



PRESS RELEASE

29 July 2016

Higher investments despite lower tariffs for customers

Half-year figures 2016: Friesland and Noordoostpolder networks now integrated

Arnhem, 29 July 2016 – Profit after tax rose from € 161 million for the first half of 2015 to € 232 million in 2016. This increase is mainly due to the book profit on the sale of network company Endinet to Enexis. In addition, Alliander issued its first-ever green bond in 2016 to raise capital for sustainability investments.

The exchange of regional networks in Friesland, Noordoostpolder and the Eindhoven and Zuidoost-Brabant region (Endinet) took place on 1 January 2016 and is recognised in the figures for the first half of 2016. The addition of the newly acquired region in Friesland and the Noordoostpolder to the figures led to a net increase in revenue to € 783 million (2015: € 777 million), despite the lower regulated tariffs.

Alliander makes a book profit of € 176 million on the sale of the Endinet network company, including € 115 million of achieved synergies and asset value growth. This book profit gave a boost to the profit in the first half of 2016. This increase in results was partly offset by higher purchase costs, costs of subcontracted work, operating expenses and higher depreciation. The increase in costs was amongst others the result of the integration of the acquired networks in Friesland and the Noordoostpolder, as well as the fact that the costs in 2015 included an incidental result of € 66 million. Profit after tax excluding the incidental items decreased by € 52 million.

In April 2016 Alliander issued a green bond of € 300 million. The proceeds were used to finance the investments in smart networks, whose chief components are the smart meters and the sustainably renovated office building in Duiven.

Costs

Total operating expenses (excluding incidental items) amounted to € 729 million in the first half of 2016 versus € 657 million in 2015. The increase is attributable to higher depreciation, an increase in the sufferance tax levies and higher employee benefit expense. The purchase costs, costs of subcontracted work and operating expenses, as mentioned earlier, also rose.

The costs in respect of sufferance tax - the municipal tax that Alliander is required to pay for using publicly-owned land - remain high: in the first half of 2016 these costs amounted to € 65 million (compared to € 46 million in the first half of 2015). These local levies inflate the tariffs for all customers (about € 44 per customer per year), even though sufferance tax is only levied by some municipalities. Alliander therefore supports the initiative of Minister Plasterk to cap and, ultimately, phase out sufferance tax, even though the planned transition period is very long.

Investments

Alliander is investing to continue guaranteeing the robustness of its networks. The investments increased, despite the reduction of the regulated tariffs. In the first half of 2016, € 254 million was spent on maintenance, replacement and construction of the energy infrastructure (first half of 2015:

€ 212 million). The expenses of maintenance and outages remained almost the same as in 2016 at € 117 million (2015: € 121 million).

€ 53 million of the total amount was invested in the large-scale offering of the smart meter, which was offered to 201,000 customers in the first half of 2016. In compliance with the statutory requirement, Liander aims to offer the smart meter to all customers before the end of 2020. This extensive operation is necessary to cope with the rapid and radical changes in the energy system. The smart meter constitutes a crucial link in the energy system of the future. Combined with third-party apps, data from the smart meter can help customers make sensible choices by providing insight into their energy usage and energy-saving opportunities.

Customer satisfaction and outage duration

Liander's customer satisfaction in the consumer market was 91% (first half of 2015: 93%). Customer satisfaction in the business segment amounted to 83% (first half of 2015: 87%).

The electricity outage duration in the first half of 2016 was 23.4 minutes, slightly higher than in the first half of 2015 (20.5 minutes) and above the target set (<21 minutes). The higher outage duration was mainly caused by an extensive low-voltage outage in Amsterdam in January, a high-voltage outage in Alphen in February and two mid-voltage outages in Bemmelen and Purmerend in April. Liander is working to reduce the outage duration by investing in the prevention of excavation damage, interruption detectors and the 'smart cable guard' which can prevent outages through the early detection of latent defects in underground cables so that preventative repairs can be carried out.

A high-impact gas incident also occurred in the first half of 2016. On Friday 3 June, a gas explosion destroyed several houses in Urk after a gas pipe was hit during sewage works.

Changing energy landscape

Customers are the driving force behind the energy transition. For several years now the number of customers generating their own renewable electricity, notably with solar panels, has been growing strongly. This trend continued in the first half of 2016: 127,000 compared to 88,000 in the first half of 2015. The extra peak load arising from this development may have local consequences for the stability of the network. Due to the movement towards decentralised generation and energy feed-in, the demand for energy is becoming less predictable. To deal with this challenge, Alliander must pursue further innovation based on a reliable energy network.

On 1 May 2016 Kenter became an independent business within Alliander. Kenter used to be the Liander metering company. Kenter provides businesses with 24/7 insight in how much energy they use where, when and for which purposes. The company installs meters, supplies reliable data and online overviews of energy use analysis to large business customers.

New activities enable Alliander to gain insight into energy distribution patterns and ensure that the energy supply remains reliable, affordable and accessible for everyone in the future. One such activity concerns the development of new infrastructures. Via Allego, Alliander is delivering new charging infrastructure for electric mobility in the Netherlands, Germany and Belgium. Alliander Duurzame Gebiedsontwikkeling is involved in heating networks in Nijmegen and Hengelo. These networks use residual heating to heat homes. Alliander is now working on more new open heating networks at other locations in the Netherlands.

Finally, the new Lelystad Airport Businesspark will be equipped with the world's first-ever public direct current network. Companies located in this business park will soon have both a 'traditional' connection with alternating current and one with direct current. A direct current network permits energy savings of 10%.

Supervisory Board

On 1 July 2016 Ms Jorritsma-Lebbink has been appointed chairman of the Supervisory Board of Alliander N.V. She succeeds Mr d'Hondt who resigns as commissioner from that same date.

For more information:

Alliander spokesperson Jasmijn Dielesen

Telephone: 088-1912002, e-mail: woordvoering@alliander.com

www.alliander.com