

Half-Year Report 2023

Work in progress



allliander

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Profile of Alliander

Alliander N.V. is a network company comprising a group of companies that employ some 7,800 people in all, including agency workers. Alliander N.V.'s shares are held by Dutch provincial authorities and municipalities. Alliander possesses high-quality expertise in the field of energy networks, invests in the development of these networks and explores and implements innovative solutions in this area. We discuss our plans for the future with our partners and shareholders, and offer solutions to complex energy transition issues. Sustainability plays an essential role in the choices we make.

Our role in the energy system

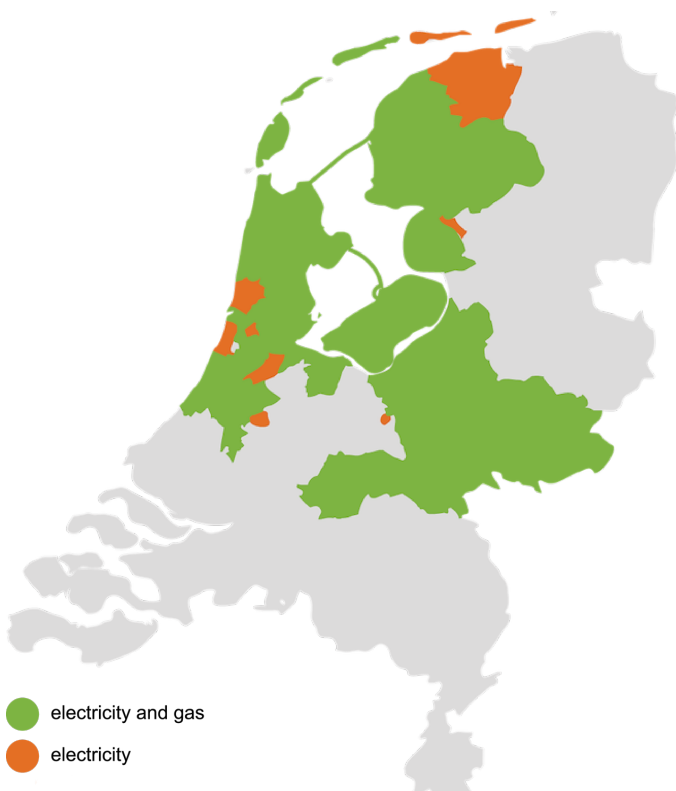
We distribute energy while ensuring maximum safety and continuity. We aim to make sure energy is available to our customers 24 hours a day, 7 days a week. Liander is the network operator and has a statutory task to manage and further develop the gas and electricity networks. We are on call day and night to deal with outages. The energy we distribute comes from power stations, wind farms, solar farms and imports from abroad, among other sources. More and more consumers and companies are feeding the sustainable energy they produce with their own systems back into our energy networks. The result is interaction and interlinkage between energy supply and demand.

Alliander and its subsidiaries collaborate with many parties in the energy sector and with organisations that want to drive innovation in the field of energy. We facilitate the local exchange of energy and work in conjunction with public authorities on issues related to the heating transition.

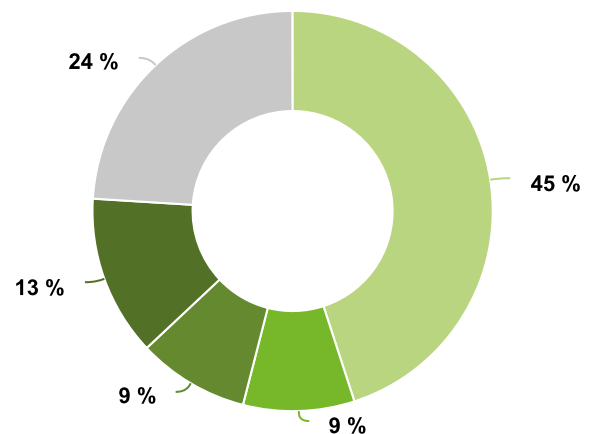
As a co-designer, we provide municipalities, provincial authorities and businesses with knowledge that helps in the long-term development of the energy system. We show them what the energy network can handle and the social costs associated with specific choices. In addition, we help organisations by offering 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.

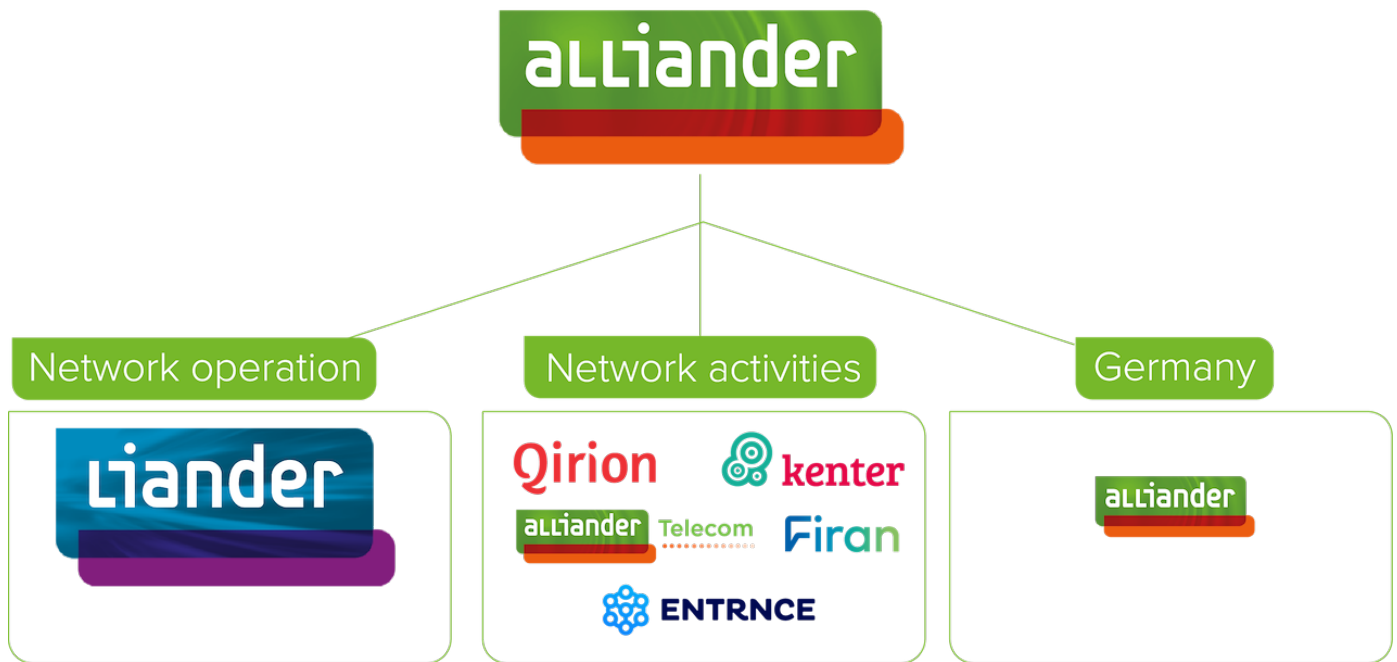
Our service area



Shareholders



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



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 Liander N.V., Qirion B.V., Firan B.V., Kenter B.V. and Alliander AG, among other subsidiaries. Any references to Liander are to be read as references to the network operator Liander N.V. In this report, names are used without stating the legal form of the entities in question.

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 as well.

How we make a difference for customers

Through our cables and pipes, over three million Dutch households and companies are supplied with electricity, gas and heating. We operate an electricity network stretching out over around 95,000 kilometres and a gas network covering some 42,000 kilometres, and we take great pride in our networks being among the world's most reliable. Our colleagues work hard day and night to achieve this.

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 to try and avoid planned and unplanned energy outages wherever 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, as well as 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 combination of strategy and structure helps us to fulfil our social mission both now and in the future. Alliander will continue with the strategic course set in the previous year, but the specific details have been further refined to achieve the required acceleration and to prepare for the developments described in the previous section.

1. Excellent network management

We aim to be an excellent, responsive network operator by fulfilling the wishes of our customers and other stakeholders. Firstly, this involves further optimising the maintenance of the existing networks and investing in providing information to customers. Alliander is intensifying its collaboration with its customers and stakeholders, including municipalities, to be able to prepare in good time for plans for housing, businesses and charging points. The aim is to be able to ensure at an early stage that we have sufficient skilled employees, materials and physical space to expand above and below ground. In addition, the scaling up of production will be accelerated by implementing far-reaching standardisation and simplification of processes, for example through digitalisation, so that more can be done with the same number of skilled workers. Collaboration with Alliander's partners will be extended and large amounts of the work will be contracted out.

2. Support for customers in making choices

Scarcity in the electricity network will increase in the coming years and so we must make efficient use of the available capacity. In particular, we will use smart solutions such as congestion management. In this solution, customers receive a discount for making system-efficient choices (good for themselves and good for the energy system). The developments also require us and our stakeholders to have more control over the design of the energy system across regions. Alliander is a trusted, independent partner for the energy market in such matters and a relevant partner in the energy transition.

3. Investing in open networks

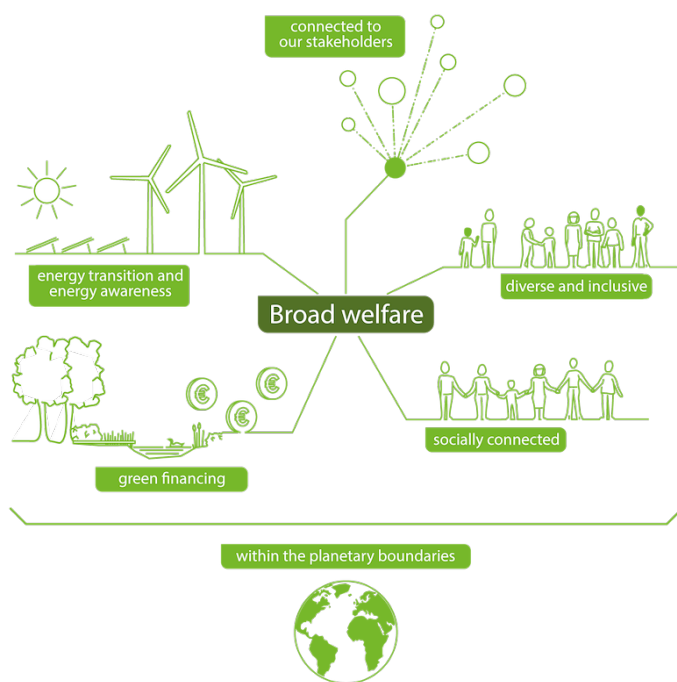
A reliable, affordable and accessible energy system in the sustainable future will consist of multiple energy carriers. In addition to the management of the network for electricity and the current natural gas and green gas, Alliander acts as an infrastructure manager for various other energy carriers, including heat and sustainable gases, such as through the reuse of the existing gas network. We exert a proactive and strategic influence over regulatory changes in order to help safeguard the affordability and reliability of the energy network. This means that we ensure balance in the energy supply and an integrated design for regional energy systems. In addition, we are working on an energy network in which optimum use is made of the various energy carriers so that the energy supply for all sectors operates reliably and is affordable at all times of the day and across the seasons.

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 network 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 is developed further, and that we contribute to the digitalisation of the energy market.

The 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’ into our decision-making and we promote circular network management. As an employer, we invest in future-oriented knowledge, the sustainable employability of our employees and in creating and maintaining an inclusive work environment.



Objectives and results

Ensuring a high reliability of supply at a low cost

Objectives	Results 30 June 2023	Targets for 2023	Results 31 December 2022
Customer convenience	Consumers 40% Business customers 35%	Customer convenience measured by the NES score is higher than 48% (consumer market) and 42% (business customers)	Consumers 49% Business customers 34%
Power outage duration over the previous 12 months (in minutes) ¹	23.2	Maximum of 23	21.3
Number of unique cable numbers with more than five interruptions over the previous 12 months	43	Maximum of 17	28

Making the energy supply and our organisation sustainable

Objectives	Results 30 June 2023	Targets for 2023	Results 31 December 2022
Gross CO ₂ emissions from own business operations ²	260 kton	Maximum of 416 kton	394 kton
Decarbonisation of emissions from own business operations	184 kton	Maximum of 416 kton	278 kton
Net CO ₂ emissions from own business operations	76 kton	0 kton (climate neutral)	116 kton
Circular procurement ³	32%	Minimum of 31% of all our primary assets	28%

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

Objectives	Results 30 June 2023	Targets for 2023	Results 31 December 2022
LTIF (lost time injury frequency)	2.0	None ⁴	1.7

Being an attractive, inclusive employer with equal opportunities for all

Objectives	Results 30 June 2023	Targets for 2023	Results 31 December 2022
Employee survey score	82%	Minimum of 81%	82%
Employee absenteeism	4.3%	Maximum of 4.3%	4.8%
Women in leadership positions	30.1%	Minimum of 32%	28.3%
Employees at a distance from the labour market	82	Offer at least 154 apprenticeships. We aim to provide at least 154 positions that comply with the Dutch Labour Participation Act.	90

Being a creditworthy company with solid returns

Objectives	Results 30 June 2023	Targets for 2023	Results 31 December 2022
Maintain solid credit 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	18.5%	Minimum of 15%	19.2%
Interest cover	11.4	Minimum of 3.5	12.1
Net debt/(net debt + equity)	46.5%	Maximum of 60%	43.8%
Solvency ratio	46.9%	Minimum of 30%	49.0%

- 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 (CBL assets) owned by Liander.
- 2 Alliander aims to be climate neutral from 2023 onwards, meaning that the net greenhouse gas emissions of our own organisation, with scope 1 and 2 in particular, are zero. With this ambition in mind, we have started reporting on gross carbon emissions and our greening efforts, starting in 2023. Greening is mainly achieved with Guarantees of Origin from wind farms.
- 3 The scope of the KPI comprises primary assets: low-voltage and medium-voltage cables, gas pipes, distribution and power transformers and smart electricity and gas meters.
- 4 No target is set for the LTIF performance indicator since the number of accidents leading to sickness absence should ideally be zero. Our objective with this indicator is to show a downward trend.

Financial key figures

€ million, unless stated otherwise	1 st half	
	2023	2022
Revenue	1,370	1,095
Operating expenses	1,185	927
Operating profit	185	168
Profit after tax	109	107
Profit after tax excluding incidental items and fair value movements	105	88
Investments in property, plant and equipment	641	579
Cash flow from operating activities	245	181
	30 June 2023	31 December 2022
Total assets	11,216	10,692
Total equity	4,590	4,570
Net debt ¹	3,733	3,293

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

Report by the Management Board

Work in progress

The Netherlands aims to be climate neutral by 2050. By 2030, 85% of electricity consumed will come from renewable sources like wind and solar. Additionally, a growing number of consumers and businesses are investing vigorously in order to become more sustainable. As the demand for and supply of electricity rises we are witnessing a steep increase in the need for more capacity within the energy network. To meet that need, we are working on the largest overhaul project the Netherlands has ever seen.

Non-stop investment

Total investment was up €62 million compared to the first half of last year (2022: €579 million). This was mainly attributable to maintenance and expansion of the gas and energy grid. For the energy network, we built 595 new transformer substations (2022: 593) and laid 1,084 kilometres of cable (2022: 918 kilometres). Maintenance of the gas grid is an important part of our work as well: 2.6 million customers depend on it for their regular gas supply. To ensure the gas grid remains safe and reliable, we replaced a total of 68 kilometres of gas pipeline (2022: 50 kilometres).

In June, after completing a diligent process, we signed a contract for ABP and OMERS Infrastructure to acquire our subsidiary Kenter. The commitment of this consortium to remain a shareholder for the longer term and to make a contribution to the energy transition provides assurance that the growth of the company, the development of the staff and the relationship with customers and suppliers will go ahead as envisioned. In the upcoming months, we will be going through the standard advisory and approval processes with parties like ACM and Alliander's shareholders, after which we expect to complete the transaction this autumn.

Largest tender ever

Part of our strategy is to enter into long-term partnerships with the aim of increasing our productivity. By doing so, we increase the total working capacity and, as a result, accelerate the completion of our projects. Last quarter we completed our largest tender process ever. The contract entails laying 4,500 kilometres of new cable and installing 1,600 new transformer substations in the provinces of Gelderland and Noord-Holland and involves an investment of more than €1.5 billion through the Helix NHN and NuGelre programmes. Work is scheduled to commence in September this year.

Effective use of the energy network

In addition to expanding and upgrading, we need to make more effective use of the existing capacity of the energy network. We are moving towards a flexible energy network, one where electricity will no longer be available at the same price 24/7. Instead, network tariffs will be based to a greater extent on how busy the energy network is at a given time. This requires a different role for network operators, customers, market parties, public authorities and other stakeholders. We are asking our customers to continue to take a critical look at their energy consumption and, where possible, make adjustments in line with available capacity. In the meantime, we are actively looking at how to connect customers or provide them with the requested capacity, both in congested areas and elsewhere. We do this, in part, by looking at the tariff system together with other parties in the sector, by investigating how we can increase the load on our existing grid, and by engaging with customers on flexible solutions. At the Port of Amsterdam and the Leimuiden substation, for example, we used a new type of flexible contract, which enabled us to provide transmission capacity sooner to several customers on the waiting list.

It is important that our customers make the transition to more flexible use of their energy consumption as well. In June, together with TenneT, MKB Nederland and Stedin, we organised a webinar to give businesses a better understanding of flexible power and their role in it. The webinar was attended by representatives from over 400 companies.

A major step forward was ACM's decision to allow flexible contracts and time-bound contracts in addition to traditional contracts in anticipation of a code change.

Hindrance during the overhaul

Congestion within the grid is increasing, despite all our efforts, and it is not going unnoticed. Where companies have already been suffering from increasingly longer waiting times for some time, consumers too are now experiencing the effects of the congestion as the grid in residential areas increasingly reaches the limits of its capacity at peak times. This was evident over the past six months through the increase in 'voltage-related bottlenecks', resulting in consumers being unable to feed their generated solar power into the grid for a short while. In mid-June of this year, we launched the large-scale consumer awareness campaign *Met de stroom vooruit* (Powering ahead) to inform consumers about the impact of the energy transition, our role in it as network operator, and to offer them concrete solutions.

Safety, and increasing aggression towards employees

The number of accidents resulting in sickness absence decreased slightly compared to the same period last year. Still, every accident is one too many. We were particularly upset by two incidents that resulted in employees being hospitalised with burns after a short circuit. These employees have fortunately since recovered. Unfortunately, we are also seeing new forms of risk to personal safety. Employees are increasingly being confronted with transgressive behaviour and physical threats from customers. This concerns situations where emotions can run high, like a customer being unhappy about a long waiting time or about road excavations, for example. We are monitoring this development closely and will take additional measures where necessary.

Towards a new form of collaboration

The largest overhaul project in the Netherlands ever requires a new form of collaboration. A good example of how we are making it a top priority to address congestion within the grid is together with the Dutch government, the Association of Provincial Authorities, the Association of Netherlands Municipalities, VNO-NCW, market parties and Netbeheer Nederland. With the National Network Congestion Action Plan, we are working intensively with government and industry to tackle the shortage of transmission capacity in the energy network. This plan will be expanded to include low voltage as well so that problems in the built environment can also be addressed in good time.

And now that all plans (like the Regional Energy Strategy, the Transition Vision Statement for Heating, National Agenda for Charging Infrastructure and the Cluster Energy Strategies) are in place, attention is shifting to implementation. After all, regardless of which route is chosen, implementation is key if we are to reach the climate targets. It is, therefore, crucial that municipal and provincial authorities take the energy supply into account right from the start in area development plans so that the necessary space, materials and people can be arranged in good time. This requires a systematic approach, collaboration between sectors and a strong role for the implementing parties. Additionally, it requires the municipal authorities and developers to involve the network operators in their plans at an early stage and that we consider early on the energy concept that will be applied in the planning phase. In doing so, it is important that we, together, consider alternatives to electricity, such as low-temperature heat networks.

Clarity on plans and implementation helps businesses and public bodies move forward with their sustainability plans. The recent fall of the Dutch government could possibly have a negative effect for Alliander in terms of the adoption of new, important legislation. Therefore, together with many other public service organisations we called on the provisional government not to let climate action come to a standstill, but to continue to focus as strongly as possible on the implementation of the energy transition. The step towards implementation requires making clear choices, following transition pathways together with customers, and continuing to accelerate these efforts. We will continue to appeal to this over the coming period. This is the only way we can work with focus on the changing energy network. We, together with all our staff, will continue to work on this, at this time and in the time to come.

Management Board of Alliander N.V., 28 July 2023



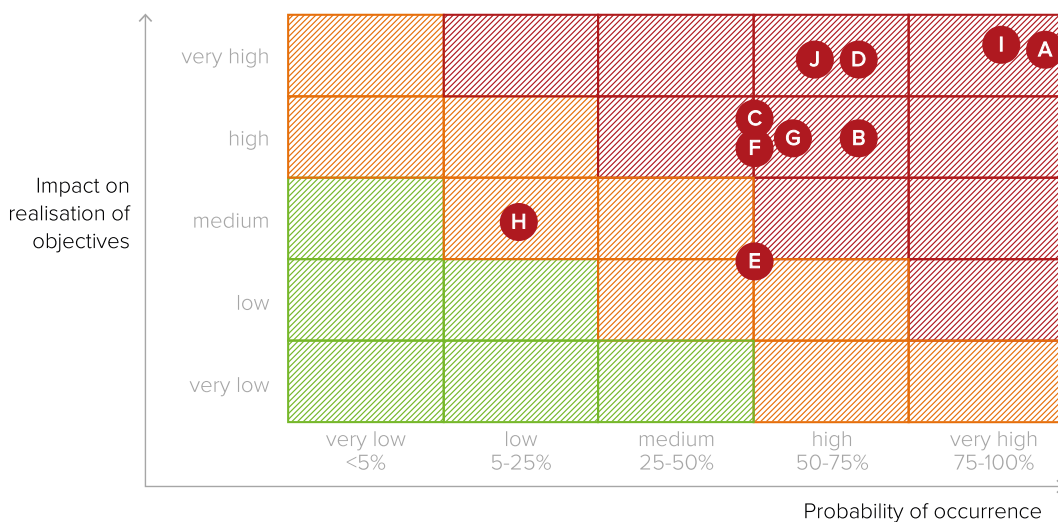
Left to right: Daan Schut (CTO), Marlies Visser (COO), Maarten Otto (CEO), Walter Bien (CFO)

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.

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

- A Completion of work package →
- B Capacity for change →
- C Safety →
- D Long-term regulatory focus →
- E Privacy →
- F Future-proof IT landscape →
- G Cybersecurity →
- H Financing ↓
- I Meeting customers' expectations ↑
- J Future-proof investments →



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 work package for electricity, 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 has only been exacerbated by the war in Ukraine – and, as a result, we are not able to complete all of our work package and some work is being postponed. 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 and by using the grid more efficiently. To be able to offer our customers the needed solutions by 2030 we have massively scaled up implementation of the work. The grid is also being used more effectively thanks to smart solutions and customer flexibility. This reduces peak loads and allows us to connect more customers to the grid. Increasing production is achieved by focusing on structurally strengthening the current processes, by bringing maximum flow into the supply chains, and by digitising.

All the same, the risk of not being able to complete the backlog of work remains as high as ever, despite the control measures taken. Over the past six months we have taken various measures to help control this risk further, including drawing up a resource plan and forecast and keeping buffer stock of critical materials.

Meeting customers' expectations ↑

What is the risk?

Due to the enormous demand, it is becoming increasingly difficult to meet customers' expectations. The shortage of transmission 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 ever higher expectations concerning transparency and service provision. National and regional media are focusing more attention on network operators. The growing grid capacity issues are impacting our customer rating.

How is the risk managed?

The focus is on improving customer service through information provision so that the customer knows exactly what they can expect from us and when. Our communication strategy is proactive, timely and transparent and shows what action the customer can take. Using various channels, we apply a region-specific and customer-specific approach. We are increasingly working with the other grid operators in matters of communication.

Long-term regulatory focus →

What is the risk?

Policy and regulations within the energy domain have an impact on our activities and profitability. Policy and regulations are not always in step with the current context (i.e. the state and stage) of the energy transition and the changing energy system, and this can affect the ability to achieve the targets and objectives. Additionally, the recent fall of the Dutch government could possibly have a negative effect for Alliander in terms of the adoption of new, important legislation.

How is the risk managed?

This risk is addressed in general by managing the long-term constructive relationships with the legislator and the regulator. We discuss the developments that are important in the new context of the energy transition. We work to ensure a reasonable return and maintain sufficient financial scope to be able to perform our statutory duties. In addition, we actively make proposals for required adjustments to national and European laws and regulations. This we are increasingly doing jointly with all other grid managers in the Association of Energy Network Operators in the Netherlands (Netbeheer Nederland). For example, over the past six months, Alliander provided a large amount of concrete feedback on the draft Dutch Energy Act, which was presented to the Dutch parliament in June 2023. Grid operator Liander participates in the National Network Congestion Action Programme. Drawn up jointly by grid operators, ACM, municipal and provincial authorities, the national government and market parties, this programme takes a broad look at national and regional solutions for network congestion. All parties involved are committed to the actions in the programme. With this action plan the parties intend to take a range of actions simultaneously with the aim of limiting and preventing, as much as possible, grid congestion and the associated problems.

Future-proof investments →

What is the risk?

We are building an energy infrastructure to last some 40 years. At the same time, we are dealing with an environment in which choices are being made which encourage developments that, from a societal viewpoint, do not always align with an optimal energy vision. This may lead to suboptimal investments which will not be fully utilised up to the end of their useful lives, as well as the risk of higher costs for the infrastructure and for society.

How is the risk managed?

We connect customers to the power grid when they put in a request to that effect. If necessary, we talk to customers to discuss the reason for the request and to offer them alternatives. We are working on prioritisation and programming in collaboration with all provincial authorities. In that context, a Long-term Energy and Climate Infrastructure Programme has been drawn up, both at national and at provincial level. We also encourage the drafting of an 'energy vision', a document that sets out the expected future energy supply and demand and the ideal energy system to optimally facilitate this supply and demand.

Capacity for change →

What is the risk?

When it comes to the energy transition, our customers and society in general have high expectations of Alliander. Changes are needed if we are to continue to fulfil our social role and meet the expectations of society and customers.

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. Applying a clear and focused strategy we progress along a well-defined course, working with clear frameworks and choices. Based on the defined course and frameworks we develop clear objectives, critical success factors and performance indicators at all levels – company, organisational unit, team and supply chain. We monitor these aspects and evaluate performance accordingly. We are committed to working towards becoming a learning and performance organisation with a result-oriented culture and the right leadership. This will enable us to keep in step with the expectations society and customers have of Alliander.

Cybersecurity →

What is the risk?

Our energy network 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. The supply of electricity is inextricably bound up with this.

How is the risk managed?

We manage this risk by taking action to increase 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 cyber risks by managing risks and by having a culture in which security is a given. We detect risks by actively monitoring identified threats and we respond effectively by resolving and further investigating security incidents. Over the past six months, additional measures have been taken to manage this risk, including the mandatory inclusion of security in new digitalisation initiatives, and the drafting/implementation of plans to ensure business continuity.

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 risk of employees being injured on the job 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 taken the risk of an accident always remains. The potential impact is huge.

How is the risk managed?

We lay the foundation for safety by taking action to ensure the safety of our energy grid and our assets, working safely on the grid, and reinforcing our safety culture. We guarantee the safety of our grid 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 because we can learn from them. We approach working safely on the grid 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. Lastly, we continue to build our learning and performance safety culture, a culture in which we recognise and discuss risks and take action where necessary.

Advancement up the safety culture ladder has been included as a strategic milestone for Alliander.

Future-proof IT landscape →

What is the risk?

In support of our strategy, we are undergoing a digital transformation that will see us emerge as a data-driven grid operator. Given the immense challenge Alliander faces in fulfilling its production task, the demand for quick virtual solutions is increasing. There is a risk that we will be unable to scale up the IT landscape sufficiently to achieve the objectives.

How is the risk managed?

We are investing in a future-proof digitalisation landscape with the long-term development of our core systems; we are prioritising blueprinting the system designs and planning the implementation. We are defining a long-term vision on our IT landscape and along the way creating an overview of our applications and technical building blocks. We are also scaling up our digitalisation efforts by linking the initiatives to the strategic pillars with corresponding prioritisation. We provide resources and facilitate efficient collaboration to achieve our objectives. We are selecting partners to provide support and increase capacity.

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 the data subjects 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, and we safeguard privacy in our data processing agreements with suppliers. If a data breach or incident does occur despite our best efforts, we have a procedure for dealing with this and we report this to the data protection authority.

Financing ↓

What is the risk?

The energy transition brings with it huge investments for Alliander, and these will continue to increase drastically over the next few years. Current regulatory methods provide for compensation during the service life of the asset in which an investment has been made, but not at the time of making the investment. We are largely financing investments that we will only be able to recoup in years to come. The increase in investments brings with it a significant increase in our financing needs and this will in time put pressure on our financial ratios and our credit rating.

How is the risk managed?

Alliander is committed to maintaining a healthy financial standing by strengthening its shareholders' equity. However, additional capital is needed to fulfil our future investment tasks. The State and the network companies Alliander, Enexis and Stedin came to a negotiation agreement about the conditions under which the State will be able to contribute capital in the future, and thus become a shareholder in the network companies. Should the State decide in the future – at the request of the network companies and with the cooperation of their shareholders – to become a shareholder, this will be subject to certain conditions. The framework agreement describes these conditions, such as the time required for an accession request and agreements about governance. The framework agreement has been submitted for decision-making to the supervisory boards, employee participation bodies and current shareholders of the network operators.

In December 2022, Alliander announced the start of the process to sell Kenter. An agreement in principle has now been reached with a buyer. This gives Kenter room to grow in new markets, and with new products and services. It also strengthens Alliander's equity. We will continue to work on having a conscious and efficient organisation in view of our investment task.

Legal proceedings and claims

As at and immediately after the balance-sheet date, a number of claims were filed against Alliander. Alliander was also involved in a number of legal proceedings at the balance-sheet date. These were in connection with normal business operations, regarding timely connection of customers to the grid and the allocation of transmission capacity, for example. The outcomes of these claims/legal proceedings could potentially have a material impact on Alliander's results. Provisions have been recognised where necessary.

Financial performance

General

At €109 million, profit after tax over the first half of 2023 was comparable to that for the corresponding period in 2022 (€107 million). Digging deeper, though, we see larger deviations in the development of costs and revenues. Costs increased by almost €260 million. This increase is due in part to energy prices pushing up the costs of procuring electricity to offset grid losses and the higher tariffs charged by TenneT, which increase the costs of procuring transmission capacity. These cost increases are compensated in part through the regulated tariffs. The higher tariffs, combined with the increase in the number of connections, resulted in an uptick of €275 million in the operating income.

Profit from continuing operations excluding incidental items and fair value movements was €105 million, which is €17 million higher than in the corresponding period in 2022. This is the result of the exceptional income in 2022 of €13 million from the sale of Stam & Co and the profit distribution of €4 million from the trust office Stichting Administratiekantoor Bellevue.

Investments in the first half of 2023 totalled €641 million, which is €62 million higher than in the same period last year. Because we are unable to finance this growing level of investment through the operating cash flows, we saw a negative free cash flow of €335 million in the first half of 2023. In 2023, we also paid out €82 million in dividend on the profit in 2022. All of these elements resulted in a financing gap, which we filled by issuing a green bond (€497 million) in June 2023. The ultimate result was an increase of €440 million in net debt to €3,733 million (31 December 2022: €3,293 million), which in turn resulted in the FFO/net debt moving downward to 18.5% (31 December 2022: 19.2%).

Income statement

Operating income

In the first half of 2023, the total operating income was up €275 million on the same period in 2022. This is mainly due to the higher regulated revenue from both electricity and gas, with both the tariffs and the number of connections rising. Revenue from the metering services up to the end of June 2023 was €20 million lower compared to the same period last year, this due to lower tariffs.

Other revenue came to €100 million, in line with the revenue in 2022. Other income in 2023 includes the profit on the sale of our Spaklerweg site. Other income in 2022 concerned the €13 million in profit on the sale of Stam & Co.

Operating expenses

Total operating expenses in the first half of 2023 came in at €1,185 million (first half of 2022: €927 million). The main deviations are as follows:

- The costs of purchasing energy for offsetting grid losses were €93 million higher than in the first half of 2022. This can mainly be attributed to the rise in the energy prices we pay on the market when purchasing energy to offset grid losses.
- Owing to TenneT's increase in tariffs, the amount TenneT charged us for transmission capacity was €82 million higher than in the first half of 2022.
- Employee benefit expenses for own staff were up €49 million on last year. This can be explained by both a 4% pay rise under the collective agreement and by the expansion of the workforce by almost 200 FTEs. The workforce is expanding slower than hoped; there are still many vacancies going unfilled due to the general labour shortage. We have been engaging temporary staff to help us handle all the work in our growing work package, with the effect that the costs of temporary staff increased by €24 million over those of last year. As a result of the increase in our work package, own-company capitalised production rose by €9 million compared to the same period last year.
- Other operating expenses were up €27 million over last year's. This increase is partly due to higher consultancy, maintenance and own energy costs, as well as an incidental gain for 2022 as a result of the release of a provision.

Finance income and expenses

Finance income and expenses in the first half of 2023 resulted in a net expense of €34 million (first half of 2022: €24 million). This €10 million uptick can mainly be attributed to taking out new loans at higher interest rates as well as the increase in the debt position.

Tax

The effective tax rate (the tax rate 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 rate in the first half of 2023 was 26.8%. This is expected to be lower for the whole of 2023 as a result of the anticipated sale of Kenter this year. Additionally, the new Dutch tax scheme for discretionary depreciation for tax purposes was applied in 2023. Under this scheme, a taxpayer can write off up to a maximum of 50% of the acquisition or production costs of a business asset of their choice – as long as it is not on the exemption list – in one go in 2023. In 2023, Alliander made use of this scheme, recognising an additional tax depreciation of €140 million in the first half of 2023, with an effect of €36 million on the company's corporate income tax. The application of this tax scheme has had no effect on the effective tax rate in the half-year figures; it has, however, resulted in a move from deferred to current tax assets.

Results of non-consolidated participating interests

Non-consolidated participating interests generated a net expense of €2 million in the first half of 2023, compared to net income of €2 million in the first six months of 2022. This difference is due to exceptional income of €4 million in 2022 as a result of a dividend paid by a trust office where Alliander holds all of the depository receipts for shares.

Exceptional items and fair value movements

Alliander's results can be affected by exceptional items and fair value movements. Alliander defines exceptional 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 exceptional items and fair value movements

€ million	Reported		1 st half		Excluding incidental items and fair value movements	
	2023	2022	Incidental items and fair value movements		2023	2022
			2023	2022		
Revenue	1,342	1,055	-	-	1,342	1,055
Other income	28	40	5	13	23	27
Total purchase costs, costs of subcontracted work and operating expenses	-1,080	-809	-	4	-1,080	-813
Depreciation and impairments	-256	-260	-	-	-256	-260
Own work capitalised	151	142	-	-	151	142
Operating profit (EBIT)	185	168	5	17	180	151
Finance income/(expense)	-34	-24	-	-	-34	-24
Result from associates and joint ventures	-2	2	-	4	-2	-2
Profit before tax	149	146	5	21	144	125
Tax	-40	-39	-1	-2	-39	-37
Profit after tax from continuing operations	109	107	4	19	105	88
Profit after tax	109	107	4	19	105	88

Notes to exceptional items

In June 2023, we sold our Spaklerweg site, which led to a one-off positive sales result of €5 million; this item is recognised under other income.

The sale of our subsidiary Stam & Co had a positive impact of €13 million on our net profit in the comparative figures for 2022; the profit from the sale is recognised under other income.

The exceptional income included in Procurement costs, costs of subcontracted work and operating expenses in the first half of 2022 amounted to €4 million and related primarily to the release of the provision made following a dispute concerning the past sale of an associate.

The exceptional income included in Profit/loss of associates and joint ventures in 2022 was €4 million and concerned a dividend paid through a trust office in which Alliander holds all the depository receipts for shares.

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

Segment results

The operating profit for the Liander segment in the first half of 2023 totalled €181 million, a €29 million increase compared to the first half of 2022, due largely to higher revenue in the regulated domain as the result of higher regulated-domain tariffs. The higher revenue was partly offset by the higher charges for transmission capacity on the part of TenneT, the higher costs of purchasing energy to offset grid losses owing to higher tariffs, and higher employee benefit expenses due to an increase in our workforce and the collectively negotiated general pay rise.

The Other segment (mainly comprising unregulated activities, corporate staff departments and service units) posted an operating loss of €1 million (first half of 2022: operating loss of €1 million).

Cash flow

Cash flow from operating activities

The cash flow from operating activities in the first half of 2023 was €245 million (first half of 2022: €181 million). This €64 million rise was caused primarily by less corporate income tax being paid.

Cash flow from investing activities

The cash flow from investing activities in the first half of 2023 amounted to an outflow of €580 million (first half of 2022: outflow of €482 million). Investments in property, plant and equipment in the first half of 2023 totalled €641 million, this being €62 million more than in the same period last year. This increase is one of the reasons behind the lower investment cash flow. In addition to the investments, the cash flow from investing activities in 2023 is being negatively affected by the security deposits paid in connection with offsetting grid losses (€18 million). The sale of our shareholding in Stam & Co had a positive impact of €21 million on the cash flow in 2022.

Investments in property, plant and equipment

Alliander's investments totalled €641 million in the first half of 2023 (first half of 2022: €579 million). Investments in electricity grids totalled €479 million (first half of 2022: €424 million), while investments in the gas grids totalled €82 million (first half of 2022: €70 million). At €162 million, maintenance costs in the first half of 2023 were higher than in the first half of 2022 (€142 million).

€ million	Realised until June 2023	Realised until June 2022	Target at year-end 2023	Realised 2022
Electricity regulated	479	424	988	883
Gas regulated	82	70	140	155
Metering devices	26	25	56	49
Buildings, ICT, etc.	54	60	62	141
Total investments	641	579	1,246	1,228
Maintenance costs	162	142	407	334
Total maintenance costs and investments	803	721	1,653	1,562

Cash flow from financing activities

Cash flow from financing activities in the first half of 2023 was a cash inflow of €326 million, compared with an outflow of €74 million in the corresponding period in 2022. In 2023, Alliander issued a green bond for €497 million, with the funds raised being used, for one, to pay off the ECP (€100 million). Dividend (€82 million) and the coupon on the subordinated perpetual bond loan (€8 million) were also paid out. The cash outflow of €74 million in 2022 mainly consisted of the dividend paid (€101 million) and the payment of the coupon (€8 million), offset by an incoming cash flow of €55 million for security deposits received.

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 2023, 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.

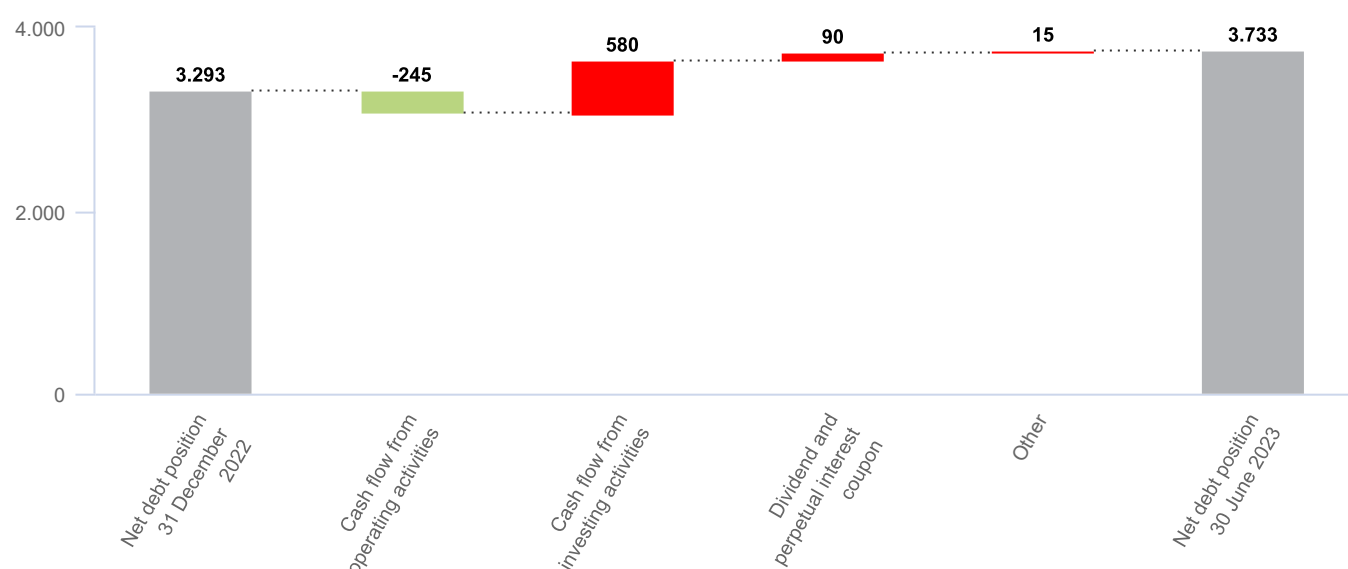
Credit rating

S&P granted Alliander the status of Government Related Entity (GRE) on 14 February 2023. The consequence of this designation is that the rating moves up one notch. At the same time, S&P downgraded its standalone credit rating by one notch. On 30 June 2023 Alliander's credit ratings were as follows:

- S&P: A+/A-1/stable outlook
- Moody's: Aa3/P-1/stable outlook

Net debt position and financing

The net debt position as at 30 June 2023, based on IFRS, amounted to €3,784 million (year-end 2022: €3,344 million). Based on Alliander's financial policy, it was €3,733 million (year-end 2022: €3,293 million). This €440 million increase is explained mainly by reduced cash flow from operating activities in relation to investments combined with dividend of €82 million paid in 2023.



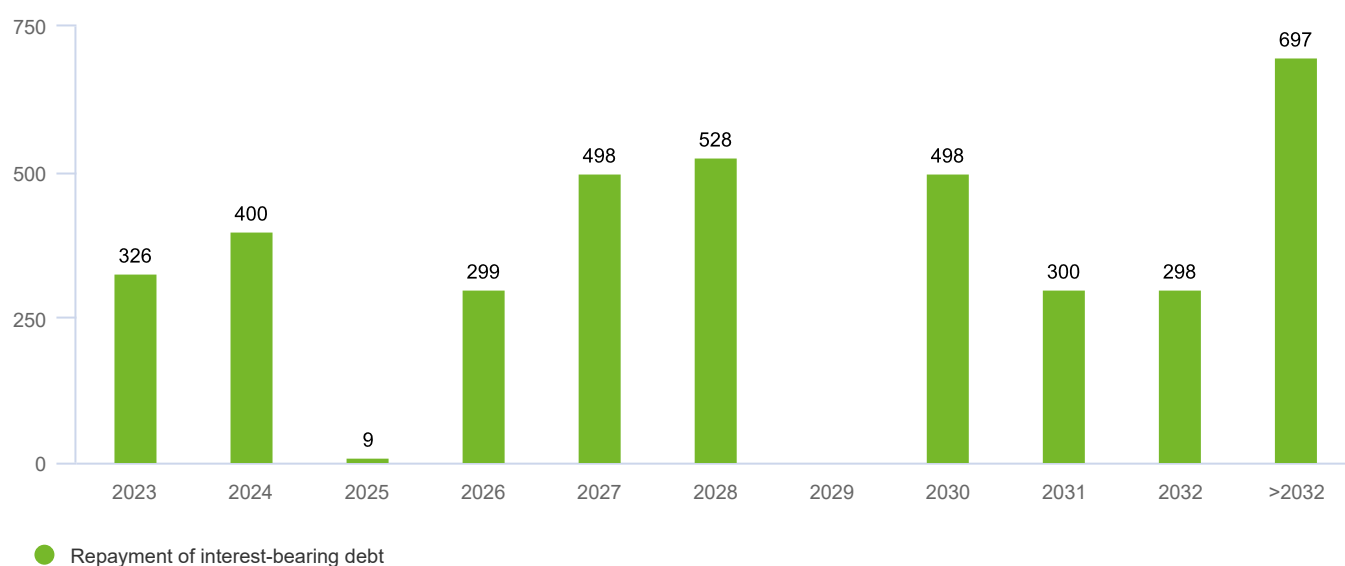
Reconciliation of net debt position

€ million	30 June 2023	31 December 2022
Long-term interest-bearing debt	3,127	3,000
Short-term interest-bearing debt	726	426
Lease liabilities	127	123
Gross debt	3,980	3,549
Cash and cash equivalents	196	205
Net debt in accordance with the annual financial statements (IFRS)	3,784	3,344
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	3,733	3,293

Credit facilities

As at mid-2023, Alliander has at its disposal a revolving credit facility (RCF) for a total amount of €900 million, originally maturing in December 2026 but which now has been extended to December 2027. The RCF had not been drawn upon as at 30 June 2023 (unchanged from 31 December 2022). Alliander additionally has an EMTN programme of €5 billion, under which an amount of €2.6 billion was outstanding as at 30 June 2023 (31 December 2022: €2.1 billion) and two ECP programmes totalling €1.5 billion, under which short-term loans to a value of €200 million were in issue as at 30 June 2023 (31 December 2022: €300 million). The repayment obligations in the years ahead are mainly connected with the bond loans under the EMTN programme.

Repayment schedule for interest-bearing debt



Available green financing capacity

Alliander has arranged six green financing facilities since 2016, including five 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.

Allocation table: use of funds available from green financing facilities

€ million	Net carrying amount	Weighting factor	Weighted sum
Renewable energy	4,014	41%	1,646
Smart meters	493	100%	493
Fibre optic network	45	100%	45
Total energy efficiency	538	100%	538
Sustainable buildings	62	100%	62
Total green asset portfolio			2,246

€ 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, privately placed bond loan	XS2152901315	08-04-2035	08-04-2035	100
Green bond loan	XS2187525949	10-06-2020	10-06-2030	500
Green bond loan	XS2531420730	09-09-2022	09-09-2027	500
Green bond loan	XS2635647154	13-06-2023	13-06-2028	500
Total green financing				2,200

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 2023 was €2,246 million. This represents an increase of €133 million since 31 December 2022. As a result, €46 million in green financing capacity was available as at 30 June 2023.

The weighting factor for the renewable energy asset category as at 30 June 2023 has remained unchanged since 31 December 2022 and has been determined as 41% (source: energieopwek.nl). This is the share of renewable energy in the total amount of electricity generated 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 figures for 2023 provide a true and fair view of the assets, liabilities, financial position and profit of Alliander N.V. and its consolidated companies; and
2. the report by the Management Board provides a true and fair view of the situation on the balance-sheet date and describes the main events during the first six months of 2023 and the main risks and uncertainties for the remaining six months of the 2023 financial year for Alliander N.V. and its consolidated companies.

Arnhem, the Netherlands, 28 July 2023

Maarten Otto, CEO

Walter Bien, CFO

Marlies Visser, COO

Daan Schut, CTO

Condensed consolidated half-year results 2023

Consolidated income statement

<i>€ million</i>	2023	1 st half	2022
Income			
Revenue	1,342		1,055
Other Income	28		40
Total income		1,370	1,095
Operating expenses			
Purchase costs and costs of subcontracted work	-542		-371
Employee benefit expenses	-420		-347
Other operating expenses	-118		-91
Total purchase costs, costs of subcontracted work and operating expenses	-1,080		-809
Depreciation and impairment of property, plant and equipment	-256		-260
Less: Own work capitalised	151		142
Total operating expenses		-1,185	-927
Operating profit		185	168
Finance income		2	-
Finance expense		-36	-24
Result from associates and joint ventures after tax		-2	2
Profit before tax from continuing operations		149	146
Tax		-40	-39
Profit after tax		109	107

Consolidated statement of comprehensive income

<i>€ million</i>	2023	1 st half	2022
Profit after tax		109	107
Other elements comprehensive income			
Elements that are not settled through the income statement			
Result interest rate swap		1	-
Comprehensive income		110	107

Consolidated balance sheet

<i>€ million</i>	30 June 2023	31 December 2022
Assets		
Non-current assets		
Property, plant and equipment	9,481	9,091
Right-of-use assets	127	122
Intangible assets	317	317
Investments in associates and joint ventures	12	16
Other financial assets	42	39
Deferred tax assets	97	141
Total non-current assets	10,076	9,726
Current assets		
Inventories	174	141
Trade and other receivables	447	330
Other financial assets	145	128
Cash and cash equivalents	196	205
Total current assets	962	804
Assets held for sale	178	162
Total assets	11,216	10,692
Equity & liabilities		
Equity		
Share capital	684	684
Share premium	671	671
Subordinated perpetual bond	495	495
Hedge reserve	6	5
Other reserves	2,625	2,517
Result for the period	109	198
Total equity	4,590	4,570
Liabilities		
Non-current liabilities		
Interest-bearing debt	3,127	3,000
Lease liabilities	105	102
Deferred income	1,992	1,965
Provisions for employee benefits	18	18
Other provisions	10	13
Total non-current liabilities	5,252	5,098
Short-term liabilities		
Trade and other payables	184	155
Tax liabilities	96	49
Interest-bearing debt	726	426
Lease liabilities	22	21
Provisions for employee benefits	65	35
Accruals and deferred income	262	322
Total short-term liabilities	1,355	1,008
Total liabilities	6,607	6,106
Liabilities held for sale	19	16
Total equity and liabilities	11,216	10,692

Consolidated cash flow statement

<i>€ million</i>	2023	1 st half	2022
Cash flow from operating activities			
Profit after tax		109	107
Adjustments for:			
- Finance income and expense		34	24
- Tax		40	39
- Profit after tax from associates and joint ventures		2	-2
- Depreciation and impairment less amortisation		215	219
- Book profit on sales		-5	-13
Changes in working capital:			
- Inventories	-38		-20
- Trade and other receivables	-133		-
- Trade and other payables and accruals	46		-83
Total changes in working capital		-125	-103
Changes in deferred tax, provisions, derivatives and other		7	-7
Cash flow from operations		277	264
Net interest paid	-30		-23
Corporate income tax paid	-2		-60
Total		-32	-83
Cash flow from operating activities		245	181
Cash flow from investing activities			
Investments in property, plant and equipment	-641		-579
Construction contributions received	69		76
Sale of subsidiaries	-		21
Sale of business premises	13		-
Loans granted	-4		-
Repayment on long-term loans granted	1		-
Paid security deposits	-18		-
Cash flow from investing activities		-580	-482
Cash flow from financing activities			
Issued green bond	497		-
Issued long-term and cash loans	32		-
Repayment on long-term loans	-		-8
Issued (repaid) ECP	-100		-
Collected deposits	-		55
Repayment lease liabilities	-13		-12
Dividend paid	-82		-101
Reimbursement on subordinated perpetual bond	-8		-8
Cash flow from financing activities		326	-74
Net cash flow		-9	-375
Cash and cash equivalents as at 1 January		205	624
Net cash flow		-9	-375
Cash and cash equivalents as at 30 June		196	249

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 2022	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
Profit after tax for the second half of 2022	-	-	-	-	-	91	91
Result interest rate swap	-	-	-	7	-	-	7
Other ¹	-	-	-	-	1	-	1
As at 31 December 2022	684	671	495	5	2,517	198	4,570
Profit after tax for the first half of 2023	-	-	-	-	-	109	109
Result interest rate swap	-	-	-	1	-	-	1
Comprehensive income for the first half of 2023	-	-	-	1	-	109	110
Movements for the first half of 2023							
Other ¹	-	-	-	-	-2	-	-2
Reimbursement on subordinated perpetual bond after tax	-	-	-	-	-6	-	-6
Dividend for 2022	-	-	-	-	-	-82	-82
Profit appropriation for 2022	-	-	-	-	116	-116	-
Total movements for the first half of 2023	-	-	-	-	108	-198	-90
As at 30 June 2023	684	671	495	6	2,625	109	4,590

1 This concerns rounding differences.

Dividend

Dividend for the 2022 financial year (€82 million) was paid in April 2023 (€0.60 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 2023.

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 2023. 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 2022 annual report, which can be found at www.alliander.com, apart from the following changes in standards and interpretations effective as from 1 January 2023.

New or amended IFRS standards for 2023

In 2023, the following IFRS amendments apply:

- IFRS 17 'Insurance Contracts'
- Amendment to IFRS 17 'Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information'
- Amendment to IAS 1 'Presentation of Financial Statements' and 'IFRS Practice Statement 2: Disclosure of Accounting policies'
- Amendment to IAS 8: 'Accounting policies, changes in accounting estimates and errors: definition of accounting estimates'
- Amendment to IAS 12: 'Deferred tax related to assets and liabilities arising from a single transaction'.

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

2023

There were no changes in estimations in 2023.

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 network 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 gas network infrastructure 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.

Since 1 January 2022, the amortisation pattern of the contributions received in advance for the gas assets are also being 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 now follow a declining pattern.

As a result of the change in the estimation method, gross depreciation charges relating to gas assets were €9 million 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.

Business combinations

Alliander did not enter into any new business combinations in the first half of 2023 or 2022.

Assets and liabilities held for sale

Assets held for sale and Liabilities held for sale at mid-2023 all relate to the assets and liabilities of Kenter B.V. At year-end 2022 this concerned the assets and liabilities of Kenter B.V. and the Spaklerweg site in Amsterdam (€7 million). Alliander recently reached an agreement with a buyer for Kenter; for details see 'Events after the balance sheet date.'

The sale of the Spaklerweg site was completed in June 2023 and the site transferred to the City of Amsterdam.

Loan from the Province of Friesland

In consultation with the provincial authorities for the Province of Friesland, the loan of €31.8 million with an indefinite term and at a fixed annual rate of interest of 8% has been converted into a loan with a term up to the end of 2028, with effect from 1 April 2023, under the same conditions.

Under IFRS, this conversion must be regarded as a new loan and must be recognised at market value (fair value). Given that there is no active market with a quoted price, the difference between the market value and the redemption value has been deducted from this market value. The annual interest expense is based on the agreed interest rate on the redemption value.

The fair value at the market rate (3.14%) on 1 April 2023 comes to €39.8 million.

Segment information

Alliander distinguishes the following reporting segments in 2023:

- 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.

Product segmentation

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

Revenue for the first half of 2023 came in at €1,342 million (first half of 2022: €1,055 million), with other income of €24 million (first half of 2022: €27 million). In total, external revenue came in at €1,366 million (first half of 2022: €1,082 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 tariffs.

Reconciliation of segment operating profits and consolidated profit

€ million	1 st half	
	2023	2022
Consolidated segment operating profits excluding incidental items	180	151
Incidental items and fair value movements	5	17
Finance income and expense	-34	-24
Share in results from associates and joint ventures	-2	2
Profit before tax from continuing operations	149	146

Primary segmentation for first half-year

€ million	Network operator Liander		Other		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Operating income								
External income	1,244	967	121	115	-	-	1,365	1,082
Internal income	2	1	203	169	-205	-170	-	-
Operating income	1,246	968	324	284	-205	-170	1,365	1,082
Operating expenses								
Operating expenses	1,065	816	325	285	-205	-170	1,185	931
Operating profit	181	152	-1	-1	-	-	180	151

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	9,897	9,412	3,907	3,701	-2,588	-2,421	11,216	10,692
Total liabilities	7,206	6,824	4,303	3,800	-4,900	-4,518	6,609	6,106

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 2023	1,342	907	195	64	28	32	116	
Revenue for the first half of 2022	1,055	644	166	55	51	30	109	

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 2023	1,342	1,328	14
Revenue for the first half of 2022	1,055	1,033	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 €5 billion under which an amount of €2.6 billion was outstanding as at 30 June 2023 (31 December 2022: €2.1 billion) and two ECP programmes totalling €1.5 billion, under which short-term loans to a value of €200 million were in issue as at 30 June 2023 (31 December 2022: €300 million).

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; we exercised the option, with the effect that the term ends at the start 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-2023 was in the range of €370 million (year-end 2022: €340 million). As at mid-2023, a total of \$677 million was held on deposit with several financial institutions or invested in securities in connection with the transaction (2022: \$655 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-2023, 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 (2022: \$32 million). The strip risk is affected to a great extent by market developments.

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 2022: €0 million) and to joint ventures of €37 million (first half of 2022: €59 million); purchase of goods and services from associates €19 million (first half of 2022: €16 million) and from joint ventures €118 million (first half of 2022: €97 million).

As at the end of June 2023, Alliander had receivables of €16 million (year-end 2022: €20 million) in respect of loans granted to related parties and receivables of €26 million in respect of a current account overdraft facility with related parties (year-end 2022: a liability of €20 million).

Information on risks and financial instruments

Financial risks

Alliander is exposed to the following identifiable financial risks: market risk, credit risk, currency risk and liquidity risk. Contrary to what is required for the consolidated financial statements for the whole year, the abridged consolidated interim financial statements contain neither all the information on the above financial risks, nor the policy regarding the management of risks related to financial instruments. Therefore, these should be considered in conjunction with the 2022 consolidated financial statements. The risk management process and policy have not changed since year-end 2022. Alliander has not sustained any material credit losses in the first half of 2023.

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 the level 1 quoted prices that are observable – either directly (i.e. in the form of actual prices) or indirectly (i.e. derived from prices) – for a particular asset or liability
- Level 3: inputs not based on observable market data.

Fair value of financial assets and liabilities measured at amortised cost

€ million	30 June 2023		31 December 2022	
	Fair value	Level	Fair value	Level
Non-current assets				
Other financial assets	51	2	51	2
Liabilities				
Non-current liabilities				
Lease liabilities	-		-	2
Interest-bearing debt:				
Euro Medium Term Notes	-1,980	1	-1,831	1
Other interest-bearing debt	-565	2	-492	2
Total non-current liabilities	-2,545		-2,323	
Short-term liabilities				
Interest-bearing debt:				
Euro Medium Term Notes	-397		-	1
Euro Commercial Paper	-200	2	-300	2
Other interest-bearing debt	-145	2	-143	2
Total short-term liabilities	-742		-443	
Total liabilities	-3,287		-2,766	

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

Kenter

On 3 July 2023, Alliander announced that a consortium consisting of ABP and OMERS Infrastructure had the intention of acquiring Kenter. Alliander, ABP and OMERS Infrastructure have since reached agreement on this. The coming months will be used to complete the advisory and approval process with, among others, the shareholders and the competition authority. This sale is expected to take place late in 2023. At year-end 2022, Kenter was already classified as 'held for sale' in Alliander's consolidated balance sheet and this status continued to mid-2023. The assets and liabilities held for sale as at 30 June 2023 amount to €178 million and €19 million respectively.

Independent auditor's review report

To: board of Directors and supervisory board of Alliander N.V.

Our conclusion

We have reviewed the accompanying condensed interim financial information for the period from 1 January 2023 to 30 June 2023 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 2023 to 30 June 2023 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 2023 to 30 June 2023.
- The consolidated statement of comprehensive income as at 30 June 2023.
- The consolidated balance sheet as at 30 June 2023.
- The consolidated cash flow statement for the period from 1 January 2023 to 30 June 2023.
- The consolidated statement of changes in equity as at 30 June 2023.
- 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, 28 July, 2023

Deloitte Accountants B.V.

Signed on the original B.C.J. Dielissen

Disclaimer

This report is a translation of the Dutch half-year report 2023 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 2023 will prevail.

Parts of this report contain statements about the future outlook. These parts may include – without limitation – expectations regarding government measures, including regulatory measures, Alliander's share and the share of its subsidiaries and joint ventures in existing and new markets, industrial and macroeconomic trends, and the impact of these expectations on Alliander's operating results. Such statements typically include words like 'believe', 'expect', 'intend', 'anticipate' or similar expressions. These statements concerning the future 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 outcomes may differ significantly from these expectations.

This report has been prepared using the accounting policies applied in the preparation of the 2022 financial statements of Alliander N.V., which can be found on www.alliander.com.

This report has not been audited.

July 2023

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