

PRESS RELEASE

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Annual results 2016: profit rises on Endinet sale

Availability of technical work capacity Alliander provides challenge

Arnhem, 9 March 2017 – Alliander's profit after tax rose from € 235 million in 2015 to € 282 million in 2016. The increase is mainly due to the book profit on the sale of network company Endinet to Enexis. The profit after tax excluding incidental items decreased by € 79 million to € 132 million. The investment expenditure increased, despite the reduction of the regulated tariffs. The shortage of engineers in the labor market in 2016 has been a major challenge in the realization of the work package. This problem will continue to exist in the coming years. These results are presented in the annual report that is published today.

Safety

Working with gas and electricity involves risks for our employees, but also for everyone else in the surrounding area. The importance of safe and healthy working practices must always receive the highest priority for Alliander. Nevertheless, on 26 February, an employee of Liandon died while working on a high-voltage installation at one of the sub-stations. This event deeply affected everyone within the company.

Revenue

Despite the dampening effect of lower regulated tariffs, revenue rose from € 1,540 million in 2015 to € 1,584 million in 2016 owing to the addition of the newly acquired areas in the province of Friesland and the Noordoostpolder. The acquisition of networks in Friesland and the Noordoostpolder in exchange for networks in the Eindhoven and Zuidoost-Brabant region (Endinet) took place on 1 January 2016 and is recognised in the figures for 2016.

Operating profit and expenses

Alliander made a net book profit of € 176 million on the sale of Endinet, including € 115 million of realised synergies and asset value growth. The book profit on the sale of Endinet led on balance to a higher operating profit for 2016.

The profit after tax excluding incidental items decreased by € 79 million to € 132 million. The main reasons included the reduced tariffs, increased depreciation and amortisation charges due to higher investments and increased sufferance tax costs. In 2016, sufferance tax costs amounted to € 149 million (versus € 110 million in 2015). These local levies inflate the tariffs for all customers (about € 51 per customer per year), even though sufferance tax is only levied by some municipalities. Alliander endorses the new legislation, which has been approved by parliament, to abolish sufferance tax and limit the transition period for municipalities.

Investments

To guarantee the robustness of the network, Alliander is continuing to invest in smart and effective network operations. The investment expenditure increased, despite the reduction of the regulated tariffs. In 2016, Alliander spent about € 555 million on maintenance and construction of the energy infrastructure (2015: € 465 million). The costs for maintenance and interruptions were € 240 million, almost the same as in 2015 (€ 247 million). In April 2016, Alliander issued a green bond of € 300

million. The proceeds were mainly used to finance investments in smart networks. Economic growth is fuelling investment activity, and is adding to our workload. Technical skills shortages in the labour market posed a big challenge for the realisation of our work in 2016. This problem is expected to persist in the coming years.

Of the total investments, € 108 million went into the large-scale offering of the smart meter, which was offered to 428,000 customers in 2016. In February 2016, Liander installed the millionth smart meter, which constitutes a crucial link in the energy system of the future.

Outage duration and customer satisfaction

The electricity outage duration in 2016 was 23.3 minutes, slightly up on 2015 (21.9 minutes) and above the target (<21 minutes). The installation of Smart Cable Guard and the preventive removal of failure-prone joints had a positive effect. The eventually higher outage duration was mainly caused by an extensive low-voltage outage in Amsterdam caused by excavation and two high-voltage outages in Alphen aan den Rijn and Arnhem. In addition, there were more excavation-related interruptions due to increased excavation activity.

Liander's customer satisfaction score in the consumer market was 90% (2015: 95%). Customer satisfaction in the business segment amounted to 83% (2015: 86%). An important focus for improvement is the handling of complaints and questions. Therefore, the complaint process has been redesigned.

Changing energy landscape

The number of customers generating their own renewable electricity with solar panels was 144,200 in 2016 versus 109,900 in 2015. The 2015 Paris climate agreement has galvanised the thinking about our energy system. Stakeholders are making plans to become climate neutral. Alliander discusses this intensively with them because the change to a sustainable energy system has a big impact on the infrastructure for gas and electricity. Alliander wants to give customers choices that will benefit themselves as well as the energy system as a whole.

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