

2022 half-year report

A steady course



allLiander

Liander

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Profile of Alliander

Alliander N.V. is a network company comprising a group of companies that employ some 7,300 employees in all, including agency workers. Alliander N.V.'s shares are held by Dutch provincial authorities and municipalities. Alliander stands for high-quality expertise in the energy network field. We invest in the development of the energy networks 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. Sustainability plays a key role in the choices we make.

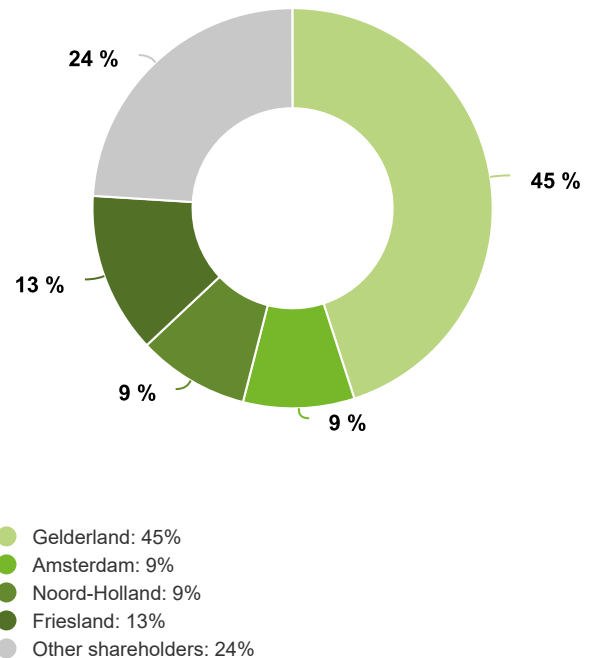
Our role in the energy chain

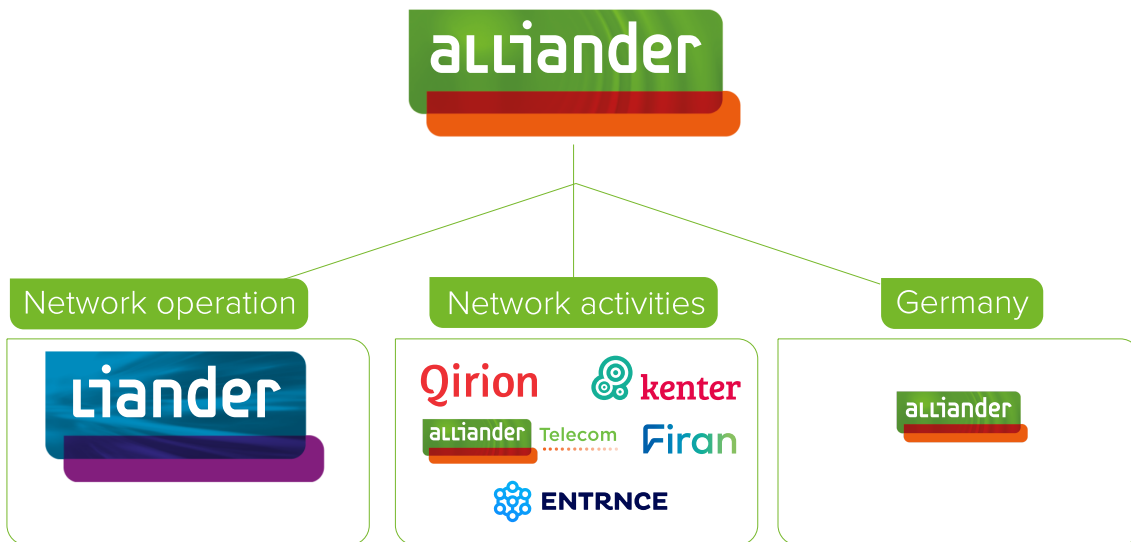
Network operator Liander, which is an Alliander subsidiary, has been statutorily tasked with managing and further developing the gas and electricity networks. We are on call 24/7 to deal with outages. The energy we distribute comes from power stations, wind farms, solar farms and imports through the national electricity and gas networks. More and more consumers and companies are now feeding the sustainable energy they produce with their own systems back into our energy networks. As a result, energy supply and demand have become interwoven, influencing one another. Liander collaborates with many parties in the energy sector and organisations that want to drive innovation in the field of energy. As a network operator, we not only ensure correct data exchange with suppliers and other parties in today's energy market, we also work with the government at the local and regional levels to address heating transition challenges. As an advisory party, we give municipalities, provincial authorities and businesses the kind of insights that help them develop the energy supply. We show them what the energy network can handle and the social costs associated with specific choices. In addition, we help organisations innovate by offering our data services and we collaborate with others to develop a flexible energy market that is driven by supply and demand. The business units in our network company facilitate markets by providing products and services that help create a future-proof energy network. We build and maintain the infrastructure, and we help match energy supply and demand. We track who produces or consumes energy: when, where, and how much.

Our service area



Shareholders





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. In this report, names are used without stating the legal form of the relevant entities.

Our 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 that we work to achieve every day. We make sure the lights are on, homes are heated 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 93,000 km power grid and a 42,000 km 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.

How we make a difference for customers

Reliability

We distribute energy in line with the highest possible safety and continuity standards and ensure that it is available to customers 24 hours a day, 7 days a week. This is what drives us to put safety first in our working practices and try to avoid planned and unplanned energy outages as much as possible.

Affordability

We endeavour to improve the effectiveness and efficiency of our activities every day to keep prices as low as possible for our customers.

Accessibility

We provide the framework within which customers can choose their own energy supplier and service providers and feed energy back into the grid. We also help customers switch to renewable forms of energy.

Our strategy

Our strategy comprises four pillars resting on a strong foundation. This helps us to fulfil our social mission both now and in the future.

1. Excellent network management

We aim to be an excellent, responsive network operator by fulfilling the wishes of our customers and other stakeholders. This means that we take action to ensure better investment planning and customer forecasting, increase our productivity, guarantee continuous delivery, and make sure that people enjoy doing business with us and that we are an agile and decisive organisation.

2. Support for customers in making choices

We limit the load on the grid and facilitate the open energy market by allowing customers to make choices that benefit them and the system. This means that we avoid congestion as much as possible, and that we are a trusted, independent partner for the energy market and a relevant partner in the energy transition.

3. Investing in new open networks

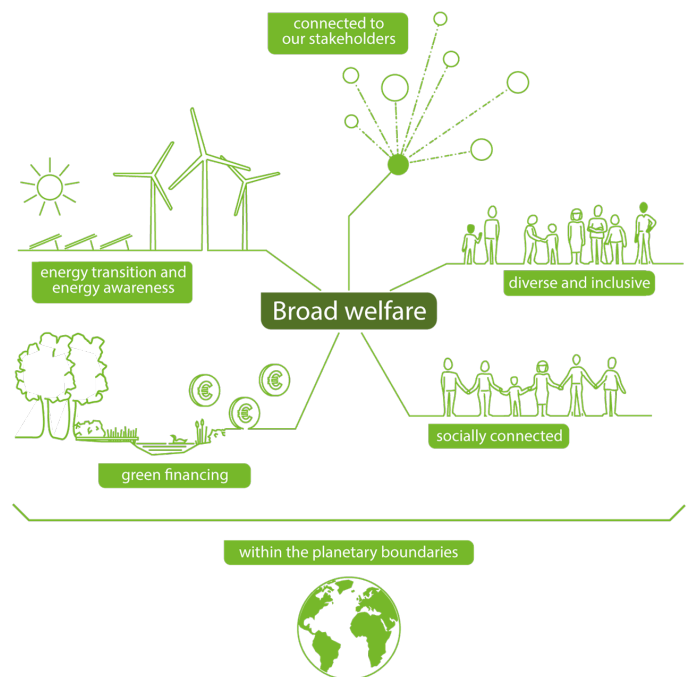
We manage the infrastructure for all energy carriers, are responsible for repurposing the gas grid and constructing new district heating networks, and intervene proactively and strategically to guide regulatory changes. That means that we maintain a balance in the energy supply, design regional energy systems, work to achieve a meaningful position in district heating networks, and seek to expand our statutory tasks with regard to ownership of infrastructures that are open to all.

4. Digitalisation

We are radically accelerating the programmes to digitalise our grids, our work processes and market facilitation through a value-driven digitalisation process and reliable and flexible IT. This means that we have real-time information on the grid and are able to influence energy flows, that our processes (in the office and in the field) contribute optimally to our goals, that our market-facilitating task will be developed further, and that we contribute to digitalisation of the energy market.

The strong foundation

We are an effective, safe, cost-conscious, sustainable and inclusive organisation. This means that we get 'everyone safely home', and that we are working to significantly increase production together with our partners, while at the same time further improving our cost efficiency. Our effective decision-making results in focus, proactive anticipation of developments in the world around us and active management to achieve our goals. We have also integrated a 'broad view of well-being' in our decision-making agenda and we are working on a climate-neutral circular approach to network management. As an employer, we invest in future-oriented knowledge, the sustainable employability of our employees and creating and maintaining an inclusive work environment.



Objectives and results

Ensuring a high reliability of supply at a low cost

Objectives	Results 30 June 2022	Objectives 2022 year-end	Results 2021 year-end
Customer convenience	Consumer market 58% Business market 37%	the measured NES score is higher than 48% (consumer market) and 40% (business market)	Consumer market 51% Business market 38%
Electricity outage duration over the past 12 months (in minutes) ¹	19.2	Maximum of 23.0	20.9
Number of unique cable numbers with more than five interruptions (over the past 12 months)	25 ²	Maximum of 17	22

A creditworthy company with a solid return

Objectives	Results 30 June 2022	Objectives 2022 year-end	Results 2021 year-end
Retention of solid rating	S&P: A+/A-1/stable outlook Moody's: Aa3/ P-1/stable outlook	Maintain solid A rating profile	S&P: A+/A-1/stable outlook Moody's: Aa3/ P-1/stable outlook
FFO/net debt	22.0%	Minimum 15%	25.8%
Interest cover	15.9	Minimum 3.5	17.2
Net debt/ (net debt + equity)	41.7%	Maximum 60%	36.7%
Solvency	50.8%	Minimum 30%	53.8%

Making the energy supply and our organisation sustainable

Objectives	Results 30 June 2022	Objectives 2022 year-end	Results 2021 year-end
CO ₂ -emissions from business operations	53 kton	Maximum 116 kton	115 kton
Circular procurement ³	29%	Minimum 35%	27%

A safe energy network and a safe work and data environment

Objectives	Results 30 June 2022	Objectives 2022 year-end	Results 2021 year-end
LTIF (lost time injury frequency)	2.3	None ⁴	2.6

Being an attractive, inclusive employer with equal opportunities for all

Objectives	Results 30 June 2022	Objectives 2022 year-end	Results 2021 year-end
Employee survey score: Engagement	None ⁵	Minimum 81%	81%
Employee absenteeism	5.0%	Maximum 4.3%	4.6%
Women in leadership positions	27.7%	Minimum 31%	28.1%
Employees at a distance from the labour market	73fte ⁶	Minimum 130fte	77fte

- 1 The electricity outage duration differs from the figure stated in the regulatory report. This report does not include the interruptions in the high-voltage network (cross-border lease assets) owned by Alliander.
- 2 The deviation from the target is mainly caused by the heavier load on the grid and by excavation work.
- 3 This concerns the procurement of primary assets: low-voltage and medium-voltage cables, gas pipes, distribution and power transformers, and electricity & gas meters.
- 4 No target is set for the LTIF performance indicator, because the number of accidents leading to sickness absence should be zero.
- 5 A measurement is taken once a year; the resulting score for 2022 will be reported in the second half of 2022.
- 6 These apprenticeships of 73fte concern jobs entails 59fte created under the Participation and 14fte of work experience positions.

Financial key figures

<i>€ million, unless stated otherwise</i>	2022	1 st half	2021
Revenue		1,095	1,081
Operating expenses		927	912
Operating profit		168	169
Profit after tax		107	119
Profit after tax excluding incidental items and fair value movements		88	110
Investments in property, plant and equipment		579	465
Cash flow from operating activities		181	256
	30 June 2022		31 December 2021
Total assets		10,212	10,209
Total equity		4,471	4,470
Net debt ¹		2,981	2,559

1 Net debt is defined as interest-bearing debt less cash and cash equivalents.

Report by the Management Board

Acceleration continues

The last six months have been turbulent. The war between Russia and Ukraine makes the energy transition even more urgent and our task more challenging. At the end of June, the Dutch government announced the first phase of an official gas crisis, following Germany's lead, an exceptional situation that seemed unthinkable a year ago. Furthermore, the European Commission published its 'REPowerEU Plan', a proposal aimed at rapidly reducing EU dependence on Russian fossil fuels. To this end, the European Commission wants to further increase the targets for energy savings and renewable energy in the 'Fit for 55' package. The Dutch government also presented a policy programme for the built environment this quarter, which describes how to accelerate making homes, schools, stores and offices more sustainable.

It is clear that sustainability in Europe is advancing at an ever-increasing pace. At the same time, demand for connections and capacity on the electricity grid is increasing and will continue to do so over the coming years due to the further digitalisation of society, houses being built at record speed, and the further greening of the energy supply. All of these developments increase the pressure to rapidly adapt the energy system.

Steady course

We remain firmly on course in this rapidly changing playing field. We are fully committed to carrying out more work and we succeeded again in this endeavour over this past six months. We laid 537km of medium-voltage cable and 381km of low-voltage cable, an increase of 17% compared to the same period last year. We also built more new transformer substations, a total of 593 (+15%). Given the emphasis in our activities on expanding capacity, the number of completed connections for large consumers (619) was down by 22% compared to last year.

In addition to expanding and strengthening our grid, we are focusing on making optimal use of the current capacity. For example, in various areas we have launched [pilots](#) for smart charging of electric cars, which should result in charging placing less of a load on the power grid. We are also looking at other energy-related systems, like storage facilities and hydrogen plants. In Lochem we have started the construction of a hydrogen feed-in installation, which will enable ten homes to switch from natural gas to hydrogen later this year.

Workplace safety is a top priority for us. Despite the continuous attention we pay to this, we were unable to prevent the number of lost-time accidents from increasing slightly, from 2.0 in 2021 to 2.3 this half year.

Our investments continue their upward trend

Our operating profit remained stable at €168 million, compared to €169 million in the same period last year. We invested €579 million, mainly in expanding the gas and electricity network; this was €114 million more than in the same period last year. We expect investments to increase even further in the coming years.

In view of our enormous investment task, for some time now we have committed ourselves to working cost consciously and more efficiently. Last year, our shareholders also provided us with a loan of €600 million, convertible into shares. To be able to fulfil our investment task, however, even more capital is needed. Together with our shareholders we are discussing this with the Dutch government. We welcome the fact that in a recent letter to Parliament, the Ministers for Finance and for Climate Change and Energy Policy stated that they see a capital contribution, and thus a shareholding by the State, as part of a structural solution for the capital needs of Alliander, Enexis and Stedin, one that they would develop further. This is a clear, strategic sign from the government. Over the coming period, we will engage with them to discuss the further design and conditions of a potential shareholding by the Dutch central government.

The shortage of materials impacts our work

Despite our increased production, it is clear that the demand for electricity is growing faster than we can adapt our grids. In more and more locations within our service areas, large consumers have to wait to be connected to the power grid or to expand their power supply, and consumers sometimes experience longer waiting times too. One of the reasons for this is the shortage of materials, like smart meters, cables and transformers. For most types of materials we have been able to address this problem in recent months, for example by reusing materials or by accumulating even larger buffer stocks. However, we were unable to prevent the shortage of materials from having a major impact on our work over the past six months and from increasing the waiting times for customer requests.

We proactively inform our customers

We realise that longer waiting times has a major impact on our customers and so we communicate proactively as much as possible to explain the inconveniences they may encounter during this phase of the energy transition. We personally contact affected high-volume customers to see if we can come up with a solution together. One example is engaging with customers who want to feed energy from their batteries into the grid to see whether this can be done outside peak capacity hours. Liander's low-volume consumers can now check www.liander.nl/reddenmetre-deliveren to see whether there are known problems with feed-in on their energy network. The site also gives possible solutions and states how long it will take before the problem is fixed. We have run three online campaigns to inform consumers that feeding energy into the grid is no longer a given, explaining about the shortage of capacity on the grid and what this means for them. We also inform consumers about the importance of registering their solar panels so that we can make predictions about the required adjustments to the grid.

People make the transition a reality

To make sure we can continue to get all the work done, we need a lot of new recruits. Specifically, the energy supply chain as a whole requires 13,000 extra engineers and IT specialists by 2026, with more than 2,200 of these needed at Alliander alone. With this in mind, we work hard to retain staff, among other things by ensuring that the employment conditions and relationships are right for the various target groups. We are also developing career paths in the sector, and together with the Works Council we are examining how we can better align acknowledgement, development and remuneration with the wishes of both our people *and* our organisation. Negotiations for the industry-wide collective labour agreement will start at the end of August, with the parties aiming to reach a result quickly.

In tandem with our efforts to retain the people we have, we are doing everything we can to attract new recruits. We are concentrating on expanding the pool of potential new colleagues by focusing on women, lateral entrants and immigrant workers.

The changing energy system

Alliander advocates an energy supply system where everyone has access to reliable, affordable and sustainable energy on equal terms. To ensure that this remains the case in the future, while taking into account the requirements of a climate-neutral society, we work hard every day on a new energy system. This system will be much more decentralised and weather dependent as it will rely to a much greater extent on renewable local sources like wind and solar power. We will not get there by strengthening and expanding the current energy grid alone: we also need to innovate and look at other ways to make the most of the existing grid infrastructure. For example, we are looking to strike the ultimate balance on the energy grid by tilting the system from a demand-oriented to a supply-oriented system, and we are involved in the development of an integrated system at a regional level.

This requires a significant change in behaviour by our customers, for example by using or temporarily storing energy when it is in abundance and feeding it into the grid when it is in short supply. More and more ways are being devised to achieve this, and our customers are increasingly proposing such solutions themselves. Together, if we plan ahead better and use the grid more efficiently, we can ensure that as many customers as possible have access to energy. The letter sent to Parliament this spring, in which the outlines of the national energy system plan were presented, made it clear that we all have a part to play in the transition to the energy system of the future.

Our energy will continue to be a hot topic, a topic deserving everyone's attention.

Management Board of Alliander N.V., 25 July 2022

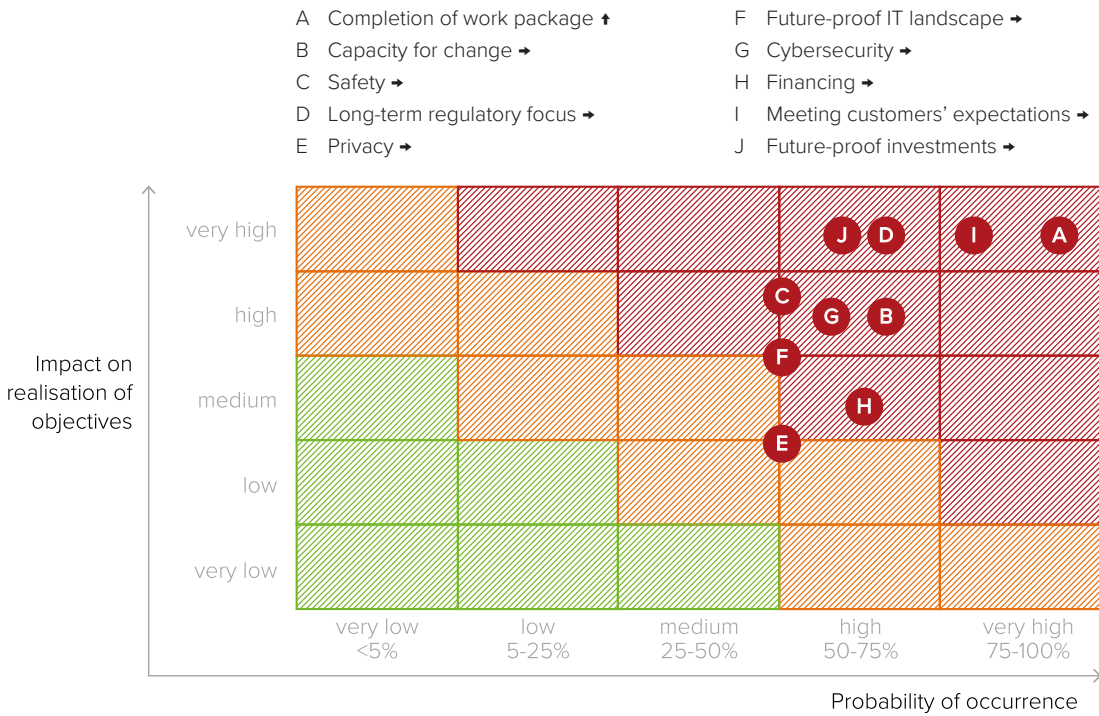


Left to right: Daan Schut (CTO), Marlies Visser (COO), Maarten Otto (CEO), Walter Bien (CFO)

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.

At Alliander, 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 potential impact on our strategic objectives and the probability of occurrence determine which risks we see as our main risks.



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?

The volume of work, especially in the electricity domain, is increasing faster than anticipated due to the energy transition and economic growth. The shortage of technical staff on the labour market, lengthy training and volatility in the forecasts concerning the type and volume of work make timely scaling up of capacity challenging. In addition, we are seeing a scarcity of certain materials on the market, a situation that is partly due to the conflict in Ukraine. The result is that an increasing proportion of the work cannot be executed and is being postponed, which in turn leads to climate goals not being achieved. The stepping up of these climate objectives means even more pressure. As yet, there is insufficient insight into the effect that the expected greening of the gas supply will have. In any case, in the medium term – up to 2030 – it looks as though we still have a major task ahead of us to get all the work done.

How is the risk managed?

Alliander is addressing the challenge surrounding the completion of its work package by seeing that more work gets done, doing more to prevent unnecessary extra work, and making better use of the existing grid infrastructure. For example, we can complete more work by focusing on early coordination with stakeholders, to shorten lead times for example. Furthermore, we are taking measures to recruit, train and retain technical personnel, accelerate the completion of the larger work packages and have the assets available to the market faster. We are also increasing productivity by simplifying, optimising and digitalising processes. Additionally, we are developing infrastructure for heat and sustainable gases that complements the maintenance and expansion of the capacity for electricity.

Where possible, we prioritise the work, we work on smart solutions to ensure better utilisation of the available network capacity and form coalitions in the sector and the supply chain. We are making better use of the existing grid through the application of smart solutions and customer flexibility, thus reducing peak loads and enabling more customers to be connected without expanding the grid. 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.

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 commitments. At the same time, we are dealing with an organisation in which employees are under increasing pressure due to the challenges we face and uncertainty about whether and how we will be able to fulfil our task, certainly for the sake of our customers but also for each other. Covid-19 has also put the company and its employees under pressure. If we are unable to make the necessary changes, that could pose a threat to achieving our strategic goals.

How is the risk managed?

To increase the capacity for change, we work on the basis of one common goal: being an agile, effective and cost-efficient organisation that works together as one team. This means addressing our strategy, our organisation and our culture and leadership. We work towards that common goal by adopting a clear strategy and making choices. Based on this strategy, critical success factors and performance indicators are defined for all levels of the organisation. We seek to have an agile, effective and cost-efficient organisation by being aware of each other's production processes, continuing to develop the organisation structure and implementing a new Alliander consultative structure. We make use of strategic staff planning so that we can quickly and proactively respond to staffing developments in a much more targeted manner. We work as one team by drawing up new leadership profiles and developing activities to promote professional skills, lasting personal effectiveness, and inclusivity. We also invest in leadership by organising leadership days at various levels.

Safety →

What is the risk?

Our activities involve health and safety risks for our employees, contractors, customers and local communities. There are two types of safety risk: the one is the possibility of employees being injured when working on or near the grids, and the other is the potential for explosions, fire, short circuit, gas leaks (resulting in asphyxiation) or other accidents that can occur as a result of an asset failure. Despite all the measures, there always remains the risk of an accident occurring that results in death or injury, especially now when Alliander's work package is increasing and we are working with less experienced staff and with new methods and technologies. The potential impact is huge.

How is the risk managed?

We lay the foundation for safety by working to ensure the safety of our networks and assets, working safely on the networks, and reinforcing our safety culture. We guarantee the safety of our grids by always making safety an integral part of the design and selection criteria when choosing new asset standards and in our calls for tenders. We evaluate incidents so that we can learn from them. We approach working safely on the grids by obtaining an understanding of the safety risks and translating the necessary measures into work instructions. We ensure that only qualified employees carry out the work. Managers supervise compliance with work instructions and the use of PPE by carrying out workplace inspections and safety observation rounds, among other measures. We also analyse incidents so that we can learn from them. Lastly, we seek to bolster the safety culture by discussing safe working practices in the workplace and learning from incidents. Alliander is building a safety culture of learning and achievement, where risks are recognised and discussed and action is taken where necessary, all of this with the aim of making 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 the risk 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 →

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 the risk managed?

We work on raising privacy awareness by training employees. We have a privacy policy for the design, implementation, management, monitoring and continuous improvement of privacy. We keep track of which personal data are processed and for what purpose in data processing registers. We provide access control for application users and administer and manage users of our IT systems. We also practice Privacy by Design when designing new processes or making changes to existing ones. Furthermore, we safeguard privacy in our data processing agreements with suppliers. Lastly, we have a procedure for assessing data breaches and for reporting incidents, where necessary, to the data protection authority in a timely and correct manner.

Future-proof 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 the risk managed?

We are investing in the long-term development of our core systems: we are prioritising making a blueprint of them and planning how to tackle these systems. We are also putting together IT Guidelines & Principles (such as information security) that describe boundaries and freedoms for IT development, to create a clear scope of action for the various teams. At the same time, we are documenting policies and communicating them. In addition, we are defining a long-term vision for our IT landscape and creating an overview of our applications and technical building blocks.

Cybersecurity →

What is the risk?

Our energy networks and above-ground installations are increasingly being digitalised. Cyberattacks with a political or terrorist motive are increasingly targeting vital infrastructure. Topical events which attract world-wide attention affect this threat assessment. Ransomware – maliciously encrypting files and systems before demanding a ransom to make them accessible again – has developed to such a degree that it poses a risk to the Netherlands' national security. Disruptions to or outages of the digital infrastructure can lead to disruptions in daily life or even to a breakdown of society, especially when the electricity system is targeted.

How is the risk managed?

The CISO Office has overall responsibility for the entire information security process and therefore has a key role in managing cybersecurity risks. We manage this risk by working on our digital resilience and by applying the ISO CyberSecurity Framework. We seek to identify threats and vulnerabilities by making use of Alliander Security Governance, the Security Policy, risk identification and external sources. We protect Alliander from cybersecurity risks through effective risk management and by having a culture in which security by design is a key requirement in all business processes and solutions. We detect risks by actively monitoring identified threats and we respond effectively by resolving and further investigating security incidents. Finally, risk control is set up to enable recovery when cyber risks occur: we have organised business continuity management and set up Disaster Recovery Plans for this purpose.

Financing →

What is the risk?

As the Climate Agreement was further defined, greater clarity was created on the level of investment needed for the energy transition. Network operators will see their investments increase considerably. Current regulatory methods provide for compensation during the service life 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 over the course of 40 years. The increase in investments brings with it a significant increase in our financing needs that may put pressure on our financial ratios and our credit rating.

How is the risk managed?

In view of our enormous investment task, for some time now we have committed ourselves to being cost consciously and working more efficiently. Last year, our shareholders also added €600 million to strengthen our equity position; however, additional capital is required if we are to be able to carry out the necessary investments. Together with our shareholders we are discussing this with the Dutch government. We welcome the fact that in a recent letter to Parliament the ministers Kaag and Jetten stated that they see a capital contribution, and by the State becoming a shareholder, as part of a structural solution for the capital needs of Alliander, Enexis and Stedin, a solution that needs to be developed further. Over the coming period, we will engage with them to discuss the further design and conditions of a potential shareholding by the Dutch central government.

Meeting customers' expectations →

What is the risk?

It is becoming increasingly difficult to meet customers' expectations. The shortage of transmission and distribution capacity is worsening and waiting periods for connections are getting longer. Interaction with customers is increasing too. All this has an impact on our customers and requires good, timely personal communication. At the same time, our customers have increasingly higher expectations concerning transparency and service provision. Consumers are uniting on specific topics, and social and conventional media magnify issues. National and regional media are focusing more attention on network operators as well. This can cause customers to regard Alliander less positively, reducing public support for our work as a network operator.

How is the risk managed?

We are seeking to influence the image of our work by aiming to act before incidents happen. We are introducing guidelines on communicating with people who live in the surrounding area, and on customer policy. Our contractors also have to comply with these guidelines. Our communication strategy is proactive, timely and transparent and shows what action the customer can take. We take a regional and customer-specific approach through various channels, with focal points per topic such as the shortage of transmission capacity, waiting times for connections, the shortage of low-voltage electricity and the image of our day-to-day work.

Future-proof investments →

What is the risk?

We take a long-term view when making investments in the energy infrastructure. Every investment we make is designed to meet both the needs of today and set us up for success in the future, which means that each investment needs to last for at least 40 years. At the same time, we are dealing with an environment in which political and other choices are made which encourage developments under current market conditions leading to an energy solution that is not appropriate from the perspective of the ideal system in the long term. This may lead to suboptimal investments which will not be fully utilised up to the end of their useful lives, duplicate infrastructures and therefore higher costs for the infrastructure and for society. It can also lead to a greater challenge in terms of the task feasibility and delays in achieving the goals of the energy transition.

How is the risk managed?

In line with our obligation in this regard, we connect customers to the electricity grid when they put in a request to that effect. We also talk to customers to discuss the reason for the request and to offer them alternatives. In the short term, we show the sectors in which investments should be made for sustainable energy generation for the next 20 years. We thereby provide quantitative evidence for our lobbying activities. We are also conducting discussions in the relevant regions to get the problem on the agenda. The discussions about the areas being explored on the basis of the Regional Energy Strategy (RES) plans provide a platform for putting the problem on the agenda and for agreeing mitigating measures with our stakeholders for long-term prioritising and programming.

Legal proceedings and claims

A number of claims connected to normal business operations were filed against Alliander as of and immediately after the balance-sheet date. Alliander was also involved in a number of lawsuits at the balance-sheet date, connected with normal business operations. These claims and 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 transmission capacity.

Financial performance

General

Profit after tax over the first half of 2022 was down €12 million on the corresponding period in 2021, coming in at €107 million. The lower result is mainly due to cost increases as a result of rising energy prices and the higher purchasing costs charged by TenneT, which offset the gains through the ending of the sufferance tax and growth in revenue. Furthermore, the sale of our share in Stam & Co had a positive impact of €13 million on our net profit in the first half-year. Last year, we sold part of our shareholding in the entity 450connect GmbH and this had a positive impact of €10 million on our net profit in the first half of 2021.

Profit from continuing operations excluding incidental items and fair value movements was €88 million, which is €22 million down on the corresponding period in 2021.

Investments in the first half of 2022 totalled €579 million, which is €114 million higher than in the same period last year. This high level of investment cannot be financed from the operating cash flows; we were able to finance this through the convertible bond loan of €600 million received from the shareholders in December 2021. We also paid out €101 million in dividend on the profit in 2021. Taken together, the result was an increase in the net debt position of €422 million to €2,981 million (31 December 2021: €2,559 million). FFO/net debt ratio as at the end of the first half of 2022 was 22.0% (31 December 2021: 25.8%).

Income statement

Operating income

In the first half of 2022, the total operating income was up €14 million on the same period in 2021. This increase is mainly due to the higher regulated-domain revenues for electricity, which have risen as a result of the larger number of connections. The operating income in 2022 includes non-recurring income from the sale of our shareholding in Stam & Co, and in 2021 the sale of part of Alliander's share in the German entity 450connect.

Operating expenses

Total operating expenses in the first half of 2022 came in at €927 million (first half of 2021: €912 million). The main deviations are as follows:

- The costs of purchasing energy for offsetting grid losses were €75 million higher than in the first half of 2021. This is due to the rise in the energy prices we pay on the market when purchasing energy to offset grid losses. In addition to this price effect, there is also a 'negative volume effect', which is caused by the difference between the estimated, and therefore purchased, energy to offset grid losses and the actual allocation; in 2022, this led to a charge of €24 million relating to the 2021 allocation.
- The costs for transmission capacity that TenneT charges us were €17 million higher than in the first half of 2021, which can be explained by the higher tariffs TenneT applies.
- Depreciation costs were €20 million higher than in the same period in 2021. This increase is the result of the high level of investment in recent years, as well as the application since 2022 of the declining balance method for the depreciation of assets in our gas network, which had an impact of €7 million.
- A few years ago, the legislative powers agreed to abolish the sufferance tax charges on electricity and gas infrastructure. This means that as of 2022 municipalities can no longer charge Liander for sufferance taxes. As a result, expenses were €77 million lower compared to the first half of 2021.
- Employee benefit expenses were down €3 million on last year, mainly due to the lower costs for the leave provision. In 2021, only a limited amount of leave was taken as a result of Covid-19, which led to an expense for Alliander that was €9 million higher than in 2022. Despite the sale of subsidiary Stam & Co (-135 FTEs), the total workforce has grown by 88 FTEs compared to the payroll figure in mid-2021. This increase is not sufficient to ensure that our work package can be completed. Job vacancies are difficult or even impossible to fill due to the tight labour market, with the result that personnel must be hired on a temporary basis, a situation that led to a cost increase of €11 million relative to 2021. Despite the sale of Stam & Co, the own-company capitalized production is at a level comparable to 2021.

Finance income and expenses

Finance income and expenses in the first half of 2022 resulted in a net expense of €24 million (first half of 2021: €21 million).

Tax

The effective tax burden (the tax burden expressed as a percentage of profit before tax excluding profit/loss after tax from associates and joint ventures) is influenced by, among other things, non-deductible costs, substantial-holding privilege and tax deductions for investments. The effective tax burden for the whole of 2022 is expected to be slightly above 25%, with a nominal tax rate of 25.8%.

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 st half Incidental items and fair value movements		Excluding incidental items and fair value movements	
	2022	2021	2022	2021	2022	2021
Revenue	1,055	1,046	-	-	1,055	1,046
Other income	40	35	13	15	27	20
Total purchase costs, costs of subcontracted work and operating expenses	-809	-815	4	-12	-813	-803
Depreciation and impairments	-260	-241	-	-3	-260	-238
Own work capitalised	142	144	-	-	142	144
Operating profit (EBIT)	168	169	17	-	151	169
Finance income/(expense)	-24	-21	-	-	-24	-21
Result from associates and joint ventures	2	10	4	9	-2	1
Profit before tax	146	158	21	9	125	149
Tax	-39	-39	-2	-	-37	-39
Profit after tax from continuing operations	107	119	19	9	88	110
Profit after tax	107	119	19	9	88	110

Notes to incidental items

In January 2022, we sold our subsidiary Stam & Co, which led to a one-off positive sales result of €13 million; this item is recognised under other income.

The sale of part of our shareholding in 450connect GmbH had a positive impact of €10 million on our net profit in the comparative figures for 2021. The effect is reflected in the revenue, other operating expenses, depreciation and the profit/loss from associates.

Sale of 450connect

€ million	
Other income	15
Operational costs	-11
Depreciation	-3
Results of associates and joint ventures	9
Net profit	10

The incidental expenses included in the purchase costs, costs of subcontracted work and operating expenses in the first half of 2022 amounted to €3 million and relate to the release of the provision made following a dispute concerning the past sale of an associate. The incidental expenses in 2021 amounted to €1 million and relate to reorganisation costs.

The payment of €4 million from a trust office in which Alliander holds 100% of the depositary receipts for shares has been classified as incidental income, which has been recognised as the result of the non-consolidated participating interest.

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

Segment results

The operating profit for the Liander segment for the first half of 2022 totalled €152 million, a drop of €28 million compared to the first half of 2021. This decrease can mainly be attributed to the higher costs of purchasing energy to offset grid losses and higher costs of transmission capacity that TenneT charges us, as well as to the higher depreciation expense resulting from the higher level of investment and the application starting in 2022 of the declining balance method for depreciating assets in the gas network. The higher costs were offset in part by the ending of the municipal 'sufferance tax' in 2022 and by an increase in regulated revenue from electricity as a result of the increased number of connections.

The Other segment (mainly comprising unregulated activities, corporate staff departments and service units) posted an operating loss of €1 million (first half of 2021: a loss of €11 million).

Cash flow

Cash flow from operating activities

The cash flow from operating activities in the first half of 2022 was €181 million (first half of 2021: €256 million). This €75 million drop was caused primarily by the increase in the working capital.

Cash flow from investing activities

The cash flow from investing activities in the first half of 2022 amounted to an outflow of €482 million (first half of 2021: outflow of €359 million). Investments in property, plant and equipment in the first half of 2022 totalled €579 million (first half of 2021: €465 million). This increase is the main reason for the lower investment cash flow. In addition to the investments, the cash flow from investing activities was affected by the sale of our shareholding in Stam & Co in 2022 (€21 million) and by the sale of part of our shareholding in 450Connect in 2021 (€28 million).

Investments in property, plant and equipment

Alliander's investments totalled €579 million in the first half of 2022 (first half of 2021: €465 million). Investments in electricity grids totalled €424 million (first half of 2021: €335 million), while investments in the gas grids totalled €70 million (first half of 2021: €66 million). At €142 million, maintenance costs in the first half of 2022 were lower than in the same period in 2021 (€175 million).

€ million	Realised until June 2022	Realised until June 2021	Target at year-end 2022	Realised 2021
Electricity	424	335	826	725
Gas	70	66	119	134
Metering devices	25	26	54	51
Other	60	38	191	104
Total investments	579	465	1,190	1,014
Maintenance costs	142	175	311	337
Total maintenance costs and investments	721	640	1,501	1,351

Cash flow from financing activities

The cash flow from financing activities in the first half of 2022 was a cash outflow of €74 million, compared with an inflow of €19 million in the corresponding period in 2021. No external financing was raised in 2022, so the cash flow consists of the dividend paid (€101 million) and the payment of the coupon rate (€8 million), offset by an incoming cash flow of €55 million for security deposits received. The net cash inflow of €19 million in 2021 mainly concerns having acquired ECP funding (€125 million), which was partly cancelled out by the dividend payment.

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 2022, all four ratios satisfied the predefined standards.

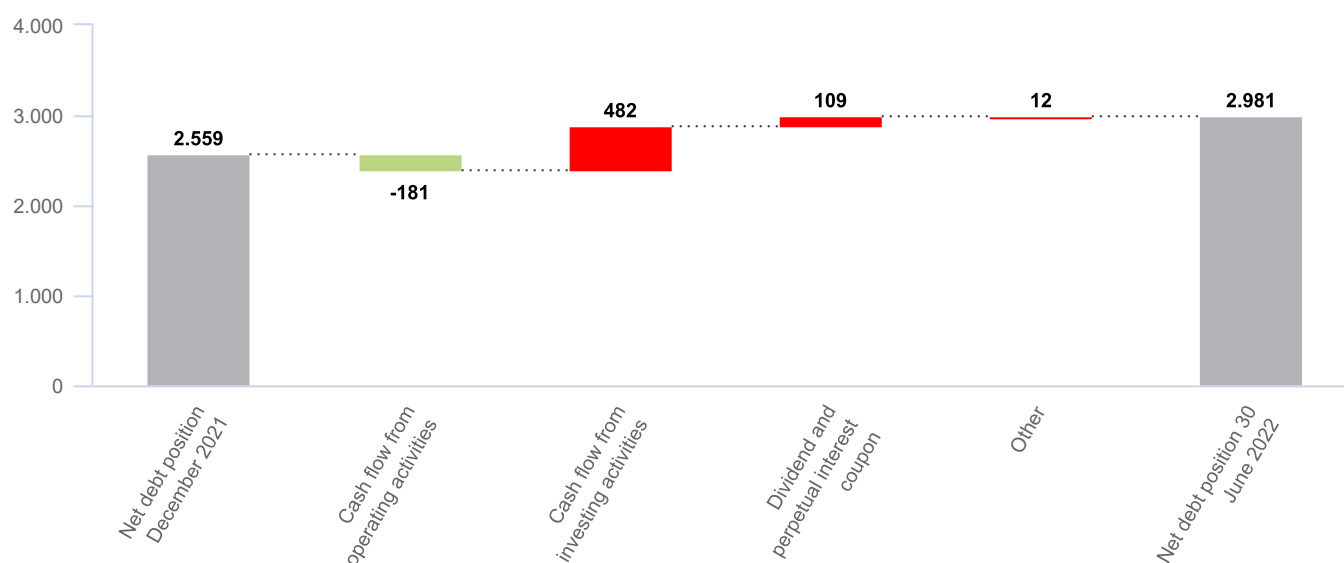
The general principles of the financial policy are to ensure a balanced repayment schedule and to have access to committed credit facilities and sufficient cash and cash equivalents. By operating within the financial framework and in accordance with the general principles, a solid A rating profile is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

Credit rating

There have been no changes in the credit ratings of S&P (A+/A-1/stable outlook) or Moody's (Aa3/P-1/stable outlook) over the past six months.

Net debt position and financing

The net debt position as at 30 June 2022, based on IFRS, amounted to €3,032 million (year-end 2021: €2,610 million). Based on Alliander's financial policy, it was €2,981 million (year-end 2021: €2,559 million). This €422 million increase is explained mainly by reduced cash flow from operating activities in relation to investments combined with dividend of €101 million paid in 2022.



Reconciliation of net debt position

€ million	30 June 2022	31 December 2021
Long-term interest-bearing debt	2,627	2,630
Short-term interest-bearing debt	528	481
Lease liabilities	126	123
Gross debt	3,281	3,234
Cash and cash equivalents	249	624
Net debt in accordance with the annual financial statements (IFRS)	3,032	2,610
50% of the subordinated perpetual bond	248	248
50% of the convertible shareholder loan	-299	-299
Net debt on the basis of Alliander's financial policy	2,981	2,559

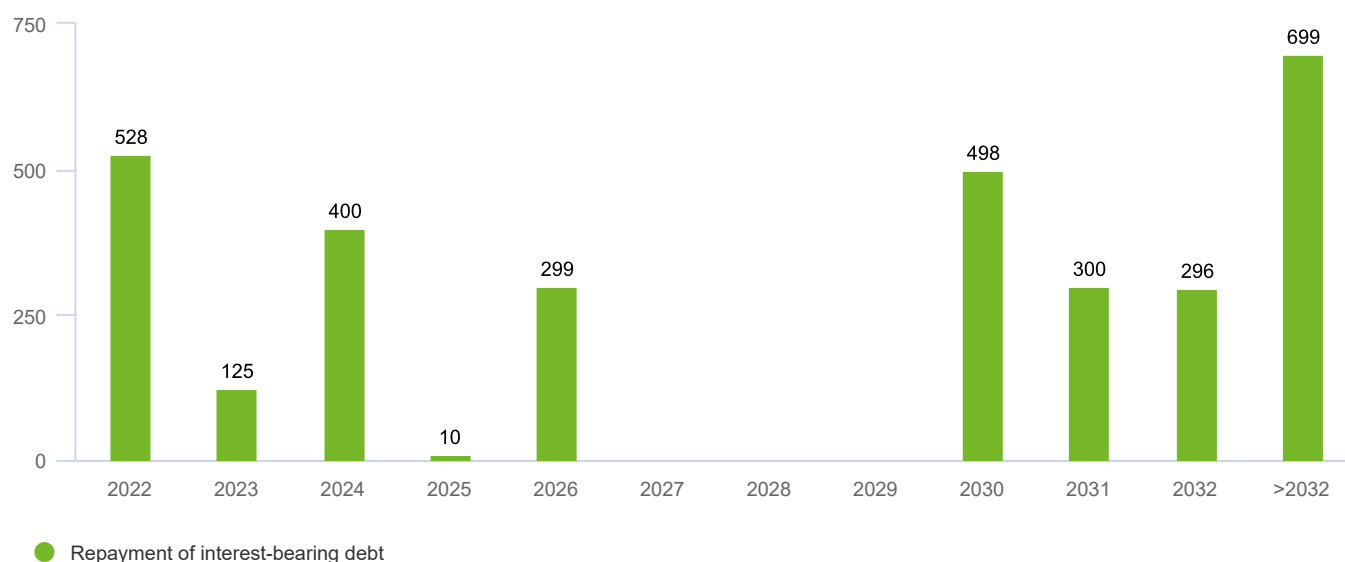
Credit facilities

As at mid-2022, Alliander has at its disposal a revolving credit facility (RCF) for a total amount of €900 million, running until the end of December 2026. The RCF had not been drawn upon as at 30 June 2022 (unchanged from 31 December 2021). Aside from that, Alliander has EMTN programme of €3.0 billion, under which notes to a value of €2.0 billion were in issue as at 30 June 2022 (year-end 2021: €2.0 billion), and two ECP programmes with a total amount of €1.5 billion, under which no short-term commercial paper was in issue as at 30 June 2022 (31 December 2021: nil). Repayments in the first half of 2022 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.

Available green financing capacity

Alliander has arranged four green financing facilities since 2016, including three green bond loans. The funds from 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/en/investors/financing/green-bonds/>). These assets and financing facilities are accounted for in separate reports (<https://www.alliander.com/en/investors/financing/green-bonds/>). A summary referred to as the allocation table forms part of these reports. This summary gives information on the size and composition of Alliander N.V.'s green asset portfolio and green financing facilities.

Repayment schedule for interest-bearing debt



Allocation table: use of funds available from green financing facilities

€ million	Net carrying amount	Weighting factor	Weighted sum
Electricity network (distribution network and connections)	3,796	33.4%	1,268
Total renewable energy	3,796	33.4%	1,268
Smart meters	521	100.0%	521
Fibre optic network	48	100.0%	48
Total energy efficiency	569	100.0%	569
Duiven office building	65	100.0%	65
Total green buildings	65	100.0%	65
Total green asset portfolio			1,902

€ 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
Total green financing				1,200

The table above is the updated version as included in the 2020 Green Finance Report dated 15 September 2020.

The table shows that the net carrying amount of green assets at 30 June 2022 was €1,902 million. This represents an increase of €74 million since 31 December 2021. As a result, €702 million in green financing capacity was available as at 30 June 2022.

The weighting factor for the renewable energy asset category as at 31 December 2021 has been determined as 33.4% (source: energieopwek.nl). This relates to the share of renewable energy generation in the total production 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 declares that, to the best of its knowledge:

1. The consolidated half-year financial statements for 2022 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 2022 for Alliander N.V. and its consolidated group companies.

Arnhem, 25 July 2022

Management Board

Maarten Otto, CEO

Walter Bien, CFO

Marlies Visser, COO

Daan Schut, CTO

Condensed consolidated half-year results 2022

Consolidated income statement

<i>€ million</i>	2022	1 st half	2021
Income			
Revenue	1,055		1,046
Other Income	40		35
Total income		1,095	1,081
Operating expenses			
Purchase costs and costs of subcontracted work	-371		-294
Employee benefit expenses	-347		-350
Other operating expenses	-91		-171
Total purchase costs, costs of subcontracted work and operating expenses	-809		-815
Depreciation and impairment of property, plant and equipment	-260		-241
Less: Own work capitalised	142		144
Total operating expenses		-927	-912
Operating profit		168	169
Finance income		-	5
Finance expense		-24	-26
Result from associates and joint ventures after tax		2	10
Profit before tax from continuing operations		146	158
Tax		-39	-39
Profit after tax		107	119

Consolidated statement of comprehensive income

<i>€ million</i>	2022	1 st half	2021
Profit after tax		107	119
Other elements comprehensive income			
Elements that are not settled through the income statement			
Change in cash flow hedge reserve		-	-
Comprehensive income		107	119

Consolidated balance sheet

€ million	30 June 2022	31 December 2021
Assets		
Non-current assets		
Property, plant and equipment	8,829	8,501
Right-of-use assets	125	120
Intangible assets	319	320
Investments in associates and joint ventures	13	17
Other financial assets	67	60
Deferred tax assets	146	149
Total non-current assets	9,499	9,167
Current assets		
Inventories	83	63
Trade and other receivables	339	339
Corporate tax	42	45
Cash and cash equivalents	249	624
Total current assets	713	1,026
Assets held for sale	-	16
Total assets	10,212	10,209
Equity & liabilities		
Equity		
Share capital	684	684
Share premium	671	671
Subordinated perpetual bond	495	495
Hedge reserve	-2	-2
Other reserves	2,516	2,380
Result for the period	107	242
Total equity	4,471	4,470
Liabilities		
Non-current liabilities		
Interest-bearing debt	2,627	2,630
Lease liabilities	104	102
Deferred income	1,941	1,906
Provisions for employee benefits	24	28
Other provisions	26	28
Total non-current liabilities	4,722	4,694
Short-term liabilities		
Trade and other payables	175	152
Tax liabilities	58	92
Interest-bearing debt	528	481
Lease liabilities	22	21
Provisions for employee benefits	56	38
Accruals and deferred income	180	252
Total short-term liabilities	1,019	1,036
Total liabilities	5,741	5,730
Liabilities held for sale	-	9
Total equity and liabilities	10,212	10,209

Consolidated cash flow statement

<i>€ million</i>	2022	1 st half	2021
Cash flow from operating activities			
Profit after tax		107	119
Adjustments for:			
- finance income and expense		24	21
- tax		39	39
- profit after tax from associates and joint ventures		-2	-10
- Depreciation and impairment less amortisation		219	202
- Book result sale Stam & Co		-13	-
Changes in working capital:			
- Inventories	-20		3
- Trade and other receivables	-		-56
- Trade and other payables and accruals	-83		20
Total changes in working capital		-103	-33
Changes in deferred tax, provisions, derivatives and other		-7	5
Cash flow from operations		264	343
Net interest paid	-23		-24
Corporate income tax paid	-60		-63
Total		-83	-87
Cash flow from operating activities		181	256
Cash flow from investing activities			
Investments in property, plant and equipment	-579		-465
Construction contributions received	76		78
Sale of subsidiaries	21		28
Repayment on long-term loans granted	-		3
Cash flow from investing activities		-482	-359
Cash flow from financing activities			
Repayment on long-term loans	-8		-7
Issued (repaid) ECP	-		136
Collected deposits	55		-
Repayment lease liabilities	-12		-11
Dividend paid	-101		-94
Reimbursement on subordinated perpetual bond	-8		-8
Cash flow from financing activities		-74	19
Net cash flow		-375	-84
Cash and cash equivalents as at 1 January		624	298
Net cash flow		-375	-84
Cash and cash equivalents as at 30 June		249	214

Consolidated statement of changes in equity

€ million	Equity attributable to shareholders and other providers of equity						
	Share capital	Share premium	Subordinated perpetual bond	Hedge reserve	Other reserves	Profit for the year	Total
As at 1 January 2021	684	671	495	-2	2,256	224	4,328
Profit after tax for the first half of 2021	-	-	-	-	-	119	119
Comprehensive income for the first half of 2021	-	-	-	-	-	119	119
Movements for the first half of 2021							
Other ¹	-	-	-	-	-1	-	-1
Reimbursement on subordinated perpetual bond after tax	-	-	-	-	-6	-	-6
Dividend for 2020	-	-	-	-	-	-94	-94
Profit for appropriation for 2020	-	-	-	-	130	-130	-
Total movements for the first half of 2021	-	-	-	-	123	-224	-101
As at 30 June 2021	684	671	495	-2	2,379	119	4,346
Profit after tax for the second half of 2021	-	-	-	-	-	133	133
Other ¹	-	-	-	-	1	-	1
As at 31 December 2021	684	671	495	-2	2,380	242	4,470
Profit after tax for the first half of 2022	-	-	-	-	-	107	107
Comprehensive income for the first half of 2022	-	-	-	-	-	107	107
Movements for the first half of 2022							
Other ¹	-	-	-	-	1	-	1
Reimbursement on subordinated perpetual bond after tax	-	-	-	-	-6	-	-6
Dividend for 2021	-	-	-	-	-	-101	-101
Profit appropriation for 2021	-	-	-	-	141	-141	-
Total movements for the first half of 2022	-	-	-	-	136	-243	-106
As at 30 June 2022	684	671	495	-2	2,516	107	4,471

¹ Rounding differences are shown under 'Other'.

Dividend

Dividend for the 2021 financial year (€101 million) was paid in April 2022 (€0.74 per share).

Subordinated perpetual bond loan

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 the other reserves. The annual coupon rate amounted to €8 million and it was paid out on 30 June 2022.

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 2022. 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 2021 annual report, which can be found at www.alliander.com, apart from the following changes in standards and interpretations effective as from 1 January 2022.

New or amended IFRS standards for 2022

In 2022, the following IFRS amendments apply:

- Amendment to IFRS 3 'Reference to the Conceptual Framework'
- Amendment to IAS 16 'Proceeds before Intended Use'
- Amendment to IAS 37 'Onerous Contracts - Cost of Fulfilling a Contract'
- Annual Improvements to IFRS Standards 2018 - 2020
 - Amendment to IFRS 1 'Subsidiary as a First-time Adopter'
 - Amendment to IFRS 9 'Fees in the "10 per cent" Test for Derecognition of Financial Liabilities'
 - Amendment to IFRS 16 'Illustrative Example 13 - Lease Incentives'

This half-year report was prepared in compliance with these EU-endorsed amendments. However, none of these changes had 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. In particular, this concerns the following: the measurement of provisions; the calculation of grid losses in gas and electricity; deciding the useful lives of items of property, plant and equipment; determining any indication of impairment of items of property, plant and equipment; revenue recognition; measurement of trade receivables; and the calculation of the size of the deferred tax assets and 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 half-year report. The judgements, 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 estimations

2022

Since 1 January 2022, the variable declining balance method has been used for depreciation of the gas assets. An acceleration factor of 1.2 is applied. The change in depreciation methodology is largely in response to an expected decrease in the utilisation of our gas assets as alternative energy sources become more predominant. The declining-balance method has been chosen as this method is better suited to the expected future decrease in the number of users of the gas network. The acceleration factor of 1.2 is based on the expected rate at which the number of users of the gas network will decrease.

Alliander also estimates that the decrease in the number of users of the gas grid will not lead to large-scale decommissioning of the gas assets. Despite a decrease in the number of users of the gas network, the main infrastructure of the grid will remain largely operational. In addition, it is expected that natural gas will continue to be of relevance, along with sustainable alternatives such as green gas and hydrogen. Therefore, this does not imply a reduction in the useful life of the gas assets.

From 1 January 2022, the amortisation pattern of the contributions received in advance for the gas assets will also be adjusted according to the variable declining balance method, with the effect that the net depreciation charges (gross depreciation less the amortised contributions) for the gas assets will follow a declining pattern.

As a result of the change in the estimation method, gross depreciation charges relating to gas assets were €9million higher in the first half of 2022 and amortised contributions were €2 million higher. The net depreciation expense is therefore €7 million higher than it would have been if the straight-line depreciation method had been maintained.

2021

From 1 January 2021, the depreciation periods for 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. This adjustment reduced the provision by €1 million in 2021.

Business combinations

Alliander did not enter into any new business combinations in the first half of 2022 or 2021.

Sale of Stam & Co

On 10 January 2022, Alliander sold its shares in the contractor Stam Heerhugowaard Holding B.V. (Stam & Co) to the Van Gelder Group. Alliander received a total of €21 million in this transaction. The book profit was €13 million, which was recognised in other income. At year-end 2021, Stam & Co's assets and liabilities were classified as held for sale in Alliander's consolidated balance sheet. All Stam's 137 employees moved with the company. Under Van Gelder, Stam & Co will have further scope for development and can benefit from more economies of scale. The sale fits in with the new contracting strategy that came into effect in 2021.

Sale of 450connect

Last year, Alliander AG sold 75% of its shares in its subsidiary 450connect GmbH, in two instalments, to a number of German energy companies for a total of €36 million. The net book gain was €10 million. These German companies serve more than half of the German energy market. The sale of this stake allowed the licence for the 450MHz network to be granted in 2021, with a term running up to 2040.

Segment information

To comply with IFRS 8, Alliander distinguishes the following reporting segments in 2022:

- 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.

Product segmentation

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

Revenue in 2022 amounted to €1,055 million (2021: €1,046 million), with other income of €40 million (2021: €35 million). In total, external revenue came in at €1,095 million (2021: €1,081 million). This increase in external revenue is due largely to the increase in the regulated-domain revenue for electricity as a result of an increase in the number of connections.

Reconciliation of segment operating profits and consolidated profit

€ million	1 st half	
	2022	2021
Consolidated segment operating profits excluding incidental items	151	169
Incidental items and fair value movements	17	-
Finance income and expense	-24	-21
Share in results from associates and joint ventures	2	10
Profit before tax from continuing operations	146	158

Primary segmentation for first half-year

€ million	Network operator Liander		Other		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Operating income								
External income	967	959	115	122	-	-	1,082	1,081
Internal income	1	2	169	196	-170	-198	-	-
Operating income	968	961	284	318	-170	-198	1,082	1,081
Operating expenses								
Operating expenses	816	781	285	329	-170	-198	931	912
Operating profit	152	180	-1	-11	-	-	151	169

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
Total assets	8,894	8,528	3,813	3,838	-2,495	-2,283	10,212	10,209
Total liabilities	6,306	6,158	3,523	3,463	-4,088	-3,891	5,741	5,730

Product segmentation

In compliance with IFRS 15, the following table discloses revenue broken down by product (product segmentation).

€ million	Segmentation consolidated revenue to products						
	Total	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 2022	1,055	644	166	55	51	30	109
Revenue for the first half of 2021	1,046	625	171	54	49	29	118

1 TAD: Transmission and connection service

2 KVB: Small consumers

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

€ million	Geographical segmentation consolidated revenue		
	Total revenue	The Netherlands	Abroad
Revenue for the first half of 2022	1,055	1,033	22
Revenue for the first half of 2021	1,046	1,024	22

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.

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 2022 (31 December 2021: €2 billion) and two ECP programmes of in total €1.5 billion, under which no short-term commercial paper was in issue as at 30 June 2022 (31 December 2021: nil).

Cross-border leases

In the period from 1998 to 2000, subsidiaries of Alliander N.V. entered into cross-border lease transactions for networks with US investors. 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 fees earned on the cross-border leases were recognised in the year in which the transaction in question was concluded. Two of the three still current cross-border leases were terminated prematurely in December 2021. Consequently, there are no longer any gas or district heating networks with an American lease. The electricity network in the Randmeren region is the only one still held under a cross-border lease, which is due to expire at the beginning of 2025.

There are conditional and unconditional contractual rights and obligations relating to the remaining cross-border lease transaction. The total net carrying amount of the network covered by the cross-border lease as at mid-2022 was in the range of €310 million (year-end 2021: €300 million). As at mid-2022, a total of \$663 million was held on deposit with several financial institutions or invested in securities in connection with the transaction (2021: \$715 million).

Since no powers of disposal exist over the investments and associated liabilities, they are not regarded as assets and liabilities of Alliander and the respective amounts are not recognised in Alliander's consolidated financial statements.

As at mid-2022, the strip risk (the portion of the termination value – the possible compensation payable to the American counterparty in the event of premature termination of the transaction – that cannot be settled from the deposits and investments held for this purpose) for the current transaction was \$30 million (2021: \$22 million). The strip risk is affected to a great extent by market developments.

As a consequence of the termination of the previously mentioned cross-border leases in December 2021, the sub-subleases to Vattenfall Warmte for the district heating networks in Duiven-Westervoort and Almere-Stad belonging to Liander N.V. were also automatically terminated. We have agreed with Vattenfall that an agreement will be reached on the future of these networks by 1 December 2022. Until then, the district heating networks will be rented out to Vattenfall Warmte on the basis of the agreements in the terminated sub-subleases as far as possible. In anticipation of this, the district heating networks that belonged to Liander were hived off to form two separate companies, the shares of which will be held by Alliander N.V. As at mid-2022, the total carrying amount of the leased district heating networks and associated meters was €92 million (year-end 2021: €95 million).

Related parties

The Alliander group has interests in various associates and joint ventures, over which Alliander N.V. exercises either significant influence but not control or 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 of €0 million (first half of 2021: €0.4 million) and to joint ventures of €59 million (first half of 2021: €56 million); purchase of goods and services from associates of €16 million (first half of 2021: €19 million) and from joint ventures of €97 million (first half of 2021: €89 million).

As at the end of June 2022, Alliander had receivables of €20 million (2021: €20 million) in respect of loans granted to related parties and receivables of €20 million in respect of a current account overdraft facility with related parties (year-end 2021: a liability of €0.3 million).

Information on risks and financial instruments

Financial risks

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 2021 consolidated financial statements. The risk management process and the risk management policy have not changed since year-end 2021. Alliander has not sustained any material credit losses in the first half of 2022.

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 cost

€ million	30 June 2022		31 December 2021	
	Fair value	Level	Fair value	Level
Non-current assets				
Other financial assets	60	2	61	2
Liabilities				
Non-current liabilities				
Lease liabilities	-		-	2
Interest-bearing debt:				
Euro Medium Term Notes	-1,415	1	-1,648	1
Other interest-bearing debt	-965	2	-1,002	2
Total non-current liabilities	-2,380		-2,650	
Short-term liabilities				
Interest-bearing debt:				
Euro Medium Term Notes	-403		-409	
Euro Commercial Paper	-	2	-	2
Other interest-bearing debt	-132	2	-85	2
Total short-term liabilities	-535		-494	
Total liabilities	-2,915		-3,144	

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 the 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: Board of Directors and supervisory board of Alliander N.V.

Our conclusion

We have reviewed the interim financial information for the period from 1 January 2022 to 30 June 2022 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 2022 to 30 June 2022 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 income statement for the period from 1 January 2022 to 30 June 2022.
- The consolidated statement of comprehensive income as at 30 June 2022.
- The consolidated balance sheet as at 30 June 2022.
- The consolidated cash flow statement for the period from 1 January 2022 to 30 June 2022.
- The consolidated statement of changes in equity as at 30 June 2022.
- 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 of Directors and the supervisory board for the interim financial information

The Board of Directors 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, Board of Directors 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 entity'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 the board 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 the board 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, July 25, 2022

Deloitte Accountants B.V.

Signed on the original B.C.J. Dielissen

Disclaimer

This report is a translation of the Dutch half-year report 2022 of Alliander N.V. Although this translation has been prepared with the utmost care, deviations from the Dutch half-year report may nevertheless occur, such that the information in this report may be misinterpreted or different conclusions may be drawn. In such cases, the Dutch half-year report 2022 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 2021 financial statements of Alliander N.V., which can be found on www.alliander.com.

This report has not been audited.

July 2022

Alliander N.V.

Visiting address: Utrechtseweg 68,
6812 AH Arnhem

Mailing address: Postbus 50, 6920 AB Duiven
info@alliander.com
www.alliander.com

Publication Alliander N.V.

