



2021 Half-Year Report

Disclaimer

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Stedin Group is not required to revise the expectations and forecasts in this half-year report in response to new information or events and does not accept any liability in this respect. The half-year report has not been audited. The report is published in Dutch and English. In case of any discrepancy between both versions, the Dutch version will prevail.

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Report of the Board of Management

The dominant themes in the first half of this year were the energy transition and the steps we are taking to facilitate it. Our attention is focussed on two elements, first the system of the future and second the ways to finance it. We have taken significant steps in the first six months of this year.

For the first time in Stedin's service area, we reached our maximum grid capacity, on Goeree-Overflakkee. Last year, the same occurred in the working area of Enduris, in Tholen and Schouwen-Duiveland. There are significant differences between regions. In rural parts of our service area, such as Schouwen-Duiveland, Tholen and Goeree-Overflakkee, it is a major challenge to ensure that our customers can supply electricity generated by solar panels to the grid. By contrast, in the metropolitan Randstad area, demand for electricity may increase significantly.

To ensure we are well prepared for this, we undertook an extensive study into future developments of the electricity grid in partnership with the Province of Zuid-Holland, for example. The study shows how important it is to speed up the energy transition. We therefore made substantial investments in total of €304 million in the first six months of 2021 (first half of 2020: €268 million). We can only continue to make these investments by strengthening our equity capital base. Our shareholders responded with an initial capital contribution of 200 million euros. We feel tremendously encouraged by this show of support. In addition, we successfully issued a perpetual subordinated hybrid bond in March.

In the first six months of 2021, we also completed the large-scale roll-out of smart meters. We achieved our target of providing 80% of our customers with a smart meter. This was a major project, whereby we installed one or more smart meters at 1,9 customers in recent years.

Despite the restrictions related to the pandemic, we continued working and are satisfied with the results that were achieved. Although most of our staff personnel worked from home, we ensured that the contact between our customers and fitters were kept to a minimum and in compliance with the guidelines issued by central government and the National Institute for Public Health and the Environment (RIVM). We would like to thank our employees, customers, shareholders and partners for their commitment and cooperation, which enabled us to achieve these good results under safe working conditions.

Finally, a change in the Board: Koen Bogers joined Stedin Group on 1 May. On 1 June, he succeeded Marc van der Linden as CEO. Trudy Onland also joined the Board of Management. She succeeds Judith Koole, who announced her intention to step down as COO at the end of last year. We would like to thank Marc and Judith for all their work and wish them every success in the future.

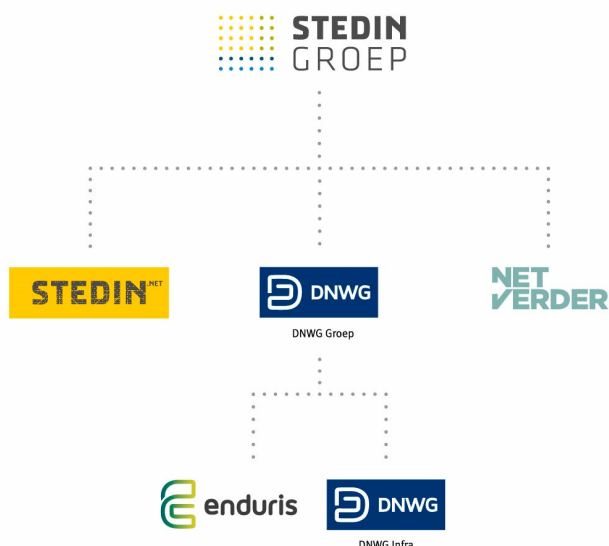
Board of Management

Koen Bogers, Danny Benima, David Peters, Trudy Onland



Profile

More than 2.2 million private and business customers rely on Stedin Group for their energy supply, day and night. We are proud that our grids are among the most reliable and cost efficient in the world.



Business units of Stedin Group

Activities

The electricity and gas grids are a key element in the overall energy system. The grid managers within Stedin Group, Stedin and Enduris, are responsible for the regional distribution of electricity and gas. Stedin Group operates and has its registered office in the Netherlands. We carry out regulated activities as a grid manager and we also perform a number of non-regulated activities as a group. Our head office is located at Blaak 8 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 3 of the 4 largest cities in the Netherlands, the Port of Rotterdam and the Port of Zeeland, as well as large industrial and glasshouse horticulture regions. Parts of the provinces of North Holland and Friesland also fall within our service area.



- Gas Stedin
- Electricity and gas Stedin
- Electricity and gas Enduris

Mission, vision and strategy

Working together to create an environment filled with new energy. That is our mission. Together, we are working to ensure a sustainable energy supply for today and tomorrow. We believe that we can make the energy transition possible by focusing on our core tasks for (future) grid management and delivering an excellent service for our customers. We have identified three strategic spearheads:

- Improved grid management
- Facilitating the energy transition
- Sustainable business operations

The strategic spearheads formed the basis for defining a set of objectives and strategic initiatives. The five strategic initiatives that are central in 2021 are: Customer-oriented approach, Multidisciplinary collaboration, Sustainable energy transition, System Operator and Efficient Failure Response Procedure.

Improved grid management

We are committed to ensuring a reliable grid, satisfied customers as well as high-quality products and services. We continuously evaluate how we can improve even further in our role as grid manager.

Key figures	Unit	Achieved on 30/06/2020	Target for 31/12/2021	Achieved on 30/06/2021
Investments	€ million	268	687	304
Customer convenience vs. customer inconvenience at Stedin	%	73 / 17	75 / 15	75 / 14
Customer convenience vs. customer inconvenience at Enduris	%	n.v.t.	75 / 15	82 / 10
Completion time for connections within 18 weeks	%	81.7	90.0	89.6
Average downtime for electricity (SAIDI E)	minutes	9	17	10
Average downtime for gas (SAIDI G)	seconds	13	60	17

Reliability of our grids

Customers were without electricity for an average of 10 minutes in the first six months of this year. Stedin Group recorded an average downtime of 9 minutes in the first half of 2020. No lengthy failure occurred in the first half of this year. The average downtime for gas was 17 seconds in the first half of 2021, compared with 13 seconds in the first six months of 2020.

Strategic initiative: Efficient failure response procedure

This initiative aims to achieve efficient and customer-oriented collaboration from beginning to end in the failure response procedure. We optimise and digitalise processes and ensure a better match between supply and demand. The first quarter centred on performing analyses. The total potential of the programme was then determined, and plans were made for making the most of this potential. Important elements are redesigning the failure response procedure, standardising working methods and handovers, improving performance management and optimising communication with customers. We will take up these topics in 2021 and 2022 for further development.

Continuing investment

Stedin Group continues to make substantial investments in critical infrastructure. We invested €304 million in the first half of 2021 (first half of 2020: €268 million). Throughout our entire service area we are investing for the future. In April, for example, we began work to replace the gas grid in the centre of Gouda. Replacement is essential to ensure that the grid is fully ready for the future. Stedin is replacing a total of

10 kilometres of gas mains in the city centre. The work is being carried out in phases and will last until the end of 2026.

Customer satisfaction

For the first half year, 75% (target: at least 75%) of customers of grid manager Stedin report low- or very-low effort service experiences. This finding contrasts with 14% of customers (target: not more than 15%) who report high- or very high-effort service experiences. For grid manager Enduris, the results are 82% low customer effort and 10% high customer effort, respectively, with targets equivalent to those set for Stedin.

Customers give us a positive service rating for remedying failures as well as meter replacement. Despite a positive trend in the last three months in the connection chain, points of attention remain in relation to customer convenience. Specifically with regard to lead times and delay in preparing quotations.

Strategic initiative: Customer-oriented approach

In connecting customers to our grid we aim to achieve improvements in lead times, customer ease and efficiency through more efficient working practices and digitalisation. After the first quarter of 2021, it was clear that we are achieving improvements, though not as quickly as planned.

Digitalisation of workflows and robotic quotation process automation, for example, remain essential for achieving the full potential. At the same time, this process teaches us that cooperation can be improved within other customer chains also. For this reason we are employing the same approaches with other chains to enhance our customer orientation and efficiency in these areas as well.

Lead time of completing connections

In the first half of 2021, 89.6% of connections were provided within 18 weeks or on the date preferred by the customer. This figure is 0.4% below the target of 90%. At the same time, we are making good progress in implementing the remediation programme for the (accelerated) replacement of grey cast iron gas pipes. All grid operators were previously advised by the regulator State Supervision of Mines (Staatstoezicht op de Mijnen) to accelerate the replacement of gas pipelines. The objective is to have replaced all these pipes by the end of 2028.

At the end of 2020, we had replaced 139 km and a further 78.4 km were replaced in the first half of 2021. In addition, more than 10,985 primary gas connections were replaced. In the first half of 2021, we also completed the work at 42 control stations, to ensure their compliance with standard NEN 1059. This is a long-term project involving the replacement, modification or removal of approximately 110 control stations each year.

Strategic initiative: Multidisciplinary work

A multidisciplinary way of working is aimed at developing cooperation with other parties, such as drinking water companies in our service area. We have established collaborations with the water companies Evides, Dunea, Oasen and Vitens. This enables us to carry out our work more efficiently, achieve savings, make better use of scarce personnel and reduce inconvenience for local residents. Key elements of these collaborations are joint programming, shared ICT support and joint contracts with contractors. The first half of 2021 was marked by the development of a common vision in relation to the various areas. We also developed transition plans and an ICT architecture and we defined the follow-on processes for the tendering procedures.

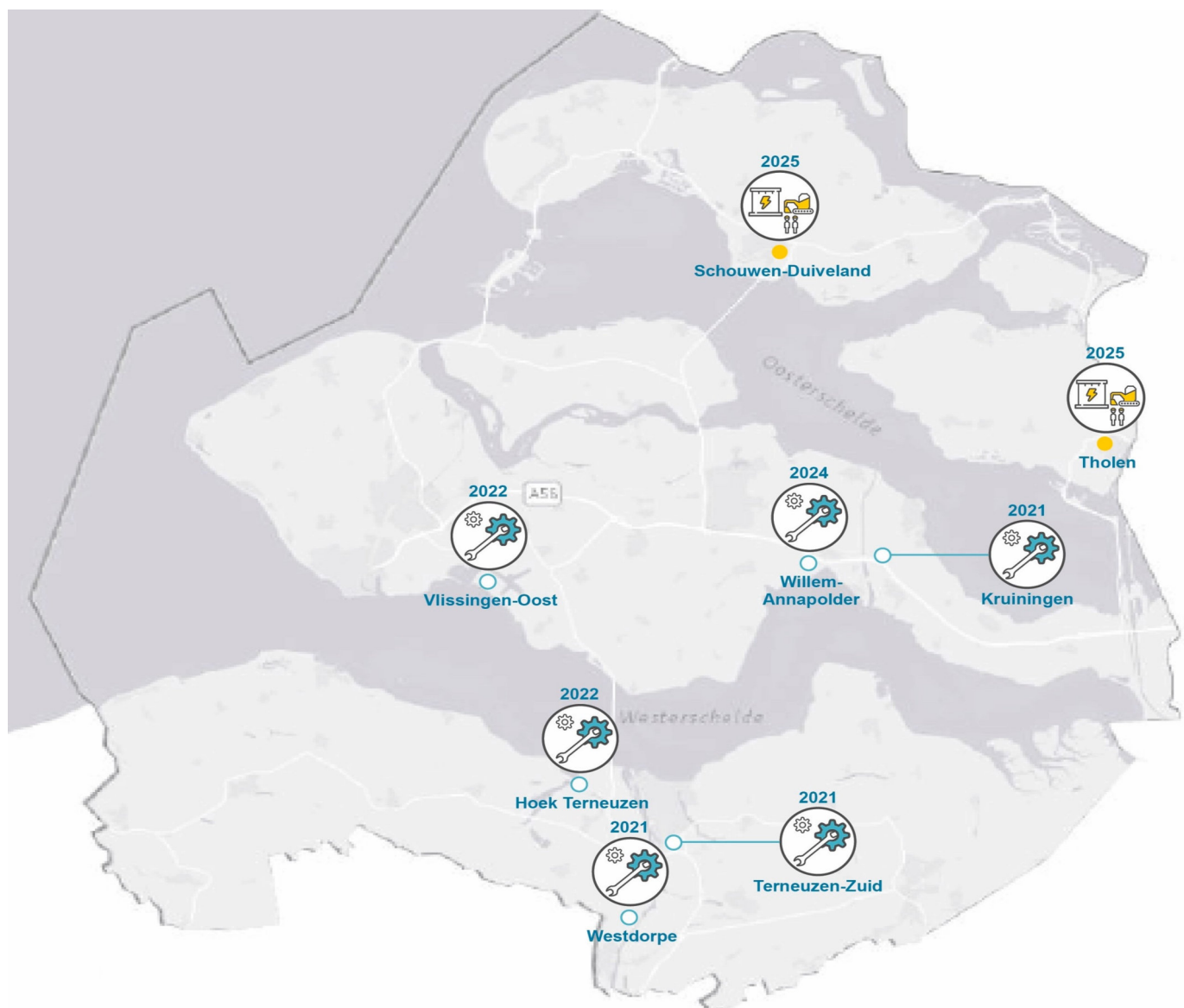


Projects

The maps on the following pages for the provinces of Utrecht, Zeeland and South Holland show the planned investments in electricity for stations and connections (>25 kV) that will be undertaken or commenced in the period 2020-2022. The expected year of completion is indicated for each project. The maps are focused on grid expansion. Within each map we highlight a completed project.

Zeeland, Vlissingen-Oost

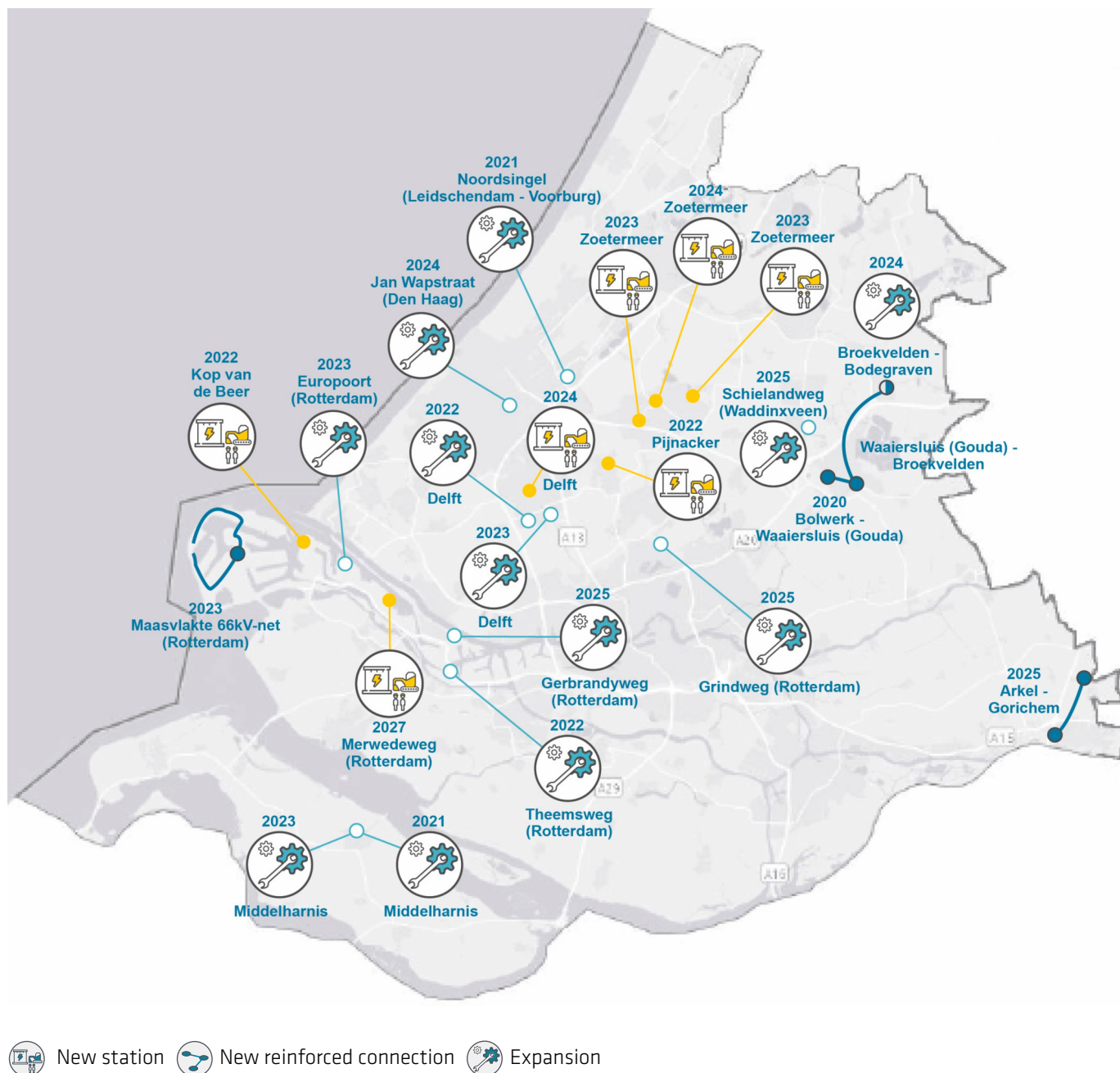
The '8-lane superhighway' for electricity cables beneath the port of Vlissingen-Oost has been installed and is ready for use. In March 2021, 24 pipes were laid in a mammoth horizontal directional drilling operation over a length of 1,500 metres and at a depth of 50 metres. The first electricity cables were also placed in the pipes, enabling (sustainable) initiatives to be connected to the Vlissingen-Oost high-voltage station. This drilling makes it possible to transmit 120 MW from one side of the port to the other, enabling the port area to achieve its targets for the energy transition.



 New station
  New reinforced connection
  Expansion

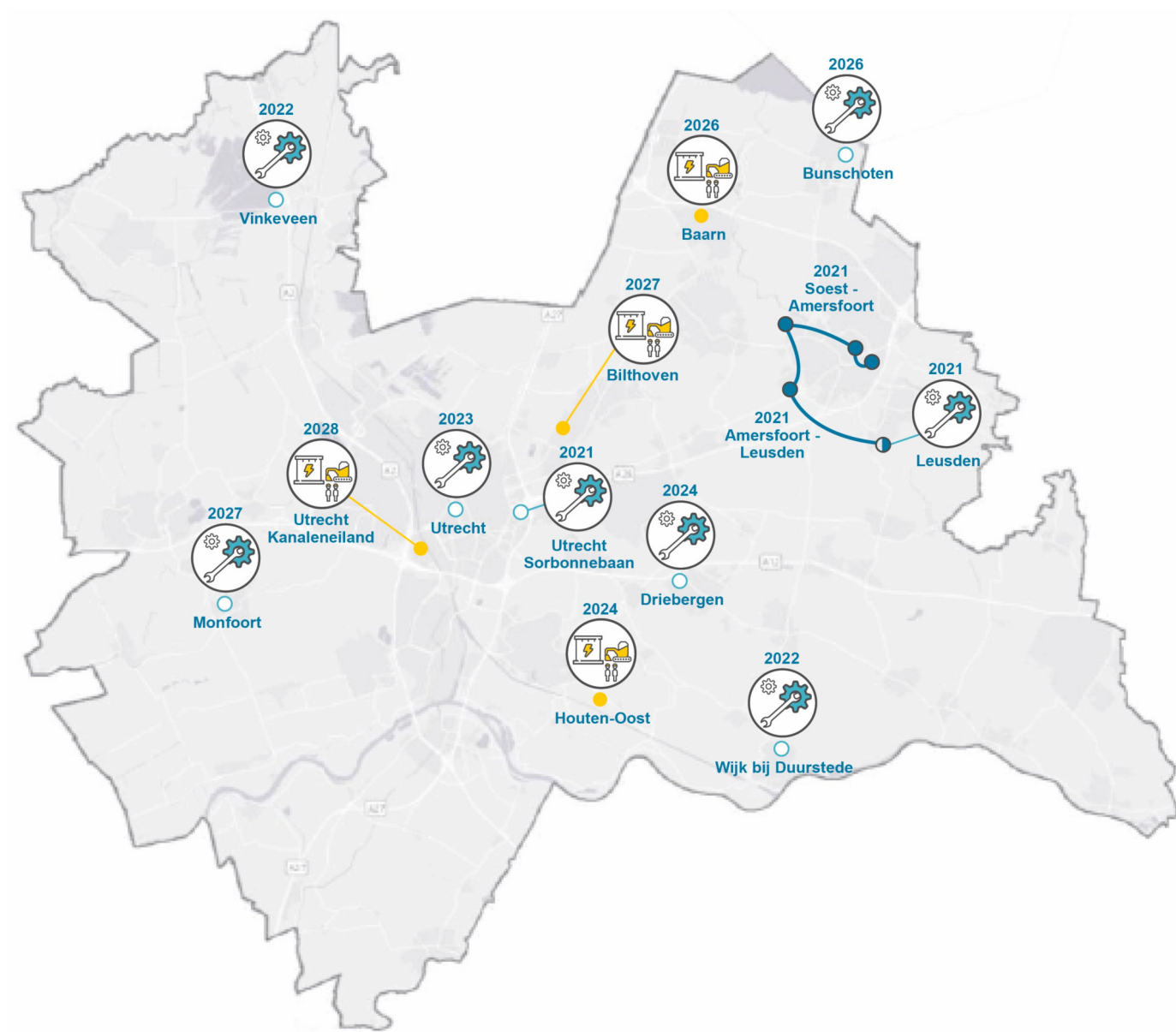
South Holland, Merwedehaven Dordrecht

We have built a new 50/13 kV station close to the old Merwedehaven stations in Dordrecht. The old stations could no longer provide the necessary capacity and quality. The old 13 kV station was taken down, and is shortly to be followed by the old 50 kV station. The new 50/13 kV station is the largest and most important station in South Holland's 50 kV grid. This marks the conclusion of our project in the municipalities of Dordrecht and Zwijndrecht.



Utrecht, Leusden-Amersfoort

Considerable additional capacity is needed in the Municipality of Leusden and surrounding area in the coming months and years. We are taking various steps to ensure this need can be met. In the first six months of this year, we laid the 50 kV cable to the Soest 2 main distribution station, for example, and we also installed the cabling from the main distribution station to the respective distribution substations, Amersfoort 1, 3 and 4, in a star configuration. This ensures that the electricity is transmitted directly from the main distribution station to each distribution substation.



 New station
  New reinforced connection
  Expansion

Facilitating the energy transition

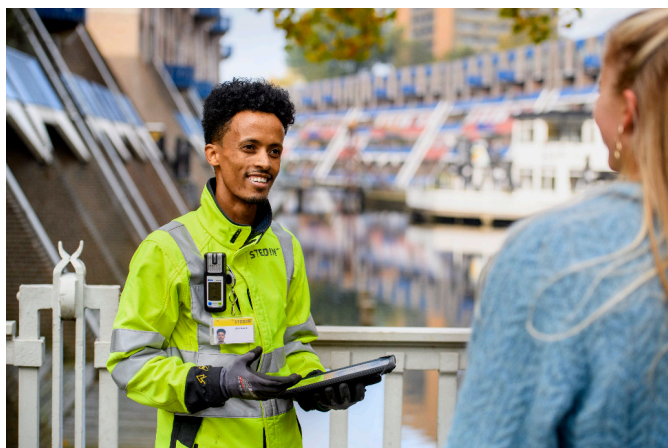
We are working day and night on a future-proof grid, to connect solar and wind farms as well as to transmit the energy that is generated. To ensure that residential districts can switch to sustainable energy and to enable an increasing number of electric cars to charge or discharge their batteries. In the first six months of 2021, the growth in the capacity of solar panels in the provinces of Utrecht and South Holland increased by approximately 20% compared with 2020.

Key figures	Unit	Achieved on 30/06/2020	Target for 31/12/2021	Achieved on 30/06/2021
% Smart meters offered	%	92.3	100	99.4
Completion rate of smart meter installations	%	79.7	80	81.8

Smart meters

On 31 May 2021, Stedin reached an important milestone in the large-scale roll-out of smart meters: 80% of our customers now have a smart meter. Before the end of this year, we will also achieve our goal of offering all our customers the option of installing a smart meter. Following this, we will start on an additional mandate from the Ministry of Economic Affairs and Climate Policy: to make a renewed offer to everyone who is still without a smart meter and who can separately measure the amount of electricity supplied and the electricity returned to the grid. This is how we are facilitating the phasing out of the netting scheme while also enabling the energy transition. The netting scheme ensures that the excess solar energy that a customer returns to the grid is deducted from the customer's energy consumption figure.

In early May 2021, Enduris completed the full large-scale roll-out of smart meters, with 100% of customers having received an offer by that date and 84% benefiting from smart meter installation.



Tone Frequency signal

On 1 July 2021, all the grid managers will cut off the Tone Frequency (TF) signal that is used when electricity is bought at dual rates, because the system has reached the end of its technical useful life. From this date, customers can only use off-peak and normal rates if they have a smart meter. This has led to increased customer demand for smart meters.

Energy system of the future

In the report titled 'The Energy System of the Future', which was published in April 2021, the network companies in the Netherlands paint a detailed picture of how the Dutch energy system may look in 2050. The study was commissioned by the Ministry of Economic Affairs and Climate Policy. Four scenarios for a climate-neutral integrated system are fully detailed. The study explains the consequences in terms of use of space, costs and practicability (manpower and lead time). It is clear that choices, including political choices, need to be made in the near future; work must commence in the right place without delay for the major modifications that are necessary.

Strategic initiative: Sustainable energy transition

To achieve the goals of the climate agreement, we are preparing, as a grid manager, for a future with a new energy system. It is therefore important for us to know what customer requirements we can expect and how we can respond to them. That is the objective of this initiative. We undertake a structured analysis of the customer requirement and predict how that requirement will develop. We use these insights to underpin our investment decisions and capacity forecasts. We base our structured analysis of the customer requirement on five themes: housebuilding, mobility, generation, large connections and reconstructions. At the same time, an action team has been working on providing insight and alternative solutions for partners in the chain in the event of shortage of transmission capacity, such as smart charging and releasing (possible) spare capacity.

Congestion

Congestion in our grids will become more frequent as a result of the energy transition. This means that the maximum capacity is being reached. These growing pains are evident in our service area on Goeree-Overflakkee; a popular location for sustainable energy generation, including solar roofs. To provide a structural solution to the problem, Stedin is installing two additional transformers in the distribution substation at Middelharnis. This work is expected to be completed by the end of 2023. Stedin carried out a study into the potential of congestion management. The study found that congestion management is not possible. This means that Stedin is temporarily unable to transmit the electricity generated by companies with a new rooftop solar project until the capacity has been expanded.

Regional Energy Strategies

The commitments in the Climate Agreement require each region to develop a Regional Energy Strategy, or RES. The Netherlands has 30 RES regions. Stedin is closely involved with 14 RES regions, while we manage both the electricity and the gas grid in 9 of them. Stedin has carried out grid impact assessments that offer insight into the implications (space requirement, lead time and costs) of the plans drawn up by the regions. Stedin's substantial commitment and active contribution are highly appreciated in the regions. RES regions faced a deadline for RES 1.0 on 1 July 2021. In the coming period, RES regions will define the concrete shaping of these plans and decisions will be made as to where and when which type of generation will go ahead. In March,

Netbeheer Nederland issued a guideline that gives RES regions greater insight into how concrete and certain a picture is needed in the RES, so that grid managers can use the information in their investment plans. The detailed calculation shows that the agreed climate target of 35 terawatt hours (TWh) onshore renewable energy generation by 2030 is feasible, provided that all the parties join together now in making concrete the challenges posed by the RES and draw up implementation programmes for modifying, developing and realising the spatial integration of infrastructure.

Heat transition

All local authorities in the Netherlands must provide a Transition Vision for Heat by the end of 2021. They shape the direction of the approach that local authorities choose to achieve a carbon-free built environment. Our area directors and account managers support municipalities in filling in the roadmap. Stedin introduced the Area Analysis Tool in spring 2021. This tool calculates the optimum natural gas alternative for heating homes. By linking buildings together in a logical manner, we create intelligent clusters based on building type and year of construction, for example. This is the first time that clustering has been employed on this scale.

Natural gas-free new housing developments

In the first half of 2021, nearly all (>95%) of the connections requested for new homes in our service area were natural gas-free.

Green Deal H2 districts

Last spring, public authorities and parties in the sector concluded the Green Deal H2 districts: 'towards practical use of hydrogen as a heat supply in residential districts'. In the Green Deal, the parties agree to jointly explore the development of districts on a hydrogen network in practice. Pilot projects conducted by grid managers RENDO (in Hoogeveen) and Stedin (on Goeree-Overflakkee) provide insights and practical experience regarding the benefits and conditions for the use of hydrogen in the built environment. We also joined with Alliander and Enexis Group to create a hydrogen test environment in the Green Village: the hydrogen street. Here, practical research can be conducted into hydrogen as a sustainable alternative to natural gas. Despite these initiatives, we do not expect hydrogen to play a significant role in the built environment until 2030 at the earliest.

Mobility vision

In its new paper on charging infrastructure 'Make smart charging the norm', Stedin calls on local authorities to opt for a smart charging infrastructure. Charging an electric car in combination with the energy consumption of a household can lead to a peak load on the electricity grid. This peak load can result in a power outage. This problem can be avoided by making smart charging of electric cars the norm. Smart charging means not charging a car at time A (peak time), but at time B (a less busy time). By spreading out the network load, every local resident can drive an electric car.

Number of connections for low-use consumers for charging infrastructure

We are receiving a growing number of requests for connections for charging infrastructure. In the first half of 2021, this number increased by 1,513 (21%). This compares with an increase of 1,912 (36.2%) for 2020 as a whole.

Strategic initiative: System Operator

We are preparing to make the transition to 'system operator'. As a system operator, we ensure that we predict, plan and control the energy flowing through the grid in a digital manner and in consultation with customers and market parties. This allows us to make better use of the capacity of the energy grid and ensures that the grid remains in balance. Insight into the grids is crucial in this respect. In the first six months of 2021, we completed the tendering procedure for a new software platform (Kafka). This enables us to read out data from 22,000 sensors, which we will install in our medium-voltage grid in the coming years. These data provide us with valuable insights for day-to-day grid control as well as for longer term analyses of grid load. We also have a new operating assets register for electricity. The system ensures that we can immediately register any adjustments to the assets on location. In June, we also started using a new forecasting system. This has improved our ability to control the increasingly complex energy flows that are generated from decentralised locations. It will also make our forecasts more accurate.



Sustainable business operations

We want to fulfil our role in the energy transition and ensure the ongoing reliability of our energy grid. At the same time, customers' energy bills should stay affordable and we want to stay in good financial health. This presents a challenge. Our solution: attracting capital, working efficiently and saving costs.

Key figures	Unit	Achieved on 30/06/2020	Target for 31/12/2021	Achieved on 30/06/2021
LTIR	ratio	1.45	1.95	0.27
RIF	ratio	0.82	0.90	0.79

Safety

We do everything we can to prevent workplace accidents and highly value a safe and healthy working environment and minimising risks to achieve this. We define workplace accidents as incidents resulting in lost time, incidents entailing alternative work or incidents requiring medical treatment. In the first half of 2021, the RIF¹ fell slightly by 3.65%, and the LTIR² fell sharply by 81% compared to June 2020. The figures show that the number of workplace accidents is relatively stable overall, but the number of accidents resulting in lost time fell sharply.

Financing of the energy transition

The current possibilities for financing the energy transition are insufficient to achieve a climate-neutral economy. In April 2020, PWC estimated that the three major regional grid managers (Alliander, Stedin and Enexis Netbeheer) and the manager of the national high-voltage grid (TenneT) will jointly need to invest €102 billion in the electricity grid and the regional gas grids by 2050. Therefore, the grid managers advocate changes to the current financing system to ensure the energy transition is facilitated according to plan.

Strengthening financial position.

Stedin's total investments in the energy transition up to 2030 are expected to total over €7 billion. The investments by Stedin in the energy grid are necessary to achieve the climate objectives and to fulfil the ambitions in the Regional Energy Strategies. Stedin will arrange external financing for a large part of this €7 billion. However, to be able to arrange external financing, we also require equity. Based on the current forecasts and climate plans, Stedin has a capital requirement of approximately €1 billion for the period up to 2030, and that is only set to increase, as climate targets are being raised further. In addition to increasing its equity,

Stedin has adopted several strategies to meet the financing challenge.

Stedin is reviewing its costs and implementing a savings programme aimed to cut €180 million in costs up to 2025. In the second half of 2021 we will review what additional measures we can take. In addition, Stedin will continue the dialogue with other grid managers and the Ministry of Economic Affairs and Climate Policy, the Ministry of Finance and the Netherlands Authority for Consumers and Markets (ACM) on how the energy transition should be financed. We are also looking at options for admitting new shareholders.

Long-term financing

In addition, Stedin has appealed to its shareholders. To cover its short-term capital requirement, Stedin made an initial request for €200 million in capital by issuing cumulative preference shares, which municipalities with shares in Stedin could individually subscribe to. During the meeting of shareholders on 25 June, the shareholders approved the capital contribution. A large majority of the shareholders subscribed to the preference shares. By doing so, they have enabled us to take a first major step towards a financially healthy future for Stedin Group, which also supports the progress of the energy transition in our region.

Long-term capital requirement

The capital requirement for which Stedin relies on its current shareholders will depend on the speed of the energy transition, the future regulatory regime and the level of the rates. In the second half of the year, Stedin and its shareholders will again start discussions on how a potential capital contribution can be achieved for the next period. At that time, we will also know the final details of the ACM's new method decision, which sets out the basis for the regulation of rates set by regional grid managers.

¹ RIF = Recordable Injury Frequency: the number of lost-time workplace incidents, incidents entailing alternative work or incidents requiring medical treatment per 200,000 hours worked

² LTIR = Lost Time Injury Rate: the number of lost-time workplace incidents per million hours worked

New refinancing arranged

In March, Stedin successfully refinanced a perpetual subordinated hybrid bond loan. The bond loan has a coupon rate of 1.500% and can be redeemed early in March 2027. The issue of the bond loan will enable Stedin to (partly) redeem the current hybrid bond loan with a coupon rate of 3.25%. This hybrid refinancing will reduce Stedin's capital costs. The net proceeds of this issuance will be used for general business purposes, with an emphasis on the energy transition.

Early redemption of loans

At the end of May, Stedin Group redeemed two bond loans (a GBP and a USD bond loan) early. As a result of this early redemption, the financing expenses for these green bond loans were brought forward, which gave rise to a one-off interest expense in May 2021. This is offset by lower interest expenses for future years.

Stronger Together: Stedin and DNWG to become a single organisation in 2022

With effect from 1 January 2022, Stedin and DNWG will be a single company that will carry out staff services and grid

management activities under a single name: Stedin. The operational organisation will continue to be structured on a regional basis. For the time being, staff members of the operational departments will continue to carry out their activities under the name DNWG. The aim is to integrate these staff members from 1 January 2023. This is based on the principle that everyone will get a position within Stedin. The total synergy gain is in excess of €100 million, which is well above the target of €85.9 million

One Planet

The key One Planet issues are CO₂ and particulate matter emissions, the use of materials, circularity and an inclusive society. The objectives at group level have largely been achieved. The increase in the 'CO₂ emissions generated by our business operations' is due to the fact that we now have a legal obligation to include the CO₂ emissions resulting from our gas grid losses in our accounting records.

CO ₂ en particulate matter emissions		2018	2019	2020	HY 2021
Compensation of network losses electricity	Target	100%	100%	100%	100%
	Realisation	100%	100%	100%	100%
Reduction of One Planet CO ₂ emissions (base year 2018)	Target	-14%	-9%	-18%	-27.0%
	Realisation	-2%	-13%	246%	279.0%

Raw materials		2018	2019	2020	HY 2021
Purchasing volume of primary assets transparent via raw materials passport	Target	n.v.t.	18.0%	100%	100%
	Realisation	n.v.t.	63.7%	96.5%	95.6%
Circularity of purchasing primary assets	Target	n.v.t.	n.v.t.	n.v.t.	38.0%
	Realisation	n.v.t.	n.v.t.	34%	35.4%

Consolidated interim financial statements for the first half of 2021

Consolidated interim financial statements

Accounting principles

Significant events and transactions during the first half of 2021

Consolidated interim financial statements

Consolidated income statement

x € 1 million	First half of 2021	First half of 2020
Net revenue and other income	632	609
Operating expenses	-567	-547
Operating profit	65	62
Financial income and expenses	-74	-28
Profit after income tax from associates and joint ventures	-	-
Profit before income tax	-9	34
Income tax	1	-9
Profit after income tax	-8	25

Consolidated balance sheet

x € 1 million	As at 30 June 2021	As at 31 December 2020
Assets		
Non-current assets	7,380	7,267
Current assets	305	305
Total assets	7,685	7,572
Equity and liabilities		
Total equity	2,960	2,891
Non-current liabilities	3,752	4,073
Current liabilities	973	608
Total equity and liabilities	7,685	7,572

Consolidated cash flow statement

x € 1 million	First half of 2021	First half of 2020
Cash flow from operating activities	138	143
Cash flow from investing activities	-248	-222
Cash flow from financing activities	104	115
Movements in cash and cash equivalents	-6	36

Accounting principles

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

Stedin Group's main activity is to ensure a safe, reliable and affordable energy supply. The grid managers of Stedin Group, Stedin Netbeheer and Enduris, achieve this on the one hand by building and managing the electricity and gas grids and preparing them for the future and on the other hand by facilitating the energy market. Stedin Netbeheer operates in the provinces of South Holland and Utrecht as well as parts of the North-East Friesland and Kennemerland regions. Enduris operates in the province of Zeeland. The subsidiary DNWG Infra provides energy infrastructure services to business customers. Utility Connect is a joint operation with Alliander that focuses on data communication for smart meters.

Stedin Netbeheer and Enduris operate 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-year report contains the interim financial statements of Stedin Group for the first half of 2021. The half-year 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 half-year report should be read in conjunction with the financial statements for the year 2020. The accounting principles for the valuation of assets and liabilities and the basis for consolidation applied in this half-year report are identical to those in the consolidated financial statements for the year 2020.

In preparing these 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 2021 compared with the estimates in the 2020 financial statements that require disclosure.

Significant events and transactions during the first half of 2021

Consolidated income statement

In the first half of 2021, we achieved an operating result of €65 million (2020: €62 million). This represents a year-on-year increase of €3 million. The operating result is under pressure due to the energy transition. Due to the impact of the energy transition, as well as the one-off expenses in respect of the early repayment of long-standing loans denominated in USD and GBP, the result after income tax came to a loss of €8 million. Adjusted for the one-off expenses totalling €38 million in respect of the early repayment of the loans in USD and GBP, financial income and expenses are in line with our expectations. The COVID-19 pandemic led to lower sales volume, and therefore lower sales revenue, in the heavy-use customers category. Overall, the pandemic had a limited impact, in line with 2020. We remain on course to achieve the target of €180 million in costs savings set under our five-year efficiency programme. In addition, we are making further preparations for the integration of DNWG with effect from 1 January 2022.

Consolidated balance sheet

Investments in property, plant and equipment and intangible assets in the first half of 2021 totalled €304 million, a 13% increase (2020: €268 million) in spite of the safety measures introduced as part of the 'new normal' during the COVID-19 pandemic. We are therefore on course to achieve the target for 2021. We financed our investments with cash from operating activities and by taking out new short-term loans.

Consolidated cash flow statement

The cash flow from operating activities came to €138 million, in line with the previous year. The cash flow from investing activities was even more negative than in the first half of 2020. Year-on-year, the net cash outflow from investing activities increased by €26 million. The positive cash flow from financing activities of €104 million is attributable to new short-term loans taken out to finance investments.

Financing, solvency and credit rating

In the first year of 2021, Stedin Group issued a perpetual bond loan of € 500 million with a coupon rate of 1.500%. For the perpetual bond loan with a coupon rate of 3.25%, Stedin agreed with the bond holders that an amount of €410 million will be redeemed early at a premium of €9 million. In addition, in May 2021, Stedin redeemed USD and GBP bond

loans; in total, €196 million in principal was redeemed, part of which was redeemed early at a premium of €38 million. On 25 June 2021, Stedin agreed a capital contribution with its shareholders in the form of preference shares totalling €200 million to be implemented in the second half of 2021, which has not been recognised in the interim financial statements for the first half of 2021.

As at 30 June 2021, our solvency ratio stood at 43.5% (year-end 2020: 43.0%). Stedin Group's policy is aimed at maintaining a solvency ratio of at minimum 40% in the long term. Stedin Group's goal is to retain an A- Standard & Poor's (S&P) credit rating with a stable outlook in the long term. Consequently, there is an adequate buffer for continued compliance with the minimum credit rating requirement pursuant to the Grid Managers (Financial Management) Decree (Besluit Financieel Beheer Netbeheerders) (a rating of at minimum BBB/Baa2).

As at 30 June 2021, the FFO/Net Debt ratio stood at 10.9 (year-end 2020: 12.0). FFO decreased, this is mainly caused by the timing of tax payments and an increase in interest paid, including premium in respect of early redemptions. The net debt position as at 30 June 2021 was higher compared to year-end 2020, as a result of new loans taken out.

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