



Eneco Group

Half-year report 2017

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 CO₂ 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 CO₂

by using heat available from the Port of Rotterdam for heating about 500,000 households.

Eneco and Sustainer, 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 than 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.