Half-year report 2015

Eneco Holding N.V.

Eneco

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Results for the first half of 2015

Satisfactory first half of 2015

Eneco Group can look back on its results for the first six months of 2015 with satisfaction. The company is reaping the benefits of several cost-saving programmes and has fine-tuned its strategic course as shown by the development of new, innovative energy services for customers. Customers have also benefited from lower energy costs during this half-year as a result of a fall in energy prices and a cut in regulated tariffs for the transmission of energy.

New innovative corporate strategy

During the first six months of 2015, Eneco Group announced a change in its strategic course. Eneco's mission is still 'Sustainable energy for everyone' but the focus is now more specifically on the development of innovative products and services. The sustainable energy company wants to help its customers manage their energy provision. To this end, Eneco will invest €100 million in start-ups and innovative developments in the next few years.

Together

Since the announcement of the change in strategy, Eneco Group has confirmed a number of exciting alliances. The decisions of Google, NS (Dutch railways) and KPN to take sustainable power from our wind farms were followed by ABN AMRO in January and more recently by AkzoNobel. We are working with Solar Green Point to set up more collective solar farms in the Netherlands.

Eneco is also concentrating on alliances on social themes such as the one with the province, municipalities and businesses to develop a heat circuit in Zuid-Holland that will allow households and companies to make greater use of heat from the area around the port of Rotterdam. An initiative has started with residents of the Ypenburg district of The Hague (BewonersPlatform Ypenburg) to make the local district heating network more sustainable. The vital need for collaboration when setting up sustainable initiatives can be seen from the alliance between the municipality of Ameland, the Amelander Energiecoöperatie (AEC) and Eneco to develop a solar farm on the island of Ameland. In another example, Stedin is one of several parties in a unique energy project in the Hoog Dalem district of Gorinchem to obtain information on the costs and benefits of energy storage and to reduce peaks in demand on the grid by optimum alignment of supply and demand.

There was significant attention for our investment in Nerdalize, whose innovative server/radiator performs computations and at the same time generates heat on site. Peeeks can be sure of interest from Eneco as this start-up has developed a smart system for dealing with surpluses and shortages in the electricity grid by switching users' equipment on and off, fully automatically and intelligently. SmartCharging (SlimLaden), an app that allows owners of electric cars to recharge their vehicle's battery at the most cost effective time, is an initiative developed by Eneco.

Toon

At the same time, Eneco continued with further significant development of its intelligent Toon thermostat, of which over 145,000 units have now been sold. Toon is now being offered to customers who do not have a supply contract with Eneco and there is a Toon for district heating. We also presented a new function in Toon that lets users see at a glance how much power their solar panels are generating. We will shortly be providing an update to Toon so that users have faster technology that enables us to offer our customers additional services, such as a smoke alarm inside and outside the house that warns of smoke or a fire. Our grid operator Stedin also made progress with the provision of smart meters. In the past six months they have offered replacement of gas and electricity meters with smart meters at 62,000 addresses.

Unwelcome unbundling

Despite the referral to the Court of Appeal, we were disappointed by the recent judgement of the Supreme Court, which ruled that the Independent Network Management Act (Wet Onafhankelijk Netbeheer) does not conflict with European law. Forcing Eneco Group to split itself up into separate network and supply companies is neither in the interests of Eneco nor the sustainable transition of the supply of energy. The Netherlands is the only country in Europe that requires its energy companies to be unbundled. Despite this, the Netherlands allows integrated foreign energy companies to operate in the Dutch market, thus deliberately creating an uneven playing field where those foreign competitors have an unfair advantage over Eneco. Accordingly, we are calling on politicians to decide if actual forced unbundling of a healthy Dutch company is useful and necessary.

Results for the first half of 2015

Eneco Group recorded revenue of €2,363 million and a profit after income tax of €144 million in the first half of 2015. These are falls of 3% and 7% respectively compared with the same period in 2014, when revenue was €2,444 million and a profit after income tax of €155 million was earned.

Result developments

The gross margin on sales and transmission of gas, electricity and heating and related activities rose by €70 million (9%) to €847 million. This increase compared with the previous half-year was enhanced by lower energy sales in 2014 resulting from the relatively mild weather and non-recurring items. Adjusted for these, there was a fall in 2015 as a result of the further reduction in regulated tariffs for energy transmission. There was a positive effect from the expansion of the wind farms, the purchase of heat production assets in Utrecht on 2 January 2015 and the buy-out and restructuring of energy purchase contracts in 2014, for which non-recurring charges had been recognised in 2014. From 2015, we benefit from the structural improvement in the margin on conventional generation.

Operating expenses excluding depreciation totalled €497 million. Despite the additional costs brought about by growth in our activities, this was €38 million (7%) lower than for the same period last year. The reduction is largely a result of efficiency improvement programmes started in various business units last year. Amortisation and depreciation expense this half-year was €241 million, which is €148 million more than in the first half of 2014. €140 million of this was as a result of the reversal of impairment last year, and the remainder is mainly because of growth in our activities. Consequently, operating profit (EBIT) was €218 million, €45 million (17%) lower than in 2014 (€263 million). Net financial expense fell by €22 million to €34 million as there were fewer non-recurring items and lower interest-bearing debt.

Our production, trading and supply activities

The weather during this half-year was more typical than the very warm first half of 2014. Consequently, our customers' consumption of gas and heating rose to a normal level. The decline in revenue was a result of lower prices to our customers, a fall in average consumption per customer and a smaller customer base. Wind conditions were similar to last year. Our sustainable energy production increased thanks to new wind farms coming on stream. Available sustainable generation capacity rose from 1,680 MW at the end of 2014 to 1,843 MW (enough to supply over 1.1 million households) at 30 June 2015.

Operating profit (EBIT) from production, trading and supply activities in the first half of this year fell to €89 million (first half of 2014: €117 million[1]), a reflection mainly of non-recurring items last year, while there was also a structural improvement in the result in 2015 from the restructuring of energy purchase contracts and the fall in operating expenses.

Our network and engineering activities

The new regulatory period for grid operators started in 2014. This means that the tariffs we are permitted to charge customers for the transmission of electricity and gas will fall each year for three years. This is reflected in the revenue from our network activities, which fell, once again, by €37 million (7%) compared with the same period last year, while the cost of transmission increased, putting further pressure on the margin for these activities. Operating costs decreased. Under the name ReVisie, our network and engineering organisations were combined from 1 January 2015. This efficiency improvement will allow us to offer our customers an even more effective and efficient service and create greater scope for investing in future-proof energy networks.

The average interruption in electricity supply due to faults in the network was 13.3 minutes per customer in the first six months

[1] From 1 January 2015, the activities of our former engineering companies CityTec and Joulz Energy Solutions were merged into our production, trading and supply activities and those of Stedin Operations into our network and engineering activities. The comparative figures for the first half of 2014 have been restated accordingly.

of 2015 (first half of 2014: 9.4 minutes). This was just above the target because of a major interruption on 26 June that affected over 130,000 customers in The Hague and Rijswijk.

Operating profit (EBIT) on network and engineering activities fell from €171 million[1] in the first half of 2014 to €143 million in the first half of 2015.

Customers

On 1 January, Eneco started supplying electricity to all the railway companies in the Netherlands under a ten-year contract signed in 2014. Initially, 50% of the electricity supplied will be generated from wind turbines and this will rise to 100% from 2018, meaning that NS customers will enjoy fully sustainable rail travel in the near future.

In January, Eneco UK presented plans for the development of the 59 MW Macritch Hill Wind Farm (18 turbines) to supply electricity to Scottish Water.

In May, Joulz Energy Solutions started construction of the 150 kV Middenmeer sub-station. Joulz will be responsible for the entire development, including all engineering, procurement, construction, commissioning and for the handover of the high voltage station. Joulz faced international competition in the tender stage.

Stedin started using a new type of charging point for electric cars in June. These can recharge electric cars' batteries but also supply power from the battery to the grid, allowing a reserve of power to be created, for example if there is a brief power cut.

Eneco Belgium launched a group offer of solar panels in the province of West-Vlaanderen. Eneco customers and others can apply without obligation for the supply and installation of solar panels. Eneco wants this campaign to reduce reluctance to opting for solar energy.

Investments

Eneco made further major investments of €380 million in sustainable energy supply in the first half of 2015. In the first half of 2014, the investments were even greater (€423 million) as major projects which are now in use were still under construction. These were the Leiding over Noord (transporting residual heat from the Botlek to Rotterdam providing sustainable heating to households and businesses) and Haringvliet (construction of a 19-kilometre high-voltage link between Voorne-Putten and Goeree Overflakkee).

Major progress was made on construction of the Delfzijl-Noord wind farm and the Luchterduinen wind farm came on stream in the first half of 2015. In total, during this half-year we invested €138 million in wind farms in the Netherlands (in Laarakkerdijk in Reusel De Mierden and the farms previously referred to), Belgium (Libeccio) and the United Kingdom (Twinshiels, Moy, Burn of Whilk). We also invested in district heating networks and in heat production facilities in Utrecht (€69 million). We are also continuing to invest significant sums improving and expanding our electricity and gas networks and offering smart meters (in total €159 million).

On 1 January 2015, we disposed of our high-voltage networks in Zuid-Holland and Utrecht to the national network manager TenneT, as required by law. The transaction for the Zuid-Holland network has been completed. Beneficial ownership of the Utrecht network has been transferred and legal ownership is expected to be transferred later this year.

Safety

We place great importance on creating a safe working environment for our employees and contractors, customers and local residents. Safety as expressed in the Recordable Incident Rate (RIF) was better than our target during the past half year but the number of accidents involving time off work (LTI) was above target and so we are continuing to pay attention to our approach to safety.

Outlook

We are confident of further developments at Eneco Group. Nevertheless, market conditions are challenging and will remain so for the time being, also in view of the current discussion on unbundling. Against this background we expect the result for 2015 will be comparable with the result for 2014.

Condensed consolidated interim financial statements 2015

Consolidated income statement

x € 1 million	Note	First half 2015	First half 2014
Revenues from energy sales and transmission and energy related activities	4	2,254	2,330
Purchases of energy and transmission and energy related activities		1,407	1,553
Gross margin		**847**	**777**
Other revenues		109	114
Gross margin and other operating revenues		**956**	**891**
Employee benefit expenses		206	203
Cost of contracted work and other external costs		277	315
Depreciation and impairment of property, plant and equipment		224	76
Amortisation and impairment of intangible assets		17	17
Other operating expenses		14	17
Operating expenses		**738**	**628**
Operating profit		**218**	**263**
Share of profit of associates and joint ventures		7	4
Financial income		6	8
Financial expenses	6	– 40	– 64
Profit before income tax		**191**	**211**
Income tax	7	– 47	– 56
Profit after income tax from continued operations		**144**	**155**
Profit after income tax from discontinued operations		–	–
Profit after income tax		**144**	**155**
Profit distribution:			
Profit after income tax attributable to holders of Eneco Holding N.V. perpetual subordinated bonds		6	–
Profit (loss) after income tax attributable to non-controlling interests		– 1	–
Profit after income tax attributable to shareholders of Eneco Holding N.V.		139	155
Profit after income tax		**144**	**155**

Unaudited.

Consolidated balance sheet

x € 1 million	Note	At 30 June 2015	At 31 December 2014	At 30 June 2014
Non-current assets				
Property, plant and equipment		7,696	7,526	7,348
Intangible assets		325	338	370
Financial assets		245	268	250
Total non-current assets		**8,266**	**8,132**	**7,968**
Current assets				
Assets held for sale	9	15	121	79
Intangible assets		19	11	11
Inventories		81	59	59
Trade receivables		609	747	706
Other receivables [1]		215	164	155
Derivative financial instruments		119	248	239
Cash and cash equivalents		133	606	270
Total current assets [1]		**1,191**	**1,956**	**1,519**
TOTAL ASSETS [1]		**9,457**	**10,088**	**9,487**
Equity	11			
Equity attributable to Eneco Holding N.V. shareholders		4,767	4,683	4,626
Perpetual subordinated bonds		509	501	–
Non-controlling interests		4	4	5
Total equity		**5,280**	**5,188**	**4,631**
Non-current liabilities				
Provisions for employee benefits		30	32	30
Other provisions		82	86	82
Deferred income tax liabilities		424	424	433
Derivative financial instruments	10	119	176	161
Interest-bearing debt	12	1,782	1,785	1,738
Other liabilities		428	419	382
Total non-current liabilities		**2,865**	**2,922**	**2,826**
Current liabilities				
Liabilities held for sale		3	1	2
Provisions for employee benefits		2	3	2
Other provisions		16	30	34
Derivative financial instruments	10	94	225	211
Interest-bearing debt	12	56	115	456
Current income tax liabilities		54	42	28
Trade and other liabilities [1]		1,087	1,562	1,297
Total current liabilities [1]		**1,312**	**1,978**	**2,030**
TOTAL EQUITY AND LIABILITIES [1]		**9,457**	**10,088**	**9,487**

[1] 2014 figures restated for comparative purposes.

Unaudited with the exception of 31 December 2014.

Consolidated statement of comprehensive income

x € 1 million	First half 2015	First half 2014
Profit after income tax	**144**	**155**
Unrealised gains and losses that will not be reclassified to profit or loss	**–**	**–**
Unrealised gains and losses that may be reclassified to profit or loss		
Exchange rate differences	34	11
Unrealised gains and losses on cash flow hedges	19	– 11
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations	– 5	3
Total other comprehensive income	**48**	**3**
Total comprehensive income	**192**	**158**
Profit distribution:		
Holders of Eneco Holding N.V. perpetual subordinated bonds (after income tax)	6	–
Non-controlling interests	– 1	–
Shareholders of Eneco Holding N.V.	187	158
Total comprehensive income	**192**	**158**

Unaudited.

Consolidated cash flow statement

x € 1 million	Note	First half 2015	First half 2014
Profit after income tax		**144**	**155**
Total adjustments for cash flow from business operations		19	231
Total of dividend received from associates, interest paid and received and income tax paid		– 75	– 46
Cash flow from operating activities		**88**	**340**
Cash flow from investing activities [1]	8	**– 359**	**– 444**
Dividend payments	11	– 104	– 119
Movement in non-controlling interests		1	–
Movement in non-current interest-bearing debt		– 29	– 155
Movement in current interest-bearing debt		– 70	392
Cash flow from financing activities		**– 202**	**118**
Movements in cash and cash equivalents		**– 473**	**14**
Balance of cash and cash equivalents at 1 January		606	238
Balance of cash and cash equivalents in acquired subsidiaries [1]		–	22
Balance of cash and cash equivalents on disposed subsidiaries and disposal of consolidated entities [1]		–	– 4
Balance of cash and cash equivalents at 30 June		**133**	**270**

[1] 2014 figures restated for comparative purposes.

Unaudited.

Consolidated statement of changes in equity

x € 1 million	Paid-up and called-up share capital	Share premium	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistri-buted profit	Total	Perpetual subordinated bonds	Non-controlling interests	Total equity
	Equity attributable to Eneco Holding N.V. shareholders										
At 1 January 2014	**497**	**381**	**861**	**4**	**– 32**	**2,636**	**241**	**4,588**	**–**	**5**	**4,593**
Total other comprehensive income in the first half 2014	**–**	**–**	**– 20**	**11**	**– 8**	**20**	**–**	**3**	**–**	**–**	**3**
Profit (-loss) after income tax first half 2014	–	–	–	–	–	–	155	155	–	–	155
Total comprehensive income	**–**	**–**	**– 20**	**11**	**– 8**	**20**	**155**	**158**	**–**	**–**	**158**
Profit appropriation 2013	–	–	–	–	–	121	– 121	–	–	–	–
Dividend payments relating to 2013	–	–	–	–	–	–	– 120	– 120	–	–	– 120
At 30 June 2014	**497**	**381**	**841**	**15**	**– 40**	**2,777**	**155**	**4,626**	**–**	**5**	**4,631**
Total other comprehensive income in the second half 2014	**0**	**0**	**– 20**	**9**	**5**	**20**	**0**	**14**	**0**	**0**	**14**
Profit (-loss) after income tax second half 2014	0	0	0	0	0	0	50	50	1		51
Total comprehensive income	**0**	**0**	**– 20**	**9**	**5**	**20**	**50**	**64**	**1**	**0**	**65**
Dividend payments relating to 2013	0	0	0	0	0	0	0	0	0	– 1	– 1
Discount and issue costs of perpetual subordinated bonds	0	0	0	0	0	– 8	0	– 8	0	0	– 8
Tax on coupon and issue costs of perpetual subordinated bonds	0	0	0	0	0	1	0	1	0	0	1
Issue of perpetual subordinated bonds	0	0	0	0	0	0	0	0	500	0	500
Reclassification	0	0	0	– 1	0	1	0	0	0	0	0
At 31 December 2014	**497**	**381**	**821**	**23**	**– 35**	**2,791**	**205**	**4,683**	**501**	**4**	**5,188**
Total other comprehensive income in the first half 2015	**0**	**0**	**– 20**	**34**	**14**	**20**	**0**	**48**	**0**	**0**	**48**
Profit (-loss) after income tax first half 2015	0	0	0	0	0	0	139	139	6	– 1	144
Total comprehensive income	**0**	**0**	**– 20**	**34**	**14**	**20**	**139**	**187**	**6**	**– 1**	**192**
Profit appropriation 2014	0	0	0	0	0	102	– 102	0	0	0	0
Dividend payments relating to 2014	0	0	0	0	0	0	– 103	– 103	0	0	– 103
Capital contribution	0	0	0	0	0	0	0	0	0	1	1
Tax on coupon and issue costs of perpetual subordinated bonds	0	0	0	0	0	0	0	0	2	0	2
At 30 June 2015	**497**	**381**	**801**	**57**	**– 21**	**2,913**	**139**	**4,767**	**509**	**4**	**5,280**

Unaudited with the exception of 31 December 2014.

Selected notes to the condensed consolidated interim financial statements

1. Accounting principles for financial reporting

1.1 General information

Eneco Holding N.V. ('the company') is a two-tier 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 as a group as 'Eneco', 'Eneco Group' or the 'Group'). In addition to the holding company, Eneco Group consists of the Energy Company Eneco and Stedin business segments.

Eneco Group works in collaboration with its customers on the generation and transmission of sustainable energy, supply of energy (electricity, gas and heating) and promotion of energy efficiency. In line with its mission of 'sustainable energy for everyone', Eneco Group is investing in sustainable sources of energy, energy solutions and infrastructure with the aim of keeping energy clean, available and affordable for customers into the future. As well as its operations in the Netherlands, Energy Company Eneco also has production and supply activities in Belgium, France, Germany and the United Kingdom.

Unless otherwise stated, 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 should be read in conjunction with the 2014 annual financial statements of Eneco Holding N.V., drawn up in accordance with IFRS-EU.

The Board of Management authorised the publication of these interim financial statements on 31 July 2015

1.2 New or amended IFRS standards 2015

Effective from 1 January 2015, the European Commission has adopted the following new or amended IFRS standards and interpretations that are relevant to Eneco and will be applied to the 2015 financial statements.

- IFRIC 21 'Levies' addresses the issue of when to recognise a liability for a levy. It covers liabilities imposed on an entity by local, national or international governments by law or regulations, other than taxes covered by another standard (e.g. income taxes under IAS 12 'Income Taxes') and fines and other penalties arising from failure to comply with laws or regulations. A key concept in IFRIC 21 is an 'obligating event': this is an event or activity that triggers the tax or levy. Eneco has assessed the main categories of taxes and levies, including municipal property tax (OZB) and municipal tax for encroachments on or over public land, in this context. This new interpretation does not have direct consequences for the interim figures.

- Annual Improvements: 2010-2012 Cycle: these are minor adjustments and improvements to existing standards. The main points for Eneco are:
  - IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': these changes set detailed rules for the measurement of an item of property, plant and equipment or an intangible asset at fair value ('revaluation model') with regard to revaluation of the asset's gross carrying amount and accumulated depreciation/amortisation; these changes do not have direct consequences for the interim figures;
  - IFRS 3 'Business Combinations': this change is a clarification that contingent consideration on a reporting date must always be established at fair value, regardless of whether this amount can or cannot be classified as a financial instrument according to IAS 39 'Financial Instruments: Recognition and Measurement'. Changes in fair value are recognised in profit or loss unless they occur within the one-year period ('measurement period'); the change does not have direct consequences for the interim figures;
  - IFRS 8 'Operating Segments': the changes require management to disclose the judgements made when applying the aggregation criteria to segments, including a description of those segments and economic indicators that have been assessed when determining that the aggregated business segments share similar economic characteristics; the reconciliation of the assets of each business segment and the total assets only has to be provided if the assets of these segments are reported periodically to the 'chief operating decision-maker' (in Eneco's case, the Board of Management); Eneco does not aggregate business segments and already discloses the reconciliation of assets in the notes to the segment information (see Note 4 'Segment information').

Other amendments and interpretations that are not relevant to Eneco or that have not yet been adopted by the European Commission are not addressed further.

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 2014 annual financial statements, except for the possible effect of new or amended standards and interpretations as set out in 1.2 ‘New or amended IFRS standards 2015’.

In the first half of 2015, Eneco began hedging part of its net investment in the United Kingdom (a 'net investment hedge') and is applying hedge accounting in accordance with existing IFRS rules in IAS 39 ‘Financial Instruments: Recognition and Measurement’. Under this new accounting policy, hedges of a net investment in foreign operations are accounted through equity similarly to cash-flow hedges. If the conditions for hedge accounting are met, changes in the value of the hedging instrument related to the effective portion of the hedging relationship are recognised directly in equity through the Translation reserve. The gains or losses related to the ineffective portion of the hedging relationship are recognised directly through the income statement. Cumulative gains and losses resulting from these changes recognised in the Translation reserve are reclassified to the income statement on the disposal or loss of control of the foreign operation.

2.2 Assessments, estimates and assumptions

In preparing these interim financial statements, management used assessments, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. In particular, they relate to the revenues from sales to retail customers, the useful economic life of property, plant and equipment, the fair value of relevant assets and liabilities, impairment of assets and the size of provisions. The assessments, estimates and assumptions that have been made are based on market information, knowledge and historical experience and other factors that can be deemed reasonable in the circumstances. Actual results could, however, differ from the estimates. Assessments, 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 or in the period under revision and subsequent periods if the revision affects both the current and future periods. Any points of special importance with regard to assessments, estimates and assumptions are set out in the notes to the income statement and balance sheet items.

3. Seasonal activity pattern

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

4. Segment information

Eneco Group’s operations are managed through its core companies, which are the business segments of Eneco Group as defined in IFRS 8 ‘Operating Segments’. There were three segments in 2014: Energy Company Eneco, Joulz and Stedin. On 1 January 2015, the Joulz segment was broken up, with CityTec and Joulz Energy Solutions becoming part of the Energy Company Eneco segment and the other business units (in particular, construction and maintenance of gas and electricity networks) merging with the Stedin segment.

The segment income statements do not include financial income and expenses, the share of profit of associates and joint ventures or tax expenses.

4.1 Revenues and profit by business segment

First half 2015	Segment Energy Company Eneco	Segment Stedin	Eliminations and non-allocated	Total
Revenues from energy sales and transmission, energy related activities and other operating revenues	1,838	525	–	2,363
Inter-segment operating revenues	47	12	– 59	–
Purchases of energy and energy related and other operating expenses	– 1,672	– 283	51	– 1,904
Operating profit before depreciation, amortisation and impairment	**213**	**254**	**– 8**	**459**
Depreciation, amortisation and impairment	– 124	– 111	– 6	– 241
Operating profit	**89**	**143**	**– 14**	**218**
Share of profit of associates and joint ventures				7
Financial income and expenses				– 34
Profit before income tax				**191**

First half 2014 [1]	Segment Energy Company Eneco	Segment Stedin	Eliminations and non-allocated	Total
Revenues from energy sales and transmission, energy related activities and other operating revenues	1,880	562	2	2,444
Inter-segment operating revenues	57	16	– 73	–
Purchases of energy and energy related and other operating expenses	– 1,841	– 299	52	– 2,088
Operating profit before depreciation, amortisation and impairment	**96**	**279**	**– 19**	**356**
Depreciation, amortisation and impairment	21	– 108	– 6	– 93
Operating profit	**117**	**171**	**– 25**	**263**
Share of profit of associates and joint ventures				4
Financial income and expenses				– 56
Profit before income tax				**211**

[1] 2014 figures restated for comparative purposes.

Unaudited

4.2 Balance sheet by business segment

At 30 June 2015	Segment Energy Company Eneco	Segment Stedin	Eliminations and non-allocated	Total
Assets				
Assets	4,601	5,159	– 364	9,396
Associates and joint ventures	61	–	–	61
Total assets	**4,662**	**5,159**	**– 364**	**9,457**
Liabilities				
Equity and non-current liabilities	3,444	4,857	– 156	8,145
Current liabilities	1,218	302	– 208	1,312
Total equity and liabilities	**4,662**	**5,159**	**– 364**	**9,457**

At 30 June 2014 [1]	Segment Energy Company Eneco	Segment Stedin	Eliminations and non-allocated	Total
Assets				
Assets	4,796	5,119	116	10,031
Associates and joint ventures	57	–	–	57
Total assets	**4,853**	**5,119**	**116**	**10,088**
Liabilities				
Equity and non-current liabilities	3,378	4,748	– 16	8,110
Current liabilities	1,475	371	132	1,978
Total equity and liabilities	**4,853**	**5,119**	**116**	**10,088**

[1] 2014 figures restated for comparative purposes.

Unaudited with the exception of 31 December 2014.

5. Business combinations

On 2 January 2015, Eneco acquired a number of electricity/district heating production sites and the associated heat distribution network in Utrecht from NUON/Vattenfall by purchasing the entire share capital and associated control in a cash transaction. The final purchase price has not yet been determined as it depends on settlement of specific items. The settlement may affect the allocation of the purchase price (based on fair value) to the identified assets and liabilities. The acquisition has been recognised provisionally in these interim financial statements. This acquisition fits Eneco's strategy of having the entire heating chain under its control to achieve greater operational efficiency. Eneco will also be able to make innovations to the heating network. The acquisition reinforces Eneco's market position.

The assets and liabilities were recognised on the acquisition date at their provisional fair value and consisted of some €50 million of property, plant and equipment and inventory. This acquisition is unlikely to lead to the recognition of goodwill. The costs related to this transaction were €0.7 million. The acquisition has been effectively recognised in Eneco's consolidated figures from 2 January 2015. The acquisition has reduced the purchase cost of energy/heating and increased operating expenses. This acquisition is making a positive contribution to the profit after income tax.

6. Financial expenses

x € 1 million	First half 2015	First half 2014
Interest expense	38	44
Interest added to provisions	2	3
Impairment of financial fixed assets	–	12
Other	–	5
Total	**40**	**64**

Unaudited.

7. Income tax

The effective tax burden amounted to 24.6% (first half of 2014: 26.5%). The reduction was mainly a result of income within the scope of the participation exemption. This is in contrast to the first half of 2014, when there were expenses that could not be deducted under the participation exemption. The exempt income and use of tax incentives (Energy Investment Allowance) means the effective tax burden is lower than the nominal rate of Dutch corporate income tax.

8. Cash flow from investing activities

Investment in property, plant and equipment and intangible assets in the first half of the year amounted to €328 million (first half of 2014: €402 million) and related to new production capacity and the extension and renovation of energy networks.

9. Assets held for sale

Beneficial ownership of the high-voltage networks in Utrecht was transferred to TenneT on 1 January 2015. Consequently, they are no longer recognised as ‘assets held for sale’ but as ‘other receivables’ in current assets in the balance sheet at 30 June. It is expected that legal ownership will be transferred and the financial settlement will be made during the second half of 2015.

Assets held for sale consist of a fixed-price contract for small-scale electricity and gas activities previously classified as construction contracts. This project was converted into an alliance with a third party and sold to that third party on 1 July 2015.

The balance at 30 June 2015 also includes real estate which is expected to be sold in the second half of the year.

10. Derivative financial instruments

Derivative financial instruments

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

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

	At 30 June 2015		At 31 December 2014	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap contracts	–	7	–	7
Currency swap contracts	31	85	9	106
Energy commodity contracts	213	120	374	287
CO_2 emission rights	14	1	9	1
Total	**258**	**213**	**392**	**401**
Classification				
Current	119	94	248	225
Non-current	139	119	144	176
Total	**258**	**213**	**392**	**401**

Unaudited with the exception of 31 December 2014.

Start of net investment hedge and settlement of currency swap contracts

Currency translation exposure has increased due to the expansion of Eneco's activities in the United Kingdom in recent years. This exposure concerns the translation of sterling into euros in Eneco's consolidated financial statements. In view of this, it has been decided to enter into a net investment hedge covering the translation exposure for the amount of the sterling loans (£75 million). As a result of this hedging relationship, exchange rate differences on the carrying amount of the loans are (like normal translation gains and losses arising from the net investment in the United Kingdom) recognised directly in equity through the Translation reserve. Prior to the application of the net investment hedge, exchange rate risks related to sterling loans were hedged by foreign exchange swap contracts and these were settled during the first half of 2015.

Measurement

The following hierarchy was used for the measurement of the financial instruments:

Level 1

Level 1 recognises financial instruments whose fair value is measured using unadjusted quoted prices in active markets for identical instruments.

Level 2

Level 2 recognises financial instruments whose fair value is measured using market prices or pricing statements and other available information. Where possible, the measurement method uses observable market prices. Level 2 energy commodity contracts are measured using market prices or pricing statements for periods in which an active market exists for the underlying commodities such as electricity, gas (title transfer facility), oil-related prices and emission rights. Other contracts are measured by agreement with the counterparty, using observable interest rate and foreign currency forward curves. Illiquid contracts are not recognised as instruments in this category.

Level 3

Level 3 recognises financial instruments whose fair value is measured using calculations involving significant inputs that are not based on observable market data.

The hierarchy of derivative financial instruments measured at fair value at 30 June 2015 was as follows:

At 30 June 2015	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts	38	189	–	227
Interest rate and currency swap contracts	–	31	–	31
Total assets	**38**	**220**	**–**	**258**
Liabilities				
Energy commodity contracts	1	120	–	121
Interest rate and currency swap contracts	–	92	–	92
Total liabilities	**1**	**212**	**–**	**213**

At 31 December 2014	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts	59	324	–	383
Interest rate and currency swap contracts	1	8	–	9
Total assets	**60**	**332**	**–**	**392**
Liabilities				
Energy commodity contracts	1	287	–	288
Interest rate and currency swap contracts	–	113	–	113
Total liabilities	**1**	**400**	**–**	**401**

Unaudited with the exception of 31 December 2014.

11. Group equity

In the first half of 2015, Eneco Holding N.V. declared a dividend of €103 million (2014: €120 million), which was paid to the shareholders in April 2015.

12. Interest-bearing debt

The fair value of the loans at 30 June 2015 was €2,154 million (31 December 2014: €2,190 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 as specified in IFRS 13 'Fair Value Measurement' (see Note 10 ' Derivative financial instruments').

No long- or short-term financing was raised in 2015. Regular repayments of some €30 million and €70 million for long-term and short-term liabilities respectively were made in the first half of the year.

13. Contingent assets and liabilities

Legal proceedings

Eneco 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. It could be that the amounts claimed in some of these proceedings are significant to the consolidated interim 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.

Supreme Court ruling on unbundling

The Dutch Supreme Court issued a ruling on the forced unbundling of Dutch energy companies on 26 June 2015. The Supreme Court ruled that the Independent Network Management Act does not conflict with European Union legislation on the free movement of capital and freedom of establishment. The Supreme Court referred judgement on whether the forced unbundling is an infringement of the right to the protection of property (Article 1 of the First Protocol to the European Convention on Human Rights), which Eneco (and Delta) also invoked, to the Court of Appeal in Amsterdam.

This ruling means that the legal proceedings on the breach of its ownership rights that Eneco claims that the Act causes, must be resumed in the Court of Appeal in Amsterdam, which must examine whether the Act is in contravention of that Article of the First Protocol.

Pending the resumption of the legal proceedings, there is still uncertainty about whether the Act is legally valid. Partly as a result of this, Eneco is currently unable to comment on the consequences.

Other contingent liabilities

Eneco has energy purchase commitments of €6.4 billion (2014: €7.4 billion). There are sales commitments of €2.7 billion (2014: €3.0 billion) already entered into, mainly for the commercial market. These purchase and sale contracts relate to future supplies. There are commitments of €0.7 billion (2014: €0.7 billion) for the purchase of heat. The indefinite commitments for the purchase of heat are €0.3 billion per year (2014: €0.3 billion). Eneco has issued conditional and unconditional guarantees and surety of approximately €0.4 billion (2014: €0.2 billion) to third parties.

14. Related party transactions

Associates, joint ventures and the company's Management and Supervisory Boards are considered as related parties. Shareholders in Eneco with significant influence are also related parties. Sales to and purchases from related parties are on terms of business normally prevailing with third parties.

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

	Sales		Purchases	
	First half 2015	First half 2014	First half 2015	First half 2014
Associates [1]	62	73	9	12
Joint ventures [1]	–	–	2	1

[1] 2014 figures restated for comparative purposes in connection with the amended definition of joint ventures as a result of application of IFRS 11 'Joint Arrangements' from 1 January 2014.

Unaudited.

Review report

To: the Supervisory Board and the Board of Management of Eneco Holding N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Eneco Holding N.V., Rotterdam, which comprises the consolidated balance sheet as at June 30, 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cashflow statement, the consolidated statement of changes in equity, and the selected notes to the condensed consolidated interim financial statements for the six month period ended June 30, 2015. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at June 30, 2015, is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Rotterdam, July 31, 2015

Deloitte Accountants B.V.

Signed on the original,

J.A. de Bruin

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

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This half-year report contains statements relating to the future. These statements can be recognised by the use of wording such as 'anticipated', 'expected', 'forecasts', 'intends', and similar expressions. These statements are subject to risks and uncertainties and the actual results and events can differ considerably from the current expectations. Factors that could lead to this include, but are not confined to, the general economic situation, the situation in the markets in which Eneco Group operates, the behaviour of customers, suppliers and competitors, technological developments and legal provisions and stipulations of regulatory bodies that affect the activities of Eneco Group. Future results could also be influenced by factors including, but not limited to, financial risks, such as foreign currency risks, interest risks and liquidity and credit risks. Eneco Group 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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