Eneco in transition

Annual Report 2018

Eneco Groep N.V. Financial Statements 2018

Eneco Groep N.V. Financial statements 2018

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Consolidated financial statements 2018

Consolidated income statement

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

Consolidated statement of comprehensive income

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

Consolidated balance sheet

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

Consolidated cash flow statement

x € 1 million	Note	2018	2017
Profit after income tax		**136**	**127**
Adjusted for:			
- Financial income and expense recognised in profit or loss	8.9	23	22
- Income tax recognised in profit or loss	10	-6	9
- Share of profit of associates and joint ventures		9	-
- Depreciation, amortisation and impairment	12.13	253	270
- Result from sale of tangible and intangible assets		1	2
- Movement in working capital	34	120	288
- Movements in provisions, derivative financial instruments and other		-19	35
Cash flow from business operations		**517**	**753**
Dividend received from associates and joint ventures		2	4
Interest paid		-18	-17
Interest received		10	4
Income tax paid / received		-83	-8
Cash flow from operating activities		**428**	**736**
Issued loans granted		-6	-8
Repayment of loans granted		201	2
Acquisition of subsidiaries (net, exclusively purchased cash)		-288	-459
Disposal of subsidiaries (net, exclusively sold cash)		48	2
Acquisition of joint operations, joint ventures and associates	15	-12	-32
Disposal of joint operations, joint ventures and associates	15	11	-
Investments in property, plant and equipment	12	-229	-142
Disposal of property, plant and equipment	12	5	3
Investments in intangible assets	13	-19	-14
Disposals assets held for sale		6	-
Cash flow from investing activities		**-283**	**-648**
Dividend payments		-64	-
Repayment of non-current interest-bearing debt	26	-108	-52
Repayment of current interest-bearing debt		-100	-25
Non-current interest-bearing debt issued	26	66	118
Current interest-bearing debt issued		100	25
Cash flow from financing activities		**-106**	**66**
Movements in cash and cash equivalents		**39**	**154**
Balance of cash and cash equivalents at 1 January	22	465	343
Translation gains and losses on cash and cash equivalents of subsidiaries		-	-1
Balance of cash and cash equivalents of disposed consolidated entities		-	-31
Balance of cash and cash equivalents at 31 December	23	**504**	**465**

Consolidated statement of changes in equity

	Equity attributable to Eneco Groep N.V. shareholders[1]								
x € 1 million	Paid-up and calledup share capital	Share premium	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Non-controlling interests	Total equity
At 1 January 2017	**122**	**-**	**1**	**30**	**2,773**	**192**	**3,118**	**3**	**3,121**
Profit after income tax 2017	-	-	-	-	-	127	127	-	127
Total other comprehensive income	-	-	-7	-20	-1	-	-28	-	-28
Total comprehensive income	**-**	**-**	**-7**	**-20**	**-1**	**127**	**99**	**-**	**99**
Profit appropriation 2016	-	-	-	-	192	-192	-	-	-
Cash dividend to Stedin Holding N.V.	-	-	-	-	-351	-	-351	-	-351
Contribution N.V. Eneco Beheer at 30 Januari 2017	-122	2,781	-	-	-2,613	-46	-	-	-
Total transactions with (former) owners of the company	**-122**	**2,781**	**-**	**-**	**-2,772**	**-238**	**-351**	**-**	**-351**
At 31 December 2017	**-**	**2,781**	**-6**	**10**	**-**	**81**	**2,866**	**3**	**2,869**
Adjustments opening balance at 1 January 2018[2]	-	-	-	-	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 2017	-	-	-	-	-	136	136	-	136
Total other comprehensive income	-	-	-1	-13	-1	-	-15	-	-15
Total comprehensive income	**-**	**-**	**-1**	**-13**	**-1**	**136**	**121**	**-**	**121**
Profit appropriation 2017	-	-	-	-	17	-17	-	-	-
Cash dividend to shareholders Eneco Groep N.V.	-	-	-	-	-	-64	-64	-	-64
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**17**	**-81**	**-64**	**-**	**-64**
At 31 December 2018	**-**	**2,781**	**-7**	**-3**	**29**	**136**	**2,936**	**3**	**2,939**

1 See note 23 'Equity' for further information on equity and in particular the line 'Contribution of N.V. Eneco Beheer at 30 January 2017'.

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

Notes to the consolidated 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 it into the energy network. New services are being developed for this that form and shape the energy transition. These include the Toon® platform, innovative flexible services and services focusing on saving energy. In addition to the Netherlands, the Group operates in Belgium, Germany, Switzerland and the United Kingdom.

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

The consolidated financial statements have been prepared by the company's Board of Management. The 2018 financial statements were signed by the Board of Management during its meeting on 18 February 2019 and will be submitted for adoption by the General Meeting of Shareholders on 27 March 2019.

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

The company's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in force at 31 December 2018, as adopted by the European Commission, and with the provisions of Part 9, Book 2 of the Dutch Civil Code. Where necessary, the accounting policies of joint operations, joint ventures and associates are brought into line with those of Eneco Groep N.V. The consolidated financial statements have been prepared on a going-concern basis using the accrual basis of accounting.

The company income statement is presented in an abridged form pursuant to the provisions of Section 402, Part 9, Book 2 of the Dutch Civil Code.

1.2 New or amended IFRS standards

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

- IFRS 9 'Financial Instruments'

This standard sets a comprehensive framework for the classification, presentation, recognition and measurement of all financial assets and liabilities and replaces the existing regulations in IAS 39 ‘Financial Instruments: Recognition and Measurement’. IFRS 9 applies to reporting periods beginning on or after 1 January 2018.

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

1) Classification and measurement
IFRS 9 has three categories of financial assets:
– assets measured at amortised cost;
– assets measured at fair value through equity; and
– assets measured at fair value through profit or loss.

The classification of financial assets under IFRS 9 is based on the business model for managing a financial asset and the characteristics of the contractual cash flow. The business model is used (‘business model test’) to determine whether a financial asset is held with the objective of:
- collecting the contractual cash flows; or
- selling it prior to its contractual maturity to realise its fair value changes.
There also has to be an assessment of whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (‘cash flow characteristics test’).

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

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

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

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

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

Finally, as a result of the introduction of IFRS 9 on 1 January 2018, there have been changes to the disclosure requirements for financial assets and financial liabilities as incorporated in IFRS 7 'Financial Instruments: Disclosures' which was amended with effect from 1 January 2018. These changes have, where applicable, been followed when preparing these 2018 financial statements.

- IFRS 15 'Revenue from Contracts with Customers'
This new standard provides a framework for revenue recognition and replaces the earlier regulations on revenue recognition, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 18 'Transfers of Assets from Customers'. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018.

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

Eneco has applied IFRS 15 since 1 January 2018 using the modified retrospective method by recognising measurement differences in the balance sheet on 1 January 2018 and not restating the 2017 comparative figures. Consequently, the cumulative effect of €18 million from capitalising contract acquisition costs and exit fees for on-going contracts has been recognised in

'Other receivables' in the opening balance sheet at 1 January 2018. Equity in the 2018 opening balance sheet has been increased by €14 million after deduction of a deferred tax liability.

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

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

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

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

- IFRS 16 'Leases'

Under this standard no distinction is drawn between operating and finance leases for lessees and off-balance-sheet accounting is no longer permitted for operating leases. The right of use of an asset under an operating lease must be capitalised on the balance sheet while recognising a lease liability. Assets with a value of less than USD 5,000 or a lease term of less than 12 months are exempt from capitalisation under IFRS 16. This new standard replaces the existing rules in IFRIC 4 'Determining whether an Arrangement contains a Lease' and IAS 17 'Leases'. IFRS 16 applies to reporting periods starting on or after 1 January 2019. Early adoption is permitted, but the Group has not done this.

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

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

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

- IFRIC 23 'Uncertainty over Income Tax Treatments'

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

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

1.3 Basis of consolidation

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

Subsidiaries

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

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

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

Joint operations / Joint ventures

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

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

Associates

An associate is an entity where there is significant influence over the financial and operating strategy, but not control. In general, 20% to 50% of the voting rights are held in an associate. The share in associates is recognised in the consolidated financial statements using the equity method, in which initial recognition is at the cost of acquisition of the interest in the associate. The carrying amount is then adjusted by the share in the result less dividends received. The cost of acquisition of an associate is the amount at which an associate was acquired by Eneco. If this is higher than the value of the net identifiable assets acquired, it may include goodwill. Associates are recognised from the date on which significant influence has been obtained until the date on which that influence no longer exists. Results on transactions with associates are eliminated in proportion to the interest in the associate. Impairment losses on associates are not eliminated.

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

Other capital interests

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

2. Accounting policies

2.1 General

The principal accounting policies used when preparing the 2018 financial statements are summarised below.

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

Judgements, estimates and assumptions

In preparing the financial statements, management applied judgements, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. The judgements, estimates and assumptions that have been applied are based on market information, knowledge, historical experience and other factors that can be deemed reasonable in the circumstances. Actual results could, however, differ from the estimates. Judgements, estimates and assumptions are reviewed on an on-going basis.

Judgements

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

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

Estimates and assumptions

Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the change is made prospectively in the relevant periods. Notes that disclose information on the principal estimates and assumptions involving a considerable risk of a material change to the carrying amount of assets and liabilities or impact on the results include:

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

Impairment of assets

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

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

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

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

If the carrying amount of assets allocated to a cash-generating unit is higher than the recoverable amount, the carrying amount is reduced to the recoverable amount. This impairment is recognised

through the income statement. Impairment of a cash-generating unit is first deducted from the goodwill attributed to that unit (or group of units) and then deducted proportionately from the carrying amount of the other assets of that unit (or group of units).

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

Foreign currencies

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

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

Netting off

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

2.2 Revenues

Performance obligations

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

Amounts invoiced and collected for the company's own risk (if Eneco acts as principal) are recognised as revenue. Amounts invoiced and collected for third parties (where Eneco is agent) are not recognised as revenue. The Group' payment terms are generally 15-30 days, depending on the type of customer.

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

Performance obligations that have been or are still to be performed and settled in the preceding or subsequent period create contract assets or contract liabilities respectively. A contract asset from revenues is a conditional right to compensation for the Group in exchange for goods or

services to the customer. Once the goods or services have been transferred to the customer and the Group has no further risk in the transaction, this asset is presented as a receivable (debtor or 'amount to be billed'). These receivables do not form part of the contract assets.

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

Energy supply

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

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

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

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

Energy-related activities

Revenues from the construction, maintenance and leasing of energy installations and equipment, the sale of solar panels and rental of smart thermostats are recognised as revenues from energy-related activities. Revenue from installing equipment and sales of solar panels and smart thermostats is recognised when control of the good passes to the customer. Revenue from other energy-related activities is recognised over the period of supply.

Government grants

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

2.3 Purchase cost of energy

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

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

2.4 Financial income and expenses

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

2.5 Income taxes

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

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

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

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

2.6 Property, plant and equipment

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

Government grants

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

Expenditure incurred subsequent to initial recognition

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

Depreciation

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

The following useful lives are applied:

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

2.7 Leases (Group as lessee)

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

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

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

2.8 Goodwill

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

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

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

2.9 Other intangible assets

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

Customer databases

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

Software

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

Trade names

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

Development costs

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

Amortisation

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

The following useful lives are applied:

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

2.10 Emission rights

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

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

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

2.11 Deferred taxes

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

Deferred tax assets are recognised for temporary differences available for relief, tax losses carried forward and the settlement of unused tax credits. This is only permitted if and to the

extent it is probable that future taxable profit will become available, so enabling an offset of unrelieved tax losses and unused taxed credits.

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

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

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

2.12 Derivative financial instruments

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

Measurement and recognition

Derivative financial instruments are measured at fair value. Movements in the fair value of derivative financial instruments are recognised directly through the income statement, unless the derivative financial instruments are for own use or risk hedging. Fair value of derivative and other financial instruments depends on their level in the fair value hierarchy:

Level 1

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

Level 2

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

Level 3

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

Presentation in the balance sheet

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

Own use

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

Cash flow hedge accounting

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

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

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

Hedges of net investment in a foreign operation

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

2.13 Other financial assets

Other financial assets are mainly long-term items with a term of more than one year, such as loans, receivables and prepayments due from associates, joint ventures or third parties. Long-term receivables, loans and prepayments are recognised at fair value and subsequently measured at amortised cost using the effective interest method. To the extent necessary, other receivables and loans are impaired using the expected credit losses method in IFRS 9. See note 2.16 'Trade and other receivables' for more information on this method.

2.14 Assets and liabilities held for sale

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

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

2.15 Inventories

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

2.16 Trade and other receivables

Trade and other receivables are receivables with a term of less than one year. Performance delivered by Eneco at the reporting date but not yet billed to the customer, including amounts that have still to be billed on the reporting date in addition to the advances already billed, are recognised as 'Amounts to be billed'. Receivables are recognised at fair value and subsequently measured at amortised cost less impairment losses using the expected credit losses method in IFRS 9.

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

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

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

Receivables with a term of less than one year are not measured at present value on initial recognition. In view of their short-term nature, the carrying amount of trade and other receivables at the reporting date is equal to their fair value.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits with a maturity of no more than three months or which can be called within three months.

2.18 Provisions for employee benefits

Defined-contribution pensions

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

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

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

Defined-benefit plans

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

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

Other provisions for employee benefits

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

2.19 Other provisions

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

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

Decommissioning

A provision is recognised that equals the present value of the expected costs where there is an obligation to dismantle, demolish or remove an item of property, plant or equipment when it ceases to be used. No decommissioning provision is formed if there is only a remote likelihood of an outflow of resources under the obligation. The initial recognition of the decommissioning provision for an asset is included in the cost of that asset. If a subsequent assessment shows that the present value of the estimated decommissioning and restoration costs differs considerably from the provision, the difference is settled as an addition or release against the cost of the asset concerned. The adjusted cost is then depreciated over the remaining useful life of that asset. Interest is added regularly to the decommissioning provision.

Onerous contracts

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

Restructuring

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

2.20 Interest-bearing debt

On initial recognition, interest-bearing debt is carried at fair value of the consideration received less the directly attributable transaction costs (including any premium/discount). Subsequent to initial recognition, interest-bearing debt is recognised at amortised cost using the effective interest method.

2.21 Leases (Group as lessor)

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

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

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

2.22 Trade creditors and other payables

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

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

Notes to the consolidated income statement

All amounts in millions of euros unless stated otherwise.

3. Revenues from energy sales and energy-related activities

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

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

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

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

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

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

4. Other revenues

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

5. Employee benefits

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

Total employee benefits were €281 million (2017: €258 million). €8 million (2017: €7 million) of employee benefits have been capitalised. As their nature is directly related to revenue, employee benefits of €9 million (2017: €9 million) have been recognised as part of the cost of energy sales and energy-related activities.

Headcount

The table below shows average headcount during the year expressed in full-time equivalents (FTE):

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

6. Remuneration of the Board of Management and Supervisory Board

The remuneration policy for the Board of Management as proposed by the Supervisory Board was approved at the General Meeting of Shareholders of the then Eneco Holding N.V. on 20 May 2005 and applies unchanged to the Group.[1] The remuneration of the Board of Management is set by the Supervisory Board on the recommendation of the Remuneration, Selection and Appointments Committee. The Remuneration Report for 2018 is published on the Eneco website.

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

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

The pension entitlements of the members of the Board of Management come under Eneco's standard pension plan. Since 1 January 2015, tax facilities for accrual of pension entitlements have been limited to an indexed maximum gross annual salary of €105,075 (2018). As a result, the contribution to pensions for the part of the gross salary over

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

€105,075 (2018) has taken a different form and is presented in the Other column.

The current employment contracts with the members of the Board of Management other than Mr Sondag are for an unlimited time with a period of notice for the company (N.V. Eneco Beheer) of four months. Mr Sondag's employment contract has been entered into for four years with a period of notice for the company (N.V. Eneco Beheer) of six months. The members of the Board of Management have been appointed for a period of four years. Messrs Rameau, Dubbeld and Van de Noort are entitled to a payment of 12 months salary and Mr Sondag to a payment of up to 18 months salary if dismissed by the company.[2]

Total remuneration was as follows:

Remuneration Board of Management

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

1 The variable remuneration is an estimate.

2 Mr Sondag was appointed on 25 May 2018.

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

x € 1,000	Gross salary	Variable remuneration[1]	Pension contributions	Other	Total 2017
J.F. de Haas	530	99	30	59	718
C.J. Rameau	394	74	26	40	534
G.A.J. Dubbeld	394	74	26	40	534
F.C.W. van de Noort[2]	287	54	20	27	388
M.W.M. van der Linden[3]	33	-	2	3	38
Total	**1,638**	**301**	**104**	**169**	**2,212**

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

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

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

Remuneration of the Supervisory Board

The usual remuneration of the chairman of the Supervisory Board is €36,500 per year. On 26 July 2018, the Enterprise Chamber of the Amsterdam Court of Appeal appointed C.M. (Charlotte) Insinger as temporary Chair of the Supervisory Board. In connection with this, it has been agreed that the current chairman will bill per hour up to a maximum sum of one-and-a-half times the usual remuneration for the chairman of the Supervisory Board set out above (amount excluding VAT but including the fixed expense allowance and remuneration for membership of committees). The other members of the Supervisory Board each receive an annual fee of €28,700. These amounts of remuneration also applied in 2017.

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

Total remuneration was as follows:

x € 1	Gross salary	Committees: Audit committee	Committees: Remuneration / selection and appointments committee[1]	Committees: Future shareholdings supervisory committee[2]	Other	Total 2018
C.M. Insinger, chairman	27,375	-	-	-	-	27,375
F.J. Leeflang	6,866	-	754	-	275	7,895
M. Sijmons	14,350	-	1,575	-	575	16,500
M.E. van Lier Lels	15,835	-	1,738	2,869	635	21,077
E.H.M. van den Assem, previous chairman	20,039	1,555	-	2,855	631	25,080
H.G. Dijkgraaf	7,175	1,300	-	-	288	8,763
M.B.A. Keim	28,700	5,200	-	-	1,150	35,050
R. Zandbergen	28,700	5,200	658	3,561	1,150	39,269
A. Nicolaï	28,700	-	3,150	3,561	1,150	36,561
M. Enthoven	14,508	1,639	-	989	581	17,717
E.Ph. Goudswaard	6,866	-	754	-	275	7,895
Total	**199,114**	**14,894**	**8,629**	**13,835**	**6,710**	**243,182**

1 The Remuneration Committee and the Selection and appointments committee were merged with effect from 1 February 2017.

2 This committee existed until 7 September 2018. The fees were paid to that date.

x € 1	Gross salary	Committees[1]: Audit committee	Committees[1]: Remuneration / selection and appointments committee	Committees[1]: Future shareholdings supervisory committee[2]	Other	Total 2017
E.H.M. van den Assem, chairman	33,458	-	2,888	4,767	1,054	42,167
M. Sijmons	26,308	-	2,888	-	1,054	30,250
M.E. van Lier Lels	26,308	-	2,888	4,767	1,054	35,017
H.G. Dijkgraaf	26,308	4,767	-	-	1,054	32,129
M.B.A. Keim	26,308	4,767	-	-	1,054	32,129
R. Zandbergen	26,308	4,767	2,888	4,767	1,054	39,784
A. Nicolaï	26,308	-	2,888	4,767	1,054	35,017
Total	**191,306**	**14,301**	**14,440**	**19,068**	**7,378**	**246,493**

1 The Supervisory Board of Eneco Groep N.V. was established on 31 January 2017. The remuneration in this table concerns the allocation of the remaining 11 months in 2017.

2 The 'Future shareholdings supervisory committee' is a temporary committee.

See the attendance overview 2018 for Supervisory Board members in the Supervisory Board Report.

7. Share of profit of associates and joint ventures

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

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

8. Financial income

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

9. Financial expenses

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

See note 26 ‘Interest-bearing debt’ for the average interest rate on the debt.

10. Income tax on the result

Eneco Groep N.V. is an autonomous taxpayer for corporate income tax purposes. In addition, the sole subsidiary, N.V. Eneco Beheer heads a fiscal unity for corporate tax purposes which includes almost all of its Dutch subsidiaries. The table below shows the tax on the result:

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

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

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

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

The table below shows the current tax:

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

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

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

11. Government grants

Government grants recognised in the result were as follows:

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

Notes to the consolidated balance sheet

All amounts in millions of euros unless stated otherwise.

12. Property, plant and equipment

	Land and buildings	Machinery and equipment	Other operating assets	Assets under construction	Total
Cost					
At 1 January 2017	**84**	**3,704**	**42**	**98**	**3,928**
Investments	-	24	1	117	142
Acquisitions	2	91	2	64	159
Disposals	-	-75	-1	-	-76
Reclassification from / to assets held for sale	-	-	-	-2	-2
Reclassification other	-	79	-	-96	-17
Translation differences	-	-13	-	-1	-14
At 31 December 2017	**86**	**3,810**	**44**	**180**	**4,120**
Investments	1	50	1	187	239
Acquisitions	-	25	-	-25	-
Disposals	-11	-44	-1	-6	-62
Reclassification from / to assets held for sale	-	3	-	4	7
Reclassification other	3	41	1	-113	-68
Translation differences	-	-3	-	-	-3
At 31 December 2018	**79**	**3,882**	**45**	**227**	**4,233**
Accumulated depreciation and impairment					
At 1 January 2017	**18**	**1,364**	**24**	**23**	**1,429**
Annual depreciation and impairment	3	202	5	6	216
Disposals	-	-71	-	-	-71
Reclassification other	-	11	-	-	11
Translation differences	-	-2	-	-1	-3
At 31 December 2017	**21**	**1,504**	**29**	**28**	**1,582**
Annual depreciation and impairment	3	174	5	-	182
Disposals	-3	-19	-1	-	-23
Reclassification from / to assets held for sale	-	1	-	-	1
Reclassification other	-	-3	-	-	-3
Translation differences	-	-1	-	-	-1
At 31 December 2018	**21**	**1,656**	**33**	**28**	**1,738**
Carrying amount					
At 1 January 2017	66	2,340	18	75	2,499
At 31 December 2017	65	2,306	15	152	2,538
At 31 December 2018	**58**	**2,226**	**12**	**199**	**2,495**

Capitalised interest

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

Assets under construction

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

Extension of the useful life of the Prinses Amalia Wind Farm

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

13. Intangible assets

	Goodwill	Customer databases	Licences and software	Concessions, permits, trade names and other rights	Development costs	Total
Cost						
At 1 January 2017	**160**	**199**	**83**	**73**	**4**	**519**
Investments	-	-	8	-	6	14
Acquisitions	347	310	20	55	-	732
Disposals	-	-	-1	-	-	-1
Translation differences	-	-	-	-1	-	-1
Reclassification other	-1	-	6	-	-	5
At 31 December 2017	**506**	**509**	**116**	**127**	**10**	**1,268**
Adjustments opening balance at 1 January 2018	6	-2	-	-	-	4
Adjusted opening balance at 1 January 2018	**512**	**507**	**116**	**127**	**10**	**1,272**
Investments	-	-	14	-	5	19
Acquisitions	1	82	2	-	-	85
Disposals	-	-	-13	-	-2	-15
Disposal of group companies	-1	-	-2	-1	-1	-5
Translation differences	-	-	-	-	-	-
Reclassification other	13	-1	4	51	-3	64
At 31 December 2018	**525**	**588**	**121**	**177**	**9**	**1,420**
Accumulated depreciation and impairment						
At 1 January 2017	**-**	**143**	**66**	**27**	**1**	**237**
Annual depreciation and impairment	-	39	10	6	1	56
Disposals	-	-	-1	-	-	-1
At 31 December 2017	**-**	**182**	**75**	**33**	**2**	**292**
Annual depreciation and impairment	-	49	16	5	2	72
Disposals	-	-	-15	-	-	-15
Disposal of group companies	-	-	-2	-	-1	-3
At 31 December 2018	**-**	**231**	**74**	**38**	**3**	**346**
Carrying amount						
At 1 January 2017	160	56	17	46	3	282
At 31 December 2017	506	327	41	94	8	976
At 31 December 2018	**525**	**357**	**47**	**139**	**6**	**1,074**

Goodwill

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

An impairment analysis was performed on this goodwill which showed that the recoverable amount of this group of cash-generating units (value in use) was higher than their carrying amount. The following assumptions were used to establish the value in use: the value in use of the cash-generating units was based on expected future cash flows for five years as in the Group's long-term plans (based in part on historical figures) and thereafter extrapolated on the expected life of the assets of these cash-generating units, which is generally longer than the five-year period; long-term growth of 1.0% was taken into account. The pre-tax discount rates, which reflect the risks of the activities of the relevant cash-generating units, were 4.9% - 7.2% (in 2017: 6% - 8% for all cash-generating units). These discount rates are based on the weighted average cost of capital (WACC), whose parameters are derived from data from a peer group and market information. The calculation of the value in use of these assets is sensitive to the following assumptions: the discount rate, the growth figure applied for extrapolating cash flows beyond the five-year plan and the average life of the assets. Of these factors, the discount rate is the most sensitive and an increase of 0.5 percentage points would reduce the value in use of the total cash-generating units by some €0.2 billion but would not lead to impairment for any of the cash-generating units.

Customer databases

Customer databases relate to REMU (acquired in 2003), Oxxio (acquired in 2011), Dong Energy Sales (acquired in 2014), LichtBlick and Eni (acquired in 2017) and E.ON Benelux Levering (acquired in 2018) (see note 14 'Business combinations and other changes in the consolidation structure').

Concessions, permits, trade names and other rights

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

Current intangible assets and inventories

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

14. Business combinations and other changes in the consolidation structure

There were three acquisitions in 2018, relating to the energy company E.ON Benelux Levering B.V. (customer portfolios) and two smart energy companies which are not material and so not discussed further. The total opening balance sheet figures for these companies are reported in 'Other acquisitions' below. In 2018, Eneco also exercised its right to purchase the remaining 50% of the shares in LichtBlick Holding AG. In addition, the business combinations relating to the energy business and the wind energy activities of Eni Gas & Power N.V. and the wind energy activities of De Wolff Verenigde Bedrijven B.V., both acquired in 2017, were completed and the figures are now definitive. Eneco also sold half of its holding (10% of the shares) in the Blauwwind wind farm being constructed off the Dutch coast and took a 12.5% interest in the SeaMade wind farm being built off the Belgian coast. At the end of 2018, Eneco also sold its solar and hydro-electricity generation activities in France.

Acquisition of E.ON Benelux Levering

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

acquisition is to achieve growth in the area of sustainable energy and innovative energy services in the Netherlands.

The purchase price for EZN was some €20 million in cash. A further sum of some €85 million was paid to the former owner as repayment of existing financing. This acquisition does not involve a variable portion of the purchase price (earn out) or deferred payment. The assessment of the fair value of the identified assets and liabilities was completed during the second half of 2018 and so the figures for this business combination are now definitive. Based on the figures in the opening balance sheet, the acquisition generated negative goodwill of some €11 million which has been taken to the result ('Other revenues'). Eneco has, however, incurred costs totalling some €9 million for transferring customer contracts to Eneco systems and these have been charged to the 2018 result ('Cost of contracted work and other external costs'). The negative goodwill is largely attributable to these arrangements and incorporating them in the acquisition price, along with the purchased customer contracts measured at fair value.

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

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

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

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

Acquisition of Eni - definitive figures

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

2018. These were released through the result for 2018 as part of the assessment of the overall tax position in these financial statements (see note 10 'Income tax' and 16 'Deferred taxes').

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

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

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

Sale of 10% of the shares in the Blauwwind (Borssele III & IV) wind farm to Partners Group
On 8 January 2018, Eneco decided to transfer half of its holding in the Borssele III & IV wind farm, which is under construction, to a Swiss investment company, Partners Group. The transaction was effected in June 2018. This sale reduced Eneco's share in this consortium from 20% to 10% but has not affected its treatment under IFRS. The Blauwwind wind farm is consolidated proportionately pursuant to IFRS 11 'Joint Arrangements'. The sale of the shares has not affected the Power Purchasing Agreement under which Eneco will purchase 50% of the electricity generated by the wind farms for a period of 15 years. For the first 15 years after coming on stream (expected to be 2021), Blauwwind will receive a guaranteed price of €54.49 per MWh under the Dutch SDE+ subsidy scheme. Financing contracts for the construction of the wind farm were also signed with a bank consortium in June 2018. The capital expenditure for the construction phase, financed in part by project financing, is expected to be a total of €1.3 billion.

12.5% holding in the SeaMade wind farm
In June 2018, Eneco entered into a shareholders' agreement with parties to a consortium for a 12.5% holding in two large offshore wind farms, Seastar and Mermaid (SeaMade N.V.), being developed off the Flemish coast. The wind farms under construction will have a total capacity of some 487 MW. Consequently, Eneco is further expanding its activities in Belgian offshore wind farms (alongside participation in the Norther wind farm that is under construction) in line with its strategy to grow further and invest in the sustainable generation of energy in Belgium. The holding acquired in SeaMade N.V. was agreed on 19 July 2018. This joint venture is classified as a joint operation under IFRS 11 'Joint arrangements' and so is recognised proportionately in the Group's figures. Eneco has entered into a Power Purchasing Agreement under which it will

purchase 100% of the electricity generated by the wind farms for a period of 18 years. As well as the purchase of shares, financing contracts for the construction of the wind farm were also signed with a bank consortium at the end of 2018. The capital expenditure for the construction phase, financed in part by project financing, is expected to be some €1.3 billion.

Sale of solar and hydro activities of Eneco France

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

15. Associates and joint ventures

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

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

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

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

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

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

16. Deferred taxes

The table below shows the deferred tax assets and liabilities:

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

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

Movements in deferred taxes during 2018 were as follows:

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

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

[2] This amount is included in the 'Movements in deferred taxes' as part of 'Income tax on the result'. See note 10 'Income tax on the result'.

Movements in deferred taxes during 2017 were as follows:

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

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

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

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

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

17. Derivative financial instruments

17.1 Financial instruments of the Group

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

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

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

17.2 Financial instruments recognised through the income statement

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

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

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

17.3 Financial instruments recognised in equity

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

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

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

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

17.4 Fair value hierarchy

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

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

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

17.5 Cash flow hedges

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

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

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

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

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

18. Other financial assets

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

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

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

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

19. Assets/liabilities held for sale

In 2016 the project portfolio was re-evaluated and it was decided to dispose of certain heating infrastructure and installations. In 2017, contracts were signed for the sale of most of the portfolio, and this was transferred in 2018. It is expected that the remainder of these projects will be sold in 2019. There will, therefore, be no further reduction in value from the carrying amount to expected fair value less costs to sell.

Assets held for sale at the end of 2017 included a total of €200 million under a financing agreement entered into on 27 January 2017 between N.V. Eneco Beheer (as lender) and the then Eneco Holding N.V. On 27 January 2018, this receivable was converted into cash and cash equivalents when it was sold to a bank.

20. Trade receivables

The table below shows the trade receivables:

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

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

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

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

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

The table below shows the movements of the impaired receivables:

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

21. Other receivables

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

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

The movements in contract acquisition costs were as follows:

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

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

22. Cash and cash equivalents

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

23. Equity

	At 31 December 2018	At 31 December 2017
Share capital	-	-
Share premium	2,781	2,781
Translation reserve	-7	-6
Cash flow hedge reserve	-3	10
Retained earnings	29	-
Undistributed result for the financial year	136	81
Equity attributable to Eneco Groep N.V. shareholders	**2,936**	**2,866**
Non-controlling interests	3	3
Total equity	**2,939**	**2,869**

General

As part of the unbundling of Eneco into an energy company and a network company, there was an informal capital contribution on 30 January 2017 in which the then Eneco Holding N.V. (now Stedin Holding N.V.) contributed the entire issued share capital of N.V. Eneco Beheer to Eneco Groep N.V., which had been incorporated on 12 December 2016, with a total sum of €2,819 million. This amount was equal to the carrying amount of N.V. Eneco Beheer's equity attributable to the then shareholder at 30 January 2017. This resulted in the payment of share premium of €2,781 million (including the result for January 2017 of €46 million) and a contributed cash flow hedge reserve of €38 million to Eneco Groep N.V. being a total of €2,819 million.

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

Share capital

Eneco Groep N.V.'s authorised share capital is €0.2 million divided into 20 million shares with a nominal value of €0.01 each. At 31 December 2018, 4,970,978 shares had been issued and fully paid. There were no changes in 2018. Eneco Groep N.V. has only issued ordinary shares.

Translation reserve

Assets and liabilities of foreign group companies denominated in foreign currency and foreign-currency funding of those subsidiaries relating to long-term loans denominated in foreign currency, after tax, are translated into euros at the reporting date at the exchange rate prevailing on the reporting date. Foreign currency exchange differences arising on this are recognised in the translation reserve in equity. The results of foreign group companies are translated into euros at the average rate. The difference between the profit after income tax at the average rate and based on the exchange rate prevailing on the reporting date is recognised through equity in the translation reserve. If an investment in a foreign operation is ended or reduced, the related

accumulated translation differences are recognised through the income statement. The translation reserve is not freely at the disposal of the shareholders.

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

Cash flow hedge reserve

The cash flow hedge reserve recognises gains and losses in the fair value of the effective portion of derivative financial instruments designated as cash flow hedges for which the hedge transaction has not yet been settled. Consequently, the Group meets the conditions for cash flow hedge accounting. The cash flow hedging instruments are mainly energy, forward and swap contracts agreed with other market parties in order to cover the market price risks of purchasing and selling energy commodities. This reserve also recognises the effective portion of hedging with interest rate and currency swap contracts. The cash flow hedge reserve is not freely at the disposal of the shareholders. Section 31.2 'Market risk' in note 31 'Financial risk management' provides further information on cash flow hedging, including a statement of the movements in this reserve.

Retained earnings

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

Non-controlling interests

These are third-party shares in the equity of subsidiaries of which the Group is not the sole shareholder.

24. Provisions for employee benefits

	Long-service benefits	Other	Total
Classification at 1 January 2017			
Current	1	5	6
Non-current	4	3	7
At 1 January 2017	**5**	**8**	**13**
Addition	1	6	7
Withdrawals	-1	-4	-5
Release	-	-2	-2
Acquisitions	4	-	4
Other	-	-	-
At 31 December 2017	**9**	**8**	**17**
Classification at 31 december 2017			
Current	-	7	7
Non-current	9	1	10
At 1 January 2018	**9**	**8**	**17**
Addition	-	4	4
Withdrawals	-	-4	-4
Release	-	-1	-1
Other	-	-	-
At 31 December 2018	**9**	**7**	**16**
Classification at 31 December 2018			
Current	1	6	7
Non-current	8	1	9
At 31 December 2018	**9**	**7**	**16**

Long-service benefits and pension liabilities

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

There are some defined benefit pension plans but as the net liability (liabilities for pension commitments less the plan assets) is not material at some €4 million (31 December 2017: €5 million), no disclosures for defined benefit plans pursuant to IAS 19 'Employee Benefits' have been presented.

The following actuarial assumptions were used for the provisions:

	At 31 December 2018	At 31 December 2017
Long-service benefits (NL)		
Discount rate at reporting date	1.6%	1.1%
Future salary increases	1.50%-2.50%	1.52%-2.10%
Mortality table	GBM & GBV 2012-2017	GBM & GBV 2009-2015
Pension liabilities (BE)		
Discount rate at reporting date	1.3% - 1.5%	1.2% - 1.5%
Future salary increases	1.5% / schaal+1%	1.0% / schaal+0,5%
Mortality table	MR-5/FR MR (retired)/FR	MR-5/FR-5 MR-5 (active)/FR MR (retired)/FR

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

Other employee benefits

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

25. Other provisions

	Decommissioning provision	Onerous contracts	Restructuring	Other	Total
Classification at 1 January 2017					
Current	-	-	7	-	7
Non-current	65	-	1	6	72
At 1 January 2017	**65**	**-**	**8**	**6**	**79**
Addition	7	8	4	3	22
Withdrawals	-	-	-7	-1	-8
Additions related to acquistions	5	-	-	5	10
Release	-1	-	-1	-	-2
Other	-	-	-	-	-
At 31 December 2017	**76**	**8**	**4**	**13**	**101**
Classification at 31 December 2017					
Current	-	4	1	2	7
Non-current	76	4	3	11	94
At 31 December 2017	**76**	**8**	**4**	**13**	**101**
Addition	12	-	16	3	31
Withdrawals	-	-	-12	-5	-17
Additions related to acquistions	-	-	7	4	11
Release	-1	-4	-	-1	-6
Other	-	-	-	-	-
At 31 December 2018	**87**	**4**	**15**	**14**	**120**
Classification at 31 December 2018					
Current	-	4	9	-	13
Non-current	87	-	6	14	107
At 31 December 2018	**87**	**4**	**15**	**14**	**120**

Decommissioning

The decommissioning provision is of a long-term nature. The cash flows will generally occur after ten years and within twenty years. The amounts are the best estimate at the reporting date and are reviewed annually for expected future movements in the cost of removing assets. The amounts estimated for decommissioning are inherently uncertain since it is not expected that an asset will be dismantled until a date well into the future and only limited historical data is available. Interest in a range of 2.1% to 3.8% was added to the provisions in 2018 (2017: 2.3% to 4.6%).

Onerous contracts

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

Restructuring provision

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

Other

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

26. Interest-bearing debt

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

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

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

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

The main movement in the current and non-current interest-bearing debt in 2018 was some €0.2 billion related to exercising the call option on LichtBlick Holding AG. There was an increase of €63 million in interest-bearing debt and repayments of €105 million were made including €68 million relating to green loans. See the consolidated cash flow statement for other movements in interest-bearing debt.

Collateral has been provided for the interest-bearing debt for financing wind and solar farms in the form of mortgages, pledges of shares in the legal entities, pledges of energy purchase contracts or grant contracts. The outstanding principal on these loans at 31 December 2018 was €311 million (31 December 2017: €335 million). No collateral has been provided for the other interest-bearing debt.

Liabilities arising from loans with a fixed-rate nature (fair value risk) were €82 million at 31 December 2018 (31 December 2017: €279 million). Other loans are at market-linked variable rates. Repayment obligations for the first year after the reporting date are recognised under current liabilities.

The average interest rate in 2018 was 3.3% (2017: 3.5%). This was calculated as the weighted average monthly interest expense directly related to the interest-bearing debt, excluding other financial expenses.

The fair value of the loans at 31 December 2018 was €454 million (31 December 2017: €650 million) and was calculated using the income approach, based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by level 2 of the fair value hierarchy.

27. Trade creditors and other payables

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

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

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

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

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

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

28. Operating leases

Costs and liabilities of operating leases

Costs and liabilities of operating leases

The Group has operating lease agreements for IT facilities and the vehicle fleet. There are also rental agreements for land and a number of business premises. A charge of €29 million has been recognised through the income statement (2017: €25 million).

The minimum receivables from these leases fall due as follows:

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

Revenues from operating leases

Equipment and energy installations are leased for periods of 5 to 15 years while the assets concerned remain the property of the Group. The lease covers making the equipment available to users and maintenance. Revenues of €21 million (2017: €22 million) have been recognised through the income statement.

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

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

29. Contingent assets and liabilities

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

Energy purchase and sale commitments

The Group has energy purchase commitments of €9.4 billion (31 December 2017: €6.1 billion) under contracts relating to 2019 and later years. €2.2 billion falls due within 1 year, €3.5 billion between 1 and 5 years and €3.7 billion after 5 years. The purchase commitments comprise energy contracts for the company's own use with various energy generators. There are sales commitments relating largely to the business market of €4.7 billion (31 December 2017: €3.4billion) for 2019 and later years. €2.0 billion falls due within 1 year, €2.4 billion between 1 and 5 years and €0.3 billion after 5 years.

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

Investment obligations

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

Other contingent obligations

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

Guarantees

The Group has issued group and bank guarantees of €0.5 billion (31 December 2017: €0.4 billion) to third parties. At 31 December 2018, N.V. Eneco Beheer had issued guarantees of €0.4 billion (31 December 2017: €0.3 billion). The remaining group guarantees have been issued by subsidiaries for which N.V. Eneco Beheer has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code.

Fiscal unity

Eneco Groep N.V. is an autonomous taxpayer for corporate income tax and VAT purposes. In addition, the sole subsidiary, N.V. Eneco Beheer, heads a fiscal unity for corporate tax purposes which includes almost all of its Dutch subsidiaries and N.V Eneco Beheer is a member of a fiscal unity for VAT purposes covering most of the Group. All companies in a fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.

Cash pool

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

Legal proceedings

The Group is involved either as plaintiff or defendant in various legal and regulatory claims and proceedings related to its operations. Management ensures proper representation in these matters. The amounts claimed in some of these proceedings may be significant to the consolidated financial statements. Liabilities and contingencies in connection with these claims and proceedings are assessed periodically based on the latest information available, usually with the assistance of lawyers and other specialists. A liability is only recognised if an adverse outcome is probable and the amount of the loss can be reasonably estimated. The actual outcome of proceedings or a claim may differ from the estimated liability and, consequently, could have a material adverse effect on the financial performance and position of the Group. Eneco has, for example, been ordered to pay a material amount but it denies all liability and disputes every alleged obligation for payment.

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

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

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

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

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

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

30. Related party transactions

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

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

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

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

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

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

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

31. Financial risk management

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

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

The Board of Management and senior business unit management regularly review the results, key figures such as changes in KPIs and the trading position, the principal risks (or concentration of certain risks) and the measures to manage them. Stress tests are developed for the principal identified risks and incorporated in the long-term financial plan. This clarifies the impact of risk on

operations. Senior business unit management reports to the Board of Management by means of an In Control Statement every year.

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

31.1 Credit risk

Credit risk is the risk of a loss if a counterparty or its guarantor cannot or will not meet its obligations. For the purposes of managing this risk, a distinction is drawn between debtor risk (on trade and other receivables) and counterparty risk. The maximum credit risk is the carrying amount of the financial assets including the derivative financial instruments.

Debtor risk

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

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

Measures in place to limit debtor risk are:

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

Trade receivables

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

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

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

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

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

Other receivables
The expected credit losses on other current and non-current receivables measured at amortised cost are calculated using the 12-month expected credit losses method unless a significant/considerable increase in credit risk has arisen for these receivables since initial recognition. In that case, any impairment is established using the lifetime expected credit losses method according to IFRS 9. To this end, there is an individual assessment of each receivable, incorporating credit ratings (if available), financial statements, press releases and specific contractual agreements with those customers and other parties.

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

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

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

Counterparty risk is limited by:

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

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

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

Financing instruments and counterparty risk when lending money

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

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

- the use of framework agreements on ISDA terms; and
- procedures for regular assessment of counterparty risk.

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

31.2 Market risk

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

Price risk

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

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

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

The positions from the above activities that can be hedged in the markets are combined so that the Group's current net exposure is clear. Management and strategic decisions on these positions take account of prevailing market conditions, along with the expected short and medium-term demand for and supply of energy by the Group. These are created exclusively by the trading department for the entire Group and the other business units must at all times immediately

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

hedge their exposure with the trading department. There is a residual risk in the above activities given the inherent existing imperfections between the positions to be hedged and available hedging instruments, weather influences, limited market liquidity and movements between commodity prices (for example, between different commodities, delivery periods and/or countries).

The VaR (annual) in the price risk on total commodity positions (purchases, customer deliveries and generation portfolio positions) for the delivery year 2019 was €21 million at 31 December 2018 (31 December 2017 - for the delivery year 2018 - €15 million). This VaR was on average €26 million in 2018 (2017: €15.5 million). The higher VaR in 2018 was mainly a result of the considerable increase in commodity prices during the year. The VaR (10 day) for portfolio positions that can be hedged in the short term via the market was €1.8 million at 31 December 2018 (31 December 2017: €1.2 million). This VaR was on average €2.3 million in 2018 (2017: €1.8 million).

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

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

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

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

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

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

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

Foreign currency risk

Foreign currency risk is the exposure to changes in value of financial instruments arising from changes in exchange rates. The Treasury department is responsible for managing the Group's other foreign currency risk. Companies included in the consolidation are not permitted to maintain open positions in foreign currencies (excluding commodity-related financial instruments) in excess of €250,000 without the Treasury department's approval. Based upon the aggregate foreign currency position and the associated limit set for open positions, the Treasury department determines whether hedging is desirable and the strategy to be followed. Eneco also uses derivatives and foreign currency loans to mitigate foreign exchange risk. The derivatives and loans used have counteracting risk profiles and the same underlying currency, principal and timing as the risk arising from commercial operations, leading to an effective hedge on which hedge accounting is applied. This approach hardly ever leads to ineffectiveness in currency hedges. Foreign currency risk attaching to commodity-related financial instruments is managed in accordance with the price risk.

The sensitivity of the Translation reserve in equity to a 1% movement in the sterling/euro exchange rate in 2018 was €1.2 million (2017: €0.7 million).

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

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

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

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

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

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

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

Interest rate risk

Interest rate risk is the exposure to changes in value in financial instruments arising from changes in market interest rates. The Treasury department manages interest rate risk. The interest rate risk policy is aimed at managing the net financing liabilities through fluctuations in market interest rates. A specified range for the proportions of loans at fixed and variable interest rates serves as the base tool. The Group may use derivative financial instruments such as interest rate swap contracts to achieve the desired risk profile.
If all other variables remain constant, it is estimated that a general increase of 1 percentage point in Euribor (for a period of twelve months) would lead to a decrease in profit before tax of €0.5 million (2017: €1.6 million).

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

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

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

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

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

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

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

Cash flow hedge reserve

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

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

Translation reserve

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

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

31.3 Liquidity risk

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

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

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

A specific liquidity risk arises from margining energy contracts through clearing houses and contracts with bilateral margin obligations. Risk limits have been set in the mandate to cover both the outstanding balance and price change sensitivity for the purposes of managing this. This risk is the subject of regular reports to business unit management and the Commodity Risk Team. The sensitivity of the margin call to a 1% change in prices was at 31 December 2018 was €1.1 million (2017: €0.7 million). At 31 December 2018, the Group had received a net amount of €16 million (2017: deposited €47 million).

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

Uncommitted credit and guarantee facilities

Uncommitted credit and guarantee facilities totalling €660 million (2017: €435 million) have been agreed with a number of banks and €103 million of this had been drawn at 31 December 2018 (2017: €75 million). Eneco also has a €750 million Euro Commercial Paper programme which was set up in 2017 and which had not been drawn at the year end.

Committed credit and bridging facilities

In July 2017, Eneco entered into a committed Revolving Credit Facility ('RCF') of €600 million with a term of 5 years.

Cash outflows on financial instruments

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

At 31 December 2018	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	88	18	-	106
Interest-bearing debt	41	331	133	505
Trade and other payables	1,517	49	93	1,659
Total	**1,646**	**398**	**226**	**2,270**

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

31.4 Netting financial assets and financial liabilities

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

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

At 31 December 2018	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Assets			
Derivative financial instruments	1,489	1,237	252
Other financial instruments	771	597	174
	2,260	**1,834**	**426**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Liabilities			
Derivative financial instruments	1,443	1,237	206
Other financial instruments	1,091	597	494
	2,534	**1,834**	**700**

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

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

32. Capital management

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

The Group monitors its capital using the Financial Management Framework. This includes the equity/total assets ratio which is regularly monitored by the Board of Management. At year-end 2018 it was 51.2% (31 December 2017: 50.7%).

Notes to the consolidated cash flow statement

The cash flow statement has been prepared using the indirect method. To reconcile the movement in cash and cash equivalents, the result after tax is adjusted for items in the income statement and movements in balance sheet that did not affect receipts and payments during 2018.

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

33. Movements in working capital

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

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

x € 1 million	2018	2017
Movements in intangible current assets	-111	-11
Movements in inventories	-10	7
Movements in trade debtors	26	27
Movements in other receivables	3	236
Movements in non-interest bearing debt	212	29
Total	**120**	**288**

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

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

Subsidiaries

Name	Seat	Share
AgroPower B.V.*	Delft	100%
BioEnergieCentrale Delfzijl B.V.	Rotterdam	100%
CEN B.V.*	Hilversum	100%
Eneco B.V.*	Rotterdam	100%
Eneco België B.V.*	Rotterdam	100%
Eneco Belgium N.V.	Mechelen (B)	100%
Eneco Bio Golden Raand C.V.	Rotterdam	100%
Eneco Consumenten B.V. *	Rotterdam	100%
Eneco Consumenten Nederland B.V. *	Rotterdam	100%
Eneco eMobility B.V.	Rotterdam	100%
Eneco Energy Trade B.V.*	Rotterdam	100%
Eneco Gasspeicher B.V.*	Rotterdam	100%
Eneco Installatiebedrijven B.V. *	Rotterdam	100%
Eneco Installatiebedrijven Groep B.V. *	Rotterdam	100%
Eneco Installatiebedrijven TI B.V. *	Rotterdam	100%
Eneco Leiding over Noord B.V.	Rotterdam	100%
Eneco Mistral B.V.* (previously: Windkracht Nederland B.V.)	Rotterdam	100%
Eneco Services B.V.*	Rotterdam	100%
Eneco Smart Energy B.V.	Rotterdam	100%
Eneco Solar Belgium N.V.	Ghent (B)	100%
Eneco Solar, Bio & Hydro B.V.*	Rotterdam	100%
Eneco UK Limited	Leeds (UK)	100%
Eneco Verda B.V.* (previously: Distri Wind B.V.)	Rotterdam	100%
Eneco Warmte & Koude B.V.*	Rotterdam	100%
Eneco Warmte & Koude Leveringsbedrijf B.V.*	Rotterdam	100%
Eneco Warmtenetten B.V.*	Rotterdam	100%
Eneco Warmteproductie Utrecht B.V.	Rotterdam	100%
Eneco Wind B.V.*	Rotterdam	100%
Eneco Wind Belgium SA	Wavre (B)	100%
Eneco Windpark Delfzijl Noord v.o.f.	Rotterdam	100%
Eneco Windmolens Offshore B.V.	Rotterdam	100%
Eneco Zakelijk B.V.*	Rotterdam	100%
Eneco Zakelijk Nederland B.V.	Rotterdam	100%
LichtBlick Holding AG	Hamburg (D)	100%
LichtBlick SE	Hamburg (D)	100%
N.V. Eneco Beheer	Rotterdam	100%
Oxxio Nederland B.V.*	Rotterdam	100%
Quby B.V.	Amsterdam	100%
Sprint B.V.*	Rotterdam	100%
Windpark de Beemden B.V.	Rotterdam	100%

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

Joint operations

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

Joint ventures

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

Associates

Name	Seat	Share
Groene Energie Administratie B.V.	Rotterdam	30%
Next Kraftwerke GmbH	Cologne (D)	34%
Thermondo GmbH	Berlin (D)	8.2%
Luminext B.V.	Amsterdam	33.3%

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

Company financial statements

Company income statement

x € 1 million	2018	2017
Share of profit of subsidiaries	136	81
Other results after income tax	-	-
Profit after income tax	**136**	**81**

Company balance sheet

Before profit appropriation

x € 1 million	Note	At 31 December 2018	At 31 December 2017
Non-current assets			
Financial assets	3	2,936	2,866
Total non-current assets		**2,936**	**2,866**
Current assets			
Total current assets		**-**	**-**
TOTAL ASSETS		**2,936**	**2,866**
Equity			
Share capital		-	-
Share premium		2,771	2,743
Translation reserve		-7	-6
Cash flow hedge reserve		-3	10
Undistributed profit of shareholdings reserve		34	33
Research and development expenses reserve		5	5
Retained earnings		-	-
Undistributed profit		136	81
Total equity	4	**2,936**	**2,866**
Non-current liabilities		-	-
Total non-current liabilities		**-**	**-**
Non-current liabilities		-	-
Total current liabilities		**-**	**-**
TOTAL EQUITY AND LIABILITIES		**2,936**	**2,866**

Notes to the company financial statements

All amounts in millions of euros unless stated otherwise.

1. Accounting policies

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

2. Remuneration of the Board of Management and Supervisory Board

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

3. Financial assets

	Subsidiaries
At 1 January 2017	**-**
Contribution N.V. Eneco Beheer at 30 January 2017	2,819
Share of profit of subsidiaries	81
Movement in cash flow hedges	-28
Translation differences	-6
At 31 December 2017	**2,866**
Adjustments opening balance at 1 January 2018	13
Share of profit of subsidiaries	136
Dividend received	-64
Movement in cash flow hedges	-13
Other equity movements	-1
Translation differences	-1
At 31 December 2018	**2,936**

4. Equity

Movements in the equity of Eneco Groep N.V. were as follows:

	Paid-up and called-up share capital	Share premium	Translation reserve	Cash flow hedge reserve	Undistributed profit of shareholdings reserve	Research and development expenses reserve	Retained earnings	Undistributed profit	Total
At 1 January 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Contribution N.V. Eneco Beheer on 30 January 2017	-	2,743	-	38	33	5	-	-	2,819
Movements further in the financial year	-	-	-6	-28	-	-	-	81	47
At 31 December 2017	**-**	**2,743**	**-6**	**10**	**33**	**5**	**-**	**81**	**2,866**
Adjustments opening balance at 1 January 2018	-	-	-	-	-	-	13	-	13
Adjusted opening balance at 1 January 2018	**-**	**2,743**	**-6**	**10**	**33**	**5**	**13**	**81**	**2,879**
Total (other) comprehensive income	**-**	**-**	**-1**	**-13**	**-**	**-**	**-1**	**136**	**121**
Profit appropriation 2017	-	-	-	-	-	-	17	-17	-
Cash dividend to shareholders Eneco Groep N.V.	-	-	-	-	-	-	-	-64	-64
Movements in the financial year	-	28	-	-	1	-	-29	-	-
At 31 December 2018	**-**	**2,771**	**-7**	**-3**	**34**	**5**	**-**	**136**	**2,936**

See note 23 'Equity' to the consolidated financial statements for details of individual components of equity.

Statutory reserves are recognised pursuant to Part 9, Book 2 of the Dutch Civil Code. Eneco Groep N.V.'s statutory reserves are a translation reserve, cash flow hedge reserve, reserve for undistributed profit of participations and a reserve for research and development costs. On the contribution of N.V. Eneco Beheer, Eneco Groep N.V. took over all the statutory reserves of N.V Eneco Beheer and its subsidiaries.

The total amount of the undistributed profit of participations and research and development costs reserves of €39 million (31 December 2017: €38 million) was deducted in part (€10 million) from the share premium and in part (€29 million) adjusted through Retained earnings since Eneco Groep N.V. does not yet have sufficient retained earnings.

Distributable results

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

The non-distributable capital attributable to Eneco Groep N.V.'s shareholders was €47 million (31 December 2017: €51 million). The individual method was used for the cash flow hedge reserve.

5. Contingent assets and liabilities

Liability

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

Fiscal unity

Eneco Groep N.V. is an autonomous taxpayer for corporate income tax and VAT purposes.

6. Auditor's fees

The fees below relate to the fee for accountancy and consultancy services by Eneco's external auditor, Deloitte Accountants B.V., as defined in Section 1.1 of the Audit Firms Supervision Act (Wet toezicht accountantsorganisaties - Wta), and includes those charged by entities associated with the auditor in the Deloitte network.

x € 1,000	Deloitte Accountants B.V.	Affiliated Deloitte entities	Total 2018
Audit of the financial statements	1,612	35	1,647
Other audit engagements	562	467	1,029
Tax consultancy	-	5	5
Other non-audit services	27	155	182
Total	**2,201**	**662**	**2,863**

The fee for the audit of the Eneco Groep N.V financial statements included audit work on the consolidated and company financial statements of this company. The above fees relating to the audit of the 2018 financial statements include work not performed during the reporting period.

Other audit engagements are the audit of the statutory financial statements of subsidiaries and related engagements. Other non-audit services are those permitted by law and regulations.

7. Proposed appropriation of the 2018 profit

A proposal will be put to the General Meeting of Shareholders on 27 March 2019 to declare a dividend to the shareholders of €68 million from the consolidated profit after tax attributable to the shareholders. This represents a distribution of €13.68 per share for 2018. The dividend will be paid in April 2019.. A proposal will also be made to add the remaining €68 million of the consolidated profit to Retained earnings.

Rotterdam, 18 February 2019

Eneco Groep N.V.

Board of Management

L.M. (Ruud) Sondag, chairman
C.J. (Kees-Jan) Rameau
G.A.J. (Guido) Dubbeld
F.C.W. (Frans) van de Noort

Supervisory Board

C.M. (Charlotte) Insinger, chairman
F.J. (Frederieke) Leeflang
E.Ph. (Ewoud) Goudswaard
M.B.A. (Marco) Keim
R. (Rob) Zandbergen
A. (Atzo) Nicolaï
M. (Michael) Enthoven

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Future results could also be influenced by factors including, but not limited to, financial risks, such as foreign currency and interest risks and liquidity and credit risks. Eneco does not accept any liability or obligation related to the adjustment or revision of the current forecasts on the basis of new information or future events or for any other reason.

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