

Half-Year Report 2021

# Scarcity on the electricity grid affects everyone



**allliander**

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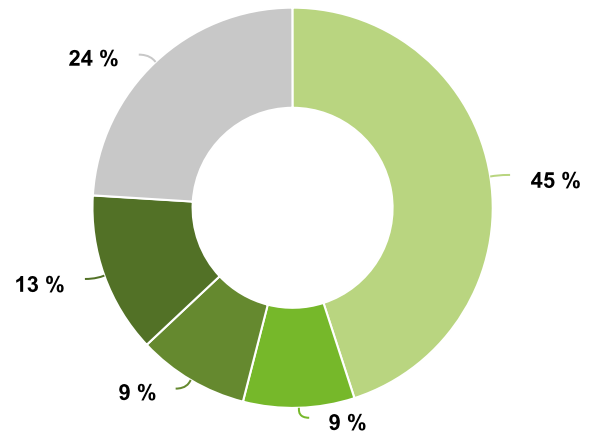
# Profile

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.

## Our service area

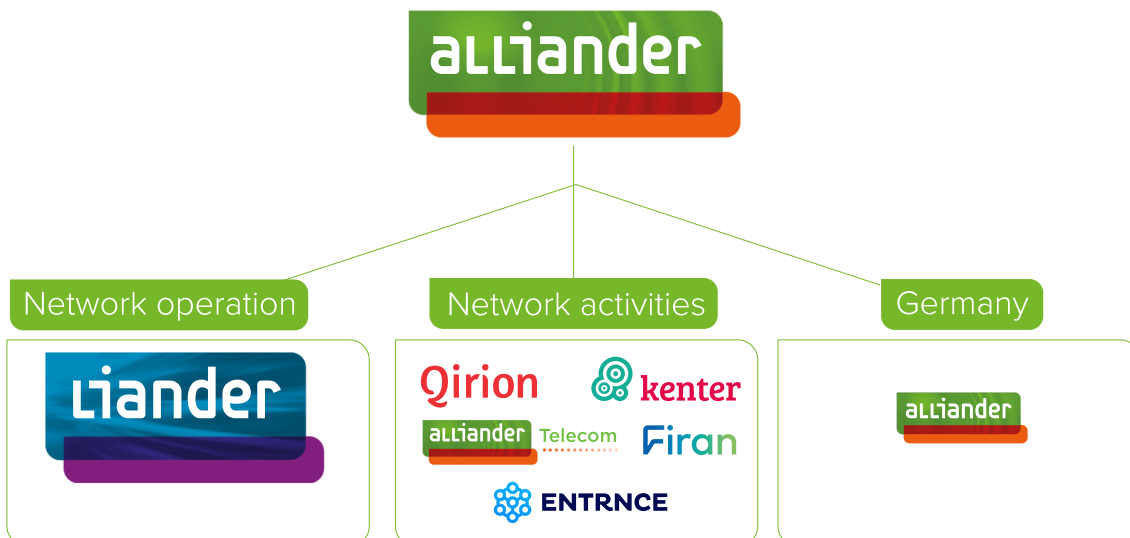


## Shareholders



- Gelderland: 45%
- Amsterdam: 9%
- Noord-Holland: 9%
- Friesland: 13%
- Other shareholders: 24%

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, names are used without stating the legal form of the 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. This is the social mission we work to achieve every day. We make sure the lights are on, homes are heated in the winter and stay cool in the summer, and businesses can keep operating, not just today, but in a sustainable tomorrow too. Through our cables and pipes, over three million Dutch households and companies are supplied with electricity, gas and heating. We operate a 92,000km power grid and a 42,000km gas network, and we take great pride in our networks being among the world's most reliable. Our colleagues work hard to achieve this day and night.

## Strategy

Our strategy comprises four pillars, which stand firmly on a solid and future-proof foundation: a safe, cost-conscious, sustainable and inclusive organisation. This combination of strategy and structure helps us to fulfil our social mission both now and in the future.



### Excellent network management

The 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 make our planning of where and when work is required on our networks smarter, 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.



### Investing 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 finetune 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 at a low cost

Objectives	Results 30 June 2021	Objectives 2021 year-end	Results 2020 year-end
Customer convenience	Consumer market 50% Business market 36%	NES is higher than 53% (consumer market) and 37% (business market)	Consumer market 54% Business market 35%
Electricity outage duration over the past 12 months (in minutes)	23.5 <sup>1</sup>	Maximum of 23	23.2
Number of unique cable numbers with more than five interruptions (over the past 12 months)	13	Maximum of 17	17

## Being a creditworthy company with solid returns

Objectives	Results 30 June 2021	Objectives 2021 year-end	Results 2020 year-end
Retention of solid rating	S&P: AA-/A-1+/credit watch negative Moody's: Aa3/ 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	23.7%	Minimum 15% <sup>2</sup>	24.1%
Interest cover	14.7	Minimum 3.5	14.2
Net debt/ (net debt + equity)	40.6%	Maximum 60%	38.7%
Solvency	52.0%	Minimum 30%	53.1%

## Making the energy supply and our operations sustainable

Objectives	Results 30 June 2021	Objectives 2021 year-end	Results 2020 year-end
CO <sub>2</sub> -emissions from business operations	78 kton	Maximum 150 kton	205 kton
Circular procurement <sup>3</sup>	38%	Minimum 45%	44%

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

Objectives	Results 30 June 2021	Objectives 2021 year-end	Results 2020 year-end
LTIF (lost time injury frequency)	2.0	None <sup>4</sup>	1.8

## Being an attractive, inclusive employer with equal opportunities for all

Objectives	Results 30 June 2021	Objectives 2021 year-end	Results 2020 year-end
Employee survey score	None <sup>5</sup>	There is a new research method for the employee survey that will be carried out in the coming six months. Based on these results a new target will be determined.	None <sup>5</sup>
Employee absenteeism	3.9%	Maximum 4.3%	3.9%
Women in leadership positions	26.3%	Minimum 31%	29.0%
Employees at a distance from the labour market	80	Minimum 107 <sup>6</sup>	108

- 1 The figure for electricity outage duration differs from the figure stated in the regulatory report, because interruptions in the high-voltage network (CBL assets) owned by Alliander are taken into consideration in the regulatory report.
- 2 The target used to be a minimum of 20%, but has been changed to a minimum of 15% as of May 31, 2021 (see page 19 financial policy).
- 3 The scope of the KPI comprises primary assets: low and medium voltage cables, gas pipes, distribution and power transformers, and electricity and gas meters.
- 4 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.
- 5 We did not conduct an employee survey in 2020. The employee survey of 2021 will be carried out in the coming six months based on the new research method.
- 6 The figure for employees at a distance from the labour market comprises 83 employees working for us under the Dutch Participation Act and another 24 with a work experience placement.

# Financial key figures

€ million, unless stated otherwise	2021	1 <sup>st</sup> half	2020
Revenue		1,046	990
Other income		35	20
Operating expenses		912	866
Operating profit		169	144
Profit after tax		119	92
Profit after tax excluding incidental items and fair value movements		110	93
Investments in property, plant and equipment		465	405
Cash flow from operating activities		256	215
		<b>30 June 2021</b>	<b>31 December 2020</b>
Total assets		9,665	9,422
Total equity		4,346	4,328
Net debt <sup>1</sup>		2,731	2,507

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

The energy transition in the Netherlands is in full swing. This is a major endeavour with a major impact on society, but also on our business operations. Despite the substantial investments, it seems difficult for us to keep up with the current pace of the energy transition. This means that the shortage of capacity on the grid is set to increase even further in the years to come. The limited availability of new technically trained personnel is one of the factors in this. The consequences of the limitations of the current electricity grid will be felt both by businesses and consumers in the coming years. We are working hard together with various parties – provinces, municipalities, the business community and more – to prepare the energy grid for the future. In the meantime, we continue to ensure a reliable energy supply. Maintaining our grids today while working on the energy system of the future means that we are faced with dilemmas, have to make choices and need to find innovative solutions every single day.

## Review of the first half of 2021

In the first six months of 2021, we worked under very challenging circumstances. The energy transition is continuing to gain momentum and the social impact of COVID-19 remained significant. Moreover, over the past six months our customers increasingly felt the squeeze on the electricity grid. Having access to energy has always been a given; however, we are now entering a period of shortages. We are faced with an endeavour of historic proportions and are working hard on the energy system of the future. We are dealing with a chronic shortage of technical personnel and long lead times arising from spatial planning and permit procedures, among other things. This means that everyone – consumers, businesses and institutions – will have to wait longer in the coming years for access to the electricity grid and to additional capacity. This is not a pleasant message to hear, and we are doing everything we can to keep the inconvenience to a minimum. We are working hard to expand the electricity grid and are committed to smart solutions that will help us make better use of the grid.

### COVID-19 virus impact

In 2020, we predicted that the approach to and fight against COVID-19 might lead to a temporary slowdown in our business operations. Although the impact on society has been enormous, the impact on our business operations has been relatively limited. We have done everything within our power during the coronavirus 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. For example, we brought forward projects planned to be carried out on what are usually busy shopping streets. This, literally, gave Alliander the space to carry out the work and it limited the nuisance and inconvenience for the businesses once they could open their shops again. The major campaign to install smart meters in the homes and businesses of our small consumer customers, which was delayed in 2020 due to COVID-19, was also rounded off in the first months of 2021.

At Alliander, we have embarked on the path to 'hybrid working', i.e. a form of working where employees and their teams make choices about where the physical and online work is to be carried out – on-site, at the office or at home – in order to work as efficiently and productively as possible. We work online when we can and only meet when necessary, and we follow the guidelines and guidance of the government and the Dutch National Institute for Public Health and the Environment (RIVM).

### 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 2021, there were 23 incidents (2020: 27), 12 of which led to time off (2020: 9).

### The results

As with last year, Alliander has again done more work over the last six months. In the first half of 2021 we invested €465 million, mainly in our grids; this was €60 million more (+15%) than in the same period last year. With this, we are already taking a good step towards carrying out more work in 2021 on an ongoing basis.

The net profit for the first half of 2021 came in at €27 million higher than in the same period in 2020 (2020: €92 million; 2021: €119 million). Operating income for the first six months was up €71 million to €1,081 million (2020: €1,010 million). In the first six months of 2021, we laid a total of 407 kilometres of medium-voltage cable, a decrease of 170 kilometres compared to the same period in 2020 (-29%). This is partly due to the severe frost at the beginning of the year that prevented us from working in the ground. It was also due to us having completed a major project in the first half of 2020, and partly because many projects are still ongoing. A large part of the current projects will be completed in the second half of 2021, putting us on track to achieve this year's production target. Additionally, a total of 516 new medium-voltage substations were built, 81 more than in the first half of 2020 (+19%).

Over the last six months, operating expenses increased by €46 million compared to the first six months of 2020. This increase is mainly due to the higher costs charged by TenneT, the increase in costs associated with grid losses, and increasing depreciation, which in turn is caused by the increase of our investments in recent years in connection with the energy transition.

## Developments

Having access to energy has always been a given; however, we are now entering a period of shortages. The energy transition is accelerating and this has consequences. The Regional Energy Strategies (RES), which were delivered on 1 July 2021, have a significant impact on the electricity grid. The agreed climate target of 35 TWh (terawatt-hours) of sustainable onshore electricity generation is feasible, provided that all parties now together translate the RES tasks into actionable projects and draw up implementation programmes for adapting the infrastructure, integrating it into the spatial planning process, and getting it built. We have calculated all of this with the other energy network operators. The target year 2030 is fast approaching and both the supply of and demand for electricity is growing at a high pace. As a result, society is increasingly feeling the effects of the energy transition.

### Shortages on the grid

Due to the unprecedented rapid growth in both the supply of and demand for electricity, in the coming years there will be an at least temporary shortage of capacity on the grid in many places in the Netherlands. The grid is already full in many places and it is expected that maximum capacity will be reached in an increasing number of locations. This was recently already the case in two districts in Amsterdam, for example, and it has also occurred in part of Leeuwarden, where the arrival of several large companies and a new residential area has nearly doubled the demand for electricity in just one year. Other places in the province of Friesland, too, as well as the province of Flevoland, the Achterhoek region and the northernmost region of the province of Noord-Holland are all also experiencing bottlenecks with regard to grid feed-in of sustainably generated electricity from solar and wind farms. In the supply of electricity, too, bottlenecks are occurring in places like Amsterdam, Leeuwarden and Nijmegen. The following developments are contributors to the occurrence of the shortage:

### Solar and wind power

Between 2015 and 2019, in the Netherlands the amount of grid-connected wind energy doubled and the amount of on-grid solar power increased fivefold. This growth has been made possible by the many adjustments made to the electricity grid in recent years, and the energy network will undergo a further overhaul in the years to come. Solar farms already take up the space of around 7,700 soccer pitches, a number that will increase by another 17,000 soccer pitches in the period running up to 2030.

### Digitalisation

In addition, society is rapidly going digital. As a result, the number of data centres, and the associated electricity consumption, is expected to increase. In the first half of 2021, consumption by these centres in the Netherlands was 1,725 GWh, this is comparable to the average consumption of approximately 630,000 households. We expect the electricity demand of these centres to increase more than fivefold in the next ten years.

### Homes

New homes that require electricity for things like electric vehicle (EV) charging stations, electric ranges and heat pumps (including hybrid heat pumps) are also being built at a record pace. New-build residential areas that are no longer connected to the natural gas network consume three to four times more electricity than traditional Dutch residential districts. In addition, with the increasing number of sustainable options for energy, more and more homeowners want to feed their own sustainably generated electricity into the grid. Consumers will also notice that electricity they generate themselves with solar panels, cannot be fully returned to the grid at any time of the day. There were already more than 1,000 complaints concerning this issue in the first six months of 2021, an increase of 35% compared to the same period last year.

### Work package completion under pressure

In addition to the shortage of capacity on the grid, our ability to complete all the work in our work package is coming under pressure. This is largely due to the chronic shortage of technicians, which is and remains a challenge across the Netherlands. An electrician can now choose from among 30 individual job postings, even 55 in some regions. As a result, we are unable to scale up capacity quickly enough. In order to increase the technical talent pool and number of potential employees, we are committed to collaborating with parties in the sector and with educational institutions. In the past six months, we also provided retraining for newcomers to our sector, specifically a number of aircraft mechanics who were in danger of becoming unemployed due to the coronavirus crisis. Material shortages that have arisen as a result of the coronavirus crisis also present us with challenges. The scarcity of building materials and technical components has never before been so acute. This situation could possibly also cause delays in the energy transition.

Other difficulties we face in terms of ensuring that all the work is completed are, among other things, the long lead times in connection with permit processes, the search for available land, and appeals and objection proceedings, which means that it sometimes takes a long time before the work can be completed.

## Feeling the consequences

The energy transition has an impact on the living environment and everyone will be affected by this. Especially given the need to integrate power generated from renewable sources, the electricity grid will at least have to be doubled to be able to meet the new levels of demand. Everyone will feel the consequences of the developments, including initiators of sustainable generation projects, new businesses waiting to be connected and high-volume consumers (such as supermarkets, food & drink establishments and office buildings that need more energy to expand their business activities).

Regular households will not be spared the impact either: upgrading the home's connection to the grid to accommodate a heat pump or EV charging station, for example, will take longer in the coming years. In the first half of this year, the number of connected public EV charging stations increased by approximately 1,200, with now more than 9,600 connected. And it is expected that by the end of 2025 an additional 20,000 public EV charging stations will need to be connected, meaning a doubling of these stations that will need to be connected each day.

Lastly, the energy transition will literally be visible on the streets. In many places, the streets will have to be overhauled in the coming years for the construction of new and thicker cables. Furthermore, 4,000 to 12,000 transformer boxes will need to be installed over the next 10 years in order to handle the increased supply of electricity effectively and without outages.

Meanwhile, the heating transition in the built environment is making headway. All homes need to eventually be disconnected from the gas grid. A progress report from the 'Aardgasvrije Wijken' (Natural Gas-Free Districts) programme from earlier this year showed that, in the test bed municipalities, weaning homes off gas is proving to be more difficult than anticipated – technically, organisationally and financially. District heating networks and individual heating solutions (including hybrid solutions) based on sustainable electricity and sustainable gas play an important role in the heating transition. The demand for heat cannot be fully met through electrification, and it would be ill-advised – for economic or other reasons – to try to connect all homes and buildings to a district heating grid.

## Challenges require investments

We are working hard on the energy system of the future, but in the meantime our energy networks will reach their limits in more and more places over the coming years. Despite the substantial investments, it seems difficult to keep up with the current pace of the energy transition. We are proud that we are able to provide society with a reliable, affordable energy supply. To be able to continue to offer this, now and in the future, and to limit the inconvenience and nuisance for society as much as possible, we have to pull out all the stops.

## Financing

The enormous undertaking of bringing about the energy transition costs money, lots of money. We expect our investments to increase to around €1.2 billion per year, twice the amount of the annual investments of five years ago. Given the high pace at which the energy transition is proceeding, these investments cannot be postponed. Since we do not have that money on hand, we have to pre-finance those investments. In the meantime, regular maintenance work continues. We are working hard to organise our business processes more efficiently, both to save money and increase efficiency. Aside from that, we are in talks with the Netherlands Authority for Consumers & Markets (ACM) on ways to have the income system for network operators align better with the challenges posed by the energy transition. On 31 May, we also asked our shareholders for a financial contribution of €600 million – in the form of a reverse convertible hybrid loan – in order to strengthen Alliander's equity. With this strengthened equity position, Alliander will be able to finance the investments required for the energy transition on the way to 2030 and Alliander's financial soundness will be safeguarded. Right now, shareholders are individually considering whether or not to participate in the reverse convertible hybrid loan, which is expected to formally be issued in December 2021.

## Shoulders to the wheel

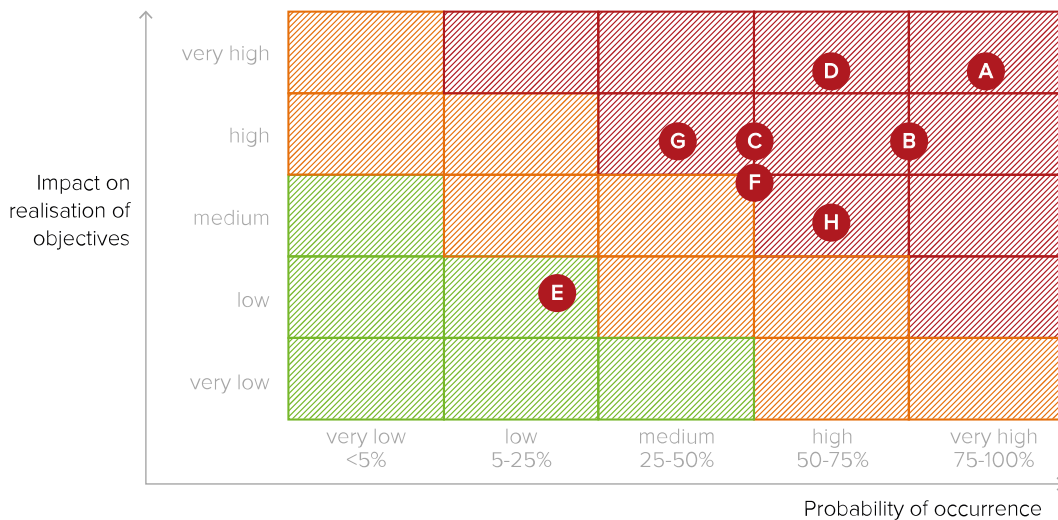
To transform the current energy system into the energy system of the future we will need to purposefully continue our efforts. We are carrying out a major overhaul of the energy grid, with a significant upscaling of our activities as a result. We are and will be trying to limit the inevitable inconvenience and nuisance this poses where possible. We do this ourselves, for example, through ensuring the best possible design and use of the grid and by devising smart solutions where possible. After all, using the energy grid as smartly as possible lowers the costs for society and saves time and space. But we cannot do this alone: we call on all parties involved, such as the Dutch government, provinces, municipalities, energy network operators, housing associations and businesses, to work with us. We need integrated, phased planning, prioritising and joint implementation, locally, nationally and within the various sectors like mobility, industry and the built environment. In addition, legislation and regulations need to be amended and incentives for the efficient use of the capacity of the electricity grid need to be introduced to ensure the energy network remains affordable and reliable. The energy transition is a major endeavour with a major impact on society. We all have to join forces and put our shoulders to the wheel.

# 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.

- A Completion of work package →
- B Capacity for change →
- C Safety →
- D Long-term regulatory focus →
- E Privacy of energy data →
- F IT landscape →
- G Cybersecurity →
- H 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.

Decreasing: ↓

Neutral: →

Increasing: ↑

## Completion of work package →

### What is the risk?

Due to the energy transition, there is an explosive development in the volume of work, especially in the area of electricity. 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 of all these factors, 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 additional work where possible, capacitating more work, and managing the risks of incapacity. We make it possible to complete more work by focusing on early coordination with stakeholders and by optimising and digitising processes. Furthermore, we are taking measures to recruit, train and retain technical personnel and to outsource work, and we are increasing productivity by simplifying, optimising and digitising processes. To limit the amount of work required, we gain a better picture of the customer's needs at an earlier stage and, together with the stakeholders, we make plans for the future energy system. We prioritise the work where possible, and we 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. Lastly, we are managing the risks of having insufficient capacity by exercising influence over the scope available within the law and regulations, subsidies and policy and by 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. Our customers and society in general have high expectations of Alliander. Changes are needed if we are to continue to fulfil our social role. However, there is a risk that we will not be able to realise the changes because our own capacity for change is not up to the task.

### How is it managed?

To increase the capacity for change, we work on the basis of one common goal: being an agile, effective, cost-efficient and inclusive organisation that works together as one team. This means working on our strategy, our organisation and our culture & leadership. We are committed to a clear and focused strategy: this means formulating clear objectives and translating these into an actionable plan for the coming years. We measure our progress in realising this plan and make adjustments where possible. By interpreting the strategy in terms of its implementation at the lower levels, we also ensure that every team knows what is expected of them and how they contribute to realising the strategy. We are working towards being an agile, effective and cost-efficient organisation by adjusting our organisational and formal consultation structure. We are also making our processes and systems future-proof and support these in a flexible IT landscape. We furthermore focus on strategic staff planning so that we can proactively respond to staffing developments faster and in a much more targeted manner. And lastly, we focus on working as one team by paying attention to culture & leadership. For example, we develop activities aimed at trade professionalism, sustainable personal effectiveness, and inclusiveness.

## 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. Ensuring a reasonable return and maintaining sufficient financial scope to be able to perform our statutory duties are also subjects of discussion. 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, we have access to personal data. This includes, for example, data on connections, energy contracts, usage, and costs. This personal data must be processed in compliance with the requirements of the General Data Protection Regulation (GDPR). Unlawful or incorrect use of personal data harms those involved and it can lead to fines and damage our reputation.

### 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. Together with the other network operators, privacy assessments are performed on new or changing sector processes. 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 having 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 are working on the unambiguous identification of cybersecurity risks by clarifying what we are focusing on and by gaining insight into performance. We protect Alliander against cybersecurity risks through a risk management process in which risks are identified, risk ownership is assigned, and risk management is carried out. We are also working on increasing safety awareness among our employees. The Cyber Resilience Centre also actively monitors identified vulnerabilities and threats. Security incidents are resolved and further investigated to prevent further spread or recurrence as much as possible. Lastly, efforts are made to guarantee the continuity of all critical business processes.

## Financing →

### What is the risk?

As the Climate Agreement was further fleshed out, greater clarity was created on the level of investment needed for the energy transition. Network operators will see their investments increase strongly. 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. We are largely financing investments that we will only be able to recoup in 40 years' time. The increase in investments brings with it a significant increase in our financing needs that may, in the long run, put pressure on our financial ratios and our credit rating.

### How is it managed?

Alliander has taken various steps to be able to meet future financial challenges. Alliander is continuing to work on being an agile, effective and cost-effective organisation, internal operations have been restructured and there is a continued focus on both cutting costs and increasing productivity. Aside from that, we are in talks with the Netherlands Authority for Consumers & Markets (ACM) and the Dutch government ministries of Economic Affairs and Climate Policy (EZK) and Finance on a possible way to keep equity at an adequate level in the longer term. Together with the largest shareholders, over the last year the company explored how the equity could be strengthened. It should be clear by the second half of 2021 to what extent the shareholders will commit to participating in the proposed financing arrangement.

## 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 and the limited distribution capacity.

# Financial performance

## General

Coming in at €119 million, profit after tax over the first half of 2021 was up €27 million on the corresponding period in 2020. This increase in external income is due largely to the increase in the regulated-domain income as a result of the higher tariffs in the regulated domain. In addition, the sale of part of our shareholding in the German entity 450connect GmbH had a positive impact of €10 million on our net profit in the first half-year.

Profit from continuing operations excluding incidental items and fair value movements was €110 million, which is €17 million higher than in the corresponding period in 2020.

Investments in the first half of 2021 totalled €465 million, which is €60 million higher than in the same period last year. Compared to 2020, we have invested €74 million more in the network, although we also invested €14 million less in the meters due to the phasing out of the smart meter roll-out campaign. The high level of investment cannot be financed by the operating cash flows. We also paid out €94 million in dividend on the profit in 2020, leading to an increase in the net debt position of €224 million to €2,731 million (31 December 2020: €2,507 million). The solvency ratio as at the end of the first half of 2021 was 52.0% (31 December 2020: 53.1%).

## Income statement

### Operating income

In the first half of 2021, the total operating income was up €71 million on the same period in 2020. Of this amount, €60 million is the result of the higher regulated-domain revenue from electricity and gas. This is mainly attributable to an increase in tariffs in the regulated domain, but also due to the higher volumes transmitted for large business customers. These volumes were lower in the first half of 2020 as a result of the COVID-19 pandemic. The operating income also includes one-off sale proceeds of €15 million as a result of the sale of part of Alliander's shareholding in the German entity 450connect.

### Operating expenses

Total operating expenses in the first half of 2021 came in at €912 million (first half of 2020: €866 million). The increase of €46 million in operating expenses was chiefly caused by the following:

- The costs of transmission capacity that TenneT charges us are €14 million higher than in the first half of 2020. This is due to both the higher rates TenneT charges us and an increase in the volumes transmitted: in 2020, the volumes transmitted over the grid to our large business customers were lower due to the COVID-19 pandemic.
- Depreciation costs are €18 million higher than in the same period of the previous year; this is the result of the high level of investment in recent years.
- Employee benefit expenses are €15 million higher due to an increase in our permanent staff by about 100 FTEs compared to the mid-2020 figures. This increase is in the area of operational capacity, which is needed to ensure that all the work in the work package is completed. Some of the increase can also be attributed to having the staff available to increase our activities in the free domain. The pay rise agreed under the collective labour agreement will also increase the average cost per FTE. These higher employee benefit expenses are partially offset by higher capitalised production (€13 million) as a result of more investment projects being carried out.
- The network losses purchase costs are €7 million higher compared to the costs in the first half of 2020: in 2020 there were positive outcome differences from previous years, which resulted in lower costs.

### Finance income and expenses

Finance income and expenses in the first half of 2021 resulted in a net expense of €21 million (first half of 2020: €19 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 2021 (first half of 2020: 26.4%).

## 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

€ million	Reported		1 <sup>st</sup> half Incidental items and fair value movements		Excluding incidental items and fair value movements	
	2021	2020	2021	2020	2021	2020
Revenue	1,046	990	-	-	1,046	990
Other income	35	20	15	-	20	20
Total purchase costs, costs of subcontracted work and operating expenses	-815	-774	-12	-2	-803	-772
Depreciation and impairments	-241	-223	-3	-	-238	-223
Own work capitalised	144	131	-	-	144	131
<b>Operating profit (EBIT)</b>	<b>169</b>	<b>144</b>	<b>-</b>	<b>-2</b>	<b>169</b>	<b>146</b>
Finance income/(expense)	-21	-19	-	-	-21	-19
Result from associates and joint ventures	10	-	9	-	1	-
<b>Profit before tax</b>	<b>158</b>	<b>125</b>	<b>9</b>	<b>-2</b>	<b>149</b>	<b>127</b>
Tax	-39	-33	-	1	-39	-34
Profit after tax from continuing operations	119	92	9	-1	110	93
<b>Profit after tax</b>	<b>119</b>	<b>92</b>	<b>9</b>	<b>-1</b>	<b>110</b>	<b>93</b>

### Notes to incidental items

The sale of part of our shareholding in 450connect GmbH has had a positive impact of €10 million on our net profit in the first half of 2021.

The effect is reflected in the income, other operating expenses, depreciation and the profit/loss from associates.

€ million	
Other income	15
Operating expenses	-11
Depreciation	-3
Result from associates and joint ventures	9
<b>Net profit</b>	<b>10</b>

The exceptional expense in the purchase costs, costs of subcontracted work and operating expenses in the first half of 2021 came in at €1 million and relates to reorganisation costs (2020: €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 2021:

- 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 2021 totalled €180 million, a €30 million increase compared to the first half of 2020, due largely to higher revenue in the regulated domain as the result of higher regulated-domain tariffs. The higher revenue was negatively offset to an extent mainly by the increase in TenneT purchase costs, higher costs associated with grid losses, and higher depreciation expenses as a result of the high level of investment. The Other segment (mainly comprising unregulated activities, corporate staff departments and service units) posted an operating loss of €11 million (first half of 2020: operating loss of €4 million).

## Cash flow

### Cash flow from operating activities

Cash flow from operating activities in the first half of 2021 was €256 million (first half of 2020: €215 million). This €41 million increase can be attributed primarily to a higher net profit in 2021 and a drop in prepaid income tax.

### Cash flow from investing activities

Cash flow from investing activities in the first half of 2021 was negative, coming in at minus €359 million (first half of 2020: minus €391 million). Investments in property, plant and equipment in the first half of 2021 totalled €465 million (first half of 2020: €405 million). The lower cash flow from investments is mainly due to the combined effects of the sale of the majority interest in 450connect GmbH in 2021 (€28 million) and the acquisition of TReNT in 2020 (minus €64 million).

### Investments in property, plant and equipment

Alliander's investments totalled €465 million in the first half of 2021 (2020: €405 million). Investments in electricity grids totalled €335 million (2020: €263 million), while investments in the gas grids totalled €66 million (2020: €64 million). At €175 million, maintenance costs in the first half of 2021 were lower than in the same period last year (€182 million).

€ million	Realised until June 2021	Realised until June 2020	Target at year-end 2021	Realised 2020
Electricity	335	263	658	591
Gas	66	64	137	124
Metering devices	26	41	62	82
Other	38	37	135	93
<b>Total investments</b>	<b>465</b>	<b>405</b>	<b>992</b>	<b>890</b>
Maintenance costs	175	182	304	306
<b>Total maintenance costs and investments</b>	<b>640</b>	<b>587</b>	<b>1,296</b>	<b>1,196</b>

### Cash flow from financing activities

Cash flow from financing activities in the first half of 2021 was a cash inflow of €19 million, compared with an inflow of €491 million in the corresponding period in 2020. Cash inflow in the first half of 2020 came primarily from loans acquired 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). The cash inflow of €19 million on balance in 2021 mainly concerns acquired ECP (€125 million), partly cancelled by the dividend paid out.

## 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 2021, 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.

To be able to make full use of the financing capacity available under an A rating profile, on 31 May 2021 the financial policy was adjusted on a number of points:

- The minimum FFO/Net debt ratio has been lowered from 20% to 15%.
- The minimum required A rating profile no longer concerns the stand-alone rating: from now on this will pertain to the rating including any credit markup as a result of public shareholding.

In addition, as of 31 May 2021, the dividend policy was amended with regard to the considerations for calculating the dividend payout ratio. The aim of this is to bring the treatment of the periodic compensation for the existing hybrid bond loan in line with that for the planned convertible hybrid shareholder loan. To this end, the result after tax will henceforth be adjusted for periodic payments relating to loans that are processed through equity.

### Credit rating

On 4 June, S&P set Alliander's long and short-term ratings (AA- and A-1+, respectively) to credit watch negative. On 9 June 2021, Moody's downgraded Alliander's rating by one notch from Aa2 to Aa3. The outlook remains stable and the short-term rating is unchanged at P-1.

### Net debt position and financing

The net debt position as at 30 June 2021, based on IFRS, amounted to €2,483 million (31 December 2020: €2,259 million) and, based on Alliander's financial policy, €2,731 million (31 December 2020: €2,507 million). When calculating the ratios, the subordinated perpetual bond loan issued in 2018 is treated as 50% equity and 50% debt. This €224 million increase is explained mainly by reduced cash flow from operating activities in relation to investments combined with dividend of €94 million paid in 2021.



## Reconciliation of net debt position

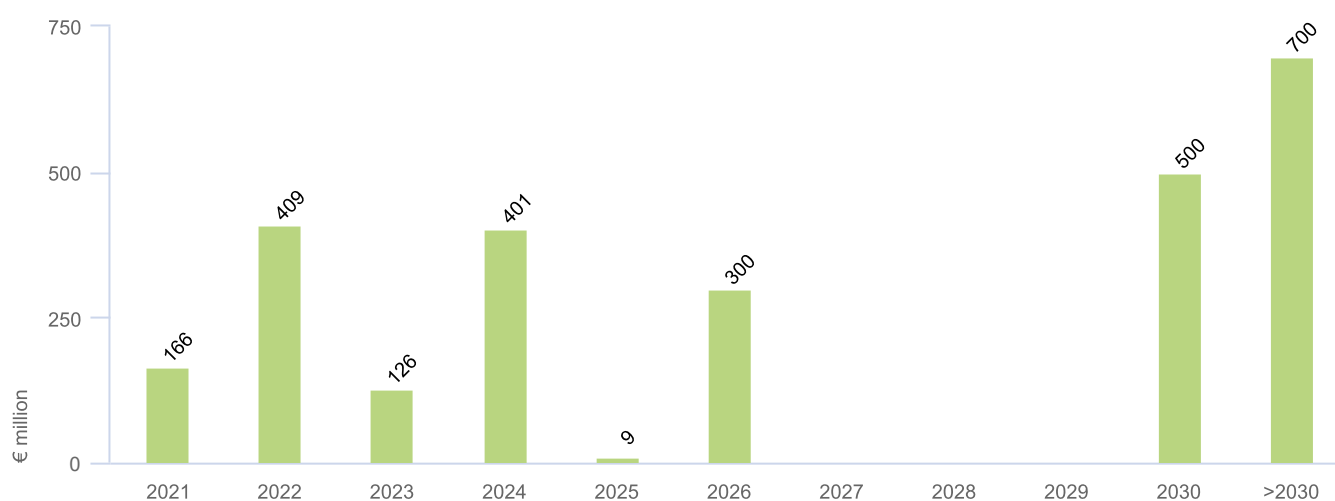
€ million	30 June 2021	31 December 2020
Long-term interest-bearing debt	2,431	2,479
Short-term interest-bearing debt	183	8
Lease liabilities	236	217
<b>Gross debt</b>	<b>2,850</b>	<b>2,704</b>
Cash and cash equivalents	214	298
Investments in bonds	153	147
<b>Total cash and cash equivalents and investments</b>	<b>367</b>	<b>445</b>
<b>Net debt in accordance with the annual financial statements (IFRS)</b>	<b>2,483</b>	<b>2,259</b>
50% of the subordinated perpetual bond	248	248
<b>Net debt on the basis of Alliander's financial policy</b>	<b>2,731</b>	<b>2,507</b>

### Credit facilities

As at the end of June 2021, 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 2021 (unchanged from 31 December 2020). Aside from that, Alliander has an EMTN programme of €3 billion under which notes to a value of €2.0 billion were in issue as at 30 June 2021 (as at 31 December 2020: €2.0 billion), and an ECP programme of €1.5 billion, under which short-term commercial paper to a value of €125 million was in issue as at 30 June 2021 (as at 31 December 2020: nil).

Repayments in the first half of 2021 relate primarily to subordinated long-term 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



● Repayment of interest-bearing debt

## Available green financing capacity

Alliander has arranged four green financing facilities since 2016, including three green bond loans. The proceeds of these financing facilities have been used to fund various assets that are defined in more detail in the Green Finance Framework (<https://www.alliander.com/nl/investor-relations/financiering/groene-obligaties/>). These assets and financing facilities are accounted for in separate reports (<https://www.alliander.com/nl/investor-relations/financiering/groene-obligaties/>). A summary referred to as the allocation table is part of these reports. This summary details the size and composition of Alliander N.V.'s green asset portfolio and green financing facilities.

The allocation table as at 30 June 2021 is included. This is the updated version of the table as included in the 2020 Green Finance Report dated 15 September 2020.

### Allocation table: use of funds available from green financing facilities

€ million	Net carrying amount	Weighting factor	Weighted sum
Electricity network (distribution network and connections)	3,308	26.2%	867
<b>Total renewable energy</b>	<b>3,308</b>	<b>26.2%</b>	<b>867</b>
Smart meters	535	100.0%	535
Fibre optic network	51	100.0%	51
<b>Total energy efficiency</b>	<b>586</b>	<b>100.0%</b>	<b>586</b>
Duiven office building	68	100.0%	68
<b>Total green buildings</b>	<b>68</b>	<b>100.0%</b>	<b>68</b>
<b>Total green asset portfolio</b>	<b>-</b>	<b>-</b>	<b>1,521</b>

€ million	Instrument (ISIN)	Date of issue	Maturity date	Principal sum
Green bond loan	XS1400167133	22/04/2016	22/04/2026	300
Green bond loan	XS2014382845	24/06/2019	24/06/2032	300
Green private loan	XS2152901315	08/04/2020	08/04/2035	100
Green bond loan	XS2187525949	10/06/2020	10/06/2030	500
<b>Total green financing</b>				<b>1,200</b>

The table indicates that the net carrying amount of green assets at 30 June 2021 is €1,521 million. This represents an increase of €49 million since 31 December 2020. As a result, €321 million in green financing capacity was available as at 30 June 2021.

The weighting factor for the renewable energy asset category as at 31 December 2020 has been determined as 26.2% (source: energieopwek.nl). This relates to the share of renewable energy generation in the total production capacity for electricity in the Netherlands. Rather than using green financing for our entire electricity grid, we have decided to invest these funds solely in the part used to transmit green electricity.

## 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 2021 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 2021 for Alliander N.V. and its consolidated group companies.

Arnhem, 26 July 2021

Management board

Maarten Otto, CEO

Walter Bien, CFO

Marlies Visser, COO

Daan Schut, CTO

# Condensed consolidated half-year results 2021

## Consolidated income statement

€ million	1 <sup>st</sup> half	
	2021	2020
<b>Income</b>		
Revenue	1,046	990
Other Income	35	20
<b>Total income</b>	<b>1,081</b>	<b>1,010</b>
<b>Operating expenses</b>		
Purchase costs and costs of subcontracted work	-294	-268
Employee benefit expenses	-286	-271
External personnel expenses	-64	-62
Other operating expenses	-171	-173
<b>Total purchase costs, costs of subcontracted work and operating expenses</b>	<b>-815</b>	<b>-774</b>
Depreciation and impairment of property, plant and equipment	-241	-223
Less: Own work capitalised	144	131
<b>Total operating expenses</b>	<b>-912</b>	<b>-866</b>
<b>Operating profit</b>	<b>169</b>	<b>144</b>
Finance income	5	6
Finance expense	-26	-25
Result from associates and joint ventures after tax	10	-
<b>Profit before tax from continuing operations</b>	<b>158</b>	<b>125</b>
Tax	-39	-33
<b>Profit after tax</b>	<b>119</b>	<b>92</b>

## Consolidated statement of comprehensive income

€ million	1 <sup>st</sup> half	
	2021	2020
<b>Profit after tax</b>	<b>119</b>	<b>92</b>
<b>Other elements comprehensive income</b>		
<b>Elements that are settled through the income statement</b>		
Change in cash flow hedge reserve	-	-
<b>Comprehensive income</b>	<b>119</b>	<b>92</b>

## Consolidated balance sheet

€ million	30 June 2021	31 December 2020
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8,194	7,958
Right-of-use assets	80	66
Intangible assets	320	343
Investments in associates and joint ventures	28	6
Investments in bonds	153	147
Other financial assets	56	66
Deferred tax assets	152	159
<b>Total non-current assets</b>	<b>8,983</b>	<b>8,745</b>
<b>Current assets</b>		
Inventories	66	69
Trade and other receivables	353	295
Corporate tax	45	12
Cash and cash equivalents	214	298
<b>Total current assets</b>	<b>678</b>	<b>674</b>
Assets held for sale	4	3
<b>Total assets</b>	<b>9,665</b>	<b>9,422</b>
<b>Equity &amp; liabilities</b>		
<b>Equity</b>		
Share capital	684	684
Share premium	671	671
Subordinated perpetual bond	495	495
Hedge reserve	-2	-2
Other reserves	2,379	2,256
Result for the period	119	224
<b>Total equity</b>	<b>4,346</b>	<b>4,328</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Interest-bearing debt	2,431	2,479
Lease liabilities	216	199
Deferred income	1,872	1,837
Deferred tax liabilities	-	1
Provisions for employee benefits	28	29
Other provisions	28	30
<b>Total non-current liabilities</b>	<b>4,575</b>	<b>4,575</b>
<b>Short-term liabilities</b>		
Trade and other payables	173	145
Tax liabilities	78	88
Interest-bearing debt	183	8
Lease liabilities	20	18
Provisions for employee benefits	65	36
Accruals and deferred income	225	224
<b>Total short-term liabilities</b>	<b>744</b>	<b>519</b>
<b>Total liabilities</b>	<b>5,319</b>	<b>5,094</b>
<b>Total equity and liabilities</b>	<b>9,665</b>	<b>9,422</b>



## Consolidated cash flow statement

€ million	2021	1 <sup>st</sup> half	2020
<b>Cash flow from operating activities</b>			
Profit after tax		119	92
Adjustments for:			
- finance income and expense		21	19
- tax		39	33
- profit after tax from associates and joint ventures		-10	-
- Depreciation and impairment less amortisation		202	187
<b>Changes in working capital:</b>			
- Inventories	3		-3
- Trade and other receivables	-56		-21
- Trade and other payables and accruals	20		19
<b>Total changes in working capital</b>		<b>-33</b>	<b>-5</b>
Changes in deferred tax, provisions, derivatives and other		5	-16
<b>Cash flow from operations</b>		<b>343</b>	<b>310</b>
Net interest paid	-24		-24
Net interest received	-		-
Corporate income tax paid	-63		-71
<b>Total</b>		<b>-87</b>	<b>-95</b>
<b>Cash flow from operating activities</b>		<b>256</b>	<b>215</b>
<b>Cash flow from investing activities</b>			
Investments in property, plant and equipment	-465		-405
Construction contributions received	78		78
Sale/purchase of subsidiaries	28		-64
<b>Cash flow from investing activities</b>		<b>-359</b>	<b>-391</b>
<b>Cash flow from financing activities</b>			
Long-term loans issued	-		125
Repayment on long-term loans	-7		-7
Issued EMTN	-		597
Issued (repaid) ECP	136		10
Long-term loans granted	-		-7
Repayment on long-term loans granted	3		6
Repayment lease liabilities	-11		-11
Received (deferred) short-term deposits	-		-100
Dividend paid	-94		-114
Reimbursement on subordinated perpetual bond	-8		-8
<b>Cash flow from financing activities</b>		<b>19</b>	<b>491</b>
<b>Net cash flow</b>		<b>-84</b>	<b>315</b>
Cash and cash equivalents as at 1 January		298	153
Net cash flow		-84	315
<b>Cash and cash equivalents as at 30 June</b>		<b>214</b>	<b>468</b>

## Consolidated statement of changes in equity

€ million	Equity attributable to shareholders and other providers of equity						Total
	Share capital	Share premium	Subordinated perpetual bond	Hedge reserve	Other reserves	Profit for the year	
<b>As at 1 January 2020</b>	<b>684</b>	<b>671</b>	<b>495</b>	<b>-2</b>	<b>2,123</b>	<b>253</b>	<b>4,224</b>
Profit after tax for the first half of 2020	-	-	-	-	-	92	92
<b>Comprehensive income for the first half of 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>92</b>
<b>Movements for the first half of 2020</b>							
Other <sup>1</sup>	-	-	-	-	-1	-	-1
Reimbursement on subordinated perpetual bond after tax	-	-	-	-	-6	-	-6
Dividend for 2019	-	-	-	-	-	-114	-114
Profit for appropriation for 2019	-	-	-	-	139	-139	-
<b>Total movements for the first half of 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132</b>	<b>-253</b>	<b>-121</b>
<b>As at 30 June 2020</b>	<b>684</b>	<b>671</b>	<b>495</b>	<b>-2</b>	<b>2,255</b>	<b>92</b>	<b>4,195</b>
Profit after tax for the second half of 2020	-	-	-	-	-	132	132
Other <sup>1</sup>	-	-	-	-	1	-	1
<b>As at 31 December 2020</b>	<b>684</b>	<b>671</b>	<b>495</b>	<b>-2</b>	<b>2,256</b>	<b>224</b>	<b>4,328</b>
Profit after tax for the first half of 2021	-	-	-	-	-	119	119
<b>Comprehensive income for the first half of 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>119</b>
<b>Movements for the first half of 2021</b>							
Other <sup>1</sup>	-	-	-	-	-1	-	-1
Reimbursement on subordinated perpetual bond after tax	-	-	-	-	-6	-	-6
Dividend for 2020	-	-	-	-	-	-94	-94
Profit appropriation for 2020	-	-	-	-	130	-130	-
<b>Total movements for the first half of 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>123</b>	<b>-224</b>	<b>-101</b>
<b>As at 30 June 2021</b>	<b>684</b>	<b>671</b>	<b>495</b>	<b>-2</b>	<b>2,379</b>	<b>119</b>	<b>4,346</b>

1 Rounding differences are shown under 'other'.

### Dividend

Dividend for the 2020 financial year (€93.8 million) was paid in April 2021 (€0.69 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 2021.

# 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 2021. 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 2020 annual report, which can be found at [www.alliander.com](http://www.alliander.com), apart from the following changes in standards and interpretations effective as from 1 January 2021.

## New or amended IFRS standards for 2021

In 2021, the following IFRS amendments apply:

- Amendment to IFRS 4 'Insurance contracts - deferral of IFRS 9';
- Amendment to IFRS 4, IFRS 7, IAS 39, IFRS 9 and IFRS 16 'Interest rate benchmark reform Phase 2';
- Amendment to IFRS 16 Leases 'COVID-19-Related Rent Concessions' beyond 30 June 2021 (effective as of 1 April 2021; 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.

### Changes in estimates

From 1 January 2021, the depreciation periods of traditional meters have been shortened, bringing these more in line with the regulatory depreciation periods. This pushed depreciation costs up by €0.3 million in 2021.

With regard to the calculation of the provision for obsolete inventories, the primary focus is no longer on the rate of inventory turnover, but rather on the deployability of the inventories. This better reflects current practices. As a result of this adjustment, the provision decreased by €1 million in 2021.

## Business combinations

TReNT was acquired in the first half of 2020. Alliander did not enter into any new business combinations in the first half of 2021.

## Sale of 450connect

On 31 March 2021, Alliander AG sold 58.23% of the shares in its subsidiary 450connect GmbH to a number of German energy companies for a total of €28 million. In July 2021, an additional 16.77% of the shares were sold to the same parties for €8 million, bringing the total portion of shares sold to 75%.

These German companies serve more than half of the German energy market. As a result of the sale of this part of the shareholding, the licence for the 450MHz network was granted once again in March 2021, with a term running up to 2040. Joint efforts will be made to further digitise and accelerate the energy transition.

The result of the transaction as at 30 June 2021 is as follows (€ million):

<b>Sale of 58.23% of the shares of 450connect GmbH (€ million):</b>		
Fair value of the sale of 58.23%		28
Fair value of the residual interest of 41.77%		20
		<b>48</b>
<b>Less: Net assets, goodwill and earn out</b>		
Net assets	25	
Goodwill	3	
Additional earn out	10	
		<b>38</b>
<b>Result</b>		<b>10</b>
<b>Notes to the residual interest (€ million)</b>		
Fair value of the 41.77% residual interest as at 30 June 2021		20
41.77% of the value of the net assets, goodwill and additional earn out		16
<b>Share in the result</b>		<b>4</b>

## Segment information

To comply with IFRS 8, Alliander distinguishes the following reporting segments in 2021:

- 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	1 <sup>st</sup> half	
	2021	2020
<b>Consolidated segment operating profits excluding incidental items</b>	<b>169</b>	<b>146</b>
Incidental items and fair value movements	-	-2
Finance income and expense	-21	-19
Share in results from associates and joint ventures	10	-
<b>Profit before tax from continuing operations</b>	<b>158</b>	<b>125</b>

## Primary segmentation for first half-year

€ million	Network operator Liander		Other		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Operating income</b>								
External income	959	909	122	101	-	-	1,081	1,010
Internal income	2	4	196	176	-198	-180	-	-
<b>Operating income</b>	<b>961</b>	<b>913</b>	<b>318</b>	<b>277</b>	<b>-198</b>	<b>-180</b>	<b>1,081</b>	<b>1,010</b>
<b>Operating expenses</b>								
Operating expenses	781	763	329	281	-198	-180	912	864
<b>Operating profit</b>	<b>180</b>	<b>150</b>	<b>-11</b>	<b>-4</b>	<b>-</b>	<b>-</b>	<b>169</b>	<b>146</b>

Segmented assets and liabilities	Network operator Liander		Other		Eliminations		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
<b>Total assets</b>	8,528	8,236	3,420	3,412	-2,283	-2,226	9,665	9,422
<b>Total liabilities</b>	6,133	5,803	2,997	2,862	-3,811	-3,571	5,319	5,094

## Product segmentation

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

€ million	Segmentation consolidated revenue to products							Other activities
	Total	Transport and connection service Electricity	Transport service Gas	Connection service Gas	Metering Service small consumers Electricity	Metering Service small consumers Gas		
Revenue for the first half of 2021	<b>1,046</b>	625	171	54	49	29	118	
Revenue for the first half of 2020	<b>990</b>	570	167	53	48	29	123	

Revenue in 2021 amounted to €1,046 million (2020: €990 million), with other income of €35 million (2020: €20 million). In total, external revenue came in at €1,081 million (2020: €1,010 million). This increase in external revenue is due largely to the increase in the regulated-domain revenue as a result of the higher tariffs in the regulated domain.

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

€ million	Geographical segmentation consolidated revenue		
	Total revenue	The Netherlands	Abroad
Revenue for the first half of 2021	<b>1,046</b>	1,024	22
Revenue for the first half of 2020	<b>990</b>	970	20

## Over time

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

## Seasonal influences

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

## EMTN and ECP programmes

Alliander has an EMTN programme of €3 billion under which notes to a value of €2.0 billion were in issue as at 30 June 2021 (as at 31 December 2020: €2 billion), and an ECP programme of €1.5 billion, under which short-term commercial paper to a value of €125 million was in issue as at 30 June 2021 (as at 31 December 2020: nil).

## 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 2021. 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-2021 was approximately €700 million (year-end 2020: €680 million). At the end of June 2021, a total of \$3,055 million (year-end 2020: \$3,112 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 2021, the 'strip risk' for all transactions together was \$93 million (year-end 2020: \$72 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 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 were initially concluded for a period of 12.5 years, ending on 31 December 2020. On 1 January 2021, the terms of the sub-subleases were extended to 31 December 2024 (for Duiven-Westervoort) and 31 December 2025 (for Almere-Stad). By mid-2021, the total carrying amount of the subleased district heating networks and associated meters was €80 million (year-end 2020: €82 million).

## Related parties

The Alliander group has interests in various associates and joint ventures, including 450connect, which was added as an associate on 1 April 2021 after the sale of a majority interest in the company. In various associates and joint ventures, Alliander N.V. has either 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 €0.4 million (first half of 2020: €0.2 million) and to joint ventures €56 million (first half of 2020: €51 million); purchase of goods and services from associates €19 million (first half of 2020: €12 million) and from joint ventures €89 million (first half of 2020: €71 million).

As at the end of June 2021, Alliander had receivables of €20 million (2020: €23 million) in respect of loans granted to related parties and receivables of €4 million in respect of agreed borrowings on current accounts with related parties (year-end 2020: a liability of €1 million).

## 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 2020 consolidated financial statements. The risk management process and the risk management policy have not changed since year-end 2020. Alliander has not sustained any material credit losses in the first half of 2021.

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 2021		31 December 2020	
	Fair value	Level	Fair value	Level
<b>Non-current assets</b>				
Investments in bonds and other financial assets	279	2	259	2
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Interest-bearing debt:				
Euro Medium Term Notes	-2,107	1	-2,169	1
Other interest-bearing debt	-461	2	-738	2
<b>Total non-current liabilities</b>	<b>-2,568</b>		<b>-2,907</b>	
<b>Short-term liabilities</b>				
Interest-bearing debt:				
Euro Commercial Paper	-125	2	-	2
Other interest-bearing debt	-71	2	-21	2
<b>Total short-term liabilities</b>	<b>-196</b>		<b>-21</b>	
<b>Total liabilities</b>	<b>-2,764</b>		<b>-2,928</b>	

### 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 receivables, 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 the balance sheet date

There are no matters which should be disclosed after the balance sheet date.

# Review report

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

## Our conclusion

We have reviewed the accompanying condensed consolidated interim financial information for the period from 1 January 2021 to 30 June 2021 of Alliander N.V. based in Arnhem.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the period from 1 January 2021 to 30 June 2021 of Alliander N.V. is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

The interim financial information comprises:

- The consolidated balance sheet as at 30 June 2021.
- The consolidated profit and loss account for the period from 1 January 2021 to 30 June 2021.
- The consolidated statement of comprehensive income as at 30 June 2021.
- The consolidated statement of changes in equity as at 30 June 2021.
- The consolidated cash flow statement for the period from 1 January 2021 to 30 June 2021.
- The notes comprising of a summary of the accounting policies and other explanatory information.

## Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, 'Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit' (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the interim financial information' section of our report.

We are independent of Alliander N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Responsibilities of the board and the supervisory board for the interim financial information

Management is responsible for the preparation and presentation of the interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the interim financial information that are free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the company's financial reporting process.

## Our responsibilities for the review of the interim financial information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a limited assurance engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 2410.



Our review included among others:

- Updating our understanding of the entity and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion.
- Obtaining an understanding of internal control, as it relates to the preparation of the interim financial information.
- Making inquiries of management and others within the entity.
- Applying analytical procedures with respect to information included in the interim financial information.
- Obtaining assurance evidence that the interim financial information agrees with or reconciles to the entity's underlying accounting records.
- Evaluating the assurance evidence obtained.
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle.
- Considering whether management has identified all events that may require adjustment to or disclosure in the interim financial information.
- Considering whether the interim financial information has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amsterdam, 26 July 2021

Deloitte Accountants B.V.

Signed on the original B.C.J. Dielissen

# Disclaimer

This report is a translation of the Dutch half-year report 2021 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 2021 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 2020 financial statements of Alliander N.V. which can be found on [www.alliander.com](http://www.alliander.com).

This report has not been audited.

July 2021

Alliander N.V.

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