Alliander N.V.

Half-Year Report 2020

alliander

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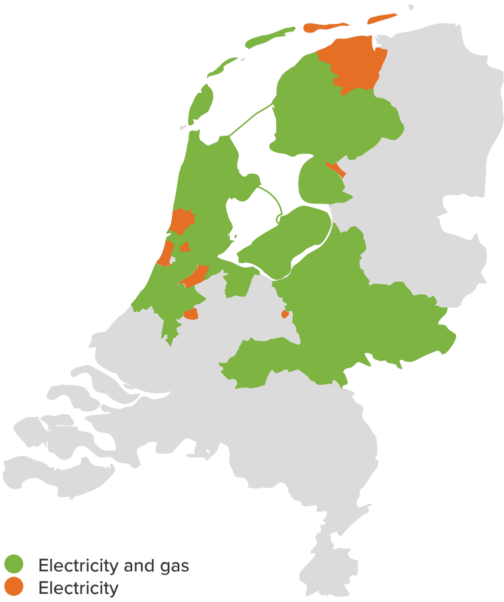
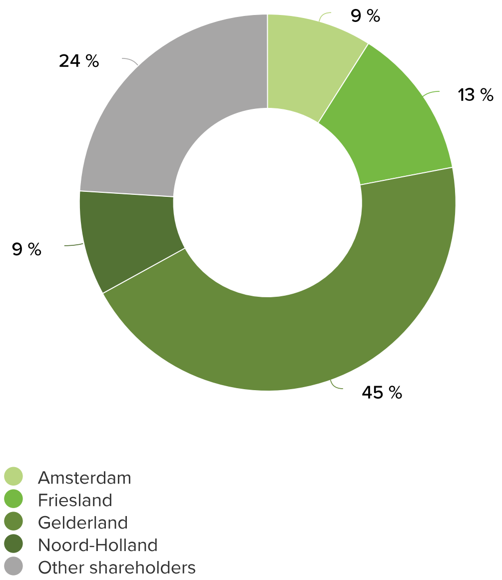
Profile

Alliander N.V. is a network company comprising a group of companies employing some 7,000 people. Together, we work on the energy grid of today and tomorrow. We invest in the development of the energy network and explore and implement innovative solutions. With our partners and shareholders, we discuss our plans for the future and offer solutions to complex energy transition issues. We are driven by the social importance of keeping energy reliable, affordable and accessible for everyone.

Service area



Shareholders



Network operator Liander, which is an Alliander subsidiary, has been statutorily tasked with managing and further developing the gas and electricity network. The other Alliander units facilitate markets by providing products and services that help create a future-proof energy network. One of these units, Qirion, is focused on developing, building and maintaining energy networks in the high-voltage domain. Another unit, Firan, develops, builds and manages alternative energy infrastructures, such as district heating and biogas networks, while the Kenter business unit supplies innovative energy metering and management solutions. Alliander's shares are held by Dutch provinces and municipalities.

Any references in this report to 'we', 'Alliander', 'the company', 'Alliander group' or similar designations are to be read as references to Alliander N.V. and its subsidiaries. Alliander N.V. holds all shares in, among other subsidiaries, Liander N.V., Qirion B.V., Firan B.V., Kenter B.V. and Alliander AG. Any references to Liander are to be read as references to network operator Liander N.V. and its subsidiaries. In this report, entity names are used without the legal form of relevant entities.

Mission and strategy

Mission

We stand for an energy supply system where everyone has access to reliable, affordable and renewable energy on equal terms.

Four strategic mainstays in making our mission a reality today and in the future

Excellent network management

The absolute reason for our existence is to ensure that our energy networks remain among the most reliable in the world. Given the challenges that are coming at us, we have decided to do a number of things differently: we are going to improve our planning of where and when work is required on our networks, take a more forward-looking approach to investing in our networks, and do more in less time.

Support for customers in making choices

In the energy system for 2030, customers play a role in making better use of existing networks. We want to support customers in making choices that work for them as well as for the energy system as a whole. What this boils down to is that we want to make it attractive for customers to consume energy when supplies are plentiful, feed power back into the grid when supplies are low, and use the energy network as little as possible during times of peak load. This way, the available network capacity is used to the maximum degree, peak load is prevented as much as possible, and we can design the best possible energy system for the future.

Investments in new open networks

We have the ambition to be the owner and operator of various energy infrastructures in the Netherlands. To achieve that, we first want to become a player in new open networks, such as for heating and thermal. Only then will we be able to (help) shape a system integration.

Digitalisation

Digitalisation is an unprecedented enabler in operating our networks, and in preventing outages or troubleshooting them faster. It also enables us to fine tune our investments in the networks, gearing these to the actual condition of our networks. And so, we are embracing digitalisation to be able to better plan our work, speed up processes, make the work easier for technicians, serve customers better and faster, and better manage the energy flows in our networks.

Objectives and results

Ensuring a high level of supply reliability for a low cost

Objectives	Results 30 June 2020	Objectives ultimo 2020	Results 31 December 2019
Customer convenience	Consumer market 54% Business market 34%	Net effort Score is higher than 53% (consumer market) en 32% (business market)	Consumer market 55% Business market 33%
Electricity outage duration over the past 12 months (in minutes)	22.6	Maximum of 23	21.9
Number of unique cable numbers with more than five interruptions (over the past 12 months)	26	Maximum of 17	17
Offer smart meter	207,000	Minimum 375,000 addresses Target 30 June 2020: 216,000	624,000

Being a credit-worthy company with solid returns

Objectives	Results 30 June 2020	Objectives ultimo 2020	Results 31 December 2019
Retention of solid rating	S&P: AA-/ A-1+/stable outlook Moody's: Aa2/ P-1/stable outlook	Maintain solid A rating profile	S&P: AA-/ A-1+/stable outlook Moody's: Aa2/ P-1/stable outlook
FFO/Net debt	24.5%	> 20%	29.0%
Interest cover	14.4	> 3.5	13.3
Net debt/ (net hebt + equity)	39.4%	< 60%	36.5%
Solvency	50.6%	> 30%	55.6%

Making the energy supply and our operations sustainable

Objectives	Results 30 June 2020	Objectives ultimo 2020	Results 31 December 2019
CO_2-emissions from business operations	95 kton	Maximum 207 kton Target 30 June 2020: 102 kton	264 kton
Circular procurement[1]	38%	Minimum 40% Target 30 June 2020: 35%	30%

Ensuring a safe network, a safe working environment, and a safe data environment

Objectives	Results 30 June 2020	Objectives ultimo 2020	Results 31 December 2019
LTIF (lost time injury frequency)	2.1	-[2]	2.1

Being an attractive, inclusive employer who offers equal opportunities to everyone

Objectives	Results 30 June 2020	Objectives ultimo 2020	Results 31 December 2019
Employee survey score	-[3]	Minimum 71	70 (2018)[4]
Employee absenteeism	4.2%	Maximum 4,3%	4.20%
Women in leadership positions	26.9%	Minimum 30%	26.9%
People at a distance from the labour market	48	Minimum 108[5] Target 30 June 2020: 54	1018

1 The scope of the objective comprises primary assets: low and medium voltage cables, gas pipes, distribution and power transformers, and legacy and smart electricity and gas meters.

2 No target is set for the Lost Time Incident Frequency (LTIF) performance indicator, because the number of accidents leading to sickness absence should be zero.

3 We did not conduct an employee survey in 2020.

4 We did not conduct an employee survey in 2019. Instead, the focus was on the strategy alignment survey and discussing the outcomes of this with all employees.

5 The figure for employees at a distance from the labour market comprises 83 employees working for us under the Dutch Participation Act and another 25 with a work experience placement.

Financial key figures

€ million, unless stated otherwise	1st half 2020	1st half 2019
Revenue	990	952
Other income	20	19
Operating expenses	866	785
Operating profit	144	186
Profit after tax	92	121
Profit after tax excluding incidental items and fair value movements	93	122
Investments in property, plant and equipment	405	402
Cash flow from operating activities	215	249
	30 June 2020	**31 December 2019**
Total assets	9,543	8,791
Total equity	4,195	4,224
Net debt[1]	2,535	2,223

1 Net debt is defined as interest-bearing debt less cash and cash equivalents and investments that are not restricted

Report of the Management Board

Despite the COVID-19 crisis, Alliander has connected more customers, laid more cables and invested more in the power grid over the first six months of 2020 compared to the same period in 2019. Alliander is, therefore, on course to structurally increase its work rate. Due to the impact of COVID-19 on our operations and the higher tariffs charged by TenneT, costs were up. As a result, the net profit for the first half of 2020 came in €29 million lower than in the same period in 2019 (2019: €121 million, 2020: €92 million)

Given that Alliander's energy networks are part of the Netherlands' essential infrastructure, we have done everything within our power during the COVID-19 crisis to ensure our work could go ahead as much as possible and even to accelerate it. We have adapted to the situation and shown flexibility to help our customers as well as possible. Alliander is unrelenting in continuing its work on the Netherlands' energy networks, so as to be able to keep offering a reliable and affordable energy supply, also in the future.

COVID-19 impact

The impact of the COVID-19 on our operations varies greatly per activity. All work inside the homes of our customers was stopped entirely over the first period after COVID-19 broke out. This has led to delays in the roll-out of the smart meter, which will now carry on into 2021. On the other hand, we connected 13% more large business customers to the energy grid. And work on power stations and cable connections also continued unaffected. Over the first six months of 2020, a total of 577 kilometres of medium-voltage cable was laid, an increase of 250 kilometres compared to the same period in 2019 (+77%). On top of that, 435 new medium-voltage substations were built, 157 more than in the first half of 2019 (+56%). Total investment in the power grid was up €32 million to €263 million in the first half of 2020 (+14% compared to 2019). Over the last six months, our costs increased by €81 million compared to the first six months of 2019. Part of this can be attributed to the higher tariffs that TenneT can charge the regional transmission system operators from this year. However, the costs of our higher production and the impact of COVID-19 measures on operations also contributed towards this effect, and will have an impact on our results for the whole year. Revenue was down in several areas, due in part to COVID-19. Some of our large business customers, for example, have reduced their power consumption since the start of the outbreak. Given that they are on pay-per-use contracts for the use of our network, our revenue in this segment fell.

Regional Energy Strategies

Together with local authorities, provincial authorities and other stakeholders, we are working full steam on the Regional Energy Strategy (RES). Especially given the need to integrate power from renewable sources, such as wind and solar farms, the power grid will at least have to be doubled to be able to meet new levels of demand. This means we are going to have to scale up our operations. Over the coming 10 years, we need to build just as much electricity infrastructure as has been built over the past 40 years, and so we need to work faster. With this in mind, we are working closely together with all parties involved to further flesh out the RES plans, so as to create greater clarity on the impact on network capacity, which is a precondition for timely completion of the infrastructure expansion.

Everyone safely home

In working on the energy supply, safety comes first, both for our customers and for our workforce and contractors. In the first half of 2020, there were 27 incidents (2019: 24), 9 of which led to time off (2019: 7).

Other developments

Composition of the Management Board

Maarten Otto joined Alliander's Management Board as the new CEO on 20 May, succeeding Ingrid Thijssen, who has been appointed chairwoman of employer association VNO-NCW. Ingrid Thijssen had been Alliander's CEO since September 2017, and she was a Management Board member for a total of six years.
Achieving the climate goals for 2030 requires enormous expansion and upgrading of our power grid, which will involve a great deal of work. Given that this challenge requires additional focus on the company's operational functioning, Marlies Visser was added to the Management Board as Chief Operation Officer (COO) as of 1 May, taking the Management Board to four members.

Third green bond loan

In June, Alliander issued a green bond loan with a value of €500 million, our third to date. Proceeds from the previous green bond loans were used to finance the sustainable refurbishment of our Duiven offices and to buy smart meters, among other initiatives. Funds raised through this Green Bond will be used primarily for investments in network upgrades as part of the energy transition.

TReNT acquisition

In early January, Alliander acquired TReNT, a company that provides fibre-optic services. With this acquisition, Alliander becomes the owner of telecommunications infrastructure in the eastern part of the Netherlands. It is Alliander's policy to own telecommunications infrastructure, because it is crucial for Alliander's ability to safely operate its electricity and gas network.

Investments

Alliander's investments totalled €405 million in the first half of 2020 (2019: €402 million). Investments in power grids totalled €263 million (2019: €231 million), while investments in the gas grids totalled €64 million (2019: €60 million). At €182 million, maintenance costs in the first half of 2020 were higher than in the first half of 2019 (€142 million).

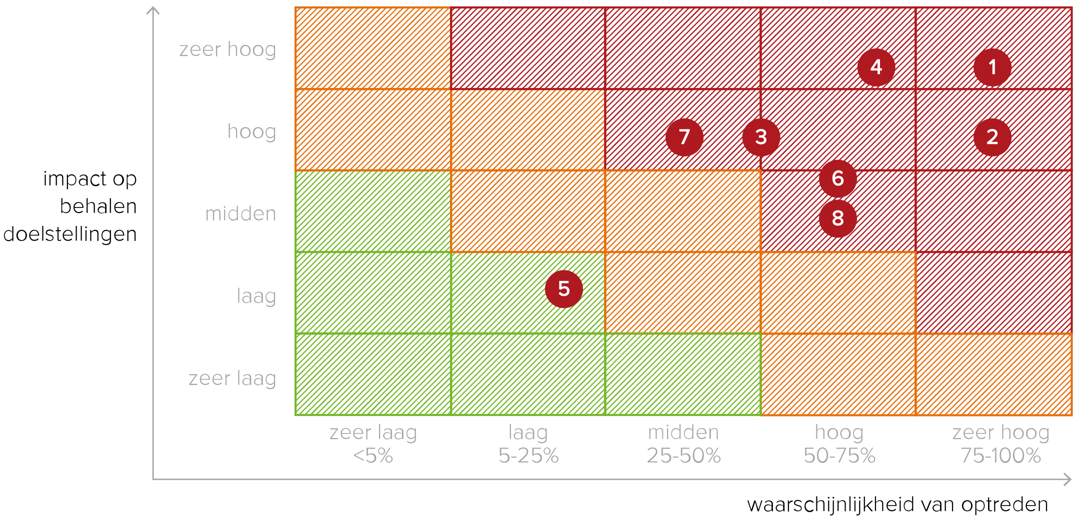
€ million	Realised until June 2020	Realised until June 2019	Target at year-end 2020	Realised 2019
Electricity	263	231	534	443
Gas	64	60	118	149
Metering devices	41	71	85	143
Other	37	40	97	108
Total investments	**405**	**402**	**834**	**843**
Maintenance costs	182	142	306	297
Total maintenance costs and investments	**587**	**544**	**1,140**	**1,140**
Number of addresses smart meters offered	207,000	365,000	375,000	585,000

Risk management

The effort that Alliander puts into keeping energy reliable, affordable and accessible for everyone entails risks, for example safety and financial risks. Risks occur: that is inevitable. But it is important to know and understand these risks at all times. This helps us in considering how we control risks and how to achieve our strategic objectives in a responsible manner.

Alliander attaches great importance to good risk management, as it gives us the assurance we need to achieve our strategic objectives in a responsible manner. We use a dedicated risk management framework that has been built around key principles. This enables our organisation to make adjustments and improvements whenever necessary, while ensuring that Alliander remains compliant with all laws and regulations. The risks are discussed frequently by the Management Board and with the Supervisory Board. The possible impact on our strategic objectives and the probability of occurrence determine what our main risks are.

1 Completion of work package →
2 Capacity for change →
3 Safety →
4 Long-term regulatory focus →
5 Privacy of energy data →
6 IT landscape →
7 Cybersecurity →
8 Financing →



The following paragraphs describe the nature of the various risks, the manner in which Alliander manages risk in each case and whether the risk has declined, remained the same or increased in the preceding six months. On the whole, we are seeing that Alliander's main risks have shown a neutral development over the past six months.

Decreasing: ↓
Neutral: →
Increasing: ↑

Completion of work package →

What is the risk?

Due to the current rapid economic growth and the energy transition, the work volume is developing explosively and more quickly than anticipated, especially in the electricity domain. At the same time, the tight labour market for technical staff, combined with the long training time, makes it difficult to scale up capacity at the same pace. As a consequence, we cannot do all the work that comes our way, or not within the desired time frame. As a result, some customers are connected later than hoped or we may be forced to impose transmission restrictions.

How is it managed?

Alliander is addressing the challenge surrounding the completion of its work package by preventing more work, capacitating more work, and managing the risks of incapacity. To prevent more work, we gain a better picture of the customer's needs at an earlier stage, influence the customer's choices, and work on smart solutions to ensure better utilisation of the available network capacity. Where possible, we form coalitions in the sector and the supply chain. We capacitate more work by making our organisation smarter, improving our recruitment, training and retention of technical employees, outsourcing work, and using smarter working processes. Finally, we are managing the risks of incapacity by meeting our customers' requirements as much as possible and communicating proactively and transparently.

Capacity for change ➔

What is the risk?

The world around us is changing rapidly and the energy transition is in full swing. Alliander is committed to being up to the expectations of our customers and society as a whole, and so we have to be alert, resolute, and innovative. We also need to improve our forecasting accuracy to take measures. Change is needed to be able to do a lot more at greater pace and come up with and implement innovative solutions faster. If we fail to do so, we will not be able to achieve our strategic goals.

How is it managed?

Our stakeholders expect us to pursue a strategy that sees us substantially contribute to making energy supply more sustainable. It is essential, therefore, that we focus on our shared goal, organise ourselves more effectively, and that we operate as a team. We have seen that it is possible to further increase our focus in how we take on challenges as an organisation, how teams contribute to the pursuit of our strategy, and which priorities they must set. Furthermore, we are making changes to parts of our organisational design to make the work easier to manage, allow employees to be more flexible, and ensure that work is completed on time. And finally, we invest in culture and leadership.

Safety ➔

What is the risk?

As a network company, we are responsible for the regional distribution of energy, such as electricity, natural gas, biogas and heating. These activities involve health and safety risks for our employees, contractors, customers and local communities. Insufficient (knowledge of) safe working instructions, quality assurance, safety requirements and safety awareness heighten the risk of accidents. The practices of third parties working on Alliander's behalf can also lead to safety risks. In addition, materials used in the past may pose more serious health and safety risks than initially assumed.

How is it managed?

Our safety efforts are focused on ensuring network safety, maintaining safe working practices and boosting safety awareness. We assure the safety of our networks by making the mitigation of safety risks an integral part of our network maintenance and replacement planning. Safe working practices in network maintenance are shaped through training and instruction for colleagues working on assets, as well as by making sure they always have the required personal protective equipment. Finally, our efforts in boosting safety awareness involve making safe working practices a constant topic of conversation in the workplace and in learning from incidents, with the aim being to make safety an inherent part of our mindset and actions at work.

Long-term regulatory focus ➔

What is the risk?

Policy and regulations within the energy domain have an impact on our activities and profitability. We notice a growing mismatch between regulations and reality. This may affect our work in facilitating the energy transition and Alliander's objectives.

How is it managed?

This risk is basically managed by building long-term constructive relationships with the legislator and the regulator. Together with the legislator, we discuss developments that are important for Alliander and potential bottlenecks that Alliander may encounter in practice. We paint a picture of what is necessary for the adequate fulfilment of the network operator's responsibilities in the energy transition and seek official backing for a fitting role for our company in such developments as the transmission, distribution and metering of renewable gases and in heating. In addition, we actively make proposals for required adjustments to national and European laws and regulations. Where relevant, we address issues collectively with other network operators within the Association of Energy Network Operators (Netbeheer Nederland).

Privacy of energy data ➜

What is the risk?

As part of our energy network management activities, and the market-facilitating activities of Liander, we have access to privacy-sensitive data. This includes, for example, data on connections, energy contracts, usage and costs. Violation of the privacy of energy data can lead to penalties and reputational damage.

How is it managed?

We work closely with the other parties in the energy sector to ensure the effective protection of privacy-sensitive data. Information is exchanged with the regulators, the Netherlands Authority for Consumers and Markets (ACM), the Dutch Data Protection Authority [DPA], industry organisations (Netbeheer Nederland and Energie-Nederland [E-NL]), and other relevant parties. Collaboration with the other network operators takes shape in bodies such as the Privacy and Security Policy and Expertise Group (*Beleid en Expertise groep Privacy en Security* (BEPS)). Within its own organisation, Alliander has taken various initiatives to shield confidential data more effectively. Examples include the Alliander Code of Conduct, which specifies how employees are to handle confidential information, and the appointment of a Data Protection Officer. Finally, Alliander is committed to protecting the privacy of energy data collected as part of processes subcontracted to Energie Data Services Nederland (EDSN).

IT landscape ➜

What is the risk?

Alliander needs an integrated IT architecture to be able to accommodate current and future primary processes and enable the energy transition. What's more, the current IT landscape is complex, which complicates the digital transformation to a data-driven network operator.

How is it managed?

We are focusing on creating clarity, refining our vision and improving transparency. We are working on clarity by designing and implementing the kind of agile IT governance that is aligned with Alliander's business model. And we are putting together IT Guidelines & Principles that describe boundaries and freedoms for IT development to create a clear scope of action for the various teams. Aside from that, we are defining a long-term vision on our IT landscape and increasing IT transparency, both in terms of the entire IT landscape and individual IT building blocks. This will ultimately mean that business processes will have to be standardised to migrate to standard IT building blocks. On top of all of that, the redesign of the enterprise architecture with a focus on flexibilisation will purge and future-proof our application landscape.

Cybersecurity ➜

What is the risk?

Our energy networks and above-ground installations are increasingly being digitised. Cyberattacks with a political or terrorist motive are increasingly targeting vital infrastructure. Alliander must respond proactively to the rise of and changes in cybercrime. This is how we can prevent a successful attack on our digitised networks from jeopardising the continuity of our services.

How is it managed?

We protect our energy and data networks and computers against attacks at various levels. We make our employees aware of cybersecurity risks, with a strong focus on prevention, detection *and* response. Alliander's security function is being further expanded. We are furthermore engaging in a structured collaboration on an essential infrastructure security team made up of parties from within Alliander's supply chains. We are also seeking partnerships beyond our supply chains: we maintain close contacts with the Dutch government's National Cyber Security Centre and other parties. Together, we can keep up with rapidly-evolving developments and pick up external signals of attacks at an early stage.

Financing ➜

What is the risk?

As the Climate Agreement was further fleshed out, greater clarity was created last year on the level of investment needed for the energy transition. Network operators will see their investments increase sharply. Current regulatory methods provide for compensation during the term of the asset in which an investment has been made, but not at the moment of investing. As investments rise, we are largely financing investments that we will only be able to recoup in 40 years' time, leading to a significant increase in our financing needs that may, in the long run, put pressure on our financing ratios and our credit rating.

How is it managed?

To manage this risk, Alliander has identified a number of solution approaches, namely to achieve targeted cost savings and attract hybrid financing within the available scope. Aside from that, changes to the dividend policy and seeking financing from existing and, if necessary, new shareholders are further possible solution approaches.

Legal proceedings and claims

On and immediately after the balance sheet date, a number of claims were filed against Alliander. Alliander was also involved in a number of lawsuits at the balance sheet date, connected with normal business operations. These claims/lawsuits could have a material impact on Alliander's results, should the outcome not go in Alliander's favour. Provisions have been recognised as necessary. Liander is involved in various proceedings relating to completing connections within the 18-week term, the limited transmission capacity and the practice of artificially splitting up single solar farms.

Financial performance

General

Profit after tax over the first half of 2020 is €29 million lower compared to the corresponding period in 2019 and amounts to €92 million. The profits decreased mainly due to COVID-19 and the rise in the tariffs we pay TenneT for transmission capacity. The costs involved in procurement and outsourcing were also higher than last year because we performed more maintenance work. These higher expenses are compensated by higher revenue due to the increase in regulated tariffs.

Overall, the impact of COVID-19 in the first half of 2020 on our operating profit amounts to approximately €17 million negative. The impact is felt in particular in the Electricity domain, where revenue was lower as the tariffs that large business customers pay depend partly on their level of consumption. COVID-19 has led to lower volumes of electricity transported in our network, causing our revenue to fall by €11 million. In turn, these lower transported volumes also mean lower transmission capacity purchase costs (€8 million). However, COVID-19 is driving costs up in other areas, especially as we are seeing employees take less leave. The amount set aside for holiday leave is, consequently, €11 million higher than the reserve as at year-end 2019. This is expected to be a temporary effect.

Profit from continuing operations excluding incidental items and fair value movements was €93 million, which is €29 million down on the corresponding period in 2019. The net debt position has risen by €312 million to €2,535 million (31 December 2019: €2,223 million). This increase is explained by lower cash flow from operating activities relative to investments combined with the dividend payment of €114 million. The cash flow from investment activities in 2020 includes the acquisition of the TReNT subsidiary for €64 million. The solvency ratio as at the end of the first half of 2020 was 50.6% (31 December 2019: 55.6%).

Income statement

Operating income

In the first half of 2020, the total operating income was up €39 million on the same period in 2019. Regulated revenue from electricity and gas rose €20 million on the back of higher regulated tariffs. On the other hand, COVID-19 led to a fall in transported volumes for electricity compared to 2019. Aside from that, revenue from non-regulated operations increased by €16 million thanks to Kenter, activities in Germany, the acquisition of TReNT and other factors.

Operating expenses

Total operating expenses in the first half of 2020 came in at €866 million (first half of 2019: €785 million). The increase of €81 million in operating expenses was chiefly caused by the following:

- The higher tariffs that TenneT charges for transmission capacity led to a €25 million increase in purchase costs compared to the first half of 2019.
- Costs of work by contractors and materials used increased by €20 million as more work was done on the network, especially maintenance.
- Employee benefit expenses rose by €17 million due to a growing workforce, both at Liander and in the free domain. And employees took less leave in 2020 than in 2019, which pushed up employee benefit expenses for Alliander.
- The costs of network losses were €5 million higher, in part because as of 2020 the network operator is also responsible for gas network losses.

Finance income and expenses

Finance income and expenses in the first half of 2020 resulted in a net expense of €19 million (first half of 2019: €22 million).

Tax

The effective tax burden (the tax burden expressed as a percentage of profit before tax excluding the profit/loss after tax from associates and joint ventures) came in at 26.4% in the first half of 2020 (first half of 2019: 25.8%). The greater tax burden compared to the nominal tax rate in 2019 is mainly explained by the tax losses of entities outside the Netherlands, which have not been recognised.

Incidental items and fair value movements

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

Reported figures and figures excluding incidental items and fair value movements

	1st half					
	Reported		Incidental items and fair value movements		Excluding incidental items and fair value movements	
€ million	2020	2019	2020	2019	2020	2019
Revenue	990	952	-	-	990	952
Other income	20	19	-	-	20	19
Total purchase costs, costs of subcontracted work and operating expenses	-774	-693	-2	-2	-772	-691
Depreciation and impairments	-223	-220	-	-	-223	-220
Own work capitalised	131	128	-	-	131	128
Operating profit (EBIT)	**144**	**186**	**-2**	**-2**	**146**	**188**
Finance income/(expense)	-19	-22	-	-	-19	-22
Result from associates and joint ventures	-	-1	-	-	-	-1
Profit before tax	**125**	**163**	**-2**	**-2**	**127**	**165**
Tax	-33	-42	1	1	-34	-43
Profit after tax from continuing operations	92	121	-1	-1	93	122
Profit after tax	**92**	**121**	**-1**	**-1**	**93**	**122**

Notes to incidental items

The exceptional expense in the purchase costs, costs of subcontracted work and operating expenses in the first half of 2020 came in at €2 million and relates to reorganisation costs (2019: €2 million).

The tax effect on the incidental items and fair value movements has been included in the tax item.

Segments result

Alliander distinguishes the following reporting segments in 2020:

- Network operator Liander
- Other

This segmentation reflects the internal reporting structure, specifically the internal consolidated and segmented monthly reports, the annual plan and the business plan.

The operating profit for the Liander segment in the first half of 2020 totalled €150 million, a €46 million decrease compared to the first half of 2019, due largely to the impact of COVID-19, increased purchase costs due to higher tariffs charged by TenneT, and increased maintenance and repairs. The higher costs were partly offset by higher regulated tariffs. The Other segment (mainly comprising unregulated activities, corporate staff departments and service units) posted an operating loss of €4 million (first half of 2019: operating loss of €8 million).

Cash flow

Cash flow from operating activities

Cash flow from operating activities in the first half of 2020 was €215 million (first half of 2019: €249 million). This €34 million decrease was caused primarily by a lower net profit in 2020 and an increase in prepaid income tax.

Cash flow from investing activities

Cash flow from investing activities in the first half of 2020 was negative, coming in at minus €391 million (first half of 2019: minus €344 million). This difference is mainly due to the acquisition of TReNT in 2020. Investments in property, plant and equipment in the first half of 2020 totalled €405 million (first half of 2019: €402 million).

Investments in property, plant and equipment

€ million	1st half 2020	2019
Electricity regulated	263	231
Gas regulated	64	60
Metering devices	41	70
Buildings, IT etc.	37	41
Total	**405**	**402**

Cash flow from financing activities

Cash flow from financing activities in the first half of 2020 was a cash inflow of €491 million, compared with an inflow of €84 million in the corresponding period in 2019. Cash inflow in the first half of 2020 came primarily from loans issued totalling €732 million (issued under the EMTN programme totalling €597 million and €125 million in long-term loans), less dividend paid, repayments on long-term loans and short-term deposits granted (totalling €221 million).

Financing and credit rating

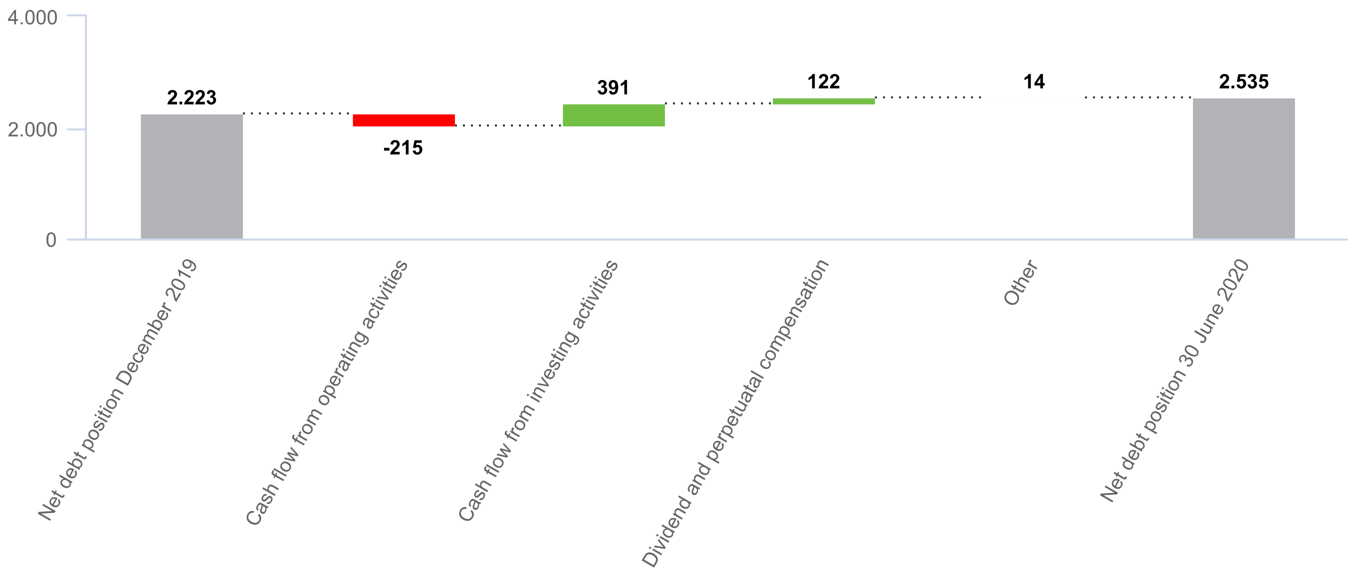
Financial policy

Alliander's financial policy is aimed at achieving a balance between protecting bond holders and other providers of borrowed capital and maintaining an adequate shareholders' return, while preserving the necessary flexibility to enable the company to grow and invest. The financial framework within which Alliander operates is based on the four ratios presented in the targets and results under the financial policy. As at 30 June 2020, all four ratios satisfied the standards set.

The general principles of the financial policy are to ensure a balanced repayment schedule and to have access to committed credit facilities and sufficient cash and cash equivalents. By operating within the financial framework and in accordance with the general principles, a solid A rating profile is maintained as a minimum.

Net debt position and financing

The net debt position as at 30 June 2020, based on IFRS, amounted to €2,287 million (31 December 2019: €1,975 million) and, based on Alliander's financial policy, €2,535 million (31 December 2019: €2,223 million). When calculating the ratios, the subordinated perpetual bond loan issued in 2018 is treated as 50% equity and 50% debt. This €312 million increase is explained mainly by reduced cash flow from operating activities in relation to investments combined with dividend of €114 million paid in 2020.



Reconciliation of net debt position

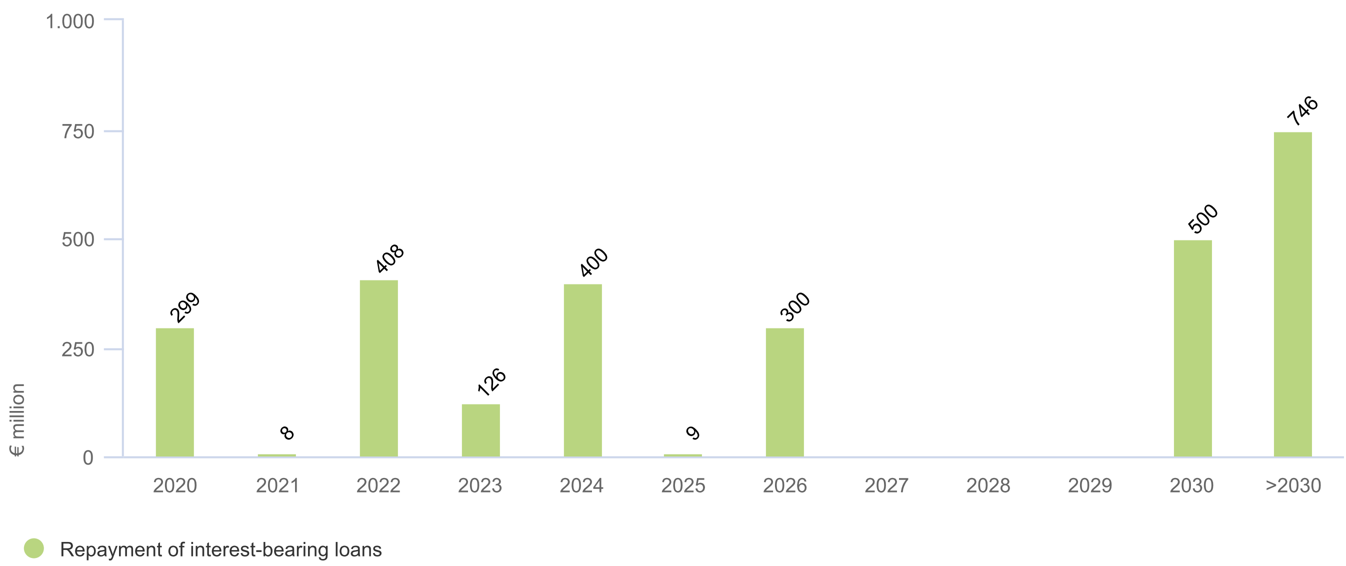
€ million	30 June 2020	31 December 2019
Long-term interest-bearing debt	2,480	1,765
Short-term interest-bearing debt	307	297
Lease liabilities	228	226
Gross debt	**3,015**	**2,288**
Cash and cash equivalents	468	153
Current financial assets	100	-
Investments in bonds	160	160
Total cash and cash equivalents and investments	**728**	**313**
Net debt in accordance with the annual financial statements (IFRS)	**2,287**	**1,975**
50% of the subordinated perpetual bond	248	248
Net debt on the basis of Alliander's financial policy	**2,535**	**2,223**

Credit facilities

As at the end of June 2020, Alliander has at its disposal a revolving credit facility (RCF) for a total amount of €600 million, running until the end of July 2023. The RCF had not been drawn upon as at 30 June 2020 (unchanged from 31 December 2019). Aside from that, Alliander has a €3 billion EMTN programme under which notes to a value of €2 billion were in issue as at 30 June 2020 (as at 31 December 2019: €1.4 billion), and a €1.5 billion ECP programme under which short-term commercial paper to a value of €299 million was in issue as at 30 June 2020 (as at 31 December 2019: €289 million).

Repayments in the first half of 2020 related primarily to ECP and other loans. The repayment obligations in the years ahead are mainly connected with the bond loans under the EMTN programme.

Repayment schedule for interest-bearing debt



Statement by the Management Board

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

1. The consolidated half-year financial statements for 2020 provide a true and fair view of the assets, liabilities, financial position and profit of Alliander N.V. and its consolidated group companies; and
2. The report by the Management Board presents a true and fair account of the state of affairs as at balance sheet date, the main events during the half-year and details of the principal risks and uncertainties for the remaining six months of 2020 for Alliander N.V. and its consolidated group companies

Arnhem, 27 July 2020
Management board
Maarten Otto, CEO
Walter Bien, CFO
Marlies Visser, COO
Daan Schut, CTO

Condensed consolidated half-year results 2020

Consolidated income statement

€ million	1st half 2020	2019
Revenue	**990**	**952**
Other Income	20	19
Total income	1,010	971
Operating expenses		
Purchase costs and costs of subcontracted work	-268	-217
Employee benefit expenses	-271	-254
External personnel expenses	-62	-60
Other operating expenses	-173	-162
Total purchase costs, costs of subcontracted work and operating expenses	-774	-693
Depreciation and impairment of property, plant and equipment	-223	-220
Less: Own work capitalised	131	128
Total operating expenses	-866	-785
Operating profit	144	186
Finance income	6	6
Finance expense	-25	-28
Result from associates and joint ventures after tax	-	-1
Profit before tax from continuing operations	125	163
Tax	-33	-42
Profit after tax	**92**	**121**

Consolidated statement of comprehensive income

€ million	1st half 2020	2019
Profit after tax	92	121
Other elements comprehensive income		
Elements that are settled through the income statement		
Change in cash flow hedge reserve	-	-2
Comprehensive income	**92**	**119**

Consolidated balance sheet

€ million	30 June 2020		31 December 2019	
Assets				
Non-current assets				
Property, plant and equipment	7,713		7,476	
Right-of-use assets	64		63	
Intangible assets	345		313	
Investments in associates and joint ventures	6		6	
Investments in bonds	160		160	
Other financial assets	62		58	
Deferred tax assets	155		165	
Total non-current assets		**8,505**		**8,241**
Current assets				
Inventories	63		60	
Trade and other receivables	337		316	
Corporate tax	67		18	
Other financial assets	100		-	
Cash and cash equivalents	468		153	
Total current assets		**1,035**		**547**
Assets held for sale		3		3
Total assets		**9,543**		**8,791**
Equity & liabilities				
Equity				
Share capital	684		684	
Share premium	671		671	
Subordinated perpetual bond	495		495	
Hedge reserve	-2		-2	
Other reserves	2,255		2,123	
Result for the period	92		253	
Total equity		**4,195**		**4,224**
Liabilities				
Non-current liabilities				
Interest-bearing debt	2,480		1,765	
Lease liabilities	211		209	
Deferred income	1,779		1,737	
Deferred tax liabilities	10		3	
Provisions for employee benefits	29		31	
Other provisions	23		23	
Total non-current liabilities		**4,532**		**3,768**
Short-term liabilities				
Trade and other payables	158		151	
Tax liabilities	73		90	
Interest-bearing debt	307		297	
Lease liabilities	17		17	
Provisions for employee benefits	56		27	
Accruals and deferred income	205		217	
Total short-term liabilities		**816**		**799**
Total liabilities		**5,348**		**4,567**
Total equity and liabilities		**9,543**		**8,791**

Consolidated cash flow statement

	1st half			
€ million	2020		2019	
Cash flow from operating activities				
Profit after tax		92		121
Adjustments for:				
- finance income and expense		19		22
- tax		33		42
- profit after tax from associates and joint ventures		-		1
- Depreciation and impairment less amortisation		187		185
Changes in working capital:				
- Inventories	-3		4	
- Trade and other receivables	-21		-28	
- Trade and other payables and accruals	19		-9	
Total changes in working capital		**-5**		**-33**
Changes in deferred tax, provisions, derivatives and other		-16		-16
Cash flow from operations		**310**		**322**
Net interest paid	-24		-20	
Net interest received	-		1	
Corporate income tax paid	-71		-54	
Total		-95		-73
Cash flow from operating activities		**215**		**249**
Cash flow from investing activities				
Investments in property, plant and equipment	-405		-402	
Construction contributions received	78		58	
Sale of subsidiaries	-64		-	
Cash flow from investing activities		**-391**		**-344**
Cash flow from financing activities				
Long-term loans issued	125		-	
Repayment on long-term loans	-7		-14	
Issued EMTN	597		296	
Issued (repaid) ECP	10		150	
Long-term loans granted	-7		-1	
Repayment on long-term loans granted	6		3	
Repayment lease liabilities	-11		-	
Received (deferred) short-term deposits	-100		-200	
Dividend paid	-114		-150	
Reimbursement on subordinated perpetual bond	-8		-	
Cash flow from financing activities		**491**		**84**
Net cash flow		**315**		**-11**
Cash and cash equivalents as at 1 January		153		140
Net cash flow		315		-11
Cash and cash equivalents as at 30 June		**468**		**129**

Consolidated statement of changes in equity

	Equity attributable to shareholders and other providers of equity						
€ million	Share capital	Share premium	Subordinated perpetual bond	Hedge reserve	Other reserves	Profit for the year	Total
As at 1 January 2019	**684**	**671**	**495**	**-**	**1,945**	**334**	**4,129**
Change in hedge reserve	-	-	-	-2	-	-	-2
Profit after tax for the first half of 2019	-	-	-	-	-	121	121
Comprehensive income for the first half of 2019	**-**	**-**	**-**	**-2**	**-**	**121**	**119**
Reimbursement on subordinated perpetual bond after tax	-	-	-	-	-6	-	-6
Dividend for 2018	-	-	-	-	-	-150	-150
Profit for appropriation for 2018	-	-	-	-	184	-184	-
As at 30 June 2019	**684**	**671**	**495**	**-2**	**2,123**	**121**	**4,092**
Profit after tax for the second half of 2019	-	-	-	-	-	132	132
As at 31 December 2019	**684**	**671**	**495**	**-2**	**2,123**	**253**	**4,224**
Change in hedge reserve	-	-	-	-	-	-	-
Profit after tax for the first half of 2020	-	-	-	-	-	92	92
Comprehensive income for the first half of 2020	**-**	**-**	**-**	**-**	**-**	**92**	**92**
Other1	-	-	-	-	-1	-	-1
Reimbursement on subordinated perpetual bond after tax					-6		-6
Dividend for 2019	-	-	-	-	-	-114	-114
Profit appropriation for 2019	-	-	-	-	139	-139	-
As at 30 June 2020	**684**	**671**	**495**	**-2**	**2,255**	**92**	**4,195**

Dividend

Dividend for the 2019 financial year (€113.6 million) was paid in June 2020 (€1.10 per share).

Subordinated perpetual bond loans

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

As and when resolutions are passed making distributions to shareholders, Alliander will also pay any arrears of the perpetual contractual coupon rate to the holders of the subordinated perpetual bond loan out of other reserves. The annual coupon rate amounted to €8 million and it was paid out on 30 June 2020.

Notes to the consolidated half-year figures

General

Alliander N.V. is a public limited liability company, with registered offices in Arnhem, the Netherlands. This half-year report documents the financial data of the company and its subsidiaries for the first half of 2020. The half-year figures have been prepared in accordance with IAS 34 Interim Financial Reporting.

Accounting policies

The same accounting policies were applied in preparing this report as were applied for Alliander N.V.'s 2019 annual report, which can be found at www.alliander.com, apart from the following changes in standards and interpretations effective as from 1 January 2020.

New or amended IFRS standards for 2020

In 2020, the following IFRS amendments apply:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendment to IFRS 3 'Definition of a business';
- Amendment to IAS 1 and IAS 8 'Definition of material';
- Amendment to IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform'
- Amendment to IFRS 16 'COVID-19-Related Rent Concessions' (effective as of 1 June 2020; EU endorsement pending).

This half-year report was prepared in compliance with these, EU-endorsed, amendments. However, none of these changes have any material impact on Alliander and they will therefore not be discussed further in this half-year report.

Expected changes in accounting policies

In addition to the aforementioned new and amended standards, the IASB and the IFRIC have issued new and/or amended standards and/or interpretations, which will be applicable to Alliander in subsequent financial years. These standards and interpretations can only be applied if adopted by the European Union.
These future amendments to standards and interpretations are not relevant to Alliander and/or do not have any material impact on Alliander so they will not be discussed further in this half-year report.

Estimates, judgements and assumptions

In preparing this half-year report, Alliander makes use of judgements, assumptions and estimates. This essentially relates to the measurement of provisions, deciding the useful lives of items of property, plant and equipment and any indication of impairment of items of property, plant and equipment, revenue recognition, amounts of receivables and the calculation of the amount of the deferred tax assets as well as the determination of the current tax position. The estimates, judgements and assumptions are mainly based on past experience and Alliander's management's best estimate of the specific circumstances that are, in the opinion of management, applicable in a given situation. Actual developments may differ from the estimates and assumptions used. As a result, the actual outcome may differ significantly from the current measurement of a number of items in the financial statements. The estimates and assumptions used are tested regularly and adjusted if necessary. Alliander is developing a number of new activities within the framework of its strategy. Due to the start-up nature of these activities, inherent uncertainties are attached to their valuation.

Business combinations

Alliander did not enter into any new business combinations in the first half of 2019. In early 2020, Alliander acquired TReNT.

TReNT acquisition

On 8 January 2020, Alliander Corporate Ventures B.V. (ACV) acquired 100% of the shares in both Twinning Research Network Twente B.V. and TReNT Infrastructuur B.V. from TReNT Holding B.V.

TReNT is an organisation with 18 employees that operates a fibre-optic network of roughly 2,000 km with approximately 650 connected customers through over 2,000 connections. Their annual revenue amounts to approximately €10 million. With the acquisition of TReNT, Alliander becomes the owner of its own telecommunications infrastructure in the service area of its network operator Liander in the eastern part of the Netherlands. Alliander's policy is to own such telecommunications infrastructure, given its crucial importance in the safe operation of the electricity and gas grids. In a large part of the Liander service area, Alliander already owned the telecommunications infrastructure. And this is now also the case in the eastern part of the Netherlands.

Acquisition of shares in Twinning Research Network Twente B.V. and TReNT Infrastructuur B.V.

The total purchase price on 8 January 2020 amounted to €64 million, paid entirely from Alliander's own available resources.

At the time of writing this half-year report, the purchase price allocation had not yet been completed.

The provisional allocation of the purchase price is shown in the summary below:

€ miljoen	**Provisional** fair value at 8 januari 2020
Property, plant and equipment	40
Intangible fixed assets	14
Accounts receivable	2
Total assets	56
Deferred tax liabilities	-9
Accounts payable	-1
Total liabilities	-10
Net assets acquired	**46**
Cash	60
Net debt	4
Total consideration	64
Less: Net assets acquired	-46
Goodwill	**18**

Net assets acquired (€46 million)

The property, plant and equipment acquired from TReNT, i.e. networks and customer connections, have a value of €40 million. The €14 million in intangible assets relates to contracts with customers. The deferred tax liabilities relate to the difference between the reported carrying amounts of the network, customer contracts, and customer contribution to the investments, and the corresponding tax bases.

Goodwill (€18 million)

The €18 million in goodwill breaks down into €8 million for the provision for deferred tax liabilities The remaining goodwill comes mainly from new customers and to some degree also from the value of the workforce. The goodwill is not expected to be deductible for the purposes of corporate income tax.

Other

The total costs involved in the acquisition of TReNT (€0.5 million) are recognised in Alliander's income statement for 2019 and 2020. TReNT's revenue over the period from 8 January 2020 to 30 June 2020, both inclusive, amounted to €4.5 million, while the operating profit over that same period came in at €0.8 million. If TReNT had been acquired as of 1 January 2020, Alliander's net revenue would have been €990 million, with a net profit of €92 million.

Segment information

To comply with IFRS 8, Alliander distinguishes the following reporting segments in 2020:

- Network operator Liander
- Other

The segmentation reflects Alliander's internal reporting structure. The figures disclosed below for each reporting segment, excluding incidental items and fair value movements, are shown in the table entitled 'Primary segmentation for first half-year'. These figures are a direct reflection of the regular internal reporting. A reconciliation of the consolidated segment information and the reported profit before tax is also provided.

Reconciliation of segment operating profits and consolidated profit

€ million	1st half 2020	2019
Consolidated segment operating profits excluding incidental items	146	188
Incidental items and fair value movements	-2	-2
Finance income and expense	-19	-22
Share in results from associates and joint ventures	-	-1
Profit before tax from continuing operations	**125**	**163**

Primary segmentation for first half-year

€ million	Network operator Liander 2020	2019	Other 2020	2019	Eliminations 2020	2019	Total 2020	2019
Operating income								
External income	909	875	101	96	-	-	1,010	971
Internal income	4	6	176	166	-180	-172	-	-
Operating income	**913**	**881**	**277**	**262**	**-180**	**-172**	**1,010**	**971**
Operating expenses								
Operating expenses	763	685	281	270	-180	-172	864	783
Operating profit	**150**	**196**	**-4**	**-8**	**-**	**-**	**146**	**188**

Segmented assets and liabilities	Network operator Liander 30 Juni	31 December	Other 30 Juni	31 December	Eliminations 30 Juni	31 December	Total 30 Juni	31 December
Total assets	8,007	7,810	4,019	3,205	-2,483	-2,224	9,543	8,791
Total liabilities	5,440	5,330	2,772	2,415	-2,864	-3,178	5,348	4,567

Product segmentation

In compliance with IFRS 15, the following table discloses revenue according to distinct products (product segmentation).

€ million	Total	Segmentation consolidated revenue to products: Transport and connection service Electricity	Transport service Gas	Connection service Gas	Metering Service small consumers Electricity	Metering Service small consumers Gas	Other activities
Revenue for the first half of 2020	**990**	570	167	53	48	29	123
Revenue for the first half of 2019	**952**	561	159	50	46	28	108

Revenue in 2020 amounted to €990 million (2019: €952 million), with other income of €20 million (2019: €19 million). In total, external income came in at €1,010 million (2019: €971 million).

In compliance with IFRS 15, the following table discloses the geographic segmentation of the consolidated revenue.

	Geographical segmentation consolidated revenue		
€ million	**Total revenue**	The Netherlands	Abroad
Revenue for the first half of 2020	**990**	970	20
Revenue for the first half of 2019	**952**	932	20

Over time

Within Alliander, almost the entire amount of the revenue is classed as being 'over time' under IFRS 15.

Seasonal influences

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

COVID-19

In late February 2020, the Netherlands was hit by COVID-19. In order to stem the spread of the virus, the Dutch government took drastic measures that are having an impact on Alliander and its subsidiaries. Given that energy infrastructure is of essential importance to society, Alliander continues to take all the necessary measures, also in these unprecedented times, to maintain the reliability of its electricity and gas networks in a responsible way. Our field service staff have been working with special safety measures for some time now. Where possible, they maintain a distance of at least 1.5 metres from each other, work in fixed teams, do not shake hands and only do work at customers' homes when it is absolutely necessary. Our office staff work from home as much as possible. It is uncertain how long this crisis will endure, and what impact it will ultimately have on society and our company. Throughout this crisis, Alliander will maintain the same state of alertness as ever to be able to do whatever is required. Although the financial impact was felt in the first half of 2020, it remained relatively minor. The expectation is, therefore, that this event will not have a significant impact on the company's financial ability as at the balance sheet date and the profits for 2020. Alliander also expects to continue to have sufficient access to resources needed for its operations and payment obligations, meaning that the company's continuity is guaranteed. And so, while realising there is still uncertainty, the expectation is that COVID-19 will not have a materially negative effect on Alliander's financial ability.

EMTN and ECP programmes

Alliander has a €3 billion EMTN programme under which notes to a value of €2 billion were in issue as at 30 June 2020 (as at 31 December 2019: €1.4 billion), and a €1.5 billion ECP programme under which short-term loans to a value of €299 million were in issue as at 30 June 2020 (as at 31 December 2019: €289 million).

Green bond issue

On 10 June 2020, Alliander issued a Green Bond with a total value of €500 million and a term of 10 years under the EMTN programme, the proceeds of which will be used to invest in the electricity networks. The loan of €500 million has a maturity of 10 years and a coupon rate of 0.375%. Bonds were issued at a price of 99.785%.

This is the third green bond Alliander has issued. Proceeds from the previous green bonds were used to finance the sustainable refurbishment of our Duiven offices and to buy smart meters, among other initiatives. The capital raised through this green bond will be used to invest in the electricity networks, which require substantial investments due to the sharp rise in demand for new connections as a result of the emergence of wind and solar farms.

Alliander has set up a Green Finance Framework in support of the listing of the green bond. Alliander can also list other forms of green financial instruments under this framework, such as bank loans and private loans. The framework has been assessed by independent sustainability bond rating agency ISS ESG.

Alliander has also issued two smaller long-term private loans.

On 31 March 2020, Alliander acquired €125 million in funding through a private loan from an external party, with a term that runs through to the end of October 2023 and at a fixed rate of interest of 0.345%.

On 8 April 2020, Alliander issued a €100 million private placement under the EMTN programme. This loan has a term of 15 years and a coupon rate of 1.125%. Bonds were issued at a price of 98.976%.

Cross-border leases

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

There were no changes in the existing CBL portfolio in the first half of 2020. The three transactions currently remaining relate to gas networks in Friesland, Gelderland, Flevoland, Noord-Holland and Utrecht, district heating networks in Almere and Duiven/Westervoort and the electricity network in the Randmeren region. The networks have been leased for a long period to US parties (head lease), which have in turn subleased the assets to the various Alliander subsidiaries (sublease). At the end of the sublease, there is the option of purchasing the rights of the US counterparty under the head lease, thus ending the transaction. The terms agreed for the subleases expire between 2022 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.

The total net carrying amount of the assets covered by cross-border leases by mid-2020 was approximately €670 million (year-end 2019: €660 million). At the end of June 2020, a total of $2,772 million (year-end 2019: $2,664 million) was held on deposit with several financial institutions or invested in securities in connection with these transactions.

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

At the end of June 2020, the ‘strip risk’ for all transactions together was $68 million (year-end 2019: $140 million). The strip risk is the portion of the ‘termination value’ (the possible compensation payable to the US counterparty in the event of early termination of the transaction) that cannot be settled from the deposits and investments held for this purpose. The strip risk is affected to a great extent by market developments.

In connection with the implementation of the Dutch Independent Network Operation Act, the district heating networks belonging to Liander Infra N.V. that had been covered by a cross-border lease were subleased in mid-2008 to Vattenfall Warmte N.V., part of Vattenfall N.V. These operating leases have a term of 12.5 years (term runs to 31 December 2020). By mid-2020, the total carrying amount of the subleased district heating networks and associated meters was €80 million (year-end 2019: €87 million).

Related parties

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

The following transactions were entered into with related parties for the purchase and sale of goods and services: sale of goods and services to associates €0.2 million (first half of 2019: €0.1 million) and to joint ventures €51 million (first half of 2019: €46 million); purchase of goods and services from associates €12 million (first half of 2019: €8 million) and from joint ventures €71 million (first half of 2019: €62 million).

As at the end of June 2020, Alliander had receivables of €21 million (2019: €20 million) in respect of loans granted to related parties and receivables of €6 million in respect of agreed borrowings on current accounts with related parties (year-end 2019: a liability of €3 million).

Other

In November 2010, Alliander issued a subordinated perpetual bond loan with a nominal value of €500 million. In the closing two months of 2013, this subordinated perpetual bond loan was redeemed. Under IFRS, an instrument of this kind qualifies as equity. It was assumed that the periodic payments made to the holders of the bonds issued in 2010 would count as a deductible interest expense for the purposes of corporate income tax. No agreement was reached with the Dutch Tax & Customs Administration concerning the tax treatment of this loan. This matter was submitted to the District Court and subsequently to the Court of Appeal, which both ruled in Alliander’s favour. The Dutch Finance State Secretary then sought to have the Appeal Court ruling overturned in cassation by the Supreme Court. On 15 May 2020, the Supreme Court delivered its ruling, dismissing the appeal in cassation. Briefly after delivery of this ruling, Alliander engaged with the Dutch Tax & Customs Administration to discuss the implications of the ruling, which makes interest expenses on the perpetual bond loans in question fully tax deductible. The Dutch Tax & Customs Administration has agreed to process the 2010 corporate income tax assessment as per the ruling and to declare the notices of objection for the other years well-founded. Aside from that, the notices of objection with respect to dividend tax assessments will also be declared and well-founded and dividend tax bills will, therefore, be reduced to zero, putting an end to Alliander’s exposure of €38 million. Final settlement is currently in progress. The ruling did not affect the results for the first half of 2020. This Supreme Court ruling puts an end to the dispute over the tax treatment of the subordinated perpetual bond loan from 2010.

Information on risks and financial instruments

Financial risks

The following financial risks can be identified: market risk, credit risk, currency risk and liquidity risk. The abridged consolidated interim financial statements do not contain, contrary to what is required for the consolidated financial statements for the whole year, all information on the above financial risks to which Alliander is exposed and the policy regarding the management of risks related to financial instruments, but should be considered in correlation with the 2019 consolidated financial statements. The risk management process and the risk management policy have not changed since year-end 2019. Alliander has not sustained any material credit losses in the first half of 2020.

The following table lists the fair values of the financial instruments that are recognised at amortised cost. Also shown is the input data level according to the fair value hierarchy. The input data levels for measuring fair values are defined as follows:

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

Fair value of financial assets and liabilities measured at amortised costs

€ million	30 June 2020 Fair value	Level	31 December 2019 Fair value	Level
Non-current assets				
Investments in bonds and other financial assets	269	2	269	2
Liabilities				
Non-current liabilities				
Interest-bearing debt:				
Euro Medium Term Notes	-2,117	1	-1,505	1
Other interest-bearing debt	-709	2	-507	2
Total non-current liabilities	**-2,826**		**-2,012**	
Short-term liabilities				
Interest-bearing debt:				
Euro Commercial Paper	-299	2	-289	2
Other interest-bearing debt	-17	2	-16	2
Total short-term liabilities	**-316**		**-305**	
Total liabilities	**-3,142**		**-2,317**	

Measurement of fair value

The fair value of these instruments is measured as follows:

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

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

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

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

Events after balance sheet date

There have not been any events since the balance sheet date.

Review report

To: The Supervisory Board and Board of Directors of Alliander N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Alliander N.V., Arnhem, which comprises the statement of financial position as at June 30, 2020, the statements of comprehensive income, changes in equity, and cash flows for the period of six months ended June 30, 2020 and the notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Emphasis of the impact of the coronavirus

The Covid-19 virus also impacts Alliander N.V. Management disclosed the current impact and her plans to deal with these events or circumstances in page 26 of the condensed consolidated interim financial information. Management indicates that currently there are uncertainties regarding the impact of Covid-19 virus on the financial ability of Alliander. Our conclusion is not modified in respect of this matter.

Amsterdam, July 27, 2020

Deloitte Accountants B.V.

Signed on the original: B.C.J. Dielissen

Disclaimer

This report is a translation of the Dutch half-year report 2020 of Alliander N.V. Although this translation has been prepared with the utmost care, deviations from the Dutch half-year report may nevertheless occur, such that the information in this report may be misinterpreted or different conclusions may be drawn. In such cases, the Dutch halfyear report 2020 will prevail

Parts of this report contain forward-looking information. These parts may - without limitation - include statements on government measures, including regulatory measures, on Alliander's share and the share of its subsidiaries and joint ventures in existing and new markets, on industrial and macroeconomic trends and on the impact of these expectations on Alliander's operating results. Such statements contain or are preceded or followed by words such as 'believes', 'expects', 'thinks', 'anticipates' or similar expressions. These prospective statements are based on the current assumptions and are subject to known and unknown factors and other uncertainties, many of which are beyond Alliander's control, so that actual future results may differ significantly from these statements.

This report has been prepared using the accounting policies applied in the preparation of the 2019 financial statements of Alliander N.V. which can be found on www.alliander.com.

This report has not been audited.

Alliander N.V.

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