N.V. Eneco Beheer

Annual Report 2018

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Foreword Board of Management

Eneco looks back on a turbulent year, both internally and externally. In the first half of the year, the various stakeholders in and around the company did not succeed in resolving the unrest surrounding the privatisation of Eneco and other issues. Consequently, this demanded a lot of time and energy from everyone involved and resulted in negative publicity for Eneco. The Board of Management regrets this.

After the summer of 2018, the Board of Management, the Supervisory Board and the shareholders, in close consultation with the Work's Council, began working together constructively to restore the fractious relationship. With success.

At the end of 2018, the company and its shareholders jointly announced that Eneco would be sold via a controlled auction in the course of 2019. The Board of Management is pleased that is was able to play an important role in regaining the confidence of all those involved. With this, this issue has been addressed in a transparent manner and we can now leave this behind us.

Eneco's Strategic Board sought to arrive at a sharper focus on the execution of the strategy in 2018. In this manner, we create value for customers, our shareholders and society. We terminate projects sooner when it is clear that they do not have sufficient added value for customers, or of which the return is insufficient for the company. Innovations are mainly marketed when large numbers of customers can be reached. With our internal organisation, we ensure that this focus on execution actually leads to results.

A large-scale change process was launched within the Dutch organisation, which is aimed at improving the customer experience, for instance, through digitalisation and an integrated customer approach. This will lead to an improvement of the result by € 100 million as of January 2020. At the beginning of 2019, we are well on track with this programme thanks to the efforts and flexibility of our employees, of which many were assigned to new jobs and some even lost their jobs. We aim to achieve this goal through a combination of natural staff turnover, not extending temporary contracts or reducing external hires.

Due to the acquisition of about 200,000 retail and business customers from the Dutch sales and delivery activities of E.ON, Eneco was the only large energy company that was able to increase its market share on the consumer market. The option was also exercised to purchase the remaining half of the shares in the German sustainable electricity company LichtBlick. On the other hand, the French solar energy activities were sold.

Eneco wishes to transform from an internally-directed company to a customer-oriented company that excels in commerce. Only then will we be able to deliver on our customer promise: transition to sustainable energy in the Netherlands, Belgium and Germany. Eneco intends to ensure that everyone can participate in this transition effortlessly. We wish to unburden our customers and enable them, through our products and services, to participate in the energy transition. We regard this as our biggest challenge in the coming years.

The transition must be made easier and feasible for more people. Not everyone is already transitioning, whereas people do want to do this. The first products and services in a large social transition, such as the energy transition, are mostly aimed at a limited group of frontrunners. But this stage lies behind us. Businesses and consumers do want to increase their sustainability, but find it still too difficult to incorporate sustainability in their living and working environment. Or they consider insulation or the purchase of a heat pump to be too expensive.

We aim to change this in the coming years, for instance by working together with Energie in Huis [Energy at Home], a company that makes existing homes more sustainable. In addition, we will continue to invest substantially in renewable sources such as wind and solar energy, with which we can supply green electricity to business customers and consumers. Eneco plans to offer even more low-threshold products and services with which customers can generate, consume, save, store and share energy themselves. Alternatives for gas as a source of heating, such as district heating, also have a prominent place in our plans. In this manner, we ensure that everyone can participate in the energy transition effortlessly.

Eneco is the largest of the green energy companies. That was confirmed once again at the end of 2018 in the annual NGO ranking of Dutch electricity suppliers. In Belgium, we ended high in the Greenpeace ranking, which takes both the origin of electricity and the investment policy into account. And in Germany, our subsidiary LichtBlick has already been a leading sustainable energy supplier for years. This demonstrates the success of Eneco's sustainable strategy.

We also made good progress in other areas in 2018. In Utrecht, the construction of a Bio Heating Installation in the power plant for district heating was completed which thus increased the sustainability of this heating system. In Rotterdam, we will be supplying various services and products to increase the sustainability of the Ahoy arena and convention centre and the surrounding area. In Belgium, we installed up to 7 MWp in solar panels on the roofs of Volvo Cars in Ghent.
A unique aspect of this project was that the employees of Volvo were able to participate in this project via Eneco through crowd lending.
In this project, the participants lend a limited amount to Eneco for a period of six years at a guaranteed gross return. At the end of this period, their loan is repaid. Of course, you will find many more examples in this annual report.

Our sustainable strategy remains the point of departure.
We aim to double our available sustainable capacity from 1100 MW to 2200 MW in 2022. And Eneco is also investing more in digitalisation to improve our services to our customers. The energy transition demands everyone make the transition. Therefore, Eneco's mission is more relevant than ever: everyone's sustainable energy.

Finally, a special word of thanks to our employees who achieved an excellent result despite the internal and external unrest and changes.

Ruud Sondag
Chief Executive Officer

'More people have to make the transition and Eneco is going to make this possible with a larger range of products and services for small and medium-sized enterprises, consumers, housing corporations and our large business customers'

Profile

Eneco Groep

One of the biggest changes today is the energy transition: we are switching to clean energy. Eneco is making the transition to sustainable energy possible. As a group and together with our customers and partners, we are working on realising our mission: 'Everyone's sustainable energy'. Eneco makes more and more sustainable energy available by producing and supplying it. In addition, we develop products and services with which consumers and businesses can produce, store, consume and share energy themselves. Thanks to our consistent strategy, we are frontrunners in the energy transition. We are active in the Netherlands, Belgium, Germany, and the United Kingdom.

Eneco increasingly generates and supplies sustainable energy and heating. Together with customers and partners, Eneco develops affordable energy services that save energy and enable others to generate energy. In this manner, Eneco is helping everyone in the Netherlands and Belgium switch to sustainable energy.

Oxxio is an online energy supplier specialising in digital services. It offers customers the best price for 100% European wind-generated electricity and gas.

WoonEnergie helps housing corporations and their tenants to save energy and thus lower their housing costs.

AgroEnergy focuses primarily on horticulturists in the greenhouse horticulture sector. It supports customers in the agriculture sector so that they can purchase sustainable energy at the best price.

LichtBlick is a green, customer-oriented and innovative energy company. It is established in Germany and is the market leader in green electricity. LichtBlick is also active in the area of energy supply, energy storage, electric transport and smart energy services.

Quby develops technology for our homes that are becoming smarter and smarter. The most well-known application of this technology is Toon, Eneco's smart thermostat. Further applications include Interpolis's smart security system ThuisWacht® and boxx, ENGIE Electrabel's smart thermostat (available in Belgium).

Associates

Eneco has interests in various companies and start-ups:

Peeeks[1] detects and connects flexibility in devices such as boilers, and also in district heating grids, so that energy systems can perform optimally.
Greenchoice is a supplier of sustainable energy to companies and households.
Next Kraftwerke is the operator and supplier of a large 'virtual power plant', that combines and coordinates a network of sustainable sources in a smart manner. The flexibility that is thus created helps to balance demand and supply on energy markets.
ONZO is a data analytics software company that has developed a platform that recognises 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 installations and buildings.
Thermondo is specialised in the sale and installation of household heating solutions.
Olisto makes smart devices smarter and connects them with other devices, apps and services.
Ampard[1] develops technology that can be used to control devices behind the meter (for instance home batteries) in a smarter manner.
GreenFlux offers a software platform to manage charging stations remotely, process transactions and adapt the charging process to the grid capacity.
Enyway enables consumers to purchase their electricity directly from a green source of their choice.
Jedlix is a smart app that chooses the best time to charge your electric car.
Luminext makes public lighting smart and controllable.

1 Peeeks and Ampard are wholly-owned by Eneco.

Financial key figures

(amounts from financial statements 2018; in € 1 million)

Results

	2018	2017
Gross margin	1,082	1,052
Total revenues	4,183	3,355
Operating profit (EBIT)	162	158
Operating income before depreciation and amortisation (EBITDA)	415	428
Cash flow from operating activities	428	736
Result after tax	136	127

Capital

	2018	2017
Group equity	2,939	2,869
Interest-bearing debt	505	735
Balance sheet total	5,743	5,656
Investments (and acquisitions) in fixed assets	548	647

Ratios

	2018	2017
Group equity/total assets	51.2%	50.7%
Return on capital employed	5.3%	5.2%
Interest coverage rate	18.0	19.5
Credit Rating	BBB+	BBB+

Eneco wants everyone to be able to participate in the energy transition

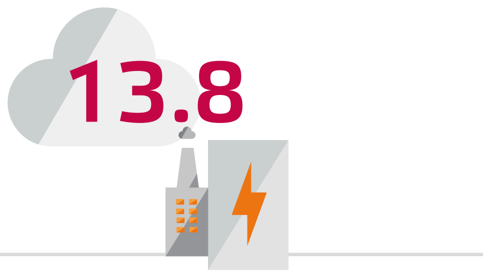
Therefore, we wish to become even better aligned digitally with our customers' needs and their situation. Eneco also focuses on the development of products and services that add value for our customers and aims to offer these via digital channels. We are entering into a digital dialogue with our customers.

The Eneco app, which makes it easy to have several contact moments, facilitates this dialogue. More services are being added gradually. For example, the possibility to see what the energy consumption of a household consists of. The app will also connect with existing Eneco solutions and services, which the customer already uses, such as Toon, the central heating or solar panels. Via the app, each user will then have once central digital location for all matters regarding his or her sustainable house.

Customer results

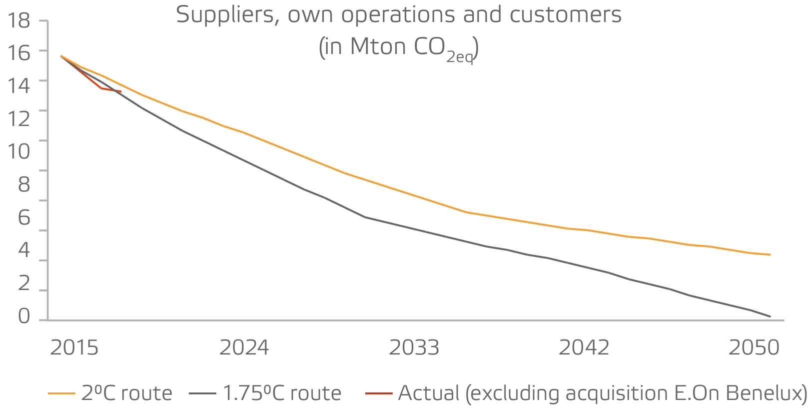
Living within the boundaries of the planet

CO_2-emissions by Eneco Group, its suppliers and customers
(in Mton CO_2)



Realisatie 2018	Doel 2018	Realisatie 2017
13.8	14.2	14.0

Chain emissions



Customer contracts[1]

(in millions)

Actual 2018	Target 2018	Actual 2017
5.3	5.4	4.2

Customer satisfaction after customer contact[2]

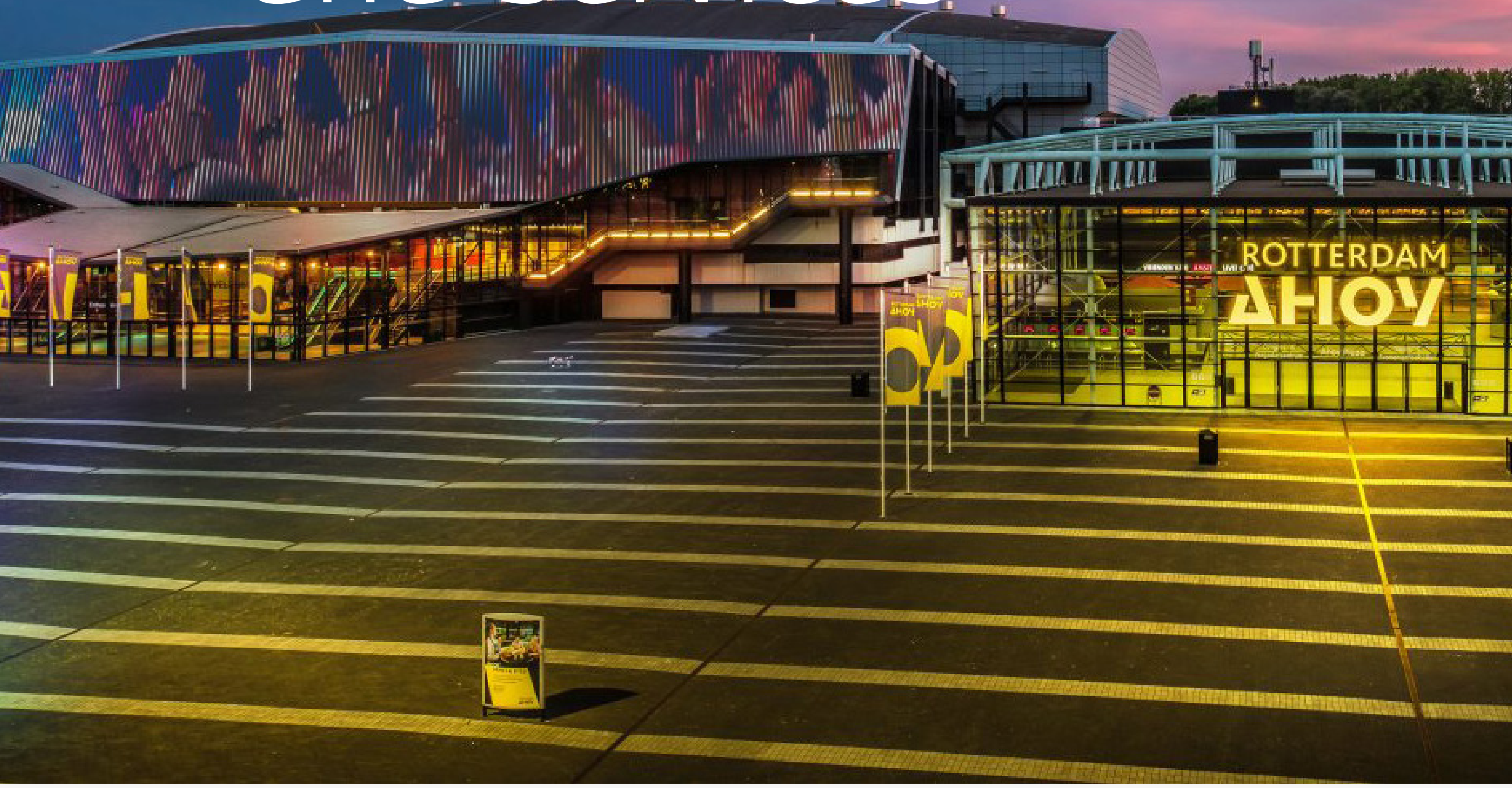
(in %)

Actual 2018	Target 2018	Actual 2017
89.5%	90.5%	90.5%

1 Customer contracts acquired through the acquisition of E.ON and large and medium-sized business customers have been excluded to enable the comparison with the previous year. When these customer contracts are taken into account, the total number of customer contracts amounts to about 6 million. The increase in the number of customer contracts from 2017 to 2018 was driven by the acquisition of LichtBlick and ENI. Customers can have several contracts.

2 Customer satisfaction is the weighted average of the relational customer satisfaction of the brands Eneco and Oxxio over the fourth quarter of the year in question. We are using a new measuring method now in which relational customer satisfaction is the percentage of customers who assess the brand of which they are a customer with the combined scores for 'excellent', 'very good' and 'good'.

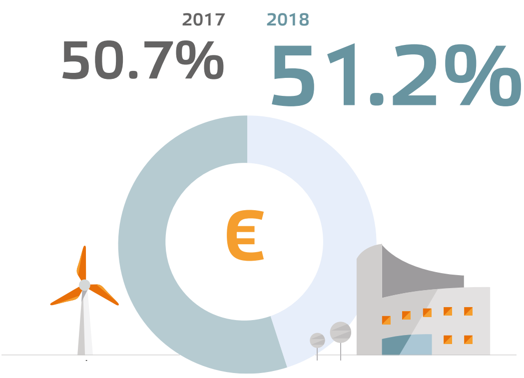
Integral approach, integral products and services



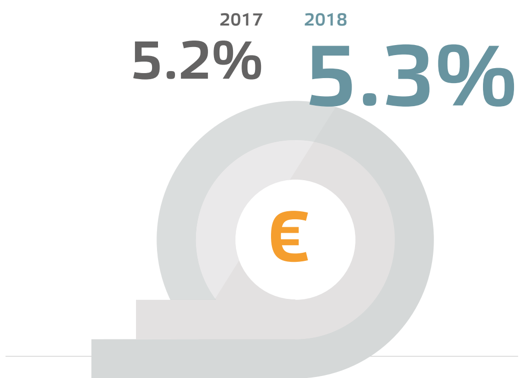
Energy markets are changing and Eneco is a frontrunner in this process. Increasingly, revenues and profits are no longer based on traditional production and delivery of energy. Eneco is developing into an integral energy partner, also in order to continue to generate healthy profits. This means taking the various needs of customers into account. Customers such as DSM, the municipality of The Hague and Stedin wish, for example, to be connected to specific sustainable sources, such as wind farms, for their electricity supply.

However, our integral approach goes a step further. Examples include the planned installation of a thermal smart grid at the 50-year old Ahoy arena and convention centre, that will provide for both the cooling and heating demand in a smart way and will enable Ahoy to eventually stop using natural gas. The largest solar roof in Rotterdam is being built on the roof of Ahoy. This project is part of the European Horizon 2020 project RUGGEDISED, a cooperation between the municipality of Rotterdam and five other European cities to create smart, sustainable districts. RUGGEDISED provides a sustainable impulse in Rotterdam to the development of the Hart van Zuid area, which also comprises the Zuidplein commercial area in addition to the Ahoy premises. A cinema, a hotel and two parking garages are being built in the coming years. These buildings will also be connected to the thermal smart grid and it will be possible to install solar panels. Furthermore, at least 25 charging stations will be installed in this project. The integrated approach will lead to contracts for the delivery of various products and services.

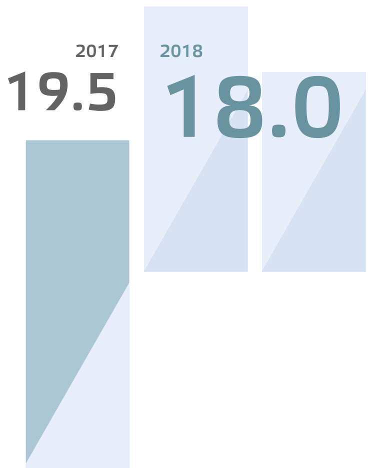
Ratio group equity/ total assets



Return on Capital Employed



Interest coverage rate



Credit Rating

More renewable sources

The energy transition is a formidable undertaking. Investing in renewable sources is a necessary prerequisite. Eneco is convinced that renewable sources are the way forward. Consequently, Eneco invested € 214 million in renewable sources in 2018.

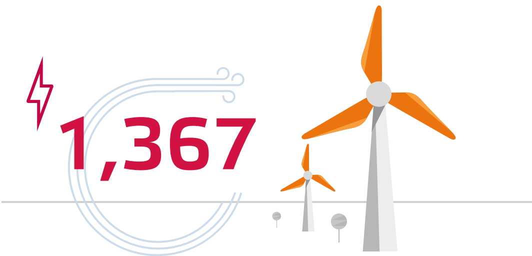
Eneco will purchase all of the green electricity from the new Belgian offshore wind farms Seastar and Mermaid (together SeaMade), which will be built in 2019 off the coast of Zeebrugge. The 58 wind turbines of SeaMade, with a rotor diameter of 167 metres the largest turbines in the world, are expected to supply sufficient green electricity annually for a half a million households as of 2020 (the combined capacity is 487 MW).

Together with Engie Electrabel and the Otary consortium, Eneco is also a shareholder in the sustainable project, for which it was announced in December that the financing of € 1.3 billion has been finalised. Eneco will purchase the electricity via a long-term contract with Seamade N.V.

The financial close for the Dutch offshore wind farm Borssele III and IV was realised earlier in the year. Eneco is working together in this project with Shell, Van Oord and Mitsubishi. Eneco will purchase half of all the sustainably produced electricity, which amounts to the consumption of approximately 400,000 households.

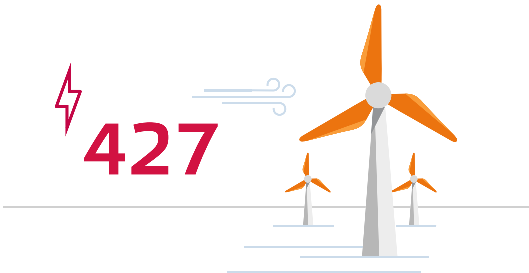
Results renewable sources

Wind onshore



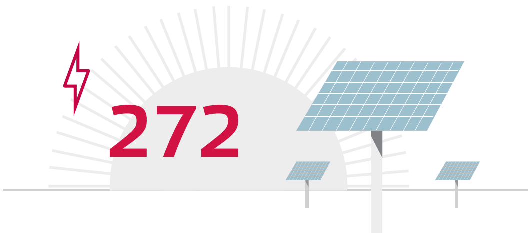
	2017	2018
Production capacity (in MW)	1,342	**1.367**
Produced (in GWh)	2,943	**3,087**

Wind offshore



	2017	2018
Production capacity (in MW)	427	**427**
Produced (in GWh)	1,523	**1,479**

Solar Energy



	2017	2018
Production capacity (in MW)	213	**272**
Produced (in GWh)	136	**199**

Value for employees

Safety first

Wind turbines and solar parks have to be built and maintained, as well as our power plants and heating grids. Boilers and other appliances have to be checked and installed. The safety of our employees, both Eneco's employees and the employees of sub-contractors, is our first and foremost concern. Our employees are trained to put safety first.
We perform inspections and we stipulate safety requirements in the contracts that we conclude as contractor.

Three main categories could be distinguished in the safety reports in 2018: falling objects and the danger of falling for persons, aggression towards employees and incidents with underground infrastructure. We also take safety seriously in our capacity as contractor, by means of risk analyses, training sessions and dialogues with sub-contractors.

Gas is stored temporarily at our Gasspeicher site in Germany. The milestone of 2,000 days without any accidents, a major achievement within the industry, was achieved this year at this site. In the meantime, the meter stands at over 2,100 accident-free working days. Eneco Gasspeicher also has a high position on the Safety Ladder, an assessment method to measure the safety awareness and conscious safe behaviour in companies.

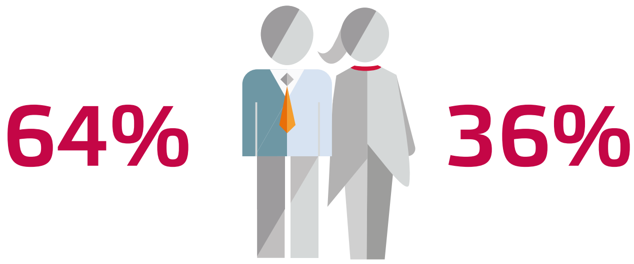
Results employees

Number of employees[1]

2018	2017
2,990	3,049

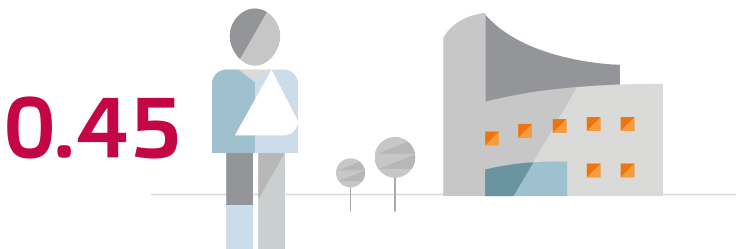
1 Average number of FTEs

Men - women ratio



% FTE	2018	2017
Men	64	63
Women	36	37

Recordable Incident Frequency



Actual 2018	Target 2018	Actual 2017
0.45	0.60	0.40

Important events

9 January
The municipality of The Hague to switch to sustainable electricity supplied by Eneco on 1 January 2019.

21 February
Eneco acquires the Dutch sales and delivery activities of E.ON Benelux from Uniper.

28 March
Eneco increases its wind energy capacity by more than 200 MW through an exclusive PPA partnership with YARD ENERGY.

22 May
Eneco introduces StukjeZon, a product with which customers are guaranteed 250 kWH solar electricity per year for five years.

25 May
Ruud Sondag starts as CEO of Eneco Group. He succeeds Jeroen de Haas, whose departure was announced on 16 April.

31 May
The largest battery in Europe, EnspireME, is ready to deliver reserve capacity to the European electricity grid. The battery (capacity 48 MW) is located in Jardelund in the north of Germany.

4 June
Eneco launches a change programme in order to realise a substantial improvement of the results by reducing costs and improving the organisation. The programme will run until the end of 2019.

12 June
Eneco and the independent investment fund SET Ventures both acquire a minority interest in GreenFlux, an Amsterdam-based provider of smart charging services for electric vehicles.

18 June
REScoopNL, which represents 135 local energy cooperatives, and Eneco sign a collaboration agreement with the aim to develop more local sustainable energy projects.

28 June

Grid operator Stedin and Eneco sign an agreement for 400 million kWh per year of Dutch wind energy. Stedin uses this green electricity partially for the compensation of grid losses.

28 September

Eneco and Jaguar Land Rover Benelux are going to work together in the field of electric charging services in order to make electric driving more attractive and accessible.

3 October

Eneco and Hoogheemraadschap de Stichtse Rijnlanden sign a collaboration agreement for the development of the largest heat pump in the Netherlands, with a capacity of 25 MW. When it is taken into use in 2021, the heat pump will provide for 10% of the total heating demand of the district heating in Utrecht.

28 June

The consortium Blauwwind announces that the financing of the wind farms Borssele III and IV in the North Sea has been secured. This heralds the start of the construction and subsequent commissioning of 77 wind turbines with a total capacity of 731.5 MW, which corresponds with the energy consumption of around 825,000 households. The total production per year is expected to amount to 3,000 GWh.

18 July

The Enterprise Chamber of the Amsterdam Court of Appeal orders an investigation into the policy and course of affairs at Eneco and then appoints Charlotte Insinger as temporary Chair of the Supervisory Board. Chair of the Supervisory Board Van den Assem and Supervisory Board member Lier Lels step down a few days after the decision.

4 October

Eneco Belgium and Volvo Car Gent announce that 15,000 solar panels will be installed on the roof of the Volvo Car buildings. The employees of Volvo Car can participate in the project via crowd lending at a guaranteed gross return.

4 October

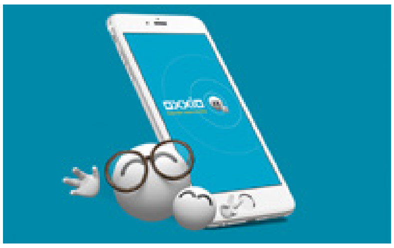
A repair facility for the high-voltage grid is taken into use at the gas-powered electricity plant Enecogen in the port of Rotterdam. The facility, a type of emergency electricity generator, ensures that the high-voltage grid is restored again quickly in the event that a total electricity outage takes place in the Netherlands.

14 November

Eneco opens a third interactive education centre about sustainable energy. The Eneco EnergieLab is located in Vianen next to the Autena wind farm.

28 November

The municipality of Rotterdam, the European Union, the Rotterdam arena and convention centre Ahoy, Eneco and a number of other parties sign a sustainability pact. In this pact, they agreed that practically the whole of Ahoy and the buildings in the surrounding areas will be supplied with electricity from the solar panels on Ahoy's roof.



29 November

Oxxio announces its intention to also offer internet, TV and phone services.

7 December

Eneco realises the financial close for SeaMade, the largest wind turbine farm that was ever funded and constructed in Belgium, together with Otary, ENGIE Electrabel and Eneco Wind Belgium.

ALBIOMA

NOTRE NATURE EST PLEINE D'ÉNERGIE

12 December

Eneco sells its French subsidiary to Albioma, a French company specialised in solar energy.

18 December

The Shareholders' Committee, the Supervisory Board and the Board of Management of Eneco Group announce that they have jointly decided to carry out the privatisation of Eneco via a controlled auction. The Central Works Council was consulted on this and has issued a positive advice for the sale.

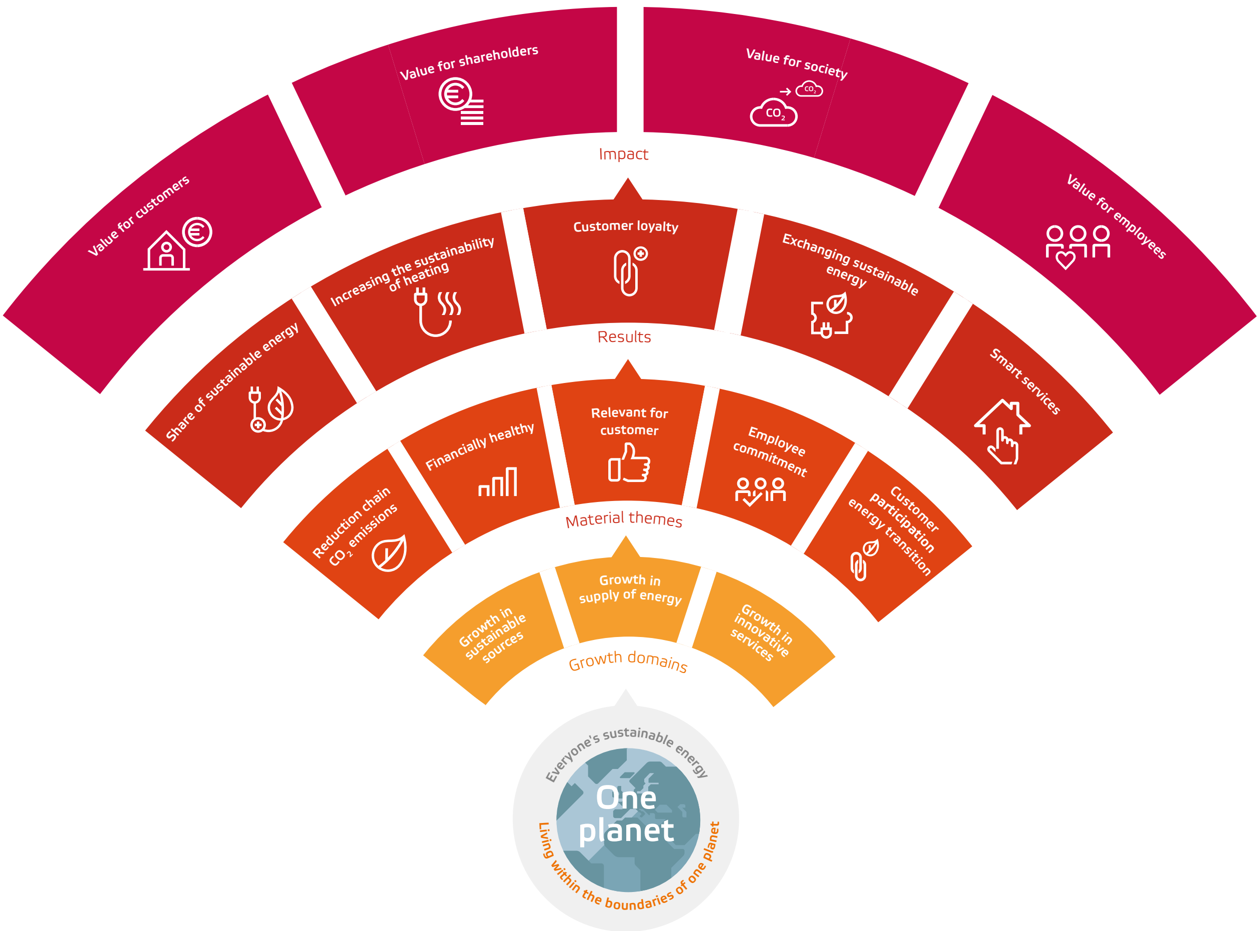
20 December

Eneco acquires the remaining shares of the German green electricity company LichtBlick. Eneco already held an interest of 50% since 2017, the option for the remaining shares was thus executed.

26 December

Eneco launches the campaign 'Everyone in the Netherlands is switching'.

Eneco's value creation model



Our growth domains

Growth in sustainable sources
We have a leading position in renewable energy generation and are expanding our market leadership in heating.

Growth in delivery of energy
We are growing in the number of customers to whom we deliver sustainable energy. By combining this smartly with products and services that are of added value to the customer, we thus increase the customer value.

Growth in innovative services
We are scaling up the development and provision of innovative services around the home and in the field of electronic transport and energy management.

How do we measure our progress?

Living within the boundaries 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[1]
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 loyal customer base, which we provide insight into their energy consumption and offer them ways to manage this.

Exchanging sustainable energy
We support our customers to integrate their sustainable energy consumption at home, at the office and in transport in the changing energy system.

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.

Customers receive affordable and clean energy and more comfort thanks to innovative products and services.

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

Value for society
With over 3,000 highly motivated employees, Eneco Group creates employment and stimulates knowledge and innovation in the countries in which it is active.

1 not measured in 2018

Strategy

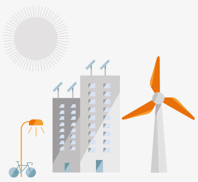
As our value creation model shows, Eneco creates value for stakeholders and for society in general. In order to achieve this, we make choices. In our strategy, which was redefined in 2018, we have laid down our choices and how we wish to achieve our objectives.

Market trends

The pace of the energy transition is high. The changes in the field of sustainability are following one after another and so are the many innovations accompanying this process. The main market trends for the coming years can be summarised under the 4 Ds: decarbonisation, decentralised, digital and democratic.

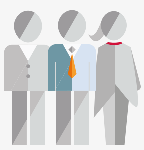
Decarbonisation

In accordance with the Paris climate agreement, the share of energy from renewable sources such as wind turbines, solar panels and biomass has increased substantially. This will lead to decarbonisation.As a result of more electric transport and alternative heating sources, the demand for electricity is increasing at the expense of fossil fuels. This is accompanied by a decrease in the costs of sustainable energy production.



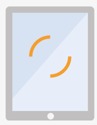
Decentralised

Due to the availability of cheap and efficient technologies, new energy sources are often more decentralised.Large centralised production installations are making way for smaller local installations for own use, such as at industrial estates or at home, behind the meter.



Democratic

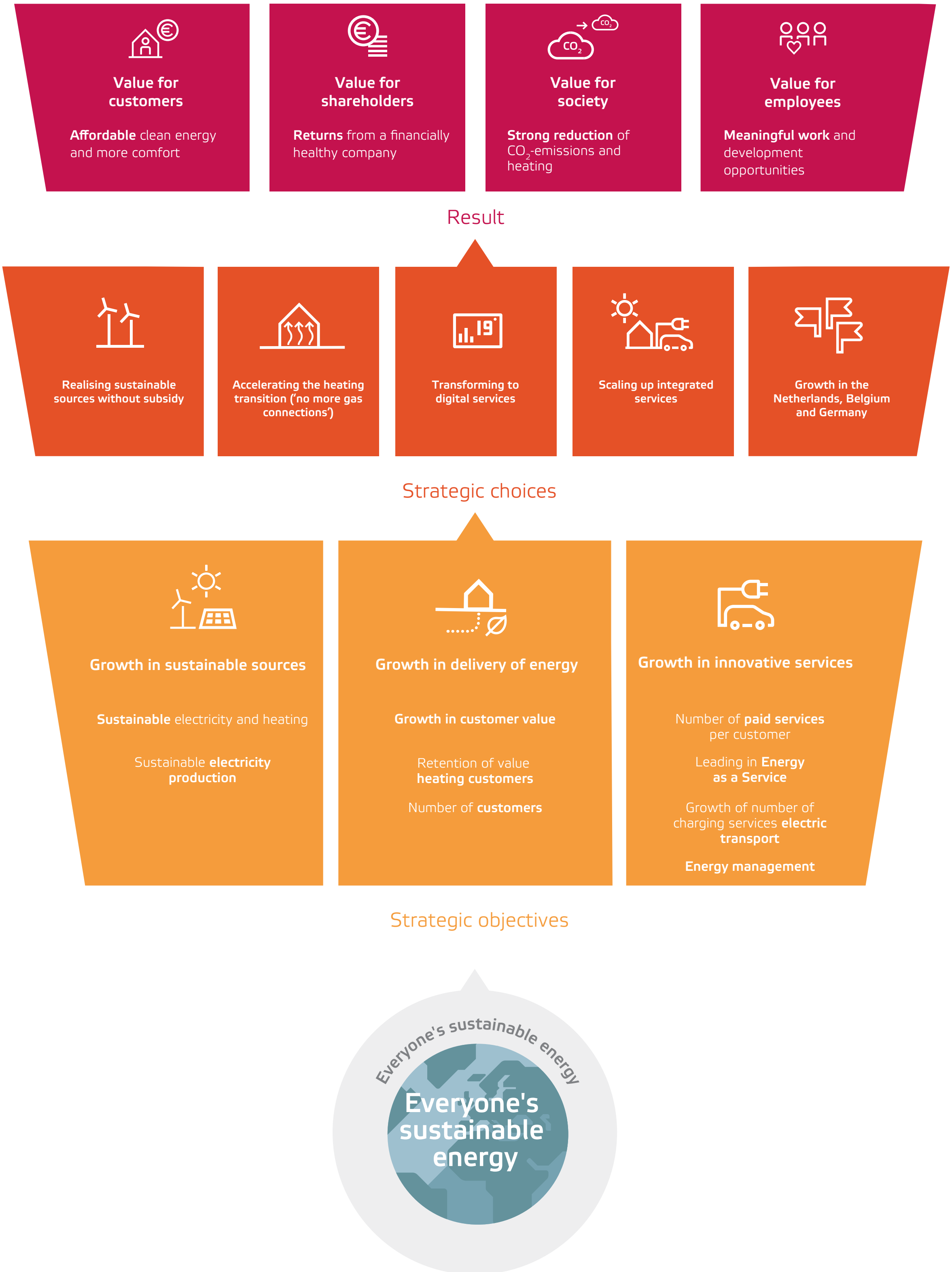
Decentralised energy production makes it possible for our customers or citizens' cooperatives to invest themselves and become the owners of production installations, often supported by companies. The number of energy cooperatives and the number of installations that they have are growing, and more local residents are being involved.



Digital

Customers expect flawless digital service 24/7; the purpose of human contact is mainly to exceed customer expectations. Worldwide, systems are no longer only used to coordinate production and consumption of energy in a smart manner, they are also increasingly better able to predict who needs energy where. Thus, energy can be delivered at the right moment, to the right place at the lowest costs. Companies from other sectors, such as Amazon, Google and Apple, are entering the energy world and introducing new services in domains that energy suppliers are still just discovering (such as Smart Home). In addition, we see entrants from the automotive industry, such as Tesla and BMW (Smart Mobility). The energy and telecom markets are also moving closer to each other.

Strategy Eneco Group 2018-2022



Our challenge

The main challenge is generating affordable and reliable sustainable energy and enabling customers to participate in the energy transition on a large scale behind the meter. In other words, upscaling for the transition. By making CO_2 neutral energy and sustainable innovative solutions available to everyone, these then also become affordable. There is no time to waste: the gas tap in Groningen is going to close, Belgian nuclear plants are staying open longer; however, they cannot provide sufficient security of supply and this certainly would not increase sustainability and we have to achieve the Paris climate goals.

Mission and positioning

We only have one planet; however, with our energy demand we are exhausting the planet's capacity. This is why we are determined to bring the energy demand and the energy consumption back within the boundaries of a liveable planet, for us and for the generations after us. This is the One Planet concept. We are switching to the production and delivery of sustainable energy and we are mobilising people within and outside of our company to participate in this transition. That is why Eneco's mission is: 'Everyone's sustainable energy'. We work on this every day, together with customers and partners.

Strategic objectives

In order to further strengthen our role as frontrunner in the energy transition and to keep up with the developments in the market, it is important that we grow in the delivery of energy, innovative services and sustainable sources. We redefined our strategy in 2018 and translated the strategic objectives into key performance indicators (KPIs), which we will explain below.

Growth in sustainable sources

We add value for our customers by being leading in sustainable energy generation and in heating solutions. We connect them to these sources, directly or via other channels.

Growth in sustainable electricity and heating

Eneco has a leading position in sustainable sources. In order to maintain this position, we will double our available sustainable capacity from 1,100 MW in 2017 to 2,200 MW in 2022. In this manner, we will remain the market leader in offshore and onshore wind in Belgium and the Netherlands. We are also the market leader in Belgium in solar energy. There are also ways to expand in solar energy in the Netherlands; however, the market is very competitive. In this area, we are mainly looking for niche solutions together with customers behind the meter.

The Netherlands is switching from natural gas to other heat sources and we are looking for ways to make this transition possible and remain the market leader. We are expanding our local district heating networks and we are offering customers customised heating solutions, on a large scale and individually. Eneco is working together with the partners in the Warmtealliantie Zuid Holland (an alliance between Havenbedrijf Rotterdam, Gasunie, Province of Zuid-Holland, municipality of Rotterdam and Heating Company Rotterdam), to build a new heating transport pipeline form Rotterdam to The Hague, with branches to the Westland greenhouse horticulture region. This 'Pipeline through the Middle' is also fed with residual heat from the port of Rotterdam.

Growth of the share of sustainable electricity production
Besides our own development of sustainable energy, we also purchase green electricity based on long-term contracts. This offers a good guarantee for investors in sustainable production, who only invest if they can purchase electricity for a longer term. At the same time, we give even more customers access to sustainable energy. We will thus increase the percentage of sustainably produced electricity in relation to our total delivery portfolio from 17.7%1 at present to 50% in 2022.

Growth in delivery of energy

We deliver value to our customers with affordable energy, excellent digital service and a wide range of products and services that are aligned with customers' needs. This in keeping with our evolution from strong sustainable energy supplier to innovative service provider. We remain loyal to our traditional role. We even plan to deliver more sustainable energy. Added value is provided by combining the delivery of energy with smart services. This also results in more valuable customers.

Increasing the customer value
We increase the customer value buy putting the customer first and being cost efficient. With data insights and a smooth digital customer journey, we realise a good personal experience for the customer. By aligning our products and services better to the customer's needs, we can sell more and more relevant products and services. This reduces the focus on increasing the number of customers.

Retaining the value of heating customers
By switching from natural gas to other ways of heating, we, and our customers behind the meter, emit less CO_2. At the same time, the financial result from gas is decreasing. This is why we are developing various new service models. For instance, we aim to be the frontrunner in offering (hybrid) heat pumps to consumers in the Netherlands and Belgium.

Growth of the number of customers
In the Netherlands and Belgium, we are focusing on maintaining our market share. We are aiming for growth in Germany in view of the opportunities in the market and the excellent starting position that we have with the acquisition of LichtBlick.

Growth in innovative services

We are increasing customer satisfaction and the loyalty of our customers by providing more innovative services for at home (energy as a service), electric transport (Smart Mobility) and (decentralised) energy management. Our digital platform forms the basis for our innovative services.

Growth of the number of paid services per customer
Catering to individual customer needs offers possibilities to develop and sell more and better integrated products and services, which we develop ourselves or together with other parties.

Leading in energy as a service
We are developing new business models in which we are combining our leading digital platform with concrete products and services for the home and other energy-related services. Thus we create valuable propositions for our customers and distinguish ourselves in the market. Examples include boiler services such as KetelWacht, the waste checker and smart boilers.

Growth of the number of charging services for electric transport
We aim to be among the top 3 in Smart Mobility. We are increasing the number of charging stations and charging services (such as charging cards) for electric transport for at home and at work. In order to realise sufficient scale and coverage, we are doing this in the Netherlands, Belgium and Germany.

1 Zonder E.ON.

Growth in energy management
We also want to expand in the range of (decentralised) energy management services. With these services, customers can manage and balance their energy system, for example for electric transport or for horticulture companies. We help them to purchase or deliver back energy at the right moment or we offer batteries for energy storage.

Strategic choices

The realisation of growth in renewable sources, energy delivery and innovative services is based on a number of strategic choices that give direction to our activities.

Realising sustainable sources without subsidy
Less subsidy will be available in the future, whereas electricity prices could possible remain low permanently. This is why we plan to work more cost efficiently with suitable business models. We will continue to develop sustainable sources and infrastructure either at the request of or together with our customers.

Accelerating the heating transition
We will expand our share in district heating in the Netherlands in partnership with regional stakeholders such as municipalities, port authorities and provinces. Together, we will install decentralised new heating systems for districts. We also offer individual solutions for at home, at the lowest possible costs.

Transforming to digital services
We are integrating our digital platform with other hardware and services in order to offer comfort, convenience and energy efficiency. With insight into customer data, we can offer the right products and services at the right moment via the right channels.

Upscaling integrated services
We are upscaling our services, so that sustainable energy with the accompanying innovations can become available for everyone. The focus is shifting to applications in electronic transport and heating. As a result, the energy transition is becoming more and more noticeable, at home and at work. This is also where Eneco's strength lies: we are integrating our digital platform with other hardware and services in order to offer comfort, convenience and energy efficiency. We are going to make smarter use of what has already been developed and we will integrate that.

Growth in the Netherlands, Belgium and Germany
We are expanding our sustainable assets and selling innovative services in the Netherlands, Belgium and Germany.

New organisation
In order to realise our objectives and choices, we have introduced a new organisational structure, as part of the change process. With this, we have taken important steps in increasing efficiency, financial performance and digitalisation, to thus create more room for sustainable growth.

As of 1 September 2018, we have set up an integrated customer-oriented Customer Organisation and Operations Organisation. In addition, important steps have been taken to improve the services that we provide to our customers. Together with the further digitalisation of our systems, we can thus serve customers more efficiently. The services of the supporting departments are going to focus even more on the core needs of the business by streamlining processes and centralising activities.

It is Eneco's ambition to increase the effectiveness of the innovation and business development pipeline and to thus realise more growth at lower costs. All initiatives and decision-making with regard to innovations will be coordinated centrally from one location within the new department Product Portfolio Management (PPM). As a result, innovations will be better aligned with the needs of Eneco's customers, are more likely to succeed and will be allocated the right resources sooner in order to be able to scale up.

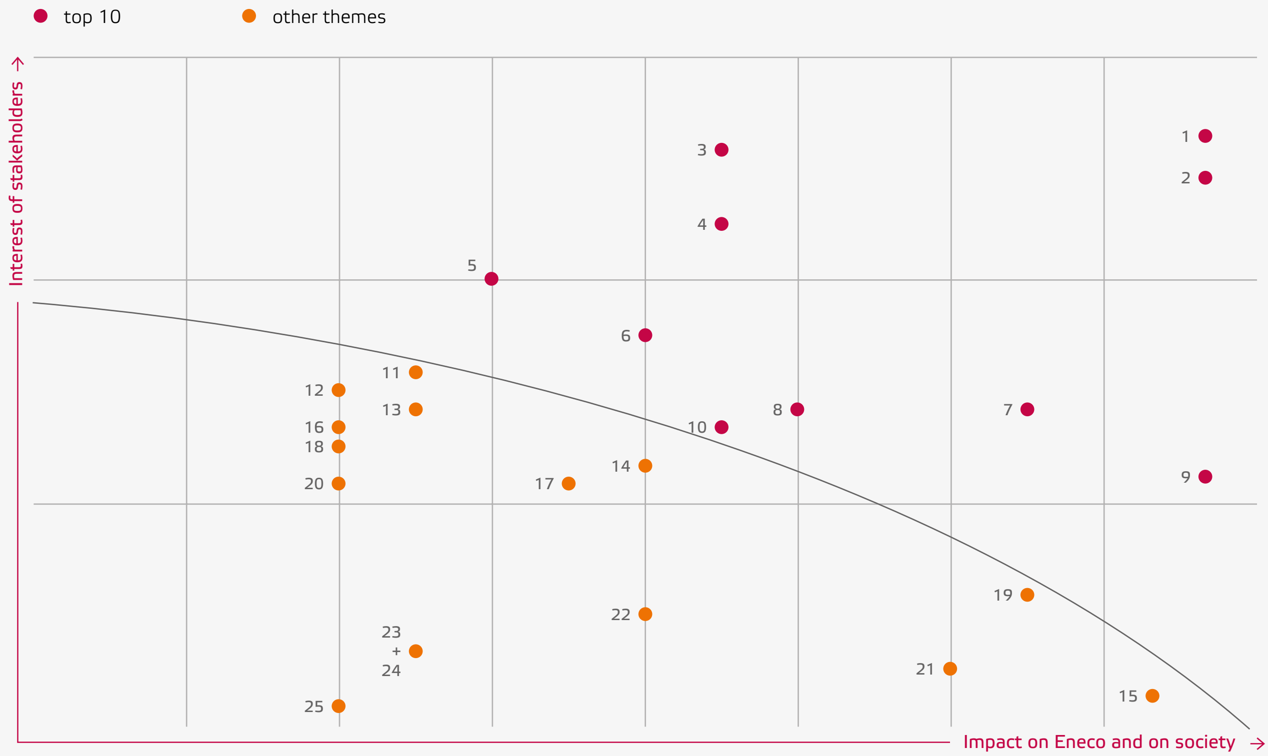
Stakeholders and materiality matrix

It is important for us to know what our stakeholders consider relevant as we can then adapt our strategy accordingly. This is why we regularly enter into a dialogue with our stakeholders or check their opinions in various surveys.

Customers, employees, shareholders, suppliers, politicians and regulators are regarded as belonging to our direct circle of stakeholders. Furthermore, we consider it important to maintain a good relationship with non-governmental organisations and financial institutions.

We carried out a new materiality survey in 2018 among a number of selected stakeholders, in which we took our strategic ambitions as the point of departure. We regard this survey as a new starting point for the non-financial reporting in this first full financial year as Eneco Group. Therefore, we do not make a comparison with previous financial years. We have linked the topics that both internal and external stakeholders considered to be most relevant to our control framework (strategic KPIs) and to the GRI standards. This enables us to report concretely on our progress. In any case, we will discuss the other topics in the materiality matrix in this report. In our Reporting Policy on page 164, we will discuss this survey and the outcomes of the survey in more detail.

Eneco's Materiality Matrix



Top material topics in random order

1 Contributing to the energy transition
2 Returns from a financial healthy company
3 Privatisation of the organisation of (shareholdership)
4 Investing in renewable sources
5 Growth in heating solutions (gas transition)
6 Contributing to Paris climate agreements Supervisory Board
7 Frontrunner in sustainability
8 Health and well-being of employees promote
9 International: growth in the Netherlands, Belgium and Germany
10 Contributing to energy savings by customers
11 Environment management
12 Compliance with applicable laws and regulations, including violations and fines
13 Anti-corruption policy
14 Service levels in order (proactive advice, transition, information)
15 Digitalisation of services
16 Retention of customers (traditional delivery and new services)
17 Total approach for customers (integrated services)
18 Competitive pricing
19 Safety (employees and fatal accidents)
20 Governance (information about the composition and cooperation in the top of the company)
21 Fair remuneration, equal pay, men-women ratio management and staff, remuneration Board of Management
22 Data security (privacy, continuity, cyber security)
23 Expanding innovative services
24 Complaints management (quality thereof)
25 Origin electricity, gas, heating

Progress and sustainability

The aim of our strategy is to facilitate the transition for our customers.This is not something new, Eneco has been pursuing a sustainable strategy already for more than ten years and, as a result, we are now the frontrunner in the energy transition. Here, we set out how Eneco has realised further growth in 2018 and which results we have achieved.

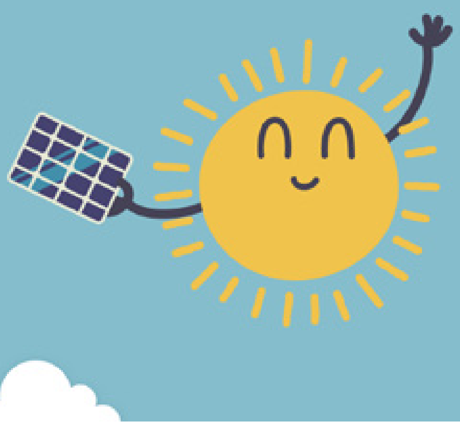
Renewable sources

Renewable energy production will remain of crucial importance in the coming years. The Climate Agreement negotiations, which Eneco participated in actively in 2018, are aimed at the reduction of the CO_2 emissions in the Netherlands by 49% in 2030. This is vital, as the Netherlands is among the European rearguard as far as achieving the Paris climate goals is concerned. Increasing the sustainability of the energy supply and the energy consumption, in society as a whole, is crucial in order to catch up. This is why we continue to invest in the growth and application of sustainable electricity and heating.

Growth in sustainable electricity and heating

Growth of assets for wind and solar energy

In 2018, the available capacity from sustainable assets grew by 84 MW. During the past year, we renegotiated a number of maintenance contracts with a positive result. We also actively strive for good timing of maintenance activities. These two factors ensure that damage and lost value of the assets remain limited.



Eneco StukjeZon® [Eneco Piece of Sun]
We launched Eneco StukjeZon® in May 2018. With Eneco StukjeZon®, customers can profit from solar energy, without having their own panels on their roofs and at low initial costs. The campaigns were successful: already over 25,000 Eneco customers have purchased one or more pieces of sun. Each piece of sun represents 250k Wh. This amounts to 6,250 MW of generated solar electricity.

Read more about StukjeZon®

We added more than 600 MW in sustainable generation capacity of onshore wind energy and solar energy in 2018 by concluding long-term procurement agreements relating to projects of third parties. The renewable portfolio was strengthened, in particular, by the following large contracts: Yard and Eurus for 309 MW, new and existing wind farms, Aspiravi wind BE for 66 MW, Nearstar Solar for 46 MW and Midden Groningen Solar for 103 MW. In addition, Eneco expanded its contracted offshore wind energy portfolio with more than 850 MW with the financial close of Borssele III and IV and the contracting of the Belgian wind farms Mermaid and Seastar, which have a combined installed capacity of 488 MW.

In addition to the expansion of the offshore wind energy portfolio, we concluded several multi-year agreements with third parties in 2018 to structurally optimise the balancing risk and cost profile of Eneco's portfolio by outsourcing balancing and profiling partially to third parties or by securing revenues.

It was also a good year in the area of Client-to-Asset contracts (CtA, or long-term contracts with corporate customers that purchase their sustainable energy directly from Eneco projects). For instance, we concluded a 10-year contract with Stedin for the supply of 400 GWh per year from Borssele III and IV. We also concluded contracts with parties such as the municipality of Groningen (for 30 GWh per year for five years) and the Radboud University Medical Centre (for 67 GWh per year for 10 years).

In order to maintain our leading role in CtA, we launched the product 'hourly matching'. With this, we can show customers how the sustainable energy that they consume is generated every hour. Radboud University Medical Centre has already committed and we are negotiating with other parties.

Royal Schiphol Group – Autena wind farm

We opened the Autena wind farm in Vianen together with Royal Schiphol Group in April 2018. The electricity generated by two of the three wind turbines goes to the airport. We organised a stakeholder dialogue on the day of the opening together with the Royal Schiphol Group. We also posted a joint video on social media.

Watch the video.

Onshore wind energy
We have five new wind farms in our portfolio, of which Autena and Vianen are in operation, and Slufterdam, Hogezandsepolder and Nieuwe Waterweg are nearing completion. Slufterdam is special: the wind farm is located onshore, but right on the coast on the Maasvlakte, resulting in offshore wind conditions.
This was a 'repowering' project, the replacement of existing wind turbines by more modern and efficient ones.

Eneco is a top player in Belgium with 96 turbines. This is including the three turbines of the Molenbaix wind farm and the Zelzate wind turbine, which we added to our portfolio in 2018. The total capacity is now 295 MW (including PPAs).

Offshore wind energy
We are expanding our offshore wind energy capacity considerably. The construction of Norther wind farm has begun. This wind farm is located 23 kilometres off the Belgian coast, between Oostende and Zeebrugge. The maximum total capacity of 370 MW makes this Belgium's largest offshore wind farm. As from the fall of 2019, the wind farm will produce energy for up to 400,000 households.

We realised the financial close for the Borssele III and IV wind farm in 2018. We succeeded in doing this in part thanks to the commitment of strategic partners Stedin, DSM, Royal Schiphol Group and the municipality of The Hague, who have concluded long-term contracts with us for the purchase of the electricity generated by the wind farm. Borssele III and IV will become operational in 2021.

The financial close was also reached for another wind farm off the Belgian coast, SeaMade, the construction of which will now begin. Moreover, we have succeeded in contracting the complete future output of this wind farm.

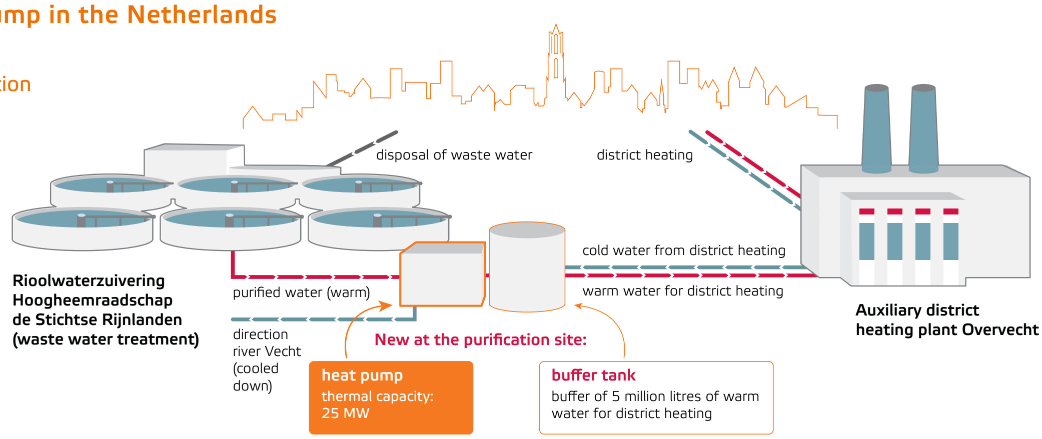
Solar energy
The past year was a record year for the production of solar energy. Eneco has over 200 solar parks in Belgium, with in total more than 275,000 solar panels. At least 100,000 solar panels will be added in Belgium by 2020. Eneco helps customers switch to solar energy by sharing knowledge and investing in solar panels. Solar panels have been installed on the roofs of companies, such as Wienerberger, Audit, Balta and Nike. Our total growth in solar energy in the Netherlands and Belgium in 2018 amounted to 11 MWp, and 17 MWp was under construction at the end of the year. With the beginning of the construction of a 9 MWp solar park at Tholen and the installation of 15,000 solar panels on the roofs of Volvo Cars Gent, we have taken a significant step.

Eneco Hollande Helden [Eneco Dutch Heroes]
With our partners Google, Unilever, PostNL, DSM, Fujifilm, Evides, KPN, NS, Royal Schiphol Group, Heineken and Volkswagen, we made the video 'Eneco Hollandse Helden' [Eneco Dutch Heroes], in which we show how they already contribute to increasing sustainability in the Netherlands.
This video was watched on social media by over 100,000 people.

Watch the video

Biggest heat pump in the Netherlands

More information



From energy supplier to energy partner

We have strategic partnerships with companies such as Google, Unilever, PostNL, DSM, Fujifilm, Evides, KPN, NS, Royal Schiphol Group, Heineken and Volkswagen. In various campaigns, we show how they make an important contribution to the energy transition of consumers (see box). Intrakoop opted for Eneco again in 2018, so that we can continue to supply energy to a large part of the healthcare sector. In addition, we concluded a contract for fifteen years with the province of Groningen and municipalities in Groningen for the delivery of wind and solar energy from the region. Based on our delivery contracts, we examine together with the customer how our service can contribute to the realisation of their sustainable objectives, such as the generation of solar energy or increasing the sustainability of their heating system. We completed the Hoek solar park in Zeeland for Evides Water Company in October. We were able to contribute to the sustainable ambition of DSM in the Netherlands by being able to already provide them with wind energy in 2018 through a multi-year contract for the delivery of Dutch wind energy. As of 2021, this wind energy will be delivered from a new wind farm. This also applies for DSM in Germany and Belgium, where the first multi-year contracts were concluded with a specific wind farm.

Heating

Increasing the sustainability of the heating system

The highest point was achieved in the construction of the Biomass Heating Plant on the industrial estate Lage Weide in Utrecht in 2018. This will deliver heat as from the beginning of 2019 to 52,000 households and 1,100 business customers in Utrecht and Nieuwegein. Two TBM bio co-generation power plants supply heating to the district heating network in Bleiswijk. A pilot was launched in Ypenburg in The Hague for delivering back heat generated by households to the district heating grid. In addition, we have made the grid in Ypenburg smarter, which allows us to automatically supply demand-controlled heating. This is cheaper as this results in lower grid losses.

We are also working on using sewage water from waste water treatment plants in Delft and Utrecht as sustainable sources for the district heating grid. We signed an agreement with the Hoogheemraadschap Stichtse Rijnlanden in Utrecht to provide heating from waste water to 10,000 households. This is done with the largest heat pump in the Netherlands.

Realised heating projects

New heating projects in 2018 were the Cooltoren in Rotterdam, the Rijnkade in Utrecht and the Juliana van Stoberglaan in The Hague, where heating for the equivalent of 6,000 households was supplied to homes, offices, shops and commercial buildings. Together with corporations, we have realised renovation projects, such as four apartment buildings of Woonstad Rotterdam in Ommoord and Prinsenland, which were switching from natural gas to district heating.

In many locations, we realised heating and cooling systems with geo-energy or increased the sustainability of such systems, for instance in Utrecht for around 300 shops and tenants in Hoog Catherijne and in the office tower Piet van Dommelenhuis, in The Hague for TNO Ypenburg, and at various locations in Rotterdam.

AgroEnergy and geothermal heating

Various cooperative organisations in the greenhouse horticultural sector are working on the heating transition. AgroEnergy facilitates various geothermal heating projects by supplying heating to the associated horticulture companies. These companies can then also later be connected to the branch of the Pipeline through the Middle. Because we have taken over the operational role from the owner of the source, financing can be obtained sooner and the quality of the administrative services is ensured. Agro Energy is developing a day market for heating in order to optimise the value of the heating. The first steps were taken in 2018 in the optimisation of delivering heating to horticulturists in the B3-Hoek area (Bleiswijk, Bergschenhoek and Berkel en Rodenrijs) and supplying heating from the geothermal source of Warmtebedijf Bergschenhoek was started successfully.

Delivery of energy

Delivering value with affordable energy, excellent digital service and a wide range of products and services that are aligned with customers' needs. These are the goals that we have set for ourselves for the delivery of energy to our customers. Both our sustainable delivery and our installed sustainable capacity grew in 2018.

Delivery of energy

TWh	2018	2017
Electricity	30.5	21.5
Gas	50.9	45.3
Heating	2.8	2.8
Total	**84.2**	**69.6**

Produced (GWh)*	Total		NL		B		UK		F	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Biomass	108	233	108	233	-	-	-	-	-	-
Solar	199	136	91	39	70	54	23	27	15	16
Hydro	3	2	-	-	-	-	-	-	3	2
Wind onshore	3,087	2,943	2,017	1,950	582	556	488	437	-	-
Wind offshore	1,479	1,523	934	957	545	566	-	-	-	-
Subtotal Renewables	**4,876**	**4,837**	**3,150**	**3,178**	**1,197**	**1,177**	**511**	**464**	**18**	**18**
Conventional	3,691	3,380	3,691	3,380	-	-	-	-	-	-
Cogeneration	2,085	2,114	2,085	2,114	-	-	-	-	-	-
Total	**10,652**	**10,331**	**8,926**	**8,672**	**1,197**	**1,177**	**511**	**464**	**18**	**18**

* Including purchased production

Production capacity (MW)**	Total		NL		B		UK		F	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Biomass	53	54	50	54	2	0	-	-	-	-
Solar	272	213	173	105	72	60	28	34	-	13
Hydro	-	1	-	-	-	-	-	-	-	1
Wind onshore	1,367	1,342	850	878	295	271	222	194	-	-
Wind offshore	427	427	249	249	178	178	-	-	-	-
Subtotal Renewables	**2,118**	**2,036**	**1,321**	**1,286**	**547**	**509**	**250**	**228**	**-**	**14**
Conventional	522	522	522	522	-	-	-	-	-	-
Cogeneration	507	507	507	507	-	-	-	-	-	-
Total	**3,147**	**3,065**	**2,350**	**2,315**	**547**	**509**	**250**	**228**	**-**	**14**

** Including controlled capacity third parties

Portfolio

We aim to increase customer value, maintain the value of our heating customers and attract more customers. The more customers who purchase energy from Eneco, the more sustainable energy consumption will become overall. This is why we aim to maintain our market share in the Netherlands and Belgium and increase the number of customer contracts in Germany.

Acquisition of E.ON Benelux Levering BV

With the acquisition of E.ON Benelux Levering B.V., Eneco has welcomed about 200,000 new retail and commercial energy customers. This has resulted in twice as many business customers for Eneco.
The acquisition offers Eneco many opportunities to grow in the area of sustainable energy and innovative energy services. A multidisciplinary team with members from both organisations has ensured that all customers are fully integrated in our administrative system as per 1 November 2018.

Acquisition of Eni Gas & Power

Eneco Belgium worked hard in 2018 on the integration of Eni Gas & Power NV. This concerns over 1 million household connections and 55,000 business connections. A new legal and financial entity was formed (Eneco Belgium NV) and the Eni portfolio came under the Eneco brand name. As a result, Eneco is now the third largest player on the Belgian energy market.

Other

We have disposed of a number of small-scale heating projects in the Netherlands in favour of sustainable heating projects with a lot if impact. Eneco sold its French subsidiary to Albioma, a French company specialised in solar energy.

Trade and procurement

By actively making use of the flexibility provided by our gas storage facilities and actively trading on the gas market, we profited from a tight market in the beginning of the year as a consequence of the explosion at the gas hub Baumgarten in Austria. This led to a brief price volatility of 25%.

From the end of February to the beginning of March, Europe suffered from an exceptionally cold period, also referred to as 'the beast from the east', that led to a strong increase in the gas demand from Eneco's retail customers in the Netherlands and Belgium. This was a very challenging period for parties in the market, including Eneco, in which the effects were controlled with good position management, making use of the gas caverns and delivery of LNG from the 'gate' terminal. A number of gas fields in Norway went out of operation on 2 March 2018, which led to a very large price peak for gas. As this happened at the end of the cold spell, the gas caverns in the Netherlands were as good as empty, and combined with production problems at the seasonal storage in Bergermeer the gas spot price reached a record high (€ 85/MWh). Belgium is having to deal with historically low reserve margins on electricity production since the third quarter of 2018 due to the nuclear plants not being available. This has led to tensions in the market with high spot prices as a consequence. In view of potential problems with the security of supply of electricity in Belgium in extreme weather situations, Eneco has concluded a number of insurance contracts. These will help especially in the situation where there is cold weather (higher demand) in combination with little wind (less supply).

Digitalisation

The services that we provide to our customers have been improved by means of digitalisation. The monthly energy bill has been digitalised, although the paper version remains available. The virtual assistant on our website and our website itself have been improved. Furthermore, the bimonthly overview for business and retail customers has become a monthly overview and provides more insight into comparison options and into the consumption. New customers of Eneco receive more personalised information. This is first offered in an email with a personalised video message. Customer who are relocating can make use of the VerhuisModus [RelocationModus], with which we remind them to notify us of their relocation timely.

Eneco was a launching partner of the Dutch version of Google Assistant, with which the Toon thermostat can also be given voice commands and the meter readings can be reported to Eneco verbally.

The functionality of Mijn Eneco [My Eneco], the Eneco-app and mijnaansluitingen.nl [my connections.nl] were further improved in 2018 for our heating customers and we will continue with this in the coming year.

We launched a digital platform for the technical services on site at the customer on which customers can plan their appointments themselves. The technicians are automatically scheduled. The result is a higher accuracy, more flexibility for customers, on average 10% less travel time (and less CO_2 emissions) and more customers who are at home (from 25% not at home to 5%). The customer appreciation for both the work of the technician as well as the overall service has increased further since the introduction of this system.

At the customer's home

Everyday, 200 Eneco technicians and professional installation partners head out to provide technical services at the homes of 200,000 customers. The services mainly concern central heating systems, boilers, the smart thermostat Toon and sustainable innovative services. Service and maintenance for heating-and-cooling customers was added to this in 2018.

The Oxxio App has a new service: Oxxio Pro, for all customers with a smart meter. It provides insight into how much energy they consume for various categories, such as cooking, lighting, washing and drying. More and more customers who have questions make use of the digital channels that Oxxio offers, such as chat. Customers are also increasingly taking care of their energy matters themselves in the Oxxio App. Oxxio als carried out a pilot in 2018 with Oxxio Internet, TV & Telephone, which will be launched in 2019. Initially, this is intended exclusively for Oxxio's energy customers.

The Dutch government has determined that all municipalities and tendering services are obliged to adopt e-invoicing in 2019 which is more efficient and thus cheaper. Eneco has already set up this process properly and is helping (business) customers with this, such as the municipality of Utrecht.

Heating transition

Eneco is actively contributing to the heating transition. Heat can be a realistic alternative for gas, depending on the situation per district. We are involved in developments in connection with the transition at provinces, municipalities and housing corporations. Utrecht Overvecht-Noord is the first district for with we have drawn up an integral transition plan.

Alliances

In addition to active participation in Warmtealliantie Zuid-Holland, we are also a participant in the Geothermal alliance for district heating [Geothermiealliantie voor stadswarmte]. We actively participate in geothermal projects in various consortia, such as LEAN in Utrecht together with, among others, Engie and the municipality, and DAP on the premises of the Technical University of Delft. We are also working together with Hydreco on the restart of the HAL-source in The Hague, the first geothermal source in the built-up environment.

Industrial customers

We organised masterclasses to help industrial customers with issues regarding the transition from natural gas to other heating sources. These masterclasses were very much appreciated. The long-term relationship and the knowledge and understanding of each other's business makes it possible to develop new products and services together to further increase the sustainability of the customer's chain. By linking these customers to sustainable assets, our energy sales are guaranteed, allowing us to invest in the development of new assets.

Households

It is our ambition to become the market leader in assisting households in switching from natural gas to other sources of heating. That is a large-scale transition. Besides district heating, we are working on our product range of individual heat pumps. Together with Peeeks, we are working on more flexible control of heating in households. For instance, a pilot was started with district heating in Utrecht to coordinate the heating moments of houses better and thus reduce the peak demand. After a successful pilot in 2017, we started - also with Peeeks - making existing e-boilers smarter.

Contact with heating customers

In order to facilitate the heating transition, we have intensified the contact with our heating customers, for instance via newsletters with tips, information and examples. Four meetings were held in 2018 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 in the cogeneration power plants.

Innovative services

Innovation is essential in the energy transition. We aim for as many satisfied customers as possible by offering more innovative services for in and around the home (Smart Home), electric transport and (decentralised) energy management.

Smart Home

For the transition, households are dependent on smart services and products with which they can manage and reduce their energy consumption. We expanded and improved our range of smart products and services in 2018.

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. Steps were also taken in exploring the market potential in Germany and the United Kingdom by means of commercial pilot projects. The new Toon thermostat was introduced in 2018. The new thermostat is more user-friendly and is ready for a central role in the increasingly complex (energy) systems in a home.

The Verspillingschecker [Waste Checker] has also been further developed. It now provides even more detailed insight into the energy consumption, in combination with concrete advice about possible savings. Furthermore, Ketelwacht [Boiler Watch] has been further developed.
This helps both the homeowner and Eneco to take preventive measures for boiler maintenance. Using the Toon platform, Interpolis marketed the home security service ThuisWacht [Home Watch]. With this, Toons possibilities are being expanded from smart energy to smart living.

We have launched the first combination products: a central heating system including Toon and a service and maintenance contract. This paves the road for other combination products. For instance, in our communications about electricity and gas we refer to Toon and vice versa.

HeatWinner

After implementing a number of product improvements, the first early subscribers now have a HeatWinner hanging on the wall since the end of 2017. The HeatWinner is a compact pump that retrieves heat from warm (ventilation) air and uses this to heat up the water in the central heating system. The reactions are positive. With the announced increase of the tax on gas and the decrease of the tax on electricity, we expect that the savings potential will increase and that the HeatWinner will become interesting for more people. Households are interested and a number of large housing corporations have ordered the HeatWinner in connection with their obligation to increase their sustainability.

LichtBlick

LichtBlick launched the SchwarmBatterie, an intelligent battery for households, that was developed together with partners Zolar, Crowdnett and Eneco's participating interest Ampard. Furthermore, the first charging stations were sold to business customers and the company is developing Smart Home solutions.

Smart Home

More about Smart Home

Ecco Nova

In Belgium, Eneco entered into a partnership with Ecco Nova, a crowd-funding platform aimed at sustainability and ‘green’ projects. Eneco regards crowd funding as a promising way to accelerate the energy transition together with citizens, for example by realising sustainable projects together.

E-Mobility

In order to enable the growth of electric transport, charging infrastructure and adequate services are a prerequisite. We are working on the growth and the quality of charging products and services together with various partners.

Eneco eMobility

We have grouped all our electric transport activities together in the new entity Eneco eMobility BV, which started on 1 March 2018. eMobility aims to develop into a top-3 player in Belgium, the Netherlands and Germany. The focus was mainly on customers and growth in 2018. Eneco eMobility’s revenue doubled in spite of the cautious development of electronic transport. The taxable value of a free hybrid company car (the tax addition) rose from 7% to 22% which led to the collapse of hybrid car sales in the Netherlands. This resulted in the growth of fully electric vehicles, that remained favourably priced with a tax addition of 4%. Nevertheless, fewer electric cars came on to the market than planned.

Eneco eMobility started or expanded a number of partnerships this year. For instance, with Jaguar Land Rover Benelux, for which we deliver premium charging facilities at home, at work and at dealer locations. In addition, Eneco eMobility concluded an agreement with Mobility Services Nederland for electric charging services for company car drivers.

Collaboration with existing partners such as Alphabet, Hyundai, PON and ING has also contributed to the growth of Eneco eMobility. We are also working together with Dreamsolution and GreenFlux on the optimisation of our webshop and online portal, our digital environment where we manage all requests and provide insight to partners.

Eneco eMobility started working closely together with LichtBlick in 2018 to combine Eneco eMobility’s knowledge of and experience with charging services with LichtBlick’s market-specific knowledge. Germany has very specific laws and regulations for charging services and is much less advanced in the adoption of electric transport than the Netherlands. Nevertheless, we have already realised a few dozen charging points in Germany.

Jedlix

Jedlix, an Eneco start-up in which Groupe Renault took a 25% stake in 2017, 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 increased. Jedlix charges the car when the prices of sustainable energy are the lowest.

In addition to its existing partners Eneco, Greenchoice, Renault, BMW and Tesla, in 2018, Jedlix also welcomed Total as a partner and announced a cooperation with Next Kraftwerke. Grid operator TenneT selected this combination of innovative companies to contribute to balancing demand and supply on the energy markets with the smart charging process for a period of two years.

GreenFlux

Eneco acquired an interest in the Dutch company GreenFlux in June 2018 together with investment fund SET Ventures. GreenFlux is an innovative (digital) total solution provider for energy companies, grid operators and automotive parties worldwide. GreenFlux makes it possible to manage charging stations remotely, process transactions and match the charging process to the grid capacity. We are making use of this, for example, for Schiphol Taxi, where several chargers function together on one connection. This is unique in the market.

Flex services and energy management

We are developing flex services together with partners and customers 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 saves costs and avoids having to fall back on fossil energy.

Next Kraftwerke

Next Kraftwerke has developed into one of the world's largest 'virtual power plants'. Besides the projects with Jedlix and Peleman (see below), Next Kraftwerke also started a collaboration with AgroEnergy in 2018, in which the cogeneration facilities of more than 20 AgroEnergy customers has been added to the virtual power plant. This provides emergency capacity to TenneT with which the Dutch electricity grid is kept in balance. Ecotricity, a UK-based green electricity company, was the first customer to implement NEMOCS, Next Kraftwerke's new software product. This enables parties to connect their different energy sources and optimise them via the available real-life data. Finally, Eoly, a Belgian energy company, will be the first customer of the new product NEXTRA, a trading platform that gives energy producers and consumers access to energy markets throughout Europe.

Battery project in Belgium

At Peleman Industries, which was already an Eneco customer for the delivery of energy and for wind energy production, Next Kraftwerke installed a 2 MW battery, together with Eneco, for the storage of energy generated by the wind turbines on the Peleman site. This is the first large battery in Belgium on an industrial site. As the battery is located 'behind the meter', it unburdens the electricity grid.

AgroEnergy for the greenhouse horticulture sector

AgroEnergy offers greenhouse horticulturists and other business customers the possibility to reduce their energy costs by enabling horticulturists to trade directly on the wholesale gas and electricity markets, both in volume and in flexible capacity. The reconstruction of the EnergyManager, which gives access to various markets and the imbalance, was completed in 2018.

Super battery in Germany

The largest Li-ion battery in Europe was put into operation in Jardelund in northern Germany on 4 June 2018. This super battery, EnspireME, was produced in a joint venture between Mitsubishi Corporation and Eneco. EnspireME is stationed at a location where a lot of wind hits land, directly next to a large TenneT transformer station. The battery has a power capacity of 48 MW and a storage capacity of 61 MWh and is used to maintain the frequency of the electricity grid at a stable 50 Hz.

More about EnspireME

Horticulture companies are focusing increasingly on cultivation and sales and are outsourcing their energy management to experts, such as AgroEnergy, which offers data-driven services combined with personal support by energy specialists. A lot of use is made of the services BiedOptimaal [Bid Optimally] and EnergieRadar [Energy Radar]. Noodvermogen [Emergency Capacity], EnergieBeheer [Energy Management] and BiedOptimaal [Bid Optimally] intraday were introduced successfully in 2018.
AgroEnergy is increasingly being confronted with cultivation issues which is the reason why it works together with Delphy, the largest cultivation advisory firm in the Netherlands.

With 'The Croperators', AgroEnergy came in third in the international Autonomous Greenhouses Challenge. This challenge is a contest organised by WUR and Tencent, one of the world's largest internet companies. The challenge consisted of developing a solution in three and a half months with which you could operate a greenhouse with cucumbers remotely and autonomously. With as ultimate goal the highest yield at the lowest (energy) costs. The Microsoft Research team ended in first place and second place was for the Tencent team. The Croperators is a collaboration between Delphy and AgroEnergy in which data scientists, cultivation experts and product developers work together. Both companies thus combine the knowledge of cultivation, energy, climate and IT in one autonomous system.

Energy management for business customers

Eneco developed two new services for business customers in 2018. The first new service is the WetgevingKompas [Legislation Compass], an online tool with which a company can know within two minutes which energy laws it has to comply with. The second new service is the Eneco EnergieCoach [Energy Coach] for companies that are obliged by law to save energy. Based on a thorough inspection of the building, the company determines together with our advisor, which sustainable measures would produce the highest yield and which measures are necessary to comply with the energy laws.

WoonEnergie for housing corporations and tenants

WoonEnergie is the only energy supplier especially for housing corporations and their tenants. The tariffs of WoonEnergie are always among the lowest three of comparable offers. WoonEnergie works together with housing corporations to help tenants reduce their energy consumption. Housing corporations advise their tenants to calculate their potential energy savings amount with the WoonEnergie EnergieTest. Tenants also receive advice on saving energy. WoonEnergie has been selling the HeatWinner to housing corporations since the beginning of 2018 to help them realise their CO_2 targets.

Sustainable Thursday

WoonEnergie organised Sustainable Thursday for housing corporations at the Eneco head office in 2018. The main topic at this event was how a housing corporation can achieve the objectives to terminate the use of natural gas.

One Planet

If everyone in the world were to live as we do in the Netherlands, we would require 3.6 planets to meet our demand. Eneco wishes to bring its impact within the boundaries of the planet's capacity. We are doing this by transitioning together with our customers, suppliers and other stakeholders. To this end, we have a One Planet programme. This is inspired on the concept of Planetary Boundaries of the Stockholm Resilience Centre. This year, we are linking our One Planet goals even more explicitly to the UN Sustainable Development goals.

Our One Planet goals

- Keep global warming below 2ºC, while aiming for 1.5ºC (Paris Agreement)
- The share of sustainable electricity production in the total supply is 50% in 2022

Our activities are not at the expense of the biodiversity and ecosystems

Together towards 100% sustainable mobility

Socially Responsible Procurement (SRP) of which circularity is a part

Climate

Keep global warming below 2ºC while aiming for 1.5ºC (Paris Agreement)

The share of sustainable electricity production in the total supply amounts to 50% in 2022

We aim to contribute to the goals of the Paris climate agreement of 2015. This means that our chain emissions (the related emissions of our suppliers, our own operations and our customers) must remain limited to the carbon budget to keep global warming below 2ºC. This budget was calculated for Eneco using the method of the Science Based Target initiative (SBTi), that was initiated by the World Wide Fund for Nature, the UN Global Compact and the World Resources Institute.

We also succeeded in doing this in 2018. Our emissions (13.8 Mton CO_2eq) have remained within our carbon budget of 14.2 Mton CO_2eq.[1] The decrease compared to 2017 (14.0 Mton CO_2eq) is mainly due to the the decrease in CO_2 emissions per delivered kWh, as a result of our investments in sustainable electricity. If we would have consolidated the emissions of E.ON Benelux already in 2018, we also see that, with 15.3 Mton CO_2eq, we would have remained within the then applicable carbon budget. We expect to be able to make the transition possible for more customers in the coming years.

The share of sustainable production compared to our total delivery of electricity decreased, from 23% (2017) to 18% this year.[2] The decrease is due to less wind power in 2018. When we would have consolidated E.ON Benelux already in 2018, we see a decrease to 16%. This is because no renewable production was involved in the acquisition. Nevertheless, we expect to achieve our goal of 50% in 2022 with sizeable investments in sustainable production.

1 Our own consumption is not material in this case; therefore, we do not report on this extensively. In order to comply with the GRI requirements, we are working on reporting about our own energy consumption in all countries in which we are active. We aim to be able to report on this in the report over 2019.

2 The comparable figures for 2017 were adjusted retrospectively in connection with acquisitions to enable a comparison with 2018. This method has not been changed.

Target 13.2	Doelstelling Eneco	Result 2018
Climate policy and reduction of greenhouse gas emissions (CBS)	**Strategic KPI** Keep global warming below 2ºC while aiming for 1.5ºC	13.8 Mton CO_2eq

Target 7.2	Doelstelling Eneco	Result 2018
Promoting the use of renewable energy (CBS)	**Strategische KPI** Increase the share of sustainable electricity production in the total delivery to 50% in 2020	18%

Biodiversity

Our activities are not at the expense of biodiversity and ecosystems

Biodiversity is important for a resilient natural environment and enables us to increase the base of support for our projects among local residents and other stakeholders by taking this natural environment into account in our project development and stimulating and improving this where possible.

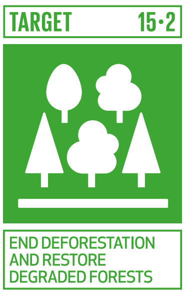
We are making good progress with projects such as De Rijke Noordzee, where we are installing oyster reefs at the Eneco Luchterduinen wind farm in the North Sea. The combined used of sites for offshore wind is an important topic. Nature development is an attractive alternative compared to, for example, fishery, due to lower risks.

We aim to develop, build and operate our offshore wind projects in a good balance with nature. For instance, Eneco is actively contributing to the development of a 'bird radar' with which researchers seek to accurately predict the routes of migrating birds and we are engaged in research into bats. We are also planning to install oyster reefs at the Borssele III & IV offshore wind farm.

Our cooperation with the National Park De Hoge Veluwe is taking form. The park is suffering from the deposition of nitrogen as a result of which the landscape is changing, the heather is disappearing and the food chain is being effected. Nitrogen comes from agriculture, traffic and industry. Our energy plants contribute to this deposition of nitrogen on a small scale. Our nitrogen footprint is approximately 1 million kilos per year (2015: 1 million; 2016: 1.3 million; 2017: 1.1 million). This is why we are a co-funder of nature recovery measures, including practical research into the application of rock dust, which could possibly reduce the acidity of the soil in the nature area.

Our biomass plants use biomass that satisfies strict sustainability criteria (NTA 8080, FSC or comparable criteria). Our biomass charter has been updated and revised after discussions with relevant stakeholders. For instance, we do not use biomass for the production of only electricity.

Target 14.2	Indicator Eneco	Result 2018
Sustainable management and conservation of marine and coastal ecosystems (CBS)	Percentage of offshore wind farms with underwater nature measures	50%



Target 15.2	Aanpak Eneco	Result 2018
Pollution of land and soil (with regard to nitrogen surplus) (CBS)	Mitigation of our nitrogen impact	Co-funding of nature recovery measures

Target 15.5	Aanpak Eneco	Result 2018
Biodiversity (CBS)	Purchasing biomass that satisfies strict sustainability requirements (NTA8080/ Better Biomass, FSC or comparable)	Eneco assesses all of its biomass projects against the sustainability framework NTA8080 with the Better Biomass certification scheme

Clean air

Together towards 100% sustainable mobility

Our mobility in 2020 is based on sharing sustainable means of transport, such as public transport, electric (shared) cars, bicycles or a combination. If travelling is not really necessary, then we won't travel and we will use smart means of communication.

- We are a frontrunner in sustainable mobility. Important aspects of our mobility policy are:
- Employees who opt for public transport can travel 24/7 by public transport for free throughout the Netherlands, both for work and in their free time.
- Cyclists receive a kilometre allowance and can buy a bicycle or e-bike with a tax advantage.
- Drivers of company cars drive electric and charge their cars while they work. The lease budget that is not used is paid out and can be spent freely. Business trips facilitated by us take place as sustainably as possible. For instance, we have NS Business Cards, electric shared cars and bicycles available for business meetings. For international business trips, trains are the preferred mode of transport when the destination can be reached within 5 hours.
- If the travel time by public transport is very much longer than by car and the car satisfies the environmental norm, an employee will receive access to the parking garage. Our environmental norm has a decreasing carbon limit.

Environmental norm parking garage

2018	200 gr CO_2/km
2019	175 gr CO_2/km
2020	150 gr CO_2/km

These measures have resulted in a 33% decrease of the CO_2 emissions per FTE compared to 2016 (2.9 tons CO_2/FTE and 8.7 ktons in absolute terms in 2016 versus 1.9 tons CO_2/FTE and 5,8 ktons in absolute terms in 2018.

Eneco has been compensating the CO_2 emissions of its 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 2018 to arrive at climate-neutral internal business operations. As the sustainability of our mobility increases, compensation will ultimately no longer be necessary.

Installing oyster reefs

Target 11.6
Reduce environmental impact in cities (CBS)

Goal Eneco
Our mobility in 2020 is based on sustainable sharing with public transport, electric (shared) cars, bicycles or a combination

Result 2018
33% CO_2 reduction compared to 2016 (1.9 versus 2.9 Mton CO_2/FTE)
71% of our employees travel in a sustainable manner between home and work

Circularity

Socially Responsible Procurement (SRP) of which circularity is a part

We are also taking action with regard to our suppliers with Socially Responsible Procurement (SRP). We have made this concrete with the following targets: the reduction of CO_2 in the procurement of goods and services is on track. The realised savings up to and including 2018 compared to 2015 is 24%. The reduction is mainly due to lower procurement. We intend to concluded more specific CO_2 reduction agreements with suppliers in 2019.

Our aim is to have concluded circular agreements within two years for one fifth of our procurement regarding the use of (sustainable) energy during production, the use of less and recycled materials, extending the useful life, reuse and processing of the product at the end of its useful life.

For instance, it has been agreed with a new supplier of cleaning services that they are responsible for collaborating with the right waste-processing parties. The aim is that waste separation and waste processing will then be better coordinated.

We assess our strategic and preferred suppliers on the basis of their social responsibility. To this end, we work together with EcoVadis; however, we are also open to good alternatives. The aim is to ensure that at least 60% of our strategic and preferred suppliers attain the level of 'Leader' and more than 30% attain the level of 'Performer' in 2020. This classification is based on our interpretation of the assessments by EcoVadis, FIRA and the MVO Prestatieladder [CSR Performance Ladder]. At present, only 16% of our strategic suppliers are in the category 'Leader' and 35% are in the category 'Performer'. The results were shared with the suppliers in the form of scorecards and are reviewed together with the aim to further increase the Environmental, Social and Governance (ESG) scores.

For example, Eneco excluded a mail delivery service provider as a supplier because the employment conditions were not in accordance with our social responsibility standards.

Our Supplier Code of Conduct was signed by 91% of the suppliers in 2018. Our sustainable strategy is important in all of our procurement projects. Therefore, we base the selection of a supplier not only on price and quality but also on social and ecological criteria. This target was not monitored during 2018; however, we will start doing this in 2019.

CO2 reduction p/year
(procurement spend that can be influenced)
1.5%

Circular procurement in 2020
(procured products and services)
20%

SRP Compliance

CSR audit scores of suppliers in 2020
(strategic and preferred suppliers)

< 5%	Underperformers
< 5%	Starters
> 60%	Leaders
~ 30%	Performers

Signed SCoCs
(procurement spend that can be influenced)
> 90%

SRP criteria included in
> 50%
of the contracts in 2019 (strategic and preferred suppliers)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

TARGET 12.2
SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES

Target 12.2
Sustainable management and efficient use of natural resources (CBS)

Goal Eneco
Reduce raw materials footprint. CO_2 reduction procurement 1.5% per year and 20% circular procurement in 2020

Resultaat 2018
24% since 2015

Frontrunner in sustainability

Our customers, investors and other stakeholders attach more and more value to proof in the form of ESG (Environmental, Social & Governance) scores and sustainability benchmarks and standards.

Sustainalytics is a global player in the assessment of the sustainability of companies at the request of investors. Eneco's privatisation process increases the attention for its ESG score. A high ESG score not only demonstrates our sustainable position, it also increases the probability of winning tenders at important business customers and of favourable conditions for raising capital and thus lower financing costs. Our current ESG score at Sustainalytics is 76 out of the maximum 100 points.

At the initiative of investors, the CDP has been approaching listed companies already for more than 15 years to share their climate footprint publicly so that investors can estimate risks better. Eneco Group participated voluntarily in the CDP Climate Change programme for the second time in 2018. This resulted in a B label. A B label is higher than the average sector score (C label) and also higher than the European average (B-). The CDP values companies that have committed themselves to the Paris climate agreements via the Science-Based Targets initiative (SBTi). In 2017, Eneco Group was the first Dutch company to be admitted to the SBTi.

We make use of the EcoVadis system to assess suppliers (see Circularity), but our partners also ask for an EcoVadis score. Our present score of 55 results in the qualification Silver. The score awarded by a comparable verification agency, FIRA, is 'Extended CSR Report'.

LichtBlick takes action against coal

Together with partner World Wide Fund for Nature, LichtBlick published the report Dead end coal, which demonstrates that Germany can quickly replace coal-fired power plants. In addition, LichtBlick actively participated in the protests against the destruction of the Hambacher wood for further coal production.

Customers with debts

We contribute to a sustainable and financially healthy society with a strong focus on customer retention, customer satisfaction, efficiency and a socially responsible approach for problematic debts, without losing sight of our financial interests. Our policy has led to 75% fewer disconnections (End of Supply) and 80% fewer legal collection cases with high costs for the customer. With this customer-friendly policy, we have also strongly reduced the write-off of doubtful debts and operational costs. Eneco lowers the problematic debts burden with Eneco Credit Management by being the most customer-friendly and effective collection partner of the Netherlands.

Benchmarks

The most important sustainability benchmarks are the Dutch Electricity Suppliers Sustainability Survey and in Belgium the Greenpeace ranking of Belgian electricity suppliers.

Dutch Electricity Suppliers Sustainability Survey

During the past months, Eneco participated again in the Dutch Electricity Suppliers Sustainability Survey. This survey is conducted annually by the Dutch Consumers' Association, Greenpeace, Natuur & Milieu and WISE. This year again, with a score of 7.2, Eneco is the biggest among the green suppliers.

In spite of our large investments in sustainable energy, the survey awarded fewer points to our brands Eneco and Oxxio this year. This was due to a change in the way the survey was set up compared to 2017. For instance, our sustainable production from solar, wind and biomass was no longer included as a separate category and our gas-fired power plants were assigned a lower value than in the previous year. In our opinion, these gas-fired power plants actually play a crucial role as back-up when there is insufficient sun or wind.

This year, the survey also included a rating for the business market. Due to its partnerships with large Dutch companies such as the Dutch Railways (NS), DSM, Unilever and Schiphol Group, Eneco also plays an important role in increasing sustainability in the business market. According to the survey, we are among the middle group, which is an incentive for us to increase our efforts to help more business customers to opt for green electricity.

The complete survey can be viewed on the website of the Dutch Consumers' Association.

Greenpeace ranking of Belgian electricity suppliers

Eneco Belgium again received a high score from Greenpeace for its sustainable policy. As a result, we also remain the greenest of the large energy suppliers in Belgium.
Greenpeace not only analyses the origin of the electricity offered, it also analyses the investment policy. With a score of 16/20, we leave the traditional energy suppliers far behind. We aim to generate the same amount of green electricity in Belgium via sun and wind as we supply to our customers. This balance was already reached for a first time in 2016. After that we took over energy supplier Eni with the objective of also transitioning these new customers to 100% green and locally generated electricity.
As a result, the score is slightly lower than in previous years, but we are still considerably ahead of the traditional energy suppliers. Eneco's production capacity increased again in 2018, so that the growing number of households that purchase sustainable energy are guaranteed Belgian green electricity. Our goal is to deliver sustainable and locally produced electricity to all our customers in 2025.

Employee engagement

Our employees are committed to realising our mission. They are the ones who make the transition possible. We invest in the vitality and development of our employees and give priority to a safe working environment.

It is clear from the 2017 alignment survey (a survey held among our employees) that there is a need within the organisation for the translation of the strategy to the level of departments, teams and individual performance targets. The changes in the organisation in 2018 have led to new organisational divisions and teams. With the transition that we are going through, momentum has arisen to bridge the gap between strategy and execution. In this process, the teams are supported by experts in the use of the OGSM method: Objectives, Goals, Strategies and Measures. The strategy has been made concrete by means of this method.

In order to execute the agreed measures, it is important that teams collaborate well with each other. They are supported in a 'reboarding' (team) session in getting to know each other better, determining roles and drawing up a team covenant. A new intelligent HR Platform has also been developed to better support the individual performance dialogue. We are working on developing a central personal portal Mijn Talent [My Talent]. In this portal, employees can book courses, record their performance agreements and request interactive feedback from colleagues and managers.

Safe and healthy working conditions

afe and healthy working conditions have already been a top priority for years for our technicians who provide installation services. We have taken another extra step with the safety awareness programme and aim for level 4 on the Safety Ladder. In order to ensure the vitality of our technicians in the future as well, we launched a programme in which the employees are given personal help to work on their volatility.

With these actions, we are working concretely, and with the support of simple tools, on creating a culture in which people are allowed to make mistakes, in which we are open towards each other, but in which we do take action. Absenteeism has been designated as an area of expertise within the HR organisation in order to provide better support to managers and employees. This approach has now led to a better management of the support and reintegration of sick employees and to a decrease in the number of occupationally disabled employees.

Towards a more efficient organisation

The change process that was initiated in September 2018 has led to changes in Eneco's organisation, especially in the structure of an integrated Customer Organisation and Operations Organisation. With this, we have taken steps in increasing efficiency, financial performance and digitalisation, to thus create more room for sustainable growth.

This development also had consequences for personnel. This concerned partially external hires. At the same time, vacancies arose in the new organisation which employees could apply for. Redundant or soon to become redundant employees, who had to make choices based on the Social Plan, received support from the Mobility Centre with, for example, looking for a suitable job within or outside of Eneco.

The Central Works Council and the trade unions were closely involved in this process. For the whole programme (up to the end of 2019), it is anticipated that about 600 jobs will end, of which 75% can be resolved through regular staff turnover, for example because employees retire. Or because temporary contracts are not extended or by reducing external hires.

As set out in the strategy chapter (page 24), the new organisation facilitates the execution of Eneco's strategic agenda.

Acquisition of E.ON

After the acquisition of E.ON, teams in Rotterdam and Eindhoven worked on a smooth integration of the company. After the business customers had been transferred to Eneco, the retail customers were officially transferred to Eneco in October 2018. The majority of the approximately 150 employees of E.ON opted for the voluntary severance scheme, especially due to the job location change as of 1 November 2018. Approximately 15 employees now work in Rotterdam for Eneco Zakelijk since this date. The process was carried out in close cooperation with the Central Works Council and in accordance with the social protocol that was agreed with the trade unions. In spite of the challenges, the integration within the financial and operational frameworks proceeded smoothly. The E.ON employees continued to serve their customers enthusiastically and adequately in spite of the unrest following the acquisition.

Safety and security

Working safely is our priority. We train our employees in order to avoid incidents and to promote their safety and safety awareness. This mainly concerns the employees and sub-contractors involved in the installation and maintenance of wind turbines and other sources. However, office personnel is also trained to play their role in working safely and promoting safety. The training programmes are based on risk analyses. For example, special attention was paid to 'working at heights' in 2018. We were also active in the area of security and crisis management in 2018.

Safety scores

We measure safety with the strategic KPI Recordable Incident Frequency (RIF). This is the moving average number of incidents resulting in absenteeism, alternative work or medical treatment per 200,000 hours worked. We achieved a RIF score of 0.45 in 2018. This score is slightly higher than the target of 0.6. We had two accidents resulting in absenteeism this year, with in total 106 absenteeism days. The severity rate thus amounted to 106/2=53. This year, supervisors made in total 1230 safety rounds and experts carried out 660 work station inspections. Our gas storage facility Gasspeicher in Germany attained step 4 (on a scale of 5) on the NEN safety culture ladder in addition to achieving the milestone of 2000 days worked without accidents. The biomass plant in Farmsum (Delfzijl) received the certificate for achieving step 3 (on a scale of 5) on the NEN safety culture ladder in October 2018. This is an important milestone on the way to step 4. Within the organisation, we trained and practised throughout the whole year because we believe that safety is an integral part of our way of working and our management style. We are aware that our culture programme for step 4 is a multi-year process, which demands and will receive our unabated attention in the coming years.

With regard to all reported safety incidents in 2018, three main categories can be distinguished: falling objects and fall hazards for people, aggression against personnel and underground infrastructure.

In the event of height risks, or falling objects and/or falling persons, we received 35 reports of High Risk Incidents (HRI) relating to falling objects. At the Bio Golden Rand power plant this concerned, for example, an incident with falling pieces of concrete blocks on the inner side of the tank during the shut-down, and during a fire installation sections came detached. There were 33 reported incidents related to fall hazards, mainly concerning people who were not using their fall protection or not using this correctly, or who underestimated the risk of falling from heights of more than 2.5 meters.

This year, there were also 30 reports regarding aggression against employees. Unfortunately, more and more often Eneco employees are not treated correctly or are even threatened. This occurs in all business units and takes place in many different ways, such as via social media (for example, in the case of wind energy developers), via the telephone (verbal abuse of call centre employees), or on site (various complaints) or to technicians that they are not doing their work properly. This trend is acknowledged by various bodies (including NCTV). Various bodies are also pointing out in their reports that protests are becoming more dire, for example, in connection with the construction of onshore wind farms.

Underground infrastructure incidents mainly occur when cables or pipelines are hit and/or damaged by activities carried out by Eneco, or by third parties. This concerned 20 reports in 2018.

Safety of subcontractors

We also take safety seriously in our role as contractor. We held two sessions again in 2018, together with another energy supplier, with our six area subcontractors in the heating sector focusing on the safety theme. The most recent session was for foremen and supervisors. In addition, we hold monthly consultations to discuss safety issues. This year, there were twelve accidents resulting in absenteeism, alternative work or medical treatment in which our subcontractors were involved. We follow up on these accidents immediately with a dialogue between the management of Eneco and the management of the subcontractor in question, because we believe that a constructive dialogue based on a shared interest to work safely is the right way to create safety awareness.

Crisis organisation

If there is a crisis or the threat of a crisis, we mobilise a temporary crisis organisation which is convened in addition to the existing organisation to deal with the crisis professionally. A special meeting technique is used to enable fast decision-making. We have further professionalised the organisation in handling potential crises. The crisis organisation in the Netherlands, Germany and Belgium has been trained, and during four escalations in 2018, we demonstrated that the organisation can resolve a crisis efficiently.

Quality management

We started with the central coordination of quality management in 2018. We developed an integral management system for the whole of Eneco, with which we are even better able to satisfy the wishes and requirements of our stakeholders and increase the efficiency. We also expanded our certificate portfolio in the field of, for instance, asset management (ISO 55001), quality management (ISO9001), inspection of pressure components (IVG), safe and healthy working conditions (ISO 45001) and environment management (ISO 14001).

Financial result

Higher result

Eneco further improved its financial results in 2018, after a strong growth in 2017. Operating profit (EBIT) rose to € 162 million in 2018 (2017: € 158 million). The gross margin and other revenues were also higher at € 1.082 billion (2017: € 1.052 billion). Revenue rose 25% to € 4.183 billion (2017: € 3.355 billion), mainly due to acquisitions. Profit after corporate income tax was clearly higher at € 136 million (2017: € 127 million).

The company sharpened its focus in 2018 on the execution of its strategy. A good example of this is the acquisition of about 200,000 retail and business customers of the Dutch sales and delivery activities of E.ON. This resulted in an increase of the number of customer contracts in 2018 to nearly 6 million, with which we were the only large energy company to win market share in the consumer market. On the other hand, the solar energy activities in France and part of our share in Borssele III & IV were sold. A change process was also initiated within Eneco for the Dutch organisation aimed at a better customer experience, for instance, through digitalisation and an integrated customer approach. The aim of the project is to realise an improvement of the result of € 100 million by the end of 2019 and Eneco is well on its way to achieving this goal.

Eneco facilitating the transition

Attention for customers means that Eneco also helps them to make the switch effortlessly in the energy transition. We are working together with Energie In Huis [Energy At Home], a company that increases the sustainability of existing homes. Eneco also acquired a minority interest in the company. Various partnerships were entered into for electric vehicle drivers (including with Jaguar Landrover Benelux) to improve the charging services. We introduced Stukje Zon [Piece of Sun] for customers who do not have the possibility to install solar panels. An example of an integrated solution is the cooperation with Ahoy in Rotterdam. Besides solar panels, a thermal smart grid is being installed to which buildings in the direct vicinity (Zuidplein) will also connected and charging stations for electric cars will be installed as well.

Growth of investments

Eneco's mission remains everyone's sustainable energy. We invested a lot in renewable sources, in total € 248 million in 2018 (2017: € 156 million). We invested in new solar parks and wind farms (€ 121 million), such as the Hogezandse Polder, Nieuwe Waterweg, Slufterdam, the Belgian Cordona wind farm and Borssele III & IV.

Heat production and district heating play a crucial role in every plan for increasing the sustainability of the Dutch energy supply. Eneco invested € 78 million in this in the past year, for example in the sustainable biomass heating plant in Utrecht that was recently put into operation.

Our gas-fired plant Enecogen was renovated for € 19 million so that it could also function as a 'black start', i.e. a facility to restore the high-voltage grid. It is one of TenneT's three emergency facilities in the Netherlands.

Eneco also invested € 241 million in acquisitions in 2018. Besides the E.ON customer portfolio, the option to acquire full ownership of the German LichtBlick was exercised in December.

More sustainable growth

Eneco added more than 600 MW in sustainable generation capacity of onshore wind energy and solar energy in 2018 by concluding long-term procurement agreements relating to projects of third parties, most of which will come into production in the coming years. The renewable portfolio was strengthened, in particular, by the following large contracts: Yard and Eurus for 309 MW, new and existing wind farms, Aspiravi wind Belgium for 66 MW, Nearstar Solar for 46 MW and Midden Groningen Solar for 103 MW.

In addition, Eneco expanded its offshore wind energy portfolio with more than 850MW with the financial close of Borssele III and IV and the contracting of the Belgian wind farms Mermaid and Seastar, which have a combined installed capacity of 488MW.

The decision was also taken to build a second biomass heating plant at the heating power plant in Utrecht.

Small increase in costs

Of course, growth also leads to extra costs. Total operating expenses including depreciation and amortisation rose by € 26 million (3%) to € 920 million. Besides the expenses related to consolidated acquisitions and the change process, a number of expenses have been incurred in other areas. For example, extra expenses were incurred in connection with the integration of Eni Belgium and E.ON and the preparations for the privatisation.

In spite of the acquisitions, depreciation charges decreased on balance, in particular because the Prinses Amalia Wind Farm has largely been depreciated.

Outlook

Our strategy and ambitions for growth give us 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 ownership of Eneco. Against this background, we will refrain from issuing a results forecast for 2019.

Risk management

Risk management contributes to realising our strategic objectives in a responsible manner. In our risk policy, we carefully weigh which risks Eneco is running and which control measures are required to manage these risks. We assess the effectiveness of these measures.

Governance

The Board of Management is responsible for the risk management of the whole company. 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 every quarter in the Business Unit Review to the member of the Board of Management who is responsible for the portfolio concerned. These are consolidated and reported to the Board of Management and the Audit Committee.

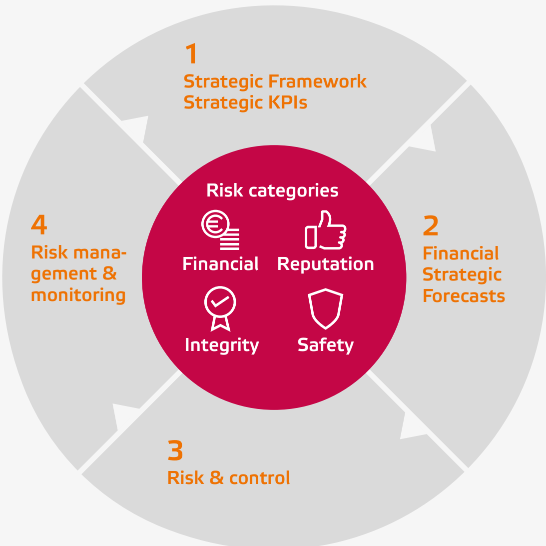
We have laid down the risk limits on a company level in various concrete policy statements, codes and guidelines in areas such as safety, trading mandates, authorisations and conduct. The Audit Committee supervises the adequate functioning of the risk management activities.

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 inventory, 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. The In-Control statement of the Board of Management is based in part on the outcomes of these self-assessments that are carried out by the business units.

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 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. The business units report twice a year on the self-assessments that they have carried out with regard to the key controls. These key controls are control measures that significantly reduce the high risks.

Risk and performance management framework



1. **Strategic Framework Strategic KPIs**
   - Framework risk and performance management
2. **Financial Strategic Forecasts 'FSP'**
   - Expected realisation of strategic objectives
   - Expected financial results
   - Expected credit rating ratios
3. **Risk & control assessment**
   - Gross risk inventory (risk register)
   - Determining controls
   - Determining the potential impact of risks on financial strategic forecasts
4. **Risk management & monitoring**
   - Mitigating measures and follow up
   - Net risk reporting and monitoring on all levels
   - Determing whether risks are acceptable

Risk tolerance

Our risk tolerance is divided into impact categories, as defined within Eneco:

Risk categories	low	medium	high
Safety	Injury with alternative work	Injury with absenteeism and hospitalisation	One or several fatalities
Integrity & Compliance	No/limited fraud possible	Incidental fraud possible	Large-scale fraud possible
Financial	< € 1 million	> € 1 million	> € 10 million
Reputation & Quality	Limited negative image among stakeholders	Decrease in trust among stakeholders	Structural damage among stakeholders

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 tests 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 Eneco.

Developments in 2018

We introduced a programmatic approach in 2018 to implement a generic norm framework in areas that are relevant group-wide, such as for controlling risks in the area of external reporting and compliance. The programme aims to improve both the quality of control measures and processes as well as the demonstrability.

Incidents

A number of incidents occurred in 2018, of which we will discuss two.

We received signals in May that an Eneco email account was possibly being used to send phishing emails. An investigation showed that the real (not fake) account was being used to send these emails. Someone had gained illegal access to this account and had made misuse of this account to sent phishing emails to internal and external contacts in an effort to collect more accounts for access and misuse. An analysis showed that the email and the link in the email did not contain harmful code. As a result, our ATP filters did not catch this timely. Action was taken to immediately block the account. This did not lead to any further observed damage.

In June, it appeared that an incident had occurred a the department that manages business accounts. A newsletter was sent incorrectly due to a human error. This concerned an error in the mail-merging database causing emails to be addressed incorrectly. As a result, personal details in the form of the name and customer number, were sent to the wrong address. This was reported to the Dutch Data Protection Authority.

Strategic risks

Strategic risks are long-term risks that influence the realisation of our strategic objectives.

For the goals and objectives that we have defined, we acknowledge the most important strategic risks listed below, which may not only constitute a threat, but can often also present an opportunity.

Loss of credibility of our sustainable image

The mission of Eneco Group is 'Everyone's sustainable energy'. We aim to be a frontrunner in the energy transition and to be recognized as a sustainable energy company acting within the boundaries of our planet, our One Planet ambition. This ambition has been translated into a CO_2 reduction target for our own business operations, a twofold increase of our own sustainable production capacity and aiming for delivering more than 50% sustainable energy to our customers. In order to protect our image, we choose our suppliers and partners carefully and apply know your customer criteria when accepting business customers and counterparties. We also mitigate the risk by means of transparent communication with stakeholders about the progress of the implementation of our strategy.

Wrong choices in sustainable technologies and innovations

Investments in, for example, district heating grids, sustainable production and cogeneration have a long capital recovery period. There is a risk of lower returns or a shorter useful economic life due to technological developments or government policy. On the other hand, having an asset at your disposal can result in a strong strategic position in the chain. Such investments are therefore carefully considered. This risk also applies with regard to our selected Smart Home applications and other innovations. We partially mitigate this risk by investing in several start-ups and promising technologies. We actively monitor innovative developments and/or participate in these developments. We spread risks with our participating interests. We focus our innovation budgets and resources by making strategic portfolio choices.

Insufficient customer propositions with added value

The customer's needs are transforming in and due to the energy transition and innovations are quickly gaining a foothold also because of the internet. There is pressure on the margin per customer or loss of 'traditional' energy customer contracts. Eneco aims to create added value for customers, develop new energy services with promising technologies such as blockchain, and make smart use of data for Smart Home applications and energy management. Furthermore, we apply digitalisation and data analytics to optimise existing processes, to ensure that we get things right the first time and that we exceed out customers' expectations.

Structurally low electricity prices

Structurally low electricity prices in the future and lower subsidies on sustainable production have a negative impact on the feasibility of our strategic goals for sustainability. Electricity prices and the prices of green certificates can be fixed for a number of years on the energy trading markets, but often not for the full useful economic life. Lower revenues imply that the room for future investments in sustainable production assets is decreasing. We spread the risk through international diversification. In addition, our strategy is to build sustainable production facilities with and at the request of customers (Client to Assets with multi-year purchasing contracts) and to transfer price risks by structuring trade contracts. We are improving our profitability via efficiency programmes that contribute to our financial strength and future potential.

Decreasing profitability of gas

The government wants all households to be independent of natural gas in 2050. Gas revenues and margins will also decrease in the short term due to increasing insulation and new energy saving (local) solutions, such as the electrification of heating. We are investing in sustainable heating solutions, collective solutions such as district heating and individual solutions such as heat storage. In addition, we are optimising the chain in order to mitigate the effect of lower gas margins.

Increasing impact of weather on the result

Weather conditions lead to fluctuations in revenues from delivering sustainable production or heating. In view of the expected relative growth of this in our portfolio, our financial result's potential dependence on the weather is increasing. We are reducing this impact with active portfolio management, for example, by means of multi-year procurement from wind farms via third parties (PPAs). Further mitigation of the weather risk takes place by means of hedging in the market and structured deals with counterparties.

Scarcity of capital

Eneco's estimated creditworthiness could decrease due to a changing company or financial risk profile. This will hamper the financing of our investments as well as the availability of guarantees and credit room for our energy procurement and delivery activities. We operate within financial frameworks, we constantly aim for financial optimisation between existing and new revenue models and we regularly assess the financial soundness of our strategy by means of stress tests. Our financing strategy provides facilities for temporary extra guarantee or capital requirements, and when we provide collateral to counterparties, this is first carefully weighed and assessed internally.

Insufficient competencies and employability of personnel

The execution of our strategy and the realisation of the energy transition require new competencies, drive and agility of the organisation and its employees. We pay a lot of attention to training and education, culture and development programmes for management and employees. Our focus is on building a high-performance organisation through, for instance, agile working, further digitalisation and applying LEAN methods. The inverted organisation structure supports a customer-oriented and chain-oriented approach.

Data processing risks

Products and services are increasingly digital and data-driven. Smart application of data technology can threaten existing markets and value chains; however, this also offers opportunities for those that capitalise on this at an early stage. We are investing in competencies for data handling and tooling and we are using big data for commercial innovative applications, customer intelligence and the improvement of customer processes. In this respect, a lot of attention is paid to the careful handling, storage and use of these data, in particular when this can be traced back to individuals, but also to the issue of ownership of the data and the exclusivity of the rights.

Operational risks

The operational risks often have a performance and business-related character.

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

Risks (trend compared to 2017: ↑→↓ 1)	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 Eneco Group unsecured limits on trading positions or an increase in guarantees and other security to be provided by Eneco Group. – Less favourable conditions for access to capital and money markets and (limited) higher interest mark-ups.	– Stress tests in particular on EBITDA. – Stipulating 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.[2]
Spark spread ↑ Lower margin between sales prices of electricity produced by gas-fired power plants and cost price/purchase gas and CO_2.	– Approximately € 20 million per year. – Risk is increasing, the higher price level increases the expected profitability and thus also the downside risk.	– Portfolio management and hedging strategies in the energy trading markets with energy derivatives.[2]
Profitability sustainable assets → Lower future revenues due to lower electricity prices or lower market value of green electricity.	– Approximately € 10 million per year. – The Dutch and Belgian subsidy schemes do not take away the whole price risk. The subsidy scheme in the UK has an inherent large price-level sensitivity.	– Spreading investments over several countries. – Hedging positions via energy trading markets[2]; however, the market is only liquid for a limited number of future years. – Concluding multi-year customer delivery transactions.
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 energy 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.[2] – 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-controlling mechanisms together with our customers. – Sourcing of sustainable energy partially via multi-year procurement from third parties (PPAs) instead of own wind farms.
Risks with regard to business performance, control and governance of our participating interests and recent acquisitions →	– Reputation damage and financial loss, the impact of which 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 participating interests. We intentionally give our innovative participations more room so that they can innovate and excel faster and we accept that an inherently larger risk is attached to these types of participating interests.	– We supervise our venture portfolio via periodic monitoring. – Through its representative seats in supervisory bodies of its participating interests, Eneco supervises and assesses the policy of the management on business development and internal control. – Additional requirements apply to participating interests included in the consolidation, in particular regarding reporting and IT controls, in line with Eneco standards.

1 ↑ risk higher compared to 2017 ↓ risk lower compared to 2017 → risk unchanged compared to 2017

2 See note 31 of the consolidated financial statements for more information about controlling financial risks.

Risks (trend compared to 2017: ↑→↓ 1)	Potential impact	Control measures
Financial reporting **Risks in the area of 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 management 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.
Operationeel – IT gerelateerd **Unauthorised access to and/or changes in IT systems as well as cybersecurity ↑**	– 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 →** Accidents and/or interruptions in our heat delivery, 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. – Business Interruption Awareness.	– Safety policy and instructions. – Duplicated IT platform for critical systems. – Carrying out periodical crisis management and recovery tests. – 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; for example, not being able to sent invoices or cash flow problems. – Energy companies are becoming increasingly data intensive; the increasing regulations in this area increases the risk.	– 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 (e.g. privacy).

1 ↑ risk higher compared to 2017 ↓ risk lower compared to 2017 → risk unchanged compared to 2017

Governance

Corporate Governance

Tasks and responsibilities

Board of Management

The Board of Management holds the ultimate responsibility for the performance of Eneco Group. The Board of Management is appointed by the Supervisory Board and is accountable to the Supervisory Board and the General Meeting of Shareholders (AGM).

The Board of Management of Eneco Group has four members. Their biographies can be found on Eneco Group's corporate website.

Strategic Board

Eneco Group has been working with a Strategic Board (SB) since 2017 in order to accelerate the energy transition. The Strategic Board consists of the Board of Management and a Chief Customer Officer and a Chief Human Resources Officer.

Diversity

At Eneco, we consider it very important to work with teams in which diversity in backgrounds and personalities reflects the society in which we operate in order to be able to connect as broadly as possible with our customers and environment. For instance, for work that is carried out in its office buildings, Eneco actively stimulates hiring people who have limited access to the labour market. This concerns, for example, work carried out by our large external facility partners (catering, cleaning, security, reception). We are also continuing to strive for gender diversity within the company. In 2018, 26% of the newly hired employees were women and the percentage from scale 9 and above was higher at 30%. The total share of female employees within Eneco thus comes to 39%. At present, 29% of all management positions are filled in by women.

The Board of Management was comprised of four male members in 2018 and thus the desired diversity was not achieved. However, we have made sure that this aim is explicitly included in the profile for new board members so that this is taken into account in any new appointments. Given the existing appointment terms, we have not yet been able to increase the gender diversity within the Board of Management. However, in the Strategic Board, which acts as an addition to the Board of Management, diversity has increased.

Code of conduct

Conduct and integrity norms that have been laid down in writing apply to everyone within Eneco https://www.enecogroep.nl/-/media/eneco-groep/pdf/ voorwaarden/Eneco_gedragscode_januari_2019.pdf. An integrity reporting desk has been established within Eneco and a confidential counsellor has been appointed to whom employees can report complaints regarding socially undesirable conduct (see Integrity and compliance, page 58).

Modern employee participation

Employee participation in the decision-making process is important within Eneco Group. We 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 also means that the works councils and the Central Works Council have a limited number of members and that a member only has a seat on the council for a few terms. Specific role profiles are used, in which it is laid down what is expected from each works council member. The development of the members of the works councils is important in order that they can fulfil their roles properly. 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 in every process. In this manner, they can arrive at a joint understanding of the issue. The various options and the best choices are examined together. As a result, employee participation procedures are completed a lot faster. In the opinion of the Central Works Council, this has resulted in better decisions and a larger base of support for decisions.

Themes

In 2018, 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 Eneco Group, focused on the privatisation, the reorganisation, major investments, changes in the organisation that concern more than one business unit and employment conditions. The Central Works Council is increasingly striving for gradual organisational changes instead of large-scale reorganisations that demand a lot of the organisation and generally take a long time. In this manner, everyone within Eneco can focus more on the customer and the realisation of our strategy.

Integrity en compliance

We can distinguish ourselves in the way that we treat our customers, each other and our business partners. We have high standards of conduct and a we enforce a proactive compliance and integrity policy.

Our values

The Eneco Code of Conduct provides rules for our conduct within all relationships within Eneco Group. Our relationship with customers, with our colleagues and with our supervisors, or business associates. Correct behaviour is crucial in all of these relationships. Our cultural values - customer first, together, assuming responsibility and inspiring trust - provide direction for this.

We organised workshops with managers and employees in 2018 to promote the implementation of these values. The initiative 'Influencers' which was carried out in 2018 is good example of this. Around 200 employees who had been appointed as 'influencers' took the initiative to translate our values into daily conduct, so that colleagues could also follow this example. We also pay attention regularly to our integrity awareness by communicating about dilemmas and by means of e-learning courses.

Integrity

In addition, we aim to avoid undesirable behaviour, such as conflicts of interest and discrimination, and to prevent other unlawful conduct, such a competition-limiting agreements and fraud.

We constantly pay attention to dealing with integrity issues that have arisen. There is an integrity reporting desk and we currently have one confidential counsellor. Employees who are the victim of undesired psychosocial working conditions such as bullying, discrimination or sexual harassment can contact this confidential counsellor. The number of reports to the reporting desk and the confidential counsellor amounted to 28 in 2018. Of the 28 reported incidents, 22% concerned inappropriate behaviour by the management or in general in the workplace, 42% concerned fraud, 18% concerned psycho-social and other circumstances, such as discrimination, intimidation and bullying, and 18% concerned other problems. In 75% of the reported incidents, preventive measures were taken where relevant and possible, including the improvement of processes and controls, compensation of financial losses and disciplinary measures.

The total number of 28 reports in 2018 was significantly lower than the number of reports in 2017. The extensive attention that was paid to integrity in the years before 2018, which has possibly led to an increased integrity awareness, is probably an important explanation for this. It is also possible that other factors contributed to the lower number of reports, such as changes in the organisation, the privatisation and the improvement program.

Compliance with laws and regulations

If we do not comply with national and international laws and regulations, Eneco would jeopardise its licence to operate and its customer reputation. Doing business in accordance with the rules is therefore a prerequisite for all our business activities. Eneco 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.

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.

No major compliance incidents occurred within Eneco in 2018. However, the ACM did present a number of points for improvement regarding our communication obligation with regard outages at power plants, which are set out in the REMIT legislation. At the end of 2017, we also applied for an exemption from the obligation of having a MiFID licence, which was granted in 2018.
The implementation of the General Data Protection Regulation (GDPR), which came into force on 25 May 2018, received a lot of attention. Eneco Group carried out many activities in order to comply with the GDPR, including communication and e-learning to increase the awareness with regard to data protection. An officer was appointed for data protection and this was reported to the Dutch Data Protection Authority. We reported five data leaks to the Dutch 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 2018 is included in this annual report (see annex) and can also be found on our corporate website (Our conduct agreements).

Cybersecurity

Cyber criminals are becoming increasingly interested in the energy sector. From the Cyber Security Outlook Netherlands 2018, it is apparent that the digital threat is still considerable and that this will also continue to be the case in 2019. Based on this prospect, in 2018, Eneco invested in strengthening its digital resilience. First by increasing the staffing in the area of cybersecurity and, in addition, by strengthening the technical and organisational measures.

Cybersecurity was an explicit part of the IT tender of the past year. In this tender, we aimed for an integral approach and cooperation between and across the various suppliers. The supervising role of the department Business Technology Organisation was strengthened in the area of cybersecurity.

The number of detected threats to Eneco's internal IT network decreased by 90% compared to the same meaurement period in 2016.

Incidents

Despite the implemented control measures, there were two cyber incidents in 2018. An attack was detected whereby the attackers were looking for log-in details in the office environment. A CEO fraud attempt was also detected. These incidents were analysed and resulted in additional security measures.

Outlook

It became clear in 2018 that Eneco will be designated as a supplier of an Essential Service within the framework of the new Dutch Security of Networks and Information Systems Act (WBNI). The preparations for compliance with this new law will be continued in 2019.

'In Control' statement

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

Every internal risk management and control system has its inherent limitations. Therefore, we can not 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.

The Board of Management decided in 2018 to set up a programme to further strengthen, standardise and formalise the control measures with regard to financial reporting, energy balance, IT and compliance risks. The Board of Management considers this professionalisation drive appropriate for the progress that it intends to make with regard to internal control and eliminating risks as much as possible in the aforementioned areas. The programme will continue in 2019.

Remuneration

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 principle 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 pursues 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. The moderation principle means that we do not apply the median outcome, but that a reduction takes place. 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 - with the exception of the Chair of the Board of Management - was again dependent on performance criteria in 2018. The three main criteria are largely in line with the strategic themes:

1. financial result (EBITDA)
2. successful privatisation process (performance criterion for the CFO, CSGO and COO)
3. strategy, growth and acquisitions (performance criterion CSGO) and restructuring (performance criterion COO)

Eneco Group publishes the remuneration report, which contains further details on the remuneration of the members of the Board of Management, on enecogroup.com every year.

Assurance report

Assurance report of the independent auditor with the Sustainability information presented in the annual report 2018

To the shareholder of N.V. Eneco Beheer

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2018 of N.V. Eneco Beheer at Rotterdam. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:
- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year 2018 in accordance with the reporting criteria as included in the section 'reporting criteria'.

The sustainability information consists of the performance information on:
- 'One Planet' (CO_2-uitstoot);
- 'Number of Contracts';
- 'Customer Satisfaction';
- 'Renewable Sources';
- 'Recordable Incident Frequency'

In the chapters 'Introduction, 'Stakeholders and materiality matrix', 'Progress and sustainability' and 'Employee engagement' of the annual report.

Basis for our conclusion

We have performed our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports). Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of our report.

We are independent of N.V. Eneco Beheer 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 assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. N.V. Eneco Beheer is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in the chapter Reporting policy of the annual report.

Responsibilities of the Board of Management for the sustainability information

The Board of Management is responsible for the preparation of the sustainability information in accordance with reporting criteria as included in the section 'reporting criteria' and the applied supplemental reporting criteria as disclosed in the chapter Reporting policy of the annual report, including the identification of stakeholders and the definition of material matters.

The choices made by the Board of Management regarding the scope of the sustainability information and the reporting policy are summarised in the chapter Reporting policy of the annual report.

The Board of Management is also responsible for such internal control as the Board of Management determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our review included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Board of Management;
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review ;
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
    - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
    - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
    - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
    - Reviewing, on a limited test basis, relevant internal and external documentation;
    - Performing an analytical review of the data and trends.
- Reconciling the relevant financial information with the financial statements;
- Evaluating the consistency of the sustainability information with the information in the annual report which is not included in the scope of our review;
- Evaluating the presentation, structure and content of the sustainability information;
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Board of Management regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Rotterdam, 21 February 2019

Deloitte Accountants B.V.

drs. J.A. de Bruin RA

N.V. Eneco Beheer Financial Statements 2018

N.V. Eneco Beheer Financial statements 2018

Consolidated financial statements 2018

Consolidated income statement

x € 1 million	Note	2018	2017
Revenues from energy sales and energy related activities	3	4,100	3,309
Purchases of energy and energy related activities		3,101	2,303
Gross margin		**999**	**1,006**
Other revenues	4	83	46
Gross margin and other operating revenues		**1,082**	**1,052**
Employee benefit expenses	5	264	242
Cost of contracted work and other external costs		389	374
Depreciation and impairment of property, plant and equipment	12	180	214
Amortisation and impairment of intangible assets	13	73	56
Other operating expenses		14	8
Operating expenses		**920**	**894**
Operating profit		**162**	**158**
Share of profit of associates and joint ventures	7	-9	-
Financial income	8	9	7
Financial expenses	9	-32	-29
Profit before income tax		**130**	**136**
Income tax	10	6	-9
Profit after income tax		**136**	**127**
Profit distribution:			
Profit after income tax attributable to non-controlling interests		-	-
Profit after income tax attributable to shareholder of N.V. Eneco Beheer		136	127
Profit after income tax		**136**	**127**

Consolidated statement of comprehensive income

x € 1 million	Note	2018	2017
Profit after income tax		**136**	**127**
Unrealised gains and losses that will not be reclassified to profit or loss			
Remeasurement of defined-benefit pension plans		-1	-1
Unrealised gains and losses that may be reclassified to profit or loss			
Exchange rate differences		-1	-6
Unrealised gains and losses on cash flow hedges	31	-13	-28
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations	31	2	6
Share of unrealised profit of associates and joint ventures after tax		-2	1
Total other comprehensive income		**-15**	**-28**
Total comprehensive income		**121**	**99**
Profit distribution:			
Non-controlling interests		-	-
Shareholder of N.V. Eneco Beheer		121	99
Total comprehensive income		**121**	**99**

Consolidated balance sheet

x € 1 million	Note	At 31 December 2018	At 31 December 2017
Non-current assets			
Property, plant and equipment	12	2,495	2,538
Intangible assets	13	1,074	976
Associates and joint ventures	15	109	111
Deferred income tax assets	16	30	27
Financial assets			
- Derivative financial instruments	17	84	65
- Other financial assets	18	129	111
Total non-current assets		**3,921**	**3,828**
Current assets			
Assets held for sale	19	2	214
Intangible assets and inventories	13	178	58
Trade receivables	20	722	650
Current income tax assets		1	7
Other receivables	21	239	244
Derivative financial instruments	17	176	190
Cash and cash equivalents	22	504	465
Total current assets		**1,822**	**1,828**
TOTAL ASSETS		**5,743**	**5,656**
Equity			
Equity attributable to N.V Eneco Beheer shareholder	23	2,936	2,866
Non-controlling interests	23	3	3
Total equity		**2,939**	**2,869**
Non-current liabilities			
Provisions for employee benefits	24	9	10
Other provisions	25	107	94
Deferred income tax liabilities	16	267	306
Derivative financial instruments	17	76	45
Interest-bearing debt	26	464	453
Other liabilities	27	142	117
Total non-current liabilities		**1,065**	**1,025**
Current liabilities			
Liabilities held for sale	19	3	9
Provisions for employee benefits	24	7	7
Other provisions	25	13	7
Derivative financial instruments	17	150	181
Interest-bearing debt	26	41	282
Current income tax liabilities		8	52
Trade and other liabilities	27	1,517	1,224
Total current liabilities		**1,739**	**1,762**
TOTAL EQUITY AND LIABILITIES		**5,743**	**5,656**

Consolidated cash flow statement

x € 1 million	Note	2018	2017
Profit after income tax		**136**	**127**
Adjusted for:			
- Financial income and expense recognised in profit or loss	8.9	23	22
- Income tax recognised in profit or loss	10	-6	9
- Share of profit of associates and joint ventures		9	-
- Depreciation, amortisation and impairment	12.13	253	270
- Result from sale of tangible and intangible assets		1	2
- Movement in working capital	34	120	288
- Movements in provisions, derivative financial instruments and other		-19	35
Cash flow from business operations		**517**	**753**
Dividend received from associates and joint ventures		2	4
Interest paid		-18	-17
Interest received		10	4
Income tax paid / received		-83	-8
Cash flow from operating activities		**428**	**736**
Issued loans granted		-6	-8
Repayment of loans granted		201	2
Acquisition of subsidiaries (net, exclusively purchased cash)		-288	-459
Disposal of subsidiaries (net, exclusively sold cash)		48	2
Acquisition of joint operations, joint ventures and associates	15	-12	-32
Disposal of joint operations, joint ventures and associates	15	11	-
Investments in property, plant and equipment	12	-229	-142
Disposal of property, plant and equipment	12	5	3
Investments in intangible assets	13	-19	-14
Disposals assets held for sale		6	-
Cash flow from investing activities		**-283**	**-648**
Dividend payments		-64	-
Repayment of non-current interest-bearing debt	26	-108	-52
Repayment of current interest-bearing debt		-100	-25
Non-current interest-bearing debt issued	26	66	118
Current interest-bearing debt issued		100	25
Cash flow from financing activities		**-106**	**66**
Movements in cash and cash equivalents		**39**	**154**
Balance of cash and cash equivalents at 1 January	22	465	343
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	**504**	**465**

Consolidated statement of changes in equity

	Equity attributable to N.V Eneco Beheer shareholder[1]							
x € 1 million	Paid-up and called-up share capital	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Non-controlling interests	Total equity
At 1 January 2017	**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 (former) owners of the company	**-**	**-**	**-**	**-159**	**-192**	**-351**	**-**	**-351**
At 31 December 2017	**122**	**-6**	**10**	**2,613**	**127**	**2,866**	**3**	**2,869**
Adjusted opening balance at 1 January 2018[2]	-	-	-	13	-	13	-	13
Adjusted opening balance at 1 January 2018	**122**	**-6**	**10**	**2,626**	**127**	**2,879**	**3**	**2,882**
Profit after income tax 2018	-	-	-	-	136	136	-	136
Total other comprehensive	-	-1	-13	-1	-	-15	-	-15
Total comprehensive income	**-**	**-1**	**-13**	**-1**	**136**	**121**	**-**	**121**
Profit appropriation 2017	-	-	-	127	-127	-	-	-
Cash dividend to shareholder N.V. Eneco Beheer	-	-	-	-64	-	-64	-	-64
Total transactions with owners of the company	**-**	**-**	**-**	**63**	**-127**	**-64**	**-**	**-64**
At 31 December 2018	**122**	**-7**	**-3**	**2,688**	**136**	**2,936**	**3**	**2,939**

1 See note 23 ’Equity’ for further information on equity.

2 For more information, see note 23 'Equity'.

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' or the 'Group'). 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, Germany, Switzerland and the United Kingdom.

The Group's main strategic alliances are its investments and participating interests in onshore and offshore wind farms, solar farms and start-ups, and memberships of co-operatives. These include the joint investment with Mitsubishi Corporation in the Luchterduinen offshore wind farm and the Norther wind farm being developed off the Belgian coast and investments with a number of others (Partners Group, Shell, Mitsubishi Corporation and Van Oord) in the Blauwwind (Borssele III & IV) offshore wind farm currently under development. Since 2018, Eneco has also participated in the SeaMade 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 Next Kraftwerke GmbH, a German virtual power plant operator.

The consolidated financial statements have been prepared by the company's Board of Management. The 2018 financial statements were signed by the Board of Management during its meeting on 21 February 2019 and will be submitted for adoption by the General Meeting of Shareholders.

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 2018, 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.

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 new IFRS standards adopted by the European Commission are relevant to Eneco and have been applied since 1 January 2018:

- IFRS 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 applies to reporting periods beginning on or after 1 January 2018.

Changes resulting from the application of this standard and the impact on Eneco's figures:

1) Classification and measurement

IFRS 9 has three categories of financial assets:

– assets measured at amortised cost;

– assets measured at fair value through equity; and

– assets measured at fair value through profit or loss.

The classification of financial assets under IFRS 9 is based on the business model for managing a financial asset and the characteristics of the contractual cash flow. The business model is used ('business model test') to determine whether a financial asset is held with the objective of:

- collecting the contractual cash flows; or

- selling it prior to its contractual maturity to realise its fair value changes

There also has to be an assessment of whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ('cash flow characteristics test').

	Classifications of financial instruments in accordance with			
Balance sheet item	IFRS 9 'Financial Instruments'	At 1 January 2018	IAS 39 'Financial Instruments: Recognition and Measurement'	At 31 December 2017
Financial assets				
Derivative financial instruments	Financial assets measured at fair value through profit or loss	65	Financial assets held for trading purposes (derivatives) measured at fair value through profit or loss	65
Other financial assets	Financial assets measured at amortised cost	111	Financial assets measured at amortised cost	111
Current assets				
Trade debtors	Financial liabilities measured at amortised cost	649	Financial liabilities measured at amortised cost	650
Other receivables	Financial liabilities measured at amortised cost	244	Financial liabilities measured at amortised cost	244
Derivative financial instruments	Financial assets measured at fair value through profit or loss	190	Financial assets measured at fair value through profit or loss	190
Cash and cash equivalents	Financial liabilities measured at amortised cost	465	Financial liabilities measured at amortised cost	465
Non-current financial liabilities				
Derivative financial instruments	Financial assets measured at fair value through profit or loss	45	Financial assets measured at fair value through profit or loss	45

	Classifications of financial instruments in accordance with			
Balance sheet item	IFRS 9 'Financial Instruments'	At 1 January 2018	IAS 39 'Financial Instruments: Recognition and Measurement'	At 31 December 2017
Interest-bearing debt	Financial liabilities measured at amortised cost	453	Financial liabilities measured at amortised cost	453
Other liabilities	Financial liabilities measured at amortised cost	117	Financial liabilities measured at amortised cost	117
Current financial liabilities				
Derivative financial instruments	Financial liabilities measured at fair value through profit or loss	181	Financial liabilities measured at fair value through profit or loss	181
Interest-bearing debt	Financial liabilities measured at amortised cost	282	Financial liabilities measured at amortised cost	282
Trade and other liabilities	Financial liabilities measured at amortised cost	1,224	Financial liabilities measured at amortised cost	1,224

The changes to the requirements for the classification and measurement of financial assets and liabilities have not affected Eneco's consolidated figures other than measurement for impairment (see below). Consequently, the implementation of IFRS 9 has not affected classification or measurement in the 2017 comparative figures.

2) Impairment
The model for determining impairment of financial assets in IFRS 9 is different from that in IAS 39.
– The effects for Eneco are mainly in determining the provision for doubtful debts. Until 1 January 2018, this provision was formed using the 'incurred losses' model under which a provision was formed when there was a 'trigger' (a specific 'credit event'). From 2018, the 'expected credit losses' model under IFRS 9 takes both historical and forward-looking information into account when determining this provision. Consequently, the inherent risk that a debtor will not or not fully pay is recognised from the initial recognition of the receivable.
– The impact of this amended approach to measuring the provision for doubtful debts is limited by the large number of relatively small and generally short-term receivables, which spreads the risk, and continuation of the current (strict) assessment criteria and processes for the receivables portfolio as a whole.
– This new model also affects the measurement of other receivables (current and non-current, including lease receivables).
– The move to the expected credit losses model has led to an extra addition to the provision for doubtful debts/other receivables. The total adjustment of €1 million was recognised in the opening balance sheet at 1 January 2018. Accordingly, equity in the 2018 opening balance sheet has been reduced by the same amount adjusted for a deferred tax asset. The 2017 comparative figures have not been restated further to the transitional criteria in IFRS 9.

3) Hedge accounting
The Group has opted to apply the new general hedge accounting model in IFRS 9 rather than continuing with the previous IAS 39 model. The provisions on hedge accounting in IFRS 9 have been amended to be more closely in line with businesses' risk policies and strategies. In addition, IFRS 9 requires application of a more qualitative and forward-looking approach to the periodic assessment of hedge effectiveness. Application of the new standard has not affected the 2018 consolidated figures because all existing hedging relationships under IAS 39 remain unchanged under the hedge accounting model in IFRS 9.

Finally, as a result of the introduction of IFRS 9 on 1 January 2018, there have been changes to the disclosure requirements for financial assets and financial liabilities as incorporated in IFRS 7

‘Financial Instruments: Disclosures’ which was amended with effect from 1 January 2018. These changes have, where applicable, been followed when preparing these 2018 financial statements.

- IFRS 15 ‘Revenue from Contracts with Customers’
This new standard provides a framework for revenue recognition and replaces the earlier 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.

Eneco has applied IFRS 15 since 1 January 2018 and analysed the potential effect of applying this standard on the consolidated financial statements. The particular areas examined included connection and transmission fees, discounts (including cashback allowances in contracts), contract acquisition costs, taxes, other statutory charges, combined contracts, the time at which revenue is recognised and whether Eneco is regarded as the agent or principal for this revenue. Implementation of IFRS 15 has not led to differences with accounting rules applied in these areas in the past, other than the costs incurred when acquiring and settling energy supply contracts. Under IFRS 15, these expenses are capitalised as prepaid expenses and amortised over the term of the contracts.

Eneco has applied IFRS 15 since 1 January 2018 using the modified retrospective method by recognising measurement differences in the balance sheet on 1 January 2018 and not restating the 2017 comparative figures. Consequently, the cumulative effect of €18 million from capitalising contract acquisition costs and exit fees for on-going contracts has been recognised in ‘Other receivables’ in the opening balance sheet at 1 January 2018. Equity in the 2018 opening balance sheet has been increased by €14 million after deduction of a deferred tax liability.

The modified retrospective transition method applied under IFRS 15 requires supplementary disclosures for each component of the balance sheet or income statement that has changed under IFRS 15. For Eneco, this relates to contract acquisition costs and exit fees. Under IAS 18, these costs would have been recognised directly through profit or loss. The additional costs on top of the amortisation of capitalised acquisition costs and exit fees recognised in the result would have been €8 million in 2018 (€5 million in ‘Cost of contracted work and other external costs’ and €3 million in ‘Gross margin’).

Finally, IFRS 15 requires disclosure of a more comprehensive breakdown of revenue in the financial statements. Given the nature of the Group’s operations, the breakdown by type of product or service has been supplemented by a breakdown of revenue by country. See note 3 ‘Revenues from energy sales and energy-related activities’ to these financial statements, which should be read in conjunction with the accounting policies in note 2.

Other than the changes to IFRS 7 referred to above, there were no other amendments to existing IFRS standards or interpretations from 1 January 2018 that had been adopted by the European Commission at that date and that are relevant for Eneco to apply in specific situations when preparing these financial statements.

The following new IFRS standard, amendments to existing IFRS standards and a new interpretation adopted by the European Commission are relevant to Eneco and will be applied from 1 January 2019:

- 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

IFRIC 4 'Determining whether an Arrangement contains a Lease' and IAS 17 'Leases'. IFRS 16 applies to reporting periods starting on or after 1 January 2019. Early adoption is permitted, but the Group has not done this.

The Group has analysed the effects of this new standard on the consolidated figures. This has shown that assets ('leased assets'/'property, plant and equipment') and the lease liabilities at present value (as part of 'Interest-bearing debt') will increase by some €230 million. A further consequence of IFRS 16 is that the capitalised 'leased assets' will be depreciated over the remaining lease period and charged to the result through 'Depreciation and impairment of property, plant and equipment'. The interest charge from adding interest to the lease liabilities will be recognised through the income statement in 'Financial expenses'.
The analysis led to the conclusion that, to the extent that they relate to specific production capacity, the existing energy purchase contracts, as referred to in note 29 'Contingent assets and liabilities', do not qualify as leases under the regulations that applied to the end of 2018. Eneco is applying the practical solution offered in IFRS 16 that contracts not previously regarded as leases do not qualify as leases from 1 January 2019. Each new purchase contract entered into from 1 January 2019 will be assessed separately against the new IFRS 16 rules to ascertain whether it contains a lease.

- Changes to other standards as part of the Annual Improvements to IFRS Standards 2015-2017 Cycle

- IFRS 3 'Business Combinations': clarification of when an entity obtains control of a business that is a joint operation. The transaction is regarded as a business combination achieved in stages under which the previously held interest in that business is remeasured at fair value.
- IFRS 11 'Joint Arrangements': clarification of when an entity obtains joint control of a business that is a joint operation. In this case the entity does not remeasure previously held interest in that business.
- IAS 12 'Income Taxes': clarification of existing requirements for the treatment of the income tax consequences of dividends that currently apply to all income tax consequences of dividends and no longer to certain specific situations where there are different tax rates for distributed and undistributed profits.
- IAS 23 'Borrowing Costs': clarification of a situation in which if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the general borrowings of an entity. Based on that, the percentage capitalisation rate is calculated as part of the costs of that asset (such as an item of property, plant and equipment).

- IFRIC 23 'Uncertainty over Income Tax Treatments'

The interpretation explains how the income tax position in the financial statements is determined when there is uncertainty over income tax treatment. The interpretation requires an entity to determine whether uncertain income tax positions have to be considered separately or as a group and whether it is probable that the taxation authority will accept an uncertain tax treatment that the entity used or plans to use in its income tax filing and then provides guidelines on the treatment and disclosure.

Other new IFRS standards, amendments to existing standards and new interpretations that will apply in later reporting periods and/or 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 2018 financial statements are summarised below.

The accounting policies used in these financial statements are consistent with those set out in the 2017 financial statements except for the effect of new and amended standards as set out in 1.2 ‘New or 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. 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.

Judgements

The following notes disclose information used when forming judgements when applying the accounting principles for financial reporting that have a significant effect on the amounts recognised in the consolidated financial statements:

- note 2.2 ‘Revenues’: whether revenues under the items Energy supply and Energy-related activities are recognised over a period or at a specific time;
- note 3 ‘Revenues from energy sales and energy-related activities: whether the Group acts as agent or principal;
- note 28 ‘Operating leases’: whether a contract contains a lease and how this is classified; and
- the ‘List of principal subsidiaries, joint operations, joint ventures and associates’: the degree of control the Group has over an associate.

Estimates and assumptions

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. Notes that disclose information on the principal estimates and assumptions involving a considerable risk of a material change to the carrying amount of assets and liabilities or impact on the results include:

- note 3 ‘Revenues from energy sales and energy-related activities: estimated consumption relating to energy deliveries as set out in 2.2 (accounting policies for revenues);
- note 12 ‘Property, plant and equipment’: the useful lives of property, plant and equipment;
- note 13 ‘Intangible assets’: the useful lives of intangible assets and impairment and significant assumptions underlying realisable amounts when performing an impairment test;
- note 16 ‘Deferred taxes’: recognition of deferred tax assets and availability of future taxable profits against which transferrable tax losses can be used;
- note 20 ‘Trade receivables’: the main assumptions for determining the provision for doubtful debts using the expected credit losses method; and
- notes 24 ‘Provisions for employee benefits’ and 25 ‘Other provisions’: the main actuarial and other parameters and estimates of the level of the provisions.

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.

If 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

Performance obligations

Revenues are recognised on the basis of the expected consideration when the performance obligation for a good or service has been met. The consideration may consist of a fixed price with a variable price supplement for some types of product. Eneco only recognises the variable price when it is highly probable that the cumulative amount of the consideration will not be reversed in the future once uncertainty associated with the variable price is known. Contracts and any separate performance obligations within them are identified to determine the revenues. There is a separate performance obligation if a good or service has a standalone value for the end user and delivery is not to a large extent dependent on other components of the contract. Once established, the transaction price is allocated to performance obligations by reference to the price at which the good or service is sold to customers.

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. The Group' payment terms are generally 15-30 days, depending on the type of customer.

It is established whether each performance obligation is met overtime or at a point in time. Eneco is applying the practical solution in IFRS 15 of ignoring possible financing components in advances and periodic fees from customers if these are not significant according to assessments at portfolio level.

Performance obligations that have been or are still to be performed and settled in the preceding or subsequent period create contract assets or contract liabilities respectively. A contract asset from revenues is a conditional right to compensation for the Group in exchange for goods or services to the customer. Once the goods or services have been transferred to the customer and the Group has no further risk in the transaction, this asset is presented as a receivable (debtor or 'amount to be billed'). These receivables do not form part of the contract assets.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has or will receive compensation. Amounts to be settled under advances paid for energy are part of other liabilities and do not form part of the contract liabilities.

Energy supply

Revenues from the sale of energy to end-users are recognised over the period in which energy is supplied to a customer. If the Group pays sums to the customer during or at the end of the term of the contract, they are deducted from revenue during the term of the contract.

Sales to large-volume consumers are billed monthly based on meter readings. Billing for sales to retail consumers is also based on actual meter readings or readings taken throughout the year. Part of the amount of energy supplied to retail consumers during the reporting period and the resulting revenues is, therefore, estimated from historical consumption figures, standard customer profiles, weather conditions and applicable energy tariffs. Historical information on meter readings shows that the data used is sufficiently reliable to estimate usage at the reporting date.

A difference between the instalments billed and the actual amount of energy delivered to retail consumers is recognised as amounts still to be billed or amounts to be settled at the end of the reporting period. Contributions by heating customers for connection charges are recognised as contract liabilities and are recognised through profit or loss on a straight-line basis over the estimated useful life.

Revenues for energy delivered under ongoing energy contracts correspond directly with the amount consumed by the customer. Eneco is applying the practical solution in IFRS 15 of not disclosing the price of future performance obligations and only recognises delivery obligations in line with 'Contingent assets and liabilities' (see note 29).

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. Revenue from installing equipment and sales of solar panels and smart thermostats is recognised when control of the good passes to the customer. Revenue from other energy-related activities is recognised over the period of supply.

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.

Additional costs incurred to win contracts are capitalised as prepaid expenses and amortised over the term of the contract provided that they will be recovered. The amortisation charge is presented under 'Purchases of energy and energy related activities' or 'Cost of contracted work and other external costs', depending on the sales channel. These acquisition costs for contracts with a term of one year or less are charged directly to the result.

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 hedging 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.

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 including the purchased capitalised contract acquisition costs. 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 measured 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. This is only permitted 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 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 futures and swap contracts are used to manage these risks. In the case of commodity contracts, the instruments are categorised as for own use or hedging when the transaction is entered into.

Measurement and recognition

Derivative financial instruments are measured at fair value. 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. Fair value of derivative and other financial instruments depends on their level in the fair value hierarchy:

Level 1
The fair value of financial instruments in level 1 is based on using unadjusted quoted prices in active markets for identical instruments.

Level 2
The fair value of financial instruments in level 2 is based on market prices or pricing statements and other available information. Where possible, the measurement method uses observable market prices. Level 2 energy commodity contracts are measured using market prices or pricing statements for periods in which an active market exists for the underlying commodities such as electricity, gas (title transfer facility), oil-related prices and emission rights. Other contracts are measured by agreement with the counterparty, using observable interest rate and foreign currency forward curves.

Level 3
The fair value of financial instruments in level 3 is based on calculations involving significant inputs that are not based on observable market data.

Presentation in the balance sheet
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.

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).

Cash flow 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 hedging 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.

Hedges of net investment in a foreign operation
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 or currency futures contracts) 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 recognised at fair value and subsequently measured at amortised cost using the effective interest method. To the extent necessary, other receivables and loans are impaired using the expected credit losses method in IFRS 9. See note 2.16 'Trade and other receivables' for more information on this 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 are receivables with a term of less than one year. Performance delivered by Eneco at the reporting date but not yet billed to the customer, including amounts that have still to be billed on the reporting date in addition to the advances already billed, are recognised as 'Amounts to be billed'. Receivables are recognised at fair value and subsequently measured at amortised cost less impairment losses using the expected credit losses method in IFRS 9.

Impairment of trade receivables is determined over the full lifetime of the asset ('lifetime expected credit losses method' in IFRS 9). This is done for trade receivables using a provision matrix based on historical figures for losses on each category/type of debtor, adjusted for non-recurring past effects, that reflects relevant information on current circumstances and offers a reasonably reliable forecast and the implications for the expected losses. This measurement is made for other receivables (current and non-current) using the 12-month expected credit losses method.

Trade receivables are written off when there is no reasonable expectation of receiving full or partial payment of the receivable or amount still to be billed.

Impairment of trade receivables is presented as 'Other operating expenses' in the operating profit. Later reversals of amounts written off are credited to the same line in the income statement.

Receivables with a term of less than one year are not measured at present value 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 or which can be called within 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. No decommissioning provision is formed if there is only a remote likelihood of an outflow of resources under the obligation. 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.

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 of the consideration received less the directly attributable transaction costs (including any premium/discount). 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 creditors and other payables

Trade creditors 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.

Contributions received from district heating customers for connection costs are part of the contract liabilities.

Notes to the consolidated income statement

All amounts in millions of euros unless stated otherwise.

3. Revenues from energy sales and energy-related activities

The nature of the changes and effect of initial application of IFRS 15 in these financial statements are explained in 1.2 'New or amended IFRS standards'. The tables below show revenues from energy sales and energy-related activities broken down by type of product and geographical market.

	2018	2017
Electricity	2,347	1,776
Gas	1,398	1,184
District heat	279	270
Energy-related activities	76	79
Total	**4,100**	**3,309**

Electricity revenue in 2018 included €95 million (2017: €135 million) of government grants. See note 11 'Government grants' for more information.

Each year, the Group settles revenue for previous years with its customers. In 2018, revenue of €30 million that related to earlier years of supply was recognised.

	2018	2017
Netherlands	3,286	2,596
Belgium	789	462
Germany	687	560
United Kingdom	53	55
France	7	7
Elimination of mutual deliveries	-722	-371
Total	**4,100**	**3,309**

Revenue for 2018 included transmission charges of some €261 million (2017: €219 million) invoiced on behalf of grid operators and some €220 million (2017: €178 million) of environmental and other levies and taxes, both from operations in Germany, since, under local regulations, Eneco is acting as principal for these items.

4. Other revenues

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

5. Employee benefits

	2018	2017
Wages and salaries	178	170
Social security contributions	25	24
Pension contributions	18	18
Other employee benefits	43	30
Total	**264**	**242**

Total employee benefits were €281 million (2017: €258 million). €8 million (2017: €7 million) of employee benefits have been capitalised. As their nature is directly related to revenue, employee benefits of €9 million (2017: €9 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 expressed in full-time equivalents (FTE):

	2018	2017
Avarage		
FTEs employed	2,990	3,049
At 31 December		
FTEs employed	2,873	3,043
of whom, working outside the Netherlands	726	792

6. Remuneration of the 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 2018 is published on the Eneco website.

The remuneration of the members of the Board of Management other than Mr Sondag consists of a fixed salary and a variable salary. Mr Sondag receives a fixed salary only. The variable salary amounts to 20% of the total salary including the holiday allowance. In 2018 the variable remuneration of the members of the Board of Management was again dependent on performance criteria. The three main criteria for the variable salary are largely in line with the strategic themes and are:

- Financial results (EBITDA);
- Successful privatisation process (performance criterion for the CFO, CSGO and COO);
- Strategy, growth and acquisitions (performance criterion for the CSGO) and performance improvement programme (performance criterion for the COO).

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 €105,075 (2018). As a result, the contribution to pensions for the part of the gross salary over €105,075 (2018) has taken a different form and is presented in the Other column.

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

The current employment contracts with the members of the Board of Management other than Mr Sondag are for an unlimited time with a period of notice for the company of four months. Mr Sondag's employment contract has been entered into for four years with a period of notice for the company of six months. The members of the Board of Management have 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 Sondag to a payment of up to 18 months salary if dismissed by the company.[2]

Total remuneration was as follows:

Remuneration of the Board of Management

x € 1,000	Gross salary	Variable remuneration[1]	Pension contributions	Other	Total 2018
L.M. Sondag[2]	336	N.v.t.	20	36	392
C.J. Rameau	395	85	27	41	548
G.A.J. Dubbeld	395	67	27	41	530
F.C.W. van de Noort	321	80	24	29	454
J.F. de Haas[3]	1,608	N.v.t.	21	40	1,669
Total	**3,055**	**232**	**119**	**187**	**3,593**

1 The variable remuneration is an estimate.

2 Mr Sondag was appointed on 25 May 2018.

3 Mr de Haas was in office until 1 September 2018 and so the figures refer to the period until that date. This amount is including of the arrangements relating the redundancy scheme (€1,221 thousand).

x € 1,000	Gross salary	Variable remuneration[1]	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[2]	287	54	20	27	388
M.W.M. van der Linden[3]	33	-	2	3	38
Total	**1,638**	**301**	**104**	**169**	**2,212**

1 The actual bonuses paid in 2017 were €90 thousand lower that estimated figure presented in the 2017 financial statements, being €37 thousand less for Mr De Haas, €16 thousand less for Mr Rameau, €28 thousand less for Mr Dubbeld and €9 thousand less for Mr Van de Noort.

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

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

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.

	2018	2017
Share in net profit	-4	-1
Result on disposal	-	1
Impairment	-5	-
Total	**-9**	**-**

2 The value of the payment is fixed at one-and-a-half times the most recent actual annual salary earned plus holiday allowance, subject to a maximum of the value of the salary plus the holiday allowance in the period between the termination date and the date when the contract of employment would have ended by operation of law.

8. Financial income

Financial income was mainly interest income on a loan relating to the financing of a joint venture.

9. Financial expenses

	2018	2017
Interest expenses	25	23
Interest added to provisions	2	2
Other	5	4
Total	**32**	**29**

See note 26 'Interest-bearing debt' for the average interest rate on the debt

10. Income tax on the result

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:

	2018	2017
Current tax expense	47	51
Movements in deferred taxes	-53	-42
Income tax	**-6**	**9**

In December 2018, the Dutch Senate passed legislation that will lead to a gradual reduction of corporate income tax rates from 25% in 2018 to 20.50% in 2021. Eneco has incorporated the effect of this in the measurement of its deferred tax assets and liabilities to the extent that they relate to entities subject to Dutch corporate income tax (in accordance with the provisions of IAS 12 'Income Taxes'). The corporate income tax rate in Belgium is also being cut to 29.6% in 2018 and 2019 (was 33.99%) and from 2020 it will be reduced further to 25%. The corporate income tax rate in the United Kingdom is also being reduced from 19% in 2018 to 17% in 2020. These rate reductions in the Netherlands, Belgium and the United Kingdom have led to a net reduction of some €40 million in deferred tax assets and liabilities which has been recognised in the result for 2018 as 'Movements in deferred taxes' as part of 'Income tax' in the consolidated income statement.

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 €3 million from the Energy Investment Allowance to be amortised (2017: €4 million). This figure also includes a net charge of €1 million for adjustments to deferred taxes relating to prior years.

The table below shows the current tax:

	2018	2017
Profit before income tax	**130**	**136**
Participation exemption	-27	-6
Non tax-deductible expenses	20	13
Depreciation at non-statutory rates	35	55
Addition to provisions treated differently for tax purposes	-	-2
Adjustment prior years results	10	-6
Tax incentives	-5	-
Result on intra-group transaction	-	86
Foreign loss claw-back	7	39
Other	-	1
Taxable profit	**170**	**316**
Prior-year tax losses brought forward	-12	-114
Current year tax losses carried forward	18	-
Taxable amount	**176**	**202**
Nominal tax rate	25.0%	25.0%
Nominal taxable sum	44	50
Tax effect of different foreign tax rates	3	1
Current tax expense	**47**	**51**

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

	2018	2017
Nominal tax rate	25.0%	25.0%
Effect of:		
- Participation exemption	-5.2%	-1.1%
- Non tax-deductible expenses	3.8%	2.4%
- Tax incentives	-2.5%	-2.9%
- Foreign loss claw-back	1.4%	7.1%
- Movement in deferred taxes	-28.6%	-17.1%
- Adjustment of prior years results	2.5%	-1.1%
- Investment allowances and foreign loss relief	-0.9%	-5.1%
- Tax effect of different foreign tax rates	2.2%	1.0%
- Other	-2.3%	-1.4%
Effective tax rate	**-4.6%**	**6.8%**

11. Government grants

Government grants recognised in the result were as follows:

	2018	2017
Environmental Quality of Electricity Production (MEP scheme)	-	40
Energy Investment Allowance (EIA scheme)	3	4
Stimulation Sustainable Energy Production (SDE scheme)	94	94
Other government grants	1	1
Total	**98**	**139**

Notes to the consolidated balance sheet

All amounts in millions of euros unless stated otherwise.

12. Property, plant and equipment

	Land and buildings	Machinery and equipment	Other operating assets	Assets under construction	Total
Cost					
At 1 January 2017	**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**
Investments	1	50	1	187	239
Acquisitions	-	25	-	-25	-
Disposals	-11	-44	-1	-6	-62
Reclassification from / to assets held for sale	-	3	-	4	7
Reclassification other	3	41	1	-113	-68
Translation differences	-	-3	-	-	-3
At 31 December 2018	**79**	**3,882**	**45**	**227**	**4,233**
Accumulated depreciation and impairment					
At 1 January 2017	**18**	**1,364**	**24**	**23**	**1,429**
Annual depreciation and impairment	3	202	5	6	216
Disposals	-	-71	-	-	-71
Reclassification other	-	11	-	-	11
Translation differences	-	-2	-	-1	-3
At 31 December 2017	**21**	**1,504**	**29**	**28**	**1,582**
Annual depreciation and impairment	3	174	5	-	182
Disposals	-3	-19	-1	-	-23
Reclassification from / to assets held for sale	-	1	-	-	1
Reclassification other	-	-3	-	-	-3
Translation differences	-	-1	-	-	-1
At 31 December 2018	**21**	**1,656**	**33**	**28**	**1,738**
Carrying amount					
At 1 January 2017	66	2,340	18	75	2,499
At 31 December 2017	65	2,306	15	152	2,538
At 31 December 2018	**58**	**2,226**	**12**	**199**	**2,495**

Capitalised interest

During the reporting period, there was no attributable interest capitalised for property, plant and equipment (2017: nil). The capitalisation rate of interest was 1.35% in 2018 (2017: 1.6%).

Assets under construction

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

Extension of the useful life of the Prinses Amalia Wind Farm

In 2018, Eneco reassessed the useful life of the Prinses Amalia Wind Farm. This had been set at 10 years (in accordance with the period of the MEP grant) at the commissioning of the farm and would have ended along with the depreciation in 2018. As a result of efficiency measures and expected trends in the APX price for electricity, Eneco has determined that the wind farm's activities can be continued. This has led to a 5-year extension of the useful life to 2023, resulting in a lower depreciation charge of €19 million in 2018, which will be charged to the result in future years.

13. Intangible assets

	Goodwill	Customer databases	Licences and software	Concessions, permits, trade names and other rights	Development costs	Total
Cost						
At 1 January 2017	**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**
Adjustments opening balance at 1 January 2018	6	-2	-	-	-	4
Adjusted opening balance at 1 January 2018	**512**	**507**	**116**	**127**	**10**	**1,272**
Investments	-	-	14	-	5	19
Acquisitions	1	82	2	-	-	85
Disposals	-	-	-13	-	-2	-15
Disposal of group companies	-1	-	-2	-1	-1	-5
Translation differences	-	-	-	-	-	-
Reclassification other	13	-1	4	51	-3	64
At 31 December 2018	**525**	**588**	**121**	**177**	**9**	**1,420**
Accumulated depreciation and impairment						
At 1 January 2017	**-**	**143**	**66**	**27**	**1**	**237**
Annual depreciation and impairment	-	39	10	6	1	56
Disposals	-	-	-1	-	-	-1
At 31 December 2017	**-**	**182**	**75**	**33**	**2**	**292**
Annual depreciation and impairment	-	49	16	5	2	72
Disposals	-	-	-15	-	-	-15
Disposal of group companies	-	-	-2	-	-1	-3
At 31 December 2018	**-**	**231**	**74**	**38**	**3**	**346**
Carrying amount						
At 1 January 2017	160	56	17	46	3	282
At 31 December 2017	506	327	41	94	8	976
At 31 December 2018	**525**	**357**	**47**	**139**	**6**	**1,074**

Goodwill

Goodwill was €525 million at 31 December 2018 (31 December 2017: €506 million) and consisted mainly of €138 million of goodwill relating to the group of cash-generating units in the Netherlands, €212 million relating to the group of cash-generating units in Belgium (including goodwill of €192 million from the acquisition in 2017 of Eni Gas & Power N.V. - 'Eni') and €159 million of goodwill relating to the group of cash-generating units in Germany (resulting from the acquisition of LichtBlick Holding A.G. - 'LichtBlick'). 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 also revised. Where applicable, this reallocation was based on the relative value method in line with IAS 36 'Impairment of Assets'.

An impairment analysis was performed on this goodwill which showed that the recoverable amount of this 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 4.9% - 7.2% (in 2017: 6% - 8% 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 (acquired in 2003), Oxxio (acquired in 2011), Dong Energy Sales (acquired in 2014), LichtBlick and Eni (acquired in 2017) and E.ON Benelux Levering (acquired in 2018) (see note 14 'Business combinations and other changes in the consolidation structure').

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.

Current intangible assets and inventories

'Intangible assets and inventories' were €178 million at 31 December 2018 (2017: €58 million), €145 million of which (2017: €34 million) related to green certificates and emission rights and the remainder to other inventories.

14. Business combinations and other changes in the consolidation structure

There were three acquisitions in 2018, relating to the energy company E.ON Benelux Levering B.V. (customer portfolios) and two smart energy companies which are not material and so not discussed further. The total opening balance sheet figures for these companies are reported in 'Other acquisitions' below. In 2018, Eneco also exercised its right to purchase the remaining 50% of the shares in LichtBlick Holding AG. In addition, the business combinations relating to the energy business and the wind energy activities of Eni Gas & Power N.V. and the wind energy activities of De Wolff Verenigde Bedrijven B.V., both acquired in 2017, were completed and the figures are now definitive. Eneco also sold half of its holding (10% of the shares) in the

Blauwwind wind farm being constructed off the Dutch coast and took a 12.5% interest in the SeaMade wind farm being built off the Belgian coast. At the end of 2018, Eneco also sold its solar and hydro-electricity generation activities in France.

Acquisition of E.ON Benelux Levering

On 1 May 2018, Eneco completed the purchase of a 100% holding in E.ON Benelux Levering B.V. (name changed to Eneco Zuid Nederland B.V., hereinafter 'EZN') after reaching agreement on the proposed acquisition with the works councils of both companies and after receiving the approval of the Dutch competition authorities. The operations of EZN, based in Eindhoven, comprise sales and supply activities in the Netherlands. EZN has some 150 employees and the company supplies energy to about 200,000 Dutch retail and business customers. The aim of the acquisition is to achieve growth in the area of sustainable energy and innovative energy services in the Netherlands.

The purchase price for EZN was some €20 million in cash. A further sum of some €85 million was paid to the former owner as repayment of existing financing. 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 was completed during the second half of 2018 and so the figures for this business combination are now definitive. Based on the figures in the opening balance sheet, the acquisition generated negative goodwill of some €11 million which has been taken to the result ('Other revenues'). Eneco has, however, incurred costs totalling some €9 million for transferring customer contracts to Eneco systems and these have been charged to the 2018 result ('Cost of contracted work and other external costs'). The negative goodwill is largely attributable to these arrangements and incorporating them in the acquisition price, along with the purchased customer contracts measured at fair value.

The assets and liabilities were recognised at fair value on the acquisition date. The assets comprise some €80 million of intangible assets (customer contracts), some €95 million of trade and other receivables and some €35 million of cash and cash equivalents. The liabilities comprise some €80 million of current liabilities (some €25 million of which are taxes payable, mainly energy tax and VAT), including trade creditors. Some €10 million of deferred tax liabilities were recognised in the opening balance sheet and there is current financing of some €85 million. The fair value of the trade and other receivables acquired was some €25 million of which €4 million was assessed as uncollectible at the acquisition date.

The costs related to this transaction were some €0.5 million, of which €0.1 million has been charged to the 2018 result ('Cost of contracted work and other external costs'). Between the acquisition date and the date of transferring the customer contracts to Eneco's systems (September 2018), EZN contributed some €140 million to the Group's revenues and, due to non-recurring expenses , a small loss after tax in 2018.

Acquisition of LichtBlick - purchase of second tranche of 50% of the shares

In 2017, Eneco purchased 50% of the issued shares in LichtBlick Holding A.G. along with the right to purchase the remaining 50% in the period to the end of 2018. Eneco exercised that right and carried out the transaction on 19 December 2018 for a total sum of some €0.2 billion including interest from the acquisition date of 28 February 2017. This conditional obligation was recognised in the consolidated balance sheet at 31 December 2017 as 'Interest-bearing debt'. The Group gained control of LichtBlick in 2017 according to IFRS 10 'Consolidated Financial Statements' and has consolidated its figures in full in the Group figures since the acquisition date. This has not been changed by the transaction in 2018. As a result of the acquisition of the remaining LichtBlick shares, Eneco also obtained control of a wholly-owned subsidiary of LichtBlick which was previously managed by the former shareholders. The short period between the transaction and the reporting date means that the assessment of the fair value of the identified assets and liabilities had not been completed on the reporting date. Consequently, the acquisition of the subsidiary has been recognised 'provisionally' in the 2018 Group financial statements; the impact of the wholly-owned subsidiary is not material to the consolidated balance sheet and income statement.

Acquisition of Eni - definitive figures

Eneco purchased two 100% subsidiaries, Eni Gas & Power N.V. and Eni Wind N.V. ('Eni'), on 10 July 2017. The assessment of the fair value of the identified assets and liabilities was completed during the first half of 2018 and so the figures for this business combination are definitive. This led to a small reduction in the fair value measurement of the purchased customer databases and the recognition of certain contractual liabilities in the balance sheet. On balance, these two adjustments increased the amount of goodwill on the acquisition of Eni by some €6 million to about €192 million. In addition, the deferred tax liabilities relating to this business combination have been reduced in connection with a cut in the tax rate in Belgium from 34% to 29.58% from 2018. These were released through the result for 2018 as part of the assessment of the overall tax position in these financial statements (see note 10 'Income tax' and 16 'Deferred taxes').

Acquisition of De Wolff's wind energy activities - definitive figures

On 1 November 2017, Eneco acquired the wind energy activities of De Wolff Verenigde Bedrijven B.V. In the first half of 2018, there was a related transfer of a wind farm under construction for a cash sum. The total investment in De Wolff was established under an agreement for a provisional fee which depends on achieving a certain stage of progress on the wind energy projects under development. The definitive purchase price for the shares of all the acquired companies depended on establishing final figures at 31 October 2017 and this was completed in the second half of 2018. Consequently, the figures for this business combination are definitive. In addition, the allocation of the purchase price to the fair value of the identified assets and liabilities that must be recognised as property, plant and equipment or intangible assets was assessed using the relevant IFRS criteria. This led to a reallocation to intangible assets of a total of €50 million in connection with licences obtained for developing and constructing wind projects. Establishing the final purchase price for the shares led to a very small extra payment in 2018 and an increase in the fair value measurement of the acquired assets which for the purposes of this note is not material. The goodwill of €16 million that arose from this business combination resulted from the fair value calculations and the recognition of deferred tax liabilities. The goodwill is not deductible for tax purposes. The fair value of the identified assets and liabilities at the acquisition date comprised mainly of intangible assets of some €51 million, property, plant and equipment of some €46 million, net working capital including cash and cash equivalents of some €13 million, deferred tax liabilities of some €18 million and interest-bearing debt of some €32 million.

Other acquisitions

Details of the other acquisitions are not provided as they are not material. These were three acquisitions with a total purchase price of €1 million, mainly being property, plant and equipment of €2 million, non-current liabilities of €2 million and goodwill of €1 million.

Pro forma group figures for 2018 including acquisitions

Had the above three acquisitions taken place on 1 January 2018, the Group's revenues and result after tax for the full year would have been €4,377 million and €138 million respectively.

Sale of 10% of the shares in the Blauwwind (Borssele III & IV) wind farm to Partners Group

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, Partners Group. The transaction was effected in June 2018. This sale reduced Eneco's share in this consortium from 20% to 10% but has not affected its treatment under IFRS. The Blauwwind wind farm is consolidated proportionately pursuant to IFRS 11 'Joint Arrangements'. The sale of the shares has not affected the Power Purchasing Agreement under which Eneco will purchase 50% of the electricity generated by the wind farms for a period of 15 years. For the first 15 years after coming on stream (expected to be 2021), Blauwwind will receive a guaranteed price of €54.49 per MWh under the Dutch SDE+ subsidy scheme. Financing contracts for the construction of the wind farm were also signed with a bank consortium in June 2018. The capital expenditure for the construction phase, financed in part by project financing, is expected to be a total of €1.3 billion.

12.5% holding in the SeaMade wind farm

In June 2018, Eneco entered into a shareholders' agreement with parties to a consortium for a 12.5% holding in two large offshore wind farms, Seastar and Mermaid (SeaMade N.V.), being developed off the Flemish coast. The wind farms under construction will have a total capacity of some 487 MW. Consequently, Eneco is further expanding its activities in Belgian offshore wind farms (alongside participation in the Norther wind farm that is under construction) in line with its strategy to grow further and invest in the sustainable generation of energy in Belgium. The holding acquired in SeaMade N.V. was agreed on 19 July 2018. This joint venture is classified as a joint operation under IFRS 11 'Joint arrangements' and so is recognised proportionately in the Group's figures. Eneco has entered into a Power Purchasing Agreement under which it will purchase 100% of the electricity generated by the wind farms for a period of 18 years. As well as the purchase of shares, financing contracts for the construction of the wind farm were also signed with a bank consortium at the end of 2018. The capital expenditure for the construction phase, financed in part by project financing, is expected to be some €1.3 billion.

Sale of solar and hydro activities of Eneco France

In 2018, it is was decided to sell the solar and hydro-electricity generation activities in France ('Eneco France', consisting of Eneco France SAS and its subsidiaries and other associates). The sales transaction was effected by means of a legal transfer of the shares and the financial settlement was made on 11 December 2018. As a result, Eneco France was deconsolidated from the Group's figures in December 2018. Until that time, Eneco France's results were incorporated in the consolidated income statement. The result of this sale has been recognised in 'Other revenues' in the income statement.

15. 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 net movement in the carrying amount of the associates and joint ventures in 2018 was some €2 million negative, including investments in businesses aligned with the 'smart energy' activities for innovative energy services and products, including GreenFlux, a supplier of smart charging services for electric vehicles. This investment in a supplier of software and complete solutions for electric vehicles is in line with Eneco's ambitions to use technology to accelerate the energy transition. In addition, total impairment of €5 million was charged against the 2018 result in respect of certain participating interests.

The table below summarises the financial data of the associates and joint ventures, relating mainly to Greenchoice and Norther.

Balance sheet information	At 31 december 2018	At 31 december 2017
Property, plant and equipment	827	402
Current assets	417	378
Non-current liabilities	811	429
Current liabilities	217	132
Net assets (100%)	**216**	**219**
Eneco's share of net assets	63	62
Carrying amount of interest in associates and joint ventures (incl. acquired goodwill)	**109**	**111**

Profit or loss information	2018	2017
Revenues (100%)	374	401
Profit after income tax (100%)	-7	-7
Total other comprehensive income (100%)	-9	5
Total comprehensive income (100%)	-16	-2
Groups total comprehensive income	**-6**	**-**
Groups share of profit after income tax and total comprehensive income	**-11**	**-**

Further to the above tables, the cash and cash equivalents of one joint venture were €173 million (31 December 2017: €142 million) and the long-term interest-bearing debt was €717 million (31 December 2017: €355 million) (both on 100% basis).

16. Deferred taxes

The table below shows the deferred tax assets and liabilities:

	Assets		Liabilities	
	At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017
Property, plant and equipment	-	1	156	178
Intangible fixed assets	21	22	113	130
Cash flow hedges	-	-	2	4
Loss carry forwards	5	3	-18	-19
Losses at non-resident participating interests	-	-	12	16
Provisions	4	1	2	-3
Total	**30**	**27**	**267**	**306**

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 2018 were as follows:

	Net balance at 1 January 2018[1]	Recognised in profit or loss[2]	Recognised in other comprehensive income	Other (including business combinations)	Net balance at 31 December 2018	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	- 177	19	–	2	- 156		- 156
Intangible fixed assets	- 112	24	–	- 4	- 92	21	- 113
Cash flow hedges	- 4	–	2	–	- 2		- 2
Loss carry forwards	22	–	–	1	23	23	–
Losses at non-resident participating interests	- 16	6	–	- 2	- 12		- 12
Provisions	4	1	–	- 3	2	6	- 4
Tax liabilities (assets) before set-off	**- 283**	**50**	**2**	**- 6**	**- 237**	**50**	**- 287**
Set-off of tax						- 20	20
Total						**30**	**- 267**

1 As a result of the implementation of IFRS 9 and 15, the adjustments to the 2018 opening balance sheet have been recognised directly in equity less €4 million of deferred taxes. See note 1.2 'New or amended IFRS standards' for further information.

2 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'.

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	Disposal activities Network Group	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'.

The table below shows the expiry periods for temporary differences available for relief at 31 December 2018:

Expiry periods for differences available for relief	In years
Property, plant and equipment	1 - 45
Intangible fixed assets	1 - 20
Cash flow hedges	1 - 20
Losses available for relief	1 - 10
Provisions	1 - 10

No deferred tax asset has been recognised on pre-consolidation and other losses of €18 million (31 December 2017: €7 million) since it is not certain whether sufficient taxable profits will be available in the future at the subsidiaries and permanent establishment, which are not members of the fiscal unity. The tax regulations in the relevant jurisdiction state that most of these losses can be carried forward indefinitely.

17. Derivative financial instruments

17.1 Financial instruments of the Group

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

Financial assets	At 31 December 2018	At 31 December 2017
Interest rate swap contracts	-	-
Currency swap contracts	8	11
Energy commodity contracts	233	238
CO2 emission rights	19	6
Total	**260**	**255**
Classification		
Current	176	190
Non-current	84	65
Total	**260**	**255**

Financial liabilities	At 31 December 2018	At 31 December 2017
Interest rate swap contracts	4	3
Currency swap contracts	-	2
Energy commodity contracts	219	221
CO2 emission rights	3	1
Total	**226**	**227**
Classification		
Current	150	181
Non-current	76	46
Total	**226**	**227**

17.2 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 2018	At 31 December 2017
Interest rate swap contracts	–	–
Currency swap contracts	–	1
Energy commodity contracts	202	205
CO2 emission rights	19	6
Total	**221**	**212**
Classification		
Current	160	180
Non-current	61	32
Total	**221**	**212**

Financial liabilities	At 31 December 2018	At 31 December 2017
Interest rate swap contracts	–	–
Currency swap contracts	–	1
Energy commodity contracts	200	209
CO2 emission rights	3	1
Total	**203**	**211**
Classification		
Current	139	172
Non-current	64	39
Total	**203**	**211**

17.3 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 2018	At 31 December 2017
Interest rate swap contracts	–	–
Currency swap contracts	8	10
Energy commodity contracts	31	33
CO2 emission rights	–	–
Total	**39**	**43**
Classification		
Current	16	10
Non-current	23	33
Total	**39**	**43**

Financial liabilities	At 31 December 2018	At 31 December 2017
Interest rate swap contracts	4	3
Currency swap contracts	–	1
Energy commodity contracts	19	12
CO2 emission rights	–	–
Total	**23**	**16**
Classification		
Current	11	9
Non-current	12	7
Total	**23**	**16**

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

17.4 Fair value hierarchy

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

At 31 December 2018	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO2 emission rights	50	189	13	252
Interest rate and currency swap contracts	-	8	-	8
	50	**197**	**13**	**260**
Liabilities				
Energy commodity contracts and CO2 emission rights	4	218	-	222
Interest rate and currency swap contracts	-	4	-	4
	4	**222**	**-**	**226**

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

17.5 Cash flow hedges

Movements in the cash flow hedge reserve are presented in note 31.2. 'Market risk'.

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

	At 31 December 2018	At 31 December 2017
Expected cash flow		
Within 1 year	84	118
From 1 to 5 years	21	61
After 5 years	-1	-
Total	**104**	**179**

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 2018	At 31 December 2017
Expected recognition in result after tax		
Within 1 year	-	-2
From 1 to 5 years	-3	8
After 5 years	-	4
Total	**-3**	**10**

18. Other financial assets

		At 31 December 2018	At 31 December 2017
Other capital interests		-	5
Other receivables		99	106
Contract acquistion costs[1]		30	-
Total		**129**	**111**

1 Contract acquisition costs have been capitalised since 1 January 2018 as a result of the introduction of IFRS 15. See 1.2 ‘New or amended IFRS standards’ for further information.

Other receivables include €7 million of contract assets for deliveries of Toon thermostats etc. in combination with energy contracts. These sums will be charged to the result over the life of the contracts.

See note 21 ‘Other receivables’ for the movements in contract acquisition costs.

19. 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. In 2017, contracts were signed for the sale of most of the portfolio, and this was transferred in 2018. It is expected that the remainder of these projects will be sold in 2019. There will, therefore, be no further reduction in value from the carrying amount to expected fair value less costs to sell.

Assets held for sale at the end of 2017 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. On 27 January 2018, this receivable was converted into cash and cash equivalents when it was sold to a bank.

20. Trade receivables

The table below shows the trade receivables:

	At 31 December 2018	At 31 December 2017
Energy receivables	659	603
Amounts to be invoiced[1]	86	61
Other trade receivables	55	65
Less: Provision for expected credit losses	-78	-79
Total	**722**	**650**

1 The 'Amounts to be invoiced' were recognised as 'Energy receivables' in 2017. For comparative purposes, the 'Energy receivables' at year end 2017 have been restated accordingly.

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

		At 31 December 2018		At 31 December 2017	
	Percentage for expected credit losses	Nominal receivables	Provision for expected credit losses	Nominal receivables	Provision for expected credit losses
Prior to due date	1%	548	3	504	1
After due date					
- under 3 months	5%	130	7	84	6
- 3 to 6 months	19%	21	4	16	4
- 6 to 12 months	35%	23	8	23	9
- over 12 months	72%	78	56	102	59
Nominal value		**800**	**78**	**729**	**79**
Less: Provision for expected credit losses[1]		-78		-79	
Total		**722**	**78**	**650**	**79**

[1] The provision in 2017 is based on the 'incurred loss method'.

The table below shows the movements of the impaired receivables:

	2018	2017
At 1 January (calculated based on IAS 39 principles)	**79**	**66**
Adjustment provision following the introduction of IFRS 9 at 1 January	1	-
At 1 January (based on IFRS 9)	**80**	**66**
Additions for acquisitions	11	24
Additions through profit or loss	10	8
Withdrawals	-22	-19
Release	-1	-
At 31 December	**78**	**79**

21. Other receivables

	At 31 December 2018	At 31 December 2017
Contract acquisition costs[1]	19	-
Prepayments and accrued income	136	182
Margin calls	75	52
Other receivables	9	10
Total	**239**	**244**

[1] Contract acquisition costs have been capitalised since 1 January 2018 as a result of the introduction of IFRS 15. See 1.2 ‘New or amended IFRS standards’ for further information.

The movements in contract acquisition costs were as follows:

	Contract Aquisitions Costs
At 1 January 2018	**18**
Reclassification	5
Capitalization	44
Amortisation	-18
At 31 December 2018	**49**
Classification at 31 December 2018	
Current	19
Non-current	30
Total	**49**

The amortisation has been recognised in the 2018 result as €3 million in 'Revenues from energy sales and energy related activities', €2 million in 'Purchases of energy and energy related activities' and €13 million in 'Cost of contracted work and other external costs'.

22. Cash and cash equivalents

Cash and cash equivalents comprised bank balances, cash and deposits of €504 million at 31 December 2017 (31 December 2017: €465 million). Term deposits and blocked accounts which are not freely available were €58 million at 31 December 2018 (31 December 2017: €118 million) and these are not at the free disposal of the Group.

23. Equity

	At 31 December 2018	At 31 December 2017
Share capital	122	122
Translation reserve	-7	-6
Cash flow hedge reserve	-3	10
Retained earnings	2,688	2,613
Undistributed result for the financial year	136	127
Equity attributable to N.V Eneco Beheer shareholder	**2,936**	**2,866**
Non-controlling interests	3	3
Total equity	**2,939**	**2,869**

General

The opening balance of group equity has been restated by a total of €13 million for the adjustments relating to the implementation of IFRS 9 and 15 (see note 1.2 'New or amended IFRS standards').

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 2018, 267,458 shares had been issued and fully paid. There were no changes in 2018. 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 shareholders.

The Group 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 hedging 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 shareholders. Section 31.2 ‘Market risk’ in note 31 ‘Financial risk management’ provides further information on cash flow hedging, including a statement of the movements in this reserve.

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 the Group is not the sole shareholder.

24. Provisions for employee benefits

	Long-service benefits	Other	Total
Classification at 1 January 2017			
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 1 January 2018	**9**	**8**	**17**
Addition	-	4	4
Withdrawals	-	-4	-4
Release	-	-1	-1
Other	-	-	-
At 31 December 2018	**9**	**7**	**16**
Classification at 31 December 2018			
Current	1	6	7
Non-current	8	1	9
At 31 December 2018	**9**	**7**	**16**

Long-service benefits and pension liabilities

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

There are some defined benefit pension plans but as the net liability (liabilities for pension commitments less the plan assets) is not material at some €4 million (31 December 2017: €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 2018	At 31 December 2017
Long-service benefits (NL)		
Discount rate at reporting date	1.6%	1.1%
Future salary increases	1.50%-2.50%	1.52%-2.10%
Mortality table	GBM & GBV 2012-2017	GBM & GBV 2009-2015
Pension liabilities (BE)		
Discount rate at reporting date	1.3% - 1.5%	1.2% - 1.5%
Future salary increases	1.5% / schaal+1%	1.0% / schaal+0,5%
Mortality table	MR-5/FR MR (retired)/FR	MR-5/FR-5 MR-5 (active)/FR MR (retired)/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.

25. Other provisions

	Decommissioning provision	Onerous contracts	Restructuring	Other	Total
Classification at 1 January 2017					
Current	-	-	7	-	7
Non-current	65	-	1	6	72
At 1 January 2017	**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**
Addition	12	-	16	3	31
Withdrawals	-	-	-12	-5	-17
Additions related to acquistions	-	-	7	4	11
Release	-1	-4	-	-1	-6
Other	-	-	-	-	-
At 31 December 2018	**87**	**4**	**15**	**14**	**120**
Classification at 31 December 2018					
Current	-	4	9	-	13
Non-current	87	-	6	14	107
At 31 December 2018	**87**	**4**	**15**	**14**	**120**

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 at the reporting date and are reviewed annually for expected future movements in the cost of removing assets. The amounts estimated for decommissioning are inherently uncertain since it is not expected that an asset will be dismantled until a date well into the future and only limited historical data is available. Interest in a range of 2.1% to 3.8% was added to the provisions in 2018 (2017: 2.3% to 4.6%).

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

Restructuring provision
In 2018, €16 million (2017: €4 million) was added to the restructuring provision in connection with a restructuring of the Dutch and Belgian business units. In addition, a restructuring provision of €7 million was formed on the acquisition of E.ON Benelux Levering B.V. In view of its normally short-term nature, no interest is added to the restructuring provision.

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.

26. Interest-bearing debt

At 31 December 2018, the Group's interest-bearing debt related largely to financing wind farms and general financing.

	At 31 December 2018	At 31 December 2017
Non-recourse	311	335
Other loans and liabilities	194	400
Total	**505**	**735**

See note 31 'Financial risk management' for details of the periods over which the repayments will be made.

	At 31 December 2018	At 31 December 2017
Classification		
Current	41	282
Non-current	464	453
Total	**505**	**735**

The main movement in the current and non-current interest-bearing debt in 2018 was some €0.2 billion related to exercising the call option on LichtBlick Holding AG. There was an increase of €63 million in interest-bearing debt and repayments of €105 million were made including €68 million relating to green loans. 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 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 2018 was €311 million (31 December 2017: €335 million). No collateral has been provided for the other interest-bearing debt.

Liabilities arising from loans with a fixed-rate nature (fair value risk) were €82 million at 31 December 2018 (31 December 2017: €279 million). 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 2018 was 3.3% (2017: 3.5%). 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 2018 was €454 million (31 December 2017: €650 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.

27. Trade creditors and other payables

	At 31 December 2018	At 31 December 2017
Trade and energy creditors	829	715
Contributions received for connections[1]	101	84
Accruals and deferred income	319	331
Pension contributions	2	2
Other liabilities	408	209
Total	**1,659**	**1,341**
Classification		
Current	1,517	1,224
Non-current	142	117
Total	**1,659**	**1,341**

[1] In 2017, the 'Contributions received for connections' formed part of 'Other liabilities'. For comparative purposes, the 'Other liabilities' at year end 2017 have been restated.

Other liabilities (part of non-current liabilities) in the consolidated balance sheet include contract liabilities for amounts paid by customers towards connection to district heating networks (contributions received for connections). Trade creditors, include advances already billed if they are higher than the actual or estimated energy consumption during the reporting period.

The table below shows the movements in these non-current and current contract liabilities:

	Contributions received for connections
At 1 January 2018	**84**
Addition to contributions for connections	17
Release of contributions for connections as other revenues	-
At 31 December 2018	**101**
Classification at 31 December 2018	
Current	2
Non-current	99
Total	**101**

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

28. 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 charge of €29 million has been recognised through the income statement (2017: €25 million).

The minimum receivables from these leases fall due as follows:

	At 31 December 2018	At 31 December 2017
Within 1 year	28	30
From 1 to 5 years	91	95
After 5 years	172	198
Total	**291**	**323**

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 €21 million (2017: €22 million) have been recognised through the income statement.

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

	At 31 December 2018	At 31 December 2017
Within 1 year	19	18
From 1 to 5 years	59	56
After 5 years	36	35
Total	**114**	**109**

29. 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 €9.4 billion (31 December 2017: €6.1 billion) under contracts relating to 2019 and later years. €2.2 billion falls due within 1 year, €3.5 billion between 1 and 5 years and €3.7 billion after 5 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 €4.7 billion (31 December 2017: €3.4 billion) for 2019 and later years. €2.0 billion falls due within 1 year, €2.4 billion between 1 and 5 years and €0.3 billion after 5 years.

The Group has commitments of €0.6 billion (31 December 2017: €0.6 billion) for the purchase of heat until 2043. The expected perpetual commitments for the sale of heat are €0.3 billion per year (31 December 2017: €0.3 billion).

Investment obligations

At 31 December 2018, the Group had entered into investment obligations with a total amount of €0.4 billion (31 December 2017: €0.1 billion).

Other (contingent) obligations

At 31 December 2018, there were other contractual obligations of €0.4 billion (31 December 2017: €0.5 billion), mainly under maintenance contracts.

Guarantees

The Group has issued group and bank guarantees of €0.5 billion (31 December 2017: €0.4 billion) to third parties. At 31 December 2018, N.V. Eneco Beheer had issued guarantees of €0.4 billion (31 December 2017: €0.3 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.

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. Eneco has, for example, been ordered to pay a material amount but it denies all liability and disputes every alleged obligation for payment.

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.

30. Related party transactions

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

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.

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	
	2018	2017	2018	2017
Affiliates	-	5	-	1
Associates	13	31	-	-
Joint ventures	-	-	5	2

	Receivables		Liabilities	
	At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017
Affiliates	-	6	-	25
Associates	2	1	-	-
Joint ventures	48	44	1	-

See note 6 'Remuneration of the Board of Management' to the consolidated financial statements for the remuneration of 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.

31. 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 KPIs 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.

31.1 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 (on trade and other receivables) and counterparty risk. The maximum credit risk is the carrying amount of the financial assets including the derivative financial instruments.

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.

Trade receivables

The Group applies the IFRS 9 simplified approach for determining expected credit losses on trade receivables using the lifetime expected credit losses method. This method is based on the inherent risk that a debtor will not pay or fully pay the receivable over its life. Consequently, this risk has to be recognised from the initial recognition of the receivable and a provision is formed for part of the amount of trade receivables that have not reached their due date and amounts to be billed as a result of the application of IFRS 9 from 1 January 2018.

A provision matrix is used to ascertain the expected credit losses on receivables from retail and SME customers. This groups trade receivables by shared credit risk characteristics and the number of days that the receivables are outstanding.

The provision matrix incorporates different percentages for the various phases of collection of receivables, such as first reminder, dispute, debt collector or bankruptcy, related to the risk profile for ascertaining the expected losses. The percentages have been established from historical figures adjusted for non-recurring past effects. The percentages have been set taking account of current and forward-looking information on macro-economic factors for each country that could affect customers' ability to pay the receivables. The provision matrix is also segmented into the different customer classifications, such as different customer propositions, and countries.

This procedure also applies to large business customers but is in that case supplemented by an individual assessment involving credit ratings (if available), financial statements, press releases and specific contractual agreements with those customers.

The expected credit losses on trade receivables were ascertained in this way at 1 January 2018 and 31 December 2018 (on first application of IFRS 9). See note 20 'Trade receivables' for the figures.

Other receivables

The expected credit losses on other current and non-current receivables measured at amortised cost are calculated using the 12-month expected credit losses method unless a significant/considerable increase in credit risk has arisen for these receivables since initial recognition. In that case, any impairment is established using the lifetime expected credit losses method according to

IFRS 9. To this end, there is an individual assessment of each receivable, incorporating credit ratings (if available), financial statements, press releases and specific contractual agreements with those customers and other parties.

See note 1.2 'New or amended IFRS standards' for more information on the introduction of IFRS 9 from 1 January 2018. See note 20 'Trade receivables' for the figures on the provision for doubtful debts.

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 fuel (or '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 also implies periodic (daily, weekly etc.) settlement, but 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.

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; and
- procedures for regular assessment of counterparty risk.

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

31.2 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 and Value at Risk (VaR)[1] measures. 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. These are created exclusively by the trading department for the entire Group and the other business units must at all times immediately hedge their exposure with the trading department. There is a residual risk in the above activities given the inherent existing imperfections between the positions to be hedged and available hedging instruments, weather influences, 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 2019 was €21 million at 31 December 2018 (31 December 2017 - for the delivery year 2018 - €15 million). This VaR was on average

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.

€26 million in 2018 (2017: €15.5 million). The higher VaR in 2018 was mainly a result of the considerable increase in commodity prices during the year. The VaR (10 day) for portfolio positions that can be hedged in the short term via the market was €1.8 million at 31 December 2018 (31 December 2017: €1.2 million). This VaR was on average €2.3 million in 2018 (2017: €1.8 million).

The Group applies cash flow hedge accounting to its energy generation, purchasing and delivery portfolios and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and futures contracts (hedging instruments). The sizes and rates of the hedged risks in the cash flow hedge accounting relationships were:

Cash flow hedges (GWh)	12 months or less	More than 12 months	Total	Average rate per MWh (€)
Nominal size of contracts	-3,627	-450	-4,077	35.3

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the consolidated balance sheet.

The hedging instruments for hedged commodity risks in cash flow hedges at 31 December 2018 were:

Cash flow hedges for price risks in energy generation, purchasing and delivery portfolios	x € 1 million
At 31 December 2018	
Gross contract value of the derivative financial instruments (often settled net compared with market price)	-144
Carrying amount of derivative financial instruments[1]	12
Movements in elements for assessing hedging relationships in 2018	
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-9
Movement in fair value of hedged risks to determine possible ineffectiveness	11
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-8
Hedge ineffectiveness included in income statement	-2
Amount recycled from the cash flow hedge reserve to the income statement	-1

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 17.3 'Financial instruments recognised in equity'.

Changes in electricity and gas consumption and generation of electricity may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for commodity risks are recognised as 'Purchases of energy and energy-related activities' in the consolidated income statement.

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 (excluding commodity-related financial instruments) 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. Eneco also uses derivatives and foreign currency loans to mitigate foreign exchange risk. The derivatives and loans used have counteracting risk profiles and the same underlying currency, principal and timing as the risk arising from commercial operations, leading to an effective hedge on which hedge accounting is applied. This approach hardly ever leads to ineffectiveness in currency hedges. 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 2018 was €1.2 million (2017: €0.7 million).

Eneco has entered into hedging instruments for future cash inflows from its foreign operations (cash flow hedging) and the value of the business operations in the UK (hedge of net investment in a foreign operation). The Group applies cash flow hedge accounting and a hedge of net investment in a foreign operation to its foreign currency risks and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and futures contracts (hedging instruments). The sizes and rates of the hedged risks in the cash flow hedge accounting relationships were:

x £ 1 million	12 months or less	More than 12 months	Total	Average currency rate (€)
Cash flow hedges				
Nominal value of derivative financial instruments	42	46	88	0.87
Hedge of net investment in a foreign operation				
Nominal size of (derivative) financial instruments	110	100	210	0.91

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the consolidated balance sheet. If interest-bearing debt is used as a hedging instrument, it is recognised in this item in the balance sheet.

The cash flow hedging instruments for currency risk and a net investment in a foreign operation with foreign currency risk at 31 December 2018 were:

Currency risk x € 1 million	Cash flow hedges	Hedge of net investment in a foreign operation
At 31 December 2018		
Nominal value of derivative financial instruments	101	231
Carrying amount of derivative financial instruments[1]	7	113
Movements in elements for assessing hedging relationships in 2018		
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-1	-
Movement in fair value of hedged risks to determine possible ineffectiveness	3	1
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-2	-
Hedge ineffectiveness included in income statement	-	-
Amount recycled from the cash flow hedge reserve to the income statement	1	-

[1] Individual debit and credit amounts for these derivative financial instruments are presented in note 17.3 'Financial instruments recognised in equity'.

Changes in receipts of cash flows in foreign currency may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for commodity risks are recognised as 'Financial income' or 'Financial expenses' in the consolidated income statement. See the 'Unrealised gains and losses on cash flow hedges' line in the Consolidated statement of comprehensive income for the unrealised gains and losses on currency risks.

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 €0.5 million (2017: €1.6 million).

The Group applies cash flow hedging to its interest rate risks and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and futures contracts (hedging instruments). The sizes and rates of the hedged risks in the cash flow hedge accounting relationships were:

Cash flow hedges in € 1 million	12 months or less	More than 12 months	Total	Average interest rate
Nominal value of derivative financial instruments	20	168	188	1.07%

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the consolidated balance sheet.

The cash flow hedging instruments for interest rate risk at 31 December 2018 were:

Cash flow hedges for interest rate risk	x € 1 million
At 31 December 2018	
Nominal value of derivative financial instruments	7
Carrying amount of derivative financial instruments[1]	-4
Movements in elements for assessing hedging relationships in 2018	
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-3
Movement in fair value of hedged risks to determine possible ineffectiveness	1
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-4
Hedge ineffectiveness recognised in income statement	1
Amount recycled from the cash flow hedge reserve to the income statement	1

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 17.3 'Financial instruments recognised in equity'.

Changes in the scheduling of construction of wind farms may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for interest rate risks are recognised as 'Financial income' or 'Financial expenses' in the consolidated income statement.

Cash flow hedge reserve

The movements in the cash flow hedge reserve for 2018 and 2017 were:

	Energy commodities	Interest rate swap contracts	Currency swap contracts	Total
At 1 January 2017	**38**	**-7**	**-1**	**30**
Newly defined cash flow hedges in financial year	-9	-	-	-9
Movements in fair value cash flow hedges	-7	6	-	-1
Non-effective portion of cash flow hedges	2	-	-	2
Discontinued cash flow hedges	-18	-	-	-18
Deferred income tax liabilities	8	-2	-	6
At 31 December 2017	**14**	**-3**	**-1**	**10**
Effective portion of cash flow hedges	-8	-3	-2	-13
Reclassification of cash flow hedge reserve to the consolidated income statement	-1	1	1	1
Deferred tax liabilities	2	-	-	2
Ineffective portion of cash flow hedges recognised in income statement	-2	1	-	-1
Unrealised gains and losses on cash flow hedges in Consolidated statement of comprehensive income	**5**	**-4**	**-2**	**-1**
Share of movements in cash flow hedges of associates and joint ventures, after tax	-	-2	-	-2
At 31 December 2018	**5**	**-6**	**-2**	**-3**

Translation reserve

The foreign exchange risk in hedging a net investment in a foreign operation affects the translation reserve. The table below shows the effect of the foreign exchange hedges on this reserve:

	2018
At 1 January	**-6**
Translation gains and losses during the reporting period	-1
Movement in hedge of net investment in a foreign operation	-
Movement in translation reserve before tax effects	**-7**
Tax effects in the movement in translation reserve	-
At 31 December	**-7**

31.3 Liquidity risk

The Group is a capital-intensive business. Its financing policy 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 the Commodity Risk Team. The sensitivity of the margin call to a 1% change in prices was at 31 December 2018 was €1.1 million (2017: €0.7 million). At 31 December 2018, the Group had received a net amount of €16 million (2017: deposited €47 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 €660 million (2017: €435 million) have been agreed with a number of banks and €103 million of this had been drawn at 31 December 2018 (2017: €75 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

In July 2017, Eneco entered into a committed Revolving Credit Facility ('RCF') of €600 million 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 2018	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	88	18	-	106
Interest-bearing debt	41	331	133	505
Trade and other payables	1,517	49	93	1,659
Total	**1,646**	**398**	**226**	**2,270**

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**

31.4 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 the netting criteria since there is a legally enforceable right to set off the recognised amounts and also because 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 in the consolidated balance sheet netted 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 2018	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	1,489	1,237	252
Other financial instruments	771	597	174
	2,260	**1,834**	**426**

	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	1,443	1,237	206
Other financial instruments	1,091	597	494
	2,534	**1,834**	**700**

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**

32. 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 2018 it was 51.2% (31 December 2017: 50.7%).

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 2018.

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.

33. 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	2018	2017
Movements in intangible current assets	-111	-11
Movements in inventories	-10	7
Movements in trade debtors	26	27
Movements in other receivables	3	236
Movements in non-interest bearing debt	212	29
Total	**120**	**288**

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 Bio Golden Raand C.V.	Rotterdam	100%
Eneco Consumenten B.V. *	Rotterdam	100%
Eneco Consumenten Nederland B.V. *	Rotterdam	100%
Eneco eMobility B.V.	Rotterdam	100%
Eneco Energy Trade B.V.*	Rotterdam	100%
Eneco Gasspeicher 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 Leiding over Noord B.V.	Rotterdam	100%
Eneco Mistral B.V.* (previously: Windkracht Nederland B.V.)	Rotterdam	100%
Eneco Services B.V.*	Rotterdam	100%
Eneco Smart Energy B.V.	Rotterdam	100%
Eneco Solar Belgium N.V.	Ghent (B)	100%
Eneco Solar, Bio & Hydro B.V.*	Rotterdam	100%
Eneco UK Limited	Leeds (UK)	100%
Eneco Verda B.V.* (previously: Distri Wind B.V.)	Rotterdam	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	Wavre (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%
LichtBlick Holding AG	Hamburg (D)	100%
LichtBlick SE	Hamburg (D)	100%
Oxxio Nederland B.V.*	Rotterdam	100%
Quby B.V.	Amsterdam	100%
Sprint B.V.*	Rotterdam	100%
Windpark de Beemden B.V.	Rotterdam	100%

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

Joint operations

Name	Seat	Share
Blauwwind Management II B.V.	Rotterdam	10%
Enecogen v.o.f.	Rotterdam	50%
Q10 Offshore Wind B.V.	Rotterdam	50%
Seamade N.V.	Oostende (B)	12.5%
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)	8.2%
Luminext B.V.	Amsterdam	33.3%

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	2018	2017
Share of profit of subsidiaries	147	142
Other results after income tax	-11	-15
Profit after income tax	**136**	**127**

Company balance sheet

Before profit appropriation

x € 1 million	Note	At 31 December 2018	At 31 December 2017
Non-current assets			
Property, plant and equipment		1	-
Financial assets	3	3,537	3,017
Total non-current assets		**3,538**	**3,017**
Current assets			
Assets held for sale		-	200
Receivables from group companies		189	63
Other receivables		4	-
Cash and cash equivalents		174	94
Total current assets		**367**	**357**
TOTAL ASSETS		**3,905**	**3,374**
Equity			
Share capital		122	122
Translation reserve		-7	-6
Cash flow hedge reserve		-3	10
Undistributed profit of shareholdings reserve		34	33
Research and development expenses reserve		5	5
Retained earnings		2,649	2,575
Undistributed profit		136	127
Total equity	4	**2,936**	**2,866**
Non-current liabilities			
Interest-bearing debt	5	193	144
Other liabilities		2	2
Total non-current liabilities		**195**	**146**
Non-current liabilities			
Interest-bearing debt	5	35	84
Liabilities to group companies		556	109
Liabilities for tax and social security premiums		176	162
Pension premiums[1]		2	2
Other liabilities		5	5
Total current liabilities		**774**	**362**
TOTAL EQUITY AND LIABILITIES		**3,905**	**3,374**

[1] In 2017, the Pension premiums formed part of Other liabilities. For comparative purposes, the Other liabilities at year end 2017 have been restated.

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 2017	**2,490**	**70**	**-**	**8**	**1**	**2,569**
Share of profit of subsidiaries	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**
Adjustments opening balance at 1 January 2018	13	-	-	-	-	13
Adjusted opening balance at 1 January 2018	**2,621**	**397**	**1**	**10**	**1**	**3,030**
Share of profit of subsidiaries	147	-	-	-	-	147
Dividend received	-1,000	-	-	-	-	-1,000
Revaluations of financial assets	-	-	-	-	-	-
Movements in loans to subsidiaries	-	1,379	-	-	-	1,379
Movement in cash flow hedges	-13	-	-	-	-	-13
Movements in fair value of financial instruments in equity	-	-	-	-2	-	-2
Movements in deferred income tax assets	-	-	-	-	1	1
Balancing income tax position (assets)	-	-	-	-	-2	-2
Translation differences	-1	-2	-	-	-	-3
At 31 December 2018	**1,754**	**1,774**	**1**	**8**	**-**	**3,537**

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 23 '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, reserve for undistributed profit of participations and a reserve for research and development costs.

Distributable results

N.V. Eneco Beheer distributed a dividend of €63.5 million in 2018.

The non-distributable capital attributable to N.V. Eneco Beheer's shareholder was €47 million at 31 December 2018 (2017: €51 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 sterling loan as reported in note 26 '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 29 '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. Proposed appropriation of the 2018 profit

A proposal will be put to the General Meeting to declare a dividend to the shareholder of €68 million from the consolidated profit after tax attributable to the shareholder. This represents a distribution of €254.25 per share for 2018. The dividend will be paid in April 2019. A proposal will also be made to add the remaining €68 million of the consolidated profit to Retained earnings.

Rotterdam, 21 February 2019

N.V. Eneco Beheer

Board of Management

L.M. (Ruud) Sondag, voorzitter
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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2018 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 accompanying consolidated financial statements give a true and fair view of the financial position of Eneco as at 31 December 2018, and of its result and its cash flows for 2018 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 accompanying company financial statements give a true and fair view of the financial position of Eneco as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
- the consolidated balance sheet as at 31 December 2018
- the following statements for 2018: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; 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 2018;
- the company profit and loss account for 2018; and
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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.

Materiality

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:

- 2% of gross margin
- 5% of operating result before depreciation and impairments
- 0,8% of revenues from energy sales and energy related activities; and
- 10% of profit before income 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

Scope of the group audit

Eneco 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.

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 1) the examination of possible impairment triggers relating to the CGU's, and 2) 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-inuse 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 the context of the first application of the IFRS 15 Revenue from Contracts with Customers reporting standard as of 1 January 2018 ("IFRS 15"), Eneco concluded that, at the moment of delivery of the energy to customers, the revenues and associated costs should be recognized in the income statement. 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 2019. Finally, we evaluated Eneco's conclusions on the first application of IFRS 15.

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 ITinfrastructure 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 ITinfrastructure, 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 ITinfrastructure 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 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 55 to page 56.

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 contain other information that consists of:

- Report of the Board of Management including annexes (the "Management Board's Report"); and
- 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; en
- 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 in accordance with Part 9 of Book 2 of the Dutch Civil Code, 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 Eneco 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 the Board of Management for the financial statements
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. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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.

Our responsibilities for the audit of 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.

Rotterdam, February 21, 2019

Deloitte Accountants B.V.

Was signed,

J.A. de Bruin

Annexes

Workforce data

Our employees

Eneco 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 45). We refer to the financial statements, note 5 for the number of employees who work abroad (page 99).

	2018	2017
Number of own employees		
Total average workforce in FTE	2,990	3,049
Total workforce in FTE at year end	2,873	3,043
Men - women ratio		
percentage of men and women of the total number of employees in FTE at year end		
Men	64	63
Women	36	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	29	31
age 35-44	33	32
age 45-54	21	21
age 55 and over	15	14
Diversity		
in percentages at year end		
Women in managerial positions	27	27
Employment contract[1]		
in percentages at year end		
Employment contract for an indefinite period	91	89
Employees with a Collective Labour Agreement (CLA) contract	80	81
Employees with a full-time contract	79	80
Absenteeism		
In percentages		
Absenteeism	5,4	5,3

Eneco records most of the workforce data in SAP. Other management systems are used for a number of business units both in the Netherlands and abroad.

1 Due to recent acquisitions, we are not able to specify the types of contracts according to gender. We do intend to do this for the financial year 2019. Specification according to region does not correspond with our organisational structure. In the future, we will specify this according to country

Safety data

Occupational Health and Safety

For all Employees	Eneco Group[1]	Support Functions	Smart Energy	Generation & Storage	Heat & Cold	Energy Trade	EIB / Field Services	Consumers	Business	Belgium
Types of injury										
Accident requiring First-Aid	✔	✔	-	✔	-	-	✔	-	-	-
treatment	✔	✔	-	✔	✔	-	✔	-	-	✔
Accident without absenteeism with medical treatment	✔	✔	-	-	-	-	✔	-	-	-
Accident with absenteeism (absenteeism > 1 day)										
Injury rate (IR)2	0.5	7	-	2	2.6	-	5.9	-	-	2.2
Occupational disease rate (ODR)3	1.97									
Lost day rate (LDR)4	53	-	-	47	-	-	59	-	-	-
Absenteeism rate (AR)	5.4%									
Work-related fatalities	-	-	-	-	-	-	-	-	-	-

For all workers (excl. employees)	Eneco Group	Support Functions	Smart Energy	Generation & Storage	Heat & Cold	Energy Trade	EIB / Field Services	Consumers	Business	Belgium
Types of injury										
Accident requiring First-Aid treatment	✔	✔	-	✔	✔	-	✔	✔	-	-
Accident without absenteeism with medical treatment	✔	-	-	✔	-	-	-	-	-	-
Accident with absenteeism (absenteeism > 1 day)	✔	-	-	✔	✔	-	-	-	-	-
Accident with alternative work (RWC)	✔	-	-	-	✔	-	-	-	-	-
Injury rate (IR)	-	-	-	-	-	-	-	-	-	-
Work-related fatalities	-	-	-	-	-	-	-	-	-	-

1 As a consequence of the acquisition in December, LichtBlick is not included in the safety data 2018.
2 Minor incidents (First Aid cases) are not included in the RIF.
3 Only concerns the Netherlands.
4 When calculating lost days, the planned working days are taken as the point of departure and the counting of the number of days commences the day after an incident.

Reporting policy

In this integrated annual report over the financial year 2018, Eneco Group reports on the realisation of its strategy, the policy that it has pursued and the financial and non-financial performance related thereto.

Integrated reporting

Eneco Group's annual report has been prepared as an integrated report on its 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. This is also reflected in the value creation model (page 19). The content items that the IR framework prescribes are present in this report (profile of the organisation, governance, business model, risks and opportunities, strategy, performance, and outlook). The IR framework is based on principles that have a considerable overlap with the sustainable reporting guidelines of the Global Reporting Initiative, the GRI Standards. We link the narrative quality of IIRC to the quantitative method of the GRI Standards.

Reporting in accordance with GRI

In this report, we apply the Global Reporting Initiative Standards (GRI) for the reporting of non-financial information. Below, we will further elaborate two of the most important principles: stakeholder engagement and materiality. We refer to the paragraph Strategy and in particular Market Trends on page 20 to interpret our performance within the broader perspective of sustainable development. With this, we satisfy the GRI principle Sustainability Context. With these three principles together, we also satisfy the principle Comprehensiveness. We have consciously opted for the Core option. This option is in line with our wish and that of our stakeholders to report concisely on our financial and non-financial performance. The Core option that we are aiming for means that for each relevant aspect (topic), identified in the materiality analysis, we report on at least one GRI Standard and indicator that corresponds best with our control framework (see page 7, 9, 11, 13 and 15). The control framework with the set of strategic KPIs is leading in the choice of topics. In addition, topics are included that our stakeholders have designated as important (also see Materiality). In areas where we conclude that GRI Standards do not correspond sufficiently, we have used the definitions of the relevant strategic KPI.

Stakeholder engagement

Persons and/or groups of persons, organisations and/or companies who have a direct or indirect interest in Eneco and vice versa are regarded as belonging to our circle of direct stakeholders. These stakeholders are necessary in one way or another for the realisation of our objectives: from the perspective of the sector, for Eneco Group, as division or as project. In order to arrive at a clearly defined selection of stakeholders, we have made an analysis based on a model (Mendelow). With this model, we have made a classification based on the influence and importance of stakeholders with regard to the functioning of Eneco Group. In this manner, the concept materiality can be applied better in the context of stakeholders. The group of stakeholders of which the opinion about Eneco and the material themes must be taken into account includes:

Customers (i.e. consumers, SME customers and large commercial customers): necessary
for the continuity of Eneco Group.

Employees: in all countries, necessary for the implementation of the business plan and other activities.

Shareholders: the owners of the company. Actually the municipal councils of the 53 shareholding municipalities. In practice, these are represented by the aldermen with participations in their portfolio, who in turn are organisationally represented by the Shareholders' Committee.

Non-governmental organisations: Our One Planet strategy is an important part of our business strategy, in which sustainability is an important driver. NGOs such as WWF, Greenpeace, Natuur & Milieu and Urgenda are the most important external assessors of Eneco Group in the One Planet field, with political and media influence.
Regulators: The regulatory framework is of crucial importance for Eneco with regard to both the playing field and revenues (subsidy, heating tariffs) as permit granters for the construction of assets onshore and offshore. Therefore, the opinions of government policymakers are also of material importance.
In connection with the privatisation process, we also added **banks, capital providers and credit rating agencies** to the category stakeholders who have to be very well informed.

Materiality

Eneco performed the materiality analysis again this year. The point of departure was to determine whether the topics that we consider important to report on in our annual report correspond with what our stakeholders think we should report on. A list of topics was determined based on desk research taking into account the topics that are usually reported on in the sector, media analysis, strategic plan, customer survey, employee survey and the annual report 2017. This set was submitted to a group of manager who together form a good cross section of our company. They assessed both the value of a topic for society and the value for the company. The selection resulting from this assessment was then assessed by external stakeholders. This resulted in a realistic impression of the importance that stakeholders attach to certain themes and the importance for Eneco and the impact of the topics on society. The top 10 of topics was confirmed by the Board of Management as most material. The number of material topics increased compared to 2017. We had five main topics in the previous financial year: living within the boundaries of the planet, a financially healthy return, customers participate in the energy transition, relevant for the customer, and employee engagement. The outcome of the analysis in 2018 is a specification and expansion of this. (see also Stakeholders and materiality matrix, page 25).

In our reporting policy, we have laid down that the materiality analysis is a structural part of our policy. Consequently, the topic materiality is regularly placed on the agenda of customer panels, consultations with commercial customers, consultations with shareholders, the Works Council and in regular meetings with credit rating agencies and NGOs. See the annex Stakeholders and materiality for further details about what stakeholders consider important and how we communicate with stakeholders.

In the chapter Progress and sustainability, 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, in the GRI Content Index (page 155), we have included an overview of the GRI indicators that are linked to the most material themes.

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 2018.
Point of departure in these preparations was the strategy including strategic themes and 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. The Internal Audit Department ensures the correctness and completeness. Where necessary remedial action is taken.

Information gathering and accountability

We have a process description for the preparation of the annual report. The general process is as follows:
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.

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. Eneco Group contributes to the realisation of these goals on a modest scale. On page 38 and following pages, we provide insight into the chosen SDGs, the targets and the alignment with our control framework.

Assurance non-financial information

In order to assess the reliability of our reporting, we asked Deloitte Accountants to assess the strategic KPIs and the application of the Core option of the GRI Standards (limited assurance) in addition to the financial statements. The assurance report can be found on page 67.

Stakeholders and materiality

Stakeholder group	Contact moments	Topics that stakeholders consider important[1]	Our answer	Page
		1-contributing to the energy transition	strategy, growth in renewable energy, One planet	20, 27-31, 38
Customers	ongoing customer surveys	**2-returns from a financially healthy company**	financial statements	
	website	**5-heating solutions**	growth in heating	30
	account management	**10-contributing to energy savings**	innovative services	34
	customer service	14-service levels in order	digitalisation	32
	Shareholders' Committee, regular consultations	15-digital and self service	digitalisation	32
	newsletter (monthly)	18-competitive pricing	growth in delivery	31
	campaigns	22-privacy	integrity	58
	social media 24/7	23-expansion of innovative services	innovative services	34
		24-complaints management	digitalisation	32
		3-sales organisation	foreword and Supervisory Board report	4, 62
Shareholders	AGM (in principle once a year), regular contacts	**4-investing in renewable sources**	growth in renewable energy	27-31
	seminars and training sessions	**9-risks and opportunities international activities**	risk management	50
	Annual Report, Half-year Report	16-customer retention	growth in delivery	31
	press releases	25-sufficient sustainable energy	growth in renewable energy	27-31
	press releases	execution of strategy and risk management	results	27 e.v.
Employees	Central Works Council, regular consultations with the board	**3-privatisation**	foreword and Supervisory Board report	4, 62
	town hall meetings CEO	**8-health and well-being**	safe and healthy working conditions	46
	Annual Report, Half-year Report	19- safety	safety	46
	alignment analysis (not performed in 2018)	20-composition of the top of the company	governance	57
	internal media	21-remuneration policy, equal pay for men and women including top management	remuneration	60
	work consultations			

1 The topics printed in bold are the most material themes that we have linked to the GRI Standards.

Stakeholder group	Contact moments	Topics that stakeholders consider important[1]	Our answer	Page
Nature and environmental organisations	regular consultations	**1-contribution to the energy transition**	One planet, climate	38
	Annual report	**6-contributions to Paris climate agreements (emissions)**	One planet, climate	38
	benchmarks	**7-frontrunner in sustainability benchmarks**	benchmarks	44
	press releases	25-origin of energy	growth in renewable sources	27
		biodiversity	One planet, biodiversity	40
Financial stakeholders	regular consultations	**4-investing in renewable sources abroad**	financial statements, growth in renewable sources	27
	annual report, half-year report	12-compliance	integrity	58
	annual audits	13-anti-corruption	integrity	58
	benchmarks	16-soundness of the business model	financial statements, financial results	48
	press releases	execution of strategy and risk management	results	27
Local residents / housing corporations	various contact moments	**5-heating solutions**	heating transition	30, 33
	press releases	11-environment management	One planet	37
		19-safety	safety	46

Memberships and codes

We are members of Nederlandse Vereniging Duurzame Energie, Nederlandse Wind Energie Associatie, VNO-NCW, Groen Gas Nederland, Transitiecoalitie, Urgenda, UNETO/VNI, Energie Nederland, the Groene Zaak and Eurelectric.

Codes and guidelines that we endorse

Suppliers Code of Conduct (page 165)
Sustainable Development Goals (page 39-42)
Science-Based targets Initiative (page 43)
CDP Climate Change (page 43)
Ecovadis (page 43)

Eneco 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.

GRI Content Index

General Disclosures

GRI 102, 2016

Calendar year	Description	Location
102-1	**Name of the organization**	
	The reporting organization shall report the following information:	
	a. Name of the organization.	Cover
102-2	**Activities, brands, products, and services**	
	The reporting organization shall report the following information:	
	a. A description of the organization’s activities.	Profile, P. 6
	b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	Profile, P. 6
102-3	**Location of headquarters**	
	The reporting organization shall report the following information:	
	a. Location of the organization’s headquarters.	Financial Statements
102-4	**Location of operations**	
	The reporting organization shall report the following information:	
	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Profile, P. 6
102-5	**Ownership and legal form**	
	The reporting organization shall report the following information:	
	a. Nature of ownership and legal form.	Governance, P. 57
102-6	**Markets served**	
	The reporting organization shall report the following information:	Profile, P. 6
	a. Markets served, including:	
	i. geographic locations where products and services are offered;	Profile, P. 6
	ii. sectors served;	Profile, P. 6
	iii. types of customers and beneficiaries.	
102-7	**Scale of the organization**	
	The reporting organization shall report the following information:	
	a. Scale of the organization, including:	
	i. total number of employees;	Annex: Workforce data, P. 162
	ii. total number of operations;	Annex: Reporting policy, P. 164
	iii. net sales (for private sector organizations) or net revenues (for public sector organizations);	Annex: Reporting policy, P. 164
	iv. total capitalization (for private sector organizations) broken down in terms of debt and equity;	Financial Statements
	v. quantity of products or services provided.	Key figures, P. 7 and 9

Calendar year	Description	Location
102-8	**Information on employees and other workers**	
	The reporting organization shall report the following information:	
	a. Total number of employees by employment contract (permanent and temporary), by gender.	Annex: Workforce data, P. 162, note 1
	b. Total number of employees by employment contract (permanent and temporary), by region.	Annex: Workforce data, P. 162, note 1
	c. Total number of employees by employment type (full-time and part-time), by gender.	Annex: Workforce data, P. 162, note 1
	d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.	Annex: Workforce data, P. 162,
	e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries).	Not applicable
	f. An explanation of how the data have been compiled, including any assumptions made.	Annex: Workforce data P. 162, note 2
102-9	**Supply chain**	
	The reporting organization shall report the following information:	
	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	Socially Responsible Procurement, P. 42
102-10	**Significant changes to the organization and its supply chain**	
	The reporting organization shall report the following information:	
	a. Significant changes to the organization's size, structure, ownership, or supply chain, including:	Supply Chain: Socially Responsible Procurement, P. 42
	i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions;	Sale of Albioma, France; Purchase of remaining shares in LichtBlick, P. 18
	ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations);	not applicable
	iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.	Socially Responsible Procurement, P. 42
102-11	**Precautionary Principle or approach**	
	The reporting organization shall report the following information:	
	a. Whether and how the organization applies the Precautionary Principle or approach.	One Planet, P. 38-42
102-12	**External initiatives**	
	The reporting organization shall report the following information:	
	a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	Frontrunner in sustainability, P. 43
102-13	**Membership of associations**	
	The reporting organization shall report the following information:	
	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations.	Annex: Memberships and codes P. 169
Strategy		
102-14	**Statement from senior decision-maker**	
	The reporting organization shall report the following information:	
	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Foreword CEO, P. 4
Ethics & Integrity		
102-16	**Values, principles, standards, and norms of behavior**	
	The reporting organization shall report the following information:	
	a. A description of the organization's values, principles, standards, and norms of behavior.	Integriteit en compliance, P. 58 https://www.eneco-group.com/who-we-are/about-eneco-group/algemene-voorwaarden/

Calendar year	Description	Location
Governance		
102-18	**Governance structure**	
	The reporting organization shall report the following information:	
	a. Governance structure of the organization, including committees of the highest governance body.	Governance, P. 57
	b. Committees responsible for decision-making on economic, environmental, and social topics.	Governance, P. 57
Stakeholder engagement		
102-40	**List of stakeholder groups**	
	The reporting organization shall report the following information:	
	a. A list of stakeholder groups engaged by the organization.	Annex: Reporting policy, P. 164
102-41	**Collective bargaining agreements**	
	The reporting organization shall report the following information:	
	a. Percentage of total employees covered by collective bargaining agreements.	
102-42	**Identifying and selecting stakeholders**	
	The reporting organization shall report the following information:	
	a. The basis for identifying and selecting stakeholders with whom to engage.	Annex Stakeholders and materiality P. 167 and Reporting policy P. 164
102-43	**Approach to stakeholder engagement**	Annex: Reporting policy, P. 164 and Stakeholders and materiality, P. 167
	The reporting organization shall report the following information:	
	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Annex: Stakeholders and materiality P. 167
102-44	**Key topics and concerns raised**	
	The reporting organization shall report the following information:	
	a. Key topics and concerns that have been raised through stakeholder engagement, including:	Annex: Stakeholders and materiality P. 167
	i. how the organization has responded to those key topics and concerns, including through its reporting;	Annex: Stakeholders and materiality P. 167
	ii. the stakeholder groups that raised each of the key topics and concerns.	Annex: Stakeholders and materiality P. 167
Reporting practice		
102-45	**Entities included in the consolidated financial statements**	
	The reporting organization shall report the following information:	
	a. A list of all entities included in the organization's consolidated financial statements or equivalent documents.	Participations in Financial Statements
	b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Annex: Safety data, note 1 - P. 163; Note to Customer satisfaction P. 9; Note 2 to Number of customer contracts, P. 9; Management Approach - Boundaries, P. 176
102-46	**Defining report content and topic Boundaries**	
	The reporting organization shall report the following information:	
	a. An explanation of the process for defining the report content and the topic Boundaries.	Annex: Management Approach, P. 176
	b. An explanation of how the organization has implemented the Reporting Principles for defining report content.	Annex: Reporting policy, P. 164
102-47	**List of material topics**	
	The reporting organization shall report the following information:	
	a. A list of the material topics identified in the process for defining report content.	Annex: Stakeholders and materiality P. 167
102-48	**Restatements of information**	
	The reporting organization shall report the following information:	
	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements.	Management Approach, P. 176 - Definition

Calendar year	Description	Location
102-49	**Changes in reporting**	
	The reporting organization shall report the following information:	
	a. Significant changes from previous reporting periods in the list of material topics and topic boundaries	Annex: Reporting policy, P. 164
102-50	**Reporting period**	
	The reporting organization shall report the following information:	
	a. Reporting period for the information provided.	Annex: Reporting policy, P. 164
102-51	**Date of most recent report**	
	The reporting organization shall report the following information:	
	a. If applicable, the date of the most recent previous report.	16 February 2018
102-52	**Reporting cycle**	
	The reporting organization shall report the following information:	
	a. Reporting cycle.	Calendar year
102-53	**Contact point for questions regarding the report**	
	The reporting organization shall report the following information:	
	a. The contact point for questions regarding the report or its contents.	Colophon
102-54	**The reporting organization shall report the following information:**	
	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either:	GRI Standards Core
	i. 'This report has been prepared in accordance with the GRI Standards: Core option';	yes
	ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.	
102-55	**GRI content index**	
	The reporting organization shall report the following information:	
	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.	P. 170
	b. For each disclosure, the content index shall include:	
	i. the number of the disclosure (for disclosures covered by the GRI Standards);	
	ii. the page number(s) or URL(s) where the information can be found, either within the report or in other published materials;	
	iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.	
	When reporting the GRI content index as specified in Disclosure 102-55, the reporting organization shall:	
	6.3.1 include the words 'GRI Content Index' in the title;	
	6.3.2 present the complete GRI content index in one location;	
	6.3.3 include in the report a link or reference to the GRI content index, if it is not provided in the report itself;	
	6.3.4 for each GRI Standard used, include the title and publication year (e.g., GRI 102: General Disclosures 2016);	
	6.3.5 include any additional material topics reported on which are not covered by the GRI Standards, including page number(s) or URL(s) where the information can be found.	
102-56	**The reporting organization shall report the following information:**	
	a. A description of the organization's policy and current practice with regard to seeking external assurance for the report.	Annex: Reporting policy, P. 164
	b. If the report has been externally assured:	
	i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process;	Assurance report, P. 67
	ii. The relationship between the organization and the assurance provider;	Assurance report, P. 67
	iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.	Supervisory Board Report, Audit Committee, P. 65

Topic Disclosure	Material theme linked to a GRI Standard	Reference
201-1 editie 2016	**Returns from a financially healthy company**	Financial Statements
	SKPI: ROCE	Financial result P. 48
	Direct economic value generated and distributed	
	The reporting organization shall report the following information:	
	a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:	
	i. Direct economic value generated: revenues;	
	ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments;	**Omission, commercially sensitive information** ('payments to government by country'): Eneco is not obliged to report financial data per country and will also not do this as this is commercially sensitive information.
	iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'.	
	b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.	
302-1 editie 2016	**Contributing to the energy transition**	
	SKPI: renewable own capacity / power sourcing	
	groei in warmteoplossingen	
	The reporting organization shall report the following information:	
	a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used.	**Omission, availability of the information (a through c, e):** Our own consumption is not material in relation to the total consumption; therefore, we do not report on this extensively. In order to comply with the GRI requirements, we are working on reporting about our own energy consumption in all countries in which we are active. We aim to be able to report on this in the report over 2019.
	b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used.	
	c. In joules, watt-hours or multiples, the total:	
	i. electricity consumption	
	ii. heating consumption	
	iii. cooling consumption	
	iv. steam consumption	
	d. In joules, watt-hours or multiples, the total:	Progress and sustainability, Delivery of energy P.31
	i. electricity sold	
	ii. heating sold	
	iii. cooling sold	
	iv. steam sold	
	e. Total energy consumption within the organization, in joules or multiples.	**See 'Omission, availability of the information (a through c, e)'.**
	f. Standards, methodologies, assumptions, and/or calculation tools used.	Progress and sustainability, Delivery of energy P.31
	g. Source of the conversion factors used.	Progress and sustainability, Delivery of energy P.31

Topic Disclosure	Material theme linked to a GRI Standard	Reference
305-5 editie 2016	**Contribute to Paris climate agreements**	One Planet, P. 38
	SKPI: One Planet KPI	
	Reduction of GHG emissions	
	The reporting organization shall report the following information:	
	a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO_2 equivalent.	One Planet, Climate, P. 39
	b. Gases included in the calculation; whether CO_2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all.	Management approach, P. 176
	c. Base year or baseline, including the rationale for choosing it.	Management approach, P. 176
	d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3).	Management approach, P. 176
	e. Standards, methodologies, assumptions, and/or calculation tools used.	Management approach, P. 176
403-2 editie 2016	**Promoting the health and well-being of employees**	Employee engagement, Safety, P.46; Annexes, Safety data, P. 163.
	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	
	Sluit aan bij SKPI=RIF	
	The reporting organization shall report the following information:	
	a. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR),	**Omission, confidentiality Occupational disease rate (ODR):** The ODR concerns the Netherlands. In addition, the ODR is not presented per business unit given the sensitivity of the information.
	absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by:	**Omission, available information absentee rate (AR):** Given the changes in the organisational structure (see Strategy, New organisation, P. 24), the absentee rate for the whole year is not available on the business unit level, it is only available on a group level. We do expect to be able to report this figure over 2019.
	i. region;	**Omission, not applicable:** The registration of incidents and accidents takes place per business unit and not per region; this is in line with our safety culture.
	ii. gender.	**Omission, available information:** As far as accidents and incidents are concerned, no distinction is made between men and women.
	b. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by:	**Omission, available information injury rate (IR):** The IR (or RIF) specifically for 'contractors' is not available. The number of accidents are registered, but the number of hours worked are not registered.
	i. region;	**See omission 403-2a i.**
	ii. gender.	**See omission 403-2a ii.**
	c. The system of rules applied in recording and reporting accident statistics.	Employee engagement, Safety, P. 46

Management approach

Material themes (top10)	Contributing to the energy transition	Returns from a financially healthy company	Privatisation of the organisation (shareholdership)	Investments in renewable sources	Growth in heating solutions (gas transition)
Strategic Kpi	**Share of sustainable energy / total electricity delivered**	**ROCE**	**N.A.**	**Renewable capacity**	**Gas transition, retaining value of heating customers**
Definition	Reducing the share of electricity that is generated with fossil fuels and increasing the share of sustainably generated energy. This concerns the percentage of produced sustainable electricity (owned by Eneco an/or with PPAs) compared to Eneco's total delivery portfolio. The comparable figures for 2017 were adjusted retrospectively in connection with acquisitions to enable a comparison with 2018. This method has not been changed.	The ROCE shows how much profit Eneco can earn on the outstanding investments (invested capital). We see the ROCE as: (EBIT - effective corporate income tax) / Average Capital Employed (average balance at the beginning and at the end of the year in question). Capital Employed is defined as: (Assets excluding cash and cash equivalents) - (Liabilities excluding Shareholders' equity and excluding interest-bearing loans and excluding provisions)	Sale of the shares by all or part of the current 44 shareholders to a new owner or owners who would form a good match with us, who would support our strategy and policy so that we can also continue to execute our sustainable strategy after privatisation.	To double our available sustainable capacity in five years' time from 1,100 MW to 2,200 MW. This concerns all our own sustainable electricity production capacity (MW) and sustainable production capacity for heating (MWth) (Wind, Solar, Biomass proportional based on ownership).	Facilitating the heat transition and retaining the value of heating customers. Eneco aims to develop and offer attractive propositions for the relevant market segments in order to maintain its market position and retain the value of its customers. On the one hand, through densification and expansion of the existing network and, on the other hand, through a strong position in individual heat pumps (hardware, operation and field services) in the Netherlands and Belgium. At present, this concerns the actually reported gross margin energy from Heating over a specific period.
GRI standard	**Energy 302-1**	**Economic performance 201-1**	**General disclosure 102-5**	**Economic performance 201-1**	**Energy 302-1**
1. Materiality and boundaries					
a. An explanation of why the topic is material.	This is the essence of our purpose and strategy. This KPI monitors to what extent we contribute with our own assets and multi-year PPAs. This indicates the progress we have made in delivering on our mission and to what extent we are still dependent on grey electricity and the purchase of Guarantees of Origin.	This is important for the continuity of the company and for the possibility to continue to pursue a sustainable strategy.	This is in the interest of our shareholders, customers and employees	We wish to expand our leading position (and at least maintain it) as the largest 'green' energy company	Heating solutions are a sustainable alternative for natural gas.
b. The Boundary for the material topic, which includes a description of: i. where the impacts occur;	The Netherlands, Belgium, Germany and the UK, where Eneco is active, whole chain	In all core countries in which Eneco is active, whole chain	Eneco Group	The Netherlands, Belgium and the United Kingdom. Production and delivery and consumption	The Netherlands. Production, delivery, /or heat pumps, consumption

Contributing to the Paris climate agreements	Frontrunner in sustainability	Promoting the health and well-being of employees	International: growth in the Netherlands, Belgium and Germany	Customers' contribution to saving energy
Paris Climate Agreement: "well below 2ºC" (One planet KPI)	**No**	**RIF**	**# contracts**	**Paris Climate Agreement: "well below 2ºC" (One planet KPI)**
Our chain emissions related to the emissions of our suppliers, our own business operations and our customers must decrease annually compared to 2015 to keep global warming below 2ºC. Eneco's main contribution lies in increasing the sustainability of the energy supply, stimulating e-mobility and increasing the sustainability of its own mobility, with which Eneco also contributes to clean air. Determining the CO_2 emissions of our chain (suppliers, customers and own operations) in accordance with the Greenhouse Gas (GHG) Corporate Value Chain Standard. We report on CO_2 equivalents, i.e. CO_2, CH_4, N_2O. The comparable figures for 2017 were adjusted retrospectively in connection with acquisitions to enable a comparison with 2018. The method remained unchanged.	Frontrunner in ESG scores and benchmarks, such as NGO ranking (NL), Greenpeace ranking (B), CDP, Sustainalytics, EcoVadis.	The moving average of the number of incidents resulting in absenteeism, alternative work or medical treatment (recorded in the incident registration system) per 200,000 hours worked (FTE with an Eneco personnel number, excluding contractors).	We are leading in sustainable energy in the Benelux, we will double our sustainable capacity and we want to help more customers make the transition to sustainable energy. We are market leader in district heating in the Netherlands. With Toon, we are the market leader in smart energy solutions for customers.	Our chain emissions related to the emissions of our suppliers, our own business operations and our customers must decrease annually compared to the base year 2015 to keep global warming below 2ºC. Eneco's main contribution lies in increasing the sustainability of energy, stimulating e-mobility and increasing the sustainability of its own mobility, with which Eneco also contributes to clean air. Determining the CO_2 emissions of our chain (suppliers, customers and own operations) in accordance with the Greenhouse Gas (GHG) Corporate Value Chain Standard. Scope 1, 2 and 3. We report on CO_2 equivalents, i.e. CO_2, CH_4, N_2O. The comparable figures for 2017 were adjusted retrospectively in connection with acquisitions to enable a comparison with 2018. This method has not been changed.
Strategic KPIs	**Benchmarks**	**Occupational health & safety 403-2**	**Economic performance 201-1**	**Emissions 305-5**
Our chain CO2 emissions (customers, suppliers and own operations) are substantial and constitute about 10% of in the Netherlands.	We wish to maintain and expand our leading position as the greenest among the big energy companies and the greenest among the 'green' energy companies.	Safety of our employees and of the employees of our subcontractors is essential for our licence to operate. Safety is naturally a top priority for a company in the energy sector.	We spread our risks by being active in several countries.	Energy savings are an important factor in limiting climate change.
The Netherlands, Belgium, Germany and the UK, where Eneco is active, whole chain	In all countries in which Eneco is active. Whole chain	In all countries in which Eneco is active. Mainly in development projects and maintenance of production facilities. But also at our offices.	In all countries in which Eneco is active. Delivery chain in the Netherlands, Belgium, Germany, sale of products and services in Belgium and the Netherlands.	The Netherlands, Belgium, Germany and the UK, where Eneco is active, GHG scope 3.

Material themes (top10)	Contributing to the energy transition	Returns from a financially healthy company	Privatisation of the organisation (shareholdership)	Investments in renewable sources	Growth in heating solutions (gas transition)
ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.	Development of sustainable energy products and services, development of sustainable production facilities.	N.A.	N.A.	Development of large-scale production facilities at the request of large customers so that they can assure that sustainable energy Is available to them (in the future).	We participate in district heating, cogeneration systems and residual heat projects and we develop heating solutions.
c. Any specific limitation regarding the topic Boundary.	N.A.	N.A.	N.A.	We have storage facilities in Germany. We are not developing production facilities in Germany	Reducing natural gas consumption is a typically Dutch phenomenon
2. Management approach					
a. An explanation of how the organization manages the topic.	Sustainable strategy	Financially sound policy aimed at realising the financial objectives	Apollo project	Sustainable strategy	
b. A statement of the purpose of the management approach.	Our mission is Everyone's sustainable energy	Our mission is Everyone's sustainable energy	A shareholder that forms a good match with Eneco and enables us to continue to execute execute our sustainable strategy	Our mission is Everyone's sustainable energy	Our mission is Everyone's sustainable energy
c. A description of the following, if the management approach includes that component:					
i. Policies	Strategy	See a	Foreword	Strategy	Strategy
ii. Commitments		N.A.			
iii. Goals and targets		Target 2018: 23.1%	Target 2018: 3.7%	N.A.	Target 2018: 1,232 MW
iv. Responsibilities	Board of Management	Board of Management, CFO	Shareholders, Supervisory Board, Board of Management	Board of Management	Board of Management
v. Resources	Wind farms / solar parks	Financing, revenues	N.A.	External financing	District heating, residual flows
vi. Grievance mechanisms	N.A.	N.A.	N.A.	N.A.	N.A.
vii. Specific actions, such as processes, projects, programs and initiatives	Strategy	NewGen	Apollo project	Strategy	
3. Evaluation of the management approach					
a. An explanation of how the organization evaluates the management approach, including:					
i. the mechanisms for evaluating the effectiveness of the management approach;	Monthly reports, risk management	Monthly reports, risk management	AGM	Monthly reports, risk management	Monthly reports, risk management
ii. the results of the evaluation of the management approach;	Strategic review	Remedial measures if necessary	N.A.	Remedial measures if necessary	Remedial measures if necessary
iii. any related adjustments to the management approach.		N.A.	n N.A. vt		

Contributing to the Paris climate agreements	Frontrunner in sustainability	Promoting the health and well-being of employees	International: growth in the Netherlands, Belgium and Germany	Customers' contribution to saving energy
Our chain emissions related to the emissions of our suppliers, our own operations and our customer must be limited to the carbon budget in order to keep global warming below 2°C, determined in accordance with the SDA (Sector Decarbonisation Approach) of the SBTi (Science-Based Targets initiative)		In our chain, we are responsible for safe (working) conditions thus also for local residents and sub-contractors.		Getting customers to save energy through smart solutions and providing insight, for example, via Toon.
One Planet programma	Sustainable strategy	Safety policy	Strategic choices	Develop sustainable solutions
Living within the boundaries of our planet	We want to be the greenest among the large energy companies and the largest among the green energy companies	Our goal is zero accidents	Our mission is Everyone's sustainable energy	Our mission is Everyone's sustainable energy
One Planet explained (available on website)	Mission - vision	Safety policy	Strategy	One Planet
Target 2018: € 108.1 mln.	Target 2018: 14.2 Mton	Benchmarks	Target 2018: 0.6	Target 2018: 4.02 mln. contracts
Board of Management	Board of Management	Board of Management	Board of Management	Board of Management
N.A.	N.A.			
N.A.	N.A.	N.A.	N.A.	N.A.
One Planet explained (available on website)				
Quarterly reports	Benchmarks	Monthly reports, risk management	Monthly reports, risk management	Monthly reports, risk management
Remedial measures if necessary	Benchmarks	Remedial measures if necessary	Remedial measures if necessary	Remedial measures if necessary
Remedial measures if necessary				

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 2018 up to and including 31 December 2018

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.

Article 3.1.2 of the code of conduct states that personal meter data must be processed in accordance with the law. With regard to this specific punt, it should be noted that the General Data Protection Regulation (GDPR) came into effect on 25 May 2018. Eneco Group carried out a large number of activities in order to comply with this legislation in the correct manner. In addition, Eneco drew up a proposal for a new code of conduct, together with Energie Nederland, containing the obligations that follow from the GDPR. This proposal was discussed with the Personal Data Protection Authority and is expected to come into force in 2019 after formal approval by the Personal Data Protection Authority.

Rotterdam, 25 January 2019

F.C.W. (Frans) van de Noort,

Member of the Board of Management of Eneco Groep N.V.

Disclaimer

This report contains forward-looking statements. These statements can be recognised by the use of wording such as 'anticipated', 'expected', 'forecast', '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 can lead to this include, but are not limited to, the general economic situation, the situation in the markets in which Eneco operates, the behaviour of customers, suppliers and competitors, technological developments and legal judgements and stipulations of regulatory bodies that affect the activities of Eneco.
Future results could also be influenced by factors including, but not limited to, financial risks, such as foreign currency and interest risks and liquidity and credit risks. Eneco 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.

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