Alliander N.V.
Half-Year Report 2013

24 July 2013

Disclaimer

This report is a translation of the Dutch half-year report 2013 of Alliander N.V. Although this translation has been prepared with the utmost care, deviations from the Dutch half-year 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 half-year report 2013 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., CDMA Utilities 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 www.alliander.com.

This report has not been audited.

1 profile

Alliander is a network company and responsible for the regional distribution of electricity and gas to customers covering roughly one third of the Netherlands. Every day 3.3 million customers use our services.

Alliander's subsidiaries Liander and Endinet manage the regional gas and electricity networks in the provinces of Gelderland, Friesland, Noord-Holland and parts of Zuid-Holland, Flevoland and Noord-Brabant. Liander and Endinet are responsible for the energy infrastructure connections and the distribution of electricity and gas to 3.3 million customers. Alliander's subsidiary Liandon provides services relating to the construction and maintenance of complex energy infrastructures.

Alliander aims to fulfil its public responsibilities in a dedicated and reliable manner and seeks to achieve balanced growth for all its stakeholders: customers, employees, shareholders and lenders, the environment and society at large. Alliander is fully aware at all times of the importance of energy to its customers and to society. Alliander also plays an important role in facilitating moves towards greater sustainability in Dutch energy supplies. The increase in sustainable, more decentralised power generation makes demands on the energy infrastructure and represents a challenge for network companies. Alliander sees it as its responsibility, together with other market participants, to facilitate this greater sustainability at an acceptable cost to society.

Alliander's largest shareholders are the provinces of Gelderland, Friesland and Noord-Holland and the city of Amsterdam. The province of Flevoland and various municipalities in the provinces of Flevoland, Gelderland, Noord-Holland and Zuid-Holland are also shareholders.

2 key figures

Financial key figures

€ million, unless otherwise stated	1st half 2013	1st half 2012
Revenue	860	819
Other income	50	49
Operating expenses	698	685
Operating profit	212	183
Profit after tax	129	82
Profit after tax excluding incidental items and fair value movements	131	100
Investments in property, plant and equipment	245	250
Cash flow from operating activities	234	208

	30 June 2013	31 December 2012
Total assets	7,409	7,414
Total equity	3,232	3,203
Net debt [1]	1,587	1,492
ROIC [2]	7.1%	6.9%

1 Net debt is defined as interest-bearing debt less interest-bearing receivables, cash and cash equivalents and investments that are not restricted.
2 Return on invested capital (ROIC) is defined as the 12-month operating profit adjusted for incidental items and fair value movements, profit after tax from associates and joint ventures and tax, as a percentage of average invested capital (= the sum of the carrying amounts of intangible assets, financial assets, property, plant and equipment and working capital less deferred income).

Other key figures

Ratios in accordance with financial policy [3]	Norm	30 June 2013	31 December 2012
FFO / net debt	> 20%	31.9%	30.9%
Interest cover	> 3,5	6.9	6.0
Net debt / (net debt + equity)	< 60%	38.5%	37.7%
Solvency	> 30%	50.4%	49.5%
Customers			
Customer satisfaction, consumer market [4]		92%	93%
Customer satisfaction, business market [4]		86%	87%
Electricity outage (minutes) [5]		21.9	24.5
Society			
New employees at a disadvantage on the labour market [6]		51 [6]	75
Socially responsible procurement [7]		47%	42%
Employees			
Number of permanent and tempory staff (in fte)		6,786	6,820

3 The financial framework within which Alliander operates is based on four ratios, as presented in the above table. These ratios are calculated according to the principles of our financial policy. These principles differ in one respect from the classification according to IFRS: under IFRS the subordinated perpetual bond loan is recognised as equity whereas, according to the principles of our financial policy, this instrument is treated as 50% borrowed capital and 50% equity. The funds from operations (FFO)/net debt ratio is the 12-month profit after tax adjusted for deferred tax movements and incidental items and fair value movements plus depreciation of property, plant and equipment and amortisation of intangible assets net of accrued income, as a percentage of net debt. The interest cover ratio concerns the 12-month profit after tax,adjusted for deferred tax movements and incidental items and fair value movements plus depreciation of property, plant and equipment and amortisation of intangible assets, plus net finance income and expense divided by net finance income and expense adjusted for incidental items and fair value movements. The solvency ratio is obtained by dividing total equity including the profit for the period by total assets less the expected dividend distribution for the current year and deferred income.
4 Customer satisfaction is a measure of the relative satisfaction rating for customers in both the consumer and business markets, calculated by an external agency several times a year using random surveys.
5 The outage duration expresses in minutes the average time for which our customers are without electricity over a 12-month period in the area served by Liander.
6 Alliander supports people whose personal circumstances make it more difficult for them to find work. The 2013 figure contains six months.
7 The SRP (socially responsible procurement) percentage shows the proportion of Liander's expenditure which meets the SRP criteria.

3 report of the Management Board

Summary of significant events

Safety
There were 12 accidents in the first half of 2013 which resulted in time off work, two of which were very serious. The accidents were investigated and action has been taken to reduce the risk of accidents in future. A digital platform allowing staff to share their safety-related experience and know-how has also been developed and a taskforce has been set up within the operating departments, tasked with raising satefy accomplishments and bring safety awareness to a higher level.

Network investments, maintenance and innovation
Keeping the electricity and gas networks safe and up-to-date and making them future-proof is a key task of our network operators. Investment in maintenance and replacement of the energy networks is essential, both to preserve the existing quality and safety standards and to distribute the growing renewable energy streams . Capital expenditure remained at a similar level in the first half of 2013, at € 245 million (2012: € 250 million), of which € 98 million related to replacement investment and € 90 million was invested in network expansion. Alliander expects to expand the 'smart grid' infrastructure considerably in the years ahead, building sensors into the networks to permit enhanced monitoring and remote control of energy flows. In these systems, data communications will be more intensive and more crucial to operations. Investments relating to the offer to fit smart meters amounted to € 25 million in the first half of 2013, an increase of € 8 million compared with the same period in 2012. Smart meters give consumers better insight into their energy consumption.

Energy transition
Alliander is investing in the smart grid in preparation for growth in the feed-in of locally generated power and to support sustainable energy initiatives by both residential and business customers. The number of customers with electricity feed-in arrangements increased by 68% in the first half of 2013, rising to over 36,000. This increase was due almost entirely by the growing number of residential solar PV installations. In mid 2013 more than 750 wind power installations (wind farms and stand-alone turbines) are operated by industrial users.

Corporate social responsibility
Working with suppliers, Alliander aims to make the energy supply chain more sustainable. To this end we are concluding socially responsible procurement (SRP) declarations with our suppliers, defining the generic and specific sustainability standards we seek to achieve in our relationship with them. SRP-accredited suppliers accounted for 47% (2012: 42%) of our purchases in the first half of 2013.

Draft Decisions on the Regulation of Gas and Electricity Distribution Service Operators
In May 2013, the Netherlands Authority for Consumers & Markets (ACM) published the Draft Decisions on the Regulation of Gas and Electricity Distribution Service Operators (DSOs), which will form the basis for fixing the regulated tariffs for the period 2014–2016. These draft decisions mean that tariffs will be considerably lower than in preceding years. Although this can be seen as benefiting our customers, one consequence will be that Liander and Endinet will have less money available to invest in the networks, at a time when investment is vital if we are to facilitate the transition to renewable energy. A change in the law also means that the tariff reduction and the associated drop in income will occur simultaneously on 1 January 2014, instead of being spread over several years. DSOs and other stakeholders were allowes until 11 June 2013 to present their views, ahead of finalisation of the DSO regulation decisions towards the end of the year.

Newly acquired interests
Alliander joined forces with KPN and Entropia Digital at the beginning of 2013. The company set up for this purpose, CDMA Utilities B.V., is wholly owned by Alliander. CDMA Utilities in turn acquired the entire share capital of Entropia Assets B.V. (transmitter masts) and Utility Connect B.V. (licences) for a total of € 18 million. The principal assets of these companies relate to a licence to use the 450 MHz frequency band, a PoC (Proof of Concept) network and a network of masts and the associated transmission network covering the entire country.

Early termination of cross-border leases
On the initiative of and in consultation with the US investors involved, the cross-border lease transactions entered into in the past for the gas distribution networks of the former GGR, NRE and VNB were terminated early

in the first half of 2013, as a consequence of which the obligations relating to these transactions have ceased.

Customers

Customer satisfaction

General customer satisfaction remained high in the first half of 2013, with 92% (2012: 93%) of consumers being satisfied with the services we provide. Our customer-satisfaction rating in the business market was 86% (2012: 87%). Relative to the benchmark for network operators, our customer-satisfaction rating showed an improvement on 2012. Alliander outperforms the benchmark in both the consumer and business markets.

Outage duration

An uninterrupted power supply is very important in our society. Our staff work constantly to ensure a reliable and safe network. Security of electricity supply is reflected in the outage figure (the average time in minutes for which our customers in the area served by Liander are without electricity over a 12-month period). The outage figure for the first half of 2013 was 21.9 minutes, compared with 24.5 minutes in 2012.

Refund due to oversized gas meters

In early 2013, Alliander introduced a temporary special arrangement for customers with gas meters of larger capacity than needed. They can have their oversized meters replaced by Liander free of charge and will be switched immediately to a new tariff. Liander has contacted around 28,000 customers to advise them that their gas meters might be too large. As well as replacing the meters with smaller ones free of charge, Alliander is also refunding overpayments on these customers' gas bills.

Energy supplier model

The mandatory energy supplier model for the consumer market comes into operation on 1 August 2013. With effect from that date, the energy supplier will be the only point of contact for users for meter readings and the periodic billing of network costs. In future, consumers will only need to contact the network operator for fault reporting or technical aspects of their connection. Under the mandatory supplier model, consumers will receive regular bills only from their energy supplier. Incidental charges, such as for new connections, will continue to be invoiced direct to the end-user by the network operator.

Sustainability initiatives

Alliander is facilitating the transition to a sustainable energy system for its customers. Various initiatives were launched in the first half of 2013 with this aim in view.

BioNet

Liander has launched the BioNet demonstration project in partnership with ATAG. BioNet is a specially constructed network for distributing biogas. Biogas is produced from biomass and can be used directly for heating in homes and other buildings. Liander believes that biomass will in future be a viable alternative to the forms of energy currently used for heating.

Inductive charging for electric vehicles

Liandon, in partnership with Proov, is developing an inductive charging infrastructure for electric vehicles. Proov won the E-Mobility Awards prize in 2012 for a system enabling electric public-service vehicles to be recharged without the need for plugging into a charging point. Electric buses can contribute subsantially to improved air quality in built-up areas. Liandon wishes to encourage the use of electric vehicles and wants to test what effect the increased use of electricity in automotive applications will have on the power distribution networks. With greater insight into the developments surrounding electric vehicles, it will also be possible to determine where and how networks need to be enhanced and/or made more intelligent.

Solar City

In the 'Stad van de Zon' ('Solar City') project in Heerhugowaard, Liander is exploring the possibility of creating a local energy market in which residents and businesses are able to generate electricity and trade power among themselves. Stad van de Zon is one of Liander's 'Smart Grid Trials' working on energy supply in the future. The plan is for this eco-district ultimately to generate as much power as it uses. By managing energy supply and demand and offering financial incentives, a more constant network load can be achieved.

Employees

Workforce

Compared with year-end 2012, the total number of permanent and contract staff as at 30 June 2013 was 34 lower at 6,786 FTEs, the net effect of a decrease of 134 FTEs in external staff and an increase of 100 FTEs in permanent staff .

Women in leadership positions

Alliander encourages women to progress to leadership positions. The proportion of women in managerial roles was 22% as at 30 June 2013.

Sickness absence

The absence rate for the first half of 2013 was unchanged compared with 2012, at 4%.

Committed network operator

Alliander believes it is important for everyone to have the opportunity to work, but understands that it is difficult for people in some groups in society to find a place in the labour market. In the Step2Work project, Alliander offers participants a recognised training programme (including skill qualifications) and relevant work experience.
In the first half of 2013, 51 new recruits joined the Step2Work project (compared with 75 new recruits for the whole of 2012).

Risks and uncertainties

Risk management at Alliander is an important part of the overall management of the organisation. With a proper understanding of the risks, we are able to take effective action to address them. A risk may be acceptable if taking that risk is the result of a carefully considered decision based on weighing the impact, the probability and the benefits. For a more detailed analysis of risk policy, see the Risk Management section of our 2012 annual report.

A comprehensive risk report is produced each quarter. This report identifies the various risks of which the Management Board and the Supervisory Board need to be aware, in view of their magnitude and/or particular topicality. Further to the 2012 annual report, we are able to report the following in connection with risk monitoring.

Management of strategic risks

The greater part of our activities is subject to regulation, from the gas and electricity connection and distribution services and the metering service for consumers.
Any significant change in the rules governing regulated tariffs can affect the amount of money available for investment in the energy networks. In May 2013, the Netherlands Authority for Consumers & Markets (ACM) published the Draft Decisions on the Regulation of Gas and Electricity DSOs, which will form the basis for fixing the regulated tariffs for the period 2014–2016. If the draft decision is finalised in its present form, it will have an adverse effect on Alliander's capacity for investment. Based on the published draft proposals, the ACM expects to see a combined saving for users of gas and electricity in the Netherlands of at least € 500 million (compared with the period 2011–2013). That may be good for our customers, but it will make it more difficult for our network operators Liander and Endinet to maintain their current level of investment. Liander and Endinet, along with the other national and regional network operators and other stakeholders, were given an opportunity to comment on the draft proposals. The decisions are due to be finalised towards the end of the year, following which the ACM will set the new tariffs.

Management of financial risks

Alliander is exposed to credit risks, comprising counterparty risks, customer-related risks and supplier-related risks. There is proactive management of credit risks based on an established credit policy, involving the use of credit scoring and credit management. There were no material credit-related losses in the first half of 2013.

Management of operational risks

Alliander pays close attention to the management of risks which could result in damage to our network infrastructure, with the consequent possibility of serious disruption to energy supplies. Liander is currently working on an integrated network plan for risk-based management of our assets. Decisions on maintenance and replacement of our infrastructure will be made on the basis of integrated risk analyses. Decisions on investments and all activities connected with our existing and future networks will be based on an analysis of the risks and returns and will be geared to efficient management and operation of our networks consistent with our corporate social responsibility.

Data quality is crucial to our operations. Our infrastructure information includes data on the materials, dimensions and the precise location of pipes and cables. Accounting information is essential to the service we provide for our customers. We also pay close attention to the management of information-related risks, including input checks, data purging operations, operational management and effective organisation of the system landscape. Managing our energy networks involves handling sensitive and confidential information, so the security of data and assets is also a top priority. We actively monitor developments in cybercrime and adapt to new developments.

Financial performance

General

Profit after tax for the first half of 2013 was € 129 million, an increase of € 47 million compared with the corresponding period in 2012, mainly as a consequence of higher revenues due to increased tariffs.

The net debt position increased by € 95 million, chiefly owing to dividend payments and payments on the subordinated perpetual bond loan. The solvency ratio improved slightly, driven mainly by the higher after-tax profit.

Income statement

Operating income
Operating income in the first half of 2013 was € 910 million, up € 42 million compared with the first half of 2012. This increase is largely attributable to the higher regulated revenue (€ 41 million) due to the increase in the regulated tariffs, plus higher revenue from the non-regulated activities (€ 8 million), partially offset by revenue adjustments connected with the arrangements made for customers with gas meters of larger capacity than needed.

Operating expenses
Total operating expenses in the first half of 2013 were € 698 million (first half 2012: € 685 million). The increase of € 13 million compared with the first half of 2012 was due mainly to:

- increases in sufferance tax (€ 9 million);
- higher depreciation charges (€ 9 million);
- higher purchase costs and costs of subcontracted work (€ 19 million);
- lower internal and external staff costs, including the costs of own work capitalised (€ 24 million).

Finance income and expense
Finance income and expense in the first half of 2013 resulted in a net expense of € 38 million (2012: € 60 million). The € 22 million decrease was largely the effect of issuing new bond loans in the second half of 2012 at a lower interest rate than the bond loans which they replaced.

Result from associates and joint ventures
The result from associates and joint ventures in the first half of 2013 was nil.

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 first half of 2013 was 25.7% (2012: 28.2%). The difference compared with the tax burden at the standard rate (25%) was mainly due to expenses which are disallowed for tax purposes.

Incidental items and fair value movements
Alliander's results can be affected 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.

Reported figures and figures excluding incidental items and fair value movements

	1st half					
€ million	Reported		Incidental items and fair value movements		Excluding incidental items and fair value movements	
	2013	2012	2013	2012	2013	2012
Revenue	**860**	**819**	**-**	**-**	**860**	**819**
Other income	50	49	-	-	50	49
Total purchase costs, costs of subcontracted work and operating expenses	-620	-598	-5	-12	-615	-586
Depreciation and impairments	-173	-165	-	-	-173	-165
Own work capitalised	95	78	-	-	95	78
Operating profit (EBIT)	**212**	**183**	**-5**	**-12**	**217**	**195**
Finance income/(expense)	-38	-60	2	-12	-40	-48
Result from associates and joint ventures	-	-6	-	-	-	-6
Profit before tax	**174**	**117**	**-3**	**-24**	**177**	**141**
Tax	-45	-35	1	6	-46	-41
Profit after tax	**129**	**82**	**-2**	**-18**	**131**	**100**

Notes to incidental items

The incidental items in 2013 mainly relate to organisational changes, euro/dollar exchange differences on assets relating to the cross-border leases carried on the balance sheet and the valuation of the KEMA put and call options. The incidental items in 2012 related mainly to organisational changes and fair-value movements on the interest-rate swaps.

Segment information

The operating profit of the segment represented by network operator Liander in the first half of 2013 amounted to € 216 million, an increase of € 22 million compared with 2012, largely as a consequence of the increase in regulated tariffs. The Endinet network company segment reported an operating profit of € 13 million in the first half of 2013, compared with € 15 million for the corresponding period in 2012. For the segment classed as 'other' (essentially the non-regulated activities plus the central staff departments and service units), the operating result was € 12 million negative (2012: € 14 million negative).

Cash flows

Cash flow from operating activities

Cash flow from operating activities in the first half of 2013 was € 234 million (2012: € 208 million). The increase of € 26 million is largely accounted for by the higher profit after tax.

Cash flow from investing activities

Capital expenditure on property, plant and equipment in the first half of 2013 amounted to € 245 million (2012: € 250 million). The decrease of € 5 million was mainly due to a lower level of investment in expansion and lower ICT expenditure.

Investment in property, plant and equipment

€ million	1st half	
	2013	**2012**
Electricity regulated	112	119
Gas regulated	75	78
Metering devices	29	22
Buildings, ICT etc.	29	31
Total	**245**	**250**

Cash flow from financing activities

Cash flow from financing activities in the first half of 2013 was an outflow of € 30 million, compared with an outflow of € 8 million in the corresponding period in 2012. There were no major financing transactions in the first half of 2013. In the corresponding period in 2012, there was an ECP issue (€ 426 million) and the repayment of EMTN paper (€ 500 million).

Financing and credit rating

Financial policy

Alliander's financial policy is aimed at achieving a balance between protecting bond holders and other providers of borrowed capital and maintaining an adequate shareholders' return, while preserving the necessary flexibility to enable the company to grow and invest. The financial framework within which Alliander operates is based on the four ratios presented in the key figures. As at 30 June 2013, all four ratios satisfied the standards set.

The general principles of the financial policy are to ensure a balanced repayment schedule and to have access to 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.

Net debt position and financing

The net debt position, based on IFRS, as at 30 June 2013 amounted to € 1,587 million (31 December 2012: € 1,492 million) and, based on Alliander's financial policy, € 1,834 million, compared with a net debt position of € 1,739 million as at 31 December 2012. The increase is mainly due to dividend payments and payments on the subordinated perpetual bond loan.

Reconciliation net debt position

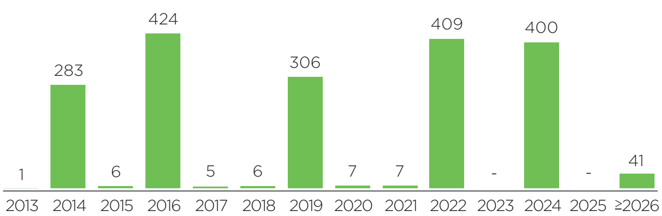
€ million	30 June 2013		31 December 2012	
Long-term interest-bearing debt	1,887		1,891	
Short-term interest-bearing debt	8		5	
Finance lease liabilities	134		131	
Gross debt		**2,029**		**2,027**
Cash and cash equivalents	80		100	
Non-current financial assets	143		137	
Interest-bearing receivables from third parties	55		46	
Current financial assets	-		75	
Investments held for lease obligations related to cross-border leases	164		177	
Total cash and cash equivalents and investments		**442**		**535**
Net debt in accordance with the annual financial statements (IFRS)		**1,587**		**1,492**
50% of the subordinated perpetual bond loan		247		247
Net debt on the basis of Alliander's financial policy		**1,834**		**1,739**

Credit facilities

As at the end of June 2013, Alliander had at its disposal a revolving credit facility (RCF) for a total amount of € 600 million, running until the end of June 2018. The RCF had not been drawn upon as at 30 June 2013 (unchanged from 31 December 2012). Alliander also has an EMTN programme of € 3 billion, of which € 1.8 billion had been issued as at 30 June 2013 (31 December 2012: € 1.8 billion), and an ECP programme of € 1.5 billion which had not been drawn upon as at 30 June 2013 (unchanged from 31 December 2012).

Interest-bearing debt repayment schedule

€ million



The repayments due in the years ahead relate mainly to the bonds issued under the EMTN programme.

Credit rating

Alliander's credit ratings in the first half of 2013 were unchanged and, as at 30 June 2013, were as follows:

Credit ratings

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

Statement by the Management Board

The Management Board hereby declares that, to the best of its knowledge:

1. The consolidated half-year results for 2013 provide a true and fair view of the assets, liabilities, financial position and profit of Alliander N.V. and its consolidated group companies;
2. The report by the Management Board presents a true and fair account of the state of affairs as at balancesheet date, the main events during the half-year and details of the principal risks and uncertainties for the remaining six months of 2013 for Alliander N.V. and its consolidated group companies.

Arnhem, 24 July 2013

The Management Board
Peter Molengraaf, Chairman
Mark van Lieshout

4 condensed consolidated half-year financial statements 2013

Consolidated income statement

€ million	1st half 2013	1st half 2012
Revenue	**860**	**819**
Other Income	50	49
Total income	**910**	**868**
Operating expenses		
Purchase costs and costs of subcontracted work	-225	-206
Employee benefit expenses	-226	-222
External personnel expenses	-52	-63
Other operating expenses	-117	-107
Total purchase costs, costs of subcontracted work and operating expenses	**-620**	**-598**
Depreciation and impairment of property, plant and equipment	-173	-165
Less: Own work capitalised	95	78
Total operating expenses	**-698**	**-685**
Operating profit (EBIT)	**212**	**183**
Finance income	11	36
Finance expense	-49	-96
Result from associates and joint ventures after tax	-	-6
Profit before tax	**174**	**117**
Tax	-45	-35
Profit after tax	**129**	**82**

Consolidated statement of comprehensive income

€ million	1st half 2013	1st half 2012
Profit after tax	**129**	**82**
Other elements of comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Revaluation of available-for-sale assets	-9	18
Movement in fair value cash flow hedges	1	1
Comprehensive income	**121**	**101**

Consolidated balance sheet

€ million	30 June 2013		31 December 2012	
Assets				
Non-current assets				
Property, plant and equipment	5,908		5,821	
Intangible assets	323		320	
Investments in associates and joint ventures	30		28	
Available-for-sale financial assets	307		314	
Derivatives	12		11	
Other financial assets	55		46	
Deferred tax assets	301		335	
		6,936		**6,875**
Current assets				
Inventories	34		36	
Trade and other receivables	352		316	
Derivatives	-		5	
Tax assets	7		7	
Other financial assets	-		75	
Cash and cash equivalents	80		100	
		473		**539**
Total assets		**7,409**		**7,414**
Equity & liabilities				
Equity				
Share capital	684		684	
Share premium	671		671	
Subordinated perpetual bond	494		494	
Hedge reserve	-1		-2	
Revaluation reserve	19		28	
Other reserves	1,236		1,104	
Profit after tax	129		224	
Total equity		**3,232**		**3,203**
Liabilities				
Non-current liabilities				
Interest-bearing debt	1,887		1,891	
Derivatives	54		73	
Finance lease liabilities	134		131	
Deferred income	1,542		1,530	
Deferred tax liabilities	1		-	
Provisions for employee benefits	55		59	
Other provisions	88		74	
		3,761		**3,758**
Short-term liabilities				
Trade and other payables	68		88	
Tax liabilities	75		78	
Interest-bearing debt	8		5	
Derivatives	2		-	
Provisions for employee benefits	64		63	
Accruals	199		219	
		416		**453**
Total liabilities		**4,177**		**4,211**
Total equity and liabilities		**7,409**		**7,414**

Consolidated cash flow statement

€ million		1st half 2013		2012
Cash flow from operating activities				
Profit after tax		**129**		**82**
Adjustments for:				
- finance income and expense		38		60
- tax		45		35
- profit after tax from associates and joint ventures		-		6
- depreciation and impairment less amortisation		143		136
Changes in working capital:				
- inventories	2		-1	
- trade and other receivables	-36		-88	
- trade and other payables and accruals	-41		11	
Total changes in working capital		**-75**		**-78**
Changes in deferred tax, provisions, derivatives and other		-18		20
Cash flow from operations		**262**		**261**
Net interest paid	-28		-63	
Net interest received	-		2	
Dividends received from associates and joint ventures	-		15	
Corporate income tax paid	-		-7	
Total		**-28**		**-53**
Cash flow from operating activities		**234**		**208**
Cash flow from investing activities				
Investments in property, plant and equipment	-245		-250	
Construction contributions received	39		44	
Investments in financial assets (associates and joint ventures)	-18		-3	
Cash flow from investing activities		**-224**		**-209**
Cash flow from financing activities				
Redemption current interest-bearing liabilities and current part of long-term debt	3		-87	
Long-term debt issued	-		400	
Long-term loans granted	-10		-4	
Change in current deposits	75		-180	
Interest coupon subordinated perpetual bond	-24		-24	
Dividend paid	-74		-113	
Cash flow from financing activities		**-30**		**-8**
Net cash flow		**-20**		**-9**
Cash and cash equivalents as at the start of the period		100		106
Net cash flow		-20		-9
Cash and cash equivalents as at 30 June		**80**		**97**

Consolidated statement of changes in equity

	Equity attributable to shareholders and other providers of equity							
€ million	Share capital	Share premium	Subordinated perpetual bond	Hedge reserve	Revaluation reserve	Other reserves	Profit for the year	Total
Equity as at 1 January 2012	**684**	**671**	**494**	**-5**	**-**	**984**	**251**	**3,079**
Movement in fair value cash flow hedges	-	-	-	1	-	-	-	1
Revaluation of available-for-sale financial assets	-	-	-	-	18	-	-	18
Profit after tax for 2012	-	-	-	-	-	-	82	82
Comprehensive income for the 1st half of 2012	**-**	**-**	**-**	**1**	**18**	**-**	**82**	**101**
Interest coupon subordinated perpetual bond after tax	-	-	-	-	-	-18	-	-18
Dividend for 2011	-	-	-	-	-	-	-113	-113
Profit appropriation for 2011	-	-	-	-	-	138	-138	-
Equity as at 30 June 2012	**684**	**671**	**494**	**-4**	**18**	**1,104**	**82**	**3,049**
Movement in fair value cash flow hedges	-	-	-	2	-	-	-	2
Revaluation of available-for-sale financial assets	-	-	-	-	10	-	-	10
Profit after tax for 2012	-	-	-	-	-	-	142	142
Equity as at 31 December 2012	**684**	**671**	**494**	**-2**	**28**	**1,104**	**224**	**3,203**
Movement in fair value cash flow hedges	-	-	-	1	-	-	-	1
Revaluation of available-for-sale financial assets	-	-	-	-	-9	-	-	-9
Profit after tax for 2013	-	-	-	-	-	-	129	129
Comprehensive income for the 1st half of 2013	**-**	**-**	**-**	**1**	**-9**	**-**	**129**	**121**
Interest coupon subordinated perpetual bond after tax	-	-	-	-	-	-18	-	-18
Dividend for 2012	-	-	-	-	-	-	-74	-74
Profit appropriation for 2012	-	-	-	-	-	150	-150	-
Equity as at 30 June 2013	**684**	**671**	**494**	**-1**	**19**	**1,236**	**129**	**3,232**

Dividend

The dividend relating to the 2012 financial year (€ 74.4 million) was distributed in April 2013 (€ 0.54 per share).

Subordinated perpetual bond loan

The subordinated perpetual bond loan is treated as equity, since Alliander does not have any contractual obligation to repay the loan. Any periodical payments on the loan are also conditional and depend on payments to shareholders.

Coupon interest of € 24 million (€ 18 million after tax) was paid to holders of this loan in June 2013.
The payment related to the period July 2012 - June 2013 and was charged to Other reserves.

Notes to the consolidated half-year financial statements

General

Alliander N.V. is a public limited liability company, registered in Arnhem, Netherlands. This half-year report contains the financial information for the first half of 2013 relating to the company and its subsidiaries.

The half-year figures have been prepared in accordance with IAS 34 Interim Financial Reporting

Accounting policies

The same accounting policies were applied in compiling this report as for the 2012 annual report of Alliander N.V., which can be found at www.alliander.com, apart from the following amendments to the standards and interpretations effective as from 1 January 2013.

New or amended IFRS standards for 2013

IAS 19 (revised) 'Employee Benefits'. The amended IAS 19 dispenses with the corridor approach and certain remessurements on defined-benefit plans are now recognised as unrealised results. Alliander has several pension schemes which are accounted for as defined-benefit plans. The effect of the change on these schemes of minor significance is practically nil.

IFRS 7 'Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities - Amendments to IFRS 7'. This amendment requires the disclosure of additional quantitative information where financial assets and financial liabilities are offset. Alliander does not apply offsetting to financial instruments, in accordance with IAS 32, and the change does not affect this report.

IFRS 10 'Consolidated Financial Statements', IAS 27 'Separate Financial Statements'. IAS 27 originally covered both consolidated financial statements and separate financial statements. IFRS 10 replaces that part of IAS 27 which was concerned with the consolidated financial statements, and also interpretation SIC 12. IRFS 10 uses a single control model that applies to all entities, including special-purpose entities. IAS 27 defined control as the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. Under IFRS 10, an investor controls an investee when and only when it: a. has power over the investee; b. is exposed, or has rights, to variable returns from its involvement with the investee; and c. has the ability to affect those returns through its power over the investee. The application of IFRS 10 has not led to any changes in the Alliander consolidation.

IFRS 11 'Joint Arrangements', IAS 28 'Investments in Associates and Joint Ventures'. IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers'. The transition from IAS 31 to IFRS 11 brings together the separate forms of joint venture, i.e. jointly controlled assets and jointly controlled operations, under the common heading of joint operations, with specific definitions of joint arrangements and joint control. Under IFRS 11, a joint arrangement is classified as either a joint operation or a joint venture, depending on the contractual rights and obligations of each party. Proportionate consolidation of joint ventures is discontinued. Alliander already uses the equity method for joint ventures instead of proportionate consolidation. The application of IFRS 11 and the amended IAS 28 has no impact on the existing treatment of joint operations and joint ventures.

IFRS 12 'Disclosures of Interests in Other Entities'. IFRS 12 contains the disclosure requirements for all form of interests in other entities. IFRS 12 extends the disclosure requirements to include disclosure of risks. IFRS 12 does not have any implications for this report.

IFRS 13 'Fair value Measurement'. IFRS 13 is a new standard combining all fair value measurement requirements from other IFRSs. IFRS 13 contains new and supplementary disclosure requirements and, under IFRS 13, credit risks are taken into account in measuring the fair value of financial instruments. IFRS 13 is applied prospectively. The fair values of financial instruments for this report have been measured in accordance with IFRS 13. With the implementation of IFRS 13, IAS 34 has been amended to extend the disclosures in the interim reporting of financial instruments to include information affecting fair value. This report accordingly includes a section covering 'Information on risks and financial instruments'.

IAS 1 'Presentation of Financial Statements' has been amended, the main change being that, in the presentation of the other elements of comprehensive income, elements should be grouped according to whether or not they will be reclassified to profit or loss. This change has been taken into account in the statement of comprehensive income.

Estimates, judgements and assumptions

In preparing this half-year report, Alliander makes use of judgements, assumptions and estimates. This essentially relates to the measurement of provisions, deciding the useful lives of items of property, plant and equipment, revenue recognition, amounts of receivables and the calculation of the amount of the deferred tax assets.

The estimates, judgements and assumptions are mainly based on past experience and Alliander's management's best estimate of the specific circumstances that are, in the opinion of management, applicable in a given situation. Actual developments may differ from the estimates and assumptions used. As a result, the actual outcome may differ significantly from the current measurement of a number of items in the financial statements. The estimates, judgements and assumptions used are tested regularly and revised as necessary.

With effect from 1 January 2013, partly as a consequence of a change in replacement policy but also in view of technological developments, the depreciation periods for large-capacity meters have been reduced. The effect has been an increase in depreciation charges for the first half of the year by € 1 million.

Otherwise there have been no changes in estimates, judgements and assumptions compared with year-end 2012.

Segment information

The figures for each reporting segment, excluding incidental items and fair value movements, are shown in the table entitled 'Primary segmentation 1st half'. These figures are a direct reflection of the regular internal reporting. A reconciliation of the consolidated segment information and the reported profit before tax is also provided.

Reconciliation segment operating profits and consolidated profit

	1st half	
€ million	2013	2012
Consolidated segment operating profits excluding incidental items	**217**	**195**
Incidental items and fair value movements	-5	-12
Financial income and expense	-38	-60
Share in results from associates and joint ventures	-	-6
Consolidated profit before tax	**174**	**117**

Primary segmentation

	Network operator Liander		Network company Endinet		Other		Eliminations		Total	
€ million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue										
External revenue	812	771	57	55	41	42	-	-	910	868
Internal income	3	5	-	-	154	153	-157	-158	-	-
Total revenue	**815**	**776**	**57**	**55**	**195**	**195**	**-157**	**-158**	**910**	**868**
Operating expenses										
Total operating expenses	599	582	44	40	207	209	-157	-158	693	673
Operating profit	**216**	**194**	**13**	**15**	**-12**	**-14**	**-**	**-**	**217**	**195**
Segment assets	**30-6**	**31-12**	**30-6**	**31-12**	**30-6**	**31-12**	**30-6**	**31-12**	**30-6**	**31-12**
Total assets	**6,228**	**6,148**	**525**	**528**	**2,825**	**2,617**	**-2,162**	**-1,879**	**7,409**	**7,414**

Seasonal influences

Alliander's results are not materially affected by seasonal influences.

Newly acquired assets

Alliander acquired all the shares in Utility Connect B.V. on 31 January 2013 and all the shares in Entropia Assets B.V. on 1 February 2013 for a total price of € 18 million. These transactions gave Alliander title to a licence to use the 450 MHz frequency, a nationwide PoC (Proof of Concept) network and a network of masts and associated transmission network covering the entire country. These assets will be used to create a network which will facilitate future data communications.

The assets were acquired by Alliander in pursuit of its ambition to build more smart networks in the coming years, incorporating sensors to permit enhanced monitoring and remote control of energy flows. In these systems, data communications will be more intensive and more crucial to operations. Wireless telecommunications will play a major role.

Cross-border lease contracts

In the period 1998 to 2000, subsidiaries of Alliander N.V. (since 1 July 2010 also including Endinet) entered into US cross-border leases for networks, including LILO (lease-in lease-out) and SILO (sale-in lease-out) transactions.

In the first half of the year, three of the cross-border leases were terminated early in consultation with the US investor involved. These were the leases on the gas networks of the former NRE, GGR and VNB in the provinces of Noord-Brabant and Gelderland. The ending of these leases has had the effect of reducing the total net carrying amount of the assets covered by cross-border leases by € 0.3 billion, the related investments by € 0.8 billion, the overall risk and equity strip risk by € 70 million and the security provided in the form of letters of credit by € 62 million. The figures quoted are relative to the reported amounts as at year-end 2012.

The four transactions currently remaining relate to gas networks in Friesland, Gelderland, Flevoland, Noord-Holland and Utrecht, district heating networks in Almere and Duiven/Westervoort and the electricity network in the Randmeren region. The networks have been leased for a long period to US parties (head lease), which have in turn subleased the assets to the various Alliander subsidiaries (sublease). At the end of the sublease there is the option of purchasing the rights of the American counterparty under the head lease, thus ending the transaction. The terms agreed for the subleases expire between 2015 and 2028. The fees earned on the cross-border leases were recognised in the year in which the transaction in question was concluded.

There are conditional and unconditional contractual rights and obligations relating to the cross-border leases. Security in the form of mortgages and pledges has been granted on parts of the networks within the framework of the obligations entered into.

The total net carrying amount of the assets forming the object of cross-border leases as at mid-2013 amounted to € 1.1 billion (year-end 2012: € 1.4 billion). At the end of June 2013, a total of $ 3.2 billion (year-end 2012: $ 4.1 billion) was held on deposit with several financial institutions or invested in securities in connection with these transactions.

Since no powers of disposal exist over the majority of the assets concerned and associated liabilities, they are not regarded as assets and liabilities of Alliander and the respective amounts are not recognised in the consolidated financial statements of Alliander. The assets over which Alliander does have powers of disposal are recognised as financial assets. The associated lease obligations are recognised in finance lease liabilities.

At the end of June 2013, the maximum 'strip risk' (the portion of the 'termination value' – the possible compensation payable to the American counterparty in the event of early termination of the transaction – which cannot be settled from the deposits and investments held for this purpose) for all transactions together was $ 307 million (year-end 2012: $ 326 million). To cover the equity part of the strip risk, amounting to $ 268 million at the end of June 2013 (year-end 2012: $ 268 million), Alliander has provided the investors involved with security in the form of letters of credit for an amount of $ 6 million (year-end 2012: $ 74 million) in various transactions. The number and size of the letters of credit to be issued depend partly on Alliander's credit rating.

Related parties

The Alliander group has interests in various associates and joint ventures over which it has significant influence but not control or has joint control of operations and financial policy. These associates and joint ventures are consequently designated as related parties. Transactions with these parties, some of which are significant, are executed on market terms and at market prices which are not more favourable than those which would be negotiated with independent third parties.

The following transactions were entered into with related parties for the purchase and sale of goods and services: sale of goods and services to associates € 5 million (first half 2012: € 1 million) and joint ventures € 34 million (first half 2012: € 29 million); purchase of goods and services from associates € 5 million (first half 2012: € 1 million) and from joint ventures € 35 million (first half 2012: € 33 million).

As at 30 June 2013, Alliander had advanced loans of € 17 million (year-end 2012: € 6 million) to related parties.

Other

Existing financial commitments relating to property, plant and equipment not shown on the face of the balance sheet as at 30 June 2013 amounted to € 141 million (year-end 2012: € 94 million).

There have been no material changes in the contingent assets and liabilities compared with the situation as at year-end 2012.

Information on risks and financial instruments

Financial risks

The following financial risks can be identified: market risk, credit risk and liquidity risk. The condensed consolidated half-year financial statements do not, as is required for the full-year consolidated financial statements, contain comprehensive information on the above financial risks to which Alliander is exposed and the policy for managing the risks associated with financial instruments and should be read in conjunction with the 2012 consolidated financial statements. There have been no changes in the risk management process or risk management policy since the end of 2012.

Measurement of fair value

The following table lists the financial instruments measured at fair value in descending order of the fair value hierarchy, with the levels of the input data used to measure the fair value defined as follows:

- level 1, quoted prices (unadjusted) on active markets for comparable assets or liabilities;
- level 2, inputs other than level 1 quoted prices observable for a particular asset or liability, either directly (i.e. in the form of actual prices) or indirectly (i.e. derived from prices);
- level 3, inputs not based on observable market data.

Fair value hierarchy

	30 June 2013				31 December 2012			
€ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale financial assets	-	307	-	307	-	314	-	314
Non-current derivatives	-	-	12	12	-	-	11	11
Current derivatives	-	-	-	-	-	5	-	5
Total assets	**-**	**307**	**12**	**319**	**-**	**319**	**11**	**330**
Liabilities								
Non-current derivatives	-	51	3	54	-	66	7	73
Current derivatives	-	2	-	2	-	-	-	-
Total liabilities	**-**	**53**	**3**	**56**	**-**	**66**	**7**	**73**

Methods used for level 2 fair value measurement

Available-for-sale financial assets consist of investments in securities whose fair value is equal to the carrying amount. Part of these assets relate to cross-border lease contracts. The fair value is arrived at by discounting the future cash flows using the interbank interest rate as at the reporting date plus market credit spreads for these or similar investments. The non-current derivative under liabilities concerns a CDS linked to one of the available-for-sale financial assets. The attributed value has been obtained from a specialist valuation bureau which employs observable market data in its calculations.

The other level 2 derivatives are currency instruments and are measured at the present value of the future cash flows calculated using the interbank interest rate as at the reporting date and credit spreads of the parties concerned. Present values in foreign currency are translated at the spot rate applicable on the reporting date.

Methods used for level 3 fair value measurement

The level 3 derivatives concern the put option (€ 12 million) and the call option (€ 3 million) which are part of the agreement relating to the transfer of the KEMA shares. These options were valued using the Black & Scholes option valuation model. The risk-free rate used in the model was taken as being equal to the weighted average overnight euro interbank offered rate (Eonia). The applied volatility was calculated at 30%. Changes in the interest rate and the volatility affect the amounts of the put and call options individually but have almost zero effect on the result of the two together. The fair value gains and losses on these options during the reporting period are recognised in the income statement. Included in finance income is a fair value gain of € 4 million on the call option and a fair value gain of € 1 million on the put option.

The movements in these derivatives during the reporting period were as follows:

Reconciliation Level 3 instruments

€ million	Assets Put option	Liabilities Call option
Carrying amount as at 1 January 2013	11	-7
Changes recognised in profit and loss	1	4
Carrying amount as at 30 June 2013	**12**	**-3**

Fair value of other financial instruments

Fair value of financial assets and liabilities measured at amortised costs

€ million	30 June 2013	31 December 2012
Non-current assets		
Other financial assets	55	45
Liabilities		
Non-current liabilities		
Interest-bearing debt		
EMTN	-1,889	-1,936
Other interest-bearing debt	-197	-202
Total non-current liabilities	**-2,086**	**-2,138**
Short-term liabilities		
Interest-bearing debt		
EMTN	-	-
Other interest-bearing debt	-7	-5
Total short-term liabilities	**-7**	**-5**
Total liabilities	**-2,093**	**-2,143**

The fair value of these instruments is measured as follows:
Other financial assets: The fair value of loans granted by Alliander is measured on the basis of the incoming cash flows discounted using risk-free interest rates plus credit spreads for these or similar investments. As regards the current portion of these assets, it is assumed that the fair value is more or less the same as the carrying amount.

Loans received: The fair value of the Euro Medium-Term Notes is measured on the basis of market prices quoted by Bloomberg. The fair value of the other loans received is measured on the basis of the outgoing cash flows discounted using risk-free interest rates plus credit spreads applicable to Alliander. As regards the current portion of these liabilities, it is assumed that the fair value is more or less the same as the carrying amount.

Because the comparative figures as at 31 December 2012 have been compiled in accordance with IFRS13, they differ from the fair values given in the notes to the 2012 financial statements.

The fair value of the following financial assets and liabilities is more or less the same as the carrying amount.

- trade and other receivables;
- current tax assets;
- current other financial assets;
- cash and cash equivalents;
- trade and other payables;
- current tax liabilities.

Events after balance sheet date

None.

5 auditor's review report

Auditors' review report

To the Supervisory Board and the Management Board of Alliander N.V.

Introduction

We have reviewed the 2013 condensed consolidated half-year financial statements of Alliander N.V., Arnhem, comprising the balance sheet as at 30 June 2013, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the period 1 January 2013 to 30 June 2013 and the related notes. The company's Management Board is responsible for the preparation and presentation of the 2013 condensed consolidated half-year financial statements in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. Our responsibility is to express a conclusion on the 2013 condensed consolidated half-year financial statements based on our review.

Scope

We conducted our review of the 2013 condensed consolidated half-year financial statements in accordance with Dutch law, including Standard 2410 The Review of Interim Financial Information by an Entity's Independent Auditors. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-year financial statements for the period 1 January 2013 to 30 June 2013 are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

Rotterdam, 24 juli 2013
PricewaterhouseCoopers Accountants N.V.

Originally signed by:
Drs. R. Dekkers RA

Alliander N.V.

Visiting address:
Utrechtseweg 68
6812 AH Arnhem, Netherlands

P.O. Box:
P.O. Box 50, 6920 AB Duiven, Netherlands
info@alliander.com
www.alliander.com

Contact information:
P.O. Box 50, 6920 AB Duiven, Netherlands
Telephone: +31 26 844 22 66
Fax: +31 26 844 24 24
E-mail: woordvoering@alliander.com

Additional copies of this report or the Dutch version can be requested via the investor relations page on www.alliander.com.