

# Eneco Group

## Half-year report 2018



(amounts from the condensed interim figures 2018; in € 1 million)

Results	Total revenues	Capital	Ratios
	H1 2018 <b>2,101</b> H1 2017 1,605		
Gross margin and other operating revenues	Operating income before depreciation (EBITDA)	Group equity	Group equity/ total assets
H1 2018 <b>562</b> H1 2017 550	H1 2018 <b>230</b> H1 2017 263	30 June 2018 <b>2,886</b> 31 Dec 2017 2,869	30 June 2018 <b>50.5%</b> 31 Dec 2017 50.7%
Operating profit (EBIT)	Profit after tax from continuing operations	Interest-bearing debt	Credit Rating
H1 2018 <b>115</b> H1 2017 135	H1 2018 <b>75</b> H1 2017 96	30 June 2018 <b>707</b> 31 Dec 2017 735	2018 <b>BBB+</b> 2017 <b>BBB+</b>
Cash flow from operating activities		Balance sheet total	
H1 2018 <b>214</b> H1 2017 382		30 June 2018 <b>5,710</b> 31 Dec 2017 5,656	
		Capital expenditure and acquisitions	
		H1 2018 <b>181</b> H1 2017 207	

# Eneco Group is investing in its organisation in the run-up to privatisation and moving further along its sustainability path

In connection with its pending privatisation, Eneco Group is working hard on preparing the business for this new phase. This requires investment. In combination with the overall effect of a series of non-recurring items, this meant that while the results were still favourable, they turned out lower than in the same period last year. The expansion of a network of strategic partnerships focused on the energy transition is continuing unabated, putting the interests of Eneco Group's customers to the fore.

## New partnerships and innovative, sustainable activities

Customers are central to Eneco Group. Whether they are in the business or retail market, our customers expect us to maintain and expand our leadership in the energy transition. Achieving that requires investment and constant innovation but also expanding our network of partners in the various chains. The energy transition can only happen with collaboration and so during the first half of the year we again entered into several new partnerships, in particular for sustainable wind energy for our customers. From 2019, Eneco, along with local energy collective OM, will supply the municipality of The Hague with sustainable power (including solar) for use in its offices, sports halls and other buildings and facilities.

Eneco Group signed an exclusive Power Purchasing Agreement with YARD ENERGY, a Netherlands-based developer of wind energy projects, under which Eneco Group will purchase 100% of the green electricity generated by six new wind farms in the YARD ENERGY development portfolio for a period of 16 years. This will be enough to supply around 233,000 households with green energy.

An agreement was signed with REScoopNL, an alliance of 135 local wind co-operatives, with the aim of developing more local energy projects. These include both solar and wind but also savings, supply, heat, mobility and storage, from the viewpoint that local involvement is very important for a fast and effective energy transition. This alliance will allow more local projects to be set up more quickly, such as in Weert where Eneco has been working with Weert Energie, a REScoopNL member, on a local wind farm and other projects since 2017.

At the end of May, Europe's largest battery, EnspireME, was ready to supply reserve capacity to the European electricity grid. Eneco and Mitsubishi Corporation are joint owners. Initial experience with the battery has been positive. All our bids for primary regulating capacity have been accepted at the weekly auctions of German/European grid managers. In other words, the battery's capacity is being actively deployed by grid managers to ensure the right voltage in German and European high-voltage grids. In this way, the battery is making an innovative contribution to the energy transition.

In June, we announced that the Borssele III/IV wind farms would definitely be built. The Blauwwind Consortium (in which Eneco Group is a 10% partner) finalised the financing for these wind farms in the North Sea. Total expected production is 3,000 gigawatt hours (GWh) per year and Eneco will take half of this for 15 years to supply business and retail customers with locally-produced green energy. Construction has now started. Construction has also started at the Norther wind farm, 23 kilometres from Zeebrugge off the Belgian coast. Eneco has a 25% share in this farm, which is expected to generate almost 1400 GWh per year.

In the context of innovative services, Eneco and independent investment fund SET Ventures acquired a minority stake in GreenFlux, a supplier of smart charging services for electric vehicles. Eneco eMobility also entered into an agreement with Mobility Service Nederland for electric charging services, with the aim of making electric vehicles more attractive and accessible for company car drivers.

## Result developments

### Higher revenues, higher gross margin

Thanks to the acquisitions of the customer portfolio of Eni in Belgium and the holding in German company LichtBlick in 2017 and of the Dutch customer database of E.ON in 2018, total revenue rose by 31% to €2,101 million (H1 2017: €1,605 million). Excluding these acquisitions, total revenue was almost unchanged.

Gross margin and other operating revenues rose slightly, by 2%, to €562 million. The acquisitions of Eni and LichtBlick contributed positively to this while the expiry of grants for the Prinses Amalia Windpark depressed the margin.

The weather had a similar effect on gross margin as last year. As in 2017, winds were lighter than average in the past half year and so our wind farms generated less energy than usual. 2018 was colder than the previous year but this did not lead to a higher margin since the extra gas supplies had to be bought at higher prices.

### Expenses

In the past half year, Eneco Group incurred higher expenses as a result of the various acquisitions and a number of change processes at the company. Total operating expenses including depreciation and amortisation rose by €32 million (8%) to €447 million.

Additional expenses were incurred in various areas including the integration of Eni in Belgium and E.ON in the Netherlands with Eneco activities. The preparations for the sale of Eneco Group shares also contributed to a higher cost level. The on-going change process for the Dutch organisation that will lead to a better customer experience, partly through digitalisation, has the ultimate aim of improving the result by €100 million by the end of 2019.

Net depreciation and amortisation fell: there was a fall since most of the Prinses Amalia Windpark has been depreciated but, on the other hand, acquisitions of course involve new depreciation and amortisation charges.

## Result

Operating profit (EBIT) fell €20 million to €115 million compared with €135 million in the same period in 2017. The profit after income tax was €75 million, €21 million lower than the first half of 2017.

## Investments

Eneco continues to invest in increasing its customer base and making energy provision more sustainable. In total, Eneco invested €181 million this half year (H1 2017: €207 million), much of this on acquiring E.ON's customer portfolio and assets in the Netherlands. Our investments also included new solar and wind farms (€41 million), district heating generation and networks (€31 million) and modifications to Enecogen (€11 million).

Eneco took over the Dutch sales and supply activities of Uniper Benelux, which operates under the brand name E.ON. Eneco was able to welcome about 200,000 Dutch business and retail customers, creating new opportunities for growth in the area of sustainable energy and innovative energy services.

## Privatisation process

There has been hard work on the preparations for the privatisation of Eneco Group in the past period, during which there was some commotion in the media, ultimately leading to a ruling of the Enterprise Division of the Amsterdam Court of Appeal on 18 July. The Enterprise Division ordered an investigation into the policy on the privatisation of Eneco Group and change of Chief Executive Officer and suspended the chairman of the Supervisory Board. Shortly after the ruling, Edo van den Assem, the chairman of the Supervisory Board, and Marike van Lier Lels, a member of the Supervisory Board, resigned and Charlotte Insinger was appointed by the Enterprise Division as temporary chair of the Supervisory Board. Following the appointment of Ruud Sondag as the new CEO, the shareholders, Board of Management and Supervisory Board are determined and united, along with the Central Works Council, to energetically continue the privatisation of the company.

## Outlook

Our strategy and ambitions for growth give us confidence in the further development of our business. Nevertheless, the integration of new business units, the performance improvement programme and the privatisation process will bring additional expense. Against that background, we expect the result in 2018 to be substantially lower.

# Consolidated income statement

x € 1 million	Note	First half 2018	First half 2017
Revenues from energy sales and energy related activities	3.4	2,065	1,583
Purchases of energy and energy related activities	3	1,539	1,055
<b>Gross margin</b>		<b>526</b>	<b>528</b>
Other revenues		36	22
<b>Gross margin and other operating revenues</b>		<b>562</b>	<b>550</b>
Employee benefit expenses		131	116
Cost of contracted work and other external costs		195	164
Depreciation and impairment of property, plant and equipment		88	107
Amortisation and impairment of intangible assets		27	21
Other operating expenses		6	7
<b>Operating expenses</b>		<b>447</b>	<b>415</b>
<b>Operating profit</b>		<b>115</b>	<b>135</b>
Share of profit of associates and joint ventures		-1	1
Financial income		5	5
Financial expenses		-16	-15
<b>Profit before income tax</b>		<b>103</b>	<b>126</b>
Income tax	6	-28	-30
<b>Profit after income tax</b>		<b>75</b>	<b>96</b>
<b>Profit distribution:</b>			
Profit after income tax attributable to non-controlling interests		-	-
Profit after income tax attributable to shareholders of Eneco Groep N.V.		75	96
<b>Profit after income tax</b>		<b>75</b>	<b>96</b>

Unaudited.

# Consolidated balance sheet

x € 1 million	Note	At 30 June 2018	At 31 December 2017
<b>Non-current assets</b>			
Property, plant and equipment		2,530	2,538
Intangible assets		1,006	976
Financial assets	8	328	314
<b>Total non-current assets</b>		<b>3,864</b>	<b>3,828</b>
<b>Current assets</b>			
Assets held for sale	7	2	214
Intangible assets and inventories		81	58
Trade receivables		701	650
Current income tax and other receivables		272	251
Derivative financial instruments	8	183	190
Cash and cash equivalents		607	465
<b>Total current assets</b>		<b>1,846</b>	<b>1,828</b>
<b>TOTAL ASSETS</b>		<b>5,710</b>	<b>5,656</b>
<b>Equity</b>			
Equity attributable to Eneco Groep N.V. shareholders	9	2,883	2,866
Non-controlling interests	9	3	3
<b>Total equity</b>		<b>2,886</b>	<b>2,869</b>
<b>Non-current liabilities</b>			
Provisions for employee benefits and other provisions	10	103	104
Deferred income tax liabilities		302	306
Derivative financial instruments	8	67	45
Interest-bearing debt		486	453
Other liabilities		131	117
<b>Total non-current liabilities</b>		<b>1,089</b>	<b>1,025</b>
<b>Current liabilities</b>			
Liabilities held for sale	7	2	9
Provisions for employee benefits and other provisions	10	24	14
Derivative financial instruments	8	174	181
Interest-bearing debt		221	282
Trade, current tax and other liabilities		1,314	1,276
<b>Total current liabilities</b>		<b>1,735</b>	<b>1,762</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,710</b>	<b>5,656</b>

Unaudited except for 31 December 2017.

# Consolidated cash flow statement

x € 1 million	Note	First half 2018	First half 2017
<b>Profit after income tax</b>		<b>75</b>	<b>96</b>
Adjusted for:			
Total of dividend received from associates and joint ventures, interest paid and received and income tax paid		217	297
Income tax paid / received		-78	-11
<b>Cash flow from operating activities</b>		<b>214</b>	<b>382</b>
<b>Cash flow from investing activities<sup>1</sup></b>		<b>24</b>	<b>-211</b>
Dividend payments	9	-64	-
Movement of non-current interest-bearing debt		-32	-32
Movement of current interest-bearing debt		-	25
<b>Cash flow from financing activities</b>		<b>-96</b>	<b>-7</b>
<b>Movements in cash and cash equivalents<sup>1</sup></b>		<b>142</b>	<b>164</b>
Balance of cash and cash equivalents at 1 January		465	343
Balance of cash and cash equivalents of disposed consolidated entities		-	-32
<b>Balance of cash and cash equivalents at 30 June</b>		<b>607</b>	<b>475</b>

<sup>1</sup> First half-year 2017 restated for comparison purposes.

Unaudited.