Results first half of 2019

Eneco Groep N.V.
Half-year report 2019

Eneco

Key figures

Amounts from the condensed consolidated interim figures 2019; in € 1 million

Results

Gross margin and other operating revenues	H1 2019	**592**
	H1 2018	562
Operating profit (EBIT)	H1 2019	**126**
	H1 2018	115
Cash flow from operating activities	H1 2019	**–56**
	H1 2018	214
Total revenues	H1 2019	**2,319**
	H1 2018	2,101
Operating income before depreciation (EBITDA)	H1 2019	**272**
	H1 2018	230
Profit after tax from continuing operations	H1 2019	**79**
	H1 2018	75

Capital

Group equity	30 June 2019	**2,931**
	31 Dec 2018	2,939
Interest-bearing debt	30 June 2019	**579**
	31 Dec 2018	505
Balance sheet total	30 June 2019	**5,627**
	31 Dec 2018	5,743
Capital expenditure and acquisitions	H1 2019	**134**
	H1 2018	181

Ratios

Group equity/ total assets	30 June 2019	**52.1%**
	31 Dec 2018	51.2%
Credit Rating	2019	**BBB+**
	2018	BBB+

Contents

Eneco's results and strategy on target

Eneco recorded good results for the first half of 2019. Net profit, operating profit and revenues rose, while major steps were taken on implementing the investment agenda. The installed capacity of sustainable generation assets increased and there was considerable innovation in district heating. The customer portfolio was expanded and various alliances were entered into to help customers make the transition. In short, Eneco is implementing its strategy according to plan: there is growth in sustainable generation, delivery of energy and innovative services. This means that, in the context of the major social debate on the climate agreement and sustainability, Eneco is still a leader in the energy transition and is giving customers concrete assistance in making the transition.

- EBITDA rose by 18%, net profit to €79 million
- €134 million invested in sustainable generation
- 62 MW increase in operational sources of sustainable production
- Eneco is a major investor in renewable production assets in the Netherlands
- Innovation in district heating networks
- Sale of Eneco is on schedule

Good financial results

EBITDA grew from €230 million to €272 million, an increase of over 18%. Operating profit (EBIT) rose by 10% from €115 million to €126 million thanks to higher sales of energy and good trading results, partly as a result of improved market conditions. Employee benefit expenses fell by 9% to €119 million in part as a result of restructuring programmes in the Netherlands and Belgium. Gross margin and other operating revenues rose by 5% from €562 million to €592 million.

Revenues rose almost 10% from €2.1 billion to €2.3 billion, thanks mainly to past acquisitions which are now contributing to the results. The activities of E.ON Benelux which was acquired in 2018 now count in full, and the recent purchase of Robin Energie has been incorporated for two months. Profit after income tax rose from €75 million to €79 million.

Eneco once again made large investments, totalling €134 million. Most of this, €75 million, was in new wind farms: in Belgium, mainly in the Seamade offshore wind farm, which is still under construction, and in the Netherlands, in a series of investments in onshore wind. €5 million has been invested in new solar farms. Investment in innovation, replacement and expansion of district heating networks was €30 million, while €10 million was invested in heat production, in particular in making the district heating network in Utrecht more sustainable through the Bio Warmte plant.

Over 60,000 customers in the Netherlands took sustainable steps in the first half of 2019. Examples of this include moving to Eneco HollandseWind, benefitting from income from energy from a Dutch solar farm by purchasing a StukjeZon (Piece of Sun), or generating their own sustainable energy, for example by purchasing solar panels. Sustainability is a topical issue and Eneco is

Ruud Sondag, CEO of Eneco:
"I am pleased that the focus on executing the corporate strategy has also led to robust financial improvements."

helping people and companies in the conversion required to achieve the energy transition.

Growth in the delivery of energy

Making the transition also means supplying more green energy and so Eneco is pleased that it has been able to conclude several attractive commercial agreements in this area. An agreement with Microsoft Netherlands has been announced under which Microsoft expects to take 360,000 MWh of wind energy per year for its data centres. This is the second agreement between Eneco and Microsoft, which as a result is taking a total of 720,000 MWh of green energy per year.

This agreement means that Eneco's 50% share of the energy from the Borssele III/IV offshore wind farm is effectively sold out even before construction has been completed. Other customers include Stedin, DSM and Royal Schiphol Group.

In Germany, Lichtblick signed its first power purchase agreement with wind farm owner PNE, so that from 2021 retail and commercial customers will receive unsubsidised green energy from the German Papenrode wind farm, which has a capacity of 13 MW.

Eneco's subsidiary, WoonEnergie, took over all the customers of Robin Energie that was declared bankrupt in February. Some 25,000, often vulnerable, customers in the social housing sector will now be supplied by WoonEnergie.

Growth in sustainable production capacity

The energy transition is not possible without a shift from fossil fuels to sustainable sources of production. Consequently, Eneco wants to expand its available sustainable production capacity to 2,200 MW by 2022 and so further major steps have been taken in the past half year. A total of 62 MW has become operational, 245 MW is under construction and investment decisions have been taken for over 97 MW. This is a mix of onshore and offshore wind farms, solar farms and rooftop solar in Belgium and the Netherlands, as shown in the table below.

Eneco's new sustainable production capacity

Operational

		MW
Onshore wind BE	Lou Wind	3
Onshore wind NL	Nieuwe Waterweg	21
Onshore wind NL	Hogezandse Polder	31
Rooftop solar BE & NL	8 projects (incl. extension at Audi Brussels 2.93 MW, Volvo Ghent 2.88 MW)	7
		62

Under construction

		MW
Offshore wind BE	Norther	92
Offshore wind BE	Seamade	60
Offshore wind NL	Blauwwind (Borssele III and IV)	73
Onshore wind BE	Zeebrugge Pepsico	3
Onshore wind BE	Zeebrugge Visveiling	3
Solar farm NL	Tholen	9
Solar farm NL	Reimerswaal	3
Rooftop solar BE	Sapa Ghlin	1
Rooftop solar NL	Flora Holland Eelde	1
		245

Investment decisions

		MW
Onshore wind NL	Blaakweg	5
Onshore wind NL	Delfzijl Geefsweer	25
Onshore wind NL	Delfzijl Oosterhorn	38
Onshore wind NL	Kabeljauwbeek	15
Rooftop solar BE & NL	5 projecten	14
		97

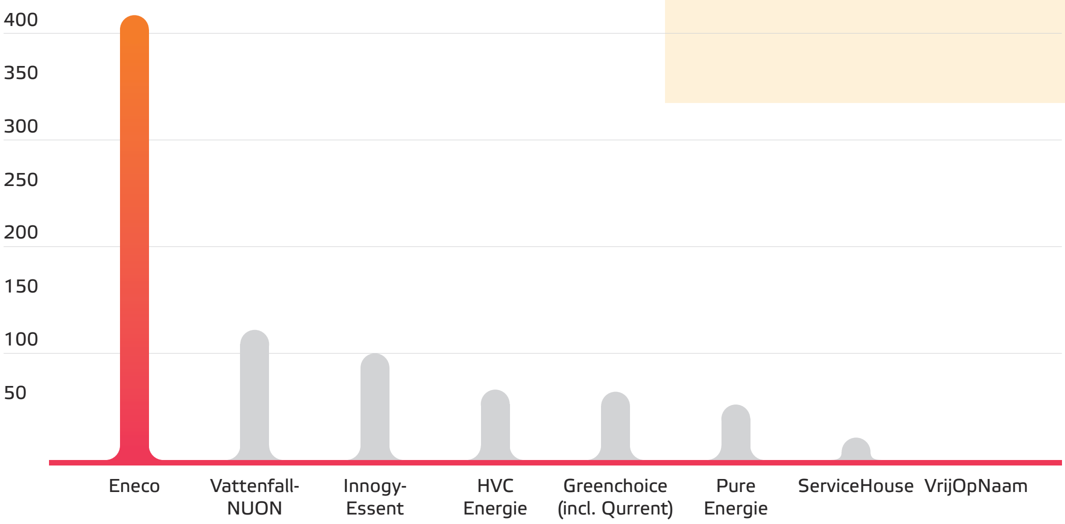
All MW figures have been rounded and represent Eneco's share

In addition to these proprietary sources, Eneco has entered into a 15-year agreement to purchase all the renewable energy from Windpark Fryslân, the largest near-shore wind farm in the Netherlands. Eneco and Windpark Fryslân signed a long-term power purchase agreement on 17 July. Windpark Fryslân will generate 1,500 GWh of green power per year, equal to the electricity consumption of 500,000 households.

Recent (2019) research by CE Delft showed that Eneco is investing heavily in wind and solar farms in the Netherlands. The chart below shows the extent to which electricity suppliers (businesses which supply energy to retail and commercial customers in the Netherlands) had invested in renewable production capacity in operation in the Netherlands in the period 2013-2018 (to July):

Investment in renewable production capacity

In MW



Source: CE Delft (2019), Investment in renewable production capacity in the Netherlands; comparison of electricity suppliers in the period 2013-2018.

As part of an alliance with the Hoge Veluwe National Park from 1 April 2019, the park will purchase 100% green energy from Eneco for five years. During the same period, Eneco will support a stone-dust project for ecological recovery, in which the Park is trying to combat acidifation. This initiative is a good fit with Eneco's 'One Planet vision', in which Eneco challenges itself, its suppliers and its customers to operate within the Earth's limits.

Growth in innovative services

Eneco believes that it is not enough merely to invest in production sources. Innovation is just as important for the success of the energy transition, both for people at home and for commercial players.

District heating networks are a significant part of every energy transition plan. Eneco is working hard to make existing networks smarter. An electrode boiler is now in use in the Ypenburg district of The Hague, in which some heat production has been electrified, saving about 1,260 tonnes of CO_2 per year. The electrode boiler is also being used to balance the grid if there is, for example, a surplus of sustainable electricity. In addition, sensors have been installed in the grid along with smart meters in dozens of houses, with the aim of investigating how gas consumption and water temperature can be handled more efficiently in district heating networks in the future.

There can also be a transition with existing equipment in people's homes. Eneco has developed and introduced the Slimmeboiler (Smart Boiler) module for users of electric boilers so that the water is heated when Eneco has a good supply of wind or solar power. A good example of the energy transition in practice.

A non-controlling interest was taken in Energie in Huis for those who want to make a greater contribution. It gives Eneco's customers access to a range of products and services from Energie in Huis, such as heat pumps, solar panels, solar boilers, insulation and financial advice. The alliance with Roamler Tech was expanded so that independent technicians using the Roamler Tech app can now also install central heating, boilers and heat pumps for Eneco customers.

In June, Eneco joined up with Remeha to market a range of central heating boilers and heat pumps. Their unique feature is the GasLos ('gas free') guarantee offered by Remeha, which fits well with Eneco's vision. This guarantee means that if a district is disconnected from gas during the lifetime of a newly-purchased boiler, Remeha will take it back and also offer customers a discount on a new sustainable system suited to their home.

Eneco eMobility acquired Flow Nederland, trading as Flow Charging, adding about 2,000 active charging stations and 4,500 charging cards to the portfolio, with customers including KLM and KPN. The total portfolio now covers some 14,500 active charging stations and 23,000 charging cards, and offers access to over 70,000 charging stations internationally. In Germany, Lichtblick, working with Eneco eMobility, set up a subsidiary focusing on the commercial market, concentrating initially on the market for charging services in Hamburg.

In a different area, a partnership was formed with a Swedish supplier of heat pumps, NIBE. This will make it easier, initially for large commercial customers such as housing associations, to move to heat pumps. NIBE's range includes electric heat pumps that can extract heat from outdoor air, domestic ventilation air or ground water. These are a sustainable alternative for gas-fired heating.

Sale on schedule

Major progress has been made on the process of privatising Eneco in the past half year. The preparations were completed and the transaction phase started at the end of February. The pre-qualification and non-binding offer bidding phases have been completed, the process is now in the binding offer phase. We can confirm that we are expecting to announce a potential buyer close to Christmas this year with the process being completed in 2020.

Condensed consolidated interim financial statements 2019

Consolidated income statement

Unaudited.

x € 1 million	Note	First half 2019	First half 2018
Revenues from energy sales and energy-related activities	3.4	2,297	2,065
Purchases of energy and energy-related activities	3	1,727	1,539
Gross margin		**570**	**526**
Other revenues		22	36
Gross margin and other operating revenues		**592**	**562**
Employee benefit expenses		119	131
Cost of contracted work and other external costs		190	195
Depreciation and impairment of property, plant and equipment		109	88
Amortisation and impairment of intangible assets		37	27
Other operating expenses		11	6
Operating expenses		**466**	**447**
Operating profit		126	115
Share of profit of associates and joint ventures		-11	-1
Financial income		5	5
Financial expenses		-11	-16
Profit before income tax		**109**	**103**
Income tax	5	-30	-28
Profit after income tax		79	75

Profit distribution:			
Profit after income tax attributable to non-controlling interests		-	-
Profit after income tax attributable to shareholders of Eneco Groep N.V.		79	75
Profit after income tax		79	75

Consolidated statement of comprehensive income

Unaudited.

x € 1 million	Note	First half 2019	First half 2018
Profit after income tax		**79**	**75**
Unrealised gains and losses that will not be reclassified to profit or loss			
Remeasurement of defined-benefit pension plans		-	-
Unrealised gains and losses that may be reclassified to profit or loss			
Exchange rate differences		-2	-
Unrealised gains and losses on cash flow hedges		-12	-8
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations		2	2
Share of unrealised profit of associates and joint ventures after tax		-6	-1
Total other comprehensive income		**-18**	**-7**
Total comprehensive income		61	68

Profit distribution:			
Non-controlling interests		-	-
Shareholders of Eneco Groep N.V.		61	68
Total comprehensive income		61	68

Consolidated balance sheet

Unaudited except for 31 December 2018.

x € 1 million	Note	At 30 June 2019	At 31 December 2018
Non-current assets			
Property, plant and equipment	7	2,733	2,495
Intangible assets		1,053	1,074
Financial assets	8	303	352
Total non-current assets		**4,089**	**3,921**
Current assets			
Assets held for sale		2	2
Intangible assets and inventories		154	178
Trade receivables		691	722
Current income tax and other receivables		222	240
Derivative financial instruments	8	173	176
Cash and cash equivalents		296	504
Total current assets		**1,538**	**1,822**
TOTAL ASSETS		5,627	5,743

Equity			
Equity attributable to Eneco Groep N.V. shareholders	9	2,927	2,936
Non-controlling interests	9	4	3
Total equity		**2,931**	**2,939**
Non-current liabilities			
Provisions for employee benefits and other provisions		121	116
Lease liabilities	7	192	-
Deferred income tax liabilities		261	267
Derivative financial instruments	8	71	76
Interest-bearing debt	7	445	464
Other liabilities		146	142
Total non-current liabilities		**1,236**	**1,065**
Current liabilities			
Liabilities held for sale		2	3
Provisions for employee benefits and other provisions		11	20
Lease liabilities	7	22	-
Derivative financial instruments	8	130	150
Interest-bearing debt		134	41
Current income tax liabilities		8	8
Trade and other liabilities		1,153	1,517
Total current liabilities		**1,460**	**1,739**
TOTAL EQUITY AND LIABILITIES		5,627	5,743

Consolidated cash flow statement

Unaudited.

x € 1 million	Note	First half 2019	First half 2018
Profit after income tax		**79**	**75**
Adjusted for:			
Total adjustments for cash flow from business operations		-81	217
Total of dividend received from associates and joint ventures, interest paid and received and income tax paid		-54	-78
Cash flow from operating activities		**-56**	**214**
Cash flow from investing activities		**-135**	**24**
Dividend payments	9	-68	-64
Movement in non-current interest-bearing debt		15	-32
Movement in non-current lease obligation		-14	-
Movement in current interest-bearing debt		50	-
Cash flow from financing activities		**-17**	**-96**
Movement in cash and cash equivalents		**-208**	**142**
Balance of cash and cash equivalents at 1 January		504	465
Balance of cash and cash equivalents at 30 June		296	607

Consolidated statement of changes in equity

Unaudited.

x € 1 million	Paid-up and called up share capital	Share premium	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Non-controlling interests	Total equity
	Equity attributable to shareholders of Eneco Groep N.V.								
At 1 January 2019	**-**	**2,781**	**-7**	**-3**	**29**	**136**	**2,936**	**3**	**2,939**
Profit after income tax 2019	-	-	-	-	-	79	79	-	79
Total other comprehensive income	-	-	-2	-16	-	-	-18	-	-18
Total comprehensive income	**-**	**-**	**-2**	**-16**	**-**	**79**	**61**	**-**	**61**
Profit appropriation 2018	-	-	-	-	68	-68	-	-	-
Dividend to shareholders of Eneco Groep N.V.	-	-	-	-	-	-68	-68	-	-68
Changes in non-controlling interest in subsidiaries	-	-	-	-	-2	-	-2	1	-1
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**66**	**-136**	**-70**	**1**	**-69**
At 30 June 2019	-	2,781	-9	-19	95	79	2,927	4	2,931

x € 1 million	Paid-up and called up share capital	Share premium	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Non-controlling interests	Total equity
	Equity attributable to shareholders of Eneco Groep N.V.								
At 1 January 2018	**-**	**2,781**	**-6**	**10**	**-**	**81**	**2,866**	**3**	**2,869**
Adjustments to opening balance at 1 January	-	-	-	-	13	-	13	-	13
Adjusted opening balance at 1 January 2018	**-**	**2,781**	**-6**	**10**	**13**	**81**	**2,879**	**3**	**2,882**
Profit after income tax 2018	-	-	-	-	-	75	75	-	75
Total other comprehensive income	-	-	-	-7	-	-	-7	-	-7
Total comprehensive income	**-**	**-**		**-7**	**-**	**75**	**68**	**-**	**68**
Profit appropriation 2017	-	-	-	-	17	-17	-	-	-
Dividend to shareholders of Eneco Groep N.V.	-	-	-	-	-	-64	-64	-	-64
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**17**	**-81**	**-64**	**-**	**-64**
At 30 June 2018	-	2,781	-6	3	30	75	2,883	3	2,886

Selected notes to the condensed consolidated interim financial statements

1. Accounting principles for financial reporting

1.1 General information

Eneco Groep N.V. ('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 67470041.

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 energy 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 are the joint investment with Mitsubishi Corporation in the Luchterduinen offshore wind farm, the Norther wind farm being developed off the Belgian coast and investments with a number of partners (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.

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

The interim financial statements have been prepared in compliance with IAS 34 'Interim Financial Reporting' and present the consolidated balance sheet and consolidated cash flow statement in condensed form. These figures should be read in conjunction with the Group's 2018 annual financial statements, which were prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Commission, in force at 31 December 2018, and with the provisions of Part 9, Book 2 of the Dutch Civil Code.

The Board of Management authorised the publication of these interim financial statements on 23 August 2019.

1.2 New or amended IFRS standards

A new IFRS standard, a new IFRS interpretation and a number of changes to existing IFRS standards adopted by the European Commission have been in force since 1 January 2019 and have been applied by Eneco since that date where relevant.

New standard: IFRS 16 'Leases'

General impact of applying IFRS 16
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 where there is control under an operating lease must be capitalised on the balance sheet while recognising a lease liability.

The distinction between operating and finance leases is maintained for lessors. The accounting policies for measurement and determining the result for lessor accounting have not changed in 2019 and are the same as those used for the 2018 financial statements.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. This new standard replaces the existing regulations in IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of a Lease'. On IFRS 16's introduction, Eneco made use of the practical expedient in the standard to recognise the accumulated effect of this in the opening balance sheet at 1 January 2019 and not to restate the comparative figures for 2018 (the 'modified retrospective approach').

As a result of the implementation of IFRS 16, lease assets and lease liabilities are recognised in the balance sheet at their present value, being €220 million for 'Property, plant and equipment' and €225 million for 'Interest-bearing debt'. A further consequence of IFRS 16 is that the capitalised lease assets are depreciated over their useful life and charged to the result through 'Depreciation and impairment of property, plant and equipment'. After initial recognition, the lease liabilities are reduced by the lease payments and interest is added. The interest charge from adding interest to the lease liabilities is recognised through the income statement in 'Financial expenses'.

Impact of the change in the definition of a lease
Eneco has made use of the practical expedient in IFRS 16 to not reassess whether existing contracts are or contain a lease by the criteria in IFRS 16 on the transition date of 1 January 2019. This means that contracts which were formerly classified as leases under IAS 17 and IFRIC 4 continue to be regarded as such under IFRS 16. Contracts that were not formerly classified as leases continue to be regarded as such from 1 January 2019. This also applies to existing energy purchase contracts up to the end of 2018 disclosed in note 29 'Contingent assets and liabilities' to the 2018 financial statements and to the extent they relate to specific production capacity (wind or solar farms).

New purchase or other contracts entered into from 1 January 2019 are assessed as to whether they are or contain a lease under the IFRS 16 criteria. The change in the definition of a lease under the new rules relates mainly to the concept of 'control'. IFRS 16 states that whether a contract is or contains a lease is determined by whether, as lessee, Eneco has acquired the right to control the use of a specifically defined asset for a period of time in exchange for consideration.

See note 7 'Implementation of IFRS 16 'Leases' on 1 January 2019' to these interim financial statements for more information.

New Interpretation IFRIC 23 'Uncertainty over Income Tax Treatments'

This interpretation provides guidance on accounting for uncertainties in the income tax position in interim and annual financial statements. Eneco has to establish whether it considers uncertain tax positions independently or together. A taxpaying entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

Eneco has to consider whether it is probable (> 50%) that the relevant authority will accept each tax treatment, or group of tax treatments, that Eneco ('the entity') used or plans to use in its income tax filing:

- If the entity concludes that it is probable that a particular tax treatment will be accepted, the entity has to account for the tax position consistently with the tax treatment included in its income tax filings.

- If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the 'most likely amount' or the 'expected value' of the tax treatment adopted to determine the tax position. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

It is inherent to Eneco's operations, which involve various taxpaying entities in several tax jurisdictions, that a number of uncertain tax positions have been incorporated in these 2019 interim financial statements. In accordance with the above explanation, these positions are included in the figures if in Eneco's opinion it is or is not probable that the tax authorities will accept the treatment. The impact of these uncertain tax positions is not material to these interim financial statements so is not addressed further.

Changes to other standards

Annual Improvements to IFRS Standards 2015-2017 Cycle

- IFRS 3 'Business Combinations': clarification of obtaining control of a business that is already a joint operation. The transaction is regarded as a business combination achieved in stages under which the previously held interests in that business are remeasured at fair value.

- IFRS 11 'Joint Arrangements': clarification of obtaining joint control of a business that is already a joint operation. In this case the entity does not remeasure previously held interests 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 when a 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).

Amendment of IAS 28 'Investments in Associates and Joint Ventures'

This standard has been amended to clarify that an entity applies IFRS 9 'Financial Instruments', including its impairment requirements, to long-term interests other than acquired equity instruments, for example loans granted by Eneco to an associate or joint venture. This only applies if those long-term interests form part of the net investment in the associate or joint venture. The equity method is used to measure the equity holding as part of this net investment. The measurement rules in IFRS 9 rather than those formerly in IAS 28 apply to these other long-term interests.

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 interim financial statements.

2. Accounting policies

2.1 Accounting policies

The accounting policies and basis of consolidation used in the interim financial statements are consistent with the accounting policies described in the 2018 annual financial statements except for the application of new and amended IFRS standards and interpretations as set out in 1.2.

2.2 Judgements, estimates and assumptions

In preparing the half-year figures, management used judgements, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. These relate in particular to revenues from sales to retail customers, whether the Group acts as agent or principal, the useful life of property, plant and equipment and intangible assets, the fair value of the relevant assets and liabilities, impairment of assets and key actuarial and other parameters for and estimates on the size of provisions. The judgements, estimates and assumptions that have been made are based on market information, knowledge, historical experience and other factors that can be deemed reasonable in the circumstances. Actual results could, however, differ from the estimates. Judgements, estimates and assumptions are reviewed on an on-going basis.

Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the change is made prospectively in the relevant periods.

3. Seasonal activity pattern

The supply and generation of energy vary with the seasons. In the winter, there is a higher demand for energy required for heating. In the summer, this need does not exist and is partially offset by a higher energy requirement for the cooling of buildings. The generation of electricity and the production of gas and heat is determined by demand and by market prices. The generation of sustainable energy varies predominantly with the seasons. Under normal circumstances, there is higher than average production of wind energy in the period from October to March and a peak in the production of solar energy during the summer months. The production of energy from biomass shows a stable pattern throughout the year.

4. Revenues from energy sales and energy-related activities

The tables below show revenues from energy sales and energy-related activities broken down by type of product and geographical market.

	First half 2019	First half 2018
Electricity	1,254	1,086
Gas	835	783
District heat	165	157
Energy-related activities	43	39
Total	**2,297**	**2,065**

Electricity revenue in the first half of 2019 included €65 million (first half of 2018: €56 million) of government grants.

	First half 2019	First half 2018
Netherlands	1,580	1,292
Belgium	350	387
Germany	337	356
United Kingdom	30	26
Other	-	4
Total	**2,297**	**2,065**

Revenue for the first half of 2019 included transmission charges of some €130 million (first half of 2018: €133 million) invoiced on behalf of grid operators and some €107 million (first half of 2018: €112 million) of environmental and other levies and taxes, both from operations in Germany as, under local regulations, Eneco is acting as principal for these items.

5. Income tax

The effective tax burden amounted to 27.5% (first half of 2018: 27.2%). Tax on the result comprises current tax expense and movements in deferred taxes at the nominal corporate income tax rates in the countries allowing for tax incentives and other facilities.

6. Business combinations and other changes in the consolidation structure

There were two acquisitions in the first half of 2019. These were of a company in the Netherlands involved in charging stations for electric vehicles and a crowdfunding company in Belgium for energy transition projects. These acquisitions are not material to the interim financial statements and so no further disclosures are presented in accordance with IFRS 3 ‘Business Combinations’.

7. Implementation of IFRS 16 'Leases' on 1 January 2019

7.1 Restatement of the opening balance sheet as a result of the introduction of IFRS 16

On applying IFRS 16, the Group recognised liabilities in the balance sheet relating to leases that had previously been classified as operating leases by the criteria in IAS 17 and IFRIC 4. These liabilities, adjusted according to IFRS 16, have been measured in the 2019 opening balance sheet at the present value of the remaining lease payments discounted using Eneco's incremental borrowing rates for each class of asset. The weighted average incremental borrowing rates used when measuring the lease liabilities at 1 January 2019 and related to the various associated asset classes and currencies, range between 0.22% and 3.56%.

The Group has no leases as lessee that were formerly classified as finance leases under IAS 17.

The calculation of the lease liabilities at 1 January 2019 under IFRS 16 was as follows:

	At 1 January 2019
Liabilities for operating leases at 31 December 2018 according to 2018 financial statements [off-balance-sheet, nominal value]	**291**
Short-term leases with costs taken directly to the result[1]	-1
Low-value leases with costs taken directly to the result	-2
Reassessed contracts, identifying non-lease components (e.g. service charges)	-3
Adjustments as a result of differing treatment of extension and termination options in the contracts (compared with the 2018 calculation)	1
Adjustment relating to variable lease payments and/or movements in the index or rate that could affect variable lease payments	-12
Adjustments as a result of the proportional method for joint operations	-15
Adjustments for other differences	4
Lease liabilities recognised in the balance sheet at 1 January 2019, at nominal value	**263**
Lease liabilities recognised in the balance sheet at 1 January 2019, discounted	**225**
Of which:	
- Current lease liabilities	22
- Non-current lease liabilities	203

[1] There are two classes for this calculation: true short-term leases entered into for no more than 12 months and the residual amounts of longer term leases whose final portion expires in 2019.

An amount equal to the relevant lease liabilities was measured and recognised in the 2019 opening balance sheet for the right-of-use lease assets and adjusted for the sum of all prepaid or accrued lease payments relating to those leases as recognised in the balance sheet at 31 December 2018 and lease incentives received. There were no onerous leases at the date of initial recognition that required an adjustment to the measurement of the right of use.

The right-of-use lease assets recognised in the balance sheet at 1 January 2019 related to the following classes of property, plant and equipment (initial measurement at 1 January 2019 and carrying amount at 30 June 2019):

	At 30 June 2019	At 1 January 2019
Land and buildings	204	212
Machinery and equipment	-	-
Other assets	7	8
Total right-of-use lease assets	**212**	**220**

The change in the accounting policies on leases affected the following items in the opening balance sheet at 1 January 2019 and at 30 June 2019:

	At 30 June 2019	At 1 January 2019
Property, plant and equipment – right-of-use lease assets	212	220
Deferred tax assets	-	-
Other non-current liabilities	5	5
Interest-bearing debts - lease liabilities	-214	-225
Other current liabilities	-2	-
Total impact	**1**	**-**

The net impact of the implementation of IFRS 16 on the Group's equity at 1 January 2019 was nil.

The change in the accounting policies on leases led to changes in presentation and measurement in the income statement compared with the application of the previous standard, IAS 17:

	First half year 2019	
	IFRS 16 (new)	Pro forma IAS 17 (previous)
Cost of contracted work and other external costs	4	16
Depreciation and impairment of property, plant and equipment	11	-
Financial expenses	2	-
Total lease costs	**17**	**16**

7.2 Application of practical expedients under IFRS 16

The Group used the following practical expedients permitted by IFRS 16 when implementing this standard:

- contracts which were formerly classified as leases under IAS 17 and IFRIC 4 continue to be regarded as such under IFRS 16. Contracts that were not formerly classified as leases continue to be regarded as such from 1 January 2019;
- the use of a single discount rate for measuring a portfolio of leases for each asset class (e.g. land and buildings) allowing for the currency;
- the application of earlier assessments of whether leases are onerous;
- accounting for current or former operating leases with a remaining term of less than 12 months on 1 January 2019 as short-term leases;
- the exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

7.3 Eneco's lease activities as lessee

The Group rents or leases assets such as land for wind and solar farms, roofs of commercial buildings for solar panels, offices, warehouses, ICT and other equipment and company cars. Leases are usually entered into for fixed periods ranging from 1 to 40 years but may include extension and termination options. Rental periods are negotiated individually and contain a wide range of terms and conditions. No leases impose covenants but lease assets may not be used as collateral for financing purposes.

7.4 Key accounting policies for measurement and determining the result under IAS 17

Until the 2018 reporting period, all leases of property, plant and equipment were classified as operating leases; the Group had no finance leases as lessee. Payments made under operating leases (after deduction of any incentives received from the lessor) were charged to the result over the lease period (largely as 'Cost of contracted work and other external costs' in the income statement).

7.5 Key accounting policies for measurement and determining the result under IFRS 16

General

From 1 January 2019, leases are recognised in the balance sheet as a right-of-use lease asset with a corresponding lease liability on the date on which the lease asset becomes available for use at Eneco. The assessment of whether a contract is or contains a lease is carried out at the start of that contract. If payments include non-lease components (such as maintenance or service charges), these are not included in the measurement in the balance sheet but are charged to the result over the period to which the performance relates.

Low-value leases for assets with a value of less than USD 5,000 (€5,000 is used for practical reasons) or with a lease term of less than 12 months are exempt from capitalisation under IFRS 16 and the Group has made use of this exemption.

7.5.1 Measurement of lease liabilities

Liabilities arising from a lease are initially recognised using the present value of the following types of lease payment:

- fixed payments (including payments that appear to be variable but which by their nature are fixed) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

A lease liability is initially discounted using the rate of interest implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate of the relevant class of asset is used. This is the rate of interest that Eneco would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment and on similar terms.

Interest is then added to the lease liability using the rate of interest implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is decreased by lease payments and increased by the addition of interest. The interest charge from adding interest to the lease liabilities is recognised through the income statement in ‘Financial expenses’. These financing charges are charged to the result over the lease period in a way that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Eneco reassesses a lease and remeasures the lease liability and associated right-of-use lease asset if:

- the lease term is changed or there is a change in the assessment of exercising a purchase option;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the amount expected to be payable under the residual value guarantee; and
- a lease is modified and the modification of the lease is not accounted for as a separate lease.

During the first half of 2019, Eneco has only recognised changes in lease liabilities resulting from a change in an index or a rate.

7.5.2 Measurement of right-of-use assets

Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs (expected dismantling costs and forming a provision for this if required by lease)

The right-of-use asset is subsequently depreciated and charged to the result on a straight-line basis over the shorter of the useful life and the lease period of the asset.

Under IFRS 16, the right-of-use assets are assessed for impairment in accordance with IAS 36 'Impairment of Assets'. Consequently, the requirement in the previous standard, IAS 17, to form a provision for an onerous contract lapses.

7.5.3 Amounts not included in the measurement of lease liabilities

These are the following amounts:

- payments related to short-term leases and low-value leases are charged to the income statement in line item 'Cost of contracted work and other external costs'. Short-term leases are those with a lease term of 12 months or less and low-value lease assets are mainly ICT equipment and small items of office furniture; and
- variable lease payments that do not depend on an index or a rate.

These payments are recognised in the period in which an event or condition occurs and are charged to the income statement in line item 'Cost of contracted work and other external costs'.

7.6 Impact of IFRS 16 on the consolidated cash flow statement

Following the implementation of IFRS 16, the presentation of lease payments in the consolidated cash flow statement is as follows:

- payments for short-term leases, low-value leases and variable payments not included in the measurement of lease liabilities are presented as part of the 'Cash flow from operating activities';
- payments for the interest portion of the lease liabilities are presented as part of the 'Cash flow from operating activities';
- payments for the nominal/principal portion of the lease liabilities are presented as part of the 'Cash flow from financing activities'.

Under IAS 17 all lease payments were presented under the heading of operating leases as part of the 'Cash flow from operating activities'. The effect of the application of IFRS 16 is that the net cash flow from operating activities in the first half of 2019 rose by €14 million compared with the pro forma figures for the first half of 2019 based on IAS 17. In contrast, the net cash flow from financing activities fell by the same amount.

8. Derivative financial instruments and fair value

The derivative financial instruments were as follows:

At 30 June 2019	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO_2 emission rights	37	168	10	215
Interest rate and currency swap contracts	-	8	-	8
	37	**176**	**10**	**223**
Liabilities				
Energy commodity contracts and CO_2 emission rights	-	172	-	172
Interest rate and currency swap contracts	-	29	-	29
	-	**201**	**-**	**201**

At 31 December 2018	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO_2 emission rights	50	189	13	252
Interest rate and currency swap contracts	-	8	-	8
	50	**197**	**13**	**260**
Liabilities				
Energy commodity contracts and CO_2 emission rights	4	218	-	222
Interest rate and currency swap contracts	-	4	-	4
	4	**222**	**-**	**226**

Unaudited with the exception of 31 December 2018.

Notes on the content of levels 1, 2 and 3 are presented in the accounting policies for the 2018 financial statements.

Financial assets included derivative financial instruments of €50 million at 30 June 2019 (31 December 2018: €84 million).

The fair value of the loans at 30 June 2019 was €585 million (31 December 2018: €454 million). The fair value of the loans is estimated using the present value method based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by 'level 2' in the fair value hierarchy.

9. Equity

During the first half of 2019, Eneco Groep N.V. declared a dividend of €68 million, which was paid to the shareholders in April 2019.

10. Contingent assets and liabilities

Legal proceedings

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

Liabilities and contingencies in connection with these claims and proceedings are assessed periodically based on the latest information available, usually with the assistance of lawyers and other specialists. A liability is only recognised if an adverse outcome is probable and the amount of the loss can be reasonably estimated. The actual outcome of proceedings or a claim may differ from the estimated liability and, consequently, could have a material adverse effect on the financial performance and position of the Group. Eneco has, for example, been ordered to pay a material amount but it denies all liability and disputes every alleged obligation for payment.

The terms and conditions of the unbundling protocol as presented in the Group's 2018 financial statements are unchanged.

Other contingent assets and liabilities

The Group has energy purchase commitments of €9.7 billion (31 December 2018: €9.4 billion) which relate to the second half of 2019 and later years. The purchase commitments comprise energy contracts for the Company's own use with various energy generators. Against this there are sales commitments of €5.3 billion (31 December 2018: €4.7 billion) already entered into which relate to the second half of 2019 and later years, mainly for the business market. There are commitments of €0.6 billion (31 December 2018: €0.6 billion) for the purchase of heat. The annual indefinite commitments for the sale of heat are €0.3 billion (31 December 2018: €0.3 billion).

The Group has issued group and bank guarantees of €0.6 billion (31 December 2018: €0.5 billion) to third parties including €0.1 billion in relation to conditional liabilities for issuing these guarantees. Of the €0.6 billion, €0.5 billion (31 December 2018: €0.4 billion) has been issued by N.V. Eneco Beheer. The remaining group and bank guarantees have been issued by subsidiaries for which N.V. Eneco Beheer has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code.

11. Events after the reporting date

On 17 July 2019, Eneco entered into a power purchase agreement (PPA) with the Fryslân wind farm. The agreement is for an annual volume of 1.5 TWh for 15 years (from 2021). The contract has a total value of some €1 billion over the life of the agreement.

Review report

To the Board of Management and the Supervisory Board of Eneco Groep N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Eneco Groep N.V., Rotterdam, which comprise the consolidated balance sheet as at June 30, 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the period of six months ended June 30, 2019, and the selected notes. Management is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The supervisory board is responsible for overseeing the company's financial reporting process. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June, 2019, are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Rotterdam, 23 August 2019

Deloitte Accountants B.V.

Was signed:
J.A. de Bruin

Published by
Eneco Group Communication
P.O. Box 1003
3000 BA Rotterdam
The Netherlands
Telephone: + 31 (0)6 11 71 46 09
corporatecommunicatie@eneco.com
www.enecogroup.com

Design
C&F Report

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Eneco Group
P.O. Box 1003
3000 BA Rotterdam
The Netherlands
www.enecogroup.com