

DECISIVE AND ENERGETIC

Extract annual report 2022



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Explanatory note

This document is an extract from our Dutch Annual Report 2022, published on 21 February 2023. 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 21 March 2023 and will be posted on our website: www.stedingroep.com.



DECISIVE AND
ENERGETIC

CEO'S FOREWORD

What comes first: the means or the objective? That was a fundamental question for us when drafting our new strategy for the 2023-2027 period. We decided that the objective should have pride of place. First and foremost, we are a company with a social function and our social task takes priority. Next, we attract the financial resources we need to fulfil this social task.

It is a task that is both straightforward and highly complex: ensuring sufficient grid capacity. In other words, making sure that everyone in our service area has access to the grid. Our task is to build, effectively utilise and properly manage our grid. This is what we stand for; this is our mission. By bringing this sharply into focus, we will gain a more visible position in the energy transition.

Over the past five years, we have been increasingly successful in taking the outside world on board – for instance by entering into dialogue with the industrial sector on electrification or with municipalities on the duration of planning permission procedures. A clear division of roles will help to further clarify that dialogue. And it is essential for us to continue the dialogue. If local authorities and companies allow us to play a role in their plans, this will place us in a better position to help achieve their – and our – ambitions.

We arrived at the new strategy thanks to input from a variety of stakeholders, including clients, municipalities and our own employees. To implement the strategy, we need sufficient numbers of employees, as well as sufficient funds and material resources, and we will need to speed up processes. We are working hard to ensure those requirements are in place.

Yet our biggest challenge lies elsewhere. Current developments on the grid – over the past year alone, demand for electricity has quadrupled – mean that reliable and affordable grid management no longer suffices. We need to become more creative, develop alternatives and join forces with other market parties to explore opportunities to accelerate grid capacity expansion and optimise the use of existing capacity. This is essential to ensure we can serve all clients (in the generation and consumption segments) within a reasonable term.

“ Despite the considerable demand for energy, we have managed to keep security of supply at 99.9959%. ”

That is something to be proud of. Unfortunately, though, problems did occur. This year we again had several major disruptions and we also had to cope with two serious incidents, in Zoetermeer and Rijswijk. We deeply regret these and are making every possible effort to prevent similar incidents in the future.

We move ahead energetically and decisively, by building capacity and further optimising the way we use the grid. In this way we make sure that everybody receives energy, provides energy and remains energised.

On behalf of the Board of Management,

Koen Bogers



2022 IN NUMBERS



Improved grid management

2022	2021
Average downtime	
22	19
Electricity (in minutes)	
50	29
Gas (in seconds)	
Customer effort score	
81%	75%
Supply reliability (in %)	
99.9959	99.9964
Growth in reinforcing connections for low-use consumers for sustainability reasons	
6%	23%



Facilitating the energy transition

2022	2021
Investments (in millions)	
€ 712	€ 687
Electric driving	
2,655	2,791
Growth in number of low-use connections including Enduris	
Sustainable generation of solar power (in MW)	
630	600
Solar power connected in the year	
Sustainable generation of wind power (in MW)	
131	69
Wind power connected in the year	



Sustainable business operations

2022	2021
Employee satisfaction	
7.7	7.6
Engagement	
7.9	7.8
Commitment	
Safety LTIR	
0.52	0.54
Number of lost-time injuries with absenteeism per million hours worked	
Safety RIF	
0.91	0.76
Number of recordable incidents per 200,000 hours worked	
Reduction CO₂ emissions business operations	
-48%	-45%
Own business operations excluding network losses gas	
Number of Participation Act-Employees	
115	94



Financial Results

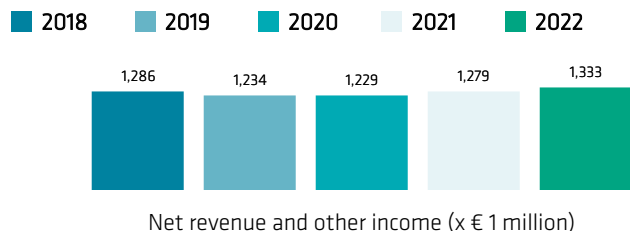
2022	2021
Net revenue and other income (in millions)	
€ 1,333	€ 1,279
Solvency (in %)	
44.4	45.6
Balance sheet total (in millions)	
€ 8,250	€ 8,182
FFO/Net debt ratio	
10.1%	11.3%

FINANCIAL RESULTS 2022

Stedin Groep achieved a net profit of €47 million in 2022 (2021: €21 million). This figure is lower than expected, which can be attributed to considerable geopolitical unrest over the period, driving up energy prices and reducing the availability of raw materials and commodities, combined with shortages in the labour market.

Total net revenue and other income

Net revenue and other income in 2022 was €1,333 million. This is €54 million more than in 2021, thanks to higher transmission revenues and higher revenues in the metering domain. The Method Decision – the basis of tariff regulation for regional electricity grid managers – was amended with effect from 2022 and contributed to a positive effect. In addition, rates in the metering domain were reduced in 2021 to compensate for the excess returns achieved in previous years.

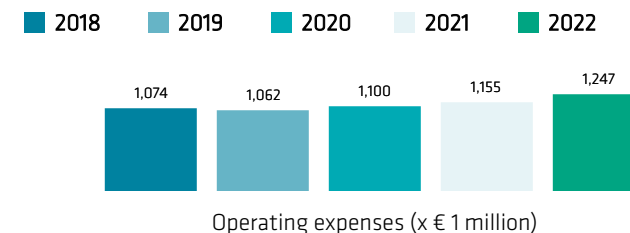


Total operating expenses

In 2022, total operating expenses increased by €92 million (8%) to €1,247 million, driven by the €110 million increase in grid loss costs and, among other things, the €21 million increase in transmission costs and the €16 million increase in personnel expenses. On the other hand, other operating expenses decreased by €40 million, which was due in part to the elimination of municipal sufferance taxes, which municipalities are no longer permitted to charge effective 2022, and a €27 million decrease in depreciation charges.

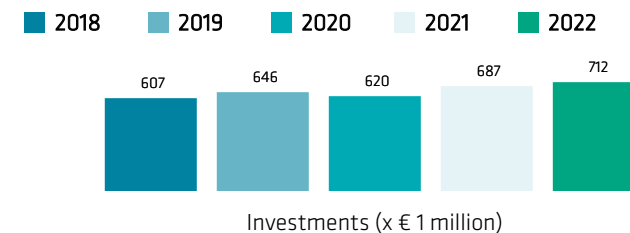
Due to the soaring energy prices, grid loss costs have increased considerably. In the years to come, this effect will continue to be visible in the costs reported by Stedin. The grid manager is responsible for the purchasing of energy that is made available on the grid but not registered as sold to customers. This lost energy is known as 'grid loss' and has both physical and non-physical causes, such as the heating of cables, leakage currents, vacancy and fraud. Due in part to the sharp increase in energy prices, Stedin decided to adopt a different purchasing strategy which involves longer-term purchasing compared with Stedin's previous practice. As a result, Stedin's costs are now less exposed to short-term fluctuations in energy prices, which improves the quality of financial forecasts. In addition to this change in purchasing strategy, Stedin has also considered other measures to minimise grid losses. For example, it is implementing process optimisations with several of its internal departments. For more information about grid losses caused by fraud, see 'Energy theft and safety'.

The fall in depreciation charges can be largely attributed to a change in the depreciation method for gas-related assets (other than client meters), which was introduced on 1 January 2022. For further information, see 'Change of accounting estimate for depreciation method and useful life' in the notes to the consolidated financial statements,



Investments

Investments in property, plant and equipment and intangible assets in 2022 amounted to €712 million, an increase of 4% (2021: €687 million). 2022 saw a sharp rise in grid-driven investments while client and meter-driven investments decreased slightly compared with 2021.



Efficiency

In 2018 we launched a five-year efficiency programme in order to reduce our costs on a permanent basis. The initial target was to achieve a permanent cost reduction of €150 million per year. In 2020, we raised the cost reduction target to €180 million, to be achieved in 2025. From 2018 to year-end 2022, we achieved cumulative costs savings totalling €166 million. We ended the programme in late 2022. The efficiency measures that were ongoing or were yet to take effect as per year-end 2022 have been incorporated into a new programme. In that programme, we will recalibrate existing measures, add further measures and tighten our policy objectives.

Total cost savings	2018	2019	2020	2021	2022
Cumulative cost savings in millions of euros	40	62	109	143	166

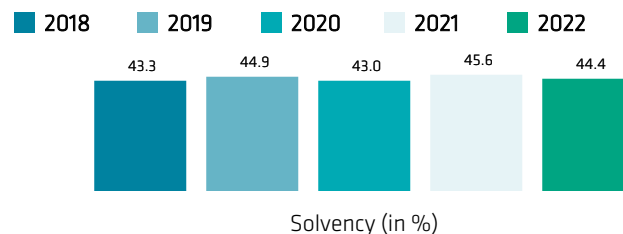
We realised a large part of the efficiency improvement through the results on four strategic initiatives. In addition, the integration of DNWG with Stedin Groep also helped to improve our efficiency. While we are working more and more efficiently, the volume of our work is increasing. As a result, our absolute operating costs (excluding transmission and grid loss costs, and excluding the elimination of municipal sufferance taxes) rose by € 38 compared with 2021, to €508 million. In addition, investments in business assets increased by €25 million to €712 million.

Financing, solvency and credit rating

This year, increased investments led to a negative cash flow of €297 million after operating and investing activities. This resulted in an increased financing need. Combined with Stedin's financing activities, this has resulted in €53 million in cash and cash equivalents at year-end.

In all, Stedin currently has €1.5 billion in outstanding green bonds, which was the subject of a new Allocation & Impact report in December.

Our solvency ratio on 31 December 2022 was 44.4% (2021: 45.6%). Stedin Groep's policy is aimed at maintaining a solvency ratio of at least 40% in the long term. The objective of the Groep is to retain its A- credit rating with a stable outlook, provided by Standard & Poor's (S&P). On 25 July 2022, Stedin's credit rating, A- with a stable outlook, was reconfirmed by S&P. For the latest developments regarding the credit rating, refer to [Subsequent events](#).



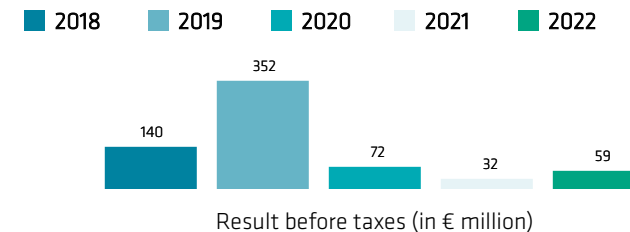
FFO/Net Debt ratio

The FFO/Net Debt ratio as at 31 December 2022 was 10.1% (year-end 2021: 11.3%). The ratio fell, mainly as a result of the sharp fall in the FFO caused by the increase in grid loss costs. The net debt also increased as a result of new financing raised.

Income tax

Profit before tax was €59 million for 2022 (2021: €32 million). The tax expense increased by €4 million in 2022 to €15 million, partly due to a higher profit before income tax. The effective tax rate (as a percentage of profit before income tax from continuing operations) in 2022 was 25.3%% (2021: 34.72%).

Deferred tax assets and liabilities were stated as at 31 December 2022 at the current tax rate of 25.8%.



CATEGORIES OF STRATEGIC RISKS AND OPPORTUNITIES

Stedin Groep assigns its strategic risks and opportunities to five categories, from low to 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 on the next page for 2022.

Risks are always changing, due to the multitude of uncertainties involved. We make periodic risk estimates, each time involving a reassessment of those factors to determine whether the risk is increasing, stable or decreasing. This applies both to the probability of a risk and to its potential impact if it does occur. We have identified several important developments compared with 2021:

- The availability of materials poses a risk for Stedin. Unavailability of materials when they are needed can result in project delays. So far, Stedin has been able to ensure that the materials it needs are available when needed;

- Due to geopolitical tensions, the costs of energy increased and also became more volatile in 2022. The reporting year also saw a sharp increase in grid loss costs. However, the measures taken have helped to mitigate this risk to a certain extent;
- Since we signed the framework of agreements with Alliander, Enexis and the national government, at the end of 2022, the pressure on maintaining our 'A' rating with S&P has decreased;
- By scaling up our recruitment department, maximising our focus on the training of fitters and optimising the Strategic Personnel Plan, we are continuously improving our understanding of the challenge ahead of us while also expanding our resources to tackle it.

Legend of strategic opportunities

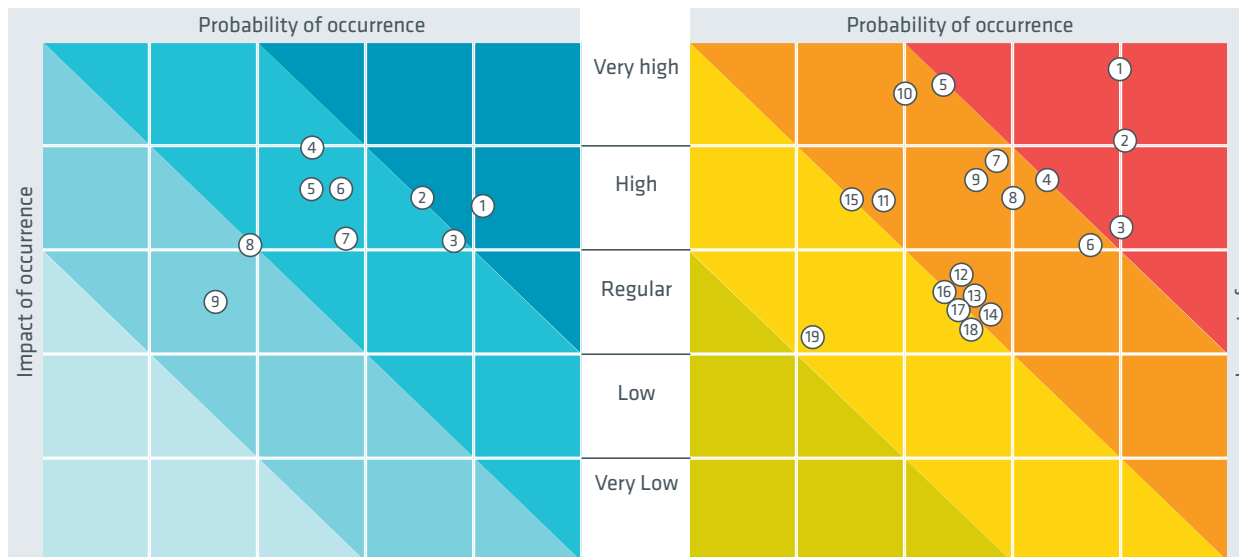
■ Top ■ High ■ Moderate ■ Low

Legend of strategic risks

■ Top ■ High ■ Moderate ■ Low

Strategic opportunities:

1. Reduce societal costs through collaboration within the service area
2. Utilise new energy carriers
3. Increase predictability of investments through improved prediction of customer demand
4. Enable future-proof grid management by means of data-driven forecasts and decision-making
5. Develop and deploy disruptive technologies and methods
6. Perform comprehensive assessment for allocating investments between electricity, gas or future energy sources
7. Position Stedin as a highly relevant partner in the energy transition
8. Enter into strategic supplier relationships
9. Rates structure of the future



Strategic risks:

1. Cyberattack causing damage to society and business operations
2. Insufficient connection and transmission capacity
3. Availability of materials
4. Availability and quality of data insufficient
5. Gas investments difficult to plan
6. IT/OT landscape insufficiently prepared for the future
7. Increased likelihood of surge to replace obsolete assets
8. High activity in outdoor space and underground
9. Lack of people with the required competences
10. Grid losses
11. Increasing pressure to maintain the 'A' category credit rating (at S&P) in the long term
12. Large-scale product recall
13. Environmental pollution of surroundings
14. Services on core tasks insufficiently compliant
15. Impact of accidents related to Stedin Groep
16. Uncertainty about implications of changes in the Dutch and European regulatory environment (E&G)
17. Focus on cultural values and conduct insufficiently effective
18. Excessive environmental footprint (of own operations)
19. Uncertainty about the duration of availability of the communication network

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 tactical-operational objectives and at 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. This means 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 2022 and discussed this with the senior leadership team, the Board of Management and the Supervisory Board. Monitoring and evaluation took place based on the regular business control reports containing an overview of tactical-operational risks and controls, business self-assessments resulting in Letters of Representation and quarterly updates on strategic risks and opportunities. Account was also taken of the information from reports from the internal audit function and the external auditor. These interim assessments gave rise to improvement plans that have in part already been implemented and in part are yet to be implemented. Full implementation of the recovery plans will lead to more manifest 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;
- the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of 12 months after the preparation of the report.

Rotterdam, 21 February 2023

Board of Management,

Koen Bogers, CEO (chair)

Danny Benima, CFO

Trudy Onland, COO

David Peters, CTO

2022 FINANCIAL FIGURES

These financial figures present the financial information of Stedin Holding N.V. for the full year 2022, with comparative figures for 2021.

CONSOLIDATED INCOME STATEMENT

x € 1 million	2022	2021
Net revenue	1,316	1,265
Other income	17	14
Total net revenue and other income	1,333	1,279
Personnel expenses	453	436
Cost of sales and contracted work	499	357
Other operating expenses	165	209
Capitalised own production	-216	-207
	901	795
Depreciation, amortisation and impairment of non-current assets	346	360
Total operating expenses	1,247	1,155
Operating profit	86	124
Financial income and expenses	-30	-93
Result from associates and joint ventures after income tax	3	1
Profit before income tax	59	32
Income tax	-15	-11
Result after income tax	44	21
Profit distribution:		
Profit after income tax attributable to holders of Stedin Holding N.V. perpetual subordinated bonds (after income tax)	6	17
Profit after income tax attributable to the shareholders of Stedin Holding N.V.	38	4
Result after income tax	44	21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

x € 1 million	2022	2021
Result after income tax	44	21
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
Unrealised gains and losses that may be reclassified to the income statement		
Unrealised gains and losses on cash flow hedges	57	22
Recycling cash flow hedge reserve to income statement	-6	10
Deferred tax liabilities on cash flow hedges / cost of hedging	-13	-8
Effect of change in tax rate on cash flow hedge reserve / cost of hedging	-	1
Total other comprehensive income	38	194
Total comprehensive income	82	215
Profit distribution:		
Holders of Stedin Holding N.V. perpetual bond loan (after income tax)	6	17
Shareholders of Stedin Holding N.V.	76	198
Total comprehensive income	82	215

CONSOLIDATED BALANCE SHEET

x € 1 million	31 December 2022	31 December 2021
ASSETS		
Non-current assets		
Property, plant and equipment	8,008	7,635
Intangible assets	100	92
Right-of-use assets	70	73
Financial assets	-	-
- Derivative financial instruments	-	-
- Other non-current financial assets	13	14
Total non-current assets	8,191	7,814
Current assets		
Assets held for sale	-	4
Inventories	54	51
Trade and other receivables	222	165
Derivative financial instruments	-	15
Cash and cash equivalents	53	133
Total current assets	329	368
TOTAL ASSETS	8,520	8,182

x € 1 million	31 December 2022	31 December 2021
LIABILITIES		
Group equity		
Equity attributable to Stedin Holding N.V. shareholders	2,836	2,764
Perpetual subordinated bond loan	506	506
Total group equity	3,342	3,270
Non-current liabilities		
Provisions for employee benefits	10	9
Other provisions	11	15
Deferred tax liabilities	349	340
Derivative financial instruments	34	64
Interest-bearing debt	3,116	2,675
Lease obligation	59	61
Deferred income	960	876
Total non-current liabilities	4,539	4,040
Current liabilities		
Provisions for employee benefits	5	4
Other provisions	1	3
Derivative financial instruments	19	-
Interest-bearing debt	280	531
Lease obligation	12	14
Current tax liabilities	14	12
Trade and other liabilities	308	308
Total current liabilities	639	872
TOTAL LIABILITIES	8,520	8,182

CONSOLIDATED CASH FLOW STATEMENT

x € 1 million	2022	2021
Profit after income tax	44	21
Adjusted for:		
· Financial income and expenses recognised in the income statement	30	93
· Income tax recognised in the income statement	15	11
· Share in result of associates and joint ventures	-3	-1
· Depreciation, amortisation and impairments of property, plant and equipment, intangible assets and right-of-use assets	346	360
· Result on sale of property, plant and equipment and intangible assets	-7	-
· Movements in working capital	-60	-
· Amortisation of customer construction contributions received	-22	-22
· Movements in derivative financial instruments	7	6
· Movements in provisions and other	-13	-10
Cash flow from business operations	337	458
Dividend received from associates and joint ventures	-	4
Interest paid*	-38	-87
Interest paid leases	-1	-1
Interest received	4	1
Corporate income tax received	-17	1
Cash flow from operating activities	285	376
New loans issued	-7	-10
Repayments of loans granted	7	12
Disposal of subsidiaries	9	-
Investments in property, plant and equipment	-703	-679
Disposal of property, plant and equipment	8	-
Investments in intangible assets	-3	-2
Customer construction contributions received	107	112
Cash flow from investing activities	-582	-567

x € 1 million	2022	2021
Dividend payments	-1	-21
Dividend payments preference shares	-3	-
Paid-up capital preference shares	-	200
Repurchase of hybrid securities	-	-511
Proceeds from issuance of hybrid securities	-	500
Payment of lease liabilities	-14	-17
Coupon and cost on perpetual subordinated bonds	-7	-7
Cost from issuance of preference shares and subordinated bonds	-	-5
Repayment of non-current interest-bearing debt	-533	-195
Repayment of current interest-bearing debt	-770	-2,800
Non-current interest-bearing debt newly issued	495	497
Current interest-bearing debt newly issued	1,050	2,600
Cash flow from financing activities	217	241
Movements in cash and cash equivalents	-80	50
Balance of cash and cash equivalents as at 1 January	133	83
Balance of cash and cash equivalents as at 31 December	53	133

* Interest paid in 2021 includes the premium for early repayment of the USD and GBP loans of €38 million. The repayment of the USD and GBP loans is recognised as cash flow from financing activities.

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

x € 1 million	Equity attributable to Stedin Holding N.V. shareholders									Perpetual subordinated bond loan	Non-controlling interests	Total group equity
	Paid up and called-up share capital	Share premium	Revaluation reserve	Legal reserve	Cash flow hedge or hedging reserve	Cost of hedging reserve	Retained earnings	Undistributed profit	Total			
As at 1 January 2021	497	-	662	4	-78	-	1,275	30	2,390	501	-	2,891
Total other comprehensive income after income tax	-	-	128	-	25	-	41	-	194	-	-	194
Profit after income tax 2021	-	-	-	-	-	-	-	4	4	17	-	21
Total comprehensive income	-	-	128	-	25	-	41	4	198	17	-	215
Transactions with shareholders												
Dividend payments relating to 2020	-	-	-	-	-	-	-	-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 2020	-	-	-	-	-	-	9	-9	-	-	-	-
Reclassification	-	-	-	-1	-	-	2	-	1	-	-	1
Total other	-	-	-	-1	-	-	11	-9	1	-	-	1
As at 31 December 2021	539	158	790	3	-53	-	1,323	4	2,764	506	-	3,270

Equity attributable to Stedin Holding N.V. shareholders												
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
As at 1 January 2022	539	158	790	3	-53	-	1,323	4	2,764	506	-	3,270
Total other comprehensive income	-	-	-	-	39	-1	-	-	38	-	-	38
Profit after income tax 2022	-	-	-	-	-	-	-	38	38	6	-	44
Total comprehensive income	-	-	-	-	39	-1	-	38	76	6	-	82
Transactions with shareholders												
Dividend payments relating to 2021	-	-	-	-	-	-	-	-1	-1	-	-	-1
Cumulative preference dividend	-	-	-	-	-	-	-	-3	-3	-	-	-3
Coupon on perpetual subordinated bond loan	-	-	-	-	-	-	-	-	-	-8	-	-8
Tax on coupon on perpetual subordinated bond loan	-	-	-	-	-	-	-	-	-	2	-	2
Total transactions with shareholders	-	-	-	-	-	-	-	-4	-4	-6	-	-10
Other												
Profit appropriation 2021	-	-	-	-	-	-	1	-1	-	-	-	-
Release from revaluation reserve due to depreciation of regulated networks	-	-	-37	-	-	-	37	-	-	-	-	-
Reclassification	-	-	-	6	-	-	-7	1	-	-	-	-
Total other	-	-	-37	6	-	-	31	-	-	-	-	-
As at 31 December 2022	539	158	753	9	-14	-1	1,354	38	2,836	506	-	3,342

CAPITAL MANAGEMENT

The primary goal of Stedin Groep'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 Groep can influence its capital structure by altering its leverage ratio. Stedin Groep regards both capital (including the perpetual subordinated bond loan) and senior debt as relevant components of its financing structure and therefore of its capital management. The current interest-bearing debt is, aside from the private loans, raised mainly in the European bond market. In addition to maintaining relationships with these existing investors in the above-mentioned financing markets, Stedin Groep 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 Groep 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, which qualifies the perpetual subordinated bond loan 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 Groep'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 Groep's credit rating.

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.

As at the balance sheet date, Stedin's credit rating from S&Ps is A- with a stable outlook for the long term and A-2 for the short term. These have not changed compared to 2021. For the latest development concerning the credit rating refer to [Subsequent events](#).

The most important ratio for Stedin Groep 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 Groep presents this figure only at year-end 2022 and 2021.

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 Groep 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	2022	2021
EBITDA	431	485
-/- Interest paid	-35	-87
-/- Tax paid	-17	1
-/- S&P adjustments	-9	-14
S&P - Funds from Operations	370	385
Non-current interest-bearing debt	3,116	2,676
Current interest-bearing debt	280	531
Lease liabilities	71	74
-/- Cash and cash equivalents	-53	-133
IFRS - NET DEBT	3,414	3,148
+ S&P adjustments	263	261
S&P - NET DEBT	3,677	3,409
FFO / Net Debt - S&P adjusted	10.1%	11.3%

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 10.1% in 2022, from 11.3% in 2021. The decrease in the FFO by € 14 million was largely driven by higher cost of network losses. The net debt position (Net Debt) at year-end 2022 was € 268 million higher than in 2021, which can be explained by the issuance of a new green bond loan of € 500 million and a regular repayment of a part of an existing loan of € 300 million.

This annual FFO/Net Debt percentage is below the target of at least 12%. However, Stedin is working on strengthening the balance in the processes with the national government and new and existing (regional) shareholders. Stedin therefore sees this as a temporary situation as it is expected that the balance sheet reinforcement will be completed before the summer of 2023.

Tax paid in 2022 was € 18 million higher due to higher result before tax. The higher operating profit was partially 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>.

SUBSEQUENT EVENTS

S&P credit rating

On 14 February 2023, Standard & Poor's (S&P) published a sector report including an update of Stedin's credit rating. The most important conclusions are:

- S&P has downgraded the Stand Alone Credit Profile (SACP) from A- to BBB+ on the basis of the 3-year outlook.
- The Dutch regional network operators with an S&P rating are given the status of "Government Related Entity"
- The consequence for Stedin is a "1 notch" uplift of the SACP, as a result of which the Issuer Credit Rating (ICR), including the downgrade, is A- with a stable outlook.
- The short-term credit rating has remained unchanged at A-2.

The Dutch regional network operators are given the status of "Government Related Entity" after an assessment of the framework agreement and the willingness and ability of the State to pay additional capital if the credit rating is jeopardized. The reservation of € 500 million by the State in the the national budget to strengthen Stedin's equity is also regarded as essential. S&P underlines in the report that capital reinforcement by (potential) shareholders will remain important in the future in order to be able to make all the necessary investments and to maintain the credit rating. The consequences of the conclusions from the report are currently being investigated by Stedin. Stedin's financial policy remains unchanged for the time being, with maintenance of an ICR of A- remaining an essential starting point.

For the S&P publication, we refer to the Credit Ratings section of our Investor Relations website: <https://www.stedingroep.nl/investor-relations>.

GENERAL INFORMATION

FIVE-YEAR OVERVIEW

	Unit	2022	2021	2020	2019	2017
Income statement						
Revenue	€ mln	1,316	1,265	1,216	1,220	1,270
Total operating income	€ mln	1,333	1,279	1,229	1,234	1,286
Total operating expenses	€ mln	1,247	1,155	1,100	1,062	1,074
EBITDA	€ mln	432	484	463	489	509
Operating profit	€ mln	86	124	129	172	212
Profit after income tax	€ mln	44	21	42	325	118
Balance sheet						
Property, plant and equipment	€ mln	8,008	7,635	7,057	6,753	6,406
Total assets	€ mln	8,520	8,182	7,572	7,289	6,991
Equity	€ mln	3,342	3,270	2,891	2,949	2,699
Total interest-bearing debt	€ mln	3,396	3,281	3,183	3,004	3,044
Investments in non-current assets	€ mln	712	687	620	646	607
Cash flows						
Cash flow from operating activities	€ mln	285	376	408	374	461
Cash flow from investing activities	€ mln	-582	-567	-512	-236	-587
Cash flow from financing activities	€ mln	217	241	115	-235	222
Credit rating						
Long-term rating (S&P)	rating	A-	A-	A-	A-	A-
Solvency	%	44.4	45.6	43.0	44.9	43.3
FFO/Net debt	ratio	10.1	11.3	12.0	12.3	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	416	-	-	-

	Unit	2022	2021	2020	2019	2018
Operational ratios						
High-use electricity connections	number	20,340	19,911	19,379	18,912	22,692
Low-use electricity connections	number	2,339,571	2,322,087	2,303,313	2,283,563	2,263,009
Quantity of electricity transported	GWh	20,746	20,529	20,171	21,100	21,330
Length of electricity cables	km	58,250	57,616	56,854	56,140	55,604
Length of electricity cables laid	km	715	998	1,059	1,034	806
High-use gas connections	number	8,561	9,112	9,556	9,633	10,761
Low-use gas connections	number	2,091,573	2,104,230	2,111,265	2,111,038	2,104,174
Quantity of gas distributed	million m ³	3,782	4,907	4,365	4,651	4,852
Length of gas pipelines	km	28,145	28,160	28,206	28,216	28,190
Length of gas pipelines laid	km	231	256	227	221	250
Medium-voltage failures resulting in disruption	number	507	465	523	519	433
Facilitated supplier switches	number	395	685	883	824	713
Safety						
Lost Time Injury Rate (LTIR)	ratio	0.52	0.54	0.40	2.19	3.00
Recordable Incident Frequency (RIF)	ratio	0.91	0.76	0.70	1.00	1.00
Outages and interruptions in electricity supply						
Average duration of interruption MV/LV (CAIDI)	minutes	96	87	112	82	76
Interruption frequency MV/LV (SAIFI)	number	0.225	0.216	0.231	0.245	0.223
Annual average downtime MV/LV (SAIDI)	minutes	22	19	26	20	17
Annual average downtime HV/MV/LV (SAIDI)	minutes	25	20	27	21	18
Outages and interruptions in gas supply						
Average duration of interruption (CAIDI)	minutes	141	88	75	270	122
Interruption frequency (SAIFI)	number	0.006	0.006	0.006	0.005	0.0094
Annual average downtime (SAIDI)	seconds	50	29	26	87	69

	2022	2021	2020	2019	2018
Information on total number of employees					
Number of employees of Stedin Groep	4,324	4,194	4,276	4,346	4,470
Number of employees at Stedin	4,029	3,651	3,652	3,672	3,665
Number of employees at NetVerder	8	6	5	5	-
Number of employees at Joulz Diensten	-	-	-	-	153
Number of employees at DNWG Infra	287	537	619	669	652
Number of employees on a full-time contract					
Male employees	3,296	3,250	3,319	3,403	3,517
Female employees	386	364	363	357	385
Number of employees on a part-time contract					
Male employees	252	210	217	200	184
Female employees	390	370	377	386	384
Number of employees on a permanent contract					
Male employees	3,168	3,207	3,323	3,402	3,457
Female employees	670	650	667	679	701
Number of employees on a temporary contract					
Male employees	380	253	213	201	244
Female employees	106	84	73	64	68
CLA/Non-CLA					
CLA	4,110	4,007	4,092	4,158	4,282
Non-CLA	214	187	184	188	188
Diversity of boards and employees					
Younger than 25	121 (3%)	70 (2%)	76 (2%)	66 (2%)	59 (1%)
Between 25 and 34	942 (22%)	814 (19%)	908 (21%)	843 (19%)	872 (20%)
Between 35 and 44	1.110 (26%)	1.089 (26%)	1.060 (25%)	1.056 (24%)	1.060 (24%)
Between 45 and 54	898 (21%)	863 (21%)	908 (21%)	923 (21%)	1.005 (22%)
55 and older	1.253 (29%)	1.358 (32%)	1.324 (31%)	1.458 (34%)	1.474 (33%)
Number of women in management positions	80	79	64	60	64
Number of men in management positions	213	223	224	224	231

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 Groep. 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 Groep is stated in the documents filed by Stedin Groep with Euronext Amsterdam.

Except as required on the basis of laws and regulations, Stedin Groep 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.

Certain parts of the Annual Report and the Financial Statements have been audited by our auditor. The section entitled 'Independent Auditor's Report' describes which parts have been audited, and how, by the independent auditor.

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