Eneco, at the heart of society

Annual Report 2012 Eneco Holding N.V.

Eneco

Financial statements

Consolidated financial statements 2012

Consolidated income statement

x € 1 million	Note	2012	2011
Revenues from energy sales and transmission and energy-related activities	3	5,082	4,839
Purchases of energy and transmission and energy-related activities		3,462	3,397
Gross margin		**1,620**	**1,442**
Other revenues	4	174	168
Gross margin and other operating revenues		**1,794**	**1,610**
Employee benefits expenses	5	374	363
Cost of contracted work and other external costs [1]		588	507
Depreciation and impairment of property, plant and equipment	13	399	291
Amortisation and impairment of intangible assets	14	42	32
Other operating expenses [1]		56	29
Operating expenses		**1,459**	**1,222**
Operating profit		**335**	**388**
Share of profit of associates	7	63	3
Financial income	8	13	6
Financial expenses	9	– 101	– 87
Profit before income tax		**310**	**310**
Income tax	10	– 50	– 74
Profit after income tax from continued operations		**260**	**236**
Profit after income tax from discontinued operations	11	– 26	– 32
Profit after income tax		**234**	**204**
Of which:			
Attributable to non-controlling interests		1	–
Attributable to shareholders of Eneco Holding N.V.		**233**	**204**

[1] 2011 figures restated for comparative purposes.

Consolidated balance sheet

x € 1 million	Note	At 31 December 2012	At 31 December 2011
Non-current assets			
Property, plant and equipment	13	6,670	6,326
Intangible assets	14	416	450
Financial assets			
· Associates	16	39	32
· Deferred income tax assets [1]	17	6	9
· Derivative financial instruments	18	85	85
· Other financial assets	19	64	72
Total non-current assets [1]		**7,280**	**6,974**
Current assets			
Assets held for sale	20	7	94
Intangibe assets		30	34
Inventories		52	44
Trade receivables	21	825	804
Current income tax assets		2	8
Other receivables	22	270	211
Derivative financial instruments	18	118	197
Cash and cash equivalents	23	220	279
Total current assets		**1,524**	**1,671**
Total assets [1]		**8,804**	**8,645**
Equity			
Equity attributable to Eneco Holding N.V. shareholders	24	4,444	4,353
Non-controlling interests	24	3	–
Total equity		**4,447**	**4,353**
Non-current liabilities			
Provisions for employee benefits	25	28	25
Other provisions	26	73	57
Deferred income tax liabilities [1]	17	346	313
Derivative financial instruments	18	119	66
Interest-bearing debt	27	1,726	1,719
Other liabilities	28	295	224
Total non-current liabilities [1]		**2,587**	**2,404**
Current liabilities			
Liabilities held for sale [1]	20	3	11
Provisions for employee benefits	25	3	6
Other provisions	26	29	14
Derivative financial instruments	18	109	173
Interest-bearing debt	27	74	140
Trade and other liabilities [1]	28	1,552	1,544
Total current liabilities		**1,770**	**1,888**
Total equity and liabilities [1]		**8,804**	**8,645**

[1] 2011 figures restated for comparative purposes.

Consolidated statement of comprehensive income

x € 1 million	2012	2011
Profit after income tax	**234**	**204**
Unrealised gains and losses that will not be reclassified to profit or loss		
Revaluation regulated networks to fair value	–	307
Unrealised gains and losses that may be reclassified to profit or loss		
Translation result	2	2
Unrealised gains and losses on cash flow hedges	– 57	59
Deferred tax liabilities on cash flow hedges	15	– 15
Total other comprehensive income	**– 40**	**353**
Total comprehensive income	**194**	**557**
Of which:		
Total comprehensive income attributable to non-controlling interests	1	–
Total comprehensive income attributable to shareholders of Eneco Holding N.V.	**193**	**557**

Consolidated cash flow statement

x € 1 million	2012	2011
Profit after income tax	**234**	**204**
Adjusted for:		
· Interest income and expense recognised in profit or loss	88	81
· Income tax	50	74
· Share of profit of associates and other capital interests	– 63	– 3
· Proceeds from discontinued operations	26	32
· Depreciation, amortisation and impairment	441	323
· Proceeds from sale of tangible and intangible assets	8	4
· Impairment of assets held for sale	1	4
· Movements in working capital	– 71	323
· Movements in provisions, deferred taxes, derivatives and other	76	149
Cash flow from business operations	**790**	**1,191**
Dividend received from associates and other capital interests	19	3
Interest paid	– 91	– 78
Interest received	4	4
Income tax paid/received	5	– 3
Cash flow from operating activities	**727**	**1,117**
Issued loans granted	– 5	–
Repayments of loans granted	3	1
Acquisition of subsidiaries	– 23	– 108
Proceeds from disposal of subsidiaries	–	– 2
Acquisition of associates	– 1	–
Proceeds from disposal of associates	79	–
Acquisition of other capital interests	– 4	–
Investments in property, plant and equipment	– 710	– 734
Proceeds from disposal of property, plant and equipment	10	6
Investments in intangible assets	– 2	– 3
Proceeds from disposal of intangible assets	1	–
Cash flow from investing activities	**– 652**	**– 840**
Dividend payments	– 102	– 71
Non-controlling interests	–	– 24
Repayment of non-current interest-bearing debt	– 50	– 189
Repayment of current interest-bearing debt	– 718	– 318
Non-current interest-bearing debt issued	11	38
Current interest-bearing debt issued	725	295
Cash flow from financing activities	**– 134**	**– 269**
Movements in cash and cash equivalents	**– 59**	**8**
Balance of cash and cash equivalents at 1 January	279	241
Balance of cash and cash equivalents acquisition of subsidiaries	–	30
Balance of cash and cash equivalents at 31 December	**220**	**279**

Consolidated statement of changes in equity

x € 1 million	Paid-up and called-up share capital	Share premium	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Non-controlling interests	Total equity
	Equity attributable to Eneco Holding N.V. shareholders									
At 1 January 2011	**497**	**381**	**668**	**– 1**	**– 56**	**2,250**	**141**	**3,880**	**10**	**3,890**
Fair value adjustment regulated networks	–	–	307	–	–	–	–	307	–	307
Reclassification net depreciation regulated networks	–	–	– 30	–	–	30	–	–	–	–
Translation result	–	–	–	2	–	–	–	2	–	2
Unrealised gains and losses on cash flow hedges	–	–	–	–	59	–	–	59	–	59
Deferred tax liabilities on cash flow hedges	–	–	–	–	– 15	–	–	– 15	–	– 15
Total income and expenses in the financial year, recognised directly in the equity	**–**	**–**	**277**	**2**	**44**	**30**	**–**	**353**	**–**	**353**
Profit (-loss) after income tax 2011	–	–	–	–	–	–	204	204	–	204
Total income and expenses for the financial year	**–**	**–**	**277**	**2**	**44**	**30**	**204**	**557**	**–**	**557**
Profit appropriation 2010	–	–	–	–	–	70	– 70	–	–	–
Dividend payments relating to 2010	–	–	–	–	–	–	– 71	– 71	–	– 71
Movements in non-controlling interests	–	–	–	–	–	– 13	–	– 13	– 10	– 23
At 31 December 2011	**497**	**381**	**945**	**1**	**– 12**	**2,337**	**204**	**4,353**	**–**	**4,353**
Reclassification net depreciation regulated networks	–	–	– 42	–	–	42	–	–	–	–
Translation result	–	–	–	2	–	–	–	2	–	2
Unrealised gains and losses on cash flow hedges	–	–	–	–	– 57	–	–	– 57	–	– 57
Deferred tax liabilities on cash flow hedges	–	–	–	–	15	–	–	15	–	15
Total income and expenses in the financial year, recognised directly in the equity	**–**	**–**	**– 42**	**2**	**– 42**	**42**	**–**	**– 40**	**–**	**– 40**
Profit (-loss) after income tax 2012	–	–	–	–	–	–	233	233	1	234
Total income and expenses for the financial year	**–**	**–**	**– 42**	**2**	**– 42**	**42**	**232**	**193**	**1**	**194**
Profit appropriation 2011	–	–	–	–	–	102	– 102	–	–	–
Dividend payments relating to 2011	–	–	–	–	–	–	– 102	– 102	–	– 102
Movements in non-controlling interests	–	–	–	–	–	–	–	–	2	2
Reclassification	–	–	–	1	2	– 3	–	–	–	–
At 31 December 2012	**497**	**381**	**903**	**4**	**– 52**	**2,478**	**233**	**4,444**	**3**	**4,447**

Notes to the consolidated financial statements

1. Accounting principles

1.1 General information

Eneco Holding N.V. ('the company') is a two-tier company incorporated under Dutch law, with its registered office in Rotterdam. It is the holding company of subsidiaries and joint ventures (referred to as a group as 'Eneco'). Eneco's activities are in energy supply, including the production, purchase and sale, transmission, distribution and delivery of energy, heating and cooling and the construction, management and operation of networks, promoting and providing information on the effective and economic use of energy, and research and development into new energy products and services.

The consolidated financial statements have been prepared by the company's Board of Management for publication on 8 March 2013. The 2012 financial statements were signed by the Supervisory Board during its meeting on 1 March 2013 and will be presented for adoption by the General Shareholders' Meeting to be held on 27 March 2013.

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 2012, as adopted by the European Commission, and with the provisions of Part 9, Book 2 of the Dutch Civil Code. Where necessary, accounting policies of joint ventures and associates have been aligned with those of Eneco Holding 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 and amended IFRS standards

The accounting policies in these financial statements are consistent with those in the 2011 financial statements.

The European Commission has adopted the following amended IFRS standard that is relevant to Eneco:

IFRS 7 'Financial Instruments: Disclosures' has been amended to improve the transparency of reporting of financial assets. This amendment has no effect on Eneco.

Amendments and interpretations which had not been adopted by the European Commission on 1 March 2013 are not addressed further.

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Eneco Holding N.V., its subsidiaries and the relevant proportion of the joint ventures, non-consolidated 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. 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. Balance sheet positions, intercompany 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 ventures

A joint venture is an entity in respect of which there are contractual undertakings with one or more parties under which they have joint decisive control over that entity. The financial statements of a joint venture are recognised in the consolidated financial statements using the proportional consolidation method applying the accounting policies of Eneco Holding N.V., from the date on which joint control is obtained until the date on which that joint control no longer exists. Under the proportional consolidation method the assets, liabilities, income and expenses of joint ventures are recognised in the consolidated financial statements in proportion to the interest in that joint venture.

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 accounting method, in which initial recognition is at historical cost with the carrying amount being adjusted for the share in the result. Dividends received are deducted from the carrying amount. Associates are recognised from the date on which substantial 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 Eneco has assumed liability for those losses.

Other capital interests

Other capital interests are investments in entities in which Eneco has an interest but where neither control nor significant influence can be exercised. These interests are carried at fair value. If its fair value cannot be reliably measured, a capital interest is carried at historical cost. 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 2012 financial statements are summarised below.

Judgements, estimates and assumptions

In preparing the financial statements, management used judgements, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. In particular, they relate to the revenues from sales to retail customers, the useful life of property, plant and equipment, the fair value of the relevant assets and liabilities, impairment of assets and the size of provisions. The judgements, estimates and assumptions that have been made are based on market information, knowledge, historical experience and other factors that can be deemed reasonable in the circumstances. Actual results could, however, differ from the estimates. Judgements, estimates and assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the change is made prospectively in the relevant periods. Any points of particular importance with regard to judgements, estimates and assumptions are set out in the notes to the income statement and balance sheet items.

Impairment of assets

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

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

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

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

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

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

Foreign currencies

The euro (€) is Eneco'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 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 venture or associate is sold.

Netting off

Assets and liabilities with a counterparty are netted off if there is a contractual right and the intention to do so. In the absence of an intention or actual netted settlement, the existence of an asset or liability is determined for each contract.

2.2 Revenues

Revenues are recognised when it is probable that the economic benefits will be attributed to Eneco and the revenues can be reliably measured. Revenues are recognised less discounts, taxes and levies, such as energy tax and value added tax. Amounts that are invoiced and collected for third parties are not recognised as revenues.

Energy supply and transmission

Revenues from the sale of energy and transmission services to end users are recognised at the time of supply, when the rewards of ownership and risk of any impairment are transferred to the customer.

Energy-related activities

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

Services and construction contracts

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

Trading of energy commodities and CO_2 emission rights

When sale and purchase contracts for energy commodities and emission rights not concluded for the company's own use but for trading purposes are entered into, countervailing sales and purchase contracts are concluded at virtually the same time. Gains and losses arising from such trading transactions are netted and recognised as Other revenues from the time the relevant transactions are concluded. Gains and losses arising from the revaluation to fair value of a trading contract are recognised directly through the income statement as Other revenues.

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. 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.

2.3 Purchase cost of energy

The purchase cost of energy contracts and commodities intended for the company's own use are recognised in the same period as that in which the revenues from the sale are realised.

2.4 Financial income and expenses

Financial income and expenses comprise interest income from outstanding investments, dividend revenues, interest charges on borrowings, foreign exchange rate gains and losses and gains and losses on financial hedge instruments recognised through the income statement. Interest income and expense 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 Eneco Holding N.V.

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

Networks and network-related assets in the regulated domain

Networks and network-related assets in the regulated domain are measured at fair value less accumulated depreciation and impairment.

The fair value of these network assets is measured by regular appraisals performed by independent external valuers. If in the interim the fair value differs significantly from the carrying amount, the revaluation will be adjusted. An increase in the carrying amount as a result of a revaluation of networks and network-related assets in the regulated domain is recognised directly in equity through the revaluation reserve. A reduction in the carrying amount is also recognised directly in equity through the revaluation reserve up to the amount of any previous increase in the same asset. If that figure is exceeded, the excess is recognised as a charge in the income statement.

The difference between depreciation based on the revalued carrying amount and depreciation based on the original cost, less deferred tax, is transferred periodically from the revaluation reserve to retained earnings.

Other property, plant and equipment

Other 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.

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 economic life in years
Buildings	25 - 50
Machinery and equipment	10 - 50
Networks, regulated	10 - 50
Other operating assets	3 - 25

2.7 Leases (Eneco as lessee)

A lease where Eneco, 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 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 ventures is recognised in the balance sheet as intangible assets. Goodwill paid to acquire an interest in an associate is included in the cost of acquiring that associate.

2.9 Other intangible assets

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

Customer databases

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

Software

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

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 unless the declining balance method better reflects the benefits from the asset. The residual value of these assets is nil.

The following useful lives are applied:

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

2.10 Emission rights

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

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

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

2.11 Deferred taxes

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

A deferred tax asset is recognised for tax losses carried forward and for the settlement of unused tax credits if and to the extent it is probable that future taxable profit will become available, so enabling an offset of unrelieved tax losses and unused taxed credits.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and joint ventures, unless the time at which the temporary difference will be settled can be determined 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 taxable unit.

2.12 Derivative financial instruments

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

Measurement and recognition

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

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

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

Own use

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

Hedge accounting

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

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

Amounts recognised through equity are recognised through the income statement when the hedged asset or liability is settled. When a hedge instrument expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met, although the underlying future transaction has yet to take place, the accumulated result remains in equity 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.

2.13 Other financial assets

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

2.14 Assets/liabilities held for sale

Assets/liabilities 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 assets/liabilities or operations are available for immediate sale in their present condition. The sale is expected to be completed within one year. Assets/liabilities held for sale are measured at the lower of the carrying amount preceding classification as held for sale and fair value less costs to sell.

2.15 Inventories

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

2.16 Trade and other receivables

Trade and other receivables have a term of less than one year. These receivables also include the net amounts that on the reporting date have yet to be billed for energy supplied or transmission services rendered. Receivables are measured at amortised cost less impairment losses. Receivables with a term of less than one year are not discounted.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits.

2.18 Provisions for employee benefits

Pensions

Pension liabilities of almost all business units have been placed with the industry-wide pension funds: Stichting Pensioenfonds ABP (ABP) and the Stichting Pensioenfonds Metaal en Techniek (PMT). The flexible retirement scheme for utility companies has been transferred to an insurance company for the sector as a whole. A limited number of employees have individual plans insured with various insurance companies (defined-contribution plans).

The ABP and PMT pension plans aim to provide a pension corresponding to 70% of the pensionable salary at the state retirement age. Employees may opt to retire earlier or later (ABP: between 60 and 70, PMT: from 62 upwards) than the state retirement age, in which case their pension is adjusted accordingly. The flexible retirement plan is being phased out and is no longer applicable for employees born after 1949.

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 period to which they relate.

A defined-benefit plan is a plan in which the employee is promised a pension the value of which is dependent on age, salary and years of service. In both 2011 and 2012 the ABP, PMT and flexible retirement plans qualified as multi-employer defined-benefit plans. There is a liability under these plans, the value of which is defined by the present value of pensions proposed for future distribution at the reporting date less the fair value of the fund assets after taking into account unrecognised actuarial gains and losses and unrecognised past service pension costs. The information required to determine this liability for each participating employer cannot be determined by ABP, PMT or the insurer of the flexible retirement plan for utility companies, because they have no consistent and reliable way of allocating fund assets and plan obligations to individual employers taking part in the plans. This is a consequence of the nature of the plans which expose employers taking part in these plans to actuarial risks related to current and former employees of other employers also taking part in the plans. Consequently, it is not possible to state whether there are surpluses or deficits for a given employer. In the event of future shortfalls, pension funds may only adjust future contributions and only within a limited range. The relevant plans have therefore been treated as defined contribution plans.

Other provisions for employee benefits

A provision is recognised for the obligation to contribute towards the health insurance premiums of retired employees. A provision is also recognised for the obligation to pay out amounts related to long-service benefits and on the retirement of employees. These liabilities are calculated at the reporting date using the projected unit credit method, using a pre-tax discount rate which reflects the current market evaluation 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 an outflow of funds.

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

Decommissioning

A provision is recognised that equals the present value of the expected costs where there is an obligation to dismantle, demolish or remove an item of property, plant or equipment when it ceases to be used. The initial recognition of the decommissioning provision for an asset is included in the cost of that asset. Interest is added periodically 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 detailed plan for the restructuring has been approved and its main features have been announced to those affected by it.

2.20 Interest-bearing debt

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

2.21 Leases (Eneco as lessor)

A lease where Eneco, 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 instalments are allocated to the various periods so that a constant annual return is made on the net investment.

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

2.22 Trade and other payables

Trade payables and other financial instruments are recognised at amortised cost.

Notes to the consolidated income statement

3. Revenues from energy sales and transmission and energy related activities

	2012	2011
Electricity	2,486	2,499
Gas	2,232	2,019
District heat	258	225
Energy-related activities	106	96
Total	**5,082**	**4,839**

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

The geographical breakdown of revenues is presented in the segment information.

4. Other revenues

	2012	2011
Operation of street lighting	51	65
Infrastructural works	57	34
Subsidy and payment collection services	15	19
Other	51	50
Total	**174**	**168**

5. Employee benefits expense

	2012	2011
Wages and salaries	268	261
Social security contributions	37	36
Pension contributions	36	34
Other employee benefits	33	32
Total	**374**	**363**

Including capitalised employee benefits, total employee benefits were € 462 million (2011: € 432 million).

Other employee benefits include € 1.2 million for individual severance arrangements for employees who have left (2011: € 1.6 million).

Headcount

The table below shows headcount by business segment expressed in full-time equivalents (FTE) at year-end:

FTE	At 31 december 2012	At 31 december 2011
Energy company Eneco	3,088	2,959
Stedin	1,249	1,187
Joulz	2,558	2,442
Other	103	85
Total	**6,998**	**6,673**

In 2012, average headcount expressed in FTEs was 6,839 (2011: 6,596).

6. Remuneration of the Board of Management and Supervisory Board

The remuneration policy for the Board of Management proposed by the Supervisory Board was approved at the General Shareholders' Meeting on 20 May 2005. The remuneration of the Board of Management is set by the Supervisory Board on the recommendation of the Remuneration Committee.

The remuneration report for 2012 will be published on Eneco Holding N.V.'s website.

Mr van der Linden was appointed statutory member of the Board of Management on 1 December 2012 to replace Mr Ruys who, following the sudden death of Mr Kras in December 2011, held the position of non-statutory member of the Board of Management in an acting capacity from 1 January 2012 to 31 December 2012.

The remuneration of the members of the Board of Management consists of a fixed salary and a variable salary. The variable salary amounts to a maximum of 20% of the total salary. In 2012, the variable salary was also dependent on performance criteria including socially-relevant results. The three main criteria for the variable salary were financial performance (including EBIT, credit rating ratios and cost savings), safety (LTIR) and the implementation of the sustainability strategy (including alignment of customers and employees as expressed in customer and employee satisfaction and sustainable purchases and investments).

The pension agreements for Messrs de Haas, Rameau, Dubbeld and Van der Linden have been brought under Eneco Holding N.V.'s standard pension plan.

The current employment contracts with Messrs de Haas, Rameau, Dubbeld and Van der Linden are for an unlimited time with a period of notice for the company of four months. Messrs de Haas, Rameau, Dubbeld and Van der Linden have each been appointed as members of the Board of Management for a period of four years. Messrs Rameau, Dubbeld and Van der Linden are entitled to payment of 12 months salary and Mr de Haas is entitled to 24 months salary if dismissed by the company.

The Budget Agreement 2013 Tax Measures Implementation Act (Wet uitwerking fiscale maatregelen Begrotingsakkoord 2013) came into effect in 2012. One of the measures is that employers must pay a one-off 'crisis levy' of 16% of the salary from current employment (including any bonuses) that they paid their employees during 2012, insofar such wages exceeded € 150,000. Eneco is applying the interpretation of the Dutch Accounting Standards Board that the crisis levy is not part of the directors' remuneration as it does not include an element of remuneration. The crisis levy for the directors charged to the result in 2012 was € 0.12 million.

Total remuneration was as follows:

Remuneration of the Board of Management

x € 1.000	Gross salary	Variable remuneration	Pension contributions	Total 2012
J.F. de Haas	472	114	80	666
C.J. Rameau	355	86	60	501
G.A.J. Dubbeld	297	58	43	398
M.W.M. van der Linden (from 1 December 2012)	20	–	3	23
Estate of D.J. Kras	–	84	–	84
Total	**1,144**	**342**	**186**	**1,672**

x € 1.000	Gross salary	Variable remuneration	Pension contributions	Payments termination employment	Total 2011
J.F. de Haas	454	90	72	–	616
H.J. Machielsen	192	73	52	353	670
C.J. Rameau	342	66	54	–	462
D.J. Kras	329	67	46	–	442
G.A.J. Dubbeld (from 1 april 2011)	189	–	24	–	213
Total	**1,506**	**296**	**248**	**353**	**2,403**

Remuneration of the Supervisory Board

The remuneration of the chairman of the Supervisory Board is € 36,500 per year. The other members of the Supervisory Board each receive an annual fee of € 28,700. Members of committees each receive an additional annual payment as follows:

Committee	€
Audit committee	5,200
Remuneration committee	3,150
Selection and appointments committee	3,150
Works Council committee	1,600

The fixed expense allowance is € 1,150 per annum.

7. Share of profit of associates and other capital interests

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

	2012	2011
Share in net profit of associates	26	2
Result disposal of associates	37	–
Dividend received of other capital interests	–	1
Total	**63**	**3**

The 31% interest in KEMA was sold on 28 February 2012 at a book profit, including a non-recurring dividend, of € 56 million.

8. Financial income

	2012	2011
Interest income	13	6
Total	**13**	**6**

9. Financial expenses

	2012	2011
Interest expense	96	84
Interest added to provisions	3	3
Other	2	–
Total	**101**	**87**

10. Income tax

The company and almost all its Dutch subsidiaries form a fiscal unity for corporate income tax purposes.

The table below shows the income taxes:

	2012	2011
Current tax expense /gain	1	– 2
Movements in deferred taxes	49	76
Income tax	**50**	**74**

The table below shows the current tax expense:

	2012	2011
Profit before income tax	**310**	**310**
Participation exemption	– 63	– 7
Non tax-deductible expenses	6	8
Depreciation at non-statutory rates	– 149	– 387
Addition to provisions treated differently for tax purposes	12	–
Taxable profit	**116**	**– 76**
Carry forward of losses	– 113	66
Taxable amount	**3**	**– 10**
Nominal tax rate	25.0%	25.0%
Current tax expense/gain	**1**	**– 2**

Losses available for relief can be carried forward until 2021.

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

	2012	2011
Nominal tax rate	25.0%	25.0%
Effect of:		
- Participation exemption	–5.1%	–0.6%
- Non tax-deductible expenses	0.2%	0.7%
- Tax incentives (Energy Investment Allowance)	–1.4%	–1.4%
- Other	–2.6%	0.3%
Effective tax burden	**16.1%**	**24.0%**

11. Result after tax on discontinued operations

Various operations which were classified as discontinued operations in 2011 were settled in 2012. It was decided to maintain the 'discontinued operations' classification for the remaining operations at the end of 2012. In total, the impairment and operating results of these operations in 2012 were € 26 million negative, recognised as results on discontinued operations, including € 22 million in impairment. The revenue from the operations classified as discontinued operations was € 7 million and the expenses were € 11 million. The cash outflows were € 2 million. Eneco expects to effect the disposal of these operations during 2013.

12. Government grants

Government grants recognised in the result were as follows:

	2012	2011
Environmental Quality of Electricity Production (MEP scheme)	62	50
Energy Investment Allowance (EIA scheme)	1	4
Stimulation Sustainable Energy Production (SDE scheme)	5	2
Total	**68**	**56**

Notes to the consolidated balance sheet

All amounts in millions of euros unless stated otherwise.

13. Property, plant and equipment

	Land and buildings	Machinery and equipment	Regulated networks	Other operating assets	Assets under construction	Total
Cost						
At 1 January 2011	**70**	**1,553**	**5,823**	**145**	**506**	**8,097**
Revaluation regulated networks	–	–	619	–	–	619
Investments	4	100	386	3	241	734
Acquisitions	–	242	–	1	–	243
Disposal of consolidated group companies	– 1	– 2	–	–	–	– 3
Disposals	– 3	– 242	– 10	– 31	–	– 286
Reclassification to assets held for sale	– 19	– 27	–	– 1	–	– 47
Reclassification other	18	528	2	10	– 569	– 11
Translation differences	–	1	–	–	1	2
At 31 December 2011	**69**	**2,153**	**6,820**	**127**	**179**	**9,348**
Investments	8	41	357	15	289	710
Acquisitions	9	32	–	–	6	47
Disposals	– 2	– 8	– 9	– 4	– 7	– 30
Reclassification to assets held for sale	43	– 2	–	1	– 2	40
Reclassification other	5	76	–	45	– 126	–
At 31 December 2012	**132**	**2,292**	**7,168**	**184**	**339**	**10,115**
Accumulated depreciation and impairment						
At 1 January 2011	**28**	**623**	**1,906**	**104**	**5**	**2,666**
Revaluation regulated networks	–	–	210	–	–	210
Annual depreciation and impairment	2	90	193	10	– 4	291
Disposal of consolidated group companies	– 1	– 1	–	–	–	– 2
Disposals	– 2	– 110	– 3	– 29	–	– 144
Reclassification to assets held for sale	–	1	–	–	–	1
Reclassification other	– 4	3	–	1	–	–
At 31 December 2011	**23**	**606**	**2,306**	**86**	**1**	**3,022**
Annual depreciation and impairment	– 6	184	207	14	–	399
Acquisitions	–	1	–	–	–	1
Disposals	– 1	– 4	– 4	– 3	– 1	– 13
Reclassification to assets held for sale	29	– 2	–	1	–	28
Reclassification other	5	–	–	3	–	8
At 31 December 2012	**50**	**785**	**2,509**	**101**	**–**	**3,445**
Carrying amount						
At 31 December 2011	46	1,547	4,514	41	178	6,326
At 31 December 2012	**82**	**1,507**	**4,659**	**83**	**339**	**6,670**

Regulated networks

The Regulated networks category also includes non-regulated assets required for cash generation in the regulated domain and, therefore, for gas and electricity distribution and transmission activities. Regulated network activities are subject to regulation by the Office of Energy Regulation of the Netherlands Competition Authority (NMa).

Fair value of networks in the regulated domain

The fair value of networks and network-related assets in the regulated domain was established by an independent external valuer as at 1 January 2010, based on the Regulated Asset Value and related assumptions as used in the regulatory framework. The fair value is derived from a valuation model and not from observable market prices. Measurement is based on a return of 6.2% and future transmission tariffs as set by Office of Energy Regulation. The fair value of the regulated networks fell by € 78 million in 2010, resulting in a fall of € 58 million in the revaluation reserve. Consequently, the depreciation charge fell by € 2.2 million.

The fair value of the regulated networks was reassessed at 1 October 2011. As a result, there were increases in measurement of the regulated network assets of € 409 million, the revaluation reserve of € 307 million and deferred tax liabilities of € 102 million. Consequently, depreciation rose by € 3.0 million in the reporting period. At 31 December 2012, the carrying amount of the regulated networks at historical cost was € 3,449 million (2011: € 3,246 million).

Capitalised interest

During the reporting period, € 8 million (2011: € 23 million) of attributable interest was capitalised for property, plant and equipment as required by the relevant reporting standards. The capitalisation rate for interest in 2012 was 4.6% (2011: 4.8%)

Assets under construction

Assets under construction were mainly the wind farms and Golden Raand biofuel power station.

Lease-and-leaseback transactions

Between 1997 and 2000, lease-and-leaseback transactions were entered into for a large part of the gas, electricity and district heating networks. Eneco retained legal and economic ownership of these networks. See Note 30 30 (page 106) for further information on these transactions.

Impairment

At year-end 2012, the management performed an impairment analysis of the electricity-related property, plant and equipment and intangible assets of the Eneco cash-generating unit, principally because of the deterioration in the relationship between gas and electricity prices in combination with the low price of CO_2. The analysis established that the carrying amount of these assets was higher than the value in use, which was based on expected future cash flows. These cash flows are based on Eneco's long-term plans. The pre-tax discount rate which reflects the risks of the activities was 9% (2011: 9%). No account was taken of long-term growth. Based on this analysis, the management applied impairment proportionately to the property, plant and equipment and intangible assets of € 65 million and € 13 million respectively. These amounts were recognised in the income statement in Depreciation and impairment of property, plant and equipment and Amortisation and impairment of intangible assets.

The calculation of the value in use of the electricity-related assets is most sensitive to the following assumptions: discount rate, growth figure applied for extrapolating cash flows beyond the 5-year plan and the life of the assets of 25 years. An adjustment of 0.5% to the discount rate would change the impairment by some € 32 million.

14. Intangible assets

	Goodwill	Customer databases	Licences and software	Concessions, permits and rights	Development costs	Total
Cost						
At 1 January 2011	**170**	**107**	**63**	**234**	**5**	**579**
Investments	–	–	3	–	–	3
Acquisitions	–	75	3	11	–	89
Disposals	–	–	– 13	–	– 2	– 15
Reclassification other	– 3	–	16	–	1	14
At 31 December 2011	**167**	**182**	**72**	**245**	**4**	**670**
Investments	–	–	1	1	–	2
Disposals	–	–	– 3	– 1	–	– 4
Reclassification other	1	–	10	– 1	–	10
At 31 December 2012	**168**	**182**	**80**	**244**	**4**	**678**
Accumulated depreciation and impairment						
At 1 January 2011	**–**	**45**	**54**	**96**	**5**	**200**
Annual depreciation and impairment	–	13	6	11	2	32
Disposals	–	–	– 13	–	– 2	– 15
Reclassification other	–	–	5	– 1	– 1	3
At 31 December 2011	**–**	**58**	**52**	**106**	**4**	**220**
Annual depreciation and impairment	–	14	8	20	–	42
Disposals	–	–	– 2	–	–	– 2
Reclassification other	–	–	3	– 1	–	2
At 31 December 2012	**–**	**72**	**61**	**125**	**4**	**262**
Carrying amount						
At 31 December 2011	167	124	20	139	–	450
At 31 December 2012	**168**	**110**	**19**	**119**	**–**	**416**

Cash-generating units for goodwill are generally the business segments. All goodwill is allocated to the Eneco segment. The value in use of the cash-generating units is based on expected future cash flows derived from the 2013 budget, the 5-year plans and thereafter the 'terminal value'. No account is taken of long-term growth. The pre-tax discount rate, which assumes the same theoretical debt/equity ratio as in 2011 and reflects the risks of the activities, was 9% (2011: 9%).

See Note 13 (Property, plant and equipment) for information on the impairment analysis and impairment of the electricity-related property, plant and equipment and intangible assets of the Eneco cash-generating unit.

Customer databases relate mainly to Oxxio, which was acquired in 2011, and to REMU N.V., which was acquired in 2003.

Concessions, permits and rights consist of € 150 million paid in 2005 to take over an agreement covering the delivery of up to 820 MW of electricity by Rijnmond Energy C.V. There was an addition of € 45 million in 2008 for licences granted for existing and future wind farms in Belgium on the acquisition of Eneco Wind Belgium S.A. (formerly: Air Energy S.A.).

15. Business combinations

Eneco acquired various solar farms from Fonroche, a French company, in the fourth quarter of 2012. This acquisition strengthens Eneco's market position in France. The acquisition was of the entire share capital and control of various specially incorporated companies for a total acquisition price of € 44 million. € 22 million was paid in cash at 31 December 2012 and the remainder of the acquisition price is expected to be paid in the first half of 2013 once the vendor has met its final obligations. The solar farms acquired contributed revenue of € 0.4 million and an operating profit of nil from the acquisition date.

At acquisition date	Fonroche
Property, plant and equipment	44
Working capital including cash and cash equivalents	– 4
Provisions	4
Net identifiable assets and liabilities	**44**
Transaction result	–
Consideration paid (in cash and cash equivalents)	**44**
Consideration paid in 2012 (in cash and cash equivalents)	**22**
Cash and cash equivalents acquired (-) / disposed (+)	–
Cash acquired (-) or disposed of (+)	**22**

16. Associates

Movements in the value of associates were as follows in 2012:

	2012	2011
Carrying amount at 1 January	**32**	**74**
Acquisitions	1	–
Reclassification from/to assets held for sale	42	– 42
Share in result after tax of associates	26	2
Dividend received	– 19	– 2
Disposals	– 42	–
Reclassification other	– 1	–
Carrying amount at 31 December	**39**	**32**

The table below summarises the financial data of the associates:

	At 31 December 2012	At 31 December 2011
Assets	133	154
Liabilities	104	106

	2012	2011
Revenues	354	290
Profit after income tax	34	1

17. Deferred taxes

The table below shows the net deferred tax assets and liabilities:

	Assets		Liabilities	
	At 31 December 2012	At 31 December 2011	At 31 December 2012	At 31 December 2011
Property, plant and equipment	–	–	371	338
Intangible assets	–	–	15	12
Cash flow hedges	–	–	– 15	– 2
Losses available for relief [1]	6	9	– 13	– 27
Provisions	–	–	– 12	– 7
Receivables	–	–	–	– 1
Total [1]	**6**	**9**	**346**	**313**

[1] 2011 figures restated for comparative purposes.

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 under losses available for relief for the losses carried forward at non-resident participating interests.

The table below shows the expiry periods for temporary differences available for relief at 31 December 2012:

	Expiry periods for differences available for relief after 31 December 2012
Property, plant and equipment	1 - 50 yrs
Intangible assets	1 - 30 yrs
Cash flow hedges	1 - 30 yrs
Losses available for relief	1 - 10 yrs
Provisions	1 - 10 yrs

No deferred tax asset has been recognised on pre-consolidation and other losses of € 7.0 million (2011: € 66.9 million) since it is not certain whether sufficient taxable profits will be available in the future at the associates which are not members of the fiscal unity. The tax regulations state that this relief is only available against profits made in the years 2013 to 2019.

18. Derivative financial instruments

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

	At 31 December 2012		At 31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap contracts	–	13	–	11
Currency swap contracts	1	71	11	6
Energy commodity contracts	174	131	201	170
CO_2 emission rights contracts	28	13	70	52
Total	**203**	**228**	**282**	**239**
Classification				
Current / short-term	118	109	197	173
Fixed / long-term	85	119	85	66
Total	**203**	**228**	**282**	**239**

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

	At 31 December 2012		At 31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swap contracts	1	–	2	2
Energy commodity contracts	119	106	148	136
CO_2-emission rights contracts	28	13	70	52
Total	**148**	**119**	**220**	**190**
Classification				
Current / short-term	107	91	165	152
Fixed / long-term	41	28	55	38
Total	**148**	**119**	**220**	**190**

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:

	At 31 December 2012		At 31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap contracts	–	13	–	11
Currency swap contracts	–	71	9	4
Energy commodity contracts	55	25	53	34
Total	**55**	**109**	**62**	**49**
Classification				
Current / short-term	12	18	32	21
Fixed / long-term	43	91	30	28
Total	**55**	**109**	**62**	**49**

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

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

Level 1

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

Level 2

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

Level 3

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

The hierarchy of derived financial instruments measured at fair value at 31 December 2012 was as follows:

31 December 2012	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts	43	159	–	202
Interest rate and currency swap contracts	1	–	–	1
	44	**159**	**–**	**203**
Liabilities				
Energy commodity contracts	2	142	–	144
Interest rate and currency swap contracts	–	84	–	84
	2	**226**	**–**	**228**

31 December 2011	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts	29	241	–	270
Interest rate and currency swap contracts	2	10	–	12
	31	**251**	**–**	**282**
Liabilities				
Energy commodity contracts	3	219	–	222
Interest rate and currency swap contracts	2	15	–	17
	5	**234**	**–**	**239**

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

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

	At 31 December 2012	At 31 December 2011
Expected cash flow		
Within 1 year	– 37	61
Within 1 to 5 years	178	199
After 5 years	– 32	– 22
Total	**109**	**238**

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 2012	At 31 December 2011
Expected recognition in result after tax		
Within 1 year	–	– 8
Within 1 to 5 years	202	101
After 5 years	4	– 22
Total	**206**	**71**

19. Other financial assets

	At 31 December 2012	At 31 December 2011
Other capital interests	8	3
Related party receivables	2	1
Other receivables	54	68
Total	**64**	**72**

20. Assets/liabilities held for sale

	At 31 December 2012	At 31 December 2011
Buildings	–	15
Assets disposal group	7	37
Associates	–	42
Total assets	**7**	**94**
Liabilities disposal group	3	11
Total liabilities	**3**	**11**
Total held for sale	**4**	**83**

Various assets/liabilities which were classified as discontinued operations in 2011 were settled in 2012. The interest in KEMA was sold in 2012 (see Note 7 Share of profit of associates and other capital interests) and the buildings were taken back into continuing operations (see Note 13 Property, plant and equipment).

21. Trade receivables

	At 31 December 2012	At 31 December 2011
Energy receivables	852	829
Other trade receivables	75	78
Less: impairments	– 102	– 103
Total	**825**	**804**

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

	At 31 December 2012	At 31 December 2011
Prior to due date	662	665
After due date		
· under 3 months	109	90
· 3 to 6 months	30	22
· 6 to 12 months	36	35
· over 12 months	90	95
Principal amount	**927**	**907**
Less: impairments	– 102	– 103
Total	**825**	**804**

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

	At 31 December 2012	At 31 December 2011
Prior to due date	6	5
After due date		
· under 3 months	9	7
· 3 to 6 months	9	8
· 6 to 12 months	19	22
· over 12 months	59	61
Totaal	**102**	**103**

Movements in the impairment losses on receivables were as follows:

	2012	2011
At 1 January	**103**	**92**
Additions through income statement	32	21
Withdrawals	– 31	– 55
Reversal of earlier write-offs	–	– 8
Other movements	– 2	53
At 31 December	**102**	**103**

Trade receivables have a term of less than one year. In view of their short-term nature, the carrying amount of trade receivables is their fair value.

22. Other receivables

	At 31 December 2012	At 31 December 2011
Prepayments and accrued income [1]	96	84
Margin calls	31	–
Other receivables [1]	143	127
Total	**270**	**211**

[1] 2011 figures restated for comparative purposes.

In view of their short-term nature, the carrying amount of other receivables is their fair value.

23. Cash and cash equivalents

Cash and cash equivalents comprised bank balances, cash and deposits of € 220 million at 31 December 2012 (2011: € 279 million). Term deposits and blocked accounts which are not freely available were € 55 million at 31 December 2012 (2011: € 86 million).

24. Equity

	At 31 December 2012	At 31 December 2011
Share capital	497	497
Share premium	381	381
Revaluation reserve	903	945
Translation reserve	4	1
Cash flow hedge reserve	– 52	– 12
Retained earnings	2,478	2,337
Undistributed result for the financial year	233	204
Equity attributable to Eneco Holding N.V. shareholders	**4,444**	**4,353**
Non-controlling interests	3	–
Total equity	**4,447**	**4,353**

Share capital

Eneco Holding N.V.'s authorised share capital is € 2 billion, divided into 20 million shares with a nominal value of € 100 each. At 31 December 2012, 4,970,978 shares had been issued and fully paid. There were no changes in 2012. Eneco Holding N.V. has only issued ordinary shares.

Share premium

Eneco Holding N.V. was incorporated in 2000. Shareholders then holding shares in N.V. Eneco acquired a shareholding in the company by contributing their interests in N.V. Eneco to Eneco Holding N.V. Insofar as the value of that interest exceeded the nominal value of the shares in Eneco Holding N.V. that excess value was taken to share premium. The share premium can be considered as paid-up share capital.

Revaluation reserve

The revaluation reserve relates to the measurement of networks and network-related assets at fair value. The difference between depreciation in 2012 based on the revalued carrying amount and depreciation based on the original historical cost, less deferred tax, has been transferred from the revaluation reserve to retained earnings. The revaluation reserve is not freely at the disposal of the shareholders.

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.

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, Eneco meets the conditions for cash flow hedge accounting. The cash flow hedge instruments are mainly 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.

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

	Energy commodities	Interest rate swap contracts	Currency swap contracts	Total
At 1 January 2011	**– 17**	**– 5**	**– 34**	**– 56**
Newly defined cash flow hedges in financial year	17	1	–	18
Movements in fair value cash flow hedges	12	– 3	– 10	– 1
Deferred income tax liabilities	– 15	–	2	– 13
Non-effective portion of cash flow hedges	– 6	–	–	– 6
Discontinued cash flow hedges	44	2	–	46
At 31 December 2011	**35**	**– 5**	**– 42**	**– 12**
Newly defined cash flow hedges in financial year	13	–	–	13
Movements in fair value cash flow hedges	– 11	– 2	– 53	– 66
Deferred income tax liabilities	– 1	1	13	13
Non-effective portion of cash flow hedges	– 2	–	–	– 2
Discontinued cash flow hedges	2	–	–	2
At 31 December 2012	**36**	**– 6**	**– 82**	**– 52**

Distributable results

A dividend of € 20.52 per share was paid in 2012 (2011: € 14.28). The non-distributable capital was € 1,031 million at 31 December 2012 (2011: € 1,027 million).

Minority interests

This relates to the third party share in the equity of subsidiaries of which Eneco Holding N.V. is not the owner of 100% of the shares.

25. Provisions for employee benefits

	Health insurance for pensioners	Long-service benefits	Total
At 1 January 2011	**5**	**23**	**28**
Additions	–	5	5
Withdrawals	– 1	– 1	– 2
At 31 December 2011	**4**	**27**	**31**
Additions	–	3	3
Withdrawals	– 1	– 1	– 2
Released	–	– 1	– 1
At 31 December 2012	**3**	**28**	**31**
Classification			
Current	1	2	3
Non-current	2	26	28
At 31 December 2012	**3**	**28**	**31**

The following actuarial assumptions were used for the provisions:

	2012	2011
Discount rate at balance sheet date	2.5%	3.3%
Future salary increases	1.0%	1.2%

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.

26. Other provisions

	Decommissioning provision	Onerous contracts	Reorganisation	Other	Total
At 1 January 2011	**26**	**13**	**10**	**5**	**54**
Additions	10	1	4	13	28
Acquisition	8	–	2	3	13
Withdrawals	– 4	– 1	– 8	– 2	– 15
Released	– 4	– 1	–	– 8	– 13
Reclassification	– 2	6	– 1	1	4
At 31 December 2011	**34**	**18**	**7**	**12**	**71**
Additions	5	34	21	4	64
Acquisition	4	–	–	–	4
Withdrawals	– 1	– 11	– 6	– 5	– 23
Released	–	– 10	– 1	– 3	– 14
Reclassification	2	– 1		– 1	–
At 31 December 2012	**44**	**30**	**21**	**7**	**102**
Classification					
Current	–	13	14	2	29
Non-current	44	17	7	5	73
At 31 December 2012	**44**	**30**	**21**	**7**	**102**

Interest at 5% has been added to the provisions in 2012 (2011: 5%).

Decommissioning

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

Onerous contracts

Expenditure on onerous contracts will be made within three years. The provision is a good reflection of the cash flows in view of the relatively short remaining term of the contracts.

Restructuring provision

In 2012, € 21 million was added to the restructuring provision, mainly in respect of the Joulz segment. The restructuring plan for Joulz was announced to the employees affected and implementation started in 2012.

Other

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

27. Interest-bearing debt

Interest-bearing debt was:

	At 31 December 2012	At 31 December 2011
Private loans	1,792	1,847
Green and subordinated loans	8	12
Total	**1,800**	**1,859**

Classification	At 31 December 2012	At 31 December 2011
Current	74	140
Non-current	1,726	1,719
Total	**1,800**	**1,859**

No collateral has been issued for the interest-bearing debt.

The private loans are predominantly loans from institutional investors and banks and included € 224 million in US dollars (2011: € 208 million), € 176 million in Japanese yen (2011: € 200 million) and € 92 million in pounds sterling (2011: € 90 million). The "green fund" loans were borrowed to finance specific sustainable energy infrastructure investments. Investors enjoy tax advantages on green funds and so the interest charges are below the market interest rate. Loans consisted of private loans and issued commercial paper.

The credit facilities are explained in Note 32.

Repayment obligations for the first year after the reporting date are recognised under current liabilities.

Interest rates are fixed on borrowings of € 1,552 million (2011: € 1,572 million) (fair value risk). Variable interest rates that track market rates apply to the other borrowings (cash flow interest rate risk). Derivative financial instruments (interest rate swap contracts) have been used for certain variable interest rates.

The table below shows the average interest rate (excluding capitalised interest) and the fair value of the loans:

	2012	2011
Average interest rate [1]	5.7%	5.6%
Fair value of loans	2,073	1,937

[1] 2011 figures restated for comparative purposes.

The fair value of the loans is estimated using the present value method based on relevant market interest rates.

28. Trade en other payables

	At 31 December 2012	At 31 December 2011
Trade creditors	839	827
Accruals and deferred income [1]	451	530
Pension contributions	5	2
Other liabilities	552	409
Total [1]	**1,847**	**1,768**
Classification		
Current [1]	1,552	1,544
Non-current	295	224
Total [1]	**1,847**	**1,768**

[1] 2011 figures restated for comparative purposes.

29. Operating leases

Costs and liabilities of operating leases

Eneco has operating lease agreements for IT facilities and the vehicle fleet. There are also rental agreements for land and a number of business premises. A cost of € 59 million (2011: € 56 million) has been recognised through the income statement in this respect. The minimum obligations under these agreements fall due as follows:

	At 31 December 2012	At 31 December 2011
Within 1 year	61	56
Within 1 to 5 years	163	151
After 5 years	185	152
Total	**409**	**359**

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 Eneco. The lease covers making the equipment available to users and maintenance. Revenues of € 40 million (2011: € 40 million) have been recognised through the income statement.

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

	At 31 December 2012	At 31 December 2011
Within 1 year	35	28
Within 1 to 5 years	108	87
After 5 years	114	92
Total	**257**	**207**

30. Contingent assets and liabilities

Energy purchase and sale commitments

Eneco has energy purchase commitments of € 9.7 billion (2011: € 12.4 billion) under contracts relating to 2013 and later years. The purchase commitments comprise energy contracts for the company's own use with various energy generators. There are sales commitments of € 3.2 billion (2011: € 3.9 billion) for 2013 and later years.

There are commitments of € 1.0 billion (2011: € 0.3 billion) for the purchase of heat until 2038.

Lease-and-leaseback transactions

Between 1997 and 2000, lease-and-leaseback transactions were entered into for a large part of the gas, electricity and district heating networks.

These assets are leased for a long period to third parties who have leased the same assets back to Eneco. Eneco is entitled to purchase the sub-leasing rights held by third parties at the end of the lease-back periods, which are between 2015 and 2025.

The table below shows the transactions concluded:

x USD 1 million	Number of transactions	Transaction value	Costs of early termination	Value of investments
Electricity networks	7	1,602	645	557
Gas networks	3	494	194	181
District heating networks	2	524	211	204
Total 31 December 2012	**12**	**2,620**	**1,050**	**942**
Total 31 December 2011	15	2,899	1,154	993

The transaction values are the appraised values at the time the lease-and-leaseback transactions were entered into, defined for US fiscal purposes on valuation principles prevailing under US tax regulations. Three transactions were terminated early during 2012 (2011: 0), one with a term to 2021 and two to 2025.

Income from lease-and-leaseback transactions is recognised in the year the transaction occurred less the costs expected at that time to be incurred throughout the remaining term. These expected costs are recognised in the balance sheet as Other non-current liabilities. The lease-and-leaseback transactions may restrict the ability to sell the assets. These assets may be sold (in full or in part) subject to certain conditions. If these conditions are not complied with, termination conditions may come into force.

Conditional and unconditional contractual obligations and rights exist in connection with these lease-and-leaseback transactions. The financial obligations and rights cancel each other out and, as they have been transferred to third parties, are not recognised in the balance sheet.

The company has provided security in respect of these obligations in the form of mortgages and pledges on parts of the gas, electricity and district heating networks. In connection with the risk of forced early termination of the lease-and-leaseback transactions, the company has also provided additional security in the form of letters of credit to a value of USD 393 million (2011: USD 476 million), which are covered by subordinated collateral rights in respect of the network.

When the lease-and-leaseback transactions were entered into, some of the proceeds received were invested in US Treasury Bonds or bonds with almost the same creditworthiness. These bonds can be used at a later date to purchase the sub-leasing rights. The market value of these investments on the reporting date amounted to USD 942 million (2011: USD 993 million).

The difference between the costs of early termination and the value of the investments will develop as follows in the coming years:

x USD 1 million	2013	2014	2015	2020	2025
Costs of early termination	1,054	1,060	1,063	282	44
Value of investments	956	970	984	251	44
Difference	**98**	**90**	**79**	**31**	**–**

The portion of the costs of early termination that must contractually be covered by letters of credit depends on the corporate credit rating of Eneco, which, at the reporting date, was 'A-' according to Standard & Poor's.

Investment obligations

At 31 December 2012 Eneco had entered into investment obligations with a total amount of € 272 million (2011: € 465 million).

Other obligations and guarantees

At 31 December 2012 there were existing other payment obligations of € 580 million (2011: € 809 million), payable from 2013.

Eneco has issued guarantees of approximately € 31 million (2011: € 20 million).

Eneco has formed fiscal unities for corporate income tax and VAT purposes. Eneco Holding N.V. and the subsidiaries in these fiscal unities are jointly and severally liable for the tax obligations of the fiscal unities.

31. Related party transactions

Associates, joint ventures and parties with whom decisive control is jointly exercised over an entity listed in these financial statements and the company's Management and Supervisory Boards are considered as related parties. Shareholders in Eneco with significant influence are 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	
	2012	2011	2012	2011
Associates	94	84	18	17
Joint ventures	3	11	54	22
Other capital interests (> 20%)	1	6	21	12

	Assets		Liabilities	
	At 31 December 2012	At 31 December 2011	At 31 December 2012	At 31 December 2011
Associates	22	19	1	–
Joint ventures	1	1	8	4
Other capital interests (> 20%)	2	2	–	3

Note 6 provides details of the remuneration of members of the Management and Supervisory Boards. Other than this functional relationship, they and Eneco have no relationship other than that of customer and supplier on normal conditions of supply. Eneco applies the exemption from disclosures on related party transactions with government-related entities. The Municipality of

Rotterdam has significant influence. There is no relationship other than the shareholder relationship, except that of customer and supplier on normal arm's length terms and conditions.

32. Financial risk management

Normal business activities involve exposure to credit, commodity market, interest rate and liquidity risk. Eneco's policy is designed to minimise the adverse consequences of unforeseen circumstances on its financial results. The aims formulated to this end are derived from the company's strategic objectives. Procedures and guidelines have been drawn up in accordance with these objectives and are evaluated at least once a year and, if required, adjusted.

The Board of Management is responsible for risk management. In this context, it sets out procedures and guidelines and ensures they are complied with. Authority to commit Eneco is specified in the Corporate Authority Manual. Mandates have also been drawn up for all business units, including Eneco's purchasing and trading department and sales channels, to manage commodity (electricity, gas, heating, emission rights and fuels) risks.

The Board of Management and senior management regularly review the results, key figures such as changes in working capital and the trading position, the principal 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 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.

The Supervisory Board exercises supervision over the course of business and risk management by conducting reviews of strategic plans, budgets, critical performance indicators, forecasts, results and the risk policy.

32.1 Credit risk

Credit risk is the risk of a loss if a counterparty or its guarantor cannot or will not meet its obligations. For the purposes of managing this risk, a distinction is drawn between debtor risk and counterparty risk, including the risk Eneco runs on cross-border lease transactions.

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. The Board of Management does not consider this to be a concentration of risk.

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

Measures in place to limit debtor risk are:

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

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

Counterparty risk

Counterparty risk is the risk that a trading partner cannot or will not meet its delivery or payment obligations. This risk is primarily encountered in trading in energy commodities, emission rights and interest rate and foreign currency hedge transactions. The basis for the management of this risk is set out in the Counterparty Mandate (part of the Eneco Energy Trade commodity mandate) and the Treasury Charter drawn up by the Board of Management.

The counterparty risk management methods are set out in the Counterparty Mandate 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),
- the 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 ENDEX (European Energy Derivatives Exchange N.V.), EEX (European Energy Exchange A.G.) and the ECX (European Climate Exchange). Every day, the clearing house settles interim changes in market value with its clearing banks which in turn settle with the market parties concerned (margin calls). This neutralises counterparty risk for each party to the contract.

Bilateral margining implies similar daily settlement directly with the counterparty to the transaction. The contract with the counterparty sets an initial minimum value (threshold). Bilateral margining is only applied if the threshold is exceeded.

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

Eneco holds positions in the form of deposits at five European banks in connection with the lease-and-leaseback transactions (see Note 30). On the reporting date, these were USD 1.8 billion (2011: USD 2 billion). All the banks have investment grade ratings from Standard & Poor's and/or Moody's. The counterparty risk is reviewed frequently and this may result in positions being moved where possible to a different party.

The maximum credit risk is equal to the carrying amount of the financial assets, including derivative financial instruments and receivables under cross-border leases as disclosed in the note on Contingent assets and liabilities.

Financing instruments

Management of financing instruments is set out the Treasury Charter drawn up by the Board of Management and Supervisory Board. Counterparty risk on borrowing money is very limited. The assessment criteria formulated in the Treasury Charter are taken into account when lending money. They call for a counterparty to have a credit rating of at least A+ (Standard & Poor's) or Aa (Moody's). 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;
- margining as a result of the agreed credit support agreements;
- procedures for regular assessment of counterparty risk.

32.2 Market risk

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

Price risk

Exposure to market price risk on the commodity portfolios for purchasing and supply 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, derivative financial instruments which have an historically strong correlation with the price risks to be hedged are used. These instruments are deployed within a conservative mandate and limit structure that includes on-going registration, monitoring and analysis of trading positions and market value.

The market price risk on the company's own generation and long-term structured commodity purchase contracts is also limited through back-to-back transactions and structured hedging strategies as described above. 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.

Price risks inherent to energy commodity trading portfolios and emission rights are managed using position limits, MtM limits, Value at Risk (VaR) measures and stop-loss limits. The limits that can best be applied to manage risks are determined for each business activity. VaR represents the potential loss on a portfolio in the event of a poor scenario over a 10-day period, at a 95% confidence level. 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. The risk managers and energy traders are notified each day of both the VaR in each individual portfolio and the proprietary trading position. Limit infringements are reported immediately. The VaR for the proprietary trading portfolio at 31 December 2012 was € 0.9 million (2011: € 0.8 million). The average VaR in 2012 was € 1.5 million (2011: € 2.3 million).

Eneco's trading department ceased proprietary trading (trading aiming to generate profits based on positions taken for own account) in the second half of 2012.

Foreign currency risk

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

Loans were entered into in 2009 in US dollars, Japanese yen and pounds sterling to meet the group's funding requirements. The group has hedged the foreign currency risk for the full term of these loans using cross-currency swap contracts.

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. Eneco uses 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% in Euribor (for a period of twelve months) would lead to a decrease in profit before tax of € 0.1 million (at 31 December 2011: € 0.1 million).

32.3 Liquidity risk

Eneco is a capital-intensive business. Its financing policy is aimed at the development and retention of an optimum financing structure taking into account its current asset base and investment programme. The criteria are access to the capital market and flexibility at acceptable financing costs.

Financing is drawn centrally and apportioned internally. Subsidiaries are financed by a combination of equity and intercompany loans.

A specific liquidity risk arises from margining through clearing houses. Risk limits have been set to cover both the outstanding balance and price change sensitivity for the purposes of managing this. This risk is the subject of daily reports to senior management and monthly reports to the Board of Management. The sensitivity of the margin call to a 1% price change was € 0.1 million in 2012 (2011: € -0.4 million). Another liquidity risk arises from the margining of the market value of the cross-currency swap contracts entered into with a number of banks. If the market value of these contracts exceeds the contractual limits, Eneco has to deposit the excess with these banks. At 31 December 2012, Eneco had deposited a total of € 31 million (2011: nil).

Great importance is attached to managing all the above risks to avoid Eneco finding itself in a position in which it could not meet its financial obligations. In addition, liquidity needs are planned on the basis of long, medium and short-term cash flow forecasts. The cash flow forecasts incorporate operating and investing cash flows, dividends, interest payable and debt redemption. The Treasury department sets this capital requirement against available funds. A report is submitted to the Board of Management every month.

Daily callable credit facilities up to € 116 million (2011: € 100 million) have been agreed with a number of banks for overdrafts on current accounts. There is also a committed credit facility available up to an amount of € 1.25 billion up to October 2016 (2011: € 1.25 billion.). An extension to October 2017 for a maximum of € 1.1 billion was agreed in 2012. This facility was not drawn during 2012. Eneco also has a syndicated guarantee and letter of credit facility of € 200 million available to 1 December 2014. Under this facility, Eneco can obtain guarantees to cover counterparty risk on contracts with energy suppliers to the extent that those risks exceed the agreed limit.

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.

A of 31 December 2012	Within 1 year	Within 1 to 5 years	After 5 years	Total
Derivative financial instruments	486	152	35	673
Interest-bearing debt	158	843	1,626	2,627
Trade and other payables	1,552	104	191	1,847
Total	**2,196**	**1,099**	**1,852**	**5,147**

As of 31 December 2011	Within 1 year	Within 1 to 5 years	After 5 years	Total
Derivative financial instruments	173	31	34	238
Interest-bearing debt	227	568	1,887	2,682
Trade and other payables [1]	1,544	89	135	1,768
Total [1]	**1,944**	**688**	**2,056**	**4,688**

[1] 2011 figures restated for comparative purposes.

33. Capital management

The primary aim of capital management at Eneco is to maintain good creditworthiness and healthy solvency to support operations and minimise the cost of debt. Eneco regards both capital and net debt as relevant elements of its financing and so of its capital management. Eneco 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.

No changes were made to the aims, policy and processes for capital management in 2012 and 2011.

Eneco monitors its capital using the 'Financial Management Framework', which sets out various ratios that have to be regularly monitored by the Board of Management. One of these ratios is equity/total assets. Eneco's policy is to keep this above 45%. At year-end 2012, it was 50.5% (2011: 50.4%).

34. Events after the reporting date

On 21 January 2013, Eneco sold a 50% interest in the Eneco Luchterduinen offshore wind farm to Mitsubishi Corporation ('MC'). The sale is making a positive contribution to the profit for 2013. Eneco and MC also entered into a long-term alliance with the aim of increasing co-operation to other offshore wind energy projects in Europe. As part of this, Eneco and MC decided to co-operate in Eneco's Prinses Amalia Wind Farm that has been operational since 2008.

Notes to the consolidated cash flow statement

All amounts in millions of euros unless stated otherwise.

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

The cash flow statement 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.

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:

	2012	2011
Movements in intangible current assets	4	– 9
Movements in inventories	– 8	– 13
Movements in trade receivables	– 24	78
Movements in other receivables	– 23	– 58
Movements in non-interest bearing debt	– 20	325
Total	**– 71**	**323**

Segment information

All amounts in millions of euros unless stated otherwise.

Segment information

Business segments are based on Eneco's internal organisation and management reporting structure.

Eneco group's business segments are the three core businesses: Eneco, Stedin and Joulz. The Eneco segment purchases, generates, trades and sells electricity, gas and district heating and constructs, maintains and manages district heating networks. The Stedin segment is the manager of the gas and electricity networks. The Joulz segment is the infrastructure company which includes consultancy, engineering, construction and management of energy infrastructures and the maintenance of lighting and parking facilities.

Transfer prices for internal products and services are on arm's length prices and terms.

The group accounting policies are also applied in the segment reports.

Revenues and profit by business segment

2012	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Eliminations and non-allocated	Total
Revenues from energy sales and transmission, energy-related activities and other operating revenues	4,067	1,081	108	–	5,256
Inter-segment operating revenues	42	10	399	– 451	–
Purchases of energy and energy-related and other operating expenses	– 3,827	– 561	– 516	424	– 4,480
Operating profit before depreciation, amortisation and impairment	**282**	**530**	**– 9**	**– 27**	**776**
Annual depreciation and impairment	– 235	– 199	– 7	–	– 441
Operating profit	**47**	**331**	**– 16**	**– 27**	**335**

2011	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Eliminations and non-allocated	Total
Revenues from energy sales and transmission, energy-related activities and other operating revenues	3,914	995	98	–	5,007
Inter-segment operating revenues	117	3	413	– 533	–
Purchases of energy and energy-related and other operating expenses	– 3,781	– 508	– 486	479	– 4,296
Operating profit before depreciation, amortisation and impairment	**250**	**490**	**25**	**– 54**	**711**
Annual depreciation and impairment	– 115	– 200	– 8	–	– 323
Operating profit	**135**	**290**	**17**	**– 54**	**388**

Balance sheet by business segment

At 31 december 2012	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Eliminations and non-allocated	Total
Assets					
Assets	4,233	4,653	373	– 494	8,765
Associates	39	–	–	–	39
Total assets	**4,272**	**4,653**	**373**	**– 494**	**8,804**
Liabilities					
Equity and non-current liabilities	2,989	4,363	40	– 358	7,034
Current liabilities	1,283	290	333	– 136	1,770
Total equity and liabilities	**4,272**	**4,653**	**373**	**– 494**	**8,804**

At 31 December 2011	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Eliminations and non-allocated	Total
Assets					
Assets [1]	4,272	4,463	369	– 491	8,613
Associates	32	–	–		32
Total assets [1]	**4,304**	**4,463**	**369**	**– 491**	**8,645**
Liabilities					
Equity and non-current liabilities [1]	2,832	4,212	50	– 337	6,757
Current liabilities	1,472	251	319	– 154	1,888
Total equity and liabilities [1]	**4,304**	**4,463**	**369**	**– 491**	**8,645**

[1] 2011 figures restated for comparative purposes.

Other data by business segment

2012	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Total
Investments in property, plant and equipment and intangible assets	329	374	9	712
Depreciation/amortisation of property, plant and equipment and intangible assets	235	199	7	441

2011	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Total
Investments in property, plant and equipment and intangible assets	342	388	7	737
Depreciation/amortisation of property, plant and equipment and intangible assets	115	200	8	323

Revenues by country

	2012	2011
Netherlands	5,076	4,883
Belgium	169	112
Other	11	12
Totaal	**5,256**	**5,007**

List of principal subsidiaries, joint ventures and associates

Subsidiaries

Name	Seat	
AgroPower B.V. *	Delft	100%
BioEnergieCentrale Delfzijl B.V.	Rotterdam	100%
CityTec B.V. *	Den Haag	100%
Ecofys Netherlands B.V.	Utrecht	100%
Eneco B.V. *	Rotterdam	100%
Eneco België B.V. *	Rotterdam	100%
Eneco Business B.V. *	Rotterdam	100%
Eneco Energy Trade B.V. *	Rotterdam	100%
Eneco Gasspeicher B.V. *	Rotterdam	100%
Eneco Installatiebedrijven B.V. *	Rotterdam	100%
Eneco International B.V.	Rotterdam	100%
Eneco Retail B.V. *	Rotterdam	100%
Eneco Rozendaal B.V.	Rotterdam	100%
Eneco Solar, Bio & Hydro B.V. *	Rotterdam	100%
Eneco Strategic Assets B.V.	Rotterdam	100%
Eneco Supply B.V. *	Rotterdam	100%
Eneco Warmte & Koude B.V. *	Rotterdam	100%
Eneco Wind B.V. *	Rotterdam	100%
Eneco Wind Belgium S.A. (former name: Air Energy S.A.)	Waver (B)	100%
Eneco Wind UK Ltd.	London (UK)	100%
Eneco Windmolens Offshore B.V.	Rotterdam	100%
Joulz B.V. *	Rotterdam	100%
N.V. Eneco Beheer *	Rotterdam	100%
Nike-Eneco-Solar N.V.	Laakdal (B)	100%
Offshore Windpark Q7 B.V.	IJmuiden	100%
Oxxio Nederland B.V. *	Leusden	100%
Stedin Meetbedrijf B.V. *	Capelle aan den IJssel	100%
Stedin Netbeheer B.V. *	Rotterdam	100%
Windenergie Rijnkanaal B.V. (former name: Windpark Ecofactorij B.V.)	Rotterdam	100%
Windpark Afrikahaven B.V.	Utrecht	100%
Windpark de Beemden B.V. (former name: Windpark Zwartenberg B.V.)	Rotterdam	100%
Windpark De Graaf B.V.	Oosterhout	100%
Windpark Logistiekweg B.V.	Utrecht	100%
Windpark Martens B.V.	Oosterhout	100%
Windpark Martina Cornelia B.V.	Rotterdam	100%
Windpark Oudenstaart B.V.	Rotterdam	100%
Windpark Romerswaal B.V.	Rotterdam	100%
Windpark Sabina-Henricka B.V.	Rotterdam	100%
Windpark van Luna B.V.	Utrecht	100%
Windpark van Pallandt B.V. *	Rotterdam	100%

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

Joint ventures

Name	Seat	
Enecogen v.o.f.	Rotterdam	50%
Navitus Bay Development Limited	London (UK)	50%
Warmtetransportbedrijf Amstelland Zuid-Amsterdam (WAZA) B.V.	Rotterdam	39%

Associates

Name	Seat	
Groene Energie Administratie B.V.	Rotterdam	30%

A full list of companies has been filed with the trade registry in Rotterdam pursuant to Section 379 of Part 9, Book 2 of the Dutch Civil Code.

Company financial statements

Company income statement

x € 1 million	2012	2011
Share of profit of subsidiaries	266	242
Other results after income tax	– 33	– 38
Profit after income tax	**233**	**204**

Company balance sheet

Before appropriation of profit

x € 1 million	Note	At 31 december 2012	At 31 december 2011
Non-current assets			
Financial assets	2	7,240	6,977
Current assets			
Receivables from associates		173	150
Current income tax assets		28	–
Other receivables		32	–
Cash and cash equivalents		96	124
Total current assets		**329**	**274**
Total assets		**7,569**	**7,251**
Equity			
Share capital		497	497
Share premium		381	381
Revaluation reserve		903	945
Translation reserve		4	1
Cash flow hedge reserve		– 52	– 12
Retained earnings		2,478	2,337
Undistributed profit		233	204
Total equity	3	**4,444**	**4,353**
Non-current liabilities			
Interest-bearing debt	4	1,531	1,566
Other liabilities		77	12
Total non-current liabilities		**1,608**	**1,578**
Current liabilities			
Interest-bearing debt	4	208	5
Liabilities to associates		1,289	1,266
Current tax liabilities		–	13
Other liabilities		20	36
Total current liabilities		**1,517**	**1,320**
Total equity and liabilities		**7,569**	**7,251**

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. 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. Financial assets

	Subsidiaries	Receivables from subsidiaries	Other receivables	Derivative financial instruments	Deferred income tax assets	Total
At 1 January 2011	**4,762**	**1,504**	**17**	**9**	**32**	**6,324**
Share of profit of subsidiaries	242	–	–	–	–	242
Adjustment fair value regulated networks	307	–	–	–	–	307
Movements in deferred tax assets	– 1	–	–	–	–	– 1
Movements in loans to subsidiaries	–	–	–	–	28	28
Movements in other loans	–	33	–	–	–	33
Movements in fair value of capital financial instruments	52	–	4	–	–	56
Translation differences	1	–	–	–	–	1
Movements in non-controlling interests	– 13	–	–	–	–	– 13
At 31 December 2011	**5,350**	**1,537**	**21**	**9**	**60**	**6,977**
Share of profit of subsidiaries	266	–	–	–	–	266
Movements in deferred tax assets	–	–	–	–	– 24	– 24
Movements in loans to subsidiaries	–	29	–	–	–	29
Movements in other loans	–	–	2	–	–	2
Movements in fair value of capital financial instruments	– 3	–	–	– 9	–	– 12
Translation differences	2	–	–	–	–	2
At 31 December 2012	**5,615**	**1,566**	**23**	**–**	**36**	**7,240**

3. Equity

Details of changes in equity are set out in the Consolidated statement of changes in equity in the consolidated financial statements. The individual components of equity are disclosed in Note 24 24 (page 100)to the consolidated financial statements.

4. Interest-bearing debt

Interest-bearing debt is mainly the private loans obtained from institutional investors as set out in note 27 to the consolidated financial statements.

5. Contingent assets and liabilities

Eneco Holding 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 ventures and associates and those similarly indicated in the full list filed with the trade registry in Rotterdam.

The company is acting as guarantor for the obligations that are related to the lease-and-leaseback transactions as reported in Note 30 to the consolidated financial statements.

Eneco Holding N.V. and almost all its subsidiaries form a fiscal unity for corporate income tax purposes. All companies in this fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity. Eneco Holding N.V. is also a member of a fiscal unity for VAT purposes, covering part of the group. All companies in this fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.

6. Auditor's fees

The fees below were recognised in the 2012 income statements of the company and its subsidiaries for audit 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 include those charged by entities associated with the auditor in the Deloitte network.

x € 1.000	2012	2011
Audit of the financial statements	862	1,138
Other audit engagements	1,507	896
Other non-audit services	246	331
Total	**2,615**	**2,365**

The fee for the audit of the Eneco Holding N.V. financial statements included audit work on the consolidated and company financial statements of this company.

Other audit engagements are the audit of the statutory financial statements of subsidiaries and related engagements. Other non-audit services are those permitted by Wta as define and include those charged by entities associated with the auditor in the Deloitte network. (2012: € 215,000 and 2011: € 309,000).

Rotterdam, 1 March 2013

Eneco Holding N.V.

Board of Management

J.F. (Jeroen) de Haas, chairman
C.J. (Kees-Jan) Rameau
G.A.J. (Guido) Dubbeld
M.W.M. (Marc) van der Linden

Supervisory Board

E.H.M. (Edo) van den Assem, chairman
C.P.G. (Kees) van Dongen
H.G. (Henk) Dijkgraaf
J.G. (Joop) Drechsel
J. (John) Lintjer
M. (Mirjam) Sijmons
K.G. (Klaas) de Vries

Other information

1. Events after the reporting date

See note 34 (page 112) to the consolidated financial statements for events after the reporting date.

2. Profit appropriation

According to the company's articles of association the Board of Management may, with the approval of the Supervisory Board, increase the reserves by an amount equal to, at most, half of the profit available for distribution. The remaining portion is at the disposal of the General Shareholders' Meeting. The General Shareholders' Meeting can decide to distribute all or part of the remaining portion. Undistributed profit is added to the reserves.

Proposal appropriation of the profit for 2012

At the time of publication of this annual report, a proposal for appropriation of the 2012 profit had not yet been adopted.

3. Independent auditor's report

To: The shareholders of Eneco Holding N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of Eneco Holding N.V., Rotterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated income statement, the consolidated balance sheet as per December 31, 2012, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as per December 31, 2012, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Management, as included on page 2 through 66, in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Eneco Holding N.V. as per December 31, 2012 and of its result and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Eneco Holding N.V. as per December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, March 1, 2013

Deloitte Accountants B.V.

Was signed

K.G. Auw Yang