



**ENEXIS**  
HOLDING N.V.

# ENERGY TO **CHANGE**

ANNUAL REPORT 2016

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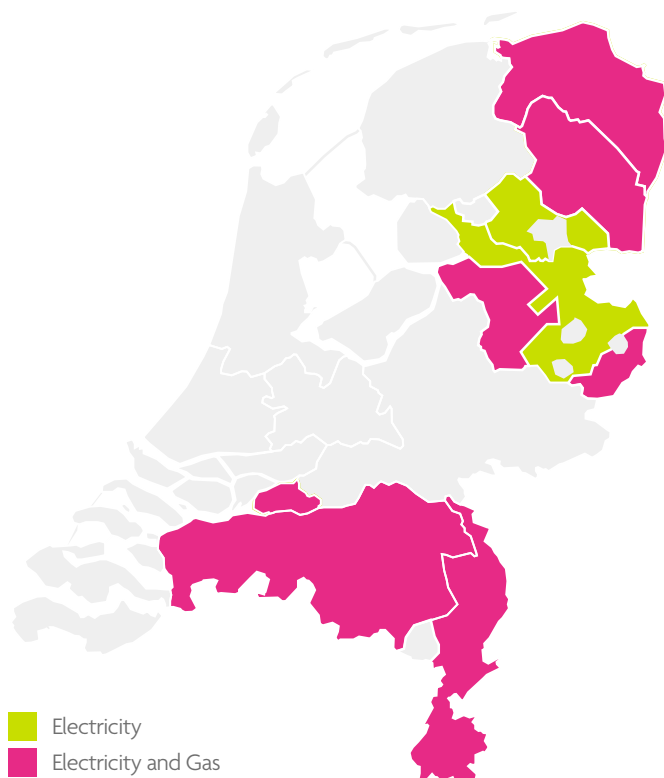
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# PROFILE

**Enexis is a grid operator in the energy sector.** We provides for the transmission of electricity to 2.8 million customers and of gas to 2.3 million customers in the Dutch provinces Groningen, Drenthe, Overijssel, Noord-Brabant and Limburg. In addition, we help companies optimise their energy supply, we stimulate energy savings and we invest in the energy system of the future. In this manner, the energy supply becomes increasingly sustainable and we channel energy in the right direction.

## SERVICING AREA 2016

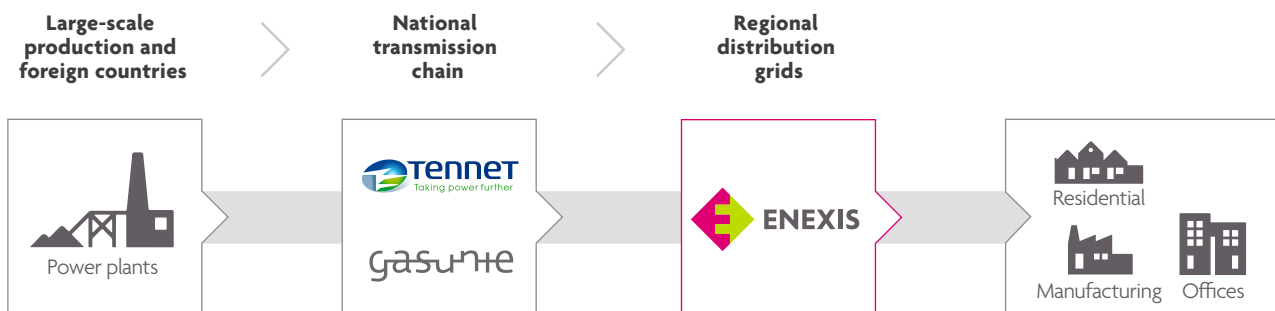


With its around 4,500 employees, Enexis Group works on maintaining a reliable energy supply, so that customers can use energy at any time of the day. We aim to avoid outages as much as possible and to resolve them as quickly as possible.

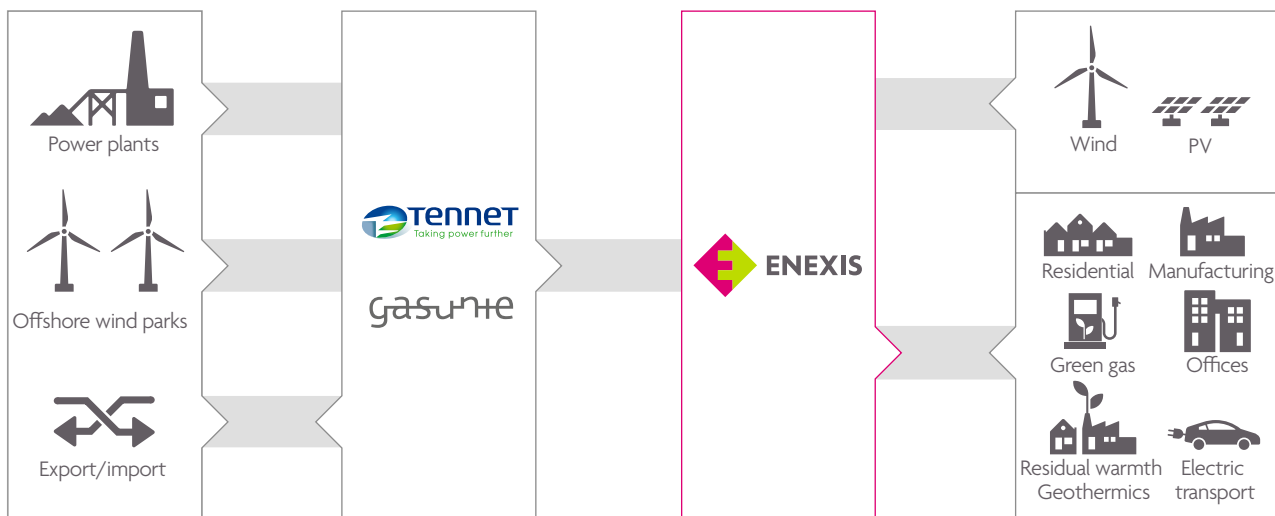
## CONNECTOR IN THE ENERGY CHAIN

We ensure, now and in the future, that our grids can handle the demand and the supply of energy and that energy is distributed as efficiently as possible. We also facilitate the energy market, for example, by making metering data available. We also regard it as our role to connect parties in the energy chain to realise the objectives of the Energy Agreement together. By working together with the government and market parties, we can accelerate the energy transition.

The market in which we work is becoming increasingly dynamic. Instead of just one-way traffic there is now two-way traffic in our energy grids.



One-way traffic



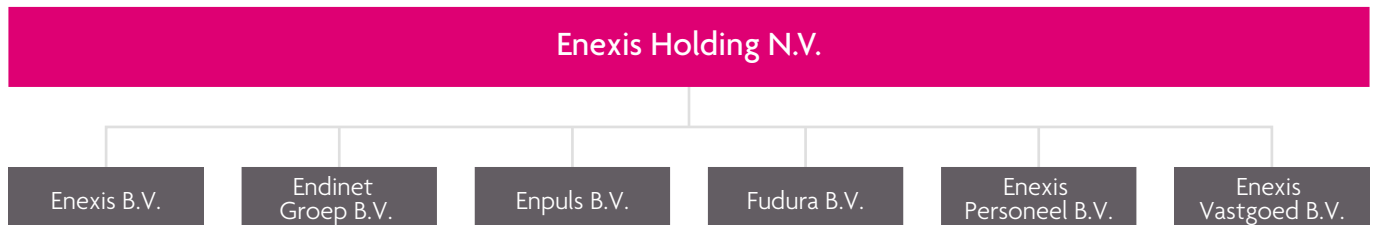
Two-way traffic



## OUR ORGANISATION

Our activities are organised in Enexis Holding N.V.<sup>1</sup>, a grid operator that consists of various companies each with their own specific focus areas. Endinet Groep B.V. and Enpuls B.V. were added to the group in 2016. As of 1 January 2017, the grid operator in the Endinet Group, Endinet B.V., merged with Enexis B.V.

### ORGANISATIONAL CHART ENEXIS HOLDING NV (as at 31 December 2016)



#### ENEXIS B.V.

The grid operator Enexis B.V. provides for the regulated activities such as the construction, maintenance, development and management of its electricity and gas grid. The Netherlands Authority for Consumers & Markets (ACM) supervises both the quality of the services provided by grid operators as well as the costs charged by the grid operators.

#### ENDINET GROEP B.V.

As of 1 January 2016, Alliander and Enexis exchanged energy grids in order to allocate the areas along provincial borders more logically. Enexis has exchanged energy grids in Friesland and the municipalities Noordoostpolder and Urk for energy grids of Alliander in the region Eindhoven and Zuidoost-Brabant (Endinet).

#### ENPULS B.V.

The company Enpuls B.V. is active in the field of the greening of energy and energy savings and focuses on four themes: sustainable regional development, flexibility, energy savings and sustainable mobility. Enpuls aims to connect the various government and market parties with each other to develop scalable solutions for the energy transition together.

#### FUDURA B.V.

The company Fudura B.V. focuses on the non-regulated commercial market. Fudura helps companies optimise their energy supply and provides services for this, such as advice, measuring energy flows, design and realisation of infrastructure and lease and maintenance of charging points, transformers and switch installations.

#### ENEXIS PERSONEEL B.V. AND ENEXIS VASTGOED B.V.

Enexis Personeel B.V. and Enexis Vastgoed B.V. support the various Enexis companies in the area of human resources and property.

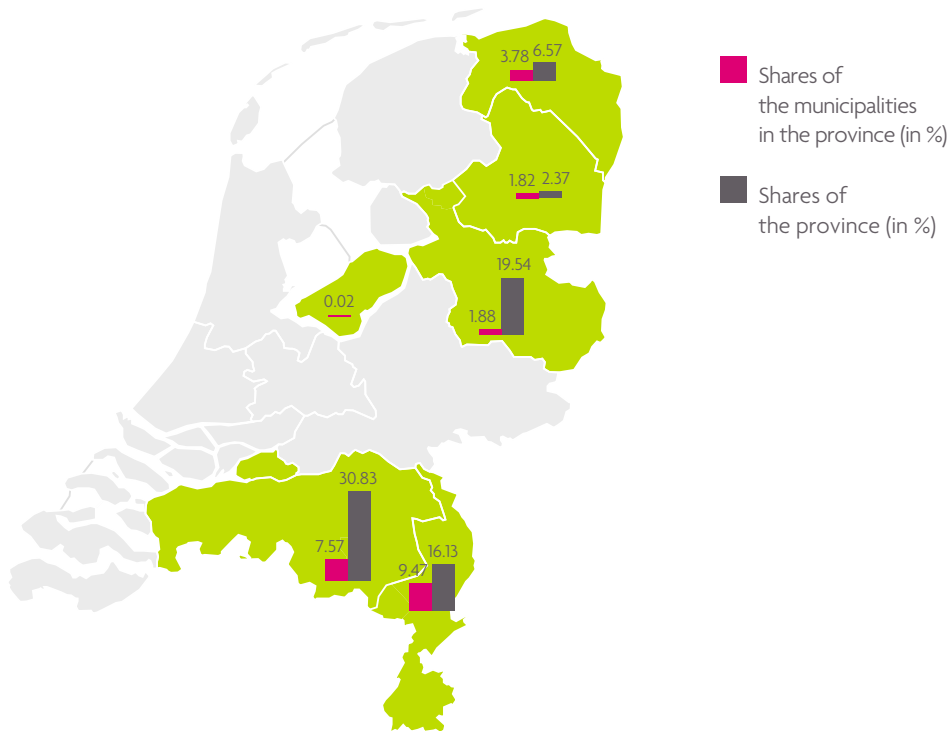
<sup>1</sup> There where reference is made to 'Enexis' in this report, this pertains to all of the activities that take place within Enexis Holding N.V., unless explicitly stated otherwise.

## ENEXIS'S SHAREHOLDERS

The shareholders of Enexis Holding N.V. are mainly provinces and municipalities in the areas in which we are active.

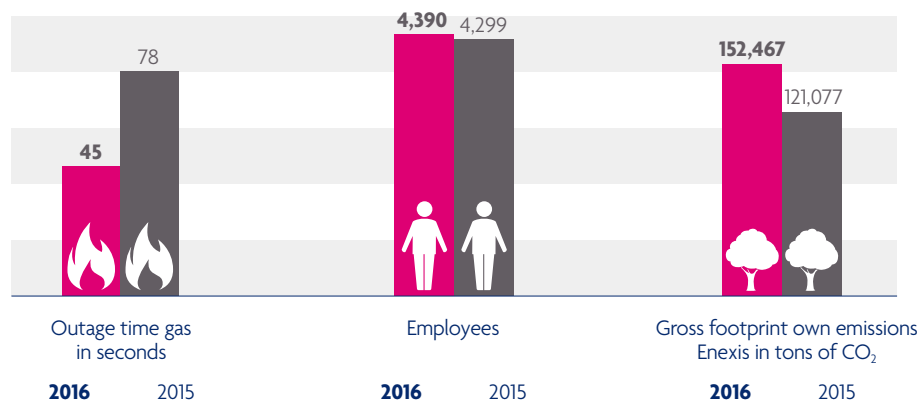
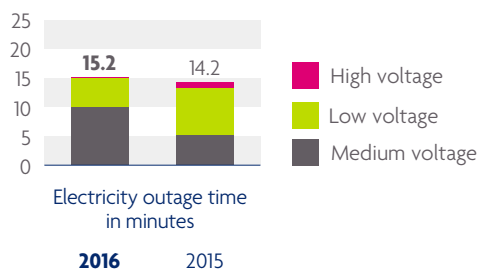
### ENEXIS SHARES

(percentage of shares held by the provinces and the municipalities in the provinces)



## KEY DATA (at 31 December 2016)

### OUTAGE TIME



The net footprint is zero. The remaining emissions are compensated with Gold Standard certificates.

### Revenue

In millions of euros

# 1,376

2015: 1,353

### Profit for the year

In millions of euros

# 207

2015: 223

### Balance sheet total

In millions of euros

# 7,284

2015: 7,079

### Investments in the grids

In millions of euros

# 384

2015: 377

### Dart-rate Enexis

Safety index

# 0.17

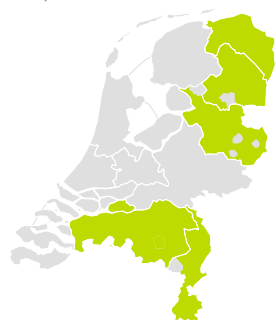
2015: 0.33

#### Electricity grid ⚡

136,900 km

2,752,000 connections

34,453 GWh

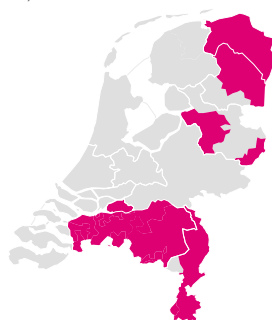


#### Gas grid 🔥

46,200 km

2,285,000 connections

6,075 Mm<sup>3</sup>





# CREATING AND SHARING VALUE

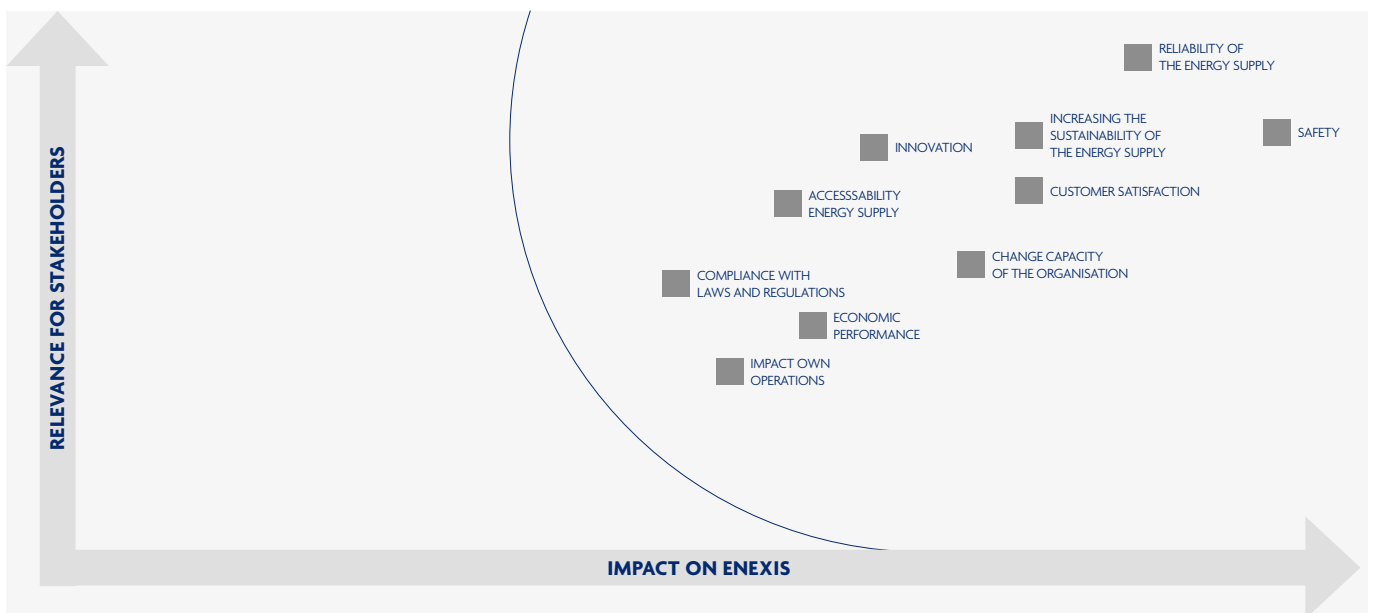
**Our stakeholders have different needs.** We seek to find out what they need and what they expect. In this manner, we can create value. Together, we have determined material themes as input for our strategy.

## OUR STAKEHOLDERS



## MATERIALITY

We have selected material subjects, together with our stakeholders, which are relevant for them and have an impact on Enexis. We will render account on the top 10 material subjects in this annual report.



## MISSION

Enexis does everything it can to ensure a sustainable, reliable and affordable energy distribution.

## STRATEGY

Our strategy has four strategic pillars: reliable, affordable, customer-oriented and sustainable. These pillars reflect the importance of our various stakeholders and define our task within society.



## LINK WITH OUR STRATEGY

We consider it important that there is a clear link between material aspects and our strategy. At the same, we also wish to limit the risks in connection with this by means of an active risk management.

MATERIAL ASPECT	STRATEGY 2016	STRATEGIC RISKS
Safety	 <b>RELIABLE</b>	Safety of employees
Reliability of the energy supply		Public safety
Increasing the sustainability of the energy supply	 <b>SUSTAINABLE</b>	Energy grid not adapted timely for the energy transition
Customer satisfaction		Energy laws hinder facilitating the energy transition
Innovation	 <b>CUSTOMER ORIENTED</b>	Insufficient change capacity of the organisation for the realisation of the energy and digital transition
Change capacity of the organisation		Unauthorised access to systems and data (privacy and security)
Accessible energy supply	 <b>AFFORDABLE</b>	Insufficient agility in speed and costs of the ICT landscape
Economic performance		Transmission costs discussion
Compliance with laws and regulations		Credit risk
Impact own operations		Being non-compliant with various laws

## OBJECTIVES AND PERFORMANCE

INDICATOR	OBJECTIVE 2016	REALISATION 2016	OBJECTIVE 2017 <sup>6</sup>
Engagement of employees (and Teamwork) <sup>1,2</sup>	8.0	7.9	2 out of 2 in Q4 ≥ sub-target
DART-rate Enexis	≤ 0.32	0.17	≤ 0.22
DART-rate external <sup>1</sup>	≤ 0.67	0.86	≤ 0.67
<b>RELIABLE</b>			
Annual outage time electricity (JUD)	≤ 22.4 minutes	15.2 minutes	≤ 20.5 minutes
The number of stations that will be equipped with distribution automation (DA) in 2017	-	-	≥ 350 stations
<b>AFFORDABLE</b>			
Controllable costs and revenues <sup>3</sup>	≤ EUR 368 million	EUR 358 million	≤ EUR 403 million
<b>CUSTOMER ORIENTED</b>			
Customer effort scores (CES) <sup>4</sup>	≥ 5 of the 6 customer effort scores Q4 2016 ≤ sub-target	1 van de 6	≥ 4 of the 5 customer effort scores Q4 2017 ≤ sub-target
Smart Meters Offered	≥ 392,500 addresses	404,468 addresses	≥ 459,000 addresses
Smart Meters Installed	≥ 90%	90.5%	≥ 90%
<b>SUSTAINABLE</b>			
Number of new 'Buurkracht' neighbourhoods <sup>1</sup>	≥ 65 neighbourhoods	65	≥ 60 neighbourhoods
CO <sub>2</sub> -reduction leased vehicles and claimed kilometres <sup>5</sup>	≥ 4% reduction compared to score 2014	1.8%	≥ 6% reduction compared to score 2014
The CO <sub>2</sub> savings registered within 'Buurkracht' as a result of measures taken will amount to ≥ 3,000,000 kg CO <sub>2</sub> at the end of 2017 (based on number of measures x average savings) <sup>7</sup>	-	-	≥ 3.0 million kg CO <sub>2</sub> reduction by end 2017
Stakeholder engagement (3 milestones with as the final objective concrete energy plans with stakeholders) <sup>7</sup>	-	-	3 milestones achieved

1. Figures excluding Endinet.

2. Engagement: one of the questions was changed from: "With my work, I deliver a useful contribution to Enexis's business objectives" to "With my work, I deliver a contribution to Enexis's business objectives. Teamwork will be reported as from 2017 For 2017: sub-target Engagement ≥ 8.2; sub-target Teamwork ≥ 7.0.

3. Enexis B.V. For 2017: Enexis Netbeheer (including staff departments).

4. Standard connections, customised connections, customer service by phone, enexis.nl, complaints & claims, information on outages.

5. In comparison with 2015, this indicator is calculated in 2016 excluding trainees and Work Experience Placement trainees (WEPers) and vehicles with a grey registration are not included in this measurement.

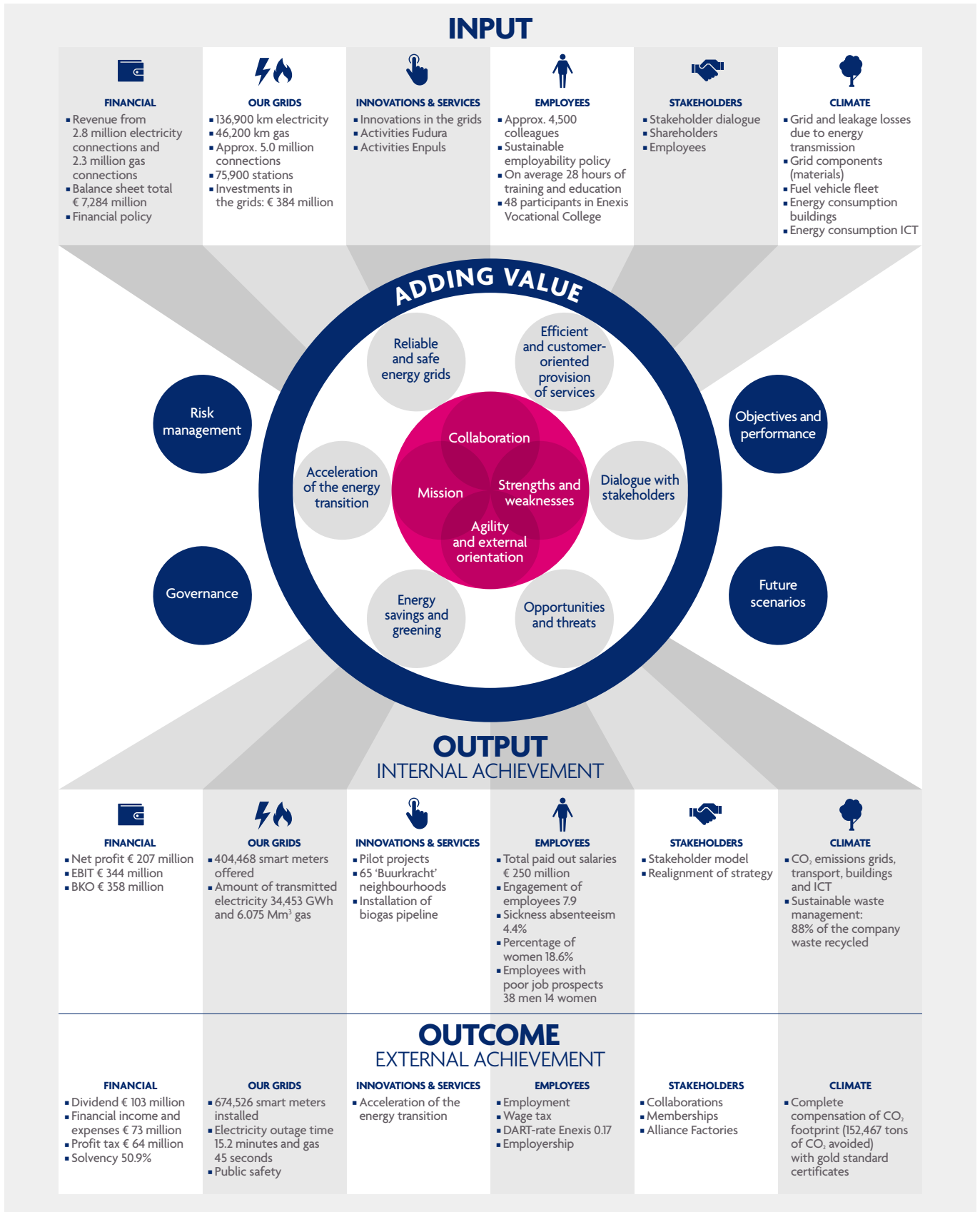
6. Realignment of our strategy has also led to a shift in focus and objectives in 2017.

7. The objectives and performance in the reporting year 2016 were based on the existing mission and strategy; therefore no objectives 2016 and realisation 2016 for these indicators.



## VALUE CREATION MODEL

The value creation model shows which building blocks we use as input and in which manner we add value to this ourselves in order to ensure that the result provides as much value as possible for our stakeholders. Each section in this model can be clicked on for more information.



## STRATEGIC DIRECTION

From our core task to ensure a reliable and affordable energy supply, we wish to enlarge our contribution to the transition to a sustainable energy supply. This is necessary in order to realise the objectives of the Energy Agreement together with partners. This is why we have started a process, together with our stakeholders, to realign our existing strategy.

As a first important step, we performed a scenario analysis in 2015 regarding the question ‘What will the energy supply look like in 2030 and what will Enexis’s role be in this?’ This resulted in [four future scenarios](#). As a follow-up to the scenarios analysis, we held many and intensive discussions with internal and external stakeholders. The outcomes of this stakeholder dialogue served as input for determining the strategic direction, which demands an adjustment of our mission and strategic objectives.

Mission: We realise a sustainable energy supply by means of state-of-the-art services and grids and by taking the lead in innovative solutions.

Strategic objectives:

- Our grids and services are ready timely for the changes in the energy world.
- Our energy supply is reliable.
- Our services are excellent with as a consequences high customer satisfaction and lower costs.
- We realise, together with local partners, the Dutch targets with regard to the sustainable production of energy and energy savings.
- We realise innovative, scalable solutions that accelerate the transition to a sustainable energy supply.

In doing so, we focus on two main tasks:

- **Excellent grid management** by designing our grids in such a manner that they will be able to accommodate the increasing sustainability of the energy supply according to experts in the market. We aim to simplify our processes and systems for customers and employees, resulting in our services becoming 20% more efficient in 2020 and better aligned with the customer’s wishes. Of course, this may not be at the expense of safety.
- **Accelerating the energy transition** by realising innovative, scalable solutions for energy savings and greening of the energy supply.

The Strategic Plan will be submitted for approval to the General Meeting of Shareholders in April 2017. The objectives and presentation in the annual report 2016 are based on the existing mission and strategy (2014-2016).

# OUR ENVIRONMENT

**The energy sector is in a state of flux.** The shift from fossil fuel to renewable energy, the energy transition, is accelerating.

The Netherlands has committed to the Energy Agreement and to the climate agreements that were made in Paris in December 2015. These agreements have a large impact on both the supply of energy and the demand for energy, and thus on the energy grids. A heating system without natural gas is necessary in order to realise the proposed CO<sub>2</sub> targets. For example, for the construction of energy-neutral houses and an alternative heating system, such as warm water (with heating grids) and heating pumps (with sustainably generated electricity). Other promising developments are biogas, electric transport, and storage systems for electricity.

Dutch people are becoming more and more enthusiastic about the energy transition. This can be deduced from the increasing number of energy cooperatives, solar panels for retail customers and service providers. The number of households that have switched energy supplier has increased as well. Switching contributes to lower energy costs for households. As a result of the energy transition, we see that the energy system is changing from one-way energy to two-way energy *and* data. This is reflected in for instance:

- decentralisation: small-scale energy production (solar and wind), feeding into the grid in many locations;
- diversification: regional and optimal mix of electricity, gas and heating;
- democratisation: making more own choices, influence is shifting to end users and there are growing number of energy cooperatives.

## SWOT

These changes in the energy market are having an effect on Enexis. Where do the opportunities lie and which developments influence our objectives?

<b>+ STRENGTHS</b>	<b>- WEAKNESSES</b>
<ul style="list-style-type: none"> <li>■ Reliable grids</li> <li>■ Expertise</li> <li>■ Attractive employer (4th place Best Employers 2016)</li> <li>■ Sound financial position</li> </ul>	<ul style="list-style-type: none"> <li>■ Visibility of Enexis is limited</li> <li>■ Change capacity of the organisation for the realisation of the energy and digital transition</li> <li>■ Agility in speed and costs of the ICT landscape</li> </ul>
<b>👍 OPPORTUNITIES</b>	<b>⚠️ THREATS</b>
<ul style="list-style-type: none"> <li>■ Technological developments</li> <li>■ Warmth in addition to electricity and gas</li> <li>■ Increasing attention for energy savings (Energy Agreement)</li> <li>■ Cooperation with existing and new parties on the energy market</li> <li>■ Increase in decentralised, sustainable energy production and electric transport</li> </ul>	<ul style="list-style-type: none"> <li>■ Speed of change of the energy transition / Energy grid must be adapted timely for energy transition</li> <li>■ Unauthorised access to systems and data (privacy &amp; security)</li> <li>■ Energy legislation impedes facilitating the energy transition</li> <li>■ Credit risk (dependency on energy suppliers for collection)</li> <li>■ Public safety due to failing assets</li> </ul>

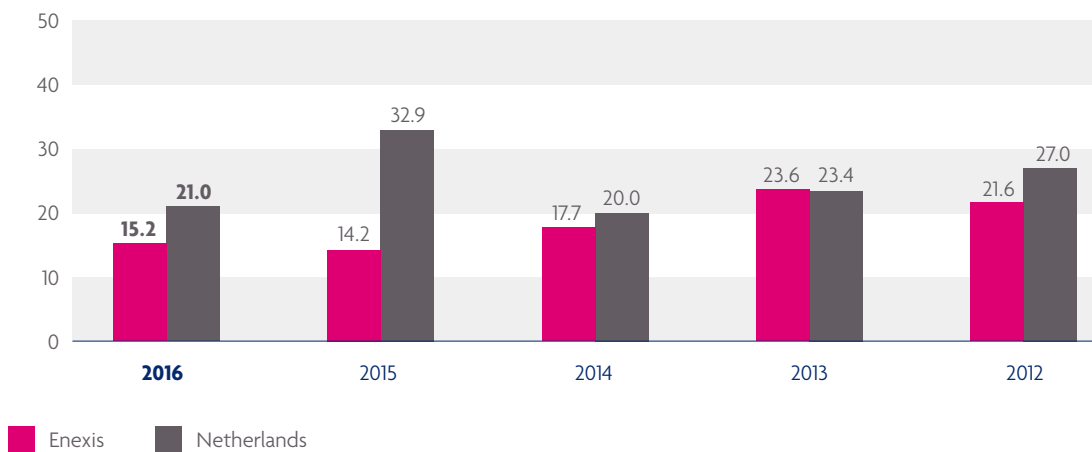


## BENCHMARK

We consider the quality of our work important. In order to gauge the quality of our work, we compare our performance to that of comparable companies.

### ELECTRICITY OUTAGE TIME

The reliability of the energy supply is high in the Netherlands. This is the case for both gas and electricity. In recent years, in particular, the electricity outage time of Enexis has developed positively compared to other regional grid operators. The graph below shows the annual outage time per electricity connection (due to High, Medium and Low Voltage outages) in minutes per connection.



### EMPLOYERSHIP

With all the changes in connection with the energy transition, we demand a lot of our employees. We expect that they are willing to contribute to building the new energy system and that they take initiatives to improve how we do things. In doing so, it is our aim to ensure that our employees find their work energising, that they do their work with enthusiasm and enjoyment and that they carry out their duties to the best of their abilities. The extent in which we succeed in doing this is apparent from the Best Employers Survey.

In 2016, Enexis achieved a fourth place in the list of Best Employers in the profit sector with more than 1,000 employees. We are proud of this as more than 300 organisations participated in this survey.

### ABSENTEEISM

The average absenteeism percentage in the Netherlands was 3.9% in 2015. The absenteeism was slightly higher at Enexis in the past year, namely 4.4%. We also see this difference reflected in the absenteeism percentage of the industry and energy sector which amounted to 4.5% in 2015. The sector average over 2016 was not yet available at the time of the publication of this annual report.

### TRANSPARENCY

Transparency with regard to material themes is an important point of departure in our reporting. We are open about our objectives and our performance in order to learn from this and to enable stakeholders to follow the progress. We measure our degree of transparency using the annual Transparency Benchmark which is commissioned by the Ministry of Economic Affairs and is carried out under its responsibility.

We have seen a rising trend in our score in the past years. With our report over 2013, we achieved the 91st place with 126 points (out of 200). A year later, we were awarded 163 points for the 2014 annual report and we achieved the 45th place. And with our last report over 2015 we achieved the 35th place with 178 points.

**TRANSPARENCY OF BENCHMARK**





# “ THE ENERGY TO CHANGE ”

**Peter Vermaat** CEO and **Maarten Blacquière** CFO

**Energy is taken for granted in the Netherlands.** Our employees are available 24 hours a day for a reliable and safe energy supply. Certainly now that energy is becoming increasingly sustainable and the customers' wishes are changing. CEO Peter Vermaat and CFO Maarten Blacquière look back on the initiatives in 2016.

Our most important task is to ensure that all of our customers are always supplied with energy. As companies count on energy to continue to produce, schools teach using a digiboard and we also make extensive use of electrical devices in our households. Our customers had no electricity for on average 15.2 minutes in 2016. That was lower than we had forecast and lower than the average outage time in the Netherlands.

Now that the dependency on energy is increasing, it is important that we carry out our work excellently. At the same time, we see that new developments are completely changing our familiar energy system. For instance, (decentralised) sustainable generation by solar panels, electric transport and heating from alternative sources. In our grids, we see that the supply and demand of energy are fluctuating more and more. In order to ensure that the energy supply remains reliable and affordable, we have to adapt our grid and our services. In doing so, we focus on two main tasks: excellent grid management and accelerating the energy transition.

## **EXCELLENT GRID MANAGEMENT**

Safety is primary in everything that we do. As working excellently on the energy supply is only possible when this takes place safely. It is for a very good reason that our safety requirements for employees and contractors are strict. We want every employee to return home safe and sound every day. With safety as the basis, we worked on replacing and modernising the energy grid in 2016. Since the merger with grid operator Endinet in 2016, we now also do this in





the Eindhoven region. We invested EUR 384 million in the construction and maintenance of our grids. On the one hand, this concerns necessary replacements, on the other hand, we are working on making the grid future-proof.

Our traditional energy grids are becoming smart grids, which we service remotely via automation and with which the outage time can be further shortened. Part of these smart grids is the smart meter, which has now been installed at over one million households. In the future, the meter will form a key element in the balancing of the supply and demand of energy.

## ACCELERATING THE ENERGY TRANSITION

Our grids form an important base for the realisation of the energy transition. We ensure that the grid is ready to receive and distribute locally generated energy. That is our task. However, the speed of changes and uncertainties about what the energy future will look like make our task complex. Which investment choices must we make for the energy supply in 2050? How long and how much will we continue to invest in new natural gas grids now that more and more municipalities are considering alternatives, such as biogas or synthetic gas? What role will heating play in the energy mix?

We discussed the future scenarios, the energy transition and the impact that this will have on Enexis with our stakeholders in 2016. We see many new forms of collaboration coming into being. For example, between knowledge institutes, market parties, governments and local energy cooperatives. We also collaborate via Enpuls, a new company that we established in 2016. Together with, among others, market parties, research institutes and municipalities, we are working on scalable solutions for sustainable regional development, flexibility, energy savings and sustainable mobility. In this manner, we make innovation feasible and new applications are realised faster.

## BEING PREPARED FOR UNCERTAINTY

It is important that we, as a company, learn to deal with the uncertainties accompanying the energy transition. We started a process in 2016 to realign our existing strategy so that we are better prepared for future developments. We have to become more agile and we have to be open to new concepts. As the energy system of the future is flexible and accessible for everyone. In this process, we seek to maintain the right balance between customer tariffs, operating result and investments.

The energy of our employees is vital in order to fulfil our duties towards society. They know what the energy transition demands from us and our committed to help customers and to improve processes. In 2017, we will continue energetically, with our employees and our stakeholders, to follow the path that we have chosen.

**Peter Vermaat, CEO**

**Maarten Blacquière, CFO**

# “WHAT IT REALLY IS ALL ABOUT IS THE WORK CULTURE”

“I don't want to experience it ever again that somebody has an accident under my responsibility. I experienced this once and I hope I will never have to deal with something like that again. I often tell my personal story to colleagues to emphasise how vital working safely is. At BAM, we have all sorts of registrations, international safety days, apps, a reporting number for incidents, and such. But this is no guarantee for success. What it really is all about is the work culture. Do co-workers feel free to call each other to account? Do they dare to make choices in the interest of safety when doing their work? This leads to dilemmas every day and we talk about these. Seriously and also in a more light-hearted way. In the past year, we have transformed our instrumental safety approach into an approach from the heart. We are therefore very proud that we won the Enexis Contractor Safety Award 2016. Apparently, it is noticeable that we are on the right track to make our safety culture more open and transparent. The award is a confirmation for our employees. What we aim for together with Enexis is that the discussion about safety is not carried out from a position of authority, but based on a personal relationship between client and contractor, between contractors among each other and above all between employees.”

**BILJANA FRANJIC**

DIRECTOR BAM INFRA ENERGY & WATER SOUTH,  
WINNER OF ENEXIS CONTRACTOR SAFETY AWARD 2016

“Each incident is one too many, I know that. Nevertheless, the trend in our safety figures can be called 'good'. It is the result of structural improvements. What we do in particular is provide the opportunity to talk about incidents. How could it occur? We are sympathetic and strict when discussing incidents. We understand that safety measures can be a nuisance, but we do not accept it when the required safety measures are not taken. In the long term, our safety performance could be even better. We will maintain our safety approach and the energy that we put into it, with more attention for dialogue and discipline.”

**LUCAS VAN DE WEIJER**

MANAGER HSE ENEXIS



# SAFETY

**Working with gas or electricity is never without risk.** This is why working safely has the highest priority for us. We pay attention to the safety of bystanders and we want every employee to return home safe and sound every day. The protection of the data and privacy of customers is another important aspect of safety.

## SAFETY OF EMPLOYEES

We formulated robust ambitions for the safety of our employees in 2013. We want the number of accidents to decrease every year. We measure this with the DART-rate, the number of accidents resulting in absenteeism per 200,000 hours worked. Our target in 2016 was a DART-rate of  $\leq 0.32$ . Our score was 0.17 at the end of 2016. Seven accidents with absenteeism occurred; this still amounted to 13 in 2015.

	2016	2015	2014	2013 <sup>3)</sup>	2012 <sup>3)</sup>
<b>Accidents and DART-rate<sup>1)</sup></b>					
Fatal accidents	0	0	0	0	0
DART-rate Enexis	0.17	0.33	0.60	0.49	0.47
DART-rate third parties <sup>2)</sup>	0.86	0.78	0.90	1.11	0.85

1. DART-rate: the DART-rate stands for the number of accidents resulting in absence from work or adapted work per 200,000 working hours.
2. Figures do not include Endinet
3. Comparative figures 2012 and 2013 were adjusted in view of the changed definition in 2014, whereby accidents with adapted work were no longer included.

Enexis's Dart-rate shows a strongly downward trend. Especially, a stronger focus on safety and safety awareness play an important role in this. Our employees always have to be aware of the risks when carrying out their work and to point possible dangers out to each other. We carried out an internal campaign in 2016 which encouraged employees to consider their daily work and the risks involved.

The safety of our own employees is just as important for us as the safety of the employees of contractors who work for us. They are also subject to strict safety requirements and we help to improve the safety. Our external parties reported 14 accidents with absenteeism in 2016. The DART-rate for third parties was 0.86 and shows a somewhat more fluctuating trend. This could be due to the fact that we encourage parties to report incidents better. We received more reports and the quality of the reports was better, which increases our insight. The safety at contractors is one of our spear points in 2017. We will enter into a dialogue, participate more often in incident investigations and share information about safety.

Safety awareness must be rewarded. This is why we award our HSE Awards every year both internally and externally. In 2016, the Enexis Contractor Safety Award went to BAM Zuid, the contractor with the best performance in the field of safety, health, well-being and the environment. Internally, the HSE Award went to colleague Klaas Kleinman who, together with other Emergency Response colleagues, provides for a safer environment at our work locations.

## SAFETY AND OUR ENVIRONMENT

Incidents in the gas grid are also monitored closely, as these can form a direct hazard for public safety. In the first half of 2016, we observed an increasing number of reports of gas leaks with a negligible or small effect in gas meter installations. In order to determine the cause of this, Enexis started a detailed investigation of which the outcomes are expected in 2017. In order to prevent leakages, we also introduced a multi-year programme for the replacement of obsolete connection pipelines.

MILESTONES	STATUS AT YEAR-END 2016 <sup>1</sup>
Number of gas leaks with a negligible or small impact < 12,000	12,252
Number of incidents with a moderate or considerable impact < 10	6
Number of incidents with a serious impact < 3	0
Number of incidents with a disastrous impact < 1	0

- Negligible or small impact: Gas leakages from Nestor registrations 'gas odour / gas leakage' for grid operator.
- Moderate or considerable impact: Accidents requiring First Aid, injury resulting in absenteeism or damage to the environment amounting to between EUR 10,000 and EUR 1 million.
- Serious impact: Accidents resulting in serious (permanent) injury or damage to the environment amounting to between EUR 1 million and EUR 10 million.
- Disastrous impact: Accidents with one or several fatalities or damage to the environment of at least EUR 10 million.

1. Excluding Endinet.

## PRIVACY

Another aspect of safety is privacy. With the fast growing attention for (open) data, the importance of protecting privacy is increasing. This is why we are constantly working on our privacy and security policy. Transparency and an adequate communication about the use of data play an important role in this. We appointed a privacy officer in 2016 to advise the internal organisation on privacy matters and to prepare the implementation of the European Privacy Directive. We are working on improving our authorisation management, we carry out penetration tests and hackers tests periodically and we carried out security scanning. The reporting desk Data Leaks was also formalised in 2016.

An important data leak in the energy sector was discovered in 2016: the energy data of 2 million Dutch households was taken from a central register for commercial purposes. The data leak was reported directly to the Netherlands Authority for Consumers & Market and the Dutch Data Protection Authority. Grid operators are also working on joint plan of action via the sector organisation Netbeheer Nederland to reduce the risk of unlawful use of customer data. The monitoring on the central register had been intensified and it is checked on a daily basis whether no irregular queries are being made.

## CYBER SECURITY

The security of computerisation in the energy grids, the smart meter and our information systems is a constant point of attention with a high priority. If hackers obtain unauthorised access to our systems, this can lead to disturbances and/or data leaks. We are constantly developing and implementing improvements together with (external) knowledge partners and suppliers. In addition, we work together with the National Cyber Security Centre of the Dutch Ministry of Security and Justice, other grid operator and market parties to take measures timely against external signals of attack.



“We are rather spoiled in the Netherlands with a high reliability of energy. And many customers are probably not even aware what actually has to be done to achieve this. Certainly now that energy is being produced in more and more locations, it is a challenge for grid operators to ensure that the energy supply continues to remain reliable. Greenchoice stimulates customers to generate their own electricity or to join local energy collectives. We focus on the local energy transition and we like working together in this area with grid operators. For example, to increase sustainability on a neighbourhood or city level and to keep costs under control. Both parties have their own role in this and have to also take on their roles. Although the discussion about our division of roles is sometimes polemic, I advocate arriving at the best solution for society by working together. As we ultimately have one common objective: increasing the sustainability of the energy supply with the same high degree of reliability.”

**EVERT DEN BOER**  
CEO GREENCHOICE

“We spend a lot of attention and money on maintaining the high reliability level of our electricity grids. We monitor everything very closely and that is bearing fruit. However, it is more difficult to remain at the top than to reach the top. We are facing two major challenges: getting the grid ready for the future and ensuring the performance of the ageing grids. This is why we are actively working on smart solutions to facilitate the energy transition in a cost-effective manner. In order to identify weak spots in the grid before these lead to outages, we make use of the Smart Cable Guard system. We are constantly working on optimising our maintenance and replacement programmes. And when an outage occurs, we try to solve this as quickly as possible, for example, by installing distribution automation. In this manner, we aim to make optimal use of our grids!”

**HAN SLOOTWEG**  
DIRECTOR ASSET MANAGEMENT ENEXIS



“WE ARE RATHER SPOILED  
IN THE NETHERLANDS”





# RELIABILITY OF THE ENERGY SUPPLY

**It is important for our customers that electricity and gas are available every moment.** An outage is a nuisance and can also cost companies money. Fortunately, energy was available in the past year 99.99% of the time.

The energy supply in the Netherlands is very reliable compared with other countries. However, sometimes something still goes wrong. In 2016, our customers were without electricity for 15.2 minutes and without gas for 45 seconds. The outage for electricity was lower than our target of no more than 22.4 minutes, but higher than in 2015. The outage time of 14.2 minutes in 2015 was historically low.

	Electricity (in minutes)	Gas (in seconds)
<b>Outage time</b>		
Groningen/Drenthe	22.2	61
Limburg	15.0	69
Overijssel/Flevoland	13.4	46
Noord-Brabant (Endinet)	2.5	14
Noord-Brabant Oost	11.1	30
Noord-Brabant West	14.6	39
High voltage <sup>1)</sup>	0.2	–
<b>Total</b>	<b>15.2</b>	<b>45</b>

1. Cannot be allocated geographically.

An important share of the electricity outages were caused by excavation work. Therefore, since a number of years, we are paying extra attention to the prevention of excavation damage. As damage to gas pipelines can have disastrous consequences. Based on the information requests that we receive from excavators, we gauge whether their excavation work entails risks for our cables and pipelines. If that is the case, we contact the excavator by telephone to point out the necessity of taking care when excavating. Our employees also visit excavation sites. When an excavator encounters an unexpected situation and contacts us, we quickly go to the location to find a solution together. The manner in which we prevent excavation damage contributes to our high reliability.

## INVESTING IN A RELIABLE ENERGY GRID

In order to ensure that the grid remains reliable, we invested EUR 384 million in 2016 in maintenance, replacement and modernisation of the grids. In order to determine which investments we will or will not do, we weigh all of the different interests such as: reliability, safety, legality, affordability, customer satisfaction and sustainability via Risk-Based Asset Management. The Asset Management process is ISO 55001 certified.



amounts in millions of euros	Gross investment <sup>1)</sup>				
	2016	2015	2014	2013	2012
<b>Electricity</b>					
Standard connections	21	21	22	22	26
Customised connections	19	20	19	22	23
Grid expansions	93	93	89	95	123
Reconstructions	27	25	26	27	30
Replacements	46	40	37	40	34
Other	15	16	14	11	18
<b>Total electricity</b>	<b>221</b>	<b>215</b>	<b>207</b>	<b>217</b>	<b>254</b>
<b>Gas</b>					
Standard connections	7	7	7	8	9
Customised connections	2	2	2	2	2
Grid expansions	17	15	15	16	15
Reconstructions	19	19	20	17	19
Replacements	116	117	105	95	83
Other	2	2	2	1	2
<b>Total Gas</b>	<b>163</b>	<b>162</b>	<b>151</b>	<b>139</b>	<b>130</b>
<b>Total Electricity and Gas</b>	<b>384</b>	<b>377</b>	<b>358</b>	<b>356</b>	<b>384</b>

1. Figures do not include Endinet.

## DILEMMA: INVESTING IN NATURAL GAS GRIDS

The reduction of the use of natural gas is one of the points of departure in the Energy Policy of the Ministry of Economic Affairs. Natural gas will no longer play a role in heating systems in 2050. However, natural gas will still be needed for the time being in the transition to a completely CO<sub>2</sub>-neutral energy supply. It is a dilemma for us how long and how much we must invest in new natural gas grids. The speed in which developments will take place is uncertain and the role of heating in the energy mix is a matter of debate. During the National Climate Conference 2016, Enexis, together with various parties including municipalities, signed the manifests 'To work with living without natural gas' and 'Energy transition at households with lower incomes'. We follow the developments, participate in pilots with sustainable alternatives (including biogas) and enter into a dialogue with stakeholders regarding the need for alternatives for natural gas. The uncertainty of these developments is still large. Nevertheless, the debate within society about the use of natural gas will provide direction for our activities in the coming years and laws and regulations will be adapted where necessary accordingly.

## SMART GRIDS INCREASE RELIABILITY

In order to monitor the supply and demand of energy real time and to solve outages quickly, we have added ICT to our stations. We have been equipping our stations with distribution automation since 2015. With this, we are able to operate our energy grids remotely and solve outages faster. We equipped around 400 stations with distribution automation in 2016 and we will continue with up to 2020.

We also carried out pilots with Distribution Automation Light in 2016. This is a cheaper and more compact form of distribution automation. We use small computers to obtain insight into current energy flows. With this, we are preparing for a sustainable and decentralised

energy supply which also includes water pumps, solar panels and electric cars. The large scale roll-out of Distribution Automation Light will start in 2017 and it is our aim that around 35,000 transformer stations will be equipped with this by 2026.

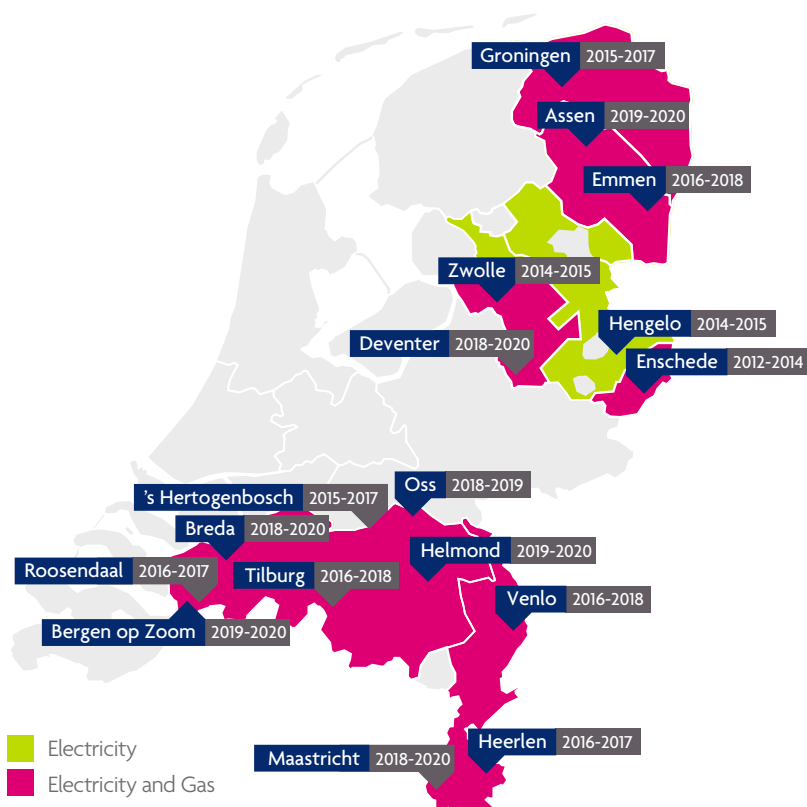
## CREATING ADDED VALUE FOR SOCIETY THROUGH DISTRIBUTION AUTOMATION

We started to make our added value for society demonstrable in 2016 by means of a pilot project. With this insight, we are better able to steer and to make choices that have an optimal effect for society.

We have started to make an inventory of the effect of Distribution Automation in Enschede for society. The medium-voltage stations in Enschede have been equipped with a small computer that makes it possible to detect problems and to switch parts of the grid on and off remotely. In the event of an outage, we can switch back on the units that are not affected by the outage remotely, so that people in that area are less inconvenienced by an outage. The added value for society of the Distribution Automation process in Enschede is estimated at EUR 1 million based on the costs incurred and the projected benefits. These benefits comprise the avoidance of loss of energy use minutes in the past and future years. The underlying assumptions and points of departure for this calculation can be found on the [Enexis Group website](#).

Insight into the benefits and costs for society can be used for future investment decisions. This first impact calculation is, in that sense, a next step in integrated thinking within Enexis, whereby we aim for the optimisation of benefits for society as a basis for investments in Enexis's Risk-Based Asset Management Policy.

## DISTRIBUTION AUTOMATION



## KEY FIGURES ENERGY GRIDS

	2016	2015	2014	2013	2012
<b>The grids</b>					
<b>Section lengths (x 1,000 km)</b>					
Electricity grid	136.9	138.0	137.2	135.2	134.2
- Low voltage	92.8	93.3	92.8	90.8	90.0
- Medium voltage	43.9	44.6	44.4	44.3	44.1
- Intermediate voltage	0.1	0.1	0.1	0.1	0.1
Gas grid	46.2	44.8	44.7	44.8	44.8
- Low pressure	37.4	35.8	35.7	35.8	35.8
- High pressure	8.9	9.0	9.0	9.0	9.0
<b>Stations (x 1,000)</b>					
E-stations	53.1	53.2	53.0	52.9	52.7
G-stations	22.8	24.4	24.5	24.6	24.6
<b>Number of connections (x 1,000)</b>					
Electricity	2,752	2,698	2,683	2,672	2,662
- Domestic (including 3x25 A)	2,549				
- Low-voltage connections other (small-volume as from 3x25A)	189				
- Medium voltage connections	14				
Gas	2,285	2,091	2,083	2,079	2,074
- Domestic (G4 and G6)	2,213				
- Low pressure other (small-volume as from G10)	69				
- High pressure connections	3				
<b>Transported quantities</b>					
Electricity (GWh)	34,453	34,121	34,050	34,900	35,043
Gas (Mm <sup>3</sup> )	6,075	5,530	5,111	6,510	6,350
Of which green gas	45.0	41.0	37.0	34.0	21.1
<b>Product quality</b>					
Outage time electricity (in minutes)	15.2	14.2	17.7	23.6	21.6
- High voltage	0.2	0.9	0.6	0.1	0.1
- Medium voltage	10.0	8.2	12.2	17.8	15.2
- Low voltage	5.0	5.1	4.8	5.7	6.3
Outage time gas (in seconds)	45	78	89.5	50	36

## WORK PACKAGE 2017

We also invested in our energy grids in 2017 to maintain the reliability of energy for our customers. The total work package in our servicing area requires an investment of EUR 780 million.

amounts in millions of euros	Workload 2017 total	Workload electricity grid	Workload gas grid	Workload smart meters
<b>Province</b>				
Drenthe	66	36	18	12
Groningen	104	54	34	16
Limburg	164	69	61	34
Noord-Brabant	318	153	90	75
Overijssel	128	72	30	26
<b>Total</b>	<b>780</b>	<b>384</b>	<b>233</b>	<b>163</b>



“**INSTALLING SOLAR FIELDS  
AND SOLAR ROOFS IN  
SMART LOCATIONS**”

“We stimulate the local generation of sustainable energy. This is why we help local committees and energy cooperatives with their plans. For example, in the earthquake region in Groningen where various successful initiatives have been launched. Our connection with Enexis provides for a strong acceleration in this case. The lines are short and Enexis is open to all sorts of ideas. By sharing knowledge and increasing the awareness of local residents, we see that energy initiatives advance to the next phase of development. And the positive impact: initiatives are now also being taken outside of the earthquake area in Groningen. The high connection costs on the grid can still pose an obstacle for cooperatives. This sometimes makes the business case hardly feasible. What helps us is when Enexis helps us look for locations with a cheaper connection. If we involve Enexis in an energy project at an even earlier stage, solar fields and solar roofs can be installed in smart locations and a more well-balanced use will be made of the grid. And we can help Enexis in turn to promote their ‘Buurkracht’ programme. After all, energy generating and energy savings projects go hand in hand.”

**ADA KRUITER**  
GRONINGER ENERGIE KOEPEL

“Enpuls also focuses on increasing the sustainability of local supply and demand. This is why we enter into a dialogue with provinces, municipalities and private parties. We discuss sustainability ambitions and share our knowledge about the energy system. And then it starts: we develop scalable solutions together that contribute to realising the Energy Agreement. A biogas pipeline was installed between Heineken and the water treatment plant Aa and Maas and we opened the first smart heating grid in Hengelo.”

**DAVE DE LANG**  
THEME OWNER SUSTAINABLE DISTRICT DEVELOPMENT ENPULS



# INCREASING THE SUSTAINABILITY OF THE ENERGY SUPPLY

**We see the wish to increase sustainability among our stakeholders: from consumers and local energy companies to municipalities.** We are pleased to provide support and assistance with this. We take our social responsibility seriously and we contribute to the realisation of the Energy Agreement and the international climate agreements that were made in Paris.

More and more customers are delivering energy back to Enexis that they generate themselves from the sun and wind. The share of sustainable energy that we transmit is thus becoming larger and larger.

## HELPING CUSTOMERS TO SAVE ENERGY AND INCREASE SUSTAINABILITY

The Netherlands aims to realise energy savings of 1.5% per year. Enpuls helps to realise these agreements laid down in the Energy Agreement by stimulating customers to save energy themselves. For example, through our programme Buurkracht. We put together teams of motivated local residents in cooperation with local energy cooperatives. The neighbourhood team enters into consultations with residents on double glazing, insulation and solar panels. In the meantime, 165 Buurkracht neighbourhoods have saved over 1.3 million kWh electricity and over 450 tons m<sup>3</sup> gas together. This is comparable to the energy consumption of around 300 households a year.

Sixty-five new neighbourhoods started saving energy together in 2016 and with this we have achieved our target for 2016. The involvement of volunteers and our own personnel is essential in order to stimulate local residents to start projects in their neighbourhoods in 2017 as well. In the coming year, we will focus more on starting new initiatives in the participating neighbourhoods, than on attracting new neighbourhoods.

## ACCELERATING THE ENERGY TRANSITION

We wish to further increase our impact to realise the objectives that were laid down in the Energy Agreement. This is why we have made it our aim to draw up energy plans with provinces, municipalities and housing corporations as from 2017. Together, we will draw up a (neighbourhood) approach for the future infrastructure for the coming ten years with concrete initiatives for increasing sustainability and energy savings.





## SUSTAINABLE REGIONAL DEVELOPMENT

Provinces and municipalities have their own sustainability ambitions and needs. We wish to arrive at new solutions via Enpuls in consultation with municipalities, provinces, housing corporations and local energy collectives. Enpuls developed a smart heating system at the business park 'High Tech Science Park' together with electronics company Thales and the province Overijssel.

## FLEXIBILITY

Energy choices of companies and consumers are becoming increasingly important for the energy system. Enpuls stimulates market parties to make direct use of energy that is generated locally or, if too much energy is available, to store this energy. Enpuls is developing new market models and setting up pilots in order to make this attractive. Such as in the pilot 'Jouw Energiemoment 2.0' [Your Energy Moment 2.0], whereby it is being examined as from 2016 whether sustainably generated energy from batteries in houses can be traded by customers. We aim to accommodate the expected changes in the energy supply and demand with smart innovations, so that the energy grids do not have to be expanded.

## SUSTAINABLE MOBILITY

There are now more than 100,000 electric cars on the road in the Netherlands and we expect a further increase in the coming years. This provides economic opportunities for the market. However, it also has far-reaching consequences for the electricity grid. Peaks in demand can also occur when too many customers want to charge their batteries at the same time. In the national Living Lab Smart Charging studies, we examine aspects of Smart Charging together with research institutes, universities, governments, grid operators and market parties. The supply of sustainable electricity can be matched with needs of the driver via smart charging points. The Netherlands has built up a lot of knowledge about this topic and is contributing to establishing an international standard.

We are also working on applications that regulate the charging of electric cars at the most sustainable moment; when the sun is shining and the wind is blowing. As a result, maximum use can be made of sustainable energy. These applications can only be realised if people also make use of a smart charging infrastructure. We are realising 2,500 smart charging points with the provinces Noord-Brabant and Limburg.



“ AN ELECTRICITY OUTAGE INTERRUPTS THE FAIRY TALE ”

“We would like to welcome at least five million visitors a year in theme park the Efteling in 2020. To this end, we regularly open new attractions and we have expanded our bungalow park Bosrijk. Every day, we rely on the delivery reliability of Enexis. Because: an electricity outage interrupts the fairy tale that we wish to offer our guests. When we encountered the limits of the electricity capacity, we entered into discussions with Enexis. Our request for expansion was not standard, we took Enexis out of its comfort zone. But the company demonstrated that it doesn't only think in products, it thinks above all in the customer's needs. And that is ultimately what it is all about: Enexis has the knowledge. How the company makes use of this knowledge for us, is not really relevant. As long as we can count on sufficient electricity for the future. We are also considering solutions for sustainable energy, but with regard to volume and generation, this does not yet correspond with our needs. The guest's experience is first and foremost and we will not make any concessions in this regard. You will certainly not see a solar panel on the roof of little red riding hood's tiny house.”

**PIM VAN KILSDONK**

DEPUTY-DIRECTOR TECHNOLOGY & PROJECTS AT THE EFTELING

“When customers are without electricity or gas, they know how to find us fast via social media. Our web-care team is ready to assist them. On working days, we are available between 8 am and 9 pm and, as from the fall of 2016, we are also available during the day in the weekend. This is important, as customers expect the same speed online as a webshop. We try to respond to a question via Twitter or Facebook within one hour. Solving a technical outage sometimes takes a little longer, but we do keep customers informed in the meantime and sometimes we do something extra. When a disappointed family was sitting in the dark on Christmas Eve, we sent them two cinema vouchers as a surprise.”

**RUTH WESTERA**

ENEXIS WEBCARE ENEXIS



# CUSTOMER SATISFACTION

**For many companies it is now the case: ordered today = received tomorrow.** Our customer are also making increasingly higher demands with regard to our services and they expect speed and convenience. It is our challenge to structure customer processes in such a manner that our services are simple, fast and well-traceable for customers.

In order to simplify our services and to identify bottlenecks, we ask customer how much effort they felt was required to receive the help that they wanted. We measure their experiences in the most important customer processes. We use the Customer Effort Score (CES) to measure this. The principle ‘the lower, the better’ therefore applies for the CES score.

	Target Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
<b>Customer Effort Scores<sup>1)</sup></b>					
Standard connections	≤ 20%	36%	33%	32%	27%
Customised connections <sup>2)</sup>	≤ 20%	24%	24%	28%	31%
Customer service by phone <sup>2)</sup>	≤ 17%	20%	18%	18%	19%
Enexis.nl	≤ 15%	20%	18%	15%	15%
Complaints & Claims	≤ 40%	29%	35%	31%	30%
Information on outages	≤ 10%	11%	12%	16%	12%

1. Scores do not include Endinet.

2. Scores are cumulative scores.

Where complaints and claim are concerned, we scored better in 2016 than our target. Our customer service employees score high on customer friendliness and expertise. However, customer still feel that it takes too much effort to find information on our website, for example, about outages. We are working on improving the timeliness and the speed of the information and the awareness of the national outage number.

Unfortunately, we did not achieve our objective on the Customer Effort Scores in 2016. Therefore, the efforts to achieve these objectives are being intensified. We started a project for the redesign of processes and a chain-exceeding approach in order to structurally improve important working procedures within Enexis. In this project, we are focusing on the management of connections, the construction of the primary infrastructure, maintenance, outages and market facilitation. These processes are being redesigned to work (together) in a more customer-oriented and efficient manner.

## SMART METER

Customers are offered a new energy meter by their grid operator: the smart meter. Customers can obtain insight into their energy consumption with the smart meter, which can be the first step towards saving energy. Energy suppliers contribute to this by offering their customers - which is expected to take place as from 2017 - an energy contract with flexible energy tariffs, for which a smart meter is required. Moreover, the smart meter is necessary to maintain the balance between the supply and demand of electricity now that more and more energy is being generated by wind and by the sun. The smart meter is an important part of smart grids for grid operators.

The large-scale offer of smart meters started in the beginning of 2015. This was a large-scale logistic operation. At the peak in 2016, Enexis installed eight smart meters every minute. By the end of 2016, the smart meter had already been installed at over one million households. And it is our objective to install the smart meter at another 459,000 addresses in 2017.

However, speed is not the most important element. It is our aim that customers are satisfied with the installation process. In over 90% of the number of offerings, the meter was installed successfully directly. In other cases, for example, the customer was not at home, it was technically not possible to install the meter or the customer refused the meter. Customer also have the right to decide to not have the smart meter installed. In 2016, 3.6% of the customers, who were offered a smart meter, decided not to have one installed (2015: 5.0%). The sector average was 5.4%.

	2016	
<b>Smart meters</b>		
Total number of installed addresses	366,010	90.5%
Not installed:		
Refused by customer	14,740	3.6%
Customer not cooperating yet	19,868	4.9%
Technically not possible	3,239	0.8%
Other	611	0.2%
<b>Total number of addresses offered</b>	<b>404,468</b>	<b>100%</b>

	untill 2016	2016	2015	2014	2013	2012
<b>Smart meters</b>						
Electricity meters	1,027,163	366,010	233,247	174,165	128,795	90,105
Gas meters	811,104	308,516	149,204	149,494	96,291	63,533
<b>Total</b>	<b>1,838,267</b>	<b>674,526</b>	<b>382,451</b>	<b>323,659</b>	<b>225,086</b>	<b>153,638</b>



“At the High Tech Systems Park, it is all about technology and innovation. Companies want to work here to be able to innovate faster together. A traditional energy grid is not really fitting for this. Therefore, at the time of the development of the business park, it had already been determined that a sustainable energy grid would have to be installed. We examined the possibilities together with owner Thales, advisory agency DWA and Enpuls. A smart grid has now been installed and companies share their industrial residual heating and cooling. If there is a surplus of heating or cooling in one building, this is exchanged in a smart manner with another building where this is needed. This is unique and really innovative on this scale. Enexis has demonstrated in this project that it can think ahead. That surprised me, but it is also what I expect from a grid operator. Show that you aim for the best solution for our business park and that you can set aside traditional methods and technology. Our smart grid is not simply a ‘one-size-fits-all’ solution. The collaboration went very well because we also have the same mentality: just do it! Inspire each other and arrive at the best solution. The High Tech Systems Park is a blueprint for industrial residual heating systems which others can also benefit from.”

**VINCENT TEN THIJ**  
DIRECTOR HIGH TECH SYSTEMS PARK

“Enexis is being involved more and more in energy issues of regional and local governments. Therefore, Enexis-wide district teams have been formed to support them better with sustainability issues. We are actively involved in large (European) innovation projects, such as the Smart Grid project Interflex. Many innovative developments are combined in this pilot in Eindhoven: from storage to smart charging of electric cars. We see that data is starting to play an increasingly important role for us as a regional grid operator. In our grid, it is no longer only about cables and pipelines, but also about data.”

**PIETER JANSSEN**  
INNOVATION DIRECTION MANAGER ENEXIS

“OUR **SMART GRID**  
IS NOT SIMPLY A  
‘ONE-SIZE-FITS-ALL’  
SOLUTION”

# INNOVATION

**Innovation is essential for us now that the energy world is developing so rapidly.** We want to make use of new technology in our grids and to support our customers with their (future) energy needs. We look ahead, we make prototypes and test innovations in practice. Enexis opts for scalable solutions that accelerate the energy transition.

We innovate as much as possible together with customers, market parties, cooperatives, municipalities and provinces. As solutions not only have to be technically correct, they also have to be geared to the needs of our stakeholders. Moreover, we can make use of each other's expertise to accelerate the process. In order to emphasise this ambition, we have included a concrete target for stakeholder engagement for 2017.

The first steps have been set for this in 2016. We organised 'Alliance Factories' in which we entered into a dialogue about the contribution that we can deliver to, for instance, solar energy. An example of such an Alliance Factory is Ruimte voor Zon [Space for Sun] in Groningen, in which Enexis works together with the province Groningen. Around 90 partners have joined this project to realise additional solar parks in Groningen. Another example is the Enexis Huis Limburg that we developed together with the province Limburg and the municipality of Maastricht. This education and information centre for living sustainably will open its doors in the second quarter of 2017.

## INNOVATION IN OUR GRIDS

A large share of our innovations is related to digitalisation. A digital measuring technology that we are installing is Smart Cable Guard. With this, Enexis can measure minuscule interruptions in a cable and predict whether a short circuit will occur within a number of weeks. The system gives a warning timely, so that the cable connection can be repaired before the electricity outage actually occurs.

We aim to accommodate the expected changes in the energy supply and demand with smart innovations without having to increase the capacity of the energy grids. An interesting example is the pilot 'Jouw Energie Moment 2.0' which began at the end of 2016 in residential districts in Breda. In this pilot, Fudura works together with Senfal, Shiftt, Technolution and TNO. We test how energy can be used and divided and how the expenses allocated over the various households. Research is being conducted into a business model for flexibility services, such as smart devices and an electric car, that is profitable for all parties involved. Storing energy with the aid of a 'home battery' is part of the pilot. With this home battery, customers can store the energy that they have generated or offer it to others in the area.





## **OPEN DATA**

The availability of data is an important precondition for innovation. Within the statutory limitations, we make our data available for general use as much as possible. We offer, for instance, low-volume consumers data on an aggregate level, asset data and geographical information. With this, we support municipalities and market parties with the development of applications. We introduced a new [key figures app](#) on the Enexis website in 2016. This app provides all important information about the gas and electricity grid per province, municipality and town/city. For example, the number of charging points, smart meters and buildings with solar panels.



“CHANGING IS EASIER  
FOR SOME PEOPLE  
THAN FOR OTHERS”

“Enexis is investing a lot in digitalisation, innovation and more efficient working procedures in order to be able to deliver a strong contribution to the energy transition. But as a result, the work of many colleagues is changing. We consider it important that Enexis involves all its employees in the journey that we are going to make at an early stage. The organisation calls on its employee's capacity for change. However, changing is easier for some people than for others. As Works Council, we emphasise that we understand that there are colleagues who find change difficult. By explaining the benefits and the need of strategic plans at an early stage and by making the consequences for their jobs clear so that they can anticipate on this. If we expect employees to take action, then they must be given insight into the company's plans for the future and they must be able to see good opportunities and a positive future for themselves. We discussed this regularly in 2016 with the management. Also in connection with the reassignment of our 'new' Endinet colleagues. They deserve a clear perspective. The Works Council has promoted the interest of Endinet colleges to be supported from job to job. And this has worked out well generally. We are happy with this. Certainly in times of change, it is a privilege that we can make our voices heard. New Works Council elections will be held in 2017 and we expect that more employees – hopefully also young talent and managers – will want to take a fresh look at the future of the organisation and of our colleagues.”

**EEF VERHOEVEN**

CHAIR OF THE WORKS COUNCIL ENEXIS

# CHANGE CAPACITY OF THE ORGANISATION

**The energy transition makes demands on Enexis's change capacity.** We aim to accommodate the changing wishes of our customers, understand new technologies and be able to apply them effectively. And at the same time, we must continue to ensure that customers have energy 24/7.

We expect from our employees that they take initiatives to improve processes and that they contribute towards building the new energy system. We want to make use of the talent in the organisation to accelerate the sustainable supply of energy. Therefore, it is our aim to ensure that our employees find their work energising, that they do their work with enthusiasm and enjoyment and that they carry out their duties to the best of their abilities.

In order to measure employee engagement, we conduct a random survey every quarter among our employees. We achieved an average score of 7.9 in the last quarter of 2016. This score is considerably above the national average, but below the target that we set ourselves in 2016.

## DILEMMA: INCREASING AGILITY

Agility is a much discussed theme in 2016 and places us for a dilemma. We want to prepare the organisation for a role in the future energy supply without knowing exactly what this will look like. Increasing agility is in line with the dynamic of present times in which developments go very fast. Further digitalisation means for Enexis that administrative processes can be simplified. In addition to cost savings, this has the consequence that this will cause jobs to disappear in the future, in particular in the administrative and supporting positions.

## SUSTAINABLE EMPLOYABILITY

In a number of years, Enexis will be working with substantially fewer people as work will be disappearing. This is a trend that is visible throughout society. Tasks are disappearing because these are being automated. On the other hand, new work is being added due to the innovative role of the grid operator. For example, due to new activities of Enpuls and the increasing attention for energy savings. Although this shift is partially being absorbed by natural staff turnover, it is important to continue to work on sustainable employability of employees within and outside Enexis.

In order to work on their own employability, Enexis employees are entitled to a personal sustainable employability budget of EUR 500 a calendar year. They can use this budget to pay for activities and resources to improve their knowledge and skills or to remain healthy, fit and motivated to perform their work well. Compared to 2015, more employees have used their budget in 2016. Around EUR 300 was spent on average per employee. Recurring expenditure objectives were related to sports, training and education.

The Sustainable Employability Plus arrangement is applicable in the event of reorganisations. The point of departure in this scheme is that prior to a reorganisation, a process is started in which we look for a new job together with the employees. Assistance is provided to employees to go from job to job.

## INTEGRATION OF ENDINET

Endinet Groep B.V. forms part of Enexis Holding N.V. as from 1 January 2016. 241 employees of Endinet have joined our organisation, of whom 230 accepted a new position within or outside of Enexis in 2016. We are doing everything we can to assist the other 11 employees to find new employment before the end of 2017. In addition to changes in personnel and attention for the training of Endinet colleagues, we worked hard on the integration of processes, infrastructures and ICT in 2016. Endinet B.V. and Enexis B.V. were combined as of 1 January 2017.

## TRAINING AND EDUCATION

We stimulate the development of skills by offering training programmes, including a technical professional programme and the leadership college. Via the Enexis Vocational College, we help young people between the ages 18 and 25 to obtain a recognised vocational college 3 diploma for Gas Technician or Electricity Technician. To this end, we work together with the regional training centre Regionaal Opleidingscentrum Koning Willem I in Den Bosch and the Deltion College in Zwolle. Other organisations also make use of our training facilities.

The collaboration with the UWV WERKbedrijf (specialised in the reintegration of unemployed people) in the Zwolle region and temporary jobs agency Adecco was also special in 2016. The aim of this collaboration was to recruit unemployed persons age 55 and over, who have difficulty finding a job, to install the smart meters. After a thorough training, eight candidates entered the employment of Adecco and were hired out to Enexis.

	2016	2015	2014	2013
<b>Training and education</b>				
Average number of training hours total <sup>1)</sup>	28	30	32	36
of which:				
- male	32.6	-	-	-
- female	7.2	-	-	-
Participants vocational school <sup>2)</sup>	48	29	20	26

1. Calculation of average number of training hours was not performed correctly in previous years; figures cannot be adjusted retrospectively.

2. Number is exclusive of Endinet.

	2016	2015	2014	2013	2012
<b>Personnel</b>					
Number of employees at year-end (own personnel)	4,390	4,299	4,316	4,294	4,229
FTEs at year-end (own personnel)	4,229	4,148	4,161	4,141	4,072
Female employees as a % of the total workforce	18.6	18.2	17.5	17.2	17.7
Absence due to illness (%)	4.4	4.3	4.2	3.8	4.0



“Our association will not rest until 100% of the households in the Netherlands have access to sustainable energy. A considerable ambition that we can only realise with a stable and reliable energy supply as the point of departure. As people only dare to opt for solar panels, heating pumps or an electric car if they are sure that the infrastructure is reliable. Enexis has to provide this absolute confidence to consumers, companies and local energy cooperatives. And there is something else too: Enexis can also be the driver of alternative energy solutions. The company has the knowledge, data and insights to bring municipalities and market parties together to determine a sustainable roadmap together. In which districts does the energy grid need to be replaced soon and which solutions of our members could be potentially interesting for this? At present, legislation can sometimes form an obstacle for grid operators to offer the smartest solution, but hopefully this will change soon. As the energy transition is more than technology. We have to join forces to inspire people in the Netherlands and make them enthusiastic for sustainable energy.”

**OLOF VAN DER GAAG**

DIRECTOR OF THE DUTCH ASSOCIATION FOR SUSTAINABLE ENERGY  
(NEDERLANDSE VERENIGING DUURZAME ENERGIE)

“As a grid operator, we also have a social role and we are very aware of this. Energy has to be available for everyone and must remain affordable. It is part of our culture to make responsible choices and we also aim to help customers make responsible choices. In 2016, we made it possible in our systems to pay for energy per 15 minutes via the smart meter. Energy suppliers can now offer a 15-minute tariff to their customers and software developers can start developing smart energy consumption managers. In this manner, we facilitate the market and we help customers to use energy when it is the cheapest.”

**LOTTE BREUNESSE**

MARKET FACILITATING MANAGER ENEXIS



“ THE ENERGY TRANSITION  
DEMANDS MORE THAN  
FACILITATING TECHNOLOGY ”

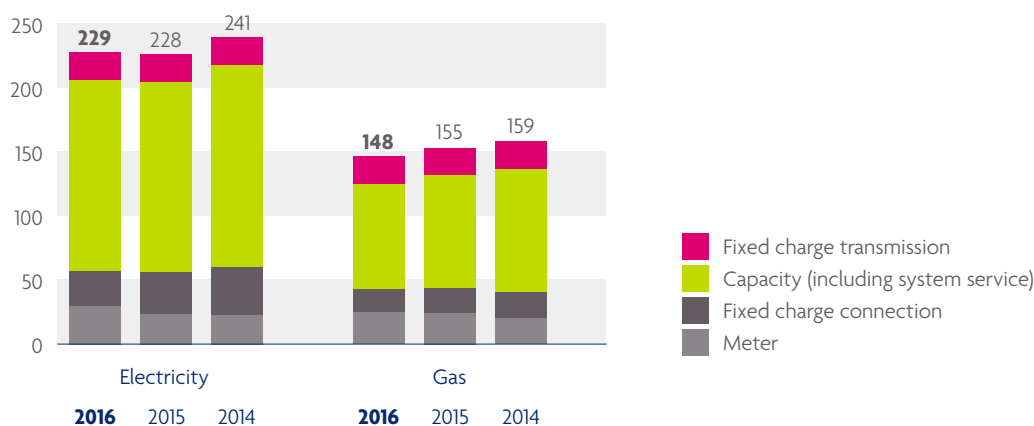
# ACCESSIBLE ENERGY SUPPLY

**Our energy grid is accessible for everyone under the same conditions.** Enexis aims for an affordable and accessible energy supply and promotes the operation of market forces.

Enexis aims to charge as low as possible tariffs for grid management. In this manner, we ensure that the energy supply remains accessible for everyone. The Netherlands Authority for Consumers & Markets (ACM) sets the maximum tariffs for the transmission of gas and electricity every three years. Enexis aims to charge the lowest possible tariffs. We lowered our tariffs in 2016 by on average 0.7%, in line with the ACM's tariff decisions.

## AVERAGE BILL FOR HOUSEHOLD CONSUMPTION

(costs on an annual basis in euros)



The Netherlands Authority for Consumers & Markets (ACM) published the method decisions in September 2016 for national and regional energy grid operators for the period 2017-2021. These method decisions specify how ACM determines the maximum tariffs.

## MARKET FACILITATION

In the Dutch market model, facilitating the market is a task of the grid operators. Customers and governments expect that grid operators, in addition to providing for the reliable transmission of energy at the lowest possible costs, also contribute to the free operation of market forces. For example, we ensure that customers can freely switch from one energy supplier to another and we organise the exchange of the necessary data. We do this together with the other grid operators in central systems. We have drawn up a roadmap together with sector associations for market facilitation in the near future. An important aspect in this is making the division of roles clear between existing and new market parties, such as energy cooperatives and independent service providers.





“**MOBILISED TO  
FORM AN OPINION**”

“Shareholders look at Enexis with a broad view. On the one hand, we have a financial interest in a sound future for the company. On the other hand, we look at the interests of our citizens where reliability of supply, price and support with the realisation of the energy transition are concerned. We have to make well-balanced choices in this regard as shareholders’ committee. We are satisfied with the result in 2016 in all aspects. The financial result is in accordance with what we had agreed and we consider this predictability to be important. We are also pleased with the cooperation in various projects. Enexis is able to accommodate the various emphases that provinces and municipalities place, such as a smart charging infrastructure in Limburg or solar energy in Groningen. We discussed the realignment of Enexis’s strategy extensively in 2016, a process that has been accelerated by the dynamics in the energy sector. Enexis literally mobilised us to form opinions and to enter into a dialogue about future scenarios. As Shareholders’ Committee, we consider it crucial to initiate new projects that help to accelerate the energy transition. We would therefore also like to see that the State, as agreed in the Energy Agreement, gives sufficient room to the company and the shareholders to continue to be able to make the right decisions.”

**ANNE-MARIE SPIERINGS**

ALDERMAN PROVINCE NOORD-BRABANT AND  
CHAIR OF THE SHAREHOLDERS’ COMMITTEE OF ENEXIS

# ECONOMIC PERFORMANCE

**Enexis's financial situation was influenced positively in 2016 by the acquisition of Endinet and the transfer of the grid areas Friesland and Noordoostpolder.** However, we were also faced with a number of non-recurring cost items. Nevertheless, we lived up to our profit expectations.

## PROFIT FOR THE YEAR

We realised a profit for the year of EUR 207 million in 2016. This is EUR16 million lower than in 2015. This decrease was due to higher expenses. The increase in expenses due to the acquisition of Endinet and the exchange of the servicing areas in Friesland and the Noordoostpolder was compensated by an increase in turnover as a consequence of this exchange. The decrease in the net profit was therefore mainly due to non-recurring cost items.

Municipalities in the Netherlands are increasingly charging municipal land use taxes for utility grids to the grid operators. Up to the present, this has almost not been the case in our servicing area. We appreciate this choice of municipalities who thus act in the interests of our customers and their citizens.

## REVENUE AND OTHER OPERATING INCOME

Our revenue in 2016 amounted to EUR 1,376 million, an increase of 1.7% compared with 2015 (EUR 1,353 million). On balance, the increase was the result of:

- EUR 22 million higher revenue from metering services, which was mainly due to an average tariff increase of 14.6%. Furthermore, revenue rose because the number of connections increased on balance due to the acquisition of Endinet and the transfer of the grid areas in Friesland and the Noordoostpolder to Alliander.
- EUR 8 million higher revenue from gas transmission and connection fees. Revenue was about EUR 22 million higher due to the service area exchange. A decrease of both the transmission tariffs (4.7%) and the connection tariffs (5.4%) led to a EUR 14 million lower revenue.
- EUR 7 million lower revenue from electricity transmission and connection fees. The tariffs for transmission fees rose by on average 0.3%. On the other hand, connection fees decreased by 12.1%. Revenues were also lower due to fewer non-recurring corrections with regard to previous years. The above-mentioned exchange led to an increase in the revenue concerned.

Other operating income was EUR 12 million higher in 2016 than in 2015. This increase was mainly the consequence of the sale of Aktivabedrijf Friesland B.V., with which a transaction result of EUR 13 million was realised. The available balance for operating activities is thus EUR 38 million higher than in 2015. This amounts to EUR 1,179 million over 2016 (2015: EUR 1,141 million).





## OPERATING EXPENSES

The total operating expenses rose in 2016 by EUR 89 million to EUR 836 million (2015: EUR 747 million). This increase in expenses is mainly due to higher depreciation expenses and impairments, higher personnel expenses and higher expenses for outsourced work, materials and other external expenses. A general summary of the figures:

- EUR 43 million higher depreciation expenses and impairments. EUR 32 million of the increase is due to the acquisition of Endinet and EUR 11 million is due to the disinvestment of the first generation of smart gas and electricity meters.
- EUR 29 million higher personnel expenses. This is also due to the higher retirement age, as a result of which EUR 12 million extra was allocated to personnel provisions. Furthermore, the headcount has risen on balance due to the acquisition of Endinet and the exchange of the grid areas in Friesland and the Noordoostpolder. In combination with a collective labour agreement increase of 1.5 percent, this leads to an increase in expenses of around EUR 9 million.
- EUR 17 million higher expenses for outsourced work, materials and other external expenses and other operating expenses. In addition to the effects of the exchange of grid areas and more maintenance work (EUR 13 million), the increase of EUR 7 million is due to the creation of a provision for disputes. On the other hand, there was a EUR 2 million lower allocation to the provision for doubtful debts.

## FINANCIAL INCOME AND EXPENSES

The balance of the financial income and expenses over 2016 amounted to EUR 73 million. This is EUR 20 million lower than in 2015. The intention to repay the perpetual loan in 2016, led to EUR 21 million higher expenses in 2015 than in 2016. The early repayment of one of the shareholders' loans resulted in an advantage of EUR 4 million in 2016. The third bond loan of EUR 500 million which was issued in the course of 2015 and a loan of also EUR 500 million issued in 2016 led to EUR 8 million higher interest expenses in 2016 than in 2015.

## CREDIT RATING

The long-term credit ratings of Enexis Holding N.V. and Enexis B.V. were reconfirmed in 2016 by both rating agencies. Moody's credit rating remained unchanged at Aa3 with a stable outlook. The credit rating issued by Standard & Poor's (S&P) was maintained at A+ with a stable outlook. The aforementioned credit ratings amply meet Enexis's requirements for maintaining its long-term A rating profile.

A short-term credit rating was requested and issued at the end of 2016 for Enexis Holding N.V. This because a Euro Commercial Paper (ECP) programme was set up in December 2016, with the objective of being able to attract short-term funding as from 2017. The short-term credit rating of Enexis Holding N.V. is P-1 (Moody's) and A-1 (Standard and Poor's).



amounts in millions of euros	2016	2015	2014	2013	2012	
<b>Result</b>						
Revenue	1,376	1,353	1,399	1,386	1,367	
Transmission, system services and distribution losses costs	228	231	243	230	236	
Other operating income	31	19	20	18	14	
Balance available for operating activities	1,179	1,141	1,177	1,174	1,145	
Operating expenses excluding depreciation, impairments and decommissioning	492	447	433	452	465	
Depreciation, impairments and decommissioning	344	301	310	299	286	
Operating profit	343	393	433	422	394	
Share of result of associates and joint ventures	1	1	1	1	-10	
EBIT <sup>1)</sup>	344	395	435	424	384	
Financial income and expenses	-73	-93	-79	-109	-91	
Profit before tax	271	302	356	315	292	
Profit for the year	207	223	266	239	224	
<b>Financial position (before profit appropriation)</b>						
Net working capital <sup>1) 2) 3)</sup>	-53	-80	-73	-49	-109	
Non-current assets <sup>2)</sup>	6,884	5,862	6,015	5,865	5,684	
Capital employed <sup>1)</sup>	6,150	5,477	5,340	5,266	5,085	
Equity	3,704	3,607	3,517	3,370	3,245	
Net interest-bearing liabilities <sup>1) 4)</sup>	2,078	1,777	1,619	1,682	1,864	
Total assets	7,284	7,079	6,417	6,265	7,024	
<b>Ratios</b>						
Solvency <sup>1)</sup>	%	50.9	51.0	54.8	53.8	46.2
ROIC <sup>1)</sup>	%	5.6	7.2	8.1	8.0	7.5
Return on equity <sup>1)</sup>	%	5.6	6.2	7.6	7.1	6.9
<b>Cash flow</b>						
Cash flow from operational activities	528	535	578	487	541	
Cash flow from investing activities	-813	-457	-419	134	-786	
Cash flow from financing activities	-217	376	-124	-615	218	
Cash flow	-502	454	35	6	-27	

1. For definitions, please refer to the glossary.

2. As of 2016, the smart meters in inventory were reclassified from inventory to property, plant and equipment. An adjustment of EUR 16 million took place for this in 2015.

3. As of 2016, the non-current portion of the leave provision was reclassified from current liabilities to non-current liabilities. An adjustment of EUR 3 million took place for this in 2015.

4. Until 2016, the net interest-bearing debt was calculated as follows: total interest-bearing liabilities - 75%\*(cash and cash equivalents + deposits + other freely available cash). As from year-end 2016, 100% of the cash and cash equivalents, deposits and other freely available cash is deducted from the total of the interest-bearing liabilities.



“THE GAS GRID MUST BE SAFE  
UP TO THE VERY LAST DAY”

“Grid operators have to ensure that the quality of the grid is maintained to ensure the safety of the grid now and in the future. As supervisor, we perform risk analyses based on theme inspections in order to ensure this objective is met. In the coming years, we will focus increasingly on customisation, so that the matters that require special attention at Enexis are also examined more closely during an inspection. We hold regular consultations with grid operators, also about the prevention of excavation damage. It is important that grid operators do what they can to prevent excavation damage, such as having an excavation damage prevention department. All high-risk excavation activities must be monitored here, also activities carried out by the grid operator itself. We see that, in the event of incidents, the fire department is called in at an early stage. A positive development that is good for safety. In connection with the energy transition, the termination of gas for households was placed on the political agenda in 2016, both nationally and locally. It is important for us that the gas grid remains safe until the last day that it is used. This means that Enexis must continue to invest in safety. I am completely confident that Enexis will assume its role in this pro-actively.”

**ANNABELLE VAN ROOSMALEN**

DEPARTMENT HEAD GRID MANAGEMENT STATE SUPERVISION OF THE MINES  
(STAATSTOEZICHT OP DE MIJNEN)

“Our compliance ambition is that we comply with laws and regulations and that we can demonstrate that relatively easily. For example, in our products/services and processes. Not by means of an exaggerated focus on rules and regulations, but by facilitating that employees can comply with the regulations that pertain to their tasks. We make compliance known and a topic of discussion. We are also involved in changing laws and regulations at an early stage and we help think about the implementation via consultation rounds.”

**FRANK SCHONEWILLE**

COMPLIANCE OFFICER ENEXIS



# COMPLIANCE WITH LAWS AND REGULATIONS

**We are constantly monitoring new developments in laws and regulations.** In this manner, we can take measures timely and embed the correct compliance in our processes. We adapted our organisational structure in 2016. With this, we are prepared for changes in laws and regulations and we aim to avoid any possible confusion between our regulated and non-regulated business activities.

## ACTIVITIES TRANSFERRED TO FUDURA B.V.

Our company Fudura B.V. focuses on non-regulated activities and helps companies to improve and to increase the sustainability of their energy performance. In connection with compliance, all metering services and the lease of equipment for commercial customers has been grouped in Fudura.

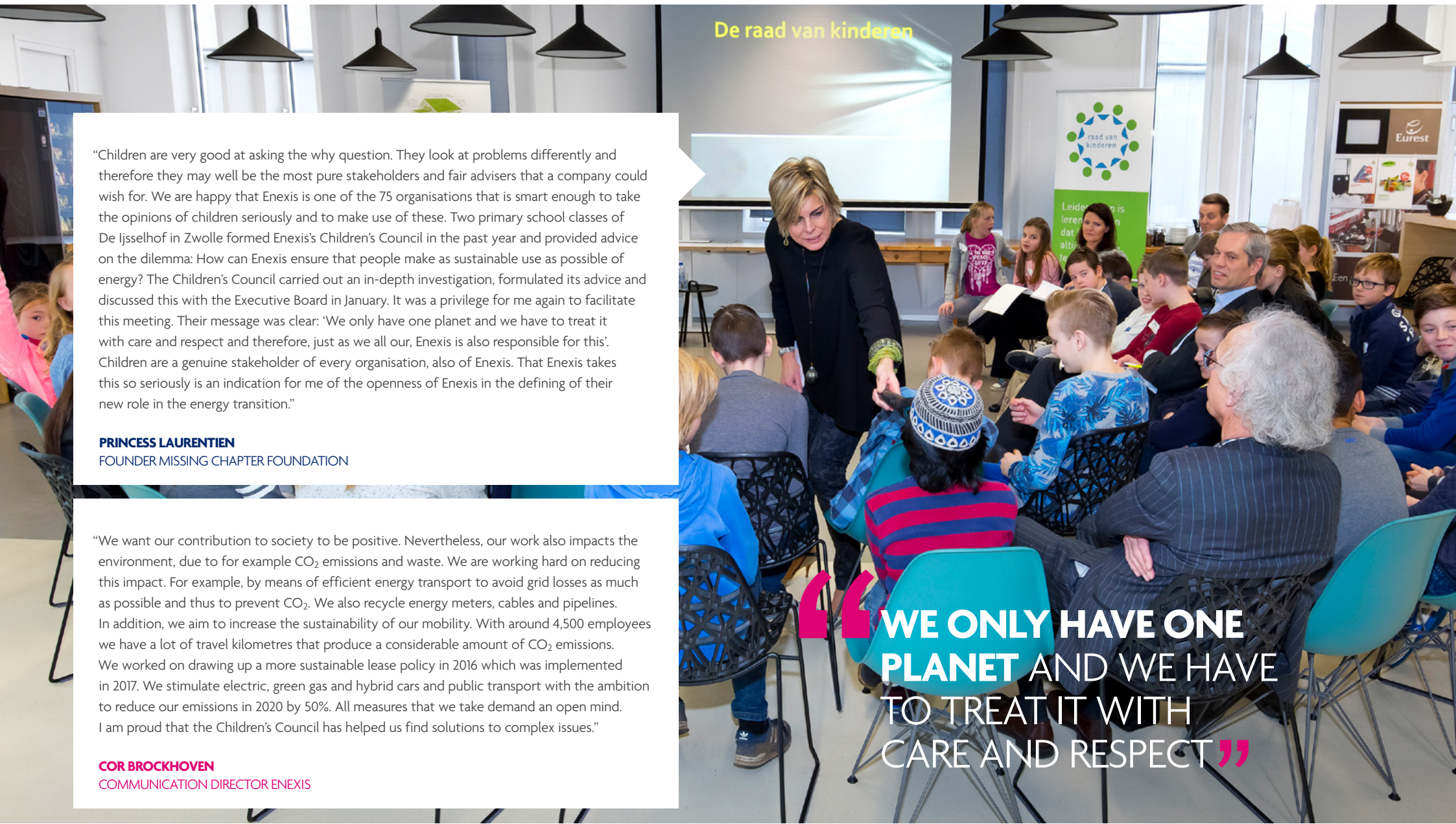
## INCORPORATION OF ENPULS B.V.

In order to contribute to the acceleration of the energy transition, we introduced the new company Enpuls in 2016. Enpuls develops scalable solutions for energy greening and energy savings together with internal and external partners. In doing so, Enpuls focuses on four themes: sustainable regional development, flexibility, energy savings and sustainable mobility. With this, we are contributing to achieving the energy objectives laid down in the Energy Agreement.

## ENEXIS GROUP AND INCORPORATION OF ENEXIS PERSONEEL B.V.

As from 2017, we will communicate about all of the activities from within Enexis Group. With this, we are anticipating the legislation that is being developed with regard to the energy transition (Wet Voortgang Energietransitie). Enexis Group is not a legal entity, it is the name of a group of companies within Enexis and plays a connecting role with a brand image for the underlying companies.

Enexis Personnel B.V. was also incorporated in 2016. The entity is the legal employer of all employees (with the exception of Fudura B.V.) who work for the various Enexis entities.



“Children are very good at asking the why question. They look at problems differently and therefore they may well be the most pure stakeholders and fair advisers that a company could wish for. We are happy that Enexis is one of the 75 organisations that is smart enough to take the opinions of children seriously and to make use of these. Two primary school classes of De Ijsselhof in Zwolle formed Enexis’s Children’s Council in the past year and provided advice on the dilemma: How can Enexis ensure that people make as sustainable use as possible of energy? The Children’s Council carried out an in-depth investigation, formulated its advice and discussed this with the Executive Board in January. It was a privilege for me again to facilitate this meeting. Their message was clear: ‘We only have one planet and we have to treat it with care and respect and therefore, just as we all our, Enexis is also responsible for this’. Children are a genuine stakeholder of every organisation, also of Enexis. That Enexis takes this so seriously is an indication for me of the openness of Enexis in the defining of their new role in the energy transition.”

**PRINCESS LAURENTIEN**  
FOUNDER MISSING CHAPTER FOUNDATION

“We want our contribution to society to be positive. Nevertheless, our work also impacts the environment, due to for example CO<sub>2</sub> emissions and waste. We are working hard on reducing this impact. For example, by means of efficient energy transport to avoid grid losses as much as possible and thus to prevent CO<sub>2</sub>. We also recycle energy meters, cables and pipelines. In addition, we aim to increase the sustainability of our mobility. With around 4,500 employees we have a lot of travel kilometres that produce a considerable amount of CO<sub>2</sub> emissions. We worked on drawing up a more sustainable lease policy in 2016 which was implemented in 2017. We stimulate electric, green gas and hybrid cars and public transport with the ambition to reduce our emissions in 2020 by 50%. All measures that we take demand an open mind. I am proud that the Children’s Council has helped us find solutions to complex issues.”

**COR BROCKHOVEN**  
COMMUNICATION DIRECTOR ENEXIS

**“WE ONLY HAVE ONE PLANET AND WE HAVE TO TREAT IT WITH CARE AND RESPECT”**

# IMPACT OWN OPERATIONS

**We are aware of the impact of our own operations on the environment.** Increasing sustainability therefore starts with ourselves. We want to give the good example, as a company and as employees, by reducing our energy consumption and making it more sustainable and we want to actively promote this.

In addition to our task to increase the sustainability of the energy supply, we wish to also conserve energy and the environment. We took measures in 2016 to reduce our energy consumption, to recycle more and to enter into agreements with suppliers about this.

## REDUCTION OF OUR CO<sub>2</sub> FOOTPRINT

As from the reporting year 2016, we have started dividing our CO<sub>2</sub> footprint into three categories to make clear for which greenhouse gas emissions we are responsible for ourselves. This division into three scopes according to the International Greenhouse Gas protocol also makes it easier to benchmark our emissions with other companies in the sector and to initiate reduction measures.

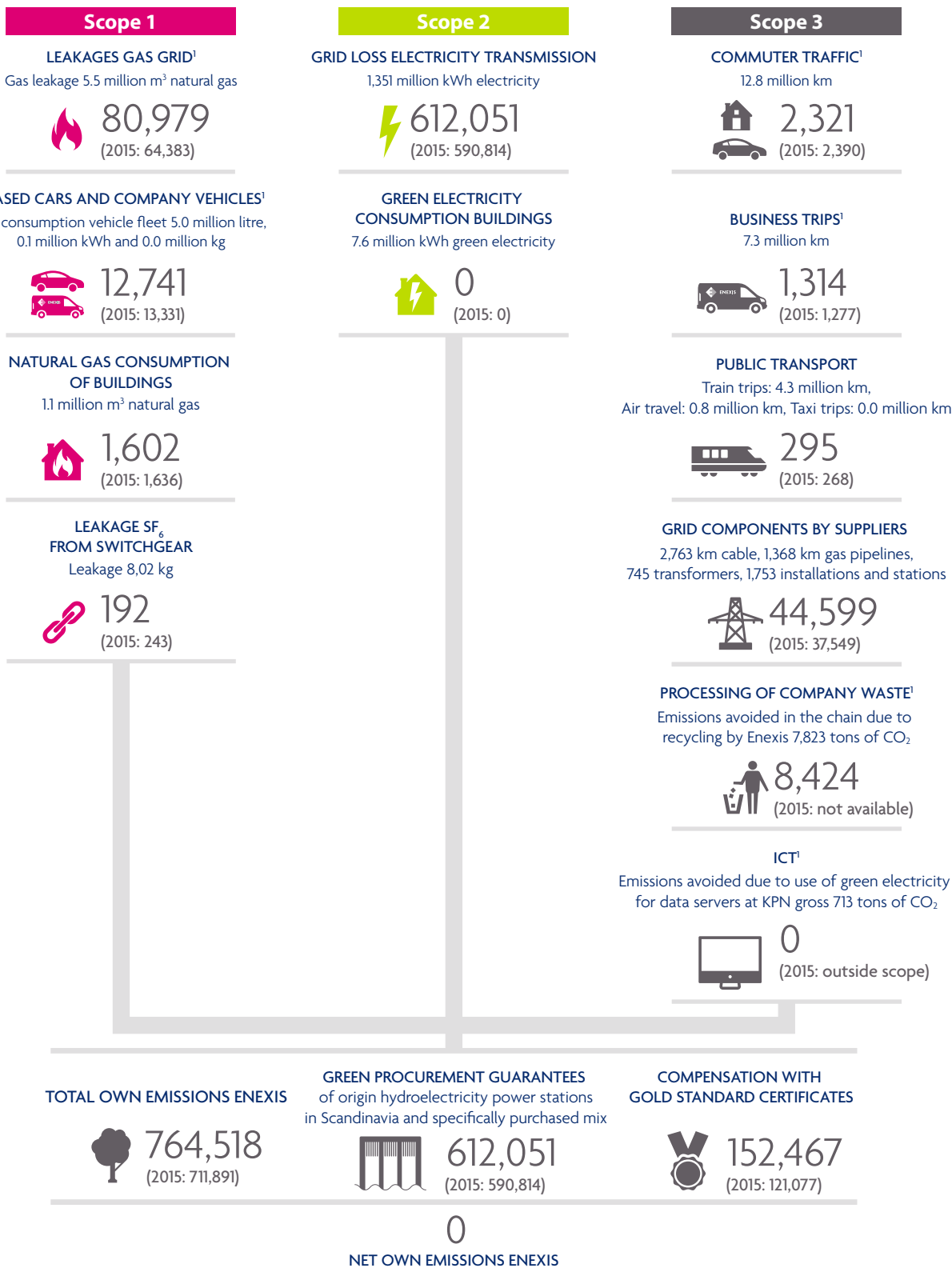
Our CO<sub>2</sub> emissions in 2016 amounted to 152,467 tons and were thus higher than in 2015. This increase was mainly caused by an increase in the leakage losses from the gas grid. The grid components by suppliers, which are included in our footprint as from 2016, have also risen. More materials have been used by suppliers in 2016 for the replacement and expansion of pipelines, cables, transformers, stations and installations.

The emissions were influenced positively in 2016 by less use of our company vehicles and less commuter traffic. Employees are encouraged to opt for public transport more often. This was effective and resulted in 10% more train trips in 2016. Increasing the sustainability of our office buildings also had a positive effect on our CO<sub>2</sub> emissions. Less gas was used in 2016 for the heating of our office buildings.

You can find the measures that we took in 2016 to reduce our CO<sub>2</sub> emissions in the [explanatory notes to the CO<sub>2</sub> footprint](#). We aim to further increase the transparency about emissions in the coming years and we will continue to report about this.

## CO<sub>2</sub> FOOTPRINT ENEXIS

CO<sub>2</sub> emissions (in tons of CO<sub>2</sub> equivalent)



Scope: Emission scopes GHG (Greenhouse Gas protocol).

Scope 1: Direct emissions: These are emissions of greenhouse gasses from property owned or equipment leased by Enexis resulting directly from Enexis's core activities.

Scope 2: Indirect emissions: All emissions of greenhouse gasses when producing electricity consumed by the company, but produced by third parties.

Scope 3: Other indirect emissions: emission of greenhouse gasses resulting from energy and fuel consumption for transport, generating and producing energy (excluding generating electricity) and emissions at third parties resulting from the activities of the grid operator.

1. Footprint excluding Endinet.





## SUSTAINABLE MOBILITY

One of the most important CO<sub>2</sub> reduction measures is Enexis's sustainable mobility policy. The objective of this policy is reducing and greening of the mobility of employees. The CO<sub>2</sub> emissions of the vehicle fleet decreased by 1.8% in 2016 compared with 2014. The realisation is considerably below our target of 4.0%. The reduction of emissions for claimed kilometres (3.4%) is larger than for lease kilometres (0.7%).

CO<sub>2</sub> reduction of the vehicle fleets is also an objective of Enexis in 2017. We motivate employees to opt more often for public transport, cycling, electric cars, working from home or holding virtual meetings.

	2016	2015	2014	2013	2012
<b>Sustainable vehicle fleet</b>					
100% electric passenger cars	37	16	28	48	48
Passenger cars on biogas / natural gas	12	17	24	31	30
Electric passenger cars with range extenders	49	25	15	5	-

## SUSTAINABLE WASTE MANAGEMENT

We aim to recycle our equipment and raw materials as much as possible. We were able to recycle 88% of our waste this year and energy was recaptured with 6% of the waste. In total, 94% of the waste was thus given a useful purpose. Nevertheless, our average recycling percentage was lower than in 2015. This was mainly due to the amount of asbestos that was released during work that was carried out. Of the waste produced by Endinet, 73% was recycled and 10% was used to recapture energy. The total amount of waste decreased in the past year compared with 2015.

	2016	2015	2014	2013	2012
<b>Amount of waste (in tons)<sup>1) 2)</sup></b>					
Recycled waste <sup>3)</sup>	16,115	22,383	13,291	11,673	9,673
Incinerated waste	1,129	1,238	1,203	1,189	1,426
Dumped waste	1,173	1,018	927	513	315
Total	18,417	24,639	15,421	13,375	11,414
Of which hazardous waste (%)	0.7	0.6	1.0	1.3	3.6

1. Figures do not include Endinet.

2. Classification method SUEZ is used (Lansink's ladder)

3. The disposal of soil (12 KT) is registered as waste since 2015. This largely explains the increase compared with 2014. In 2016 this amount was 5,5 KT.

## SOCIALLY RESPONSIBLE PROCUREMENT

In the selection of suppliers, we also weigh their contribution to sustainability and innovation. We also enter into agreements with suppliers about their energy consumption and about reducing CO<sub>2</sub> emissions. The first steps were also taken in the area of circularity. We followed an intensive process in 2016 to optimise our cable package and to thus reduce grid losses and CO<sub>2</sub> emissions. This resulted in a tender in 2016 for all medium and low voltage cables. Three suppliers were contracted. As a result of the optimisation of medium voltage cables, around 21 tons of extra CO emissions are being avoided (-3.1%) in comparison to our former cable package.



The contracts offer sufficient room to carry out further research into sustainable cables. The use of recycled materials, the recyclability at the end of the useful life and the reduction of CO<sub>2</sub> emissions during the production and use phase are also examined. In the meantime, the first kilometres of cable with a higher percentage for recycled raw materials have been installed.

## **SUPPLIERS CODE OF CONDUCT**

With the suppliers' code of conduct, the suppliers declare that they are aware of their responsibility and that they will comply with applicable standards in the area of People, Planet and Profit. The code is always included in tenders and additional criteria are added depending on the type of product or service which are taken into account in the selection of suppliers. Responsibilities that are laid down in this code of conduct are discussed in contacts with strategic suppliers. We also check whether suppliers meet these requirements. This approach has led to the termination of the collaboration with one supplier in the past. Fortunately, this was not the case in 2016.

## **REALIGNMENT OF THE PROCUREMENT POLICY**

We started realigning our socially responsible procurement policy with Enexis's strategy in 2016. The policy is based on the principles people, plant and products and is based on optimal collaboration and development with our suppliers. The socially responsible procurement policy is expected to be confirmed in the beginning of 2017. That we are giving socially responsible procurement a place in the procurement process contributes to our strategic objective to be an example in the field of sustainability in 2020.

“ THE COMPANY GIVES  
TOP PRIORITY TO  
SAFETY AND WE  
ENDORSE THAT ”



Piet Moerland Chairman of the Supervisory Board

## HOW DO YOU LOOK BACK ON 2016?

“With satisfaction. To start with we are satisfied about safety. Safety is essential in a company where you work with electricity cables and gas pipelines. For our employees *and* for the environment. The company gives top priority to safety, both for its own personnel and the personnel of contractors, and we endorse this as the Supervisory Board. Safety is always the first item on our agenda. As far as ambition goes, the yardstick was again higher in 2016 than in 2015. It is good to observe that the reporting culture continues to improve. We see that discipline is increasing and that employees call each other to account on their behaviour. As a result, Enexis is able to obtain a clearer picture of the safety situation. However, safety is never finalised as a theme; danger is a constant threat.”

## HOW DO YOU ASSESS FURTHER WHETHER IT WAS A ‘GOOD’ YEAR?

“Reliability and affordability are important criteria for a utility company. And in this aspect it was a favourable year. Enexis’s energy supply has a high degree of reliability in comparison with other countries and also within the Netherlands. Moreover, the tariffs for customers are moderate. Hundreds of millions of euros are invested every year to keep the energy grids in good condition. This enables us to keep the costs down on the long term. And in spite of all these investments, the financial result remains good. This is important for the soundness of the company and for the shareholders’ dividend.”

## WHICH IMPACT DO YOU THINK THE ENERGY TRANSITION HAS ON THE COMPANY?

“The company reformulated its strategy in 2016. This is necessary because we see both a shorter time frame and higher ambitions for a sustainable energy supply. And people are increasingly generating their own energy. The challenge for Enexis is, on the one hand, to continue with the traditional transmission of energy and to do this more effectively and efficiently. On the other hand, the company has to anticipate the energy transition.

Enexis has a twofold assignment. We discussed the challenges and the strategic direction extensively and we fully endorse the strategic plan. The plan will be submitted to the shareholders in 2017 for approval.”

### **CAN YOU ELABORATE ON A NUMBER OF ISSUES THAT YOU REVIEWED AS THE SUPERVISORY BOARD?**

“We discussed, for example, the speed of the energy transition. It is uncertain how fast customer needs are changing. Enexis has to estimate this and that is difficult. We also discussed what consequences these changes could have for employees. In this sector, employee are used to job security, while we require more flexibility in the future. This is a rather new development in the grid management sector. The Executive Board is also discussing this matter with the Works Council and the shareholders.”

### **THE COMPOSITION OF THE SUPERVISORY BOARD CHANGED IN 2016. CAN YOU TELL SOMETHING ABOUT THE DIVISION OF ROLES IN THE BOARD?**

“We took leave of Mr Bosscher and Mr De Jong in the meeting of 18 April 2016, as their terms had expired. I would like to thank both gentlemen again for their commitment and involvement. Two new Supervisory Board members were installed in that same meeting. Ms Velthuis has expertise in the financial field and as such she has become the chair of the Audit Committee. Mr Van Dijk has expertise in the field of energy technology. With their expertise and qualifications they form a good addition to the necessary competences in the Supervisory Board. Together we can cover the field of supervision of advice in 2017 as well.”

# REPORT OF THE SUPERVISORY BOARD

As Supervisory Board, we supervise the management and provide solicited and unsolicited advice to the management with regard to the formulation and realisation of the objectives, the strategy and the policy of Enexis Holding N.V., hereafter also referred to as Enexis or the company. We also act as the employer of the Executive Board.

## COMPOSITION AND ORGANISATION

The composition of our Board changed during 2016. Mr Bosscher and Mr De Jong stepped down at the Annual General Meeting of Shareholders. At the same time, Ms Velthuis and Mr Van Dijk were appointed as supervisory board members and Mr Calon was reappointed for a second term. The reappointment of Mr Calon was based on the nomination right of the Shareholders' Committee. The division of tasks was revised in the sense that Mr Calon has been appointed Vice-Chairman. Mr Frans Voorwinde acted as secretary to our Board in 2016.

The composition of the committees is now as follows: the Audit Committee is comprised of Ms Velthuis (Chair), Ms Caubo and Mr Calon. The Remuneration and Selection Committee is comprised of Mr Moerland (Chairman) and Mr Van Dijk. Ms Velthuis and Mr Van Dijk followed an extensive introduction programme after their appointment.

## INDEPENDENCE

During the whole year, all of the members of the Supervisory Board were independent of Enexis as specified in the Dutch Corporate Governance Code. The Supervisory Board is of the opinion that its composition is such that the members can operate independently in relation to each other and in relation to the Executive Board.

## EVALUATION FUNCTIONING OF THE SUPERVISORY BOARD

We evaluated our functioning in January 2016 and in doing so we placed the emphasis on how the Board, in its new composition, can benefit from our findings. The internal assessment confirmed that the formal matters (structure, size, division of tasks, meetings, agenda and such) are in order. In view of the changes in the energy world and in the distribution of energy, the profile of the Supervisory Board will be reviewed again, in any case before the next new board appointment is set to take place (2019). We will also reserve time in our annual agenda to help the new Supervisory Board members quickly familiarise themselves with the company-specific issues of Enexis. Furthermore, we are also looking for the right balance between formal meetings, on the one hand, and conducting a more informal dialogue with the organisation, on the other hand. We appreciate the direct valuable contact that we had with the management team in 2016 and we strive to continue this in 2017.

## OUR DUTIES

As the Supervisory Board, our most important duty is the supervision of the policy of the Executive Board and the supervision of the general course of affairs of the company and its subsidiaries. We exercise this supervision mainly through meetings with the Executive Board,

making work visits, attending meetings of the Works Council and taking note of reports, publications and other information produced by or about Enexis. We have regular contacts with the shareholders through periodic meetings of the Shareholders' Committee.

As Supervisory Board, we convened six times in 2016 of which once partially without the presence of the Executive Board. All of the Supervisory Board members were present at nearly all of the meetings. In addition to our regular meetings, we held a two-day strategy and technology session with the Executive Board. During this session, an extensive presentation was given by the management team about the new strategic course up to 2020. We also had a meeting one evening with the Executive Board and all the members of the Works Council.

The agenda for our meetings is determined on the most important supervision tasks (such as realisation of objectives, strategy and risks, compliance with laws and regulations) and also contains a series of permanent agenda items. Safety is always discussed as the first item on the agenda. Just as the Executive Board, we consider safety to be the most important theme. This is monitored separately for Enexis's own employees and for the employees of contractors hired by Enexis. Where this is useful and necessary, we also discuss individual incidents and, even more important, the measures that were taken or will be taken.

The daily course of business is discussed during our meetings based on a score card as part of an extensive monthly management report. Enexis's performance as grid operator (reliability of supply) are continuously reported here. We are pleased to observe that the integration of grid operator Endinet was carried out in a careful and efficient manner in 2016. Important projects, (customer) processes and financial information were also reported on a monthly basis and cumulatively and projections are also included for the financial results and cash flows. The productivity is monitored based on investment summaries and the personnel development. The annual report, financial statements, year plan and risk inventories are discussed and adopted based on the recommendations of the Audit Committee.

ICT security was a special theme in 2016. We were informed in detail about the risks and various activities and projects to minimise these risks. Regulation is an important factor in Enexis's business operations. In 2016, we discussed (the consequences of) the new regulation period commencing in 2017 extensively. The same applies with regard to the separation of regulated and non-regulated activities, which has to be implemented even stricter based on the Dutch legislative proposal on the energy transition Voortgang Energietransitie. During 2016, we also discussed the new strategic direction of Enexis extensively, with as main aspects facilitating the accelerated energy transition *and* excellent and efficient grid management. We fully endorse the new strategy. The new strategy will be laid down in the Strategic Plan which will be adopted during the Annual General Meeting of Shareholders in April 2017. A lot of attention was also invested in the sector restructuring.

## **AUDIT COMMITTEE**

The committee met five times in 2016. The committee supervises the administrative organisation and the internal control system at Enexis and is involved in the choice and the application of the chosen valuation principles. The periodic management reports are a discussion item as far as this concerns the technical details in the area of reporting or valuation. The committee has taken note of the control plan of the external auditor and discussed the control plan of the Internal Auditor and provided a positive recommendation for the adoption by the Supervisory Board.



Furthermore, mainly regular items were on the agenda, including the financial statements 2015, the semi-annual statements 2016, the audit findings of the external auditor, the management comments, the findings of the Internal Auditor and the accompanying actions points. The strategic risks and the developments of these risk were discussed. With regard to the larger projects (including sector structuring), we have mainly examined the financial-technical aspects and advised the Supervisory Board on these aspects. We also issued a positive advice with regard to the issue of a new Euro Commercial Paper programme in the fall of 2016.

## **REMUNERATION AND SELECTION COMMITTEE**

The committee met two times in 2016. Important topics were the functions and the remuneration of members of the Executive Board, discussing the succession potential in the senior management and the developments with regard to the remuneration of the Executive Board and senior executives (senior officials) in connection with legislation (the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act ('WNT')). This last item demanded the necessary time and attention, not only the content and interpretation of the law, but also the reporting on this matter in the annual report and the financial statements. We are very concerned about the consequences of the possible extension of the scope of the WNT for the availability of sufficient qualified managers and specialised employees for Enexis.

## **FINANCIAL STATEMENTS 2016**

We have taken note of the draft financial statements for 2016 as these have been prepared by the Executive Board and the audit findings and unqualified audit opinion of the external auditor PwC. We recommend that the Annual General Meeting of Shareholders adopt the financial statements 2016 unchanged.

## **WORD OF APPRECIATION**

The Executive Board, management team, managers and employees have put in a good performance again during 2016 and further strengthened Enexis's reputation as a reliable and cost-conscious grid operator. We thank them for their contribution and wish them a lot of success and job satisfaction for 2017.

's-Hertogenbosch, 3 March 2017

### **Supervisory Board**

Piet Moerland, Chairman

Marc Calon

Monique Caubo

Joost van Dijk

Carmen Velthuis



Peter Vermaat CEO



Maarten Blacquière CFO

# BIOGRAPHIES

## EXECUTIVE BOARD

### PETER VERMAAT

#### Chairman of the Executive Board

Peter Vermaat (1965) studied Civil Technology at Delft University of Technology. After which, he obtained an MBA at the Rotterdam School of Management. He began his career in 1991 at Volker Wessels, where he held various management positions. He was the CEO of Water Company Evides from 2008 to mid-2014. As from 1 August 2014, he holds the position of CEO at Enexis. Over the course of the years, he has gained a lot of experience, both within the Netherlands and abroad, with the commercial management of public infrastructure for the transportation, energy and water sector, with special attention for sustainability and public-private sector cooperation (PPS). Peter Vermaat is also a member of the board of the Koninklijke Vereniging van Gasfabrikanten in Nederland (KVGN), Brede Stroomversnelling and the Nederlandse Vereniging Duurzame Energie (NVDE).

### MAARTEN BLACQUIÈRE

#### Member of the Executive Board /CFO

Maarten Blacquière (1967) studied Technical Business Economics at the University of Twente. He entered the employment of Esso Nederland in 1989, where he held various positions in the Netherlands and abroad. From 2005 through 2012, he was the CFO of gas trading company GasTerra. He has been a member of the Executive Board / CFO of Enexis since 1 January 2013. He joined the Supervisory Board of Ziut in January 2014 and the Supervisory Board of Energie Data Services Nederland (EDSN) in October 2014. He has also been a member of the Supervisory Council of healthcare group Zorggroep Treant since 2011.

**P.W. Moerland****J.F.M. van Dijk****M.E. J. Caubo****M.A.E. Calon****C.M. Velthuis**

## SUPERVISORY BOARD

### MR M.A.E. CALON

Mr Calon (1959) was reappointed as a Supervisory Board member in 2016 and is due to retire in 2020. He is the Vice-Chairman of the Supervisory Board and a member of the Audit Committee. Mr Calon was a member of the Provincial Executive of the Province of Groningen. He is the Chairman of AEDES Vereniging van Woningbouwcorporaties and Chairman of Housing Europe. He is a Dutch national.

### MS M.E.J. CAUBO

Ms Caubo (1961) was reappointed as a Supervisory Board member in 2015 and is due to retire in 2019. She is a member of the Audit Committee. Ms Caubo is also a member of the board van Human Total Care. In addition, she is the Chair of the Supervisory Board of the foundation Stichting Conrisq Groep and member of the Supervisory Council of the Maastricht School of Management. She is a Dutch national.

### MR J.F.M. VAN DIJK

Mr Van Dijk (1961) was appointed as a Supervisory Board member in 2016 and is due to retire in 2020. He is also a member of the Remuneration and Selection Committee. Mr Van Dijk provides strategic advice to companies and governments with regard to increasing the sustainability of their energy consumption. He also coordinates the realisation of energy transition programmes. He is a Dutch national.

### MR P.W. MOERLAND

Mr Moerland (1949) was appointed as a Supervisory Board member in 2014 and is due to retire in 2018. He is Chairman of the Supervisory Board and Chairman of the Remuneration and Selection Committee. Previously, Mr Moerland was Chairman of the Board of Directors of Rabobank Nederland. Mr Moerland is Chairman of the board of the foundation Stichting Berenschot Beheer, Chairman of the Supervisory Council of the foundation Stichting Stadhuismuseum Zierikzee and a member of the board of the foundation Stichting Administratiekantoor Heijmans. In addition, he is a member of the Board of the Dutch Bach Association. He is a Dutch national.

### MS C.M. VELTHUIS

Ms Velthuis (1974) was appointed as a Supervisory Board member in 2016 and is due to retire in 2020. She is also the Chair of the Audit Committee. Ms Velthuis is the CFO of Vodafone. She is a Dutch national.



## MR BOSSCHER AND MR DE JONG

Mr Bosscher and Mr De Jong stepped down in 2016.

- Mr Bosscher (1945) was the Chairman of the Supervisory Board since 2008 and was also a member of the Remuneration and Selection Committee. The former Director Technology & Development at Sappi Fine Paper plc. is a Dutch national.
- Mr De Jong (1948) was appointed as a Supervisory Board member in 2008 and was Chairman of the Audit Committee. Mr De Jong was the former CFO of Essent N.V. and is a Dutch national.



# CORPORATE GOVERNANCE

**We consider it important to be transparent about the manner in which our company is governed and how we exercise supervision on this.** After all, Enexis has a public task.

Enexis Holding N.V. is a public limited liability company governed by Dutch law. Our company is subject to what is known as the two-tier board structure. We apply the Dutch Corporate Governance Code insofar as applicable. With this, we emphasise our responsibility for the social aspects of doing business.

The Executive Board and the Supervisory Board are responsible for governance and supervision. They are supported in this by an internal audit department. The articles of association, various regulations and other documents regarding corporate governance can be consulted via the website of [enexisgroep.nl](http://enexisgroep.nl).

## EXECUTIVE BOARD

The Executive Board (EB) is responsible for the management of Enexis. The EB sets the operational and financial objectives of the company, defines the strategy and identifies the prerequisites for the realisation of the strategy. The EB is responsible for the compliance with all relevant laws and regulations, for controlling the risks connected to the company's activities and for the funding of the company.

The EB operates under the supervision or approval of the Supervisory Board (SB) and the Annual General Meeting of Shareholders (AGM) and within the provisions of the articles of association. The EB is responsible, together with the SB, for Enexis's corporate governance structure and for compliance with the Dutch Corporate Governance Code.

The remuneration of the EB members is in accordance with the company's remuneration policy. This remuneration policy has been adopted by the Annual General Meeting of Shareholders (AGM). The SB determines the level of the remuneration of each EB member based on a proposal put forward by the Remuneration and Selection Committee. The remuneration of the EB is reported in the financial statements.

## **SUPERVISORY BOARD**

The Supervisory Board (SB) has three tasks: exercising supervision, providing advice and acting as the employer of the EB. The SB supervises the policy of the EB, in particular where this concerns the realisation of the company's objectives, the strategy and the risks inherent in the business activities, the internal systems for risk management and control and the financial reporting.

The members of the SB have a seat in two permanent committees: an Audit Committee and a combined Remuneration and Selection Committee.

The members of the SB receive a remuneration, which is adopted by the Annual General Meeting of Shareholders (AGM). Details of the remuneration of the SB are reported in the financial statements.

## **GENERAL MEETING OF SHAREHOLDERS**

The Annual General Meeting of Shareholders (AGM) is the highest decision-making body within Enexis. Decision-making in the AGM includes resolutions on the written annual report of the EB, the discharge of the EB and the SB, the adoption of the financial statements and the determination of the profit appropriation. The AGM also approves the company's strategy and appoints the members of the SB.

Certain powers of the AGM have been assigned to a Shareholders Committee (SC). This committee consists of seven members and the objective of this committee is to promote the efficiency and effectiveness of the decision-making process within the AGM. The members of the SC do not receive any remuneration for their activities.

## **INTERNAL AUDIT DEPARTMENT**

Enexis has an internal audit department with independent auditors. They provide additional assurance to the management and the Executive Board regarding the control, effectiveness, efficiency and compliance of the business operations.

The internal audit department operates under the responsibility of the Chairman of the EB. The Audit Committee supervises the audit department and advises the Executive Board on the role and functioning. An audit plan is drawn up annually specifying which internal audits will be performed. The SB adopts the audit plan. The Audit Committee discusses the progress and the most important findings of the audits. The Internal Audit & Risk department also reports its findings to the external auditor.

## **THE EXTERNAL AUDITOR**

PricewaterhouseCoopers Accountants N.V. is Enexis's external auditor. The Audit Committee supervises the relationship with the external auditor. The external auditor takes part in the meetings of the Audit Committee.

## DEPARTURES FROM THE CORPORATE GOVERNANCE CODE

- **Provision II.1.1: maximum appointment term executive board members** It states in the remuneration policy of the Executive Board (adopted on 5 December 2012 by the General Shareholders' Meeting) that employment agreements with the Executive Board members are entered into for an indefinite period.
- **The provisions 11.2.12 up to and including 11.2.14: publication of remuneration report** The remuneration of the members of the Executive Board is published in the financial statements.
- **Provision III.5: appointment of a separate Remuneration Committee and a separate Selection and Appointment Committee** We have opted for a combined Remuneration and Selection Committee with which we have made a conscious choice to depart from provision III.5.
- **We have departed from the provisions below because Enexis's shares are held by Dutch (lower) government bodies and are not listed on a stock exchange:**
  - 11.2.4-11.2.7: options
  - 111.7.1-111.7.2: shares as remuneration of supervisory board members
  - 111.8.1 - 111.8.4: one-tier governance structure
  - IV.1.1: quorum requirements for decisions to revoke the binding character of nominations for non-statutory two-tier companies
  - IV.1.2: specific voting rights on financing preference shares
  - IV.1.7: registration date exercising voting or meeting attendance rights
  - IV.2.1 - IV.2.8: certification of shares
  - IV.3.11: overview of protection measures in the annual report
  - IV.4.1 - IV.4.3: institutional investors

# STRATEGIC RISKS

**Internal and external events can pose a risk for our continuity or strategic objectives.** We monitor the development of risks closely, we determine the probability that risks may occur and take measures to mitigate the impact of risks.

As we are transparent about our risks, we are able to take corrective measures faster to achieve our objectives. Moreover, as a result, we remain sharply focused on the requirements that we have to meet to comply with laws and regulations. Development with regard to important strategic risks are reported frequently to the Executive Board. Concrete mitigating measures are specified in the division plans for 2017 and are monitored by the division management.

## RISK MANAGEMENT

Enterprise Risk Management (ERM) enables us to achieve our objectives in a responsible manner and to render account on this. Our ERM policy is based on the COSO Enterprise Risk Management model and covers all aspects of the company. From strategic and operational risks to the reliability of (financial) reporting and complying with laws and regulations.

In our strategic risk analysis, we identify events that threaten the continuity of Enexis or which lead to strategic objectives not being realised timely and/or completely. We quantify the identified risks twice a year by plotting these risks in the risk matrix below. We then determine the likelihood and the impact of one or several business values. The risk matrix also specifies Enexis's Risk Appetite, the risks with a High score (red areas) exceed the risk appetite and must be mitigated by means of additional measures. The development of the risks and the effectiveness of the measures are monitored by means of the planning and control cycle. In this cycle, it is also monitored whether these risks actually decrease to an acceptable level.

You can find an overview of the instruments, procedures and control systems that we used to control risks on [www.enexisgroep.com](http://www.enexisgroep.com). In addition to ERM, we make use of internal audits and external audits as a safety net.

Line managers on all levels within the organisation are responsible themselves for identifying risks and taking risk-control measures timely. This decentralised responsibility is an essential element in the manner in which Enexis approaches its risks. Risk are monitored centrally in the Management Consultation. The outcomes of the Strategic Risk Analysis and the status of the LOR issues are also reported to and discussed in the Audit Committee. This process enables the EB to issue its 'In Control' statement.





## RISK MATRIX ENEXIS FOR STRATEGIC RISK ANALYSIS

	Potential consequences						Frequency or probability of occurrence			
	Business values						< 1x every 10 years	≥ 1x every 10 years	≥ 1x every year	
	Affordability	Reliability	Image/customer satisfaction	Compliance	Personnel	Safety	Duurzaamheid	< 10%	10-50%	≥ 50%
H	Damage > 50 million	> 20,000,000 cml (HV/MV station > 16 hours of outage)	International commotion > 20,000 SSC or > 1,000 complaints	Receivership: criminal proceedings against a Board member; fine ACM > 1% of turnover (20,000 customers involved)	Commotion personnel with external media attention > image of Enexis as employer long-term damage (> 4,000 employees)	Accident with 1 or several fatalities up to consequence	Emission > 500 k tons CO <sub>2</sub> (> 2,000 ha)	H	H	H
M	Damage > 5-50 million	2,000,000 up to 20,000,000 cml (HV/MV station > 4 hours outage)	National commotion > 2,000-20,000 SSC or > 10-1,000 LSC complaints	Fine ACM > 0.1-1% of turnover (2,000-20,000 customers involved)	Long lasting commotion among total personnel customer base (400-4,000 employees)	Accidents with injury with absenteeism	Emission 50-500 k tons CO <sub>2</sub> (200-2,000 ha)	M	M	H
L	Damage < 5 million	< 2,000,000 vbm (MV-T station 4 hours outage)	Local or regional commotion < 2,000 SSC or > 10 complaints	Warning or instruction from the authorities; fine 4th - 6th category; writ of execution by a court; (2,000 customers involved)	Short lasting commotion (days) within (a group of the) total workforce	Accidents with First Aid (no absenteeism) or incident	Emission < 50 k tons CO <sub>2</sub> (< 200 ha)	L	M	M

L = Low / M = Medium / H = High / Risk = Probability x Impact  
 ■ Concerns 2015 ■ Concerns 2016 ■ New in the top 10 compared to 2015  
 ■ No longer included in the top 10 compared to 2015

1. Insufficient organisational capacity for change for the realisation of the energy and digital transition
2. Unauthorised access to systems and data
3. Energy grid not adapted timely for the energy transition
4. Safety of employees
5. Insufficient agility in speed and costs of the ICT landscape
6. Energy laws impede facilitating the energy transition
7. Not being compliant with various laws and regulations
8. Credit risk
9. Public safety
10. Transport costs (no longer included in the top 10 compared to 2015)

## EXPLANATION PER RISK

### 1. Insufficient organisational capacity for change for the realisation of the energy and digital transition

Our capacity for change is the most important risk. Developments in society and technological developments make high demands on our operations and on our employees. The risk exists that employees no longer have sufficient knowledge and motivation and Enexis is unable to attract sufficient new qualified personnel. This development, but also continuing to work up to an advanced age, can result in higher absenteeism and a higher risk of permanent occupational disability. In order to mitigate this risk, we promote sustainable employability and we have increased the leadership level within the organisation, developed a new job matrix and simplified the remuneration policy and company regulations. Rear more about our measures regarding the [change capacity of the organisation](#).

### 2. Unauthorised access to systems and data

Privacy and security violations form an increasing risk for society and for our organisation. Having or obtaining unauthorised access to our systems and data can lead to interruptions in processes. This is why we are improving our authorisation management and we are carrying out periodic (manual) penetration tests and automated security scanning. We are professionalising initiatives in the field of security, policy, awareness and the (virtual) security organisation. Read more about our measures regarding [change capacity of the organisation](#).

### 3. Energy grid not adapted timely for the energy transition

We do not have an exact idea about what the energy system will look like in the future. This also means that we cannot make a blueprint for our organisation and our work processes. There is a risk that our grids will not have been adapted timely. We have developed a decision-making framework for determining and substantiating grid investments, developing tooling for real-time insight into and steering of the energy flows and monitoring the progress of the energy transition in a national and international context. Rear more about our measures regarding the [reliability of the energy supply](#).

### 4. Safety of employees

Due to the primary nature of our processes at the grid operator, the likelihood of an accident with consequences for the health of employees is present. Safety is of vital importance. This is why training and instruction is a continuous process at Enexis. We stimulate employees and contractors to report incidents and we provide for follow-up in order to learn from this and to optimise processes. Read more about our measures regarding the [reliability of the energy supply](#).

### 5. Insufficient agility is speed and costs of the ICT landscape

The complexity of ICT is increasing and has an effect on our change capacity and our agility. We are working on rationalisation and we are freezing applications are being replaced in the period 2017-2020.

## 6. Energy legislation impedes facilitating the energy transition

The tasks of grid operators may possibly be limited by new energy laws. This can form an impediment for the realisation of our strategic objective to facilitate the energy transition. Enexis encourages a possible broadening by General Administrative Orders and ensures a timely and correct implementation. Read more about our measures regarding [compliance with laws and regulations](#).

## 7. Non-compliant with various laws and regulations

Laws and regulations are becoming increasingly complex. Moreover, there is more supervision on the energy sector and far-reaching legality. We will make a cyclical inventory of the regulations and policy so that measures can be taken timely in connection with compliance. Internally, we will make it clear who is the point of contact for legal topics. Read more about our measures regarding [compliance with laws and regulations](#).

## 8. Credit risk

Due to changes in the energy market, we estimate that the risk that energy suppliers are unable to pay the grid fee and meter rent to be higher. This risk is discussed on a sector level with the Netherlands Authority for Consumers & Markets and the Ministry of Economic Affairs.

## 9. Public safety

Serious safety risks can occur due to failing assets, such as fatal accidents or accidents resulting in serious physical injury. As safety is one of our points of departure, we analyse the risk of unsafe situations in our electricity and gas grids and public lighting. Read more about our measures regarding [public safety](#).

## 10. Transmission costs

The transmission costs charged before 1 January 2004 for transmission in the event of equal voltage levels from the 'Enexis-grid' to a 'private grid' were a matter of debate in 2015 and 2016. Various legal proceedings have been conducted about this. The Trade and Industry Appeals Tribunal (CBB) delivered a judgement on 1 December 2016 that the Netherlands Authority for Consumers & Markets (ACM) had rightfully determined that Enexis was allowed to charge connection and transmission tariffs for the private grid in the period 1 January 2000 up to and including 1 January 2008. As a result, the risk of receiving claims based on wrongfully charging transmission costs no longer exists.

# 'IN CONTROL' STATEMENT

The Executive Board (EB) is responsible for the design and operation of the internal risk management and control system. The objective of this system is to monitor the realisation of strategic and operational objectives and the reliability of the financial reporting and compliance with laws and regulations.

The EB has evaluated the set up and effectiveness of the internal risk and control system during 2016, also based on the business control information, 'Letters of Representation', reports from the Internal Auditor and the management letter from the external auditor. The Executive Board is of the opinion that Enexis's internal risk management and control system with regard to the control objectives in the field of financial reporting has functioned properly in 2016 and that it provides a reasonable degree of certainty that the financial reporting is free from material misstatement.

Our internal risk management and control system is described in the section 'Corporate Governance'. No system whatsoever can provide absolute certainty that we will be able to realise our company objectives or that no material misstatements, losses, fraud or violations of laws and regulations occur in processes and financial reporting. Based on the above, we are of the opinion that we have thus complied with the best practice provisions II.1.3, II.1.4 and II.1.5 of the Corporate Governance Code.

The aforementioned was also discussed with the Audit Committee of the Supervisory Board, in the presence of the external and the internal auditor. 's-Hertogenbosch, 3 March 2017  
The Executive Board Peter Vermaat Chairman Executive Board Maarten Blacquièrre Executive Board Member/Chief Financial Officer

's-Hertogenbosch, 3 March 2017

## **The Executive Board**

Peter Vermaat  
Chairman of the Executive Board

Maarten Blacquièrre  
Member of the Executive Board /Chief Financial Officer



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# CONSOLIDATED FINANCIAL STATEMENTS 2016

## CONSOLIDATED INCOME STATEMENT

amounts in millions of euros	Notes	2016	2015
Revenue	1	1,376	1,353
Less: transmission, system services and distribution losses costs	2	228	231
Other operating income	3	31	19
Balance available for operating activities		1,179	1,141
Employee benefits expenses	4	316	287
Depreciation, impairments and decommissioning	5	344	301
Cost of work contracted out, materials and other external expenses	6	153	140
Other operating expenses	7	23	19
		836	747
<b>Operating profit</b>		<b>343</b>	<b>394</b>
Share of result of associates and joint ventures	8	1	1
Financial income	9	2	4
Financial expenses	9	75	97
<b>Financial income and expenses</b>		<b>-73</b>	<b>-93</b>
<b>Profit before tax</b>	10	<b>271</b>	<b>302</b>
Corporate income tax expense	11	64	79
<b>Profit for the year</b>		<b>207</b>	<b>223</b>
Attributable to:			
Minority shareholders		0	0
Shareholders		207	223
Average number of shares during the financial year		149,682,196	149,682,196
<b>Profit per share <sup>1)</sup></b>		<b>1.38</b>	<b>1.49</b>

1. Stated in euros, dilution of earnings does not apply.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

amounts in millions of euros	2016	2015
Profit for the year	207	223
Released part of non-realised income through hedge reserve	1	1
Tax released on non-realised income through equity	0	0
<b>Total result including non-realised income <sup>1)</sup></b>	<b>208</b>	<b>224</b>
Attributable to:		
Minority shareholders	0	0
Shareholders	208	224

1. The non-realised amounts in the total result solely concern amounts recognised in later periods in the income statement.





## CONSOLIDATED BALANCE SHEET

(BEFORE PROFIT APPROPRIATION PROPOSAL)

amounts in millions of euros	Notes	31 December 2016	31 December 2015
<b>Assets</b>			
Property, plant and equipment <sup>1)</sup>	12	6,659	5,733
Intangible assets	13	201	107
Associates and joint ventures	14	13	13
Other financial assets	15	11	9
<b>Non-current assets</b>		<b>6,884</b>	<b>5,862</b>
Inventories <sup>1)</sup>	16	21	14
Receivables	17	164	158
Corporate income tax	18	15	16
Other financial assets (current)	19	52	122
Cash and cash equivalents	20	148	537
<b>Current assets</b>		<b>400</b>	<b>847</b>
<b>Assets held for sale</b>	21	<b>0</b>	<b>370</b>
<b>Total assets</b>		<b>7,284</b>	<b>7,079</b>

1. As of 2016, the inventory of smart meters was reclassified from inventories to plant, property and equipment. An adjustment of EUR 16 million was made for this for 2015.

amounts in millions of euros	Notes	31 December 2016	31 December 2015
<b>Liabilities</b>			
Issued and paid-up share capital		150	150
Share premium reserve		2,436	2,436
General reserve		914	802
Hedge reserve		-3	-4
Profit for the year		207	223
<b>Equity</b>	22	<b>3,704</b>	<b>3,607</b>
Non-current interest-bearing liabilities	23	2,142	1,661
Non-current provisions	24	84	62
Advance contributions for the installation of grids and connections	25	664	614
Deferred corporate income tax	26	283	195
Other non-current liabilities <sup>1)</sup>	27	3	3
<b>Non-current liabilities</b>		<b>3,176</b>	<b>2,535</b>
Trade and other payables <sup>1)</sup>	28	245	257
Current interest-bearing liabilities	29	134	608
Corporate income tax	18	-	-
Current provisions	24	8	11
Advance contributions to be amortised in the following year	25	17	15
<b>Current liabilities</b>		<b>404</b>	<b>891</b>
<b>Liabilities held for sale</b>	30	<b>0</b>	<b>46</b>
<b>Total liabilities</b>		<b>7,284</b>	<b>7,079</b>

1. From 2016 the long-term portion of the reservation for accrued leave is reclassified from current liabilities to non-current liabilities. Accordingly, an adjustment of EUR 3 million has been made for 2015.



## CONSOLIDATED CASH FLOW STATEMENT

amounts in millions of euros	Notes	2016	2015
Profit for the year		207	223
Adjustment for sale result Aktivabedrijf Enexis Friesland B.V.		-11	0
Depreciation and impairments	5	342	301
Amortised contribution for installation of grids and connections	25	-16	-15
Share of result of associates and joint ventures	8	-1	-1
Dividend received from associates	14	1	1
Changes in operating working capital <sup>1)</sup>	31	-19	5
Change in deferred corporate income tax	11	3	22
Change in non-current provisions	24	21	-2
Change in other non-current liabilities		0	0
Others		1	1
<b>Cash flow from operating activities</b>		<b>528</b>	<b>535</b>
Investments in property, plant, equipment and intangible assets <sup>1)</sup>	12/13	-590	-511
Additional payment acquisition Endinet Groep B.V.		-359	0
Other acquisitions		0	-4
Contributions for the installation of grids and connections	25	68	67
Loans granted	15	-4	-2
Increase deposits and money market funds	19	-100	-410
Decrease deposits and money market funds	19	170	400
Repayment of loans granted	15	2	3
<b>Cash flow from investing activities</b>		<b>-813</b>	<b>-457</b>
<b>Cash flow before financing activities</b>		<b>-285</b>	<b>78</b>
Issuing bond notes <sup>2)</sup>	23	493	495
New interest-bearing liabilities excluding amounts owed to credit institutions		0	18
Repayment shareholders' loan tranche C	23	-500	0
Repayment agreements perpetual loan	23	-98	0
Repayment of interest-bearing liabilities excluding amounts owed to credit institutions	23	-1	-4
Dividend paid		-111	-133
<b>Cash flow from financing activities</b>		<b>-217</b>	<b>376</b>
<b>Total cash flows</b>		<b>-502</b>	<b>454</b>
Cash and cash equivalents at the beginning of the financial year	31	536	82
<b>Cash and cash equivalents at the end of the financial year</b>	<b>31</b>	<b>34</b>	<b>536</b>

- As of 2016, the inventory of smart meters was reclassified from inventories to plant, property and equipment. An adjustment of EUR 12 million was made for this for 2015, being the increase in inventory of smart meters in 2015.
- EUR 500 million nominal after deduction of EUR 7 million emission costs that are amortised during the term of the loan.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

amounts in millions of euros	Number of ordinary shares	Share capital	Share premium reserve	General reserve	Hedge reserve	Profit for the year	Total equity
<b>At 1 January 2015</b>	<b>149,682,196</b>	<b>150</b>	<b>2,436</b>	<b>670</b>	<b>-4</b>	<b>266</b>	<b>3,517</b>
Profit for the year 2015	-	0	0	0	0	223	223
Amortisation hedge reserve 2015	-	0	0	0	1	0	1
<b>Total result including unrealized results</b>	<b>149,682,196</b>	<b>150</b>	<b>2,436</b>	<b>670</b>	<b>-3</b>	<b>489</b>	<b>3,741</b>
Profit appropriation for 2014	0	0	0	132	0	-132	0
Dividend paid for 2014	0	0	0	0	-1	-134	-134
<b>At 31 December 2015</b>	<b>149,682,196</b>	<b>150</b>	<b>2,436</b>	<b>802</b>	<b>-4</b>	<b>223</b>	<b>3,607</b>
<b>At 1 January 2016</b>	<b>149,682,196</b>	<b>150</b>	<b>2,436</b>	<b>802</b>	<b>-4</b>	<b>223</b>	<b>3,607</b>
Profit for the year 2016	0	0	0	0	0	207	207
Amortisation hedge reserve 2016	0	0	0	0	1	0	1
<b>Subtotal</b>	<b>149,682,196</b>	<b>150</b>	<b>2,436</b>	<b>802</b>	<b>-3</b>	<b>430</b>	<b>3,815</b>
Profit appropriation for 2015	0	0	0	112	0	-112	0
Dividend paid for 2015 <sup>1)</sup>	0	0	0	0	0	-111	-111
<b>At 31 December 2016 <sup>2)</sup></b>	<b>149,682,196</b>	<b>150</b>	<b>2,436</b>	<b>914</b>	<b>-3</b>	<b>207</b>	<b>3,704</b>

1. The dividend for 2015, to which the shareholders are entitled in 2016 and which has been paid to shareholders in 2016, amounted to EUR 0.74 per share (2015: EUR 0.89), calculated on the basis of the number of shares at year-end.
2. Total equity per share at year-end 2016 was EUR 24.75 (2015: EUR 24.10), calculated on the basis of the number of shares at the end of the period.



# **EXPLANATORY** NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **1. GENERAL INFORMATION**

Enexis Holding N.V., with its registered office in 's Hertogenbosch, the Netherlands, is responsible for the installation, maintenance, operation and development of distribution grids for electricity (cables and medium and low voltage power stations) and gas (gas pipelines and gas stations) and related services. The related services mainly concern core-strengthening non-regulated activities in the area of metering services, public lighting, the rental of mid-voltage installations and the installation and operation of private energy distribution grids.

Enexis Holding N.V. is a public limited liability company governed by Dutch law. The consolidated financial statements of the company for the financial year 2016 comprise the company and its subsidiaries (hereafter referred to as the Group). Approximately 75% of the shares of Enexis are held by five Dutch provinces and approximately 25% of the shares are held by 100 municipalities.

The financial statements, prepared by Enexis Holding N.V. and audited by PricewaterhouseCoopers Accountants N.V., were presented to the Supervisory Board for signing on 03 March 2017. The financial statements, signed by the Supervisory Board, will be presented to the General Meeting of Shareholders for adoption on 20 April 2017.

## **2. ACCOUNTING PRINCIPLES**

### **2.1 GENERAL**

The consolidated financial statements of Enexis Holding N.V. include the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity. The explanatory notes to the financial summaries included in the consolidated financial statements form an integral part of the consolidated financial statements of Enexis Holding N.V.

Enexis Holding N.V. uses the euro as its functional currency. Unless stated otherwise, all amounts are in millions of euros. Sales and purchase transactions in foreign currencies are processed on the transaction date at the settlement exchange rate.

Enexis Holding N.V. applies the International Financial Reporting Standards (IFRS), as adopted within the European Union, as the accounting principles for valuation and determination of the result. The financial statements have been prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code. The financial statements are prepared based on historical cost unless stated otherwise.



## 2.2 CHANGES IS IFRS

### Amendments in 2016 with no impact

The following new or amended IFRS standards and IFRIC interpretations have come into effect in 2016. These have no immediate consequences for Enexis's financial statements.

- IFRS 10, IFRS 12 and IAS 28 Amendments in Investment Entities – Applying the Consolidation Exception.
- IFRS 11 'Joint arrangements' – Accounting for Acquisitions of Interests in Joint Operations.
- IAS 1 Presentation of the financial statements – Disclosure initiatives.
- IAS 16 Property, plant and equipment IAS 41 'Bearer Plants' – 'Transfer of machinery'.
- IAS 16 Property, plant and equipment and IAS 38 Intangible assets – Clarification of acceptable methods for depreciation and amortisation.
- IAS 27 Separate financial statements – Equity method in separate financial statements.

### Future standards that have not yet come into effect in 2016

The IFRS improvements and amendments below have been published and approved by the European Union in 2016, but have not yet entered into force in 2016, and as such have not been applied.

- IFRS 9 'Financial instruments' replaces IAS 39 and combines three aspects 'Recognition in the balance sheet and measurement', 'Impairments' and 'Hedge accounting' which apply to the accounting of financial instruments. This amendment is not expected to have an effect on the Group's accounting principles and/or explanatory notes. Effective date is 1 January 2018.
- IFRS 15 'Revenue from contracts with customers' including amendments to IFRS 15. This standard applies a five-step plan for the classification of revenue from contracts with customers, and means a further linking of performance to revenue and can have consequences in particular for the commercial activities and/or for example the connection fees. Analysis of the contracts with customers is a matter that is being examined. IFRS 15 will come into effect as of 1 January 2018.

The following IFRS improvements and amendments have been published but were not yet adopted by the European Union in 2016. Possible improvements or amendments are applicable as of the financial years after 2016 and have not yet been applied in 2016.

- Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures – Sales or contributions of assets between an investor and its Associate or Joint Venture, into effect on 1 January 2016 (postponed for an indefinite period).
- IFRS 16 – Leases, into effect on 1 January 2019. First-time adoption of this standard is planned for the reporting period 2019. The new lease standard means that operational lease and rent obligations must also be recognised in the balance sheet, which results in a longer balance sheet which will also influence Enexis's ratios. Analysis of the lease and rent obligations and determination of the impact of the amendments on the internal management and control measures is a matter that is currently being examined.
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for unrealised losses, into effect on 1 January 2017.
- Amendments to IFRS 7 – Disclosure initiative, into effect on 1 January 2017.
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions, into effect on 1 January 2018.
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, into effect on 1 January 2018.





- IFRS annual improvements, cycle 2014-2016, into effect on 1 January 2017 and 1 January 2018.
- IFRS interpretation 22 – Foreign currency transactions and advance consideration gives rules for the determination of the exchange rate for assets, expenses and revenues, into effect on 1 January 2018.
- Amendments to IAS 40 – Transfer of investment property from inventory to under development, into effect on 1 January 2018.

### 2.3 ACCOUNTING PRINCIPLES FOR CONSOLIDATION

The consolidated financial statements contain the financial statements of Enexis Holding N.V. and its group companies.

Group companies concern all entities over which the group exercises control, i.e. the group is exposed to, or is entitled to, variable results based on its involvement with the entity and has the possibility to influence these results as a based on its power to steer the activities of the entity. Group companies are included in the consolidation from the date on which decisive control is obtained. Group companies are no longer included in the consolidation as from the date on which the criteria for group companies are no longer fulfilled.

Consolidation takes place using the integral consolidation method. In the event that the interest of Enexis Holding N.V. in the group company amounts to less than 100%, the minority interest is disclosed in equity and in the income statement. Financial relationships and results between consolidated companies are eliminated.

In the event of loss of control, the assets and liabilities of the subsidiary, any minority interests and other equity components in connection with the subsidiary are no longer included in the balance sheet. Any surplus or shortfall resulting from the loss of control is recognised in the income statement. If the Group retains an interest in the former subsidiary, that interest is recognised at fair value as from the date that control ceased to exist. After initial recognition, the interest is recognised as an investment in accordance with the equity method or as a financial asset available for sale, depending on the degree of control that is maintained.

### 2.4 VALUATION PRINCIPLES AND ACCOUNTING POLICIES RELATING TO THE DETERMINATION OF THE RESULT

#### Estimates and assumptions

Certain estimates and assumptions are made in the preparation of the financial statements that can also determine the recognised amounts. Differences between actual outcomes and the estimates and assumptions have an effect on the amounts that are reported in future periods.

Assumptions and estimates made by the management mainly have an effect on the valuation of tangible and intangible fixed assets (note 12 and 13), the necessity to recognise impairments of tangible and intangible fixed assets (note 12 and 13, see also 'Impairments' in the accounting principles), the necessity to recognise possible impairments of debtors (note 17), the valuation of provisions (note 24) and the reporting of the net revenues (note 1).



### Currency

Non-monetary assets valued in a foreign currency according to the acquisition price are converted at the exchange rate applicable on the transaction date. Non-monetary assets valued in a foreign currency according to the present value are converted at the exchange rate applicable on the date on which the present value was determined.

### Offsetting

Offsetting of asset and liability items takes place per counter party if it is the case that there is a contractual right to offset the recognised amounts and it is the case that there is the intention to offset. In the event that there is no right to offset amounts or there is no intention to settle asset and liability items at the same time, then these are recognised separately.

There where based on a contract the right exists to offset the asset and liability items, this is disclosed in the relevant note. Further information is then also provided on the balances of the asset and liability item.

### Presentation

The classification used for the presentation of the income statement is by category. The transmission, system services and distribution losses costs are presented directly after the net revenue and other operating income due to the relationship with the net revenue, as well as the distinction in relation to other operating costs that our organisation can influence more in the short term.

### Valuation at fair value

The Group values a number of financial instruments (such as derivatives) as at the balance sheet date at fair value. In addition, an explanation of the fair values of interest-bearing liabilities is provided in note 32. 'Financing policy and risks associated with financial instruments'. The fair value is the price that would be received when selling an asset on the valuation date or that would be paid to transfer a liability if transactions took place regularly between market participants on the valuation date. In the valuation at fair value, it is assumed that the transaction to sell the asset or transfer the liability takes place:

- on the most important market for the asset or the liability; or, if that does not exist,
- on the most favourable market for the asset or the liability.

The Group must have access to the most important or the most favourable market. The fair value of an asset or a liability is determined using assumptions which market participants would take as the point of departure for the valuation of the asset or the liability, under the assumption that market participants act in their economic interest. In the valuation of a non-financial asset at fair value, the ability of a market participant to generate economic benefits by making maximum and optimal use of the asset or by selling it to another market participant who would make maximum and optimal use of the asset is taken into account.

The Group applies valuation methods that are appropriate given the circumstances and for which sufficient information is available to determine the fair value, and whereby as many relevant observable inputs as possible are used and as little as possible non-observable inputs



are used. All assets and liabilities, for which the fair value is determined or stated in the financial statements, are classified in the fair value hierarchy described below, based on the input of the lowest level that is significant for the whole valuation:

- Level 1: The fair value equals the listed prices in an active market.
- Level 2: The fair value is based on parameters that are directly or indirectly observable in the market.
- Level 3: The fair value is based on parameters that are not observable in the market.

For assets and liabilities that are recognised at fair value in the financial statements on a recurring basis, the Group determines at the end of each reporting period whether, due to a reassessment, a change has occurred in the level classification of the hierarchy (based on the input of the lowest level that is significant for the whole valuation).

In connection with stating the fair values, the Group has determined categories of assets and liabilities based on the nature, characteristics and risks of the assets and liabilities and the level in the fair value hierarchy as explained above.

### Business combinations and goodwill

Business combinations are accounted for by using the acquisition method. The costs of the acquisition are valued at the total of the fair value on the acquisition date of the transferred compensation and the amount of the minority interests in the acquired entity. The Group determines for each business combination whether the minority interests in the acquired entity are valued at fair value or the proportional share of the identifiable net assets of the acquired entity. Costs in connection with the acquisition are recognised in the result in the year in which these costs are incurred.

When the Group acquires a company, it assesses the financial assets and acquired liabilities for the appropriate classification and allocation based on contractual conditions, economic circumstances and relevant circumstances on the date of acquisition. This also comprises the separation of derivative instruments included in contracts in base contracts of the acquiring party.

Every conditional payment that is transferred by the acquiring party will initially be valued at fair value on the acquisition date. A conditional payment that classifies as an asset or a liability as a financial instrument and that falls within the scope of IAS 39, is valued at fair value, whereby changes in fair value are recognised in the income statement.

Goodwill is the difference between the costs of the acquisition of the company less the balance of the fair value of identifiable assets and the fair value of the acquired liabilities of the company. The costs of the acquisition of the company are valued at the total of the fair value on the acquisition date of the transferred compensation and the amount of the minority interests in the acquired entity. Goodwill is carried at cost less any impairment losses. Goodwill is assessed each year for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may be subject to impairment. An impairment of goodwill cannot be reversed.



There where goodwill is allocated to a cash-flow generating unit and forms part of the divested activities within this unit, the goodwill that pertains to the divested activities forms part of the book value of the activities when determining the book result of the divested activities. Goodwill, which is divested under these circumstances, is valued based on the relative values of the divested activities and the part that remains in the cash-flow generating unit.

### Impairments

During the financial year, an assessment is made whether there is any indication that an asset may be impaired. If any such indications exist, an estimate is made of the recoverable amount of the asset. The recoverable amount of an asset is the highest of the fair value less the costs to sell the asset or its net realisable value.

An impairment loss is recognised if the carrying amount of an asset, or of the cash-generating unit to which it belongs, exceeds the recoverable amount of the asset concerned. Impairment losses are charged to the result. Impairments of goodwill will not be reversed.

An impairment is reversed in the event that it is determined that the points of departure based upon which at the time the recoverable amount was determined have changed and insofar as the remaining carrying amount of the assets is lower than the carrying amount that would have been determined after the deduction of depreciation charges, had no impairment of the asset been recognised in previous years. The effects of reversing an impairment are credited to the result.

### Financial instruments

Purchases and sales of financial instruments are recognised on the transaction date.

The Group no longer recognises a financial asset in the balance sheet if the contractual rights to the cash flows from the asset have expired, or if the Group transfers the contractual rights to the receipt of the cash flows from the financial asset by means of a transaction, whereby all of the risks and benefits connected to the ownership of this asset are transferred.

The Group makes use of the following financial instruments:

#### Non-derivative financial instruments

Non-derivative financial instruments comprise deposits, trade debtors and other receivables, loans provided, borrowings and other financing obligations, trade payables and other payables.

Non-derivative financial instruments are recognised initially at fair value. After initial recognition, non-derivative financial instruments are recognised in the manner described below.

Financial assets and liabilities are recognised separately. Offsetting only takes place in the even that:

- the Group has a legally enforceable right to set off this amount; and
- if the Group intends to set off on a net basis and to realise the asset and the liability at the same time.



### **Financial assets held to maturity**

Financial assets held to maturity comprise loans provided to associates and external parties. Depending on the applicable maturities and conditions, deposits can also be classified as financial assets held to maturity.

When the Group explicitly has the intention, and is able, to retain financial assets to maturity, these are then valued at amortised costs plus any directly attributable transaction costs based on the effective interest method less impairment losses.

### **Financial assets classified as available for sale**

Depending on the applicable maturities and conditions, the Group's investments in deposits and Money Market Funds can be classified as financial assets available for sale.

Financial assets available for sale are valued at fair value, both initially and during the period that the asset is held. Changes in fair value are recognised in equity (total result). When these assets are sold, the cumulative value change, which is recognised in equity, will be recognised in the income statement. Interest income is recognised in the income statement in the period to which this income can be allocated. Investments in equities or other securities of which the market value is not listed on an active market, and of which the fair value cannot be determined reliably, are valued after initial recognition at cost.

### **Other non-derivative financial instruments**

Other non-derivative financial instruments comprise trade debtors and other receivables.

Other non-financial instruments are valued at amortised cost based on the effective interest method less impairments that are recognised in the income statement.

### **Derivative financial instruments**

The Group can make use of derivatives to hedge the risk of changes in future cash flows of periodically to be paid interest or to hedge the risks of foreign currencies. These changes in cash flows can result from developments in market interest rates or market exchange rates of foreign currencies. Enxsis applies hedge accounting where possible in view of the specific use of derivatives to mitigate the interest rate and the exchange rate risk of cash flows.

Valuation of derivatives takes place at fair value. The fair value of interest rate derivatives is determined by means of discounting the future cash flows. The fair value of currency derivatives is determined by means of discounting future cash flows converted at the market exchange rates. The discount rate is determined based on the market interest rate at the end of the financial year. The cash flows are determined based on the contractual agreed interest rates, maturity dates and nominal amounts. Changes in the fair value are recognised in the hedge reserve (part of the equity capital), provided that hedging is effective to a large degree. The ineffective part of the hedge is recognised directly in the income statement under financial income and expenses.

Derivatives are classified under current or non-current other financial assets in the event that the fair value is positive and under current or non-current financial liabilities in the event that the fair value is negative.





### Other financial liabilities

Other financial liabilities included borrowings, guarantees received, trade payables and other payables and other financing obligations.

Other financial liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

A financial liability is no longer recognised if the obligation ceases to exist, i.e. when the obligation laid down in the contract has not been fulfilled or the obligation has been dissolved or has expired. In the event that existing financial obligations are replaced by other obligations that are entered into with the same lender and the conditions differ significantly, or the conditions of the existing obligation have been revised significantly, such a replacement or amendment is treated as the termination of the existing obligation and the entering in of a new obligation. The difference in valuation is charged to or credited to the result.

### Pension obligations

The cover ratio at pension fund ABP at the end of 2016 amounted to 96.6% (2015: 97.2%). The financial position of the fund improved considerably by the end of 2016 compared with the beginning of 2016 (the cover ratio amounted to 91.2% at the end of January 2016). The cover ratio of 96.6% lies considerably above the critical threshold whereby pensions would have to be reduced. The improvement of the financial situation is mainly due to the development of the interest rate in the fourth quarter.

The contribution for the retirement and surviving dependents' pension for 2016 amounted to 17.8% as from 1 January 2016 and 18.8% as of 1 April 2016 (2015: 19.6%). The increase of the contribution as of 1 April 2016 was in connection with the low cover ratio of the fund at the end of 2015.

The lower contribution in 2016 was mainly due to the switch from wage to price compensation and to the termination of a non-recurring component of 0.9% of the contribution of 2015.

As of 1 January 2017, the contribution for the retirement pension and the surviving dependents' pension has been determined at 21.1%. The fund requires a structurally higher contribution level in order to ensure that the pension scheme remains affordable. A first step will be set in 2017 with an increase of 2.3 percentage points. Further steps are expected in the coming years.

As from 1 January 2016, the contribution division between the employer and the employee is 70 and 30 percent respectively (the division was still 68 and 32 percent respectively in 2015).

### Lease

#### Classification

The assets of which the company or its subsidiaries has the economic ownership by virtue of a lease agreement are classified as financial lease. The company or its subsidiaries have the economic ownership if practically all of the risks and benefits connected to ownership have been transferred to the company or its subsidiaries. Contracts whereby the economic



ownership is in the hands of third parties are classified as operational lease. The economic reality (and not the form of the contract) is leading for the classification of lease agreements as operational or financial lease.

#### **Enexis Group as lessee in a financial lease**

The assets concerned are recognised under assets for operational activities or under other fixed operating assets. The loans in connection with these agreements are recognised under the lease obligations. The assets and liabilities concerned are initially recognised at amounts that, at the time of entering into the lease agreement, equal the fair value of the leased asset, or if lower, at the present value of the minimal lease payments. The assets are subsequently depreciated in accordance with identical assets that the company owns itself. The depreciation period can be shorter if the lease period is shorter, will not be extended and the asset in question will not be purchased. The paid lease instalments are divided in such a manner between the financing expenses and repayment of the outstanding liability that a constant periodic interest rate on the remaining balance of the liability is shown during each period of the lease.

#### **Enexis Group as lessee in an operational lease**

For contracts where the economic ownership is held by third parties, only the lease instalments are recognised in the income statement as linear expenses.

#### **Cash Flow Statement**

The cash flow statement is prepared using the indirect method, with the change in cash and cash equivalents at the end of the year being based on the profit after taxes. The net cash and cash equivalents as stated in the cash flow statement are the cash and cash equivalents as recognised in the balance sheet less current bank liabilities.

#### **Segment information**

Segments are reported according to the method used for internal reporting to the Chief Operating Decision-Maker (CODM). The Executive Board has been identified as the highest-ranking officer (CODM), with responsibility for the allocation of funding and assessing the performance of the segments. Internal reporting is based on the same principles as those used for the consolidated financial statements, with adjustments made for exceptional items and changes in fair value.

### **3. SEGMENTATION**

Enexis Holding N.V. distinguishes between two reporting segments, specifically:

- regulated activities; and
- other.

The above classification is based on the internal reporting structure, in particular the consolidated monthly reports and the annual business plan. Because of the high level of administrative independence, all revenues, costs, assets and liabilities can be allocated to the segments.

The regulated activities of Enexis B.V. and as from 1 January 2016 Endinet B.V. form by far the largest segment within Enexis (with regard to net revenue, result after taxes and total assets,



the share of these activities is more than 90%) and consist of management, maintenance and modernisation of the regional gas and electricity grid over which the supplier delivers gas or electricity to consumers at home or to businesses.

The segment reported as other concerns the activities of Fudura B.V. and Enexis Vastgoed B.V. and from 2016 Enpuls B.V., Enpuls Projecten B.V., Enexis Personeel B.V. and a limited part of Endinet Groep B.V. Fudura offers additional services to organisations, such as measuring energy flows, design and realisation of infrastructure, rental and maintenance of casings, transformers and switchgear installations and provides advice. Fudura ensures that companies can organise their energy supply efficiently. Fudura is also responsible for non-regulated activities that help organisations increase the sustainability of their energy supply. Enexis Vastgoed [Real Estate] leases own properties.

amounts in millions of euros	Enexis regulated		Other		Normalisation and eliminations		Enexis total	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Income statement</b>								
Revenue	1,323	1,291	74	76	-21	-13	1,376	1,354
Transmission, system services and distribution losses costs	236	232	0	0	-8	0	228	232
Other operating income	32	20	3	3	-4	-4	31	19
Balance available for operating activities	1,119	1,079	77	79	-17	-17	1,179	1,141
Operating expenses	817	711	54	51	-35	-14	836	748
Operating profit	302	368	23	28	18	-3	343	393
Share of result of associates and joint ventures	1	1	0	0	0	0	1	1
Financial income and expenses	-70	-76	3	-3	-6	-14	-73	-93
Profit for the year	192	217	15	19	0	-13	207	223
<b>Assets and liabilities</b>								
Total assets	7,165	7,066	194	179	-75	-166	7,284	7,079
Non-consolidated associates and joint ventures	13	13	0	0	0	0	13	13
Liabilities (provisions and debts)	3,612	3,477	122	112	-154	-118	3,580	3,471
<b>Others</b>								
Investments in property, plant and equipment and intangible assets <sup>1)</sup>	558	499	32	11	0	0	590	510
Number of employees at year-end (FTE)	4,033	3,968	196	180	0	0	4,229	4,148

1. As of 2016, the inventory of smart meters was reclassified from inventories to plant, property and equipment. An adjustment of EUR 12 million was made for this for 2015, being the increase in inventory of smart meters in 2015.

Costs and revenues charged between the segments and receivables, payables and current-account positions between the segments have been eliminated. In the segmentation overview, these costs and revenues are recognised under normalisations and eliminations. The eliminated costs and revenues mainly concern services provided by the INFRA department for Fudura B.V. and accommodation expenses charged by Enexis Vastgoed B.V.



## NON-RECURRING ITEMS PER SEGMENT

Enexis reports the normalised results per segment internally. This normalisation takes place based on the items as included in note 10. Non-recurring items. The non-recurring items in 2016 can be divided over the segments as follows:

amounts in millions of euros	Regulated activities	Other	Total 2016
Write off of first generation of smart meters	11	0	11
Change in estimate of employee-related provisions	9	0	9
Penalty interest early repayment of shareholders' loan tranche C	8	0	8
Provision for disputes	7	0	7
Sale result Aktivabedrijf Enexis Friesland B.V.	-11	0	-11
<b>Total</b>	<b>24</b>	<b>0</b>	<b>24</b>

The non-recurring items in 2015 were divided over the segments as follows:

amounts in millions of euros	Regulated activities	Other	Total 2015
Accelerated depreciation conventional meters	6	0	6
Additional financial expenses in connection with termination of perpetual loan	14	0	14
Acquisition and unbundling costs	7	0	7
No depreciation takes place on assets held for sale	-10	0	-10
<b>Total</b>	<b>17</b>	<b>0</b>	<b>17</b>

## 4. ACQUISITIONS

### ACQUISITION OF ENDINET GROEP B.V.

Endinet Groep B.V. was acquired by purchase from Alliander N.V. on 1 January 2016. As a grid operator, Endinet B.V. is responsible for the gas and electricity grid in part of the Eindhoven and part of the Zuidoost-Brabant region. Enexis acquired full control over Endinet Groep B.V. on 1 January 2016, after which Endinet Groep B.V. was consolidated in the group figures. 241 employees have been welcomed as new colleagues.

The acquisition of Endinet Groep B.V. forms part of an exchange transaction whereby assets and liabilities in Friesland and the Noordoostpolder (i.e. the municipalities Noordoostpolder and Urk; furthermore in the financial statements referred to as Noordoostpolder) were transferred to Alliander N.V. As a result of this transfer, 123 employees have left our company and have entered the employment of Alliander.

The acquisition price amounted to EUR 694 million, consisting of EUR 359 million in cash and EUR 335 million in the sales value of the assets transferred during the transaction.

The fair value of Endinet Groep B.V. has been determined and can be specified as follows:

amounts in millions of euros	2016
Property, plant and equipment	668
Intangible assets	7
Financial fixed assets	1
Current assets	10
<b>Total acquired assets</b>	<b>686</b>
Trade and other payables	4
Deferred corporate income tax liabilities	85
<b>Total acquired liabilities</b>	<b>89</b>
<b>Fair value net-assets</b>	<b>597</b>
Purchase price of acquisition	694
<b>Goodwill</b>	<b>97</b>

The tangible and intangible fixed assets concern approximately 402,000 gas and 110,000 electricity connections and concern grid sections, connections, meters and other assets.

The amount of current assets concerns mainly debtors for the regular operating activities after the deduction of a provision for the estimated collectability of doubtful debts.

Deferred taxes pertain to the differences between the commercial and fiscal valuation of the assets.

The goodwill of EUR 97 million can be specified as follows:

amounts in millions of euros	2016
Expected synergy benefits	55
Deferred corporate income tax	46
Others	-4
<b>Goodwill</b>	<b>97</b>

The expenses that have been made for the acquisition of Endinet Groep B.V. amounted to EUR 4 million of which EUR 0.3 million has been recognised in the income statement of 2016.

As from the acquisition date, 1 January 2016, Endinet Groep B.V. delivered a contribution to revenue of EUR 99 million. The contribution to the net result over 2016 amounted, on balance, to EUR 12 million (taking into account EUR 9 million allocated interest expenses).

## SALE OF AKTIVABEDRIJF ENEXIS FRIESLAND BV

Also on 1 January 2016, at the same time as the purchase of Endinet, the company Aktivabedrijf Enexis Friesland B.V. containing all assets and liabilities of Enexis in Friesland and the Noordoostpolder and a limited number of lease installations of Fudura was sold and transferred to Alliander.





The assets and liabilities in Friesland and the Noordoostpolder that were transferred in this exchange transaction concern approximately 223,000 gas and 79,000 electricity connections and grid sections, connections, meters and other assets. The sales price was determined at EUR 336 million.

The value of the assets and liabilities to be transferred to Alliander amounted to EUR 323 million and can be specified as follows:

amounts in millions of euros	2016
<b>Sales price</b>	<b>336</b>
Property, plant and equipment and intangible assets	368
Inventories	0
<b>Total assets to transfer</b>	<b>368</b>
Provisions	2
Advance contributions	25
Deferred corporate income tax	18
Trade and other payables	1
<b>Total liabilities to transfer</b>	<b>45</b>
<b>Value of to be transferred assets minus liabilities</b>	<b>323</b>
<b>Transaction result</b>	<b>13</b>
Goodwill attributable to sales	2
<b>Result of sale</b>	<b>11</b>

The transaction result of EUR 13 million (other operating income) and the goodwill of EUR 2 million attributed to the sale (depreciation charges) were respectively deducted from and added to the income statement in 2016.

Over the whole years 2016, Aktivabedrijf Enexis Friesland B.V. would have delivered a contribution to net revenue of EUR 65 million based on the revenue realised in 2015. It was estimated that the contribution to the net result would have amounted to, on balance, to EUR 12 million (taking into account EUR 6 million allocated interest expenses).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. NET REVENUE

Net revenue accounts for the income from the supply of goods and services relating to the distribution of electricity and gas and other activities, less turnover tax and energy tax. The invoicing of low-volume energy consumers takes place based on fixed amounts depending on the size (capacity) of the connection.

The invoicing of high-volume energy consumers takes place periodically based on the contractually agreed capacity and, in addition, for electricity, based on the metered consumption and actual grid load.

The tariffs to be used for the determination of the revenue are regulated by the Netherlands Authority for Consumers and Markets. The revenue is determined by adding the estimate of the still to be invoiced grid charges to the invoiced grid charges and deducting the estimate of the still to be invoiced grid charges at the end of the previous reporting period.

At the end of 2016, the estimated grid fee for small-volume consumers amounted to EUR 69 million and for large-volume consumers EUR 29 million (together 7.1% of total revenue). The conclusion differences on these estimates are in general small. The estimated revenue concerns the month of December and is largely based on meter readings.

amounts in millions of euros	2016	2015
Transmission fees electricity current year	777	771
Periodic connection fees electricity	83	92
Transmission fees gas current year	235	230
Periodic connection fees gas	41	38
Adjustments of transmission fees of previous years	-1	3
Metering services	152	130
Other products and services sold	89	89
<b>Total</b>	<b>1,376</b>	<b>1,353</b>

## 2. TRANSMISSION, SYSTEM SERVICES AND DISTRIBUTION LOSSES COSTS

This includes the transmission services charged by TenneT, system services and grid losses related to net revenue.

amounts in millions of euros	2016	2015
Transmission and system services	169	167
Distribution losses	59	64
<b>Total</b>	<b>228</b>	<b>231</b>

Enexis divides the transmitted energy among its customers through its allocation and reconciliation process. In this case, the allocation is the advance and the reconciliation is the final settlement. The difference between the energy taken up by the distribution grid and the energy allocated to end users after allocation and reconciliation is the grid loss. The reconciliation of the calendar year in question is only finalised after a reconciliation process that takes 20 months. Based on estimates, Enexis tries to estimate the final reconciliation as accurately as possible.

The effect from reconciliation resulted in a positive settlement of EUR 8 million in 2016.

At the end of 2016, the estimated costs of transmission and system services amounted to EUR 8 million and distribution losses amounted to EUR 7 million (together 6.6% of total procurement expenses). The conclusion difference on these estimates are limited.

## 3. OTHER OPERATING INCOME

Other operating income recognises income that is not directly related to the core activities.

Operating subsidies are recognised in the result in the period to which they relate. Subsidies are only recognised as soon as the receipt of these subsidies can be determined with reasonable certainty.

Contributions received in advance for the installation of grids and connections are amortised, parallel to the depreciation of the asset concerned, and recognised in other operating income.

amounts in millions of euros	2016	2015
Amortised contributions to investments for installation of grids and new connections	16	15
Subsidies and refunds received	1	1
Proceeds from sale of assets	13	0
Rental income buildings	1	1
Other	0	2
<b>Total</b>	<b>31</b>	<b>19</b>

The book profit of sold assets concerns the sale of Enexis Aktivabedrijf Friesland B.V. to Alliander N.V. on 1 January 2016.



#### 4. EMPLOYEE BENEFITS EXPENSE

Expenses are allocated to the financial year to which they relate. Hours of own personnel and contracted personnel that can be allocated directly to Enexis's own investment projects are deducted from employee benefits expense as capitalised production.

amounts in millions of euros	2016	2015
Salaries	250	242
Social security contributions	33	29
Pension costs	30	33
Outside staff	64	55
Allocation to provisions for employee benefits	15	3
Other	29	31
Less: own production capitalised	-105	-106
<b>Total</b>	<b>316</b>	<b>287</b>

The development of the workforce in 2016 can be specified as follows:

	2016	2015
Own staff	4,229	4,148
Outside staff with a temporary employment	709	618
<b>Total FTE at year-end</b>	<b>4,938</b>	<b>4,766</b>

#### 5. DEPRECIATION AND DECOMMISSIONING

##### Property, plant and equipment

Depreciation takes place in accordance with the straight-line method. The expected future useful life of the asset is taken into account in determining the depreciation. The useful life and residual value of assets are assessed each year. Any adjustments are recognised prospectively. Land is not depreciated. A tangible fixed asset is no longer recognised in the balance sheet when it is divested or when no future economic benefits are expected from the further use of the asset or in the event of disposal of the asset. A possible gain or loss resulting from no longer recognising the asset in the balance sheet is recognised in the result.

The estimated useful life of the main tangible fixed asset categories is as follows:

	Period
<b>Estimated useful lives</b>	
Buildings	25-50 year
Cables, pipelines and equipment	25-55 year
Other non-current assets en vans	7 year
Tools and equipment	5 year
Smart meters (excl. software)	15 year

### Intangible fixed assets

Depreciation takes place in accordance with the straight-line method. The expected future useful life is taken into account in determining the depreciation. The useful life is assessed each year. Any adjustments are recognised prospectively. With the exception of goodwill attributed to the sale of assets no depreciation takes place on goodwill.

The estimated useful life of the main intangible fixed asset categories is as follows:

	Period
<b>Estimated useful life</b>	
Software	5 year
Goodwill	N/A

The depreciation charges can be specified as follows:

amounts in millions of euros	2016	2015
Depreciation of property, plant and equipment	280	257
Depreciation of intangible assets	31	27
Decommissioning	33	17
<b>Total</b>	<b>344</b>	<b>301</b>

### Impairments

Reference is made to note 13. Intangible fixed assets, for a more detailed specification of the impairments.

## 6. COST OF WORK CONTRACTED OUT, MATERIALS AND OTHER EXTERNAL EXPENSES

Expenses are allocated to the financial year to which they relate. Expenses for outsourced work and materials directly attributable to the company's investment projects are deducted from the relevant cost categories.

amounts in millions of euros	2016	2015
Work contracted out	64	55
Materials	29	22
Other external expenses	60	63
<b>Total</b>	<b>153</b>	<b>140</b>

### 6a. Auditor's fees

Fees charged by PwC in the financial year for the audit of the financial statements amounted to EUR 0.6 million in 2016 (2015: EUR 0.4 million) and for other audit assignments EUR 0.1 million (2015: EUR 0.1 million).



## 7. OTHER OPERATING EXPENSES

amounts in millions of euros	2016	2015
Allocated to/released from provisions	7	1
Other	16	18
<b>Total</b>	<b>23</b>	<b>19</b>

Other operating expenses mainly concern allocations to and/or releases from non-employee related provisions, corporate taxes, degeneration expenses and expenses for compensation and service guarantees.

## 8. RESULT OF ASSOCIATES AND JOINT VENTURES

amounts in millions of euros	2016	2015
ZEBRA Gasnetwerk B.V.	1	1
Ziut B.V.	0	0
Other foundations and associates	0	0
<b>Total</b>	<b>1</b>	<b>1</b>

Reference is made to note 14. Associates and joint ventures, for a more detailed explanation of the results and book values of the associates and joint ventures and the dividends received.

## 9. FINANCIAL INCOME AND EXPENSES

Interest income and expenses are allocated to the period to which they relate based on time proportionality, using the effective interest method. Construction period interest is applied to investment projects with estimated durations of more than 12 months. If hedge accounting is applied, then the ineffective part of derivatives is recognised directly in the income statement under financial income and expenses.

amounts in millions of euros	2016	2015
Financial income	2	4
<b>Total financial income</b>	<b>2</b>	<b>4</b>
Interest added to provisions	1	1
Other financial expenses	74	96
<b>Total financial expenses</b>	<b>75</b>	<b>97</b>
<b>Financial income and expenses</b>	<b>-73</b>	<b>-93</b>

Financial expenses consist mainly of interest payments in connection with borrowings. For more information about these borrowings, reference is made to note 23. Interest-bearing liabilities (non-current) and note 29. Interest-bearing liabilities (current).

The negative balance of financial income and expenses amounted to EUR 73 million in 2016 and has thus improved by EUR 20 million compared with 2015.

The termination of the agreement with the northern shareholders regarding the perpetual loan has resulted in a non-recurring expense of EUR 14 million in 2015. Furthermore, the interest expense of the original perpetual loan amounted to EUR 7 million in 2015. This interest expense was nil in 2016 due to the termination.

The shareholders' loan tranche C was repaid early in April 2016. This has resulted in a decrease of the interest expenses in 2016 to EUR 8 million.

On the other hand, the issue of a fourth stock-listed bond loan under the EMTN programme in 2016 has led to EUR 4 million higher interest expenses.

A third stock-listed bond loan was issued under the European Medium Term Notes EMTN programme in October 2015 for an amount of EUR 500 million. The interest expenses of this loan amounted to EUR 2 million in 2015. Interest expenses amounted to EUR 8 million in 2016, which resulted in an increase in interest expenses by EUR 6 million.

## 10. NON-RECURRING ITEMS

Non-recurring items include income and expense items which, in the opinion of the management, do not arise in the normal course of business and/or which, because of their nature and size, should be considered separately for a better analysis of the results. The threshold for exceptional items has been set at EUR 5 million.

The following non-recurring items have been included in the result before taxes:

amounts in millions of euros	2016	2015
<b>Profit before tax (including non-recurring items)</b>	<b>271</b>	<b>302</b>
Write off of first generation smart meters	11	-
Change in estimate employee related provision	9	-
Penalty interest early repayment of shareholders' loan tranche C	8	-
Provision for disputes	7	-
Accelerated depreciation conventional meters	-	6
Additional financial expenses in connection with termination of perpetual loan	-	14
Acquisition and unbundling costs	-	7
Sale result Aktivabedrijf Enexis Friesland B.V.	-11	-
No depreciation takes place on assets held for sale	-	-10
<b>Total non-recurring items</b>	<b>24</b>	<b>17</b>
<b>Profit before tax (excluding non-recurring items)</b>	<b>295</b>	<b>319</b>

### 2016

The first generation smart meters were taken out of circulation due to technological developments as these no longer satisfied the applicable regulations. This resulted in a non-recurring expense item of EUR 11 million in the current financial year.

A change in the estimation of the retirement age (from age 65 to age 67 and three months) and the departure percentage (from 1.5% to 1.8%) on which the calculation of the employee-related provisions is based, has resulted in a non-recurring expense item of EUR 9 million.

The shareholders' loan tranche C for a nominal amount of EUR 500 million with a contractual maturity date 30 September 2016 was repaid early in April 2016. The penalty interest as a result of this early termination amounted to EUR 8 million.

Enexis created a provision of EUR 7 million for disputes in 2016.

As a consequence of the sale of Aktivabedrijf Enexis Friesland B.V. on 1 January 2016, a sale result of EUR 11 million was realised.

## 2015

An estimation revision took place in 2015 for the total useful life of the conventional meters. Due to the large-scale offering and installation of the smart meter, EUR 6 million has been depreciated additionally on conventional meters based on the current planning for the period 2015-2020.

The extra financial expense arose due to the early termination of the agreement regarding the perpetual loan and the new obligation due to the settlement agreements entered into with the providers of the perpetual loan.

The costs of the acquisition and unbundling concern the purchase of Endinet Groep B.V. and the operational employee expenses and work performed by third parties attributable to the purchase and sale of assets and liabilities in Friesland and the Noordoostpolder.

The terminated depreciation of assets held for sale pertain to the grid sections of Enexis in Friesland and Noordoostpolder that were transferred on 1 January 2016 by means of the sale.

The effect of the above items on the profit before tax is as follows:

amounts in millions of euros	2016	2015
<b>Profit for the year (including non-recurring items)</b>	<b>207</b>	<b>223</b>
Total non-recurring items	24	17
Tax on non-recurring items	-5	-4
<b>Profit for the year (excluding non-recurring items)</b>	<b>226</b>	<b>236</b>

## 11. CORPORATE INCOME TAX EXPENSE

The tax on the result for the reporting period comprises the payable and offsetable corporate income taxes and deferred corporate income taxes.

Taxes are recognised in the income statement except insofar as they relate to items recognised directly in equity.

Enexis Holding N.V. is head of the of the fiscal unity for corporate income tax and, in this capacity, it is jointly and severally liable for the obligations of the members of the tax group. The entities Enexis B.V., Endinet Groep B.V., Fudura B.V. and Enexis Vastgoed B.V. are part of the fiscal unity for corporate income tax. The new entities Enexis Personeel B.V., Enpuls B.V. and Enpuls Projecten B.V. (see note 53. Associates and joint ventures) have been included in the fiscal unity in 2016 but have become operation as of 2017.



The business activities of Enexis Holding N.V. are subject to corporate income tax. The to be paid corporate income tax expense is determined and settled for all of the individual members of the fiscal unity based on the realised commercial results and taking into account the applicable exemptions. The reconciliation between the statutory corporate income tax rate expressed as a percentage of profit before tax and the effective tax rate is as follows:

in %	2016	2015
Nominal statutory corporate income tax rate in the Netherlands	25.00	25.00
Exempt from corporate income tax and prior-year settlements	-1.38	1.08
<b>Effective tax rate for current year <sup>1)</sup></b>	<b>23.62</b>	<b>26.08</b>

1. Total taxes as a percentage of results before taxation

amounts in millions of euros	2016	2015
Profit before tax	271	302
Exempt income and prior-year settlements	19	-2
<b>Taxable profit</b>	<b>252</b>	<b>304</b>
Tax on current year	63	76
Adjustment preceding year	1	3
<b>Total taxes</b>	<b>64</b>	<b>79</b>
Of which deferred	3	22
<b>Current portion</b>	<b>61</b>	<b>57</b>

The balance of the non-taxable results and non-deductible expenses can be specified as follows:

amounts in millions of euros	2016	2015
Sale result Aktivabedrijf Enexis Friesland B.V.	11	-
Contribution EDON loan not in accordance with the market	6	-
Release provision termination expenses CBL	3	-
Share of result of associates	1	1
Non-taxable part of taxed salaries or limited deduction of mixed expenses	-1	-1
Acquisition costs	-1	-2
<b>Total</b>	<b>19</b>	<b>-2</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (tangible fixed assets) are carried at cost or (internal) manufacturing price less depreciation charges calculated over this value and any impairments. Up to 2008, the acquisition price was less the contributions received because these were not booked separately as liabilities up to this year. Investment subsidies are deducted from the acquisition costs of the asset concerned and credited to the result based on the useful life of the asset.



The changes in property, plant and equipment in 2016 are as follows:

amounts in millions of euros	Land and Buildings	Cables, pipelines and equipment	Other non-current assets	Work in progress	Total 2016
Cost at 1 January 2016 <sup>1)</sup>	641	10,408	231	152	11,432
Accumulated depreciation at 1 January 2016	304	5,226	169	0	5,699
<b>Carrying amount at 1 January 2016</b>	<b>337</b>	<b>5,182</b>	<b>62</b>	<b>152</b>	<b>5,733</b>
Reclassified work in progress	8	108	-3	-113	0
Acquired through acquisition	16	633	6	13	668
Investments <sup>1) 2)</sup>	23	402	21	124	570
Depreciated	-13	-253	-14	0	-280
Decommissioning	0	-32	0	0	-32
<b>Carrying amount at 31 December 2016</b>	<b>371</b>	<b>6,040</b>	<b>72</b>	<b>176</b>	<b>6,659</b>
Accumulated depreciation at 31 December 2016	322	5,564	174	0	6,060
<b>Cost at 31 December 2016 <sup>1)</sup></b>	<b>693</b>	<b>11,604</b>	<b>246</b>	<b>176</b>	<b>12,719</b>

- As of 2016, the inventory of smart meters was reclassified from inventories to plant, property and equipment. An adjustment of EUR 16 million in the purchase value took place on 1 January 2016 and EUR 9 million in the investments, being the increase in the inventory of smart meters in 2016. Smart meters in inventory are not depreciated.
- In 2016 EUR 0.8 million (2015: EUR 1.1 million) construction interest was capitalised and recorded as financial income. This was calculated with an interest rate of 3.15% (2015: 4.35%).

The comparative overview for 2015 is as follows:

amounts in millions of euros	Land and Buildings	Cables, pipelines and equipment	Other non-current assets	Work in progress	Total 2015
Cost at 1 January 2015 <sup>1)</sup>	658	10,646	218	146	11,668
Accumulated depreciation at 1 January 2015	312	5,304	164	0	5,780
<b>Carrying amount at 1 January 2015</b>	<b>346</b>	<b>5,342</b>	<b>54</b>	<b>146</b>	<b>5,888</b>
Reclassified work in progress	10	115	-1	-124	0
Acquired through acquisition	0	4	0	0	4
Investments <sup>1)</sup>	9	317	22	135	483
Depreciated	-12	-233	-12	0	-257
Decommissioning	0	-16	0	0	-16
Held for sale	-16	-347	-1	-5	-369
<b>Carrying amount at 31 December 2015</b>	<b>337</b>	<b>5,182</b>	<b>62</b>	<b>152</b>	<b>5,733</b>
Accumulated depreciation at 31 December 2015	304	5,226	169	0	5,699
<b>Cost at 31 December 2015 <sup>1)</sup></b>	<b>641</b>	<b>10,408</b>	<b>231</b>	<b>152</b>	<b>11,432</b>

- As of 2016, the inventory of smart meters was reclassified from inventories to plant, property and equipment. An adjustment of EUR 4 million in the purchase value took place on 1 January 2015 and EUR 12 million in the investments, being the increase in the inventory of smart meters in 2015. Smart meters in inventory are not depreciated.

The decommissioning concerned decommissioned cables, pipelines and electricity and gas meters.

Other fixed assets include company vehicles in finance lease recorded at the net present value of the minimum future lease payments. The book value amounted to EUR 2.5 million at year-end 2016.

### Impairments

Reference is made to note 13. Intangible fixed assets, for a more detailed specification of the impairments.



### 13. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of goodwill, application software and capitalised lease contracts.

Intangible fixed assets, insofar as not pertaining to goodwill, are valued at acquisition costs, less depreciation charges calculated over this value and any impairments.

The changes in intangible fixed assets in 2016 are as follows:

amounts in millions of euros	Goodwill	Software	Lease contracts	Under construction	Total 2016
Cost at 1 January 2016	15	317	0	16	348
Accumulated depreciation at 1 January 2016	0	241	0	0	241
<b>Carrying amount at 1 January 2016</b>	<b>15</b>	<b>76</b>	<b>0</b>	<b>16</b>	<b>107</b>
Reclassified	0	10	0	-10	0
Investments	0	9	0	11	20
Acquired through acquisition	97	0	7	0	104
Depreciation	0	-29	0	0	-29
Decommissioning	0	-1	0	0	-1
<b>Carrying amount at 31 December 2016</b>	<b>112</b>	<b>65</b>	<b>7</b>	<b>17</b>	<b>201</b>
Accumulated depreciation at 31 December 2016	0	288	0	0	288
<b>Cost at 31 December 2016</b>	<b>112</b>	<b>353</b>	<b>7</b>	<b>17</b>	<b>489</b>

The assets that are classified as software concern mainly the net registration system, various operating systems, connection registrations, customer information systems, job order management systems and other support systems.

The goodwill relates to the acquisitions of Intergas Energie B.V. in 2011 and Endinet Groep B.V. in 2016 and concerns the difference between the cost of the acquisition and the fair value of the net assets at the time of the acquisition.

An assessment was made during the financial year whether there are any indications for impairment of Electricity, Gas and Other assets, whereby the net realisable value is taken as the point of departure. Apart from this, the annual impairment test is carried out each year for the cash flow generating units in which goodwill is included. The goodwill that arose from the acquisition of Intergas Energie B.V. amounts to EUR 15 million and has been attributed to the cash flow generating unit of the gas-related activities. Of the goodwill, resulting from the acquisition of Endinet Groep B.V. on 1 January 2016, EUR 19 million can be allocated to the Other activities, EUR 19 million to the Electricity activities and EUR 59 million to the Gas activities. The goodwill that was allocated to the Electricity and Gas activities based on the fair value ratios of the assets on 1 January 2016, was hereby allocated to the cash flow generating units of the Electricity and Gas activities.

Such a calculation only takes place for all individual assets if events or changes in circumstances give rise to this (triggering event analysis). It is determined, based on the outcomes of this calculation, whether an impairment has to be recognised. An assessment is made annually and at the time of interim publication whether such events or changes have occurred.



The direct realisable values of the Electricity, Gas and Other assets are determined based on the most recent Long-Term Financial Calculation. This calculation comprises a period of five years. The most important points of departure that are included in this calculation are, among others, estimates of the discounting rate based on the WACC percentages used by the ACM, the regulated tariffs, and the development of the number of connections and services as well as the operating and other expenses. The chosen points of departure concern estimates and are mainly based on the most recent information with regard to tariff regulation (method decision 2017-2021), the investment programme (strategic asset management plan) and the smart meter roll-out programme.

As a consequence of the method decision 2017-2021, revenue will decrease due to the x-factors determined in this method decision which is a discount to promote efficient business operations. This is offset by a revenue increase due to an inflation adjustment and a combination of growth of the number of connections and the expected capacity demand of customers. The revenue growth as a result of these effects is expected to show a slight cumulative increase of between 0% and 0.5% over the whole period 2017-2021. Subsequent calculations of the ACM are not included in this expectation. The operational cost level is expected to remain constant as Enexis pays a lot of attention to efficient business operations, whereby programmes are initiated that aim to prevent an increase of the costs due to inflation.

It is further determined in the regulation that the efficient (average) costs are covered in the tariffs to be set by the ACM. It is estimated that Enexis's performance will be average compared with other grid operators in the field of investments, as the grids of all grid operators in the sector are comparable.

A growth rate for the regulated activities of 0% is used to determine the end value as it is assumed that the whole sector operates equally efficiently at that point in time. The final value is therefore assumed to be equal to the efficient book value (Regulated Asset Value) of that point in time. A growth rate of 2% applies for the non-regulated activities based on the free cash flows.

The thus calculated direct realisable values of the Electricity, Gas and Other assets were well above the values in use of the corresponding assets, with and without the addition of the goodwill allocated to these assets. There is therefore no necessity for an impairment of goodwill.

Part of the National Energy Agenda of the Ministry of Economic Affairs is the vision that the Netherlands must work towards achieving a low CO<sub>2</sub> energy supply in 2050. A potential risk in connection with this is that the period in which there is still a need for gas grids becomes shorter than the currently determined depreciation periods. This could lead to the necessity to shorten the depreciation periods of the existing gas grids or to have to start writing off the existing gas grids. However, at present we still see no reason for this. As part of these grids will be used in the future for the transmission of Green Gas instead of natural gas. Furthermore, Enexis is very cautious about installing new and replacing gas grids when other alternative heating systems such as heating grids or all-electric solutions could be possible.



The impairment assessment is based on the following points of departure:

	Points of departure regulated assets	Points of departure non-regulated assets
<b>Variables</b>		
Cash-generating units	Electricity and gas	One cash flow generating unit
Source: financial results in future years	Long-Term Financial Calculation	Long-Term Financial Calculation
Cost debt capital	2.29%	3.55%
Cost equity	4.99%	7.52%
Discount rate after taxes	3.35%	7.52%

The comparative overview for 2015 is as follows:

amounts in millions of euros	Goodwill	Software	Under construction	Total 2015
Cost at 1 January 2015	17	287	18	322
Accumulated depreciation at 1 January 2015	0	215	0	215
<b>Carrying amount at 1 January 2015</b>	<b>17</b>	<b>72</b>	<b>18</b>	<b>107</b>
Reclassified	0	12	-12	0
Investments	0	19	10	29
Depreciation	0	-27	0	-27
Held for sale	-2	0	0	-2
<b>Carrying amount at 31 December 2015</b>	<b>15</b>	<b>76</b>	<b>16</b>	<b>107</b>
Accumulated depreciation at 31 December 2015	0	241	0	241
<b>Cost at 31 December 2015</b>	<b>15</b>	<b>317</b>	<b>16</b>	<b>348</b>

## 14. ASSOCIATES AND JOINT VENTURES

### Associates

The valuation of economic interests that are not included in the consolidation but in which Enexis does have a significant influence, takes place based on the equity method based on the accounting principles governing the valuation and the determination of the result of Enexis Holding N.V. According to this method, the economic interest is initially valued at cost whereby the carrying amount is increased or decreased after the initial recognition with the share of Enexis Holding N.V. in the result. Dividends received are deducted from the carrying amount.

In the event of a negative net asset value, losses on associates are recognised up to the amount of the net investment in the associate. This net investment also includes loans that have been provided to associates insofar as these loans actually form part of the net investment. For the share in additional losses, a provision is only recognised in the event and to the extent that Enexis has guaranteed the debts of the associate or in the event that Enexis has the firm intention to enable the associate (for the share) to repay its debts by virtue of legal obligations.

In the event of a possible impairment of an associate, reference is made to the accounting method as included in the paragraph 'Impairments' in the 'Accounting principles for financial reporting'.

### Joint arrangements

The financial figures of entities that qualify as joint arrangements are classified as joint ventures or joint operations depending on the statutory and contractual rights and obligations that each investor has stipulated. The existing contractual agreements all qualify as joint ventures. Joint ventures are entities in which Enexis, together with one or several other investors, has joint control. These are valued based on the equity method.

The associates and joint ventures consist of the following:

amounts in millions of euros	2016	2015
Associates:		
-Energie Data Services Nederland B.V.	0	0
-Ziut B.V.	0	0
-Other associates and foundations	0	0
Joint ventures:		
-Zebra Gasnetwerk B.V.	13	13
<b>At 31 December</b>	<b>13</b>	<b>13</b>

Enexis's participation in Ziut B.V. decreased in 2012 by EUR 12 million to zero due to impairment. The financial results and the financial position of Ziut B.V. have been assessed. Enexis does not see any reason to reverse the earlier impairment.

ZEBRA Gasnetwerk B.V., in which Enexis participates for 67%, has not been included in the consolidation because a majority of 75% is required for decisions.

Changes in associates and joint ventures were as follows:

amounts in millions of euros	2016	2015
<b>At 1 January</b>	<b>13</b>	<b>13</b>
Purchased	0	0
Profits for the year	1	1
Dividends received	-1	-1
<b>At 31 December</b>	<b>13</b>	<b>13</b>

Dividends received concern the dividend distribution received from ZEBRA Gasnetwerk B.V. over the previous financial year.

The relevant information regarding the participation of Enexis Holding N.V. is provided below for all of the associates and joint ventures.

amounts in millions of euros	2016	2015
Non-current assets	22	24
Current assets	28	29
Non-current liabilities	-19	-22
Current liabilities	-18	-18
<b>Book value at 31 December</b>	<b>13</b>	<b>13</b>
Revenue	64	34
Costs (including financial income and expenses)	-62	-31
<b>Profit before tax</b>	<b>2</b>	<b>3</b>
Corporate income tax expense	-1	-2
<b>Profit for the year</b>	<b>1</b>	<b>1</b>

An overview of all of the associates and joint ventures (group companies, joint ventures and other associates) is provided in note 53. Associates and joint ventures. None of the associates and joint ventures is listed on a stock exchange.

## 15. OTHER FINANCIAL FIXED ASSETS

Other financial fixed assets consist of the following:

amounts in millions of euros	2016	2015
Loans and receivables	11	9
<b>Total</b>	<b>11</b>	<b>9</b>

The changes in financial fixed assets in 2016 are as follows:

amounts in millions of euros	Loans granted to staff	Other loans	Total 2016
<b>At 1 January 2015</b>	<b>2</b>	<b>9</b>	<b>11</b>
New loans	1	4	5
Redemptions	1	2	3
<b>At 31 December 2016</b>	<b>2</b>	<b>11</b>	<b>13</b>
Less: current portion	0	2	2
<b>Total non-current portion</b>	<b>2</b>	<b>9</b>	<b>11</b>

Other financial fixed assets concern loans provided to EDSN B.V., Ziut B.V., and Mijn Aansluitingen.nl and loans provided to employees in connection with financing arrangements. The average weighted effective interest rate amounted to approximately 2.8% (2015: 3.5%).

The interest rate that is charged for the loans included in other financial fixed assets is higher than the market interest rate at year-end 2016. Due to the limited size, the difference in the rates did not have a material effect on the fair value. The agreed interest rate on the loans provided to EDSN B.V., Ziut B.V. and Mijn Aansluitingen.nl was determined on an at arm's length basis at the time these loans were concluded.



## 16. INVENTORIES

Inventories are recognised at costs or lower net realisable value (the estimated selling price in the normal course of business less selling costs). Cost is calculated based on the weighted average cost method.

Cost comprises all expenses and costs directly attributable to the purchase of the inventories and to bringing them to their present location and condition.

amounts in millions of euros	2016	2015
Materials	24	16
Provision for obsolescence	-3	-2
<b>Total <sup>1)</sup></b>	<b>21</b>	<b>14</b>

1. As of 2016, the inventory of smart meters was reclassified from inventories to plant, property and equipment. An adjustment of EUR 16 million took place for this for 2015.

Materials concern articles that are held as inventory for the investment, maintenance, interruption activities and work for third parties.

The increase in the inventory of materials is due to a large return flow of materials of completed projects at the end of 2016, the acquired inventory of materials of Endinet Groep B.V. on 1 January 2016 and the purchase of materials in December 2016 that were intended for large-scale projects in Limburg that started at the beginning of 2017.

Impairments of inventories amounted to practically nil in 2016 (2015: also nil).

## 17. RECEIVABLES

amounts in millions of euros	2016	2015
Trade receivables	72	60
Amounts receivable	109	115
Provision for doubtful debts	-17	-17
<b>Total</b>	<b>164</b>	<b>158</b>

Amounts receivable concern mainly the monthly additional estimate of transmission fees to large-volume and small-volume consumers.

The age of the trade debtors without the deduction of the provision for doubtful debts was as follows per 31 December 2016 (in comparison to the 2015 figures):

amounts in millions of euros	2016			2015
	Net	Provision	Gross	Gross
Not past due	25	0	25	25
0-30 days past due	17	0	17	10
31-60 days past due	3	0	3	2
61-90 days past due	1	0	1	1
91-365 days past due	3	-3	6	6
Over 365 days past due	6	-14	20	16
<b>Total</b>	<b>55</b>	<b>-17</b>	<b>72</b>	<b>60</b>

The collectability of the trade debtors was assessed, depending on the customer profile, individually or as a group based on a risk estimate by the management.

The changes in the provision for doubtful debts are as follows:

amounts in millions of euros	2016	2015
<b>At 1 January</b>	<b>-17</b>	<b>-21</b>
Allocation through profit or loss	-2	-4
Release	-2	-
Write-offs	5	9
Reversals of earlier write-offs	-1	-1
<b>At 31 december</b>	<b>-17</b>	<b>-17</b>

## 18. CORPORATE INCOME TAX

The tax on the result for the reporting period comprises the payable and offsetable corporate income taxes and deferred corporate income taxes.

Taxes are recognised in the income statement except insofar as they relate to items recognised directly in equity.

amounts in millions of euros	2016	2015
Corporate income tax	15	16
<b>Total</b>	<b>15</b>	<b>16</b>

## 19. OTHER FINANCIAL ASSETS (CURRENT)

amounts in millions of euros	2016	2015
Loans with maturity < 1 year	2	2
Short-term deposits	50	120
<b>At 31 december</b>	<b>52</b>	<b>122</b>

Surplus cash in 2016 was placed on deposit, held in corporate (savings) accounts, or invested in Money Market Funds, in accordance with the conditions as described in further detail in the Treasury Charter. All deposits are available on the maturity date.

The terms to maturity and the fixed interest rates of the deposits placed with banks can be summarised as follows:

	% (average weighted value)	Amount (EUR mln.)
<b>Maturities at year-end 2016</b>		
0-3 months	0.02	50
	<b>0.02</b>	<b>50</b>

## 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised at fair value, which is normally the same as the nominal value. Cash and cash equivalents only include cash and cash equivalents payable on demand. Cash and cash equivalents that are not payable on demand are recognised under other current financial assets, depending on the applicable maturities and conditions.

amounts in millions of euros	2016	2015
Cash at bank and cash balances	148	81
Cash deposited at notary	-	356
Money Market Funds	-	100
<b>Total</b>	<b>148</b>	<b>537</b>

Reference is made to the cash flow statement and the explanatory notes to the cash flow statement as included in note 31. Notes to the cash flow statement. For a specification of the cash flows.

The balance of cash and cash equivalents consists of the balances of the cash pools placed with Rabobank, ING and RBS. Credit balances of Enexis Holding N.V., Fudura B.V., Enexis Vastgoed B.V., Enexis Personeel B.V., Enpuls B.V. and Endinet Groep B.V. in the cash pool at the Rabobank have been pledged as security for the credit facility of Enexis B.V. and for amounts owed to each other.

In accordance with contractual agreements with banks, the cash pools may not be offset against one another and positive and negative bank balances of the Group cannot be offset against each other. As a consequence, EUR 114 million (2015: EUR 1 million) of negative bank balances have been presented as current liabilities (amounts owed to credit institutions).

## 21. ASSETS HELD FOR SALE

amounts in millions of euros	2016	2015
Property, plant and equipment	-	368
Intangible assets	-	2
<b>Total</b>	<b>0</b>	<b>370</b>

Assets held for sale practically all concern the assets of Enexis in Friesland and in the Noordoostpolder which were transferred to Alliander N.V. on 1 January 2016 with the exchange transaction of Endinet Groep B.V.

In addition to the above transaction, a small amount of this item also pertained to the proposed sale of the Intermediate HS activities by Fudura. At the end of 2015, it was plausible to assume that the activities would be sold within one year; therefore, the assets connected to the HS activities with a value of EUR 0.4 million were classified as assets held for sale and as from that moment these assets were no longer depreciated. This planned sale ultimately did not take place and, as a result, these assets were classified again under property, plant and equipment in 2016 and these assets are being depreciated again.



## 22. EQUITY

The company's authorised share capital amounts to three hundred million euros (EUR 300,000,000) and is divided into three hundred million (300,000,000) ordinary shares of one euro (EUR 1.00). Of these shares, 149,682,196 shares with a total nominal value of EUR 149,682,196 have been issued and fully paid up. In the General Meeting of Shareholders of 7 December 2015, approval was granted for the repurchase and sale of the company's own shares and the issue of new shares up to a maximum of EUR 82 million. The shares can be repurchased or issued and delivered as repayment for the termination of the perpetual loan of nominal EUR 82 million.

The share premium reserve is also allowed for tax purposes.

The cash flow hedge reserve relates to the equivalent value of the interest rate swaps that were settled in 2012 that Enexis had concluded in the phase prior to the issue of the notes (EUR 300 million in January 2012) with the aim of hedging the risks arising from the expected future interest payments. The interest rate swaps were settled when the bond loan of EUR 300 million was issued under the EMTN programme in 2012 and the loss over the remaining term of the loans recognised in the cash flow hedge reserve up to that date was charged to the result. The change in the hedge reserve amounted to EUR 1 million positive (2015: EUR 1 million positive).

The result following from the income statement for the financial year 2016 before taxation concerns only realised results. After the deduction of corporate income tax expenses, the realised profit in 2016 amounted to EUR 207 million (2015: EUR 223 million). It was agreed with shareholders that a maximum of 50% of this net result will be paid out as dividend.

The proposed dividend payment amounts to EUR 103 million; and, as a result, the reservation to be credit to the general reserve amounts to EUR 104 million. In determining the amount of equity, this proposal for profit appropriation was not taken into account. At year-end 2016, the equity amounted to EUR 3,704 million (2015: EUR 3,607 million). At year-end 2016, the total equity per share amounted to EUR 24.75 (2015: EUR 24.10).

Reference is made to the consolidated statement of changes in equity for further details.



## 23. INTEREST-BEARING LIABILITIES (NON-CURRENT)

amounts in millions of euros	2016	2015
Euro Medium Term Notes	1,783	1,289
Shareholders' loan with a conditional conversion right to convert into equity (tranche D)	350	350
Non-current part of agreements perpetual loan	5	16
Private loan	3	4
Lease obligations	1	2
<b>Total</b>	<b>2,142</b>	<b>1,661</b>

Non-current interest-bearing liabilities include borrowings that are available to Enexis for a period longer than one year. The amounts for repayments due within one year are included in the current interest-bearing liabilities.

Reference is made to note 32. Financing policy and risks associated with financial instruments, for more information on the interest-bearing liabilities (non-current).

A fourth stock-listed bond loan was issued in April 2016 under the EMTN programme for an amount of EUR 493 million (EUR 500 million nominal after the deduction of EUR 7 million emission costs which will be amortised during the term of the loan). The borrowed funds were used for the early repayment of the shareholders' loan tranche C in April 2016 of nominal EUR 500 million.

The stock-listed bond loans together amount to EUR 1,800 million nominal, less the amortised costs related to these loans, thus a value remains of EUR 1,783 million.

The perpetual loan was repaid at the end of 2016 at nominal value (EUR 82 million); partially via share transactions between selling and buying shareholders financed by Enexis Holding N.V. and partially via repayment in cash. The share transactions, as well as the financing thereof and the repayment of the part of the perpetual loan in shares were laid down in earlier signed settlement agreements and in various signed purchase agreements between the parties involved at the end of 2016. The repayment of the part of the perpetual loan in cash follows from earlier signed settlement agreements.

In addition to the repayment of the nominal value of the perpetual loan, the interest supplement of EUR 3 million was paid at the end of 2016 to the providers of the perpetual loan who opted for repayment in cash. This interest supplement is a compensation for the loss of interest of 9% under the old terms and conditions of the loan.

With the share transaction between the selling and the buying shareholders part of the shareholders' loan with a conditional conversion right to conversion in equity (tranche D) was transferred of EUR 6 million.

Furthermore, the last interest payment under the old terms and conditions of the loan was paid at the end of 2016 (EUR 7 million).

Of the liability that arose at year-end 2015 based on the settlement agreement signed with the providers of the perpetual loan of EUR 108 million, EUR 98 million was settled in 2016.

A liability of EUR 10 million remained at year-end 2016, of which EUR 5 million has been recognised under non-current liabilities and EUR 5 million under current liabilities and consists of the interest supplement for loan providers who have opted for repayment in shares.

The terms of the lease commitments (including the current portion) are as follows:

amounts in millions of euros	2016			2015		
	< 1 year	1-5 year	> 5 year	< 1 year	1-5 year	> 5 year
Nominal lease obligations	2	1	0	2	2	0
Present value of lease obligations	2	1	0	2	2	0

Lease obligations decreased due to a decrease in the number of vehicles in financial lease. Newly concluded contracts concern operational lease contracts of which the future obligations are not included in the balance sheet.

## 24. PROVISIONS

Provisions are recognised for obligations enforceable by law or factual obligations of an uncertain amount or timing as a result of past events. If the effect of an obligation is material, the provision is calculated by discounting expected future cash flows at a current discount rate, taking into account any specific risks inherent in the obligation. The present value of employee-related provisions is calculated using the project unit credit method. Actuarial results are recognised directly in the result.

Any expenditure expected within the year of the balance sheet date is recognised as a separate item under the current liabilities.

The provisions at year-end 2016 can be specified as follows:

amounts in millions of euros	Service-related benefits	Shorter working hours and special-purpose leave	Other employee benefits	Other	Total provisions 2016
Obligations at beginning of year	32	33	5	3	73
Acquired through acquisition	2	2	0	0	4
Interest	1	1	0	0	2
Recognised claims in 2016	5	10	4	7	26
Liabilities held for sale	0	0	0	0	0
Released	-1	-2	-2	-3	-8
Benefits paid	-3	0	-2	0	-5
<b>Total</b>	<b>36</b>	<b>44</b>	<b>5</b>	<b>7</b>	<b>92</b>
Less: current portion	2	4	2	0	8
<b>Total non-current portion</b>	<b>34</b>	<b>40</b>	<b>3</b>	<b>7</b>	<b>84</b>

The current portion of the provisions of EUR 8 million (2015: EUR 11 million) has been included separately under the current liabilities.





The comparative overview for 2015:

amounts in millions of euros	Service-related benefits	Shorter working hours and special-purpose leave	Other employee benefits	Other	Total provisions 2015
Obligations at beginning of year	34	35	4	5	78
Interest	1	1	0	0	2
Recognised claims in 2015	4	2	4	0	10
Liabilities held for sale	-1	-1	0	0	-2
Released	-3	-4	0	-2	-9
Benefits paid	-3	0	-3	0	-6
<b>Total</b>	<b>32</b>	<b>33</b>	<b>5</b>	<b>3</b>	<b>73</b>
Less: current portion	3	4	2	2	11
<b>Total non-current portion</b>	<b>29</b>	<b>29</b>	<b>3</b>	<b>1</b>	<b>62</b>

### Estimates of employee-related provisions

The most important assumptions on which the calculations of the employee-related provisions are based are the following:

	2016	2015
Discount rates	-0.26%-1.94%	0.03%-2.4%
Estimated future annual CLA wage increases	1.2%	1.2%
Company-specific annual periodic indexation	1.0%	1.0%
Estimate future departure probability	1.8%	1.5%
Holiday allowance and social security expenses	15.2%	14.7%

The estimate of the retirement age was revised in 2016 from age 65 to age 67 and three months and the departure percentage was revised from 1.5% to 1.8%. This resulted in an allocation of EUR 9 million in the current financial year.

### Long-service benefits

In accordance with the provisions of the collective labour agreement (CLA), Enexis grants long-service benefits to employees. As from the commencement of the employment, a provision is formed for the long-service benefits based on the past number of years of employment, anticipated price and salary increases and the probability of mortality, disability and dismissal.

### Shorter working hours and special purpose leave

This provision relates to liabilities arising from the transition scheme for shorter working hours for older employees and from the special purpose leave scheme.

### Provision for other employee-related expenses

This provision relates to various employee-related expenses, including expenses in connection with the voluntary termination of employment and severance payments, healthcare costs for former employees and retention and reorganisation costs.

The reorganisation provisions are calculated on an individual basis taking into account the employee's gross salary, length of employment, expected duration of redundancy and an addition of 35% for employer's contributions. An estimate has been made for part of the provisions regarding the future termination of employment of redundant employees.

### Other provisions

At year-end, the item other provisions consisted of a provision for disputes.

## 25. DEFERRED INCOME FOR THE INSTALLATION OF GRIDS AND CONNECTIONS

Advance contributions from third parties for the installation of grids and connections are recognised upon receipt as non-current liabilities. Amortisation is applied using the straight-line method, taking into account the expected useful life of the asset.

The advance contributions for investments in the installation of grids and connections can be specified as follows:

amounts in millions of euros	2016	2015
At 1 January	629	602
Received during the year	68	67
Held for sale	0	-25
Depreciated	-16	-15
<b>Total</b>	<b>681</b>	<b>629</b>
Current portion to be amortised in following financial year	17	15
<b>Total non-current portion</b>	<b>664</b>	<b>614</b>

## 26. DEFERRED CORPORATE INCOME TAX

Deferred corporate income tax assets and liabilities relate to differences between the carrying value and the tax basis of tangible fixed assets and employee-related provisions. In addition, deferred taxes pertain to non-realised results of derivative transactions that have been formed as a hedge provision via the other comprehensive result and the liability pursuant to the settlement agreements for the repayment of the perpetual loan. Corporate income tax deferrals are valued at nominal value at the corporation tax rate at the end of the financial year.

Deferred tax assets are only recognised for offsetable fiscal losses and offsetable temporary differences between the value of the assets and liabilities in accordance with fiscal rules, on the one hand, and the accounting principles followed in these financial statements, on the other hand, with the proviso that deferred tax assets are only recognised insofar as it is probable that there will be future fiscal profits against which the temporary differences can be offset and losses can be compensated. The calculation of the deferred tax assets and liabilities takes place at the tax rates that apply at the end of the reporting year or at the tax rates that apply in the coming years, insofar as already determined by law. Deferred tax liabilities are measured at nominal value.

Offsetting of deferred tax assets and deferred tax liabilities only takes place if a formal right to offset exists, in connection with the taxation of profits which is levied by the same tax authority and the company has the intention to settle the deferred taxes at the same time. Deferred taxes are recognised at nominal value.



Deferred corporate income tax liabilities mainly relate to differences between the carrying value and the tax basis of tangible fixed assets.

amounts in millions of euros	2016	2015
Deferred corporate income tax assets for provisions	-10	-9
Deferred corporate income tax assets for derivatives	-2	-1
Deferred corporate income tax assets for settlement agreements repayment perpetual loan	-2	-3
Deferred corporate income tax liabilities for property, plant and equipment	297	208
<b>Total</b>	<b>283</b>	<b>195</b>

The deferred corporate income tax liabilities with regard to plant, property and equipment arose mainly as a consequence of the tax incentive scheme (the Arbitrary Depreciation facility in 2009, 2010, 2011 and in the second half of 2013). The increase in 2016 was caused for EUR 85 million by the acquisition of Endinet Groep B.V. on 1 January 2016.

## 27. OTHER NON-CURRENT LIABILITIES

amounts in millions of euros	2016	2015
Payments to employees <sup>1)</sup>	3	3
<b>Total</b>	<b>3</b>	<b>3</b>

1. From 2016 the long-term portion of the reservation for accrued leave is reclassified from current liabilities to non-current liabilities. Accordingly, an adjustment of EUR 3 million has been made for 2015.

## 28. TRADE AND OTHER PAYABLES

amounts in millions of euros	2016	2015
Suppliers	69	87
Tax and social security contributions	67	64
Payments to employees <sup>1)</sup>	33	37
Other	76	69
<b>Total</b>	<b>245</b>	<b>257</b>

1. From 2016 the long-term portion of the reservation for accrued leave is reclassified from current liabilities to non-current liabilities. Accordingly, an adjustment of EUR 3 million has been made for 2015.

## 29. INTEREST-BEARING LIABILITIES (CURRENT)

amounts in millions of euros	2016	2015
Private loan	1	1
Shareholders' loan to be repaid in following financial year (tranche C)	0	500
Agreements repayment perpetual loan	5	92
Loan ZEBRA Gasnetwerk B.V.	12	12
Lease obligations	2	2
Amounts owed to credit institutions	114	1
<b>Total</b>	<b>134</b>	<b>608</b>

In accordance with contractual agreements with banks, the cash pools may not be offset against one another and positive and negative bank balances of the Group cannot be offset against each other. As a consequence, there is a shift of cash and cash equivalents to current liabilities (amounts owed to credit institutions).

The shareholders' loan tranche C of EUR 500 million was repaid early in April 2016.

For a detailed explanation of the settlement of the obligations pursuant to the agreements in connection with the repayment of the perpetual loan, reference is made to note 23. Interest-bearing liabilities (non-current).

In 2016, ZEBRA Gasnetwerk B.V. rolled over the existing loan of EUR 12 million at a variable interest rate of 0.0% applicable at year-end 2016 with a remaining term to 4 May 2017.

### 30. LIABILITIES HELD FOR SALE

The liabilities held for sale at year-end 2015 concerned the liabilities of Enexis in Friesland and in the Noordoostpolder which were transferred to Alliander N.V. on 1 January 2016 with the exchange transaction of Endinet Groep B.V.

amounts in millions of euros	2016	2015
Advance contributions for the installation of grids and connections	0	25
Non-current provisions	0	2
Deferred corporate income tax	0	18
Trade and other payables	0	1
<b>Total</b>	<b>0</b>	<b>46</b>

### 31. NOTES TO THE CASH FLOW STATEMENT

In preparing the cash flow statement, the following items have been included in net cash and cash equivalents:

amounts in millions of euros	2016	2015
Cash at bank and cash balances	148	537
Amounts owed to credit institutions	-114	-1
<b>Total</b>	<b>34</b>	<b>536</b>

The main items of the cash flow statement are specified below.

Changes in net working capital can be specified as follows:

amounts in millions of euros	2016	2015
Corporate income tax expense recognised through profit or loss	63	57
Corporate income tax paid or received	-60	-114
Interest received and paid recognised through profit or loss	73	93
Interest paid	-76	-91
Interest received	2	1
Working capital before tax and interest	-21	59
<b>Total</b>	<b>-19</b>	<b>-7</b>

Specification net working capital:

amounts in millions of euros	2016	2015	Change
Inventories	21	14	7
Receivables <sup>1)</sup>	154	158	-4
<b>Subtotal</b>	<b>175</b>	<b>172</b>	<b>3</b>
Trade and other payables <sup>1)</sup>	-244	-258	14
Corporate income tax	15	16	-1
(Current) provisions	-8	-11	3
<b>Subtotal</b>	<b>-237</b>	<b>-253</b>	<b>16</b>
<b>Total</b>	<b>-62</b>	<b>-81</b>	<b>19</b>

1. Excluding receivables and liabilities in connection with the sale of Aktivabedrijf Enexis Friesland B.V. and the acquisition of Endinet Groep B.V. The cash flow as a consequence of this transaction is reported separately in the cash flow statement under 'additional payment acquisition Endinet Groep B.V.' for an amount of EUR 359 million. Reference is made to section 4 acquisitions for the specification of this amount.

## 32. FINANCING POLICY AND RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

### General

The aim of the financing policy of Enexis Group is to ensure the independent financing of Enexis by ensuring timely, constant and sufficient access to the capital and money markets while also optimising the financing structure, costs and risks. The execution of the financing policy is laid down in the Treasury Charter, which contains the Treasury department's objectives, task description and mandate, reporting, risk management and organisational and administrative frameworks for financing.

The funding of the Enexis Group takes place by means of external funding raised by Enexis Holding N.V., which funding is then lent on inter-company to the group companies. In connection with its operations, Enexis Holding N.V. is exposed to a number of risks, such as market risk, credit risk, solvency risk, liquidity risk and process risk. One of the main objectives of the policy is to minimise the effect of the above-mentioned risks on the financial results, Enexis Holding N.V. can make use of financial instruments and derivatives for this.

### Market risk

Market risk is the risk that relates to changes in the value of cash flows and financial instruments as a result of changes in market interest rates, foreign exchange rates and market prices. Enexis Holding N.V. and its group companies do not hold any financial instruments for trading purposes.

Market risk consists of interest rate risk, foreign exchange rate risk and commodity price risk:

#### Interest rate risks

The interest rate risk consists, on the one hand, of the risk that the regulated interest income in the future will be lower than the interest payments laid down in the existing loan agreements and, on the other hand, of the risk that the to be paid interest rates in connection with future financing will be higher than the current market interest rate.



The basis for the interest rate risk policy is diversification. By means of diversification in refinancing, financing and maturities of loans, interest rate fixing and interest-typical maturity (fixed or variable), type of loan and possibly geographical diversification over financing markets, availability is ensured and the interest rate risk is reduced.

Within the adopted policy, Enexis Holding N.V. has the option to use derivatives to hedge specific risk positions, including but not limited to the interest rate risk. Enexis Holding N.V. did not make use of derivatives in 2016 to hedge interest rate risks.

### Receivables

Enexis limits the interest rate risk on receivables in two ways:

- by matching the maturities of the receivables, including the financial assets, with the liquidity forecast; and
- by agreeing contractual interest rates beforehand with regard to the financial assets until the expiry date of the concluded contracts. Only a small amount of the surplus cash and cash equivalents is invested with a short horizon or at a variable interest rate to ensure diversification and flexibility.

### Borrowed capital

The interest-bearing loans have the following terms, interest rates and maturity dates:

amounts in millions of euros	Nominal value	Bookvalue	Contractual maturity date	Initial contract period (years)	Remaining period (years)	Interest
Shareholders' loan with a conditional conversion right to convert into equity (tranche D)	350	350	30 September 2019	10	2.8	7.200%
Euro Medium Term Notes 1st issue	300	298	26 January 2022	10	5.1	3.375%
Euro Medium Term Notes 2nd issue	500	498	13 November 2020	8	3.9	1.875%
Euro Medium Term Notes 3rd issue	500	495	20 October 2023	8	6.8	1.500%
Euro Medium Term Notes 4rd issue	500	493	28 April 2026	10	9.3	0.875%
Private loan <sup>1)</sup>	4	4	several	several	5.3	2.680%

1. These concern several loans. The reported amounts are average weighted values.

The fair value of the interest-bearing loans amounted to approximately EUR 2,338 million at year-end 2016 (year-end 2015: EUR 2,434 million). This fair value for the bond loans is in accordance with the listed price and for the other loans in accordance with the calculation method based on the Euro Utility (A) BFV yield curve on 31 December 2016. For the other loans, the values of the interest payments and the repayments of the principals are discounted at different rates, with which the time effect is taken into account. The fair value has mainly decreased due to the settlement of the liability following from the agreements regarding the repayment of the perpetual loan at the end of 2016.

The bond loans concern “level 1” financial instruments. For Enexis, this means that the fair value is based on listed prices in an active market. The other loans concern “level 2” financial instruments. This means that for Enexis, the fair value is based on the discounting of the nominal cash flows at applicable market discounting curves.

Pursuant to the Instructions issued by the Minister of Economic Affairs in connection with the unbundling, part of the shareholders' loans (tranche D) in the amount of EUR 350 million must





be convertible into equity in the event of a structural capital shortage. Enexis Holding N.V. has the right to request the lender to convert the loan completely or partially in equity of Enexis Holding N.V.; this in the event that this is necessary in the opinion of Enexis Holding N.V. and endorsed by the Supervisory Board. This request should be made with an eye to the continuity of exercising its tasks as grid operator and in accordance with the requirements of the energy regulations. As lenders, the shareholders have the obligation to cooperate with the requested conversion if there is a structural shortage of capital, only insofar as conversion is necessary to enable Enexis Holding N.V. or Enexis B.V. to structurally comply with the financial ratios required by law or by its bankers.

As practically all of the borrowed capital has a fixed interest rate, the interest rate sensitivity for each basis point (0.01%) increase or decrease of the base interest rate relative to the base rate at year-end is not material.

### **Group funding**

Group funding takes place within the Enexis Group, which means that Enexis Holding N.V. raises the necessary funding for the whole Enexis Group in the external capital market and money market, as well as, if necessary, makes use of credit facilities agreed with banks.

The externally raised funding is lent on to other group companies inter-company, and settled via the bank accounts of the group companies and included in the joint cash pools. Interest and balance compensation takes place within the cash pools (notional cash pooling). The cash pool structure satisfies the statutory requirements for the group funding of grid companies.

Distinction is made between the regulated and non-regulated activities for the funding conditions and interest rates of inter-company loans. Group funding for non-regulated activities takes place at conditions and interest rates on an at arm's length basis. Group funding for regulated activities takes place based on equal conditions and interest rates comparable with the externally raised funding by Enexis Holding N.V. Enexis Holding N.V. and Enexis B.V. , as grid operator with the regulated activities, both have the same credit ratings.

### **Foreign exchange rate risk**

Enexis may be exposed to foreign exchange rate risk on the issue of financial instruments and when making purchases in currencies other than the euro. It is Enexis's policy to hedge both the foreign exchange rate and the interest rate risk immediately upon the issue of financial instruments denominated in other currencies. In the case of investments or larger purchases denominated in other currencies with an equivalent value exceeding EUR 250,000, it will be examined whether the foreign exchange rate risk should be fixed directly.

The total amount of cash and cash equivalents, receivables and liabilities held in foreign currencies at the end of 2016 amounted to zero, which means that foreign exchange rate risks and sensitivity to foreign exchange rate fluctuations were not relevant.

### **Commodity prices risk**

For the Enexis Group, this refers to the risk of changes in commodity prices, in particular in connection with the purchase of energy for grid losses at Enexis B.V. This risk is largely hedged through price fixing by means of forward purchases, in which the predicted volumes have already been purchased at the beginning of the year. This purchasing method ensures a

predictable result and is only sensitive to volume differences and unpredictable price differences for regular buying and selling activities during a distribution year. The purchasing risk is reduced by spreading the purchasing at fixed prices over a period of approximately two years prior to the date of actual settlement. No use is made of derivatives in connection with the purchase of energy for grid losses.

### Credit risk

The credit risk is the risk of sustaining a loss in the event that a counter party is unable or unwilling to fulfil its obligations. The majority of the activities of Enexis Holding N.V. and its group companies are regulated. The debtor risks in regulated markets are lower than the debtor risks in liberalised energy markets. For all low-volume debtors with regard to the to be paid grid payments, the receivables are collected by the energy suppliers who bear the debtor risk with regard to the end customer. However, Enexis B.V. does have a debtor risk with regard to the energy suppliers.

The maximum credit risk is, in principle, equal to the carrying amount of the receivables and current assets.

Liquidity surpluses are placed, at market terms and conditions, with financial institutions and investment funds that are subject to the supervision of a central bank or legally appointed supervisor and with Dutch national or regional grid operators that satisfy the specified minimal rating requirements, or with the Dutch government in securities guaranteed by the Dutch government. In addition, Enexis aims to spread investment risks by observing counter party limits in combination with minimum rating requirements.

### Solvency and Liquidity Risk

#### Solvency risk

Solvency risk is the risk that Enexis's equity or capital base is insufficient to allow it to meet its obligations in the long term. We aim for at least an A rating (A/A2 with a stable outlook) for both Enexis Holding N.V. and Enexis B.V. This objective is monitored on the basis of defined minimum financial ratios in relation to interest coverage, debt coverage and solvency. This credit rating ensures that Enexis Holding N.V. has sufficient access to international capital markets, whereby the solvency is safeguarded by monitoring the minimum financial ratios.

#### Liquidity risk and contractual term analysis

##### *Liquidity risk*

Liquidity risk is the risk that the Enexis Group will not be able to meet its short-term payment obligations. In order to hedge this risk, Enexis Holding N.V. also has a committed Revolving Credit Facility (RCF) of EUR 600 million. This facility was concluded with a group of eleven banks and has a term of five years, which would end mid-2019. Enexis Holding N.V. extended the term by one year in 2015 to mid-2020. The term of the RCF, with 10 participating banks, for an amount of EUR 545 million was extended in 2016 by one year up to mid-2021.

Enexis Holding N.V. did not make use of the RCF in 2016; however, Enexis retains this facility for any unforeseen liquidity requirements. In order to retain the RCF, Enexis Holding N.V. has contractual obligations to the participating banks. In addition to an availability fee, these

obligations mainly concern providing information to the banks involved, satisfying the usual financial covenants and other, for these facilities customary general covenants such as *pari passu* and negative pledge. The RCF does not have any financial covenants.

Furthermore, Enexis Holding N.V. and its group companies have brought together all bank accounts in two cash pools. A committed credit facility of EUR 20 million has been made available to one of these cash pools.

Enexis Holding N.V. had a consolidated positive cash balance of EUR 34 million, on balance, at the end of 2016 (EUR 148 million positive and EUR 114 million negative) (year-end 2015: on balance EUR 80 million positive). In addition, at year-end 2016, EUR 50 million was held in short-term deposits and money market funds (year-end 2015: EUR 220 million).

### Contractual term analysis

The table below shows the contractual and non-discounted cash flows at year-end 2016:

amounts in millions of euros	< 1 month	< 3 month	3-12 month	1-5 year	> 5 year	Total
Non-current interest-bearing liabilities	0	0	0	851	1,291	2,142
Trade and other payables	136	0	109	0	0	245
Current interest-bearing liabilities	0	0	134	0	0	134
Interest on interest-bearing liabilities	0	0	58	164	30	252
<b>Total</b>	<b>136</b>	<b>0</b>	<b>301</b>	<b>1,015</b>	<b>1,321</b>	<b>2,773</b>

The contractual and non-discounted cash flows at year-end 2015 amounted to:

amounts in millions of euros	< 1 month	< 3 month	3-12 month	1-5 year	> 5 year	Total
Non-current interest-bearing liabilities	0	0	0	865	796	1,661
Trade and other payables	166	0	91	0	0	257
Current interest-bearing liabilities	1	0	607	0	0	608
Interest on interest-bearing liabilities	0	0	79	183	34	296
<b>Total</b>	<b>167</b>	<b>0</b>	<b>777</b>	<b>1,048</b>	<b>830</b>	<b>2,822</b>

### Process risk

Process risk consists of the risks associated with the set up of the organisation, the procedures and the activities of the Treasury department of Enexis. These risks are covered by an organisational segregation of duties between the front office and the back office, as well as by means of the adopted financing policy, the Treasury Charter, the Treasury Control Framework and related internal assessments and internal audits.

### Capital management

The capital managed by the company includes the share capital paid up by shareholders and the retained general reserves.

The capital management of the Enexis Group is aimed at maintaining a financially healthy capital structure and at least an A credit rating (A/A2 with a stable outlook) for Enexis Holding N.V. and Enexis B.V. to support the continuity of its operations and to be able to realise planned investments.



In this process, the Group aims to achieve a return on equity for the shareholders as defined by the Netherlands Authority for Consumers & Markets (ACM) taking into account the interests of lenders and other stakeholders of the Enexis Group.

In order to realise the objective of maintaining at least an A credit rating and a financially sound capital structure, the following financial ratios are aimed for:

	Standard	Actual 2016	Actual 2015
FFO-interest cover <sup>1)</sup>	≥ 3,5	8.1	8.3
FFO/net interest-bearing liabilities <sup>1)</sup>	≥ 16%	26%	30%
Net interest-bearing liabilities / (equity + net interest-bearing liabilities) <sup>1)</sup>	≤ 60%	36%	33%

1. For definitions, please refer to the glossary. The definition of net interest-bearing debts was revised in 2016. Until 2016, the net interest-bearing debt was calculated as follows: total interest-bearing liabilities - 75% \* (cash and cash equivalents + deposits + other freely available cash). As from year-end 2016, 100% of the cash and cash equivalents, deposits and other freely available cash are deducted from the total of the interest-bearing liabilities.

The long-term credit ratings of Enexis Holding N.V. and Enexis B.V. were reconfirmed in 2016 by both rating agencies. The credit ratings issued by Moody's and Standard & Poor's (S&P) remained unchanged at Aa3 with a stable outlook and A+ stable outlook respectively. The credit ratings at year-end 2016 of Aa3/A+ with a stable outlook more than satisfy Enexis Holding N.V. and Enexis B.V.'s requirements for maintaining an A rating profile.

A short-term credit rating was requested and issued at the end of 2016 for Enexis Holding N.V. This because a Euro Commercial Paper (ECP) programme was set up in December 2016, with the objective of being able to attract short-term funding as from 2017. The short-term credit rating of Enexis Holding N.V. is P-1 (Moody's) and A-1 (Standard and Poor's).

By complying with the key financial ratios and maintaining the current credit rating, the Group amply satisfies its statutory requirements concerning capital ratios and creditworthiness (Besluit financieel beheer netbeheerders - Network Operator Financial Management Decree) as well as the financial covenants under existing financing agreements.

The Enexis Group manages its capital structure and adjusts its capital structure to changes in economic conditions and statutory or regulatory requirements taking into account the target minimum key financial ratios. In order to maintain or adjust its capital structure, subject to specific conditions, the Enexis Group can revise its dividend policy, distribute capital to shareholders, exercise its conversion right or issue new shares.

### 33. RELATED PARTY TRANSACTIONS

Transactions with related parties are conducted at arm's length prices and conditions. Year-end receivables and payables are not invested and are usually settled in cash. No guarantees were received or issued in connection with assets and liabilities of related parties. The adjustment for doubtful debts was zero.

In 2016, Enexis Holding N.V. classified the shareholders and their affiliates, associates and senior executives as related parties. The shares of Enexis Holding N.V. are held by Dutch provinces and municipalities.



Sales transactions that took place with the shareholders, other than in the course of the company's regular operations, had a value of EUR 1 million in 2016. Shareholders' loans provided by the shareholders amounted to EUR 350 million at year-end 2016 (2015: EUR 944 million). Interest payments on these loans in 2016 amounted to EUR 46 million (2015: EUR 56 million). Dividend payments to shareholders amounted to EUR 112 million (2015: EUR 133 million).

There were no transactions with affiliates of shareholders other than in the course of regular operations.

With own associates and participations, sales transactions were concluded amounting to EUR 5 million (2015: EUR 3 million) and purchase transactions were concluded amounting to EUR 12 million (2015: EUR 10 million).

The total value of receivables from associates at year-end 2016 amounted to EUR 1 million.

Loans provided to associates at year-end 2016 amounted to EUR 11 million (2015: EUR 10 million). Loans received by associates at year-end 2016 amounted to EUR 12 million (2015: EUR 12 million).

Dividends received from associates amounted to EUR 1.3 million in 2016 (2015: EUR 1.3 million).

Transactions with members of the Executive Board and the Supervisory Board only concern remunerations. The senior officials within the meaning of the WNT are regarded as key management in this context. Reference is made to note 35. Remuneration and the Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT), for more information.

The non-consolidated associates of Enexis Holding N.V. or its affiliates are listed below.

amounts in millions of euros	Registered office	Equity stake held by Enexis Holding N.V. 31 december 2016	Equity stake held by Enexis Holding N.V. 31 december 2015	Structure of division of
ZEBRA Gasnetwerk B.V. <sup>1)</sup>	Bergen op Zoom	67%	67%	Enexis B.V.
Energie Data Services Nederland B.V.	Arnhem	23%	23%	Enexis B.V.
Ziut B.V.	Arnhem	47%	47%	Fudura B.V.

1. Associations are not included in the consolidation as there is no decisive control (decisions with a majority of 75%).

Enexis Holding N.V. is the majority shareholder in ZEBRA Gasnetwerk B.V. Enexis Holding N.V. does not control this company (decisions require a majority of 75%).

## 34. OFF-BALANCE SHEET COMMITMENTS AND ASSETS

### Cross-border Lease (CBL) Developments in 2016

All CBLs originally entered into by Essent/Enexis were terminated voluntarily a number of years ago. For the time being, the existing cross-guarantee structure between Essent and Enexis B.V. has remained intact in connection with the possible accrued liabilities and expenses after termination. This entails both parties standing as guarantors for the US investors in the discontinued commercial and grid CBLs.

For a specific time after termination of the last Cross-Border Lease (CBL) in 2012, there was the possibility of subsequent invoices for the termination and settlement of the CBLs as well as a very low risk of claims arising from accrued liabilities, known as the 'surviving obligations'. The possible additional costs and the risks of claims for these CBL terminations are currently estimated at nil, as a result of which the CBL fund, intended to cover these costs, was paid out to RWE and shareholders of Enexis Holding N.V. in the first half of 2016.

### Rent, lease and purchasing obligations

Enexis Holding N.V. has entered into purchasing obligations (with the exception of the purchase of materials) through its group companies Enexis B.V., Endinet Groep B.V., Fudura B.V. and Enexis Vastgoed B.V. for an amount of EUR 265 million at year-end 2016 (2015: EUR 307 million).

amounts in millions of euros	2016			2015		
	< 1 year	1-5 year	> 5 year	< 1 year	1-5 year	> 5 year
Passenger cars (operational lease)	13	23	2	15	18	0
Office locations	20	57	7	14	22	9
ICT	33	8	2	68	43	0
Grid loss	56	41	0	66	49	0
Others	0	1	2	0	1	2
<b>Total</b>	<b>122</b>	<b>130</b>	<b>13</b>	<b>163</b>	<b>133</b>	<b>11</b>

### Legal proceedings and disputes

At the end of 2016, the Trade and Industry Appeals Tribunal (CBb) declared a complaint of a customer regarding the charging of too high fees for transmission and connection services, which had been submitted in 2015, unfounded. Based on this judgement, Enexis informed customers, who had submitted similar complaints in 2016, that their complaints are also deemed to be unfounded. In order not to further influence the current claim process and future legal proceedings, we will not be providing a further explanation at this point.

### Guarantees issued

Enexis Holding N.V. has issued guarantees to third parties through its group companies Enexis B.V., Fudura B.V. and Enexis Vastgoed B.V. and Endinet Groep B.V. for in total EUR 0.2 million (2015: EUR 0.2 million).



### 35. REMUNERATION AND THE STANDARDS FOR REMUNERATION OF SENIOR OFFICIALS IN THE PUBLIC AND SEMI-PUBLIC SECTOR ACT (WNT)

The Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT) came into force on 1 January 2013. The Act to Reduce the Maximum Remuneration of Senior Officials in the Public and Semi-Public Sector [Wet verlaging bezoldigingsmaximum] (WNT) came into force on 1 January 2015. As from 1 January 2015, the statutory maximum remuneration by virtue of the WNT for senior officials has been set at 100% of the remuneration of a Minister of State.

The maximum of the WNT in 2016 is an amount of EUR 179,000. This maximum is adjusted annually by means of a Ministerial Order. This was EUR 230,474 in 2014 based on 130% of the remuneration of a Minister of State. A remuneration maximum also applies with regard to senior officials who are supervisors (the chairman and members of the Supervisory Board). The maximum for the members in 2016 is 10% and for the chairman 15% of the applicable remuneration maximum of the WNT. According to the transition right, an excess that has arisen for a senior official is permitted during a transition period.

#### Remuneration policy senior officials

The WNT is applicable to Enexis B.V. and Endinet Groep B.V. For Endinet Groep B.V., reference is made to “Remuneration of the director of Endinet Groep B.V.”. At Enexis, the members of the Executive Board and the members of the Supervisory Board are regarded as senior officials within the meaning of the WNT. The transition right applies to Enexis’s senior officials. According to this transition right, the existing remuneration of the members of the Executive Board will be respected up to and including 2018 and it will then be reduced in a period of three years so that the standard of 100% of the remuneration of a Minister of State will have been achieved as of 2022.

In addition, the WNT explicitly stipulates that the payment of bonuses or other forms of variable remuneration to senior officials is not permitted. Finally, the WNT prohibits severance payments to senior officials in connection with termination of the employment that amount to more than EUR 75,000. Enexis complied with this provision of the WNT in 2016.

#### Remuneration policy other executives who are not senior officials

Members of the Management Team of Enexis are responsible for the management of a business unit and, in that capacity, they are not regarded as senior officials within the meaning of the WNT. The remuneration of the members of the Management Team and other executives of Enexis who are not senior officials complies - on a voluntary basis - with the WNT framework that came into effect on 1 January 2013. In connection with the lower standard as of 1 January 2015 to 100% of the remuneration of a Minister of State, the remuneration of a number of officials is higher than the reduced WNT standard of EUR 179,000 for 2016.

#### Remuneration of the Executive Board and the Supervisory Board

The remuneration of the members of the Executive Board and the Supervisory Board amounted to EUR 0.56 million in 2016 (2015: EUR 0.57 million).



### Remuneration Policy for the Executive Board

The remuneration policy for the Executive Board of Enexis Holding N.V. was adopted by the General Meeting of Shareholders on 5 December 2012 and came into effect on 1 January 2013.

As the remuneration level for positions of a comparable complexity and social impact is substantially higher than the absolute maximum standard of the WNT, the decision was taken to set the remuneration of the Executive Board of Enexis at the maximum level permitted by the WNT. A variable remuneration has not been included in the remuneration policy of the Executive Board.

### Pension scheme

The members of the Executive Board participate in the pension scheme that has been placed with the Stichting Pensioenfonds ABP (the Dutch pension fund for employees in the government, public and education sectors), in accordance with the pension regulations applicable to the employees and members of the Executive Board of Enexis. The Executive Board members are required to pay a personal contribution for participation in the pension scheme.

### Other terms and conditions of employment

The basic principle is that the collective labour agreement for Grid Companies of the Energy and Utilities companies (ENb) and collective labour agreement of Enexis B.V., which are both applicable to the employees of Enexis, also apply to the Executive Board, subject, however, to compliance with the stipulations in the WNT. Relevant employment benefits arising from the collective labour agreements which apply to the employees of Enexis are therefore also included in the remuneration of the Executive Board, if and to the extent these are in accordance with the WNT.

The objective of the policy is to offer a package that is in line with the market, consisting of a fixed net expense allowance that will be maximised in accordance with applicable tax regulations, a company car that satisfies sustainability requirements, accident insurance, occupational disability insurance and director's liability insurance.

No loans or advances have been provided to members of the Executive Board. Members of the Executive Board are entitled to holiday leave according to the provisions in the collective labour agreement for Grid Companies ENb.

### Employment contracts

An employment contract for an indefinite period was entered into with both members of the Executive Board in accordance with the remuneration policy that was adopted at the end of 2012. The Supervisory Board sees no reason to pursue a policy whereby contracts are concluded for a fixed term. A policy with employment contracts for an indefinite period suffices; there are sufficient opportunities to take measures in the event of an inadequate performance of Executive Board members. Severance payments in the event of an inadequate performance are determined based on a court ruling.

### Remuneration of the Executive Board

The table below shows the development of the remuneration of the members of the Executive Board. The table follows the remuneration components as specified in the WNT.

amounts in euros	2016	2015
M. Blacquière		
Basic salary (including holiday allowance)	187,340	187,340
Allowance pension <sup>1)</sup>	11,642	11,643
General expenditure allowance <sup>2)</sup>	15,034	14,033
Pension costs <sup>3)</sup>	16,458	17,458
<b>Subtotal <sup>4)</sup></b>	<b>230,474</b>	<b>230,474</b>
P. Vermaat		
Basic salary (including holiday allowance)	187,340	187,340
Allowance pension <sup>1)</sup>	11,642	11,643
General expenditure allowance <sup>2)</sup>	15,034	14,033
Pension costs <sup>3)</sup>	16,458	17,458
<b>Subtotal <sup>4)</sup></b>	<b>230,474</b>	<b>230,474</b>
<b>Total</b>	<b>460,948</b>	<b>460,948</b>

1. The amount of EUR 11,642 (EUR 970.20 gross per month) was allocated on 1 January 2015 in connection with the termination of the pension accrual above EUR 100,000.
2. The allocation of a taxable allowance for general expenses has been determined at EUR 15,034. This is possible in view of the room that has arisen due to lower pension expenses. The pension expenses were in fact lower this year due to lower pension contributions determined by ABP.
3. This concerns employer's contributions for the pension scheme charged by the pension fund; the contribution of the executive board member has not been included.
4. The amount presented at Subtotal is the amount that can be applied as from 2015 in accordance with the transitional scheme of the WNT for a period of four years. This amount of EUR 230,474 was the maximum WNT norm according to the WNT regime in 2014.

In addition to the above remuneration, the members of the Executive Board receive a fixed tax-free expense allowance on an annual basis of EUR 3,600 for the Chairman and EUR 3,300 for the CFO. The social security contributions that the employer is legally obliged to pay (in 2016 EUR 7,387 for both the Chairman and the CFO; this was EUR 7,095 in 2015) have not been included in the above table, the social security contributions do not count for the WNT.

### Remuneration of the Supervisory Board

The remuneration policy for the member of the Supervisory Board of Enexis was adopted by the General Meeting of Shareholders on 18 April 2016 and came into effect as of that date. The new remuneration policy for the members of the Supervisory Board has been determined in accordance with the WNT maximum.

The remuneration of the highest supervisory body is maximised by the WNT at 10% for the members and 15% for the chairman of the maximum remuneration as this applies for Enexis. This means that for the year 2016 the maximum for the chairman of the Supervisory Board on an annual basis amounts to EUR 26,850 (15% of EUR 179,000) and for the members of the Supervisory Board on an annual basis EUR 17,900 (10% of EUR 179,000). These amounts are adjusted annually in accordance with the indexed remuneration in the WNT regulations.

The transitional regime in the WNT applies for two Supervisory Board members until 18 April 2016 and their remuneration still takes place according to the previous remuneration policy. The remuneration according to the previous policy as of July 2015 on an annual basis



amounted to: EUR 26,218 for the chairman and EUR 17,764 for members. In addition, the committee remuneration according to the previous policy on an annual basis with effect from July 2015, amounted to: EUR 5,335 for the chairman and EUR 4,804 for members.

As from 18 April 2016, the new remuneration policy applies to all Supervisory Board members of Enexis Holding N.V. and all Supervisory Board members receive remuneration in accordance with the WNT norms.

The table below provides insight into the development of the remuneration of the individual members of the Supervisory Board, divided into the remuneration for board and committee membership. There is an Audit Committee and a Remuneration and Selection Committee.

amounts in euros	Membership on annual basis	Committees on annual basis	Total remuneration on annual basis	Remuneration payed in 2016	Remuneration payed in 2015
D.D.P. Bosscher <sup>1)</sup>	26,218	4,804	31,022	9,306	31,128
M. Calon	17,900	-	17,900	19,279	22,452
Mevr. M.E.J. Caubo <sup>2)</sup>	17,900	-	17,900	17,892	19,173
R. de Jong <sup>3)</sup>	17,764	5,335	23,099	6,917	22,986
P. Moerland <sup>4)</sup>	26,850	-	26,850	24,187	17,796
Mevr. C.M. Velthuis <sup>5)</sup>	17,900	-	17,900	12,574	-
J.F.M. van Dijk <sup>6)</sup>	17,900	-	17,900	12,574	-
<b>Total</b>	<b>142,432</b>	<b>10,139</b>	<b>152,571</b>	<b>102,729</b>	<b>113,535</b>

1. Mr Bosscher was the Chairman of the Remuneration and Selection Committee up to 1 July 2015; as from that time, Mr Bosscher was a member of this committee. Mr Bosscher stepped down as a supervisory board member of Enexis Holding N.V. as of 18 April 2016 in accordance with the schedule. The remuneration listed in column 2016 is time proportional.
2. Ms Caubo was reappointed as a member of the Supervisory Board of Enexis Holding N.V. in April 2015. As from that moment, Ms Caubo's remuneration has been maximised in accordance with the WNT.
3. Mr De Jong stepped down as a supervisory board member of Enexis Holding N.V. as of 18 April 2016 in accordance with the schedule. The remuneration listed in column 2016 is time proportional.
4. Mr Moerland became the Chairman of the Remuneration and Selection Committee as from 1 July 2015 and Chairman of the Supervisory Board of Enexis Holding N.V. as of 18 April 2016.
5. Ms Velthuis was appointed as a member of the Supervisory Board of Enexis Holding N.V. on 18 April 2016. The remuneration listed in column 2016 is time proportional.
6. Mr Van Dijk was appointed as a member of the Supervisory Board of Enexis Holding N.V. on 18 April 2016. The remuneration listed in column 2016 is time proportional.

In addition to the above remuneration, the members of the Supervisory Board receive a fixed tax-free expense allowance on an annual basis of EUR 2,000 for the chairman and EUR 1,500 for the members of the Supervisory Board.

### Remuneration of director of Endinet Groep B.V.

In addition to Enexis B.V., the WNT also applies to Endinet; Endinet operated as an independent grid operator in 2016. Endinet has designated one director for the day-to-day management as a senior official in the sense of the WNT. Mr Sanders has worked at Endinet as an interim director from 1 January 2016 up to and including 31 December 2016. The remuneration of Mr Sanders as interim director took place completely in accordance with the WNT framework.

The table below shows the remuneration of Mr Sanders as interim director. The table follows the remuneration components as specified in the WNT.

amounts in euros	2016
J. Sanders <sup>1)</sup>	
Basic salary (including holiday allowance) <sup>2)</sup>	131,575
General expenditure allowance <sup>3)</sup>	7,116
Pension costs <sup>4)</sup>	14,763
<b>Total</b>	<b>153,454</b>
<b>Total</b>	<b>153,454</b>

1. Mr Sanders worked as interim director of Endinet Groep B.V. from 1 January 2016 up to and including 31 December 2016.
2. The gross salary (including a salary supplement), the holiday allowance and allowances in connection with the CLA measures (X-budget) are included in the component 'Remuneration'.
3. The employer's contributions Zilveren Kruis Achmea and Additional occupational disability pension, budget monthly, budget leave and flex budget are included in the component 'Expense allowance'.
4. The component 'Pension expenses' concerns the employer's contributions for the pension scheme as charged by the pension fund; the contribution paid by the executive board member has not been included.

### Disclosure by virtue of the WNT

In accordance with the WNT disclosure obligation, the remuneration of regular officials, not being senior officials, is disclosed if the remuneration amounts to more than the applicable WNT remuneration maximum for 2016; the WNT remuneration maximum for 2015 is an amount of EUR 179,000. The disclosure takes place based on the name of the position and is provided in the diagram below.

The disclosure applies for payments exceeding this maximum of EUR 179,000 in connection with the termination of the employment. No amounts were paid in 2016 that exceeded the applicable WNT norm (EUR 179,000) in connection with the termination of employment.

In accordance with Enexis's policy no officers employed by Enexis in 2016 received a remuneration that was higher than the maximum standard of the former WNT regulations in 2014 (EUR 230,474).



Bedragen in euro's	Part time-factor	Reward <sup>1)</sup>	Cost-reimbursement <sup>2)</sup>	Pension expenses <sup>3)</sup>	One-time pension amount 2016 and 2015 <sup>4)</sup>	Total 2016 and 2015 <sup>5)</sup>	
Director line Department	1.0	185,894	12,170	16,421	15,772	230,257	2016
		185,894	0	17,414	27,164	230,472	2015
Director line Department	1.0	160,454	8,228	15,688	6,015	190,385	2016
		155,641	8,985	16,411	43,962	224,999	2015
Director staff Department	1.0	186,348	0	16,067	27,972	230,387	2016
		185,309	0	16,989	28,172	230,470	2015
Director staff Department	1.0	172,197	16,106	16,067	26,083	230,453	2016
		172,197	0	16,989	41,284	230,470	2015
Director line Department	1.0	165,041	18,300	15,043	0	198,384	2016
		146,805	21,053	15,646	26,947	210,451	2015
Director line Department	1.0	165,756	4,488	15,415	0	185,659	2016
		169,293	0	16,209	43,877	229,379	2015
Director staff Department	1.0	169,364	425	16,014	22,054	207,857	2016
		169,124	17.277 <sup>6)</sup>	16,803	39,701	225,628	2015
Director line Department	1.0	161,746	0	15,475	27,119	204,340	2016
		152,841	0	15,954	9,109	177,904	2015
Manager staff Department	1.0	152,511	23,341	15,249	4,319	195,420	2016
		154,907	26,538	15,885	29,827	227,157	2015
Consultant staff Department	1.0	161,795	15,393	15,613	35,946	228,747	2016
		173,112	24,996	16,472	15,859	230,439	2015
Manager line Department	1.0	137,171	22,087	14,964	18,438	192,660	2016
		134,356	22,659	15,553	5,404	177,972	2015
Manager staff Department	1.0	139,995	20,930	14,936	16,500	192,361	2016
		139,384	19,006	15,424	3,768	177,582	2015
Manager staff Department	1.0	146,081	10,028	14,964	20,700	191,773	2016
		144,471	14,492	15,553	3,440	177,956	2015
Manager staff Department	1.0	175,098	14,952	15,750	24,671	230,471	2016
		171,869	25,870	16,472	16,200	230,411	2015
Consultant staff Department	1.0	190,475	14,487	15,849	9,543	230,354	2016
		194,068	15,682	16,660	4,060	230,470	2015
Consultant line Department	1.0	156,243	13,098	15,383	4,701	189,425	2016
		159,895	12,331	16,290	41,625	230,141	2015
Manager staff Department	1.0	144,342	15,408	14,964	19,218	193,932	2016
		140,442	15,568	21,609	0	177,619	2015

1. Included in the component 'Remuneration' are the gross salary (including any guaranteed supplement salary), the holiday allowance, the tax addition for the company car and the 'non-recurring budget' (variable remuneration and non-recurring benefits in connection with CLA measures).
2. Included in the component 'Expense allowance' are the representation expenses allowance, the employer's contributions Zilveren Kruis Achmea and Additional occupational disability pension, budget monthly, budget leave and flex budget.
3. The component 'Pension expenses' concerns the employer's contributions for the pension scheme as charged by the pension fund; the contribution paid by the executive board member has not been included.
4. In connection with the pension accrual ceiling of EUR 100,000, the Executive Board has decided to allocate a compensation to the those employees to whom this applies. In principle, the amount is a one-off lump sum payment unless the payment of this amount would result in exceeding the WNT norm applicable as from 2013 (EUR 230,474) or as from 2015 (EUR 178,000), in that case the remainder will be paid in the next year.
5. The column 'Total 2016 and 2015' contains the total amount of the remuneration as specified in the WNT, both for the year 2016 and for the year 2015.
6. This includes a non-recurring bonus amount of EUR 14,016.

## 36. SUBSEQUENT EVENTS

For more information, reference is made to note 55. Subsequent events.



# COMPANY FINANCIAL STATEMENTS 2016

## COMPANY INCOME STATEMENT

amounts in millions of euros	Notes	2016	2015
Share of result of group companies	37	210	233
Financial income	38	69	76
Financial expenses	38	74	89
<b>Financial income and expenses</b>		<b>-5</b>	<b>-13</b>
<b>Profit before tax</b>		<b>205</b>	<b>220</b>
Corporate income tax expense	39	-2	-3
<b>Profit for the year</b>		<b>207</b>	<b>223</b>
Average number of shares during the financial year		149,682,196	149,682,196
<b>Profit per share <sup>1)</sup></b>		<b>1.38</b>	<b>1.49</b>

1. Stated in euros, dilution of earnings does not apply.



## COMPANY BALANCE SHEET

(BEFORE PROFIT APPROPRIATION PROPOSAL)

amounts in millions of euros	Notes	31 December 2016	31 December 2015
<b>Assets</b>			
Investments in group companies	40	4,048	3,584
Other financial assets	41	1,735	1,240
<b>Non-current assets</b>		<b>5,783</b>	<b>4,824</b>
Receivables	42	156	202
Corporate income tax	43	15	17
Other financial assets (current)	44	59	584
Cash and cash equivalents	45	124	471
<b>Current assets</b>		<b>354</b>	<b>1,274</b>
<b>Total assets</b>		<b>6,137</b>	<b>6,098</b>

amounts in millions of euros	Notes	31 December 2016	31 December 2015
<b>Liabilities</b>			
Issued and paid-up share capital		150	150
Share premium reserve		2,436	2,436
General reserve		914	802
Hedge reserve		-3	-4
Profit for the year		207	223
<b>Equity</b>	46	<b>3,704</b>	<b>3,607</b>
Non-current interest-bearing liabilities	47	2,141	1,658
Deferred corporate income tax	48	237	195
<b>Non-current liabilities</b>		<b>2,378</b>	<b>1,853</b>
Trade and other payables	49	28	46
Current interest-bearing liabilities	50	27	592
<b>Current liabilities</b>		<b>55</b>	<b>638</b>
<b>Total liabilities</b>		<b>6,137</b>	<b>6,098</b>



# **EXPLANATORY** NOTES TO THE COMPANY FINANCIAL STATEMENTS

## **ACCOUNTING PRINCIPLES**

The company financial statements of Enexis Holding N.V. have been prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code. The accounting principles applied are the same as those applied to the consolidated financial statements in accordance with the provisions of Section 362:8, Title 9, Book 2 of the Dutch Civil Code, in which investments in group companies are recognised at the equity method of the assets.

The company financial statements of Enexis Holding N.V. consist of the company income statement and the company balance sheet. The explanatory notes to the financial summaries included in the company financial statements form an integral part of the company financial statements of Enexis Holding N.V.

Enexis Holding N.V. is a public limited liability company governed by Dutch law. Approximately 75% of the shares of Enexis are held by five Dutch provinces and approximately 25% of the shares are held by 100 municipalities.

The carrying amounts of the parties included in the consolidation are determined based on the equity method. Whereby the economic interest is initially valued at cost whereby the carrying amount is increased or decreased after the initial recognition with the share in the result. Dividends received are deducted from the carrying amount.

Enexis Holding N.V. uses the euro as its functional currency. Unless stated otherwise, all amounts are in millions of euros. For the accounting principles, we refer to the accounting principles for the financial reporting of the consolidated financial statements.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 37. SHARE OF RESULT OF GROUP COMPANIES

amounts in millions of euros	2016	2015
Enexis B.V.	175	214
Fudura B.V.	16	20
Enexis Vastgoed B.V.	-1	-1
Endinet Groep B.V.	20	0
<b>Total</b>	<b>210</b>	<b>233</b>

Enexis Holding acquired Endinet Groep B.V. by purchase from Alliander N.V. on 1 January 2016. The result of Aktivabedrijf Enexis Friesland B.V., which was sold and transferred on 1 January 2016, was included in the result of Enexis B.V. in 2015 for the amount of EUR 12 million.

## 38. FINANCIAL INCOME AND EXPENSES

Interest income and expenses are allocated to the period to which they relate based on time proportionality, using the effective interest method. Construction period interest is applied to investment projects with estimated durations of more than 12 months. If hedge accounting is applied, then the ineffective part of derivatives is recognised directly in the income statement under financial income and expenses.

amounts in millions of euros	2016	2015
Interest received	69	76
<b>Total financial income</b>	<b>69</b>	<b>76</b>
Other financial expenses	74	89
<b>Total financial expenses</b>	<b>74</b>	<b>89</b>
<b>Financial income and expenses</b>	<b>-5</b>	<b>-13</b>

Other interest expenses consist of the interest paid on the outstanding loans provided by the shareholders, as well as the interest expenses on the issued bond loans.

The shareholders' loans and a part of the bond loans were subsequently lent to Enexis B.V. in full and under the same conditions. The EUR 500 million bond loan issued in October 2015 has not subsequently been lent to Enexis B.V.

### 39. CORPORATE INCOME TAX EXPENSE

The tax on the result for the reporting period comprises the payable and offsetable corporate income taxes and deferred corporate income taxes.

Taxes are recognised in the income statement except insofar as they relate to items recognised directly in equity.

amounts in millions of euros	2016	2015
Corporate income tax expense	-2	-3
<b>Total corporate income tax expense</b>	<b>-2</b>	<b>-3</b>

Enexis Holding N.V. is head of the fiscal unity and, in this capacity, it is jointly and severally liable for the obligations of the members of the fiscal unity.

The business activities of Enexis Holding N.V. are subject to corporate income tax. The corporate income tax liability is calculated and settled with the underlying members of the tax group on the basis of their realised commercial profits, taking into account the applicable exemptions.

### 40. INVESTMENTS IN GROUP COMPANIES

amounts in millions of euros	2016	2015
Enexis B.V.	3,265	3,518
Fudura B.V.	55	51
Enexis Vastgoed B.V.	14	15
Endinet Groep B.V.	714	-
Enexis Personeel B.V.	0	-
Enpuls B.V.	0	-
<b>Total</b>	<b>4,048</b>	<b>3,584</b>

Changes in the investments in group companies were as follows:

amounts in millions of euros	2016	2015
<b>At 31 January</b>	<b>3,584</b>	<b>3,491</b>
Acquired by acquisition	694	-
Profit for the year	210	233
Disposed by sale	-323	-
Dividends paid	-117	-140
<b>At 31 December</b>	<b>4,048</b>	<b>3,584</b>

The associates Enexis Personeel B.V. and Enpuls B.V. were established in 2016 and became operational on 1 January 2017.

On 1 January 2016, Endinet Groep B.V. was acquired by Enexis Holding N.V. from Alliander N.V. and Enexis Aktivabedrijf Friesland B.V. was sold to Alliander N.V. by Enexis B.V.

EUR 107 million was received in 2016 in dividends over 2015 from Enexis B.V. and EUR 10 million was received from Fudura B.V.

## 41. OTHER FINANCIAL FIXED ASSETS

amounts in millions of euros	2016	2015
Loans granted to group companies	1,726	1,233
Loans granted to associates	9	7
<b>Total</b>	<b>1,735</b>	<b>1,240</b>

The conditions as laid down in the current financing arrangements stipulate that no contractual or structural subordination of existing loans in relation to new external financing may occur. In order to avoid 'structural subordination', external financing is contracted by Enexis Holding N.V. The necessary funds for the business operations or investments in Enexis's energy grids are lent to Enexis B.V. by Enexis Holding N.V. as a back-to-back loan under the same conditions. Reference is made to note 32 for the relevant conditions. A number of external loans of a limited amount, originally transferred from Essent, still have Enexis B.V. as the contracting party and have been accepted in the financing documentation as an exception.

amounts in millions of euros	Loans granted to staff	Other loans	Total 2016
<b>At 1 January 2015</b>	<b>2</b>	<b>9</b>	<b>11</b>
New loans	1	4	5
Redemptions	1	2	3
<b>At 31 December 2016</b>	<b>2</b>	<b>11</b>	<b>13</b>
Less: current portion	0	2	2
<b>Total non-current portion</b>	<b>2</b>	<b>9</b>	<b>11</b>

## 42. RECEIVABLES

amounts in millions of euros	2016	2015
Receivables from group companies	135	179
Interest receivable from group companies	20	23
Other receivables	1	-
<b>Total</b>	<b>156</b>	<b>202</b>

Receivables from group companies mainly concern the settlement of to be paid corporate income tax. Settlement of tax positions takes place via Enexis Holding N.V. by virtue of its position as head of the fiscal unity.

The item interest receivable relates to the interest to be paid by Enexis B.V.

## 43. CORPORATE INCOME TAX

amounts in millions of euros	2016	2015
Prepayments	15	17
<b>Total</b>	<b>15</b>	<b>17</b>

For more information, reference is made to note 11. Corporate income tax.





#### 44. OTHER FINANCIAL ASSETS (CURRENT)

amounts in millions of euros	2016	2015
Loans granted to associates	2	2
Loans granted to group companies	7	507
Short-term deposits	50	75
<b>Total</b>	<b>59</b>	<b>584</b>

Loans granted to participations concern loans to EDSN B.V.

Loans granted to group companies concern the current portion of the loans provided to Fudura B.V. and Enexis Vastgoed B.V.

Surplus cash in 2016 was placed on deposit, held in corporate (savings) accounts, or invested in Money Market Funds, in accordance with the conditions as described in further detail in the Treasury Charter. All deposits are available on the maturity date.

#### 45. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised at fair value, which is normally the same as the nominal value. Cash and cash equivalents only include cash and cash equivalents payable on demand. Cash and cash equivalents that are not payable on demand are recognised under other current financial assets, depending on the applicable maturities and conditions.

amounts in millions of euros	2016	2015
Cash at bank and cash balances	124	15
Money Market Funds	0	100
Cash deposited at notary	0	356
<b>Total</b>	<b>124</b>	<b>471</b>

Surplus cash in 2016 was placed on deposit, held in corporate (savings) accounts, or invested in Money Market Funds, in accordance with the conditions as described in further detail in the Treasury Charter. All deposits are freely available on the maturity date.

#### 46. EQUITY

No statutory reserve had been recognised for the cumulative result from minority interests because this result, insofar as not paid out, was nil. Reference is made to note 22. Equity, for further details.

#### 47. INTEREST-BEARING LIABILITIES (NON-CURRENT)

amounts in millions of euros	2016	2015
Euro Medium Term Notes	1,783	1,289
Shareholders' loan with a conditional conversion right to convert into equity (tranche D)	350	350
Non-current part of agreements perpetual loan	5	16
Private loans	3	3
<b>Total</b>	<b>2,141</b>	<b>1,658</b>

Pursuant to the Instructions issued by the Minister of Economic Affairs, in connection with the unbundling, part of the shareholders' loans in the amount of EUR 350 million must be convertible into equity in the event of a structural capital shortage. The interest rate that

applies to this loan is 7.2% and the remaining term to maturity is 2.8 years. Reference is made to note 32. Financing policy and risks associated with financial instruments, for the conversion terms of this loan as well as for the information that is of importance for the other loans.

The shareholders' loan tranche C of EUR 500 million was repaid in April 2016. A fourth stock-listed bond loan was issued under the EMTN programme in April 2016 for an amount of EUR 500 million. The borrowed funds were used for the refinancing of the shareholders' loan tranche C.

The stock-listed bond loans together amount to EUR 1,800 million nominal, less the amortised costs related to these loans, thus a value remains of EUR 1,783 million.

#### 48. DEFERRED CORPORATE INCOME TAX

As the participations in group companies are settled based on the commercial result, the deferred taxes are determined on a holding level and presented as taxes. Deferred corporate income tax assets and liabilities relate to differences between the carrying value and the tax basis of tangible fixed assets and employee-related provisions. In addition, deferred taxes pertain to non-realised results of derivative transactions that have been formed as a hedge provision via the other comprehensive result and the liability pursuant to the settlement agreements for the repayment of the perpetual loan. Corporate income tax deferrals are valued at nominal value at the corporation tax rate at the end of the financial year.

Offsetting of deferred tax assets and deferred tax liabilities only takes place if a formal right to offset exists, in connection with the taxation of profits which is levied by the same tax authority and the company has the intention to settle the deferred taxes at the same time. Deferred taxes are recognised at nominal value.

amounts in millions of euros	2016	2015
Deferred corporate income tax	237	195
<b>Total</b>	<b>237</b>	<b>195</b>

#### 49. TRADE AND OTHER PAYABLES

amounts in millions of euros	2016	2015
Interest payable	20	26
Other current liabilities	8	20
<b>Total</b>	<b>28</b>	<b>46</b>

Interest payable relates to the interest due at the end of the year on the loans provided by the shareholders and bonds issued under the EMTN programme.



## 50. INTEREST-BEARING LIABILITIES (CURRENT)

amounts in millions of euros	2016	2015
Shareholder' loan to be repaid in following financial year (tranche C)	0	500
Agreements repayment perpetual loan	5	92
Borrowings group companies	22	0
<b>Total</b>	<b>27</b>	<b>592</b>

The shareholders' loan tranche C of EUR 500 million was repaid early in April 2016.

For more information on the settlement of the perpetual loan, reference is made to note 23. Interest-bearing liabilities (non-current).

The borrowings of group companies concern a loan of EUR 22 million from Endinet Groep B.V.

## 51. RELATED PARTY TRANSACTIONS

Transactions with related parties are conducted at arm's length prices and conditions. Year-end receivables and payables are not invested and are usually settled in cash. No guarantees were received or issued in connection with assets and liabilities of related parties. The adjustment for doubtful debts was zero.

Shareholders' loans provided by shareholders and the settlement agreements amounted to EUR 350 million at year-end 2016 (2015: EUR 942 million). The interest payments on the shareholders' loans and on the perpetual loan, which was transferred from Enexis B.V. to the holding in 2016, amounted to EUR 46 million in 2016 (2015: EUR 68 million). Dividend payments to shareholders amounted to EUR 111 million (2015: EUR 134 million).

Loans provided to group companies at year-end 2016 amounted to EUR 1,733 million (2015: EUR 1,740 million). Loans provided to associates at year-end 2016 amounted to EUR 10 million (2015: EUR 9 million).

## 52. REMUNERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

### Remuneration of the Executive Board

Reference is made to note 35. Remuneration and the Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT), for more detailed information.

### Remuneration of the Supervisory Board

Reference is made to note 35. Remuneration and the Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT), for more detailed information.



## 53. ASSOCIATES AND JOINT VENTURES

### Associates

The valuation of economic interests that are not included in the consolidation takes place based on the equity method based on the accounting principles governing the valuation and the determination of the result of Enexis Holding N.V. According to this method, the economic interest is initially valued at cost whereby the carrying amount is increased or decreased after the initial recognition with the share of Enexis Holding N.V. in the result. Dividends received are deducted from the carrying amount.

In the event of a negative net asset value, losses on associates are recognised up to the amount of the net investment in the associate. This net investment also includes loans that have been provided to associates insofar as these loans actually form part of the net investment. A provision is only recognised for the share in further losses in the event and insofar as, based on legal obligations, the debts of the participation are guaranteed.

In the event of a possible impairment of an associate, reference is made to the accounting method as included in the paragraph 'Impairments' in the 'Accounting principles for financial reporting'.



## Joint arrangements

The financial figures of entities that qualify as joint arrangements are classified as joint ventures or joint operations depending on the statutory and contractual rights and obligations that each investor has stipulated. The existing contractual agreements all qualify as joint ventures. Joint ventures are entities in which Enexis, together with one or several other investors, has joint control. These are valued based on the equity method.

	Registered office	Equity stake held by Enexis Holding N.V.	Equity stake held by Enexis Holding N.V.	division of	Joint and several liability statement
		12-31-2016	12-31-2015		
<b>Group companies</b>					
Enexis B.V.	Rosmalen	100%	100%	Enexis Holding N.V.	yes
Enexis Personeel B.V. <sup>1)</sup>	's-Hertogenbosch	100%	-	Enexis Holding N.V.	yes
Endinet Groep B.V. <sup>2)</sup>	Eindhoven	100%	-	Enexis Holding N.V.	yes
Enpuls B.V. <sup>3)</sup>	's-Hertogenbosch	100%	-	Enexis Holding N.V.	
Fudura B.V.	Rosmalen	100%	100%	Enexis Holding N.V.	yes
Enexis Vastgoed B.V.	Rosmalen	100%	100%	Enexis Holding N.V.	yes
Endinet B.V. <sup>2)</sup>	Eindhoven	100%	-	Endinet Groep B.V.	yes
Endinet Infra Bedrijfsvoering B.V. <sup>2)</sup>	Eindhoven	100%	-	Endinet Groep B.V.	yes
Endinet Infra Ontwikkeling B.V. <sup>2)</sup>	Eindhoven	100%	-	Endinet Groep B.V.	yes
Enpuls Projecten B.V. <sup>3)</sup>	's-Hertogenbosch	100%	-	Enpuls B.V.	
Aktivabedrijf Enexis Friesland B.V. <sup>4)</sup>	Rosmalen	-	100%	Enexis B.V.	yes
<b>Other associates en Joint ventures (non-controlling interests)</b>					
ZEBRA Gasnetwerk B.V. <sup>5)</sup>	Bergen op Zoom	67%	67%	Enexis B.V.	
Energie Data Services Nederland B.V.	Arnhem	23%	23%	Enexis B.V.	
Ziut B.V.	Arnhem	47%	47%	Fudura B.V.	
Entrade Pipe B.V. <sup>5)</sup>	Tilburg	67%	67%	Zebra Gasnetwerk B.V.	
ZEBRA Activa B.V. <sup>5)</sup>	Middelburg	67%	67%	Zebra Gasnetwerk B.V.	
ZEBRA Pijpleiding V.O.F. <sup>5)</sup>	Middelburg	67%	67%	Entrade Pipe B.V.	
Breedband Reqio Eindhoven (BRE) B.V. <sup>2)</sup>	Eindhoven	2%	-	Endinet Groep B.V.	
<b>Foundations <sup>6)</sup></b>					
Stichting BLEI	Oldenzaal				
Stichting ELaadNL	Arnhem				
Stichting EVnetNL	Arnhem				
Stichting Mijnaansluiting.nl	Arnhem				
Stichting sYnfra	's-Hertogenbosch				
Stichting beheer Maastricht CBL Fondsen	Amsterdam				
Stichting KVGn	Apeldoorn				
Stichting Glasrijk	Eindhoven				
Stichting KSANDR	Delft				

- On 27 September 2016, Enexis Holding N.V. incorporated Enexis Personeel B.V. with the objective to provide for the factor labour for the companies that are part of the Enexis Group as well as to provide other services and supply goods with regard to the own personnel. Enexis Personeel B.V. became operational as of 1 January 2017.
- Endinet Groep B.V. and the entities affiliated with it were acquired by purchase from Alliander N.V. on 1 January 2016.
- On 28 November 2016, Enexis Holding N.V. incorporated Enpuls B.V. and the affiliated company Enpuls Projecten B.V. with the objective of enabling energy savings and greening by realising scalable solutions in connection with the objectives of the Enexis Group. Enpuls B.V. and Enpuls Projecten B.V. became operational as of 1 January 2017.
- The company Aktivabedrijf Enexis Friesland B.V. was sold and transferred to Alliander N.V. on 1 January 2016.
- Associations are not included in the consolidation as there is no decisive control (decisions are taken with a majority of 75%).
- The foundations included in this overview concern organisations with purposes that are only related to the business activities of Enexis Holding N.V. and its group companies.

## 54. PROFIT APPROPRIATION

In accordance with the articles of association, the profit is at the free disposal of the General Meeting of Shareholders (Article 36.2), to the extent that it is not reserved.

Additional to these provisions in the articles of association, it has been agreed with the shareholders that the maximum to be paid out dividend over the plan period of the Strategic Plan (SP) will amount to 50% of the net profit, whereby a minimum level of annually EUR 100 million is aimed for. This percentage will be lowered if this distribution would result in the company possibly losing its A-rating profile within five years.

This dividend policy ensures that the shareholders can expect a predictable and stable dividend. At the same time, this policy ensures sufficient equity growth and demonstrates that the shareholders actively support a healthy financial position.

### Proposal for the appropriation of the result of the 2016 financial year

amounts in millions of euros	2016	2015
Profit for the year	207	223
Allocation to the general reserve	-104	-112
<b>Proposed dividend</b>	<b>103</b>	<b>111</b>

The proposed dividend distribution for 2016 amounts to EUR 0.69 per share (2015: EUR 0.75). This profit appropriation proposal has not been taken into account in the balance sheet as at 31 December 2016.

## 55. SUBSEQUENT EVENTS

It has been agreed verbally with Stedin Groep in January 2017 to purchase N.V. Stedin Netten Weert no later than on 1 January 2018. The purchase prices will amount to around EUR 57 million. The sale and purchase agreement (SPA) is currently being drawn up. This acquisition concerns around 22,000 electricity and 20,000 gas connections and we expect to welcome 33 employees as new colleagues.





# INDEPENDENT AUDITOR'S REPORT

To: the supervisory board and general meeting of shareholders of Enexis Holding N.V.

## REPORT ON THE FINANCIAL STATEMENTS 2016

### OUR OPINION

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Enexis Holding N.V. as at 31 December 2016 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 ('EU-IFRS'), with Part 9 of Book 2 of the Dutch Civil Code and with the rules of and following the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act ('WNT').
- the accompanying company financial statements give a true and fair view of the financial position of Enexis Holding N.V. as at 31 December 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### What we have audited

We have audited the accompanying financial statements 2016 of Enexis Holding N.V., 's Hertogenbosch ('the company'). The financial statements include the consolidated financial statements of Enexis Holding N.V. and its subsidiaries (together: 'the group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the following statements for 2016: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2016;
- the company profit and loss account for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code, and with the rules of and following the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act ('WNT') for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.



### The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the audit protocol WNT. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

### Independence

We are independent of Enexis Holding N.V. in accordance with the *Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten ('ViO')* and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the *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.

### Our audit approach

#### Overview and Context

Enexis Holding N.V. is a network group responsible for construction, maintenance, management and development of its electricity and gas transmission grids in the provinces Groningen, Drenthe, Overijssel, Noord-Brabant and Limburg, and related activities. Our audit is designed and executed by one central team from a consolidated perspective whereby accounting-wise we consider the group to be one entity.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at areas where management made subjective judgements, for example in respect of significant transactions and accounting estimates that required making assumptions and considering future events that are inherently uncertain, such as the assumptions underlying the valuation of property, plant and equipment and intangible fixed assets, receivables, provisions, and revenues. We also focussed on elements of special importance due to the regulated environment in which the group operates, as for instance the regulated revenues from transportation and connection services to customers for gas and electricity.

In paragraph 2.4 of the financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the valuation of property, plant and equipment (PPE) and intangible fixed assets and the recognition and disclosures of the acquisition of Endinet Groep B.V. and the sale of assets and liabilities relating to the network parts Friesland and Noordoostpolder, we considered these to be key audit matters as set out in the key audit matter section of this report.

Last year, we also included claims and legal issues as key audit matter, mainly caused by a significant claim from market participants. Given the current status and legal progression of this matter during 2016, this was no longer a key audit matter.

Besides the key audit matters, IT has been an other areas of focus. The group is highly dependent on its IT infrastructure for the continuity of its operations. We assessed the reliability and continuity of the automated data processing to the extent relevant for our audit of the 2016 financial statements. For this purpose we involved our internal IT specialists and made use of, amongst others, data analyses relating to transactions and/or processes in the areas of logical access security, procurement, asset management and journal entry processing.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a network operator. We therefore included specialists in the areas of IT, regulation and taxes, and valuation experts in our team. All audit work for the group is conducted by the same audit team.

The outlines of our audit approach were as follows:




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#### Materiality

- Overall materiality: €13 million, representing 5% of profit before tax.

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#### Scope of the audit

- We conducted our audit work almost entirely at the head office of the group at 's-Hertogenbosch whereby we designed and executed our audit from a consolidated perspective.

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#### Key audit matters

- Valuation of property, plant and equipment ('PPE') and intangible fixed assets.
  - Recognition and disclosures of the acquisition of Endinet Groep B.V. and the sale of assets and liabilities relating to the network parts Friesland and Noordoostpolder as at 1 January 2016.
- 

#### Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.



Based on our professional judgement, we determined the materiality for the financial statements as a whole as follows:

<b>Overall group materiality</b>	€ 13 million (2015: €15 million).
<b>How we determined it</b>	5% of profit before tax.
<b>Rationale for benchmark applied</b>	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that financial return and thus profit before tax is an important metric for the financial performance of the company.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 650,000 (2015: €750,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### The scope of our group audit

Enexis Holding N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Enexis Holding N.V.

It is important to note that the group's activities all take place in the Netherlands and that the financial accounting and internal controls are to a great extent centralized. Our audit is therefore designed and executed from a consolidated perspective whereby accounting-wise we consider the group to be one entity. This means that the scope of our audit included all transaction flows and financial positions that are of material relevance for the consolidated financial statements as a whole.

Further, we have audited the consolidation of the group and the disclosures in the financial statements. We paid specific attention to the acquisition of Endinet Groep B.V. and the sale of the assets and liabilities of the network parts of Friesland and Noordoostpolder as at 1 January 2016.

By performing the procedures above 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.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in the 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 that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.



### Key audit matter

#### Valuation of property, plant and equipment (PPE) and intangible fixed assets

*The disclosures on the valuation of PPE and intangible fixed assets are included in notes 12 and 13 to the financial statements.*

PPE and intangible fixed assets are stated at €6,860 million as at 31 December 2016 and, therefore, represent significant financial lines in the consolidated financial statements of the group. Developments in the regulation or other circumstances in the energy landscape relevant for network operators can lead to impairments of PPE and intangible fixed assets. The management has ascertained that there are no indications for impairments. Annually, the group conducts an analysis of the existence of impairments by comparing the carrying value of the assets concerned with the recoverable amount. Specific attention was paid to the impact of new published 'methodebesluit' by the ACM and the consequences for the regulatory tariffs. Given the ongoing energy transition, management also evaluated the useful life of the gas part of the transmission grid as well as the conventional meters. These analyses are significant for our audit due to the size of the assets involved and the fact these analyses are based on important assumptions of management. As a result we considered this as key audit matter. Management has disclosed in note 13 that as at 31 December 2016 the recoverable amount of PPE and goodwill is well above the carrying amounts.

### How our audit addressed the matter

We performed audit procedures on the impairment analyses of the group, with special focus on the definition of the cash generating units, the plausibility and substantiation of the forecasted future cash flows, regulated tariffs and the applied weighted average cost of capital (WACC). We compared the forecasted future cash flows with internal budgets, historical financial information of the group and market information concerning the implications of the energy transition. We determined that the implication of the new published 'methodebesluit' by the AFM are reflected in the analyses in a proper way. We have also tested the mathematical accuracy of the calculation model used. For this work we made use of our internal valuation specialists. As part of our procedures performed, we tested the reasonability and consistency of the annual assessment of the useful life by management, also taking into account the developments in the energy business. Given the headroom between the recoverable amounts and the carrying values the risk of an impairment is limited. We concur with management's conclusion that there are no indications that PPE and/or intangible fixed assets are impaired.

### Key audit matters

#### Recognition and disclosures of the acquisition of Endinet Groep B.V. and the sale of assets and liabilities relating to the network parts Friesland and Noordoostpolder as at 1 January 2016

*The disclosures on the acquisition and sale are included in section 4 of the financial statements.*

As at 1 January 2016 the exchange transaction between Enexis Holding N.V. and Alliander N.V. with regard to Endinet Groep B.V. and the assets and liabilities relating to the network parts Friesland and Noordoostpolder was finalized. Enexis Holding N.V. recognized and disclosed the Purchase Price Allocation ('PPA') in the 2016 financial statements in accordance with IFRS 3R. The management has made important estimates for the PPA with regard to the fair value of the assets and liabilities and the expected synergies. These estimates have significant influence on the financial statements. For these estimates management made use of external valuation experts. Also for the administrative separation of the assets and liabilities of the network parts Friesland and Noordoostpolder, management used certain assumptions and allocation keys, for instance for the allocation of property, plant and equipment and goodwill, which was important for the recognition of the final book result in the 2016 financial statements. The provisional PPA was already disclosed in the financial statements of 2015 and there is only a small deviation compared to the final recognition. These transactions are significant for Enexis Holding N.V. and contain important estimates. As a result we have considered this matter as a key audit matter.

### Our audit activities onwith regard to key audit matters

We have studied the agreement and the relevant clauses included therein. Apart from this we have examined the compliance of the financial recognition and disclosures in the 2016 financial statements with the requirements of IFRS 3R and for the comparative figures IFRS 5 as well.

We have audited the values of the assets and liabilities held for sale by reconciling these to the asset registers and by assessing the fairness of the allocation keys applied by management for the administrative separation. The realized book result of this transaction amounts to € 11 million and is accurately disclosed in the 2016 financial statements.

With regard to the PPA we have assessed the objectivity and professionalism of the external valuation experts engaged by the group. In addition, together with our internal valuation specialists, we have tested the significant principles and assumptions as applied in the PPA. In particular we have focused on assumptions relating to the fair values of assets and liabilities and the anticipated synergies as reflected in the goodwill amount of € 96 million. We concur with the principles and assumptions used by the management and with the disclosures as included in section 4 to the financial statements.



## REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- About Enexis;
- Report on 2016;
- Governance;
- Other.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures were substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### OUR APPOINTMENT

We were appointed as auditors of Enexis Holding N.V. on 20 April 2015 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 20 April 2015. We act as auditors of the company for an uninterrupted period of 2 years.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Responsibilities of management and the supervisory board

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, with the rules of and following the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT); and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.





As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. 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.

### **Our responsibilities for the audit of the financial statements**

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error.

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 the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our auditor's report.

Utrecht, 3 March 2017

PricewaterhouseCoopers Accountants N.V.

Original has been signed by C.J.A.M. Romme RA

(This auditor's report is a translation of the original auditor's report accompanying the original consolidated financial statements 2016, both stated in Dutch. In case of any conflict between this translation and the original auditor's report, the latter will prevail. The original auditor's report can be found on the website of Enexis Holding N.V.)



## APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2016 OF ENEXIS HOLDING N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing and the audit protocol WNT, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional 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 related disclosures made by management.
- Concluding on the appropriateness of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. 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.



Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates.

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 deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with 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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.



# ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: the Executive Board of Enexis Holding N.V.

## ASSURANCE REPORT ON THE SUSTAINABILITY INFORMATION 2016

### OUR CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the sustainability information as included in the Annual Report 2016 of Enexis Holding N.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the events and achievements related thereto for the year ended 31 December 2016 in accordance with the sustainability reporting Guidelines version G4 of GRI and the internally applied reporting criteria.

### WHAT WE HAVE REVIEWED

The sustainability information contains a representation of the policy and business operations of Enexis Holding N.V., 's-Hertogenbosch (hereafter: "Enexis") regarding sustainability and the events and achievements related thereto for 2016.

We have reviewed the sustainability information for the year ended 31 December 2016, as included in the following sections in the Annual Report 2016 (hereafter: "the sustainability information"):

- About Enexis (page 3 - 15);
- Report 2016, with the exception of paragraph "8. Economic performance" (page 16 - 39 and 44 - 50); and
- Other (page 150 - 171).

The sustainability information contains several references to external sources or websites and are no part of the sustainability information assessed by us. Therefore we do not provide assurance over information outside of the sustainability information.



## THE BASIS FOR OUR CONCLUSION

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen'. This review engagement is aimed to obtain limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of this Assurance-report.

## INDEPENDENCE AND QUALITY CONTROL

We are independent of Enexis in accordance with the '*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*' (ViO) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the '*Verordening gedrags- en beroepsregels accountants*' (VGBA).

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten (RA/AA)' and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## REPORTING CRITERIA

Enexis developed its reporting criteria on the basis of the sustainability reporting Guidelines version G4 of GRI, as disclosed in section "About this report" (page 164 - 168) of the Annual Report 2016. The information in the scope of this assurance engagement needs to be read and understood in conjunction with these reporting criteria. The Executive Board is responsible for selecting and applying these reporting criteria. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

## INHERENT LIMITATIONS

The sustainability report includes prospective information such as expectations on ambitions, strategy, plans, estimates and risk assessments based on assumptions. Inherently, the actual results are likely to differ from these expectations, due to changes in assumptions. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.



## **RESPONSIBILITIES FOR THE SUSTAINABILITY REPORTING AND THE ASSURANCE ENGAGEMENT**

### **RESPONSIBILITIES OF THE EXECUTIVE BOARD**

The board of directors of Enexis is responsible for the preparation of the sustainability report in accordance with the sustainability reporting Guidelines version G4 of GRI and the internally applied reporting criteria as disclosed on page 164 - 168 of the Annual Report 2016, including the identification of stakeholders and the definition of material subjects. The choices made by the Executive Board regarding the scope of the sustainability information and the reporting policy are summarized in section "About this report" (page 151 - 157). The Executive Board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

### **OUR RESPONSIBILITIES FOR THE REVIEW OF THE SUSTAINABILITY INFORMATION**

Our responsibility is to plan and perform the review engagement to obtain sufficient and appropriate assurance information to provide a basis for our conclusion.

This review engagement is aimed at obtaining limited assurance. In obtaining a limited level of assurance, the performed procedures are aimed at determining the plausibility of information and are less extensive than those aimed at obtaining reasonable assurance in an audit engagement. The performed procedures in this context consisted mainly of gathering information from the company's employees and applying analytical procedures set out in relation to the information included in the sustainability information. The assurance obtained in review engagements aimed at obtaining limited assurance is therefore significantly lower than the assurance obtained in assurance engagements aimed at obtaining reasonable assurance.

Misstatements may arise due to fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review and the evaluation of the effect of identified misstatements on our conclusion.





## PROCEDURES PERFORMED

We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our main procedures include:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues, relevant laws and regulations and the characteristics of the organization.
- Evaluating the appropriateness of the reporting policy and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of management's estimates.
- Evaluating the design and implementation of the reporting systems and processes related to the information in the sustainability information.
- Interviewing relevant staff responsible for the sustainability strategy and policy.
- Interviewing relevant staff responsible for providing the information in the sustainability report, carrying out internal control procedures on the data and consolidating the data in the sustainability information.
- An analytical review of the data and trends submitted for consolidation at corporate level.
- Reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the sustainability information, is substantiated adequately;
- Assessing the consistency of the sustainability information and the information in the Annual Report 2016 not in scope for this assurance report;
- Assessing whether the sustainability information has been prepared 'in accordance' with the Sustainability Reporting Guidelines version G4 of GRI.

Utrecht, 3 March 2017

PricewaterhouseCoopers Accountants N.V.

Original signed by  
C.J.A.M. Romme RA

(This assurance report is a translation of the original assurance report accompanying the original Annual Report 2016, both stated in Dutch. This original assurance report can be found on the website of Enexis Holding N.V.)

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# ABOUT THIS REPORT

**In this annual report, we render account on our activities in 2016.** Together with stakeholders, we have selected ten material themes that form the basis for the scope and contents of this report.

## SCOPE

The scope of the report is Enexis Holding N.V. with its registered offices in 's-Hertogenbosch. This also includes the activities of Enexis B.V. and Fudura B.V. and Enpuls B.V. The activities of associates are not included in the scope.

The statutory board report is included on pages 16 - 66.

The reporting period runs from 01 January 2016 up to and including 31 December 2016. Enexis reports (semi-)annually on its strategic and financial performance. The annual report is published in the first quarter of each year on the website of [www.enexisgroep.nl](http://www.enexisgroep.nl); this year on 7 March 2017. The report over 2015 was published on 8 March 2016.

## INTEGRATED REPORT

In this annual report, financial, operational and social information is provided in an integrated report.

- The financial information is consolidated for Enexis including Endinet. The financial reporting is in accordance with the International Financial Reporting Standards (IFRS) as adopted within the European Union and the provisions of Part 9 Book 2 of the Dutch Civil Code.
- Where possible, non-financial information is consolidated for Enexis including Endinet. If information pertains exclusively to Endinet, this is explained explicitly in the text and/or footnotes of tables. In general, we aim to integrate non-financial information of new acquisitions as fast as possible; however, ultimately after a year of ownership.
- With regard to our [CO<sub>2</sub> footprint](#), our chain emissions are also reported in scope 3 insofar as available.
- The guidelines of the Global Reporting Initiative (GRI) and the Electric Utilities Sector Supplement were followed for the non-financial reporting. The GRI 4.0 guidelines have been applied (application level CORE) for the Enexis Annual Report 2016.

## TRANSPARENCY

Our stakeholders, as we do ourselves, consider transparency to be very important. With regard to reporting, we have the ambition to rank among the top companies in the Transparency Benchmark of the Ministry of Economic Affairs and to maintain the GRI G4 level in the coming year. We apply the Transparency Guidelines and the Corporate Governance Code insofar as applicable. Stakeholders have an important position in determining the contents and scope of our reporting. The determination of material topics is a central issue in Enexis's stakeholder dialogue.

The scope of the top 10 material topics, on which we report in this report, generally exceed the limits of our own organisation.

- The topic safety concerns both our own personnel and the personnel of contractors as well as public safety.
- The measures that we take for the reliability and sustainability of the energy supply are essential to fulfil our public task.
- We improve our internal processes and ICT in order to improve customer satisfaction.
- We innovate to ensure that the energy grids and the services that we provide to customers are future proof.
- We ensure that the energy supply remains affordable and accessible for customers and market parties.
- Themes that focus mainly on the internal organisation are: change capacity of the organisation, economic performance, compliance with laws and regulations and the impact of our own business operations. In addition, these topics are discussed with stakeholders, including the Works Council, shareholders and supervisors.

## DETERMINING THE CONTENTS (MATERIALITY)

We asked our stakeholders about which topics we should report in this report. Ten material themes were selected based on this and this list forms the basis for the annual report. The report has been set up in such a manner that we report on each material theme about the developments that took place in 2016.

We realigned the materiality analysis with our stakeholders in 2016. First, we drew up an initial list ourselves with material topics. After an internal prioritisation in the Strategic Management Consultation, the ten high materiality topics were put before the stakeholders via an online questionnaire. Finally, the top ten material topics were discussed and assessed further with the stakeholders during a stakeholder meeting on 4 July 2016.

The stakeholder groups were also adjusted compared to the previous materiality analyses. New stakeholder groups replaced the relatively broadly defined stakeholder group 'society'.

## DEFINITIONS OF MATERIAL ISSUES

### **Safety**

Limiting the risks for people and society arising from working on and making use of the energy grid and the data system.  
Reliability of the energy supply

### **Reliability of the energy supply**

The degree of reliability of the energy supply expressed in the average time and frequency of outages of energy distribution to end-consumers.

### **Increasing the sustainability of the energy supply**

Adapting the energy system in such a manner that the impact on the environment is reduced because energy is saved, the share of renewable energy increases and the fossil energy consumption decreases.

### **Customer satisfaction**

The degree in which customers are satisfied with the services provided in connection with the core processes.

### **Innovation**

All of the modernisation efforts, including in the technological, social and financial area, on our grids, in our processes, with regard to our role in society and making (open) data available.

### **Change capacity of the organisation**

The degree in which the organisation and its employees are able to timely adapt to organisational and energy transition issues.

### **Accessible energy supply**

The access to an energy supply in the form of a connection to the energy grid, facilitating the energy market and promoting a level playing field for market parties.

### **Economic performance**

The total performance whereby a balance is maintained between shareholder value, the development of customer tariffs and the added value to society.

### **Compliance with laws and regulations**

Satisfying the requirements that Enexis has to comply with (such as laws and regulations) and other requirements that Enexis chooses to satisfy.

### **Impact own operations**

The direct and indirect footprint of the organisation on society and the environment and the efforts that have to be made to improve this.

## MANAGEMENT OF MATERIAL ISSUES

The management steers on all sorts of social aspects of entrepreneurship, as part of the Balanced Score Card, such as promoting health and safe working, a reliable and safe energy supply, reduction of energy consumption and CO<sub>2</sub> emissions, contributing to the energy transition and a controlled development of costs. As part of the Balanced Score Card, these aspects are also the subject of audits and reporting to the Supervisory Board and the shareholders.

Enexis applies an integral management system, whereby both financial and non-financial material issues are managed. This is described in the section '[Governance](#)'. The translation of strategic objectives into the business plan, including concrete targets, takes place in the annual business plan cycle. The material issues are embedded in the strategic objectives, as described in the paragraph '[Creating and sharing value](#)'. Annual targets derived from the strategy are formulated and included in the business plan and the Balance Score Card. The progress is reported monthly to the Executive Board and also discussed with the Supervisory Board.

A formal risk management process, an internal audit function and a compliance function are in place. The identification and acknowledgement of strategic risks follow from the activities of this process and these functions. The Netherlands Authority for Consumers & Markets (ACM) supervises the core activities.

In the paragraph '[Impact own operations](#)', an explanation has been included regarding the manner in which the topic sustainability has been embedded. In addition, an elaboration of the management approach with regard to each social theme, based on the guideline ISO 26000, can be found in the [CSR principles](#) on the Enexis website.



## DIALOGUE WITH STAKEHOLDERS

A new classification of the stakeholder groups was defined and approved by the Management Consultation in 2016. The stakeholder groups customers, employees and shareholders remained unchanged. However, the original stakeholder group 'society' was deemed to be too broad. This stakeholder group was therefore split into: investors, policymakers, interest groups, market and chain parties and local energy partners. There are now in total eight stakeholder groups. The adjustment of the stakeholder model was the result of the strategic reorientation.

The overview below shows in general lines who the dialogue with stakeholders was embedded; however, it is not an exhaustive summary. The most important discussion points are formulated according to material themes.

### Stakeholder model

Stakeholder group	Examples	Important discussion points <sup>1</sup>	Interaction with Enexis via
<b>Customers</b>	Low-volume customers (consumers and small and medium enterprises (SMEs)), high-volume customers (corporates)	Customer satisfaction, reliability, accessibility	Stakeholder dialogue 2016, periodic customer satisfaction survey, customer service, account managers
<b>Employees</b>	Works Council, trade unions	Change capacity of the organisation, safety	Stakeholder dialogue 2016, internal media, work consultations, the Board holds consultations with the Works Council around 8 times a year
<b>Shareholders</b>	Provinces and municipalities in the role of shareholder	Economic performance, impact of the own operations, increasing sustainability, compliance	Stakeholders dialogue, annual General Shareholder's Meeting (AGM), Shareholders Committee (SC) that holds consultations with Enexis's Executive Board three to four times a year
<b>Local energy partners</b>	Municipalities, energy water boards, project developers, housing corporations	Innovation, increasing sustainability, capacity for change	Stakeholder dialogue 2016, via regional teams, stakeholder managers, environment scouts
<b>Market and chain partners</b>	Contractors, infrastructure companies, technology companies, energy suppliers, ODAs, start-ups	Innovation, safety, reliability, accessibility	Stakeholder dialogue 2016, periodic consultations within the NEDU, periodic Cables and Pipelines consultation, via account managers
<b>Investors</b>	Investors in bonds, banks, rating agencies	Economic performance	Stakeholder dialogue 2016, investor roadshow, investor presentation, annual report
<b>Policymakers</b>	Political parties, the Dutch Ministry of Economic Affairs, the Dutch Ministry of the Interior and Kingdom Relations, Infrastructure & Environment, Authority for Consumers & Market, State Supervision of the Mines, the Dutch Data Protection Authority	Increasing sustainability, compliance, safety, reliability, innovation, accessibility	Stakeholder dialogue 2016, Consultations, via Public Affairs, periodic consultations with supervisors
<b>Policy influencers</b>	Netbeheer Nederland, Nederlandse Vereniging voor Duurzame Energie [Dutch Association for Sustainable Energy], VNG [Association of Dutch Municipalities], IPO, Energie Nederland [Energy Netherlands], Unie van Waterschappen (Union of Water Boards)	Divers	Stakeholder dialogue 2016, via periodic Public Affairs consultations and consultations with government bodies

1. This concerns Enexis's own interpretation of what has come to the fore in various stakeholder dialogues.

## MEASURING METHODS AND DATA COLLECTION

Where possible, we derived the quantitative information in this report for Enexis's systems. Internal control measures apply for these systems. The External Reporting & Accounting department of Finance is responsible - with the involvement of the business controllers - for the collection and substantiation of non-financial data.

- The [GRI Index](#) is included in the paragraph 'Other'.
- The measuring method for our CO<sub>2</sub> emissions remained unchanged in 2016; however, we do make use of a classification in scope 1, 2 and 3 to make our results better comparable with other companies in our sector.

The staff members in the organisation who are responsible for the various topics have provided and substantiated the qualitative information. We have complete confidence in the general reliability of the reported information. However, we acknowledge that some of the information could contain uncertainties that are inherent in the limitations of measuring methods and the collection of data.

## MANAGEMENT APPROACH CORPORATE SOCIAL RESPONSIBILITY (CSR)

Within Enexis, Corporate Social Responsibility (CSR) is integrated into the regular business operations and objectives. For instance, the management steered on sustainability objectives in 2016 for 'Buurkracht' and the reduction of CO<sub>2</sub> in connection with leased vehicles and claimed kilometres. In addition to aiming for a reliable, affordable, safe and sustainable grid, there is also attention within Enexis for good employership and sustainable employability of our employees.

In the paragraph '[Impact own operations](#)', an explanation has been included regarding the manner in which the topic sustainability has been embedded, the paragraph '[Change capacity of the organisation](#) contains' an explanation regarding sustainable employability. In addition, an elaboration of the management approach with regard to each social theme, based on the guideline ISO 26000, can be found in the [CSR principles](#) on the Enexis website. This CSR policy is also laid down in a [CSR statement](#).

In our CSR policy, we acknowledge and subscribe to the Universal Declaration of Human Rights of the United Nations. In addition, we also subscribe to the guidelines for employment terms and conditions that apply as fundamental principles and rights at work, as these have been formulated by the International Labour Organization (ILO).

CSR is also embedded in our strategy. This strategic pillar 'sustainability' has been elaborated in a sustainability agenda, a medium-long term plan that gives direction in terms of activities and interim-objectives. We stopped this plan at the end of 2016 and a status update and reflection was held on this plan. We will focus on our realigned strategy in 2017 and the accompanying objectives, whereby we aim to form an example in sustainability and accelerate the energy transition.

It is also our ambition to clarify our contribution to the worldwide Sustainable Development Goals. These goals have been drawn up the United Nations and signed, among others, by the Netherlands. Enexis wishes to contribute to the realisation of these goals. We will be working on reporting on this in more detail in the coming years.

## CHANGES IN COMPARISON TO PREVIOUS REPORTING YEARS

As of 1 January 2016, Alliander and Enexis exchanged energy grids in order to allocate the areas along provincial borders more logically. As a result, the grid operator Endinet B.V. became part of Enexis.

In the reporting year 2016, we report including Endinet B.V. The strategy was realigned in 2016 and no significant changes resulted from this for the reporting year. The strategic direction 2017 is explained in the paragraph 'Creating and sharing value'.

## ASSURANCE

PwC carried out an assurance assignment that was aimed at obtaining a limited degree of certainty that the information provided in the chapters 'About Enexis', 'Report over 2016', 'CO<sub>2</sub> footprint' and 'Other' in the Annual Report 2016 of Enexis in all aspects of material importance have been presented correctly and in accordance with the 'Sustainability Reporting Guidelines' G4 (Core) of the Global Reporting Initiative, with the guidelines for social reporting of the Council for Annual Reporting and with Enexis's internal reporting criteria. When reference is made to these chapters in the GRI table, then this information has been included in the scope of the assurance assignment. If no reference is included to these chapters, then the assurance assignment does not apply. We refer to page 146 for the assurance report of the independent auditor.

## FEEDBACK

We strive to improve our reporting year after year. The points of view of critical readers provide a welcome support in this improvement process. If you have any ideas for improvement please send an e-mail to [investor.relations@enexis.nl](mailto:investor.relations@enexis.nl).

# FACTS AND FIGURES

## PERSONNEL DEVELOPMENTS

Enexis strives for a diverse workforce. We implement the Participation Act by offering work to people with and without employment limitations. The tables below provide an impression of the personnel development in 2016. 99.6% of the personnel fall under the collective labour agreement for grid companies (CAO Netwerkbedrijven).

	Male	Female	Year-end 2016
<b>Personnel</b>			
FTEs	3,541	688	4,229
Number	3,575	815	4,390
Labor contract:			
- specific	108	30	138
- indefinite	3,467	785	4,252

	Year-end 2016
<b>Contractors</b>	
Number	993
- temporary workers	311
- consultants	323
- call specialists	192
- fixed price	167

	Male	Female	Total
<b>Age category</b>			
under 30 years	293	38	331
30 - 50 years	1,837	333	2,170
over 50 years	1,445	444	1,889
<b>Total</b>	<b>3,575</b>	<b>815</b>	<b>4,390</b>
Percentage	81.4%	18.6%	100%

	Male	Female	Total
<b>Business activity/division</b>			
<b>Enexis</b>	<b>3,258</b>	<b>724</b>	<b>3,982</b>
- INFRA	2,358	257	2,615
- Asset management	147	13	160
- Klant & Markt	325	246	571
- Overig	428	208	636
<b>Fudura</b>	<b>154</b>	<b>48</b>	<b>202</b>
- Fudura	137	35	172
- Enpuls	17	13	30
<b>Endinet</b>	<b>163</b>	<b>43</b>	<b>206</b>
<b>Total</b>	<b>3,575</b>	<b>815</b>	<b>4,390</b>



	Male	Female	Total
<b>Job profile</b>			
Administrative personnel	1,163	679	1,842
Management personnel	289	74	363
Technical personnel	2,123	62	2,185
<b>Total</b>	<b>3,575</b>	<b>815</b>	<b>4,390</b>

	Definite period	Indefinite period	Total
<b>Origin and type of employment agreement</b>			
Belgium	0	38	38
Germany	2	26	28
<b>Total outside of the Netherlands</b>	<b>2</b>	<b>64</b>	<b>66</b>
Drenthe	14	331	345
Flevoland	2	17	19
Friesland	2	90	92
Gelderland	13	122	135
Groningen	19	457	476
Limburg	19	980	999
Noord-Brabant	41	1,523	1,564
Noord-Holland	2	14	16
Overijssel	19	569	588
Utrecht	5	54	59
Zeeland	0	10	10
Zuid-Holland	0	21	21
<b>Total Netherlands</b>	<b>136</b>	<b>4,188</b>	<b>4,324</b>
<b>Total</b>	<b>138</b>	<b>4,252</b>	<b>4,390</b>

	Male				Female			
	Inflow	Outflow	Total male	Average term of employment in the event of outflow	Inflow	Outflow	Total female	Average term of employment in the event of outflow
<b>In- and outflow</b>								
under 30 years	65	24	41	2.29	9	5	4	3.00
30 - 50 years	108	99	9	7.70	31	22	9	10.77
over 50 years	37	167	-130	34.59	5	29	-24	35.53
<b>Total</b>	<b>210</b>	<b>290</b>	<b>-80</b>	<b>22.73</b>	<b>45</b>	<b>56</b>	<b>-11</b>	<b>22.89</b>

	Male				Female				
	Wajong	WAO	WIA	Total male	Wajong	WAO	WIA	Total female	Total
<b>Labour participation</b>									
under 30 years	2	0	0	2	0	0	0	0	2
30 - 50 years	1	2	6	9	1	1	3	5	14
over 50 years	0	19	8	27	0	2	7	9	36
<b>Total</b>	<b>3</b>	<b>21</b>	<b>14</b>	<b>38</b>	<b>1</b>	<b>3</b>	<b>10</b>	<b>14</b>	<b>52</b>

## STANDARDS AND NORMS

In our CSR policy, we acknowledge and subscribe to the Universal Declaration of Human Rights of the United Nations. In addition, we also subscribe to the guidelines for employment terms and conditions that apply as fundamental principles and rights at work, as these have been formulated by the International Labour Organization (ILO).

We have a code of conduct and a compliance protocol for employees. All employees are required to sign a Compliance confidentiality statement when they enter our employment, in which they state that they will comply with that which is stated in the Compliance Protocol. In addition, employees who have access to price-sensitive information are required to sign a confidentiality statement. As described in the paragraph 'Impact own operations', the suppliers code of conduct applies for suppliers.

Finally, in the formulation of its CSR policy and activities, Enexis has been inspired by the international ISO 26000 guideline for CSR. The CSR policy is embedded in a board statement and in principles.

## MEMBERSHIPS

Enexis is a member of the following sector-related organisations/associations:

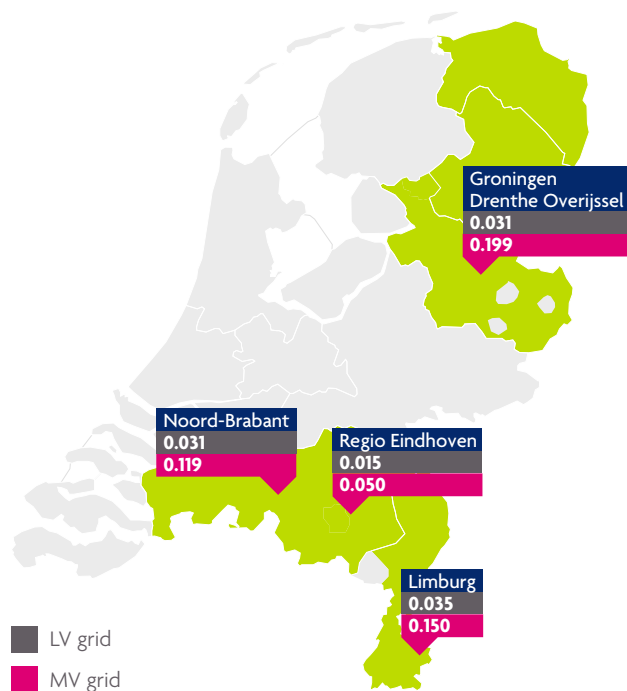
- Netbeheer Nederland (sector association of energy grid operators)
- Dutch Power
- Nederlandse Vereniging Duurzame Energie
- EDSO for smart grids

In addition, Enexis participates in regional and local associations and initiatives through its branch offices. These are not registered or reported centrally.

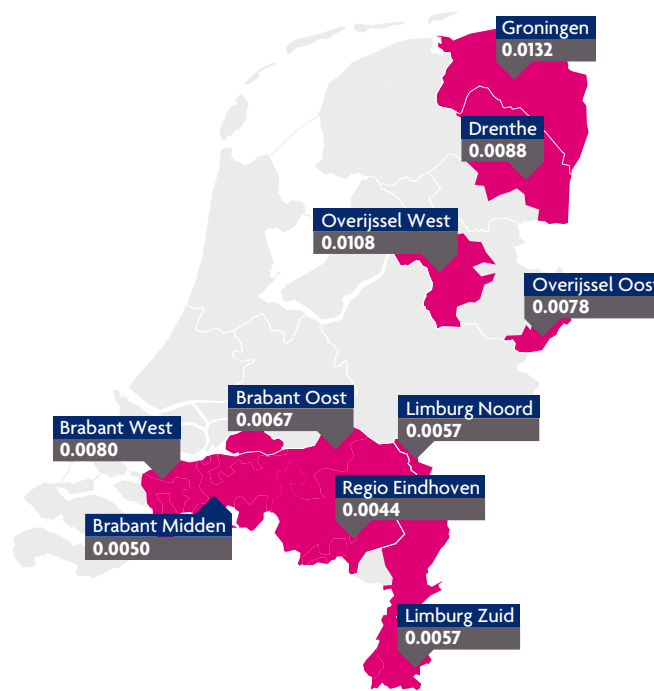
## RELIABLE GRID MANAGEMENT

Enexis provides for a reliable energy supply. Via the grid operator, we bring electricity and gas to customers in the provinces Groningen, Drenthe, Overijssel, Noord-Brabant and Limburg.

### AVERAGE NUMBER OF LOW-VOLTAGE OUTAGES AND MEDIUM-VOLTAGE OUTAGES PER CUSTOMER



### AVERAGE NUMBER OF GAS OUTAGES PER DISTRICT PER CUSTOMER



Enexis has a connection obligation for the distribution of electricity, everybody is connected to the electricity grid. There is also a connection obligation for gas. There is an exception for low-volume users in unprofitable areas and areas with a heating grid.

#### Fines

No significant fines were received at the departments Legal and General Affairs (JAZ) and other relevant departments in 2016 with regard to the services provided by Enexis, non-compliance with the E-Act and the G-Act, environmental laws or laws and regulations regarding the delivery and use of products and services.

## CO<sub>2</sub> FOOTPRINT

Our CO<sub>2</sub> footprint is mainly determined by our grid losses. We consider it important to reduce our grid losses and to increase our sustainability and we aim to reduce our CO<sub>2</sub> footprint in the coming years by doing this. We try to reduce other grid losses by working together in the sector and in the chain. The objective of our sustainable mobility policy is reducing and greening of the mobility of employees. You will find an explanation about this in the paragraph [‘Impact of the own business operations’](#).

We present [our footprint](#) in this annual report in accordance with the International Greenhouse Gas (GHG) protocol, divided over three scopes. Scope 1 and 2 are always mandatory for reporting. This year, we are explicitly reporting scope 3 (other indirect emissions) with our CO<sub>2</sub> footprint. We have compensated part of our chain emissions resulting





from Enexis activities. In the past year, we reported the chain emissions (waste and grid components) separately. Therefore, we have calculated our CO<sub>2</sub> footprint for 2015 as a comparison. Our total footprint 2015 increased, including these components, from 83,528 tons to 121,077 tons of CO<sub>2</sub>. New in the footprint for scope 3 is the use of data centres at KPN in the category ICT. The chain emission was calculated by KPN at Enexis's request. In the coming year, we will try and report more components that fall under scope 3.

All greenhouse gases are reported in CO<sub>2</sub> equivalents. Besides CO<sub>2</sub>, methane and SF<sub>6</sub> emissions are also reported. The conversion factors into CO<sub>2</sub> equivalents are derived from the IPCC Fourth Assessment Report. We have obtained the emission factors from the source [www.co2emissiefactoren.nl](http://www.co2emissiefactoren.nl).

### **Scope 1: direct emissions of our own activities, including the emission of our company vehicles and the energy consumption of our buildings.**

Sustainability aspects were included in the accommodation policy. For instance, we want our new offices to be built sustainably and to be energy neutral on balance. We opened our sustainably renovated interregional office in Zwolle and the sustainable distribution centre in Veldhoven in 2016.

### **Scope 2: indirect emissions of activities own operations, including the emissions that occur when generating electricity (leakage and grid losses).**

Energy is always lost in the distribution of electricity, for example, due to electric resistance. We are working on technical improvements in our grids every year in order to reduce emissions.

Enexis operates in accordance with the Trias Energetica principle. For the energy consumption, this means as much use as possible is made of sustainable energy. The negative environmental effects of our emissions are compensated and, as a result, Enexis is net emission neutral.

In 2016, we have

- greened 6.5% of the leakage losses via Guarantees of Origin of Dutch wind and 93.5% via Guarantees of Origin of Scandinavian hydroelectricity power stations.
- used 100% green energy from Dutch biomass for the electricity supply in our buildings;
- compensated remaining emissions with the purchase of Gold Standard certificates.

In 2023, we aim to ensure that more than 40% of our grid losses are generated sustainably with sustainable energy additionally generated in the Netherlands.

### **Scope 3: other indirect emissions, including the emissions of transport, outsourced production and waste processing.**

We also feel responsible for the emissions in the chain, such as in connection with the production of cables and pipelines and the processing of waste. We started making an inventory of part of our chain emissions in 2016. In this inventory, we make use of data regarding the CO<sub>2</sub> emissions of our chain partners, such as our IT supplier. The CO<sub>2</sub> emissions in connection with ICT (713 tons) was completely reduced as KPN makes use of 100% green electricity generated in the Netherlands.

There are no sector models for the calculation of chain emissions resulting from the production of machinery and equipment by suppliers and from the processing of company waste by the waste processor. Enexis makes use of the Suez model for CO<sub>2</sub> from waste for this that was developed by CE Delft.

We aim to report the chain emissions in more detail in 2017.

# GRI INDEX

In the preparation of the sustainability reporting, the GRI 4.0 guidelines have been applied with application level CORE.

We refer to the paragraph [Management of material issues](#), for a description of the aspects management and assessment of material issues, belonging to the 'disclosures on management approach' (DMA).

GRI-code	Indicator	Reference	Not reported
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## GENERAL STANDARD DISCLOSURES

### Strategy and analysis

G4-1	The statement of the most senior decision-maker of the organisation about the relevance of sustainable development to the organisation and its strategy.	<a href="#">Introduction Executive Board</a>	
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### Organisation profile

G4-3	Name of the organisation.	<a href="#">Profile</a>	
G4-4	Primary brands, products and/or services.	<a href="#">Profile</a>	
G4-5	Location of the organisation's headquarters.	<a href="#">Appendix: Colophon</a>	
G4-6	The number of countries where the organisation operates, and names of the countries where either the organisation has significant operations or that are specially relevant to the sustainability topics covered in the report.	Netherlands	
G4-7	Nature of ownership and legal form.	<a href="#">Profile: Shareholders</a>	
G4-8	Markets served (geographical breakdown, sectors served and types of customers/beneficiaries).	<a href="#">Profile</a>	
G4-9	Scale of the reporting organisation.	<a href="#">Key figures 2016 - Personnel</a>	
G4-10	a. Number of employees by employment contract and gender. b. Number of employees with a permanent employment contract by employment type and gender. c. Total workforce by employees and supervised workers and by gender. d. Total workforce by region and gender. e. Percentage activities of the organisation that are carried out by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised workers of contractors. f. Significant fluctuations in the number of employees (such as seasonal work in the tourism or agricultural sector). Number of employees at contractors specified according to type of employment and contract.	<a href="#">Appendix: Facts and figures Personnel development</a>	
G4-11	Percentage of total employees covered by collective bargaining agreements.	<a href="#">Appendix: Facts and figures Personnel development</a>	EU sector supplement: Percentage of employees at contractors covered by collective bargaining agreements is not available. We aim to be able to report on this percentage over 2017.
G4-12	Description of the organisation's supply chain.	<a href="#">Profile; Connector in the energy chain</a>	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain.	<a href="#">Appendix: About this report; Scope</a>	

GRI-code	Indicator	Reference	Not reported
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	<a href="#">Strategic risks;</a> <a href="#">Risk management</a>	
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses.	<a href="#">Appendix: Facts and figures;</a> <a href="#">Personnel development;</a> <a href="#">Standards and norms</a>	
G4-16	Memberships of associations (such as industry associations) and national and international advocacy organisations.	<a href="#">Appendix: Facts and figures;</a> <a href="#">Memberships</a>	
EU 1	Installed capacity specified by primary energy source by regulatory regime.		This only applies to production companies.
EU 2	Generated energy specified by primary energy sources and by regulatory regime.		This only applies to production companies.
EU 3	The number of household, industrial and institutional customers.	<a href="#">Profile: Reliability energy supply;</a> <a href="#">Key figures 2016</a> <a href="#">- The grids</a>	Enexis has opted for a different classification of customers; directed at grid management.
EU 4	The length of the transmission and distribution grids per regulatory regime.	<a href="#">Profile: Reliability energy supply;</a> <a href="#">Key figures 2016</a> <a href="#">- The grids</a>	
EU 5	Allocatie van CO <sub>2</sub> -emissierechten onderverdeeld naar emissiehandel framework.		Not applicable. Enexis is not subject to mandatory emission trading.

### Identified material aspects and boundaries

G4-17	a. List of all entities included in the organisation's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organisation's consolidated financial statements or equivalent	<a href="#">Explanatory notes to the consolidated financial statements;</a> <a href="#">General information</a>	
G4-18	a. Process for the defining the report content and the aspect boundaries. b. Explanation of the points of departure used by the organisation for defining the report content.	<a href="#">Appendix: About this report;</a> <a href="#">Determining the contents</a>	
G4-19	List of all material aspects identified in the process for defining report content.	<a href="#">Appendix: About this report;</a> <a href="#">Definitions of material topics</a>	
G4-20	For each material aspect, report the aspect boundary within the organisation.	<a href="#">Appendix: About this report;</a> <a href="#">Scope; Determining the contents</a>	
G4-21	Report for each material aspect, the aspect boundary outside the organisation.	<a href="#">Appendix: About this report;</a> <a href="#">Scope; Determining the contents</a>	
G4-22	The effect of any restatements of information provided in previous reports and the reasons for such restatements.	Changes in definitions in 2016 as stated in the footnotes to the relevant KPIs	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries.	<a href="#">Appendix: About this report;</a> <a href="#">Changes in comparison to previous reporting years</a>	

### Stakeholder engagement

G4-24	List of stakeholder groups engaged by the organisation.	<a href="#">Appendix: About this report;</a> <a href="#">Dialogue with stakeholders</a>	
G4-25	Basis for identification and selection of stakeholders with whom to engage.	<a href="#">Appendix: About this report;</a> <a href="#">Dialogue with stakeholders</a>	
G4-26	The organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and whether any of the engagement was undertaken specifically as part of the report preparation process.	<a href="#">About Enexis; Creating and sharing value;</a> <a href="#">Appendix: About this report;</a> <a href="#">Dialogue with stakeholders</a>	

GRI-code	Indicator	Reference	Not reported
G4-27	The key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	<a href="#">About Enexis; Creating and sharing value; Appendix: About this report; Dialogue with stakeholders</a>	

### Report profile

G4-28	The reporting period for information provided.	2016	
G4-29	Date of most recent previous report.	Enexis Annual Report 2015 - March, 3th 2016	
G4-30	Reporting cycle.	Annual	
G4-31	The contact person for questions regarding the report or its contents.	Appendix: <a href="#">About this report; Feedback; Appendix: Colophon</a>	
G4-32	The chosen application level	Core	
G4-33	<ul style="list-style-type: none"> <li>a. Policy and current practice with regard to seeking external assurance for the report.</li> <li>b. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided.</li> <li>c. The relationship between the organisation and the assurance providers.</li> <li>d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.</li> </ul>	<a href="#">Appendix: About this report; Assurance</a>	

### Corporate governance

G4-34	The governance structure of the organisation, including committees of the highest governance body. Report any committees responsible for decision-making on economic, environmental and social impacts.	<a href="#">Corporate governance; Appendix: About this report; Management approach to corporate social responsibility (CSR)</a>	
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### Ethics and integrity

G4-56	Description of the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	<a href="#">Appendix: Facts and figures; Standards and norms</a>	
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## SPECIFIC STANDARD DISCLOSURES

### Economic

#### Economic performance indicators

G4-DMA		<a href="#">Economic performance</a>	
G4-EC1	Direct economic value generated and distributed.	<a href="#">Consolidated financial statements</a>	

#### Indirect economic impacts

G4-DMA		<a href="#">Increasing the sustainability of the energy supply</a>	
G4-EC8	Indirect economic impacts, including the extent of impacts.	<a href="#">Increasing the sustainability of the energy supply; Helping customers to save energy and increase sustainability</a>	Reporting is only qualitative. Quantitative impact at customers is difficult to determine. We aim to be able to add more quantitative information (2017).

GRI-code	Indicator	Reference	Not reported
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## Environmental performance indicators

### Emissions

G4-DMA		<u>Impact own operations</u>	
G4-EN15	Direct greenhouse gas emissions (scope 1).	<u>Appendix: CO<sub>2</sub> footprint</u>	
G4-EN16	Indirect greenhouse gas emissions (scope 2).	<u>Appendix: CO<sub>2</sub> footprint</u>	
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	<u>Appendix: CO<sub>2</sub> footprint</u>	

### Environmental compliance

G4-DMA		<u>Compliance with laws and regulations</u>	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions due to non-compliance with environmental laws and regulations.	<u>Appendix: Facts and figures; Reliability; Fines</u>	

## Labour practices and decent work

### Health and safety

G4-DMA		<u>Safety</u>	
G4-LA6	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender for both Enexis and third parties.	<u>Safety</u>	

### Training and education

G4-DMA		<u>Change capacity of the organisation</u>	
G4-LA9	Average hours of training that an employee has undertaken per year by employee category and gender.	<u>Change capacity of the organisation; Enexis training and education</u>	Employee category is not reported; not relevant for Enexis. Job level is not reported. Jobs will be converted into roles in 2017 and it will be examined whether it is possible to report on this new job classification.
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	<u>Change capacity of the organisation; Sustainable employability</u>	

## Social performance indicators

### Compliance

G4-DMA		<u>Compliance with laws and regulations</u>	
G4-SO8	Monetary values of significant fines due to non-compliance with laws and regulations.	<u>Appendix: Facts and figures; Reliability; Fines</u>	

## Product responsibility

### Productinformatie

G4-DMA		<u>Customer satisfaction</u>	
G4-PR5	Results of surveys measuring customer satisfaction.	<u>Customer satisfaction: Customer Effort Scores</u>	PR-5 locations are not reported; not relevant for Enexis.

GRI-code	Indicator	Reference	Not reported
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Electric Utilities Sector Supplement

Availability and Reliability

G4-DMA		<u>Reliability of the energy supply; investing in a reliable energy grid; Impact own operations; Reduction CO<sub>2</sub> footprint; grid losses electricity transmission</u>	Reference to investing in a reliable energy grid and grid losses electricity transmission included; indicator EU10 less relevant for Enexis.
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Research and Development

G4-DMA		<u>Innovation</u>	Theme determined for 2017 as part of the business plan 2017. KPI 2017: The number of stations that will be equipped with distribution automation (DA) in 2017
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Demand Side Management

G4-DMA		<u>Accessible energy supply</u>	Theme determined for 2017 as part of the business plan 2017. KPI 2017: Stakeholder engagement (three milestones with as the final objective concrete energy plans with stakeholders).
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Product Responsibility: Access

G4-DMA		<u>Reliability of the energy supply</u>	
EU-28	The frequency of electricity outages.	<u>Appendix: Facts and figures; Reliable grid management</u>	
EU-29	Average outage time	<u>Reliability of the energy supply</u>	



# GLOSSARY

## NON-FINANCIAL TERMINOLOGY

### RELIABLE

The degree of reliability of the energy supply is expressed in the average time and frequency of outages of energy distribution to end-consumers.

### CUSTOMER EFFORT SCORE (CES)

The Customer Effort Score shows how much effort a customer has had to make to have his/her request taken care of.

### DART-RATE

Days Away from work, job Restrictions, and/or job Transfers. Indicator of the safety in the execution of work expressed in the number of hours away from work per 200,000 hours worked.

### DISTRIBUTION AUTOMATION IN 2020

The transformer stations in the mid-voltage distribution grid are equipped with small computers so that the mid-voltage grid can be switched on and off and monitored remotely.

### SUSTAINABILITY

‘Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. Enxsis interprets this, for the sake of brevity, and in relation to its primary tasks, as ‘The aim to deal with energy sources and the environment in a responsible manner.’

### SUSTAINABLE EMPLOYABILITY PLUS

The scheme that comes into effect when there are developments that are expected to lead to redundancies among employees. This scheme provides for extra facilities and support to increase the employability of employees.

### EFFECT ON LOCAL COMMUNITIES

The effect of having, constructing, replacing, maintaining and managing the energy grids on the local community.

### ENERGY AGREEMENT

The agreement that was signed by forty parties, including the Dutch government, in September 2013 with the objective of increasing the sustainability of the energy supply.

### ENERGY CHAIN

Everything that has to do with the origin, production, transport and end-use of energy.

### ENERGY TRANSITION

The term used to refer to the change in the energy supply from the centralised production of energy from fossil energy sources to decentralised production from sustainable energy sources.

### GRI

Global Reporting Initiative. A worldwide financial reporting standard with regard to sustainability.

### INDIRECT ECONOMIC IMPACT OF INVESTMENTS IN INFRASTRUCTURE.

The economic impact of the investments with the exception of the direct objective, namely the transmission of energy.

### JUD

Annual outage time due to unforeseen interruptions (outages). The number of minutes (electricity) or seconds (gas) that the customer did not have any energy supply in a calendar year on average.

### CHAIN

The group of parties that carry out a process together. Enxsis is active in the energy chain and in the resources chain.

### CUSTOMER SATISFACTION

The term used for the assessment of Enxsis's performance by customers.

## SOCIETY

The society in which Enexis operates, including organisations, individuals and developments.

## MANAGING THE SUPPLY AND DEMAND OF ENERGY

Aligning the supply and demand of energy to avoid the overburdening of the grid.

## MARKET MODEL

The agreements and rules that determine the tasks, powers and responsibilities of the parties in the energy sector.

## CSR

Corporate Social Responsibility. A manner of doing business that has the aim to limit the negative influence of the business operations on the environment and to exert a positive influence on society.

## GRID OPERATOR

An independent utility company that has been appointed to provide for the transmission of gas and electricity between the supplier and the customer in a specified area and to install and maintain grids for this purpose. The tasks of the grid operator are laid down in the Electricity Act 1998 and the Gas Act.

## PRODUCT QUALITY

At Enexis, this refers to the quality of the services provided by Enexis. The most important indicators are the annual outage time (JUD) and service standards.

## REGULATION

The laws and the rules and regulations based on these laws governing the activities of the grid operator and the supervision of these activities.

## RISKY SITUATION

A situation where a potential risk exists of an incident or accident.

## SMART METER

A meter to measure the consumption of electricity and/ or gas that can be read remotely by the grid operator and that makes consumption data available to the customer via a local entrance port for further processing in own peripheral equipment.

## SMART GRID

An energy grid that can react to situations in which the demand and the supply of energy require steering by making use of ICT.

## STAKEHOLDER

A party that is involved in or is affected by Enexis's activities. Enexis defines the following stakeholders: customers, employees, shareholders, market and chain partners, investors, policymakers, interest groups, local energy partners.

## DELIVERING BACK ENERGY

When customers feed energy back into the energy grid due to the generation of their own (in general sustainable) energy.

## SAFETY AWARENESS

The ability to translate feelings and experiences effectively into alert reactions to unsafe situations so that actions can be carried out without danger.

## HSQE

The term for activities regarding Health, Safety, Quality of life and the Environment.

## FOOTPRINT

Indication of the amount of Enexis's CO<sub>2</sub> emissions in a calendar year. Within the footprint, Enexis distinguishes between its own emissions and chain emissions.

## **FINANCIAL TERMINOLOGY**

### **EBIT**

Earnings Before Interest and Tax.

### **FFO/NET INTEREST-BEARING LIABILITIES**

This is calculated as follows: (operating result + depreciation - amortisations + dividend received from associates - financial expenses + financial income - taxes due and payable) / Net interest-bearing liabilities

### **FFO INTEREST COVERAGE RATIO**

This is calculated as follows: (operating result + depreciation - amortisations + dividend received from associates + financial income - taxes due and payable) / paid interest expenses

### **INVESTED CAPITAL**

Fixed assets plus assets held for sale less contributions received in advance (non-current and current) plus liabilities held for sale plus net working capital.

### **NET INTEREST-BEARING LIABILITIES**

This is calculated as follows: total interest-bearing liabilities - deposits - cash and cash equivalents.

### **NET INTEREST-BEARING LIABILITIES / (EQUITY + NET INTEREST-BEARING LIABILITIES)**

This is calculated as follows: (total interest-bearing liabilities - deposits - cash and cash equivalents) / (equity + (total interest-bearing liabilities - deposits - cash and cash equivalents)).

### **NET WORKING CAPITAL**

This is calculated as follows: total current assets (excluding cash and cash equivalents, excluding current financial fixed assets and excluding deposits) less current liabilities (excluding interest-bearing liabilities, excluding prepayments to be amortised in the following year and excluding derivatives).

### **RETURN ON EQUITY**

Result after taxes divided by equity capital at year end.

### **ROIC**

EBIT divided by invested capital at year end.

### **SOLVENCY**

Equity capital x 100% divided by the balance sheet total.

# COLOPHON

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