Press release

Eneco Group achieves stable financial results in the first half of 2016

- → Profit after income tax stable at €139 million
- → Lower energy prices; revenue falls to €2,076 million
- → €230 million invested in sustainable energy generation and networks

ROTTERDAM, 5 August 2016 – The sustainable energy company Eneco Group recorded satisfactory results for the first six months of 2016. Profit after income tax was €139 million, slightly less than the €144 million made by the company in the same period last year. The grid operator (Stedin) and the energy company (Eneco) contributed more or less equally to the result. Revenue fell to €2,076 million (first half of 2015: €2,363 million), mainly as a result of lower prices for electricity and gas.

Guido Dubbeld, CFO of Eneco Group, regards the results as satisfactory: *'We have now cut our tariffs for electricity and gas for the eighth time in a row. This is good news for our customers. Fortunately, we have been able to make this up to a large extent since purchase prices for energy have also fallen. A reduction of some 200 FTEs in our workforce meant that the employee benefits expenses were also lower. Against this, a higher level of operations, such as the roll-out of smart meters, the sale of the Toon intelligent thermostat and the construction of new wind farms, involved an increase in external costs.'*

Guido Dubbeld, CFO

Investments

New windfarms

€17 million

Solar farms

€4 million

Gas and electricity transmission networks

€182 million

Smart meters

130,000

Investment in the first half of the year amounted to €230 million, compared with €380 million for the first half of last year. The fall was a result of the completion of large wind projects and the acquisition of a heat plant in Utrecht in 2015. During this half year, we invested €17 million in new wind farms (United Kingdom and Belgium), €4 million in solar farms (Belgium and the Netherlands), €14 million in district heating grids and €7 million in generation (Bio Golden Raand and the heat plant in Utrecht).

Stedin invested €182 million in the gas and electricity transmission networks (first half of 2015: €159 million). Most of the increase came from the accelerated roll-out of smart meters (total of €39 million compared with €17 million in the first half of last year). In the first six months of this year, Stedin offered smart meters to over 161,000 customers, resulting in about 130,000 being installed. The target is to offer 343,000 meters in the full year.

In March, Eneco Group and Mitsubishi Corporation agreed a refinancing of the Eneco Luchterduinen offshore wind farm, which they jointly own. Japan Bank for International Cooperation, BNP Paribas Fortis, Mizuho, Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank made some €450 million available for the refinancing of this wind farm, which is 22 kilometres off the coast at Noordwijk. Guido Dubbeld says this refinancing is a significant milestone: 'Eneco and Mitsubishi Corporation constructed the farm using their own resources. With the refinancing, we have recovered a large portion of this and are using these funds to invest in new sustainable projects.' Eneco and Mitsubishi Corporation both own 50% of the wind farm. The 43 wind turbines at Eneco Luchterduinen have been operational since August 2015. The farm has the capacity to generate 129 MW of green electricity, which is equivalent to the annual consumption of about 150,000 households.

In a joint project with the municipality of Ameland and the Amelander energy co-operative, Eneco has built a large solar farm on Ameland that is designed to provide sufficient energy for the island's population and businesses. This is part of the strategy to provide the island entirely with locally and mainly sustainably generated energy by 2020. The solar farm consists of 23,000 solar panels and so can generate sufficient power for the 1,500 households on the island.

Stedin took a new electricity sub-station in Oranjelaan Dordrecht into use. It allows Stedin to improve the reliability of the energy network in the region and also creates more capacity in the electricity network to enable customers to feed in increasing amounts of electricity. The Oranjelaan sub-station is part of a €31 million investment for modernising the electricity network in Dordrecht and Zwijndrecht.

There was a lot of media attention for the introduction of the HeatWinner (WarmteWinner), an innovative, compact heat pump that heats a house by drawing warmth from ventilating air. The appliance is about the same size as a storage box and is installed next to an existing central heating boiler. The HeatWinner takes over most of the provision of heat from the boiler, which uses much less gas as a result. Eneco developed the HeatWinner with Inventum, a company that has supplied household appliances, including heat pumps, for over a hundred years. Over 12,500 advance applications have now been received. Production of HeatWinners will start in September and we expect to have installed over 300 by the end of the year.

In May, Eneco announced it was taking a minority interest in software company Simaxx. With its investment in this company, Eneco is focusing more specifically on the market for energy saving in and smart management of buildings. Simaxx has developed a platform that gives property owners insight into the performance of their buildings. The platform can read and analyse data from many different sources in a building, such as climate management, solar panels or a smart meter. This allows the manager or owner to 'control' , for example, the energy consumption, air quality or lighting of a building. The software, which monitors the building 24 hours a day, is currently in use in over 200 buildings in the Netherlands. Simaxx has been able to reduce energy consumption in these buildings by an average of 20%, while the interior climate is demonstrably more comfortable and healthy for the occupants. For Eneco, this investment is a further step towards making the built environment more sustainable.

Interest in Simaxx

>200
buildings in the Netherlands

Refinancing offshore wind farm Luchterduinen

€450
million

Ameland

Solar farm

23,000
solar panels

HeatWinner

12,500
advance applications

Customers

Technical University Delft Netherlands

More sustainable campus

MARS United Kingdom

All offices and plants fully sustainable

PostNL Netherlands

Improved sustainability of all sorting offices

Delft University of Technology has entered into an alliance with Eneco to purchase only energy generated sustainably in the Netherlands from 2017. Opting for green energy is in line with the university's strategy of making its campus highly sustainable and to halve CO_2 emissions by 2020 compared with 2012. Using green electricity from Eneco's Luchterduinen wind farm cuts the university's CO_2 emissions by 60%.

In the United Kingdom, Mars announced that it would take power for a period of ten years from the Moy wind farm that Eneco put into operation in the spring. This farm has a capacity of 60 MW, equivalent to the consumption of 34,000 households. The power generated is sufficient to make all Mars offices and factories in the United Kingdom fully sustainable.

PostNL and Eneco have entered into an agreement to install 22,000 solar panels on 19 sorting offices. Together, these panels will generate green power equivalent to the consumption of 1,500 households each year. Eneco will install 1,160 panels at each site, which is sufficient to meet over 40% of the electricity consumption of an average parcel sorting office.

Result developments

Revenue
First half 2016
€2,076 million

Gross margin on sales and transmission
First half 2016
€894 million

Operating expenses
First half 2016
€793 million

Operating profit
First half 2016
€215 million

Profit after income tax
First half 2016
€139 million

Total revenue was €2,076 million in the first half of 2016. This represents a fall of €287 million (12%) compared with the same period in 2015 (€2,363 million), mainly as a result of the price cuts for energy. The gross margin on sales and transmission of gas, electricity and heating and related activities rose by €47 million to €894 million, mainly because a number of large wind farms came on stream during the second half of 2015. The weather had only a limited effect on the result: the temperature in 2016 has been slightly higher on average than in 2015 and, as in the previous year, wind conditions have been less favourable than the long-term average.

Total operating expenses rose by 7% to €793 million (first half of 2015: €738 million). We incurred additional costs from developing new innovative services, growth, roll-out of smart meters, tax for encroachments on or over public land charged by municipalities and preparations for the impending unbundling of Eneco Group into a grid operator and a production and supply company. Employee benefits fell because of a reduction in the number of staff, increased involvement of Eneco staff in investment projects where the costs are capitalised, and a non-recurring gain from updating employee provisions in line with current information.

With higher margins and costs, operating profit came out at the same level as last year: €215 million (first half of 2015: €218 million). Eneco Group's profit after income tax was also almost unchanged, falling slightly from €144 to €139 million.

Our production, trading and supply activities

Revenue fell, mainly as a result of lower prices for gas and, to a smaller extent, for electricity. In contrast the margin improved significantly. As well as better results from trading activities, this was mainly due to large wind farms such as Luchterduinen, Delfzijl Noord and Burn of Whilk that came on stream in 2015 and, more recently, Zeebrugge and Moy in 2016. This increase in our own sustainable energy generation cut external purchases and improved the margin but, at the same time, raised operating expenses and depreciation. The improvements in efficiency are, however, also bearing fruit. The number of staff fell by over 200 FTEs and so employee benefits were down. Despite the new farms, the depreciation charge fell since we wrote off development costs last year. Operating profit for the six months was €128 million, 47% higher than in the first half of 2015 (€87 million).

Our network and engineering activities

Revenue from regulated activities and the associated transmission purchase costs were fairly stable. Other revenues saw a slight increase from other commercial services. Total operating expenses rose by €21 million compared with the first half of 2015. The number of employees rose by about 50 FTE as a result of an increase in the Construction and Replacement and Metering services departments in particular. Employee benefits fell, however, in part because more of the company's staff worked on investment projects where the salary costs were capitalised.

Cost of contracted work and other external costs rose for various reasons including the rollout and telecommunications costs of smart meters, an increase in depreciation in maintenance and replacement, integration-related costs and the growth in commercial activities at Stedin Services. Other operating expenses rose mainly because of an increase in the tax for encroachments on or over public land that municipalities charge Stedin, and greater materials costs for maintenance. Depreciation was slightly lower.

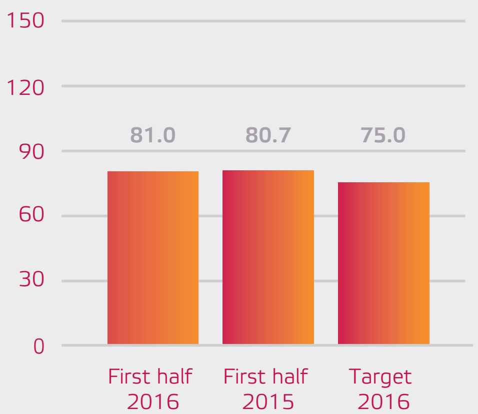
The operating profit of our network and engineering activities fell by €22 million compared with the same period last year to €123 million.

Interruption duration

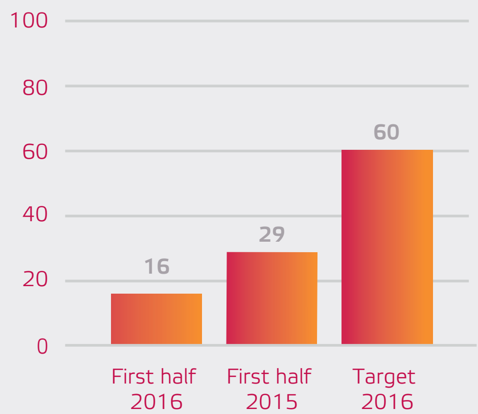
The average duration of each unforeseen interruption in our electricity networks was 81.0 minutes. The figure was 80.7 in the first half of 2015. This is six minutes above the target for 2016 of 75 minutes. It is expected that we will achieve the target of 75 minutes in the second half of the year as a result of all the ongoing improvement projects and initiatives.

The duration of interruptions in our gas networks in the first half of 2016 was 16 seconds compared with 29 seconds in the first half of 2015. This is an improvement compared with last year, mainly because we faced fewer large interruptions within Stedin's area of service in 2016. The gas networks interruption duration of 16 seconds is below our target of 60 seconds.

Interruption duration electricity (in minutes)



Interruption duration gas (in seconds)



Safety

We pay a lot of attention to a safe (working) environment for our employees and for the (sub-) contractors that we hire as well as for our customers and the local residents. Over the past half year, our safety performance, expressed in the 'recordable incident rate (RIF)' score, exceeded our target.

The number of accidents resulting in absenteeism (LTIs) was below target. Therefore, we can look back on a good safety performance in the first half of this year. We will continue to pay attention to the further improvement of our approach to safety.

Outlook

Eneco Group is well positioned to benefit from the turbulent and dynamic developments in the energy market. The company is developing into a valued partner for customers and now offers a comprehensive package of services and products that give customers control over their own energy supply. Nevertheless, the company is facing challenging market conditions and preparing for the unbundling from 31 January 2017 into a grid operator and a production and supply company as required by the Independent Network Management Act (*Wet Onafhankelijk Netbeheer*). Against this background, we are not forecasting a result for the full year 2016.

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 2016	First half 2015
Revenues from energy sales and transmission and energy related activities	1,962	2,254
Purchases of energy and transmission and energy related activities	1,068	1,407
Gross margin	**894**	**847**
Other revenues	114	109
Gross margin and other operating revenues	**1,008**	**956**
Employee benefit expenses	190	206
Cost of contracted work and other external costs	354	277
Depreciation and impairment of property, plant and equipment	216	224
Amortisation and impairment of intangible assets	17	17
Other operating expenses	16	14
Operating expenses	**793**	**738**
Operating profit	**215**	**218**
Share of profit of associates and joint ventures	3	7
Financial income	2	6
Financial expenses	–37	–40
Profit before income tax	**183**	**191**
Income tax	–44	–47
Profit after income tax from continued operations	**139**	**144**
Profit after income tax from discontinued operations	-	-
Profit after income tax	**139**	**144**
Profit distribution:		
Profit after income tax attributable to holders of Eneco Holding N.V. perpetual subordinated bonds	6	6
Profit (loss) after income tax attributable to non-controlling interests	-	–1
Profit after income tax attributable to shareholders of Eneco Holding N.V.	133	139
Profit after income tax	**139**	**144**

Unaudited.

Consolidated balance sheet

x € 1 million	At 30 June 2016	At 31 December 2015	At 30 June 2015
Non-current assets			
Property, plant and equipment	7,408	7,487	7,696
Intangible assets	303	315	325
Financial assets	254	292	245
Total non-current assets	**7,965**	**8,094**	**8,266**
Current assets			
Assets held for sale	334	325	15
Intangible assets	16	23	19
Inventories	61	71	81
Trade receivables	508	604	609
Other receivables	172	196	215
Derivative financial instuments	167	221	119
Cash and cash equivalents	302	367	133
Total current assets	**1,560**	**1,807**	**1,191**
TOTAL ASSETS	**9,525**	**9,901**	**9,457**
Equity			
Equity attributable to Eneco Holding N.V. shareholders	4,815	4,845	4,767
Perpetual subordinated bonds	509	501	509
Non-controlling interests	3	4	4
Total equity	**5,327**	**5,350**	**5,280**
Non-current liabilities			
Provisions for employee benefits	28	34	30
Other provisions	81	82	82
Deferred income tax liabilities	423	431	424
Derivative financial instruments	74	141	119
Interest-bearing debt	1,789	1,789	1,782
Other liabilities	470	438	428
Total non-current liabilities	**2,865**	**2,915**	**2,865**
Current liabilities			
Liabilities held for sale	20	18	3
Provisions for employee benefits	7	8	2
Other provisions	3	5	16
Derivative financial instruments	110	164	94
Interest-bearing debt	228	54	56
Current income tax liabilities	51	87	54
Trade and other liabilities	914	1,300	1,087
Total current liabilities	**1,333**	**1,636**	**1,312**
TOTAL EQUITY AND LIABILITIES	**9,525**	**9,901**	**9,457**

Unaudited with the exception of 31 December 2015.

Consolidated cash flow statement

x € 1 million	First half 2016	First half 2015
Profit after income tax	**139**	**144**
Adjustments for:		
Total adjustments for cash flow from business operations	83	19
Total of dividend received from associates, interest paid and received and income tax paid	–124	–75
Cash flow from operating activities	**98**	**88**
Cash flow from investing activities	**–232**	**–359**
Dividend payments	–98	–104
Movement in non-controlling interests	–	1
Movement in non-current interest-bearing debt	168	–29
Movement in current interest-bearing debt	–1	–70
Cash flow from financing activities	**69**	**–202**
Movements in cash and cash equivalents	**–65**	**–473**
Balance of cash and cash equivalents at 1 January	367	606
Balance of cash and cash equivalents at 30 June	**302**	**133**

Unaudited.