

Half-year figures 2017: Stable operational results and investments

Rising demand creates over 150 technical vacancies

Arnhem, the Netherlands, 28 July 2017 – Profit after tax fell from € 232 million for the first half of 2016 to € 93 million in the first half of 2017. The decline is entirely attributable to the fact that the 2016 figure included a one-off book profit of € 176 million from the Endinet sale. Profit after tax excluding exceptional items was € 30 million higher in the first half of 2017 compared to the same period in 2016. The main reason was a one-off settlement of sufferance tax levies from previous years. As a result of the increasing economy, which is boosting residential and commercial construction, and through the acceleration of the energy transition, Alliander received significantly more requests from customers for connections to the grid in the first half of 2017.

On-time completion of work under pressure

Alliander is responsible for connecting customers safely and promptly to the energy network. Owing to the sharp increase in demand and the considerable shortage of skilled technicians in the Dutch labor market, it is becoming more difficult to provide all customers demands as quickly as we would like. Currently Alliander has 150 technical vacancies. To continue meeting customer demand, Alliander is constantly embracing new and smarter solutions, so that more work can be done with the same number of people. Ongoing recruitment campaigns are also being conducted to make technically skilled women and men aware of the attractive and challenging career opportunities that network companies have to offer. Finally, initiatives are underway to provide safe fast-track training and retraining programmes to new technicians.

Leading role for municipalities in heating transition

To achieve the Paris climate objectives, Dutch homes of the future will no longer be heated with natural gas. Already, more and more customers and municipalities are keen to switch over to fossil-free heating. This has consequences for our natural gas infrastructure. Alliander's strategy is designed to absorb these impacts as smoothly as possible. Among other things, we adopt innovations to prevent the need for extra investments in the electricity network (when neighbourhoods go all-electric) and use a programme-based approach to advance the energy transition. In this context, network companies, municipalities and Minister Kamp of Economic Affairs signed a landmark Green Deal in March 2017. Alliander sees a leading role for municipalities in the local energy transition. Accordingly, talks have been started with local authorities in our service area with a view to creating gas-free neighbourhoods. In March of this year, Alliander signed a partnership agreement with the municipality of Arnhem to phase out natural gas in two existing neighbourhoods. This initiative will see residents, the municipality and Alliander working together to find the most economical and smartest solutions for climate-neutral heating.

Revenue

Total income for the first half of 2017 rose by € 61 million to € 909 million (€ 848 million in the first half

of 2016). The main contributing factor was a € 56 million increase in regulated revenue, which was almost entirely due to a one-off settlement of sufferance tax levies from previous years (€ 50 million). The remaining € 6 million came from an increase in the number of connections.

Costs

Total operating expenses rose to € 762 million in the first half of 2017 from € 740 million in 2016, mainly due to higher depreciation and employee benefit expense. The increased employee benefit expense was primarily because of the larger number of employees to deal with the greater workload.

On 21 March, the Senate confirmed the abolition of sufferance tax on gas and electricity infrastructure. This municipal levy, which is passed on in the customer tariffs, amounted in the first half of 2017 to almost € 69 million (2016: € 65 million). From 2022, municipalities will no longer be allowed to levy this tax.

Investments

Investments in the replacement of existing networks ran to € 86 million in the first half of 2017 (2016: € 85 million), while € 102 million (2016: € 109 million) was invested in network expansions. Interruption and maintenance costs were € 123 million in the first half of 2017, which is higher compared with the first half of 2016 (€ 117 million).

Financing European Investment Bank

Alliander signed a € 300 million loan agreement with the European Investment Bank (EIB) in July. The loan is used to renew and extend the electricity grids. It is expected that this investment program will be completed by the end of 2018.

Outage duration

The electricity outage duration decreased in the first half of 2017 to 21.1 minutes compared to 23.3 minutes in the first half of 2016.