STEDIN GROUP
INVESTOR UPDATE 2018

April 18, 2019

INTRODUCTION
STEDIN TEAM

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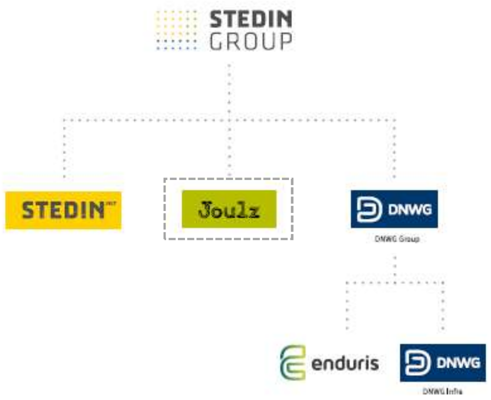
HIGHLIGHTS
2018

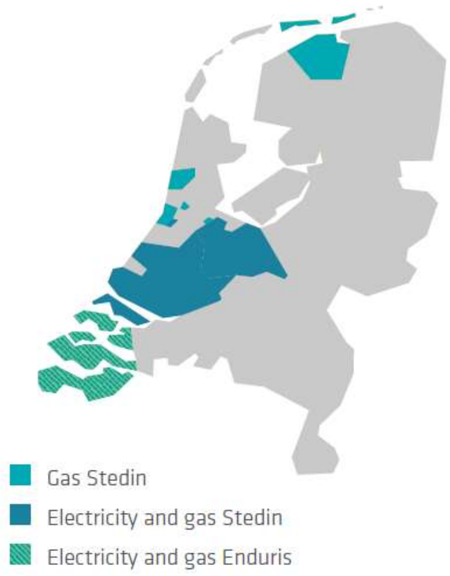
1. Group overview
2. Development Stedin Group
3. Stedin Group's strategy
4. Strategic priorities
5. Financial results
6. Debt & liquidity
7. Maintained A- credit rating by S&P

GROUP
OVERVIEW

Business Overview	Organisation Chart	Grid Area

- Stedin Group was formally established on February 1, 2017, following the unbundling of Eneco Group
- Stedin Group 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 2018 : 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 44 local municipalities
- Joulz and DNWG-Infra operate non-regulated infrastructure activities
- S&P rating: A- (stable outlook) – reconfirmed at October 23, 2018
- Stedin Group and 3i Infrastructure have signed a provisional sales agreement regarding the acquisition of Joulz. The intention is that 3i Infrastructure will acquire ownership of Joulz in the second quarter of 2019.





KEY FIGURES
STEDIN GROUP

■ 2018 ■ 2017

Financial results

Total net revenue and other income
in millions of euros

€ 1,286
€ 1,194

Balance sheet total
in millions of euros

€ 6,991
€ 6,551

Facilitating the energy transition

Number of connections
Charging stations / electric driving

1,215 1,110

Number of Fast chargers

44 31

Improved grid management

Investments in property, plant, equipment
In millions of euros

€ 602
€ 490

Average downtime

Electricity (in minutes)

17.01 16.44

Natural gas (in seconds)

69 40

Sustainable business operations

Employee satisfaction
On a scale from 1 to 10

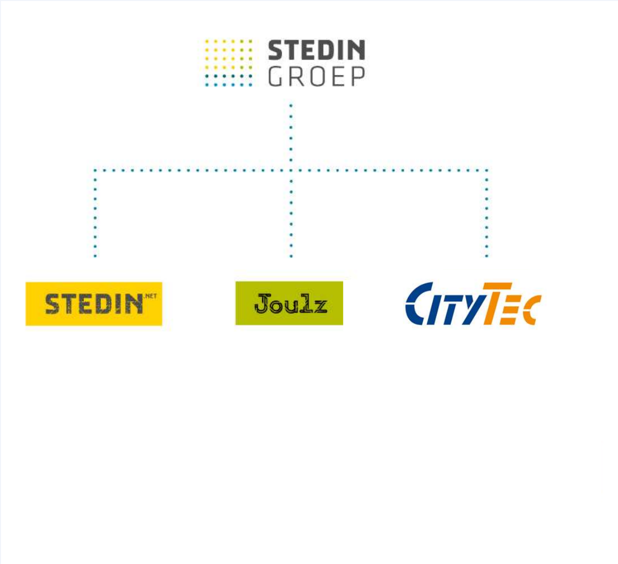
Engagement	Commitment
7.5	**7.7**
7.4	7.6

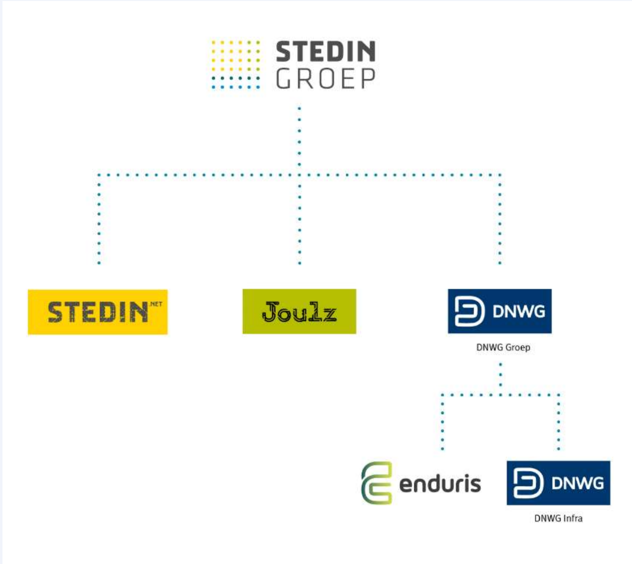
CO_2-emmissions
Generated by internal business operations in tonnes

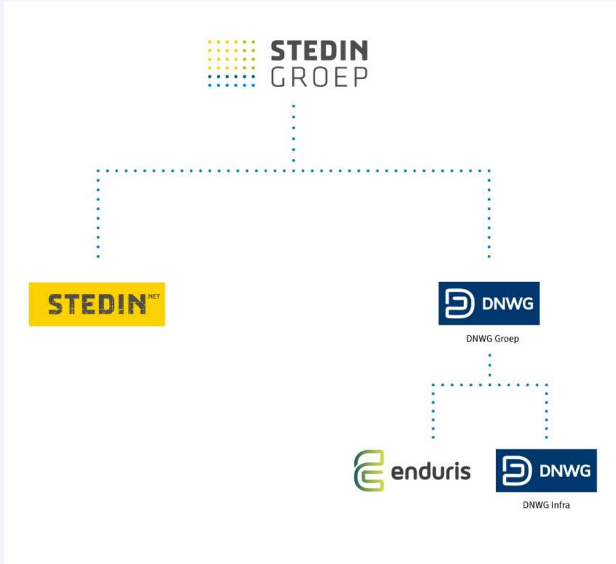
15,352
15,648

DEVELOPMENT STEDIN GROUP
FOCUS ON REGULATED CORETASKS BECOME MORE VISABLE

Unbundling - February 2017	Aquisition of DNWG - 30 Juni 2017	Stedin Group as per Q2 2019







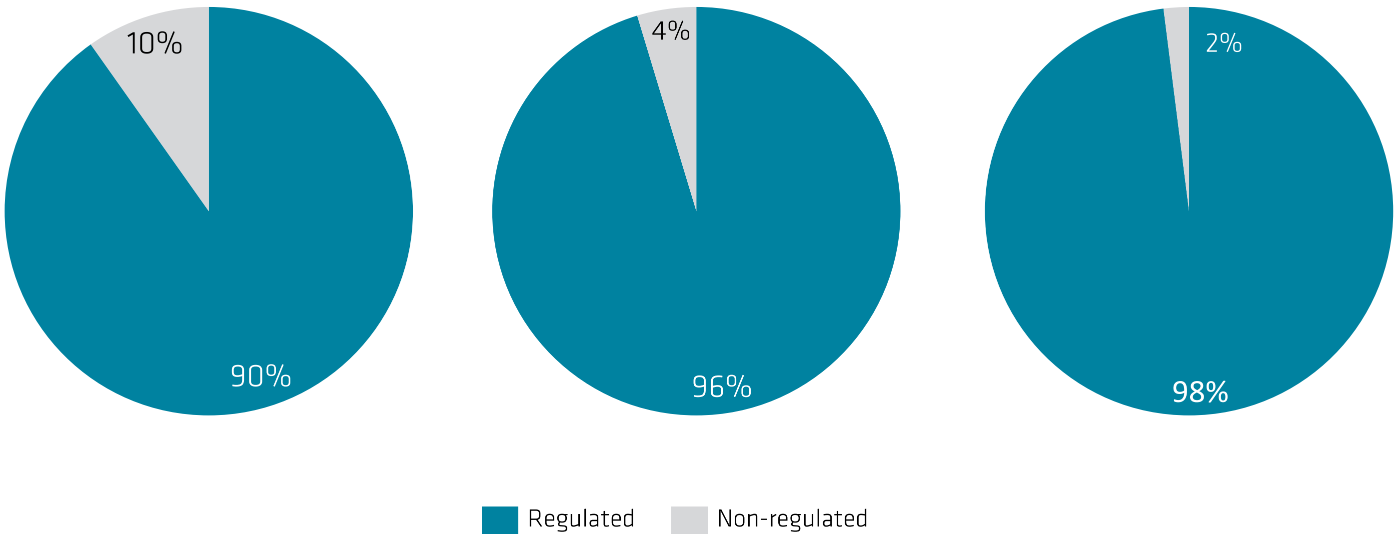
REGULATED VERSUS NON-REGULATED

PERFORMANCE MAINLY DRIVEN BY REGULATED BUSINESS

Revenue
€ 1.3 billion
(2017: € 1.2 billion)

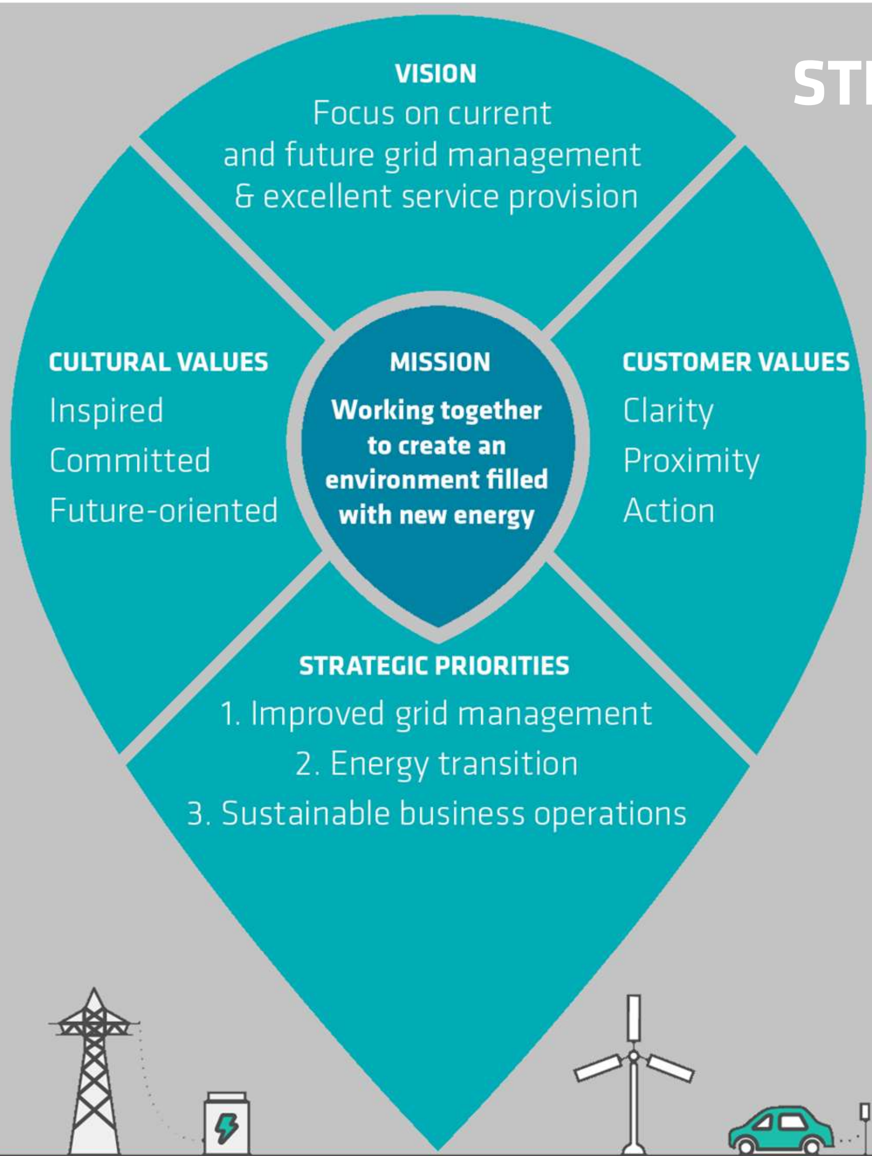
Operating profit
€ 212 million
(2017: € 198 million)

Investments
€ 607 million
(2017: € 494 million)



"We are focusing on the grids of the future in order to make the energy transition and the switch to the new environment possible"

STEDIN GROUP'S STRATEGY



Our three strategic priorities

We are working vigorously on improved grid management by continually improving our performance on our core tasks.

- Reliable grids
- Affordable and efficient services
- High-quality products and services

We intend to facilitate the energy transition through innovation and by collaborating closely with partners.

- Future-proof grids
- Making grid information available
- Accelerating through cooperation

As ambassadors for the energy transition, we are aiming for sustainable business operations:

- Safe working conditions
- Professionally competent employees now and in the future
- Positive environmental impact (One Planet)
- Financial health

STEDIN GROUP'S
STRATEGY

From key challenges...

The energy transition is going to present Stedin Group with an increase in our workload.

We face significant challenges to improve the quality of our services.

In addition, we have to contend with ageing and with increasing scarcity in the labour market, especially for technical staff

We need to operate more efficiently if we are to retain our financial health and our ability to fund the investments required by the energy transition in the long term.

To key choices

Is the activity part of our statutory duties?

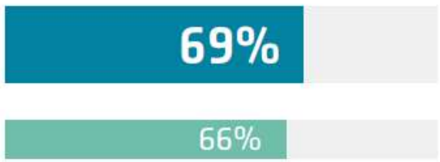
Does the activity help to increase the quality of grid management and to reduce its costs? And does that contribution outweigh the extent to which the market is disrupted?

Is there a gap in the market, while the activity is important for the energy transition and we are uniquely positioned for this activity?

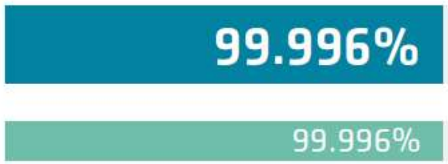
IMPROVED GRID MANAGEMENT
RELIABILITY REMAINS HIGH

Customer satisfaction

Customers who give an 8 or higher



Supply reliability



2018 2017

STEDIN GROEP

FACILITATING THE ENERGY TRANSITION
TRANSITION BECOMES VISIBLE

Number of new-build homes natural gas free

56%

36%

Growth capacity of solar panels

Households and businesses change from 2017

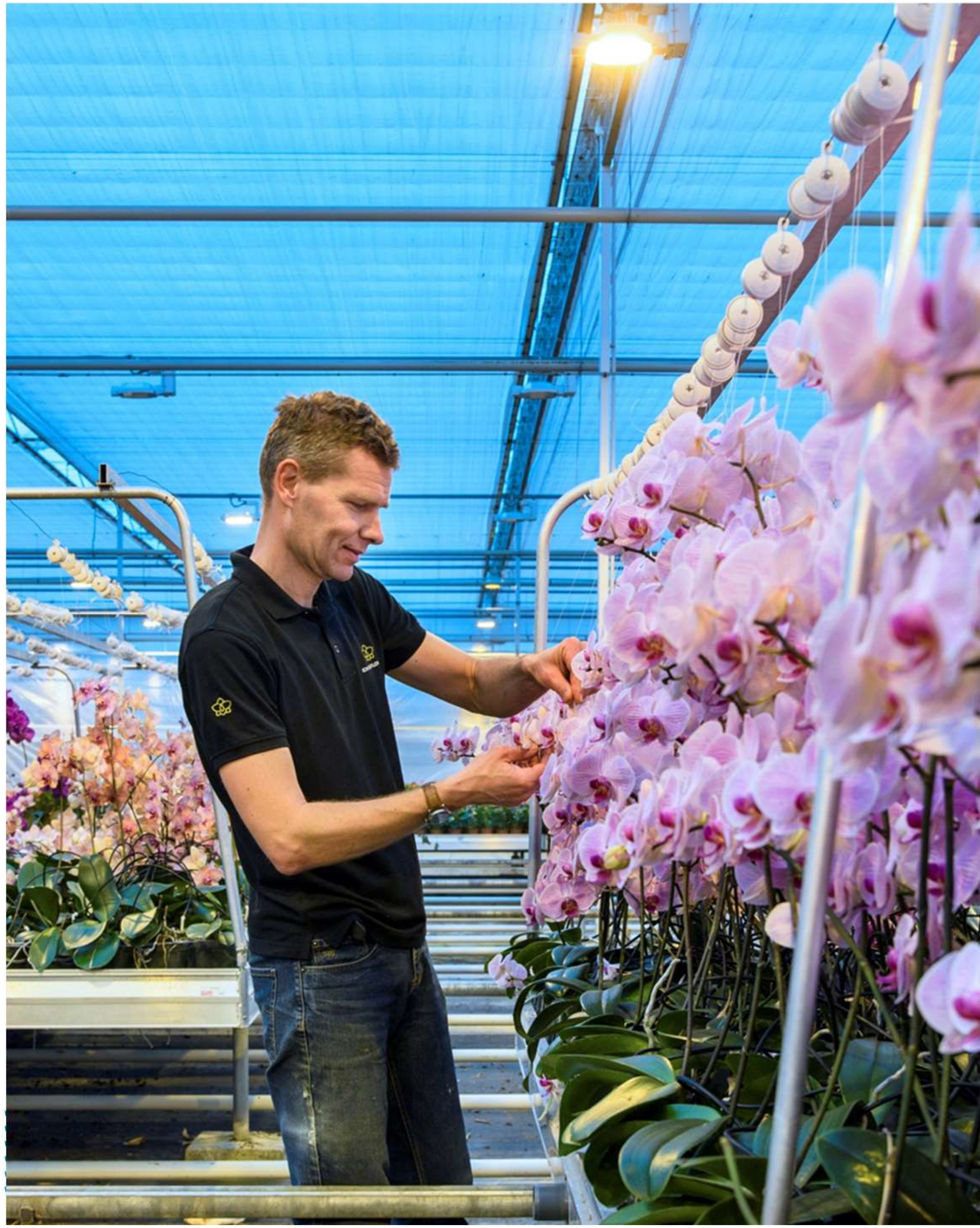
49%

Provinces of Utrecht and Zuid-Holland 49% growth

133%

Province of Zeeland 133% growth

2018 2017



SUSTAINABLE BUSINESS OPERATIONS
INCREASED SAFETY

Safety LTIR
Number of lost-time injuries with absenteeism per million hours worked

3.00
4.88

Safety RIF
Number of recordable incidents per 200,000 hours worked

1.00
1.29

2018 2017

KEY FINANCIAL HIGHLIGHTS - FY 2018

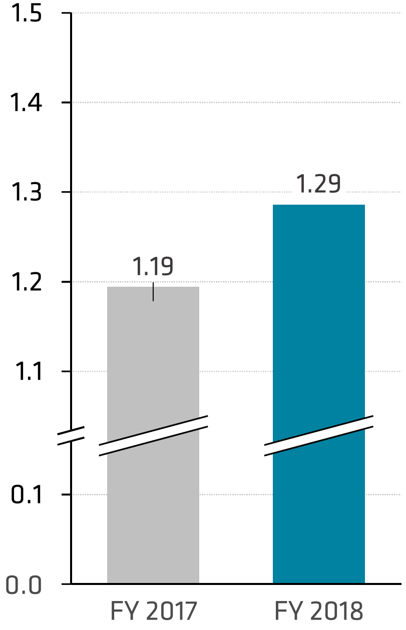
RESULTS IN LINE WITH EXPECTATIONS INCREASING INVESTMENTS IN ENERGY TRANSITION

- Investments strongly increased from € 494 million in 2017 to € 607 million in 2018
- Solid financial result due to continued focus on cost reduction and the contribution of a full year DNWG after acquisition in July 2017
  - Net revenue and other income increased to € 1.3 billion (2017: € 1.2 billion)
  - Operating profit increased to € 212 million (2017: € 198 million)
  - Result after income tax increased to € 118 million (2017: € 88 million)
  - Efficiency and synergy measures resulted in € 40 million of savings in 2018
  - Revenue in the metering domain decreased by € 20 million due to rate decreases (Stedin applied the rate decreases to compensate for the surplus profitability achieved in prior years)
  - The acquisition of DNWG contributed for a full year
- Stable financial ratio's and solid financial position
  - FFO / Net Debt 12,2% and solvency 43,3%
  - S&P reconfirmed the A- credit rating as of 23 October 2018
  - € 500 million Eurobond issued in October 2018

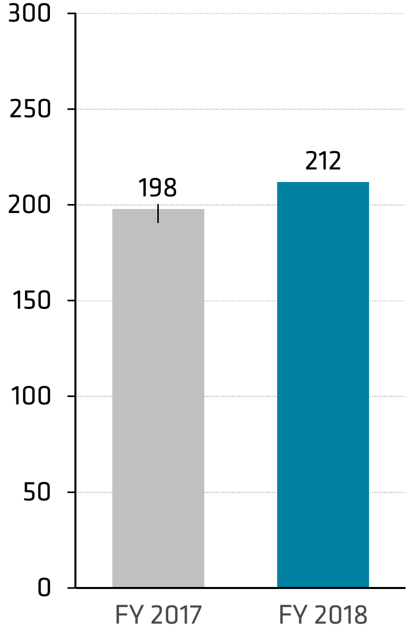
KEY FINANCIAL HIGHLIGHTS - FY 2018

SOLID RESULTS AND INCREASING INVESTMENTS IN ENERGY TRANSITION

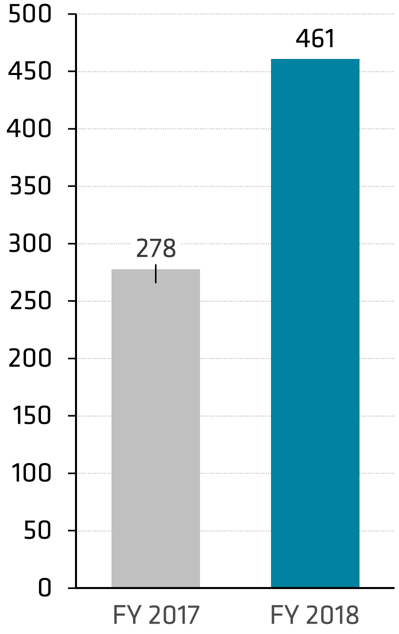
Net revenue and other income (€ bn)



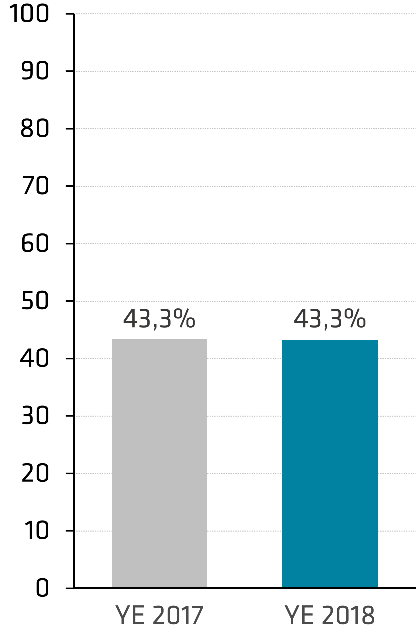
Operating profit (€ m)



Operating Cash flow (€ m)

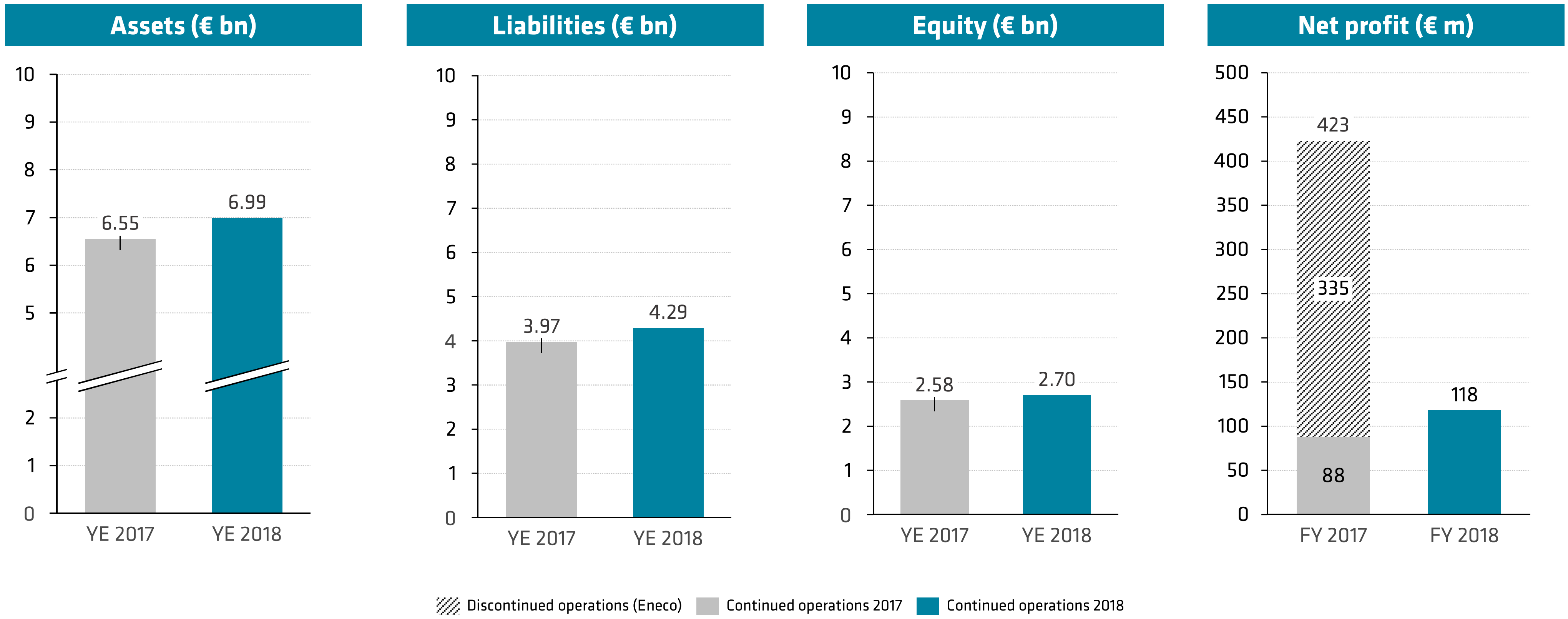


Solvency (%)



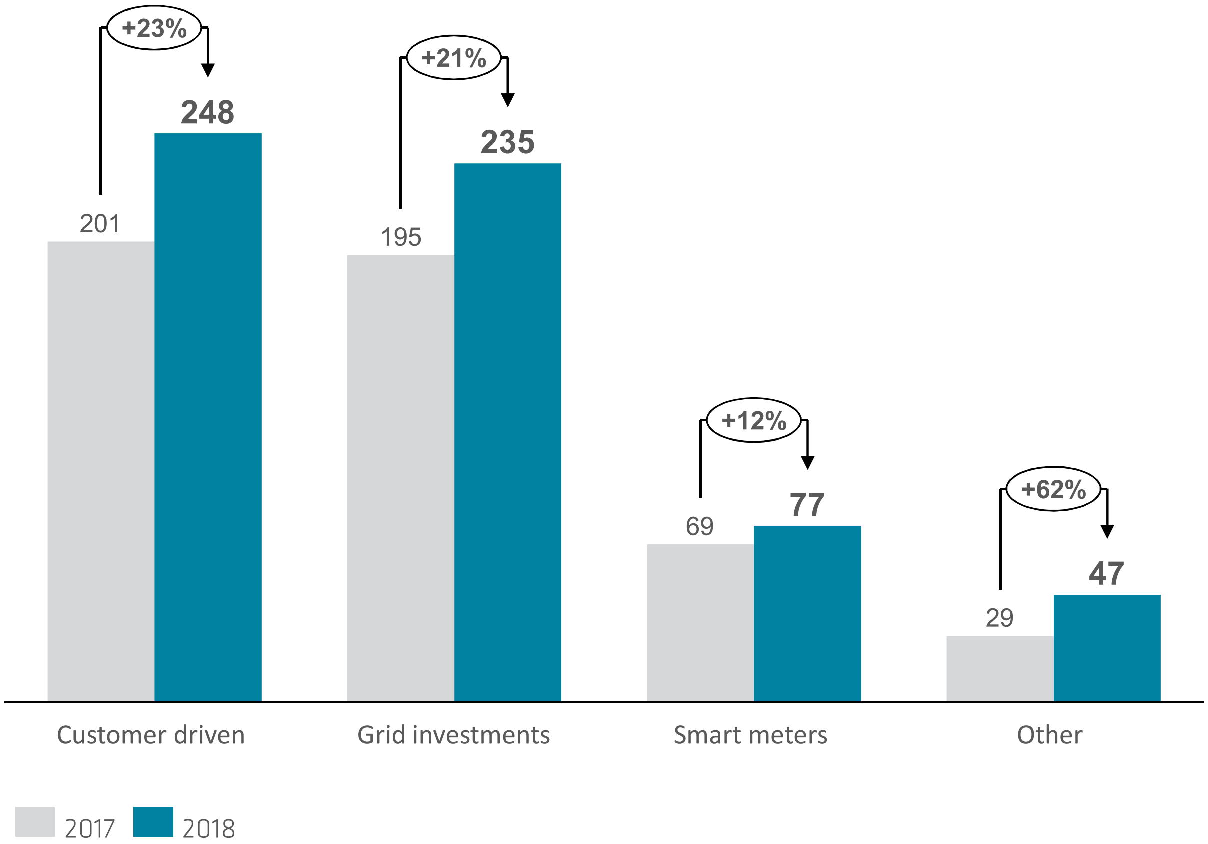
KEY FINANCIAL HIGHLIGHTS - FY 2018

SOLID RESULTS AND INCREASING INVESTMENTS IN ENERGY TRANSITION



KEY FINANCIAL HIGHLIGHTS - FY 2018

INVESTMENTS IN MAKING OUR ENERGY TRANSITION POSSIBLE



Investments strongly increased from € 494 million in 2017 to € 607 million in 2018

Main developments:

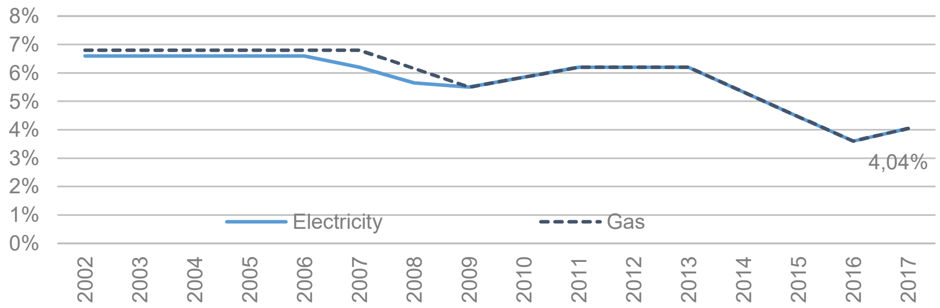
- Full year contribution DNWG
- Customer driven grid connections
  - +15% increase customer grid connections as result of economic growth and the energy transition
  - Delay in realisation Solar PV plants
  - Expired obligation gas connections as per July 2018
- Strong improvement grid performance among other due to replaced gas pipelines in order to increase safety environment
- Increased smart meter investment in line with plan
- Other investments relate to among other investments in facilities, IT and telecom

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 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 3.78% in 2018.*

FINANCIAL POLICIES

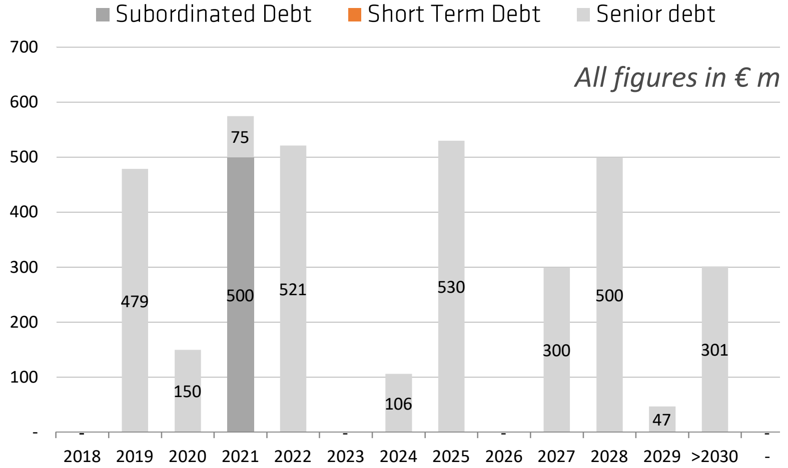
Commitment to retain A category rating	▪ Fully committed to retaining an 'A' category credit rating ▪ Focus on improvement in credit metrics
Regulatory benchmark	▪ Financing strategy is focused on matching at least the ACM benchmark for applicable WACC/WACD for each year
Dividend policy	▪ Consistent 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 Group, 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

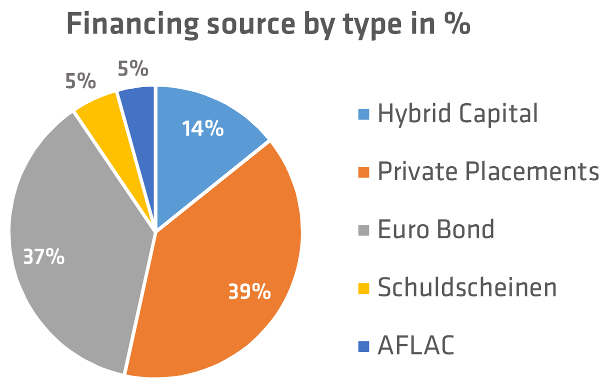
Prudent Financial Policy

1. Investments in Property, plant and equipment

DEBT AND LIQUITITY

Maturity Profile
As per 31.12.2018





Recent Funding

- 2018 Eurobond offering: - 10-year € 500m fixed with a 1.375% Coupon
- 2017 dual-tranche Eurobond offering: - 5-year € 300m floater with a 3mEuribor + 27bps Coupon
  - 8-year € 500m fixed with a 0.875% Coupon

Liquidity

- Stedin Group 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 GROUP CREDIT PROFILE
‘A-’ WITH STABLE OUTLOOK

Corporate Credit Rating: A- Stable Outlook by S&P
23 October 2018

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%.

S&P Global
Ratings

CREDIT HIGHLIGHTS

Overview	
Key Strengths	**Key Risks**
Third largest electricity and gas distributor in the Netherlands, with a monopoly in South Holland, Utrecht, Zeeland, and parts of North Holland and Friesland.	Likely pressure on revenues from lower regulatory returns in 2017-2021.
A relevant role in Netherlands' commitment to transition to sustainable energy.	Negative free operating cash flows (FOCF) over the next two years, owing to capital expenditure (capex) for the Netherlands' energy transition.
Stable and predictable EBITDA and cash flow from regulated activities.	Higher financial risk than Dutch peers', due to higher leverage and weaker credit metrics.
Competitive position supported by the transparent and highly stable regulatory framework.	

Stedin continues to prioritize regulated business as part of its strategy.

Stedin sold its Joulz Energy Solutions commercial activities in September 2018 and we expect other nonregulated divestments in 2019. The rationale behind these divestments is that the assets are no longer in line with the group's strategy, which prioritizes regulated over non-regulated business.

The Netherlands' energy goals provide expansion opportunities.

We believe Stedin will play an important role in helping the Dutch government achieve its target of 16% renewable energy sources by 2023 and that the company will emerge with a larger regulatory asset base (RAB) to support its competitive position, as a result.

The scheduled decrease in regulatory WACC will be manageable.

In our view, operating efficiencies and a larger RAB resulting from continued grid deployment will help Stedin cope with lower regulatory returns stemming from the declining weighted average cost of capital (WACC) in the current regulatory period.

S&P Global Ratings

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