Stedin Groep

Investor Update – FY 2017

May 2, 2018

Introduction
Stedin Team

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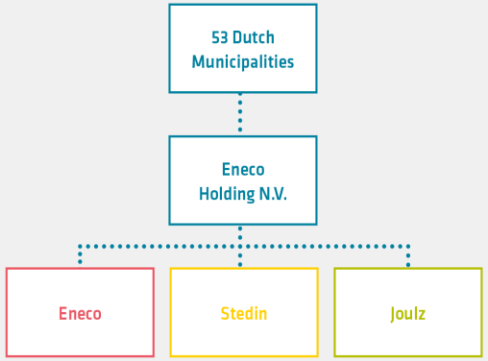
Summary of 2017 highlights

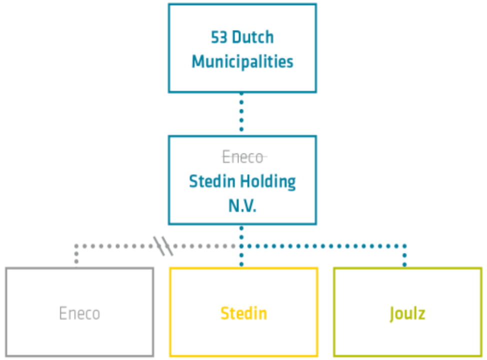
1. Successful unbundling
2. DNWG acquisition
3. Divestments of CityTec and Weert grid area
4. Strategy update
5. Solid financial results
6. (Re)financing
7. Maintained A- credit rating by S&P

Recap of unbundling process

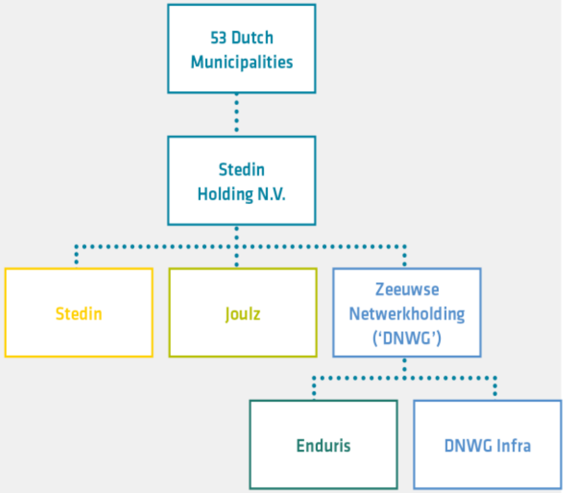
31 December 2016: Before unbundling



1 February 2017: After unbundling



30 June 2017: Including acquisition of DNWG



Unbundling

- Successful and smooth process
- Present outstanding relation with Eneco:
  - Shared IT facilities which will be phased out
  - € 200m Bilateral Loan
  - Regular business relationship in line with other Energy suppliers

DNWG acquisition

- Low risk due to similar business and regulatory system
- Adjacent network
- Integration plan in execution

Divestments

- CityTec: Public lighting business
- Weert grid area sold to Enexis

Group overview

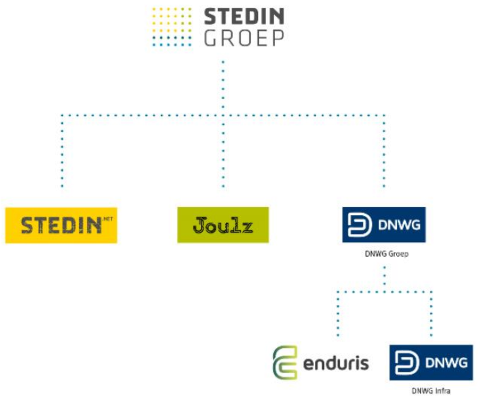
Business Overview

- Stedin Groep was formally established on February 1, 2017, following the unbundling of Eneco Group
- Stedin Groep is a leading Dutch electricity and gas network company comprising of operating units Stedin Netbeheer, Enduris, Joulz and DNWG-Infra
- Stedin Netbeheer and Enduris combined are the 3rd largest Dutch DSO after Enexis and Alliander and account for >90% of the Stedin Groep's revenue
- RAB 2017 : Electricity € 3.2b / Gas € 2.3b
- Stedin and Enduris operate in a regulated market with a monopoly in their own service areas and is owned by 53 local municipalities
- Joulz and DNWG-Infra operate non-regulated infrastructure activities
- S&P rating: A- (stable outlook) – reconfirmed on September 29, 2017

Stedin Groep service area: gas

Stedin Groep service area: electricity

Organisation Chart



2017 Key figures

Number of employees 17 | 83 4,488	Employee satisfaction 7.6	Connections E 2,278,394	Connections G 2,119,249
Balance sheet total in millions of euros € 6,551 million	CO_2 emissions 279 Ktonnes	Average downtime E 16 minutes	Average downtime G 40 seconds

Business profile & strategy

Stedin Groep
plays a crucial role in the energy system…

- Crucial role in the transport and distribution of electricity and gas in the Randstad; the most densely populated area of the Netherlands with a strong presence of heavy industry, including the port of Rotterdam

… and transition to sustainable energy

- As a result of our important role in the energy supply, we play a crucial role in the transition to a sustainable energy system

Business profile & strategy

From key challenges…

- Increase in workload as a result of the energy transition (e.g. heat transition, modification of electricity grid, creation of local consultation structures)
- Further improving customer satisfaction and focus on operational excellence
- Ageing population and increasing scarcity in the labour market for key and operational positions
- Further improving efficiency in the long term, in order to finance future activities and investments

…to key choices

Focus on management of the grid
First priority is our public responsibility. Stakeholders need to be sure that we transport reliable, affordable, safe and sustainable energy. We keep on doing so

Make the energy transition possible
We will collaborate with our stakeholders as an independent partner to facilitate the energy transition. We choose to exercise restraint in entering the commercial / non-regulated market

Strategy update 2017

Better grid management

To facilitate energy supply now and in the future, Stedin Groep has a full focus on grid management and is determined to perform this public function to an exemplary standard

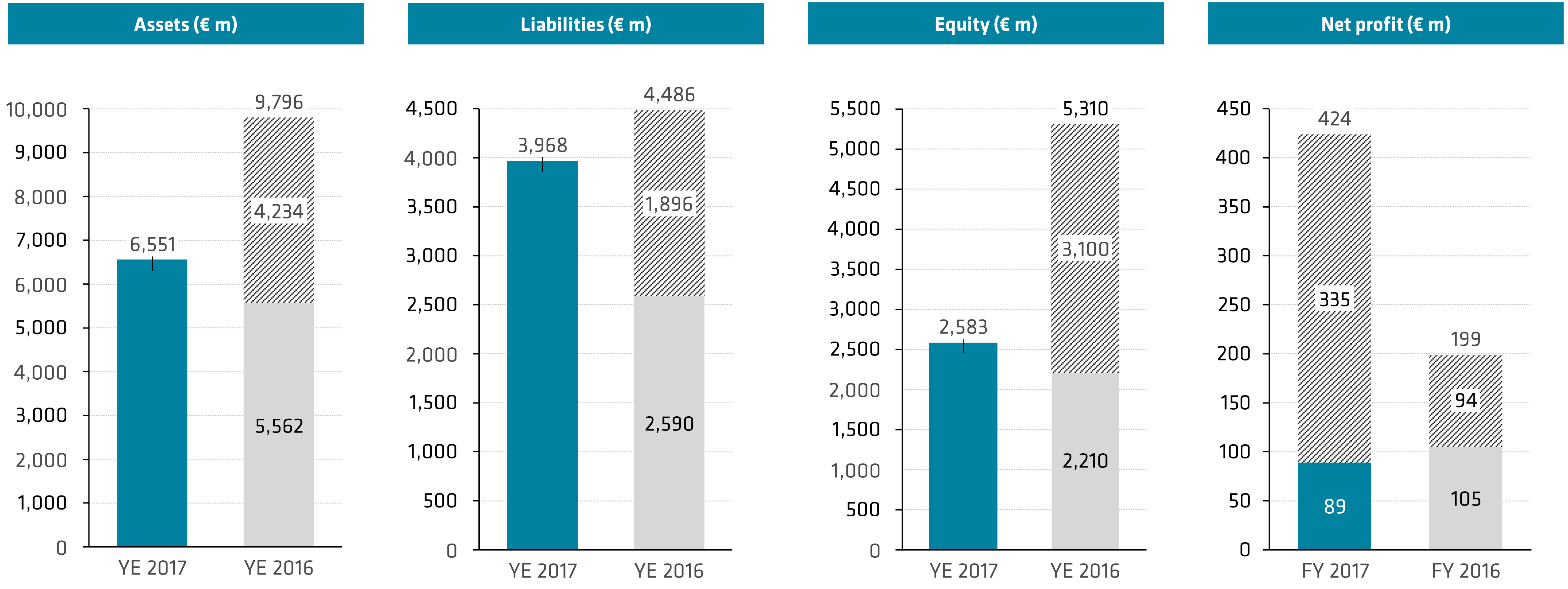
Facilitating the energy transition

Stedin Groep seeks to facilitate the energy transition by aligning energy supply with changes in supply and demand, now and in the future. To that end, we are deploying our knowledge and expertise in three areas: the heat transition, adjustments to the electricity grid and cooperation with local authorities, market parties and customers

Sustainable business operations

Stedin Groep aims to facilitate the energy transition for its customers while also making its own operations more sustainable. This is premised on One Planet Thinking, with consideration for the environment, an inclusive employee policy and sustainable procurement

Key financial highlights - FY 2017
Solid results

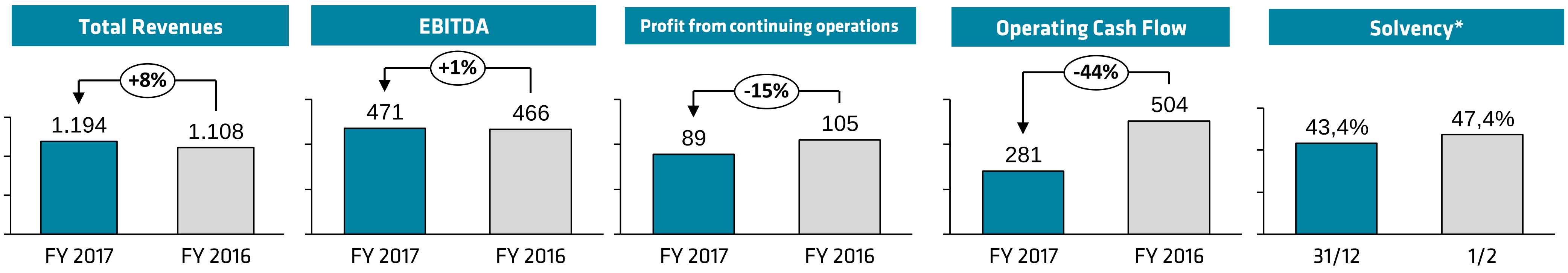


Continuing operations 2017 (Stedin Groep, including DNWG)
Continuing operations 2016 (Stedin Groep)
Discontinued operations (Eneco, CityTec & Weert)

Key financial highlights - FY 2017

Solid results

- **Total Revenues** increased by € 86m to € 1.194m (+7.8%), mainly as a result of the DNWG acquisition, but with a € -13m negative effect due to lower tariffs.
- **Total Operating expenses** increased from € 896m to € 996m (+ 11.5%) caused by unbundling expenses, higher levels of staffing in line with increased activity level and higher sufferance tax. Acquisition of DNWG and sale of businesses account for € 53 m.
- **EBITDA** increased by € 5m (+1%) to € 471m, in which the DNWG acquisition accounts for a € 25m increase, offset by an increase in operating costs
- **Profit from continuing operations** decreased (- € 16m, - 15.2%) due increased depreciation expenses (+ € 19m) and an increase of financial income and expenses by € 4m
- **CapEx** increased from € 408m to € 490m (+20%), the majority relates to expansion of the distribution network driven by customer requests and smart meters. Acquisition of DNWG accounts for an increase of € 30m.
- **Cash flow from operations** are € 281m, which is € 223m (-44%) down from 2016 mainly as a result of unbundling.
- **Solvency*** equals 43.4%, down from 47,4% at the moment of unbundling. Variance is caused by acquisition of DNWG.

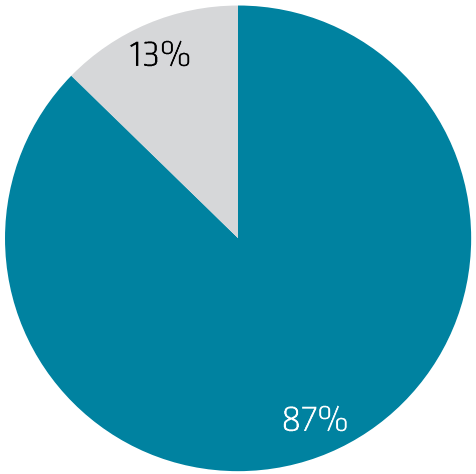


*Note: calculation of solvency has changed to reflect the underlying business: the ratio now accounts for € 554m of non-interest bearing debt of customer contributions and our net debt position.

Key financial highlights - FY 2017
Performance mainly driven by regulated business

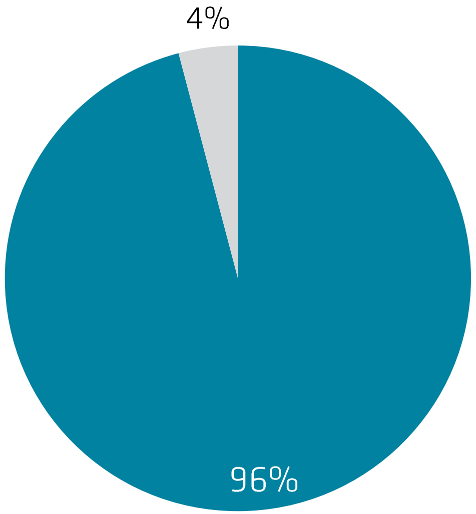
Total Revenues

Total revenues: € 1.194m



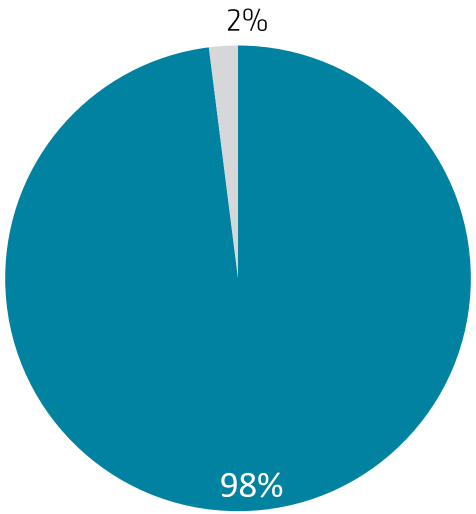
EBITDA

Total EBITDA: € 471m



CAPEX

Total CAPEX: € 490m

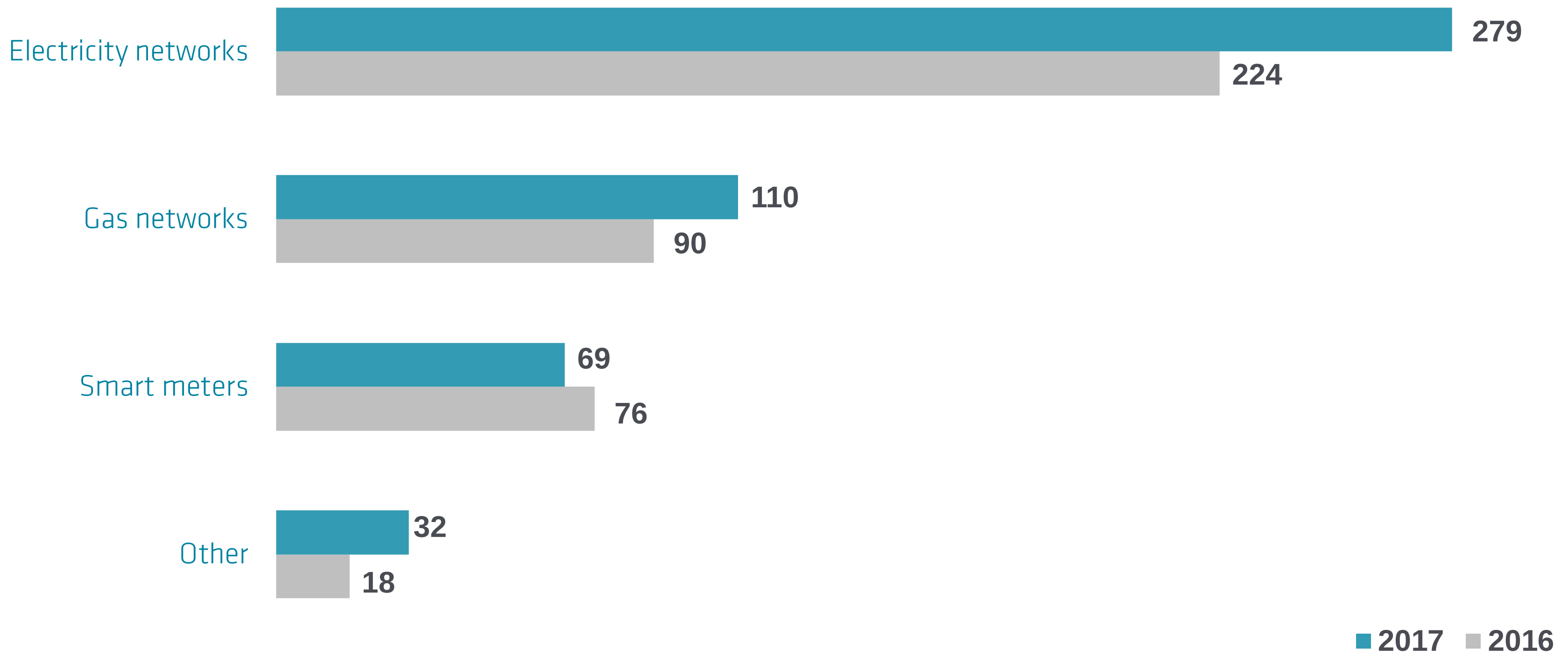


Regulated (Stedin Netbeheer & Enduris)
Non-regulated

Key financial highlights - FY 2017

Capital expenditure increased from € 408m in 2016 to € 490m in 2017

Gross investments in tangible fixed assets
in million €, excluding customer contributions

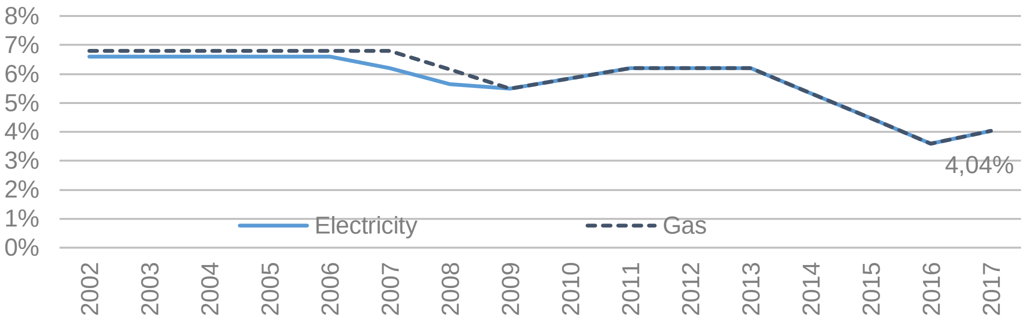


Regulated WACC

WACC Component

	2016	2021
Nominal risk free rate	2.50%	1.33%
Credit spread	0.93%	0.81%
Spread transaction costs	0.15%	0.15%
Cost of debt	**3.58%**	**2.29%**
Market Risk Premium	5.05%	5.05%
Asset Beta	0.42	0.42
Equity Beta	0.74	0.74
Cost of equity	**5.02%**	**5.02%**
Debt / Equity	50%	50%
Tax rate	25%	25%
Nominal pre-tax WACC	**5.13%**	**4.49%**
Inflation	0.77%	1.42%
Real pre-tax WACC[1]	**4.30%**	**3.00%**

WACC Development[1]



- For the period 2017-2021 the (pre tax, real) WACC starts at 4.04% and decreases to 3.00% in 2021. The decline is due to the decreased cost of debt
- The sector has launched an appeal against the WACC-decision with the ACM. The asset beta and equity beta are considered too low
- The WACC provides the DSOs a return on their RAB. Historic RAB increases with CPI

1. *The actual WACC in 2016 was 3.6%. For the period 2017-2021, the regulator uses 2016 as theoretical starting point for the WACC (4.3%). This 4.3% gradually decreases to 3.0% in 2021 resulting in a WACC of 4.04% in 2017.*

Financial policies

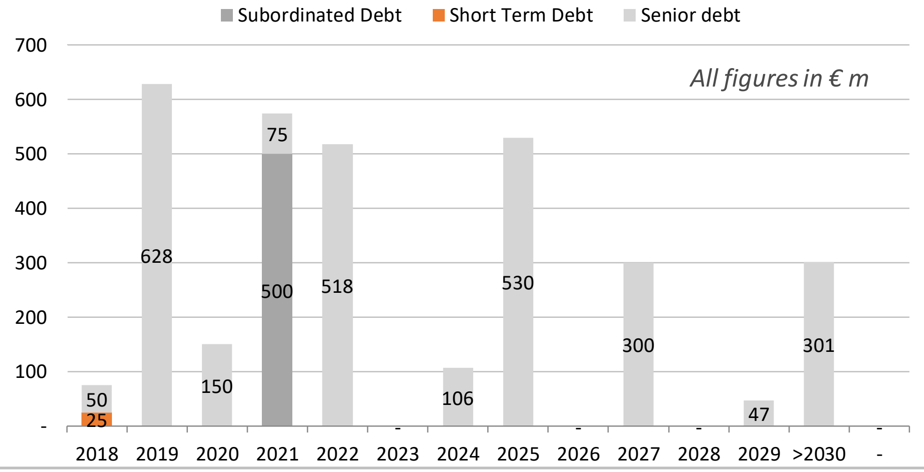
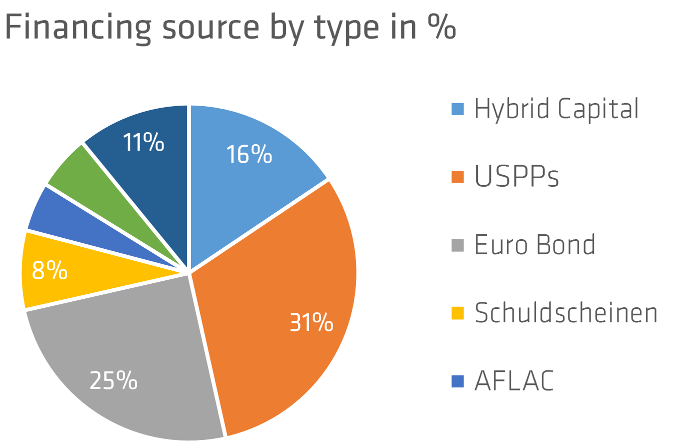
Stedin Groep retains a prudent financial policy, with a strong commitment to retain an 'A' credit rating

Commitment to retain A category rating	▪ Fully committed to retaining an 'A' category credit rating ▪ Focus on improvement in credit metrics
Regulatory benchmark	▪ Financing strategy is focused on matching at least the ACM benchmark for applicable WACC/WACD for each year
Dividend policy	▪ Consistent with a payout ratio of 50% of net profit (payable in the subsequent year)
Focus on improvement of Cash flow from operating activities	▪ Strong emphasis on performance improvement ▪ Focus on cost efficiency of operations and execution ▪ Maintenance of existing solid working capital levels targeting a further reduction of inventories and receivables
Prudent Capex[1] program	▪ Constant re-evaluation of regulatory capex programs in light of current energy transition ▪ Strong focus on "smart" investments and execution efficiency demonstrated by roll-out strategy of smart meters and good cooperation with third parties
Risk management	▪ Risk management policy implemented based on COSO Enterprise Risk Management Framework ▪ Diversification of project risk through strategic partnerships, such as joint regulatory programs EDSN and joint telco platform Utility Connect (CDMA technology-based) ▪ Adequate hedging of FX risk and effective interest rate management
Financial flexibility	▪ Although not needed in light of the sound financial profile and regulated cash flows of Stedin Groep, the company will still have ample strategic options available to further support its financial ratios should that be required, including: capex scaling, further partnering, disposal of dispersed network assets, potential capital enhancement solutions such as hybrids

Prudent Financial Policy

1. Investments in Property, plant and equipment

Debt and Liquidity

Maturity Profile	 
Funding in 2017	▪ Closed 5 year RCF with 2 extension options for 1 year. Syndicate consists of 6 banks (ABN AMRO, Bank of Tokyo-Mitsubishi, BNP Paribas, ING Bank, Rabobank, NatWest) ▪ Successful dual-tranche Eurobond offering: 5-year € 300m floater with a 3mEuribor + 27bps Coupon 8-year € 500m fixed with a 0.875% Coupon
Liquidity	▪ Stedin Groep maintains adequate liquidity levels with access to: ▪ A Backstop Facility (RCF) of € 600m ▪ A € 750m ECP program to fund short-term liquidity requirements
Backstop Facilities	▪ Revolving Credit Facility (€ 600m) with a 5 year term was closed in July 2017 which serves as a liquidity backstop. Stedin can extend the facility twice with 1 year after the first and second anniversary of the facility

Stedin Groep Credit profile: 'A-' with Stable Outlook

S&P Global Ratings

Corporate Credit Rating: A- Stable Outlook by S&P

29 September 2017

Business Risk Profile: Excellent

- Monopoly owner and operator of the Netherlands' third-largest regional electricity and gas distribution network.
- Predictable cash flow and earnings supported by transparent regulatory framework and low-risk business.
- Stable and predictable earnings from low-risk regulated network activities accounting for 95% of EBITDA.

Financial Risk Profile: Significant

- Regulatory reset risk every five years. Low allowed return on capital and high efficiency targets set by the regulator weigh on revenues.
- Relatively small scale operations and higher financial risk compared to Dutch peers.

Liquidity: Adequate

- S&P anticipates that the company's liquidity sources will exceed uses by more than 1.1x over the next 12 months.

Outlook: Stable

- The stable outlook on Stedin Holding and Stedin Netbeheer reflects S&P's view of the group's excellent business risk profile and its expectation that Stedin Holding will maintain credit metrics in line with the rating, namely FFO to debt consistently above 11%.

Extracts from S&P's Rating Summary, dated 29 September 2017

"We view the Dutch regulatory framework for distribution networks as strong based on the good visibility of cash flows over the increased five-year regulatory period from the previous three years."

"The acquisition of ZNH in June this year is expected to increase the scale of operations by about 10%, offering the company a wider service area. We also foresee potential gains that could emerge as both networks are operating in neighboring areas with the same regulator overseeing the network performance."

"In our base case, we assume that Stedin will maintain a significant financial risk which is higher than its Dutch peers, reflected in FFO to debt of 11.5%-13.0% over the two-year outlook horizon."

"We assess Stedin Holding's liquidity position as adequate, reflecting our expectation that the company's liquidity sources will exceed uses by 1.1x over the next 12 months. We also assume that sources would cover uses even if forecast EBITDA dropped by 10%."

"Stedin's senior unsecured debt is rated 'A-', the same as the corporate credit rating as there are no significant elements of subordination risk present in the capital structure."

Q&A

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