Energy through **cooperation**

Stedin Group Annual Report | 2017

STEDIN GROEP

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About Stedin Group

Energy through cooperation

Energy through cooperation: that neatly sums up Stedin Group's first year. 2017 was a year in which we worked actively on energy, cooperating in-house as colleagues, with our customers, market parties, the municipal authorities in our area and with other stakeholders. Hence our pride is not only in the results we have achieved, but also in our excellent cooperation with so many different parties.

It was a decidedly challenging year on several fronts. Following the demerger of Eneco Group, we made a fresh start as a new group, sold the CityTec business unit, acquired the former DELTA Netwerkgroep (DNWG) and transferred the Weert grid area to Enexis Netbeheer. At the same time, the pressure on our performance in no way diminished. Nevertheless, we succeeded in achieving a sound financial result and made considerable progress in improving our operating results further and making our business operations more sustainable.

Sound financial result

The financial result was in line with expectations. The net revenue was € 1,154 million and the net result € 424 million. Note that the unbundling of Eneco has had a one-off impact of € 353 million on the result.

A key concern was retaining our credit rating, which is of paramount importance for the financing of our future activities. We are therefore delighted to have been able to retain our A- rating. Stedin Group issued its first successful bond loans in the amount of € 800 million in October. This long-term financing replaces a number of short-term debts, including the bridging financing connected with the takeover of DNWG. The bonds are listed on the Euronext stock exchange in Amsterdam. As a result, Stedin Group formally qualifies as a public-interest entity (PIE). Following the unbundling of Eneco, it was also crucial for our future funding and refinancing position that we should have a sufficient level of solvency – and we do, with our solvency amounting to 43.3%. You will find detailed notes on the financial result in a later section of this report.

Facilitating the energy transition together

The central theme in the cooperation with our partners was almost invariably the energy transition. The following questions are among those raised: How can we join forces to ensure that the availability of energy will be just as much a matter of course in future as it is now? What is the best route to take to make energy supply more sustainable? And how can we improve, at the same time, the services we deliver to our customers? What needs to be done to keep energy reliable and affordable for everyone? The answers to those questions amounts, in short, to the need to operate more efficiently whilst at the same time ensuring a sustainable and future-proof supply to our customers. All this sounds simple and obvious, but it is by no means an easy task.

Challenges

An increasing number of solutions that are appropriate at local level are being found, creating diversity within our energy grids. Examples include districts which are phasing out natural gas and implementing a variety of solutions to supply households and businesses with heat, such as an all-electric solution involving solar panels and heat pumps. This is a development that has our whole-hearted support and one which we are encouraging. However, it is also placing pressure on the present energy system, which is why we are working with market parties, local initiatives and municipal authorities on solutions that provide flexibility. Flexibility is necessary if we are to align demand with weather-dependent supply within the sustainable energy system and avoid peaks which can overload our grids. In projects such as the USEF, ETPA and Layered Energy System we are working on smart market regulation, market venues and local, blockchain-based markets, which will help to achieve the flexibility needed within the market.

We are facing an increasing number of challenges in our work aimed at ensuring a sustainable future for our customers with a reliable supply of energy. The energy transition, including the transition from natural gas to electricity mentioned earlier, has led to a substantial increase in workload for our grid operators Stedin and Enduris. Indeed, this workload looks set to rise further since a large group of highly experienced technicians within our company will retire in the near future. It will not be easy to replace these professionals. There is a shortage of technicians in the

Netherlands, particularly in the area of energy-related infrastructure engineering. That is why in the past year we have placed special emphasis on recruiting, training and developing technicians. Alongside other grid operators we are also making efforts to continue to highlight our interests. Those efforts included a national campaign run in 2017, 'Our Energy Grid'.

None of these challenges must ever be allowed to hamper the continuous improvement of the services we provide, because there are some areas where changes for the better certainly are required. We are working with vigour to implement them, together with all our partners. One of the initiatives set up for this purpose is a long-term programme launched in 2017 with a view to making our chains more customer-oriented. The fact is that customers have new, different energy requirements, for example because they are generating energy themselves. As a consequence, we are having to consider which products and services to offer and develop from a fresh and future-proof perspective. The programme 'Product-oriented cooperation on behalf of customers' is one of the ways in which we are doing this. It also requires a new way of cooperating, which involves taking far more joint responsibility, in multi-disciplinary teams, for ensuring a good outcome for the customer.

The feedback we requested from our customers has also helped us to improve the provision and installation of smart meters. For instance, our customers can now schedule or reschedule appointments for installation by one of our fitters themselves, and we use data analysis to make the installation process more efficient. That said, the image of the smart meter has come under pressure over the past year following negative media reports, which homed in on meters that did not meet the quality requirements of the grid operators. We resolved that problem through careful and proactive communication with our customers and replacing those meters which did not meet the requirements.

Focus and making choices

Our goal is to facilitate the energy transition. We want to ensure our customers, present and future, of the energy supply they need for their homes, to work and to live their lives. This will require more than cooperation alone: focus is also needed if the right results are to be achieved. To that end we developed a strategy for Stedin Group in 2017, the result of collaboration with colleagues and external stakeholders.

In it, we have opted to focus on (future) grid management that delivers an excellent service for our customers. As ambassadors for the energy transition, we also intend to make ourselves ever more sustainable. Three priorities will therefore take centre stage as from 2018: improved grid management, facilitating the energy transition, and sustainable business operations.

We believe that this strategy and this focus are essential to realise the energy transition. At the same time, they present us with some difficult some choices, which we will not shirk from making. Those choices involve deciding on the areas on which we will, and will not, focus.

That's why we began letting go of everything that no longer fits in with our vision of Stedin Group's future. We have sold the public lighting specialist CityTec, as well as a grid area that was well beyond our other operating area. In mid-2017, the Weert grid area was transferred to Enexis. We also decided in late 2017 that several of our present commercial activities will not suit Stedin Group in the longer term, and will consider the first specific steps towards disposing of them in 2018.

Making choices has to do not only with deciding what you are going to stop doing, but also with determining exactly what you will do. This prompted us to look for reinforcements and we are extremely pleased that the Zeeland grid group DNWG now belongs to our group. Zeeland dovetails with our existing operating area and this may well produce synergy gains. Zeeland's ambitions with respect to sustainability also provide many opportunities to enhance the sustainability of energy supply in the province.

We are happy to help our stakeholders make the right choices. The third Rutte government has presented ambitious plans to realize that the Netherlands will be climate neutral in 2050. The new Energy Agreement, which will be effected under the direction of Minister of Economic Affairs and Climate Policy Wiebes, shows what form those plans will take. Stedin Group is playing an active part in the debate about choices of relevance to future infrastructure, such as the creation of natural gas-free districts and ending mandatory gas connections. In a report to the House of Representatives we shared our experiences of alternatives to gas in the built environment.

Our employees are faced with the challenging task of advancing Stedin Group further while ensuring its remains as open, committed, agile, reliable and resilient as ever. This calls for a capacity for change whilst at the same time standing our ground when it comes to operating in a safe and responsible way. A word of thanks is due for the efforts of our employees, who ceaselessly watch over the quality of our work and the interests of our customers.

Stedin Group's mission

We have concluded our first year as Stedin Group with the launch of a new mission. The mission of Eneco Group, of which were part until 1 February 2017, was 'Sustainable energy for everyone'. On 1 February 2018, our first birthday, we launched a new mission for our group: **Working together to create an environment filled with new energy**.

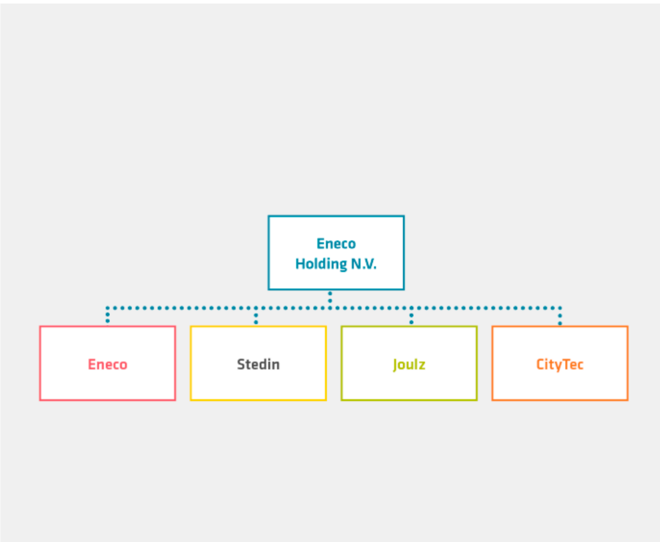
We believe that we can make this mission a reality if we, i.e. politicians, municipal authorities, market parties, colleagues and customers, roll up our sleeves together, because this is the only way of ensuring that the availability of energy in our environment will be just as much a matter of course in future as it is today.

Stedin Group's mission: working together to create an evironment filled with new energy

Our organisation and management

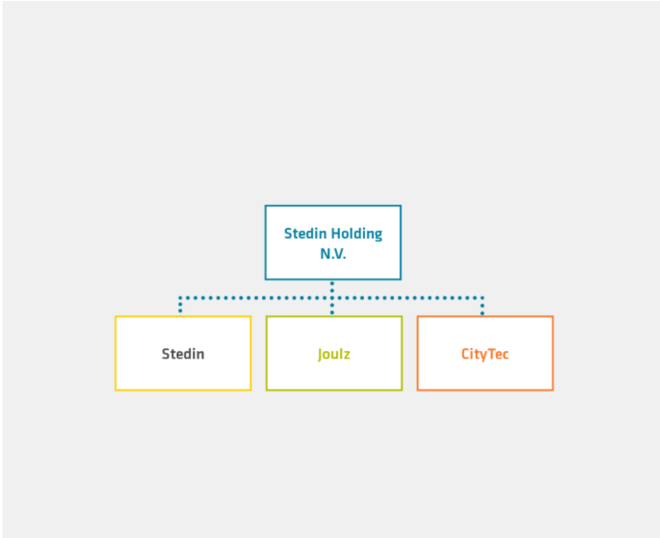
On 1 February 2017, the integrated energy company Eneco was unbundled into an energy company and a grid operator. This was achieved by distributing all of the shares held by Eneco Holding N.V. in Eneco Group N.V. as a dividend in kind to the shareholders of Eneco Holding N.V. The demerger has ensured compliance with the Independent Grid Management Act, which provides that grid management activities must be separate from activities related to energy production, supply or trading. This provision is known as the group prohibition.

Stedin Holding N.V. heads Stedin Group. From a legal point of view, this company is a continuation of Eneco Holding N.V. The following diagram shows the legal situation before and after the demerger.



31 January 2017 - before unbundling

As from 1 February 2017, Stedin Netbeheer B.V. has been part of the regulated part of Stedin Group. Infrastructure company Joulz joined the non-regulated part of Stedin Group at that point. The following diagram show the legal situation before and after the demerger.



1 February 2017 - after unbundling

New senior management structure and Supervisory Board

As a result of the unbundling, the members of the Board of Management (BoM) and the Supervisory Board (SB) of Eneco Holding N.V. resigned their posts on 31 January 2017 and a new Board of Management took office for day-to-day management. Mr M.W.M. (Marc) van der Linden was appointed CEO, Mr G. (Gerard) Vesseur CFO, and Ms J.A.M. (Judith) Koole, COO, has a seat on Stedin Holding N.V.'s Management Board.

Effective 1 January 2018, the Supervisory Board appointed Mr D. (David) Peters Chief Transition Officer (CTO) and fourth member of the Board of Management.

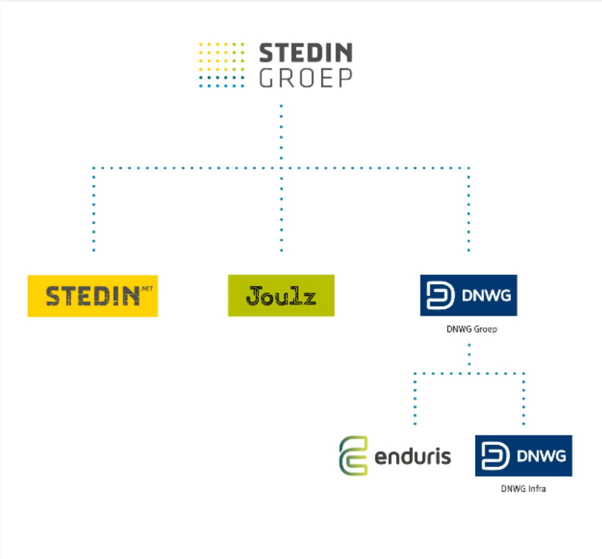
Stedin Netbeheer N.V.'s Supervisory Board was dissolved effective 31 January 2017 and a new Supervisory Board was formed for Stedin Holding N.V. on 1 February 2017. Stedin Holding N.V.'s Supervisory Board supervises the entire group and, as such, also acts as Supervisory Board of grid operators Enduris B.V. and Stedin Netbeheer B.V. Mr P.E.G. (Pieter) Trienekens was appointed chairman. The other supervisory directors are Ms J.P. (Tineke) Bahlmann, Mr T.W. (Theo) Eysink, Mr J.T.H.M. (Jules) Kortenhorst and Mr D. (Dick) van Well.

Choices made in relation to our portfolio

In 2017, to prepare for the energy transition we looked critically at our position in the energy landscape and made some important choices. Certain activities no longer fit in with our new organisation and there are others that we wish to focus on in particular. Those choices led to changes to our organisation and to a focus on our core activity within our area of operations. Key acquisitions and sales in 2017:

- On 31 March 2017, Strong Root Capital acquired the **CityTec** business unit from Stedin Group.
- On 13 June 2017, Stedin Group acquired the former **DELTA Netwerkgroep** (DNWG) and, among others, its subsidiaries Enduris (grid management) and DNWG Infra (infrastructure services).
- The **Weert grid area** was taken over by Enexis Netbeheer on 1 July 2017.

These acquisitions and sales leave Stedin Group looking as follows:



Stedin Group organisation structure

About this report

This annual report of Stedin Group comprises the report of the Board of Management, the report of the Supervisory Board and the financial statements. The financial figures of Stedin Holding N.V. for 2017 in its entirety and comparative figures for 2016 are presented and accounted for in the financial statements. Stedin Group aims to progressively align its annual report with the requirements of the <IR> Framework fo the International Integrated Reporting Council (IIRC) Framework. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU. The Global Reporting Initiative (GRI) Standards are applicable to our non-financial performance, at comprehensive level. Stedin Group also complies with the EU Directive on disclosure of non-financial and diversity information as applicable to Public Interest Entities (PIE).

Terminology

'We', 'the company', 'Stedin Group' or similar terms or expressions are used in this report to refer to Stedin Holding N.V. and its subsidiaries (including Stedin Stedin Netbeheer B.V., Joulz Energy Solutions B.V., Joulz Diensten B.V. and DNWG Groep N.V.). The term 'Stedin' refers to Stedin Netbeheer B.V. and its subsidiaries. 'Joulz' refers to Joulz Energy Solutions B.V., Joulz Diensten B.V. or its subsidiaries. 'DNWG' or 'DNWG Group' refers to DNWG Groep N.V. and its subsidiaries, including Enduris B.V. and DNWG Infra B.V.

Stedin Group's activities

Grid management

Stedin and Enduris are the independent grid operators within Stedin Group and act in a non-discriminatory manner. This means that they do not favour one particular party over another. The grid operators operate alongside five other regional grid operators in a regulated market. Each regional grid operator is a monopolist in its area of operations. Regulation means that the work performed by grid operators is provided for in Dutch law and that the rates they may charge for that work are set by the Netherlands Authority for Consumers and Markets (ACM). The regulation model encourages grid operators to achieve maximum performance in terms of efficiency and quality by using a benchmark comparison. Our area of operations includes industry, docks, three of the four major cities and the province of Zeeland.

Stedin

As a grid operator, Stedin is responsible for the safe, reliable and affordable energy supply to its more than 2 million customers. It fulfils this task by constructing, managing and future-proofing the electricity and gas grids and by facilitating the energy market. Stedin has 3,185 employees. It operates in the provinces of Zuid-Holland and Utrecht and in parts of the Noordoost-Friesland and Kennemerland regions.

Stedin's electricity and gas service area

Enduris

Within DNWG Group, grid operator Enduris manages the energy network for around 200 thousand households and businesses in the province of Zeeland. It is also responsible for constructing, maintaining and developing Zeeland's gas and electricity grids. DNWG Group (Enduris plus DNWG Infra) has a total workforce of 655. For the time being, DNWG Group will remain positioned as a separate part of Stedin Group.

Enduris's electricity and gas service area

Commercial activities

Joulz

Joulz operates in the commercial business market and provides a range of products and services pertaining to energy infrastructures and energy management, including

- the construction and management of high-voltage and medium-voltage systems;
- acting as the party responsible for metering and energy management;
- the construction of alternative energy infrastructure, such as the steam network.

Its customers include grid operators, energy producers, industrial clients and SMEs. Since 1 February 2017, the Joulz brand has been made up of Joulz Meetbedrijf and Joulz Infradiensten together with the current Joulz Energy Solutions. It has 648 employees.

DNWG Infra

Within DNWG Group, DNWG Infra is the service provider that builds and maintains the electricity and gas grids in the province of Zeeland, on behalf of Enduris. In addition, DNWG maintains and manages the grids entrusted to it by other grid operators (e.g. Evides, Stedin and TenneT) and industrial customers. DNWG Infra also supplies services in the area of metering technology in Zeeland and elsewhere, and is an approved party responsible for metering.

Joint ventures

Utility Connect, TensZ & TeslaN

Commissioned by Stedin Group and network group Alliander, Utility Connect operates a CDMA-telecommunications network which is used to read out measurement data provided by smart meters and to communicate with smart grid applications.

TensZ B.V. is the management organisation of TenneT and Stedin for joint assignments related to the management and maintenance of medium-voltage and high-voltage grids. Each party holds a 50% share.

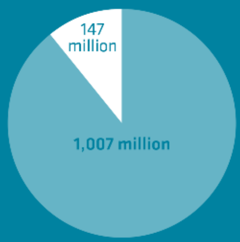
TeslaN B.V. is the joint service provider for the high-voltage and medium-voltage systems of TenneT and Enduris. Each party holds a 50% share.

DNWG Group, which is comprised of grid operator Enduris and DNWG Infra, has been part of Stedin Group since 13 June 2017

Key figures and key indicators for 2017

Key figures Stedin Group

Revenue
in millions of euros



Revenue from regulated activities 87.3%
Other revenues 12.7%

Investments
in property, plant, equipment

€ 490 million

Balance sheet total
in millions of euros

€ 6,551 million

Result

€ 424 million

Connections G

2,119,249

Connections E

2,278,394

Average downtime E

16 minutes

Average downtime G

40 seconds

CO_2 emissions

279 Ktonnes

Number of employees

4,488

Employee satisfaction

7.6

Safety

LTIR: 4.88 / RIF: 1.29

Stedin Group's key indicators [1]

Financial figures	Unit	2017	2016
Total net revenue and other income	€ million	1,194	1,108
Investments in property, plant and equipment	€ million	490	525
Balance sheet total	€ million	6,551	9,796
Result after income tax	€ million	424	199

Operational key indicators	Unit	2017	2016
High-use electricity connectionsnumber	number	21,786	18,863
Low-use electricity connections	number	2,256,608	2,039,995
Quantity of electricity transported	GWh	21,893	20,270
Length electricity cables	km	55,191	45,253
Length electricity cables laid	km	611	373
High-use gas connections	number	10,852	10,099
Low-use gas connections	number	2,108,397	1,916,424
Quantity of gas transported	million m3	4,865	4,565
Length gas pipelines	km	28,137	23,576
Length gas pipelines laid	km	210	150
Medium-voltage failures resulting in disruption	number	390	343

Personnel	Unit	2017	2016
Employees at year-end	number	4,488	3,880
FTE at year-end	number	4,365	3,788
Absence through sickness	%	5.2	5.5
Male employees	%	83	86
Female employees	%	17	14

Safety	Unit	2017	2016
Lost Time Injury Rate (LTIR)	ratio	4.88	1.74
Recordable Incident Frequency (RIF)	ratio	1.29	0.66

Outages and interruptions in electricity supply	Unit	2017	2016
Average duration of interruption MS/LS (CAIDI)	minutes	88	91
Interruption frequency MS/LS (SAIFI)	number	0.188	0.187
Annual average downtime (SAIDI)	minutes	16	17
Annual average downtime HS/MS/LS (SAIDI)	minutes	16.6	17.1

Outages and interruptions in gas supply	Unit	2017	2016
Average duration of interruption (CAIDI)	minutes	78	97
Interruption frequency (SAIFI)	number	0.0086	0.0089
Annual average downtime (SAIDI)	seconds	40	52

[1] With the exception of the financial figures, all comparative figures for 2016 concern Stedin Group in its structure as at 1 February 2017 and refer to the entire year or to the position as per year-end.

Stedin Group's Strategy

Following the formation of Stedin Group, we formulated a mission, a vision and a strategy to bring all members of the new group together. This process, completed in the fourth quarter of 2017, has provided us with a compass that will guide our everyday actions as from 2018. Our strategy centres on facilitating the energy transition by focusing on core tasks for present and future grid management ensuring the delivery of an excellent service for our customers.

Developments within society and the energy market

We are experiencing considerable turbulence in the energy market. Society's requirements are changing and it is gradually becoming clear what shape the ongoing energy transition will take. Stedin Group has analysed these developments and is adapting its business operations and decisions to suit them.

We ensure that more than 2.3 million customers (consumers, businesses and industrial customers) are supplied with electricity and gas every day, all year round. We do not do this alone, but as part of a joint effort with all of the other parties forming part of the energy system: the producers of gas and electricity, the suppliers, the other grid operators and the organisations which monitor the reliability, affordability, safety and sustainability of the supply. The electricity and gas grids are a key link in this chain. We are proud that our grids are among the most reliable in the world.

At the same time, that world is changing. Our customers' expectations are shifting, and we are part of a far-reaching societal change: the necessary and urgent transition from an economy that is largely based on the use of fossil energy resources to a clean economy based on renewable sources of energy. Virtually every country in the world signed the Paris Climate Agreement in 2015. We will be reducing greenhouse gas emissions substantially over the next few decades. The energy system as we know it is set to change dramatically.

Trends

Grid operator Stedin has identified eleven relevant trends in energy supply which have played a major part in the development of Stedin Group's new mission, vision and strategy. These trends can be grouped into four categories: **sustainable**, **decentralised**, **digital** and **democratic**.

Sustainable

At present, about 6% of the energy consumed in the Netherlands is generated using renewable energy sources. That share will grow significantly over the next few years. Coal-fired and gas-fired power stations are starting to make way for sustainable sources of electricity, such as wind energy, solar panels and hydroelectric power stations. Renewable gas will be fed into the gas networks in larger volumes. Electric cars are becoming increasingly popular, and we are starting to heat our homes in new ways. We expect to see energy efficiency playing a greater role, too.

Decentralised

In addition to being more sustainable, the new sources of energy are increasingly available at a decentralised level. This means that large power generation facilities are making way for a substantial number of smaller facilities in many different locations. Wind farms are being built in all of the provinces and the number of solar panels on the roofs of residential properties and office buildings continues to rise. Farmers and horticulturists are building biogas facilities or drilling for geothermal energy. Decentralisation also means that the new facilities are becoming more visible in the human habitat.

Digital

Many sustainable energy sources are variable; they can be erratic and unpredictable. This requires us to find a smart way of coordinating energy production and consumption. Local generation of electricity using solar panels and a sharp increase in the use of electricity for heating and transport also mean that electricity grids may experience capacity shortages. Smart digitisation of electricity grids, which enables us to predict production and consumption levels, helps us to devise timely solutions. The smart meter is one example of digitisation.

Democratic

Local energy production enables our customers or community cooperatives to invest in and take ownership of these energy production facilities. The number of energy cooperatives is on the rise, as is the number of facilities they are operating. We expect consumers' and companies' engagement with energy to increase as a result. The impact made by these sustainable sources of energy also gives the local community a greater say.

Challenges

The developments within society and the energy market pose four considerable challenges for us.

Our workload is increasing

The energy transition is going to present our grid operators with a massive increase in their workload. They are faced with new and additional tasks, for instance as a result of what is known as the heat transition: in the decades to come we, as a society, will have to say goodbye to natural gas and start heating buildings in different ways. Buildings will be insulated and, for example, connected to a sustainable, collective heat supply system, or heated using electricity, possibly combined with renewable gases. The central government's policy is designed to ensure that this transformation is completed by 2050 at the latest.

Alongside the heat transition, we are having to deal with an increase in the number of solar panels and in the use of electric transport. Our grid area will see ever more developers building solar parks and wind farms, in the built environment and also in industrial zones. We can also expect more and more biogas plants to be built and rapid chargers installed. Not only will they all have to be connected to the grid, they will also place new demands on it.

For Stedin Group this will result in a substantial increase in the workload of gas fitters and electricity technicians. If we want to realise our ambition of making plans with all of the municipalities in our operating area concerning the future of the infrastructure, we will also have to deploy additional staff in that area.

Improving the quality of the service we provide

We are already doing well in many aspects, but we should still improve. Alongside all those who appreciate the work we do and the great reliability of our grids, we also have our critics, and we need to be honest about that. We are in frequent contact with our customers and stakeholders to identify areas where improvements need to be made. One example is the time it takes to establish new connections to our grids. Communication regarding schedules or changes to them is another area requiring improvement. Our analyses also show that our costs can and must be reduced. Smarter service processes will enable us to work faster and more efficiently for our customers.

An ageing and tightening labour market

We need sufficient numbers of qualified employees for the quantity of work coming our way. However, the ageing of our staff means that we are facing a rapid outflow of a sizeable number of employees, especially in operational and technical positions. The rising shortage of supply of such professionals in the labour market is requiring us to take a smart approach to the deployment of our employees, the recruitment of new staff and cooperation with market players. At the same time, it is perfectly possible that we will be able to manage with fewer employees in other areas of our business by adopting different or more digitised working methods. It is important, therefore, that we invest in strategic staff planning and keep working on the professional competence of our employees.

Sufficient financial resources

We need to operate more efficiently if we are to retain our financial health and our ability to fund the investments required by the energy transition in the long term. We must ensure that we remain able to pay the energy transition bill. Only if Stedin Group remains healthy, we will have the strength needed to facilitate the energy transition in the future.

Mission, vision and strategy

From its inception in February 2017, Stedin Group has been developing a new mission, vision and strategy. This process was finalised when we formulated our mission following the end of the reporting year.

Mission

From 2018 onwards, our mission will entail **Working together to create an environment filled with new energy.**

Energy is taken for granted nowadays. We use it for everything, at any given time, and find ourselves needing more and more of it - at home, on the road and at work. Energy is indispensable in the world in which we live. To ensure that future generations also have sufficient energy, we are together making a transition to clean energy from non-finite sources that do not exhaust or pollute the planet. This will require major adjustments to the energy grid, or rather our energy system. New technologies can help, as can all the people and organisations involved in energy, including politicians, municipal authorities, market parties, colleagues and customers. Only if we really roll up our sleeves together will we be able to ensure that the availability of energy in our future environment will be just as much a matter of course as it is today.

Vision

Focus will be required for us to realise our ambition and prepare ourselves well for the challenges ahead. Stedin Group has opted to **focus on core tasks for (future) grid management that delivers an excellent service for our customers**. The focus of all business units within Stedin Group is on strengthening the grid operator's tasks. The fact is we can accelerate the energy transition process by being innovative, showing leadership and delivering a good and timely service with short lead times, customised work and effective communication with customers.

To make sure we manage the transition successfully, we are also investing in our existing and new employees, for example through our in-house training facility and our focus on leadership and innovation. Greater focus will also be required to make ICT solutions, which have become an integral part of the energy network, 'smarter' and to make far more use of the data available. That means we will need people with an entirely new set of IT skills. A clearer technology roadmap will help as well, and we prepared an initial version in 2017.

Achieving a sustainable future requires a concerted effort. We are ambitious in our aspiration to facilitate the energy transition and believe that it is essential that we occupy an independent position. This way, we will be able to work alongside the market, and encourage it to develop products and services that contribute towards a reliable, affordable and sustainable grid. We are reticent about entering the marketplace ourselves, preferring to seek solutions actively in partnership with the market. Our expertise enables us to identify problem areas and provide insight into the implications of choices made by customers and stakeholders, such as municipal authorities and housing associations. We are also making visible and vigorous efforts to increase support for sustainable grid options, both within politics and within society at large.

Strategy

Our mission and vision require a clear strategy for us to pursue over the next five years. In our strategy we carry our mission into effect on the basis of three priorities with ten strategic objectives. The three priorities are: improved grid management, facilitating the energy transition, and sustainable business operations. Our vision has also prompted us to take a critical look at our portfolio of activities.

Three priorities

Our vision reflects a focus on core tasks for (future) grid management that delivers an excellent service for our customers. This means, first and foremost, continually trying to improve the performance of those core tasks, hence the **improved grid management** priority:

- Reliable grids: to ensure continued high levels of energy supply;
- Affordable and efficient services: so that energy infrastructure remains as affordable as possible;
- High-quality products and services: so that customers and stakeholders receive a good service.

We intend **to facilitate the energy transition** through innovation and by cooperating closely with partners:

- Future-proof grids: making our grids fit for purpose and keeping them that way during the energy transition;
- Available network information: helping stakeholders (market parties and municipal authorities);
- Accelerating the process through cooperation: the energy transition will be achieved only if we work together.

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

- Safe working conditions: guaranteeing the safety of employees and local residents;
- Professional and competent employees now and in the future: reassuring ourselves that we have the skills sets we need;
- Financial health: meeting our ratios and return objectives;
- Positive impact on the environment: making our business operations more sustainable in line with One Planet Thinking.

One Planet Thinking

Stedin Group embraces the One Planet Thinking philosophy and we have used it to shape our sustainable policy based on the fact that there is just one planet providing us with the means to survive. On a worldwide scale, emissions are resulting in global warming and we are using raw materials faster than the planet can generate them. Substance emissions are creating unliveable towns and cities and public health problems. The divide between underprivileged and privileged people is also harming life on earth.

One Planet Thinking sets limits for the effects of our activities, specifying maximum consumption and emission levels to ensure that we remain within the One Planet limits. The energy consultancy firm Ecofys has translated the worldwide limits into specific limits for Stedin Group. Our organisation's impact on the planet is greatest in the areas of climate change (CO_2emissions), use of materials (scarcity of raw materials) and particulates. In the social sphere, Stedin Group aspires to achieve an inclusive society with a less marked divide between the underprivileged and privileged.

Review of the portfolio

Our focus is on good grid management and good service, which is why we are cautious about performing commercial non-regulated activities. We will consider an activity only if it demonstrably contributes towards efficient grid management, if it helps to fill a gap in the market and if Stedin Group is uniquely positioned to perform it. One example of a non-regulated activity which is yet to be taken up in the market and which Stedin Group has in its portfolio is the transportation of steam. We link supply with demand in this area, operating from an independent position.

Stedin Group applies the following conditions when carrying out non-regulated activities that are filling a gap in the market:

- Every three years, we must conduct an evaluation of the activity in conjunction with a market survey.
- There must be transparency with regard to financing, investments and profit.
- The activity must contribute towards the energy transition.

The economic attractiveness and feasibility of an activity and its priority over other activities will determine whether we will include or retain it in our portfolio.

At present, Stedin Group is measuring all its commercial (non-regulated) activities against the above-mentioned standards. An initial decision in this regard has now been taken. We will be reinforcing grid operator Stedin by pooling a large part of the expertise on high-voltage systems of Joulz Energy Solutions and Stedin. Such expertise is crucial in the energy transition and is essential for he effective performance of our core tasks. One result is the creation of a new, well-resourced High-Voltage department within our group.

There will come a time when the commercial activities of Joulz Energy Solutions (work unrelated to Stedin or TensZ) are no longer consistent with Stedin Group's vision. We are considering ways of continuing those activities, concentrating on finding a solution which best serves the interests of our customers and employees. We will be continuing the activity until that solution is found.

Targets and performance

Safety	2017 target	2017 results	2018 target
LTIR (Lost Time Injury Rate)	≤ 1.84	4.88	≤ 1.90
RIF (Recordable Incident Frequency)	≤ 0.92	1.29	≤ 0.90

Customers	2017 target	2017 results	2018 target
Customer satisfaction (% of customers awarding a score of 8 or better)	≥ 62 percent	66 percent	≥ 67 percent
Smart meter offers	≥ 368,500 addresses	373,841 addresses	≥ 368,500 addresses
Smart meter installation	> 82 percent	78.5 percent	> 82 percent

Employees	2017 target	2017 results	2018 target
Employee absence through sickness	≤ 5.0 percent	5.2 percent	≤ 5.0 percent
Employees with limited opportunities in the labour market	12.3 FTE	8.1 FTE	12.3 FTE

Reliability	2017 target	2017 results	2018 target
Average downtime for electricity (SAIDI)	≤ 17 minutes	16 minutes	≤ 17 minutes

Sustainability	2017 target	2017 results	2018 target
CO_2 emissions generated by our business operations	none	15.6 Ktonnes	≤ 13.5 Ktonnes

Note: The above figures have not been audited.

Our targets and performance are discussed in more detail in the Results chapter.

Strategic risks and opportunities of the energy transition

Today and in the future, customers will need a reliable, affordable, safe and sustainable supply of energy in order to live and work. That is why it is more important than ever that we are alert to strategic opportunities and risks in the long term, as this will enable us to control and exploit them and thus achieve the energy transition for our customers and society in a responsible way. For this reason, in 2017 we conducted a comprehensive evaluation of strategic opportunities and risks, linked to the priorities of Stedin Group's strategy. The table below illustrates this link. The strategic opportunities are new for this year. We have identified our risks and opportunities: they can be found in the section entitled Strategic risks and opportunities for Stedin Group. For information about our financial reporting risks, see the chapter on Controlling financial risks in the Financial statements section.

Opportunities area	Strategic opportunities	Development compared to 2016	Strategic priorities		
			Improved grid management	To facilitate the energy transition	Sustainable business operations
1. Strategic	Development of products and services for the energy transition	⊕	•	•	
2. Operational	Strategic relationships with suppliers	⊕	•	•	
3. Strategic	Disruptive technologies	⊕		•	
4. Operational	Partnerships and collaborations	⊕		•	
5. Operational	Provide stakeholders and customers with more self-services	⊕	•	•	
6. Operational	Development of the potential of employees	⊕			•
7. Strategic	Building a future-proof IT landscape	⊕	•	•	

Risk area	Strategic risks	Development compared to 2016	Strategic priorities		
			Improved grid management	To facilitate the energy transition	Sustainable business operations
1. Strategic	Cyberattack	⊜	•		•
2. Strategic	Unavailability of enough employees with the required competences	⊜		•	•
3. Strategic	IT landscape insufficiently prepared for the future	⊜		•	•
4. Operational	Agility of the organisation	⊕	•	•	•
5. Operational	Loss of sensitive information	⊜	•		•
6. Compliance	Uncertainty due to changes in regislation and regulation	⊕	•		
7. Financial	Uncertainty of long-term financial funding	ⓥ		•	•
8. Operational	Impact of accidents	ⓥ			•
9. Operational	Excessive own environmental impact	⊕			•

Legend

ⓥ Risk decreased compared to 2016
⊜ Risk is equal compared to previous year
⊕ Newly presented compared to last year

Stakeholders and materiality

The materiality assessment produced the following list of material subjects, which are all discussed in this annual report. Stedin Group will continue its dialogue with stakeholders on these subjects in 2018.

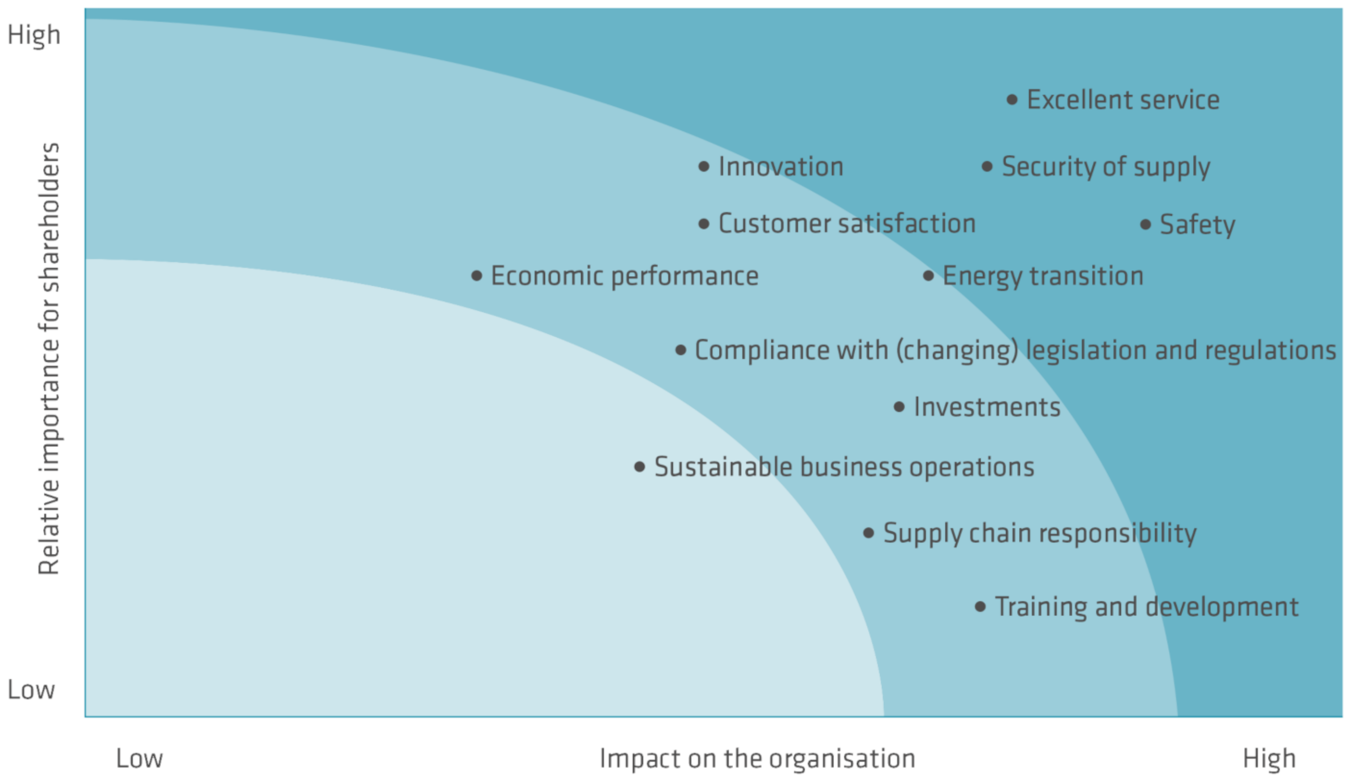
GRI aspect	Stedin theme	Description	Referral
Safety and working conditions	Safety	Working on energy infrastructure involves numerous risks, which is why safety remains a priority and why Stedin Group invests in knowledge, professional competence, safety measures and a proactive safety culture. This way we ensure the safety of our customers, employees, contractors and hired staff.	Safe working conditions
	Training and development	Our environment calls for our organisation and our employees to demonstrate agility and a capacity for change, whilst at the same time our organisation's focus is largely on predictability and control. Our managers must be properly equipped to guide staff in navigating this field of conflicting requirements. In addition, a large of group of highly experienced technicians within our company is due to retire. This is why recruiting, training and helping technicians to develop their skills are areas that require considerable attention.	Employees
Product and Service	Security of supply	Affordable and reliable transport of energy is essential to the existence of our company. It goes without saying that in all our activities the processes and services we provide are compliant and that we do what we promise to do. We are ensuring to maintain the upward trend in our security of supply by constantly developing initiatives aimed at reducing downtime and at preventing interruptions in the supply of energy.	High-quality products and services
	Excellent service provision	Alongside appreciation of the work we do and the high reliability of our networks, there is also some criticism of our service and cost efficiency. To upgrade our service and keep energy affordable, we need to maintain focus and operate more efficiently as a group. That is why the focus of all business units within Stedin Group is on strengthening the core tasks for present and future grid management.	High-quality products and services
	Customer satisfaction	The standard for customer satisfaction has been raised compared to 2016. We are aiming for a score of 8 or better on a scale of 1 to 10 from at least 62% of all Stedin Group customers, and the objective remains to continue the upward trend and, at the same time, to give special attention to customers who give us an 'unsatisfactory' mark.	High-quality products and services
Energy	Energy transition	Through innovation and close collaboration with partners we are facilitating the energy transition. Needless to say, we will also ensure that our grids remain suitable for the conveyance of energy during the energy transition, and will help stakeholders by providing them with important network information.	Energy through cooperation
Emissions	Sustainable business operations	As ambassadors for the energy transition, we are making our business operations more sustainable in line with One Planet Thinking.	Sustainable business operations
Supplier assessment	Supply chain responsibility	We are in continuous dialogue with our suppliers within the chain, discussing subjects such as child labour, human rights, corruption, the use of sustainable materials, the origin of raw materials and circularity; this enables us to develop sustainable and socially responsible products and services.	Sustainable business operations
Public task	Compliance with changing laws and regulations	To safeguard the grid operator's interests, Stedin Group is represented within the national lobby group through Netbeheer Nederland and other platforms. We also participate in the European lobby group. This way, Stedin Group is, and will remain, abreast of changes in existing and new legislation - from the preparation stage, through to the decision-making and introduction stages.	Risk management

GRI aspect	Stedin theme	Description	Referral
Economy	Economic performance	Stedin Group fulfils a public task. We are under an obligation to handle this social capital prudently and efficiently. Operating efficiently helps us to limit our costs. Only if Stedin Group's business remains healthy will we have the strength needed to facilitate the energy transition in the future.	Areas on which we focus
	Innovation	All business units within Stedin Group are focused on strengthening the tasks for present and future grid management. As well as delivering a good and prompt service, we can accelerate the energy transition process by being innovative.	Mission, vision and strategy
	Investments	In Stedin Group's view, it is very important that the energy transition is achieved at the lowest public costs. This means that we will have to measure the investments in our networks and the investments of all stakeholders against the objective of ensuring that the Netherlands is climate-neutral by 2050.	Facilitating the energy transition

Materiality

We have set out the material subjects in the materiality matrix below, reflecting Stedin Group's vision. The relative importance for shareholders is shown on the Y axis and the impact on the organisation on the X axis.

Materiality matrix



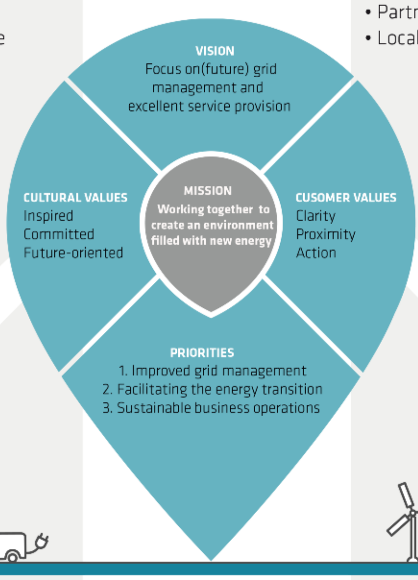
Value creation model

We have developed a value creation model to ensure that the social value Stedin Group creates and the input required to create it are visible and transparent for us and for our stakeholders.

Input

Financial	Grids	Employees	Customers, Partners & Stakeholders	Nature & Environment
• Net carrying amount € 6,045 m • Group equity € 2,583 m • Interestbearing debt € 2,753 m • Regulated tasks • Financial policy	• 55,191 km of electricity cables • 28,137 km of gas mains • 4,397,643 connections • 38,598 stations • Investments in the grids € 476 m	• 4.488 employees • Specific knowledge and expertise • Training and education	• Shareholders (53 municipalities) • Customers (2,3 million) • Contractors and suppliers • Partners • Local authorities	• Paris Climate Agreement • Purchase of materials • 4,096,143 litres of fuel consumed by the vehicle fleet • Energy consumed on the premises: 695,983 m^3 gas; 8,273,227 kWh of electricity; 10.62 TJ of heat

Company model



Output

Financial	Grids	Employees	Customers, Partners & Stakeholders	Nature & Environment
• Net profit € 424 m • Operating result € 198 m	• 373,841 smart meters offered • Quantity of electricity transported 21,893 GWh and 4,865 million m^3 of gas	• Salary payment • 5.2% absence through sickness • Gender ratio male 83% / female: 17% • 8.1 fte employees under the Participation Act	• Customer satisfaction • Payments to suppliers • Data available	• 279 Ktonnes of CO_2 emissions (scope 1, 2 en 3) • Recycling of materials • Making the built environment more sustainable • Making the industry more sustainable

Outcome

Financial	Grids	Employees	Customers, Partners & Stakeholders	Nature & Environment
• Proposed dividend € 28 m • Financial expenses (net) € 79 m • Corporate income tax € 30 m • Solvency 43.3%	• 78.5% smart meters installed • Sunstainable safe networks • Supply security • Average downtime for electricity 16.44 minutes and for gas 40 seconds	• Employment • Income tax deducted at source • Employment practices • Our contribution towards an inclusive society	• Collaborative ventures with partners • Memberships • Green Deals	• 100 % compensation of CO_2-footprint electricity grid losses by GoOs results in approximately 500 Ktonnes of CO_2 compensation

It is clear from the top of the model that we have various different types of 'capital' - our input - and use it to create new types of 'capital' - our output - through our core activities, based on our mission, vision and strategy. The results for each type of capital show that in addition to economic value we, as a company, also contribute social value to society.

The different types of capital required for our company to function are shown on the input side.

Financial capital

First and foremost, we need financial resources so that we can invest in infrastructure, resources and people. It is essential for the continuity of the company that it is, and remains, financially sound. Only then will we be able to continue making the investments required to facilitate the energy transition.

Produced capital

Our grids represent a substantial financial and social value. Stedin Group's strategy is aimed at preserving, and, where possible, increasing the value of its critical infrastructure. We define security of supply as our efforts to ensure a continuous supply of energy by preventing delivery failures as far as possible.

Intellectual and human capital

A substantial part of our intellectual capital can be found in our employees. We use training sessions as a means of constantly adding further value. It is vital that our employees feel committed to the company, feel safe, are able to earn a living and to develop their talents.

Social capital

Our stakeholders are an important source of ideas, feedback and support. Our ultimate aim is to create value for our customers by delivering a reliable energy supply and providing a high-quality service. We want to excel in our facilitating role within partnerships, to promote the transition and accommodate growing social demand.

Natural capital

We also use natural capital, such as raw materials and energy. We are endeavouring to substantially reduce our environmental footprint and to make a significant contribution to the transition to a clean energy supply and economy. The electrification of our vehicle fleet will also have a positive impact on the environment.

Results

Improved grid management

To facilitate energy supply now and in the future, Stedin Group has opted to focus on grid management and is determined to perform this public function to an exemplary standard.

Affordability and efficiency

Stedin Group is seeking to operate more efficiently in order to upgrade the services it provides and to keep energy affordable. Efficiency is a prerequisite because we are aware that the energy transition will pose considerable challenges for us. For instance, the quantity of work coming our way is increasing significantly, owing to the heat transition, future-proofing the electricity grid, digitisation and ever closer consultation with an increasing number of stakeholders such as municipal authorities and housing associations.

Synergy gains within the Group

Stedin Group can see that there are synergy gains as far as cooperation and facilitating the energy transition are concerned now that DNWG is part of the Group. We have identified and are exploiting those gains through the Samen Sterker programme. We are initially focusing on synergy with regard to knowledge, customer satisfaction, quality and efficiency. Certain gains have already been specified, such as the joint purchasing of IT licences.

Increasing agility

Our aim is to increase the agility of our organisation considerably. Being agile means first and foremost being able to respond quickly to customer demand, taking into account the social costs, reliability and investments.

One of the tools we are using to achieve this is the product-oriented cooperation programme. Over recent years, Stedin's grid management activities have largely been run by departments, e.g. those responsible for the installation and replacement of cables and pipelines or for the maintenance of our assets. This was an unsatisfactory way of running operations because the distance between the various departments proved too great. In 2017, we began preparations to organise and manage all activities for each product and to transfer responsibility for them to self-organising teams. It will take several years to set up this product-oriented cooperation arrangement for 25 major products. Step by step, we will be able to make considerable improvements to the quality and efficiency of the services we provide. The initial trials we have carried out in this area using the New Connection product are producing excellent results. Since we tightened up the process over the course of the year, lead times have fallen by 30%. That result is reflected in the general customer satisfaction figures (see also High-quality products and services).

Closer cooperation with water companies Oasen and Evides

The changes in the energy sector, including the advent of sustainable energy, require investments to be made in the energy grid. Cooperation is a means of pushing down the costs of those investments and thus keeping grid management costs in the energy bill as low as possible. To that end, grid operator Stedin signed a letter of intent with water company Oasen on 11 December 2017 so as to ensure that the processes of each company could be aligned on a structural basis. In 2017, Stedin and water company Evides also examined whether closer cooperation might contribute to improving customer satisfaction and reducing costs. DNWG has been cooperating successfully with Evides in the province of Zeeland, at Brabantse Wal and on Goeree-Overflakkee island for some years now. The success can largely be attributed to the simultaneous installation and maintenance of electricity, gas and water networks. Since this limits the inconvenience caused to local residents, the customer satisfaction level has increased. Readily identifiable points of contact within the company and the broad deployability of mechanics with knowledge of the gas network (and also the water network) benefit efficiency.

Reliable grids

We exist to ensure the affordable and reliable transport of energy. We are proud to see an upward trend in our security of supply. We ensure as a matter of course that our processes and the services we provide are compliant and that we do what we promise to do, with a focus on a safe environment for our customers, contractors and subcontractors, and employees. That is why Stedin Group is continuously working on reducing downtime and preventing interruptions in the supply of energy.

Average downtime for electricity and gas in 2017
The Netherlands Authority for Consumers and Markets officially establishes the average downtime for electricity and gas. The average downtime for electricity in 2017 is 16.44 minutes. This is a further improvement on the good results achieved in 2016 (16.98 minutes). The average downtime for gas in 2017 is 40 seconds, compared with 52 seconds in 2016.

Improvements made by Stedin and Enduris in relation to processes to address failures
To reduce the duration of failures, existing initiatives were developed further in 2017, and several new ones were launched with a view to improving grid quality.

A good example of an existing initiative that has been enhanced is the roll-out of intelligent failure tracers which enable us to locate a failure site faster and rectify faults in a more targeted way. We are also still implementing our comprehensive maintenance programme and deploying excavation damage prevention staff so as to avoid failures and social costs.

In 2017, we launched a pilot project aimed at eliminating gaps in the low-voltage grids. These initiatives make the grids easier to manage and limit the impact of a failure. We also began reducing the number of systems and steps in 2017 in an effort to further streamline the failure and maintenance process.

Operating on a data-driven basis

An understanding of where and how energy consumption and generation are changing and the impact those changes is having on our grids is essential. Since the energy transition is a complex process and its effects may vary from area to area, we need to be able to use data science and analytics. Big data technology can help us to predict where maintenance work is required or avoid excavation damage, detect fraud and monitor data quality. It also means we can improve our performance and thus increase our licence to operate.

That is why we created the Chief Data Officer (CDO) department in 2017. The CDO is responsible for ensuring that we make better use of the data at our disposal so as to improve the services we provide to customers and to make smarter decisions about grids based on predictive models.

Stedin entered into a partnership with SynerScope in 2017. We are now able to link multiple data sources and use unstructured data, such as photographs and mechanics' notes on the situation on the ground, and analyse them using SynerScope's technology. In addition, we can use historical work orders, for example, to schedule the installation of smart meters far more accurately and send fitters with the specialist knowledge and materials required to the right addresses. This is improving the quality of our service and bringing down failure costs.

We now have the infrastructure we need for data science and are in the process of recruiting our own data scientists. This will enable us to accelerate the implementation of similar projects in 2018.

Open data for gas replacement and use of the low-voltage and medium-voltage grids
Once placed, a gas main is expected to last for 30 to 40 years. The depreciation period is in fact in excess of 40 years. An early depreciation of a gas main is a loss item for Stedin Group, but also for our customers. Stedin was one of the first grid operators in the Netherlands to make data on gas replacement available by means of an online map and a mapping program in .shp format. We see this as an opportunity to stimulate discussion about an energy infrastructure which is in keeping with a CO_2-neutral built environment. This will enable parties such as municipal authorities, housing associations and energy collectives to identify appropriate times to replace natural gas with a sustainable alternative.

Our website now also features a map showing the location of the low-voltage grid. By publishing these details we are helping others to accelerate the steps they need to take and to make choices regarding the installation of charging points, for example. The closer the proximity to Stedin's energy grid, the more affordable the electricity connection will be.

We have also published the locations of the medium-voltage stations in Stedin's area of operations. Parties can use these location details to find suitable sites for large-scale energy generation, for example, for solar parks.

New Network Operations Center (NOC)

The Network Operations Center (NOC) is Stedin's upgraded nerve centre, operating 24/7. Within the NOC, colleagues from the Control Centre, the Low-Voltage & Gas Reporting Facility and the Central Fault Desk are working with a host of parties including developers, cybersecurity experts, failure analysts and the crisis management organisation. All those employees have now been brought together under one roof to enable us to respond better still to developments in Stedin's area of operations.

Stedin's Control Centre was electricity-oriented. Knowledge of the gas grid and the low-voltage grid was dispersed among various employees working in specific regions within the area of operations. If we are to respond adequately to developments, it is essential that the NOC employees are familiar with the network in its entirety, and not just parts of it or the electricity grid only. In 2017, our in-house training facility trained eight employees who are now familiar with the gas grid and also the low-voltage grid. Their broader knowledge makes them better able to interpret deviations, issue instructions and deal with failures.

New Network Operations Center (NOC)

High-quality products and services

Customer satisfaction with Stedin

Responding to customers' wishes means we need to know what they think of us. In the past year, we have built up a better picture of our customers' wishes by, among other things, establishing an online customer community and requesting feedback within a day of contact having been made ('direct feedback').

The standard for customer satisfaction has been raised for 2017 compared with the previous year. We aimed for a score of 8 or better on a scale of 1 to 10 from at least 62% of all Stedin Group customers. In the end, we beat our target and were rated 8 or better by 66% of our customers. Customer satisfaction for all sub-surveys rose compared with 2016. There were significant increases in satisfaction for the process involving offering and installing smart meters and for the connection chain. Gaining a better and faster understanding of areas in which we could do better has prompted the development of several initiatives which have resulted in improved performance. Our objective remains to continue the upward trend and, at the same time, to devote special attention to customers who give us an 'unsatisfactory' mark.

Customer satisfaction with DNWG

Recent years have seen a greater focus within DNWG on the needs of the customer. The demand for new and improved customer satisfaction measurements originates not so much with specialists in the field of market research and customer surveys, but increasingly with the business community. Line managers are keen to improve their own processes continuously and therefore put our customers centre-stage. For instance, the Connections department this year adopted a new approach which has resulted in an even greater focus on customer satisfaction. In a single year, this led to an increase in customer satisfaction from a 6.2 to a 7.7.

The ambition for 2018 is to take professional customer satisfaction measurements to the next level as this will provide a better and more complete picture of our processes and the needs of customers. The ultimate goal is to continuously improve the processes within the chain and thus provide customers with an optimum service. One of the means of achieving this goal is to work more closely with Stedin and, above all, to learn from each other.

Customer satisfaction with the realisation, adaptation or removal of connections has increased significantly

Customer community

We believe it is important to know what customers and stakeholders think about sustainability, trends and innovations and what they expect from Stedin in this respect. To find out, we set up a customer community, which went live on 1 June 2017. Within this community, aimed at consumers and SMEs, we ask our customers what they think about, for example, electric transport and living without gas. By means of polls and assignments and based on newspaper articles we communicated with a good 150 customers over a three-month period, via an online platform.

We found that people realise that in time they will stop using natural gas in the home. However, the transition to living without gas is giving rise to many questions: what will it cost and who is going to pay for it? And then there is the practical implementation aspect: most customers can identify few alternatives for heating their homes and are not keen on trading in their stoves. We also discussed electric transport. Participants in the discussions could see themselves driving an electric car at some point in the future, although two-thirds of them thought it would be at least five years before they did so. This would be conditional on a considerable fall in the price of such cars and their being able to travel greater distances before needing to be recharged.

Uniform data

Stedin supplies data services to other parties, such as municipal authorities. Municipal authorities can put those data to good use, for example, to find out whether replacing gas mains could coincide with work on a water main. The importance of data is increasing and that means their quality must improve too. We will be devoting special attention to this in several ways, including by standardising our processes and IT systems as far as possible.

Large-scale roll-out of smart meters (GSA)

The roll-out of smart meters is on schedule. In 2017, we offered 373,841 smart meters to customers and 78.5% of them were in fact installed. In 2016, the figures were 378,894 and 77.7% respectively.

The actual installation rate (see Offers and installation of smart meters table) is lower than the government target of 80%. The main reason for this is that smart meters have more than once been subject to negative scrutiny in the media, including consumer programmes *Radar* and *Kassa.*

A further 368,500 offers are scheduled for 2018. We will need to increase our installation rate if we are to achieve the target of 80% by 2020: the rate will have to be at least 82% in the next few years to reach a cumulative rate of 80% by 2020. We consider this a realistic target. We will be experimenting with a system where customers schedule appointments themselves. We have also recently put a system in place whereby our office staff and Customer Contact Centre can send appointment reminders by text message or email to customers.

Stedin Group	Result 2017	2017 target	Result 2016
Smart meter offers	373,841	368,500	378,894
Smart meter installation	78.5%	82.0%	77.7 %

Table: Offers and installation of smart meters

Customer satisfaction with our smart meter offer

Our customers largely remain very satisfied with the offer and installation of smart meters. Since January we have been recording the percentage of customers giving the process of offering and installing smart meters a score of 8 or better (previously 7 or better). We have made several improvements to the process that are helpful to customers; for instance, they can now schedule an appointment with a fitter themselves. We have also improved the efficiency of the process by using data analysis to ensure that we send fitters to customers with the correct equipment. In 2017, 77% of customers rated us 8 or better; the standard is set at 66%. Customers are most satisfied by the friendliness of the fitter and the neat state of the meter cupboard when the work has been completed (90%).

As is almost inevitably the case with a major operation like GSA, there are also indications of dissatisfaction. There was a great deal of customer contact in 2017. This was in part prompted by the media attention, but also involved visits to customers to replace smart meters with quality problems. Those problems also gave rise to complaints, a large part of which were resolved by customer service staff straightaway.

Image of the smart meter

The image of the smart meter has come under pressure owing to various quality issues that came to light during 2017. We took a proactive approach and contacted our customers with a great deal of care and attention, replacing malfunctioning meters. We are working closely with meter suppliers with a view to improving the quality of meters.

'Our Energy Network' (Ons Energienet), the national campaign in which all grid operators were involved, ran in 2017. Knowledge of the energy network and grid management was shared with the Dutch public in TV commercials, on social media and on a special website. The aim was to give a boost to the large-scale roll-out of smart meters, which is a major undertaking. At the end of 2017, the grid operators jointly decided not to continue the campaign. The reason for this was that we recognised that the campaign had not had the desired effect, namely to promote a positive image of the smart meter. We will find a different way of addressing the need to impress upon customers the importance of the smart meter in 2018.

Towards the end of 2017, we began a trial involving what is known as the 'Wattventskalender' to encourage the use of smart meters. The game, which we developed in-house for households with children, involves a 31 calendar day-long assignment for children on smart meters and energy use. This is a fun way of raising their awareness of energy consumption.

Cybersecurity within Utility Connect

Commissioned by Stedin Group and network group Alliander, Utility Connect operates a CDMA-telecommunications network. As is the case each year, the technical security of the CDMA network was subjected to comprehensive assessments that produced recommendations for making the network even more secure. In the past year, Utility Connect devoted a great deal of attention to improvements in the follow-up of signals and shortcomings, for example by implementing a new IT Service Management system. The ISO27001 certification of Utility Connect, initially awarded in 2016, was successfully renewed in November.

New generation of smart meters

Stedin commissioned the new generation of smart meters (version 5) in the spring of 2017. The new smart meter communicates with the CDMA communication network, co-owned by Stedin Group and Alliander. Stedin has thereby reduced its costs on reading out and managing smart meters. In addition, these meters and Enduris's SMR5.0 meters are made using parts that have been produced in a responsible way, giving us the first 'fair meter'. In 2018, manufacturers plan to launch a new version of the smart meter, building upon the principles of fair production, lower costs and providing the functionalities required for the energy transition. Stedin is doing this in collaboration with grid operators Liander and Westland Infra.

The distribution of smart meters is proceeding according to schedule, with 373,841 being offered in 2017

Environmentally-friendly installation

Heavy traffic makes it very difficult for smart meter fitters to pass through the centre of Utrecht by car, let alone park. To resolve this problem Stedin ran a successful trial, in collaboration with the municipal authorities, which allowed fitters to cross this part of the city on electric carrier bikes. The trial will be continued in 2018 as it is an environmentally-friendly and safe solution for everyone.

Facilitating the energy transition

Stedin Group seeks to facilitate the energy transition by aligning energy supply with changes in supply and demand, now and in the future. To that end, we are deploying our knowledge and expertise in three areas: the heat transition, adjustments to the electricity grid and cooperation with local authorities, market parties and customers.

Future-proof grids

Heat transition in the built environment

In the decades ahead, we - society at large - will have to say goodbye to natural gas. This means that we will have to start heating our homes and buildings in a different way. Homes will be insulated and, for example, connected to a sustainable, collective heat supply system, or heated using electricity, possibly combined with sustainable gases. The central government's policy is designed to ensure that this transformation is completed by 2050 at the latest.

Alongside the heat transition, we are encountering an increasing number of customers who generate power themselves using solar panels. Added to that is the fact that more and more customers are starting to use electric cars, which means we need additional facilities to enable them to charge them. Our grid area will see ever more developers building solar parks and wind farms, as well as biogas plants, or installing rapid chargers. All those facilities will have to be connected to the electricity grid, driving greater capacity demand on the network. The challenge we face is to respond to these developments and keep the electricity grid reliable and, at the same time, affordable.

Lessons learned from practical experience

In the past year, Stedin Group has worked in various city districts and with a variety of parties on a joint plan of action and on finding solutions which seem best suited to the local conditions. To achieve this, we use the Infrastructural Footprint, an analysis method we developed in-house which highlights aspects that require consideration and shows the impact on CO_2 emissions. The method has been used in several city districts. The districts, partners and approaches have proved to be extremely diverse, but, surprisingly, the lessons learned are very similar. Based on those lessons, we have identified four accelerators which increase the pace of the heat transition in those city districts - and will presumably do so in every district in the Netherlands. The four accelerators are by no means the only factors involved, but they do form the core of the lessons learned in 2017.

- Accelerator 1: end the mandatory connection of newly-built homes to the gas grid
- Accelerator 2: make new choices binding
- Accelerator 3: allow scope to experiment with different forms of financing
- Accelerator 4: establish national guidelines for local choices

The accelerators have been incorporated into a report containing recommendations that we presented to the House of Representatives in October 2017: 'Phasing out natural gas in the built environment - recommendations based on practical experience'

We will be using the time between now and 2020 to acquire practical experience with other municipal authorities and districts, and to learn from it. The lessons learned will be incorporated into our policy and processes and operational implementation. In 2018, we will start a pilot project aimed at coordinating above-ground work and work carried out below ground. This is one of the ways in which we are preparing for the removal of 6,000 homes from the gas grid every month as from 2020.

Infrastructural Footprint

As a group, we think it is very important that the heat transition should be achieved at the lowest possible public costs. This will require us to measure the investments in our networks and the investments of all stakeholders against the objective of ensuring that the Netherlands is climate-neutral by 2050. We therefore plan to sit down with municipal authorities and other parties at an early stage to identify the best alternative to natural gas and the appropriate time for a region or district to stop using natural gas. We used our Infrastructural Footprint method to calculate the effects of alternative energy systems and the CO_2 emissions for each alternative for at least two districts in 2017. Together with the municipal authorities and other parties involved we arrived at a joint plan of action and a solution which seems best suited to the local conditions.

Increase in electrification

The sharp rise in the share of variable, renewable sources of electricity in the electricity mix and the increase in power consumption indicate that we may soon experience congestion at certain times of the day. We anticipate a significant increase in the number of grid reinforcements and in operational work. That is why we are investigating whether, and how, deploying new forms of flexibility, such as demand-side management for consumers and electricity storage, could allow us to postpone those reinforcements. This will give us the scope - the flexibility - to select the best solution given the capacity available, using tried and tested technology, and ensure that as well as remaining reliable, the energy grid also remains affordable.

Merwedehaven

A new Stedin high-voltage transformer was installed in Dordrecht's Merwedehaven in September 2017. The transformer, which weighs 90 tonnes and is 5 metres high, is needed for the expansion and upgrading of the electricity grids in the cities of Dordrecht and Zwijndrecht.

The addition of a third transformer has made the electricity grid future-proof. The Merwedehaven is an important energy hub in the region. The additional transformer will provide the extra capacity in the electricity grid we will need later on when companies and consumers start using more electricity, for instance for electric cars.

Flexible energy market

Stedin launched its FLEX Acceleration Programme in January 2017. As part of the programme, we work with companies and start-ups aiming at greater flexibility in the energy system. Examples of ways in which this can be achieved include establishing storage systems, such as using the batteries of electric cars to absorb peak loads on the grid, or applying the conversion method, such as our Power2Gas project. Partners involved in the Flex Acceleration Programme in 2017 included BAM, Enervalis, Sympower, Duroplan and iwell.

Stedin has discovered in the course of this programme that the market for flexibility solutions remains sluggish. One reason for this is that it is still difficult for parties to produce a positive business case. It is also proving very hard to recruit participants for the pilot projects, so we will be evaluating in 2018 whether to go ahead with the Flex Acceleration Programme in its current form.

Local energy market model

Exploring options for netting off energy costs between generators and users of sustainable energy on a local scale is part and parcel of a flexible and more local energy market. Blockchain technologies offer opportunities to do this, removing the need for third parties (such as banks and civil-law notaries) to carry out a transaction and to ensure confidence. This saves substantial costs, making transactions such as those involving local energy trade less expensive.

Stedin works with parties in a variety of areas so as to gain a proper understanding of the opportunities the use of blockchain offers for the energy sector. For instance, in 2017, Stedin joined forces with nine international energy parties in the Energy Web Foundation EWF, which was formed by the US Rocky Mountains Institute and a start-up called Grid Singularity. The parties hope that blockchain technology will bring about a more efficient exchange between consumers and generators of sustainable energy.

Stedin has designed a sustainable local energy market model, which is described in the 'Layered Energy System' joint white paper, with Energy21, an energy consultant. In 2018, Stedin will test the assumptions of this market model in one or more pilot projects with its partners.

ETPA

Together with TenneT and EPTA (Energy Trading Platform Amsterdam), Stedin launched a project in 2017 aimed at using the ETPA platform for the flexibility the market parties offer. It is an energy trading platform for daily electricity transactions. This project is in line with current legislation and does not affect TenneT's balancing activities. The process and the technology required were developed in 2017. The pilot project with market parties is scheduled to start in early 2018. It has attracted national and international interest as an example of how a regional grid operator (Stedin) and a national grid operator (TenneT) can develop a joint vision at system level and cooperate on its implementation.

USEF

Stedin is a partner in the Universal Smart Energy Framework (USEF) that makes it possible to trade in flexibility in energy consumption and which sets out the roles and responsibilities of the relevant European market parties. Stedin successfully used the USEF model in practice in the Hoog Dalem district of Gorinchem.

The USEF model is one of the subjects Stedin is introducing in discussions concerning the new market model for an energy supply based on sustainable energy production. USEF facilitates the operation of market forces in the energy sector and, as a tried and tested model, could be used as a basis for European regulations. For Stedin, the model helps to control the investment costs for grid reinforcement, as demonstrated in Hoog Dalem.

Hoog Dalem - a successful test bed

The test bed project in the Hoog Dalem district of Gorinchem was completed in 2017. The project was set up to test the peak load caused by heat pumps. Using all the measurement data and analyses from the test bed project, we have established a new standard that forms a good starting-point for future grid designs for new, all-electric housing estates. It has emerged that grids in their present design are still able to cope quite well with extreme peaks in consumption or supply per dwelling. For the time being, then, there is sufficient scope to facilitate any future developments in city districts of this type. We also carried out tests to establish whether batteries could play a part in a smart energy system in reducing grid load with the aid of USEF. It turns out that by using this method, households could use between 20% and 50% more self-generated energy from solar panels in their own homes on an annual basis.

Effects of sustainable mobility

As from 2025, all new public transport buses will be free of harmful exhaust emissions. This means that more buses will soon start running on electricity and hydrogen, which will have a major impact on the grid. Adjustments to the electricity grid will be required in order to accommodate the rise in the number of electric cars. The need for charging points is also set to increase. To avoid peak loads on the grid, those charging points will have to be smart chargers that do not charge at the same time.

Smart charging on the A2

The rapid-charge stations for electric transport place heavy demands on the electricity grid and substantial investments in the grid would be required for them. To avoid having to make those investments, Stedin, together with the operator MisterGreen Electric Lease and energy service provider Alfen, has provided the Haarrijn rapid-charge station on the A2 motorway at Breukelen wit a large battery system. It can be used to store sustainably generated energy from solar panels on the roof for subsequent use. The panels feed a 'super battery' comprising a total of 51 batteries which drivers of electric cars can use. Only when the central buffer has insufficient capacity is there a switch to supply through Stedin's standard energy grid. The system allows drivers of electric cars to recharge their cars for as long as, and when, they want, while reducing the need for investments in the grid.

Making municipalities more sustainable

Together with the municipalities in our area of operations we are considering ways of making them more sustainable. Stedin's area directors play an active role here. Municipalities vary in their level of ambition, which is in part dependent on feasibility. For instance, Woerden municipality has opted to become climate-neutral by 2030. Stedin has concluded a 'Natural gas-free districts' Green Deal with other grid operators and several municipalities with a view to removing natural gas from a single district in each municipality.

Accelerating through cooperation

The energy transition has intensified cooperation between municipalities, the grid operator and other stakeholders in an area. Stedin Group has been asked to contribute ideas and provide insight into the costs and benefits of energy infrastructure and into our plans and schedules for the replacement of gas grids. We have made it our ambition to develop a vision on the energy infrastructure of the future with all the municipalities in our operating area within five years. At present, we are considering which method to use and the products that will accompany it. Thereafter, we will check them against the wishes of municipalities and other stakeholders and then implement them.

Green Deal

Stedin Group entered into the 'Natural gas-free districts' Green Deal with a host of parties including three government ministries, all Dutch provinces, 30 municipalities and other grid operators in early 2017. The goal is work with residents in the Netherlands to create natural gas-free districts. Of the 30 municipalities that have signed the Green Deal or are partners in it, 23 are in Stedin Group's area of operations. Stedin is acquiring experience with those municipalities to identify the best way of weaning a city district off gas. The way in which we involve local residents and create an attractive perspective for action for them is also important. To this end, Stedin made a contribution to the national 'Building-related financing' national working group in 2017. We have also developed a business case for the transition from cooking with gas to cooking on induction cookers. In 2018, 300 flats in the region of Utrecht will be making the transition based on this business case.

The Green Deal contains specific agreements on the role and responsibilities of each party. For instance, the government is committed to eliminating obstacles in laws and regulations and thus truly accelerating the process whereby energy supply will be made more sustainable. It is for the parties to find the right practical examples to show the ministries which changes are needed in government policy and laws and regulations. One success in 2017 was the announcement of the third Rutte government that it will be amending the mandatory connection to the gas grid laid down in the Gas Act. Stedin lobbied politicians and policy-makers for this change in 2016 and 2017. Notwithstanding the fact that the mandatory connection to the gas grid was still in place at the time, 4,800 gas-free homes were built in Stedin's area of operations in 2017.

Cooperation to improve public space in Zeeland

The municipalities of Zeeland, Scheldestromen Water Authority, NDWG and water company Evides have joined forces to make the province of Zeeland climate-proof and to implement the energy transition. By properly coordinating their plans, underground work and work in the outdoor space, those organisations will cause less inconvenience to local residents, businesses and visitors and ensure an efficient and smooth approach. This will reduce costs and improve cooperation with partners such as housing associations, local residents and businesses. The letter of intent was signed in November 2017. Specific cooperation agreements will be made in 2018.

Stichting Zeeuwse Publieke Belangen

Within the context of the acquisition of DNWG, Stedin Group agreed with the former private shareholders of PZEM N.V. (previously DELTA) to establish a foundation, Stichting Zeeuwse Publieke Belangen, as a platform for consultation between Stedin Group, the province of Zeeland and the Association of Municipalities in Zeeland. The foundation promotes the public interests of Zeeland province in the fields of employment, energy supply and stimulating the energy transition. It manages a fund of € 2 million per year in support of collaboration projects that aim to promote the energy transition and energy supply. Stichting Zeeuwse Publieke Belangen is coordinated from within Stedin Group under the Samen Sterker programme. Its governing board is composed of the following individuals: Judith Koole (Stedin Group), Gerard Vesseur (Stedin Group), Carla Schönknecht (province of Zeeland) and Ad Schenk (Association of Municipalities in Zeeland).

In 2017 the foundation focused on its internal structure, introductions and mapping out the approach to proposed projects in Zeeland that wish to qualify for a contribution from the fund. Assessment criteria have been drawn up and will be used by the foundation to determine whether applicants qualify for financial support. The assessment criteria are as follows:

- accelerating the energy transition and promoting climate objectives in Zeeland;
- support base among provincial and municipal authorities and the grid operator;
- development of reproducible knowledge;
- socio-economic significance and contribution to collaboration;
- innovative drive for Zeeland and DNWG/Enduris.

The first project proposals are currently being assessed. The central focus of the foundation is on projects aimed at enhancing the sustainability of the built environment or industry, electric transport and generation of renewable energy. The governing board expects to be able to approve project proposals in the first quarter of 2018.

Goeree-Overflakkee island to be energy-neutral in 2020

On 15 February 2017, Stedin and the municipality of Goeree-Overflakkee signed a cooperation agreement to ensure that the island is fully energy-neutral by 2020. This target will be achieved by reducing the consumption of natural gas and making the transition to solar, wind and tidal energy and by means of energy savings, resulting from all residents being given insight into their energy consumption through smart meters.

The power of collectives: 'Hier Opgewekt'

An increasing number of groups of citizens are deciding to invest jointly in the self-generation or storage of energy. Examples include associations of owners or local residents who install solar panels on the roof of a school. The number of such collectives rises every year. Stedin has latched on to this trend through the Hier Opgewekt foundation. The demands of collectives are different from those of households and SMEs, but they are considerably smaller than large companies. Their wishes and needs are different, too. That is why, in November 2017, Stedin set up an energy transition desk for these customers, which they can contact for any questions they have about the energy transition. Customers can telephone us or send an email to energietransitie@stedin.net. The most frequently asked questions concern the type of connection, the possibility of returning energy to the network and the SDE (Sustainable Energy Generation Incentive) scheme.

Natuur & Milieu

Stedin has been working with Natuur & Milieu, an environmental protection organisation, for several years now. Actively promoting a sustainable society, this organisation has an abundance of knowledge of, as well as a clear vision on, subjects that are important to Stedin, such as the increasing number of solar panels, phasing out natural gas and the transition to electric transport. As part of our partnership, we agree every year on specific projects which

The municipality of Goeree-Overflakkee and Stedin signed a cooperation agreement to ensure that the island is fully energy-neutral by 2020 we will tackle jointly. For instance, we have together developed an offer for our employees to promote the use of electric private cars and we have started an information campaign on the phasing out of natural gas.

Stedin and ElaadNL

ElaadNL helps grid operators to encourage an open market where everyone can offer and use smart charging services. By developing usable solutions for Smart Charging in collaboration with the market, ElaadNL is safeguarding the collective interests of all grid operators when making new connections and reinforcing their grids.

Five employees were seconded from Stedin to ElaadNL in 2017, with the following results for Stedin Group:

- Future-oriented Connection: national standards and frameworks for the connection of charging infrastructure were developed, resulting in, among other things, standard grid operator components in charging stations. In addition, a blueprint was drawn up for the registration of charging stations in the grid operators' systems.
- Vehicle-to-Grid: in collaboration with LomboXnet, Renault and LastMileSolutions, a further step was made in the Vehicle-to-Grid project. ElaadNL is promoting standardisation of this technology for and on behalf of the grid operators, with a focus on unlocking flexibility with the aid of batteries in electric cars. In 2017, further work was done on the protocol controlling in-car batteries. A start was also made on identifying and listing the requirements and guidelines of grid operators for this technology. A survey was conducted jointly with Erasmus University Rotterdam in respect of the applicability of Vehicle-to-Grid within car-sharing programmes. On behalf of grid operators, ElaadNL is developing standards for the return of energy to energy networks by the batteries of electric cars.
- Electric buses: ElaadNL conducted a market survey which showed when it could expect requests for heavy use connections for the charging infrastructure for electric buses, and how many such requests it might receive. As a result of ElaadNL's interpretation of the findings relating to electric buses, the discussions on the spatial incorporation, ownership and reuse of charging infrastructure were taken to a new level.
- Various standards for Smart Charging and cybersecurity were developed (further) in 2017 and a completely revised version of Open Chargepoint Protocol (OCPP 2.0) was launched.
- Jointly with other grid operators, we tested and certified new electric cars and charging stations in the test laboratory, thus ensuring not only the safety but also the power quality of these new products.

Groene Netten platform

The Groene Netten platform is a coalition of all infrastructure operators in the Netherlands: Alliander, Enexis, Gasunie Transport Services, KPN, the Directorate-General for Public Works and Water Management (Rijkswaterstaat), ProRail, TenneT and Stedin. Together they are accelerating the move towards a climate-neutral and circular infrastructure sector. Stedin is already able to make a difference thanks to its own position in the chain, but by pooling our knowledge, networks and strengths, we are all contributing directly to significantly lower CO_2 emissions in the Netherlands and to the transformation to a circular economy.

Our joint efforts produced several wonderful results in the past year. For instance, the grid operators involved joined a consortium which examines the options for generating solar energy on water on a large scale. We also set up the PetaPlan to enable Rijkswaterstaat land to be used for the production of sustainable electricity. In addition, all infrastructure operators are working together to find a clear and workable way of requesting circularity from market players. This way, cooperation delivers added value for both Groene Netten partners and the market parties which must jointly implement the transition to a sustainable society.

The joint approach builds on the experience infrastructure operators already have with measuring the social impact of their own projects. Based on research, Stedin concluded that the greatest impact of its electricity grid is in the area of raw materials use and climate change. This finding became the basis of Stedin Group's One Planet Thinking ambitions for 2020 and 2030.

Solar energy

The use of solar energy is growing fast in the Netherlands. We have also seen a sharp rise in the number of solar panels in our own operating areas. Ever more households are having solar panels installed on their roofs; the number achieved in 2017 was a record. The number of larger installations and large solar parks is growing as well. We saw the number of companies installing solar panels double in 2017; many of these were quite large projects. The new installations mean installed capacity has trebled. This is a good thing because it means the share of sustainable energy in the energy mix is on the increase.

For our organisation, this means we will have to make extra efforts if we are to connect all the installations in good time. We will also have to keep a close eye on the situation to ensure that our existing electricity grids can absorb all the solar power at peak times. The government has commissioned Stedin's SDE desk to monitor the production of sustainable energy.

Environmental Management

How we treat the environment is becoming increasingly important to our stakeholders. The government is also placing ever more demands on Stedin Group on this front. At the same time, our environment has become more complex and more prudent, to the point of stubborn, in recent years.

Strategic Environmental Management

Strategic Environmental Management focuses on how we intend to treat our environment when implementing projects in the long term. It is an organisation-wide competence which must be in our Stedin DNA. The idea behind the methodology is to exchange information with other organisations and stakeholders at as early a stage as possible and to coordinate schedules. All parties involved benefit from this. We are all playing our parts, for example by publishing our data, concluding agreements and declarations of intent for structural cooperation with municipal authorities, and the cooperation agreement with Evides and Oasen.

Environmental and Planning Act

The new Environmental and Planning Act came into effect in 2012, with a view to simplifying the rules for spatial development and streamlining and improving the processes involved. The measures to be taken to achieve that include:

- a single user-friendly portal to ensure a clear overview and predictability;
- accelerated decision-making;
- apace for sustainable development;
- a coordinating role for municipal authorities.

The consequences for grid operators are not yet entirely clear, but things are set to change from a legal point of view and in the area of environmental management. The permits for cables, pipelines and transformer stations will be amended. Additionally, it is important for us to be able to contribute to the environmental planning visions drawn up by local authorities. The challenge is to manage local differences and the diverging interests involved. This requires that Stedin Group staff prepare a different approach. Fortunately, by sharing knowledge and joining forces on this subject with the Ministry of Economic Affairs and Climate Policy and the Ministry of Infrastructure and Water Management, we have plenty of opportunity to learn form each other and apply best practices. Founded in 2016, the Learning Platform for Energy & Environment encourages market parties, authorities and interest groups in the energy sector to share knowledge in a transparent manner. Grid operator Stedin is one of the partners on this platform and also contributed to it in 2017.

Art on transformer substations

Many of our substations are in crowded neighbourhoods and are regularly daubed with graffiti. Working with municipalities we are now applying art to them. This brightens up the street, making the area more pleasant to live in.

Transformer substation at Antonides Van de Goeskade in Goes. The artwork was made by Galerie-Atelier De Kaai, a workshop for visual artists with a disability

Optimising the Rotterdam Electricity Grid ('OER project')

The 'OER project' is one example of good cooperation with the local community. Over the course of 2017 and 2018, a little over 30 kilometres of new 23kV electricity cable are being laid in Rotterdam. To keep the unavoidable inconvenience to an absolute minimum, we are working closely with the municipality of Rotterdam, other utility companies and, for example, the RET, using the Strategic Environmental Management methodology. Use of Strategic Environmental Management has helped to ensure that the project has run predictably and, as a result, two thirds of the project has now been completed. The number of complaints from the local community or stakeholders is also small and the project remains within the planned budget.

Sustainable business operations

Stedin Group aims to facilitate the energy transition for its customers while also making its own operations more sustainable. This is premised on One Planet Thinking, with consideration for the environment, an inclusive employee policy and sustainable procurement.

Employees

Stedin Group originated as an independent company at the start of 2017. The unbundling from Eneco Group mainly impacted the support departments that needed to be set up within our company. We had to recruit new competencies for that purpose, in fields such as treasury, legal affairs, procurement, HR, investor relations and ICT. We were very successful in doing so.

Our environment calls for our organisation and our employees to demonstrate a capacity for change and agility; however, as a grid operator we need to focus on safety, predictability, reliability and control. We want to properly equip the managers in our organisation in particular to effectively guide their staff in navigating those opposing requirements.

Long-term employability

The agile organisation we aim to become entails the following for individual employees: mobility and vitality and moving in step with what is required by our environment. This means they need a focus not just on what is required by Stedin Group as an employer but also on potential future areas of work that may be required by society. Because the path of the energy transition is uncertain, it will become even more important for employees to invest in their own career. Stedin Group contributes proactively to the long-term employability of staff, in their present positions as well as potential future opportunities. For us, that is part of being a good employer.

Being agile also means responding rapidly to customer requirements. To gear our organisation to this we will strengthen leadership, both individual and hierarchical, and continually invest in 'working = learning', as well as in the long-term employability referred to above.

Training and development

We train large numbers of technicians at our in-house training facility, where employees can take (senior secondary vocational (MBO)) and other training courses in our fields of expertise as well as the mandatory safety training. We recorded 33,509 enrolments in 2017 (2016: 31,950) for courses at our in-house training facility. These are applications for technical training, safety training such as BEI and VIAG, and in-house safety training. On average, the in-house training facility numbered 275 MBO students in 2017 (2016: 265) at various levels. This led to the award of 89 MBO diplomas in 2017 (2016: 90). The Technology & Safety budget totalled € 8.2 million in 2017 (2016: € 6.5 million).

The labour market of the future

In addition to good technicians, we are increasingly looking for data analysts. We see shortages arising for both categories in the labour market, while 28% of our highly competent and well-qualified technical employees will be leaving Stedin Group over the next decade, mainly due to retirement. They have received internal training for ten years, and it takes years for new employees to reach that level. This is due in part to the legal regulations for safety (periodic certification) and the regulations for our industry. We invest in training and development by means of our in-house training facility. It plays a crucial role in getting new colleagues up to speed, but also in providing continual refresher training for our employees and those of the partners we work with. We are examining the options for fast-tracked training, in conjunction with industry organisations.

We are improving our visibility as an employer, for instance by working with schools and universities. Whereas we had only 9 work placement posts in the second half of 2015, these numbered 74 in the first half of 2017. We are also getting in touch with potential employees at job fairs and strengthening our employer branding, as is reflected in the improved website 'Working at Stedin'. We are stating more clearly what each position contributes to the energy transition, as we believe this holds greater appeal for candidates.

Future developments

The numbers of employees, and their qualities and skills, that Stedin Group will need to carry out all its activities depend on the pace of technological change within our grids, shifts in customer demand and the ever increasing influence of IT and significance of data. It is clear, however, that clerical tasks will gradually disappear as a consequence of ongoing digitisation and robotisation. Indeed, there may be other tasks as well that we may wish to outsource.

Given the considerable outflow of highly qualified engineering staff, the shortage of technical staff and IT and data specialists, current developments in the field of digitisation and the overall speed of change, staff planning is high on our agenda. It is crucial that we maintain our ability to respond to those developments, so we have identified that as one of our strategic priorities for 2018 and beyond. In addition, we are joining forces with other players in the energy sector to speed up the development of our training programmes, so that trainees can get started in practice. This intensification of training makes us more attractive as an employer on the labour market, as it involves an even stronger combination of theory and practice.

Employee satisfaction

Effectory carried out a survey of our employees' motivation in 2017. We use this as a measure of the effectiveness of interventions we initiated, as a basis for adjustments and as a source of ideas and feedback. Four topics are part of Stedin Group's set of KPIs (excl. DNWG): alignment with the mission, motivation/satisfaction, performance management and development interviews.

Stedin Group is an organisation with which people are glad to associate themselves. Effectory's employee satisfaction survey within the Group reflects this in the following scores: 7.4 for commitment, 7.6 for engagement, 7.6 for satisfaction and 6.7 for alignment. Stedin Group outscores the average ratings for the Water and Energy Benchmark, which are 7.2 for commitment, 7.5 for engagement and 7.2 for satisfaction. Alignment was not measured as a benchmark score.

Inclusive society

As stated in our code of conduct, respect for our employees is a key ingredient of our philosophy. For one thing, this means that people can expect to receive the same treatment under the same circumstances. We do not discriminate against people on the grounds of race, gender, skin colour, age, religion, origin, sexual orientation, physical disabilities or for any other reason whatsoever. At Stedin Group we offer equal opportunities to all, and it is our policy to ensure hat our workforce reflects society at large. The acquisition of talent and diversity is part of that effort. Stedin Group includes all social groups within its focus, by offering work placements and opportunities for people with relatively few prospects on the labour market. At the same time, for us as a technical business finding a balance between men and women among our staff will remain a challenge as long technical colleges continue to attract so many more men than women.

Safe working conditions

Safety is and remains one of our top priorities. Safety, for us, is not just safety at work but includes safety of our assets and safety of the environment for our customers and the living environment in general. Working on the energy infrastructure involves numerous risks. Continual investment in knowledge, expertise, safety measures and a proactive safety culture are essential to ensure the safety of our employees, of contractors and hired staff and of the environment and to reduce the risks to acceptable levels. Visiting work locations, with a close focus on attitudes and conduct, and discussing risks are key elements in achieving this.

Preventing occupational accidents

Our permanent goal is to reduce the total number of occupational accidents to 0. The total number of occupational accidents includes accidents involving our own employees as well as those involving hired staff and contractors carrying out work for us. Our target for 2017 was fewer than 73 occupational accidents. We failed to achieve this, as 94 accidents occurred.

The *recordable* incidents are another metric. This is defined as the total of lost-time incidents, incidents requiring medical treatment and incidents entailing alternative work: Our target was fewer than 35 *recordable* incidents; 49 occurred in 2017.

Stedin Group	2017
Number of fatal accidents	0
Number of lost-time injuries (lost-time > 1 day) (LTI)	37
Number of incidents entailing alternative work: (RWC)	5
Number of incidents without lost time requiring medical treatment (MTC)	7

Table: accidents in 2017

The (RIF) (Recordable Incident Frequency: the number of occupational accidents per 200,000 hours worked) was 1.29 in 2017, versus a target of 0.92. The number of occupational accidents resulting in lost time (Lost Time Injuries, LTI) was likewise relatively high in 2017. The number of LTI per million hours worked (Lost Time Injury Rate, LTIR) was 4.88.

Most accidents involve relatively 'harmless incidents', such as slipping, falling or stumbling. The number of incidents relating to the primary business processes was limited. The accident top 3 relates to the risks of electrocution, traffic, and falling and stumbling. Factors in the environment have the greatest impact, i.e. not directly work-related. Raising awareness of potential risks, not just at work but in all movements as well, is being given the requisite attention.

Other safety risks

Safety is also a key element in the continuity of our day-to-day organisation. Risks such as business continuity risks and cyberattacks also had an impact in 2017. In addition, Stedin Group is faced with reports of increasing aggression, thefts of copper, and identity fraud aimed at gaining access to customers' homes with the aim of defrauding them.

Crisis management training sessions and drills were held this year at all levels in the crisis management set-up.

The security of employees, assets, vital infrastructure and IT security also requires continual attention and is embedded in the Stedin Security Strategy.

Certification by Lloyd's Register

We switched to a single certifying organisation in the course of 2017: Lloyd’s Register. The current certifications at other parties will be definitively transferred in 2018. The current certificates for all businesses within Stedin Group are compliant. Some of the certifications, such as ISO 9001 and OHSAS 18001, were renewed in 2017.

The development of the HRO (High Reliability Organsiation) version of the Safety Culture Ladder was initiated jointly with Lloyd’s Register. This certification is greatly valued in the industry, and we seek to tailor it to Stedin Group. Our goal is to achieve, by 2019, a result comparable to Level 4 of the Safety Culture Ladder, as a safety standard applicable nationwide.

Challenge

The continual changes in the energy landscape driven by the energy transition, alternative energy sources and the introduction of energy storage systems have consequences for the energy transition infrastructure. The speed of change appears to increase all the time. Part of our work will also change, and we will be faced with new technologies. This will create significant safety challenges for Stedin Group in the years ahead.

Safety culture

At the close of 2016, we kicked off the roll-out of a multi-year safety programme with a view to improving Stedin Group's safety performance. We are using the HRO principles in rolling out this programme, which consists of three phases: raising awareness, updating knowledge and embedding routines. We drove ahead the development of the first phase of this programme in early 2017, and started implementing it throughout our organisation after the summer. We organise awareness workshops for this purpose, which have been well-received. The development of the second phase, that of updating knowledge, has now been initiated.

HRO has five key features:

- I think ahead
- I am not afraid to ask and keep asking questions
- I am prepared for the unexpected
- I focus on solutions
- I am open to the expertise of colleagues

The HRO process is expected to help Stedin Group to deal effectively and safely with the new challenges presented by the energy transition.

Commitment to One Planet

We actively work to help ensure that future generations have enough space to live, in line with the One Planet philosophy. Our climate goal, to be a climate-neutral organisation by 2030, is part of our strategy. By 2030, we will have reduced our use of materials and our particulate matter and CO_2 emissions to within the One Planet limits. We will achieve this because our use of electricity will by then be sustainable and our vehicle fleet will have switched to sustainable electricity or hydrogen. We will use our electricity network for longer. New cables are made of recyclable material and we make new products from old cables. Stedin offers opportunities for everyone in its highly diverse range of work placements and work-study programmes, at the heart of society. We achieved progress across all these areas in 2017.

Scarcity of raw materials/circularity

Raw materials are becoming increasingly scarce, come from conflict areas or are produced under unfair working conditions. We have developed our Socially Responsible Procurement Policy and updated Supplier Code Of Conduct in line with our One Planet objectives. This enables us to work on a positive impact in tandem with our suppliers.

Results in 2017

- In cooperation with one of the suppliers, we achieved reductions in purchasing smart electricity and gas meters of 33% for plastics, 58% for metal components and 50% for the total number of required components. This produces savings of 143 tonnes of plastics, 15 tonnes of copper and 38 tonnes of steel. The savings on plastics alone will reduce our CO_2 emissions by 1,100 tonnes in the next four years.
- A pilot project has been launched to convert 30 tonnes of bakelite released in recycling our old meters into cable ducts and covers for ProRail. Bakelite is a thermosetting plastic that offers little opportunity for high-grade recycling. If the pilot project is successful, a process will be developed for all bakelite residual flows within Stedin.
- We have developed a new Supplier Code of Conduct and a new procurement policy in which suppliers are specifically requested to support us to achieve our circularity and circular purchasing targets.
- We are collaborating with a supplier of work shoes who re-uses soles, leather and steel toes.

Particulate matter and CO_2 emissions

We endeavour to prevent, reduce and where necessary compensate for emissions arising from our activities as much as possible. Our network losses and emissions from our vehicle fleet and buildings are specific areas we are focusing on due to their impact.

Network losses

Network losses arise during the transmission of electricity, which always involves small losses. We also incur energy losses when people do not pay for their electricity. Our network losses are equivalent to the electricity consumed by 300,000 households. If we purchase grey power for this, we will emit 500,000 tonnes of CO_2. We therefore want to increase the sustainability of our network losses. Since 2016, we have been purchasing Guarantees of Origin (GoO) for 100% of our network losses. GoO guarantee that an equivalent amount of green power is generated to match the losses. We want all of this power to be generated in the Netherlands by 2020, which would enable us to provide a positive impetus as a regional grid operator, through our electricity consumption, to the greening of power supply in the Netherlands. In addition, we are collaborating with other grid operators, the central government, ProRail and Rijkswaterstaat (Directorate-General for Public Works and Water Management) in the PetaPlan to examine the options for generating sustainable energy on land owned by Rijkswaterstaat and ProRail.

Results in 2017

- 100% of the emissions relating to our network losses of electricity were compensated by Guarantees of Origin in 2017. All GoO derive from wind energy, of which 40% is Dutch and 60% is European. In total, around 500,000 tonnes of CO_2 were compensated in this way.
- The generation of solar power on water was tested from the Groene Netten platform. Four fields of 20-25 solar panels each were installed at the project site, the Slufter. If successful, around 395,000 solar panels can be placed on the surface of the water. A total of 44 wind turbines can be placed along the dyke. That represents a total generating capacity of 2.7 PetaJoules per year.

Mobility

We stimulate sustainable mobility in whatever way we can. Employees travelling by public transport no longer have a fixed route pass but are free to travel anywhere by public transport, for both business and private purposes. In addition, we are deploying shared cars (electric Renault

ZOEs) more broadly, in collaboration with Greenwheels. Smart Charging stations will be installed at our office buildings in Delft and Utrecht; they are able to return electricity to the network. There is insufficient supply at present for the electrification of the larger company vans; we are experimenting with alternatives, including hydrogen. We are also examining the options for increasing the sustainability of the generator units we use in our activities:

Results in 2017

- Our mobility vision has been finalised and approved for implementation. The vision is based on an increase in the use of public transport, the use of shared cars and 100% electrification of our personal lease car fleet by 2020. The company vehicles should follow suit as soon as possible, depending on supply. Stedin Group has a total of 2,500 company vehicles. Out of that total, 71 are semi EV and 33 are fully electric.

Inclusive society

Stedin endeavours to be an inclusive organisation whose workforce is a reflection of society, where everyone is welcome irrespective of age, gender, religion, background, education or disability. Various groups in the Netherlands do not readily have access to the labour market. These include, for instance, young people without work experience or without starting qualifications, long-term unemployed persons and disabled people. For many years, Stedin has been helping these people to improve their opportunities on the labour market.

Results in 2017

- By means of work placements, we helped 96 young people to acquire work experience*(=excl. DNWG*).
- 48 new pupils commenced our apprenticeship programmes (work-study programmes) in 2017. These are mainly young people without starting qualifications. They will obtain a recognised vocational (MBO) diploma at level 2 or 3 and then start working for us in paid employment as mechanics *(=excl. DNWG*).
- In 2017 we continued our successful project in which technicians who have been unemployed for a long time are retrained as smart meter mechanics. In that year, 81 smart meter mechanics were trained, of whom 13 following a prolonged period of unemployment. Since the start of this training project in 2015, 221 smart meter

Our vision for mobility is aimed at 100% electrification.

mechanics have been trained, of whom 78 had been unemployed for a long time. We train many of these mechanics as all-round mechanics to allow them to progress to other business units within Stedin. Given the ageing issue within Stedin, this is a win-win situation.

The government, employers and employees' associations have entered into a voluntary social agreement to offer disabled people paid work with regular employers. Stedin is aiming to fill a number of such jobs on a long-term basis, in line with the Participation Act (Participatiewet). Accordingly, we aimed to create 12.3 jobs for this target group in 2017. With 8 actual vacancies, we did not quite manage to do so.

Stedin Group	2017
Target	12.3
Actual vacancies	8.0
Filled	8.1
Started but left	6.4

Table: vacancies filled in 2017 in accordance with the Participation Act

Dilemmas of inclusive employer practices

An inclusive employer needs to look at work differently: for instance, it needs to cluster simple duties of several employees in a new position, or peg back the candidate's expectations in a regular position. This proves to be difficult in practice for many managers. The supervision of candidates also involves dilemmas, as they require more guidance than regular employees and it is not easy to free up colleagues to provide it.

We nonetheless made great strides in this area in 2017 (see the table with results). The high rate of turnover shows how difficult it is to achieve a good match between the jobs and the candidates; many candidates leave during the trial placement.

One Planet projects in 2018 per impact area

CO_2 emissions

- Enter into Power Purchase Agreement to compensate for network losses of electricity
- PetaPlan for generation of sustainable energy at locations of Rijkswaterstaat
- Reduction of network losses of electricity
- Action plan to phase out SF6 gas
- Insight into reduction of gas network losses
- Increase sustainability of own buildings and vehicle fleet (electrification based on mobility vision)

Scarcity of raw materials / circularity

- Develop and implement raw materials passport to obtain insight into the composition of our materials flows
- Pilot project for life-cycle analysis (LCA) tool
- Implement One Planet ambitions in procurement processes for strategic assets (jointly with suppliers)
- Continue disseminating valuable experiences from the Fair Meter process
- Development of circular assets, partly by means of pilot projects in collaboration with the market

Particulate matter emissions

- Start electrification of vehicle fleet on the basis of mobility vision
- Reduce impact of assets such as generator units

Inclusive society

- Take gradual steps towards implementation of the Participation Act
- Add residence permit holders as target group
- Increase the number of participants in apprenticeship programmes (BBL)
- Expand the group of long-term unemployed persons being trained as smart meter mechanics
- Integrate social return in Code of Conduct and Procurement Policy (incl. specifically requesting social return in 100% of procurement processes)
- Help 100 households to save energy via the Energy Bank
- Run a Prepaid Energy Service pilot project with 50 households

Energy Bank

If customers are repeatedly unable to pay their energy bill, the energy supplier will terminate their contract. That creates network losses for the grid operator and customers are cut off. To alleviate this problem, Stedin partnered with Energy Bank Netherlands and Samen010 (an organisation that initiates, supports and stimulates voluntary work in the Rotterdam region) to establish the Energy Bank Rotterdam.

The Energy Bank aims to preserve access to energy for everyone as a basic necessity of life. Aided by energy coaches, including volunteers from Stedin, participating households follow a process to raise their energy awareness. They also receive a package of energy-saving products.

This support does not yet extend to Stedin's entire customer population. We aim to set up more Energy Banks in the future to help ensure that these people no longer end up in a vicious circle. At present, people can register for the Energy Bank of their own accord. We aim to proactively approach the target group in 2018.

Sustainable Development Goals

Stedin Group actively contributes to the UN Sustainable Development Goals, via the One Planet policy and in other ways. These SDGs were defined by the leaders of more than 190 countries in 2015. While all SDGs are important, our impact and the degree to which we can influence it differ widely per SDG. We believe that Stedin, based on the One Planet strategy, will be able to contribute most by focusing on the SDGs listed below. We differentiate between SDGs where we have a direct influence and impact (3 stars), SDGs we consider to be instrumental (2 stars) and SDGs we impact indirectly based on our One Planet strategy (1 star).

SDGs that impact Stedin Group

SDGs that impact Stedin Group (directly and indirectly)

DG	Influence and impact	Description	Interface with One Planet topic	Explanatory notes
7	***	*SDG 7* *Affordable and clean energy*	Climate change	We provide access to reliable, affordable, sustainable and modern energy for our customers via our networks.
11	***	*SDG 11* *Sustainable cities and communities*	Healthy city / particulate matter	Stedin helps ensure sustainable and pleasant urban environments by building and maintaining networks. The drive to increase the sustainability of our mobility and our vehicle fleet also contributes to this SDG.
12	***	*SDG 12* *Responsible consumption and production*	Scarcity of raw materials	Stedin seeks smart solutions to reduce energy consumption and thereby increase the sustainability of its network, for instance by balancing supply and demand. Stedin aims to operate on a 100% circular basis.
13	***	*SDG 13* *Climate action*	Climate change, scarcity of raw materials	Our operations impact our environment, for instance through CO_2 emissions. Stedin is working hard to minimise and where possible offset this impact.
8	***	*SDG 8* *Decent work and economic growth*	Inclusive society	Stedin pursues inclusive and sustainable growth for employees, partners, stakeholders and suppliers.
17	**	*SDG 17* *Partnerships for the goals*	Instrumental > interface across multiple topics	Partnering is the basis for a sustainable future for Stedin and is a spearhead of our strategy. Stedin participates in national and international partnerships to develop sustainable networks.
9	**	*SDG 9* *Industry, innovation and infra*	Instrumental > interface across multiple topics	The energy transition confronts us with challenges and new forms of energy and transportation. Stedin is innovating to ensure our networks are ready for the future. Stedin is committed to a gas-free future.
1	*	*SDG 1* *No poverty*	Inclusive society	Energy is a basic need. Where possible, Stedin works to combat energy poverty and to guarantee access to energy, even when people are experiencing payment problems.
5	*	*SDG 5* *Gender equality*	Inclusive society	Stedin is committed to gender equality among its own employees and requests partners, stakeholders and suppliers to formulate a similar ambition for this.

Fair meter

The smart meters that we offer our customers are not just smart but sustainable and responsible as well. Account has been taken in purchasing of the use of sustainable materials, the source of raw materials, the exclusion of child labour and the circularity of the meter. The Fair Meter resulted from a partnership with Alliander and suppliers Landis+Gyr, Flonidan and Iskreameco to raise the sustainability of smart meters.

Transparency regarding the source of materials was a complex matter for the suppliers. The source of some materials is difficult to trace, and this was also hampered by the fact that there are many links in the product chain. Very positive results were nonetheless achieved.

See www.fairsmartmeter.com

Non-regulated activities

Joulz completes 150kV station Middelharnis

On Friday, 3 November 2017, Joulz successfully started up the 150kV new-build Middelharnis station for TenneT. Thanks to the good collaboration and efforts made, Joulz managed to commission the Middelharnis station after a construction period of 17 months. Owing to the increasing supply of energy on the island of Goeree-Overflakkee, it was necessary to prepare the existing 150/50/10 kV Middelharnis station for the future by expanding its capacity. A connection point also needed to be created for a 150 kV cable connection for a large wind farm near the Krammersluizen locks. In addition, Joulz was requested by grid operator Stedin to create two additional 150kV connection points for >100MVA power transformers.

Joulz completes construction of the Breukelen-Kortrijk station:

The new TenneT Breukelen-Kortrijk high-voltage station was started up on schedule at the end of June 2017. Joulz carried out this project as operating contractor. The new 380/150kV Breukelen-Kortrijk station strengthens energy supply in the provinces of Flevoland, Gelderland and Utrecht. Connections are already in place in this region from Diemen and Utrecht Lage Weide. Breukelen-Kortrijk has now been added to safeguard supply security in the event of a calamity in the aforementioned provinces.

Joulz completes expansion of Doetinchem station

The expansion of the 380 kV Doetinchem station was completed and ready for use in July 2017. The expansion is part of Doetinchem-Wesel 380kV, which involves the construction of a new connection from the Dutch to the German electricity grid. This is the first project that Joulz has completed under the EU203 framework contract.

Certification

Joulz cybersecurity

In November 2017, Joulz renewed the ISO27001:2013 telecom certification and expanded it for System Automation (SA) and Security. This means that Joulz is now certified for all activities in the operational technology of customers' systems. In 2017, Joulz made all processes, attitudes and behaviours cybersecure, especially for the Telecom & Complex Security, Station Systems and Network Automation teams. Joulz is one of the first businesses in the sector to have received this certificate.

This certification is important for preventing incidents and preparing for new EU legislation. It also improves Joulz's ability to act as system integrator in connection with STN2020 and Station Automation and to continue to professionalise services. Management of the technical laptops of Joulz that are connected to customers' installations is an example of the responsibilities this entails, as that connection represents a cybersecurity risk.

Building SA systems and testing them in Joulz's own testing facility is another example. During building, ownership of this installation is held by Joulz and requires a cybersecure approach. Customers are also increasingly requiring Joulz to both ensure and demonstrate that its designs are cybersecure. This is an area we will be focusing on in 2018.

In this connection, Joulz has also made progress on integrating OT (operational technology) and IT. Joulz thus remains a leader in the field of secondary technology; this underscores its importance as a system integrator and strategic partner.

Certification of DNWG

DNWG Infra has been nominated for step 3 of the Safety Culture Ladder for its high-voltage activities. DNWG also obtained the environmental certification ISO 14001: 2015.

Joulz Smart Grid Center

Rotterdam's mayor Aboutaleb opened the Joulz Smart Grid Center on 20 September 2017. This technology centre at Joulz's head office is fitted out with the most innovative equipment in the field of station automation. The Joulz Smart Grid Center is used for monitoring analysis and analysis of malfunctions, for designing smart grids and for providing training and giving presentations. It also enables testing of innovative trial assemblies for station automation.

Joulz has already developed systems that allow remote controlling, security, telecom infrastructure, metering and detection for high-voltage stations. With the Joulz Smart Grid Center, these systems will be extended to lower-voltage distribution stations. This enables more accurate monitoring of the quality of the electricity grid, meaning any problems in the grid can be resolved with greater speed and precision.

Predictive Asset Management Joulz

Predictive Asset Management (PAM) is tailor-made maintenance aimed at minimising the risks and impacts of outages while ensuring effectiveness of the effort required. This provides optimum availability of assets, such as high-voltage installations, at lower cost. It is made possible through smarter execution of the design, construction, maintenance and re-use phases, for instance. One of the building blocks of Predictive Asset Management is Total Cost of Ownership (TCO), ranging from the design phase to the end-of-life phase of a high-voltage installation.

Increasing the sustainability of energy supply entails increased complexity. This must not lead to higher costs for the society. The specific approach for optimising Total Cost of Ownership (TCO) developed by Joulz enables it to join customers in exploring opportunities to increase cost effectiveness and achieve cost savings by optimally utilising installations and reducing life-cycle costs, while always maintaining or enhancing availability and reliability of the plants. TCO is becoming increasingly important as the energy transition requires extensive investments in the network. Several initiatives are ongoing in the business market to implement PAM jointly with customers. A pilot project is also being prepared within the TensZ joint venture.

SAZ+ (Zeeland Waste Water Chain Collaborative) letter of intent for collaboration on public space (DNWG & Evides)

DNWG endorses the need to arrive at uniform data. Data are already being exchanged in consultation with municipalities, housing associations and other grid operators. DNWG intends to adapt its geographical information discount system (GIS) in 2018 to provide better insight into the joint plans. This is not just an aim, but it is also embedded in the SAZ+ Letter of intent DNWG recently signed with Zeeland municipalities and Evides Waterbedrijf.

Energy transition projects

From natural gas to biogas in Borculo

On 1 January 2017, a 5.5-kilometre biogas main was opened from a fermentation plant in Beltrum to Friesland Campina in Borculo. Joulz was involved in the design and construction of the facility and will manage it for the next twelve years. Biogas from fermentation is a sustainable energy source.

Qbuzz Utrecht

Ten new Qbuzz buses have been serving line 1 in Utrecht since September 2017. This is the first time that only fully-electric buses have been used on such a busy route. The electrification generates annual savings of 9 tonnes of CO_2, 13 tonnes of nitrogen and 3 tonnes of particulate matter. As the main contractor, Joulz had final responsibility for the grid connection for bus charging. Joulz handled everything: selecting recharging locations, applying to the grid operator for connections, building infrastructure for the charging points, pile-driving, laying cables, installing chargers etc.

Ouverture district in Goes goes energy neutral

Before the summer, a large majority of the residents of the Ouverture district, together with the municipal council of Goes, selected DNWG Warmte B.V. as new operator for the collective energy system in the district. Goes municipality and DNWG Warmte B.V. completed all preparations in 2017 and DNWG Warmte B.V. started as the operator on 1 January 2018.

Strategic partners of DNWG

DNWG Infra's high-voltage technology division is a permanent partner of Actemium Zwolle and IAG in Duiven as part of TenneT's EU 200 framework contract, for which DNWG Infra's high-voltage technology division is a preferred supplier. This division also works regularly with Sprecher Nederland to carry out relatively complex station renovations for Stedin, in which station automation is a major component. DNWG Infra's high-voltage technology division also entered into a general partnership with Cegelec B.V. in 2017. It is able to offer RenSec activities (Renovation of Secondary installations) to TenneT (EU 207) through this partnership (Omexom Dordrecht).

Joulz subcontractor for 'mega offshore energy hubs'

Five new wind farms off the Dutch coast at Borssele will jointly provide 3,500 MW of sustainable power in 2023, which is roughly equivalent to the annual electricity consumption of almost half of all Dutch households. The grid connection of the wind farms is provided by two platforms, Alpha and Beta, which will be located close to the wind farms. HSM Offshore B.V. is building the foundations and the offshore transformer stations and has engaged Joulz as subcontractor for these 'mega offshore energy hubs'. Joulz is responsible for the system integration of all high-voltage components on the platforms, and has already started on analyses and the design for the installations.

Strategic partners of Joulz

Together with Delft University of Technology, Utrecht University, the University of Amsterdam and the suppliers ABB and Siemens, Joulz is developing a five-year plan for sustainable energy facilities. This initiative was launched by Joulz. These large customers provide insight into their five-year real estate policy and their energy requirements. Jointly with suppliers and customers, Joulz is drawing up a multi-year policy plan in which CO_2-neutral organisation is a major priority.

A specialist in measurement and control technology, industrial solutions and building automation, Unica is active in energy transition research and initiatives. Unica and Joulz carried out several joint projects in 2017. Given the logical connection of mid and low-voltage in specific projects, the two companies are examining how they might join forces more frequently to contract projects.

Joulz also worked with various parties at the international level in 2017: with Kesir (Istanbul) for engineering capacity and subcontracting station construction projects, with Sprecher (Linz-Austria) for programming VBS systems for TenneT, and with RPS (Frankfurt) for traction substation construction on behalf of regional railway operators.

HSM contracted Joulz as a subcontractor for 'mega offshore energy hubs'

Financial results

Stedin Group achieved a net profit of € 424 million in 2017, a sharp increase compared with 2016 (€ 199 million). This higher profit was to a significant extent attributable to one-off effects, including a € 353 million result related to the unbundling of Eneco Group. Excluding these incidental items, we achieved earnings of € 89 million, € 16 million lower than in 2016 (€ 105 million) but still solid and in line with our expectations.

Unbundling of energy company and network group

On 31 January 2017, Eneco Holding N.V. was unbundled into Eneco Group (the energy company) and Stedin Group (the network group). This was achieved by distributing all of the shares held by Eneco Holding N.V. in Eneco Group N.V. as a dividend in kind to the shareholders of Eneco Holding N.V. Before the dividend distribution, the energy company was revalued to fair value. The energy company's profit after tax in 2017 up to unbundling on 31 January 2017 was € 53 million. As a result, Stedin Group's net profit was increased by a total of € 353 million in 2017. On 31 January 2017, following the unbundling, Eneco Holding N.V. changed its name to Stedin Holding N.V.

Sale of CityTec

Stedin Holding N.V. sold its subsidiary CityTec B.V. to Strong Root Capital on 31 March 2017. Stedin Group's management decided to sell the subsidiary because the long-term objectives of the two companies were no longer aligned and Stedin Group aims to concentrate on its (future) network management tasks. A loss of € 18 million was incurred on the sale.

Acquisition of network activities in Zeeland

On 13 June 2017, Stedin Holding N.V. purchased the entire share capital of Zeeuwse Netwerkholding N.V. (DNWG) from PZEM N.V. (formerly DELTA) and thus obtained full control. Network operator Enduris B.V., which is part of DNWG Group, has around 15,000 kilometres of electricity and gas mains in Zeeland. DNWG Groep N.V.'s 655 employees work in the Enduris and DNWG Infra business units. DNWG Group is provisionally positioned as a separate part of Stedin Group. From the second half of 2017, DNWG Group's results have been consolidated with those of Stedin Group. The purchase price for the shares was € 455 million.

Sale of Weert grid area

Enexis B.V. acquired the gas and electricity grids in Weert from Stedin Netbeheer B.V. on 1 July 2017. The 33 employees working for Stedin in Weert were transferred to Enexis B.V. as of the date of acquisition. Placing electricity and gas grids in the province of Limburg under the same control creates an efficient situation that is clear to all stakeholders such as customers, municipalities and provinces. The sale price was approx. € 59 million, almost equal to the carrying amount.

Financial results 2017

Net revenue and other income

Net revenue and other income for 2017 amounted to € 1,194 million, up € 86 million (7.8%) compared with 2016.

On the one hand, net revenue and other income increased by € 78 million due to the acquisition of DNWG in June 2017 and by € 15 million due to higher revenue recorded at Joulz (non-regulated activities). On the other hand, our regulated grid management revenue decreased by € 9 million. Lower rates pursuant to the decision on rates 2017 (Tarievenbesluit 2017) of the Netherlands Authority for Consumers and Markets (ACM) resulted in an adverse price impact of € 13 million that was only partly offset by growth in electricity and gas connections (positive effect of € 4 million).

Operating expenses

Our operating expenses rose by € 100 million (11.2%) in 2017 to € 996 million). Within that total, € 69 million (6.9%) was attributable to higher employee benefit expenses and € 31 million (3.1%) was due to a net increase in other cost categories.

Employee benefit expenses amounted to € 369 million in 2017 (2016: € 300 million). The acquisition of DNWG contributed € 29 million to the € 69 million increase (23.0%). The remainder of the increase was due to a higher average number of FTEs, an increase in employee-related provisions, and an increase in average costs per FTE.

Purchase costs and costs of contracted work increased by € 32 million (13.1%) in 2017 to € 276 million. This is due both to the acquisition of DNWG and, in particular, to higher energy prices. We expect prices to continue to rise in 2018.

Other operating expenses remained unchanged at € 213 million in 2017, despite € 10 million in higher costs for municipal sufferance taxes and concessions. In addition to the € 5 million increase from DNWG, and despite new legislation and the future elimination of municipal sufferance levies, the sufferance taxes levied by municipalities on our cables and pipelines increased to € 80 million (2016: € 70 million).

Hours worked by own and externally hired staff allocated directly to own investment projects are deducted from operating expenses as capitalised production. Compared with the preceding financial year, capitalised hours increased by € 20 million (17.4%) to € 135 million. Of this increase, € 9 million arose from the acquisition of DNWG and the remainder from increased investment levels.

Depreciation

Depreciation charges and impairments of non-current assets amounted to € 273 million, an increase of € 19 million (7.4%) compared with the previous year. This increase was caused mainly by the acquisition of DNWG (€ 14 million) and accelerated depreciation of metering equipment. As a result of the large-scale roll-out of the smart meters, accelerated depreciation was applied to old meters. We expect depreciation charges to continue to increase in the years ahead.

Financial income and expenses

Our financial expenses relate mainly to the interest expense on long-term external loans. Financial expenses amounted to € 79 million in 2017, up € 4 million (5.3%) compared with the previous year. Our interest-bearing debt rose by € 1,109 million (67.5%) to € 2,753 million at year-end 2017, mainly due to the acquisition of DNWG but also to the unbundling from Eneco Group. The unbundling operation involved a loan from Eneco Group of € 200 million. We were able to take out new interest-bearing debt at highly favourable interest rate levels and therefore the increase of our interest expense was very limited. In particular, the issue of two bond loans of € 500 million and € 300 million in October 2017 under a new European Medium Term Note (EMTN) programme enabled us to reduce the average interest rate of the interest-bearing debt from 4.4% in 2016 to 3.5% in 2017.

Income tax

The profit before tax for 2017 includes an amount of € 280 million that is exempt from corporate income tax under the participation exemption. Taxable profit decreased by € 18 million (13.1%) to € 119 million. Corporate income tax payable consequently fell by € 4 million (12.1%) in 2017 to € 29 million. The effective tax rate (as a percentage of profit before tax from continuing operations) in 2017 was 24.9% (2016: 24.5%).

Result after tax from discontinued operations

The result after tax from discontinued operations was € 335 million in 2017 (2016: € 94 million) and related to the unbundling from Eneco and to the sale of CityTec B.V.

The amount of € 335 million comprised € 254 million in revaluations to fair value (direct net realisable value) and € 38 million in connection with the realisation of reserves in connection with risk and currency hedges ahead of the transactions, € 60 million in operating profit recorded by both business units (2016: € 109 million) and € 17 million in tax (2016: € 15 million).

Net profit, dividend and solvency

After deducting taxes, Stedin Group's net profit was € 424 million (2016: € 199 million), of which € 412 million is attributable to the shareholders of Stedin Holding N.V. (2016: € 187 million). No dividend will be distributed on € 356 million of this amount of € 412 million. This is directly connected with the unbundling of Eneco Group, and it was agreed with the shareholders that no dividend would be distributed on it.

In accordance with the articles of association, 50% (€ 28 million) of the net profit (€ 56 million) remaining is at the disposal of the shareholders. We expect to distribute € 28 million to our shareholders as dividend in mid-2018. In spite of the fact that € 187 million of net profit was attributable to the shareholders of Stedin Holding N.V. in 2016, it was agreed with the shareholders to distribute dividends of € 100 million for 2016. This dividend was distributed in January 2017, prior to the unbundling.

Solvency at year-end 2017 was 43.3%. The acquisition of DNWG was debt-financed in full. Stedin Group's policy is aimed at achieving minimum long-term solvency of 40%.

Investments

Investments in property, plant and equipment in 2017 amounted to € 490 million, a slight decrease of 7% (2016: € 525 million). The amount of investments for 2016 includes the investments made by energy company Eneco. Investments in regulated networks rose from € 400 million in 2016 to € 476 million in 2017; they also relate to the large-scale provision and installation of smart meters.

Credit rating

Since 2001, Stedin Holding N.V. (formerly Eneco Holding N.V. has a public corporate credit rating issued by Standard & Poor's (S&P). Following the unbundling of Eneco Group, Stedin Holding N.V. retained its S&P 'A- with a stable outlook' rating, and therefore Stedin Group has a high creditworthiness.

Our goal is to retain the A- rating profile - a minimum credit rating of A/A2 with a stable outlook - in the long term. Consequently there is an adequate buffer for complying with the minimum credit rating requirement pursuant to the Network Operators Financial Management Decree (Besluit Financieel Beheer Netbeheerders) (a minimum 'investment grade' rating of BBB/Baa2).

Financing and liquidity

Our interest-bearing debt increased by € 1,109 million to € 2,753 million at year-end 2017 (year-end 2016: € 1,644 million). The following significant financing transactions took place in 2017:

a. In January 2017, a financing agreement was concluded between Stedin Holding N.V. (until 1 February 2017 Eneco Holding N.V.) and N.V. Eneco Beheer (as lender) for arm's length loans totalling € 200 million which Stedin Holding N.V. will repay in two tranches (in 2018 and 2020);

b. In March 2017, € 200 million of private loans were repaid and € 240 million of new long-term loans were drawn. € 40 million of these run to 2024 and the other loans totalling € 200 million run to 2027;

c. A bridging loan of € 450 million was entered into in connection with the acquisition of Zeeuwse Netwerkholding N.V. in June 2017. Following the acquisition, all existing external loans of Enduris B.V. (in total € 150 million) were taken over by Stedin Holding N.V. in June and July 2017;

d. The bridging loan was repaid in full in October 2017 and replaced by two bond loans totalling € 800 million).

Cash and cash equivalents amounted to € 73 million at year-end 2017 (year-end 2016: € 77 million). In addition to the cash and cash equivalents, Stedin Group has a committed credit facility (RCF) of € 600 million (running to July 2024) that can be used for general operational purposes, financing working capital or debt refinancing. Stedin Group also has an ECP programme of € 750 million, under which € 25 million was outstanding at year-end 2017 (2016: € 365 million). With this RCF and the ECP programme, we are comfortably able to meet any immediate liquidity requirements.

Financial policy

Stedin Group has access to the capital and money markets, optimises its financing structure and costs in accordance with economic parameters determined by the regulator in each regulation period, and minimises its financing risks. The financing policy is designed to provide timely and permanent financing.

Stedin Group maintains long-term relationships with at least six banks to safeguard the availability of sufficient bank and credit facilities. These are Dutch and international banks that have sufficient strength, offer a broad range of products and have a high credit rating.

Treasury

The financing and bank policy is implemented by the Treasury department, whose tasks include the following:

- advising on and executing external and internal financing transactions;
- executing ongoing cash management contracts.
- mitigating exchange rate, inflation and interest rate risks;
- maintaining contacts with banks, rating agencies and other financial stakeholders on treasury-related matters.

Stedin Group pursues a conservative financial policy with regard to open financial positions and derivatives. The Treasury department acts in accordance with its mandate as described in the Treasury Charter.

For further information, see Financial risk management in the notes to the consolidated financial statements 33.

Governance

In this section, we describe how the management and supervision of Stedin Group are organised. Partly in view of the role played by Stedin Group in society in general, it decided to voluntarily apply the Dutch Corporate Governance Code, where possible and relevant, with effect from 1 January 2018.

Corporate Governance

The Corporate Governance Code at Stedin Group

Stedin Group sets great store by good corporate governance. The Group naturally complies with the governance requirements arising for the network company from the Electricity Act and the Gas Act. Following the unbundling of Eneco in February 2017, Stedin Group moreover considered whether and how to apply the principles and best practices of the Dutch Corporate Governance Code (CGC).

The CGC was drawn up for listed companies; now that it is unlisted and its shares are held by 53 Dutch municipalities, Stedin Group is under no formal obligation to comply with it. Stedin Group decided to voluntarily apply the CGC, where possible and relevant, with effect from the financial year commencing on 1 January 2018. The principal departures from the CGC are connected with our public duties, shareholders and governance structure. Compliance with the CGC will be reported on for the first time in 2019 (in the 2018 Management Report). The CGC is however already applied as much as possible in the 2017 Annual Report.

Stedin Group

Stedin Group is the name of the Group comprising, among others, Stedin Netbeheer B.V., Joulz Energy Solutions B.V., Joulz Diensten B.V. and DNWG Groep N.V. Stedin Holding N.V. heads the group structure and is, directly or indirectly, the director under the articles of association of all its subsidiaries.

Stedin Holding N.V. has a full two-tier board structure consisting of a Board of Management and a Supervisory Board. The Board of Management manages the Group; the Supervisory Board exercises supervision. Both boards act independently of each other.

This annual report mainly describes the situation since 1 February 2017. Before that date, Stedin Holding N.V. was still named Eneco Holding N.V. and had a different Board of Management and Supervisory Board. A new Board of Management took office as from the date of the unbundling. A new Supervisory Board was also appointed, several of whose members also served on the former Supervisory Board of Stedin Netbeheer B.V. The Supervisory Board of Stedin Netbeheer B.V. was dissolved as from the date of unbundling.

Governance roles

Board of Management

Stedin Group's Board of Management is responsible for the performance of Stedin Group and all subsidiaries within the group structure. Its responsibilities accordingly include formulating and achieving the objectives of Stedin Group, the strategy with the associated risk and opportunity profiles, the financial performance and the corporate responsibility aspects of managing Stedin Group that are relevant to the Group.

In performing its duties, the Board of Management carefully weighs all interests, including those of customers, shareholders, employees, providers of capital and society in general. The Board of Management has defined values that contribute to a culture directed at long-term value creation.

An allocation of duties has been agreed within the Board of Management, notwithstanding the collective responsibility of the Board of Management as a whole. The Board of Management remains collectively responsible for all decisions. The division of duties within the Board of Management is decided, and if necessary changed, by the Board of Management, subject to approval by the Supervisory Board. With a view to external representation of Stedin Holding N.V. and its subsidiaries, both the Board of Management as a whole and its individual members are authorised to represent the company.

Terms of reference of Board of Management

In addition to legal requirements and the articles of association, the Board of Management is also bound by the terms of reference of the Board of Management as applicable from the date of unbundling. These terms of reference complement those requirements and comprise the division of duties, responsibilities and procedures of the Board of Management. The terms of reference reflect the principles and best practices of the Dutch Corporate Governance Code, insofar as they are applied by Stedin Group. In accordance with the Code, the terms of reference have also been posted on Stedin Group's website, as have those of the Supervisory Board and its committees.

Appointment and dismissal

Members of the Board of Management are appointed by the Supervisory Board for a maximum term of four years. They can be reappointed for a maximum term of four years in each instance. The Supervisory Board is authorised to suspend or dismiss the members of the Board of Management.

New consultation and decision-making structure

The structure and governance in the organisation were reviewed during the year 2017. One of the outcomes of this process was a new consultation and decision-making structure. For instance, there was a need for more strategic reflection for the Board of Management. This was embodied in the introduction of a Strategy Management Team (MT) on 1 November. Apart from the members of the Board of Management, the members of this body include the Asset Management and HR Directors. Until 1 January 2018, when the Board of Management was expanded to include a CTO, the Strategy Director also took part in the Strategy MT. Together with the General Counsel, the Strategy MT advises the Board of Management on monitoring and delivering the organisation's strategic objectives.

Another outcome was the discontinuation of the Stedin MT. Instead, a Strategic Coalition was set up, in which twenty directors and managers give shape to the strategy and its operational implementation. They meet six to eight times a year for that purpose. In addition, the number of consultative bodies was reduced in connection with the review of structure and governance. To increase responsiveness, design criteria were also formulated to provide a basis for initiating improvements in the efficiency of the services provided by, and the organisation of the support departments. This process will be continued in 2018.

Supervisory Board

Stedin Holding N.V.'s Supervisory Board advises the Board of Management and exercises supervision on the policy of the Board of Management and the general performance of the company and its affiliates. Stedin Holding N.V.'s Supervisory Board also acts as Supervisory Board of the grid operators within the Group, i.e. Stedin Netbeheer B.V. and Enduris B.V.

Upon taking office, the Supervisory Board drew up terms of reference for its functioning. These apply in addition to the legal requirements and requirements under the articles of association. The terms of reference include provisions on the Supervisory Board's composition, committees, duties and powers, meetings and decision-making.

The Supervisory Board has established two permanent committees:

- a combined Selection, Remuneration and Appointments Committee (SRA Committee). Its members are Pieter Trienekens, Jules Kortenhorst and Dick van Well. It was initially chaired by Pieter Trienekens, who was succeeded by Dick van Well with effect from 1 July.
- an Audit Committee, consisting of Theo Eysink, Dick van Well and Ineke Bahlmann. It was initially chaired by Dick van Well, who was succeeded by Theo Eysink with effect from 1 June.

The committees have their own meetings in preparation for the full Supervisory Board meetings. The committees report orally in the Supervisory Board meetings, when they also present their (draft) minutes. The recommendations of the committees form the basis for decision-making in the meetings of the Supervisory Board. The Audit Committee and the SRA Committee each have separate terms of reference, setting out provisions on their functioning.

The members of the Supervisory Board are appointed by the General Meeting of Shareholders, after being nominated by the Supervisory Board. The Supervisory Board has drawn up a profile for its size and composition, taking account of the nature of the company, its activities and the desired expertise and background of its members. The Works Council has an enhanced right of recommendation, meaning that the Supervisory Board is obliged, in principle, to fill one third of the seats on the Supervisory Board with candidates nominated by the Works Council. The General Meeting of Shareholders can also recommend candidates for nomination as members of the Supervisory Board.

Supervisory Board members are appointed for a term of four years and can be reappointed for a maximum of three additional 4-year terms. Supervisory Board members can be suspended by the Supervisory Board. The Enterprise Division of the Amsterdam Court of Appeal can dismiss Supervisory Board members. The General Meeting of Shareholders can withdraw its trust in the full Supervisory Board or in individual Supervisory Board members.

The members of the Supervisory Board retire periodically in accordance with the schedule of retirement that it has drawn up in order to avoid, as much as possible, Supervisory Board members retiring simultaneously. The following schedule of retirement was drawn up upon the incorporation of Stedin Group, as of 1 February 2017. The Supervisory Board members concerned were appointed by the General Meeting of Shareholders of Eneco Holding N.V., on 30 January 2017.

Schedule of appointment and retirement

Name	Appointed as of	Due to retire on
drs. P.E.G. (Pieter) Trienekens	1 February 2017	February 2019
Prof. dr. J.P. (Tineke) Bahlmann	1 February 2017	February 2018
T.W. (Theo) Eysink	1 February 2017	February 2021
drs. J.T.H.M. (Jules) Kortenhorst MBA	1 February 2017	February 2019
ing. D. (Dick) van Well	1 February 2017	February 2021

Composition

The Board of Management consisted of three members in 2017: two male members (CEO and CFO) and one female member (COO). This means that women made up 33% of the Board of Management. The Supervisory Board consisted of five members, one of whom was female. As a result, the male/female ratio in the Supervisory Board does not reflect the desired degree of diversity. Diversity in terms of composition is a continual focus area within Stedin Group. As soon as a vacancy occurs within the Supervisory Board, there will be an opportunity for a more balanced representation of men and women. Stedin Group shapes and pursues its striving for diversity by various means, including by explicitly referencing this aim in profiles for recruiting officials. Diversity is also a precondition in selecting, where applicable, an external recruitment agency. Lastly, diversity in terms of composition is also included in the annual evaluation of the Board of Management and the Supervisory Board.

Integrity

Code of Conduct

A safe working environment and ethical behaviour among employers and employees are highly important to Stedin Group and we have laid down our standards and values in a code of conduct. This covers conduct between employees themselves, but also in contacts with external parties such as customers, shareholders or regulators. Violations of human rights, bribery and other forms of corruption will not be tolerated. The code of conduct has been implemented with specific guidelines for some topics, such as Chinese walls, Competition, Privacy and Social Media. The code and the guidelines were revised at the end of 2017 and – like the Corporate Governance Code – posted on Stedin Group's website.

Reporting Facility

Stedin Group has separate reporting facilities for security and integrity incidents. This is where employees can report actual or suspected instances of non-ethical behaviour or security incidents in the work environment. Non-ethical conduct is also understood to comprise issues concerning bribery, other forms of corruption or human rights violations. Security incidents in a work setting may concern both data protection and physical security. Integrity incidents are handled on the basis of the Guideline for Integrity Incidents and Abuses.

Confidential advisers

Employees can also contact one of the organisation's confidential advisers, whose number was increased to three in 2017. Confidential advisers have an obligation of confidentiality and never act on their own initiative or without the approval of the employee concerned.

External report

If an employee believes that an abuse within the company has not been eliminated or not been handled adequately, and if the abuse concerned is relevant to society in general, the employee can opt to report it externally to the House for Whistleblowers.

Supplier Code of Conduct

Corporate social responsibility is important to Stedin Group. The Group expects its suppliers to demonstrate an ethically responsible attitude in dealing with resources in production and people. For example, Stedin expects its suppliers to subscribe to and actually apply the United Nations' Universal Declaration of Human Rights, and requests its suppliers to sign a Supplier Code of Conduct for that purpose. In its operations, Stedin Group is fully committed to the applicable laws and regulations and the Supplier Code of Conduct. To help employees report any violations, Stedin offers reporting facilities, confidential advisers and the House for Whistleblowers.

The Compliance Officer organises annual integrity sessions at various locations. Every year a series of articles are posted on the Intranet covering integrity risks within the company.

Biographical details of members of the Board of Management of Stedin Group

Drs. M.W.M. (Marc) van der Linden
Chairman / CEO

Marc van der Linden (b. 1972) was appointed Chairman of the Board of Management with effect from 1 February 2017. Prior to that he had been a member of the Board of Management of Eneco Holding N.V. since December 2012. He joined Eneco in 1997 and held various positions, including as Director of Eneco Energy Projects, Director of Eneco Installation Companies and Director of Eneco Wind. Previously Marc worked at Van Gansewinkel Group. He studied Economics at Tilburg University.

Other positions: Chairman of Netbeheer Nederland

Areas of responsibility: Strategy, Corporate Affairs, HR, Communication, Public Affairs, Joulz Energy Solutions, Joulz Services. [1]

G. (Gerard) Vesseur RA
Member / CFO

Gerard Vesseur (b. 1954) was appointed member of the Board of Management with effect from 1 February 2017. Prior to that he held the position of Finance Director at Stedin Netbeheer B.V. He joined Eneco Group in 1998, working first as Finance Director at Eneco, thereafter as Control & Risk Director at Eneco and subsequently as Finance Director at Joulz B.V. Previously Gerard worked at Global Knowledge and Arthur Andersen. Gerard is a chartered accountant (Dutch "registeraccountant") and studied Business Economics at a HEAO (school for higher education in economics and management).

Other positions: Board member of Oikocredit Nederland, board member of Stichting Zeeuwse Publieke Belangen

Areas of responsibility: Control & Risk, Finance & Accounting, IT, Purchasing, Treasury, Internal Audit. [1]

Drs. J.A.M. (Judith) Koole
Member / COO

Judith Koole (b. 1969) was appointed member of the Board of Management with effect from 1 February 2017. Prior to that she was Customer and Market Director at Stedin Netbeheer B.V. She joined Stedin in 2012 and held positions including

From right to left: Marc van der Linden, Judith Koole, David Peters, Gerard Vesseur

Programme Coordination Manager and manager of ReVisie (integration of Stedin / Joulz). Previously she worked at Delta and at SITA (SUEZ) in line management positions with final accountability. She studied French, complemented by Business Administration, at Radboud University Nijmegen.

Other positions: Board member of Stichting Zeeuwse Publieke Belangen

Areas of responsibility: Operational Excellence, Malfunctions & Maintenance, Construction & Replacement, Meter Cabinet & Connection, Customer & Market, VGMK (Safety, Health, Environment and Quality), DNWG. [1]

Ir. D. (David) Peters
Member / CTO

David Peters (b. 1980) was appointed member of the Board of Management as Chief Transition Officer with effect from 1 January 2018. Since May 2015, he held the position of Strategy Director at Stedin and was responsible for strategy and innovation within Stedin. Since unbundling, David was also responsible for regulation and public affairs. Previously he worked at Boston Consulting Group (BCG) in the Netherlands and abroad on strategy and organisation issues, especially in the energy sector. He was a member of the National Think Tank in 2006. David studied Applied Physics at Eindhoven University of Technology and Applied Ethics at KU Leuven.

Areas of responsibility: Data, Change, Asset Management, Innovation and Business Development [1]

[1] These areas of responsibility apply as from 1 January 2018.

Biographical details of members of the Supervisory Board

Drs. P.E.G. (Pieter) Trienekens

Pieter Trienekens (b. 1950) was acting managing director at Stedin Netbeheer B.V. from 2014 to 2017. Prior to this, he worked as a self-employed consultant. From 1986 to 2011, he worked at Nederlandse Gasunie, holding various positions including that of member of the Board of Management. His previous positions included that of policy advisor at the Ministry of Economic Affairs. He is also a chairman of the Supervisory Board of Cuculus GMbH in Ilmenau, Germany and a member of the Supervisory Board of DNV Kema in Arnhem.

Prof. dr. J.P. (Tineke) Bahlmann

Tineke Bahlmann (b. 1950) was a member of the Supervisory Board of Stedin Netbeheer B.V. from 2012 to 2017. Since 1991 she has worked part-time as professor of Business Economics at Utrecht University. Until September 2012, she chaired the Dutch Media Authority (from 2004) and before that she was Strategy Director at Rabobank. Ms Bahlmann also worked as a management consultant for many years. She held and holds various management and supervisory board positions, such as member of the Supervisory Board of ING, Chair of the Supervisory Board of Maasstad Hospital Rotterdam, the Centre for Visual Arts in Rotterdam and Max Havelaar. She is also a member of the Advisory Board of Social Insurance Bank SVB and was appointed Chair of the Supervisory Board of public transport organisation RET in 2015.

Ing. D. (Dick) van Well

Dick van Well (b. 1948) served as member of the Supervisory Board of Stedin Netbeheer B.V. from 2012 to 2017. From 1998 to October 2010, he chaired the Board of Management of construction company Dura Vermeer, where he had worked since 1973 and had held various positions. His other positions include that of member of the Supervisory Board of Dura Vermeer Groep N.V. and of APG Groep N.V.

Drs. J.T.H.M. (Jules) Kortenhorst MBA

Jules Kortenhorst (b. 1961) was a member of the Supervisory Board of Stedin Netbeheer B.V. from 2013 to 2017. He was a member of the House of Representatives for the Christian Democrats (CDA) from 2006 to 2008. Previously he worked in international business, including for Shell in Hong Kong and Bulgaria. As a member of the House of Representatives, Jules worked on innovation policy and other areas. After leaving the House, he served as Director of the European Climate Foundation until 2011. In 2012, he resumed his entrepreneurial activities. Since September 2013 he has been CEO of the Rocky Mountain Institute, a think tank in the US that focuses on the energy transition.

From right to left: Theo Eysink, Jules Kortenhorst, Dick van Well, Tineke Bahlmann and Pieter Trienekens

T.W. (Theo) Eysink RA

Theo Eijsink (b. 1966) started his career at Arthur Andersen, after which he worked in financial positions at KLM Catering, Spuigroep and Electrabel between 1996 and 2006. From 2006 to 2010, he was VP Finance at Bombardier Transportation holding. In 2010, he was appointed CFO at Stork Technical Services. Since 2012, he has been EVP Corporate Control at KPN. Theo is a sound financial leader with experience of a range of sectors. In addition, particularly in his last years at KPN, he acquired extensive experience with new business models. He has supervisory experience in the (semi-)public sector, including at a housing foundation.

Shareholders

We are connected with and focused on society. Together with our customers, shareholders and partners, we strive to foster sustainability in our society. With the support of our shareholders (53 Dutch municipalities), Stedin Group is able to dedicate its attention to its sustainable course.

Stedin Holding N.V.'s authorised share capital is divided into 20 million ordinary shares. No preference shares have been issued. Each share entitles its holder to one vote. No depositary receipts for shares have been issued. There are no usufructuaries or pledgees of shares with voting rights.

Municipalities holding more than 2% of the shares

Rotterdam	31.69%
The Hague	16.55%
Dordrecht	9.05%
Leidschendam-Voorburg	3.44%
Lansingerland	3.38%
Delft	2.44%
Zoetermeer	2.34%
Nissewaard	2.14%
Pijnacker-Nootdorp	2.10%

Municipalities holding less than 2% of the shares

Aalsmeer	Giessenlanden	Oud-Beijerland
Achtkarspelen	Goeree-Overflakkee	Papendrecht
Alblasserdam	Gorinchem	Ridderkerk
Albrandswaard	Haarlemmerliede & Spaarnwoude	Rijswijk
Ameland	Hardinxveld-Giessendam	Schiedam
Amstelveen	Heemstede	Schiermonnikoog
Barendrecht	Hellevoetsluis	Sliedrecht
Binnenmaas	Hendrik Ido Ambacht	Strijen
Bloemendaal	Kollumerland c.a.	Uithoorn
Brielle	Korendijk	Vianen
Capelle aan den IJssel	Krimpen aan den IJssel	Westvoorne
Castricum	Krimpenerwaard	Zandvoort
Cromstrijen	Leerdam	Zederik
Dongeradeel	Lingewaal	Zwijndrecht
Ferwerderadiel	Molenwaard	

Risk management

Stedin Group regards managing risks and opportunities in order to achieve its strategic objectives as a significant line responsibility.

Risk governance

Stedin Group's risk management is structured according to the 'three *lines of defence*' model. The Board of Management has delegated the execution of risk management primarily to the directors of the business units ('first line'). Business Control and functional areas such as compliance & integrity, quality management, business continuity management and safety provide support to the business units from the 'second line'. The 'second line' also includes the Risk Management department, which is responsible for the policy frameworks and coordination of the risk management process. The Internal Audit department ('third line') carries out objective and independent audits and reports on the results to the Board of Management and the Supervisory Board's Audit Committee. 'Across the board', the aim is to achieve effective and optimum cooperation on risk management with the purpose of addressing risks and capitalising on opportunities as effectively and efficiently as possible.

'Enterprise-level risk limits' have been specified in the form of various concrete policy statements, codes and guidelines for areas such as safety, mandates, authorisations and conduct. The Audit Committee devoted specific attention in 2017 to a number of topics, such as cybersecurity and fraud risks.

Risk and performance management framework

Stedin applies an Enterprise Risk Management framework. We focus on strategic and operational risks, ESG risks and financial reporting risks. In designing the management framework, we were guided by the COSO-ERM framework and the ISO 31000 standard, and more specifically by the ISO-NTA 8120 (ISO 55000) standard for asset management. The framework includes a risk assessment method and a self-assessment method that enables management to determine the effectiveness of the control measures designed (see the In-Control statement).

The risk management process is part of the standard business planning & control cycle. In addition to the periodic strategic risk analysis, the business units carry out a thorough analysis of their operational risks at least once a year. As part of this analysis, 'in addition to operationalising' any strategic risks and opportunities, the specific risks are identified for each business unit on the basis of the business objectives.

The operational business units report to the Board of Management on the development of the principal risks in Business Unit Reviews (monthly reviews).

Financial risks, including credit risk, are discussed in the Financial risk management section of the financial statements. A detailed description of our principal asset-related risks is set out in the Quality and Capacity Document for Electricity 2018-2020 and the Quality and Capacity Document for Gas 2018-2020. These documents are redrafted every two years by grid operators Stedin and Enduris, and are published on their websites. Reporting risks concern compliance with the applicable laws and regulations including IFRS and GRI standards, and the risks and uncertainties that potentially affect the reliability of internal and external reporting. Examples include complex allocation problems, the degree of subjectivity in valuation issues and risks with regard to the structure and set-up of financial reporting systems. Stedin Group has appointed specialised officers for this purpose and uses internal expertise. Risk appetite is low; for the guiding principles see the section on Accounting policies.

Developments in 2017

In response to the developments Stedin Group went through in 2017, we revised the strategic risks in 2017. For the first time, this included not only a consideration of strategic risks (undesirable and unfavourable events) but also a close focus on strategic opportunities (events with a positive outcome). Risk management is a clear 'line responsibility' within Stedin. Accordingly, this evaluation was performed not just with the Board of Management but also with all managers just below Management Board level and with the Works Council. The evaluation took place on the basis of the strategic pillars of Stedin Group: improving grid management, facilitating the energy transition and sustainable business operations.

Stedin Group also started to set up a Business Continuity Management System (BCMS) in 2017. Its main purpose is to identify the organisational interdependencies and potential threats concerning the company's own business continuity and being optimally prepared for the unexpected, while simultaneously setting up a resilient organisation. The internationally recognised ISO 22301 standard is applied as a guideline. Attention was devoted in 2017 to training and raising the awareness of employees and parties concerned, and the first steps were taken towards implementation of a Business Impact Analysis (BIA), aimed at mapping the critical activities of the primary business processes at Stedin Group.

Risks and uncertainties that had a major impact in 2017

In 2017 no risks occurred that had a major impact on operations within Stedin Group. For a description of accidents in 2017, see Safe working conditions. For an overview of the average downtime in electricity and gas supply, see Average downtime for electricity and gas in 2017.

Outlook for 2018

In 2018, Stedin Group will make further efforts to draw up and agree on a 'risk preparedness model' which, for each risk, specifies the current risk profile compared with the desired profile. Moreover, the various owners within Stedin Group will be engaged to establish links between strategy, risk, opportunity and performance (achievement of objectives) for each of the current set of strategic risks and opportunities, as part of the effort to put the current outline policy on risk preparedness on a more professional footing.

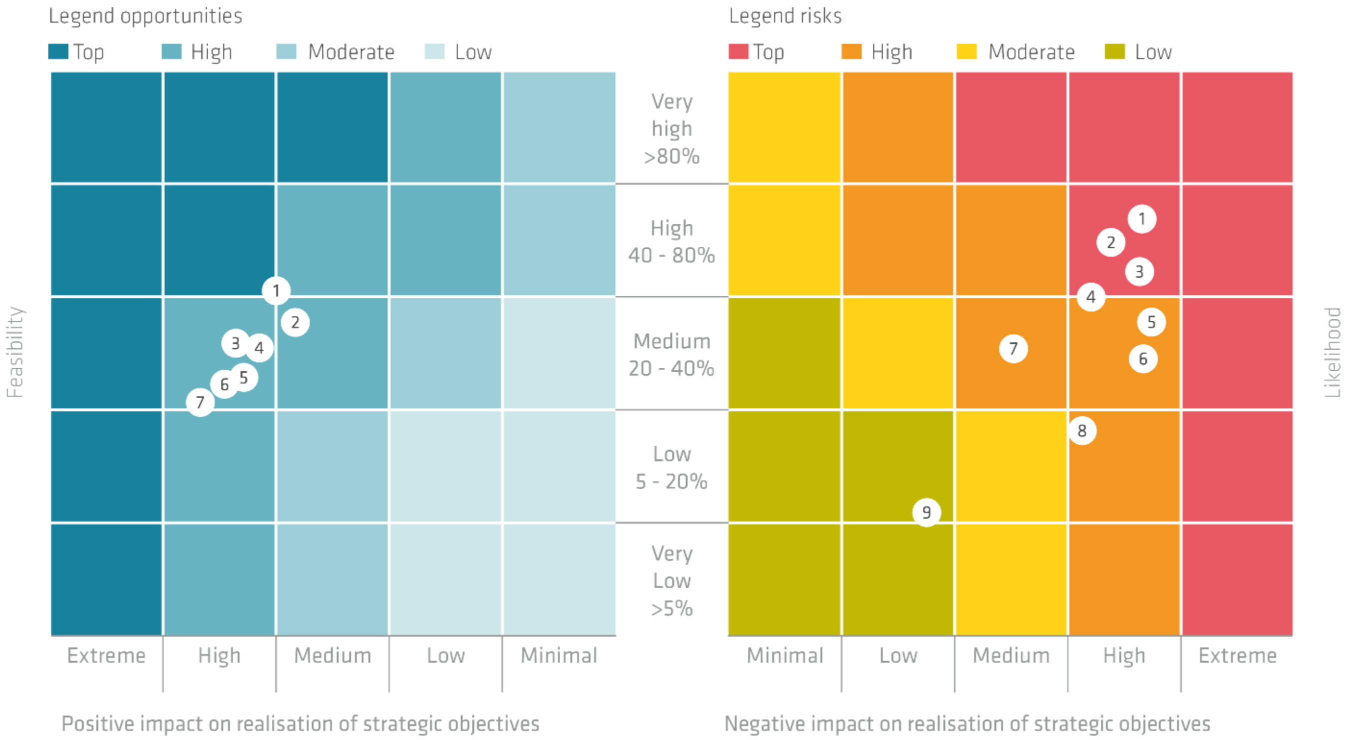
In addition, 2018 will see further coordination of risk management methods between Stedin and DNWG to ensure implementation of a uniform systematic approach within Stedin Group.

The Planning & Control Cycle provides for quarterly updates to be presented to the Board of Management concerning developments in strategic risks and opportunities, externally and in terms of internal control.

Strategic risks and opportunities of Stedin Group

The heat chart below represents the strategic risks and opportunities.

Heatchart for strategic risks and opportunities



Opportunities:

1. Development of products and services for the energy transition
2. Strategic relationships with suppliers
3. Disruptive technologies
4. Partnerships and collaborations
5. Provide stakeholders and customers with more self-services
6. Development of the potential of employees
7. Building a future IT landscape

Risks:

1. Cyberattack
2. Unavailability of enough employees with the required competenties
3. IT landscape insufficiently prepared for the future
4. Agility of the organisation
5. Loss of sensitive information
6. Uncertainty due to changes in legislation and regulation
7. Uncertainty of long-term financial funding
8. Impact of accidents
9. Excessive own environment impact

The probability of their occurrence versus the impact of the strategic risks and opportunities is shown above, with an estimate of the effectiveness of the measures currently in place.

Impact categories

We identify three strategic pillars at the strategic level. The impact categories on the basis of which we assess the risks are linked to those pillars: The table on the following page describes the impact category for each spearhead.

No.	Spearhead	Impact category
I	Improved grid management	A. Quality and efficiency of our services
II	Facilitating the energy transition	B. Role as enabler
III	Sustainable operations	C. Safety and environment
		D. Development of the organisation and employee motivation
		E. Finance

These categories are described below in more detail, together with our risk tolerance.

A Quality and efficiency of our services (spearhead I)

Everything we do at Stedin Group is aimed at serving our customers. This category includes the corporate values Quality, Customer and Stakeholder as well as laws and regulations. Risks are qualified as high in this connection as soon as a strong negative image arises among customers, shareholders or other stakeholders, or in the event of a sharp deterioration in the quality or efficiency of our services.

B Role as enabler (spearhead II)

The surrounding in which we operate is subject to significant change as a result of the energy transition. Stedin Group aims to be an inspiring enabler of the energy transition. In this category we include the risks that could adversely influence the enabler role in facilitating (accelerating) the transition to sustainable energy sources. Risks are qualified as high in this connection as soon as there is an event with a strongly retarding effect on the energy transition.

C Safety and environment (spearhead III)

Working on electricity and gas networks entails certain safety risks. This category includes both direct safety for the surrounding and Stedin employees and the somewhat more indirect safety risks as a result of environmental incidents. We want to exclude these risks as much as possible. Risks for our own personnel are qualified as high if they result in absence from work.

D. Development of the organisation and employee motivation (spearhead III)

The changing surrounding also places significant demands on Stedin Group and its employees. In this category we include the risks and opportunities that either severely inhibit or maximally accelerate the acquisition of the appropriate knowledge, skills, motivation and development of employees and the organisation. Risks are qualified as high in this connection as soon as there is a strongly inhibiting effect on the development of the organisation and a sharp decline in employee satisfaction.

E Finance (spearhead III)

A healthy financial situation is a precondition for sustainable operations. The corporate value of financial performance is included in this category. In this field, we identify risks in excess of €20 million as high and opportunities in excess of €10 million as significant.

Risk tolerance

As regards strategic risks: Above we have set out the conditions under which we classify the impact of specific risks as high. This classification combined with the estimated probability determines the level of the risk. Stedin Groep aims to achieve a situation without any red (top-level) risks.

As regards strategic opportunities: Opportunities entail a positive impact, and in the event of a strategic opportunity, its probability is determined by its feasibility. The principal difference is that top-level risks must be eliminated while top-level opportunities must be effectuated.

Strategic risks

Cyberattack (spearheads I and III)

Owing to its strategic location and its social and economic importance, the Stedin infrastructure is an attractive target for cyberattacks. The chance of a cyberattack is progressively increasing as a result of technological developments and the continually growing global cyberthreat, both from hackers and from nation states. A cyberattack can have major consequences for the services of Stedin, endangering vital infrastructure for the control (and hence, the stability) of the energy network. These events can seriously endanger the continuity of Stedin and cause major disruption in society at large.

How we manage this:

The Stedin Security Office, established at the start of 2017, is tasked with centrally and uniformly tackling, throughout Stedin, the cybersecurity risks and further improving our control of them. We took a range of additional measures in 2017 to further reduce the risks. In accordance with the Plan-Do-Check-Act cycle (PDCA), the evolving threats are continually weighed versus the measures to be taken. Plans and projects are permanently adjusted in response to the assessments. Stedin also cooperates closely in a Netbeheer Nederland context to exchange knowledge and experience on cybersecurity threats and other challenges. In addition, it takes part in Energy-ISAC, an initiative of the NCSC (National Cyber Security Centre), which is part of the Ministry of Justice and Security. Knowledge and experience of threats and other developments are exchanged within Energy-ISAC by organisations such as the General Intelligence and Security Service AIVD and the High-Tech Crime unit of the police.

Unavailability of enough employees with the required competencies (spearheads II and III)

Due to ageing and tightness in the labour market, there is a risk that we will in the longer term no longer have enough staff with the required technical and other competencies to achieve our strategic objectives.

How we manage this:

We try to map where this risk will materialise in practice and pre-empt it by drawing up a strategic personnel plan and train internal staff in our in-house training facility. At the same time, Stedin Group, with its individual brands, is working more actively on employer branding to step up its visibility in the labour market, as this will improve its ability to swiftly attract external candidates. Since 2017 we have also more actively provided traineeships and work placements, partly in view of our role in society.

IT landscape insufficiently prepared for the future (spearheads II and III)

Inadequate implementation of an integrated IT architecture involves the risk of an IT landscape that is unable to provide the required level of support for current and future primary processes, leaving it ineffective and endangering the role of Stedin Group as an enabler of the energy transition. This would also adversely affect the Group's service quality objectives.

How we manage this:

Stedin has prepared a long-term vision on ICT (for the period up to 2030). Consideration of this risk also involves a number of concrete issues, such as removing inadequate applications from the SAP landscape. Also note that this forms part of a current tendering procedure for IT services. Centralisation of several processes within the sector (e.g. from Market Facilities Centralisation) will also contribute to managing this risk.

Agility of the organisation (spearheads I and III)

Due to the rapid changes in the world of energy, there is a risk that the current culture will not be able to adapt quickly enough in step with those changes. This would impede the ability of Stedin Group to deliver the changes called for by the energy transition. The organisation's financial position could be eroded, talented employees could leave the company and customer satisfaction could decrease.

How we manage this:

This risk requires focus. We are therefore seeking to improve leadership quality within Stedin Group, especially in conducting interviews, with a focus not only on development, behaviour and results but also on what energises people. That results in better performance. We are also actively looking for new colleagues who achieve particularly high scores on these competencies, to achieve a change in the mix of teams. Leading by example, the Board of Management is targeting this more explicitly to make it clear that this behaviour is expected of everyone.

Loss of sensitive information (spearheads I and III)

As a result of the growing volume of commercially sensitive and privacy-sensitive data in systems, there is an increasing risk that personal and other data, on both physical and digital data carriers, will be used for broader or other purposes than those for which they were obtained. If that data is not treated carefully it can be lost, fall into the wrong hands or inadvertently be shared with other parties. The recovery costs and the reputational damage can have a major impact with regard to the objectives of the Stedin Group.

How we manage this:

Stedin Group has set up a Privacy Taskforce, which provides support in mapping the privacy risks and coordinating mitigating measures. The record of data processing activities, which forms the basis for the organisation's accountability, is filled together with the Privacy Coordinators and the Privacy Office. The Privacy Taskforce provides for the development of essential tools and the design and tightening of business and support processes. The Privacy Office issues advice on these matters and regularly provides training and workshops to increase the privacy awareness of the employees of Stedin Group in order to prevent data breaches. In addition, we worked on the Data Security Action Plan with other grid operators in 2017 in the wake of a data breach in the energy sector in 2016. This in conjunction with the supervisors, the Authority for Consumers and Markets and the Data Protection Authority.

Uncertainty due to changes in legislation and regulation (at national or EU level) (spearhead I)

There is a risk that national or European governments will take undesirable decisions on the role of regional grid operators and may thereby undermine the raison d'être of Stedin Group.

How we manage this:

To safeguard the grid operators' interests, Stedin Group is represented within the national lobby group through Netbeheer Nederland. In addition, the Regulation department participates in the European lobby. Stedin Group is accordingly aware of amendments to existing laws and new laws well before decisions actually become law.

Uncertainty of long-term financial funding (of the company and the energy transition) (spearheads II and III)

A regulation model that is not sufficiently aligned with the challenges for grid operators in managing the networks through the energy transition entails a risk of continually rising costs while regulated income remains unchanged. This can endanger the availability of financing.

How we manage this:

The current regulation model takes insufficient account of the energy transition and is mainly targeted at efficiency. The role of the grid operators will change during the energy transition, and major regional differences could arise concerning the speed of the transition and its impact on the grid operators. To ensure that grid operators can continue to undertake the required investments during the transition, a critical assessment of and pro-active response to laws and regulations remain necessary. This needs to be complemented by a continual focus on further efficiency and effectiveness measures to reduce the unit costs per product or service supplied.

Impact of accidents (internal and external) (spearhead III)

Due to inadequate safety awareness in the primary process and an insufficient ability to learn from previous unsafe situations, there is a risk that unsafe situations could occur, resulting in accidents with and without lost time or other safety incidents for both customers and bystanders, employees and the public environment in general. As a consequence, Stedin Group could suffer grave reputational damage and be subject to sanctions imposed by regulators.

How we manage this:

At the close of 2016, we kicked off the roll-out of a multi-year safety programme based on the principles of the High Reliability Organisation (HRO). The programme consists of three phases: raising awareness, updating knowledge and embedding routines. The first phase of this programme was developed early in 2017 and its roll-out across the entire Stedin Group commenced after the summer. At the end of 2017, a start was made on developing the updating knowledge phase.

The development of the HRO version of the Safety Culture Ladder was initiated jointly with Lloyd's Register. This certification is greatly valued in the industry, and we seek to tailor it to Stedin Group. We aim to achieve a result in 2019 that is comparable to Level 4 of the Safety Culture Ladder. The HRO process is expected to help Stedin Group to mitigate this risk.

Excessive (own) environmental impact (spearhead III)

As a result of an inadequate awareness of our own footprint, CO_2 reduction and materials purchasing, we fail to achieve our environmental impact targets.

How we manage this:

As a public organisation, Stedin Group is concerned about broad social impact themes. Several activities are therefore under way, based on One Planet thinking , to reduce our footprint. These include a mobility vision for 2020 we have drawn up, because our travelling practices largely determines our internal CO_2 emissions at present. In the mobility vision, we stated our ambition to achieve 100% sustainable travel (with a focus on electric and public transport) by 2020. We are also developing a raw materials passport to reduce materials consumption to within the One Planet limits.

Strategic opportunities

Development of products and services for the energy transition (spearheads I and II)

We see an opportunity to play an active part as grid operator in the achievement of the climate objectives of stakeholders in our area of operations, such as municipalities. This will require us to provide modified and new services.

How we prepare for this:

A specific example is that Stedin, via the Infrastructural Footprint project, is taking integral area planning per district to municipalities, enabling the best route for improved sustainability to be determined locally. We also show clearly in our gas replacement map which gas mains need to be replaced in the next few years, so that the natural decision points for opting for sustainable alternatives are clearly identified.

Strategic relationships with suppliers (spearhead I)

Stedin Group recognises strategic relationships with suppliers as opportunities. Such relationships increase Stedin's responsiveness and improve its cost effectiveness. Partnering with suppliers is one of our strategies that will help us achieve our objectives.

How we prepare for this:

Stedin has established a Supplier Relationship Management department, which focuses on relationship management the operational, tactical and strategic levels. Pilot projects are carried out for strategic supplier relationships with new types of contracts that centre on the contribution to strategic objectives.

Disruptive technologies (spearhead II)

The energy transition is extremely complex and involves growing data volumes. Stedin Group recognises the strategic opportunity to deploy new technologies with which these data can be utilised effectively, further improving Stedin Group's ability to perform its role within the energy system. This also further increases innovation potential and forward-looking orientation, meaning we can work more efficiently and facilitate the transition.

How we prepare for this:

Employing intelligent technologies such as data science and data analytics furnishes us with key insights into progressively increasing data volumes. It allows us to view key issues concerning the energy transition from multiple vantage points. Big data techniques are used mainly to increase our predictive capability. We are spearheading matters such as *predictive maintenance* and optimising data quality.

Partnerships and collaborations (spearhead II)

No company can deliver on the challenges of the energy transition on its own. Stedin Group recognises the strategic opportunity to enter into partnerships and cooperate with new players (start-ups, niche businesses etc.) as an independent party, to enhance our innovation potential and responsiveness, share and obtain essential knowledge allowing us to accelerate the energy transition and keep the costs of the transition under control.

How we prepare for this:

Below are some specific examples. Firstly, the collaboration with the market solution for congestion management introduced by TenneT and ETPA on the basis of an energy trading platform. We are also carrying out Smart Charging pilot projects with partners, for instance in the Lombok district in Utrecht, where we seek to influence the timing of charging of electric cars to avoid network investments. In addition, we commenced the FLEX Acceleration Programme with Qurrent, Sympower, BAM and Enervalis. Initiatives are being launched within this programme that shift or reduce peaks in energy supply and demand. By absorbing those peaks, we avoid the need for major investments in the electricity network. This helps us to ensure that our network remains affordable.

Provide stakeholders and customers with more self-services (spearheads I and II)

Stedin Group recognises the strategic opportunities to facilitate stakeholders and customers and to give them control by means of far-reaching digitalisation of work processes that enable us to increase customer satisfaction, excel in services on core tasks and reduce costs.

How we prepare for this:

Stedin publicly discloses data, for instance on the location of its low-voltage network. That enables customers to determine, for instance, the best location for charging stations before submitting an application to Stedin. The shorter the distance from the electricity network, the less work we need to carry out and the more affordable the connection will be for the customer. To generate input for the development of new services in connection with, for example, data, we need insight into our customers' wishes and needs. To that end, Stedin regularly asks its customers to provide feedback, measures customer satisfaction levels and frequently consults with municipalities and energy suppliers.

Development of the potential of employees (spearhead III)

Giving our employees room to do what they are good at and to excel turns them into ambassadors for Stedin Group. This empowers them to enjoy contributing to achieving the Group's objectives, benefiting both the employee and the company.

How we prepare for this:

Several initiatives are currently ongoing. These include motivation surveys with a focus on staff commitment and involvement, so that Stedin can strengthen its policies accordingly. Additionally, there is ample scope at Stedin for job-specific, personal and team development. Employees are also stimulated to share their knowledge in the form of power pitches (explaining what they and/or their department do) and are offered opportunities to give guest lessons at primary schools via the Greentech programme or activities in conjunction with Jinc. We also introduced a Chief Happiness Officer in 2017. Employees alternate in this position for a period of three to six months to engage in dialogue on work happiness throughout the organisation by means of workshops.

Building a future-proof IT landscape (spearheads I and II)

Stedin Group recognises the strategic opportunity to build a future-proof IT landscape because the role of technology, digitalisation and data will increase and Stedin will progressively develop into a data-driven and IT-driven grid operator. This will help to further increase our flexibility, agility and innovative strength.

How we prepare for this:

Stedin is progressively developing into a data and ICT-driven grid operator. To further increase our flexibility, agility and innovative strength, we must seek to remove the links between our business domains in terms of process architecture and technology, since the connection between those domains will be provided by data and corporate services instead. This strategy will promote the integration of IT and business within each domain.

Focus areas

In 2017 we worked to build a new foundation for Stedin Group. We started 2018 with a new mission, vision and strategy. With our three spearheads - improved grid management, facilitating the energy transition and sustainable business operations – we will create a living world full of new energy in 2018 together with our surrounding. We will build on this foundation.

We want to further improve the quality of our grid management and significantly reduce costs by focusing on improving processes and collaboration within product lines. We create shorter timelines to our customers, who therefore get to see results much more quickly. We achieve this by combining staff from various knowledge areas in a single team. We will use data analysis more broadly to carry out our work more smartly and efficiently. We prepare our employees for the energy transition by anticipating its consequences and moving in step with them. This requires an open dialogue with employees about insight into their own qualities and the competencies required for the future. We see work as a process of continuing education. We are also striving for a different kind of leadership. The leaders of today and tomorrow must be capable of putting in place the agile organisation that we want to be. This also means that employees at all levels of our organisation are empowered to assume responsibility, to experiment and to make mistakes: indeed, these are qualities that we will actively stimulate. We realise that this will require a culture change across all levels and sections of the company.

We are seeking the necessary rejuvenation in our company by recruiting staff with new IT and data skills, for instance, or technicians to prepare for the expected outflow of technical staff, especially in operations.

Solid partnerships with market parties and interest groups have been created in the past few years that we value highly and on which we wish to build. For instance, they will help us to apply innovative solutions to facilitate the energy transition. Examples include facilitating the market in tandem with parties such as ETPA, or our collaboration with organisations such as Natuur & Milieu.

The Rutte III government has announced a new Climate and Energy Agreement. Its contents are not yet clear. Minister Wiebes has stated the intention to finalise the Agreement in the near future. At the end of last year, he presented a detailed legislative agenda to adapt existing energy and climate laws and regulations in order to support the energy transition. The additional fast-tracking of the energy transition is welcomed by grid operators. We have been, and are being, pro-actively involved in a range of policy discussions on the energy transition. We are confident there is a solid basis for constructive and lasting cooperation with the government.

Stedin Group is fully engaged in the transition, just like the other parties in the energy sector. We are increasingly opening up our systems, allowing customers to assume greater control of their role in sustainable energy supply. We seek to become an open platform that continues to be respected for the continuity and safety it provides, as a company that is facilitating the energy transition. And above all: as a party that partners with others to create a re-energised living environment.

We are expecting our financial results in 2018 to be subject to challenges. Income is under pressure, while investments are rising owing to the energy transition (phase-out of gas, electrification). These investments are necessary to secure the reliability of our networks. Efficient working practices and a focus on our core activities will contribute to containing costs. We have therefore launched a programme to tighten our management focus on the products and services we supply. This will enable us to provide improved and more efficient services to customers. Given the significant pressures from these challenges on our investments and operations, it is difficult to formulate a detailed expectation for the financial results in 2018. We are nonetheless confident that profit after tax from continuing operations will exceed that for 2017.

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 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 evaluated the design and operating effectiveness of the system during 2017, partly on he basis of the business self-assessments (resulting in Letters of Representation), the reporting from Internal Audit and Business Control and the external auditor's management letter. The results of these evaluations were periodically discussed with the Supervisory Board.

In the Board of Management's opinion, the risk management and control system operated effectively in 2017 with regard to the control objectives and provides reasonable assurance that the financial reporting is free from material misstatements.

Rotterdam, 22 March 2018.

Board of Management,

Marc van der Linden, CEO (chairman)
Gerard Vesseur, CFO
Judith Koole, COO
David Peters, CTO

Report of the Supervisory Board

The present Supervisory Board of Stedin Group has carried out its duties and been in office with effect from the unbundling as of 1 February 2017.

Report of the Supervisory Board

The Supervisory Board hereby presents the 2017 Annual Report and Financial Statements of Stedin Holding N.V., as prepared by the Board of Management.

Account is rendered in this report on the performance in office of the present Supervisory Board, i.e. from the date on which Eneco split into an energy company and a network company. The period before that (the month of January) was nevertheless an important month for the Supervisory Boards of Eneco Holding N.V. and of Stedin Netbeheer B.V. in anticipation of the definitive unbundling transaction, with numerous meetings and intensive decision-making processes.

2017 is the year in which Stedin Holding N.V. 'stretched its own wings'. After the present Board of Management took office as of 1 February, its agenda immediately featured several major topics, including the acquisition of DNWG and the sale of CityTec and the Weert grid area. Following the acquisition of DNWG, the Supervisory Board has also exercised supervision in respect of that business unit with effect from 13 June 2017 and acted as Supervisory Board of grid operator Enduris. The decisive consideration leading to the sale of CityTec was that the activities concerned did not provide the proper match with, nor a sufficient profitability perspective within, Stedin Group. The Weert grid area is locked in like an enclave within the grid area of Enexis, and that was one of the reasons why it was appropriate to negotiate its sale and transfer with Enexis. The Supervisory Board was closely involved in those processes.

The year 2017 was a year of intense activity and effort, even apart from those developments. The Supervisory Board worked on getting acquainted and building relations with the shareholders, which will be discussed below in this report. In addition, there were intensive consultations between the shareholders' committee and the Board of Management / Supervisory Board on adapting governance. The process and outcome of these negotiations have been satisfactory, resulting in an amendment to the articles of association to increase the control exercised by the shareholders while maintaining the full two-tier board structure that applies to Stedin. Overall, the result is comparable to the governance provisions that apply to Alliander and Enexis. The amended articles of association will be submitted for approval to the General Meeting of Shareholders on 13 April 2018.

The Supervisory Board was closely and intensively involved in the recalibration of the strategy, 'a process we considered at length' on several occasions. Other key focus areas were leadership development and the need to provide clearer structure and direction. This was reflected in the expansion of the Board of Management by the addition of a fourth member from 1 January 2018. Much attention was devoted in 2017 to treasury-related matters as well; examples include the Syndicated Revolving Credit Facility Agreement entered into by Stedin Holding N.V. and the placement of two new bond loans.

The Supervisory Board was also involved in the new financing strategy, in shaping the loan portfolio and in the disclosure policy. Stedin has thus created a solid basis to move forward under its own steam. The Supervisory Board would like to express its appreciation for this to the Board of Management and the employees.

Working method and meetings

The present Supervisory Board of Stedin Holding N.V. was appointed with effect from 1 February 2017. Since that date, we have held six regular meetings, one of which by telephone. On several occasions, decisions were taken outside a regular meeting, which was always confirmed at the next regular meeting. The Supervisory Board held brief closed consultations before the regular meetings; there was always room for evaluation after the meeting, in the presence of the CEO. In addition, the chairpersons of the Board of Management and the Supervisory Board held regular consultations on the main issues in 2017.

The full Board of Management was present at all Supervisory Board meetings. In addition, various members of management regularly attended Supervisory Board meetings. None of the members of the Supervisory Board were frequently absent. If a member of the Supervisory Board was unable to attend a meeting, this was due to other commitments and the member concerned provided his or her input in advance.

Suzanne van Nieuwenhuijzen-Ruijtenberg served as company secretary. She delegated part of her duties with regard to the Audit Committee to Jaap Versluis, Manager Rsk & Control at Stedin. The agendas of the Supervisory Board meetings were prepared by the Chair of the Board of Management in consultation with the Chair of the Supervisory Board.

Attendance at meetings in 2017

	Pieter Trienekens	Tineke Bahlmann	Theo Eysink	Jules Kortenhorst	Dick van Well
Supervisory Board (6 times)	6	6	5	5	5
Audit Committee (4 times)		4	3		3
SRA Committee (3 times)	3			3	3

Committees

The Supervisory Board has two committees: the Audit Committee and the (combined) Selection, Remuneration and Appointments Committee (SRA Committee). Both committees were established by decision of 2 February 2017. The committees prepare 'decision-making' for the Supervisory Board in the area of responsibility concerned and advise the Supervisory Board. Decision-making takes place in a Supervisory Board meeting in which all members are present. All members of the Supervisory Board have access to the documents of the committees, and the (draft) minutes of committee meetings are distributed in the next Supervisory Board meeting to be held, where they are discussed orally by the Chair of the committee.

The Audit Committee held four regular meetings after 1 February 2017. Those meetings are always attended by the CFO, the internal auditor and the external auditor. The Compliance Officer attends as a guest at least twice a year. In addition to the regular topics, specific attention was devoted to the refinancing of the Syndicated Revolving Credit Facility ('RCF'), the financing strategy, the disclosure policy and the Treasury Charter.

Theo Eysink was appointed Chair of the Audit Committee with effect from 1 July 2017, succeeding Dick van Well.

The Selection, Remuneration and Appointments Committee met three times after 1 February 2017. Its meetings are usually attended by the HR Director. The SRA Committee devoted specific attention in 2017 to its terms of reference and to preparations for the remuneration policy for the Board of Management and the Supervisory Board. This evidently also included developments concerning the Public and Semi-public Sector Senior Officials (Standard Remuneration) Act (Wet normering topinkomens - WNT). A new remuneration policy will be presented to the General Meeting of Shareholders in 2018. The remuneration of Management Board and Supervisory Board members is discussed in the section entitled Remuneration report for 2017.

Due to the expiry of the term of office of one member of the Supervisory Board, the committee worked on the selection and nomination of a new member. This was done in consultation with the Works Council and – in accordance with the shareholders covenant – with a delegation from the shareholders' committee. The meetings with the delegation from the shareholders' committee were led by Mr Van Well, assisted by the HR Director and the Administrative Affairs department.

In addition, and always in preparation for the meeting of the full Supervisory Board, the committee also devoted a great deal of attention to finding a fourth member for the Board of Management. It has become clear that the energy transition is placing and will continue to place great demands on the organisation. Stedin's principal task is to facilitate the energy transition in conjunction with many other parties. This requires a great deal of attention from the Board of Management. By strengthening the Board of Management by adding a Chief Transition Officer (CTO), Stedin Group will be able to give the energy transition the attention and focus required in the period ahead. The decisions to that effect were made in close consultation with relevant stakeholders, in accordance with the relevant procedures. David Peters was appointed CTO with effect from 1 January 2018.

Dick van Well was appointed Chair of the SRA Committee with effect from 1 July, succeeding Pieter Trienekens. As a result, the way in which the role of Chair is filled has been aligned with the terms of reference of the committee and the Corporate Governance Code.

Self-assessment and education

The Supervisory Board took office in its present composition in February 2017. We view the year 2017 as a 'start-up year', in which we focused our attention mainly on many operational and business issues. We opted to carry out a self-assessment without external assistance in 2017. This self-assessment consisted of the completion of detailed questionnaires by the members of the Board of Management and the Supervisory Board. The results were discussed in the Supervisory Board meeting in December.

At the time of the launch of Stedin Group in February, most of the members of the Supervisory Board were already familiar with the core of the business, having served previously as Supervisory Board members of Stedin Netbeheer. Theo Eysink, for whom the organisation was new, followed an induction programme. In that connection, he spoke with various line managers and support department managers and was given a tour of the Business Operations Centre (BVC). In December, the full Supervisory Board visited DNWG, our business unit in Goes.

Independence of members of the Supervisory Board

The articles of association and the terms of reference of the Supervisory Board include provisions on the independence of Supervisory Board members. The composition of the Supervisory Board is such that its members are able to operate independently and critically vis-à-vis one another, the Board of Management, and any particular interests involved. All members of the Supervisory Board are also independent within the meaning of the Electricity Act and the Gas Act. This means that they have no direct or indirect ties with a producer, supplier or trader of electricity or gas.

Other positions are reported to the Chair and the Secretary of the Supervisory Board. None of the Supervisory Board members exceeds the maximum number of supervisory positions at large Dutch companies or major foundations.

There were no material transactions in 2017 that involved conflicting interests of Supervisory Board members.

Contacts with shareholders

From the start of Stedin Group in February 2017, the Supervisory Board and the Board of Management attached importance to getting to know and building relations with the 53 new shareholders. This was done in various ways. At the start of the new organisation, an informal meeting of the members of the Board of Management with the shareholders' committee (AHC) took place. Additionally, the Board of Management met all shareholders. In May, Stedin Group organised a introductory meeting with shareholders, which was attended by a representation from the Supervisory Board as well as a delegation from the Stedin Group Works Council (Centrale Ondernemingsraad, COR). All members of the Supervisory Board attended the General Meeting of Shareholders in the spring and the informative shareholders' meeting in the autumn, which provided ample opportunities for informal contact. The Chair of the Supervisory Board also paid informal visits to directors of a number of large shareholders. The Supervisory Board attaches great importance to good relations with shareholders and believes that a good foundation for this was laid in in 2017.

Contacts with the Works Council

We set great store by a good relationship with the Works Council, as this helps us remain in touch with current developments and concerns within the organisation. To that end, the Supervisory Board, the Board of Management and the Works Council meet every year in what is known as the tripartite consultation. The most recent tripartite consultation was held in the autumn; the topics discussed included the strategy of Stedin Group and the results of the employees motivation survey. Also, one meeting of the Works Council is attended by a Supervisory Board member each year. Consultation also takes place with the Works Council on the selection of new members of the Board of Management.

In December, we met the board of the Works Council of DNWG.

Overlap of services

The Audit Committee evaluated the independence of the auditor (Deloitte Accountants B.V.) during the year 2017. Since 24 October 2017, Stedin Holding N.V. is qualified as a public interest entity (PIE). This means that, since that date, it is not permitted to have a statutory audit of its financial statements performed by an audit firm or a component of that firm's network that also provides or has provided services to Stedin Holding N.V. or its affiliated entities other than audit services during the period in which independence is required.

In the period from 24 to 27 October 2017, Deloitte Belastingadviseurs B.V. answered several questions of Stedin, which qualifies as the provision of non-audit services to Stedin. This service was not permitted. As soon as this situation came to light, the services were terminated and measures have been taken. It was concluded on the basis of the evaluations of Deloitte Accountants B.V. and the Audit Committee that the objectivity, integrity, impartiality and professional critical attitude in connection with the audit procedures of Deloitte Accountants B.V. had not been at stake and that the statutory audit of the financial statements can therefore be performed.

Recommendation with regard to financial statements

The Supervisory Board submits the financial statements prepared by the Board of Management to the General Meeting of Shareholders for adoption. Deloitte Accountants B.V. audited the financial statements and issued an unqualified auditor's report. The members of the Supervisory Board have approved the financial statements.

We recommend that the shareholders adopt the 2017 financial statements in the General Meeting of Shareholders to be held on 13 April 2018, including the proposed profit appropriation and the dividend proposal for 2017. It is further proposed to the General Meeting of Shareholders to discharge the Board of Management in respect of its management in the financial year 2017, and the Supervisory Board in respect of the supervision exercised over the Board of Management in the same financial year.

We wish to thank all employees, the management, the Board of Management and the shareholders. Thanks to the commitment and involvement demonstrated by all of them, Stedin Group laid a solid foundation in 2017 for the future and showed that it is a healthy autonomous grid operator.

Rotterdam, 22 March 2018.

Pieter Trienekens (chairman)
Tineke Bahlmann
Theo Eysink
Jules Kortenhorst
Dick van Well

Remuneration report for 2017

The remuneration policy for the Supervisory Board and the Board of Management is adopted by the General Meeting of Shareholders, on a proposal of the Supervisory Board.

Before the unbundling of Eneco Holding N.V. mentioned earlier, it was agreed with the shareholders that a new remuneration policy would be drawn up following the unbundling. That policy was prepared in 2017, in accordance with the provisions in the covenant. The new remuneration policy will be submitted to the General Meeting of Shareholders for adoption in April 2018.

Remuneration policy

Public and Semi-public Sector Senior Officials (Standard Remuneration) Act (WNT)

The Standards for Remuneration Act (WNT) is applicable to the remuneration of the senior executives of Stedin Netbeheer B.V. and Enduris B.V.

Board of Management

The maximum remuneration of the Board of Management of Stedin Holding N.V. is equal to the maximum remuneration pursuant to Section 2.3 of the Standards for Remuneration Act (WNT). That maximum was €181,000 in 2017.

The remuneration for members of the Board of Management comprises the following elements:

- fixed annual salary including holiday allowance
- employer's contribution to pension contributions
- contribution to health insurance / disability insurance
- net expense allowance that complies with the Wage Tax Act
- a lease car

The ceiling for the fixed annual salary depends on the breakdown of the individual employee benefits. It is the amount of the maximum permitted remuneration under the Standards for Remuneration Act (WNT) minus all taxed elements of remuneration, including the employer's contribution to pension contributions, health insurance and disability insurance plus, if applicable, a notional pay increase for private use of a lease car.

Two new executives were appointed as members of the Board of Management as of 1 February 2017 and contracts of employment were signed with them. No transitional scheme applies for these executives. The agreed remuneration complies with the Standards for Remuneration Act (WNT). The transitional provisions under the Standards for Remuneration Act (WNT) do apply to the third executive, who was appointed as of 1 February 2017, as he was already a senior executive of Stedin Netbeheer B.V.

Due to the immediate applicability of the Standards for Remuneration Act (WNT), it was not possible at the time of appointment to first adopt the remuneration policy and thereafter the remuneration for the individual executives.

The remuneration of the fourth senior executive, as from 1 January 2018, also complies with the Standards for Remuneration Act (WNT).

Supervisory Board

Until there is a new remuneration policy, the remuneration policy for Supervisory Board members will apply as it did for Stedin Netbeheer B.V. The remuneration for 2017 is permitted pursuant to the Standards for Remuneration Act (WNT).

Disclosures on remuneration

Note 7 to the consolidated financial statements provides detailed information on the remuneration of the Board of Management, the senior executives of Stedin Netbeheer B.V. and Enduris B.V., the Supervisory Board and non-senior executives whose remuneration exceeds the individual threshold.

Financial statements

The name of Eneco Holding N.V. was changed to Stedin Holding N.V. on 31 January 2017. These financial statements present the financial information of Stedin Holding N.V. for the full year 2017, with comparitive figures for 2016.

References in the financial statements to Stedin Group are to Stedin Holding N.V. including its legal predecessors.

Consolidated income statement

x € 1 million	Note	2017	2016
Net revenue	5	1,154	1,087
Other income	6	40	21
Total net revenue and other income		**1,194**	**1,108**
Employee benefit expenses	7	369	300
Cost of sales and contracted work	8	276	244
Other operating expenses	9	213	213
Less: Capitalised own production	10	-135	-115
		723	**642**
Depreciation, amortisation and impairment of non-current assets	11	273	254
Total operating expenses		**996**	**896**
Operating profit		**198**	**212**
Financial income and expenses	12	-79	-75
Profit before income tax from continuing operations		**119**	**137**
Income tax	13	-30	-32
Profit after income tax from continuing operations		**89**	**105**
Profit after income tax from discontinued operations	14	335	94
Profit after income tax		**424**	**199**
Profit distribution:			
Profit after income tax attributable to holders of Stedin Holding N.V. perpetual subordinated bonds		12	12
Profit after income tax attributable to shareholders of Stedin Holding N.V.	14	412	187
Profit after income tax		**424**	**199**

Consolidated statement of comprehensive income

x € 1 million	Note	2017	2016
Profit after income tax		**424**	**199**
Unrealised gains and losses that will not be reclassified to income statement (net of tax effects)			
Adjustment for fair value of regulated networks	15, 23	86	-40
Other unrealised gains and losses from discontinued operations		-4	-
Unrealised gains and losses that may be reclassified to income statement			
Recycling terminated cash flow hedges of Eneco	23	-32	-
Recycling terminated translation differences of Eneco	23	-6	-
Translation differences	23	-	-35
Unrealised gains and losses on cash flow hedges	23	-4	-65
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations	18	1	12
Total other comprehensive income		**41**	**-128**
Total comprehensive income		**465**	**71**
Profit for the year attributable to:			
Holders of Stedin Holding N.V. perpetual subordinated bond loan (after income tax)		12	12
Shareholders of Stedin Holding N.V.		453	59
Total comprehensive income		**465**	**71**

Consolidated balance sheet

x € 1 million	Note	As at 31 December 2017	As at 31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	15	6,134	5,205
Intangible assets	16	103	10
Associates and joint ventures	17	4	-
Financial assets			
- Derivative financial instruments	19	9	42
- Other non-current financial assets		9	6
Total non-current assets		**6,259**	**5,263**
Current assets			
Assets held for distribution to shareholders	14	-	4,234
Assets held for sale	14	-	64
Inventories	20	38	29
Current tax assets	29	-	6
Trade and other receivables	21	181	123
Cash and cash equivalents	22	73	77
Total current assets		**292**	**4,533**
TOTAL ASSETS		**6,551**	**9,796**
LIABILITIES			
Group equity			
Equity attributable to shareholders	23	2,082	4,806
Perpetual subordinated bond loan	23	501	501
Non-controlling interests	23	-	3
Total group equity		**2,583**	**5,310**
Non-current liabilities			
Provisions for employee benefits	24	21	18
Other provisions	25	22	13
Deferred income tax liabilities	18	256	207
Derivative financial instruments	19	71	47
Interest-bearing debt	26	2,674	1,394
Deferred income	27	538	392
Other liabilities	28	2	3
Total non-current liabilities		**3,584**	**2,074**
Current liabilities			
Liabilities held for distribution to shareholders	14	-	1,896
Liabilities held for sale	14	-	5
Provisions for employee benefits	24	2	2
Other provisions	25	1	-
Interest-bearing debt	26	79	250
Current tax liabilities	29	8	-
Trade and other liabilities	28	294	259
Total current liabilities		**384**	**2,412**
TOTAL EQUITY AND LIABILITIES		**6,551**	**9,796**

Consolidated cash flow statement

x € 1 million	Note	2017	2016
Profit after income tax		**424**	**199**
Adjusted for:			
· Financial income and expenses recognised in income statement		77	81
· Income tax recognised in income statement		47	47
· Revaluations from discontinued operations	14	-290	-7
· Depreciation, amortisation and impairments of property, plant and equipment and intangible assets		293	495
· Result on sale of property, plant and equipment and intangible assets		-4	12
· Movements in working capital	36	-55	-121
· Amortisation of customer construction contributions received		-14	-12
· Movements in provisions, derivative financial instruments and other	36	-118	36
Cash flow from business operations		**360**	**730**
Dividend received from associates and joint ventures		-	8
Interest paid		-76	-83
Interest received		1	3
Corporate income tax (paid) / received		-4	-154
Cash flow from operating activities		**281**	**504**
New loans issued		-6	-4
Repayments of loans granted		2	18
Acquisition of subsidiaries	3	-442	-26
Disposal of subsidiaries		-376	3
Acquisition of joint operations, joint ventures and associates		-	-2
Investments in property, plant and equipment		-497	-525
Disposal of property, plant and equipment		4	7
Investments in intangible assets		-5	-7
Cash flow from investing activities		**-1,320**	**-536**
Dividend payments		-99	-98
Coupon on perpetual subordinated bonds	23	-16	-16
Repayment of non-current interest-bearing debt	26	-210	-63
Repayment of current interest-bearing debt	26	-1,140	-75
Non-current interest-bearing debt issued	26	1,042	216
Current interest-bearing debt issued	26	1,115	124
Cash flow from financing activities		**692**	**88**
		-	-
Movements in cash and cash equivalents		**-347**	**56**
Balance of cash and cash equivalents as at 1 January		420	367
Translation gains and losses on cash and cash equivalents of subsidiaries		-	-1
Balance of cash and cash equivalents distributed to shareholders and discontinued operations		-	-2
Balance of cash and cash equivalents as at 31 December		**73**	**420**

The cash flow statement above presents the cash flows of Eneco Group N.V. and CityTec B.V. over the period during which they were part of Stedin Group.

Consolidated statement of changes in group equity

x € 1 million	Paid up and called-up share capital	Share premium	Revaluation reserve	Translation differences reserve	Cash flow hedge reserve	Retained earnings	Un-distributed profit	Total	Perpetual sub-ordinated bond loan	Non-controlling interests	Total group equity
As at 1 January 2016	**497**	**381**	**779**	**45**	**19**	**2,928**	**196**	**4,845**	**501**	**4**	**5,350**
Total other comprehensive income	-	-	-40	-39	-49	-	-	**-128**	-	-	**-128**
Profit after income tax 2016	-	-	-	-	-	-	187	**187**	12	-	**199**
Total comprehensive income	**-**	**-**	**-40**	**-39**	**-49**	**-**	**187**	**59**	**12**	**-**	**71**
Transactions with shareholders											
Dividend payments relating to 2015	-	-	-	-	-	-	-98	**-98**	-	-	**-98**
Coupon on perpetual subordinated bond loan	-	-	-	-	-	-	-	**-**	-16	-	**-16**
Tax on coupon on perpetual subordinated bond loan	-	-	-	-	-	-	-	**-**	4	-	**4**
Change in non-controlling interests	-	-	-	-	-	-	-	**-**	-	-1	**-1**
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-98**	**-98**	**-12**	**-1**	**-111**
Other											
Profit appropriation 2015	-	-	-	-	-	98	-98	**-**	-	-	**-**
Release from revaluation reserve due to depreciation of regulated networks	-	-	-37	-	-	37	-	**-**	-	-	**-**
Total other	**-**	**-**	**-37**	**-**	**-**	**135**	**-98**	**-**	**-**	**-**	**-**
As at 31 December 2016	497	381	702	6	-30	3,063	187	**4,806**	501	3	**5,310**
Total other comprehensive income	-	-	86	-6	-35	-4	-	**41**	-	-	**41**
Profit after income tax 2017	-	-	-	-	-	-	412	**412**	12	-	**424**
Total comprehensive income	**-**	**-**	**86**	**-6**	**-35**	**-4**	**412**	**453**	**12**	**-**	**465**
Transactions with shareholders											
Dividend payments relating to 2016	-	-	-	-	-	-100	-	**-100**	-	-	**-100**
Disposal of interest held for distribution to shareholders	-	-381	-	-	-	-2,696	-	**-3,077**	-	-3	**-3,080**
Coupon on perpetual subordinated bond loan	-	-	-	-	-	-	-	**-**	-16	-	**-16**
Tax on coupon on perpetual subordinated bond loan	-	-	-	-	-	-	-	**-**	4	-	**4**
Total transactions with shareholders	**-**	**-381**	**-**	**-**	**-**	**-2,796**	**-**	**-3,177**	**-12**	**-3**	**-3,192**
Other											
Profit appropriation 2016	-	-	-	-	-	187	-187	**-**	-	-	**-**
Release from revaluation reserve due to depreciation of regulated networks	-	-	-44	-	-	44	-	**-**	-	-	**-**
Total other	**-**	**-**	**-44**	**-**	**-**	**231**	**-187**	**-**	**-**	**-**	**-**
As at 31 December 2017	**497**	**-**	**744**	**-**	**-65**	**494**	**412**	**2,082**	**501**	**-**	**2,583**

See note 23 'Group equity' for more details on group equity.

Notes to the consolidated financial statements

1. Accounting principles for financial reporting

1.1. General information

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

Stedin Group's main activity is to ensure safe, reliable and affordable energy supply. The grid operators of Stedin Group, Stedin Netbeheer and Enduris achieve this on the one hand by building and managing the electricity and gas networks and preparing them for the future and on the other hand by facilitating the energy market. Stedin Netbeheer operates in the provinces of Zuid-Holland and Utrecht and parts of the North-East Friesland and Kennemerland regions. Enduris operates in the province of Zeeland. The subsidiary Joulz Energy Solutions is a specialist in designing, building and maintaining complex medium- and high- voltage installations. This business helps grid operators, rail operators, energy generators and business customers with the challenges entailed by the energy transition. The subsidiaries Joulz Infradiensten, Joulz Meetbedrijf and DNWG Infra provide 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 operators in a regulated market. Each regional grid operator is a monopolist within its own catchment area. Regulation means that the work performed by the grid operator is set out in law and the rates are set by the Netherlands Authority for Consumers and Markets (ACM). The regulatory model encourages grid operators to perform as well (efficiently and qualitatively) as possible by using a benchmark model.

More information on the composition of the Group is provided in note 4 'Operating segments' and overview 37 'List of subsidiaries'.

The consolidated financial statements have been prepared by the Board of Management of Stedin Group. The 2017 financial statements have been signed by both the Supervisory Board and the Board of Management of the company in the meeting of 22 March 2018 and will be presented for adoption to the General Meeting of Shareholders on 13 April 2018.

Unless otherwise stated, all amounts in this annual report are in millions of euros.

1.2. Significant changes in the structure during 2017

Unbundling of Eneco Holding N.V.

On 31 January 2017, the integrated Eneco energy company was unbundled into an energy company (Eneco Group) and a grid operator (Stedin Group). Following the unbundling of the energy company from Eneco Holding N.V., the name Eneco Holding N.V. was changed to Stedin Holding N.V. The grid operator Stedin Netbeheer B.V. is part of the regulated activities of Stedin Group. Joulz is part of the non-regulated activities.

Acquisition of Zeeuwse Netwerkholding

On 13 June 2017, Stedin Group acquired the former Zeeuwse Netwerkholding N.V. (below: DNWG), with the subsidiaries Enduris (network management) and DNWG Infra (infrastructure services) and other entities. The entire share capital and debts of Zeeuwse Netwerkholding N.V. were acquired for € 455 million. In addition, an amount of € 150 million in non-current debt was taken over. The provisional purchase price allocation (PPA) resulted in a net asset value of € 372 million and recognised goodwill of € 83 million. DNWG operates in the province of Zeeland. Enduris manages the energy grid for 200,000 households and businesses.

The full disclosure as required under IFRS 3 is included in 3 'Business combinations'.

Sale of CityTec

On 31 March 2017, Strong Root Capital acquired the CityTec business unit from Stedin Group. The management and maintenance of public lighting, traffic control installations and parking systems is no longer in line with Stedin Group's long-term objectives. While Stedin Group is focusing mainly on the management of electricity and gas grids and market facilitation to facilitate the transition to sustainable energy, CityTec's main task was to optimise its commercial strength in the competitive contractors' market. Strong Root Capital knows CityTec and the sector well and sees sufficient opportunities to deliver this improvement at CityTec. The loss on the sale of CityTec is recognised in Stedin Group's income statement under the result from discontinued operations. See note 14 'Discontinued operations and assets and liabilities held for sale' for further details on these operations.

Public Interest Entity

In October 2017 Stedin Holding N.V. issued a listed dual tranche-bond loan in the regulated market. Stedin Holding N.V. consequently became a Public Interest Entity (PIE) and additional reporting requirements therefore apply to the entity. The most important among those requirements prescribe the inclusion of a *non-financial statement* in the management report and prohibit an abbreviated company income statement.

1.3. International Financial Reporting Standards (IFRS)

The consolidated financial statements of Stedin Group have been prepared in conformity with IFRS as applicable at 31 December 2017 and as adopted by the European Union (EU), and the provisions of Part 9 Book 2 of the Dutch Civil Code. IFRS comprises both the IFRS standards and the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the interpretations of IFRS and IAS standards by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) respectively. Where necessary the accounting policies of joint operations and associates have been aligned with those of Stedin Holding N.V. The consolidated financial statements have been prepared using the going concern and accrual basis accounting.

Amended IFRS standards and interpretations

The following amendments to IFRS standards that have been adopted by the European Commission with effect from the financial year 2017 are relevant to Stedin Group and have been applied where appropriate when preparing this annual report:

• Amendments to IAS 7 'Statement of cash flows' – This disclosure initiative, effective from 1 January 2017, relates to disclosures on the cash flow statement to improve users' ability to understand movements in liabilities arising from financing activities. Stedin Group has included a statement of movements in interest-bearing debt for this purpose which reconciles with cash flows from financing activities. The amendments to IAS 7 have no impact on Stedin Group's equity, results and disclosures.

• Amendments to IAS 12 'Recognition of deferred tax assets for unrealised losses' clarify a number of specific situations when measuring and recognising or not recognising deferred tax assets. These amendments to IAS 12 are not applicable to Stedin Group.

• Annual Improvements - 2014–2016 cycle, applicable from 1 January 2017 (IFRS 12) and 1 January 2018 (IFRS 1 and IAS 28). The 2014–2016 cycle with improvementsof the standards and interpretations is designed to eliminate inconsistencies and to clarify wording. The improvements have no impact on Stedin Group's equity, results and disclosures. The improvements are as follows:

- IFRS 12 'Disclosure of interests in other entities': The improvements clarify the scope of IFRS 12 by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's subsidiaries, joint ventures and associates (or part of an investment in a joint venture or associate) classified as (or included in a group of assets classified as) held for sale;
- IFRS 1 'First-time adoption of International Financial Reporting Standards': Deletion of short-term exceptions in paragraphs E1 to E7 of the standard because they are no longer applicable. This is not applicable to Stedin Group;
- IAS 28 'Investments in associates and joint ventures': The improvements clarify that the option to measure investments at fair value through profit or loss is available on an investment-by-investment basis.

These improvements to IFRS 1 and IAS 28 will be adopted in 2018.

New (and/or amended) IFRS standards and interpretations relating to subsequent financial years

The following new IFRS standards are relevant to Stedin Group and have been adopted by the European Commission but are not mandatory for 2017. They will be applied from 1 January 2018:

IFRS 9 Financial Instruments

IFRS 9 'Financial instruments': this standard sets a comprehensive framework for the classification, presentation, recognition and measurement of all financial assets and liabilities and replaces the existing regulations in IAS 39 'Financial instruments: Recognition and measurement'. This standard includes amended provisions on the classification of financial assets and liabilities that are closer to the business model and on impairment of financial assets based on an 'expected loss' model rather than an 'incurred loss' model. The provisions on hedge accounting have also been amended to be more closely in line with businesses' risk policies and are less rigid.

The amended provisions on the classification of financial assets and liabilities do not lead to a change in valuation for Stedin Group. The level of effectiveness of the hedge accounting relationships of Stedin Group are to such an extent that this is not expected to result in material differences. The analysis of the impact of the introduction of the standard has not yet been completed, and therefore Stedin Group does not yet have sufficient insight into the impact on results and equity. Stedin Group will complete the analysis of the potential effect from applying this standard on the consolidated financial statements in 2018. From 2018, Stedin Group will also modify its disclosures for financial instruments (IFRS 7 Financial Instruments: Disclosures which has been amended following the introduction of IFRS 9).

IFRS 15 Revenue from Contracts with Customers

This standard and Clarifications to IFRS 15 Revenue from contracts with customers (of 12 April 2016) provide a framework for revenue recognition. This new standard replaces the existing regulations on revenue recognition, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 18 Transfers of assets from customers. IFRS 15 provides a five-step model for revenue recognition to be applied to contracts with customers. Under IFRS 15, revenue from goods and services is recognised as the consideration to which the entity expects to be entitled. Extensive disclosure requirements apply under IFRS 15. Full or amended retrospective application is required.

In 2017, Stedin Group already commenced examining the implementation of this standard. The various revenue streams were identified in this connection and reviewed by reference to the new IFRS standard. The analysis for IFRS 15 will be completed in 2018 and the standard will be implemented in that year. Stedin Group has not yet completed its analysis of the introduction of IFRS 15 and cannot yet provide an indication of the potential impacts of its introduction of the standard on revenue, results and equity.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

The new interpretation concerning IFRIC 22 Foreign Currency Transactions and Advance Considerations has no impact on accounting for foreign currency transactions within Stedin Group.

IFRS 16 Leases

IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures on leases. The standard mandates recognition of leased assets in the balance sheet as an asset ('right-of-use asset') with a corresponding liability for future lease payments. The standard replaces IAS 17 Leases. IAS 17 differentiates between finance leases and operating leases (not recognised on the balance sheet). This difference is eliminated in the new standard IFRS 16. Stedin Group is analysing the potential impact of the introduction of this standard on the consolidated financial statements and expects to complete this analysis in 2018.

IFRIC 23 Uncertainty over Income Tax Treatments

The new interpretation of IFRIC 23 relates to uncertainty over income tax treatments under IAS 12. The following matters are addressed in this interpretation;

- collective tax treatments;
- assumptions for taxation authorities' examinations;
- determination of taxable profit (tax loss), tax bases, unused tax losses, and tax rates
- effects of changes in facts and circumstances

This interpretation will be introduced in 2019 following adoption by the European Commission. The potential consequences for the financial statements are currently being examined by Stedin.

2. Accounting policies

2.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Stedin Holding N.V., its subsidiaries and the relevant proportion of the joint operations, non-consolidated joint ventures, associates and other capital interests.

An overview of the entities included in the consolidation is provided in note 37, 'List of subsidiaries' in the notes to these financial statements.

Subsidiaries

This annual report comprises the financial reporting of Stedin Group and its subsidiaries. A subsidiary is an entity over which Stedin Group has control. This means that the company controls, directly or indirectly, that entity's financial and business operations so as to obtain economic benefits from its activities. Control is based on the existing and potential voting rights that can be exercised or converted, and additionally on the existence of other agreements that enable Stedin Group to determine operational and financial policy.

Pursuant to the full consolidation method, 100% of the assets, liabilities, income and expenses of subsidiaries are recognised in the consolidated financial statements. The results of subsidiaries acquired during the financial year are included from the date on which control was obtained. Subsidiaries are derecognised from the date on which control ceases to exist. Intercompany balance sheet positions, transactions and results on such transactions between subsidiaries are eliminated. Unrealised losses are likewise eliminated, unless the transaction provides cause for recognising an impairment loss. The accounting policies of subsidiaries have if necessary been adapted to ensure a consistent application of accounting policies within the Stedin Group.

Non-controlling interests consist of the capital interests of minority shareholders in the fair value of the identifiable assets and liabilities when a subsidiary is acquired and the non-controlling interest in subsequent changes to the equity. Non-controlling interests in the equity and results of subsidiaries are disclosed separately.

Joint arrangements

Joint operations and joint ventures are entities for alliances in respect of which there are contractual undertakings with one or more parties under which they have joint decisive control over that entity. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and accountable for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement.

Only the share of Stedin Group in the assets, liabilities, income and expenses of joint operations is consolidated on the basis of Stedin Groups accounting policies. Joint ventures are recognised using the equity method in accordance with the accounting policies of Stedin Group. Interests in joint operations and joint ventures are recognised from the date on which joint control is obtained until that joint control no longer exists.

Associates

An associate is an entity over whose financial and operational policy significant influence is exercised, but where no control is present. In general, 20% to 50% of the voting rights are held in an associate.

The share in associates is recognised in the consolidated financial statements using the equity method, in which initial recognition is at historical cost with the book value being adjusted for the share in the result. Dividends received are deducted from the book value. Associates are recognised from the date on which significant influence is obtained until the date on which that influence no longer exists. Results on transactions with associates are eliminated proportionally to the equity interest in the associate. Any impairment losses of associates are not eliminated.

Losses on associates are recognised up to the amount of the net investment in the associate, including both the book value and any loans granted to the associate. A provision is only formed for the share in further losses if Stedin Group has assumed liability for those losses.

Business combinations

Business combinations are recognised using the acquisition method on the acquisition date (the date on which control transfers to Stedin Group) unless the period between the acquisition date and the start of recognition does not have a material impact on Stedin Group's equity and assets. There is control when, on the basis of its involvement in the entity, Stedin Group is exposed, or has rights, to variable returns from the investment in the entity and has the ability to affect those returns through its control.

Goodwill is the difference between the cost of acquisition of the business and the fair value of the net identifiable assets and liabilities acquired. The cost of acquisition is measured as the sum of the fair value on the acquisition date of the consideration transferred and the amount of the non-controlling interests in the acquired entity. Goodwill is measured at cost less any impairment.

Allocated goodwill is tested for impairment each year and additionally if events or changes in circumstances indicate that the book value may have suffered impairment. Impairment of goodwill is not reversed once recognised. Where goodwill has been allocated to a cash-generating unit and forms part of activities for disposal within that unit, the goodwill relating to discontinued activities forms part of the book value of the activities for determining the book result on the disposal activities. Goodwill disposed of in these circumstances is measured on the basis of the relative value of the discontinued activities and the portion that remains in the cash-generating unit.

Transaction costs incurred by Stedin Group in connection with a business combination, other than costs related to the issue of shares or bonds, are recognised in the income statement when incurred.

The fair value of a conditional liability is recognised on the acquisition date. If that conditional liability is classified as equity it is not revalued later and settlement is recognised through equity. In other cases, changes after initial recognition are recognised through the income statement. Added interest and changes to the fair value as a result of changes in the interest addition period are recognised in financial income and expenses. Changes to the fair value as a result of other changes are recognised in other operating expenses and other income.

Any conditional consideration transferred by the acquirer is initially measured at fair value on the acquisition date. A conditional consideration classified as asset or liability and covered by the scope of IAS 39 is measured as a financial instrument at fair value through profit or loss.

2.2. Accounting policies

2.2.1. General

The main accounting policies used in preparing the 2017 financial statements of Stedin Group are summarised below. The accounting policies used in these financial statements are consistent with the accounting policies applied in the 2016 financial statements, except for the effect of newly applied and amended standards as set out in note 1.3 'International Financial Reporting Standards'.

2.2.2. Impairments of assets

Impairment is present when the book value of an asset is higher than the recoverable amount. The recoverable amount of an asset is the higher of the sale price less costs to sell and the value in use. An asset's value in use is based on the present value of estimated future cash flows calculated using a pre-tax discount rate which reflects the time value of money and the specific risks of the asset. The recoverable amount of an asset which does not independently generate a cash flow and is dependent on the cash flows of other assets or groups of assets is determined for the cash-generating unit of which the asset is part.

A cash-generating unit is the smallest identifiable group of assets separately generating cash flows that are significantly independent of the cash flows from other assets or groups of assets. Cash-generating units are distinguished on the basis of the economic interrelationship between assets and the generation of external cash flows and not on the basis of separate legal entities.

Goodwill is allocated on initial recognition to one or more cash-generating units in line with the way in which the goodwill is assessed internally by the management. Impairment tests are performed each year to assess the value of goodwill based on expected future cash flows.

A trigger analysis is carried out annually for assets other than goodwill to assess whether events or changes indicate impairment. If there is evidence of impairment, the recoverable amount of the relevant asset or cash-generating unit is determined.

When the book value of assets allocated to a cash-generating unit is higher than the recoverable amount, the book value is reduced to the recoverable amount. This impairment is recognised in profit or loss. Impairment of a cash-generating unit is first deducted from the goodwill attributed to that unit (or group of units) and then deducted proportionately from the book value of the other assets of that unit (or group of units).

Impairment previously recognised may be reversed through the income statement if the reasons for it no longer exist or have changed. Impairment is only reversed up to the original book value less regular depreciation. Impairment losses on goodwill are not reversed.

2.2.3. Foreign currencies

The financial statement items of Stedin are administrated in the currency of the economic environment in which Stedin Group operates. The euro (€) is Stedin Group's functional currency and the currency in which the financial statements are presented.

Transactions in foreign currencies are translated into the functional currency (€) at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are translated into euros at the exchange rate prevailing on the reporting date. Foreign currency exchange differences that arise on foreign currency transactions or translation of balance sheet items are recognised in income statement, except if they are recognised directly in equity as cash flow hedge.

2.2.4. Netting

Receivables and payables with a counterparty are netted if there is a contractual right and the intention to settle these simultaniously. In the absence of an intention or actual netted settlement, the existence of an asset or liability is determined for each contract.

2.2.5. Segment information

Business segments are determined based on Stedin Group's internal organisation and management reporting structure. The results of business segments are reviewed regularly by the Board of Management to make decisions about resources to be allocated to a segment and assess its financial performance.

Transfer prices for internal revenues and costs are at arm's length terms. The accounting policies of Stedin Group are also applied in segment reporting. The results of individual segments do not include financial income and expense, the share of profit of associates and joint ventures or the tax charge.

2.2.6. Assets held for sale and discontinued operations

A discontinued operation is a component of Stedin Group's operations that has been sold or disposed of or that has been classified as 'held for sale' and whose activities and cash flows can be clearly distinguished from the rest of Stedin Group and that meets one of the following conditions:

- it represents a separate major line of business or geographical area of operations;
- it is part of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation takes place on the first date of sale/disposal of the business unit or when the operations meet the criteria for 'assets and liabilities held for sale'/'assets and liabilities held for distribution to shareholders'.

The net result on a discontinued operation is recognised in the income statement as a single amount as 'Profit after income tax from discontinued operations' and consequently does not form part of the operating profit. The comparative figures in the income statement have been restated accordingly as if these operations had been discontinued at the start of the previous financial year.

Where necessary, eliminations for consolidation have been made when preparing the figures for the 'result from discontinued operations' compared with the 'result from continuing operations'.

2.2.7. Net revenues and other income

Net revenue

Revenue is recognised in the period in which the delivery of the goods and/or services took place. Measurement takes place at the fair value of the transactions. Revenue is recognised when the risks and rewards of ownership have been transferred to the customer and it is probable that the economic benefits will flow to Stedin Group.

The major revenue item relates to regulated revenue. These revenues relate to the electricity and gas transmission and connection service, and metering services for small consumers. They also include the revenue relating to the non-regulated domain: metering services for large consumers, leasing of transformers, and services in connection with complex energy infrastructures.

Actual cost under the applicable regulation methodology that is settled via regulated rate decisions is accounted for as revenue in the year when the rate is actually realised on the basis of the services provided in that year.

Services and construction contracts

Revenues are recognised through the income statement using the percentage of completion method once they become sufficiently certain. The percentage of completion is determined on the basis of either the relationship between the costs incurred and the total expected costs or an analysis of the work performed.

Other income

Items recognised under other income include the following: release customer construction contributions received; sales proceeds from discontinued operations and government grants.

2.2.8. Cost of sales and contracted work

The purchase costs for compensation of technical and administrative network losses are recognised in the period in which the revenues from the sale are realised. The costs of materials and services from third parties are also included in this line item.

2.2.9. Financial income and expenses

Financial income comprises interest income from the financial assets, including loans issued, cash loans and cash and cash equivalents. This interest income is calculated on the basis of the effective interest method.

Financial expenses consist mainly of interest expense on interest-bearing liabilities, calculated on the basis of the effective interest method. The interest-bearing liabilities consist of borrowings and debt, except the perpetual subordinated bond loan. The interest expense for the perpetual subordinated bond loan is not included in this item. In addition, financial expenses also include the other financing costs.

Gains and losses on financial hedging instruments are also recognised in financial income and expenses. Dividend income from other capital interests is recognised when it falls due.

2.2.10. Income taxes

Income taxes comprise current taxes and movements in deferred taxes. These amounts are recognised in profit or loss unless they concern items that are recognised directly through equity. Current tax is the likely amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year under review and is calculated on the basis of applicable tax legislation and rates.

Income taxes comprise all taxes based on taxable profits and losses, including taxes payable by subsidiaries and associates on distributions to Stedin Holding N.V. Additional income taxes on the result before dividend distributions are recognised at the same time as the obligation to distribute that dividend is recognised.

2.2.11. Property, plant and equipment

Property, plant and equipment is subclassified into the following categories:

- Land and buildings
- Machinery and equipment
- Regulated networks
- Other operating assets
- Assets under construction

Networks and network-related assets

Stedin Group's networks and network-related assets in the regulated domain are measured at the revalued amounts. The revalued amount is the fair value at the date of the revaluation less accumulated depreciation and impairment.

The fair value of these network assets is measured at the beginning of each new regulatory period. If in the interim period the fair value differs significantly from the book value, the revaluation will be adjusted. An increase in the book value as a result of a revaluation of networks and network-related assets in the regulated domain is recognised directly in equity through the revaluation reserve. A reduction in the book value is first recognised directly in equity through the revaluation reserve insofar as the amount of the revaluation reserve is sufficient. If the decrease exceeds the revaluation reserve, the excess is recognised through profit or loss.

The difference between depreciation based on the revalued book value and depreciation based on the original historical cost, less deferred tax, is transferred periodically from the revaluation reserve to retained earnings.

See note 2.2.28 ' fair value' for a detailed description of fair value.

Land and buildings, machinery and equipment, other operating assets and assets under construction

Other property, plant and equipment is recognised at cost less accumulated depreciation and impairment. Cost comprises the initial acquisition price plus all directly attributable costs. Cost of assets constructed by the company comprises the cost of materials and services, direct labour and an appropriate proportion of directly attributable overhead costs.

Financing costs

Financing costs directly attributable to the purchase, construction or production of an eligible asset are recognised in cost in accordance with IAS 23. If an asset comprises multiple components with differing useful lives, these components are recognised separately.

Subsequent expenditure

Expenses incurred at a later date are only added to the book value of an asset if and to the extent that the condition of the asset is improved compared to the originally formulated performance standards. Overhaul, repair and maintenance are recognised as an expense in the period in which the costs are incurred. If an asset comprises multiple components with differing useful lives, these components are recognised separately. Costs incurred to replace components of property, plant and equipment that are replaced for the asset to be capable of operating in the intended manner are capitalised while simultaneously removing the book value of the replaced components.

Depreciation

Depreciation is recognised in the income statement using the straight-line method based on estimated useful life, taking into account the estimated residual value. Useful lives and residual values are reassessed annually and any changes are recognised prospectively. Land, sites and assets under construction are not depreciated.

Category	Useful life in years
Buildings	25 - 50
Machinery and equipment	10 - 50
Regulated networks	10 - 50
Other operating assets	3 - 25

2.2.12. Operating leases

Stedin Group has operating leases mainly with respect to buildings and ICT facilities. The risks and benefits incidental to ownership of the assets concerned have not, or not substantially all, been transferred to the lessee. Operating lease instalments are recognised in equal amounts through the income statement over the term of the lease.

In addition, Stedin Group has made assets available to third parties; those assets are recognised under property, plant and equipment. Operating lease revenues are recognised in equal amounts through the income statement of Stedin Group as revenues over the term of the lease.

2.2.13. Goodwill

The acquisition price of a subsidiary, joint venture or associate is equal to the amount paid to purchase the interest. If the acquisition price is higher than the share in the fair value at the date of acquisition of the identifiable assets, liabilities and contingent liabilities, the excess is recognised as goodwill. Any shortfall is recognised as a gain (bargain purchase) in profit or loss.

Goodwill is measured at cost less impairment. Goodwill is allocated to one or more cash-generating units. As long as no allocation of goodwill has been effected, no impairment test is performed. Allocated goodwill is tested for impairment annually.

Goodwill purchased on acquisition of subsidiaries and joint operations is recognised in the balance sheet under intangible assets. Goodwill paid to acquire an interest in a joint venture or associate is included in the cost of acquisition.

For further details, see note 3 'Business combinations'.

2.2.14. Other intangible assets

Other intangible assets comprise customer databases acquired with acquisitions, software and licences, concessions, permits, rights and development costs. The related costs are capitalised if it is probable that these assets will generate economic benefits and their costs can be reliably measured. Other intangible assets have a finite useful life and are recognised at cost less accumulated amortisation and impairment.

Software

Software is capitalised at cost. Cost of standard and customised software comprises the one-time costs of licences plus the costs of making the software ready for use. All costs attributable to software which qualifies as an intangible asset are recognised at cost. Costs of software maintenance are recognised as an expense in the period in which they are incurred.

Depreciation

Amortisation is recognised as an expense on the basis of the estimated useful life from the time that the relevant asset is available for use . Other intangible assets are amortised using the straight-line method. The residual value of these assets is nil. Amortisation is presented in the income statement as a component of 'Depreciation, amortisation and impairments of non-current assets'.

The following useful lives are applied:

Category	Useful life in years
Licences	3 - 30
Software	3 - 5
Concessions, permits and rights	3 - 30
Development costs	5 - 15

2.2.15. Deferred taxation

Deferred taxes are calculated using the balance sheet method for the relevant differences between the book value and tax base of assets and liabilities. Deferred taxes are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on applicable tax rates and tax laws. Deferred taxes are recognised at face value.

Deferred tax assets are recognised for deductible temporary differences, tax losses carried forward and the set-off of unused tax credits if and to the extent it is probable that future taxable profit will be available against which unused tax losses and unused taxed credits can utilised.

Deferred tax assets for all deductible temporary differences relating to investments in subsidiaries, joint operations and interests in associates and joint ventures are only recognised if it is probable that the temporary difference will reverse in the near future and that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences arising from investments in subsidiaries, joint operations and interests in associates and joint ventures, unless Stedin Group can determine the time at which the temporary difference will reverse and it is probable that the temporary difference will not reverse in the near future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off tax assets against tax liabilities and where the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same fiscal unity.

2.2.16. Derivative financial instruments

Stedin Group's financing activities lead to exposures to foreign currency risks. Derivative financial instruments such as swap contracts are used to mitigate these risks.

Measurement and recognition

Derivative financial instruments are measured at fair value. Derivative financial instruments with a positive value are recognised as current (settlement within one year) or non-current (settlement after one year) assets. Instruments with a negative value are recognised as current or non-current liabilities. Assets and liabilities with each counterparty are netted off if there is a contractual right and the intention to settle the contracts net.

Stedin Group applies hedge accounting to its derivative financial instruments.

Hedge accounting

Derivative financial instruments are classified as hedging instruments if the risk of fluctuations in current or future cash flows which could affect the result is hedged. If the hedge can be attributed to a particular risk or to the full movement in the transaction associated with an asset, liability or highly probable forecast transaction, the attributed derivative financial instruments are recognised as hedging instruments.

If the conditions for hedge accounting are met, the effective portion of the changes to the fair value of the derivative financial instruments concerned is recognised directly in equity through comprehensive income. The ineffective portion is recognised directly through the income statement.

Amounts recognised through equity are transferred to income statement when the hedged asset or liability is settled. When a hedge instrument expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met, although the underlying future transaction has yet to take place, the accumulated result remains in equity (in the cash flow hedge reserve) until the forecast transaction has taken place. If the forecast transaction is no longer likely to take place, the accumulated result is transferred directly from equity to profit or loss.

2.2.17. Other non-current financial assets

Other financial assets are mainly long-term items with a term of more than one year, such as loans, receivables and prepayments to associates, joint ventures or third parties. Long-term receivables, loans and prepayments are measured at amortised cost using the effective interest method.

2.2.18. Assets/liabilities held for sale

Assets/liabilities held for sale and discontinued operations are classified as held for sale when the book value will be recovered through a sale transaction rather than through continuing use. This classification is only made if it is highly probable that the assets/liabilities or operations are available for immediate sale in their present condition and the sale is expected to be completed within one year.

Assets/liabilities held for sale are measured at the lower of the book value preceding classification as held for sale and fair value less costs to sell.

2.2.19. Assets/liabilities held for distribution to shareholders

Assets and liabilities held for distribution to shareholders are presented separately if Stedin Group has committed to issue shares in the entity or entities that will be distributed to the shareholders. The assets and liabilities of that entity or those entities are presented separately. This applies if:

- the assets and liabilities are available/ready for immediate distribution in their current condition; and
- distribution is highly probable

Assets and liabilities held for distribution to shareholders are measured at the lower of the book value preceding classification as held for distribution to shareholders and fair value less the cost of distribution.

2.2.20. Inventories

Inventories are recognised at the lower of weighted average cost and net realisable value. Cost of inventories is the purchase price including directly attributable costs incurred to bring the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell. Impairment of inventories is recognised through the income statement if the book value exceeds the net realisable value.

2.2.21. Trade and other receivables

Trade and other receivables have a term of less than one year. These receivables also include the net amounts at the reporting date that have yet to be billed for services supplied. Receivables are measured at fair value and subsequently at amortised cost less impairment losses. Receivables with a term of less than one year are recognised at face value.

2.2.22. Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits with a maturity of no more than three months.

2.2.23. Perpetual subordinated bond loan

The perpetual subordinated bond loan is measured at face value. The discount and transaction costs relating to the issue of the bond loan, the annual coupon interest and associated tax effects are recognised directly through equity.

The perpetual subordinated bond loan is classified in the financial statements as equity, in accordance with IFRS. The company financial statements likewise apply IFRS for the presentation of this bond loan, in agreement with the contractual obligations attached to the loan.

2.2.24. Provisions for employee benefits

Pensions

Pension liabilities of almost all business units have been placed with the industry-wide pension funds: Stichting Pensioenfonds ABP (ABP) and Stichting Pensioenfonds Metaal en Techniek (PMT). A limited number of employees have individual plans insured with various insurance companies.

The amount of the pension depends on age, salary and years of service. Employees may opt to retire earlier or later than the state retirement age, in which case their pension is adjusted accordingly. Retiring later than the state retirement age is only possible with Stedin Group's consent. At ABP, employees can retire between 60 and the state retirement age plus 5 years. At PMT, this is between 5 years before and 5 years after the state retirement age.

In the event of future shortfalls, the pension funds may only adjust future contributions and only within a limited range. Under IFRS, these plans are classified as multi-employer defined contribution plans. A defined contribution plan is a plan in which a fixed contribution is paid for the benefit of an employee without any further entitlement of or obligation to that employee.

Liabilities in respect of contributions to pension and related plans on the basis of defined contributions are recognised as an expense in the period to which they relate.

Other provisions for employee benefits

A provision is recognised for the obligation to pay out amounts related to long-service benefits and on the retirement of employees. A provision is also recognised for the obligation to contribute towards the health insurance premiums of retired employees, salary payments in the event of illness and the employer's risk under the Unemployment Act. Where appropriate, these liabilities are calculated at the reporting date using the projected unit credit method, using a pre-tax discount rate which reflects the current market assessment of the time value of money.

2.2.25. Other provisions
A provision is recognised when, due to a past event, there is a present legal or constructive obligation that is of an uncertain amount or timing, the settlement of which will probably lead to an outflow of resources.

Provisions that will be settled within one year of the reporting date, or that are of limited material significance, are recognised at face value. Other provisions are recognised at the present value of the expected expenditure. The specific risks inherent to the relevant obligation are taken into account when determining this expenditure. The present value is calculated using a pre-tax discount rate which reflects the current market assessment of the time value of money. The determination of the expected expenditure is based on detailed plans in order to limit the uncertainty regarding the amount.

Restructuring
A restructuring provision is recognised if a formal plan for the restructuring has been approved and its main features have been announced to those affected by it and there is a valid expectation that the restructuring will be carried out. A restructuring provision only includes the expenditures necessarily entailed by the restructuring and not those relating to continuing activities.

2.2.26. Interest-bearing debt
On initial recognition, interest-bearing debt is carried at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing debt is recognised at amortised cost using the effective interest method.

2.2.27. Trade and other liabilities
Trade payables and other financial liabilities are recognised at fair value. They are subsequently carried at amortised cost. Liabilities with a term of less than one year are not discounted on initial recognition. In view of their short-term nature, trade and other liabilities are recognised at face value.

2.2.28 Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value can be measured in various ways, and depending on the use of observable inputs the value is classified into the following categories:

Level 1
Level 1 recognises financial instruments whose fair value is measured using unadjusted quoted prices in active markets for identical instruments.

Level 2
Level 2 recognises financial instruments whose fair value is measured using market prices or pricing statements and other available information. Where possible, the measurement method uses observable market prices. Contracts for derivative financial instruments are measured by agreement with the counterparty, using observable interest rate and foreign currency forward curves.

Level 3
Level 3 recognises financial instruments whose fair value is measured using calculations involving one or more significant inputs that are not based on observable market data.

2.3. Judgements, estimates and assumptions
In preparing these financial statements, management used judgements, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. In particular, they relate to the revenues from sales to retail customers, the useful life of property, plant and equipment, the fair value of the relevant assets and liabilities, impairment of assets and the amount of provisions. The judgements, estimates and assumptions that have been made are based on market information, knowledge, historical experience and other factors that can be deemed reasonable in the

circumstances. Actual results could, however, differ from the estimates. Judgements, estimates and assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

If the revision also affects future periods, the change is made prospectively in the relevant periods. Any points of particular importance with regard to judgements, estimates and assumptions are set out in the notes to the income statement and balance sheet items.

The following changes in accounting estimates were applied in the 2017 financial statements of Stedin Group:

- Adjustment of method to measure the fair value of the regulated assets (see note 15 'Property, plant and equipment')
- Adjustment of estimate of useful life of commercial meters (see note 15).

Useful life and residual value of property, plant and equipment and intangible assets

The depreciation periods and residual values of property, plant and equipment and intangible assets are based on the asset's expected useful technical and economic life. The useful life and residual value are reviewed annually. An asset's useful life or residual value may change as a result of changes in external or internal factors, including technological developments and market developments. These factors can also lead to impairment of an asset. If there is an indication of possible impairment, the asset's recoverable amount is measured and compared with its book value. If the recoverable amount is lower, impairment is applied. For further details, see note 15 'Property, plant and equipment'.

Fair value of regulated networks

The fair value of regulated networks is determined in alignment with the expected compensation method of the ACM. The expected future rates related to Stedin Group's market share and expected limits for possible rate components will be included in the calculation method. For further details, see note 15 'Property, plant and equipment'.

Goodwill

The acquisition price of a subsidiary, joint venture or associate is equal to the amount paid to purchase the interest. If the acquisition price is higher than the share in the fair value at the date of acquisition of the identifiable assets, liabilities and contingent liabilities, the excess is recognised as goodwill.

Goodwill is measured at cost less impairment. Allocated goodwill is allocated to one or more cash-generating units. As long as no allocation of goodwill has been effected, no impairment test is performed unless there are indications of impairment. Allocated goodwill is tested for impairment annually.

In 2017, goodwill arose from the acquisition of DNWG. Since this goodwill was not allocated to the cash-generating units as at 31 December 2017, no goodwill impairment test was performed in 2017. For further details, see notes 3 'Business combinations' and 16 'Intangible assets'.

Grid losses

Allocation is a process by which estimates are used to determine the quantities of transported electricity and gas and allocate them to users. The allocation process also includes determination of grid loss reserves, which are estimated as accurately as possible on the basis of data on standard annual consumption. The consumption levels initially allocated to consumers are adjusted for the actual quantities obtained through meter readings (‘reconciliation’), along with a recalibration of the estimates. Pursuant to statutory arrangements on allocation and reconciliation, this process must be settled within 21 months after the end of the month of delivery. Although the expected results are estimated and incorporated in the financial statements as accurately as possible, the ultimate settlement based on actual consumption figures may potentially have an effect on the results. The grid loss reserve is part of the 'Other liabilities and deferred income' as included in note 28 'Trade and other liabilities'.

2.4. Changes in presentation

2.4.1. Income statement

Stedin Group applied a change in presentation in its consolidated income statement with effect from 31 December 2017. The reason for the change is that the energy company Eneco was unbundled from Eneco Holding N.V. (now Stedin Holding N.V.) on 31 January 2017 and that the presentation has been brought more closely into line with the way in which other Dutch grid operators report on their results. The move to this type of presentation improves the information on the composition of and changes in operating expenses.

The main changes relative to the comparative figures are:

- Revenues from network management are presented in 'net revenue';
- Employee benefits are presented before capitalisation of own production (formerly netted) and now include staff costs for external employees;
- Capitalised employee benefits and other expenses are presented separately as 'capitalised own production';
- 'Cost of contracted work and other external costs' is broken down into expenses relating to network maintenance and other operating expenses relating to the entire Stedin Group.
- CityTec is accounted for under discontinued operations.

The result from discontinued operations is shown as a single amount in the income statement as 'Profit after income tax from discontinued operations' and therefore does not form part of the operating profit. The comparative figures in the income statement have been restated accordingly as if these operations had been terminated at the start of the previous reporting period.

Income statement 2016 according to presentation Eneco Holding N.V. last year (horizontal) x € 1 million	**Net revenue**	**Purchases**	**Other revenues**	**Employee benefit expenses**	**Costs of contracted work and other external costs**	**Depreciation, amortisation and impairments of PPE and IA***	**Other operating expenses**	**Financial income and expenses****	**Income tax**	**Discontiued operations (CityTec)**	**Profit and loss account 2016 according to Stedin Holding N.V. presentation (vertical)**
Net revenue	991	-	148	-	-	-	-	-	-	-52	1,087
Other income	-	-	21	-	-	-	-	-	-	-	21
Net revenue and other income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,108**
Employee benefit expenses	-	-	-	270	50	-	-	-	-	-20	300
Cost of sales and contracted work	-	143	-13	-	139	-	-	-	-	-25	244
Other operating expenses	-	-	-	-	211	-	5	-	-	-3	213
Less: Capitalised own production	-	-	-	-115	-	-	-	-	-	-	-115
											642
Depreciation and impairment of non-current assets	-	-	-	-	-	245	11	-	-	-2	254
Total operating costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**896**
Operating profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**212**
Financial income and expenses	-	-	-	-	-	-	-	-75	-	-	**-75**
Profit before income tax from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**137**
Income tax	-	-	-	-	-	-	-	-	-34	2	-32
Profit after income tax from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**105**
Profit after income tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	94
Profit after income tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**199**

* In 2016, this item was presented seperately as depreciation, amortisation and impairments of property, plant and equipment and intangible assets of € 243 million and € 2 million respectively.

** In 2016, this item was presented separately as financial income and expenses of € 2 million and € 77 million respectively.

2.4.2. Balance sheet

In addition to the above-mentioned change in presentation of the income statement, the comparative figures of 2016 for a limited number of balance sheet items have likewise been adjusted.

This concerns a reclassification from Accounts receivable to Other receivables of € 24 million (not yet invoiced at year-end 2016) and netting off accruals and deferrals for work in progress; netting from 'Other liabilities and deferred income' under 'Other receivables' for an amount of € 16 million.

3. Business combinations

Acquisition of Zeeuwse Netwerkholding N.V.

On 13 June 2017, Stedin Holding N.V. purchased the entire share capital of Zeeuwse Netwerkholding N.V. (now called DNWG Groep N.V. and also referred to as DNWG below) for € 455 million and thus obtained control. Stedin Group paid the purchase price fully in cash.

DNWG’s 643 permanent employees work in the Enduris B.V. (regional grid operator) and DNWG Infra B.V. business units (infrastructure services). Enduris manages the energy grid for 200,000 households and businesses in the province of Zeeland. The acquisition has led to a larger contiguous distribution network. The collaboration also offers options to achieve greater responsiveness and efficiency. Stedin Group expects these factors to make a positive contribution to future earnings. The same applies to the infrastructure services of Stedin and DNWG.

DNWG's financial information is included in the financial statements of Stedin Group with effect from 30 June 2017. The period between the acquisition date (13 June 2017) and the start of recognition (30 June 2017) has not materially affected Stedin Group’s equity or results. There were no material or unusual events during the final two weeks of June 2017.

Provisional allocation of the purchase price for Zeeuwse Netwerkholding N.V.

x € 1 million	
Assets	
Property, plant and equipment: networks, connections and smart meters	621
Intangible assets	10
Deferred tax assets	8
Financial assets	4
Cash and cash equivalents	13
Total assets	**656**
Liabilities	
Interest-bearing debt	150
Deferred tax liabilities	28
Provisions	15
Deferred income	71
Working capital	20
Total liabilities	**284**
Net assets acquired	372
Total acquisition price	**455**
Less: Net assets acquired	372
Goodwill	83

On the acquisition date, the face value and the fair value of the amounts receivable was € 23 million and € 22 million respectively; Stedin Group expects € 1 million to be uncollectable. DNWG had recognised a provision of around € 1 million for the face value of these receivables.

The costs relating to the purchase transaction amount to around € 4 million and are recognised in other operating expenses. Since the acquisition date, DNWG has contributed around € 80 million to revenue and around € 8 million to the profit of Stedin Group. If the results of DNWG had been included for a full year, Stedin Group's revenue would have amounted to € 1.3 billion and its profit to € 434 million

The goodwill relates to the acquisition of DNWG in 2017 and largely comprises the difference between cost and fair value of the net assets at the date of acquisition. This goodwill is not deductible for tax purposes. Deferred taxation has been recognised for the revaluation of non-current assets to fair value.

The valuation of the assets and liabilities obtained from DNWG through the acquisition has been included in the financial statements on a provisional basis. The valuation has not been definitively determined for the regulated grids and will be finalised in the first six months of 2018. When the value of the acquired assets and liabilities has been finalised, Stedin Group will allocate the goodwill to the cash-generating units that are part of or identical to the operating segments Stedin and DNWG. Stedin Group is examining which segments will benefit from synergies arising from the acquisition and the extent to which the segments are likely to experience such benefits. In this exercise, Stedin Group is also weighing expected synergy benefits against the agreements made with the seller upon acquisition. Therefore the amount of goodwill not allocated to cash-generating units has been provisionally determined at € 83 million.

An analysis of any indications of impairments of property, plant and equipment and intangible assets, including goodwill not allocated to cash-generating units, has revealed that there are no indications of any such impairments. Hence, no impairment analysis has been carried out.

The acquisition price of € 455 million less the cash and cash equivalents of DNWG of € 13 million results in a net acquisition price of € 442 million, which has been recognised in the cash flow statement.

The 2017 half-year report of Stedin Holding N.V. stated a provisional goodwill of € 82 million (€ 72 million in provisional goodwill and € 10 million in 'acquired' goodwill).

4. Operating segments

Business segments are based on Stedin Group's internal organisation and management reporting structure. Since unbundling, the Board of Management has been using a different reporting structure from that in 2016. The new segments are:

Segment Stedin
The business segment Stedin comprises the regulated domain: the grid operator Stedin. Stedin manages the gas and electricity networks in its service area.

Segment Joulz
This business unit comprises the non-regulated business units. This segment is independently responsible for its results. The segment Joulz consists of Joulz Energy Solutions B.V., an expert in designing, building and managing complex medium and high-voltage installations.

Segment DNWG
The business segment DNWG is the entity DNWG Groep N.V., which consists of grid operator Enduris B.V., which manages the gas and electricity networks in the province of Zeeland, DNWG Infra B.V. (formerly DELTA Infra B.V.), which provides the non-regulated electricity, gas, water and data infrastructure services, and DNWG Warmte B.V., which provides heat infrastructure services. DNWG has been part of Stedin Group since 13 June 2017.

Segment 'Other and eliminations'
The main components of the segment 'Other and eliminations' are the infrastructure, metering and steam network services of Joulz Diensten, up to 31 March 2017 the activities of CityTec, intercompany eliminations and the Holding company. This segment also comprises discontinued operations of the unbundled energy company Eneco up to 31 January 2017. The other units are non-reportable segments according to the criteria in IFRS 8 'Operating Segments' since they are not material and are therefore included here.

The comparative figures have been restated in line with the new structure, except for the figures presented in 4.2 'Other data by business segment'.

The balance sheets per operating segment are not periodically reported in the internal management information and therefore Stedin Group has decided not to disclose these.

The group accounting policies are also applied for segment reporting.

4.1. Revenue and operating profit by segment

Revenue and results in 2017 based on the internal organisation and management reporting structure were as follows:

2017 x € 1 million	Segment Stedin	Segment Joulz	Segment DNWG	Other and eliminations	Total
Net revenue	973	60	78	43	1,154
Other income	49	113	2	-124	40
Total operating expenses	606	165	53	-101	723
Depreciation, amortisation and impairments of property, plant and equipment and intangible assets	246	1	14	12	273
Operating profit	**170**	**7**	**13**	**8**	**198**
Financial income and expenses	-42	-	-3	-34	-79
Profit before income tax from continuing operations	**128**	**7**	**10**	**-26**	**119**
Income tax	-28	-2	-2	2	-30
Profit after income tax from continuing operations	**100**	**5**	**8**	**-24**	**89**
Profit after income tax from discontinued operations	-	-	-	335	335
Profit after income tax	**100**	**5**	**8**	**311**	**424**

The 2016 comparative figures adjusted on the basis of the new segment structure are:

2016 x € 1 million	Segment Stedin	Segment Joulz	Segment DNWG	Other eliminations	Total
Net revenue	989	47	-	51	1,087
Other income	52	95	-	-126	21
Total operating expenses	608	138	-	-104	642
Depreciation, amortisation and impairments of property, plant and equipment and intangible assets	246	-	-	8	254
Operating profit	**187**	**4**	**-**	**21**	**212**
Share in result of associates and joint ventures	-	-	-	-	-
Financial income and expenses	-50	-	-	-25	-75
Profit before income tax from continuing operations	**137**	**4**	**-**	**-4**	**137**
Income tax	-28	-1	-	-3	-32
Profit after income tax from continuing operations	**109**	**3**	**-**	**-7**	**105**
Profit after income tax from discontinued operations	-	-	-	94	94
Profit after income tax	**109**	**3**	**-**	**87**	**199**

All of the revenues of Stedin Group are generated in the Netherlands.

4.2. Other data by business segment

The investments and depreciation in 2017 on the basis of the new segment structure are:

At 31 December 2017 x € 1 million	Segment Stedin	Segment Joulz	Segment DNWG	Other and eliminations	Total
Investments in property, plant and equipment & intangible assets	456	1	30	7	494
Depreciation and amortisation of property, plant and equipment and intangible assets	-234	-1	-16	-7	-258

The investments and depreciation in 2016 on the basis of the new segment structure are:

At 31 December 2016 x € 1 million	Segment Stedin	Segment Joulz	Segment DNWG	Other and eliminations	Total
Investments in property, plant and equipment & intangible assets	409	-	-	1	410
Depreciation and amortisation of property, plant and equipment and intangible assets	-237	-	-	-8	-245

The other data by business segment in 2016 are unchanged compared with the 2016 financial statements.

Revenues by country

All of the revenues of the Stedin, Joulz and DNWG segments and other activities in 2017 were generated in the Netherlands.

Non-current assets by country

The non-current assets of the Stedin and 'Other and eliminations' segments relate in full to entities registered in the Netherlands.

5. Net revenue

x € 1 million	2017	2016
Electricity transmission and connections service	619	655
Gas transmission and connections service	286	238
Electricity and gas metering service	102	98
Other	147	96
Total net revenue	**1,154**	**1,087**

The presentation of the net revenue amounts has been adjusted compared with the preceding year. An overview of the adjustments compared with the preceding year is set out in note 2.4 'Changes in presentation'.

Net revenue for 2017 increased by € 67 million compared with the preceding financial year. This increase was mainly attributable to the revenue of DNWG in the last six months of the year (€ 78 million). This was partly offset by a decrease in revenue due to the sale of the Weert grid area with effect from 1 July 2017 (approx. € 5 million).

Lower regulated rates for electricity transmission and connections resulted in lower revenue. This was partly offset by higher gas rates. The aggregate price effect depressed revenue by € 13 million. The number of connections for small consumers increased for both gas and electricity at Stedin. This lifted revenue by approximately € 4 million.

Other revenue increased mainly due to increased revenue at Joulz Energy Solutions.

6. Other income

The presentation of the other income has been adjusted compared with the preceding year. An overview of the adjustments compared with the preceding year is set out in note 2.4 'Changes in presentation'.

Other income increased by € 19 million compared with the preceding financial year to € 40 million. This was attributable to various reasons, the most important among which were the acquisition of DNWG, an increase in customer construction contributions received and a final settlement relating to the prior-year sale of the Zuid-Holland high-voltage network.

7. Employee benefit expenses

x € 1 million	2017	2016
Wages and salaries	223	189
Social security contributions	31	25
Pension contributions	27	23
External staff	55	46
Other employee benefit expenses	33	17
Total	**369**	**300**

Employee benefit expenses increased by € 69 million compared with the preceding year. The acquisition of DNWG resulted in a € 29 million increase in employee benefit expenses.

Employee benefit expenses also increased mainly due to growth of the number of employees. This resulted not only in a higher gross wage bill, but also in higher expenses for leave (€ 7 million) and a € 4 million increase in the provision for long-service benefits. In addition, the employer's contributions were € 5 million higher than in the preceding year due to an adjustment of the pension contributions.

Hours worked by hired external staff and directly attributed to own investment projects are deducted from costs of external staff as capitalised production. The amount concerned is € 11 million (2016: € 16 million).

7.1. Number of employees

Average workforce (in FTEs)	2017	2016
Stedin	3,068	2,793
Joulz	487	458
DNWG*	312	-
Other	144	169
Total continuing operations	**4,011**	**3,420**
Discontinued operations**	257	3,141
Total discontinued operations	**257**	**3,141**
Total average no. of FTEs	**4,268**	**6,561**
Employed outside the Netherlands***	20	266
Male	82%	76%
Female	18%	24%

* On average, DNWG employed 624 FTEs in the months from July (from the date of acquisition) to the end of December. The table above shows the average number of FTEs for Stedin Group as a whole in 2017.

** The discontinued operations include the FTEs of Energiebedijf and CityTec. Energiebedrijf 2017 includes only the month of January, and CityTec 2017 includes the months from January to the end of March.

*** Employees outside the Netherlands relates to discontinued operations.

7.2. Remuneration of members of the Board of Management

On 31 January 2017, the integrated energy company Eneco was unbundled into the grid company Stedin Group and the energy company Eneco Group. The energy company was unbundled from Eneco Holding N.V. and the name was changed from Eneco Holding N.V. to Stedin Holding N.V. The unbundling operation also resulted in a change in the management of the organisation. Management, and supervision of the management, are essential for the organisation to achieve its objectives and are endowed with the powers and responsibilities for planning, managing and controlling the activities of the Group. Hence, Stedin has assigned 'key management' status to the members of the Supervisory Board and of the Board of Management.

In the first month of 2017, the day-to-day management was carried out by the four members of the Board of Management of Eneco Holding N.V. With effect from 1 February 2017, Eneco Holding N.V.'s Supervisory Board appointed a new Board of Management of Stedin Holding N.V. and the management was transferred to this new Board of Management. In addition, the General Meeting of Shareholders appointed a new Supervisory Board with effect from that same date.

The Supervisory Board of Eneco Holding N.V. appointed M.W.M. (Marc) van der Linden as Chairman of the Board of Management with effect from 1 February 2017, in the position of Chief Executive Officer (CEO). J.A.M. (Judith) Koole and G. (Gerard) Vesseur were appointed as members of the Board of Management, in the positions of Chief Operational Officer (COO) and Chief Financial Officer (CFO) respectively.

The appointments of Marc van der Linden and Judith Koole were for a term of four years and will therefore end as of 1 February 2021. The appointment of Gerard Vesseur ends as of 1 February 2018 and was extended, in consultation with a delegation of the shareholders, while a new CFO is recruited, but not beyond mid-2019 at the latest.

With effect from 1 January 2018, Mr D.H.M.U. (David) Peters, joined the Board of Management as a fourth member, as Chief Transition Officer (CTO). He was appointed for a term of four years.

All four members of the Board of Management have an employment contract for an indefinite period with Stedin Netbeheer B.V., under which Stedin Group will observe a four-month period of notice. Except for Marc van der Linden, the other members of the Board of Management had already been employed by Stedin Netbeheer B.V. prior to their appointment.

x € 1	Period	Fixed salary	Variable remuneration	Pension contributions	Social security contributions and other elements of remuneration	Total 2017
J.F. de Haas	1/1 - 31/1	42,792	12,000	2,359	8,348	65,499
C.J. Rameau	1/1 - 31/1	31,750	9,000	2,041	5,196	47,987
G.A.J. Dubbeld	1/1 - 31/1	31,750	9,000	2,127	5,219	48,096
M.W.M. van der Linden	1/1 - 31/1	33,050	-	2,041	3,378	38,469
Total		**139,342**	**30,000**	**8,568**	**22,141**	**200,051**

Table: Remuneration of members of the Board of Management of Eneco Holding N.V. 1 January 2017 - 31 January 2017 (all amounts in euros)

The variable remuneration for January 2017 is an estimate. Marc van der Linden was not entitled to variable remuneration for January 2017.

x € 1	Period	Fixed salary	Variable remuneration	Pension contributions	Social security contributions and other elements of remuneration	Total 2017
M.W.M. van der Linden	1/2 - 31/12	147,747	-	16,644	16,976	181,367
J.A.M. Koole	1/2 - 31/12	152,364	-	15,761	13,461	181,586
G. Vesseur	1/2 - 31/12	233,086	-	19,415	13,192	265,693
Total		**533,197**	**-**	**51,820**	**43,629**	**628,646**

Table: Remuneration of the members of the Board of Management of Stedin Holding N.V. 1 February 2017 - 31 December 2017 (all amounts in euros)

The fixed salary comprises the amounts for salary and holiday allowance that relate to the reporting period. As per 1 February 2017, the Board of Management of Stedin Holding N.V. will not receive any variable remuneration.

The amounts in the column 'Social security contributions and other components of remuneration' represent the total for social security contributions and premiums, the additional tax liability for the lease car, employer's contributions for healthcare and disability insurances, a personal employee benefits budget and the expense allowance.

All amounts were charged to profit or loss in 2017. The total remuneration of the Board of Management for 2017 was € 0.8 million (2016: € 2.2 million).

x € 1	Period	Fixed salary	Variable remuneration	Pension contributions	Social security contributions and other elements of remuneration	Total 2016
J.F. de Haas	1/1 - 31/12	519,792	81,560	24,486	53,124	678,962
C.J. Rameau	1/1 - 31/12	388,028	64,303	21,171	35,988	509,490
G.A.J. Dubbeld	1/1 - 31/12	388,028	52,955	21,171	35,988	498,142
M.W.M. van der Linden	1/1 - 31/12	379,022	55,613	20,397	31,992	487,024
Total		**1,674,870**	**254,431**	**87,225**	**157,092**	**2,173,618**

Table: Remuneration of members of the Board of Management of Eneco Holding N.V. 2016 (all amounts in euros)

As the variable remuneration for the Board of Management of Eneco Holding N.V. in 2016 relates to that specific period, it deviates from the amounts reported for this item in the previous financial year. Since 1 January 2015, the tax-effective pension accrual has been capped at an indexed annual gross salary of € 103,317. As a result, the short-term pension contribution for the salary in excess of € 103,317 (gross) has been restated and transferred to the 'Other' column.

Marc van der Linden received a payment of € 423,139 in January 2017 in connection with his forced departure from the company. This related to a payment previously agreed upon at his appointment at Eneco amounting to 12 months' gross salary including holiday allowance, employer's pension contribution and compensation for capping of pension. The payment was approved by the Supervisory Board of Eneco Holding N.V. on 25 November 2016.

7.3. Remuneration of members of the Supervisory Board

The supervision of the company changed in 2017 as a result of the unbundling. Until the end of January 2017, responsibility for the supervision of Eneco Holding N.V. rested with the Supervisory Board of Eneco Holding N.V. Stedin Netbeheer B.V. had its own Supervisory Board until the end of January 2017. Effective 1 February 2017, the supervision of Stedin Holding N.V. transferred to the Supervisory Board of Stedin Holding N.V. appointed by the General Meeting of Shareholders on 30 January 2017. The Supervisory Board of Stedin Netbeheer B.V. was disbundled on the same date, with supervision of this entity transferring to the Supervisory Board of Stedin Holding N.V.

As a result of the acquisition of DNWG, the Supervisory Board of Enduris B.V. was disbundled on 14 June 2017 and replaced by the Supervisory Board of Stedin Holding N.V.

The remuneration of the Chairman of the Supervisory Board of Eneco Holding N.V. is € 36,500 per year. The other members of the Supervisory Board each receive an annual fee of € 28,700. The fixed expense allowance is € 1,150 per annum. Members of committees each receive an additional annual payment for the committees stated below. The amounts stated are the payments per annum. The total remuneration of the Supervisory Board for 2017 was € 0.1 million. The remuneration of the Supervisory Board of Stedin Netbeheer B.V. for 2016 was € 73,500.

On 22 September 2017, the General Meeting of Shareholders of Eneco Groep N.V. resolved to grant a payment to the Future Shareholdings Supervisory Committee (Begeleidingscommissie toekomstig aandeelhouderschap) with retroactive effect to 1 January 2017.

The table below presents the annual fees for the members of the various committees.

x € 1	2017	2016
Audit Committee	5,200	5,200
Remuneration Committee	3,150	3,150
Selection and appointment Committee	3,150	3,150
Future Shareholdings Supervisory Committee	5,200	-

Table: Remuneration members of the Supervisory Board of Stedin Holding N.V. 1 January 2017 - 31 December 2017

The remuneration policy for the Supervisory Board of Stedin Holding N.V. is adopted by the General Meeting of Shareholders on the proposal of the Supervisory Board. The covenant between the shareholders and Stedin Group provides that a new remuneration policy would be drawn up following the unbundling, at the same time as the remuneration policy for the Board of Management. This policy was prepared in 2017, in accordance with the provisions of the covenant. The new remuneration policy will be submitted for adoption to the General Meeting of Shareholders in April 2018.

Until a new remuneration policy is adopted, the remuneration policy as it applied for Stedin Netbeheer B.V. applies for the Supervisory Board of Stedin Holding N.V., i.e. remuneration of € 16,000 for the Chairman and of € 10,000 for the other members. The fee for each committee is € 2,500 per annum. The committee members do not receive a fixed expense allowance.

x € 1	2017
Audit Committee	2,500
Remuneration Committee	2,500

Table: Remuneration members of the Supervisory Board of Stedin Holding N.V. 1 February 2017 - 31 December 2017

7.4. Public and Semi-public Sector Senior Officials (Standard Remuneration) Act (WNT)

The Standards for Remuneration Act (WNT) came into force on 1 January 2013. The WNT is applicable to Stedin Netbeheer B.V. and Enduris B.V. The maximum remuneration applicable to Stedin Netbeheer B.V. and Enduris B.V. in 2017 is €181,000. This is the general maximum remuneration.

The Ministers of Economic Affairs and of the internal Affairs and Kingdom Relations notified the Board of Stedin Netbeheer B.V. by a decree of 16 August 2016 that the Standards for Remuneration Act (WNT) applied to Stedin with effect from 1 January 2013. This also means that the transitional laws pursuant to the WNT came into force as of 1 January 2013. A measure of leniency is however aimed for in the decree concerning the application of those transitional laws. The following applies to remuneration that exceeds the remuneration standard on 16 August 2016:

- Remuneration in excess of the WNT-1 standard is subject to the transitional laws for 'legacy cases', regardless of whether those remuneration arrangements were agreed before or after 1 January 2013. Under the transitional laws for 'legacy cases', the remuneration concerned is required to be reduced over three years from 1 January 2017 to the WNT-1 standard that applied on 31 December 2014 and subsequently over two years to the standard then applicable.
- Remuneration in excess of the WNT-2 standard is subject to the transitional laws for 'new cases'. Under those transitional laws, the remuneration level is respected until 1 January 2019 and is then required to be reduced over three years to the standard then applicable.

On 18 January 2018, the Minister of Economic Affairs confirmed to Stedin Holding N.V. that he would apply the same leniency with regard to Enduris B.V. as with regard to Stedin Netbeheer B.V. The Minister argued that Enduris B.V., as grid operator, was in the same situation as Stedin Netbeheer B.V. Like Stedin Netbeheer B.V., Enduris B.V. was not yet unbundled from the energy supplier, Delta N.V. in this case, before 2017. Although these cases are similar rather than identical, the Minister did not consider it desirable to treat Enduris B.V. differently than Stedin Netbeheer B.V. For this reason the same leniency will be applied with respect to the senior executive of Enduris B.V., and under the same conditions, as stated in the decision for Stedin Netbeheer B.V. dated 16 August 2016.

As regards the senior executives of Stedin Group, a distinction must be made between the situation before and after the unbundling of Eneco Group as at 1 February 2017. Prior to the unbundling, the senior executives comprised the three members of the Board of Stedin Netbeheer B.V., Mr Pieter Trienekens, Mr Frans van de Noort and Mr Gerard Vesseur. Pieter Trienekens was a senior executive not in employment since 27 October 2014. His remuneration exceeded the maximum remuneration. The remuneration of the other two senior executives also exceeded the maximum remuneration applicable in 2017. As the remuneration agreements date from before the decree of 16 August 2016, the transitional laws for legacy cases apply to all three cases.

Following the unbundling as of 1 February 2017, the members of the Board of Management of Stedin Holding N.V., Marc van der Linden, Gerard Vesseur and Judith Koole, are qualified as senior executives of Stedin Netbeheer B.V. in connection with the WNT. Two of them, Marc van der Linden and Judith Koole, were newly appointed with effect from 1 February 2017 and the WNT remuneration standard of € 181,000 applies to their remuneration. Judith Koole's remuneration exceeds the maximum permitted amount in 2017 owing to the payment of the variable remuneration and the holiday allowance (€ 27,672 in total) relating to her previous position. The transitional laws apply to Gerard Vesseur's remuneration. With effect from 2017, his remuneration is being reduced over three years to the WNT-1 standard that applied on 31 December 2014.

Erik Duim, director of DNWG Groep N.V., is the fourth senior executive within the group. Erik Duim is a Board member of Enduris B.V. on a 50% basis and a Board member of DNWG Infra B.V. on a 50% basis. Accordingly, the WNT remuneration standard applies on a 50% basis. Based on the confirmation by the Minister of Economic Affairs, the transitional laws for 'legacy cases' apply to Erik Duim. Effective 1 January 2018, Mr Duim resigned as director of the DNWG companies, including Enduris B.V. Effective 19 December 2017, Ad van der Sluijs was appointed interim deputy director of the DNWG companies, including Enduris B.V. His temporary appointment will end in 2018, when he will be succeeded by Koen Verbogt.

No severance payments were made to senior executives with or without employment in 2017.

x € 1	P.E.G. Trienekens	F.C.W. van de Noort	M.W.M. van der Linden	G. Vesseur	J.A.M. Koole	E.J. Duim	A. van Sluijs
Position Details	General Director	Operational Director	CEO	CFO	COO	Director	Deputy Director
	Stedin Netbeheer B.V.	Stedin Netbeheer B.V.	Stedin Holding N.V.	Stedin Holding N.V.	Stedin Holding N.V.	Enduris B.V.	DNWG Groep N.V.
Start and end dates of duties in 2017	1/1 – 31/1	1/1 – 31/1	1/2 – 31/12	1/1 – 31/12*	1/2 – 31/12	1/1 – 31/12	19/12 – 31/12
Scope of appointment (in FTEs)	1	1	1	1	1	0.5	0.5
Former senior executive	No	No	No	No	No	No	No
(Notional) employment relationship	No	No	Yes	Yes	Yes	No	No
Remuneration							
Remuneration plus taxed expense allowances	25,332	21,476	148,983	246,618	177,538	134,748	2,075
Remuneration payable in future	-	1,744	16,644	21,180	15,761	9,357	292
Sub-total	25,332	23,220	165,627	267,798	193,299	144,105	2,367
Maximum remuneration for position holder	15,373	15,373	165,627	181,000	165,627	90,500	3,223
-/- Amount paid but not owed	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable
Total remuneration 2017	**25,332**	**23,220**	**165,627**	**267,798**	**193,299**	**144,105**	**2,367**
Reason for (non-)allowability of excess	Excess permitted owing to existing reason for (non-)allowability existing of excess agreements	Excess permitted owing to existing agreements subject to transitional law	not applicable	Excess permitted owing to existing agreements subject to transitional law	Excess permitted owing to payment of variable remuneration and holiday allowance pertaining to previous position	Excess permitted owing to existing agreements subject to transitional law	not applicable
Data for 2016							
Start and end dates of duties in 2016	1/1 – 31/12	1/1 – 31/12		1/1 – 31/12		1/1 – 31/12	
Scope of appointment (in FTEs)	1	1		1		0.5	
Remuneration plus taxed expense allowances	338,044	326,918	-	319,150	-	145,109	-
Remuneration payable in future	-	17,133	-	17,072	-	8,619	-
Total remuneration 2016	**338,044**	**344,051**	**-**	**336,222**	**-**	**153,728**	**-**

Table: WNT applicable to remuneration of senior executives of Stedin Netbeheer B.V. and Enduris B.V. 2016 and 2017

* Including period as senior executive of Stedin Netbeheer B.V. in January 2017.

In 2017, the WNT standard for the Chairman and the members of the Supervisory Board was set at respectively € 27,150 (15% of the maximum remuneration of € 181,000) and € 18,100 (10% of the maximum remuneration of € 181,000) per annum. The remuneration for the chairman of the Supervisory Boards of both Stedin Holding N.V. and Stedin Netbeheer B.V. is € 16,000 per annum. The other members receive a fee of € 10,000 per annum. The fee for each committee is € 2,500 per annum.

The fees for the members of the Supervisory Board of Enduris B.V. are € 20,000 per annum for the Chairman and € 15,000 per annum for the paid member. The third member was unpaid. The fees are paid in arrears each quarter. As a consequence, the remuneration in 2017 also relates to the final quarter of 2016, in addition to the period from 1 January 2017 up to and including 12 June 2017.

x € 1	P.E.G. Trienekens	J.P. Bahlmann	D. van Well	T.W. Eysink	J. T.H.M. Kortenhorst
Position details (SB of Stedin Holding N.V.)	Chair	Member	Member	Member	Member
Start and end dates of duties in 2017	1/2 – 31/12	1/1 – 31/12*	1/1 – 31/12*	1/2 – 31/12	1/1 – 31/12*
Remuneration					
Remuneration plus taxed expense allowances	16,969	12,500	15,000	11,458	10,109
Remuneration payable in future	-	-	-	-	-
Sub-total	16,969	12,500	15,000	11,458	10,109
Maximum remuneration for position holder	24,844	18,100	18,100	16,563	18,100
-/- Amount paid but not owed	not applicable	not applicable	not applicable	not applicable	not applicable
Total remuneration 2017	**16,969**	**12,500**	**15,000**	**11,458**	**10,109**
Reason for (non-)allowability of excess	not applicable	not applicable	not applicable	not applicable	not applicable
Data for 2016					
Start and end dates of duties in 2016		1/1 – 31/12	1/1 – 31/12		1/1 – 31/12
Remuneration plus taxed expense allowances	-	12,500	12,500	-	10,000
Remuneration payable in future	-	-	-	-	-
Total remuneration 2016	**-**	**12,500**	**12,500**	**-**	**10,000**

Table: Remuneration of supervisory directors of Stedin Netbeheer B.V. 1 February - 31 December 2017 and 2016

* Including Supervisory Board period Stedin Netbeheer B.V. 1 - 31 January 2017.

x € 1	R.S. Cazemier	G.A.J. Dubbeld*	C.J. Rameau*
Position details (SB Stedin Netbeheer B.V.)	Chair	Member	Member
Start and end dates of duties in 2017	1/1 – 31/1	1/1 – 31/1	1/1 – 31/1
Remuneration			
Remuneration plus taxed expense allowances	1,333	1,041	833
Remuneration payable in future	-	-	-
Sub-total	1,333	1,041	833
Maximum remuneration for position holder	2,306	1,537	1,537
-/- Amount paid but not owed	not applicable	not applicable	not applicable
Total remuneration 2017	**1,333**	**1,041**	**833**
Reason for (non-)allowability of excess	not applicable	not applicable	not applicable
Data for 2016			
Start and end dates of duties in 2016	1/1 – 31/12	1/1 – 31/12	1/1 – 31/12
Remuneration plus taxed expense allowances	16,000	12,500	10,000
Remuneration payable in future	-	-	-
Total remuneration 2016	**16,000**	**12,500**	**10,000**

Table: Remuneration of supervisory directors of Stedin Netbeheer B.V. 1 January - 31 January 2017 and 2016

* Remuneration paid to N.V. Eneco Beheer.

x € 1	G.J.L. Zijl	M.A.W. Cremers - Wit
Position details (SB Enduris B.V.)	Chairman	Member
Start and end dates of duties in 2017	1/1 – 12/6	1/1 – 12/6
Remuneration		
Remuneration plus taxable expense allowances	13,333	10,980
Remuneration payable in future	-	-
Sub-total	13,333	10,980
Maximum remuneration for position holder	12,125	8,083
-/- Amount paid but not owed	NA	NA
Total remuneration 2017	**13,333**	**10,980**
Reason for (non-)allowability of excess	Excess allowed pursuant to Article 3(2) of the WNT Implementing Regulations	Excess allowed pursuant to Article 3(2) of the WNT Implementing Regulations
Data for 2016		
Start and end dates of duties in 2016	1/1 – 31/12	1/1 – 31/12
Remuneration plus taxed expense allowances	20,000	15,532
Remuneration payable in future	-	-
Total remuneration 2016	**20,000**	**15,532**

Table: Remuneration of supervisory directors of Enduris B.V. 1 January - 12 June 2017 and 2016

Name of senior executive	Position
F. Verhagen	Member of Supervisory Board of Enduris B.V.

Table: Senior executives and former senior executives with remuneration of € 1,500 or less

Remuneration of non-senior executives in excess of the threshold amount for their position

As last year, Stedin Netbeheer B.V. employs six non-senior executives whose remuneration exceeds the individually applicable threshold amount for 2017. Stedin is aiming to ensure that the number and amount of the surpluses do not increase. Stedin Group is therefore very conservative in awarding salary increases to executives who would or already do exceed the standard owing to salary increases. All surpluses arise from agreements already in place. No remuneration arrangements have been agreed with newly appointed executives that exceed, or will in the future exceed, the applicable remuneration standards.

x € 1						
Position details 2017	Line director	Staff director	Staff director	Staff director	Line manager	Staff manager
Start and end date of duties in 2017	1/1 – 31/12	1/1 – 31/12	1/1 – 31/12	1/1 – 31/12	1/1 – 31/12	1/1 – 31/12
Scope of appointment (in FTEs)	1	1	1	1	1	1
Remuneration						
Remuneration plus taxed expense allowances	170,611	177,790	168,205	182,727	168,672	167,726
Remuneration payable in future	17,367	17,435	17,276	17,936	17,484	17,573
Total remuneration 2017	**187,978**	**195,225**	**185,481**	**200,663**	**186,156**	**185,299**
Individually applicable threshold amount	181,000	181,000	181,000	181,000	181,000	181,000
Justification (obligatory)	Excess due to existing agreements combined with 1% salary increase	Excess due to existing agreements combined with payment of one-off bonus equal to one month's salary	Excess due to existing agreements	Excess due to continuation of existing agreements upon the transfer of Stedin Operations B.V. to Stedin Netbeheer B.V.	Excess due to existing agreements	Excess due to existing agreements
Data for 2016						
Postions in 2016	Line director	Staff director	Staff director	Staff director	Line manager	Staff manager
Start and end dates of duties in 2016	1/1 – 31/12	1/1 – 31/12	1/1 – 31/12	1/1 – 31/12	1/1 – 31/12	1/1 – 31/12
Scope of appointment (in FTEs)	1	1	1	1	1	1
Remuneration plus taxable expense allowances	164,182	160,452	167,973	158,990	169,391	171,721
Remuneration payable in future	14,880	15,152	14,903	15,589	15,106	15,426
Total remuneration 2016	**179,062**	**175,604**	**182,876**	**174,579***	**184,497**	**186,147**

Table: Details of remuneration of non-senior executives employed by Stedin Netbeheer B.V. above the maximum remuneration for 2017

* Remuneration period 1/9/2016 – 31/12/2016 on annual basis, excluding payment of variable remuneration in calendar year concerned.

8. Cost of sales and contracted work

x € 1 million	2017	2016
Cost of sales	159	141
Contracted work	117	103
Total	**276**	**244**

The cost of sales and contracted work increased by € 32 million compared with the 2016 financial year. The total cost of sales and contracted work amounted to € 276 million as at 31 December 2017.

The purchase costs rose by € 18 million, of which € 8 million is attributable to the purchase costs of DNWG in the last six months of 2017. The increased purchase costs were also due to higher electricity prices, as a result of which the purchase costs relating to network losses increased by € 1 million compared with the preceding year. The purchase costs of transmission capacity increased by € 9 million, mainly due to higher rates of TenneT. Prices are expected to continue to increase in 2018.

The costs of contracted work increased by € 14 million compared with the preceding year. This was mainly due to the recognition of the costs of contracted work of DNWG.

9. Other operating expenses

x € 1 million	2017	2016
Sufferance tax and concessions	80	70
IT costs	44	22
Lease expenses	23	25
Accommodation costs	17	17
Provisions	7	5
Other expenses	42	74
Total	**213**	**213**

Despite the acquisition of DNWG, other operating expenses were unchanged compared with 2016.

The costs for sufferance tax and concessions increased by € 10 million, of which half related to DNWG and half arose from additional tax assessments from some municipalities for prior years.

The other expenses decreased by € 32 million. Following the unbundling, these costs were specified in more detail and a major portion was presented as 'IT costs'.

10. Capitalised own production

Hours worked by own staff and directly attributed to own investment projects are deducted from operating expenses as capitalised production.

Capitalised hours increased by € 20 million compared with the preceding financial year, to € 135 million. Around half of this increase was due to higher investment volumes in 2017. In addition, this increase was caused by the acquisition of DNWG (€ 9 million).

Hours worked by external staff attributed to own investment projects are deducted from employee benefit expenses (external staff), see note 7 'Employee benefit expense'.

11. Depreciation, amortisation and impairment of non-current assets

2017 x € 1 million	Land and buildings, machinery and equipment	Networks	Other	Total
Depreciation and amortisation	8	241	9	258
Divestments	-	11	4	15
Total 2017	**8**	**252**	**13**	**273**

2016 x € 1 million	Land and buildings, machinery and equipment	Networks	Other	Total
Depreciation and amortisation	6	229	8	243
Divestments	-	11	-	11
Total 2016	**6**	**240**	**8**	**254**

Depreciation and amortisation relate to property, plant and equipment and intangible assets, and increased by € 19 million compared with the preceding year. Within the total increase, € 14 million was attributable to the depreciation and amortisation charges of DNWG and to higher regular depreciation resulting from an increase in property, plant and equipment.

12. Financial income and expenses

x € 1 million	2017	2016
Interest income	1	2
Interest expense	-80	-77
Total	**-79**	**-75**

The financial expenses in 2017 amounted to € 80 million (2016: € 77 million). The financial expenses relate mainly to the interest expense for external financing.

13. Income tax

Income tax on the result from continuing operations is as follows:

x € 1 million	2017	2016
Current tax expense and tax income	29	33
Movements in deferred taxes	1	-1
Income taxes	**30**	**32**

The current tax income and expense on the result from continuingoperations is as follows:

x € 1 million	2017	2016
Profit before income tax	**119**	**137**
Participation exemption	2	-
Non-tax deductible expenses	4	1
Depreciation at non-statutory rates	-6	4
Adjustment prior years' results	-	-6
Taxable profit	**119**	**136**
Carry forward of losses	-	-
Taxable amount	**119**	**136**
Nominal tax rate	25.0%	25.0%
Current tax expense	**29**	**33**

The effective tax burden expressed as a percentage of the profit before income tax from continuing operations is as follows:

	2017	2016
Nominal tax rate	**25.0%**	**25.0%**
Effect of:		
- Participation exemption	0.4%	0.0%
- Non tax-deductible expenses	0.8%	0.2%
- Tax-exempt result	-1.3%	-0.1%
- Tax incentives (Energy Investment Allowance)	0.0%	-1.4%
- Other	0.0%	0.8%
Effective tax rate	**24.9%**	**24.5%**

14. Discontinued operations and assets and liabilities held for sale

On 31 January 2017, the integrated company Eneco Holding N.V. was unbundled into Eneco Group and Stedin Group. During an Extraordinary General Meeting on 30 January 2017, the shareholders resolved to distribute the shares of Eneco Groep N.V. as a dividend in kind to the shareholders on 31 January 2017. Ahead of this resolution, the shares of N.V. Eneco Beheer were contributed to Eneco Groep N.V.

Stedin Groep sold CityTec B.V. on 31 March 2017. CityTec provides public lighting and traffic control and parking equipment services.

The table below provides a breakdown of results after income tax from discontinued operations:

x € 1 million	2017	2016
Revenues from energy transmission and energy-related operations	363	2,818
Purchases of energy, transmission and energy-related operations	245	2,457
Depreciation, amortisation and impairment of non-current assets	20	252
Profit before income tax	**98**	**109**
Income tax	-17	-15
Result of revaluation to fair value	254	-
Profit after income tax from discontinued operations	**335**	**94**
Profit attributable to shareholders of Stedin Holding N.V.		
From discontinued operations	335	94
From continuing operations	77	93
Total attributable to shareholders of Stedin Holding N.V.	**412**	**187**
Total comprehensive income attributable to shareholders of Stedin Holding N.V.		
From discontinued operations	293	-5
From continuing operations	160	64
Total attributable to shareholders of Stedin Holding N.V.	**453**	**59**

Before Eneco Groep N.V. was unbundled, the energy company was revalued at fair value in January 2017. The total fair value of the energy company was € 3.1 billion and was distributed to the shareholders as dividend. This represented an upward revaluation totalling € 272 million. Additionally, an amount of € 28 million is included in the profit before income tax from discontinued operations relating to the release of the cash flow hedge reserve, bringing the total of the adjustment of the participating interest Eneco Groep N.V. to € 300 million. The fair value at the time when the dividend was made available was equal to the fair value on distributing the dividend.

A writedown of € 18 million (2016: nil) was included in the revaluation of CityTec B.V. to fair value in 2017. Limited amounts of respectively € 13 million, € 14 million and nil were recorded for CityTec in revenue, expenses and income tax (2016: € 52 million, € 50 million and a tax expense of € 2 million). The cash flows from operating activities of CityTec amounted to € 2 million negative (2016: € 3 million negative), the cash flows from investment and financing activities were nil (2016: € 4 million positive and nil respectively).

x € 1 million	2017	2016
Cash flow from operating activities	11	156
Cash flow from investing activities	-450	-144
Cash flow from financing activities	-6	184
Cash flows from discontinued operations	**-445**	**196**

Assets and liabilities held for distribution to shareholders

The (consolidated) balance sheet of the Energy company to be distributed to shareholders can be summarised as follows:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Assets		
Property, plant and equipment	-	2,499
Intangible assets	-	282
Long-term derivative financial instruments	-	90
Other non-current assets	-	141
Trade receivables	-	496
Short-term derivative financial instruments	-	155
Other receivables	-	162
Other current assets	-	66
Cash and cash equivalents	-	343
Total assets	**-**	**4,234**
Liabilities		
Provisions	-	79
Deferred tax liabilities	-	187
Long-term derivative financial instruments	-	56
Non-current interest-bearing debt	-	388
Non-current other debt	-	111
Short-term derivative financial instruments	-	129
Current provisions, trade payables and other (interest-bearing) debt	-	946
Total liabilities	**-**	**1,896**

Assets and liabilities held for sale

The assets and liabilities held for sale relate to the disposed grid area Weert and can be broken down as follows:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Assets		
Buildings	-	4
Assets for disposal	-	60
Total assets	**-**	**64**
Liabilities		
Liabilities for disposal	-	5
Total	**-**	**5**

In July 2017, the assets and liabilities held for sale were sold for € 59 million, while the result from this transaction was nil (rounded).

15. Property, plant and equipment

x € 1 million	Land and buildings	Machinery and equipment	Regulated networks*	Other operating assets	Assets under construction	Total
Historical cost at 1 January 2016	**114**	**3,621**	**7,566**	**163**	**209**	**11,673**
Investments	-	36	400	6	83	**525**
Acquisitions	-	40	-	-	4	**44**
Disposals	-	-27	-47	-21	-1	**-96**
Fair value adjustment for regulated networks	-	-	-50	-	-	**-50**
Reclassification from / to assets held for sale	-1	-46	408	-	3	**364**
Reclassification to assets held for distribution to shareholders	-84	-3,704	-	-42	-98	**-3,928**
Reclassification other	2	239	-	16	-185	**72**
Translation differences	-	-50	-	-	-13	**-63**
Historical cost at 1 January 2017	**31**	**109**	**8,277**	**122**	**2**	**8,541**
Investments	1	8	476	1	4	**490**
Acquisitions	7	4	609	-	1	**621**
Disposals	-2	-14	-51	-76	-1	**-144**
Fair value adjustment for regulated networks	-	-	192	-	-	**192**
Reclassification from / to assets held for sale	-	-	-3	-	-	**-3**
Reclassification other	-	-3	-1	1	-2	**-5**
Historcial cost at 31 December 2017	**37**	**104**	**9,499**	**48**	**4**	**9,692**
Accumulated depreciation and impairment at 1 January 2016	**29**	**1,196**	**2,835**	**99**	**27**	**4,186**
Annual depreciation and impairment	4	216	229	12	-	**461**
Disposals	-	-23	-38	-15	-	**-76**
Fair value adjustment for regulated networks	-	-	-17	-	-	**-17**
Reclassification from / to assets held for sale	-18	-1,364	-	-24	-23	**-1,429**
Reclassification to assets held for distribution to shareholders	-1	-36	170	-	-	**133**
Reclassification other	1	56	13	16	-	**86**
Translation differences	-	-4	-	-	-4	**-8**
Accumulated depreciation and impairment at 31 December 2016	**15**	**41**	**3,192**	**88**	**-**	**3,336**
Annual depreciation and impairment	2	6	241	5	-	**254**
Disposals	-2	-10	-41	-57	-	**-110**
Fair value adjustment for regulated networks	-	-	78	-	-	**78**
Reclassification other	-	-1	1	-	-	**-**
Accumulated depreciation and impairment at 31 December 2017	**15**	**36**	**3,471**	**36**	**-**	**3,558**
Book value at 31 December 2016	**16**	**68**	**5,085**	**34**	**2**	**5,205**
Book value at 31 December 2017	**22**	**68**	**6,028**	**12**	**4**	**6,134**

* Regulated grids also comprises assets under construction.

The net book value of property, plant and equipment increased by € 929 million compared with the preceding year. Of the book value of this amount, € 621 million is attributable to the acquisition of DNWG. Stedin Group's investments amounted to € 490 million and related mainly to the regulated gas and electricity grids and to the large-scale offer and installation of smart meters. The divestments related to asset retirements (especially the machinery and equipment in the regulated domain).

Regulated grids also comprises assets under construction. An amount of € 3 million in interest was capitalised on the assets under construction, applying an interest rate of 3.8% (2016: € 6 million, at 4.8%).

Reassessment of the useful life of commercial metering systems resulted in a change of accounting estimate to a new useful life of 10 years (2016: between 15 and 20 years), which entailed higher depreciation of around € 4 million. This change of accounting estimate was recognised with effect from 1 January 2017.

In the financial year, Stedin Group established that the method of calculating the fair value of the regulated networks can be improved by aligning it more closely with the expected compensation method of the regulator (Authority for Consumers and Markets). Stedin Group accounted for the improvement in the calculation method in 2017 as a change of accounting estimate.

This change of accounting estimate results in a € 114 million increase in the book value of the regulated grids. The change of depreciation and amortisation and release from the revaluation reserve will reoccur annually until the networks are revalued, which will take place in 2021 at the latest.

With effect from 2017, the expected future rates are related to Stedin Group's market share and expected limits for possible rate components are included in the calculation method. An important valuation parameter that will be used with effect from the same year is the indexed standardised asset value of the grids. Previously the standardised asset value was used, which meant, in particular, that the market shares of the various grid operators were not factored into the valuation. In combination with the permitted yield, the indexed standardised asset value is de basis for the cost of capital for the grids. Stedin Group carried out this revaluation independently on 1 January 2017 without engaging an external valuation expert. The fair value as at the valuation date was € 5.2 billion.

Stedin Group also evaluated the fair value of the regulated grids and found, different from last year, that the data for the valuation calculations for regulated grids belongs to 'level 3' of the fair value hierarchy as laid down in IFRS 13 'Fair Value Measurement'. This conclusion is based on the fact that within the context of regulation, the ACM data do not count as an active market; hence, they do not qualify as listed basic data for the valuation of the grids. In this situation, there is no transfer of the assets from a different fair value level to level 3.

The main data used to measure fair value are:

Parameters for measuring fair value of regulated networks	
Valuation method (ACM)	Income approach derived from indexed value of regulated assets
Cash flow horizon for networks in years	Remaining term of regulated networks
WACC (ACM) applied in percent	4.04%
Date of change of WACC (ACM)	2021
Market share of Stedin Group in the Netherlands (ACM) in %	Electricity transmission 24% and gas transport 26%

The fair value of the grids will be reassessed in 2021, when the new regulation information from the ACM will be available for Stedin Group. Stedin Group will recognise an impairment if indicated in the test (see note 16 'Intangible assets'). Based on the evaluation process described above, Stedin Group concluded that an alternative calculation would not provide additional information.

The revaluations are incorporated consistently in the purchase cost and accumulated depreciation and impairments of the Regulated Grids category. Amounts have been included in the statement of movements in property, plant and equipment.

As at 31 December 2017, the book value of Regulated Grids at historical cost was € 5,036 million (31 December 2016: € 4,149 million).

16. Intangible assets

The movements in intangible assets in 2017 were as follows:

x € 1 million	Goodwill	Customer databases	Licences and software	Concessions, permits and rights	Development costs	Total
Historical cost as at 1 January 2016	**161**	**199**	**88**	**84**	**4**	**536**
Investments	-	-	4	1	2	**7**
Disposals	-	-	-2	-1	-2	**-5**
Translation differences	-1	-	-	-2	-	**-3**
Reclassification from / to assets held for sale	-	-	1	-	-	**1**
Reclassification to assets held for distribution to shareholders	-160	-199	-83	-73	-4	**-519**
Reclassification other	-	-	11	-	-	**11**
Historical cost as at 31 December 2016	**-**	**-**	**19**	**9**	**-**	**28**
Investments	-	-	3	1	-	**4**
Acquisitions	83	-	10	-	-	**93**
Reclassification other	-	-	-5	-	-	**-5**
Historical cost as at 31 December 2017	**83**	**-**	**27**	**10**	**-**	**120**
Accumulated amortisation and impairments as at 1 January 2016	**-**	**123**	**71**	**26**	**1**	**221**
Annual amortisation and impairment	-	20	9	4	1	**34**
Disposals	-	-	-3	-1	-1	**-5**
Reclassification to assets held for distribution to shareholders	-	-143	-66	-27	-1	**-237**
Reclassification other	-	-	5	-	-	**5**
Accumulated amortisation and impairments as at 31 December 2016	**-**	**-**	**16**	**2**	**-**	**18**
Annual amortisation and impairment	-	-	3	1	-	**4**
Reclassification other	-	-	-5	-	-	**-5**
Accumulated amortisation and impairments as at 31 December 2017	**-**	**-**	**14**	**3**	**-**	**17**
Book value as at 31 December 2016	**-**	**-**	**3**	**7**	**-**	**10**
Book value as at 31 December 2017	**83**	**-**	**13**	**7**	**-**	**103**

Goodwill

The goodwill relates to the acquisition of DNWG in 2017 and largely comprises the difference between cost and fair value of the net assets at the date of acquisition. This goodwill is not deductible for tax purposes. Deferred taxation has been recognised for the revaluation of non-current assets to fair value.

The valuation of the assets and liabilities obtained from DNWG through the acquisition has not yet been completed for all components and will be finalised at a later stage. When the value of the acquired assets and liabilities has been finalised, Stedin Group expects that the goodwill will be allocated to the cash-generating units that are part of or identical to the operating segments Stedin and DNWG. Stedin Group expects that both segments will derive synergy benefits from the acquisition. The amount of the provisional goodwill not allocated to cash-generating units is € 83 million. For further details, see note 3 'Business combinations'.

An analysis of any indications of impairments of property, plant and equipment and intangible assets has revealed that there are no indications of any such impairments. Hence, no impairment analysis has been carried out.

17. Associates and joint ventures

x € 1 million	2017	2016
Book value as at 1 January 2017	**-**	**61**
Investments	-	2
Acquisitions	4	-
Share in profit after income tax	-	5
Dividends received	-	-8
Reclassification to assets held for distribution to shareholders	-	-60
Book value as at 31 December 2017	**4**	**-**

Through the acquisition of DNWG, Stedin Group acquired a 33.3% interest in Zebra Gasnetwerk B.V. (below: Zebra). Zebra is grid operator of the main transport pipeline for high-calorific gas from Zelzate to Moerdijk. Zebra is classified as an associate.

18. Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows.

x € 1 million	Assets as at 31 December 2017	Assets as at 31 December 2016	Liabilities as at 31 December 2017	Liabilities as at 31 December 2016
Property, plant and equipment	-	-	276	226
Intangible assets	-	-	-1	-1
Cash flow hedges	-	-	-21	-20
Provisions	-	-	-2	-2
Interest-bearing debt	-	-	4	4
Total	**-**	**-**	**256**	**207**

Deferred tax assets and liabilities relate mainly to property, plant and equipment and cash flow hedges recognised through equity.

Movements in deferred taxes during 2017 are as follows:

x € 1 million	Net balance as at 1 January 2017	Recognised in profit or loss	Recognised in other comprehensive income	Obtained via acquisitions of businesses*	Net balance as at 31 December 2017	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	226	-1	31	20	276	-	276
Intangible assets	-1	-	-	-	-1	-1	-
Cash flow hedges	-20	-	-1	-	-21	-21	-
Provisions	-2	-	-	-	-2	-2	-
Interest-bearing debt**	4	-	-	-	4	-	4
Deferred income tax liabilities (assets) for netting	**207**	**-1**	**30**	**20**	**256**	**-24**	**280**
Netting off						24	-24
Total						**-**	**256**

* This relates to the acquisition of DNWG.
** This deferred tax item was not transferred as a result of the unbundling.

The deferred tax liability relating to property, plant and equipment arose from the accelerated depreciation in the first year of depreciation, the revaluation of the grids in 2017 and the acquisition of DNWG in 2017. The acquisition of DNWG, however, relates to a deferred tax asset. The major portion of the deferred tax on property, plant and equipment relates to the difference between the book value and tax bases in the valuation of the networks.

Movements in deferred taxes during 2016 are as follows:

x € 1 million	Net balance as at 1 January 2016	Recognised in profit or loss of continuing operations	Recognised in profit or loss of discontinued operations	Recognised in other comprehensive income	Reclassification	Net balance as at 31 December 2016	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	413	-1	-9	-13	-164	226	-	226
Intangible assets	15	-	-1	-	-15	-1	-1	-
Cash flow hedges	8	-	-	-16	-12	-20	-20	-
Carry-over losses	-24	-	1	-	23	-	-	-
Foreign pre-incorporation losses to be	20	-	-2	-	-18	-	-	-
Provisions	-6	-	-	-	4	-2	-2	-
Interest-bearing debt	-	-	-	4	-	4	-	4
Deferred income tax liabilities (assets) for netting	**426**	**-1**	**-11**	**-25**	**-182**	**207**	**-23**	**230**
Netting off							23	-23
Total							**-**	**207**

Expiration periods for deductible temporary differences as at 31 December 2017 are as follows:

Category	Period
Property, plant and equipment	1 - 50 yrs
Intangible assets	1 - 25 yrs
Cash flow hedges	1 - 30 yrs
Carry-over losses	1 - 10 yrs
Provisions	1 - 10 yrs

19. Derivative financial instruments

Fair value of derivative financial instruments:

x € 1 million	Assets as at 31 December 2017	Liabilities as at 31 December 2017	Assets as at 31 December 2016	Liabilities as at 31 December 2016
Currency swaps and forward contracts	9	71	42	47
Total	**9**	**71**	**42**	**47**

All derivative financial instruments have been assigned to a hedging relationship and value changes of these instruments are recognised directly through equity and presented in the cash flow hedge reserve. The derivative financial instruments have a long-term nature. The derivative financial instruments are classified as fair value level 2 (2016: fair value level 2).

Stedin Group uses the currency swaps and forward contracts in line with the interest rate risk policy to mitigate the impact on net financial expense due to interest rate fluctuations.

The summary of movements in the cash flow hedge reserve is included in note 23 'Equity'. The cash flow hedge instruments are derivative financial instruments that are subject to net settlement between parties.

Periods in which the cash flows from the cash flow hedges are expected to be realised:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Expected cash flow		
Within 1 year	-4	-6
1 to 5 years	-15	-17
After 5 years	-17	-101
Total	**-36**	**-124**

The total cash flow hedges recognised in profit or loss in the future are recognised in the cash flow hedge reserve after deduction of taxes. Periods in which the cash flows from the cash flow hedges are expected to be realised:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Expected recognition through the income statement after income tax		
Within 1 year	-4	-
1 to 5 years	-29	-7
After 5 years	-32	-56
Total	**-65**	**-63**

20. Inventories

Inventories increased by € 9 million compared with the preceding financial year. An obsolescence allowance of € 4 million has been deducted from the value of inventories.

An amount of € 4 million of the increase in the value of inventories is attributable to the acquisition of DNWG. The disposal of CityTec resulted in a € 3 million decrease in inventories. The main factor in the increase was a € 9 million increase in inventories of smart meters. Inventories of other materials rose in line with the increase in Stedin Group's operating activities.

The obsolescence allowance related mainly to inventories of smart meters (€ 3 million).

21. Trade and other receivables

Trade and other receivables includes mainly amounts receivable from customers for the provision of transmission services. The other receivables relate mainly to transmission revenue not yet invoiced.

Trade and other receivables were as follows (2016 figures adjusted for comparative purposes):

x € 1 million	As at 31 December 2017	As at 31 December 2016
Trade receivables	132	81
Accruals	18	13
Other receivables	31	29
Total	**181**	**123**

Trade receivables increased by € 51 million compared with the preceding year. This increase was partly due to the acquisition of DNWG (€ 10 million), while the sale of CityTec resulted in a decrease (€ 5 million). In addition, the debtor Eneco Consumenten B.V. is qualified as an external debtor at 31 December 2017, resulting in a € 37 million increase.

The comparative figures for 2016 have been adjusted for presentation purposes, see note 2.4 'Changes in presentation'.

Breakdown of trade receivables:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Trade receivables	143	93
Impairments	-11	-12
Total	**132**	**81**

Aging analysis of the outstanding trade receivables:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Before maturity date	105	57
After maturity date		
- up to 3 months	20	17
- 3 to 6 months	3	4
- 6 to 12 months	4	5
- more than 12 months	11	10
Face value	**143**	**93**
Less: impairments	-11	-12
Total	**132**	**81**

Aging analysis of the bad debts provision:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Before maturity date	1	1
After maturity date		
- up to 3 months	-	1
- 3 to 6 months	1	2
- 6 to 12 months	2	2
- more than 12 months	7	6
Total	**11**	**12**

The table below presents the movements in the bad debts provision in detail:

x € 1 million	2017	2016
As at 1 January	**12**	**90**
Additions through income statement	2	12
Withdrawals	-3	-24
Reclassification to assets held for distribution to shareholders	-	-66
Face value	**11**	**12**

22. Cash and cash equivalents

At 31 December 2017 cash and cash equivalents comprised bank balances of € 43 million and short-term cash loans of € 30 million (2016: € 77 million, short-term cash loans nil). Cash and cash equivalents are held mainly in euros. Cash and cash equivalents that are not freely available to Stedin Group amounted to € 0.3 million (2016: € 1 million) at year-end.

23. Group equity

Share capital

Stedin Holding N.V.'s authorised share capital is € 2 billion, divided into 20 million shares with a nominal value of € 100 each. At 31 December 2017, 4,970,978 shares had been issued and fully paid. There were no changes in 2017. Stedin Holding N.V. has only issued ordinary shares.

Share premium

Stedin Holding N.V. was incorporated in 2000. At that time the Shareholders acquired the shares in N.V. Eneco by contributing their interests in N.V. Eneco to Stedin Holding N.V. Insofar as the value of that interest exceeded the nominal value of the shares that excess value was taken to share premium. The share premium reserve can be considered as paid-up share capital.

The share premium reserve was used for unbundling the energy company Eneco in the form of a repayment in kind to the shareholders.

Revaluation reserve

The revaluation reserve relates to the measurement of networks and network-related assets at fair value. The difference between depreciation based on the revalued book value and depreciation based on the original historical cost, less deferred tax, was transferred from the revaluation reserve to retained earnings. The revaluation reserve is not freely at the disposal of the shareholders. The revaluation reserve amounted to € 744 million at year-end 2017 (2016: € 702 million).

Translation reserve

Stedin Group has no foreign group companies using foreign currencies and so it has not been necessary to use this reserve since the unbundling. The release of € 6 million from discontinued operations to profit or loss results from the distribution of the energy company to the shareholders on 31 January 2017. The translation reserve is not freely at the disposal of the shareholders.

Cash flow hedge reserve

The cash flow hedge reserve recognises gains and losses in the fair value of the effective portion of derivative financial instruments designated as cash flow hedges for which the hedge transaction has not yet been settled. Consequently, Stedin Group meets the conditions for cash flow hedge accounting. The hedge instruments are interest rate and currency contracts. The cash flow hedge reserve is not freely at the disposal of the shareholders.

x € 1 million	Energy commodities	Interest rate swap contracts	Currency swap contracts	Total
As at 1 January 2016	**96**	**-4**	**-73**	**19**
Newly defined cash flow hedges in the financial year	-	-6	1	-5
Movement in fair value of cash flow hedges	-46	1	13	-32
Deferred income tax liabilities	18	2	-4	16
Ineffective part of the cash flow hedges	6	-	-	6
Discontinued cash flow hedges	-34	-	-	-34
As at 31 December 2016	**40**	**-7**	**-63**	**-30**
Newly defined cash flow hedges in the financial year	-	-1	-1	-2
Movement in fair value of cash flow hedges	-	-	-2	-2
Deferred income tax liabilities	-	-	1	1
Recycling terminated cash flow hedges of Eneco	-40	8	-	-32
As at 31 December 2017	**-**	**-**	**-65**	**-65**

The settlement of the cash flow and translation reserves of the energy company is accounted for under discontinued operations.

Other reserves

The other reserves are statutory reserves pursuant to Title 9 Book 2 of the Dutch Civil Code and comprise the reserve for undistributed profits from participating interests and a R&D costs reserve. These reserves were related to the energy company.

Retained earnings and undistributed profit

There were several transactions relating to the unbundling in January 2017 that, along with the results and movements in reserves for the first half of 2017, affected the amount and composition of the retained earnings and undistributed profit items as at 31 December 2017.

Before the shares of Eneco Groep N.V. were distributed as dividend in kind, the activities were revalued to fair value. This resulted in an upward revaluation to a total fair value of € 3.1 billion. The distribution of Eneco Groep N.V. to the shareholders consisted € 2,696 million from retained earnings and € 381 million from the share premium reserve (see note 14 'Discontinued operations and assets and liabilities held for sale').

Perpetual subordinated bond loan

On 1 December 2014, Stedin Holding N.V. issued a perpetual subordinated bond loan ('Perpetual Fixed Rate Reset Securities') with a total nominal amount of € 500 million at an annual coupon interest of 3.25% and an issue price of 99.232%. This resulted in net proceeds of € 496 million. Directly attributable costs of € 3 million were deducted from these proceeds, resulting in an addition of € 493 million to the group equity in 2014. The bonds are listed on the Euro MTF Market of the Luxembourg stock exchange. On 31 December 2017, the market value was € 501 million.

The perpetual subordinated bond loan is regarded as equity and is subordinated to all of Stedin Group's creditors but has certain preferences over the shareholders in the event of the company being wound up. Stedin Holding N.V. has no contractual obligation to redeem the loan. Any payment of current or deferred coupon interest is conditional and dependent on distributions to shareholders. Consequently, the bondholders cannot force Stedin Holding N.V. to pay the coupon interest or to redeem all or part of the loan.

24. Provisions for employee benefits

x € 1 million	Long-service benefits	Other	Total
As at 1 January 2016	**34**	**8**	**42**
Additions	-	8	8
Withdrawals	-3	-6	-9
Release	-10	-2	-12
Reclassification to liabilities for distribution to shareholders	-5	-8	-13
Reclassification	-	4	4
As at 31 December 2016	**16**	**4**	**20**
Additions	2	3	5
Acquisitions	3	-	3
Reclassification to liabilities held for sale	-1	-	-1
Withdrawals	-1	-3	-4
As at 31 December 2017	**19**	**4**	**23**

Classification (x € 1 million)	As at 31 December 2017	As at 31 December 2016
Current	2	2
Non-current	21	18
Total	**23**	**20**

The amount of € 3 million included in acquisitions under long-service benefits relates to the acquisition of DNWG. The reclassification to liabilities held for sale relates to CityTec (€ 1 million). The increase in the provisions for employee benefits is due to an increase in the number of employees and a reduction of the discount rate.

Long-service benefits

This provision covers the obligation to pay amounts on achieving a certain number of years of employment and on the retirement of employees.

The following actuarial assumptions were used for the provisions:

	As at 31 December 2017	As at 31 December 2016
Discount rate at reporting date	1.1%	1.4%
Future salary increments	1.0% - 1.9%	1.0% - 1.9%
Mortality table	GBM & GBV 2010-2015	GBM & GBV 2009-2014

Expenses from the provisions for employee benefits are made over the long term. The provisions are remeasured annually using current employee information and properly reflect the expected cash flows.

25. Other provisions

x € 1 million	Restructuring	Other	Total
As at 31 December 2016	**1**	**12**	**13**
Acquisitions	-	12	12
Additions	-	5	5
Withdrawals	-	-3	-3
Release	-1	-2	-3
Reclassification to liabilities held for sale	-	-1	-1
As at 31 December 2017	**-**	**23**	**23**

Classification (x € 1 million)	As at 31 December 2017	As at 31 December 2016
Current	1	-
Non-current	22	13
Total	**23**	**13**

The other provisions amount to € 23 million (2016: € 13 million) they comprise several provisions of different kinds and are mainly of a long-term nature.

The position includes a provision for legal proceedings and claims and for obligations entered into on behalf of Stichting Zeeuwse Publieke Belangen. The expected period in which an outflow of resources from these provisions will occur exceeds 1 year. The provisions were discounted in a range of 0.6% to 2.5% in 2017 (2016: 0.6% - 2.3%).

26. Interest-bearing debt

Classification (x € 1 million)	As at 31 December 2017	As at 31 December 2016
Current	79	250
Non-current	2,674	1,394
Total	**2,753**	**1,644**

Movements in interest-bearing debt:

x € 1 million	2017	2016
As at 1 January	**1,644**	**1,843**
Non-current interest-bearing debt newly issued	1,042	216
Current interest-bearing debt newly issued	1,115	124
Repayments of non-current interest-bearing debt	-210	-63
Repayments of current interest-bearing debt	-1,140	-75
Foreign currency exchange differences	-53	16
Discontinued operations	-	-415
Newly acquired loan from N.V. Eneco Beheer concerning the unbundling	200	-
Newly acquired loans from business combinations	150	-
Other movements	5	-2
As at 31 December 2017	**2,753**	**1,644**

The maturity of the interest-bearing debts are presented below:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Within 1 year	79	250
1 to 2 years	597	94
2 to 3 years	150	461
3 to 4 years	77	84
4 to 5 years	527	93
5 years	1,323	662
Total	**2,753**	**1,644**

All interest-bearing debt as at 31 December 2017 were contracted by Stedin Holding N.V. No collateral has been provided for the interest-bearing debt.

Given the capital-intensive nature of the company, it is important to be able to have access to various financing markets and to be able to create a balanced financing mix. The existing non-current interest-bearing debt can be classified into three categories on the basis of where the funds were borrowed: the US private placement market, the European listed bond market and the private loan market. Approximately one third of the total non-current interest-bearing debt was borrowed in each category at year-end 2017.

The US private placement loans are denominated, next to euros also in US dollars for an amount of € 194 million (2016: € 220 million) and pound sterling to an amount of € 84 million (2016: € 88 million).

Borrowings of € 2,413 million are fixed rate (fair value risk). The other borrowings bear a variable interest rate which follow the development in market rates (cash flow/interest rate risk). Repayment obligations for the first year after the reporting date are recognised under current liabilities.

The credit facilities are disclosed in note 33.3 'Liquidity risk'.

The table below shows the average interest rate for Stedin Group and the fair value of the loans:

	2017	2016
Average interest rate	3.5%	4.4%

x € 1 million	Book value as at 31 December 2017	Fair value as at 31 December 2017	Book value as at 31 December 2016	Fair value as at 31 December 2016
Bond loans	798	802	-	-
Other loans	1,955	2,177	1,644	1,911
Total	**2,753**	**2,979**	**1,644**	**1,911**

The fair value of the bond loans was determined on the basis of the year-end closing rate. This value was measured in accordance with fair value level 1. The fair value of the other loans was determined using the present value method ('income approach'). This was based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by fair value level 2.

The average interest rate in 2017 was calculated as the weighted average monthly interest expense directly related to the interest-bearing debt, excluding other financial expense.

The following significant transactions took place in 2017 in connection with financing.

- In January 2017, a financing agreement was arranged between Stedin Holding N.V. (Eneco Holding N.V. until 1 February 2017) and N.V. Eneco Beheer (lender) for loans at arms length totalling € 200 million (interest rate 0%). Stedin Holding N.V. will repay these loans in two tranches (in 2018 and 2020);

- In March 2017, € 200 million of loans were repaid and € 240 million of new long-term loans were drawn. Of that total of € 240 million, € 40 million matures in seven years (2024) and the remainder totalling € 200 million matures in ten years (2027);

- A bridging loan of € 450 million was entered into in connection with the acquisition of DNWG in June 2017. This bridge loan was refinanced in October 2017 by, among other things, two bond loans totalling € 800 million (a five-year loan of € 300 million at a three-month Euribor + 27 basis points interest rate, with a minimum interest rate of 0%, and an eight-year bond of € 500 million at an interest rate of 0.875%).

The loans are subject to various financial covenants. The most important of these are set out below:

- A gearing ratio (net debt / total equity) lower than 70%;
- An interest coverage ratio higher than 3.

Stedin Holding N.V. complied with the conditions stated above during 2017.

27. Deferred income

x € 1 million	2017	2016
Book value as at 1 January	403	398
Acquisitions	71	-
Customer construction contributions received	94	85
Reclassification from liabilities held for sale	-	6
Relassification to liabilities held for distiribution to shareholders	-	-74
Amortisation taken to income statement	-14	-12
Book value as at 31 December	**554**	**403**

Classification

Current	16	11
Non-current	538	392
Total	**554**	**403**

Deferred income relates to customer construction contributions received toward investments in property, plant and equipment. They are amortised over the expected useful life of the related items of property, plant and equipment. The amortisation is recognised under other income in the income statement.

28. Trade and other liabilities

x € 1 million	As at 31 December 2017	As at 31 December 2016
Trade liabilities	73	72
Accrued and other liabilities	189	156
VAT	31	31
Pension contributions	3	3
Total	**296**	**262**

Classification	As at 31 December 2017	As at 31 December 2016
Current	294	259
Non-current	2	3
Total	**296**	**262**

Trade and other liabilities increased by € 24 million compared with 2016. The increase is due to the sufferance taxes payable and the acquisition of DNWG. The comparative figures for 2016 have been adjusted for presentation purposes, see note 2.4 'Changes in presentation'. The grid loss reserve amounts € 10 million (2016: € 13 million) and is accounted for under 'Other liabilities and deferred income'.

29. Current tax assets and liabilities

Current tax assets and liabilities are as follows:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Corporate income tax	-	6
Total current tax assets	**-**	**6**

x € 1 million	As at 31 December 2017	As at 31 December 2016
Corporate income tax	8	-
Total current tax liabilities	**8**	**-**

30. Contingent assets and liabilities

Contingent assets and liabilities other than guarantees are measured at present value. Present value is calculated using a discount rate that reflects current market assessments of the time value of money.

Leases in which Stedin Group is the lessee

Stedin Group has entered into operating leases for IT facilities and the vehicle fleet. There are also rental agreements for land and a number of business premises. The risks and rewards incidentalto ownership of the assets concerned have not, or not substantially all, been transferred to Stedin Group. The costs of operating leases are linearly recognised in profit or loss over the term of the lease. Costs of € 26 million have been recognised in this respect in 2017 (2016: € 55 million, of which € 25 million related to continuing operations).

The total lease obligations amount to € 126 million (2016: € 383 million, of which € 128 million relates to continuing operations). The minimum obligations under these agreements fall due as follows:

x € 1 million	At 31 December 2017	At 31 December 2016
Within 1 year	26	23
Within 1 to 5 years	53	64
After 5 years	47	41
Total	**126**	**128**

Leases in which Stedin Group is the lessor

Stedin Group leases assets to third parties while the assets concerned remain the property of Stedin Group. The risks and rewards incidental to ownership of the assets have not, or not substantially all, been transferred to the lessee. The lease of these assets covers making them available to users, including the maintenance. The assets are recognised by Stedin Group in property, plant and equipment. Revenues from operating leases are recognised in operating income in the income statement. The operating leases mainly comprise leases of transformers. Revenue taken through profit or loss in 2017 totalled € 6 million (2016: € 28 million, of which € 5 million related to continuing operations).

Amounts receivable under the leases in future years are as follows:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Within 1 year	6	5
1 to 5 years	19	21
After 5 years	33	26
Total	**58**	**52**

Energy purchase commitments

Stedin Group has energy purchase commitments to offset administrative and technical grid losses. Based on the rates applicable in 2017, the obligation amounts to € 97 million (2016: to €6.5 billion, of which € 95 million related to continuing operations and the remainder to the energy company) and relates to the period 2018 to the end of 2021.

Investment obligations

At 31 December 2017, Stedin Group had entered into investment obligations with a total amount of € 96 million (2016: € 0.4 billion, of which € 0.2 billion related to continuing operations). These investment obligations relate mainly to investments in smart meters. The investment obligations have been entered until 2020.

Other obligations

In addition, Stedin Group entered into contractual obligations for an amount of € 9 million (2016: € 0.5 billion, of which € 13 million related to continuing operations). These are mainly contractual obligations for maintenance.

Guarantees

Stedin Group has issued group and bank guarantees to third parties of € 60 million (2016: to € 0.4 billion, of which € 0.2 billion related to continuing operations). Of that total Stedin Holding N.V. issued, € 54 million of guarantees, which can be spit in € 48 million 'parent company guarantees' and € 6 million bank guarantees. The remaining guarantee has been issued by a subsidiary.

Stedin Group has taken out directors' and officers' liability insurance for the members of the Supervisory Board, the members of the Board of Management, the directors and other executives within Stedin Group. To the extent possible, the directors are indemnified by Stedin Group, subject to specific conditions, against costs in connection with civil law, criminal law or administrative law proceedings in which they could be involved because of their position.

Legal proceedings

Stedin Group is involved either as plaintiff or defendant in various legal and regulatory claims and proceedings related to its operations. The amounts claimed in some of these proceedings may be significant to the consolidated financial statements. Liabilities and contingencies in connection with these claims and proceedings are assessed periodically based on the latest information available. A liability is only recognised if an adverse outcome is considered to be probable and the amount of the loss can be reasonably estimated.

In a prior reporting period, Stedin received a limited number of claims from customers with private networks, for repayment of connection and transmission charges. These claims are connected to the judgement of the Trade and Industry Appeals Tribunal that 'net-to-net' connections at identical voltage levels did not qualify as connection due to the legal definition of 'connection' up to 1 January 2014. This is known as the Dobbestroom issue. In Stedin's judgement, it is still not 'probable' that these claims will lead to an adverse outcome and therefore no provision has been recognised.

Fiscal unity

Stedin Holding N.V. forms a fiscal unity for corporate income tax purposes with all its consolidated participating interests as included in note 37 'List of subsidiaries'. This also includes the acquired companies of DNWG from the date of transfer of the shares. The companies, including Stedin Holding N.V., that are part of a fiscal unity are jointly and severally liable for the tax obligations of that fiscal unity.

There is also a fiscal unity for VAT purposes that includes Stedin Holding N.V. all its consolidated participating interests as included in note 37 'List of subsidiaries'. Only companies, including Stedin Holding N.V., that are part of a fiscal unity are jointly and severally liable for the tax obligations of that fiscal unity.

Cash pool

Under its participation in the Stedin Group cash pool, Stedin Holding N.V., like the other participants, is jointly and severally liable for deficits in Stedin Group's cash pool.

Claim on the municipality of Rotterdam concerning 'Verlegregeling bij de Leidingverordening Rotterdam'

On 18 July 2017, the Amsterdam court of appeals ruled in Stedin Group favour on the application of the re-routing regulation *(Verlegregeling) in the Regulations for cables and pipelines for Rotterdam (Leidingverordening Rotterdam).* In outline, the ruling means that the costs of re-routing cables or pipelines of the network are paid by the party responsible for the integral costs, in this case the Municipality of Rotterdam (referred to below as: Rotterdam). On the basis of this judgement, Stedin is entitled to payment of the costs it incurred for re-routing cables or pipelines for Rotterdam. In Stedin Group's opinion, the total claim under this regulation amounts to around € 20 million, of which over € 8 million in statutory interest. The claim relates to the settlement for the years 2006 up to and including 2011.

31. Related party transactions

Associates, joint ventures and the company’s Management and Supervisory Board members are considered to be related parties of Stedin Group.

Transaction with related parties took place on terms of business normally prevailing with independent third parties. Receivables and liabilities are not covered by collateral and are paid by bank.

Receivables outstanding from associates concern loans granted for an amount of € 10 million (2016: € 6 million) and are mainly of a long-term nature. In March 2017, € 5 million of loans were granted and € 1 million of repayments received. The newly granted loans a have a term of five years, at interest rates varying from 0.4% to 1%.

Note 7 'Employee benefit expenses' provides details of the remuneration of members of the Management and Supervisory Boards. There is no other relationship between the members of the Management and Supervisory Boards and Stedin Group except that of customer and supplier on normal arm's length terms and conditions.

Effective 1 February 2017, N.V. Eneco Beheer is no longer a subsidiary of Stedin Holding N.V. On 31 January 2017, Stedin Group received funds from N.V. Eneco Beheer in the amount of € 200 million; for details see note 26 'Interest-bearing debt'. In addition, on 31 December 2017 the regular receivable includes € 37 million from Eneco Consumenten B.V. (part of Eneco Groep N.V.) for the transmission services of retail customers.

Stedin Group applies the exemption from disclosures on related party transactions with government-related entities (IAS 24). The Municipality of Rotterdam has significant influence. There is no relationship other than the shareholder relationship, except that of customer and supplier on normal arm's length terms and conditions. See note 30 'Contingent assets and liabilities', section 'Receivable from the municipality of Rotterdam concerning *Verlegregeling* bij de *Leidingverordening Rotterdam*'.

32. Auditor's fees

The fees below concern auditor's fees and advisory services provided by Stedin Group's external auditor: Deloitte Accountants B.V., as defined in Section 1.1 of the 'Audit Firms (Supervision) Act (*Wet toezicht accountantsorganisaties*, Wta), and the entities associated with the Deloitte network.

x € 1.000	2017	2016
Audit of the financial statements	811	1,523
Other audit engagements	457	2,203
Other non-audit services	113	44
Total	**1,381**	**3,770**

The fee for the audit of the financial statements of Stedin Holding N.V. includes the work for the consolidated and the company financial statements.

The other audit engagements concern audits concerning the statutory financial statements of subsidiaries and related engagements.

Other non-audit services concern services permitted under the Wta and (partly) charged by entities associated with the Deloite network. Since 24 October 2017, Stedin Holding N.V. is qualified as a public interest entity (PIE). This means that, since that date, it is not permitted to have a statutory audit of its financial statements performed by an audit firm or a component of that firm's network that also provides or has provided services to Stedin Holding N.V. or its affiliated entities other than audit services during the period in which independence is required. Since that time, the auditor's engagement only covers audit engagements.

33. Financial risk management

The following financial risks can be identified in connection with the ordinary business operations: market risk, credit risk and liquidity risk. Market risk is the exposure to changes in value of current or future cash flows and financial instruments due to changes in market prices. Stedin is mainly exposed to currency and interest rate risks. Credit risk can be defined as the potential loss if a counterparty or its guarantor cannot or will not meet its contractual obligations. Liquidity risk arises when the company will be unable to meet its payment obligations.

The policy is designed to minimise the negative consequences of unforeseen circumstances on financial results. Based on this objective certain procedures and guidelines have been implemented to mitigate these risks. The policy is also derived and alilgned with the strategic objectives and are evaluated at least once a year and, if required, adjusted.

The Board of Management is responsible for risk management. In this context, it sets out procedures and guidelines and ensures compliance. The authorisations to commit Stedin Group is specified in the Governance & Authority Structure. Mandates have also been drawn up for all business units to manage the above risks, for instance for purchasing.

The Board of Management and operational management regularly review the results, key figures, the principal risks (or concentration of certain risks) and the measures to manage them. Scenarios are applied in the long-term financial plan. Operational and staff management reports to the Board of Management by means of an In Control Statement twice a year.

The internal Investment Risk Committee is in charge of the formulation and application of the risk policy and advises the Board of Management accordingly. The Supervisory Board exercises supervision over the course of business and risk management by conducting reviews and discussions of strategic plans, budgets, key performance indicators, forecasts and results.

This section has been written from Stedin Group's perspective following the unbundling from the commercial energy company at the end of January 2017. Certain risks and procedures have changed since the unbundling . For information about the risks and procedures that applied before the unbundling, reference is made to the 2016 financial statements of Eneco Holding N.V.

Capital management

Stedin Group regards both capital (including the perpetual subordinated bond loan issued in 2014) and net debt as relevant components of its financing structure and therefore of its capital management.

The primary aim of capital management at Stedin Group is to maintain good creditworthiness and healthy solvency to support operations and optimise the cost of debt. Stedin Group can influence its capital structure by altering its leverage ratio. Net interest-bearing debt (excluding discontinued operations) is defined as non-current and current interest-bearing debt less cash and cash equivalents.

The aims, policy and processes for capital management were adapted in 2017 to the specific Stedin Group situation and a new Stedin Group financing strategy was formulated.

Stedin Group monitors its capital using the financing strategy. This strategy prioritises managing for ratios that are relevant to the credit rating and for compliance with financial covenants incorporated in certain loan documents. The main ratio is 'cash flow from operations/net interest-bearing debt'. In this context, the perpetual subordinated bond loan issued in 2014 is classified by Standard & Poor's as an instrument with a 50% equity and 50% debt component. IFRS treats the perpetual subordinated bond loan entirely as equity.

33.1. Market risk

Stedin Group has identified the following potential market risks:

- Foreign currency risk: exposure to changes in value of financial instruments arising from changes in exchange rates.
- Interest rate risk: the exposure to changes in value in financial instruments arising from changes in market interest rates.
- Commodity price risk: the exposure to changes in value in financial instruments arising from changes in commodity prices; this relates mainly to purchasing for network losses.

Foreign currency risk

Foreign currency risk within Stedin Group relates mainly to purchasing, cash and cash equivalents and borrowings denominated in currencies other than the euro. The foreign currency risks are risks in respect of future cash flows in foreign currencies, and in respect of balance sheet positions in foreign currencies. The Treasury department is responsible for managing Stedin Group's foreign currency risk. Companies included in the consolidation are not permitted to maintain positions in foreign currencies without the Treasury department's approval. Based upon the aggregate foreign currency position and the associated limit set for open positions, the Treasury department determines whether hedging is desirable and the strategy to be followed.

To meet Stedin Group's financing requirements in 2009 loans were contracted with in non-euro currencies: US dollars, Japanese yen and pounds sterling (GBP). At 31 December 2017, the foreign currency risk arising from these transactions are fully hedged using cross-currency swap contracts. These hedges have fully mitigated the sensitivity to foreign currency exchange fluctuations of loans in the income statement.

In January 2017, the foreign currency risk related to the GBP-loans was linked to a net investment hedge in which the GBP loans (£ 75 million) were allocated as hedge for the translation differences of net investments in activities of Eneco Group in the UK. This hedging relationship was broken due to the unbundling from Eneco Group on 31 January 2017, resulting in a foreign currency risk on the GBP loans. In accordance with Stedin Group's risk policy, the GBP loans were hedged entering into cross currency swap contracts to create a new hedge relationship.

Interest rate risk

Interest rate risk is the exposure to changes in value in financial instruments arising from changes in market interest rates. The Treasury department manages interest rate risk. The interest rate risk policy aims to mitigate the net financing costs caused by fluctuations in market interest rates, whereby a specified range is documented in the policy regarding the proportions of loans at fixed and variable interest rates. Stedin Group can use derivative financial instruments such as interest rate swap contracts to achieve the desired risk profile. If all other variables remain constant, it is estimated that a general increase of 1 percentage point in Euribor (for a period of twelve months) would lead to a decrease in profit before tax of € 3.4 million (at 31 December 2016: € 0.1 million).

Commodity price risk

Stedin Group is faced with this type of risk mainly in connection with purchasing for network losses. Stedin Group is exposed to the effect of market fluctuations in prices of various energy commodities, such as electricity and green certificates.

33.2. Credit risk

The maximum credit risk is equal to the book value of the financial assets, including derivative financial instruments. Stedin Group's credit risk towards financial institutions mainly concerns cash and cash equivalents and interest and currency hedging transactions. The control principles for this risk are laid down in the Treasury Charter, as adopted by the Board of Management.

Debtor risk

Debtor risk is the risk that a debtor fails to pay a receivable. The risk can be sub classified into mainly large-volume consumers and retail consumers (regulated). The debtor risk for large-volume consumers is low as most receivables are of limited size and the concentration of risk is limited as there are a great number of debtors.

Since the introduction of the suppliers model, the credit risk relating to retail consumers is borne by the energy suppliers, where the concentration risk has consequently grown. A range of risk-mitigating measures have been implemented for this, including periodic monitoring and reporting of the risk profile of the energy suppliers.

Policy is also designed not to provide customers with any credit going beyond normal supplier credit as set out in the applicable conditions of supply.

Measures in place to limit debtor risk are:

- an active debt collection policy;
- credit limits or bank guarantees for business customers;
- recourse to debt collection agencies and different collection methods for current and former customers.

The amount of a receivable is determined pursuant to a set procedure. The determination depends on the time that the receivable has remained outstanding and the probability that it will not be paid in full. There are also individual reviews for business customers (see note 21 'Trade and other receivables' for an age analysis of debt receivables).

If a party fails to meet its obligations, a decision can be taken to disconnect it from both the electricity and the gas network.

33.3. Liquidity risk

Liquidity risk is the risk that Stedin Group is unable to obtain the required financial resources to meet its obligations in a timely manner . In that connection, Stedin Group regularly assesses expected cash flows of a period of several years. These cash flows include operating cash flows, dividends, interest payable and debt redemption, replacement investments and the consequences of changes in Stedin Group's creditworthiness. The aim is to have sufficient funds at all times to meet liquidity requirements. Great importance is attached to managing all the above risks to prevent Stedin Group from finding itself in a position in which it cannot meet its financial obligations. In addition, liquidity needs are planned on the basis of long, medium and short-term cash flow forecasts. The cash flow forecasts incorporate operating and investing cash flows, dividends, interest payable and debt repayments. The Treasury department compares this capital requirement against available funds.

Financing policy

The financing policy aims to the develop and maintain an optimal financing structure taking into account the current asset base, agreements and principles regarding regulation and the investment programme. The criteria for the financing policy are access to the capital market and flexibility at acceptable financing terms and costs. Financing is contracted centrally and apportioned internally. Subsidiaries are financed by a combination of equity and intercompany loans.

At the end of 2017, Stedin Group contracted a committed credit facility (Revolving Credit Facility) of € 600 million (until July 2024) from six Dutch banks. This facility can be used for general operational purposes, the financing of working capital or debt refinancing. Stedin Group also has a € 750 million Euro Commercial Paper programme under which € 25 million had been issued at 31 December 2017 (2016: € 365 million) and a € 2 billion Euro Medium Term Note programme under which € 800 million had been issued at 31 December 2017 (2016: € 0 million).

Liquidity risk arising from potential margin calls relating to foreign currency and interest rate management transactions is closely monitored. There are also procedures to ensure that appropriate thresholds and provisions are included in ISDAs and CSAs (Credit Support Annex). As in 2016, Stedin Group did not receive any margin calls in 2017.

Cash outflows

The table below shows forecast nominal cash outflows and any interest arising from financial instruments over the coming years. The cash flows from derivatives are based on the forecast of net cash outflows (also see note 26 'Interest-bearing debt' for the relevant terms).

As at 31 December 2017 x € 1 million	**Within 1 year**	**1 to 5 years**	**After 5 years**	**Total**
Interest-bearing debt	148	1,535	1,592	3,275
Derivative financial instruments	4	15	17	36
Trade and other liabilities	294	2	-	296
Total	**446**	**1,552**	**1,609**	**3,607**

As at 31 December 2016 x € 1 million	Within 1 year	1 to 5 years	After 5 years	Total
Interest-bearing debt	327	840	979	2,146
Derivative financial instruments	6	17	101	124
Trade and other liabilities	219	3	-	222
Total	**552**	**860**	**1,080**	**2,492**

Trade and other liabilities includes liabilities relating to deferred revenue, for which the comparative figures have been adjusted.

34. 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. This rating consists of a long-term rating with outlook and a short-term rating. The outlook reflects the expected change in the long-term rating in coming years.

The most recent rating awarded by Standard & Poor's in September 2017 is A- with a stable outlook for the long term and A-2 for the short term.

Contact took place with Standard & Poor's on several occasions in the past year. The main topics discussed were the unbundling, the DNWG acquisition and, during the annual review in September, the recent financial performance and forecasts of Stedin Group. On that basis, Standard & Poor's reassessed Stedin Group's creditworthiness and reconfirmed the existing rating and outlook.

For the most recent rating reports, see our website: http://www.stedingroep.nl/investor-relations

35. Subsequent events

On 29 January 2018, the € 200 million financing agreement between Stedin Holding N.V. (until 1 February 2017 Eneco Holding N.V.) and N.V. Eneco Beheer (as lender) was sold to Rabobank by the lender. This has no effect on the financial statements of Stedin Group.

36. Notes to the consolidated cash flow statement

The consolidated cash flow statement has been prepared using the indirect method. To reconcile the movement in cash and cash equivalents, the result after tax is adjusted for items in the income statement and movements in the balance sheet that did not affect receipts and payments during the financial year 2017.

The cash flow statement distinguishes between cash flows from operating, investing and financing activities. Cash flow from operating activities includes interest and income tax payments and interest and dividend receipts. Development costs, investments in and disposals of non-current assets (including financial interests) are included in cash flow from investing activities. Dividends paid out are recognised as outgoing cash flow from financing activities.

The consolidated cash flow statement includes the cash flows for continuing operations and for discontinued operations.

Cash flow from operating activities

The cash flows in 2017 include the cash flows from assets and liabilities held for distribution to shareholders and assets and liabilities held for sale and are recognised in 'Movements in provisions, derivative financial instruments and other' in accordance with the classification of these items in 2016. 'Movements in provisions, derivative financial instruments and other' also includes regular items of this category which relate to the regular activities of Stedin Group. Cash and cash equivalents of Eneco Group were € 343 million at 1 January 2016 and € 443 million at 31 January 2017. These cash and cash equivalents are recognised in 'Disposal of subsidiaries' under 'Cash flow from investing activities'.

Movements in working capital

Working capital consists of inventories and current receivables less trade and other liabilities. The table below shows movements in working capital recognised in the cash flow from operating activities:

x € 1 million	As at 31 December 2017	As at 31 December 2016
Movements in inventories	-11	13
Movements in trade and other receivables	-56	-11
Movements in trade and other liabilities	12	-123
Total	**-55**	**-121**

The movement in working capital consists of movements in the balance sheet (€ 26 million), the acquisition of DNWG (€ 20 million) and the sale of CityTec and Weert (€ 9 million).

37. List of subsidiaries

	%	City
Consolidated participating interest		
Stedin Netbeheer B.V.*	100.00	Rotterdam
Stedin Operations B.V.*	100.00	Rotterdam
Stedin Netten B.V.*	100.00	Rotterdam
N.V. Stedin Netten Noord-Holland*	100.00	Rotterdam
N.V. Stedin Noord-Oost Friesland*	100.00	Rotterdam
DNWG Groep N.V.*	100.00	Goes
DNWG Infra B.V.*	100.00	Goes
DNWG Warmte B.V.*	100.00	Goes
DNWG Staff B.V.*	100.00	Goes
Enduris B.V.*	100.00	Goes
Joulz Energy Solutions B.V.*	100.00	Rotterdam
Joulz Diensten B.V.	100.00	Rotterdam
Joulz Infradiensten B.V.	100.00	Rotterdam
Joulz Meetbedrijf B.V.*	100.00	Rotterdam
Joulz Stoomnetwerken B.V.	100.00	Rotterdam
Stedin Groep Personeels B.V.*	100.00	Rotterdam
Joint arrangements		
Utility Connect B.V.	40.72	Vianen
Tensz B.V.	50.00	Rotterdam
TeslaN B.V.	50.00	Goes
Infra Netwerkgroep Omexom VOF	50.00	Dordrecht
Associates		
Energie Data Services Nederland B.V.	21.16	Amersfoort
Zebra Gasnetwerk B.V.	33.33	Bergen op Zoom

Stedin Holding N.V. has issued a declaration of joint and severally liability (403 declaration) for the subsidiaries marked with an * .

Effective 1 April 2018, Stedin Netbeheer B.V. and Stedin Operations B.V. will merge, the financial effect of which will be recognised as from 1 January 2018.

Company income statement

x € 1 million	Note	2017	2016
Total net revenue and other income		**-**	**-**
Cost of sales, contracted work and operational expenses		-1	-
Depreciation, amortisation and impairment of non-current assets		-1	-2
Total operating expenses		**-2**	**-2**
Operating loss		**-2**	**-2**
Financial income and expenses	43	-33	-55
Loss before income tax		**-35**	**-57**
Profit of participating interests	40	204	246
Profit of participating interests transferred and sold	40	254	-
		423	**189**
Income tax		1	10
Profit after income tax		**424**	**199**
Profit distribution:			
Profit after income tax attributable to holders of Stedin Holding N.V. perpetual subordinated bonds		12	12
Profit after income tax attributable to shareholders of Stedin Holding N.V.		412	187
Profit after income tax		**424**	**199**

Company balance sheet

Before profit appropriation

x € 1 million	Note	As at 31 December 2017	As at 31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment		11	12
Intangible assets	39	83	-
Financial assets	40	5,087	7,559
Total non-current assets		**5,181**	**7,571**
Current assets			
Receivables from group companies	41	279	329
Current tax assets		-	13
Accruals and other receivables		1	2
Cash and cash equivalents		34	1
Total current assets		**314**	**345**
TOTAL ASSETS		**5,495**	**7,916**
LIABILITIES			
Equity			
Share capital	23	497	497
Share premium		-	381
Revaluation reserve	23	744	702
Translation reserve		-	6
Cash flow hedge reserve	23	-65	-30
Undistributed profits of participating interests reserve		-	34
R&D costs reserve		-	4
Retained earnings	23	494	3,025
Undistributed profit for the year	23	412	187
Equity attributable to Stedin Holding N.V. shareholders		**2,082**	**4,806**
Perpetual subordinated bond loan	23	501	501
Total equity		**2,583**	**5,307**
Non-current liabilities			
Provisions		4	4
Deferred tax liabilities		30	24
Interest-bearing debt	26	2,674	1,394
Derivative financial instruments	19	71	47
Total non-current liabilities		**2,779**	**1,469**
Current liabilities			
Interest-bearing debt	26	79	276
Liabilities to group companies	41	3	844
Current tax liabilities		8	-
Other liabilities	42	43	20
Total current liabilities		**133**	**1,140**
TOTAL EQUITY AND LIABILITIES		**5,495**	**7,916**

Notes to the company financial statements

38. Accounting principles for financial reporting

The company financial statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Dutch Civil Code, and the same accounting policies have been applied as in the consolidated financial statements as permitted by Section 362(8), Part 9, Book 2 of the Dutch Civil Code. The descriptions of the activities and structure of the company as stated in the 'Notes to the consolidated financial statements' also apply to the company financial statements.

The company financial statements of Stedin Holding N.V. consists of the company income statement and the company balance sheet. The euro is the functional currency. All amounts are in millions of euros unless stated otherwise.

Participating interests in group companies

Participating interests in group companies over whose commercial and financial policies significant influence is exercised are stated at net asset value, but not for an amount lower than nil. If the net asset value is negative, the participating interest is stated at nil. In this context, other long-term interests are taken into account which in effect must be qualified as part of the net investment in the participating interest. Where the company provides security for all or part of the debts of the participating interest concerned, or is in effect under an obligation (in proportion to its share) to enable the participating interest to pay its debts, a provision will be created. The amount of this reserve is determined with due regard for any bad debt provisions already deducted from the receivables concerned. A statutory reserve is formed for reserves of participating interests that are subject to restrictions on distributions.

Revaluation reserve

The legal entity maintains a revaluation reserve with respect to:

- increases in the value of assets, other than financial instruments, directly recognised in equity;
- increases in the value of assets where changes in value taken to profit and loss and for which no regular market prices exist;
- and changes in the fair value of derivatives stated and which are subject to cash flow hedge accounting.

Deferred tax liabilities are deducted from the revaluation reserve in the event of differences between valuation for book accounting and for tax reporting purposes. The realised part of the revaluation reserve is taken to the other reserves.

For the other accounting policies relating to equity, see note 2.2.23 'Perpetual subordinated bond loan' to the consolidated financial statements.

39. Intangible assets

Intangible assets relates to the goodwill arising on the acquisition of DNWG. For more details, see note 16 to the consolidated financial statements, 'Intangible assets'.

40. Financial assets

x € 1 million	Subsidiaries	Receivables from subsidiaries	Other receivables	Derivative financial instruments	Total
Book value as at 1 January 2016	**6,474**	**2,105**	**3**	**40**	**8,622**
Result of subsidiaries	246	-	-	-	**246**
Adjustments for fair value of regulated grids	-40	-	-	-	**-40**
Investments	40	-	-	-	**40**
Dividend received	-300	-	-	-	**-300**
Movements in loans to subsidiaries	-	-886	-	-	**-886**
Movements in other loans	-	-	-2	-	**-2**
Movements in fair value of financial instruments in equity	-60	-	-	2	**-58**
Translation differences	-14	-49	-	-	**-63**
Book value as at 31 December 2016	**6,346**	**1,170**	**1**	**42**	**7,559**
Result of subsidiaries	204	-	-	-	**204**
Adjustments for fair value of regulated grids	86	-	-	-	**86**
Dividend received	-366	-	-	-	**-366**
Disposals	-2,876	-	-	-	**-2,876**
Acquisitions	372	-	-	-	**372**
Movements in loans to subsidiaries	-	141	-	-	**141**
Movements in fair value of financial instruments in equity	-	-	-	-33	**-33**
Book value as at 31 December 2017	**3,766**	**1,311**	**1**	**9**	**5,087**

Disposals relate to the transfer of shares of Eneco Groep N.V. and the sale of CityTec B.V. The transfer and sale of these business units generated a profit on disposal of € 254 million; for details see note 14 'Discontinued operations and assets and liabilities held for sale' in the consolidated financial statements. This profit on disposal is recognised separately in the company financial statements.

Acquisitions relates to the acquisition of DNWG, see note 3 'Business combinations' to the consolidated financial statements.

In both 2017 and 2016, no depreciation and impairments were applied to the non-current financial assets.

For an overview of all capital interests, see note 37 'List of subsidiaries' of the consolidated financial statements.

41. Receivables from and liabilities to group companies

Receivables from and liabilities to group companies are all short term.

42. Other liabilities

Other liabilities can be specified as follows:

x € 1 million	As at 31 December 2017	As at 31 December 2016
VAT	21	-
Other	22	20
Total other liabilities	**43**	**20**

43. Financial income and expenses

The financial expenses relate mainly to the interest expense for external financing of Stedin Group. The financial expenses amounted to € 82 million, and financial income to € 49 million for 2017. The income concerns interest amounts recharged within the Group.

44. Contingent assets and liabilities

Leases with Stedin Holding N.V. acting as the lessee

Stedin Group has entered into operating leases. In a significant part of the relevant agreements, Stedin Holding N.V. is the legal contracting party. The costs arising from those agreements were not recognised as part of the profit of Stedin Holding N.V., but instead as part of the profit of the underlying subsidiaries (which also use the leased assets). Based on the above, for further details on lease costs and liabilities arising from the leases, Stedin refers to note 30 'Contingent assets and liabilities' in the consolidated financial statements.

Fiscal unity

Stedin Holding N.V. forms a fiscal unity for corporate income tax purposes with all its consolidated participating interests as included in note 37 'List of subsidiaries'. This also includes the acquired companies of DNWG from the date of transfer of the shares. The companies, including Stedin Holding N.V., that are part of a fiscal unity are jointly and severally liable for the tax obligations of that fiscal unity.

There is also a fiscal unity for VAT purposes that includes Stedin Holding N.V. all its consolidated participating interests as included in note 37 'List of subsidiaries' in the consolidated financial statements. Only companies, including Stedin Holding N.V., that are part of a fiscal unity are jointly and severally liable for the tax obligations of that fiscal unity.

Cash pool

Under its participation in the Stedin Group cash pool, Stedin Holding N.V., like the other participants, is jointly and severally liable for deficits in Stedin Group's cash pool.

Guarantees

Stedin Holding N.V. has issued group and bank guarantees to third parties of € 54 million (2016: € 0.4 billion, of which € 0.2 billion related to continuing operations). Of that amount, € 48 million concern 'parent company guarantees' and € 6 million bank guarantees.

Stedin Holding N.V. has taken out directors' and officers' liability insurance for the members of the Supervisory Board, the members of the Board of Management, directors and other executives within Stedin Group. To the extent possible, the directors are indemnified by Stedin Holding N.V., subject to specific conditions, against costs in connection with civil law, criminal law or administrative law proceedings in which they could be involved because of their position.

In addition to the contingent assets and liabilities for Stedin Holding N.V. above, for a comprehensive overview see note 30 'Contingent assets and liabilities' in the consolidated financial statements.

Liabilities statements of group companies

On behalf of the group companies included in the consolidation, Stedin Holding N.V. has issued a declaration of joint and several liability pursuant to Section 403(1) (f), Part 9, Book 2 of the Dutch Civil Code. This is included in the overview in note 37 'List of subsidiaries'. Pursuant to these liability statements, Stedin Holding N.V. is jointly and severally liable for all debts arising from legal acts performed by those group companies.

45. Subsequent events

On 29 January 2018, the € 200 million financing agreement between Stedin Holding N.V. (until 1 February 2017 Eneco Holding N.V.) and N.V. Eneco Beheer (as lender) was sold to Rabobank by the lender. This will not affect the financial statements of Stedin Holding N.V.

46. Profit appropriation

Proposal for appropriation of profit for 2017

A proposal will be put to the General Meeting of Shareholders to resolve to pay a dividend of € 28 million from the profit after income tax attributable to the shareholders of Stedin Holding N.V. This would represent a total dividend for 2017 of € 5.64 per share.

The proposed dividend distribution has not yet been recognised in equity at year-end 2017.

Rotterdam, 22 March 2018

Stedin Holding N.V.

Board of Management	Supervisory Board
Marc van der Linden, CEO (chairman) Gerard Vesseur, CFO Judith Koole, COO David Peters, CTO	Pieter Trienekens (chairman) Tineke Bahlmann Theo Eysink Jules Kortenhorst Dick van Well

Other information

Profit appropriation pursuant to the articles of association

According to the company's articles of association the Board of Management may, with the approval of the Supervisory Board, increase the reserves by an amount equal to, at most, half of the profit available for distribution. The remaining portion is at the disposal of the General Meeting of Shareholders. The General Meeting of Shareholders can decide to distribute all or part of the remaining portion. Undistributed profit is added to the reserves.

The articles of association also state that the General Meeting of Shareholders may decide to make interim distributions with due regard for the provisions of the articles of association. There are no restrictions in the articles of association on the size of interim distributions, only the legal restrictions that apply to public limited liability companies. A decision to distribute an interim dividend from the profit for the current financial year can also be taken by the Board of Management, with the approval of the Supervisory Board.

Independent Auditor's report

To the Shareholders and the Supervisory Board of Stedin Holding N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the accompanying financial statements 2017 of Stedin Holding N.V., based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Stedin Holding N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code and the provisions of and under the Public and Semi-public Sector Senior Officials (Standard Remuneration) Act ("Wet normering topinkomens").
- The accompanying company financial statements give a true and fair view of the financial position of Stedin Holding N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated balance sheet as at 31 December 2017.
2. The following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income, changes in group equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2017.
2. The company income statement for 2017.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Audit Protocol WNT ("het controleprotocol WNT"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

Independence

Stedin Holding N.V. qualifies as a public interest entity ("OOB") as from 24 October 2017. Hence, as of that date a prohibition applies to execute the legally required audit engagement of the financial statements, if the audit firm or another part of its network provides or has provided services other than audit services to Stedin Holding N.V. and its affiliated entities during the period in which independence is required. In the period from 24 to 27 October 2017, Deloitte Belastingadviseurs B.V. answered several questions of Stedin, which qualifies as the provision of non-audit services to Stedin. This service was not permitted under Article 5.1 of the EU Regulation on specific requirements regarding statutory audits of financial statements of public-interest entities, as further implemented in the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act) and the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics of Professional Accountants, a regulation with respect to independence). As soon as this situation was identified the services were terminated and measures have been taken. We discussed the situation with the Supervisory Board and, in addition, we informed the Dutch Authority for the Financial Markets (“AFM”). The Supervisory Board has approved the measures taken and our conclusion that, considering the facts and circumstances, our objectivity, integrity, impartiality and professional critical attitude have not been at stake. As such, the statutory audit of the financial statements can therefore be carried out. We refer to the paragraph "Overlap of services" in the report of the Supervisory Board, where it reports on the situation.

Taking into account the above, we are independent of Stedin Holding N.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act) and the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics of Professional Accountants) and other independence regulations in the Netherlands that are relevant for the audit engagement. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality
Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 16 million. The materiality is based on the result before interest, taxes, depreciation and amortisation. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 0,8 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
Stedin Holding N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Stedin Holding N.V.

Our group audit mainly focused on significant group entities. We have performed audit procedures ourselves at group entities Stedin Holding N.V., Stedin Netbeheer B.V. and Stedin Operations B.V. We have used the work of other Deloitte auditors when auditing the group entity DNWG Groep N.V. (which was called Zeeuwse Netwerkholding N.V. until 23 November 2017). We performed review procedures or specific audit procedures at other entities.

By performing the procedures mentioned above at (group) entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters 2016
On 31 January 2017, the integrated energy company Eneco (previously Eneco Holding N.V.) was split into an energy company (Eneco Group) and a network company (Stedin Group). Consequently, the key audit matters from the 2016 audit related to both the Eneco Group and the Stedin Group.

In the previous year, the unbundling was identified as a key audit matter due to risks of business disruption and the weakening of internal control as well as complex reporting issues for the 2016 financial statements. In 2017, the unbundling was carried out, as disclosed in the 2016 financial statements in note 14. As a result, this topic is no longer recognized as a key audit matter in our audit.

The key audit matters “impairment of (in)tangible fixed assets” and “estimation uncertainty in determining the energy balance” in the 2016 financial statements were mainly related to the energy company (Eneco Group). Therefore, these topics are no longer recognized as a key audit matter in our audit.

For the evaluation in 2017 of the key audit matter regarding the reliability and continuity of automated data processing, we refer to the key audit matters of the 2017 audit.

Key audit matters 2017

Acquisition DNWG Groep N.V.

Description

The disclosure related to this transaction is included in the accounting principles and in disclosure notes 3 and 16.

On 13 June 2017, Stedin Holding N.V. acquired DNWG Group N.V. (which was called Zeeuwse Netwerkholding N.V. until 23 November 2017) from PZEM N.V. The purchase price for the shares amounts to EUR 455 million. Stedin Holding N.V. is supported by external experts in the provisional allocation of the purchase price to individual assets and liabilities.

The determination of the fair value and its provisional allocation to the individual assets, liabilities and goodwill requires significant estimates by the management of Stedin Holding N.V. that are subjective and complex in nature.

The manner in which we audited this key audit matter

As part of our audit procedures, we have reviewed the agreement between PZEM N.V. and Stedin Holding N.V. and other legal documents that form the basis of the transaction. Furthermore, we have taken note of the internal procedures followed with regard to the determination of the fair value. With the assistance of our valuation experts, we have tested the fair value of DNWG Groep N.V. and the provisional valuation of the individual assets and liabilities acquired. As part of this procedure we assessed the most important assumptions. We have assessed the competence and objectivity of the external experts. We have also established that the final settlement with PZEM regarding this transaction has been effectuated. In addition, we tested whether the disclosures (notes 3 and 16) meet the requirements of IFRS 3, are sufficient and provide sufficient insight into the provisional valuation on acquisition date.

Reliability and continuity of automated data processing

Description

The reliability of automated data processing by Stedin Holding N.V. is dependent on the effectiveness of the IT controls. Among others, these controls relate to continuity, access security and change management. Various applications, databases and interfaces are used that are relevant to the primary processes and the preparation of the financial statements.

The manner in which we audited this key audit matter

We have tested the effectiveness of the IT controls to the extent necessary within the scope of our audit of the financial statements. This work was carried out by specialized IT-auditors in the audit team. Our work consisted of evaluating developments in the IT infrastructure and subsequently testing the design, implementation and operating effectiveness of relevant IT controls. As a result of internal control deficiencies identified, additional audit procedures were carried out. The deficiencies were addressed by testing alternative controls or by performing specific substantive procedures.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report of the Board of Management.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Stedin Holding N.V. as of the audit for the year 1997 and have operated as statutory auditor ever since that financial year.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS, Part 9 of Book 2 of the Dutch Civil Code and the provisions of and under the Public and Semi-public Sector Senior Officials (Standard Remuneration) Act ("Wet normering topinkomens"). Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements, independence requirements and the Audit Protocol WNT. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. In this respect we refer to the evaluation of the overlap of services in the report of the Supervisory Board where it reports on the situation.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 22 March 2018

Deloitte Accountants B.V.

Signed on the original: B.C.J. Dielissen

Attachments

Reporting policy

In this integrated 2017 annual report, Stedin Group takes responsibility account on its financial and non-financial performance and the value that the company creates for stakeholders in the long and short term. This report covers the financial year 2017, commencing on 1 January 2017 and ending on 31 December 2017.

Stakeholder selection

By means of this report, we aim to inform a broad target group of stakeholders about our performance. We identify the following groups of stakeholders: customers, shareholders, municipalities/local residents, investors/capital providers, employees, suppliers and environmental organisations/NGOs. This selection is based on our analysis according to which they have the greatest influence on our strategy and business operations and experience the greatest impact from our activities and the choices we make for the future.

Reporting standards

For its non-financial performance, Stedin Group applies the GRI Standards at the 'comprehensive' level and the guidelines of the <IR>framework of the International Integrated Reporting Council. We aim to progress continuously towards structuring our report as an integrated report that meets the requirements of the <IR> framework and the GRI Standards. We will apply progressively more elements in the coming years. This year, we will present a first approach for the value creation model, an overview of the interrelationships between material topics and risks and a materiality matrix.

The consolidated financial statements of Stedin Group have been prepared in conformity with IFRS as applicable at 31 December 2017 and as adopted by the European Union (EU), and the definitions of Part 9 Book 2 of the Dutch Civil Code. IFRS comprises both the IFRS standards and the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the interpretations of IFRS and IAS standards by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) respectively.

Reporting process

The Board of Management is ultimately responsible for the integrated annual report. The Board of Management has delegated its preparation to a steering group. The Reporting project leader is responsible for the composition of the report. The responsibility regarding content is divided between the Strategy, Communication and Finance and Risk departments. The financial and non-financial strategic KPIs are an integral part of the planning and control cycle. The results are discussed in the regular business reviews. A responsible party is designated for each topic on the basis of an accountability index. The Board of Management reviews the final version before it is submitted to the Supervisory Board.

Selection of topics

Content selection is based on the strategy including strategic themes, risks and opportunities and key performance indicators (KPIs) as defined by the Board of Management. The contents of the annual report will be partly determined in the years ahead on the basis of the materiality analysis. We made a modest start on this in this financial year. The topics in the materiality matrix are based on previous annual reports of Stedin Netbeheer B.V. and an analysis of the topics on which other network operators report. We aim to carry out internal and external materiality analyses in 2018 and assess whether any topics are missing. We will then also be able to plot the relative importance that stakeholders attach to topics in the matrix. No external analysis was carried out for the matrix presented in this report.

SDGs

We report on the United Nations' Sustainable Development Goals (SDGs), drawn up to make the world 'a better place' by 2030, that are relevant to us. Stedin Group contributes on a small scale to achieving those goals. We provide insight into this in the sections 'One Planet projects 2018 per impact area' and 'SDGs that impact Stedin (directly or indirectly)', with cross-references to the relevant disclosure in the annual report.

Scope

Stedin Group is a Dutch organisation and it reports on regulated activities in its catchment area and on commercial activities throughout the Netherlands. The financial reporting covers all legal entities of Stedin Group that are within the scope of consolidation.

The scope of the non-financial performance in this financial year is as follows:

	Stedin	DNWG	Joulz
Safety	V	V	V
Employee engagement	V		V
Security of supply	V	V	V
Employee absence	V	V	V
CO_2 emissions	V	V	V
Waste	V	V	
Participation Act	V	V	
Smart meters	V	V	V
Customer satisfaction	V		

Assurance of non-financial information

This financial year we have not filed a request for external assurance regarding the reliability of the non-financial figures. We may do so for the 2018 financial year

GRI Index

In our sustainability reporting we have adopted the GRI standards guidelines.

GRI Std.	GRI indicators	Reference	Disclosure
	Vision and strategy		
102-14	A statement from the executive board about the relevance of sustainability to Stedin and its strategy for addressing sustainability.	About Stedin Group Stedin Group's Strategy: Developments within society and the energy market Results: Sustainable business operations: Commitment to One Planet: Sustainable Development Goals Governance: Risk management	
102-15	Key impacts, risks, and opportunities	Stedin Group's Strategy: Developments within society and the energy market Stedin Group's Strategy: Strategic risks and opportunities of the energy transition	
	Organisational profile | sector		
	General		
102-1	Name of the organisation	About Stedin Group: Our organisation and management	Stedin Holding N.V.
102-2	Primary brands, products and/or services	About Stedin Group: Stedin Group's activities	
102-3	Location of headquarters	About Stedin Group: Stedin Group's activities	Blaak 8, 3011 TA Rotterdam
102-4	Number of countries where the organisation operates (that are relevant to sustainable development)	About Stedin Group: Stedin Group's activities	Stedin Group operates and has its registered office in the Netherlands.
102-5	Nature of ownership and legal form	About Stedin Group: Our organisation and management Governance	
102-6	Major markets served (geographical distribution, sectors and types of customers)	About Stedin Group: Stedin Group's activities	
102-7	Scale of the reporting organisations	About Stedin Group: Key figures and key indicators for 2017	The scale comprises financial figures, operational ratios, employee numbers, safety data, energy supply outages and interruptions.
102-8	Information on total number of employees	About Stedin Group: Key figures and key indicators for 2017 About Stedin Group: Stedin Group's activities	Number of employees of Stedin Group: 4,488
			* Number of employees at Stedin: 3,185
			* Number of employees at Joulz: 648
			* Number of employees at DNWG: 655
			Number of employees at Stedin Group on a full-time contract:
			* Male employees: 3,539
			* Female employees: 396

GRI Std.	GRI indicators	Reference	Disclosure
			Number of employees at Stedin Group on a part-time contract:
			* Male employees: 173
			* Female employees: 380
			Number of employees at Stedin Group on a permanent contract:
			* Male employees: 3,425
			* Female employees: 669
			Number of employees at Stedin Group on a temporary contract:
			* Male employees: 287
			* Female employees: 107
			For further details: see indicator 405-1
102-41	Percentage of employees covered by collective labour agreements	Disclosure column	At year-end 2017, 95.1% of the employees of Stedin Group were covered by a collective labour agreement. Individual job-related contracts were concluded with the other employees.
102-9	The organisation's value and supply chain	About Stedin Group: Stedin Group's activities Stedin Group's Strategy: Mission, vision and strategy Stedin Group's Strategy: Value creation model	
102-10	Significant changes during the reporting period	Disclosure column	The Weert network and the company CityTec were sold in 2017, and DNWG was acquired.
	Commitments to external initiatives		
102-11	Information on application of the precautionary principle	Governance: Risk management	Risk management is applied in strategic, operational and executing processes
102-12	Externally-developed economic, environmental and social charters or principles to which the organisation subscribes	Stedin Group's Strategy: Stakeholders and materiality	ISO 9001; ISO 14001; OHSAS 18001; ISO 22301; ISO 27001; ISO 55001; NTA 8120; VCA**; CKB; BRL; BTR; Safety Awareness Certificate; CO2 Awareness Certificate, level 5; BRL SIKB 7000.
102-13	Membership of associations or advocacy organisations	Stedin Group's Strategy: Stakeholders and materiality	Deltalinqs, Dutch Power, Cobouw Digistaal, Holland Rail, Energia, UCA Users Groups, WENB, NARIM.
	Defining material relevance for stakeholders and reporting principles		
102-45	Operational structure of associates	Financial statements: Notes to the consolidated financial statements	
102-46	Process for determining report content and implementation of GRI principles	Stedin Group's Strategy: Stakeholders and materiality, Value creation model	We have aimed to disclose results at the Stedin Group level wherever possible in this report. Where it was not possible at year-end 2017 following the acquisition of DNWG to present the

GRI Std.	GRI indicators	Reference	Disclosure
			DNWG results, the Stedin result only is reported. To the best of our knowledge, the reported data fairly presents our performance.
102-47	A list of all the material topics identified in the process for defining report content	Stedin Group's Strategy: Stakeholders and materiality	
103-1	Boundary for relevance within the organisation	Disclosure column	The financial information in this annual report has been consolidated for Stedin Holding N.V. and its subsidiaries. The subsidiaries Stedin, Joulz, and DNWG are consolidated in the non-financial information within Stedin Group. Discontinued operations are included for the period in which they were part of the group.
103-1	Boundary for relevance outside the organisation	Stedin Group's Strategy: Stakeholders and materiality	
102-48	The effect of any restatements of information given in previous reports	Financial statements: Notes to the consolidated financial statements: Accounting and valuation policies: 2.3 Judgements, estimates and assumptions	
102-49	Significant changes from previous reporting periods	Financial statements: Notes to the consolidated financial statements: Accounting and valuation policies: 2.4 Change in presentation of the income statement	
	Stakeholder management / Stakeholder engagement		
102-40	A list of stakeholder groups engaged by the organisation	About Stedin Group: Energy through cooperation Attachments: Reporting policy: Stakeholder selection	Employees, customers, market parties, municipalities, politics, energy suppliers, cooperation initiatives, housing associations, supervisors, sector organisations, environmental organisations.
102-42	The basis for identifying and selecting stakeholders	About Stedin Group: Energy through cooperation	
102-43	Approach to and frequency of stakeholder engagement	About Stedin Group: Energy through cooperation	
102-44	Results of stakeholder management	Stedin Group's Strategy: Stakeholders and materiality	
	Report profile		
	General		
102-50	Reporting period	Disclosure column	This report relates to the period 1 January 2017 to 31 December 2017.
102-51	Date of most recent report	Disclosure column	Stedin Holding half-year report 2017.
102-52	Reporting cycle	Disclosure column	Half-yearly and yearly per calendar year.
102-53	Contact point for questions regarding the report or its contents	Disclosure column	Questions in connection with this publication can be addressed to the Communications department via fm_communicatie@stedin.net
	GRI Table		
102-54/55	GRI content index	Disclosure column	In accordance: Comprehensive

GRI Std.	GRI indicators	Reference	Disclosure
			GRI index included as appendix in 2017 Annual Report.
	Assurance		
102-56	Policy with regard to external assurance	Disclosure column	It has been decided not to request an assurance report from our auditor for the non-financial information in this annual report of Stedin Group.
	Governance		
	Governance structure and composition		
102-18	Governance structure of those responsible for decision-making on economic, social and ecological (ESG) impact	Governance Report of the Supervisory Board	
102-19	Process for delegating authority for ESG topics	Governance: Corporate Governance: Governance roles: Board of Management	
102-20	Responsibility for ESG topics at executive level and/or post holders reporting to highest governance body	Governance: Corporate Governance: Governance roles: Board of Management	
102-21	Processes for consultation between stakeholders and the highest governance body on ESG topics	Governance: Corporate Governance: Governance roles:	
102-22	Composition of the highest governance body	Governance: Corporate Governance: Biographical details of members of the Board of Management of Stedin Group	Stedin Group has a two-tier board structure
102-23	Chair of the highest governance body	Governance: Corporate Governance: Biographical details of members of the Board of Management of Stedin Group Governance: Corporate Governance: Biographical details of members of the Supervisory Board	
102-24	Nomination and selection processes for the highest governance body	Report of the Supervisory Board	
102-25	Process for the highest governance body for employees with integrity issues/ whistleblower procedure	Governance: Corporate Governance: Integrity	
	Senior executives and highest governance body		
102-26	Role in the development of mission, vision, strategy, policy and goals related to ESG impact	Stedin Group's Strategy	
	Competencies and performance evaluation		
102-27	Actions taken to enhance knowledge of ESG topics	Disclosure column	Executive Corporate Social Responsibility (CSR) post-doc study (2011/2012: 1 student, 2017/2108: 8 students)
102-28	Evaluating the highest governance body's ESG performance	Disclosure column	The new Stedin Group strategy was launched in February 2018. This also includes new KPIs for ESG performance, which will be reported on in 2018.
	Role in risk management for ESG topics		
102-29	Role in identifying and managing ESG impacts, risks, and opportunities	Governance: Risk management	

GRI Std.	GRI indicators	Reference	Disclosure
102-30	Role in reviewing the effectiveness of risk management processes for ESG topics	Governance: Risk management	
102-31	Frequency of review of ESG impacts, risks and opportunities	Governance: Risk management	
	Role in ESG reporting		
102-32	The highest body that reviews and approves the sustainability report	Disclosure column	The Audit Committee of the Supervisory Board
	Role in evaluating ESG performance		
102-33	Process for communicating critical concerns to the highest governance body	Governance: Corporate Governance: Integrity: Confidential advisers	In 2017, the number of confidential advisers was increased to three.
102-34	Number of critical concerns communicated and procedure for response of highest governance body	Governance: Corporate Governance: Integrity: Confidential advisers	
	Remuneration policies		
102-35	Remuneration policies for the highest governance body	Report of the Supervisory Board: Remuneration report for 2017	
102-36	Process for determining remuneration	Report of the Supervisory Board: Remuneration report for 2017	
102-37	Stakeholders' involvement in remuneration	Report of the Supervisory Board: Remuneration report for 2017	
102-38	Ratio of top salary - median salary	Disclosure column	5.38. The ratio of 5.38 is based on the remuneration of employees working at the business units that were part of Stedin Holding N.V. on 31 December 2017. The Annual Total Compensation was determined for each employee employed in 2017, in accordance with the remuneration as defined for the purposes of the Executive Pay (Standards) Act (WNT). For the purposes of comparability, the remuneration per employee was converted (if applicable) to a full-time employment contract and a full calendar year.
102-39	Ratio of the increase in top salary - average increase	Disclosure column	Reported ratio versus 2017 will follow in 2018
	Ethics and Integrity		
102-16	The organisation's values, principles, standards, and norms of behaviour	Governance: Corporate Governance: Integrity: Code of conduct	
102-17	Procedure for advice about unethical or illegal practices	Governance: Corporate Governance: Integrity: Reporting Facility Governance: Corporate Governance: Integrity: Confidential advisers	
102-17	Procedure for raising concerns about (suspected) unethical or illegal practices | whistleblower procedure	Governance: Corporate Governance: Integrity: External report	House for Whistleblowers
	Indicators per aspect		
	ECONOMIC		
200	**Economic performance**		

GRI Std.	GRI indicators	Reference	Disclosure
201-1	Economic ratios (incl. accruals) 'for the community' in euros	Financial statements	
201-2	Financial implications and other risks and opportunities for Stedin's activities due to climate change	Stedin Group's Strategy Governance: Risk management	
201-3	Coverage of the organisation's defined benefit plan obligations	Financial statements: Notes to the consolidated financial statements: Accounting policies: 2.2.24 Provisions for employee benefits Financial statements: Notes to the consolidated financial statements: Accounting policies: 2.2.25 Other provisions	
	ENVIRONMENTAL		
301	**Materials**		
301-1	Total weight or volume of materials used	Results: Sustainable business operations: Commitment to One Planet	
301-2	Percentage of input materials consisting of waste sourced externally	Results: Sustainable business operations: Commitment to One Planet	
302	**Energy**		
302-1	Energy consumption within the organisation	Results: Sustainable business operations: Commitment to One Planet	Gas consumption of buildings: 695,983 m3
			Vehicle fleet fuel consumption:
			* Petrol 743,640 litres
			* Diesel 3,352338 litres
			* LPG 165 litres
			* Electric 144,382 kWh
			Electricity consumption of buildings: 8,273,227 kWh
302-2	Energy consumption outside of the organisation	Results: Sustainable business operations: Commitment to One Planet	Transmitted/transported volumes:
			* electricity: 21,893 GWh
			* gas: 4,865 million m3
302-4	Reduction of energy consumption	Results: Sustainable business operations: Commitment to One Planet	
302-5	Reductions in energy requirements of products and services	Results: Sustainable business operations: Commitment to One Planet	
305	**Emissions**		
305-1	Direct (Scope 1) GHG emissions by weight	Results: Sustainable business operations: Commitment to One Planet	Gas consumption - grey gas: 695,983 m3
			Gas consumption - emissions: 1,246,777 kg CO2eq
			Leakage loss gas: 2,054,100 m3
			Leakage loss gas - emissions: 30,059,699 kg CO2eq
			BW + PL (petrol): 743,640 ltr
			BW + PL (petrol) - emissions: 1,633,757 kg CO2eq

GRI Std.	GRI indicators	Reference	Disclosure
			BW + PL (diesel): 3,352,338 ltr
			BW + PL (diesel) - emissions: 8,755,051 kg CO2eq
			BW - CNG Grey: 14.391 kg
			BW - CNG Grey - emissions: 30,962 kg CO2eq
			PL - LPG: 165 ltr
			PL - LPG - emissions: 249 kg CO2eq
			PL - Electricity: 144,382 kWh
			PL - Electricity - emissions: 0 kg CO2eq
			Generator units: 628,876 ltr
			Generator units - emissions: 1,650,044 kg CO2eq
305-2	Indirect (Scope 2) GHG emissions by weight	Results: Sustainable business operations: Commitment to One Planet	Electricity consumption - green electricity 7,665,290 kWh
			Electricity consumption - emissions: 0 kg CO2eq
			Electricity consumption - grey electricity DNWG 607,936 kWh
			Electricity consumption - emissions DNWG: 282,083 kg CO2eq
			Network losses electricity: 2,105,142 MWh
			Network losses electricity - emissions: 283,384 kg CO2eq
			District heating: 11 TJ
			District heating - emissions: 263,445 kg CO2eq
305-3	Other indirect (Scope 3) GHG emissions by weight	Results: Sustainable business operations: Commitment to One Planet	Business mileage: 3,488,765 km
			Business mileage - emissions: 610,742 kg CO2eq
			Home-work commuting: 24,540,096 km
			Home-work commuting - emissions: 2,825,192 kg CO2eq
305-5	Reduction of GHG emissions	Results: Sustainable business operations: Commitment to One Planet	
305-6	Emissions of ozone-depleting substances	Disclosure column	Not applicable
305-7	NOx, SOx and other significant air emissions	Results: Sustainable business operations: Commitment to One Planet	
306	**Waste**		
306-2	Total waste by type and disposal method	Results: Sustainable business operations: Commitment to One Planet	Total volume of waste: 8,150,388 kg Waste processing: recycled 80% / non-recycled 20%

GRI Std.	GRI indicators	Reference	Disclosure
306-4	Hazardous waste	Results: Sustainable business operations: Commitment to One Planet	Asbestos: 1,168,984 kg. This is 74% of 'waste processing non-recycled (20%)'
	Fines and sanctions (compliance)		
307-1	Monetary value of fines or sanctions for non-compliance with environmental laws and regulations	Disclosure column	We expect to be able to present this information for 2018.
	Supplier Environmental Assessment		
308-1	Percentage of new suppliers screened using environmental criteria	Disclosure column	Stedin's environmental policy is aimed at minimising emissions and at waste processing, recycling and energy savings. Since 2013, Stedin has shared the code of conduct for suppliers contracted by purchasing. Apart from the code of conduct, no (new) suppliers were assessed using environmental criteria in 2017. In 2018, Stedin Group will include relevant (depending on the nature and service or product to be purchased) environmental criteria in tendering processes. We expect to be able to provide more information in 2018.
	LABOUR PRACTICES		
401	**Employment**		
401-1	Employee turnover	Disclosure column	We expect to be able to present this information for 2018.
403	**Health and safety**		
403-1	Workers' representation with regard to health and safety policies	Results: Sustainable business operations: Safe working conditions	A total of 9,678 workplace inspections were recorded at Stedin Group in 2017.
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by gender and region	Results: Sustainable business operations: Safe working conditions	Absenteeism due to illness: 5.2%
			Recordable Incident Frequency (RIF): 1.29
			Lost Time Injury Frequency (LTIR): 4.88
403-3	Positions with high risk of diseases or accidents related to their occupation	Results: Sustainable business operations: Safe working conditions	We take every possible measure to ensure that the work has no negative impact on health. For instance, we periodically check the health of employees in positions with increased health risks, such as employees who climb up high-voltage pylons or wind turbines or perform other physically demanding work. Periodic health checks are also performed for employees working on-call shifts and emergency repair shifts or who are exposed to potentially harmful substances or noise.
403-4	Health and safety topics covered in formal agreements with trade unions	Results: Sustainable business operations: Safe working conditions	
404	**Training and education**		
404-1	Investments in training per employee per category	Results: Sustainable business operations: Employees	

GRI Std.	GRI indicators	Reference	Disclosure
404-2	Programmes for skills management and lifelong learning that support the continued employability and facilitate career endings	Results: Sustainable business operations: Employees	Training programmes in and outside Stedin in connection with 'lifelong learning'
404-3	Percentage of employees receiving regular performance and career development reviews	Disclosure column	An honest talk and the conclusion on performance': the manager talks with employee about performance, conduct and development, incl. a conclusion on performance.
405	**Diversity and equal opportunity**		
405-1	Diversity of governance bodies and employees	Disclosure column	Number of employees at year-end: 4,488
			Number of FTEs at year-end: 4,365
			Male employees: 83%
			Female employees: 17%
			Younger than 25: 59 (1%)
			Between 25 and 34: 933 (21%)
			Between 35 and 44: 1,000 (22%)
			Between 45 and 54: 1,058 (24%)
			55 and older: 1,438 (32%)
			Number of women in management positions: 58
			Number of men in management positions: 235
		Results: Sustainable business operations: Commitment to One Planet	Employees recruited in accordance with Participation Act:
			target: 12.3
			filled: 8.1
			actual vacancies: 8
			started but left (turnover): 6.4
	Supplier assessment for labour practices		
414-1	Percentage of new suppliers that were screened using 'labour practices' criteria.	Governance: Risk management	Since 2013, new suppliers with whom a contract has been concluded are requested to sign the code of conduct for suppliers as an additional requirement. This expressly includes the topic 'working conditions'. This will be continued in 2018 and we expect to be able to present more information on this topic in 2018.
	HUMAN RIGHTS		
	Discrimination		
406-1	Number of incidents of discrimination and corrective actions taken	Disclosure column	151 integrity notifications were made within Stedin Group (excl DNWG) in 2017. One related to discrimination.
	Freedom of association and collective bargaining		
407-1	Identified significant risks of non-freedom and actions taken	Disclosure column	There is a risk that Stedin Group has no insight at suppliers on the topic of human rights. Since 2013, the code of conduct for suppliers has been shared

GRI Std.	GRI indicators	Reference	Disclosure
			with suppliers contracted by purchasing. The code states that suppliers do their utmost to prevent forced labour or discrimination in working conditions. In 2018, the code of conduct for suppliers will be sent to the suppliers of products or services for all obligations we enter into in accordance with the purchasing policy.
	Child labour		
408-1	Identified significant risks of child labour and actions taken	Disclosure column	There is a risk that Stedin Group has no insight at suppliers on the topic of human rights. Since 2013, the code of conduct for suppliers has been shared with suppliers contracted by purchasing. This states that suppliers do their utmost to prevent child labour in working conditions. In 2018, the code of conduct for suppliers will be sent to the suppliers of products or services for all obligations we enter into in accordance with the purchasing policy.
	Forced or compulsory labour		
409-1	Identified significant risks of forced or compulsory labour and actions taken	Disclosure column	There is a risk that Stedin Group has no insight at suppliers on the topic of human rights. Since 2013, the code of conduct for suppliers has been shared with suppliers contracted by purchasing. This states that suppliers do their utmost to prevent forced labour or discrimination in working conditions. In 2018, the code of conduct for suppliers will be sent to the suppliers of products or services for all obligations we enter into in accordance with the purchasing policy.
	Human rights issues assessment in the supply chain		
412-1	Issue and risk management in the supply chain with regard to human rights	Disclosure column	Stedin Group's policy on human rights is that it does not accept violation of human rights. Since 2013, the code of conduct for suppliers has been shared with suppliers contracted by purchasing. This expressly includes the topic of human rights. This will be continued in 2018 and we expect to be able to present more information on this topic in 2018.
	Supplier human rights assessment		
414-1	Degree of screening of suppliers on human rights issues	Disclosure column	Apart from the code of conduct for suppliers that has been shared since 2013 with the suppliers contracted by purchasing, there have been no further screenings on this topic. We expect to be able to present more information in 2018.
414-2	Negative impacts on human rights resulting from supply chain and actions taken	Disclosure column	If Stedin Group becomes (indirectly) involved with a human rights issue within its supply chain, this may entail reputational damage. Besides entering

GRI Std.	GRI indicators	Reference	Disclosure
			into dialogue with those concerned and possibly launching an investigation, Stedin Group will discontinue the relationship with suppliers in the supply chain until further notice. As far as is known, there were no issues in 2017.
	SOCIETY		
	Local communities		
413-1	Degree of local community engagement in operations	About Stedin Group: Energy through cooperation Results: Facilitating the energy transition: Environment Management	
	Anti-corruption		
205-1	Operations assessed for risks related to corruption	Governance: Corporate Governance: Integrity	Focus and alertness for combating corruption / bribery is covered by Integrity
205-2	Percentage of employees that receive training on anti-corruption policies	Governance: Corporate Governance: Integrity	The Compliance Officer annually holds Integrity Sessions on site, for instance MTs and work meetings. Various articles are published on the Intranet each year in connection with the focus on integrity risks.
205-3	Action in response to incidents of corruption	Disclosure column	We expect to be able to present this information for 2018.
	Public policy | organisation lobbying		
415-1	Financial or in-kind contributions to political parties, persons or institutions	Disclosure column	Stedin has no financial relations with political parties.
	Competition		
206-1	Legal actions against unfair competition, cartels and monopolies	Disclosure column	We expect to be able to present this information for 2018.
	Fines and sanctions (compliance)		
419-1	Monetary value of fines or sanctions for non-compliance with laws and/or regulations in the social and economic area	Disclosure column	We expect to be able to present this information for 2018.
	PRODUCT RESPONSIBILITY		
	Privacy		
418-1	Total number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Governance: Corporate Governance: Integrity Governance: Risk management: Strategic risks and opportunities of Stedin Group	Stedin has set up a Privacy Task force. We expect to be able to present this information for 2018.

Three-year overview

The 2017 amounts under Result, Balance sheet and Cash flow 2017 indicate the position of the grid operator (Stedin Group) as at 31 December 2017, whereas the 2015 and 2016 amounts relate to the integrated energy company Eneco (Eneco Holding N.V.). The split-off energy company is presented separately under assets held for sale.

	Unit	2017	2016	2015
Result				
Net revenue	€ million	1,154	1,087	989
Total net revenue and other income	€ million	1,194	1,108	1,006
Total operating expenses	€ million	996	896	727
EBITDA	€ million	471	466	515
Operating result (EBIT)	€ million	198	212	279
Result after income tax	€ million	424	199	151
Balance sheet				
Property, plant and equipment	€ million	6,134	5,205	7,487
Total assets	€ million	6,551	9,796	9,901
of which assets held for sale / shareholders	*€ million*	-	4,298	-
Equity	€ million	2,583	5,310	5,350
Total interest-bearing debt	€ million	2,753	1,644	1,843
Investments in tangible and intangible assets	€ million	494	532	715
Cash flow				
Cash flow from operating activities	€ million	281	504	689
Cash flow from investing activities	€ million	-1,320	-536	-699
Cash flow from financing activities	€ million	692	88	-229
Creditworthiness				
Long-term rating (S&P)	Rating	A-	A-	A-
Solvency*	%	43.4%	n/a	n/a
FFO/Net debt position**	Ratio	12.2	n/a	n/a
Shares at 31 December				
Number of shares outstanding (x 1,000)	Number	4,971	4,971	4,971
Overig				
Electricity				
Active connections	Number	2,278,394	2,058,858	2,040,205
Cables laid	Km	611	373	452
Gas				
Active connections	Number	2,119,249	1,926,523	1,915,596

	Unit	2017	2016	2015
Pipelines laid	Km	210	150	207
Transported volumes				
Electricity	GWh	21,893	20,270	20,013
Gas	million m3	4,865	4,565	4,436
Other				
Yearly outage for electricity	Minutes	16	17	24
Yearly outage for gas	Seconds	40	52	97
Facilitated supplier switches (x 1,000)	Number	584	590	554

* Equity including profit or loss for the period less the expected dividend distribution for the current financial year divided by balance sheet total, adjusted for the expected dividend distribution amounts received for connections 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.

The comparative figures of the ratios FFO/Net Debt and Solvency are not included given the limited comparability between the grid operator Stedin Holding N.V. in 2017 and Eneco Holding N.V. (including the energy company) in 2016 and 2015.

Glossary

General glossary

This section presents explanations of terms of abbreviations.

ACM

The Netherlands Authority for Consumers and Markets (ACM): an independent public regulator tasked with oversight of competition, telecommunications and consumer protection law.

A-rating

The rating score of a company, or 'rating', is an assessment of its creditworthiness in the form of a 'mark'. Ratings are awarded by specialised agencies.

BEI

Operational Management of Electric Installations (Bedrijfsvoering van Elektrische Installaties). Grid operators demand a BEI certificate whenever mechanics perform work on systems that are part of the power supply and owned or managed by grid operators.

BoM

The board of management. The BoM is the most senior executive body of an organisation. A board of management is responsible for the strategic management of the entity.

CAIDI

Customer Average Interruption Duration Index: the average duration of an unforeseen interruption of electricity supply per customer affected.

CDMA

Code Division Multiple Access is a digital cellular technology for transmitting information across a wireless radio connection using spread spectrum techniques.

COR

Central Works Council A body that consists of members of the works councils of the various business units of Stedin Group.

Corporate governance

Corporate governance concerns relations between the board of management, the supervisory board and the general meeting of shareholders. Good entrepreneurship (ethical and transparent conduct by the board of management) and effective supervision (including reporting on it) are key principles of corporate governance.

CGC

Corporate Governance Code. Good governance of a company protects the interests of shareholders, employees and other stakeholders. Rules of conduct for this are set out in the Corporate Governance Code. Listed companies are required to comply with this code by law.

Commercial or non-regulated activities

The activities of Stedin Group that are subject to competition and are offered on the customer's request.

ETPA

Energy Trading Platform Amsterdam, an independent energy trading platform.

EWF
Energy Web Foundation is a worldwide non-profit organisation that aims to accelerate the use of blockchain technology in the energy sector.

FTE
Full time equivalent. Equivalent of the number of employees in full-time employment.

Free cash flow
Cash flow from operating activities less net investments in property, plant and equipment.

GRI
Global Reporting Initiative. The internationally applied standards for sustainability reporting, in which an organisation reports publicly on its economic, environmental and social performance.

Grid losses
Energy losses in the grid caused by physical grid losses connected with electricity operations, fraud and administrative losses that arise due to the allocation and reconciliation process and the administrative process.

IFRS
International Financial Reporting Standards (IFRS) Set of reporting rules issued by the IASB. Stedin Group complies with these reporting rules, which were drawn up to harmonise financial reporting at an international level.

<IR> Framework
Integrated reporting is an extensive framework for business and investment decisions that are long-term, inclusive and purpose-oriented.

Layered Energy System
Stedin and Energy21 designed the layered energy system. This model offers a solution to a number of current and future problems in the energy system caused by the energy transition.

LTI
Lost Time Injury. An LTI is an event that results in absence from work for more than one working day or shift; for instance, an accident in a workshop. Work carried out by and accidents of third parties are not included.

LTIR
Lost Time Injury Rate. Number of lost time incidents per million hours worked.

Net interest-bearing debt
Total non-current and current interest-bearing liabilities less cash and cash equivalents and investments.

Net investments
Gross investments less customer construction contributions received from third-parties.

NOC
Network Operations Center. Stedin's modernised control centre that monitors Stedin's service area 24/7.

OVV
Dutch Safety Board (Onderzoeksraad Voor Veiligheid) The Dutch Safety Board is an independent administrative authority in the Netherlands that, following calamities, major accidents or other incidents, is able to investigate the causes and consequences of the incident concerned.

PIE
A PIE is a Public Interest Entity. These are organisations that, due to their size or function in social and economic life, affect the interests of comparatively large groups.

Regulated market
The activities of the grid operator that arise from the tasks that are exclusively reserved for the grid operator and for which maximum rates are set by the ACM. These include:

- installing, maintaining, modernising and managing connections to the electricity grid with a rated capacity up to 10 MVA;
- building, maintaining, modernising and managing electricity and gas grids;
- transmitting gas and electricity;
- safeguarding the safety and reliability of the grids in an effective manner;
- promoting safety in using equipment and installations that use electricity and gas;
- facilitating the free market to enable customers to switch to a different energy supplier.

Remuneration report
The remuneration report of the Supervisory Board on the remuneration policy of Stedin Group, as prepared by the Selection, Appointments and Remuneration Committee of the Supervisory Board.

RIF
Recordable Incident Frequency. The number of occupational accidents per 200,000 hours worked.

SAIDI
System Average Interruption Duration Index. The annual duration of interruptions: the average duration for which a customer is not supplied with electricity due to unforeseen interruptions.

SAIFI
System Average Interruption Frequency Index. The interruption frequency: the average number of unforeseen interruptions with which customers are faced on an annual basis.

SB
Supervisory board. The supervisory board in the Netherlands is the supervisory body of public limited liability companies and private limited liability companies.

SDE
Sustainable Energy Generation Incentive is a subsidy provided by the Ministry of Economic Affairs and Climate to promote the development of sustainable energy production in the Netherlands.

SDGs
Sustainable Development Goals. The sustainable development goals are a set of goals for future international development. They have been formulated by the United Nations and are promoted as the global goals for sustainable development.

Smart meter
A smart meter enables the grid operator to read the meter for both electricity and gas from a distance, as well the meter status information. The smart meter can also carry out instructions sent remotely, such as connecting or disconnecting a customer. Communication with the meter takes place via the cable network (Power Line Communication), via GPRS or via the CDMA network.

Solvency
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 customer construction contributions received and free cash and cash equivalents.

Stakeholders
Stakeholders are individuals and groups that have an interest in a variety of ways in Stedin Group, such as employees, shareholders, customers, capital providers, suppliers, government and media.

Unbundling
Legal separation of the commercial energy company and the public grid company.

USEF
The Universal Smart Energy Framework provides the market model for the trade in and commoditisation of energy flexibility and the associated architecture, tools and rules to ensure its effective operation.

VIAG
The Natural gas Safety Instructions (VIAG) for energy companies, in conjunction with the annexes and operational safety instructions, provide a set of uniform rules for the safe operation of gas production systems of grid operators.

WON
Independent Grid Management Act (Wet Onafhankelijk Netbeheer). This Act provides that grid operators are not permitted to carry out any other (commercial) activities apart from managing the electricity and gas grids. Therefore the management of grids is legally and economically separated from the production and supply of electricity and gas. The aim of this unbundling is to ensure supply security.

Working capital
Inventories plus trade and other receivables, less current non-interest bearing trade liabilities and accruals.

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.

Certain parts of the annual report and the financial statements have been audited by our auditor. The section Independent auditor's report describes which parts have been audited and reviewed, and how, by the independent auditor.

This annual report is published in Dutch and English language versions. In case of any discrepancy between both language versions, the Dutch version prevails.

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