ENEXIS HOLDING N.V.

ENERGY THAT **MOVES YOU**

ANNUAL REPORT 2017

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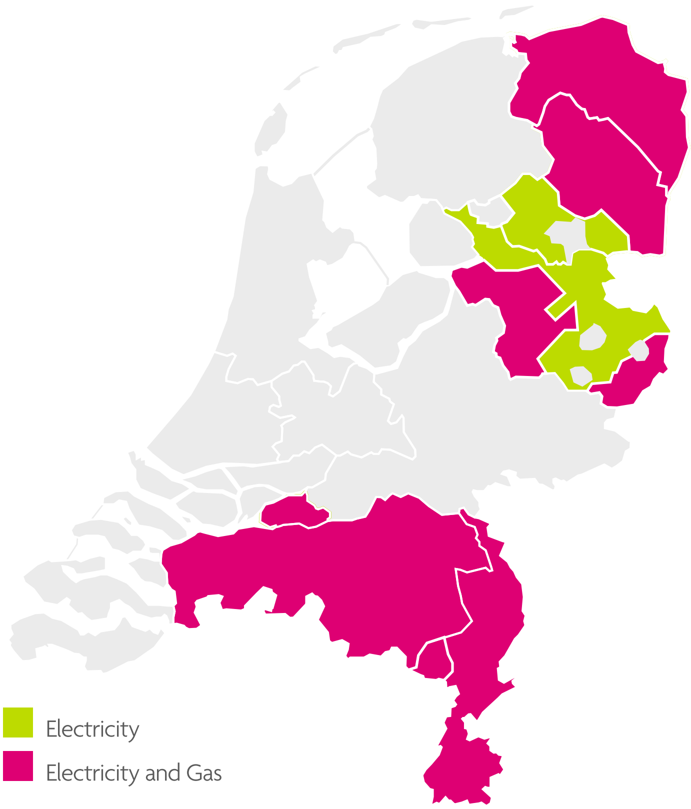
PROFILE

Enexis is a network company in the energy sector. We provide transmission of electricity to millions of customers and are working towards increased sustainability of the energy supply. In the energy transition, we help consumers, municipalities and businesses to use energy more efficiently.

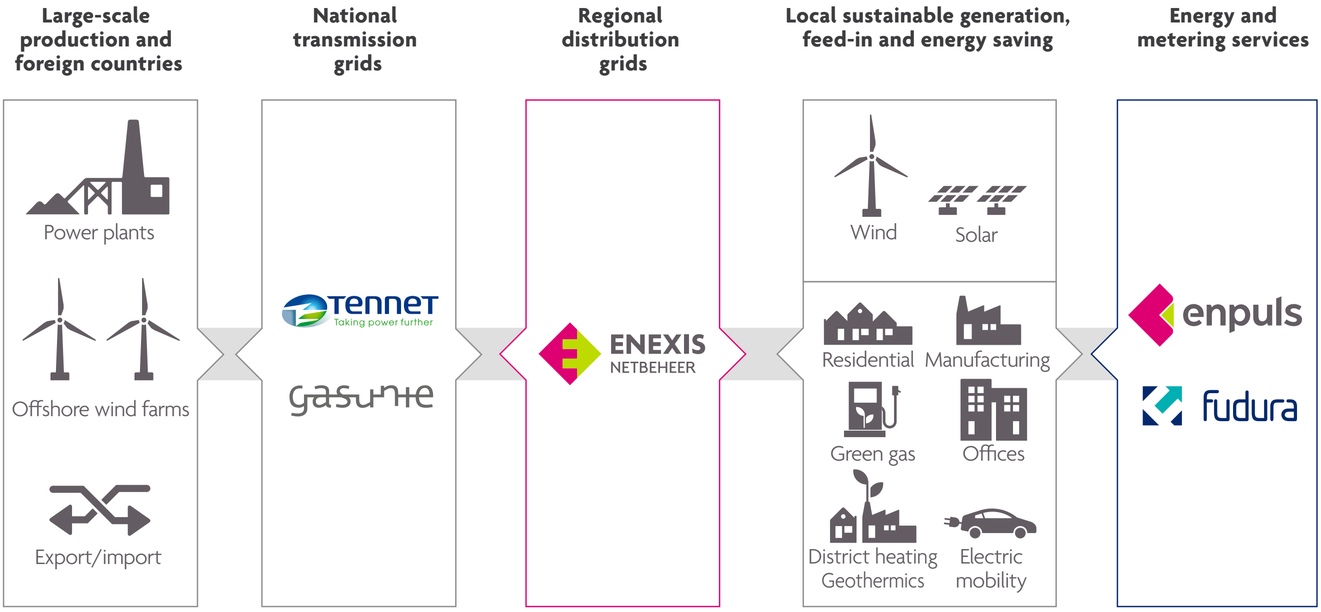
SERVICING AREA 2017



Our energy grids provide electricity to 2.8 million customers and gas to 2.3 million customers in the Dutch provinces Groningen, Drenthe, Overijssel, Noord-Brabant and Limburg.

CONNECTOR IN THE ENERGY CHAIN

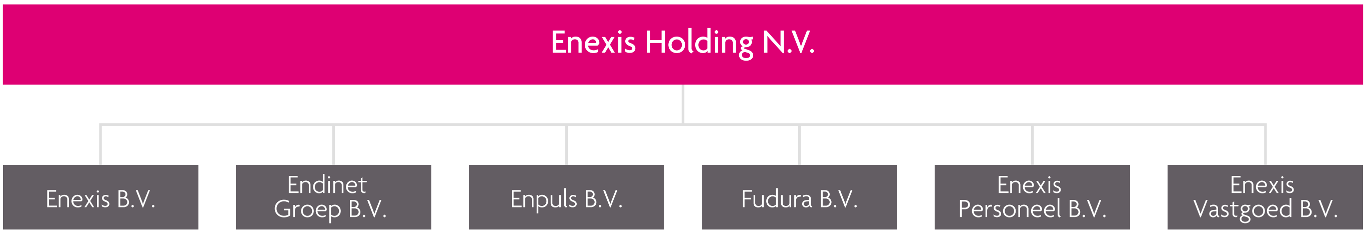
We regard ourselves literally and figuratively as connectors in the energy chain because it is through our grids that energy is distributed as efficiently as possible from producer to user and vice versa. We also facilitate the energy market, by making metering data available for instance. In addition, we view it as our role to connect parties in the energy chain, together realising the objectives of the Dutch Energy Agreement. By working together with the government and market parties, we can accelerate the energy transition.



OUR ORGANISATION

Enexis Holding N.V.[1] is an energy grid operator with a range of daughter companies that each has its own specific focus area. All these activities are part of the Enexis Group.

ORGANISATIONAL CHART ENEXIS HOLDING NV (as at 31 December 2017)



ENEXIS B.V.

Enexis B.V. provides for regulated activities such as the construction, maintenance, development and management of its electricity and gas grids. The Dutch Authority for Consumers & Markets (ACM) supervises both the quality of the services provided by grid operators as well as the rates they may charge. As of 1 July 2017, N.V. Stedin Netten Weert was taken over and merged with Enexis B.V. Since 1 January 2018, the name of Enexis B.V. has been changed to Enexis Netbeheer B.V.

1 In this report, wherever 'Enexis' is used, it can be taken to refer to the entirety of Enexis Group companies, unless otherwise specifically noted.

ENDINET GROEP B.V.
Endinet, that became a part of Enexis on 1 January 2016, was almost completely integrated into the Enexis companies as of 1 January 2017.

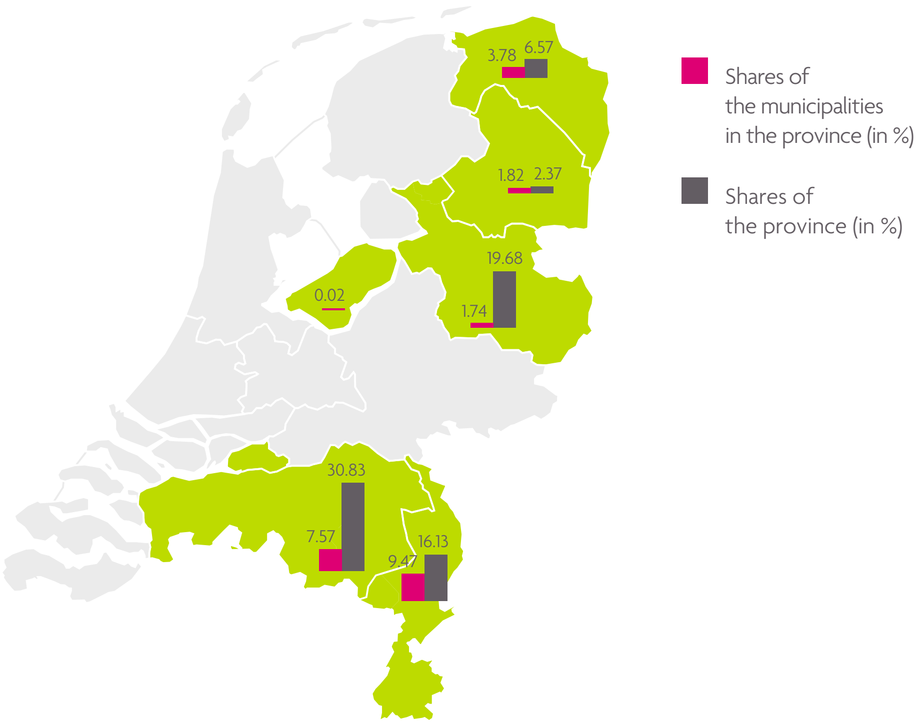
ENPULS B.V.
Enpuls B.V focuses on the greening of energy and energy savings, concentrating on four themes: sustainable regional development, flexibility, energy savings and sustainable mobility. Enpuls connects government and market parties with each other to collaborate in developing scalable solutions for the energy transition.

FUDURA B.V.
Fudura B.V. focuses on the non-regulated commercial market and ensures that companies can optimise their energy supply. To achieve this, Fudura provides services such as consultancy, 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 companies in the Enexis Group in the area of human resources and property.

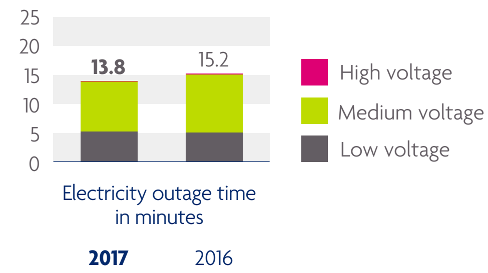
ENEXIS' SHAREHOLDERS
The shareholders of Enexis Holding N.V. are provinces and municipalities in the areas served by Enexis Netbeheer B.V.

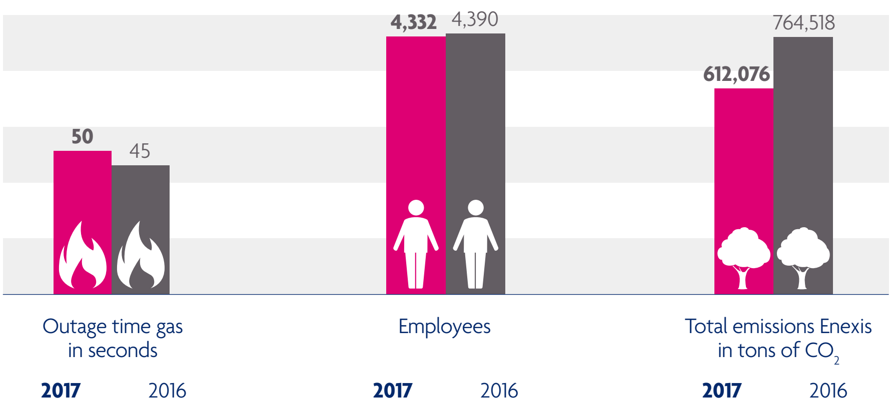
SHARES IN ENEXIS HOLDING N.V.
(percentage of shares held by the provinces and the municipalities in the provinces)



KEY FIGURES (AT 31 DECEMBER 2017)

OUTAGE TIME



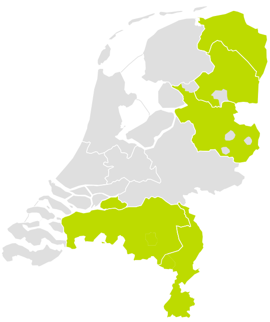


Electricity grid

139,100 km

2,786,000 connections

34,592 GWh

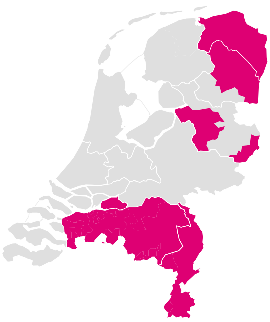


Gas grid

46,400 km

2,315,000 connections

6,241 Mm^3



REVENUE

In millions of euros

1,380

2016: 1,376

PROFIT FOR THE YEAR

In millions of euros

207

2016: 207

BALANCE SHEET TOTAL

In millions of euros

7,668

2016: 7,284

INVESTMENTS IN THE GRIDS

In millions of euros

423

2016: 384

DART-RATE ENEXIS

Safety index

0.33

2016: 0.17

OUR ENVIRONMENT

Many external developments have an effect on us as a grid operator. Take electric mobility, local sustainable generation and energy storage, for instance. National and international agreements on sustainability are at the root of this.

INTERNATIONAL CLIMATE AGREEMENTS

Global agreements are made on energy saving, reducing greenhouse gases and slowing down global warming. The Dutch government has committed itself to the climate agreements that were made in Paris in December 2015. The goal of these agreements is to reduce greenhouse gas emissions and to limit global warming to a maximum of 2 degrees by the end of this century. To achieve the Paris CO_2 targets, drastic measures will be required. This means that the use of fossil-based resources will be phased out, the amount of sustainable energy will increase and energy use will shift towards electricity.

SUSTAINABLE DEVELOPMENT GOALS

Together with 193 other countries, the Netherlands has committed itself to the United Nations Sustainable Development Goals. Enexis supports the worldwide goals for sustainable development described below, to which we will be able to contribute with our activities.

NATIONAL AGREEMENTS

Decisions made in the Dutch Coalition Agreement of October 2017 will have an impact on our task as energy grid operator. Furthermore, the National Energy Agenda of the Dutch Ministry of Economic Affairs and Climate Policy states their vision that the Netherlands should have a low-CO_2 energy supply by 2050. The use of natural gas, a fossil fuel, must therefore be reduced as much as possible. In new residential areas, it will no longer be the norm to install a natural gas grid. The task to provide a gas supply will be replaced by a right to heating, under which end users will be entitled to a connection to an (upgraded) electricity supply or a district heating infrastructure.

Before the end of the cabinet's term of office in 2021, the government wants to make 30,000 to 50,000 existing homes gas-free, or to make them so energy-efficient that they can be made gas-free in the near future. This will be the first step towards increasing the sustainability of around 200,000 houses per year, a pace required if the entire housing stock of about 7.5 million homes is to be made sustainable by 2050. The goal is that by 2030 at the latest, all coal-fired power plants will have shut down and all new cars will be zero emission.

The subsidy stimulating sustainable energy production (SDE+) will be continued. The cabinet will draw up climate legislation with the 2030 target of lowering CO_2 emissions by 49% compared to 1990 levels. This is in line with the Paris climate agreement.

WHAT DOES THIS MEAN FOR ENEXIS?

We support the national climate and energy agreement that will contribute to a low-CO_2 energy supply. In new housing estate, no gas supply will be installed. In existing residential areas, our advice is to make the switch to hybrid heat pumps to make heating supply more sustainable. We will also need to anticipate the availability of CO_2-free gases and the advent of low-temperature district heating networks. However, from Enexis' point of view, it is not the case that the gradual phasing out of natural gas will also lead to wide-scale abandonment of the gas grid. From a technical and economic perspective, using only electricity is not always a realistic option. A district heating network is by no means an option in every situation. In such cases, the use of sustainable gaseous fuels such as hydrogen produced using sustainable electricity or Green Gas, combined with the use of hybrid heat pumps is the most practical route to improving sustainability. The reduction of energy from fossil fuel sources alters the predictable pattern of electricity supply and demand. Supply becomes more dependent on weather conditions, with demand also becoming less predictable. These changes all have an effect on Enexis.

Furthermore, we will have to take into account a rapid increase in the number of electric cars so that the power grid has sufficient capacity available to meet the sustainable power demand created by these vehicles. Storage of sustainable electricity to enable efficient and effective grid management is becoming a credible alternative for upgrading the grid. Flexibility agreements with market parties to prevent congestion are likely in the future.

CREATING AND SHARING VALUE

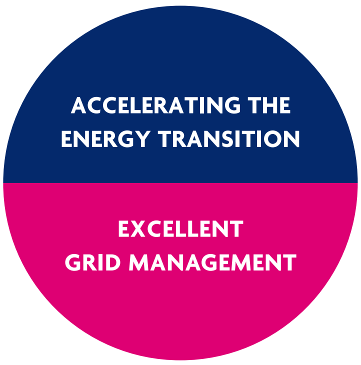
With our grids, expertise and activities, we aim to provide a solution for the energy issues of today and in the future. In 2017 our strategy was realigned to create more value for our stakeholders in the long term.

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.

STRATEGY

From our core task of ensuring a reliable and affordable energy supply, we wish to enlarge our contribution to the transition to a sustainable energy supply. This is necessary if we are to realise the objectives of the Dutch Energy Agreement, together with partners. This is why, together with our stakeholders, we have realigned our strategy. In April 2017 our Strategic Plan 2017 was approved by the General Meeting of Shareholders and published on www.enexisgroep.com.



We distinguish two strategic pillars: excellent grid management and accelerating the energy transition. Our definition of excellent grid management is to provide a reliable and future-proof energy infrastructure with processes that are simple for customers and employees, at the lowest possible cost. In doing so, safety remains our top priority. With our activities relating to sustainable regional development, energy savings, electric vehicles and flexibility, we are implementing the acceleration of the transition towards a sustainable energy supply.

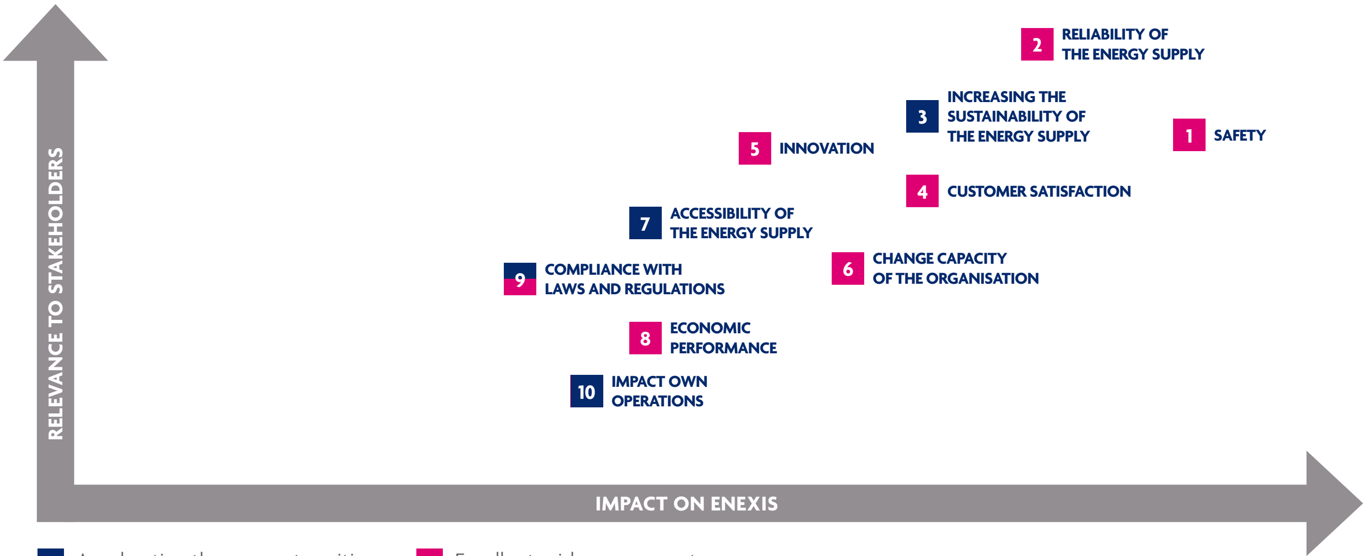
We regard excellent grid management as the reason we exist. We keep our grids reliable and future-proof and adapt our services as far as possible to the needs of our customers, within the statutory limitations. However, the recent growth in developments such as electric mobility, local sustainable energy generation and energy storage are placing new demands on the grids. We need to withstand the growing fluctuations in energy supply and demand and are therefore making our grids smarter using ICT. We are accelerating the energy transition with innovative solutions in the field of energy savings and greening.

WHAT STAKEHOLDERS CONSIDER IMPORTANT

Enexis defines eight groups of stakeholders, each with their own wishes and needs.

CUSTOMERS	EMPLOYEES	SHAREHOLDERS	MARKET AND CHAIN PARTNERS	INVESTORS	POLICYMAKERS	INTEREST GROUPS	LOCAL ENERGY PARTNERS

In 2016, in consultation with these stakeholder groups, we selected topics that are relevant to them and have an impact on Enexis. These are the so-called 'material issues'. We discuss the top 10 of these issues in this annual report. We believe it is important that there is a clear link between material issues and our strategy. Active risk management allows us to limit the risks associated with these issues.



Accelerating the energy transition   Excellent grid management

VALUE CREATION MODEL

During the value creation process, we carefully consider the options to ensure that our activities produce the greatest value possible for our stakeholders.

INPUT

EMPLOYEES

4,332 skilled professionals work at Enexis. They work constantly to increase their expertise and sustainable employability.

CUSTOMER AND CHAIN

Our energy grids provide electricity to 2.8 million customers and gas to 2.3 million customers.

SHAREHOLDERS AND INVESTORS

Our revenue in 2017 totalled 1,380 million.
We invested 423 million in our grids.

GOVERNMENT AND POLICY

Our compliance policy provides direction and guidelines to ensure the best possible compliance with laws and regulations.

CLIMATE

In 2017 we focused more on improving the sustainability of our vehicle fleet and buildings. We held 3 car-free days.
Our Socially Responsible Procurement Policy safeguarded circular procurement of materials and services.

ADDING VALUE

ACCELERATING THE ENERGY TRANSITION

EXCELLENT GRID MANAGEMENT

Together with local partners we realise Dutch goals for sustainable energy generation and energy saving

We realise innovation, scalable solutions and accelerate the transition to a sustainable energy supply

Our grids and services will ready in time for the changes in the energy world

We strive for excellent service with high customer satisfaction and lowering of costs

Our energy supply is reliable

OUTPUT

EMPLOYEES

Safety based on: DART-rate: 0.33

Engagement: 7.6

Teamwork: 6.3

Absenteeism: 4.8%

CUSTOMERS AND CHAIN

Average outage time electricity: 13.8 minute

Average outage time gas: 50 seconds

Public safety: 3 out of 4 milestones achieved

Customer satisfaction: 2 out of 5 scores achieved

Distribution automation: 364 substations

SHAREHOLDERS AND INVESTORS

Controllable costs and revenues: 388 mln

Net profit: 207 million

Solvency: 49.7%

GOVERNMENT AND POLICY

Smart meters offered: 454,461

Smart meters installed: 85.2%

Compiling energy plans

No fines from ACM and State Supervision of Mines (SSM)

CLIMATE

'Buurkracht' neighbourhood programme target achieved

CO_2 reduction for lease vehicles and kilometres claimed: 6.9%

Waste policy: 89% waste recycled

OUTCOME

EMPLOYEES

Employee wellbeing improved due to their safe working environment and sustainable employability

CUSTOMERS AND CHAIN

Customers can rely on safe and reliable energy. Market facilitation makes it possible for them to make their own energy decisions.

SHAREHOLDERS AND INVESTORS

Shareholders receive a reasonable return and our credit rating inspires confidence. We provide employment opportunities in municipalities.

GOVERNMENT AND POLICY

The smart meter enables energy savings. We safeguard privacy and provide a safe data environment.

CLIMATE

Due to our continuous focus on gross CO_2 reduction supplemented by purchase of Guarantee of Origin and Gold Standard Certificates, scope 1 and 2 and part of scope 3 are offset so that our own net emissions are 0.

OBJECTIVES AND PERFORMANCE

KPI	OBJECTIVE 2017	REALISATION 2017	OBJECTIVE 2018
Employee engagement and teamwork	Q4 teamwork score ≥ 7.0; Q4 engagement score ≥ 8.2	teamwork score 6.3; engagement score 7.6	Q4 teamwork score ≥ 6.8; Q4 engagement score ≥ 8.0
DART-rate Enexis[1]	≤ 0.22	0,33	≤ 0,19
Lost Time Injury Frequency (LTIF) Enexis[1]	≤ 1.10	1.63	≤ 0.95
DART-rate third parties[1]	≤ 0.67	0.44	≤ 0,60
Lost Time Injury Frequency (LTIF) third parties[1]	≤ 3.35	2.20	≤ 3.00
RELIABLE			
Electricity annual outage time (JUD)	≤ 20.5 minutes	13.8 minutes	≤ 19.5 minutes
Number of substations equipped with distribution automation (DALI)[2]	≥ 350 substations	364 substations	DA ≥ 320 stations; DALI ≥ 3.800 stations
AFFORDABLE			
Controllable costs and revenues[3]	≤ EUR 396 million	EUR 388 million	≤ EUR 404 million
CUSTOMER ORIENTED			
Customer effort scores (CES)[4]	≥ 4 out of 5 customer effort scores in Q4 2017 ≤ sub-target	2 out of 5	3 out 3 customer effort scores in Q4 2018 ≤ sub-target
Smart meters offered	≥ 459,000 addresses	454,461 addresses	≥ 459,000 addresses
Smart meters installed	≥ 90%	85.2%	≥ 90%
SUSTAINABLE			
Number of new 'Buurkracht' neighbourhoods	≥ 60 neighbourhoods	79 neighbourhoods	≥ 100 neighbourhoods
Reduction in CO_2 of leased cars and claimed mileage[5]	≥ 6% reduction compared to 2014 score	6.9%	≥ 17.8% reduction compared to 2014 score
CO_2 savings registered in 'Buurkracht' programme at end of 2017 ≥ 3,000,000 kg CO_2 (based on number of measures taken x average savings)[6]	≥ 3 million kg CO_2 reduction at end of 2017	target achieved	N/A
Contribution of Enpuls to CO_2 reduction	N/A	N/A	≥ 20,000 tons CO_2 reduction
Increased sustainability of urban area	N/A	N/A	41 of the stakeholders identified take at least 1 process step
Stakeholder engagement (3 milestones; final goal is concrete energy plans with stakeholders)	3 milestones achieved	2 milestones achieved	N/A

1. To enable better comparison of safety performance within the sector, the number of accidents will be measured as Lost Time Injury Frequency (LTIF), starting in 2018. Although in 2017 we focused on the DART rate and in 2018 will be focusing on LTIF, this table shows both the DART rate and the LTIF values to make this transition clear.
2. Objective 2017 and Realisation 2017 relate to figures up to and including November.
3. Enexis Netbeheer (incl. staff departments); the objective for 2017 is a standardise target.
4. 2017: standard connections, customised connections, customer service by phone, website enexis.nl, outage information. 2018: chain API, standard connections, outages.
5. Unlike 2016, this KPI is calculated to include interns and work experience placements. Vehicles with a commercial license plate (grey) are excluded from this score.
6. For the calculation of the CO_2 reduction, the conversion factor for the production mix of grey energy in the Netherlands is used (energy produced using fossil fuels).

Peter Vermaat CEO and **Maarten Blacquière** CFO

The Netherlands is in the midst of the energy transition. Increasing numbers of customers want to become more sustainable, new collaborations are coming into existence and the role of grid operators is changing. We see two major tasks for ourselves in the years to come: excellent grid management and the acceleration of the energy transition. CEO Peter Vermaat and CFO Maarten Blacquière describe developments in 2017.

2017 was a year in which change was evident throughout society. For example, customers are increasingly saving or generating energy themselves, including municipalities, energy cooperatives and suppliers. Everybody is becoming increasingly involved in the energy transition and is making their own energy decisions. Our employees are helping them with this in making new energy choices technically possible.

In 2017, we worked hard at renewal, safety and reliability. Our safety performance got worse in 2017 compared to 2016. That is a cause for concern. The fatal accident on 7 December 2017 in which one of our contractor's technicians lost his life was a terrible shock. Safety is and remains our highest priority and ensuring that safety regulations are followed requires constant vigilance. We either work safely, or we simply don't work.

EXCELLENT GRID MANAGEMENT

Managing the electricity and gas grids is and remains our most important societal task. The term management may sound passive, but maintaining the grid in perfect condition in five provinces is a complex process. In the first place comes the safety aspect. Work on our grids can only take place once the situation is safe for both our employees and the surrounding area. We take no risks in this respect. In addition, we carry out maintenance and prepare our grids for future energy demands by digitisation and new technology. As a result, the average outage time remained under 15 minutes in the past year.

Due to the high rate of technological development, we believe that the most sensible solution for renewal is often opting for a pragmatic solution. Improving sustainability of heating supply is a good example of this. In new residential areas, a natural gas grid is often no longer required, hence after consultation with customers, municipalities and property developers, we often opt for a sustainable 'all-electric' solution. In existing residential areas, natural gas still plays a role and we wish to make use of the existing grid for as long as possible. Our aim is to make the switch to hybrid heat pumps that use less natural gas, thus making heating supply more sustainable. This allows us to reduce CO_2 emissions at the lowest possible societal cost, with the gas grid keeping its value for the time being. The result of this for our customers is an energy supply that they can rely upon, that is future-proof as well as remaining affordable.

Our services to customers must remain at least as excellent as at present. In 2017, we put a great deal of time and energy into redesigning our primary processes such as the connection and the outage procedures. As a result, it is easier for our customers to arrange for a connection, whether that is a connection for a house or the construction of the Netherlands' largest solar farm in Delfzijl where we connected over 120,000 solar panels to our grid in 2017. Even though we have taken our first steps towards an efficient and customer-friendly process, we still have a way to go. Little by little, we are moving forward and are convinced that our customers will find it easier to apply for and modify their connections in 2018.

ACCELERATING THE ENERGY TRANSITION

The new Rutte III cabinet has ambitious plans for the energy transition. Many new solutions are required for the energy supply by 2030. From international IT systems to local energy plans. From technology to regulation. Enexis is taking the initiative to work in collaboration with other companies, government, consumers, cooperatives and knowledge institutes towards innovative, scalable solutions. Only by joining forces can we create solutions that will be workable for all parties.

Particularly at a local level, Enexis needs to collaborate to achieve acceleration. The energy transition takes place within a national context, but it is implemented in municipalities, neighbourhoods and families. Since local government has a crucial role, we have written to all political parties in our service area with recommendations about the energy transition. In 2017 we also made the first concrete energy plans with municipalities. We investigated the availability of sustainable energy sources and the current and future energy requirements in these municipalities. Working together, this resulted in an area development plan that we can use to realise an optimal energy infrastructure in the years to come. In the municipality of Sittard-Geleen, for example, we made a plan to develop a sustainable heating network. In our Buurkracht neighbourhood programme we go a step further, mobilising neighbourhoods to take their own sustainable initiatives, down to energy-saving measures at home.

However keen we are to accelerate the energy transition, this change also raises new issues. For instance, within our organisation we need to learn how to deal with the unpredictability of sustainable projects. Progress is often dependent on provincial or municipal decision-making processes and the agreement of local residents. This requires flexibility in our planning and investments. A lack of qualified technical staff or available materials can act as an obstacle to timely installation of wind farms or solar farms. It is essential that we make well-considered decisions and remain cost-conscious.

FULL OF AMBITION INTO 2018

In addition to changing technology and processes, we need a transition in our behaviour to achieve our strategic goals. We therefore demand more ambition, responsibility and initiative from all our employees, at all levels. This is helping us to become more result-oriented and increase our value for our stakeholders. In 2017 we began an extensive programme of change as we head towards 2020, the first results of which we are already seeing in technology, processes as well as behaviour. It is inspiring to see how motivated our staff are to work together to achieve our goals. Moreover, they demonstrate that they have a fundamental belief in the energy transition, for instance by making their own homes more sustainable and choosing greener mobility options. By putting improved sustainability into practice ourselves, we set a good example for the people and businesses around us.

The Netherlands needs to improve its sustainability at a rapid pace. We have ambitious plans, but we are taking realistic steps to accelerate the energy transition. In 2018 we expect our internal transition programme to bear fruit externally by improvements in service to customers, efficient management in the chain and technological innovation. We implemented this initiative in 2017 to make a greater contribution to society. The energy transition comes with major challenges that we – together with our employees and collaborative partners – look forward to with confidence.

Peter Vermaat, CEO
Maarten Blacquière, CFO

“WE HAVE TO BE ABLE TO FIND EACH OTHER, **ESPECIALLY IN EMERGENCIES**”

“A large part of the land in the Netherlands lies below sea level. But thanks to constant anticipation, the Netherlands remains the safest delta in the world. The Department of Waterways and Public Works invests in keeping the Netherlands safe, accessible and a pleasant place to live. In order to be prepared for potential disasters, we play an active role in training exercises.

In 2017 Enexis joined us as part of the exercise ‘When the dyke breaks...’, organised by the Central and West Brabant Safety Region. Everyone had their own role: the emergency services, the Department of Waterways and Public Works, the water authorities and the grid operators. Prior to the exercise, the participants cooperated to make an impact analysis and drew up an action plan. For this exercise the Department of Waterways and Public Works reported an expected high water level and participants then responded immediately with appropriate measures. Enexis evaluated the impact on the electricity and gas network and cut off the gas supply to prevent incidents.

To keep our country safe, the Department of Waterways and Public Works and Enexis must cooperate. We have to be able to contact each other, especially in emergencies. In the case of potential disasters such as high water levels in rivers or a major storm, this is already the case. Yet, there are crisis scenarios that we are less experienced in. For example, cybercrime or terrorism. By working together on exercises such as these, we can be better prepared for unexpected scenarios.”

CARLA SENGERS
CRISIS MANAGEMENT ADVISOR, DEPARTMENT OF WATERWAYS AND PUBLIC WORKS SOUTH NETHERLANDS

1. SAFETY

In addition to physical safety, cyber security is also playing an increasingly important role in society. We are aware of the risks and set high security standards. Our employees know that working safely is paramount including in matters of data and privacy.

It is well-known that working with electrical installations or gas is never without risk. Our employees are fully aware of the safety risks. They are trained and alert each other to possible dangers. It was horrific when a one of our contractor's technicians died in December 2017 while working for Enexis in an electrical substation, just as it was when one of our technicians was killed in a single-vehicle road traffic accident in September. The loss of a colleague is the blackest scenario imaginable.

By giving safety the highest priority and taking appropriate measures, we want to reduce the number of accidents. We measure this with the DART-rate, the number of accidents resulting in absenteeism per 200,000 hours worked. Our target in 2017 was a DART-rate of ≤ 0.22. At the end of 2017, our score was 0.33. 13 accidents resulting in absenteeism occurred; in 2016 we achieved a historic low with only 7. The reason that there were more accidents in 2017 is difficult to pinpoint. Incidents occur unexpectedly. We continue to train our employees in safety awareness. In 2017 there was increased attention for safety leadership for managers and operators and for safe working practice in the presence of asbestos and in contaminated soils.

	2017	2016	2015	2014	2013[2]
Accidents and DART-rate[1]					
Fatal accidents[3]	1	0	0	0	0
DART-rate Enexis	0.33	0.17	0.33	0.60	0.49
DART-rate third parties[4]	0.44	0.86	0.78	0.90	1.11

1 DART-rate: the DART-rate stands for the number of accidents resulting in absence from work per 200,000 working hours.
2 Comparative figures 2013 were adjusted in view of the changed definition in 2014, whereby accidents with adapted work were no longer included.
3 Excluding commuting traffic.
4 Figures 2016 excluding Endinet.

To allow better comparisons of safety performance within the sector, we will be measuring the number of accidents using Lost Time Injury Frequency (LTIF), starting in 2018. This figure expresses employee safety as the number of accidents resulting in absenteeism per 1 million worked hours. Converted to LTIF, we would have scored 1.63 in 2017.

SAFETY IN THE CHAIN AND OUR ENVIRONMENT

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 help to improve safety. In 2017 the safety of our contractors was one of our focus areas. We paid extra attention to this by entering into a dialogue, participating more often in incident investigations and sharing information about safety. In 2017, 8 accidents resulting in absenteeism were reported by our external parties, causing the third-party DART-rate to drop to 0.44. For comparison, in 2016, 14 accidents resulting in absenteeism were reported by external parties.

To ensure the safety of the public and to prevent incidents, we closely monitor what is happening in our grids. We rate the number of gas incidents according to their severity. The number of incidents with a limited or significant effect increased in 2017. This is partly due to the fact that our area of operation has been extended and a relatively large number of incidents (4 out of 14) occurred in the former Endinet area. To maintain the safety of the public, Enexis has an intensive, risk-based replacement programme for main and connecting pipelines. Furthermore, we pay great attention to prevention of excavation damage, the most significant cause of gas incidents.

Milestones	Status at year-end 2017
Number of gas leaks with a negligible or small impact < 13.500	11.506
Number of incidents with a moderate or considerable impact < 10	14
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.

DIGITAL SECURITY

Enexis believes it is extremely important to be a reliable digital grid operator and to handle personal data with care. Cyber security means that we are implementing privacy and security measures.

PRIVACY

With the growth of computerisation in our energy grids and services, we have to handle more personal data, more often. For instance, we can take meter readings from the smart meter remotely. Together with the other grid operators, Enexis Netbeheer had already drawn up a smart meter code of conduct. This sets conditions for processing data from smart meters.

As a result of a data leak in the energy sector in 2016, we also collaborated with other grid operators on the Data Security Action Plan in 2017. This ensures improved customer privacy, for instance for 'customised services', without negatively affecting the free market. There are improved guarantees that energy providers can only request customer data from central registers after permission from the customer. This action plan has been presented to the Dutch Authority for Consumers & Market and the Dutch Data Protection Agency.

In addition, in 2017 we paid a great deal of attention to the implementation of the General Data Protection Regulation that comes into effect on 25 May 2018. For instance, we updated our privacy policy and performed Privacy Impact Assessments.

CYBER SECURITY

Cyber security is also becoming an increasingly important topic. If hackers obtain unauthorised access to our systems, this can lead to disruptions and/or data leaks. We therefore protect our physical infrastructure and computers against cybercriminals. We also carry out regular penetration tests on our IT systems.

In 2017 we implemented a new standard for gas and electricity grid security, the ISA/IEC-62443 standard. This assists us in setting up security architectures, training employees and detecting security incidents in a structured way. The security management system is integrated into our risk management system.

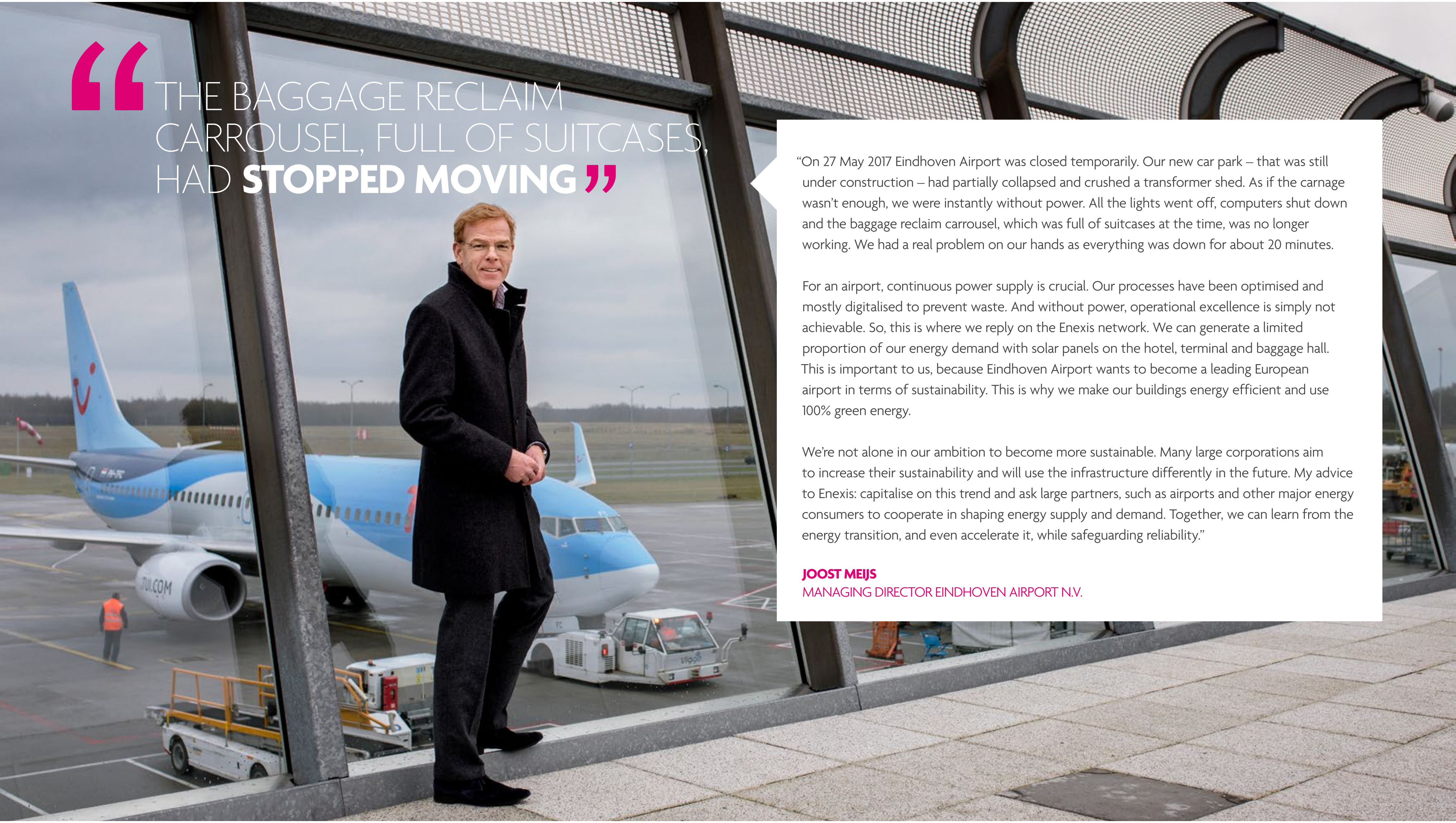
In the area of cyber security, we work closely with external partners and suppliers, allowing us to combine our knowledge and to react rapidly to any developments. We also work together with the Dutch Ministry of Justice and Security's National Cyber Security Centre, other grid operators and market parties to act in a timely manner against external signs of attack.

PRACTICAL CHALLENGE

After prolonged exposure, asbestos fibres can cause fatal diseases. As long as asbestos is integrated in other material, it is not necessarily dangerous. It only becomes a health risk once the asbestos fibres are released and inhaled. For instance, in demolition activities. This is why the government is keen to avoid exposure to asbestos fibres.

In the past, asbestos was often used in the construction of our stations. As an industry, we have expressed our ambition to have all our stations inspected for the presence of asbestos, both integrated in components and in the actual construction, before 2024. Asbestos will not necessarily be removed in all cases, but a situation will be created whereby the asbestos that is present can be preserved, so that secure working conditions can be safeguarded. Together with our partners in the industry, we are approaching the task of carrying out this inspection accurately and uniformly. In 2017, Enexis inspected approximately 20% of the roughly 140,000 electricity and gas stations. All our technicians have been trained to work in conditions where asbestos is present. The methods we use in our industry to assess the levels of asbestos is new and ambitious and this is why we are discussing this with the Inspectorate.

“**WORKING SAFELY**
WITH ASBESTOS”



"THE BAGGAGE RECLAIM CARROUSEL, FULL OF SUITCASES, HAD **STOPPED MOVING**"

"On 27 May 2017 Eindhoven Airport was closed temporarily. Our new car park – that was still under construction – had partially collapsed and crushed a transformer shed. As if the carnage wasn't enough, we were instantly without power. All the lights went off, computers shut down and the baggage reclaim carrousel, which was full of suitcases at the time, was no longer working. We had a real problem on our hands as everything was down for about 20 minutes.

For an airport, continuous power supply is crucial. Our processes have been optimised and mostly digitalised to prevent waste. And without power, operational excellence is simply not achievable. So, this is where we reply on the Enexis network. We can generate a limited proportion of our energy demand with solar panels on the hotel, terminal and baggage hall. This is important to us, because Eindhoven Airport wants to become a leading European airport in terms of sustainability. This is why we make our buildings energy efficient and use 100% green energy.

We're not alone in our ambition to become more sustainable. Many large corporations aim to increase their sustainability and will use the infrastructure differently in the future. My advice to Enexis: capitalise on this trend and ask large partners, such as airports and other major energy consumers to cooperate in shaping energy supply and demand. Together, we can learn from the energy transition, and even accelerate it, while safeguarding reliability."

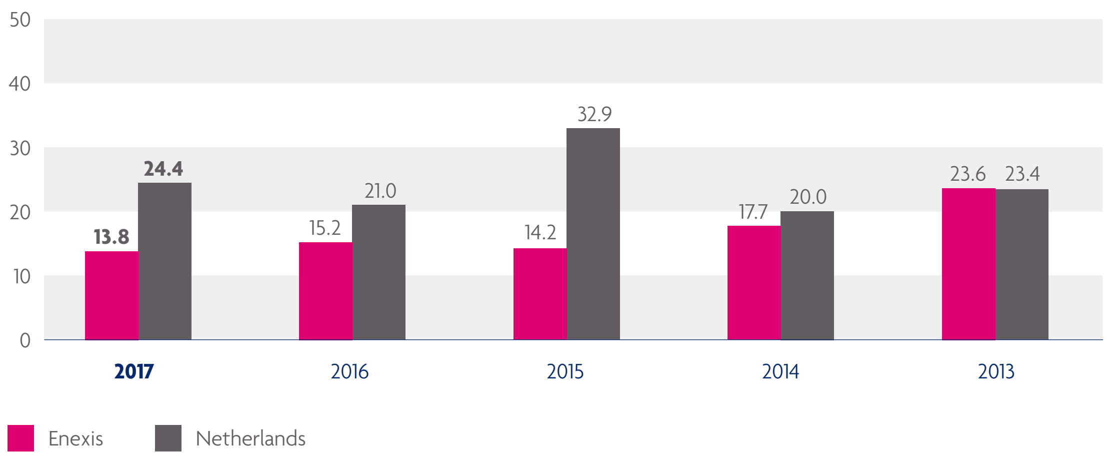
JOOST MEIJS
MANAGING DIRECTOR EINDHOVEN AIRPORT N.V.

2. **RELIABILITY** OF THE ENERGY SUPPLY

In our digital society, electricity is becoming ever more important. At home, at work and in the public space, customers rely on the availability of electricity, 24/7.

Outages cause our customers inconvenience. This is why we do everything in our power to prevent such outages and we are at the ready, day and night, so that if an outage does occur in spite of this, we can provide a solution as rapidly as possible. In 2017 or customers had an average of 50 seconds without gas and 13.8 minutes without electricity.

In recent years Enexis Netbeheer's outage time has shown a positive trend. The table below shows the annual outage time per electricity connection (due to HV, MV and LV outages) in minutes per connection.



A significant number of outages were caused by excavation work. Since the economy is improving, more excavation is taking place and damage to our cables and pipelines is occurring more frequently. In 2017 this resulted in outages and caused economic damage for the perpetrators, grid operators and customers. To prevent damage, it is crucial that excavators carry out excavation work with care. Enexis' Excavation Damage Prevention team is working to create awareness in this area. In national consultative bodies in which we take an active role, preventing excavation damage figures prominently on the agenda. Our investments in the quality of registration of cables and pipelines also contribute to limiting the risk of excavation damage.

	Electricity (in minutes)	Gas (in seconds)
Outage time		
Groningen/Drenthe	17.7	65
Limburg	11.4	29
Overijssel	23.1	56
Noord-Brabant Oost	8.7	50
Noord-Brabant West	8.7	57
High voltage[1]	0.1	0
Total	**13.8**	**50**

1 Cannot be allocated geographically.

INVESTING IN A RELIABLE ENERGY GRID

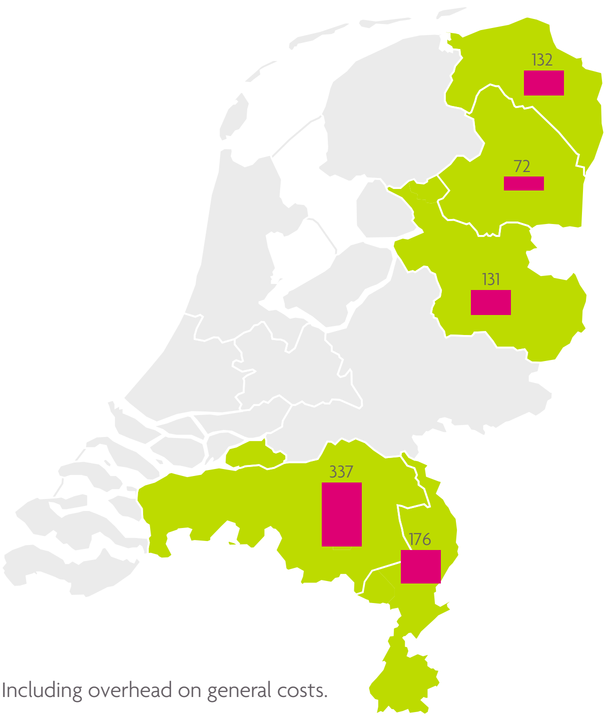
To keep our grid in optimal condition and to guarantee a safe and reliable supply of gas and electricity, we invested EUR 423 million in our energy infrastructure in 2017. Making choices and taking decisions regarding these long-term investments is preceded by a careful weighing up of important factors such as reliability, safety, statutory requirements, costs, customer satisfaction and sustainability. To do this, we use our ISO-55001-certified Risk & Opportunity Based Asset Management (ROBAM) methodology.

	Gross investment				
amounts in millions of euros	2017	2016[1]	2015	2014	2013
Electricity					
Standard connections	23	21	21	22	22
Customised connections	25	19	20	19	22
Grid expansions	120	93	93	89	95
Reconstructions	22	27	25	26	27
Replacements	38	46	40	37	40
Other	18	15	16	14	11
Total electricity	**246**	**221**	**215**	**207**	**217**
Gas					
Standard connections	9	7	7	7	8
Customised connections	2	2	2	2	2
Grid expansions	19	17	15	15	16
Reconstructions	18	19	19	20	17
Replacements	127	116	117	105	95
Other	2	2	2	2	1
Total Gas	**177**	**163**	**162**	**151**	**139**
Total Electricity and Gas	**423**	**384**	**377**	**358**	**356**

1 Figures 2016 excluding Endinet.

WORK PACKAGE 2018

We also invested in our energy grids in 2018 to maintain high standards of energy reliability for our customers. The total work package in our servicing area requires an investment of EUR 848 million.



Including overhead on general costs.

PRACTICAL CHALLENGE

The increase in generating electricity through solar power in the Netherlands is significant. A development we fully support. Where numerous solar panels are connected to the same low-voltage grid, the grid voltage can exceed the maximum values allowed. If this happens, the inverter automatically turns off the solar panels. This scenario occurs mostly on sunny days, when maximum energy production is realised. The result for the client: an unreliable return of solar-powered grid energy and a lower ROI. We want to avoid this!

Enexis strives for more proactive communication with customers and other stakeholders, to prevent miscalculations in grid planning as far as possible. Extra functionalities have also been added to the smart meter, so it can be deployed to anticipate potential threats in terms of grid voltage. We can now use the smart meter to monitor the grid voltage. If this deviates from the norm by more than 5%, we receive a notification. This allows us to take the necessary steps in time, so the deviation in grid voltage does not exceed the maximum value of 10%. This way, solar panels can always unload their power to a reliable electricity grid.

“SMART METER **HELPS SOLAR PANELS**”

"Loppersum is located in the centre of the earthquake zone in Groningen. The numerous homes in the village that have been damaged have been repaired and in 2017 a project was started to carry out further reinforcement. Houses are extensively inspected and then preventive reinforcements were made to help them withstand potential future earthquakes. This was also an excellent opportunity to increase sustainability at the same time. Many villagers have used the money from the first damage compensation to invest in solar panels and insulation. As a result, we suddenly became one of the most sustainable villages in the Netherlands. Enexis noticed the difference in terms of energy supply and demand. In 2017, our cooperative also opened a sunroof with almost 200 solar panels, and we are looking into wind energy.

Our goal is the trias energetica*: becoming CO2 neutral by generating power ourselves, saving energy and making the winter power provision greener. We work closely with the Loppersum Neighbourhood Team. They are focusing primarily on saving energy in combination with reinforcing the homes. Loppersum is not looking at creating an independent grid – yet. Our members rate reliability and enhanced sustainability over self-sufficiency.

We are supported in our ambitions by several parties, including Enexis. They help us draw up plans. However, implementing sustainable initiatives is yet not standard and is sometimes messy. This is why we need to continue to work together to find a solution."

TJITSE MOLLEMA
CHAIR, LOPSTER ENERGY COOPERATIVE

* The Trias Energetica is a model developed by the Delft University of Technology for pursuing energy sustainability in the building sector.

"WE SUDDENLY BECAME **ONE OF THE MOST SUSTAINABLE VILLAGES** IN THE NETHERLANDS"

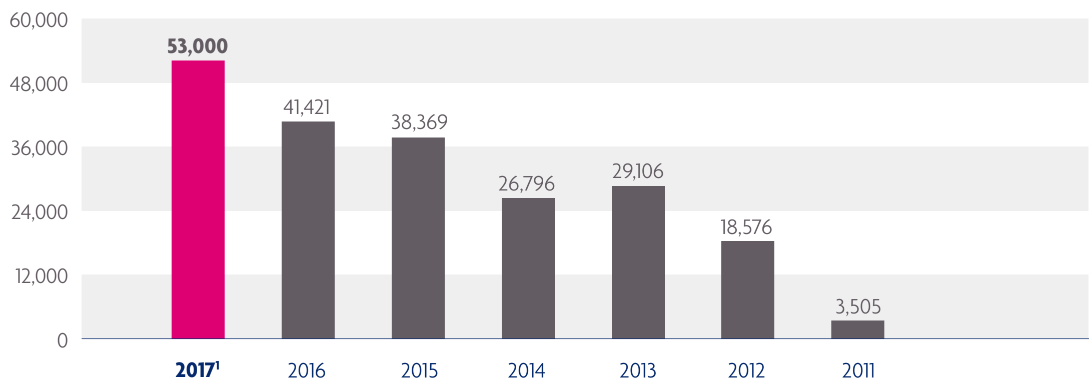
3. INCREASING THE SUSTAINABILITY OF THE ENERGY SUPPLY

A growing number of our customers are opting for increased energy sustainability. They are producing energy themselves with solar panels, windmills or biogas systems. We stimulate them to make sustainable choices, to save energy and to feed in energy to the grid.

Improving sustainability is not only a choice for our customers, it is an international agreement. We feel that we have a social responsibility to make a contribution. We therefore support municipalities, local energy cooperatives, businesses and private individuals in their transition to sustainable energy. We are making it simple to save energy and to feed sustainable energy back into the grid.

Year by year, the proportion of sustainable energy that we transport is increasing. In 2017 we provided the 200,000th connection with feed-in capability. The graph below illustrates the annual increase.

ANNUAL INCREASE IN CONNECTIONS FEEDING IN TO THE GRID



1 December 2017 is an estimate.

COLLABORATING ON SUSTAINABLE REGIONAL DEVELOPMENT

Every area has its own opportunities and challenges relating to energy. We help provinces, municipalities and housing corporations to create a mix between all forms of energy that are locally available such as heat, biogas and electricity. Together we make an area-based plan of approach for each residential area's future infrastructure in the coming ten years.

In 2017 we drew up concrete energy plans with a range of stakeholders, including the municipality of Sittard-Geleen. Although this is a good first step, we had hoped to be able to draw up energy plans with more stakeholders. Our objectives in this area appear to have been too ambitious. A large number of stakeholders are not yet prepared to work out a concrete energy plan. Furthermore, it proved to be difficult to take decisions that are more advanced than those of the Dutch Environmental Planning Bill.

DILLEMA: HOW CAN WE GET MORE CONTROL OVER THE PLANNING OF SUSTAINABLE PROJECTS?

We spent more time on sustainable energy projects in 2017 than we had predicted. We have observed that the timing of sustainable projects often does not progress in the way we had expected. Progress is often dependent on the granting of subsidies, provincial or municipal decision-making processes and the agreement of local residents. If all parties are in agreement, sufficient grid capacity is obviously required to be able to connect the initiative to the grid. In a number of cases, major investments are required, resulting in lead times of more than a year. We have to start work in sufficient time to ensure that the grid is ready on time.

But if the development of a wind farm is delayed or is even cancelled, it is important that we have not made any investments to extend the grid capacity that are, in retrospect, unnecessary. To prevent being ready too late as well as to minimise the risk of unnecessary investment, we hold intensive consultations with potential initiative-takers, provinces and municipalities. We therefore seek optimal alignment of our planning of grid extensions with the initiators of projects for sustainable energy production such as windfarms and solar farms.

EXPERIMENTS IN FLEXIBILITY

Energy supply from the sun and wind is difficult to predict. This can cause power surges that the grids are not equipped for. We were therefore involved in various pilots in 2017 so we can be prepared for energy flexibility. Enpuls experimented with initiatives such as new market models, energy storage and smart charging of electric cars.

The growth of electric vehicles could have a major impact on our energy grids because of the increasing demand for electricity as well as the creation of larger peaks in demand. At the same time, the storage capacity in electric cars offers opportunities. We support the move towards sustainable mobility through practical research and smart charging solutions for users, for instance, so that batteries can be charged at the most sustainable time or charging can be postponed to spread the load on the power grid. In 2017, together with the Province of Noord-Brabant, we started the installation of approximately 2,000 smart charging points. These new charging points are all suitable for charging using locally-generated sustainable energy.

In the past year we also investigated market models that make it more attractive to use energy or to store it when there is more available, for example in the Grid Flex in Heeten where we are realising a local energy system. Up to and including 2020, we are testing out new charging structures, storage and energy management systems.

ENERGY SAVINGS WITH BUURKRACHT NEIGHBOURHOOD POWER

Saving energy is an important first step on the road to a sustainable energy supply, therefore it was agreed in the Dutch Energy Agreement to save 1.5% per year. With the Buurkracht neighbourhood programme, we are taking advantage of social cohesion in local areas for energy reductions. We bring people together to save energy together. In 2017, 79 new neighbourhoods started using Buurkracht. In total, we are now supporting more than 240 neighbourhoods. Every new area is given a neighbourhood support officer who helps the local team to discover the best savings opportunities for their local area. We give them insight into energy and then help the local team to set up local projects, jointly investing in double glazing, insulation and solar panels, for example.

PRACTICAL CHALLENGE

An increasing number of clients generate their own power by using solar panels. The grid operator is responsible for providing a network that is suitable for returning excess power those clients do not use. Unfortunately, this does not always go to plan. When the grid voltage is too high, the inverter turns off and no power is returned. In order to prevent grid overvoltage, Enexis needs to adopt certain measures. So, we went in search of a solution. In the sunniest period of the year, we started a pilot with the 'LS regulator'. This device is intended to level out the grid voltage and prevent voltage peaks. What makes this device special is that it can level out both highs and lows. This way the grid always remains at the right voltage, ensuring the inverter does not shut down and customers are able to continue to return excess power.

"RETURNING **WITHOUT PROBLEMS**"

“PITY WE DIDN’T KNOW THIS AND HAD TO INCUR ADDITIONAL COSTS”

“Modern architecture, durable materials and a healthy living environment. That’s what we want to represent with our ‘primeval home’. I was first on this site, owned by Brabants Landschap in Leende and in the middle of a Natura 2000 area, in 2014. There was a run-down farm and I had the chance to start building my own house here. For an architect like myself, this was a unique opportunity.

Over the coming years, houses will have to be insulated on large scale. The usual choice is for an air-tight insulation system made from plastics. I want to show that natural materials such as recycled paper and sheep’s wool can also be used as a good insulator. Moreover, I believe it’s important to get sustainable construction away from its hippie image. Modern architecture and a healthy living environment go hand in hand.

This house is all-electric. The use of gas is passé. This is why we have electric heating in the walls, a small heat pump and we cook using electricity. Also, the shed we’re going to build will have a sunroof. Unfortunately, our power connection turned out to be too small. Pity we didn’t know this earlier, as we had to incur additional costs. Enexis sent a contractor to replace the connection. In the future, clearer information about all-electric living or even a checklist, will enable Enexis to help customers prepare better.”

RAOUL VLEUGELS
OWNER OF WERKSTATT ARCHITECTS AND CUSTOMER OF ENEXIS NETBEHEER

4. CUSTOMER SATISFACTION

Customers expect grid operators to provide the same high level of service as retailers. We are working on improving our customer satisfaction. On the one hand by taking account of our customers' wishes and adapting our services to them. On the other hand, by simplifying and digitising our processes.

We measure our customers' experiences using the Customer Effort Score (CES). In this case, 'the lower the better'. Our customer satisfaction score has demonstrated a slight downward tendency in the past year. This is why we have put a great deal of time and energy in 2017 into redesigning our primary processes such as the connection and outage procedures, because if customers want to arrange something with us, it should be fast and simple.

These improvement initiatives are a part of an extensive change programme that we started in 2017 to redesign, improve and simplify our processes. The net result is that this approach resulted in more standardisation, a more agile IT landscape, less administration, less waste and new forms of cooperation. We are aware that our efforts in 2017 were not directly visible to our customers, but expect better results in 2018 as processes are embedded, IT systems are renewed and the improved cooperation in the chain prove their worth.

	Target Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Customer Effort Scores					
Standard connections	≤ 28%	37%	35%	36%	34%
Custom connections[1]	≤ 23%	26%	23%	22%	25%
Customer service by phone	≤ 19%	23%	25%	24%	25%
Enexis.nl	≤ 15%	15%	17%	17%	16%
Information on outages	≤ 13%	11%	12%	11%	13%

1 Scores are cumulative.

OFFERING THE SMART METER

An important moment of contact with our customers is when we offer them the smart meter. In 2017 we offered the meter to no fewer than 454,461 addresses. Our technicians installed the meter at more than 85% of our customers. 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. In 2018 it is our goal to offer the smart meter to another 459,000 addresses.

Many customers experience the smart meter as the first step towards saving energy and are pleased with the energy insight the meter gives them, but there are also people who have doubts about data privacy, the reliability of readings and the safety of the equipment. We take these messages seriously and are cooperating with other grid operators on clear information about these issues. On the consumer TV programme Kassa there was a discussion in 2017 about the safety of a particular type of gas meter. Even though meters are only installed or remain in place if they comply with all quality and safety standards, Enexis regrets that any doubt has arisen concerning the safety of gas meters. To remove any unnecessary concern or anxiety amongst our customers, we will be exchanging approximately 27,000 gas meters in the first quarter of 2018. It goes without saying that meters will only be installed if their quality and safety is guaranteed.

In 2017, together with external meter suppliers, we developed a new smart meter. The new meter transmits data through the LTE network (4G). This is more future-proof than GPRS; a European first. Moreover, the new meters are more user-friendly. Since 2017, customers with a smart meter can also enter into a flexible energy rate contract with several energy suppliers. The rates vary per hour and per day so that users can take advantage of the cheapest electricity and gas prices.

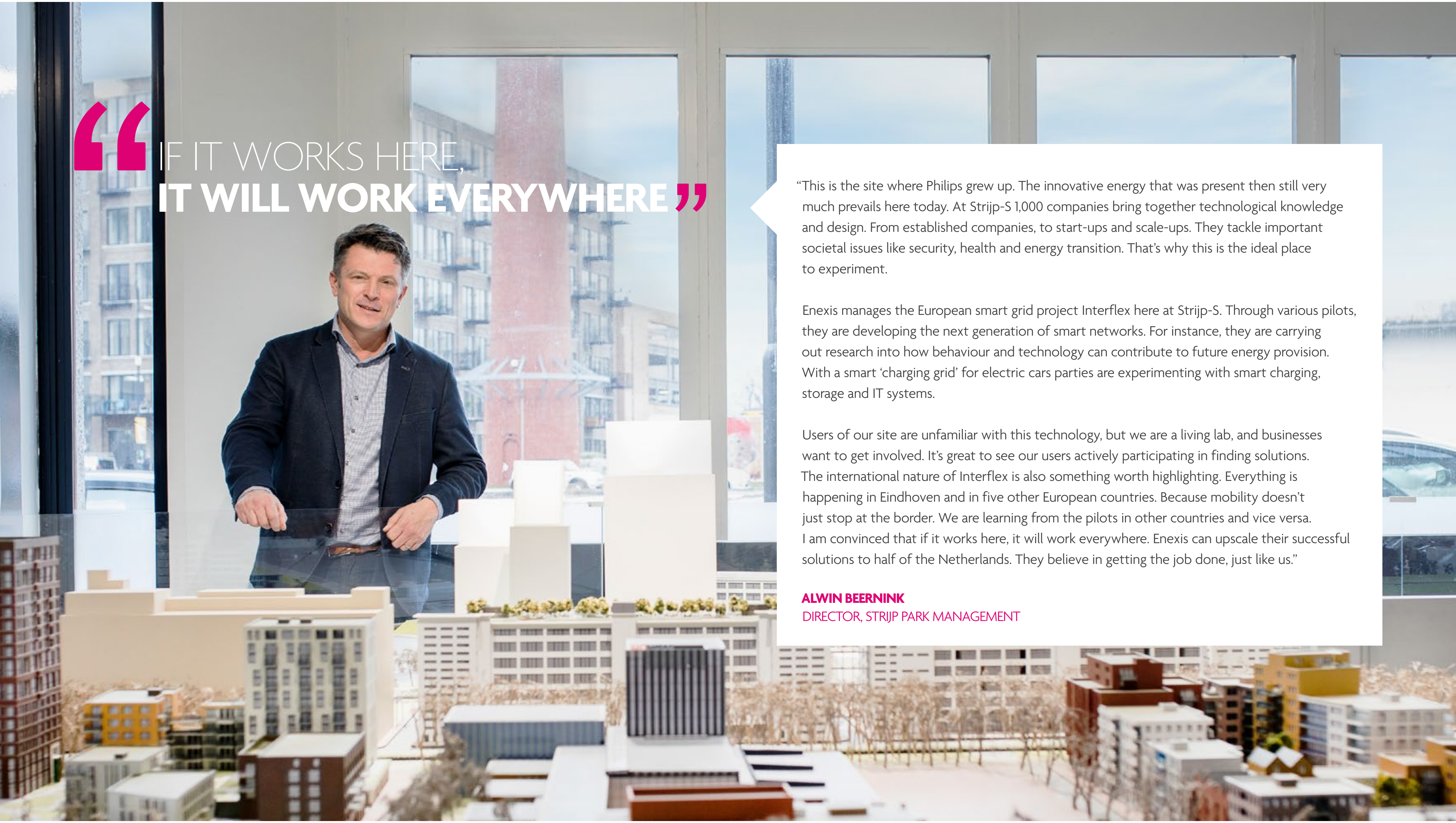
	2017	
Smart meters		
Total number of installed addresses	387,146	85.2%
Not installed:		
Refused by customer	20,046	4.4%
Customer not cooperating yet	37,891	8.3%
Technically not possible	8,480	1.9%
Other	898	0.2%
Total number of addresses offered	**454,461**	**100%**

	untill 2017	2017	2016	2015	2014	2013
Smart meters						
Electricity meters	1,414,309	387,146	366,010	233,247	174,165	128,795
Gas meters	1,136,403	325,299	308,516	149,204	149,494	96,291
Total	**2,550,712**	**712,445**	**674,526**	**382,451**	**323,659**	**225,086**

PRACTICAL CHALLENGE

In the retail sector, the norm is 'ordered today, delivered tomorrow'. Customers order online, have the opportunity to chat with customer service employees, or contact companies via social media. As a network company, we're not at this level – yet, but we are making progress in the right direction. We want to make sure that customers can get what they would like with as little effort as possible. This is why colleagues are now looking at our processes in detail. What can we improve, and how can we become more efficient? In the customised connections process, small improvements have yielded big results. The quotations process has been digitalised, and is now one week faster. In addition, we phone customers several times during the period from the quotation request until the connection is realised. This has enabled us to reduce the Customer Effort Score for the quotation period from approximately 45% to 4%.

“SMALL IMPROVEMENTS SOMETIMES **HAVE BIG RESULTS**”



"IF IT WORKS HERE, IT WILL WORK EVERYWHERE"

"This is the site where Philips grew up. The innovative energy that was present then still very much prevails here today. At Strijp-S 1,000 companies bring together technological knowledge and design. From established companies, to start-ups and scale-ups. They tackle important societal issues like security, health and energy transition. That's why this is the ideal place to experiment.

Enexis manages the European smart grid project Interflex here at Strijp-S. Through various pilots, they are developing the next generation of smart networks. For instance, they are carrying out research into how behaviour and technology can contribute to future energy provision. With a smart 'charging grid' for electric cars parties are experimenting with smart charging, storage and IT systems.

Users of our site are unfamiliar with this technology, but we are a living lab, and businesses want to get involved. It's great to see our users actively participating in finding solutions. The international nature of Interflex is also something worth highlighting. Everything is happening in Eindhoven and in five other European countries. Because mobility doesn't just stop at the border. We are learning from the pilots in other countries and vice versa. I am convinced that if it works here, it will work everywhere. Enexis can upscale their successful solutions to half of the Netherlands. They believe in getting the job done, just like us."

ALWIN BEERNINK
DIRECTOR, STRIJP PARK MANAGEMENT

5. INNOVATION

Technological innovation is advancing faster than ever before across the world. We embrace new technologies and take part in social experiments. This is helping us to make smarter use of our existing grids and to make energy supply more flexible.

Collaborate to innovate. We use the brainpower of our employees and partners to innovate together and to accelerate the energy transition. We enter into dialogue with customers, market parties, cooperatives, municipalities and provinces about new technologies and services. An inspiring place to experience the possibilities of sustainable living and to come into conversation with each other about further renewal is the ***Enexis Huis Limburg*** that we opened in 2017 in collaboration with the Province of Limburg and the municipality of Maastricht.

TECHNICAL INNOVATION IN OUR GRIDS

As we are becoming ever more dependent on locally-generated energy, we need more insight into the power generated, the amount of grid capacity and the voltage levels within the grid. New technology such as distribution automation makes it possible to obtain information from the grids, recognise outages remotely and solve them more rapidly. In 2017 we provided 364 substations with distribution automation. We are also going to place sensors in substations to permit easier monitoring of the condition of the substation. Energy storage allows us to store sustainable energy for a longer period, for example. And by flexible charging of electric cars, we can cope with peak loads in the grid. In addition, we are investigating how we can implement new technology and sustainable sources more efficiently into the infrastructure.

DIGITAL INNOVATION WITH BLOCKCHAINS

New technology makes solutions possible that may even result in new infrastructures. Blockchain is just one of these technologies. In the financial sector, blockchain has already demonstrated that payment methods could be radically different and easier. Blockchain is a new technology and methodology for safe exchange of digital data and payments. Misuse is difficult because each transaction is checked by multiple computers and is completely transparent, without the involvement of a third party. Blockchain as a technology has not yet matured. By research and pilots, we are getting to know the technology better. We are working on this together with partners from inside and outside the energy sector, with universities and government. We are allied in the Dutch Blockchain Coalition.

SOCIAL INNOVATION TO INFLUENCE ENERGY USE

New solutions such as energy-saving measures demand different behaviour from users. With the pilot of Jouw Energie Moment (Your Energy Moment), we are investigating how much people in residential areas in Breda and Etten-Leur are prepared to change their behaviour and what demands this puts upon the energy grid and the services of energy suppliers. Participants in the pilot do not pay a fixed price for the energy they use, but an amount determined by the current price of electricity on the energy market.

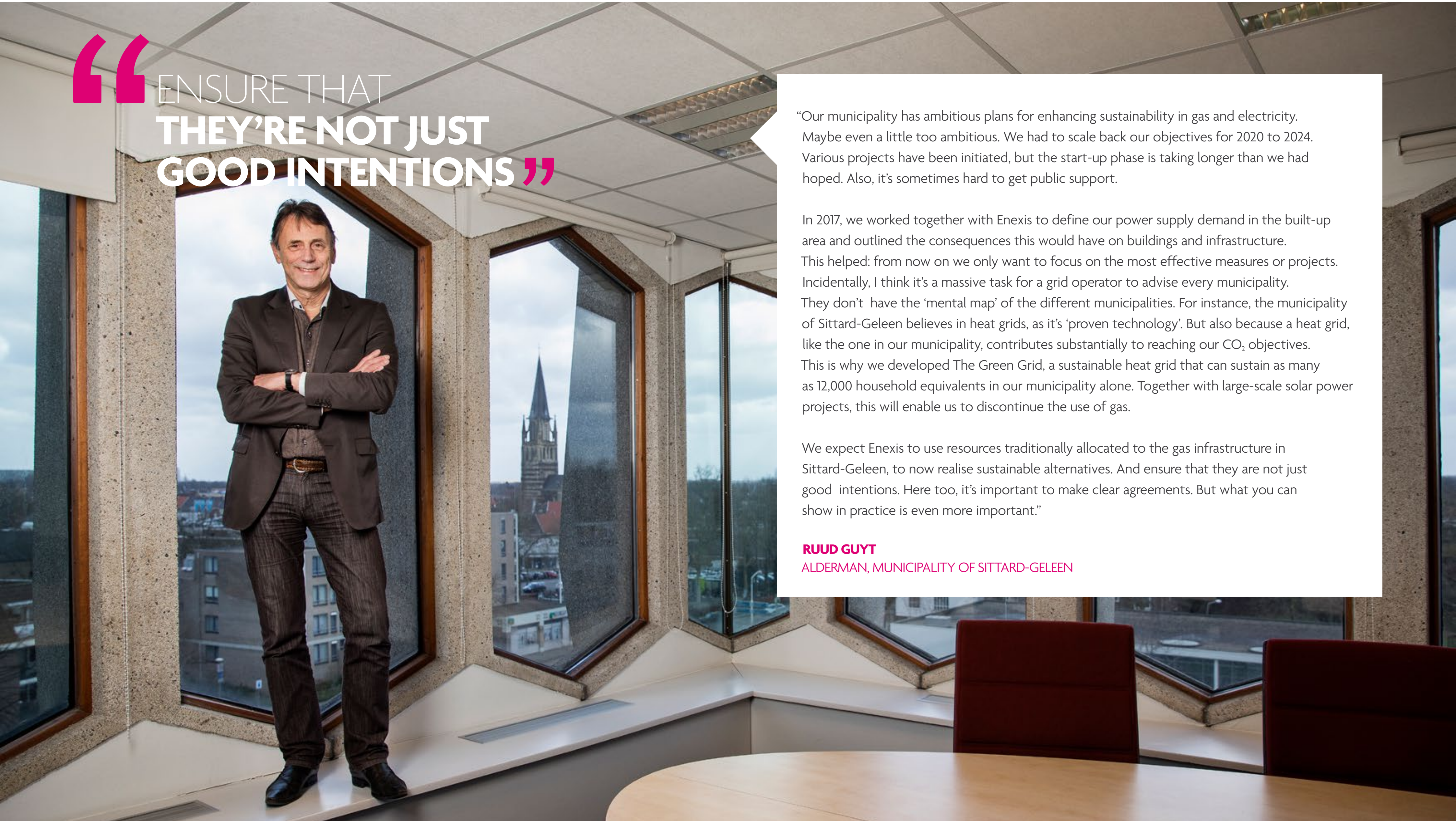
Using their smartphone, tablet or computer, they can check exactly when it is cheapest to use energy. We are investigating the best practical business model for offering these dynamic energy rates. One aspect of this is transparent and fair invoicing and compensation.

Another example of social innovation is social charging, putting electric vehicle drivers in contact with each other so that they can easily share charging points. In 2017 Enpuls started a social charging pilot. Users can contact the person whose car is hooked up to the charging point via an app. The electric car drivers can then use chat messaging to agree when switchover can take place, thus preventing unnecessary investments in extra charging points.

PRACTICAL CHALLENGE

Solar and wind parks, electric cars, smart meters, distribution automation. Sustainable generation and digitalisation are taking the energy provision industry by storm. At Strijp-S business park, Eindhoven we're experimenting with technical, digital and social innovation. The roof of the carpark is covered with solar panels, a neighbourhood power battery is located on the site and there are approximately twenty charging stations, equipped with smart charging facilities. In this European project 'Interflex', we are specifically carrying out research into how smart grids can facilitate electric transport. Smart deployment of local energy sources enables us to absorb peaks in energy demand and avoid our grids having to be expanded unnecessarily.
Five grid operators from five different countries are participating in this research project. Enexis is managing Interflex in the Netherlands and is working closely with ElaadNL, TNO, the Eindhoven municipality and others.

“MORE FLEXIBILITY
IN THE SMART GRID”



"ENSURE THAT THEY'RE NOT JUST GOOD INTENTIONS"

"Our municipality has ambitious plans for enhancing sustainability in gas and electricity. Maybe even a little too ambitious. We had to scale back our objectives for 2020 to 2024. Various projects have been initiated, but the start-up phase is taking longer than we had hoped. Also, it's sometimes hard to get public support.

In 2017, we worked together with Enexis to define our power supply demand in the built-up area and outlined the consequences this would have on buildings and infrastructure. This helped: from now on we only want to focus on the most effective measures or projects. Incidentally, I think it's a massive task for a grid operator to advise every municipality. They don't have the 'mental map' of the different municipalities. For instance, the municipality of Sittard-Geleen believes in heat grids, as it's 'proven technology'. But also because a heat grid, like the one in our municipality, contributes substantially to reaching our CO_2 objectives. This is why we developed The Green Grid, a sustainable heat grid that can sustain as many as 12,000 household equivalents in our municipality alone. Together with large-scale solar power projects, this will enable us to discontinue the use of gas.

We expect Enexis to use resources traditionally allocated to the gas infrastructure in Sittard-Geleen, to now realise sustainable alternatives. And ensure that they are not just good intentions. Here too, it's important to make clear agreements. But what you can show in practice is even more important."

RUUD GUYT
ALDERMAN, MUNICIPALITY OF SITTARD-GELEEN

6. CHANGE CAPACITY OF THE ORGANISATION

Changing the energy supply demands a proactive attitude from our employees and ownership of the result. We have started work to realise the intended behaviour change and to adapt our tried and tested ways of working.

Our current methods of working and managing have made us strong in the past so that our customers can rely upon us for safe and reliable energy grids. We greatly appreciate the commitment of our employees, but looking to the future, we can see that different behaviours are needed. We need to raise the bar to make real acceleration of the energy transition possible. Hence in 2017 we began a large-scale programme of change, part of which involves behaviour and leadership. We are focusing on three developments: ambitiously realising change together, taking ownership of results and holding each other accountable for growth. Change coaches and guides help managers and their teams to work through this behavioural change and to put it into practice. We have also begun using new forms of collaboration. Using multidisciplinary area teams, we can give customers integrated support for their questions about energy.

The engagement of our employees and the teamwork between them serve as our indicators for the changes we have initiated. Every quarter we conduct a random survey of our employees. In the last quarter of 2017, we scored 6.3 for teamwork and 7.6 for engagement. Compared to 2016, this means we achieved a lower score for engagement (2016: 7.9); teamwork was not yet published in 2016.

DILEMMA: AVAILABILITY OF TECHNICIANS

We can only keep up with the pace of developments in energy transition if there are sufficient qualified staff available. According to employers' organisation UNETO-VNI, the Netherlands will have a shortage of around 15,000 skilled professionals in the technical installation trade for the next four years. The job market is tight and training unskilled people takes years. On the one hand we currently want to attract and train as much talent as possible. On the other hand, we cannot know if we will be able to offer sufficient employment in the long term. Due to increased efficiency and automation, we expect employment opportunities within Enexis to decrease in the future.

In 2017 we increased the capacity of the Enexis Vocational College. 21 young people started our accredited vocational course for technicians. In 2019 we expect them to receive their diplomas and then they will be fully deployable. We offer this course in partnership with the regional training centre (ROC) Koning Willem I in Den Bosch and the Deltion College in Zwolle. In 2017, 44 technicians received their vocational-level diploma.

In addition, in collaboration with the UWV (specialised in the reintegration of unemployed adults) in Zwolle, we have taken on and trained a number of unemployed people over the age of 50. They are now employed installing smart meters. This was such a great success that we have started an identical project in Groningen. People are happy that this has given them another chance to really participate in society. As part of our public role, this initiative allows us to contribute to the employment opportunities in municipalities and provinces, including for those who have difficulty finding employment. Together with the municipality of Zwolle, the UWV, installation company UNICA and our contractors, we have developed a scan to prevent unemployment. We take note of businesses in the area that are experiencing difficulties or have gone bankrupt. We scan employees of these companies on their affinity with our activities or those of our contractors. Based on this, we enter into discussions with the aim of deciding on a training plan. In this way we ensure that people are not forced to stay at home unnecessarily.

FUTURE PROSPECTS BY SUSTAINABLE EMPLOYABILITY

Sustainable employability of our own employees was also an important theme in 2017. We help employees to maintain and improve their position on the job market because we expect that in the long term, there will be less work within Enexis and other competencies will be required.

We stimulate all employees to work on their knowledge, skills, fitness and health. That offers everyone prospects for the future. As a contribution in the costs, Enexis employees are entitled to a personal Sustainable Employability Budget of EUR 500 per calendar year. Compared to 2016, more employees have made use of their budget in 2017. On average, around EUR 250 was spent per employee. Recurring expenditure items were related to training and personal vitality.

	2017	2016	2015	2014	2013
Training and education					
Average number of training hours total[1]	24	28	30	32	36
of which:					
- male	28.7	32.6	0	0	0
- female	6.7	7.2	0	0	0
Participants vocational school[2]	47	48	29	20	26

1 The average number of training hours was calculated incorrectly in the years up to and including 2015. Figures cannot be altered in retrospect.
2 Figures 2016 excluding Endinet.

In the event of a reorganisation, the Sustainable Employability Plus arrangement is applicable. The principle of this is that prior to a reorganisation, a process is started in which we look for a new job together with the employees. Support is provided for employees to move from one job to another.

PERSONNEL POLICY

Care for our employees is defined in our policy. First and foremost, in our CSR (Corporate Social Responsibility) policy we acknowledge and subscribe to the United Nations Universal Declaration of Human Rights. Aspects relating to human rights are described in detail in the Collective Labour Agreements, company regulations and the Enexis Code of Conduct. For reporting any infringements of these, there is a complaints procedure, confidential advisers and a whistleblower policy. In addition, we subscribe to the guidelines for employment terms and conditions that apply as fundamental principles and rights at work, as formulated by the International Labour Organization (ILO).

Our absentee rate due to sickness rose in 2017. There was a particular increase in long-term sickness whereby employees are unable to work for longer than 43 days. We are investigating possible causes for this so that we can take measures to improve, if possible.

	2017	2016	2015	2014	2013
Personnel					
Number of employees at year-end (own personnel)	4,332	4,390	4,299	4,316	4,294
FTEs at year-end (own personnel)	4,175	4,229	4,148	4,161	4,141
Female employees as a % of the total workforce	18.5	18.6	18.2	17.5	17.2
Absence due to illness (%)	4.8	4.4	4.3	4.2	3.8

	Male	Female	Total
Age category			
under 30 years	285	38	323
30 - 50 years	1,425	422	1,847
over 50 years	1,819	343	2,162
Total	**3,529**	**803**	**4,332**
Percentage	81.5%	18.5%	100%

	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
In- en outflow								
under 30 years	46	36	**10**	2.06	9	2	**7**	4.00
30 - 50 years	83	63	**20**	6.46	17	18	**-1**	9.33
over 50 years	25	125	**-100**	34.74	1	20	**-19**	28.50
Total	**154**	**224**	**-70**	**21.54**	**27**	**40**	**-13**	**18.65**

	Male				Female				
	Wajong[1]	WAO[2]	WIA[3]	Total male	Wajong[1]	WAO[2]	WIA[3]	Total female	Total
Labour participation									
under 30 years	2			2	1			1	3
30 - 50 years	2	1	6	9	1	1	2	4	13
over 50 years		16	10	26		2	7	9	35
Total	**4**	**17**	**16**	**37**	**2**	**3**	**9**	**14**	**51**

1 Disablement Assistance Act for Handicapped Young Persons.
2 Invalidity Insurance Act.
3 Work and Income according to Labour Capacity Act.

PRACTICAL CHALLENGE

Enexis employees are ambitious. We are rolling up our sleeves to accelerate energy transition. We're well aware that this will take effort. We want to change in order to meet customer expectations. Every team is being supported in how to identify the changes that are needed, in terms of activities and behaviour.

In 2017 a total of roughly 30 employees started as change coaches and change guides. Over the next three years, they will be supporting managers in realising behavioural change in their teams. Step one was an intensive two-day change workshop for approximately 350 managers. Step two is the transition from theory to reality. The change guides help teams to reflect on their collective and individual behaviour.

"CHANGE GUIDES GET **TEAMS MOVING**"

“THE SOCIAL VALUE OF AN AREA-SPECIFIC APPROACH IS INVALUABLE”

“Those enjoying green electricity don’t usually have windmills in their back garden. That might not sound like a problem, but balancing benefits and burdens is an important aspect of energy transition. The Netherlands has a huge task ahead. To reach the climate objectives in time, the speed of construction needs to increase levels usually only seen in China. The acceptance and recognition of the need for change goes a lot faster once you engage people in the problem, and ensure an equal distribution of tasks with respect to the quality of the living environment.

Since energy transition has such a massive spatial impact, grid operators as well as the Department of Waterways and Public Works and water authorities will need to broader their horizons. Because to increase sustainability more cheaper and quicker it would be smart to locate large energy consumers and suppliers closer to each other. Enexis knows exactly what type of capacity is needed where, and can help municipalities and instigators of projects to consider the location of generation sources of sustainable energy in relation to the infrastructure. With this kind of information Enexis can take a leading position in the investment plans in the region. This also ensures energy costs remain affordable for everyone.

One final heartfelt plea: can the assets be made just a tiny bit more appealing to the eye? If you pay attention to aligning the design of the transformer stations, for example, with the actual landscape, you’ll not only enhance the visual aspect, you’ll also speed up public acceptance. The social value of such an area-specific approach is invaluable.”

LENNERT GOEMANS
PROJECT LEADER, MINISTRY OF ECONOMIC AFFAIRS AND CLIMATE

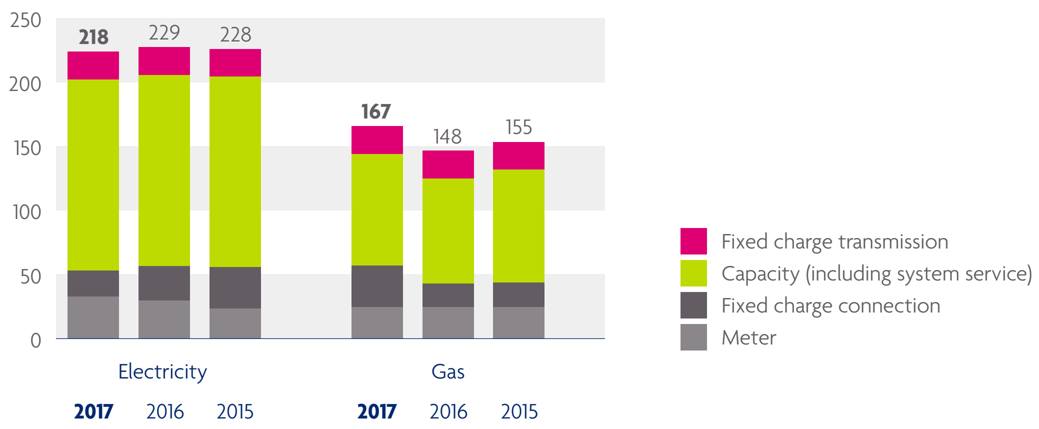
7. ACCESSIBLE ENERGY SUPPLY

Renewing the energy supply is expensive. We believe that energy should remain affordable and accessible for all. This is why we facilitate correct operation of the energy market.

For more than 100 years, we have been ensuring that energy is available for everyone under equal conditions. Even when major changes occur, such as those in the 1960s when the Netherlands went through a major switch to natural gas, every Dutch citizen was subject to equal rights and equal rates were charged for grid management in comparable situations. This also remains our guiding principle in the energy transition.

The Netherlands Authority for Consumers & Markets (ACM) sets maximum rates for connections, transport and measurement of gas and electricity. In 2017 we lowered our rates by an average of 0.8%, in line with the ACM's tariff regulations.

AVERAGE BILL FOR HOUSEHOLD CONSUMPTION
(costs on an annual basis in euros)



DILLEMA: HOW CAN WE KEEP RENEWAL AFFORDABLE?

Renewal of the energy infrastructure with new technology must also remain affordable. In every situation, we opt for a pragmatic solution. For example, in the case of heating. We follow market developments and have continued to develop our vision on this issue in the past year. It is no longer advisable to install gas supplies in new-build residential areas. Often a sustainable 'all-electric' solution is chosen. But in the transition to a fully CO_2-neutral energy supply, natural gas still remains necessary for the time being. Hence in existing residential areas, we prefer not to phase out our gas supplies, but advise switching to hybrid heat pumps to make heating supply more sustainable. This allows us to reduce CO_2 emissions at the lowest possible social cost. We enter into dialogue about this with customers, municipalities and property developers.

As customers ‘turn the gas off’, the costs of the gas grid per customer will rise. Therefore, we are working on policy options with other grid operators and the Netherlands Authority for Consumers & Markets (ACM).

MAKING ENERGY DATA AVAILABLE

An increasing number of customers wish to share their energy data with price comparison sites and suppliers of energy services so they can make use of energy apps and other services. After explicit permission from the customer, we make the data from the smart meter available. Although this causes added pressure to our systems and capacity, we were able to meet 99% of the increasing demand for data in 2017.

We are conscious of the fact that data from our grid can speed up the development of services relating to energy saving and greening of energy. We therefore share anonymised data as much as possible externally. We provide information such as aggregated low-volume usage data, asset data and geographical information. Naturally, we ensure that this is in compliance with laws and regulations, for example those concerning personal data protection.

PRACTICAL CHALLENGE

The customer’s desire to have a say in their energy choice is growing. For example, some people want a different energy provider for charging their electric cars than for the power supply in their home or business. We want to facilitate the client’s choice as well as the effectiveness of the energy market as much as possible. During the course of 2018 it will therefore become possible to have multiple providers on one energy connection. For this, we are also developing solutions based on Blockchain technology.

“FACILITATING **INDIVIDUAL CUS-TOMER CHOICE**”

“A SOLID FINANCIAL POSITION IS NOT ONLY IMPORTANT TO BANKS”

“At ING Bank, we follow the financial situation at Enexis closely. A solid financial position is not only important to banks like us, it’s equally important to investors in bonds in the grid operator. It opens doors to the capital market. And this is precisely what makes it possible for Enexis to invest in future energy provisions.

Financers are interested is whether the return outweighs the risk. Enexis’ A+ rating is a good reflection of the beneficial risk profile with a corresponding appealing interest rate. To have a more complete overview, we enhance the annual and bi-annual results of Enexis with our own benchmark objectives. We look ahead and it would, therefore, be valuable to have insight into the financial expectations of Enexis.

Looking ahead also means that we follow developments in the marketplace. The transition from a system that is fuelled by raw materials to one that is fuelled by sustainable energy is the big challenge in the industry. The strategic choice to play a role in speeding up the energy transition, adds value to our relationship with Enexis. It’s in line with ING core values.”

RAY VAN KESTEREN
DIRECTOR CORPORATE CLIENTS, ING BANK N.V.

8. ECONOMIC PERFORMANCE

Enexis' net profit remained virtually the same as in 2016 because non-recurring financial results offset each other. With a net profit of EUR 207 million, we significantly exceeded our profit expectations.

NET PROFIT

In 2017 we realised a net profit of EUR 207 million. This is equal to the result achieved in 2016 after tax. We offset a reduction of EUR 9 million in other operating income, mainly due to a one-off sale result in 2016 and a rise in corporate income tax of EUR 6 million against a reduction in financial expenses of EUR 14 million.

BALANCE AVAILABLE FOR OPERATING ACTIVITIES

Our revenue in 2017 amounted to EUR 1,380 million, an increase of 0.3% compared to 2016 (EUR 1,376 million). Revenue from electricity transmission and connection fees for electricity and gas was 0.4% lower than in 2016. This decrease can primarily be explained as the result of an average reduction in rates of 1.2%. This is offset by an increase of 0.2% in the number of connections as a result of the acquisition of N.V. Stedin Netten Weert on 1 July 2017 and a growth of 0.6% in the number of connections in the existing service area. The remaining revenue has increased by 3.3%, primarily due to higher revenues from metering services. Further examination produces the following:

- EUR 47 million lower revenue from electricity transmission and connection fees (-5.5%). This is primarily the result of an average reduction in rates of 5.1%.
- EUR 43 million higher revenue from gas transmission and connection fees (+15.6%). This is explained in a large part by an average increase in rates of 11.8%.
- Remaining revenues were increased by EUR 8 million, mainly due to increased revenues from metering services.

Remaining operating income was reduced by EUR 9 million in 2017, principally as a result of the one-off transaction result of EUR 13 million arising from the sale of Aktivabedrijf Enexis Friesland B.V. in 2016.

The costs of transmission services and distribution losses increased by a balance of EUR 3 million in 2017. The higher kW payment to TenneT of EUR 16 million as a result of tariff increases is largely offset by a lower grid loss from allocation of EUR 13 million. EUR 10 million of this reduced grid loss is caused by price differences and EUR 3 million by differences in quantities.

OPERATING EXPENSES

There was a decrease in total operating expenses of EUR 4 million to EUR 832 million (2016: EUR 836 million). Lower personnel costs and lower other operating expenses are offset by higher costs for outsourced work, depreciation costs, materials and other external expenses. The most important causes of these differences are:

- EUR 1 million higher depreciation costs and impairments. The increase in depreciation on tangible fixed assets is largely due to an EUR 5 million accelerated depreciation of Landis+Gyr meters with a screw thread that is too short and a EUR 4 million impairment for non-compliant meters. Offset against this, depreciations are decreasing, primarily due to an EUR 11 million disinvestment of the first generation of smart gas and electricity meters in 2016.
- EUR 18 million less in personnel expenses. This reduction is caused by an increase of EUR 13 million of our own personnel's capitalised expenses due to more deployment of our own personnel in investment projects. Moreover, in 2016 there was a higher allocation for personnel-related provisions of EUR 12 million due to the amended estimate of retirement age and the departure percentage. On the other hand, salaries show a slight increase of EUR 4 million on balance due to a periodical increase on 1 June, stipulated in the Collective Labour Agreement, of respectively 1% and 1.5%. This increase is somewhat offset by a decrease due to the lower number of FTEs. Furthermore, pension costs increased by EUR 2 million.
- EUR 15 million higher costs of work contracted out, materials, and other external expenses. The increase in these costs is caused by sustainability initiatives, ICT costs, consultancy costs, acquisition and the launch of an internal transition programme.

RESULTS FROM ASSOCIATES

In comparison to last year, the results from associates has primarily been impaired by the downward adjustment of ZEBRA Gasnetwerk B.V. by EUR 6 million.

FINANCIAL INCOME AND EXPENSES

The balance of the financial income and expenses over 2017 amounted to EUR 59 million. That is EUR 14 million less than in 2016. This reduction is caused by the payment in 2016 of EUR 7 million in interest expenses and the penalty interest of EUR 8 million relating to the early repayment in April 2016 of the shareholders' loan tranche C. Offset against this, related to the refinancing of the repayment mentioned above, interest expenses rose by EUR 2 million on the stock-listed bond loan issued under the European Medium Term Notes (EMTN) programme.

CREDIT RATING

Our credit ratings with both Standard & Poor's (A+ stable outlook) and with Moody's (Aa3 with a stable outlook) have remained unchanged in 2017. The short-term credit rating of Enexis Holding N.V. is P-1 (Moody's) and A-1 (Standard & Poor's).

The financing and refinancing requirements of Enexis Holding for the coming years consist of financing of working capital, operational cash requirements, refinancing existing loans and growth in regular investments in the grid (replacements, smart grid and smart meters). To fulfil these financial requirements, Enexis makes use of the external capital market and money market. Financing via the Euro Commercial Paper (ECP) programme and the Euro Medium Term Notes (EMTN) programme offers sufficient flexibility to take advantage of new developments arising from the energy transition.

amounts in millions of euros	2017	2016	2015	2014	2013
Result					
Revenue	1,380	1,376	1,353	1,399	1,386
Costs of transmission services and distribution losses	231	228	231	243	230
Other operating income	22	31	19	20	18
Balance available for operating activities	1,171	1,179	1,141	1,177	1,174
Operating expenses excluding depreciation, impairments and decommissioning	487	492	447	433	452
Depreciation, impairments and decommissioning	345	344	301	310	299
Operating profit	339	343	393	433	422
Share of result of associates and joint ventures	-3	1	1	1	1
EBIT [1]	336	344	395	435	424
Financial income and expenses	-59	-73	-93	-79	-109
Profit before tax	277	271	302	356	315
Profit for the year	207	207	223	266	239
Financial position (before profit appropriation)					
Net working capital [1]	-61	-53	-80	-73	-49
Non-current assets	7,181	6,884	5,862	6,015	5,865
Capital employed [1]	6,386	6,150	5,477	5,340	5,266
Equity	3,808	3,704	3,607	3,517	3,370
Net interest-bearing liabilities [1]	2,201	2,078	1,777	1,619	1,682
Total assets	7,668	7,284	7,079	6,417	6,265
Ratios					
Solvency [1]	49.7	50.9	51.0	54.8	53.8
ROIC [1]	5.3	5.6	7.2	8.1	8.0
Return on equity [1]	5.4	5.6	6.2	7.6	7.1
Cash flow					
Cash flow from operational activities	557	528	535	578	487
Cash flow from investing activities	-526	-813	-457	-419	134
Cash flow from financing activities	-9	-217	376	-124	-615
Cash flow	22	-502	454	35	6

1 For definitions, please refer to the glossary.

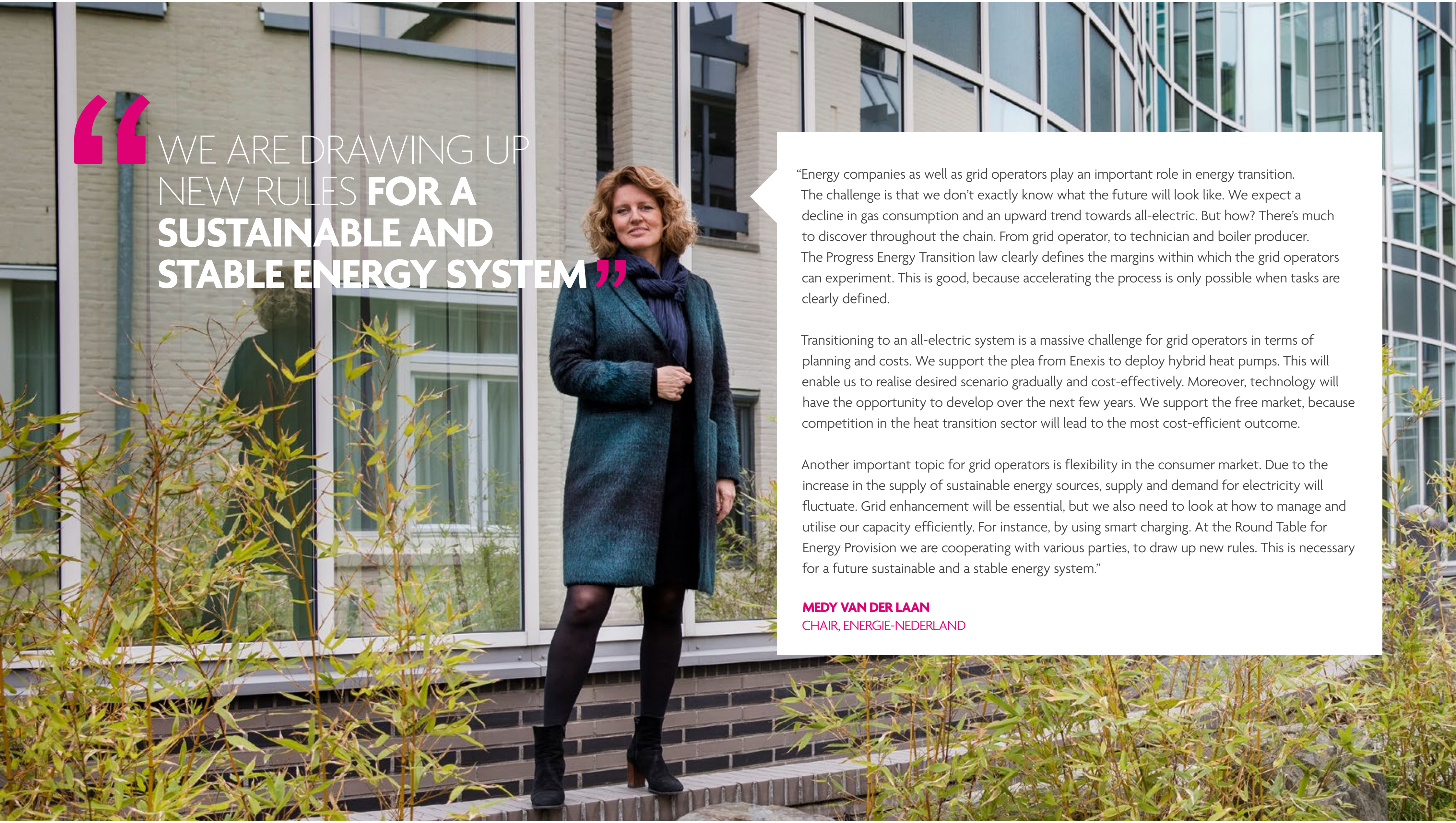
PRACTICAL CHALLENGE

Enexis B.V. acquired Stedin Netten Weert N.V. on 1 July 2017. For €59 million we became the owners of the gas and electricity grids for the municipality Weert. As part of the acquisition, we welcomed 33 employees as new colleagues.

The completion of the acquisition, including the financial aspects, is a complex process. First, a Purchase Price Allocation was created, in which the acquisition cost was distributed over the acquired assets, liabilities and goodwill. This formed the basis for the actual transfer of assets, liabilities and goodwill. To safeguard the continuation of the operational activities, the project administration for all projects that continued after 1 July 2017 was transferred to Enexis administration.

Cooperation with Stedin employees was constructive. As a result, and in combination with tight joint programme management with Stedin and EDSN, the integration of data, processes and systems was successfully completed within five months. Customers and market stakeholders experienced minimal disruption from the integration, and the costs have remained manageable.

“**CAREFUL INTEGRATION**
IN WEERT”



"WE ARE DRAWING UP NEW RULES **FOR A SUSTAINABLE AND STABLE ENERGY SYSTEM**"

"Energy companies as well as grid operators play an important role in energy transition. The challenge is that we don't exactly know what the future will look like. We expect a decline in gas consumption and an upward trend towards all-electric. But how? There's much to discover throughout the chain. From grid operator, to technician and boiler producer. The Progress Energy Transition law clearly defines the margins within which the grid operators can experiment. This is good, because accelerating the process is only possible when tasks are clearly defined.

Transitioning to an all-electric system is a massive challenge for grid operators in terms of planning and costs. We support the plea from Enexis to deploy hybrid heat pumps. This will enable us to realise desired scenario gradually and cost-effectively. Moreover, technology will have the opportunity to develop over the next few years. We support the free market, because competition in the heat transition sector will lead to the most cost-efficient outcome.

Another important topic for grid operators is flexibility in the consumer market. Due to the increase in the supply of sustainable energy sources, supply and demand for electricity will fluctuate. Grid enhancement will be essential, but we also need to look at how to manage and utilise our capacity efficiently. For instance, by using smart charging. At the Round Table for Energy Provision we are cooperating with various parties, to draw up new rules. This is necessary for a future sustainable and a stable energy system."

MEDY VAN DER LAAN
CHAIR, ENERGIE-NEDERLAND

9. COMPLIANCE WITH LAWS AND REGULATIONS

Managing the electricity and gas grids is anchored in Dutch law. We provide our services in a non-discriminatory way and comply with laws and regulations.

The frameworks for our provision of services are laid out in several laws. Regulators including the Dutch Authority for Consumers & Markets ensure that grid operators comply with these frameworks. Furthermore, by tariff regulation, the ACM stimulates grid operators to maintain energy grids in good condition at the lowest possible costs. Over and above the legal requirements, Enexis applies internal regulations to support compliance with statutory provisions. This is the case for safety and integrity, for instance. We encourage our employees to work according to these rules in their behaviour and actions.

In 2017 too, our external supervisors were extremely interested in the way in which we carried out our activities. We cooperated constructively and were generous in providing the supervisors with information. In addition, we are actively involved in regulation that will affect us in the future, for instance by playing an intensive role in standardisation committees, together with the sector organisation Netbeheer Nederland. This affords us the opportunity to prepare internally in good time for compliance with changes in regulations.

ACTIVITIES TRANSFERRED TO FUDURA B.V.

Operating within the scope of the legal frameworks and in anticipation of the Dutch legislative proposal on the Voortgang Energietransitie, we pre-emptively transferred the non-regulated activities of Enexis Netbeheer to Fudura. Following metering services and equipment leasing in 2016, in 2017 we scaled down customer projects in which combined regulated and non-regulated services were carried out. Fudura has also been operating its standby outage service completely independently since 2017.

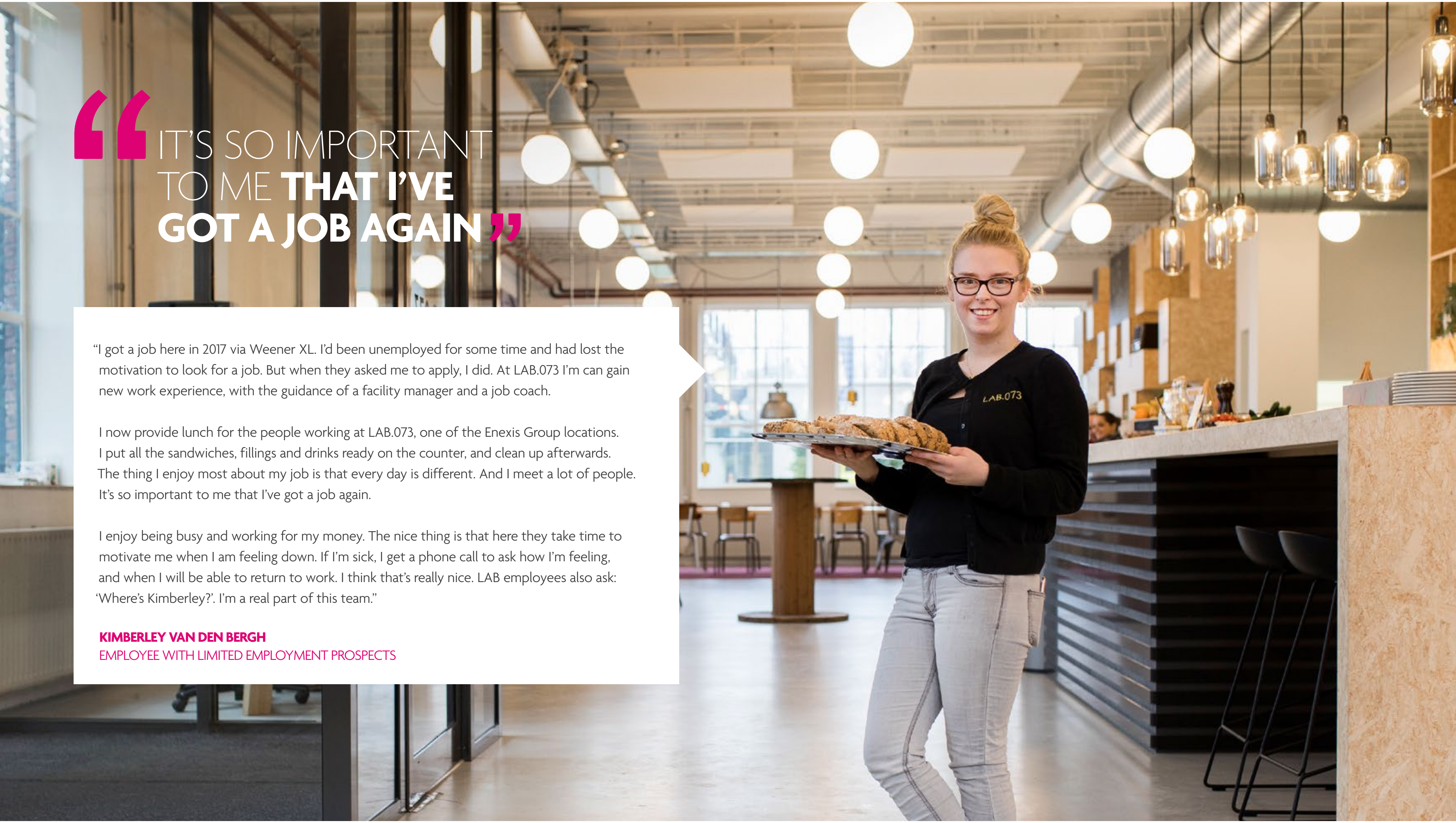
DILEMMA: LEGAL FRAMEWORKS RESTRICT GRID OPERATORS IN THE ENERGY TRANSITION

To keep our energy supply reliable and affordable in the future, new solutions are required. Together with stakeholders, we wish to shape and test the energy grid of the future. However, at present the legal room for manoeuvre and experimentation is extremely limited. We are compliant, but also motivated to accelerate the energy transition. How can we ensure that our grids have been adapted in time when the contours of a general administrative order are not yet known? In 2017 we collaborated with stakeholders towards optimisation of regulation to accelerate the energy transition.

PRACTICAL CHALLENGE

In the proposed Progress Energy Transition legislation, grid operators must be limited to their legal obligations. Additionally, non-regulated activities by grid operators that are currently allowed, may no longer be permitted. This could apply to offering, placing and installing medium-voltage components on behalf of Fudura, such as transformers and casings that are rented to large businesses by Fudura. Within the current legislation, we have already aligned our business processes to this proposed change in the law, and instructed our employees accordingly. We now refer rental requests for transformers and bulk measuring devices to players in the market in a non-discriminatory manner. We also provide an overview with the contact details of approved measuring companies and technicians specialised in medium voltage. Execution is left to these market players.

"GRID OPERATORS ARE HAVING TO **TURN CUSTOMERS AWAY**"



“IT’S SO IMPORTANT TO ME **THAT I’VE GOT A JOB AGAIN**”

“I got a job here in 2017 via Weener XL. I’d been unemployed for some time and had lost the motivation to look for a job. But when they asked me to apply, I did. At LAB.073 I’m can gain new work experience, with the guidance of a facility manager and a job coach.

I now provide lunch for the people working at LAB.073, one of the Enexis Group locations. I put all the sandwiches, fillings and drinks ready on the counter, and clean up afterwards. The thing I enjoy most about my job is that every day is different. And I meet a lot of people. It’s so important to me that I’ve got a job again.

I enjoy being busy and working for my money. The nice thing is that here they take time to motivate me when I am feeling down. If I’m sick, I get a phone call to ask how I’m feeling, and when I will be able to return to work. I think that’s really nice. LAB employees also ask: ‘Where’s Kimberley?’. I’m a real part of this team.”

KIMBERLEY VAN DEN BERGH
EMPLOYEE WITH LIMITED EMPLOYMENT PROSPECTS

10. IMPACT OWN OPERATIONS

A better world starts at home. We are aware of the impact of our own activities on the environment. With the help of our partners in the chain, we attempt to limit negative effects as much as we can.

In addition to our task of improving the sustainability of the energy supply, our company wishes to set a good example in sustainability. This implies that we wish to reduce our own CO_2 footprint, for example by making our vehicle fleet and our buildings greener. In addition, in 2017 we compiled a Socially Responsible Procurement Policy, allowing us to indirectly influence the chain emissions produced by our partners in the chain.

REDUCTION CO_2 FOOTPRINT

Our CO_2 emissions in 2017 were 152,442 tons lower than in 2016. This is mainly caused by grid losses in electricity and, in comparison to last year, more sustainable energy was purchased. This results in a lower emission factor for the energy generation mix. Furthermore, gas leakage losses have reduced in comparison with 2016, because it was decided, in line with the KIWA standard, to no longer include connection pipelines in the calculation of gas leakage losses. In addition, a more accurate emission factor has been used for calculation of the leakage losses in comparison with last year's. Due to the integration of Endinet and Stedin in 2017, the number of kilometres of main gas pipeline rose in 2017. This effect is largely mitigated by the exclusion of connection pipelines.

The negative environmental impacts of the CO_2 emissions that we are able to influence directly (scope 1 and 2, plus the mobility items from scope 3) are offset in full with Guarantees of Origin and Gold Standard Certificates. Hence our own net emissions are equivalent to 0. Scandinavian hydroelectric power stations account for 84% of the Guarantees of Origin (2016: 93.5%) and the remaining 16% come from Dutch wind power (2016: 6.5%). In 2023 we want over 40% of our grid losses to be generated sustainably with additional sustainable energy produced in the Netherlands.

We also feel responsible for the emissions in the chain. To get a picture of our chain emissions, we make use of data about the CO_2 emissions of our partners in the chain such as our suppliers of IT, cables, gas pipelines and transformers. In addition, in 2017 we compiled a Socially Responsible Procurement Policy, allowing us to indirectly influence the chain emissions produced by our partners in the chain. We reach agreements with our suppliers about the results we would like to achieve during the duration of the contract.

You can find a more detailed explanation of our CO_2 footprint in 'Facts and figures'.

CO_2 FOOTPRINT ENEXIS

CO_2 emissions (in tons of CO_2 equivalent)

Scope 1

LEAKAGES GAS GRID
Gas leakage 3.4 million m^3 natural gas
49,906
(2016: 80,979)

LEASED CARS AND COMPANY VEHICLES[1]
Fuel consumption vehicle fleet 5.1 million litre, 0.1 million kWh and 0.0 million kg
12,919
(2016: 12,741)

NATURAL GAS CONSUMPTION OF BUILDINGS
1.0 million m^3 biogas
0
(2016: 1,602)

LEAKAGE SF_6 FROM SWITCHGEAR
Leakage 8.1 kg
192
(2016: 192)

Scope 2

GRID LOSS ELECTRICITY TRANSMISSION
1,205 million kWh electricity
497,537
(2016: 612,051)

GREEN ELECTRICITY CONSUMPTION BUILDINGS
7.1 million kWh green electricity
0
(2016: 0)

Scope 3

COMMUTER TRAFFIC
12.9 million km
2,343
(2016: 2,321)

BUSINESS TRIPS
6.7 million km
1,219
(2016: 1,314)

PUBLIC TRANSPORT
Train trips: 5.3 million km,
Air travel: 0.8 million km, Taxi trips: 0.0 million km
154
(2016: 295)

GRID COMPONENTS BY SUPPLIERS
2,102 km cable, 1,436 km gas pipelines,
607 transformers, 1,426 installations and stations
38,219
(2016: 44,599)

PROCESSING OF COMPANY WASTE
9,587
(2016: 8,424)

ICT
Emissions avoided due to use of green electricity for data servers at KPN gross 513 tons of CO_2
0
(2016: 713)

TOTAL OWN EMISSIONS ENEXIS
612,076
(2016: 764,518)

GUARANTEES OF ORIGIN
of origin from hydroelectric power stations in Scandinavia (84%) and wind power in the Netherlands (16%)
497,537
(2016: 612,051)

COMPENSATION WITH GOLD STANDARD CERTIFICATES
66,734
(2016: 152,467)

CHAIN EMISSIONS NOT COMPENSATED
47,806
(2016: N/A)

0
NET OWN EMISSIONS ENEXIS

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 gases when producing electricity consumed by the company, but produced by third parties.
Scope 3: Other indirect emissions: emission of greenhouse gases 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.

IMPROVING SUSTAINABILITY OF MOBILITY

By 2020 we want to achieve 50% less CO_2 emissions – over 5 million kilos – in the area of mobility, all in a cost-neutral manner. To do this, we will be examining how to change, green and prevent instances of travel. In order to achieve this target, we have tightened up our mobility policy and a new lease programme came into effect on 1 January 2017. This programme is aimed at improved sustainability in the vehicle fleet in the years to come. In 2017 the CO_2 emissions of the vehicle fleet was 6.9% lower in comparison to 2014. This result is higher than our objective of 6%.

	2017	2016	2015	2014	2013	2012
Sustainable vehicle fleet						
100% electric passenger cars	54	37	16	28	48	48
Passenger cars on biogas / natural gas	7	12	17	24	31	30
Electric passenger cars with range extenders	62	49	25	15	5	0

Since the most sustainable journey is one that did not take place, in the most recent period we have invested in facilities to make necessary instances of travel as sustainable as they can be. Examples are expanding the bicycle and e-bike programme, bicycle repair facilities on site, the opportunity of charging an electric car at home and a pilot using shared e-bikes.

WASTE IS GIVEN A USEFUL PURPOSE

We aim to recycle as much of our equipment and raw materials as possible. In total, we found a useful purpose for 94% of our waste this year. The total amount of waste rose in comparison to 2016, mostly due to additional soil removal. In 2017 we issued a European tender in which improving sustainability and innovation were part of the request for tender. Starting in 2018 we will be collaborating with a new waste management company that will help us to further improve in this area.

	2017	2016[1]	2015	2014	2013
Amount of waste (in tons) [1]					
Recycled waste	30,185	16,115	22,383	13,291	11,673
Incinerated waste	1,529	1,129	1,238	1,203	1,189
Waste to landfill	2,177	1,173	1,018	927	513
Total	33,891	18,417	24,639	15,421	13,375
Of which hazardous waste (%)	0.4	0.7	0.7	1.0	1.3

1 Figures 2016 excluding Endinet.
2 Classification method SUEZ is used (Lansink's ladder).

SOCIALLY RESPONSIBLE PROCUREMENT

As a public company, we spend over EUR 600 million per year on products and services. To do this responsibly, Enexis has defined a Socially Responsible Procurement Policy. This is a collaboration model: we make agreements on which results we want to achieve throughout the duration of the contract in the categories that we have agreed for the relevant contract. Suppliers are not only selected according to sustainability aspects at the beginning of the contract period. As of 1 January 2018, all our purchase orders and European tenders comply with this policy.

The new criteria for sustainable procurement are grounded in three categories: people, planet and products. When purchasing components, for example, we focus on maximum use of recycled materials and raw materials and on how to ensure a means of finding a high-value reuse of the raw materials at the end of their useful life. In the area of socially responsible procurement we achieved a number of pleasing results in 2017: the landscaping surrounding our substations is predominantly cared for by people with few opportunities on the job market. Even our postal deliveries – by bicycle – are socially responsible. These contracts came about partly as a result of our Socially Responsible Procurement Policy.

Operating with fair business practices is our guiding principle. Our objective is responsible and principled behaviour for ourselves and the suppliers in the chain. As a minimum, we respect national and international laws and regulations and implement a zero-tolerance policy towards corruption and bribery. Our policy to prevent corruption or bribery of our employees is laid down in the Socially Responsible Procurement Policy, the Employee Code of Conduct and the Suppliers Code of Conduct. Furthermore, these state that we operate according to guidelines such as the United Nations Universal Declaration of Human Rights. The Suppliers Code of Conduct is incorporated in the General Terms and Conditions for Procurement. For reporting any infringements, there is a complaints procedure, confidential advisers and a whistleblower policy. In addition, there is an internal integrity committee that discusses any breaches occurring. Since December 2017, we have also appointed an integrity manager.

JOINT APPROACH IN THE INFRA SECTOR

Infra companies, united in the Groene Netten (Green Grids) coalition of CSR Netherlands, have agreed to jointly work to accelerate improved sustainability of their own operations and society. For instance, by working together in the area of energy savings, circular use of materials and use of sustainable energy for installation, management and maintenance of our infrastructure. In this context, they are aiming to make the societal impact of their business activities transparent, during which process elements such as CO_2 emissions, use of raw materials and biodiversity are being documented. Grid operators, Rijkswaterstaat and ProRail are investigating the possibility of making available grounds, substations and water surfaces in order to generate sustainable energy.

PRACTICAL CHALLENGE

We are so used to taking the car and it's really hard to change the habit. That's why employees decided to collectively leave the car at home on 31 October, 14 November and 28 November. A good way to experience what it's like to travel sustainably is to break with traditional habits. During the Enexis Carless Tuesdays we were able to experience what commuting sustainably on large scale involves. We discussed this extensively. Some were bothered by the fact that it was compulsory. Others were unhappy about the additional travel time. Yet, everyone had a positive attitude towards the final goal: a 50% reduction in CO_2 emissions from mobility. Furthermore, these three days have given us many new insights. We discovered how provisions like shuttle buses, the public transport bike and Skype for businesses work. We now also know what we have to do in terms of ICT if more employees work from home. Based on a survey, these three days alone resulted in a saving of an estimated 113 tonnes of CO_2.

“ ENEXIS **CARLESS TUESDAYS** ”

SUSTAINABLE DEVELOPMENT GOALS

Enexis embraces collaboration for sustainability. We take our responsibility for a better world by realising sustainable generation and energy savings together with local partners. We also work on innovative, scalable solutions that accelerate the energy transition.
Our activities make an active contribution to the United Nations Sustainable Development Goals (SDGs), the global goals for sustainable development committed to by the Netherlands. In the past year we have made visible which of the SDGs we make a major contribution to. We also made a link to our strategy, objectives and the material issues. This makes our contribution to the SDGs concrete and measurable.

SDG	What does this mean for Enexis?	Link to our strategy	Realisation of goals in 2017	Material issues
7 AFFORDABLE AND CLEAN ENERGY To guarantee access to affordable, reliable, sustainable and modern energy for all.	By 2030, guaranteeing universal access to affordable, reliable and modern energy supply.	**Excellent grid management >** We realise a sustainable energy supply by means of state-of-the-art services and grids and by taking the lead in innovative solutions. Continued high reliability and safety of the energy supply is ensured by simplified processes, automation and smart use of data. **Accelerating the energy transition >** We offer customers a smart meter and advise them to link this to an energy management system. In this way we bring energy saving measures closer and lay the foundation for behavioural change.	Controllable expenses and revenues: 388 million Customer satisfaction: 2 out of 5 scores achieved Smart meters offered: 454,461 Smart meters installed: 85.2% Safety: Enexis DART rate: 0.33 Third-party DART rate: 0.44 Electricity outage time (JUD): 13.8 minutes Buurkracht neighbourhood CO_2 reduction: target achieved Number of new Buurkracht neighbourhoods: 79	Economic performance Customer satisfaction Safety Reliability of the energy supply Increasing the sustainability of the energy supply
	Increasing the proportion of renewable energy in the global energy mix by 2030.	**Excellent grid management >** We view biogas as a sustainable alternative for natural gas and strive to use sustainable residual heat locally. In addition to installing and managing the electricity and gas grids, we have the ambition of installing and managing heating networks.		
	Doubling the global speed of improvement in energy efficiency by 2030.	**Accelerating the energy transition >** We are searching for possibilities for smarter ways of adapting to growing peaks in supply and demand in existing grids. A flexible market for low-volume use prevents an unnecessarily expensive infrastructure and the resulting cost increases for consumers.		
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE To build resilient infrastructure, encourage inclusive and sustainable industrialisation and stimulate innovation.	Developing high quality, reliable, sustainable and resilient infrastructure, including regional and cross-border infrastructure, in support of economic development and human welfare, with the emphasis on affordable and fair access for all.	**Excellent grid management >** The energy transition demands engaged employees who can be employed sustainably and know what is happening in the outside world. It enables us to develop and offer innovative solutions and services.	Employee satisfaction: teamwork: 6.3 engagement: 7.6 Number of substations supplied with distribution automation: 364	Change capacity of the organisation Innovation Accessible energy supply
11 SUSTAINABLE CITIES AND COMMUNITIES To make cities and human settlements inclusive, safe, resilient and sustainable.	Supporting positive economic, social and ecological connections between urban, suburban and rural areas by strengthening national and regional development planning.	**Accelerating the energy transition >** We are working towards sustainable regional development with energy concepts for new buildings based entirely on sustainable sources. Together with government and market parties, we are intensifying collaboration towards a public charging infrastructure and developing smart charging services for electric vehicles.	Stakeholder engagement: 2 milestones achieved	Accessible energy supply
12 RESPONSIBLE CONSUMPTION AND PRODUCTION To ensure sustainable energy consumption and production patterns	Making sustainable choices in our own operations, actively promoting this to those around us and supporting sustainable regional development.	**Accelerating the energy transition >** We are signatories to the Energy Agreement for sustainable growth and contribute to reducing CO_2 emissions, to increasing sustainable energy generation and energy saving. To set a good example, we make sustainable choices in our own operations such as sustainable mobility and socially responsible procurement of materials and services.	Reduction in CO_2 in lease fleet and fewer kilometres claimed: 6.9%	Impact own operations

“AN **EXTERNAL PERSPECTIVE IS ESSENTIAL** FOR BRINGING CRITICAL QUESTIONS TO THE TABLE”

Piet Moerland Chairman of the Supervisory Board

Strategic decisions, customer satisfaction, thought leadership. The Chairman of the Supervisory Board, Piet Moerland, describes issues that the Supervisory Board discussed in 2017 with the Executive Board.

“The economy is improving. You can see it happening in the housing market. The new Dutch cabinet is stimulating the use of solar power and it appears that consumers are signing up for it in large numbers. Such an initiative has consequences for grid operators. Enexis is expected to make sufficient grid capacity available, in a timely manner. That is logical. As Supervisory Board, we believe that it is important that a utility company does whatever politicians and the nation’s people require it to do. We therefore generally give advice to be as aware as possible of societal needs and related developments

I would describe the work of a Supervisory Board member as that of supplying benevolent resistance. We challenge the Executive Board, brainstorm and reach conclusions and make formal decisions. I regard it as a mix of good cooperation and resistance. Supervisory Board members come from outside the organisation, with their individual backgrounds, bringing their own point of view for the benefit of the company. This external perspective is essential for bringing critical questions to the table. Of course, we are not the only ones. Naturally, the management of this company also looks closely to factors from outside the organisation; it is a mutual process.

REALIGNMENT OF STRATEGY

The realignment of our strategy is a good example of that mutual process. The Executive Board came to us in an early stage. It was not very long since the existing strategy had been determined, but so much was changing that realignment was necessary. These developments, for example those concerning heating networks, are still ongoing. Particularly in this situation is it crucial to keep each other up to date and to be in agreement. We had a relaxed exchange of minds between the Executive Board and the management. That was intense and open. We came to the conclusion that the strategy is an important guideline, but is not cast in stone. The energy transition is a moving target. Enexis requires strategic principles – a vision – to allow it to flexibly take advantage of dynamic developments.

We also discussed these strategic principles with the shareholders and the Works Council. These were intense, constructive meetings. For shareholders, this period is a challenge for their dividend income, partly because Enexis needs to invest a great deal. Eventually the shareholders were appreciative when they were informed of the realigned strategy. The new strategy also has a personal impact on some of our employees. Enexis is the sort of company people can sometimes spend their entire life working for. If there will be no work for you later on, that has a major impact. The company wants to redeploy people's qualities in the best way possible in new positions, but it is an illusion to think that this is feasible for all employees. In that case, they will have to prepare themselves for other work. The Executive Board has spent a great deal of time and attention on discussions about this strategy and its possible consequences with the Works Council and with employees.

EXCELLENT GRID MANAGEMENT

In addition to strategy, in 2017 we also regularly discussed the electricity and gas grids with the Executive Board. It is important that the infrastructure is maintained sustainably. Enexis is extraordinarily conscientious when it comes to this. In particular, we trigger the directors in relation to the objectives and achieving them. The benchmark of excellent grid management, for instance. Look at how other companies are doing it, what can we improve?

We have also frequently discussed customer satisfaction. How can we bring it up to a higher level? Apparently, the efforts so far have not been effective because the objective has not been achieved for some time. We hope that the programme of change started in 2017 will bring improvements. Customers rely on an affordable and reliable energy supply. This means that Enexis, especially during the energy transition, has an ongoing role to play in keeping grid management safe, reliable, efficient and affordable. In fact, the company has to maintain a balance in a challenging situation, in which conflicting interests are at play: both excellent grid management and taking advantage of sustainable developments. That requires some good navigation skills from the company's management.

ACCELERATING THE ENERGY TRANSITION

To realise change in the longer term, it is essential to make your vision widely known. Grid operators tend to be naturally somewhat closed. The Supervisory Board has advised the company to publicise the thought leadership it most certainly possesses to the outside world. Enexis is a large company and plays a crucial role in the energy transition. In discussions such as those about heating and gas, they should participate at national level. For provinces and municipalities, their shareholders, it is also of great importance to know the direction for the future; make your vision public so that others can take this into account when forming their own opinion. How fast are developments progressing towards heating networks? In which locations can it be a good option and where not? When you have so much know-how, it would be a shame not to share it publicly. For a utility company in particular, this is the perfect way to practise corporate social responsibility.

RESULTS 2017

2017 was a productive year for Enexis in all areas, but if human lives are lost, that is horrific and has a great impact on the company. The company does all it can to make safety 'top of mind', but it has become apparent that this is no guarantee.

Energy supply is going through a period of radical change and in reality we are only standing on the threshold of this process. It is a societal development that will affect the individual choices that citizens have to make. With the advent of new technology such as heat pumps, solar panels and charging points, everyone will be able to personally influence the affordability of energy and citizens are jointly responsible for driving the energy transition. This is a major change from the past, when energy was organised centrally. This leaves a fascinating role for the employees of Enexis, its directors and the Supervisory Board. Flexibility in the grids as well as how people work are key. The Supervisory Board faces the future with confidence."

Piet Moerland, Chairman of the Supervisory Board

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 remained unchanged throughout 2017. Mr Frans Voorwinde acted as secretary to our Board in 2017. The composition of the committees is 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.

INDEPENDENT

Throughout the whole year, all of the members of the Supervisory Board were independent of Enexis as specified in the Dutch Corporate Governance Code (NCGC). 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 OF THE FUNCTIONING OF THE SUPERVISORY BOARD

We evaluated our functioning most recently – in part according to the best practices of the NCGC in an open discussion – in September 2017. One outcome of this relates to reviewing the profile of the Board, set to take place in any case before the next new appointment is due. In general terms, the results of the evaluation will be used as the basis of a follow-up evaluation in 2018. We are looking for the right balance between formal meetings on the one hand and conducting a more informal dialogue with the organisation on the other. We appreciate the direct valuable contact that we had with the management team in 2017 and we strive to continue this 2018.

OUR TASKS

As the Supervisory Board, our most important duty is the supervision of the Executive Board's policy and the supervision of the general course of affairs of the company and its subsidiaries. We exercise this supervision primarily 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 contact with the shareholders through periodic meetings of the Shareholders' Committee.

As Supervisory Board, we convened six times in 2017. All members of the Supervisory Board were present at almost all of the meetings. From 2018 the Supervisory Board will also record the exact attendance percentages in the annual report. 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 status of the new strategic direction up to 2020. During a dialogue session with the Executive Board we had a thorough discussion on the issues of diversity and company culture. Diversity has been incorporated into the profile of the Supervisory Board. A profile will be compiled for the Executive Board. The advice of the Remuneration and Selection Committee on the diversity policy for the Executive Board and Supervisory Board will be submitted for approval to the Board in 2018. In the context of the dialogue about company culture, in addition to current culture, we also considered cultural aspects that are necessary in connection with our strategic direction. We also spent an evening speaking to the Executive Board and all the members of the Works Council.

The agenda for our meetings is determined according to 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. Like the Executive Board, we consider safety to be the most important topic. This is monitored separately for Enexis' 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 importantly, the measures that were taken or need to 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, during which Enexis' performance as a grid operator (reliability of supply) is constantly reported. We are pleased to observe that the integration of the grid in Weert (formerly belonging to Stedin) was carried out in a careful and efficient manner in 2017. Important projects, (customer) processes, customer satisfaction and financial information were also reported on a monthly and cumulative basis and in the form of projections for the financial results and cash flows. Productivity is monitored based on investment summaries and personnel developments. The annual report, financial statements, semi-annual statements, year plan and risk inventories are discussed and adopted based on the recommendations of the Audit Committee.

In the course of 2017, as in 2016, we were involved in the development of the new Strategic Plan that was approved by the General Meeting of Shareholders in April. Due to periodic reporting and discussions with the management team, we regularly reflect on the developments and progress of the new strategic direction taken by Enexis, with the principle aspects being taking advantage of the accelerating energy transition together with excellent and efficient grid management.

AUDIT COMMITTEE

The Audit Committee met on five occasions in 2017. The Audit Committee supervises internal systems for risk management and control and financial reporting, preparing the decision-making processes of the Supervisory Board for topics including these. The periodic management reporting is on the agenda in so far as this concerns technical details in the area of reporting or valuation. The committee reviewed the audit findings of the external auditor and discussed the audit findings of the Internal Auditor and provided a positive recommendation for adoption by the Supervisory Board.

Further to this, the agenda consisted mainly of regular items including the financial statements for 2016, the semi-annual statements for 2017, the audit findings of the external auditor, management comments, the findings of the Internal Auditor and the accompanying action points. The strategic risks and the developments of these risks over time were discussed. With regard to larger projects (including the reallocation of the sector), we have mainly examined the financial-technical aspects and advised the Supervisory Board on these aspects.

REMUNERATION AND SELECTION COMMITTEE

The Remuneration and Selection Committee met twice in 2017. Important topics were the functions and the remuneration of members of the Executive Board, discussing the succession potential in senior management and developments relating to the remuneration of the Executive Board and senior executives (senior officials) in the context of legislation (the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT). This last item was accorded the time and attention needed, not only due to the content and interpretation of the law, but also for 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 staff for Enexis.

FINANCIAL STATEMENTS 2017

We have taken note of the draft financial statements for 2017 as prepared by the Executive Board and of the audit findings, the unqualified audit opinion and the assurance report on the sustainability information of the external auditor PwC. We recommend that the General Meeting of Shareholders adopt the financial statements 2017 unchanged.

WORD OF APPRECIATION

The Executive Board, management team, managers and employees have once again put in a good performance throughout 2017 and further strengthened Enexis' reputation as a reliable and cost-conscious grid operator. We thank them for their contribution and wish them much success and job satisfaction for 2018.

's-Hertogenbosch, 19 februari 2018

Supervisory Board
Piet Moerland, Chairman
Marc Calon, Vice Chairman
Monique Caubo
Joost van Dijk
Carmen Velthuis

EXECUTIVE BOARD

PETER VERMAAT

CHAIRMAN OF THE EXECUTIVE BOARD

Peter Vermaat (1965) studied Civil Technology at Delft University of Technology. Following this, he obtained an MBA at the Rotterdam School of Management. He began his career in 1991 at construction firm Volker Wessels, where he held various management positions. He was the CEO of water company Evides from 2008 to mid-2014. Since 1 August 2014, he has held the position of CEO at Enexis. Over the course of the years, he has gained a great deal 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 Royal Dutch Gas Association (KVGN), Brede Stroomversnelling and the Dutch Sustainable Energy Association (NVDE).

MAARTEN BLACQUIÈRE

MEMBER OF THE EXECUTIVE BOARD

Maarten Blacquière (1967) studied Technical Business Economics at the University of Twente. In 1989 he joined Esso Nederland, where he held various positions in the Netherlands and abroad. From 2005 to 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. Until 8 September 2017 he was a member of the Supervisory Board of Ziut and in October 2014 he joined the Supervisory Board of Energie Data Services Nederland (EDSN). Since 2011 he has also been a member of the Supervisory Council of healthcare group Zorggroep Treant.

SUPERVISORY BOARD

MR M.A.E. CALON

Mr Calon (1959) was reappointed as a Supervisory Board member in 2016 and his current term ends in 2020. He is 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 Chairman of the Dutch Federation of Agriculture and Horticulture (LTO Nederland), Chairman of Agriterra and a member of the Social and Economic Council of the Netherlands (SER). He is a Dutch national.

MR J.F.M. VAN DIJK

Mr Van Dijk (1961) was appointed as a Supervisory Board member in 2016 and his current term ends 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.

MS M.E.J. CAUBO

Ms Caubo (1961) was reappointed as a Supervisory Board member in 2015 and her current term ends in 2019. She is also a member of the Audit Committee. Ms Caubo is also a member of the board of Human Total Care. In addition, she is Chair of the Supervisory Board of the foundation Stichting Wonen Limburg and a member of the Supervisory Council of the Maastricht School of Management. She is a Dutch national.

MR P.W. MOERLAND

Mr Moerland (1949) was appointed as a Supervisory Board member in 2014 and his current term ends in 2018. He is Chairman of the Supervisory Board and the Remuneration and Selection Committee. He was previously Chairman of the Board of Directors of Rabobank Nederland. He is also 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 her current term ends in 2020. She is also Chair of the Audit Committee. In 2017 Ms Velthuis became CFO of the European Cluster at the Vodafone Group in London; prior to this, she was CFO of Vodafone Netherlands. She is a Dutch national.

CORPORATE GOVERNANCE

Enexis carries out a public service and its activities are largely financed by public funds. We therefore believe it is important to be transparent about the manner in which our company is governed and how we exercise supervision on this.

Enexis Holding N.V. is a public limited liability company governed by Dutch law. It is inherent to Enexis' public function that it should have a strategy aimed at creating value in society. And not just for the short term. Our company is subject to what is known as the two-tier board structure. We apply the Dutch Corporate Governance Code (the 2016 Code) insofar as applicable. With this, we emphasise our responsibility for the social aspects of doing business.

The articles of association, various regulations and other documents regarding corporate governance can be consulted via the website of enexisgroep.nl.

EXECUTIVE BOARD

The Executive Board (EB) is responsible for the management of Enexis. The EB defines the strategy, sets the operational and financial objectives of the company 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 within the provisions of the articles of association under the supervision of the Supervisory Board (SB) and is accountable to the General Meeting of Shareholders (AGM). The EB is responsible, together with the SB, for Enexis' 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 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.

The ratio of men to women within the Executive Board does not currently comply with the statutory requirement (in force since 13 April 2017) for at least 30% men and 30% women. Once a vacancy arises within the Executive Board there will be an opportunity for a balanced ratio of members. A provision on diversity will be incorporated in the general section of the recruitment profile for the Executive Board.

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: the Audit Committee and the Remuneration and Selection Committee. The members of the SB receive a remuneration, which is adopted by the General Meeting of Shareholders (AGM). Details of the remuneration of the SB are reported in the financial statements.

GENERAL MEETING OF SHAREHOLDERS

The 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 the 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 Executive Board and the management 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 internal audit department and advises the Supervisory Board on the role and functioning of the internal audit department.

A risk-based 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 department also reports its findings to the external auditor.

THE EXTERNAL AUDITOR

PricewaterhouseCoopers Accountants N.V. is Enexis' external auditor. The Audit Committee supervises the relationship with the external auditor. The external auditor attends the AGM annually and is present at all meetings of the Audit Committee.

DEVIATIONS FROM THE CORPORATE GOVERNANCE CODE

- **Provision 2.2.1: maximum appointment (and reappointment) term for 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
- **Provision 2.3.4: composition of committees** The SB sees no reason to alter its established practice. The Chairman of the SB also chairs the Remuneration and Selection Committee. This is due to the committee's advisory role in relation the SB which is a collective responsibility
- **We have deviated from the provisions below because the structure regime applies, Enexis' shares are held by Dutch (lower) government bodies and these are not listed on a stock exchange:**
  - 2.1.3: executive committee
  - 2.8.2-2.8.3: takeover offer
  - 3.1.3: remuneration of executive committee
  - 3.3.2-3.3.3: remuneration of supervisory board members in shares and ownership of shares by supervisory board members, respectively
  - 4.2.6: protection measures
  - 4.3.3: revocation of binding nature of nominations or dismissals
  - 4.3.4: voting rights on financing preference shares
  - 4.3.5: publication of voting policy for institutional investors
  - 4.3.6: report on exercise of voting policy by institutional investors
  - 4.4: issue of depositary receipts for shares
  - 5: one-tier governance structure

STRATEGIC RISKS

Events occurring within Enexis and externally influence our progress towards our strategic objectives. To limit the impact of such events, we monitor the development of risks closely. We determine the extent to which a risk is likely to materialise and take appropriate measures.

We provide transparency concerning internal and external risks. This helps us to take corrective measures faster and limit the impact on our strategic 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 2018 and are monitored by the department management.

RISK MANAGEMENT

Enterprise Risk Management (ERM) enables us to achieve our objectives in a responsible manner and to render account on this. Our risk management policy is based on the COSO ERM model (2004 version) 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. We then determine the likelihood of a risk occurring and the impact for one or several business values. The risk matrix also specifies Enexis' Risk Appetite in respect of each business value. Risks that score 'High' ("H") 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 way we monitor whether these risks actually decrease to an acceptable level.

Using Operational Risk Assessments we identify risks at tactical and operational level that constitute a threat to Enexis' business processes. We record the risks and the measures taken to manage them in an Internal Control Framework, the effectiveness of which is assessed twice a year in a Control Self Assessment. The outcomes of this assessment are evaluated by the department management and if necessary included in an internal Letter of Representation (LOR). Departments issue this declaration to the EB twice a year stating whether all internal risk management and control systems are operating satisfactorily. In addition to the 'hard controls' in the Internal Control Framework we also have 'soft controls'. Using, for example, a Behaviour and Leadership programme and workshops on dilemma's relating to behaviour, we focus a great deal of attention on integrity, inspiration and mutual cooperation.

Line managers on all levels within the organisation have primary responsibility for identifying risks and taking risk-control measures timely. This decentralised responsibility is an essential element in the manner in which Enexis approaches risks. Our business controllers support the line management and provide the 'second line of defence'. The Internal Audit & Risk department has a coordinating role in relation to risk management and forms the 'third line of defence' (see Internal Audit Department). Risk are monitored centrally in the Management Consultation. The outcomes of the strategic risk analysis, the process of the Control Self Assessment and the Letter of Representation also reported to and discussed in the Audit Committee. The Audit Committee then issues a report on this to the Supervisory Board.

To guarantee the continuity of our service, Business Continuity Management and Crisis Management have also been set up.

During 2017 the effectiveness of the internal controls over the invoicing process and authorisation of expenses statements with third parties was not always evident. Based on these findings, additional checks were carried out on the accuracy of the expense statements that form the basis for payments to suppliers. These additional checks did not bring any incorrect payments to light. In addition, improvements in this process were introduced.

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
	Afforda-bility	Reliability	Stakeholders	Compliance	Safety	Sustainability	< 10%	10-50%	≥ 50%
H	Damage > 50 million	> 20,000,000 outage minutes[1] (HV/MV station > 16 hours outage)	International commotion > 20,000 complaints Serious conflict with multiple groups of shareholders	Silent administrator: criminal proceedings against a Board member; financial penalty > 0.1% of revenue	Accident resulting in 1 or more fatalities	Emissions > 250 kiloton CO_2	H	H 5 5 6 6 4 3 8	H 1 1 2 4
M	Damage > 5-50 million	2,000,000 - 20,000,000 outage minutes[1] (HV/MV station, 4 hours outage)	National commotion < 2,000 complaints Conflict with a single stakeholder or group	Warning or appointment of competent authority: financial penalty 4th-5th category	Accidents with injury resulting in absenteeism	Emissions > 25-250 kiloton CO_2	M	10 10 9 M	9 3 7 H
L	Damage < 5 million	< 2,000,000 outage minutes[1] (MV-T station, 4 hours outage)	Local or regional commotion < 2,000 complaints Conflict with a single stakeholder or group	Investigation by competent authority; financial penalty < 4th category	Accidents requiring first aid (no absenteeism) or incident	Emissions < 25 kiloton CO_2	L	M	M

L = Low / M = Medium / H = High / Risk = Chance x Impact ■ Refers to 2016 ■ Refers to 2017 ■ New in the top 10 compared to 2016

1 Outage minutes: the number of minutes a user spends without gas and/or electricity.

1. 1. Insufficient capacity for change and focus by the organisation to achieve the Energy Transition and Digital Transition.
2 Increasing shortage of capacity, both qualitative and quantitative (including at contractor level).
3. Insufficient agility in speed and costs of the ICT landscape.
4. Unauthorised access to systems and data (privacy & security).
5. Energy grid not adapted in good time for the Energy Transition.
6 Safety of employees.
7. Decreasing customer satisfaction due to customers having higher expectations and lower tolerance.
8. Limited external support for the role of the grid operator in achieving the Energy Transition.
9. Energy laws impede facilitating the Energy Transition.
10. Public safety (failing assets).

EXPLANATION PER RISK

The strategic risks are described here. Specific risks relating to financial instruments are described in the financial statements.

1. Insufficient capacity for change and focus by the organisation to achieve the Energy Transition and Digital Transition

Developments in society and technological developments make high demands on the capacity for change of both staff and organisation. This developments, but also continuing to work up to an advanced age, can result in higher absenteeism and a higher likelihood of permanent occupational disability. We are dealing with a large number of changes simultaneously, with the risk of losing focus. For this reason, we have taken steps to raise the standard of leadership within the organisation. We also focus on sustainable employability of staff and work to achieve strategic staff planning and knowledge development. For more information on the measures taken see the section on 'Organisational capacity for change'.

2. Increasing shortage of capacity, both qualitative and quantitative (including at contractor level)

Extra capacity is needed for grid expansions and connections to satisfy the increasing demand for sustainable electricity. The capacity required will exceed the normal volume of work from 2018 onwards. There is a risk that Enexis will be unable to find sufficient qualified staff and will become more dependent on contractors. We mitigate this risk by increasing the flexibility of contractor contracts and looking further ahead in our capacity planning. With respect to the wind and solar projects on land that are already planned we have reached agreement with TenneT. For more information on the measures taken see the section on 'Organisational capacity for change.

3. Insufficient agility in speed and costs of the ICT landscape

ICT solutions need to be available quickly to support the business and satisfy increasing demands imposed by the market and by legislation. At the same time cost savings are necessary. A complex challenge. In 2017 an extensive transition programme was commenced to help add focus to our objectives. We prioritise ICT projects on the basis of our strategic objectives and the necessity arising from the market. We also work with fixed team structures in a new clearer organisation structure and integrate and standardise activities. For more information on the measures taken see the sections on 'Organisational capacity for change' and 'Innovation'.

4. Unauthorised access to systems and data (privacy & security)

Having or obtaining unauthorised access to our systems and data (including the smart meter) can lead to interruptions in processes. We are taking a broad range of systematic security measures, including improving authorisation management, periodic penetration tests and security scanning. We are also taking specific measures to protect our operational technology (OT), including training and certification of staff, security policy, awareness and implementing a range of (including virtual) audits, firewalls and security assessments for our stations. To protect personal data periodic Privacy Impact Assessments are carried out. For more information on the measures taken see the section on 'Safety'.

5. Energy grid not adapted in good time for the Energy Transition

Social and technological developments place new demands on the energy grid. We facilitate specific projects for sustainable energy generation from solar and wind energy immediately. However, in many cases it is not yet clear where and when our grids will need to be adapted. There is a risk that it will not be possible to accommodate scale increases on time. To combat this, we identify local developments at an early stage by preparing energy plans with municipalities. Together with TenneT we have prepared grid visions for joint expansion alternatives for connecting large wind farms. For more information on the measures taken see the sections on 'Reliability of the energy supply' and 'Making the energy supply sustainable'.

6. Safety of employees

Working on energy grids carries risks for the health of employees. Enexis places a high priority on safety. We are constantly striving to improve safety measures and ensure a safe network. We are working to improve safety awareness among staff and contractors. In 2017 a safety compass was introduced, workshops were held for managers and specific training courses on asbestos and working in contaminated ground were set up. For more information on the measures taken see the section on 'Safety'.

7. Decreasing customer satisfaction due to customers having higher expectations and lower tolerance

The increasing demand and extra work put a strain on our objectives in the area of customer satisfaction. This effect is magnified by increasingly critical customers. To manage expectations better, we ensure proactive communication and improved working relationships with our partners in the energy supply chain (such as contractors). We also carry out active supply chain management and stakeholder management. By organising a feedback cycle, critical signals from customers are identified at an earlier stage. For more information on the measures taken see the section on 'Customer satisfaction'.

8. Limited external support for the role of the grid operator in achieving the Energy Transition

Insufficient external support for the role that the grid operators take in achieving the energy transition can result in delay or failure to achieve objectives. For closer alignment with society's needs we have established stakeholder management. We have area teams, a coordinating team and a Central Lobby Consultation Body. We focus our efforts on Public Affairs and better coordination (internal and external) and join in with constructive consultation with partners. For more information on the measures taken see the section on 'Making the energy supply sustainable'.

9. Energy laws impede facilitating the Energy Transition

The duties of the grid operator will be limited by legislation. There is a risk that the possibilities within the grid company will also become restricted. It is not yet known when the new legislation will enter into force. The organisation has already been adapted to the requirements imposed under the Energy Transition Progress Act. For more information on the measures taken see the section on 'Compliance with laws and regulations'.

10. Public safety (failing assets)

Serious safety risks can occur due to failing assets, such as fatal accidents or accidents resulting in serious physical injury. As safety is one our points of departure, we analyse the risk of unsafe situations in our electricity and gas grids. Diversions in gas stations are being removed as a preventive measure. We are increasing supervision of works to public lighting. For more information on the measures taken see the section on 'Safety'.

BOARD 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, operational and financial objectives.

The section on 'Governance: Strategic risks' describes our internal risk and control system and our risk profile.

No system 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. The EB has evaluated the set up and effectiveness of the internal risk and control system during 2017, also based on the business control information, 'Letters of Representation' and reports from the Internal Auditor. The outcomes of this evaluation and the risk profile were discussed with the Audit Committee of the Supervisory Board, in the presence of the internal and external auditor.

We declare that:

- this report states the material risks and uncertainties that are relevant in relation to the expectation of the continuation of the company for a period of twelve months following preparation of this statement;
- the current state of affairs justifies the preparation of the financial reporting on a 'going concern' basis;
- this report provides sufficient insight into deficiencies in the functioning of the internal risk management and control system;
- the aforementioned system provides a reasonable degree of certainty that the financial reporting does not contain any inaccuracies of material importance.

'’s-Hertogenbosch, 19 February 2018

The Executive Board

Peter Vermaat
Chairman of the Executive Board

Maarten Blacquière
Member of the Executive Board

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CONSOLIDATED FINANCIAL STATEMENTS 2017

CONSOLIDATED INCOME STATEMENT

amounts in millions of euros	Notes		2017		2016
Revenue	1		1,380		1,376
Less: Transmission services and distribution losses costs	2		231		228
Other operating income	3		22		31
Balance available for operating activities			1,171		1,179
Employee benefits expenses	4	298		316	
Depreciation, impairments and decommissioning	5	345		344	
Cost of work contracted out, materials and other external expenses	6	168		153	
Other operating expenses	7	21		23	
			832		836
Operating profit			**339**		**343**
Share of result of associates and joint ventures	8		-3		1
Financial income	9	2		2	
Financial expenses	9	61		75	
Financial income and expenses			**-59**		**-73**
Profit before tax	10		**277**		**271**
Corporate income tax expense	11		70		64
Profit for the year			**207**		**207**
Attributable to:					
Minority shareholders			0		0
Shareholders			207		207
Average number of shares during the financial year			149,682,196		149,682,196
Profit per share [1]			**1.38**		**1.38**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

amounts in millions of euros	2017	2016
Profit for the year	207	207
Released part of non-realised income through hedge resreve	1	1
Tax released on non-realised income through equity	0	0
Total result including non-realised income [1]	**208**	**208**
Attributable to:		
Minority shareholders	0	0
Shareholders	208	208

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 2017	31 December 2016
Assets			
Property, plant and equipment	12	6,956	6,659
Intangible assets	13	205	201
Associates and joint ventures	14	8	13
Other financial assets	15	12	11
Non-current assets		**7,181**	**6,884**
Inventories	16	22	21
Receivables	17	161	164
Corporate income tax	18	14	15
Other financial assets (current)	19	4	52
Cash and cash equivalents	20	286	148
Current assets		**487**	**400**
Total assets		**7,668**	**7,284**

amounts in millions of euros	Notes	31 December 2017	31 December 2016
Liabilities			
Issued and paid-up share capital		150	150
Share premium reserve		2,436	2,436
General reserve		1,017	914
Hedge reserve		-2	-3
Profit for the year		207	207
Equity	21	**3,808**	**3,704**
Non-current interest-bearing liabilities	22	2,139	2,142
Non-current provisions	23	86	84
Advance contributions for the installation of grids and connections	24	716	664
Deferred corporate income tax	25	293	283
Other non-current liabilities	26	2	3
Non-current liabilities		**3,236**	**3,176**
Trade and other payables	27	251	245
Current interest-bearing liabilities	28	348	134
Current provisions	23	7	8
Advance contributions to be amortised in the following year	24	18	17
Current liabilities		**624**	**404**
Total liabilities		**7,668**	**7,284**

CONSOLIDATED CASH FLOW STATEMENT

amounts in millions of euros	Notes	2017		2016	
Profit for the year		207		207	
Adjustment for sale result Aktivabedrijf Enexis Friesland B.V.		0		-11	
Depreciation and impairments	5	345		342	
Amortised contribution for installation of grids and connections	24	-18		-16	
Share of result of associates and joint ventures	8	4		-1	
Dividend received from Associates and Joint Ventures	14	1		1	
Change in operational working capital	29	8		-19	
Change in deferred corporate income tax	11	8		3	
Change in non-current provisions	23	2		21	
Change in other non-current liabilities		-1		0	
Others		1		1	
Cash flow from operating activities			**557**		**528**
Investments in property, plant, equipment and intangible assets	12 and 13	-585		-590	
Additional payment acquisition Endinet Groep B.V.		0		-359	
Acquisition of N.V. Stedin Netten Weert		-59		0	
Contributions for the installation of grids and connections	24	71		68	
Loans granted	15	-9		-4	
Increase deposits and money market funds	19	0		-100	
Decrease deposits and money market funds	19	50		170	
Repayment of loans granted	15	6		2	
Cash flow from investing activities			**-526**		**-813**
Cash flow before financing activities			**31**		**-285**
Issuing bond notes	22	0		493	
New interest-bearing liabilities excluding amounts owed to credit institutions		480		0	
Repayment shareholders' loan tranche C	22	0		-500	
Repayment agreements perpetual loan	22	0		-98	
Repayment of interest-bearing liabilities excluding amounts owed to credit institutions	22	-385		-1	
Dividend paid		-104		-111	
Cash flow from financing activities			**-9**		**-217**
Total cash flows			**22**		**-502**
Cash and cash equivalents at the beginning of the financial year	29		34		536
Cash and cash equivalents at the end of the financial year	29		**56**		**34**

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
At 1 January 2016	**149,682,196**	**150**	**2,436**	**802**	**-4**	**223**	**3,607**
Profit for the year 2016	0	0	0	0	0	207	207
Amortisation hedge reserve 2016	0	0	0	0	1	0	1
Total result including unrealised results	**0**	**0**	**0**	**0**	**1**	**207**	**208**
Profit appropriation for 2015	0	0	0	112	0	-112	0
Dividend paid for 2015	0	0	0	0	0	-111	-111
At 31 December 2016	**149,682,196**	**150**	**2,436**	**914**	**-3**	**207**	**3,704**
At 1 January 2017	**149,682,196**	**150**	**2,436**	**914**	**-3**	**207**	**3,704**
Profit for the year 2017 [1]	0	0	0	0	0	207	207
Amortisation hedge reserve 2017	0	0	0	0	1	0	1
Subtotal					**1**	**207**	**208**
Profit appropriation for 2016	0	0	0	103	0	-103	0
Dividend paid for 2016	0	0	0	0	0	-104	-104
At 31 December 2017 [2]	**149,682,196**	**150**	**2,436**	**1,017**	**-2**	**207**	**3,808**

1 The dividend for 2016, to which the shareholders are entitled in 2017 and which has been paid to shareholders in 2017, amounted to EUR 0.69 per share (2016: EUR 0.74), calculated on the basis of the number of shares at year-end.
2 Total equity per share at year-end 2017 was EUR 25.44 (2016: EUR 24.75), 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, the installation and operation of private energy distribution grids and the acceleration of the transition to a sustainable energy supply.

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 2017 comprise the company and its subsidiaries (hereafter referred to as the Group). Approximately 76% of the shares of Enexis are held by five Dutch provinces and approximately 24% of the shares are held by 99 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 19 February 2018. The financial statements, signed by the Supervisory Board, will be presented to the General Meeting of Shareholders for adoption on 5 April 2018.

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 TO IFRS

Amendments in 2017 with no impact on equity and result

The following new or amended IFRS standards and IFRIC interpretations have come into effect in 2017. These have no immediate consequences for Enexis' equity and result.

- Amendments to IAS 7 - Disclosure initiative.
- Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses.

Future standards that have not yet come into effect in 2017

The IFRS improvements and amendments below have been published and approved by the European Union in 2017, but have not yet entered into effect in 2017, and as such have not been applied.

- IFRS 9 'Financial instruments' replaces IAS 39 and all previous versions of IFRS 9 and combines three aspects 'Classification and measurement', 'Impairments' and 'Hedge accounting' which apply to the accounting of financial instruments. This standard contains an entirely new framework for the classification and measurement of financial assets. It has been concluded that Enexis does not have any assets that are dealt with differently under the amended IFRS 9 standard with respect to the current standard. In addition, IFRS 9 moves from 'incurred losses' to 'expected credit losses' for the determination of provisions for doubtfull debts and the valuation (or devaluation) of loans made to associates and joint ventures. This means that for every receivable and loan provided an expected credit loss must be incorporated when it is first recognised on the balance sheet. On the basis of current information Enexis does not expect any significant changes in measurement. For financial liabilities the current standard remains virtually unamended and therefore it is not expected to have a significant effect on the accounting principles and/or explanatory notes. IFRS 9 enters into effect as of 1 January 2018. The cumulative effect of the transition to the position at 1 January 2018 must, to the extent that any such effect occurs, be processed as a change in accounting policy through equity.

- IFRS 15 'Revenue from contracts with customers'. This standard will replace the existing accounting rules relating to revenue recognition, including the standards IAS 18 'Revenue Recognition' and IAS 11 'Construction Contracts' and the interpretations SIC 31 and IFRIC 13, 15 and 18. Enexis will apply the new standard as of 1 January 2018. The implementation process, which was close to completion in 2017, focused on three areas:
  - Measurement and reporting of revenue;
  - Explanations in the financial statements; and
  - Impact on processes and IT.

  In the initial phase of the implementation process the revenue streams were identified and the majority of the associated contracts, services and supplies were assessed to determine the potential impact of the implementation of IFRS 15. With the introduction of IFRS 15 a distinction needs to be made between separate performance obligations. This means that a distinction needs to be made between the separate services and supplies within a contract; following of which the total contracted revenue needs to be allocated to the individual performance obligations. It can be provisionally concluded that there are no material differences from the revenue accounting under the current standards and interpretations.

Enexis provisionally maintains the current accounting for advance contributions for the installation of grids and connections that is based on IFRIC 18, because IFRS 15 can be interpreted differently with respect to the accounting for these advance contributions. However, from 2018 the amortisation of these advance contributions will be presented within the revenue instead of the othr operating income. In addition under the new standard the disclosures in relation to revenue from contracts with customers will become more detailed. These additional disclosures do not require signifcant changes to the underlying processes and ICT. Effective date is 1 January 2018.

- IFRS 16 ‘Leases’. The new lease standard means that operational leases and rental liabilities, which are currently accounted for as an off-balance sheet commitment (Note 32. Off-balance sheet commitments and assets), will be accounted for on the balance sheet as of 2019. It is estimated that this will result in a balance sheet extension of between 0.5 and 2.5 per cent, which will also influence the ratios. In addition, analysis in relation to IFRS 15 has shown that the revenue from lease of operating assets will form part of IFRS 16. This will result in a different presentation as of 2019 and has no financial impact. The Group is currently preparing an orientating assessment which will include an analysis of the lease and rental contracts and determination of the impact of the changes on internal control and control measures. Effective date is 1 January 2019.

- Amendments to IFRS 4. Application of IFRS 9 Financial Instruments with IFRS 4 ‘Insurance Contracts’. These amendments do not apply to the Group. Effective date is 1 January 2018.

The following IFRS improvements and amendments have been published but were not yet adopted by the European Union in 2017. Possible improvements or amendments are applicable as of the financial years after 2017 and have not yet been applied in 2017.
- Amendments to IFRS 2 -Accounting for share-based payments, into effect on 1 January 2018
- IFRS annual improvements, cycle 2014-2016, into effect on 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
- IFRIC interpretation 23 - Uncertainty over income tax treatments, into effect on 1 January 2019
- Amendments to IFRS 9 - Prepayment features with negative compensation, into effect on 1 January 2019
- Amendments to IAS 28 - Long term interests in associates and joint ventures, into effect on 1 January 2019
- IFRS annual improvements, cycle 2015-2017, into effect on 1 January 2019

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 23) 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 presentation of the income statement follows the classification in categories. The transmission 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 30. '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 Group 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.

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. Impairments of goodwill will not be reversed.

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.

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. Enexis 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.

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.

Enexis Group as lessor in an operational lease

Enexis has entered into operational leases for energy-related installations. Operational leases are leases that are not classified as financial leases. Risks and benefits associated with ownership of the relevant asset are not transferred to the lessee.

The assets made available to third parties under operational leases are recognised under property, plant and equipment. The revenue from operational leases is recognised during the term of the lease on the income statement as other products and services sold forming part of the net revenue.

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:

- Enexis regulated; and
- Enexis other.

The above classification is based on the internal reporting structure, in particular the consolidated monthly reports and the annual business plan.

The 'Enexis regulated' segment covers Enexis B.V. and Enexis Personeel B.V. jointly and forms 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%). Enexis B.V. is responsible for the construction and the 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. Enexis Personeel B.V. was established with the objective of providing labour for the associated companies in its group as well as providing other services and supplying goods with respect to its own staff. Staff working for the network operator was transferred from Enexis B.V. to Enexis Peroneel B.V. as of 1 January 2017. To the extent that Enexis Personeel B.V. works for the entities operating outside the 'Enexis regulated' segment, a settlement of costs has taken place.

The 'Enexis other' segment covers the activities of Enexis Vastgoed B.V., Enpuls B.V. (including Enpuls Projecten B.V.) and Fudura B.V. Enexis Vastgoed B.V. leases its own real estate within Enexis. Enpuls B.V. and its related entity Enpuls Projecten B.V. were established with the objective of facilitating energy saving and greening by achieving scale solutions within the context of Enexis' objectives. Fudura B.V. 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 B.V. ensures that companies can organise their energy supply efficiently. Fudura B.V. is also responsible for non-regulated activities that help organisations increase the sustainability of their energy supply.

Enexis Holding N.V., which is responsible for the financing of all entities operating within Enexis, and Endinet Groep B.V. cannot be assigned to a segment and therefore form part of the column 'Normalisations, eliminations and reconciliations'.

	Enexis regulated		Enexis Other		Normalisations, eliminations and reconciliations		Enexis total	
amounts in millions of euros	2017	2016	2017	2016	2017	2016	2017	2016
Income statement								
Revenue	1,319	1,323	80	74	-19	-21	1,380	1,376
Transmission services and distribution losses costs	231	236	0	0	0	-8	231	228
Other operating income	23	32	4	3	-5	-4	22	31
Balance available for operating activities	1,111	1,119	84	77	-24	-17	1,171	1,179
Operating expenses	786	817	68	54	-22	-35	832	836
Operating profit	325	302	16	23	-2	18	339	343
Share of result of associates and joint ventures	-3	1	0	0	0	0	-3	1
Financial income and expenses	-51	-65	3	3	-11	-11	-59	-73
Profit for the year	202	196	9	15	-4	-4	207	207
Assets and liabilities								
Total assets	7,138	6,964	240	194	290	126	7,668	7,284
Non-consolidated associates and joint ventures	8	13	0	0	0	0	8	13
Liabilities (provisions and debts)	3,108	2,844	131	122	621	614	3,860	3,580
Others								
Investments in property, plant and equipment and intangible assets	565	558	16	32	4	0	585	590
Number of employees at year-end (FTE)	3,953	4,033	222	196	0	0	4,175	4,229

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, eliminations and reconciliations'. The eliminated costs and revenues mainly concern services provided by the INFRA department for Fudura B.V., accommodation expenses charged by Enexis Vastgoed B.V. and costs charged by Enexis Personeel B.V. for services it has carried out.

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 2017 can be divided over the segments as follows:

amounts in millions of euros	Regulated activities	Other	Total 2017
Write-off and/or accelerated depreciation of smart meters due to exceptional circumstances	9	0	9
Effects on financial results due to claims submitted	4	0	4
Impairment joint venture ZEBRA Gasnetwerk B.V.	6	0	6
Total	**19**	**0**	**19**

The non-recurring items in 2016 were divided over the segments as follows:

amounts in millions of euros	Regulated activities	Other	Total 2016
Write-off and/or accelerated depreciation of smart meters due to exceptional circumstances	11	0	11
Change in estimate of employee related provisions	9	0	9
Penalty interest for early repayment of shareholders' loan tranche C	8	0	8
Effects on financial results due to claims submitted	7	0	7
Sales result of Aktivabedrijf Enexis Friesland B.V.	-11	0	-11
Total	**24**	**0**	**24**

4. ACQUISITIONS AND SALES

ACQUISITION OF N.V. STEDIN NETTEN WEERT

N.V. Stedin Netten Weert was acquired by purchase from Stedin Netbeheer B.V. on 1 July 2017. As a group company, N.V. Stedin Netten Weert formed part of Stedin Group, which was responsible for the gas and electricity grid in the Weert municipality. Enexis acquired full control over N.V. Stedin Netten Weert on 1 July 2017, after which N.V. Stedin Netten Weert was consolidated in the group figures. 33 employees have been welcomed as new colleagues.

The acquisition price amounted to EUR 59 million, which was paid in full by transfer of cash funds.

The fair value of N.V. Stedin Netten Weert can be specified as follows:

amounts in millions of euros	2017
Property, plant and equipment	58
Total acquired assets	**58**
Deferred corporate income tax liabilities	2
Total acquired liabilities	**2**
Fair value net-assets	**56**
Purchase price of acquisition	59
Goodwill	**3**

The property, plant and equipment concern approximately 20,000 gas and 22,000 electricity connections and concern grid sections, connections, meters and other assets.

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

The goodwill with an amount of EUR 3 million contains expected synergie benefits and deferred corporate income tax liabilities.

The expenses that have been made for the acquisition of N.V. Stedin Netten Weert amounted to EUR 0.9 million of which EUR 0.8 million has been recognised in the income statement for 2016 and EUR 0.1 million in the income statement for 2017.

As from the acquisition date, 1 July 2017, N.V. Stedin Netten Weert delivered a contribution to revenue of EUR 4 million. The contribution to the net result over this period amounted to EUR 2 million, taking into account EUR 0.2 million internally allocated interest expenses. If Stedin Netten Weert had been part of Enexis Group throughout 2017, then its contributions to revenue and to the net result would have amounted to EUR 9 million and EUR 3 million, respectively.

In the 2017 annual report the non-financial information for N.V. Stedin Netten Weert is not presented separately. In terms of the number of staff, the section lengths and the number of stations/connections its total materiality, as compared with Enexis, is less than 1%.

SALE OF PARTICIPATION IN ZIUT B.V.

On 8 September 2017 Enexis and Alliander sold and transferred the joint venture Ziut B.V. to SPIE Nederland. As book value, based on fair value less costs of sale (EUR 1; Enexis' share EUR 0.47), is equal to the agreed sale price (EUR 1; Enexis' share EUR 0.47) no sale result applies.

The subordinated loans provided by the shareholders to Ziut B.V. (EUR 5 million; Enexis' share EUR 2 million) were repaid by SPIE at the time of the sale. The repayment of the loans did not have any further consequences for the balance sheet valuation and the result for 2017.

Reference is made to note 32, Off-balance sheet commitments and assets for the guarantees agreed during the transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

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 revenue is registered in the period in which the supply of goods and services took place. 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 Dutch 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.

In the revenue for 2017, the estimated grid fee for small-volume consumers amounted to EUR 77 million and for large-volume consumers EUR 29 million (together 7.7% of total net revenue). The conclusion differences on these estimates are in general small. The estimated revenue concerns the month of December and is largely based on the revenues achieved in November.

amounts in millions of euros	2017	2016
Transmission fees electricity current year	744	777
Periodic connection fees electricity	68	83
Transmission fees gas current year	251	235
Periodic connection fees gas	68	41
Adjustments of transmission fees of previous years	0	-1
Metering services	158	152
Other products and services sold	91	89
Total	**1,380**	**1,376**

2. TRANSMISSION SERVICES AND DISTRIBUTION LOSSES

This includes the transmission services charged by TenneT and distribution losses related to net revenue.

amounts in millions of euros	2017	2016
Transmission services	185	169
Distribution losses	46	59
Total	**231**	**228**

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 distribution 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 led to a positive result of EUR 7 million in 2017.

At the end of 2017, the estimated costs of transmission services amounted to EUR 9 million and distribution losses amounted to EUR 5 million (together 6.1% of total procurement expenses). The conclusion differences on these estimates are generally 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	2017	2016
Amortised contributions to investments for installation of grids and new connections	18	16
Subsidies and refunds received	2	1
Proceeds from sale of assets	0	13
Rental income buildings	1	1
Other	1	0
Total	**22**	**31**

The book profit of sold assets in 2016 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' own investment projects are deducted from employee benefits expense as capitalised production.

amounts in millions of euros	2017	2016
Salaries	254	250
Social security contributions	34	33
Pension costs	32	30
Outside staff	63	64
Allocation to provisions for employee benefits	3	15
Other	30	29
Less: own production capitalised	-118	-105
Total	**298**	**316**

The development of the workforce in 2017 can be specified as follows:

	2017	2016	
Own staff	4,175	4,229	-54
Outside staff with a temporary employment	651	708	-57
Total FTE at year-end	**4,826**	**4,937**	**-111**

Pension obligations

Enexis staff 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). The cover ratio at pension fund ABP the end of 2017 amounted to 104.4% (2016: 96.6%). The financial position of the fund and the cover ratio improved again in 2017. The level of the cover ratio reached is not sufficient to increase the participants' pensions. The improvement of the financial situation and the cover ratio reached are mainly due to a return of 7.6% on investments.

The contribution for the retirement and surviving dependents' pension for 2017 amounted to 21.1% (17.8% as of 1 January 2016 and 18.8% as of 1 April 2016). The increase in the contribution is due to the cover ratio of the fund, which is still too low at the end of 2017.

As of 1 January 2018, the contribution for the retirement pension and the surviving dependents' pension has been determined at 22.9%. The fund requires a structurally higher contribution level in order to ensure that the pension scheme remains affordable. Further steps are expected to be made in 2018 and in the coming years.

In 2017 the contribution division between the employer and the employee is 70 and 30 percent respectively (as in 2016).

5. DEPRECIATION AND DECOMMISSIONING

The depreciation charges can be specified as follows:

amounts in millions of euros	2017	2016
Depreciation of property, plant and equipment	293	280
Depreciation of intangible assets	29	31
Decommissioning	23	33
Total	**345**	**344**

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
Buildings	25-50 year
Cables, pipelines and equipment	25-55 year
Other non-current assets and 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
Software	5 year
Goodwill	n.v.t.

Impairments

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

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	2017	2016
Work contracted out	70	64
Materials	27	29
Other external expenses	71	60
Total	**168**	**153**

The costs of outsourced work, materials and other external expenses have increased by EUR 15 million compared to 2016. The increase in these costs is caused by sustainability initiatives, ICT, consultancy, acquisition and the launch of an internal transition programme.

Auditor's fees

Fees charged by PricewaterhouseCoopers accountants N.V. in the financial year for the audit of the financial statements amounted to EUR 0.6 million in 2017 (2016: EUR 0.6 million) and for other audit assignments EUR 0.1 million (2016: EUR 0.1 million).

7. OTHER OPERATING EXPENSES

amounts in millions of euros	2017	2016
Allocated to/released from provisions	6	7
Other	15	16
Total	**21**	**23**

Other operating expenses mainly concern allocations to and/or releases from non-personnel 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	2017	2016
ZEBRA Gasnetwerk B.V.	-3	1
Total	**-3**	**1**

Reference is made to note 14 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	2017	2016
Financial income	2	2
Total financial income	**2**	**2**
Interest added to provisions	1	1
Other financial expenses	60	74
Total financial expenses	**61**	**75**
Financial income and expenses	**-59**	**-73**

Financial expenses mainly consist of interest payments in connection with borrowings. Reference is made to note 22. Interest-bearing liabilities (non-current) and note 28. Interest-bearing liabilities (current) for further details about these loans.

The negative balance of financial income and expenses amounted to EUR 59 million in 2017 and has thus improved by EUR 14 million compared with 2016. The main reasons for this improvement are:

- The shareholders' loan tranche C was repaid early in April 2016. The interest expenses up to and including April 2016 amounted to EUR 7 million and the penalty interest payable in connection with early repayment amounted to EUR 8 million. This has resulted in a decrease of the interest expenses in 2017 to EUR 15 million.

- In April 2016 a fourth bond loan was issued under the EMTN programme to refinance the aforementioned shareholders' loan. The interest expenses for this bond loan amounted to EUR 3 million from April 2016 onwards. In 2017 these expenses amounted to EUR 5 million. This has resulted in an increase of EUR 2 million in interest expenses in 2017 as compared with 2016.

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 with comparative figures being shown for exceptional items where these arise.

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

amounts in millions of euros	2017	2016
Profit before tax (including exceptional items)	**277**	**271**
Writing off and/or accelerated depreciation of smart meters for exceptional reasons	9	11
Impact on results due to submitted claims	4	7
Impairment joint venture ZEBRA Gasnetwerk B.V.	6	-
Change in estimate employee related provision	-	9
Penalty interest early repayment of shareholders' loan tranche C	-	8
Result from sale of Aktivabedrijf Enexis Friesland B.V.	-	-11
Total exceptional items	**19**	**24**
Profit before tax (excluding exceptional items)	**296**	**295**

2017 and 2016

Writing off and/or accelerated depreciation of smart meters for exceptional reasons

It has been decided, in the context of the Landis + Gyr gas meter issue and influenced by public opinion, to replace all Landis + Gyr meters that have not been checked and all meters with an adapter in the first quarter of 2018. These are meters that may have an excessively short screw thread, with the result that they do not satisfy the applicable quality requirements. The accelerated depreciation resulting from this amounts to EUR 5 million in 2017.

In addition, G-meters that are not compliant and could not therefore be installed were written off as an impairment. Together with the E-meters associated with them, these meters represent a value of EUR 4 million.

The first-generation smart meters were taken out of circulation in 2016 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.

Impact on results due to submitted claims

Enexis created a provision of EUR 7 million for disputes in 2016. In 2017 the allocation to this provision, reduced by the net release, amounts to EUR 4 million.

2017

Impairment of ZEBRA Gasnetwerk B.V.
In connection with the expected decrease in the earning capacity of ZEBRA Gasnetwerk B.V., as a result of which the potential for the assets available for the operating activities of ZEBRA Gasnetwerk B.V. to generate future economic benefits will decrease, ZEBRA Gasnetwerk B.V. has been impaired by EUR 6 million.

2016

Change in estimation method for personnel-related provisions
A change in the estimation method 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 personnel-related provisions is based, has resulted in a non-recurring expense item of EUR 9 million.

Penalty interest for early repayment of shareholders' loan tranche C
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.

Sales result of Aktivabedrijf Enexis Friesland B.V.
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.

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

amounts in millions of euros	2017	2016
Profit for the year (including exceptional items)	**207**	**207**
Total non-recurring items	19	24
Tax on non-recurring items	-3	-5
Profit for the year (excluding exceptional items)	**222**	**226**

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., Enexis Personeel B.V., Enexis Vastgoed B.V., Endinet Groep B.V., Fudura B.V., Enpuls B.V. and Enpuls Projecten B.V. are part of the fiscal unity for corporate income tax.

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 %	2017	2016
Nominal statutory corporate income tax rate in the Netherlands	25.00	25.00
Exempt from corporate income tax and prior-year settlements	0.42	-1.38
Effective tax rate for current year [1]	**25.42**	**23.62**

1 Total taxes as a percentage of results before taxation

amounts in millions of euros	2017	2016
Profit before tax	277	271
Less: exempt income and prior-year settlements	-4	19
Taxable profit	**281**	**252**
Tax on current year	70	63
Adjustment preceding year	0	1
Total taxes	**70**	**64**
Of which deferred	9	3
Current portion	**61**	**61**

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

amounts in millions of euros	2017	2016
Sales result Aktivabedrijf Enexis Friesland B.V.	0	11
Contribution EDON loan not in accordance with the market	0	6
Release provision termination expenses CBL	0	3
Share of result of associates	-3	1
Non-taxable part of taxed salaries or limited deduction of mixed expenses	-1	-1
Acquisition costs	0	-1
Total	**-4**	**19**

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. 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 2017 are as follows:

amounts in millions of euros	Land and Buildings	Cables, pipelines and equipment	Other non-current assets	Work in progress	Total 2017
Cost at 1 January 2017	693	11,604	246	176	12,719
Accumulated depreciation at 1 January 2017	322	5,564	174	0	6,060
Carrying amount at 1 January 2017	**371**	**6,040**	**72**	**176**	**6,659**
Reclassified work in progress	6	121	2	-129	0
Acquired through acquistion	6	52	0	0	58
Investments [1]	9	379	4	162	554
Depreciated	-13	-265	-15	0	-293
Decommissioning	0	-21	-1	0	-22
Carrying amount at 31 December 2017	**379**	**6,306**	**62**	**209**	**6,956**
Accumulated depreciation at 31 December 2017	330	5,590	177	0	6,097
Cost at 31 December 2017	**709**	**11,896**	**239**	**209**	**13,053**

1 In 2017 EUR 1.4 million (2016: EUR 0.8 million) construction interest was capitalised and recorded as financial income. This was calculated with an interest rate of 2.69% (2016: 3.15%).

The comparative overview for 2016 is 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	641	10,408	231	152	11,432
Accumulated depreciation at 1 January 2016	304	5,226	169	0	5,699
Carrying amount at 1 January 2016	**337**	**5,182**	**62**	**152**	**5,733**
Reclassified work in progress	8	108	-3	-113	0
Acquired through acquisition	16	633	6	13	668
Investments	23	402	21	124	570
Depreciated	-13	-253	-14	0	-280
Decommissioning	0	-32	0	0	-32
Carrying amount at 31 December 2016	**371**	**6,040**	**72**	**176**	**6,659**
Accumulated depreciation at 31 December 2016	322	5,564	174	0	6,060
Cost at 31 December 2016	**693**	**11,604**	**246**	**176**	**12,719**

Other non-current assets includes G-meters that are not compliant and therefore cannot be installed. Together with the E-meters associated with them, these meters represent a value of EUR 4 million that has been written off in full as an impairment.

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 1 million at year-end 2017.

Impairments

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

13. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of goodwill, acquired or self-created application software and capitalise 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. Costs are only activated if it is probable that future economic advantages will result from the use of a specific asset.

The changes in intangible fixed assets in 2017 are as follows:

amounts in millions of euros	Goodwill	Software	Lease contracts	Under construction	Total 2017
Cost at 1 January 2017	112	353	7	17	489
Accumulated depreciation at 1 January 2017	0	288	0	0	288
Carrying amount at 1 January 2017	**112**	**65**	**7**	**17**	**201**
Reclassified work in progress	0	17	0	-17	0
Investments	0	12	0	19	31
Acquired through acquisition	3	0	0	0	3
Depreciation	0	-29	0	0	-29
Decommissioning	0	-1	0	0	-1
Carrying amount at 31 December 2017	**115**	**64**	**7**	**19**	**205**
Accumulated depreciation at 31 December 2017	0	298	0	0	298
Cost at 31 December 2017	**115**	**362**	**7**	**19**	**503**

The comparative overview for 2016 is 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
Carrying amount at 1 January 2016	**15**	**76**	**0**	**16**	**107**
Reclassified work in progress	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
Carrying amount at 31 December 2016	**112**	**65**	**7**	**17**	**201**
Accumulated depreciation at 31 December 2016	0	288	0	0	288
Cost at 31 December 2016	**112**	**353**	**7**	**17**	**489**

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, Endinet Groep B.V. in 2016 and N.V. Stedin Netten Weert in 2017 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 impairment test is carried out each year in December for the cash flow generating units in which goodwill is included. The goodwill that arose from the acquisitions has been attributed to the following cash flow generating units:

amounts in millions of euros	Electricity	Gas	Other	Total
Intergas Energie B.V.	0	15	0	15
Endinet Groep B.V.	19	59	19	97
N.V. Stedin Netten Weert	2	1	0	3
Total	**21**	**75**	**19**	**115**

The goodwill that arose from the acquisition of N.V. Stedin Netten Weert on 1 July 2017 was allocated based on the fair value proportions of the assets on 1 July 2017.

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), the smart meter roll-out programme and Enexis' efficiency objectives.

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' 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 considerably higher than the values in use of the corresponding assets, with 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 and Climate is the vision that the Netherlands must have a low CO_2 energy supply in 2050. For this reason, the use of (fossil fuel) natural gas must be reduced as much as possible; the aim of sharply reducing the contribution of natural gas to energy supplies as a whole and where possible terminating this entirely is therefore gaining increasing public support. This is widely apparent, including in the coalition agreement made by the cabinet that took office in 2017. 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.

However, in Enexis' view it is not the case that gradual phasing-out of natural gas will also lead to large scale decommissioning of gas grids. There is an increasingly broad consensus that it is almost impossible to provide for the demand for heating without an energy carrier in the form of gas. Exclusive use of electricity is not always a realistic option in technical and economic terms. A heating grid is by no means suitable for use everywhere. In such situations, the use of sustainable energy carriers in the form of a gas – such as hydrogen produced from renewable electricity or Green Gas – in combination with the application of hybrid heat pumps is the most accessible route to achieving sustainability. It is anticipated that a safe and reliable gas grid will remain necessary – even as part of a sustainable (or more sustainable) energy supply.

Enexis does not therefore believe that there is currently cause to shorten the depreciation periods of the existing gas grids or to have to start writing off the existing gas grids. However, to limit this risk further, 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. Where this does arise, intensive consultation is therefore carried out with the other parties involved such as municipalities, project developers and housing corporations.

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

	Assumptions regulated assets	Assumptions non-regulated assets
Variables		
Cash-generating units	Electricity and gas	Other
Source financial results in future years	Long Term Financial Calculation	Long Term Financial Calculation
Cost debt capital	2.3%	6.3%
Cost equity	5.0%	10.7%
Discount rate after taxes	3.4%	7.7%

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 entered into legal obligations guaranteeing the debts of the associate or in the event that there is an actual obligation to enable the associate (in proportion to Enexis' share) to repay its debts.

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	2017	2016
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.	8	13
At 31 December	**8**	**13**

In 2017 Enexis sold and transferred its participation in Ziut B.V. to SPIE Nederland. As the book value, based on fair value less costs of sale, is equal to the agreed sale price no sale result applies.

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. The regular result for 2017 exceeds the dividend of EUR 1 million received. In connection with the expected decrease in the earning capacity of ZEBRA Gasnetwerk B.V., as a result of which the potential for the assets available for the operating activities of ZEBRA Gasnetwerk B.V. to generate future economic benefits will decrease, the affiliate ZEBRA Gasnetwerk B.V. has been impaired by EUR 6 million. In calculating the operating value of the participation in ZEBRA Gasnetwerk that resulted in impairment in 2017, consideration was given to the regulatory data currently applicable and known and the best estimate of expected future volumes. Due to the high degree of uncertainty no consideration has been given to possible changes to this in the future.

Changes in the value of the associates and joint ventures were as follows:

amounts in millions of euros	2017	2016
At 1 January	**13**	**13**
Obtained by acquisition	0	0
Profits for the year	2	1
Impairments	-6	0
Dividends received	-1	-1
At 31 December	**8**	**13**

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. The decrease as compared with 2016 is largely explained by the sale of Ziut B.V. in 2017.

amounts in millions of euros	2017	2016
Non-current assets	16	22
Current assets	13	28
Non-current liabilities	-15	-19
Current liabilities	-6	-18
Book value at 31 December	**8**	**13**
Revenue	12	64
Costs (including financial income and expenses)	-15	-62
Profit before tax	-3	2
Corporate income tax expense	0	-1
Profit for the year	**-3**	**1**

An overview of all of the associates and joint ventures (group companies, joint ventures and other associates) is provided in note 52. '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	2017	2016
Loans and receivables	12	11
Total	**12**	**11**

The changes in financial fixed assets in 2017 are as follows:

amounts in millions of euros	Loans granted to staff	Other loans	Total 2017
At 1 January 2017	**2**	**11**	**13**
New loans	1	8	9
Redemptions	1	5	6
At 31 December 2017	**2**	**14**	**16**
Less: current portion	0	4	4
Total non-current portion	**2**	**10**	**12**

Other financial fixed assets concern loans provided to EDSN B.V. and the foundation Stichting Mijnaansluiting.nl, as well as loans provided to employees in connection with financing arrangements. Furthermore, EUR 2 million in loans were extended to EDSN that had not been obtained as of year end 2017. The average weighted effective interest rate amounted to approximately 1.5% (2015: 2.8%).

The interest rate that is charged for the loans included in other financial fixed assets differs from the market interest rate at year-end 2017. 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. and Mijnaansluiting.nl was determined on an at arm's length basis at the time these loans were concluded, which resulted for each associate in a market interest surcharge on top of the standard market interest.

In 2017 the total amount of funds made available to EDSN and Mijnaansluiting.nl was EUR 8 million.

The subordinated loan provided to Ziut B.V. in the sum of EUR 2 million was repaid by SPIE at the time of the sale of the participation in Ziut B.V. The repayment of the loan did not have any further consequences for the balance sheet valuation and the result for 2017.

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	2017	2016
Materials	24	24
Provision for obsolescence	-2	-3
Total	**22**	**21**

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

Impairments of inventories amounted to practically nil in 2017 (2016: also nil).

17. RECEIVABLES

amounts in millions of euros	2017	2016
Trade receivables	59	72
Amounts receivable	116	109
Provision for doubtful debts	-14	-17
Total	**161**	**164**

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 2017 (in comparison to the 2016 figures):

	2017			2016
amounts in millions of euros	Net	Provision	Gross	Gross
Not past due	25	0	25	25
0-30 days past due	11	0	11	17
31-60 days past due	1	0	1	3
61-90 days past due	1	0	1	1
91-365 days past due	2	-2	4	6
Over 365 days past due	5	-12	17	20
Total	**45**	**-14**	**59**	**72**

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	2017	2016
At 1 January	**-17**	**-17**
Allocation through profit or loss	-2	-2
Acquired by acquisition	0	-2
Write-offs	5	5
Reversals of earlier write-offs	0	-1
At 31 december	**-14**	**-17**

18. 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	2017	2016
Corporate income tax	14	15
Total	**14**	**15**

19. OTHER FINANCIAL ASSETS (CURRENT)

amounts in millions of euros	2017	2016
Loans with maturity < 1 year	4	2
Short-term deposits	0	50
At 31 december	**4**	**52**

Surplus cash in 2017 was placed on temporary deposit or held in corporate (savings) accounts, in accordance with the conditions as described in further detail in the Treasury Charter. As at the end of 2017 no deposits are outstanding.

The share of the loans provided to EDSN B.V. that will be repaid in 2018, in the sum of EUR 4 million, is recognised as the current portion of other financial assets.

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	2017	2016
Cash at bank and cash balances	286	148
Total	**286**	**148**

For a specification of the cash flows, reference is made to the cash flow statement and the explanatory notes to the cash flow statement as included in note 29 'Notes to the cash flow statement'.

The balance of cash and cash equivalents consists of the balance of the cash pool placed with Rabobank. 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 the bank, the balances of the accounts of the different companies in the cash pool may not be offset against one another, with the result that positive and negative bank balances of the Group cannot be offset against each other. As a consequence, EUR 230 million (2016: EUR 114 million) of negative bank balances have been presented as current interest-bearing liabilities (amounts owed to credit institutions).

21. 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.

The share premium reserve is recognised 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 (2016: EUR 1 million positive).

The result following from the income statement for the financial year 2017 before taxation concerns only realised results. After the deduction of corporate income tax expenses, the realised profit in 2017 amounted to EUR 207 million (2016: EUR 207 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 104 million; and, as a result, the reservation to be credit to the general reserve amounts to EUR 103 million. In determining the amount of equity, this proposal for profit appropriation was not taken into account. At year-end 2017, the equity amounted to EUR 3,808 million (2016: EUR 3,704 million). At year-end 2017, the total equity per share amounted to EUR 25.44 (2016: EUR 24.75).

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

22. INTEREST-BEARING LIABILITIES (NON-CURRENT)

amounts in millions of euros	2017	2016
Euro Medium Term Notes	1,786	1,783
Shareholders' loan with a conversion right to convert into equity (tranche D)	350	350
Non-current part of settlement agreements perpetual loan	0	5
Private loan	3	3
Lease obligations	0	1
Total	**2,139**	**2,142**

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 30. Financing policy and risks associated with financial instruments, for more information on the interest-bearing liabilities (non-current).

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 1,786 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 and EUR 5 million in 2017. A liability of EUR 5 million remained at year-end 2017, consisting of the interest supplement that will be paid out in 2018 to loan providers who have opted for repayment in shares. This will be classified as a current interest-bearing liability at the end of 2017.

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

amounts in millions of euros	2017			2016		
	< 1 year	1-5 year	> 5 year	< 1 year	1-5 year	> 5 year
Nominal lease obligations	1	0	0	2	1	0
Present value of lease obligations	1	0	0	2	1	0

23. 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 2017 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 2017
Obligations at beginning of year	36	44	5	7	92
Interest	1	1	0	0	2
Recognised claims in 2017	3	2	1	7	13
Released	-1	-2	0	-3	-6
Benefits paid	-3	0	-2	-3	-8
Total	**36**	**45**	**4**	**8**	**93**
Less: current portion	2	3	2	0	7
Total non-current portion	**34**	**42**	**2**	**8**	**86**

The current portion of the provisions of EUR 7 million (2016: EUR 8 million) has been included separately under the current liabilities.

The comparative overview for 2016:

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
Obtained by acquisition	2	2	0	0	4
Interest	1	1	0	0	2
Recognised claims in 2016	5	10	4	7	26
Released	-1	-2	-2	-3	-8
Benefits paid	-3	0	-2	0	-5
Total	**36**	**44**	**5**	**7**	**92**
Less: current portion	2	4	2	0	8
Total non-current portion	**34**	**40**	**3**	**7**	**84**

Estimates of employee-related provisions

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

	2017	2016
Discount rates	-0,29%-1,81%	-0,26%-1,94%
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%	1.8%
Holiday allowance and social security expenses	15.4%	15.2%

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 2017, the item other provisions consisted of provision for disputes (2016: the same).

24. ADVANCE CONTRIBUTIONS 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 the installation of grids and connections can be specified as follows:

amounts in millions of euros	2017	2016
At 1 January	681	629
Received during the year	71	68
Depreciated	-18	-16
Total	**734**	**681**
Current portion to be amortised in following financial year	18	17
Total non-current portion	**716**	**664**

25. 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	2017	2016
Deferred corporate income tax assets for provisions	-10	-10
Deferred corporate income tax assets for derivatives	-1	-2
Deferred corporate income tax assets for settlement agreements repayment perpetual loan	-2	-2
Deferred corporate income tax liabilities for property, plant and equipment	306	297
Total	**293**	**283**

The deferred corporate income tax liability for plant, property and equipment arose due to a lower tax valuation of assets that originates from the 'opening balance' at the start of 1998 which was a consequence of the reduced tax depreciation periods.

This is partially compensated by the expiry of the deferred corporate income tax liability that arose as a consequence of the tax incentive scheme arbitrary depreciations in 2009, 2010, 2011 and in the second half of 2013, with the result that the depreciation in carrying value in 2017 is higher than the tax depreciation.

26. OTHER NON-CURRENT LIABILITIES

amounts in millions of euros	2017	2016
Payments to employees	2	3
Total	**2**	**3**

These liabilities relate to employees' entitlement to leave.

27. TRADE AND OTHER PAYABLES

amounts in millions of euros	2017	2016
Suppliers	78	69
Tax and social security contributions	62	67
Payments to employees	36	33
Other	75	76
Total	**251**	**245**

28. INTEREST-BEARING LIABILITIES (CURRENT)

amounts in millions of euros	2017	2016
Amounts owed to credit institutions	230	114
Euro Commercial Paper	100	0
Loan ZEBRA Gasnetwerk B.V.	12	12
Agreements repayment perpetual loan	5	5
Private loan	0	1
Lease obligations	1	2
Total	**348**	**134**

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 22. Interest-bearing liabilities (non-current).

In 2017, ZEBRA Gasnetwork B.V. rolled over the existing loan of EUR 12 million at a variable interest rate of 0.0% applicable at year-end 2017 with a remaining term to May 2018.

By the issue of commercial paper under the Euro Commercial Paper (ECP) programme cash funds were obtained in 2017 to finance the requirement for cash. The sum EUR 100 million is still in issue under this programme at the end of 2017.

The debts to credit institutions are negative bank balances within the cash pool with Rabobank. In accordance with contractual agreements with the bank, the positive and negative bank balances of the different companies in the cash pool cannot be offset against each other.

29. 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	2017	2016
Cash at bank and cash balances	286	148
Amounts owed to credit institutions	-230	-114
Total	**56**	**34**

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	2017	2016
Corporate income tax expense recognised through profit or loss	70	63
Corporate income tax paid or received	-60	-60
Interest received and paid recognised through profit or loss	59	73
Interest paid	-57	-76
Interest received	2	2
Working capital before tax and interest	-6	-21
Total	**8**	**-19**

Specification net working capital:

amounts in millions of euros	2017	2016	Delta
Inventories	22	21	1
Receivables	161	164	-3
Subtotal	**183**	**185**	**-2**
Trade and other payables	-253	-247	-6
Corporate income tax	14	15	-1
(Current) provisions	-7	-8	1
Subtotal	**-246**	**-240**	**-6**
Total	**-63**	**-55**	**-8**

The changes to the net interest-bearing liabilities in 2017 are as follows:

	Other assets		Liabilities from financing activities		
	Cash and cash equivalents	Deposits	Non-current interest-bearing liabilities	Current interest-bearing liabilities [1]	Total
At 1 January	**34**	**50**	**-2,142**	**-20**	**-2,078**
Cash flows	22	-50	0	-92	-120
Reclassification from non-current to current	0	0	6	-6	0
Changes in other non-cash generating units	0	0	-3	0	-3
At 31 December	**56**	**0**	**-2,139**	**-118**	**-2,201**

1 Excluding amounts owed to credit institutions

30. 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. There is also a risk that the value of a financial instrument will change as a result of fluctuations in market interest rates.

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. In 2017, as in 2016, Enexis Holding N.V. did not make use of derivatives to hedge interest rate risks nor does it have any derivatives outstanding.

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 may be 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	1.8	7.200%
Euro Medium Term Notes 1st issue	300	299	26 January 2022	10	4.1	3.375%
Euro Medium Term Notes 2nd issue	500	498	13 November 2020	8	2.9	1.875%
Euro Medium Term Notes 3rd issue	500	496	20 October 2023	8	5.8	1.500%
Euro Medium Term Notes 4rd issue	500	493	28 April 2026	10	8.3	0.875%
Private loan [1]	3	3	divers	divers	4.9	2.156%
Loan Zebra Gasnetwerk B.V.	12	12	7 May 2018	0.5	0.4	0.000%
Euro Commercial Paper	100	100	30 January 2018	divers	0.1	-0.390%
Total	**2,265**	**2,251**				

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

The fair value of the interest-bearing loans amounted to approximately EUR 2,409 million at year-end 2017 (year-end 2016: EUR 2,350 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 29 December 2017. The fair value has mainly increased due to the issue of Euro Commercial Paper, of which EUR 100 million is still outstanding at the end of 2017. On the other hand, the value has decreased by EUR 40 million due to the coupon interest payments on the shareholder loan tranche D and the bond loans. At year-end 2017 all interest-bearing loans were at fixed interest rates.

The bond loans concerns "level 1" financial instruments. For Enexis, this means that the fair value is based on listed prices in an active market. The other loans concerns "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, the shareholders' loan 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.

Sensitivity analysis in respect of cash flows for financial assets and liabilities with variable interest rates

A change of 100 basis points in the interest rates with effect from 31 December 2017 would, if all other circumstances remained unchanged, have a pre-tax effect of EUR 0.1 million on equity and on the result.

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' 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 2017 amounted to zero, which means that foreign exchange rate risks and sensitivity to foreign exchange rate fluctuations were not relevant. In 2017, as in 2016, Enexis Holding N.V. did not make use of derivatives to hedge foreign exchange rate risks nor does it have any derivatives outstanding to hedge foreign exchange rate risks.

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. and to a limited extent for Guarantees of Origin in the context of increasing sustainability of energy purchasing. The risk for the purchase of energy 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' 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 2017; 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 a cash pool. A committed credit facility of EUR 20 million has been made available to this cash pool.

Enexis Holding N.V. had a consolidated positive cash balance of EUR 56 million, on balance, at the end of 2017 (EUR 286 million positive and EUR 230 million negative) (year-end 2016: on balance EUR 34 million positive). In addition, at year-end 2017, no short-term deposits or money market funds were held (year-end 2016: EUR 50 million).

Contractual term analysis

The table below shows the contractual and non-discounted cash flows at year-end 2017:

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	1,144	995	2,139
Trade and other payables	140	0	111	0	0	251
Current interest-bearing liabilities	100	0	248	0	0	348
Interest on interest-bearing liabilities	0	0	58	119	18	195
Total	**240**	**0**	**417**	**1,263**	**1,013**	**2,933**

The contractual and non-discounted cash flows at year-end 2016 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	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
Total	**136**	**0**	**301**	**1,015**	**1,321**	**2,773**

Process risk

Process risk consists of the risks associated with setting up the organisation, the procedures and the activities of the Treasury department of Enexis. These risks are hedged 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 accrued 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 (A2/A 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 Dutch 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 2017	Actual 2016
FFO-interest cover [1]	≥ 3,5	9,9	8.1
FFO/net interest-bearing liabilities [1]	≥ 16%	25%	26%
Net interest-bearing liabilities /(equity + net interest-bearing liabilities) [1]	≤ 60%	37%	36%

1 For definitions, please refer to the glossary.

The long-term credit ratings of Enexis Holding N.V. and Enexis B.V. were reconfirmed in 2017 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+ a stable outlook respectively. The credit ratings at year-end 2017 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.

The short-term credit rating of Enexis Holding N.V. at year-end 2017 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.

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 inter-company loans and the cash pool structure satisfy the statutory requirements for the group funding of grid companies, in which context the grid operator is not permitted to give security or assume liability for the funding of non-regulated activities.

Distinction is made between the regulated and non-regulated activities for the funding conditions and interest rates of inter-company loans. Group funding for regulated activities takes place based on equal conditions and interest rates as compared with the externally raised funding by Enexis Holding N.V., assuming that Enexis Holding N.V. and Enexis B.V., as the grid operators with the regulated activities, both have the same creditworthiness/credit ratings. Group funding for non-regulated activities takes place on conditions and at interest rates on an at arm's length basis, which results in a market interest surcharge on top of the standard market interest corresponding to the estimated credit risk of the relevant company.

Funding of associates is also carried out by Enexis Holding N.V. on the basis of arm's length conditions and a market interest surcharge on top of the standard market interest established for each associate.

For the interest rates within the joint cash pool a distinction is also made between regulated and non-regulated activities, by setting up 2 sub-cash pools. The regulated sub-cash pool comprises the bank accounts of the grid operator Enexis B.V. and the interest calculation is based on the current account rate agreed with the bank. The non-regulated sub-cash pool comprises the bank accounts of the other group companies including Enexis Holding N.V., with a market interest surcharge applying above the bank's rate.

The benefits of the group funding are allocated to Enexis Holding N.V. and Enexis B.V.

31. RELATED PARTY TRANSACTIONS

Transactions with related parties are conducted at arm's length prices and conditions. Year-end receivables and payables are 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 2017, 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.

Purchase transactions that took place with the major shareholders (interest >20%), other than in the course of the company's regular operations, had a value of EUR 1.7 million in 2017. At year-end 2017 the total amount of liabilities amounted to EUR 1.6 million.

Shareholders' loans provided by the shareholders amounted to EUR 350 million at year-end 2017 (2016: EUR 350 million). Interest payments on these loans in 2017 amounted to EUR 25 million (2016: EUR 46 million). Dividend payments to shareholders amounted to EUR 104 million (2016: EUR 112 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 4 million (2016: EUR 5 million) and purchase transactions were concluded amounting to EUR 15 million (2016: EUR 12 million).

The total value of liabilities to associates at year-end 2017 amounted to EUR 1 million.

Loans provided by Enexis Holding N.V. to associates at year-end 2017 amounted to EUR 14 million (2016: EUR 11 million). Loans made to Enexis Holding N.V. by associates at year-end 2017 amounted to EUR 12 million (2016: EUR 12 million).

Dividends received from associates amounted to EUR 1 million in 2017 (2016: EUR 1 million).

We use the term key management to refer to members of the Executive Board and the Supervisory Board. Transactions with key management only concern remunerations. Reference is made to note 33. Remuneration and the Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act for more information.

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

	Registered office	Equity stake held by Enexis Holding N.V. 31 December 2017	Equity stake held by Enexis Holding N.V. 31 December 2016	Structure of division of
ZEBRA Gasnetwerk B.V. [1]	Bergen op Zoom	67%	67%	Enexis B.V.
Energie Data Services Nederland B.V.	Arnhem	23%	23%	Enexis B.V.
Ziut B.V. [2]	Arnhem	-	47%	Fudura B.V.

1 Associations are not included in the consolidation as there is no decisive control (decisions with a majority of 75%).
2 On 8 September 2017, Enexis and Alliander sold their shares in Ziut B.V and transferred them to SPIE Nederland.

32. OFF-BALANCE SHEET COMMITMENTS AND ASSETS

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., Enexis Personeel B.V., Enpuls B.V., Fudura B.V., Enexis Vastgoed B.V. and Endinet Groep B.V. for an amount of EUR 285 million at year-end 2017 (2016: EUR 265 million).

	2017			2016		
amounts in millions of euros	< 1 year	1-5 year	> 5 year	< 1 year	1-5 year	> 5 year
Passenger cars (operational lease)	13	22	2	13	23	2
Office locations	18	52	4	20	57	7
ICT	52	34	1	33	8	2
Gridd loss	47	38	0	56	41	0
Others	0	1	2	0	1	2
Total	**129**	**146**	**9**	**122**	**130**	**13**

The new IFRS 16 standard “Lease” means that operational leases and rental liabilities, which are currently accounted for as an off-balance sheet commitment, will be accounted for on the balance sheet from 2019. It is estimated that this will result in a balance sheet extension of between EUR 32 million and EUR 201 million (0.5 to 2.5%).

Legal proceedings and disputes

At the end of 2017, Enexis Holding N.V. and its group companies were involved in various legal proceedings and disputes. Based on the financial risk, provisions have been made or liabilities have been incorporated in the financial statements with respect to the claims received.

Guarantees issued

Enexis Holding N.V. has issued guarantees to third parties through its group companies Enexis B.V., Enexis Personeel B.V., Fudura B.V., Enexis Vastgoed B.V., Enpuls B.V. and Endinet Groep B.V. for in total EUR 6 million (2016: EUR 6 million).

During the sales transaction for Ziut, guarantees were given to SPIE, namely title guarantees, fiscal guarantees and securities that were issued in the period prior to the sale, whereby liability is limited to a maximum of 7 years after the transaction date and where threshold amounts were also agreed.

33. 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 2017 is an amount of EUR 181,000. This maximum is adjusted annually by means of a Ministerial Order. In 2014, prior to the entry into force of the Act to Reduce the Maximum Remuneration of Senior Officials in the Public and Semi-Public Sector WNT, this was EUR 230,474 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 2017 is 10% and for the chairman 15% of the applicable remuneration maximum of the WNT

According to the transitional law, 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. The grid operator Enexis B.V. is a subsidiary of Enexis Holding N.V. The members of the Executive Board of Enexis Holding N.V. are, as natural persons and as the directors appointed under the articles of association, responsible for the management of the grid operator Enexis B.V.: the members of the Executive Board and the members of the Supervisory Board of Enexis Holding N.V. are therefore regarded as senior officials within the meaning of the WNT. The transitional law applies to the senior officials of Enexis B.V. According to this transitional law, 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. Enexis thereby complied with the provisions of the WNT in 2017.

Remuneration policy other executives who are not senior officials

Members of the Management Team at 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 at Enexis does fit within 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 few officials is higher than the reduced WNT standard of EUR 181,000 for 2017.

Remuneration of senior officials (Executive Board and Supervisory Board)

The remuneration of the members of the Executive Board and the Supervisory Board amounted to EUR 0.56 million in 2017 (2016: EUR 0.56 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 Personeel B.V., which are both applicable to staff working at 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 staff at Enexis are therefore also included in the remuneration of the Executive Board, if and to the extent these are in accordance with the WNT. Members of the Executive Board are entitled to holiday leave according to the provisions in the collective labour agreement for Grid Companies ENb.

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.

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. This policy varies from the guidelines in the Corporate Governance Code for 2016. 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.

In anticipation of new energy legislation (the Energy Transition Progress Act) Enexis Personeel B.V. was established on 1 January 2017. This subsidiary of Enexis Holding N.V. is the employer of the members of the Executive Board; in the same way as for staff working for the grid operator, the employment contract of the members of the Executive Board was transferred from Enexis B.V. to Enexis Personeel B.V. on 1 January 2017.

Remuneration of the Executive Board 2017

Each year the Supervisory Board determines the individual remuneration of the members of the Executive Board on the basis of the applicable remuneration policy. 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	2017	2016
M. Blacquière		
Basic salary (including holiday allowance)	187,340	187,340
Allowance pension [1]	11,642	11,642
General expenditure allowance [2]	12,582	15,034
Pension costs [3]	18,909	16,458
Subtotal [4]	**230,474**	**230,474**
P. Vermaat		
Basic salary (including holiday allowance)	187,340	187,340
Allowance pension [1]	11,642	11,642
General expenditure allowance [2]	12,582	15,034
Pension costs [3]	18,909	16,458
Subtotal [4]	**230,474**	**230,474**
Total	**460,948**	**460,948**

1 The sum of EUR 11,642 (EUR 970.20 gross per month) was allocated as of 1 January 2015 in connection with the termination of pension accrual above EUR 100,000.
2 The allocation of a taxable allowance for general expenses is set at EUR 12,582. This is possible in view of the room that has arisen due to lower pension expenses resulting from the termination of pension accrual above EUR 100,000.
3 This concerns employer's contributions to the pension scheme charged by the pension fund; the Executive Board member's own contribution has not been included.
4 The sum presented under Subtotal is the sum that may be applied since 2015, in accordance with the WNT's transitional scheme for a period of four years. This sum of EUR 230,474 was the maximum WNT norm according to the WNT norm according to the WNT scheme 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 2017 EUR 7,566 for both the Chairman and the CFO; this was EUR 7,387 in 2016) have not been included in the above table, the social security contributions do not count for the WNT.

Remuneration of the Supervisory Board 2017

The General Meeting of Shareholders adopted the remuneration policy for the members of the Supervisory Board 18 April 2016. This remuneration policy for the members of the Supervisory Board has been determined in accordance with the WNT maximum. As from 18 April 2016, this 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 WNT maximises the remuneration of the highest supervisory body at 10% for the members and 15% for the chairman of the maximum remuneration as this applies for Enexis B.V. This means that for the year 2017 the maximum for the chairman of the Supervisory Board on an annual basis amounts to EUR 27,150 (15% of EUR 181,000) and for the members of the Supervisory Board on an annual basis EUR 18,100 (10% of EUR 181,000). These amounts are adjusted annually in accordance with the indexed remuneration in the WNT regulations.

The table below provides insight into the development of the remuneration of the individual members of the Supervisory Board.

amounts in euros	Remuneration payed in 2017	Remuneration payed in 2016
D.D.P. Bosscher [1]	-	9,306
M.A.E. Calon	18,100	19,279
Mevr. M.E.J. Caubo	18,100	17,892
J.F.M. van Dijk [2]	18,100	12,574
R. de Jong [3]	-	6,917
P.W. Moerland [4]	27,150	24,187
Mevr. C.M. Velthuis [5]	18,100	12,574
Total	**99,550**	**102,729**

1 Mr Bosscher stepped down as member of the Supervisory Board of Enexis Holding N.V. according to the schedule on 18 April 2016. The amount shown in the 2016 column was time proportional.
2 Mr van Dijk took office as member of the Supervisory Board of Enexis Holding N.V. on 18 April 2016. The amount shown in the 2016 column was time proportional.
3 Mr de Jong stepped down as member of the Supervisory Board of Enexis Holding N.V. according to the schedule on 18 April 2016. The amount shown in the 2016 column was time proportional.
4 Mr Moerland has been Chairman of the Supervisory Board of Enexis Holding N.V. since 18 April 2016.
5 Ms Velthuis took office as member of the Supervisory Board of Enexis Holding N.V. on 18 April 2016. The amount shown in the 2016 column was 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.

Disclosure by virtue of the WNT

In accordance with the WNT disclosure obligation, the remuneration of regular officials of Enexis B.V., not being senior officials, must be disclosed if the remuneration amounts to more than the applicable WNT remuneration maximum; the WNT remuneration maximum for 2017 is an amount of EUR 181,000. The disclosure for the regular officials working for the grid operator Enexis B.V. takes place based on the name of the position and is provided in the diagram below.

The regular officials at Enexis who are employed for the non-regulated activities (Enpuls B.V. and Fudura B.V.) are not included in the disclosure.

In accordance with Enexis' policy no officers employed by an Enexis entity in 2017 received a remuneration that was higher than the maximum standard of the former WNT regulations in 2014 (EUR 230,474).

Amounts in euros	Part time-factor	Reward[1)]	Cost-reim-bursement[2)]	Pension expenses[3)]	One-time pension amount 2017 and 2016[4)]	Totaal 2017 and 2016[5)]	
Director line Department	1.0	180,266	21,845	18,000	-	220,111	2017
		128,761	25,400	14,773	-	168,934	2016
Director staff Department	1.0	187,532	13,046	18,473	11,223	230,274	2017
		186,348	-	16,067	27,972	230,387	2016
Director staff Department	1.0	172,197	19,730	18,473	-	210,400	2017
		172,197	16,106	16,067	26,083	230,453	2016
Director line Department	1.0	173,226	3,483	18,063	-	194,772	2017
		165,756	4,488	15,415	-	185,659	2016
Director staff Department	1.0	171,749	-	18,421	-	190,170	2017
		169,364	425	16,014	22,054	207,857	2016
Director line Department [6)]	1.0	168,355	-2,579	18,051	-	183,827	2017
		161,746	-	15,475	27,119	204,340	2016
Manager staff Department	1.0	156,103	33,827	17,533	-	207,463	2017
		152,511	23,341	15,249	4,319	195,420	2016
Consultant staff Department	1.0	159,440	22,439	17,811	-	199,690	2017
		161,795	15,393	15,613	35,946	228,747	2016
Manager linef Department	1.0	147,727	21,887	17,217	-	186,831	2017
		138,613	24,786	14,962	-	178,361	2016
Manager staff Department	1.0	175,754	17,246	18,089	10,934	222,023	2017
		175,098	14,952	15,750	24,671	230,471	2016

1 Included in the component 'Remuneration' are the gross salary (including any guaranteed supplement salary), the holiday allowance, the tax addition for use of a company car and the so-called 'non-recurring budget' (variable remuneration and non-recurring benefits relating to Collective Labour Agreement regulations).
2 Included in the component 'Expense allowance' are the expense allowance, employer's contributions to medical insurance with Zilveren Kruis, Achmea and occupational disability pension, budget monthly, budget leave and flex budget.
3 The 'Pension expenses' component relates to the employers' contributions to the pension scheme as charged by the pension fund; contributions by Executive Board member themselves is not included.
4 In connection with the capping of pension accrual above EUR 100,000, in 2015 the Executive Board decided to allocate a compensation to those concerned. In principal this sum was a one-off lump sum payment unless this resulted in exceeding the WNT norm. In such cases, the remainder would be paid out in 2016 and 2017. The final payments were made in 2017.
5 The column 'Total 2017 and 2016' contains the total amount of the remuneration as specified in the WNT, both for the year 2017 and 2016.
6 The Executive Board member purchased extra leave to the sum of EUR 2,579.

34. SUBSEQUENT EVENTS

For more information, reference is made to note 54. Events after the balance sheet date.

COMPANY FINANCIAL STATEMENTS 2017

COMPANY INCOME STATEMENT

amounts in millions of euros	Notes	2017		2016	
Share of result of group companies	35		211		210
Financial income	36	56		69	
Financial expenses	36	61		74	
Financial income and expenses			**-5**		**-5**
Profit before tax			**206**		**205**
Corporate income tax expense	37		-1		-2
Profit for the year			**207**		**207**
Average number of shares during the financial year			149,682,196		149,682,196
Profit per share [1]			**1.38**		**1.38**

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 2017	31 December 2016
Assets			
Investments in group companies	38	4,235	4,048
Other financial assets	39	1,729	1,735
Non-current assets		**5,964**	**5,783**
Receivables	40	133	156
Corporate income tax expense	41	14	15
Other financial assets (current)	42	10	59
Cash and cash equivalents	43	263	124
Current assets		**420**	**354**
Total assets		**6,384**	**6,137**

amounts in millions of euros	Notes	31 December 2017	31 December 2016
Liabilities			
Issued and paid-up share capital		150	150
Share premium reserve		2,436	2,436
General reserve		1,017	914
Hedge reserve		-2	-3
Profit for the year		207	207
Equity	44	**3,808**	**3,704**
Non-current interest-bearing liabilities	45	2,138	2,141
Deferred corporate income tax	46	293	237
Non-current liabilities		**2,431**	**2,378**
Trade and other payables	47	27	28
Current interest-bearing liabilities	48	105	27
Provision for associate (current)	49	13	
Current liabilities		**145**	**55**
Total liabilities		**6,384**	**6,137**

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 76% of the shares of Enexis are held by five Dutch provinces and approximately 24% of the shares are held by 99 municipalities.

The carrying amounts of the parties included in the consolidation are determined according to the equity method, which is based on the accounting principles governing the consolidated financial statements. 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

35. SHARE OF RESULT OF GROUP COMPANIES

amounts in millions of euros	2017	2016
Enexis B.V.	203	175
Fudura B.V.	24	16
Enexis Vastgoed B.V.	-1	-1
Enexis Personeel B.V.	0	0
Endinet Groep B.V.	-1	20
Enpuls B.V.	-14	0
Total	**211**	**210**

Endinet Groep B.V., which was acquired in 2016, is made up of the entities Endinet B.V., Endinet Infra Bedrijfsvoering B.V. and Endinet Infra Ontwikkeling. With effect from 20 June 2017 the non-regulated activities were separated off from Endinet B.V. and brought within Fudura B.V. Mergers then took place with Endinet B.V. and Endinet Infra Bedrijfsvoering B.V. merging with Enexis B.V. and Endinet Infra Ontwikkeling merging with Fudura B.V. Consequently, these Endinet entities ceased to exist.

Enexis Personeel B.V. and Enpuls B.V. were established in 2016 and became operational from 2017 onwards.

36. 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	2017	2016
Interest income	56	69
Total financial income	**56**	**69**
Other interest expenses	61	74
Total financial expenses	**61**	**74**
Financial income and expenses	**-5**	**-5**

Interest income consists of the interest in respect of the shareholders' loan and a part of the bond loans that were subsequently lent to Enexis B.V. in full and under the same conditions. The EUR 500 million bond loan issued in 2015 has not subsequently been lent to Enexis B.V. and was largely used for the acquisition of Endinet Group B.V. in 2016, for which EUR 359 million was paid in cash funds. Other interest expenses consist of the interest paid on the outstanding loan provided by the shareholders, as well as the interest expenses on the issued bond loans.

37. 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	2017	2016
Corporate income tax expense	-1	-2
Total corporate income tax expense	**-1**	**-2**

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.

38. INVESTMENTS IN GROUP COMPANIES

amounts in millions of euros	2017	2016
Enexis B.V.	4,030	3,265
Fudura B.V.	114	55
Enexis Vastgoed B.V.	14	14
Endinet Groep B.V.	77	714
Enexis Personeel B.V.	0	0
Enpuls B.V.	0	0
Total	**4,235**	**4,048**

Changes in the investments in group companies were as follows:

amounts in millions of euros	2017	2016
At 31 January	**4,048**	**3,584**
Acquired by acquisition [1]	0	694
Profit for the year	211	210
Disposed by sale	0	-323
Dividends paid	-87	-117
Mergers and demergers [2]	50	0
To provision for associate [3]	13	0
At 31 December	**4,235**	**4,048**

1 The group company Enexis B.V. has obtained N.V. Stedin Netten Weert by acquisition and is fully integrated, as of 1 July 2017.
2 Tax deferral due on the assets and liabilities of Endinet Groep B.V, received as a result of merger have been transferred to the Holding.
3 A provision has been created for the negative equity value of Enpuls B.V. as a result of the negative results in 2017.

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

Endinet Groep B.V., which was acquired in 2016, is made up of the entities Endinet B.V., Endinet Infra Bedrijfsvoering B.V. and Endinet Infra Ontwikkeling. With effect from 20 June 2017 the non-regulated activities were separated off from Endinet B.V. and brought within Fudura B.V. Mergers then took place with Endinet B.V. and Endinet Infra Bedrijfsvoering B.V. merging with Enexis B.V. and Endinet Infra Ontwikkeling merging with Fudura B.V. Consequently, these Endinet entities ceased to exist.

EUR 87 million was received in 2017 in dividends over 2016 from Enexis B.V.

For further information on the investments in group companies please see note 52. Associates and joint ventures.

39. OTHER FINANCIAL FIXED ASSETS

amounts in millions of euros	2017	2016
Loans granted to group companies	1,720	1,726
Loans granted to associates	9	9
Total	**1,729**	**1,735**

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' 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 30. Financing policy and risks associated with financial instruments 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 group companies	Loans granted to associates	Total 2017
At 1 January 2017	**1,733**	**11**	**1,744**
New loans	0	6	6
Redemptions	6	5	11
At 31 December 2017	**1,727**	**12**	**1,739**
Less: current portion	7	3	10
Total non-current portion	**1,720**	**9**	**1,729**

40. RECEIVABLES

amounts in millions of euros	2017	2016
Receivables from group companies	113	135
Interest receivable from group companies	20	20
Total	**133**	**156**

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.

41. CORPORATE INCOME TAX

amounts in millions of euros	2017	2016
Prepayments	14	15
Total	**14**	**15**

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

42. OTHER FINANCIAL ASSETS (CURRENT)

amounts in millions of euros	2017	2016
Loans granted to group companies	7	7
Loans granted to associates	3	2
Short-term deposits	0	50
Total	**10**	**59**

Loans granted to participants 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.

43. 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	2017	2016
Cash at bank and cash balances	263	124
Total	**263**	**124**

44. 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 21. Equity for further details.

45. INTEREST-BEARING LIABILITIES (NON-CURRENT)

amounts in millions of euros	2017	2016
Euro Medium Term Notes	1,786	1,783
Shareholders' loan with a conditional conversion right to convert into equity (tranche D)	350	350
Private loans	2	3
Non-current part of agreements perpetual loan	0	5
Total	**2,138**	**2,141**

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 1.8 years.

Reference is made to note 30. 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 Euro Medium Term Notes together amount to EUR 1,800 million nominal, less the amortised costs related to these loans, thus a value remains of EUR 1,786 million.

46. 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	2017	2016
Deferred corporate income tax	293	237
Total	**293**	**237**

47. TRADE AND OTHER PAYABLES

amounts in millions of euros	2017	2016
Interest payable	22	20
Other current liabilities	5	8
Total	**27**	**28**

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.

48. INTEREST-BEARING LIABILITIES (CURRENT)

amounts in millions of euros	2017	2016
Shareholder' loan to be repaid in following financial year (tranche C)	100	
Agreements repayment perpetual loan	5	5
Loans from group companies	0	22
Total	**105**	**27**

For more information on the settlement of the perpetual loan, reference is made to note 22. Interest-bearing liabilities (non-current).

The loans from group companies in 2016 concern a loan of EUR 22 million from Endinet Groep B.V.

At year-end 2017 the sum of EUR 100 million in current loans is outstanding under the Euro Commercial Paper programme.

49. PROVISION FOR ASSOCIATE

amounts in millions of euros	2017	2016
Provision for associate Enpuls	13	0
Total	**13**	**0**

This provision was created for the negative investment value of Enpuls B.V. caused by the negative result in 2017 of EUR 13 million. The capital structure of Enpuls B.V. will be revised in 2018.

50. RELATED PARTY TRANSACTIONS

Transactions with related parties are conducted at arm's length prices and conditions. Year-end receivables and payables 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 2017 (2016: EUR 350 million). The interest payments on the shareholders' loans and on the perpetual loan, which was transferred from Enexis B.V. to the holding in 2017, amounted to EUR 25 million in 2017 (2016: EUR 46 million). Dividend payments to shareholders amounted to EUR 104 million (2016: EUR 112 million).

Loans provided to group companies at year-end 2017 amounted to EUR 1,726 million (2016: EUR 1,733 million). Loans provided to associates at year-end 2017 amounted to EUR 13 million (2016: EUR 10 million).

51. REMUNERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

Remuneration of the Executive Board

Reference is made to note 33. Remuneration and the Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT) of the consolidated financial statements of Enexis Holding N.V. for more detailed information.

Remuneration of the Supervisory Board

Reference is made to note 33. Remuneration and the Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT) of the consolidated financial statements of Enexis Holding N.V. for more detailed information.

52. 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. 31-12-2017	Equity stake held by Enexis Holding N.V. 31-12-2016	division of	Joint and several liability statement
Group companies					
Enexis B.V. [1]	Rosmalen	100%	100%	Enexis Holding N.V.	yes
Enexis Personeel B.V.	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	yes
Endinet Groep B.V.	Eindhoven	100%	100%	Enexis Holding N.V.	yes
Enpuls B.V.	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	yes
Fudura B.V. [2]	Rosmalen	100%	100%	Enexis Holding N.V.	yes
Enexis Vastgoed B.V. [3]	Rosmalen	100%	100%	Enexis Holding N.V.	yes
Endinet B.V. [4]	Eindhoven	-	100%	Endinet Groep B.V.	yes
Endinet Infra Bedrijfsvoering B.V. [4]	Eindhoven	-	100%	Endinet Groep B.V.	yes
Endinet Infra Ontwikkeling B.V. [4]	Eindhoven	-	100%	Endinet Groep B.V.	yes
Enpuls Projecten B.V.	's-Hertogenbosch	100%	100%	Enpuls B.V.	
Other associates en Joint ventures (non-controlling interests)					
ZEBRA Gasnetwerk B.V. [5]	Bergen op Zoom	67%	67%	Enexis B.V.	
Energie Data Services Nederland B.V.	Arnhem	23%	23%	Enexis B.V.	
Ziut B.V. [6]	Arnhem	-	47%	Fudura B.V.	
Entrade Pipe B.V. [5]	Tilburg	67%	67%	Zebra Gasnetwerk B.V.	
ZEBRA Activa B.V. [5]	Middelburg	67%	67%	Zebra Gasnetwerk B.V.	
ZEBRA Pijpleiding V.O.F. [5]	Middelburg	67%	67%	Entrade Pipe B.V.	
Breedband Regio Eindhoven (BRE) B.V.	Eindhoven	2%	2%	Endinet Groep B.V.	

1 As of 1 January 2018, the name has changed into Enexis Netbeheer B.V. with a head office in 's-Hertogenbosch.
2 As of 1 January 2018, the head office changed into Zwolle.
3 As of 1 January 2018, the head office changed into 's-Hertogenbosch.
4 As of 20 June 2017, the entity was fused, after a partial demerger, with respectively Enexis B.V. and Fudura B.V.
5 Associates are not included in the consolidation because there is no decisive control (decisions are taken with a majority of 75%).
6 On 8 September 2017, Fudura B.V and Alliander Participaties B.V. sold their shares in Ziut B.V. and transferred them to SPIE Nederland.

53. PROFIT APPROPRIATION

Based on the provisions of the articles of association with respect to profit appropriation contained in the section Other, the proposal for the appropriation of the result of EUR 207 million for 2017 is as follows:

amounts in millions of euros	2017	2016
Profit for the year	207	207
Allocation to the general reserve	-104	-103
Proposed dividend	**103**	**104**

The amount of the proposed dividend distribution has been determined as 50% of the profit realised during the year and is paid out as an exact amount. The amounts shown in the table above have been rounded to the nearest whole number. The proposed dividend distribution for 2017 is EUR 0.69 per share (2016: EUR 0.69 per share). This profit appropriation proposal has not been taken into account in the balance sheet as at 31 December 2017.

54. SUBSEQUENT EVENTS

There are no events after the balance sheet date.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS 2017

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 2017 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 the provisions of and pursuant to 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 2017 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the provisions of and pursuant to the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT).

What we have audited

We have audited the accompanying financial statements 2017 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 2017;
- the following statements for 2017: 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 2017;
- 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, the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code and the provisions of and pursuant to the WNT for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code and the provisions of and pursuant to the WNT 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 2017. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of Enexis Holding N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties'(Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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 N.V. Stedin Netten Weert from Stedin Netbeheer B.V. per 1 July 2017, we considered these to be key audit matters as set out in the key audit matter section of this report. In addition we have classified the additional audit procedures as a result of the deficiencies in internal controls in relation to the project-related expenditures as a key audit matter.

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 2017, 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 2017 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, project control 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:

Materiality
- Overall materiality: €13 million, representing 5% of profit before tax.

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.

Key audit matters
- Valuation of tangible and intangible fixed assets.
- Processing and describing the purchase of N.V. Stedin Netten Weert as of 1 July 2017.
- Accuracy of the project-related expenditure on third parties.

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 materiality for the financial statements as a whole as follows:

Overall group materiality	€ 13 million (2016: €15 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	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 (2016: €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 centralised. 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.

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 or observations we make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the 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 €7,161 million as at 31 December 2017 and, therefore, represent significant financial lines in the consolidated financial statements of the group. Annually, the group conducts an analysis of the existence of impairments by comparing the carrying value of the assets concerned with the recoverable amount. The energy transition and the Dutch governmental coalition agreement cause significant changes in the energy landscape and give rise to for example uncertainty around the future role of gas. These factors affect the valuation of the PPE and intangible fixed assets of the grid operators. As a consequence management paid specific attention to the useful life of the gas part of the transmission grid as well as the conventional meters. These analyses are significant for our audit and are based on important assumptions of management in relation to for example the future cash flows, which are to a large extent regulated, and estimated useful lives. Management determined that there are no indications for impairments and disclosed in note 13 that the difference between the recoverable amount of the PPE and intangible assets (incl. goodwill) and the carrying amounts per 31 December 2017 is still sufficient.	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 assumptions with internal budgets, historical financial information of the group, the current regulatory framework ('methodebesluit 2017-2022') by the ACM and market information concerning the implications of the energy transition. 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 an impairment of PPE and/or intangible fixed is not applicable.

Key audit matter	How our audit addressed the matter
Recognition and disclosures of the acquisition of N.V. Stedin Netten Weert per 1 July 2017 *The disclosures on the acquisition are included in section 4 of the financial statements.* As per 1 July 2017 N.V. Stedin Netten Weert was acquired from Stedin Netbeheer B.V. for a purchase price of €59.1 million. Enexis recognised and disclosed the Purchase Price Allocation ('PPA') in the 2017 financial statements in accordance with IFRS 3R. Management has made estimates for the PPA with regard to the fair value of the assets and liabilities and the expected synergies. These estimates impact the financial statements. For these estimates management made use of external valuation experts. The provisional PPA was already disclosed in the interim financial statements per 30 June 2017 and there is only a small deviation compared to the (preliminary) recognition in the financial statements 2017.	We have reviewed the purchase agreement and the relevant clauses included therein. Apart from this we have examined the compliance of the financial recognition and disclosures in the 2017 financial statements with the requirements of IFRS 3R. 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 € 2.6 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.

Key audit matter	How our audit addressed the matter
Accuracy of the project-related expenditures *The disclosure on the deficiencies in the internal control are included in the section 'strategic risks' of the annual report.*	
The total project-related expenditures amount to approximately €756 million a year and mainly consist of employee benefits expenses, materials and cost of work contracted. Depending on the nature, these expenditures are being capitalised or directly expensed in the profit and loss. During 2017 the effectiveness of the internal controls over these projects-related expenditures was not always visible. This mainly related to the absence of visible and consistent authorisation of expenses statements with third parties in some cases. In addition, differences between locations exist in the execution of the budget-actual analyses. As a consequence, there was an increased risk on the accuracy and integrity of the project-related expenditures with third parties. Based on these findings, management has performed additional procedures on the accuracy of the expense statements which are the basis for the payments to suppliers.	We have performed additional test of details in relation to the accuracy of these project-related expenditures. We paid specific attention to the accuracy of the expense statements and the adequate authorisation by the project leaders. We also performed additional procedures on the budget-actuals analyses, in which we paid specific attention to the quality of the budget and the thoroughness of the budget-actual analyses. Where necessary, we gathered comfort over the quality of the budget-actual analyses of projects through inquiry and additional supporting documentation. Finally, we have tested other mitigating controls like for example project-related management information.

REPORT ON THE 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 2017;
- 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 3 years.

NO PROHIBITED NON-AUDIT SERVICES

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

SERVICES RENDERED

The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 6 to the financial statements.

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 in a manner that allows us 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.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our auditor's report.

Utrecht, 19 februari 2018
PricewatehouseCoopers Accountants N.V.

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 2017, 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 2017 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 2017, 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. In this respect we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 B.V.

ASSURANCE REPORT ON THE SUSTAINABILITY INFORMATION IN THE ANNUAL REPORT 2017

OUR CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the sustainability information in the annual report 2017 of Enexis Holding B.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 2017 in accordance with the Sustainability Reporting Guidelines version G4 of the Global Reporting Initiative (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 2017.

We have reviewed the sustainability information for the year ended 31 December 2017, as included in the following sections in the annual report 2017 (hereafter: "the sustainability information"):

- About Enexis (pages 3 - 12);
- Report on 2017 (pages 13 - 55), with the exception of paragraph "Economic performance" (pages 42 - 46);
- Other (pages 158 - 172).

The links to external sources or websites in the Sustainability Information are not part of the sustainability information itself reviewed by us. We do not provide assurance over information outside of this sustainability information.

THE BASIS FOR OUR CONCLUSION

We conducted our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assurance engagements on corporate social responsibility reports' ('Assurance-opdrachten inzake maatschappelijke verslagen'), which is a specified Dutch standard that is based on the International Standard on Assurance Engagements 3000: 'Assurance Engagements other than Audits or Reviews of Historical Financial Information. This review 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.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Enexis in accordance with the 'Code of Ethics for Professional Accountants, a regulation with respect to independence' ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' – ViO) and other for the engagement relevant independence requirements in the Netherlands. Furthermore we have complied with the 'Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct' ('Verordening gedrags- en beroepsregels accountants' – VGBA).

We apply the 'detailed rules for quality systems' (Nadere voorschriften kwaliteitsystemen) 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.

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" (pages 158 - 164) of the annual report. The information in the scope of this assurance engagement needs to be read and understood in conjunction with 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 and 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 INFORMATION AND THE ASSURANCE-ENGAGEMENT

RESPONSIBILITIES OF THE EXECUTIVE BOARD

The Executive Board of Enexis is responsible for the preparation of the sustainability information in accordance with the Sustainability Reporting Guidelines version G4 of GRI and the internally applied reporting criteria as disclosed in section "About this report" (pages 158 - 164) of the annual report, 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 summarised in section "About this report" (pages 158 - 164). 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 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 irregularities, including fraud or error and 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 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 organisation.
- Identifying and assessing the risks of material misstatement of the sustainability report, whether due to errors or fraud, designing and performing review procedures responsive to those risks, and obtaining review evidence that is sufficient and appropriate to provide a basis for our conclusion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Developing an understanding of internal control relevant to the assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of the reporting criteria used and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management and related disclosures in the sustainability information;
- Evaluating the overall presentation, structure and content of the sustainability information, including the disclosures.
- Evaluating whether the sustainability information represents the underlying transactions and events free from material misstatement.
- Interviewing relevant staff at corporate responsible for the strategy and policy of sustainability operations.
- Interviewing relevant staff, responsible for:
  - providing the information in the sustainability information,
  - carrying out internal control procedures on the data, and
  - consolidating the data in the sustainability information.
- 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.
- An analytical review of the data and trends submitted for consolidation at corporate level.
- Assessing the consistency of the sustainability information and the other information in the annual report 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, 19 februari 2018
PricewaterhouseCoopers Accountants N.V.

drs. C.J.A.M. Romme RA

(This assurance report is a translation of the original assurance report accompanying the original annual report 2017, both stated in Dutch. In case of any conflict between this translation and the original assurance report, the latter will prevail. The 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 2017. 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 Netbeheer B.V., Fudura B.V., Enexis Personeel B.V., Enexis Vastgoed B.V., Endinet Groep B.V. and Enpuls B.V. The activities of other associates are not included in the scope.

The statutory board report is included on pages 13-72. The reporting period runs from 1 January 2017 up to and including 31 December 2017. Enexis reports annually and 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.com; this year on 21 February 2018. The report over 2016 was published on 7 March 2017.

INTEGRATED REPORT

In this annual report, financial, operational and social information is provided in an integrated report.

- The financial information is consolidated. 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.
- Non-financial information is consolidated. In general, we aim to integrate non-financial information of new acquisitions as fast as possible; however, ultimately after a full year of ownership.
- With regard to our CO_2 footprint, our 'supply chain' are also reported in scope 3. Examples include network components from suppliers, processing of company waste and ICT.
- 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 2017.

TRANSPARENCY

Our stakeholders, as we do ourselves, consider transparency to be very important. With regard to reporting, we have the ambition to maintain our ranking among the top companies in the Transparency Benchmark of the Ministry of Economic Affairs and Climate. In this annual report, we report in accordance with the Sustainability Reporting Guidelines version G4 by the Global Reporting Initiative (GRI), application level Core, and our internal reporting criteria. We apply the Transparency Guidelines and the Corporate Governance Code insofar as applicable.

Stakeholders have an important position in determining the content and scope of our reporting. The material topics that we report on in the annual report are determined through consultation in a stakeholder dialogue. The scope of the top 10 material topics, on which we report in this report, generally exceeds 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 in 2016 about which topics we should report in this report. Ten material themes were selected and this list forms the basis for the annual report. Following verbal dialogue in 2016 an update took place in 2017. Based on an online questionnaire, stakeholders were asked about the ten material themes in order to track developments in stakeholders' views. The report has been set up in such a manner that we report on each material theme about the developments that took place in 2017. The materiality matrix is unchanged.

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
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_2 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 'Sharing and creating 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) and the Dutch State Supervision of Mines supervise the core activities.

In the paragraph 'Impact own business 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 2600, can be found in the CSR principles on the Enexis website.

DIALOGUE WITH STAKEHOLDERS

Enexis distinguishes a total of eight groups of stakeholders. The overview below shows in general lines how 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[1]	Interaction with Enexis via
CUSTOMERS	Low-volume customers (consumers and small and medium enterprises (SME)), high-volume customers (corporates)	Customer satisfaction, reliability, accessibility	Periodic customer satisfaction survey, customer service, account managers, reputation survey
EMPLOYEES	Works Council, trade unions	Change capacity of organisation, safety	Internal media, work consultations, Executive Board consulting with Works Council approx. 8 times a year, reputation survey
SHAREHOLDERS	Provinces and municipalities in the role of shareholder	Economic performance, impact of own operations, increasing sustainability, compliance	Annual General Meeting of Shareholders, consultations between Shareholders Committee and Executive Board 3 to 4 times a year, reputation survey
LOCAL ENERGY PARTNERS	Municipalities, energy cooperatives, water authorities, property developers, housing corporations	Innovation, increasing sustainability, change capacity	Local teams, stakeholder managers, environment scouts, FD Energiedebat, reputation survey
MARKET AND SUPPLY CHAIN PARTNERS	Contractors, infrastructure companies, technology companies, energy suppliers, ODAs, start-ups	Innovation, safety, reliability, accessibility	Periodic consultations within the Netherlands Energy Data Exchange (NEDU), periodic Cables and Pipelines consultations, via account managers, FD Energiedebat, reputation survey
INVESTORS	Investors in bonds, banks, rating agencies	Economic performance	Investor presentations, annual report, reputation survey
POLICYMAKERS	Political parties, Dutch Ministry of Economic Affairs & Climate Policy, Netherlands Authority for Consumers & Markets (ACM), Dutch State Supervision of Mines (SSM), Dutch Data Protection Agency, Uneto-VNI and Royal Dutch Gas Association (KVGN)	Increasing sustainability, compliance, safety, reliability, innovation, accessibility	Consultations, Public Affairs, periodic consultations with regulators, reputation survey
POLICY INFLUENCERS	Netbeheer Nederland, Dutch Association for Sustainable Energy (NVDE), Association of Dutch Municipalities (VNG), IPO, Energie Nederland, Union of Water Boards (Unie van Waterschappen)	Various	Periodic Public Affairs consultations, consultations with government bodies, FD Energiedebat, reputation survey

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 from Enexis' systems. Internal control measures apply for these systems. The External Reporting & Accounting department of Finance is responsible – with the involvement of Business Control – for the collection and substantiation of non-financial data. The GRI Index is included in the paragraph 'Other'.

The staff members in the organisation who are responsible for the various topics have provided and substantiated the qualitative information. The reported information has been generated with the highest possible level of reliability. 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, such as accidents leading to employee absences, CO_2 emissions and CO_2 savings by 'Buurkracht' neighbourhoods.

MANAGEMENT APPROACH CORPORATE SOCIAL RESPONSIBILITY (CSR)

Enexis fully appreciates the importance of Corporate Social Responsibility (CSR) in relation to its public role and integrates this into its operations based on various principles of corporate responsibility and good employership. Although we do not have CSR certification, we observe the international guidance for CSR, ISO 26000.

The ISO 26000 guidance provides the basis for our position with respect to CSR. This guidance mentions the importance of the environment for the organisation and of the organisation for the environment. Based on this guidance, Enexis has integrated the CSR themes into its strategy. This is recorded in CSR principles and a CSR declaration. Enexis' Strategic Plan was adopted in 2017. For this reason, Enexis updated its CSR principles and declaration during the past year (see Enexis' CSR principles and CSR declaration). The themes in this guidance also implement the objectives set by the United Nations, the Sustainable Development Goals (SDGs).

In the paragraph 'Impact own business operations', an explanation has been included regarding the manner in which the topic sustainability has been embedded and the paragraph 'Change capacity of the organisation', contains an explanation regarding sustainable employability.

In 2017 an internal study was conducted into Enexis' social impact measurement. An analysis will take place as to whether the information obtained in this study can be incorporated into Enexis' existing processes and can also be applied within Enpuls.

CHANGES IN COMPARISON TO PREVIOUS REPORTING YEARS

On 1 July 2017 Enexis B.V. acquired full ownership of N.V. Stedin Netten Weert and it was consolidated into the group figures from that date onwards. The consolidation of Stedin Weert did not result in any material impact to the comparability of non-financial information.

With effect from 8 September 2017 Ziut was transferred to SPIE Nederland. The services of the associate Ziut were not aligned with the strategic core activities of Alliander and Enexis (Fudura). Ziut specialises in smart public spaces and is an expert in public lighting, traffic regulation and closed-circuit television (CCTV).

In 2016 Endinet was fully integrated in all financial figures, unless stated otherwise. For the non-financial figures, this was not always the case. In 2017 Endinet was integrated in all non-financial figures.

ASSURANCE

PwC performed an assurance engagement aimed at obtaining limited assurance as to whether the information provided in the chapters 'About Enexis', 'Report over 2017' (excluding 'Economic performance') and 'Other' in the Annual Report 2017 of Enexis in all material respects presents a reliable and adequate view in accordance with the Sustainability Reporting Guidelines version G4 of the Global Reporting Initiative (GRI) and the internally applied reporting criteria. We refer to page 153 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.

RULES ON PROFIT APPROPRIATION UNDER ARTICLES OF ASSOCIATION

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 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.

For the proposal for the appropriation of the result for the accounting year 2017 please refer to note 53. 'Profit appropriation'.

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 2017. 99.2% of the personnel fall under the collective labour agreement for grid companies (CAO Netwerkbedrijven).

	Male	Female	Year-end 2017
Personnel			
FTEs	3,495	680	4,175
Number	3,529	803	4,332
Labour contract:			
- specific	133	27	160
- indefinite	3,396	776	4,172

	Year-end 2017
Contractors	
Number	920
- temporary workers	268
- consultants	352
- call specialist	150
- fixed price	150

	Male	Female	Total
Business activity/division			
INFRA	2,460	280	**2,740**
Asset management	144	16	**160**
Klant & Markt	308	249	**557**
Enpuls	28	16	**44**
Fudura	150	36	**186**
Endinet	6	4	**10**
Overig	433	202	**635**
Total	**3,529**	**803**	**4,332**

Origin and type of employment agreement	Definite period	Indefinite period	Total
Belgium	0	39	39
Germany	0	26	26
Total outside of the Netherlands	**0**	**65**	**65**
Drenthe	16	338	354
Flevoland	0	17	17
Friesland	2	89	91
Gelderland	9	135	144
Groningen	15	448	463
Limburg	24	970	994
Noord-Brabant	62	1,463	1,525
Noord-Holland	1	16	17
Overijssel	21	549	570
Utrecht	9	52	61
Zeeland	0	9	9
Zuid-Holland	1	21	22
Total Netherlands	**160**	**4,107**	**4,267**
Total	**160**	**4,172**	**4,332**

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 business 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.

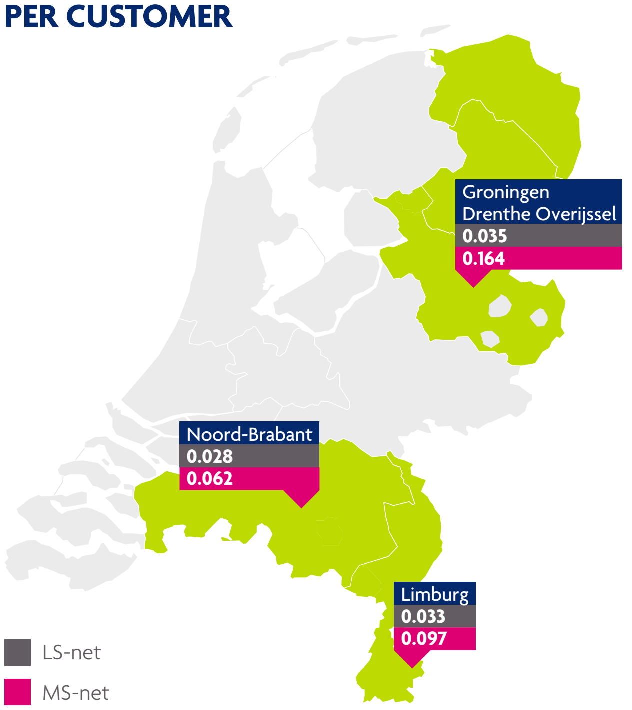
MEMBERSHIPS

Enexis is a member of the following sector-related organisations/associations:
- Netbeheer Nederland
- Dutch Power
- Nederlandse Vereniging Duurzame Energie (NVDE)
- EDSO for smart grids
- Koninklijke Vereniging Gasfabrikanten Nederland
- Dutch Blockchain Coalition

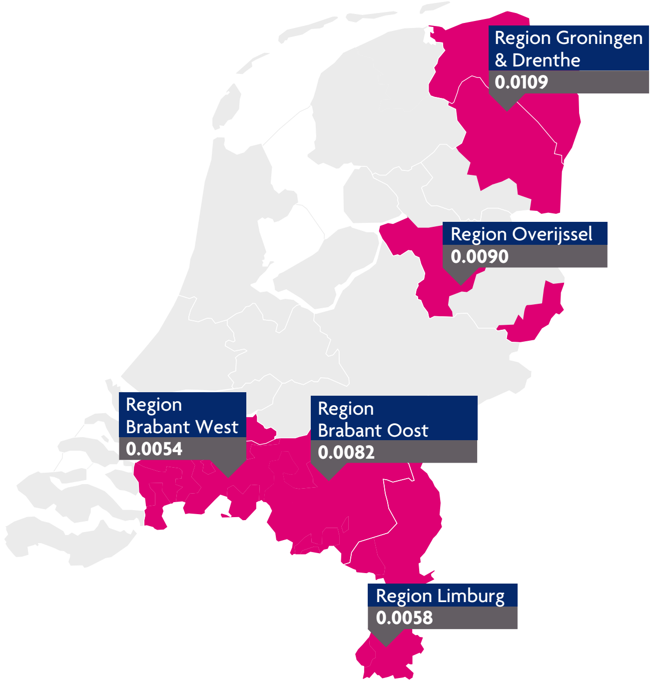
In addition, Enexis participates in regional and local associations and initiatives through its branch offices. These are not registered or reported centrally.

RELIABLE GRID MANAGEMENT

AVERAGE NUMBER OF LOW-VOLTAGE OUTAGES AND MEDIUM-VOLTAGE OUTAGES PER CUSTOMER



AVERAGE NUMBER OF GAS OUTAGES PER DISTRICT PER CUSTOMER



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.

	2017	2016	2015	2014	2013
The grids					
Section lengths (x 1,000 km)					
Electricity grid	139.1	136.9	138.0	137.2	135.2
- Low voltage	94.7	92.8	93.3	92.8	90.8
- Medium voltage	44.4	43.9	44.6	44.4	44.3
- Intermediate voltage	0.1	0.1	0.1	0.1	0.1
Gas grid	46.4	46.2	44.8	44.7	44.8
- Low pressure	37.5	37.4	35.8	35.7	35.8
- High pressure	8.9	8.9	9.0	9.0	9.0
Stations (x 1,000)					
E-stations	53.1	53.1	53.2	53.0	52.9
G-stations	22.7	22.8	24.4	24.5	24.6
Number of connections (x 1,000)					
Electricity	2,786	2,752	2,698	2,683	2,672
- Domestic (including 3x25 A)	2,578	2,549			
- Low-voltage connections other (small-volume as from 3x25A)	193	189			
- Medium voltage connections	15	14			
Gas	2,315	2,285	2,091	2,083	2,079
- Domestic (G4 and G6)	2,249	2,213			
- Low pressure other (small-volume as from G10)	63	69			
- High pressure connections	3	3			
Transported quantities					
Electricity (GWh)	34,592	34,453	34,121	34,050	34,900
Gas (Mm³)	6,241	6,075	5,530	5,111	6,510
Of which green gas	51.0	45.0	41.0	37.0	34.0
Product quality					
Outage time electricity (in minutes)	13.8	15.2	14.2	17.7	23.6
- High voltage	0.1	0.2	0.9	0.6	0.1
- Medium voltage	8.7	10.0	8.2	12.2	17.8
- Low voltage	5.1	5.0	5.1	4.8	5.7
Outage time gas (in seconds)	50	45	78	89.5	50

FINES

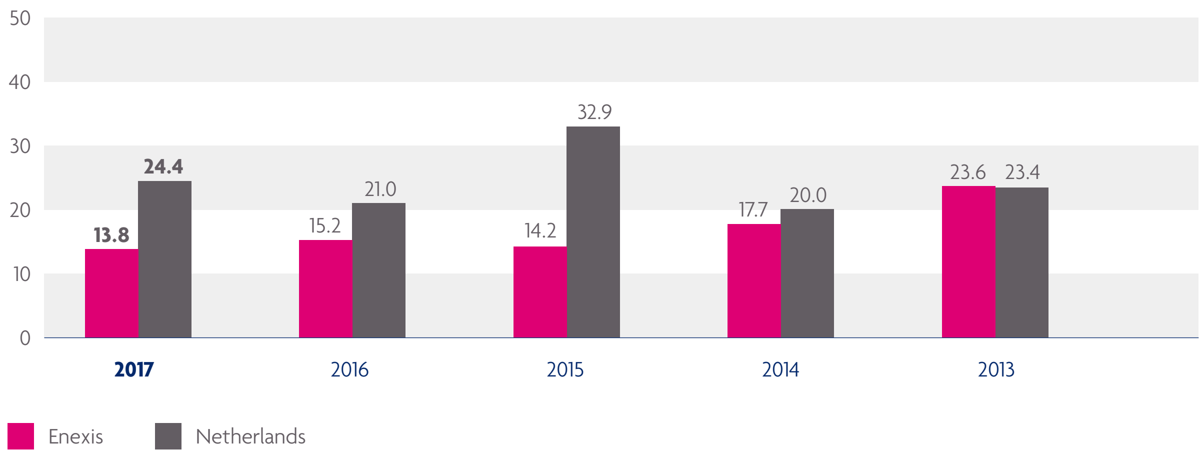
No significant fines were received at the departments Administrative and Legal Affairs (BJZ) and other relevant departments in 2017 with regard to the services provided by Enexis, non-compliance with the E-Act and the G-Act, environmental laws or laws and regulations regarding the delivery and use of products and services.

BENCHMARK

To enable us to keep improving the quality of our work, we compare our performance with that of comparable companies.

ELECTRICITY OUTAGE TIME

In recent years Enexis Netbeheer's electricity outage time has shown positive development. In comparison to the larger regional grid operators we score well. The graph below shows the annual outage time per electricity connection (as a consequence of high voltage, medium voltage and low voltage outages) in minutes per connection.



TRANSPARENCY

With our 2016 report we made it into the top 20 of the Transparency Benchmark, which is carried out each year on behalf of the Ministry of Economic Affairs and Climate. This puts Enexis Groep in the 'Leaders' group of the most transparent organisations in the field of social reporting in the Netherlands. The graph below shows the top 5 in the sector Energy, oil and gas.

TRANSPARENCY OF BENCHMARK

EMPLOYMENT PRACTICES

We expect our employees to take a proactive role in the energy transition. They are able to identify developments, work towards innovations and help customers find solutions to their energy issues. On our part, we facilitate our employees so that they are able to do their work to the best of their ability and enjoy it. In 2017 Enexis Groep was ranked in the top 20 employers on Glassdoor, a platform for employees to give their opinion on their employer.

SICK LEAVE

The percentage of sick leave in the Netherlands has been fairly stable for several years at 3.9%, but there are significant differences between different business areas. This difference is linked to characteristics of the work and the employees. Energy companies are in one of the sectors with the highest percentage of sick leave. Sick leave at Enexis over the past year was higher than the Dutch average at 4.8%. The sector average for 2017 was not yet available at the time of publishing this annual report.

CO_2 FOOTPRINT

Our CO_2 footprint as presented in the paragraph 'Impact of the own business operations' has been compiled in accordance with the International Greenhouse Gas (GHG) protocol. As in 2016 we report the emissions in three different scopes. These scopes are explained further below.

SCOPE 1: DIRECT EMISSIONS

These are emissions of greenhouse gases from property we own or leased equipment that are a direct consequence of our core activities.

In this category, Enexis reports on the CO_2 emissions as a consequence of gas leakage loss, leakages from switching equipment (SF6), use of lease and service vehicles and heating of buildings. The gas leakage loss has decreased compared to last year. The main reason for this decrease is the fact that, unlike the situation in 2016, the connection pipelines for gas are no longer included in the calculation of leakage losses. This follows KIWA standard procedure. In addition, in 2017 we applied a more precise emission factor for pipelines of the type 'other materials', which distinguishes between high pressure and low pressure pipelines. This results in lower CO_2 emissions. As a consequence of the integration of the grids of Endinet and Stedin Netten Weert in 2017 the number of kilometres of principal pipelines has increased as compared to last year. Despite the increase in the length of the principal pipelines, the CO_2 emissions from leakage losses have decreased from last year by 31,073 tons of CO_2 equivalent. The CO_2 emissions for heating our buildings have been completely reduced to zero by purchasing 100% biogas from Greenchoice.

The greenhouse gases that are reported in our footprint are expressed in CO_2 equivalents. Besides CO_2, methane and SF-6 emissions are also reported. The conversion factors and emission factors used in the calculation are derived from the IPCC Fourth Assessment Report and the source www.co2emissiefactoren.nl.

SCOPE 2: INDIRECT EMISSIONS

This covers all emissions of greenhouse gases in the generation of electricity that is used by the company but generated by third parties.

Energy is always lost in the distribution of electricity, for example, due to electric resistance. This year the electricity grid losses decreased by 146 million kWh, a considerable decrease compared to last year. This decrease is primarily explained by the fact that in past years there was a benefit (net profit) for grid losses from the final settlement. Having had a net profit from the final settlement for several years we decided in 2017 to revise the grid loss percentage in the advance for the supply year 2017.

The CO_2 emission as a consequence of the electricity purchased to compensate the grid losses is fully compensated via:

- 84% Guarantees of Origin from Scandinavian hydroelectricity power stations;
- 16% Guarantees of Origin from Dutch wind.

As compared with 2016 we purchased more Guarantees of Origin originating from the Netherlands. 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.

The green electricity use of our buildings is 100% sustainable and therefore produces no CO_2 emissions.

SCOPE 3: OTHER INDIRECT EMISSIONS

This relates to the emission of greenhouse gases 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.

This last category contains a number of elements on which Enexis is able to exert direct influence, such as commuting, public transport and business travel. We also report in this scope on a number of elements on which Enexis is able to exert a limited and less direct influence, such as the grid components by suppliers, waste processing and ICT.

Our footprint in terms of mobility has decreased slightly. This shows the first results of our revised mobility policy, which is primarily expressed in the decrease in the number of kilometres of business travel (non-commercial vehicles). Another aspect of the revised mobility policy is car-free days. Employees have become more environmentally aware in relation to travel and use of public transport has increased (in km). Incentives are also being created to hold meetings at public transport accessible locations or non-face-to-face meetings to avoid unnecessary travel.

All emissions that Enexis itself is able to influence are fully compensated via Gold Standard Certificates or Guarantees of Origin. This means that scopes 1 and 2 and a large proportion of scope 3 are fully compensated, with the result that our net own emission for 2017 is equal to 0.

We also feel responsible for the emissions in the chain (remainder of scope 3), such as in connection with the production of cables and pipelines and the processing of waste. Our suppliers of grid components are also actively cooperating in providing information on CO_2 emissions, with the result that we are increasingly able to produce more detailed and precise reports on CO_2 emissions originating from our partners in the supply chain.

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).

Category name/ indicator	Name of the indicator	Reference	Not reported
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.	Foreword by the Executive Board	
Organisation profile			
G4-3	Name of the organisation.	Profile	
G4-4	Primary brands, products and/or services.	Profile	
G4-5	Location of the organisation's headquarters.	Appendix: Colophon	
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.	The Netherlands	
G4-7	Nature of ownership and legal form.	Profile; Enexis' shareholders	
G4-8	Markets served (geographical breakdown, sectors served and types of customers/beneficiaries).	Profile	
G4-9	Scale of the reporting organisation.	Key figures 2017 - Employees	
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.	Appendix: Facts and figures; Personnel developments	
G4-11	Percentage of total employees covered by collective bargaining agreements.	Appendix: Facts and figures; Personnel developments	EU sector supplement: Percentage of employees at contractors covered by collective bargaining agreements is not available. We were unable to gain an insight into this percentage in 2017.
G4-12	Description of the organisation's supply chain.	Profile; Connector in the energy chain	

Category name/ indicator	Name of the indicator	Reference	Not reported
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain.	Appendix: About this report; Scope	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	Strategic risks; Risk management	
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses.	Appendix: Facts and figures Personnel developments; Standards and Norms	
G4-16	Memberships of associations (such as industry associations) and national and international advocacy organisations.	Appendix: Facts and figures; Memberships	
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.	Appendix: Facts and figures; Reliable grid management; Key figures 2017 - The grids	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.	Appendix: Facts and figures; Reliable grid management; Key figures 2017 - The grids	
EU 5	Allocation of CO_2-emission rights divided into emissions trading 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	Explanatory notes to the consolidated financial statements; General information	
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.	Appendix: About this report; Determining the contents	
G4-19	List of all material aspects identified in the process for defining report content.	Appendix: About this report; Definitions of material issues	
G4-20	For each material aspect, report the aspect boundary within the organisation.	Appendix: About this report; Scope; Determining the contents	
G4-21	Report for each material aspect, the aspect boundary outside the organisation.	Appendix: About this report; Scope; Determining the contents	
G4-22	The effect of any restatements of information provided in previous reports and the reasons for such restatements.	Changes in definitions in 2017 as stated in the footnotes to the relevant KPIs	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries.	Appendix: About this report; Changes in comparison to previous reporting years	

Category name/ indicator	Name of the indicator	Reference	Not reported
Stakeholder engagement			
G4-24	List of stakeholder groups engaged by the organisation.	Appendix: About this report; Dialogue with stakeholders	
G4-25	Basis for identification and selection of stakeholders with whom to engage.	Appendix: About this report; Dialogue with stakeholders	
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.	About Enexis; Creating and sharing value; Appendix: About this report; Dialogue with stakeholders	
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.	About Enexis; Creating and sharing value; Appendix: About this report; Dialogue with stakeholders	
Report profile			
G4-28	The reporting period for information provided.	2017	
G4-29	Date of most recent previous report.	Enexis Annual Report 2016 - 3 March 2017	
G4-30	Reporting cycle.	Annual	
G4-31	The contact person for questions regarding the report or its contents.	Appendix: About this report; Feedback Appendix: Colophon	
G4-32	The chosen application level.	Core	
G4-33	a. Policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided. c. The relationship between the organisation and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	Appendix: About this report; Assurance	
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.	Corporate Governance Appendix: About this report; Management approach Corporate Social Responsibility (CSR)	
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.	Change capacity of the organisation; Personnel policy Appendix: Facts and figures; Personnel developments; Standards and norms	

Category name/ indicator	Name of the indicator	Reference	Not reported

SPECIFIC STANDARD DISCLOSURES

Economic

Economic performance indicators

G4-DMA		Economic performance	
G4-EC1	Direct economic value generated and distributed.	Consolidated financial statements	

Environmental performance indicators

Emissions

G4-DMA		Impact own operations	
G4-EN15	Direct greenhouse gas emissions (scope 1).	Appendix: CO_2 footprint	
G4-EN16	Indirect greenhouse gas emissions (scope 2).	Appendix: CO_2 footprint	
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	Appendix: CO_2 footprint	

Environmental compliance

G4-DMA		Compliance with laws and regulations	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions due to non-compliance with environmental laws and regulations.	Appendix: Facts and figures; Reliable grid management; Fines	

TOTAL ENVIRONMENT

Labour practices and decent work

Health and safety

G4-DMA		Safety	
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.	Safety	

Training and education

G4-DMA		Change capacity of the organisation	
G4-LA9	Average hours of training that an employee has undertaken per year by employee category and gender.	Change capacity of the organisation; Training and education	Employee category is not reported; not relevant for Enexis. Job level is not reported. In 2017, we did not yet transfer to roles, we continue to work with positions. Management has decided to start a phased introduction of roles from 2018.
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Change capacity of the organisation; Future prospects by sustainable employability.	

Category name/ indicator	Name of the indicator	Reference	Not reported
Social performance indicators			
Compliance			
G4-DMA		Compliance with laws and regulations	
G4-SO8	Monetary values of significant fines due to non-compliance with laws and regulations.	Appendix: Facts and figures; Reliable grid management; Fines	
Product responsibility			
Product information			
G4-DMA		Customer satisfaction	
G4-PR5	Results of surveys measuring customer satisfaction.	Customer satisfaction: Customer Effort Scores	Locations are not reported; not relevant for Enexis.
Electric Utilities Sector Supplement			
Availability and Reliability			
G4-DMA		Reliability of the energy supply; investing in a reliable energy grid; Impact own operations; Reduction CO_2 footprint; grid losses electricity transmission.	Reference to investing in a reliable energy grid and grid losses electricity transmission included; indicator EU10 less relevant for Enexis.
Enexis indicator	Table gross investment.		
Enexis indicator	Reduction CO_2-footprint; grid losses electricity transmission.		
Research and Development			
G4-DMA		Creating and sharing value; Objectives and performance Innovation: Technical innovation in our grids	
Enexis indicator	Number of stations equipped with distribution automation.		
Demand Side Management			
G4-DMA		Creating and sharing value; Objectives and performance Increasing the sustainability of the energy supply; Collaborating on sustainable regional development	
Enexis indicator	Stakeholder engagement.		
Product Responsibility: Access			
G4-DMA		Reliability of the energy supply	
EU 28	The frequency of electricity outages.	Appendix: Facts and figures; Reliable grid management	
EU29	Average outage time.	Reliability of the energy supply	

EU DIRECTIVE

		Reference	Not reported
EU DIRECTIVE: DISCLOSURE OF NON-FINANCIAL INFORMATION AND DIVERSITY INFORMATION			
Business model			
	General description of the core processes and activities, in order to place non-financial information in the right context.	Profile	
Environmental matters			
Policy pursued and its results		Increasing the sustainability of the energy supply; Impact own operations; Appendix: About this report; Management approach Corporate Social Responsibility (CSR)	
Risks and their management		Corporate Governance; Strategic risks	
Non-financial performance indicators	The CO_2 savings registered as part of 'Buurkracht'. Number of new 'Buurkracht' neighbourhouds.	Increasing the sustainability of the energy supply	
	Reduction in CO_2 of leased cars and claimed mileage.	Impact own operations	
Social and personnel matters			
Policy pursued and its results		Safety; Change capacity of the organisation; Appendix: About this report; Management approach Corporate Social Responsibility (CSR)	
Risks and their management		Corporate Governance; Strategic risks	
Non-financial performance indicators	Enthusiasm and collaboration. Age category. Inflow and outflow. Labour participation. Sustainable employability. Training and education.	Change capacity of the organisation	
	DART-rate Enexis.	Safety	

		Reference	Not reported
Respect for human rights			
Policy pursued and its results		Change capacity of the organisation: Personnel policy; Impact own operations: Socially responsible procurement; Appendix: About this report; Management approach Corporate Social Responsibility (CSR)	
Risks and their management		Corporate Governance; Strategic risks	Enexis does not see any material risks with respect to upholding human rights.
Non-financial performance indicators			Enexis does not maintain a specific KPI with respect to upholding human rights.
Anti-corruption and bribery			
Policy pursued and its results		Impact own operations; Socially responsible procurement; Appendix: About this report; Management approach Corporate Social Responsibility (CSR)	
Risks and their management		Corporate Governance; Strategic risks	Enexis does not see any material risks when it comes to corruption and bribery.
Non-financial performance indicators			Enexis does not maintain a specific KPI with respect to corruption and bribery.

GLOSSARY

NON-FINANICAL TERMINOLOGY

ANNUAL OUTAGE TIME (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. Enexis is active in the energy chain and in the resources chain.

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.

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.

CUSTOMER SATISFACTION
The term used for the assessment of Enexis' performance by customers.

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.

DELIVERING BACK ENERGY
When customers feed energy back into the energy grid due to the generation of their own (in general sustainable) energy.

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.

FOOTPRINT
Indication of the amount of Enexis' CO_2 emissions in a calendar year. Within the footprint, Enexis distinguishes between its own emissions and chain emissions.

GRI
Global Reporting Initiative. A worldwide financial reporting standard with regard to sustainability.

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.

LTIF
Lost Time Injury Frequency. Indicator for employee safety in carrying out activities expressed as the number of accidents resulting in absence per 1 million hours worked.

MARKET MODEL
The agreements and rules that determine the tasks, powers and responsibilities of the parties in the energy sector.

PRODUCT QUALITY
At Enexis, this refers to the quality of the services provided by Enexis. An important indicator for this is the annual outage time (JUD).

REGULATION
The development and coordination of laws and regulations governing the activities of the grid operators and the government supervision of compliance with the same.

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.

SAFETY AWARENESS
The ability to translate feelings and experiences effectively into preventive actions and alert responses to dangerous (or potentially dangerous) situations so that actions can be carried out without danger.

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.

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.

SOCIETY
The society in which Enexis operates, including organisations, individuals and developments.

STAKEHOLDER
A party that is involved in or is affected by Enexis' activities. Enexis defines the following stakeholders: customers, employees, shareholders, market and chain partners, investors, policymakers, interest groups, local energy partners.

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´. Enexis 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.

FINANCIAL TERMINOLOGY

DEGENERATION EXPENSES
Expenses charged by municipalities for damage and inconvenience arising from works to the grid on municipal land.

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
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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