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2014 results Eneco Group satisfactory despite challenging circumstances

Eneco fine-tunes sustainable strategy and specifies three growth areas

- Lower sales volumes gas and heating due to warm weather;
- € 206 million net profit despite challenging market conditions;
- Substantial investments of € 842 million;
- Production sustainable energy increased from 3,108 GWh (927,000 households) to 3,541 GWh (1,057,000 households);
- Decrease in interruption duration electricity grids;
- Safety performance improved again.

ROTTERDAM – Eneco Group (Eneco, Stedin, Joulz, Ecofys) today presented its results for the year 2014. The warm weather and lower energy and transmission prices resulted in lower revenues and a lower net profit. However, the company continued to make substantial investments in enhancing the sustainability of the energy supply and the production of sustainable energy increased. Today's presentation also included an explanation of Eneco Group's strategy for the period 2015-2020.

Jeroen de Haas, Chairman of the Board of Management of Eneco Group: 'We see that our vision Sustainable, Decentralised, Together has become a reality, both in the energy market and in society. Driven by our mission Sustainable energy for everyone, we will place an even stronger emphasis on this aspect of our strategy. This will be achieved by focussing on three growth areas, Energy as a Service, Smart Sustainable Solutions and Client Sources. In addition, higher priority will be given to innovation to enable accelerated development of new products and services.'

'The growth area Energy as a Service encompasses aspects such as smart charging solutions for cars and saving money by doing the laundry during hours of the day when energy is cheaper. Our Toon platform plays an important role in this growth area. Toon started out as a smart thermostat, to which more and more functionality is being added. Examples include the possibility to control the lighting in homes, home security features, charging of electric cars, carbon monoxide alerts, supply interruption alerts and information about the performance of solar panels. There are plans to introduce the product in Belgium and the United Kingdom, in collaboration with IT company Quby.'

'Smart Sustainable Solutions are aimed at creating a better balance between demand, supply and back-up solutions in order to limit the impact on the infrastructure and to enable consumers and businesses to make optimal use of their sustainable energy production systems such as solar panels. The Couperus project in The Hague demonstrates that this is feasible. Stedin is responsible for the intelligent management of the sustainable energy supply for the three hundred apartments in this building. Each apartment has a heat pump that provides heating and cooling. The control system balances the demand for and supply of electricity. If there is an oversupply of electricity, the pumps are switched on to provide heating or to store surplus heat underground. If the demand for electricity is high, the pumps

are switched off. This minimises peak loads in the network and imbalances in the energy system. It also ensures an affordable and reliable transition to a sustainable energy system for households and businesses.'

'The growth area Client Sources is aimed at developing means of production in direct collaboration with local stakeholders and customers. We do not produce wind or solar power and sustainable heating for the benefit of our own company or for the system, but for the benefit of citizens and businesses. Where possible, we invite them to participate in these developments, as customers, co-developers and shareholders. This is a logical next step following the contracts that Eneco recently concluded with Google, the Dutch railway company NS and KPN.'

Our results

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.

Guido Dubbeld, CFO and member of the Board of Management: 'We are satisfied with the results. In the past year, our customers benefitted from favourable conditions. Their energy bill was lower, due to the warm weather, lower gas and electricity prices and a reduction of the regulated energy transmission tariffs. This put pressure on our results. Revenues and net profit decreased for the first time since 2010. However, we did succeed in reducing our operating expenses, mainly as a result of continued focus on efficiency measures, and in keeping investments at the same high level as in 2013.'

'As a result of our investments in 2014 and previous years, we were able to offer our customers an increasing number of sustainable propositions. Eneco's total sustainable energy production volume increased from 3,108 GWh (sufficient for 927,000 households) in 2013 to 3,541 GWh (1,057,000 households) in 2014. This included an increase in wind energy from 2,648 GWh (790,400 households) to 2,857 GWh (852,800 households), in solar energy from 40 (12,000 households) to 57 GWh (17,000 households) and in bioenergy from 416 GWh (124,000 households) to 624 GWh (186,300 households).'

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.

The average interruption duration in 2014 resulting from defects in our electricity grids was below target at 21.1 minutes (2013: 21.3).

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.

Customers

Eneco Group's retail customer base was stable over the year at 2.2 million customers.

In Belgium, Greenpeace awarded Eneco a score of 17 out of 20 points in its ranking of suppliers of green electricity. This is the second year that Eneco was included in this annual assessment, which encompasses the investment policy, electricity production and energy mix of the suppliers.

For the second year in a row, Dutch consumer organisation Consumentenbond, Greenpeace, Hivos and environmental organisation Natuur en Milieu established that, in 2014, Eneco was again the most sustainable large international energy company in the Netherlands.

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 Spinnery 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).

Safety

We pay a lot of attention to creating a safe working environment for our employees and subcontractors that we work with. Our safety performance improved in 2014, as is reflected in the decrease in the Lost Time Injury Rate from 1.1 to 0.9.

Outlook

We have confidence in the further development of Eneco Group. Our customers not only set the direction but also give new energy to our employees. 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.

Note to the editor

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Enclosed:

- Key figures

- Consolidated income statement

- Consolidated balance sheet

- Consolidated cash flow statement

Key figures

	Target 2014	2014	2013	2012
Strategic KPIs				
Customer focus				
Customer satisfaction Stedin in months	≥ 8	9	8	1
Eneco retail customers (* million)	≥ 2,2	2.2	2.2	2.2
Net Promoter Score Eneco (%)	≥ -15	-21	-20	-18
Average interruption duration energy supply (min.)	≤ 14,5	13.0	12.2	19.5
Share of sustainable electricity production in total supply portfolio (%)	20	20	20	13
Investment decisions relating to sustainable production capacity (MW)	221	60	-	-
Safety				
LTIR Group	1.3	0.9	1.1	1.4
Value creation				
Credit Rating	≥ A-	A-	A-	A-
ROACE (%)	5.0	4.2	4.7	4.1
Reduction of effect electricity consumption of customers on climate change (%)	5	21	-	-
Reduction of effect electricity consumption of Eneco Group on climate change (%)	30	47	-	-
Internal alignment	54.5	53.0	51.7	-
Financial key figures (amounts in millions of euros)				
Total revenues		4,590	5,251	5,256
Revenues from energy and energy-related		4,343	5,026	5,082
Gross margin		1,577	1,749	1,620
Operating income before depreciation (EBITDA)		708	877	776
Operating profit (EBIT)		363	395	335
Net profit		206	242	233
Cash flow from operating activities		830	792	727
Equity		5,188	4,593	4,447
Interest-bearing debt		1,900	1,893	1,800
Balance sheet total		10,151	9,185	8,804
Investments in property, plant and equipment		839	846	710
Equity/total assets		51.1%	50.0%	50.5%
Interest coverage rate		7.1	9.3	8.8
Personnel				
Number of FTE average		7,023	7,018	6,839
Percentage of men and women in relation to total number of employees in FTE		75/25	78/22	78/22
Absence due to illness (%)		4.1	3.9	4.3

Consolidated income statement

x € 1 million	2014	2013
Revenues from energy sales and transmission and energy related activities	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	247	225
Gross margin and other operating revenues	1,824	1,974
Employee benefit expenses	414	389
Cost of contracted work and other external costs	653	639
Depreciation and impairment of property, plant and equipment	289	429
Amortisation and impairment of intangible assets	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	14	13
Financial income	14	10
Financial expenses	- 114	- 104
Profit before income tax	277	314
Income tax	- 71	- 68
Profit after income tax from continued operations	206	246
Profit after income tax from discontinued operations	-	- 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	At 31 December 2014	At 31 December 2013
Non-current assets		
Property, plant and equipment	7,526	6,978
Intangible assets	338	377
Associates and joint ventures	58	49
Deferred income tax assets	4	5
Financial assets		
- Derivative financial instruments	144	98
- Other financial assets ¹	62	58
Total non-current assets ¹	8,132	7,565
Current assets		
Assets held for sale	121	91
Intangible assets	11	11
Inventories	59	65
Trade receivables	747	854
Current income tax assets	-	2
Other receivables	227	212
Derivative financial instruments	248	147
Cash and cash equivalents	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	4,683	4,588
Perpetual subordinated bonds	501	-
Non-controlling interests	4	5
Total equity	5,188	4,593
Non-current liabilities		
Provisions for employee benefits	32	29
Other provisions	86	89
Deferred income tax liabilities	424	413
Derivative financial instruments	176	157
Interest-bearing debt ¹	1,785	1,718
Other liabilities	419	355
Total non-current liabilities ¹	2,922	2,761
Current liabilities		
Liabilities held for sale	1	1
Provisions for employee benefits	3	2
Other provisions	30	34
Derivative financial instruments	225	124
Interest-bearing debt	115	175
Current tax liabilities	42	-
Trade and other liabilities	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.

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.