

HALF-YEAR REPORT 2023



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VUUR VERBODEN

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This half-yearly report has not been audited or reviewed by an independent auditor. The report is published in Dutch and English. In case of any discrepancy between the two versions, the Dutch version will prevail.

CONTENTS

Report of the Board of Management

005 Foreword by the CEO

About us

007 Profile

008 Strategy 2023-2027: Providing everyone access to the grid

Ensuring grid capacity

010 Construction

012 Utilisation

Ensuring grid quality

016 Management

Other objectives & prerequisites

018 Other objectives & prerequisites

Our impact

022 Handling our environment responsibly

2023 consolidated interim financial statements

024 2023 consolidated interim financial statements

026 Accounting policies

027 Significant events and transactions during the first half of 2023

028 Subsequent events



REPORT OF THE **BOARD** OF MANAGEMENT

FOREWORD BY THE CEO

Six years ago we became an independent company. We did not know back then that the energy world would change so fast. The energy transition has since gained momentum and the Netherlands is rapidly becoming more sustainable. One in every five homes now has solar panels. The Netherlands is now actually the frontrunner in Europe in terms of installed solar power capacity per capita. As of this year, our country has more than half a million electric vehicle charging points. This is also reflected in the number of requests we receive for electric capacity. A lot of electricity is required for electric cooking, electric driving, heating homes and the electrification of industrial processes.

The energy transition and the work being done to make our country more sustainable are imposing new requirements on the energy system. These requirements directly affect our work as a grid manager. Luckily, at Stedin we are hands-on and see things through to a resolution. No hesitation, just go for it. In our revised strategy, we commit ourselves to our social mandate: to provide everyone in our service area with energy 24/7 while trying to respond to the developments around us as well as we can. This is why we will drastically expand and speed up construction in the coming years. In 2023 alone, we aim to lay around 1,300 km of cables and pipes, build 500 transformer kiosks in order to increase our grid capacity. Construction is our top priority. But no matter how fast we build, we cannot keep up with the pace at which demand is increasing. Therefore, we are simultaneously looking for solutions to improve the utilisation of our existing grid. By making the system more flexible and by concluding so-called 'flex contracts' with customers, suppliers and market parties. We are exploring opportunities for battery storage and are working on innovations that will enable us to make even smarter use of the grid. We also need to make people aware that they need to change how they use energy. A great example of this was the pilot project we ran earlier this year with our 'solarette' – a solar-powered mobile launderette where residents of Rotterdam could

do their laundry free of charge. Of course, we also continue to manage the quality of our grid. After all, everyone should be able to continue to rely on a stable energy supply.

A walk in the park? Certainly not. It is challenging to find large numbers of new staff. Materials are scarce, as is sufficient land and space. The nitrogen policy makes construction plans even more challenging, and there are still many questions about the funding of the energy transition. These are eventful times, in which the resignation of the Dutch coalition government has caused even more uncertainty. At the same time, it is our duty to prepare the energy infrastructure for the energy transition. This cannot stop, because without energy everything grinds to a halt. It is a precondition for supporting developments in the Netherlands, such as the construction of new homes, projects to make the country and the economy more sustainable. We must carry on.

At Stedin, we tackle the challenges facing us with full confidence. We are optimistic that we can achieve our ambitions together, with other grid managers, our partners and all parties involved in the energy transition. We are also working on improving our own sustainability performance. We are prudently looking at where we can make the Netherlands more sustainable by creating a well-functioning infrastructure. In this half-yearly report, we describe the key developments and results of the past six months in accordance with our strategic pillars. We thank everyone who contributes to our mission on a daily basis. Together, we will create an environment filled with new energy.

Koen Bogers

CEO of Stedin Group



ABOUT
US



PROFILE

The Netherlands has big climate ambitions that will only increase over time. In response to a range of challenges, such as reducing CO2 emissions and the rising demand for electrification, we are working towards a new energy system. More than 2.3 million private and business customers rely on Stedin Group for their energy supply, day and night. We are proud of our grids' supply reliability of 99.996%.

Stedin Group in the energy supply chain

With our gas and electricity grids, we are a vital link for economic activities in our service area. We collaborate with other players in the energy supply chain. These include electricity and gas producers, the national distributors of electricity and gas TenneT and Gasunie, our suppliers, other regional grid managers and organisations that monitor the reliability, affordability, safety and sustainability of our energy supply. Stedin Group is a public organisation whose shares are held by 42 municipalities.

and greenhouse horticulture regions. Parts of the provinces of North Holland and Friesland also fall within our service area.

Stedin Group operates and is located in the Netherlands. We carry out regulated activities as a grid manager, and within our group we also perform a number of non-regulated activities that are closely related to the energy infrastructure. Our head office is located at Blaak 8, 3011 TA in Rotterdam.



Our service area

We manage and maintain the energy grids in a large part of the Randstad conurbation, as well as the provinces of Utrecht and Zeeland. Our service area is home to roughly 5.5 million people and includes three of the four largest cities in the Netherlands, the Port of Rotterdam and the Port of Zeeland, as well as large industrial



- Gas Stedin
- Electricity and gas Stedin

STRATEGY 2023-2027: PROVIDING EVERYONE ACCESS TO THE GRID

Providing everyone in our service area access to the grid: that is our social mandate as well as the core of our strategy for 2023-2027.

The energy transition is one of the greatest challenges the Netherlands has ever faced. Energy production is rapidly becoming more sustainable and electricity consumption is rising steeply. Until 2030, we expect to connect four times as much sustainable generation capacity, while the number of car charging points will grow by a factor of seven and the number of heat pumps by a factor of eight. At the same time, we manage the quality of our gas grid and prepare it for the distribution of sustainable gases.

Our ambition

We are moving from a fossil energy system to a sustainable energy system. From energy generated centrally at a power station to energy generated locally by rooftop solar panels or offshore wind turbines. This requires giving more thought to how we use energy. Throughout the Netherlands, sustainable energy should as much as possible be used near to where and when it is generated. In addition, smart technologies are required for those times that balance in the energy system is less self evident. We will be supplying all of this new energy to our customers via our grids. Because this is what we do: working together to create an environment filled with energy. We facilitate the Dutch sustainability ambitions and are working on the energy system of the future: a challenge of unprecedented magnitude!

A well-functioning grid

The energy system of the future requires a well-functioning grid. A high-quality grid with sufficient capacity. That is what we will be focusing on in the coming five years. We will speed up **construction**, improve the **utilisation** of grids and continue their reliable **management**. Everything we do will contribute to these goals.

Ensuring grid capacity

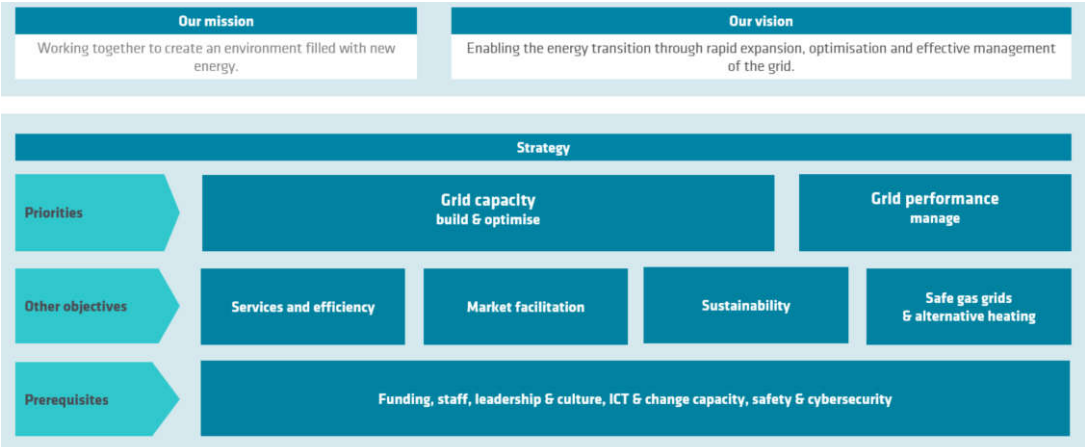
- **Construction:** we are laying even more cables and pipes and we are building substations. In this way, we can connect all our customers to our grid, including new consumers and energy producers.
- **Utilisation:** construction alone will not suffice. We will improve the utilisation of the grid by optimally matching supply and demand during peaks in wind and solar energy production. This will reduce grid congestion.

Ensuring grid quality

- **Management:** we will continue to manage the quality of our grid. Our top priority is to continue to ensure a reliable and safe energy supply.

Working together on the energy system of the future

Prioritising one thing sometimes comes at the expense of something else. That also applies to focusing on our grids. But at the same time, it also offers opportunities. Opportunities for innovation, for example. We are discovering new, faster and more effective methods of construction. We are developing smart, flexible solutions and are embracing digitalisation. Everyone at Stedin contributes to this process, as does our environment. Many customers and energy entrepreneurs want to help us make the most of our grid; these include commercial growers, customers with controllable solar and wind farms, and customers with large-scale storage capacity. Opportunities also abound for companies that are sharing ideas with us for accelerating the expansion of the grid, by means of co-creation with parties such as water and infrastructure companies.





ENSURING GRID CAPACITY

CONSTRUCTION

In 2023, Stedin is building 500 transformer kiosks and laying 1,300 km of electricity cables. In this way, we can connect all our customers – both consumers and energy producers – to our energy grid. In order to keep up with the pace of the energy transition, we will need to speed up construction and start earlier. It is also important to plan better and earlier with our stakeholders and agree on faster procedures with them. In addition, we want our staff to work more effectively by using digitalisation and innovations. And if we work more effectively with contractors, we can work even faster.

KPI	Note	Unit	Achieved on 30/06/2023	Target for 2023	Achieved on 30/06/2022
Additional transformer capacity (MVA)	Amount of new capacity in megavolt ampere added to the grid.	MVA	0	425	67
Execution of Grid-Driven Scope - E	Extent to which scheduled work (capacity expansions and/or replacement investments) has been achieved.	%	90%*	100%	110%
Execution of Grid-Driven Scope - G	Extent to which scheduled work (capacity expansions and/or replacement investments) has been achieved.	%	100%*	100%	86%

*result relative to half-year target

Grid capacity

The challenge of ensuring sufficient capacity on the electricity grid is still growing. In 2022, it became clear that TenneT’s high-voltage grid was nearing its capacity limits in several provinces. At the same time, customers are requesting ever more capacity from us. The companies at Maasvlakte 2 are an example. In order to keep supplying them with sufficient electricity, we are building a new, large distribution substation along the Yangtze canal. In February, we installed the first of two high-voltage transformers. The new substation will enable us to supply electricity to, for example, a biofuel plant and a factory producing parts for wind turbines.

Adding transmission capacity, i.e. creating additional capacity on the high-voltage grid, is focused on our larger and multi-year projects. It is only when these projects have been (fully) completed that we include the added capacity in the total figure. Therefore, this KPI does not have a linear pattern. Our ambition and expectation for 2023 has remained unchanged and we are making every effort to realise 425 MVA in 2023. To put this into context: 100,000 homes require a capacity of 100 MVA.

In the first half of 2023, we also created additional grid capacity on the medium-voltage grid. This involved 122 transformer substations (with another 169 still being built). In addition, we laid 244 km of electricity cables (with another 357 km still being laid) and connected 15,262 new-build homes to our electricity grid.

We have made agreements with energy specialists Alfen and Batenburg Techniek on the supply of 500 prefab transformer substations per year. These two companies will provide and install the substations. Transformer substations, also known as transformer kiosks, are indispensable hubs in the electricity grid that enable the use of solar panels, charging points and heat pumps in every neighbourhood.

Starting construction earlier

The preparations for projects for the construction of stations often take longer than their actual construction. There are opportunities to speed up this process, particularly by obtaining land holdings (both below and above ground) and permits more quickly. For example, we had to reroute 250 metres of cables in Rijswijk this year, but needed permission from as many as seven public bodies to be able to carry out the work. Sharing plans with local and provincial authorities at an earlier stage is essential in this context. This helps us to plan further ahead. Thus, in renovating and expanding the Utrecht Oudenrijn high-voltage substation, we are already taking into account the plans for wind turbines, solar farms and a new neighbourhood to be built nearby. In addition, we are conducting an ongoing dialogue with our environment about the locations for distribution and transmission stations. In April, we organised webinars and meetings to make members of the provincial council, municipal officers and land owners in Utrecht aware of their role in providing us with land for construction. It is only by working together that we create grid capacity.

Accelerated construction with partners

In May, Stedin and water company Vitens entered into an agreement with contractors to handle the construction and replacement of electricity cables and gas and water pipelines in the Utrecht region more efficiently. This accelerates construction and ensures that roads need to be dug up only once. We are collaborating under the name ‘Infra Stedin Vitens’. Together, we determine what must be done when and where.

Innovation

In order to make our staff work more efficiently, we are exploring revolutionary technologies. We test these extensively and assess how we can apply them in practice. In the first half of 2023, we carried out further pilots with the HoloLens: a mixed reality headset that combines real-life images with virtual 3D images. With this headset, colleagues at different locations can look over each other's shoulder. Not only is this a safe way of working, it also guarantees the 'four-eyes principle'. This saves a lot of time. The headset also shows all the underground cables and pipes. This means that we need to dig fewer trial trenches, can prevent excavation damage and can coordinate the work even better with our partners.

To accelerate the construction of charging points, we have developed a new, small connection module in collaboration with other grid managers and a supplier. With this new connection technology, where many parts are pre-assembled in the factory, the installation a charging point requires less work on site and is three times faster than with conventional methods. The new module will become a national standard: all grid managers will be using it.

New heat grids

Together with our subsidiary NetVerder, we are preparing to take a role in the development, construction and management of heat grids. At the end of June, Liander, Enexis and Stedin (NetVerder) launched the Open Innovation Heat Network at the Green Village in Delft. With this heat network, we provide the opportunity to test heat innovations and study heat networks in a residential and low-regulation environment. The heat network has been laid out in a ring shape. This is different from most traditional heat networks, which operate from a central source with increasingly narrow branches towards the end users. The ring shape was chosen because it offers space for splitting up the network into parts for maintenance or specific research projects.



UTILISATION

Constructing and laying networks is not enough to facilitate the energy transition. We must also utilise the electricity grid more efficiently. How? For example, by optimally matching supply and demand during peaks in wind and solar energy production. And by encouraging customers to take a different approach towards energy. Can the energy that customers generated themselves be used immediately? Can energy be used in a flexible manner? By utilising grids in a better or different way, we can prevent that the grid is overloaded too quickly (grid congestion) and prepare our energy system for the future.

KPIs	Note	Unit	Achieved on 30/06/2023	Target for 2023	Achieved on 30/06/2022
Number of congestion areas	Number of areas where the congestion study was completed and we issued a congestion notification, excluding the areas where TenneT issued a congestion notification.	Number	6	-	-
Flexible capacity available (MW)	Total capacity of customers who offer operational flexibility and have concluded a contract with us.	MW	46.5	45	-
Digitally metered MV substations (# cumulative)	Number of MV substations containing digital grid terminals through which metering data on grid load can be received.	Number	5,046	5,970	-

Overloaded electricity grids: congestion

We are doing all we can to prevent overloaded grids as much as possible. At the same time, capacity is reaching its limits in several parts of the country. Sometimes the congestion is triggered in the Stedin grid, while at other times it relates to TenneT’s high-voltage grid. This affects high-volume consumers in our service area: in the Port of Rotterdam, Goeree-Overflakkee and the province of Utrecht. This may have undesirable consequences for our customers, as it prevents them from implementing their sustainability plans. We identified two new congestion areas in our service area in the first half of 2023, which brings the total to six congestion areas.

Flexible capacity

Hardly anyone consumes the same amount of electricity all the time. Likewise, wind and solar do not constantly generate electricity. This therefore requires flexibility in our grid, our organisation and our customers. We keep looking for ways to resolve congestion, such as the use of flexible capacity. Together

with government authorities, the grid managers TenneT, Liander and Stedin are doing their utmost to approach all companies in the provinces of Flevoland, Gelderland and Utrecht in order to create the necessary room on the fully utilised electricity grid. If the number of companies agreeing to ensure ‘flexible electricity consumption and generation’ does not increase, the grid will be ‘gridlocked’ for longer periods in large parts of these provinces.



Flex contracts

In 2022, we launched the Stedin Flex challenge in search of greater flexibility on the grid. Together with companies, we looked at ways to improve grid utilisation. For example, by buying or feeding in a greater or smaller amount of electricity at peak times. Flex contracts are contracts whereby a customer receives a fee for temporarily consuming less energy at our request. These contracts also enable us to request a customer to consume more energy during particular hours of the day. We concluded eight such contracts during the first half of 2023, involving flexible capacity of 37.3 MW.

Examples of flex contracts concluded in 2023:

- The contract with the ON E Target platform is the very first contract in the Netherlands to prevent electricity grid congestion. This contract will create additional capacity on the local grid of Tholen and Schouwen-Duiveland (NoordRing) in Zeeland.
- Under the contract with Novar, the latter will connect a 5 MW battery to the Bontepolder solar farm in Terneuzen, Zeeland (nearly 32,000 solar panels). This will prevent congestion in the future.
- S4 Energy will use batteries in the Port of Rotterdam for use in inland shipping. Through these additional agreements, we ensure that congestion in this area will not get worse.

Batteries as part of the solution

Many flex contracts revolve around the use of batteries. Large-scale batteries have a lot of capacity for storing and discharging electricity. This means that they can make a major contribution to the energy transition. These batteries improve the stability of the main grid and can reduce peaks in the local grid by simultaneously charging or, conversely, discharging. However, the way in which batteries work was up until now not always easy to predict, nor is it always in line with demand on the grid. As a grid manager, we have to take this into account. We need to make additional agreements about the maximum transmission capacity to prevent that batteries actually cause congestion. We are also exploring the possibilities for making further agreements with owners of large-scale battery systems, so as to help us reduce peaks on the grid.

Innovation: using the ‘rush-hour lane’

We are in talks with the Kroningswind wind farm on Goeree-Overflakkee about a partnership on DER control (Distributed Energy Resource). This means that we will be able to use the rush-hour lane (the failure reserve) to offer energy to as many customers as possible. The actual purpose of this rush-hour lane is to facilitate a quick switch at times of failure. In the event of failure, maintenance or imminent congestion, Stedin will send the wind farm a signal to restrict the feed of generated electricity into our grid.

Solarette

The key to flexibility in the energy system largely lies in our own behaviour. We must learn to deal with a sustainable energy system. This means using sustainable energy when it is available, and using smart solutions and reducing consumption at times of lower availability. To make people aware of this behavioural change, we set up a ‘Solarette’ in Rotterdam in June. People could use this pop-up launderette – which was fully solar powered – to do their laundry free of charge. This provided an ideal opportunity to inform them on the best use of solar energy in their own homes and to explain why it is better to run the washing machine when the sun shines. After all, it is better to use sustainably generated energy, such as solar power, immediately when it is generated. That is true even if you do not have any solar panels yourself. In that case, doing your laundry when the sun shines means you use electricity generated by solar farms or by neighbours who feed solar energy into the grid. It is our task as a grid manager to keep the electricity grid in the best possible condition. If we all bring our energy consumption in line with nature’s rhythm, we will better utilise the grid and ensure a more balanced availability of energy.

Predicting customer demand to prevent or delay congestion

In order to prevent further congestion areas in our service area, we need to get better at predicting customer demand and make targeted agreements with customers. Together with customers we look for the most appropriate solutions, depending on the local situation and the kind of connection. One of the solutions found in the first half of 2023 involves temporary project containers, which we installed together with customers. These containers make 40 to 50 MW of capacity available for new requests.

Textbook example

Before the opening of Het Element, a new secondary school in Amersfoort, there was insufficient grid capacity to supply the school with energy. This jeopardised the opening. However, by looking for solutions with Stedin, the school was able to open its doors on the scheduled date. The school checked when it consumed the greatest amount of electricity; that was between 8:00 and 16:00 hours. The school has now agreed with Stedin that it will consume less electricity after 16:00 hours, as soon as the households in the area are consuming more. This way, the school and the neighbourhood ensure optimal utilisation of the grid.

Learning about decentralised autonomous grids

In order to make smarter use of our grids, we have launched a pilot concerning decentralised autonomous grids. These are energy grids that function independently, without human intervention. Based on data on energy needs, energy flows and the installations, the grid itself decides how energy is stored and distributed. In the coming period, we will examine in a testing ground in Scheveningen how we can realise such a grid, what this means for Stedin and how these grids can contribute to more efficient grid utilisation.

SOLARETTE

Pop-up fully solar-powered launderette as an awareness campaign to use sustainable generation immediately when it is available.





ENSURING GRID QUALITY

MANAGEMENT

Of course we also 'simply' continue to manage the quality of our grid. Our top priority is to continue to ensure a reliable and safe energy supply. If we want to retain that quality, we need to take measures, such as developing better risk models and analyses. Where possible, we combine replacement with grid expansion and improvement.

KPIs	Note	Unit	Achieved on 30/06/2023	Target for 2023	Achieved on 30/06/2022
Downtime E - (SAIDI)	Average time in minutes during which customer was without electricity.	minutes	13	< 25	11
Supply security	Ability of a grid to supply electricity to consumers.	%	99.996%	-	99.995%

Reliability of our grids

Customers were without electricity for an average of 13 minutes in the first six months of this year. The average downtime in the first half of 2022 was 11 minutes. A significant failure in the first half of 2023 was a power outage in Vlaardingen, which affected tens of thousands of addresses in Vlaardingen. Because of the expected heat, the power outage could have had a major impact on residents. Fortunately this did not happen, since the outage was resolved after a few hours.

A gas explosion took place in Zoetermeer in 2022. In January 2023, the State Supervision of Mines (SodM) shared the findings of its investigation into this high-impact incident. SodM reached the same conclusion as Stedin in an earlier investigation: the explosion was caused by the way in which works were carried out. We have learned lessons from these findings and taken measures to prevent a recurrence. Stedin will follow SodM's recommendations, which include improving registration in our recording system for operating assets.

Maintaining a high quality: not as easy as it sounds

Construction is not always quick and simple, as illustrated by a recent development in Utrecht, where we had to halt a project due to the possible presence of bats in a station where we had to install a new transformer. This posed a dilemma, because we believe that biodiversity is essential and should be safeguarded as best as possible in the interests of people and planet. At the same time, we need to provide a reliable electricity grid with supply security. We therefore agreed with the municipality that we would postpone the expansion and focus on a different project for the time being. This approach also ensured that we did not have to put the scarce capacity of human and material resources on hold unnecessarily.

Low voltage – voltage quality

An increasing number of households and companies generate their own electricity. Total solar power generation rose to 3,701 MWp in the first half of 2023. Demand for electricity in the Netherlands is also increasing at an ever faster pace. This is due to the growing number of heat pumps, charging of electric vehicles and switch to electric hobs. This means we have to expand the low-voltage grids in many places, but this cannot be achieved overnight. We have noticed that peak loads increasingly cause voltage problems. Solar panels sometimes need to be disconnected from the grid on very sunny days, because there is insufficient capacity on the grid to handle the feed-in of electricity. We are seeing peaks in electricity consumption at times when many customers all want to cook, charge their car or use their heat pump. The energy transition requires grid reinforcement, but also requires that end users change their behaviour and distribute their consumption more over the day.

Brittle gas pipes

We are making good progress in implementing the remediation programme for the accelerated replacement of brittle gas pipes. All grid operators have been advised by the State Supervision of Mines to accelerate the replacement of gas pipes. The objective is to have all these pipes replaced by the end of 2028. In the first half of 2023, we replaced 102 km of brittle gas pipes. Our grid currently still includes around 900 km of brittle gas pipes that need replacing.

Permanent arrangement on disconnection policy

Energy prices fell in the first half of 2023. However, consumers still face substantial financial insecurity. Without the measures of an energy price cap and agreements on disconnecting gas and electricity, we would have had to disconnect even more households as the party responsible for implementing the disconnection policy. In April, the temporary agreements on the disconnection policy were converted into a permanent arrangement. Under this arrangement, energy suppliers will step up their efforts to stay in touch with customers and to make payment arrangements. The arrangement gives consumers better protection.



OTHER OBJECTIVES & Prerequisites

OTHER OBJECTIVES & PREREQUISITES

KPIs	Note	Unit	Achieved on 30/06/2023	Target for 2023	Achieved on 30/06/2022
P4 smart meter data provision	The timely and full provision of smart meter data for energy services and market processes.	%	98	≥ 97	97
Customer					
Customer satisfaction - Consumers	Convenience experienced by customers in doing business with Stedin (meters and connections)	%	80	79	-
Customer satisfaction - Maintenance	Convenience experienced by customers in doing business with Stedin (meter box and grid failures)	%	86	82	-
Stedin customer satisfaction - Zeeland	Convenience experienced by customers in doing business with Stedin (connections, meters and failures)	%	78	-	-
18-week completion time	Completion of connections for low-use consumers within 18 weeks or on date preferred by customer.	%	97.2	> 95	94
Material					
Availability of materials (% OTIF)	Percentage delivered in full for/to project	%	79.2	100%	-
Safety					
Safety - LTIR	Lost Time Injury Rate: the number of lost-time workplace incidents per million hours worked in the last 12 months.	ratio	0	≤ 1.9	0.79
Safety - RIF	Recordable Incident Frequency: the number of lost-time workplace incidents, incidents entailing alternative work or incidents requiring medical treatment per 200,000 hours worked in the last 12 months.	ratio	0.72	≤ 0.9	0.82
Sufficient staff					
FTE growth	Net FTE growth relative to 2021	FTE	474	676	-
Cultural value 'Forward'	Composite score on questions in staff motivation survey on the cultural value 'Forward' (measured annually).	%	-	7.5	-
Financially healthy					
FFO/Net debt ratio	Extent to which net debt can be serviced using the cash flow generated from operating activities.	%	10.0	-	11.7

Customer satisfaction

For the first half of 2023, 80% (target: at least 79%) of customers reported that they found it easy to do business with Stedin, while 10% (target: not more than 11%) experienced inconvenience. This is higher than in the first half of 2022 (80% and 9% respectively). The scores for customers in Zeeland were 78% customer

convenience and 11% customer inconvenience. 86% of customers who had a failure resolved reported that doing business with Stedin was easy, while 7% experienced inconvenience.

18-week completion time

In the first half of 2023, 97.2% of connections were provided within 18 weeks or on the date preferred by the customer. This figure is 5.2% above the target of 92%. We are well on track to achieve our target of >95% for the whole year.

Availability of material

Much material is required to realise our immense construction challenge. Some materials are scarce, however. To achieve this daunting task, we have, among other things, increased the strategic availability of our materials, i.e. stocks. In addition, we consider how materials and installations can be recycled. During the first half of 2023, for instance, we reused 70 transformers, 15 compact substations and 1,663 smart meters. This is an important development, because one advantage of recycling is that recycled materials are available much sooner. A used transformer can be reconditioned in only two weeks, while the delivery period for a new transformer is one year. Furthermore, recycling is often cheaper and more sustainable.

Safety

We continue to invest in safety in order to prevent workplace incidents. A safe and healthy working environment and minimising risks are essential in this context. We define workplace incidents as lost-time incidents, with alternative work or medical treatment required. Because of a lower number of workplace incidents in the past 12 months, both the RIF and the LTIR decreased.

RIF: due to the relatively limited number of incidents, the RIF fell to 0.72. This figure is below the target of 0.90.

LTIR: the LTIR fell to 0. This means that no incidents resulting in lost time took place in the last 12 months. This is partly because managers ensured alternative work and provided care for colleagues who had an accident. We do realise that the LTIR is a snapshot.

Sufficient staff

Plenty to do at Stedin

We can only realise our strategy of Construction, Utilisation and Management if we have sufficient skilled staff. At the same time, staff motivation and retention is one of our greatest challenges. This is reflected in an increase in the number of vacancies. We therefore hired more recruiters in 2022. It is partly for this reason that we are still on track to hire sufficient staff in 2023. However, we have also found that in the current competitive market we need to step up our efforts to recruit capable new colleagues.

In order to keep our current employees inspired and committed, we provide them with training programmes. We also devote a lot of attention to (mental) health, in the form of preventive medical check-ups, free access to mental healthcare and of course the sustainable employability budget.

Accelerated training and training people coming in from other professions

At our in-house training school, we cooperate closely with various senior secondary vocational education institutions. This has proved successful. For example, together with ROC Midden-Nederland (Central Netherlands Regional Education and Training Centre) we managed to reduce the duration of the 'Low-Voltage Grids Professional' fitter training programme from two years to one. This programme has now been approved by the Ministry of Education, Culture and Science and by the Central Netherlands examination board.

As well as accelerating our training programmes, we are broadening our reach. In the first half of 2023, we trained 54 people who came in from other professions. This means that we are on schedule to achieve our target (60). Programmes tailored to specific target groups, such as for asylum seekers who have been granted a residence permit and for women in technology, have produced modest successes as well. Under the banner of Strong Technology Teaching, we cooperate with schools to get children interested in a career in technology while they are still in secondary education. We have also experienced setbacks. For example, there were insufficient students for our school-based vocational pathway (BOL) in Utrecht. This course for students aged 16 and 17 is a preliminary stage of the on-the-job vocational pathway (BBL).

Stimulating development

Ensuring the training and ongoing development of everyone working at Stedin is key to our success. We would be unable to carry out our social mandate without sufficient skilled staff. As our role will keep growing in future years and is constantly changing, we need more capacity. We will therefore thoroughly renovate and expand our location at Keileweg.

Later in 2023, our in-house training school at this address will move to a temporary accommodation. The new building is expected to be completed in the beginning of 2025 and will become the flagship of Stedin's in-house training school, stimulating development in a broad sense. From practical to theoretical, from individual to team and from colleague to contractor.

Financially healthy

We are investing in the energy transition

In the first half year, Stedin invested €384 million in expanding, reinforcing and maintaining its gas and electricity grids. This is €60 million more than in the same period last year, but around €30 million less than the target for these first six months of 2023. This is due in particular to delays in obtaining permits and land holdings for construction projects.

We expect to invest €825 million in our grids this year in order to facilitate the acceleration of the energy transition, enable economic growth and safeguard the quality of the current grid. We expect to invest upwards of €8 billion during the period up to and including 2030. We can fund this in part from our revenue, but we will also need to arrange additional financing due to the significant increase in investments. This financing will have to consist of a combination of new debt and additional equity: this is the only way in which we can remain sufficiently creditworthy and continue to make investments at acceptable costs. As Stedin reported earlier, this will require an equity reinforcement of €1.8 billion. Additional climate ambitions such as FIT 55, RepowerEurope and the payment of grid congestion management fees will probably increase this amount even further in the longer term.

The reinforcement of our equity has been the subject of discussions with our municipal shareholders, the central government and other new regional shareholders for quite some time. Last year we achieved an important breakthrough: the central government reserved €500 million in the national budget to reinforce Stedin's capital. This key step will improve Stedin's creditworthiness and therefore its borrowing capacity. This was followed soon afterwards by an agreement between the central government and the regional grid companies on the conditions for the capital reinforcement. These agreements paved the way for the central government becoming a Stedin shareholder, which is crucial in view of the challenge we are facing. Stedin is concerned about the progress in the negotiations between the central government and the shareholders. Talks have been going on for months, but too little progress has been made. The resignation of the Dutch coalition government has caused uncertainty as to whether an agreement can be reached between the shareholders and the central government. Stedin calls upon the House of Representatives not to pause the government contribution to the investments in energy infrastructure. This is a prerequisite for supporting the developments in the Netherlands. Stedin also calls upon the central government and shareholders to press ahead with negotiating an agreement on capital reinforcement and the central government becoming a shareholder.

Green bonds

At present, we have €1.5 billion in outstanding green bonds. We invest this capital in the expansion and reinforcement of the electricity grid in order to facilitate the energy transition.

Efficiency programme

At the end of 2022, we completed the five-year efficiency programme aimed at saving €180 million up to and including 2025. This efficiency programme achieved a saving of €166 million. The programme is currently being revised. The efficiency measures yet to take effect will be incorporated into a new programme. In that programme, we will recalibrate existing measures, add further measures and tighten our policy objectives. We will report on this in our annual report for 2023.



OUR IMPACT

HANDLING OUR ENVIRONMENT RESPONSIBLY

As a grid manager, we have a central role in the energy transition. We are working day and night to maintain the energy infrastructure and prepare it for a sustainable future at all locations. In our view, this is an important social mandate. It therefore goes without saying that we are also making our own operations more sustainable. After all, these operations also have an impact on our environment. This is sometimes easier said than done and may raise difficult dilemmas.

Social mandate

At Stedin we aim to optimise the construction, utilisation and management of our grids in the shortest possible term. Accordingly, our investment level has gone up by 167% since 2017. We expect this growth to continue in the coming years. However, an environment filled with new energy involves more than just investing in infrastructure. Because of all the changes, we also attach great importance to placing more emphasis on (social) sustainability, in addition to the financial aspects. We aim to make a social contribution, particularly as we have an important role to play in society and are natural ambassadors for the energy transition. We provide energy to our customers, shareholders, staff and the rest of our environment - both literally and metaphorically.

Sustainable business operations

In this context, we also take a critical look at our own day-to-day activities. In addition to reducing our CO₂ and particulate matter emissions, we are committed to a circular approach to raw materials, biodiversity improvement and equal opportunities for all. We are also seeing that municipalities and other stakeholders attach great value to sustainability. This is increasingly reflected in requirements, such as ecological integration of stations or measures aimed at climate adaptation and quality of life in the built environment. We regard it as our social duty to cooperate in this process.

At odds

As a grid manager we do a lot in the field of sustainability. This concerns both our own business operations and our social task in the energy transition. However, sometimes these two responsibilities are at odds with each other. We are then confronted with all sorts of dilemmas. For example, we can speed up the construction process if we opt for regular rather than circular purchasing. Should we focus on the sustainability of our own organisation, or on sustainability at our customers by speeding up the process of connecting solar or wind farms? What should we do if sustainable machines for building activities are not yet available, while we have to keep the supply reliability of sustainable energy at a high level? Of course we often try to do both, but sometimes that is not possible. In addition, the nitrogen issue affects us as well: over 1,000 projects at Stedin run a high risk of being delayed by six months or more. Given the enormous challenge of expanding the electricity grid, we cannot afford a delay. Despite the sometimes complex situations, we are looking for ways to succeed all the same. Sometimes by changing our own approach, sometimes by devising a solution in consultation with the sector, and sometimes by asking the government for a decision or new rules.

One Planet Academy

We can further increase our sustainability impact if our staff thoroughly understands and experiences how our organisation affects the world around us. To make them aware of the climate issue and our role in its resolution, we have set up the One Planet Academy. This gives our staff a greater understanding of where we stand as a company and where we want to go. We are convinced that this insight among our staff will produce better sustainability initiatives and projects for Stedin.

Results in our sustainable business operations

The next page contains an overview of a number of results achieved in terms of the sustainability factors Environment, Social and Governance (ESG) in the first half of 2023. Although we have made significant progress, we also realise that there is still much to do.

Environment

- 76% reduction of CO2 emissions from own operations (excluding gas grid losses) compared to 2018
- 100% greening of electricity grid losses
- 34% circularity of primary assets
- 76% reduction of gas consumption by own buildings compared to 2018
- 97% electric passenger cars
- Socially responsible purchasing policy
- Code of conduct signed in 61% of tendering procedures

Social

- Number of training courses followed: 7,959 / €3.6 million in training costs
- Safety for our employees and environment: LTIR = 0 RIF = 0.72
- Number of staff under Participation Act: FTE 84 (1.96%)

Governance

- We apply the Dutch Corporate Governance Code voluntarily
- We have an independent Supervisory Board
- We work with seven confidential advisers (including one external adviser)
- We apply a code of conduct and underlying guidelines, such as 'Integrity Incidents and Abuses'.
- Our compulsory e-learning courses on desirable behaviour were followed as many as 1,961 times in the first half year. These and other compulsory e-learning courses, for example on cybersecurity, are a mandatory part of our 'Onboarding Programme'.



2023 CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed consolidated income statement

x € 1 million	First half of 2023	First half of 2022
Net revenue and other income	877	659
Operating expenses	-786	-620
Operating profit	91	39
Financial income and expenses	-32	-18
Result after income tax from associates and joint ventures	-	4
Profit before income tax	59	25
Income tax	-15	-6
Profit after income tax	44	19

Condensed consolidated balance sheet

x € 1 million	As at 30 June 2023	As at 31 December 2022
Assets		
Non-current assets	8.403	8.191
Current assets	477	329
Total assets	8.880	8.520
Equity and liabilities		
Total equity	3.360	3.342
Non-current liabilities	4.563	4.539
Current liabilities	957	639
Total equity and liabilities	8.880	8.520

Condensed consolidated cash flow statement

x € 1 million	First half of 2023	First half of 2022
Cash flow from operating activities	181	165
Cash flow from investing activities	-314	-261
Cash flow from financing activities	224	244
Movements in cash and cash equivalents	91	148

ACCOUNTING POLICIES

Stedin Holding N.V. (below: Stedin Group) is a public limited liability company under Dutch law with its registered office in Rotterdam, a holding company of subsidiaries, and is registered with the Chamber of Commerce under number 24306393.

Stedin Group's main activity is to ensure safe, reliable and affordable energy supply. Stedin Group's grid manager, Stedin Netbeheer, achieves this on the one hand by building and managing the electricity and gas networks and preparing them for the future, and on the other by facilitating the energy market. Stedin Netbeheer operates in the provinces of South Holland, Utrecht and Zeeland as well as in parts of the North-East Friesland and Kennemerland regions. The subsidiary DNWG Infra provides energy infrastructure services to business customers, while the subsidiary NetVerder promotes the energy transition by supporting the development, construction and maintenance of energy infrastructures for heat, steam and biogas. NetVerder also focuses on the independent transmission and distribution of other new energy sources or carriers. Utility Connect is a joint arrangement with Alliander that focuses on data communication for smart meters.

Stedin Netbeheer operates alongside five other Dutch regional grid managers in a regulated market. Each regional grid manager is a monopolist within its own service area. Regulation means that the work performed by the grid manager is set out in law and that the rates are set by the Netherlands Authority for Consumers and Markets (ACM). The regulatory model encourages grid managers to perform as well as possible (in terms of efficiency and quality) by using a benchmark model.

This half-yearly report contains the interim financial statements of Stedin Group for the first half of 2023. The half-yearly report has not been audited, nor has it been reviewed by an independent auditor. This report does not contain all the information that is normally included in financial statements. Therefore, the interim financial statements should be read in conjunction with the financial statements for the year 2022. The accounting policies applied in this half-yearly report are the same as those described in the consolidated financial statements for the year 2022.

In preparing these interim financial statements, the management of Stedin Group made judgements, estimates and assumptions that affect the reported amounts. No significant changes in accounting estimates occurred in the first half of 2023 compared with the estimates in the 2022 financial statements which require further disclosure.

SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE FIRST HALF OF 2023

Consolidated income statement

In the first half of 2023, we recorded an operating profit of €91 million (first half of 2022: €39 million) and a profit after income tax of €44 million (first half of 2022: €19 million). The operating profit rose because of an increase in turnover due to the higher rates for electricity and gas. The operating expenses went up as well, partially because of higher costs of grid losses. In addition, the interest expenses increased as a result of extra short-term cash loans and higher market interest rates.

Consolidated balance sheet

Investments in property, plant and equipment and intangible assets in the first half of 2023 totalled €384 million, an increase of 19% compared with the investment level in the first half of 2022 (€324 million). We financed our investments with positive cash flow from operating activities and - pending the reinforcement of our equity - by taking out new short-term loans.

Consolidated cash flow statement

The cash flow from operating activities amounted to €181 million positive and increased because of a higher operating profit. The cash flow from investing activities was €314 million negative and increased because of additional investments to facilitate the acceleration of the energy transition. The cash flow from financing activities came to €224 million positive, following the extra short-term financing raised to fund the investments in 2023.

Financing, solvency and credit rating

As at 30 June 2023, our solvency ratio was 43.5% (year-end 2022: 44.4%). Stedin Group's policy is aimed at maintaining a solvency ratio of at least 40% in the long term. In addition, Stedin Group's goal is to retain an A- Standard & Poor's (S&P) long term credit rating with a stable outlook.

In the first half of 2023, S&P qualified the regional grid managers Alliander, Enexis and Stedin as 'Government Related Entities'. In line with this, S&P upgraded their credit rating by one notch. At the same time, Stedin Group's credit rating was downgraded by one notch because of the pressure on its main financial ratios and a challenging investment agenda in the coming years. On balance, Stedin Group's credit rating remained A- with a stable outlook. S&P revised the lower limit for the FFO/Net debt ratio to retain the current credit rating: this ratio should remain 'comfortably above 9%'.

As at 30 June 2023, Stedin Group's FFO/Net debt ratio was 10.0% (year-end 2022: 10.1%). The Funds from Operations (FFO) for the preceding 12 months was higher than at year-end 2022, primarily because of the timing of tax and interest payments. At the same time, net debt increased as a result of the extra short-term financing raised.

In June 2023, Stedin Group arranged a renewed revolving credit facility (RCF) of €800 million with six banks for a term of 5 years. The term can be extended twice for a period of 1 year by mutual consent. The renewed RCF replaces the earlier RCF of €600 million, which was to expire in July 2024, and serves as a backstop facility. There were no drawdowns of the RCF during the first half of 2023.

SUBSEQUENT EVENTS

CBb ruling on method decisions

In July 2023, the Trade and Industry Appeals Tribunal (CBb) ruled that the ACM has to adjust the method decisions for electricity and gas for the current regulatory period (2022-2026) on a number of points. These method decisions are used for calculating the rates we are allowed to charge. As a result of the CBb ruling, future rates are expected to increase. The ruling has no impact on the financial figures as at 30 June 2023.

Resignation of Dutch coalition government

July 2023 saw the resignation of the Rutte IV government. At present it is still unclear what consequences this will have for (the timing of) the reinforcement of Stedin Group's equity, for which €500 million was reserved last year in the national budget. The talks with the central government on the exact conditions for this capital contribution are still ongoing.

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