

2022 Results

alliander

9 March 2023

Alliander at a glance

Largest Dutch network company owned by provinces and municipalities



Service area



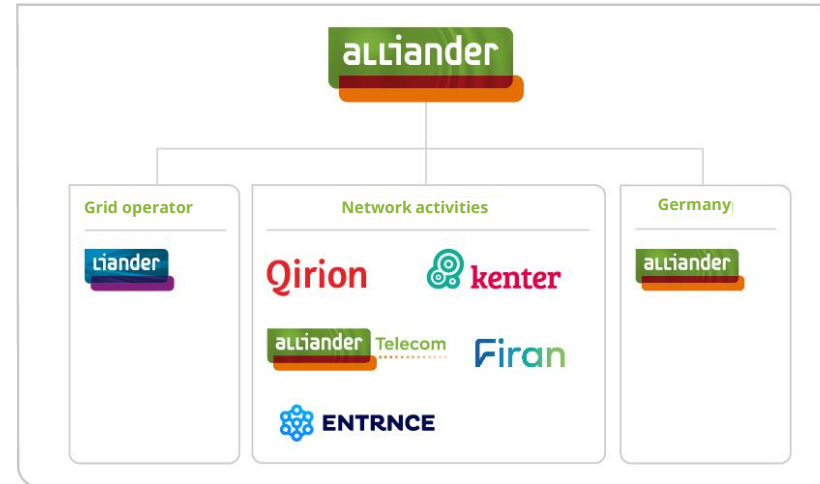
Electricity grid

95 thousand km,
3.3 million connections,
transported volume 25 TWh

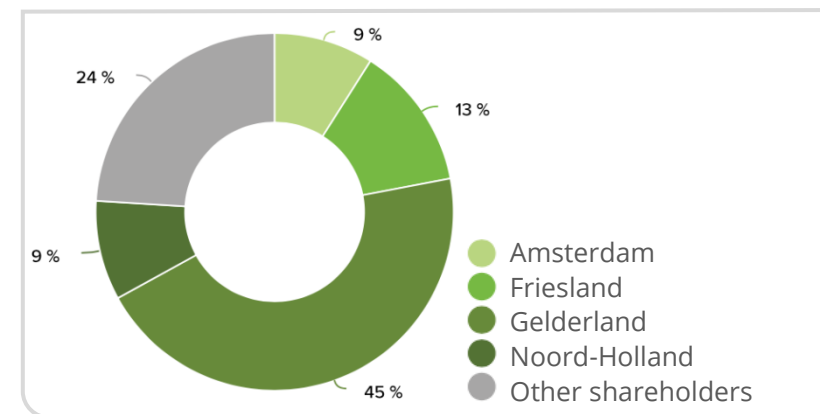
Gas grid

42 thousand km,
2.5 million connections,
transported volume 4.6 billion m³

Organisation



Shareholders



Alliander key figures (2022)

- Electricity outage duration : 21 minutes
- Share of customers with local renewable electricity feed in (in % of total): 23%
- Total connected renewable wind and solar generation capacity: 7.7 GW (+1.2 GW)
- Revenue: 2.1 billion
- Profit after tax: 198 million
- Capex: 1.2 billion
- Total assets: 10.7 billion
- Workforce: 7,300 FTE (including contract workers)

Alliander mission and strategy







What we work on every day

 A reliable, affordable energy supply, accessible to everyone under equal conditions

Foundation

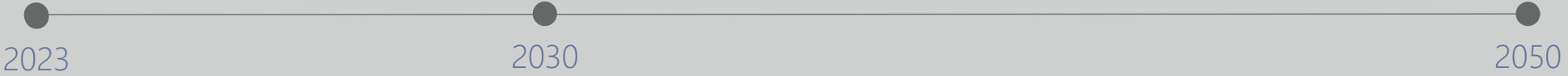
A safe, effective, cost-conscious, sustainable and inclusive organisation

Strategic pillars

-  Excellent network management
-  Assisting customers in making choices
-  Investing in new open networks
-  Digitalisation



Vision of the future energy system



A photograph of a wind farm with several white wind turbines in a field of tall grass under a clear blue sky. A large orange horizontal bar is overlaid across the middle of the image.

Developments in the Energy Transition

Trends and developments

External factors that have an impact on our organisation

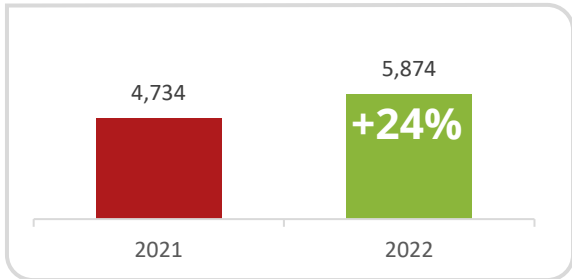


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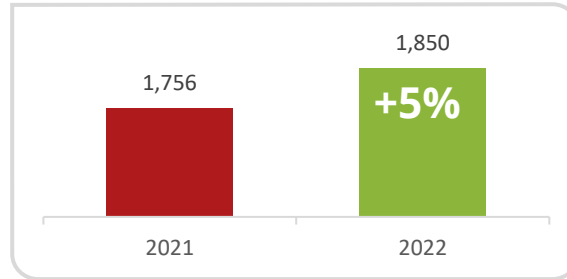
Electricity grid demand for connections and capacity increased significantly in 2022



Installed solar capacity in MWp



Installed wind capacity in MW



- Efforts to meet 2030 climate targets are creating high demand for electricity
- Electrification of energy system received additional boost last year due to high gas price
- It is a challenge for grid companies to meet this increased demand
- Shortage of labour, materials and public space means we can do less work than intended
- Nevertheless, in 2022 we connected more customers to the grid, laid more cables and built more transformer stations than in 2021

Km of new electricity cables laid



New connections to the electricity grid

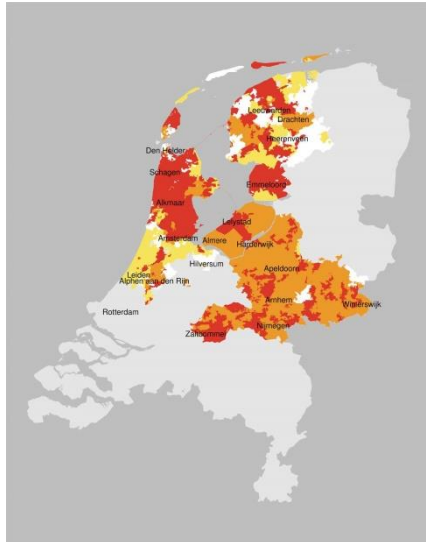


New or replaced transformer stations

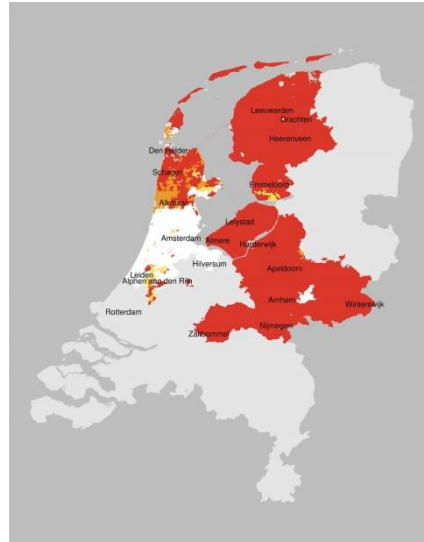


Grid capacity constraints are addressed in several ways

Liander service areas with electricity transport capacity constraints



Capacity shortage for offtake



Capacity shortage for feed-in

- No transport capacity available
- No transport capacity available: investigation into congestion management
- Limited transport capacity available
- Transport capacity available

Execute more work:

- Joint planning of activities
- Proactive and timely organisation of people, materials and services
- Recruitment and smart training of technicians
- Simplifying, innovating and digitalising work processes
- Place larger work packages with contractors

Reduce demand:

- Integral programming
- Behaviour change and energy awareness
- Insulation and energy efficiency
- Behind-the-meter energy management
- Energy planning and regional transition paths

Better network utilisation:

- Extending capacity limits
- Deploying flexibility
- New tariff models and contract forms

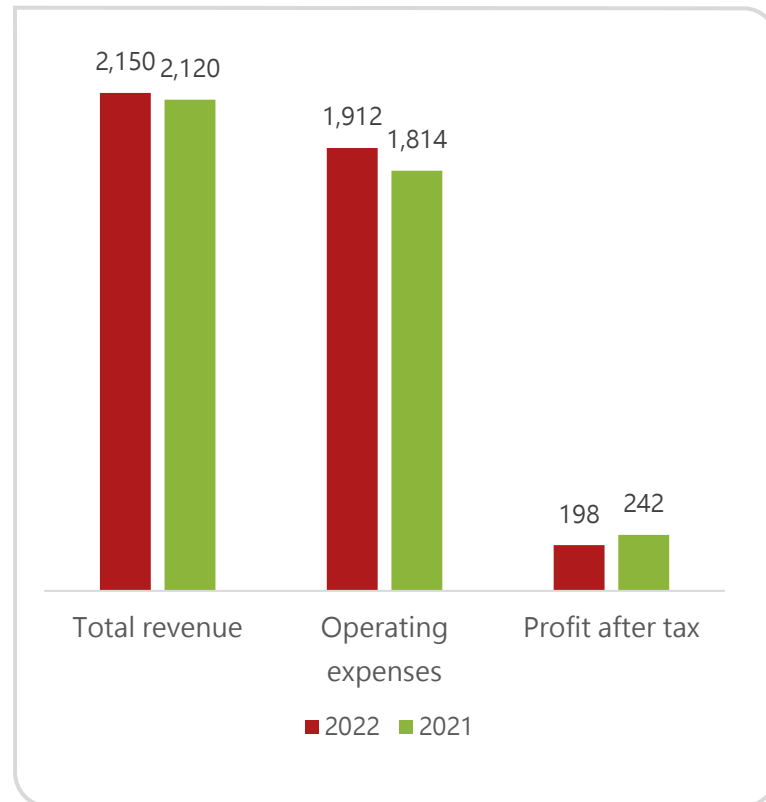
A photograph of a wind farm with several white wind turbines in a field of dry grass under a clear blue sky. A large orange horizontal bar is overlaid across the middle of the image.

Financial results for FY 2022

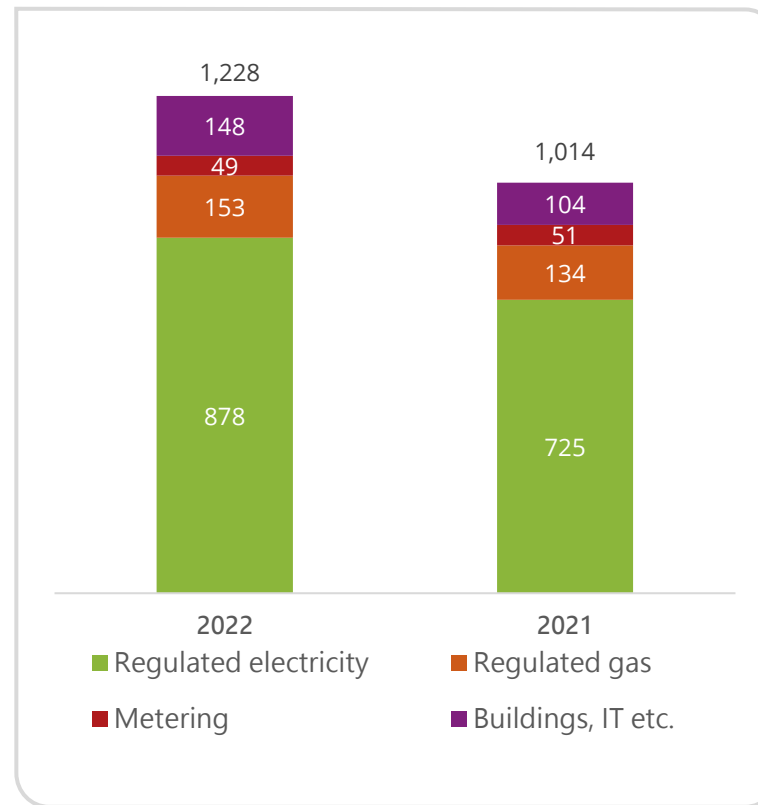
In 2022, higher grid losses and higher investments impacted our results and debt position



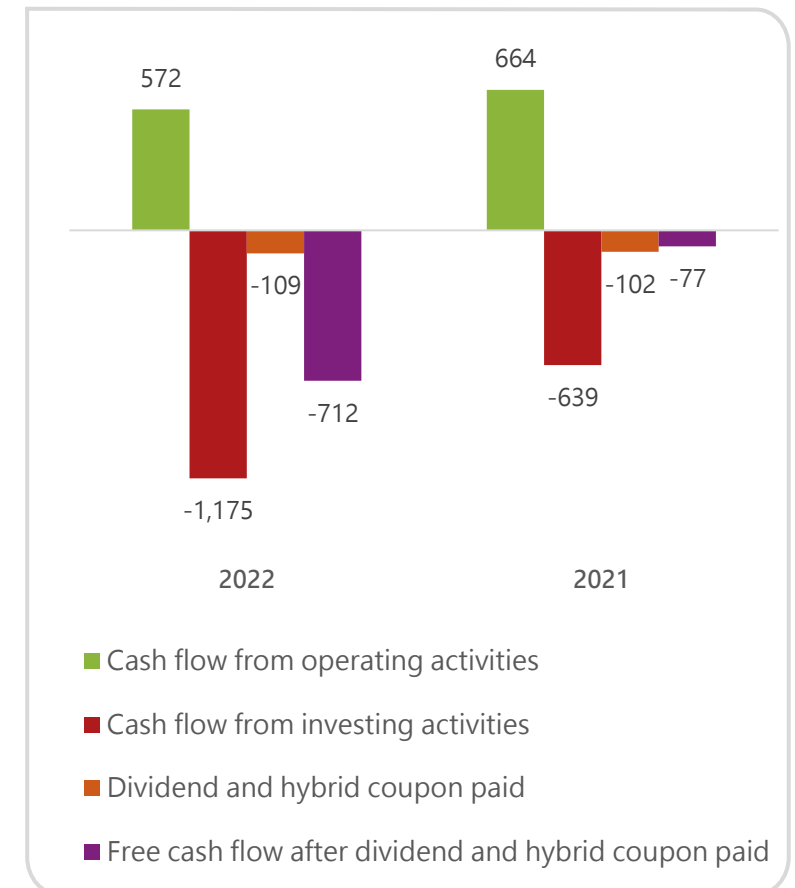
Results fell due to high grid losses



Investments increased by 21%



Negative free cash flow grew

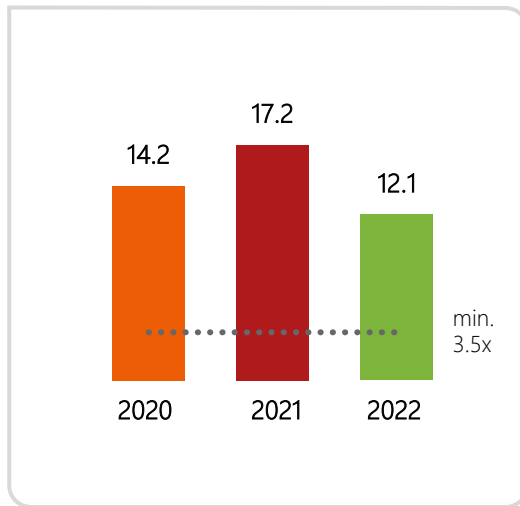


As a result, financial ratios were negatively affected

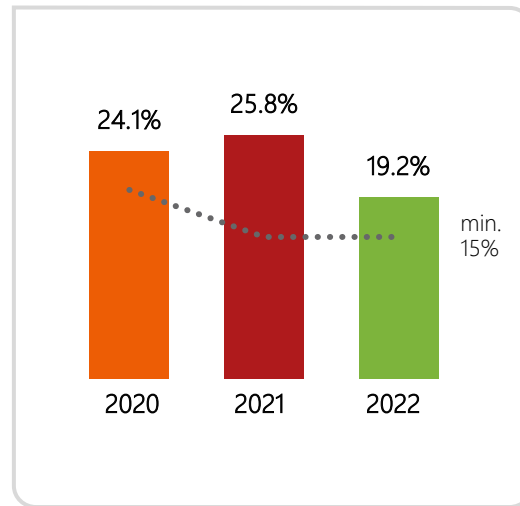
But the ratios remain well within the financial framework hurdles



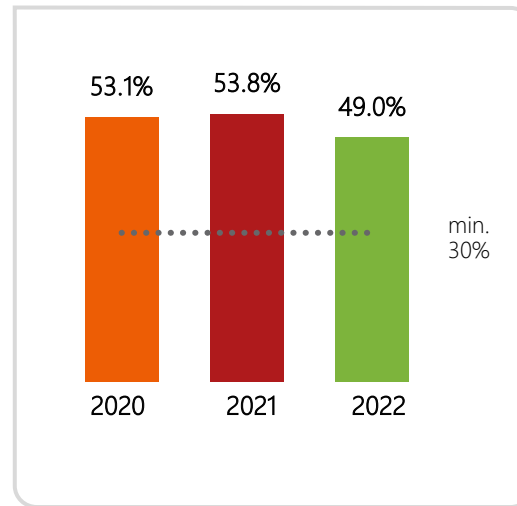
Interest cover



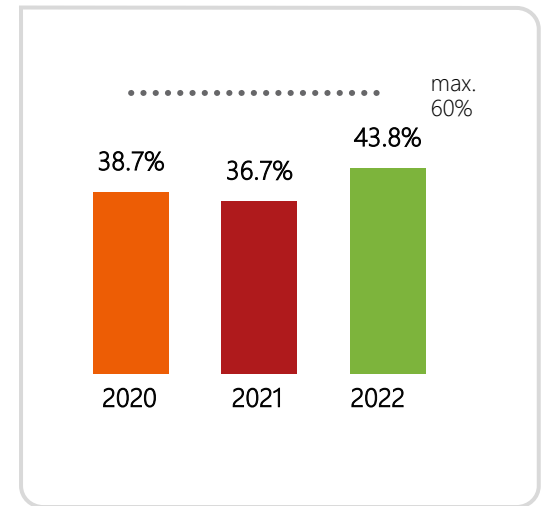
FFO / Net debt



Solvency



Net debt / capitalisation

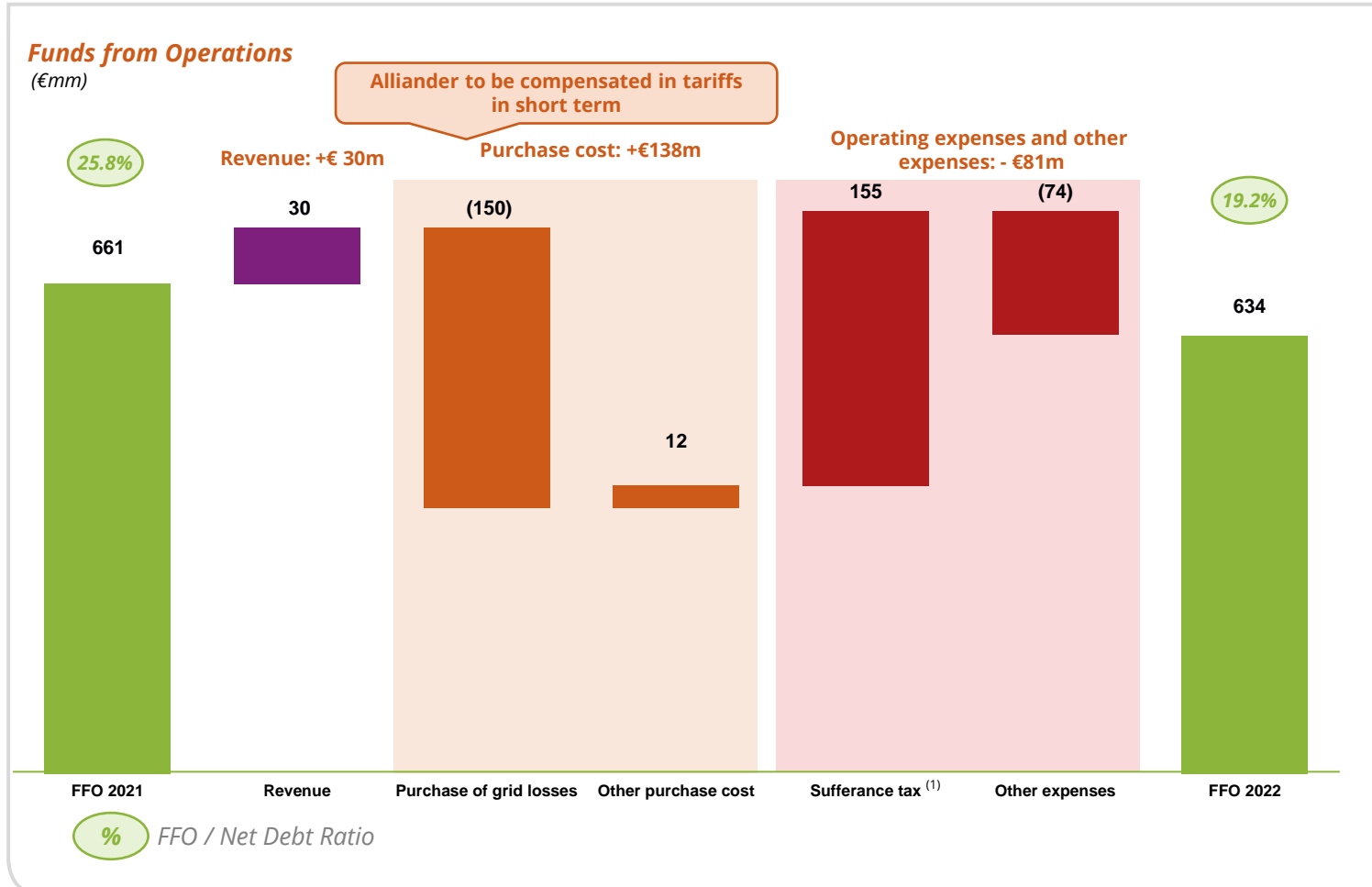


Change in FFO and normalised FFO/net debt

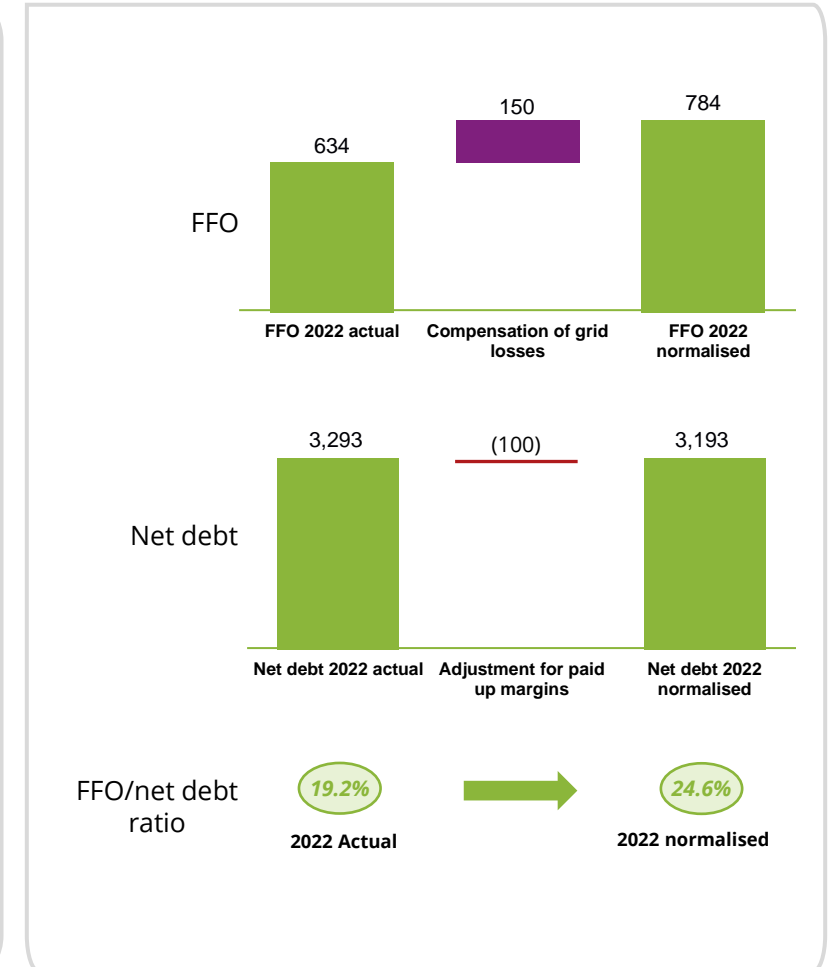
Ratio is higher when one-off effects on FFO and net debt are excluded



FFO development



Normalised FFO/ Net debt



Note: 1. A levy charged by local authorities for the assets of utilities running either overhead or below ground across public land or water as well as surface assets.

Important cost drivers will impact FFO/net debt going forward



But are compensated in tariff regulations either in advance or with a two-year lag

Inflation

- Energy prices have risen significantly
- Further decline in inflation expected from peak in 2022, with energy remaining main driver
- Annual inflation in indexation of permitted income
- 12% indexation over 2022 included in 2023 tariffs



Advance for grid losses

- Purchase costs of grid losses are expected to remain high due to higher energy prices
- Higher purchase costs of grid losses are compensated in advance and lead to higher revenues



WACC recalculation

- Current high interest rates require a recalculation of the regulated WACC
- Recalculation compensates for current lower allowable returns and leads to higher yields
- Increase in risk-free interest rate for 2022 (+1.3%) means approximately EUR 80 million extra income for 2024



Sale of Kenter

- Proposed sale of Kenter planned for 2023
- Revenues are a potentially important source of funding for coming year



A photograph of a wind farm with several white wind turbines in a field of tall grass under a clear blue sky. A large orange horizontal bar is overlaid across the middle of the image.

Financial Position

To maintain a solid financial position in the longer term, we take a three-pronged approach

Alliander's own measures

- Focus on cost efficiency
- Innovative use of infrastructure
- Potential to strengthen equity through conversion of shareholder loan and hybrid instruments
- Sale of Kenter

Alliander in dialogue with regulator ACM and Dutch State

- Increase in permitted income (ACM)
- Changes to the current regulatory system (Ministry of Economic Affairs and Climate Policy)
- Possible accession of Dutch State as new shareholder if necessary

Alliander in dialogue with shareholders

- Approach existing and new shareholders

Framework agreement with the Dutch State

Dutch State acts as potential financial backstop for network companies



- Alliander, Enexis and Stedin agreed on a framework agreement with the Dutch State in December 2022
- This framework agreement contains procedures and conditions under which the State can make future capital contributions as a new shareholder
- This ensures a solid financial position with at least an A minus rating, enabling grid operators to continue to finance their sizeable investments
- The agreement strengthens the strategic link between the Dutch State and the network companies
- Agreement on the framework has led S&P to assign GRE status
- Effectively, capital support can be requested from the State if the S&P corporate rating is at risk of falling below A- (A minus)

Alliander is keeping to its own more stringent financial policy framework with a minimum FFO/net debt ratio of 15%



Financial framework

- FFO/Net debt: Minimum 15%
- FFO interest cover: Minimum 3.5x
- Net debt/capitalisation: Maximum 60%
- Solid A rating profile
- Comply with regulatory criteria for the network operators

Dividend policy

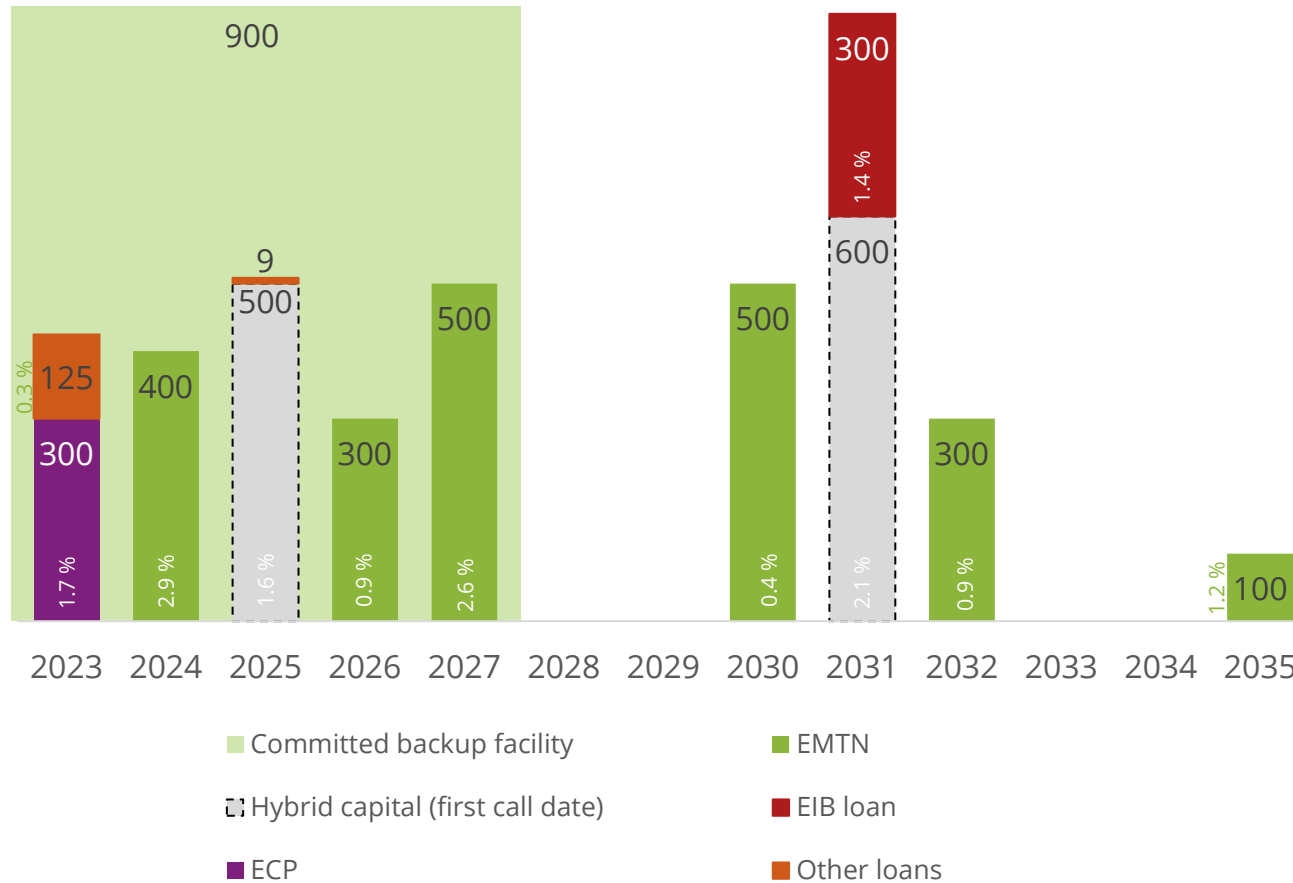
- Stable dividend pay-out ratio
- Pay-out: maximum 45% of the profit after tax, adjusted for fair value movements, periodic payments relating to loans that are recognised in equity and exceptional items that did not lead to a cash flow, unless investments or financial criteria demand a higher profit retention percentage and/or unless the solvency ratio falls below 30% after payment of dividend

...underpinned by a strong funding profile

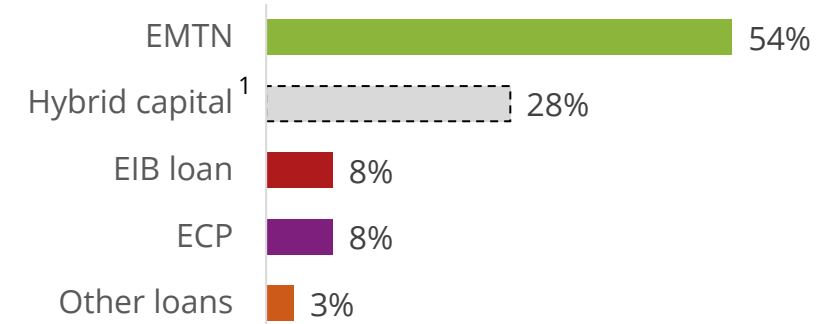
Balanced debt repayment profile backed by sufficient liquidity



Debt maturity profile



Debt breakdown



¹ For this purpose, hybrid capital is included as 100% debt

Debt metrics

	2022	2021
Average time to maturity (years)	5	5.5
Average interest rate	1.7%	1.6%
Fixed rate debt (% of gross debt)	92%	100%
Undrawn committed liquidity facilities (EUR million)	900	900
Gross debt ¹ (EUR million)	3,549	3,234
Available cash (EUR million)	205	624
Total net debt (EUR million)	3,293	2,487

¹ Hybrid capital is included as 50% debt

S&P corporate rating unchanged due to assignment of GRE status

GRE uplift offsets decline in standalone rating

Rating type	New rating as of 14-feb-23	Previous rating
Stand alone credit profile	A	A+
GRE uplift	+1	-
Corporate rating	A+ (stable)	A+ (stable)
ST rating	A-1	A-1
Hybrid rating ¹	BBB+	A3

Note: ¹ Hybrid rating automatically follows SACP - 2 notches

"We view this agreement as binding and robust and therefore now consider the DSOs to be government-related entities (GREs) of the Netherlands (AAA/Stable/A-1+)."

"In our view, these entities now benefit from a moderate likelihood of timely extraordinary support from the central government that could come in the form of common equity injections if the rating on a DSO was at risk of falling below 'A-' due to capital shortfalls."

"At the same time, we revised down by one notch our SACPs on the three DSOs to reflect an overall trend of pressured metrics over the current regulatory period, notably by front-loaded investments."

A photograph of a wind farm with several white wind turbines in a field of tall grass under a clear blue sky. A horizontal orange bar is overlaid across the middle of the image.

Corporate Social Responsibility

CSR – Alliander's ambitions and targets



Climate-neutral operations

- Alliander has the highest certificate level (5) for the CO₂ performance ladder, proof of the anchoring of the CO₂ reduction target in business operations
- Target: climate-neutral business operations in 2023

Circular procurement

- Alliander recycles 90% of the remaining waste as high-quality materials
- Target : 45% 'circular procurement' by 2027

Diverse and inclusive employment

- Alliander offers long-term work to people with poor job prospects
- Target: to meet the requirements of the Labour Participation Quotas Act by 2024
- Target: by 2024, 33% of our leadership positions will be held by women

Our CSR policy contributes directly to the UN SDGs

Six SDGs were defined as material in relation to our business activities



Alliander's mission



- As an energy network operator, we play a vital role in guaranteeing a safe, affordable and constant availability of sustainable energy
- In 2022, the number of connections for sustainably generated energy increased by 25% to 773,000
- Together with our supply chain partners, we want to continue making a contribution to a sustainable energy supply system at low costs

Safe and inclusive employer



- We work non-stop on ensuring a safe and fair working environment for all our employees as well as an inclusive corporate culture
- In 2022, the percentage of women in managerial positions increased to 28.4% (28.1% in 2021)
- We offer long-term work to people with poor job prospects who meet the criteria of the Dutch Labour Participation Act

Excellent network operation and innovation



- We facilitate customer choices, make maximum use of digital opportunities, actively create open networks and do our work efficiently
- We carry out pilots with green hydrogen using electricity generated by wind and solar farms
- We investigate and build networks where reserve capacity can be used

Energy & heating transition



- In the Netherlands, municipalities play an important role in the transition to a sustainable energy supply
- We assist municipalities so they can bring about the heating transition and can systematically plan and implement changes in the best possible manner
- We prepare the installation of a larger number of charge points for electric vehicles and public transport

Sustainable operations



- We are acutely aware of the impact of our operations on the planet, and strive to make our business operations climate neutral and circular
- In 2022, 28% of our expenditure on materials was circular
- Our goal is to have fully climate-neutral, circular operations

Respond to climate change



- Being aware of and transparent about climate-related developments relating to our assets
- Cooperating with stakeholders and public authorities on climate adaptive strategies and programmes
- Qualitative analysis of our position in the field of climate adaptation
- Further greening of our carbon footprint, incl. via additional greening of grid losses with Guarantees of Origin

A photograph of a wind turbine farm. In the foreground, a large white wind turbine is partially visible, its blades extending towards the top left. In the background, a line of similar turbines stretches across a field of dry, yellowish-brown vegetation under a clear blue sky. A horizontal orange bar is overlaid across the middle of the image, containing the word "Outlook" in white text.

Outlook

Outlook for 2023



- Keeping our grids up to standard requires increasingly large investments, eventually rising to €2 billion per year
- Dividend proposal for 2022: €82 million
- Proposed sale of Kenter in 2023
- Trade Board (CBb) ruling on appeal by grid operators aimed at better matching of revenues to actual costs

Financial calendar and other information



Financial calendar

- 9 March Annual results for 2022
- 10 March Investor call & webcast
- 6 April 2022 Annual Report (English translation)
- April Green Finance Report for 2022
- 3 August Half-year results for 2023

Information www.alliander.com/en/investors/

- Annual Report
- Green Finance Framework
- Green bond information

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'We', 'Alliander', 'the company', 'the Alliander group' or similar expressions are used in this presentation as synonyms for Alliander N.V. and its subsidiaries. Liander refers to the grid manager Liander N.V. and its subsidiaries. Alliander N.V. is the sole shareholder of Liander N.V., Qirion B.V., Kenter B.V. and Alliander AG.

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