
Revaluation of available-for-sale assets	28	7
Movement in fair value cash flow hedges	3	-22
Termination hedge relation	-	29
Comprehensive income	**255**	**265**

Consolidated cash flow statement

€ million	2012		2011[1]	
Cash flow from operating activities				
Profit after tax		**224**		**251**
Adjustments for:				
- Finance income and expense		145		176
- Tax		10		-34
- Profit after tax from associates and joint ventures		15		5
- Depreciation and impairment less amortisation		278		255
Changes in working capital:				
- Inventories	-8		-1	
- Trade and other receivables	-46		2	
- Trade and other payables and accruals	31		-73	
Total changes in working capital		**-23**		**-72**
Changes in deferred tax, provisions, derivatives and other		-14		72
Cash flow from operations		**635**		**653**
Net interest paid	-100		-119	
Net interest received	2		15	
Dividends received from associates and joint ventures	15		1	
Corporate income tax received (paid)	-7		7	
Total		**-90**		**-96**
Cash flow from operating activities		**545**		**557**
Cash flow from investing activities				
Investments in property, plant and equipment	-578		-475	
Construction contributions received	85		81	
Investments in financial assets (associates and joint ventures)	-5		-4	
Cash flow from investing activities		**-498**		**-398**
Cash flow from financing activities				
Redemption current interest-bearing liabilities and current part of long-term debt	-504		-23	
Long-term debt issued	798		23	
Early redemption long-term debt	-329		-259	
Premium paid in connection with the early redemption of bonds	-44		-30	
Settlements interest rate swaps	-57		-	
Change in current deposits	220		-170	
Interest coupon subordinated perpetual bond	-24		-15	
Dividend paid	-113		-80	
Cash flow from financing activities		**-53**		**-554**
Net cash flow		**-6**		**-395**
Cash and cash equivalents as at 1 January		106		501
Net cash flow		-6		-395
Cash and cash equivalents as at 31 December		**100**		**106**

[1] The figures for **2011** have been restated in connection with a change in presentation to include the premium paid in connection with the early redemption of bonds in the cash flow from financing activities.

Consolidated statement of changes in equity

	Equity attributable to shareholders and other providers of equity							
€ million	Share capital	Share premium	Subor-dinated perpetual bond	Hedge reserve	Reva-luation reserve	Other reserves	Profit for the year	Total
Equity as at 1 January 2011	**684**	**671**	**494**	**-12**	**-7**	**854**	**222**	**2,906**
Movement in fair value cash flow hedges	-	-	-	-22	-	-	-	-22
Revaluation of available-for-sale financial assets	-	-	-	-	7	-	-	7
Termination hedge relation	-	-	-	29	-	-	-	29
Profit after tax for 2011	-	-	-	-	-	-	251	251
Comprehensive income for 2011	**-**	**-**	**-**	**7**	**7**	**-**	**251**	**265**
Interest coupon subordinated perpetual bond after tax	-	-	-	-	-	-12	-	-12
Dividend for 2010	-	-	-	-	-	-	-80	-80
Profit appropriation for 2010	-	-	-	-	-	142	-142	-
Equity as at 31 December 2011	**684**	**671**	**494**	**-5**	**-**	**984**	**251**	**3,079**
Movement in fair value cash flow hedges	-	-	-	3	-	-	-	3
Revaluation of available-for-sale financial assets	-	-	-	-	28	-	-	28
Profit after tax for 2012	-	-	-	-	-	-	224	224
Comprehensive income for 2012	**-**	**-**	**-**	**3**	**28**	**-**	**224**	**255**
Interest coupon subordinated perpetual bond after tax	-	-	-	-	-	-18	-	-18
Dividend for 2011	-	-	-	-	-	-	-113	-113
Profit appropriation for 2011	-	-	-	-	-	138	-138	-
Equity as at 31 December 2012	**684**	**671**	**494**	**-2**	**28**	**1,104**	**224**	**3,203**

The termination of the hedge relationship relates to a derivative instrument contracted in 2010 to hedge future interest rate risks on part of our EMTN programme. As at year-end 2011, the hedge relationship was discontinued, meaning that the hedge accounting ceases to apply. As at year-end 2011, the hedge reserve less deferred tax (€ 10 million) amounted to € 29 million negative. The gross amount of € 39 million was charged to the income statement as at 31 December 2011.

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