



annual report 2009

energising the  
future together

**allliander**

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# key data

Alliander Key Data			
	Unit	2009	2008
<b>Customer</b>			
Percentage of satisfied consumers	per cent	89	89
Percentage of satisfied business customers	per cent	86	75
Average power outage duration per customer	min per year	27.4	24.0
<b>Financial / Shareholder</b>			
Operating profit	EUR million	491	390
Capital expenditures on property, plant and equipment	EUR million	397	363
Solvability	per cent	42	33
ROIC	per cent	7.8	n/a
<b>Employee</b>			
Number of own employees at year-end (in FTEs)	number	4,633	4,450
Number of temporarily hired employees at year-end (in FTEs)	number	1,083	1,144
Absenteeism	per cent	4.3	4.1
Employee satisfaction	report mark	8.2	8.1
<b>Society</b>			
CO <sub>2</sub> emissions	ktonnes CO <sub>2</sub>	683	787
Wind energy feed-in <sup>1</sup>	MW	2,000	2,141
Waste	ktonnes	11.5	9.3

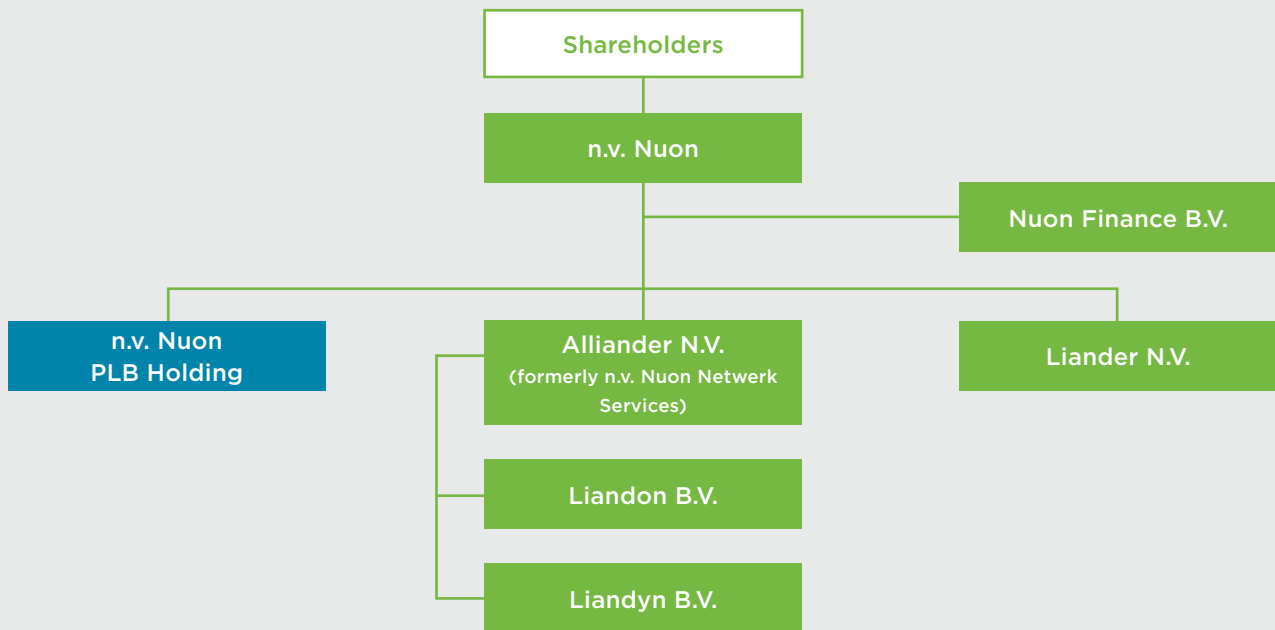
<sup>1</sup> Figure for 2008 has been adjusted for comparative purposes.



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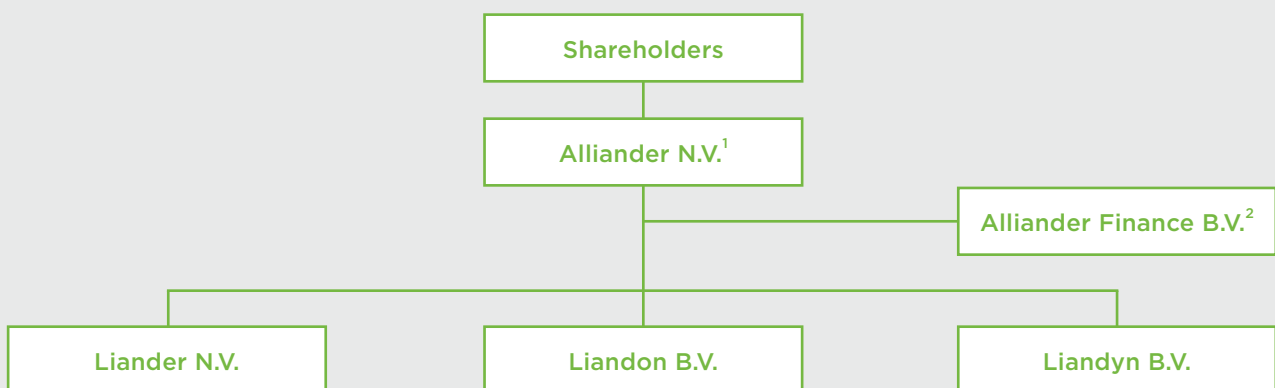
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Simplified group structure on 31 December 2008



- Fall within the Alliander Group as of 30 June 2009 after the unbundling of n.v. Nuon Energy
- Unbundled as of 30 June 2009 as n.v. Nuon Energy

Simplified group structure on 30 June 2009



- <sup>1</sup> Formerly n.v. Nuon
- <sup>2</sup> Formerly Nuon Finance B.V.

# about this report

THIS IS THE ANNUAL REPORT FOR THE NETWORK COMPANY ALLIANDER FOR 2009. FOR THE YEARS UP TO AND INCLUDING 2008, SEPARATE REPORTS WERE PREPARED: A FINANCIAL REPORT AND A CORPORATE SOCIAL RESPONSIBILITY REPORT. STARTING FROM 2009, BOTH REPORTS ARE INTEGRATED INTO ONE COMBINED REPORT.

The statutory unbundling of the Nuon Group into a network company and a production and supply company took place in 2009. On 30 June 2009, the shares in n.v. Nuon Energy were demerged from n.v. Nuon, whose name was simultaneously changed to Alliander N.V. Part of the shares in n.v. Nuon Energy (49%) were sold to Vattenfall on 1 July 2009. In connection with the unbundling, a change was also made to the composition of both the Management Board and the Supervisory Board.

In this annual report, we inform you about the activities of Alliander in the 2009 reporting year. Please note that this also included the production and supply company for the first half of the year.

The report is issued as Alliander's own report, without taking into account n.v. Nuon Energy, with the exception of the IFRS financial statements and certain specific chapters where information about n.v. Nuon Energy is relevant.

## Design of the report

In the first part, after the foreword from the chairman of the Management Board, we provide a profile (chapter 1) of the organisation and a brief review of the year (chapter 2). The second part reports on our activities and results in 2009. This includes information on the financial consequences of such events as the unbundling of the company and the transfer of the high-voltage grids to TenneT. In addition, attention is paid to the manner in which we pursue corporate social responsibility.

## IFRS and GRI

As noted above, the 2009 annual report consists of both a financial section and a corporate social responsibility section. The financial section is in accordance with International Financial Reporting Standards (IFRS) and relevant provisions of the Dutch Civil Code. The corporate social responsibility section follows the guidelines of the Global Reporting Initiative (GRI) and is presented in the light of our mission and long-term

vision for Alliander as set out in chapter 3. Chapters 4 ('responsible operations') and 5 ('facilitating energy transition') outline how Alliander continued to shape its mission and vision in 2009. Chapter 6 ('financial') then provides the financial translation of all these activities and events, while also dealing with Alliander's financial position after the unbundling. In addition, risk management is discussed in this part (chapter 7). By way of conclusion, you can read the outlook in chapter 8.

## Transparency

Alliander is committed to transparent governance. For this reason, we have provided a detailed account of the governance and supervisory structures and procedures within the company. The third part is devoted to transparency, with a specific focus on corporate governance (chapter 9), while chapter 10 provides information on the composition and activities of the Supervisory Board in 2009. In chapter 11, we present the remuneration report outlining the remuneration policy for the Management Board and the Supervisory Board.

## Facts and figures

Chapter 12 consists of the financial statements. PricewaterhouseCoopers Accountants N.V. has issued an unqualified auditor's report with the financial statements. This is included in chapter 13 'other information'. Chapter 14 takes a detailed look at the ambitions, facts and figures in the field of corporate social responsibility. With this report, Alliander provides openness on the activities undertaken and results achieved in the field of corporate social responsibility. PricewaterhouseCoopers Accountants N.V. has verified the information in this part of the report.





# introduction by the chairman of the management board



**PETER MOLENGRAAF**

In this report we look back at 2009, a special year in which we started operating entirely on our own as a fully independent network company. A company that is 95 years old (calculating from the start of the N.V. Provinciale Geldersche Electriciteits-Maatschappij in 1915) but, at the same time, young and brand new (calculating from the demerger of Nuon Energy on 30 June 2009).

## **Solid position**

At the time of the unbundling, Alliander attained a robust financial position, partly through the sale of the high-voltage grids to TenneT in June 2009. This annual report provides a full numerical analysis of the underlying figures. Our solid financial position will enable us to invest in our energy grids over the coming years and to promote a more sustainable energy supply. This is vital, because during this period we must work more intensively than ever on the modernisation of these grids; on the one hand to maintain the current security of supply (99.995% availability) and, on the other hand, to equip the networks for the future.

## **Sustainable energy**

If we in the Netherlands are genuinely committed to achieving our national and local climate objectives, a flexible and 'smart' energy infrastructure is indispensable. New smart technologies will enable us to fit large volumes of renewable energy into our energy infrastructure, provide our customers with more energy-saving opportunities and encourage the large-scale adoption of electric transport. In concrete terms, this means installing smart meters in the coming years. The meters will serve our customers by showing their energy consumpti-

on, for companies – and increasingly consumers – to supply electricity to the grid and also for “green” gas to be fed into the gas distribution network. In addition, the smart meter encourages the use of geothermal energy through the deployment of heat pumps in new-build residential areas as well as the transition to electric transport.

## **Stronger together**

Fresh opportunities for making the energy supply more sustainable are spurring new activities, projects and partnerships such as Amsterdam Smart City and E-laad.nl, a foundation dedicated to realising 10,000 recharging points for electric cars by the end of 2012. Our ambition is to assist these initiatives as far as possible in partnership managing energy and the energy transition together with local authorities and market parties, with other grid managers, and with consumers and companies. Together, we can energise the future.

## **Sector in motion**

Another theme for our company and our sector concerns the reorganisation of the Dutch landscape of network companies. In the current highly fragmented landscape, ten grid managers operate grids whose geographical distribution is largely based on historical evolution rather than operational and commercial logic. To remedy this situation, national government is seeking a market consolidation resulting in three to five grid companies. In this process, Alliander has made a first important step by announcing the takeover of the network company Endinet for € 712 million. The purchase agreement was finalised last March and the takeover will be completed in mid 2010. Alliander will thus remain the largest electricity and gas network company in the Netherlands.

### **Transparency**

The other important steps we took in 2009 and the results we achieved are detailed in this extensive annual report. There is only one reason for the length of this report: transparency. As a company that fulfils an important social role, we want to be transparent in our actions as well as in the dialogue we maintain with our financial and other stakeholders. We hope this annual report contributes towards realising this aim.

We are delighted to note that in the past year our employees worked with great effort and commitment to further improve the quality and growth of the organisation. Thanks to them, major steps have been taken in our partnership and dialogue with our stakeholders. We are greatly indebted to all our staff.

On behalf of the Management Board and our employees, we hope that reading this annual report is an energising experience for all.

**Arnhem, 7 April 2010**

**Peter Molengraaf**

**Chairman of the Management Board**

|

at a glance

# 1. profile

WITH OVER 5,700 EMPLOYEES, 2.9 MILLION CUSTOMERS, A MARKET SHARE OF 34% AND AN ANNUAL TURNOVER OF ABOUT € 1.4 BILLION, ALLIANDER HAS A LEADING POSITION AS A NETWORK COMPANY IN THE DUTCH ENERGY SECTOR. ALLIANDER CONSISTS OF ALLIANDER N.V. AND ITS SUBSIDIARIES, INCLUDING LIANDER N.V. AND LIANDON B.V.

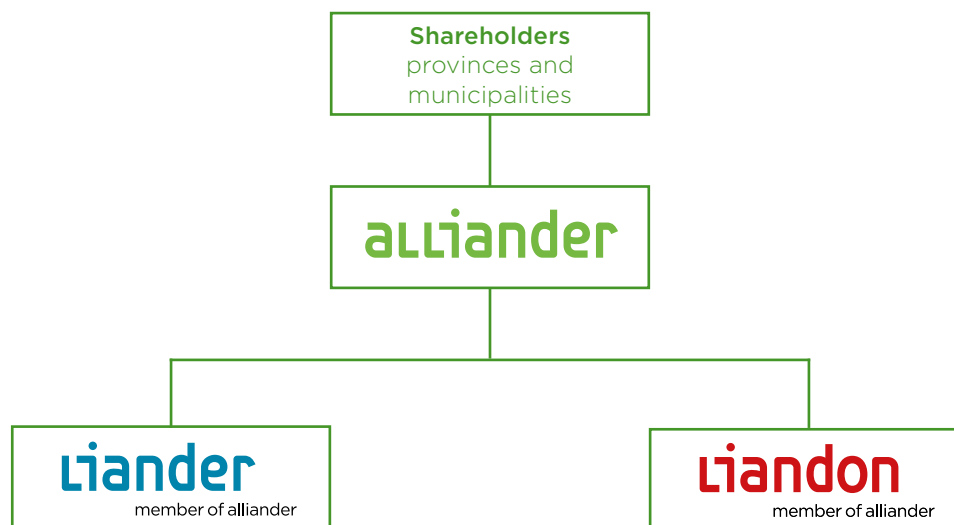
## Unbundling

In connection with the Dutch Independent Network Operation Act (WON), the Nuon Group was organisationally unbundled on 1 July 2008 into a production and supply company under the name Nuon Energy and a network company named Alliander. On 30 June 2009, n.v. Nuon Energy was unbundled from n.v. Nuon, which was renamed Alliander N.V. on that same day.

## Shareholders

The shares in Alliander N.V. are in public hands. The largest shareholders are the provinces of Gelderland, Noord-Holland and Friesland (via B.V. Houdstermaatschappij Falcon) and the municipality of Amsterdam.

## Group structure at the end of 2009



## Liander: grid manager

Grid manager Liander constitutes the largest company within the Alliander Group and accounts for 95% of the annual turnover. Liander provides electricity connections and transportation for 2.9 million households, businesses and institutions and gas connections and transportation for 2.1 million households, businesses and institutions. Liander's service area comprises the province of Gelderland, almost the entire province of Noord-Holland and parts of the provinces of Flevoland, Friesland and Zuid-Holland.

## Important data

	Unit	2009	2008
Number of electricity customers (active connections)	in thousands	2,861	2,832
Number of gas customers (active connections)	in thousands	2,137	2,127
Number of new electricity connections	in thousands	41	44
Number of new gas connections	in thousands	23	24
Number of disconnections <sup>3</sup>	in thousands	8.2	7.2
Transported electricity volumes	GWh	29,408	32,950
Transported gas volumes	million m <sup>3</sup>	6,138	6,232
Size of electricity transport network <sup>1, 4</sup>			
High-voltage (110/150 kV) <sup>2</sup>	1,000 kilometres	0.5	2.6
Intermediate voltage (50 kV)	1,000 kilometres	2.3	2.3
Mid-voltage (3/10/20 kV)	1,000 kilometres	35.3	35.0
Low-voltage (0.23 kV)	1,000 kilometres	47.7	47.2
Total	1,000 kilometres	85.8	87.1
Size of gas transport network <sup>4</sup>			
High pressure (greater than 0.2 bar)	1,000 kilometres	6.1	6.1
Low pressure (less than 0.2 bar)	1,000 kilometres	29.0	28.8
Total	1,000 kilometres	35.1	34.9

1 Circuit length shown according to three phases.

2 From 2008 under the statutory management of TenneT, with the exception of the HV grids in Randmeren.

3 Shows the number of disconnections due to changes of address (31%) and default (69%). This ratio is based on 2008.

4 The size of the transport network 2008 has been adjusted for comparative purposes.

### Owner of energy networks

Liander is the owner of the electricity networks up to 50 kV<sup>1</sup> and of the gas networks up to 8 bar within our region. The core tasks which, pursuant to the Electricity Act 1998 and the Gas Act, are the exclusive preserve of the grid manager and include the construction, maintenance, renewal and management of electricity networks, gas networks, connections to the electricity network and the transportation of electricity and gas. Liander also facilitates the free energy market by enabling customers to switch energy suppliers.

### Auxiliary services

We also offer auxiliary services. These services stem from the statutory tasks and are offered in competition at the customer's request. This includes connections to the electricity network with a connected load from 10 MVA and for specific customer groups, such as public transport and public lighting. We also provide, maintain, renew and manage connections to the gas network. In addition, we also install electricity and gas meters at the customer's request.

### Liandon: technical specialist

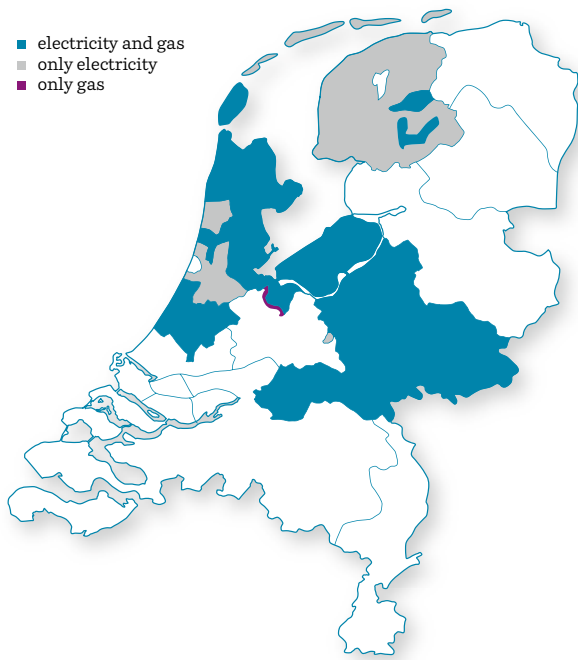
Technical specialist Liandon designs, builds, manages and maintains complex energy networks and large industrial and other installations for customers throughout the Netherlands and abroad. Liandon is the technical knowledge firm of Alliander and operates in the free energy market. Liandon's largest customers are Liander and national grid manager TenneT.

### Customised solutions and an integrated approach

Over 700 Liandon employees work to devise innovative customised solutions and translate high-grade technological know-how into practical applications for everyday use. This is done on the basis of an integrated project approach to ensure close interaction, a clear sense of direction, transparent responsibilities and short lead times – resulting in high customer satisfaction.

<sup>1</sup> Since 1 January 2008, high-voltage grids at 110 kV - 150 kV level and higher form part of the national high-voltage grid that is managed by TenneT TSO B.V., with the exception of those in Flevoland and Noordwest-Veluwe (Randmeren), of which the ownership and management were not transferred to TenneT as these form part of cross-border leases.

## Liander's service area



## The Management Board

Since 1 January 2010 the Management Board consists of two members:



### Peter Molengraaf

(1965, Dutch nationality) has been chairman of the Management Board since 30 June 2009.

He is responsible for the overall management of Alliander.

**Career** | Peter Molengraaf joined Nuon at the start of 2005 as Director of the Customer Service Division. In February 2007 he was appointed by Essent and Nuon as Programme Director for the proposed merger company. After the merger was called off, he became Director of the Network Services Division at Nuon. From 1 July 2008 to 30 June 2009, he was chairman of the board of Nuon's network company. Before moving to Nuon, he held several posts at Shell, including Manager of the European Customer Service Centre, Cross-Business IT Manager and Commercial Director at Shell Nederland Verkoopmaatschappij. Peter Molengraaf studied information technology at TU Delft and obtained his MBA at Erasmus University's Rotterdam School of Management.

### Supervisory Board memberships/other positions:

- Member Supervisory Board N.V. KEMA
- Member Supervisory Board Ziut B.V.



### Mark van Lieshout

(1963, Dutch nationality) was appointed as a member of the Management Board in the position of CFO with effect from 1 January 2010.

He is responsible for the financial management of Alliander.

**Career** | Mark van Lieshout joined Nuon in 2003 as financial director of Nuon Business. From July 2008 to 1 January 2010 he held the position of Director of Finance, Treasury and Fiscal Affairs of Alliander. Before joining Nuon, Van Lieshout held various positions, including CFO for ABB Benelux. Mark van Lieshout studied Business Economics (Accountancy track) at VU University Amsterdam and attended various Business Programmes at the International Institute for Management Development (IMD) in Lausanne.

## 2. review of 2009



# 01

### Global Gas Networks Initiative

The Netherlands has a wealth of knowledge in the field of natural gas. By sharing that knowledge across borders, we strengthen our ties with gas-rich countries. To this end, Alliander helped to set up the Global Gas Networks Initiative that was launched in January.

Ageing and the shortage of young engineers is eroding the knowledge base in the Netherlands. To avert the threat of skills shortages, engineers are being trained in the Netherlands and abroad. Young talent is given the opportunity to receive training from retired gas experts by taking part in prestigious foreign projects.



# 02

### Takeover by Vattenfall

Ahead of the Minister's approval of the unbundling Plan, the takeover of the production and supply company n.v. Nuon Energy by the Swedish energy company Vattenfall was announced in February.

### Recruitment campaign

In this same month, Alliander presented itself as an employer with the successful campaign 'Wanted: 350 colleagues'. In this recruitment campaign, we positioned ourselves as an employer with a crucial role to play in society and called upon trainees, ICT graduates and engineers to help Alliander pursue and fulfil these ambitions.



# 03

### Working on our grids and your safety

Liander is continuously working on its grids. Repairing faults, replacing cables and pipes and making new connections is all part of our daily work. Take, for instance, the major project along the A2 motorway in the first months of 2009.

Last spring, we moved gas and electricity mains along a 40-kilometre stretch of the A2 because this motorway was being widened by the Department of Public Works.



## 04

### Refinancing

As part of the unbundling, the current account settlement took place between Nuon Energy and Alliander in the spring. In this context, the existing Euro Medium Term Notes (EMTN) programme was amended in the first quarter and increased from € 2 billion to € 3 billion. On 6 April 2009, two bonds were issued under this programme, totalling € 1.25 billion. The total amount of bonds outstanding consequently amounts to € 2.05 billion.

### Unbundling

On 8 April 2009, the Minister of Economic Affairs concluded that the unbundling plan, subject to the stipulated instructions, complied with the statutory requirements.

### Smart meters

The Upper House withheld its approval to the mandatory introduction of the smart meter. The privacy aspect in particular gave rise to questions. Pending the outcome of further decision-making, Liander is currently exploring the most effective and efficient ways of introducing the smart meter.



## 05

### National Emergency Number

There is a national emergency number that people can call to report gas, electricity and meter faults. A survey revealed, however, that customers were not familiar with this number and were unsure how to act when faults or other irregularities such as gas smells occurred. To remedy this situation, we launched an energy safety campaign ('Meterkastman' campaign) on 13 May. Our more than 2.9 million consumer and business customers received a sticker with the emergency number plus information on what to do in the case of faults or gas smells.

In addition, a 'Meterkastman' promotion team toured through the five provinces in which Liander operates, stopping in selected towns to explain the emergency number and Liander's role as grid manager.



## 06

### Sale of HV grids

The agreement for the sale of the HV grids (other than those subject to cross-border leases) to the national grid manager TenneT was signed on 11 June 2009. This agreement was enacted retroactively to 1 June 2009.

### Shareholder approval

On 17 June, the shareholders approved the unbundling and sale of Nuon Energy. This was followed shortly afterwards by the approval of the competition authorities. On 30 June 2009, n.v. Nuon Energy was formally demerged from n.v. Nuon, that was renamed Alliander N.V. that same day. At the same time, the composition of both the Management Board and the Supervisory Board was altered.

### Completion of first self-contained network

The Netherlands' first-ever small 'self-contained' power network was also completed. Liander realised this network in Bronsbergen Holiday Park in Zutphen. Six more of these mini-networks exist elsewhere in Europe. Each is different in design and size.





07

**Unbundling becomes reality**

On 30 June, n.v. Nuon Energy was separated from its parent company n.v. Nuon. The name of n.v. Nuon was changed that same day to Alliander N.V.

Apart from the name, the composition of the Management Board and that of the Supervisory Board were also changed. With the unbundling of n.v. Nuon Energy, full compliance has been achieved with the prohibition imposed by the Dutch Independent Network Operation Act (WON) on integrated energy companies.



08

**Gas leak in Hilversum**

In August, a gas leak was discovered in Hilversum. Local residents had been complaining for months of gas smells, but the cause had remained undetected until a renewed complaint prompted a thorough investigation. After emergency services had evacuated and sealed off part of the street, the source of the problem was found. A year earlier, the sewer had been drilled through in several places during the construction of new gas connections in the street. Gas was thus able to escape into the sewer system. The leak was repaired that same evening.

Because the gas had flowed directly into the sewer, Liander also checked all new home connections crossing the sewer. A meeting was then held to give the local residents a full explanation of what had happened. In response to this incident, Liander has started up several internal improvement processes.



09

**Amsterdam Smart City**

Amsterdam Smart City was started up in partnership with the knowledge economy organisation Amsterdam Innovation Motor in the second quarter of 2009. The aim is to test the economic viability of innovative sustainable development initiatives and, if feasible, to develop these on a large scale.

In September, major steps were made towards achieving this goal. Amsterdam Smart City enables the grid manager to respond proactively to energy transition developments in close partnership with regional authorities, businesses and customers. Several pilot projects aimed mainly at reducing CO<sub>2</sub> emissions are already under way. The results will be taken on board in the further implementation efforts. Amsterdam Smart City is co-subsidised by the European Fund for Regional Development and the Ministry of Economic Affairs.



10

**Transfer of high-voltage grid**

The operation of the high-voltage grid in Noord-Holland was transferred to TenneT on 31 October. Apart from the HV grids in the Randmeren area which form part of a cross-border lease agreement, this was the last part of the high-voltage grid that was still under Liander's actual management. With this transaction, Liander has fully met the requirement of the Dutch Independent Network Operation Act (WON) to transfer the management of the high-voltage grids of 110 kV and higher.

The agreement for the sale of the high-voltage grids to TenneT (with the exception of the HV grids in Randmeren) was signed in June 2009. The selling price was € 368 million, yielding a book profit of € 130 million after tax.



11

**Liandyn to Ziut**

On 30 November 2009, the shares in Liandyn B.V. were transferred to Ziut B.V., a joint venture of Alliander and Enexis, which was set up in October 2009.

Apart from Liandyn, Enexis Lighting B.V. has also been placed within the merged company. Ziut aims to be a new powerful player in the competitive market for public lighting, traffic control systems and light architecture.



12

**Proposed takeover of Endinet**

On 11 December 2009, a Heads of Terms Agreement was signed with the municipality of Eindhoven and 11 other municipalities in that region about the proposed transfer of Endinet B.V. to Alliander. The signing of the purchase agreement took place on 4 March 2010.

The combination with Endinet - the merged company comprising NRE, Obragas and Netbeheer Haarlemmermeer - reinforces Alliander's position as the largest regional network company in the Netherlands. Endinet has a total of 106,000 electricity connections and 448,000 gas connections. The actual transfer is expected to take place before mid-2010.



# operational report

# 3. working together to make society better

ENERGY NETWORKS FORM AN IMPORTANT PILLAR UNDERPINNING OUR SOCIETY. OUR CUSTOMERS AND WIDER SOCIETY COUNT ON ENERGY BEING AVAILABLE AT ALL TIMES. THIS IS WHAT MOTIVATES US: ENSURING A RELIABLE, AFFORDABLE, SAFE AND SUSTAINABLE ENERGY SUPPLY. TODAY AND TOMORROW.

This objective is translated into a *mission*: we want to contribute towards a better society in the regions in which we operate. One key condition for this involves maintaining the dialogue with our stakeholders: customers, employees, shareholders and debt providers and society. We listen to what they expect from a network company, particularly in terms of the products and services we deliver and develop. In this way, we aim to continuously improve and accomplish our core values: to be 'committed, reliable, the best'. Our *vision* therefore involves being committed to the regions in which we are

active, being reliable by delivering an uninterrupted supply of electricity and gas, and being the best in services in the eyes of our customers.

### Stakeholder dialogue

Responding to the current and future needs of our stakeholders has been made a central priority within Alliander. This is why we regularly enter into contact with our stakeholders. We aim to realise the following ambitions for our stakeholder groups:

Stakeholder	Strategic ambition
Customer	We are the number one service provider in the eyes of the customer in regions in which we are active.
Employee	We are an innovative, successful company, working with energy and enthusiasm on a better society.
Shareholders and debt providers	We are a robust, socially and economically responsible investment.
Society	We are the natural partner in the development and performance of energy policy.

An overview of the forms and frequency of our contacts with all stakeholders is shown in the Table 'Alliander in direct interaction with its stakeholders 2009' on page 17.

## Alliander in direct interaction with its stakeholders 2009

Stakeholder	Category	Organisation	Form of interaction
Customer	Consumers	Customer Council Customer Satisfaction Survey Customer Complaints Officer Customer Panels Consumer Organisations	Ongoing consultation 6x per year Surveys Complaints and mediation Research Dialogue
	Business	Industry Organisations	Dialogue/relationship management
Employee	Employees	Employee Engagement Barometer Consultative meetings with Works Council Tension Lianne Staff Association Employee and social themes	Employee Survey Formal Consultation Young People's Platform Women's Platform Staff Association Dialogue/ workshops
Shareholders and debt providers	Shareholders	Provinces and municipalities	General Meeting of Shareholders Major Shareholder Consultation Discussion of half-year figures
	Debt providers	External financial assessors	Periodic consultation and reporting on financial performance
Society	Civil Society Organisations	Participation in associations and foundations Relationships with housing associations Alliander Foundation Relationship Network Consultation on social themes	Participation Dialogue/relationship management Dialogue/relationship management Dialogue
	Suppliers	Contractors and industry Social Theme Stakeholders Issue consultation	Cooperation, relationship management Dialogue Ad hoc consultation
	Economic Regulator	Netherlands Competition Authority (NMa) Dutch Office of Energy Regulation	Periodic meetings about current subjects and issues Standard and ad hoc information requests
	Safety Regulator	State Supervision of Mines (SodM)	Periodic meetings about current subjects and issues Standard and ad hoc information requests

Alongside these regular contacts, we also consult with our stakeholders in other ways and on other occasions. At the end of 2009, for instance, we held three round table discussions, where we entered into a dialogue with representatives of stakeholder groups about the manner in which we give shape to Alliander's role and tasks in society as well as the publication of the first Corporate Social Responsibility Report. The themes addressed included: Customer and Society, People and Organisation and Energy Transition. The round table discussions were all led by a director.

The main points that stakeholder representatives put to us during the round table discussions were:

- Alliander's social mission in which we commit to regions and society is valued and supported;
- Participants perceive the manner in which Alliander pursues Corporate Social Responsibility (CSR) as authentic;
- In extension of Alliander's mission, it would be natural to develop the vision and objectives in certain areas in greater detail;
- The reporting on socially responsible entrepreneurship is perceived to be valuable and distinctive;

- As a network company, Alliander can seek to promote partnerships with other organisations in order to work together on achieving social objectives.

Alliander evaluates the outcomes of the discussions and explores how these can be put into practice. The round table discussions form the basis for further dialogue. In this dialogue, we seek to work on an ongoing exchange and possible partnerships aimed at achieving mutual objectives.

#### Annual Report

Two priorities are discussed in greater detail in this annual report: *responsible operations* and *facilitating the energy transition*.

## RESPONSIBLE OPERATIONS

In the chapter 'Responsible operations', we outline what we did in 2009 to achieve the objective of 'ensuring a reliable, affordable, safe and sustainable energy supply'. In this context, attention is directed first of all towards our *security of supply*.

The reliability of our networks is of essential importance to society. At the same time, society is demanding that we make our grid management increasingly cost-efficient and sustainable. Accordingly, applications are being developed that combine reliability, cost-efficiency and sustainability, such as technologies for lifespan determination, outage prevention and network utilisation. Here too, besides the technical improvements, we also actively seek contact with customers to provide advice and information on their energy supply.

One important subject, alongside the security of supply, is *safety* - which is possibly the single most important condition for doing our work well. There are inherent safety risks in working with and using electricity and gas. To minimise the risk of accidents involving employ-

ees, customers and third parties, we actively seek new resources and solutions to improve safety.

As a network company, we are aware that we work for customers - which is why we are constantly looking for ways to improve our service and quality. Consequently, we invest in *customer-focused services*. Amongst other things, we make it easier for customers to contact us by developing accessible internet services. We are also engaged in an ongoing effort to install connections and resolve faults faster.

Moreover, we are striving to achieve *sustainable business practices*. This includes our efforts in the field of corporate social responsibility (CSR). In all our actions, we seek to balance the interests of all stakeholders in such a way that we can operate in a responsible manner.

With our infrastructure, for instance, we are physically present in populated areas. We strive to avoid causing *nuisance to people and the environment* and to *reduce* this wherever it occurs. We pay specific attention to replacing, removing and/or repairing environmentally harmful components and to limiting grid losses.

We do this not just to be climate-neutral in the future, but also to reduce any adverse effects on the public space. For example, we are developing transformer houses that blend in better with the surroundings and are seeking methods to reduce nuisance caused during cable and pipeline operations.

We define sustainability as follows:

'Avoiding compromising the ability of future generations to meet their needs as a result of Alliander's current operations and making a proactive contribution towards the realisation of a sustainable energy supply in the future.'

Sustainable operations thus also mean preparing ourselves for a future in which we must be able to continue doing our work well.

## FACILITATING ENERGY TRANSITION

To continue carrying out our core tasks in an effective and efficient manner, Alliander must stay abreast of and prepare for future developments. Due to the advent of solar panels, wind turbines and micro-CHPs, *renewable, decentralised* and small-scale *energy production* is growing apace. As a result, energy is being increasingly fed into the grid from decentralised sources, leading to a growing number of feed-in points on our energy grids. In addition, there is also a growing need for new electricity outlet points, such as for *electric cars*. We want to facilitate this 'energy transition' by equipping our energy grids for the needs of the future – so that we are ready for biogas from livestock farms and rooftop solar panels on every home, and also for electric cars. One step we are taking is to increase the voltage of our mid-voltage grid from 10kV to 20kV in order to absorb peaks in the amount of electricity being fed in from decentralised sources. In addition, Liander is participating actively in E-laad.nl, a foundation dedicated to the creation of a nationwide network of recharging points for electric transport.

In order to make the energy supply and the networks more efficient, sustainable and reliable, we are exploring the opportunities offered by new technologies. This, too, is being done in close consultation and *in cooperation* with our stakeholders. One example of this is Amsterdam Smart City, an initiative that was started up last year with the knowledge economy organisation Amsterdam Innovation Motor. The aim is to test the economic viability of innovative sustainability initiatives and, if feasible, to develop these on a large scale.

With the aid of smart technology, we also want to gain and provide more insight into energy consumption and grid usage. One example of this is the smart meter, with which consumers can gain more insight into their energy consumption.

In the following chapters, we take a closer look at these themes and report on the results that we achieved in 2009. In Chapter 14 you will find our 'sustainability facts and figures' as well as a table showing 'Alliander's CSR ambitions and summary of results'. This indicates our specific efforts and their corresponding results in the past year.

*“We strive to operate in a responsible manner”*







responsible operations

## 4. responsible entrepreneurship is a mindset

ALLIANDER TAKES ITS SOCIAL TASK EXTREMELY SERIOUSLY. “WE STRIVE TO OPERATE IN A RESPONSIBLE MANNER,” SAYS REGULATION AND CSR DIRECTOR PAUL CORTON.

Alliander vigorously pursues its mission to provide a reliable, affordable, safe and sustainable energy supply. “Security of supply has always been a high priority in our services,” says Corton. “External factors such as excavation damage play an important role in this respect.” In addition, we seek out technologies that combine reliability, cost efficiency and sustainability, such as technologies that allow us to make lifetime calculations. “Outages are something our customers can do without. So, when they do happen, we like to stand out by providing a customer-focused service that resolves problems as quickly as possible. And we pay specific attention to safety: because risks are inherent in gas and electricity.”

### Measurable strategic objectives

“That Alliander is serious about CSR is clear from the sharp strategic objectives that we have set,” Corton explains. “Take our sustainable innovation efforts, for instance. Our aim is to ensure that all innovations within Alliander meet the sustainability criteria.” Corton gives more examples. “We want our sustainable solutions to be widely endorsed, which is why we are looking to carry out our CSR actions in unison with stakeholders. We are striving to make our business operations climate-neutral by 2015. We want to act in an ethically responsible manner and we intend to meet criteria such as GRI A+ and ISO 26000 by 2010. Finally our social commitment must be reflected through our aspiration to rank among the best employers in the Netherlands by 2012.”



### CSR in dashboards and reports

These are highly ambitious objectives. So how does Corton expect to achieve them? “The directors of the business units are responsible for implementing our CSR – in the same way as they are responsible for their finances, employees and so on. They must carry out several CSR projects each year. The social effects of their business operations must also be clear. The CSR department stimulates, initiates and facilitates actions and projects. We keep track of the progress made towards the realisation of our policy objectives by means of dashboards and management reports.”

### Awareness of people, society and the environment

But clear KPIs alone are not enough, according to Corton. “My most important objective is to make sure that our employees are aware of the impact that their work has on people, society and the environment.” The CSR Department has an important role to play in this connection. “For instance, we organise workshops on sustainable IT usage and visit management to draw their attention to CSR themes. And several directors have been

appointed as ambassadors who are each responsible for highlighting their own social theme.”

### For Customer and Market

Some of Alliander’s business units have their own CSR officer. One example is the Customer & Market Department, in which many surprising CSR initiatives are undertaken. “One example concerns the covenants we have with the municipal health departments about dealing with payment arrears of people with sociopsychological and/or mental problems.”

### Transparent about results

“The main thing is to get CSR into your employees’ heads, and that is a challenge for the long haul,” Corton concludes. “We always try to involve our employees in CSR and let them have their say about possible improvements. And the results of all our actions, both large and small, are published as transparently as possible so that everyone can see whether we are making progress. And clearly, this also means mentioning the setbacks and areas that you have not yet been able to address.”

## RESPONSIBLE BUSINESS OPERATIONS CREATE ADDED SOCIAL VALUE

Alliander strives for a reliable, affordable, safe and sustainable energy supply, both today and in the future. In the following sections, we tell you more about the activities we undertook in 2009 to safeguard the security of supply and guarantee safety, as well as to ensure excellent service to our customers. Alliander is committed to being a sustainable company by taking care of the environment and by being socially engaged. Our employees, too, are a key focus of attention – because recruiting and retaining sufficient well-trained staff is one of our biggest challenges.

### Security of supply

One of the most important forms of security that we can offer – both for our customers and wider society – is the reliability of the grids.

Pursuant to the Electricity Act 1998 and the Gas Act, Liander is obliged to provide insight into the manner in which it safeguards and improves the quality and safety of its grids. To this end, it issued a new Quality and Capacity Document (KCD) in 2009 both for electricity and for gas for the period 2010 to 2016.

In these documents, Liander also set out its vision on the developments in electricity and gas distribution and the function of its grids.

### Network structure

In terms of reliability, Liander's grids rank among the best of the world. This is partly due to the ring-formed structure of these networks. Thanks to this design, the transportation of electricity and gas can take place via

several routes. In the 50 kV network, which serves a relatively large number of customers, these back-up routes are automatically available: as soon as a connection failure occurs, the network automatically switches off the affected route so that the energy supply can continue uninterrupted. This takes place without any human intervention. The same applies to the source power supply in the 10 kV main structure. In the case of the 10 kV distribution networks, which serve relatively few customers, the switch can be realised with a very small number of operations so that the energy supply can also be rapidly restored in these networks. The latter is also possible in some of the low-voltage networks.

With gas networks, the ring-formed structure has even been taken a step further, often right down to street level. Interruptions in the gas network frequently stem from a leakage. Thanks to the ring-formed design, the gas flow can be stopped without cutting off the gas in the rest of the network. In this case, the network can still meet 70% of the maximum demand. This maximum demand is determined on the basis of the demand on a very cold winter's day, so the remaining capacity is more than sufficient to cope in the overwhelming majority of cases. As a result, the outage duration of the gas network is kept to a minimum.

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### Security

The Liander operations centre is responsible for safeguarding, controlling and monitoring the main infrastructure of the electricity distribution networks in Liander's service area. This centre is continuously manned and acts as the central point of contact for the organisation in the event of interruptions and disasters.

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### Quality of the networks

In order to maintain and, where necessary, improve the quality of the network, extensive inspection and maintenance work is carried out on a regular basis. In addition, Liander again devoted a lot of attention to innovation in 2009. New technologies are deployed on a limited scale in order to test their effectiveness. If proved suitable, these technologies are rolled out on a broader scale. Various specific activities have been started up or are under development in order to improve the annual outage duration in the low and middle-voltage grids. Several examples are mentioned below.

A certain type of connecting element is used in electricity grids in a large part of our service area. Problems with these connecting elements are a major cause of faults in the mid-voltage network. To avoid the risk of outages, poor-quality connecting elements are traced using special testing techniques. This inspection is repeated every five years.

In 2009, electronic short-circuit detectors with a GSM module were placed at various locations. These detect short-circuit currents during interruptions and send



the information to Liander's operations centre. With this information, the operations centre is able to send the repair engineer to the exact location of the problem.

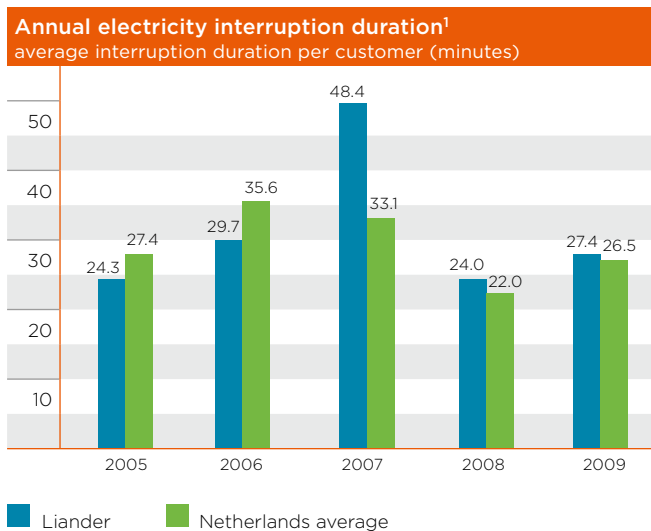
In view of the ageing problem, Liander has expanded its fault response organisation with extra repair engineers.

Inspections are regularly carried out to assess the condition of the network. The frequency of the inspections is based on a risk assessment. Analysis of the inspection and fault data may lead to a higher or lower inspection frequency.

Various measures were taken in 2009 in order to improve the quality of the various types of distribution network data. Amongst other things, a programme has been started up to develop a new information system both for the electricity and the gas networks. This programme is expected to be completed in 2011.

## Realised quality in 2009

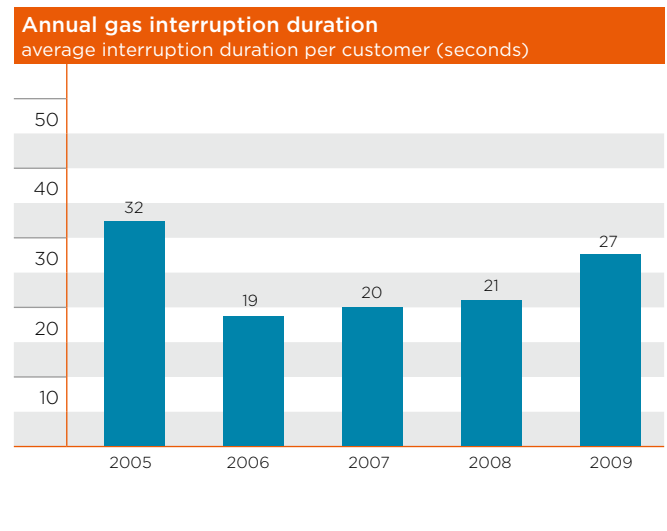
The realised quality for the gas and electricity networks in 2009 and previous years is shown in the following tables. Up to and including 2008, the quality of the electricity high-voltage network is included in the values.



<sup>1</sup> Annual interruption duration, defined as customer average interruption duration (CAIDI = Customer Average Interruption Duration Index)

- The value for 2007 excluding the Bommelerwaard interruption amounted to 23.5 minutes for Liander; the total average for the Netherlands is 23.8 minutes.
- Source for Netherlands average: Kema reliability of electricity grids in the Netherlands.

The average electricity interruption duration increased from 24.0 to 27.4 minutes. This is largely due to a larger number of faults and a longer repair time. The interruption duration for gas rose from 21 to 27 seconds. Both networks operated well during 99.995% of the time in 2009. Liander's electricity and gas networks are among the most reliable in Europe. In 2006, the quality was influenced by a warm and dry July with lots of interrup-



tions. The lower quality in 2007 was due to the incident in the Bommelerwaard and parts of the Tielierwaard where a helicopter of the Ministry of Defence collided with the above-ground power lines. Without that incident, the values would have been in line with other years. In 2009, the average number of interruption minutes for electricity in the Netherlands was 26.5 minutes.

Quality electricity	2005	2006	2007	2008	2009
Annual interruption duration (minutes/year)	24.3	29.7	48.4 <sup>1</sup> 23.5 <sup>2</sup>	24	27.4
Average interruption duration (min/interruption)	67.8	76.3	127.5 <sup>1</sup> 63 <sup>2</sup>	65.6	78.1
Interruption frequency (interruptions/year) <sup>3</sup>	0.357	0.384	0.387 <sup>1</sup> 0.370 <sup>2</sup>	0.366	0.351

<sup>1</sup> Including Bommelerwaard.

<sup>2</sup> Excluding Bommelerwaard.

<sup>3</sup> Interruption frequency, defined as SAIFI = Standard Average Interruption Frequency Index.

With the aid of the improvements described in the previous section, our aim is to achieve an interruption duration below the national average.

Quality indicator target values electricity	2010-2014
Annual interruption duration (minutes/year)	≤ 22
Average interruption duration (min/interruption)	≤ 85
Interruption frequency (interruptions/year)	≤ 0.259

Quality indicator target values gas	2010-2014
Annual interruption duration	≤ 60 sec

### Excavation work

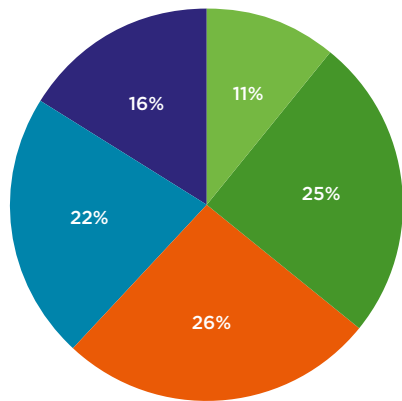
Studies have shown that excavation work is one of the main causes of outages. To guarantee the security of supply insofar as possible, Liander wants to considerably reduce the occurrence of damage due to excavation work. To this end, various measures were taken in the past years and efforts were undertaken in close cooperation with all parties involved to prevent excavation damage. The introduction of the Act on Information Exchange on Underground Networks (WION), which provides for the exchange of information on the location of cables and pipelines, has also helped us.

In view of the economic crisis (and the resulting downturn in economic activity), Liander expects the excavation damage between 2009 and 2011 to decrease. This will probably lead to improved results on quality indicators, such as outage duration. When the economy picks up again, excavation damage is also likely to become more frequent again. However, we intend to undertake certain improvement actions in order to prevent an increase in frequency and to reduce the incidence of damage in the future.

More information about these subjects can be found in the KCDs for electricity and gas on our website.

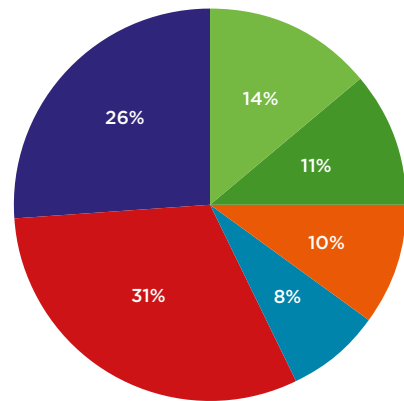


Causes of electricity interruption duration



- Connecting elements
- Different type of connecting element cable
- Excavation damage
- Cable defects
- Other

Causes of gas interruption duration



- Excavation damage
- Corrosion ('rust') ageing
- House pressure regulator
- Soil movement
- Assembly/installation faults
- Other

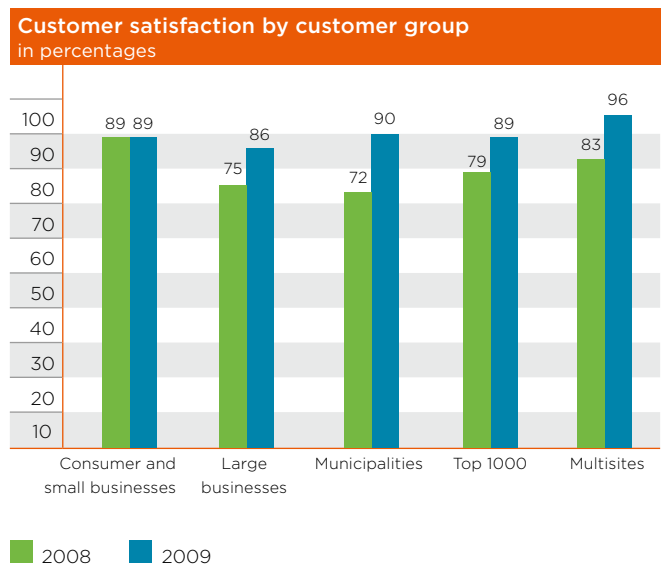
### Informing customers

Besides technical improvements, a reliable supply also means providing our customers with good information. We consider it important that our customers can always reach us and know exactly what to do in the event of faults or, for instance, when they smell gas. For this reason, Liander conducted an energy safety campaign ('Meterkastman' campaign) in May of this year. More about this campaign can be found in the 'review of 2009' on page 12 of this report. We are also looking to give our future customers an early education about the energy network in the Netherlands and Liander's role within the overall system. For this purpose, we have developed two cartoon characters, Bonny and Blitz Bliksem, for primary school pupils. Since October of this year, these characters have been making their mark all over the Netherlands through a challenging schools competition, a special teaching kit and a website introducing all sorts of new adventures and an online game. In 2009, we also launched a new text service as a fast, easy and free way of providing consumers and business customers with information on power outages in the grid. In the event of such a power outage, households, institutions and businesses in our service area can call the National Emergency Number 0800 – 9009 using their mobile or fixed-line phone. Using this number, Liander registers the caller for this service. Callers then receive a text message confirming their registration and indicating how long the outage is expected to last. This service is exclusively available for network interruptions. After extensive testing in the second half of 2009, the text service was launched all over our service area in December.

## CUSTOMER-FOCUSED SERVICE

We are continuously improving the service and quality of our services. Providing the customer with good information plays a key role in this respect.

### Customer satisfaction



This concerns Liander customers; figures as at fourth quarter 2009.

- Consumer and small businesses: electricity connection up to 3x80 Ampère and gas consumption up to 170,000m<sup>3</sup>/ year;
- Large businesses: electricity connection greater than 3x80 Ampère and/or gas consumption more than 170,000m<sup>3</sup>/ year and not belonging to the multisites, top 1000 or municipalities;
- Top 1000: 1000 largest customers based on the size of the connection; this includes no multi site customers;
- Multisites: Business customers with more than 50 sites; these customers are not included in the Top 1000.



We are striving to be the best service provider for our customers. To fulfil this ambition, we need to know how these customers rate our service. This is why we hold customer satisfaction surveys every three months. The results provide a broad indication of where Liander stands in terms of customer satisfaction. The outcomes determine the direction of many of the activities that we undertake, including adjustments to processes and the initiation of improvement measures.

#### Development of customer satisfaction at Liander

Compared to last year, customer satisfaction improved among the customer groups of large users, Top 1000, municipalities and multisites. On average, nine out of ten customers are satisfied with Liander. One continuing area of attention is the complaints handling. Liander has appointed a special customer complaints officer – known as the ‘Klantenman’ – to avoid escalation of complaints and to help improve customer satisfaction.

#### Customer complaints officer

The customer complaints officer deals with individual complaints relating to matters pertaining to the grid manager. The customer complaints officer’s role is similar to that of an ombudsman, only this officer works exclusively within Liander. This means that the customer complaints officer can operate as independently as possible. In 2009, the officer dealt with complaints about the handling of claims for damages relating to power failures, the construction of connections, Liander’s invoices and the metering service for large users.

In response to these complaints, the customer complaints officer has taken steps so that complaints can be prevented and customers receive better assistance.



#### Disconnection policy

Liander’s policy is aimed at helping customers to avoid falling into arrears and running up large debts. To this end, we pursue a strict collection procedure in close cooperation with various debt assistance agencies. Customers who fall into arrears receive a reminder and then a warning letter and are only disconnected if this careful and considerate collection procedure fails to elicit payment.

In 2006, a ministerial ruling came into force concerning the disconnection of small users (consumers and small business customers) from the energy supply. This ruling stipulates that customers may only be disconnected in the period from 1 October to 1 April if they refuse debt assistance, are guilty of fraudulent conduct or if Liander’s customer has no energy supplier. In addition, a special cold weather scheme was agreed on whereby customers in arrears are not disconnected if the average day temperature drops below zero during a number of consecutive days.

Liander actually goes a step further than the ruling by adhering to this policy throughout the entire year.

Liander has signed covenants with various Municipal Medical Departments and debt assistance organisations for the exchange of personal details.

In this way, the disconnection of special needs customers can be avoided. Moreover, the options for arranging debt repayment plans have been expanded, which also helps to avoid disconnections.

Customers with a medical certificate stating that disconnection would pose very serious health risks are also not disconnected. In these cases, the policy of the energy supplier and Liander is to meet with the customer to look for the best way to avoid mounting debt.

## SAFETY

Responsible operations means making safety a high priority. This is essential to minimise the risk of employees, customers and others suffering an accident. Besides informing our customers and training our employees, we ensure that the organisation is well-prepared to deal with any accidents that might occur. An in-house emergency service and a contingency plan are in place for disasters.

### Technical developments

The safety of the networks is assured by implementing safety measures throughout the entire chain: from design to construction, business processes, inspection and maintenance. Safety earthing is one important aspect in ensuring that the electricity grids are safe. In the case of the low-voltage grids, we have opted to use the 'TN system' for new grids and new installations.

With the TN system, Liander offers low-voltage customers an earthing point free of charge. A notice on the connection box indicates that the grid manager has made this earthing available. The responsibility for using it (and for earthing the installation in general) rests with the connected customer or the customer's installer.

The industry organisation Netbeheer Nederland is currently carrying out a study into the safety risk level for safety earthings. The aim is to set a sector-wide standard. Liander is playing a leading role in this respect.

The safety of the gas network is determined by, among other things, the risk of the grid pressure being too high or too low and the continuity of transportation. All new gas connections and gas connections that are being rehabilitated as well as all gas meters with a capacity up to 10 m<sup>3</sup>/h that are being repositioned will be outfitted with a B valve. This will lead to a grid that is easier and safer to operate.

In the case of unexpected pressure drops or grid segment failures, the B valve prevents gas from escaping when the connected customer's indoor installation contains unprotected equipment.

### Energy safety website

The Dutch Office of Energy Regulation has requested that the Dutch grid managers devote more attention to the subject of safe energy usage in and around the home. In response, the energy network company Enexis has developed an energy safety website [www.energieveilignl.nl](http://www.energieveilignl.nl) which consumers can visit for detailed information, prevention tips and safety checklists. Liander has joined this initiative, so that the two grid managers now jointly operate this website aimed at promoting safe energy usage in domestic situations.

### Replacement of cast iron gas pipes

Following an incident in Amsterdam, the Dutch Safety Board brought out a report in 2009 in response to an incident in Amsterdam. The report contained recommendations for the grid managers sector in relation to grey cast iron gas pipes. The advice is to accelerate the replacement of this type of gas pipe because the deterioration in quality is leading to an increased risk of gas leaks.

Liander has drawn up a Master Plan for the replacement of grey cast iron and asbestos cement and has submitted this to the SodM (State Supervision of Mines). Under this plan, the presence of these materials will be reduced to zero over a 30-year period. Given the total length of these pipes in the network, this entails a replacement rate of about 100 km per year. The emphasis will be on the grid in Amsterdam, where about 40 to 50 km per year will be replaced. A detailed five-year plan will also be submitted to the SodM.

## ENVIRONMENT

### Environment policy and management

Electricity and gas networks and the work carried out on these networks can have adverse consequences for the environment. We are committed to understanding, controlling and minimising the environmental impacts of our activities. For this reason, we drew up an integrated quality, environment and safety policy in 2009. This policy contributes towards the implementation of responsible business practices.

Our environmental policy is aimed at:

- Carrying out our activities in an accountable and clean manner;
- Working according to the best methods and with the best technologies that are reasonably possible;
- Complying with the laws and regulations.

We encourage our employees to actively adhere to our environmental policy – for instance, by providing them with information through the internal communication channels, such as on-the-job meetings and the intranet. In addition, we have set up a central environmental helpdesk that is available to the whole of Alliander.

### Environmental incidents

All environmental incidents must be reported. The reports serve as input for the management of the departments involved to improve the business processes and their environmental performance.

Environmental incidents			
by category	Unit	2009	2008
Recorded environmental incidents	number	62	53
Resolved environmental incidents	per cent	100	91
Incidents reported to competent authorities	number	21	13
Non-financial sanctions	number	-	2
Non-financial penalties	number	-	1
Monetary penalties	€ thousand	-	0.4

In 2009, 21 environmental incidents were reported to the competent authorities. These mainly concerned incidents in the field of oil pollution or infringements of environmental licensing requirements and other environmental regulations. The increase in the number of reported incidents can be explained by improvements in the internal reporting discipline and the usage of an incident registration system.

### Soil

The overwhelming majority of our operating assets are located underground. Liander has a total of 86,000 kilometres of electricity cables and 35,000 kilometres of gas pipes buried in the soil in its service area. The environmental quality of the soil is a growing concern in this connection; for example, measures must be taken if the soil is polluted.

Existing and new activities are assessed for soil risk. Where necessary, measures are taken to bring the situation into line with the Activities Decree and the Dutch Soil Protection Guideline.



Existing soil pollution and soil research results on Alliander's own sites are registered and assessed for severity and urgency. Action is taken where appropriate. Soil clean-up operations may also be necessary on several Alliander sites with 'historical soil pollution'. These sites have been assessed for their eligibility for industrial estate soil clean-up subsidies and are reported to the competent authorities wherever required.

#### **Oil pollution in 50 kV cables**

Some 50 kV cables use oil as an insulation medium. Under the policy that we have carried out in recent years, the monitoring of cable routes has been improved, leaks have been detected and cables are rehabilitated wherever necessary in consultation with the competent authorities. In the case of extensive leakages with this type of cable, these are immediately tracked down and the area around them is cleaned up. Sometimes, however, the amount of leaked oil is so small that these leaks cannot be detected using the normal techniques. For this reason, we devote extra attention to improving the detection techniques and preventing small leaks.

#### **Abandoned cables and pipelines**

Abandoned cables and pipelines are cables and pipelines that are no longer used to transport electricity and gas. The obligation to remove these is laid down by law. In conformity with the excavation arrangement, as laid down in the Act on Information Exchange on Underground Networks (WION), Liander accurately documents the location of cables and pipelines and also registers when these are taken out of service and are left in the ground (for example, in connection with reconstructions or if a different route is chosen for new cables or pipelines). Particularly in the past, disconnected and disused cables and pipelines were often not removed. These are now registered as abandoned. As these abandoned cables and pipelines pose a potential environmental risk for the future, Liander is seeking to remove them while carrying out planned activities.

Many other parties (such as other grid managers, cable companies, telecom companies and water companies) are confronted with the same issues as Liander. So these parties have a shared responsibility regarding the environmental problems arising from the abandoned



### Clean-up methods

Pollution is immediately cleaned by digging up and removing the polluted soil. In some cases (for example, where there are lots of cables and pipelines or if dykes are polluted), we are not able to use this method. For this reason, we are currently seeking alternative clean-up methods in conjunction with Wageningen University. Positive laboratory results have led to a study into the effects of clean-up methods that do not require the removal of the soil. One innovative method involves using bacteria to tackle the pollution.

cables and pipelines. The possible impact on the environment is a social problem.

To limit any environmental damage in the future, it is necessary for the grid managers to work together, agree on shared sustainability objectives and develop joint policies aimed at actively reducing the number of abandoned cables and pipelines.

In 2009, a group was set up within Alliander to assess the current and future environmental problems, develop a strategic solution-oriented vision and work together with other grid managers in order to arrive at a joint and society-wide approach. Various arrangements with other parties to reduce the number of abandoned cables and pipelines will be worked out in greater detail in 2010.

### Biodiversity

In order to preserve European nature areas, the European Union has taken the initiative to set up a cohesive network of nature protection sites under the name 'Natura 2000'. Certain parts of Liander's service area will eventually also fall within the scope of Natura 2000. This has consequences for Alliander's operations and operating assets in these areas. In 2009, we started to analyse the effects of Natura 2000 with a view to drawing up a code of conduct for our operations in nature reserves.

## SUPPLIER CHAIN RESPONSIBILITY

To us, responsible operations extends beyond the confines of the company. In 2009, Alliander developed various specific activities in the field of chain responsibility. Chain responsibility entails that we are making increasing demands on suppliers and waste processors by means of arrangements and protocols.

### **Socially responsible procurement**

In 2009, we drew up a Suppliers Code of Conduct covering human rights, working conditions, integrity, chain management, transparency and the application of international guidelines and treaties that are formulated by the International Labour Organisation (ILO) and the Organisation for Economic Co-operation and Development (OECD).

At the end of 2009, suppliers who had signed the code accounted for more than 51% of the total value of the goods and services that we procured. In 2009, the total procured value amounted to € 569 million. The code of conduct is now a fixed part of every tendering procedure and every contract that we enter into with suppliers. We therefore expect the aforementioned percentage to rise.

In 2009, we started to attach a 'sustainably procured' label to certain procurement categories (such as contracting, catering and protective clothing) and/or suppliers. In doing so, we apply the sustainability criteria as drawn up by the Dutch government agency Agentschap NL. We regard these as the minimum criteria. Any criteria that are not entirely clear or which we consider to be insufficiently stringent are clarified or tightened up.

Of Alliander's total procurement, more than 25% is now classified as 'Sustainable' according to the Agentschap NL.

### **Tendering for distribution transformers**

During the European tendering procedure for the purchase of distribution transformers for the period 2010 - 2017, we made the reduction of energy losses a central priority, together with Enexis, Stedin and Delta Netwerkbedrijf. In this way, we hope to obtain a distribution transformer that is more energy efficient and hence less environmentally harmful than the existing transformers. Alongside the purchase costs and the costs of iron and copper losses, we also take the ecological footprint for the energy losses during their lifetime into account. In this way, we can make the positive environmental effects visible. Due to the low losses and the short payback time of the extra acquisition price, we were ultimately able to achieve a financial saving. In addition, these new transformers allow us to realise environmental savings in the form of lower CO<sub>2</sub> emissions.

In order to give an extra stimulus to socially responsible purchasing, Alliander has started up three Life Cycle Analysis (LCA) projects. The analyses are carried out for cables, switch installations and contracting. With these analyses, we are seeking to generate new insights into how we, together with the suppliers, can stimulate sustainability as well as social improvements.

### **Responsible IT**

In November 2009, Alliander investigated which social themes are relevant to the choices for the information technology chain. In this context, we sought cooperation with the SOMO (Centre for Research on Multinational Corporations) and the Dutch CSR platform. Joint stakeholder consultations about 'responsible IT' were organised in this context. The participants included Hewlett Packard, Rabobank, Greenpeace and Amnesty International. The meeting mainly served to emphasise

the importance of drawing up further criteria for materials and waste policy. Alliander will take further concrete steps in this field.

### Waste processing

Just like other suppliers, Alliander also requires waste processors to sign a code of conduct containing criteria relating to the environment and socially responsible entrepreneurship. In addition, we also look at the end processors to whom our processors pass on the waste. In this way, we know where the waste finally ends up and have a good overall view of the overall waste management chain.



### Energy fraud covenants

In Almere, we signed a 'Cannabis Growers Covenant'. Under this covenant, the municipality of Almere, housing associations, the public prosecutor, the police and Liander (as grid manager) are working together to fight the nuisance caused by cannabis growers. Similar covenants are being entered into with other municipalities.

The principal aim of the cooperation is to terminate or prevent cannabis growing and thus improve the quality of life in residential areas. At the same time, the plan serves to counter improper residential premises use,

crime, fire risks and power theft. The publicity surrounding the covenants also has a deterrent effect.

Each party has its own role and responsibility within the partnership. The police are responsible for detecting and dismantling cannabis growing operations while the public prosecutor initiates criminal proceedings against the suspects. The housing associations, for their part, ask the judge to dissolve the rental contract and, if necessary, issue an eviction order. Liander disconnects the electricity and removes the meter. In addition, Liander takes steps to recover the costs of removing the meter and the stolen power from the suspects wherever possible.

Alliander faces a major  
both because of its age  
the persistent lack of

## EMPLOYEE

In the coming years, Alliander faces a major human resources challenge, both because of its ageing staff base and because of the persistent lack of enthusiasm among young people to opt for a technical career. It is essential for Alliander to have sufficient well-trained staff.

### Employees drive the organisation

Our HRM policy comprises objectives for the labour market, employee development, working conditions, safety and diversity. We are seeking to develop a company that maintains close contact with its surroundings and are working together with a large number of partners to achieve our objectives. Alongside a good and modern remuneration policy, Alliander offers its employees facilities aimed at promoting their personal development, mental and physical fitness and participation in community projects. The Alliander Code of Conduct clearly sets out our employees' rights and duties and provides guidance on how they should act in the case of wrongdoing, doubts or questions.

### Employee representation

After the elections in December 2008, we launched a new employee representation structure in January 2009. Alliander has two Works Councils for its separate business units Liander and Alliander, as well as an over-arching Central Works Council. One new element is that a working group has been put in place for each business unit and corporate department. In the former set-up, Works Councils were active at this level. Besides improving the functioning of the employee representation process, this new and innovative approach makes the employee representation efforts more visible within Alliander and also makes it more attractive for employees to become employee representatives. The new

structure has thus rejuvenated the employee representatives and doubled the number of female employee representatives.

In 2009, good and intensive consultation took place with the Central Works Council (CWC). Amongst other things, the CWC dealt with several important organisational changes, such as the merger between Liandyn and Enexis Lighting and the takeover of Endinet. In the past year, the CWC also dealt with various requests for consent. These concerned such subjects as the vitality policy, the Alliander Code of Conduct and the Whistleblower Policy. In addition, the CWC made use of its enhanced right of recommendation regarding the appointment of two members of the Supervisory Board. Finally, a covenant was concluded concerning the relationship with and dealings between the CWC and the Supervisory Board.

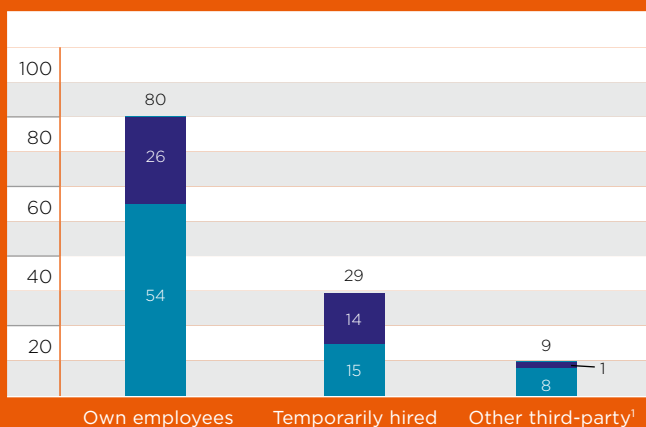
The Management Board appreciates the positive and constructive manner in which the consultations with the CWC were conducted. Alliander considers the consultations with the CWC a matter of the utmost importance for the company as a whole, and attaches great significance to an open dialogue.

### Safety, health and working conditions

Work on the electricity and gas infrastructure must be carried out with great care and attention. Accordingly, we continuously highlight safety issues to all employees involved. We provide 'Working in polluted soil' courses and also organise a safety day for all operatives. Various campaigns were conducted in 2009. These included the 'Open Doors' campaign, where we alerted engineers to the need to lock certain spaces in the infrastructure, and the 'I work safely' campaign, in which we emphasised that 'safety thinking' is an integral business process. These campaigns fit in with the focus of our safety



Number of recorded accidents in 2009



- Accidents without absenteeism
- Accidents with absenteeism
- Accidents resulting in fatality<sup>2</sup>

<sup>1</sup> The other third-party category concerns persons with whom Alliander has no direct or indirect contractual relationship, i.e. 'passers-by'

<sup>2</sup> In 2009 there were no accidents resulting in fatality

policy, which is increasingly aimed at prevention and at increasing safety awareness among employees. The year 2009 saw the completion of the periodic 'soil clean-up' survey which is carried out among our employees who potentially or actually come into contact with polluted ground in the course of their duties. This survey was carried out by Achmea Vitale. The employees were assessed for their general fitness to carry out work in possibly seriously polluted soil in cases where the pollution is irreversible. On the basis of the outcomes, Achmea Vitale gave the employees individual recommendations.

### Labour market, employment and diversity

There was a jump in the number of jobs at Alliander in 2009. The expansion mainly concerned specific - frequently technical - positions and corporate department positions as a result of the unbundling. In the coming years, Alliander will increasingly respond to demographic developments in the labour market.

It is extremely important for Alliander to have sufficient well-trained technical staff. In addition, Alliander must take account of ageing. In external recruitment campaigns, we take care to ensure that the composition of our staff base is a reflection of the society we serve. The proportion of women in Alliander's staff base increased from 17% in 2008 to 19% in 2009. Female employees mainly occupy positions in HRM, administration and communication.

We also want to recruit more women at management level. In 2009, the number of women in leadership positions grew compared to 2008. The share of women in leadership positions (CAO scale 10 and higher) increased from 13% in 2008 to 14% in 2009.



In 2009, a provision was included in the collective labour agreement, requiring energy companies to create extra job experience and traineeship places. As part of the Step2work activities, the number of traineeship and job experience places created by Alliander is well above the targets stated in the collective labour agreement. We are also active at ROCs (Regional Training Centres) and at lower secondary education level to attract young engineers who are just starting their career. These activities are carried out through covenants and the accompanying implementation plans, which outline arrangements concerning trainee numbers, trainee coaching, guest lectures, teacher traineeships and joint promotional activities.

#### **Step2work**

In 2009, 71 participants started in the Step2work project. With this project, Alliander offers these participants nationally recognised vocational training as well as relevant job experience at Alliander and its contractors and suppliers. By providing excellent coaching and support to young people without starting qualifications, young unemployed disabled people and unemployed elderly people without the relevant diplomas or training, we hope to give these disadvantaged groups a chance of finding work. In the same context, traineeships were also organised for children from the highest classes of primary school and the first two classes at lower secondary education level in Amsterdam. We did this in cooperation with JINC, the association that introduces young people in Amsterdam to the world of work.

#### **Employee development**

Working with low, mid and high-voltage facilities demands specialised knowledge to guarantee the safety of employees and others. For this reason, we have set up Alliander Technische Opleidingen, an internal training institute that has gained a leading reputation in safety training and accreditation for both internal and external parties. Employees of contractors must also attend training courses at this institute before being permitted to work on our energy networks.

In 2009, 3% of the salary costs were spent on employee training.

#### **Labour participation for vulnerable groups**

Alliander takes responsibility for offering vulnerable groups in the labour market a chance to work, gain job experience and acquire new skills. Adhering to the notion that everyone is entitled to work, Alliander is developing and participating in initiatives aimed at guiding these vulnerable groups to the labour market. In addition, this directly helps Alliander fulfil the ambition that it shares with the government to make its staff base representative of society at large.

#### **Community engagement: Alliander Foundation**

We encourage employees to do voluntary work and support them in this regard. Employees can contact Stichting Alliander Foundation for information about voluntary work and obtain financial support (subject to conditions) for volunteer projects. The Foundation matches the supply of and demand for voluntary work.

In 2009, the Foundation gave financial support to over 50 volunteer projects. About 500 employees took part in voluntary activities, either as individuals or as a member of a team. The Foundation is highly valued by the employees, a large majority of whom are proud that Alliander supports employees in their voluntary work.

Chapter 14 'sustainability facts & figures' gives a more detailed account of the results achieved in respect of the themes discussed in this chapter.



*“Proactive, that’s how we see our public role”*





facilitating energy transition

## 5. from tradition to transition

**TOGETHER WITH STAKEHOLDERS, ALLIANDER IS MAKING THE ENERGY TRANSITION HAPPEN. "PROACTIVE, THAT'S HOW WE SEE OUR PUBLIC ROLE," SAYS STRATEGY DIRECTOR PALLAS AGTERBERG.**

With wind turbines appearing in the countryside and solar panels on rooftops, the Netherlands is clearly stepping up its efforts to bring about energy transition on a grand scale. Fossil energy sources are being exchanged for sustainable alternatives. According to Agterberg, network companies like Alliander have an important part to play in this process. "We fulfil a public role in a commercial setting," she explains. "Our commercial objective is to generate a reasonable return, sufficient to safeguard the continuity of our organisation. In view of the public nature of our role, we want to operate wherever possible in line with the wishes of the regions in which we are active. That, basically, is what we exist to do. Now that these regions are taking energy transition in hand, it is logical for us to help them. What's more, the government's policy requires us to facilitate the distribution of affordable, reliable and clean energy."

### **Recharging points for electric transport**

The market for renewable technologies is developing in leaps and bounds. Agterberg mentions electric transport as one example. "Electric cars can only take off if you have a nationwide network of public recharging points. You need thousands, possibly even millions, of such points. And all these points must be compatible with all types of vehicles, so that a driver from Amsterdam has no problems recharging his car in Groningen. Together with other network companies, we are going to set up such a recharging system before 2012." According to Agterberg, this is illustrative of the proactive role that Alliander is playing in the energy transition process. "If the free market cannot come up with a solution, we will facilitate it ourselves." Meanwhile, Alliander has also ordered electric cars for itself. The first was taken into service in June 2009.

**Note with photo:** At the time of publication, the illustrated recharging point had not yet been produced and mounted.

### New partnerships

Agterberg concisely sums up Alliander's new role. "We have evolved from a 'grid manager' into a network company," she says. "Instead of being an exclusively cost-focused organisation, we are a party that networks in the literal sense of the word: we seek new partnerships and bring parties together to solve any bottlenecks we encounter in terms of policy, organisation and technology." One good example, in her view, is Amsterdam Smart City. "Together with the knowledge economy organisation Amsterdam Innovation Motor, we initiated a programme in 2009 to start up innovative initiatives. The research results are currently being tested by the University of Amsterdam and the applied research organisation TNO. That way, we can develop a set of best practices and specific products to enable us to help other municipalities in the region to achieve their sustainability and energy-saving objectives."

### 20, 20 in 2020

Alliander is also investing in its own Research & Development programme. "Society is moving towards new decentralised energy applications, such as heat pumps and solar panels," says Agterberg. "Both in laboratories and in the field, we are seeking out systems that are smart, so that we can provide advice on these smart solutions for new-build projects. But we are also exploring the effect of decentralised generation on our network. By calculating the implications of future scenarios, we are making sure that we are ready to transform our network into smart grids when the time comes." In this way, Alliander is investing in reliability. "The objective we all share in the Netherlands is '20, 20, 20' which means we want to achieve 20% CO<sub>2</sub> reduction, 20% renewable energy and 20% energy saving by 2020."

## ANTICIPATING A MORE SUSTAINABLE ENERGY SUPPLY

The earth is warming up. One important cause is the large amount of CO<sub>2</sub> that is emitted into the atmosphere. To reduce the production of CO<sub>2</sub>, we need to make less use of fossil fuels and switch over to more sustainable ways of generating energy. Alliander is keen to play a proactive role in facilitating this energy transition. We are making thorough preparations for the future with innovative concepts, partnerships and technologies – so that, as a network company, we can continue to do a good job of transporting energy and connecting customers to the energy supply.

### Sustainable energy generation and usage

The climate summit in Kyoto once again underlined the importance of agreeing on hard-and-fast commitments to secure a global energy transition from fossil sources to more sustainable ways of generating energy. The global debate was continued in Copenhagen. Many new generation methods take place on a much smaller scale and are less concentrated than the 'traditional' power stations. Developments are moving fast. Due to the advent of solar panels, wind turbines and the use of biogas, energy generation will be less predictable and less easy to control in the future than it is today using conventional sources. Accordingly, we need to find new ways of balancing supply and demand. For this reason, there is not only growing attention for sustainable energy generation but also for energy-saving methods and energy efficiency, both from the energy producer and the consumer. Examples of this include energy-efficient buildings, electric transport, micro-CHPs (which will replace the central heating boiler and can also generate electricity) and heat pumps.



**Box 1: Different scenarios under the microscope**

The expected large-scale arrival of micro-CHPs, solar panels, air-conditioning, electric cars and heat pumps can have quite an impact on our low-voltage grids. To obtain a clear picture of the consequences as well as the quantitative implications (both in technical and economic terms), Laborelec carried out an extensive study on behalf of Liander, Stedin and Enexis. The effects of nine scenarios for 2020 were calculated for a representative selection of existing residential areas in the Netherlands, both before and after renovation. The conclusions have given us an indication of the solutions that are necessary and the possible costs involved. The study also provided the basis for a business case for 'smart grids'.

**Applications and technical developments in focus**

We expect that, alongside the existing conventional large players such as the energy providers and producers, consumers and larger customers will also play an important role in this field. This makes it difficult to predict the developments that lie ahead, particularly as the coming years are very likely to unleash a spate of technical breakthroughs which will make all sorts of options both feasible and economically viable.

However, we lay out our grids for a forty to fifty-year time span, so we already need to be prepared for what the future holds. To this end, we make extensive use of scenarios and calculate their implications in detail (box 1).

**Desk studies, field tests and pilots**

We know from practice that it is essential to supplement desk studies with field tests and pilots. With this in mind, we realised the first-ever self-contained network in the Netherlands in 2009 and have thus acquired valuable experience in using electricity storage for improving the voltage quality and reliability in our network (see review of 2009, page 12).

We also see a shift in the nature of energy carriers – for instance from petrol and diesel to electricity (in the case of electric transport) or from gas to electricity (in the case of heat pumps). Alliander not only wants to be well-prepared for these developments, but is also keen to play a stimulating role in view of the great sustainability gains that can be achieved in this way (box 2).



#### **Box 2: Electric transport**

In 2009, we took various steps aimed at facilitating electric transport in the future. Amongst other things, we set up E-laad.nl, a foundation aimed at having 10,000 recharging points installed in the Netherlands by 2012. To ensure these blend into the public space as well as possible, we have organised a competition in which design agencies are invited to come up with attractive designs for recharging points. In addition, we started using our first electric car in 2009 and several more have been ordered for 2010. These will be extensively monitored for performance and user experience. As part of our preparations for the large-scale introduction of electric transport, we took part in the national Intelligent E-Transport Management (ETM) project which looked at the impact of electric cars on our network, on the environment and for the various stakeholders. The results were used to study the usefulness and need for intelligent steering.

#### **Box 3: Temporary biogas storage**

Fermentation processes for obtaining biogas have great potential in the Netherlands. Water purification and manure and waste fermentation, for instance, provide ample opportunities in this regard. The feed-in process poses challenges regarding the quality of the generated gas and the stability of the gas network as well as for the processing in the gas network itself. One problem is that biogas is fed into the grid in the same quantities on a virtually continuous basis. However, the amount that is consumed fluctuates increasingly towards the downstream end of the gas network. This means that, in certain situations, feeding in biogas will be impossible unless the gas network is adapted. For this reason, we have studied possible adaptations to ensure that the biogas can continue to be fed in despite fluctuating demand.

#### **Box 4: I-net**

The need for extra capacity on our mid-voltage network has grown strongly and is continuing to increase. Our mid-voltage grid is nearing the limits of its capacity at numerous places. This is not surprising, given that many of these grids are already decades old. Extra capacity is also necessary to cope with the advent of large-scale decentralised generation. Finally, the arrival of electric cars and heat pumps also means that greater use will be made of our grids. In response to all these demands, we developed a unique new mid-voltage grid concept in 2009. This is based on 20 kV rings, which our existing 10 kV rings can be looped onto. The new design also incorporates the latest monitoring and control technologies.



### Development: biogas feed-in

In the field of gas, biogas feed-in is a particularly important area of research – not only in technical terms, but also in terms of safety regulations. One of the sub-projects concerning biogas that we have studied is temporary biogas storage (box 3).

### Smart grids

The above advances and innovations are promoting the development of smart grids. These are necessary to avoid excessive investments and to prevent putting too much pressure on the public space. By means of monitoring and intelligent systems, we can efficiently provide services and assistance without affecting the choice and comfort of users. One of the most important steps that Alliander made in 2009 in this field concerned the development of a unique new grid design at mid-voltage level which we call the I-net (box 4).

### Smart meter

The smart meter is a vital building block within the smart grids concept. It allows consumers to keep track of their energy consumption, thus making it easier for them to save energy. A smart meter is also an important instrument for facilitating decentralised feed-in and could conceivably be used in the future for settling bills for recharging electric cars. We hoped that the political go-ahead for the large-scale roll-out of the smart meters in Dutch households would be given in 2009, but unfortunately the decision on this issue will now probably only be taken in the course of 2010. We regret this delay, as this is a key step towards the implementation of smart grids that we are eager to make. In 2009, together with other grid managers, we held intensive discussions with various stakeholders in order to bring the smart meter more into line with the demands and wishes of society. This led to a very instructive debate about safety and privacy. The outcomes were used to draft an initial guideline on how we should deal with these issues.

### Liander supports energy-saving initiatives

Meanwhile, many energy users and policy-makers – such as companies, municipalities, housing associations and consumers – are busy devising solutions for saving energy or achieving climate neutrality. The various authorities are taking a great many initiatives. Under the 'More with Less' programme, for instance, a large subsidy has been made available for companies and consumers who opt for insulation measures such as double glazing and high-efficiency boilers. Many local authorities have set themselves sustainability objectives which they aim to realise through municipal energy companies or sustainability projects. We are keen to support these initiatives so that the regional objectives can be achieved. The aforementioned Amsterdam Smart City concept is another example of this (see also the review of 2009 on page 13).



### **E-Atlas: municipalities achieve effective savings thanks to insight into local consumption**

Another tool for helping municipalities to save energy is our E-Atlas. We have a good overall view of the total energy consumption in municipalities, which means we can provide a clear picture of the energy consumption for each residential area or industrial estate. Municipalities can use this information to take measures or offer energy-saving options specifically targeted at each residential area or industrial estate (box 6).

### **Alliander is seeking to reduce grid losses**

Besides helping our stakeholders to achieve their sustainability objectives, we are also working on our in-house energy consumption. Among other things, we are taking initiatives to curb our own CO<sub>2</sub> emissions as well as to reduce grid losses.

During the transmission and distribution of electricity, energy is inevitably lost due to the natural resistance of cables, transformers and other components in our grids. This loss of energy is evident from the fact that electricity cables warm up when power flows through them. In 2009, about 3.4% of the total amount of transported electricity was lost in this way. So, in order to supply enough energy, we must always transport more energy than our customers actually use.

Similarly, grid losses also occur with gas. Natural gas escapes during gas leaks, which contributes to the greenhouse effect. We therefore go to great lengths to prevent leaks. And when they do occur, we track them down and repair them as quickly as possible. In 2009, the gas losses amounted to about 0.6%. The CO<sub>2</sub> footprint can be found in the 'Sustainability Facts and Figures' chapter of this report.

Grid losses make up the biggest factor in our CO<sub>2</sub> emissions. Converted into CO<sub>2</sub> equivalents, the emissions from our grid losses amounted to 563 tonnes of our total emissions of 683 tonnes in 2009. Until 2008 inclusive, grid manager Liander offset the purchased electricity

by buying Guarantees of Origin (GO). GO are linked to packages of renewable energy production. However, it was found that the administrative costs constitute a substantial part of the overall costs for GO. In addition, administrative measures to offset the grid losses do nothing to increase the volume of produced renewable energy. Liander is currently seeking ways to make an effective contribution to a renewable energy supply. One option would be to ensure that the lost energy is produced from renewable sources (either by Liander itself or other parties). Liander is also exploring opportunities for developing solutions in cooperation with our grid managers. Collective action within the sector may open the way towards new and more effective solutions.

We do a lot to reduce our grid losses. We renew our infrastructure, for instance, because good materials can lead to at least a limited reduction of the technical grid losses. Three examples of innovations which have yielded good results in the past year are highlighted here, namely an expansion turbine which compensates grid losses (box 7), trenchless renovation which permits the efficient replacement of obsolete gas pipes (box 8), and the Remote Methane Leak Detector which may enable us to detect gas leaks even better in the future (box 9).

### **Innovative concepts**

A transition to more sustainable methods of generating energy is necessary in order to reduce the amount of CO<sub>2</sub> emitted into the atmosphere. Alliander is keen to be in the forefront of this development – which is why we are already preparing for the future with innovative concepts, partnerships and technologies.

Chapter 14 'sustainability facts & figures' contains a more detailed account of the results achieved for the themes discussed in this chapter.



**Box 6: E-Atlas**

In 2009, the following municipalities received an E-atlas in our service area: Apeldoorn, Nijmegen, Oost Gelre, Terschelling, Ameland, Schiermonnikoog, Vlieland, Texel, Nijkerk, Hilversum and Amsterdam. Together with the municipalities of Zutphen and Haarlem, we also took the next step in developing and renewing the E-atlas. By enriching the energy consumption data with input from external databases, the range of analysis was greatly expanded. This can help municipalities to increase the effectiveness of their policy (more focus on the energy-saving potential) as well as to improve the communication to various groups of citizens and companies. This will be developed further in 2010.

**Box 7: Gas expansion compensates for grid losses**

In Nijmegen, various Liander business units gave renewed attention to the so-called gas expansion turbine. This is a joint effort to partially compensate our grid losses using this special technology. In the gas expansion turbine, the gas pressure is reduced step by step from 40 bar to 8 bar and 3 bar. The energy released during this process is converted into electricity. In this way, electricity is generated using only a small amount of fuel, which means that the resulting CO<sub>2</sub> emissions are much lower. The turbine is operational from September to March, as most gas is used during the winter. In the peak period, 35,000 m<sup>3</sup> of gas flows through the turbine, with the released energy being converted into 2 MW of electricity. Thanks to the joint efforts of various business units, we are now well on the way to optimising the operation of this device, thus helping to reduce our CO<sub>2</sub> emissions.

**Box 8: Trenchless renovation**

Safe pipelines are obviously vital to guarantee safe gas distribution. For this reason, we replace all pipelines when they are obsolete. Normally speaking, these gas pipes have to be dug up and then replaced with new ones. But there are certain disadvantages to this procedure: other cables and pipes might be damaged and breaking up the street causes inconvenience. New technologies – all of which were developed abroad – make it possible to replace or renovate pipes without requiring extensive excavation work. Alliander has tested the so-called Swagelining technology and the liner pipe technology with positive results, and has therefore decided to start using this technology as an alternative to conventional replacement methods.

**Box 9: Automated detection of gas leaks using the Remote Methane Leak Detector**

Looking for gas leaks is an important part of managing the gas distribution network. This is carried out on a planned basis in the Netherlands: all main and connecting pipes are periodically checked. In other countries, some gas distribution companies have for several years been using leak detector devices that operate on the basis of laser technology. One example is the Remote Methane Leak Detector (RMLD). Liander commissioned Kiwa Gastec to establish whether the RMLD is comparable with the existing Dutch method in terms of accuracy and practical applicability. The comparison was carried out both in a laboratory setting and in the field.



*“That way, we can continue playing a prominent role in the sector”*



financial

## 6. solid and inspiring

**ALLIANDER IS FINANCIALLY SOLID AND CFO MARK VAN LIESHOUT WANTS TO KEEP IT THAT WAY. "THAT WAY, WE CAN CONTINUE PLAYING A PROMINENT ROLE IN THE SECTOR."**

Alliander has its sights set on the future. Though the official deadline for the unbundling of network companies from the production and supply companies is not until 1 January 2011, Alliander has already been independent since 30 June 2009. "That's when the formal unbundling took place," Van Lieshout points out. "Earlier, in 2008, we were already operating as a separate entity from the production and supply company within the Nuon group. It was a kind of acclimatisation period so that the legal unbundling was not much more than a formality. We are now busy finalising the unbundling and adapting the IT systems."

### **Creditworthiness**

The unbundling satisfied all of the Minister's conditions. One of the requirements was to make sure that a solid capital structure with proper financing was in place. "This explains why we went to the capital market," says Van Lieshout. "Alliander has bondholders as stakeholders and wants to retain access to the capital market, so its creditworthiness must meet certain demands. The financial policy, which comprises general principles alongside specific financial parameters, provides the framework for ensuring Alliander remains a solid party for investors. This framework remains fully in force with the takeover of Endinet."

### **Sector organisation and energy transition**

Safeguarding Alliander's financial position is the personal mission that Van Lieshout has set himself. "I feel it is my responsibility to give Alliander the financial health we need to achieve our vision and strategy. This solid position is also necessary to play an important role in the reorganisation of the sector and in the energy transition process." In saying this, Van Lieshout touches on two

important topical themes. Because how will the consolidation in the market take shape? “In the Netherlands we are probably working towards a market situation with three to five network companies. That was the recommendation of the Kist Committee. A study we carried out with other large network managers came to the same conclusion. The Ministry of Economic Affairs has promised to help us think about the best way of organising the sector. The aim is to make services more efficient, which may lead to lower tariffs. Asset swapping between gridmanagers is also an option in this respect.”

#### **Sustainable investments**

Now for the other theme: energy transition. Are investments in new sustainable alternatives compatible with an organisation which, above all, wants to be financially solid? “These are investments that we must make,” Van Lieshout replies resolutely. “Smart meters and smart grids will be necessary sooner or later. But our policy is to work together with other parties, such as other network companies. The various operators in the sector are working together so that we potentially share the risks. When it comes to these investments, we are potentially talking about a lot of money.”

#### **Transparency and Investor Relations**

In pursuing his policy, Van Lieshout feels supported by Alliander’s stakeholders. The relationship is good, he observes. “We want to be transparent. At the time of the half-year and full-year results, we will provide publications and presentations for shareholders, banks, credit analysts and press. As part of the Investor Relations activities, road shows will be organised for bondholders. The relationship with the Supervisory Board is constructive. The members of the Supervisory Board are professional and set the bar high.”

## **UNBUNDLING**

To enable the realisation of the unbundling, n.v. Nuon submitted the legally required unbundling plan to the Board of the Netherlands Competition Authority (NMa) on 30 October 2008. On 8 April 2009, the Minister of Economic Affairs announced that the unbundling plan, subject to the stipulated instructions, complied with the statutory requirements. Prior to the Minister’s consent to the unbundling plan, n.v. Nuon announced in February 2009 the takeover of the production and supply company n.v. Nuon Energy by the Swedish energy company Vattenfall. The shareholders agreed to the unbundling and sale of n.v. Nuon Energy on 17 June 2009. The competition authorities gave their consent shortly afterwards. On 30 June 2009, n.v. Nuon Energy was formally unbundled from its parent company n.v. Nuon, which changed its name on the same date to Alliander N.V.

By unbundling n.v. Nuon Energy, full compliance was achieved with the prohibition imposed by the Dutch Independent Network Operation Act (WON) on integrated energy companies. The unbundling plan referred to above describes how the financial separation was effectuated. The basic aim was to create two financially healthy companies with balanced financing structures, taking into account the fact that Alliander operates mainly in a regulated environment, while n.v. Nuon Energy is active in the free market. The financing structure set out in the unbundling plan does justice to the long-term investment requirements of both companies. This ensures compliance with the Decree on the Financial Management of the Grid Manager, which stipulates that the total debt of the grid manager Liander N.V. divided by the sum of its shareholders’ equity and total debt on the unbundling date may not exceed 60%.

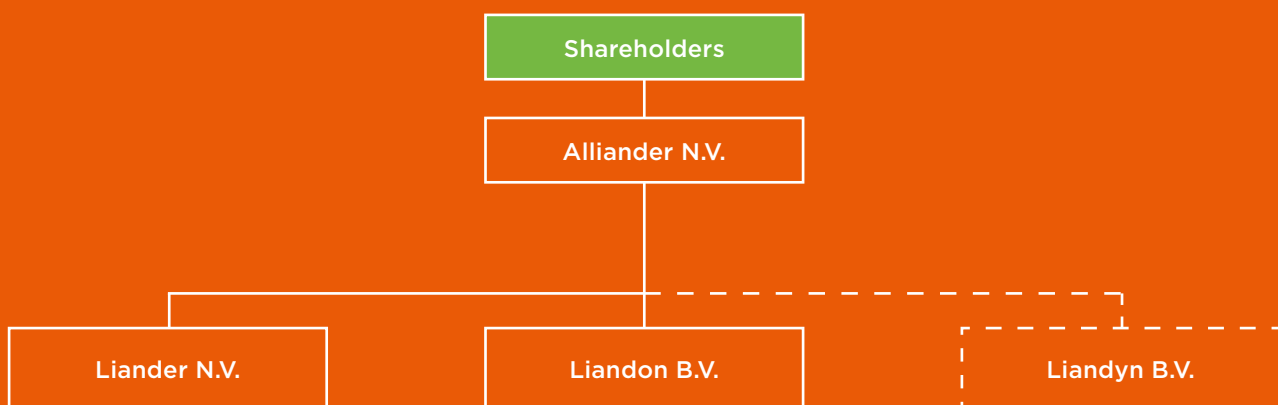
The most important of the ministerial instructions was the requirement for n.v. Nuon Energy to contribute € 400 million of additional capital to the grid manager. The actions required in this respect were taken before the legal unbundling of n.v. Nuon Energy. At the time of the unbundling and following a further instruction by the Minister relating to the sale of the HV grids of 110 kV and higher to TenneT as described below, Liander received an additional € 5 million from n.v. Nuon Energy at the time of the unbundling. In order to ensure full compliance with the ministerial instruction on this point, Liander's shareholders' equity will be further reinforced in 2010 by € 15 million being assigned from the dividend payable to Alliander shareholders for 2009. In addition, Liander N.V. must maintain a shareholders' equity buffer of € 170 million as a result of the risks involved in participating in cross-border leases (CBL).

Under the WON, Alliander is required to provide a statement from an independent expert confirming that

the unbundling plan has been correctly implemented. This statement, which also outlines how the company has ensured compliance with the ministerial instructions accompanying the unbundling plan, was sent to the Board of the Netherlands Competition Authority on 18 December 2009.

A few relationships between Alliander and Nuon Energy have remained in place since the unbundling of the production and supply activities. These include activities relating to invoicing and collection for small users (until the supplier model becomes operational) and the sub-leasing of two district heating grids, which could not be transferred to n.v. Nuon Energy at the time of the unbundling because of the cross-border leasing contracts attached to them. Furthermore several joint balance sheet items will be settled in the near future.

After the unbundling the simplified structure of the Alliander Group looks as follows:



The shares in Liandyn B.V. were transferred to Ziut B.V. at the end of November 2009.

Financially, the unbundling of Nuon Energy from n.v. Nuon on 30 June 2009 had retroactive effect to 1 January 2009. The financial breakdown of this unbundling as at 1 January 2009 is given below:

<b>Consolidated balance sheet</b>			
€ million	<b>n.v. Nuon</b>	<b>n.v. Nuon Energy</b>	<b>Alliander N.V.</b>
	1 January 2009	1 January 2009	1 January 2009
<b>Assets</b>			
<b>Non-current assets</b>	10,061	4,578	5,483
<b>Current assets</b>	4,197	3,664	533
<b>Current account with associates</b>	-	1,499	-
<b>Non-current assets held for sale</b>	243	-	243
<b>Total assets</b>	<b>14,501</b>	<b>9,741</b>	<b>6,259</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>	6,270	4,609	1,661
<b>Long-term liabilities</b>	4,784	2,087	2,697
<b>Short-term liabilities</b>	3,391	3,045	346
<b>Current account with associates</b>	-	-	1,499
<b>Non-current liabilities associated with non-current assets held for sale</b>	56	-	56
<b>Total shareholders' equity and liabilities</b>	<b>14,501</b>	<b>9,741</b>	<b>6,259</b>

The above method of presentation is not entirely in line with IFRS, which prescribes that the financial statements must reflect the situation from the date of transfer of control (30 June 2009) and not from the date of financial unbundling (1 January 2009). In the financial statements 2009 of Alliander N.V. the relevant changes are shown in the various statements and movement schedules on the basis of unbundling from 30 June 2009. To permit a better comparison with 2008, this chapter assumes unbundling from 1 January 2009.

In accordance with IFRS 5 (Assets held for sale), the results of Nuon Energy are, with effect from that date, no longer included in the figures of Alliander but mentioned separately in the line 'Profit after taxation from discontinued operations'. The comparative figures for 2008 were restated accordingly.

As a result of this, Alliander's profit from continuing operations consists of the results of the network compa-

ny, which include the results of grid manager Liander N.V. and Liandon B.V. The results from discontinued operations comprise the results of n.v. Nuon Energy for the period 1 January to 30 June 2009.

### Refinancing

In view of the unbundling to achieve compliance with the WON prohibition on integrated energy companies, a settlement of the current account took place between Nuon Energy and Alliander in the spring. In this context, the existing Euro Medium Term Notes (EMTN) programme was amended in the first quarter of the year and increased from € 2 billion to € 3 billion. On 6 April 2009, two bonds were issued under this programme totalling € 1.25 billion (€ 500 million maturing in April 2012 and € 750 million maturing in April 2016). As a result, total debt securities outstanding per 31 December 2009 amounts to € 2.05 billion.



### Sale of HV grids

The Share Purchase Agreement (SPA) for the sale of the HV grids (other than those subject to cross-border leases) to the national grid manager TenneT was signed on 11 June 2009, with retroactive effect to 1 June 2009. The selling price amounted to € 368 million, resulting in a book profit of € 168 million before taxation and € 130 million after taxation. Alliander provided a vendor loan to TenneT to fund the full amount of the purchase; this loan was repaid by TenneT at the end of September 2009.

### Incorporation of Ziut

On 1 October 2009 Alliander and Enexis incorporated a new subsidiary, Ziut B.V. (Ziut). Enexis and Alliander own this company jointly, with Alliander having a participation of 53%. At the end of November 2009 Alliander transferred the shares in Liandyn to Ziut, generating a book profit of € 10 million. Enexis in turn transferred its shares in IP Lighting to Ziut. Ziut has started operating with over 500 employees and an annual turnover of around € 140 million.

### Acquisition of Endinet

On 11 December 2009, agreement was reached with the municipality of Eindhoven and eleven other municipalities in the region in a Heads of Terms agreement on the proposed transfer of their shares in the grid company Endinet B.V. (Endinet) to Alliander. The final purchase agreement was drawn up after completion of the due diligence in January 2010. Endinet has an annual turnover of € 110 million and approximately 250 employees.

Alliander will for the greater part finance the acquisition from available cash funds. On 1 March 2010, the shareholders approved the proposed purchase of Endinet in an Extraordinary General Meeting of Shareholders. The Works Council and the Supervisory Board had already approved the purchase. The shareholders of Endinet also agreed to the sale. The purchase agreement was subsequently signed on 4 March 2010. The Dutch Competition Authority (NMa) and the Minister of Economic Affairs

also gave their approval for the purchase in March 2010. The actual transfer is expected in mid-2010.

### Events after the balance sheet date

On 16 March 2010, Alliander acquired Stam & Co of Heerhugowaard, an all-round cable and communications systems contractor. Stam & Co has an annual turnover of €24 million and approximately 150 employees. This acquisition assures Alliander of sufficient engineering capacity in the province of Noord-Holland.

## ANALYSIS OF RESULTS

### Incidental items

Over the past years our results have been strongly influenced by incidental items and/or non-recurring items and movements in fair value of financial instruments. The analysis of our results seeks to provide insight into the development of the underlying operating results by making a distinction between the reported results on the one hand and the results excluding incidental items and fair value movements on the other hand.

In this report the term 'reported result' refers to the comprehensive income including incidental items and fair value movements. The 'result excluding incidental items' or 'result adjusted for incidental items and fair value movements' consists of the reported result less incidental items and fair value movements.

Alliander defines incidental items as items which – in the opinion of the management – do not stem directly from the ordinary operating activities and/or whose nature and size are so significant that these must be considered separately to permit proper analysis of the underlying results.

### Incidental items in 2009

Net incidental items and fair value movements in 2009 totalled an income item of € 152 million after taxation (2008: expense item of € 32 million).

The table below 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	
	2009	2008	2009	2008	2009	2008
<b>Net turnover</b>	1,446	1,497	-	20	1,446	1,477
Other income	304	213	178	-	126	213
Purchasing costs, costs of sub-contracted work and operating expenses	-1,162	-1,201	-22	-105	-1,140	-1,096
Depreciation and impairments	-214	-225	-	-	-214	-225
Own work capitalised	117	106	-	-	117	106
Redemption of loan	-	-	-	2	-	-2
<b>Operating profit (EBIT) from continuing operations</b>	<b>491</b>	<b>390</b>	<b>156</b>	<b>-83</b>	<b>335</b>	<b>475</b>
Financial income and expenses	-128	-44	4	42	-132	-86
Share in results of associates and joint ventures	20	4	13	-	-	4
<b>Profit before taxation from continuing operations</b>	<b>383</b>	<b>350</b>	<b>173</b>	<b>-41</b>	<b>210</b>	<b>391</b>
Taxation	-71	-80	-21	9	-50	-89
<b>Profit after taxation from continuing operations</b>	<b>312</b>	<b>270</b>	<b>152</b>	<b>-32</b>	<b>160</b>	<b>302</b>
Profit after taxation from discontinued operations	226	495				
<b>Profit after taxation</b>	<b>538</b>	<b>765</b>				

## NOTES TO INCIDENTAL ITEMS

### Net turnover

**(2009: nil, 2008: income item of € 20 million)**

In 2007, the Office of Energy Regulation reached a decision on a dispute with a few customers about the tariffs charged. This led to a review of tariffs resulting in an expense item of € 20 million. This provision was released in 2008.

### Other income

**(2009: income item of € 178 million, 2008: nil)**

This concerns the gross book profit in 2009 on the sale of the HV grids (€ 168 million) and the transfer of the Liandyn shares to Ziut B.V. (€ 10 million).

### Purchasing costs, costs of sub-contracted work and operating expenses

**(2009: expense item of € 22 million, 2008: expense item of € 105 million)**

The incidental charge in 2009 of € 22 million related almost wholly to the special employees bonus relating to the unbundling. The incidental charge in 2008 concerned costs relating to cross-border leases, including costs of a provision of an investment relating to a cross-border lease contract as a consequence of the credit crisis.

### Financial income

**(2009: income item of € 4 million, 2008: income item of € 42 million)**

The incidental income item of € 4 million in 2009 concerned interest received in connection with refunds of provisional payments on corporate income tax returns. The income item of € 42 million in 2008 relates to the early redemption of a long-term loan.

### Associates and joint ventures

**(2009: income item of € 13 million, 2008: nil)**

The incidental income item of € 13 million relates to the non-recurring proceeds from the sale of an associated company by n.v. Kema.

### Taxation

**(2009: expense item of € 21 million, 2008: income item of € 9 million)**

The tax effect on the incidental items in 2009 amounted to an expense item of € 21 million (2008: income item of € 9 million). The amount of € 21 million includes an extraordinary income item of € 12 million relating to a release of an earlier estimate of payable corporate income tax from previous years.

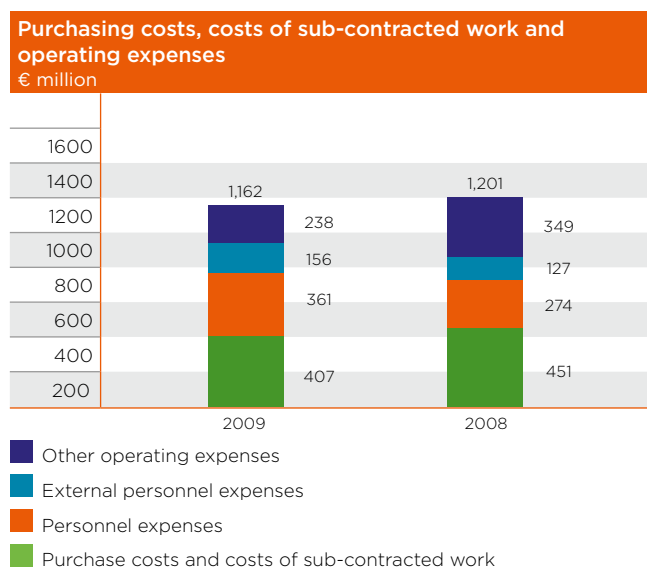
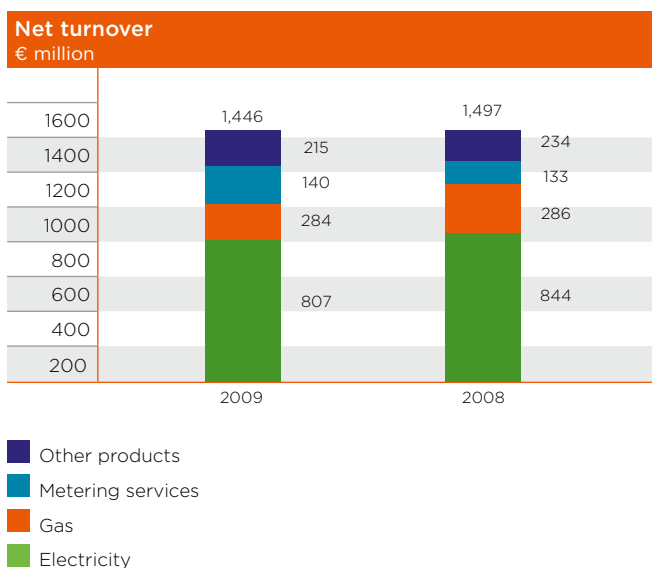
## INCOME STATEMENT

### General

The remainder of this chapter refers to Alliander's results only. Regarding the comparative figures for 2008, it must also be mentioned that the operational unbundling of n.v. Nuon into a network company (now: Alliander) and a production and supply company (now: Nuon Energy) took place on 1 July 2008. Until 1 July 2008, the books and records of the corporate staff and service units belonging to the network company were integrated with n.v. Nuon, as a result of which amounts of Nuon Energy are recognised in this report in the comparative figures for 2008 of Alliander. In addition, in connection to the operational unbundling, sub-contracted work has been performed independently since 1 July 2008. Both factors have an effect on the comparability of the results for 2008 compared to 2009.

### Net turnover

Net turnover decreased in 2009 compared to the previous financial year by € 51 million (3%) to € 1,446 million as a result of tariff reductions (€ 12 million), provisions made for compensation and the leniency payment relating to the introduction of capacity charges (€ 14 million), the release in 2008 of the provision for a tariff dispute with the Office of Energy Regulation (€ 20 million) and lower turnover in free domain activities and other effects (€ 5 million).



### Other income

In the financial year, other income increased by € 91 million to € 304 million, which is the result of the book profit of € 168 million (before taxation) on the sale of the HV grids to TenneT, the book profit on the sale of Liandyn of € 10 million and lower income, particularly for the services to Nuon Energy (€ 87 million) in connection with the unbundling as at 30 June 2009.

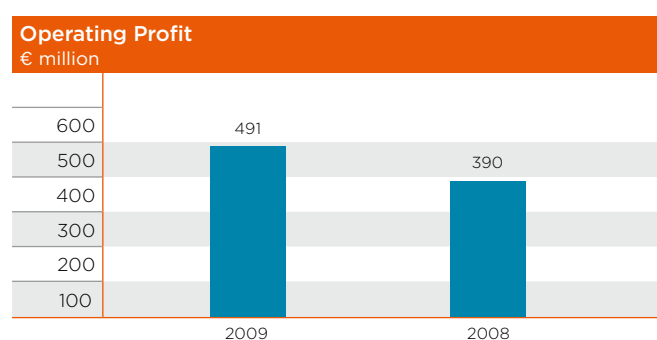
### Purchasing costs, costs of sub-contracted work and operating expenses

Since the date of operational unbundling (1 July 2008), the invoicing and collection activities for business customers have been performed in-house. These activities were formerly purchased from Nuon Energy's Customer Care Center (CCC). As a result, the relevant costs have shifted from purchasing costs and costs of sub-contracted work to personnel and external personnel expenses. In addition, the lower prices for the purchase of grid losses resulted in lower costs for purchasing and sub-contracted work.

Operating expenses (employee compensation and benefit expenses, external employee compensation and benefit expenses and other expenses) in the financial year (€ 755 million) were almost the same as in 2008 (€ 750 million). Taking into account the net incidental expenses relating to cross-border leases in 2008 (€ 105 million), operating expenses in 2009 increased by € 110 million. This amount is attributable to higher expenses resulting from the sale of the HV grids to TenneT (€ 13 million), higher maintenance costs for the transport grid (€ 8 million), a non-recurring special employees bonus relating to the unbundling (€ 23 million), non-recurring expenses (€ 37 million) relating to provisions and strategic projects and a structural increase in costs (€ 29 million). This structural increase in costs relates to the above shift in costs for invoicing and collecting amounts due from business customers from purchasing costs and costs of sub-contracted work as well as to the costs of intelligent grid management, smart meters and various improvement initiatives, such as World Class Customer Management, operational excellence and market changes (market model). Intelligent grid management and smart meters will in due course help reduce the costs of operat-

ing the transport grid. The various improvement projects focus on customer processes and the overall corporate culture and should eventually lead to higher levels of customer satisfaction and reduce the costs of customer processes. The focus is deliberately long-term, the ultimate aim being to achieve good customer satisfaction at the lowest possible cost.

### Operating profit



The operating profit for 2009 increased by € 101 million to € 491 million due to the book profit on the sale of the HV grids (€ 168 million) and the sale of Liandyn (€ 10 million), incidental expenses in 2008 relating to cross-border leases (€ 105 million), lower depreciation (€ 11 million) and higher capitalised production (€ 11 million), which amounts were partly cancelled out by lower net turnover (€ 51 million), lower other income (€ 87 million) and higher costs of purchasing and sub-contracted work and operating expenses (€ 66 million), including the special staff bonus relating to the unbundling (€ 23 million).

The operating profit for 2009 excluding incidental items came out at € 335 million, which was € 138 million lower than in 2008. This decrease was caused by lower net turnover (€ 31 million), lower other income (€ 87 million) and higher costs of purchasing and sub-contracted work and operating expenses (€ 42 million), partially offset by lower depreciation (€ 11 million) and higher capitalised production (€ 11 million).

### Financial income and expenses

Financial income and expenses in 2009 came out at a total net expense of € 128 million (2008: € 44 million). Of the total increase of € 84 million, € 38 million related to incidental income: the early redemption of a loan in 2008 (€ 42 million) and interest received in 2009 on corporate income tax paid for previous years (€ 4 million). The remaining increase in net expense of € 46 million was caused by the adjusted financing structure as a result of the implemented unbundling and the relatively low interest on cash and cash equivalents.

### Associates and joint ventures

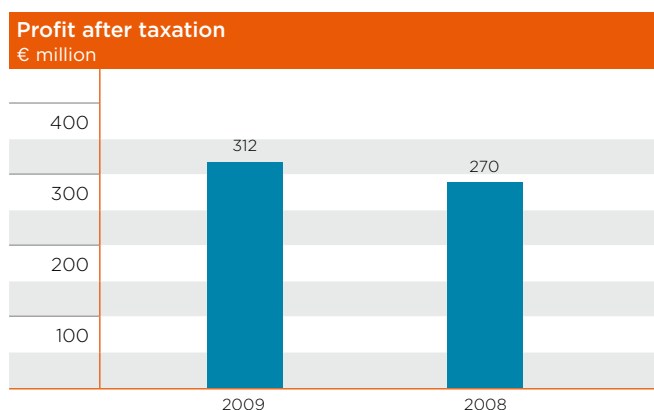
The results of associates and joint ventures in 2009 amounted to € 20 million (2008: € 4 million) and consist mainly of the results of the participating interest in n.v. Kema. Of the increase of € 16 million, an amount of € 13 million is attributable to the incidental and non-recurring sale of a minority interest by n.v. Kema.

### Taxation

The effective tax rate (the tax rate expressed as a percentage of the profit before taxation from continuing operations excluding the share in the results of associates and joint ventures) amounted in 2009 to 19.6% (2008: 23.1%). The lower effective tax rate was mainly attributable to a release of € 12 million relating to an earlier estimate of corporate income tax payable relating to prior years. In addition, due to the sale of the HV grids, an unrecognised deferred tax asset was realised. Furthermore, the book profit on the sale of Liandyn was covered by the participation exemption.

### Profit after taxation from continuing operations

The profit after taxation for the financial year increased by € 42 million to € 312 million. As explained above, this increase is explained by the increase in the operating profit (€ 101 million), higher financial expenses (€ 84 million), higher results of associates (€ 16 million) and lower taxation (€ 9 million).



The profit after taxation excluding incidental items in 2009 came out at € 160 million (2008: € 302 million). As explained above, this decrease is due to lower operating profit (€ 138 million), higher net financial expenses (€ 46 million), higher results of associates (€ 3 million) and lower taxation (€ 39 million).

### Profit after taxation from discontinued operations

The profit after taxation from discontinued operations consists of the net profit from the unbundled production and supply activities of n.v. Nuon Energy. This concerns a full-year result for 2008 and a half-year result for 2009.

## BALANCE SHEET

### General

The notes below concern the significant movements in the balance sheet as at 31 December 2009 compared to the position as at 1 January 2009.

### Non-current assets

The non-current assets were € 148 million higher than at 1 January 2009. The increase in property, plant and equipment, mainly due to higher capital expenditure versus depreciation, was partially compensated by the decrease in deferred tax assets due to the sale of the HV grids to TenneT, which resulted in realising the related deferred tax asset. The non-current assets also include the heating grids forming part of two cross-border leases. The carrying amount of these heating grids as at 31 December 2009 amounted to € 110 million (1 January 2009: € 114 million).

### Current assets

The increase in current assets compared to the position as at 1 January 2009 is mainly due to an increase in financial assets (€ 301 million), trade receivables (€ 69 million) and cash/cash equivalents (€ 214 million). The increase in financial assets is a direct consequence of the purchase sum received for the sale of the HV grids to TenneT (€ 368 million). A large share of this amount has been placed on deposit for 3 to 6 months. The increase in trade receivables is partly attributable to a rise in the average age of receivables, relating in part to the current economic crisis.

The notes below concern the significant movements in the balance sheet as at 31 December 2009 compared to the position as at 1 January 2009.

### Consolidated balance sheet

€ million	Alliander N.V.	
	31 December 2009	1 January 2009
<b>Assets</b>		
Non-current assets	5,631	5,483
Current assets	1,125	533
Non-current assets held for sale	-	243
<b>Total assets</b>	<b>6,756</b>	<b>6,259</b>
<b>Shareholders' equity and liabilities</b>		
Total shareholders' equity attributable to shareholders	2,245	1,661
Long-term liabilities	3,919	2,697
Short-term liabilities	592	1,845
Long-term liabilities associated with non-current assets held for sale	-	56
<b>Total shareholders' equity and liabilities</b>	<b>6,756</b>	<b>6,259</b>

#### Assets held for sale

The assets held for sale recognised in the balance sheet as at 1 January 2009 relate to the HV grids sold on 1 June 2009 to TenneT. On the liabilities side of the balance sheet this concerns the item 'Non-current liabilities associated with non-current assets held for sale.'

#### Shareholders' equity

Shareholders' equity increased by € 584 million to € 2,245 million, of which € 400 million related to the effectuation of the Minister of Economic Affairs' instruction with the unbundling plan. Prior to the formal unbundling on 30 June 2009, Alliander received the aforementioned amount from n.v. Nuon Energy. In addition, Alliander's profit of € 312 million for the year contributed to the increase in shareholders' equity. Furthermore, in May 2009 a dividend of € 350 million was paid out on the 2008 result, to which Nuon Energy made a contractual contribution of € 211 million. The other movements in the shareholders' equity amounted to € 8 million.

#### Long-term liabilities

The long-term liabilities increased compared to the position as at 1 January 2009 by over € 1.2 billion. This is mainly a consequence of the issue of two bonds under the EMTN programme for € 1.25 billion. In connection with the unbundling, the current account settlement took place between Nuon Energy and Alliander in the spring. In this context, the existing EMTN programme was amended in the first quarter of the year and increased from € 2 billion to € 3 billion. On 6 April 2009, two bonds were issued under this programme totalling € 1.25 billion (€ 500 million with a term until April 2012 and € 750 million with a term until April 2016). The total amount of debt securities now outstanding consequently amounts to € 2.05 billion. The proceeds from these loans and the capital contribution of € 400 million by Nuon Energy in conformity with the Minister of Economic Affairs' instruction with the unbundling plan were used to repay the current account overdraft to Nuon Energy (€ 1.5 billion) that was recognised under short-term liabilities.

### Short-term liabilities

The short-term liabilities decreased by almost € 1.3 billion compared to the position at the beginning of the year. This is a consequence of the aforementioned repayment of the current account overdraft to Nuon Energy (€ 1.5 billion). The financing of the repayment of the current account overdraft took place with the proceeds from the issuance of the previously mentioned bonds.

## CASH FLOWS

Below an abridged summary is given of the cash flow statement for 2009. This abridged summary exclusively concerns Alliander. The relevant figures of n.v. Nuon Energy have been excluded for comparative purposes.

### Consolidated cash flow statement

€ million	2009	2008
Cash flow from operating activities	659	468
Cash flow from investing activities	72	-394
Cash flow from financing activities	-517	-768
Net cash flow	214	-694

The cash flow from operating activities in 2009 amounted to € 659 million (2008: € 468 million). The increase was primarily attributable to a net corporate income tax refund received in 2009 (€ 72 million), compared with the amount of € 211 million paid in 2008. This increase of € 283 million was, however, offset by a decrease in 2009 of € 144 million relating to deferred tax, provisions and derivatives, primarily the consequence of the non-cash expense item relating to the valuation of a credit default swap (CDS).

The year 2009 produced a positive cash flow from investing activities of € 72 million compared to an outflow of € 394 million in 2008. This increase was mainly the consequence of the proceeds from the sale of the HV grids

to TenneT for an amount of € 368 million.

In addition, the net investments in 2009 increased by € 34 million because of higher replacement investments in the grids, as well as higher investments in ICT and meters. In addition, Alliander bought DePfa notes for € 136 million in 2008 as part of the restructuring of the investment portfolio relating to two cross-border leases.

### Investment in property, plant and equipment

€ million	2009	2008
Electricity regulated	199	211
Gas regulated	41	34
Gas connections / installations	40	36
Meters and infostroom	33	23
Buildings, ICT, etc.	84	59
<b>Total</b>	<b>397</b>	<b>363</b>

The cash flow from financing activities in 2009 amounted to a cash outflow of € 517 million compared to an outflow of € 768 million in 2008. It should be noted with respect to this difference that in 2008 there was an integrated business, where the overall funding of the business was arranged at holding company level. The dividend of € 459 million paid in 2008, for example, related to the profit of the integrated Nuon group headed by n.v. Nuon. In addition, long-term financing took place in 2009. This consisted of the issue of the aforementioned bonds totalling € 1.25 billion under the EMTN programme and a capital contribution of € 400 million by Nuon Energy in conformity with the Minister of Economic Affairs' instruction with the unbundling plan. The aforementioned proceeds were used to repay the current account overdraft to Nuon Energy. A loan of € 368 million was extended to TenneT to finance its purchase of the HV grids, and this loan was repaid to TenneT at the end of September 2009. A total of € 301 million of the amount repaid has since been placed on deposit for 3 to 6 months.



### Free cash flow

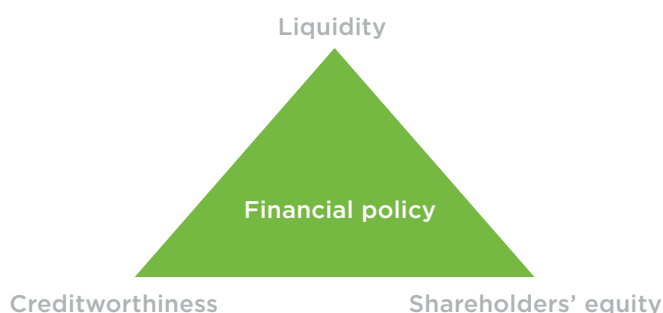
The free cash flow – cash flow from operating activities less the gross investments in property, plant and equipment less construction contributions, intangible assets and investments in associates and joint ventures – amounted in 2009 to € 363 million positive (2008: € 74 million positive). This increase was largely due to the net refund of corporate income tax received in 2009, compared to the amount of € 211 million paid in 2008, and the DePfa notes bought by Alliander in 2008 for € 136 million.

Reconciliation of free cash flow		
€ million	2009	2008
Cash flow from operating activities	659	468
Investments non-current assets	-397	-499
Construction contributions received from third parties	101	105
<b>Free cash flow</b>	<b>363</b>	<b>74</b>

### Net debt and financing

The net debt at the end of 2009 amounted to € 1,382 million, compared to a net debt of € 2,201 million as at 1 January 2009. The decrease in net debt is mainly the consequence of Nuon Energy's capital contribution of € 400 million. This related to the Minister of Economic Affairs' instruction with the unbundling plan. In addition Alliander received € 368 million from the sale of the HV grids. The following table shows the reconciliation of the net debt position.

Reconciliation net debt position				
€ million	31 December 2009		1 January 2009	
Long-term interest-bearing debt	2,152		980	
Short-term interest-bearing debt	73		1,515	
Finance lease payables	120		129	
<b>Gross debt position</b>		<b>2,345</b>		<b>2,624</b>
Cash and cash equivalents	451		237	
Non-current financial assets	115		109	
Current financial assets	301		-	
Investments held for lease obligations related to cross-border leases	125		134	
Less: Restricted cash and cash equivalents (notably guarantee deposits relating to collateral)	-29		-57	
<b>Total cash and cash equivalents and investments</b>		<b>963</b>		<b>423</b>
<b>Net debt position</b>		<b>1,382</b>		<b>2,201</b>



### Financial policy and financial position

Alliander's financial framework is made up of the following ratios and preconditions:

- FFO/net debt: > 20%
- FFO interest cover: > 3.5
- Net debt/capitalisation: < 60%
- Solid A rating profile
- Solvency ratio > 30%
- Compliance with regulatory criteria for the grid managers

Alliander's financial policy is aimed at achieving the right balance between protection of bondholders and other debt providers and an adequate shareholders' return, while preserving the flexibility to enable the company to grow and invest. The financial framework within which Alliander operates is based on four ratios, which are explained in greater detail below.

#### Ratios

The Funds From Operations / net debt ratio refers to profit after taxation – adjusted for incidental items and fair value movements – plus depreciation on and impairments in property, plant and equipment and amortisation of intangible assets divided by the net debt. As at 31 December 2009 the ratio amounted to 25.4% (1 January 2009: 22.5%). Alliander's financial policy stipulates that this ratio must be a minimum of 20%.

The interest cover ratio concerns the profit after taxation adjusted for incidental items and fair value movements plus depreciation of property, plant and equipment and amortisation of intangible assets, plus net financial income and expenses, divided by net financial income and expenses. As at 31 December 2009 this ratio came to 3.7. Due to the changed financing structure of Alliander, no value was calculated for this ratio in the summary of key figures as at 1 January 2009. Alliander's financial policy stipulates that this ratio must be a minimum of 3.5.

The net debt / sum of net debt and shareholders' equity

ratio (including profit for the financial year after profit appropriation) amounted as at 31 December 2009 to 38.7%. Alliander's financial policy stipulates that this ratio may not exceed 60%.

The solvency ratio, i.e. the shareholders' equity including the profit for the financial year divided by total assets less the deferred income, amounted as at 31 December 2009 to 41.6% (1 January 2009: 32.5%). The increase is related to the increase in the shareholders' equity position as a consequence of the effectuation of the Minister of Economic Affairs' instruction with the unbundling plan and the realised incidental book profit from the sale of the HV grids. Alliander's financial policy stipulates that this ratio must be a minimum of 30%.

The general principles of the financial policy are to ensure a balanced repayment schedule and sufficient cash and cash equivalents and committed credit facilities. By operating within this financial framework and in accordance with its general principles, the company maintains a solid A rating profile.

#### Investment policy

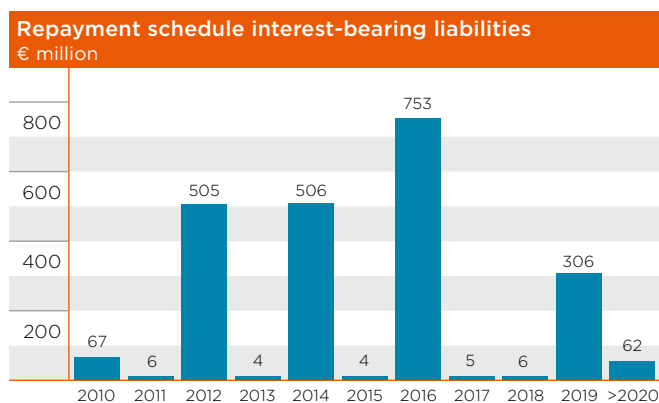
The investment policy fits in with the financial policy that forms part of Alliander's strategy. The investment policy contains elements such as social acceptance and support, compliance with regulatory requirements and the realisation of an adequate return on investment. Investment proposals are tested against minimum return requirements and criteria as set out in the financial policy. Alongside quantitative requirements, investment proposals must also meet qualitative requirements, such as being in line with the corporate strategy and beneficial to stakeholder interests.

#### Dividend policy

The dividend policy provides for a pay-out of 45% of the profit after tax, adjusted for incidental items that did not lead to cash flows, unless the investments required by supervisors or financial criteria demand a higher profit retention percentage and unless the solvency falls below 30% after payment of

dividend. In addition, the dividend has been maximised at 45% in connection with the unbundling.

### Repayment schedule for interest-bearing debt



### Financing

Alliander has a committed credit facility of € 875 million (term until November 2011), which was unused at the end of December 2009. Meanwhile, on 30 March 2010 Alliander replaced the aforementioned Revolving Credit Facility (RCF) with a new RCF for a total amount of € 600 million and with a term until March 2015. In addition, Alliander has an ECP (Euro Commercial Paper) programme of € 1.5 billion, under which no loans were outstanding on 31 December 2009, and a € 3 billion EMTN programme, under which € 2.05 billion was outstanding as at 31 December 2009.

### Creditworthiness

On 27 March 2009, Standard & Poor's adjusted Alliander's ratings and outlook. Compared to the end of December 2008, the long-term corporate credit rating was revised from A+, CreditWatch negative to A, stable, while the short-term rating was maintained at A-1. The changed rating takes account of the unbundling of the Nuon group, with the rating reflecting the regulated activities of the network company Alliander. Following the announcement of Alliander's possible takeover of

Endinet, Standard & Poor's confirmed the ratings of A/A-1 (stable) on 16 December 2009.

Moody's Investors Service announced on 14 December 2009 that the possible acquisition did not give cause to revise Alliander's credit ratings and so once again reconfirmed the previously awarded ratings of A2/P-1 (stable).

At the end of December 2009, Alliander's credit ratings were as follows:

Credit ratings		
	Long-term	Short-term
Standard & Poor's	A (Stable outlook)	A-1
Moody's	A2 (Stable outlook)	P-1

On 11 March 2010, Moody's upgraded the long-term ratings of Alliander N.V. and Alliander Finance B.V. from A2 to Aa3. The short-term ratings of Prime-1 were reconfirmed. The outlook for all ratings remains stable. The expected support from the shareholders in the event of exceptional circumstances was a particularly important factor in the decision to upgrade the long-term ratings.

### Dividend

The Management Board proposes, with the approval of the Supervisory Board, to pay out a dividend of € 54 million. This corresponds to 45% of the profit after taxation, excluding incidental items after taxation which did not lead to cash flows in the financial year 2009, unless related to hedge accounting. In addition, in connection with the Minister's instruction with the unbundling plan, it has been agreed that the net book profit on the sale of the HV grids (€ 130 million) is also excluded from the dividend payment. In the same connection, a further amount of € 15 million will be deducted from the dividend payable for the financial year 2009. We are thus in full compliance with the Minister's instruction accompanying the unbundling plan.

# 7. risk management and risk factors

Alliander is transparent about risks. We recognise risks that may affect the development and results of our company. These are broadly subdivided into three non-comprehensive categories: strategic, financial-economic and operational risks.

## RISKS

*Strategic risks* have to do with risks in the field of economic conditions, the regulatory framework within which the grid manager operates, political risks, available labour capacity and reputational risks resulting from negative perceptions of the company.

*Financial economic risks* mainly concern legal risks, credit risks, pension risks, tax risks, currency risks, interest rate risks, liquidity and financing risks and the risks related to the cross-border leases.

*Operational risk* is the risk of shortcomings in people, processes or systems.

### Strategic Risks

#### Changes in the economic climate

Although the Netherlands is our core market, the global economy has a major impact on our activities. The global economic crisis, for instance, has had direct consequences for our activities in the field of the realisation of new connections. Combined with problems that some of our customers and suppliers may experience in obtaining financing, this may lead to more bankruptcies in the future. We monitor this risk closely, but it may not be possible to avoid this risk entirely.

#### Regulation of activities

A significant part of our activities is regulated. These mainly concern the network management operations which have been placed within Liander. Energy supervision in the Netherlands has been entrusted to the Office of Energy Regulation (part of the Dutch Competition Authority). In recent years supervision of the Dutch Office of Energy Regulation on the energy companies has been

intensified and the enforcement policy tightened up. A continuing trend towards increased regulation and supervision cannot be ruled out, which may put pressure on future results. It is therefore important to remain in dialogue with the regulatory authorities.

#### Political risks

The uncertainties associated with the political decision-making about such issues as the restructuring and upscaling of the network companies and the Market Model bill influence the company's development. Alliander is seeking to mitigate these uncertainties by engaging in the political debate at an early stage and by undertaking activities on various fronts with a view to promoting the adoption of laws and regulations that support and/or positively influence the realisation of Alliander's corporate objectives.

#### Available labour capacity for strategic staff planning

In view of its ageing workforce, Alliander needs to have company-wide insight into the expected overall staffing developments and requirements for the medium term. The ageing process is likely to lead to a net departure of technical and engineering staff in the coming years. In order to mitigate this process, Alliander is developing a strategic staff plan for each business unit and for the Top 140. In addition, it is maintaining partnerships with regional training institutions (ROCs) and also recently opened its own in-house training school. Moreover, given the number of externally hired FTEs in the past years – mainly in connection with the implementation of projects – there is the risk of Alliander becoming too dependent on external hiring in the primary process. This gives rise to the specific risk that the knowledge that these hired employees have acquired in essential and specific areas of expertise is lost upon their departure. The replacement of external employees with internal staff reduces this risk.

## Limiting operational risk through operational excellence

### Reputation management

Reputation damage due to negative perceptions of the company can impair the corporate values to which we aspire.

These perceptions can arise due to insufficient sensitivity to and the lack of proactive understanding of the main concerns and issues of third parties or by making commitments to third parties that the company subsequently fails, or is unable, to fulfil. A further specific risk regarding customers and suppliers is the failure to maintain good and beneficial relationships. Alliander mitigates this risk in various ways. These include conducting periodic satisfaction surveys among stakeholders, paying regular visits to shareholders and external financiers and setting up internet services that are accessible by all parties.

### Financial-economic risks

#### Legal risk and possible liability

Legal risk is the risk of loss of value or a weakening of the company's legal position due to changes in or non-compliance with laws and/or regulations. Within the Risk Management Framework, the Legal Affairs Department draws up a legal risk report (claims and litigation report) on a quarterly basis. This report contains a summary of current disputes, potential legal disputes and identified risks relating to non-compliance with current and/or future legislation. Significant findings are shared with the Management Board and, if the magnitude of the risk warrants this, with the Audit Committee and Supervisory Board.

#### Credit risk

Credit risk is the risk of a loss incurred through a counterparty's unwillingness or inability to pay. A consistent approach to credit analysis and management is applied throughout the entire organisation, with the degree of review undertaken varying depending on the magnitude of credit risk in a transaction. The Credit Risk Manual sets out how we deal with credit risk. The credit crisis has prompted Alliander to tighten up

the measures for controlling credit risks even further. In 2009, extra attention was paid to our investments and deposits at banks. In 2009, Alliander suffered no credit losses. However, the fair value of cross-border lease investments was negatively affected, while two banks no longer met the contractually required minimum credit-worthiness level as a Letter of Credit provider. These situations have been remedied in the meantime.

#### Pensions

The pension and pre-pension liabilities for the majority of Alliander's employees have been placed with pension funds, in the Netherlands largely with the ABP pension fund. The pension contributions are based on, amongst other things, assumptions relating to inflation, salary increases, ageing, mortality risks and the returns on the pension fund's investment portfolio. Actual developments in relation to the aforementioned assumptions may differ from the assumptions used.

Furthermore, changes may occur in legislation and regulations on pensions, pre-pensions and collective labour agreements. As a result, pension contributions and/or the related commitments charged to Alliander may be subject to significant fluctuations from year to year.

#### Taxation

A horizontal monitoring covenant with the Dutch tax authorities was signed in December 2008. We are currently finalising the corporate income tax returns for the years 2005 to 2008 in cooperation with the Dutch tax authorities. As of 1 January 2009, n.v. Nuon Energy has been split off from the corporate tax group. Although expected potential tax risks were taken into consideration while preparing this annual report, changing insights may lead to additional tax charges.

#### Currency risk

Currency risks occur in relation to purchases, cash and cash equivalents, obtained loans and other balance sheet positions denominated in a currency other than the euro. Alliander applies an exposure-based currency policy:

generally, all foreign currency exposures are hedged and foreign currency proprietary positions are not allowed. Alliander distinguishes two types of currency risks: transaction risks and translation risks.

*Transaction risks* concern risks in respect of future cash flows and balance sheet positions in foreign currency. These risks are fully hedged. All currency positions and risks are principally hedged 'back-to-back' with external counterparties through cross-currency interest rate swaps.

*Translation risks* concern risks in respect of the translation of foreign subsidiaries to the euro. At present we have no exposure to foreign subsidiaries with a different functional currency.

#### **Interest rate risk**

Interest rate risks pertain to risks due to changes in interest rates with regard to the fair value of fixed rate loans granted and fixed rate debt issued or future cash flows of floating rate loans and debts. The aims of our interest rate risk policy include limiting our floating rate position to a maximum of 40% of our total interest-bearing debts.

#### **Liquidity and financing**

Obtaining adequate financing will be a point of attention going forward. This is partly due to the proposed takeover of Endinet and partly due to the fact that the capital-intensive nature of our activities demands substantial amounts of cash and finance for capital investment projects.

The interest-bearing debts under the EMTN programme must also be repaid in phases. Additional refinancing capacity is required for this purpose. We manage all these risks by means of a tight financing policy (A-rating profile) and careful liquidity planning (potential cash in- and outflows are closely monitored on a day-to-day basis). In addition, we pursue a conservative approach to future commitments and apply a prudent liquidity policy.

#### **US cross-border leases**

In the 1998-2000 period, various energy companies in the Netherlands, including Alliander, entered into cross-border leases (CBL) for networks. These concern complex financial transactions with long durations which have been structured in such a way that the amounts placed on deposit and invested in securities (including interest received) at the start of the contracts are generally sufficient to meet the future payment obligations (lease instalments and amounts payable upon the possible exercise of the purchase option). The most important risk consists of an early termination of the transaction as a result of the occurrence of certain events of default or loss as laid down in the documentation, where Alliander is liable to pay the termination value. This risk is proactively monitored, partly through a CBL-committee that is chaired by the CFO. A clear policy for the cross border leases has been formulated and is actively adhered to. This policy is aimed at the further mitigation of the risks.

#### **Operational risk**

Operational risk is the risk of shortcomings in people, processes or systems. In accordance with our general policy, the line management is responsible for controlling this risk.

We mitigate the operational risk by striving for operational excellence in all business activities. As our activities involve the commercial operation of physical assets, we face large operational risks associated with the exploitation of these physical assets. We have a low tolerance for incidental risk from failure of operational processes.

A high level of risk awareness is maintained throughout the organisation by workshops facilitated by the Risk Management Department. These workshops are held within each business unit and serve to identify and quantify the main risks facing the unit. The involvement of Risk Management ensures a consistent approach to the treatment of risks across the organisation. Each business unit submits a Quarterly Business Review,

highlighting the risks identified as potentially having a significant impact on its business. This review is supplemented on a quarterly basis with a risk report, in which the results of the workshops and the further follow-up to the Risk Identification Workshops is monitored. These reports are reviewed by Risk Management and evaluated in quarterly sessions with members of the Management Board. These business unit risk reports are used as the basis for the Corporate Risk Report that is drawn up every three months by Risk Management. The Corporate Risk Report provides a summary of the most significant risks facing the organisation. This report is reviewed by both the Risk Management Committee (RMC) and the Management Board prior to being presented to the Audit Committee and the Supervisory Board.

#### **Health and safety risks**

Due to the nature of our business, we are exposed to safety and environmental risks in the normal course of our activities. Health, safety and environmental (HSE) risks are managed by regularly monitoring compliance with relevant legislation as well as our internal HSE control system, which includes internal procedures and policies in this field. The awareness, attitude and behaviour towards HSE policies of management and staff are continuously improved by frequent training and education.

#### **Security of supply (asset-related risks)**

Important pillars in our strategy are the reliability and quality of the network in order to ensure the greatest possible security of supply to customers. Liander's core business is to manage and maintain the distribution network and asset-related risks are inherent to these activities. With the aid of its in-house risk-based asset management method, Liander annually draws up a maintenance and investment programme. This ensures optimal risk control with the available resources. Since 2008 Liander's risk-based asset management method has been PAS 55 accredited. A follow-up visit of the KIWA accreditation institution at the end of 2009 confirmed

that Liander still meets the PAS 55 requirements. A project has been started up for the coming year with a view to making Liander at least NTA 8120 compliant, and if possible accredited, by the end of 2010.

In December 2009, we sent the Quality and Capacity Documents Electricity and Gas (KCDs) to our supervisors. In these KCDs Liander provides insight into the most relevant risks that it foresees for the network for the coming period. The KCDs also indicate the measures that we intend to take in the period 2010-2016 to safeguard the capacity and quality of the electricity and gas grids.

In setting up the Risk Management Department and the Risk Management Framework, we had already put in place a framework for risk management. In the past year we linked the risk-based asset management method to this framework, thereby ensuring that it operates within the set frameworks. In addition, we have adjusted the Liander risk matrix to ensure it is in line with the method that Alliander applies.

#### **Risks relating to assets**

We continuously invest in the quality of the networks. It is, however, possible that we are confronted with large-scale outages of an extended duration due to our own fault, natural disasters, actions beyond our control, including (wilful) actions of third parties. Third parties may hold us liable for any loss or damage resulting from such outages. Any resulting claims could have an impact on our future results. Ongoing management measures form part of the Business Continuity Management (BCM).

#### **ICT-related risks**

Like all energy companies, we are increasingly dependent on advanced ICT systems. These systems play a key role in almost all aspects of our business. Consequently, disruptions in ICT could have a significant detrimental impact on performance. Because we are so dependent on systems, we devote a lot of attention to status monitoring, the availability of back-up facilities and any investments that are required to replace the systems.

## RISK MANAGEMENT FRAMEWORK

The Risk Management Framework monitors the risks with potential impact on the organisation and is based upon a set of best practices, procedures, and internal control mechanisms. The operation of the internal risk management and control system is discussed in the chapter 'Corporate Governance' under the heading 'Operation of internal risk management and control systems and accountability' on page 82.

### Monitoring of Risk Management Framework

The Management Board oversees and the Supervisory Board supervises the Risk Management Framework and regularly review its adequacy in light of best practices and developments at our main stakeholders. This framework is aimed at ensuring that risks, and their potential impact, are well understood and transparently presented to senior management. This supports decision-making based on the best possible assessment of risks versus rewards and enables effective management of risks.

In addition, Alliander has an RMC. The RMC consists of a number of experts in the field of risk management and commercial specialists. The RMC advises the Management Board on risk-related subjects and Alliander's risk profile. The Management Board exclusively assesses those risks which have already been assessed and approved by the RMC.

The business units monitor the risks and our Risk Management Department supports the business units in the identification, quantification, mitigation, monitoring and reporting of risks.

### Three lines of defence

Within our risk management framework, we distinguish between three lines of defence in order to foster a strong culture of risk awareness within our organisation. The line managers form the first line of defence. They carry

primary responsibility for the management of risks within the regular conduct of operations. They take actions aimed at controlling and/or accepting risks on a daily basis.

The second line of defence consists of our corporate staff departments. They see to the implementation of specific measures and safeguard the uniformity and consistency of these measures within the organisation.

The Internal Audit Department forms the third and last line of defence. This department is not part of the primary process and is therefore able to form an independent judgement of the risk management. Outside our organisation, the external auditor and supervisor can also alert the organisation to any risks that come to their notice.

### Components

Important components of the Alliander Risk Management Framework are:

- The Alliander Governance Manual, which contains regulations, guidelines and procedures that are relevant to the relationship of Alliander N.V. with Alliander group companies, business units and staff. This includes the Alliander Code of Conduct and the Whistleblower Policy, which are publicly accessible via [www.Alliander.com](http://www.Alliander.com). The Alliander Governance Manual also comprises the (IFRS) accounting manual and the finance manual.
- The organisational set-up, where the line management carries overall responsibility for the management of risks, supplemented with the Risk Management Department. The Risk Management Department is responsible for giving the organisation group-wide support in the field of risk management. Amongst other things, it maintains the Risk Management Framework (COSO/ERM), facilitates risk workshops and consolidates reported risks for the Management Board.
- The Risk Management Committee which advises the Management Board on the organisation's risk appetite and which monitors the implementation of, and compliance with, the risk management policy on the



basis of the corporate objectives.

- The set-up of a dedicated compliance function regarding compliance with laws and regulations.
- The Transaction Review Committee, which assesses applications for investments and divestitures, large operational projects, and sales and purchasing contracts, and advises the Management Board on these issues.
- The Business Control Framework containing the key controls.
- The business planning & control cycle, in which a long-term business plan is annually drawn up, discussed and adopted per business unit and for the company as a whole. This is followed up by the discussion and adoption of the annual objectives and budgets of the business units and of the company as a whole.
- The periodic testing and assessment of, and subsequent reporting on, the system of key controls.
- The certifications within various business units in such fields as quality (ISO 9000), the environment (ISO 14000) and safety (VCA).
- The periodic reporting on the financial and operational performance of the business units, partly based on the system of Key Performance Indicators (KPIs).
- The monthly business reviews by the Management Board with the managements of Alliander business units that take place partly on the basis of monthly reports.
- The COSO-based self-assessments in relation to risk management and internal control by the Alliander business units (Business Control Framework (BCF)).
- The confirmation of responsible management at corporate and business unit level of the reliability of the financial reporting in the form of Letters of Representation (LoR).
- The Statements on Business Control of the business units, which the Management Board discusses annually with the respective management.
- The performance of audits by the Internal Audit Department in conformity with the year plan as adopted by the Management Board and agreed with the

Audit Committee. The reports and findings resulting from these audits are discussed with the Management Board and the Audit Committee.

- The follow-up of findings of internal and external audits, on which business units report to the Management Board on a quarterly basis.

#### **Further development of the Alliander Risk Management Framework**

The Alliander Risk Management Framework is regularly evaluated and developed on an ongoing basis. Important aspects in the further development of the Alliander Risk Management Framework in 2009 were:

- The further development of the risk policy and the risk reports, notably in the fields of investments, liquidity and credit monitoring.
- The further development of the testing of the key controls in the BCF.
- The set-up of a Tax Control Framework (TCF) in respect of Tax Affairs and Subsidies.
- The further formalisation and embedment of the compliance function within Alliander.
- The harmonisation of the Alliander Risk Management Framework. After the organisational unbundling of the company into a network company and a production and supply company, the most important components of the Risk Management Framework were set up at Alliander.

### A final word

As the Management Board, we are responsible for the design and operation of our internal risk management and control system. Partly on the basis of the business control information, the Internal Audit reports and the management letter from the external auditor, we have evaluated the design and operation of the Risk Management Framework during 2009.

The Risk Management Framework will not provide absolute assurance in relation to the achievement of the corporate objectives, nor will it give any absolute guarantee that material errors, losses, fraud or violations of laws and regulations cannot occur in the processes and/or the financial reporting.

With due regard to the above, the Management Board is of the opinion that, in the reporting year, the internal risk management and control system of Alliander operated effectively in relation to management objectives regarding financial reporting, and provided a reasonable degree of assurance that the financial reporting contains no inaccuracies of material significance.

# 8. outlook

## Investments

We expect to invest about € 300 to 400 million annually in the coming years in existing and new projects. One of the larger investments in this connection concerns the roll-out of smart meters. In addition, investments will be made in our network in order to maintain its current level of quality. The ultimate budget for our long-term investments is influenced by factors such as electricity charging stations, decentralised generation and decentralised feed-in influence. Developments regarding the organisation, regulation and consolidation of the sector, as also recommended in the report of the Kist Committee, can have a greater or lesser impact on the future level of Alliander's investments. And the extent and manner in which possible scenarios (such as those involving grid exchanges) actually take effect play an important role in this connection.

## Financing

In the coming period we expect to make use of the available cash funds for various purposes, including the acquisition of Endinet and the implementation of investment programmes. The financial policy is aimed at maintaining a solid A rating profile. Amongst other things, this is important in enabling us to operate strategically and to ensure continual access to the capital market with a broad range of financing instruments. This will be taken into account in future (re)financing arrangements. Possible interest rate fluctuations may also have an impact, depending on market developments. Careful interest rate management will be pursued with a view to achieving an optimal result.

## Staffing

We expect no significant staffing changes in 2010. The unbundling was carried out in both operational and formal terms in 2009 without leading to job losses. Meanwhile, Alliander has started a campaign to recruit engineers as engineering skills are expected to be in short supply in the coming years.

## Society is changing, so are our customers

Our society is increasingly pursuing sustainability with the help of rapidly advancing technology. As a result, our customers' needs are also evolving. More and more, customers see the potential offered by modern communication technology, new forms of energy supply, decentralised renewable generation and decentralised feed-in. All these changes also demand that Alliander adjust its customer perspective. The availability of information, the provision of advice, innovative energy management solutions, a flexible infrastructure and adequate services will account for a steadily growing portion of our product portfolio. In this way, we can continue meeting the needs of our customers to their complete satisfaction, both now and in future – and in our role as facilitator of a sustainable society, Alliander is pleased to take the lead in this connection.

## Research and development

As part of our day-to-day operations and in an effort to improve our processes and services to customers, we carry out research and development activities. In 2010, the most important issues in this area will concern:

- development of smart meters;
- smart grids;
- energy transition;
- intelligent grid management;
- decentralised generation.

## Economic developments

It is as yet unclear how the economic developments in 2010 will influence the activities of Liander. The expectation is that the decline in the number of connections in new housing which started in 2009 will not be immediately reversed in the coming year. This is notably due to delays in new-build projects. Incidentally, Liander has indicated that the decrease in these activities will be compensated by an increase in replacement activities in respect of its grids.

### Sector organisation

In 2009, the first steps were made towards the consolidation of the network sector. A political discussion is currently underway concerning how the grid management sector should be organised and how many grid managers should be ideally active in the Netherlands. Together with the larger grid managers, we have looked to see how the 'grid exchange' operation can be given shape. In the context of the industry organisation Netbeheer Nederland, it has also been agreed that the grid managers will cooperate more closely on important issues currently confronting the sector. With the announced acquisition of Endinet BV, Alliander has made a concrete step towards growth and consolidation. Alliander's market share will thus increase from 34% to 38%. Alliander anticipates a further clustering of grid managers in the Netherlands in the coming years.

### Regulation

In February 2010, the Office of Energy Regulation concluded in its vision document that the current method of yardstick regulation is broadly satisfactory. It also mentioned a further tightening of the quality regulations, further translation of the strong growth in decentralised generation and further exploration of the need for more special investments in the framework of energy transition, for example. The Office of Energy Regulation has also included several elements of this vision in the draft method decisions for the regulation period starting in 2011.

The final method decisions will form the basis for our calculation of efficiency discounts (x factors) and quality factors (q factors).

The Ministry of Economic Affairs is currently also drafting a vision for the future regulatory framework. Important issues are the investment climate in light of the energy transition process, a possible introduction of transport tariffs for decentralised feed-in into both transmission and distribution networks and the assur-

ance of the quality of the energy grids in the long term. Any resulting legal amendments are not expected to have consequences until the regulation periods starting from 2014.

In addition, there are certain ongoing legal proposals which, if adopted, will have an impact on the regulatory environment. For instance, the 'priority for renewable' bill stipulates, among other things, that renewable generation must be given priority in the case of grid congestion and the closure of the free market for small user gas connections.

It is uncertain whether the 'energy saving' and 'market model' bills will be dealt with in 2010. Important elements in these proposed laws concern the adoption of European energy saving directives, the closure of the metering market, the introduction of smart meters for small users and the introduction of the supplier model.

In March 2010, it became clear that the 'sufferance tax exemption' bill would not be put to the Lower House. It is expected that unless a clear legislative framework is put in place, additional municipal and provincial authorities will start levying sufferance taxes, which will then be passed on in the transport tariffs.

### Open cooperation

The importance of a safe, sustainable and reliable energy supply is underlined by all our stakeholders. This gives rise to a common interest, which we are keen to vigorously pursue in dialogue and in partnership with others. We experience the cooperation with our shareholders as pleasant, constructive and productive. And we are delighted to continue that cooperation. The same applies to other stakeholders such as the Ministry of Economic Affairs, the Office of Energy Regulation and the State Supervision of Mines. We notice that they, too, have a desire for more mutual cooperation and coordination. We will undertake every effort to further reinforce these relationships, share knowledge and increase transparency. Our vision is that we should strive to reach common

solutions, showing respect for everyone's responsibility and overcoming any seeming conflict of interests. Ultimately, our customers will also benefit from this approach. Finally, we see that many municipalities are working hard to promote local energy sustainability. We are actively seeking cooperation with these municipalities.

### **Results**

The Management Board, in consultation with the Supervisory Board, has formulated a policy not to make any statements regarding expected future results.

In short, 2010 promises to be yet another challenging year. The measures taken in the past in the areas of transport facilities, economy and sustainability, and employee and management involvement are bearing fruit. The Management Board is highly confident that Alliander can continue in 2010 to make a positive contribution towards the creation of value for shareholders, customers, employees and society.

**Arnhem, 7 April 2010**

#### **The Management Board**

Peter Molengraaf, chairman

Mark van Lieshout





transparency

# 9. corporate governance

## TRANSPARENCY AND SOCIAL RESPONSIBILITY

The Dutch Corporate Governance Code (hereinafter: the Code) contains rules for good corporate governance. Though the Code is in principle exclusively applicable to Dutch listed companies, Alliander applies the Code – insofar as applicable and relevant – on a voluntary basis. The Code was drawn up in 2003 by the Tabaksblat Committee and updated in December 2008 by the Frijns Committee. The updated Code entered into force on 1 January 2009.

### Alliander and the Code

Though Alliander does not have a stock exchange listing, we subscribe to the rules for good corporate governance in the Code and conform to these insofar as possible. As a large network company, we acknowledge our social responsibility. In addition, we are strongly committed to transparency.

### Compliance and enforcement

The Management Board, together with the Supervisory Board, is responsible for Alliander's corporate governance structure and its compliance with the Code. They account for this to the General Meeting of Shareholders and provide a proper motivation for any departures from the relevant provisions. We discuss this chapter of the annual report as a separate agenda item during the annual shareholder meeting with the shareholders.

### Departures from the Code

In view of our corporate status, not all best practice provisions are applicable to Alliander. Alliander is an unlisted Dutch public limited company with (lower) public authorities as direct or indirect shareholders that is subject to the two-tier regime as laid down in the Netherlands Civil Code. This entails that Alliander has a two-tier model where the Management Board and the Supervisory Board are two separate organs. In addition,

our Articles of Association impose quality requirements on shareholdership and contain no specific anti-takeover measures to prevent other parties from acquiring control of Alliander. The issuance of depositary receipts is also not permitted and Alliander has no financing preference shares.

### Not applicable

On the grounds of the above, the following best practice provisions are not applicable. Accordingly, we will not report on these in our annual report.

*II.2.4 to II.2.7*: granting of shares or rights to shares as a remuneration component for members of the Management Board;

*II.2.13*: information in Remuneration Report on granted shares, options and/or other share-based remuneration components for the members of the Management Board;  
*III.7.1*: shares or rights to shares as a Supervisory Board remuneration component;

*III.7.2*: any shares held by a Supervisory Board member in the company on whose Supervisory Board he sits are long-term investments;

*III.8.1 to III.8.4*: one-tier management structure;

*IV.1.1*: quorum requirements for resolutions to cancel the binding nature of nominations at companies not having statutory two-tier status;

*IV.1.2*: voting rights on financing preferred shares;

*IV.1.7*: registration date for the exercise of voting rights and rights relating to meetings;

*IV.2.1 to IV.2.8*: certification of shares;

*IV.3.1 to IV.3.4*: dealings with analysts and publication of information to analysts, financial press and institutional investors;

*IV.3.11*: survey of existing anti-takeover measures in annual report;

*IV.4.1 to IV.4.3*: institutional investors.



Below Alliander motivates why and to what extent it has departed from the best practice provisions contained in the Code (the 'apply or explain' principle).

Code	Departures and motivation
<p><b>II. The Management Board</b></p> <p>Best practice provision II.1.1: Management Board members are appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.</p>	<p>At the appointment of Mr Molengraaf as chairman of the Management Board of Alliander N.V. as at 30 June 2009, the existing contract of employment with Mr Molengraaf was continued. Mr Molengraaf has a contract of employment for an indefinite period.</p>
<p><b>III. The Supervisory Board</b></p> <p>Best practice provision III.1.7: The Supervisory Board shall discuss at least once a year on its own, i.e. without the Management Board being present, its own functioning, the functioning of its committees and its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the Supervisory Board shall also be discussed. Moreover, the Supervisory Board shall discuss at least once a year without the Management Board being present both the functioning of the Management Board as an organ of the company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. The Report of the Supervisory Board shall state how the evaluation of the functioning of the Supervisory Board, the separate committees and the individual Supervisory Board members has been carried out.</p>	<p>The composition of the Supervisory Board was determined, taking account of the desired profile. Due to the change in the composition of the Management Board and the Supervisory Board as of the date of the effectuation of the unbundling (30 June 2009), the evaluations mentioned did not take place in this reporting year.</p>
<p>Principle III.5: If the Supervisory Board consists of more than four members, it appoints from among its members an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee.</p>	<p>The Supervisory Board of Alliander has appointed an Audit Committee, whereas the tasks of the Remuneration Committee and the Selection and Appointment Committee, since these are closely linked, have been combined in a joint Selection, Appointment and Remuneration Committee.</p>
<p>Best practice provision III.5.9: The Audit Committee shall meet with the external auditor as often as it considers necessary, but at least once a year, without Management Board members being present.</p>	<p>The composition of the Supervisory Board was changed with effect from 30 June 2009. This resulted in the Supervisory Board appointing the new members of the Audit Committee on 22 September 2009. The Audit Committee met three times in 2009. Two of these meetings were scheduled, while one meeting was extra. The annual consultation of the Audit Committee with the external auditor (without Management Board members being present) took place on 30 March 2010.</p>

Code	Departures and motivation
<p>Best practice provision III.6.5: The company shall draw up regulations governing ownership of and transactions in securities by Management or Supervisory Board members, other than securities issued by their 'own' company.</p>	<p>Alliander follows this provision, on the understanding that no separate regulations have been drawn up for this purpose. The regulations for the ownership of and transactions in securities by Management or Supervisory Board members have - for practical reasons - been integrated into the Charter of the Management Board and the Charter of the Supervisory Board.</p>
<p>Best practice provision III.6.6: A delegated Supervisory Board member is a Supervisory Board member who has a special duty. The delegation may not extend beyond the duties of the Supervisory Board itself and may not include the management of the company. It may entail more intensive supervision and advice and more regular consultation with the Management Board. The delegation shall be of a temporary nature only. The delegation may not detract from the role and power of the Supervisory Board. The delegated Supervisory Board member remains a member of the Supervisory Board.</p>	<p>In principle, the Supervisory Board has no delegated Supervisory Board member. However, the Supervisory Board may decide on the grounds of special circumstances to appoint a delegated Supervisory Board member, in which case best practice provision III.6.6 of the Code is applied in full.</p>
<p><b>IV. The (General Meeting of) Shareholders</b></p>	
<p>Principle IV.1: The company shall, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.</p>	<p>In view of the large attendance at the General Meeting of Shareholders, there is no need to apply this principle. Alliander also sends proxy forms with the notice calling the meeting.</p>
<p>Best practice provisions IV.3.1 to IV.3.4: Webcasting, analysts meetings, presentations and press conferences for all shareholders.</p>	<p>Though Alliander is not a listed company, we organise meetings with rating agencies, bond investors and shareholders after the publication of the half-year and full-year figures. In addition, Alliander organises a press conference after the publication of the annual figures. These are announced in advance via the website.</p> <p>Alliander subscribes to the principle of simultaneous provision of information to all shareholders, but it is too costly to give all shareholders the opportunity to simultaneously follow the meetings and presentations mentioned in the Code. Alliander ensures that the presentations of the various meetings are published on its website after the meetings.</p>
<p>Best practice provision IV.3.13: The company shall formulate an outline policy on bilateral contacts with shareholders and publish this policy on its website.</p>	<p>The outlines of a policy for bilateral contacts with shareholders will be drawn up and published on the website in the course of 2010.</p>

### Corporate Governance structure

Alliander is organised according to the 'two-tier' model, where the Management Board and Supervisory Board form two separate organs.

#### The Management Board

The Management Board is in charge of the management of Alliander. The Management Board is responsible for, amongst other things, the realisation of Alliander's objectives, the strategy with the accompanying risk profile, the performance and results and social aspects of entrepreneurship relevant to Alliander. In addition, the Management Board is also responsible for ensuring compliance with all relevant laws and regulations, for the management of the risks related to Alliander's business activities and for financing Alliander. Pursuant to the law and/or the Articles of Association, certain resolutions are subject to the approval of the Supervisory Board and the General Meeting of Shareholders.

The Management Board is jointly accountable for the performance of its tasks to the Supervisory Board and to the General Meeting of Shareholders. In fulfilling its tasks, the Management Board acts in the interests of Alliander and of the companies forming part of the Alliander group, taking account of the interests of all parties concerned. The Management Board acts in accordance with its own charter, which sets out, amongst other things, the procedures governing the composition, tasks and powers, meetings and decision-making. The charter is posted on Alliander's website.

The Management Board consists of at least two members. These are appointed and dismissed by the Supervisory Board. The Supervisory Board appoints one of the members of the Management Board as chairman and another member as Chief Financial Officer (CFO). At the end of the reporting year, the Management Board consisted of one member. On 15 December 2009 Alliander announced the appointment of a second member. This member took up his post as CFO on

1 January 2010. For changes in the composition of the Management Board during the reporting year, reference is made to the Report of the Supervisory Board in this annual report.

#### The Supervisory Board

The Supervisory Board supervises the policy of the Management Board and Alliander's operations in general. In addition, the Supervisory Board assists the Management Board with advice.

The Supervisory Board's supervision of the Management Board concerns, among other things, the realisation of the company's objectives, the strategy and risks related to the business activities, the design and operation of the internal risk management and control systems, the financial reporting process, compliance with laws and regulations, the relationship with Alliander's shareholders and the social aspects of entrepreneurship relevant to Alliander.

The responsibility for the performance of its tasks rests with the Supervisory Board as a collective body. In fulfilling these tasks, the Supervisory Board acts in the interest of Alliander and of the companies forming part of the Alliander group, while taking into account the interests of all parties concerned. In so doing, the Supervisory Board also involves social aspects of entrepreneurship relevant to Alliander. The Supervisory Board acts in accordance with its own charter, which sets out, amongst other things, the rules governing the composition, tasks and powers, meetings and decision-making.

The members of the Supervisory Board are appointed by the General Meeting of Shareholders upon the nomination of the Supervisory Board. The General Meeting of Shareholders and the Central Works Council have an enhanced right of recommendation for one third of the Supervisory Board. This entails that the Supervisory Board must nominate the recommended person, unless the Supervisory Board is of the opinion that the recom-

mended person is unable to competently fulfil the task of Supervisory Board member or that such an appointment would give the Supervisory Board an unbalanced composition.

According to Alliander's Articles of Association, the Supervisory Board must consist of a minimum of three and a maximum of seven members. At the end of the reporting year, the Supervisory Board consisted of seven members. For changes in the composition of the Supervisory Board during the reporting year, reference is made to the Report of the Supervisory Board.

The Supervisory Board has, in consultation with the Management Board, drawn up a profile, for its size and composition, taking account of the specific nature of Alliander, its activities and the required expertise and background of the Supervisory Board members. This profile describes the qualities that each of the individual Supervisory Board members and the Supervisory Board as a whole must have. Appointments and reappointments are made, paying due regard to the profile. The Supervisory Board must be compiled in such a manner that the Supervisory Board members are able to function with a critical attitude and independently of each other and of the Management Board. This profile will be evaluated from time to time, tested against social developments and strategic changes at Alliander, and adjusted wherever necessary. Every change in that profile will be discussed by the Supervisory Board in the General Meeting of Shareholders and with the Central Works Council. The profile is posted on Alliander's website.

#### **Committees of the Supervisory Board**

The Supervisory Board can appoint from among its members one or more committees and entrust these with the tasks described by the Supervisory Board. The Supervisory Board has set up an Audit Committee and a combined Selection, Appointment and Remuneration Committee. Each committee has a delegated authority: it advises the Supervisory Board on the tasks that have

been delegated to it and prepares the decision-making of the Supervisory Board.

#### *- Audit Committee*

The Audit Committee supports the Supervisory Board in maintaining supervision over the Management Board in relation to, among other things, the operation of the internal risk management and control systems, including the supervision of compliance with relevant laws and regulations and the supervision of the compliance with and operation of codes of conduct, the provision of financial information by Alliander, assessing and advising the Supervisory Board about the financial statements and the annual report, the management letter, the auditor's report, the half-year figures and the annual figures, the financing policy and the financing, the risk management in respect of the application of information and communication technology and the functioning of the internal and external auditors.

#### *- Selection, Appointment and Remuneration Committee*

The Selection, Appointment and Remuneration Committee draws up, inter alia, the selection criteria and appointment procedures in respect of the members of the Management Board, periodically assesses the size and composition of the Supervisory Board and the Management Board and, where necessary, makes proposals regarding the profile of the Supervisory Board, selects candidates and makes proposals for the appointment and reappointment of members of the Management Board or the Supervisory Board. This Committee also advises the Supervisory Board on the remuneration policy for members of the Management Board and the individual remuneration of the members of the Management Board and draws up the Remuneration Report.

The role, the responsibilities, the composition and the procedures of both committees are laid down in regulations. These are posted on Alliander's website. The Report of the Supervisory Board (included in this annual report) discloses the composition of the committees, the

number of meetings of the committees and the most important subjects discussed in 2009.

### Shareholders

Alliander organises a General Meeting of Shareholders within six months of the end of a financial year. Subjects on the agenda include, amongst other things, the discussion of the annual report, the adoption of the financial statements and of the dividend, the discharge of the members of the Management Board and the members of the Supervisory Board from liability for management and supervision respectively, any appointments or reappointments of members of the Supervisory Board, the adoption of the remuneration policy of the Management Board, the appointment or reappointment of the auditor (if applicable) and important board resolutions requiring the shareholders' approval.

Other General Meetings of Shareholders take place as often as the Supervisory Board or the Management Board consider necessary. Shareholders who jointly represent at least ten per cent of the issued capital have the right to request the Management Board or the Supervisory Board to convene a General Meeting of Shareholders, stating the subjects to be discussed.

The agenda for the General Meeting of Shareholders is determined by the Management Board and the Supervisory Board. One or more shareholders representing at least one per cent of the issued capital have the right to request the Management Board or the Supervisory Board to place items on the agenda of the General Meeting of Shareholders. A shareholder can only exercise this right to place items on the agenda after consultation with the Management Board.

Every shareholder has the right to attend the General Meeting of Shareholders and to speak at the meeting and to exercise their voting rights, either in person or by written proxy. Each share entitles the holder to cast one vote at the General Meeting of Shareholders. All decisions are taken by absolute majority of votes cast, unless the

law or the Articles of Association require a larger majority. Apart from the members of the Supervisory Board and the members of the Management Board, the members of the Central Works Council have access to the General Meetings of Shareholders. The General Meeting of Shareholders decides on the admission of other persons.

### The role of auditors

#### External auditor

The external auditor of Alliander, PricewaterhouseCoopers Accountants N.V., is entrusted with the annual audit of Alliander's financial statements. In line with the applicable statutory provisions, the external auditor reports on his audit work in an identical manner to the Management Board and to the Supervisory Board. Based on his audit, he raises the subjects that he wishes to draw to the attention of the Management Board and the Supervisory Board.

The external auditor is appointed by the General Meeting of Shareholders. The Supervisory Board nominates a candidate, on the advice of both the Audit Committee and the Management Board. The Management Board and the Audit Committee report annually to the Supervisory Board about the developments in the relationship with the external auditor, in particular in relation to his independence. Based on this and other factors, the Supervisory Board prepares its motion to the General Meeting of Shareholders on the appointment of an external auditor. At least once every four years, the functioning of the external auditor is thoroughly evaluated and reviewed by the Management Board and the Audit Committee. The principal conclusions of this review are communicated to the General Meeting of Shareholders. These conclusions are taken on board in the assessment of the nomination for the appointment of the external auditor.

The external auditor shall, in principle, attend the meetings of the Audit Committee. The external auditor is also present at the meeting of the Supervisory Board in

which the external auditor's report on the financial statements is discussed and the financial statements are dealt with. Finally, the external auditor attends the General Meeting of Shareholders, where he can be asked to elaborate on his audit activities and his opinion on the financial statements.

#### **Internal auditor**

Alliander's internal auditor, the Internal Audit Department, is an independent function. This department provides Alliander's management, and particularly the Management Board, with additional assurance on the control, effectiveness, efficiency and compliance of the business processes. Internal Audit systematically evaluates the processes in relation to control, risk management and governance. In doing so, Internal Audit complies with the procedures as laid down in the Internal Audit Charter approved by the Management Board and assessed by the Audit Committee. Audit objects are, for example, the reliability and integrity of the provision of information, the effectiveness of the decision-making, the effectiveness and efficiency of the business processes and compliance with the laws and regulations and contractual obligations.

Every year Internal Audit draws up a plan after consultation with the chairman of the Management Board and the CFO. The plan is aimed at the most important business processes and risks. The annual plan is adopted by the Management Board and presented to the Audit Committee for notification purposes.

Internal Audit falls under the chairman of the Management Board. The Internal Audit Director is accountable to the Management Board and has access to the external auditor and the chairman of the Audit Committee. The Internal Audit Director shall, in principle, also attend the meetings of the Audit Committee.

#### **Operation of internal risk management and control systems and accountability**

Pursuant to best practice provisions II.1.3 and II.1.4 of the Code, the Management Board is responsible for Alliander's internal risk management and control system. This system is designed to provide reasonable assurance that the achievement of strategic and operational objectives is monitored, that the financial reporting is reliable, and that the laws and regulations are complied with. Amongst other things, Alliander applies the COSO Enterprise Risk Management Framework as a reference model in this connection. Alliander's internal risk management and control system is embedded in the Alliander Risk Management Framework. This framework as well as its most important components and the 'in control statement' are discussed in chapter 7.

Based on the above, we are of the opinion that we thus apply to the best practice provisions II.1.3, II.1.4 and II.1.5 of the Code.

The above was also discussed with the Audit Committee of the Supervisory Board, in the presence of the external and internal auditors.

# 10. report of the supervisory board

The Supervisory Board takes pleasure in informing you of its activities and composition in 2009. The year 2009 was an eventful and intensive year with many challenges and changes. It marked the start of Alliander as an independent energy network company in its own right. In addition, a lot of attention was given to the proposed takeover of the grid manager Endinet. We thank all employees and the Management Board for their efforts and commitment in the past year.

## Composition and changes

On 30 June 2009 the composition of the Supervisory Board underwent incisive changes as a result of the unbundling of n.v. Nuon Energy from n.v. Nuon which continued operating as the holding company of the network company under the name Alliander N.V. In this

connection, all incumbent members of the Supervisory Board resigned and a new Supervisory Board was compiled. To guarantee the continuity two members returned in the new Supervisory Board. At the start of the financial year the Supervisory Board consisted of eight members, namely Mr W. Meijer (chairman), Ms J.B. Irik (deputy-chairman), Mr P. Bouw, Mr D.J. Haank, Mr A.M.C.A. Hooijmaijers, Mr L. Koopmans, Mr J.H. Schraven and Mr G. Ybema. One position was vacant from 1 November 2008 due to the departure of Mr H. Zwarts. During the General Meeting of Shareholders on 23 April 2009, Messrs. Koopmans and Hooijmaijers resigned.

Since 31 December 2009, the composition and the retirement schedule of the Supervisory Board is as follows:

Name	Committee	Date of first appointment	Date of re-appointment	End of current term
E.M. d'Hondt, chairman <sup>1</sup>	Member of Selection, Appointment and Remuneration Committee	30 June 2009	Not applicable	2013
G. Ybema, deputy-chairman <sup>1,2</sup>	Member of Audit Committee	25 April 2005	23 April 2009 30 June 2009	2013
F.C.W. Briët	Chairman of Selection, Appointment and Remuneration Committee	30 June 2009	Not applicable	2011
Ms J.B. Irik <sup>2,3</sup>	Member of Selection, Appointment and Remuneration Committee	8 June 2001	27 May 2004 22 April 2008 30 June 2009	2012
Ms J.G. van der Linde <sup>3</sup>	-	29 October 2009	Not applicable	2013
Ms A.P.M. van der Veer-Vergeer	Member of Audit Committee	30 June 2009	Not applicable	2012
J.C. van Winkelen	Chairman of Audit Committee	30 June 2009	Not applicable	2011

<sup>1</sup> Appointed upon the enhanced recommendation of the General Meeting of Shareholders (in this case the Committee of Shareholders).

<sup>2</sup> Already a member of the Supervisory Board of n.v. Nuon (currently named Alliander N.V.) before the unbundling of Nuon Energy.

<sup>3</sup> Appointed upon the enhanced recommendation of the Central Works Council.

## 2009: an eventful year full of challenges

### Profile

The composition of the Supervisory Board is in accordance with the applicable profile. The members represent a diversity of knowledge and experience, background, gender and age. Alongside a thorough knowledge of energy management and financial and economic knowledge, the Supervisory Board collectively has a good grounding in legal and governance affairs. In addition, the members have a deep awareness of social and political trends and developments, while each member has the specific expertise required to fulfil his role within the Supervisory Board. The Supervisory Board consists of three women and four men with an average age of 59 (the age varies from 50 to 65). Personal information about the members can be read at the end of this chapter.

### Critical and independent

The Supervisory Board subscribes to the principle that all members must be able to act critically and independently and treats all members of the Supervisory Board as independent, as is prescribed in the Corporate Governance Code. None of the members of the Supervisory Board has more than five Supervisory Board memberships at listed Dutch companies, so that we also comply with this requirement. We have found no sign or evidence of conflicting interests between the company and the members of the Supervisory Board. Nor do we see any conflicting interests between the company and natural or legal persons holding at least ten per cent of the shares in Alliander.

## ACTIVITIES OF THE SUPERVISORY BOARD

### Meetings of the Supervisory Board

In 2009, the Supervisory Board met eight times with the Management Board according to an agreed schedule. In addition, three extra meetings were held with the Management Board. None of the members of the Supervisory Board was absent on a frequent basis.

### Meetings until 30 June 2009

Until the time of the unbundling on 30 June 2009, the Supervisory Board held five scheduled meetings and two extra meetings took place about the selection and sale process of Nuon Energy and the resulting transaction with Vattenfall AB.

The scheduled meetings were devoted to numerous issues, such as the restructuring of Nuon, acquisitions, substantial investment proposals, the financial reporting for 2008, the former Nuon Management Board's assessment of the internal risk management and control systems, the corporate social responsibility reports of Nuon Energy and Alliander for 2008, the remuneration of the former members of Nuon's Management Board, the financial results for the first quarter of 2009 and the proposed merger of Liandyn B.V. and Enexis Lighting B.V.

### Meetings from 30 June 2009

After the unbundling on 30 June 2009, the Supervisory Board held three scheduled meetings as well as two extra meetings about the proposed takeover of Endinet B.V., during which the Supervisory Board, amongst other things, looked in detail at the financing of the takeover. During the scheduled meetings numerous subjects were raised, such as the appointment of the chairman and the deputy-chairman of the Supervisory Board, the appointment of the chairman and members of the Audit Committee and of the Selection, Appointment and Remuneration Committee, the amended By-Laws of the Supervisory Board and the Management Board and the amended terms of reference of its committees, the results for the first half of 2009, the state of affairs regarding the restructuring and upscaling of the network companies in the Netherlands, Alliander's role in promoting a more sustainable energy supply, the powers of shareholders, the financial results for the third quarter of 2009, the business information plan 2010-2014, the annual plan 2010, the proposed takeover of the contracting company Stam & Co, the proposed takeover of Endinet B.V., the settlement of the unbundling and the appointment of



Mr Van Lieshout as a member of the Management Board in the position of CFO.

The discussion of the financial statements 2008, the auditor's report and the management letter took place in the presence of the external auditor. Because of the change in its composition, the Supervisory Board did not evaluate the functioning of the Supervisory Board as a whole, its committees and individual members or the functioning of the Management Board and its members.

The chairman of the Supervisory Board consistently prepared the agenda of the meetings in consultation with the chairman of the Management Board and the secretary. The secretary ensures that the correct procedures are followed and that all actions are in accordance with the obligations applicable under the laws and regulations as well as the Articles of Association. The meeting documents were made available in time and were of good quality, thus ensuring that the deliberations and decision-making took place in a careful and well-informed manner.

#### **Induction programme**

All members of the Supervisory Board who were appointed with effect from the date of the unbundling attended an induction programme. In this connection attention was devoted to, among other things, general financial affairs and aspects that are specific to Alliander, such as the position in the energy chain and the role of grid managers. The programme enabled the members of the Supervisory Board to familiarise themselves more quickly with Alliander and its activities.

#### **Major Shareholder Consultation**

The Major Shareholder Consultation is an informal consultative gathering between the Management Board and representatives of major shareholders. This takes place in addition to the General Meeting of Shareholders. The Major Shareholder Consultation took place five times in 2009 and is aimed at exchanging information on

developments and at facilitating opinion-forming and informal discussion. Several members of the Supervisory Board attended one or more of the Majority Shareholder Consultation meetings. In this way, the Supervisory Board stays in touch with the main issues and concerns of the (majority) shareholders.

#### **Contacts with the Central Works Council**

The members of the Supervisory Board took turns to attend consultative meetings between the Management Board and the Central Works Council. The Supervisory Board greatly appreciated the constructive and informative nature of these meetings.

## **COMMITTEES OF THE SUPERVISORY BOARD**

The Supervisory Board is supported by two standing committees that are tasked with preparing the Supervisory Board's decision-making on specific subjects. These committees consist of members of the Supervisory Board. The committees consistently reported on their meetings to the Supervisory Board.

#### **Audit Committee Meetings**

The Audit Committee consults with the external auditor as often as it deems necessary, but at least once a year, without the Management Board being present.

#### **Meeting until 30 June 2009**

Prior to the unbundling, the Audit Committee met three times in the presence of the former chairman of the Nuon Management Board, the CFO, the Finance Director, the Internal Audit Director, the General Counsel and the external auditor.

The financial reporting of the annual figures, the annual report and the Corporate Responsibility Report for 2008, the financial results for the first quarter of 2009 and the accompanying audit reports were the most important issues raised in these meetings. Other subjects that were

dealt with by the Audit Committee included the management letter 2008, the actions taken in response to the recommendations of the external auditor, the enterprise risk report fourth quarter 2008 and first quarter 2009, various reports of the Internal Audit Department, the consequences of the unbundling for the external financial reporting, the annual audit and the IT unbundling.

#### **Meetings from 30 June 2009**

After the unbundling on 30 June 2009, the Audit Committee held two scheduled meetings and one extra meeting. This was about the proposed acquisition of Endinet. The chairman of the Management Board, the Finance, Treasury and Tax Affairs Director, the Internal Audit Director and the external auditor were present at the scheduled meetings. The extra meeting was also attended by the Business Development Director. The external auditor was not present at these meetings. The scheduled deliberations concentrated on the following subjects: Audit Charter, In Control reporting for first half 2009, the Fraud & Incidents report for the first half of 2009, the Audit Year Plan 2009, the IT Plan 2009, cross-border leases, the results for the third quarter of 2009, the annual plan 2010, the Corporate Risk Report for the third quarter of 2009, the proposed acquisition of Endinet including the financing and the approach to the due diligence for the proposed takeover of Endinet, the independence statement of the external auditor and the letter of engagement to the external auditor for the 2009 annual audit and the verification of the social performances in the 2009 annual report.

#### **Meetings of the Selection, Appointment and Remuneration Committee**

##### **Meetings until 30 June 2009**

Prior to the unbundling, the Selection, Appointment and Remuneration Committee met twice, partly in the presence of the former chairman of the Nuon Management Board. The subjects discussed were the realisation of the objectives for the short- and long-term bonus for the former members of the Nuon Management

Board for 2008 and the objectives for the variable remunerations for 2009 and for the long term (2009-2011) for the members of the Management Board. In addition, the Remuneration Report 2008 was drawn up.

##### **Meetings from 30 June 2009**

After the unbundling on 30 June 2009, the Selection, Appointment and Remuneration Committee met once, partly in the presence of the chairman of the Management Board. The committee's activities in the field of remuneration included the completion of an evaluation of the remuneration policy for the Management Board. In addition, as a result of the unbundling, the committee made proposals to the Supervisory Board for adjustments to the long-term objectives 2007-2009, 2008-2010 and 2009-2011 of the Management Board. In the financial year the Selection, Appointment and Remuneration Committee made no use of external advisers. In the field of selection and appointment, the appointment of Mr Van Lieshout as a member of the Management Board was prepared.

#### **Changes in the Management Board**

As a result of the unbundling, Messrs Ø. Løseth, chairman of the Management Board and CEO of Nuon, and D.G. Vierstra, member of the Management Board and CFO of Nuon, resigned as members of the Management Board with effect from 30 June 2009.

On 30 June 2009, Mr P.C. Molengraaf was appointed by the Supervisory Board as the new chairman of the Management Board of Alliander. At the end of the reporting year, the appointment of Mr M.R. van Lieshout as member of the Management Board in the role of CFO was announced. This appointment took effect on 1 January 2010.

The members of the Management Board hold no Supervisory Board memberships at listed companies. The Supervisory Board has not noticed any conflicting interests between Alliander and the members of the Management Board.

### Corporate governance

The Supervisory Board and the Management Board of Alliander carry joint responsibility for the corporate governance structure. In the 2009 financial year they tested the corporate governance structure against the Code that has applied since 1 January 2009. Alliander's corporate governance structure and compliance with the amended code will be discussed with the shareholders in the General Meeting of Shareholders of 10 May 2010. In this annual report a separate chapter is devoted to corporate governance. The Supervisory Board subscribes to the content of this chapter.

### Outlines of the remuneration policy

The remuneration policy for the Management Board was adopted on 24 April 2006 by the General Meeting of Shareholders and has not been amended since then. The remuneration policy is described in the Remuneration Report chapter. The remuneration policy is designed to enable Alliander to recruit, motivate and retain qualified and expert directors in order to achieve its strategic objectives. The total remuneration package of the members of the Management Board consists of a gross annual base salary, a short-term and long-term variable salary, a pension scheme and other remuneration elements.

### Annual report and dividend proposal

The financial statements were audited and approved by PricewaterhouseCoopers Accountants N.V. whose unqualified report on these financial statements can be found on page 166 of this report.

The Audit Committee discussed the financial statements at length with the Management Board and the external auditor. The financial statements and the findings of the external auditor were subsequently discussed during a meeting of the Supervisory Board and the Management Board in the presence of the external auditor. The Supervisory Board is of the opinion that the financial statements and the report of the Management Board form a good basis for the Management Board's accountability for its conduct of the company's affairs in the past year, as well as for the Supervisory Board's accountability for its supervision of the management. In conformity with the obligation contained in section 2:101 (2) of the Netherlands Civil Code, the members of the Supervisory Board have signed the financial statements.

The Supervisory recommends the General Meeting of Shareholders to adopt the financial statements for 2009, which include the proposed profit appropriation, as well as to adopt the dividend proposal 2009 of € 54 million. In addition, the Supervisory Board proposes to discharge the members of the Management Board in respect of their duties performed in the 2009 financial year and to the Members of the Supervisory Board in respect of their duties performed in the 2009 financial year.

**Arnhem, 7 April 2010**

#### **The Supervisory Board**

E.M. d'Hondt, chairman  
G. Ybema, deputy-chairman  
F.C.W. Briët  
Ms J.B. Irik  
Ms J.G. van der Linde  
Ms A.P.M. van der Veer-Vergeer  
J.C. van Winkelen

**E.M. d'Hondt, chairman**

**Nationality** Dutch

**Year of birth** 1944

**Previous relevant positions**

- Chairman VSNU (Association of Universities in the Netherlands)
- Mayor of Nijmegen



**Relevant other positions**

- Chairman Supervisory Board Brink Group
- Chairman Supervisory Board De Goudse Verzekeringen N.V.
- Member Supervisory Board BMC Group
- Chairman Supervisory Board Canisius-Wilhelmina Hospital
- Member Supervisory Board Police Academy
- Board Chairman GGD Nederland (Netherlands Association of Municipal Health Departments)
- Vice-Chairman Netherlands Red Cross
- Member Advisory Board of Netherlands Health Insurers

**First appointment** 30 June 2009

**Current term** 2009-2013

**G. Ybema, deputy-chairman**

**Nationality** Dutch

**Year of birth** 1945

**Profession/chief position**

Director Ybema Economy Solutions

**Previous relevant position**

- State secretary of Economic Affairs in the Second Kok Government

**Relevant other positions**

- Member International Supervisory Board Arcadis N.V.
- Chairman Supervisory Board Opvangregeling Leven N.V.
- Chairman Supervisory Board Zorggroep Noorderbreedte
- Chairman Supervisory Board Ventus Groep B.V.
- Chairman Supervisory Board Noordelijke Hogeschool Leeuwarden
- Member Supervisory Board ROC Friese Poort



**First appointment** 25 April 2005

**Current term** 2009-2013

**F.C.W. Briët**

**Nationality** Dutch

**Year of birth** 1947

**Previous relevant positions**

- Chairman Management Board De Goudse Verzekeringen
- Member Management Board Koninklijke Hoogovens/Corus
- Chairman Board of Directors Unilever Netherlands



**Relevant other positions**

- Chairman Supervisory Board FloraHolland
- Member Supervisory Board DSW Zorgverzekeraar
- Member Advisory Board Advies Boval

**First appointment** 30 June 2009

**Current term** 2009-2011

**Ms J.B. Irik**

**Nationality** Dutch

**Year of birth** 1956

**Profession/chief position**

Independent adviser and project manager at Irik Advies consultancy

**Previous relevant position**

- Utilities councillor of Amsterdam

**Relevant other position**

- Member Supervisory Board Gemeentelijke Kredietbank Amsterdam

**First appointment** 8 June 2001

**Current term** 2009-2012



**Ms J.G. van der Linde**

**Nationality** Dutch

**Year of birth** 1957

**Profession/chief position**

Director of Clingendael International Energy Programme



**Relevant other positions**

- Professor of Geopolitics and Energy at the University of Groningen
- Member of the General Energy Council
- Member Supervisory Board Wintershall Noordzee B.V.

**First appointment** 29 October 2009

**Current term** 2009-2013

**Ms A.P.M. van der Veer-Vergeer**

**Nationality** Dutch

**Year of birth** 1959

**Profession/chief position**

Independent management adviser on strategy and governance/Director of Stranergy consultancy



**Previous relevant positions**

- CEO Currence Holding
- CEO KPN Business Solutions Division
- Member Executive Board Achmea Bank Holding
- Board Chairman Staal Bankiers

**Relevant other positions**

- Member Supervisory Board Fortis Bank Nederland Holding N.V.
- Adviser National Register of Supervisory Directors and Regulators
- Member Supervisory Board NPO (Netherlands Public Broadcasting Company)
- Member Supervisory Board Netherlands Stomach, Liver and Bowel Foundation

**First appointment** 30 June 2009

**Current term** 2009-2012

**J.C. van Winkelen**

**Nationality** Dutch

**Year of birth** 1945

**Previous relevant positions**

- Chairman Management Board Vitens
- Director Nuon Water



**Relevant other positions**

- Chairman Supervisory Board Douma Staal B.V.
- Member Supervisory Board Legyon B.V.
- Vice-Chairman Supervisory Board Wetsus (Centre of Excellence for Sustainable Water)
- Adviser Hak N.V.

**First appointment** 30 June 2009

**Current term** 2009-2011

# 11. remuneration

THE REMUNERATION REPORT OF THE SUPERVISORY BOARD COMPRISES THE CURRENT REMUNERATION POLICY OF THE MANAGEMENT BOARD OF ALLIANDER AND A DESCRIPTION OF THE IMPLEMENTATION OF THIS POLICY IN 2009, THE REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD IN 2009 AND A BRIEF PREVIEW TO 2010. THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2009 CONTAIN A FURTHER ITEMISATION OF THE REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND OF THE MEMBERS OF THE SUPERVISORY BOARD.

## INTRODUCTION

This report provides an explanation of the company's remuneration policy and its detailed application for the members of the Management Board in 2009. It sets out how the selected remuneration policy contributes towards the realisation of the company's long-term objectives.

The report aims to apply the best practice provisions II.2.12 and II.2.13 from the Dutch Corporate Governance Code and will be posted on the company's website. The report also provides an overview of the remuneration of the members of the Supervisory Board 2009 and a brief preview of 2010.

On 30 June 2009, n.v. Nuon Energy was formally unbundled from parent company n.v. Nuon, thus finalising the separation between the production and supply company of the Nuon Group and the network company as had already been organisationally implemented on 1 July 2008. On 30 June 2009, the name of n.v. Nuon was also changed to Alliander N.V.

As a result of this unbundling, the composition of the Management Board and the Supervisory Board was changed as at 30 June 2009.

## REMUNERATION POLICY

### Principles and structure

Pursuant to the Articles of Association of Alliander, the Supervisory Board, acting on the advice of the Selection, Appointment and Remuneration Committee, formulates the remuneration policy for the members of the Management Board. The General Meeting of Shareholders of Nuon adopts the remuneration policy. Within the adopted remuneration policy, the Supervisory Board, again acting on the advice of the Selection, Appointment and Remuneration Committee, adopts the remuneration and other employment conditions of the individual members of the Management Board.

The remuneration policy of the Management Board, as adopted during the General Meeting of 24 April 2006, was continued in 2009. Every future material change in the remuneration policy will be put to the General Meeting of Shareholders while being simultaneously submitted for information purposes to the Central Works Council.

Alliander's remuneration policy is aimed at creating conditions conducive to recruiting, motivating and retaining qualified and expert Management Board members and at emphasising the relationship between

remuneration and performance both in the short and the long term.

The remuneration policy is geared to the median of the relevant remuneration market and includes the fixed and variable components associated with that market. The relevant remuneration market is defined as the Dutch employment market for the management boards of companies with comparable turnover, staff levels and complexity.

The total remuneration package for the members of the Management Board consists of the following components:

- a. annual gross base salary;
- b. short-term variable salary;
- c. long-term variable salary;
- d. pension benefits;
- e. other emoluments.

**(a) Annual gross base salary**

The annual gross base salary of the Chairman and members of the Management Board is based on the median level of the aforementioned reference group of comparable companies.

**(b) Short-term variable salary**

The short-term variable salary (one year) is aimed at achieving quantified, controllable and challenging objectives within the current year. The maximum of this variable salary is 30% of the annual gross base salary (35% for the chairman of the Management Board).

**(c) Long-term variable salary**

The long-term variable salary from the remuneration package concerns a long-term remuneration scheme. This is aimed at achieving quantifiable, controllable and challenging objectives in the mid-term (three years). The scheme is also intended as a tool to retain the services of the individuals concerned (retention). The maximum of the long-term variable salary is 30% of the annual gross base salary (for the Chairman of the Management Board

35%). The equal distribution of the variable salary over a short- and a long-term variable salary guarantees a balanced focus on both the short- and the long-term objectives.

The specific objectives for the Management Board for the short- and long-term variable salary are laid down annually in a scorecard. The performance criteria and the mutual relationships within and between the criteria for both the short- and the long-term variable salary are defined at the start of each year in consultation with the Management Board by the Selection, Appointment and Remuneration Committee and are adopted by the Supervisory Board. Progress is monitored throughout the year. After the end of the year, the extent to which the defined objectives have been achieved is determined by the Supervisory Board on the recommendation of the Selection, Appointment and Remuneration Committee. The extent to which the objectives have been achieved is partly determined on the basis of independent external audits and the financial statements as verified by the external auditor.

If less than the agreed minimum of an objective component is achieved, no variable salary whatsoever is paid out in respect of that component. In special situations, the Supervisory Board has discretionary powers to deviate from these policy rules. In addition, the provisions II.2.10 (downward/upward adjustments) and II.2.11 (claw back clause) of the Dutch Corporate Governance Code are also applied to the short-term and long-term variable salary.

**(d) Pension benefits**

The company's policy is that the members of the Management Board participate in the pension scheme that is also applicable to the company's staff. This scheme is currently arranged through the ABP pension fund. Since 1 January 2004, this has consisted entirely of an average pay scheme, with a retirement age of 65. Early retirement is possible. In accordance with current

practice in the energy sector, pension entitlement is built up on the annual gross base salary, and the members of the Management Board pay an individual contribution for membership of the pension scheme.

#### **(e) Other emoluments**

Besides the emoluments described above, members of the Management Board are also entitled to an allowance for health insurance, an expense allowance as well as the use of a company car. In addition, the company has taken out accident insurance as well as director's liability insurance for the members of the Management Board. In conformity with the provisions of the Dutch Corporate Governance Code, a restrictive policy is in place for outside positions.

#### **Employment contracts**

Every member of the Management Board has an employment contract with the company. As a matter of company policy, employment contracts with members of the Management Board are entered into for a fixed term (generally four years), after which they can be renewed. If a Management Board member's employment contract is terminated by the company, it is company policy that this member receives a severance payment equal to his or her annual gross base salary. In certain circumstances, this lump sum may also be paid if a member of the Management Board resigns owing to a change in the control of the company or to an irreconcilable difference of opinion regarding company policy.

From 1 January to 30 June 2009, the Management Board of n.v. Nuon consisted of Mr Ø. Løseth (chairman of the Management Board and CEO) and Mr D.G. Vierstra (member of the Management Board and CFO). As a result of the unbundling, Messrs Ø. Løseth and D.G. Vierstra resigned as members of the Nuon Management Board with effect from 30 June 2009. Mr P.C. Molengraaf was appointed by the Supervisory Board as the new chairman of the Management Board of Alliander N.V. with effect from 30 June 2009.

The employment contracts with Messrs Løseth and Vierstra were entered into for a four-year period. Upon the appointment of Mr Molengraaf as chairman of the Management Board of Alliander from 30 June 2009, the existing employment contract with Mr Molengraaf was continued. Mr Molengraaf has an employment contract for an indefinite period; the contract does not provide for any severance payment. The duration of Mr Molengraaf's employment contract is not in accordance with the formulated policy or the best practice provision II.1.1 of the Dutch Corporate Governance Code; best practice provision II.2.8 regarding the maximum severance pay for Management Board members is also not applied.

## **IMPLEMENTATION OF REMUNERATION POLICY IN 2009**

#### **n.v. Nuon for the first half of the reporting year**

From 1 January to 30 June, the Management Board of n.v. Nuon consisted of Mr Ø. Løseth (chairman of the Management Board and CEO) and Mr D.G. Vierstra (member of the Management Board and CFO).

#### **(a) Annual gross base salary**

In the first half of the reporting year until 30 June 2009, Mr Løseth's base salary amounted to € 220,000 gross. Mr Vierstra's base salary for the same period amounted to € 200,000 gross.

#### **(b) Short-term variable salary**

The objectives to be achieved in relation to 2009 were a combination of financial objectives (jointly 40% of the total), customer objectives (jointly 40% of the total) and objectives in the field of staff, safety and the environment (jointly 20% of the total).

The short-term variable salary payable for 2009 to Messrs Løseth and Vierstra has been set at 100% of the applicable percentage (a maximum of, respectively, 35% and 30% of the annual gross base salary). This is based



on the extent of the achievement of the set financial objectives, customer objectives and objectives in the field of staff, safety and the environment. In connection with their resignation as at 30 June 2009, the short-term variable salary was awarded pro rata to Messrs Løseth and Vierstra.

**(c) Long-term variable salary**

The objectives for the long-term variable salary 2007-2009 related to financial performance (jointly 60% of the total) and to customer position (jointly 40% of the total). The long-term variable salary payable for 2007-2009 to Messrs Løseth and Vierstra has been set at 100% of the applicable percentage (a maximum of, respectively, 35% and 30% of the annual gross base salary). This is based on the extent of the achievement of the set objectives for financial performance and customer position. In connection with their resignation as at 30 June 2009, the long-term variable salary was awarded pro rata to Messrs Løseth and Vierstra.

**(d) Pension benefits**

In view of his special (expatriate) situation Mr Løseth received a defined contribution of € 46,000 gross in the first half of the reporting year for his pension provision.

Mr Vierstra participates in the pension scheme of the ABP pension fund. The pension costs of € 29,000 in the first half of the reporting year relate to the payment of the regular ABP contributions as based on the gross annual pensionable salary. As contractually agreed, the variable component of the salary is not pensionable.

**Alliander N.V. for the second half of the reporting year**

From 30 June 2009 the Management Board of Alliander N.V. consisted of Mr P.C. Molengraaf (chairman).

**(a) Annual gross base salary**

Mr Molengraaf's annual gross base salary is based on the salary that he enjoyed since 1 November 2007 as Director of the former n.v. Nuon Netwerk Services. Upon the

appointment of Mr Molengraaf as chairman of the Management Board of Alliander as at 30 June 2009, the existing contract of employment was continued. As part of this employment contract, the annual gross base salary has in the intervening period been raised by the annual CAO increases as applicable to all employees working for the company.

Mr Molengraaf's base salary thus amounted from 30 June to 31 December 2009 to € 109,343 gross.

**(b) Short-term variable salary**

Upon the appointment of Mr P.C. Molengraaf as chairman of the Management Board of Alliander as at 30 June 2009, the existing employment contract was continued and for this reason the existing arrangement relating to the short-term variable salary is respected, namely a maximum of 30% of the annual gross base salary.

The objectives to be realised in relation to 2009 concerned financial objectives (40% of the total), customer-related objectives (30% of the total) and sustainability objectives and objectives in the field of corporate social responsibility (jointly 30% of the total).

The short-term variable salary payable for 2009 to Mr Molengraaf has been set at 91% of the applicable percentage (a maximum of 30% of the annual gross base salary). This is based on the extent of the achievement of the formulated financial objectives, customer-related objectives, sustainability objectives and objectives in the field of corporate social responsibility. In connection with his taking office on 30 June 2009, Mr Molengraaf was granted the short-term variable salary pro rata.

**(c) Long-term variable salary**

Upon the appointment of Mr P.C. Molengraaf as chairman of the Management Board of Alliander as at 30 June 2009, the existing employment contract was continued and for this reason the existing arrangement relating to the long-term variable salary is respected, namely a maximum of 30% of the annual gross base salary.

The objectives to be realised for the long-term variable salary 2007-2009 concerned objectives relating to financial performance (40% of the total), safety (30% of the total) and security of supply (30% of the total). The long-term variable salary payable for 2007-2009 to Mr Molengraaf has been set at 100% of the applicable percentage (a maximum of 30% of the annual gross base salary). This is based on the extent of the achievement of the formulated objectives for financial performance, safety and security of supply. In connection with his taking office on 30 June 2009, Mr Molengraaf was granted the long-term variable salary pro rata.

#### **(d) Pension benefits**

Mr Molengraaf's pension provision is arranged within the company's pension scheme with the ABP pension fund. The pension costs pertain to the payment of the regular ABP contributions as based on annual gross base pensionable salary. As contractually agreed, the variable salary is not pensionable.

The contributions paid for old age pension and surviving dependant's pension in the second half of the reporting year amounted to € 16,000.

For the remuneration of the members of the Management Board in 2009, reference is made to the notes to the consolidated financial statements (page 138 and 139).

## **REMUNERATION OF THE SUPERVISORY BOARD**

The remuneration policy is aimed at creating conditions conducive to recruiting and retaining qualified members of the Supervisory Board.

The remuneration of the Supervisory Board is determined by the General Meeting of Shareholders and is not dependent on the results of the company. No personal loans, guarantees and so forth are provided by the company to the members of the Supervisory Board.

The General Meeting of Shareholders set the following fixed annual remunerations in 2002: the Chairman of the Supervisory Board receives a remuneration of € 35,000 gross, the members of the Supervisory Board who are also a member of the Audit Committee and/or Selection, Appointment and Remuneration Committee receive a remuneration of € 28,000 gross, and the other members receive € 23,500 gross.

At the start of the financial year the Supervisory Board consisted of the following members: Mr W. Meijer (chairman), Mr P. Bouw, Mr D.J. Haank, Mr A.M.C.A. Hooijmaijers, Ms J.B. Irik, Mr L. Koopmans, Mr J. Schraven and Mr G. Ybema. One position was vacant since 1 November 2008 due to the departure of Mr H. Zwarts. Messrs Koopmans and Hooijmaijers resigned during the General Meeting of Shareholders on 23 April 2009.

With effect from 30 June 2009, a new Supervisory Board was formed for Alliander, consisting of the following members: Mr E.M. d'Hondt, Mr F.C.W. Briët, Ms J.B. Irik, Ms A.P.M. van der Veer-Vergeer, Mr J.C. van Winkelen and Mr G. Ybema. Ms J.G. van der Linde was appointed as a member of the Supervisory Board with effect from 29 October 2009.

With effect from 1 October 2009, Mr E.M. d'Hondt was appointed as chairman of the Supervisory Board and Mr G. Ybema was appointed deputy-chairman. The chairmen and the members of the two standing committees of the Supervisory Board were appointed with effect from that same date.

In the reporting year the General Meeting of Shareholders awarded several members of the Supervisory Board, namely W. Meijer, P. Bouw, D.J. Haank, J.B. Irik, L. Koopmans, J. Schraven, H. Zwarts and G. Ybema, an additional remuneration of € 7,500 gross for additional activities and extra hours worked in connection with the transition and unbundling process within Nuon for the year 2008.

The remuneration of the members of the Supervisory Board is disclosed in the notes to the consolidated financial statements (page 140).

## A PREVIEW OF 2010

A considerable period of time has elapsed since the current remuneration policy of the Management Board was formulated by the Supervisory Board and adopted by the General Meeting of Shareholders. In 2009, the remuneration policy was evaluated and it was decided, with due regard to the changes in the demands and responsibilities of the Management Board positions, to continue the remuneration policy adopted by the shareholders in 2006. Further consultation on this matter will take place with the shareholders in 2010 when the Bill on Standards for publicly-funded remuneration of senior officers is presented to parliament. In addition, the remuneration policy of the Supervisory Board, which has remained unchanged since 2002, will be reviewed in 2010, taking into account the changes in the company (from Nuon to Alliander), changes to the laws and regulations (codes), social developments regarding the visibility of the members of the Supervisory Board and the implications of these changes for their responsibilities and involvement with the company. Any new policy to be determined in this connection and the related remuneration will be discussed with the shareholders and put to them for adoption.



**IV**

facts and figures

# 12. Financial statements 2009

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# consolidated financial statements

## Consolidated balance sheet

€ million	Note	2009	2008
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	[1]	4,638	6,969
Intangible assets	[2]	209	500
Investments in associates and joint ventures	[3]	50	140
Financial assets available for sale	[4]	240	243
Other financial assets	[5]	7	33
Derivatives	[6]	-	1,533
Deferred tax assets	[15]	487	643
		<b>5,631</b>	<b>10,061</b>
<b>Current assets</b>			
Inventories	[7]	24	114
Trade and other receivables	[8]	338	1,493
Derivatives	[6]	11	1,595
Other financial assets	[5]	301	-
Cash and cash equivalents	[9]	451	995
		<b>1,125</b>	<b>4,197</b>
Non-current assets held for sale	[32]	-	243
<b>Total assets</b>		<b>6,756</b>	<b>14,501</b>



## Consolidated balance sheet

€ million	Note	2009	2008
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	[10]	684	684
Share premium		671	671
Hedge reserve		-8	320
Currency translation reserve		-	-4
Revaluation reserve		-10	-13
Other reserves		596	3,845
Profit after taxation		312	765
<b>Total shareholders' equity attributable to Alliander shareholders</b>		<b>2,245</b>	<b>6,268</b>
<b>Minority interests</b>		<b>-</b>	<b>2</b>
<b>Total shareholders' equity</b>		<b>2,245</b>	<b>6,270</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Interest-bearing debt	[11]	2,152	1,176
Derivatives	[6]	105	1,153
Finance lease payables	[17]	120	157
Deferred income	[12]	1,436	1,524
Deferred tax liabilities	[15]	2	502
Provisions for employee benefits	[13]	60	97
Other provisions	[14]	44	175
		<b>3,919</b>	<b>4,784</b>
<b>Short-term liabilities</b>			
Trade and other payables	[16]	133	1,163
Tax liabilities	[15]	76	244
Interest-bearing debt	[11]	73	45
Derivatives	[6]	4	1,403
Provisions for employee benefits	[13]	52	150
Accrued liabilities		254	386
		<b>592</b>	<b>3,391</b>
Long-term liabilities associated with non-current assets held for sale	[32]	-	56
<b>Total liabilities</b>		<b>4,511</b>	<b>8,231</b>
<b>Total shareholders' equity and liabilities</b>		<b>6,756</b>	<b>14,501</b>

## Consolidated income statement

€ million	Note	2009	2008
<b>Net turnover</b>	[19]	<b>1,446</b>	<b>1,497</b>
Other income	[20]	304	213
<b>Total income</b>		<b>1,750</b>	<b>1,710</b>
<b>Operating expenses</b>			
Purchasing costs and costs of sub-contracted work	[21]	-407	-451
Employee compensation and benefit expenses	[22]	-361	-274
External personnel expenses		-156	-127
Other operating expenses	[23]	-238	-349
<b>Total purchasing costs, costs of subcontracted work and operating expenses</b>		<b>-1,162</b>	<b>-1,201</b>
Depreciation and impairments of property, plant and equipment	[24]	-214	-225
Less: own work capitalised		117	106
<b>Total operating expenses</b>		<b>-1,259</b>	<b>-1,320</b>
<b>Operating profit</b>		<b>491</b>	<b>390</b>
Financial income	[25]	23	216
Financial expense	[26]	-151	-260
Share in results of associates after taxation	[3]	20	4
<b>Profit before taxation from continuing operations</b>		<b>383</b>	<b>350</b>
Taxation	[27]	-71	-80
<b>Profit after taxation from continuing operations</b>		<b>312</b>	<b>270</b>
<b>Profit after taxation from discontinued operations</b>	[32]	<b>226</b>	<b>495</b>
<b>Profit after taxation</b>		<b>538</b>	<b>765</b>

As the profit from discontinued operations was separated on 30 June 2009, the profit after taxation attributable to Alliander's shareholders was € 312 million (€ 538 million less € 226 million). Further information is presented on page 105.

## Consolidated income statement

€ million	Note	2009	2008
<b>Profit after taxation attributable to Alliander shareholders</b>		<b>312</b>	<b>765</b>
<b>Earnings per share (€)</b>	[29]		
Earnings per share		3.93	5.59
Diluted earnings per share		3.93	5.59

The comprehensive income was as follows:

## Consolidated statement of comprehensive income

€ million	2009	2008
<b>Profit after taxation</b>	<b>538</b>	<b>765</b>
<b>Other elements of comprehensive income</b>		
Revaluation of assets available for sale	3	-13
Movement in fair value cash flow hedges	-118	318
Currency translation differences	5	-
Other movements	-1	-
<b>Total result 2009</b>	<b>427</b>	<b>1,070</b>

## Consolidated cash flow statement

€ million	Note	2009	2008
<b>Cash flow from operating activities</b>	[28]		
<b>Profit after taxation</b>		<b>538</b>	<b>765</b>
Adjustments for:			
Financial income and expenses		116	-68
Income tax expenses		157	111
Profit after taxation from associates and joint ventures		-26	-24
Depreciation, amortisation and impairments		308	412
Changes in working capital:			
Inventories		16	-8
Trade and other receivables		-179	-212
Current account with associates		-	-
Trade payables and other current liabilities		-209	435
Total changes in working capital		-372	215
Changes in deferred tax, provisions, derivatives and other		-308	-232
<b>Cash flow from operations</b>		<b>413</b>	<b>1,179</b>
Interest paid		-173	-70
Interest received		57	96
Dividends received associates and joint ventures		26	26
Corporate income tax paid and received		49	-203
<b>Total</b>		<b>-41</b>	<b>-151</b>
<b>Cash flow from operating activities</b>		<b>372</b>	<b>1,028</b>
<b>Cash flow from investing activities</b>	[28]		
Acquisitions, excluding acquired cash and cash equivalents		-	-429
Capital expenditure on property, plant and equipment		-637	-940
Construction contributions received		114	117
Disposals of property, plant and equipment		-	11
Investments in intangible assets		-7	-3
Proceeds from sales of subsidiaries		368	27
Disposals of financial assets (associates and joint ventures)		9	2
<b>Cash flow from investing activities</b>		<b>-153</b>	<b>-1,215</b>
<b>Cash flow from financing activities</b>	[28]		
New short-term interest-bearing debt and short-term part of long-term debt		-15	4
New long-term loans		1,298	119
Repaid long-term loans		-308	-187
Divided cash and cash equivalents		-1,388	-
Dividends paid		-350	-459
<b>Cash flow from financing activities</b>		<b>-763</b>	<b>-523</b>
<b>Net cash flow</b>		<b>-544</b>	<b>-710</b>
Cash and cash equivalents as at 1 January		995	1,705
Net cash flow		-544	-710
<b>Cash and cash equivalents as at 31 December</b>		<b>451</b>	<b>995</b>

The consolidated cash flow statement for 2009 incorporates the figures for n.v. Nuon Energy for the first half of 2009. Consequently, there is no direct reconciliation between the figures in the cash flow statement and the related figures in the balance sheet and income state-

ment. Cash and cash equivalents in the balance sheet of n.v. Nuon Energy at 30 June 2009 are recognised separately in the cash flow from financing activities. The statement, separated into continuing (Alliander) and discontinued operations (n.v. Nuon Energy), is as follows:

Reconciliation of net cash flow 2009				
€ million	Continuing operations	Discontinued operations	Elimination	Total
Cash flow from operating activities	659	1,464	-1,751	372
Cash flow from investing activities	72	-226	1	-153
Cash flow from financing activities	-517	-573	327	-763
	<b>214</b>	<b>665</b>	<b>-1,423</b>	<b>-544</b>

The eliminations relate to intragroup cash flows in the first half of 2009.

Consolidated statement of changes in shareholders' equity										
€ million	Equity attributable to shareholders							Subtotal	Minority interests	Total
	Share capital <sup>1</sup>	Share premium	Hedge reserve	Currency translation reserve	Revaluation reserve	Other reserves	Profit for the year			
<b>As at 1 January 2008</b>	<b>684</b>	<b>671</b>	<b>2</b>	<b>-4</b>	<b>-</b>	<b>3,429</b>	<b>875</b>	<b>5,657</b>	<b>1</b>	<b>5,658</b>
Movement in fair value cash flow hedges	-	-	318	-	-	-	-	318	-	318
Revaluation of assets available for sale	-	-	-	-	-13	-	-	-13	-	-13
Profit after taxation 2008	-	-	-	-	-	-	765	765	1	766
<b>Comprehensive income 2008</b>	<b>-</b>	<b>-</b>	<b>318</b>	<b>-</b>	<b>-13</b>	<b>-</b>	<b>765</b>	<b>1,070</b>	<b>1</b>	<b>1,071</b>
Reclassification	-	-	-	-	-	-	-	-	-	-
Dividend for 2007	-	-	-	-	-	-	-413	-413	-	-413
Profit appropriation 2007	-	-	-	-	-	462	-462	-	-	-
Additional dividend	-	-	-	-	-	-46	-	-46	-	-46
<b>As at 31 December 2008</b>	<b>684</b>	<b>671</b>	<b>320</b>	<b>-4</b>	<b>-13</b>	<b>3,845</b>	<b>765</b>	<b>6,268</b>	<b>2</b>	<b>6,270</b>
Unbundling of Nuon Energy as at 30 June 2009	-	-	-210	-1	-	-3,663	-226	-4,100	-2	-4,102
Movement in fair value cash flow hedges	-	-	-118	-	-	-	-	-118	-	-118
Currency translation differences	-	-	-	5	-	-	-	5	-	5
Revaluation of assets available for sale	-	-	-	-	3	-	-	3	-	3
Other movements	-	-	-	-	-	-1	-	-1	-	-1
Profit after taxation 2009	-	-	-	-	-	-	538	538	-	538
<b>Comprehensive income 2009</b>	<b>-</b>	<b>-</b>	<b>-118</b>	<b>5</b>	<b>3</b>	<b>-1</b>	<b>538</b>	<b>427</b>	<b>-</b>	<b>427</b>
Dividend for 2008	-	-	-	-	-	-	-350	-350	-	-350
Profit appropriation 2008	-	-	-	-	-	415	-415	-	-	-
<b>As at 31 December 2009</b>	<b>684</b>	<b>671</b>	<b>-8</b>	<b>-</b>	<b>-10</b>	<b>596</b>	<b>312</b>	<b>2,245</b>	<b>-</b>	<b>2,245</b>

<sup>1</sup> See note 10 for information on share capital.

# notes to the consolidated financial statements

## ACCOUNTING POLICIES

Alliander (formerly Nuon) is a public limited liability company, registered in Arnhem, the Netherlands. The principal activities of Alliander and its subsidiaries (hereafter referred to as 'Alliander', 'the Alliander Group', 'the group' or equivalent terms) are the management of electricity and gas grids in about one third of the Netherlands and the provision of related services.

The financial statements 2009 were signed by the Management Board and the Supervisory Board on 7 April 2010. The Supervisory Board will submit the financial statements for adoption by the General Meeting of Shareholders on 10 May 2010.

### Unbundling

On 30 June 2009, n.v. Nuon Energy was unbundled by means of a legal demerger and so all of n.v. Nuon Energy's relevant balance sheet items and equity components and result for the current year have been deconsolidated from Alliander's consolidated balance sheet from that date. The unbundling of the result of n.v. Nuon Energy for the first half of 2009 is connected with the fact that although financially the unbundling had retroactive effect to 1 January 2009, control was transferred on 30 June 2009 (legal demerger) and so for these financial statements all balance sheet amounts of n.v. Nuon Energy were demerged using the carrying amount at 30 June 2009 and not the carrying amount at 1 January 2009. This also explains the unbundling of the result for the first half of 2009 of n.v. Nuon Energy.

All amounts relating to equity components involved in the unbundling are presented in the statement of changes in the shareholders' equity. If applicable, the unbundled balance sheet items are disclosed in the separate statements of movements from note (1) in these financial statements. Note (32) on assets and liabilities held for sale and discontinued operations is also relevant.

### IFRS

Alliander's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') at 31 December 2009, as adopted by the European Union (EU). IFRS consists of the IFRS standards as well as the International Accounting

Standards issued by the International Accounting Standards Board (IASB) and the interpretations of IFRS and IAS standards issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee respectively.

The significant accounting policies used in the preparation of the consolidated financial statements are set out below. The historical cost convention applies. However, certain assets and liabilities, including derivatives, are measured at fair value. Unless stated otherwise, these accounting policies have been applied consistently to the financial years covered in these financial statements.

The preparation of financial statements requires the use of estimates and assumptions that are based on experience and that are appropriate in the opinion of management, given the specific circumstances. These estimates and assumptions have an impact on the valuation and presentation of the reported assets and liabilities, assets and liabilities that are not held in the balance sheet and the reported gains and losses during the financial year. The actual outcomes may differ from the estimates and assumptions used. Note [34] to the financial statements gives further information on these specific areas and items in the financial statements where estimates and assumptions are used.

Unless stated otherwise, all amounts reported in these financial statements are in millions of euros.

Change in consolidation: on 30 June 2009, n.v. Nuon Energy was unbundled from the parent company n.v. Nuon, whose name was changed to Alliander N.V. on the same date. The results of n.v. Nuon Energy are not consolidated anymore in Alliander's results since that date. In accordance with IFRS 5, Nuon Energy's results for the first half of 2009 and the full year 2008 are presented as 'Result after taxation from discontinued operations'.

At the end of November 2009, the Liandyn shares were transferred to Ziut B.V. Ziut B.V. is a joint venture, incorporated by Alliander and Enexis on 1 October 2009, in which Alliander has a 53% interest. In addition to the Liandyn transfer, the shares in Enexis Lighting were transferred to Ziut B.V. at the end of November 2009.

## New and/or changed IFRS standards applicable in 2009

The IASB and the IFRIC have issued new and/or changed standards and interpretations which are applicable to Alliander for the financial year 2009 and onwards. The standards and interpretations below have been endorsed by the European Commission.

IFRS 7 *'Financial Instruments: Disclosures'* has been amended so that more and better information is presented on measurement at fair value and the liquidity risk related to financial instruments. Measurement at fair value has to be in accordance with a fair value hierarchy. As the amendments only require further disclosures, they have no effect on earnings per share.

IFRS 8 *'Operating Segments'* (replaces IAS 14 *'Segment Reporting'*) is applicable to financial years starting on or after 1 January 2009 and addresses the manner in which segments must be defined in the financial statements. The standard also requires disclosures on the types of products and services provided by the company, the geographical areas in which it operates and its major customers. n.v. Nuon adopted IFRS 8 early, with effect from 1 January 2008. As a result of the loss of midstream and downstream operating segments following the unbundling, leaving the network company segment, it is not appropriate for Alliander to continue voluntary adoption of IFRS 8 (Alliander N.V. has no listed securities as a legal entity). Consequently, IFRS 8 has not been applied to the presentation of the segment information in the financial statements 2009.

IAS 1 *'Presentation of Financial Statements'* has been revised to achieve clearer presentation of financial information and, in particular, of income and expenses. Under the revised standard, all income and expenses are presented separately from changes in equity arising from transactions with owners. The standard gives the option of presenting income and expenses and changes in equity in a single comprehensive statement with subtotals, or in two separate statements. In addition, the revised standard prescribes the presentation of the opening balance sheet at the start of the comparative period.

IAS 23 *'Borrowing Costs'* has been amended and prescribes capitalisation of borrowing costs insofar as they can be directly attributed to the acquisition, production or construction of a qualifying asset. The option of recognising borrowing costs through the income statement has thus been removed. For Alliander, this entails the obligatory capitalisation of borrowing costs for all qualifying assets whose initial capitalisation date falls on or after 1 January 2009. This amendment does not have a material impact on Alliander.

IFRIC 16 *'Hedges of a Net Investment in a Foreign Operation'* provides guidance on several items:

- identifying foreign currency risks that qualify for classification as a hedged risk in the hedge of a net investment in a foreign operation;
- where hedging instruments that are hedges of a net investment in a foreign operation within a group can be held to qualify for hedge accounting; and
- how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

This interpretation does not currently affect Alliander as at the moment it does not use hedge accounting for hedged risks of net investments in foreign entities.

IFRIC 18 *'Transfers of Assets from Customers'* was published to clarify the differences in practice in accounting for transfers of assets from 'customers'. Alliander's treatment is in line with this interpretation.

The IASB *'Annual Improvements Process'* resulted in corrections and minor adjustments to a number of IFRS standards. These have (or will have) no material impact on Nuon and are therefore not mentioned separately here.

## Expected changes in accounting policies

In addition to the above-mentioned new and changed standards, the IASB and the IFRIC have issued new and/or changed standards and/or interpretations up to 2009 which will be applicable to Alliander from the financial year 2010 or later. These standards and interpretations can only be applied if adopted by the European Commission.

IFRS 1 *'First-time Adoption of IFRS'* was amended to include further exceptions on oil and gas assets and arrangements containing a lease. As it already applies IFRS, these amendments have no effect on Alliander.

IFRS 2 *'Group Cash-settled and Share-based Payment Transactions'* has been amended to incorporate IFRIC 8 *'Scope of IFRS 2'*, and IFRIC 11 *'IFRS 2 – Group and Treasury Share Transactions'* and further guidelines in IFRIC 11 on the classification of group arrangements. The new guidelines are not expected to have an impact on Alliander's financial statements.

IFRS 3 *'Business Combinations'* has been revised, incorporating a number of significant changes including accounting for the consideration from an acquisition, which must be recognised at fair value on the acquisition date, with contingent consideration being recorded as a liability and subsequent changes being recognised in

profit or loss. Acquirees may also recognise non-controlling interests in an acquired party at either the share of the non-controlling interest in the net assets or at fair value. The costs of acquisition must be recognised in the income statement. Alliander is applying the revised standard with effect from 1 January 2010.

In this connection, IAS 27 *'Consolidated and Separate Financial Statements'* has been amended, the most important amendment being that changes in the ownership interest that do not lead to a loss of control are recognised as equity transactions. The revised IFRS 3 and amended IAS 27 are being applied prospectively to business combinations for which the acquisition date falls on or after the start of financial year 2010.

IFRS 9 *'Financial Instruments'* is a new standard which introduces new requirements for classifying and measuring financial assets that must be applied from 1 January 2013, with early adoption permitted. It is expected that new requirements on classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting will be added to IFRS 9 during 2010 and so IFRS 9 may completely replace IAS 39 and IFRS 7. In early 2010 it was not known whether and how far the European Commission will adopt IFRS 9. The impact for Alliander has not been established.

IAS 24 *'Related Party Disclosures'* has been revised to clarify the definition of a related party and simplifies the disclosure requirements for entities over which a government has control or joint control or where the government holds an interest that gives significant influence. The revision applies from 1 January 2011.

The IASB *'Annual Improvements Process 2009'* resulted in corrections and minor adjustments to twelve IFRS standards, the majority of which apply from 1 January 2010. These have (or will have) no material impact on Alliander and are therefore not mentioned separately here.

IFRIC 14 *'The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, Prepayment of a minimum Funding Requirement'* has been amended to correct an unintended consequence of IFRS 14 that in certain circumstances prevents recognition of certain prepayments for the minimum funding requirement as an asset. The amendment, which applies from 1 January 2011, is not expected to have an impact on Alliander.

IFRIC 16 *'Hedges of a Net Investment in a Foreign Operation'* has been amended. The amendment states that in a hedge of a net investment in a foreign operation,

qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. This interpretation does not currently affect Alliander as at the moment it does not use hedge accounting for hedged risks of net investments in foreign entities.

IFRIC 17 *'Distributions of Non-cash Assets to Owners'* clarifies and gives guidance on the accounting treatment of distributions of non-cash assets to the owners of an entity. In connection with this, IFRS 5 includes the requirement that assets are only classified as held for distribution to the owners if the assets are available for immediate distribution and distribution is highly probable. IFRIC 17 applies from 1 January 2010 and is not expected to have a material impact on Alliander.

## **Basis of the consolidation**

### **Subsidiaries**

The consolidated financial statements comprise the financial data of Alliander and its subsidiaries. Subsidiaries are companies over which Alliander, either directly or indirectly, has the power to govern operations and financial policies so as to obtain benefits from its activities. In order to ascertain whether or not Alliander has control, actual and potential voting rights that are currently exercisable or convertible are taken into account, along with the existence of other agreements enabling Alliander to control operations and financial policies.

The assets, liabilities and results from subsidiaries are fully consolidated. The results of consolidated subsidiaries that have been acquired during the year are consolidated from the date Alliander obtains control over these subsidiaries. Consolidation of subsidiaries ceases from the date Alliander no longer controls the subsidiary.

The interests of third parties in shareholders' equity and the group's profit after taxation are presented separately as minority interests and profit after taxation attributable to minority interests. The minority interests item in the balance sheet consists of the share of minority interests in the fair value of the identified assets and liabilities of subsidiaries on the date of acquisition and the share of minority interests in the movements in shareholders' equity as of that date. The purchase method is applied in the case of an acquisition of a subsidiary by the Alliander Group. The purchase price of an acquisition consists of the fair value of the assets transferred, the equity instruments that were issued and the assumed or acquired liabilities, and the costs that are directly

attributable to the acquisition. The identifiable assets and liabilities and contingent liabilities that are acquired are initially measured at fair value at the date of acquisition, irrespective of the amount that is attributable to minority interests (see also the accounting policies for goodwill).

Intercompany transactions, balance sheet items and unrealised gains on transactions between subsidiaries are eliminated. Unrealised losses are also eliminated, unless the transaction gives rise to the recognition of impairment charges.

If appropriate, the accounting policies of subsidiaries are adjusted to ensure the consistent application of accounting policies throughout the Alliander Group.

#### **Accounting policies for the company financial statements**

Alliander uses the option in Part 9, Book 2 of the Netherlands Civil Code to prepare the company financial statements in accordance with the IFRS accounting policies that are used in the preparation of the consolidated financial statements. The company income statement is presented in abridged form, as permitted by Section 402, Part 9, Book 2 of the Netherlands Civil Code.

#### **Associates and joint ventures**

Associates are entities where Alliander, directly or indirectly, exercises significant influence, but not control, over the financial and operational policies. Significant influence is assumed when Alliander can exercise between 20% and 50% of the voting rights. The financial statements include a list of the principal associates and joint ventures.

Joint ventures are agreements by which Alliander, together with one or more parties, conducts activities that are controlled jointly by all parties involved.

Investments in associates and interests in joint ventures are measured using the equity method. Initial measurement is at historical cost. The carrying amount of the associate or the joint venture includes the goodwill (less any accumulated impairment) paid at the date of acquisition of the associate or entering into the joint venture and Alliander's share in the movements in the equity of the associate or joint venture after the date of the transaction. If the accumulated losses exceed the carrying amount, these losses are not recognised unless Alliander has the obligation or has made payments to make up these losses. In this case, a provision is recognised as a charge against income.

Unrealised gains on transactions between the Alliander Group and its associates/joint ventures are eliminated in proportion to the Group's interest in the associate or joint venture. Unrealised losses are also eliminated, unless the transaction gives rise to the recognition of impairment losses. If appropriate, the accounting policies of associates and joint ventures are adjusted to ensure the consistent application of accounting policies throughout the Alliander Group.

#### **Scope of the consolidation**

The financial statements include a list of the principal subsidiaries, associates and joint ventures. A list of information on the equity interests has been filed with the Arnhem Trade Register pursuant to Sections 379 and 414, Part 9, Book 2 of the Netherlands Civil Code.

n.v. Nuon Energy was unbundled from n.v. Nuon, now Alliander N.V., on 30 June 2009. On 1 October 2009, Alliander and Enexis incorporated a joint venture, Ziut B.V., in which Alliander has an interest of 53%. In this context, Alliander transferred the shares in Liandyn B.V. to Ziut B.V. at the end of November.

#### **Foreign currency translation**

##### **Functional and presentation currency**

The items in the financial statements of the entities forming part of the Alliander Group are recorded in the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are prepared in euros, Alliander's functional and presentation currency.

##### **Translation of transactions and balance sheet items denominated in foreign currency**

Transactions denominated in foreign currency are translated into the functional currency at the exchange rates prevailing at that time. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates at the balance sheet date. Currency translation differences resulting from the settlement of transactions denominated in foreign currency or the translation at the balance sheet date are recognised in the income statement, unless these exchange gains or losses are recognised directly through the total result as cash flow hedges or net investment hedges in a foreign entity. Currency translation differences on financial assets and liabilities measured at fair value through profit or loss are accounted for as part of the movement in the fair value of the item involved.



### **Translation differences regarding the balance sheets and results of foreign subsidiaries**

The assets and liabilities of subsidiaries whose functional currency is not the euro are translated at the exchange rate at the balance sheet date, whereas the results are translated at the average exchange rate for the period. The resulting exchange rate differences are recognised as currency translation differences in comprehensive income.

Foreign currency exchange differences resulting from the translation of net investments in foreign entities, loans and other foreign-currency instruments that are used as hedges of net investments are recognised through the total result. If a foreign entity is sold, the corresponding exchange differences are recognised through profit or loss as part of the result on the sale.

Goodwill resulting from the acquisition of a foreign entity is regarded as an asset of the foreign entity and is translated at the exchange rate at the balance sheet date.

### **Impairment**

Goodwill is tested annually for impairment by comparing the recoverable amount to the carrying amount.

Impairment charges (being the difference between the carrying amount and the recoverable amount) are recognised in the income statement. Whenever certain events or changes in circumstances trigger this, an impairment test is performed in order to determine whether or not the value of property, plant and equipment, intangible assets and financial assets has been impaired. Each year and when interim results are published, a test is carried out to establish whether such events or changes have occurred.

Assets are allocated to the lowest possible level at which these generate separately identifiable cash flows (cash-generating units). Goodwill is allocated to a level that is consistent with the manner in which goodwill is internally reviewed by management. Impairments of cash-generating units are initially allocated to the goodwill of these cash-generating units (or group of cash-generating units) and are subsequently allocated proportionately to the carrying amount of the other assets of the cash-generating unit.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In measuring the value in use, the estimated future cash flows are discounted at a pre-tax discount rate. The discount rate reflects the time value of money and the specific risks that are associated with the assets involved. If certain assets do not generate cash flows independently, the value in use

is measured for the cash-generating unit to which the asset involved belongs.

If a previously recognised impairment ceases to exist, it is only reversed to the original carrying amount less regular depreciation and amortisation until the date of reversal. Impairments of goodwill are not reversed.

### **Assets held for sale and discontinued operations**

Non-current assets and assets forming part of individually significant activities that are held for sale, and the associated liabilities, are presented separately in the balance sheet. Assets are designated as such if Alliander has committed itself to the sale of the asset involved, if the sales process has started and if the sale is expected to occur within one year after the asset is classified as held for sale. These assets are no longer depreciated, but are recognised at fair value less costs to sell if this amount is lower than the carrying amount. If the sale has not taken place within one year, the asset and associated liabilities are no longer presented separately in the balance sheet, unless the failure to meet the one-year time limit is due to events or circumstances beyond Alliander's control and Alliander still intends to sell the asset in question.

Assets held for sale and the associated liabilities are presented as such in the balance sheet from the time that they are designated as held for sale. The comparative figures in the balance sheet are not restated. The results from discontinued operations consist of the results for the full financial year until the date of closure, irrespective of the date when the activities were classified as held for sale. The comparative figures are also restated in this respect.

### **Property, plant and equipment**

Property, plant and equipment is subdivided into the following categories:

- Land and buildings;
- Power generation facilities;
- Networks;
- Other plant and equipment;
- Assets under construction/prepaid assets.

Property, plant and equipment is measured at historical cost, less accumulated depreciation and impairment. On the transition to IFRS on 1 January 2004, Alliander decided to use the option in IFRS 1 'First-time Adoption of International Financial Reporting Standards' to value networks and power generating equipment at their deemed cost on that date.

Historical cost includes all expenditure directly attributable to the purchase of an item of property, plant and

equipment or the production of an item of property, plant and equipment for own use. The cost of production for the company's own use includes the direct costs of materials used, labour and other direct production costs attributable to the production of the item of property, plant and equipment and the costs required to bring it into its current operational condition.

The costs of loans associated with the purchase of an item of property, plant and equipment or assets under construction are capitalised insofar as they can be directly attributed to the acquisition, production or construction of a qualifying asset. The option of recognising borrowing costs through the income statement has thus been removed. For Alliander, this entails the obligatory capitalisation of interest costs for all qualifying assets whose initial capitalisation date falls on or after 1 January 2009.

Costs incurred after the date on which an item of property, plant and equipment has been taken into use are only capitalised if it can be assumed that these costs will generate future economic benefits and of they can be measured reliably. Depending on the circumstances, these costs form part of the carrying amount of the asset involved or are capitalised separately. The carrying amount of the original asset is derecognised on replacement. Maintenance expenditure is charged directly to the income statement in the year these costs are incurred.

Historical cost also includes the net present value of the estimated dismantling and removal costs and, if applicable, the costs of restoring the site to its original condition insofar as there is a legal or constructive obligation to do so. These costs are capitalised at the time of acquisition or at a later date when the obligation arises. In both cases, the capitalised costs are depreciated over the expected remaining useful life of the asset concerned.

With the exception of the gas fields and platforms category recognised as other plant and equipment until 30 June 2009, property, plant and equipment is depreciated using the straight-line method over the expected useful lives of the various components of the asset concerned, taking account of the expected residual value. Gas fields and platforms are depreciated on the basis of the 'unit of production' method. The basis for depreciation is the expected remaining production volume and is determined annually on the basis of recognised industry practice. New discoveries during extraction activities can also cause interim changes in the expected remaining production volume. The depreciation amount per unit is thus adjusted for the coming period to the new expected remaining production volume.

The useful lives of the asset categories are as follows:

- Land is not depreciated;
- Buildings: 20-50 years;
- Power-generation facilities: 20-35 years;
- Networks: 5-60 years;
- Gas fields and platforms: determined annually on the basis of the expected remaining production volume;
- Other plant and equipment: 3-63 years;
- Assets under construction are not depreciated.

The majority of assets with a short useful life (5 years) that form part of the networks are electronics. The networks themselves (mains and cables) generally have a useful life of 40 to 60 years. The expected useful lives, residual values and depreciation methods are reviewed annually and adjusted as necessary. Gains or losses on disposal are determined from the sales proceeds and the carrying amount on the date of disposal. Gains are recognised in other income.

## **Intangible assets**

### **Goodwill**

Goodwill is the amount by which the purchase price exceeds the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries or associates acquired. Goodwill paid on the acquisition of subsidiaries is classified under intangible assets. Goodwill paid on the acquisition of associates is part of the value of the associate involved. If the purchase price is lower than the fair value of the identifiable assets, liabilities and contingent liabilities (negative goodwill), this difference is recognised directly through the income statement.

The carrying amount of goodwill consists of historical cost less accumulated impairment. Impairment tests are performed annually in order to determine whether the value of the goodwill has been impaired. On the disposal of entities or cash generating units, the goodwill attributable to the entity or unit is taken into account in determining the result on disposal.

### **Exploration and evaluation assets**

Alliander recognised exploration and evaluation assets on its balance sheet through its former subsidiary, n.v. Nuon Energy, until 30 June 2009. Exploration and evaluation assets are the capitalised costs relating to the exploration for and evaluation of gas reserves. Costs that may be eligible for capitalisation include exploration rights, geological and other studies, and exploration drillings in relation to either prospective or possible reserves under evaluation, or prospective deposit sites. Costs that are not eligible for capitalisation are those incurred before the acquisition of exploration rights and other general costs that are not related to a specific

exploration well. Exploration and evaluation assets are measured at cost less accumulated impairments. Exploration and evaluation assets are not amortised.

Alliander applies the 'successful efforts' method to exploration and evaluation expenditures. This entails that when a specific well is designated as technically feasible and economically viable and a management decision to develop the site has been taken or will be taken within a year in conformity with the most recent business plan, the capitalised costs are reclassified from intangible assets to property, plant and equipment – assets under construction. A well that does not satisfy these criteria is designated as unsuccessful and any costs already capitalised are recognised as impairment through the income statement.

### **Concessions, permits and licences**

Concessions, permits and licences were recognised in the balance sheet until 30 June 2009 (date of unbundling n.v. Nuon Energy) and measured at historical cost less accumulated amortisation and accumulated impairments. These assets are amortised over their estimated useful life, using the straight-line method. The term of the concessions, permits and licences is used as the useful life.

### **CO<sub>2</sub> emission rights**

CO<sub>2</sub> emission rights were recognised in the balance sheet until 30 June 2009 (date of unbundling n.v. Nuon Energy) distinguishing between emission rights designated for own use, necessary to cover the number of rights required for actual CO<sub>2</sub> emissions, and emission rights held for trading.

Emission rights designated for own use and granted by the government are measured at nil, as they were granted at zero cost. Purchased emission rights designated for own use are measured at cost. When actual CO<sub>2</sub> emissions exceed the amount of CO<sub>2</sub> emission rights available, a liability for the deficit is recognised through the income statement, measured at the expected market price of the emission rights that have to be purchased.

The trading position in emission rights is accounted for at market prices and any changes are recognised directly through the income statement. The ability to convert Certified Emission Rights (CERs) into European emission rights is taken into account in the trade position in CERs.

### **Financial assets**

Financial assets – mostly investments in loans and shares – are divided into the following categories. Financial assets are classified as current if the remaining

maturity is less than 12 months at the balance sheet date. They are classified as non-current if the remaining maturity is longer than 12 months. Measurement depends on the classification of the financial asset.

### **Loans and receivables**

Loans and receivables are primary financial instruments with fixed or floating payments that are not listed in active markets. Initial measurement of these loans and receivables is at fair value, generally being the cost of the financial assets. Loans and receivables are subsequently measured at amortised cost using the effective interest method.

If the fair value of these financial assets has been hedged, the amortised cost is adjusted for the gain or loss attributable to the hedged risk. These adjustments are recognised in the income statement.

### **Financial assets available for sale**

Financial assets available for sale are measured at fair value on initial recognition and for the period that the asset is held. Changes in fair value are recognised through equity. When these assets are sold, the accumulated changes in value recognised through equity are recognised in the income statement. Interest income is recognised in the income statement in the period to which it is attributable. Investments in shares or other equity instruments not listed on an active market and whose fair value cannot be estimated reliably are recognised at cost subsequent to initial recognition.

### **Derivatives and hedge accounting**

Derivatives are valued at fair value. The fair values are derived from market prices that are listed in active markets, or by using comparable recent market transactions or valuation methods, e.g. discounted cash flow models and option pricing models if there is no active market.

Derivatives are classified as current or non-current assets if the fair value is positive and as short-term or long-term liabilities if the fair value is negative. Derivative receivables and payables with the same counterparty are netted if there is a contractual or legal right to do so and Alliander has the intention to settle the transactions net.

### **Accounting for movements in fair value of derivatives**

The accounting treatment for the movements in fair value of derivatives depends on whether the derivative is designated as held for trading or as a hedge (and recognised as such for accounting purposes in an effective hedge), and if the latter is the case, the risk that is being hedged.

In principle, all movements in fair value of derivatives are recognised in the income statement and until 30 June 2009 (date of unbundling n.v. Nuon Energy) all energy commodity contracts (oil, gas, coal, electricity, CO<sub>2</sub> emission rights and the related foreign currency exposures) were treated as derivatives. There are two exceptions to the general principle that movements in fair value are to be recognised in the income statement:

- commodity contracts designated for own use;
- hedge accounting.

#### *Commodity contracts designated for own use*

Alliander uses energy commodity contracts for physical purchases of oil, coal, gas and electricity for the production, sale and purchase of energy. Accrual accounting is applied for these contracts and transactions are recognised at the delivery date at the then applicable prices. Contracts are designated as own-use contracts, as contracts for trading or as hedges at the date on which they are entered into.

#### *Hedges*

Alliander uses derivatives to hedge foreign exchange risks on assets and liabilities, interest rate risks on long-term loans and price risks arising from energy commodity contracts. These hedge transactions can be divided into three categories:

- Fair value hedges: these hedge transactions hedge the risk of movements in the fair value of assets and/or liabilities, or a part thereof, held in the balance sheet, or firm commitments, or a part thereof, that may affect profit or loss. A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates. Fair value movements of derivatives that are designated as fair value hedges are recognised in the income statement, together with the movements in the fair value of the assets or liabilities or groups thereof, that are attributable to the hedged risk.
- Cash flow hedges: these hedge transactions hedge the risk of movements in future cash flows that may affect profit or loss. The hedges are attributable to a specific risk that is related to a balance sheet item or a future transaction that is highly probable. The effective part of the changes in the fair value of the hedge is recognised in shareholders' equity under the hedge reserves. The non-effective part is taken to the income statement. The accumulated amounts recognised through shareholders' equity are recognised through the income statement in the period in which the hedged transaction is recognised in the income statement. However, if a forecast transaction that is hedged leads to the recognition of a non-financial asset or liability,

the accumulated value movements of the hedges are included in the initial measurement of the asset or liability involved. If a hedge ceases to exist or is sold, or when the criteria for hedge accounting are no longer being met, the accumulated fair value movements are held in equity until the forecast transaction is recognised in the income statement. If a forecast transaction is no longer expected to occur, the accumulated fair value movements that were recognised in shareholders' equity are recognised through the income statement.

- Hedges of a net investment in a foreign operation: these hedging instruments hedge the risk of movements in the value of net investments in a foreign operation whose functional currency is not the euro, resulting from movements in foreign exchange rates. If the hedge is effective, the fair value movement of the hedge is recognised in the currency translation reserve in shareholders' equity. If this is not the case, the fair value movements are recognised through the income statement. On the disposal of a foreign entity, the accumulated exchange rate differences of the hedge that were recognised in shareholders' equity are recognised through the income statement.

#### **Leases where Alliander acts as lessor**

##### **Finance leases**

Alliander has concluded a number of leases for energy-related installations. If substantially all risks and rewards incidental to ownership of the assets have effectively been transferred to the lessee, the lease is recognised as a finance lease. The net present value of the lease payments, together with the residual value, if appropriate, is recognised in the balance sheet as the carrying amount of the lease receivable. The estimated residual values used in the determination of Alliander's gross investment that are not guaranteed by parties other than the lessee are reviewed periodically. If the residual value is expected to be lower, the decrease of the finance lease receivables is charged directly to income. The lease instalments received are treated as repayments of and interest payments on Alliander's investment in the lease. The interest income reflects the effective interest on Alliander's net investment. The carrying amount of Alliander's investments in finance leases is recognised as other financial assets.

##### **Operating leases**

In addition to finance leases, Alliander has entered into operating leases for heating networks, energy-related installations and office space. Operating leases are leases that are not designated as finance leases and where the risks and rewards incidental to ownership of these assets have not, or not substantially, been transferred to the lessee.

The assets that are leased to third parties under operating leases are classified as property, plant and equipment. The proceeds from operating leases are recognised through profit or loss as operating income over the lease term.

### **Inventories**

Inventories, except for coal inventories (held until 30 June 2009), are measured at the lower of cost and net realisable value. These inventories consist of raw materials and consumables, inventories in process of production and finished goods. The cost of inventories is determined using the FIFO (first-in, first-out) method. Net realisable value is measured using the estimated sales price in normal operating circumstances, less the estimated costs to sell. Coal inventories are measured at fair value less costs to sell, as these inventories form part of the trading position in this type of commodity. Movements in the fair value of the coal inventories are recognised in the result in the period in which the movement takes place.

### **Trade and other receivables**

Trade and other receivables are initially measured at fair value and subsequently at amortised cost less impairments. Due to the usually short term of these receivables, the fair value and amortised cost are generally equal to face value. Impairments are recognised through the income statement when it can be determined objectively that an amount is not collectible.

### **Cash and cash equivalents**

Cash and cash equivalents comprise all liquid financial instruments with a maturity date at inception of less than three months. Cash and cash equivalents include cash in hand, bank accounts, call money and short-term deposits. Overdrafts are only classified as cash and cash equivalents if Alliander has the right to net the overdrafts and credit amounts, the overdraft and credit amount are held with the same bank and Alliander has the intention to and actually exercises this right.

Cash and cash equivalents are measured at fair value on initial recognition and subsequently at amortised cost, which in general equals the nominal value. Cash and cash equivalents also include cash and cash equivalents to which Alliander does not have free access. Amounts owed to credit institutions are recognised as interest-bearing debt.

### **Interest-bearing debt**

Interest-bearing debt consists primarily of loans and is initially measured in the balance sheet at the fair value of the consideration receivable, less transaction costs. With

the exception of derivatives, it is subsequently measured at amortised cost. Where the interest-bearing debt is hedged by means of a fair value hedging instrument, the amortised cost of the interest-bearing debt is adjusted for the movement in fair value attributable to the hedged risk. These adjustments are recognised in the income statement.

### **Leases where Alliander acts as lessee**

#### **Finance leases**

Alliander has concluded a number of leases for ICT assets. If substantially all risks and rewards incidental to ownership are transferred to Alliander, the lease is recognised as a finance lease and an asset and a liability are recognised in the balance sheet at the lower of fair value and the net present value of the future lease payments when the lease is entered into. The asset is depreciated over the shorter of the useful life of the asset and the term of the lease contract. Consequently, the lease instalments are treated as the repayment of principal and interest to the counterparty (lessor). The interest expenses reflect the effective interest on the investment made by the lessor.

The assets that Alliander holds under finance leases are classified under the item property, plant and equipment. The corresponding lease obligations are recognised as long-term and short-term liabilities, depending on whether the lease instalments are due within or after 12 months of the balance sheet date.

#### **Operating leases**

Operating leases are leases that are not classified as finance leases, and where the risks and rewards incidental to ownership of the assets have not, or not substantially, been transferred to the lessee.

The cost of operating leases is recognised through profit or loss.

### **Construction contributions, government and investment grants**

#### **Construction contributions**

Construction contributions and payments received from customers, property developers and local and regional governmental bodies for the costs incurred for the electricity and gas infrastructure of new housing projects and industrial estates are recognised as deferred income in the balance sheet. Deferred income is amortised over the expected useful lives of the assets involved. The amortisation is recognised through profit and loss as other income.

## Government and investment grants

Government and investment grants are recognised if there is reasonable certainty that the criteria for receiving the grant are or will be met, and that the grant will be received. Grants received for capital expenditure on property, plant and equipment are reported as deferred income in the balance sheet and are amortised over the expected useful lives of the assets involved through profit and loss as other income.

Government grants and operating subsidies that do not relate to capital expenditure on property, plant and equipment or other non-current assets are taken to income when the associated costs are incurred.

## Taxation

Deferred tax assets and liabilities that arise from temporary differences between the carrying amount in the financial statements and the carrying amount for tax purposes are determined using the corporate income tax rates that are currently applicable or will be applicable, under current legislation, at the time of settlement of the deferred tax asset or liability. Deferred tax assets, arising, for example, from operating losses, are only recognised if it is probable that sufficient future taxable profits will be available. Deferred tax assets and liabilities are only set off if Alliander has a legal right to offset and the assets and liabilities relate to taxes that are levied by the same tax authority or governmental body. Deferred tax assets and liabilities are measured at nominal (i.e. undiscounted) value.

The corporate income tax charge is determined using the applicable rates for corporate income taxes and are recognised at nominal value. Permanent differences between the results for tax purposes and financial reporting purposes and the ability to utilise tax losses carried forward are taken into account if deferred tax assets have not been recognised for these tax losses.

## Provisions for employee benefits

### Multi-employer plans

Alliander has a number of defined benefit plans and defined contribution plans for which contributions are generally paid to pension funds or insurance companies. The most significant pension plans have been transferred to the ABP and Metaal en Techniek pension funds. These plans can be characterised as multi-employer plans. Although the pension plans offered by these funds are, in fact, defined benefit plans both plans are treated as defined contribution plans as Alliander does not have access to the required information and its participation in the multi-employer plans exposes it to actuarial risks that relate to the present and former employees of other

entities. The pension contributions paid during the financial year are accounted for as pension costs in the financial statements. Where there is a contractual agreement for a multi-employer plan that specifies how a surplus is distributed to the participants or a deficit is to be financed and where the plan is accounted for as a defined contribution plan, a receivable or liability arising from the agreement is recognised in the balance sheet. The resulting gains or losses are recognised in the income statement. The pensions of the majority of Alliander's workforce are managed by the ABP pension fund and do not have such contractual agreements. As a result, no receivable or liability has been recognised in the balance sheet.

### Pensions and other post-employment benefits

Pensions and other post-employment benefits includes, amongst others, the medical benefits scheme for retired employees. This scheme has not been transferred to an external insurance company or pension fund.

The amount recognised as a liability in the balance sheet for medical and other post-employment benefits consists of the following components:

- the present value of the gross liability for the defined medical benefit obligation; plus or minus
- actuarial gains and losses; minus
- any past service costs not yet recognised at the balance sheet date.

These components are computed actuarially.

The present value of the defined medical benefit obligation is determined using the projected unit credit method which takes into account the accrued entitlements at the balance sheet date and changes in the entitlements. The costs for the medical benefits attributable to the year of service and the accretion of interest to the provision are reported under the item employee compensation and benefit expenses in the income statement.

### Other long-term employee benefits

Other long-term employee benefits include plans, other than pension plans, in which payment does not occur within 12 months after the end of the period in which the employees render the related service. These plans consist of long-term sickness benefits, long-service benefits, payments on reaching retirement age and disability benefits for former employees, conditional bonuses and additional annual leave for older employees. These obligations have not been transferred to pension funds or insurance companies.

The obligation for other long-term employee benefits in the balance sheet consists of the net present value of the

vested benefits. If appropriate, estimates are made of future salary rises, employee turnover and similar factors. These factors form part of the calculation of the provision. Changes in the provision resulting from changes in actuarial assumptions and benefits are taken directly to the income statement.

The service costs attributable to the year of service and the accretion of interest to the provision are reported under the item employee compensation and benefit expenses in the income statement.

#### **Termination benefits/restructuring**

Termination benefits are benefits resulting from a decision by Alliander to terminate the employment contract before the retirement date, or the voluntary decision of an employee to agree to the termination of the employment contract. The nature and amount of the termination benefits are laid down in the Social Plan. The Social Plan is renegotiated periodically.

A provision is only recognised if Alliander has drawn up a detailed restructuring plan which has been approved and communicated and it is not probable that the plan will be withdrawn at a later date.

The provision is measured at the fair value of the obligation. If the payment is expected to occur more than 12 months after the balance sheet date, the provision is stated at net present value.

#### **Other provisions**

Provisions are recognised when:

- There is a legal and/or constructive obligation at the balance sheet date arising from events that occurred before the balance sheet date;
- It can be reasonably assumed that there will be an outflow of economic resources in order to settle the obligation;
- The obligation can be reliably estimated.

Provisions are measured at the nominal value of the amounts deemed necessary to settle the obligation, unless the time value of money is significant. In that case, the provision is stated at net present value.

#### **Trade and other payables**

Trade and other payables are initially measured at fair value and subsequently at amortised cost. Due to the usually short term of these payables, the fair value and amortised cost are generally equal to the nominal value.

#### **Revenue recognition**

Net turnover is recognised at the fair value of the transaction in the period in which the supply of goods and

services takes place. In addition, turnover is only recognised when the risks and rewards of ownership have been transferred to the customer, it is probable that the economic benefits will flow to Alliander and the proceeds can be measured reliably.

#### **Net turnover and other operating income**

This income comprises:

- Regulated revenue – transport of electricity and gas; until 2008, revenue from the transport of electricity and gas to customers through Liander's network had fixed-price and variable components. Since 2009 there has only been a fixed-price component, the capacity charge, irrespective of the volume delivered. Until 2009, there was a variable component related to the volume supplied. Estimates are made of revenue to be billed for the provision of services in the retail market for the period from the annual bill to the balance sheet date. The estimates are based on customer categories and usage profiles. Usage-dependent indicators such as the weather are also taken into account.
- Free domain revenue is revenue from free domain activities such as metering services, standing charges for gas and other connections, transformer rentals and the construction and maintenance of complex energy infrastructures.

#### **Other operating income**

Other operating income consists, amongst others, of the following items:

- Amortisation of construction contributions, government and investment grants: please refer to the accounting policies for this item;
- Result on the disposal of plant, property and equipment: this relates to the net proceeds from the disposal and the carrying amount of the disposed asset. Gains and losses from the disposal of assets are presented as a net amount.

#### **Purchasing costs and costs of subcontracted work**

This includes the purchase costs of grid losses for electricity activities, including the expected effects of reconciliation, transport capacity and transport restrictions and compensations. It also includes the costs of raw materials, consumables and supplies used for the supply of goods and services and the cost of subcontracted work such as invoicing and collection and engagement of subcontractors.

#### **Own work capitalised**

This item includes the costs of Alliander staff incurred on capital expenditure projects.

### **Financial income**

This item consists of the interest income on financial interest-bearing assets being loans, receivables, call money and deposits, measured using the effective interest method, and income from foreign currency results and movements in the fair value of interest rate derivatives.

### **Financial expenses**

This item consists of the following:

- Interest expenses: this includes the interest expenses on interest-bearing liabilities, measured using the effective interest method. Interest-bearing liabilities consists of loans, liabilities under the Euro Medium Term Notes programme, subordinated and green loans and commercial paper. The costs of financing such as charges for letters of credit, commitment fees, etc. are also reported under this item;
- Foreign exchange differences: foreign exchange differences arising from the translation of transactions denominated in foreign currencies, financial assets and liabilities and derivatives in foreign currencies, except for the results of cash flow hedges, which are initially recognised in shareholders' equity.
- Fair value movements of interest rate derivatives that are used as fair value hedges, and the corresponding adjustment of the amortised cost of hedged financial assets and liabilities for the movement in the value of the hedged risk.
- Results on terminating cross-border leases or other financing contracts.

### **Policies for the consolidated cash flow statement**

The cash flow statement is prepared using the indirect method. The movement in cash and cash equivalents is derived from profit after taxation according to the income statement. Exchange rate differences are eliminated insofar as they did not lead to cash flows. The financial consequences of the acquisition or sale of associates and subsidiaries are shown separately in the cash flow from investing activities. As a result, the cash flows presented do not reconcile with the changes in the consolidated balance sheets.

The definition of cash and cash equivalents in the cash flow statement is the same as used in the balance sheet.

Assets and liabilities held for sale are disclosed in note [32].



## NOTE 1 | PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment							
€ million	Land and buildings	Power stations	Networks	Gas fields and platforms	Other plant and equipment	Assets under construction	Total
<b>As at 1 January 2008</b>							
Historical cost	310	1,245	7,989	-	1,480	268	11,292
Accumulated depreciation and impairments	-157	-510	-3,594	-	-959	-	-5,220
<b>Carrying amount as at 1 January 2008</b>	<b>153</b>	<b>735</b>	<b>4,395</b>	<b>-</b>	<b>521</b>	<b>268</b>	<b>6,072</b>
<b>Movements 2008</b>							
Capital expenditure	2	-	305	3	99	531	940
New consolidations	-	-	-	339	32	228	599
Divestments	-6	-	-	-	-11	-	-17
Depreciation	-8	-65	-182	-57	-100	-	-412
Impairments	-	-8	-1	-	-	-	-9
Reversal of impairments	-	4	3	-	3	-	10
Transfer to assets held for sale	-	-	-243	-	-	-	-243
Transfers and other movements	21	58	7	-	27	-84	29
<b>Total</b>	<b>9</b>	<b>-11</b>	<b>-111</b>	<b>285</b>	<b>50</b>	<b>675</b>	<b>897</b>
<b>As at 31 December 2008</b>							
Historical cost	304	1,245	7,737	342	1,611	943	12,182
Accumulated depreciation and impairments	-142	-521	-3,453	-57	-1,040	-	-5,213
Carrying amount as at 31 December 2008	162	724	4,284	285	571	943	6,969
<b>Movements 2009</b>							
Capital expenditure	1	-	5	1	58	572	637
Deconsolidations	-64	-707	-246	-378	-386	-823	-2,604
Divestments	-	-	-22	-	-36	-13	-71
Depreciation	-6	-33	-153	-52	-69	-	-313
Transfers and other movements	21	16	257	144	71	-488	21
<b>Total</b>	<b>-48</b>	<b>-724</b>	<b>-159</b>	<b>-285</b>	<b>-362</b>	<b>-752</b>	<b>-2,330</b>
<b>As at 31 December 2009</b>							
Historical cost	212	-	7,557	-	779	191	8,739
Accumulated depreciation and impairments	-98	-	-3,432	-	-571	-	-4,101
<b>Carrying amount as at 31 December 2009</b>	<b>114</b>	<b>-</b>	<b>4,125</b>	<b>-</b>	<b>208</b>	<b>191</b>	<b>4,638</b>

### Capital expenditure

Capital expenditure on property, plant and equipment totalled € 637 million (2008: € 940 million). The table below shows capital expenditure by the network

company (Alliander N.V.) and the production and supply company (n.v. Nuon Energy) separately.

Capital expenditure		
€ million	2009	2008
Network company	397	363
Production and supply company	240	577
<b>Total</b>	<b>637</b>	<b>940</b>

## Deconsolidations

On 30 June 2009, n.v. Nuon Energy was unbundled from n.v. Nuon (now Alliander N.V.). The transfer of the Liandyn B.V. shares to Ziut B.V. at the end of November had a modest impact.

## Divestments

Divestments in 2009 related to decommissioning network assets, other plant and equipment and sales of buildings.

## Impairments and reversals of impairments

There were no impairments in 2009. In 2008, a net amount of € 1 million was recognised for reversal of impairments, consisting of an impairment charge of € 9 million offset by reversals of previously recognised impairments totalling € 10 million. The impairments related only to the production and supply company.

In order to determine impairments, impairment tests were carried out on the assets concerned at the year end. In virtually all cases, the assets' value in use was taken as the basis for determining the recoverable amount. To this end, the present value of projected future cash flows relating to the assets, based on the most recent business plans, was calculated and compared with the carrying amount. When calculating the value in use, Alliander uses discount rates that take into account the risk profile of the assets. In the financial year 2009, Alliander used pre-tax discount rates of 7.4% for network activities and 8.7% for free domain activities. In 2008, the discount rates were 7.4% for network activities, 9.7% for free domain activities and 9.9% for production.

## Reclassification to non-current assets held for sale

The reclassification to non-current assets held for sale in 2008 related to the 110 kV and higher voltage grids in connection with the transfer to the national network manager, TenneT. This transaction was carried out at the end of May 2009.

## Value of assets held under finance leases

The value of assets held under finance leases was nil at year-end 2009 (2008: € 39 million) and is classified as other plant and equipment. These finance leases relate to property, plant and equipment for the production of renewable energy, such as wind farms, solar energy generating plants and biomass. In the context of the unbundling of n.v. Nuon Energy on 30 June 2009, these assets were no longer recognised in the balance sheet at 31 December 2009.

## Cross-border lease transactions

In the period 1998 to 2000, subsidiaries of Alliander N.V.

entered into US cross-border leases for networks, including LILLO (lease in lease out) and SILO (sale in lease out) transactions. The six transactions currently remaining relate to gas networks in the provinces of Friesland, Gelderland, Flevoland, Noord-Holland, Zuid-Holland and Utrecht, district heating networks in Almere and Duiven/Westervoort and the electricity network in the Randmeren region. As a party to the relevant agreements, Alliander N.V. is a guarantor in five of these transactions. Alliander N.V. also filed '403 declarations', which comprise a statement of liability, for the relevant subsidiaries. The networks have been leased for a long period to US parties (head lease), which, in turn, have 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. Securities in the form of mortgage and pledge rights has been granted on parts of the grids within the framework of the obligation entered into.

The total net carrying amount of the assets placed within cross-border leases was € 1.0 billion in 2009 (2008: € 0.9 billion). At the end of 2009, a total of USD 3.6 billion (2008: USD 3.8 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 these assets 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 has powers of disposal are recognised in the financial assets. The associated lease obligations are recognised in finance lease payables.

At the end of 2009 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 totalled USD 691 million (2008: USD 603 million). To cover the equity part of the strip risk, amounting to USD 518 million at the end of 2009 (2008: USD 378 million), Alliander has provided the investors involved with security in the form of letters of credit for an amount of USD 312 million (2008: USD 349 million) in various transactions. The number and size of the letters of credit to be issued depend partly on Alliander's credit rating. In the context

of some of the letter of credit facilities, a pledge has been established in favour of the banks concerned on the cash deposits held at those banks for a total of USD 42 million at the end of 2009 (2008: USD 79 million).

In late 2009 agreement was reached with the American investor concerned on early termination of two trusts relating to the cross-border lease transaction entered into in 1999 with respect to the gas network of the former Nuon VNB. Actual closing of the transaction was on 26 January 2010. As a result of these transactions being terminated, the total amount on deposit or invested in securities in respect of these cross-border lease transactions amounted to USD 3.4 billion at 26 January 2010, while the maximum strip risk has been reduced to

USD 640 million (of which USD 467 million relates to the equity share). Total letters of credit are USD 99 million lower at USD 213 million (including the letter of credit required amount amendments as of 2 January 2010).

In connection with the implementation of the Independent Network Operation Act, the heating networks belonging to N.V. Nuon Infra Oost that had been placed within a cross-border lease were subleased in mid-2008 to N.V. Nuon Warmte, part of Nuon Energy. This operating lease has a term of 12.5 years (term runs to 31 December 2020). The total carrying amount of the sub-leased heating networks at 31 December 2009 was € 110 million (31 December 2008: € 114 million).

## NOTE 2 | INTANGIBLE ASSETS

Other intangible assets comprise concessions, permits, licences and CO<sub>2</sub> emission rights. Concessions, permits and licences are amortised over their term.

At 31 December 2008, € 209 million of the goodwill related to the network company and € 183 million to the production and supply company.

Goodwill in the network company relates entirely to the goodwill on the electricity and gas grids which arose on their contribution at the time Nuon was established in 1999. Newly-consolidated goodwill in 2008 in the production and supply company (now Nuon Energy) related to the acquisition of Burlington Resources Nederland Petroleum B.V., Rogro (which was acquired in 2008) and group associates acquired in the past. The € 291 million deconsolidation relates to the goodwill, exploration and evaluation assets and other intangible assets of n.v. Nuon Energy which was unbundled on 30 June 2009.

At the end of 2009, the value of the networks, including the value of the associated goodwill, was tested for

impairment. The value in use was taken as the basis for this calculation. The value in use was measured on the basis of the most recent business plans, using a pre-tax discount rate of 7.4% (2008: 7.4%). The main assumptions on which these business plans are based are the number of connections, the most recent tariff estimates and estimates of operating expenses and other costs. To a large extent, these assumptions are based on past experience, but they also reflect the latest information on tariff regulation. The business plans cover a period of four years and the terminal value is calculated using the projected cash flows at the end of that period. A growth rate of 0% is assumed for prudential reasons.

There is such a margin between the value in use and the carrying amount of the grids that the sensitivity to changes in the estimates and assumptions used is limited.

In 2009 € 7 million of impairment of goodwill was recognised in relation to the production and supply company (2008: nil).

## Intangible assets

€ million	Goodwill	Exploration & evaluation assets	Other intangible assets	Total
<b>As at 1 January 2008</b>				
Historical cost	293	-	96	389
Accumulated amortisation and impairments	-29	-	-25	-54
<b>Carrying amount as at 1 January 2008</b>	<b>264</b>	<b>-</b>	<b>71</b>	<b>335</b>
<b>Movements 2008</b>				
Capital expenditures	-	1	2	3
New consolidations	128	73	-	201
Divestments	-	-	-39	-39
Depreciation	-	-	-1	-1
Revaluations	-	-	1	1
<b>Total</b>	<b>128</b>	<b>74</b>	<b>-37</b>	<b>165</b>
<b>As at 31 December 2008</b>				
Historical cost	421	74	60	555
Accumulated amortisation and impairments	-29	-	-26	-55
<b>Carrying amount as at 31 December 2008</b>	<b>392</b>	<b>74</b>	<b>34</b>	<b>500</b>
<b>Movements 2009</b>				
Capital expenditures	-	5	2	7
Divestments	-	-	-1	-1
Deconsolidations	-176	-76	-39	-291
Impairments	-7	-	-	-7
Transfers and other movements	-	-3	4	1
<b>Total</b>	<b>-183</b>	<b>-74</b>	<b>-34</b>	<b>-291</b>
<b>As at 31 December 2009</b>				
Historical cost	396	-	-	396
Accumulated amortisation and impairments	-187	-	-	-187
<b>Carrying amount as at 31 December 2009</b>	<b>209</b>	<b>-</b>	<b>-</b>	<b>209</b>

## NOTE 3 | INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

### Investments in associates and joint ventures

€ million	Associates		Joint ventures	
	2009	2008	2009	2008
<b>Carrying amount as at 1 January</b>	<b>37</b>	<b>37</b>	<b>103</b>	<b>99</b>
<b>Movements</b>				
Investments	-	-	18	-
Divestments	-	-	-	-2
Deconsolidations	-20	-	-82	-
Share in result	20	9	-	23
Dividends received	-9	-8	-17	-18
Currency translation differences and other movements	4	-1	-4	1
<b>Total</b>	<b>-5</b>	<b>-</b>	<b>-85</b>	<b>4</b>
<b>Carrying amount as at 31 December</b>	<b>32</b>	<b>37</b>	<b>18</b>	<b>103</b>

The interest in Arctic Wind SA was sold in 2008, leading to a divestment of € 2 million. Certain smaller group companies were also sold in 2008 for a total amount of € 0.3 million.

Investment of € 18 million in joint ventures in 2009 related to the incorporation of Ziut B.V. in combination with the sale of the Liandyn B.V. shares. In November 2009, Alliander transferred the Liandyn shares to Ziut B.V., a subsidiary incorporated with Enexis in October 2009. In view of the actual control exercised, Ziut B.V. is classified as an investment in a joint venture. A book

profit of € 10 million was realised on the transfer of the shares. Along with the net asset value of Liandyn B.V., this resulted in the recognition of an investment in a joint venture of € 18 million being recognised at the end of 2009.

The item deconsolidations in associates and joint ventures relates to B.V. NEA and a number of limited partnerships which were part of n.v. Nuon Energy and were unbundled on 30 June 2009. Dividends of € 26 million were received from associates and joint ventures in 2009 (2008: € 26 million).

#### Financial information of investments in associates

€ million	Assets	Liabilities	Turnover	Profit/(Loss)	% Interest held	Carrying amount
<b>2008</b>						
B.V. NEA, the Netherlands	100	4	6	7	23	19
N.V. KEMA, the Netherlands	133	67	227	17	25	16
Other						2
<b>Carrying amount as at 31 December 2008</b>						<b>37</b>
<b>2009</b>						
N.V. KEMA, the Netherlands	unknown	unknown	256	66	25	32
<b>Carrying amount as at 31 December 2009</b>						<b>32</b>

#### Financial information of investments in joint ventures

€ million	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Turnover	Expenses	% Interest held	Carrying amount
<b>2008</b>								
NoordzeeWind c.v., the Netherlands	192	29	30	4	64	46	50	93
Other								10
<b>Carrying amount as at 31 December 2008</b>								<b>103</b>
<b>2009</b>								
Ziut B.V., the Netherlands	unknown	unknown	unknown	unknown	unknown	unknown	53	18
<b>Carrying amount as at 31 December 2009</b>								<b>18</b>

## NOTE 4 | FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale	
€ million	
<b>Carrying amount as at 1 January 2008</b>	<b>68</b>
<b>Movements 2008</b>	
New consolidations	78
Capital expenditures	136
Currency translation differences and other movements	-39
<b>Total</b>	<b>175</b>
<b>Carrying amount as at 31 December 2008</b>	<b>243</b>
<b>Movements 2009</b>	
Currency translation differences and other movements	-3
<b>Total</b>	<b>-3</b>
<b>Carrying amount as at 31 December 2009</b>	<b>240</b>

Financial assets available for sale comprised investments in debt securities held at financial institutions which partly serve to cover obligations arising from two cross-border lease contracts. During 2008 an investment portfolio relating to cross-border lease contracts was restructured to increase the creditworthiness. As a consequence of this, the investments in the portfolio were replaced; the original investments were purchased by Alliander and recognised as financial assets available for sale and measured at € 116 million at 31 December 2009 (2008: € 109 million). The restructuring meant that Alliander was required to consolidate the entire investment portfolio, whereas only about 47% was recognised in the balance sheet in 2007.

Part of the investment portfolio relating to the cross-border lease contracts consists of a written credit default swap (CDS). This instrument is an embedded derivative that is recognised separately in derivatives in the balance sheet and measured at fair value (see note 6). At year-end 2009, the carrying amount was € 105 million negative (2008: € 118 million negative).

The part of the financial assets available for sale related to the cross-border lease contracts had a carrying amount of € 124 million at year-end 2009 and serves both to cover related lease obligations as well as the aforementioned CDS. The carrying amount of the related lease obligations was € 120 million at year-end 2009.

## NOTE 5 | OTHER FINANCIAL ASSETS (INCLUDING CURRENT PORTION)

Other financial assets			
€ million	Loans, receivables and other	Finance lease receivables	Total
Effective interest rate 2008	4%		
<b>Carrying amount as at 1 January 2008</b>	<b>23</b>	<b>24</b>	<b>47</b>
<b>Movements 2008</b>			
Loans granted	13	-	13
Loans and interest repaid	-1	-	-1
Impairments	-	-	-
Capitalised costs	8	-	8
Divestments	-14	-20	-34
<b>Total</b>	<b>6</b>	<b>-20</b>	<b>-14</b>
<b>Carrying amount as at 31 December 2008</b>	<b>29</b>	<b>4</b>	<b>33</b>
Effective interest rate 2009	1%		
<b>Movements 2009</b>			
Loans granted	305	-	305
Loans and interest repaid	-13	-	-13
Deconsolidations	-22	-	-22
Currency translation differences and other movements	9	-4	5
<b>Total</b>	<b>279</b>	<b>-4</b>	<b>275</b>
<b>Carrying amount as at 31 December 2009</b>	<b>308</b>	<b>-</b>	<b>308</b>
<b>Non-current portion of other financial assets</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>Current portion of other financial assets</b>	<b>301</b>	<b>-</b>	<b>301</b>

At the end of 2009, the carrying amount of the other financial assets comprised receivables, loans and capitalised costs denominated in euros (2008: ditto) as well as finance leases. Loans granted in 2008 consisted of a loan granted to an associate, Parkstad Warmte, which was transferred to Nuon Energy on the unbundling. The other movements consist of capitalised costs relating to credit facilities relating to Alliander N.V. The costs are being amortised over the term of the credit facility (matures in November 2011). The loans granted in 2009 comprised short-term deposits and investments for financing.

## NOTE 6 | DERIVATIVES

Derivatives								
€ million	Current assets		Non-current assets		Short-term liabilities		Long-term liabilities	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Trading derivatives</b>								
Commodity contracts oil	-	858	-	336	-	801	-	513
Commodity contracts gas	-	772	-	763	-	807	-	515
Commodity contracts coal	-	685	-	402	-	617	-	262
Commodity contracts power	-	1,921	-	534	-	1,860	-	494
Commodity contracts other	-	141	-	92	-	149	-	56
Foreign exchange contracts	-	-336	-	255	-	-237	-	157
Other derivatives	-	3	-	-	-	4	105	118
<b>Total</b>	<b>-</b>	<b>4,044</b>	<b>-</b>	<b>2,382</b>	<b>-</b>	<b>4,001</b>	<b>105</b>	<b>2,115</b>
<b>Cash flow hedges</b>								
Commodity contracts oil	-	174	-	61	-	45	-	-
Commodity contracts gas	-	66	-	127	-	-	-	-
Commodity contracts coal	-	8	-	2	-	36	-	32
Commodity contracts power	-	-	-	-	-	-	-	-
Foreign exchange contracts	-	8	-	7	4	22	-	26
Interest instruments	11	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11</b>	<b>256</b>	<b>-</b>	<b>197</b>	<b>4</b>	<b>103</b>	<b>-</b>	<b>58</b>
<b>Effect from netting agreements</b>	<b>-</b>	<b>-2,705</b>	<b>-</b>	<b>-1,046</b>	<b>-</b>	<b>-2,701</b>	<b>-</b>	<b>-1,020</b>
<b>Total</b>	<b>11</b>	<b>1,595</b>	<b>-</b>	<b>1,533</b>	<b>4</b>	<b>1,403</b>	<b>105</b>	<b>1,153</b>

Derivatives are recognised at fair value. Much of the derivatives position was unbundled on 30 June 2009. Derivatives held for trading include a credit default swap (CDS) in long-term liabilities, which is part of the investments in financial fixed assets. The CDS is an embedded derivative recognised separately in the balance sheet and measured at fair value. The carrying amount was € 105 million at 31 December 2009 (2008: € 118 million).

## NOTE 7 | INVENTORIES

Inventories		
€ million	2009	2008
Carrying amount as at 31 December		
Raw materials and consumables	23	30
Finished goods	1	84
<b>Total</b>	<b>24</b>	<b>114</b>

The reduction in inventories is related to the deconsolidation of Nuon Energy on 30 June 2009.



## NOTE 8 | TRADE AND OTHER RECEIVABLES

Trade and other receivables		
€ million	2009	2008
Debtors - regular sales	218	736
Debtors - trade activities Midstream segment	-	333
Impairments of trade debtors	-25	-82
<b>Trade receivables net</b>	<b>193</b>	<b>987</b>
Taxes and social security premiums	-	3
Other receivables	55	157
Accrued income and prepayments	90	346
<b>Total</b>	<b>338</b>	<b>1,493</b>

The reduction in trade and other receivables is related to the deconsolidation of Nuon Energy on 30 June 2009.

Trade receivables from regular sales relate mainly to energy receivables in the business and consumer markets. At the end of 2009, impairments of trade receivables

totalled € 25 million (2008: € 82 million). An impairment charge on trade receivables of € 9 million (2008: € 40 million) was recognised through the income statement in 2009. For further information, please see the credit risk section of note 33.

## NOTE 9 | CASH AND CASH EQUIVALENTS

Cash and cash equivalents		
€ million	2009	2008
Cash held at banks	37	656
Deposits	414	339
<b>Total</b>	<b>451</b>	<b>995</b>

The effective interest rate on credit balances available on demand and short-term deposits ranges from 0.02% to 0.17% (2008: 1.6% to 3.3%). Cash and cash equivalents are held almost entirely in euros. Cash and cash equivalents include cash and deposits of € 29 million (2008: € 450 million) to which Alliander does not have free access.

In connection with a letter of credit facility issued for cross-border lease transactions, a pledge has been

established in favour of the bank concerned on cash deposits held at that bank for a total of € 29 million (USD 42 million) at 31 December 2009 (2008: € 57 million (USD 79 million)).

At 31 December 2008, € 393 million of cash held at banks related to bank guarantees for which funds were retained at the bank, amounts deposited at commodity exchanges or on guarantee accounts in connection with collateral (2009: nil).

## NOTE 10 | SHAREHOLDERS' EQUITY

### Authorised share capital

The authorised share capital of the company is divided into 350 million shares each having a nominal value of € 5. At year-end 2009, 136,794,964 shares had been issued (2008: 136,794,964).

## NOTE 11 | INTEREST-BEARING DEBT

Interest-bearing debt		
€ million	2009	2008
<b>Carrying amount as at 1 January</b>	<b>1,207</b>	<b>1,301</b>
<b>Movements</b>		
New loans	1,615	119
New consolidations	-	3
Loans repaid	-435	-187
Released to income	-	-39
Deconsolidations	-175	-
Currency translation differences and other movements	6	10
<b>Total</b>	<b>1,011</b>	<b>-94</b>
<b>Carrying amount as at 31 December</b>	<b>2,218</b>	<b>1,207</b>

The current account between Nuon Energy and Alliander was settled during the spring as part of the unbundling to implement the Dutch Independent Network Operation Act's prohibition on integrated energy companies. This position is recognised under current liabilities. In this connection, the existing Euro Medium Term Notes programme was amended during the first quarter and increased from € 2 billion to € 3 billion, of which

Alliander has € 2 billion outstanding. The debt securities are listed on the Amsterdam and Luxembourg stock exchanges.

The item deconsolidations relates to Nuon Energy. The carrying amount of the long-term interest-bearing debt, including the short-term part, was as follows:

Short- and long-term interest-bearing debt						
€ million	Effective interest rate		Short-term part		Long-term part	
	2009	2008	2009	2008	2009	2008
	Subordinated loans	7.8%	7.8%	65	2	104
Private and green loans	7.8%	3.4%	1	29	6	210
Euro Medium Term Notes	4.7%	4.3%	-	-	2,034	791
Banks	8.2%	8.0%	-	-	2	3
Other	6.6%	6.6%	-	-	6	3
<b>Total</b>			<b>66</b>	<b>31</b>	<b>2,152</b>	<b>1,176</b>

At 31 December 2009, the interest-bearing debt was denominated almost entirely in euros (2008: ditto).

Maturities of interest-bearing debt		
€ million	2009	2008
Less than 1 year	66	31
Between 1 and 2 years	7	73
Between 2 and 3 years	507	55
Between 3 and 4 years	6	13
Between 4 and 5 years	507	14
Over 5 years	1,125	1,021
<b>Total</b>	<b>2,218</b>	<b>1,207</b>

Short-term interest-bearing debt of € 73 million at 31 December 2009 (2008: € 45 million) comprised the short-term part of the long-term debts and liabilities in respect of employee schemes (mainly deposit schemes) and current account liabilities with credit institutions.

### Subordinated loans

These loans carry interest at rates of 7% to 9%. These loans are subordinated to the other liabilities.

## NOTE 12 | DEFERRED INCOME

Deferred income		
€ million	2009	2008
<b>Carrying amount as at 1 January</b>	<b>1,524</b>	<b>1,498</b>
Contributions received	114	117
Amortisation recognised as income	-43	-47
Transfer to long-term liabilities associated with assets held for sale	-	-56
Deconsolidations	-150	-
Reclassification and other movements	-9	12
<b>Carrying amount as at 31 December</b>	<b>1,436</b>	<b>1,524</b>

Deferred income relates to construction contributions, investment grants and subsidies received. The amortisation periods of the construction contributions, invest-

ment grants and subsidies are equal to the depreciation periods of the underlying assets and range from 10 to 50 years.

## NOTE 13 | PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for employee benefits				
€ million	Short-term part		Long-term part	
	2009	2008	2009	2008
<b>Long-term employee benefits</b>				
Post-employment benefits	2	2	9	11
Other long-term employee benefits	11	21	43	78
Termination benefits	2	15	8	8
<b>Short-term employee benefits</b>				
Short-term employee benefits	37	112	-	-
<b>Total</b>	<b>52</b>	<b>150</b>	<b>60</b>	<b>97</b>

The reduction in provisions is related to the deconsolidation of Nuon Energy.

Alliander has various pension and similar plans for its current and former employees. The majority of the pension obligations have been transferred to the ABP and Metaal en Techniek pension funds. In addition to these two main pension plans, Alliander has a number of other defined benefit and defined contribution plans that are not significant in size. The ABP and Metaal en Techniek

plans can be characterised as multi-employer plans. The pension benefits offered by these funds are in fact defined benefit plans. A proportionate part of the gross obligation, plan assets and costs associated with the plan should be recognised in Alliander's financial statements. However, as Alliander does not have access to the required information, both pension plans are treated as defined contribution plans. Where there is a contractual agreement for a multi-employer plan that specifies how a surplus is distributed to the participants or a deficit is to

be financed and where the plan is accounted for as a defined contribution plan, a receivable or liability arising from the agreement recognised in the balance sheet. The resulting gains or losses are recognised in the income statement. The pension plans managed by the ABP and Metaal en Techniek pension funds do not contain such contractual agreements. As a result, no receivable or liability has been recognised in the balance sheet.

### Post-employment benefits

Post-employment benefits consists primarily of the medical benefits scheme for retired employees. This scheme has not been transferred to an external insurance company or pension fund. The provision for post-employment benefits was € 11 million at the end of 2009 (2008: € 13 million). The provision for post-employment benefits was as follows:

Post-employment benefits				
€ million	Short-term part		Long-term part	
	2009	2008	2009	2008
	Actuarial value of post-employment healthcare insurance	2	2	9
<b>Actuarial value of obligations as at 31 December</b>	<b>2</b>	<b>2</b>	<b>9</b>	<b>11</b>

### Other long-term employee benefits

Alliander operates a number of other long-term employee benefit schemes, including the following:

- Long-service benefits; this provision covers the jubilee benefits paid to employees after 10, 20, 30 and 40 years of service;
- Payments on reaching retirement age;
- Long-term sickness benefits; this benefit covers the obligation to continue paying all or part of an employee's salary during the first two years of sick leave;
- Disability benefits; Alliander is the risk-bearer within the meaning of the Income and Employment Act (WIA); this benefit covers the obligation to Alliander employees who have become partly or fully incapacitated for work;

- Unemployment benefits; Alliander is the risk-bearer within the meaning of the Unemployment Act (WW);
- if an Alliander employee becomes unemployed, the unemployment benefit received is borne by Alliander for a period of between six months and five years, depending on that employee's employment history;
- Reduction of working hours of older employees; in the light of legislation on early retirement, a transitional scheme was agreed in the 2005 Collective Labour Agreement under which older employees could reduce their working hours in the future. The table below shows the composition of Other long-term employee benefits.

The reduction in provisions is related to the deconsolidation of Nuon Energy.

Other long-term employee benefits				
€ million	Short-term part		Long-term part	
	2009	2008	2009	2008
	Long-service benefits	2	-	13
Long-term sickness leave and disability benefits	3	5	2	7
Unemployment benefits	1	2	-	1
Reduction of older employees' working hours	5	10	19	38
Other	-	4	9	8
<b>Total</b>	<b>11</b>	<b>21</b>	<b>43</b>	<b>78</b>

### Termination benefits/restructuring provision

This provision covers payments and/or supplements to benefits paid to employees whose employment contract has been or will be terminated. These benefits and supplements are based on the Social Plan operated by Alliander and individual arrangements. The Social Plan is periodically renegotiated and established during the Collective Labour Agreement negotiations. In 2009 a net amount of € 9 million was added to the restructuring provision (2008: € 5 million). The provision for termination benefits totalled € 10 million at the end of 2009 (2008: € 23 million).

### Movements in provisions for long-term portion employee benefits

The reduction in provisions is related to the deconsolidation of Nuon Energy.

The table below shows the movements in the provisions for post-employment benefits, other long-term employee benefits and the termination benefits/restructuring provision:

Movements in provisions for employee benefits				
€ million	Post-employment benefits	Other long-term employee benefits	Termination/restructuring benefits	Total
<b>As at 1 January 2008</b>	<b>17</b>	<b>103</b>	<b>33</b>	<b>153</b>
Released to income	-1	-7	-7	-15
Additions	-	21	12	33
Interest expenses	1	4	1	6
Benefits paid	-4	-4	-16	-24
Actuarial gains and losses recognised immediately	-	-18	-	-18
<b>As at 31 December 2008</b>	<b>13</b>	<b>99</b>	<b>23</b>	<b>135</b>
Released to income	-	-10	-	-10
Additions	-	25	9	34
Interest expenses	2	2	1	5
Benefits paid	-4	-15	-17	-36
Actuarial gains and losses recognised immediately	-	-1	-	-1
Deconsolidations	-	-46	-6	-52
<b>As at 31 December 2009</b>	<b>11</b>	<b>54</b>	<b>10</b>	<b>75</b>

The main assumptions used in determining the provisions are given below:

Assumptions		
	2009	2008
Mortality tables	GBM/GBV 00-05	GBM/GBV 00-05
Discount rates	2.28%-5.21%	4.5%
Expected future salary increases	2.5%	2.5%
Expected increase in disability benefits	2.5%	2.5%

### Short-term employee benefits

Short-term employee benefits were € 37 million at the end of 2009 (2008: € 112 million) and relate to all obligations to employees, other than termination benefits, that are expected to be settled within 12 months after the

balance sheet date. Short-term employee benefits include salaries to be paid, holiday allowances, bonuses payable and other personnel expenses to be paid. The reduction in provisions is related to the deconsolidation of Nuon Energy.

## NOTE 14 | OTHER PROVISIONS

Other provisions					
€ million	Environmental restoration	Dismantling	Onerous contracts	Other provisions	Total
<b>Carrying amount as at 1 January 2008</b>	<b>27</b>	<b>12</b>	<b>39</b>	<b>109</b>	<b>187</b>
<b>Movements 2008</b>					
Additions	1	2	2	40	45
New consolidations	-	46	-	-	46
Withdrawals	-1	-2	-3	-62	-68
Released to income	-	-	-7	-25	-32
Interest accretion	-	2	-	-2	-
Other movements	-	-	-3	-	-3
<b>Total</b>	<b>-</b>	<b>48</b>	<b>-11</b>	<b>-49</b>	<b>-12</b>
<b>Carrying amount as at 31 December 2008</b>	<b>27</b>	<b>60</b>	<b>28</b>	<b>60</b>	<b>175</b>
<b>Movements 2009</b>					
Additions	-	-	10	41	51
Deconsolidations	-9	-61	-26	-55	-151
Withdrawals	-3	-1	-	-26	-30
Released to income	-	-	-	-1	-1
Interest accretion	-	2	-	-	2
Other movements	-	-	-4	2	-2
<b>Total</b>	<b>-12</b>	<b>-60</b>	<b>-20</b>	<b>-39</b>	<b>-131</b>
<b>Carrying amount as at 31 December 2009</b>	<b>15</b>	<b>-</b>	<b>8</b>	<b>21</b>	<b>44</b>

The environmental restoration provision covers expected obligations related to soil pollution.

expenses to be incurred to restore a site to its original condition.

The provision for dismantling costs was formed for the dismantling and removal of assets of the production company, including gas caverns and drilling rigs and the

The other provisions include the provision for various claims and litigation.

## NOTE 15 | DEFERRED TAXATION

### Deferred tax

Deferred tax assets and deferred tax liabilities were as follows:

Deferred tax assets		
€ million	2009	2008
Differences in valuation of property, plant and equipment	455	578
Financial instruments	29	22
Tax losses carried forward	-	18
Hedge reserves	3	3
Other differences	-	22
<b>Total</b>	<b>487</b>	<b>643</b>

## Deferred tax liabilities

€ million	2009	2008
Gas exploration and production	-	288
Derivatives	-	204
VAMIL investing facilities	-	2
Other differences	2	8
<b>Totaal</b>	<b>2</b>	<b>502</b>

## Gross movement in deferred tax assets

€ million	Property, plant and equipment	Tax losses carried forward	Hedges	Other	Total
<b>Carrying amount as at 1 January 2008</b>	<b>526</b>	<b>-</b>	<b>3</b>	<b>31</b>	<b>560</b>
<b>Movements 2008</b>					
Direct equity movements hedge reserves	-	-	-1	-	-1
Temporary differences released	52	18	1	2	73
Additions	-	-	-	11	11
<b>Total</b>	<b>52</b>	<b>18</b>	<b>-</b>	<b>13</b>	<b>83</b>
<b>Carrying amount as at 31 December 2008</b>	<b>578</b>	<b>18</b>	<b>3</b>	<b>44</b>	<b>643</b>
<b>Movements 2009</b>					
Temporary differences released	-19	-	-	-	-19
Deconsolidations	-104	-18	-	-18	-140
Additions	-	-	-	3	3
<b>Total</b>	<b>-123</b>	<b>-18</b>	<b>-</b>	<b>-15</b>	<b>-156</b>
<b>Carrying amount as at 31 December 2009</b>	<b>455</b>	<b>-</b>	<b>3</b>	<b>29</b>	<b>487</b>

The deferred tax assets of € 455 million in respect of property, plant and equipment (2008: € 578 million) are the result of differences between the carrying amount in the financial statements and the valuation agreed with the tax authorities at 1 January 1998, the year in which Nuon became liable to corporate income tax.

The deferred tax asset regarding the financial instruments concerns temporary differences relating to two cross-border lease investments and obligations, including the credit default swap.

The deferred tax asset in respect of the hedge reserve relates to the tax effect on the cash flow hedge reserve recognised within shareholders' equity.

The gross movement in the provision for deferred tax liabilities was as follows:

Gross movement in the deferred tax liabilities					
€ million	Exploration and production	Derivatives	VAMIL	Other	Total
Carrying amount as at 1 January 2008	-	81	6	5	92
<b>Movements 2008</b>					
New consolidations	312	-	-	-	312
Divestments of associates	-	-	-5	-	-5
Realised temporary differences	-24	15	1	3	-5
Direct equity movements	-	108	-	-	108
<b>Total</b>	<b>288</b>	<b>123</b>	<b>-4</b>	<b>3</b>	<b>410</b>
Carrying amount as at 31 December 2008	288	204	2	8	502
<b>Movements 2009</b>					
Realised temporary differences	-49	-	-	-	-49
Deconsolidations	-239	-204	-2	-6	-451
<b>Total</b>	<b>-288</b>	<b>-204</b>	<b>-2</b>	<b>-6</b>	<b>-500</b>
Carrying amount as at 31 December 2009	-	-	-	2	2

#### Unrecognised deferred tax assets

Unrecognised deferred tax assets relate to the temporary differences in the valuation of balance sheet items and tax losses carried forward. The following deferred tax assets have not been recognised in the financial statements:

Unrecognised deferred tax assets		
€ million	2009	2008
Temporary valuation differences	128	152
Tax losses carried forward	-	88
<b>Total</b>	<b>128</b>	<b>240</b>

Temporary valuation differences relate mainly to property, plant and equipment and have an average term to 2030 as a result of carrying amounts agreed with the tax authorities for property, plant and equipment as at 1 January 1998, which have depreciation periods up to 2030.



## NOTE 16 | TRADE AND OTHER PAYABLES

Trade and other payables		
€ million	2009	2008
Trade payables	36	632
Invoices to be received for energy supplies	-	301
Amounts due to construction contract customers	33	49
Deposits	-	119
Other payables	64	62
<b>Total</b>	<b>133</b>	<b>1,163</b>

## NOTE 17 | LEASES

Finance leases receivables				
€ million	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>As at 31 December 2008</b>				
Future minimum lease receivables	1	4	-	5
Future financial income on finance leases	-	-1	-	-1
<b>Present value of finance lease receivables</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>4</b>
<b>As at 31 December 2009</b>				
<b>Present value of finance lease receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

At year-end 2008, finance lease receivables related to the lease of a combined heat and power plant in Romania.

At year-end 2009, Alliander had no receivables from finance leases.

### Receivables from operating leases

The total future minimum lease receipts from non-cancellable operating leases not shown on the face of the balance sheet are as follows:

Operating lease receivables		
€ million	2009	2008
Less than 1 year	28	25
Between 1 and 5 years	107	93
Over 5 years	106	90
<b>Total</b>	<b>241</b>	<b>208</b>

At 31 December 2009, the operating leases related mainly to transformers and two heating grids to n.v. Nuon Energy.

## Lease payables

Finance lease payables				
€ million	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>As at 31 December 2008</b>				
Future minimum lease obligations	22	56	246	324
Future financing charges on finance leases	-10	-38	-119	-167
<b>Present value of finance lease obligations</b>	<b>12</b>	<b>18</b>	<b>127</b>	<b>157</b>
<b>As at 31 December 2009</b>				
Future minimum lease obligations	10	32	229	271
Future financing charges on finance leases	-9	-35	-107	-151
<b>Present value of finance lease obligations</b>	<b>1</b>	<b>-3</b>	<b>122</b>	<b>120</b>

Finance lease payables at year-end 2009 related to an obligation in respect of two cross-border lease transactions. The obligations at year-end 2008 also related to finance leases for property, plant and equipment mainly

for the generation of renewable energy, such as wind farms, solar energy generating plants and biomass.

The total future minimum lease obligations from operating leases were as follows:

Operating lease payables		
€ million	2009	2008
Less than 1 year	19	37
Between 1 and 5 years	44	61
Over 5 years	1	1
<b>Total</b>	<b>64</b>	<b>99</b>

Alliander has operating lease payables in respect of buildings, company cars and IT equipment.

## NOTE 18 | CONTINGENT ASSETS AND LIABILITIES

### Rights and obligations arising from operating leases

Please refer to Note [17] to the consolidated financial statements for a breakdown of rights and obligations arising from operating leases.

### Capital expenditure commitments

The outstanding capital expenditure commitments and other purchasing commitments at the end of the year were as follows:

Capital expenditure and other purchasing commitments		
€ million	2009	2008
Capital expenditure commitments regarding property, plant and equipment	35	1,120
Other purchasing commitments	259	44
<b>Total</b>	<b>294</b>	<b>1,164</b>

## Contingent liabilities

At the balance sheet date, Alliander was involved in a number of legal proceedings and investigations by tax authorities. Provisions have been made insofar as deemed necessary.

On the instruction of Alliander, bank guarantees amounting to € 10 million had been issued at the end of 2009 (2008: € 83 million).

There were outstanding letters of credit of USD 312 million at the balance sheet date (2008: USD 349 million) in respect of cross-border lease obligations. For further information on cross-border leases, please refer to Note [1].

Alliander has issued an indemnity statement in favour of the members of the Management Board and the Supervisory Board, and the directors and supervisory directors of subsidiaries. The indemnity statement provides cover in cases where Alliander's liability insurance contract for directors and supervisory directors is not applicable, on condition that the board member or director involved acted in good faith in the performance of his or her duties and that certain other requirements were met.

Alliander, together with its subsidiaries, forms a fiscal unit for corporate income tax and value added tax (VAT) purposes. Consequently, every legal entity forming part of the fiscal unit is jointly and severally liable for the tax

liabilities of the legal entities forming part of the fiscal unit. Since 1 January 2009, the network company and the production and supply company have formed separate fiscal units for corporate income tax and VAT purposes.

Convertible subordinated loans were entered into with the shareholders of Alliander in the past and relate to guarantees issued on the sale of non-strategic interests. On the expiry of the term of these guarantees, the loans were released to income and shares in Alliander were issued in 2006. A number of guarantees are, however, for an indefinite period; in the event that there are any subsequent claims on guarantees in the future, the shareholders concerned have a duty to surrender all or part of their shares.

Following the declaration of the nullity of a claim, the guarantee provision for associated companies sold was released to income in 2006 and additional shares in Alliander were issued in 2007. The guarantees provided have an indefinite term, which means that claims may be made upon them at some point in the future, in which case, the shareholders can also be forced to surrender all or part of their shares.

The costs associated with the unbundling and relating to, among other things, the separation of central service units, the separation of existing and implementation of new ICT systems, dissynergies and external advisory fees may not be passed on in the tariffs.

## NOTE 19 | NET TURNOVER FROM SALES OF GOODS AND DELIVERY OF SERVICES

Net turnover		
€ million	2009	2008
Electricity transport and connection services	807	844
Gas transport services	228	236
Metering services	140	133
Standing charges for gas and other connections	61	54
Operating contributions and proceeds from transformers leased	210	209
Other	-	21
<b>Total</b>	<b>1,446</b>	<b>1,497</b>

Net turnover decreased by € 51 million (3%) in 2009 to € 1,446 million. Of this decrease, € 12 million was attributable to tariff reductions, while € 14 million related to provisions made for compensation and the

leniency payment relating to the introduction of capacity charges, € 20 million related to the release in 2008 from the provision for a tariff dispute with the Netherlands Competition Authority.

## NOTE 20 | OTHER OPERATING INCOME

Other income		
€ million	2009	2008
Amortisation of construction contributions	39	39
Amounts charged to Nuon Energy	57	145
Sale of high-voltage grids and Liandyn shares	178	-
Other income	30	29
<b>Total other income</b>	<b>304</b>	<b>213</b>

Other income was € 91 million higher than in 2008 at € 304 million. Much of this increase was a result of the book profit of € 168 million before taxation (sales value € 368 million) recorded on the sale of high-voltage grids to TenneT and the € 10 million book profit on the sale of

Liandyn. Against this, there was lower income from services provided to Nuon Energy (€ 88 million). The amounts recharged to Nuon Energy relate to recharged head office and support services.

## NOTE 21 | PURCHASING COSTS AND COSTS OF SUBCONTRACTED WORK

Purchasing costs and costs of sub-contracted work		
€ million	2009	2008
Grid losses	121	128
Transport capacity and restrictions	98	107
Invoicing and collection	44	69
Contractors, materials and other	144	147
<b>Total</b>	<b>407</b>	<b>451</b>

Part of the reduction of € 44 million was caused by a fall in invoicing and collection costs as this work partly has been carried out in-house since the unbundling.

## NOTE 22 | EMPLOYEE COMPENSATION AND BENEFIT EXPENSES

Employee compensation and benefit expenses		
€ million	2009	2008
Salaries	273	232
Social security premiums	24	17
Pension expenses:		
- premiums paid to multi-employer plans that are accounted for as defined contribution plans	30	26
- other post-employment benefit expenses	2	-4
	32	22
Termination benefit expenses	5	2
Other long-term employee benefit expenses	6	-4
	11	-2
Other personnel expenses	21	5
<b>Total</b>	<b>361</b>	<b>274</b>

External employee compensation and benefit expenses were € 156 million (2008: € 127 million). This expenditure was mainly on engaging third-parties for projects and outstanding vacancies.

The employee compensation and benefit expenses in respect of pensions, restructuring and other long-term employee benefits were as follows:

Employee compensation and benefit expenses for pensions, reorganisation and other long-term employee benefits					
€ million	Multi-employer plans	Post-employment benefits	Termination/reorganisation benefits	Other long-term employee benefits	Total
<b>2008</b>					
Contributions paid to multi-employer plans	-54	-	-	-	-54
Additions to provision	-	-	-12	-16	-28
Releases from provision	-	1	7	7	15
Interest expenses	-	-1	-1	-4	-6
Actuarial gains and losses	-	-	-	18	18
<b>Total 2008</b>	<b>-54</b>	<b>-</b>	<b>-6</b>	<b>5</b>	<b>-55</b>
<b>2009</b>					
Contributions paid to multi-employer plans	-30	-	-	-	-30
Additions provision	-	-	-6	-20	-26
Releases from provision	-	-	1	10	11
Interest expenses	-	-2	-1	-2	-5
Actuarial gains and losses	-	-	-	6	6
<b>Total 2009</b>	<b>-30</b>	<b>-2</b>	<b>-6</b>	<b>-6</b>	<b>-44</b>

As a result of legislation on early retirement and pre-pensions, a transitional arrangement was agreed in the Collective Labour Agreement in December 2005 that enables older employees to reduce their working hours

in the future. The post-employment benefits mainly consist of healthcare insurance for Alliander employees after retirement.

The number of staff employed by Alliander, based on a 38-hour working week (FTEs), is shown in the table below:

Number of employees (FTEs)		
	2009	2008
<b>Average</b>		
Employed in continuing operations	4,561	4,327
<b>As at 31 December</b>		
Employed in continuing operations	4,633	4,488
Number of employees abroad in continuing operations	105	71

The comparative figures for 2008 have been restated on the basis of continuing operations.

### Remuneration of the Management Board and the Supervisory Board

The Remuneration Report sets out the remuneration policy and its implementation and remuneration of the Management Board and the Supervisory Board. These three sections can be found on pages 90 to 95 of the 2009 Annual Report.

Overview of total gross income chargeable to the financial year												
(€ thousand)	Base salary <sup>1</sup>			Short term variable salary <sup>2</sup>			Provisions for long-term variable salary			Total		
	2009 to 30 June	2009 from 30 June	2008	2009 to 30 June	2009 from 30 June	2008	2009 to 30 June	2009 from 30 June	2008	2009 to 30 June	2009 from 30 June	2008
Ø. Løseth <sup>3</sup>	220	-	411	77	-	137	84	-	165	381	-	713
D.C. Vierstra	200	-	400	60	-	102	53	-	114	313	-	616
L.M.J. van Halderen <sup>4</sup>	-	-	220	-	-	75	-	-	88	-	-	383
P.H.F. Erich <sup>5</sup>	-	-	287	-	-	65	-	-	72	-	-	424
P.C. Molengraaf <sup>6</sup>	-	109	-	-	30	-	-	33	-	-	172	-
<b>Total</b>	<b>420</b>	<b>109</b>	<b>1,318</b>	<b>137</b>	<b>30</b>	<b>379</b>	<b>137</b>	<b>33</b>	<b>439</b>	<b>694</b>	<b>172</b>	<b>2,136</b>

<sup>1</sup> Concerns actual payment per year, without amounts accrued for other remuneration elements.

<sup>2</sup> This concerns the short-term variable salary as earned in relation to the relevant financial year.

<sup>3</sup> Mr Løseth was appointed as chairman of the Management Board with effect from 23 April 2008.

<sup>4</sup> On 23 April 2008, Mr van Halderen stepped down as chairman of the Management Board. His employment contract as Chairmen of the Management Board was terminated with effect from 1 July 2008.

<sup>5</sup> On 1 July 2008, Mr Erich stepped down as a member of the Management Board. His employment contract was terminated with effect from 1 November 2008.

<sup>6</sup> Mr Molengraaf was appointed as chairman of the Management Board with effect from 30 June 2009.

## Overview of termination benefits and incidental remunerations

(€ thousand)	Termination benefits		Incidental remunerations	
	2009	2008	2009	2008
Ø. Løseth	-	-	-	140
L.M.J. van Halderen <sup>1</sup>	-	1,718	-	-
P.H.F. Erich <sup>2</sup>	-	518	-	-
<b>Total</b>	-	<b>2,236</b>	-	<b>140</b>

- 1 On 23 April 2008, Mr van Halderen stepped down as chairman of the Management Board. His employment contract as Chairmen of the Management Board was terminated with effect from 1 July 2008.
- 2 On 1 July 2008, Mr Erich stepped down as a member of the Management Board. His employment contract was terminated with effect from 1 November 2008

## Overview of pension contributions

(€ thousand)	Pension contributions		
	2009	2009	2008
	to 30 June	from 30 June	
Ø. Løseth	46	-	87
D.C. Vierstra	32	-	65
L.M.J. van Halderen	-	-	41
P.H.F. Erich	-	-	48
P.C. Molengraaf	-	16	-
	78	16	241

## Overview of social security contributions and other emoluments

(€ thousand)	Social security contributions and other emoluments		
	2009	2009	2008
	to 30 June	from 30 June	
Ø. Løseth	29	-	41
D.C. Vierstra	11	-	8
L.M.J. van Halderen	-	-	4
P.H.F. Erich	-	-	6
P.C. Molengraaf	-	7	-
<b>Total</b>	<b>40</b>	<b>7</b>	<b>59</b>

In addition to the social security contributions normally paid by the company, this item represents the health insurance contribution payable by the employer and the expense allowance.

In view of his special (expatriate) situation, Mr Løseth received an allowance for, among other things, travel and health insurance.

No loans, advances or guarantees have been provided by the company for members of the Management Board.

## Remuneration of the Supervisory Board

(€ thousand)	2009 to 30 June	2009 from 30 June	2008
W. Meijer (chairman)	25.0 <sup>2</sup>	-	45.0 <sup>1</sup>
P. Bouw	21.5 <sup>2</sup>	-	38.0 <sup>1</sup>
D.J. Haank	21.5 <sup>2</sup>	-	28.0
P.F. van der Heijden (to 22-04-08)	-	-	7.3
A.M.C.A. Hooijmaijers (to 23-04-09)	7.8	-	23.5
B.J.J.M. Huesman (to 22-04-08)	-	-	7.3
Ms J.B. Irik	21.5 <sup>2</sup>	12.9	28.0
L. Koopmans (to 23-04-09)	16.8 <sup>2</sup>	-	28.0
J. Schraven	19.2 <sup>2</sup>	-	33.5 <sup>1</sup>
H. Zwarts (to 31-10-08)	7.5 <sup>3</sup>	-	38.3 <sup>1</sup>
G. Ybema	21.5 <sup>2</sup>	12.9	34.3 <sup>1,4</sup>
E.M. d'Hondt (chairman)	-	14.6	-
F.C.W. Briët	-	12.9	-
Ms J.G. van der Linde	-	3.9	-
Ms A.P.M. van der Veer-Vergeer	-	12.9	-
J.C. van Winkelen	-	12.9	-
<b>Total</b>	<b>162.3</b>	<b>83</b>	<b>311.2</b>

1 Including additional remuneration for the 2007 financial year granted by the General Meeting of Shareholders of 22 April 2008.

2 Including additional remuneration for the 2008 financial year granted by the General Meeting of Shareholders of 23 April 2009.

3 Additional remuneration for the financial year 2008 granted by the General Meeting of Shareholders of 17 June 2009.

4 Mr Ybema was a member of the Selection, Appointment and Remuneration Committee from 1 November 2008 to 30 June 2009.

## NOTE 23 | OTHER OPERATING EXPENSES

### Other operating expenses

€ million	2009	2008
Additions to provisions	27	7
Premises and transport	15	9
Rent and leases	73	77
Corporate staff and ICT	57	79
Restructuring and revaluation of investments	-	105
Sufferance tax	23	24
Other	43	48
<b>Total</b>	<b>238</b>	<b>349</b>

The fees paid for services rendered by PricewaterhouseCoopers for the years 2009 and 2008 can be broken down into:

- fees for audit engagements: these include the fees for the audit of the statutory and consolidated financial statements as well as quarterly reports and other reports;
- fees for audit-related work: these include fees for work performed in connection with prospectuses, fees for special audits and advice unrelated to the statutory audits;
- fees for tax advice;
- other non-audit fees: these include costs for acquisition support and advice.



The fees were as follows:

Auditor's fees		
€ million	2009	2008
Description of services:		
- Audit of the financial statements	0.8	2.6
- Other audit engagements	0.7	4.1
- Tax advice	-	0.8
- Other non-audit services	0.9	0.5
<b>Total</b>	<b>2.4</b>	<b>8.0</b>

The decrease of the fees paid for audit services is related to the unbundling of n.v. Nuon Energy.

## NOTE 24 | DEPRECIATION AND IMPAIRMENTS OF PROPERTY, PLANT AND EQUIPMENT

Depreciation and impairments of property, plant and equipment						
€ million	Land and buildings	Power stations	Networks	Gas fields and platforms	Other plant and equipment	Total
<b>2008</b>						
Depreciation	6	-	152	-	44	202
Divestments	-1	-	17	-	7	23
<b>Total 2008</b>	<b>5</b>	<b>-</b>	<b>169</b>	<b>-</b>	<b>51</b>	<b>225</b>
<b>2009</b>						
Depreciation	6	-	147	-	40	193
Divestments	-	-	21	-	-	21
<b>Total 2009</b>	<b>6</b>	<b>-</b>	<b>168</b>	<b>-</b>	<b>40</b>	<b>214</b>

There was no impairment in the continuing operations in 2008 and 2009. Depreciation also includes accelerated depreciation on decommissioned assets.

## NOTE 25 | FINANCIAL INCOME

Financial income		
€ million	2009	2008
Interest income on loans and deposits	13	61
Other financial income	10	121
Currency translation differences	-	34
<b>Total</b>	<b>23</b>	<b>216</b>

## NOTE 26 | FINANCIAL EXPENSES

Financial expense		
€ million	2009	2008
Loans from third parties	-101	-71
Nuon Energy current account	-21	-179
Interest added to provisions	-1	-
Currency translation differences	-4	-
Other financial expenses	-24	-10
<b>Totaal</b>	<b>-151</b>	<b>-260</b>

## NOTE 27 | TAXATION

Taxation		
€ million	2009	2008
Current tax expense	-27	-68
Movement in deferred taxes	-44	-12
<b>Total</b>	<b>-71</b>	<b>-80</b>

The table below provides a reconciliation between the corporate income tax rate in the Netherlands and the effective tax rate:

Reconciliation of effective corporate income tax rate		
%	2009	2008
<b>Enacted corporate income tax rate in the Netherlands</b>	<b>25.5</b>	<b>25.5</b>
Impact of:		
- Release of liabilities for previous years	-3.8	-2.3
- Use of previously unrecognised temporary differences and tax losses	-1.5	-0.2
- Exemption on share of profit from associates and joint ventures	-0.7	-
- Tax incentives and other	0.1	0.1
<b>Effective corporate income tax rate</b>	<b>19.6</b>	<b>23.1</b>

The reduction in the effective tax rate in 2009 was mainly a result of a release of corporate income tax payable relating to prior years. Agreement was reached with the Dutch tax authorities in 2009 on the final settlement of returns for two earlier years. As a result of the negotiations, the recognised liability was higher than that in the corporate income tax return submitted. This liability was released to the result in 2009 leading to a release of tax payable of € 13 million.

The item use of previously unrecognised temporary differences or tax losses relates to the use of unrecognised temporary differences in connection with the sale of the high-voltage grids.

The participation exemption related to the book profit of € 10 million on the sale of the shares in Liandyn B.V. to Ziut B.V.

## NOTE 28 | NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement					
€ million	Alliander pro forma	Nuon Energy	Elimi- nation	Alliander N.V.	
	2009	2009		2009	2008
<b>Cash flow from operating activities</b>					
<b>Profit after taxation</b>	<b>312</b>	<b>226</b>		<b>538</b>	<b>765</b>
Adjustments for:					
Financial income and expenses	128	-12		116	-68
Income tax expenses	71	86		157	111
Profit after taxation from associates and joint ventures	-20	-6		-26	-24
Depreciation, amortisation and impairments	175	133		308	412
Changes in working capital:					
Inventories	-2	18		16	-8
Trade and other receivables	-69	-110		-179	-212
Current accounts with associates	-	1,467	-1,467	-	-
Trade payables and other current liabilities	114	-323		-209	435
Total changes in working capital	43	1,052	-1,467	-372	215
Changes in deferred tax, provisions, derivatives and other	6	-30	-284	-308	-232
<b>Cash flow from operations</b>	<b>715</b>	<b>1,449</b>	<b>-1,751</b>	<b>413</b>	<b>1,179</b>
Interest paid	-151	-22		-173	-70
Interest received	23	34		57	96
Dividends received from associates and joint ventures	-	26		26	26
Corporate income tax paid and received	72	-23		49	-203
<b>Total</b>	<b>-56</b>	<b>15</b>		<b>-41</b>	<b>-151</b>
<b>Cash flow from operating activities</b>	<b>659</b>	<b>1,464</b>	<b>-1,751</b>	<b>372</b>	<b>1,028</b>
<b>Cash flow from investing activities</b>					
Acquisitions, excluding acquired cash and cash equivalents	-	-		-	-429
Capital expenditure on property, plant and equipment	-397	-241	1	-637	-940
Construction contributions received	101	13		114	117
Disposals of property, plant and equipment	-	-		-	11
Investments in intangible assets	-	-7		-7	-3
Proceeds from sales of subsidiaries	368	-		368	27
Disposals of financial assets (associates and joint ventures)	-	9		9	2
<b>Cash flow from investing activities</b>	<b>72</b>	<b>-226</b>	<b>1</b>	<b>-153</b>	<b>-1,215</b>
<b>Cash flow from financing activities</b>					
Movement in Nuon Energy current account	-1,499	-	1,499	-	-
New short-term Interest-bearing debt and short-term part of long-term debt	-17	2		-15	4
New long-term loans	1,250	48		1,298	119
Repaid long-term loans	-301	-7		-308	-187
Equity contributions	400	-405	5	-	-
Divided cash and cash equivalents	-	-	-1,388	-1,388	-
Dividends paid	-350	-211	211	-350	-459
<b>Cash flow from financing activities</b>	<b>-517</b>	<b>-573</b>	<b>327</b>	<b>-763</b>	<b>-523</b>
<b>Net cash flow</b>	<b>214</b>	<b>665</b>	<b>-1,423</b>	<b>-544</b>	<b>-710</b>
Cash and cash equivalents as at 1 January	237	758	-	995	1,705
Net cash flow	214	665	-1,423	-544	-710
<b>Cash and cash equivalents as at 31 December</b>	<b>451</b>	<b>1,423</b>	<b>-1,423</b>	<b>451</b>	<b>995</b>

The elimination shows the unbundled cash and cash equivalents of Nuon Energy.

Alliander's pro forma cash flow statement and notes in the annual report (see page 60) can be derived by eliminating Nuon Energy from the Alliander cash flow statement for the first half of the year. Alliander N.V.'s consolidated cash flow statement is set out below.

#### Cash flow from operating activities

The cash flow from operating activities for 2009 was € 372 million compared with € 1,028 million in 2008. The decrease in the operating profit was mainly as a result of a lower consolidated result as a consequence of the unbundling of n.v. Nuon Energy on 30 June 2009 and a fall in working capital, due in part to higher collateral received in the trading environment in 2008. The collateral paid into margin accounts by n.v. Nuon Energy in 2008 was not stated as outgoing cash flow but as 'restricted cash and cash equivalents'.

#### Cash flow from investing activities

The cash outflow from investing activities decreased from € 1,215 million in 2008 to € 153 million in 2009, largely because of Nuon Energy's acquisition of Burlington in 2008. In addition, € 368 million was received in 2009 from the sale of the high-voltage grids to TenneT. The decrease in capital expenditure on property, plant and equipment related to the production company, in particular the large amount for Magnum in 2008. It should again be noted that the capital expenditure only includes n.v. Nuon Energy for the first half year in 2009.

#### Cash flow from financing activities

The cash outflow from financing activities was € 763 million in 2009, compared with € 523 million in 2008. The higher cash outflow was largely the net divided cash and cash equivalents and investments in current financial assets, offset in part by income from the issue of two bonds under the EMTN programme.

## NOTE 29 | EARNINGS PER SHARE

Earnings per share is calculated by dividing profit after taxation attributable to the shareholders of Alliander by the weighted average number of issued shares. The weighted average number of issued shares in 2009 was 136,794,964 (2008: 136,794,964). The weighted average

number of shares used in the calculation of the diluted earnings per share was 136,794,964 for 2009 and 2008. No shares were to be issued under the share surplus scheme ('excedentenregeling') at 31 December 2009 (2008: nil).

Earnings per share		
	2009	2008
Weighted average number of shares	136,794,964	136,794,964
Adjustment for assumed conversion of convertible loans	-	-
<b>Weighted average number of shares in calculation of diluted earnings per share</b>	<b>136,794,964</b>	<b>136,794,964</b>
<b>Earnings per share (€)</b>		
Continuing operations	2.28	1.97
Discontinued operations	1.65	3.62
<b>Earnings per share</b>	<b>3.93</b>	<b>5.59</b>
<b>Diluted earnings per share (€)</b>		
Continuing operations	2.28	1.97
Discontinued operations	1.65	3.62
<b>Diluted earnings per share</b>	<b>3.93</b>	<b>5.59</b>

The comparative figures for 2008 have been restated for continuing and discontinued operations.

## NOTE 30 | LICENCES

n.v. Nuon Infra West and n.v. Nuon Infra Oost, wholly-owned subsidiaries of Liander, own the networks for the transportation of electricity and gas in the Netherlands. In accordance with the Electricity Act 1998 (E-Act) and the Gas Act (G-Act), these subsidiaries have appointed Liander N.V. as the grid manager for their gas and electricity networks for a ten-year period (expiry date: 9 June 2014). The use of the networks is defined in the agreements between Liander N.V. and the aforementioned subsidiaries. Liander N.V. executes the tasks laid down in the E-Act and the G-Act. The Office of Energy Regulation monitors the execution and establishes

maximum tariffs for the use of the networks. The E-Act and the G-Act provide that the Minister of Economic Affairs has the power to appoint another qualified grid manager in very special circumstances if the continuity of the energy supply is endangered. The metering of the electricity and gas transported and delivered in the Netherlands is laid down in legislation and in the 'metering code'. Liandon Meetbedrijf N.V. performs this metering and has been ISO 9001 accredited and officially acknowledged as a metering company. This acknowledgment is confirmed by TenneT each calendar year.

## NOTE 31 | RELATED PARTIES

As holder of 45% of the shares in the company, the province of Gelderland has significant influence over Alliander and therefore qualifies as a related party.

At year-end 2009, the remaining shares were held by 58 shareholders, none of which is a related party. The Alliander Group has interests in various associates and joint ventures in which it exercises significant influence, but not control or joint control, over operations and the financial policy. Transactions with these parties, some of

which are significant, are conducted on market terms and conditions and at prices that are no more favourable than the conditions and prices offered to independent third parties.

The following transactions with regard to sales and purchases of goods and services have taken place with related parties:

### Related party transactions

€ million

	2009	2008
Sales of goods and services	19	95

The reduction in the sales of goods and services in 2009 compared with 2008 is mainly a result of the unbundling of Nuon Energy on 30 June 2009.

There were no significant transactions with individuals who qualify as related parties. At 31 December 2009, Alliander had issued no loans to related parties (amount outstanding at 31 December 2008: € 1 million).

## NOTE 32 | ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

n.v. Nuon Energy was unbundled from n.v. Nuon, now Alliander N.V., on 30 June 2009. As n.v. Nuon Energy was unbundled rather than sold, the assets and liabilities were not classified as 'held for sale' in the balance sheet but were consolidated in Alliander in 2008 and the first half of 2009.

Nuon (now Alliander) sold its interest in Arctic Wind SA and some smaller group companies were sold in 2008.

The assets and liabilities of the companies that are classified as held for sale are as follows:

## Assets and liabilities of companies held for sale

€ million	2009	2008
Financial assets	-	243
<b>Total non-current assets</b>	<b>-</b>	<b>243</b>
<b>Total current assets</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>-</b>	<b>243</b>
<b>Total long-term liabilities</b>	<b>-</b>	<b>56</b>
<b>Total short-term liabilities</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>-</b>	<b>56</b>

The consolidated income statement for the discontinued operations is shown below.

## Consolidated income statement of discontinued operations

€ million	Discontinued operations	
	2009	2008
<b>Income</b>		
Net turnover from sales of goods and delivery of services	2,985	4,809
Other operating income	57	165
<b>Total income</b>	<b>3,042</b>	<b>4,974</b>
<b>Operating expenses</b>		
Purchasing costs and costs of sub-contracted work	-2,090	-3,407
Employee compensation and benefit expenses	-237	-422
External personnel expenses	-66	-121
Other operating expenses	-242	-489
<b>Total purchasing costs, costs of subcontracted work and operating expenses</b>	<b>-2,635</b>	<b>-4,439</b>
Depreciation and impairments of property, plant and equipment	-125	-186
Amortisation and impairments intangible assets	-8	-1
Less: own work capitalised	20	52
<b>Total operating expenses</b>	<b>-2,748</b>	<b>-4,574</b>
<b>Operating profit</b>	<b>294</b>	<b>400</b>
Financial income	33	223
Financial expense	-22	-116
Share in results of associates and joint ventures	6	20
<b>Profit before taxation</b>	<b>311</b>	<b>527</b>
Taxation	-85	-32
<b>Profit after taxation</b>	<b>226</b>	<b>496</b>
of which:		
Profit after taxation attributable to minority shareholders	-	1
<b>Profit after taxation attributable to Alliander shareholders</b>	<b>226</b>	<b>495</b>

The consolidated income statement for discontinued operations in 2008 and 2009 consists entirely of n.v. Nuon Energy. 2009 relates to the period to 30 June 2009, the date of unbundling.

## NOTE 33 | INFORMATION ON RISKS AND FINANCIAL INSTRUMENTS

### General

The following financial risks can be identified: market risk, credit risk and liquidity risk. Market risk is defined as the risk of loss due to an adverse change in market prices. Alliander is primarily exposed to commodity price risk (to 30 June 2009, the date of the unbundling of n.v. Nuon Energy) and to currency and interest rate risks. Credit risk is the risk resulting from a default by a counterparty, including suppliers, investments and trading counterparties. Liquidity risk is the risk of Alliander not being able to meet its obligations associated with financial liabilities.

This note provides information on these financial risks to which Alliander is exposed, the objectives and policy for managing risks arising from financial instruments as well as the management of capital. Further quantitative information is provided in the various notes in the consolidated financial statements.

### Market risk

Alliander is exposed to the following potential market risks:

- Commodity price risk: the risk that the value of a financial instrument will fluctuate because of changes in commodity prices; mainly the purchase of grid losses;
- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in exchange rates;
- Interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Alliander hedges market risks through the purchase and sale of derivatives and seeks to mirror this practice insofar as possible in its accounts through the application of hedge accounting. All transactions are carried out within the guidelines as approved by the Management Board.

### Commodity price risk

With respect to the purchase of grid losses, Alliander is sensitive to the effect of market fluctuations in the price of various energy commodities, including but not limited to electricity, coal, natural gas, oil and CO<sub>2</sub>.

### Currency risk

#### General

Alliander is exposed to currency risk on purchases, cash and cash equivalents, loans borrowed and other balance sheet positions denominated in a currency other than the euro. Currency risks at 31 December 2009 were mainly in respect of positions in USD.

Currency risks are transaction risks in respect of future cash flows and balance sheet positions in foreign currency. These risks are 100% hedged.

Subsidiaries report currency positions and risks to Alliander's Treasury Department. These positions and risks are principally hedged back-to-back with external counterparties through cross-currency interest rate swaps and spot and forward exchange contracts.

Alliander has provided collateral by way of deposits in foreign currency. This collateral covers issued letters of credit relating to cross-border lease transactions and are hedged by means of cross-currency interest rate swaps. In this connection, Alliander had provided collateral of USD 42 million (€ 29 million) at 31 December 2009 (2008: USD 79 million/€ 57 million), of which USD 42 million (2008: USD 79 million) was placed in a hedge relationship.

### Exposure to currency risks and sensitivity analysis

Alliander's exposure to currency risk based on nominal values is presented in the table below. This table shows the pre-tax effect that a possible increase or decrease in the value of foreign currencies relative to the euro would have, assuming all other circumstances remain unchanged, on Alliander's financial income and expenses and shareholders' equity, taking into account derivatives concluded to hedge the currency risk. The effects on shareholders' equity and income are calculated using the closing rate at the balance sheet date.

Alliander operates mainly in the Netherlands and to a small extent in Germany and so has no currency risk on its operating activities. The only, non-operating, risk at 31 December 2009 was on the investments and liabilities disclosed in the financial statements relating to two cross-border leases and bonds purchased in 2008.

The amounts in the table below relate to the DePfa notes bought in 2008 as part of the restructuring of the investment portfolio relating to two cross-border leases. The currency risk on the purchase of these USD notes is hedged by a currency hedge. Hedge accounting is not applied in the financial statements. Furthermore, Liander has recognised USD investments and liabilities for two CBL contracts in the balance sheet. The table shows that currency risks do not directly affect the equity position. All currency translation gains and losses are recognised through the income statement.

The amounts recognised at 31 December 2008 related to Alliander and n.v. Nuon Energy.

## Sensitivity analysis currency risk

€ million	Position	Income		Equity	
		Decrease by 10% relative to the euro	Increase by 10% relative to the euro	Decrease by 10% relative to the euro	Increase by 10% relative to the euro
<b>As at 31 December 2009</b>					
Exposure in USD	194	-20	20	-	-
Hedged position in USD	-189	19	-19	-	-
<b>Sensitivity of cash flow in USD (net)</b>	<b>5</b>	<b>-1</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Total exposure in foreign currencies</b>	<b>194</b>	<b>-20</b>	<b>20</b>	<b>-</b>	<b>-</b>
<b>Total hedged position in foreign currencies</b>	<b>-189</b>	<b>19</b>	<b>-19</b>	<b>-</b>	<b>-</b>
<b>Sensitivity of cash flow in foreign currencies (net)</b>	<b>5</b>	<b>-1</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>As at 31 December 2008</b>					
Exposure in USD	-307	-39	43	-2	3
Hedged position in USD	311	-27	38	2	-3
<b>Sensitivity of cash flow in USD (net)</b>	<b>4</b>	<b>-66</b>	<b>81</b>	<b>-</b>	<b>-</b>
Exposure in JPY	-294	-	-	29	-29
Hedged position in JPY	293	-	-	-29	29
<b>Sensitivity of cash flow in JPY (net)</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Exposure in CHF	-46	-	-	5	-5
Hedged position in CHF	46	-	-	-5	5
<b>Sensitivity of cash flow in CHF (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Exposure in GBP	3	-	-	-	-
Hedged position in GBP	-3	-3	4	-	-
<b>Sensitivity of cash flow in GBP (net)</b>	<b>-</b>	<b>-3</b>	<b>4</b>	<b>-</b>	<b>-</b>
Exposure in PLN	2	-	-	-	-
Hedged position in PLN	-2	-	-	-	-
<b>Sensitivity of cash flow in PLN (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Exposure in NOK	2	-	-	-	-
Hedged position in NOK	-2	-	-	-	-
<b>Sensitivity of cash flow in NOK (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total exposure in foreign currencies</b>	<b>-640</b>	<b>-39</b>	<b>43</b>	<b>32</b>	<b>-31</b>
<b>Total hedged position in foreign currencies</b>	<b>643</b>	<b>-30</b>	<b>42</b>	<b>-32</b>	<b>31</b>
<b>Sensitivity of cash flow in foreign currencies (net)</b>	<b>3</b>	<b>-69</b>	<b>85</b>	<b>-</b>	<b>-</b>

The principal exchange rates were as follows at the balance sheet date:

Exchange rates		
€ 1	2009	2008
USD	1.43	1.40
GBP	-	0.96
CHF	-	1.49
JPY	-	126.67
PLN	-	4.15
NOK	-	9.71



## Interest rate risk

### General

The table below provides information on the extent to which Alliander is exposed to changes in interest rates on financial instruments and shows the effective interest rate at the balance sheet date and the maturity date or,

if earlier, the contractual interest repricing date. This means that a long-term loan whose interest will be repriced in the coming year is classified as 'Less than 1 year'.

Maturity date or earlier contractual interest repricing date						
€ million	Effective interest rate	Variable/ fixed	Carrying amounts			
			Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>As at 31 December 2009</b>						
<b>Investments</b>						
Financial assets available for sale	0.6%	Variable	301	-	240	541
<b>Cash and cash equivalents</b>		Variable	451	-	-	451
<b>Total assets</b>			<b>752</b>	<b>-</b>	<b>240</b>	<b>992</b>
<b>Loans received</b>						
Subordinated loans	7.8%	Fixed	-65	-18	-87	-170
Private loans	7.8%	Fixed	-1	-5	-	-6
Euro Medium Term Notes	4.7%	Fixed	2	-989	-1,049	-2,035
Banks	8.2%	Fixed	-	-2	-	-2
Other		Variable	-1	-11	-	-12
<b>Finance lease obligations</b>	7.8%	Fixed	-1	4	-123	-120
<b>Total short-term and long-term financial liabilities</b>			<b>-66</b>	<b>-1,021</b>	<b>-1,259</b>	<b>-2,345</b>
<b>Derivatives</b>						
Interest rate swaps and cross-currency interest rate swaps		Variable	57	-57	-	-
<b>Total liabilities</b>			<b>-9</b>	<b>-1,078</b>	<b>-1,259</b>	<b>-2,345</b>
<b>As at 31 December 2008</b>						
<b>Investments</b>						
Financial assets available for sale	1.4%	Variable	-	-	243	243
<b>Loans granted</b>						
Fixed-rate receivables	3.4%	Fixed	14	-	2	16
<b>Other receivables</b>						
Finance lease receivables	7.9%	Fixed	1	3	-	4
Other receivables		Variable	46	-	-	46
<b>Cash and cash equivalents</b>		Variable	995	-	-	995
<b>Total assets</b>			<b>1,056</b>	<b>3</b>	<b>245</b>	<b>1,304</b>
<b>Loans received</b>						
Subordinated loans	7.8%	Fixed	-6	-75	-93	-174
Private and green loans	3.6%	Fixed	-21	-105	-96	-222
Green loans		Variable	-11	-	-	-11
Euro Medium Term Notes	4.3%	Fixed	-3	-	-791	-794
Banks	8.2%	Fixed	-	-	-2	-2
Other		Variable	-10	-7	-1	-18
<b>Finance lease obligations</b>	7.0%	Fixed	-8	-23	-126	-157
<b>Total short-term and long-term financial liabilities</b>			<b>-59</b>	<b>-210</b>	<b>-1,109</b>	<b>-1,378</b>
<b>Other payables</b>		Variable	-119	-	-	-119
<b>Derivatives</b>						
Interest rate swaps and cross-currency interest rate swaps		Variable	68	-	-68	-
<b>Total liabilities</b>			<b>-110</b>	<b>-210</b>	<b>-1,177</b>	<b>-1,497</b>

At year-end 2009, Alliander's outstanding interest rate swaps were nil (2008: nominal amount of € 10 million) as all contracts matured in 2009.

Alliander has outstanding cross-currency interest rate swaps; see the section on currency risk for further information. The underlying principal sum converted from a fixed to a variable interest rate was € 57 million (2008: € 68 million) and was presented in the above tables.

### Sensitivity analysis

#### Sensitivity analysis in relation to fair value for fixed-interest assets and liabilities

Alliander has no fixed-interest financial assets and

liabilities that are recognised at fair value through profit or loss. Alliander does, however, have interest rate swaps in a fair value hedging relationship.

#### Sensitivity analysis in relation to cash flows for variable interest assets and liabilities

A change of 100 basis points in interest rates at 31 December 2009 would, assuming all other circumstances remain unchanged, have a pre-tax effect on Alliander's shareholders' equity and income on an annual basis (financial income and expenses) as shown in the table below.

Sensitivity analysis interest rate risk					
€ million	Position	Income		Equity	
		Decrease by 100 basis points	Increase by 100 basis points	Decrease by 100 basis points	Increase by 100 basis points
<b>As at 31 December 2009</b>					
Variable-rate instruments	980	-10	10	-	-
Interest rate swaps	57	1	-1	-	-
<b>Sensitivity of cash flow (net)</b>	<b>1,037</b>	<b>-9</b>	<b>9</b>	<b>-</b>	<b>-</b>
<b>As at 31 December 2008</b>					
Variable-rate instruments	1,136	-11	11	-	-
Interest rate swaps	68	1	-1	-	-
<b>Sensitivity of cash flow (net)</b>	<b>1,204</b>	<b>-10</b>	<b>10</b>	<b>-</b>	<b>-</b>

In previous years, part of the interest rate swaps and cross-currency interest rate swaps had been placed in a fair value hedge. If interest rates change, the value movements of the interest rate swaps and cross-currency interest rate swaps do not affect Alliander's income or equity as all changes in the fair value of these swaps lead to an identical change in the value of the underlying balance sheet items.

### Hedging transactions

#### Fair value hedging

In the previous year, Alliander made use of derivatives for full or partial hedging of risks from fluctuations in the fair value of financial assets and/or liabilities and firm commitments. Fixed-interest loans were converted into variable rate loans using interest rate swaps and the interest component of the cross-currency interest rate swaps. Changes in the market value of these loans as well as of the swaps designated for hedging were recognised in financial income and expenses.

#### Cash flow hedging

Alliander issued Euro Medium Term Notes to redeem the current account with n.v. Nuon and to finance USD cash

collateral. In order to hedge the difference in both the interest rate and currencies of the two instruments, the fixed interest rate in euros on the Euro Medium Term Notes has been converted into a variable interest rate in USD by means of cross-currency interest rate swaps. The currency components of these hedges have been designated as cash flow hedges.

Before entering into the Medium Term Notes, Nuon hedged the risks arising from the expected future interest payments by means of interest rate swaps. These swaps were designated as cash flow hedges. From the moment that the loans were entered into, the interest rate swaps were settled in cash and the loss contained until that moment in the cash flow hedge reserve is released to income during the remaining life of the loans so that, on balance, the originally hedged interest rate level is recognised in the income statement. Since these interest rate swaps were settled when the loans were entered into, no future cash flows are expected from these interest rate swaps. The accumulated losses of € 10 million at 31 December 2009 (2008: € 12 million) will be recognised in the income statement until 2014.

The table below presents the pre-tax movements in the cash flow hedge reserve in the financial year. At 31 December 2009, the cash flow hedge reserve was € 8 million net of deferred tax (2008: € 320 million).

Cash flow hedges							
€ million	Hedge ineffective-ness	Hedge reserve as at 1 January	Changes in fair value	Transfer to translation reserve	Transfer to Income	Deconsolidation	Hedge reserve as at 31 December
<b>2009</b>							
<b>Fuel purchases</b>							
Coal swaps	-1	-58	-17	-	17	58	-
Gas swaps	-	311	-194	-	45	-162	-
Oil swaps	17	193	-3	-	11	-201	-
Currency contracts (USD)	-4	-59	7	-	4	48	-
Total hedges on fuels purchased	12	387	-207	-	77	-257	-
<b>Currency risks</b>							
Cross-currency interest rate swaps	-	-	-	-	-	-	-
Forward contracts	-	53	-29	-	-	-24	-
<b>Interest rate risks</b>							
Interest rate swaps	-	-12	-	-	2	-	-10
<b>Total 2009</b>	<b>12</b>	<b>428</b>	<b>-236</b>	<b>-</b>	<b>79</b>	<b>-281</b>	<b>-10</b>
	Hedge ineffective-ness	Hedge reserve as at 1 January	Changes in fair value	Transfer to translation reserve	Transfer to other reserves	Transfer to income	Hedge reserve as at 31 December
<b>2008</b>							
<b>Fuel purchases</b>							
Coal swaps	-	66	-45	-	-	-79	-58
Gas swaps	-	-	311	-	-	-	311
Oil swaps	-	-49	206	-	-	36	193
Currency contracts (USD)	-1	-	-48	-	-	-11	-59
Total hedges on fuels purchased	-1	17	424	-	-	-54	387
<b>Currency risks</b>							
Cross-currency interest rate swaps	2	3	4	-	-	-7	-
Forward contracts	-	-3	56	-	-	-	53
<b>Interest rate risks</b>							
Interest rate swaps	-	-14	-	-	-	2	-12
<b>Total 2008</b>	<b>1</b>	<b>3</b>	<b>484</b>	<b>-</b>	<b>-</b>	<b>-59</b>	<b>428</b>

## Credit risk

### General

Credit risk is the risk of a loss incurred because a counterparty is unable or unwilling to meet its obligations.

A consistent approach to credit analysis and management is applied throughout the organisation, with the degree of review undertaken varying depending on the magnitude of credit risk in a transaction.

Cash and cash equivalent surpluses are placed in the money and capital markets on market terms and conditions with institutions named in a list of permitted counterparties drawn up by the Management Board up to the maximum limit set for the institution in question.

In addition, norms have been set for the creditworthiness level in the cash and cash equivalents portfolio as a whole based on ratings set by credit rating agencies.

Investments made by Alliander relating to the cross-border lease contracts require the individual approval of the Management Board. These investments were made for very long terms and are aimed at generating sufficient returns to meet future lease obligations. The portfolio of investments on which Alliander is exposed to credit risks consists mainly of deposits, securities and sold credit default swaps.

Credit risk is managed through established credit policies, regular monitoring of credit exposures and application of appropriate mitigation tools.

### Credit quality

#### Treasury

The creditworthiness of financial institutions owing debts to Alliander is monitored using credit ratings. The majority of cash and cash equivalents, as well as cross-border lease investments and deposits, interest rate and currency derivatives are placed or invested with parties with a credit rating of A or higher. 30% of the cash and cash equivalents (2008: 62%) is placed with parties with an AA rating or higher.

#### Sales

Alliander is exposed to credit risk in the event of non-payment by customers for services provided. The company has procedures to limit credit exposure to counterparties and to ensure that outstanding positions are covered by collateral, for example, in the form of bank guarantees.

#### Maximum credit risk

The maximum credit risk is the carrying amount value of each financial asset, including derivative financial instruments.

The maximum credit risk that Alliander is exposed to in respect of the cross-border lease transactions is USD 3.6 billion (2008: USD 4.2 billion). This includes the risk on

an investment in a credit default swap transaction with an underlying reference portfolio of USD 26.8 billion (2008: USD 16.4 billion), where the credit risk for Alliander has been capped at USD 171 million (€ 119 million; 2008: € 122 million). Of this amount, € 123 million relates to financial assets available for sale that Alliander has recognised in its balance sheet (2008: € 134 million). The credit default swap had a fair value of € 105 million negative at 31 December 2009 (2008: € 118 million negative) and a term to 2015. During 2008, the investment was restructured to enhance the creditworthiness by replacing collateral assets in the structure leading to an increase of the number of allowable credit events on the reference portfolio before the collateral assets will be affected. A provision has been formed for the difference between the maximum exposure on the CDSs and their fair value.

#### Past-due instalments

All receivables that are past due, but for which no provision has been made, are trade receivables from regular sales. The provision for bad debts and uncollectible receivables also exclusively concerns trade receivables from regular sales. The ageing of trade receivables was as follows on the balance sheet date (gross amounts):

Age analysis trade debtors		
€ million	2009	2008
Not overdue	108	751
0-30 days	59	124
31-90 days	15	64
91-360 days	14	79
> 360 days	22	51
<b>Total</b>	<b>218</b>	<b>1,069</b>

The movements in the provision for bad debts and uncollectible receivables in relation to trade debtors were as follows:

Movement schedule provision for bad debt		
€ million	2009	2008
Balance as at 1 January	82	68
Use of allowance account (impairment trade receivables)	-20	-30
Addition to allowance account charged to income	33	44
Deconsolidation	-70	-
<b>Total</b>	<b>25</b>	<b>82</b>

The major part of the provision for bad debts and uncollectible receivables is formed using a graduated scale based on historical figures. The remainder is based on an assessment of individual debtors.

The fair value of collateral obtained relating to past due and impaired debtors was nil (2008: nil).

### Liquidity risk

Liquidity risk is the risk that Alliander is unable to obtain the financial resources required to meet its financial commitments on time. In this connection, Alliander regularly assesses the expected cash flows over a period of one year. Among other things, these cash flows include operating cash flows, dividends, interest payments and debt repayment, replacement capital expenditure and the effects of a change in Alliander's creditworthiness. The overall aim is to have sufficient committed credit facilities at all times to ensure the required liquidity in the coming year. Capital requirement planning is performed on a four-year horizon.

In light of Nuon's organisational unbundling into a network company and a production and supply company in July 2008, the five-year credit facility of € 1.5 billion

maturing in November 2009 was replaced in November 2008 by two three-year credit facilities for a total of € 1.625 billion. Both facilities (€ 750 million for the production and supply company and € 875 million for the network company) have a term of three years (November 2011). In 2009, Nuon Energy's facility was raised by € 75 million to € 825 million. Alliander can make use of its facility at all times provided that certain covenants are met. The facility can be used for general operating purposes, working capital financing or debt refinancing. In addition to the credit facility, which had not been drawn at 31 December 2009, Alliander has an ECP programme of € 1.5 billion and an EMTN programme of € 3 billion under which € 2.05 billion was outstanding at 31 December 2009.

To provide information on liquidity risk, the table below shows the contractual terms of the financial obligations (translated at the balance sheet rate), including interest payments.

### Liquidity risk 2009 and 2008

€ million	Carrying amount	Contractual cash flows			
		Less than 1 year	1 - 5 years	Over 5 years	Total
<b>As at 31 December 2009</b>					
<b>Loans received</b>					
Notional amounts	-2,213	-67	-1,025	-1,137	-2,229
Interest		-109	-361	-192	-662
<b>Finance lease obligations</b>	-120	-10	-32	-229	-271
<b>Accounts payable</b>	133	133	-	-	133
<b>Other payables</b>	459	459	-	-	459
<b>Off balance sheet commitments</b>					
Operating lease liabilities	-	19	44	1	64
<b>Forex instruments</b>					
Cross-currency interest rate swaps	6				
Payment of interest and notional amounts		-	-57	-	-57
Receipts of interest and notional amounts		-	61	-	61
<b>Total cross-currency interest rate swaps</b>		-	4	-	4
Forward obligations	3				
Buy		130	-	-	130
Sell		-134	-	-	-134
<b>Total forward contracts</b>		-4	-	-	-4
<b>Other derivatives</b>	-105	-	-	-105	-105
<b>Total</b>	<b>-1,837</b>	<b>421</b>	<b>-1,370</b>	<b>-1,662</b>	<b>-2,611</b>

**Liquidity risk 2009 and 2008 (continued)**

€ million	Carrying amount	Contractual cash flows			
		Less than 1 year	1 - 5 years	Over 5 years	Total
<b>As at 31 December 2008</b>					
<b>Loans received</b>					
Notional amounts	-1,203	-31	-190	-991	-1,212
Interest		-56	-233	-151	-440
Other long-term financial liabilities	-18	-10	-7	-1	-18
<b>Finance lease obligations</b>	<b>-157</b>	<b>-22</b>	<b>-64</b>	<b>-138</b>	<b>-224</b>
<b>Accounts payable</b>	<b>-632</b>	<b>-632</b>	<b>-</b>	<b>-</b>	<b>-632</b>
<b>Other payables</b>	<b>-1,111</b>	<b>-1,111</b>	<b>-</b>	<b>-</b>	<b>-1,111</b>
<b>Off balance sheet commitments</b>					
Operating lease liabilities	-	-37	-61	-1	-99
<b>Interest rate instruments</b>					
Interest rate swaps	-				
Interest payments		-	-1	-	-1
Interest receipts		-	1	-	1
<b>Total interest rate swaps</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Forex instruments</b>					
AROs	-101	-53	-40	3	-90
Cross-currency interest rate swaps	3				
Payment of interest and notional amounts		-3	-11	-61	-75
Receipts of interest and notional amounts		2	10	63	75
<b>Total cross-currency interest rate swaps</b>		<b>-1</b>	<b>-1</b>	<b>2</b>	<b>-</b>
Forward contracts					
Forward receivables	123				
Buy		-805	-451	-23	-1,279
Sell		862	511	23	1,396
Forward obligations	-58				
Buy		-365	-354	-	-719
Sell		345	315	-	660
<b>Total forward contracts</b>		<b>37</b>	<b>21</b>	<b>-</b>	<b>58</b>
<b>Commodity derivatives</b>					
Swap receivables	2,610	2,394	1,693	81	4,168
Swap obligations	-2,156	-2,170	-1,629	-79	-3,878
<b>Total swaps</b>		<b>224</b>	<b>64</b>	<b>2</b>	<b>290</b>
Forward receivables	3,807				
Buy		-1,192	-938	-95	-2,225
Sell		10,653	4,657	-	15,310
Forward obligations	-3,457				
Buy		-10,763	-4,549	-	-15,312
Sell		831	490	-	1,321
<b>Total forwards</b>		<b>-471</b>	<b>-340</b>	<b>-95</b>	<b>-906</b>
<b>Other derivatives</b>	<b>-118</b>	<b>-</b>	<b>-</b>	<b>-118</b>	<b>-118</b>
<b>Total</b>	<b>-2,468</b>	<b>-2,163</b>	<b>-851</b>	<b>-1,488</b>	<b>-4,502</b>

## Fair values

The fair value of all short-term financial instruments equals the carrying amount. Furthermore, the fair values of all derivatives and certain long-term instruments

equal their carrying amounts. The table below presents the fair values of financial assets and liabilities at 31 December 2009 that differ from their carrying amount.

### Fair value of financial assets and liabilities 2009 and 2008

€ million	Carrying amount IAS 39 categories			Fair value	Note
	Other payables	Off balance sheet commitments	Total		
<b>As at 31 December 2009</b>					
Loans received	-2,218	-	-2,218	-2,531	[11]
Finance lease obligations	-120	-	-120	-101	[17]
Off balance sheet commitments					
Operating lease liabilities	-	64	64	58	[17]
<b>As at 31 December 2008</b>					
Loans received	-1,207	-	-1,207	-1,171	[11]
Finance lease obligations	-157	-	-157	-150	[17]
Off balance sheet commitments					
Operating lease liabilities	-	-99	-99	-88	[17]

## Measurement of fair value

The fair value of financial instruments is measured as follows:

- Financial assets available for sale consist of investments in securities whose fair value is equal to the carrying amount. Part of these investments relate to cross-border lease contracts;
- Finance lease and other receivables have been discounted at the appropriate market rate;
- Derivatives (note [8]);
- Currency derivatives and interest rate derivatives are recognised on the basis of the present value of the future cash flows, making use of the interbank rate (such as Euribor or Eurswap for cash flows longer than one year) applicable on the reporting date for the remaining term of the contracts. Present values in foreign currency are translated at the spot rate applicable on the reporting date;
- Where reliable market quotes can be obtained, these are the basis for the mark-to-market valuation of commodity derivatives but such information is not available for certain commodities, delivery terms and market instruments. In these cases, positions are 'marked-to-model'. For some positions (e.g. illiquid commodities, long-dated contracts), the price of the commodity is modelled and positions marked against this price. For certain structured derivatives where a similar instrument is not regularly traded in the market, the value of the derivative is modelled using market prices and the specific terms of the agreement;
- The value of purchased and sold credit default swaps is

determined using market prices obtained from third parties;

- The fair value of financial obligations is measured using market quotes. As no market quotes are available for the majority of the loans, the fair value of the short-term and long-term loans is measured by calculating their present value using the yield curve applicable to Alliander as at 31 December. This yield curve is derived from the zero-coupon rate plus the credit spread applicable to Alliander.

The following yield curves were applied at year-end 2009:

1-year	1.69%	(2008: 4.55%)
5-year	3.34%	(2008: 5.25%)
10-year	4.52%	(2008: 5.74%)
20-year	4.96%	(2008: 5.88%);

- Finance lease obligations: fair value is estimated as the present value of the future cash flows, discounted at the interest rate applicable to comparable contracts on the balance sheet date. This fair value is equal to the carrying amount;
- In view of their short-term nature, the fair value of trade receivables, trade payables and short-term tax liabilities is identical to the carrying amount;
- Cash and cash equivalents are recognised at face value which, in view of their short-term and risk-free nature, corresponds with the fair value.

## Capital Management

Alliander's financial policy, which is part of its general policy and strategy, is to obtain an adequate return for

shareholders and to protect the interests of bondholders and other providers of capital, while maintaining the flexibility to grow and invest in the business. The financial framework within which Alliander aims to operate is:

- To ensure a ratio of net profit, adjusted for incidental items and fair value movements, plus depreciation and amortisation to net debt of at least 20%. At 31 December 2009, the ratio was 25.4% (2008: 184%);
- To ensure a ratio of net profit, adjusted for non-recurring items and fair value movements, plus depreciation and amortisation plus net financial income and expenses to net financial income and expenses (interest cover) of at least 3.5. At 31 December 2009, the ratio was 3.7.

As net financial income and expenses was income in 2008, the comparative ratio is not presented.

- To ensure a ratio of net debt/net debt plus equity of no more than 60%;
- To ensure a balanced repayment schedule;
- To ensure sufficient cash and cash equivalents and committed credit facilities;
- To maintain a solid A rating profile.

#### Financial income and expenses

The table below shows the income and expenses recognised in respect of financial instruments in the income statement:

#### Effect of financial instruments on income statement

€ million	2009	2008
Net result on financial assets available for sale:		
Fair value changes forex instruments	2	12
Fair value changes interest rate instruments	4	-
Net result on financial liabilities at amortised cost:		
Interest charges on financial liabilities at amortised cost	-142	-256
Interest gains on cash equivalents, loans granted, trade receivables, other receivables and deposits	14	204
Fees paid and received other than for the calculation of the effective interest rate	-8	-2
Impairment charges on loans and receivables	2	-5
Ineffective part of changes in fair value or termination of cash flow hedges	-	2
<b>Net financial income and expenses</b>	<b>-128</b>	<b>-45</b>
Impairment of trade receivables	-33	-44
Net result on derivatives held for trading:		
Fair value changes other financial instruments	18	-98
<b>Other operating expenses</b>	<b>-15</b>	<b>-142</b>

The table below shows the income and expenses recognised in respect of financial instruments recognised directly in shareholders' equity:

#### Effect of financial instruments on equity

€ million	2009	2008
Effective part of changes in fair value of cash flow hedges	-	-11
Net changes in fair value of cash flow hedges transferred to the income statement	-2	5
<b>Total recognised in cash flow hedge reserve</b>	<b>-2</b>	<b>-6</b>



## NOTE 34 | ASSUMPTIONS AND ESTIMATES USED IN THE FINANCIAL STATEMENTS (CRITICAL ACCOUNTING POLICIES)

Alliander's financial statements are prepared in accordance with International Financial Reporting Standards adopted by the European Commission for use in the European Union. The preparation of financial statements and measurement of items in the financial statements require the use of estimates and assumptions. These 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 the given situation. The assumptions and estimates used in the financial statements often relate to future developments. 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. Consequently, the estimates and assumptions used may have a significant impact on shareholders' equity and the results. The estimates and assumptions used are tested regularly and adjusted if necessary. This section sets out an analysis of the main areas where the measurement of assets, liabilities and the results are affected by the estimates and assumptions used.

### **Determination of the provision for employee benefits**

The provision for post-employment benefits and other long-term employee benefits are determined on an actuarial basis, using assumptions on future salary levels, disability benefits (WAO/WIA), healthcare insurance premiums, statistical assumptions on mortality rates, employee turnover and probability of disability. These assumptions, together with the discount rate used, influence the valuation of the provision for employee benefits and, consequently, the results.

### **Useful lives, residual values and impairments of property, plant and equipment**

The measurement of the carrying amount of property, plant and equipment uses estimates regarding depreciation rates, which are derived from the expected technical and economic lives of the assets concerned, and estimates of the residual value. Technological developments, development in market circumstances and changes in the actual usage of the items of property, plant and equipment involved may lead to changes in the expected technical and economic lives and the estimated residual value of the assets. These factors may also trigger impairments. In the determination of the extent of the impairment, estimates are made of the fair value less cost-to-sell and the value in use. The fair value less

cost-to-sell is derived from assumptions on the possible selling price of a particular item of property, plant and equipment. The actual sales proceeds in the case of a disposal may differ from the estimates used. The value in use is based on the discounted value of the expected future cash flows, which are derived from the business plans for the coming years regarding the assets involved. Adverse developments with customers that may trigger an impairment, such as suspensions of payments or bankruptcy, are also taken into account. It is possible that Alliander may have to recognise additional impairment in the future as a result of changes in market or other circumstances.

### **Impairment of goodwill and other assets**

Goodwill is not amortised but impairment tests must be performed annually in order to ascertain whether or not the value of the goodwill has been impaired. Previously recognised impairments on goodwill are not reversed in future years when the impairment has ceased to exist. Other assets are tested if events or changes have occurred that trigger an impairment test. The impairment tests use estimates and assumptions on the fair value less costs to sell and the value in use. The estimate of the fair value less cost-to-sell is derived from information on stock exchanges and market prices, recent transactions in comparable companies, and bids and offers received. Actual proceeds and estimated costs to sell may differ from the estimates. Value in use is estimated using the discounted value of the expected future cash flows of the subsidiaries and associates involved. Actual cash flows may deviate from the cash flows in the business plans. The discount rates used also affect the ultimate value in use. Alliander may have to recognise additional impairment in future as a result of changes in market or other circumstances.

### **Measurement of trade receivables**

Alliander regularly assesses the recoverability of trade receivables, based upon past experience and specific developments with its customers. Impairments of trade receivables are recognised as a result of these assessments. The actual outcome may differ from the assumptions that were used to determine the impairments.

### **Provisions**

A characteristic of provisions is that the obligations are spread over several years and management has to make estimates and assumptions at the balance sheet date on

the probability that an obligation will arise and the magnitude of the amount that will have to be paid. Future developments, such as changes in market circumstances, changes in legislation and judicial decisions, may cause the actual obligation to differ from the provision. In addition, Alliander is involved in a number of legal proceedings. Management assesses each individual case and decides from the facts whether or not a provision is necessary. This assessment includes the probability that the claim will be successful and the amount that is likely to be paid.

#### Revenue recognition

The allocation process serves to determine estimates of the quantities of electricity and gas delivered daily, particularly where standard annual consumption patterns are used for the consumer and business market. These estimates are reviewed regularly, and quantities allocated to customers are adjusted for actual quantities ascertained through meter readings as part of this process ('reconciliation'). The legal requirements on reconciliation prescribe settlement within 17 months for electricity and 21 months for gas after the end of the month of delivery. The expected results of reconciliation have been estimated and recognised in the financial

statements as accurately as possible, but the final settlement may affect future results.

#### Taxation

When preparing the financial statements, Alliander devotes considerable attention to assessing all significant tax risks and the current tax position is reflected in the financial statements to the best of its knowledge. Changing insights, as a result of e.g. final tax assessments for previous years, may lead to additional tax charges or income. New tax risks may also arise. In the valuation of deferred tax assets, particularly those relating to the differences between the carrying amount in the financial statements and the valuation for tax purposes of property, plant and equipment, assumptions are made on the extent to which these receivables can be realised, and the term. This is based in part on business plans. In addition, assumptions on the temporary and permanent differences between valuations for financial reporting purposes and for tax purposes are used when preparing the financial statements. The actual situation may differ from the assumptions used in determining deferred tax positions, due in part to differences of opinion and changes in tax legislation.

## NOTE 35 | EVENTS AFTER THE BALANCE SHEET DATE

On 16 March 2010, Alliander acquired Stam & Co of Heerhugowaard, an all-round contractor for cable and communications systems. Stam & Co has annual revenues of some € 24 million and about 150 employees. This acquisition assures Alliander of sufficient engineering capacity in Noord-Holland.

On 11 December 2009 agreement was reached with the municipality of Eindhoven and eleven other municipalities in the region in a 'Heads of Terms' agreement on the proposed transfer of their shares in the grid company Endinet B.V. ("Endinet") to Alliander. The purchase agreement was signed on 4 March 2010. The Netherlands Competition Authority (Nma) and the minister of Economic Affairs also approved the purchase in March 2010. The actual transfer is expected to take place in mid-2010.

On 11 March 2010, Moody's raised the long-term ratings of Alliander N.V. and Alliander Finance B.V. from A2 to Aa3. The short-term Prime-1 ratings have been confirmed. The outlook for all ratings is stable. The expected support of all the shareholders in the event of exceptional circumstances was of particular importance in raising the long-term ratings.

On 30 March 2010, Alliander replaced the Revolving Credit Facility maturing in November 2011, with a new one for a total of € 600 million maturing in March 2015.

These events did not affect the assets and liabilities at the balance sheet date.

# company financial statements

## Company balance sheet as at 31 December, before appropriation of profit

€ million	Note	2009	2008
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	[36]	180	-
Investments in subsidiaries and associates	[37]	2,450	7,487
Other receivables	[38]	12	16
<b>Total non-current assets</b>		<b>2,642</b>	<b>7,503</b>
<b>Current assets</b>			
Other receivables		18	3
Financial assets		301	-
Cash and cash equivalents	[39]	408	146
<b>Total current assets</b>		<b>727</b>	<b>149</b>
<b>Total assets</b>		<b>3,369</b>	<b>7,652</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	[40]	684	684
Share premium reserve		671	671
Hedge reserve <sup>1</sup>		-8	320
Currency translation reserve <sup>1</sup>		-	-4
Revaluation reserve <sup>1</sup>		-10	-13
Statutory reserve <sup>1</sup>		-	259
Other reserves		596	3,586
Profit after taxation		312	765
<b>Total shareholders' equity</b>		<b>2,245</b>	<b>6,268</b>
<b>Provisions</b>	[41]	<b>78</b>	<b>72</b>
<b>Long-term liabilities</b>	[42]		
Subordinated loans		104	100
Other long-term loans		8	57
<b>Total long-term liabilities</b>		<b>112</b>	<b>157</b>
<b>Short-term liabilities</b>			
Liabilities to subsidiaries		670	1,078
Short-term and accrued liabilities		264	77
<b>Total short-term liabilities</b>		<b>934</b>	<b>1,155</b>
<b>Total shareholders' equity and liabilities</b>		<b>3,369</b>	<b>7,652</b>

<sup>1</sup> The hedge reserve, the currency translation reserve, statutory reserve and the revaluation reserve are not distributable.

## Company income statement

€ million	Note	2009	2008
Other income less expenses after taxation	[44]	-68	-6
Result of subsidiaries and associates after taxation		380	771
<b>Net profit after taxation</b>		<b>312</b>	<b>765</b>

# notes to the company financial statements

## Accounting policies for the company financial statements

Specific accounting policies for the company financial statements used in supplement to those for the consolidated financial statements, are set out below.

### Investments in subsidiaries

Investments in subsidiaries are valued at net equity value, determined on the basis of IFRS accounting policies as used in the consolidated financial statements, adjusted for the carrying amount of the goodwill paid on acquisition less any accumulated impairments of goodwill.

## Statutory reserve for unrealised fair value gains on financial instruments

A statutory reserve, in the form of a revaluation reserve, is recognised for unrealised fair value gains on financial instruments that are recognised in income and for which no frequent market quotations are available. At Alliander, this relates to energy commodity contracts for oil, gas, coal, electricity and CO<sub>2</sub> emission rights that are not traded on recognised exchanges (e.g. Amsterdam Power Exchange, Endex), known as over the counter or OTC contracts. A statutory reserve of € 259 million for unrealised fair value movements on these contracts was held at 31 December 2008. This obligation did not exist at 31 December 2009 because of the unbundling of n.v. Nuon Energy.

## NOTE 36 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment				
€ million	Land and buildings	Other plant and equipment	Assets under construction	Total
<b>Carrying amount as at 31 December 2008</b>	-	-	-	-
<b>Movements 2009</b>				
Additions	-	7	68	75
New consolidations	69	73	10	152
Divestments	-	-29	-	-29
Depreciation	-2	-16	-	-18
Transfers and other movements	6	33	-39	-
<b>Total</b>	<b>73</b>	<b>68</b>	<b>39</b>	<b>180</b>
<b>As at 31 December 2009</b>				
Historical cost	138	209	39	386
Accumulated depreciation and impairments	-65	-141	-	-206
<b>Carrying amount as at 31 December 2009</b>	<b>73</b>	<b>68</b>	<b>39</b>	<b>180</b>

The item new consolidations concerns the merger between n.v. Nuon (now Alliander N.V.) and Alliander n.v. (formerly nv Nuon Netwerkservices).

## NOTE 37 | INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates			
€ million	Investments in subsidiaries	Investments in associates	Total
<b>Carrying amount as at 1 January 2008</b>	<b>5,605</b>	<b>11</b>	<b>5,616</b>
<b>Movements 2008</b>			
Additions	1,470	-	1,470
Dividends received	-672	-2	-674
Result for the year	768	3	771
Movement in hedge reserve	318	-	318
Movement in revaluation reserve	-13	-	-13
Currency translation differences and other movements	-1	-	-1
<b>Total</b>	<b>1,870</b>	<b>1</b>	<b>1,871</b>
<b>Carrying amount as at 31 December 2008</b>	<b>7,475</b>	<b>12</b>	<b>7,487</b>
<b>Movements 2009</b>			
Additions	65	18	83
Issue of share capital	1	-	1
Dividends received	-358	-	-358
Result for the year	360	20	380
Deconsolidations	-5,064	-	-5,064
Movement in hedge reserve	-84	-	-84
Movement in revaluation reserve	4	-	4
Currency translation differences and other movements	1	-	1
<b>Total</b>	<b>-5,075</b>	<b>38</b>	<b>-5,037</b>
<b>Carrying amount as at 31 December 2009</b>	<b>2,400</b>	<b>50</b>	<b>2,450</b>

The item deconsolidations relates to the former nv Nuon Netwerkservices, nv Nuon Energy and Liandyn B.V.

## NOTE 38 | DEFERRED TAX ASSETS AND OTHER RECEIVABLES

Deferred tax assets and other receivables			
€ million	Deferred tax assets	Other receivables	Total
<b>Carrying amount as at 1 January 2008</b>	<b>-</b>	<b>4</b>	<b>4</b>
<b>Movements 2008</b>			
New loans	-	12	12
<b>Total</b>	<b>-</b>	<b>12</b>	<b>12</b>
<b>Carrying amount as at 31 December 2008</b>	<b>-</b>	<b>16</b>	<b>16</b>
<b>Movements 2009</b>			
Additions	8	-	8
Repayments	-	-12	-12
<b>Total</b>	<b>8</b>	<b>-12</b>	<b>-4</b>
<b>Carrying amount as at 31 December 2009</b>	<b>8</b>	<b>4</b>	<b>12</b>

## NOTE 39 | CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance at the end of 2009 included no restricted cash (2008: ditto).

## NOTE 40 | SHAREHOLDERS' EQUITY

The statement of changes in shareholders' equity is included in the consolidated financial statements. In addition to this statement, it should be noted that at the end of 2008 the company shareholders' equity

included a statutory reserve of € 259 million for unrealised fair value movements on OTC contracts. This obligation did not exist at the end of 2009 as a result of the unbundling of n.v. Nuon Energy.

## NOTE 41 | PROVISIONS

Provisions						
€ million	Post-employment medical benefits	Termination restructuring benefits	Other employee provisions	Environmental restoration provision	Other provisions	Total
<b>Carrying amount as at 1 January 2008</b>	<b>11</b>	<b>20</b>	<b>75</b>	<b>17</b>	<b>8</b>	<b>131</b>
<b>Movements 2008</b>						
New consolidations	-	-	-	-	-	-
Transfer to subsidiaries	-	-4	-26	-	-3	-33
Release to income	-1	-4	-5	-	-	-10
Additions	-	3	10	-	-	13
Withdrawals	-2	-11	-2	-	-	-15
Interest accretion	1	1	2	-	-	4
Actuarial gains and losses recognised immediately	-	-	-13	-	-	-13
Major curtailments and settlements	-	-	-	-	-5	-5
<b>Total</b>	<b>-2</b>	<b>-15</b>	<b>-34</b>	<b>-</b>	<b>-8</b>	<b>-59</b>
<b>Carrying amount as at 31 December 2008</b>	<b>9</b>	<b>5</b>	<b>41</b>	<b>17</b>	<b>-</b>	<b>72</b>
<b>Movements 2009</b>						
New consolidations	-	-	-	-	3	3
Deconsolidations	-	-	-3	-	-	-3
Release to income	-	-	-8	-	-	-8
Additions	-	8	20	-	4	32
Withdrawals	-2	-11	-8	-3	-2	-26
Interest accretion	2	1	1	-	-	4
Actuarial gains and losses recognised immediately	-	-	-3	-	-	-3
Major curtailments and settlements	-	5	2	-	-	7
<b>Total</b>	<b>-</b>	<b>3</b>	<b>1</b>	<b>-3</b>	<b>5</b>	<b>6</b>
<b>Carrying amount as at 31 December 2009</b>	<b>9</b>	<b>8</b>	<b>42</b>	<b>14</b>	<b>5</b>	<b>78</b>

Some of the decrease in the employee provisions in 2008 related to the transfer of part of this provision to the production and supply company.

The item post-employment medical benefits consist mainly of a post-employment medical plan and have not been transferred to a pension fund or external insurance company.

The restructuring provision (termination benefits) was € 8 million at the end of 2009 (2008: € 5 million). Other employee provisions consist mainly of the provision for long-service benefits (paid to employees who have completed 10, 20, 30 and 40 years of service), payments on reaching retirement age and the provision for shorter working hours for older employees, a transitional scheme

which was created by the Collective Labour Agreement of December 2005 to allow older staff members to reduce their working hours in the future.

The environmental restoration provision relates to expected obligations with regard to soil pollution.

## NOTE 42 | LONG-TERM LIABILITIES

### Long-term interest-bearing debt

€ million	2009	2008
<b>Carrying amount as at 1 January</b>	<b>166</b>	<b>309</b>
<b>Movements</b>		
New loans	-	77
Repayments	-12	-130
Transfer to subsidiaries	-47	-91
Currency translation differences and other movements	71	1
<b>Total</b>	<b>12</b>	<b>-143</b>
<b>Carrying amount as at 31 December</b>	<b>178</b>	<b>166</b>

Interest rates and repayments on long-term liabilities were as follows:

### Long-term interest-bearing debt short-term part

€ million	Effective interest rate		Short-term part		Long-term part	
	2009	2008	2009	2008	2009	2008
Subordinated loans	7.8%	7.0%	65	2	104	100
Private and green loans	3.4%	3.4%	1	8	6	55
Medium Term Notes	4.1%	4.3%	-	-	-	-
Banks	8.2%	8.2%	-	-	2	2
Other	n/a	6.6%	-	-	-	-
<b>Total</b>			<b>66</b>	<b>10</b>	<b>112</b>	<b>157</b>

### Subordinated loans

These loans were provided by shareholders and are subordinated to other liabilities.

## NOTE 43 | CONTINGENT ASSETS AND LIABILITIES

Pursuant to Section 403, Book 2 of the Netherlands Civil Code, Alliander has assumed liability for the obligations arising from the legal acts of several of the subsidiaries listed under Other information.

Alliander and its subsidiaries form a fiscal unit for corporate income tax and value added tax (VAT) purposes. Consequently, every legal entity forming part of the fiscal unit is jointly and severally liable for the tax liabilities of the legal entities forming part of the fiscal unit.

Since 1 January 2009, the network company and the production and supply company have formed separate fiscal units for corporate income tax as well as for VAT purposes.

At the end of 2009, Alliander had issued parent company guarantees amounting to € 4 million (2008: € 266 million) in favour of its subsidiaries. On the instruction of Alliander, bank guarantees amounting to € 10 million had been issued at the end of 2009 (2008: € 83 million).

## NOTE 44 | NET OTHER INCOME AND EXPENSES AFTER TAXATION

Net other income and expenses after taxation was an expense of € 68 million (2008: € 6 million expense) and consisted mainly of the expenses at holding company level of company-wide activities.

### Remuneration of the Management Board and the Supervisory Board

Information on the remuneration of the Management Board and the Supervisory Board is presented on pages 138 up to 140 of the consolidated financial statements 2009.

**Arnhem, 7 April 2010**

#### The Management Board

P.C. Molengraaf, Chairman  
M.R. van Lieshout

#### The Supervisory Board

E.M. d'Hondt (chairman)  
G. Ybema (deputy-chairman)  
F.C.W. Briët  
Ms J.B. Irik  
Ms J.G. van der Linde  
Ms A.P.M. van der Veer-Vergeer  
J.C. van Winkelen



# 13. other information

## PROFIT APPROPRIATION

The profit appropriation is governed by Article 33 of the Articles of Association. The text of this clause is as follows: Article 33: Profit. Payment chargeable to the reserves.

- Subject to approval of the Supervisory Board, the Management Board determines which part of the profit available for distribution – the positive balance of the income statement – is added to the reserves.
- The profit remaining after the addition to the reserves, as referred to in the preceding clause, is at the disposal of the General Meeting of Shareholders.
- Profit distributions are limited to the distributable part of the shareholders' equity.
- Distribution of profit will take place after the adoption of the income statement which demonstrates that it is permissible.
- The Management Board may decide to distribute an interim dividend, under approval of the Supervisory Board, and with due observance of clause 3 above and any other provision laid down by law.
- The General Meeting of Shareholders may, on the proposal of the Management Board which has been approved by the Supervisory Board, resolve to make distributions to shareholders chargeable to the distributable part of the shareholders' equity.

Dividend proposal	
€ million	<b>2009</b>
Dividend 2009	54
Other reserves	258
<b>Total</b>	<b>312</b>

### Dividend proposal 2009

The Management Board proposes, with the approval of the Supervisory Board, to pay out a dividend of € 54 million. This corresponds with 45% of profit after taxation, excluding net incidental items that did not lead to cash flows in the 2009 financial year unless related to hedge accounting. In addition, in connection with an instruction from the Minister, the unbundling plan also stipulates that the net book profit on the sale of the high-voltage grids (€ 130 million) is also excluded from the dividend payment. Furthermore, in this same connection, an amount of € 15 million, has been deducted from the dividend payable for the financial year 2009. We have thus complied with the Minister's instruction with the unbundling plan.

## AUDITOR'S REPORT

To the General Meeting of Shareholders of Alliander N.V.

### Report on the financial statements

We have audited the accompanying financial statements 2009 of Alliander N.V., Arnhem as set out on pages 98 to 164, which comprise the consolidated and company balance sheet as at 31 December 2009, the consolidated and company profit and loss account, the statement of comprehensive income, the consolidated and company changes in equity and consolidated and company cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Alliander N.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

### Report on other legal requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

**Rotterdam, 7 April 2010**

**PricewaterhouseCoopers Accountants N.V.**

**Originally signed by:**

J.A.M. Stael RA

## EVENTS AFTER THE BALANCE SHEET DATE

On 16 March 2010, Alliander acquired Stam & Co of Heerhugowaard, an all-round contractor for cable and communications systems. Stam & Co has annual revenues of some € 24 million and about 150 employees. This acquisition assures Alliander of sufficient engineering capacity in Noord-Holland.

On 11 December 2009 agreement was reached with the municipality of Eindhoven and eleven other municipalities in the region in a 'Heads of Terms' agreement on the proposed transfer of their shares in the grid company Endinet B.V. ("Endinet") to Alliander. The purchase agreement was signed on 4 March 2010. The Netherlands Competition Authority (Nma) and the minister of Economic Affairs also approved the purchase in March 2010. The actual transfer is expected to take place in mid-2010.

On 11 March 2010, Moody's raised the long-term ratings of Alliander N.V. and Alliander Finance B.V. from A2 to Aa3. The short-term Prime-1 ratings have been confirmed. The outlook for all ratings is stable. The expected support of all the shareholders in the event of exceptional circumstances was of particular importance in raising the long-term ratings.

On 30 March 2010, Alliander replaced the Revolving Credit Facility maturing in November 2011, with a new one for a total of € 600 million maturing in March 2015.

These events did not affect the assets and liabilities at the balance sheet date.

## SIGNIFICANT SUBSIDIARIES AND OTHER PARTICIPATIONS

Significant subsidiaries and other participations		
As at December 2009		
Name	Registered office	%
<b>Significant consolidated subsidiaries</b>		
Liander N.V.*	Arnhem	100%
n.v. Nuon Infra Oost*	Arnhem	100%
n.v. Nuon Infra West*	Amsterdam	100%
Liandon Meetbedrijf N.V.*	Arnhem	100%
Liandon B.V.*	Duiven	100%
Alliander Finance B.V.*	Arnhem	100%
Alliander AG	Berlin	100%
<b>Other participations (not consolidated)</b>		
N.V. KEMA		25%
Ziut B.V.		53%

\* Alliander N.V. has issued a Section 403 statement of liability for these subsidiaries.

A complete list of investments in subsidiaries, other associates and joint ventures, as required by sections 379 and 414 of Book 2 Title 9 of the Netherlands Civil Code, is filed with the Chamber of Commerce in Arnhem.

# 14. sustainability facts & figures

IN THIS SECTION ALLIANDER ACCOUNTS FOR ITS CSR RESULTS IN 2009. THESE FACTS AND FIGURES SUPPLEMENT THE INFORMATION INCLUDED IN CHAPTERS FOUR AND FIVE.

## GENERAL

### GRI

In compiling this Corporate Social Responsibility Report Alliander followed the guidelines of the Global Reporting Initiative (GRI). These universal guidelines were drawn up for the reporting on sustainable performance and contribute towards transparent reporting for stakeholders. We have sought to report on subjects that are relevant to a broad group of stakeholders. For this report we have applied the GRI G3 guidelines in combination with the draft Electric Utilities Sector Supplement, April 2009 edition. This report provides information on 29 of the 49 GRI G3 core indicators and 18 of the 30 sector indicators. A detailed account of the manner in which this GRI standard has been applied is provided in the detailed overview on page 184 up to 188.

### Scope

Alliander determined the scope of the report using the 'boundaries protocol' as drawn up by the GRI for this purpose. All Alliander entities (including Alliander AG) fall within the scope of this report. The activities of the former subsidiary Liandyn, which was sold in November 2009 to Ziut, have been included for the whole of 2009. The comparative figures of 2008 contain no data of Nuon Energy and, except for the number of employees, no data have been included for Alliander AG (Germany).

### Defining the report content

Alliander sent its Corporate Social Responsibility Report 2008 to the employees and to stakeholders. Employees were invited to respond via the intranet. Limited use was made of this option; the reactions suggest that the employees are appreciative of the report.

During three round table discussions with external stakeholder representatives, extensive attention was devoted to the three themes of the Corporate Social Responsibility Report 2008. The participants were positive about Alliander's engagement in CSR and its commitment to taking social themes on board in its business operations. The publication has proved to be a good launch pad for further discussion and for exploring opportunities for cooperation in this field. Evaluation of the report and the reporting process and the preference to

publish a report for broad stakeholder groups led to the decision on Alliander's part to integrate the Financial and Corporate Social Responsibility reports. The integrated report is divided into three central themes, namely responsible operations, energy transition and financial performance. This thematic subdivision supports the recognisability and comparability with the 2008 report and corresponds with the principal themes of the CSR policy.

### Data collection

Employees are an important source of information for corporate social responsibility at Alliander. Interviews were conducted with Management Board members and employees to obtain input for the report. Qualitative data were collected via a written questionnaire, while quantitative data were gathered using a standardised questionnaire. Wherever possible, available information systems at group level were used. In addition, the business units were requested to report quantitative data from their own sources. The quality of the information for this report was checked via internal controls.

Regarding the comparative figures of 2008, in certain cases the data were only available for the Nuon Group as a whole, which meant that the data had to be apportioned to Nuon Energy and Alliander using verified assumptions. The data apportioned in this manner are therefore (partially) pro forma.

### Independent verification

With this report we want to provide openness about the activities and results that give tangible form to our corporate social responsibility. PricewaterhouseCoopers Accountants N.V. has verified the information in the report. The assurance report is included at the end of this chapter.

## ALLIANDER CSR AMBITIONS AND SUMMARY OF RESULTS

Ambition	Objective	Result 2009
<b>Facilitate energy transition</b>		
<b>Best in class in renewable energy feed-in</b>	Energy feed-in from renewable sources	First green gas connection realised on Liander grid. Study into temporary storage and buffer for biogas
		Wind energy feed-in in Liander service area is 2000 MW
	Energy transition in cooperation with industry organisation Netbeheer Nederland	Initiative to install 10,000 recharging points for electric cars in 2012 in the Netherlands. Joint studies into Electric Transport, Smart Grids and Green Gas market model
<b>Development and application of innovations</b>	Smart energy grids	Research and development programme aimed at new decentralised energy applications
<b>Responsible operations</b>		
<b>Environment</b>		
<b>Reduce emissions and impact on natural resources</b>	Reduce ecological footprint	Total waste volume is: 11,489 tonnes 80% is recycled for re-use
	Climate neutral operations in 2015	CO <sub>2</sub> footprint is 683 ktonnes
	Take account of biodiversity	Study into effects of Natura 2000
<b>Customer</b>		
<b>Optimal accessibility of products and services</b>	Customer satisfaction rises compared to Dutch grid managers benchmark	Customer satisfaction: 89% of the consumers and small business customers are satisfied Customer satisfaction: 86% of large business customers are satisfied
	Support for vulnerable customer	Alliander has a covenant in 93% of GGD (Municipal Health Department) regions
	Safe energy supply	Public education campaigns: 'Meterkastman' and 'www.energieveilig.nl'
<b>Grid manager's supply reliability is above average</b>	Interruptions and interruption duration below Dutch sector average	Average number of interruption minutes per electricity customer connected by Liander Netbeheer is 27.4 minutes; the Dutch average is 26.5 minutes.
<b>Employee</b>		
<b>Safest working environment of grid managers in the Netherlands</b>	Reinforce safety management based on recognised norms	LTIF <sup>1</sup> = 3.1 (2.6 in 2008)
<b>Employee base is representative of society</b>	Participation and diversity policy	Share of women in staff composition is 19% Share of women in management amounts to 14% Inflow into job experience places in 2009 is 71
<b>Prominent position as attractive employer</b>	Learning and growing/ leadership	Wage sum percentage for training is 3%
	Recognition as good employer	Employee satisfaction report mark is 8.2
<b>Socially responsible network company</b>		
<b>Active dialogue with stakeholders</b>	Develop stakeholder dialogue	Three round tables on reporting 2008 'Responsible IT' round table with ICT sector
<b>Community involvement of employees</b>	Participate in Alliander Foundation	551 employees active as volunteers in 2009
<b>Development and application of innovations</b>	Develop CSR and sustainability requirements	Life cycle analysis, electricity cable research Introduction of first electric car in Alliander fleet
<b>Chain responsibility</b>	Work according to applicable norms	51% of purchasing value procured from suppliers with a CSR Code of Conduct.
<b>Projects on social themes</b>	Themes: Sustainability, Chain Responsibility, Aggression, Climate, Labour Participation, Quality of Life, Privacy, Ageing	Master Classes with external speakers Community dialogues about people with disabilities, aggression and violence, supply chain responsibility
<b>Compliance with CSR reporting guidelines</b>	Integrated Financial and CSR Report based on recognised guidelines	GRI G3 B plus level as at 2009 <sup>1</sup> Place 23 Dutch Transparency Benchmark 2009

<sup>1</sup> See list of definitions

## ENVIRONMENT & SOCIETY

Waste flows			
In tonnes of waste	Category	2009	2008
Office waste	Paper & board	324	188
	Small hazardous	7	3
	Other	1,047	535
subtotal		1,378	726
Industrial waste	Paper & board	296	270
	Metals	4,027	3,271
	Timber	174	175
	Plastics	227	204
	Soil	433	667
	Other	4,415	3,428
subtotal		9,572	8,015
Hazardous waste	Misc. waste	539	599
<b>Total</b>		<b>11,489</b>	<b>9,340</b>

### Note

The total amount of waste rose by 23% compared to 2008, which was mainly due to an increase in office waste, metals and other industrial waste. The increase in the industrial waste was caused by the fact that more replacement work was carried out on the transport networks. The reorganisation of workplaces due to the unbundling of the organisation led to a much larger volume of office waste.

The task of coordinating and removing residual and waste materials has been placed with the Residual and Waste Materials Centre (RAC). Strict arrangements and communication about removal of metals have led to better transparency and registration. Recyclable parts of the waste are collected and transported to external processors. This promotes re-use and generates income from recyclable residual materials. Alongside recyclable industrial waste, the business operations also produce hazardous waste and residual waste. Waste management contracts are concluded with waste transporters and processors. In 2009, new arrangements were made for the handling of our industrial waste materials. These are based on the following aims and principles:

- The application of the Lansink ladder for waste materials: with our waste collector, we have committed ourselves to recycling 80% of our waste materials and burning the residual materials insofar as possible for the generation of energy;
- Chain responsibility concerning the removal of residual materials;
- The quality of services and support in the event of calamities.

Regarding the fuses in the network, Alliander takes part in International Fuse Recycling Benelux (IFRB). The fuses are recycled and the resulting revenue is used for innovation purposes. Waste companies are selected with the aid of a CSR checklist. Our employees are required to separate waste properly before handing it in. Regular information sessions and workshops are held to encourage employees to adhere to good waste material management practices and thus promote good environmental management.

### PCB

At the request of the Inspectorate of VROM (Ministry of Housing, Spatial Planning and the Environment) and the industry organisation Netbeheer Nederland, Liander, along with the other grid managers in the Netherlands, took part in a national survey into the proper removal of PCB contaminated grid components (such as transformers and switches) and PCB contaminated oil. After the extremely radical PCB removal operation, which the grid managers carried out earlier under the supervision of VROM, the last PCB contaminated appliances are now to be removed from the electricity grid upon reaching the end of their useful life. The grid managers want to collectively guarantee that no PCBs can enter the environment during the removal of any appliances that may be contaminated with PCB.

## Alliander CO<sub>2</sub> footprint

In CO <sub>2</sub> tonnes	2009		2008	
	Emissions	Offset	Emissions	Offset
<b>Electricity</b>				
Electricity transmission/distribution grid loss <sup>1</sup>	562,946	-	653,292	610,260
SF6 electricity grid switch equipment from 110 kV <sup>2</sup>	-	-	11,412	-
SF6 electricity grid switch equipment up to 110 kV	3,107	-	7,361	-
<b>Gas</b>				
Natural gas network leakage loss <sup>3</sup>	91,292	-	92,042	-
<b>Buildings at Alliander locations<sup>4</sup></b>				
Electricity consumption <sup>5</sup>	7,173	7,173	6,316	6,316
Gas consumption	2,704	-	2,695	-
<b>Travel and transport</b>				
Commuting, business trips, vehicle fleet, air travel <sup>6</sup>	15,389	-	13,856	12,205
<b>Total</b>	<b>682,611</b>	<b>7,173</b>	<b>786,974</b>	<b>628,781</b>

1 CO<sub>2</sub> emissions based on the fuel supply mix of Nuon Energy Netherlands 2008. The loss amounts to 1.3 TWh.

2 Concerns SF6 leaks from high-voltage switch installations. The 2008 emissions include the high-voltage network that was transferred to TenneT in mid-2008.

3 Methane emissions from gas pipe network.

4 Buildings: office buildings excluding rented premises.

5 CO<sub>2</sub> neutral power is purchased for the electricity consumption of the Alliander buildings.

6 CO<sub>2</sub> emissions from the company and lease vehicle fleet were offset in 2008.

### Note

Grid losses make up the biggest factor in our CO<sub>2</sub> emissions. Converted into CO<sub>2</sub> equivalents, the emissions from our grid losses amounted to 563 tonnes of our total emissions of 683 tonnes in 2009. In 2008, grid manager Liander offset the purchased electricity by buying Guarantees of Origin (GO). In 2009 the decision was taken not to continue this method of offsetting emissions because it makes an insufficient contribution to the volume of sustainably produced energy, while also giving rise to high administrative costs. This offset strategy has therefore been discontinued. Liander is currently exploring alternative ways of offsetting emissions.

The sale of a large part of the HV grid to the national high-voltage grid manager TenneT meant that less grid losses occurred and that less SF6 was released at Liander. The replacement of old cast iron gas pipes has a positive effect on methane emissions from natural gas and helps to reduce greenhouse gas emissions. In 2009, 102 kilometres of old cast iron gas pipes were replaced. Alliander's transportation policy is aimed at limiting

emissions. Employees can obtain a public transport subscription on favourable terms and make use of a mobility card for business travel by public transport, taxi or a car pool car. The lease scheme stipulates that only vehicles from energy class A, B or C are eligible.

To reduce CO<sub>2</sub> commuter emissions, we offer employees a free 'new style driving' course to learn energy-efficient driving practices. In 2009, over 200 employees attended this course.

During the 'week of progress' employees who travel to work by public transport or on the bicycle received a small gift as a token of our appreciation. For car drivers we carry out periodic 'tire pressure checks' where all cars parked at our locations are adjusted to the correct tire pressure, thus reducing their fuel consumption (see also chapter 5 Facilitating energy transition, section 'grid losses').

## Soil clean-up at former gas plant sites

Location		Clean-up status	Note	Contribution in € million
<b>Noord-Holland</b>				
Alkmaar	Helderseweg	Clean-up under preparation	Site and buildings are to be transferred for redevelopment. Gas distribution station may be relocated.	
Haarlem	Oudeweg	Clean-up under preparation	Site remains in use as Alliander office location. Part of site remains in use as gas distribution station location.	
Clean-up operations have been completed at the Zaandam, Krommenie, Hilversum and Purmerend locations				
<b>Subtotal</b>				<b>6.7</b>
<b>Zuid-Holland</b>				
Leiden (ground lease)	Langegracht	Clean-up in progress	Site and buildings have been transferred for redevelopment (residential). Site remains (partly) in use as Alliander office location. Gas distribution station has been relocated.	
Alphen aan den Rijn	Prins Bernhardlaan	Clean-up under preparation	Office part of site has been transferred. Part of site remains in use as gas distribution station and substation location.	
Hillegom	1e Loosterweg	Clean-up under preparation	Site remains partly in use as gas distribution station location.	
Noordwijk	Losplaatsweg	Clean-up under preparation	Site remains partly in use as gas distribution station location.	
Katwijk	Prins Hendrikkade	Clean-up under preparation	Site and buildings are to be transferred for redevelopment (residential). Gas distribution station may be relocated.	
<b>Subtotal</b>				<b>18.8</b>
<b>Gelderland</b>				
Barneveld	Kallenbroekerweg	Clean-up under preparation	Redevelopment (residential). Site and buildings are to be (partly) transferred. Part of site remains in use as gas distribution station location.	
Culemborg	Triosingel	Clean-up under preparation	Site remains in use as gas distribution station location.	
Oosterbeek	Benedendorpseweg	Clean-up under preparation	Site remains in use as gas distribution station location.	
Hatterm	Allee	Clean-up under preparation	Site remains in use as gas distribution station location.	
Lochem	Julianaweg	Clean-up in progress	Site and buildings have been transferred for redevelopment (town centre development). Gas distribution station has been relocated.	
Nijkerk	Westkadijk	Clean-up in progress	Site remains in use as gas distribution station location.	
Zaltbommel	Virieuwingel	Clean-up under preparation	Site remains in use as gas distribution station location.	
Tiel	Westluidense straat	Clean-up under preparation	Site and office location have been transferred for redevelopment.	
Arnhem	Westervoortsedijk	Partial clean-up has been performed	Total clean-up and redevelopment under preparation, including new gas distribution station location.	
Zutphen	Bolwerksweg	Clean-up under preparation	Site remains partly in use as Alliander office location and partly as gas distribution station location.	
The clean-up operations at the Aalten, Apeldoorn, Elburg, Ede and Putten locations have been completed.				
<b>Subtotal</b>				<b>10.4</b>
<b>Amsterdam</b>				
Spaklerweg (ground lease)	Spaklerweg (Zuidergasfabriek)	Clean-up under preparation	Possible redevelopment, site forms part of urban development plan for Amstelkwartier (under preparation). Possible relocation of gas distribution stations.	
<b>Subtotal</b>				<b>4.7</b>
<b>Other</b>				<b>0.5</b>
<b>Total estimated clean-up costs</b>				<b>41.1</b>
<b>Of which already expended up to 31 December 2009</b>				<b>26.7</b>
<b>Provision for environmental clean-up costs at year-end 2009</b>				<b>14.4</b>



### Note

The implementation of the soil clean-up programme at the former municipal gas plants is well under way. As the successor of a large number of municipal gas companies, Alliander is involved in the clean-up of a total of 27 sites in the provinces of Gelderland, Noord-Holland and Zuid-Holland which were severely polluted in the past due to the production of coal gas. Many of the former sites are now still (partly) used by Alliander as office locations or by grid manager Liander or as gas distribution station sites for the connection to the national gas transport grid.

Coal gas was formerly produced by the municipal gas authority from coal. The produced gas was then purified in several steps and stored in large gas holders. This

process led to many by-products and residual materials such as tar, ammonia, cinders, naphthalene and cyanide compounds. As a result, the soil and groundwater on the gas plant sites have become seriously polluted. The gas plant soil clean-up programme deliberately pursues a solution-oriented approach involving concrete commitments on the basis of financial contributions from Nuon, the government, provinces and municipalities. The soil clean-up operations will remove this environmental legacy and restore the sites. A large number of soil clean-up operations have now been completed. All polluted gas plant sites in Gelderland, Noord-Holland and Zuid-Holland that Alliander inherited as successor will be taken in hand in this manner in the period until 2015.

## EMPLOYEE

Our employees		
By category	2009	2008
<b>Number of employees</b>		
Employees with permanent contract	4,444	4,347
Employees with fixed-term contract	375	283
<b>Total number of own employees</b>	<b>4,819</b>	<b>4,630</b>
Temporarily hired	1,137	1,210
<b>Total number of own and temporarily hired employees</b>	<b>5,956</b>	<b>5,840</b>
<b>Percentage of employees full time - part-time</b>	<b>2009</b>	<b>2008</b>
Employees with full-time employment contract or temporary contract	83%	82%
Employees with part-time employment contract or temporary contract	17%	18%
<b>Number of FTEs</b>	<b>2009</b>	<b>2008</b>
Total number of own employees	4,633	4,450
Temporarily hired	1,083	1,144
<b>Total number own and temporarily hired employees</b>	<b>5,716</b>	<b>5,594</b>

Incoming and outgoing staff (in # employees)		
	2009	2008
<b>Total incoming staff</b>		
Incoming male staff	452	180
Incoming female staff	225	63
<b>Total incoming staff</b>	<b>677</b>	<b>243</b>
<b>Total outgoing staff</b>		
Outgoing male staff	190	143
Outgoing female staff	51	51
<b>Total outgoing staff</b>	<b>241</b>	<b>194</b>
Incoming staff due to consolidation of new companies	35	-
Outgoing staff due to deconsolidations	282	-
Percentage of outgoing staff versus total FTE number	5.0%	4.2%
Average duration of employment (in years)	16	n/a

1 The 2009 year-end data exclude the FTEs/Employees of Liandyn. These numbers are included as 'deconsolidation companies' in the 'inflow and outflow summary'. In addition, the comparative figures for 2008 have been adjusted for comparative purposes in connection with the consolidation of Alliander AG (Germany).

#### Note

In 2009, 677 new employees joined Alliander. Alliander is actively working to maintain recruitment at the required level both in terms of numbers and skills. For this reason, we are deploying many initiatives to promote

interest in technical subjects in general and the energy sector in particular. We need technical skills at all levels of education: basic, intermediate, higher vocational and academic. Regarding engineering work, we are mainly seeking people with basic and intermediate training.

Segmentation by number of own employees		
	2009	2008
<b>Province of residence</b>		
Gelderland	54%	50%
Noord-Holland	31%	34%
Friesland	5%	6%
Zuid-Holland	5%	5%
Flevoland	2%	2%
Other NL provinces	1%	1%
Germany	2%	2%
<b>Employee age</b>		
under 25	3%	3%
25 - 35	20%	17%
35 - 45	22%	22%
45 - 55	32%	36%
over 55	23%	22%

#### Note diversity by age

When employees retire, a lot of knowledge and experience disappears from our organisation. The percentage of employees eligible for the 'optional retirement scheme' within five years is 23% (41% within ten years).

According to the pension guidelines, they are entitled – but not required – to take retirement: this is entirely up to the individual employee.

Alliander is pursuing an active policy to absorb the effects of this development. Experienced employees have

a lot to offer our company. Alliander is keen to keep their knowledge and skills up to standard by offering specific training and education programmes. We recognise the importance of taking full advantage of the experience and knowledge of older employees. For this reason, we actively raise issues such as workload and career development in the appraisal interviews with employees of fifty years and older. In this way, Alliander wants to make sure that employees continue enjoying their work.

### Note diversity by province

The employment by province is shown on the basis of the employee's home address. In 2009, 54% of the Alliander employees lived in Gelderland, 31% in Noord-Holland and 15% in the other provinces or Germany. The geographical distribution corresponds with Alliander's most important locations and thus also forms a reasonable

reflection of Liander's service area. Solutions have been sought for employees who were confronted with longer travelling times due to the unbundling. Where possible, employees were given an opportunity to telework from home one or two days a week. This provides a twofold benefit: it's good for the employee and for the environment.

Diversity employees		
Diversity by gender total own employees	2009	2008
Male share	81%	83%
Female share	19%	17%
Female/male average salary ratio <sup>1</sup>	85%	n/a
<b>Employees in management</b>		
Employees with leadership positions	5%	4%
<b>Diversity of management by gender</b>		
Male share with leadership position	86%	87%
Female share with leadership position	14%	13%

<sup>1</sup> The average female/male salary ratio was calculated on the basis of the average salary per female, divided by the average salary per male.

### Note

Few women are employed in technical jobs. The physical aspect and the irregular working hours are still a stumbling block for women to pursue a career in this field. This is understandable, as repairs to the cable and pipeline network have to be carried out in all types of weather, 24 hours a day and 365 days a year. In 2009, 32% of the total inflow of permanent staff were

women, which made a positive contribution to the increase in the total number of women, whose share in the total workforce thus increased from 17% in 2008 to 19% in 2009.

We have also set up an internal women's network focusing on diversity in organisations and career progression for women. It also provides our female staff with meeting and networking opportunities.

Absenteeism/health management			
		2009	2008
<b>Detailed absenteeism breakdown</b>	<b>Days</b>		
Short	1-7 days	1.1%	1.1%
Medium-length	8-42 days	1.2%	1.1%
Long	>42 days	2.0%	1.9%
<b>Total</b>		<b>4.3%</b>	<b>4.1%</b>
<b>Number of participants in occupational health programmes</b>			
Number of participants		1,051	976

### Note

The absenteeism percentage in 2009 was 4.3 (2008: 4.1).

## Employee satisfaction

		2009	2008
Employee satisfaction	Report mark	8.2	8.1

### Note

Employees gave working at Alliander a report mark of 8.2 as opposed to 8.1 in 2008. The course that we are pursuing with Alliander led to satisfactory results in the Alliander Employee Survey. This is evident from the

answers of 3,325 employees, representing 63% of all employees. Our results compare favourably with other Dutch (top) companies according to the benchmark method applied by Tower Watson.

## SAFETY FOR EMPLOYEE AND SURROUNDINGS

### Lost Time Injury Frequency (LTIF)

		2009	2008
LTIF	Value	3.1	2.6

Note: The figure for 2008 has been adjusted for comparative purposes.

### Note

Lost Time Injury Frequency (LTIF). This is the number of accidents causing absenteeism multiplied by a million divided by the number of worked hours. In 2009, Alliander had 24 accidents leading to absenteeism on

7.8 million worked hours, which means 3.1 cases per million worked hours. In 2009, we saw many accidents that led to absenteeism which did arise directly from the work, but were less characteristic of an energy network company such as slipping, stumbling and falling.

### Number in safety training

By category	2009	2008
Own employees	1,550	1,819
Temporarily hired	751	940
Other third-party employees	60	n/a

### Note

The energy network companies have developed a national personal certification for BEI (Electrical Installation Operations) and VIAG (Natural Gas Safety Instruction). This was introduced for gas on an industry-wide basis in 2009, thus replacing all the individual and different testing and certification structures previously used by the

various companies. These developments have led to transparent and uniform safety regulations.

At four locations in the Netherlands, Alliander provides vocational training and testing for, amongst others, BEI, VIAG and VEWA (Heating Safety Instructions) as well as basic courses for non-technical staff.

## OTHER

Sector KPIs			
KPI	Product	2009	2008
Timeliness estimated invoice at start of service	E	100.0%	99.9%
Timely handling of start-of-service notification	E	98.2%	99.9%
Timeliness final end-of-service invoice	E	100.0%	100.0%
Timely handling of end-of-service notification	E	99.9%	100.0%
Timeliness estimated invoice at start of service	G	100.0%	99.8%
Timely handling of start-of-service notification	G	99.8%	100.0%
Timeliness final end-of-service invoice	G	100.0%	99.9%
Timely handling of end-of-service notification	G	100.0%	100.0%
Timely handling of supplier switch notification	E	100.0%	99.9%
Timely handling of supplier switch notification	G	99.9%	98.8%
Timeliness total final invoice for the year	E	100.0%	100.0%
Timeliness distribution of annual consumption	E	98.7%	99.7%
Timeliness total final invoice for the year	G	100.0%	100.0%
Timeliness distribution annual consumption	G	99.5%	99.9%

Note: The sector KPIs relate to the customer processes of Liander in its capacity as grid manager. This concerns the measurements of December 2009 and December 2008.

### Note

Sector KPIs are KPIs prescribed by the Dutch Office of Energy Regulation for assuring the quality of the sector. The Office of Energy Regulation has set the standard at 98%. Every month these KPIs are reported to the Office of Energy Regulation. Alliander met the set standards for all KPIs in December 2009.

Distribution of created value		
€ million	2009	2008
<b>Debt provider</b>		
Interest paid	116	-26
<b>Shareholders</b>		
Dividends paid	350	459
<b>Society</b>		
Corporate income tax paid <sup>1</sup>	71	80
Total purchasing costs, costs of subcontracted work and operating expenses	1,162	1,201
Total investments in tangible fixed assets	397	363
<b>Employees</b>		
Employee compensation and benefit expenses	361	274

<sup>1</sup> Profit tax concerns the tax as presented in the income statement.

<sup>2</sup> The dividend 2009 concerns the paid-out dividend in 2009 for the result of 2008 and includes Nuon Energy.

Arnhem, 7 April 2010

**The Management Board**  
P.C. Molengraaf, chairman  
M.R. van Lieshout

# assurance report

To the Management Board of Alliander N.V.

## Report on the Corporate Social Responsibility Report

### Scope and responsibilities

We have reviewed the policy, activities, events and performance of the organization relating to sustainable development, included in this Report, during the reporting year 2009, as presented in section 1 to 5, section 14 and the GRI-index as presented in part V (hereafter called 'the Corporate Social Responsibility Report') of Alliander N.V. In this Corporate Social Responsibility Report Alliander N.V. renders account of its performance related to sustainability in 2009.

### Review: limited assurance

A review is focused on obtaining limited assurance which does not require exhaustive gathering of evidence as in audit engagements. Consequently a review engagement provides less assurance than an audit.

We do not provide any assurance on the assumptions and feasibility of prospective information, such as targets, expectations and ambitions, included in the Corporate Social Responsibility Report.

Management of Alliander N.V. is responsible for the preparation of The Corporate Social Responsibility Report. We are responsible for providing an assurance report on the Corporate Social Responsibility Report.

### Reporting criteria

Alliander N.V. developed its reporting criteria on the basis of the G3 Guidelines of the Global Reporting Initiative (GRI) as published in October 2006, as mentioned on page 168 of the Corporate Social Responsibility Report. We consider the reporting criteria to be relevant and sufficient for our examination.

### Scope and work performed

We planned and performed our work in accordance with Dutch law, including Standard 3410N 'Assurance engagements relating to sustainability reports'. Our most important review procedures were:

- performing an external environment analysis and obtaining insight into the branch, relevant social issues, relevant laws and regulations and the characteristics of the organization;

- assessing the acceptability of the reporting policies and consistent application of this, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of estimates made by management, as well as evaluating the overall presentation of the Corporate Social Responsibility Report;
- reviewing the systems and processes for data gathering, internal controls and processing of other information, such as the aggregation process of data to the information as presented in the Corporate Social Responsibility Report;
- reviewing internal and external documentation to determine whether the information in the Corporate Social Responsibility Report is substantiated adequately;
- assessing the application level according to the G3 Guidelines of GRI.

We believe that the evidence obtained from our examination is sufficient and appropriate to provide a basis for our conclusion.

### Conclusion

Based on our procedures performed, nothing has come to our attention that would cause us not to conclude that in all material respects the Corporate Social Responsibility Report provides a reliable and adequate presentation of the policy of Alliander N.V. for sustainable development, or of the activities, events and performance of the organization relating to sustainable development during the reporting year, in accordance with the Alliander N.V. reporting criteria.

Rotterdam, 7 April 2010

**PricewaterhouseCoopers Accountants N.V.**

**Originally signed by:**

J.A.M. Stael RA

v

other

# report of the committee of shareholders

## THE COMMITTEE OF SHAREHOLDERS EXERCISES CERTAIN POWERS OF THE GENERAL MEETING OF SHAREHOLDERS. WHAT DID THE COMMITTEE DO IN 2009?

Pursuant to Sections 158 (10), 159 (3) and 161 (2) of Book 2 of the Netherlands Civil Code, the General Meeting of Shareholders has powers concerning the recommendation, appointment and dismissal of members of the Supervisory Board. The General Meeting of Shareholders is permitted to transfer these powers to the Committee for a maximum of two years and may withdraw any delegation of these powers at any time. In addition, the Committee has a number of other powers on the grounds of the Articles of Association and the regulations of the Management Board. These concern powers relating to the appointment and dismissal of the members of the Management Board.

### The incumbent Committee

The incumbent Committee was appointed on 22 April 2008 for a two-year period, that is to say until after the end of the annual General Meeting of Shareholders of Alliander on 10 May 2010. The expectation is that in the General Meeting of Shareholders of 10 May 2010 the Management Board will again make a proposal to appoint a Committee of Shareholders as referred to in Section 158 (10), Book 2 of the Netherlands Civil Code. The incumbent Committee consists of the following members:

- H. Keereweer, on behalf of the province of Gelderland
- S. Galema, on behalf of B.V. Houdstermaatschappij Falcon
- B. Heller, on behalf of the province of Noord-Holland
- Ms C. Gehrels, on behalf of the municipality of Amsterdam
- Ms G.M. van den Berg, on behalf of all former 'EWR' municipalities
- C.J.G. Luesink, on behalf of all former 'Gamog' municipalities
- J.H.G. van de Langenberg, on behalf of N.V. Houdstermaatschappij GKNH and N.V. Houdstermaatschappij EZW

### Committee activities

In 2009, the Supervisory Board consulted the Committee twice in writing about the (re)appointment of members of the Supervisory Board. In addition, the Committee met once about the proposed appointment of a member of the Management Board.

### Recommendations concerning incumbent members of the Supervisory Board

Pursuant to the retirement schedule drawn up by the Supervisory Board, Messrs P. Bouw, L. Koopmans and G. Ybema resigned on 23 April 2009 after the end of the annual General Meeting of Shareholders. Messrs Bouw and Ybema made themselves available for reappointment for a further four-year period. Mr Koopmans indicated that he was not available for reappointment. In addition, after the end of the annual General Meeting of Shareholders in 2009, Mr A.M.C.A. Hooijmaijers resigned as a member of the Supervisory Board.

Due to the resignation of Messrs Koopmans and Hooijmaijers, two vacancies have arisen. The Supervisory Board proposed to the Committee by way of a letter dated 19 February 2009 to refrain for the time being from filling the vacancies arising from the resignation of Messrs Koopmans and Hooijmaijers in view of the proposed unbundling of the company. The Committee agreed to this proposal.

The Committee had an enhanced right of recommendation for the vacancies that arose due to the resignation of Mr Ybema and Hooijmaijers and an ordinary right of recommendation for the other vacancies. The Committee did not make use of its (enhanced) right of recommendation as the reappointment would only have been of limited duration given the company's strategic development.



### **Recommendations concerning new members of the Supervisory Board**

The Committee was informed by way of a letter on 18 May 2009 of the number of vacancies and the accompanying (desired) profiles in the Supervisory Board on the date of unbundling (30 June 2009). As the size of the Supervisory Board was reduced with effect from that date from eleven to seven members, the Committee's enhanced right of recommendation applied to two instead of three members. The Committee made use of the enhanced right of recommendation and recommended Messrs E.M. d'Hondt and G. Ybema as candidates.

### **Green light for appointment of new member of Management Board**

The members of the Management Board are appointed by the Supervisory Board. If the Committee lodges a motivated objection based on compelling grounds against a proposed appointment of a new member, the Supervisory Board will not appoint this person. On 9 December 2009 the Committee met with five members of the Supervisory Board and the chairman of the Management Board. During this meeting the intention of the Supervisory Board to appoint Mr M.R. van Lieshout with effect from 1 January 2010 as a member of the Management Board of Alliander in the role of Chief Financial Officer (CFO) was discussed. The Committee indicated that it had no objection to this appointment.

**Arnhem, 7 April 2010**

**The Committee of Shareholders**

# five-year summary

Five-year summary					
€ million	2009	2008	2007	2006	2005
<b>Result</b>					
Net turnover	1,446	1,497 <sup>3</sup>	5,650	5,598	5,017
Total income	1,750	1,710 <sup>3</sup>	5,753	5,727	5,268
Total operating expenses	-1,259	-1,320 <sup>3</sup>	-4,639	-4,878	-4,170
Operating profit	491	390 <sup>3</sup>	1,114	849	1,098
Profit before taxation from continuing operations	383	350 <sup>3</sup>	1,102	796	999
Profit after taxation	312	765	875	763	1,138
<b>Balance sheet</b>					
Net working capital	-25	335	-194	-201	-194
Property, plant and equipment	4,638	6,969	6,072	5,936	5,727
Total assets	6,756	14,501	11,601	10,875	11,183
Shareholders' equity	2,245	6,268	5,657	5,167	4,718
Total interest-bearing debt	2,225	1,221	1,312	1,371	1,677
Total financing	4,470	7,491	6,970	6,540	6,402
Capital expenditure on non-current assets	644	943	536	646	607
<b>Cash flows</b>					
Cash flow from operating activities	372	1,028	1,159	1,008	934
Cash flow from investing activities	-153	-1,215	-401	-190	45
Cash flow from financing activities	-763	-523	-409	-634	-650
Free cash flow	-158	202	736	488	475
<b>Ratios</b>					
ROIC (%)	7.8%	10.2%	16.4%	11.9%	14.4%
FFO/Net debt (%)	25%	23%	n/a <sup>2</sup>	1.111%	64%
Interest cover	3.7	n/a <sup>4</sup>	45.0	15.1	6.1
Net debt/(net debt + shareholders' equity)	38.7% <sup>5</sup>	9%	n/a <sup>2</sup>	1%	16%
Shareholders' equity as a percentage of total assets less deferred income (solvency)	41.6% <sup>5</sup>	48.3%	56.0%	54.6%	47.9%
<b>Shares (as at 31 December )</b>					
Number of shares issued (thousand)	136,795	136,795	136,795	133,487	128,693
Total number of shares, including unissued shares (thousand)	136,795	136,795	136,795	136,795	136,795
<b>Per-share information</b>					
Earnings after taxation (€ )	3.93	5.59	6.47	5.82	8.84
Dividend (€ )	0.39	2.56	3.36	2.71	2.50
Pay-out ratio <sup>1</sup> (%)	45%	45%	45%	45%	45%

## Five-year summary

€ million	2009	2008	2007	2006	2005
<b>Other</b>					
<b>Electricity</b>					
Contracts as at 31 December (x 1,000)	2,884	2,832	2,807	2,777	2,747
New connections (x 1,000)	41	44	45	39	37
Cables laid (km)	1,104	1,336	1,170	822	741
<b>Gas</b>					
Contracts as at 31 December (x 1,000)	2,137	2,127	2,114	2,100	2,082
New connections (x 1,000)	23	24	26	24	20
Pipelines laid (km)	194	358	333	253	253
<b>Volumes transported</b>					
Electricity (GWh)	29,408	32,950	32,325	31,691	30,959
Gas (million m <sup>3</sup> )	6,138	6,232	5,791	6,257	6,288
<b>Other<sup>3</sup></b>					
Number of disconnections (consumers and business market)	8,233	7,226	5,965	8,043	8,362
Facilitated supplier switches (x 1,000)	538	448	386	280	321
Annual electricity outage (minutes)	27.4	24.0	23.5	29.7	24.3
Average number of own employees for the year (FTEs)	4,561	4,327 <sup>5</sup>	9,874	9,717	9,631

1 Adjusted for incidental items which did not lead to cash flows in the financial year.

2 Not reported for 2007 as there was a net cash position.

3 Key figures for continuing operations from 2008 as n.v. Nuon Energy was unbundled on 30 June 2009.

4 As at the net of finance income and expenses for the year 2008 resulted in a not gain, the interest cover ratio is not reported for 2008.

5 The shareholders' equity was calculated, taking account of the profit appropriation.



## Index GRI G3, including Sector Supplement Electric Utilities. Publication April 2009

Core indicators are marked with a green colour bar. Sector indicators are marked by Sector Supplement EU number

GRI	Element	Page	Comment/ reference
<b>Profile</b>			
<b>Strategy and analysis</b>			
1.1	Statement from the CEO	5, 16-19	
1.2	Description of key impacts, risks and opportunities in relation to sustainable development for stakeholders and organisation	16-19	
<b>Organisation profile</b>			
2.1	Name of the reporting organisation	8	
2.2	Primary brands, products and/or services	8, 9	
2.3	Operational structure and description of divisions, business units, subsidiaries and partnerships	8	
2.4	Location of headquarters	-	See Publication Details
2.5	Countries of residence and operations	8	
2.6	Nature of ownership and legal form	2	
2.7	Markets served (geographical distribution, sectors, customers)	8, 9	
2.8	Scale of the organisation	8, 9	See Key Data
2.9	Significant changes during reporting period in relation to size, structure or ownership	3, 51	Statutory unbundling of n.v. Nuon Energy and Alliander N.V.
2.10	Awards received during reporting period	-	No awards were received during the reporting period
EU 1	Installed capacity	-	Alliander has no installed energy generation capacity
EU 2	Net energy production by primary source and regulatory regime	-	Alliander has no installed energy generation capacity
EU 3	Customer accounts	9	The numbers of grid connections are reported on
EU 4	Transmission and distribution lines	9	Reported as a '3-phase (circuit) length'
EU 5	Allocation of CO <sub>2</sub> emission allowances	111	European Trading System, ETS, is not applicable to Alliander
<b>Report parameters</b>			
3.1	Reporting period	-	This report covers the period 1 January 2009 to 31 December 2009
3.2	Date of most recent previous report	-	Alliander Corporate Social Responsibility Report 2008
3.3	Reporting cycle	-	Annually per calendar year
3.4	Contact point for questions	-	See Publication Details
<b>Scope and boundaries</b>			
3.5	Process for defining report content	168	
3.6	Boundary of the report and scope	168	The changes compared to 2008 are explained
3.7	Specific limitations on the scope of the report	168	
3.8	Organisational changes in relation to previous reporting year with impact on comparability of data	3, 168	
3.9	Data measurement techniques, principles and assumptions	168	In a number of cases, use was made of verified assumptions. These are explained in the text or as a footnote with table or graph
3.10	Re-statements of information	168	Re-statements are disclosed in the text or as a footnote with table or graph
3.11	Significant changes that may limit the comparability since previous reports	3, 168	Changes are disclosed in the text or as a footnote with table or graph
<b>GRI Content</b>			
3.12	GRI Content	184	GRI G3 guidelines were applied, as well as the Electric Utilities Sector Supplement. GRI April 2009 edition
<b>Assurance</b>			
3.13	Independent assurance for the report	178	
<b>Governance structure</b>			
4.1	Governance structure	76, 79	
4.2	Leadership role of the chairman of the Management Board	79	

4.3	Independent members and/or non-executive members of the highest governance body	83	
4.4	Mechanisms for shareholders and employees to provide recommendations to and participate in the decision-making of the highest governance body	81, 85	
4.5	Linkage between compensation for members of the Management Board and the organisation's financial and non-financial performance	90	CSR results are part of the agreed remuneration package. These are accounted for in the remuneration report
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	83, 84	
4.7	Process for determining the qualifications and expertise of the Management Board for managing the organisation's sustainable development	79	Sustainable development is a responsibility of the Alliander Management Board. The Supervisory Board defines the relevant criteria in its appointment and selection policy for Management Board members
4.8	Mission statement/codes of conduct and principles and extent of implementation of sustainable development policy	16-19, 21-22, 169	Sustainable development is part of Alliander's mission. The Management Board annually indicates the priorities prior to the business planning
4.9	Assessment of sustainability performance by Management Board / Supervisory Board	84-86, 169	Sustainability indicators are part of the internal monthly and quarterly reports. In addition, results from internal audits and benchmark data are reported to the Management Board
4.10	Evaluation of own sustainability performance by the highest governance body	84, 90, 91	The results are part of the annual performance objectives with the Management Board and the management and the remuneration policy
<b>Commitments to external initiatives</b>			
4.11	Precautionary approach	34, 67	Internal risk management is part of Corporate Governance. Alliander is continuing to develop its operational planning
4.12	Voluntary agreements/covenants	19, 35, 65	Stichting E-laad (recharging points for electric cars), Labour Market and Employment, training institutes, Tax Department
4.13	Most important memberships of industry organisations and special interest groups	11	Netbeheer Nederland, Global Gas Network Initiative, Global Intelligent Utility Network Coalition, GRI, NEN
<b>Stakeholder engagement</b>			
4.14	Overview of stakeholder groups and relationship with Alliander	17	
4.15	Stakeholder identification and selection process	17	Alliander is committed to the stakeholder approach as a basic business principle. Stakeholders are represented in consultation or dialogue situations or are involved in incidental consultation
4.16	Approach, frequency and type of stakeholder engagement	17	
4.17	Outcomes of stakeholder engagement and their implementation	17, 18, 35	
<b>Performance Indicators and Management Approach</b>			
<b>Economic Performance Indicators</b>			
EC	Disclosures of management approach	49	
EU 6	Capacity planning to ensure short- and long-term electricity availability and reliability.	23, 45, 71, 72	Capacity planning is explained in relation to replacement policy and expansion investments
EU 7	Demand-side management programmes including residential, commercial, institutional and industrial programmes	45	This is primarily a task for energy providers. Alliander facilitates research into smart energy grids
EU 8	Research and development	42, 71	Research efforts and programmes are disclosed
EU 9	Provisions for decommissioning nuclear installations	-	Alliander has no generation capacity or nuclear installations in ownership or under management
EC 1	Economic value generated and distributed	177, 182	Information is included in Key Figures and Five-Year Summary overviews
EC 2	Financial implications, risks and opportunities due to climate change.	42	Opportunities and possibilities in this area are discussed
EC 3	Coverage of staff benefit plan for departing staff (dismissal, early retirement, retirement).	116, 129, 137	Employees of Alliander have obligatory pension and unemployment insurance under Dutch law. In the event of reorganisations, a social plan agreed upon with employee representatives is applicable. Period of validity: 2008 - 2010
EC 4	Subsidies/financial assistance received from government	-	Not reported on
EC 5	Standard entry-level wage compared to local minimum wage	-	Not reported on
EC 6	Policy, practices and proportion of spending on locally-based suppliers	-	Not reported on
EC 7	Local staff hiring and proportion of senior management hired from the local community	37, 174	
EC 8	Contribution to development and scale of investments for the benefit of the community	71	Investments in grid infrastructure are reported on
EC 9	Significant indirect economic impacts	177	
EU 10	Planned capacity against projected electricity demand	-	Alliander has no generation capacity in ownership or under management

EU 11	Average generation efficiency	-	Alliander has no generation capacity in ownership or under management
EU 12	Transmission and distribution efficiency	46, 171	Alliander reports leakage and grid losses from the electricity and gas grids

### Environmental Performance Indicators

EN	Disclosures of management approach	22, 31, 34, 170	Disclosures concern: CSR organisation, PCBs, mobility, compliance and biodiversity
EN 1	Materials used	170	PCBs are reported on
EN 2	Use of recycled material and waste from third parties	-	Indicator is not applicable to Alliander's processes
EN 3	Direct energy consumption	46, 171	The grid loss is reported on
EN 4	Indirect energy consumption	171	The energy consumption of the buildings in ownership is reported on. Total electricity consumption is 16,452 MWh and the total gas consumption is 1,519,329M <sup>3</sup>
EN5	Energy saving and efficiency improvements	31, 171	The replacement of cast iron pipes is reported on
EN 6	Initiatives for energy-efficient products and services or products and services based on renewable energy.	13, 42, 46, 47	Energy Saving Taskforce Initiative. E-Atlas for municipalities aimed at providing information on energy usage
EN 7	Initiatives to reduce indirect energy consumption and reduction already achieved.	171	Alliander is working on a programme for reducing energy consumption in buildings and vehicle fleet
EN 8	Total water withdrawal by source	-	Alliander withdraws no (cooling) water
EN 9	Water sources significantly affected by water withdrawal	-	Alliander withdraws no water for cooling purposes
EN 10	Percentage and total volume of water recycled and re-used	-	Alliander uses no recycled water. Value is 0
EN 11	Land use in/near protected areas with high biodiversity	33	Not reported on
EN 12	Impacts of activities on protected areas of high biodiversity	31, 33	Natura 2000 Study
EN 13	Habitats protected or restored	172	Soil clean-up of former gas plant sites is reported on
EU 13	Biodiversity of pollution offset areas	-	Not reported on
EN 14	Strategies, actions or plans for managing impacts on biodiversity	-	Not reported on
EN 15	Number of IUCN Red List species with habitats in areas within the sphere of influence of company activities	-	Not reported on
EN 16	Total direct and indirect greenhouse gas emissions	171	Alliander publishes CO <sub>2</sub> footprint and CO <sub>2</sub> offset measures; Alliander has no energy generation facilities of its own
EN 17	Other relevant indirect greenhouse gas emissions	171	CO <sub>2</sub> footprint
EN 18	Initiatives to reduce greenhouse gas emissions and realised reductions	13, 171	Innovative projects and operational and energy transition measures are reported on
EN 19	Emissions of ozone-depleting substances	-	Not reported on
EN 20	NOx, SOx and other significant air emissions	-	Not reported on
EN 21	Total water discharge	-	Not reported on
EN 22	Total weight of waste	170	
EN 23	Significant spills	31	The recorded environmental incidents and the policy for replacing oil pressure pipes are reported on
EN 24	Weight of hazardous waste transported, imported/exported or processed	-	Not applicable
EN 25	Water sources and related habitats significantly affected by water discharge	-	Not applicable
EN 26	Initiatives to mitigate the environmental impacts of products and services	-	Not reported on
EN 27	Percentage of products sold and their packaging materials that are reclaimed	-	Indicator is not applicable to - primary - processes of Alliander
EN 28	Monetary value of significant penalties and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	31	
EN 29	Significant environmental impacts of transportation	171	CO <sub>2</sub> footprint
EN 30	Total expenditures on and investments in environmental protection	50, 172	Contribution to soil clean-up of former gas plant sites

### Social Performance Indicators

#### Labour practices and decent work

LA	Disclosures of management approach	36	
EU 14	Knowledge and competence management	38	Disclosures concern training programmes, Alliander College and safe working practices
EU 15	Percentage of employees eligible for pension scheme in 5 and 10 years' time by job group and region	174	

EU 16	Health and safety policy and conditions of employees and (sub-)contractors	-	Not reported on
LA 1	Workforce profile	173	
LA 2	Employment and employee turnover	174	Employment by province and staff turnover rate are reported
EU 17	Total volume of work carried out by (sub-)contractors	-	Not reported on
EU 18	Contractor and sub-contractor employees with relevant health & safety training	-	Not reported on
LA 3	Difference in employment conditions between full-time and part-time contracts	-	Not reported on
LA 4	Share of employees covered by collective labour agreements	-	Not reported on
LA 5	Minimum notice period in the event of reorganisation	-	Alliander has drawn up a social plan and temporary contracts are subject to the legal standard
LA 6	Workforce represented in formal joint H&S committees of employer and employees that help monitor and advise on H&S programmes	36, 85	The Works Council has a legal status in the Netherlands and, as employee representative body, has the right to consultation and the right of consent. Company schemes concerning e.g. working conditions, conditions of employment and (re) organisations are put to the Works Council for information purposes and/or for their consent
LA 7	Absenteeism, accidents, occupational diseases and work-related fatalities	37, 175	
LA 8	Education, training, counselling, prevention and risk control programmes to assist workforce members, their families or community members	38	Alliander College, Technical Training and electricity and gas safety instructions are reported on
LA 9	Health and safety arrangements covered in formal agreements with trade unions	38, 128	Arrangements with trade unions are made at grid manager sector level in the framework of the CAO negotiations. The resources to be made available for the various themes such as education, employment, vulnerable groups and working conditions are determined in this context
LA 10	Average number of hours per year that an employee spends on training	38	Hours are not reported on; % of wage sum sent on training is reported
LA 11	Competence management and lifelong learning programmes	38	
LA 12	Employee information on performance and career development	176	Employees can annually give their views and ratings by taking part in the employee survey. Manager and employee annually discuss individual performance and development
LA 13	Diversity	36, 175	The age and gender dimensions are reported on
LA 14	Male/female basic remuneration	175	
<b>Human Rights</b>			
HR	Disclosures of management approach	34, 36	The Code of Conduct is explained
HR 1	Investment agreements containing clauses on human rights or whose compliance with human rights has been verified	34	
HR 2	Major suppliers and contractors who have been assessed on compliance with human rights and on implementation of measures	34	
HR 3	Assurance of human rights in operations	34, 36	HRM Code of Conduct
HR 4	Cases of discrimination and actions taken	-	Not reported on
HR 5	Operations posing a risk to the right to universal freedom of association and collective labour agreement and actions taken to support these rights	-	Not inventoried and not reported on
HR 6	Activities posing child labour risks as well as measures to eradicate this	34	Alliander excludes child labour from its activities via the Code of Conduct
HR 7	Activities posing forced labour risks as well as measures to eradicate this	-	Not applicable
HR 8	Training of security personnel in relevant human rights aspects	-	Not reported on: no full records are available
HR 9	Rights of indigenous population, compliance and actions taken	-	Indicator is not material: Alliander is active in the Netherlands and at several locations in Germany
<b>Society</b>			
SO	Disclosures of management approach	16, 18, 22	
EU 19	Participatory decision-making processes and engagement of stakeholders and outcomes	17, 81	
EU 20	Arrangements for involuntary displacement, company relocation, dispossession	-	Not reported on: no full records are available
EU 21	Emergency plans and reparation of damage	30, 36, 172, 173	Disclosures concern the policy on external safety and the clean-up of former gas plant sites

SO 1	Management programmes to limit adverse effects on communities	13, 30	Disclosures concern the Alliander crisis plan, external safety as well as the gas smell problem in Hilversum
EU 22	Number of people involved in dispossession/forced displacement	-	On incidental occasions cables or gas pipelines must be constructed across land owned by third parties. No expropriation or compulsory displacements were reported in 2009
SO 2	Percentage of business units with corruption risk analysis	-	Not reported on: no full records are available
SO 3	Training of employees in anti-corruption policies and procedures	-	Not reported on: no full records are available
SO 4	Actions taken in response to instances of corruption	-	14 situations were reported where measures were taken in relation to employees. These all concerned internal issues
SO 5	Position on public policy, participation in development of public policy and lobbying	-	Not reported on: no full records are available
SO 6	Total value of financial and in-kind contributions to political parties, politicians and related institutions	-	Not reported on
SO 7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	-	Not applicable: Alliander's position is regulated by law
SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-	Reported value is 0
<b>Product responsibility</b>			
PR	Disclosures of management approach	17, 28	
EU 23	Measures to support access to and promote safe energy use	28	Disclosures concern: National Emergency Number and the 'Meterkastman' information campaign
EU 24	Programmes to improve and maintain access to electricity services for vulnerable groups	29	Alliander works together with local organisations such as the GGD (Municipal Health Department) to support access to energy for vulnerable groups through specific programmes.
PR 1	Assessment of health & safety consequences of products and services	-	Not reported on
PR 2	Cases of non-compliance with regulations and codes concerning the health and safety consequences of products and services	-	Not reported on: no records are available
EU 25	Number of accidents and health complaints from civilians involving company installations	30	Not fully reported on; no records are available
PR 3	Type of product and service information required by procedures and percentage of products and services subject to such information requirements	-	Not reported on
PR 4	Non-compliance with arrangements concerning information and labelling of products and services	-	Not reported on: no full records are available
PR 5	Customer satisfaction policy and results	28, 29	Policy and customer satisfaction figures are reported
PR 6	Programmes for adherence to laws, standards and codes in relation to marketing communication	-	Not reported on: no records available
PR 7	Non-compliance with marketing communication regulations and codes	-	Not reported on
PR 8	Justified complaints regarding breaches of customer privacy and confidentiality of customer details	-	Not reported on
PR 9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-	Reported value is 0. Reported in relation to penalties imposed by SodM (State Supervision of Mines)
EU 26	Percentage of population unserved in licensed distribution areas	-	There is a statutory obligation to connect customers to the electricity grid
EU 27	Number and duration of residential disconnections for non-payment	9	Total number of disconnections and the estimated number due to non-payment is reported. Duration of disconnection is not reported.
EU 28	Power interruption frequency	25, 26	International power interruption frequency is reported
EU 29	Average power interruption duration	25, 26	International power interruption duration index and annual outage duration is reported
EU 30	Average plant availability factor	-	Alliander has no generation capacity in ownership or under management



# ratios, definitions and abbreviations

## RATIOS

### Free cash flow

Cash flow from operating activities less net investments in property, plant and equipment.

### Net interest-bearing debt

The sum of long- and short-term interest-bearing liabilities less cash and cash equivalents and investments.

### Net investments

Capital expenditures less contributions received from third parties.

### Solvency

Shareholders' equity as a percentage of total assets less deferred income.

### Working capital

Inventories plus trade receivables and other receivables, less short-term non-interest-bearing trade payables and other liabilities.

## GENERAL DEFINITIONS

This list provides a simplified definition of each term. If you require more information about any of these terms, please consult the relevant passages in the annual report or contact Alliander via our website.

### CBL (cross-border lease)

A cross-border lease is a structured financial transaction by virtue of which a business sells the user rights of certain non-current assets to a foreign company, only to lease these assets back.

### Committee of Shareholders

The Committee of Shareholders as referred to in section 158 (10) Book 2 of the Netherlands Civil Code, if this has been appointed by the General Meeting of Shareholders.

### Corporate Governance

Corporate governance concerns the relationships between the Management Board, the Supervisory Board and the General Meeting of Shareholders. The basic principles

of Corporate Governance are good entrepreneurship (integrity and transparency of management) and effective supervision over this (including accountability).

### Free domain

The activities of Liander that are carried out in competition and arise from the statutory tasks and are offered at the customer's request. This includes: the construction, maintenance, renewal and management of connections for gas; the provision of metering installations; the construction, maintenance, renewal and management of connections to the electricity network with a load value from 10 MVA and for specific customer groups, including public transport and public lighting.

### FTE (full time equivalent)

Equivalent of the number of employees with a full working week.

### Grid losses

Energy losses on the grid caused by physical grid losses relating to the electricity activities, fraud and administrative losses resulting from the allocation and reconciliation process and administrative process.

### LTIF (Lost Time Injury Frequency)

Number of accidents leading to absenteeism times a million divided by the number of worked hours.

### NMa (Netherlands Competition Authority)

The implementation of the Competition Act has been entrusted to the NMa. The NMa enforces the prohibition of cartels and abuse of economic power, assesses mergers and acquisitions and regulates the energy and transportation sector.

### Office of Energy Regulation

The Office of Energy Regulation is a department that belongs to the Ministry of Economic Affairs and is placed within the Netherlands Competition Authority (NMa). The implementation of the Electricity Act 1998 and the Gas Act and the supervision of compliance with these laws has been entrusted to the Office of Energy Regulation.

### Regulated domain

The activities of the grid manager which arise from the tasks that are the exclusive preserve of the grid manager and for which maximum tariffs are set by the NMa. This includes:

- the construction, maintenance, renewal and management of connections to the electricity grid with a load value up to 10 MVA;
- the construction, maintenance, renewal and management of electricity and gas networks;
- the transportation of gas and electricity;
- the effective assurance of the safety and reliability of the networks;
- the promotion of the safe use of equipment and installations that consume electricity and gas;
- the facilitation of the free market to enable, among other things, customers to switch to another energy supplier.

### Remuneration report

The remuneration report of the Supervisory Board concerning the remuneration policy of Alliander, as drawn up by the Selection, Appointment and Remuneration Committee of the Supervisory Board.

### Smart meter

The smart meter enables Liander to read electricity and gas meters at a distance to obtain information on consumption and status. In addition, the smart meter can send remote instructions for e.g. the connection and disconnection of customers. The communication with the meter takes place via the cable network (Power Line Communication) or via GPRS.

### Unbundling

The statutory unbundling on 30 June 2009 of n.v. Nuon Energy from parent company n.v. Nuon, as referred to in sections 2:334a (1) and (3) of the Netherlands Civil Code. This statutory unbundling marked the finalisation of the unbundling between the production and supply company of the Nuon group and the network company as was already organisationally carried out on 1 July 2008. The name of n.v. Nuon was also changed to Alliander N.V. on 30 June 2009.

### Stakeholders

Stakeholders are individuals and groups who have any form of interest in Alliander such as employees, shareholders, customers, financiers, suppliers, public authorities and media.

## GENERAL ABBREVIATIONS

<b>ABP</b>	Pension fund for employers and employees of the Dutch government and educational service
<b>CAO</b>	Collective Labour Agreement
<b>CCC n.v.</b>	Nuon Customer Care Center
<b>CDS</b>	Credit Default Swap
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CHP</b>	Combined Heat Power
<b>CPI</b>	Consumer Price Index
<b>CSR</b>	Corporate Social Responsibility
<b>CSS</b>	Customer Satisfaction Survey
<b>CWC</b>	Central Works Council
<b>E-atlas</b>	Energy Atlas
<b>EDSN</b>	Energy Data Services Netherlands
<b>EU</b>	European Union
<b>FIFO</b>	First in, first out
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GGD</b>	Municipal Health Department
<b>GPRS</b>	General Packet Radio Service
<b>HE</b>	High Efficiency
<b>HV</b>	High-Voltage
<b>IAS</b>	International Accounting Standards
<b>IASB</b>	International Accounting Standards Board
<b>ICT</b>	Information Communication Technology
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>ISO</b>	International Standards Organisation
<b>LILO</b>	Lease in, lease out
<b>LV</b>	Low-Voltage
<b>MV</b>	Mid-Voltage
<b>OVV</b>	Dutch Safety Board
<b>PAS 55</b>	International norm for asset management
<b>SIC</b>	Standing Interpretations Committee
<b>SILO</b>	Sale in, lease out
<b>SSM</b>	State Supervision of Mines
<b>US</b>	United States
<b>USD</b>	United States Dollar
<b>VIAG</b>	Natural Gas Safety Instructions
<b>WIA</b>	Work and Income according to Labour Capacity Act
<b>WION</b>	Information Exchange (Underground Networks) Act
<b>WON</b>	Independent Network Operation Act

## ENERGY-RELATED ABBREVIATIONS

**Bar** Unit of gas pressure  
**GJ** Gigajoule; 1,000MJ. 1 GJ corresponds with about 29 m<sup>3</sup> gas or 278 kWh  
**GW** Gigawatt; 1,000MW  
**GWh** Gigawatt hour; 1,000 MWh  
**J** Joule, energy unit, mostly used for heating  
**MJ** Megajoule; 1,000 kJ  
**MW** Megawatt; 1,000 kW  
**MWh** Megawatt hour; 1,000 kWh  
**MVA** Megavolt ampère  
**MWh** Megawatt hour; 1,000 kWh  
**kJ** Kilojoule; 1,000 J  
**kV** Kilovolt; 1,000 volts  
**kVA** Kilovolt ampère  
**kW** Kilowatt; 1,000 watts  
**kWh** Kilowatt hour  
**TJ** Tera Joule; 1,000 GJ  
**TWh** Terawatt hour; 1,000 GWh  
**W** Watt; unit of power

## ENERGY-RELATED TERMS

### CAIDI

Customer Average Interruption Duration Index

### CDM (Clean Development Mechanism)

Projects aimed at reducing greenhouse gases registered by the CDM Executive Board in countries that are not signatories of the Kyoto Protocol.

### CER (Certified Emission Reductions)

Certificates used to offset CO<sub>2</sub> emissions from CDM projects.

### CO<sub>2</sub>

Carbon dioxide; mainly released during the burning of fossil fuels such as natural gas and coal; contributes to the greenhouse effect.

### CO<sub>2</sub> equivalent

The effect of greenhouse gases other than CO<sub>2</sub> converted into CO<sub>2</sub> values.

### Sustainable electricity equivalent

Unit of account for sustainably generated heating. The heating that is generated from sustainable sources (solar boilers, heat pumps and landfill gas projects) is converted into kWh sustainable electricity equivalents to enable aggregation of sustainably generated electricity. This is done by first calculating the CO<sub>2</sub> emissions that are avoided with the sustainable heating and then calcula-

ting the amount of kWh sustainably generated electricity with which the same emission reduction would have been achieved assuming 0.53 kg of avoided CO<sub>2</sub> emissions per kWh.

### Energy transition

The transition from energy generation from fossil fuels to sustainable energy generation (e.g. from sun, wind or water).

### GRI (Global Reporting Initiative)

Global organisation that issues guidelines for CSR reporting.

### Household equivalent

The average electricity consumption per household. This is about 3,500 kWh in the Netherlands.

### JI: Joint Implementation

Projects aimed at the reduction of greenhouse gases undertaken in countries that have quantitative emission reduction targets as part of the Kyoto Protocol.

### m<sup>3</sup> natural gas

A cubic metre (1,000 litres) of natural gas, the average natural gas consumption per household is about 1,800 m<sup>3</sup>.

### MEP

Environmental Quality of Electricity Production.

### Methane

Type of gas, chief component of natural gas.

### NO<sub>x</sub>

Nitrogen oxides, gases produced during the burning of fuels. These gases cause acid rain and smog.

### PCB (Polychlorinated Biphenal)

Chemical name for chloride compound with strong heat-resistant properties.

### SAIDI

System Average Interruption Duration Index.

### SAIFI

System Average Interruption Frequency Index.

### SDE

Incentive Scheme for Sustainable Energy Production.

## **SO<sub>2</sub>**

Sulphur dioxide, a gas that is produced by burning sulphur or substances containing sulphur (for instance coal). SO<sub>2</sub> is the most important cause of acid rain.

## **VCA (Contractor Safety Checklist)**

Dutch guideline for safe working procedures.

## **VER (Verified Emission Reductions)**

Certificate used to offset CO<sub>2</sub> emissions. The certificate originates from CDM projects that are not registered by the CDM Executive Body.

## **HE (Housing Equivalent)**

A household or 10 kWh connection capacity of a large user.

# disclaimer

'We', 'Alliander', 'the company', 'the Alliander Group' or similar expressions are used in this report as a synonym for Alliander N.V. and its subsidiaries. Together they represent the network company. 'Liander' refers to Liander N.V. and its subsidiaries, together representing the grid manager. 'Liandon' refers to Liandon B.V. and its subsidiaries. Alliander N.V. is the shareholder of Liander N.V., Liandon B.V., Alliander Finance B.V. and Alliander AG.

In this report the names 'Nuon', 'n.v. Nuon' and 'the Nuon group' also refer to Alliander N.V. On 30 June 2009 the name n.v. Nuon was changed to Alliander N.V.

The names 'Nuon Energy' and 'the Nuon Energy group' refer to n.v. Nuon Energy and its subsidiaries. On 30 June 2009 n.v. Nuon Energy was unbundled from n.v. Nuon.

This annual report 2009 is a translation of the Dutch annual report of Alliander for the year ended 31 December 2009. Although this translation has been prepared with the utmost care, deviations from the Dutch annual report might nevertheless occur such that the information in this annual report may be misinterpreted or different conclusions may be drawn. In this case, the Dutch annual report 2009 prevails.

Parts of this report contain prospective information. These parts - without exceptions - may include unqualified statements on future operating results, government measures, the impact of other regulatory measures on Alliander's activities, Alliander's shares and those of its subsidiaries and joint ventures in existing and new markets, industrial and macro-economic trends and Alliander's performance in these.

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

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