Half Year Report 2017 **Stedin Groep**

STEDIN GROEP

Disclaimer

This report contains forward-looking statements and perspectives. These can be recognised from words such as 'anticipate,' 'intend,' 'estimate,' 'assume,' 'expect' and similar terms. Actual results and events may differ from current expectations, partly because of risks and uncertainties beyond Stedin's control, such as economic trends, technological developments, changes in legislation and regulations and financial risks.

Stedin is not required to revise the expectations and forecasts in this report in response to new information or events and does not accept any liability in this respect.

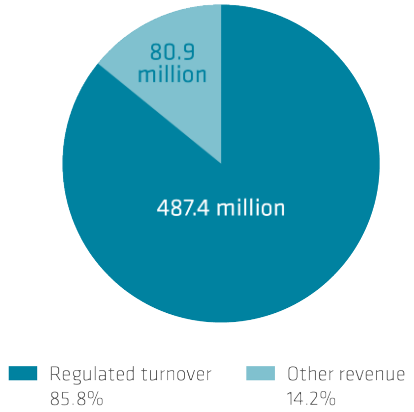
The half-year report has not been audited.

This is a translation of the Dutch-language half-year report. In the case of any discrepancy, the Dutch version prevails.

Contents

Key figures[1]

Stedin Group turnover 568 mln



Safety at Stedin Group

3.25

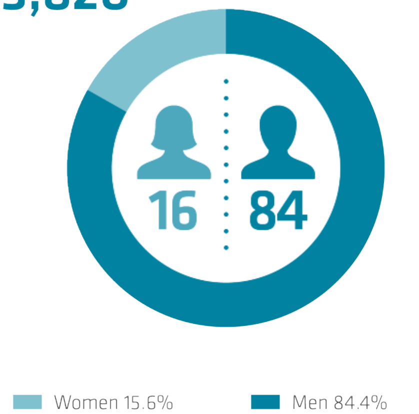
Lost Time Injury Rate (LTIR)

0.99

Recordable Incident Frequency (RIF)

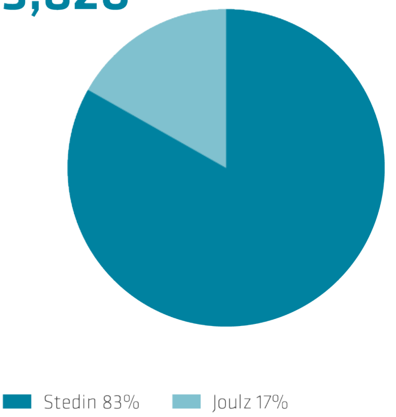
Stedin Group employees

3,820



Stedin Group employees

3,820



Cable length in km

45,267

(the Earth's circumference is approx. 40,000 km)

Pipeline length in km

23,628

(the Earth's circumference is approx. 40,000 km)

[1] Figures relate to the first half of 2017 or the position at 30 June 2017 and do not include DNWG.

Stedin service area: electricity*

*Stedin electricity service area including Weert (Enexis from 1 July 2017) and excluding Enduris

Electricity connections

2,056,362

Average downtime: electricity

9 minutes

Stedin service area: gas*

*Stedin gas service area including Weert (Enexis from 1 July 2017) and excluding Enduris

Gas connections

1,926,579

Average downtime: gas

17 seconds

Report of the Board of Management

The main features of the first six months of 2017 were the unbundling of Eneco Group, the acquisition of DELTA Netwerkgroep, the sale of CityTec and the transfer of the Weert network area to Enexis. All in all an exceptional period. As a new Board of Management, we are reflecting on a dynamic first half of 2017.

'It was an intensive half year'

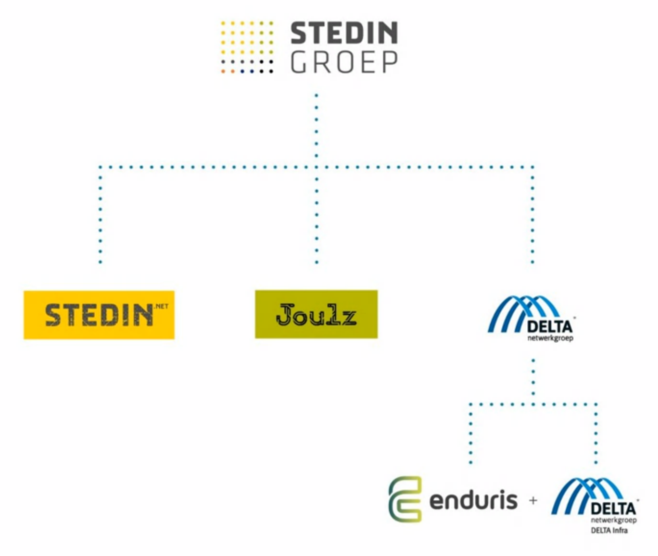
CFO Gerard Vesseur looks back with satisfaction. "It was an intensive half year. After unbundling Eneco Group, we repositioned Stedin Group. We sold the CityTec business unit and the Weert network area . We were also very pleased to welcome colleagues from Zeeland on the acquisition of DNWG."

The financial results for the first half of 2017 were in line with expectations while the conditions Stedin Group is working in continue to be dynamic. A new energy system is being created by the shift from fossil fuels to sustainable energy: the energy transition. A system that can have major local variations and where all kinds of new players make a contribution. We see growing public support for a sustainable world. And those around us see us as a natural partner in discussions on the transition to it. The energy transition demands good co-operation among politicians, society and business. Stedin Group is monitoring developments closely and responding to them technically and organisationally.

Organisation

Stedin Group

Stedin Group is made up of different business units that collectively ensure that our customers can have sustainable energy where they live, work and do business. Grid operators Stedin (Zuid-Holland and Utrecht) and Enduris (Zeeland) and infrastructure specialists Joulz and DELTA Infra work together within Stedin Group to achieve this.



Stedin Group organisation structure

Unbundling Eneco

On 31 January 2017, the integrated Eneco energy company was unbundled into an energy company (Eneco Group) and a grid operator (Stedin Group). Since then, grid operator Stedin Netbeheer B.V. has been part of the regulated activities of Stedin Group. Infrastructure company Joulz is part of the non-regulated activities. The unbundling has affected Stedin Group's figures as presented in this half-year report.

Following the unbundling, Standard & Poor's gave Stedin Group a credit rating of A-, meaning that Stedin Group has a high degree of creditworthiness.

A new Board of Management took office for day-to-day management when Stedin Group was incorporated. Marc van der Linden was appointed as CEO, Gerard Vesseur as CFO and Judith Koole is COO.

A new Supervisory Board was also established. Pieter Trienekens was appointed as chairman of the Supervisory Board. The other supervisory directors are Tineke Bahlmann, Theo Eysink, Jules Kortenhorst and Dick van Well.

Repositioning

Stedin Group is preparing for the greatest upheaval in the energy landscape in the past sixty years: the energy transition. The Netherlands wants to meet the terms of the Paris Climate Agreement by 2050, meaning that the country will be climate neutral within 33 years. If this target is to be met, natural gas will have to be phased out completely as a source of energy over the next few decades and there will have to be investment in the electricity network. We are chosing to reposition Stedin Group to prepare the organisation for the energy transition by looking critically at its position in the energy landscape.

DNWG

On 13 June 2017, Stedin Group acquired the former DELTA Netwerkgroep (DNWG) and its subsidiaries Enduris (network management) and DNWG Infra (infrastructure services). The entire share capital of Zeeuwse Netwerkholding N.V. (DNWG) was acquired for €455 million. DNWG operates in the province of Zeeland where Enduris manages the energy network for 200,000 households and businesses. "DNWG and Stedin Group are a good fit. By working together and learning from each other, we will be more effective and efficient," says Vesseur. "At the same time, with an eye to the future, we had to dispose of some units."

CityTec

On 31 March 2017, Strong Root Capital acquired the CityTec business unit from Stedin Group. The maintenance of public lighting is no longer part of Stedin Group's long-term objectives. While Stedin Group is focusing mainly on the management of electricity and gas networks and market facilitation to permit 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 bring about this improvement process at CityTec.

Weert

The Weert network area was taken over by Enexis Netbeheer on 1 July. Stedin had managed the networks in the municipality of Weert while Enexis Netbeheer managed all the other gas and electricity networks in the province of Limburg. The sale of the network area makes public network management in Limburg clearer to all involved. The Weert network area is recognised in this half year report as 'assets/ liabilities held for sale'.

Energy transition

Sustainable energy for everyone. Stedin Group's employees work towards this goal every day. We believe it is our responsibility to ensure that all our customers can have sustainable energy where they live, work and do business. As Stedin Group, we are making the energy system more sustainable while keeping it robust and affordable. Along with the authorities, market parties and our customers, we are making the energy transition possible.

Making the energy system smarter

An energy system that is increasingly supplied by sustainable sources of energy has to adapt to the vagaries of nature. We are making ever more use of electrical equipment, such as electric vehicles and heat pumps, instead of equipment powered by fossil fuels. And energy is also being fed back into the grid. These developments are putting extra loads on the electricity grid and creating bottlenecks. The speed of the developments in energy is uncertain and so if Stedin can postpone an investment that will have to last 40 or more years by a couple of years, it will have the scope – the flexibility – to find the best solution. This will result in sustainable energy remaining available and affordable for everyone. Consequently, Stedin is looking for partners to make the energy system smarter, for example with flexibility solutions that can align supply and demand.

In line with this, Stedin has become 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 market parties (in Europe). Stedin is successfully using the USEF model in practice in the Hoog Dalem district of Gorinchem. USEF allows the residents to make the best possible use of sustainable energy at home. Since the energy generated is not fed back into the grid, the local electricity grid is not overloaded.

Green Deal

On 8 March 2017, Henk Kamp, Minister of Economic Affairs, signed a gas-free housing estates Green Deal with thirty municipalities, provinces and grid operators. Under the Green Deal, the parties commit to work with local residents on gas-free housing estates and to make homes, buildings and the energy infrastructure in the Netherlands more sustainable. The parties now have to demonstrate how they are actually working towards gas-free housing estates in practice and, for example, in which situations current legislation and regulations form an obstacle for the transition.

End of mandatory gas connections
The challenge of the transition to sustainable alternatives to natural gas is considerable and so we must avoid the construction of new gas networks. Consequently, Stedin is calling on the House of Representatives of the Netherlands to make progress on ending the mandatory connection of newly-built homes to the gas network. There are now enough sustainable alternatives for heating buildings and providing hot water.

Making existing buildings sustainable
Partly as a result of the gas-free housing estates Green Deal, municipalities and housing associations are increasingly often designating areas where natural gas must make way for sustainable alternatives. This is why Stedin has a map on its website clarifying where it will be replacing gas mains in the next few years. This gives insight into natural times for conversion. Stedin also offers municipalities a method known as Infrastructure Footprint for drawing a comprehensive balance and making an impact analysis by neighbourhood or district. This gives information on feasible alternative energy provision and what this means for the social cost.

Example of a map on the website

From natural gas to bio-gas
Biogas from fermentation is a way of producing sustainable green energy alongside wind and solar power. On 1 January 2017 a 5.5 kilometre long bio-gas main was opened from a fermentation plant in Beltrum to Friesland Campina in Burculo. Joulz was involved in the design and construction of the gas main and will manage it for the next twelve years.

Performance

Customer satisfaction
One of our ambitions is to put our customers at the heart of things. Responding to customers' wishes means we have to know what they think of us. In the past year, we have built up a better picture of our customers' wishes and the standard for customer satisfaction has been set higher for 2017 than for last year. We are aiming for a score of 8 or better from at least 62% of Stedin Group customers. We beat our own target in the first half of 2017 and were rated 8 or better by 64% of our customers.

Our customers are increasingly satisfied by the offer and installation of smart meters. Since January we have been recording the percentage of customers giving the installation of our smart meters an 8 or better (previously 7 or higher). Up to April, 74% 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 (89%).

Local interaction
Stedin Netbeheer and Evides Waterbedrijf will be working together more closely to reduce inconvenience to customers and recently entered into a covenant on this. Stedin and Evides have overlapping areas of operation in Zuid-Holland and so frequently come across each other during works. By structurally intensifying their alliance, the two companies expect they can increase customer satisfaction and efficiency by co-ordinating infrastructure work.

Art on a Stedin transformer substation

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.

Smart meters

Grid operator Stedin started the large-scale installation of smart meters in 2015. This is a legal requirement. Smart meters give customers quick and easy insight into their consumption, encouraging them to save energy. All customers will have been offered a smart meter by 2020 and at least 80% will have had them installed.

In 2016 over 350,000 smart meters were offered to customers and over 272,000 were installed (2015: 180,000 installed). The target for 2017 is to have offered 340,000 customers a smart meter. In the first half of 2017, 163,303 offers were made and so we are on schedule for 2017. Smart meters have actually been installed at 80% of these customers, which is exactly on target.

A new technology was applied for all smart meters in 2017. The latest generation of smart meters uses the wireless CDMA data communications network. These innovative meters give optimum coverage and data capacity alongside other smart grid applications.

Average downtime

The average duration per customer of unforeseen interruptions in the electricity supply was 9 minutes, a slight deterioration from last year when the figure was 8 minutes.

The average downtime in our gas network in the first half of 2017 was 17 seconds compared with 18 seconds in the first half of 2016. This is a slight improvement compared with last year.

Staff

Stedin Group employs 4,456 people. We aim to be an inclusive organisation where the workforce reflects society. Where everyone is welcome irrespective of age, gender, religion, background, education or disability. But finding work is not so simple for everyone. Some groups in the Netherlands find it more difficult to get work and Stedin wants to help these people improve their chances in the labour market and we are focusing on young people, unemployed people (including the long-term unemployed) and disabled people.

Through apprenticeship (BBL) projects, we assist young people without qualifications towards a recognised vocational diploma and paid work as fitters. We also offer work-placements, helping young people with relevant work experience. Long-term unemployed technicians are quickly retrained as smart meter fitters and so come off benefits.

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 jobs long-term in line with the Participation Act and have created appropriate jobs in various departments. Six people with disabilities were working at Stedin Group by mid-2017.

In-house training

Safety

Working with gas and electricity involves risk and so we concentrate on creating a safe working environment for our employees and contractors, customers and local residents.

Stedin uses two indicators, the Recordable Incident Frequency (RIF) and the Lost Time Injury Rate (LTIR) to measure its safety record. We saw a poorer safety record in the first half of this year compared with the same period last year. The RIF rose from 0.94 to 0.99 and the LTIR from 2.69 to 3.25.

We continue to pay attention to improving the safety of our own employees and those working for our contractors. This has and retains our highest priority. The aim is for everyone to return home safely from work every day.

First half year results

Profit after income tax

Profit before exceptional items for the first half of 2017 was lower at €33 million (first half of 2016: €58 million). This lower profit was as expected. Revenue was down mainly because of lower energy rates following the 2017 tariff decision by the Netherlands Authority for Consumers and Markets. The municipal tax on our underground energy infrastructure (precario) rose further partly because it is being levied by more municipalities.

Operating expenses were higher because of an increase in the number of employees as a result of the unbundling, non-recurring unbundling costs, increased activity for offering and installing smart meters, greater construction and replacement of networks and expansion of ICT activities.

The unbundling of Eneco Holding N.V. led to an exceptional gain of €356 million. There was also a book loss of €18 million on the sale of CityTec. Including these exceptional items, profit after income tax for the first six months was €371 million (2016: €139 million).

Investments

Investments in the first half of 2017 were higher than in the previous year at €206 million (first half of 2016: €182 million). Much of this investment was in the gas and electricity distribution networks and the installation of smart meters.

Unbundling the energy company and grid operator

On 31 January 2017, Eneco Holding N.V. was unbundled into Eneco Group (the energy company) and Stedin Group (the network group with the grid operator) by distributing all the shares in Eneco Groep N.V. held by Eneco Holding N.V. as a dividend in kind to the shareholders of Eneco Holding N.V.

Before this was done, the energy company was revalued to fair value, resulting in an upward revaluation by €300 million. The energy company's profit after tax in 2017 up to unbundling on 31 January 2017 was €56 million. Consequently, Stedin Group's profit after income tax for the first half of 2017 was positively affected by €356 million. The shareholders had been notified at the time of the unbundling that no dividend would be distributed on this part of the profit after tax.

On 31 January 2017, following the unbundling, Eneco Holding N.V. changed its name to Stedin Holding N.V.

Sale of CityTec

On 31 March 2017, Stedin sold its subsidiary CityTec to Strong Root Capital. The Board of Stedin Group decided on the sale immediately after the unbundling as the long-term objectives of the two companies are no longer in line and Stedin Group is focusing on its core public duties.

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 (formerly DELTA) and so acquired full control. The grid operator Enduris, which is part of DNWG, has about 15,000 kilometres of electricity cables and gas mains in Zeeland. DNWG's 636 permanent employees work in the Enduris and DELTA Infra business units. DNWG is provisionally positioned as a separate part of Stedin Group. From the second half of 2017, DNWG's results will be consolidated with those of Stedin Group. DNWG's balance sheet at 30 June 2017 has been incorporated in the consolidated balance sheet of Stedin Holding N.V.

Sale of Weert

On 1 July 2017, Enexis B.V. took over the gas and electricity networks in Weert from Stedin Netbeheer B.V. Stedin's 33 employees in Weert joined Enexis B.V. on the acquisition date. Placing electricity and gas networks 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 Board of Management,

Marc van der Linden, CEO

Judith Koole, COO

Gerard Vesseur, CFO

Rotterdam, 3 August 2017

Condensed consolidated interim financial statements 2017

Consolidated income statement

x € 1 million	Note	First half 2017	First half 2016
Revenues		545	550
Other revenues		23	28
Total revenues		**568**	**578**
Operating expenses			
Employee benefit expenses		171	160
Cost of contracted work and other external costs		141	140
Other operating expenses		109	104
Total cost of sales, contracted work and operating expenses		**421**	**404**
Depreciation, amortisation and impairment of non-current assets		123	114
Less: Capitalised own production		-63	-54
Total operating expenses		**481**	**464**
Operating profit		**87**	**114**
Financial income and expenses	6	-41	-37
Profit before income tax		**46**	**77**
Income tax	7	-13	-19
Profit after income tax from continued operations		**33**	**58**
Profit after income tax from discontinued operations	8	338	81
Profit after income tax		**371**	**139**
Profit distribution:			
Profit after income tax attributable to holders of Stedin Holding N.V. perpetual subordinated bonds	11	6	6
Profit attributable to shareholders of Stedin Holding N.V.		365	133
Profit after income tax		**371**	**139**

The half-year report has not been audited, nor has an accountant review been made.

Consolidated balance sheet

x € 1 million	Note	At 30 June 2017	At 31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment		5,973	5,205
Intangible assets		104	10
Financial assets		49	48
Total non-current assets		**6,126**	**5,263**
Current assets			
Assets held for distribution to shareholders	9	-	4,234
Assets held for sale		66	64
Inventories		35	29
Trade receivables		140	105
Other receivables		50	40
Cash and cash equivalents		26	77
Total current assets		**317**	**4,549**
TOTAL ASSETS		**6,443**	**9,812**
EQUITY AND LIABILITIES			
Equity	11		
Equity attributable to shareholders		1,965	4,806
Perpetual subordinated bonds		509	501
Non-controlling interests		-	3
Total equity		**2,474**	**5,310**
Non-current liabilities			
Provisions for employee benefits		20	18
Other provisions		25	13
Deferred income tax liabilities		235	207
Derivative financial instruments	10	47	47
Interest-bearing debt	12	1,944	1,394
Other liabilities		598	395
Total non-current liabilities		**2,869**	**2,074**
Current liabilities			
Liabilities held for distribution to shareholders		-	1,896
Liabilities held for sale	9	6	5
Provisions for employee benefits		3	2
Interest-bearing debt	12	814	250
Current income tax liabilities		48	-
Trade and other liabilities		229	275
Total current liabilities		**1,100**	**2,428**
TOTAL EQUITY AND LIABILITIES		**6,443**	**9,812**

Consolidated statement of comprehensive income

x € 1 million	First half 2017	First half 2016
Profit after income tax	**371**	**139**
Unrealised gains and losses that will not be reclassified to profit or loss		
Adjustment for fair value of regulated networks	0	-25
Unrealised gains and losses that may be reclassified to profit or loss		
Exchange rate differences	-10	-30
Unrealised gains and losses on cash flow hedges	-25	-11
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations	6	0
Total other comprehensive income	**-29**	**-66**
Total comprehensive income	**342**	**73**
Profit distribution:		
Holders of Stedin Holding N.V. perpetual subordinated bonds (after income tax)	6	6
Shareholders of Stedin Holding N.V.	336	67
Total comprehensive income	**342**	**73**

The Consolidated statement of comprehensive income has been changed compared with the statement presented in the Half-year Report published on 8 August 2017 in line with changes in the Consolidated statement of changes in equity, taking into consideration tax effects. These changes do not affect Profit after income tax or Total equity. See also the note on page 16.

Consolidated cash flow statement

x € 1 million	First half 2017	First half 2016
Profit after income tax	**371**	**139**
Adjusted for:		
Result from unbundling of Eneco Group	-356	-
Adjusted profit after income tax	**15**	**139**
Adjusted for:		
Cashflow from business operations	-30	-41
Cash flow from operating activities	**-15**	**98**
Investments/disposals in property, plant and equipment	-206	-182
Acquisition of subsidiaries	-455	-
Other	10	-50
Cash flow from investing activities	**-651**	**-232**
Dividend payments	-99	-98
Movement in interest-bearing debt	701	167
Cash flow from financing activities	**602**	**69**
Movements in cash and cash equivalents:	**-64**	**-65**
Balance of cash and cash equivalents at 1 January	77	367
Balance of cash and cash equivalents in acquired subsidiaries	13	-
Balance of cash and cash equivalents at 30 June	**26**	**302**

Consolidated statement of changes in equity

x € 1 million	Equity attributable to Stedin Holding N.V. shareholders										
	Paid-up and called-up share capital	Share premium	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Perpetual subordinated bonds	Non-controlling interests	Total equity
At 1 January 2016	**497**	**381**	**779**	**45**	**19**	**2,928**	**196**	**4,845**	**501**	**4**	**5,350**
Total other comprehensive income in the first half 2016	**-**	**-**	**-44**	**-33**	**-8**	**19**	**-**	**-66**	**-**	**-**	**-66**
Profit after income tax first half 2016	-	-	-	-	-	-	133	**133**	6	-	**139**
Total comprehensive income	**-**	**-**	**-44**	**-33**	**-8**	**19**	**133**	**67**	**6**	**-**	**73**
Profit appropriation 2015	-	-	-	-	-	98	-98	**-**	-	-	**-**
Dividend payments relating to 2015	-	-	-	-	-	-	-98	**-98**	-	-	**-98**
Tax on coupon on perpetual subordinated bonds	-	-	-	-	-	-	-	**-**	2	-	**2**
At 30 June 2016	**497**	**381**	**735**	**12**	**11**	**3,045**	**133**	**4,814**	**509**	**4**	**5,327**
Total other comprehensive income in the second half 2016	**-**	**-**	**-33**	**-6**	**-41**	**18**	**-**	**-62**	**-**	-	**-62**
Change in non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-1	**-1**
Profit after income tax second half 2016	-	-	-	-	-	-	54	**54**	6	-	**60**
Total comprehensive income	**-**	**-**	**-33**	**-6**	**-41**	**18**	**54**	**-8**	**6**	**-1**	**-3**
Coupon on perpetual subordinated bonds	-	-	-	-	-	-	-	**-**	-16	-	**-16**
Tax on coupon and costs of perpetual subordinated bonds	-	-	-	-	-	-	-	**-**	2	-	**2**
At 31 December 2016	**497**	**381**	**702**	**6**	**-30**	**3,063**	**187**	**4,806**	**501**	**3**	**5,310**
Total other comprehensive income in the first half 2017	**-**	**-**	**-**	**-6**	**-19**	**-4**	**-**	**-29**	**-**	-	**-29**
Profit after income tax first half 2017	-	-	-	-	-	-	365	**365**	6	-	**371**
Total comprehensive income	**-**	**-**	**-**	**-6**	**-19**	**-4**	**365**	**336**	**6**	**-**	**342**
Profit appropriation 2016	-	-	-	-	-	187	-187	**-**	-	-	**-**
Reclassification depreciation regulated networks (after tax)	-	-	-17	-	-	17	-	**-**	-	-	**-**
Unbundling of Eneco Group January 2017	-	-381	-	-	-	-2,696	-	**-3,077**	-	-3	**-3,080**
Dividend payments relating to 2016	-	-	-	-	-	-100	-	**-100**	-	-	**-100**
Tax on coupon and costs of perpetual subordinated bonds	-	-	-	-	-	-	-	**-**	2	-	**2**
At 30 June 2017	**497**	**-**	**685**	**-**	**-49**	**467**	**365**	**1,965**	**509**	**-**	**2,474**

As a result of changed insights with respect to the correct application of IFRS 10, two changes have been made compared with the Half-year Report published on 8 August 2017. These changes do not affect Profit after income tax or Total equity. The effect of recycling the translation reserve and the cash flow hedge reserve as a result of the unbundling (€ 38 million) is presented as part of unrealised gains and losses and the reclassification of the revaluation reserve (€ 17 million) is presented as a separate reclassification within equity. The Consolidated statement of comprehensive income on page 14 has been amended accordingly.

Selected notes to the condensed consolidated interim financial statements

1. Accounting principles for financial reporting

1.1. General information
Stedin Holding N.V. (hereafter also referred to as 'the company', 'the Group' or 'Stedin Group') is a two-tier company incorporated under Dutch law, with its registered office in Rotterdam. It is the holding company of subsidiaries, interests in joint ventures and associates. This half-year report contains the unaudited condensed consolidated interim financial statements of Stedin Group for the first half of 2017: the six months ending on 30 June 2017 of the financial year ending on 31 December 2017.

The Group's two principal units are the grid operators Stedin and Enduris. Both are responsible for a safe, reliable and affordable energy supply by constructing,managing and future-proofing the electricity and gas networks and by facilitating the energy market. Stedin operates in the provinces of Zuid-Holland and Utrecht and parts of the Noordoost-Friesland, Kennemerland and Midden-Limburg regions. Enduris operates in the province of Zeeland.

Stedin and Enduris 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 the grid operator is set out in law and the rates are set by the Netherlands Authority for Consumers and Markets (ACM). The regulation model encourages grid operators to perform as well (efficiently and qualitatively) as possible by using a benchmark model.

Stedin Group has 3,820 permanent and temporary employees constructing, maintaining, managing and expanding the energy networks. There are a further 636 new employees who joined in June 2017 on the acquisition of Zeeuwse Netwerkholding N.V.

There is more information on the composition of the Group in note 4 'Segment information'.

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

The interim financial statements have been prepared in compliance with IAS 34 'Interim Financial Reporting' and present the consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity in condensed form. These figures should be read in conjunction with the 2016 annual financial statements of Eneco Holding N.V., which were prepared in compliance with the International Financial Reporting Standards (IFRS), as adopted by the European Commission, in force at 31 December 2016 and with the provisions of Part 9, Book 2 of the Dutch Civil Code.

1.2. Unbundling of Eneco on 31 January 2017
On 31 January 2017, Eneco Holding N.V. was unbundled to create Eneco Group ('the energy company') and Stedin Group (the network group with the grid operator) by distributing all the shares in the energy company held by Eneco Holding N.V. as a dividend in kind to the shareholders of Eneco Holding N.V. Eneco Group and Stedin Group both have the same 53 municipal shareholders who, until the unbundling, were shareholders of the then integrated company Eneco Holding N.V. On 31 January the name of Eneco Holding N.V. was changed to Stedin Holding N.V.

1.3. New or amended IFRS standards 2017
Effective from 1 January 2017, the European Commission has adopted the following amended IFRS standards that are relevant to Stedin and have been applied where appropriate when preparing these interim figures:

- 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 of improvements in standards and interpretations is designed to remove inconsistencies and clarify texts. The following improvements have been made:
  - IFRS 1 'First-time adoption of International Financial Reporting Standards': Deletion of short-term exemptions in paragraphs E1 to E7 because they have now served their intended purpose;
  - IAS 28 'Investments in associates and joint ventures': The improvements clarify that the election to measure investments at fair value through profit or loss is available on an investment-by-investment basis;
  - 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.

- Amendments to in IAS 7 'Statement of cash flows – Disclosure initiative', effective from 1 January 2017;
- Amendment to IAS 12 'Income taxes – Recognition of deferred tax assets for unrealised losses', effective from 1 January 2017.

The improvements are not expected to have a financial effect on the Group.

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': 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 Group does not intend to amend the basis of its measurement of those financial instruments when implementing this standard. Stedin expects to complete the analysis of the potential effect from applying this standard on the consolidated financial statements during the second half of 2017;
- IFRS 15 'Revenue from contracts with customers': this standard provides 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. Full or amended retrospective application is required. Initial analysis indicates no significant effect on the Group.

Other new IFRS standards, amendments to existing standards and new interpretations that will apply to later reporting periods and/or that have not yet been approved by the European Commission and/or that are not relevant to Stedin are not addressed further in this half-year report. They include:

- Amendments to IFRIC 22 'Foreign currency transactions and advance consideration', effective from 1 January 2018;
- IFRS 16 sets the principles for recognition, measurement, presentation and disclosures on leases. Lessees will recognise all leases using a single model in the balance sheet. Stedin expects to complete the analysis of the potential effect of applying this standard on the consolidated financial statements in the first half of 2018.

2. Accounting policies

2.1. Accounting policies

The accounting policies and basis of consolidation used in the interim financial statements are consistent with the accounting policies described in the 2016 annual financial statements, except for the possible effect of new or amended standards and interpretations as set out in 1.3 ‘New or amended IFRS standards 2017’.

2.2. Judgements, estimates and assumptions

In preparing the half-year figures 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 size 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.

2.3. Business combinations

Business combinations are recognised using the acquisition method on the acquisition date (the date on which control transfers to Stedin) unless the period between acquisition date and start of recognition does not have a material impact on the Group’s equity and assets. There is control when, on the basis of its involvement in the entity, Stedin 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.

Goodwill is reviewed for impairment each year and additionally if events or changes in circumstances indicate that the carrying amount 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 the disposal activities forms part of the carrying amount 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 disposal activities and the portion that remains in the cash-generating unit.

Transaction costs incurred by Stedin 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 contingent liability is recognised on the acquisition date. If that contingent 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 profit or loss. 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 revenues.

Any contingent consideration transferred by the acquirer is initially measured at fair value on the acquisition date. A contingent 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.

2.4 Change of presentation in the income statement

Stedin Group has changed the presentation in its consolidated income statement from 30 June 2017 as a result of being unbundled from the energy company Eneco on 31 January 2017. The presentation has been brought more in line with the way in which other Dutch grid operators present their results. The move to this type of presentation improves the information on the composition of and changes in operating expenses.

The main changes to the comparative figures are:

- Revenues from network management are presented in 'revenues';
- Employee benefits are presented before capitalisation of own production (formerly netted) and now include benefits to 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 Group.

The result from discontinued operations is shown as a single figure in the income statement as 'Profit after income tax from discontinued operations' and so 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.

3. Seasonal activity pattern

There is little or no seasonal influence on the grid operator's revenue from managing the electricity and gas transmission networks. Other revenues from services and construction contracts show a reasonably stable pattern throughout the year and are subject to only slight seasonal influences.

4. Segment information

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:

Stedin

The Stedin segment comprises the regulated activities: the grid operator Stedin which manages the gas and electricity networks in its service area.

Joulz

This segment comprises the non-regulated business units and it has its own board responsible for results. The main elements in this sector are infrastructure, metering and power grid services of Joulz and CityTec's operations to 31 March 2017.

DNWG

The DNWG segment is Zeeuwse Netwerkholding N.V., which comprises the grid operator Enduris (which manages the gas and electricity networks in the province of Zeeland), De Netwerkgroep Infra B.V. (formerly DELTA Infra B.V.) which provides non-regulated electricity, gas, water and data infrastructure services and De Netwerkgroep Staff B.V. which employs all the employees.

Other activities, non-allocated and eliminations

The other activities include the unbundled energy company Eneco, intercompany eliminations and the holding company. The energy company is (as in the 2016 annual report) reported as discontinued operations. The other units are non-reportable segments by the criteria in IFRS 8 'Operating Segments' in view of their size and so are included here.

The comparative figures have been restated in line with the new structure.

4.1 Revenue and operating profit by segment

The revenue and results in the first half of 2017 based on the internal organisation and management reporting structure were:

First half 2017	Segment Stedin	Segment Joulz	Segment DNWG	Other activities, non allocated and eliminations	Total
Revenues	487	58	-	0	**545**
Other revenues	30	51	-	-58	**23**
Total operating costs	-320	-96	-	58	**-358**
Operating profit before depreciation, amortisation and impairment	**197**	**13**	**-**	**0**	**210**
Depreciation, amortisation and impairment	-116	-3	-	-4	**-123**
Operating profit	**81**	**10**	**-**	**-4**	**87**
Financial income and expenses	-22	0	-	-19	**-41**
Profit before income tax	**59**	**10**	**-**	**-23**	**46**
Income tax	-14	-2	-	3	**-13**
Profit after income tax from continued operations	**45**	**7**	**-**	**-20**	**33**
Profit after income tax from discontinued operations	-	-	-	338	**338**
Profit after income tax	**45**	**7**	**-**	**318**	**371**

The revenue and results in the first half of 2016 based on the internal organisation and management reporting structure were:

First half 2016	Segment Stedin	Segment Joulz	Segment DNWG	Other activities, non allocated and eliminations	Total
Revenues	496	40	-	14	**550**
Other revenues	23	81	-	-76	**28**
Total operating costs	-302	-110	-	62	**-350**
Operating profit before depreciation, amortisation and impairment	**217**	**11**	**-**	**0**	**228**
Depreciation, amortisation and impairment	-106	-4	-	-4	**-114**
Operating profit	**111**	**7**	**-**	**-4**	**114**
Resultaat geassocieerde deelnemingen en joint ventures	-	-	-	-	**-**
Financial income and expenses	-23	-1	-	-13	**-37**
Profit before income tax	**88**	**6**	**-**	**-17**	**77**
Income tax	-18	-2	-	1	**-19**
Profit after income tax from continued operations	**70**	**4**	**-**	**-16**	**58**
Profit after income tax from discontinued operations	-	-	-	81	**81**
Profit after income tax	**70**	**4**	**-**	**65**	**139**

4.2 Balance sheet by segment

The balance sheet at 30 June 2017 based on the internal organisation and management reporting structure was:

At 30 June 2017	Segment Stedin	Segment Joulz	Segment DNWG	Other activities, non allocated and eliminations	Total
Assets					**-**
Assets	5,228	154	661	394	**6,437**
Associates and joint ventures	-	-	6	-	**6**
Total assets	**5,228**	**154**	**667**	**394**	**6,443**
Liabilities					**-**
Equity	3,010	54	298	-888	**2,474**
Non-current liabilities	1,723	14	324	808	**2,869**
Current liabilities	496	86	45	473	**1,100**
Total liabilities	**5,229**	**154**	**667**	**394**	**6,443**

The balance sheet at 30 June 2016 based on the internal organisation and management reporting structure was:

At 30 June 2016	Segment Stedin	Segment Joulz	Segment DNWG	Other activities, non allocated and eliminations	Total
Assets					**-**
Assets	4,835	214	-	4,763	**9,812**
Associates and joint ventures	-	-	-	-	**-**
Total assets	**4,835**	**214**	**-**	**4,763**	**9,812**
Liabilities					**-**
Equity	2,922	71	-	2,316	**5,310**
Non-current liabilities	1,654	21	-	400	**2,074**
Current liabilities	259	122	-	2,047	**2,428**
Total liabilities	**4,835**	**214**	**-**	**4,763**	**9,812**

5. Business combinations

Purchase of Zeeuwse Netwerkholding N.V.

On 13 June 2017, Stedin Holding N.V. purchased the entire share capital of Zeeuwse Netwerkholding N.V. (DNWG) and so acquired full control. DNWG's 636 permanent employees work in the Enduris B.V. (regional grid operator) and DELTA Infra B.V. business units. DNWG is positioned as a separate unit of Stedin Group.

Consolidation started on 30 June 2017. The period between the acquisition date (13 June 2017) and start of recognition (30 June 2017) has not materially affected the Group's equity or results. There were no significant or unusual events during the final two weeks of June 2017. Consequently, in accordance with IFRS 3, BC 110, it was decided to commence consolidation from 30 June and DNWG's result for the final two weeks of June 2017 has not been incorporated in the consolidated income statement.

Notes

The total acquisition price for the shares was €455 million and in addition €150 million of long-term interest-bearing debt was taken over. The fair value was established from medium and long-term cash flows, regulatory developments, outperformance effects and synergy gains. Synergies were established using average market participant synergies only. These are synergies that can be achieved by an 'average market participant'.

The purchase price was set using business enterprise valuation. This considers (measures) all the different relevant 'elements'/'components' separately using the Building Block Approach. The fair value of commercial contracts was measured using the excess earnings method.

The provisional allocation of the acquisition price is as follows.

x € 1 million	Fair value as at 30 June 2017
Assets	
Property, plant and equipment: networks, connections and smart meters	712
Intangible assets	12
Acquired goodwill	11
Financial assets	16
Working capital	26
Cash and cash equivalents	13
Total assets	**790**
Interest-bearing debt	150
Deferred tax liabilities	29
Provisions	14
Amounts received in advance	169
Working capital	45
Total liabilities	**407**
Net assets acquired	**383**
Total purchase price	**455**
Less: Net assets acquired	383
Goodwill	**73**

Net assets acquired

The main net assets acquired were:

- The Enduris gas and electricity network, gas connections and smart meters in the province of Zeeland required for distribution, metering and transport activities for gas and electricity. Fair value is established by measurement models using observable market prices, being the Standardised Asset Value tariffs set by the government;
- The intangible assets consist mainly of software;
- Acquired goodwill is the goodwill paid for DELTA Infra B.V. when DELTA Infra B.V. was sold in 2014 by DELTA N.V. to Zeeuwse Netwerkholding N.V. (DNWG). In 2014, DNWG established a value based on discounted future cash flows.
- Interest-bearing debt is amounts owed to banks and institutional investors. These loans were taken over by Stedin Holding N.V. at the end of June and the beginning of July 2017
- Provisions relate to employee benefits (in particular long-service awards and benefits on retirement) and liabilities for Stichting Zeeuwse Publieke Belangen.
- Amounts received in advance are third-party contributions toward investments in property, plant and equipment.

x € 1 million	Goodwill as at 30 June 2017
Total purchase price	455
Net assets acquired	383
Goodwill	**72**

Goodwill
The goodwill of €72 million is a result of expected synergy gains brought by the acquisition. DNWG's assets include goodwill acquired of €11 million.

Other
The total costs for the purchase of DNWG were recognised in Stedin Holding N.V.'s income statement for the first half of 2017. The purchase price allocation had not been completed at the time this half-year report was prepared because of the short period between the acquisition date of 13 June and the publication date. This relates mainly to the allocation of the purchase price of property, plant and equipment, deferred taxes and goodwill.

6. Financial expenses

x € 1 million		First half 2017	First half 2016
Interest expense		39	36
Interest added to provisions		3	1
Total		**41**	**37**

7. Income tax

The effective tax burden for the first half of 2017 was 3.9% (first half of 2016: 24.0%). The effect of the application of the fair value measurement of the energy company Eneco and the result of the sale of CityTec on the effective tax rate was 21.5%, making the effective tax burden lower than the nominal corporate income tax rate.

x € 1 million	First half 2017
Nominal tax rate	25%
Effect of:	
- Participation exemption	-21.5%
- Non-tax deductible expenses	0.4%
Effective tax rate	**3.9%**

8. Profit after income tax from discontinued operations

The profit after income tax from discontinued operations was as follows:

x € 1 million	First half 2017	First half 2016
Unbundling of Eneco Group January 2017	300	-
Result after tax January Energy Company Eneco	56	81
Result sale CityTec	-18	-
Total	**338**	**81**

Revaluation of the energy company Eneco
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 energy company as a dividend

in kind on 31 January 2017. This was done by distributing the shares in Eneco Groep N.V. held by Eneco Holding N.V. Ahead of the unbundling on 31 January 2017, N.V. Eneco Beheer was contributed to Eneco Groep N.V.

Before Eneco Group was distributed as a dividend, the energy company was revalued to fair value in January 2017, resulting in an upward revaluation of €300 million. The total fair value of the energy company was €3.1 billion.

Other results of the energy company Eneco

In 2017, the result was €56 million and related to the month of January only. In 2016, the net result for the first six months was €81 million.

Result of the sale of CityTec

Strong Root Capital, working with CommonWealth Investments, acquired CityTec from Stedin Group on 31 March 2017. CityTec provides street lighting and traffic and parking equipment services. There will be no change to the service to CityTec's customers, mainly municipalities. The name CityTec will be retained. The loss on the sale was €18 million.

9. Assets held for sale

The gas and electricity networks in Weert (in the Midden-Limburg region) were classified as 'assets/liabilities held for sale' at 30 June 2017. On 1 July 2017, Enexis B.V. took over the gas and electricity networks in Weert from Stedin Netbeheer B.V. Stedin's 33 employees in Weert joined Enexis B.V. on the acquisition date.

The carrying amount of the assets at 30 June 2017 was €66 million and the related liabilities were €6 million. The agreed sale price plus additional items were €60 million.

10. Derivative financial instruments

The table below shows the fair value of derivative financial instruments:

	At 30 June 2017		At 31 December 2016	
x € 1 mln.	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swap contracts	-	-	-	-
Currency swap contracts	25	47	42	47
Total	**25**	**47**	**42**	**47**
Classification				
Current	-	-	-	-
Non-current	25	47	42	47
Total	**25**	**47**	**42**	**47**
Level 1	-	-	-	-
Level 2	25	47	42	47
Level 3	-	-	-	-
Total	**25**	**47**	**42**	**47**

The following hierarchy was used for the measurement of the financial instruments:

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 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 significant inputs that are not based on observable market data.

New financial instruments
In January 2017, Stedin Holding N.V. entered into cross-currency swap contracts to hedge the foreign currency risk in the sterling loans (£75 million nominal) in connection with termination of ongoing hedges on that date by Eneco Holding N.V.

In June 2017, Stedin Holding N.V. hedged its risk from movements in interest rates for future financing by entering into two swaps for the term of loans to be entered into. Stedin made preparations to draw financing of €500 million to 2025 which it needs for long-term financing of the acquisition of Zeeuwse Netwerkholding N.V. These swaps hedge the interest rate risk before the loans are entered into. The swaps are settled when a loan is entered into and net settled swaps are amortised over the term of the loans to hedge the changed interest on entering into the loans.

11. Group equity

2016 dividend
Stedin Holding N.V. declared a dividend for 2016 of €100 million (2015: €98 million).

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 30 June 2017, 4,970,978 shares had been issued and fully paid. There were no changes in the period from 1 January 2017 to 30 June 2017. Stedin Holding N.V. has only issued ordinary shares.

Share premium
The share premium was used for unbundling the energy company 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 the revaluation amount. The difference between depreciation based on the revalued carrying amount and depreciation based on the original historical cost, less deferred tax, was transferred from the revaluation reserve to retained earnings. The revaluation reserve on the balance sheet of Stedin Holding N.V. is formed for the measurement of its direct and indirect holdings in Stedin Netbeheer B.V. The revaluation reserve is not freely at the disposal of the shareholders.

Translation reserve
Stedin Groep has no group companies using foreign currencies and so it has not been necessary to use this reserve since the unbundling. The release of €6 million to the result follows the distribution of the energy company to the shareholders on 31 January 2017.

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 swap contracts. The cash flow hedge reserve is not freely at the disposal of the shareholders.

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 at 30 June 2017.

Before N.V. Eneco Beheer was distributed as a dividend to Eneco Groep N.V., it was measured at fair value, resulting in an upward revaluation of €300 million and total fair value of €3.1 billion. The distribution of Eneco Groep N.V. as a dividend to the shareholders consisted of €2,696 million from retained earnings and €381 million through share premium.

The profit after income tax of the energy company in 2017 until unbundling on 31 January 2017 was €46 million plus the result of €10 million from settling its cash flow and translation hedge reserves. Along with the result of €300 million on revaluing the energy company to fair value, this €56 million was part of the distribution of the Energy Company as dividend.

Perpetual subordinated bonds

On 1 December 2014, Stedin Holding N.V. issued perpetual subordinated bonds ('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% resulting in proceeds of €496 million. Directly attributable costs of €3 million were deducted from this, so that €493 million was added to group equity in 2014. The bonds are listed on the Euro MTF Market of the Luxembourg stock exchange. On 30 June 2017 the market value was €509 million.

The perpetual subordinated bonds are regarded as equity and are subordinated to all of the Stedin Group's creditors but have certain preference compared with the shareholders in the event of the company's winding 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.

12. Interest-bearing debt

The following transactions took place in the first half of 2017:

- 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 to N.V. Eneco Beheer 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. €40 million of these run to 2024 and the other loans totalling €200 million run to 2027;

- A bridging loan of €450 million was entered into in connection with the acquisition of Zeeuwse Netwerkholding N.V. in June 2017. This will be replaced by long-term permanent financing in Q4 2017;

- In June and July 2017, all Enduris B.V.'s external loans, totalling €150 million, were transferred to Stedin Holding N.V.

13. Credit rating

Stedin Group has access to the capital and money markets, optimises its financing structure and costs and minimises its financing risks. The financing policy is designed to ensure timely and permanent financing.

Stedin Group and Stedin Netbeheer each have a credit rating from rating agency Standard & Poor's. The most recent credit rating, issued by the agency in April 2017, was A- with a stable outlook.

See the website, www.stedin.net/over-stedin/over-stedin-groep/investor-relations-in-english, for the most up-to-date rating reports.

14. Contingent assets and liabilities

Legal proceedings
Stedin Group is involved either as plaintiff or defendant in various legal and regulatory claims and proceedings related to its operations. Management ensures proper representation in these matters. 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 probable and the amount of the loss can be reasonably estimated.

Contingent assets and liabilities other than guarantees are measured at present value, calculated using a discount rate that reflects current market assessments of the time value of money.

Future rights
Stedin Group, as lessor, has provided operating leases for transformers to some of its customers. The expected total revenues from these are some €49 million (31 December 2016: €45 million).

Energy purchase commitments
Stedin Group has energy purchase commitments to offset administrative and technical network losses. The liability at 30 June 2017 was some €81 million (31 December 2016: €95 million).

Investment obligations
Stedin Group has entered into investment obligations with a total amount of €121 million (31 December 2016: €136 million) relating mainly to investments in smart meters.

Operations and lease obligations
Stedin Group has entered into obligations for operations of €7 million (31 December 2016: €4 million). Lease obligations, relating to the vehicle fleet and property rentals, at 30 June 2017 were €108 million (31 December 2016: €99 million).

Guarantees
Stedin Group has issued group guarantees of €48 million and bank guarantees of €9 million have been issued to third parties.

15. Events after the reporting date

Merger of asset companies
On 1 July 2017, Stedin merged certain subsidiaries. N.V. Stedin Midden-Kennemerland and N.V. Stedin Zuid-Kennemerland merged with N.V. Stedin Amstelland, which was renamed N.V. Stedin Netten Noord-Holland. Parts of the electricity and gas networks have been transferred to this company.

Sale of Weert
On 1 July 2017, Enexis B.V. took over the gas and electricity networks in Weert from Stedin Netbeheer B.V. Stedin's 33 employees in Weert joined Enexis B.V. on the acquisition date.