# Resiliently **forward**

## Extract annual report 2021

STEDIN GROEP

# Content

## Extract Annual Report 2021



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## General information

# Extract Annual Report 2021

**Explanatory note**

This document is an extract from our Dutch Annual Report 2021, published on 17 February 2022. The purpose of this extract is to provide a translation of the main financial paragraphs for information purposes. The full English translation is expected to be published on 17 March 2022, and will be posted on our website: www.stedingroup.com.

The executive board of Stedin Group. From left to right: David Peters, Koen Bogers, Danny Benima, Trudy Onland

# CEO's foreword

‘Why is this taking so long?’, a resident complained to one of our mechanics who was replacing the old jute wiring in the resident's doorway. A time-consuming job. The mechanic, who worked in accordance with our fixed protocol, scratched his head. Yes, perhaps this could in fact be done faster. In his free time, he devised a new method, and this worked in practice. His method was five times faster. And it also proved to be more reliable.

This is just one example from our day-to-day working practice of how our people make a difference and how we go resiliently forward – the theme of this annual report and essential to the steps we are currently taking. I took office as CEO in June 2021. What I found was a proud company with vast stores of professional expertise. A company that rightly works in accordance with fixed protocols. Improvising is usually not desirable, due to safety concerns. We will therefore never compromise on safety: the level of safety and reliability at Stedin is very high. That does not come about by itself, and we maintain a continual focus on this.

At the same time, the energy transition also calls for flexibility, daring choices and stepping away from the beaten track. Our task is to find an appropriate balance, within the possibilities provided by the law, between ensuring the grid's reliability and advancing its development. Only then will we progress and be able to meet customer demand. In recent years, we have invested substantially in smart grid management. We have taken the initial steps and now want to accelerate to enable us to reap the benefits sooner, with a grid that is able to cope with the growing demand.

Resiliently forward certainly also applies to the key theme in 2021: the energy transition. Despite the COVID-19 crisis, the energy transition clearly remained in the spotlight. This year, congestion occurred for the first time in our Stedin grid. This is an issue to which we are devoting a great deal of attention, and we are doing all we can to limit that congestion. The developments concerning financing were positive, and we took major strides in this area. We are grateful for the trust in us shown by our shareholders. In the years ahead, together with them, we want to look at how we can face the financial challenges of the energy transition.

After all, whichever way you look at it, more resources will be required to achieve the climate goals. If we do not have enough money, and if more room and flexibility are not provided under laws and regulations, we will simply not be able to keep pace with the energy transition. As far as we are concerned, that is an undesirable situation. In addition to financial and other resources, we will also need enough good professionals and available materials. We need help from others in order to achieve all this. Resiliently forward together is therefore the key motto. Together with public authorities, market parties and customers. Only together can we ensure that there is sufficient financing, that permit and other processes advance smoothly and that we provide the best possible services to our customers.

In addition to the energy transition, another major transition is underway within Stedin: the integration of DNWG on 1 January 2022. From that day, the province of Zeeland was coloured in yellow, Enduris became Stedin and we became a single large Stedin Group. Preparations for this have gone well so far, we can take pride in that. I hope we will continue to learn from one another. We cordially welcome our Zeeland colleagues!

Huge steps have already been taken this year to go resiliently forward; I therefore look ahead to 2022 with great confidence and energy.

On behalf of the Board of Management,

Koen Bogers

# Key figures and ratios for 2021

## Improved grid management

| | 2021 | 2020 |
|---|---|---|
| **Average downtime** | | |
| Electricity (in minutes) | **19** | 26 |
| Gas (in seconds) | **29** | 26 |
| **Customer effort score** | **75%** | 74% |
| **Supply reliability (in %)** | **99.9964** | 99.9951 |
| **Growth in downgrading and reinforcing connections for low-use consumers** | **23%** | * |

## Sustainable business operations

| | 2021 | 2020 |
|---|---|---|
| **Employee satisfaction** | | |
| Engagement | **7.6** | 8.0 |
| Commitment | **7.8** | 8.1 |
| **Safety LTIR** (Number of lost-time injuries with absenteeism per million hours worked) | **0.54** | 0.40 |
| **Safety RIF** (Number of recordable incidents per 200,000 hours worked) | **0.76** | 0.70 |
| **Reduction $CO_2$ emissions business operations** (Excluding network losses gas) | **-45%** | -28% |
| **Number of Participation Act-Employees** | **94** | * |

## Facilitating the energy transition

| | 2021 | 2020 |
|---|---|---|
| **Investments (in millions)** | **€ 687** | € 620 |
| **Electric driving** (Growth in number of low-use connections including Enduris) | **2,791** | 2,012 |
| **Sustainable generation of solar power (in MW)** (Solar power connected in the year) | **600** | * |
| **Sustainable generation of wind power (in MW)** (Wind power connected in the year) | **69** | * |

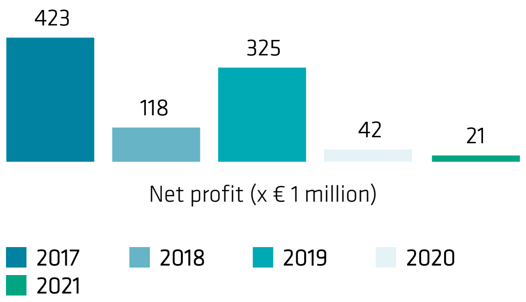
## Financial Results

| | 2021 | 2020 |
|---|---|---|
| **Net revenue and other income (in millions)** | **€ 1,279** | € 1,229 |
| **Solvency** | **45.6%** | 43.0% |
| **Balance sheet total (in millions)** | **€ 8,182** | € 7,572 |
| **FFO/Net debt ratio** | **11.3%** | 12.0% |

* New in 2021

# Financial results 2021

**Stedin Group achieved a net profit of €21 million in 2021 (€42 million in 2020). The net result was in line with our expectations. We were able to offset the significant impact of the rising energy prices on our costs for network losses.**

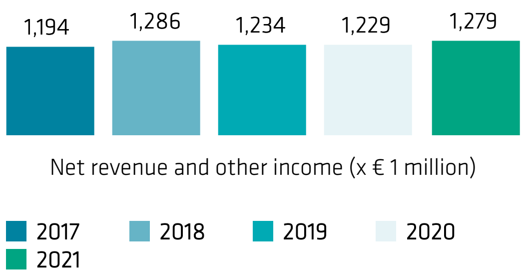



The 2017 net result included €355 million that were directly connected with the unbundling of Eneco Group. The 2019 net result included €251 million related to the sale of Joulz Diensten.

The Covid-19 crisis has had limited negative financial consequences for Stedin Group. For instance, we noted lower sales volumes at our customers, which adversely affected our net revenue and other income. We also had to contend with more frequent absence due to illness, of our employees and our subcontractors, which led to some delays in operations.

## Net revenue and other income

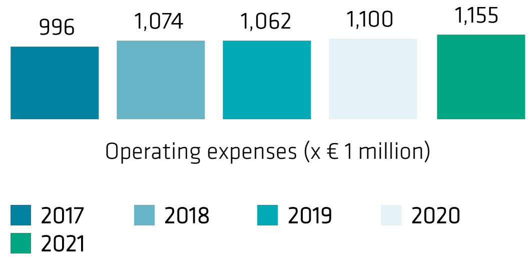
Net revenue and other income in 2021 was €1,279 million This is €50 million more than in 2020, mainly due to a €67 million increase in transmission revenue driven by higher rates, partly offset by a €22 million decrease in metering domain revenue.




In the metering domain, the rates are set by following the decision on rates (*tariefbesluit*) of the Netherlands Authority for Consumers and Markets (ACM). In addition, the rates include a reduction to compensate for the excess returns achieved in previous years.

## Total operating expenses

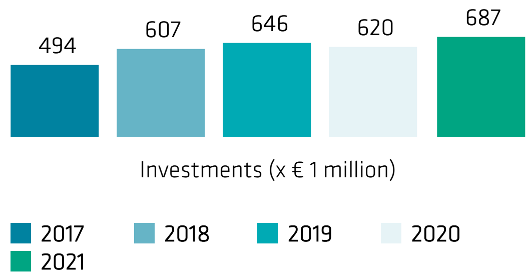
Total operating expenses increased by €55 million (5%) in 2021 to €1,155 million. This was mainly attributable to higher personnel expenses, which were offset by higher allocation of personnel expenses to the capitalised investments; increased transmission costs and costs for network losses and higher depreciation and amortisation due to the higher level of investment and revaluation of assets. These increases were offset by lower Other expenses, amongst others by a release of a provision and refund of municipal charges.




The costs for network losses rose substantially in 2021, by €44 million compared to 2020. The lower gas production in the Netherlands led to higher imports and hence to greater dependency on the gas market. In combination with the lower gas inventories within Europe, the strong dependency on electricity prices and the short-term purchasing, in part, of gas and electricity by Stedin, this resulted in higher costs for network losses.

## Investments

Investments in property, plant and equipment and intangible assets in 2021 amounted to €687 million, an increase of 11% compared to 2020 (2020: €620 million).




In 2020, investments were less than planned, as the volume of work carried out at customers was reduced by the coronavirus COVID-19 crisis, which continued to have an impact on our activities in 2021, and we had to contend with more frequent absence due to illness of our employees and subcontractors. Stedin nonetheless invested more than in 2020.

Investments in regulated networks increased from €613 million in 2020 to €668 million in 2021. In 2021, the grid-driven investments in particular increased substantially compared to 2020, with a slight decrease in customer and meter-driven investments.

**Efficiency**
In 2018, a five-year efficiency programme was launched with the aim of continually reducing our expenditure. The initial target was to achieve a reduction of €150 million by 2022. In 2020, we raised the target to €180 million, to be achieved by 2025. At year-end 2021, we had achieved savings of €143 million. We are therefore well on track to achieve the total level of savings of €180 million by the end of 2025. We are not only looking to achieve savings on operating expenses, but we also critically review whether investments are really necessary.

**Financing, solvency and credit rating**
The increased investments led to a negative cash flow of €191 million this year after operating and investing activities, which was further increased by the dividend payment. This led to growing financing requirements. In combination with Stedin's financing activities as disclosed below led to a positive change in cash and cash equivalents of €50 million.

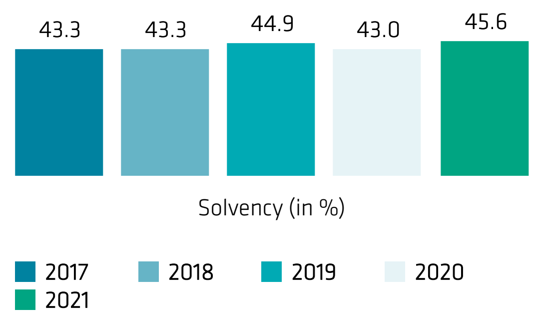
In March 2021, Stedin issued a perpetual subordinated bond loan of €500 million at a coupon rate of 1.500%. Due to its equity classification, this instrument leads to a strengthening of the balance sheet and key ratios and replaces the €500 million subordinated bond loan issued in 2014 at a coupon rate of 3.25%. This hybrid loan was repurchased from the holders of the loan through a tendering process at a premium of €11 million. This largely comprised future interest, which was paid in addition to the principal owing to the early redemption.

In addition, in May 2021, Stedin early redeemed USD and GBP loans; €196 million in principal was redeemed in total at a premium of €38 million. This largely comprised future interest, which was paid in addition to the principal owing to the early redemption.

On 25 June 2021, the shareholders of Stedin agreed to a capital contribution in the form of preference shares totalling €200 million.

In November 2021, Stedin issued a five-year green bond loan of €500 million at a coupon rate of 0.0%. To that end, Stedin updated an EMTM programme and its Green Finance Framework to the most recent laws and regulations.

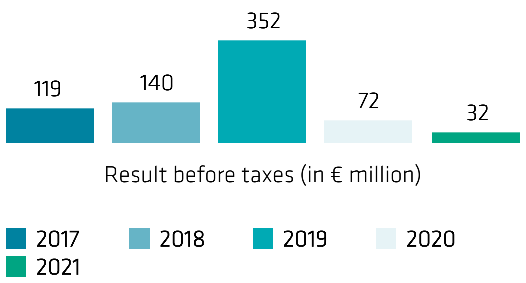
Solvency on 31 December 2021 was 45,6% (31 December 2020: 43.0%). Stedin Group's policy is aimed at maintaining a solvency ratio of at least 40% in the long term. Stedin Group's goal is to retain the A- Standard & Poor's (S&P) credit rating with a stable outlook. On 8 November 2021, Stedin's credit rating of A- with a stable outlook was reconfirmed by S&P.




The FFO/Net Debt ratio as of 31 December 2021 was 11,3% (31 December 2020: 12.0%). The FFO decreased, mainly due to the timing of tax payments and an increase in interest paid, including premium in respect of early redemptions. In addition the net debt position was higher compared to 31 December 2020, as a result of financing raised.

## Taxes

Profit before tax was € 32 million for 2021 (2020: €72 million).

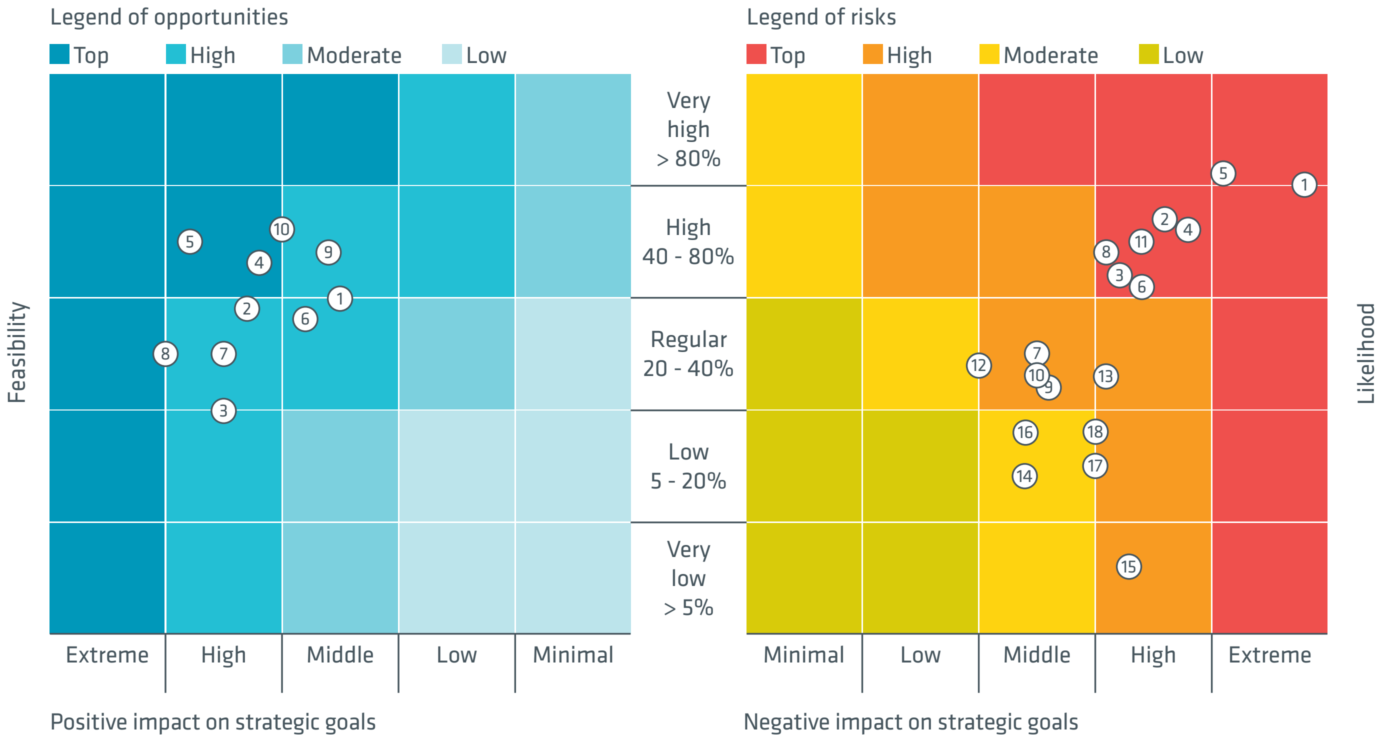



The tax expense fell by € 19 million in 2021 to € 11 million, partly due to a lower profit before tax compared to prior year. The effective tax rate (as a percentage of profit before tax from continuing operations) in 2021 was 34.7% (2020: 41.2%).

In December 2021, the Upper House of Dutch Parliament approved a bill that includes an increase of the corporate income tax rate from 25% to 25.8% from 2022 onwards. As a consequence of the increased tax rate, deferred tax assets and liabilities will be realised at 25.8% instead of 25% in the future. The measurement of the deferred tax assets and liabilities as at 31 December 2021 at this higher rate results in a negative effect of €3 million on the tax expense in 2021.

# Categories of strategic risks and opportunities in 2021

Stedin Group assigns its strategic risks and opportunities to five categories, from very low to very high. In evaluating risks and opportunities, we compare the likelihood of their occurrence with their potential impact on the achievement of our three strategic spearheads. This comparison led to the risk matrix below for 2021.




1. Enter into strategic supplier relationships
2. Develop and deploy disruptive technologies and methods
3. Rates structure of the future
4. Utilisation of new energy carriers
5. Increase predictability of investments through improved prediction of customer demand
6. Position Stedin as an indispensable link in the energy transition
7. Perform comprehensive assessment for allocating investments between electricity, gas or future energy sources
8. Future-proof grid management by means of data-driven forecasts and decision-making
9. Increase effectiveness and efficiency through supply-chain-focused operations
10. Reduce societal costs through collaboration in the coverage area

1. Cyberattack causing damage to society and business operations
2. Increasing pressure on our long-term ability to retain the 'A' credit rating issued by S&P
3. Increased likelihood of surge to replace obsolete assets
4. Unavailability of enough people with the required competences
5. Insufficient connection and transmission capacity
6. IT/OT landscape insufficiently prepared for the future
7. Uncertainty about implications of changing E & G and other laws and regulations (NL or EU)
8. Availability and quality of data insufficient
9. Services on core tasks insufficiently compliant
10. Gas investments difficult to plan
11. High activity in outdoor space and underground
12. Excessive environmental footprint
13. Focus on cultural values and conduct insufficiently effective
14. Large-scale product recall
15. Impact of accidents related to Stedin Group (internal and external)
16. Environmental pollution of surroundings
17. Uncertainty about the duration of availability of the communication network
18. Shortages of materials

# In-control statement

As the Board of Management, we are responsible for the adequate design and operating effectiveness of our risk management and control system. This system is aimed at achieving strategic and operational objectives and monitoring the reliability of our financial reporting and our regulatory compliance. The inherent limitations that apply to any internal risk management and control system must, however, be taken into account. As a result, we will never be able to absolutely guarantee that we will achieve our company objectives or that our processes (including the financial reporting process) will be free from errors, losses, fraud or violations of laws and regulations.

We monitored and evaluated the design and operating effectiveness of the system during 2021 and discussed this with the senior leadership team, the Board of Management and the Supervisory Board. Monitoring and evaluation took place based on regular business control reports containing an overview of operational risks and controls, business self-assessments resulting in Letters of Representation and quarterly updates on strategic risks and opportunities. Information from reports from the internal audit function and the external auditor was also taken into account. In 2021, as a result of our continued investments in our Internal Control Framework, we had more opportunity to determine the adequate design and operating effectiveness of our risk management and control system over the course of the year. These interim assessments gave rise to improvement plans that have partly already been implemented and are partly yet to be implemented. Full implementation of the recovery plans will lead to more demonstrable and efficient control of business operations.

We declare that:

- the in-control process provides sufficient insight into any failings in the effectiveness of the internal risk management and control systems;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.

Rotterdam, 17 February 2022

Board of Management,

Koen Bogers, CEO (chair)

Danny Benima, CFO

Trudy Onland, COO

David Peters, CTO

# 2021 Financial Figures

# Consolidated income statement

| x € 1 million | 2021 | 2020 |
|---|---|---|
| Net revenue | 1,265 | 1,216 |
| Other income | 14 | 13 |
| **Total net revenue and other income** | **1,279** | **1,229** |
| | | |
| Personnel expenses | 436 | 409 |
| Cost of sales and contracted work | 357 | 317 |
| Other operating expenses | 209 | 228 |
| Capitalised own production | -207 | -188 |
| | **795** | **766** |
| Depreciation, amortisation and impairment of non-current assets | 360 | 334 |
| **Total operating expenses** | **1,155** | **1,100** |
| **Operating profit** | **124** | **129** |
| | | |
| Financial income and expenses | -93 | -56 |
| Result from associates and joint ventures after income tax | 1 | -1 |
| **Profit before income tax** | **32** | **72** |
| | | |
| Income tax | -11 | -30 |
| **Result after income tax** | **21** | **42** |
| | | |
| **Profit distribution:** | | |
| Profit after income tax attributable to holders of Stedin Holding N.V. perpetual subordinated bonds (after income tax) | 17 | 12 |
| Profit after income tax attributable to the shareholders of Stedin Holding N.V. | 4 | 30 |
| **Result after income tax** | **21** | **42** |

# Consolidated statement of comprehensive income

| x € 1 million | 2021 | 2020 |
|---|---|---|
| **Result after income tax** | **21** | **42** |
| | | |
| **Unrealised gains and losses that will not be reclassified to the income statement (net of tax effects)** | | |
| Adjustment for fair value of regulated networks | 176 | - |
| Effect of changes in tax rate on revaluation reserve | -7 | -29 |
| | | |
| **Unrealised gains and losses that may be reclassified to the income statement** | | |
| Unrealised gains and losses on cash flow hedges | 22 | -17 |
| Recycling cash flow hedge reserve to income statement | 10 | 3 |
| Deferred tax liabilities on cash flow hedges / cost of hedging | -8 | 3 |
| Effect of change in tax rate on cash flow hedge reserve / cost of hedging | 1 | 4 |
| | | |
| **Total other comprehensive income** | **194** | **-36** |
| **Total comprehensive income** | **215** | **6** |
| | | |
| **Profit distribution:** | | |
| Holders of Stedin Holding N.V. perpetual bond loan (after income tax) | 17 | 12 |
| Shareholders of Stedin Holding N.V. | 198 | -6 |
| **Total comprehensive income** | **215** | **6** |

# Consolidated balance sheet

| x € 1 million | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property , plant and equipment | 7,635 | 7,057 |
| Intangible assets | 92 | 93 |
| Right-of-use assets | 73 | 81 |
| Associates and joint ventures | - | 4 |
| Financial assets | | |
| - Derivative financial instruments | - | 16 |
| - Other non-current financial assets | 14 | 16 |
| **Total non-current assets** | **7,814** | **7,267** |
| | | |
| **Current assets** | | |
| Assets held for sale | 4 | - |
| Inventories | 51 | 51 |
| Current tax assets | - | 3 |
| Trade and other receivables | 165 | 165 |
| Derivative financial instruments | 15 | 3 |
| Cash and cash equivalents | 133 | 83 |
| **Total current assets** | **368** | **305** |
| | | |
| **TOTAL ASSETS** | **8,182** | **7,572** |
| | | |
| **LIABILITIES** | | |
| **Group equity** | | |
| Equity attributable to Stedin Holding N.V. shareholders | 2,764 | 2,390 |
| Perpetual subordinated bond loan | 506 | 501 |
| **Total group equity** | **3,270** | **2,891** |
| | | |
| **Non-current liabilities** | | |
| Provisions for employee benefits | 9 | 11 |
| Other provisions | 15 | 24 |
| Deferred tax liabilities | 340 | 274 |
| Derivative financial instruments | 64 | 84 |
| Interest-bearing debt | 2,736 | 2,893 |
| Deferred income | 876 | 787 |
| **Total non-current liabilities** | **4,040** | **4,073** |
| | | |
| **Current liabilities** | | |
| Provisions for employee benefits | 4 | 3 |
| Other provisions | 3 | 5 |
| Derivative financial instruments | - | 2 |
| Interest-bearing debt | 545 | 290 |
| Current tax liabilities | 12 | - |
| Trade and other liabilities | 308 | 308 |
| **Total current liabilities** | **872** | **608** |
| | | |
| **TOTAL LIABILITIES** | **8,182** | **7,572** |

# Consolidated cash flow statement

| x € 1 million | 2021 | 2020 |
|---|---|---|
| **Profit after income tax** | **21** | **42** |
| Adjusted for: | | |
| · Financial income and expenses recognised in the income statement | 93 | 56 |
| · Income tax recognised in the income statement | 11 | 30 |
| · Share in result of associates and joint ventures | -1 | 1 |
| · Depreciation, amortisation and impairments of property, plant and equipment, intangible assets and right-of-use assets | 360 | 334 |
| · Result on sale of property, plant and equipment and intangible assets | - | -1 |
| · Movements in working capital | - | 3 |
| · Amortisation of customer construction contributions received | -22 | -21 |
| · Movements in derivative financial instruments | 6 | 22 |
| · Movements in provisions, derivative financial instruments and other | -10 | -11 |
| **Cash flow from business operations** | **458** | **455** |
| Dividend received from associates and joint ventures | 4 | - |
| Interest paid* | -88 | -58 |
| Interest received | 1 | 1 |
| Corporate income tax received | 1 | 10 |
| **Cash flow from operating activities** | **376** | **408** |
| New loans issued | -10 | -7 |
| Repayments of loans granted | 12 | 4 |
| Investments in property, plant and equipment | -679 | -614 |
| Disposal of property, plant and equipment | - | 1 |
| Investments in intangible assets | -2 | -1 |
| Customer construction contributions received | 112 | 105 |
| **Cash flow from investing activities** | **-567** | **-512** |
| Dividend payments | -21 | -52 |
| Paid-up capital preference shares | 200 | - |
| Repurchase of hybrid securities | -511 | - |
| Proceeds from issuance of hybrid securities | 500 | - |
| Payment of lease liabilities | -17 | -17 |
| Coupon on perpetual subordinated bonds | -12 | -16 |
| Repayment of non-current interest-bearing debt | -195 | - |
| Repayment of current interest-bearing debt | -2,800 | -1,175 |
| Non-current interest-bearing debt newly issued | 497 | - |
| Current interest-bearing debt newly issued | 2,600 | 1,375 |
| **Cash flow from financing activities** | **241** | **115** |
| | | |
| **Movements in cash and cash equivalents** | **50** | **11** |
| Balance of cash and cash equivalents as at 1 January | 83 | 72 |
| **Balance of cash and cash equivalents as at 31 December** | **133** | **83** |

* The interest paid in 2021 includes the prepayment premium for the USD and GBP loans of € 38 million. The repayment of the USD and GBP loans has been recognized as cash flow from financing activities.

# Consolidated statement of changes in group equity

| x € 1 million | Paid up and called-up share capital | Share premium | Revaluation reserve | Legal reserve | Cash flow hedge reserve | Cost of hedging reserve | Retained earnings | Undistributed profit | Total | Perpetual subordinated bond loan | Non-controlling interests | Total group equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to Stedin Holding N.V. shareholders | | | | | | | | | | | |
| **As at 1 January 2019** | **497** | **-** | **720** | **-** | **-70** | **-1** | **989** | **313** | **2,448** | **501** | **-** | **2,949** |
| Total other comprehensive income after income tax | - | - | -29 | 4 | -8 | 1 | -4 | - | **-36** | - | - | **-36** |
| Profit after income tax 2019 | - | - | - | - | - | - | - | 30 | **30** | 12 | - | **42** |
| **Total comprehensive income** | **-** | **-** | **-29** | **4** | **-8** | **1** | **-4** | **30** | **-6** | **12** | **-** | **6** |
| **Transactions with shareholders** | | | | | | | | | | | | |
| Dividend payments relating to 2018 | - | - | - | - | - | - | - | -52 | **-52** | - | - | **-52** |
| Coupon on perpetual subordinated bond loan | - | - | - | - | - | - | - | - | **-** | -16 | - | **-16** |
| Tax on coupon on perpetual subordinated bond loan | - | - | - | - | - | - | - | - | **-** | 4 | - | **4** |
| **Total transactions with shareholders** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-52** | **-52** | **-12** | **-** | **-64** |
| **Other** | | | | | | | | | | | | |
| Profit appropriation 2018 | - | - | - | - | - | - | 261 | -261 | **-** | - | - | **-** |
| Release from revaluation reserve due to depreciation of regulated networks | - | - | -29 | - | - | - | 29 | - | **-** | - | - | **-** |
| **Total other** | **-** | **-** | **-29** | **-** | **-** | **-** | **290** | **-261** | **-** | **-** | **-** | **-** |
| **As at 31 December 2019** | **497** | **-** | **662** | **4** | **-78** | **-** | **1,275** | **30** | **2,390** | **501** | **-** | **2,891** |
| Total other comprehensive income | - | - | 128 | - | 25 | - | 41 | - | **194** | - | - | **194** |
| Profit after income tax 2020 | - | - | - | - | - | - | - | 4 | **4** | 17 | - | **21** |
| **Total comprehensive income** | **-** | **-** | **128** | **-** | **25** | **-** | **41** | **4** | **198** | **17** | **-** | **215** |
| **Transactions with shareholders** | | | | | | | | | | | | |
| Dividend payments relating to 2019 | - | - | - | - | - | - | - | -21 | **-21** | - | - | **-21** |
| Capital reinforcement | 42 | 158 | - | - | - | - | - | - | **200** | - | - | **200** |
| Additions to perpetual subordinated bond loan | - | - | - | - | - | - | - | - | **-** | 500 | - | **500** |
| Redemption of perpetual subordinated bond loan | - | - | - | - | - | - | - | - | **-** | -511 | - | **-511** |
| Coupon on perpetual subordinated bond loan | - | - | - | - | - | - | - | - | **-** | -7 | - | **-7** |
| Disagio and cost | - | - | - | - | - | - | -5 | - | **-5** | - | - | **-5** |
| Tax on coupon on perpetual subordinated bond loan | - | - | - | - | - | - | 1 | - | **1** | 6 | - | **7** |
| **Total transactions with shareholders** | **42** | **158** | **-** | **-** | **-** | **-** | **-4** | **-21** | **175** | **-12** | **-** | **163** |
| **Other** | | | | | | | | | | | | |
| Profit appropriation 2019 | - | - | - | - | - | - | 9 | -9 | **-** | - | - | **-** |
| Reclassification | - | - | - | -1 | - | - | 2 | - | **1** | - | - | **1** |
| **Total other** | **-** | **-** | **-** | **-1** | **-** | **-** | **11** | **-9** | **1** | **-** | **-** | **1** |
| **As at 31 December 2020** | **539** | **158** | **790** | **3** | **-53** | **-** | **1,323** | **4** | **2,764** | **506** | - | **3,270** |

# Capital management

The primary goal of Stedin Group's capital management is to safeguard access to the capital and money markets in order to optimise its financing structure and costs in accordance with the long-term financial plan and economic parameters determined by the regulator in each regulation period. Given the capital-intensive nature of the company, it is important to be able to contract financing in various different financing markets and thereby create a balanced financing mix. Stedin Group can influence its capital structure by altering its leverage ratio. Stedin Group regards both capital (including the perpetual subordinated bond loan) and non-subordinated debt as relevant components of its financing structure and therefore of its capital management. The present interest-bearing debt was raised in roughly equal proportions in the US private placement market, the European bond market and the private loan market. In addition to maintaining relationships with these existing investors in the above-mentioned financing markets, Stedin Group also maintains relationships with six Dutch and international banks that have all made financing capacity available to Stedin. These banks can also offer a wide range of financial products and services if required.

Since 2017, a Stedin Group financing strategy was formulated that targets the ratios which are relevant for the credit rating and particularly the core ratio: cash flow from operating activities/net interest-bearing debt. In this context, for the purpose of calculating the ratios, the perpetual subordinated bond loan issued in 2021 (which replaces the perpetual subordinated bond loan issued in 2014, that has been redeemed in 2021) is classified by Standard & Poor's as an instrument with a 50% equity and 50% debt component. This qualification differs from the treatment under IFRS, for which the perpetual subordinated bond loan is treated entirely as equity. Net interest-bearing debt (excluding discontinued operations) is defined as non-current and current interest-bearing debt less cash and cash equivalents.

# Credit rating

A key pillar in Stedin Group's financial policy is to maintain good access to the available sources of financing, including the money and capital markets. It is important to that end that existing and potential capital providers have proper insight into Stedin Group's creditworthiness.

Stedin Holding N.V. and Stedin Netbeheer B.V. each have a credit rating with the rating agency Standard & Poor's (below: S&P). This rating consists of a long-term rating with outlook and a short-term rating. The outlook indicates the expected change in the long-term rating for the coming years.

The most recent rating awarded by S&P in November 2021 is A- with a stable outlook for the long term and A-2 for the short term. This rating is unchanged from 2020.

The most important ratio for Stedin Group is the ratio of Funds from Operations (below: FFO) to the net debt position for freely available cash and cash equivalents (Net debt), which is a customary ratio in the market for the sustainability of debt. S&P applies a multi-year average of this ratio as part of its assessment of the credit rating. Stedin Group presents this figure only at year-end 2021 and 2020.

The calculation of this ratio follows the figures in these financial statements, supplemented with the adjustments applied by S&P. These analytical adjustments are made in order to enhance the comparability of the figures as well as the financial position between Stedin Group and other businesses. The main adjustment concerns the perpetual subordinated bond loan as an instrument with a 50% equity component and a 50% debt component (by contrast to IFRS, where it is part of equity in its entirety). In addition, pension liabilities are included in the S&P definition of debt.

The calculation is set out in the table below:

| x € 1 million | 2021 | 2020 |
|---|---|---|
| EBITDA* | 485 | 461 |
| -/- Interest paid | -87 | -57 |
| -/- Tax paid | 1 | 10 |
| -/- S&P adjustments** | -14 | -11 |
| **S&P - Funds from Operations** | 385 | 403 |
| | | |
| Non-current interest-bearing debt | 2,676 | 2,826 |
| Current interest-bearing debt | 531 | 276 |
| Lease liabilities | 74 | 81 |
| -/- Cash and cash equivalents | -133 | -83 |
| **IFRS - NET DEBT** | 3,148 | 3,100 |
| + S&P adjustments** | 261 | 261 |
| **S&P - NET DEBT** | 3,409 | 3,361 |
| | | |
| **FFO / Net Debt – S&P adjusted** | **11.3%** | **12.0%** |

* Profit before income tax adjusted for depreciation, amortisation, net interest payable, profit of group entities sold, revaluations and share of minority interests.

** These adjustments are published by S&P on behalf of Stedin Group for 2020.

Current and non-current interest-bearing debt, interest paid and tax paid in accordance with these financial statements. Lease liabilities are part of non-current interest-bearing debt and are presented separately for comparative purposes.

The ratio FFO/Net Debt fell to 11.3% in 2021, from 12.0% in 2020. The decrease in the FFO by € 18 million was largely driven by higher interest paid due to the early redemption of the USPP loans. The net debt position (Net Debt) at year-end 2021 was € 48 million higher than in 2020 due to short term cash loans. Total interest-bearing loans outstanding increased by € 105 million.

Tax paid in 2021 was € 11 million higher and is a receivable in 2020 due to the change in the deposit payments in 2020, while the number in 2021 is a payable again. The higher operating profit of € 7 million was attributable to higher capitalization of own production.

S&P adjustments can be viewed in the S&P rating report of November 2021 (which is available via the Investor Relations website) on the basis of figures in the 2020 financial statements. For the most recent rating reports, see our website: http://www.stedingroep.nl/investor-relations.

# General information

# Five-year overview

| | Unit | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **Income statement** | | | | | | |
| Revenue | € mln | 1,265 | 1,216 | 1,220 | 1,270 | 1,154 |
| Total operating income | € mln | 1,279 | 1,229 | 1,234 | 1,286 | 1,194 |
| Total operating expenses | € mln | 1,155 | 1,100 | 1,062 | 1,074 | 996 |
| EBITDA* | € mln | 484 | 463 | 489 | 509 | 471 |
| Operating profit | € mln | 124 | 129 | 172 | 212 | 198 |
| Profit after income tax | € mln | 21 | 42 | 325 | 118 | 423 |
| **Balance sheet** | | | | | | |
| Property, plant and equipment | € mln | 7,635 | 7,057 | 6,753 | 6,406 | 6,140 |
| Total assets | € mln | 8,182 | 7,572 | 7,289 | 6,991 | 6,551 |
| Equity | € mln | 3,270 | 2,891 | 2,949 | 2,699 | 2,582 |
| Total interest-bearing debt | € mln | 3,281 | 3,183 | 3,004 | 3,044 | 2,753 |
| Investments in non-current assets | € mln | 687 | 620 | 646 | 607 | 494 |
| **Cash flows** | | | | | | |
| Cash flow from operating activities | € mln | 376 | 408 | 374 | 461 | 278 |
| Cash flow from investing activities | € mln | -567 | -512 | -236 | -587 | -1,317 |
| Cash flow from financing activities | € mln | 241 | 115 | -235 | 222 | 692 |
| **Credit rating** | | | | | | |
| Long-term rating (S&P) | rating | A- | A- | A- | A- | A- |
| Solvency** | % | 45.6 | 43.0 | 44.9 | 43.3 | 43.3 |
| FFO/Net debt*** | ratio | 11.3 | 12.0 | 12.3 | 12.2 | 12.2 |
| **Shares at 31 December** | | | | | | |
| Number of ordinary shares outstanding (x 1,000) | number | 4,971 | 4,971 | 4,971 | 4,971 | 4,971 |
| Number of preference shares outstanding (x 1,000) | number | 416 | - | - | - | - |

* Earnings before interest, taxes, depreciation and amortization

** Equity plus profit or loss for the period less expected dividend distributions for the current financial year divided by the balance sheet total, adjusted for the expected dividend distribution, connection contributions received and free cash and cash equivalents.

*** This ratio is calculated in accordance with the Standard & Poor's (S&P) method. Funds From Operations (FFO) divided by net debt. FFO consists of EBITDA adjusted for lease expense, adjusted interest expense and tax expense. The net debt position is the sum of current and non-current interest-bearing debt, adjusted for off-balance liabilities, the hybrid loan and minus cash and cash equivalents. The ratio was calculated as at 31 December 2017. S&P applies a multi-year weighting to determine this ratio when assessing the credit rating.

| | Unit | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **Operational ratios** | | | | | | |
| High-use electricity connections | number | 19,911 | 19,379 | 18,912 | 22,692 | 21,786 |
| Low-use electricity connections | number | 2,322,087 | 2,303,313 | 2,283,563 | 2,263,009 | 2,256,608 |
| Quantity of electricity transported | GWh | 20,529 | 20,171 | 21,100 | 21,330 | 21,893 |
| Length of electricity cables | km | 57,616 | 56,854 | 56,140 | 55,604 | 55,191 |
| Length of electricity cables laid | km | 874 | 852 | 1,034 | 806 | 611 |
| High-use gas connections | number | 9,112 | 9,556 | 9,633 | 10,761 | 10,852 |
| Low-use gas connections | number | 2,104,230 | 2,111,265 | 2,111,038 | 2,104,174 | 2,108,397 |
| Quantity of gas distributed | million $m^3$ | 4,907 | 4,365 | 4,651 | 4,852 | 4,865 |
| Length of gas pipelines | km | 28,160 | 28,206 | 28,216 | 28,190 | 28,137 |
| Length of gas pipelines laid | km | 251 | 197 | 221 | 250 | 210 |
| Medium-voltage failures resulting in disruption | number | 465 | 523 | 519 | 433 | 390 |
| Facilitated supplier switches | number | 685 | 883 | 824 | 713 | 584 |
| **Safety** | | | | | | |
| Lost Time Injury Rate (LTIR) | ratio | 0.54 | 0.40 | 2.19 | 3.00 | 4.88 |
| Recordable Incident Frequency (RIF) | ratio | 0.76 | 0.70 | 1.00 | 1.00 | 1.29 |
| **Outages and interruptions in electricity supply** | | | | | | |
| Average duration of interruption MV/LV (CAIDI) | minutes | 87 | 112 | 82 | 76 | 88 |
| Interruption frequency MV/LV (SAIFI) | number | 0.216 | 0.231 | 0.245 | 0.223 | 0.188 |
| Annual average downtime MV/LV (SAIDI) | minutes | 19 | 26 | 20 | 17 | 16 |
| Annual average downtime HV/MV/LV (SAIDI) | minutes | 20 | 27 | 21 | 18 | 17 |
| **Outages and interruptions in gas supply** | | | | | | |
| Average duration of interruption (CAIDI) | minutes | 88 | 75 | 270 | 122 | 78 |
| Interruption frequency (SAIFI) | number | 0.006 | 0.006 | 0.005 | 0.0094 | 0.0086 |
| Annual average downtime (SAIDI) | seconds | 29 | 26 | 87 | 69 | 40 |

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Information on total number of employees** | | | | | |
| Number of employees of Stedin Group | 4,194 | 4,276 | 4,346 | 4,470 | 4,488 |
| Number of employees at Stedin | 3,651 | 3,652 | 3,672 | 3,665 | 3,185 |
| Number of employees at NetVerder | 6 | 5 | 5 | - | - |
| Number of employees at Joulz Diensten | - | - | - | 153 | - |
| Number of employees at Joulz (incl. Joulz Diensten) | - | - | - | - | 648 |
| Number of employees at DNWG | 537 | 619 | 669 | 652 | 655 |
| **Number of employees on a full-time contract** | | | | | |
| Male employees | 3,250 | 3319 | 3,403 | 3,517 | 3,539 |
| Female employees | 364 | 363 | 357 | 385 | 396 |
| **Number of employees on a part-time contract** | | | | | |
| Male employees | 210 | 217 | 200 | 184 | 173 |
| Female employees | 370 | 377 | 386 | 384 | 380 |
| **Number of employees on a permanent contract** | | | | | |
| Male employees | 3,207 | 3,323 | 3,402 | 3,457 | 3,425 |
| Female employees | 650 | 667 | 679 | 701 | 669 |
| **Number of employees on a temporary contract** | | | | | |
| Male employees | 253 | 213 | 201 | 244 | 287 |
| Female employees | 84 | 73 | 64 | 68 | 107 |
| **CLA/Non-CLA** | | | | | |
| CLA | 4,007 | 4,092 | 4,158 | 4,282 | 4,268 |
| Non-CLA | 187 | 184 | 188 | 188 | 220 |
| **Diversity of boards and employees** | | | | | |
| Younger than 25 | 70 (2%) | 76 (2%) | 66 (2%) | 59 (1%) | 59 (1%) |
| Between 25 and 34 | 814 (19%) | 908 (21%) | 843 (19%) | 872 (20%) | 933 (21%) |
| Between 35 and 44 | 1.089 (26%) | 1.060 (25%) | 1.056 (24%) | 1.060 (24%) | 1.000 (22%) |
| Between 45 and 54 | 863 (21%) | 908 (21%) | 923 (21%) | 1.005 (22%) | 1.058 (24%) |
| 55 and older | 1.358 (32%) | 1.324 (31%) | 1.458 (34%) | 1.474 (33%) | 1.438 (32%) |
| Number of women in management positions | 79 | 64 | 60 | 64 | 58 |
| Number of men in management positions | 223 | 224 | 224 | 231 | 235 |

# Disclaimer

This report may contain forward-looking statements and projections. These can be identified by words such as 'anticipate', 'intend', 'estimate', 'assume', 'expect' or the negative equivalents of these terms and similar terms. These forward-looking statements and projections are based on current expectations and assumptions concerning expected developments and other factors that can affect Stedin Group. These are not historical facts or guarantees of future results. Actual results and events can differ from the current expectations due to factors such as economic trends, technological developments, changes in laws and regulations, the behaviour of suppliers and customers, currency risks, tax developments, financial risks or political, economic and social conditions.

Further information on potential risks and uncertainties that can affect Stedin Group is stated in the documents filed by Stedin Group with Euronext Amsterdam and the Euro MTF Market of the Luxembourg Stock Exchange.

Except as required on the basis of laws and regulations, Stedin Group rejects any obligation or liability to revise or adjust projections and forecasts in this document on the basis of new information, future events or otherwise, or to publicly disclose such adjustments or revisions.

The Dutch version of our annual report is published on 17 February 2022. The English language versions is expected to be published on 17 March 2022, and will be posted on our website: www.stedingroup.com. This document is an extract from our Dutch Annual Report. In case of any discrepancy between both language versions, the Dutch version prevails. Certain parts of the annual report and the financial statements have been audited by our auditor.

### Copyright and brand names



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