N.V. Eneco Beheer

Annual report 2017

Contents

Introduction Board of Management Report

Foreword Board of Management

Everyone's sustainable energy. Instead of sustainable energy for everyone. We changed our mission in 2017. As a major transformation is taking place in the energy world. The old, omniscient energy monopolists that delivered fossil fuel kilowatt hours, joules and cubic metres to their ‘connections’ no longer exist. Instead, people have become the central focal point as they are increasingly taking control of their own energy supply. Although it is only a small change in wording, there is a world of difference between ‘everyone's’ and ‘for everyone’. A world that we contribute to with innovative products and services.

Of course, the energy transition is all about the transition from fossil energy sources to sustainable and renewable sources such as wind, solar and geothermal energy. About people who produce, use, store and share their own energy. About sustainable solutions for mobility issues, sustainable heat, and alternative energy systems in offices and homes, smart street lights in our towns and cities and electrification of the industrial demand for heat. Given the large role that innovation plays in the energy transition, new developments will certainly take place in the future which we currently have no idea of, but that will be important for everyone's energy. That is why we invest in innovative companies in the Netherlands and abroad, such as Jedlix, LichtBlick, Next Kraftwerke, ONZO, Peeeks, Quby and Triggi (with the new brand name Olisto).

Also as result of digitalisation, people are taking control of their own smart sustainable energy web as smart suppliers as well as smart users. Similar to the development of the internet, all sorts of energy hubs are being connected to each other in, on and around homes, in districts, in the city, in the whole country. Connecting the small production capacity at home, but also the large sustainable production facilities at sea and on land. Directing energy flows is shifting from a centralised to a decentralised system. In order to ensure that this democratic system can work properly, the storage of electricity has to be taken a big step further, so that energy is also available for customers when sustainable energy supplies are insufficient.

For years, there has only been one way forward for Eneco: taking the lead in the transition. In doing so, we continue to focus on our customers: the services and products that they need have to be available to them. This applies for consumers for, for example, their heating and lighting, but also for companies that require a lot of energy for their operations. One of our solutions for industrial customers is to link their energy demand to a sustainable production facility. Examples included wind turbines specifically for the Dutch railways company NS and Royal Schiphol Group and connecting our biomass power station to AkzoNobel to supply sustainable electricity.

Jeroen de Haas
CEO Eneco Group

'Sustainability is becoming important for the economy'

The Group is rapidly developing into an energy service company that is in close contact with its customers and helps its customers to become more sustainable with innovative products and services. We can only make the fascinating journey to this sustainable destination together with our partners. With our retail and commercial customers, suppliers, partners in society, the companies in which we participate, our shareholders and certainly our employees in the Netherlands, Belgium, Germany, the United Kingdom and France. Together, we are Eneco and we deliver on our mission.

Our internal transition is running more or less parallel to the energy transition. Over ten years ago, we were one of the first energy companies to opt for a sustainable and innovative course. We have been able to make good and substantial progress again in 2017. Our financial results are excellent. We are also proud of important achievements, such as the acquisition of a 50% interest in the German IT and energy company LichtBlick, the acquisition of Eni Belgium, the 25% interest that Renault acquired in our company Jedlix, our role in the Smart City developments in Scheveningen and three new services that were added to the platform of the smart thermostat Toon, including the Waste Checker (Verspillingschecker). Customer satisfaction remained high (7.6) and the alignment of our employees with the strategic objectives of the company remained high as well (78%). You can read more about this in this annual report.

The changes in the energy market are tumbling over each other. This demands quick decisions that are taken on a more decentralised level within our organisation. This is why we changed the structure at the top of the company after the unbundling of Eneco Holding in Eneco Group and Stedin Group. A Strategic Board has been established with specific focus areas (transformation, growth, customers, operational excellence, finance and human resources).

A consultation process among shareholding municipalities was started mid-2017 regarding their future shareholdership in our parent company Eneco Groep N.V. It became clear at the end of October that a majority of the municipalities wished to privatise Eneco Groep N.V. Eneco Groep N.V.'s position has been clear from the beginning. We understand that the majority of our shareholders wish to privatise Eneco Groep N.V. and we would like to work together with the remaining and departing shareholders to arrive at an optimal outcome for all stakeholders. A return on investment for shareholders that is in line with the market, guarantees for the continuation of our sustainable course, and continuity of the company are central issues for us in this process.

Who will be the new shareholders of our parent company Eneco Groep N.V. is of course of vital importance for our ambition to increase the sustainability of the lives of as many people as possible. The energy transitions is continuing at full speed. Eneco can and will continue to opt for a leading role, in line with our more clearly defined mission: everyone's sustainable energy.

Jeroen de Haas

Chief Executive Officer

Eneco Group and its brands

Eneco Group is a group of companies active in the energy sector. As a group and together with our customers and partners, we work on realising our mission: everyone's sustainable energy. In this way, people can take control of their own energy supply. With our consistent course, we are leading in the field of sustainability and innovation.

Nationally and internationally, we offer added value to consumers and businesses with our smart products and services. And we deliver a contribution to society by generating and supplying green energy. We are active in the Netherlands, Belgium, Germany, the United Kingdom and France.

Oxxio is the online-only energy supplier in the Netherlands.

AgroEnergy helps horticulturists purchase sustainable energy for the best possible price.

Eneco is responsible for generating and supplying clean energy. And for making tomorrow's technology available today.

WoonEnergie helps housing corporations and their tenants to save energy.

Jedlix facilitates the sustainable and smart charging of electric cars.

Toon is the platform that connects technology and services in the field of energy, safety, comfort and health in the home and for companies.

Quby has developed the smart thermostat Toon.

Luminext is a specialist in systems for intelligent public lighting and other objects in the outdoor environment.

Participations[1]

LichtBlick is a leading supplier of sustainable energy on the German consumer market.

Peeeks detects and harnesses flexibility for electricity companies so that energy systems can perform optimally.

Greenchoice, supplier of sustainable energy to companies and households.

Nerdalize develops cloud boxes for sustainable heating in homes.

Nextkraftwerke is the operator and service provider of a large Virtual Power Plant, that works as a network of smaller sources.

ONZO is a data analytics software company that has developed a platform that detects and analyses the energy consumption of household appliances based on data generated by smart meters and connected devices such as smart thermostats.

Roamler Tech is changing the way of working in the installation world.

Simaxx has developed a platform that gives the owners of buildings insight into the energy performance of their building.

Thermondo is a German start-up specialised in the sale and installation of private heating installations.

Triggi makes smart devices smarter and connects them with other devices, apps and services.

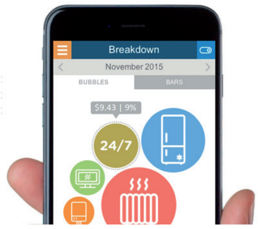
1 Reference is made to the overview of most important participations in the financial statements.

Important events

17 January
Eneco Group acquires a 50% interest in the German sustainable IT & energy company LichtBlick.

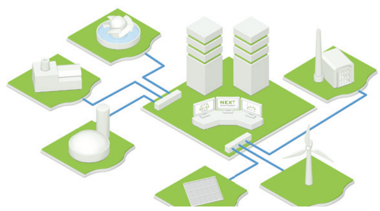
31 January
Unbundling of Eneco Holding N.V. in Eneco Groep N.V. and Stedin Holding N.V.

13 February
First delivery of bio-steam to AkzoNobel/Chemiepark Delfzijl from Eneco's biomass power plant Bio Golden Raand.



13 March
Eneco Group acquires an interest in smart data company ONZO, which analyses the energy consumption of household appliances using data generated by smart meters.

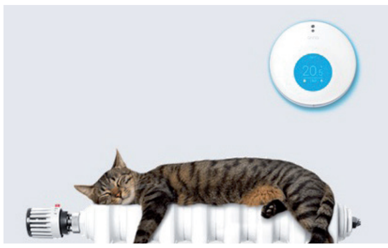
6 April
Eneco Group and Mitsubishi Corporation conclude a collaboration agreement for the construction of Europe's largest battery, under the name EnspireME.



9 May
Eneco Group acquires a minority interest of 34% in Next Kraftwerke, operator of one of the largest virtual power plants in Europe.

8 June
Agro Energy wins the Hendrik Lorentz Award together with data science specialist CQM for the innovative manner in which data science is used in the service BiedOptimaal.

7 July
Eneco and Google announce that Google will be purchasing all the energy of Sunport Delfzijl for the coming ten years for its Google data centre.



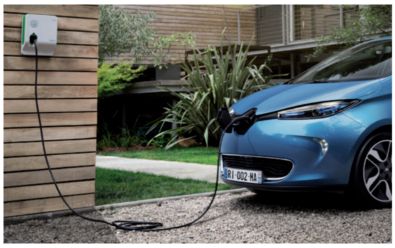
10 July
Eneco becomes the owner of Eni Belgium and becomes the third player on the Belgian energy market in terms of volume.

15 August

Eneco and Royal Schiphol Group N.V. announce that the airports of Schiphol Group will operate completely on green wind energy produced by Eneco as from 2018.

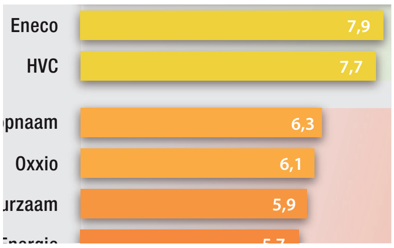
1 October

The Spanish energy company Viesgo starts offering the smart thermostat Toon to its 720,000 customers, following the partnership between Viesgo and Quby, the developer of Toon.



10 October

Groupe Renault acquires a 25% interest in Jedlix, the Eneco Group start-up specialised in smart and sustainable charging of electric vehicles.

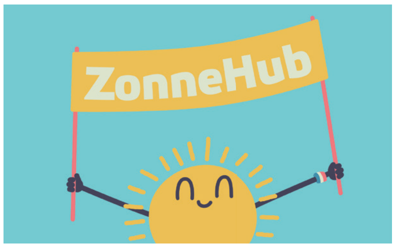


23 October

Eneco and Oxxio rise strongly in the annual Survey Sustainability of Electricity Providers of Greenpeace, the Dutch Consumer Association, Nature & Environment and WISE. Eneco rose from 7.0 to 7.9 and is the only big energy company that achieves a more than sufficient score and maintains its position in the category ‘frontrunners’. Oxxio rose from 4.3 to 6.1.

24 October

In a comparable Greenpeace survey in Belgium, Eneco achieved a very good score of 18 out of 20, ‘an example to follow’, according to the compilers of the report.

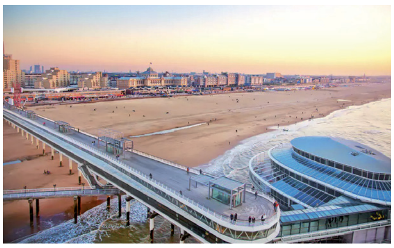


24 October

The first Solar Hub (ZonneHub) is taken into use in Etten-Leur. This is a cooperation between Eneco and Rabobank West-Brabant Noord. 170 solar panels have been installed on top of the bank’s office building.

2 November

Eneco Group acquires the wind activities of De Wolff Verenigde bedrijven, which expands the portfolio with 17 wind parks and various wind activities that are still under development.



13 November

The Municipality of The Hague and Eneco Group sign a collaboration agreement for the realisation of Living Lab Scheveningen, a smart city concept with smart lampposts as hubs.

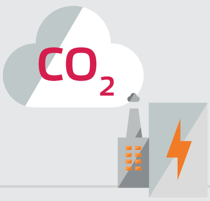
12 December

Introduction of the Waste Checker, a new service offered by Toon and Eneco, that enables customers to easily detect and remedy energy wastage at home.

Overview of the main results

Strategic KPIs[1]

Living within the limits of the planet



CO_2 emissions by Eneco Group, its suppliers and customers[2]

(in Mton CO_{2eq})

Actual 2017	Target 2017	Actual 2016
10.8	12.2	11.5

Customers participate in the energy transition

Number of customer contracts[3]

(in millions)

Actual 2017	Target 2017	Actual 2016
4.2	4.3	4.3

Relevant for the customer

Customer satisfaction after customer contact[4]

(on a scale from 1 to 10)

Actual 2017	Target 2017	Actual 2016
7.6	7.7	7.6

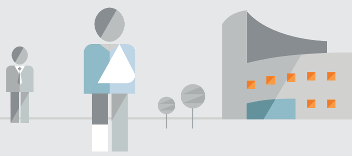
Employee engagement

Internal alignment score[5]

Actual 2017	Target 2017	Actual 2016
78	75	–

Performance dialogue score[5]

Actual 2017	Target 2017	Actual 2016
66	80	–



Recordable Incident Frequency[6]

Actual 2017	Target 2017	Actual 2016
0.40	0.96	0.72

1 The non-financial strategic KPIs 2017 do not include the larger acquisitions.

2 Reference is made to the section One Planet results for more information.

3 Eneco in the Netherlands and Belgium (excluding Eni). A customer can conclude various contracts for products and/or services.

4 The Eneco label in the Netherlands.

5 We switched to a different measuring method in 2017. As a result, the actual score in 2016 is not comparable.

6 The RIF is a number in which the safety performance of a company is expressed as the ratio between the number of accidents at work to the actual productive hours multiplied by 200,000 during one year.

Financial key figures

(amounts from financial statements 2017; in € 1 million)

Results

	2017	2016
Total revenues	3,355	2,746
Gross Margin	1,052	931
Operating income before depreciation (EBITDA)	428	356
Operating profit (EBIT)	158	106
Profit after tax from continuing operations	127	103
Cash flow from operating activities	736	293

Capital

	2017	2016
Group equity	2,869	3,121
Interest-bearing debt	735	415
Balance sheet total	5,656	5,073
Investments (and acquisitions) in fixed assets	647	329

Ratios

	2017	2016
Group equity/total assets	50.7%	61.5%
Return on Capital Employed [1]	5.2%	3.4%
Interest coverage ratio	19.5	–89.0
Credit Rating	BBB+	

1 The ROCE is measured as the operating profit (EBIT) after deduction of tax, divided by the average capital employed, corrected for 2016 positions with the grid operating company Stedin prior to the unbundling.

About this report

With this integrated report, N.V. Eneco Beheer accounts for its financial and non-financial performance in 2017 and its financial, social and ecological value creation. N.V. Eneco Beheer is the holding company of subsidiaries, participations in joint operations and joint ventures as well as associates (jointly referred to as 'Eneco Beheer group', 'Group' or 'Eneco'). All shares of N.V. Eneco Beheer are held by Eneco Groep N.V. Where this is relevant, reference will also be made to Eneco Groep N.V. and Eneco Group in this report.

We opt for a compact and transparent report that provides the information required by our stakeholders based on a stakeholder dialogue and materiality analysis. In this report, we adhere to the standards of the Global Reporting Initiative (GRI) in as far as possible. The International Integrated Reporting Council (IIRC) framework is used to clarify the interrelationship between the core elements of our policy. Furthermore, the annual report has been prepared in accordance with the guidelines of the CDSB framework, which promotes the disclosure of environmental information and natural capital. We also report on the Sustainable Development Goals that are relevant for us. The financial statements have been prepared based on the International Financial Reporting Standards (IFRS) and the relevant provisions in the Dutch Civil Code.

The guideline for this report is the value creation model (page 12). This reflects our One Planet focus, the Group's essential purpose and its mission, strategy and business model. The realisation of Eneco Group's strategy is explained based on strategic key performance indicators (KPIs) in the section Progress and in the financial statements. We have given the assignment to Deloitte Accountants B.V. to audit the financial statements 2017 as well as the strategic KPIs and the application of the GRI standards in this report. An auditor's report has been issued for the financial statements and an assurance report has been issued for the strategic KPIs and the application of the GRI standards.

Value creation

Focusing on impact

Value creation model

Our growth domains

Renewable sources
We build sustainable assets and infrastructure at the request of, or together with, customers.

Customers
Energy as service products that help customers to fulfil their wishes easily.
We strengthen our customer loyalty through our range of relevant services.

Innovative services
Smart solutions in the field of Smart Home, Smart Mobility and decentralised and centralised energy management that align demand, supply and back-up.

How do we measure our progress?

Living within the limits of the planet
Reduction of the absolute CO_{2eq} emissions in our chain emissions

A healthy financial return
ROCE

Relevant for the customer
Customer satisfaction

Enthusiastic and knowledgeable employees
Internal alignment score
Performance dialogue in MMM
Recordable Incident Frequency

Customers participate in the energy transition
Number of customer contracts

What are we achieving with our strategy?

Share of sustainable energy
We invest together with customers, cooperatives and partners to increase the share of sustainable energy.

Increasing the sustainability of heating
We opt for renewable heating and replacement of fossil options.

Customer loyalty
We are enlarging our group of loyal customers to whom we provide insight into their energy consumption and advice on energy savings possibilities.

Exchanging sustainable energy
We support our customers with the integration of their sustainable energy consumption in their homes, offices and vehicle.

Smart services
We provide smart services that increase the customer's comfort and enable customers to make use of energy at times when there is an abundant supply of green energy.

What value do we deliver?

Value for the planet
Eneco Group is committed to the Paris climate agreements and is market leader in the energy transition.

Value for customers
Eneco Group enables customers to determine how they wish to generate, use, store and share clean energy.

With innovative products and services, we make affordable and clean energy and a higher level of comfort available to customers.

Value for shareholders
Eneco Group is a financially healthy company with a clear growth potential.

Value for society
With over 3,200 highly motivated employees, Eneco Group creates employment and is a driver of knowledge and innovation in the countries in which it is active.

Trends and market developments

Transformation of the energy sector

Our energy system is in transformation. The speed of the transformation is mainly being determined by technological developments. Value chains are innovating and integrating; technical companies are entering the field of mobility and energy, and start-ups are at the crossroads of traditionally different industries.

Our efforts are aimed at limiting global warming to well under two degrees Celsius and continuing to focus on increasing the sustainability of our energy.

The energy transition is driven by decarbonisation, decentralisation, democratisation and digitalisation.

Decarbonisation

More sustainably produced electricity will be entering the grid. New wind farms can be developed at much lower cost, driven by technological developments and economies of scale, in accordance with the requirements of international tenders. As a result of the increase in solar and wind energy, the market price of electricity is also decreasing. Consequently, these prices are influenced less and less by conventional power plants. Prices on wholesale markets are becoming more volatile due to large fluctuations in the demand and, above all, in the supply of energy, which is more dependent on weather conditions.

There is a lack of clarity about the future grid capacity in various countries where we are active, including Belgium and the United Kingdom. It appears that Germany will not achieve the CO_2 reduction objectives and, depending on the future of the coal-fired power plants in Germany, the current overcapacity is also possibly under pressure. In addition, phasing out natural gas for household use has considerable consequences for the gas, electricity and heating grids and the heating systems in homes in the Netherlands.

Decentralisation

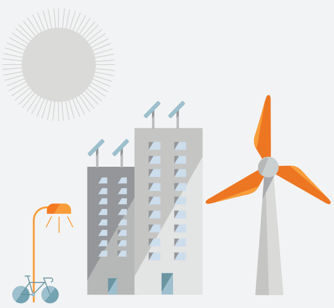
We are going from a centralised model to a decentralised model. The electricity system is transforming into a more distributed, customer-oriented and service-oriented industry driven by in-depth knowledge of customers.

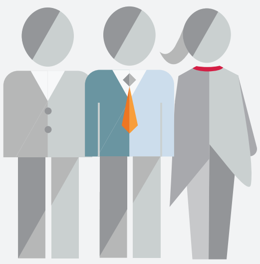
Owners of solar panels or electric cars are combining their power on a decentralised level resulting in the establishment of virtual power plants that will start to play an increasingly larger role. The revenue potential in the energy market is thus shifting to 'behind the meter'.

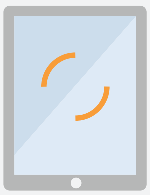
The demand for centrally supplied energy in European households is decreasing. The most important reasons for this are improved energy efficiency, insulation and self-generation, for example via solar panels. With the growth of solar energy, storage and electric mobility, consumers are also becoming active on the other side: they are becoming producers.

Energy transition drivers

Decarbonisation


Decentralisation


Democratisation


Digitalisation

Rotterdam to become natural gas free

Rotterdam is working hard on an affordable, reliable and natural gas free heated city in 2050. All homes will then be well insulated, cooking will be electric and heating of buildings will take place with electricity or by means of collective heating. Eneco is working together with Havensteder, Nuon, Warmtebedrijf Rotterdam, Stedin, Vestia, Woonbron, Woonstad Rotterdam, Ressort Wonen, the Municipality of Rotterdam and the Ministry of Economic Affairs to achieve this joint final goal.

Democratisation

People are looking for added value, personal connection and products and services that match their life style and enable a sustainable way of living. People organise this themselves together with others in energy cooperatives and new parties are entering the market that are specialised in a specific segment of the sustainable energy chain, such as storage or charging infrastructure. Companies are increasingly concluding long-term contracts for sustainable electricity from verifiable sustainable sources such as onshore and offshore wind farms, or develop these farms themselves.

Digitalisation

The demand for services for (real-time) energy management, decentralised energy solutions and electric transport is rising. Digitalisation enables us to give customers more insight into and control over their energy consumption. In addition, smaller parties such as start-ups can obtain access more easily as the costs for customer systems (for example cloud solutions for maintaining customer relationships) have decreased. However, successfully linking start-ups to companies requires an effective decision-making process with in-depth knowledge of new fields.

New technological developments take place in different industries. As a result, we also see new parties from outside the sector entering the energy world. On the one hand, this concerns technology giants such as Amazon, Google and Apple that are introducing new services in domains that energy suppliers are still just discovering (such as smart home). We also see new entrants from the automotive industry (such as Tesla and BMW) and the energy and telecom markets are also coming closer together (such as NLE and Synnion).

Changes in laws and regulations

The energy market remains strictly regulated. The regulatory framework is being adjusted to accommodate trends such as digitalisation, data, decentralisation and the inflow of renewable energy sources. The support of new adjustable capacity differs per country: there is no support yet in the Netherlands, whereas in, for example, the United Kingdom auctions are organised with specific incentives for new capacity. The same applies with regard to nationally oriented pricing of CO_2 emissions. This can lead to an increasingly uneven international playing field on the wholesale electricity market.

Climate policy is playing an increasingly larger role, as is apparent from the coalition agreement of the third Rutte cabinet in the Netherlands. Climate policy is also an important issue for politicians in Germany and Belgium. In Germany, the climate is an important item in the negotiations for the new coalition. More clearly defined objectives, both on an international and a national level, stimulate the development of new technologies and the phasing out of natural gas offers opportunities for the growth of sustainable heating.

The realisation of global and national objectives takes place at a local level. Municipalities have their own sustainability objectives and thus play an important role in increasing the sustainability of the local energy system. In view of the developments in technology and the regulatory framework, local decisions regarding the energy supply (for example, for heating) and the necessary investments in the grid are becoming increasingly important.

Stakeholders and materiality

What do our stakeholders consider relevant?

Our group of stakeholders comprises customers (both retail and commercial), shareholders of our parent company Eneco Groep N.V., providers of capital and investors, local residents and cooperatives, employees and the Works Council, as well as nature and environmental organisations.

Above all our stakeholders are people. People with whom we aim to realise our mission together. People who all have their own motives and interests.

In our contacts with stakeholders, we regularly assess whether we are serving the interests of our stakeholders sufficiently and are delivering on our promises. Certainly in the current phase, in which the market is in transformation, the support and trust of our stakeholders is indispensable.

In 2017, we conducted a survey again to find out what our stakeholders consider relevant. We call this the materiality analysis. We have aligned our strategic key performance indicators (KPIs) with five material themes. Based on consultations with our stakeholders, we have determined that these five themes are relevant for them. Various underlying topics are relevant for our stakeholders. An overview of these topics is provided in the table below.

Reference is made to the annex (page 143) for a detailed overview of the consultations, discussion points and outcomes.

Topics that stakeholders consider important
per material theme

Living within the limits of the planet · CO_2 emissions · Climate change · Air quality · Biodiversity	· Circularity · Energy performance ladder / Green Key / CSR · Asset development in the region · Translation into growth domains
Customers participate in the energy transition · Multiple products / services per customer · Products / services help customers in every stage in the transition · Innovation	· Customers are involved in the development of our production capacity · Inspiring to increase sustainability
Relevant for the customer · Customer satisfaction · Fair price · Convenience / unburdening	
Employee engagement · Alignment with the strategy · Customer-orientation / possibility to really help customers · Knowledge and skills	· High Performance Organisation (HPO) · Employment in the region
A healthy financial return · ROCE · FFO/net debt ratio · EBITDA · Transparency	· Risk profile · Continuity · (foreign) investments · Comparison with other companies

Vision, mission and strategy

One Planet

Our aim is to get the energy requirement in our chain within the limits of a liveable planet. Not only for ourselves, but also for generations to come.

Our ambition: to make the lives of as many people as possible more sustainable.

We only have one planet. At present, worldwide, we consume 1.6 times as much as our planet can support. More and more people are becoming concerned about our planet. They are becoming increasingly aware of how we live, what we eat and how we impact the planet. Worldwide, we are being confronted with climate change and the increasing scarcity of natural resources. People want to do something and contribute to keeping our planet liveable. We are convinced that everyone can take energy and sustainability into their own hands. Therefore, also the energy transition and the speed at which this takes place.

Our vision: Sustainable decentralised together

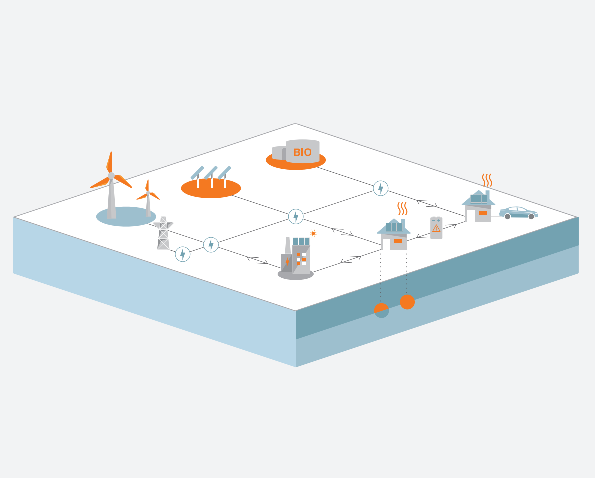
We are not the only party that has opted for sustainability. Our vision - the vantage point from which we look at the world - enables us to distinguish ourselves from other companies. The energy transition is the transition from a centrally-organised energy system to a system in which people organise their energy sustainably themselves or together with others. On a street or district level, for example, together with the neighbours.

The energy transition is no longer the future, we are right in the middle of it. More and more people are embracing sustainability; with electric transport, self-generation, energy savings and storage. The survey PanelWizard 2015, commissioned by Eneco, shows that one out of five households expects to be self-supporting in ten years. They do not have to do this on their own. We help them with innovative energy solutions, with new products and services, innovations and new revenue models. This is why we have defined our mission more clearly. From ‘Sustainable energy for everyone’ to: ‘Everyone's sustainable energy’.

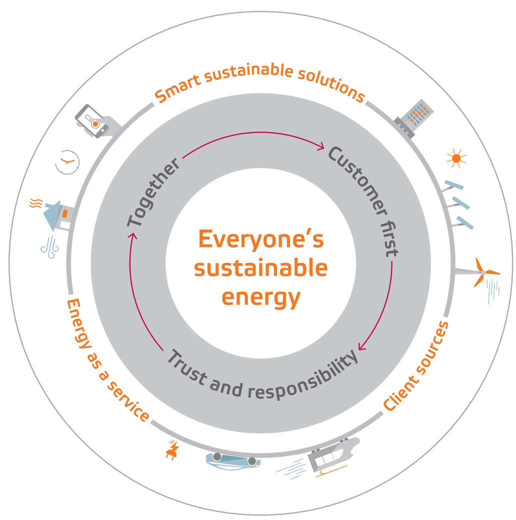
Our mission: Everyone's sustainable energy

The energy transition is not only about technology, it is about people and the choices that they make with the aid of technology. If we look at the customer as a person, then we obtain insight into what drives customers. And that is necessary in our role as service provider, with customers - or rather, people - being in charge. Energy is not ‘ours’, ‘for the customer’, it is ‘the customer's’ also made possibly 'by us'. This means that we will focus even more on the

Sustainable, Decentralised, Together



Strategic Compass Eneco Group



Marjan Minnesma
Director of Urgenda

‘With our 6% sustainable energy, we are far behind in the Netherlands.’

development of products and services with which consumers and businesses can generate, store, use and share their own energy. It is up to us to fulfil the connecting function. We have to go further away from the beaten path and innovate even faster.

Our strategy

We implement our mission through our strategy. Increasingly, we help customers who wish to produce and consume energy. We provide tailor-made service with the integration of smart solutions in households and business.

Until recently, our existing system was still completely focused on supplying energy before the meter. We hardly knew anything about the area behind the meter. And that is starting to change radically. The main part of the energy revolution will take place ‘behind the meter'.

Growth domains and strategic pillars.

We are realising our ambition within our growth domains: Customers, Renewable energy sources and Innovative services. The areas in which we want to grow more rapidly in the period to 2020 and with which we help people, businesses and society in the energy transition. Within these domains, growth is based on the strategic pillars 'energy as a service', 'client sources' and 'smart sustainable solutions'.

We are growing in these domains by making use of our strength; we are making use of our diversity and knowledge of the market and we are working together with partners to accelerate the energy transition. Our customers’ needs determine the demand for (sustainable) energy: a comfortable climate within the house, predictable energy costs and a safe installation. Energy is developing into a service product. We are switching form delivering electricity, gas and heat to offering services. Customers pay us for the quality, convenience and comfort of the services that we provide. We offer our customers the comfort, convenience and the complete experience that they are looking for based on their personal wishes. In this manner, we are making progress together in the transformation. We call this energy as a service.

In order to maintain comfort and create awareness of energy, we are working on smart sustainable solutions. We offer smart and integrated services based on the newest technologies and data-driven platforms. And we bring supply and demand closer together on a local level. We do this ourselves or together with partners that offer technologies that are suited to our services.

The growth in renewable sources is achieved by focusing on client sources. By partnering with our customers and by directly linking renewable generation to the customer's energy demand, we realise more sustainable production (electricity and heating) with the same resources, contribute to the local embedding and acceptance of sustainable projects, increase the confidence in our investments and share the risk with other parties.

International growth

Eneco is a Dutch energy company. We are proud of this, but we do not stop at the border. In order to realise our ambition, we are active in the Netherlands, Belgium, Germany, the United Kingdom and France.

Progress

One Planet results

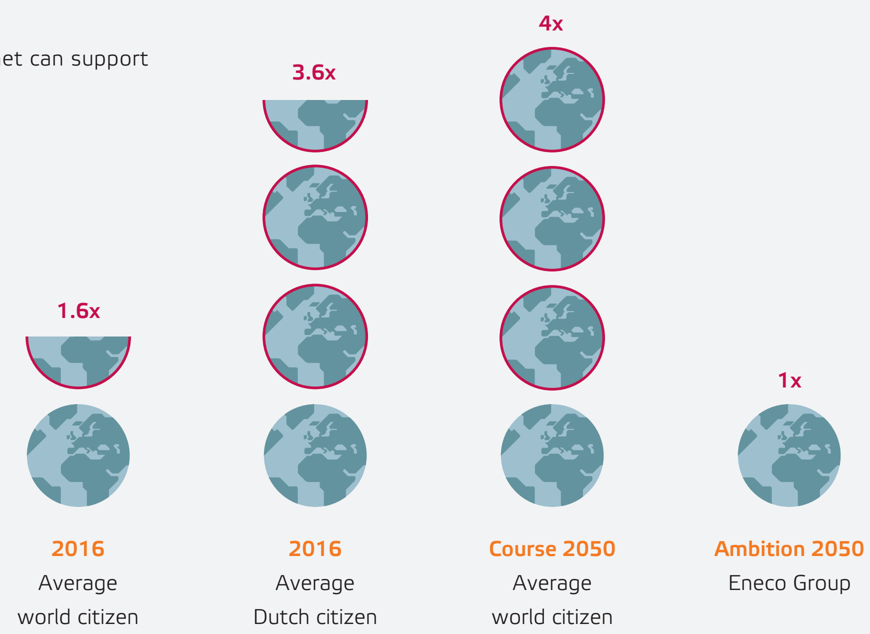
Working together with our customers

We can only realise our sustainable ambitions by working together with our customers and other stakeholders. We help our customers to increase their sustainability to realise these ambitions. Thus they become One Planet Customers.

Living within the limits of our planet

Worldwide, we live as if we almost have two planets. Consequently, we are exhausting our natural resources. It is the Group's ambition to bring the chains in which we are active back within the limits of our planet, together with our stakeholders, such as customers and local residents. This has been laid down in our One Planet Plan.

Why One Planet?
We are using more than the planet can support



Sources:
Living Planet Report 2016,
WWF (data); Babette Porcelijn
(calculation 2050).

One Planet Customer
Together with our customers we are realising our mission 'Everyone's sustainable energy'.

One Planet Company
We are settting an example by improving the sustainability of our own operations.

Helping customers to become One Planet Customers

We can only realise our ambitions together with our customers, employees, suppliers and other stakeholders. Of course, we set a good example ourselves. With One Planet Company, we show what we are doing ourselves. However, we also have a shared responsibility with regard to the CO_2 emissions of our customers and suppliers; we aim to contribute to energy savings and sustainability and where necessary to compensate for these emissions. In this manner, we can help many customers to become One Planet Customers, customers who live within the limits of the planet in the area of energy and mobility.

Our One Planet goals

Our activities have an impact on the environment and our surroundings. Impact on the environment due to emissions that contribute to air pollution, climate change and acidification and the accompanying negative consequences for biodiversity, and impact on the environment due to projects that we realise that effect the living environment of local residents.

Setting up projects with local communities

Our projects contribute to the energy transition that is taking place on a local level. Local communities therefore play an important role for us in the realisation of the desired growth of sustainable energy as this growth is also determined by the acceptance of those that are involved in a project. By building lasting relationships, we create partnerships and provide new impulses that are perceived as added value by as many stakeholders as possible.

These projects can only succeed when people are involved personally. The Group assumes the role that advances the project and supports the local community in such a manner that the local community will welcome Eneco for a new project when this project has been completed. This is only possible when you see each other, get to know each other, know which interests are at stake and take these into account as much as possible. In this manner, you can discover the possibilities and opportunities together. This process takes time and effort and is the only path that we want to take to realise everyone's sustainable energy in an authentic manner.

Our One Planet Objectives

Katinka Abbenbroek
WNF (World Wide Fund for Nature)

'We are consuming more resources than can be renewed.'

Bringing our impact on the environment within the limits of the planet's capacity

Our impact on the environment mainly concerns climate change, biodiversity, air quality and circularity. Climate change has the biggest impact and thus our priority.

Eneco Group is committed to the Paris climate agreements

Impact

Our impact on climate change is the most important. This impact is considerable particularly due to the use of natural gas. Natural gas is used in, for example, our gas and cogeneration power plants for the production of electricity and district heating and, of course, at the homes or offices of our customers.

Goal

The Group is committed to the Paris climate agreements to keep global warming well below 2ºC, the aim being 1.5ºC. These agreements have been translated to our business operations, including our suppliers and customers, using the Science Based Target initiative (SBTi) (http://sciencebasedtargets.org/). This results in maximum CO_{2eq} emissions over the whole chain of 12.2 metric tons in 2017[1] and 11.2 metric tons in 2020.

Result

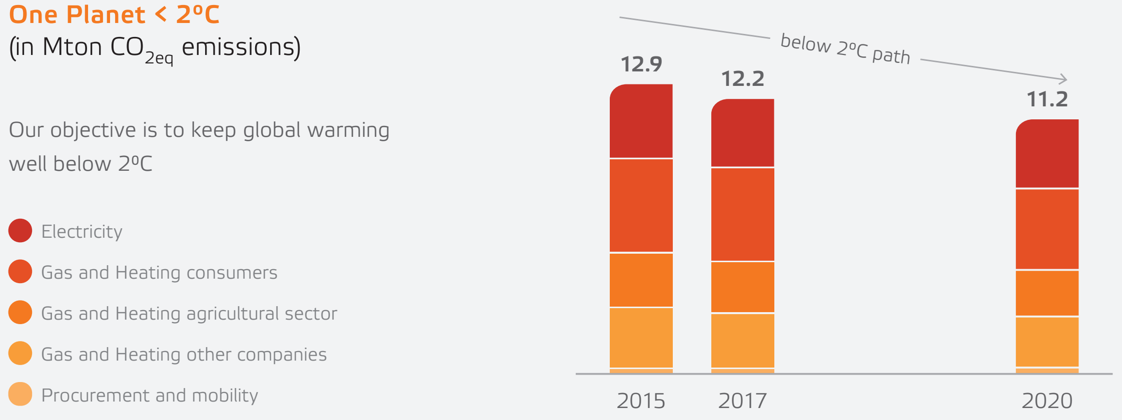
The emissions of our business operations, suppliers and customers are lower than our target based on the 2ºC path of the Science Based Target initiative. Our CO_2 emissions amounted to 10.8 metric tons CO_2eq in 2017 and - with a reduction of 16% compared with 2015 - are considerably lower than the target of 5% compared with 2015 (12.2 metric tons) that reflects the 2ºC path. Detailed information about the calculation of our chain footprint can be found here.

This decrease is mainly the result of our investments in sustainable energy, which have led to a further reduction of our CO_2 emissions per kilowatt hour of electricity delivered. In addition, there was less demand for natural gas and

1 The scope of our chain footprint does not yet include the acquisitions of Eni Belgium, the wind activities of De Wolff Verenigde Bedrijven and the 50% interest in LichtBlick.

One Planet < 2ºC
(in Mton CO_{2eq} emissions)

Our objective is to keep global warming well below 2ºC



The Hague Energy Fair 2017

Visitors were inspired at The Hague Energy Fair to take sustainable measures at home directly. Children and their parents could discover the smart heating and cooling solutions that are already possible now.

district heating in 2017 due to the relatively warm year and the trend to insulate houses better.

It is becoming an increasingly greater challenge to continue to operate under the 2ºC path in the coming years due to a strong reduction of allowed emissions. With our targets and plans for the coming years, we expect to be able to meet this challenge. We will obtain insight into the emissions related to 1.75ºC, or if available 1.5ºC, in 2018 as the Paris climate agreements aim for a maximum global warming of 1.5ºC.

We have been compensating the CO_2 emissions of our internal business operations since 2008 with REDD+ and Gold Standard CO_2 certificates. Due to energy savings and the use of sustainable energy in our buildings, the footprint of our internal business operations is practically solely attributable to mobility. The CO_2 emissions were also compensated in 2017 to arrive at climate-neutral internal business operations. Moreover, we implemented our mobility strategy (see air quality) to ultimately make compensation unnecessary.

Aiming for No Net Loss of biodiversity for new projects

Impact

Our impact on biodiversity focuses on emissions, use of space, noise and light. Initially, we focused on nitrogen emissions. The effect that our nitrogen emissions have on biodiversity in nature areas was examined. The total direct nitrogen emissions of our power plants and mobility was calculated to be 1.3 million kilograms in 2016. Nitrogen in nature areas mainly comes from traffic and agriculture. Our power plants only make a limited contribution (<1%) to the loss of biodiversity; however, we are part of the problem and wish to contribute to the solution.

Goal

It is part of our One Planet ambition to treat nature and biodiversity with respect and to ensure that our activities do not result in a loss of biodiversity (No Net Loss). With pilot project, we try to gain insight into whether aiming for No Net Loss of biodiversity is feasible for new projects. To arrive at No Net Loss for the nitrogen emissions of our existing installations, we are looking into possibilities for reduction and/or compensation. We will gain more insight into this and we will take decisions in 2018.

Result

- As of 1 January 2018, the Group is the proud partner of National Park de Hoge Veluwe. To celebrate this partnership we welcomed nearly one hundred families in December 2017 who came to select their own sustainable Christmas tree together with us. Not only was this an informal contact opportunity and a special gesture towards our loyal customers, this was also beneficial for the nature in the Park de Hoge Veluwe. This is because these pine trees grow in the unique, open sand drifts and heather areas. If the trees in these areas are not removed, these unique landscapes will become overgrown and disappear. The National Park de Hoge Veluwe received the Belleuropa Award in 2017. This is a European award for the nature park with the best managed biodiversity.
- Wind farms at sea offer opportunities and risks for nature. We carried out research at our wind farm Luchterduinen in order to arrive at a better understanding of the ecological effects. With this knowledge, we will be better able to take nature into account in future wind farms and to make better use of the possibilities that wind at sea offers for nature. The foundations and the rock-fill around the foundations (to prevent erosion) already offer a good habitat for all sorts of animals such as clams and anemones. As the seabed between the foundations remains untouched, seabed species can develop there without disruption. Offshore wind farms therefore not only produce sustainable energy, they can

also play a role in the restoration of nature, in particular of seabed life. Wind farm Luchterduinen is possibly suitable for the reintroduction of the flat oyster, an important species for the North Sea ecosystem that used to be found at the Luchterduinen site, but unfortunately has disappeared. The Group is actively looking into the possibilities of oyster restoration in its wind farms. After the signing of a letter of intent with The North Sea Foundation (Stichting de Noordzee) in 2016, a first step was taken in 2017 in cooperation with various partners by actively including a concrete oyster restoration project.

- Signing of The Hague Business Agreement about Natural Capital With the signing of this agreement, the Group commits to integrate natural capital in its decisions, policy and business activities.
- Membership of the Community of Practice Verified Conservation Areas (VCA), a group of companies that wish to contribute to the protection of nature. The VCA system facilitates the certification of locations and drawing up and implementing improvement plans for biodiversity.
- Various studies of the impact of wind, biomass and gas-fired power plants on biodiversity.

Our contribution to clean air through investments in sustainable energy and mobility

Impact

In the countries in which we are active, the air quality is worse than the World Health Organisation (WHO) advises and sometimes even exceeds the European norm due to, for example, particulate matter. The Group has a limited impact on this air quality in the form of emissions of our power plants and our mobility; however, Eneco considers it important to contribute to clean air.

Goal

To make a contribution to clean air in accordance with the advice of the World Health Organisation (WHO) by investing in sustainable energy, promoting e-mobility with our charging infrastructure and increasing the sustainability of our own mobility.

Result

We refer to the chapter Sustainable production and capacity (page 37) for the results of our investments in sustainable energy; you can read about our results in the field of e-mobility in Smart Sustainable Solutions (page 39). The results of increasing the sustainability of our own mobility are stated in the following paragraph.

Solar Team Eindhoven University of Technology

Eneco and the TU/e (Eindhoven University of Technology) are working together on the development of a new solar car. Eneco's knowledge about electric driving is used in the realisation of the ideal family car running on solar energy. TU/e participated in the World Solar Challenge 2017 in Australia with a prototype.

Kees van Dijkhuizen
CEO ABN AMRO

'All homes and offices will have energy label A before 2030.'

Sustainable mobility

Travelling less and sustainable sharing, using public transport, electric (shared) cars and traditional Dutch bicycles. That is our mobility vision for 2020, that we have implemented largely in 2017. We stimulate the use of public transport by making a free public transport card available that is suitable for unlimited business and private use. We have made the alternative less attractive by lowering the kilometre compensation. As from 2018, all new company cars and leased cars for employees will run on electricity or green gas. The alternative for the leased car is the aforementioned free public transport card combined with a budget or an allowance equalling the lease budget when the employee can demonstrate that he/she drives electric privately. We facilitate private lease of electric cares via our lease company, as the market does not yet offer this option. The parking garage at our head office has an environmental zone to bar the most polluting cars. The barrier only opens for employees for whom public transport is not a good alternative and who drive in a car with norm emissions that are lower than 200 gram CO_2 per kilometre. We stimulate bicycle use via our bicycle plan. Electric bicycles have now also been included in this plan.

Increasing the sustainability of our chains, including circularity

The Group prefers to do business with suppliers that share our passion for sustainability. We are convinced that a joint focus on quality and sustainability leads to optimisation and innovation. With Socially Responsible Procurement (SRP), we are shifting our focus in the regular procurement process. In every procurement process, we ask ourselves and our suppliers whether the requirement can be fulfilled in a more sustainable manner.

In addition to quality, service and costs, we also select our suppliers based on sustainability. We demand that they satisfy a minimum level of sustainable entrepreneurship and corporate social responsibility. We ask our suppliers to sign our Supplier Code of Conduct.

Furthermore, we want to stimulate our suppliers to do business in a socially responsible manner through verification of their sustainable performance by external parties, of which EcoVadis is our perferred supplier.

Goal

- A fully sustainable procurement which includes circularity. Our aim in 2017 was to spend at least 90% of our procurement expenditure at suppliers that endorse our Supplier Code of Conduct.
- To ensure that at least 30% of our strategic suppliers attain the level of 'Performer' and more than 60% attain the level of 'Leader' in 2020. This classification is based on our translation of the assessments of three renowned external parties.
- We also plan to profile ourselves more distinctly in the area of circularity to contribute to the Circular Economy in the Netherlands. For instance, we plan to prepare raw materials passports to make more conscious choices for raw materials in our products and assets. We also plan to work together with our suppliers to separate our waste for re-use, with which we will realise a CO_2 reduction.

Result
92% of our suppliers endorsed our Supplier Code of Conduct in 2017.

We have enlarged our network in order to be able to work together on sustainability and to identify and share best practices and lesson learned. Strengthening our cooperation with FIRA and EcoVadis is part of this. (FIRA is a platform for strengthening the cooperation with suppliers through transparency in ambitions, knowledge, best practices and performance; EcoVadis performs assessments of sustainable relationships between customers and suppliers). We hosted a day organised by FIRA for purchasers in the Netherlands in the auditorium of the Group, had an assessment carried out by FIRA, and had EcoVadis conduct a campaign for a number of important suppliers.

We have improved our Socially Responsible Procurement (SRP) policy based on the new NEN norm ISO20400 and we have translated this into measurable KPIs. FIRA also assessed our SRP level with a gap analysis. The result is that we are making progress with our SRP policy, which is well aligned with our One Planet ambition. We received a number of suggestions for improvement, including paying more attention to the manner in which we would like to see that suppliers do business responsibly and implement the social CSR criteria, in addition to the current focus on the climate and environment. We will take SRP a step further in 2018, including translation of the SRP performance of our procurement personnel into personal goals.

A CO_2 hotspot analysis was performed this year to determine per procurement category where the most CO_2 emission are expected. This analysis forms the basis for the necessary CO_2 reduction and a goal to contribute to the Group's commitment to the Paris climate objectives.

Sustainable biomass

The Group is positive about embedding sustainability requirements for biomass in the SDE+ subsidy scheme, which apply to wood pellets that are used as co-firing fuel in coal-fired power plants and large industrial steam installations. The Group is focusing in particular on these activities because a lot of sustainability gains can be achieved together with the industry in this area and this sector has been given an important role in achieving the CO_2 goal in the coalition agreement. Only biomass flows that satisfy strict sustainability criteria qualify for subsidy. A drawback at present is that it is not clear which certification systems are permissible to satisfy the legal requirements, while the Group is entering into long-term commitments in connection with the development of sustainable energy from biomass. Sustainability criteria have also been determined on a national level, whereas the suppliers are active internationally. We regard the fact that the legal requirements for the sustainability of biomass correspond closely with our own policy, the Eneco Biomass Charter, as a confirmation.

Eneco Biomass Charter

Ensuring that our biomass is sustainable according to our current standards is important for us, also from a financial perspective. As mentioned above, only sustainable biomass for industrial steam installations can qualify for SDE+ subsidy. In order to guarantee a base of support within and outside the Group, biomass must satisfy the Eneco Biomass Charter. And, of course, we have to fulfil our agreements with partners and stakeholders. However, the supply of sustainable biomass is limited, whereas demand is increasing due to new projects with our customers. We have looked into alternative certification schemes together with research agency CE Delft with which we can guarantee a sustainability level comparable with the NTA8080 certification scheme (Better Biomass). Based on our joint research, the Group will only contract FSC certified biomass as long as it is not clear which certification system will be approved. Where FSC is insufficient, we will set additional requirements for sustainability criteria (such as greenhouse gas balance, carbon debt). As an alternative, we can operate in accordance with the Dutch verification protocol which has been drawn up by the Dutch government and which guarantees a comparable sustainability level.

European regulations

Another development in this area is European regulation in connection with the Clean Energy Package. This will also contain sustainability criteria for solid biomass. The definite requirements that will take effect as from 2021, will then apply to all types of biomass for new larger bio-energy installations. The European Parliament will determine the definite package at the beginning of 2018. We believe that we are well prepared for this with our sustainability policy. We have already entered into voluntary agreements with the Municipality of Utrecht for the bio-heating plant in Utrecht regarding the use of certified biomass (FSC and Better Biomass). We regularly consult with a number of NGOs (Greenpeace, Natuur en Milieufederatie Utrecht and Milieudefensie) on the sustainability assessment of this power plant and the biomass chain. As a result, there is a considerable base of support among these NGOs for the development of this plant. The NGOs actively supported the Group with the local political discussions about this.

How others assess our sustainable performance

Sustainability benchmarks and standards	Business unit	Our score
Sustainability Dutch Electricity Suppliers	Eneco Oxxio	7.9 (was 7.0) 6.1 (was 4.3)
Greenpeace ranking Belgian electricity suppliers	Eneco Belgium	18 out of 20 points
Carbon Disclosure Project	Group	C ranking
EcoVadis ESG score	Group	Silver Ranking
Science Based Targets initiative (SBTi)	Group	First Dutch company to be admitted

Reference is made to the annex Others about our sustainable performance (page 146) for a more detailed explanation.

International expansion

Acquisitions in Belgium and Germany

Eneco is working on increasing the sustainability of the energy supply in the Netherlands and abroad. We are strengthening our position as an energy supplier, service provider or developer through investments and acquisitions. An additional advantage is that international growth enables us to spread risks better.

Belgium: Eni

Eneco Belgium completed the acquisition of Eni Gas & Power NV mid-2017. As a result, Eneco Belgium is now the third largest energy supplier in Belgium. Eneco Belgium supplies electricity to 579,000 retail customers and 47,000 commercial customers and gas to 397,000 retail customers and 31,000 commercial customers. With the acquisition of Eni, the number of employees at Eneco Belgium has increased to around 330.

Our ambition with this acquisition is to accelerate the process of increasing the sustainability of the Belgian energy market with 100% solar and wind energy. Eneco is now the most important sustainable challenger on the Belgian energy market. As a frontrunner, Eneco continues to aim for 100% green and locally produced energy. Eneco already realised this in 2016 for retail customers and this was also the case in 2017. It is Eneco's ambition to further increase the number of customers who purchase sustainable energy.

Germany: LichtBlick

Eneco acquired a 50% interest in the German LichtBlick. This company has around 450 employees and its head office is located in Hamburg. It was founded in 1998 and is now the largest independent supplier of green energy to retail and commercial customers in Germany. At the end of 2017, LichtBlick supplied sustainable electricity to about 470,000 retail customers and 66,000 commercial customers. In addition, over 75,000 retail customers and 6,000 commercial customers purchased environmentally-friendly gas from LichtBlick: a bio-gas mixture of 5% or gas with 100% CO_2 compensation in the current year. LichtBlick is the market leader in green energy in Germany with in total almost 620,000 customers and an annual sales volume of 2.5 terrawatt hours electricity and 1.6 terrawatt hours gas.

Eneco supports LichtBlick's strategy for profitable growth, including the acquisition of customer portfolios to further expand its market leadership in green energy in Germany. Together, Eneco and LichtBlick are a strong player with large investment possibilities, combined experience in important energy markets, a large customer base and motivated employees with a shared vision on the new energy world. Our joint ambition is to satisfy the changing needs of customers in Europe with green and digital products and services.

Reference is made to the paragraph New ventures (page 43) for other new international participations.

Energy as a Service

Convenience for consumers

Service to our customers is a central focus in our activities. Therefore, we make everything in connection with supplying energy as simple and accessible as possible, so that our customers can take control of their own energy as much as possible.

Our services to our Dutch customers were further improved in 2017. We combine the newest technological possibilities with that which our customers require. Insight into what our customers require is obtained through various customer panels. We aim to avoid difficult actions or unnecessary complex explanations. For instance, customers are increasingly doing things themselves online or via the app when it suits them. Also as a result of this, for Eneco customers, customer satisfaction after contact stabilised at a more than satisfactory 7.6 at the end of the year. In the competitive energy market in which Eneco operates, the number of customer contracts in the Netherlands and Belgium (excluding Eni) decreased slightly to 4.2 million at the end of the year. At the end of 2016, this number was still 4.3 million.

Improved services

Eneco app

Eneco has released a new improved version of its app with a number of new functions. For instance, the Tussenstand Tool (interim balance tool) provides a forecast of the customer's final bill statement. As a result, customers already know far in advance whether they will have to pay extra or will receive a refund at the end of the year and can adapt their consumption accordingly. And customers with solar panels can easily monitor the energy that they deliver back to the grid. Customers also obtain much better insight into their energy consumption via the app. The app thus fulfils a key role in the service to customers. The app will be further developed in 2018 based on new technology and customer insights.

Payment process

The payment process has been simplified considerably. In one glance the customer can now see via the app or on My Eneco which energy bills still have to be paid or already have been paid and for which energy bills a payment scheme has been agreed. Payments can also be made directly with iDEAL. Furthermore, it is much easier for customers to submit their meter readings, increase or decrease their monthly energy payments, download invoices and revise their personal details. The final bill statement has a new layout and the information is presented more logically.

HouseScan

The HouseScan provides insight into how customers can increase the sustainability of their homes. Based on a number of questions about their house and the living situation, customers can see how they can generate or save energy. Requesting a proposal for, for example, insulation services or solar panels is possible directly.

Eneco forum and Toon forum

The brands Eneco and Toon were both given their own forum. In this manner, we can cater better to the expectations and wishes of the forum members. The forum members were informed about this change during a meeting at the Eneco head office. In addition, they were also informed about the newest innovations on Toon and about our cooperation with Eindhoven University of Technology. Forum members were also present at the Eneco Innovation Day in November. They are real ambassadors of great value for other customers. In the meantime, both forums have grown considerably in the number of members and activities: the Eneco forum has nearly 21,000 members, the Toon forum around 5,000.

Heating customers

In the area of heating, we are working on intensifying the contact with customers. We do this in order to inform them better, to involve them more in their own district heating and to give them influence on important decisions about their district heating.

Eneco's customer service also has a special team of heating experts since 2017. The functionality of My Eneco, the Eneco app and myconnections.nl (mijnaansluitingen.nl) for heating customers has been further improved. The specification of the costs for heating on the Eneco energy bill is now more detailed and transparent. An internal improvement project was launched at the end of 2017 to improve all of the customer processes and the customer experience.

Four meetings were held in 2017 with the customer sounding board group and with the customer panel in Utrecht. In addition, open days were organised in Utrecht, The Hague and Rotterdam where customers could have a look around the cogeneration power plants.

Introduction of new products and services

We worked hard again in 2017 on the introduction of new products and services for consumers. A special team has tested and fine-tuned ideas for this in the market. This team is very flexible as it works according to the Lean Start-up method. As a result, they can adapt things early in the process based on customer feedback.

ZonneHub (Solar Hub)

Customers who would like to have solar panels but do not have their own roof can install solar panels on a nearby roof via Eneco ZonneHub. ZonneHub is a pilot project that is being carried out by Eneco Smart Energy and Eneco Consumers together. The first ZonneHub was opened on 23 October in Etten-Leur. There were three roofs with a ZonneHub at the end of 2017.

Eneco HollandseZon

Many solar parks are coming on the market due to the favourable subsidy scheme and Eneco would like to offer its customers solar electricity. This is why Eneco HollandseZon was introduced on 1 November, 100% green electricity from Dutch solar parks. A good addition to our product Eneco HollandseWind.

Hourly Rates pilot project

In the Hourly Rates pilot project, the customer does not pay an advance for electricity; instead, the actual electricity consumption is settled directly every month. The customer pays the procurement price for the electricity plus a fixed monthly service fee. The customer is given insight into the APX trading price via the app 24 hours in advance. When a lot of electricity is available, the electricity can even be free of charge (Happy Power).

New services for Toon

Toon, the smart thermostat that provides insight into energy consumption and costs, has now been installed in 350,000 households in the Netherlands. With this, Toon is the market leader - both in the Netherlands and Europe - in this growing market of smart thermostats. Although this number is lower than the earlier stated high ambition, Eneco is very satisfied with this and is expanding Toon further as the heart of the smart home. Eneco is also building on a strong brand internationally, with various parties in different countries. To this end, Toon was positioned as an independent brand in 2017. Toon was already being offered in Belgium. It is now also being offered to households in Spain by our new partner, the energy company Viesgo, since October 2017. In addition, various Toon pilot projects have been started in Germany and the United Kingdom.

New, smart functions for Toon have become available since 2017 that help customers save energy and provide more comfort and insight. First of all, Toon has been expanded with a function that monitors the central heating installation. For instance, customers now receive a notification when maintenance is required or the central heating system malfunctions. In addition, they are advised to contact a technician and they are referred to Eneco's service options. The new Toon app was introduced in December. This app includes a Waste Checker that advises where the customer can save costs by dealing with the energy wasters. Toon also sends customers with a smart meter an interim energy statement. In this manner, they know whether they may have to pay extra or receive a refund when they receive their final energy bill statement. Toon can also advise to revise the monthly energy payment.

Toon Innovators

As a result of the campaign about the new services on Toon over 1,500 new Toon Innovators joined. The Innovators group now consists of over 4,300 customers. These are customers who make their Toon data available and that can be approached for research purposes. 1,000 Innovators were already able to test the Toon app in October.

Eneco Innovation Day 2017

Eneco's head office was again transformed into the Capital of Innovation in 2017. The objective is to experience what the city of the future will look like and to provide insight into the innovations that Eneco Group and its partners are working on to accelerate the energy transition.

Toon.nl

Toon.nl was launched in June. Toon.nl makes it easier for customers to ask all their questions in connection with Toon. The improved online service van Toon.nl should contribute to customer satisfaction.

Oxxio improves online service

Oxxio positions itself with low-cost green energy, but it distinguishes itself particularly with its app that makes energy matters simple for the customer. Oxxio's online service has been improved to such an extent that customers can use the app to handle all service actions and questions. On average, 55,000 unique customers consult the app on a monthly basis. 29% more self-service actions are done with the app than in 2016. With the chatbot in the app - Energybuddy O. - customers can chat with Oxxio 24/7 and receive proactive energy advice. The new app design is visually strong and surprising. With that we entice the target group, the millennial (the price-conscious and internet-minded generation born between 1981 and 2000) to make increasingly better use of the app. Consequently, the app is valued positively by the Oxxio customers with a rating of 3.6 stars for IOS and Android (on a scale from1 to 5). The app is also constantly being further developed. A pilot project was started at the end of 2017 to expand the insight in the app to insight per device category. In this manner, customers can be helped faster and easier at a time of their own choice.

Eneco Belgium is a fan of the customer

Eneco Belgium is known for its excellent customer service. 'Fan of the customer' is the company's motto. Eneco Belgium's customer service has been awarded five stars by the Flemish Regulator of the Electricity and Gas Market (VREG). Consumers' Association Test-Aankoop commended their employees' expertise when providing assistance to customers.

Customer satisfaction at LichtBlick

In 2017, Kundenmonitor Deutschland singled out LichtBlick as the energy supplier with the highest customer satisfaction and the best service for the ninth time in a row . The consumer research institute YouGov and the German newspaper Handelsblatt named LichtBlick as the most convincing energy brand of the year for the third year in a row.

Working on regulations

LichtBlick is initiating and promoting a number of changes in German regulations regarding energy that support the company's decentralised and sustainable strategy. Examples include an initiative for customer-friendly labelling of electricity tariffs and the first large-scale project with 3000 tenants in a Berlin district to whom LichtBlick is offering rooftop solar energy. With this, the company initiated a debate about fair regulations for electricity for tenants, which was incorporated in a new law in 2017.

Services to commercial customers

This year again, we worked on improving our services by catering to the wishes and needs of commercial customers even better. We did this through closer contact with the customer by listening and entering into a dialogue.

Improvements

More commercial contacts were assigned a Dedicated Contact Person in 2017. We work from sector teams. The Dedicated Contact Person is familiar with the customer's sector and can provide suitable advice for the business operations.
In order to make the contact with Eneco Zakelijk (Eneco Business) even easier, we started a pilot with WhatsApp for customers in the hotel and catering industry. If this pilot is

successful, we will make this channel available for other customer groups and we will add additional digital channels.

We have made it possible for customers to pay via iDEAL. It is now also possible to submit the meter reading via the App. Based on the meter readings, an advice is given about the monthly energy payment. Customers can then change their monthly energy payment themselves via the App. We see that our efforts to improve our service contribute to an improvement of the Net Promoter Score and customer satisfaction after contact. Furthermore, we have worked hard on simplifying and computerising part of our processes. As a result, we are better able to cater to our customers' wishes and are laying the foundation for further digitalisation and self-service.

New services and products

We see that customers are increasingly interested in local initiatives for sustainable energy. In order to meet this demand, we now offer Eneco HollandseWind from Amsterdam and Eneco HollandseZon. In this manner, we are helping to make the business community in the Netherlands greener.

With the campaign 'Let the new world work for your company', we aim to inspire the business community in the Netherlands to opt for sustainability and new services, examples include electric charging and our HollandseWind and HollandseZon. The newly developed Eneco Energy Compass also helps to attract new customers. This online tool offers SMEs the possibility to determine their next step in increasing their sustainability. We can also use the information that Eneco Zakelijk collects by means of a questionnaire to enrich the customer profiles. This offer opportunities to develop more targeted propositions in the future.

Growth in data-driven services

The number of customers with BiedOptimaal grew by 25%. A large number make use of smart data-driven solutions that help to optimise the daily bids on the energy exchange APX. The number of customers with EnergieRadar for long-term energy trading moments increased by 173%.

AgroEnergy successful

The services provided to greenhouse horticulturists grew strongly in 2017. Service revenues doubled compared to the previous year. The number of BiedOptimaal subscriptions rose from 107 to 127. BiedOptimaal ensures that horticulturists automatically place the best possible APX bid. BiedOptimaal is also available for greenhouse horticulturists who have a different energy supplier. The number of customers who use our automatic energy purchasing strategy (EnergieRadar) grew from 8 to 27. In addition, in 2017, AgroEnergy introduced the Energy Savings Plan for Horticulturist and Energy Management, in co-creation with a number of customers. With Energy Management, AgroEnergy takes over practically the whole energy management of customers.

Since the end of 2017, AgroEnergy has a data platform at its disposal with which we can further develop data-driven services quickly and effectively. The first thing to be completed was a new customer profile in the EnergyMonitor, an analysis environment for energy customers.

Client Sources

The customer's partner

The Netherlands has big ambitions for the further development of sustainable generation capacity. The Group has laid down in its strategy that it aims to contribute to this energy transition by connecting customers to sustainable assets, such as wind, sun and biomass, for the long term. We are developing this generation capacity for and sometimes also with customers. We call this Client Sources.

Client Sources

With the strategic growth domain Client Sources, Eneco can contribute to the realisation of sustainability agreements that companies have committed themselves to. Sometimes driven by agreements that have been made collectively, such as the RE 100 (Renewable 100), sometimes driven by a focus on, for example, a listing in the Dow Jones Sustainability Index. There is a general trend that customers want to know where their electricity comes from. By choosing from existing and new Dutch generation capacity, for example solar parks or wind farms, customers are actually contributing to the growth of sustainable generation capacity. This as opposed to purchasing European Guarantees of Origin (GoO), whereby the output of sustainable generation capacity remains in the country of origin.

Eneco Belgium is a pioneer in involving local residents in setting up wind turbine projects. We have been doing this successfully for a number of years, in part in the form of projects by cooperatives (Campina Energie, Bronsgroen, Energent) and also with bonds (Tivano – wind turbine farm Gouwy). Eneco Belgium was also the first to set up a crowd-funding campaign for a wind farm in Boneffe. This campaign was concluded early after only two weeks due to its huge success. Later, a comparable approach was used for a wind farm in Zeebrugge, in which local residents were given the first opportunity to participate.

Corporate PPA

Long-term contracts that ling a customer directly to an asset form the basis of the growth domain Client Sources. Such a contract is called a Corporate PPA (Corporate Power Purchase Agreement). For Corporate PPAs, Eneco mainly targets the Dutch, UK and Belgian markets. In these Corporate PPAs, Eneco and the customer enter into agreements about the customer's commitment for the purchasing of power from wind farms or solar parks for several years. These can concern agreements regarding the electricity price, the Guarantees of Origin (GoO) or sharing risks connected to the development of a wind or solar park. This offers advantages for both Eneco and the customer.

Advantages for the customer

First of all, the customer contributes to the growth of sustainable generation capacity. A Corporate PPA is also positive for the customer's reputation and the brand value of their products. With this, customers show what they stand for and create a positive brand experience among their own customer group. An example is the communication of the Dutch railway company NS when reaching the milestone that trains in the Netherlands are running completely on wind energy since 2017.

With the long-term agreements about the purchase of wind and solar energy and about the price and price bandwidth, customers can limit large price differences and the negative consequences thereof. This offers financial advantages to the customer.

The long-term relationship and the knowledge and understanding of each other's area of business makes it possible for the customer and the market to develop new products and services together to further increase the sustainability of the customer's (production) chain. Furthermore, the requirements of clients and contractors regarding a company's sustainable business practices are becoming more and more stringent and Corporate PPAs are also very suitable for this.

Advantages for Eneco

Whether subsidised or not, a multi-year commitment on the part of customers provides a sound foundation to invest in sustainable generation capacity. Multi-year agreements reduce the risks for the developers of sustainable generation capacity such as Eneco and thus make it easier to attract external funding for new projects. This flywheel effect is crucial in order to contribute to the sustainability goals of the Netherlands.

Multi-year partnership

In a Corporate PPA, a customer enters into an agreement to purchase electricity for a period of 5 to 15 years. We examine for each customer individually which structure is most suitable given the customer's strategy. These are intensive projects, in which various disciplines of both organisations are actively involved.

We build up a long-term partnership with the customers with which we conclude a Corporate PPA. Together, we determine how the customer can create added value with the multi-year commitment to a wind or solar park. We determine a growth path together to a 100% sustainable energy supply, making use of Eneco's innovative products and services that contribute to the company's energy transition and that reduce the volatility of the energy grid through the growing share in sustainable generation capacity.

The leading companies in the Dutch market with which we have entered into Corporate PPA's are important for the energy transitions. They play a role in further increasing the sustainability of their sector van value chain. Together with these customers, Eneco is looking into how other parties can be involved in further increasing sustainability. A good example is the collaboration with Heineken in Zoeterwoude where four Eneco wind turbines are located. They form a good basis for Eneco to work together with Heineken in the collaboration The Green Corridor (together with other companies and institutions) on CO_2-neutral transport in the logistic chain between the brewery in Zoeterwoude and the Rotterdam harbour. Eneco's contribution comprises new sustainable local generation capacity and the joint assessment of the feasibility of the business model for possible emission-free fuels such as electricity (in batteries) or hydrogen (in fuel cells).

Results

Eneco has already concluded contracts in the Netherlands with, for example, the Dutch railway company NS, Fuji and Unilever. Contracts have been concluded in the United Kingdom with Honda, Heineken and Mars. We have further developed the strategic growth domain Client Sources in 2017 together with our customers. In 2017, Eneco concluded contracts with Google, the municipality of The Hague, KPN and Schiphol Group. Consultations are taking place with a number of interested customers in the Netherlands, Belgium and the United Kingdom, both in the corporate and the public sector. With this, Eneco has set a clear trend as a result of which more and more companies and public institutions are becoming interested in a Corporate PPA.

Development of Client Sources

The knowledge that has been gained with the largest companies (in the Netherlands, Belgium and the United Kingdom) will be used to develop products and services in 2018 for smaller companies which will also involve visibly and recognisably connecting these companies to specific sustainable generation capacity. In this manner, Client Sources will become available for the whole commercial market and will contribute to the energy transition in the Netherlands.

Google	The municipality of The Hague	KPN	Schiphol Group
Google's data centre in Delfzijl purchases the total output of the solar park Sunport.	Purchase contract for 15 years for the electricity demand of the municipality of The Hague from local, existing and new energy sources in the Netherlands.	Purchase contract for 10 years for electricity from wind farms in the North Sea.	Purchase contract for 15 years for airports in Amsterdam, Rotterdam, Eindhoven and Lelystad, initially for wind energy from existing Dutch wind farms and as from 2020 for 100% from newly constructed wind farms.

Growth and increasing sustainability of heating and cooling

Eneco is actively contributing to the transition from gas to other heating sources in the Netherlands. The objective is to show to all stakeholders that heating can be a realistic alternative, depending on the situation in each district. Eneco is involved in this transition on various levels, at provinces, municipalities and housing corporations.

Heating transition

As a participant in the Warmtealliantie Zuid-Holland (Heating Alliance Zuid-Holland), Eneco has expressed its commitment to the Warmterotonde (Heating Circle) and an open thermal transport network. Our preparations for the installation of a new main transport pipeline from Rotterdam to The Hague is in line with the alliance's plans. We worked hard in 2017 on the plans for the installation in close cooperation with the six municipalities involved. A draft preferred course will be further elaborated in 2018. We also participate in the Geothermal alliance, in which we work on harvesting geothermal energy in the province of Zuid-Holland.

Increasing the sustainability of heating grids

Eneco began the construction of a bio-thermal installation on the industrial estate Lage Weide in September 2017. This installation will supply sustainable heating to our heating customers in Utrecht and Nieuwegein as from the beginning of 2019. This is the first major step for Eneco on the route to more sustainable district heating in Utrecht. Pilots are running in Ypenburg and Utrecht for reducing the temperature and making the heating grids smarter. In this manner, the grid become more efficient and thus more sustainable without customers having to relinquish comfort.

We are also working together with parties on the development of sustainable heating concepts as an alternative to heating with natural gas. We signed a letter of intent with housing corporation Portaal to assess the feasibility of zero-energy high-rise apartment buildings with district heating in Utrecht Overvecht.

Hoogheemraadschap van Delfland, Delfluent Services and Eneco are going to examine together whether the residual heat that is released in the fermentation of sludge can be used to heat a nearby residential area. The treatment plant can supply over 60% of the heating requirement of the district Harnaschpolder.

Renovation projects in collaboration with housing corporations have also been completed. For instance, four apartment buildings were converted from natural gas to district heating together with Woonstad Rotterdam.

Growth of the number of heating users

Eneco concluded various agreements again in 2017 for heating projects, such as Florence Nightingale (The Hague), Hoog Catharijne (Utrecht) and The View (Rotterdam). The execution will take place in 2018 and 2019.

Around 5000 new equivalent dwelling units (EDUs) were realised in total in 2017, divided over homes, shops, and office and industrial buildings. One equivalent dwelling unit (1 EDU) stands for the average energy consumption per dwelling, about 29 GJ per year. An office building consumes a multiple thereof. We use EDU as a unit of measurement to be able to add together the consumption of homes and offices.

Reliability of supply in order

We monitor the heating sources and grids as well as all Eneco wind turbine farms via our operations control centre. The monitoring of the pilot project with floating solar panels in the Slufter on the Maasvlakte was added to this in 2017.

The reliability of supply is in order operationally also due to structural improvements of the main transport grid in Utrecht. In addition, leaks are detected with innovative technologies such as thermal air photography and the ‘smart ball’, a ball with leak detection based on sonar which is inserted into the pipeline and transmits its position via GSM. The heating grid is also becoming smarter, to start with by collecting consumption data and steering data in the district Ypenburg to optimise operations.

Individual heating solutions

Eneco is contributing to speeding up the process of getting rid of gas in homes while maintaining comfort. In addition to collective solutions, Eneco also offers individual solutions, such as the HeatWinner which Eneco developed together with Inventum. We also participated in various pilots in 2017 for electric solutions to heat homes, including with the start-up Nerdalize.

Sustainable production and capacity

The Group is developing assets with our customers as the central focal point. To this end, we invest in the growth of sustainable production via wind farms and solar and biomass power plants as well as in innovative technologies to accelerate this growth.

We involve our customers in these developments to the greatest extent possible: as consumers, as co-developers, as suppliers, as shareholders and as participants. We choose to develop our means of production in the Netherlands and abroad in direct connection with our customers and the local environment.

Sustainable production and supply

The Group supplies sustainable energy which it produces itself and which it purchases from other producers. The share of sustainable energy from its own production and purchase contracts in the total supply of electricity amounted to 28% in 2017 excluding the acquisitions in Belgium and Germany. This is in line with 2016.

The total sustainable capacity and production in 2017 remained practically on the same level. Within this total capacity, the own sustainable production capacity increased by 7% to 1.1 GW, whereas the share of Power Purchase Agreements (PPAs) with other owners of sustainable capacity decreased by 8% to 1.0 GW. In addition, our biomass power plant Bio Golden Raand also produces sustainable steam since 2017 as well as sustainable electricity. This does lead to a higher efficiency; however, it is not taken into account in this index.

The acquisition in 2017 of the wind activities of De Wolff Verenigde Bedrijven, which added 17 wind farms to our portfolio, contributed to the increase of our own sustainable capacity in the Netherlands. Our own sustainable capacity was also increased in Belgium and the United Kingdom due

Supply geothermal heating Bergschenhoek

Warmtebedrijf Bergschenhoek started geothermal drilling in Bergschenhoek in 2017.
It will start producing heat from this geothermal source in the beginning of 2018. AgroEnergy delivers this heat to the surrounding horticulturists.

to a number of new solar parks. This growth in own capacity was offset by a decrease in PPAs for offshore wind energy in the Netherlands.

The financial close of Norther, the largest offshore Belgian wind farm, took place at the end of 2016. Norther will eventually consists of 44 MHI Vestas 8.4 MW wind turbines. The maximum total capacity will be 370 MW. The wind farm will be located 23 kilometres off the coast, between Oostende and Zeebrugge. Construction is scheduled to start in the spring of 2018. As from the summer of 2019, the wind farm will produce energy for about 400,000 households. The Group owns half of the park together with Diamond Generating Europe (part of Mitsubishi Corporation) via a 50/50 joint venture. The other 50% is owned by partner Elicio.

Delivery of energy

TWh	2017	2016
Electricity	21.5	17.0
Gas	45.3	40.8
Heating	2.8	2.9
Total	**69.6**	**60.7**

The growth in the delivery of electricity and gas was mainly realised by our acquisitions in Belgium and Germany. As a result of the increase in the delivery volume, the share of sustainable electricity including these acquisitions decreased to 23%.

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Produced (GWh) 1)	Total		NL		B		UK		F	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Biomass	233	468	233	467	-	1	-	-	-	-
Solar	136	70	39	4	54	37	27	13	16	16
Hydro power	2	2	-	-	-	-	-	-	2	2
Wind onshore	2,943	2,767	1,950	1,850	556	549	437	367	-	-
Wind offshore	1,523	1,472	957	923	566	549	-	-	-	-
Subtotal sustainable	4,837	4,778	3,179	3,244	1,176	1,136	464	380	18	18
Conventional	3,380	3,109	3,380	3,109	-	-	-	-	-	-
Cogeneration	2,114	2,152	2,114	2,152	-	-	-	-	-	-
Total	10,331	10,039	8,673	8,505	1,176	1,136	464	380	18	18

1) Including purchased production.

Production capacity (MW) 2)	Total		NL		B		UK		F	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Biomass	54	57	54	56	-	1	-	-	-	-
Solar	212	79	105	4	60	45	34	17	13	13
Hydro power	1	1	-	-	-	-	-	-	1	1
Wind onshore	1,343	1,488	878	1,022	271	272	194	194	-	-
Wind offshore	427	427	249	249	178	178	-	-	-	-
Subtotal sustainable	2,036	2,051	1,286	1,331	509	496	228	210	14	14
Conventional	522	560	522	560	-	-	-	-	-	-
Cogeneration	507	507	507	507	-	-	-	-	-	-
Total	3,065	3,118	2,315	2,398	509	496	228	210	14	14

2) Including controlled capacity third parties.

Smart Sustainable Solutions

New products and services

Innovation is essential in our transformation from energy supplier to energy partner. We are focusing on five promising areas in which we are developing products and services: Smart Home, E-mobility, Smart Outdoor, Smart Buildings and Flex Services.

For and by customers

With our Smart Sustainable Solutions, we are transforming from energy supplier into energy partner. We are helping customers participate in the energy transition by making it easy and keeping the entry price affordable. We provide smart services and unburden our customers. The more we expand our smart services package, the more relevant we are and remain for our customers.

Eneco Beheer believes in an open collaboration and co-creation with customers, ventures, partners, employees and other parties that make use of technology and creativity to make tomorrow's smart energy solutions already available today.

Smart Home

Toon

Quby is the developer of Toon, the smart thermostat that provides insight into energy consumption. Toon also shows which appliances and devices consume a lot of energy. This makes it easier to save energy.

Next year, we will focus on the further development of smart energy services, such as the Waste Checker, and on the simplification of the communication between Toon and its users. In addition, Toon is expanding its scope from smart energy to smart living, to start with by developing security solutions for at home together with insurance companies.

HeatWinner

Eneco Beheer introduced the HeatWinner in 2016, a compact pump that recovers energy from warm (ventilation) air and uses this to heat up the water in the central heating system. The HeatWinner was developed in collaboration with Inventum, which also provides for the production. Around 13,000 interested customers registered in the beginning of 2016 and 100 pioneers began testing the HeatWinner at the end of 2016. This test phase showed that use of the HeatWinner resulted in gas consumption savings and created a healthier climate in the homes of these pioneers. However, cost savings did differ considerably per household due to various individual factors. Therefore, the savings appear to be lower than we had expected beforehand. All sorts of improvements are being made to the product in order to realise higher saving for more users. Consequently, the pioneer period was extended in 2017 by a few months. The first HeatWinners were sold at the end of 2017 based on pre-registration.

As the HeatWinner saves gas, can easily be employed in the Dutch housing market and the market for water pumps is growing, we have confidence in the future. Therefore, we will

Living Lab Scheveningen

The municipality of The Hague and Eneco Beheer launch Living Lab Scheveningen. Smart lampposts (Smart City Hubs) play and important role in this. Various services and applications will contribute to a safer and more attractive Scheveningen.

continue to invest in the HeatWinner and we will continue with the step-by-step roll-out of the product.

Eneco products on the German market

LichtBlick and Eneco will continue to develop innovative energy products and services together for retail and commercial customers, such as the potential for the expansion of Toon on the German market and the integration of SchwarmEnergie functions in Smart Home. Our experience in the consumer market for energy and the business processes that are suitable for consumer transactions form the basis for the development of new services under the brand SchwarmEnergie to contribute to the energy transition in Germany. Eneco and LichtBlick have started a number of initiatives together for the international roll-out of products and services, such as Toon and CrowdNett.

SchwarmDirigent and SchwarmBatterie

The cornerstone of LichtBlick's innovation is its own IT platform SchwarmDirigent for decentralised production, storage and consumption of energy that LichtBlick aims to market as the leading solution.

LichtBlick provided intelligent solar batteries produced by its partners Fronius and Sonnen under the name SchwarmBatterie to retail customers, with the objective of introducing the batteries to a broader market. A collaboration has also been set up with Viebrockhaus, an innovative manufacturer of prefab houses.

Furthermore, LichtBlick has started projects to develop SchwarmEnergie services. The company installed the first Tesla Powerpack in Germany at a food supply company to look into the commercial options for handling peaks. A three-year government-subsidised intelligent housing project was also completed. The local energy supply has been optimised in the SchwarmHaus via an integrated system, solar panels, storage and electric cars, operated by the IT platform SchwarmDirigent.

E-Mobility

Eneco Electric Charging

Eneco has had an excellent year with the proposition Electric Charging. We were able to realise a growth of 38% of the number of charging stations and 25% of the number of charging cards. Taking into account the moderate growth of the Dutch electric vehicle fleet of 7% in 2017 (due to the termination of subsidy for the Plug-in Hybrid), this is a very promising development. This positive growth was also achieved due to the fact that many small and larger companies (including offices, parking garages and hotels) regard Eneco as an important partner in the transition to electric transport. In addition, the business unit has built up a strong partner relationship with lease companies and car importers.

Eneco e-drive

The Belgian electric charging label has had a good year. The Eneco charging stations in Belgium delivered electricity for 3.3 million car kilometres in 2017, which is an absolute record. This is nearly five times as much as in 2015. In 2017, the total revenue from charging services rose by 125%, the number of charging stations rose by 105% and the number of charging cards rose by 106%. This is a good result compared with the 90% growth of the total Belgian electric vehicle fleet. This strong increase was not only due to the increase in the number of charging stations, existing charging stations were also used more intensively. With its innovative one-stop-shop formula, Eneco is building up a strong position in Belgium.

Internationalisation

In order to keep up in the electric charging market, we have to progressively enter, learn and take rapid steps in the internationalisation process. For this reason, Eneco eMobility will be further strengthened in 2018 and positioned as an independent internationally-oriented business unit. For instance, we will offer Eneco's electric charging propositions in Germany as well as in Belgium and the Netherlands. The business unit electric transport (e-drive) at Eneco Belgium will be coordinated from within Eneco eMobility as from January 2018. This will enable optimal use of the systems, IT and existing knowledge and will increase the sales volume.

Smart Outdoor

Luminext

Luminext offers solutions for the smart management and operation of public lighting. This enables municipalities, provinces and companies to save energy and costs and reduce CO_2 emissions and air pollution. By only lighting when it is necessary and by turning down the lighting as soon as this is possible, a sustainable and attractive outdoor space is created. Luminext improved the safety on the Leidseplein in Amsterdam in 2017 with smart emergency lighting. Luminext installed dynamic lighting in the cities of Hengelo and Leeuwarden and took its first steps on the industrial market with the large project at Chemelot in Geleen.

Living Lab Scheveningen

Living Lab Scheveningen is a public-private Smart City collaboration. The aim of the Smart City concept is to make cities smarter in order to improve the quality of life, accessibility, safety and economic climate. The municipality of The Hague and Eneco also participate in this project. The agreement for this was signed between the municipality and the Group in 2017. The objective is to transform the lampposts into 'smart city hubs'. These are objects that also accommodate other technology in the street in addition to lighting. This makes it possible for all sorts of companies to offer services. For example, charging an electric car, collecting air quality data, camera supervision for emergency services and 5G mobile communications. The hubs are equipped with energy-efficient public lighting. Eneco acts as the project manager and operates the smart city hubs.

Smart Buildings

With a share of nearly 30%, the commercial built environment has a large share in the total CO_2 emissions in the Netherlands. This is why we focus on the development of products and services within the domain Smart Buildings that help the business sector to reduce these emissions in order to thus accelerate the energy transition. Insight in and monitoring of the energy consumption is a first step in this process. This resulted in the phased introduction of two insight and monitoring services for the commercial market in 2017. Eneco InZicht (Eneco InSight) saves time and offers facility managers the possibility to monitor the energy consumption data of their building portfolios. The total potential of this services is estimated at over 65 million m^2 of the commercial built environment.

The Eneco MonitoringsReport — developed based on the software of our partner Simaxx — gives customers insight into the performance of building installations so that they can comply with existing laws and regulations. This reporting tool is applicable for over 100 million m^2 of the commercial built environment. We will be working with Simaxx on new propositions in 2018 with which we will be able to further increase the comfort in buildings and reduce emissions. In the first quarter of 2018, we will respond to our customers' growing need to comply with energy laws and regulations by launching a service with which we will provide advice to customers about how to comply with these laws and regulations.

Flex services

The production of sustainable energy is growing enormously. The Group is trying to bring the energy system into balance together with partners and customers. We are developing services that align the demand of energy consumers with the supply of sustainable energy. For example, by reducing peaks in energy consumption or by ensuring that sustainably generated energy is stored and is only used at the time that it is necessary. This not only results in costs savings, it also ensure that the energy grid has to rely less and less on fossil energy as a back-up.

For instance, in AgroEnergy, we work together with horticulturists who have a flexible installation and energy consumption and energy generation is planned on a daily basis based on supply and demand on the energy market. With this, we contribute to balancing the energy grid with sustainable energy together with horticulturists and horticulturists are able to procure their energy at the best price. Together with its partners Peeeks and Inventum, Eneco also developed a smart electric boiler in 2017 that makes use of excess green energy for heating. This smart heating not only leads to more efficient use of sustainable energy; consumers are also able to save on their energy bill.

Jedlix

Jedlix is the smart app for charging electric cars based on differences between production and consumption of sustainable energy. By choosing the optimal charging moments, the amount of sustainable energy in the mix is greater. Jedlix charges the car when the prices of sustainable energy are the lowest. The advantage is shared with the consumer. Renault acquired a 25% stake in Jedlix in November 2017. Jedlix won the prestigious Energy App Award during the international energy and IT fair E-world in February 2017 in Essen in Germany.

Jedlix for smart charging is available for a limited number of brands. This will change due to the combination with Eneco Electric Charging. We worked hard in 2017 on being able to offer smart charging independent of the brand of electric car. This service will be developed further in 2018.

CrowdNett

With CrowdNett, customers use a home battery to store the solar energy that they themselves have generated. This battery is connected to a network of home batteries. The network can mitigate the fluctuations of the national electricity grid with the collectively stored solar energy. As a result, in the event of an imbalance, the collectively generated solar energy can be used as a back-up instead of coal-fired power plants. Eneco offers various types of home batteries as part of CrowdNett: the Tesla Powerwall and two types of LG Chem home batteries. Eneco started working together with solar panel supplier Zonneplan in 2017 in order to be able to offer customers a total package of CrowdNett home batteries plus solar panels. In December 2017, the first refunds were paid to CrowdNetters who have been using the system for a year. The sale of Tesla Powerwall 2, an improved home battery, started at the end of 2017. Eneco is the exclusive supplier in the Netherlands.

CrowdNett: virtual power plant

Home batteries are going to play a large role in balancing the electricity network. With CrowdNett, Eneco is offering a sustainable solution for a growing challenge. The Powerwall stores energy that is available immediately when necessary.

More about *CrowdNett*

New ventures

We are investing in companies and start-ups in the Netherlands and abroad that have the same focus on sustainable energy as the Group does. A number of new participations joined our group of innovative companies in 2017. The reason that we are investing in particular in these companies is because they help us to transform faster by working together closely with various Group business units. In this manner, we bring together innovative entrepreneurship and the Group's strong existing market position.

Next Kraftwerke

In May 2017, the Group acquired an interest in Next Kraftwerke, operator of one of the largest virtual power plants in Europe. Next Kraftwerke, founded in 2009 in Cologne, is one of the largest independent digital 'aggregators' of sustainable energy in Europe and is one of Europe's fastest growing companies according to the Financial Times. It is expanding its activities to Austria, Switzerland, Poland, France, Italy, Belgium and the Netherlands. Our investment enables the further expansion and contributes to the joint ambition of the Group and Next Kraftwerke to accelerate the energy transition.

Thermondo

Thermondo is a German start-up that sells and installs heating installations for retail customers. Thermondo has been pioneering since it started in 2012 with digital customer contact, customer processes and smart energy services. For instance, it has developed software to optimise the energy consumption of individual households. Thermondo is known as an innovative and disruptive player in the relatively traditional market for heating installations. The Group has a minority interest in this company.

ONZO

ONZO in London has developed a platform that analyses the energy consumption of household appliances based on data from smart meters and connected appliances. Energy companies worldwide make use of these insights to offer their customers personalised services via an app, such as energy saving tips ('Replace your old refrigerator with a more energy-efficient refrigerator').

Employee engagement

Putting people first

Our employees carry out our sustainable mission. In order to do this as optimally as possible, they work in an open dialogue, with customised tools and in a renewed organisation on the changing energy landscape.

With our redefined mission 'everyone's sustainable energy' we have placed a new mark on the horizon. Our organisation structure, culture and partnerships must be directed at giving customers control over their own energy supply. Or rather, giving people control. In addition to the customer, our internal and external staff and partners are also people who are connected to Eneco for a shorter or longer period. We aim to facilitate all of these people optimally to provide a useful contribution to our sustainable mission in this period. As a result, we are looking for partnerships and structures that support this more than ever. We want to be less and less of a hierarchical organisation and more and more of a network organisation with clear structures and goals in which people are the central focal point.

Focus with strategic alignment

We have been working towards alignment within the Group for a number of years: are all employees sufficiently strategically aligned to realise our mission and strategy? In order to make progress, it is important to all focus on the right mission, cultural values, strategic objectives and choices. This is why we measure strategic alignment every year via our annual employee survey. A new survey method was used in 2017 and therefore the results are not comparable to the results of previous years. Previous surveys had a thermometer function, the current more extensive survey offers concrete points of departure for a strategic dialogue.

In the 2017 survey, we asked our colleagues to indicate their choices and priorities with regard to the question: what do we stand for as a Group? The objective was to check whether teams within our organisation strive for the same values that we strive for as an organisation. The alignment score on universal values amounted to 78% among our permanent colleagues (excluding external hires), which amounts to a 7.8. With this score, we achieved our target of at least 75%. That means that employees are very aware of what we stand for.

We paid extra attention in 2017 to our mission and cultural values. We introduced our redefined mission 'Everyone's sustainable energy' (instead of sustainable energy for everyone) during the launch in February of the new, unbundled Eneco Group. We did this in a live event at all our locations in the Netherlands and abroad, supported with a leaflet sent to our employees' home address, a video report on our Intranet and a communication campaign setting out the added value that we provide for customers, suppliers, shareholders, etc.

We introduced six change areas in the fall, in which we plan to implement the culture that we aim for. The change process is supervised by change agents who we have trained ourselves. And we also employ influencers (employees who have been designated by colleagues as persons who can bring about change) for the bottom-up change process.

In order to increase alignment on values, strategic objectives and choices, we have to invest in a number of things in 2018 according to the survey. First of all, it is important that the senior management determines the strategic objectives for the whole Group and that it defines the accompanying strategic choices. The objectives and choices should then be made concrete so that they can be implemented in the day-to-day work. In order to achieve a higher alignment, it is important that teams work together well so that less competition is experienced between teams. It is also important that employees feel safe enough in their teams to be able to voice their opinions. Vulnerability on the part of the manager is essential in this respect.

Performance dialogue

The basis of our performance management is a constant dialogue directed at stating clear expectations and a direction, and at the motivation and development of employees. Therefore, we do not have a real fixed structure: no standard salary increase for a standard performance conclusion, no four- or five-point scale and no fixed percentage of employees who may perform above or below average. But a straightforward dialogue about whether the employee has performed well or has not performed well enough.

The method of questioning with regard to the satisfaction about the performance dialogue was changed this year in connection with the new survey and therefore the score cannot be compared directly with the score over 2016. In 2016, 70% indicated that they had conducted a good dialogue. This year, 66% of our employees indicated that their performance had been discussed sufficiently. A decrease that provides a reason to examine this matter more closely and forms a new incentive to continue to conduct this dialogue.

An important part of the performance dialogue is the question: 'where does my strength lie'. Eneco Beheer believes that everyone has talent. In order to increase the focus on everyone's talent the talent philosophy was redefined as 'Talent for all'.

A logical next step is to not only have 'the good dialogue' and feedback on talents and development take place between manager and employee, but to also stimulate this between other people. These people do not necessarily only have to be colleagues. In this manner, we can establish a culture in which giving each other feedback and constant learning is a matter of course.

In transformation

The realisation of strategic objectives depends largely on the competencies and employability of management and employees, the organisation structure and forms of collaboration. In order to be able to quickly capitalise on innovations, changes and disruptions in the market a new governance model has been introduced in which multi-disciplinary teams take strategic decisions based on expertise. In this manner, we can take decisions at the same time in several areas and that makes us quick and agile.

In 2017, Eneco Beheer opted for the working methods Agile Scrum (iterative completion of products), Lean Six Sigma (reducing unnecessary work) and Lean Start-up (validated learning from customer feedback). We lay down our objectives and KPIs for the whole Group centrally in an improved, structured process. Self-organising, multidisciplinary teams determine themselves how they intend to achieve these objectives. Managers give trust, inspire and leave room for experimenting.

Competencies

All the changes mentioned are continuous and are following one another faster and faster. This demands leaders that give direction to transforming and innovating. The coaching of teams to deliver an excellent performance for customers is essential. Eneco supports managers in their personal development, for example with the Leading Acceleration in Business programme (LAB) for individual development and the development of collective leadership. 21 Future Leaders also started. These are talented leaders from other sectors, who, with their fresh perspective, are able to bring about change to accelerate the realisation of our strategy.

Diversity

We continue to strive for diversity. Balanced teams help us to fulfil our mission and to connect as broadly as possible with our customers and our environment. Therefore, when hiring new employees, we focus on diversity in background and personality and on a good ratio between the number of men and women. In percentages, Eneco Beheer hires more women than the number of job applicants. For instance, only 30% of the job applicants are women; however, Eneco Beheer hires 42% women for jobs higher than job classification 9. More women complete the selection rounds

Eneco Windrugzak (Wind Rucksack) lets wind work for you

It is often very windy in the Netherlands. This sometimes makes cycling a challenge. And we have used this challenge as inspiration to let the wind work even more for us. With a sustainable and innovative wind rucksack filled with home batteries that makes our daily lives even easier.

than you would expect based on the number of job applicants. As a result, in 2017, women accounted for 39% of the total population of new employees. By establishing a Strategic Board in addition to the Board of Management, diversity has also increased at the highest level.

Vitality

The Group aims to ensure that all employees can make optimal use of their talents in a safe and ambitious working environment. As an employee you are in control of your own energy supply to contribute to our mission 'everyone's sustainable energy' successfully and enjoyably. In order to increase the vitality of employees and to prevent absenteeism, prevention employees were appointed last year and absenteeism was organised as a separate area of expertise within the HR organisation to provide support to managers and employees in this area.

LichtBlick recognised as best employer

LichtBlick won various awards for best employer, including that of Hamburg. This award assesses the employer qualities of Hamburg companies through the eyes of the public. LichtBlick was nominated a MINT Minded Company for the second time in a row. This award recognises the encouragement of MINT junior management, MINT talents and MINT specialists. (MINT stands for mathematics, informatics, natural sciences and technology or STEM: science, technology, engineering and mathematics). Furthermore, Kienbaum Consulting and the business magazine Capital regard LichtBlick as the leading German company in providing a healthy, sustainable, and fair working environment and excellent employment conditions.

Modern employee participation

Employee participation in the decision-making process is important within the Group. We also do this 'together' and in a modern way.

Members, role profiles and theme groups

Each business unit has a works council from which representatives are chosen for the Central Works Council. Modern employee participation means that the works councils and Central Works Council have a limited number of core members supplemented with theme groups, and that a member has a seat on the works council for only a few terms. We work with specific role profiles in which we lay down what we expect from a works council member, and we also place a strong focus on the development of members of the works councils. In advice procedures, we make use of theme groups that consist of a number of members of the works councils supplemented with employees with a specific expertise.

Involvement at an early stage

The essence of modern employee participation is that the management involves their works councils at an early stage. Thus, a shared understanding of the problem or the opportunity is reached. We examine the various options and the best choices together. As a result, employee participation procedures are completed a lot faster. We take better decisions and there is wider support for a decision.

Themes

In 2017, the works councils were involved in all important themes within their own business units, such as reorganisations. The Central Works Council, which works together with the Board of Management of the Group, focused in 2017 on the unbundling, the question whether our shareholders would sell their interest in Eneco, major investments, changes in the organisation that concern more than one business unit and employment conditions. The Central Works Council worked together with the management of the Group on continuous changes within the company. We are increasingly opting for gradualism instead of large-scale reorganisations that demand a lot of the organisation and generally take a long time. In this manner, we can focus more on what it is about: on our customers and on the realisation of our strategy.

Safety & Security

Safety in the broadest sense of the word has priority within Eneco every year. We are taking various measures in order to improve our performance in this area.

Safety

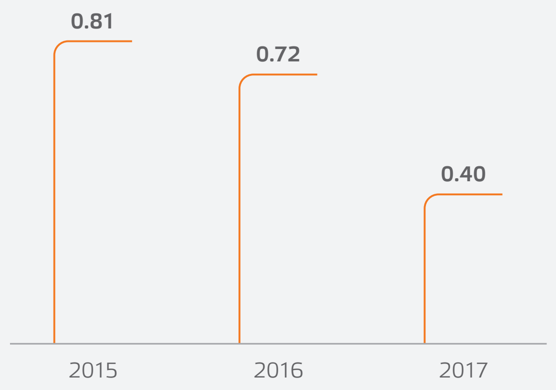
The cooperation between and with the various business units in the area of safety has been further strengthened this year. We have a group-wide approach to prevent accidents by increasing the safety awareness in the workplace. A lot of attention is paid to the prevention of accidents in the form of training sessions, toolboxes and exemplary behaviour on the part of managers and supervisors. We have increased the number of inspections at our projects and improved the quality of these inspections. 921 inspections were held in 2017 compared with 611 in 2016. The discussions about safety in the workplace have a positive effect on the safety awareness of the whole organisation. The number of incident reports is increasing, which enables us to intervene effectively in the event of dangerous situations. We are constantly discussing safety with contractors at the site, in workshops and also in the boardroom.

Concrete improvement measures have been implemented based on an analysis of the causes of incidents, including with regard to working at heights, working with hazardous materials and dealing with aggression. These measures have contributed to achieving a safety score (RIF[1]) of 0.40 in the financial year 2017, compared with a target of a maximum of 0.96.

We aim for a proactive attitude to working safely within our organisation, instead of a calculated attitude with regard to high risk work. The baseline assessment in August 2017 at Bio Golden Raand showed that we are at step 3 of the NEN Safety Culture ladder. We are on our way to step 4 with concrete improvement measures.

1 Recordable Incident Frequency: this is a number in which the safety performance of a company is expressed. The RIF is the ratio of the number of work-related accidents to the actual productive hours multiplied by 200,000 during a year.

Safety Performance
(RIF)



Security

A number of security measures demands a group-wide approach within the Group. Internet security is an example of this. We participated in a large-scale incident simulation exercise with the government and other organisations to practise responding to a cyber attack against the vital infrastructure in the Netherlands. Over 40 learning points were translated into improvements for the Group. Another example of cooperation was the drafting of an aggression protocol that was implemented at the Consumers and Eneco Installation Companies (EIB) departments. We teach our employees how to deal better with aggressive customers (see Risk management (page 52)).

Crisis organisation

The Group aims to control strategic and operational risk by means of risk management (see Risk management (page 52)). However, should a crisis occur, then it is import to restore the continuity of the organisation as well and as fast as possible. Therefore, the crisis organisation of the Group was strongly professionalised in 2017. 15 crisis team drills were carried out and around 30 incident or emergency response drills. Employees with assigned roles in the crisis organisation have been trained and we have purchased modern tools to support decision-making in crisis situations.

A number of crises were managed successfully via the crisis organisation. The Group was confronted with a ransomware attack in February. This crisis was resolved within 36 hours, including the back-up recovery that we carried out and the extra control activities. No further damage was sustained. Asbestos was discovered in October in the blasting grit that was used at our location Vijfwal in Houten. Later, it turned out that contaminated grit had also been used at a wind farm. All necessary control measures were taken.

Financial result

Strong result autonomous Eneco Beheer group

The Group recorded strong results in 2017. Revenue and operating profit rose strongly in 2017 compared with the previous year due to acquisitions in Germany and Belgium and an improvement in the underlying operating results.

The total number of customers also grew and the company took new steps in the fields of innovation and new energy services. In conclusion, we can look back at a good first year as an autonomous company after the unbundling of the grid operator as of 31 January 2017.

Results

Operating profit

We can look back at a strong financial result in the past year. Operating profit (EBIT) rose strongly by 49% from € 106 million to € 158 million.

Revenue

Total revenue rose by 22% in 2017 to €3,355 million due to the acquisition of Eni in Belgium and a large holding in the German company LichtBlick. This also offset the small decrease in revenue in the Netherlands, which was due to the fact that we again passed on recent energy price decreases to our customers. Revenue from heating rose slightly as the Bio Golden Raand power plant started delivering sustainably generated steam during the year. The decrease in other income is largely the result of the unbundling: overheads were still charged to units of the grid operator Stedin last year. These costs and the recharge to Stedin stopped in 2017.

Gross margin and other revenues

Gross margin and other revenues increased from € 931 million to € 1,052 million (13%). This was partly the result of acquisitions, new solar parks and wind farms that came on stream in the past two years and the positive effects of restructuring carried out last year. The results of our Trading department improved due to favourable conditions on the energy market. Weather conditions, which have an effect on the margin due to gas sales and the generation of electricity from wind, were comparable to last year. There were no extreme temperatures and, as was the case last year, the wind strength was generally slightly below the long-term average.

Expenses

The increase in total operating expenses to € 894 million (8%) was caused by the acquisitions. Excluding acquisitions, operating expenses actually decreased. First of all, because some overheads are no longer being incurred because of the unbundling. The decrease was also a consequence of cost-saving measures and the restructuring of our organisation. The increase in depreciation charges mainly concerned the acquired customer data bases.

Financial income and expenses

Financial income and expenses were still influenced by the internal financing arrangements from before the unbundling. This year's figures provide a more operational picture of the current financing structure with an increase in interest-bearing debt from € 415 million at the end of 2016 year to € 735 million as of 31 December 2017, due to high capital expenditure. The tax burden (€ 9 million) was lower than in 2016 (€ 14 million) mainly due to a non-recurring adjustment relating to the restructuring of customer activities abroad.

Profit after tax

The Profit after income tax from continuing operations amounted to € 127 million; 23% higher than in 2016 (€103 million).[1]

1 Explanation regarding the comparison of the 'profit after tax' compared with 2016: The Group transported energy (electricity and gas) via its subsidiaries Stedin Netbeheer and Stedin Diensten until 1 July 2016 and Ecofys was still part of the Group until November 2016. These activities were sold to third parties as a consequence of the unbundling of the then Eneco Holding N.V. (now Stedin Holding N.V.) into an energy company and a grid operator. They are not included in the comparative figures. The net result of the activities in question are included in the comparable figures 2016 under 'Result after tax from discontinued business activities' (€ 89 million) and is no longer applicable in 2017.

Investments

The Group invested € 727 million in 2017 (2016: € 150 million) in acquisitions and the operational expansion and replacement of sustainable generation capacity and operating assets. The largest part of this was the payment for our 50% holding in LichtBlick in Germany and the acquisition of Eni in Belgium We spent € 31 million on the expansion of our sustainable solar energy and biomass activities, including the acquisition of a number of large solar parks and on adapting our biomass power plant Bio Golden Raand to enable the delivery of bio-steam to Akzo Nobel. Investments in wind farms amounted to € 99 million. In addition to the acquisition of the De Wolff wind turbines, we also invested in the further development and construction of wind farms in the Netherlands and Belgium, including Autena, Slufterdam, Pampero and Cordona. We invested € 69 million in our district heating facilities; not only in transmission but also in increasing the sustainability of the heat generation. We started construction of the Lage Weide bio-heating plant in the second half of 2017. This plant will supply sustainable heating to 22,000 households in Utrecht and Nieuwegein from early 2019.

Outlook

Based on our strategy and growth ambitions, we have confidence in the further development of our company. Nevertheless, the integration of the new activities will require effort and market conditions are challenging and will remain so for the time being. In addition, there is the current issue of the shareholdings in the Group. Against this background, we will refrain from issuing a results forecast for 2018.

Risks

Risk management

Management and control

Risk management contributes to realising our strategic objectives in a responsible manner. With our risk policy, we carefully weigh which risks the Group is running, which control measures we should implement to counter these risks and we assess the effectiveness of these measures.

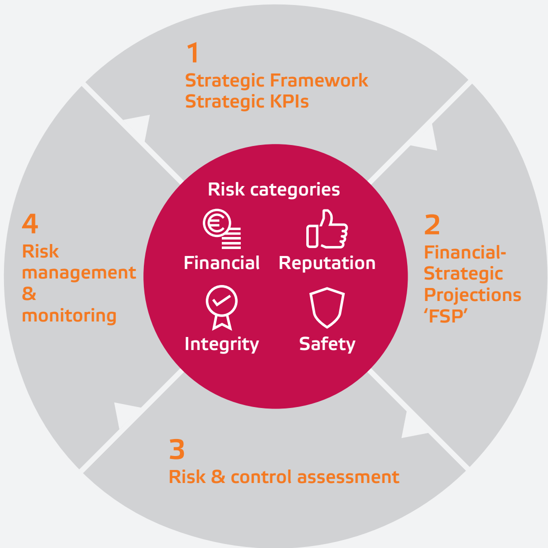
Governance

The Board of Management is responsible for the risk management of the whole Group. Our risk management is based on the three lines of defence model. This structure ensures that we follow the current good practices with regard to risk management. The Board of Management has delegated the execution of risk management primarily to the directors of the business units (i.e. the first line of defence). Business Control and staff/functional areas such as compliance and security support the business units from the second line of defence. The Group Risk Management department is also part of the second line of defence and translates policy into guidelines and coordinates the risk management process. The Internal Audit function (third line of defence) conducts independent audits and reports the results to the Board of Management and the Audit Committee of the Supervisory Board.

The directors of the business units discuss their risks, risk estimates and the status of measures directed at mitigating and controlling these risk every quarter. The most important risks and measures are reported to the responsible portfolio holder in the Board of Management every quarter in the Business Unit Review. These are consolidated and reported to the Board of Management and the Audit Committee.

The Audit Committee supervises the adequate functioning of the risk management activities. We have laid down the risk limits on a company level in various concrete policy statements, codes and guidelines in areas such as safety, trading mandates, authorisations and conduct. In addition to the quarterly reports, a number of risk management topics were given more specific attention in the Audit Committee in 2017. These topics included the investments in Eni and LichtBlick, an update of the Treasury Charter, the financing requirement in relation to the rating of the Group after the unbundling and cyber security.

Risk and performance management framework



1. **Strategic Framework Strategic KPIs**
   - Risk and performance management framework
2. **Financial-Strategic Projections 'FSP'**
   - Projected realisation strategic objectives
   - Projected financial results
   - Projected credit rating ratios
3. **Risk & control assessment**
   - Gross risk assessment (risk register)
   - Specification of controls
   - Assessment of potential impact of risks on financial-strategic projections
4. **Risk management & monitoring**
   - Mitigating measures and follow-up
   - Reporting of net risk and monitoring at all levels
   - Determine acceptability of risks

Risk and performance management framework

We use the internal Eneco control and risk management system (ECRS), that is based on the COSO ERM framework, the worldwide standard for Enterprise Risk Management. The ECRS comprises a systematic approach for risk assessment, a set of control measures and a self-assessment method with which the management of the business units can determine whether the control measures are effective.

Risk management is an iterative and continuous process and is part of the regular Business Planning Cycle. The business units carry out a thorough analysis of the threats and opportunities at least once a year. For each significant risk, we determine what the possible impact could be on the risk categories Financial, Reputation, Integrity and Safety. We implement control measures that reduce individual risks and by means of financial-strategic projections supported by sensitivity analyses, including single-event stress tests and VaR analyses for the total of all business risks. Risk management systems have been set up on all levels of the organisation which contain specific risk-mitigating measures.

Risk tolerance

Our risk tolerance is divided into risk categories, as defined within the Group:

	Low	Medium	High
Safety	Injury with alternative work	Injury with absenteeism or hospitalisation	One or more fatalities
Integrity & Compliance	No/limited fraud possibilities	Incidental fraud possible	Large-scale fraud possible
Financial	< €1 million	> €1 million	> €10 million
Reputation & Quality	Limited negative image among stakeholders	Decrease in confidence among stakeholders	Structural damage among stakeholders

Risk categories

Safety	A lot of attention is paid to safety within Eneco and our risk tolerance is very low. We regard serious incidents (hospitalisation, fatal accidents) as unacceptable.
Integrity & Compliance	The management has a zero-tolerance policy with regard to integrity and compliance risks.
Financial	Our risk tolerance is low in general; however, sometimes we have to 'accept' a higher financial impact for a risk because the possibility to mitigate this risk is limited (for example the weather risk). In addition, we consciously opt for a higher risk profile in specific areas, such as innovation and transformation. We use sensitivity analyses and stress test to determine whether we are sufficiently robust to deal with negative developments and incidents.
Reputation & Quality	Our risk tolerance is low and where possible we try to avoid any occurrence that could give rise to a negative image of the Group.

Developments in 2017

Business units carry out a self-assessment for the designated key controls at least twice a year. Key controls are control measures that reduce high risks. For controls in the field of IT, financial reporting and financial management information, an ambition on the 'prove me' level applies for demonstrability. The number of controls in the field of authorisation management and IT change management were expanded and enhanced in 2017. A further quality improvement with regard to demonstrability is necessary to achieve our ambition level.

The unbundling carried out at the beginning of the reporting year demanded a special effort of the organisation in order to carry this out in a controlled manner. The unbundling of both the IT organisation and the financial administrative side took place without material incidents. Following the unbundling, we adjusted our financial risk tolerance and impact scale to the size of the new organisation.

For the internal supervision and management of our growing portfolio of innovative participations, the Venture Board was established in the past year, with representatives from the Board of Management.

Incidents

A number of incidents occurred in 2017. We will discuss two major incidents.

Eneco Zakelijk was hit by a ransomware virus in February 2017 due to which the normal business operations were disrupted for two days. The ransomware entered our system via the internet and was activated by a click on a link in an email. The ransomware penetrated the configuration files of our customer system leading to the interruption of customer and invoicing processes. The interruption lasted in total about 36 hours due to back-up recovery and extra controls. This incident and the international increased threat level for the energy sector have led to a significant investment in 2017 in cyber security: extra Microsoft licences, an awareness programme for personnel (Kaspersky) and advance threat protection.

A subcontractor used grit sand that was contaminated with asbestos when carrying out maintenance work at the heating plant Vijfwal in Houten in October. The work at the site was immediately stopped, local residents and the people directly involved were informed. Measurements showed that the asbestos was limited to the site of the power plant. The power plant was taken into operation again after a thorough decontamination of the site.

Reference is made to the paragraph Integrity and compliance (page 63) in this annual report for reporting on incidents regarding compliance.

Strategic risks

Strategic risks are long-term risks that influence the realisation of our strategic objectives. Based on a stakeholder analysis, we determined which material themes are important for our stakeholders. We then defined the most important strategic risks for each theme.

Material themes		Strategic risks
Living within the limits of the planet	1	Loss of credibility sustainable image
	2	Uncertain future government policy and regulations with regard to sustainability
Customers participate in the energy transition	3	Falling behind in the energy transition
Relevant for the customer	4	Responding insufficiently to customers' needs
Employee engagement	5	Insufficient competencies and employability of personnel
A healthy financial return	6	Financial return of sustainable generation comes under pressure

Below, we discuss the strategic risks in more detail as well as our mitigating strategies.

1. Loss of credibility sustainable image

The Group's mission is 'everyone's sustainable energy', we want to be leading in the energy transition and to be recognised as a sustainable energy company. Our aim is to operate in the future within the limits of our planet and to help our customers, partners and suppliers to do this as well: our One Planet ambition. This ambition has been translated into a CO_2 reduction target for our own business operations and growth in sustainable production capacity. This is expressed in external benchmarks such as the NGO ranking in the Netherlands and the Greenpeace ranking in Belgium. In order to protect our image, we choose our suppliers and partners carefully and we apply 'know your customer' criteria when accepting commercial customers and counterparties. We also mitigate the risk by means of transparent communication with stakeholders about the progress of the implementation of our strategy.

2. Uncertain future government policy and regulations with regard to sustainability

Changes in European and/or Dutch regulations can have a big impact in areas such as subsidies, CO_2 pricing, market structuring and taxes. Furthermore, when providing our products and services, we have to comply with regulations regarding consumers and with privacy laws. In various ways, the Group is asking for the government's attention for the importance of a stable investment and financing climate that is also aimed at accelerating the sustainability of the energy supply. As a mitigating measure, the Group spreads its sustainable investments over several countries, subsidy schemes and various sustainable technologies (such as wind energy, solar energy, energy storage and energy insight and savings).

3. Falling behind in the energy transition

The energy market is in the middle of a transition. We see innovations in technology for production, storage, savings and conversion. Of course, this also has consequences for our future revenue model for energy deliveries to households and industries. The risk is that the Group responds to these developments too late or insufficiently, causing our market share to come under pressure and being unable to, for example, achieve our objectives in the growth domain innovative services.

We follow the developments in energy-related markets closely. Which new technologies offer opportunities to fully or partially replace conventional production and regulation capacity and how will this effect the delivery of energy in the future? We see opportunities to increase sustainability in the area of heating, but also in the market for electric transport. This is why we are developing new solutions and business models together with our customers and partners. The Group mitigates this risk further by making innovation budgets and dedicated resources available to review technologies and to start pilot projects. We work together with universities and perform market scans. In this manner, we aim to develop a consistent portfolio of best available technologies.

4. Responding insufficiently to customers' needs

Responding insufficiently to customers' needs with new innovative solutions leads to loss of customers and lower revenues. Internet has made it easier for customers to compare energy suppliers and to switch from one supplier to another. New products and services increasingly have a strong digital and data-driven character. As a result, customer needs are also transforming rapidly in the energy sector, the boundaries of the sector are fading and new entrants see opportunities. As an energy company, we are searching for added value for our customers by integrating renewable production, services and technological

Eelco Blok
CEO KPN

'Energy transition can be accelerated'

developments into total solutions. In addition, we also sometimes combine forces with new entrants for the best solution for the customer. We invest in promising companies that develop services for our customers making use of new technology, such as blockchain, the Internet of Things and data science. In addition, the Group invests in new technologies to improve existing processes such as data analytics. We make use of cloud technology to reduce costs and increase flexibility and Internet of Things technology to carry out targeted maintenance of production facilities.

5. Insufficient competencies and employability of personnel

Gaps in competencies and reduced employability of management and employees endangers the degree to and the speed at which strategic objectives can be realised. This is why we are working on building a high-performance organisation in which people are the central focal point. Various education, culture and development programmes for management and employees are being rolled out and supported. We develop and implement forms of collaboration that stimulate constant improvement.

6. Financial return of sustainable generation comes under pressure

The price of electricity and heating is currently largely determined by the price of gas, coal and emissions. However, in the future, as a result of the increasing share of sustainable production capacity, the price of electricity will be determined less and less by these marginal costs of fuels. We work with future scenarios based on possible market regulations and price developments to assess the robustness of our long-term investments in sustainable production facilities.

Development processes for sustainable production often take a number of years. Once they are operational, wind and solar parks can remain in use for decades, whereas we can only fix the delivery price for a limited number of years on the energy trading markets. We will not be able to recoup an investment that we make now when market prices decrease structurally in the future or the costs of balancing on the imbalance market increase. Therefore, our strategy is also directed at building sustainable production facilities with and at the request of our clients (Client Sources).

Operational risks

Below, we discuss our most important operational risks that can still have an estimated remaining impact of >€ 5 million after mitigating measures.

Risk (trend compared with 2016: ↑→↓)	Potential impact	Control measures
Financial position		
Creditworthiness ↑ Decrease in the perceived creditworthiness of Eneco, or a rating downgrade	· Decrease in the willingness of energy trading parties to give the Group uncovered limits on trading positions or an increase in guarantees and other collateral to be provided by the Group · Less favourable conditions for access to capital and money markets and (limited) higher interest mark-ups · This risk has increased due to the unbundling of the grid operator	· Stress testing in particular on key ratios such as FFO/net debt · Steering on contract conditions with customers and trading parties · Availability of back-up financing and guarantee facilities, to be used in particular in the event of volatile market conditions *)
Spark spread ↑ Lower margin between sales prices of electricity produced by gas-fired power plants and cost price/purchase gas and CO_2	· Approximately € 10 million per year · Risk is rising moderately in view of the developments on the trading markets	· Portfolio management and hedging strategies in the energy trading markets with energy derivatives *)
Profitability sustainable assets → Lower future revenues due to lower electricity prices or lower market value of green electricity	· Approximately € 5 to € 10 million per year · The Dutch and Belgian subsidy schemes do not eliminate the price risk entirely. The subsidy scheme in the UK has an inherent large price-level sensitivity.	· Spreading investments over several countries · Hedging positions via energy trading markets *); however, the market is only liquid for a limited number of future years. · Concluding multi-year client delivery transactions in line with our Client Sources strategy
Weather risk ↑ Lower than average production volume of wind farms due to weather conditions (little wind) or lower demand from customers for gas/heating due to a mild winter.	· Approximately € 20 to € 40 million on an annual basis · The influence of weather on our results increases due to the expansion of our wind production and customer portfolio (heating demand). However, the temperature risk per household is gradually decreasing due to better insulation and other technologies. To a certain extent, the weather risk can be mitigated cost effectively; however, a substantial residual risk remains.	· Concluding (counter) weather-related purchasing contracts, sales contracts and derivatives *) · Use of our gas storage facilities · Portfolio management and use of expertise to forecast weather in relation to expected energy supply and demand · Using demand-steering mechanisms together with our customers · Sourcing of sustainable energy partially via multi-year purchase from third parties (PPAs) instead of own wind farms

Risk (trend compared with 2016: ↑→↓)	Potential impact	Control measures
Risks with regard to business performance, control and governance of our participations and recent acquisitions ↑ *) See note 32 of the consolidated financial statements for more information about the control of financial risks	· Reputation damage and financial loss, of which the impact depends on the scope and the interest that we have. Reputation damage occurs when business objectives are not achieved sufficiently or incidents occur in the area of internal control. Financial impact occurs when anticipated synergy advantages are not realised when acquisitions are consolidated, when claims arise, or when the company is unable to realise growth objectives with acquisitions and participations. The size of this risk is increasing as Eneco is accelerating its transition to new revenue models and customer markets by means of an active acquisition policy in the Netherlands and abroad. In addition, we intentionally give our innovative participations more room so that they can innovate and excel faster and accept that an inherently larger risk is attached to these types of participations.	· We supervise our venture portfolio via the Venture Board. · Through its representative seats in supervisory bodies of its participations, Eneco supervises and assesses the policy of the management on business development and internal control · Additional requirements apply to participations included in the consolidation, in particular regarding reporting and IT controls, in line with Eneco standards.

Financial reporting

Risks in the area of the internal and external financial planning and reporting →	· Reputation damage, claims and legal proceedings · Non-compliant or incorrect reporting · Lack of correct, timely and substantiated financial steering information for decision-making by the management · The potential impact of this risk will increase in the event of a decision for a shareholders' transaction	· Keeping financial reporting knowledge up-to-date · The internal control and administrative-organisational measures, including our accounting guidelines · Procedures for periodic closing, reporting, forecasting and energy balance

Risk (trend compared with 2016: ↑→↓)	Potential impact	Control measures
Operational – IT related		
Unauthorised access to and/or changes in IT systems as well as cyber security ↑	· Reputation damage · Fraud · Financial impact: depending on the nature and seriousness of the incident in question, damage can rise to more than € 1 million · In line with the general trend in society, the risk of cyber security incidents is increasing.	· Signalling and detection techniques for unauthorised access and suspicious activities · Awareness training for employees · Assurance assessments by third parties (audits and certification) · IT change management, policy regarding allocation and cancellation of accounts, corresponding authorisations and application of IT safety protocols.
Operational - Customers		
Business continuity interruptions ↓ Incidents and/or disruptions in our heating supply, production, trading or customer systems	· Safety incidents with injury or worse · Financial impact: depending on the nature and seriousness of the incident in question, this can rise to more than €5 million · Risk has decreased due the unbundling of the grid operator	· Safety policy and instructions · Duplicated IT platform for critical systems · Carrying out periodical crisis management and recovery tests · Business Interruption Awareness programme rolled out at the business units · Maintenance and monitoring of our heating grids and own production units
Laws and regulations		
Non-compliance with laws and regulations →	· Reputation damage · Claims · Legal proceedings · Financial impact: depending on the nature and seriousness of any violations, this can amount to more than €5 million	· Compliance control frameworks at business units · Keeping knowledge about prospective relevant laws up-to-date and sharing this actively with the business via internal media and knowledge sessions

In Control statement

The Board of Management is aware of the responsibility for the adequate and effective functioning of the internal control within Eneco beheer group.

The Board of Management has also implemented the risk management and control system described in the risk paragraph to ensure that the realisation of strategic, operational and financial objectives is monitored, the reporting on financial and non-financial information is reliable and that laws and regulations are complied with.

However, every internal risk management and control system has its inherent limitations. Therefore, we can never provide absolute assurance that we will realise our business objective or that no material errors, losses, incidents of fraud or violations of laws and regulations will occur.

With regard to financial reporting risks, the Board of Management is of the opinion that the internal risk management and control systems provide a reasonable degree of assurance that the financial reporting is free from material misstatements and that the risk management and control systems have functioned adequately in the reporting year.

As in 2016, the Board of Management paid extra attention in 2017 to the strengthening and formalising of control measures with regard to reporting risks and risks in connection with further digitalisation, including the cyber security risk, following self-assessments of the business units and internal audit. The internal control systems regarding both themes will be further strengthened in 2018, so that we will establish additional safeguards and assurance in these areas.

In addition, extra attention will be paid in 2018 to risks in connection with the internationalisation of our company. These risks have increased in size due to the acquisitions that we made in the reporting year.

Finally, it is worth mentioning that the unbundling between the energy company and the grid operator, which was carried out in the beginning of 2017, proceeded according to plan and did not lead to important shortfalls in the internal control.

Governance

Governance

Tasks and responsibilities

Board of Management

The Board of Management holds the ultimate responsibility for the performance of N.V. Eneco Beheer. The Board of Management of N.V. Eneco Beheer has four members. Their biographies can be found on the corporate website of Eneco Group N.V., which is the only shareholder of N.V. Eneco Beheer.

Strategic Board in addition to the Board of Management

N.V. Eneco Beheer decided to introduce a new corporate governance structure mid-2017. The energy transition is accelerating and we see great opportunities and challenges in the market. This means that we have to speed up the transformation of the company and also improve our performance. And it demands that we increase the speed, quality and agility of our decision-making and execution power. A model that allows more people within the organisation to assume responsibility. Therefore, besides the formal responsibility that the four members of the Board of Management have, we also work with a Strategic Board consisting of the members of the Board of Management and the Chief HR Officer. A Chief Customer Officer will be added to the Strategic Board in 2018. Each portfolio in the Strategic Board has a strategic focus, which is crucial for the success.

Code of conduct

Conduct and integrity norms that have been laid down in writing apply to everyone within N.V. Eneco Beheer. Confidential counsellors have been appointed within Eneco Group to which employees can report integrity complaints (see Integrity and compliance (page 63)).

Integrity and compliance

Eneco Beheer pursues an active and proactive compliance and integrity policy with the aim to ensure that we comply with laws and regulations.

Integrity

Eneco Beheer can only fulfil its leading sustainable role properly if we adhere to the highest standards of conduct. The norms and values that apply for us have been laid down in the Eneco Code of Conduct.

We have paid a lot of attention within the Group in 2017 to stimulating the desired conduct. By constantly innovating and improving, we make the difference and are valuable for our customers, shareholders and employees. In order to accelerate this process, we have rolled out a culture programme with the name 'The new way of Working'. The main aim of this programme is the further elaboration of our values. Our values - customer first, together, inspiring trust and assuming responsibility - stand for what we believe in, how we wish to conduct ourselves towards one another and towards society. Exactly what our strategy asks of us. It is our guideline that helps us to constantly take the right decisions about the question of how we should carry out an activity.

In the past year, we also continued to work on building a positive culture by giving workshops. In these workshops, we stimulate everyone to discuss the importance of integrity and compliance with our rules and standards and to bring this into practice in their daily work. We also pay attention regularly to our integrity awareness by communicating about dilemmas and by means of e-learning.

We constantly pay attention to fraud detection and dealing with integrity issues that have arisen. There is a reporting desk for integrity issues and the Group has two confidential counsellors. Employees who are the victim of undesired psychosocial working conditions such as bullying, discrimination or sexual harassment can contact these confidential counsellors. In 2017, the integrity reporting desk received 101 reports and the confidential counsellors received 19 reports, which is a small increase compared to the number of reports in 2016.

Compliance with laws and regulations

Non-compliance with national and international laws and regulations leads to risks with regard to our licence to operate and our reputation, in addition to the financial effects of fines and invalid agreements. Eneco Beheer has a group-wide compliance policy, carries out an annual compliance programme and has a Compliance Officer to support this. The Compliance Officer works together closely with the Legal and Regulatory Affairs departments to stimulate the compliance with laws and regulations within the company. In addition, compliance representatives are active in every business units.

Assurance is obtained internally by means of the In-Control statement and audits. Various supervisory bodies, including the Netherlands Authority for Consumers & Markets (ACM) and the Dutch Data Protection Authority supervise the enforcement of laws and regulations externally.

The Group made a huge effort in 2017 to carry out the unbundling of Eneco and Stedin correctly and to ensure that both companies are compliant with the unbundling act.

In accordance with European regulations, MiFID II will enter into force on 3 January 2018. The Group examined in 2017 whether it is required to apply for a MiFID licence. After a thorough examination and external verification, it was concluded that Eneco qualifies for an exemption from the obligation to have a MiFID licence and Eneco applied for this at year-end 2017.

In 2017, a lot of attention was given to the implementation of the new General Data Protection Regulation, which will come into force in May 2018. We reported eight data leaks to the Data Protection Authority.

In addition, it is apparent from the Declaration of Compliance with the Code of Conduct for Suppliers, Metering Companies and Independent Service Providers that we handle the data of our customers with due care. The declaration for 2017 Code of Conduct for suppliers (page 162) is included in this annual report and can also be found on our corporate website (Our conduct agreements).

We handled a compliance incident within the Group in 2017 which we listed in the above Declaration. It had been observed that Eneco Consumenten B.V. gave customers more insight through an insight service than was actually permitted based on the customer mandate. Upon discovery, the necessary measures were taken so that this situation was ended as of 17 May 2017.

The Netherlands Authority for Consumers & Markets (ACM) imposed a fine of € 1 million on our subsidiary Oxxio on 8 March 2017. This was because the ACM discovered that Oxxio accidentally submitted the wrong data to the Contract End Register (CER). This was caused by the transition to a new contract system within Oxxio. Oxxio considers it very unfortunate that the wrong data was sent to the register. We consider the fine disproportionate, also because customers themselves did always receive the correct information and could switch to another energy supplier penalty free. We have therefore decided to lodge an appeal. This appeal at the court is planned in 2018.

Remuneration 2017

Board of Management Remuneration Policy

When determining the remuneration of the members of the Board of Management, Eneco Groep N.V. takes its special position in society into account by applying the market principle and the moderation principle.

Point of departure

The primary employment conditions of the Board of Management are determined based on the ‘Remuneration Policy for the Board of Management’ which was adopted by the General Meeting of Shareholders (AGM) of Eneco Holding N.V. on 20 May 2005.

The remuneration policy of the Board of Management must enable Eneco Group to attract and retain qualified management. The median level in the General Market for Senior Executives is the reference point for the desired market position of the employment conditions of the members of the Board of Management. Two policy principles are leading in this respect: the market principle and the moderation principle.

Market and moderation principle

The market principle means that Eneco Group should be regarded as a normal, commercial and market-oriented company. The moderation principle means that the Supervisory Board follows a moderate remuneration policy in view of Eneco Group's history and because 100% of the shares of Eneco Groep N.V. are held by public shareholders (municipalities). This is why the Supervisory Board does not translate the benchmark with companies of a comparable size and complexity in the private sector completely into the current remuneration of the Eneco Group board members.

For the determination of the remuneration policy, the Supervisory Board applies the reference framework of the general employment conditions for senior executives, which is based on the remuneration data of over 200 senior executives. In order to do justice to the market principle, Eneco Group has opted for a position around the median of the reference framework. We thus focus on the medium-large companies in the reference group and we avoid a comparison with the largest companies.

In view of the moderation principle, we apply a reduction to the median outcome. In accordance with the remuneration policy approved by the General Meeting of Shareholders, Eneco Group applies a bandwidth of plus or minus 20% around the reference on the median. With the last salary reference point, the actual 'moderation' has risen to nearly 30% compared to the median.

Variable remuneration

As in previous years, the remuneration of the members of the Board of Management in 2017 was again dependent on performance criteria. The four main criteria are largely in line with the strategic themes:

1. Financial result (EBITDA)
2. Revenue from new products (including Toon, HeatWinner, Jedlix, and Luminext)
3. Suitable shareholders (performance criterion for CEO and CFO) organic growth and growth through acquisitions (performance criterion CSGO) and Operational Excellence (performance criterion COO).
4. Strengthening staffing, development and collaboration at the top of the Eneco Group.

Eneco Group publishes the remuneration report, which contains further details on the remuneration of the members of the Board of Management, on the website eneco.nl/corporate every year.

N.V. Eneco Beheer Financial statements 2017

N.V. Eneco Beheer Financial statements 2017

Consolidated financial statements 2017

Consolidated income statement

x € 1 million	Note	2017	2016
Revenues from energy sales and energy related activities	3	3,309	2,642
Purchases of energy and energy related activities		2,303	1,815
Gross margin		**1,006**	**827**
Other revenues	4	46	104
Gross margin and other operating revenues		**1,052**	**931**
Employee benefit expenses	5	242	211
Cost of contracted work and other external costs		374	355
Depreciation and impairment of property, plant and equipment	13	214	218
Amortisation and impairment of intangible assets	14	56	32
Other operating expenses		8	9
Operating expenses		**894**	**825**
Operating profit		**158**	**106**
Share of profit of associates and joint ventures	7	-	7
Financial income	8	7	14
Financial expenses	9	-29	-10
Profit before income tax from continuing operations		**136**	**117**
Income tax	10	-9	-14
Profit after income tax from continuing operations		**127**	**103**
Profit after income tax from discontinued operations (network activities)	11	-	89
Profit after income tax		**127**	**192**
Profit distribution:			
Profit after income tax attributable to non-controlling interests		-	-
Profit after income tax attributable to shareholder of N.V. Eneco Beheer		127	192
Profit after income tax		**127**	**192**

Consolidated statement of comprehensive income

x € 1 million	Note	2017	2016
Profit after income tax		**127**	**192**
Adjustments for:			
Unrealised gains and losses that will not be reclassified to profit or loss			
Fair value adjustment for regulated networks		-	-25
Remeasurement of defined-benefit pension plans		-1	-
Unrealised gains and losses that may be reclassified to profit or loss			
Exchange rate differences		-6	-14
Unrealised gains and losses on cash flow hedges	24	-28	-80
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations	24	6	20
Share of unrealised profit of associates and joint ventures after tax		1	-
Total other comprehensive income		**-28**	**-99**
Total comprehensive income		**99**	**93**
Profit distribution:			
Non-controlling interests		-	-
Shareholder of N.V. Eneco Beheer		99	93
Total comprehensive income		**99**	**93**

Consolidated balance sheet

x € 1 million	Note	At 31 December 2017	At 31 December 2016
Non-current assets			
Property, plant and equipment	13	2,538	2,499
Intangible assets	14	976	282
Associates and joint ventures	16	111	60
Deferred income tax assets	17	27	5
Financial assets			
- Derivative financial instruments	18	65	90
- Other financial assets	19	111	76
Total non-current assets		**3,828**	**3,012**
Current assets			
Assets held for sale	20	214	12
Intangible assets and inventories		58	52
Trade receivables	21	650	500
Current income tax assets		7	3
Other receivables	22	244	996
Derivative financial instruments	18	190	155
Cash and cash equivalents	23	465	343
Total current assets		**1,828**	**2,061**
TOTAL ASSETS		**5,656**	**5,073**
Equity			
Equity attributable to N.V Eneco Beheer shareholder	24	2,866	3,118
Non-controlling interests	24	3	3
Total equity		**2,869**	**3,121**
Non-current liabilities			
Provisions for employee benefits	25	10	7
Other provisions	26	94	72
Deferred income tax liabilities	17	306	187
Derivative financial instruments	18	45	56
Interest-bearing debt	27	453	388
Other liabilities	28	117	110
Total non-current liabilities		**1,025**	**820**
Current liabilities			
Liabilities held for sale	20	9	9
Provisions for employee benefits	25	7	6
Other provisions	26	7	7
Derivative financial instruments	18	181	129
Interest-bearing debt	27	282	27
Current income tax liabilities		52	-
Trade and other liabilities	28	1,224	954
Total current liabilities		**1,762**	**1,132**
TOTAL EQUITY AND LIABILITIES		**5,656**	**5,073**

Consolidated cash flow statement

x € 1 million	Note	2017	2016
Profit after income tax		**127**	**192**
Adjusted for:			
- Financial income and expense recognised in profit or loss	8.9	22	-1
- Income tax recognised in profit or loss	10	9	39
- Share of profit of associates and joint ventures		-	-7
- Depreciation, amortisation and impairment	13.14	270	362
- Result from sale of tangible and intangible assets		2	7
- Movement in working capital	35	288	-113
- Movements in provisions, derivative financial instruments and other		35	-154
Cash flow from business operations		**753**	**325**
Dividend received from associates and joint ventures		4	8
Interest paid		-17	-10
Interest received		4	-
Income tax paid / received		-8	-30
Cash flow from operating activities		**736**	**293**
Issued loans granted		-8	-25
Repayment of loans granted		2	-
Acquisition of subsidiaries (net)		-459	-24
Disposal of subsidiaries (net)		2	-
Acquisition of joint operations, joint ventures and associates	16	-32	-1
Disposal of joint operations, joint ventures and associates	16	-	-
Investments in property, plant and equipment	13	-142	-298
Disposal of property, plant and equipment	13	3	9
Investments in intangible assets	14	-14	-6
Cash flow from investing activities		**-648**	**-345**
Dividend payments		-	-
Repayment of non-current interest-bearing debt	27	-52	-34
Aflossing kortlopende rentedragende schulden		-25	
Non-current interest-bearing debt issued	27	118	218
Nieuw verkregen kortlopende rentedragende schulden		25	
Acquisition of non-controlling interests		-	-
Cash flow from financing activities		**66**	**184**
Movements in cash and cash equivalents		**154**	**132**
Balance of cash and cash equivalents at 1 January	23	343	211
Translation gains and losses on cash and cash equivalents of subsidiaries		-1	
Balance of cash and cash equivalents of disposed consolidated entities		-31	-
Balance of cash and cash equivalents at 31 December	23	**465**	**343**

The consolidated cash flow statement for 2016 includes cash flows from discontinued operations. See the note to the consolidated cash flow statement for further information.

Consolidated statement of changes in equity

x € 1 million	Equity attributable to N.V Eneco Beheer shareholder[1]									
	Paid-up and called-up share capital	Share premium	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Non-controlling interests	Total equity
At 1 January 2016	**122**	**34**	**779**	**15**	**90**	**5,170**	**264**	**6,474**	**4**	**6,478**
Profit after income tax 2016	-	-	-	-	-	-	192	192	-	192
Total other comprehensive	-	-	-25	-14	-60	-	-	-99	-	-99
Total comprehensive income	**-**	**-**	**-25**	**-14**	**-60**	**-**	**192**	**93**	**-**	**93**
Profit appropriation 2015	-	-	-	-	-	264	-264	-	-	-
Capital payment to Stedin Holding N.V. (dividend in kind)	-	-34	-	-	-	-3,415	-	-3,449	-	-3,449
Disposal of activities Network Group	-	-	-735	-	-	735	-	-	-	-
Reclassification depreciation regulated networks (after tax)	-	-	-19	-	-	19	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-		-	-1	-1
Total transactions with (former) owners of the company	**-**		**-754**	**-**	**-**	**-2,397**	**-264**	**-3,449**	**-1**	**-3,450**
At 31 December 2016	**122**	**-**	**-**	**1**	**30**	**2,773**	**192**	**3,118**	**3**	**3,121**
Profit after income tax 2017	-	-	-	-	-	-	127	127	-	127
Total other comprehensive	-	-	-	-7	-20	-1	-	-28	-	-28
Total comprehensive income	**-**	**-**	**-**	**-7**	**-20**	**-1**	**127**	**99**	**-**	**99**
Profit appropriation 2016	-	-	-	-	-	192	-192	-	-	-
Cash dividend to Stedin Holding N.V.	-	-	-	-	-	-351	-	-351	-	-351
Total transactions with current and former owners of the company	**-**	**-**	**-**	**-**	**-**	**-159**	**-192**	**-351**	**-**	**-351**
At 31 December 2017	**122**	**-**	**-**	**-6**	**10**	**2,613**	**127**	**2,866**	**3**	**2,869**

1 See note 24' Equity' for further information on equity and in particular the line 'Contribution of N.V. Eneco Beheer at 30 January 2017'.

Notes to the consolidated financial statements

1. Accounting principles for financial reporting

1.1 General information

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 'Eneco'). Eneco Groep N.V. is the sole shareholder and ultimate holding company. The company is registered at the Chamber of Commerce under number 24246970.

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 the then Eneco Holding N.V. (now Stedin Holding N.V.) into an energy company and a grid operator. These network activities were distributed as a dividend in kind to the shareholder, Stedin Holding N.V.

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. These include the joint investment with Mitsubishi Corporation in the Luchterduinen offshore wind farm that came on stream in 2016 and the Norther wind farm being developed off the Belgian coast. The Group is also a member of the Enecogen VOF power station partnership and has interests in Groene Energie Administratie B.V. (Greenchoice) and since 2017 in Next Kraftwerke GmbH, a German virtual power plant operator.

The consolidated financial statements have been prepared by the company's Board of Management. The 2017 financial statements were signed by the Board of Management during its meeting on 16 February 2018 and will be submitted for adoption by the General Meeting of Shareholders on 28 March 2018.

Unless otherwise stated, all amounts in the financial statements are in millions of euros.

The company's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in force at 31 December 2017, as adopted by the European Commission, and with the provisions of Part 9, Book 2 of the Dutch Civil Code. Where necessary, the accounting policies of joint operations, joint ventures and associates are brought into line with those of N.V. Eneco Beheer. The consolidated financial statements have been prepared on a going-concern basis using the accrual basis of accounting. Since 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 company income statement is presented in an abridged form pursuant to the provisions of Section 402, Part 9, Book 2 of the Dutch Civil Code.

1.2 New or amended IFRS standards

The following amendments to an existing IFRS standard are relevant to Eneco and had been adopted by the European Commission at 1 January 2017. They have been applied as appropriate when preparing these financial statements:

– IAS 7 'Statement of Cash Flows': an amendment to revise disclosures in the financial statements as part of the IASB 'Disclosure Initiative' project. The amendments to IAS 7 are designed to enable users of financial statements to evaluate movements during the financial year related to liabilities arising from financing activities. To the extent necessary, the following changes in liabilities must be disclosed in the financial statements: 1) changes from financing cash flows; 2) changes arising from obtaining or losing control of subsidiaries or other businesses; 3) the effect of changes in foreign exchange rates; 4) changes in fair values; and 5) other changes. To this end, note 27 'Interest-bearing debt' provides information on changes in liabilities arising from financing activities. In view of the prospective application of these amendments to IAS 7, these disclosures are not presented for 2016.

The following new IFRS standards are relevant to Eneco and had been adopted by the European Commission but are not mandatory for 2017. They will be applied from 1 January 2018:

– IIFRS 9 'Financial Instruments': this standard sets a comprehensive framework for the classification, presentation, recognition and measurement of all financial assets and liabilities and replaces the existing regulations in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 is effective for reporting periods beginning on or after 1 January 2018. Early adoption was permitted, but the Group did not do this. Eneco has analysed the potential effect on the consolidated financial statements from applying this standard.
  - The revised provisions on the classification of financial assets and liabilities will not have a material effect on Eneco's consolidated figures.
  - The impact of 'impairment' on receivables will be limited by the large number of relatively small debtors, which spreads the risk, in combination with maintaining the current, strict assessment criteria and processes for the receivables portfolio as a whole. The application of the 'expected loss approach' under IFRS 9 rather than the 'incurred loss approach' may lead to a provision for doubtful debts being formed sooner, involving a shift of the cost between reporting periods, the impact of which on the consolidated figures is not material.
  - The provisions on hedge accounting have been amended in IFRS 9 to be more closely in line with businesses' risk policy and are less rigid. Since Eneco also applies hedge accounting under IAS 39, implementation of the new standard is not expected to have a material impact on the consolidated figures.

– IFRS 15 'Revenue from Contracts with Customers': this standard provides a framework for revenue recognition. This new standard replaces the existing regulations on revenue recognition, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 18 'Transfers of Assets from Customers'. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. Early adoption was permitted, but the Group did not do this. Eneco has analysed the potential effect on the consolidated financial statements from applying this standard. The areas examined were connection and transmission fees, discounts, taxes, other statutory charges, combined contracts and construction contracts and whether Eneco is regarded as the agent or principal for this revenue. Although implementing IFRS 15 will impact a number of these areas, the effect will be limited when compared to the Group's total revenue.

– IFRS 16 'Leases': under this standard no distinction is drawn between operating and finance leases for lessees and off-balance-sheet accounting is no longer permitted for operating leases. The right of use of an asset under an operating lease must be capitalised on the balance sheet while recognising a lease liability. Assets with a value of less than USD 5,000 or a lease term of less than 12 months are exempt from capitalisation under IFRS 16. This new standard replaces the existing rules in IAS 17 'Leases'. IFRS 16 is effective for reporting periods starting on or after 1 January 2019. Early adoption is permitted, but the Group will not do this. The Group expects to complete the analysis of the potential effects on the consolidated financial statements from applying this standard during the first half of 2018.

Other new IFRS standards, amendments to existing standards and new interpretations that will apply in later reporting periods but that have not yet been adopted by the European Commission and/or that are not relevant to the Group are not addressed further in these financial statements.

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of N.V. Eneco Beheer, its subsidiaries and the relevant proportion of the joint operations, non-consolidated joint ventures, associates and other capital interests.

Subsidiaries

A subsidiary is an entity where the company exercises control. This means that the company controls, directly or indirectly, that entity's financial and business operations with the purpose of gaining economic benefits from the activities of that entity. Control is based on whether the investor (1) exercises control over the entity, (2) is exposed, or has rights, to variable returns from the investment in the entity and (3) has the ability to affect those returns through its control. In general, the company holds more than half the shares in its subsidiaries.

The financial statements of a subsidiary are recognised in the consolidated financial statements according to the full consolidation method from the date on which control is obtained until the date on which that control no longer exists. Potential voting rights which can be exercised immediately are also taken into account when determining whether control exists. Pursuant to the full consolidation method, 100% of the assets, liabilities, income and expenses from subsidiaries are recognised in the consolidated financial statements. Intercompany balance sheet positions, transactions and results on such transactions between subsidiaries are eliminated.

Non-controlling interests consist of the capital interests of minority shareholders in the fair value of the identifiable assets and liabilities when a subsidiary is acquired and the non-controlling interest in subsequent changes to the equity. Non-controlling interests in the equity and results of subsidiaries are disclosed separately.

Joint operations/Joint ventures

Joint operations and joint ventures are entities for alliances in respect of which there are contractual undertakings with one or more parties under which they have joint decisive control over that entity. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Only the Group's share of assets, liabilities, income and expenses of joint operations are consolidated, in accordance with the accounting policies of the Group. Joint ventures are recognised using the equity method in accordance with the accounting policies of the Group. Interests in joint operations and joint ventures are recognised from the date on which joint control is obtained until that joint control no longer exists.

Associates

An associate is an entity where there is significant influence over the financial and operating strategy, but not control. In general, 20% to 50% of the voting rights are held in an associate.

The share in associates is recognised in the consolidated financial statements using the equity method, in which initial recognition is at the cost of acquisition of the interest in the associate. The carrying amount is then adjusted by the share in the result less dividends received. The cost of acquisition of an associate is the amount at which an associate was acquired by Eneco. If this is higher than the value of the net identifiable assets acquired, it may include goodwill. Associates are recognised from the date on which significant influence has been obtained until the date on which that influence no longer exists. Results on transactions with associates are eliminated in proportion to the interest in the associate. Impairment losses on associates are not eliminated.

Losses on associates are recognised up to the amount of the net investment in the associate, including both the carrying amount and any loans granted to the associate. A provision is only formed for the share in further losses if the Group has assumed liability for those losses.

Other capital interests

Other capital interests are investments in entities in which the Group has an interest but where neither control nor significant influence can be exercised. These interests are carried at fair value with movements recognised through profit or loss. If its fair value cannot be reliably measured, a capital interest is carried at the cost of acquisition. Dividends are recognised through the income statement when they fall due.

2. Accounting policies

2.1 General

The principal accounting policies used when preparing the 2017 financial statements are summarised below.

The accounting policies used in these financial statements are consistent with those applied in the 2016 financial statements, except for the effect of new and amended standards as set out in 1.2 'New and amended IFRS standards'.

Judgements, estimates and assumptions

In preparing the financial statements, management applied 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 intangible assets and 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 applied 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. Any points of particular importance with regard to judgements, estimates and assumptions are set out in the notes to the income statement and balance sheet items.

Impairment of assets

There is evidence of an impairment when the carrying amount of an asset is higher than the recoverable amount. The recoverable amount of an asset is the higher of the sale price less costs to sell and the value in use. An asset's value in use is based on the present value of estimated future cash flows calculated using a pre-tax discount rate which reflects the time value of money and the specific risks of the asset. The recoverable amount of an asset which does not independently generate a cash flow and is dependent on the cash flows of other assets or groups of assets is determined for the cash-generating unit of which the asset is part.

A cash-generating unit is the smallest identifiable group of assets separately generating cash flows that are significantly independent of the cash flows from other assets or groups of assets. Cash-generating units are distinguished on the basis of the economic interrelationship between assets and the generation of external cash flows and not on the basis of company legal entities.

Goodwill is allocated on initial recognition to one or more cash-generating units in line with the way in which the goodwill is assessed internally by the management.

Impairment tests are performed each half year. If there is evidence of impairment, the recoverable amount of the relevant asset or cash-generating unit is determined. The recoverable amount of goodwill is determined each year.

When the carrying amount of assets allocated to a cash-generating unit is higher than the recoverable amount, the carrying amount is reduced to the recoverable amount. This impairment is recognised through the income statement. Impairment of a cash-generating unit is first deducted from the goodwill attributed to that unit (or group of units) and then deducted proportionately from the carrying amount of the other assets of that unit (or group of units).

Impairment may be reversed through the income statement if the reasons for it no longer exist or have changed. Impairment is only reversed up to the original carrying amount less regular depreciation. Impairment losses on goodwill are not reversed.

Foreign currencies

The euro (€) is the Group's functional currency and the currency in which the financial statements are presented. Transactions in foreign currencies are translated into euros at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are translated into euros at the exchange rate prevailing on the reporting date. Foreign currency exchange differences that arise on translation are recognised through the income statement.

If the functional currency of a foreign subsidiary, joint operation, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognised as translation differences in equity. The accumulated translation difference is recognised through the income statement when a foreign subsidiary, joint operation, joint venture or associate is sold. Translation differences on monetary items that are or were part of the net investment in such foreign operations are also accumulated in the translation reserve and released to profit or loss on sale of the foreign operation.

Netting off

Receivables and payables with a counterparty are netted off if there is a contractual right and the intention to settle net. In the absence of an intention or actual netted settlement, the existence of an asset or liability is determined for each contract.

2.2 Revenues

Revenues, less discounts granted, are recognised when it is probable that the economic benefits will be attributed to the Group and the revenues can be reliably measured. Amounts invoiced and collected for the company's own risk (if Eneco acts as principal) are recognised as revenue. Amounts invoiced and collected for third parties (where Eneco is agent) are not recognised as revenue.

Energy supply

Revenues from the sale of energy to end-users are recognised at the time of supply, once the selling price has been agreed and collection of the sales proceeds is probable. Supply is when the rewards of ownership and risk of any impairment are transferred to the customer.

Sales to large-volume consumers are billed monthly based on meter readings. Billing for sales to retail consumers is based on meter readings taken throughout the year. The amount of energy supplied to retail consumers during the reporting period and the resulting revenues are, therefore, estimated in part on the basis of historical consumption information, standard customer profiles, weather conditions and applicable energy tariffs.

Energy-related activities
Revenues from the construction, maintenance and leasing of energy installations and equipment, the sale of solar panels and rental of smart thermostats are recognised as revenues from energy-related activities.

Services and construction contracts
Revenues are recognised through the income statement using the percentage of completion method when they become sufficiently certain. The extent to which performance has been delivered is determined on the basis of either the relationship between the costs incurred and the total expected costs or an analysis of the work performed.

Government grants
Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants related to income as a contribution to costs are recognised as revenues in the period in which those costs are incurred.

2.3 Purchase cost of energy

Purchases of energy comprise directly attributable costs for the sale of energy to end-users. The purchase cost of energy and commodities contracts entered into with the intention of actually acquiring energy ('own use') is recognised in the same period as that in which the sales revenue is realised.

2.4 Financial income and expenses

Financial income and expenses comprise interest income from outstanding investments, dividend revenues from other capital interests, interest charges on borrowings, foreign exchange rate gains and losses and gains and losses on financial hedge instruments recognised through the income statement. Interest income and expenses are recognised using the effective interest method. Dividend revenues from other capital interests are recognised when they fall due.

2.5 Income taxes

Income taxes comprise current taxes and movements in deferred taxes. These amounts are recognised through the income statement unless they concern items that are recognised directly through equity.

Current tax is the likely amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year under review and is calculated on the basis of applicable tax legislation and rates.

Income taxes comprise all taxes based on taxable profits and losses, including taxes which subsidiaries, associates or joint ventures must pay on distributions to the Group..

Additional income taxes on the result before dividend distributions are recognised at the same time as the obligation to distribute that dividend is recognised.

2.6 Property, plant and equipment

Property, plant and equipment is recognised at cost less accumulated depreciation and impairment. Cost comprises the initial acquisition price plus all directly attributable costs. Cost of assets constructed by the company comprises the cost of materials and services, direct labour and other directly attributable costs. Contributions towards cost from third parties and government grants are deducted from the cost, provided they are not contributions from customers. Cost includes an estimate of the present value of the cost of dismantling, demolishing and removing the item when it ceases to be used and of restoring the site on which it is located, if there is a legal or constructive obligation to do so. Financing costs (interest) directly attributable to the purchase, construction or production of an eligible asset are recognised in cost. If an asset comprises multiple significant components with differing useful lives, these components are recognised separately.

Networks and network-related assets in the regulated domain

In 2016, the Group disposed of the networks and network-related assets for the unbundling on 31 January 2017 of the then Eneco Holding N.V. (now Stedin Holding N.V.).

Government grants

Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants contributing to the cost of an asset are deducted from the asset's cost and reflected in the depreciation throughout the useful life of the asset.

Expenditure incurred subsequent to initial recognition

Expenses incurred at a later date are only added to the carrying amount of an asset if and to the extent that the condition of the asset is improved compared to the originally formulated performance standards. Repair and maintenance are recognised through the income statement in the period in which the costs are incurred.

Depreciation

The depreciation charge for each period is recognised through the income statement using the straight-line method based on estimated useful life, taking into account the estimated residual value. Useful lives and residual values are reassessed annually and any changes are recognised prospectively. Land, sites and assets under construction are not depreciated.

The following useful lives are applied:

Category	Useful life in years
Buildings	25 - 50
Machinery and equipment	10 - 50
Other operating assets	3 - 25

2.7 Leases (Group as lessee)

A lease where the Group, as lessee, has in fact all the benefits and risks of ownership is designated as a finance lease; otherwise, such agreements are recognised as operating leases.

Property, plant and equipment acquired on a finance lease are recognised, when the lease commences, at the lower of fair value of the leased asset and the present value of the lease instalments. These assets are then recognised pursuant to the accounting policies for property, plant and equipment. Lease instalments are broken down into interest and repayment components. The interest component is based on a constant periodic rate of interest on the carrying amount of the investment. The interest component is recognised through the income statement in the relevant period. The repayment component is deducted from the lease obligation.

Operating lease instalments are recognised in equal amounts through the income statement over the term of the lease.

2.8 Goodwill

The acquisition price of a subsidiary, joint operation, joint venture or associate is equal to the amount paid to purchase the interest. If the acquisition price is higher than the share in the fair value at the date of acquisition of the identifiable assets, liabilities and contingent liabilities, the excess is recognised as goodwill. Any shortfall is recognised as a gain (bargain purchase) through the income statement.

Goodwill is measured at cost less impairment. Goodwill is allocated to one or more cash-generating units. Goodwill is tested for impairment annually.

Goodwill purchased on acquisition of subsidiaries and joint operations is recognised in the balance sheet in intangible assets. Goodwill paid to acquire an interest in a joint venture or associate is included in the cost of acquisition.

2.9 Other intangible assets

Other intangible assets comprise customer databases acquired with acquisitions, software and licences, concessions, permits, trade names, other rights and development costs. The related costs are capitalised if it is probable that these assets will have an economic benefit and their costs can be reliably measured. Other intangible assets are recognised at cost less accumulated amortisation and impairment.

Customer databases

A customer database obtained from an acquiree is initially recognised at fair value. This value is determined on the date of acquisition on the basis of the most recent comparable transactions if the economic conditions are comparable or, if they are not, the fair value is determined from the present value of the estimated future net cash flow from this asset.

Software

Software is capitalised at cost. Cost of standard and customised software comprises the one-time costs of licences plus the costs of making the software ready for use. All costs attributable to software which qualifies as an intangible asset are recognised at cost. Costs of software maintenance are recognised as an expense in the period in which they are incurred.

Trade names

If, for commercial reasons, the Group decides to retain the trade name of a party acquired as part of a business combination, it is recognised initially at fair value, determined using the 'relief from royalty method' on the acquisition date.

Development costs

Development costs are the costs of applying knowledge acquired through research by the company or a third party for a plan or design for the manufacture or application of improved materials, products, processes, systems or services, prior to the commencement of commercial manufacture or use. Development costs are only capitalised if they can be regarded as intangible assets. If this is not the case, they are recognised as an expense in the period in which they are incurred. Research costs are the costs of research aimed at the acquisition of new scientific or technical knowledge and understanding and are recognised through the income statement in the period in which they are incurred.

Amortisation

Amortisation is recognised as an expense on the basis of the estimated useful life from the time that the relevant asset is taken into use. Other intangible assets are amortised using the straight-line method. The residual value of these assets is nil.

The following useful lives are applied:

Category	Useful life in years
Customer databases	6 - 20
Licences	3 - 30
Software	3 - 5
Brands	20
Concessions, permits and rights	3 - 30
Development costs	5 - 15

2.10 Emission rights

Emission rights are categorised on initial recognition either as rights intended for the company's own use or as rights destined to be traded.

Emission rights held for periodic redeeming to the government for actual CO_2 emissions (company's own use) are recognised as intangible assets and recognised at cost. Rights of a current nature are presented as intangible assets. A provision, also carried at cost, is formed for this redemption obligation. If a shortfall in the quantity required for redeeming is expected, an addition, charged through the income statement, is made to this provision for the lower of the market value of that shortfall or the penalty expected to be due for that shortfall.

Emission rights held for trading purposes are recognised as derivative financial instruments. The profit or loss arising from revaluing these rights to fair value is recognised directly through the income statement as Other revenues.

2.11 Deferred taxes

Deferred taxes are calculated using the balance sheet method for the relevant differences between the carrying amount and taxable value of assets and liabilities. Deferred taxes are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on applicable tax rates and tax laws. Deferred taxes are recognised at face value.

Deferred tax assets are recognised for temporary differences available for relief, tax losses carried forward and the settlement of unused tax credits if and to the extent it is probable that future taxable profit will become available, so enabling an offset of unrelieved tax losses and unused taxed credits.

Deferred tax assets for all temporary differences available for relief relating to investments in subsidiaries, joint operations and interests in associates and joint ventures are only recognised if it is probable that the temporary difference will be settled in the near future and that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences arising from investments in subsidiaries, joint operations and interests in associates and joint ventures, unless the Group can determine the time at which the temporary difference will be settled and it is probable that the temporary difference will not be settled in the near future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off tax assets against tax liabilities and where the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same fiscal unity.

2.12 Derivative financial instruments

There is exposure to risks in operational and financing activities arising from developments in market prices of energy commodities (electricity, gas, oil, etc.), foreign currencies, interest rates and emission rights. Derivative financial instruments such as financial option, future and swap contracts are used to manage these risks. In the case of commodity contracts, the instruments are categorised as for own use, trading or hedging when the transaction is entered into. Derivative financial instruments other than commodity contracts are generally only entered into to hedge risk.

Measurement and recognition

Derivative financial instruments are measured at fair value, which is based on listed bid prices for assets held or for liabilities to be issued and current offer prices for the assets to be acquired or the obligations held (mark-to-market). Derivative financial instruments for energy commodity contracts are measured using mid-prices.

Derivative financial instruments with a positive value are recognised as current (settlement within one year) or non-current (settlement after one year) assets. Instruments with a negative value are recognised as current or non-current liabilities. Assets and liabilities with each counterparty are netted off if there is a contractual right and the intention to settle the contracts net.

Movements in the fair value of derivative financial instruments are recognised directly through the income statement, unless the derivative financial instruments are for own use or risk hedging.

Own use

Contracts are classified for own use if they are settled by physical delivery or receipt of energy commodities or emission rights in line with the company's needs. Transactions based upon these contracts are recognised through the income statement in the period in which delivery or receipt takes place (accrual accounting).

Hedge accounting

Contracts are classified as hedging instruments if the risk of fluctuations in current or future cash flows which could affect the result is hedged. If the hedge can be attributed to a particular risk or to the full movement in the transaction (energy contracts) associated with an asset, liability or highly probable forecast transaction, the attributed derivative financial instruments are recognised as hedging instruments.

If the conditions for hedge accounting are met, the effective portion of the changes to the fair value of the derivative financial instruments concerned are recognised directly in the equity through the cash flow hedge reserve. The ineffective portion is recognised through the income statement.

Amounts recognised through equity are recognised through the income statement when the hedged asset or liability is settled. When a hedge instrument expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met, although the underlying future transaction has yet to take place, the accumulated result remains in equity (in the cash flow hedge reserve) until the forecast future transaction has taken place. If the forecast future transaction is no longer likely to take place, the cumulative result is transferred directly from equity to the result.

Net investment hedge accounting is applied to mitigate translation differences on foreign non-euro operations. Application of this type of hedge accounting means that foreign currency exchange differences arising from translation of foreign operations and those on financial instruments (such as loans) allocated to them are recognised through the translation reserve (taking into account deferred tax) until the end of the hedging relationship or earlier termination.

2.13 Other financial assets

Other financial assets are mainly long-term items with a term of more than one year, such as loans, receivables and prepayments due from associates, joint ventures or third parties. Long-term receivables, loans and prepayments are measured at amortised cost using the effective interest method.

2.14 Assets and liabilities held for sale

Assets (and liabilities of an asset group) held for sale and discontinued operations are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than through continuing use. The classification is only made if it is highly probable that the asset group or operations are available for immediate sale in their present condition and the sale is expected to be completed within one year. If activities to be disposed are classified as discontinued operations (e.g. significant business units), their results and the comparative figures in the income statement are presented on the discontinued operations line. Where necessary, eliminations for consolidation are made.

Assets and asset groups held for sale are measured at the lower of the carrying amount preceding classification as held for sale and fair value less costs to sell.

2.15 Inventories

Inventories are recognised at the lower of weighted average cost and net recoverable amount. Cost of inventories is the purchase price including directly attributable costs incurred to bring the inventories to their current location and state. Net recoverable amount is the estimated sales price in the ordinary course of business less forecast costs of sale. Impairment of inventories is recognised through the income statement if the carrying amount exceeds the net recoverable amount.

2.16 Trade and other receivables

Trade and other receivables have a term of less than one year. These receivables also include the net amounts that on the reporting date have yet to be billed for energy supplied or transmission services rendered. Receivables are measured at fair value and thereafter at amortised cost less impairment losses. Receivables with a term of less than one year are not discounted on initial recognition. In view of their short-term nature, the carrying amount of trade and other receivables at the reporting date is equal to their fair value.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits with a maturity of no more than three months.

2.18 Provisions for employee benefits

Defined-contribution pensions

Pension liabilities of almost all Dutch business units have been placed with the industry-wide pension funds: Stichting Pensioenfonds ABP (ABP) and the Stichting Pensioenfonds Metaal en Techniek (PMT). There is a state pension plan for employees in Germany; contributions are collected with the social security charges on the employee's salary. A limited number of employees have individual plans insured with various insurance companies

In the event of future shortfalls, the pension funds may only adjust future contributions and only within a limited range. Under IFRS, the ABP and PMT plans are classified as multi-employer defined-contribution plans. A defined-contribution plan is a plan in which a fixed contribution is paid for the benefit of an employee without any further claim by or liability to that employee. Liabilities in respect of contributions to pension and related plans on the basis of available contributions are recognised as an expense in the income statement in the period to which they relate.

The amount of the pension in the Netherlands depends on age, salary and years of service. Employees may opt to retire earlier or (with the Group's agreement) later than the state retirement age, in which case their pension is adjusted accordingly. At ABP this is between 60 and the state retirement age plus 5 years and at PMT between 5 years before and 5 years after the state retirement age.

Defined-benefit plans

Defined-benefit plans are obligations to pay out future pension entitlements. The defined-benefit entitlements depend on age, years of service and salary. The liabilities under defined-benefit plans are calculated actuarially for each plan separately. This applies mainly for the pensions plans in Belgium, which are classified as defined-benefit plans since the employer has issued a certain guarantee on returns.

Liabilities for defined-benefit plans are based on the actuarial present value of the liability determined using the projected unit credit method that is based on a straight-line accrual of rights using projected salaries and takes into account aspects such as future salary increases and inflation. The net liabilities are determined as the net amount of the actuarial present value of the liabilities and the fair value of the fund assets according to actuarial reports. Service charges and net interest are included in employee benefits. Gains and losses on settlement of a defined-benefit plan are taken and recognised in the result at the time of settlement. Actuarial gains and losses on the revaluation of a net pension liability are recognised in the statement of comprehensive income.

Other provisions for employee benefits

A provision is recognised for the obligation to pay out amounts related to long-service benefits and on the retirement of employees. A provision is also recognised for the obligation to contribute towards the health insurance premiums of retired employees, salary payments in the event of illness and the employer's risk under the Unemployment Act. Where appropriate, these liabilities are calculated actuarially at the reporting date using the projected unit credit method, using a pre-tax discount rate which reflects the current market assessment of the time value of money.

2.19 Other provisions

A provision is recognised when, due to a past event, there is a present legal or constructive obligation that is of an uncertain size or that will occur at an uncertain future date, and where its settlement will probably lead to outgoings of an economic nature.

Provisions that will be settled within one year of the reporting date, or that are of limited material significance, are recognised at face value. Other provisions are recognised at the present value of the expected expenditure. The specific risks inherent to the relevant obligation are taken into account when determining this expenditure. The present value is calculated using a pre-tax discount rate which reflects the current market valuation of the time value of money. The determination of the expected expenditure is based on detailed plans in order to limit the uncertainty regarding the amount.

Decommissioning

A provision is recognised that equals the present value of the expected costs where there is an obligation to dismantle, demolish or remove an item of property, plant or equipment when it ceases to be used. The initial recognition of the decommissioning provision for an asset is included in the cost of that asset. If a subsequent assessment shows that the present value of the estimated decommissioning and restoration costs differs considerably from the provision, the difference is settled as an addition or release against the cost of the asset concerned. The adjusted cost is then depreciated over the remaining useful life of that asset. Interest is added regularly to the decommissioning provision. The discount rate for the present value of the provision takes account of current market interest rates and the specific risk profile of the liability. This means that if current market interest rates change during or at the end of the reporting period, the provision has to be recalculated using the changed interest rates.

Onerous contracts

A provision for onerous contracts is recognised when it is probable that the unavoidable costs of meeting the contractual obligations exceed the economic benefits to be derived from the contract.

Restructuring

A restructuring provision is recognised if a formal plan for the restructuring has been approved and its main features have been announced to those affected by it and there is a valid expectation that the restructuring will be carried out. A restructuring provision only includes the expenditures necessarily entailed by the restructuring and not those relating to continuing activities.

2.20 Interest-bearing debt

On initial recognition, interest-bearing debt is carried at fair value plus the transaction costs directly attributable to this debt. Subsequent to initial recognition, interest-bearing debt is recognised at amortised cost using the effective interest method.

2.21 Leases (Group as lessor)

A lease where the Group, as lessor, has in fact all the benefits and risks of ownership is designated as an operating lease; otherwise, such agreements are recognised as finance leases.

Property, plant and equipment made available to third parties by means of an operating lease is recognised in accordance with the accounting policies for property, plant and equipment. Lease income is recognised in the income statement on a straight-line basis over the lease term unless a different allocation is more in line with the pattern of the revenues obtained from the leased asset. Any charges, for example for service and repairs, included in the lease instalments are recognised in accordance with the criteria for providing services.

Property, plant and equipment made available to third parties by means of a finance lease is recognised as a receivable for the net investment in the assets. Lease instalments are then broken down into interest and repayment components based on a constant periodic rate of interest. The interest component is recognised through the income statement in the relevant period. The repayment component is deducted from the lease obligation.

2.22 Trade and other payables

Trade and other payables are recognised at fair value and subsequently at amortised cost. Payables with a term of less than one year are not discounted on initial recognition. In view of their short-term nature, the carrying amount of trade and other payables at the reporting date is equal to their fair value.

Notes to the consolidated income statement

All amounts in millions of euros unless stated otherwise.

3. Revenues from energy sales and energy-related activities

	2017	2016
Electricity	1,776	1,198
Gas	1,184	1,088
District heat	270	252
Energy-related activities	79	104
Total	**3,309**	**2,642**

Total revenue for 2017 included transmission charges of some €200 million invoiced on behalf of grid operators and some €200 million of environmental and other levies and taxes from operations in Germany.

4. Other revenues

Other revenues are mainly proceeds from recharges of costs, sales of CO_2 rights and income from the disposal of interests in subsidiaries and joint operations.

5. Employee benefits

	2017	2016
Wages and salaries	170	153
Social security contributions	24	17
Pension contributions	18	17
Other employee benefits	30	24
Total	**242**	**211**

Total employee benefits were €258 million (2016: €236 million). €7 million (2016: €8 million) of employee benefits have been capitalised. As their nature is directly related to revenue, employee benefits of €9 million (2016: €17 million) have been recognised as part of the cost of energy sales and energy-related activities.

Headcount

The table below shows average headcount during the year of continued and discontinued operations expressed in full-time equivalents (FTE):

FTE	2017	2016
Energy company Eneco (continued operations)	3,049	2,882
Stedin (discontinued operations)[1]	-	1,455
Total	**3,049**	**4,337**
of whom, working outside the Netherlands	792	266

1 from 1 July 2016, Stedin is no longer part of the Group

6. Remuneration Board of Management

The remuneration policy for the Board of Management as proposed by the Supervisory Board was approved at the General Meeting of Shareholders of the then Eneco Holding N.V. on 20 May 2005 and applies unchanged to the Group.[1] The remuneration of the Board of Management is set by the Supervisory Board on the recommendation of the Remuneration, Selection and Appointments Committee. The Remuneration Report for 2017 is published on the Eneco website.

The remuneration of the members of the Board of Management consists of a fixed salary and a variable salary. The variable salary amounts to 20% of the total salary. In 2017 the variable remuneration of the members of the Board of Management was again dependent on performance criteria. The four main criteria for the variable salary are largely in line with the strategic themes and are:

- Financial results (EBITDA);
- Revenue from new products and services (including Toon, HeatWinner, Jedlix, Luminext);
- New shareholders (performance criterion for the CEO and CFO), organic and acquisition-based growth (performance criterion for the CSGO) and Operational Excellence (performance criterion for the COO);
- Strengthening staff numbers, development and co-operation of Eneco Group's senior management.

The pension entitlements of the members of the Board of Management come under Eneco's standard pension plan. Since 1 January 2015, tax facilities for accrual of pension entitlements have been limited to an indexed maximum gross annual salary of €103,317. As a result, the short-term contribution to pensions for the part of the gross salary over €103,317 has taken a different form and is presented in the Other column.

The current employment contracts with the members of the Board of Management are for an unlimited time with a period of notice for the company (N.V. Eneco Beheer) of four months. Each member of the Board of Management has been appointed for a period of four years. Messrs Rameau, Dubbeld and Van de Noort are entitled to a payment of 12 months salary and Mr de Haas to a payment of 24 months salary if dismissed by the company.[2] This arrangement was applied to Mr Van der Linden in 2016.

1 Members of the Board of Management are regarded as key management personnel pursuant to IAS 24 'Related Party Disclosures'.

2 Part of the original contract of employment.

Total remuneration was as follows:

Remuneration of the Board of Management

x € 1.000	Gross salary	Variable remuneration	Pension contributions	Other	Total 2017
J.F. de Haas	530	99	30	59	718
C.J. Rameau	394	74	26	40	534
G.A.J. Dubbeld	394	74	26	40	534
F.C.W. van de Noort[1]	287	54	20	27	388
M.W.M. van der Linden[2]	33	-	2	3	38
Total	**1,638**	**301**	**104**	**169**	**2,212**

1 Appointed at the time of unbundling and so only the costs from February to December 2017 are included.

2 Resigned at the time of unbundling and so only the costs for January 2017 are included.

x € 1.000	Gross salary	Variable remuneration	Pension contributions	Other	Total 2016
J.F. de Haas	520	82	24	53	679
C.J. Rameau	388	64	21	36	509
G.A.J. Dubbeld	388	53	21	36	498
M.W.M. van der Linden	379	56	20	32	487[1]
Total	**1,675**	**255**	**86**	**157**	**2,173**

1 Amounts are excluding arrangement (€423 thousand).

7. Share of profit of associates and joint ventures

The associates and joint ventures are included in the 'List of principal subsidiaries, joint operations, joint ventures and associates' in these financial statements.

	2017	2016
Share in net profit	-1	7
Result on disposal	1	-
Impairment	-	-
Total	**-**	**7**

8. Financial income

The financial income is mainly interest on a financing agreement formed on arm's length terms on 27 January 2017 between N.V. Eneco Beheer and the then Eneco Holding N.V. (now Stedin Holding N.V.) and interest income on a loan relating to the financing of a joint venture.

9. Financial expenses

	2017	2016
Interest expenses	23	7
Interest added to provisions	2	2
Other	4	1
Total	**29**	**10**

See note 27 'Interest-bearing debt' for the average interest rate on the debt.

10. Income tax on the result from continuing operations

N.V. Eneco Beheer heads a fiscal unity for corporate tax purposes which includes almost all of its Dutch subsidiaries. The table below shows the tax on the result from continuing operations:

	2017	2016
Current tax expense	51	31
Movements in deferred taxes	-42	-15
Adjustment for prior years movements deferred taxes	-	-2
Income tax	**9**	**14**

In 2017, customer activities in Belgium, mainly supply of energy to retail and business customers, were restructured. The profit for tax purposes made on this was fully offset by losses still available for relief. These transactions led to assets depreciable for tax purposes which cannot be recognised in the Group's consolidated balance sheet under IFRS rules. As a result, the consolidated 2017 figures include a deferred tax asset of €22 million which has been taken to the result in movements in deferred taxes.

The movements in deferred taxes in the above table include a release of €4 million from the Energy Investment Allowance to be amortised (2016: reduction of €4 million).

The table below shows the current tax on continuing operations:

	2017	2016
Profit before income tax	**136**	**117**
Participation exemption	-6	-39
Non tax-deductible expenses	13	10
Depreciation at non-statutory rates	55	48
Addition to provisions treated differently for tax purposes	-2	-10
Adjustment prior years results	-6	-2
Result on intra-group transaction	86	-
Foreign loss claw-back	39	-
Other	1	1
Taxable profit	**316**	**125**
Carry forward of losses	-114	-
Taxable amount	**202**	**125**
Nominal tax rate	25.0%	25.0%
Current tax expense	**51**	**31**

The table below shows the effective tax burden expressed as a percentage of the profit before income tax for continuing operations:

	2017	2016
Nominal tax rate	25.0%	25.0%
Effect of:		
- Participation exemption	-1.1%	-8.4%
- Non tax-deductible expenses	2.4%	2.1%
- Tax incentives (Energy Investment Allowance, EIA scheme)	-2.9%	-4.5%
- Foreign loss claw-back	7.1%	
- Movement on deferred tax assets	-17.1%	
- Adjustment of prior years results	-1.1%	
- Investment allowances and foreign loss relief	-5.1%	
- Other	-0.4%	-2.2%
Effective tax rate	**6.8%**	**12.0%**

11. Result after tax on discontinued operations

The network and engineering activities (comprising CityTec B.V., Joulz Energy Solutions B.V., Stedin Diensten B.V., Stedin Netbeheer B.V., Utility Connect B.V. and their subsidiaries, the 'Network Group'), were classified in 2016 as a discontinued operation in view of the unbundling of the then Eneco Holding N.V. (now Stedin Holding N.V.) on 31 January 2017 into an energy company and a network company. These companies were transferred to the then Eneco Holding N.V. in January and July 2016. The consultancy activities (Ecofys) were sold in November 2016. Their net results to the date of disposal have been presented as 'Result after income tax from discontinued operations'.

The income statement for discontinued operations is summarised below. For 2016, this comprised:

- six months for Stedin Diensten B.V. and Stedin Netbeheer B.V. and their subsidiaries;
- one month for CityTec B.V., Joulz Energy Solutions B.V. and Utility Connect B.V. and their subsidiaries; and
- over ten months for Ecofys Investments B.V.

	2016
Revenues from energy sales and energy related activities	494
Purchases of energy and energy related activities	-69
Gross margin	**425**
Other revenues	48
Gross margin and other operating revenues	**473**
Operating expenses	-356
Operating profit	**117**
Financial income and expenses	-3
Profit before income tax	**114**
Income tax	-25
Profit after income tax	**89**

The disposal of the network and engineering activities in 2016 did not result in an impairment or profit. Ahead of classification as a discontinued operation, there was a test of whether the carrying amount of this asset group should be written down by an impairment. The fair value less the expected costs of transferring the asset group to be disposed of was not below the carrying amount.

The revaluation reserve for the regulated networks was recognised in unrealised gains and losses for the network and engineering activities. This revaluation reserve was released in 2016 to retained earnings. The network and engineering activities do not include unrealised gains and losses that have to be settled though the income statement.

12. Government grants

Government grants recognised in the result were as follows:

	2017	2016
Environmental Quality of Electricity Production (MEP scheme)	40	81
Energy Investment Allowance (EIA scheme)	4	5
Stimulation Sustainable Energy Production (SDE scheme)	94	55
Other government grants	1	2
Total	**139**	**143**

Government grants relate to continuing operations.

Notes to the consolidated balance sheet

All amounts in millions of euros unless stated otherwise.

13. Property, plant and equipment

	Land and buildings	Machinery and equipment	Regulated networks	Other operating assets	Assets under construction	Total
Cost						
At 1 January 2016	**114**	**3,621**	**7,566**	**163**	**209**	**11,673**
Investments	-	31	180	2	85	298
Acquisitions	-	40	-	-	4	44
Disposals	-19	-25	-26	-7	-1	-78
Reclassification from / to assets held for sale	-1	-56	-8	-	3	-62
Disposal activities Network Group	-13	-94	-7,662	-113	17	-7,865
Reclassification other	3	237	-50	-	-206	-16
Translation differences	-	-50	-	-3	-13	-66
At 31 December 2016	**84**	**3,704**	**-**	**42**	**98**	**3,928**
Investments	-	24	-	1	117	142
Acquisitions	2	91	-	2	64	159
Disposals	-	-75	-	-1	-	-76
Reclassification from / to assets held for sale	-	-	-	-	-2	-2
Reclassification other	-	79	-	-	-96	-17
Translation differences	-	-13	-	-	-1	-14
At 31 December 2017	**86**	**3,810**	**-**	**44**	**180**	**4,120**
Accumulated depreciation and impairment						
At 1 January 2016	**29**	**1,196**	**2,835**	**99**	**27**	**4,186**
Annual depreciation and impairment	4	211	109	6	-	330
Disposals	-7	-22	-21	-7	-	-57
Reclassification from / to assets held for sale	-1	-37	-	-	-	-38
Disposal activities Network Group	-7	-17	-2,906	-72	-	-3,002
Reclassification other	-	35	-17	-2	-	16
Translation differences	-	-2	-	-	-4	-6
At 31 December 2016	**18**	**1,364**	**-**	**24**	**23**	**1,429**
Annual depreciation and impairment	3	202	-	5	6	216
Acquisitions	-	-	-	-	-	-
Disposals	-	-71	-	-	-	-71
Reclassification from / to assets held for sale	-	-	-	-	-	-
Reclassification other	-	11	-	-	-	11
Translation differences	-	-2	-	-	-1	-3
At 31 December 2017	**21**	**1,504**	**-**	**29**	**28**	**1,582**
Carrying amount						
At 1 January 2016	85	2,425	4,731	64	182	7,487
At 31 December 2016	66	2,340	-	18	75	2,499
At 31 December 2017	**65**	**2,306**	**-**	**15**	**152**	**2,538**

Capitalised interest

During the reporting period, there was no attributable interest capitalised for property, plant and equipment (2015: €18 million). The capitalisation rate for interest was 1.6% in 2017 (2016: 4.1%).

Assets under construction

Assets under construction were mainly offshore and onshore wind farms and standard investment in district heating networks.

Regulated networks

In 2016, the regulated network activities were disposed of to the then Eneco Holding N.V. The regulated networks category related to different types of Stedin's assets in the regulated domain such as the electricity and gas networks, gas connections and meters required for gas and electricity distribution and transmission activities. Regulated network activities are subject to regulation by the Office of Energy Regulation of the Netherlands Authority for Consumers and Markets (ACM). Stedin's networks and network-related assets in the regulated domain were revalued and are measured at the revaluation value, which is the fair value at revaluation date less accumulated depreciation and impairment. The difference between depreciation based on the revalued carrying amount and depreciation based on the original cost, less deferred tax, was transferred periodically from the revaluation reserve to the retained earnings reserve.

14. Intangible assets

	Goodwill	Customer databases	Licences and software	Concessions, permits, trade names and other rights	Development costs	Total
Cost						
At 1 January 2016	**161**	**199**	**88**	**84**	**4**	**536**
Investments	1	-	3	-	2	6
Disposals	-	-	-2	-1	-2	-5
Translation differences	-2	-	-	-2	-	-4
Disposal activities Network Group	-	-	-13	-8	-	-21
Reclassification other	-	-	7	-	-	7
At 31 December 2016	**160**	**199**	**83**	**73**	**4**	**519**
Investments	-	-	8	-	6	14
Acquisitions	347	310	20	55	-	732
Disposals	-	-	-1	-	-	-1
Translation differences	-	-	-	-1	-	-1
Reclassification other	-1	-	6	-	-	5
At 31 December 2017	**506**	**509**	**116**	**127**	**10**	**1,268**
Accumulated depreciation and impairment						
At 1 January 2016	**-**	**123**	**71**	**26**	**1**	**221**
Annual depreciation and impairment	-	20	7	4	1	32
Translation differences	-	-	-	-1	-	-1
Disposal activities Network Group	-	-	-10	-2	-	-12
Disposals	-	-	-2	-	-1	-3
At 31 December 2016	**-**	**143**	**66**	**27**	**1**	**237**
Annual depreciation and impairment	-	39	10	6	1	56
Translation differences	-	-	-	-	-	-
Disposals	-	-	-1	-	-	-1
Reclassification other	-	-	-	-	-	-
At 31 December 2017	**-**	**182**	**75**	**33**	**2**	**292**
Carrying amount						
At 1 January 2016	161	76	17	58	3	315
At 31 December 2016	160	56	17	46	3	282
At 31 December 2017	**506**	**327**	**41**	**94**	**8**	**976**

Goodwill

In 2017, the structure of the cash-generating units was changed and in consequence the allocation of goodwill to one or more cash-generating units or groups of cash-generating units was revised. Where applicable, this reallocation was based on the relative value method in line with IAS 36 'Impairment of Assets'. The goodwill was €506 million at 31 December 2017 (31 December 2016: €160 million) and consisted mainly of €122 million of goodwill relating to the group of cash-generating units in the Netherlands, €208 million relating to the Belgian cash-generating unit (including newly-acquired goodwill of €185 million from the acquisition of Eni Gas & Power N.V. – 'Eni') and €159 million of goodwill relating to the German cash-generating unit (from the acquisition of LichtBlick Holding A.G. – 'LichtBlick').

An impairment analysis was performed on this goodwill which showed that the recoverable amount of this cash-generating unit or group of cash-generating units (value in use) was higher than their carrying amount. The following assumptions were used to establish the value in use: the value in use of the cash-generating units was based on expected future cash flows for five years as in the Group's long-term plans (based in part on historical figures) and thereafter extrapolated on the expected life of the assets of these cash-generating units, which is generally longer than the five-year period; long-term growth of 1.0% was taken into account. The pre-tax discount rates, which reflect the risks of the activities of the relevant cash-generating units, were 6% - 8% (in 2016: 6% - 7% for all cash-generating units). These discount rates are based on the weighted average cost of capital (WACC), whose parameters are derived from data from a peer group and market information. The calculation of the value in use of these assets is sensitive to the following assumptions: the discount rate, the growth figure applied for extrapolating cash flows beyond the five-year plan and the average life of the assets. Of these factors, the discount rate is the most sensitive and an increase of 0.5 percentage points would reduce the value in use of the total cash-generating units by some €0.2 billion but would not lead to impairment for any of the cash-generating units.

Customer databases

Customer databases relate to REMU N.V. (acquired in 2003), Oxxio (acquired in 2011), Dong Energy Sales (acquired in 2014) and LichtBlick and Eni (acquired in 2017).

Concessions, permits, trade names and other rights

Concessions, permits, trade names and other rights consist mainly of the capitalised trade name of LichtBlick and permits granted for existing wind farms in Belgium and the United Kingdom.

15. Business combinations

There were seven acquisitions in 2017, relating to the energy business LichtBlick Holding AG, the energy business and wind activities of Eni Gas & Power N.V., the wind energy activities of De Wolff Verenigde Bedrijven B.V. and also to four small solar farms, which in view of their materiality, are not addressed further below; their total opening balance sheet figures are reported in 'Other acquisitions' below.

Acquisition of LichtBlick

The Group concluded the acquisition of a 50% holding in LichtBlick Holding AG ('LichtBlick') on 28 February 2017, following the approval of the German competition authorities. LichtBlick is a leading green energy company based in Hamburg. It has some 450 employees and provides renewable energy to over 620,000 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 50% 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 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 €0.2 billion has been paid in cash for the shares already acquired. If the Group decides to purchase the remaining holding, this is expected to involve an investment of some €0.2 billion. This figure has been determined from agreements on a provisional price that depends on LichtBlick achieving certain results in the financial years 2017 and 2018.

The purchase price for the shares in LichtBlick was finalised in the second half of 2017 on the settlement of specific items in the final balance sheet (in particular working capital). All the other contractual provisions on the purchase price have been settled. Consequently, the acquisition has been recognised 'definitively' in the 2017 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 €50 million. Their gross contractual value was €51 million, of which €1 million was assessed as uncollectible at the acquisition date.

The costs related to this transaction were some €6 million, of which €3.5 million was charged to the 2017 result (Other operating expenses). Since the acquisition date, LichtBlick has contributed a total of some €564 million to the Group's revenues and a profit after tax of about €8 million.

Acquisition of Eni

Eneco concluded the acquisition of two 100% holdings in Eni Gas & Power N.V. and Eni Wind N.V. ('Eni') on 10 July 2017 following the approval of the Belgian competition authorities. Eni is an energy company that also fits Eneco's 'everyone's sustainable energy' strategy and is based in Vilvoorde, Belgium. It has about 150 employees and supplies energy to more than 400,000 households and some 30,000 business customers. Along with Eni, Eneco will serve more than a million connections in Belgium, a significant step in its ambition to make the Belgian energy supply more sustainable. Both companies also complement each other in terms of innovative and sustainable energy services for retail and business customers. With the acquisition of Eni, Eneco is growing further towards being a sustainable, innovative player in the western European energy market.

The purchase price for the two Eni companies was €0.3 billion in cash. This acquisition does not involve a variable portion of the purchase price (earn out) or deferred payment. The assessment of the fair value of the identified assets and liabilities had not been completed on the reporting date and may alter the allocation of the purchase price to the assets and liabilities to a limited extent. Consequently, the acquisition has been recognised 'provisionally' in the 2017 financial statements. The goodwill arising from this business combination was justified mainly by the strategic alliance that will arise with Eneco's existing customer activities in Belgium as well as the synergy gains from further integration of the two companies and strengthening of the market position. The goodwill is not tax deductible. The fair value of the trade and other receivables acquired was €144 million. Their gross contractual value was €168 million, of which €24 million was assessed as uncollectible at the acquisition date.

The costs related to this transaction were some €3 million (Other operating expenses). Since the acquisition date, Eni has contributed a total of some €238 million to the Group's revenues and, due to seasonal influences and integration costs, a loss after tax of about €7 million.

Acquisition of De Wolff's wind energy activities

On 1 November 2017, Eneco acquired the wind energy activities of De Wolff Verenigde Bedrijven B.V., a pioneer in sustainable energy with considerable experience of onshore wind energy in the Dutch market. Under the agreement, the Group is taking over 17 wind farms, various wind energy projects under development and some service/maintenance companies. Consequently, Eneco's total pipeline of new wind energy projects is also growing and so it can continue to meet its customers' increasing demand for sustainable energy. The acquisition covers the purchase of 25 wholly-owned subsidiaries, four joint operations with shares between 50% and 86% and one associate with a 20% holding.

The provisional purchase price for the De Wolff businesses is €0.1 billion in cash including settlement of their net debt. It does not include the provisional purchase price for a wind farm under development that will be transferred to Eneco later. The provisional investment of €0.1 billion was determined from the arrangements for a provisional fee which depends on achieving certain progress on the wind energy projects under development. The final purchase price for the shares of all the acquired companies depends on establishing the final figures at 31 October 2017 and this had not been finalised on the reporting date. The settlement between the provisional and final figures may alter the allocation of the purchase price to the identified assets and liabilities to a limited extent. The part of the allocation to property, plant and equipment and intangible assets is also still being examined and so there may be a reallocation to intangible assets when determining the final figures. Consequently, the acquisition has been recognised 'provisionally' in the 2017 financial statements. The fair value of the trade and other receivables acquired was €7 million and this is also the gross contract value.

The costs related to this transaction were some €0.3 million (Other operating expenses). Since the acquisition date, the De Wolff wind energy activities have contributed a total of some €2 million to the Group's revenues and made a small profit after tax.

Other acquisitions

Details of the other acquisitions are not provided in view of their materiality. These were four acquisitions with a total purchase price of €9 million, mainly being property, plant and equipment of €41 million, non-current liabilities of €28 million and no goodwill.

Pro forma group figures for 2017 including acquisitions

Had these acquisitions taken place on 1 January 2017, the Group's revenues and result after tax for the full year would have been €4,028 million and €138 million respectively.

Opening balance sheet figures at fair value

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

x € 1 Bn	LichtBlick	De Wolff	Eni	Total
Property, plant and equipment	-	0.1	-	0.1
Intangible assets	0.3	-	0.1	0.4
Trade and other receivables	-	-	0.1	0.1
Cash and cash equivalents	0.1	-	-	0.1
Deferred income tax liabilities	-0.1	-	-	-0.1
Trade and other liabilities	-0.1	-	-0.1	-0.2
Total fair value of net assets acquired	**0.2**	**0.1**	**0.1**	**0.4**

x € 1 Bn	LichtBlick	De Wolff	Eni	Total
Acquisition price (including cash and cash equivalents acquired)	0.2	0.1	0.3	0.6
Contingent liability	0.2	-	-	0.2
Fair value of acquired net assets	-0.2	-0.1	-0.1	-0.4
Goodwill (final resp. provisional)	**0.2**	**-**	**0.2**	**0.4**

16. Associates and joint ventures

The Group participates with one or more parties in businesses in the form of associates or joint ventures to perform shared operations.

The total movement in the carrying amount of the associates and joint ventures in 2017 was €51 million, consisting mainly of investments and reclassifications. Most of the investments in 2017 were participating interests in companies relating to the commercial smart energy activities for innovative energy services and products, including the purchases of a 34% interest in the Next Kraftwerke GmbH (a virtual power plant), a 7% holding in Thermondo GmbH (which specialises in the supply and installation of both gas and oil-fired central heating boilers and solar panels to individuals) and a 14% holding in ONZO Ltd. (a data analytics software company). In addition, both Eneco and Mitsubishi Corporation have a 50% holding in EnspireME GmbH, which is building a super battery to provide reserve capacity to the European electricity grid and examining the possibility of storing over-production of local wind power.

The reclassification is mainly the Norther N.V. wind farm under development that, after re-assessment of the criteria in IFRS 11 'Joint Arrangements', is classified as a joint venture from 2017 (until 2016 it had been a joint operation under IFRS 11). Jedlix B.V. has also been reclassified as a joint venture in view of part of the interest having been sold, so that Eneco no longer has control of this business although it retains joint control.

The table below summarises the financial data of the associates and joint ventures, relating mainly to Greenchoice and Norther:[1]

Balance sheet information	At 31 december 2017	At 31 december 2016
Property, plant and equipment	402	57
Current assets	378	260
Non-current liabilities	429	37
Current liabilities	132	154
Net assets (100%)	**219**	**126**
Eneco's share of net assets	62	38
Carrying amount of interest in associates and joint ventures (incl. acquired goodwill)	**111**	**60**
Profit or loss information		
Revenues (100%)	401	425
Profit after income tax (100%)	-7	19
Total other comprehensive income (100%)	5	-
Total comprehensive income (100%)	-2	19
Groups total comprehensive income	**-**	**5**
Groups share of profit after income tax and total comprehensive income	**-**	**5**

Further to the above tables, the cash and cash equivalents of one joint venture were €142 million and the long-term interest-bearing debt was €355 million (both on 100% basis).

17. Deferred taxes

The table below shows the deferred tax assets and liabilities:

	Assets		Liabilities	
	At 31 December 2017	At 31 December 2016	At 31 December 2017	At 31 December 2016
Property, plant and equipment	1	–	178	166
Intangible fixed assets	22	–	130	15
Cash flow hedges	–	–	4	10
Loss carry forwards	3	5	- 19	- 18
Losses at non-resident participating interests	–	–	16	18
Provisions	1	–	- 3	- 4
Total	**27**	**5**	**306**	**187**

1 These figures have been prepared using the most recently published/available financial information of these associates and joint ventures.

Deferred tax assets and liabilities related to cash flow hedges have been recognised through equity. The regulations for preventing double taxation create the deferred tax liability presented for losses at non-resident permanent establishments

Movements in deferred taxes during 2017 were as follows:

	Net balance at 1 January 2017	Recognised in profit or loss[1]	Recognised in other comprehensive income	Other (including business combinations)	Net balance at 31 December 2017	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	- 166	8		- 19	- 177	1	- 178
Intangible fixed assets	- 15	30		- 123	- 108	22	- 130
Cash flow hedges	- 10		6		- 4		- 4
Loss carry forwards	23	- 1			22	22	
Losses at non-resident participating interests	- 18	2			- 16		- 16
Provisions	4	- 1		1	4	4	–
Tax liabilities (assets) before set-off	**- 182**	**38**	**6**	**- 141**	**- 279**	**49**	**- 328**
Set-off of tax						- 22	22
Total						**27**	**- 306**

1 This amount is included in the 'Movements in deferred taxes' as part of 'Income tax on the result'. See note 10 'Income tax on the result from continued operations'.

Movements in deferred taxes during 2016 were as follows:

	Net balance at 1 January 2016	Recognised in profit or loss[1]	Recognised in other comprehensive income	Disposal activities Network Group	Net balance at 31 December 2016	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	- 380	12	–	202	- 166	–	- 166
Intangible fixed assets	- 15	–	–	–	- 15	–	- 15
Cash flow hedges	- 31	–	20	1	- 10	–	- 10
Loss carry forwards	24	- 1	–	–	23	23	–
Losses at non-resident participating interests	- 20	2	–	–	- 18	–	- 18
Provisions	6	- 2	–	–	4	4	–
Tax liabilities (assets) before set-off	**- 416**	**11**	**20**	**203**	**- 182**	**27**	**- 209**
Set-off of tax						- 22	22
Total						**5**	**- 187**

1 This amount is included in the 'Movements in deferred taxes' as part of 'Income tax on the result'. See note 10 'Income tax on the result from continued operations'.

The table below shows the expiry periods for temporary differences available for relief at 31 December 2017:

Expiry periods for differences available for relief	
Property, plant and equipment	1 - 50 jr
Intangible fixed assets	1 - 25 jr
Cash flow hedges	1 - 30 jr
Losses available for relief	1 - 10 jr
Provisions	1 - 10 jr

No deferred tax asset has been recognised on pre-consolidation and other losses of €7 million (31 December 2016: €95 million) since it is not certain whether sufficient taxable profits will be available in the future at the investments and permanent establishment, which are not members of the fiscal unity. The tax regulations in the relevant jurisdiction state that these losses can be carried forward indefinitely.

18. Derivative financial instruments

18.1 Financial instruments of the Group

The table below shows the fair value of derivative financial instruments:

Financial assets	At 31 December 2017	At 31 December 2016
Interest rate swap contracts	–	–
Currency swap contracts	11	10
Energy commodity contracts	238	231
CO_2 emission rights	6	4
Total	**255**	**245**
Classification		
Current	190	155
Non-current	65	90
Total	**255**	**245**

Financial liabilities	At 31 December 2017	At 31 December 2016
Interest rate swap contracts	3	10
Currency swap contracts	2	3
Energy commodity contracts	221	172
CO_2 emission rights	1	–
Total	**227**	**185**
Classification		
Current	181	129
Non-current	46	56
Total	**227**	**185**

18.2 Financial instruments recognised through the income statement

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised through the income statement:

Financial assets	At 31 December 2017	At 31 December 2016
Interest rate swap contracts	–	–
Currency swap contracts	1	–
Energy commodity contracts	205	178
CO_2 emission rights	6	4
Total	**212**	**182**
Classification		
Current	180	139
Non-current	32	43
Total	**212**	**182**

Financial liabilities	At 31 December 2017	At 31 December 2016
Interest rate swap contracts	–	–
Currency swap contracts	1	–
Energy commodity contracts	209	169
CO_2 emission rights	1	–
Total	**211**	**169**
Classification		
Current	172	127
Non-current	39	42
Total	**211**	**169**

18.3 Financial instruments recognised in equity

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised in equity through the cash flow hedge reserve:

Financial assets	At 31 December 2017	At 31 December 2016
Interest rate swap contracts	–	–
Currency swap contracts	10	10
Energy commodity contracts	33	53
CO_2 emission rights	–	–
Total	**43**	**63**
Classification		
Current	10	16
Non-current	33	47
Total	**43**	**63**

Financial liabilities	At 31 December 2017	At 31 December 2016
Interest rate swap contracts	3	10
Currency swap contracts	1	3
Energy commodity contracts	12	3
CO_2 emission rights	–	–
Total	**16**	**16**
Classification		
Current	9	2
Non-current	7	14
Total	**16**	**16**

These instruments are used in cash flow hedge transactions to hedge interest rate, currency and energy price risks.

18.4 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 curve.

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.

The hierarchy of derived financial instruments measured at fair value was as follows:

At 31 December 2017	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO_2 emission rights	4	238	2	244
Interest rate and currency swap contracts	1	10	-	11
	5	**248**	**2**	**255**
Liabilities				
Energy commodity contracts and CO_2 emission rights	26	195	-	221
Interest rate and currency swap contracts	-	5	-	5
	26	**200**	**-**	**226**

At 31 December 2016	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO_2 emission rights	1	229	5	235
Interest rate and currency swap contracts	1	9	-	10
	2	**238**	**5**	**245**
Liabilities				
Energy commodity contracts and CO_2 emission rights	6	166	-	172
Interest rate and currency swap contracts	-	13	-	13
	6	**179**	**-**	**185**

18.5 Cash flow hedging

Note 24 Equity presents the movements in the cash flow hedge reserve.

The cash flow hedge instruments are derivative financial instruments that are subject to net settlement between parties. The table below shows the periods in which the cash flows from the cash flow hedges are expected to be realised:

	At 31 December 2017	At 31 December 2016
Expected cash flow		
Within 1 year	118	70
From 1 to 5 years	61	143
After 5 years	-	-7
Total	**179**	**206**

The total cash flow hedges recognised through the income statement in the future are recognised in the Cash flow hedge reserve after deduction of taxes. The table below shows the periods in which the cash flows from the cash flow hedges are expected to be realised:

	At 31 December 2017	At 31 December 2016
Expected recognition in result after tax		
Within 1 year	-2	11
From 1 to 5 years	8	21
After 5 years	4	-2
Total	**10**	**30**

19. Other financial assets

	At 31 December 2017	At 31 December 2016
Other capital interests	5	-
Related party receivables	-	1
Other receivables	106	75
Total	**111**	**76**

20. Assets/liabilities held for sale

In 2016 the project portfolio was re-evaluated and it was decided to dispose of certain heating infrastructure and installations. Contracts have since been signed for the sale of most of the portfolio, with transfer in early 2018. There will be no further reduction in value from the carrying amount to expected fair value less costs to sell. Some projects are not being sold for the time being and have been reclassified from Assets held for sale to Property, plant and equipment without material impact on the 2017 figures.

Other financial assets included a total of €200 million under a financing agreement entered into on 27 January 2017 between N.V. Eneco Beheer (as lender) and the then Eneco Holding N.V. In 2017, it was decided to convert this financial asset into liquid assets and consequently it was reclassified to Assets held for sale.

21. Trade receivables

The table below shows the trade receivables:

	At 31 December 2017	At 31 December 2016
Energy receivables	674	515
Other trade receivables	55	51
Less: impairments	-79	-66
Total	**650**	**500**

The table below shows the aged analysis of the outstanding receivables:

	At 31 December 2017	At 31 December 2016
Prior to due date	504	367
After due date		
- under 3 months	84	66
- 3 to 6 months	16	13
- 6 to 12 months	23	20
- over 12 months	102	100
Face value	**729**	**566**
Less: impairments	- 79	- 66
Total	**650**	**500**

The table below shows the aged analysis of the impaired receivables:

	At 31 December 2017	At 31 December 2016
Prior to due date	1	2
After due date		
- under 3 months	6	4
- 3 to 6 months	4	2
- 6 to 12 months	9	8
- over 12 months	59	50
Total	**79**	**66**

Movements in the impairment losses on receivables were as follows:

	2017	2016
At 1 January	**66**	**90**
Additions through acquisitions	24	–
Additions through profit or loss	8	8
Withdrawals	- 19	- 20
Reversal of earlier write-offs	–	–
Disposal assets Network Group	–	- 11
Other movements	–	- 1
At 31 December	**79**	**66**

22. Other receivables

	At 31 December 2017	At 31 December 2016
Prepayments and accrued income	182	142
Margin calls	52	18
Other receivables	10	836
Total	**244**	**996**

Other receivables at 31 December 2016 included a loan to Eneco Holding N.V. (see note 31 'Related party transactions').

23. Cash and cash equivalents

Cash and cash equivalents comprised bank balances, cash and deposits of €465 million at 31 December 2017 (31 December 2016: €343 million). Term deposits and blocked accounts which are not freely available were €118 million at 31 December 2017 (31 December 2016: €65 million) and these are not at the free disposal of the Group.

24. Equity

	At 31 December 2017	At 31 December 2016
Share capital	122	122
Share premium	-	-
Revaluation reserve	-	-
Translation reserve	-6	1
Cash flow hedge reserve	10	30
Retained earnings	2,613	2,773
Undistributed result for the financial year	127	192
Equity attributable to N.V Eneco Beheer shareholder	**2,866**	**3,118**
Non-controlling interests	3	3
Total equity	**2,869**	**3,121**

Share capital

N.V. Eneco Beheer's authorised share capital is €341.25 million divided into 750,000 shares with a nominal value of €455 each. At 31 December 2017, 267,458 shares had been issued and fully paid. There were no changes in 2017. N.V. Eneco Beheer has only issued ordinary shares.

Translation reserve

Assets and liabilities of foreign group companies denominated in foreign currency and foreign-currency funding of those subsidiaries relating to long-term loans denominated in foreign currency, after tax, are translated into euros at the reporting date at the exchange rate prevailing on the reporting date. Foreign currency exchange differences arising on this are recognised in the translation reserve in equity. The results of foreign group companies are translated into euros at the average rate. The difference between the profit after income tax at the average rate and based on the exchange rate prevailing on the reporting date is recognised through equity in the translation reserve. If an investment in a foreign operation is ended or reduced, the related accumulated translation differences are recognised through the income statement. The translation reserve is not freely at the disposal of the shareholder.

N.V. Eneco Beheer applies net investment hedge accounting to limit the translation gains and losses on its UK operations in the translation reserve and the income statement. The foreign currency exchange differences on the sterling loan has an opposite effect to the foreign currency exchange differences on the UK operations. Both the foreign currency exchange differences on the UK operations and the sterling loan are recognised through the translation reserve.

Cash flow hedge reserve

The cash flow hedge reserve recognises gains and losses in the fair value of the effective portion of derivative financial instruments designated as cash flow hedges for which the hedge transaction has not yet been settled. Consequently, the Group meets the conditions for cash flow hedge accounting. The cash flow hedge instruments are mainly energy, forward and swap contracts agreed with other market parties in order to cover the market price risks of purchasing and selling energy commodities. This reserve also recognises the effective portion of hedging with interest rate and currency swap contracts. The cash flow hedge reserve is not freely at the disposal of the shareholder.

The movements in the cash flow hedge reserve were as follows:

	Energy commodities	Interest rate swap contracts	Currency swap contracts	total
At 1 januari 2016	**94**	**- 4**	**–**	**90**
Newly defined cash flow hedges in financial year	–	- 6	- 2	- 8
Movements in fair value cash flow hedges	- 45	1	–	- 44
Deferred income tax liabilities	17	2	1	20
Non-effective portion of cash flow hedges	6	–	–	6
Discontinued cash flow hedges	- 34	–	–	- 34
At 31 december 2016	**38**	**- 7**	**- 1**	**30**
Newly defined cash flow hedges in financial year	- 9	–	–	- 9
Movements in fair value cash flow hedges	- 7	6	0	- 1
Deferred income tax liabilities	8	- 2	0	6
Non-effective portion of cash flow hedges	2	–	0	2
Discontinued cash flow hedges	- 18	–	–	- 18
At 31 december 2017	**14**	**- 3**	**- 1**	**10**

Retained earnings

In January 2017, N.V. Eneco Beheer distributed a dividend of €351 million to Stedin Holding N.V. (shareholder of the energy and distribution companies until the unbundling) in connection with the unbundling arrangements. N.V. Eneco Beheer had a receivable from this shareholder which was reduced by means of this dividend.

Non-controlling interests

These are third-party shares in the equity of subsidiaries of which N.V. Eneco Beheer is not the sole shareholder.

25. Provisions for employee benefits

	Long-service benefits	Other	Total
Classification at 1 January 2016			
Current	2	6	8
Non-current	32	2	34
At 1 January 2016	**34**	**8**	**42**
Addition	–	8	8
Withdrawals	- 2	- 5	- 7
Disposal activities Network Group	- 20	- 3	- 23
Other	- 7	–	- 7
At 31 December 2016	**5**	**8**	**13**
Classification at 31 december 2016			
Current	1	5	6
Non-current	4	3	7
At 1 January 2017	**5**	**8**	**13**
Addition	1	6	7
Withdrawals	- 1	- 4	- 5
Release	–	- 2	- 2
Acquisitions	4	–	4
Other	–	–	–
At 31 December 2017	**9**	**8**	**17**
Classification at 31 December 2017			
Current	–	7	7
Non-current	9	1	10
At 31 December 2017	**9**	**8**	**17**

Long-service benefits

This provision covers the obligation to pay amounts on achieving a certain number of years of employment and on the retirement of employees.

There are some defined benefit pension plans as a result of the acquisition in Belgium in 2017 but as they are not material (some €5 million) no disclosures for defined benefit plans pursuant to IAS 19 'Employee Benefits' have been presented.

The following actuarial assumptions were used for the provisions:

	At 31 December 2017	At 31 December 2016
Long-service benefits (NL)		
Discount rate at reporting date	1.1%	1.4%
Future salary increases	1,52%-2,10%	1.0%
Mortality table	GBM & GBV 2009-2015	GBM & GBV 2009-2014
Pension liabilities (BE)		
Discount rate at reporting date	1,2% - 1,5%	
Future salary increases	1,0% / schaal +0,5%	
Mortality table	MR-5/FR-5 MR-5 (actief)/FR MR (gepensioneerd)/ FR	

Expenditures from the provisions for employee benefits are made over the long term. The provisions are remeasured annually using current employee information and properly reflect the expected cash flows.

Other employee benefits

The other provisions for employee benefits include the obligations for salary payments in the event of illness and unemployment benefits since the Group bears this risk under the Unemployment Act. In view of their predominantly short-term nature, these provisions are measured at nominal value.

26. Other provisions

	Decommissioning provision	Onerous contracts	Restructuring	Other	Total
Classification at 1 January 2016					
Current	-	-	5	-	5
Non-current	67	-	3	12	82
At 1 January 2016	**67**	**-**	**8**	**12**	**87**
Addition	3	-	11	3	17
Withdrawals	-	-	-7	-2	-9
Disposal activities Network Group	-1	-	-4	-2	-7
Additions related to acquistions	4	-	-	-	4
Release	-3	-	-	-2	-5
Other	-5	-	-	-3	-8
At 31 December 2016	**65**	**-**	**8**	**6**	**79**
Classification at 31 December 2016					
Current	-	-	7	-	7
Non-current	65	-	1	6	72
At 31 December 2016	**65**	**-**	**8**	**6**	**79**
Addition	7	8	4	3	22
Withdrawals	-	-	-7	-1	-8
Additions related to acquistions	5	-	-	5	10
Release	-1	-	-1	-	-2
Other	-	-	-	-	-
At 31 December 2017	**76**	**8**	**4**	**13**	**101**
Classification at 31 december 2017					
Current	-	4	1	2	7
Non-current	76	4	3	11	94
At 31 December 2017	**76**	**8**	**4**	**13**	**101**

Interest in a range of 2.1% to 3.8% was added to the provisions in 2017 (2016: 0.6% to 2.3%). In view of its normally short-term nature, no interest is added to the restructuring provision.

Decommissioning

The decommissioning provision is of a long-term nature. The cash flows will generally occur after ten years and within twenty years. The amounts are the best estimate and are reviewed annually for expected future movements in the cost of removing assets.

Onerous contracts

Expenditures on onerous contracts will be incurred within two years. The provision fairly reflects the cash flows because of the relatively short period remaining for the contracts.

Restructuring provision

In 2017, €4 million (2016: €11 million) was added to the restructuring provision that relates mainly the integration of Eni with Eneco's existing customer activities in Belgium.

Other

Expenditure on the other provisions is expected to be made over a longer period. The settlement date for these provisions is difficult to estimate. The current amounts are the best estimate on the reporting date.

27. Interest-bearing debt

At 31 December 2017, the Group's interest-bearing debt related largely to financing wind farms and general financing.

	At 31 December 2017	At 31 December 2016
Non-recourse	335	315
Other loans and liabilities	400	100
Total	**735**	**415**

See note 32 'Financial risk management' for details of the repayment periods.

	At 31 December 2017	At 31 December 2016
Classification		
Current	282	27
Non-current	453	388
Total	**735**	**415**

The main movements in the current and non-current interest-bearing debt in 2017 were recognition of a conditional liability in the balance sheet in connection with the possible purchase of the remaining 50% holding in LichtBlick Holding AG for €187 million (including a fixed interest charge of 6%) and entering into a GBP 100 million (€113 million) variable rate loan for a period of up to five years (22 June 2022), with possible early redemption. There was also an increase in interest-bearing debt as a result of acquisitions of €63 million (of which €62 million is non-current) and repayments of €48 million were made. See the consolidated cash flow statement for other movements in interest-bearing debt.

Collateral has been provided for the interest-bearing debt for financing wind farms and solar farms in the form of mortgages, pledges of shares in the legal entities, pledges of energy purchase contracts or grant contracts. The outstanding principal on these loans at 31 December 2017 was €335 million (31 December 2016: €310 million). No collateral has been provided for the other interest-bearing debt.

Green loans of €279 million and the conditional liability for the purchase of LichtBlick (31 December 2016: €100 million) were fixed rate at 31 December 2017 (fair value risk). Other loans are at market-linked variable rates. Repayment obligations for the first year after the reporting date are recognised under current liabilities.

The average interest rate in 2017 was 3.5% (2016: 3.4%). This was calculated as the weighted average monthly interest expense directly related to the interest-bearing debt, excluding other financial expenses.

The fair value of the loans at 31 December 2017 was €650 million (31 December 2016: €432 million) and was calculated using the income approach, based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by level 2 of the fair value hierarchy.

28. Trade and other payables

	At 31 December 2017	At 31 December 2016
Trade creditors	715	623
Accruals and deferred income	331	162
Pension contributions	2	2
Other liabilities	293	277
Total	**1,341**	**1,064**
Classification		
Current	1,224	954
Non-current	117	110
Total	**1,341**	**1,064**

In view of their nature, the carrying amount of trade and other payables is their fair value.

29. Operating leases

Costs and liabilities of operating leases

The Group has operating lease agreements for IT facilities and the vehicle fleet. There are also rental agreements for land and a number of business premises. A cost of €25 million (2016: €37 million) has been recognised through the income statement of which €25 million related to continuing operations (2016: €25 million) and €0 million to discontinued operations (2016: €12 million).

The minimum receivables from these leases fall due as follows:

	At 31 December 2017	At 31 December 2016
Within 1 year	30	28
From 1 to 5 years	95	80
After 5 years	198	148
Total	**323**	**256**

Revenues from operating leases

Equipment and energy installations are leased for periods of 5 to 15 years while the assets concerned remain the property of the Group. The lease covers making the equipment available to users and maintenance. Revenues of €22 million (2016: €28 million), of which €22 million related to continuing operations (2016: €25 million) and €0 million to discontinued operations (2016: €3 million).

The minimum receivables from non-terminable lease agreements fall due as follows:

	At 31 December 2017	At 31 December 2016
Within 1 year	18	21
From 1 to 5 years	56	64
After 5 years	35	40
Total	**109**	**125**

30. Contingent assets and liabilities

Contingent assets and liabilities other than guarantees are measured at present value, calculated using a discount rate that reflects current market assessments of the time value of money.

Energy purchase and sale commitments

The Group has energy purchase commitments of €6.1 billion (31 December 2016: €5.8 billion) under contracts relating to 2018 and later years. The purchase commitments comprise energy contracts for the company's own use with various energy generators. There are sales commitments relating largely to the business market of €3.4 billion (31 December 2016: €3.0 billion) for 2018 and later years.

The Group has commitments of €0.6 billion (31 December 2016: €0.7 billion) for the purchase of heat until 2042. The expected perpetual commitments for the sale of heat are €0.3 billion per year (31 December 2016: €0.3 billion).

Investment obligations

At 31 December 2017, the Group had entered into investment obligations with a total amount of €0.1 billion (31 December 2016: €0.2 billion).

Other contingent obligations

At 31 December 2017, there were other contractual obligations of €0.5 billion (31 December 2016: €0.5 billion), mainly under maintenance contracts.

Guarantees

The Group has issued group and bank guarantees of €0.4 billion (31 December 2016: €0.2 billion) to third parties. At 31 December 2017, N.V. Eneco Beheer had issued guarantees of €0.3 billion (31 December 2016: €0.1 billion). The remaining group 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.

Fiscal unity

N.V. Eneco Beheer and almost all of its Dutch subsidiaries are members of a fiscal unity for corporate tax purposes. N.V. Eneco Beheer is also a member of a fiscal unity for VAT purposes covering most of the Group. All companies in a fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.

Corporate income tax

In connection with the unbundling of Eneco Group on 31 January 2017, the fiscal unity for corporate income tax purposes was dissolved on 31 December 2016 with respect to Eneco Holding N.V. (renamed Stedin Holding N.V.). Since 1 January 2017, the companies that were part of the dissolved fiscal unity have formed a new, company fiscal unity for corporate income tax purposes.

VAT

The fiscal unity for VAT purposes was also changed in 2017. With effect from 1 January 2017, Eneco Holding N.V. is no longer head of the Group fiscal unity. N.V. Eneco Beheer became head of the fiscal unity for VAT purposes.

Past liability under joint fiscal unities continues even after a change in that fiscal unity.

Cash pool

As a result of its participation in the Group cash pool, N.V. Eneco Beheer is jointly and severally liable, with the other participants, for deficits in the pool as a whole.

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 proper representation in these matters. The amounts claimed in some of these proceedings may be significant to the consolidated financial statements. 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.

Unbundling Protocol between the Network Group and the Energy Company[1]

For a period of six years from 31 January 2017, N.V. Eneco Beheer will indemnify Eneco Holding N.V. (renamed Stedin Holding N.V. from the unbundling date of 31 January 2017) and its associated companies for:

- all liability, claims and costs suffered or to be suffered by Stedin Holding N.V. and its associated companies, if and to the extent that such liability, claims and costs relate to the activities of or companies in the group of N.V. Eneco Beheer and its associated companies, irrespective of whether the legal relationship for such claim arises from a relationship that relates to a period before or after the unbundling;
- the right of recourse of third parties against Stedin Holding N.V. or an associated company relating to liabilities as referred to in the preceding paragraph; and
- tax claims relating to N.V. Eneco Beheer and related companies.

Furthermore, for a period of six years from 31 January 2017, Stedin Holding N.V. will indemnify N.V. Eneco Beheer and its associated companies for:

- all liability, claims and costs suffered or to be suffered by N.V. Eneco Beheer and its associated companies, if and to the extent that such liability, claims and costs relate to the activities of or companies in the group of Stedin Holding N.V. and its associated companies, irrespective of whether the legal relationship for such claim arises from a relationship that relates to a period before or after the unbundling;
- the right of recourse of third parties against N.V. Eneco Beheer or an associated company relating to liabilities as referred to in the preceding paragraph, excluding any liability, claims, costs or right of recourse in respect of tax matters; and
- tax claims relating to Stedin Holding N.V. and related companies.

31. Related party transactions

The Group's related companies (the shareholder and its subsidiaries which are not part of the N.V. Eneco Beheer group), associates, joint ventures and Board of Management are considered as related parties.

Sales to and purchases from related parties are on terms of business normally prevailing with third parties. Receivables and liabilities are not covered by collateral and are paid by bank transactions.

The table below shows the trading transactions with the principal related parties:

	Sales		Purchases	
	2017	2016	2017	2016
Affiliates	5	83	1	56
Associates	31	66	–	7
Joint ventures	–	–	2	1

1 The Energy Company comprises: Eneco Groep N.V. (the new ultimate holding company of the Energy Company since 31 January 2017) and all its subsidiaries and other investments.

	Receivables		Liabilities	
	At 31 December 2017	At 31 December 2016	At 31 December 2017	At 31 December 2016
Affiliates	6	838	25	56
Associates	1	8	–	1
Joint ventures	44	–	–	–

Note 6 provides details of the remuneration of members of the Board of Management.

If directors are energy customers of the Group, there is no other relationship than that of customer and supplier on normal arm's length terms and conditions. The Group applies the exemption from disclosures on related party transactions with government-related entities. The Municipality of Rotterdam has indirect significant influence. There is no relationship other than the shareholder relationship, except that of customer and supplier on normal arm's length terms and conditions.

32. Financial risk management

Normal business activities involve exposure to credit, commodity market, foreign currency, interest rate and liquidity risk. The Group's policy is designed to minimise the adverse consequences of unforeseen circumstances on its financial results.

The Board of Management is responsible for risk management and procedures and guidelines have been drawn up that are evaluated at least once a year and, if required, adjusted. In this context, it sets out procedures and guidelines and ensures they are complied with. Authority to commit the Group is specified in the Corporate Authority Manual. Mandates have also been drawn up for all business units and management, including the Group's purchasing and trading department, the business units with energy and heating production and the sales channels, to manage the above risks such as commodity (electricity, gas, heating, emission rights and fuels) risks.

The Board of Management and senior business unit management regularly review the results, key figures such as changes in working capital and the trading position, the principal risks (or concentration of certain risks) and the measures to manage them. Stress tests are developed for the principal identified risks and incorporated in the long-term financial plan. This clarifies the impact of risk on operations. Senior business unit management reports to the Board of Management by means of an In Control Statement every year.

The internal Audit & Risk Committee, Commodity Risk Committee and Investment Risk Committee are in charge of the formulation and application of the company's risk policy and advise the Board of Management accordingly.

32.1 Credit risk

Credit risk is the risk of a loss if a counterparty or its guarantor cannot or will not meet its obligations. For the purposes of managing this risk, a distinction is drawn between debtor risk and counterparty risk.

Debtor risk

Debtor risk is the risk that a debtor fails to pay a receivable. Most receivables are of limited size and there are a great number of debtors. There is, therefore, no concentration of risk.

Policy is designed not to provide customers with any credit going beyond normal supplier credit as set out in the applicable conditions of supply. Policy is also formulated at a decentralised level within the organisation. The effectiveness of that policy is monitored at the corporate level and adjustments are made as required.

Measures in place to limit debtor risk are:

- an active debt collection policy;
- credit limits, bank guarantees and/or margining (cash collateral) for business customers;
- recourse to debt collection agencies and different collection methods for current and former customers.

The amount of a receivable is adjusted pursuant to a set procedure. The adjustment depends on the time that the receivable has remained outstanding and the probability that it will not be paid in full. There are also individual reviews for business customers.

Counterparty risk
Counterparty risk is the risk that a trading partner cannot or will not meet its delivery or payment obligations. This risk is primarily encountered in trading in energy commodities (including emission rights, green certificates and feedstock for our biomass power stations) and interest rate and foreign currency hedge transactions. The basis for the management of this risk is set out in the Counterparty Mandate and the Treasury Charter drawn up by the Board of Management.

The size of the counterparty risk is primarily determined by the replacement value of the future deliveries and the commodity delivered which has not yet been paid for. The replacement value is calculated each day for each counterparty based on current market prices for future deliveries. The risk position is measured against the risk tolerance. That tolerance is drawn up for each contract party on the basis of an assessment of the creditworthiness of that counterparty derived from a public or internal rating and/or alternative assessment methods.

Counterparty risk is limited by:

- setting financial limits based on the financial strength of the counterparty;
- setting trading volume restrictions for each counterparty (position management);
- use of standard agreements, in particular based on EFET and ISDA terms;
- use of third-party margining and clearing;
- use of bilateral margining agreements with counterparties;
- executing risk-reducing transactions with counterparties leading to partly-offsetting positions;
- requiring additional guarantees from counterparties, e.g. bank guarantees;
- credit insurance taken if necessary to cover exposures exceeding the limits.

Third-party margining and clearing is in place for futures. This transfers the counterparty risk of a futures contract to a clearing bank. This bank is linked to a clearing house that facilitates settlement of futures transactions through exchanges such as ICE ENDEX (InterContinental Exchange European Energy Derivatives Exchange N.V.), EEX (European Energy Exchange A.G.) and the ECX (European Climate Exchange). Every day, the clearing house settles interim changes in market value with its clearing banks which in turn settle with the market parties concerned (margin calls). This neutralises counterparty risk for each party to the contract. Bilateral margining implies similar daily settlement directly with the counterparty to the transaction. The contract with the counterparty sets an initial minimum value (threshold). Bilateral margining is only applied if the threshold is exceeded.

The margining system creates liquidity risk and so risk policy is designed to monitor and match counterparty risk by forward trading and liquidity risk by margining. There is a system for monitoring internal limits using regular reports, to manage both risks.

The maximum credit risk is equal to the carrying amount of the financial assets, including derivative financial instruments.

Netting financial assets and financial liabilities

Where the Group meets the IFRS criteria for netting, financial assets and financial liabilities are netted and recognised net in the balance sheet. Transactions in derivative financial instruments use standardised terms and conditions and contract types such as the master netting agreements based on ISDA and EFET terms. Most of the Group's contracts for derivative financial instruments meet netting criteria since there is a legally enforceable right to set off the recognised amounts and in addition all amounts relating to netted financial assets and financial liabilities are settled as a single sum.

The table below sets out only the financial assets and financial liabilities netted in the consolidated balance sheet in accordance with the criteria in IAS 32. As the table does not include all the financial assets and liabilities in the balance sheet, it is not possible to reconcile these figures with the net amounts presented in the balance sheet.

At 31 December 2017	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Assets			
Derivative financial instruments	1,046	801	245
Other financial instruments	840	657	183
	1,886	**1,458**	**428**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Liabilities			
Derivative financial instruments	1,012	801	211
Other financial instruments	1,097	657	440
	2,109	**1,458**	**651**

At 31 December 2016	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Assets			
Derivative financial instruments	1,322	1,077	245
Other financial instruments	1,514	518	996
	2,836	**1,595**	**1,241**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Liabilities			
Derivative financial instruments	1,262	1,077	185
Other financial instruments	1,997	518	1,479
	3,259	**1,595**	**1,664**

Financing instruments and counterparty risk when lending money

Management of financing instruments is set out the Treasury Charter drawn up by the Board of Management. Counterparty risk on borrowing money is very limited. The risk tolerance formulated in the Treasury Charter is taken into account when lending money. The risk position of a counterparty is measured against the risk tolerance. Risk tolerance is set for each contracting party using an assessment of the counterparty's creditworthiness according to a public credit rating. Counterparty risk is further reduced by dispersion across a number of parties, predetermined limits for each counterparty and maximum lending terms.

The counterparty risk for financial instruments (swap contracts) is limited by:

- the use of framework agreements on ISDA terms;
- procedures for regular assessment of counterparty risk; and
- margining as a result of the agreed credit support agreements.

The margining system based on credit support agreements creates liquidity risk. The risk policy is designed to monitor this through regular reporting.

32.2 Market risk

Market risk is the exposure to changes in value in current or future cash flows and financial instruments arising from changes in market prices, market interest rates and exchange rates.

Price risk

Price risks inherent in the energy generation, purchasing and supply portfolios are managed using a structure of mandates and limits adopted by the Board of Management using position limits, MtM limits, Value at Risk (VaR)[1] measures and stop-loss limits. The limits that can best be applied to manage risks are determined for each business activity. The risk managers and energy traders are notified each day of the VaR, the MtM and positions in relation to the limit. Limit infringements are reported in line with escalation procedures.

The market price risk inherent in the commodity portfolios for purchasing and delivering to customers is initially limited by back-to-back transactions for purchase and sales obligations, for which derivative financial instruments are also used. Structured hedging strategies are used where back-to-back hedging is not possible, or only with excessively high transaction charges. In these cases, positions are hedged temporarily in other commodities, delivery periods and/or countries which have an historically strong correlation with the price risks to be hedged. Gas storage and other facilities under the company's own and contracted positions are also used to respond to short-term fluctuations in demand and supply, for example, as a result of changes in the weather.

The market price risk inherent in the company's own 'must run' generation and long-term structured commodity purchase contracts is also limited through back-to-back transactions and structured hedging strategies as described above. The expected proceeds are weighed up against the costs and downward risk for controllable generation in the portfolio. It should be noted that there is no liquid energy trading market for exposures that lie further in the future and they are difficult or impossible to hedge.

The positions from the above activities that can be hedged in the markets are combined so that the Group's current net exposure is clear. Management and strategic decisions on these positions take account of prevailing market conditions, along with the expected short and medium-term demand for and supply of energy by the Group. There is a residual risk in the above activities given the inherent existing imperfections between the positions to be hedged and available hedge instruments, limited market liquidity and movements between commodity prices (for example, between different commodities, delivery periods and/or countries).

The VaR (annual) in the price risk on total commodity positions (purchases, customer deliveries and generation portfolio positions) for the delivery year 2018 was €15 million at 31 December 2017 (31 December 2016, for the delivery year 2017: €16 million). This VaR was on average €15.5 million in 2017 (2016: €14.5 million). The VaR (10-day) for portfolio positions that can be hedged in the short term via the market was €1.2 million at 31 December 2017 (31 December 2016: €2.0 million). This VaR was on average €1.8 million in 2017 (2016: €1.7 million).

1 VaR represents the potential loss on a portfolio in the event of an adverse scenario over a given period, with a 95% confidence interval. VaR calculations are based on price history and include data such as correlations between products, markets and time periods. Retrospective testing is conducted to check the calculated VaR values and the model used is checked.

Foreign currency risk

Foreign currency risk is the exposure to changes in value of financial instruments arising from changes in exchange rates. The Treasury department is responsible for managing the Group's other foreign currency risk. Companies included in the consolidation are not permitted to maintain open positions in foreign currencies in excess of €250,000 without the Treasury department's approval. Based upon the aggregate foreign currency position and the associated limit set for open positions, the Treasury department determines whether hedging is desirable and the strategy to be followed. Foreign currency risk attaching to commodity-related financial instruments is managed in accordance with the price risk.

The sensitivity of the Translation reserve in equity to a 1% movement in the sterling/euro exchange rate in 2017 was €0.7 million (2016: €2.6 million).

Interest rate risk

Interest rate risk is the exposure to changes in value in financial instruments arising from changes in market interest rates. The Treasury department manages interest rate risk. The interest rate risk policy is aimed at managing the net financing liabilities through fluctuations in market interest rates. A specified range for the proportions of loans at fixed and variable interest rates serves as the base tool. The Group may use derivative financial instruments such as interest rate swap contracts to achieve the desired risk profile. If all other variables remain constant, it is estimated that a general increase of 1 percentage point in Euribor (for a period of twelve months) would lead to a decrease in profit before tax of €1.6 million (2016: €0.1 million).

32.3 Liquidity risk

The Group is a capital-intensive business. Its financing policy since unbundling on 31 January 2017, is aimed at growing into an optimum financing structure taking into account its current asset base and investment programme while maintaining and further developing them. The criteria are access to the capital market and flexibility with acceptable financing costs and conditions.

Most financing for sustainable assets is drawn locally, to the extent this contributes to achieving the project and local financing can be obtained at acceptable financing costs and conditions.

In addition to its own generation, the Group also buys energy on standardised physical supply contracts and long-term structured purchasing contracts with third parties to source its energy supplies. Arrangements are made with counterparties on mutual guarantees and collateral. Their level depends in part on the creditworthiness of parties and the Marked-to-Market exposures resulting from price movements in the energy markets. A downgrading in the Group's credit rating may, without further mitigation, lead to a significant increase in the capital requirement for providing collateral.

A specific liquidity risk arises from margining energy contracts through clearing houses and contracts with bilateral margin obligations. Risk limits have been set in the mandate to cover both the outstanding balance and price change sensitivity for the purposes of managing this. This risk is the subject of regular reports to business unit management and, in the event of a material change, to the Commodity Risk Committee and the Board of Management. The sensitivity of the margin call to a 1% change in prices was €0.7 million at 31 December 2017 (2016: €0.7 million). At 31 December 2017, the Group had deposited a total of €47 million (2016: €14 million).

Great importance is attached to managing all the above risks to avoid the Group finding itself in a position in which it could not meet its financial obligations and the necessary management reports, applications and back-up facilities have been set up for this. In addition, liquidity needs are planned on the basis of cash flow forecasts with a medium-term horizon. The cash flow forecasts incorporate operating and investing cash flows, dividends, interest payable and debt redemption. The Group specifically takes the periodicity of its cash flow into account, also allowing for sensitivity to weather influences. The Treasury department sets this capital requirement against available funds. A report is submitted to the Board of Management every month.

Uncommitted credit and guarantee facilities
Uncommitted credit and guarantee facilities totalling €435 million (2016: €439 million) have been agreed with a number of banks and €75 million of this had been drawn at 31 December 2017 (2016: €90 million). Eneco also has a €750 million Euro Commercial Paper programme which was set up in 2017 and which had not been drawn at the year end.

Committed credit and bridging facilities
From the unbundling date, 31 January 2017, Eneco had a committed Revolving Credit Facility ('RCF'). The €500 million committed RCF was replaced in July 2017 by a €600 million committed RCF with a term of 5 years.

Cash outflows on financial instruments

The table below shows forecast nominal cash outflows and any interest arising from financial instruments over the coming years. The cash flows from derivatives are based on the prices and volumes in the contracts.

At 31 December 2017	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	7	10	–	17
Interest-bearing debt	282	284	168	734
Trade and other payables	1,224	34	83	1,341
Total	**1,513**	**328**	**251**	**2,092**

At 31 December 2016	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	3	13	7	23
Interest-bearing debt	40	238	179	457
Trade and other payables	954	15	95	1,064
Total	**997**	**266**	**281**	**1,544**

33. Capital management

The primary aim of the Group's capital management is to maintain good creditworthiness and healthy solvency to support operations and minimise the cost of debt. The Group regards both capital and net debt as relevant elements of its financing and so of its capital management. The Group can influence its capital structure by altering the proportions of equity and debt. Net interest-bearing debt (excluding discontinued operations) is defined as long-term and current interest-bearing debt less cash and cash equivalents.

The Group monitors its capital using the Financial Management Framework. This includes the equity/total assets ratio which is regularly monitored by the Board of Management. At year-end 2017 it was 50.7% (31 December 2016: 61.5%).

34. Events after the reporting date

- On 8 January 2018, Eneco decided to transfer half of its holding in the Borssele III & IV wind farm, which is under construction, to a Swiss investment company. Although this sale reduces Eneco's holding from 20% to 10%, it has no consequences for the purchase contracts entered into.

- On 27 January 2018, the financing agreement entered into in January 2017 between Stedin Holding N.V. and N.V. Eneco Beheer (as part of the unbundling agreement) was sold to a bank for €0.2 billion.

Notes to the consolidated cash flow statement

The cash flow statement has been prepared using the indirect method. To reconcile the movement in cash and cash equivalents, the result after tax is adjusted for items in the income statement and movements in balance sheet that did not affect receipts and payments during the year.

The cash flow statement includes the cash flows of both continuing and discontinued operations. The cash flow statement distinguishes between cash flows from operating, investing and financing activities. The cash flow from operating activities includes interest and income tax payments and interest and dividend receipts. Development costs, investments in and disposals of non-current assets (including financial interests) are included in cash flow from investing activities. Dividends paid out are recognised as outgoing cash flow from financing activities.

Cash flows from discontinued operations

The consolidated cash flow statement for 2016 includes cash flows from discontinued operations for the period in which the legal entities concerned (as described in Note 11 'Result after tax on discontinued operations') were members of the Group. For that part of 2016, these cash flows from operating activities were €165 million, from investing activities were €182 million (outflow) and from financing activities €0 million.

35. Movements in working capital

Working capital consists of inventories and current receivables less short-term non-interest-bearing debt.

The table below shows movements in working capital recognised in the cash flow from operating activities:

x € 1 million	2017	2016
Movements in intangible current assets	-11	-
Movements in inventories	7	42
Movements in trade receivables	27	118
Movements in other receivables	236	76
Movements in non-interest bearing debt	29	-349
Total	**288**	**-113**

List of principal subsidiaries, joint operations, joint ventures and associates

This is a list of the principal subsidiaries, joint operations, joint ventures and associates. See 1.1 ‘General information’ for further details of the Group’s activities and composition.

Subsidiaries

Name	Seat	Share
AgroPower B.V.*	Delft	100%
BioEnergieCentrale Delfzijl B.V.	Rotterdam	100%
CEN B.V.*	Hilversum	100%
Eneco B.V.*	Rotterdam	100%
Eneco België B.V.*	Rotterdam	100%
Eneco Belgium N.V.	Mechelen (B)	100%
Eneco Consumenten B.V. *	Rotterdam	100%
Eneco Consumenten Nederland B.V. *	Rotterdam	100%
Eneco Energy Trade B.V.*	Rotterdam	100%
ENECO France SAS	Avignon (F)	100%
Eneco Gasspeicher B.V.*	Rotterdam	100%
Eneco Smart Energy B.V. [prevoiusly: Eneco Innovation & Ventures B.V.]	Rotterdam	100%
Eneco Installatiebedrijven B.V. *	Rotterdam	100%
Eneco Installatiebedrijven Groep B.V. *	Rotterdam	100%
Eneco Installatiebedrijven TI B.V. *	Rotterdam	100%
Eneco Services B.V.*	Rotterdam	100%
Eneco Solar Belgium N.V.	Ghent (B)	100%
Eneco Solar, Bio & Hydro B.V.*	Rotterdam	100%
Eneco UK Limited [previously: Eneco Wind UK Limited]	London (UK)	100%
Eneco Warmte & Koude B.V.*	Rotterdam	100%
Eneco Warmte & Koude Leveringsbedrijf B.V.*	Rotterdam	100%
Eneco Warmtenetten B.V.*	Rotterdam	100%
Eneco Warmteproductie Utrecht B.V.	Rotterdam	100%
Eneco Wind B.V.*	Rotterdam	100%
Eneco Wind Belgium SA	Waver (B)	100%
Eneco Windpark Delfzijl Noord v.o.f.	Rotterdam	100%
Eneco Windmolens Offshore B.V.	Rotterdam	100%
Eneco Zakelijk B.V.*	Rotterdam	100%
Eneco Zakelijk Nederland B.V.	Rotterdam	100%
ENI Gas & Power N.V.	Vilvoorde (B)	100%
LichtBlick Holding AG	Hamburg (D)	50%
LichtBlick SE	Hamburg (D)	50%
Luminext B.V.	Amsterdam	100%
Lupus Progetti B.V.	Heerenveen	100%
Maasland Windenergie B.V.	Heerenveen	100%
Maasmond-windenergie B.V.	Heerenveen	100%
Oxxio Nederland B.V.*	Rotterdam	100%
Peeeks B.V.	Delft	100%
Quby B.V.	Amsterdam	100%
Windpark de Beemden B.V.	Rotterdam	100%
WP HZP B.V.	Heerenveen	100%
WO-ZU-XIX-WIND B.V.	Heerenveen	100%
Windpark Houten B.V.	Rotterdam	100%

**N.V. Eneco Beheer has issued a declaration of joint and several liablity for the subsidiaries marked with *, pursuant to Section 403(1f), Part 9, Book 2 of the Dutch Civil Code.*

Joint operations

Name	Seat	Share
Enecogen v.o.f.	Rotterdam	50%
Q10 Offshore Wind B.V.	Rotterdam	50%
Zonnepark Ameland B.V.	Ameland	33.3%

Joint ventures

Name	Seat	Share
EnspireME GmbH	Kiel (D)	50%
Jedlix B.V.	Rotterdam	75%
Norther SA	Gembloers (B)	25%
PVNED Holding B.V.	Middelburg	50%

Associates

Name	Seat	Share
Groene Energie Administratie B.V.	Rotterdam	30%
Next Kraftwerke GmbH	Cologne (D)	34%
Thermondo GmbH	Berlin (D)	7%

A full list of companies has been filed with the trade registry in Rotterdam pursuant to Section 379 Dutch Civil Code.

Company financial statements

Company income statement

x € 1 million	2017	2016
Share of profit of subsidiaries	142	181
Other results after income tax	- 15	11
Profit after income tax	**127**	**192**

Company balance sheet

Before profit appropriation

	Note	At 31 December 2017	At 31 December 2016
Non-current assets			
Property, plant and equipment		-	-
Intangible fixed assets		-	-
Financial assets	3	3,017	2,569
Total non-current assets		**3,017**	**2,569**
Current assets			
Assets held for sale		200	-
Receivables from group companies		63	884
Cash and cash equivalents		94	128
Total current assets		**357**	**1,012**
TOTAL ASSETS		**3,374**	**3,581**
Equity			
Share capital		122	122
Share premium		-	-
Revaluation reserve		-	-
Translation reserve		-6	1
Cash flow hedge reserve		10	30
Undistributed profit of shareholdings reserve		33	34
Research and development expenses reserve		5	4
Retained earnings		2,575	2,735
Undistributed profit		127	192
Total equity	4	2,866	3,118
Non-current liabilities			
Interest-bearing debt	5	144	100
Other liabilities		2	1
Total non-current liabilities		**146**	**101**
Non-current liabilities			
Interest-bearing debt	5	84	213
Liabilities to group companies		109	147
Liabilities for tax and social security premiums		162	-
Other liabilities		7	2
Total current liabilities		**362**	**362**
TOTAL EQUITY AND LIABILITIES		**3,374**	**3,581**

Notes to the company financial statements

All amounts in millions of euros unless stated otherwise.

1. Accounting policies

The company financial statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Dutch Civil Code, and the same accounting policies have been applied as in the consolidated financial statements as permitted by Section 362(8), Part 9, Book 2 of the Dutch Civil Code, except that subsidiaries are carried at net asset value determined on the basis of the IFRS accounting policies used in the consolidated financial statements. The descriptions of the activities and structure of the enterprise as stated in the 'Notes to the consolidated financial statements' also apply to the company financial statements.

2. Remuneration of the Board of Management

See note 6 'Remuneration of the Board of Management' to the consolidated financial statements for the remuneration of Board of Management pursuant to Section 383, Part 9, Book 2 of the Dutch Civil Code.

3. Financial assets

	Subsidiaries	Receivables from subsidiaries	Other receivables	Derivative financial instruments	Deferred income tax assets	Total
At 1 January 2016	**5,737**	**907**	**-**	**-**	**1**	**6,645**
Share of profit of subsidiaries	181	-	-	-	-	181
Dividend received	-175	-	-	-	-	-175
Disposal of subsidiaries (Network Group)	-3,181	-	-	-	-	-3,181
Movements in loans to subsidiaries	-	-832	-	-	-	-832
Movements in fair value of derivative financial instruments in equity	-60	-	-	-	-	-60
Purchase of derivative financial instruments	-	-	-	8	-	8
Acquisition of non-controlling interests	1	-	-	-	-	1
Translation differences	-13	-5	-	-	-	-18
At 31 December 2016	**2,490**	**70**	**-**	**8**	**1**	**2,569**
Resultaat dochterondernemingen	142	-	-	-	-	142
Revaluations of financial assets	-1	-	-1	-	-	-2
Movements in loans to subsidiaries	-	339	200	-	-	539
Movement in cash flow hedges	-20	-	-	-	-	-20
Movements in deferred income tax assets	-	-	-	-	1	1
Balancing income tax position (assets)	-	-	-	-	-1	-1
Reclassification	-	-3	-198	-	-	-201
Purchase of derivative financial instruments	-	-	-	2	-	2
Translation differences	-3	-9	-	-	-	-12
At 31 December 2017	**2,608**	**397**	**1**	**10**	**1**	**3,017**

4. Equity

Details of changes in equity are set out in the Consolidated statement of changes in equity in the consolidated financial statements. See note 24 'Equity' to the consolidated financial statements for details of individual components of equity.

Statutory reserves are recognised pursuant to Part 9, Book 2 of the Dutch Civil Code. N.V. Eneco Beheer’s statutory reserves are a translation reserve, cash flow hedge reserve, undistributed profit of shareholdings reserve and a research and development expenses reserve.

Distributable results

A dividend of €1,312 per share was paid in 2017 (2016: €1,122). In 2016, N.V. Eneco Beheer also distributed the network company to its shareholder as a dividend in kind of €3,149 million, being €11,647 per share.

The non-distributable capital attributable to N.V. Eneco Beheer’s shareholder was €51 million at 31 December 2017 (2016: €85 million). The individual method was used for the cash flow hedge reserve.

5. Interest-bearing debt

Non-current interest-bearing debt is predominantly the green loans and a new sterling loan as reported in note 27 'Interest-bearing debt' to the consolidated financial statements.

6. Contingent assets and liabilities

Liability

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 for the principal subsidiaries marked with an * in the list of subsidiaries, joint operations, joint ventures and associates.

Fiscal unity

N.V. Eneco Beheer and almost all its subsidiaries are members of a fiscal unity for corporate income tax purposes. N.V. Eneco Beheer is also a member of a fiscal unity for VAT purposes, covering part of the Group. All companies in both of these fiscal unities are jointly and severally liable for the tax obligations of the fiscal unity.

Cash pool

As a result of its participation in the Group cash pool, N.V. Eneco Beheer is jointly and severally liable, with the other participants, for deficits in the pool as a whole.

Contingent assets and liabilities

Guarantees

See note 30 'Contingent assets and liabilities' to the consolidated financial statements for group guarantees issued by N.V. Eneco Beheer.

7. Auditor’s fees

The information the auditor’s fees pursuant to Section 1.1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties' - Wta) is disclosed in the consolidated financial statements of Eneco Groep N.V.

8. Events after the reporting date

See note 34 'Events after the reporting date' to the consolidated financial statements for events after the reporting date.

9. Proposed appropriation of the 2017 profit

A proposal will be put to the General Meeting of Shareholders on 28 March 2018 to add the profit after income tax of €127 million to Retained earnings.

Rotterdam, 16 February 2018

N.V. Eneco Beheer

Board of Management

J.F. (Jeroen) de Haas, chairman
C.J. (Kees-Jan) Rameau
G.A.J. (Guido) Dubbeld
F.C.W. (Frans) van de Noort

Other information

Profit appropriation pursuant to the articles of association

Profit appropriation pursuant to the articles of association

Pursuant to the company's articles of association, the profit is at the disposal of the general meeting of shareholders. Distributions from the profit may only be made if the financial statements show that this is permitted. The articles of association also state that the general meeting of shareholders may resolve to make interim distributions. The provisions of the articles of association and the law apply to the amount and formalities for this.

Independent auditor's report

Independent auditor's report

To the shareholder of N.V. Eneco Beheer and all other stakeholders

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 AND ASSURANCE REPORT CONCERNING THE STRATEGIC KPI’S 2017 INCLUDED IN THE ANNUAL REPORT 2017

Our opinion

Concerning the financial statements

We have audited the accompanying financial statements 2017 of N.V. Eneco Beheer (“Eneco” or the “Company”), based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of N.V. Eneco Beheer as at 31 December 2017, and of its result and its cash flows over 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (“EU-IFRS”) and with Part 9 of Book 2 of the Dutch Civil Code; and
- the company financial statements give a true and fair view of the financial position of N.V. Eneco Beheer as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Concerning the strategic KPI’s 2017

In our opinion:

- the Strategic KPI's on page 8 of the Report 2017 (the “KPI’s”) provide, in all material respects, a reliable and appropriate reflection of the policies of the Company with respect to Corporate Social Responsibility and the business operations, the events and the performances in that area during 2017; and
- the Board of Management Report 2017 on page 2 - page 65 and Annexes Board of Management Report on page 141 - page 162 (together the “Report”) has, in all material respects, been prepared in accordance with the Company’s internal accounting policies as disclosed in chapter 'Reporting policy' on page 148 to page 150 of the Report.

The Report contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

What we have audited

Concerning the financial statements

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2017;
- the following statements for the year ended December 31, 2017: the consolidated income statement, the consolidated statements of comprehensive income, the consolidated changes in equity and the consolidated cash flow statement; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2017;
- the company profit and loss account for 2017; and
- the notes comprising a summary of the accounting policies and other explanatory information.

Concerning the KPI's

We have audited the KPI's in the Report. The Report includes a description of the policies of Eneco with respect to Corporate Social Responsibility and the business operations, the events and the performances of in that area during 2017.

Basis for our opinion

Concerning the financial statements

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Eneco in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Concerning the KPI's

We conducted our audit in accordance with Dutch law, including the Dutch Standard 3810N "Assurance engagements relating to sustainability reports". Our responsibilities regarding this audit are described in section 'Our responsibilities for the audit of the financial statements, the Report and the KPI's'.

We are independent of Eneco in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Materiality

Concerning the financial statements

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 20 million. The materiality is based on a weighing of factors of which the most important are:

- 0.8% of revenues from energy sales and energy related activities; and
- 10% of profit before tax.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Management that misstatements in excess of € 1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Concerning the KPI's

We have determined materiality per KPI. The materiality per KPI is based on 5% of the realized value in 2017.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the annual report for qualitative reasons.

Scope of the group audit

N.V. Eneco Beheer is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Eneco.

Our group audit mainly focused on significant business units. We have:

- performed an audit of the financial information at the group entities Retail, Business to Business, Energy Trade, Generation & Storage, Eneco Belgium and LichtBlick; and
- performed audit procedures on specific account balances, classes of transactions or disclosures at other group entities.

For the audit of Eneco Belgium we used the work of other auditors from within the Deloitte network. For the audit of LichtBlick we used the work of auditors from outside the Deloitte network.

By performing the procedures mentioned above at business units, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Management. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Business Combinations

Description of the key audit matter	How we have audited this key audit matter
During 2017 Eneco has obtained control over LichtBlick Holding AG ("LichtBlick") in Germany and ENI Gas & Power N.V. and ENI Wind N.V. (together: "ENI") in Belgium for a consideration of € 0.4 billion and € 0.3 billion respectively. Application of the acquisition method for these business combinations, in which the acquired assets, liabilities and contingent liabilities are recognized at fair value, resulted in the recognition of goodwill for € 0.2 billion and € 0.2 billion respectively. The valuation of the acquired assets, liabilities and contingent liabilities at fair value is determined by management of Eneco and based on an evaluation of facts and circumstances on the acquisition dates. This valuation was a key audit matter in our audit because to an extent the valuation process is complex and subjective.	We have audited the accounting of the acquisitions LichtBlick and ENI. We have analyzed the fair value of most of the identified assets acquired, liabilities and contingent liabilities assumed which were used to allocate the respective cost prices and to determine the resulting goodwill. In these analyses we have involved our internal valuation experts to evaluate the valuation methods applied by Eneco (mainly the 'excess earnings method' and the 'relief from royalty method') and we verified the most significant assumptions, including the expected future cash flows, the applied discount rate ("WACC"), the expected churn of the acquired customer bases, the economic life of assets and the 'royalty rate' where applicable based on historical trends and external sources. A significant part of the respective considerations resulted in the recognition of goodwill which has been allocated to the (group of) cash generating units ("CGU's") of respectively Germany and Belgium. We have also assessed the reasonableness of the goodwill recognized through our audit of the annual impairment test of goodwill. The disclosures on the acquisition of the aforementioned entities are included in note 15 of the financial statements.

Impairment of (in)tangible fixed assets

Description of the key audit matter	How we have audited this key audit matter
The (in)tangible fixed assets constitute a significant part of the balance sheet of the Company. Circumstances on the energy markets and regulatory developments may lead to impairment of (in)tangible fixed assets. Both · the examination of possible impairment triggers relating to the CGU's, and · testing for an impairment - which Eneco is obliged to perform under EU-IFRS in respect of (groups of) cash generating units to which goodwill has been allocated are significant to our audit given the volatility of electricity and gas prices and because to an extent the estimation process is complex and subjective and it is based on assumptions, among which the WACC. The (in)tangible fixed assets comprise for a significant part of sustainable production assets and, as result of the acquisition of LichtBlick and ENI Belgium, customer databases, brand names and goodwill.	We have assessed the segment and CGU-structure that Eneco applies for the obliged annual test of goodwill impairment ("Impairment Test"). We have also assessed management's examination of triggers indicating an impairment of (groups of) CGU's. Finally we assessed that the Impairment Test for each group of CGU's to which goodwill is allocated to determine whether the goodwill is impaired. For our procedures we have used our internal valuation experts. We have evaluated the design and tested the implementation of internal control measures focused on the realization of the Impairment Test. We have verified the reliability of the information on which the expectations have been based and assessed the reasonableness, relevance and consistency of the assumptions applied. In this respect we have specifically focused on the WACC applied and the forecast of the cash flows in the value-in-use model. We have also examined the disclosures regarding the assumptions and the outcome of the Impairment Test as included in note 14 'Intangible Fixed Assets' of the financial statements. There, among other matters, it is stated that the recoverable amount (value in use) of the (group of) CGU's exceeds the carrying amount.

Estimation uncertainty when determining the Energy Reconciliation

Description of the key audit matter	How we have audited this key audit matter
The energy reconciliation for electricity and gas is where purchases and sales are reconciled (the “Energy Reconciliation”). The following processes play a key part in preparing the Energy Reconciliation: allocation, reconciliation, gross margin modelling, reconciliation records, and grid loss estimation. The Energy Reconciliation forms the basis for (the completeness of) the revenues from energy sales and the related balance sheet items. The estimation of revenues within the Energy Reconciliation was one of our key audit matters, because to an extent the estimation process is complex and subjective and it is based on assumptions, among which the customers’ consumption of electricity and gas. In this respect we also refer to note 2.2 ‘Revenues’ and note 3 ‘Revenues from energy sales and energy-related activities’ in the consolidated profit and loss account, where the estimation of the revenues is explained in more detail.	We have tested the design and the implementation of internal control measures of the Company in respect of the process for preparing the Energy Reconciliation. In addition, we have verified the reliability of the information on which the estimation of revenues has been based and we have assessed the reasonableness, relevance and consistency of the assumptions applied. We have verified the arithmetic integrity of the Energy Reconciliation model. In this respect we have specifically focused on the standard annual consumption and the estimation of the influence of weather conditions on this consumption. In addition, we have performed audit procedures on the revenues still to be invoiced after year-end, including subsequent review testing in 2018.

Reliability and continuity of the automated data processing

Description of the key audit matter	How we have audited this key audit matter
For the reliability and continuity of its business operations and for the reliability of its financial reporting, Eneco relies heavily on (the connectivity between) systems, applications and interfaces (the “IT-infrastructure”). The design, existence and operating effectiveness of the IT controls with which the IT-infrastructure is managed, are critical for the reliability and continuity of Eneco’s processes and, thus, for the realization of the financial statements. The IT-infrastructure supporting the customer processes for example processes large volumes of transactions. Impairment of the integrity of (customer) data or downtime may lead to the invoicing and the estimation of revenues not being performed accurately, completely and timely whereas recovery is complex. The IT-infrastructure supporting Eneco’s trade activities is also critical because of the large volume, the significance for the financial results, and the complexity. This is why change management and data protection were among the major focus areas when performing our procedures.	We have tested the reliability and continuity of the IT-infrastructure, solely to the extent necessary within the scope of our financial statements audit. To this end, we have included specialized IT auditors in our audit team. Our procedures comprised the assessment of the IT-infrastructure developments relevant to the financial statements audit, and subsequently testing the design, the existence and the operating effectiveness of IT control measures. Our management letter to the Board of Management and the Supervisory Board reports the deficiencies that we have identified and our recommendations for further improvements. Following additional, controls and substantive procedures we have established that the deficiencies identified have not resulted in material misstatements in the financial statements. We refer to the paragraph 'Operational risks' on page 57 to page 60.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor’s report thereon, the annual report contains other information that consists of:

- the Report; and
- the Other Information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the General Meeting as auditor of N.V. Eneco Beheer as of the audit for the year 2016 and have operated as statutory auditor since that financial year.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of Board of Management for the financial statements, the Report and the KPI's

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Management is also responsible for the preparation of the Report in accordance with the internally applied accounting principles as disclosed in the chapter 'Reporting policy' on page 148 of the Report, including the identification of stakeholders and the determination of material topics. Decisions made by the Board of Management with respect to the scope of the KPI's and the accounting policies are disclosed in chapter 'About this report' on page 10 of the Report.

In this context, the Board of Management is responsible for such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements, the Report and the KPI's that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the financial statements, the Report and the KPI's

Concerning the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control..
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation..

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Board of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

We provide the Board of Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Management, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Concerning the Report and the KPI's

Our responsibility is to express an opinion on the Report based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standard 3810N "Assurance engagements relating to sustainability reports". This requires that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the Report is free from material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An assurance engagement aimed at providing reasonable assurance also includes evaluating the appropriateness of the reporting framework used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Report.

Our main procedures included the following:

- Performing an external environment analysis and obtaining an understanding of the sector, relevant social issues, relevant laws and regulations and the characteristics of the organization.
- Evaluating the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of accounting estimates made by management.
- Evaluating the application level in accordance with the Sustainability Reporting Guidelines of GRI.
- Evaluating the design and implementation and operating effectiveness of the systems and processes for data gathering and processing of information as presented in the Report.
- Interviewing management responsible for the sustainability strategy and policies at corporate level.
- Interviews with relevant staff responsible for providing the information in the Report, carrying out internal control procedures on the data, and the consolidation of the data in the Report.
- Investigating internal and external documentation, including examination of information on a test basis, to determine whether the information in the Report is reliable.
- Analytical review of the data and trend explanations submitted with respect to the KPI's.

Rotterdam, February 16, 2018

Deloitte Accountants B.V.

Signed on the original,

J.A. de Bruin

Annexes Board of Management Report

Personnel

Our employees

The Group aims for a well-balanced composition of its workforce. This not only demands a good distribution between, for example, men and women on which we report here. There is room in the organisation for people with a different background or personality and for people with an occupational disability. See also Employee engagement (page 44). We refer to the financial statements, note 5 (page 86) for the number of employees who work abroad.

	2017	2016
Number of own employees		
Total average workforce in FTE	3,049	2,882
Total workforce in FTE at year end	3,043	2,551
Men - women ratio		
percentage of men and women of the total number of employees in FTE at year end		
Men	63	63
Women	37	37
Age distribution		
percentage per age group of the total number of employees in FTE at year end		
age 15-24	2	2
age 25-34	31	29
age 35-44	32	30
age 45-54	21	23
age 55 and over	14	16
Diversity		
in percentages at year end		
Women in managerial positions	27	33
Employment contract		
in percentages at year end		
Employment contract for an indefinite period	89	90
Employees with a Collective Labour Agreement (CLA) contract	81	72
Employees with a full-time contract	80	75
Absenteeism		
In percentages		
Absenteeism	5.3	5.3

Stakeholder table

Dialogue with stakeholders

Stakeholders	Contact moment / activity	Discussion points	Outcomes
Customers - retail Eneco Netherlands	· Our virtual showcase: Eneco.nl · Social media · Webcare · Local residents day · Sustainable energy lessons · WindLab · Customer newsletter · Community event · Club Eneco · National Championship Bicycling against the Wind · Customer surveys, ongoing process · Heating, open days · Sounding board group · Customer panel meeting in Utrecht · Mass media campaigns · Testing new propositions such as the HeatWinner	· Sustainable strategy and propositions · Sustainable energy lessons at primary schools and in our WindLab · In our newsletter, we show customers what we are doing concretely and we stimulate customers to take action · At the community event, customers were informed about the new community and the separation of the Toon and Eneco Community and inspired by the collaboration with Solar Team Eindhoven. · We express our appreciation to our customers with the loyalty programme. · We let people experience the power of HollandseWind. · Campaigns, for instance, about our brand theme 'Welcome in the new world', electric transport and Toon.	· Good dialogue with our customers and providing information regularly. · Facebook: nearly 40,000 followers, Twitter: 14,000 followers and Instagram 750 followers. · More than 50 energy lessons by more than 15 guest lecturers from Eneco to over 1,200 students. More than 4,000 students have already visited the windlab. · Visibility on TV, radio, online and social media · Commercial roll-out of the HeatWinner
Customers - commercial Eneco Netherlands	· Personal contact via on-site visits · Seminars and training sessions in Rotterdam and on site at the customer · Newsletters · Innovation day · Symposium Agro Energy · One Planet Dinner · Discussions with Customer Council (SME)	· Existing product and services portfolio · Developing new products and services (together) for a company or a group of companies · Services and administrative services · Customer satisfaction	· Better insight into the possibilities that Eneco offers with its products and services and partnerships (page 34) · More confidence to enter into long-term agreements based on these possibilities · Eneco is regarded as distinctive in comparison with other large (more traditional) energy companies (page 146)
Customers - Eneco Belgium	· Website eneco.be/nl · Social media · Newsletter · Brochures and flyers · Blogs · Customer Care · Surveys (NPS)	· Sustainable energy products · Local energy production · Investing together locally in solar and wind energy	· Facebook: 22,000 likes, 21,000 followers · Twitter: 3,000 followers · Website: 600,000 visitors

Stakeholders	Contact moment / activity	Discussion points	Outcomes
Customers - LichtBlick	· Website lichtblick.de · Social media · Newsletter · Brochures and flyers · Customer Care · Surveys	· Sustainable energy products · Sales events · Environmental efforts · Smart Home products	· Facebook: 32,000 friends · Twitter: 11,000 followers · Website: 700,000 visitors · Nominated for the ninth time by Kundenmonitor Deutschland as energy company with the best service and customer satisfaction
Shareholders	· Council information meetings of various municipalities · Explaining and discussing strategy 2018-2022 · Explaining and discussing year plan 2018 · Explaining and discussing various investments · Explaining and discussing half-year figures 2017 including written questions procedure · Work visit to Luchterduinen · Work visit Innovation Day	· Future shareholdership · Unbundling of the company · Investments and expected returns · Internationalisation · Sustainability · Strategy · Customer involvement in the energy transition	· Dialogue about the social and financial importance of shareholdership · Share in LichtBlick, ONZO, Next Kraftwerke (page 43) · Acquisition of Eni Belgium (page 28) · Wind activities of De Wolff (page 37)
Capital providers and investors	· Regular consultations with S&P · Regular consultations with capital providers · Regular consultations with counterparties	· Credit rating of the company · Arrangement of adequate financing facilities · Capital structure at the time of the unbundling · New financing facilities	· Comfort that the unbundled energy company is sufficiently capitalised (page 49) · Maintaining financial strength and creditworthiness (page 49)
Local residents and cooperatives	· Regular working group meetings Wind Park Spuisluis www.windparkspuisluis.nl/de-werkgroep/) · Various meetings and collaboration discussions with cooperatives of residents · Customer days at Eneco heating power plant in Utrecht · Process participation together with municipalities and cooperatives for the structure of a sustainable energy landscape.	· Transparency to the local environment about our projects, what we are investigating, and why and what the results are. · The local environment is given a role in the development phase meaning that residents also have influence on the plans (location, size, etc.) · Take the next steps and further increase the sustainability based on collaboration with cooperative of residents with a wind farm. · Tours of our wind farms and biomass power plant	· Various cooperatives, both of companies and residents, and Eneco have entered into a collaboration for the energy transition in the local environment of the cooperative. · Active involvement leads to an open dialogue about which steps in the energy transition can be taken locally (instead of whether or not local steps will be taken) (page 20)

Stakeholders	Contact moment / activity	Discussion points	Outcomes
Employees and the Works Council in the Netherlands	· Consultations between the Works Council and senior management/HR per business unit · Discussion of theme groups with project leaders / HR / senior management · Works Council speaks at personnel meetings · Consultations meetings between Central Works Council and CEO/COO/HR Group · Consultations between Central Works Council and Supervisory Board, municipal councils and shareholders in connection with the sale of Eneco shares. · Consultation between the Central Works Council and the Trade Unions · Central Works Council informs SER and business units	· Organisational changes within the business unit · At the request of the Works Council, discussing project and gathering information in discussions with stakeholders · Existing procedures at the level of own business unit · Procedures regarding organisational and employment conditions issues with impact on the whole group · Sale of Eneco shares and the interests of employees in this matter · Acquisitions / employment conditions issues / CLA · Training in modern employee participation	· Provide information and/or complete advice procedures in dialogue · Draft a preliminary advice for a Works Council · Informing employees about current Central Works Council / Works Council procedures · Gather information within the company as input for current procedures · Municipalities are looking in collaboration for a suitable manner to sell part of their shares · Wider support for modern employee participation (page 46)
Employees Eneco Belgium	· Yammer · Intranet · One Integration Communication · Quarterly Business Review Sessions · Leadership Meetings	· Eneco/Eni partnership · Business strategy · Financial matters and results	· Improvement in employee engagement · Increasing business awareness · Strengthening team spirit after the merger of Eneco/ENI
Employees LichtBlick	· Intranet · Regular communication · Employee events and Christmas party	· Eneco partnership · Business strategy	· Intranet 570,000 Page Views · Good participation in employee events · Designated as MINT Minded Company (page 44)
Nature and environmental organisations	· Renewal of partnership World Wide Fund for Nature (WNF) and Eneco Group www.oneplanetthinking.org · Annual benchmark among the Dutch electricity suppliers by the Consumers' Association, Greenpeace, Nature & Environment, WISE. · Annual benchmark among Belgian energy suppliers by Greenpeace · Partnership between LichtBlick and WWF, Campaign "Wir beschleunigen die Energiewende" · Partnership between LichtBlick and "Geo schützt den Regenwald"	· Our impact on the planet and how to reduce this together with our customers and other partners · The ranking is published in October based on the data that we have submitted about our investments, production, purchasing and the energy that we supply. · Improvement of wider acceptance of the energy transition ("Energiewende")	· Collaboration agreement for three years with regard to One Planet Thinking (page 20) · Further development of our impact on biodiversity (page 20) · Joined SBTi (Science Based Targets initiative) · The greenest among the large Dutch energy companies with a score of 7.9 for Eneco and 6.1 for Oxxio. (page 146) · 18 out of 20 points in the Belgian benchmark (page 146)

What others say about our sustainable performance

Our customers, investors and other stakeholders attach value to proof in the form of certificates and benchmarks.

Sustainability benchmarks

The most important sustainability benchmarks are the Onderzoek Duurzaamheid Nederlandse Stroomleveranciers (Sustainability of Dutch Electricity Suppliers Report) which is compiled annually by the Dutch Consumers' Association, Greenpeace, Natuur & Milieu and WISE, and in Belgium the Greenpeace classification of Belgian electricity suppliers.

A good report card

Our brands Eneco and Oxxio had a higher ranking this year in the 'Onderzoek Duurzaamheid Nederlandse Stroomleveranciers' due to large investments in wind energy. Eneco's score rose from 7.0 in 2016 to 7.9 this year. Eneco is number eight in the ranking and is the only one of the large energy companies to achieve a more than sufficient score. Eneco also maintained its position in the group of 'frontrunners'; the group of companies that is actively contributing to the transition to a sustainable energy supply. According to the researchers, Eneco is 'the most sustainable of the big energy suppliers also in 2017'.

The higher score for Oxxio is also noteworthy: from 4.3 in 2016 to 6.1 in 2107. With this, Oxxio is leading in the group of 'followers'. According to the researchers, Oxxio's leap ahead can be explained by a high investment figure in sustainable energy of parent company Eneco Group and a change in the supply mix of Oxxio from hydro energy to 100% wind energy. Further improvement is possible according to them in the purchasing of electricity.
Read more about the 'Onderzoek stroomleveranciers rapport 2017'(Sustainability of Dutch Electricity Suppliers Report 2017).

2017 Report Sustainability of Dutch Electricity Suppliers

Greenpeace score 2017: 5 largest energy suppliers*

Eni not included in ranking; as of 2018 part of Eneco

Supplier	Greenpeace recommendation
ENGIE Electrabel:	8/20
LUMINUS:	2/20
ESSENT:	5/20
LAMPIRIS:	6/20
ENECO:	18/20

* Top 5 electricity suppliers according to VREG.be, CWAPE.be.

Greenpeace ranking of Belgian electricity suppliers

Each year, Greenpeace issues report cards to the Belgian energy suppliers. Eneco Belgium received a good report card from Greenpeace with a score of 18 out of 20 points. The production capacity of Eneco Belgium increased again in the past year, so that it could guarantee the supply of Belgian green electricity to its growing portfolio of households. Greenpeace cites Eneco Belgium as 'an example' for the big energy suppliers. The company received this high score because, being the largest non-cooperative electricity producer, it has resolutely opted for 100% renewable electricity and gas. Read more about this report http://mijngroenestroom.be/klassement/

ESG scores and sustainability standards

Stakeholders also expect good scores in the ESG systems (Environmental, Social and Governance) and participation in sustainability standards.

First Dutch company in Science Based Targets initiative

The Group was admitted as the first Dutch company to the Science Based Targets initiative (SBTi). This international initiative helps companies formulate objectives in line with the Paris climate agreements. With the recognition of the SBTi, the Group is one of the first companies worldwide - besides Walmart, Sony and Coca-Cola - to take the limits of the planet as the point of departure for their sustainability goals. It is exceptional that we, as a Group, take responsibility for the whole chain in which we are active. Bringing our goals in line with the Paris climate agreements helps us to achieve our One Planet ambition. It also contributes to finding alternatives for, for example, natural gas at customers and thus enables us to create new business models.

Voluntary participation in CDP Climate Change

At the initiative of investors, the Carbon Disclosure Project (CDP) has been approaching listed companies for 15 years already to share their climate footprint. This transparent and comparable publication of emissions enables investors to estimate risks better. The Group participated voluntarily in the CDP Climate Change programme for the first time in 2017. This resulted in a C ranking. The possible changes in the shareholdership of the Group was a good reason to participate.

Sustainalytics

Sustainalytics is a global player in the field of assessment of the sustainability of companies at the request of investors. The Group is also being assessed by Sustainalytics since last year. With an overall score of 65 points, our performance ranks among the best 33% of the companies. We aim to provide more information to Sustainalytics on a regular basis. We are convinced that our score can be improved significantly by providing more information.

FIRA

FIRA is a verification agency that verifies the CSR performance of companies and institutions at the request of purchasing companies. Our present score 'Silver' will be changed into 'Extended CSR Report' in the beginning of 2018.

EcoVadis

We use the EcoVadis system to verify our suppliers (see Increasing the sustainability of our chains). In addition, our customers also request our CSR score via EcoVadis. Our present score of 55 results in the qualification 'Silver'.

Reporting policy

In this integrated report, Eneco Beheer group accounts for its financial and non-financial performance and its value creation. The Group opts for a compact and transparent report that fulfils the information requirement of its stakeholders.

Reporting in accordance with GRI

In this report over 2017, we adhere to the Standards (version 2016) of the Global Reporting Initiative (GRI) in as far as possible. The contents of this report refer to the specifically chosen GRI Standards 102 and 103. The topics that we discuss in the report were also determined based on a materiality analysis based on which the most relevant topic were determined for both stakeholders and for the Group itself. An external validation of the material themes, that we have analysed, will give us more insight into how our reporting can be aligned with the GRI standards. We have applied GRI Referenced in this report. We aim for a GRI application on Core level for future annual reports. In view of this, the material themes and the strategic KPIs will be reviewed in 2018.

We report based on the steering framework of the company. That is leading. The steering framework has been derived from our strategy: with it, we show our progress and the degree in which we are realising our ambitions. We verify with our stakeholders whether our steering framework is sufficiently material. The Core level that we are aiming for means that for each relevant aspect (topic), identified in the materiality analysis, we will report on at least one GRI Standard and indicator that corresponds best with our steering framework, see paragraph: Strategic KPIs (page #).

Integrated reporting

The Group's annual report is developing into an integrated report on the Group's financial and non-financial performance. The International Integrated Reporting Council (IIRC) framework enables us to better clarify the interrelationship between the core elements of our policy in our report. We are increasingly applying elements of this framework in our annual report such as a value creation model this year.

Stakeholder selection

We distinguish the following groups of stakeholders: customers (both retail and commercial), shareholders, municipalities / local residents, investors, capital providers, employees / works council and environmental organisations / NGOs. This selection is based on our analysis that they have the biggest influence on our strategy and business operations and experience the largest impact of our activities and choices that we make for the future.

Materiality analysis

For this report, we made an inventory of what is considered relevant by our stakeholders (page 15). We aim to make this stakeholder dialogue a structural part of our governance. That is to say that the topic of materiality will be a regular agenda item in customer panels, meetings with commercial customers, consultations with shareholders, and the Works Council and in regular meetings with rating agencies and NGOs.

A table is included in the section below with an explanation of the materiality of the relevant topics that form part of the scope of this annual report. In this overview, we also show where the impact of a topic lies both within and outside the organisation. In the chapter Progress (page 19), we discuss in detail the concrete objectives that we have formulated for the relevant topics via targets for the specified KPIs. In this chapter, we also discuss what we have already done and what we plan to do to realise our objectives. In addition, we included an overview of the specifically selected GRI indicators in the GRI index (page 152). In this section, we have made the relationship between the material topics and the strategic KPIs visible. This section also includes an overview that illustrates the relationship between the material topics, strategic KPIs and strategic risks.

Reporting process

We evaluated the manner in which the contents of the annual report were determined in the past and we concluded that this did not take place sufficiently structured and efficiently. Improvement possibilities were taken to heart in the preparation of the annual report 2017. Point of departure in these preparations was the strategy including strategic themes and key performance indicators (KPIs) as determined by the Board of Management. The contents of the annual report is determined based on the materiality analysis described above. We have made agreements with regard to the reporting process. The responsibility, definition, scope, calculations, necessary resources and systems, quality assurance and the process are determined for each strategic KPI that is linked to a strategic theme. The development of each strategic KPI is reported periodically and discussed with the boards of the Eneco entities involved. Where necessary remedial action is taken.

Strategic KPIs

- CO_2 emissions by Eneco Group, its suppliers and customers (in Mton CO_{2eq}): the absolute CO_2 emissions and other greenhouse gases are calculated based on the 'Greenhouse Gas Protocol the Corporate Value Chain (Scope 3) Accounting and Reporting Standard'. The absolute CO_2 emissions of our business operations, our suppliers and our customers in 2017 is compared with the absolute CO_2 emissions in the base year 2015, from which the reduction percentage follows.
- Number of customer contracts: is based on the number of (unique) contracts for which Eneco is the supplier of single electricity, gas, heating, rental, service and maintenance and Toon.
- Customer satisfaction after customer contact: the degree in which customers are satisfied about the (telephone) contact and the services provided by Eneco Consumers, as measured based on questionnaires completed by customers and reflected in a score from 1 to 10.
- Internal alignment: the degree in which employees are aligned with the universal values and thus indirectly with the mission and cultural values of Eneco Group, measured by an external research agency and reflected in a score from 1 to 100.
- Performance dialogue score: the degree in which managers and employees discuss performance and behaviour, as measured by an external research agency and reflected in a score from 1 to 100.
- Recordable Incident Frequency: the ratio of the number of work-related accidents to the actual productive hours multiplied by 200,000 during a year.
- Return on Capital Employed (in %) the operating profit (EBIT) after deduction of tax, divided by the average capital employed, corrected for 2016 positions with the grid operating company Stedin prior to the unbundling.

Information gathering and accountability

The Board of Management is responsible for the integrated annual report. The Board of Management has delegated the preparation of the annual report to a process manager who leads a multidisciplinary team. The responsibility for the contents of the report is divided between the departments Strategy, Communication and Finance & Risk. The financial and non-financial strategic KPIs are an integral part of the planning and control cycle. The results are discussed in the regular business reviews. A responsible officer is appointed for each topic based on an accountability index. The Board of Management reviews the final version before it is submitted to the Supervisory Board.

Sustainable Development Goals (SDGs)

We report on the Sustainable Development Goals (SDGs) of the United Nations that are relevant for us. These goals were drawn up in order to make the world 'a better place' by 2030. The Group contributes to the realisation of these goals on a modest scale. In the paragraph reference tables Sustainable Development Goals (page 160), we provide insight into this with a reference to the relevant notes in the annual report.

Climate Disclosure Standards Board (CDSB)

The reported environmental informations corresponds to a large extent with the CDSB framework. This framework promotes the disclosure of environmental information and natural capital.

Assurance non-financial information

We requested Deloitte Accountants to audit the strategic KPIs and the application of the specific GRI Standards 102 and 103 (version 2016) in addition to the audit of the financial statements.

Materiality and impact

The material topics, that we report on in this annual report, have both an internal and an external impact. We link the material themes to strategic KPIs with which we aim to make our progress visible.

Below, we provide an overview of the internal and external impact in as far as we measure this centrally. For example, for the strategic KPI Customer Satisfaction, we currently only measure in the Netherlands. We only show here in which of the countries where Eneco operates the material aspects concerned are applicable and which stakeholders are impacted by this (external impact). It is also specified in which phase in the supply chain a topic is relevant and at which business entities of Eneco (internal impact). We refer to the Profile and the Overview of main subsidiaries, joint operations, joint ventures and associates (page #) for an overview of the business entities of Eneco Group. Major acquisitions (such as Eni Belgium, the wind activities of De Wolff Verenigde Bedrijven and the 50% interest in LichtBlick this year) are not included in the non-financial strategic KPIs and the GRI application until the year following the year in which the acquisition took place.

Our chain comprises purchasing, production and delivery (within the organisation) and use (outside the organisation).

Living within the limits of the planet

The Group aims to bring the CO_2 emissions of its customers and its own emissions within the limit of one planet.

Where	Procurement	Production	Delivery	Use
NL, B, UK, G	v	v	v	v
Main stakeholders	Scope	KPI		
Customers retail and commercial, local residents and cooperatives, nature and environmental organisations	Group*	1. CO_2 emissions by Eneco Group, its suppliers and customers (in Mton CO_{2eq})		

Customers participate in the energy transition

The Group has, making use of its role as system player, relevant products in the growth domains, therefore customers purchase more from Eneco than only a commodity.

Where	Procurement	Production	Delivery	Use
NL + B	-	-	v	v
Main stakeholders	Scope	KPI		
Customers retail and commercial, local residents and cooperatives, nature and environmental organisations	Group*	2. Number of customer contracts		

Relevant for the customer

The Group is viewed by its customers as a credible partner in the sustainability process

Where	Procurement	Production	Delivery	Use
NL	-	-	v	v
Main stakeholders	Scope	KPI		
Customers retail and commercial	Consumers Eneco label	3. Customer satisfaction Eneco after customer contact		

Employee engagement

Employees of the Group are familiar with and support the strategy and show the desired behaviour

Where	Procurement	Production	Delivery	Use
NL, B, UK	v	v	v	v
Main stakeholders	Scope	KPI		
Employees	Group*	4. Internal alignment score 5. Performance dialogue score 6. Recordable Incident Frequency		

A healthy financial return

The Group realises a healthy return for its shareholders

Where	Procurement	Production	Delivery	Use
NL, B, UK, G, FR	v	v	v	v
Main stakeholders	Scope	KPI		
Shareholders, capital providers and investors, employees	Group	7. Return on Capital Employed (ROCE)		

*) Excluding large acquisitions 2017

Reference tables

GRI content index

General disclosures GRI Standards 102

Standard	Description	Explanation	Reference
Strategy and analysis			
102-14	Statement from senior decision-maker		Foreword Board of Management (page 3)
Organisation profile			
102-1	Name of the organisation	N.V. Eneco Beheer	Profile (page 5)
102-2	Activities, brands, products and services		Profile (page 5)
102-3	Location of headquarters	Rotterdam	Colophon
102-4	Location of operations		Profile (page 5)
102-5	Ownership and legal form	Accounting principles - General information	Corporate Governance (page 62) Financial Statements (page 67)
102-6	Markets served		Profile (page 5)
102-7	Scale of the organisation		Financial key figures (page 8) Personnel (page 142) Sustainable production and capacity (page 37)
102-8	Information on employees and other workers		Personnel (page 142)
102-9	Supply chain		Increasing the sustainability of our chains (page 20)
102-10	Significant changes to the organisation and its supply chain	Unbundling of the former Eneco Holding N.V. as of 31 January 2017 in the energy company Eneco Group including the Eneco Beheer group and the grid operator Stedin. Acquisition of a 50% interest in the German sustainable energy company LichtBlick. Acquisition of Eni Belgium.	About this report (page 10) Important events (page 6)
102-11	Precautionary principle of approach		Risk management (page 51) Safety & Security (page 47)
102-12	External initiatives	The Group is active abroad, also in developing countries. We comply with the local laws and regulations. These regulations sometimes offer less suitable protection than international law, for example, with regard to child labour, slavery or other elementary working conditions. In that case, we apply the international standards laid down in the Universal Declaration of Human Rights. Eneco is one of the signatories of the Dutch Energy Agreement for sustainable development.	Suppliers Code of Conduct (page 162) Sustainable Development Goals (page 160) CDSB framework (page 158) Science Based Targets initiative (page 20) CDP Climate Change (page 20) EcoVadis (page 146)

Standard	Description	Explanation	Reference
Strategy and analysis			
102-13	Membership of associations	Our memberships include Nederlandse Vereniging Duurzame Energie, MVO Nederland, Nederlandse Wind Energie Associatie, De Brede Stroomversnelling, DE Unie, UNETO/VNI, Energie Nederland and Eurelectric.	
102-16	Values, principles, standards and norms of behaviour	Code of conduct	Integrity and compliance (page 63) Suppliers Code of Conduct (page 162)
Governance			
102-18	Governance structure		Corporate Governance (page 62) Foreword Board of Management (page 3)
Stakeholder engagement			
102-40	List of stakeholder groups		Stakeholders and materiality (page 15) Dialogue with stakeholders (page 143)
102-41	Collective labour agreements (CLAs)		Personnel (page 142)
102-42	Identifying and selecting stakeholders		Reporting policy (page 148)
102-43	Approach to stakeholder engagement		Stakeholders and materiality (page 15) Dialogue with stakeholders (page 143)
102-44	Key topics and concerns raised		Dialogue with stakeholders (page 143)
Reporting principles			
102-45	Entities included in the consolidated financial statements		Overview of the main subsidiaries, joint operations, joint ventures and associates (page 73) Materiality and impact (page 150)
102-46	Defining report content and topic boundaries		Reporting policy (page 148)
102-47	List of material topics		Materiality and impact (page 150)
102-48	Restatements of information		Materiality and impact (page 150) About this report (page 10)
102-49	Changes in reporting	The scope of the strategic KPIs was adjusted to changes in the organisation and to new KPIs	Materiality and impact (page 150)
102-50	Reporting period	1 January 2017 - 31 December 2017	About this report (page 10)
102-51	Date of most recent report	30 January 2017 regarding reporting year 2016	
102-52	Reporting cycle	Calendar year	About this report (page 10)

Standard	Description	Explanation	Reference
Strategy and analysis			
102-53	Contact point for questions regarding the report	Feedback button on every page of the online annual report. The annual report can also be downloaded here as PDF. The contact information is provided in the PDF in the colophon.	
102-54	Claims of reporting in accordance with the GRI Standards	Reasonable degree of assurance on the strategic KPIs and the application of specific GRI Standards 102 and 103 (version 2016)	About this report (page 10) Reporting policy (page 148)
102-55	GRI index		GRI content index
Assurance			
102-56	External assurance		Other information (page 132) Reporting policy (page 148)

Management approach per material theme GRI Standards 103

Material theme	GRI Standard	Reference
1. Living within the limits of the planet	103-1	Focusing on impact (page 12)
		Stakeholders and materiality (page 15)
		Materiality and impact (page 150)
	103-2	Focusing on impact (page 12)
		Vision, mission and strategy (page 16)
		Risk management (page 51)
		Corporate Governance (page 62)
		Reporting policy (page 148)
	103-3	One Planet results (page 20)
		Client Sources (page 34)
		Energy as a Service (page 29)
		Smart Sustainable Solutions (page 39)
		What others say about our sustainable performance (page 146)
2. Customers participate in the energy transition	103-1	Focusing on impact (page 12)
		Stakeholders and materiality (page 15)
		Materiality and impact (page 150)
	103-2	Focusing on impact (page 12)
		Vision, mission and strategy (page 16)
		Risk management (page 51)
		Corporate Governance (page 62)
		Reporting policy (page 148)
	103-3	Client Sources (page 34)
		Energy as a Service (page 29)
3. Relevant for the customer	103-1	Focusing on impact (page 12)
		Stakeholders and materiality (page 15)
		Materiality and impact (page 150)
	103-2	Focusing on impact (page 12)
		Vision, mission and strategy (page 16)
		Risk management (page 51)
		Integrity and compliance (page 63)
		Corporate Governance (page 62)
		Reporting policy (page 148)
	103-3	Energy as a Service (page 29)

Material theme	GRI Standard	Reference
4. Employee engagement	103-1	Focusing on impact (page 12) Stakeholders and materiality (page 15) Materiality and impact (page 150)
	103-2	Focusing on impact (page 12) Vision, mission and strategy (page 16) Risk management (page 51) Corporate Governance (page 62) Reporting policy (page 148)
	103-3	Employee engagement (page 44)
5. Healthy financial return	103-1	Focusing on impact (page 12) Stakeholders and materiality (page 15) Materiality and impact (page 150)
	103-2	Focusing on impact (page 12) Vision, mission and strategy (page 16) Risk management (page 51) Corporate Governance (page 62) Reporting policy (page 148)
	103-3	Financial result (page 49)

Other disclosures

Category	Definition based on own interpretation	Reference
Economic		
	Direct economic value	Financial result (page 49) Financial Statements (page 67)
	Scale of the organisation: number of customer contracts	Convenience for consumers (page 29)
	Approach to stakeholder engagement: customer satisfaction	Convenience for consumers (page 29)
Environment		
	Emissions: CO_2 emissions by Eneco Group, its suppliers and customers (in Mton CO_{2eq}) Note: We express our footprint in CO_2 emissions for which we have converted the emissions of CH_4 and N_2O into CO_2.	One Planet results (page 20) See for the calculation: the One Planet explanation on our website
Social		
	Employee engagement	Putting people first (page 44)
	Safety of employees. Note: · We report the RIF (Recordable Incident Frequency) which consists of FAT (Fatality) + LTI (Lost Time Injury) + RWC (Restricted Work Case) + MTC (Medical Treatment Case) multiplied by 200,000 hours divided by the number of FTEs multiplied by 1,560. · The reported RIF does not include employees from temporary employment agencies and the employees of contractors. · The absenteeism figure of our own employees is included in Personnel. We measure absenteeism as of the first day after an incident. · We have a safety management system and an incident reporting system Alerta. We also record the type of incidents in this system. · We register per country in which we are active, not per gender, because we do not consider this relevant information.	Safety & Security (page 47), Personnel (absenteeism) (page 142)

CDSB framework

The Group has prepared the annual report in accordance with the principles of the Climate Disclosure Standards Board (CDSB).

CDSB principles

- P1 Environmental information shall be prepared applying the principles of relevance and materiality: Is also GRI and IIRC principle
- P2 Disclosures shall be faithfully represented - is also GRI and IIRC principle
- P3 Disclosures shall be connected with other information in the mainstream report - is IIRC principle We prepare an integrated report in particular to ensure and show this connectedness (see the various tables)
- P4 Disclosures shall be consistent and comparable - is also GRI and IIRC principle
- P5 Disclosures shall be clear and understandable - is also GRI and IIRC principle
- P6 Disclosures shall be verifiable - Deloitte provides assurance on the GRI application
- P7 Disclosures shall be forward looking - is IIRC principle. See Foreword Board of Management (page 3), Vision, mission and strategy. (page 16)

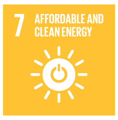
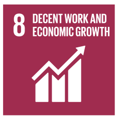
Reporting requirements

REQ-01 Management's environmental policies, strategy and targets	The disclosures state the management's environmental policy and the environmental strategy and targets, including the indicators, plans and time lines for the assessment of the performance.	GRI standard Management approach One Planet (page 16)
REQ-02 Risks and opportunities	The disclosures provide and explanation about existing and anticipated risk and opportunities of material importance in the area of the environment that effect the organisation.	GRI standard 102-11 risk management (page 51)
REQ-03 Governance	The disclosures describe how the governance of the environmental policy and the environmental strategy and information is structured.	GRI standard 102-14 en 18 Foreword (page 3)and Governance roles (page 61) More information in Reporting policy (page 148)
REQ-04 Sources of environmental impacts	The description of the quantitative and qualitative results and the methods used for this describe the important sources of environmental effects.	One Planet calculations on our website
REQ-05 Performance and comparative analysis	The disclosures contain an analysis in which the REQ-04 information provided is compared with performance goals and with results reported in earlier periods.	One Planet calculations on our website
REQ-06 Outlook	In a concise manner, the management will present its conclusions regarding the impact of environmental effects, risks and opportunities on the organisation's future performance and position.	GRI 102-14 Foreword Board of Management (page 3) strategy chapter (page 16)
REQ-07 Organisational boundary	Environmental information will be prepared for the entities that fall within the boundaries of the organisation or group to which the regular report applies, which, insofar as applicable, will be separated from information about entities that fall outside these boundaries.	Management approach One planet (page 16). See table Materiality and impact (page 150) in the annex

REQ-08 Reporting policies	The disclosures state the reporting principles that were applied when preparing environmental information and (with the exception of the first reporting year) it will be confirmed that these reporting principles are applied consistently from reporting period to reporting period.	
REQ-09 Reporting period	Disclosures will be provided on an annual basis.	GRI 102-50 calendar year 2017
REQ-10 Restatements	The disclosures will provide information on restatements of information pertaining to previous periods.	GRI 102-49
REQ-11 Conformance	The disclosures contain a statement regarding conformity with the CDSB framework.	Reporting policy (page 148)
REQ-12 Assurance	If assurance has been provided regarding the question whether the reported environmental information is in conformity with the CDSB framework, then this is stated as reference in the Conformance statement referred to in REQ-11.	Reporting policy (page 148)

Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDGs) were drawn up to make the world 'a better place by 2030'. The Group contributes to the realisation of these goals on a modest scale. The overview below provides insight into this with a reference to the relevant disclosures in the annual report.

SDG	Relevant SDG indicators	Relevance Eneco Beheer group	Our goals and results
	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services. 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.	Our mission is 'Everyone's sustainable energy'. We aim for renewable generation of energy and optimal energy efficiency.	Share of sustainable electricity in total delivery (page 37).
	8.5 By 2030 achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, particularly woman migrants, and those in precarious employment.	Balanced teams help us to fulfil our mission and to connect as broadly as possible with our customers and our environment. Many of our employees carry out work on the energy infrastructure, a working environment with relatively many risks. Their safety and the safety of customers and citizens is our priority. This is why we invest in knowledge and expertise and we work on a proactive 'safety culture'.	Aiming for diversity (page 44) Safety (page 47) has priority within the Group every year again. Recordable Incident Frequency (RIF) target of 0.96 for the Group.
	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, all countries taking action in accordance with their respective capabilities.	Our efforts are aimed at limiting global warming to well under two degrees Celsius and continuing to focus on increasing the sustainability of our energy. Innovation is essential in our transformation from energy supplier to energy partner.	From energy supplier to energy partner. This is why we are examining new solutions and business models together with our customers and partners. Which new technologies can we use to replace conventional energy and how will this effect our delivery of energy in the future? See Client Sources (page 34), Smart Sustainable Solutions (page 39)
	11.6 By 2030, reduce the adverse per capital environmental impact of cities, including by paying special attention to air quality, and municipal and other waste management.	The Group is a part of society and is aware that breathing polluted air increases the probability of serious diseases. Although emissions of our power plants and means of transport only make a small contribution to the total, they are part of the problem and we wish to contribute to the solution.	Clean air (in accordance with guidelines World Health Organisation) See Sustainable production and capacity (page 37) Sustainable mobility (page 39)

SDG	Relevant SDG indicators	Relevance Eneco Beheer group	Our goals and results
13 CLIMATE ACTION	13.2 Integrate climate change measures into national policies, strategies and planning. 13.3 Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning.	The climate footprint of the Group, our suppliers and our customers combined represents about 5 to 10% of all greenhouse gas emissions in the Netherlands. This as an indication of the size, knowing that emissions do not only take place in the Netherlands. More and more people are concerned about the liveability of our planet. They are already assuming their own responsibility in this. Energy is an important issue for them.	Living within the limits of our planet Worldwide climate agreements were made in Paris in 2015 to keep global warming well below 2ºC, while aiming for 1.5ºC. These agreements have been translated to our business operations, including our suppliers and customers, using the Science Based Target initiative (SBTi) (http://sciencebasedtargets.org/). This contributes to lower emissions and reflects that which we have the most influence on. See Client Sources (page 34), Sustainable production and capacity (page 37) Sustainable mobility (page 39) We believe in everyone's sustainable energy. Through education and sharing knowledge, we show a broad audience how to do this. Sponsoring https://www.enecogroep.nl/wat-we-doen/in-de-praktijk/sponsoring/
15 LIFE ON LAND	15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.	The Group is part of society and is aware that biodiversity is being seriously reduced due to human actions. Although emissions of our power plants and means of transport only make a small contribution to the total, they are part of the problem and we wish to contribute to the solution.	It is part of our One Planet ambition to treat nature and biodiversity with respect and to ensure that our activities do not result in a loss of biodiversity (No Net Loss). We are examining whether No Net Loss in 2020 is realisable for new projects. See Biodiversity (page 20)
17 PARTNERSHIPS FOR THE GOALS	17.14 Enhance policy coherence for sustainable development. 17.17 Encourage and promote effective public, public-private and civil society partnerships, building on experience and resourcing strategies of partnerships. 17.19 By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement GDP, and support statistical capacity-building in developing countries.	We only have one planet. At present, worldwide, we consume 1.6 times as much as our planet can support. More and more people are becoming concerned about our planet. They are becoming increasingly aware of how we live, what we eat and how we impact the planet. Worldwide, we are being confronted with climate change and the increasing scarcity of natural resources. People want to do something and contribute to keeping our planet liveable. We are convinced that everyone can take energy and sustainability into their own hands. Therefore, also the energy transition and the speed at which this takes place.	Our aim is to get the energy requirement in our chain within the limits of a liveable planet. Not only for ourselves, but also for generations to come. See One planet (page 16) One Planet results (page 20) Client Sources (page 34),

Suppliers Code of Conduct

Declaration of compliance with Suppliers Code of Conduct

regarding data from low-volume meters that can be read remotely.

Name of legal entities:
Eneco Consumenten B.V. and Eneco Zakelijk B.V., hereafter jointly referred to as Eneco, and Oxxio Nederland B.V. and CEN B.V., hereafter jointly referred to as Oxxio.

Registered offices:
Rotterdam (Eneco) and Hilversum(Oxxio).

Period:
1 January 2017 up to and including 31 December 2017

Eneco and Oxxio make use of meter data obtained from low-volume meters that can be read remotely in order to carry out their services properly. As a supplement to the Personal Data Protection Act, suppliers and meter reading companies acting under their responsibility in the Dutch energy sector have drafted a code of conduct regarding the use, recording, exchange and storing of data obtained from low-volume meters that can be read remotely.

Eneco B.V. hereby states, duly represented in this matter by its director F.C.W. (Frans) van de Noort, in its capacity as director of Eneco Consumenten Nederland B.V., who in turn is the director of Eneco Consumenten B.V., Oxxio Nederland B.V. and CEN B.V., as well as in its capacity as director of Eneco Zakelijk Nederland B.V., who in turn is the director of Eneco Zakelijk B.V., that Eneco, with the exception of that which is stated below, and Oxxio have complied with the rules and obligations laid down in the Suppliers of Smart Meters Code of Conduct 2012 during the above-mentioned period.

In this period, is was observed that Eneco Consumenten B.V. gave customers more insight through an insight service than was actually permitted based on the customer mandate. Upon discovery, the necessary measures were taken so that this situation was ended as of 17 May 2017.

Rotterdam, 2 February 2018

F.C.W. (Frans) van de Noort,

Member of the Board of Management of Eneco Groep N.V.

Disclaimer

This annual report contains statements relating to the future. These statements can be recognised by the use of wording such as ‘anticipated’, ‘expected’, ‘forecasts’, ‘intends’, and similar expressions. These statements are subject to risks and uncertainties and the actual results and events can differ considerably from the current expectations. Factors that could lead to this include, but are not limited to, the general economic situation, the situation in the markets in which N.V. Eneco Beheer operates, the behaviour of customers, suppliers and competitors, technological developments and legal provisions and stipulations of regulatory bodies that affect the activities of N.V. Eneco Beheer. Future results can also be influenced by factors including, but not limited to, financial risks, such as foreign currency risks, interest risks and liquidity and credit risks. N.V. Eneco Beheer does not accept any liability or obligation related to the adjustment or revision of the current forecasts on the basis of new information or future events or for any other reason.

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

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Design and project realisation
C&F Report

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