Eneco Group

Half-year report 2017

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Autonomous Eneco Group achieves strong results for the first half of 2017

Eneco Group recorded good results for the first six months of 2017. Operating profit increased by 34%, thanks in part to organic growth in Belgium and an acquisition in Germany. The overall number of customers also grew and the company took further steps on innovation and new energy services. Consequently, we can look back on a good first period following the unbundling of the grid operator on 1 February.

Investments

Eneco Group invested €269 million in sustainable generation, assets and acquisitions in the first half year (H1 2016: €51 million). We invested €30 million in expanding sustainable solar and biomass activities, including the acquisition of some large solar farms and converting our Bio Golden Raand bio-mass power station to deliver bio-steam to AkzoNobel. The investment in wind farms was at the same level as last year (€14 million) but we invested considerably more in expanding and replacing district heating networks (€22 million compared with €14 million in H1 2016) and in the second half of 2017 we will start construction of the BioWarmte Installatie Lage Weide plant that will deliver sustainable heat to 22,000 households in Utrecht and Nieuwegein from early 2019. Finally, in March we were given the green light to construct a solar farm with 50,000 panels in Tholen in Zeeland.

Future-proof

In the first half of 2017, Eneco also took major steps towards preparing the energy system for the growing supply of sustainable energy. Wind turbines and solar panels are increasingly taking over power generation from existing fossil fuel power stations but those power stations still have a role, keeping the power grid in balance by providing reserve capacity. Consequently, Eneco and its partner Mitsubishi Corporation are building a 'super-battery'. This battery, the largest in Europe, will soon be able to store over-production of local wind energy and supply reserve capacity to the European electricity grid and so is a sustainable alternative to back-up from coal- and gas-fired power stations.

We also announced a non-controlling interest in Next Kraftwerke, the operator of one of the largest virtual power stations in Europe. This company is able to manage more than 4,000 connected decentralised energy sources to balance fluctuations in the power grid. Digitalisation and technologies such as virtual power plants are contributing to the transition towards decentralised and sustainable energy generation and consumption. The experience and specific expertise of an innovative company such as Next Kraftwerke make a huge contribution to this field and so are of great value to Eneco Group. This is also true of the agreement we entered into with the Delft start-up Peeeks for using its digital energy platform to better align generation by our wind farms with demand for wind energy.

New services

Toon, Eneco's smart thermostat and smart home platform, continues to make headway and has now been installed in 320,000 homes in the Netherlands. The platform is also growing internationally: from the autumn, Spanish households will join those in the Netherlands and Belgium in being able to save energy using Toon under an agreement that Eneco's subsidiary Quby entered into with the Spanish energy company, Viesgo, which serves about 720,000 customers in its home market. In addition, Quby is running several pilots introducing Toon abroad through other companies.

In March, Eneco Group took a further step in smart homes when it announced a non-controlling interest in software company ONZO, which has developed a platform that uses data generated by smart meters to recognise and analyse energy consumption of household appliances. Along with tips tailored to customers such as 'replace your old fridge with a more efficient model', ONZO offers an app that encourages them to make savings in their household energy consumption. We expect that this smart, detailed insight will be of considerable added value to our customers.

The innovative SolarHub concept announced last year, which allows consumers without a suitable roof to purchase solar panels on, for example, the roof of commercial premises, is catching on. All 170 solar panels in the first SolarHub on the roof of a Rabobank in Etten-Leur were sold within a short period in the first quarter. New SolarHubs are planned for large roofs in Gorinchem, Goedereede and elsewhere.

Customers

Eneco Group's overall number of retail customers increased in the first half of 2017, thanks in particular to a growing number of customers in Belgium and Germany. We will gain substantial further customers with the acquisition of ENI Belgium's activities, making Eneco the third largest energy supplier in Belgium.

Eneco recently entered into a major contract with Royal Schiphol Group for the supply of Dutch wind energy to Schiphol Airport, Rotterdam The Hague Airport, Eindhoven Airport and Lelystad Airport. The contract is for 200 gigawatt hours of green power from new wind farms per year for a period of 15 years; the equivalent of the annual consumption of about 60,000 households.

In January, Henk Kamp, Minister of Economic Affairs, and AkzoNobel, Eneco and Groningen Seaports officially inaugurated bio-steam at Chemie Park Delfzijl. For this, Eneco converted its Bio Golden Raand biomass power station into a cogeneration plant that now delivers bio-steam as well as green power to its 'neighbour' AkzoNobel. The conversion has made the largest bio-energy power station in the Netherlands even more efficient: Bio Golden Raand can now deliver twice as much sustainable energy from the same amount of biomass. AkzoNobel has made 10% of its Dutch energy consumption green in one go by moving from gas-generated to sustainable steam. As well as less dependence on fossil fuels, this also represents a reduction of about 100,000 tonnes of CO_2 per year.

At the end of 2016, Eneco and Unilever entered into an agreement on the delivery of Dutch wind power to all Unilever's sites in the Netherlands. In May, this was joined by a green energy agreement for all Unilever's sites in the United Kingdom. The 23 wind turbines in Eneco's Lochluichart wind farm in the Scottish Highlands supply some 165 gigawatt hours of green energy to Unilever's 15 production sites.

Partnerships

Where possible, Eneco Group seeks alliances with customers, suppliers and partners to accelerate the energy transition. Together with Siemens, Shell, Van Oord and the Port of Rotterdam Authority, we have initiated the TransitieCoalitie, an alliance of 55 Dutch companies which, among other things, is calling for a Climate Act and a Minister of Energy. In February, they met to call on the new government to give priority to the climate. At the end of March, Eneco and Gasunie, the Port of Rotterdam Authority, the Province of Zuid-Holland and Warmtebedrijf Rotterdam set up the Warmtealliantie. This alliance is examining ways to achieve a large reduction in CO_2 by using heat available from the Port of Rotterdam for heating about 500,000 households.

Eneco and Sustainder, Huawei, Bouwfonds and Luminext will set up a test bed on the Delft University of Technology campus designed to make towns more attractive, safer, more comfortable and healthier. The test bed, which incorporates sensors in street lamps to measure air quality, traffic density and noise, is part of The Green Village on the campus. In Amsterdam, Eneco entered into an alliance with NDSM Energy, a commercial co-operative, to create local energy solutions with businesses in the NDSM-Werf ranging from the installation of solar panels to the use of batteries to deal with peak loads.

Result developments

We can look back on strong financial results for the past six months. Operating profit (EBIT) went up significantly by 34% from €101 million to €135 million. Total revenue rose by 7% in the first half of 2017 to €1,605 million, thanks to the acquisition of a large holding in the German company LichtBlick and organic growth in revenue in Belgium. This offset a slight fall in revenue in the Netherlands, caused mainly by recent falls in energy prices that we passed on to our customers. Gross margin and other revenues increased from €505 million to €550 million (9%). This was explained in part by acquisitions and new solar and wind farms that came on stream in the past year. The weather had a less favourable effect on the margin. Winds were lighter than usual in the past half year and so our wind farms delivered less energy then expected. Finally, it was slightly warmer than last year and so the margin on gas was lower..

Total operating expenses rose by 3% to €415 million, mainly because of acquisitions. Costs in the Netherlands fell as a result of cost-saving measures and the restructuring of our organisation. Amortisation and depreciation rose as a result of acquisitions. Financial income and expenses were affected last year and at the start of this year by the internal financing relationships existing before the unbundling. Profit after income tax from continued operations was €96 million, 25% higher than in the first half of 2016 (€77 million).[1]

Safety

Our safety performance in the first half of the year was good. Safety as expressed in the Recordable Injury Frequency (RIF) was much better than our target during the past six months and the number of accidents involving time off work (LTI) was well below target. We will continue to pay attention to our approach to safe working in future.

1 Note on comparison with the 2016 half year figures
Until 1 July 2016, the Group transmitted energy (electricity and gas) through Stedin Netbeheer and Stedin Diensten but these activities were disposed of outside Eneco in preparation for the unbundling of Eneco Holding N.V. (now Stedin Holding N.V.) into an energy company and a grid operator. These activities have been excluded from the comparative figures and their net result has been recognised in the comparative figures for 2016 as 'Result after income tax from discontinued operations' (€90 million) and do not apply in 2017.

Shareholders

Fifty-three Dutch municipalities are shareholders of Eneco Group. They have made it possible for Eneco to develop into a large, autonomous and sustainable energy company. Following the actual unbundling in January, the shareholders can now consider their ownership of Eneco Group. That process is under way and in this context Eneco sent a 'message to the shareholders' in June to allow them to make a well-informed decision.

Outlook

By continuing our strategy and with our holding in LichtBlick and the acquisition of ENI Belgium in July, we expect to record a higher operating profit than last year's.

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Consolidated income statement

x € 1 million	Note	First half 2017	First half 2016
Revenues from energy sales and energy related activities	3	1,583	1,469
Purchases of energy and energy related activities	3	1,055	999
Gross margin		**528**	**470**
Other revenues		22	35
Gross margin and other operating revenues		**550**	**505**
Employee benefit expenses		116	102
Cost of contracted work and other external costs		164	175
Depreciation and impairment of property, plant and equipment		107	103
Amortisation and impairment of intangible assets		21	15
Other operating expenses		7	9
Operating expenses		**415**	**404**
Operating profit		**135**	**101**
Share of profit of associates and joint ventures		1	3
Financial income		5	2
Financial expenses		-15	-7
Profit before income tax		**126**	**99**
Income tax	5	-30	-22
Profit after income tax from continued operations		**96**	**77**
Profit after income tax from discontinued operations (network activities)	6	-	90
Profit after income tax		**96**	**167**
Profit distribution:			
Profit after income tax attributable to non-controlling interests		-	-
Profit after income tax attributable to shareholders of N.V. Eneco Beheer		96	167
Profit after income tax		**96**	**167**

Unaudited.

Consolidated statement of comprehensive income

x € 1 million	Note	First half 2017	First half 2016
Profit after income tax		**96**	**167**
Unrealised gains and losses that will not be reclassified to profit or loss			
Adjustment fair value regulated networks			-25
Unrealised gains and losses that may be reclassified to profit or loss			
Exchange differences		-4	-10
Unrealised gains and losses on cash flow hedges		4	-37
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations		-3	9
Share in unrealised gains and losses of associates and joint ventures, after taxes		3	-
Total other comprehensive income		**-**	**-63**
Total comprehensive income		**96**	**104**
Profit distribution:			
Non-controlling interests		-	-
Shareholders of N.V. Eneco Beheer		96	104
Total comprehensive income		**96**	**104**

Unaudited.

Consolidated balance sheet

x € 1 million	Note	At 30 June 2017	At 31 December 2016
Non-current assets			
Property, plant and equipment		2,472	2,499
Intangible assets		671	282
Financial assets	7	481	231
Total non-current assets		**3,624**	**3,012**
Current assets			
Assets held for sale	6	12	12
Intangibe assets and inventories		50	52
Trade receivables		440	500
Current income tax and other receivables		207	999
Derivative financial instruments	7	85	155
Cash and cash equivalents		475	343
Total current assets		**1,269**	**2,061**
TOTAL ASSETS		**4,893**	**5,073**
Equity			
Equity attributable to N.V. Eneco Beheer shareholders		2,863	3,118
Non-controlling interests		3	3
Total equity		**2,866**	**3,121**
Non-current liabilities			
Provisions for employee benefits and other provisions		83	79
Deferred income tax liabilities		269	187
Derivative financial instruments	7	24	56
Interest-bearing debt		513	388
Other liabilities		117	110
Total non-current liabilities		**1,006**	**820**
Current liabilities			
Liabilities held for sale	6	9	9
Provisions for employee benefits and other provisions		14	13
Derivative financial instruments	7	68	129
Interest-bearing debt		115	27
Trade, current tax and other liabilities		815	954
Total current liabilities		**1,021**	**1,132**
TOTAL EQUITY AND LIABILITIES		**4,893**	**5,073**

Unaudited except for 31 December 2016.

Consolidated cash flow statement

x € 1 million	Note	First half 2017	First half 2016
Profit after income tax		**96**	**167**
Adjusted for:			
Total adjustments for cash flow from business operations		297	71
Total of dividend received from associates and joint ventures, interest paid and received and income tax paid		-11	-55
Cash flow from operating activities		**382**	**183**
Cash flow from investing activities		**-272**	**-226**
Dividend payments	8	-	-
Movement of non-current interest-bearing debt		-32	201
Movement of other current interest-bearing debt		25	-
Cash flow from financing activities		**-7**	**201**
Movements in cash and cash equivalents		**103**	**158**
Balance of cash and cash equivalents at 1 January		343	211
Balance of cash and cash equivalents on acquisition of subsidiaries	4	61	-
Balance of cash and cash equivalents on disposal of consolidated entities		-32	-
Balance of cash and cash equivalents at 30 June		**475**	**369**

Unaudited.

Consolidated statement of changes in equity

x € 1 million	Note	Paid-up and called-up share capital	Share premium	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Equity attributable to N.V. Eneco Beheer shareholders								
At 1 January 2017		**122**	**-**	**-**	**1**	**30**	**2,965**	**3,118**	**3**	**3,121**
Profit after income tax		-	-	-	-	-	96	96	-	96
Total other comprehensive income		-	-	-	-5	5	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-5**	**5**	**96**	**96**	**-**	**96**
Dividend payment to Stedin Holding N.V.	8	-	-	-	-	-	-351	-351	-	-351
At 30 June 2017		**122**	**-**	**-**	**-4**	**35**	**2,710**	**2,863**	**3**	**2,866**

x € 1 million	Note	Paid-up and called-up share capital	Share premium	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Equity attributable to N.V. Eneco Beheer shareholders								
At 1 January 2016		**122**	**34**	**779**	**15**	**90**	**5,434**	**6,474**	**4**	**6,478**
Profit after income tax		-	-	-	-	-	167	167	-	167
Total other comprehensive income		-	-	-25	-10	-28	-	-63	-	-63
Total comprehensive income		**-**	**-**	**-25**	**-10**	**-28**	**167**	**104**	**-**	**104**
Reclassification of net depreciation fair value regulated networks	6	-	-	-19	-	-	19	-	-	-
At 30 June 2016		**122**	**34**	**735**	**5**	**62**	**5,620**	**6,578**	**4**	**6,582**

Unaudited.

Selected notes to the condensed consolidated interim financial statements

1. Accounting principles for financial reporting

N.V. Eneco Beheer ('the Company') is a company incorporated under Dutch law, with its registered office in Rotterdam. It is the holding company of subsidiaries, interests in joint operations and joint ventures and associates (referred to jointly as 'the Group').

In line with its mission of 'everyone's sustainable energy', the Group is investing in making the supply chain more sustainable with the aim of keeping energy clean, available and affordable for customers into the future. The Group focuses on innovative energy services and products that allow customers to save energy or generate sustainable energy jointly or alone and feed it into the energy network. New services are being developed for this that form and shape the energy transition. These include the Toon® platform, innovative flexible services and services focusing on saving energy. In addition to the Netherlands, the Group operates in Belgium, France, Germany and the United Kingdom.

Until 1 July 2016, the Group also handled energy (electricity and gas) transmission but these activities were disposed of outside the Group on the unbundling of Eneco Holding N.V. (now Stedin Holding N.V.) into an energy company and a grid operator. The network activities were distributed as a 'dividend in kind' to shareholder Stedin Holding N.V. (see note 6).

The Group's main strategic alliances are its investments and participating interests in onshore and offshore wind farms and start-ups, and memberships of co-operatives. The Group is also a member of the Enecogen VOF power station partnership and has an interest in Groene Energie Administratie B.V. (Greenchoice).

Unless stated otherwise, all amounts in the financial statements 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 Group's 2016 annual financial statements, 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. From 1 January 2017, a 50% interest in an alliance has been recognised in the consolidated financial statements as a joint venture and no longer as a joint operation following to a re-evaluation further to IFRS 11 'Joint Arrangements'.

The Board of Management authorised the publication of these interim financial statements on 25 July 2017.

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.

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.

3. Seasonal activity pattern

The supply and generation of energy vary with the seasons. In the winter season, there is a higher demand for energy required for heating. In the summer season, this need does not exist and is partially offset by a higher energy requirement for the cooling of buildings. The generation of electricity is determined by demand and by market prices. The generation of sustainable energy varies predominantly with the seasons. Under normal circumstances, there is a peak in the production of wind energy in the period from

October to March and a peak in the production of solar energy during the summer months. The production of energy from biomass shows a stable pattern throughout the year.

4. Business combinations

There were five acquisitions during the first half of 2017. These were of an energy company, LichtBlick Holding AG, and four small solar farms which are not discussed as they are not material.

Acquisition of LichtBlick

The Group concluded the acquisition of a 50% holding in LichtBlick Holding AG on 28 February 2017, following the approval of the German competition authorities. LichtBlick is a leading green energy company based in Hamburg. It has 500 employees and provides renewable energy to over 645,000 customers. There is a strategic and cultural fit between the two companies. The new partnership reinforces the Group's strength in the western European energy market offering investment opportunities , combined experience in the main energy markets and a large customer base. The Group has also obtained the right to purchase the remaining holding in the company in the period to the end of 2018. Consequently, the Group has gained 'control' according to IFRS and has consolidated LichtBlick's figures in full since the acquisition date. Since that date, the Group has been entitled to 100% of LichtBlick's results, and interest will be paid on the holding not yet acquired. The contingent liability for the remaining purchase price of the holding still to be acquired is not presented as a non-controlling interest but has been recognised as 'Interest-bearing debt' in non-current liabilities.

If the Group does not exercise its right to purchase the remaining holding, it can be required to do so during January 2019 for the remaining purchase price less a discount. A provisional purchase price of €169 million has been paid in cash for shares already acquired. If the Group decides to purchase the remaining holding, this is expected to involve an investment of some €0.2 billion, which has been determined taking account of agreements on a provisional price that depends on LichtBlick achieving certain results in the financial years 2017 and 2018.

The final purchase price for the shares in LichtBlick depends in part on the settlement of specific items (in particular working capital) and had not been determined on the reporting date (30 June 2017). The settlement may to some extent affect the allocation of the purchase price to the identified assets and liabilities (based on fair value). Consequently, the acquisition has been recognised 'provisionally' in these 2017 interim financial statements. The goodwill arising from this business combination was justified mainly by the strategic and cultural fit between the two companies and possible synergy gains from the further development of energy-saving solutions for customers. The goodwill is not tax deductible. The fair value of the trade and other receivables acquired was €63 million. Their gross contractual value was €68 million, of which €5 million was assessed as uncollectible at the acquisition date.

The costs related to this transaction were some €5.5 million, of which €3.5 million has been charged to the 2017 result (Other operating expenses). Since the acquisition date, LichtBlick has contributed a total of some €222 million (including an allowance for grid fees for network managers and energy taxes) to the Group's revenues and a profit after tax of about €1 million. Had the acquisition taken place on 1 January 2017, the Group's revenues and profit after tax for the first half of 2017 would have been €1,741 million and €102 million respectively.

The following tables show the fair value of the provisional amounts of assets and liabilities acquired and the provisional calculation of goodwill.

x € 1 million	Total
Property, plant and equipment	16
Intangible assets	266
Inventories	1
Trade and other receivables	63
Cash and cash equivalents	56
Deferred tax liabilities	-85
Current tax liabilities	-9
Trade and other liabilities	-102
Total fair value of net assets acquired	**206**

x € 1 million	Total
Purchase price paid in cash and cash equivalents	169
Contingent liability for tranche 2 of the shares	179
Fair value of net assets acquired	-206
Goodwill (provisional)	**142**

5. Income tax

The effective tax burden amounted to 23.8% (first half of 2016: 22.2%). Use of tax incentives (Energy Investment Allowance) means the effective tax burden is lower than the nominal rate of Dutch corporate income tax.

6. Discontinued operations (and assets held for sale)

The network activities were classified as a discontinued operation in 2016 as a result of the preparations for the unbundling of Stedin Holding N.V. into an energy company and a grid operator from 31 January 2017. The network activities were transferred to Stedin Holding N.V. in July 2016. The results of the network activities for the first half of 2016 were presented net until the date of transfer as Profit after income tax from discontinued operations. The cash outflow from the discontinued operations in the first half of 2016 was €17 million, comprising a cash inflow of €165 million from operating activities and a cash outflow of €182 million from investing activities.

The assets held for sale (and associated liabilities) shown in the balance sheet related to district heating infrastructure and installations. See the Group's 2016 financial statements for further information.

7. Derivative financial instruments and fair value

The derivative financial instruments were as follows:

At 30 June 2017	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts	5	141	–	146
Interest rate and currency swap contracts	–	12	–	12
Total	**5**	**153**	**–**	**158**
Liabilities				
Energy commodity contracts	2	86	–	88
Interest rate and currency swap contracts	–	4	–	4
Total	**2**	**90**	**–**	**92**

At 31 December 2016	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts	1	229	5	235
Interest rate and currency swap contracts	1	9	–	10
Total	**2**	**238**	**5**	**245**
Liabilities				
Energy commodity contracts	6	166	–	172
Interest rate and currency swap contracts	–	13	–	13
Total	**6**	**179**	**–**	**185**

Unaudited with the exception of 31 December 2016.

Financial assets in the consolidated balance sheet included derivative financial instruments of €73 million at 30 June 2017 (31 December 2016: €90 million).

The fair value of the loans at 30 June 2017 was €617 million (31 December 2016: €432 million). The fair value of the loans is estimated using the present value method based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by 'level 2' in the fair value hierarchy.

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. Level 2 energy commodity contracts are measured using market prices or pricing statements for periods in which an active market exists for the underlying commodities such as electricity, gas (title transfer facility), oil-related prices and emission rights. Other 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.

8. Equity

In January 2017, N.V. Eneco Beheer declared a dividend of €351 million payable to Stedin Holding N.V. (shareholder until the unbundling of the energy and distribution companies; 2016: no dividend), in connection with the arrangements for the unbundling. An amount receivable by N.V. Eneco Beheer from this shareholder was reduced by this dividend.

The regulated network activities were transferred in the second half of 2016 and an interim dividend of €3,449 million was distributed to Stedin Holding N.V. The revaluation reserve of €735 million was released to retained earnings (within equity) as a result of the disposal of the regulated network activities.

9. Contingent assets and liabilities

Legal proceedings

The Group is involved either as plaintiff or defendant in various legal and regulatory claims and proceedings related to its operations. Management ensures that these matters are properly contested.

Liabilities and contingencies in connection with these claims and proceedings are assessed periodically based on the latest information available, usually with the assistance of lawyers and other specialists. A liability is only recognised if an adverse outcome is probable and the amount of the loss can be reasonably estimated. The actual outcome of proceedings or a claim may differ from the estimated liability and, consequently, could have a material adverse effect on the financial performance and position of the Group.

The terms and conditions of the unbundling protocol as presented in the Group's 2016 financial statements, are unchanged.

Other contingent liabilities

The Group has energy purchase commitments of €5.0 billion (31 December 2016: €5.8 billion) against which there are sales commitments of €3.3 billion (31 December 2016: €3.0 billion) already entered into, mainly for the commercial market. These purchase and sale contracts relate to future supplies. There are commitments of €0.7 billion (31 December 2016: €0.7 billion) for the purchase of heat. The annual indefinite commitments for the sale of heat are €0.3 billion (31 December 2016: €0.3 billion).

The Group has issued group and bank guarantees of €0.3 billion (31 December 2016: €0.2 billion) to third parties. Of these, €0.2 billion (31 December 2016: €0.1 billion) have been issued by N.V Eneco Beheer. The remaining group and bank guarantees have been issued by subsidiaries for which N.V Eneco Beheer has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code. The bank guarantee issued by Eneco Wind België B.V. on 31 March 2017 in connection with the purchase of Eni Gas & Power N.V. and Eni Wind N.V., both established in Belgium, was returned and cancelled on 10 July (effective date of the transaction).

10. Related party transactions

The Group has not been part of Stedin Holding N.V. since 1 February 2017, following the unbundling of the energy and distribution companies (see the 2016 financial statements). Stedin Holding N.V. and its subsidiaries have not been related parties of the Group since 1 February 2017. Consequently, the related party receivable of €838 million in the balance sheet at 31 December 2016 has fallen to nil.

11. Events after the reporting date

On 31 March 2017, Eneco België B.V. entered into a contract with the shareholders of Eni Gas & Power N.V. and Eni Wind N.V. (both established in Belgium) to purchase those companies. This acquisition took place on 10 July (after approval by the Belgian competition authorities) by acquiring the entire share capital and associated control of the companies and was paid for in full in cash. This was a significant step for the Group in its ambition to make energy provision in Belgium more sustainable and it wants to use its greater commercial strength to invest more in local wind and solar energy. Following the acquisition, the Group will soon have over a million retail and 55,000 business customers for electricity and gas in Belgium. The investment for this acquisition is some €0.2 billion excluding settlement of 'excess cash' as set out in the purchase contract. As this acquisition only took place in July, the purchase price has not yet been allocated to the fair value of the identified assets and liabilities. Consequently, only the limited disclosures required under IFRS 3 Business Combinations' (B64(a) – (d)) have been made in this half-year report.

On 22 June 2017, NV Eneco Beheer entered into an agreement for a GBP 100 million floating rate facility for a period of up to five years (22 June 2022). Early repayment is allowed. The full amount of GBP 100 million was drawn as a loan on 3 July.

Review report

To: the Board of Management of N.V. Eneco Beheer

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of N.V. Eneco Beheer, Rotterdam, which comprise the consolidated balance sheet as at June 30, 2017, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the period of six months ended June 30, 2017, and the selected notes. Management is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at June 30, 2017 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Rotterdam, July 25, 2017

Deloitte Accountants B.V.

Signed on the original,

Drs. J.A. de Bruin

This half-year report is only published on the Internet in Dutch-language and English-language versions. In the case of any discrepancy between language versions, the Dutch version prevails.

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