Eneco,
eye for the future

Annual Report 2014 Eneco Holding N.V.

Cover photograph:

Unique DC project

In the municipality of Stadskanaal, Eneco's subsidiary CityTec realised the first direct current grid for street lighting. LED lamps, powered by solar panels and a small wind turbine, provide sustainable and dynamic lighting for the city centre.

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Main developments 2014

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- Sustainable investments again substantial (Financial result)
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- 100,000 Toon thermostats sold (Loyal customers form our basis)
- Sustainable energy production capacity increased by 217 MW (Sustainable capacity and production)
- Target maximum interruption duration in minutes in electricity grids achieved again (Uninterrupted access to energy)
- Leiding over Noord heat transmission pipeline operational (Foreword Jeroen de Haas)

Ambitions and performance

Strategic KPIs

The ambition of Eneco Group is reflected in its mission: Sustainable energy for everyone. This mission combines the company's motives and inspiration. We strive to provide clean and affordable energy that is always available. Strategic Key Performance Indicators (KPIs) are used to measure how successful we are and to show our progress towards realising our mission.

In the overview below, the KPIs are linked to Eneco's strategic themes. The results are explained in detail in the section Progress. We have asked our external auditor to assess the realisation of the KPIs[1]. This assessment does not include new KPIs that will be applied as of 2015. In 2015, we will concentrate on updating our strategy with a focus on three growth areas. This focus will enable us to provide maximum support to customers wishing to enhance the sustainability of their energy supply through integration, decentralisation and electrification. In order to ensure optimal specification and implementation of the updated strategy, no targets have been specified for the current KPIs with respect to 2015.

Customer focus – Loyal customers are important

		Result 2014	Target 2014	Result 2013	Result 2012
1	Customer satisfaction Stedin in months[2] [#]	9	≥ 8	8	1
	As of 2015: Customer satisfaction Stedin[3] [%]	76	-	75	70
2	Eneco retail customers [* million]	2.2	≥ 2.2	2.2	2.2
3	Net Promoter Score Eneco [%]	-21	≥-15	-20	-18

Customer focus – Uninterrupted access to energy

		Result 2014	Target 2014	Result 2013	Result 2012
4	Average interruption duration energy supply	13.0	≤ 14.5	12.2	19.5
	As of 2015: Average interruption duration per affected customer (electricity)[4] [minutes]	104	-	104	144
	Average interruption duration (gas) [minutes]	2.1	1.0	0.6	1.4

Customer focus – Sustainable capacity and production

		Result 2014	Target 2014	Result 2013	Result 2012
5	Share of sustainable electricity production in total supply portfolio [%]	20	20	20	13
6	Investment decisions relating to sustainable production capacity [MW]	60	221	-	-

Safety

		Result 2014	Target 2014	Result 2013	Result 2012
7	Lost Time Injury Rate (LTIR) Group	0.9	1.3	1.1	1.4

Value creation - Financial

		Result 2014	Target 2014	Result 2013	Result 2012
8	Credit Rating	A-	≥ A-	A-	A-
9	ROACE [%]	4.2	5.0	4.7	4.1

Value creation - Impact on the planet

		Result 2014	Target 2014	Result 2013	Result 2012
10	Reduction of effect electricity consumption of customers on climate change compared with 2012 [%]	21	5	-	-
11	Reduction of effect electricity consumption of Eneco Group on climate change compared with 2012 [%]	47	30	-	-

Value creation - Internal Alignment

		Result 2014	Target 2014	Result 2013	Result 2012
12	Internal alignment[5]	53.0	54.5	51.7	-

[1] The scope of the KPIs is specified in the section Scope strategic KPIs (page 43)

[2] Number of months in which a score of 7 or higher was given with respect to customer satisfaction by at least 75% of Stedin's customers.

[3] Average percentage of customers that award the service provided by Stedin a score of 7 or higher.

[4] Within the sector, average interruption duration per affected customer is also known as the customer average interruption duration index (CAIDI). This KPI relates to the low and medium-voltage grids.

[5] On a scale from 0 to 100. See the section Definitions (page 131) for a detailed description.

Financial key figures

(amounts in millions of euros)	2014	2013	2012	2011	2010
Results					
Total revenues [1]	4,590	5,251	5,256	5,007	4,922
Revenues from energy and energy-related	4,343	5,026	5,082	4,839	4,722
Gross margin	1,577	1,749	1,620	1,442	1,294
Operating income before depreciation (EBITDA)	708	877	776	711	576
Operating profit (EBIT)	363	395	335	388	274
Net profit	206	242	233	204	141
Cash flow from operating activities	830	792	727	1,117	670
Capital					
Equity	5,188	4,593	4,447	4,353	3,890
Interest-bearing debt	1,900	1,893	1,800	1,859	1,947
Balance sheet total	10,151	9,185	8,804	8,645	7,577
Investments in property, plant and equipment	839	846	710	734	730
Ratios					
Equity/total assets	51.1%	50.0%	50.5%	50.4%	51.3%
Interest coverage rate [2]	7.1	9.3	8.8	8.8	6.2

[1] Total revenues: Revenues from energy and energy related as well as other revenue.

[2] Interest coverage ratio: Operating profit divided by financial income and expenses.

Message from the Board

Energy revolution well under way

Eneco first predicted the revolution in 2006. From fossil fuels to sustainable energy, from centralised and large-scale generation of energy to local production in collaboration with citizens and customers. We are now in the middle of this revolution. We do not follow, we take the lead. The energy sector is becoming less and less distinct as companies, citizens, city districts, towns and villages take matters into their own hands. And we stimulate this process. Our role is to help everybody who wishes to arrange their own energy supply by providing advice, products and services.

In this changing situation, Eneco adheres to its basic principles: our mission Sustainable Energy for Everyone, our vision, Sustainable, Decentralised, Together and our focus on customers. The central questions that we ask ourselves are: what type of company do we want to be from the point of view of our customers and how do we fulfil their needs as well as possible?

Making a real contribution for the customer

Society is going through a fundamental change, because people wish to use products and services in another way, both within and outside the energy sector. Companies that contribute little to the needs of their customers are forced out of the market by companies that understand better what customers want and need and that use the possibilities offered by the internet to fulfil these wants and needs. This is happening in, for example, the taxi and hotel sectors. Increasingly, citizens collaborate to make their own arrangements. Companies wishing to continue to be relevant for their customers, must offer people the opportunity to enhance their independence and control their own risks.

This trend is also visible in the energy sector. Customers are adopting a more assertive approach to energy. Business customers are increasingly aware that their energy supply can be a decisive factor for their position in the market. More and more often, private customers decide for themselves how they wish to obtain their energy. Their reliance on traditional energy companies is diminishing. Examples of this include using crowd funding to finance solar panels and setting up wind energy cooperatives. Furthermore, energy prices continue to drop as a result of technological developments such as the use of solar panels and smart grid technology. Car usage is also changing: Dutch motorists have discovered electric cars.

Energy as a service

To be able to provide added value, Eneco must respond to these developments by providing citizens and businesses possibilities and facilities - a platform – to organise, generate and obtain their own energy.

Our role is changing from energy supplier to a participating part of that platform. Wind energy is a good example of this transformation in which we will be part of the setting. At present, our supply activities and the centralised production of energy, including our wind energy, are still based on a world where we produce and customers consume. This situation is going to change drastically. The power generated by our wind farms will be distributed to users via a platform. Storage also makes energy available when there is no wind. This means that we operate in the service of the platform and not in the service of our own wind farms. Only acting in our own interests means that our company will cease to be relevant. This substantial change in our way of thinking requires us to make a transformation. We must take action and the initiative in providing such platforms.

Platform thinking precedes legislation

The national Energy Agreement was an important step for the Netherlands towards a more sustainable society. Unfortunately, a large part of the legislation and regulation in North West European countries focusses on the old, centralised energy supply model and is not in line with the new platform model. The same applies for regulation at a European level. Splitting off the grid management activities from Eneco Group also does not fit in with the new model, because this would seriously delay our sustainable development. As an integrated company, Eneco Group is able to harmonise the production and consumption of energy and the grid. Eneco's aim is to not simply place the responsibility for its surroundings with politicians, but to explicitly assume its own responsibility. We shall need to embrace and give substance to 'platform thinking' in our market environment.

Eneco works with and for its customers

Our task is to make progress and for that purpose we need to have a clear view of what type of company we wish to be from the point of view of our customers. These customers, as well as our shareholders, NGOs, sector partners and suppliers, support us in this process. By examining how our business customers operate, we are able to provide what they need. The agreement with railway company NS to fuel all the trains with green power generated by new wind farms confirms this. The interests of the customer and sustainable mobility come first.

Again in 2014, we have taken major steps towards the realisation of our mission Sustainable Energy for Everyone. Examples include: the collaboration with Google; implementation of the Leiding over Noord residual heat project that was realised in close consultation with local parties; the opening of Bio Golden Raand, the bio-energy plant that supplies power to businesses in the vicinity; the start of the construction of Luchterduinen Wind Farm; the sale of the 100,000th Toon thermostat; the opening of new wind farms in Scotland; the new electricity connection to the island of Goeree-Overflakkee running below the Haringvliet estuary; the installation of smart meters at 37,000 homes on the island Hoeksche Waard; the Power2Gas installation in Rozenburg; the use of direct current for the lighting of a roundabout in the province of Zeeland. These projects demonstrate how much effort Eneco and its stakeholders put into supplying clean and affordable energy that is always available.

Discontinue and innovate

The main challenge of our transformation is the fact that a number of our current activities, such as the production and supply of energy, shall play a less important role. We need to phase-out and discontinue activities that do not contribute to our new role and, at the same time, innovate.

We shall continue to develop and expand our knowledge. Our organisation shall be restructured in such a way that it will be possible to be involved in or even part of our surroundings in order to understand what is happening and what is needed. This will enable us to collaborate effectively with all parties.

We stimulate this development with smaller entities within and outside Eneco that have more freedom and shall pull us along in the change process. Examples of this include PVNed, which provides services in the area of energy management and selling and purchasing energy on the energy market and Quby, which develops products aimed at managing energy consumption.

Close connection with our surroundings

In 2014, our new role of being part of an energy platform formed the starting point for taking further steps in providing customers with instruments to control their self-sufficiency, for example in the form of the smart thermostat Toon. Furthermore, Eneco invests in smart grids that enable customers to respond to changes in the demand for and supply of energy.

Stedin is developing a communication technique that makes it possible to determine the amount of energy generated at various locations. The implementation of this technique in the Couperus apartment building in The Hague is an example of the possibilities of new technology. In addition, we offer people the opportunity to participate in wind projects and stimulate customers to generate their own energy. In the coming period, we shall focus on the further development of internet technology, in particular, with the aim to strengthen our platform function.

Safety continues to be important

In our current and future role, safety continues to be an important focal point. 2014 was the sixth year in a row in which our safety performance improved in terms of the number of accidents resulting in absence from work. Attention to safety in the workplace and workable instructions have enabled us to reduce these accidents by a quarter compared with 2009. We have paid special attention to the safety performance of our subcontractors, resulting in better insight into potential areas for improvement. Lessons learned from large projects are translated into opportunities for improvement in our other activities. We continually strive to improve the behaviour of our employees and their attitude towards unsafe conduct and to optimise the processes in the supply chain. A chain that is growing increasingly longer. This is another area that we need to take into account in connection with our platform role: how can we help customers to manage their own energy installations as safely as possible?

Vision and belief

To bring about an actual change in our way of thinking, it is necessary that all of our employees share the same vision and belief. We can be successful if everybody knows what he or she can contribute from the basis of this shared belief. This is why we continue to share our philosophy with our employees and to create links between our mission, vision, strategy and customer focus. In 2014, Stedin, Joulz and Eneco employees

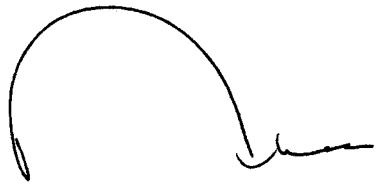
demonstrated that they actively support our mission. Their open attitude and their efforts are highly appreciated. Everything we do must fit in with our future role. The support of our shareholders for our strategy strengthens us in our belief and implementation capabilities.

Performance and transparency

Transformation is not possible without improving our performance. Being a platform and a partner are transparent roles that leave no room for costs relating to our traditional role of energy supplier. Over the past year, we have assessed all our costs in this light and we will continue with this process during the coming years. We must not incur unnecessary costs. This point of view formed the basis for the restructuring of Joulz and Stedin that was started during the reporting year. It is also reflected in the way in which we manage our gas-fuelled plants: by lowering our risks and costs we will improve our performance. To provide transparency in this area, using specific KPIs to measure our performance, continues to be important. Our strategic KPIs demonstrate that we have realised important goals in 2014. In some cases, it became apparent that we need more time. Our strategic targets for 2015 continue along the same line and also continue to be ambitious.

Good year for our customers

Our customers enjoyed many benefits during the past year. The warm weather conditions resulted in lower consumption of gas and heating. In addition, gas and electricity prices decreased again, as did the regulated tariffs for the transmission of energy. This resulted in a lower net result and lower revenues for the company in 2014. Nevertheless, we again succeeded in making substantial investments in the production of sustainable energy and in our grids. Given the challenging market conditions, we are satisfied with this result.



Jeroen de Haas
Chairman of the Board of Management, Eneco Holding N.V.

Trends and developments

The energy market is shifting to a decentralised and sustainable model

The developments in the energy market have an impact on how successful Eneco will be in realising its sustainable strategy.

Households and companies increasingly manage their own energy supply

The production of sustainable energy by means of solar panels has really taken off. Both the public and companies have embraced this technology. The sharp increase in the use of photovoltaic solar cells (PV cells) to generate energy is due to the decrease in the price of solar panels. The purchase price has dropped to such a level that it is often cheaper to use solar energy, even for households and businesses in Europe, than to purchase electricity supplied by the grid. As a result, the revenues from the surplus production are equal to the costs for the purchase of electricity (including taxes and transmission costs). Various studies indicate that the price of solar panels will decrease even further over the coming years.[1]

In Europe, Germany continues to be the front-runner in solar panel applications, with a total installed capacity of 38 GW[2] with which more than 200 GWh[3] was produced during sunny days in 2014. The fact that conventional production has not been reduced accordingly, has resulted in a surplus on the German energy market during the day. These temporary surpluses are exported to other countries, including the Netherlands.

More and more frequently, households and companies also take their heat supply into their own hands. The use of heat pumps as an alternative for gas fuelled boilers seems to be taking the same flight as the use of solar panels. In the Netherlands, there is an installed base of 218,000 heat pump systems[4].

The increase in the use of solar panels and heat pumps demonstrates that energy is becoming an increasingly important topic for end users. A development that Eneco expects will continue during the coming years.

Balancing demand and supply

The main drawback of solar and wind energy is that production does not coincide with demand. The peak in electricity production by means of solar panels is in the middle of the day, while the peak in demand is in the mornings and evenings. Several economically viable techniques are now available that can provide a solution for this discrepancy between supply and demand. Storage of electricity is the most obvious solution. On Hawaii, where the sun shines frequently, the cost of solar panels – including storage of electricity in batteries – is comparable to the cost of obtaining electricity via the grid. Citigroup is one of several companies that state, on the basis of analyses, that the this will also be the case in North West Europe in the near future (2020 – 2025) due to factors such as the decreasing prices of batteries.[5] Other possible solutions for balancing the demand for and supply of electricity include demand management measures and the conversion of electricity into heat, gas or other products.

Growing demand for electricity

Gas installations are used less and less frequently for the heating of newly constructed houses for a variety of reasons, including stricter energy efficiency standards. The use of heat pumps and other heating solutions, such as heat and cold storage, result in a higher demand for electricity and a lower demand for gas. It is expected that these developments shall continue during the coming years, and at a higher pace. Hoog Dalem in Gorichem, for example, is a new, all-electric city district. This means that only electricity is used to meet the energy demand in this district and that the houses are not connected to the gas grid. On the one hand, the substitution of electricity for gas is a positive development: the production capacity of European and Dutch gas reserves is diminishing, resulting in

higher economic dependence on import. Less gas, also means lower greenhouse gas emissions. On the other hand, the lower demand for gas also leads to issues such as a decrease in state revenues from the sale of gas and the question of what investments should be made in existing and new gas connections and gas transmission and distribution networks and to what amount.

There is also a growing demand for electricity in the transport sector. In 2014, the market share of electric cars, vans, busses and motorcycles amounted to 0.6%. The government's aim is to have one million electric cars in the Netherlands by 2025, which corresponds to a market share of 12%. The German government aims to achieve the target of 1 million electric cars as early as 2020.[6]

It is expected that, in addition to electricity, hydrogen will also be used more and more frequently as a fuel for vehicles. In California, a hydrogen station infrastructure is being constructed and Toyota has released more than 5,000 hydrogen-related patents.[7] As electricity is used to produce hydrogen, the expected growth of hydrogen applications means that, also in this area, electricity shall indirectly replace fossil fuels.

Growth in energy management applications for households and businesses

The growing demand for energy management applications indicates that individuals and businesses show an increasing interest in their energy consumption and production. At the end of 2014, more than 100,000 Toon thermostats had been installed in households in the Netherlands (approximately 1.5% of Dutch households). This smart thermostat gives consumers insight into their energy consumption and provides related information such as the current weather conditions.

Thermostat manufacturer Nest claims to have sold about 1 million smart thermostats in the period up to 2014. This would mean that a Nest thermostat is installed in nearly 1% of households in the United States.[8] The acquisition of Nest by Google in January 2014 for $ 3.4 billion supports the expectation that there will be a strong growth in the market demand for these types of applications. Honeywell, traditionally the market leader in thermostats for household use, also introduced smart thermostat systems in 2014.

The development of these smart thermostats and energy management systems follows from a broader development known as 'the internet of things'. This term is used for the phenomenon that a wide variety of devices can communicate independently over the internet. Market expectations indicate that, worldwide, possibly about thirty billion wireless devices will be continuously connected to the internet by 2020.[9] One of the results of this development for energy consumers and the energy sector will be that the consumption, production and storage of energy can be controlled easily and efficiently. Automated control leads to a higher level of comfort, lower energy consumption and a reduction of the costs relating to the supply of energy.

1 en.wikipedia.org
2 bundesnetzagentur.de
3 Maximum of 0.212 TWh achieved on 6-6-2014 source: Electricity production from solar and wind in Germany in 2014, Fraunhofer ISE 2014
4 statline.cbs.nl
5 Citigroup 2014: Energy Darwinism II — Energy Storage: Game Changer for Utilities, Tech & Commodities
6 rijksoverheid.nl; bmwi.de
7 fuelcellpartnership.org; bbc.com
8 forbes.com
9 abiresearch.com

Business model development

Households and businesses become energy producers

The ongoing energy transition leads to fundamental changes in the energy supply value chain. More and more households and businesses become energy producers, which results in a decrease in the demand for the supply of electricity and gas.

These developments signal the end of the traditional business model of energy companies. The value chain is shifting from a centrally controlled model of generation, distribution and supply to a decentrally controlled model with a mix of central and local production and consumption, storage and redistribution.

Supporting own energy supply of households and businesses

The added value generated by our traditional model business activities shall decrease. Restructuring of traditional business activities is inevitable. Not only in view of the energy transition, but also because legislation and other factors make it necessary to enhance the efficiency of regulated energy distribution even further. Meanwhile, Eneco Group continues to invest in the development of new services that support households and businesses in actively taking part in the supply of energy. Together with our customers, we produce sustainable energy for everyone.

Issues

The energy transition described above also reveals a number of issues that affect the interests of society.

1. Against the background of the interests of society with respect to available, affordable and clean energy, the energy transition requires that we break away from traditional thinking patterns, such as thinking in terms of peak capacity. At present, energy companies are still inclined to solve the issue of imbalances between peaks in demand and supply by adding energy production, distribution and transmission capacity during peaks in demand. This requires substantial investments that, in retrospect, may prove to be unnecessary, for example when larger-scale storage of electricity becomes sufficiently viable from an economic perspective. The possibilities resulting from adding intelligence to the energy systems offer more flexible solutions for the issue of peak discrepancies in supply and demand. In the long term, these flexible solutions are more robust and efficient than traditional capacity solutions, but require a fundamental change in the thinking patterns of energy companies.
2. Governments and regulatory authorities play an important role in facilitating the energy transition. Examples of legislative and regulatory issues include: the obligation for regional grid operators to provide gas connections upon request and the risk of unintended blocking of the market for storage and flexible solutions through the introduction of capacity market mechanisms.
   - As a result of the development of financially attractive and sustainable technologies for the generation of heat, the number of households that require a gas connection is diminishing. In connection with the stringent energy efficiency standards, the number of central heating boilers that is installed in new houses is dropping. Heat pumps and connections to district heating networks are used instead. Taking into account the costs for society, it is not advisable to install a gas distribution network for the sake of a single connection, for example at the request of a restaurant, in new, so-called flameless city districts.
   - The increase in local energy production, for example by means of solar panels, puts further pressure on the

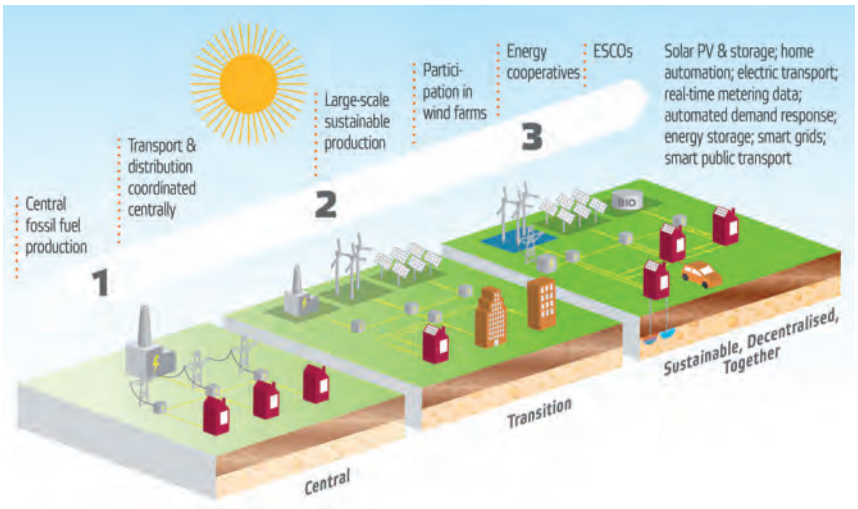
current system of fixed electricity prices for households during the day (or parts of the day). In the current situation, locally generated electricity that is supplied to the grid and electricity supplied by the net are set-off. This stimulates the use of solar panels for the short term, but has a negative effect on the drive to implement energy storage solutions. A system based on prices that apply for a period of sixty or fifteen minutes, which is already being used for large companies, stimulates flexible solutions such as storage and demand management. However, the business case for these flexible solutions is not sustainable if capacity market mechanisms would be introduced that eliminate the fluctuations in the value of energy across the day.

3. Realisation of the energy transition at the lowest possible cost to society is a complex issue that involves various interests. It requires energy companies to change their way of thinking and government bodies to develop more future-oriented legislation and regulations. These requirements affect each other mutually. In the E-Lab initiative of the Rocky Mountains Institute in the United States, households, businesses, energy companies, new start-ups and government and regulatory bodies work together to find a solution for this socially relevant issue. A similar structure in which the different stakeholders collaborate is not yet in place in the Netherlands and Europe, where bilateral meetings are still the most common form of communication.

Merger Stedin and Joulz

Inevitably, the changes in the energy supply value chain also lead to necessary restructuring of traditional business activities at Eneco Group. An example of this is the first step that was taken to combine the forces of grid operator Stedin and infrastructure company Joulz in a single entity under the name Stedin. The result of this restructuring will be one all-round grid management organisation within Eneco Group. Operating as two separate companies in the same production chain had resulted in an overlap between the activities carried out by Joulz and Stedin. Both companies expect that an all-round grid management company will be able to respond more effectively to the changes in the energy sector in the coming years. The restructuring process, known within the organisation as the ReVision project, will take one year to complete and will result in the loss of several hundred jobs at Stedin and Joulz. Even though both companies are making every effort to assist their employees in finding new employment within or outside Eneco Group, it is expected that this will not be possible for all the redundant employees.

On the one hand, we are changing the setup of traditional activities and, on the other hand, Eneco Group continues to invest in the development of new services and related activities to support customers in actively taking part in their own energy supply. Together, we produce sustainable energy for everyone.



Risk management

Risk management is essential to realising our mission

Risk management is essential for the realisation of our mission and strategic ambitions. We identify and mitigate the risks that may impede the achievement of our goals.

For this reason, risk management is an important element in our business operations. Eneco's risk policy encompasses careful assessment of the risks that Eneco Group runs and specification of mitigating measures as well as control measures to ensure the effectiveness of and adherence to the rules that apply within the company.

The Board of Management is responsible for risk management at the level of the organisation as a whole. This responsibility is delegated primarily to the business management teams. These 'second line' managers are supported in this responsibility by functions such as business control, safety and compliance. The overall coordination of the risk management process lies with the Internal Control department. The Internal Audit department ('third line') carries out audits and reports the results to the Board of Management and the Audit Committee of the Supervisory Board.

Risk and performance management framework

1. Eneco Group's strategic framework specifies the boundaries within which all the activities aimed at realising the mission of the company are carried out.
2. Financial-strategic forecasts help the Board of Management to weigh strategic and financial goals and risks.
3. The possible impact of significant risks on the financial strategic forecasts is assessed, as well as their impact on our financial control framework, which specifies the main financial restrictions on the strategy. These restrictions include minimum requirements for the ratios for solvency and cash flow in relation to net debt, using a credit rating

of around A- (Standard and Poor's) as the guideline. Sensitivity analyses, including single event stress tests and scenario analyses are used for this purpose

4. Risk control systems specified for each level encompass specific mitigating measures. A 'heat chart' is used for internal communication with respect to risks.

Assessing and controlling risks with the ECRS

COSO-ERM, the worldwide standard for Enterprise Risk Management, forms the basis for Eneco's internal risk management and control system, which goes by the name Eneco Control & Risk System (ECRS). The first version of the ECRS was introduced in 2005. Each year, the ECRS is adapted to keep up with the latest developments with respect to risks, business developments and external influences. The ECRS consists of a risk assessment methodology, a set of control measures and a methodology that management can use to determine the effectiveness of the control measures (see In Control statement (page 129)).

Risk management in 2014: scenarios and measures

- Eneco has developed three scenarios that are used in the assessment of investment proposals. Scenarios help us to make better strategic choices and to minimise surprises at a later stage.
- The control measures in the area of project and portfolio management and the measures associated with the successful realisation of our strategic KPI objectives are important elements of the ECRS.
- Relevant findings from the In Control statements of the business units are included in the 2014 In Control Statements prepared by the management of the staff departments. This ensures that any shortcomings are detected and resolved at an early stage.

Audit & Risk Committee supervision at each level

Each management level has its own Audit Risk Committee: from Board of Management level to the level of the senior management teams of the different business segments. The risk assessments and the status of control and mitigating measures are discussed periodically by these ARCs. The Audit Committee of the Supervisory Board monitors the adequate functioning of the risk management activities as a whole. Enterprise-level risk limits have been translated into various specific policy statements, codes and guidelines that apply within Eneco for areas such as safety, trade mandates, authorisations and conduct.

Main risks and control measures

The main risks associated with our strategic objectives and the measures we take in order to control these risks are described in the section 'Progress'. These include low CO_2 prices and changes in subsidy regimes, risks associated with the operational integrity of our grids, safety risks, risks in the area of cyber security and business continuity and the risk of forced unbundling of the company. Financial risks run by Eneco Group are described in note 32 to the financial statements, 'Financial risk management'. The section 'Integrity and compliance' describes how compliance-related risks are controlled.

Types of risks and risk tolerance

Our risk tolerance is categorised by the types of risk distinguished by Eneco:

Safety

The construction and operation of (sustainable) energy production facilities is a central aspect of our strategy. These activities lead to safety risks. We apply the principle of zero tolerance with respect to these risks. Accidents resulting in absence from work are considered to be significant incidents and more serious incidents (hospitalisation, fatal accident) are regarded as critical or unacceptable.

Financial

Eneco pursues a growth and transformation strategy, which encompasses substantial investments in new and existing activities. This strategy is translated into long-term financial-strategic forecasts, which are updated every six months on the basis of the latest insights. Our financial risk tolerance is derived from the financial control framework. Fitting measures are implemented for risks that may result in exceeding or not meeting limits defined in the financial control framework.

Integrity

Unethical or fraudulent behaviour of employees is a major risk. Eneco can only carry out its role properly if the highest standards of conduct are applied. The Eneco Code of Conduct and the underlying guidelines define desired conduct and how to act with integrity. Considerable attention is paid to integrity awareness of employees during work meetings and workshops. There is an integrity reporting centre and employees can also contact one of the confidential counsellors for the adequate and confidential handling of integrity incidents.

Reputation

A good and reliable reputation is essential to our existence. The risk of not achieving our strategic goal, which is the realisation of a sustainable and reliable energy supply, is also classified as a reputation risk. Not meeting the reliability requirements with respect to our network management activities or supply activities is ranked as a top risk in this category.

Possibilities for improvement

Issues in 2014

In our day-to-day operations, we are sometimes faced with issues that limit us in achieving our objectives. When this happens, we try to search for solutions and try to find alternatives in consultation with partners in our value chain.

Balancing between transformation and performance

The energy transition changes the value chain of the energy supply. This value chain is shifting from a centrally managed model of generation, distribution and supply to a decentralised model of distributed generation and consumption, storage and redistribution. As a result, the income from the traditional energy business is under increasing pressure. This requires us to continuously adapt the organisation to the new reality. As one of the frontrunners in the energy transition, Eneco also makes substantial investments in new services and business activities aimed at supporting customers in actively taking part in the energy supply process. In the coming years, these efforts will lead to new innovative business models that will generate more and more income. Staying on top of the market-driven transformation of the Eneco organisation and, at the same time, maintaining the financial performance is a complex balancing act.

Acceptance of sustainable projects by local residents

Eneco strives to supply sustainable energy to an increasing number of customers. To this end, it undertakes a variety of activities, including the construction of wind farms, installation of pipelines for the transmission of heat and modernisation of the grids. More than before, these efforts lead to opposition, both in the political field and among local residents. Eneco attaches great importance to involving local parties in these projects at an early stage. We take the wishes of local residents into account and pay a lot of attention to communication with all the parties involved. This approach is not only applied to the construction of wind farms; it is our standard working method for all infrastructural projects that affect local residents. However, this approach is not a magic spell that ensures public support. This is illustrated by the continued opposition from a limited number of local residents to an Eneco wind farm project in the municipality of Houten, despite the extensive measures that have been taken.

Government intervention puts pressure on offshore wind energy

The government has withdrawn nine previously granted permits for the construction of wind farms on the North Sea, including the permit for the construction of wind farm Q4. Eneco had already made a lot of progress with the preparations for the construction of this wind farm. At the same time, the government designated three new areas for the construction of large-scale wind farms. Eneco has indicated that it is not pleased with this intervention and has urged the government to maintain the previously granted permits in the belief that these permits are necessary for the realisation of the specified goals with respect to sustainability.

Insufficient use of Enecogen gas plant

Eneco aims for an energy mix of sustainable electricity and heating in combination with gas. Natural gas offers us the opportunity to make the transition to more and more sustainable energy in a responsible manner. However, the situation of supply and demand in the energy markets has resulted in very low margins for the production of electricity in plants. The spark spreads for gas-fuelled plants in particular, are so low that we are not able to operate these plants at a profit at present. Although gas plants form an ideal combination with our wind and solar energy production capacity, we have decided to utilise our gas plant to a lesser degree until the situation improves. In connection with this, we sold one of the generators to a third party in 2013, which temporarily reduced the production capacity of our plant by 50%. With the installation of a new generator in 2014, Enecogen was restored to full production capacity.

Sustainable development slowed down in connection with unbundling

The group prohibition means that Dutch integrated energy companies are forced to split up into a grid operator on the one hand and, on the other hand, one or more companies that produce, trade and supply energy. In 2013, the Court of Justice in Luxembourg ruled that, although group prohibition limits the

free movement of capital, it could be justified if it would form an appropriate means for the Dutch State to achieve its objectives, provided that limitations associated with the prohibition may not go beyond what is necessary to achieve the objectives pursued. This has to be assessed by a Dutch court. In 2014, the attorney general delivered an informal opinion to the Supreme Court that will rule on this matter in 2015.

Transparent information on smart meters

Energy companies have a legal obligation to offer a smart meter to all the households in the Netherlands. At the end of 2014, more than 560,000 had already been installed in the Stedin network area. However, there is public opposition to smart meters in connection with data privacy. The degree to which the rollout will be successful depends on the degree of acceptance by the public. It is up to all parties involved to provide clear and transparent information on smart meters.

Stakeholders

Creating involvement and bonds

At Eneco Group, we consider the dialogue with our stakeholders to be a component of our corporate social responsibility. This is why it is an integral part of our business activities, in the sense that Eneco takes the interests of all its stakeholders into account in its decisions and activities and assumes responsibility for the consequences of its actions for society.

In 2012, Eneco identified its most important stakeholders and categorised them by size and their impact on Eneco and vice versa. This categorisation enables us to create focus and to decide on the most appropriate approach. Identified stakeholders include business and private customers, partners and suppliers, shareholders, residents in the vicinity of energy projects, financial institutions, politicians, NGOs and our own staff. This is not a complete list of all of our stakeholders. Eneco operates at the heart of society and strives to create a bond with and earn the trust of anybody who is involved with or has an interest in what we do and how we do it.

Taking our surroundings into account

Proper management of our surroundings is an important element in the dialogue with our stakeholders. We take the surroundings in which we operate into account and strive to consult with local residents and businesses timely and thoroughly. Our aim is to build relationships that are based on trust and to ensure that we are regarded as a 'good neighbour'. This is why we enter into a dialogue before starting a project. We are open to suggestions and take different interests into account as much as possible. Where relevant, we give something back to the community, for example, in the form of a fund aimed at stimulating local initiatives in areas such as enhancing the quality of life, sustainability or the ecology in the region.

Input provided by customers

Eneco involves customers in its product development process. An example of this is the input provided by customers for the development of new functionality for Toon, Eneco's smart thermostat, during user group meetings or via the online community 'Friends of Toon'. Customers also have a say in our forms of communication, as was the case in operation 'clean sweep' where they provided input on how our written communication could be improved. Further input from customers is obtained through our ongoing customer satisfaction surveys and a study on how customers experience the service provided by Eneco. The results of these studies are used to improve customer friendliness and customer satisfaction.

Business customers are increasingly becoming partners

More and more, the relationship with our business customers is taking the form of a long-term collaboration and partnership. Our common interest is the ambition to enhance sustainability, both with respect to our own business operations and the production chain in which we operate. This provides a common basis to invest, develop the relationship, collaborate and share knowledge. An ongoing dialogue that goes beyond the supply and purchase of services.

Eneco Group organises annual Environmental Dinners that enable corporate clients to become inspired and to exchange experiences. The common denominator at these events is the creation of value for society and businesses by implementing a strategy aimed at enhancing sustainability.

Every citizen can participate

Eneco's accessible and sustainable investment programme offers everybody the opportunity to get involved in enhancing sustainability and the production of sustainable energy. In 2014, Eneco introduced HollandseWind certificates; bonds that can be purchased for an amount of 25 euros, which offer every Dutch citizen the possibility to experience what it means to invest in a wind turbine. This way, Eneco and citizens work together in the

production of wind energy. A study carried out by Ipsos for Eneco (Eneco Energy Monitor: Opinion poll on (sustainable) energy and energy consumption, February 2014), shows that nearly three out of ten Dutch citizens are interested in investing in a wind turbine.

Working together with our shareholders

The open nature of the dialogue with our shareholders on Eneco and developments affecting Eneco contributes to the good relations. We collaborate with shareholding municipalities to achieve common goals and work together on strategic (sustainability-related) issues such as intelligent public lighting and the construction of sustainable residential areas.

Survey: what is the opinion of our stakeholders?

In 2014, Eneco conducted a survey among its stakeholders that encompassed Eneco's sustainable strategy, customer friendliness and the annual report. The survey was aimed at a broad range of stakeholders: suppliers, customers (consumers), politics and government, shareholders, NGOs, financial institutions, and visitors to the online annual report. It was conducted in the form of an online questionnaire that could be filled in during the period June-October 2014. Due to the low response, the results of the survey were not representative and, therefore, did not lead to any policy changes. Eneco intends to improve the validity of the survey by differentiating the applied method and choice of topics between different groups of stakeholders. The research will be carried out annually and will form the basis for a further review of the choices we make in our business operations and how we relate to our environment.

Customer focus

Loyal customers form our basis

Being connected with society continues to be an important driving force for Eneco. It is why we feel compelled to ensure that energy remains available and affordable for all our customers. From this strategic perspective, it is only logical to opt for sustainable energy. Eneco believes that further enhancement of sustainability is the only serious option to ensure a future-proof and profitable supply of energy in our country.

Sustainable energy for everyone is what Eneco has in mind. And we put our ideas into action: of all the Dutch energy companies, Eneco makes the most investments in sustainable energy. With a stable customer base of 2.2 million households and businesses, Eneco is the largest entirely Dutch sustainable energy supplier. To retain these loyal customers, it is essential that we make the transition to a new business model.

Stable customer base

Service is one of the main pillars of our relationship with our customers. After all, satisfied customers are loyal customers. Eneco is the only large energy company in the Netherlands that services the total energy production chain. The business entities Stedin (grid management) and Joulz (infrastructure) combine our expertise in the area of the distribution of sustainable energy. Further integration of our services and expertise enables us to focus on our customers and provide excellent service.

What did we want to achieve in 2014?

Our target for 2014 was the same as our target for 2013: a stable customer base of at least 2.2 million loyal and satisfied retail customers.

What have we achieved?

The stable number of 2.2 million customers in 2014 means that we have realised our target. An important result in the past year was the successful integration of all, approximately 90,000, former DONG-customers. Eneco does not use price comparison and auction channels to attract new customers. Consequently, the loyalty of our customers is noticeably higher than that of our competitors. Furthermore, more than 100,000 customers have purchased a Toon thermostat. We have established that this group of customers is even more loyal to Eneco. A stable base of loyal and satisfied customers is also our target for 2015.

In the business market, Eneco concluded a number of noteworthy contracts, such as the agreements with Google and the Dutch railway company NS. Both partnerships encompass the purchase of sustainable energy generated by wind farms and both contracts are for a period of ten years. The term and the structure of these contracts are unique in the energy market.

Customer loyalty in the horticulture sector was high and our market share increased. AgroEnergy successfully introduced BiedOptimaal, a service product that helps customers to trade heat and CO_2 on the market. In 2014, 35 satisfied customers started to use this service. BiedOptimaal also attracted a lot of media attention. Eneco also signed a contract with Ennatuurlijk, the heating company of PGGM and Dalkia, for the year 2015.

Customer-oriented service

Eneco continues to search for ways to connect with its customers and to strive to provide the best possible service. We ask our customers to tell us what could be improved and we do our best to provide even better service.

What did we want to achieve in 2014?

Naturally, it is important to us that our customers are satisfied with the service that we provide. The degree in which our customers would recommend Eneco to others is measured by

means of the Net Promotor Score (NPS). The NPS target for 2014 was set at -15 percent (on a scale of -100 to +100).

Stedin also measures how customers experience the service that they provide. Stedin's target for 2014 was that the customer satisfaction score of at least 75 percent of the customers who contacted Stedin would be 7 or higher for a period of at least eight out of twelve months.

What have we achieved?

In 2014, our NPS score was below target and one point lower than the score in 2013. Customers were less satisfied about the height of and lack of insight into the rates and indicated that the specifications on the energy bill should be clearer. Furthermore, loyal customers experienced a lack of appreciation. However, the 2014 NPS benchmark does show that Eneco's score is above the sector average and higher than that of its competitors. An area in which Eneco received particularly high scores was the level of service provided and the number of customers who indicated that they intend to continue to use our products and services was higher than at our competitors. Higher scores with respect to sustainability were mainly obtained by smaller competitors.

Stedin achieved its 2014 objective with respect to customer satisfaction. For nine out of twelve months, the customer satisfaction score of at least 75 percent of Stedin customers was 7 or higher, which exceeds the target of eight out of twelve months and is a slight improvement compared with 2013 (eight months). In 2014, Stedin also measured the average customer satisfaction score over the entire year, which was 76 percent.

Listening to our customers

Our customers recommend Eneco to others because of our service, reputation and sustainability and because they have confidence in us. Eneco will continue to focus on these areas. The higher NPS that was achieved for a number of specific projects, does not yet constitute structural improvement. Toon thermostat customers form an exception with a positive NPS of +2.

More and more often, customers and stakeholders contact Eneco via our online channels. Over 88,000 messages about Eneco were published on channels such as Twitter, Facebook and Eneco Community in 2014; an increase of 23 percent compared with 2013. We have a dedicated web care team in place since 2009, whose tasks include responding to questions and complaints posted on these channels. This increase in direct contact with our customers results in higher customer satisfaction with respect to our online customer service. This transparent form of interaction is also used to identify and resolve bottlenecks in our customer processes more quickly.

We continue to create awareness among our employees to help them understand the point of view of our customers. One of the tools that we use for this purpose is the programme Customer at Heart that enables employees to get into contact with customers, for example, by accompanying one of our mechanics or sales persons or by listening in on conversations at the call centre. And because we want to know exactly what the issues are, most of the people who work at the call centre are Eneco employees.

Customers have indicated that the specifications on the annual energy bill are unclear and that loyalty to Eneco is not sufficiently appreciated. Eneco is working on solutions for these issues that will become visible in 2015. Examples include making it easier for customers to submit their meter readings and providing advice on energy consumption. The annual event for loyal customers in Rotterdam Zoo shall take place again in 2015.

Customer satisfaction at Stedin: upward trend

Stedin continued to work on improving customer satisfaction in 2014. Based on the principle 'Customer First', we implemented suggestions made by customers in 2013 and worked on making strategic and operational improvements. This has resulted in a slightly higher customer satisfaction score. After a moderate start, the customer satisfaction score improved during the rest of the year, mainly as a result of structural changes at Stedin's customer service department and in the connection installation process chain.

The structure of the customer satisfaction survey was changed in 2014. The number of areas to which the survey applies was expanded from six to eleven. As a result, the survey covers a wider, more complete range of topics and provides more starting points for implementing improvements.

Stedin measures customer satisfaction in terms of the percentage of customers who give the service provided a score of 7 or higher on a scale of one to ten during a period of at least eight months. In 2014, at least 75 percent of Stedin's customers gave a 7 or higher in nine out of twelve months (2013: eight months). There was a noticeable positive development in customer satisfaction during the second half of the year; the start of a trend that is expected to continue in 2015. In terms of the overall average across all aspects, customer satisfaction amounted to 76 percent, which is one percent higher than in 2013.

Friendly approach and simplified work processes at Stedin

Carried out properly and surprisingly easy. This is how Stedin would like its customers to experience the services provided. For this reason, Stedin worked on a more friendly approach to customers and the simplification of its work processes. The first item has been addressed successfully: on average, 65 percent of Stedin's customers indicate that they have been treated in a friendly manner. However, only 56 percent thinks that Stedin's work processes are transparent and simple. In 2014, a restructuring was initiated that involves the merger of large parts of the Joulz organisation with Stedin. Further

simplification of the works processes will be an important point of attention for the new Stedin organisation in 2015.

Improved website

Stedin improved its website in 2014 to provide even better service to its customers. In addition to structural changes to the layout, the website is now available in a version that is suited for mobile devices and also offers more self-service possibilities. First reactions to the new website indicate that customers are very pleased with the new features. The website will be expanded further in 2015, in particular in the form of possibilities for self-service. These offer customers the opportunity to decide when Stedin will carry out requested activities in an increasing number of areas.

Outlook for 2015: even greater focus on customers

We listen to our customers very carefully in order to further improve our service and product portfolio and to become even better at meeting their needs. The Toon thermostat plays an important role in this process. We offer a version of Toon that is suitable for district heating and solar panels and also includes home security and air quality measurement functionality. Furthermore, we will introduce the Toon Coach, which will help customers to save energy without compromising on comfort. Furthermore, we shall work on developments in the area of providing insight and advice with respect to energy consumption on the basis of data supplied by the smart meter and in the areas of electric transport and central heating boiler comfort.

Following the finalisation of the restructuring, the objective of the new Stedin organisation for 2015 shall be to place even greater focus on its customers. This shall include setting up a central complaints department to improve the complaint handling process and to learn from complaints. In addition, we shall strive for continuous and structural improvement of customer processes.

Involving customers

Eneco aims to involve its customers in its sustainable strategy as much as possible, for example, by offering them the possibility to participate in projects and by asking them to contribute ideas for new products.

Participating in wind energy

In 2014, Eneco introduced HollandseWind certificates to enable our customers to participate in wind energy projects. The HollandseWind certificates of De Beemden wind farm offer everybody an easily accessible opportunity to learn more about wind energy and to experience the benefits of investing in a wind turbine. 170,000 HollandseWind certificates have been sold. Recently, Eneco introduced a similar initiative in Belgium in the form of Eneco Invest; green bonds that are available to Eneco customers.

Enhancing awareness

Awareness is a standard priority item on our agenda. To create even more involvement in our sustainable strategy, we invite customers to attend project opening events. In 2014, these included the opening of the wind farms Tullo and Lochluichart, which can provide clean electricity for 43,000 Scottish households.

Customers provide input

We also involve customers in other areas such as product development. Customers have been given a say in the development of new functionalities for the smart thermostat Toon. Input is provided during user group meetings and via the online community ‘Friends of Toon’.

Customers also contributed ideas on our forms of communication, as was the case in operation ‘clean sweep’ where they provided input on how our written communication could be improved.

Uninterrupted access to energy

The availability of energy is something we must be able to rely on anytime and anyplace, at home and at work. Eneco strives to provide clean, reliable and affordable energy to its customers and to ensure that energy is always available

What did we want to achieve in 2014?

We do everything we can to minimise interruptions in the energy supply. Our target for 2014 was to reduce the weighted average interruption duration per customer of the combined supply of electricity, gas and heating to 14.5 minutes or less. To achieve this, we aimed to limit the average interruption duration for heating to 49.5 minutes or less, for electricity to 25 minutes or less and for gas to 1 minute or less.

What have we achieved?

The table below shows the average interruption duration in our energy grids in 2014:

Form of energy	Number of customers in millions	Target 2014	Results (in minutes)			
			2014	2013	2012	2011
Electricity	2.1	25.0	21.1	21.3	35.6	25.0
Gas	1.9	1.0	2.1	0.6	1.3	0.8
Heating	0.1	49.5	45.0	38.8	26.0	33.0
Average interruption duration		**14.5**	**13.0**	**12.2**	**19.5**	**13.8**

Further reduction of interruption duration of electricity

In 2014, the interruption duration for electricity was stable and below target at 21.1 minutes. Our objective is to keep the average electricity interruption duration per household per year below 25 minutes. In 2014, there were 414 interruptions in the supply of medium-voltage electricity (2013: 465). There was a further reduction in the average interruption duration in Stedin's medium-voltage grid to 86.5 minutes in 2014 from 93.2 minutes in 2013 and 140.5 minutes in 2012.

Interruption duration gas higher due to major outage

The average interruption duration of the supply of gas is 2.1 minutes per household. The higher average interruption duration in 2014, compared with previous years, was due to an outage in the municipality of Hellevoetsluis in July 2014 that affected 1,244 households for a longer period of time. The average interruption duration per household in Hellevoetsluis alone amounted to 62.7 seconds.

Interruption duration heating in line with target

In 2014, the average interruption duration for the supply of heating amounted to 45 minutes, which means that we have met our target. There were no exceptional internal or external causes for the interruptions in the supply of heating. The causes for the interruptions fall under the normal risks associated with operating heating grids.

Risk management: preventing interruptions

Eneco considers interruptions in the energy supply as a result of defects in our grids to be a major risk. Our highest priority with respect to the electricity grids is preventing interruptions in supply through measures such as station automation for grid control, replacement of fault-sensitive components and preventing damages resulting from excavation. In addition, we replace components that will no longer be available in the near future and we ensure the reliability of public lighting networks.

With respect to our gas grids, we focus on the replacement of connections that are in poor condition and the replacement of brittle gas distribution pipelines so that we can avoid costly repairs. The replacement of all brittle pipelines will be completed by 2029. To avoid inconvenience and significantly reduce costs, these replacement activities are carried out simultaneously with other work on the infrastructure (roads, railways, sewers) where possible

New measurement method in 2015

Eneco is making a transition to using the customer interruption duration index (CAIDI) for the measurement and management of the security of the supply of electricity. This indicator provides insight into the average restoration time in case of an interruption, which fits in well with our aim to solve unavoidable interruptions as quickly as possible.

Automation and smarter grids lead to fewer interruptions

In 2014, Eneco started to use a new business operations system in the form of the Distribution Management System or DMS. This system enables us to obtain information on the performance of the grids and to take corrective measures remotely. Further steps were also taken in the area of station automation for the remote control of distribution facilities. At present, the DMS is being used for the eastern part of our coverage area. Most of the information required to extend the use of the DMS to the western part has already been recorded.

Self-healing grids can restore the energy supply for a large part of customers affected by an interruption, without human intervention. Eneco continued its test with self-healing grids in 2014. In addition to the pilot test in the centre of Rotterdam, a second pilot test is being conducted in the south of Rotterdam. Apart from positive results, the pilot studies also reveal a number of challenges. One of the items that we still need to resolve is the stability of the communication between the grids and the operating systems.

Based on the positive experience with the use of intelligent defect indicators, Eneco decided to accelerate the installation of these indicators. The more than 450 indicators that were installed in 2014 enable us to determine the location of a defect more quickly and precisely and send a technician to exactly the right spot to solve the problem.

Preventing damages resulting from excavation

Damages resulting from excavation continue to be a frequent cause of supply interruptions. Direct communication with the companies that carry out the excavation activities has proven to be the most effective way to prevent this kind of damages. Close consultation between Stedin and Reggefiber on the installation of glass fibre networks resulted in a significant reduction in excavation-related damages usually associated with this activity. Furthermore, we are seeking to contact other companies that are relevant to our company and with which we not yet have the same type of relationship. In 2015, even more time will be devoted to consulting with companies that carry out excavation activities to prevent damages.

Security of the supply of heating

Eneco reports on collective interruptions in the supply of heating for two reasons. The first is that we wish to measure the security of the supply of heating to our customers. The second is that it is a measure for excellent business operations, which encompass providing the services requested by our customers.

The new Heat Act became effective in 1 January 2014. This act protects the rights of heating customers with a connection of less than 100 kW (consumer and small and medium-sized businesses). The Heat Act includes a compensation scheme for customers that applies in the event of interruptions in the supply of heating. The compensation amount is determined on the basis of the clearly specified duration of the interruption. For this reason, we enhanced our registration processes at the beginning of 2014.

Reducing supply interruptions to a minimum

Continued focus on the efficiency of business operations ensures that our business processes are in order, which means that interruptions in supply are reduced to a minimum. Control measures are adapted regularly, in connection with the ageing of our existing heating networks. Another factor that we have to take into account is the increasing length of our distribution networks due to expansions, such as the construction of the Leiding of the Noord in 2014, and acquisitions, such as the take-over of the Nuon distribution network in Utrecht. Decisions on any changes that we make are also based on the technical status of our heat grids and acceptable risks in relation to interruptions in supply. Eneco strives to keep the number and duration of interruptions in the supply of heating at the current, low level through close monitoring, an optimal balance between preventive and corrective maintenance and the replacement of parts of the pipelines.

As of 2015, interruption duration in the supply of heating will no longer be part of our set of strategic KPIs. The supply of heating constitutes only a small part of our total distribution activities and, therefore, has a limited impact on the total interruption duration. Although we will no longer report on the interruption duration in the supply of heating, we shall of course continue to manage this aspect on an operational level.

Investment in sustainable capacity and production

Eneco invests in the expansion of the production of sustainable electricity, both in collaboration with customers and through our own wind farms, solar energy installations and biomass plants.

What did we want to achieve in 2014?

Our target for 2014 was a 20 percent share of sustainable energy in our total supply portfolio. Despite slight changes in the definition and scope of this KPI, the target is comparable with the target for 2013.

In addition, we aimed to make investment decisions relating to the expansion of our sustainable energy production capacity by 221 MW.

What have we achieved?

In 2014, we produced 3.5 TWh sustainable electricity and supplied a total of 17.5 TWh. This means that the share of sustainable electricity produced by Eneco in our total supply portfolio amounted to 20 percent and that we achieved our target. Major contributors were Eneco's biomass plant in Delfzijl, in its first full production year, as well as our wind farms. An excellent result, especially in view of the fact that there was less wind than could be expected on the basis of the annual average wind speed.

	Capacity (MW)		Production (GWh)	
Technology	2014	2013	2014	2013
Biomass	101	134	624	416
Solar	72	52	57	40
Hydro	1	1	3	4
Onshore wind	1,209	978	1,888	1,812
Offshore wind	298	298	969	836
Subtotal sustainable	**1,680**	**1,463**	**3,541**	**3,108**
Conventional	1,275	1,275	3,501	1,022
Combined heat and power systems	33	33	149	159
Total	**2,988**	**2,770**	**7,191**	**4,289**

Investment decisions taken in 2014 relating to the expansion of our sustainable energy production capacity were limited to 66 MW, which means that the aim of 221 MW was not achieved. This is due mainly to the fact that this objective was based on a number of expectations that did not result in investment decisions in 2014. Furthermore, the decision was taken to adjust the investment in sustainable production capacity on the basis of available resources.

Increase in solar energy

In 2014, Eneco further expanded its position in solar energy. This was achieved, in part, through the acquisition of the 8 MW portfolio of ProSolar in Flanders (Belgium) and the completion of the 10MW solar farm Sevor Park in the United Kingdom that was taken into operation. The energy produced by Sevor Park is supplied directly to a Honda factory located nearby. In the Netherlands, Eneco installed solar panels with a total capacity of 1 MW on roofs in the district Amsterdam-Noord under its

own management. This is a good example of customer-oriented business operations, since the owners of the roofs also purchase the energy generated by the solar panels. In total, the operational capacity owned by Eneco in the form of large-scale solar energy projects increased by 19MW.

Eneco estimates that the number of solar energy projects owned and managed by Eneco will increase during the coming years. We expect this growth to take place in the Netherlands (in connection with a more favourable Stimulation of Sustainable Energy Production subsidy scheme), Belgium and the United Kingdom. These projects shall increasingly involve the integration with energy storage, customer-driven demand management – for example when prices are low – and co-development and co-financing with local partners.

More sustainable energy from biomass

Eneco is working on extending the life cycle of the Bio Golden Raand biomass plant, with the aim to keep this plant operational until well beyond 2020. Bio Golden Raand supplies electricity to local businesses, for which subsidy has been obtained until 2020. It is the intention that, in the future, the plant shall also supply steam to local businesses, which means that the life cycle shall be extended. It is expected that the final decision to this effect shall be made in 2015. Eneco is also investigating possibilities to further enhance the sustainability of the district heating network in Utrecht.

Investments in wind energy partly delayed, significant expansion in 2015

Investment decisions taken in 2014 relating to the expansion of our on-shore wind energy production capacity were limited to 50 MW, which means that the aim of 72 MW was not achieved. This is due mainly to delays in permit procedures. Eneco expects to be able to make positive investment decisions for all delayed projects in the first quarter of 2015. The acquisition of a number of wind turbines of the Hartel wind farm near Rotterdam resulted in a further capacity expansion of 8 MW. The total expansion of on-shore win energy production capacity by 58 MW brings Eneco a step closer to the realisation of its mission: Sustainable energy for everyone.

Eneco continues to strive for significant expansion of its wind energy production capacity. We expect to put several new wind farms into operation in 2015. We also aim to take positive investment decisions and to apply for permits for a number of new projects.

Emission rights

A large part of Eneco's CO_2 emissions are generated by gas-fuelled plants. Eneco bought off the energy contract with one of these plants, Rijnmond Energie Centrale, in 2014. CO_2 emissions generated by our own Enecogen plant play a role when the plant is switched on and off within a short period of time.

Risks: low CO_2 prices and changes in subsidy regimes

Government policy, for example in the form of changes in subsidy and (energy) tax regimes and continuously low CO_2 prices, may delay the implementation of our sustainable strategy. The price of CO_2 certificates is low because too many of these certificates were issued on a European level. Wind energy, biomass and geothermal energy projects have long lead times and frequently changing subsidy regimes cause additional uncertainty. These factors slow down the development of and investment in sustainable energy.

Eneco attempts to convince government bodies in various ways of the importance of a stable investment and financing climate, with a level playing field between the different (sustainable and fossil) technologies. In addition, Eneco spreads its sustainable investments across several countries and subsidy regimes.

[1] As of 2014, all supply portfolios are incorporated in the measurement, Including Oxxio. Until 2014, Oxxio was not part of the scope, because the agreements with WWF that form the basis for this KPI were made in the period before the acquisition of Oxxio. 2014 is also the first year that production from Eneco-owned facilities that is supplied to end users via third parties is taken into account in accordance with the Greenhouse Gas Protocol.

Innovation

Eneco Group focuses on innovations that enable the company to support customers and society in their efforts to enhance sustainability. This includes smart grid technology and research in the area of energy storage.

Much can be gained from thinking in terms of a large, interconnected energy system rather than separate gas, electricity, heating and CO_2 transmission systems. Transmission and the interoperability of these different energy carriers will be crucial. This is connected to the developments in the area of conversion and storage such as Power2Gas. Smart meters will contribute to gaining insight into energy consumption, both from the perspective of consumers and suppliers.

Rollout of smart meters

All Dutch households shall receive an offer for the installation of a smart meter. At the end of 2014, more than 560,000 smart meters had already been installed in the Stedin coverage area. January 2015 forms the start of the second phase, known as the Large-Scale Rollout (Grootschalige Aanbieding, GSA) of smart meters. During this phase, grid operators are required to not only offer smart electricity and gas meters via the regular channels, but also approach customers proactively. By the end of 2020, all Dutch households and small businesses must have received an offer for the installation of a smart meter. The general goal is that at least 80 percent of households and small businesses have a smart meter installed by 2020.

In 2014, Stedin and Alliander agreed to collaborate on operating their own communication network (CDMA). The CDMA network facilitates the reading of metering data from smart meters and offers possibilities for smart grid applications.

Smart Grid pilot tests: studies on balancing supply and demand

The changes resulting from the energy transition lead to new demands on our services and our infrastructure. It is not yet entirely clear what these new demands will be. This is why we carry out pilot tests in the form of 'real life labs', to investigate the changes that are, or could become, relevant to Eneco. One of these pilot tests is the Couperus Smart Grid in the municipality of Ypenburg, where 300 heat pumps are controlled by a PowerMatcher. This is a software system that balances supply and demand, resulting in lower peaks in the grid. More than a year of practical experience and analysis of the measurement results have shown that such a system contributes both to a better integration of sustainable electricity into the energy system and to managing investment in the grids.

In the 'all-electric' district Hoog Dalem in Gorinchem, tests are conducted in a number of houses that have been fitted with a smart energy system. The tests relate to technical performance and the effectiveness of storing electricity to optimise the use of the solar energy generated on the premises. The possibility of using stored electricity to reduce peaks in demand in the network, caused by the electric heat pumps used for heating the homes, is also being investigated. This involves using electricity that was stored in batteries during off-peak hours to meet peaks in electricity demand. The ultimate goal of these tests is to explore new energy product possibilities and to determine if a combination of new services and peak reduction can result in a positive business case for the storage of electricity.

Distribution of sustainable gas with Power2Gas

Stedin is working on a number of Power2Gas initiatives. Power2Gas is the distribution of energy obtained from surplus sustainable electricity via the existing gas grid. This encompasses the production of synthetic gas, which has the same qualities as and is an excellent alternative for fossil natural gas. In October 2014, Stedin officially put the first Power2Gas installation in the Netherlands into operation, in collaboration with DNV GL, the municipality of Rotterdam, housing corporation Ressort Wonen and RVO. The installation is located in Rozenburg and supplies synthetic gas to a nearby apartment building where it is used for heating.

Stedin is also involved in a large-scale Power2Gas project in Delfzijl that involves a combination with the gasification of biomass that is converted into a substance similar to coal through heating. The synthetic gas that is produced in this process can be used as a raw material for the chemical industry or for the production of methane.

Smart solutions for electric transport

Continued growth in the area of electric transport will have an effect on the electricity grid and the associated investments. Investments in the grid could be reduced or even avoided by using smart charging solutions that make better use of available data on charging behaviour and peak loads. In 2014, Stedin joined the ELaadNL and EvnetNL foundations in which grid operators and network companies collaborate in areas such as knowledge development and the operation of public charging infrastructure. Together with other grid operators, we are working on issues such as simplification of the charging infrastructure and connections, the development of smart charging solutions and improving the operation of existing charging infrastructure.

Innovative companies help in development of smart applications for the home

We are looking for innovative companies that are able to accelerate the development of new products and services as stimulated by Eneco. Companies such as Quby, an innovative start-up that developed Eneco's smart thermostat Toon, which provides real-time information to customers on their energy consumption and costs. We are also developing all sorts of new smart home applications for Toon, such as the remote thermostat, tablet functionality and control of Philips Hue lighting. With the Toon thermostat, Eneco has become a frontrunner in the smart home domain.

Saving energy with smart public lighting

Eneco acquired Luminext, another example of an innovative company, mid-2014. Luminext is a leader in the area of intelligent public lighting systems. With smart solutions, we offer municipalities and provinces the possibility to reduce the energy and management costs for public lighting and, simultaneously, enhance safety and comfort. These smart solutions include remote dimming and switching on and off of public lighting, real-time detection and notification of lamp defects and a range of defect and other analyses and control features. Our customers can use these solutions to provide comfort for residents and users in the form of lighting that is attractive and pleasant in places where this is possible and lighting that provides safety where this is required.

The take-over of Luminext also offers opportunities for expanding the services that we provide to other types of street fixtures in addition to public lighting. Examples could include the development of intelligent sewer pumps and pumping stations.

Safety

Safety first

Safety is our number one priority. The safety of customers, local residents and our own personnel can only be guaranteed if all our employees deliver high-quality work and are always aware of the effects of their actions on their own safety and the safety of our products and our surroundings.

In 2014, we continued our efforts to further enhance the safety of the working and living environment of our employees, customers and local residents. In the near future, these efforts will include a focus on bringing about changes in the attitude and behaviour of management and operational personnel. Focused knowledge-building, effective individual agreements and a transparent and open safety culture will enable us to take the next step towards a safe working and living environment and our ultimate target of zero accidents.

What did we want to achieve?

Our target for 2014 was to reduce the number of accidents resulting in absence from work (Lost Time Injuries, LTI) to 15 or less; a 10 percent reduction compared with the target for 2013 that is in line with the downward trend since 2009. This corresponds to a Lost Time Injury Rate (LTIR), which is the number of LTIs per million hours worked, of 1.3 or less. In addition to reducing the number of accidents resulting in absence from work, another aim for 2014 was to reduce the number of injuries that did not result in absence from work.

A significant proportion of our work is carried out by third parties. As this means that Eneco's visible safety performance is, for a large part, dependent on the safety performance of our contractors, we have started to record their performance more accurately in 2014. The aim is to use the results to enter into a dialogue with the contractors on how to further improve the working and living environment.

What have we achieved?

In 2014, there was a significant reduction in the number of lost time injuries as well as in injuries that did not result in absence from work. We have met our targets and are making good progress towards achieving our ultimate goal: zero lost time injuries.

The LTIR for Eneco employees was 0.91 in 2014. In absolute terms: 10 accidents resulting in absence from work. These were mostly fall, cut and entrapment incidents, but also included contact with forms of energy such as electricity and heat.

The severity degree of the accidents in terms of the number of lost days amounted to 15.5, which is less than in 2013. The two accidents that had the largest impact on the severity degree involved a fall from a ladder resulting in a back injury and welding spatter in a shoe resulting in a burn injury.

Contractors reported 20 lost time injuries. Due to differences between registered and actual working hours, it is not possible to calculate the LTIR. However, we do notice an increase in the number of reported incidents. This is contributed to more precise registration and not to less safe working conditions.

Compared with previous years, we now have a better understanding of safety incidents that occurred in connection with work carried out by subcontractors. Together with our contractors, we will address the issue of how to create a safer working and living environment. In our view, safety relies on cooperation and trust. Contractor safety will continue to be a focal point during the coming years

Eneco will continue to do everything in its power in 2015 to achieve the safest possible working conditions.

Greater focus on incident reporting

Close collaboration between the business entities resulted in the improvement of our incident and inspection reporting system Alerta. The improvements enable us to better identify potential areas for improvement. Quality-related reports help us to take corrective actions at an early stage to minimise the impact for our corporate clients and customers. Safety-related reports are analysed minutely to determine the cause of incidents and to make targeted improvements. Thus, safety is further enhanced as a result of effective and efficient operations.

Closer collaboration within the Group

In 2014, the three safety departments within Eneco Group collaborated closely on improving the provision of information to employees. Several meetings were held with the aim to share knowledge, synchronise internal reports and initiate group-wide projects. Other examples include improved reporting and the monitoring of performance indicators, in particular with respect to how the actions and behaviour of the management contribute to safety awareness and a safer working environment.

Proactive audits of our safety procedures are carried out on an ongoing basis. Our contractors and subcontractors are also subject to these regulations and audits. In 2014, we started to put a greater emphasis on Leading Parameters in addition to Lagging Parameters. Lagging parameters relate to the final results of our safety policy. Leading parameters indicate to what extent intended actions have been implemented and help us to identify and analyse safety incidents at an early stage. The Board and management also carry out workplace inspections. Safety is at the top of the agenda at all regular meetings.

New safety risks

Reduction of the number of occupational accidents is closely related to safety in connection with the construction of and maintenance on production facilities and energy infrastructure. We have extensive experience in the area of safety with respect to energy infrastructure and technical installations. However, new forms of sustainable production, such as biomass installations and offshore wind farms, lead to new safety risks. These risks are also integrated in our safety policy.

Prevention of carbon monoxide incidents

Ventless open combustion gas-fired geyser systems that are used in the consumer market, obtain the oxygen that is necessary for combustion from the space in which the geyser is installed. Gasses produced in the combustion process are released to this space. As the combination of inadequate ventilation and incomplete combustion can lead to carbon monoxide poisoning, such systems may only be installed in spaces that are sufficiently ventilated in accordance with the building code.

Eneco carries out periodic inspections at its customers to check their gas-fired geyser systems and the spaces in which these appliances are installed. In case of an unsafe situation, we proactively offer our customers alternative solutions. We install carbon monoxide detectors in homes with ventless geysers. The structured reduction of the number of (ventless) kitchen geysers is taking place in collaboration with home owners and residents.

Risk: business continuity & cyber security

Safety also applies to the continuity of our business. Interruptions in ICT systems may affect our customers in the form of an interruption in the supply of energy, incorrect invoices or a lower level of service due to unavailability of buildings or employees. This could result in reputational damages. ICT issues in the form of cyber-attacks or interruptions in the systems that we use for energy trading could result in financial damages.

To mitigate these risks, energy trade related activities are run on a separate, duplicated ICT platform. A Cyber Security Task Force is in place to monitor the adequacy of ICT security. In 2014, we took steps that were aimed specifically at enhancing awareness among employees with respect to information security. This included a modular computer-based awareness training. Furthermore, ICT security incidents are discussed during security meetings with other grid operators. Additional assurance with respect to the effectiveness of implemented measures is obtained by means of audits and certification.

Value creation

Transformation and return on investment

Eneco wishes to be relevant to its customers and society, now and in the future. In connection with this, we provide information on our performance in the following three areas: the financial health of our company, our contribution to the climate and the environment and the way in which we involve our staff in our mission and vision.

Reaching a balance between risk and return and preserving the financial health of the company are essential for the realisation of our ambitions and for the transformation of Eneco. Eneco has selected a number of key indicators that represent our achievements in this respect. In addition, Eneco also expresses value creation in terms of the reduction in CO_2 emissions realised in collaboration with customers and partners. Furthermore, it is important that we create wide support for our strategy within the company. Our employees' commitment to and involvement with our vision for the future - the degree in which they can relate to this vision and their willingness to contribute – are very important to us, because these are the people who implement our mission: Sustainable energy for everyone.

Financial

What did we want to achieve in 2014?

Our target for 2014 was a credit rating at least A- and a 5.0 percent Return On Average Capital Employed (ROACE).

What have we achieved?

In 2014, we maintained our A- credit rating, which is a good result in view of the financial pressure on the energy sector.

In 2014, ROACE was 4.2 percent, which is 0.5 percentage points lower than in 2013 and 0.8 percentage points below our 5.0 percent target for 2014.

Credit Rating: stable A- status

Creditworthiness is one of the key indicators on which we base our financial policy. In 2014, Standard & Poor's again awarded Eneco the status A- with a stable outlook. The credit rating differs from the other strategic KPIs in the sense that it is not influenced by Eneco. A report published by Standard & Poor's that explains how the credit rating was established can be found on our corporate website.

ROACE under pressure

Return on Average Capital Employed (ROACE) is the key indicator that we use to provide transparency with respect to our investments in assets such as wind farms and grids. It is a widely-used ratio in capital-intensive industries like ours and a clear indicator of how capable we are at making money from our assets (such as our wind farms, gas plant, biomass plant and grids) in relation to the capital that we have invested in these assets.

The meaning of this indicator

One of the components in the calculation of ROACE is the operating result (EBIT). Factors that had a significant negative effect on the operating result in 2014 were the warm weather conditions, the one-time fee for buying out a power purchase contract, the costs associated with the settlement of the last four Cross Border Leases (CBLs), not realising a profit on the sale of assets and the costs associated with the restructuring programme ReVision. Compensating factors were the reversal of the write-downs over the last few years on electricity-related assets, the higher productivity in relation to the engineering activities and the fact that the budgeted increase in costs due to further expansion of our activities was kept within reasonable limits.

In the calculation of ROACE, the operating result is compared with the capital employed. In 2014, Eneco again invested millions of euros in assets such as its electricity, gas and heat transmission grids and assets used for the production of sustainable energy such as wind and solar parks. This has resulted in an increase of the capital employed over the past years. Eneco invests in projects on which it expects to earn a

sufficient return over the life cycle. As the investments relate to projects that are at the beginning of their life cycle, they still have a high book value. If the return on a project is constant over the years, ROACE is low during the first years, as is the case for Eneco at present. Due to depreciation, the book value at the end of the life cycle is lower, resulting in a higher ROACE. ROACE is also under pressure in view of the fact that capital employed encompasses substantial amounts for assets under construction that do not yet contribute to the result. At the same time, working capital was lower due to the warm weather conditions in 2014.

The operating result of Eneco Group is, in part, influenced by external factors. On the basis of the results over 2014, we have calculated the extent of the influence of a number of external factors[1]. For the purpose of easy comparison of the different factors, the influence of each factor was calculated by determining by how many percent the group result (EBIT) would decrease if the factor would decrease by 1 percent. This analysis yielded the following information:

- Milder weather. 2014 was an exceptionally warm year as a result of higher temperatures, more sunshine and less wind than usual. This resulted in a significant decrease in heat demand. The weather in 2014 was 14.8 percent 'milder'[2] than in average years. Consequently, Eneco supplied less gas and heating to its customers, which had a negative effect on the operating result. It was established that, after taking counteracting measures such as insurance, 1 percent milder weather results in an average decrease of our operating result by 0.9 percent[3].
- X-factor. Stedin's grids are used for the distribution of gas and electricity. The activities and costs associated with the use of these grids that are charged to customers are regulated by law. The Authority for Consumers and Markets is the supervisory body that is responsible for setting the x-factors used to determine the maximum tariffs for electricity and gas. In 2014, the x-factors were 4.6 percent for electricity and 6.6 percent for gas. This means that the tariffs charged to customers must be reduced by these percentages, in addition to other regulatory effects[4]. Although this measure results in lower income for Eneco, it does not affect the costs. It was established that a 1 percent decrease of the x-factor for electricity results in a decrease of our operating result by 1.9 percent, and a 1 percent decrease of the x-factor for gas in a 0.9 percent decrease.
- Low wind forces. Low wind forces result in lower electricity production from our wind farms[5], lower income from the sale of electricity generated by Eneco and a lower group operating result. In 2014, the average wind force was 6 percent lower than average. In 2014, the impact of the wind force on EBIT was, on average, 0.3 percent for every 1 percent lower wind force.

Outlook

ROACE is under pressure due to the decrease in the return on regulated activities, which is expected to continue, and the increasingly stronger competition resulting in a lower gross margin on energy.

Eneco addresses this challenge by investing in new production assets that generate a stable return, by developing new products to meet the needs of its customers now and in the future and by streamlining its internal processes to enhance the effectiveness and efficiency of its operations.

Furthermore, we expect that the sustainable investment programme and the rollout of smart meters will result in a steady increase of capital employed during the coming years. Eneco will limit this increase by developing plans for investments in collaboration with customers and partners or by selling parts of projects, such as the development of wind farms, to investors.

Risk: Independent Network Management Act and group prohibition

In its ruling of 22 October 2013, the Court of Justice of the European Union determined that group prohibition, the prohibition on ancillary activities and the privatisation prohibition limit the free movement of capital and must, therefore, be justified. The Court states that any limitations must be appropriate means for the Dutch State to achieve its objectives and may not go beyond what is necessary to achieve the objectives pursued. This must be assessed by a Dutch court. There is a close relationship between the development of (local) production of sustainable energy by customers and the development of smart energy grids necessary to feed the generated energy into the grid. As an integrated company, Eneco Group can manage both of these factors that are necessary for enhancing the sustainability of the energy supply. On the contrary, group prohibition will slow down the development of a sustainable energy supply and result in higher

[1] These analyses only apply to 2014 and are not intended to make any predictions for the future. The absolute and relative impact of external factors on the operating result can fluctuate significantly from year to year.

[2] Based on the standard 2014 gas profile fractions.

[3] Any indirect consequences of the warmer weather were not taken into account.

[4] The impact of other regulatory effects, such as the q-factor, inflation and actual costing, was not taken into account because this would make the analysis much more complicated and because these factors relate mainly to previous years.

[5] This analysis only relates to wind farms owned by Eneco and not to wind power purchase contracts.

costs to society due to lack of coordination between production, consumption and the energy grid.

Risk mitigation

Eneco is in favour of the scenario in which the legal provisions regarding the mandatory group prohibition are definitely declared non-binding (at present, these provisions are not valid due to an earlier ruling of the Court of Appeal in The Hague in 2010). With this aim in mind, Eneco continues the legal proceedings. In view of the challenges facing society with regard to ensuring a clean, reliable and affordable energy supply, Eneco is also advocating that political leaders reconsider the points of departure that led to the choice for this legislation years ago.

To be prepared for potential consequences, Eneco uses the financial framework to simulate the effects of possible unbundling. It is important that the company continues to grow to ensure that a forced split up shall result in two viable companies.

Risk: Regulations and operational integrity of assets

The maximum rate that we, as the grid operator, are allowed to charge (regulated domain pricing), is not sufficient to finance all the costs and investments associated with a reliable grid. Grid operation activities relate to the long term and require adequate and predictable pricing. Unexpected deviations create an unstable investment climate.

Eneco participates in benchmarks. The company's management participates proactively in consultation bodies and communicates with government institutions in order to develop a regulation that takes into account the necessary expenditure and investments.

Risk: large-scale rollout of smart meters

Stedin is required to have presented all its customers with an offer for the installation of a smart meter and to have installed a smart meter at 80 percent of its customers before 2020. The smart meter is a digital, remotely readable energy meter that offers customers better insight into their energy consumption, thus making it easier for them to save energy. For the timely realisation of the requirement at predictable costs, Stedin is dependent on third parties such as the suppliers of the meters, the legislator and the supplier of the new network that will be used for communication with the smart meters. The uncertainties associated with these dependencies could lead to unforeseen expenditures.

The Large-Scale Rollout programme ensures that presenting customers with an offer for the installation of a smart meter and the installation itself are carried out in a controlled manner and in accordance with the requirements. We maintain regular contact with our suppliers about the delivery of the meters. The dependencies have been specified clearly and are monitored closely.

Limiting our impact on the planet

Just like many other companies, Eneco strives to enhance the sustainability of its operations. We reduce energy consumption in collaboration with our customers by helping them to gain insight into their energy consumption and to use that information to enhance energy efficiency, reduce CO_2 emissions and save money. The aim is to reduce the remaining energy consumption to a level that does not have a negative impact on human health, the quality of ecosystems and the availability of resources and does not exceed the capacity of the planet. Only when we have reduced our customers' and our own energy consumption to within the limits necessary for a habitable planet will we have completed our mission of Sustainable energy for everyone.

But when will these efforts be sufficient? Eneco asked itself this question, which led to a development process in collaboration with WWF and Ecofys: One Planet Thinking.

What did we want to achieve in 2014?

Our One Planet ambition has been translated into tangible results in the form of our strategic One Planet KPIs that are part of our partnership with WWF. The targets with respect to the effect of electricity consumption on climate change were specified in 2014: a 5 percent reduction in the effect of the electricity consumption of our customers and a 30 percent reduction in the effect of the electricity consumption of Eneco Group. The calculation of this effect is based on a number of factors, including direct and indirect CO_2 emissions.

An additional aim for 2014 was to formulate a KPI relating to customer demand for heating.

What have we achieved?

We have achieved our targets for 2014. The reduction in the effect of our customers' and our own energy consumption on climate change exceeded our expectations. At the time of the preparation of this annual report, we had not yet succeeded in formulating the KPI relating to customer demand for heating, which we expect to do at the beginning of 2015.

One Planet Thinking: a unique method

One Planet Thinking is inspired on WWF's Living Planet Report and the article Planetary Boundaries by the Stockholm Resilience Centre. The method is based on existing methods such as Life Cycle Analyses (LCAs) and Greenhouse Gas Reporting. The unique aspect of One Planet Thinking is that it creates a link between the activities of organisations and global and local boundaries.

At present, the value chains in which Eneco operates primarily have an impact on climate change, air quality and the availability of fossil fuels. As a result of the transition to a sustainable and decentralised energy supply, other effects will become more important, such as the availability of resources for wind turbines and solar panels and the change of land use in connection with

the use of biomass for energy production. This is the reason why we also analyse the impact of our energy supply on these categories.

Enhancing the sustainability of our own electricity consumption

Our own electricity consumption consists largely of technical and administrative grid losses in Stedin's electricity network. In addition to its efforts to reduce these grid losses, Stedin purchased HollandseWind electricity as compensation for a substantial part of these estimated[1] grid losses. This led to a considerable reduction of the impact on climate change by 47 percent compared with 2012, which means that we exceeded our target.

More sustainable energy in electricity label

The impact of the electricity consumption of our customers on climate change is reflected in the legally required electricity label. For the calculation of this KPI, we use a provisional electricity label created by Eneco. Most of the numbers on this label are final values. The official version of the electricity label is expected to become available in May, after CE Delft has specified the country mix at the request of the Authority for Consumers and Markets. The draft version is based on the values of last year. Differences between the draft and the final versions of the electricity label will be corrected afterwards. The electricity label shows the direct CO_2 emissions from the electricity supplied by Eneco, the greenhouse gasses methane and nitrous oxide and the indirect CO_2 emissions. As a result of our investments in sustainable production assets, the share of sustainable energy in our electricity label is increasing, which, naturally, has a positive effect on our impact on climate change. We expect that the CO_2 emissions on the electricity label, including other greenhouse gasses and indirect emissions, will amount to 166 grams of CO_2 equivalents per kWh[2] for 2014. This is a reduction of 21 percent compared with 2012, thus exceeding our target of a reduction of at least 5 percent. In view of the forecasted increase in the supply volume, it is expected that the reduction will not be as high next year.

This positive effect is tempered by the adverse market conditions for gas plants. These conditions prevent us from operating our Enecogen gas plant at a profit and require us to purchase a larger amount of electricity. Due to the same conditions, this purchased electricity is not as clean as electricity generated by gas-fuelled plants. As the electricity label only applies to green power, it is not possible to exclude electricity generated by coal and nuclear plants from the purchased electricity.

Internal alignment

Internal alignment, in the sense of commitment of our employees to our mission, is becoming more and more important in the competitive energy market in which it is difficult to secure a competitive advantage.

What did we want to achieve?

A high level of internal alignment means a high number of ambassadors. By continuing to focus on enhancing internal alignment, the actions of our employees will increasingly be in line with what we stand for and with the needs of our customers. The results from our internal alignment survey are used to determine how this can be achieved.

What have we achieved?

The annual alignment survey among Eneco Group employees was conducted in September 2014. This survey answers the question of how our employees contribute to our mission, Sustainable energy for everyone, in their daily work. It also measures how their support for the mission is reflected in their behaviour by asking questions such as:

- Are you fully committed to contributing to our sustainable mission?
- Do you promote our mission?
- Do you take initiatives to achieve our mission?
- Do you actively help others to do the same?

Supportive behaviour score improved, but could be better

Compared with 2013, support within Eneco Group increased from 51.7 to 53.0. This means that we did not reach our target of 54.5. In their daily work, employees contribute more actively to the realisation of our mission: Sustainable energy for everyone. This is due mainly to the higher support among Joulz employees - an increase from 44.2 to 48.1 – and Stedin employees – an increase from 45.0 to 48.1. The support among employees of Eneco was already high, but showed a slight decrease from 60.7 to 59.1. Supportive behaviour at the majority of the Eneco business entities is high or very high. However, support among the relatively high number of employees of the entities Installation Companies and Consumers is moderate. This has an adverse effect on the score for the group as a whole.

[1] Grid losses are estimated on the basis of registered grid losses in previous years and Stedin's electricity balance for the current year. The process of netting the grid losses for the country as a whole takes two years. Differences between actual and estimated grid losses are corrected in the year the actual grid losses become available.

[2] This number takes into account the volumes of sustainable energy as of 31 December 2014, as estimated on the basis of the actual and expected exchange of Guarantees of Origin. As part of the Guarantees of Origin traded at the beginning of 2015 relate to 2014, the definite volumes of sustainable energy were not available at the time of the preparation of this annual report.

Increasing support for our mission

Positive aspects are communication via our internal media on our combined efforts towards realising our mission and the fact that employees feel sufficiently free to contribute to this objective. Our efforts to improve the support among our employees for our mission focus on:

- Making employees who have frequent contact with customers better aware of the effect of their behaviour on the reputation of Eneco Group and the credibility of its mission.
- Making valuable contributions visible by putting 'heroes' in the spotlight. In doing so, we do not focus on projects, but on the people working on these projects, such as the person who developed a wind farm or someone at the customer service department who efficiently handled a complaint. Providing feedback on and showing appreciation for the right contributions enhances supportive behaviour.
- Organising brainstorm sessions and on-the-job training on how employees can contribute to the realisation of our mission in their daily work.
- Making it easier for employees to discuss contributions to the mission, performance, behaviour and personal development with colleagues and supervisors on a regular basis. This is accomplished through further development of the internal social media platform Express and by providing HR tools that support effective communication on this topic.

Financial result

Eneco Group recorded revenue of € 4,590 million and a net profit of €206 million for 2014, representing falls of 13% and 15% respectively compared with 2013 when revenue was € 5,251 million and the net profit was € 242 million.

Result development

The gross margin on sales and transmission of gas, electricity and heating and related services fell by € 172 million (10%) to € 1,577 million, affected by weather conditions and the reduction in regulated energy transmission tariffs. Furthermore, Eneco Group reduced its interest in gas-fuelled generation of electricity and in this connection recognised a non-recurring charge for buying out a power purchase contract. This will improve our margin in the coming years. Due to the improved outlook, we were able to reverse impairment recognised in 2012 and 2013.

Operating expenses totalled € 1,461 million, € 118 million lower than in the previous year (€ 1,579 million). Ignoring amortisation and depreciation, operating expenses increased very slightly by € 19 million (2%), due to our focus on cost control and despite further expansion of our activities in 2014. Operating profit (EBIT) came out at € 363 million, € 32 million (8%) lower than in 2013. Net financial expense increased to €100 million (2013: € 94 million).

Our production, trading and supply activities

The average temperature was well above normal throughout the year, while the first half of 2013 had been particularly cold. Consequently, our customers' consumption of gas and heating dropped sharply while the gas price was also lower. This led to a 22% reduction in revenue from gas and heating. Wind conditions were the same as in the previous year. Our production of sustainable energy increased as new solar and wind farms came on line and because, for the first time, the Bio Golden Raand power station was in use for the full year in 2014.

Operating profit on our production, trading and supply activities increased by € 27 million to €68 million in 2014 (2013: € 41 million).

Our network and engineering activities

The new regulatory period for grid operators started in 2014. The effect on our network activities is that the tariffs we are permitted to charge customers for the transmission of electricity and gas will be reduced for three years. This is reflected in the revenue from our network activities, which fell € 68 million compared with the previous year.

We saw the effects of a productivity project underway in our engineering activities, which has improved work processes and, so, the utilisation rate of our technicians. The mild weather led to less working time being lost because of cold weather. This, along with an acceleration in grid management investment orders and an increase in commercial sales, led to higher levels of activity and productivity and a higher capacity utilisation result.

In the second half of the year, a change project known as ReVisie was initiated. The aim is to combine the strengths of our network and engineering activities so that we can offer our customers an even more effective and efficient service and create greater scope for investing in future-proof energy networks. As a result, from 2015 there will be an all-round grid management company that will be in a position to respond efficiently to the rapid changes in the energy world. The associated programme and implementation costs were charged to the result in 2014.

The operating profit on the network and engineering activities fell from € 405 million in 2013 to € 325 million in 2014.

Investments

Eneco Group is continuing to make the energy supply more sustainable. In 2014 we invested € 842 million in property, plant and equipment and intangible assets, the same high level as in 2013 (€ 854 million). Our investments included the development of wind (€ 254 million) and solar farms (€ 28 million) in the Netherlands (including the Eneco Luchterduinen wind farm), Belgium (including acquisition of the ProSolar solar installations) and the United Kingdom (including The Spinny Turners wind farm in Lochluichart) and district heating networks (€ 97 million), including the Leiding over Noord pipeline, which started transporting residual heat from the Botlek for district heating in Rotterdam in the fourth quarter of 2014. The heating facilities in Utrecht were acquired on 1 January 2015 and so they are not included in the investments reported for 2014. We continue to invest in improving and expanding the gas and electricity networks (€ 414 million; 2013 € 422 million) and 2014 saw the start of the provision of smart meters (€ 31 million).

Outlook

We have confidence in the further development of Eneco Group. The strategic update not only sets the direction but also gives new energy to all involved in Eneco. Nevertheless, market conditions are challenging and are expected to remain so for the time being. Against this background we are unable to present a results forecast for 2015.

Ecofys

Experts in energy

Ecofys is a leading independently operating consultancy agency in renewable energy, energy and carbon efficiency, energy systems and markets, and energy and climate policy of which Eneco is the sole shareholder. Ecofys considers knowledge and innovation to be the key factors in turning the ideas of today into the viable realities of tomorrow.

Ecofys supports public and corporate organisations to adapt to changes in areas such as legislation and regulations, energy price developments and energy supply security and to identify new opportunities quickly. Together with its clients, Ecofys takes relevant steps, ranging from energy roadmaps to policy advice, and ensures that business projects are realised in a practical and sustainable manner. Examples include providing support for wind energy projects, enhancing the energy efficiency of an industry sector and the development of new European policy on topics such as construction projects in the utility sector.

If we act now, the 2050 global energy system can be sustainable, secure, affordable and fully based on renewable sources. The employees of Ecofys are dedicated to the company's mission and work passionately to make it happen: Sustainable energy for everyone.

Improved performance in 2014 and good expectations for 2015

Prices in the consultancy sector have been under pressure since the beginning of the economic crisis. Competitive advantage is a crucial aspect in this highly competitive sector. Ecofys does, however, notice an increasing interest among international governments and companies in the topic of sustainability. Ecofys further improved its performance in 2014.

We expect that the result will continue to improve in 2015, due to an even greater focus on relevant customer propositions, a stronger commercial approach and continuous improvement of the talent pool.

Strategic pillars form the basis for development

Ecofys has specified five strategic pillars that form the basis for its long-term goals and the development of the company.

1. Relevant growth

The ten areas of expertise in which Ecofys operates can be clustered into four main themes:

- Energy and CO_2 efficiency
- Sustainable energy
- Energy systems and markets
- Energy and climate policy

Several projects carried out by Ecofys in 2014 illustrate that the company has a leading position in each of these areas. Two examples:

Together, China and the US emit about 35 percent of today's greenhouse gas emissions. Current global climate change action is insufficient to limit warming below 2ºC. Climate Analytics, Ecofys and the PIK Potsdam Institute for Climate Impact Research have compared the actions of both countries using the Climate Action Tracker.

Europe's dependence on imports of natural gas is a growing concern. Given the very limited opportunities for increasing domestic natural gas production, increased energy efficiency and greater use of renewable energy sources are the main options for decreasing imports in the long term. A study conducted by Ecofys demonstrates that cost-effective measures in efficiency and realistic developments in renewables could halve the EU's imports of natural gas, while reducing emissions of greenhouse gases by 49 percent by 2030 compared to 1990.

2. Remarkable clients

In 2014, Ecofys carried out more than 500 studies for 250 clients located in areas ranging from Asia to the United States and Europe.

Our customers' appreciation of our services is reflected in a Net Promotor Score (NPS) of + 27 percent (increase of 8 percentage points compared with 2013). Two examples:

Ecofys actively supports Masdar, Abu Dhabi's renewable energy company, in its search for clean tech solutions in the region. This is achieved through the provision of an on-site consultant to evaluate business proposals, investment opportunities, product ideas and sustainable energy solutions on both technical and commercial aspects. Our support offers Masdar high-level strategic insight.

Within 10 years, German dependence on Russian gas could be reduced by 50 percent. An Ecofys study for the Deutsche Unternehmensinitiative Energieeffizienz e.V. (DENEFF) shows that energy efficiency measures for the industry and in the area of building management could result in a drastic reduction of energy consumption.

3. Excellence in knowledge and expertise

Traditionally, Ecofys frequently collaborates with partners in international projects. In 2014, we worked together with more than 75 different knowledge partners (such as CE Delft, ECN, Fraunhofer Instituut and KPMG) and regional partners (for example in Pakistan and Senegal). These partnerships enable us to increase our impact by giving us access to specific (local) knowledge.

4. World class reputation

Ecofys' ambition is for its experts to have a leading position in their field at a global level. This is achieved primarily by delivering excellent work for our customers. Publically available reports and publications can be accessed by anyone via our website. In 2014, Ecofys published over one hundred reports via its website in four different languages (English, German, Chinese and Dutch).

We also share our expertise through workshops and conferences. Our presentations are made available through SlideShare, which enables us to reach an even larger audience than the people who attended the presentation. In 2014, our experts spoke at over one hundred events and we shared our knowledge with more than 11 thousand people via SlideShare.

5. Attracting and retaining the best talent

Our people are our capital. Consultancy is the work of professionals. To put an even greater focus on talent development, we hired a dedicated talent manager in 2014. Ecofys Academy is a platform aimed at further development of the expertise of our professionals through external and in-house training on topics such as project management and commercial skills, which are core competencies in the consultancy business.

Report of the Supervisory Board

Transforming together

The Supervisory Board hereby presents the 2014 Annual Report and Financial Statements for Eneco Holding N.V., as prepared by the Board of Management.

A company that continues to perfect its strategy and is thus able to maintain its sustainable course under difficult and changing circumstances; this is something that the members of Eneco's Supervisory Board fully support. In 2014, Eneco continued to work towards sustainability and to make substantial investments in the reliability and sustainability of the energy supply.

Eneco is transforming

The role of the customer in the energy market is changing rapidly. Customers - households, businesses and municipalities - are becoming more and more actively involved in the market model. They are no longer just consumers but also, increasingly, producers of sustainable energy. A welcome development that fits in well with Eneco's vision on a sustainable, decentralised energy supply. However, at the same time, this poses a challenge for the company. Eneco's role is changing to that of a partner. A partner that offers help with saving energy, facilitates the local generation of energy and enables customers to share their sustainable energy with other customers. This demands different business models. Revenue models in which Eneco, in its new role, continues to be relevant to customers and provides value to all its stakeholders. It also demands different propositions, rapid innovation, new partnerships and an efficient, customer-oriented organisation.

Themes in 2014

The Supervisory Board is actively involved in Eneco's current transformation. During the meetings of the Supervisory Board in 2014, extensive attention was paid to topics such as: the implication of the energy transition for Eneco and the related changes, (potential) acquisitions, the legal proceedings regarding Group Prohibition, investment proposals aimed at supporting the sustainable strategy and the ReVision project. Other items that were addressed were the financial results and (the mitigation of) company-related risks. The main topic of discussion was the reassessment of the strategy with the aim to put an even greater focus on customer relevance, collaboration and performance. Which developments will become truly relevant, to what extent shall Eneco invest in these developments and who would be suitable partners? It is difficult to assess the tempo of forthcoming market changes, which is one of the factors that determine the tempo at which Eneco will need to change its business model. In connection with this, the Supervisory Board also expressed its concern about the inconsistencies in the Dutch government's policy on sustainability.

Steps forward: efficiency, transformation and innovation

In 2014, Eneco took big steps forward in efficiency improvement and in the transformation of the company as well as in the area of innovation. The ReVision project was initiated with the aim to reduce costs and enhance efficiency. This project involves the merger of large parts of the Joulz organisation with Stedin. Unfortunately, the related restructuring results in redundancies. The Supervisory Board and the Board of Management are aware that the process has a major impact on a large number of employees. The project is being carried out with great care and the interests of all parties involved are being taken into account in as far as possible. The restructuring process is being closely monitored by the Supervisory Board.

The ESCO business model was successfully introduced at organisations such as the Kunsthal museum in Rotterdam, Rotterdam Zoo and Amstelring care cooperative in Amsterdam. In 2014, Eneco established partnerships with KPN, Philips, Google and the NS (the Dutch Railways) that will have a significant positive impact on sustainability. Examples of other major steps include the rollout of smart meters by Stedin, the further development of the Toon thermostat and the introduction of HollandseWind certificates, which make it possible for everybody to become a co-owner of wind turbines located in the Netherlands

Supervisory Board composition and working method

In March 2014, three members of the Supervisory Board stepped down: John Lintjer, Kees van Dongen and Joop Drechsel. To the deep sorrow of the members of the

Supervisory Board, Kees van Dongen passed away unexpectedly on 24 August 2014, shortly after stepping down as a member of Eneco's Supervisory Board. On March 28, 2014, Marco Keim was appointed as a member of the Supervisory Board. He has a broad background in finance and is one of the members of the Audit Committee.

To provide optimum support to the Board of Management during the transformation process, the Supervisory Board has set up theme groups that function as sounding boards for the members of the Board of Management with respect to specific themes (strategy, customer loyalty and finance). To further improve the financial advice provided by the Supervisory Board, the Selection and Appointment Committee started a selection procedure for the recruitment of an additional member of the Supervisory Board with financial expertise and experience. In consultation with a delegation of the shareholders, a new member with management experience in the public sector shall also be recruited. This new member shall, in time, succeed Klaas de Vries. To properly perform its task as Eneco's Supervisory Board, the Supervisory Board maintains direct contact with the business. In 2014, the Supervisory Board visited Bio Golden Raand, the Kunsthal museum (ESCO) and Tullo wind farm in Scotland. The Supervisory Board also critically monitors its own performance. Collaboration between members and with the Board of Management is a regular topic of discussion. In addition, the Supervisory Board has started a self-assessment process in the form of discussions followed by an evaluation in writing.

Consultations and attendance

In 2014, the Supervisory Board held eight regular meetings, two of which were attended by Deloitte Accountants to discuss financial matters. Management representatives frequently participated in discussions on a variety of topics. Two Board members took part in rotation in the consultation meetings of the Central Works Council. The Audit Committee held nine meetings, one of which by telephone, all of which with the participation of Deloitte Accountants and, in part, in the presence of the internal auditor. The chairman of the Supervisory Board also attended the meetings regularly to provide support. The Selection and Appointment Committee met four times in 2014, and the Remuneration Committee met three times. The Chairman of the Supervisory Board and the Chairman of the Board of Management also met every two weeks to discuss various topics, and members of both boards discussed matters regularly by telephone.

Both boards also held regular consultations with the Shareholders Committee and the Rotterdam, The Hague and Dordrecht shareholders. All shareholders are informed pro-actively about developments in connection with Eneco. Following the municipal elections, the chairman of the Supervisory Board met with new aldermen in person to make their acquaintance. At the beginning of 2014, the shareholders requested external advice, in consultation with the Supervisory Board and the Board of Management, to support the vision of the new executive boards of the municipalities on the shareholder status. The open nature of the dialogue with the shareholders regarding the developments affecting Eneco contributed to the good relations.

Audit committee

Items addressed by the Audit Committee in 2014 included the updating of the Treasury Charter and Treasury Plan 2014 and the settlement of the final cross-border leases. Recurring topics such as the Annual Report 2013, the independent auditor's report 2013, the audit plan and the Management Letter 2014 were discussed in the presence of Deloitte Accountants.

In 2014, special attention was devoted to the hybrid loan that was entered into, extension of the revolving credit facility and the IT and information security policy. Furthermore, additional agreements were made with Deloitte Accountants on guaranteeing the independence and quality of the external audit process in the future.

Remuneration

The Remuneration Report is available on Eneco's corporate website. The remuneration of the members of the Board of Management and the Supervisory Board is detailed further in the section Remuneration 2014 (page 42) of this Annual Report.

Advice

Eneco concluded 2014 with a satisfactory result. The Supervisory Board would like to thank the management, employees and of all Eneco's external partners for their dedication and efforts.

The Supervisory Board regards the future of the company with confidence and fully supports Eneco's sustainable course. We would advise the shareholders to adopt the 2014 Financial Statements.

On behalf of the Supervisory Board, Eneco Holding N.V.

E.H.M. van den Assem

Rotterdam, 20 February 2015

Attendance overview

Meeting date (2014)	Edo van den Assem	Mirjam Sijmons	Klaas de Vries	John Lintjer	Henk Dijkgraaf	Kees van Dongen	Joop Drechsel	Marike van Lier Lels	Marco Keim
24 January	x	x	x	_	x	_	_	x	0
28 February	x	x	x	x	x	x	x	x	0
28 March	x	x	x	x	x	x	x	x	0
22 May	x	x	x	*	x	*	*	x	_
4 July	x	x	x	*	x	*	*	x	_
17 September	x	x	x	*	x	*	*	_	_
14 November	x	x	x	*	x	*	*	_	x
12 December	x	x	x	*	x	*	*	x	x

x = present, _ = not present, 0 = not yet appointed, * = stepped down on 28 March 2014

Remuneration 2014

Board of Management remuneration policy

In determining the remuneration for members of the Board of Management, Eneco takes account of its specific social position by applying the market principle and the principle of moderation.

Starting point

The Board of Management's primary terms of employment are determined on the basis of the 'Board of Management Remuneration Policy', which was adopted by the Eneco Group General Shareholders' Meeting on 20 May 2005.

The remuneration of the Board of Management must enable Eneco to attract and retain qualified management for Eneco. This requires a competitive remuneration in proportion to the market for top management in the corporate sector. The desired market position for the terms of employment of Board of Management members is the median level in the General Market for Managers. In this case, two policy principles are guiding: the market principle and the principle of moderation.

Market and moderation principles

The market principle means that Eneco should be regarded as a normal, commercial and market-oriented company. The principle of moderation means that the Supervisory Board should implement a restrained remuneration policy in keeping with Eneco's history and because 100% of Eneco's shares are held by public shareholders (municipalities). Thus the benchmark of companies of a comparable scope and complexity in the private sector is not fully translated into the current remuneration of Eneco's managers.

For the determination of the remuneration policy, the Supervisory Board applies the reference framework of the general employment conditions for senior executives, which is drawn up based on the remuneration data of over 200 senior executives. In order to do justice to the market principle, Eneco Group has opted for a position around the median of the reference framework. We thus focus on the medium-large companies in the reference group and we avoid a comparison with the largest companies.

In view of the moderation principle, we apply a reduction to the median outcome. In accordance with the remuneration policy approved by the General Meeting of Shareholders, Eneco applies a bandwidth of plus or minus 20 percent around the reference on the median. In practice, this means that the remuneration of the members of the Board of Management of Eneco Group lies at least 20 percent below the median.

With the salary reference at the beginning of 2014, the actual 'moderation' has risen to nearly 30 percent compared to the median.

Social results determine remuneration

In 2014 again, the remuneration of members of the Board of Management depended on performance criteria, including socially-relevant results. The five main criteria for the variable remuneration largely corresponded to the strategic KPIs and were:

- Financial performance (EBIT)
- Safety (LTIR)
- Credit Rating
- Implementation of the sustainability strategy, including customer satisfaction, sustainable investments and cost reductions
- Business priorities, including employee alignment, new forms of financing and participation products

Each year, Eneco publishes a remuneration report with details of the Board of Management's remuneration on the corporate website, eneco.nl/corporate.

About this report

Scope strategic KPIs

The following overview indicates which business segments of Eneco Group are involved with which strategic KPIs. The scope is limited to 2012 and subsequent years.

Number	Description	Eneco	Stedin	Joulz	Oxxio
1	Customer satisfaction Stedin in months / Customer satisfaction Stedin		V		
2	Eneco retail customers	V			V
3	Net Promoter Score Eneco[1]	V			
4	Average interruption duration energy supply	V	V		
	Average interruption duration per affected customer (electricity)		V		
5	Share of sustainable electricity production in total supply portfolio[2]	V			
6	Sustainable capacity increase	V			
7	LTIR Group	V	V	V	V
8	Credit Rating	V	V	V	V
9	ROACE	V	V	V	V
10	Reduction of effect electricity consumption of customers on climate change compared with 2012	V			V
11	Reduction of effect electricity consumption of Eneco Group on climate change compared with 2012	V	V	V	V
12	Internal alignment[3]	V	V	V	V

[1] As of October 2014 including DONG customers

[2] Including DONG customers

[3] Following the acquisition, Oxxio was positioned as an independent brand within Eneco Group, as part of the multibrand strategy. The management of employee satisfaction and motivation is the responsibility of the business entity.

GRI index

Category	GRI reference	Description	Explanation	Reference
1.1-Strategy and Analysis	G4-01	CEO statement		Strategy, Report from the Board
1.2-Organisation profile	G4-03	Organisation name	Eneco Holding N.V.	Background information, Profile
	G4-04	Main products and/or services		Background information, Profile
	G4-05	Location head office	Rotterdam	Background information, Profile
	G4-06	Countries in which the organisation operates		Background information, Profile
	G4-07	Ownership structure and legal form		Financial statements, List of principal subsidiaries, joint operations, joint ventures, associates and other capital interests, Notes to the consolidated financial statements
			Accounting principles - General information	Financial statements, List of principal subsidiaries, joint operations, joint ventures, associates and other capital interests, Notes to the consolidated financial statements
	G4-08	Sales markets, types of customers		Background information, Profile
	G4-09	Organisation size	In 2014, 17.5 TWh electricitiy (2013: 18.9), 4,432 MCM gas (2013: 5,309) and 10,093 TJ heat (2013: 12,302) was supplied.	Facts and figures, Ambitions and performance, Key figures
	G4-10	Number of employees		Background information, Personnel
	G4-11	Number of employees covered by collective employment agreement		Background information, Personnel
	G4-12	Description supply chain		Background information, Policy, codes and guidelines, Chain responsibility
	G4-13	Significant changes relating to the size, structure, ownership or supply chain during the reporting period	A 31 December 2014, no significant changes relating to ownership had occurred.	Background information, Profile
				Background information, Policy, codes and guidelines, Chain responsibility
				An overview of all our shareholders is available on our corporate site
	G4-14	Environmental aspects relating to new product development		Strategy, Business model development
	G4-15	Codes and principles	Eneco has operations in other countries, including developing countries. We comply with local legislation and regulations. In some cases, protection offered by regulations are less fitting	-

Category	GRI reference	Description	Explanation	Reference
			than international law. Examples include child labour, slavery and other elementary labour conditions. In such cases, we apply the international standards included in the Universal Declaration of Human Rights.	
	G4-16	Memberships	Memberships include Meer met Minder and Slim met Gas, UNETO/VNI, Energie Nederland, Netbeheer Nederland, de Groene Zaak and Eurelectric.	-
1.3-Materiality and scope	G4-17	Organisational scope		Financial statements, List of principal subsidiaries, joint operations, joint ventures, associates and other capital interests
	G4-18	Process for defining report content	For further details see Materiality analysis	Background information, Policy, codes and guidelines, Reporting policy
	G4-19	Material aspects	For further details see Materiality analysis	Background information, Policy, codes and guidelines, Reporting policy
	G4-20	Scope material aspects within the organisation	For further details see Materiality analysis	Background information, Policy, codes and guidelines, Reporting policy
	G4-21	Scope material aspects outside the organisation	For further details see Materiality analysis	Background information, Policy, codes and guidelines, Reporting policy
	G4-22	Restatements compared with previous reporting periods	No restatements in 2014	-
	G4-23	Significant changes from previous reporting periods	KPIs 6, 10 and 11 are new	Facts and figures, Ambitions and performance, Strategic KPIs
1.4-Stakeholder engagement	G4-24	List of stakeholder groups engaged by the organisation		Strategy, Stakeholders
	G4-25	Basis for identification and selection of stakeholders with whom to engage		Strategy, Stakeholders
	G4-26	Approaches to stakeholder engagement		Strategy, Stakeholders
	G4-27	Key topics for discussion	See materiality table	Background information, Policy, codes and guidelines, Reporting policy
1.5-Reporting parameters	G4-28	Reporting period	1 January 2014 t/m 31 December 2014	-
	G4-29	Date of most recent previous report	Financial year 2013	-
	G4-30	Reporting cycle	Calendar year	-
	G4-31	Contact point	Feedback button on each page of the online annual report. The annual report can also be downloaded in pdf format. The colophon of the pdf file contains contact information.	-
	G4-32	In accordance Core / Comprehensive		Financial statements,Other information, Independent Auditor's Report
			Reasonable assurance has been obtained with respect to the strategic KPIs and the application of GR4-Core	-

Category	GRI reference	Description	Explanation	Reference
	G4-33	Assurance policy		Background information, Policy, codes and guidelines, Reporting policy
1.6-Governance	G4-34	Governance structure		Background information, Corporate governance
1.7 Ethics and integrity	G4-56	Internally developed missions, codes of conduct and declarations of intent		Background information, Integrity and compliance

Indicators

Disclosure	Aspect	GRI reference	Description	Explanation	Reference
2-Specific	2.1.1-Economic performance	DMA			Background information, Policy, codes and guidelines, Reporting policy
		G4-EC1	Direct economic value generated and distributed	See Revenues from energy sales and transmissions and energy-related services, Employee benefits, Consolidated income statement, Government grants and Consolidated statement of changes in equity.	Progress, Value creation, Transformation and return on investment Financial statements, Consolidated financial statements 2014
	2.2.5-Emissions	DMA			Background information, Policy, codes and guidelines, Reporting policy
		G4-EN18	GHG intensity ratio	Our greenhouse gas emissions consist mainly of CO_2. The other gasses (CH_4 and NO_2) are converted to CO_2.	Progress, Value creation, Transformation and return on investment, Impact on the planet
	2.2.7-Products and services	DMA			Background information, Policy, codes and guidelines, Reporting policy
		G4-EN27	Initiatives to mitigate environmental impacts of products and services and degree of impact reduction		Progress, Customer focus, Sustainable capacity and production
	2.3.2.2-Occupational health and safety	DMA			Background information, Policy, codes and guidelines, Reporting policy
		G4-LA06	Rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities		Progress, Safety, What did we aim to achieve and what have we achieved? Progress, Veiligheid
	2.3.3.1-Product and service labelling	DMA			Background information, Policy, codes and guidelines, Reporting policy
		G4-PR5	Results of surveys measuring customer satisfaction		Progress, Customer focus, Loyal customers form our basis
3-Sector supplement - Electric utilities	3.2.2-System efficiency	EU12	Grid losses as percentage of total distributed volume	Based on provisional figures, total grid loss for electricity amounts to 4.3% of total distributed volume	For DMA, see: Background information, Materiality table (Grid losses)

Disclosure	Aspect	GRI reference	Description	Explanation	Reference
				(3.5% teachnical and 0.9% administrative)	
					Management approach: Background information, Materiality table (Grid losses)
	3.4.3.2-Access	EU29	Average electricity and gas interrruption duration		Management approach: Background information, Materiality table (Security of supply). Also see: Progress, Customer focus, Uninterrupted access to energy
		EU01	Installed capacity electricity production		Progress, Customer focus, Sustainable capacity and production
			Installed capacity		Progress, Customer focus, Sustainable capacity and production
		EU02	Electricity production		Progress, Customer focus, Sustainable capacity and production
		EU03	Number of customers		Progress, Customer focus, Loyal customers form our basis
		EU04	Length of underground cables and pipelines gas and electricity grids		See Stedin jaarverslag, http://www.stedin.net/over-stedin/jaarverslagen-en-publicaties
		EU05	CO_2 compensation		Progress, Customer focus, Sustainable capacity and production

Financial Statements

Consolidated financial statements 2014

Consolidated income statement

x € 1 million	Note	2014	2013
Revenues from energy sales and transmission and energy related activities	3	4,343	5,026
Purchases of energy and transmission and energy related activities		2,766	3,277
Gross margin		**1,577**	**1,749**
Other revenues	4	247	225
Gross margin and other operating revenues		**1,824**	**1,974**
Employee benefit expenses	5	414	389
Cost of contracted work and other external costs		653	639
Depreciation and impairment of property, plant and equipment	13	289	429
Amortisation and impairment of intangible assets	14	56	53
Other operating expenses		49	69
Operating expenses		**1,461**	**1,579**
Operating profit		**363**	**395**
Share of profit of associates and joint ventures	7	14	13
Financial income	8	14	10
Financial expenses	9	– 114	– 104
Profit before income tax		**277**	**314**
Income tax	10	– 71	– 68
Profit after income tax from continued operations		**206**	**246**
Profit after income tax from discontinued operations	11	–	– 4
Profit after income tax		**206**	**242**
Profit distribution:			
Profit after income tax attributable to holders of Eneco Holding N.V. perpetual subordinated bonds (after income tax)		1	–
Profit (loss) after income tax attributable to non-controlling interests		–	1
Profit after income tax attributable to shareholders of Eneco Holding N.V.		205	241
Profit after income tax		**206**	**242**

Consolidated balance sheet

x € 1 million	Note	At 31 December 2014	At 31 December 2013
Non-current assets			
Property, plant and equipment	13	7,526	6,978
Intangible assets	14	338	377
Associates and joint ventures	16	58	49
Deferred income tax assets	17	4	5
Financial assets			
- Derivative financial instruments	18	144	98
- Other financial assets [1]	19	62	58
Total non-current assets [1]		**8,132**	**7,565**
Current assets			
Assets held for sale	20	121	91
Intangibe assets		11	11
Inventories		59	65
Trade receivables	21	747	854
Current income tax assets		–	2
Other receivables	22	227	212
Derivative financial instruments	18	248	147
Cash and cash equivalents	23	606	238
Total current assets		**2,019**	**1,620**
TOTAL ASSETS [1]		**10,151**	**9,185**
Equity			
Equity attributable to Eneco Holding N.V. shareholders	24	4,683	4,588
Perpetual subordinated bonds	24	501	–
Non-controlling interests	24	4	5
Total equity		**5,188**	**4,593**
Non-current liabilities			
Provisions for employee benefits	25	32	29
Other provisions	26	86	89
Deferred income tax liabilities	17	424	413
Derivative financial instruments	18	176	157
Interest-bearing debt [1]	27	1,785	1,718
Other liabilities	28	419	355
Total non-current liabilities [1]		**2,922**	**2,761**
Current liabilities			
Liabilities held for sale	20	1	1
Provisions for employee benefits	25	3	2
Other provisions	26	30	34
Derivative financial instruments	18	225	124
Interest-bearing debt	27	115	175
Current tax liabilities		42	–
Trade and other liabilities	28	1,625	1,495
Total current liabilities		**2,041**	**1,831**
TOTAL EQUITY AND LIABILITIES [1]		**10,151**	**9,185**

[1] 2013 figures restated for comparative purposes (see IFRS 11 in 1.2).

Consolidated statement of comprehensive income

x € 1 million	2014	2013
Profit after income tax	**206**	**242**
Unrealised gains and losses that will not be reclassified to profit or loss	**–**	**–**
Unrealised gains and losses that may be reclassified to profit or loss		
Exchange differences	20	–
Unrealised gains and losses on cash flow hedges	– 4	27
Deferred tax liabilities on cash flow hedges	1	– 7
Total other comprehensive income	**17**	**20**
Total comprehensive income	**223**	**262**
Profit distribution:		
Holders of Eneco Holding N.V. perpetual subordinated bonds	1	–
Non-controlling interests	–	1
Shareholders of Eneco Holding N.V.	222	261
Total comprehensive income	**223**	**262**

Consolidated cash flow statement

x € 1 million	2014	2013
Profit after income tax	**206**	**242**
Adjusted for:		
- Financial income and expense recognised in profit or loss	100	94
- Income tax recognised in profit or loss	71	68
- Share of profit of associates and joint ventures	– 14	– 13
- Profit (loss) after income tax from discontinued operations	–	4
- Depreciation, amortisation and impairment	345	482
- Result from sale of tangible and intangible assets	10	– 24
- Movements in working capital	141	– 45
- Movements in provisions, deferred taxes, derivative financial instruments and other	57	59
Cash flow from business operations	**916**	**867**
Dividend received from associates and joint ventures	1	–
Interest paid	– 96	– 85
Interest received	7	9
Other financial income received	5	2
Income tax paid / received	– 3	– 1
Cash flow from operating activities	**830**	**792**
Issued loans granted [1]	– 5	– 14
Repayments of loans granted	50	40
Acquisition of subsidiaries	– 31	– 23
Disposal of subsidiaries	–	1
Acquisition of joint operations, joint ventures and associates	– 4	–
Disposal of joint operations, joint ventures and associates	–	3
Investments in property, plant and equipment	– 839	– 841
Disposal of property, plant and equipment	3	42
Investments in intangible assets	– 3	– 3
Disposal of assets held for sale	85	–
Cash flow from investing activities [1]	**– 744**	**– 795**
Dividend payments	– 120	– 117
Issue of perpetual subordinated bonds	493	–
Repayment of non-current interest-bearing debt	– 178	– 85
Repayment of current interest-bearing debt	– 1,091	– 1,986
Non-current interest-bearing debt issued [1]	9	253
Current interest-bearing debt issued	1,150	1,956
Cash flow from financing activities [1]	**263**	**21**
Movements in cash and cash equivalents	**349**	**18**
Balance of cash and cash equivalents at 1 January	238	220
Balance of cash and cash equivalents on acquisition of subsidiaries	23	–
Balance of cash and cash equivalents on disposals of subsidiaries and disposal of consolidated entities	– 4	–
Balance of cash and cash equivalents at 31 December	**606**	**238**

[1] 2013 figures restated for comparative purposes (see IFRS 11 in 1.2).

Consolidated statement of changes in equity

x € 1 million	Equity attributable to Eneco Holding N.V. shareholders										
	Paid-up and called-up share capital	Share premium	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Perpetual subordinated bonds	Non-controlling interests	Total equity
At 1 January 2013	**497**	**381**	**903**	**4**	**– 52**	**2,478**	**233**	**4,444**	**–**	**3**	**4,447**
Reclassification depreciation regulated networks (after tax)	–	–	– 42	–	–	42	–	–	–	–	–
Unrealised gains and losses on cash flow hedges	–	–	–	–	27	–	–	27	–	–	27
Deferred tax liabilities on cash flow hedges	–	–	–	–	– 7	–	–	– 7	–	–	– 7
Total other comprehensive income	**–**	**–**	**– 42**	**–**	**20**	**42**	**–**	**20**	**–**	**–**	**20**
Profit after income tax 2013	–	–	–	–	–	–	241	241	–	1	242
Total comprehensive income	**–**	**–**	**– 42**	**–**	**20**	**42**	**241**	**261**	**–**	**1**	**262**
Profit appropriation 2012	–	–	–	–	–	116	– 116	–	–	–	–
Dividend payments relating to 2012	–	–	–	–	–	–	– 117	– 117	–	–	– 117
Movements in non-controlling interests	–	–	–	–	–	–	–	–	–	1	1
At 31 December 2013	**497**	**381**	**861**	**4**	**– 32**	**2,636**	**241**	**4,588**	**–**	**5**	**4,593**
Reclassification depreciation regulated networks (after tax)	–	–	– 40	–	–	40	–	–	–	–	–
Translation result	–	–	–	20	–	–	–	20	–	–	20
Unrealised gains and losses on cash flow hedges	–	–	–	–	– 4	–	–	– 4	–	–	– 4
Deferred tax liabilities on cash flow hedges	–	–	–	–	1	–	–	1	–	–	1
Total other comprehensive income	**–**	**–**	**– 40**	**20**	**– 3**	**40**	**–**	**17**	**–**	**–**	**17**
Profit after income tax 2014	–	–	–	–	–	–	205	205	1	–	206
Total comprehensive income	**–**	**–**	**– 40**	**20**	**– 3**	**40**	**205**	**222**	**1**	**–**	**223**
Profit appropriation 2013	–	–	–	–	–	121	– 121	–	–	–	–
Dividend payments relating to 2013	–	–	–	–	–	–	– 120	– 120	–	– 1	– 121
Discount and issue costs of perpetual subordinated bonds	–	–	–	–	–	– 8	–	– 8	–	–	– 8
Tax on coupon and issue costs of perpetual subordinated bonds	–	–	–	–	–	1	–	1	–	–	1
Issue of perpetual subordinated bonds	–	–	–	–	–	–	–	–	500	–	500
Reclassification	–	–	–	– 1	–	1	–	–		–	–
At 31 December 2014	**497**	**381**	**821**	**23**	**– 35**	**2,791**	**205**	**4,683**	**501**	**4**	**5,188**

Notes to the consolidated financial statements

1. Accounting principles for financial reporting

1.1 General information

Eneco Holding N.V. ('the company') is a two-tier company incorporated under Dutch law, with its registered office in Rotterdam. It is the holding company of subsidiaries, interests in joint operations and joint ventures and associates (referred to as a group as 'Eneco', 'Eneco Group' or the 'Group').

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

Eneco's main strategic alliances are its interests in onshore and offshore wind farms. Eneco is also a member of the Enecogen VOF power station partnership and has an interest in Groene Energie Administratie B.V. (Greenchoice).

There is more information on the composition of the Group and the classification under IFRS in the 'Segment information' and 'List of principal subsidiaries, joint operations, joint ventures and associates' sections.

The consolidated financial statements have been prepared by the company's Board of Management for publication on 6 March 2015. The 2014 financial statements were signed by the Supervisory Board during its meeting on 20 February 2015 and will be presented for adoption by the General Shareholders' Meeting to be held on 20 March 2015.

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 2014, 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

Effective from 1 January 2014, the European Commission has adopted the following new or amended IFRS standards that are relevant to Eneco and have been applied to the 2014 financial statements:

- IFRS 10 'Consolidated Financial Statements' partly replaces IAS 27 and interpretation SIC 12 in respect of determining the degree of control over other entities and the requirement to consolidate them. IFRS 10 introduces a 'single control model' to establish whether an investor exercises control over an entity. Under IFRS 10, control is based on whether the investor (1) exercises control over the entity, (2) is exposed, or has rights, to variable returns from the

investment in the entity and (3) has the ability to affect those returns through its control. This standard has been applied from 1 January 2014, with retroactive effect to 1 January 2013. The impact analysis shows that Eneco is unaffected by this new standard as it does not lead to changes in control already established. Consequently, no new entities have been included in the consolidation structure in 2014 which were not consolidated in 2013 under the old IAS 27 or vice versa. As a result, the comparative figures for 2013 have not been restated.

- IFRS 11 'Joint Arrangements' restricts recognition of activities performed jointly to two types: joint operations and joint ventures. Joint operations are recognised on the basis of Eneco's interest in the assets, liabilities, revenues and expenses of those joint operations ('proportional recognition') and joint ventures are recognised using the equity method. This standard has been applied from 1 January 2014, with retroactive effect to 1 January 2013. The impact analysis shows that this new standard has a limited financial effect on Eneco Group, as, for certain joint operations, the result using 'proportional recognition' (IFRS 11) differs from that using 'proportional consolidation' under the old standard IAS 31, since recognition or otherwise of rights to assets or obligations for liabilities of a joint operation depends on the contractual arrangements between the joint operators.

The limited impact on the figures reported in the 2013 balance sheet and cash flow statement is as follows and has been incorporated in the 2013 comparative figures:

	Reported	Restated
Consolidated balance sheet at 31 December 2013		
Financial assets: Other financial assets	76	58
Non-current liabilities: Interest-bearing debt	1,736	1,718
Consolidated cash flow statement 2013		
Cash flow from investing activities: Issued loans granted	– 32	– 14
Cash flow from financing activities: Non-current interest-bearing debt issued	271	253

The effect on the income statement reported for the full year 2013 is not material and so the comparative figures in the income statement for 2013 have not been restated for the application of IFRS 11 at 1 January 2014.

- IFRS 12 'Disclosure of Interests in Other Entities' replaces the disclosure requirements in IAS 27, IAS 28 and IAS 31 and sets disclosure requirements for interests in other entities. This information is to assist users of financial statements in evaluating the nature of and risks associated with interests in other entities and their effect on the financial statements. Eneco Group has applied this standard from 1 January 2014 and it has only a limited effect on the financial statements. Where applicable, additional information is presented in the 2014 financial statements in relation to interests in subsidiaries, joint operations, joint ventures and associates.

- 'Recoverable Amount Disclosures for Non-Financial Assets': these amendments to IAS 36 'Impairment of Assets' mean that only the recoverable amount of a cash-generating unit (CGU) or group of CGUs is disclosed in the financial statements to the extent that there is impairment or a reversal of impairment. In addition, the disclosure requirements on establishing the recoverable amount of a CGU using fair value less costs to sell have been made consistent with those based on value in use.

- 'Novation of Derivatives and Continuation of Hedge Accounting': this amendment to IAS 39 provides for the continuation of hedge accounting in novations where a central counterparty takes the place (as a result of legislation or regulation) of a counterparty to a derivative designated as a hedging instrument. This amendment has no effect on the 2014 figures as no such novation has occurred.

The following new interpretation is relevant to Eneco and has been adopted by the European Commission but is not mandatory for 2014. It will be applied from 1 January 2015:

- IFRIC 21 'Levies' provides guidance on the specifics of accounting for a levy imposed by a government and addresses when the levy should be recognised. Under IFRS-EU, this interpretation applies to Eneco from 1 January 2015 and will probably not require a change to existing accounting procedures for the recognition of levies imposed by governments.

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

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 operations, non-consolidated joint ventures, associates and other capital interests.

Subsidiaries

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

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

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

Joint operations are recognised using the 'proportional recognition method' while joint ventures are recognised using the equity method in the consolidated financial statements in accordance with 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 recognition method', Eneco's assets, liabilities, income and expenses of joint operations are recognised in the consolidated financial statements along with a proportionate amount of those of the interest in these joint operations.

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 significant influence has been obtained until the date on which that influence no longer exists. Results on transactions with associates are eliminated in proportion to the interest in the associate. Impairment losses on associates are not eliminated.

Losses on associates are recognised up to the amount of the net investment in the associate, including both the carrying amount and any loans granted to the associate. A provision is only formed for the share in further losses if 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 2014 financial statements are summarised below.

The accounting policies used in these financial statements are consistent with the accounting policies applied in the 2013 financial statements, except for the effect of new and amended standards as set out in 1.2 'New and amended IFRS standards'.

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 operation, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognised as translation differences in equity. The accumulated translation difference is recognised through the income statement when a foreign subsidiary, joint operation, joint venture or associate is sold.

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.

Segment information

Business segments are based on Eneco's internal organisation and management reporting structure. The results of business segments are reviewed regularly by the Board of Management ('chief operating decision maker') to make decisions about resources to be allocated to a segment and assess its performance. 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.

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, the sale of solar panels and rental of smart thermostats 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 at the beginning of each regulatory period. 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 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 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 market 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 for energy commodity contracts are measured using mid-prices.

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 Perpetual subordinated bonds

The perpetual subordinated bonds are measured at face value. The discount and transaction costs relating to the issue of the bonds, the annual coupon interest and associated tax effects are recognised through equity.

2.19 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). A limited number of employees have individual plans insured with various insurance companies.

The amount of the pension depends on age, salary and years of service. Employees may opt to retire earlier or later (ABP - between 60 and the state retirement age plus 5 years; PMT - between 62 and 67) than the state retirement age, in which case their pension is adjusted accordingly.

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

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.

2.20 Other provisions

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

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

Decommissioning

A provision is recognised that equals the present value of the expected costs where there is an obligation to dismantle, demolish or remove an item of property, plant or equipment when it ceases to be used. 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.

2.21 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.

2.22 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.

2.23 Trade and other payables

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

Notes to the consolidated income statement

All amounts in millions of euros unless stated otherwise.

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

	2014	2013
Electricity	2,207	2,394
Gas	1,793	2,250
District heat	247	275
Energy-related activities	96	107
Total	**4,343**	**5,026**

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 supplied and transmission services 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

	2014	2013
Operation of street lighting	60	56
Infrastructural works	99	64
Government grants and payment collection services	10	12
Other	78	93
Total	**247**	**225**

5. Employee benefits

	2014	2013
Wages and salaries	293	277
Social security contributions	42	37
Pension contributions	41	40
Other employee benefits	38	35
Total	**414**	**389**

Employee benefits of € 23 million (2013: € 20 million) have been recognised as part of Purchases of energy and transmission and energy-related activities in view of their direct relationship with revenue. Including these and capitalised employee benefits, total employee benefits were € 526 million (2013: € 507 million).

Headcount

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

FTE	At 31 December 2014	At 31 December 2013
Energy company Eneco	3,138	3,194
Stedin	1,274	1,294
Joulz	2,416	2,476
Other	79	92
Total	**6,907**	**7,056**

In 2014, average headcount expressed in FTE was 7,023 (2013: 7,018).

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 2014 will be published on Eneco Holding N.V.'s website.

The remuneration of the members of the Board of Management consists of a fixed salary and a variable salary. The variable salary amounts to 20% of the total salary. In 2014, the variable salary was again dependent on performance criteria including socially-relevant results. The main criteria for the variable salary were:

- Financial performance (EBIT);
- Safety (LTIR);
- Credit Rating;
- Implementation of the sustainability strategy (including customer satisfaction, sustainable investment and cost reductions); and
- Business priorities (including employee alignment, new forms of financing, participation products).

The pension entitlements of the members of the Board of Management come under Eneco Holding N.V.'s standard pension plan.

The current employment contracts with the members of the Board of Management are for an unlimited time with a period of notice for the company of four months. Each member of the Board of Management has been appointed 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 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. The 'one-off' crisis levy was repeated in 2014, meaning that employers again had to pay a levy of 16% of the salary from current employment (including any bonuses) that they paid their employees during 2013, insofar as such salary 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 2013 was € 0.18 million.The crisis levy was discontinued for 2015 and so there is no related charge to the result for the directors in 2014.

Total remuneration was as follows:

Remuneration of the Board of Management

x € 1,000	Gross salary	Variable remuneration	Pension contributions	Total 2014
J.F. de Haas	491	118	84	693
C.J. Rameau	366	89	63	518
G.A.J. Dubbeld	361	82	60	503
M.W.M. van der Linden	294	66	46	406
Total	**1,512**	**355**	**253**	**2,120**

x € 1,000	Gross salary	Variable remuneration	Pension contributions	Total 2013
J.F. de Haas	476	106	90	672
C.J. Rameau	359	80	67	506
G.A.J. Dubbeld	331	67	57	455
M.W.M. van der Linden	257	–	49	306
Total	**1,423**	**253**	**263**	**1,939**

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 joint ventures

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

	2014	2013
Share in net profit	11	10
Result on disposal	3	3
Total	**14**	**13**

8. Financial income

	2014	2013
Interest income	7	8
Dividends received from other capital interests	–	2
Result on disposal of other capital interests	5	–
Other	2	–
Total	**14**	**10**

9. Financial expenses

	2014	2013
Interest expense	87	90
Interest added to provisions	5	2
Impairment of financial fixed assets	12	11
Other	10	1
Total	**114**	**104**

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:

	2014	2013
Current tax expense	47	3
Movements in deferred taxes	28	68
Adjustment for prior years movements deferred taxes	– 4	– 3
Income tax	**71**	**68**

The movements in deferred taxes include the increase of € 7 million in the Energy Investment Allowance to be amortised (2013: € 3 million).

The table below shows the current tax expense:

	2014	2013
Profit before income tax	**277**	**314**
Participation exemption	–12	– 43
Non tax-deductible expenses [1]	36	6
Depreciation at non-statutory rates	–15	– 164
Addition to provisions treated differently for tax purposes	–18	– 2
Disallowable losses [1]	29	12
Adjustment prior years results	–15	– 10
Taxable profit	**282**	**113**
Carry forward of losses	–96	– 100
Taxable amount	**186**	**13**
Nominal tax rate	25.0%	25.0%
Current tax expense	**47**	**3**

[1] 2013 figures restated for comparative purposes.

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

	2014	2013
Nominal tax rate	25.0%	25.0%
Effect of:		
- Participation exemption	–1.1%	–3.4%
- Non tax-deductible expenses	3.2%	1.5%
- Tax incentives (Energy Investment Allowance, EIA scheme)	–1.8%	–1.4%
- Other	0.3%	0.0%
Effective tax rate	**25.6%**	**21.7%**

11. Result after tax on discontinued operations

No operations previously classified as discontinued were settled during 2014 and no new operations have been classified as such. A few discontinued operations (of a limited size) still had to be settled at year-end 2014.

Most of the operations which were classified as discontinued at 31 December 2012 were settled in 2013. Operations that were classified as discontinued during 2013 had also been settled by the end of 2013. In total, the impairment and operating results of these operations recognised as results from discontinued operations in 2013 were € 6 million negative, including € 5 million impairment. In 2013, the revenue from these operations was € 6 million and the expenses were € 7 million. The tax effect was € 2 million positive, leading to a loss after tax of € 4 million. The cash outflows were € 2 million.

12. Government grants

Government grants recognised in the result were as follows:

	2014	2013
Environmental Quality of Electricity Production (MEP scheme)	92	68
Energy Investment Allowance (EIA scheme)	4	4
Stimulation Sustainable Energy Production (SDE scheme)	12	8
Total	**108**	**80**

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 2013	**132**	**2,292**	**7,168**	**184**	**339**	**10,115**
Investments	–	37	422	6	381	846
Acquisitions	–	–	–	–	2	2
Disposals	– 5	– 15	– 14	– 1	– 11	– 46
Reclassification to assets held for sale	– 40	– 2	– 137	–	–	– 179
Reclassification other	– 2	264	8	4	– 273	1
At 31 December 2013	**85**	**2,576**	**7,447**	**193**	**438**	**10,739**
Investments	–	36	439	2	362	839
Acquisitions	–	29	–	–	2	31
Disposals	–	– 9	– 17	– 12	– 1	– 39
Reclassification from / to assets held for sale	–	– 23	– 61	–	–	– 84
Reclassification other	5	333	44	– 1	– 389	– 8
Translation differences	–	11	–	–	8	19
At 31 December 2014	**90**	**2,953**	**7,852**	**182**	**420**	**11,497**
Accumulated depreciation and impairment						
At 1 January 2013	**50**	**785**	**2,509**	**101**	**–**	**3,445**
Annual depreciation and impairment	12	188	213	14	2	429
Disposals	– 5	– 14	– 8	–	–	– 27
Reclassification to assets held for sale	– 33	–	– 53	–	–	– 86
Reclassification other	–	– 1	3	– 3	1	–
At 31 December 2013	**24**	**958**	**2,664**	**112**	**3**	**3,761**
Annual depreciation and impairment	1	54	217	12	–	284
Acquisitions	–	2	–	–	–	2
Disposals	–	– 11	– 8	– 8	–	– 27
Reclassification from / to assets held for sale	–	– 20	– 25	–	–	– 45
Reclassification other	–	– 14	19	– 7	– 2	– 4
At 31 December 2014	**25**	**969**	**2,867**	**109**	**1**	**3,971**
Carrying amount						
At 31 December 2013	61	1,618	4,783	81	435	6,978
At 31 December 2014	**65**	**1,984**	**4,985**	**73**	**419**	**7,526**

Regulated networks

The regulated networks category relates to different types of assets in the regulated domain such as the electricity and gas networks, gas connections and meters required for gas and electricity distribution and transmission activities. Regulated network activities are subject to regulation by the Office of Energy Regulation of the Netherlands Authority for Consumers and Markets (ACM).

Fair value of regulated networks

The information for measuring the regulated networks is covered by 'level 1' in the fair value hierarchy as specified in IFRS 13 'Fair Value Measurement' (see Note 18 Derivative financial instruments). These measurement models use observable market prices, being the Regulated Asset Value tariffs set by the government.

The fair value of the regulated networks was determined at the start of the new regulatory period on 1 January 2014. This analysis did not indicate a need to revise the carrying amount (fair value less accumulated depreciation) at 1 January 2014. Consequently, no remeasurement of the regulated assets has been recognised. At 31 December 2014, the carrying amount of the regulated networks at historical cost was € 3,884 million (31 December 2013: € 3,629 million).

Capitalised interest

During the reporting period, € 13 million (2013: € 15 million) of attributable interest was capitalised for property, plant and equipment as required by the relevant reporting standards. The capitalisation rate for interest in 2014 was 4.5% (2013: 4.7%).

Assets under construction

Assets under construction were mainly off-shore and on-shore wind farms, and investments in district heating networks.

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. The four remaining lease-and-leaseback transactions were terminated early during 2014. See Note 30 for further information.

Reversal of impairment

During the first half of 2014, management performed an impairment analysis of the property, plant and equipment and intangible assets of the Netherlands and Belgium Electricity cash-generating unit, which includes all the electricity-related operations in these countries. The principal reason for performing this analysis was the restructuring of energy purchase contracts, including early settlement of a contract with a third party on 1 January 2015. The associated decisions must be regarded as positive triggers for performing an impairment analysis as they are expected to lead to an improvement in future results. A material non-recurring charge has been recognised for this early settlement under 'Purchases of energy and transmission and energy-related activities' in the income statement. This was paid in the second half of the year.

In addition, amortisation of the associated contract, which was recognised as an intangible asset, was accelerated in 2014. This has resulted in an additional amortisation charge of € 37 million in the annual figures in the income statement recognised in 'Amortisation and impairment of intangible assets'.

The impairment analysis in the first half-year established that the recoverable amount (in this case, value in use) of the assets of this cash-generating unit was higher than their carrying amount. Based on this analysis, management reversed € 120 million and € 20 million of earlier impairment of the property, plant and equipment and intangible assets respectively of the Netherlands and Belgium Electricity cash-generating unit during the first half of the year. These amounts were credited to 'Depreciation and impairment of property, plant and equipment' and 'Amortisation and impairment of intangible assets' in the income statement and allocated in full to the Eneco segment.

At year-end 2014, management performed a further calculation on the property, plant and equipment and intangible assets of the Netherlands and Belgium Electricity cash-generating unit in order to establish the recoverable amount of these assets. The calculation established that the recoverable amount (in this case, value in use) of the assets of this cash-generating unit was still higher than their carrying amount. The value in use for this cash-generating unit at year-end 2014 was € 1.4 billion (2013: € 1.0 billion) based on expected future cash flows for 5 years as in Eneco's long-term plans. The average pre-tax discount rate, which reflects the risks of the activities of the cash-generating unit, was 7% (2013: 9%). Long-term growth of 1% was taken into account.

The calculation of the value in use of electricity-related assets is sensitive to the following assumptions: the discount rate, the growth figure applied for extrapolating cash flows beyond the 5-year plan and the average life of the assets. Of these factors, the discount rate is the most sensitive and an adjustment of 0.5 percentage points would change the impairment by some € 55 million.

14. Intangible assets

	Goodwill	Customer databases	Licences and software	Concessions, permits and rights	Development costs	Total
Cost						
At 1 January 2013	**168**	**182**	**80**	**244**	**4**	**678**
Investments	–	–	7	1	–	8
Acquisitions	2	1	3	–	–	6
Disposals	–	– 3	–	–	–	– 3
At 31 December 2013	**170**	**180**	**90**	**245**	**4**	**689**
Investments	–	–	2	1	–	3
Acquisitions	–	18	–	3	2	23
Disposal of consolidated entities	–	–	–	– 19	–	– 19
Translation differences	1	–	–	1	–	2
Disposals	–	–	–	–	– 1	– 1
Reclassification other	–	–	3	–	– 2	1
At 31 December 2014	**171**	**198**	**95**	**231**	**3**	**698**
Accumulated depreciation and impairment						
At 1 January 2013	**–**	**72**	**61**	**125**	**4**	**262**
Annual depreciation and impairment	10	20	7	16	–	53
Disposals	–	– 3	–	–	–	– 3
At 31 December 2013	**10**	**89**	**68**	**141**	**4**	**312**
Annual depreciation and impairment	–	14	8	34	–	56
Disposal of consolidated entities	–	–	–	– 7	–	– 7
Disposals	–	–	–	–	– 1	– 1
Reclassification other	–	–	–	2	– 2	–
At 31 December 2014	**10**	**103**	**76**	**170**	**1**	**360**
Carrying amount						
At 31 December 2013	160	91	22	104	–	377
At 31 December 2014	**161**	**95**	**19**	**61**	**2**	**338**

In principle, goodwill is allocated to one or more cash-generating units which independently or in aggregate form a business segment. The goodwill of € 161 million at 31 December 2014 (2013: € 160 million) was fully attributable to the group of cash-generating units which, in addition to the separate cash-generating unit for Ecofys, form the Eneco segment. An impairment analysis was performed on this goodwill which showed that the recoverable amount (in this case, value in use) of this group of cash-generating units was higher than their carrying amount. The following assumptions were used to establish the value in use: the value in use of the cash-generating units which make up the Eneco segment was based on expected future cash flows for 5 years as in Eneco's long-term plans and thereafter a terminal value; long-term growth of 1% was taken into account. The pre-tax discount rates, which reflect the risks of the activities of the relevant cash-generating units, were 6%-7% (2013: 9% for all cash-generating units).

See Note 13 (Property, plant and equipment) for information on the impairment analysis and calculation of the recoverable amount of the intangible electricity-related assets of the Netherlands and Belgium Electricity cash-generating unit.

Customer databases relate mainly to DONG Energy Sales (acquired in 2014), Oxxio (acquired in 2011) and REMU N.V. (acquired in 2003).

Concessions, permits and rights consist mainly of capitalised permits granted for existing and future wind farms in Belgium and the United Kingdom. The agreement covering the delivery of up to 820 MW of electricity by Rijnmond Energy C.V. taken over in 2005 was terminated early in 2014 resulting in an additional amortisation charge of € 37 million.

15. Business combinations

Eneco acquired four companies in 2014. DONG Energy Sales B.V. was acquired on 1 April 2014 and has been included in Eneco's consolidated financial statements with effect from 1 January 2014. Eneco also acquired three smaller businesses, including a solar farm in Belgium, a wind farm in the Netherlands and a business with smart solutions for street lighting.

The acquisitions were made by purchasing the entire share capital and associated control in cash transactions. The purchase prices for all the acquisitions were finalised in the second half of 2014 and were in total € 25 million. These acquisitions reinforce Eneco's position in the market for delivering energy to retail and commercial customers and in investment in sustainable energy and advising on energy efficiency.

The assets and liabilities were recognised on the acquisition dates at fair value as set out in the table below. These acquisitions did not lead to the recognition of new goodwill. The costs related to these transactions were some € 0.4 million. The businesses have contributed a total of some € 130 million to revenue and made a small positive contribution to the profit after income tax since the acquisition date.

Proportionately, Eneco's annual revenue including these acquisitions would be € 4.4 billion (full-year 2014); the profit after income tax remains about the same.

Fair value at acquisition date	Total acquisitions
Intangible assets	20
Property, plant and equipment	21
Deferred income tax assets	1
Working capital:	
Current assets	37
Current liabilities	– 61
Cash and cash equivalents	23
Working capital including cash and cash equivalents	**– 1**
Non-current interest-bearing debt	4
Current interest-bearing debt	12
Net identifiable assets and liabilities	**25**
Consideration	25
Goodwill arising on acquisition	**–**
Consideration paid in 2014 (in cash and cash equivalents)	**25**
Loans taken over from former shareholders	6
Total consideration	**31**
Cash and cash equivalents acquired (-) / disposed (+)	– 23
Cash acquired (-) or disposed of (+)	**8**

16. Associates and joint ventures

Eneco Group participates with one or more parties in businesses in the form of an associate or joint venture to perform shared operations.

Movements in the value of associates and joint ventures[1] were as follows in 2014:

	2014	2013
Carrying amount at 1 January	**49**	**39**
Reclassification from assets held for sale	– 5	–
Share in net profit of associates	11	10
Dividend received	– 1	–
Reclassification other	4	–
Carrying amount at 31 December	**58**	**49**

[1] Non-material joint ventures which have been combined with the associates for presentation purposes.

The table below summarises the financial data of the associates and joint ventures:

	At 31 December 2014 [1]	At 31 December 2013 [1]
Property, plant and equipment	13	9
Current assets	135	124
Non-current liabilities	1	–
Current liabilities	106	109
Net assets (100%)	**41**	**24**
Eneco's share of net assets	36	27
Carrying amount of interest in associates and joint ventures (incl. acquired goodwill)	**58**	**49**
Revenues (100%)	326	389
Profit after income tax (100%)	22	29
Total other comprehensive income (100%)	–	–
Total comprehensive income (100%)	22	29
Eneco's share of total comprehensive income	**11**	**10**
Eneco's share of profit after income tax and total comprehensive income	**11**	**10**

[1] These figures have been prepared using the most recently available published/available financial information of these associates.

17. Deferred taxes

The table below shows the deferred tax assets and liabilities:

	Assets		Liabilities	
	At 31 December 2014	At 31 December 2013	At 31 December 2014	At 31 December 2013
Property, plant and equipment	–	–	419	398
Intangible fixed assets	–	–	16	24
Cash flow hedges	–	–	– 10	– 8
Loss carry forwards	4	5	– 15	– 15
Losses at non-resident participating interests	–	–	21	26
Provisions	–	–	– 7	– 12
Total	**4**	**5**	**424**	**413**

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

Movements in deferred taxes during 2014 were as follows:

	Net balance at 1 January 2014	Recognised in profit or loss [1]	Recognised in other comprehensive income	Other	Net balance at 31 December 2014	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	– 398	– 21	–	–	– 419	2	– 421
Intangible fixed assets	– 24	5	–	3	– 16	2	– 18
Cash flow hedges	8	–	1	1	10	10	–
Loss carry forwards	20	– 1	–	–	19	4	15
Losses at non-resident participating interests	– 26	5	–	–	– 21	–	– 21
Provisions	12	– 5	–	–	7	7	–
Tax assets (liabilities) before set-off	**– 408**	**– 17**	**1**	**4**	**– 420**	**25**	**– 445**
Set-off of tax						– 21	21
Net tax assets (liabilities)						**4**	**– 424**

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

Movements in deferred taxes during 2013 were as follows:

	Net balance at 1 January 2013	Recognised in profit or loss [1]	Recognised in other comprehensive income	Other	Net balance at 31 December 2013	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	– 373	– 26	–	1	– 398	1	– 399
Intangible fixed assets	– 13	– 11	–	–	– 24	6	– 30
Cash flow hedges	15	–	– 7	–	8	8	–
Loss carry forwards	46	– 26	–	–	20	20	–
Losses at non-resident participating interests	– 27	1	–	–	– 26	–	– 26
Provisions	12	–	–	–	12	12	–
Tax assets (liabilities) before set-off	**– 340**	**– 62**	**– 7**	**1**	**– 408**	**47**	**– 455**
Set-off of tax						– 42	42
Net tax assets (liabilities)						**5**	**– 413**

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

The table below shows the expiry periods for temporary differences available for relief at 31 December 2014:

Expiry periods for differences available for relief after 31 December 2014	
Property, plant and equipment	1 - 50 yrs
Intangible assets	1 - 25 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 € 95 million (2013: € 66 million[1]) since it is not certain whether sufficient taxable profits will be available in the future at the associates and permanent establishment, which are not members of the fiscal

unity. The tax regulations state that this relief is only available against profits made in the years 2015 to 2020 (there is unlimited carry forward in Belgium). A loss of € 32 million has been recognised in the Netherlands for losses of the permanent establishment in Belgium. No deferred tax liability has been recognised since these losses can only be offset against future profits of that permanent establishment.

1. 2013 figures restated for comparative purposes.

18. Derivative financial instruments

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

	At 31 December 2014		At 31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap contracts	–	7	–	7
Currency swap contracts	9	106	–	107
Energy commodity contracts	374	287	232	162
CO_2 emission rights	9	1	13	5
Total	**392**	**401**	**245**	**281**
Classification				
Current	248	225	147	124
Non-current	144	176	98	157
Total	**392**	**401**	**245**	**281**

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 2014		At 31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Currency swap contracts	–	–	–	–
Energy commodity contracts	279	273	161	149
CO_2 emission rights	9	1	13	5
Total	**288**	**274**	**174**	**154**
Classification				
Current	224	212	126	115
Non-current	64	62	48	39
Total	**288**	**274**	**174**	**154**

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 2014		At 31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap contracts	–	7	–	7
Currency swap contracts	9	106	–	107
Energy commodity contracts	95	14	71	13
Total	**104**	**127**	**71**	**127**
Classification				
Current	24	13	21	9
Non-current	80	114	50	118
Total	**104**	**127**	**71**	**127**

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.

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 2014 was as follows:

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

31 December 2013	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts	41	204	–	245
Interest rate and currency swap contracts	–	–	–	–
	41	**204**	**–**	**245**
Liabilities				
Energy commodity contracts	4	163	–	167
Interest rate and currency swap contracts	–	114	–	114
	4	**277**	**–**	**281**

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 2014	At 31 December 2013
Expected cash flow		
Within 1 year	64	32
From 1 to 5 years	298	260
After 5 years	– 61	– 27
Total	**301**	**265**

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 2014	At 31 December 2013
Expected recognition in result after tax		
Within 1 year	– 1	– 5
From 1 to 5 years	19	– 5
After 5 years	– 53	– 22
Total	**– 35**	**– 32**

19. Other financial assets

	At 31 December 2014	At 31 December 2013
Other capital interests	–	4
Related party receivables	10	10
Other receivables [1]	52	44
Total	**62**	**58**

[1] 2013 figures restated for comparative purposes (see IFRS 11 in 1.2).

See also Note 30 for information on the early termination of the four remaining lease-and-leaseback transactions during 2014.

20. Assets/liabilities held for sale

	At 31 December 2014	At 31 December 2013
Buildings	6	6
Assets for disposal	115	85
Total assets	**121**	**91**
Liabilities for disposal	1	1
Total liabilities	**1**	**1**
Total held for sale	**120**	**90**

The sale of some of the assets that were classified as held for sale at 31 December 2013 was settled during 2014. This involved the high-voltage networks in Zuid-Holland (Stedin segment), which were sold to TenneT on 19 December 2014, as required by law. This transaction effectively occurred on 1 January 2015 and so these assets are still recognised in the balance sheet at 31 December 2014. The financial settlement (€ 86 million) has already been recognised in the balance sheet ('Trade and other liabilities') and the cash flow statement ('Disposal of property, plant and equipment'). Before the sale took place, these assets were impaired by a further € 6 million (through 'Depreciation and impairment of property, plant and equipment'), which is largely in line with the normal depreciation that could not be recognised in the income

statement since classification as 'held for sale'. The lease-and-leaseback transactions that related to these networks were settled during 2013.

The balance at 31 December 2014 includes high-voltage networks in Utrecht, which are due to be transferred to TenneT during 2015, as required by law. No impairment to 'fair value less costs to sell' has been recognised in the result for these assets. The lease-and-leaseback transactions that related to these networks were settled during 2014 (see Note 30 for further information).

This amount also includes the fair value less costs to sell of a property of Joulz that is expected to be sold in 2015. This one-off fair value calculation may be classified as a 'level 2' calculation within the fair value hierarchy (as explained in Note 18). The 'market approach' used estimated market rates for similar office/commercial spaces. Impairment of € 8 million was recognised for this building in the income statement in 2013.

21. Trade receivables

	At 31 December 2014	At 31 December 2013
Energy receivables	765	866
Other trade receivables	83	103
Less: impairments	– 101	– 115
Total	**747**	**854**

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

	At 31 December 2014	At 31 December 2013
Prior to due date	584	691
After due date		
- under 3 months	108	118
- 3 to 6 months	26	35
- 6 to 12 months	42	43
- over 12 months	88	82
Face value	**848**	**969**
Less: impairments	– 101	– 115
Total	**747**	**854**

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

	At 31 December 2014	At 31 December 2013
Prior to due date	3	12
After due date		
- under 3 months	10	11
- 3 to 6 months	10	13
- 6 to 12 months	20	21
- over 12 months	58	58
Total	**101**	**115**

Movements in the impairment losses on receivables were as follows:

	2014	2013
At 1 January	**115**	**102**
Additions	26	45
Withdrawals	– 32	– 32
Release	– 8	–
At 31 December	**101**	**115**

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 2014	At 31 December 2013
Prepayments and accrued income	100	83
Margin calls	–	15
Other receivables	127	114
Total	**227**	**212**

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 € 606 million at 31 December 2014 (2013: € 238 million). Term deposits and blocked accounts which are not freely available were € 43 million at 31 December 2014 (2013: € 43 million).

24. Equity

	At 31 December 2014	At 31 December 2013
Share capital	497	497
Share premium	381	381
Revaluation reserve	821	861
Translation reserve	23	4
Cash flow hedge reserve	– 35	– 32
Retained earnings	2,791	2,636
Undistributed result for the financial year	205	241
Equity attributable to Eneco Holding N.V. shareholders	**4,683**	**4,588**
Perpetual subordinated bonds	501	–
Non-controlling interests	4	5
Total equity	**5,188**	**4,593**

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 2014, 4,970,978 shares had been issued and fully paid. There were no changes in 2014. 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 2014 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 2013	**36**	**– 6**	**– 82**	**– 52**
Newly defined cash flow hedges in financial year	– 4	–	–	– 4
Movements in fair value cash flow hedges	27	4	15	46
Deferred income tax liabilities	– 2	– 1	– 4	– 7
Non-effective portion of cash flow hedges	– 15	–	–	– 15
Discontinued cash flow hedges	1	– 1	–	–
Reclassifications	– 2	– 1	3	–
At 31 December 2013	**41**	**– 5**	**– 68**	**– 32**
Newly defined cash flow hedges in financial year	55	–	–	55
Movements in fair value cash flow hedges	24	–	– 30	– 6
Deferred income tax liabilities	– 7	–	8	1
Non-effective portion of cash flow hedges	– 6	–	–	– 6
Discontinued cash flow hedges	– 47	–	–	– 47
At 31 December 2014	**60**	**– 5**	**– 90**	**– 35**

Distributable results

A dividend of € 24.24 per share was paid in 2014 (2013: € 23.44). In 2014, Eneco made € 120 million available to its shareholders (2013: € 117 million), € 119 million of which was distributed. The non-distributable capital was € 1,031 million at 31 December 2014 (2013: € 1,005 million[1]).

1. 2013 figures restated for comparative purposes.

Perpetual subordinated bonds

On 1 December 2014, Eneco Holding N.V. issued perpetual subordinated bonds ('Perpetual Fixed Rate Reset Securities') with a total nominal amount of € 500 million at an annual interest coupon of 3.25% and an issue price of 99.232% resulting in proceeds of € 496 million. Directly attributable costs of € 3 million were deducted from this, so that € 493 million was added to group equity in 2014. The bonds are listed on the Euro MTF Market of the Luxembourg stock exchange.

The perpetual subordinated bonds are regarded as equity and are subordinated to all of Eneco Group's creditors but have certain preference compared with the shareholders in the event of the company's winding up. Eneco has no contractual obligation to redeem the loan. Any payment of current or deferred coupon interest is conditional and dependent on distributions to shareholders. Consequently, the bondholders cannot force Eneco to pay the coupon interest or to redeem all or part of the loan.

Non-controlling interests

These are third-party shares in the equity of subsidiaries of which Eneco Holding N.V. is not the sole shareholder.

25. Provisions for employee benefits

	Health insurance for pensioners	Long-service benefits	Total
At 1 January 2013	**3**	**28**	**31**
Additions	–	3	3
Withdrawals	– 1	– 2	– 3
At 31 December 2013	**2**	**29**	**31**
Additions	–	5	5
Withdrawals	– 1	–	– 1
At 31 December 2014	**1**	**34**	**35**
Classification			
Current	1	2	3
Non-current	–	32	32
At 31 December 2014	**1**	**34**	**35**

The following actuarial assumptions were used for the provisions:

	2014	2013
Discount rate at reporting date	1.8%	2.9%
Future salary increases	1.0%	1.0%

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 2013	**44**	**30**	**21**	**7**	**102**
Additions	12	10	19	16	57
Withdrawals	– 1	– 14	– 17	– 2	– 34
Released	–	–	–	– 2	– 2
At 31 December 2013	**55**	**26**	**23**	**19**	**123**
Additions	8	1	20	6	35
Withdrawals	– 1	– 15	– 13	– 4	– 33
Released	–	– 7	– 1	– 3	– 11
Reclassification	–	–	1	1	2
At 31 December 2014	**62**	**5**	**30**	**19**	**116**
Classification					
Current	–	5	20	5	30
Non-current	62	–	10	14	86
At 31 December 2014	**62**	**5**	**30**	**19**	**116**

Interest at 4.5% has been added to the provisions in 2014 (2013: 4.5%).

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 2014, € 20 million (2013: € 19 million) was added to the restructuring provision, mainly in respect of the consequences of the break up of Joulz from 1 January 2015, under which CityTec and Joulz Energy Solutions will become part of the Energy Company Eneco and the other business units will join Stedin.

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 2014	At 31 December 2013
Private loans [1]	1,661	1,648
Green loans [1]	103	105
Non-recourse / subordinated loans [1&2]	136	140
Total	**1,900**	**1,893**

[1] 2013 figures restated for comparative purposes.

[2] 2013 figures restated for comparative purposes (see IFRS 11 in 1.2).

See Note 32 for details of the repayment periods.

	At 31 December 2014	At 31 December 2013
Classification		
Current	115	175
Non-current [1]	1,785	1,718
Total [1]	**1,900**	**1,893**

[1] 2013 figures restated for comparative purposes (see IFRS 11 in 1.2).

Collateral of € 178 million (2013: € 164 million) has been provided for the interest-bearing debt for financing wind farms in the form of mortgages of wind farms and pledges of shares in the legal entities, energy purchase contracts or grants for the construction of wind farms. No collateral has been provided for the other interest-bearing debt.

The private loans are predominantly loans from institutional investors and banks and included € 305 million in US dollars (2013: € 214 million), € 138 million in Japanese yen (2013: € 138 million) and € 96 million in pounds sterling (2013: € 90 million). They also include money market loans. The "green" loans were borrowed to finance specific sustainable energy infrastructure investments. Investors enjoy tax advantages on green loans and so the interest charges are below the market interest rate.

The credit facilities are explained in Note 32.

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

Borrowings of € 1,694 million (2013: € 1,752 million) are fixed rate (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:

	2014	2013
Average interest rate (excl. money market loans)	5.2%	5.2%
Average interest rate (total interest-bearing debt)	4.5%	4.8%
Fair value of loans [1]	2,190	2,071

[1] 2013 figures restated for comparative purposes (see IFRS 11 in 1.2).

The average interest rate in 2014 was calculated as the weighted average monthly interest expense directly related to the interest-bearing debt, excluding other financial expense (the percentage for 2013 has been restated accordingly).

The fair value of the loans is estimated using the present value method ('income approach') based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by 'level 2' in the fair value hierarchy.

28. Trade and other payables

	At 31 December 2014	At 31 December 2013
Trade creditors	863	766
Accruals and deferred income	517	434
Pension contributions	5	6
Other liabilities	659	644
Total	**2,044**	**1,850**
Classification		
Current	1,625	1,495
Non-current	419	355
Total	**2,044**	**1,850**

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

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 € 55 million (2013: € 61 million) has been recognised through the income statement in this respect. The minimum obligations under these agreements fall due as follows:

	At 31 December 2014	At 31 December 2013
Within 1 year	54	56
From 1 to 5 years	159	168
After 5 years	167	196
Total	**380**	**420**

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 € 28 million (2013: € 41 million) have been recognised through the income statement.

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

	At 31 December 2014	At 31 December 2013
Within 1 year	31	32
From 1 to 5 years	90	90
After 5 years	60	68
Total	**181**	**190**

30. Contingent assets and liabilities

Energy purchase and sale commitments

Eneco has energy purchase commitments of € 7.4 billion (2013: € 7.6 billion) under contracts relating to 2015 and later years. The purchase commitments comprise energy contracts for the company's own use with various energy generators. There are sales commitments of € 3.0 billion (2013: € 2.9 billion) already entered into, mainly for the commercial market, for 2015 and later years.

There are commitments of € 0.7 billion (2013: € 0.9 billion) for the purchase of heat until 2038. The indefinite commitments for the purchase of heat are € 0.3 billion per year (2013: € 0.3 billion).

Lease-and-leaseback transactions

The four lease-and-leaseback transactions remaining at year-end 2013 for part of the Utrecht electricity network were terminated early during 2014. As a result, virtually all the original conditional and unconditional rights and obligations under the related contracts have been extinguished. Certain parts of the transactions (specific investments and loans) remain outside the early termination. The associated rights and obligations and related cash flows are being settled through Eneco Holding. Consequently, these rights, some of which were sold in 2014, and liabilities have been recognised in the consolidated balance sheet at 31 December 2014 for € 22 million (Other financial assets) and € 62 million (non-current Interest-bearing debt, see also Note 27) respectively. The negative difference between the initial measurement of these rights and obligations of € 8 million has been recognised as a financial expense in the income statement. Initial measurement was at fair value and covered by 'level 2' in the fair value hierarchy as specified in IFRS 13 'Fair Value Measurement' (see note 18 Derivative financial instruments).

Investment obligations

At 31 December 2014 Eneco had entered into investment obligations with a total amount of € 292 million (2013: € 483 million[1]).

1. 2013 figures restated for comparative purposes.

Other obligations and guarantees

At 31 December 2014 there were existing other payment obligations of € 759 million (2013: € 732 million), payable from 2015.

Eneco has issued guarantees and surety of approximately € 160 million (2013: € 144 million[1]).

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. Stedin Netbeheer B.V. and its subsidiaries form a separate fiscal unity for VAT purposes.

1. 2013 figures restated for comparative purposes.

Legal proceedings

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

31. Related party transactions

Associates, joint ventures and the company's Management and Supervisory Boards are considered as related parties. Shareholders in Eneco with significant influence are also related parties.

Sales to and purchases from related parties are on terms of business normally prevailing with third parties. 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	
	2014	2013	2014	2013
Associates [1]	144	114	22	20
Joint ventures [1]	–	–	2	2

[1] 2013 figures restated for comparative purposes in connection with the amended definition of joint ventures as a result of application of IFRS 11 'Joint Arrangements' from 1 January 2014.

	Assets		Liabilities	
	At 31 December 2014	At 31 December 2013	At 31 December 2014	At 31 December 2013
Associates [1]	15	14	3	3
Joint ventures [1]	1	2	6	–

[1] 2013 figures restated for comparative purposes in connection with the amended definition of joint ventures as a result of application of IFRS 11 'Joint Arrangements' from 1 January 2014.

Note 6 provides details of the remuneration of members of the Management and Supervisory Boards.

There is no other relationship between the members of the Management and Supervisory Boards and Eneco except that of customer and supplier on normal arm's length terms and conditions. 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 (or concentration of certain risks) and the measures to manage them. Stress tests are developed for the principal identified risks and incorporated in the long-term financial plan. This clarifies the impact of risk on operations. Senior 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 and results.

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. This counter-party risk no longer applies to the four remaining cross-border lease transactions as a result of their early termination in 2014.

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

Bilateral margining 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 reports, to manage both risks.

The maximum credit risk is equal to the carrying amount of the financial assets, including derivative financial instruments.

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

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

At 31 December 2014	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Assets			
Derivative financial instruments	1,053	690	363
Cash and cash equivalents	695	331	364
Other financial instruments	837	616	221
	2,585	**1,637**	**948**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Liabilities			
Derivative financial instruments	971	690	281
Current liabilities to credit institutions	331	331	–
Other financial instruments	1,135	616	519
	2,437	**1,637**	**800**

At 31 December 2013	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Assets			
Derivative financial instruments	687	442	245
Cash and cash equivalents	732	610	122
Other financial instruments	742	542	200
	2,161	**1,594**	**567**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Liabilities			
Derivative financial instruments	609	442	167
Current liabilities to credit institutions	610	610	–
Other financial instruments	1,055	542	513
	2,274	**1,594**	**680**

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 from Standard & Poor's or Fitch (2013: A+) or A2 from Moody's (2013: A1). 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;
- procedures for regular assessment of counterparty risk;
- margining as a result of the agreed credit support agreements.

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

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, positions are hedged temporarily in other countries, commodities and/or periods which have an historically strong correlation with the price risks to be hedged. 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 the VaR, the MtM and positions in relation to the limit. Limit infringements are reported immediately, in accordance with the EET commodity mandate. The VaR for the proprietary trading portfolio at 31 December 2014 was € 2.3 million (2013: € 0.8 million). The average VaR in 2014 was € 2.2 million (2013: € 0.9 million).

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. Eneco has hedged the foreign currency risk for the full term of these loans using cross-currency swap contracts. As a result of the early termination of the four remaining cross-border lease transactions, liabilities in US dollars have been recognised in the consolidated balance sheet in 2014 at an initial amount of € 62 million (see also 'Lease-and-leaseback transactions' in Note 30 Contingent assets and liabilities). Eneco has hedged the currency risk in these loans to maturity using 'FX Outright' 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 2013: € 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 € 1.4 million in 2014 (2013: € 0.1 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. To mitigate this, in 2014 Eneco novated one cross-currency swap contract (2013: two) to another party so that there were no further margining obligations for these contracts. At 31 December 2014, Eneco had deposited a total of € 0 million (2013: € 16 million).

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 € 126 million (2013: € 116 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 2018 (2013: € 1.25 billion). This facility was not drawn during 2014.

The syndicated guarantee and letter of credit facility of € 200 million expired on its normal termination date on 1 December 2014 and was not refinanced.

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.

As of 31 December 2014	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	492	251	54	797
Interest-bearing debt	201	1,228	1,190	2,619
Trade and other payables	1,625	130	289	2,044
Total	**2,318**	**1,609**	**1,533**	**5,460**

As of 31 December 2013	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	719	501	14	1,234
Interest-bearing debt [1]	262	686	1,792	2,740
Trade and other payables	1,495	115	240	1,850
Total [1]	**2,476**	**1,302**	**2,046**	**5,824**

[1] 2013 figures restated for comparative purposes (see IFRS 11 in section 1.2).

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 (including the perpetual subordinated bonds issued in 2014) 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 2014 except for the decision to issue perpetual subordinated bonds.

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 2014, it was 51.1% (2013: 50.0%). Management within this Framework includes ratios relevant to the credit rating. In this context, the perpetual subordinated bonds issued in 2014 are classified by Standard & Poor's as an instrument with 50% equity credit and a 50% debt component ('intermediate basket'), which is in contrast to IFRS, under which the perpetual subordinated bonds are regarded entirely as equity.

34. Events after the reporting date

On 1 January 2015, Eneco acquired a number of electricity/district heating production sites and the associated heat distribution network in Utrecht from NUON as had been announced in October 2014. This relates to a business combination covered by the rules in IFRS 3 'Business Combinations'.

The acquisition was made by purchasing the entire share capital and associated control in a cash transaction in 2015. The final purchase price is not yet known as it depends on settlement of specific items. The settlement may affect the allocation of the purchase price (based on fair value) to the identified assets and liabilities. This acquisition fits Eneco's strategy of having the entire heating chain under its control to achieve greater operational efficiency. Eneco will also be able to make innovations to the heating network.

The assets and liabilities were recognised on the acquisition date at their provisional fair value and consisted of some € 50 million of property, plant and equipment and inventory. This acquisition has not yet led to the recognition of goodwill. The acquisition has been effectively recognised in Eneco's consolidated figures from 2 January 2015.

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:

	2014	2013
Movements in intangible current assets	– 2	19
Movements in inventories	6	– 13
Movements in trade receivables	129	– 29
Movements in other receivables	– 6	21
Movements in non-interest bearing debt	14	– 43
Total	**141**	**– 45**

Segment information

All amounts in millions of euros unless stated otherwise.

Gesegmenteerde informatie

Business segments are based on Eneco's internal organisation and management reporting structure. Eneco'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, constructs, maintains and manages district heating networks and offers consultancy services. 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.

From 1 January 2015, the Joulz segment is being broken up, with CityTec and Joulz Energy Solutions becoming part of the Eneco segment and the other business units (in particular, construction and maintenance of gas and electricity networks) merging with the Stedin segment.

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

2014	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	3,342	1,089	159	–	4,590
Inter-segment operating revenues	21	7	423	– 451	–
Purchases of energy and energy related and other operating expenses	– 3,188	– 567	– 560	433	– 3,882
Operating profit before depreciation, amortisation and impairment	**175**	**529**	**22**	**– 18**	**708**
Depreciation, amortisation and impairment	– 107	– 220	– 6	– 12	– 345
Operating profit	**68**	**309**	**16**	**– 30**	**363**
Share of profit of associates and joint ventures					14
Financial income and expenses					– 100
Profit before income tax					**277**

2013	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	3,973	1,158	120	–	5,251
Inter-segment operating revenues	52	6	440	– 498	–
Purchases of energy and energy related and other operating expenses	– 3,735	– 567	– 540	468	– 4,374
Operating profit before depreciation, amortisation and impairment	**290**	**597**	**20**	**– 30**	**877**
Depreciation, amortisation and impairment	– 249	– 206	– 6	– 21	– 482
Operating profit	**41**	**391**	**14**	**– 51**	**395**
Share of profit of associates and joint ventures					13
Financial income and expenses					– 94
Profit before income tax					**314**

Balance sheet by business segment

At 31 December 2014	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Eliminations and non-allocated	Total
Assets					
Assets	4,732	5,064	348	– 50	10,094
Associates and joint ventures	57	–	–	–	57
Total assets	**4,789**	**5,064**	**348**	**– 50**	**10,151**
Liabilities					
Equity and non-current liabilities	3,361	4,736	89	– 76	8,110
Current liabilities	1,428	328	259	26	2,041
Total equity and liabilities	**4,789**	**5,064**	**348**	**– 50**	**10,151**

At 31 December 2013	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Eliminations and non-allocated	Total
Assets					
Assets	4,409	4,867	355	– 477	9,154
Associates and joint ventures	49	–	–	–	49
Total assets	**4,458**	**4,867**	**355**	**– 477**	**9,203**
Liabilities					
Equity and non-current liabilities	3,189	4,484	47	– 348	7,372
Current liabilities	1,269	383	308	– 129	1,831
Total equity and liabilities	**4,458**	**4,867**	**355**	**– 477**	**9,203**

Other data by business segment

2014	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Total
Investments in property, plant and equipment and intangible assets	396	441	5	842
Depreciation/amortisation of property, plant and equipment and intangible assets	108	230	7	345

2013	Segment Energy Company Eneco	Segment Stedin	Segment Joulz	Total
Investments in property, plant and equipment and intangible assets	408	438	8	854
Depreciation/amortisation of property, plant and equipment and intangible assets	250	216	16	482

Revenues by country

	2014	2013
Netherlands [1]	4,348	4,948
Belgium	212	279
Other [1]	30	24
Total	**4,590**	**5,251**

[1] 2013 figures restated for comparative purposes.

Property, plant and equipment by country

	2014	2013
Netherlands	7,438	6,973
Belgium	243	233
Other	241	197
Total	**7,922**	**7,403**

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

Subsidiaries

Name	Seat	Share
AgroPower B.V. *	Delft	100%
BioEnergieCentrale Delfzijl B.V.	Rotterdam	100%
CityTec B.V. *	The Hague	100%
Ecofys Netherlands B.V.	Utrecht	100%
Eneco B.V. *	Rotterdam	100%
Eneco België B.V. *	Rotterdam	100%
Eneco Consumenten B.V. [voorheen: Eneco Retail B.V.] *	Rotterdam	100%
Eneco Consumenten Nederland B.V. [voorheen Eneco Supply B.V.] *	Rotterdam	100%
Eneco Energy Trade B.V. *	Rotterdam	100%
Eneco Gasspeicher B.V. *	Rotterdam	100%
Eneco Installatiebedrijven Groep B.V. [voorheen: Eneco Installatiebedrijven B.V.] *	Rotterdam	100%
Eneco International B.V.	Rotterdam	100%
Eneco Solar Assets France 1	Roquefort (F)	100%
Eneco Solar Belgium N.V.	Maldegem (B)	100%
Eneco Solar, Bio & Hydro B.V. *	Rotterdam	100%
Eneco Warmte & Koude B.V. *	Rotterdam	100%
Eneco Wind B.V. *	Rotterdam	100%
Eneco Wind Belgium S.A.	Waver (B)	100%
Eneco Wind UK Ltd.	London (UK)	100%
Eneco Windenergie Delfzijl Noord v.o.f.	Rotterdam	100%
Eneco Windmolens Offshore B.V.	Rotterdam	100%
Eneco Zakelijk B.V. [voorheen: Eneco Business B.V. *	Rotterdam	100%
Luminext B.V.	Amsterdam	100%
LZN Ltd.	London (UK)	100%
N.V. Eneco Beheer *	Rotterdam	100%
Offshore Windpark Q7 B.V.	IJmuiden	100%
Oxxio Nederland B.V. *	Leusden	100%
Quby Products B.V.	Amsterdam	53%
Stedin Meetbedrijf B.V. *	Capelle aan den IJssel	100%
Stedin Netbeheer B.V. *	Rotterdam	100%
Stedin Operations B.V. [voorheen: Joulz B.V.]*	Rotterdam	100%
Tullo Wind Farm Ltd.	London (UK)	100%
Windpark Afrikahaven B.V.	Utrecht	100%
Windpark de Beemden B.V.	Rotterdam	100%
Windpark De Graaf B.V.	Oosterhout	100%
Windpark Houten B.V.	Rotterdam	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-Henrica 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 operations

Name	Seat	Share
CDMA Utilities B.V.	Arnhem	50%
Enecogen v.o.f.	Rotterdam	50%
Navitus Bay Development Limited	London (UK)	50%
Norther S.A.	Grand Leez (B)	50%
Q10 Offshore Wind B.V.	Rotterdam	50%
Warmtetransportbedrijf Amstelland Zuid-Amsterdam (WAZA) B.V.	Rotterdam	50%
Windpark Sabina-Henricapolder v.o.f.	Rotterdam	50%

Joint ventures

Name	Seat	Share
PVNED Holding B.V.	Middelburg	50%

Associates

Name	Seat	Share
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	2014	2013
Share of profit of subsidiaries	271	259
Other results after income tax	– 65	– 18
Profit after income tax	**206**	**241**
Profit distribution:		
Profit after income tax attributable to holders of Eneco Holding N.V. perpetual subordinated bonds (after income tax)	1	–
Profit after income tax attributable to shareholders of Eneco Holding N.V.	205	241
Profit after income tax	**206**	**241**

Company balance sheet

Before profit appropriation

x € 1 million	Note	At 31 December 2014	At 31 December 2013
Non-current assets			
Financial assets	2	8,255	7,623
Current assets			
Receivables from group companies [1]		36	229
Current income tax assets		3	25
Other receivables [1]		1	16
Cash and cash equivalents		521	106
Total current assets		**561**	**376**
TOTAL ASSETS		**8,816**	**7,999**
Equity			
Share capital		497	497
Share premium		381	381
Revaluation reserve		821	861
Translation reserve		23	4
Cash flow hedge reserve		– 35	– 32
Reserve for undistributed profit of associates [1]		32	22
Retained earnings [1]		2,759	2,614
Undistributed profit		205	241
Equity attributable to Eneco Holding N.V. shareholders		**4,683**	**4,588**
Perpetual subordinated bonds		501	–
Total equity	3	**5,184**	**4,588**
Non-current liabilities			
Interest-bearing debt	4	1,672	1,577
Other liabilities		106	113
Total non-current liabilities		**1,778**	**1,690**
Current liabilities			
Interest-bearing debt	4	1,793	185
Liabilities to group companies		38	1,514
Other liabilities		23	22
Total current liabilities		**1,854**	**1,721**
TOTAL EQUITY AND LIABILITIES		**8,816**	**7,999**

[1] 2013 figures restated for comparative purposes.

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 2013	**5,615**	**1,566**	**23**	**–**	**36**	**7,240**
Share of profit of subsidiaries	259	–	–	–	–	259
Movements in deferred tax assets	–	–	–	–	– 33	– 33
Movements in loans to subsidiaries	–	149	–	–	–	149
Movements in fair value of derivative financial instruments in equity	8	–	–	–	–	8
Translation differences	–	–	–	–	–	–
At 31 December 2013	**5,882**	**1,715**	**23**	**–**	**3**	**7,623**
Share of profit of subsidiaries	271	–	–	–	–	271
Movements in deferred tax assets	–	–	–	–	1	1
Movements in loans to subsidiaries	–	311	–	–	–	311
Movements in other loans	–	–	1	–	–	1
Movements in fair value of derivative financial instruments in equity	20	–	–	8	–	28
Translation differences	4	14	2	–	–	20
At 31 December 2014	**6,177**	**2,040**	**26**	**8**	**4**	**8,255**

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 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 operations, joint ventures and associates and those similarly indicated in the full list filed with the trade registry in Rotterdam.

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 relate to 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	2014	2013
Audit of the financial statements	912	847
Other audit engagements	851	1,066
Other non-audit services	155	257
Total	**1,918**	**2,170**

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 and include those charged by entities associated with the auditor in the Deloitte network (2014: € 155,000 and 2013: € 228,000).

Rotterdam, 20 February 2015

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
H.G. (Henk) Dijkgraaf
B.A. (Marco) Keim
M. (Marike) van Lier Lels
M. (Mirjam) Sijmons
K.G. (Klaas) de Vries

Other information

1. Events after the reporting date

See Note 34 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 for appropriation of profit for 2014

A proposal will be put to the General Shareholders' Meeting to pay a dividend of 50% of the profit after income tax attributable to the shareholders of Eneco Holding N.V. This would represent a total distribution of € 102.5 million for 2014 or € 20.62 per share. The dividend will become payable on the customary date: 17 April 2015.

3. Independent auditor's report and assurance report

To: The shareholders and the Supervisory Board of Eneco Holding N.V. and all other stakeholders

Report on the financial statements 2014 and assurance report on the Strategic Key Performance Indicators included in the annual report 2014

Our opinion

Regarding the financial statements

We have audited the accompanying financial statements 2014 of Eneco Holding N.V. in Rotterdam (the "Company"). The financial statements comprise the consolidated and the company financial statements.

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of the Company at December 31, 2014 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and with Part 9 Book 2 of the Dutch Civil Code; and
- the company financial statements give a true and fair view of the financial position of the Company at December 31, 2014 and of its result for the year then ended in accordance with Part 9 Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2014;
- the following statements for the year ended December 31, 2014: the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at December 31, 2014;
- the company income statement for the year ended December 31, 2014; and
- the notes comprising a summary of the accounting policies and other explanatory information.

Regarding the Strategic Key Performance Indicators

We have audited the Strategic Key Performance Indicators in the annual report 2014 (the "Report") on pages 4 and 5 with numbers 1, 2, 3, 4, 5, 6, 7, 9, 10, 11 and 12 (the "KPIs") and we have assessed whether the Report has been prepared in accordance with the core requirements of the G4 Guidelines of the Global Reporting Initiative ("GRI"), with the objective of issuing an assurance report that provides reasonable assurance.

In our opinion:

- the KPIs are, in all material respects, a reliable and adequate reflection of the policies of the Company and the business operations, the events, and the performances relating to those policies in 2014;
- the Report has, in all material respects, been prepared in accordance with the core requirements of the G4 Guidelines of GRI.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities in this respect are set out in the section "Our responsibilities for the financial statements audit and the Report".

We are independent of the Company as required under the Regulation on Auditor Independence in Assurance Engagements ["Verordening inzake de onafhankelijkheid van accountants" – ViO] and other relevant independence requirements in the Netherlands relevant to the engagement. Furthermore, we have complied with the Regulation Code of Conduct and Professional Practice Auditors ["Verordening gedrags- en beroepsregels accountants" – VGBA].

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

Comparative information included in the Report

For 2013 we have only provided reasonable assurance with respect to the KPIs that were in scope that year.

Materiality for the audit of the financial statements

Misstatements may arise due to fraud or errors. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Materiality influences the nature, timing and scope of our audit procedures and the evaluation of the impact of identified misstatements on our opinion.

Based on our professional judgment we determined materiality for the financial statements as a whole at € 37.5 million. Materiality is based on 0.8% of the revenues from energy sales and transmission and energy related activities. We also take into account misstatements and/or possible misstatements that in our judgment are material for qualitative reasons for the users of the financial statements.

We have agreed with the Supervisory Board that we would report to them misstatements in excess of € 1.9 million as well as misstatements below that amount that are relevant in our view, for qualitative reasons.

Scope of the group audit

The Company is the parent of a group of entities. The financial information of this group is included in the consolidated financial statements of the Company.

Given our responsibility for the opinion on the financial statements, we are responsible for managing, supervising, and performing the group audit. As part of this responsibility we determined the nature and scope of the procedures to be performed for the components of the Company, i.e., the business units. Relevant factors we considered in this respect are the scope and/or the risk profiles of the business units or the business operations. Based on this we selected the business units for which an audit or a review of the full financial information or of specific account balances, classes of transactions or disclosures was necessary.

Our group audit has particularly focused on significant business units. We have:

- performed a complete audit of Stedin's financial information; and
- at other business units we have performed an audit of specific account balances, classes of transactions or disclosures, or we have performed specific audit procedures or review procedures. For Eneco Belgium we used the work of other auditors within the Deloitte network.

By performing the procedures referred to above at the Company's business units, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group to provide a basis for our opinion on the consolidated financial statements.

The key audit matters for our audit of the financial statements

The key audit matters for our audit of the financial statements are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We

have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters discussed.

We have addressed these key audit matters in the context of our audit of the financial statements as a whole. Our findings on the individual audit matters should be considered in that context and should not be regarded as separate opinions on these audit matters.

Estimation uncertainty when determining the energy reconciliation

The energy reconciliation for electricity and gas (the "energy reconciliation") is where purchases and sales are reconciled. The following processes play a key part in preparing the energy reconciliation: allocation, reconciliation, gross margin modelling, reconciliation records, and grid loss estimation. The energy balance thus forms the basis for (the completeness of) the revenues from energy sales. The sales estimation within the energy reconciliation was one of our key audit matters, because the estimation process is to an extent complex and subjective and it is based on assumptions, among which the customers' consumption of electricity and gas. In this respect we also refer to note 3 to the consolidated income statement "Revenues from energy sales and transmission and energy-related activities", where the estimation of revenues is explained in more detail.

We have tested the design and the implementation of the internal control measures in respect of the process for preparing the energy reconciliation. In addition, we have verified the reliability of the information on which the sales estimation has been based and we have assessed the reasonableness, relevance and consistency of the assumptions applied. In this respect we have specifically focused on the standard annual consumption of gas and electricity by customers applied and the estimation of the influence of weather conditions on this consumption. Furthermore, we have performed audit procedures on the revenues still to be invoiced after year-end, including subsequent review testing in 2015.

Impairment of (in)tangible fixed assets

The (in)tangible fixed assets constitute a significant part of the balance sheet of the Company. Regulatory developments and circumstances on the energy markets may lead to impairment of (in)tangible fixed assets. Under IFRS-EU, the Company is obliged to perform an examination of impairment triggers and an impairment test as regards to cash flow generating units to which goodwill has been allocated. The examination of impairment triggers and the impairment test are significant to our audit given the volatility of electricity and gas prices and because the estimation process is to an extent complex and subjective and it is based on assumptions, among which the discount rate.

We have assessed the examination for impairment triggers and the impairment test, using our own valuation experts. We have verified the reliability of the information on which the expectations have been based and assessed the reasonableness, relevance and consistency of the assumptions applied. In this respect we have specifically focused on the weighted average cost of capital (WACC) applied and the allocation of indirect costs to the cash flow generating units. Furthermore, we have examined the notes to the assumptions and the outcome of the impairment tests as included in notes 13 "Property, plant and equipment" and 14 "Intangible assets" of the financial statements, which specifically state that the direct realizable value is well in excess of the carrying amount of the (in)tangible fixed assets.

Reliability and continuity of the automated data processing

The Company heavily depends on the IT infrastructure for the continuity of its business operations. We have assessed the reliability and continuity of the automated data processing to the extent necessary within the scope of the financial statements audit. To this end we have included specialised IT auditors in our audit team. Our procedures comprised the assessment of the IT infrastructure developments and testing the internal control measures regarding IT systems and processes that are relevant to our audit. Our management letter to the Board of Management includes recommendations aimed at possible further improvements in this area. We refer to the In Control-statement of the Board of Management of the Company (page 129), as well as to the paragraph "Supervision by Audit & Risk Committees at every level" (page 14).

Responsibilities of the Board of Management and the Supervisory Board for the financial statements and the Report

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Annual Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and for such internal control the Board of Management determines is necessary to enable the preparation of the Report and the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

The Board of Management of the Company is also responsible for preparing the Report in accordance with the core requirements of GRI, including the identification of stakeholders and the determination of material topics. The choices regarding the scope of the Report and the reporting policy, made by the Board of Management, have been explained in the chapter "Reporting policy".

Our responsibilities for the audit of the financial statements and the Report

Our responsibility is to plan and perform the audit that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which makes it possible that we did not detect all errors or frauds.

We refer to the appendix to the auditor's report as included on page 116 for a more detailed description of our responsibilities.

Report on other legal and regulatory requirements

Report on the Annual Report and the other information

Pursuant to the legal requirements of Part 9 Book 2 of the Dutch Civil Code (concerning our responsibility to report on the Annual Report and the other information) we report:

- that we have no deficiencies to report as a result of our examination as to whether the Annual Report, to the extent we can assess, has been prepared in accordance with Part 9 Book 2 of the Dutch Civil Code, and whether the other information as required under Part 9 Book 2 of the Dutch Civil Code has been annexed; and
- that the Annual Report, to the extent we can assess, is consistent with the financial statements.

Appointment

We have been appointed by the shareholders to be the auditor of the Company as from the audit of the financial year 1997 and have been the external auditor since then, to date.

Rotterdam, 20 February 2015

Deloitte Accountants B.V.

Signed on the original,

J.A. de Bruin

Appendix: more detailed description of our responsibilities

Appendix: more detailed description of our responsibilities

We have maintained professional scepticism throughout the audit and have exercised professional judgment, where relevant, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than of one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and the Report and evaluating related disclosures made by the Board of Management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation and evaluating the overall presentation of the Report.

Our main procedures when auditing the KPIs and the appropriate application of the core requirements of the G4 Guidelines of GRI to the Report comprised:

- performing an environmental analysis and obtaining an understanding of the relevant social topics and issues, relevant legislation and regulations and the characteristics of the organization;
- evaluating the acceptability of the reporting policy and its consistent application, which includes an evaluation of the reasonableness of estimations made by the Board;
- evaluating the application level according to the core requirements of the G4 Guidelines of GRI;
- evaluating the design and implementation and testing the functioning of the systems and processes for data collection and processing for the KPIs;
- conducting interviews with relevant employees responsible for providing information on the KPIs, for performing internal audits in this respect and for the disclosure in the Report;
- verifying relevant data and internal and external documentation, based on sample tests, to establish the reliability of the information in the Report;
- performing an analytical evaluation of data and trends with respect to the KPIs.

The Report includes forward-looking information in the form of ambitions, strategy, plans, expectations, and estimations. Inherent to this information is that the actual future outcome is uncertain. We do not provide any assurance whatsoever on the assumptions and the feasibility of forward-looking information in the Report.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal controls that we identify during our audit.

We confirm to the Supervisory Board that we have complied with relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine our key audit matters. We describe these key audit matters in our auditor's report unless prohibited by legislation and regulations or when, in extremely rare circumstances, not communicating the matters is in the public interest.

Profile

Eneco Holding NV ('Eneco Group') is the only integrated energy group in the Netherlands that has the specific ambition to produce, transport and supply energy in a sustainable manner. A brief description of entities of Eneco Group referred to in this annual report is provided below.

Eneco

The 3,500 employees of energy company Eneco ensure that 2.2 million businesses and households are supplied with the energy they need to carry out their daily activities. In addition to producing, purchasing, trading and supplying energy, Eneco provides service and advice to its customers.

Working together to enhance sustainability of energy

Eneco is able to supply more and more sustainable energy, because we collaborate with customers, businesses, government bodies, shareholders and investors to enhance the sustainability of the energy supply. Our practical and tailor-made solutions help customers to save energy, generate their own energy and purchase (sustainable) energy.

Eneco is expanding its sustainable energy production capacity to be able to supply sustainable energy to more and more of its customers. To this end, we invest in onshore and offshore wind energy, energy from biomass, solar energy and hydro-energy projects in the United Kingdom, Germany, France, the Netherlands and Belgium, both independently and together with partners.

Continuous availability of energy

When insufficient sustainable energy is available due to lack of sunlight or low wind forces, Eneco supplies energy that is, preferably, generated from gas - the cleanest fossil fuel. This gas is obtained from different sources and can be stored in our own gas storage facilities. We ensure that our customers can always rely on the supply of the most sustainable form of energy possible at a stable price. To balance the energy demand of our customers and the supply of energy, Eneco also participates in the wholesale market. Eneco is not active in the are of proprietary trading in the form of trading positions solely aimed at generating positive financial results.

Eneco Belgium

In Belgium, Eneco supplies energy on the consumer market (since 2011) and the business market (since 2008). Operations in Belgium also include the management of wind farms and solar and bioenergy projects.

Eneco United Kingdom

Eneco's sustainable energy production portfolio in the United Kingdom has grown steadily since the start of our operations in this country in 2008. The construction of solar parks and onshore and offshore wind farms is managed from our offices in Warwick and Inverness. Eneco supplies the generated energy to the grid and directly to business customers. Under the name Highlands Wind, Eneco will take its first step on the consumer market in the United Kingdom in 2015.

Stedin

Stedin facilitates the use of sustainable energy with the installation of smart meters and through the installation of new or adaptation of existing grids to enable customers who produce energy to feed this energy into the grid. The grid operator also manages the gas and electricity meters in its coverage area and makes the necessary adjustments to energy connections for customers who move house, switch suppliers or end their contract as well as adjustments in connection with the renovation or demolition of buildings.

Joulz

Joulz offers a complete package of consulting and engineering services, ranging from the design and installation to the management of energy infrastructures (cables and grids). Its clients are mainly national, regional and private grid administrators as well as road authorities, utility companies and the industry sector. Ensuring optimal availability of energy infrastructures is its most important task, as this is essential for the continuity of daily life and the business operations of customers. Areas in which Joulz operates include energy transmission, energy distribution, public space (public lighting and traffic control installations) and sustainable energy solutions.

CityTec

CityTec specialises in optimisation of the public space in areas such as public lighting, traffic control installations, parking installations and charge spots for electric vehicles. CityTec's 320 employees are responsible for the management and maintenance of 600,000 streetlights, 30,000 traffic lights and 2,000 parking installation in the Netherlands. Clients include municipalities, Rijkswaterstaat, provinces, water boards, port

facilities, housing associations and private organisations such as car parks and hospitals.

Ecofys

Ecofys considers knowledge and innovation to be the key factors in turning the ideas of today into the viable realities of tomorrow. Ecofys supports public and corporate organisations to adapt to changes and to identify new opportunities quickly. Together with its clients, Ecofys takes relevant steps, ranging from energy roadmaps to policy advice, and ensures that business projects are realised in a practical and sustainable manner. Ecofys is a leading consultancy firm in renewable energy, energy & carbon efficiency, energy systems & markets and energy & climate policy.

AgroEnergy

AgroEnergy is the energy specialist for the agricultural sector in the Netherlands and market leader in the horticultural sector. An increasing number of horticultural companies wish to enhance the sustainability of their operations in view of the demand for sustainably grown produce. Through AgroEnergy's specialised knowledge with respect to energy in the agricultural and horticultural sectors, we aim to help horticultural businesses to achieve good results in energy trading. We are a frontrunner in the development of innovative products and services, such as geothermal energy, green gas and feeding energy produced by households and businesses into the grid.

Oxxio

Oxxio is an independent brand within Eneco Group. The company supplies gas and electricity that is generated from sustainable energy sources, at an attractive price. Oxxio serves the consumer market, small and medium-sized businesses and corporate clients and is the fourth largest energy supplier in the Netherlands.

Corporate governance

Eneco complies with the Corporate Governance Code. As Eneco is not listed on the stock exchange, some stipulations of the code are not applicable. In areas where this code does not apply to the company - see eneco.nl/corporate - Eneco applies the relevant best practice criteria.

Governance roles

Board of Management

The Board of Management is ultimately responsible for the performance of Eneco Group and its subsidiaries. The Board of Management is appointed by the Supervisory Board and is accountable to the General Shareholders' Meeting.

Eneco's Board of Management consists of four members. Personal information on the members of the Board of Management can be found on Eneco's corporate website.

Supervisory Board

The Supervisory Board of Eneco Group provides advice to the Board of Management, operates independently and supervises the policy of the Board of Management and the general performance of Eneco Group and its subsidiaries.

At present, the Supervisory Board of Eneco consists of six members and has appointed three committees:

- The Remuneration Committee provides advice with respect to the remuneration of the members of the Board of Management. Chairman of this committee is Mirjam Sijmons. The other members are Edo van den Assem and Marike van Lier Lels
- The Selection and Appointments Committee provides advice with respect to the selection and appointment of members of the Board of Management. Chairman of this committee is Klaas de Vries. The other members are Edo van den Assem and Mirjam Sijmons.
- The Audit Committee supervises the integrity of the financial reporting, the internal control and the risk management as well as the internal and external audit process. The members of this committee are Henk Dijkgraaf (Chairman) and Marco Keim.

Shareholders

The shares of Eneco Group are held by 53 municipalities. Eneco organises a General Shareholders' Meeting within six months after the closing of the financial year, or more frequently if deemed necessary by the Supervisory Board or Board of Management. During this annual Meeting, the annual report is discussed and the financial statements are adopted. The General Shareholders' Meeting is also responsible for the appointment and dismissal of members of the Supervisory Board, the Supervisory Board and Board of Management remuneration policy and changes to the articles of association. An overview of all the shareholders is included on Eneco's corporate website.

Code of conduct

The conduct and integrity standards that Eneco has published on its website apply to all of its employees. Employees can contact one of the four confidential counsellor appointed by Eneco Group to report issues relating to integrity (see Integrity (page 128)).

Striving for diversity and inclusiveness

The realisation of our vision Sustainable, Decentralised, Together requires balanced teams of employees who, together, are able to make a connection with our customers and our surroundings, make the best decisions and ensure a balanced implementation. This not only requires a good balance between men and women, but also means that there is a place in the organisation for people with a different view, background or personality and for the challenged. For these teams to be successful, it is important that differences are respected and that we enter into a constructive dialogue to achieve the best results in collaboration. It is this constructive dialogue that enables us to shape our strategy from all possible angles.

Eneco strives for diversity at all levels, including the Supervisory Board and Board of Management. In consultation with the central works council, we have set ourselves the target of appointing women to 30% of the management positions. At present, the share is approximately 26 percent (2013: 23 percent) and is increasing. Eneco now has four female directors, of which two Business Unit Directors. The Supervisory Board consists of four male and two female members. The aim for the selection procedure for two new Supervisory Board members, which started at the end of 2014, is to have a well-balanced list of candidates.

The percentage of female employees is as follows:
Joulz: 10 percent (2013: 9 percent)
Stedin: 24 percent (2013: 22 percent)
Eneco: 36 percent (2013: 32 percent)
Eneco Group: 25 percent (2013: 22 percent)

To further enhance the balance between men and women within the group, the aim for 2014 was to apply a balanced approach and to strive for an equal number of men and women in the external recruitment for management positions at all levels. In 2014, Eneco Group hired 91 new employees, of which 33 women (36 percent).

Policy, codes and guidelines

Reporting policy 2014

Concise report

In the integrated annual report, Eneco accounts for its financial and non-financial performance. We publish our annual report online and also offer visitors the same content in the form of a PDF file.

We carried out an assessment of the manner in which we determined the contents of the previous report and we implemented improvements based on this assessment. We then carried out a thorough assessment of the contents of the report and we used the resulting insights to determine the contents of this new report. Naturally, the feedback provided by readers of the annual report was also taken into account.

Analysis of the behaviour of visitors of the website on which our annual reports are published shows that our readers prefer a concise report. Short sections are read more frequently than sections that contain a lot of text and we noticed a clear preference for topics such as our forward looking statements, the strategic KPIs and our performance with respect to these KPIs. Based on these findings, we have decided to be more selective in the choice of topics included in the annual report. The aim is not to be exhaustive, but to limit the content to topics that are most relevant from the perspective of our stakeholders and from our own perspective.

Reporting in accordance with G4 Core

Again in 2014, we opted to report in accordance with the G4 Core guidelines of the Global Reporting Initiative (GRI). These guidelines are in line with Eneco's preference and the preference of our stakeholders to provide concise information on our financial and non-financial performance. Core-level means that we are required to report on at least one G4 indicator per relevant aspect (topic), which provides more freedom to select topics that relate to our control framework.

Materiality analysis

In 2013, we started with the internal analysis of the materiality of the topics on which we report. Based on the strategic themes, we determined the topics on which we report, including the impact of these topics on our organisation in areas such as business continuity, reputation and license to operate, and on main stakeholders in the form of, for example, lower energy costs and availability of energy

In 2014, the selection of topics relevant to our stakeholders was based on this internal analysis and our knowledge of the different groups of stakeholders. Other input included the results of a short online stakeholder survey and information obtained through our continuous dialogue with stakeholders (see Stakeholders (page 18)). Questions related to how often they read the annual report, whether the report meets their information requirements and what topics they find most important. Topics that are most important from the perspective of Eneco are those that have a direct link with our strategic goals and the related strategic KPIs (page 4). This selection process resulted in a shortlist that was adopted by the Board of Management.

The figure below shows the main topics derived from the internal analysis. The red topics combined form the scope of the report. Further information is included in the next paragraph, which describes the topics that are relevant for the annual report.

Relevant topics

A table containing information on the materiality of the relevant topics that are part of the scope of this annual report is included as an appendix to the report. Detailed information on specific objectives - based on the objectives specified for the aforementioned KPIs – with respect to the relevant topics can be found in the section Progress (page 20), which also describes our previous and planned actions aimed at achieving these objectives. The GRI index (page 44) provides an overview of the GRI indicators that formed the basis for the preparation of the annual report.

The decision to keep the report concise means that some topics that readers may have expected to find are not included. An example is the topic 'Expertise and talent development' that was included in the 2013 annual report. Although this continues to be an important topic for our employees, it is not a separate strategic objective and shall, therefore, no longer be addressed specifically in our annual report. Other communication channels, such as our corporate website are more appropriate for providing information on such topics.

Biodiversity not yet included

We cannot avoid that some of our operations, such as wind farms and maintenance on our grids, have an impact on the natural environment. Biodiversity is under pressure, largely as a

result of human activity. However, it is difficult to assess exactly the role that Eneco and its customers play in this respect. Furthermore, there is no scientific consensus on the limits of what the planet can endure. This requires more research, which is what we are working on now. For this reason, the topic of biodiversity is not yet included in the annual report. If this research shows that our impact on biodiversity is substantial, we shall provide information on this matter in future annual reports. In view of the complexity of the research, it is not possible to give an indication of when the results shall become available.

Reporting process

The Board of Management determines the strategy. The content of the annual report is created with the aid of a content model that is based on a materiality analysis. The starting points for the strategy are a balance between risk and return and properly taking into account the interests of our stakeholders. With our main stakeholders, we regularly discuss the relevance of our strategy and possibilities for enhancing the sustainability in the production chain in collaboration with customers, employees, shareholders, the government and NGOs. Agreements have been made with respect to reporting. Aspects specified for the strategic KPIs that are linked to our strategic themes include responsibility, definition, scope, calculation, required sources and systems, quality assurance and processes. Developments are reported periodically for each KPI and discussed with the boards of the Eneco entities concerned. Adjustments are made if and where necessary.

Collecting information and accountability

The Board of Management is ultimately responsible for the annual report. The preparation of the annual report is delegated to a process manager who manages a multi-disciplinary team.

The responsibility for the content of the annual report is divided between the financial department and the corporate communications and public affairs department.

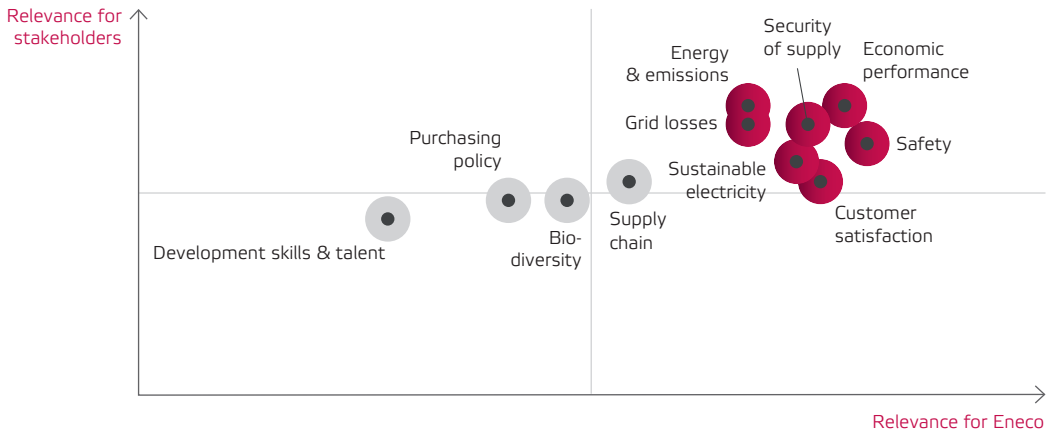
The financial and non-financial KPIs are an integral part of the planning and control cycle. To this end, we have designed a management system in which KPI-related data is collected during the course of the year. The results are discussed during the regular business reviews.

Based on an accountability index, the responsibility for each topic is assigned to a specific person. In accordance with the model, these topic owners provide information about their topic and approve the texts after the final editing. The Board of Management provides comments in two rounds and approves the final version before it is sent to the Supervisory Board.

Assurance non-financial information by independent auditor

Eneco hires a third party to assess the reliability of the most relevant non-financial information included in the annual report and to confirm this reliability by means of an assurance report. For the financial years 2011, 2012 and 2013, we have asked Deloitte Accountants to assess the strategic KPIs and compliance with GRI guidelines at the level applied[1] in addition to assessing the financial statements. 2013 was the first year in which Eneco reported in accordance with the GRI G4 guidelines at Core level and also the first year in which we requested that the assessment of the strategic KPIs and of the correct application of G4 Core level guidelines would be carried out to provide assurance at the highest level (reasonable assurance). This advanced standard for the assessment of the strategic KPIs and of the correct application of G4 Core level guidelines was also applied for the 2014 annual report.

Materiality index Eneco



[1] We have not asked Deloitte Accountants to assess the KPI Credit Rating, because the score on this KPI cannot be influenced by Eneco, nor did we ask them to provide assurance with respect to the other information in the integrated annual report, including comparative information on previous years. The full text of the Independent Auditor's Report (page 111) can be found in the section Other information.

Materiality analysis

Specification of the materiality analysis:

Economic performance

A solid financial basis is essential for continued investment in innovations, infrastructure and energy production facilities necessary for the transition to a sustainable energy supply. This investment is important for society, in terms of the guaranteed availability of energy, for Eneco, in terms of future economic performance, and for stakeholders that have a long-term relationship with Eneco.

Where	Purchase	Production	Distribution	Supply	Consumption
Netherlands, Belgium, France, UK	V	V	V	V	

Main stakeholders	Scope	KPI
Shareholders, Financial institutions	Eneco Group	ROACE Credit rating

Energy & emissions

Eneco's aim is to reduce the impact on the planet of the emissions generated by the company and by our customers. Various climate objectives specify that emissions reduction is in the interest of society and future generations.

Where	Purchase	Production	Distribution	Supply	Consumption
Netherlands, Belgium, France, UK	V	V	V	V	V

Main stakeholders	Scope	KPI
Customers, Governments	Energy company Eneco	Reduction of the effect of the electricity consumption of our customers on climate change, compared with 2012

Sustainable electricity

In order to keep the planet habitable for future generations, the aim of society is to generate more electricity from sustainable sources. This aim is in line with Eneco's strategic ambitions.

Where	Purchase	Production	Distribution	Supply	Consumption
Netherlands, Belgium, France, UK	V	V		V	V

Main stakeholders	Scope	KPI
Customers, Governments, NGOs	Eneco Energy Trade; Eneco Solar, Bio & Hydro; Eneco Wind	Share of sustainable electricity production in total supply portfolio. Additional sustainable capacity.

Customer satisfaction

Customer first is the central theme in our daily activities. In 2014, this resulted in a number of organisational changes, such as the one-stop service counter principle. Customer retention, which starts with creating customer satisfaction, is important for Eneco's financial performance.

Where	Purchase	Production	Distribution	Supply	Consumption
Netherlands			V	V	V

Main stakeholders	Scope	KPI
Customers; NGOs	Eneco Consumers; Stedin	Net Promoter Score Eneco; Number of months satisfied Stedin customers

Safety

Safety, in the form of a safe working environment for our employees and safety for the people around us, is Eneco's number one priority. Safety relates to all aspects of our internal organisation as well as to the environment in which we operate.

Where	Purchase	Production	Distribution	Supply	Consumption
Netherlands, Belgium, France, UK		V	V	V	

Main stakeholders	Scope	KPI
Employees, Shareholders, Surroundings	Eneco Group	LTIR

Grid losses

The reduction of grid losses contributes to two strategic objectives: reduction of harmful emissions and cost control.

Where	Purchase	Production	Distribution	Supply	Consumption
Netherlands			V		

Main stakeholders	Scope	KPI
Customers, Governments, NGOs	Stedin	Reduction of the effect of the electricity consumption of Eneco Group on climate change, compared with 2012

Security of supply

Continuous availability is essential for our customers. This is why Eneco makes targeted investments aimed at minimising the interruption duration. Security of supply is a contributing factor to Eneco's strategic success.

Where	Purchase	Production	Distribution	Supply	Consumption
Netherlands			V		

Main stakeholders	Scope	KPI
Customers	Energy company Eneco; Stedin	Average energy supply interruption duration

Chain responsibility

Eneco takes its social responsibility very seriously. This is why we strive to make the chain in which we operate to supply products and services to our customers as sustainable as possible from start to finish, in collaboration with our suppliers.

Eneco's aim is a completely sustainable procurement process. To this end, we strived to purchase at least 90 percent of our expenditures in 2014 from suppliers who meet our sustainability criteria. The final result was 93 percent.

Production chains

Eneco's core activities, the production, supply and distribution of energy, are linked to a number of different production chains. This means that we deal with different suppliers for different activities, such as suppliers of wind turbines for our production activities.

In connection with our supply activities, we supplement the sustainable energy produced by our own production facilities with energy that we purchase on the market in order to meet the demand of our customers. In addition, we conclude purchase contracts with the owners of wind farms. The gas for our gas plant is purchased on the market or by means of long-term purchase contracts. Our gas storage facility is used to guarantee the continuity of supply and to have more control over the price at which we purchase the gas.

Our distribution activities involve collaboration with contractors working on our gas and electricity grid. They also encompass the purchase of materials such as cables, pipelines, transformer stations and smart meters.

Direct and indirect purchases

Eneco distinguishes between direct and indirect purchases. Direct purchases (55 percent) include products and services used in the construction of wind farms, such as wind turbines, services provided by contractors and materials used for construction. Indirect purchases (45 percent) include facilities ranging from offices to office supplies.

Selection of sustainable suppliers

Our suppliers, and the suppliers of our suppliers, play an important role in the realisation of our mission. In addition to ensuring that our own operations are sustainable, we also strive to guarantee sustainability in the entire supply chain.

Eneco assumes responsibility in the supply chains in which it operates by selecting suppliers on the basis of their performance in the area of sustainability in addition to factors such as price, quality and service. In connection with our ambition: Sustainable energy for everyone, we require a certain level of corporate social responsibility from our suppliers.

This is recorded in the agreements included in our Supplier Code of Conduct, which must be signed by all our suppliers. In addition, we expect companies that supply products and/or services to Eneco of an amount of 10,000 euros or more on an annual basis, to achieve the level of Starter or higher in our Sustainability Scan. This scan is used to establish whether a supplier meets our criteria in areas such as:

- taking into account the product life cycle;
- taking into account recycling possibilities;
- forbidding child labour;
- reducing the impact of the production process and logistics on the environment as much as possible.

Where possible, we establish a long-term relationship with suppliers with a good score in our Sustainability Scan, for example by collaborating to enhance the transparency in the supply chain or to optimise processes. Other possibilities include reducing the number of deliveries, which results in less CO_2 emissions, and stimulating the use of sustainable energy.

Suppliers that do not meet our criteria and do not have the intention to improve their performance are not accepted. In the end, we can only make a difference by selecting suppliers that contribute to the realisation of our ambition.

Integrity and compliance management

Eneco applies honest working methods and an active compliance policy to ensure that it complies with the applicable legislation and regulations.

Integrity

Eneco can only play a leading role in the area of sustainability if it operates to the highest standards of conduct. The Eneco Code of Conduct and underlying guidelines constitute the framework for our actions.

The starting point for Eneco is to always place trust in its employees. Mutual trust between Eneco and its customers is also very important. More and more attention is being paid to this trust from the perspective of integrity.

Integrity is not just about maintaining high standards, but also involves the management of company values such as personal attention for customers, fulfilling obligations and taking responsibility. In 2014, workshops for managers and employees were held with the aim to further specify our customer values and enable every employee to contribute to the success of our company.

At Eneco, integrity not only relates to stimulating desired behaviour, but also to preventing undesired behaviour, such as discrimination and conflicts of interest, and unlawful activities such as the abuse of power and fraud. Considerable attention is devoted to fraud detection and handling integrity issues. We have set up an integrity hotline and four confidential counsellors have been appointed within Eneco Group. Employees who have been the victim of unacceptable psychosocial working conditions such as bullying, discrimination or sexual intimidation can also contact these counsellors.

The number of incidents reported to the hotline and the confidential counsellors increased from 197 in 2013 to 265 in 2014. This increase is probably due to the higher attention for integrity, better registration of incident reports, and higher awareness of the existence of the hotline and the confidential counsellors and, consequently, a growing willingness to report incidents. These aspects shall be examined in greater detail in 2015.

Managing the compliance risk

Not complying with legislation and regulations entails risks relating to our 'license to operate' and customer reputation. Eneco has formulated a compliance policy, carries out an annual compliance programme and has appointed a Compliance Officer. The Compliance Officer represents the integrity hotline and supports the organisation in the implementation of the code of conduct. The Compliance Officer strives to stimulate compliance with legislation and regulations in close collaboration with the Legal and Regulatory Affairs departments. Each business entity also has its own officer who is responsible for compliance issues. There were no significant compliance incidents at Eneco in 2014.

Internal compliance assurance is obtained through the In Control statement and audits. Externally, Eneco is accountable to the Authority for Consumers and Markets. Furthermore, Eneco declares that customer information is handled with care. This is also evident from the Code of Conduct Compliance Statement for Suppliers, Metering Companies and Independent Service Suppliers. The statement for 2014 can be found on our corporate website.

Special attention was devoted to the implementation of new, mostly European, financial regulations in 2014. These include REMIT and the new EMIR, MiFiD II and MAD II regulations. All these regulations are aimed at creating a more transparent and fairer market. Privacy shall be at the top of the agenda in 2015, both in view of developments within and outside Eneco that require strong privacy guarantees, and in connection with new European privacy legislation that shall come into force in 2015 or 2016.

In Control statement

The Board of Management of Eneco Holding N.V. issues an In Control statement since 2007. This is also the case for 2014. As a company with social responsibility, we adhere to the initial scope of the Dutch Corporate Governance code relating to internal control; in other words, an adequate and effective implementation of all the objectives of the Eneco Control & Risk System (ECRS).

The Board of Management is aware of its responsibility for the adequate and effective implementation of internal control within Eneco Group. The Board of Management has applied the Eneco Control & Risk System as an instrument to guarantee that the realisation of strategic, operational and financial objectives is monitored, reporting with respect to financial and other KPIs is reliable and legislation and regulations are complied with.

Risk reports are prepared each quarter per business entity and at group level. These are discussed by the Board of Management and subsequent action is taken where necessary.

Every year, the different business segments carry out self-assessments, which are subjected to random inspections by the Internal Audit department. On the basis of these self-assessments, the Board of Management has identified a number of points for improvement in the area of information security and data management. Taking into account the combined measures taken, the Board of Management is of the opinion that the internal control system is adequate and functioned effectively in 2014. The inherent limitations of each risk management and control system must, however, be taken into account. We will therefore never be able to absolutely guarantee that we will achieve our company objectives or that no material errors, losses, fraud or violations of legislation and regulations will occur.

Outlook for 2015

The Board of Management will incorporate Enterprise Risk Management in greater detail in 2015 using the Eneco Control & Risk System. As in previous years, we expect that the ECRS will be developed and improved further in 2015 by merging the different risk-related disciplines at group level to create synergy. Special attention will be given to the further development and implementation of business continuity management and cyber security in 2015. The Board of Management has no reason to assume that the Eneco Control & Risk System will not function properly in 2015.

Personnel

Number of employees

Average in FTE	2014	2013	2012
Total number of employees Eneco Group	7,023	7,018	6,839

Percentage men and women

Percentage of men and women in relation to total number of employees in FTE	2014	2013	2012
Men	75	78	78
Women	25	22	22

Age groups

FTEs per age group as percentage of total number of FTE	2014	2013	2012
ages 15-24	3	4	5
ages 25-34	25	26	25
ages 35-44	24	24	24
ages 45-54	25	25	26
ages 55 and up	23	21	21

Diversity

Percentage	2014	2013	2012
Women in management positions	26	23	20

Employment agreement

Percentage	2014	2013	2012
Indefinite duration contract	88	89	89
Employees in collective employment agreement	85	86	85
Employees with full-time contract	82	-	-

Absence due to illness

Percentage	2014	2013	2012
	4.1	3.9	4.3

Definitions

Allocation
The administrative determination of which portion of the supplied energy will be charged to which supplier. It is not possible to determine which supplier has supplied the energy by means of metering (in the network or of the customer's meter). Allocation rules have been drawn up for the settlement of supply and transmission costs. The allocation method has been used since 1 January 2002.

Audit Committee
A committee comprising members of the Supervisory Board which supervises the Company's important financial matters.

Biomass
Organic material originating from plants. The biomass used for energy purposes comprises cultivated vegetation and waste.

Business Review
The periodical reporting to the Board of Management.

Capacity tariff
The tariff whereby the costs of transmitting gas and electricity charged by the grid administrator are not dependent on the actual consumption but on the type of connection

CO_2
Greenhouse gas which is regarded as one of the causes of climate change.

CO_2 prices
Cost that industrial companies are required to pay for the emission of CO_2. The price is charged per ton.

CO_2 rights
Rights that are allocated to industrial companies in Europe. These rights correspond to the standard that has been set for the emission of CO_2. This standard was determined by the European Committee. Companies which emit less CO_2 by investing in cleaner processes, can trade the CO_2 rights which they do not use on the CO_2 market. Companies which have an above standard emission are required to purchase additional CO_2 rights on the CO_2 market.

Compliance
Complying with the rules laid down by legislation or by the company and any supervisory bodies. Also used for departments of companies or commodity exchanges that ascertain whether trade is being conducted in accordance with the regulations.

Corporate Governance
Company management in the broadest sense. The system of responsibilities of all the parties (that can be) involved in the management of a company, such as the Board of Management, Supervisory Board, shareholders, banks and any other parties which have provided capital to the company.

COSO
A model for the establishment and maintenance of an internal control structure.

Counterparty risk
The risk that a business with which an agreement has been made cannot fulfil its (financial) obligations.

Credit rating
This rating represents an assessment of the credit risk of an organisation. The rating is determined by specialised agencies that award ratings such as AAA, AA, A, BBB, etc. depending on the creditworthiness of a company.

Dark green
Dark green energy is energy that is generated from new sustainable resources which contributes to further enhancing the sustainability of the energy supply. Examples of sustainable resources include wind and solar energy and biomass. Hydropower is usually not dark green, because this form of energy generation already exists for quite some time and therefore does not contribute to further enhancing the sustainability of the energy supply. Dark green energy supplied by Eneco includes energy generated by its own energy production facilities and the sustainable production of partners with which it has long-term Power Purchase Agereements (PPAs).

Degree day
A degree day is a calculation unit that is applied to exclude the varying outdoor temperatuur from energy consumption calculations.

EFET
European Federation of Energy Traders.

EFET or ISDA contracts
A (standard) framework contract under which trading partners can close deals. Reciprocal guarantees, rights and obligations as well as rules for calculation, or netting principles, are defined in these framework contracts.

Energie Nederland
The branch organisation for all the companies in the Netherlands active in the field of the generation, transmission and trade in or supply of gas, electricity and/or heat. The federation promotes the interests of the associated companies and is the contact point for the authorities, politicians and interest groups. EnergieNed carries out the dialogue with these parties at a national and international level on behalf of its members. www.energiened.nl.

Energy Agreement
More than forty organisations, including the government, employers, unions and environmental organisations, have expressed their commitment to the national Energy Agreement for Sustainable Growth. The agreement encompasses topics such as energy efficiency, clean technology and climate policy.

Energy Service Company (ESCO)
A new form of contract with agreements relating to guaranteed energy saving measures. Through ESCO's, Eneco coordinates the entire chain of sales, advice, financing, production, operation, warranty management and monitoring.

Enterprise Risk Management (ERM)
The process of planning, organising, managing and controlling the activities of an organisation to minimise the chances of financial, strategic and operational risks.

Green gas
Gas that is generated from biomass and that is supplied at natural gas quality.

Hedging
The covering of a price or exchange rate risk of a particular investment position.

Imbalance
Electricity imbalance occurs due to differences between programmes submitted in advance and the actual consumption or generation of electricity. TenneT corrects this and passes the imbalance costs on to the company that caused the imbalance.

In control statement
A declaration by the Board of Management stating that the achievement of targets is being monitored, that the reporting is reliable and that legislation and regulations are being complied with.

Independent Network Management Act (Wet Onafhankelijk Netbeheer, WON)
The Independent Network Management Act (Wet Onafhankelijk Netbeheer, WON) was passed in November 2006. This act stipulates that energy companies separate their networks and the management thereof from their commercial activities, and that the energy infrastructure remains in the hands of the government.

Interconnection
The connection of the Dutch gas and electricity networks to foreign networks for the importing and exporting of energy.

Internal Alignment Monitor
Internal alignment is aimed at optimising employee's support for the Group's mission in their daily activities and communication. The Internal Alignment Monitor is used to measure the extent to which the daily behaviour of employees actually supports the Group's mission and which management efforts do or do not contribute positively to stimulating this behaviour. The minimum score is 0 and the maximum score is 100. The average score of about 10,000 respondents in more than 50 countries is around 55. Scores of 60 and up are considered to be strong and scores of 70 and up are considered to be excellent.

ISDA
International Swaps and Derivatives Association.

ISO
Non-governmental organization established in 1947 to promote international quality standards. ISO stands for International Organisation for Standardization.

Lease-and-leaseback
The leasing, for a fixed period of time, of property, plant and equipment to foreign parties that are then leassed back from the same parties for own use.

LTIR
Lost Time Injury Rate. This is the unit of measurement of the safety performance of an organisation. It is calculated by comparing the number of accidents resulting in absence per one million hours with the actual number of productive hours.

Margining and clearing
Methods to neutralize reciprocal counter-party risks. In margining the change in value of the underlying contracts is revised and calculated financially against bank accounts intended for this purpose on a regular basis (generally daily). Clearing involves a similar process but then via a third party appointed for this purpose – the so-called clearing member.

Marked-to-market value
Indicates the net present value of a contract or collection of contracts.

MiFID
MiFID stands for Markets in Financial Instruments Directive. The aim of this European guideline is to stimulate competition on the European market and to offer private investor throughout Europe the same level of protection.

MWe
Unit for electric power.

MWp
Unit for electric power from solar energy.

MWt
Unit for thermal power.

Net Promotor Score (NPS)
The extent to which customers recommend a supplier to friends and acquaintances. The number is calculated by subtracting the percentage of critics from the percentage of promoters.

Netbeheer Nederland
Dutch association that looks after the interests of national and regional electricity and gas grid administrators.

One Planet Thinking
One Planet Thinking (OPT) is a joint development project of Eneco, WWF and Ecofys. The aim is to gain insight into what companies can do to enhance the sustainability of their value chains in such a way that, in the long term, their activities will have a less detrimental effect on human health, the quality of ecosystems and the availability of resources.

Power Purchase Agreement (PPA)
A long-term contract with a producer for the purchase of electricity.

Programme responsible parties
Parties with programme responsibility match the demand for electricity to the supply for the following day so as to prevent underutilization/overloading of the transmission network and contribute to the balance of the supply system. This is a consequence of the statutory obligation of programme responsibility applicable to everybody connected to the electricity network.

Reconciliation
A system for calculating the planned and used quantities of energy between the parties with programme responsibility. Energy companies with programme responsibility must plan the consumption of their customers for the following day and submit this plan to the network manager. The companies base their estimates on consumption profiles. Deviations from the pattern cause imbalance and that incurs costs. Reconciliation is the settlement of the difference between the expected and actual consumption.

Remuneration Committee
Committee comprising members of the Supervisory Board that is responsible for developing and monitoring the remuneration policy for Board of Management members within the company.

ROACE
Return on Average Capital Employed. An important indicator of the profitability of a company. Is calculated by subtracting a 25% tax ratio from the EBIT and dividing this number by the average capital invested. If the ROACE is higher than the average cost of equity and debt, there is creation of economic value. If the cost at which capital is attracted to acquire assets is higher than the yield achieved on those assets, then value is being destroyed.

Shipping
The responsibility of everyone connected to the Dutch gas network to plan the daily production, distribution and consumption of gas. This planning must be submitted to the national grid administrator in the form of programmes. The supplier performs the shipping responsibility task on behalf of the customer.

Spark spread
The difference in development between the electricity prices and the gas price, which determines the profitability of an electricity plant.

Stimulation scheme sustainable energy generation (SDE+)
Subsidy scheme effective since 2008 for producers of sustainable energy.

Suppliers model
In the suppliers model, the supplier is the only contact point for the retail energy customer. In this model, costs for energy transmission are also included on the supplier's invoice.

Swap constructions
Constructions whereby two parties take over each others obligations/liabilities. Used in foreign currency trading to indicate that it involves the discounted purchase or sale of foreign currencies while, at the same time, a similar amount is bought or sold via a foreign exchange forward contract.

TTF
The TTF (Title Transfer Facility) is a virtual trading point for gas.

Unbundling
The separation of the network company from the generating, trading and supply activities of an energy concern.

x-factor
The Office of Energy Regulation, which is part of the Dutch Competition Authority Nma, determines the so-called x-factor. With this effectiveness stimulus the regulator aims to improve the efficiency of the transmission companies, which are by nature monopolists in their areas, by adjusting tariffs each year. The x-factors indicate the percentage by which the transmission tariffs will be reduced or may be increased.

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