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# Eneco Group makes progress with new, innovative corporate strategy

## Satisfactory first half of 2015

- Updated corporate strategy announced
- Alliances with Nerdalize, Peeeks, Sustainer Homes and Solar Green Point
- €100 million made available for investment in start-ups and innovation
- €380 million invested in sustainable energy generation and networks
- Profit after income tax down 7% to €144 million
- Over 145,000 Toon thermostats sold
- Constant attention to safety

ROTTERDAM, 3 August 2015 - During the first six months of 2015, Eneco Group announced a change in its strategic course. Eneco's mission is still 'Sustainable energy for everyone' but the focus is now more specifically on the development of innovative products and services. The sustainable energy company wants to help its customers manage their energy provision. To this end, Eneco will invest €100 million in start-ups and innovative developments in the next few years.

Jeroen de Haas, Chairman of the Board of Management of Eneco Group: "We have made considerable progress and are seeing the initial results of our change in course reflected in the large number of new alliances, significant customers and faster development of new energy products. We have started a new business unit to provide optimal support for these processes. This unit, Eneco Innovation & Ventures, is completely focused on innovative energy projects, partnerships and alliances with energy start-ups. A budget of €100 million has been earmarked to achieve these ambitions in innovation over the next few years."

Since the announcement of the change in strategy, Eneco Group has confirmed a number of exciting alliances. The decisions of Google, NS (Dutch railways) and KPN to take sustainable power from our wind farms were followed by ABN AMRO in January and more recently by AkzoNobel. We are working with Solar Green Point to set up more collective solar farms in the Netherlands. Eneco is also concentrating on alliances on social themes such as the one with the province, municipalities and businesses to develop a heat circuit in Zuid-Holland that will allow households and companies to make greater use of heat from the area around the port of Rotterdam. An initiative has started with residents of the Ypenburg district of The Hague (BewonersPlatform Ypenburg) to make the local district heating network more sustainable. The vital need for collaboration when setting up sustainable initiatives can be seen from the alliance between the municipality of Ameland, the Amelander Energiecoöperatie (AEC) and Eneco to develop a solar farm on the island of Ameland. In another example, Stedin is one of several parties in a unique energy project in the Hoog Dalem district of Gorinchem to obtain information on the costs and benefits of energy storage and to reduce peaks in demand on the grid by optimum alignment of supply and demand.

There was significant attention for our investment in Nerdalize, whose innovative server/radiator performs computations and at the same time generates heat on site. Peeeks can be sure of interest from Eneco as this start-up has developed a smart system for dealing with surpluses and shortages in the electricity grid by switching users' equipment on and off, fully automatically and intelligently. SmartCharging (SlimLaden), an app that allows owners of electric cars to recharge their vehicle's battery at the most cost effective time, is an initiative developed by Eneco.

### **Toon**

At the same time, Eneco continued with further significant development of its intelligent Toon thermostat, of which over 145,000 units have now been sold. Toon is now being offered to customers who do not have a supply contract with Eneco and there is a Toon for district heating. We also presented a new function in Toon that lets users see at a glance how much power their solar panels are generating. We will shortly be providing an update to Toon so that users have faster technology that enables us to offer our customers additional services, such as a smoke alarm inside and outside the house that warns of smoke or a fire. Our grid operator Stedin also made progress with the provision of smart meters. In the past six months they have offered replacement of gas and electricity meters with smart meters at 62,000 addresses.

Jeroen de Haas: "We also made major investments in the quality and expansion of our electricity and gas networks and in sustainable energy generation capacity during the first half of the year. Two new windfarms, in Nieuwegein (which can supply 7,600 households) and Reusel De Mierden (7,400 households), came on stream and construction of the Delfzijl Noord windfarm, (55,000 households) is nearing completion. The Luchterduinen windfarm in the North Sea (150,000 households) has started to deliver sustainable energy. In this way, we are continuing to contribute to the transition to a sustainable energy system and to the underlying principles of the Energy Agreement."

"Despite the referral to the Court of Appeal, we were disappointed by the recent judgement of the Supreme Court, which ruled that the Independent Network Management Act (Wet Onafhankelijk Netbeheer) does not conflict with European law. Forcing Eneco Group to split itself up into separate network and supply companies is neither in the interests of Eneco nor the sustainable transition of the supply of energy. The Netherlands is the only country in Europe that requires its energy companies to be unbundled. Despite this, the Netherlands allows integrated foreign energy companies to operate in the Dutch market, thus deliberately creating an uneven playing field where those foreign competitors have an unfair advantage over Eneco. Accordingly, we are calling on politicians to decide if actual forced unbundling of a healthy Dutch company is useful and necessary."

### **Results for the first half of 2015**

Eneco Group can look back on its results for the first six months of 2015 with satisfaction. The company is reaping the benefits of several cost-saving programmes and has fine-tuned its strategic course as shown by the development of new, innovative energy services for customers. Customers have also benefited from lower energy costs during this half-year as a result of a fall in energy prices and a cut in regulated tariffs for the transmission of energy.

Guido Dubbeld, CFO of Eneco Group: "Revenue and results were lower than in the first six months of 2014. Nevertheless, we are content since, despite ongoing difficult market conditions, we succeeded in limiting the falls in revenue and profit. Efficiency improvements at several business units and better energy purchasing contracts contributed to this."

Eneco Group recorded revenue of €2,363 million and a profit after income tax of €144 million in the first half of 2015. These are falls of 3% and 7% respectively compared with the same period in 2014, when revenue was €2,444 million and a profit after income tax of €155 million was earned.

### **Result developments**

The gross margin on sales and transmission of gas, electricity and heating and related activities rose by €70 million (9%) to €847 million. This increase compared with the previous half-year was enhanced by lower energy sales in 2014 resulting from the relatively mild weather and non-recurring items. Adjusted for these, there was a fall in 2015 as a result of the further reduction in regulated tariffs for energy transmission. There was a positive effect from the expansion of the wind farms, the purchase of heat production assets in Utrecht on 2 January 2015 and the buy-out

and restructuring of energy purchase contracts in 2014, for which non-recurring charges had been recognised in 2014. From 2015, we benefit from the structural improvement in the margin on conventional generation.

Operating expenses excluding depreciation totalled €497 million. Despite the additional costs brought about by growth in our activities, this was €38 million (7%) lower than for the same period last year. The reduction is largely a result of efficiency improvement programmes started in various business units last year. Amortisation and depreciation expense this half-year was €241 million, which is €148 million more than in the first half of 2014. €140 million of this was as a result of the reversal of impairment last year, and the remainder is mainly because of growth in our activities. Consequently, operating profit (EBIT) was €218 million, €45 million (17%) lower than in 2014 (€263 million). Net financial expense fell by €22 million to €34 million as there were fewer non-recurring items and lower interest-bearing debt.

### **Our production, trading and supply activities**

The weather during this half-year was more typical than the very warm first half of 2014. Consequently, our customers' consumption of gas and heating rose to a normal level. The decline in revenue was a result of lower prices to our customers, a fall in average consumption per customer and a smaller customer base. Wind conditions were similar to last year. Our sustainable energy production increased thanks to new wind farms coming on stream. Available sustainable generation capacity rose from 1,680 MW at the end of 2014 to 1,843 MW (enough to supply over 1.1 million households) at 30 June 2015.

Operating profit (EBIT) from production, trading and supply activities in the first half of this year fell to €89 million (first half of 2014: €117 million<sup>1</sup>), a reflection mainly of non-recurring items last year, while there was also a structural improvement in the result in 2015 from the restructuring of energy purchase contracts and the fall in operating expenses.

### **Our network and engineering activities**

The new regulatory period for grid operators started in 2014. This means that the tariffs we are permitted to charge customers for the transmission of electricity and gas will fall each year for three years. This is reflected in the revenue from our network activities, which fell, once again, by €37 million (7%) compared with the same period last year, while the cost of transmission increased, putting further pressure on the margin for these activities. Operating costs decreased. Under the name ReVisie, our network and engineering organisations were combined from 1 January 2015. This efficiency improvement will allow us to offer our customers an even more effective and efficient service and create greater scope for investing in future-proof energy networks.

The average interruption in electricity supply due to faults in the network was 13.3 minutes per customer in the first six months of 2015 (first half of 2014: 9.4 minutes). This was just above the target because of a major interruption on 26 June that affected over 130,000 customers in The Hague and Rijswijk.

Operating profit (EBIT) on network and engineering activities fell from €171 million<sup>1</sup> in the first half of 2014 to €143 million in the first half of 2015.

<sup>1</sup> From 1 January 2015, the activities of our former engineering companies CityTec and Joulz Energy Solutions were merged into our production, trading and supply activities and those of Stedin Operations into our network and engineering activities. The comparative figures for the first half of 2014 have been restated accordingly..

## Customers

On 1 January, Eneco started supplying electricity to all the railway companies in the Netherlands under a ten-year contract signed in 2014. Initially, 50% of the electricity supplied will be generated from wind turbines and this will rise to 100% from 2018, meaning that NS customers will enjoy fully sustainable rail travel in the near future.

In January, Eneco UK presented plans for the development of the 59 MW Macritch Hill Wind Farm (18 turbines) to supply electricity to Scottish Water.

In May, Joulz Energy Solutions started construction of the 150 kV Middenmeer sub-station. Joulz will be responsible for the entire development, including all engineering, procurement, construction, commissioning and for the handover of the high voltage station. Joulz faced international competition in the tender stage.

Stedin started using a new type of charging point for electric cars in June. These can recharge electric cars' batteries but also supply power from the battery to the grid, allowing a reserve of power to be created, for example if there is a brief power cut.

Eneco Belgium launched a group offer of solar panels in the province of West-Vlaanderen. Eneco customers and others can apply without obligation for the supply and installation of solar panels. Eneco wants this campaign to reduce reluctance to opting for solar energy.

## Investments

Eneco made further major investments of €380 million in sustainable energy supply in the first half of 2015. In the first half of 2014, the investments were even greater (€423 million) as major projects which are now in use were still under construction. These were the Leiding over Noord (transporting residual heat from the Botlek to Rotterdam providing sustainable heating to households and businesses) and Haringvliet (construction of a 19-kilometre high-voltage link between Voorne-Putten and Goeree Overflakkee).

Major progress was made on construction of the Delfzijl-Noord wind farm and the Luchterduinen wind farm came on stream in the first half of 2015. In total, during this half-year we invested €138 million in wind farms in the Netherlands (in Laarakkerdijk in Reusel De Mierden and the farms previously referred to), Belgium (Libeccio) and the United Kingdom (Twinshiels, Moy, Burn of Whilk).

We also invested in district heating networks and in heat production facilities in Utrecht (€69 million). We are also continuing to invest significant sums improving and expanding our electricity and gas networks and offering smart meters (in total €159 million).

On 1 January 2015, we disposed of our high-voltage networks in Zuid-Holland and Utrecht to the national network manager TenneT, as required by law. The transaction for the Zuid-Holland network has been completed. Beneficial ownership of the Utrecht network has been transferred and legal ownership is expected to be transferred later this year.

## Safety

We place great importance on creating a safe working environment for our employees and contractors, customers and local residents. Safety as expressed in the Recordable Incident Rate (RIF) was better than our target during the past half year but the number of accidents involving time off work (LTI) was above target and so we are continuing to pay attention to our approach to safety.

## Outlook

We are confident of further developments at Eneco Group. Nevertheless, market conditions are challenging and will remain so for the time being, also in view of the current discussion on unbundling. Against this background we expect the result for 2015 will be comparable with the result for 2014.

**Note to the editor**

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**Annexes:**

Consolidated income statement

Consolidated balance sheet

Consolidated cash flow statement

## Consolidated income statement

x € 1 million	First half 2015	First half 2014
Revenues from energy sales and transmission and energy related activities	2,254	2,330
Purchases of energy and transmission and energy related activities	1,407	1,553
<b>Gross margin</b>	<b>847</b>	<b>777</b>
Other revenues	109	114
<b>Gross margin and other operating revenues</b>	<b>956</b>	<b>891</b>
Employee benefit expenses	206	203
Cost of contracted work and other external costs	277	315
Depreciation and impairment of property, plant and equipment	224	76
Amortisation and impairment of intangible assets	17	17
Other operating expenses	14	17
<b>Operating expenses</b>	<b>738</b>	<b>628</b>
<b>Operating profit</b>	<b>218</b>	<b>263</b>
Share of profit of associates and joint ventures	7	4
Financial income	6	8
Financial expenses	- 40	- 64
<b>Profit before income tax</b>	<b>191</b>	<b>211</b>
Income tax	- 47	- 56
<b>Profit after income tax from continued operations</b>	<b>144</b>	<b>155</b>
Profit after income tax from discontinued operations	-	-
<b>Profit after income tax</b>	<b>144</b>	<b>155</b>
<b>Profit distribution:</b>		
Profit after income tax attributable to holders of Eneco Holding N.V. perpetual subordinated bonds	6	-
Profit (loss) after income tax attributable to non-controlling interests	- 1	-
Profit after income tax attributable to shareholders of Eneco Holding N.V.	139	155
<b>Profit after income tax</b>	<b>144</b>	<b>155</b>

Unaudited.

## Consolidated balance sheet

x € 1 million	At 30 June 2015	At 31 December 2014	At 30 June 2014
<b>Non-current assets</b>			
Property, plant and equipment	7,696	7,526	7,348
Intangible assets	325	338	370
Financial assets	245	268	250
<b>Total non-current assets</b>	<b>8,266</b>	<b>8,132</b>	<b>7,968</b>
<b>Current assets</b>			
Assets held for sale	15	121	79
Intangible assets	19	11	11
Inventories	81	59	59
Trade receivables	609	747	706
Other receivables <sup>1</sup>	215	164	155
Derivative financial instruments	119	248	239
Cash and cash equivalents	133	606	270
<b>Total current assets <sup>1</sup></b>	<b>1,191</b>	<b>1,956</b>	<b>1,519</b>
<b>TOTAL ASSETS <sup>1</sup></b>	<b>9,457</b>	<b>10,088</b>	<b>9,487</b>
<b>Equity</b>			
Equity attributable to Eneco Holding N.V. shareholders	4,767	4,683	4,626
Perpetual subordinated bonds	509	501	-
Non-controlling interests	4	4	5
<b>Total equity</b>	<b>5,280</b>	<b>5,188</b>	<b>4,631</b>
<b>Non-current liabilities</b>			
Provisions for employee benefits	30	32	30
Other provisions	82	86	82
Deferred income tax liabilities	424	424	433
Derivative financial instruments	119	176	161
Interest-bearing debt	1,782	1,785	1,738
Other liabilities	428	419	382
<b>Total non-current liabilities</b>	<b>2,865</b>	<b>2,922</b>	<b>2,826</b>
<b>Current liabilities</b>			
Liabilities held for sale	3	1	2
Provisions for employee benefits	2	3	2
Other provisions	16	30	34
Derivative financial instruments	94	225	211
Interest-bearing debt	56	115	456
Current income tax liabilities	54	42	28
Trade and other liabilities <sup>1</sup>	1,087	1,562	1,297
<b>Total current liabilities <sup>1</sup></b>	<b>1,312</b>	<b>1,978</b>	<b>2,030</b>
<b>TOTAL EQUITY AND LIABILITIES <sup>1</sup></b>	<b>9,457</b>	<b>10,088</b>	<b>9,487</b>

<sup>1</sup> 2014 figures restated for comparative purposes.

## Consolidated cash flow statement

x € 1 million	First half 2015	First half 2014
<b>Profit after income tax</b>	<b>144</b>	<b>155</b>
Total adjustments for cash flow from business operations	19	231
Total of dividend received from associates, interest paid and received and income tax paid	- 75	- 46
<b>Cash flow from operating activities</b>	<b>88</b>	<b>340</b>
<b>Cash flow from investing activities <sup>1</sup></b>	<b>- 359</b>	<b>- 444</b>
Dividend payments	- 104	- 119
Movement in non-controlling interests	1	-
Movement in non-current interest-bearing debt	- 29	- 155
Movement in current interest-bearing debt	- 70	392
<b>Cash flow from financing activities</b>	<b>- 202</b>	<b>118</b>
<b>Movements in cash and cash equivalents</b>	<b>- 473</b>	<b>14</b>
Balance of cash and cash equivalents at 1 January	606	238
Balance of cash and cash equivalents in acquired subsidiaries <sup>1</sup>	-	22
Balance of cash and cash equivalents on disposed subsidiaries and disposal of consolidated entities <sup>1</sup>	-	- 4
<b>Balance of cash and cash equivalents at 30 June</b>	<b>133</b>	<b>270</b>

<sup>1</sup> 2014 figures restated for comparative purposes.

Unaudited.