Press release

First half year results Stedin Group

Strengthened financial position, increased investment in the energy transition

Rotterdam, 13 August 2019 – In the first half of 2019, Stedin Group posted as expected an operating profit of €88 million (2018: €121 million). Stedin Group is investing heavily in today's and tomorrow's energy supply: €306 million in the first half of 2019 (2018: €284 million). Stedin used the proceeds of the sale of Joulz to redeem debt and it also strengthened the balance sheet position.

Danny Benima, Stedin Group CFO: "We have strengthened our balance sheet position with the sale of Joulz. This is contributing to Stedin Group's financial health and is necessary for continued investment in future-proof infrastructure in a changing energy world. Efficiency is also receiving our attention to ensure that our services remain affordable in future."

Sustainable operations

Stedin Group sold Joulz to a British company, 3i Infrastructure, for €310 million during the first half of 2019. The activities of Joulz Infradiensten and Joulz Meetbedrijf were no longer in line with the strategy of Stedin Group. The Joulz unit with activities unrelated to natural gas and electricity is remaining with Stedin Group and will continue under the NetVerder name. NetVerder is assisting the energy transition by developing, constructing and maintaining energy infrastructure, including steam, biogas and heating.

DNWG in Zeeland is being more closely integrated into Stedin Group to achieve greater synergy gains. Detailed planning for this was developed during the first half of the year. From 1 January 2022, DNWG and Stedin will form a single organisation with combined head-office services and undertake grid management activities under one name.

Following its annual review, on 31 July 2019 Standard & Poor's (S&P) confirmed Stedin's credit rating, which remains at A- with a stable outlook in the long term and at A-2 in the short term.

Better grid management

Raising customer satisfaction received much attention during the first half of the year. The focus was on improving service when providing and installing smart meters. Customers are now better able to plan appointments online, and communications during the installation have been improved. This has been reflected in customer satisfaction. Overall, 71% of customers gave Stedin Group a rating of 8 out of 10 or better in the first half year. This represents an improvement of 3 percentage points compared with last year.

On 27 January 2019, there was an explosion in Jan van der Heijdenstraat in The Hague which injured ten people and damaged three houses beyond repair. The investigation by the Public Prosecution Service and the State Supervision of Mines (SSM) showed that there had been a crack in the grey cast-iron gas main in the street. The reason for the crack has not been identified with certainty. The Public Prosecution Service stated that no unjustifiable matters have been identified. SSM concluded that Stedin has done everything it could to prevent this incident. SSM will hold meetings with all grid managers in the near future on accelerating the replacement of grey cast-iron gas mains. As a result, Stedin Group's capital expenditure will increase.

Accelerating the energy transition

Proposals for the Climate Agreement were recently presented. Since the increase in sustainable energy generation is already affecting the energy grid, grid managers incorporated measures in the Agreement in order to be able to anticipate developments quickly. Grid managers want to reinforce the electricity grid in good time and make smarter use of the existing grid. Stedin also has high expectations for the arrangements on a neighbourhood-based approach in built-up areas as this enhances the manageability and predictability of the work.

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Stedin Group is examining alternative methods of heating. Stedin is running a demonstration project to heat homes in the Rozenburg area of Rotterdam entirely with hydrogen which is transported through existing gas pipelines to a boiler-room of a nearby block of flats. The hydrogen boilers are in operation and are heating some of the flats. This is a first, since homes in the Netherlands have never before been heated with high-efficiency boilers using pure hydrogen.

About Stedin Group

Working together towards a world full of new energy. Stedin Group's 4,300 employees work towards this goal every day. We believe it is our responsibility to ensure that all our customers can have sustainable energy where they live, work and do business. As Stedin Group, we are making the energy system more sustainable while keeping it robust and affordable. Grid operators Stedin (Zuid-Holland and Utrecht) and Enduris (Zeeland) and infrastructure specialist DNWG Infra work together within Stedin Group to achieve this.

Editorial note, not for publication

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Financial information for the half year ending 30 June 2019

Condensed balance sheet		
x € 1 million	30 June 2019	30 June 2018
Assets		
Non-current assets	6,792	6,399
Current assets	333	331
Total assets	**7,125**	**6,730**
Equity and liabilities		
Total group equity	2,942	2,628
Non-current liabilities	3,487	3,174
Current liabilities	696	928
Total equity and liabilities	**7,125**	**6,730**

Condensed income statement		
€ millions	First half of 2019	First half of 2018
Total net revenue and other income	620	655
Total operating expenses	-532	-534
Operating profit	88	121
Financial income and expenses	-35	-27
Profit before income tax	53	94
Income tax	-13	-25
Profit after income tax from continuing operations	40	69
Profit after income tax from discontinued operations	251	-
Profit after income tax	**291**	**69**

Condensed cash flow statement		
€ millions	First half of 2019	First half of 2018
Cash flow from operating activities	225	204
Cash flow from investing activities	9	-286
Cash flow from financing activities	-322	67
Movements in cash and cash equivalents	**-88**	**-15**

Accounting policies
The consolidated financial statements of Stedin Group have been prepared in conformity with IFRS as applicable at 31 December 2018 and as adopted by the European Union (EU), and the definitions of Part 9 Book 2 of the Dutch Civil Code.

Stedin Group implemented IFRS16 'Leases' on 1 January 2019. IFRS 16 changes the presentation of leases in the financial statements and the comparative figures for 2018 have not been restated. The impact has increased net assets by less than €100 million and the related costs are presented as depreciation and interest expense in the income statement. This has had only a minor impact on the relevant ratios for loan covenants.

Cash flows
The positive cash flow of €9 million from investing activities is explained largely by the net amount of the proceeds from the sale of Joulz and investment in the grids. The cash outflow of €322 million for financing activities includes repayment of loans and the payment of a dividend of €46 million to shareholders.

Audit
The financial information for the first half year ending on 30 June 2019 is unaudited.

Forward-looking information
Statements in this press release other than historical facts concern forward-looking information. Stedin Group uses models which incorporate assumptions on forward-looking information. Future developments are beyond Stedin’s control and notwithstanding the fact that the comments are in line with current assessments, actual results and events may differ materially from the comments or expectations in this release