Half-year results 2015

31 July 2015

Disclaimer

This presentation is a translation of the Dutch presentation on the consolidated half-year results 2015 of Alliander N.V. Although this translation has been prepared with the utmost care, deviations form the Dutch presentation might nevertheless occur. In such cases, the Dutch presentation prevails.

‘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. The name Endinet refers to the Endinet group, including grid manager Endinet B.V. Stam refers to Stam Heerhugowaard Holding B.V. and its subsidiaries and Liandon refers to Liandon B.V. Alliander N.V. is the sole shareholder of Liander N.V., Endinet Groep B.V., Liandon B.V. and Alliander AG.

Parts of this presentation contain forward-looking information. These parts may –without limitation– include statements on government measures, including regulatory measures, on Alliander’s share and the share of its subsidiaries and joint ventures in existing and new markets, on industrial and macroeconomic trends and on the impact of these expectations on Alliander’s operating results. Such statements are preceded by, followed by or contain words such as ‘believes’, ‘expects’, ‘thinks’, ‘anticipates’ or similar expressions. These prospective statements are based on the current assumptions and are subject to known and unknown factors and other uncertainties, many of which are beyond Alliander’s control, so that future actual results may differ materially from these statements.

This presentation has been prepared with due regard to the accounting policies applied in the 2014 financial statements of Alliander N.V., which can be found on www.alliander.com.

All financial information shown in this presentation has not been audited and is made available for the purpose of discussing the current and future financial position of Alliander. No party can rely upon this presentation unless explicitly confirmed otherwise in writing by the company.

Content

Highlights 2015-YTD

Financial results and position

- Reported half-year results 2015: € 161 m (2014H1: € 156 m). Comparable half-year results 2015: € 116 m (2014H1: € 114 m)
- Results have been impacted to an important extent by an extraordinary gain:
  - Contractual termination of Credit Default Swap (€ 49 million after tax)
- Revenue decreased to €777 m due to decrease in regulated tariffs (2014H1:€786 m)
- Total comparable operating expenses increased slightly to € 694 m (2014H1:€ 689 m) due to:
  - Higher process costs (+€16 m) due to increased maintenance activities
  - Higher purchase costs (+€2 m) due to higher sufferance tax charges and transport costs partly compensated by lower cost of grid losses and unregulated activities
  - Higher depreciation costs (+ €2 m)
  - Lower indirect costs (-/- € 15 million) due to lower cost of efficiency programmes
- Lower CAPEX (-/- €25m) mainly due to drop in customer orders
- Early termination of one of the four cross border lease contracts
- Credit ratings:
  - Moody's rating upgrade to Aa2 from Aa3 with stable outlook. P-1 short-term ratings affirmed
  - S&P rating unchanged at AA-/A-1+ with stable outlook

Operational developments

- 12-month avg. electricity outage duration decreased slightly to 19.5 minutes (Dec-2014: 19.9)
- Number of postcode areas with more than five interruptions increased to 11 (Dec-2014: 10)
- Customer satisfaction for consumers decreases to 2% below benchmark (Dec-2014: 4% over benchmark) and increases to benchmark level for businesses (Dec-2014: 3% below benchmark)
- Continuation of efficiency programs

Highlights 2015-YTD

Strategic developments

- Network companies Alliander and Enexis signed a sales and purchase agreement for the exchange of regional networks on 27 July 2015. This exchange concerns the energy networks of Enexis in Friesland and Noordoostpolder and that of Alliander in the Eindhoven and Southeast Brabant region (Endinet) as of 1 January 2016
- Mr B. Roetert has been appointed as member of Alliander's Supervisory Board and succeeds Mr F. Briët.
- Benefits from scaling of operations in the Netherlands will be attained from cooperation within sector instead of acquisitions:
  - Combined procurement of smart meter with Stedin, Delta and Westland Infra
  - Sharing communication network with Stedin to read out smart meters
- Increase in pace of digitization serves two purposes:
  - Data driven asset replacement. At end of technical lifetime, assets are equipped with digital measuring devices that monitor their performance. Replacement method increasingly based on asset performance and less on perceived asset lifetime.
  - Transforming traditional networks into smart networks allows more efficient use of capacity without the need of installing more cables.
- Cooperation and digitization lead to cost savings.

Regulatory developments

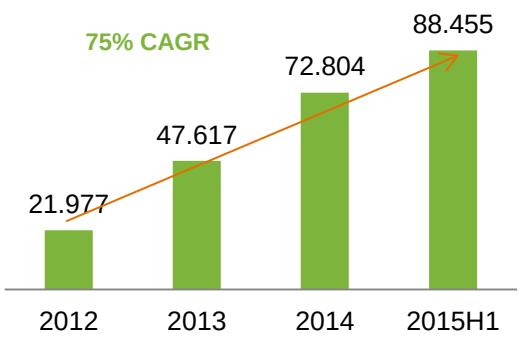
- The Supreme Court has decided that unbundling is not in conflict with EU law. Formally the unbundling law is now legally valid and Eneco and Delta need to unbundle
- Municipalities increasingly levy sufferance tax
- Large scale offering of smart meter to customers started in 2015
- Future legislation E and G is expected to pass Parliament in Autumn 2015

Content

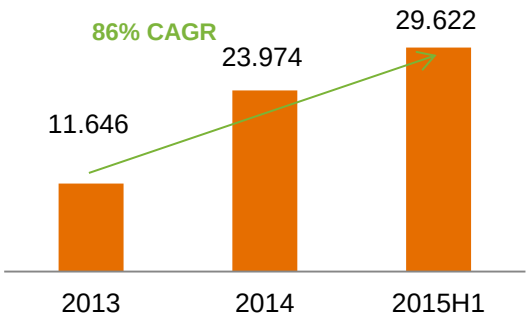
Major trends in the energy sector (1)

1. Increasing focus of society on sustainability and energy saving:
   - Making homes more sustainable by applying e.g.:
     - PV panels
     - Heat pumps
     - Insulation
   - Growth in electric transport
   - Experimenting with biogas and solar fields in agricultural sector
   - Development of heating networks

Number of feed-in installations at our customers

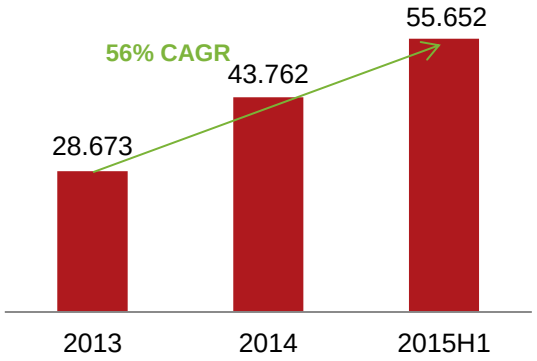


Number of charging poles in the Netherlands
Public and semi-public



Bron: Rijksdienst voor Ondernemend Nederland

(Semi)-electric passenger cars in the Netherlands



Bron: Rijksdienst voor Ondernemend Nederland

Local energy production and electric transport show high growth

Major trends in the energy sector (2)

2. Politics and regulation
   - Nationale Energieakkoord includes agreements on sustainability and energy saving targets: by 2020 14% of all energy needs to be generated in a sustainable way (2014 level: ± 5%)
   - In a lawsuit against the Dutch State, the Court ruled that the Dutch State is obliged to realize at least a 25% reduction of the national carbon footprint by 2020 (relative to 1990 level). The current ambition is only 16% and the Netherlands is not on track to realize that goal.
   - Intended integral revision of E and G legislation (STROOM) aimed at streamlining, optimizing and modernizing the current legislation and providing a legal framework for the energy transition. The regulation methodology basically remains unchanged.

3. Information technology
   - ICT and data play an increasingly important role in the operations and services of Alliander

4. Consumer empowerment
   - Consumers jointly set up cooperatives and new energy companies

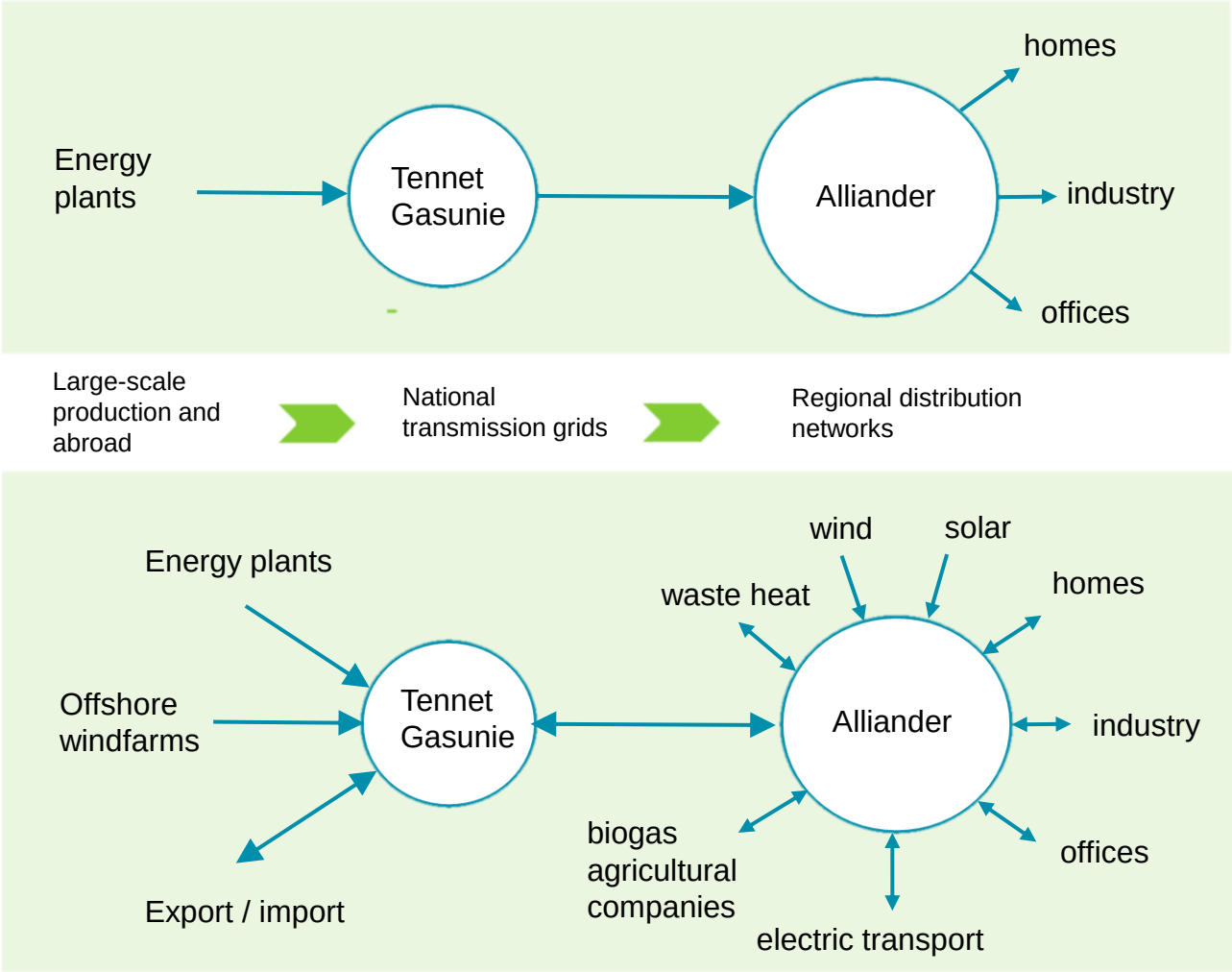
These trends are the drivers of the energy transition: the transition from energy generation from fossil fuel towards energy generation from sustainable sources. This transition is to an important extent being initiated from local, small-scale cooperatives and companies.

These trends are driving the energy transition

The energy transition is impacting the role of the network company

From:
Distributor

To:
Distributor and Coordinator



Energy production and demand are converging in terms of time and location

Alliander and the energy transition

- Alliander stands for an energy system that provides access for everyone to reliable, affordable and renewable energy under equal conditions

- As large Dutch energy network company we are responsible for providing energy to 2.9 million customers and we take responsibility for the energy future of the Netherlands

- We are experts in:
  - Developing, maintaining, and operating energy networks with high reliability
  - Provide insight into energy flows through these networks
  - Helping customers to switch to renewable energy

- The energy system changes. This leads us to pose two questions:
  - How do we ensure that the reliability and affordability of our networks remains high, now and in the future?
  - How do we ensure that everyone gets access to renewable energy under equal conditions?

- To take up this challenge we need to excel in three areas:
  - Operational excellence of our processes, allowing us to provide services to our customers in a better, faster and more affordable way.
  - Developing and implementing new applications for our existing networks that help us stay ahead in reliability, affordability and accessibility
  - Developing new ways to help customers to switch to renewable energy, while securing equal access and freedom of choice

Alliander sees an important role for itself in the energy transition

Selected activities in past 6 months

1. Increase operational excellence of our processes:

   - joint procurement of smart meters with Stedin, Delta and Westland Infra
   - swap of energy networks with Enexis

2. The development and implementation of new applications for our existing networks:

   - start of large scale offering of smart meters
   - commissioning of CDMA communication network to read out smart meters at a distance
   - deployment of adjustable transformers as alternative for grid reinforcement driven by increasing renewable energy production
   - pilot for equipping substations with smart climate control to save energy

3. Developing new ways to help customers switch to renewable energy

   - Commissioning of heat network in Nijmegen
   - Concession to operate charging pole network for electric vehicles
   - Initiative taken to launch partnership among smart cities (Global Smart City & Community Coalition)

Alliander is well under way in facilitating the energy transition

Energy transition and STROOM

- Project STROOM started in 2011 and aims to integrate and simplify the existing E and G legislation and to reduce the regulatory burden and administrative cost. The new act is also meant to stimulate and facilitate the coming period of energy transition

- The new act is still in the process of development and is partly based on sector input. It is expected that the law passes Parliament in 2015 and will come into effect on 1 January 2016

- The new act will provide a framework with principles and guidelines that will be further worked out in secondary legislation (Algemene Maatregelen van Bestuur). Finally the details will be set in Codes and decrees by the National Regulating Authority, ACM

- Regulatory methodology will be simplified but in essence remains unchanged:
  - Output steering based on benchmark regulation
  - In the long run the sector as a whole will be able to cover its total cost including capital cost

- Changes compared to existing legislation:
  - Allows for temporary tasks and experimenting by network operator
  - Clarification of the allowed tasks and authorizations of network operators and network companies
  - The extension of the duration of the regulatory period to 4-6 year (current period range is 3-5 year). When the period is 6 years the methodology parameters will be reassessed. This will not happen with 4 or 5 year periods

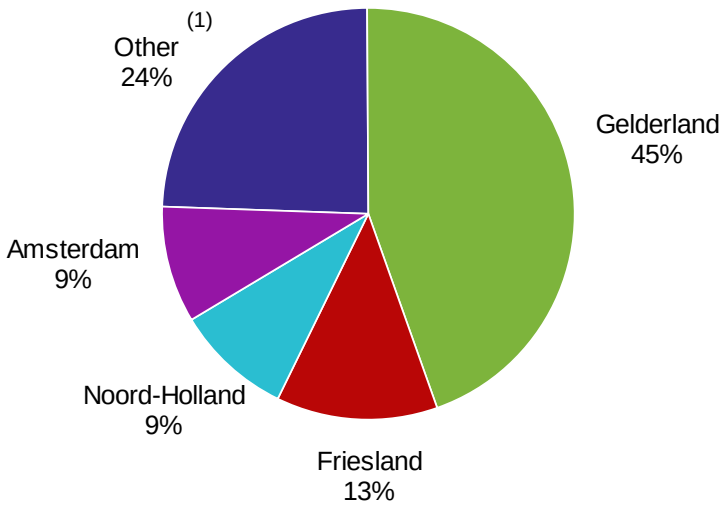
- Improvements due to intended changes in legislation
  - More stable regulatory environment without losing flexibility to react on changes in market developments
  - Simplified calculation of total allowed revenue

Current robust regulatory framework remains in place and allows for energy transition

Content

Stable public shareholder base

Alliander Shareholders: Provinces & Municipalities

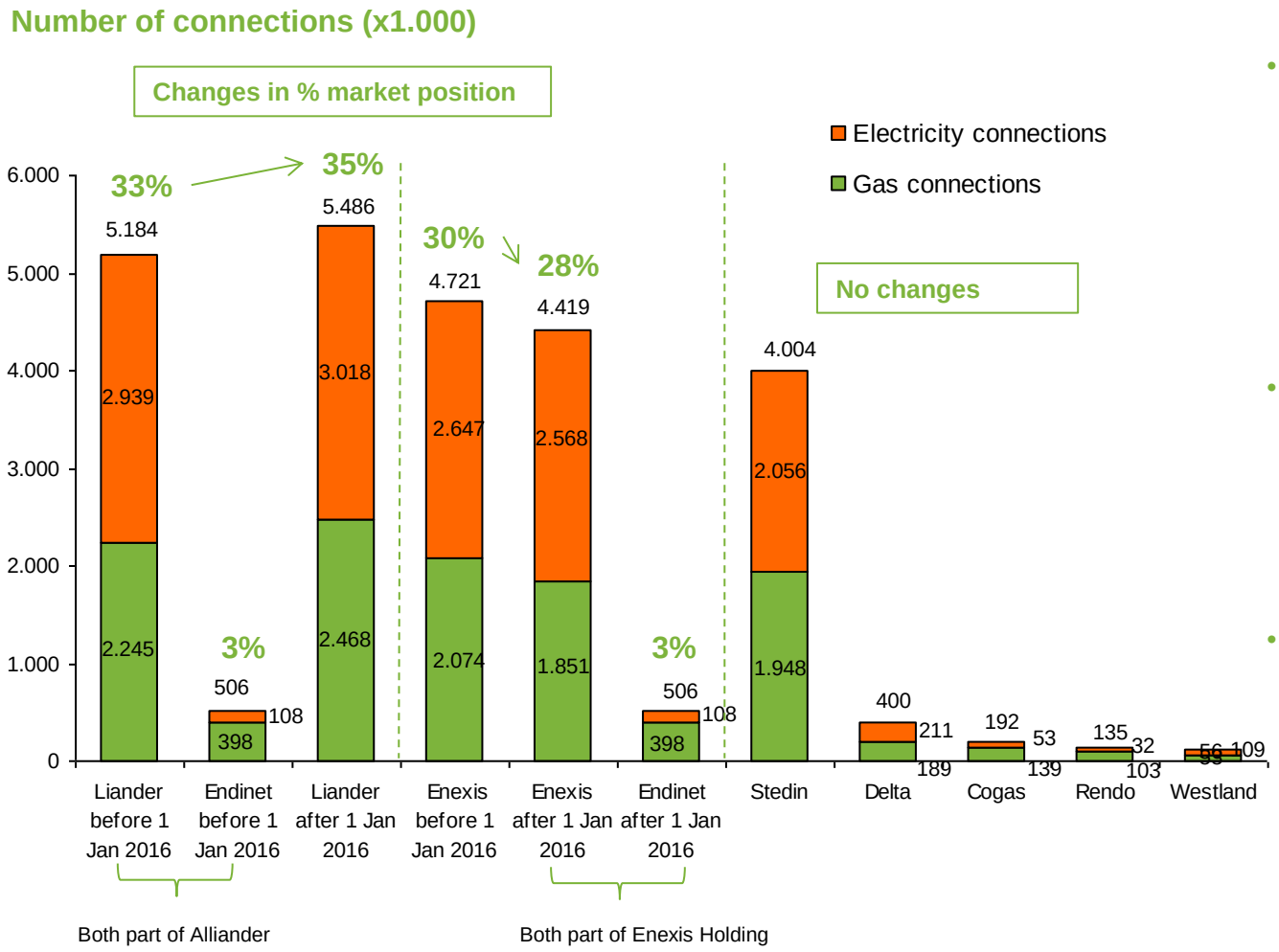


Alliander grid coverage of regions largely coincide with the shareholders base

100% owned by Dutch provinces and municipalities and privatisation is not allowed by law

(1) Includes province of Flevoland, and various municipalities located in the provinces of Gelderland, Friesland, Flevoland, Zuid-Holland and Noord-Holland
(2) Endinet shares acquired by Alliander as of 1 July 2010 and to be swapped with Enexis as of 1 January 2016

Market position before and after asset swap

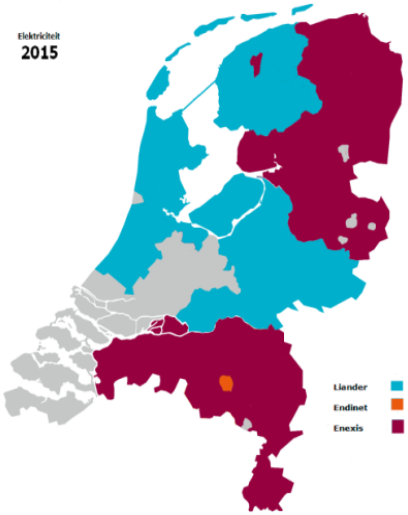


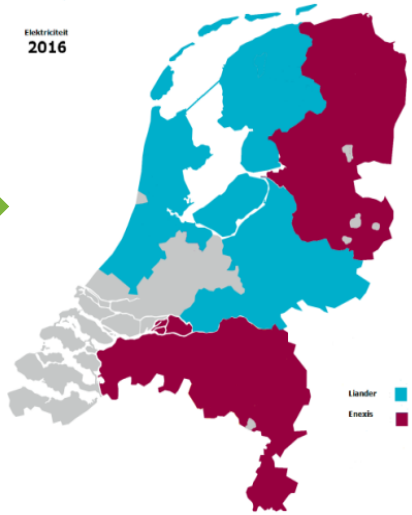
- As of 1 January 2016 Endinet (398,000 G and 108,000 E connections) is swapped against Friesland and the Noordoostpolder (223,000 G and 79,000 E connections)
- As of 1 January 2016 Alliander has 3.0 million electricity connections and 2.5 million gas connections in the Netherlands
- As of 1 January 2016 Liander has a market position of 35%

Source: ECN/EnergieNed/Netbeheer Nederland “Energy Trends 2014” publication

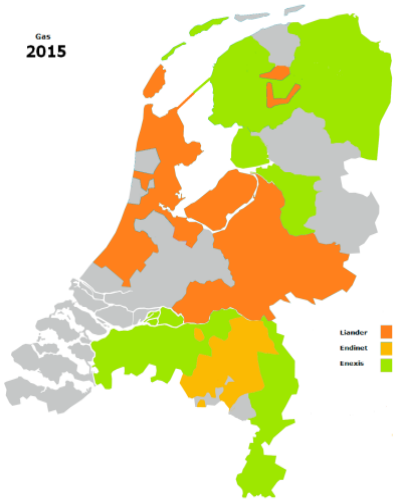
Service areas after asset swap

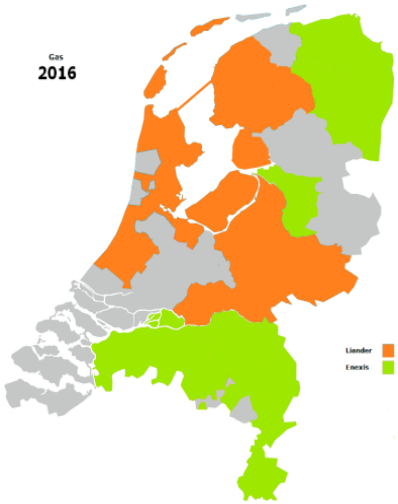
Service areas electricity





Service areas gas

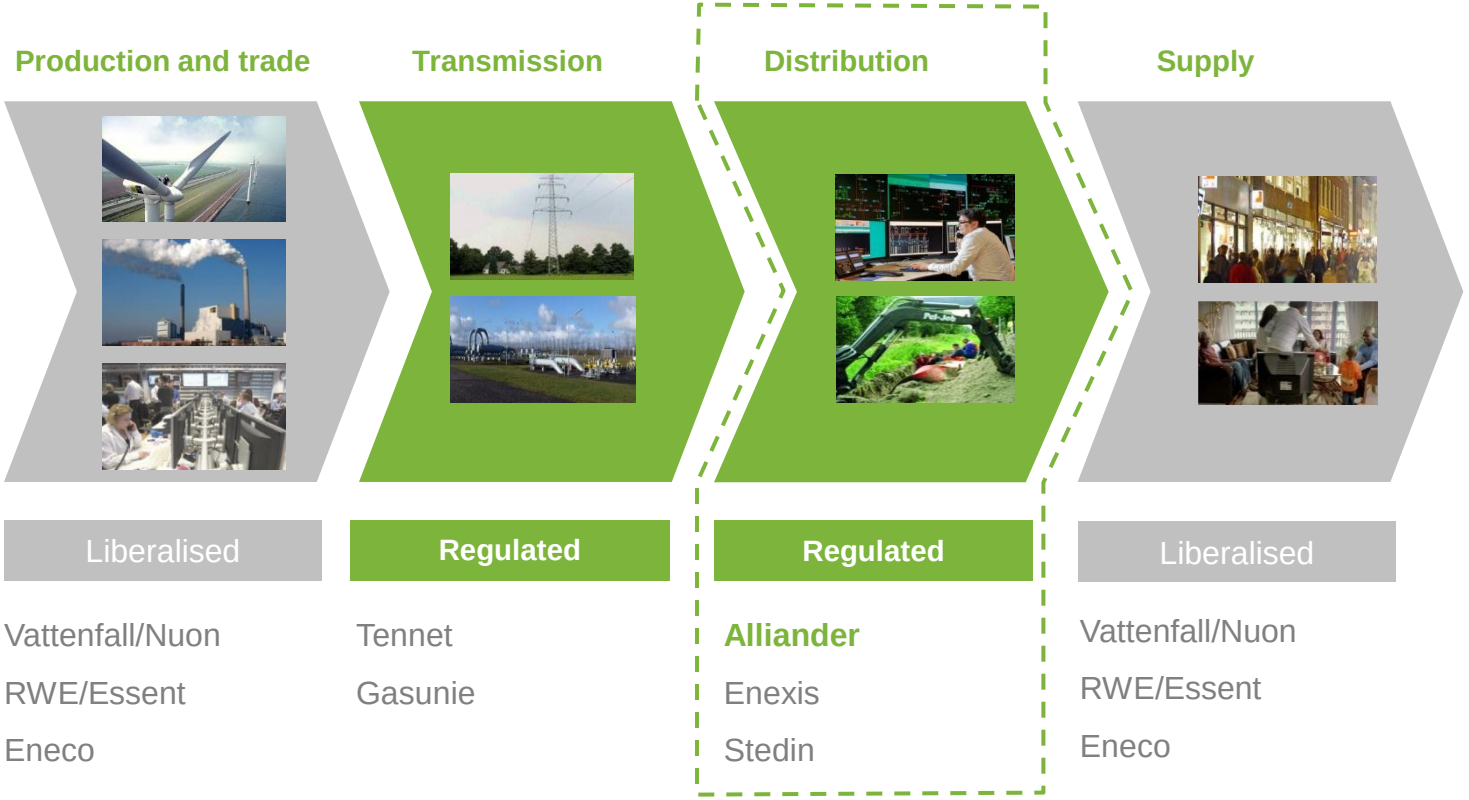




After the asset swap:

- the networks involved in the swap tie in nicely in each others existing networks
- the service areas of Enexis and Liander will be more aligned with provincial borders
- customers will have a single network operator for both gas and electricity distribution

Position in the Dutch energy value chain



The Dutch energy value chain has been partially liberalised. Regional distribution and transmission are regulated

Alliander's businesses: stable cash flow profile

Liander | endinet | Liandon

Regional Grid Manager: Management of regional electricity and gas grids

Electricity & gas metering business

Regulated assets

Low risk profile due to regulatory environment

- Service, maintenance and automation of complex energy infrastructures, including for TenneT
- Clients are in the stable and regulated network sector
- Stable and predictable cash flow

Results first half 2015	Network operator Liander	Network company Endinet	Other	Eliminations	Total
€ million					
Operating income					
External income	774	49	48	-	871
Internal income	3	-	151	-154	-
Operating income	**777**	**49**	**199**	**-154**	**871**
Operating expenses					
Operating expenses	**580**	**41**	**228**	**-154**	**695**
Operating profit	**197**	**8**	**-29**	**-**	**176**
Total assets	**6,326**	**592**	**2,974**	**-2,213**	**7,679**

Regulated business >90%

1) Comprises other activities within the Alliander-group including the activities of Liandon, Stam, Alliander A.G., activities in emerging markets, corporate departments and service units (both part of Alliander N.V.)

Regulation - Regulatory framework

Basic Philosophy
- Incentive based regulation
- Output steering

Regulation model
- Stimulating competition by benchmark regulation
- Creating incentives for operators to operate as efficiently as possible
- Level playing field (equal performance leads to equal allowed revenue)
- Rate of return in accordance with risk (WACC). Part of the regulated cost base
- Small regulator (at a distance from operations)

Regulatory scope
Transport and connection service of electricity and gas. The metering market is currently regulated on a cost-plus basis.

Benchmark competition
Benchmark is the average total cost of the network sector, including a normalised rate of return (WACC), as well as the extrapolation of the development of the frontier shift.

Network operators are encouraged to beat the benchmark (or efficient cost level). By beating the benchmark it is justifiable to lower the benchmark for the next regulation period. At first the profits remain at the network operators. When the new lowered benchmark becomes effective consumers will also benefit.

Tariff levels are set in advance for at least 3 years. To estimate these levels the regulator uses the recent historical performance of the benchmark. As a result the tariffs follow the realised cost with a time-lag.

In the long run the sector as a whole is able to cover its total cost including capital cost.

Constructive regulatory framework which does not allow for privatization

Regulation – Calculation of allowed revenue

Calculation

- Output steering implemented in the energy Acts by the formula:
  - $AR_t = (1 + (cpi \pm x + q)/100) * AR_{t-1}$, by which:
    - AR_t = allowed revenue in year t based on output volume V and an average sector cost level C
    - cpi = consumer price index
    - x = efficiency reduction (x factor)
    - q = quality performance
    - V = output in a determined historical year
    - C= average sector cost level in a determined historical year

Notes

- Average sector cost level consists of three components
  - Average sector OPEX per year
  - Average sector Depreciation per year
  - Average sector Regulated Asset Value per year x Regulated WACC
- Sector averages are calculated by dividing total sector cost by the total number of standardized units of output in the sector
- WACC is the normalised rate of return on capital based on CAPM. Risk free rate is based on 3yr average of 10y bunds and 10y Dutch state. Risk premium based on 3y average risk premium on European utilities. A transaction fee premium is also included. Equity beta based on long run average for selected stock market listed TSOs and DSOs.
- x factors are set to adjust allowed revenues over time
- Method to determine x, q, V and C is presented in a Method Decision and is legally binding
- Duration of a Method Decision can be between 3 and 5 years though is in practice set at 3 years
- Regulator has certain degrees of freedom at developing the method Decision, however:
  - Obligation to consult network operators and representative organizations in advance
  - Method should be based on benchmark competition
  - Applying benchmark competition after reaching a level playing field (comparable tariffs except for differences due to objectifiable regional differences)

Regulation – X factors

Current regulatory period

- Period: 1 Jan 2014 - 31 Dec 2016
- Positive x factors have been set that require a decrease of allowed revenue
- Regulator has decided to use an x factor reduction and a one-off reduction in allowed revenue in 2014 and x factor reductions in 2015 and 2016.
- x factors are partly based on WACC of 3.6% (real, before tax)
- Decrease in WACC is due to lower equity beta, risk free rates and risk premiums (WACC is CAPM based)
- Revenue impact in 2014 is less than sum of one-off and x factor due to positive recalculations effect of previous years
- Revenue impact for regulatory period is on average €50 million per year accumulating (excluding any recalculation effects for 2015 and 2016)

Previous regulatory period

- Period: 1 Jan 2011 - 31 Dec 2013
- Negative x factors allowed for an increase of maximum allowed revenue
- x factors were partly based on WACC of 6.2% (real, before tax)

Next regulatory period (if and when intended legislation is effective)

- 4-year, 5-year or 6-year period starting on 1January 2017
- Other regulatory methodology remains unchanged

Electricity

	x factor (%)			
	2014–2016		2011–2013	2008–2010
	x factor (%)	one-off (in € mln)		
Liander N.V.	4.6	73	(6.4)	3.6
Endinet B.V.	5.3	5	(6.2)	4.6
Delta Netwerkbedrijf	4.7	6	(5.2)	5.8
Stedin B.V.	4.6	72	(7.7)	6.3
Enexis B.V.	4.9	102	(6.1)	5.0

Gas

	x factor (%)		
	2014–2016	2011–2013	2008–2010
Liander N.V.	6.4	(2.7)	6.1
Endinet B.V.	7.0	(1.6)	7.2
Delta Netwerkbedrijf B.V.	6.9	(0.5)	6.6
Enexis B.V.	6.9	(3.4)	8.1
Stedin B.V.	6.6	(2.8)	4.2

Source: ACM, Alliander

Regulation – Recent developments

Method decision	• Method decisions of regulatory period 2014-2016 have been published indicating tariff decrease due to lower WACC from 6.2% to 3.6% and a decrease in overall sector cost and regulation of metering services • Trade and Industry Appeals Tribunal has ruled in the case of the sector appeal against the WACC level of 3,6%
Unbundling	• The Supreme Court has decided that unbundling is not in conflict with EU law. Formally the unbundling law is now legally valid and Eneco and Delta need to unbundle
Metering Tariffs	• The setting of allowed revenue for metering service consumer market is in a transitory phase: – Up to 2020 based on cost plus regulation – From 2020 onward the cost will be included in the benchmark
Smart Meter	• Large-scale block-by-block offering to customers starting in 2015 • Alliander aims to have offered smart meters to all of its customers by 2020
Sufferance tax	• Municipalities are increasingly levying sufferance tax. These costs can be recovered in the allowed revenues but with a delay.
Project STROOM	• Streamlining of the existing Electricity and Gas Acts • Proposed legislation is scheduled to pass Parliament in Autumn 2015

Content

Key figures

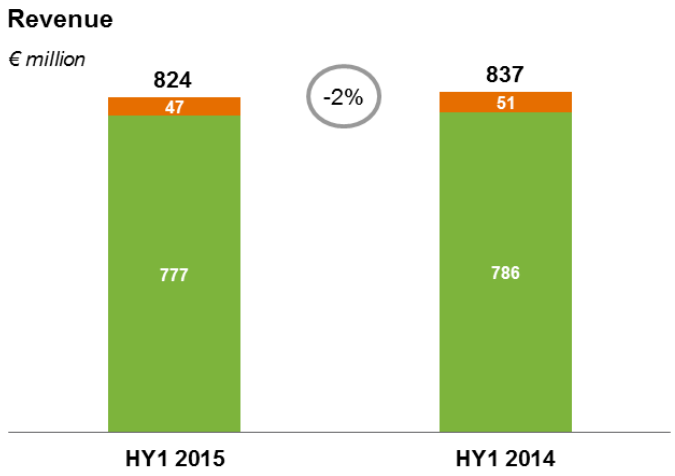
Key figures			
€ million, unless stated otherwise	**First half 2015**	**First half 2014[1]**	**Movement compared to 2014**
Revenue	777	786	-1%
Other income	45	83	-46%
Operating expenses	593	650	-9%
Operating profit	229	219	5%
Profit after tax	161	156	3%
Profit after tax excluding incidental items and fair value movements	116	114	2%
Investments in property, plant and equipment	261	273	-4%
Ratio's	**30 Jun 2015**	**31 Dec 2014**	
Net debt[2]	1,751	1,617	
Solvency[3]	55.0%	54.0%	
FFO / Net debt[3]	29.5%	34.0%	
Outage Electricity (in minutes)	19.5	19.9	

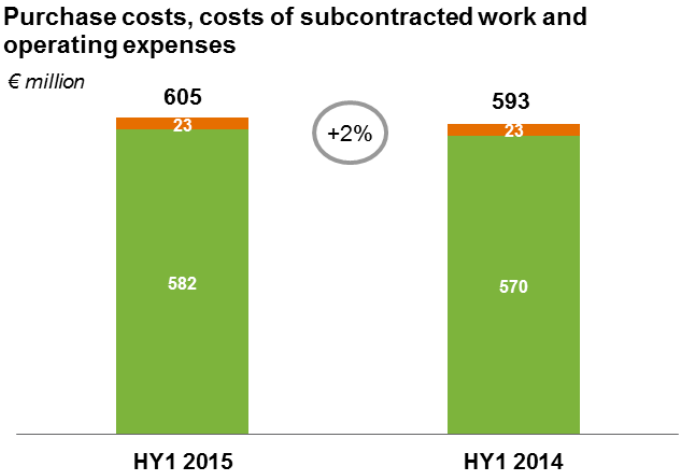
1) For comparison purposes, the figures have been restated to reflect the classification of the Endinet Groep as 'held for sale' (IFRS 5)
2) Net debt is defined as interest-bearing debt less cash and cash equivalents and investments that are not restricted
3) Ratios according to the principles of Alliander's financial policy

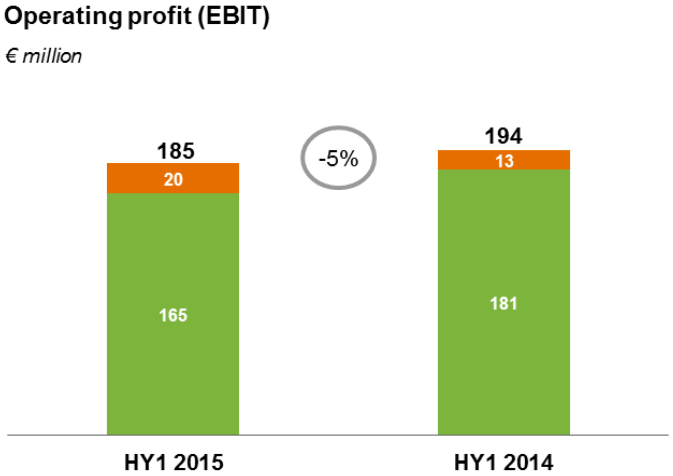
Incidental items and fair value movements in the financial results

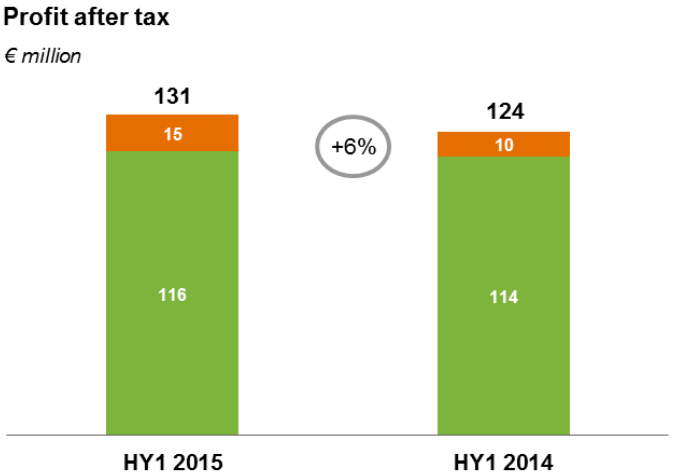
Incidental items and fair value movements		
€ million	**First half 2015**	**First half 2014**
Other income	-	40
Total purchase costs, costs of subcontracted work and operating expenses	64	-2
Operating profit (EBIT)	**64**	**38**
Finance income/(expense)	-5	-1
Profit before tax	**59**	**37**
Tax	-14	5
Profit after tax	**45**	**42**

Financial highlights[1]





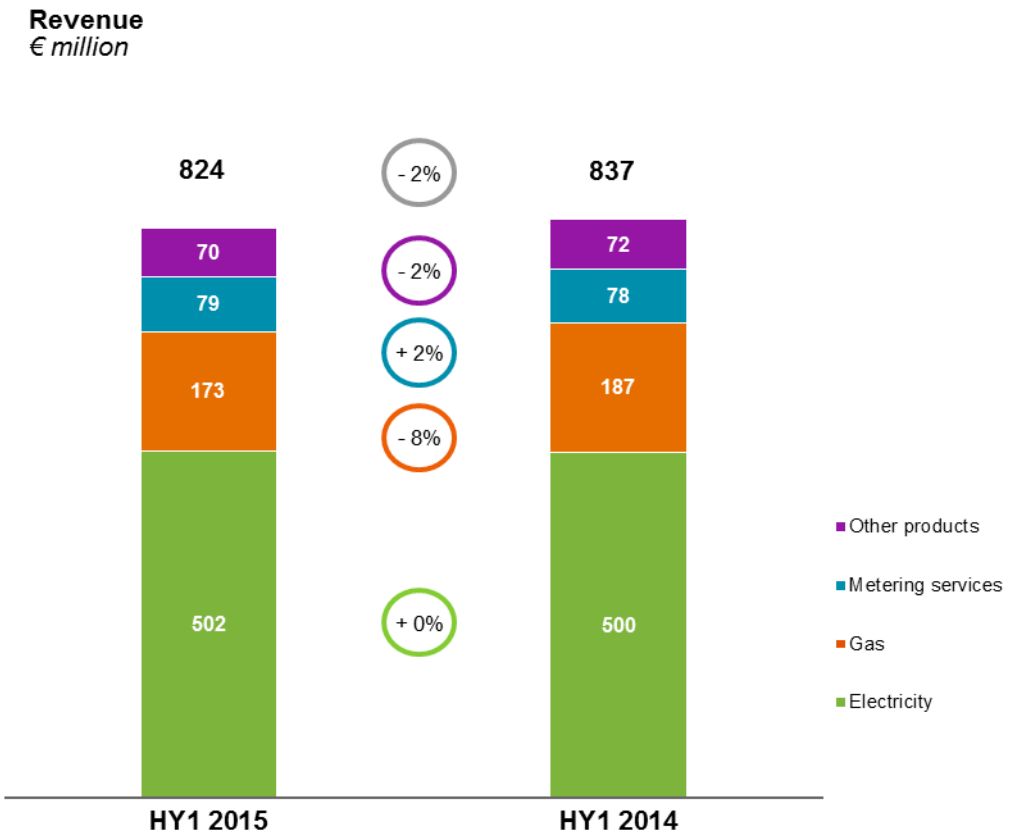




1) Excluding incidental items and fair value movements

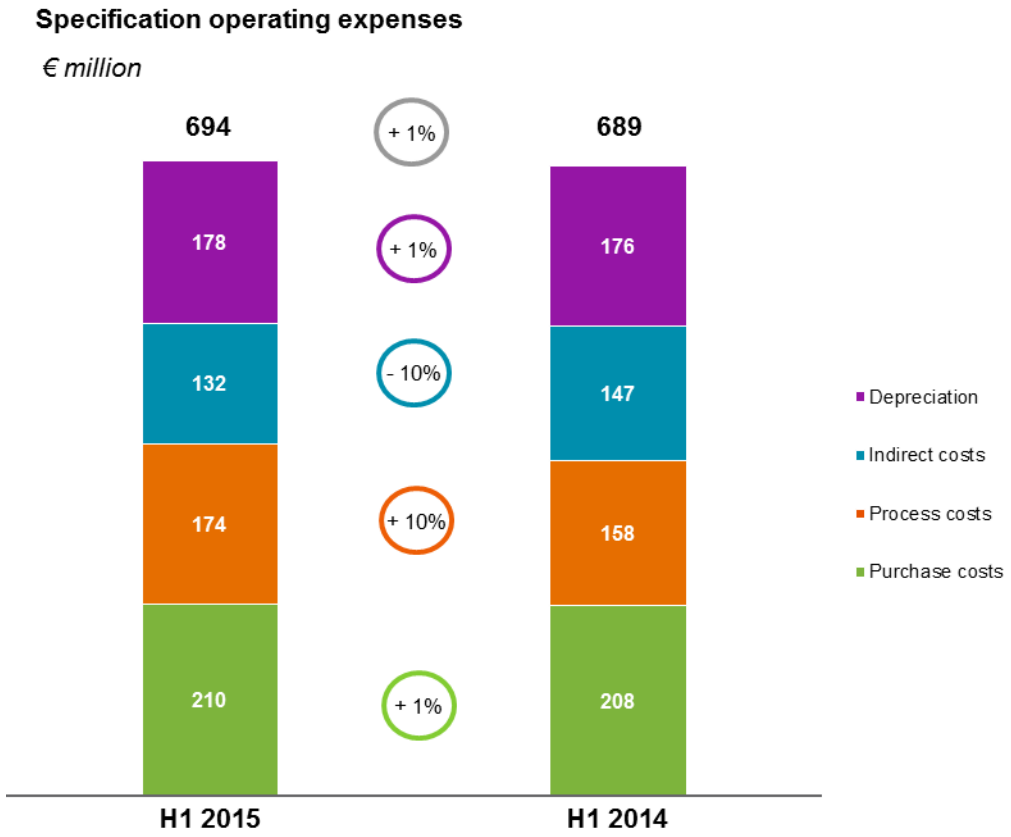
Alliander Endinet

Revenue[1]



1) Excluding incidental items and fair value movements

Specification operating expenses[1]

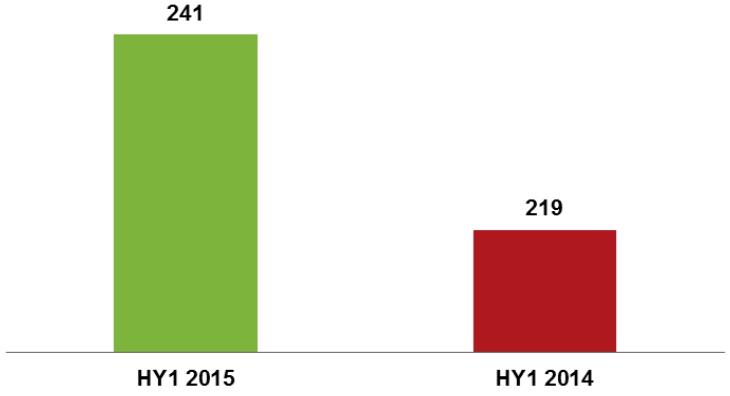


1) Excluding incidental items and fair value movements. 'Held for sale'-classification not taken into account.

Cash flows and Capex

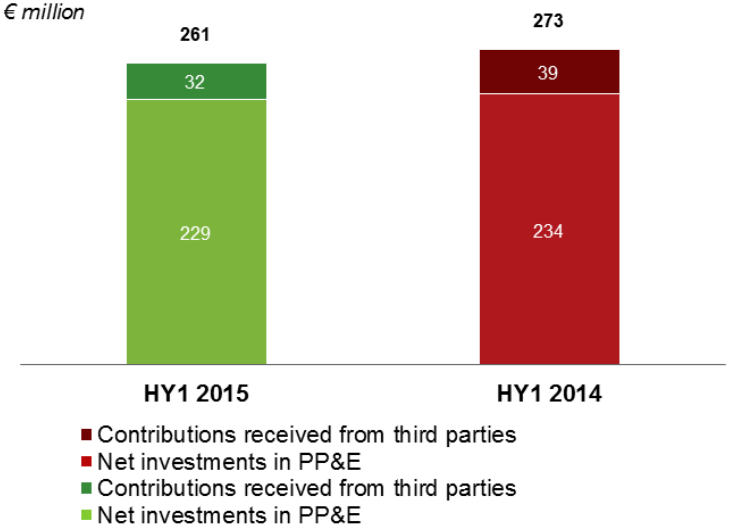
Cash flow from operations

€ million



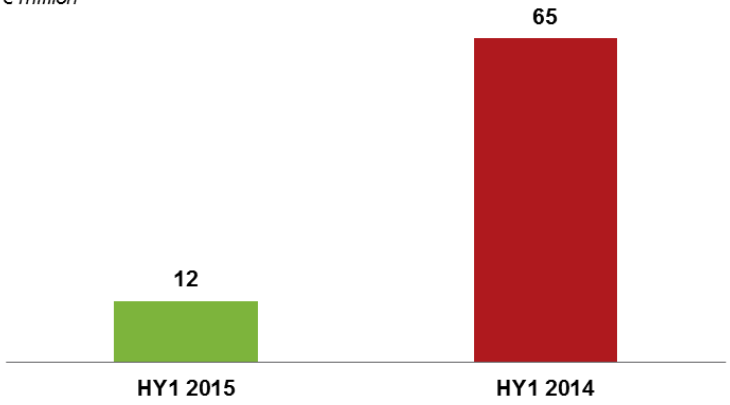
Investments in property, plant and equipment

€ million



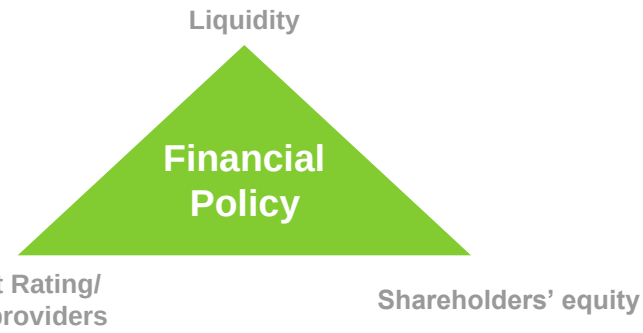
Free cash flow[1]

€ million



1) Free cash flow = Cash flow from operating activities – Cash flow from investing activities

Alliander's Financial Policy



Financial Framework

- FFO/Net debt: Minimum 20%
- FFO Interest cover: Minimum 3.5
- Net debt/capitalization: Maximum 60%
- Solid A rating profile (on stand alone basis)
- Comply with regulatory criteria for the network operators [1]

Dividend Policy

- Stable dividend
- Pay-out: 45% of after-tax profit, adjusted for incidental items, unless CAPEX from regulatory obligations or financial criteria require higher retained earnings
- Minimum solvency of 30%

General Principles

- Part of overall policy and strategy
- Balance between protection of debt providers' and shareholder returns
- Financial strength and discipline
- Maintain cushion relative to regulatory criteria
- Flexibility to grow and invest
- Transparent reporting
- No structural subordination

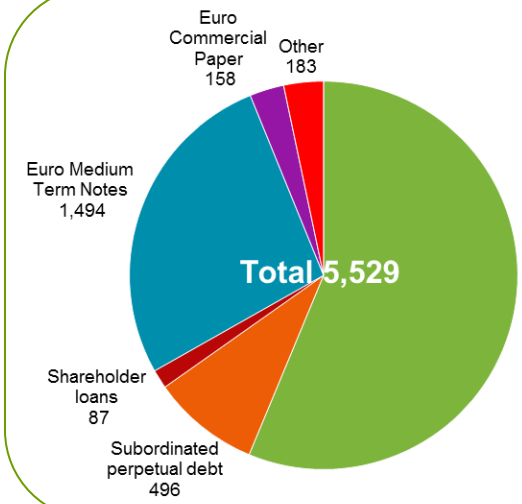
Strong financial profile with clear and well defined financial policy, supported by regulated financial ratios and proven commitment to stay within financial policy framework

1) See page 50

Financial position[1]

As of 30 June 2015

Capitalisation (€ million)



Capital Market Programs

EMTN	3,000 million
ECP	1,500 million

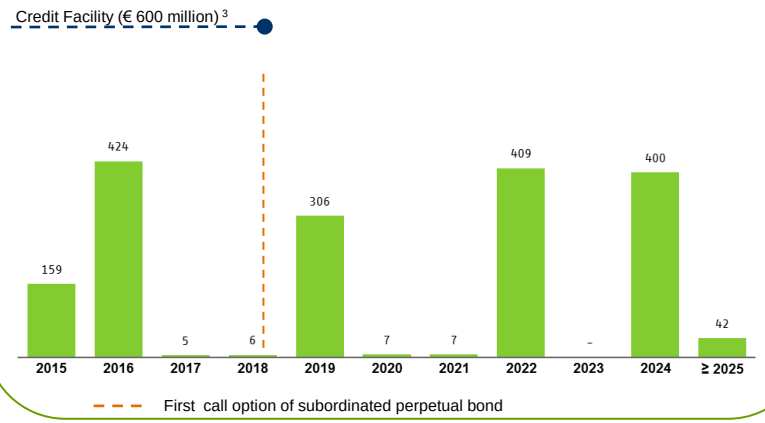
Backup credit facility

RCF	600 million

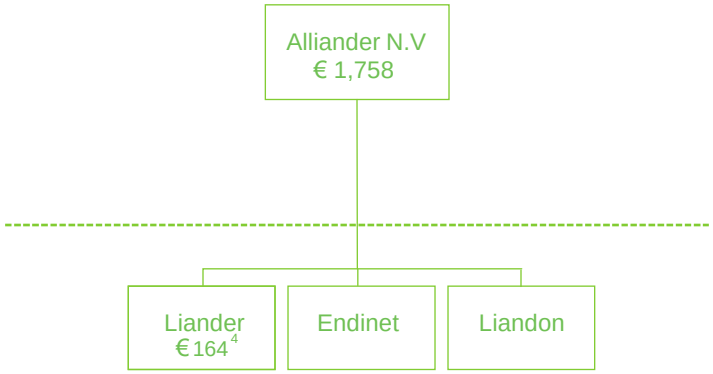
Gross and net debt (€ million)

Gross Debt (including CBL related financial lease obligations)		1,922
Cash	159	
Other Investments	50	
CBL Investment	210	
Total Cash and Cash Equivalents		419
Net debt according to IFRS		1,503
50% of subordinated perpetual bond		248
Net debt according to financial policy		1,751

Maturity profile (€ million)[2]



Location of debt (€ million)

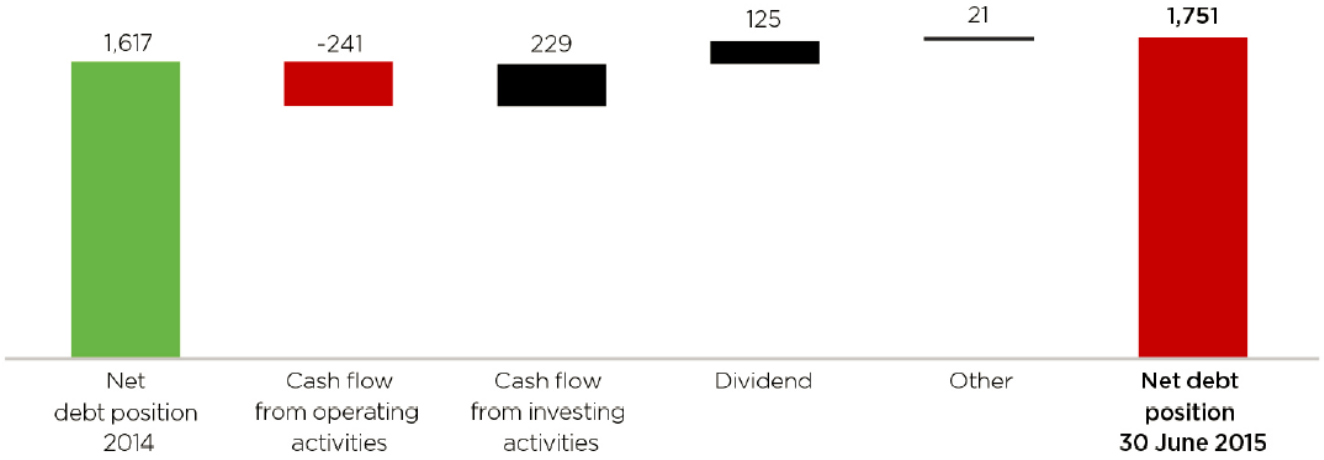


1) 'Held for sale'-classification not taken into account
2) Excluding € 157 million financial lease liabilities Liander
3) Including € 200 million L/C back-up facility
4) Including € 157 million financial lease obligations Liander

Net debt

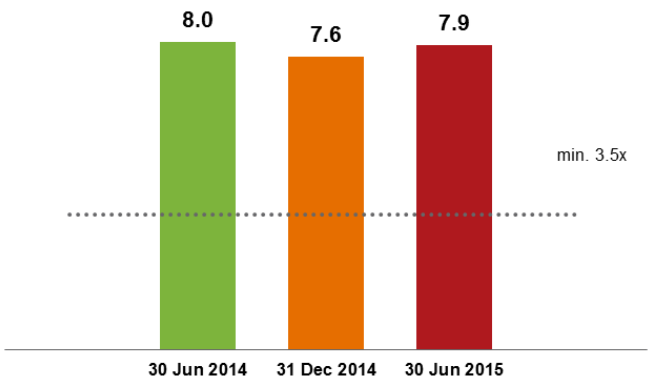
Development net debt position

€ million

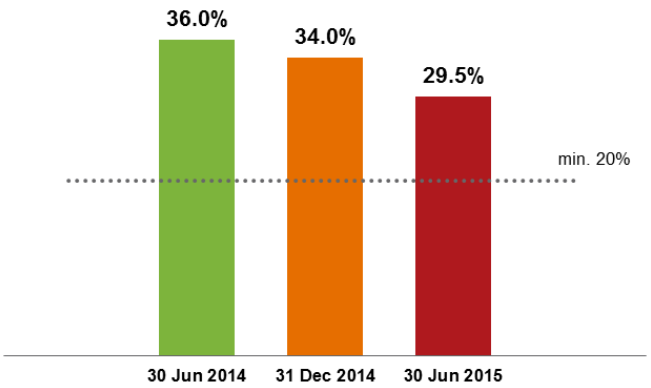


Ratios financial policy[1]

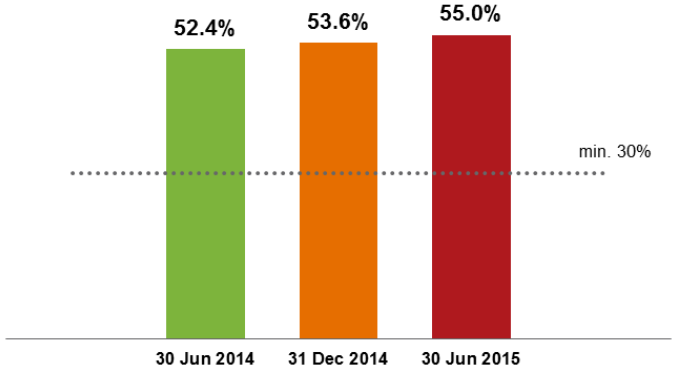
Interest cover [2]



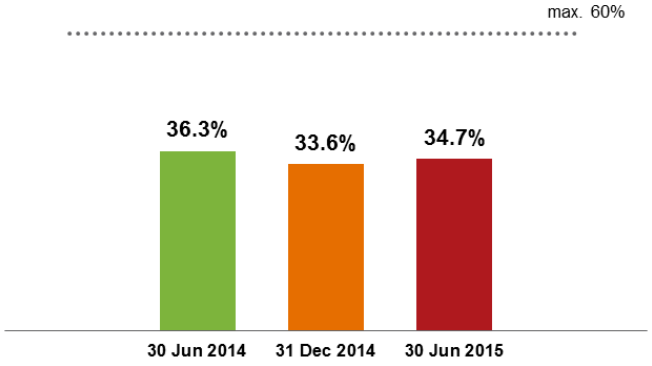
FFO / net debt [3]



Solvency [4]



Net debt / capitalization [5]



1) Ratios based on figures with 'held for sale'-classification (IFRS 5) not taken into account. According to the principles of Alliander's financial policy the subordinated perpetual bond loan is treated as 50% equity
2) Interest cover: 12-months profit after taxation adjusted for deferred tax asset movements and incidental items and fair value movements plus depreciation and net finance income and expenses, divided by net finance income and expenses adjusted for incidental items and fair value movements
3) Funds From Operations: 12-months profit after taxation adjusted for deferred tax asset movements and incidental items and fair value movements plus depreciation of PP&E, intangible assets and deferred income.
4) Solvency: equity including period result less the expected dividend distribution of current financial year divided by balance sheet total less the expected dividend distribution for the current year and deferred income
5) Net debt/capitalisation: net debt divided by the sum of net debt and equity

Strong credit ratings

Moody's Investors Service

Issuer	**Aa2/Stable**
Senior Unsecured	**Aa2/Stable**
Short-Term	P-1
Basket C Hybrid	**A2**

Rationale

- **On July 29th, 2015 Moody's upgraded Alliander's issuer and long term senior unsecured rating to Aa2 from Aa3 with stable outlook. P-1 short term ratings were affirmed. The rating on the subordinated perpetual bond was also upgraded to A2 from A3.**
- Counts as a Government Related Issuers (GRI) under Moody's methodology. Fully owned by Dutch provinces and municipalities – two notches of uplift reflecting potential support from government shareholders
- Low business risk profile supported by predictable cash flows due to predominantly regulated activities
- Stable and transparent regulatory regime, though allowed returns are decreasing
- Moderate investment requirements and conservative distribution policy underpin strong financial profile going forward
- The stable outlook reflects Moody's expectation that Alliander will maintain focus on its regulated business and continue to follow its conservative financial policy

STANDARD & POOR'S

Corporate	AA-/Stable
Senior Unsecured	AA-/Stable
Short-Term	A-1+
Junior Subordinated	A

Rationale

- Moderate likelihood that owners would provide timely and sufficient extraordinary support in the event of financial distress (in accordance with criteria for government-related entities).
- Excellent business risk profile based on more than 95% of operating profit derived from stable regulated revenues, natural monopoly position in service areas, strong operational performance of networks and regulatory reset risk every three years
- Modest financial risk profile based on stable and predictable operating cash flows within regulatory periods, conservative financial policy, strong debt coverage ratios and strong liquidity
- Stable outlook reflects the view that Alliander will be able to sustain adjusted FFO to debt of about 25% over the medium term. Underpinning S&P's opinion is their assumption that Alliander will partially offset the impact of lower tariffs in the current regulatory period by reducing its operating costs and dividend distributions
- S&P's has assigned an A issue rating to Alliander's subordinated perpetual bond and 50% equity weight (19-Nov-13)

Source: Moody's Investors Service as of November 20th, 2013, December 22nd 2014 and July 30th 2015. Standard and Poor's as of August 15th , November 19th and 20th, 2013 and December 10th , 2014.

Sustainability rating and transparency

Socially responsible investment

- Alliander's prime rating by **Oekom Research** was upgraded to B+ from B in July 2014 and belongs to the highest ratings in the sector
  - Rating since 2011
  - Target level is a Prime rating
- Alliander has been rated by **Vigeo** (since 2011), **EIRIS** (2012) and **Sustainalytics** (2015). These ratings are not publicly available
- Alliander has been selected for the investment universe of **Triodos Bank**
- Alliander N.V. has been reconfirmed for inclusion in the **Ethibel** EXCELLENCE Investment Register since 29/01/2015.

Transparency

- Alliander has based its Corporate Social Responsibility report on the **Global Reporting Initiative** (GRI) guidelines
  - Reports since 2008
  - Reporting over 2014 at comprehensive / GRI G4 wit external assurance
- **ISO 26000** Alliander adopts this global guideline for its corporate social responsibility policy
  - Since 2010
- Alliander participates in the **Transparency Benchmark** for large Dutch corporates performed by KPMG under aegis of the Dutch Ministery of Economic Affairs, Agriculture and Innovation
  - Ranked 15th in 2014 (out of 409 companies), 24th (2013),14th (2012),12th (2011)
  - Participates since 2008
  - Target level is at the forefront position

Content

Results

Consolidated income statement		
€ million	**First half 2015**	**First half of 2014[1]**
Revenue	**777**	**786**
Other Income	45	83
Total income	**822**	**869**
Operating expenses		
Purchase costs and costs of subcontracted work	-182	-182
Employee benefit expenses	-222	-224
External personnel expenses	-61	-54
Other operating expenses	-53	-112
Total purchase costs, costs of subcontracted work and operating expenses	**-518**	**-572**
Depreciation and impairment of property, plant and equipment	-159	-156
Less: Own work capitalised	84	78
Total operating expenses	**-593**	**-650**
Operating profit (EBIT)	**229**	**219**
Finance income	4	5
Finance expense	-38	-45
Result from associates and joint ventures after tax	-1	-
Profit before tax from continuing operations	**194**	**179**
Tax	-48	-33
Profit after tax from continuing operations	146	146
Profit after tax from discontinued operations	15	10
Profit after tax	**161**	**156**

1) The figures have been restated for comparison purposes in connection with the classification of Endinet Groep as 'held for sale' (IFRS 5)

Consolidated balance sheet

Consolidated balance sheet		
€ million	**30 June 2015**	**31 December 2014**
Assets		
Property, plant and equipment	5,782	6,218
Intangible assets	281	322
Investments in associates and joint ventures	11	11
Available-for-sale financial assets	210	200
Other financial assets	43	43
Deferred tax assets	247	218
Non-current assets	**6,574**	**7,012**
Inventories	44	40
Trade and other receivables	251	258
Derivatives	9	2
Other financial assets	50	184
Cash and cash equivalents	159	167
Current assets	**513**	**651**
Assets held for sale	592	9
Total assets	**7,679**	**7,672**
Equity & liabilities		
Equity		
Share capital	684	684
Share premium	671	671
Subordinated perpetual bond	496	496
Revaluation reserve	42	42
Other reserves	1,560	1,363
Profit after tax	161	323
Total equity	**3,614**	**3,579**
Liabilities		
Non-current liabilities		
Interest-bearing debt	1,203	1,616
Finance lease liabilities	158	145
Deferred income	1,540	1,573
Provisions for employee benefits	45	49
Other provisions	1	1
Non-current liabilities	**2,947**	**3,384**
Short-term liabilities		
Trade and other payables	140	103
Tax liabilities	91	106
Interest-bearing debt	567	159
Derivatives	2	80
Provisions for employee benefits	55	67
Accruals	172	194
Short-term liabilities	**1,027**	**709**
Total liabilities	**3,974**	**4,093**
Liabilities held for sale	**91**	**-**
Total equity and liabilities	**7,679**	**7,672**

Cash flow statement

Consolidated cash flow statement				
€ million	First half 2015		First half 2014	
Cash flow from operating activities				
Profit after tax		161		156
Adjustments for:				
- Finance income and expense		34		39
- Tax		51		36
- Profit after tax from associates and joint ventures		1		-
- Depreciation and impairment less amortisation		136		145
- Release CDS after tax		-49		-
Changes in working capital:				
- Inventories	-7		-1	
- Trade and other receivables	-5		-5	
- Trade and other payables and accruals	18		-58	
Total changes in working capital		**6**		**-64**
Changes in deferred tax, provisions, derivatives and other		-20		-17
Cash flow from operations		**320**		**295**
Net interest paid	-39		-39	
Net interest received	1		1	
Corporate income tax paid	-41		-38	
Total		**-79**		**-76**
Cash flow from operating activities		**241**		**219**
Cash flow from investing activities				
Investments in property, plant and equipment	-261		-273	
Construction contributions received	32		39	
Investments in financial assets (associates and joint ventures)	-		80	
Cash flow from investing activities		**-229**		**-154**
Cash flow from financing activities				
Change in current interest-bearing liabilities and redemption current part of long-term debt	-17		-6	
Loans received	-		3	
Redemption long-term loans	6		-2	
Change in current deposits	-25		100	
Redemption marketable securities	141		-	
Dividend paid	-125		-125	
Cash flow from financing activities		**-20**		**-30**
Net cash flow		**-8**		**35**
Cash and cash equivalents as at the start of the period		167		155
Net cash flow		-8		35
Cash and cash equivalents as at 30 June		**159**		**190**

Results

Consolidated income statement, as if the ´held for sale´ classification is not taken into account

Consolidated income statement, as if the 'held for sale' classification (IFRS 5) is not taken into account				
€ million		**First half 2015**		**First half 2014**
Revenue		**825**		**837**
Other Income		47		85
Total income		**872**		**922**
Operating expenses				
Purchase costs and costs of subcontracted work		-189		-188
Employee benefit expenses		-233		-234
External personnel expenses		-62		-56
Other operating expenses		-57		-117
Total purchase costs, costs of subcontracted work and operating expenses		**-541**		**-595**
Depreciation and impairment of property, plant and equipment		-179		-176
Less: Own work capitalised		87		80
Total operating expenses		**-633**		**-691**
Operating profit (EBIT)		**239**		**231**
Finance income		4		10
Finance expense		-38		-49
Result from associates and joint ventures after tax		-1		-
Profit before tax		**204**		**192**
Tax		-51		-36
Profit after tax		**153**		**156**

Balance sheet

Consolidated balance sheet, as if the ´held for sale´ classification is not taken into account

Consolidated balance sheet, as if the 'held for sale' classification (IFRS 5) is not taken into account		
€ million	**30 June 2015**	**31 December 2014**
Assets		
Property, plant and equipment	6,308	6,218
Intangible assets	322	322
Investments in associates and joint ventures	11	11
Available-for-sale financial assets	210	200
Other financial assets	43	43
Deferred tax assets	206	218
Total Non-current assets	**7,100**	**7,012**
Inventories	47	40
Trade and other receivables	263	258
Derivatives	9	2
Other financial assets	50	184
Cash and cash equivalents	159	167
Total current assets	**528**	**651**
Fixed assets held for sale	-	9
Total assets	**7,628**	**7,672**
Equity & liabilities		
Equity		
Share capital	684	684
Share premium	671	671
Subordinated perpetual bond	496	496
Revaluation reserve	43	42
Other reserves	1,560	1,363
Profit after tax	153	323
Total equity	**3,607**	**3,579**
Non-current liabilities		
Interest-bearing debt	1,203	1616
Finance lease liabilities	158	145
Deferred income	1,576	1,573
Provisions for employee benefits	45	49
Other provisions	1	1
Non-current liabilities	**2,983**	**3,384**
Short-term liabilities		
Trade and other payables	144	103
Tax liabilities	96	106
Interest-bearing debt	567	159
Derivatives	2	80
Provisions for employee benefits	54	67
Accruals	175	194
Short-term liabilities	**1,038**	**709**
Total liabilities	**4,021**	**4,093**
Total equity and liabilities	**7,628**	**7,672**

Results Endinet

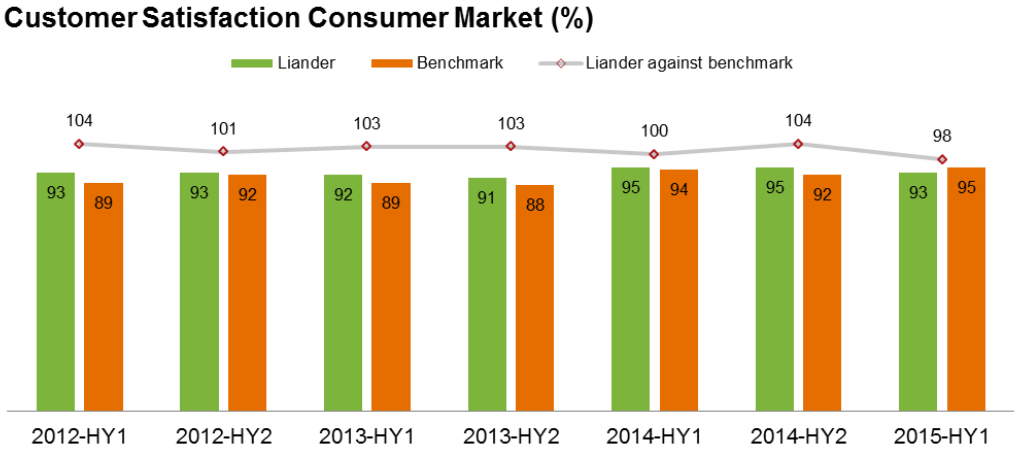
Consolidated income statement discontinued operations				
€ million		**First half 2015**		**First half 2014**
Revenue	**47**		**51**	
Other Income	2		2	
Total income		**49**		**53**
Operating expenses				
Purchase costs and costs of subcontracted work	-7		-7	
Employee benefit expenses	-11		-11	
External personnel expenses	-1		-2	
Other operating expenses	-4		-3	
Total purchase costs, costs of subcontracted work and operating expenses	-23		-23	
Depreciation and impairment of property, plant and equipment	-9		-20	
Less: Own work capitalised	3		3	
Total operating expenses		**-29**		**-40**
Operating profit (EBIT)		**20**		**13**
Finance expense		-		-
Profit before tax		**20**		**13**
Tax		-5		-3
Profit after tax		**15**		**10**

Balance sheet Endinet

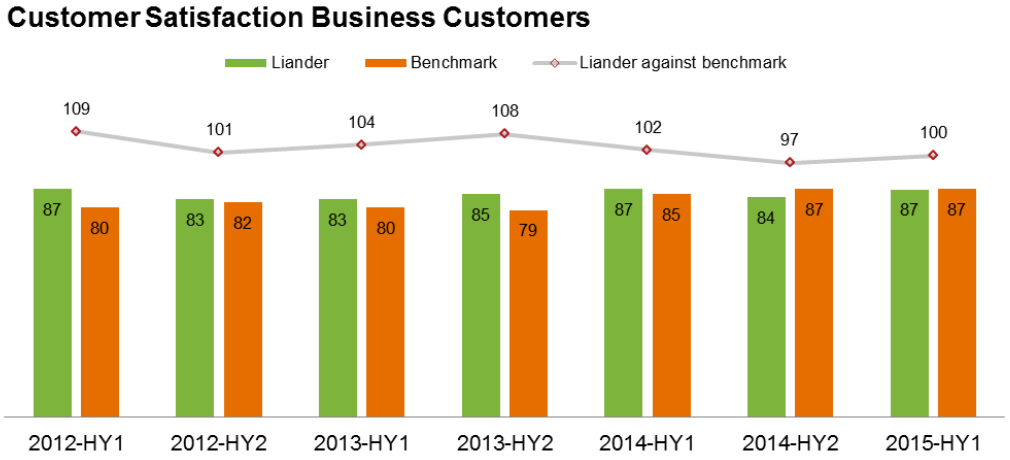
Consolidated balance sheet items Endinet group held for sale		
€ million		**30 June 2015**
Assets		
Property, plant and equipment	536	
Intangible assets	41	
Non-current assets		577
Current assets		15
Total assets		**592**
Liabilities		
Non-current liabilities		79
Short-term liabilities		12
Total liabilities		**91**

Content

Customer satisfaction



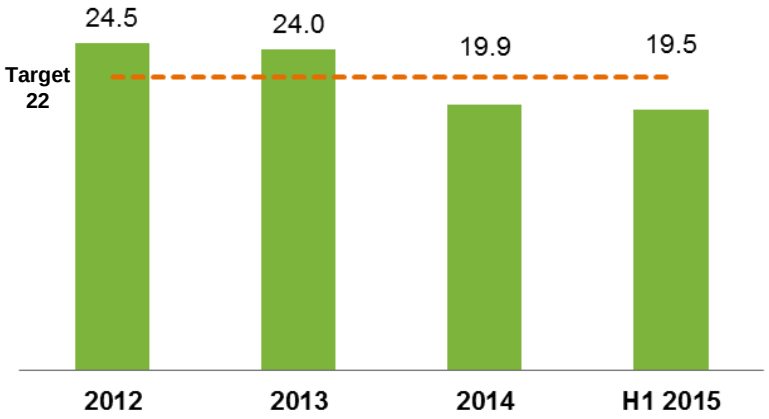
- Decrease in customer satisfaction in consumer market



- Increase in customer satisfaction in business market

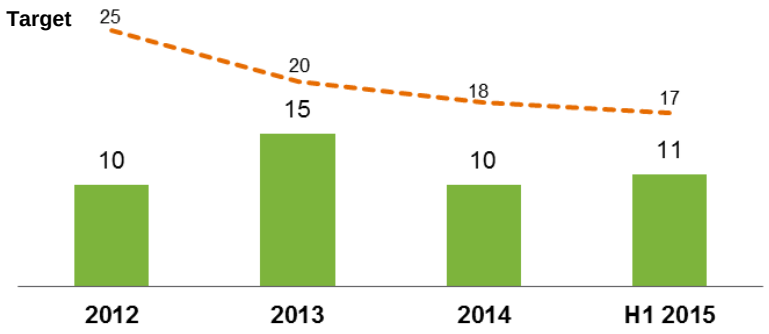
Grid reliability

Outage Electricity (in minutes)



- 12-month average outage duration decreased slightly
- Outage duration more than 2 minutes within objective of max 22 minutes
- Maximum outage duration for next years is 22 minutes

Number of postcode areas with more than five interruptions annualy



- Number of postcode areas with more than five interruptions annually has increased from 10 to 11 during last 12 months
- This is within the 2015 objective of max 17 postcode areas
- Objective for next few years is set to decrease to a maximum of 15 number of postcodes in 2017

Cross border leases – Basic structure

Basic structure in steps

At transaction closing:

1. Alliander leases grids to US Trust (headlease)
2. US Trust leases grids back to Alliander (sublease)
3. US Trust prepays all finance obligations under headlease to Alliander
4. US Trust finances these prepayments via equity provided by US Investor and bank debt
5. Alliander invests prepayment proceeds in a defeased structure (off balance):
   - Deposits
   - Bonds

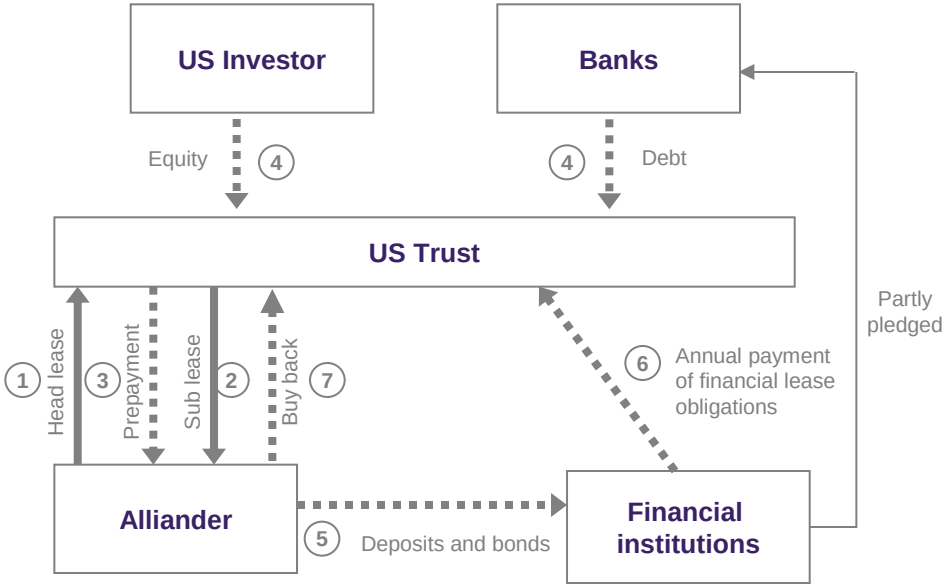
During transaction:

6. Use of investment returns to fulfil financial lease obligations (off balance) and to fund purchase price at end of sublease

At end of sublease:

7. Alliander option to buy grids back against predetermined purchase price

Basic structure scheme



Rationale

- Net Present Value of tax deferral for US investor
- Increase in solvency for Alliander by sharing NPV with US investor

Cross border leases – Risks

Risk summary

US leases	3 leases[1] 30 June 2015	3 leases[2] 31 Dec 2014	4 leases 31 Dec 2014
in USD million			
Equity strip risk	210	191	194

Overview Letters of Credit	30 June 2015	31 Dec 2014	31 Dec 2014
in USD million			
Issued	-	-	5
Additional L/C's at A3/A-	153	138	138
Additional L/C's at Baa1/BBB+	23	23	23

Back-up facility	30 June 2015	31 Dec 2014	31 Dec 2014
in EUR million			
Back-up L/C facility	100	200	200

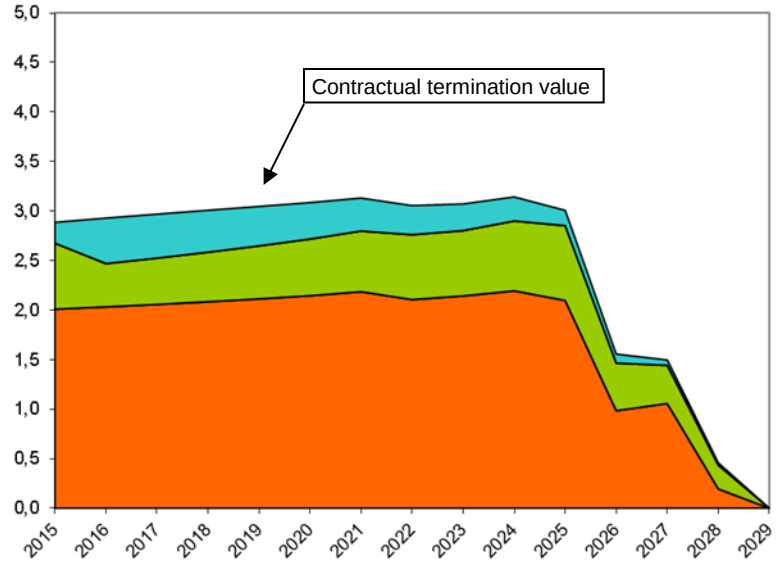
1) In the first 6 months of 2015 one of the 4 leases has been terminated.
2) For comparison purposes the situation after the lease termination is shown as if it were already effective as of end-2014

Developments after Dec 2014

- On January 2, 2015 a part of the ENW cross border lease was terminated on the contractually agreed expiry date. At the initiative of the investor concerned the remaining parts of the lease have been terminated early on 14 April 2015.
- Back-up facility was downscaled from EUR 200m to EUR 100m

Contractual termination values CBL's Alliander

(USD billion)



CBL related risks

- Obligation to pay contractual termination value in case of Event of default and/or Event of loss
- Credit risk on investments
- General and tax indemnities
- Posting additional L/C's in case of Alliander downgrade

Contractual termination value

- Contractual termination value represents the amount needed to safeguard the intended transaction return in case of early contractual termination
- Equity strip risk varies over time depending on the mark-to-market value of investments relative to contractual termination value.

Alliander activities in Germany

Strategy
- Alliander as service provider to cities, municipalities and network operators for network based services and techniques for network operation, public lighting and traffic lights
- Apply Alliander technology in Germany
- Closely monitor and analyse newly tendered small concessions that Alliander has won before

Existing activities (2014)
- Revenue of € 33 million and total assets of € 52 million
- Activities:
  - Public Lighting activities in various cities (60% of revenue)
  - Network operations in various cities (40% of revenue)
- 159 employees (151 FTE)
- Number of electricity connections: 15,600 (Heinsberg)
- Number of gas connections: 4,700 (Heinsberg and Waldfeucht)
- Number of light points: 76,400 (all locations)

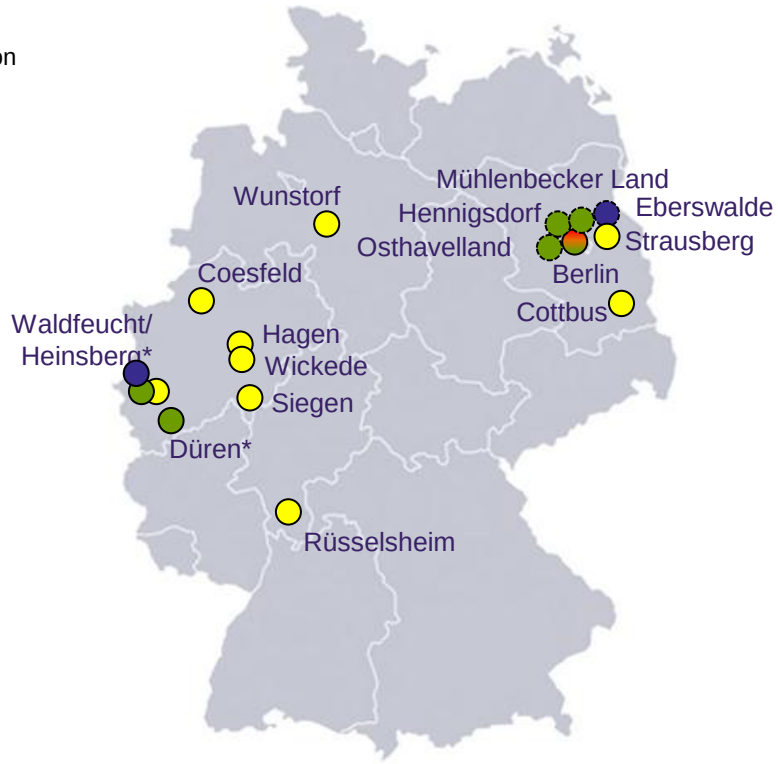
Regulatory regime E and G
- Revenue cap regulation
- Regulatory period: 5 years (gas until 2017, electricity until 2018)

Active tenders E and G (per 30 June 2015)
- Negotiations with former concession holder on purchase price of network assets for newly granted operating concessions:
  - Eberswalde (g; concession:1)
- New tenders for concessions (10.600 gas connections and 34.600 electricity connections)
  - Heinsberg (e; concession: 1; our main concession, 20 years)
  - Hennigsdorf (e+g; concessions: 2; 20 years)
  - Osthavelland (e+g; concessions: 3x2=6; 20 years)
  - Mühlenbecker Land (e+g; concessions: 3; 20 years)

Contract renewals in 2014
  - Public lighting: Hagen, 4 year contract renewal
  - Traffic light installations: Berlin, 10 year contract renewal

Investment
- In 2015 and 2016 about € 28 million (of which € 15 mln. acquisition gas network Eberswalde)

Alliander activities in Germany



- Public lighting (pl)
- Electricity and gas (e+g)
- Gas (g)
- Traffic lights
- * Industrial electricity and gas
- Active tenders

Financial definitions

Alliander financial policy

- **Net debt:** interest-bearing debt less cash and cash equivalents and investments that are not restricted
- **FFO:** 12-months profit after taxation adjusted for deferred tax movements and incidental items and fair-value movements plus depreciation of PP&E and amortisation of intangible assets and accrued income
- **Interest cover:** FFO and net financial income and expenses, divided by net financial income and expenses adjusted for incidental items and fair value movements
- **Net debt/capitalisation:** net debt divided by the sum of net debt and equity

Other

- **Solvency:** Equity including result period less the expected dividend distribution to be made in the current year divided by total assets less the expected dividend distribution to be made in the current year and less deferred income
- **Deferred income (Equalisation accounts):** These are the contributions and payments received from customers, property developers and local and regional governmental bodies for the costs incurred for electricity or gas infrastructure of new housing projects and industrial estates. The contributions and payments are recognised as deferred income on the balance sheet. Deferred income is amortised over the expected useful lives of the assets involved. There is no legal obligation to refund any amount after initial connection of the customer. The amounts of deferred income to be charged are laid down in the regulatory legislation.
- **Financial requirements for regional network managers** (by Decree of Ministry of Economic Affairs)
  - investment grade rating (Min. BBB/Baa2)

  or
  - EBIT interest cover ≥ 1.7x
  - FFO interest cover ≥ 2.5x
  - FFO to total debt ≥ 11%
  - Debt to total Cap ≤ 60%