



Eneco, at the heart of society

Annual Report 2012 Eneco Holding N.V.



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 CO₂. 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				
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
Total¹	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