ENEXIS
HOLDING N.V.

THE CERTAINTY OF **TODAY** THE ENERGY OF **TOMORROW**

ANNUAL REPORT 2018

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STRUCTURE OF THIS REPORT

In this annual report, we account for our policy, activities, business operations and events of 2018. It gives an insight into our long-term ambitions and how we have been working towards them on a day-to-day basis over the past year. Unlike previous years, this report is now structured according to our value creation model. We are confident that this report will further clarify our added value to stakeholders in line with our five so-called 'value streams': Customers and grids, Sustainable operations, Expertise & safety, Financial position and Laws & regulations. In this report, each value stream is addressed in its own dedicated chapter. The top ten material issues that formed the basis for the scope and contents of last year's report have been incorporated into these five value streams, as described in the report's chapters.

We are becoming increasingly aware of the sheer value of being transparent about our results and their impact on people, the environment and society. Translating our contributions into concrete terms and analysing them accordingly, allows us to learn and to improve our organisation in a focussed manner. This gradual shift towards increased transparency over the years is even visible in the way we create our annual report. Not only do we report on the added value of our activities, we also conclude each chapter with a section about our dilemmas, insights and lessons learned.

Quite a great deal happened in the energy sector in 2018 both locally and nationally. Sustainable solutions were explored and discussed in more detail, and implemented in numerous places. Our employees contributed to realising the climate goals of society as a whole, and particularly to those of our customers. That gives us energy.

Working safely towards a reliable and affordable energy supply for society is our most important task. Power outages have a direct impact on our customers and can even cause large-scale disruptions in public life. Successfully maintaining the high level of reliability of our grid is something we can be proud of. On the other hand, the grid capacity in the Netherlands was not designed for the rapid growth of solar parks. Enexis is therefore advocating new legal frameworks to accelerate the energy transition and investigate which technical solutions are possible.

An area within our organisation where there is room for improvement is in our quality of service. Perhaps our goal to improve customer service in 2018 was too ambitious, given that we also dedicated a great deal of focus to the energy transition. We are aware that customer expectations are high and they hold Enexis responsible when things are not right the first time, or take too long. And rightly so. However, rapid large-scale growth in sustainable energy generation and shortages of technical personnel on the labour market are putting service under pressure. The growth of solar parks is so great that there is insufficient grid capacity in several areas to allow new connections. Changes in regulations are necessary to enable more effective use of the power grid, thereby avoiding expensive grid modifications.

Customers need to be aware that their connections may be delayed, and Enexis needs to prepare them for this. In the past year, we noticed that customers are more understanding if we contact them in person. Together with our contractors, we will continue this initiative into the future. We will also make it easier for customers to arrange things with Enexis. With a growing work package and to maintain excellent grid management, our emphasis will centre around customer-driven work and improvement projects on behalf of our customers.

SAFETY AS OUR HIGHEST VALUE

Our top priority is always safety. Ensuring everyone makes it home safely is the most important value for our employees, contractors and for the areas where we work. We believe that every accident is one too many. Unfortunately, in 2018, several incidents occurred involving our employees and contractors. In November, a passer-by was also injured due to a fire in one of our substations. This raises a number of questions for us as an organisation. The fact that we pay a great deal of attention to safety instructions and training is apparently not sufficient, so we will work on improving in these areas. In 2019 our aim will continue to be zero accidents because, when it comes to safety, we have to aim for perfection. Together, the Executive Board and management team need to show more leadership in order to set a good example and equip managers better. The dialogue with our employees is also essential to this. We are striving towards continuous improvement in how we organise our work, so that every employee can work safely and return home safely at the end of every day.

SMART ENERGY CHOICES

In addition to ensuring safe and reliable power distribution today, we spent a great deal of time in 2018 looking into the future of energy management. Enexis reinforced its infrastructure in various places in order to prepare for a rapid increase in sustainably generated energy and a higher demand for power. However, making investment decisions is not an easy task. As a grid operator, we have to keep our solutions flexible, and control costs to ensure energy supply remains affordable for all of our customers. Nevertheless, we have to be realistic: the transition to a carbon-neutral energy supply poses a financial cost on society.

At the national level in 2018, Enexis shared its expertise within the Climate Roundtables to help make smart energy choices in line with the Dutch Agreement on Energy for Sustainable Growth, and for the benefit of the whole of society. For instance, we emphasised that there are other alternatives for reducing CO_2 than through all-electric solutions and the installation of heating networks. In particular, the potential of sustainable gasses, such as hydrogen gas and green gas, often received insufficient attention in the public debate. Alternative options for a feasible and affordable energy transition are now more acknowledged than before. During the discussions about the new Climate Accord, Enexis also pressed for more energy savings in housing and other buildings. In fact, this is the most obvious solution for reducing CO_2 emissions. Facilitating an affordable energy supply is one of the ways that we, as a grid operator, contribute to long-term value creation and value sharing.

The future sustainable energy supply will greatly depend on the decisions made at the local level. Provinces and municipalities play a managing role in this process and are looking to collaborate with companies, housing corporations, societal organisations and citizens. Enexis is ready to help these partners with their energy plans. In 2019, we will also do our utmost to support regional governments in defining their Regional Energy Strategies. Our role is to participate in the processes and be proactive regarding the content of the strategies. It helps that our employees are involved from the start, that they are familiar with the regions, and can work together to define the best solutions for each area.

FOUR PRIORITIES IN 2019

Together with our stakeholders, Enexis will continue to work towards solutions for improving the sustainability of the energy supply. With a view to the two strategic pillars of 'excellent grid management' and 'accelerating the energy transition', we have defined four priorities for 2019: working safely, customer-driven working, improvement projects on behalf of our customers and accelerating the energy transition. Recruiting, training and retaining technical personnel are all essential to this, given that the transition to a sustainable energy supply and a growing economy presents a major challenge in light of the shortage of technical personnel. To achieve our goals, we are therefore focusing on developing the energy and expertise of our employees.

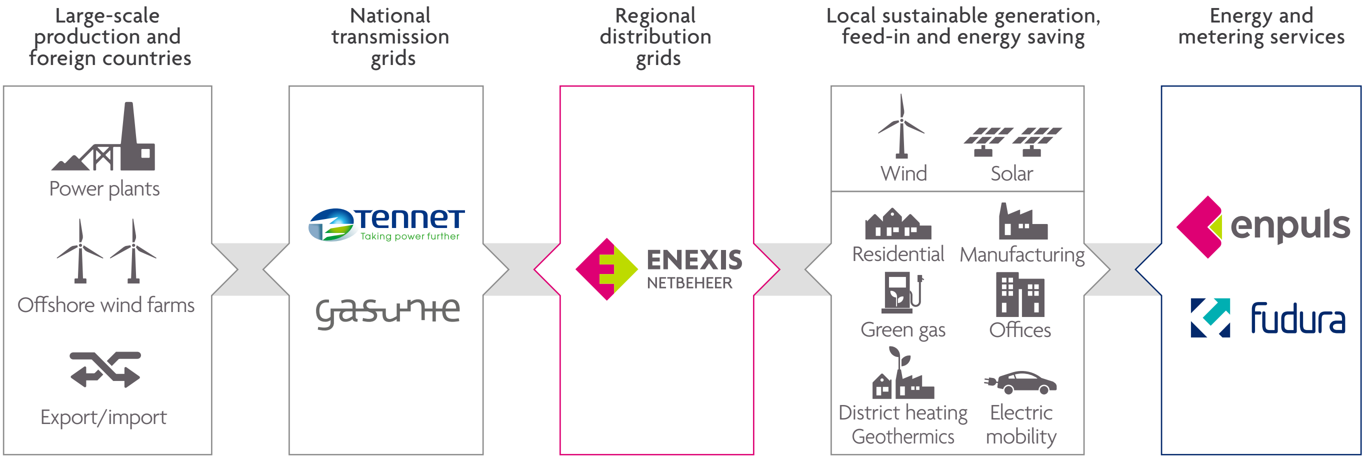
Peter Vermaat, CEO

Maarten Blacquière, CFO

PROFILE

Enexis Groep is a grid operator in the energy sector.
We distribute electricity and gas to millions of customers and are working towards increasing the sustainability of the energy supply. With regard to the energy transition, we are helping consumers, companies and municipalities to make sustainable energy choices.

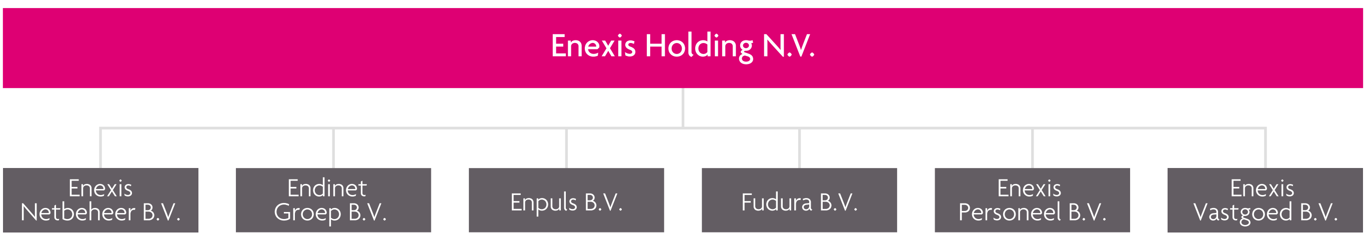
We regard ourselves, both literally and figuratively, as connectors in the energy chain because it is through our grids that energy is distributed from producer to user and vice versa.
Our energy grids provide electricity to 2.8 million customers and gas to 2.3 million customers in the Dutch provinces of Groningen, Drenthe, Overijssel, Noord-Brabant and Limburg.
At the same time, around 290,000 customer connections supply sustainably generated power back to our grid. In our servicing area, we connect partners so that, together, we can achieve the objectives of the 2013 Agreement on Energy for Sustainable Growth.



OUR ORGANISATION

Enexis Holding N.V.[1] is an energy grid operator with a range of daughter companies, each with its own specific focus area. All these activities are organised into the Enexis Groep. Our shareholders are the provinces and municipalities within our servicing area.

ORGANISATIONAL CHART ENEXIS HOLDING NV (as at 31 December 2018)



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.

Enexis Netbeheer B.V. provides regulated activities such as the installation, maintenance, development and management of its electricity and gas grids. The Netherlands Authority for Consumers & Markets (ACM) supervises both the quality of the services provided by grid operators, as well as the rates they may charge.

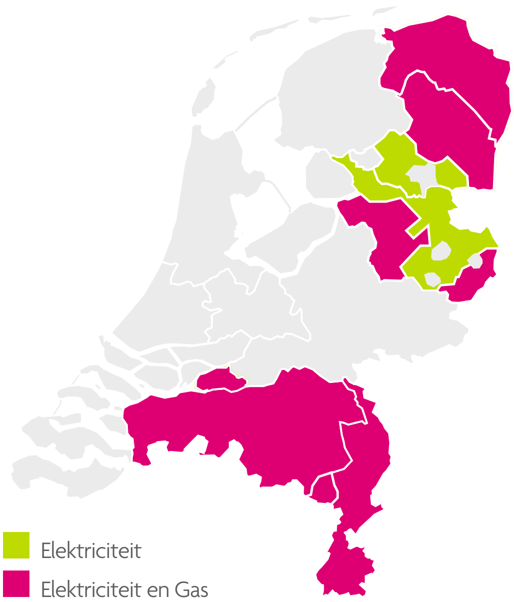
Endinet Groep B.V., that became a part of Enexis on 1 January 2016, has been almost completely integrated into the Enexis companies.

Enpuls B.V focusses on the energy transition, concentrating on five themes: sustainable regional development, flexibility, energy savings, sustainable mobility and new developments. Enpuls is developing scalable solutions that will be used to accelerate the energy transition, together with government and market partners.

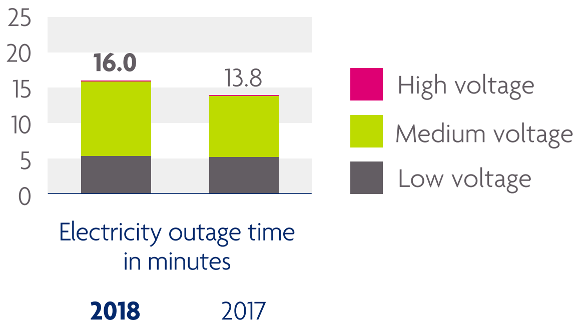
Fudura B.V. focusses on the non-regulated commercial market and ensures that companies can optimise their energy supply. To achieve this, Fudura provides services such as advice, measurement of energy flows, design and realisation of infrastructure and the leasing and maintenance of charging points, transformers and switch installations.

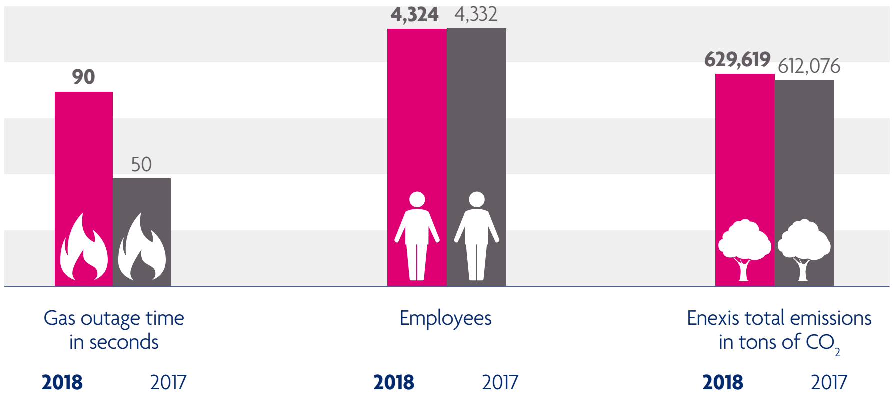
Enexis Personeel B.V. and Enexis Vastgoed B.V. support the various companies in the Enexis Groep in the area of human resources and property.

OUR SERVICING AREA



KEY FIGURES (AS OF 31 DECEMBER 2018)



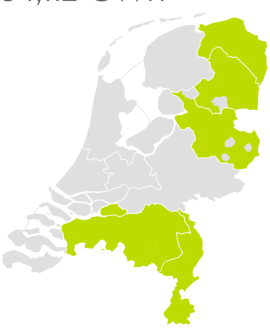


Electricity grid

139,900 km

2,814,000 connections

34,112 GWh

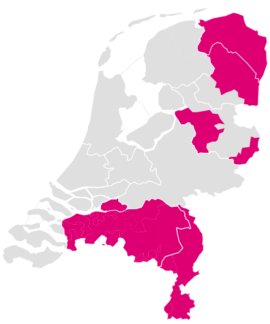


Gas grid

46,400 km

2,324,000 connections

6,204 Mm^3



REVENUE

In millions of euros

1,445

2017: 1,398

PROFIT FOR THE YEAR

In millions of euros

319

2017: 207

BALANCE SHEET TOTAL

In millions of euros

7,715

2017: 7,668

INVESTMENTS IN THE GRIDS

In millions of euros

467

2017: 423

LTIF ENEXIS

Safety index

1.48

2017: 1.65

OUR ENVIRONMENT

The energy transition is often a subject of debate, both at the international level and around our customers' dinner tables. This is no surprise. It has to do with a set of complex developments that directly affect society. It is essential for Enexis to respond to these developments at an early stage in order to help customers make progress.

INTERNATIONAL CLIMATE AGREEMENTS

Drastic measures are required to restrict the impact of climate change. The United Nations warns that global efforts need to be increased threefold to keep the warming of the earth's surface to under 2 degrees. The Dutch government has committed itself to the climate agreements that were made in Paris in December 2015, entailing the reduction of CO_2 emissions by 49% by 2030 and by at least 95% in 2050. To achieve this, additional measures are needed now. As a result of current international trends, in the decades to come we expect that the use of fossil fuels as a raw material will be scaled back, the amount of sustainable energy will increase and energy use will shift towards electrification.

NATIONAL AGREEMENTS

Concrete measures for CO_2 reduction in the Netherlands are detailed in the Dutch Climate Accord, whose main lines were presented in 2018. An important principle for the cabinet is that the transition must remain achievable and affordable for everyone in the Netherlands. The Climate Accord is expected to be finalised in 2019.

In anticipation of the Climate Accord, the requirement to provide compulsory gas connections in new buildings was cancelled in 2018, a fundamental step towards increasing sustainability of housing in the Netherlands. The task of increasing sustainability is a major undertaking, particularly in the existing housing stock.

Provinces and municipalities are being given a managing role in the implementation of these local and regional sustainability measures. Together with companies, housing corporations, grid operators, civil society organisations and citizens, they will be working on the Regional Energy Strategy in 2019. Central to this are regional choices for spatial allocation and implementation of sustainable energy generation and energy infrastructure. Heat supply in built-up areas and electric vehicles also plays a role in this planning. According to the objectives in the Dutch government's coalition agreement and the Climate Accord, only zero emission cars will be sold from 2030 onwards.

HOW IS ENEXIS RESPONDING TO THIS?

As the energy transition gains speed in the coming years, this will create more work for Enexis. For customers, we are installing an increasing number of connections, enabling them to feed sustainably generated energy back into the grid. In some places, there is insufficient grid capacity for solar parks to be connected. Changes in regulations are required to allow more effective use of the power grid, thereby avoiding expensive grid modifications and allowing as much sustainable power as possible to be connected to the grid. Currently, the combination of scarce transport capacity and the shortage of technical personnel is putting pressure on our abilities to carry out our work package and to provide a rapid and transparent range of services to our customers. On the one hand, we are looking for new ways to carry out our work smarter using new technologies. On the other hand, we are searching the labour market for opportunities, such as entering into alliances with other sectors and creating opportunities for previously unemployed people to join the workforce.

In our servicing area, ten Regional Energy Strategies will be finalised in 2019. We are playing an active role in their creation. We are proactively involved in defining the content of the strategy and playing a role in the process. We are also encouraging the sustainable use of our existing reliable grids, because we can limit expensive reinforcement of the electricity grid. We do this by making smarter use of the existing grid and by making the energy supply more flexible, for instance through energy storage. We are gaining experience in alternative heating systems in 13 of the 27 neighbourhoods designated as ‘experimental residential areas with no natural gas’ by the Dutch Ministry of the Interior and Kingdom Relations. In addition to all-electric and heating networks, we see the potential in using hybrid heat pumps that can work on renewable gas and sustainable electricity. For customers, it is practical that a hybrid heat pump can be connected to virtually any existing system, is relatively easy to install, and reduces energy costs and CO_2 emissions. This makes increasing sustainability both achievable and affordable.

MISSION, STRATEGY AND **VALUE CREATION**

Consumers, companies and municipalities rely on our services every day. In addition, they are affected by new issues related to energy, such as saving energy. Our primary goal is that our grids, expertise and activities are valuable to all our stakeholders and help them make progress. Our mission and strategy are the guiding principles for the decisions we make and the solutions we choose.

MISSION

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

VISION

- Everybody wants to be able to use energy at all times, wherever they are.
- Much needed changes in the energy supply are happening faster than ever now. Keeping up with those changes and increasing sustainable energy generation and energy savings, though, requires new solutions.

As co-signatories of the 2013 Agreement on Energy for Sustainable Growth, we have committed ourselves to three ambitious goals: a 16% reduction in greenhouse gas emissions by 2029, a 14% increase in Dutch energy use from sustainable sources by 2020 and an annual energy savings of 1.5%. Following from the Agreement on Energy for Sustainable Growth, a Climate Accord is currently being developed. Enexis is helping to realise the Climate Accord for several sectors.

With our goal of ensuring a reliable and affordable energy supply, we are expanding our role in the transition to a sustainable energy supply. We possess the right knowledge and expertise to achieve the Dutch climate goals, together with our local partners. We emphasise two strategic pillars: excellent grid management and accelerating the energy transition.

Excellent grid management

We regard excellent grid management as the reason we exist. We adapt our services to our customers' needs. We simplify our systems and processes so that our customers find it easy to manage their Enexis provisions whenever they choose. In this way, we hope to provide high customer satisfaction that also results in lower costs. We prepare ourselves for external developments that affect the core of our work such as decentralised sustainable generation, energy storage, diversification of heat sources and electric vehicles.

We need to withstand the growing fluctuations in energy supply and demand and are therefore incorporating IT into our grids, to keep our grids reliable and future-proof. Above all, safety remains our highest priority.

Accelerating the energy transition

We aim to accelerate the energy transition by implementing innovative, scalable solutions. To do this, we are focussing on saving energy and 'greening' energy, themes that are relevant in light of the Dutch climate goals as well as to our own energy infrastructure. We have made a deliberate choice to collaborate with other companies, government bodies, consumers, cooperatives and academic institutions. Only by joining forces and sharing as much knowledge as possible can we create solutions that will be workable for all parties. With our activities related to sustainable regional development, energy savings, electric vehicles and flexibility, we are accelerating the transition towards a sustainable energy supply.

HOW WE CREATE AND SHARE VALUE

During the value creation process, we carefully consider the options to ensure that our activities produce the highest possible value for our stakeholders. This starts with our basis: the dynamic environment we work in. Developments such as local energy generation, increasing sustainability of housing, and electric vehicles all have an influence on our work. In addition, provinces, municipalities, companies and consumers make new, sustainable energy choices that we need to facilitate in our role as a grid operator.

Our value creation model is structured as follows:
We have identified five value streams where we create value on a long-term basis: Customers and grids, Sustainable operations, Expertise & safety, Financial position and Laws & regulations. 'Inputs' are the things we need to do our work, for instance the grids, our employees and sufficient funding. Our strategy is the most important method for adding value for our stakeholders. It determines how we work and which choices we make. The value we create with this is split into short-term and long-term value. 'Outputs' are the actual results we achieved in 2018. Our goals for 2019 are described under Objectives and performance.
We realise that the impact our work has on our stakeholders goes further than the figures alone. 'Outcomes' in the value creation model describe the values that we produce in the long term through our work.

Value creation sounds positive and, in many cases, it is. It has a societal value if customers can rely on safe and reliable energy and if that energy supply is accessible to all. Furthermore, we provide employment opportunities to, and ensure the wellbeing of, around 4,300 employees. We are also capable of paying dividends to our shareholders every year. We are furthermore aware of the negative effects of our work. Safety has a high priority within our organisation, but working with electrical installations or gas is never risk-free. We are constantly attempting to mitigate the inherent risks to our employees and our surroundings. Our work also has negative impacts on the environment. Think, for instance, about the use of resources and raw materials and CO_2 emissions. Although we attempt to reduce CO_2 emissions and to green grid losses, we still have considerable emissions. This is a direct consequence of our core activities. We compensate these emissions wherever we are able to influence them, to help society as a whole to reduce CO_2.

INPUT

CUSTOMERS AND GRIDS

Via our energy grids we bring electricity and gas to customers and they supply energy back to us. Systems and data enable customers to make their own energy choices.

SUSTAINABLE OPERATIONS

We support municipalities in making energy plans to increase sustainability in the built environment. We also increase the sustainability of our own operations.

EXPERTISE AND SAFETY

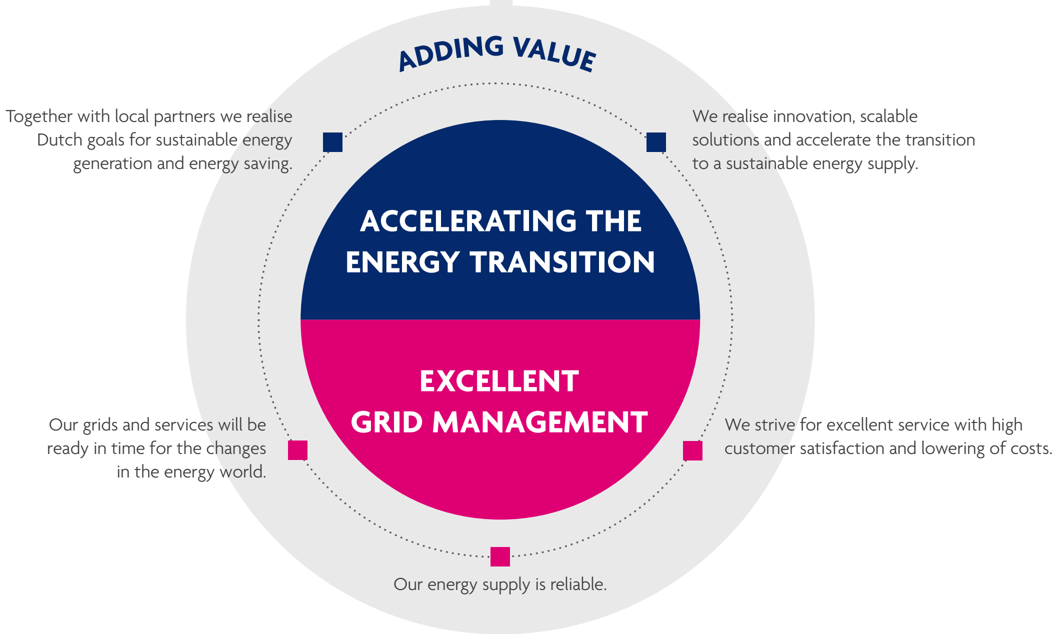
4,324 employees work at Enexis. They are developing their specialist expertise and sustainable employability.

FINANCIAL POSITION

We use the grid charges we receive to maintain the energy infrastructure. We invested 467 million in the grids.

LAWS AND REGULATIONS

Our compliance policy provides management and direction to comply with laws and regulations.



OUTPUT

CUSTOMERS AND GRIDS

Average electricity outage time: 16.0 minutes

Average gas outage time: 90 seconds

Number of substations equipped with distribution automation: 379

Installation of smart meters: 85.6%

SUSTAINABLE OPERATIONS

CO_2 reduction through Buurkracht program in 2018: > 4,000 tons

CO_2 reduction by staff through transportation in 2018: 13.8%

Waste policy: 90% of waste recycled

EXPERTISE AND SAFETY

Lost Time Injury Frequency Enexis: 1.48

Employee satisfaction:
- teamwork: 6.2
- engagement: 7.7

FINANCIAL POSITION

Revenue: 1,445 million euros

Controllable costs and revenues of Enexis Netbeheer:

405 million euros

Net profit: 319 million euros
Solvency: 52.2%

LAWS AND REGULATIONS

No breaches that have led to material fines.

OUTCOME

CUSTOMERS AND GRIDS

Customers can count on energy that is safe and reliable. They are free to make their own (sustainable) energy choices.

SUSTAINABLE OPERATIONS

Municipalities gain insight into the options for making the energy supply more sustainable. Constant focus on reduction of our gross CO_2 emissions.

EXPERTISE AND SAFETY

The wellbeing of our employees and their family members is increased by a safe working environment and sustainable employability. We offer employment in municipalities.

FINANCIAL POSITION

Shareholders receive an annual dividend. Our credit rating gives confidence.

LAWS AND REGULATIONS

Access to the energy supply is non-discriminatory. We safeguard privacy and ensure a secure data environment.

SUSTAINABLE DEVELOPMENT GOALS

Our activities actively contribute to the United Nations Sustainable Development Goals (SDGs), the global goals for sustainable development, to which the Netherlands is committed. We take responsibility for a better world by collaborating with local partners on the development of renewable energy sources and realisation of local energy savings. We also work on innovative, scalable solutions that accelerate the energy transition.

Based on our strategy and objectives, we make a concrete contribution to 5 of the 17 SDG goals.

SDG 7: ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL.

Our reliable energy infrastructure provides access to energy for households and companies in our servicing area (SDG 7.1). We create new, sustainable services (such as online energy saving tools) and take the lead in developing innovative solutions to keep our energy system affordable and to improve its sustainability. In this way, we facilitate energy savings and activate behavioural change towards a sustainable lifestyle. We are preparing our infrastructure for an increase in renewable energy such as biogas and hydrogen (SDG 7.2). We also strive for local reuse of sustainable residual heat. We are looking for smarter ways to use existing grids to cope with the growing peaks in supply and demand (SDG 7.3). This will guarantee a safe, reliable and affordable energy supply for our customers.

SDG 8: PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL.

For our work on the energy transition, we want to use every talent within society.
In accordance with the Dutch Participation Act, we attempt to provide sufficient employment for people with poor prospects on the labour market. For instance, we cooperate with the Dutch Employees Insurance Agency (UWV) to train people over 50 years old to install smart meters. In this way, we help people back into employment, getting them used to a working rhythm again and making them feel useful.

We also collaborate with educational institutions in order to help upcoming generations contribute to the transition towards a more sustainable future. Safety, health and sustainable employability are important principles in our personnel policy.

SDG 9: BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION.

It is the core of our role as a grid operator to work towards high-quality, reliable, sustainable and resilient infrastructures that enable regional and cross-border developments (SDG 9.1). Together, our employees and partners are developing innovative solutions and services that help advance society and boost the economy. We believe that energy should remain affordable and accessible for all. We promote smart grid charges and cost-efficient solutions for a sustainable, local energy supply. We are also actively simplifying our systems and processes so that customers can engage with us whenever they want.

SDG 11: MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE.

We support provinces and municipalities in producing their Regional Energy Strategies. At the neighbourhood level, we advise municipalities about the best and most cost-efficient solutions for local energy supply and how to increase the sustainability of housing. By taking into account the local situation, we support economic, social and ecological connections and contribute to national and regional development planning. Together with government and market parties, we are intensifying the collaborations to promote a public infrastructure for charging and developing smart charging services for electric vehicles.

SDG 12: ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

We make sustainable choices in our own business operations and actively promote this to those around us. We signed the Agreement on Energy for Sustainable Growth and actively contribute to reducing CO_2 emissions, and to increasing sustainable energy generation and energy savings. To set a good example, we make sustainable choices in our own business operations such as sustainable mobility and socially responsible procurement of materials and services. In 2018, external businesses joined us in our initiative for car-free days.

OBJECTIVES AND PERFORMANCE

KPI	2018 OBJECTIVES	2018 REALISATION	2019 OBJECTIVES
EXCELLENT GRID MANAGEMENT			
Employee engagement and teamwork	Q4 engagement score ≥ 8.0 Q4 teamwork score ≥ 6.8	Engagement: 7.7 Teamwork: 6.2	Q4 engagement score ≥ 8.0 Q4 teamwork score ≥ 6.5
Lost Time Injury Frequency Enexis[1]	≤ 0.95	1.48	
Lost Time Injury Frequency third parties[1]		4.53	
Electricity annual outage time	≤ 19.5 minutes	16.0 minutes	≤ 18.5 minutes
Controllable costs and revenues[2]	≤ EUR 394 million	EUR 405 million	≤ EUR 434 million
Customer Effort Scores (CES)[3]	• Standard connections ≤ 23% • Installation of primary infrastructure ≤ 19% • Outages ≤ 15%	• Standard connections 28% • Installation of primary infrastructure 28% • Outages 18%	• Standard connections ≤ 24% • Installation of primary infrastructure ≤ 29% • Outages ≤ 16%
ACCELERATING THE ENERGY TRANSITION			
Reduction in CO_2 of leased cars and claimed mileage[4]	≥ 17.8% reduction compared to 2014 score	13.8%	≥ 29% reduction compared to 2014 score
Number of substations equipped with Distribution Automation and Distribution Automation Light[5]	DA ≥ 320 substations DALI ≥ 3,800 substations	DA 379 substations DALI 1,502 substations	DA ≥ 250 substations DALI ≥ 2,000 substations
Number of tons of CO_2 emissions saved by Buurkracht project[6]	≥ 6,000 tons CO_2 reduction	Target not achieved	N/A
Enexis presence on provincial steering groups	N/A	N/A	5 out of 5 provinces

1 No objective for 2019 on the basis that “every accident is one too many”.
2 Enexis Netbeheer (incl. staff departments); Objective and 2018 Realisation have been normalised.
3 A CES year runs from December to November, with each quarterly score being calculated over the following period: Q1: Dec, Jan, Feb; Q2: Mar, Apr, May; Q3: Jun, Jul, Aug; Q4: Sept, Oct, Nov.
4 This KPI calculation covers the period December through November, and includes interns and people doing apprenticeships. Vehicles with a grey license plate are excluded from this measurement. The comparison period changed from January-November 2014 to January-December 2014.
5 2018 Objectives and Realisation relate to figures up to and including November.
6 For the calculation of the CO_2 reduction, the conversion factor for the production mix of unknown energy sources in the Netherlands is used. 2019 Objectives are not applicable because this KPI does not form part of the Enexis balanced score card 2019.

See definitions in the Glossary section of the 2018 Annual Report.

Our 2018 results prove that our objectives were too ambitious. Unfortunately, our efforts did not result in the desired result in several areas. The energy transition is producing extra work for Enexis and a shortage of technical personnel also affected us, which we did not fully anticipate. Since there is no short-term solution, we have set more realistic objectives for 2019. In order to solve customer issues more quickly, in the first half of 2018 we decided to deploy more technical staff for our customers rather than implement distribution automation. We are going to reinforce this development in 2019 by giving priority to customer-driven work and improvement projects on behalf of our customers.

PROGRESS THROUGH CONNECTIVITY

With our work, we want to create maximum value for people, the environment and society as a whole. To make our overall contributions concrete and measurable, we have combined our organisational goals, our contributions to the Sustainable Development Goals, and our material issues and risks with each other in a so-called connectivity matrix. It makes it clear how activities relate and reinforce each other. Although the added value of this sort of exercise can be difficult to prove in advance, we have noticed that analysing connectivity produces insights. In the coming years, we will look for further connections between our ambitions, goals and opportunities in order to increase our added value.

Value stream		Material issues	KPIs	Strategic risks	Results in 2018	Contribution to Sustainable Development Goals
Excellent grid management	**CUSTOMERS AND GRIDS**	▪ Reliability of the energy supply ▪ Customers central ▪ Innovation and digitisation	▪ Annual electricity outage time ▪ Customer Effect Scores ▪ Number of substations equipped with Distribution Automation and Distribution Automation Light	▪ Public safety (failing assets) ▪ Enexis customer processes do not meet customer expectations ▪ Insufficient flexibility in terms of speed and costs in the ICT landscape ▪ Energy grid not adapted to the energy transition in time	▪ Low electricity outage time maintained, digitisation of grids, CES score not achieved	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Accelerating the energy transition	**SUSTAINABLE OPERATIONS**	▪ Increasing the sustainability of the energy supply ▪ Sustainability of own operations	▪ Number of tons of CO_2 emissions saved by Buurkracht project ▪ Reduction in CO_2 of leased cars and claimed mileage	▪ Energy grid not adapted to the energy transition in time	▪ Objectives for CO_2 reduction through Buurkracht project and sustainable transportation not achieved	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Excellent grid management	**EXPERTISE & SAFETY**	▪ Safety ▪ Change capacity of the organisation	▪ Lost Time Injury Frequency Enexis ▪ Employee engagement and teamwork	▪ Employee safety ▪ Increasing shortage of staff, both in terms of quantity and quality ▪ Inadequate change capacity and focus of organisation for realisation of energy transition and digital transition	▪ More accidents with absenteeism, engagement and teamwork objective not achieved	8 DECENT WORK AND ECONOMIC GROWTH
Accelerating the energy transition Excellent grid management	**FINANCIAL POSITION**	▪ Accessible energy supply ▪ Financial value for shareholders	▪ Controllable costs and revenues	▪ Strategic risks can have a financial impact	▪ Grid tariffs within ACM range and indexed at 2.1% (CPI), controllable costs and revenues objective not achieved	7 AFFORDABLE AND CLEAN ENERGY
Accelerating the energy transition Excellent grid management	**LAWS AND REGULATI-ONS**	▪ Compliance	▪ Not a KPI; Enexis complies with laws and regulations	▪ Energy legislation and limited external support impede the role of grid operators in facilitating the energy transition ▪ Unauthorised access to systems and data (privacy & security)	▪ No breaches that led to fines from ACM, State Supervision of Mines (SSM) or Data Protection Authority	

BERNARD SLUIS
Enexis customer, working as a change manager and entrepreneur

HAN SLOOTWEG
Director of Asset Management, Enexis Netbeheer

> “**WE’RE REALLY SPOILT HERE IN THE NETHERLANDS**. IF WE PLUG SOMETHING IN, WE EXPECT THE POWER TO WORK.”
> Bernard Sluis

Bernard and his wife bought their house eleven years ago. They insulated the walls straight away, added extra insulation to the roof and had double glazing installed in the French doors.

Bernard: “Did we do it for the environment? If I’m really honest, I suppose it was really for our own comfort and to save us money.”

Han: “One of the things that happens when you want to become more sustainable,is that everyone wants free choice nowadays.But if you want a hybrid heat pump and your neighbour wants a heating network, then it’s virtually impossible.So that’s one discussion point: how much individual freedom do you have in a system that demands a certain degreeof collectivity?”

Bernard: “I would be willing to discuss this sort of thing with my neighbours, but I wouldn’t want to coordinate it. I sometimes think: the government wants us all to become more sustainable. Come and give me some advice, then.Help me. And I would rather you advised me than someone from a commercial organisation that has to reach its targets and earn commission.”

Han: “What we do is to actively enter into discussions with municipalities and provinces and to tell them what is and isn’t realistic. It’s all very nice to announce that a neighbourhood built in the 1930s has to become all-electric within a few years, but that just isn’t achievable, not for the residents who have to modify their houses, nor for the organisations responsible for the infrastructure.”

Bernard: “’We’re really spoilt here in the Netherlands. If we plug something in, we expect the power to work.” It’s quite another story in France.”

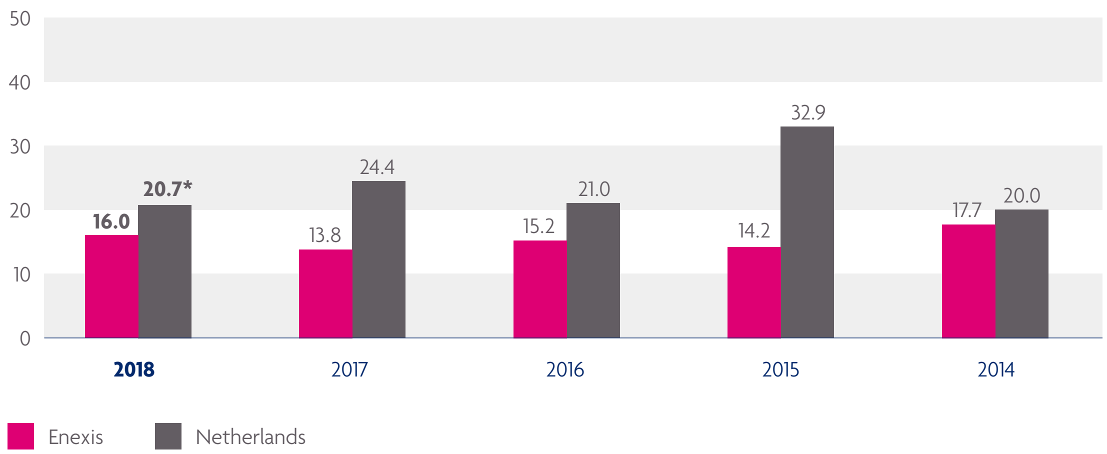
Han: “You’re right. People have gotten used to that, and that’s fine. The challenge is to maintain that high level of reliability as we increase sustainability.”

CUSTOMERS AND GRIDS

Digitisation and increasing sustainability are important developments within society. People want to be connected and to have power available 24/7, in private as well as at work. They also want to be able to manage how they use and generate energy themselves. What did Enexis do in 2018 to provide excellent grid management and how satisfied are their customers?

To keep up with customers' energy needs, sufficient grid capacity is required. As a grid operator, it is our task to ensure this is available. This is a complex task because supply and demand are becoming increasingly dynamic. Yet, in 2018, we managed to limit electricity outage time to an average of 16.0 minutes per incident. Reliability is also essential for a sustainable energy supply; interruptions can have major effects on our customers' lives or businesses.

ELECTRICITY OUTAGE TIME COMPARED TO THE DUTCH AVERAGE



* This is an estimate.

OUTAGE TIME PER AREA

In 2018, the duration of the outage in our gas grids increased to 90 seconds. The reason for this is a small number of exceptional outages.

	Electricity (in minutes)	Gas (in seconds)
Outage duration		
Groningen/Drenthe	24,5	134
Overijssel	14,7	53
North Brabant East	11,0	57
North Brabant West	16,3	41
Limburg	14,0	159
High-voltage [1]	0,2	-
Average	**16,0**	**90**

1 Unable to allocate geographically.

SERVICES TO CUSTOMERS

We measure how well our customers feel they are being served by the Customer Effort Score. In this case, 'the lower the better'. When customers come in contact with our employees, they are positive about their friendliness and expertise. However, there has been a slight downward trend in the overall Customer Effort Score over the past few years. The service and transparency provided by online shopping has influenced customer expectations. What used to be good enough is not good enough anymore. Customers feel that it takes too long, particularly to apply for or change a connection. With the growing economy and increasing sustainability, we are receiving so many extra applications, which means we need more employees to complete the work on time. The whole energy sector is experiencing a shortage of technical personnel on the labour market.

	Target Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Customer Effort Scores					
Supply chain Installation Primary Infrastructure	≤ 19%	28%	30%	33%	31%
Supply chain Standard Connections	≤ 23%	28%	23%	26%	28%
Outages	≤ 15%	18%	17%	19%	20%

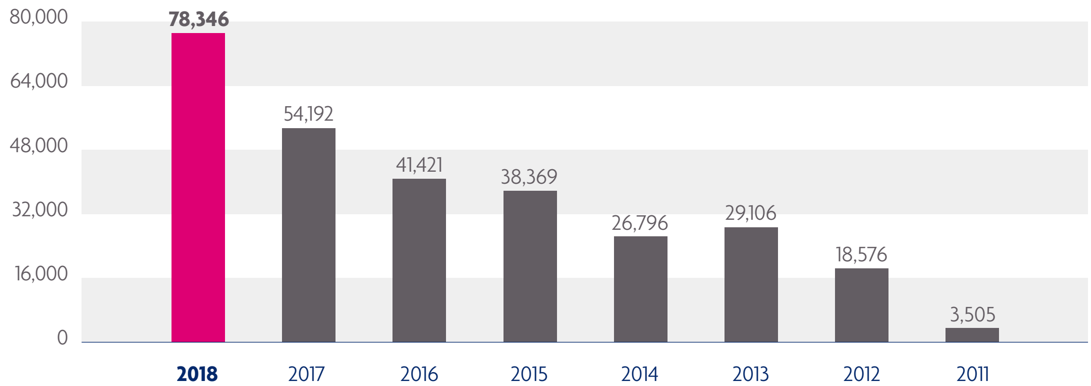
In order to solve customer issues more rapidly, in the first half of 2018 we decided to deploy more technical staff for our customers rather than implement distribution automation. We are going to reinforce this development in 2019 by giving priority to customer-driven work and improvement projects on behalf of our customers.

ELECTRICITY DEMAND IS RISING, SUPPLY IS FLUCTUATING

A reliable power supply - like the one we are used to in the Netherlands - is an essential requirement for a functioning society and economy. Nowadays, our customers are using more and more equipment that is connected to the power grid as well as to the internet, at home, at work and also in public spaces. In 2018, demand for electricity in our servicing area rose by 1.7%, from 33.544 GWh to 34.112 GWh and that demand is expected to rise still further due to increasing electrification of mobility and heating.

Another development is that an increasing number of customers are generating energy themselves. In 2018, we received 78,346 requests to feed energy back into our grid, an increase of around 45% compared to 2017. This trend means the supply of electricity in the Netherlands has become more dependent on natural sources such as the wind and the sun. Solar power in particular has exceeded all expectations in the Netherlands. This year we connected the 250,000th private solar panel system.

ANNUAL INCREASE IN CONNECTIONS FEEDING IN TO THE GRID



Long-term sustainable energy storage

Now that an increasing number of customers are producing locally-generated sustainable energy, sometimes so much green power is being produced that there is an excess at certain times of the day. To prevent having to turn off windmills and solar parks to cope with such peaks in production, we are looking for other forms of long-term energy storage. Storage using batteries is still relatively expensive and most suitable for fast charging and discharging. At the neighbourhood level, it can even lead to capacity problems if a large number of batteries start to charge or discharge at the same time, resulting in outages. We are therefore also investigating the possibility of thermal storage in water. This may be a good solution for new residential areas.

GRID DEVELOPMENT

The sustainable energy choices of consumers, businesses and municipalities will result in a decrease in the use of fossil-based energy such as coal and natural gas in the coming years. This will cause different loads on our grid. New initiatives for sustainable generation (particularly solar parks) require such a great connection capacity that the regional grid is rapidly approaching the limits of its maximum possible load in several places. Further considerable growth in solar power is particularly expected in the regions of South Groningen, Drenthe and parts of Overijssel. Since we are legally bound as a grid operator to maintain a certain reserve capacity, there are cases where it is not possible for solar parks or local initiatives to connect to our grids. It would be too expensive to modify the grid to allow this, whereas there are alternatives available, provided that regulations are changed to allow it. Making investment decisions for the energy grid of 2050 and beyond is no easy task.
In 2018, we extended or reinforced the power grid in several places so that we will be able to transport all future solar and wind power. At the same time, we are promoting efficient grid usage and smart solutions to avoid having to invest too heavily in grid reinforcement.

We have to remain flexible with our solutions and follow developments in alternative energy sources such as hydrogen. We are using smart innovations to attempt to cope with the predicted changes in energy supply and demand without reinforcing the power grid. One example is ***smart charging*** for electric vehicles, where the time of charging and/or charging speed is automatically adjusted to the availability of power or grid capacity. By adjusting power demand to available supply, we prevent wasting solar and wind power.

SUSTAINABLE REUSE OF GAS GRIDS

By 2050, the Netherlands wishes to be no longer dependent on natural gas for heating homes. There are already alternatives to the natural gas grid in built-up areas: a completely electric grid or a heating network. Using a different type of gas in the existing natural gas grid is also an option. Making full use of the existing infrastructure is a key issue for Enexis. It is relatively easy for us to modify our grids for 'green molecules' such as green gas and green hydrogen. The necessary modifications are faster to implement than installing new grids and cause less disruption. Above all, this is one way to keep the energy supply affordable and prevent unnecessary investments and amortisations in our energy grids. The gas grid is used for transporting green gas and, in the future, possibly also for hydrogen gas. We also maintain gas grids where they are necessary as a back-up, for instance in neighbourhoods with a heating network or as an emergency measure if there are electricity shortages.

Hydrogen

Hydrogen can take on a key position in sustainable energy supply. Although the yield may still be on the low side, hydrogen seems very promising as an energy carrier. It has wide applications in industry, mobility, the energy sector and in built-up areas. According to research by Kiwa (Report on future-proof gas distribution grids), limited modifications are required for using hydrogen in the existing natural gas infrastructure and building installations. Natural gas equipment does need to be converted.

Green gas

The Dutch gas grid operators are collaborating to promote green gas by making large-scale transport of green gas possible. Green gas is currently only available at a regional level. In 2018, Enexis Netbeheer in collaboration with Gasunie Transport Services, introduced the ***green gas booster***. This compressor makes unlimited distribution of regionally produced green gas to the national gas grid possible, thereby creating more room for expansion. The potential for green gas production is huge. In the Enexis servicing area alone, 53 million cubic metres of green gas were produced in 2018. The ***green gas booster*** is expected to be put into service in mid-2019 and will be able to provide green gas to 17,000 extra households.

INTELLIGENT GRIDS

Adding IT solutions to our grids gives us a better insight into the status of the medium-voltage grid. Existing grids will become smart grids. This will speed up the process of finding an incorrect phase voltage or massive feedback to the grid from solar panels, thereby preventing outages and maintaining high reliability for our customers. The smart meter, that has now been installed for around 1.8 million customers, is a crucial part of our smart grids.

We are national and world leaders with our knowledge and expertise in distribution automation. This contributes to our strategic ambition of being a reliable and efficient grid operator and remaining so into the future. The introduction of distribution automation in our 35,000 substations was delayed in 2018 because we gave a higher priority to solving customer issues in a timely fashion. By the end of 2018, we had installed the technology in around 2,300 substations. Thanks to the good condition of our grids, this delay is not a threat to our short-term performance.

INVESTMENTS IN THE ENERGY INFRASTRUCTURE

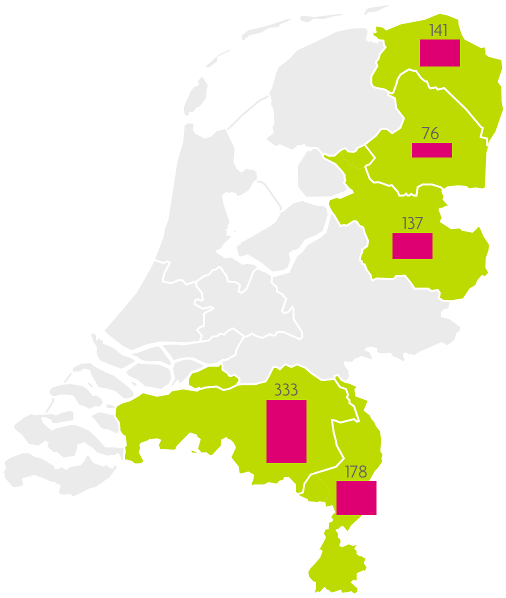
In 2018, we invested 467 million euros in our energy infrastructure. Making decisions regarding these long-term investments is preceded by a careful weighing of factors such as reliability, safety, statutory requirements, costs, customer satisfaction and sustainability. To do this, we use our ISO-55001 and NTA 8120-certified Risk & Opportunity Based Asset Management (ROBAM) methodology.

	Gross investments				
€ Million	2018	2017	2016[1]	2015	2014
Electricity					
Standard connections	26	23	21	21	22
Customised connections	34	25	19	20	19
Grid expansions	153	120	93	93	89
Reconstructions	24	22	27	25	26
Replacements	34	38	46	40	37
Other	20	18	15	16	14
Total Electricity	**291**	**246**	**221**	**215**	**207**
Gas					
Standard connections	9	9	7	7	7
Customised connections	2	2	2	2	2
Grid expansions	17	19	17	15	15
Reconstructions	19	18	19	19	20
Replacements	127	127	116	117	105
Other	2	2	2	2	2
Total Gas	**176**	**177**	**163**	**162**	**151**
Total Electricity and Gas	**467**	**423**	**384**	**377**	**358**

1 2016 numbers exclude Endinet.

In 2019, we will also invest in our energy grids, to maintain high standards of energy reliability for our customers. In addition to the gross investments in the electricity and gas grids referred to above, our total work package also includes investments in smart meters, operating activities related to the regulated energy infrastructure, and the surcharge for general expenses. The expected work package in our servicing area for 2019 amounts to 865 million euros and is therefore 76 million euros higher than the work package carried out in 2018 (789 million euros).

Work package 2019



Including overhead on general costs.

OUR DILEMMAS, INSIGHTS AND LESSONS WE HAVE LEARNED

As a grid operator, we serve society. Our customers need to be able to deal with us easily. In recent years, we have invested in process improvements to make life easier for our customers. These efforts were scarcely visible in the Customer Effort Score. This has changed the way we think. Our customers place more value on transparent agreements and realistic planning than they do on our processes. Together with our contractors, we have therefore changed how we communicate. We inform customers faster and more often about the status of their requests. Although the wait times are long, customers value the fact that the contractor phones them to inform them of the status. We are working together with other grid operators and contractors on a structural solution.

In 2018, the media repeatedly highlighted manufacturing defects in the smart gas meter. Due to manufacturing defects in a screw thread, certain meters had to be replaced and it was not possible to install other meters. We returned tens of them back to their manufacturers. We also immediately halted installation of another specific type of gas meter when it emerged that several of these meters leaked a relatively small amount of gas. Almost 50,000 meters manufactured on this production line were replaced as a preventative measure, because the supplier was unable to convince us that these meters would continue to be safe. We informed our customers about the situation. The regulator, SodM (State Supervision of Mines), and the independent testing and certification institute, Kiwa, were closely involved in our investigation and subsequent actions.

MATERIAL ISSUES

- Reliability of the energy supply
- Customer-focussed
- Innovation and digitisation

STRATEGIC RISKS

- Energy grid not adapted for the energy transition on time
- Energy grid not adapted do not meet customer expectations
- Insufficient agility in speed and costs in the ICT landscape
- Public safety (failing assets)

You can find more specific information about customers and grids in the section **Additional information**.

MARLOUS VAN DER VEEN
Corporate Strategy: Senior Advisor CSR

DONALD POLS
Director, Milieudefensie
(Friends of the Earth Netherlands)

“THE ENERGY TRANSITION CAN ONLY SUCCEED IF THERE IS WIDESPREAD SOCIETAL COMMITMENT.”

Donald Pols

Donald and Marlous have both taken the train to Amsterdam and are walking around the Hortus Botanicus botanical gardens.

Donald: “Companies can’t force people to leave their cars at home, but you can take steps to encourage it. For instance, by giving everyone the same mileage allowance. If you come by bike, you can make more money. And quite rightly too, because you’re reducing your environmental impact.”

Marlous: “We’re also aiming for 50% less CO_2 emissions from our business trips by 2030. Mobility is a relatively small part of our footprint, but this way of thinking and acting is vital to the overall energy transition and it’s what CSR is all about.”

Donald: “I’m convinced that the energy transition can only succeed if there’s widespread commitment from society as a whole, and Enexis should also play a role. It all comes down to how you influence consumers, suppliers, the energy sector and politicians.”

Marlous: “This collaboration is crucial, and I can see its role only increasing. For example, we’re actively contributing to the provincial and municipal energy plans, and working together with residents in the Buurtkracht energy saving programme.”

Donald: “What I’m curious about, is whether you can quantify the CSR policy and link it to incentive payments. It’s a way of showing that you’re serious. You can’t make that happen on your own, of course, but that’s my message to the CEO.”

Marlous: “We’ve had a CSR policy for around five years now and we’ve seen that quantification can help us take the next step. Small solutions can sometimes make a world of difference.”

SUSTAINABLE OPERATIONS

At the international level, agreements have been made about reducing greenhouse gasses and curbing global warming. This is creating measures for increasing sustainability at the national, regional and local levels. What did Enexis do in 2018 to help society become more sustainable, and how sustainable are we ourselves?

We take a pragmatic approach to increasing society's sustainability and, in doing so, we are contributing to the realisation of the United Nations Sustainable Development Goals. At the national level, we are involved in agreements at the sector roundtables of the Dutch Climate Accord. At the same time, we are taking responsibility at the regional, municipal and neighbourhood levels within our servicing area. In the coming years, we will be working under the direction of the municipalities to realise the transition towards a more sustainable energy supply. Using our data, expertise and experience, we are contributing to the Regional Energy Strategies. Furthermore, we are making our own business operations more sustainable to set a good example in sustainability.

INCREASING SUSTAINABILITY IN BUILT-UP AREAS

Increasing sustainability in built-up areas, i.e. developed and newly developing neighbourhoods, is one of the greatest challenges in the energy transition. By 2030, two million households in the Netherlands have to be disconnected from the natural gas grid, with the ultimate goal of a carbon-neutral environment in built-up areas by 2050. Together with municipalities, housing corporations and homeowners, we are searching for a suitable affordable solution as an alternative to natural gas. In principle, there are three possible technologies for increasing the sustainability of built-up areas: all-electric, heating networks and hybrid heat pumps (using renewable gasses and green electricity). Since nobody knows the perfect final solution, we are keeping all options open. At the neighbourhood level, we give advice about the best and most cost-effective options, taking into account the local situation. We do not believe that a radical change to all-electric is the best choice in every case. However, for new builds and often for recently constructed new builds, it is. In existing neighbourhoods, hybrid heat pumps are often cheaper. Moreover, these can be put into operation right away and they reduce carbon emissions. In urban areas with high-rise buildings, a heating network is often a serious alternative. Developing local solutions in a cost-effective way requires a tailor-made approach. In order to reflect the local situation, we advise taking a pragmatic approach that is flexible enough to adapt to new technological developments. This allows us and our partners to implement sustainability plans, while keeping costs under control.

SAVING ENERGY

Energy savings also have an important role to play in achieving the Dutch climate goals. In the Agreement on Energy for Sustainable Growth, a reduction of 1.5% per year has been agreed. With their Buurkracht programme, Enpuls helps neighbours take action to collectively save energy and jointly reduce carbon emissions. In total, the Buurkracht schemes produced a joint savings of over 4,000 tons of CO_2 in 2018. That is less than we had expected, partly due to the postponement of several projects. The experience we gained in over 300 neighbourhoods reinforce our neighbourhood-based approach to increasing sustainability. Given that saving energy starts with gaining insight into energy use, Enpuls has been offering customers an online energy use manager, available from the local municipalities, since 2018. To help business customers save energy, in 2018 Fudura took over a 40% interest in Sustainable Buildings B.V., which specialises in energy management systems.

ELECTRIC VEHICLES

According to the Agreement on Energy for Sustainable Growth, mobility should be emissions-free by 2050, and all new private cars should be electric by 2030. This is why we shared our knowledge, expertise and data to help municipalities and provinces in 2018. For instance, we offered further insight into the expected growth of electric vehicles at a neighbourhood level and advised on suitable locations for charging points, so that municipalities can plan in advance and make the necessary choices for a future-proof charging network. Since increases in the number of electric vehicles have an impact on the electricity grid capacity that is required, we are keeping a close eye on developments. In the European project, Interflex, we are carrying out research into how intelligent grids can facilitate electric vehicles.

COLLABORATION WITH LOCAL PARTNERS

We realise that collaboration is necessary to accelerate the energy transition. As a grid operator, we view our task as one of bringing partners together. In 2018, we sat around the table with provinces, the industry and universities to collaborate on innovative, scalable solutions that will work for all parties concerned. As a result, in 2018 we started a research project into the use of residual heat in data centres, in collaboration with Nederland ICT, the Dutch Data Association and the Province of North Brabant. We are also joining forces within the sector to increase our societal impact and to speed up the energy transition. Enexis is a member of various organisations, including Netbeheer Nederland, MVO Nederland (CSR), Dutch Power, NVDE (Dutch Federation for Sustainable Energy), EDSO for smart grids, KVGN (Dutch gas), the Dutch Green Net Coalition and the Dutch Blockchain Coalition.

OUR OWN BUSINESS OPERATIONS

In addition to supporting society in its efforts to increase sustainability, we also want to set an example as a company. By actively implementing our own sustainability measures, we can demonstrate that sustainability is possible. We want to inspire others to join us, for example by participating in our car-free days. In steps to make our own business operations more sustainable, we are focussing on reducing our own CO_2 emissions, being more economical in our use of equipment and resources, and involving our suppliers in our sustainability ambitions.

CARBON FOOTPRINT

At 17,543 tons, our CO_2 emissions in 2018 were higher than in 2017. This was caused, on the one hand, by electricity grid losses due to increases in total customer demand. This was partly offset by our purchasing activities, which continued to be more sustainable in 2018 than in the previous year. On the other hand, an updated CO_2 equivalent was used in 2018 for methane and SF_6. This resulted in an increase of over 10% in emissions due to leaks in the gas grid.

We fully offset the negative environmental effects of the CO_2 emissions that we can directly influence (scope 1 and 2 and the mobility items from scope 3) with Guarantees of Origin and Gold Standard Certificates. These ‘green certificates’ prove that the energy supplied has been sustainably generated or ensures carbon offsets. In this way, our own net emissions are equal to zero. 81.5% of the Guarantees of Origin come from Scandinavian and French hydroelectric plants (2017: 84%) and 18.5% from Dutch wind power (2017: 16%). In 2023, we aim to have 40% of our grid losses generated sustainably through sustainable energy that is generated in the Netherlands.

We also feel responsible for the emissions in the chain. To gain insight into our chain emissions and help reduce them, we make use of our partners’ CO_2 emissions data, including from our cable suppliers, gas pipelines and transformers.

You can find a detailed explanation of our carbon footprint in the section, ‘Additional information’.

CO_2 FOOTPRINT ENEXIS

CO_2 emissions (in tons of CO_2 equivalent)

Scope 1

GAS GRID LEAKAGES
Gas leakage 3.4 million m³ natural gas
55,099[1]
(2017: 49,906)

LEASED CARS AND COMPANY VEHICLES
Fuel consumption vehicle fleet 4.9 million litre, 0.3 million kWh and 0.0 million kg
12,390
(2017: 12,919)

NATURAL GAS CONSUMPTION OF BUILDINGS
0.9 million m³ biogas
0
(2017: 0)

LEAKAGE SF_6 FROM SWITCHGEAR
Leakage 22.8 kg
536
(2017: 192)

Scope 2

ELECTRICITY TRANSMISSION GRID LOSS
1,243 million kWh electricity
504,966
(2017: 497,537)

GREEN ELECTRICITY CONSUMPTION OF BUILDINGS
7.0 million kWh green electricity
0
(2017: 0)

Scope 3

COMMUTER TRAFFIC
11.1 million km
2,001
(2017: 2,343)

BUSINESS TRIPS
5.8 million km
1,058
(2017: 1,219)

PUBLIC TRANSPORT
Train trips: 6.3 million km,
Air travel: 0.7 million km, Taxi trips: 0.0 million km
218
(2017: 154)

GRID COMPONENTS BY SUPPLIERS
3,132 km cable, 1,390 km gas pipelines, 599 transformers, 1,507 installations and stations
48,145
(2017: 38,219)

PROCESSING OF COMPANY WASTE
5,205
(2017: 9,587)

ENEXIS TOTAL EMISSIONS
629,619
(2017: 612,076)

GUARANTEES OF ORIGIN
of origin from hydroelectric power stations in Scandinavia, France (81.5%) and wind power in the Netherlands (18.5%)
504,966
(2017: 497,537)

COMPENSATION WITH GOLD STANDARD CERTIFICATES
71,303
(2017: 66,734)

CHAIN EMISSIONS NOT COMPENSATED
53,350
(2017: 47,806)

0
ENEXIS NET EMISSIONS

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' 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.

1. In 2018 the Global Warming Potential factors were updated.

SUSTAINABLE MOBILITY

In 2018, CO_2 emissions from our vehicle fleet were 13.8% lower than in 2014. That does not meet our target. In addition to improving the sustainability of our vehicle fleet, we would like to break the habit of travelling by car. To do this, we enable our employees to experience what it is like to travel sustainably, with the car-free days. In 2018, for the first time, we also challenged other companies to follow our example. Large companies, including Capgemini, Essent, Asito, the UMCG hospital and Brabant Water joined us for two days in reducing CO_2 together. This increased the impact of our campaign. Several of our site supervisors are also experiencing what it is like to drive a hydrogen car, and we are encouraging our colleagues to carpool. A survey of our employees in 2018 showed that colleagues have started to travel more sustainably and are making more conscious choices.

	2018	2017	2016	2015	2014
Sustainable vehicle fleet					
100% electric passenger cars	168	54	37	16	28
Passenger cars on biogas/natural gas	3	7	12	17	24
Electric passenger cars with range extenders	220	62	49	25	15

REUSE OF WASTE

We aim to recycle as much of our equipment and raw materials as possible. Together with suppliers, we are actively searching for ways to reduce our waste in the future. In 2018, we collaborated with other grid operators to develop a 'circular-produced' cable. The concept is ready to be used in 2019. In total, we found a useful purpose for 96% of our waste in 2018, which is more than in 2017. Our recycling efforts are supported by the new waste management company with whom we have been collaborating since 2018.

	2018	2017	2016 1)	2015	2014
Amount of waste (in tons) 2) 3)					
Recycled waste	27,281	30,185	16,115	22,383	13,291
Incinerated waste	1,618	1,529	1,129	1,238	1,203
Waste to landfill	1,142	2,177	1,173	1,018	927
Biomass	203	-	-	-	-
Fermentation	101	-	-	-	-
Composting	35	-	-	-	-
Total	30,380	33,891	18,417	24,639	15,421
Of which hazardous waste (%)	5.3	0.4	0.7	0.7	1.0

1 Figures 2016 excluding Endinet.
2 From 2018, the Milgro classification method has been used. Up to the end of 2017, the SUEZ classification method was used (Lansink ladder).
3 Enexis does not dispose of any radioactive waste. This is not released in our operating processes.

SOCIALLY RESPONSIBLE PROCUREMENT (SRP)

Operating using fair businesses practices is our guiding principle for purchasing products and services from our suppliers. This requires responsible and honest behaviour from ourselves and suppliers in the chain. Since we are convinced that we can achieve more together, we involve our suppliers in our ambitions for sustainability.

In our supplier contracts, we make mutual agreements about results related to people, planet and products. This is embedded in our Socially Responsible Procurement (SRP) Policy that is being actively implemented since 1 January 2018, and which is broadly in line with the guidelines of the Organisation for Economic Co-operation and Development (OECD).

In terms of people, for instance, we make agreements regarding people with poor employment prospects. We agreed a Suppliers Code of Conduct with all of our suppliers, which includes the right to carry out an audit. In addition, we set a minimum standard that we respect national and international legislation and regulations and apply a zero-tolerance policy towards corruption and bribery. The Suppliers Code of Conduct is incorporated into the General Terms and Conditions for Procurement.

Prior to European tenders and other large orders, we formulate selection and award criteria for societal, social and environmental aspects. If SRP agreements are made during the tender process, an SRP appendix is included in the contract. This is discussed during contract negotiations. It is also possible to arrange a site visit to assess conditions at the supplier's premises.

During evaluation meetings, we discuss the collaboration with suppliers. In addition to other targets and results, we also discuss the terms of the SRP agreements. If these are not being honoured, or if the quality is insufficient, we discuss the problem and offer an opportunity for improvement. We value good collaboration and long-term relationships with our suppliers. We also organise supplier events, where we can inspire one another and learn from each other, and where we can discuss topics such as sustainability, innovation or safety. Chain-based thinking and policy are important topics for us and we will continue to focus on these in the coming years.

OUR DILEMMAS, INSIGHTS AND LESSONS LEARNED

We have considerable CO_2 emissions, and reducing them is complicated because energy is always lost during the distribution of electricity. This limits our ability to reduce the negative environmental impact of CO_2 emissions. By buying Guarantees of Origin and Gold Standard Certificates, we fully offset our emissions. However, this is not enough as far as we are concerned. We are also looking critically at our own business operations. We aim to realise a 50% cost-neutral reduction in our CO_2 emissions through sustainable mobility. We are looking for creative ways to change journeys, to make them greener and to avoid them altogether. For instance, as a 'cycling ambassador', we are supporting an initiative by the Dutch State Secretary, Van Veldhoven, to encourage our employees to leave their car behind and take their bike instead.

MATERIAL ISSUES

- Increasing the sustainability of the energy supply
- Sustainability of our own business operations

STRATEGIC RISKS

- Energy grid not adapted for the energy transition on time

RUTGER VAN DER LEEUW
Director of Infra, Enexis Netbeheer

JOLANDA VAN ZANEN
Director, BAM Energie & Water

> “**THE AMOUNT OF WORK IS INCREASING,** BUT THERE’S NO-ONE AVAILABLE TO DO IT. SO, YOU HAVE TO COME UP WITH CREATIVE SOLUTIONS.”
> Jolanda van Zanen

Jolanda and Rutger regularly come across each other during joint projects. Both of them are faced with the single greatest problem within the sector: the lack of technical personnel. A large proportion of technicians will retire in the near future and there are not enough young people with a technical background to take their place.

Jolanda: “The amount of work is increasing, but there’s no-one available to do it. So, you have to come up with creative solutions. The sector, as a whole, needs to innovate more. At BAM, for example, I want to start a pilot where one man does the hands-on work while an older, more experienced employee, for whom it is too physically hard to work outside, watches using 3D glasses. This is the sort of innovation that our sector needs.”

Rutger: “We’ve hit a brick wall. Ideas that were unthinkable in the past, are now being implemented. A scheme that works the best for us is one where you can earn 1,000 euros byintroducing a new colleague. Nobody suggests an unmotivated candidate, as they know that person could end up working with one of their own colleagues.”

Jolanda: “We carried out a survey among employees to learn what is important to them in their work. And salary is not even in the top three. People want to feel listened to and valued. You achieve this by going out on-site, or by joining in the conversation during the coffee break. In this line of work, people need to be on the same wavelength.”

Rutger: “It’s all about safety. If a colleague tells you that he’s switched something off, you have to be able to trust him and know that the power really is off. I don’t know if it’s the same in your company, Jolanda, but it’s something I often hear: you’re taking on so many young people now, but it’s me that has to train them and go out on the road with them.”

Jolanda: “Sounds familiar. We have to realise that we’re asking a lot from our existing people.”

EXPERTISE AND SAFETY

Working in the energy sector has never offered so many prospects for the future. There is plenty of demand for professional expertise to tackle the greatest challenge of the 21st century: the energy transition. Now that we have to pull out all the stops to achieve our climate goals, there is a shortage of technical staff able to do the work. How did Enexis make use of its employees' talents in 2018, and how are we going to ensure we have enough expertise in the longer term?

Our employees' safety is what we value most. However busy and hectic the work may sometimes be, when it comes to safety, we make no concessions. Safe working is our top priority at all times. We check daily for any incidents so that we can take immediate action and learn from them. Unfortunately, in December 2018 an extremely serious accident took place, resulting in the injury of three Enexis colleagues and serious injuries to a passer-by. The incident had a significant impact on all of our colleagues. Information sessions were organised for colleagues and local residents. Although investigations into the exact circumstances of the incident are still ongoing, we took immediate action.

Our focus on safety will continue unabated in the years to come. For instance, we will train managers in safety leadership. In addition, we also consider the safety of our contractors' employees who work for us, as they are also subject to strict safety requirements. In 2018, they reported more accidents resulting in absenteeism than in previous years. We are in discussions about this and are helping to improve safety.

	2018	2017	2016	2015	2014
Accidents and LTIF 1)					
Fatal accidents	-	1	-	-	-
Enexis	1.48	1.65	0.85	1.65	3.00
Third parties 2)	4.53	2.20	4.30	3.90	4.50

1 LTIF: The LTIF is the number of accidents resulting in absence per 1,000,000 hours worked.
2 Figures 2016 excluding Endinet.

SHORTAGE OF TECHNICAL PERSONNEL

We are dependent on technical expertise for almost all of our activities, whether it is for the renewal of the energy grid, installation of smart meters or the safe connection of new residential areas to solar parks and windmills. Likewise, our knowledge of the energy infrastructure is of significant value to the municipalities we support on sustainability matters. Our employees know all about safe and sustainable energy distribution.

The shortage of technical personnel was noticeable in our organisation in 2018. There was so much work that, in spite of our best efforts, it was sometimes not possible to promptly respond to customers' needs. We expect the shortage in technical staff to grow in the coming years, which means that primary process positions will remain understaffed for the longer term. In particular, technical staff with a background in electrical engineering are in short supply. The reasons for this include:

- a shift in our work package and increase in work due to economic growth and the energy transition
- fewer students attending vocational education (VMBO and MBO), which has led to fewer school and college graduates with electrical engineering qualifications
- a higher outflow of technical staff due to retirement and the favourable labour market for trained technicians wishing to make a career move.

THE SEARCH FOR NEW EMPLOYEES

As technical work will only increase in the coming years, we have intensified our recruitment of new employees. The employers' organisation, UNETO-VNI, predicts a shortfall of around 40,000 skilled professionals in the installation sector and technical retail trade. In 2018, we started a new recruitment campaign and a referral programme. This produced about 60 new colleagues. New employees often need to follow a training programme before they can be fully deployed, because safety and discipline are essential in our line of work. In 2018, around 60 young people started our accredited vocational (MBO) technician's course.

	2018	2017	2016[2]	2015	2014
Training and education					
Average number of training hours total [1]	22.2	24	28	30	32
of which:					
- Male	26.3	28.7	32.6	-	-
- Female	5.4	6.7	7.2	-	-

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.

The decrease in the number of training hours per employee can be explained by the use of efficient online training programmes for our employees, which can be done at any time. It is also apparent that employees are attending fewer non-compulsory courses and workshops, due to the increased workload. We offer employees the opportunity to acquire more knowledge and to work on their personal development for their future careers. This gives them better prospects and a higher standard of living for their families.

COLLABORATION WITH EDUCATIONAL INSTITUTIONS

Collaborating with educational institutions is extremely important to ensuring that students are adequately trained in the competencies needed for the energy transition. In 2018, companies and educational institutions presented a joint plan to ***boost*** the inflow of skilled professionals, update the educational options, and encourage long-term collaboration. In addition, Enpuls signed the Green Deal for Heat Pumps, to train 6,000 technicians to become heat pump specialists over the coming five years.

New students, young and old and those returning to education, are being trained/retrained at all levels and across our entire field of work. For instance, we are working with Avans University of Applied Sciences in North Brabant to create an associate's degree for engineers.

There is also a track for 16 to 18 year olds finishing vocational secondary education, and we are developing a curriculum for students in secondary vocational education. We also work closely with Windesheim University of Applied Sciences in Zwolle in their Electrical Engineering degree programme. And we have a similar collaboration with the Institute of Engineering at Hanze University of Applied Sciences in Groningen. Enexis provides project assignments, supervises internships and professional assignments, and actively participates in the education programme. In addition to increasing knowledge development, this gives us the opportunity to get to know potential new employees at an early stage. It is also good that we show young people how interesting and important working in the energy sector is, and that we have positions available with space for talent to grow. One of the ways we do this is by offering the 'Evonturiers' (E-adventurers) curriculum with lessons for all ages at the primary school level.

ADAPTABILITY OF THE ORGANISATION

Our profession has changed considerably over the past few years. Data analysis and information technology have become important, alongside electrical, mechanical and gas engineering. There is a need for specialisms in the area of offshore wind energy, solar energy, energy savings and storage. Because competencies change, it is important that employees can be deployed flexibly, now and in the future. We challenge our employees to keep their knowledge up-to-date and to develop new skills.

Soft skills such as dealing with customers and colleagues, and planning and collaboration, are becoming more important to our ability to respond rapidly to changes. In 2017, we started a change programme to involve our employees in the challenges we face as we head towards 2020. By using a tailor-made programme, they are discovering which behaviours they need, both as a team and as an individual, and how they can use their talents in the future. We have defined three points for development ('from > to points'): ambitious change together, taking ownership of results, and holding each other accountable for growth. Change coaches and guides are helping managers and their teams go through this behavioural change and put it into practice. Every department, every team and every employee are given tips for this process. By discussing the desired behavioural changes in depth and giving each other open feedback, it becomes clear that we are doing this together and are making discoveries together. This contributes to team spirit and personal growth. Employee engagement and the teamwork between colleagues serve as our indicators for the changes we have initiated. Every quarter, we conduct a random survey among our employees. In the last quarter of 2018, we scored 6.2 for teamwork and 7.7 for engagement.

Although our work is becoming more challenging, we can also see the impact today's world is having on our employees' well-being. The accumulated pressure of innovations, new working methods, reorganisations and work stress is hitting some people hard. We are acutely aware of this. In the event of a reorganisation, the Sustainable Employability Plus arrangement applies. This is based on the principle that prior to a reorganisation, a process is started in which we work together with the employees to find a new job. Support is provided for employees to help them transfer directly into a new job.

Our absentee rate due to sickness rose to 5.6% in 2018. There were particular increases in medium-term absenteeism where employees were unable to work for time periods ranging between 8 and 42 days. Due to an increased average age, there is a higher incidence of age-related conditions, both serious and minor. A flu outbreak at the beginning of the year also affected the absentee rate. A project group is working on identifying groups at risk within Enexis, dividing them into groups: at home, at risk and at work. Suitable interventions will be suggested for each group, with the aim of reducing absenteeism.

	2018	2017	2016	2015	2014
Personnel					
Number of employees at year-end (own personnel)	4,324	4,332	4,390	4,299	4,316
FTEs at year-end (own personnel)	4,167	4,175	4,229	4,148	4,161
Female employees as a % of the total workforce	18.6	18.5	18.6	18.2	17.5
Absence due to illness (%)	5.6	4.8	4.4	4.3	4.2

	Male	Female	Total
Age category			
under 30 years	307	49	356
30 - 50 years	1,424	392	1,816
over 50 years	1,790	362	2,152
Total	**3,521**	**803**	**4,324**
Percentage	81.4%	18.6%	100%

PERSONNEL POLICY

Care for our employees is included in our policy. This covers areas such as safety in the workplace and a socially safe workplace. In 2018, an agreement was reached between employers and trade unions about a new Collective Labour Agreement for the Network Companies Sector (CAO-NWB). The agreement offers a mix of salary increases, a Personal Budget and extra free days. This gives employees in every age group the maximum freedom to choose between money and free time, as well as the option to save up free days. In addition, employees aged 62 and above can make use of a vitality scheme allowing them to work less but retain their pension. The new Collective Labour Agreement runs for 36 months, from 1 May 2018 to 1 May 2021.

In our CSR policy, we also acknowledge and subscribe to the United Nations Universal Declaration of Human Rights. Aspects relating to human rights such as equal treatment and employee participation are described in detail in the Collective Labour Agreement, 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 Organisation (ILO).

Our policy to prevent corruption or bribery of our employees is laid out in the Socially Responsible Procurement Policy, the Employee Code of Conduct and the Suppliers Code of Conduct. In addition, these state that we operate according to the United Nations Universal Declaration of Human Rights. The Suppliers Code of Conduct is incorporated into 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.

	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	91	22	**69**	3.59	20	3	**17**	2.00
30 - 50 years	115	65	**50**	6.83	27	24	**3**	9.42
over 50 years	20	147	**-127**	34.88	4	24	**-20**	31.79
Total	**226**	**234**	**-8**	**24.15**	**51**	**51**	**-**	**19.51**

	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	3	-	**4**	7	1	-	1	**2**	**9**
over 50 years	-	16	**12**	28	-	2	7	**9**	**37**
Total	**5**	**16**	**16**	**37**	**2**	**2**	**8**	**12**	**49**

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

OUR DILEMMAS, INSIGHTS AND LESSONS WE HAVE LEARNED

Our top priority is always safety. For many years we have had a strong focus on safety instructions and training. Nevertheless, accidents still occur and we are not yet satisfied with our safety score. This raises a number of questions. Clearly, another approach is required. In 2018, we drew up a Multi-Annual Plan for Safety. Although the first step to safety is to announce a goal, in the end it is about our actions. The role of managers is key. We will have to show more leadership, set a good example and equip managers more effectively. We are also looking at how to organise our work so that employees are better able to comply with safety standards in every situation so they can return home safely at the end of the day. In 2019, we will once again aim for zero accidents. This requires 100% clarity in standards and values and no toleration of compromise. It is unlikely that we will achieve this, but when it comes to safety, we must strive for perfection. In 2019, we will introduce Life Saving Rules, a set of rules and measures for the prevention of serious and non-serious accidents and injuries.

The shortage of technical personnel was noticeable within our organisation in 2018. In the years to come, the shortage of skilled professionals on the labour market will only increase further. At a time when we need to pull out all the stops in order to reach our climate goals, personnel shortages are making it hard for the entire sector to achieve them. Since training unskilled people takes years and requires the time of our experienced staff, finding a solution in the short term is complicated. To train students in the competencies needed for the energy transition, we have developed a plan, together with companies and educational institutions, to update the educational options and encourage long-term collaboration.

NON-FINANCIAL ISSUES

- Safety
- Adaptability of the organisation

STRATEGIC RISKS

- Increasing shortage of personnel, qualitatively and quantitatively (for Enexis, contractors and suppliers)
- Insufficient capacity for change and organisational focus on realising the energy and digital transition
- Employee safety

You can find more specific information about our personnel developments in the section **Additional information**.

“I WOULD BE HAPPY IF HAVING A WARM HOUSE **BECAME A SORT OF RIGHT.**”

Mariëlle Vogt

Mariëlle Vogt, Finance Director, Enexis Groep recently calculated that if she charges her electric car for three hours in the evening, it uses the same amount of energy as her family does in a whole day and places five times the load on the grid. “Actually, it’s not fair that people who don’t have an electric car pay the same amount for their grid use as people like me. And electric vehicle drivers are often already those in a better financial position. That’s why at Enexis we want a change to fairer rates. Perhaps in the same way data bundles work on mobile phones - you buy a certain amount and if you place higher demands on the network, you pay more. Where do you stand on this?” Berend de Vries, Alderman for the Municipality of Tilburg, considers this as he’s walking. “It seems logical to me that a system like this is introduced, although it’s quite difficult to understand how it will work with feed-in from solar panels, for instance. Citizens do need to be certain of what they can earn from their solar panels, otherwise they won’t put them on their roofs. The costs that homeowners need to pay to make their houses more sustainable also need to be flattened, so that increases in energy tax don’t have a disproportionate effect on the least affluent income groups.”

Mariëlle: “I’d be happy if having a warm house became almost a sort of right. What if, in principle everyone paid the same, regardless of the energy source they used? Because, in a manner of speaking, you’re in luck if you live in a new residential area that’s easy to renovate and it’s just tough if you live in an old house that isn’t so easy to disconnect from the natural gas grid.”

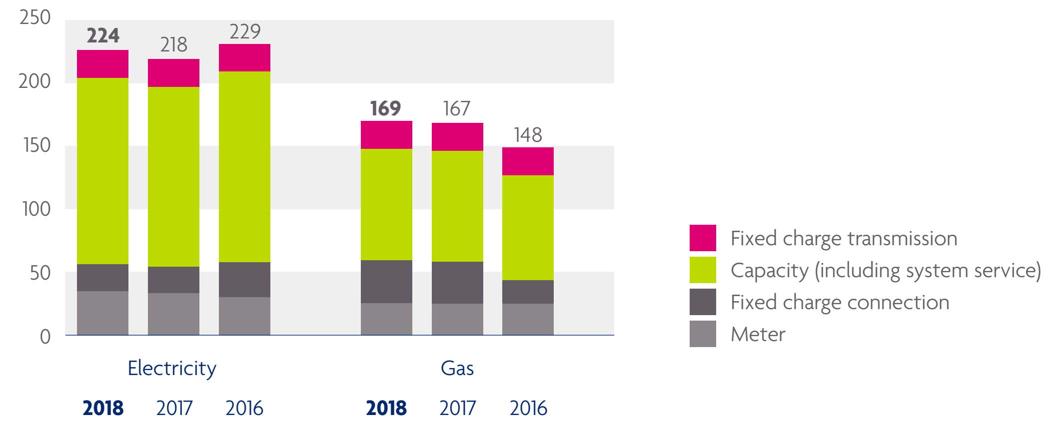
Berend: “I agree that everyone has a right to a warm house. But I also believe in incentives in the system that encourage people to make sustainable choices. So, I understand that a differentiation is made between heating, electricity and gas. But if the balance becomes too uneven, then you have to introduce so many compensatory measures for specific groups that the system becomes extremely complicated.

FINANCIAL POSITION

The transition to the energy supply of the future demands a substantial investment. A great deal of money is necessary to modify our grids for sustainable use and other developments in cities, towns and villages. What financial resources does Enexis have and how will these be used in the interests of society?

In the Netherlands, consumers pay a fixed price for using the energy grid, regardless of how much they use it. The Netherlands Authority for Consumers & Markets (ACM) sets maximum rates for the connection, transport and metering of gas and electricity. In 2018, we raised our rates for household use by an average of 2.1%, in line with the ACM's tariff decisions.

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



INVESTMENTS NECESSARY AS PART OF THE ENERGY TRANSITION

In the coming years, substantial investments are needed to make the energy infrastructure ready for the future. If investment increases and customers disconnect from natural gas, it is inevitable that the cost per gas grid user will rise. For consumers, the higher costs for energy transport will come on top of the cost of modifications in their home or for the purchase of a heat pump. The affordability of the energy transition and support for it are therefore under pressure. Only by using smart grid charges and cost-efficient solutions for a sustainable, local energy supply can we keep the energy transition affordable for all. It is also true that the more transparency there is about the direction the energy transition is going, the more efficiently we can plan investments.

SMART GRID CHARGES

To keep energy affordable for all, we are looking at policy solutions with the ACM. We are also working on new business models such as flexible energy rates that encourage households to move the majority of their usage to cheap-rate times. This will lead to lower costs for the customer and will prevent peak loads in the grid. Above all, the costs of this model are allocated more fairly. Users who make heavier use of the grid pay more. With innovative technologies such as apps and smart charging grids, we want to help our customers use energy efficiently in the future.

2018 FINANCIAL PERFORMANCE

The net profit increased in 2018 to €319 million, which is €112 million higher than the net profit for 2017. The increase is primarily a result of a number of non-recurring items. These non-recurring items cover a partial release of the tax deferral as a result of a future reduction in the corporate income tax rate, changes in provisions and higher depreciation on smart meters. After normalisation of the non-recurring items, the net profit amounted to €243 million; €21 million above the normalised net profit for 2017. This increase is largely due to a favourable revenue development that is partially offset by higher costs for improvement and transition projects. These projects enable us to fulfil our strategic aims. For example, we are working on customer-focussed and efficient processes, further automation of the grids and operational management, and increasing flexibility of the ICT landscape.

€ Million	2018	2017	2016	2015	2014
Result					
Revenue	1,445	1,398	1,376	1,353	1,399
Costs of transmission services and distribution losses	228	231	228	231	243
Other operating income	4	4	31	19	20
Balance available for operating activities	1,221	1,171	1,179	1,141	1,177
Operating expenses excluding depreciation, impairments and decommissioning	468	487	492	447	433
Depreciation, impairments and decommissioning	349	345	344	301	310
Operating profit	404	339	343	393	433
Share of result of associates and joint arrangements	0	-3	1	1	1
EBIT [1]	404	336	344	395	435
Financial income and expenses	-58	-59	-73	-93	-79
Profit before tax	346	277	271	302	356
Profit for the year	319	207	207	223	266
Financial position (before profit appropriation)					
Net working capital [1]	-89	-61	-53	-80	-73
Non-current assets	7,480	7,181	6,884	5,862	6,015
Capital employed [1]	6,594	6,386	6,150	5,477	5,340
Equity	4,024	3,912	3,704	3,607	3,517
Net interest-bearing liabilities [1]	2,272	2,201	2,078	1,777	1,619
Total assets	7,715	7,668	7,284	7,079	6,417
Ratios					
Solvency [1]	52.2	51.0	50.9	51.0	54.8
ROIC [1]	6.1	5.3	5.6	7.2	8.1
Return on equity [1]	7.9	5.3	5.6	6.2	7.6
Cash flow					
Cash flow from operational activities	679	628	528	535	578
Cash flow from investing activities	-646	-597	-813	-457	-419
Cash flow from financing activities	-58	-9	-217	376	-124
Cash flow	-25	22	-502	454	35

1 For definitions, please refer to the glossary.

NET PROFIT

In 2018, the realised net profit amounted to €319 million, which is €112 million higher than the net profit in 2017. In particular, the partial release of the tax deferral as a result of a future reduction in the corporate income tax rate, and a partial release of provisions and higher revenues, have contributed to this higher net profit. In 2018, the operational costs increased. This is partially due to an increase in improvement and transition projects. These improvement projects enable us to fulfil our strategic aims. For example, we are working on customer-focussed and efficient processes, further automation of the grids and operational management, and increasing flexibility of the ICT landscape. The increase in project costs is reflected in the hiring of additional temporary personnel.

BALANCE AVAILABLE FOR OPERATING ACTIVITIES

The balance available for operating activities has increased by €50 million as a result of higher revenues and reduced costs for transport services and distribution losses.

In 2018, the total revenue amounted to €1,445 million, an increase of €47 million compared to 2017. This increase can primarily be explained as the result of an increase in rates for electricity and gas. In addition, there is also an increase in the revenue as a result of the acquisition of N.V. Stedin Netten Weert on 1 July 2017. The specification with respect to the regulated services is as follows:

- Electricity: the revenue increased by €36 million compared to 2017. This increase is primarily the result of an average increase in rates of 2.9%.
- Gas: the revenue increased by €4 million compared to 2017. This increase can primarily be explained as the result of an average increase in rates of 0.8%.
- The revenue from regulated meter services increased by €5 million compared to 2017 and is primarily the result of an average increase in rates of 3.0%.

The non-regulated revenue amounted to approximately 8% of the total revenue and is, in terms of size, the same as 2017.

The costs of transport services and distribution losses decreased in 2018 by €3 million to €228 million. The costs for distribution losses decreased as a result of lower prices and lower quantities. In contrast, there are higher costs for green certificates as a result of price developments, as well as higher TenneT transport costs due to a higher peak load.

OPERATING EXPENSES

The total operating expenses in 2018 decreased by €14 million to €817 million. In particular, the net effect of the partial release of provisions and an increase in improvement and transition projects led to lower costs.

The most important developments are:

- €25 million lower employee benefit expenses: this decrease is predominantly the result of the release of provisions for leave and the impact of the new collective labour agreement. In addition, we see an increase in the deployment of improvement and transition projects. In particular, the costs for temporary personnel increased as a result by €20 million.
- €16 million higher costs for subcontracted work, materials and other external expenses: the increase in costs of improvement and transition projects is also reflected in an increase in the ICT costs by €13 million. As a result of the increasing work package, we contracted more work out to subcontractors and purchased more materials.
- €8 million higher other operating expenses: the increase can be almost entirely explained by higher allocations to provisions.
- €17 million higher capitalised expenses of our own production: extra costs for hiring personnel for the improvement and transition projects have led to an increase in capitalised production.
- €3 million higher depreciation: the depreciation of property, plant and equipment increased by €9 million, primarily due to the growth in the number of smart meters and accelerated depreciation of gas meters. The depreciation of intangible fixed assets decreased by €6 million, primarily because a number of large investments were amortised in 2017 as a result of the new market model.

RESULTS FROM ASSOCIATES

The results from associates is zero.

FINANCIAL INCOME AND EXPENSES

The net balance of the financial income and expenses over 2018 amounted to €58 million and, as such, is in line with 2017.

TAXES

The corporate income tax over 2018 amounted to €27 million. This takes into consideration the partial release of the deferred tax liability as a result of the change in rates as of 2020. This release of €56 million is a consequence of the Tax Plan 2019 adopted at the end of 2018, which includes a gradual reduction in the corporate income tax rate.

GROSS INVESTMENTS

The gross investments in 2018 amounted to €643 million and are, as a result, €58 million higher than the gross investments in 2017.

The improving economy and the subsidies that have been made available to stimulate sustainable energy production have led to additional customer requests in the form of more grid extensions and more 'Duurzaam op Land' (Sustainable on Land) projects, such as connections for sun and wind farms. As a result, the gross investments in electricity and gas grids increased by €44 million.

In addition, we saw an increase of €16 million in other investments, which was primarily due to the increase in improvement and transition projects.

FINANCING AND CREDIT RATING

The financing and refinancing requirements of Enexis Holding for the coming years consist of financing working capital, operational cash requirements, refinancing existing loans and growth in investments in the grid. To fulfil these financial requirements, Enexis makes use of the external money and capital market. Financing via its 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.

The long-term credit ratings of Enexis Holding N.V. and Enexis Netbeheer B.V. were reconfirmed in 2018 by credit rating agencies. The credit rating issued by Standard & Poor's for Enexis Holding N.V. and Enexis Netbeheer B.V. remained unchanged at A+ stable outlook. Moody's only issues a credit rating for Enexis Holding N.V. and this remained unchanged at Aa3 stable outlook. The long-term credit ratings of Aa3/A+ with a stable outlook at the 2018 year-end, clearly satisfy the internal requirements for maintaining an A credit rating profile.

The short-term credit rating of Enexis Holding N.V. at the 2018 year-end is P-1 (Moody's) and A-1 (Standard & Poor's).

TAX AND ENEXIS

Enexis' fiscal policy supports our strategic, financial and operational aims. The policy has been approved by the Executive Board and discussed with the Audit Commission of the Supervisory Board. Our fiscal policy is aimed at acting in full compliance with fiscal rules and regulations and taking minimum fiscal risks. Our fiscal policy is not limited to the corporate income tax, but is aimed at all taxes we pay. The overview below shows the payments made under the most important forms of national tax.

Taxes paid

€ Million	2018	2017
Wage tax	120	119
Value added tax	179	175
Corporate income tax	66	65
Tax on dividends	16	15
Total	**381**	**374**

Information regarding the payable corporate income tax and the effective tax burden in 2018 is included in the financial statements.

FISCAL RISKS AND RISK MANAGEMENT

Enexis endeavours to submit timely, accurate and comprehensive tax returns and to pay tax on time. Nevertheless, our processes generate unavoidable common fiscal risks. With our risk management system, we proactively identify risks in order to act accordingly and to mitigate risks. We also monitor the setting up, existence and functioning of the management measures, in line with the policy and the procedures in the area of risk management.

RELATIONSHIP WITH TAX AUTHORITIES

We attach importance to fiscal transparency and to maintaining a good relationship with the Dutch Tax and Customs Administration. At the beginning of 2012, this intention was underlined by the signing of the Horizontal Supervision Covenant. There is regular contact with the Tax and Customs Administration, to proactively discuss matters and exchange opinions. In practice, we present current fiscal issues transparently to the Tax and Customs Administration. This is how we implement the principles in the Covenant: understanding, transparency and trust. The relationship with the Tax and Customs Administration, and the way both parties fulfil this, contributes to the avoidance of our fiscal risks.

GOVERNANCE WITH RESPECT TO TAX

The Enexis fiscal department is the advisor and coordinator with respect to tax. The fiscal department makes regular use of external tax advisors to have a second opinion about important fiscal matters, to make use of specialist knowledge, or to gain a better understanding of new tax laws.

To meet all fiscal obligations, the fiscal department works intensively with various departments within Enexis. Via periodic publications and by taking part in workgroups and consultation structures, our tax specialists increase the fiscal awareness within the organisation.

OUR DILEMMAS, INSIGHTS AND LESSONS LEARNED

Various factors and societal choices influence our investment requirements and financing. Is the Netherlands going to opt for all-electric, or will the hybrid heat pump be rolled out? Do the gas grids have to be amortised more quickly? How much freedom of choice does the government want to give its citizens? Will municipalities be given a free hand in choosing the heating infrastructure? And how much additional production of sustainable electricity from solar energy and wind (on land and sea) is desirable? The Netherlands Environmental Assessment Agency (PBL) has calculated that the regional grid operators will have to invest an extra €6 billion before 2030 in order to realise the ambitions of the Climate Accord. Grid operators are, however, stressing that it will only be possible for this figure if strict agreements are made on planning certainty and accelerated investments. Waiting too long will result in bottlenecks in the implementation and in higher costs. We have calculated various scenarios up until 2030 and have shown that we are capable of funding the extra investment, but we cannot know what will happen in the future, and which political and other choices will be made. We see a pragmatic approach as the best solution for keeping the energy transition affordable, and we are searching for the most appropriate solution that is both sustainable and cost-effective on a case-by-case basis. We are discussing this with customers, municipalities, property developers, the ACM and the Ministry of Economic Affairs and Climate Policy.

MATERIAL ISSUES

- Financial value for shareholders
- Accessible energy supply

You can find more specific information about our financial position in the **Financial Statement**.

> “THE ENERGY TRANSITION HAS GAINED SO MUCH MOMENTUM **THAT IT RAISES NEW QUESTIONS ON AN ALMOST WEEKLY BASIS.**”
> Cor Brockhoven

In 2009, the grid operator Enexis split off from the energy supplier Essent. Cor Brockhoven points out that the energy transition demands collaboration.

Cor: “We see that over the last two or three years, the energy transition has gained so much momentum that it raises new questions on an almost weekly basis. Take, for example, the voltage drops in the north of the country when the grid was unable to cope with the enormous increase in solar panels. We had to find solutions quickly. The provisions for such cases that are laid down in laws and regulations are fine in principle, but they will need updating later, based on practical experience.”

Patrick: “The Netherlands is really just one big gearbox. Moving one cog has an immediate effect somewhere else. We have come up with a plan to replace asbestos roofs in the countryside with solar panels. In order to connect them, we need to contact the grid operators. We are not legally allowed to do anything to the grid. But perhaps we will be allowed to if the grid operators are in charge?”

Cor: “This is typically one of those questions arising from the phase of the energy transition that we’re currently in. It’s a good example. I don’t know, if this is legally possible.”

Patrick: “We ought to look into it. But then there has to be the will to find out. So that a grid operator doesn’t automatically say: join the queue; we’ll get to you in 18 months’ time. That doesn’t happen at Enexis. You do want to talk about how we can help each other within the existing regulations. Maybe that’s because we used to be part of the same family.”

Cor: “Collaboration is crucial for progress. There’s no blueprint for the energy transition. We have to come up with one together.”

LAWS AND REGULATIONS

Developing towards a new sustainable energy system involves raising issues about more freedom of choice, market forces and the principle of solidarity. There are new legal frameworks necessary for increasing sustainability. What does Enexis do to comply with laws and regulations?

It goes without saying that Enexis complies with the current laws and regulations. We also contribute our ideas to what is needed for the frameworks and guidelines of the future.

ENERGY TRANSITION PROGRESS ACT

The basis for our work as a grid operator is legally defined in the Electricity Act 1998 and the Gas Act. To help the Netherlands change over to a sustainable energy system, the Energy Transition Progress Act has been coming into effect in phases since 1 July 2018. This Act includes a regulation providing for extra room for experimentation. The requirement to provide compulsory natural gas connections in new buildings has also been cancelled.

REQUIREMENT TO PROVIDE COMPULSORY NATURAL GAS CONNECTIONS CANCELLED

For new residential projects where planning permissions were applied for after 1 July 2018, the requirement to provide compulsory natural gas connections has been cancelled. This is an important step towards increasing sustainability in built-up areas. Municipalities have the right to specify zones that are exempted from this ruling, for example if disconnecting from natural gas is impossible for technical reasons, or if it would be prohibitively expensive. For existing housing and other buildings, customers can still apply for a new gas connection. Enexis adheres to the law, assessing applications for new gas connections to check if we are legally allowed to install them. We have informed municipalities of this in writing.

MORE ROOM FOR EXPERIMENTATION

To enable grid operators to accelerate the energy transition, it is essential that they are allowed to carry out experiments with new technologies and services in practice. Together with decision-makers and our partners in the market and in the chain, we can develop best practices that set an example for smart increases in sustainability. For example, energy storage or the use of hydrogen gas in domestic central heating boilers and ovens. The Energy Transition Progress Act provides extra room for experimentation.

GENERAL DATA PROTECTION REGULATION

We are conscious of the fact that data from our grid can speed up the development of services relating to saving energy and making energy greener. We have to balance the desire to share as much data as possible with legal requirements regarding confidentiality and protection of privacy. Within the scope of the legal frameworks, we currently make a range of energy data available. We supply asset data and geographical data as open data and also provide data at an aggregated level. In addition, we provide data via Statistics Netherlands (CBS), including data on solar energy.

Since sharing energy data is becoming increasingly important, we advocate for clearer legal guidelines on sharing data. We are making agreements with our fellow grid operators about cooperation, uniformity and standardisation of data, and we are sharing our experiences with open data. In 2018, we implemented a data safety action plan together with fellow grid operators and suppliers, in close consultation with the regulators. Specific permission from the customer is now compulsory before third parties are allowed to receive data from a connection. We are also working on the development of a permissions platform, where the customer indicates who we can provide data to. As a result of the General Data Protection Regulation coming into effect on 25 May 2018, Enexis has implemented a number of changes. These concern, for example:

- the appointment of a Data Protection Officer and a team of Privacy Officers
- management of a central data processing register used as the basis for carrying out privacy impact analysis for each process
- an update of the broad Enexis internal privacy policy and the privacy statement on our website.

CONSULTATION ON NEW FRAMEWORKS

In 2018, we participated in the negotiations for the Dutch Climate Accord. Together with hundreds of businesses, civil society organisations and government bodies, we discussed concrete measures that contribute to the international goal of 49% fewer greenhouse gas emissions in 2030 than in 1990. The Climate Accord is the concrete implementation of the Climate Act, which is expected to come into effect in 2019.

NEW ENERGY ACT

The constant developments and innovations in the area of energy savings and renewable energy require flexibility between the various stakeholders. Within this context, at the end of 2017, a new Energy Act was announced. This broad-ranging energy act is still being developed and is intended to create room for energy producers, users and grid operators to come to local, sustainable solutions. Above all, this Act must safeguard access, so that new market partners have the same access to the energy grid as existing suppliers. Through Netbeheer Nederland we are contributing our ideas to the Energy Act 1.0, an integrated law covering electricity and gas. The Energy Act 2.0 is already foreseen.

HEATING ACT 2.0

Sustainable heating plays an important role in the energy transition and in increasing sustainability in built-up areas. Heating needs to be given an equal position in the Dutch energy system, along with gas and electricity. The current Heating Act does not sufficiently reflect the energy transition. Important issues are the regulation of the market and distribution of costs.

DEVELOPMENTS AT EUROPEAN LEVEL

The European Union is working on the Clean Energy Package (CEP), a set of proposals from the European Commission for updating laws and regulations to stimulate the energy transition and modernise the energy market. After negotiations on amendments by the European Parliament and the Council of the European Union in 2018, the definitive texts will be finalised at the beginning of 2019. We believe that grid operators must be given the room to try out innovative solutions, for instance in the form of new services (provided by the market) or new technology that we can implement as a grid operator. The energy transition is creating new challenges, but the responsibilities for security of supply and quality of supply remain unchanged. The CEP intends to reform the energy market. Although we will retain an important role as a ***neutral market facilitator***, the ***market-first*** focus could provide a considerable obstacle for grid operators' ability to perform their tasks. Together with our fellow grid operators, we are presenting our vision and viewpoint during the negotiating and decision-making process in The Hague and Brussels. We advocate for making a clear differentiation between those activities on behalf of and required for our grid management tasks, which should remain the responsibility of the grid operator, and other activities to which the market-first principle could be applied.

OUR DILEMMAS, INSIGHTS AND LESSONS LEARNED

Our compliance with laws and regulations is something that stakeholders should be able to rely upon. For the energy transition, in our role as grid operator, we have a need for a clear sense of direction and concrete policy decisions. For example, amendments to regulations are necessary to allow us to connect the enormous increase in solar parks to our power grid. The more transparency about the direction the energy transition is taking, the more efficiently we can plan our investments. As long as no clear direction is available, we have to allow for all possible scenarios. This can result in unnecessary investments, hence making the costs for citizens higher and decreasing their support. We are using our knowledge of the energy supply to help the development of laws and regulations. In 2018, we participated in the negotiations for the Dutch Climate Accord. In addition, we are contributing our ideas about the development of energy legislation via Netbeheer Nederland.

MATERIAL ISSUES

- Compliance

STRATEGIC RISKS

- Unauthorised access to systems and data (privacy & security)
- Energy legislation and limited external support are restrictive for the role of grid operators as facilitators of the energy transition

You can find more specific information about laws and regulations in the section **Additional information**.

CORPORATE GOVERNANCE

Providing a reliable energy supply now and in the future, is an essential social duty that is largely funded by public money. We therefore believe it is important to be transparent about how we manage our company and how this is supervised.

Enexis Holding N.V. is a public limited company under Dutch law. Inherent in Enexis' task is our strategy aimed at creating value for society. Also in the longer term. Our business is subject to what is known as the two-tier board structure. We apply the Dutch Corporate Governance Code (the 2016 Code) to the extent possible and where applicable, thereby emphasising our responsibility for the societal aspects of doing business.

Our statutes, various regulations and other documentation about corporate governance are available on the enexisgroep.nl website.

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 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 according to the company's remuneration policy. This remuneration policy complies with the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT) and has been adopted by the General Meeting of Shareholders (AGM). The SB determines the level of 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) of a minimum of 30% men and 30% women. As soon as a vacancy arises within the Executive Board there will be an opportunity to create a balanced ratio of members. A provision on diversity has been incorporated into the general section of the 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.

Members of the SB have a seat in two permanent committees: the Audit Committee and the Remuneration and Selection Committee. Members of the SB receive remuneration, as determined by the General Meeting of Shareholders (AGM), in compliance with the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT). Details of the remuneration of the SB are reported in the financial statements.

The ratio of men to women within the Supervisory Board complies with the statutory requirement (in force since 13 April 2017) of a minimum of 30% men and 30% women.

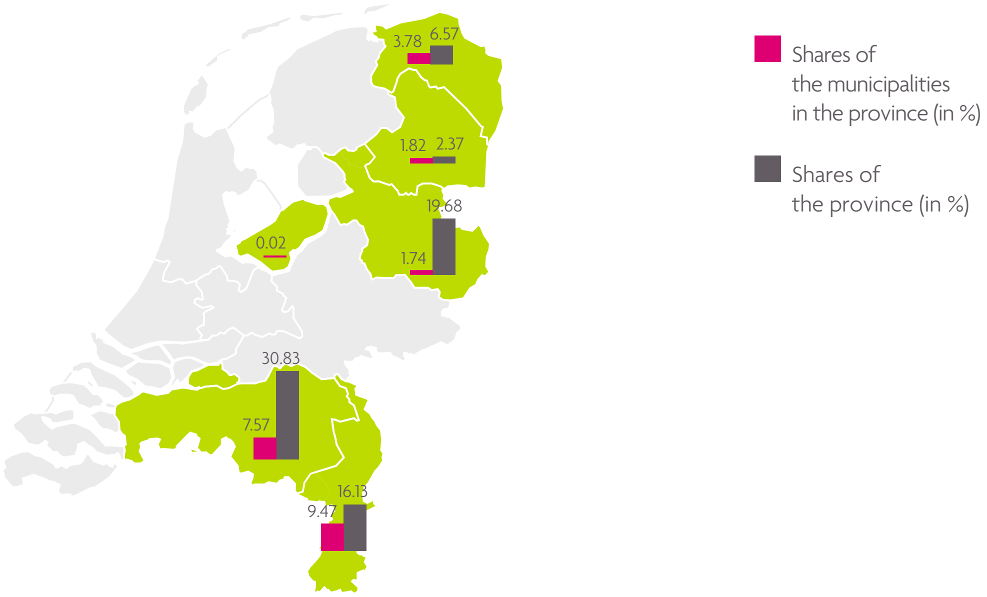
GENERAL MEETING OF SHAREHOLDERS (AGM)

The General Meeting of Shareholders (AGM) is the highest decision-making body within Enexis. Matters decided on during the AGM include the 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 has the objective of promoting 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.

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)



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 significant 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.

DEPARTURES 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 to the SB which is a collective responsibility.
- **We have departed from the provisions below because the two-tier board structure 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

"IT IS CLEAR THAT OUR FUTURE TASK WILL REQUIRE **MAJOR INVESTMENTS**"

Piet Moerland Chairman of the Supervisory Board

Safety, security of supply, customer satisfaction and affordability. The Chairman of the Supervisory Board (SB), Piet Moerland, examines issues discussed in 2018 with the Executive Board.

"The ongoing transition in the energy world is posing challenging strategic questions for grid operators. Which modifications to the gas grid and electricity grid are necessary, and how fast do those modifications need to be implemented? What role will Enexis be given in the installation and operation of heating networks? What do these and related developments mean for our employees? Are there still enough qualified personnel available? How do we maintain a good relationship with our shareholders in a world of uncertainty and rapid development? What is certain is that our future task, whatever it turns out to be, will demand major investments, in terms of capital and assets, as well as in terms of managerial effort and commitment from our employees.

It goes without saying that the Supervisory Board and the Executive Board have had regular, intense discussions throughout the reported year concerning the energy transition and its implications for the company, our customers, employees and shareholders. Our position during these discussions is in an advisory and supervisory capacity; to serve as a sounding board and in a ratification role. In addition to the Executive Board, we maintained regular contact with the members of the management team, the Works Council and the Shareholders Committee.

PRIORITY FOR SAFE WORKING PRACTICES

Enexis is a company with a social mission and task: the continuous provision of a safe, reliable and affordable infrastructure for energy supply in our servicing area, in such a way that the creditworthiness of the company remains at a high level and our shareholders can expect a reasonable return on investment. In the opinion of the Supervisory Board, we have fulfilled all these conditions and principles, although there are some reservations on the issue of safety.

In 2018 there were, unfortunately, several extremely serious incidents, including an accident in which four people were injured. The Supervisory Board fully supports the Executive Board's consistent policy of allowing no concessions on matters of safety. Both our own employees and those of our contractors are repeatedly reminded to give absolute top priority to working safely, in spite of possible pressure from customers, and, also worth remembering, in spite of the tendency to make assumptions rather than checking facts (e.g. when selecting the cables to be worked on).

Taking care of safety also extends into the realm of customers and public space as a whole. Citizens are right to expect a safe energy supply.

DYNAMICS IN DEVELOPMENTS

Excellent grid management and acceleration of the energy transition are the pillars supporting Enexis' strategy and activities. Security of supply, customer satisfaction and affordability of the energy supply are recurring issues in discussions between Executive Board members and Supervisory Board members.

Due to the turbulent dynamics of the energy world, achieving a high score for customer satisfaction is a challenge. This is due in part to sudden shifts in sources of subsidies that can significantly alter customer demand, and the fact that obtaining permits is not always a smooth process.

One of the effects of the energy transition is that citizens, businesses and government bodies are themselves confronted with considerable changes in the future energy supply. More than ever before, grid operators are expected to provide advice and help them make decisions. This makes grid operators more visible, requiring improvements to our communication policy, including communication towards society as a whole. The Supervisory Board praises the Executive Board's vision on the most desirable approach to built-up areas, publicly aired in 2018. Participation in the public debate based on well-founded analysis and insights is exceptionally valuable.

From the dynamics of these developments, new questions also emerge concerning the allocation of tasks and responsibilities such as those relating to installing and operating heating networks. The Supervisory Board supports the Executive Board's vision that infrastructure used for energy transport should be in the hands of organisations with a public utility function, rather than primarily profit-driven businesses. After all, they serve the public interests. It is not without reason that shares of Enexis Holding N.V. are in the hands of government bodies. Ensuring safety, security of supply and affordability of the energy supply deserve to be protected, particularly in dynamic times and in the interests of customers and society.

FREQUENT AND INTENSIVE CONSULTATION

The annual two-day meeting between the members of the Executive Board and the Supervisory Board was held in the Limburg Zuid district. Part of the programme was dedicated to visits to various locations, to give an insight into current working conditions for our employees. This was useful and instructive.

Furthermore, in addition to the regular programme of meetings, we discussed in depth about the topics of safety and company culture. Both topics are largely concerned with attitude and behaviour, integrity and approachability. We know that next to having primarily desirable behaviour, every organisation also has experiences of undesirable behaviour. How can we bring this to the surface and how can we deal with it? These are important issues that call for transparency.

At the end of 2018, the Supervisory Board evaluated its own operations, supported by an external, specialised agency. The evaluation was, of course, aimed partly at how we maintain contacts with the Executive Board and our shareholders. The conclusion was that the Supervisory Board functions correctly and satisfactorily. There are several 'takeaways' from this process, which we will implement in 2019. For instance, the meeting schedule will include sufficient time to allow for separate discussions of strategic issues. After all, rapid developments require frequent and intensive consultation."

Piet Moerland, Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

COMPOSITION AND ORGANISATION

As the Supervisory Board, we supervise management, and provide solicited and unsolicited advice with regard to the formulation and realisation of the objectives, strategy and 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.

The composition of our Board remained unchanged throughout 2018. The composition of the committees is as follows: the Audit Committee is comprised of Carmen Velthuis (Chair), Monique Caubo and Marc Calon. The Remuneration and Selection Committee is comprised of Piet Moerland (Chairman) and Joost van Dijk. In 2018, Frans Voorwinde acted as secretary to our Board.

INDEPENDENT

Throughout the entire 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. None of its members has outside employment that conflicts with their role on the Supervisory Board of Enexis.

DIVERSITY

Following a dialogue session with the Executive Board in 2017 on the issues of diversity and company culture, a profile was defined for the Executive Board. The advice of the Remuneration and Selection Committee on the diversity policy for the Executive Board and Supervisory Board has been adopted and defined by the Board. Several aspects of diversity have been defined in the profiles of the Executive Board and Supervisory Board. Others can be summed up as our endeavour to achieve a balance in the members of the Executive Board and the Supervisory Board, to reflect the diversity that society requires us to aim for.

EVALUATION OF THE OPERATION OF THE SUPERVISORY BOARD

In November 2018, we evaluated our operations with external support, discussing the operation of the Supervisory Board, the committees and the individual members.

OUR TASKS

As the Supervisory Board, our most important duty is the supervision of the Executive Board policy and of the general affairs of the company and its subsidiaries. We exercise this supervision primarily through meetings with the Executive Board, site 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 and dialogue sessions with the Shareholders' Committee. In addition, we look 'for the right balance between formal meetings on the one hand, and a more informal dialogue with the organisation on the other. In 2019, we will endeavour to continue the direct, valuable contact which we had with the management team in 2017 and 2018.

The Supervisory Board convened four times in 2018. All members of the Supervisory Board were present at all of the meetings. In addition to our regular meetings, we held a two-day in-depth meeting with the Executive Board.

The agenda for our meetings is determined according to the most important supervision tasks (such as realisation of objectives, strategy and risks, and 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.

The daily business affairs are discussed during our meetings, based on a score card as part of an extensive monthly management report. Enexis' performance as a grid operator (reliability of supply) is continuously reported here. 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, interim report, annual plan and risk inventories are discussed and adopted based on the recommendations of the Audit Committee.

During 2018, following the recommendations of the Audit Committee, we approved both the updated liquidity policy and the framework for a new Revolving Credit Facility. We gave considerable attention to several major ICT projects related to the redesign of the ICT landscape, and to the highest priorities from the business plan for 2019.

AUDIT COMMITTEE

The Audit Committee met on six occasions in 2018. The Audit Committee supervises the internal systems for risk management and control, and the financial reporting, preparing the decision-making processes of the Supervisory Board for these and other topics. The periodic management report is discussed insofar as this concerns technical details in the area of reporting or valuation. The committee reviewed the control plan of the external auditor and discussed the control plan of the Internal Auditor, and provided a positive recommendation for their adoption by the Supervisory Board. Furthermore, the agenda consisted mainly of regular items including the 2017 financial statements, the 2018 interim report, 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 ICT projects, we mainly examined the financial-technical aspects as well as manageability and risks, advising the Supervisory Board on these.

REMUNERATION AND SELECTION COMMITTEE

The Remuneration and Selection Committee met three times in 2018. Important topics were the functioning and remuneration of members of the Executive Board, discussing the succession potential among senior management and the developments with regard to the remuneration of the Executive Board and senior executives in the context of legislation (the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT). We continue to be very concerned about the consequences of the possible extension of the scope of the WNT for the availability of sufficiently qualified managers and specialised staff for Enexis. Finally, in consultation with the Works Council, we started a process to appoint a new Supervisory Board member in 2019, as successor to Monique Caubo who is stepping down.

SUPERVISORY BOARD MEMBER ATTENDANCE

The attendance percentages of the Supervisory Board members at their meetings in 2018 are as follows:

	P. Moerland	M. Calon	M. Caubo	J. v. Dijk	C. Velthuis
Supervisory Board meetings (4)	100%	100%	100%	100%	100%
Audit committee meetings (6)	n/a	67%	100%	n/a	100%
Remuneration and Selection Committee meetings (3)	100%	n/a	n/a	100%	n/a

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

We have taken note of the annual report and financial statements for 2018 as these have been 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 2018 financial statements as they stand.

WORD OF APPRECIATION

The Executive Board, management team, managers and employees have once again achieved good results throughout 2018. We thank them for their efforts and commitment, and wish them much success and job satisfaction in 2019.

’s-Hertogenbosch, 19 February 2019

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

STRATEGIC RISKS

Internal and external events form a risk to Enexis' continuity or strategic goals. For each risk, we determine the likelihood of occurrence and its possible impact on our most significant business values. We take measures aimed at maintaining our business values and improving our performance.

We are transparent about internal and external risks and closely monitor the development of such risks. This helps us to respond rapidly, create and maintain value, improve our performance and comply with requirements imposed on us by laws and regulations. Developments in the most important strategic risk areas are periodically reported on to the Executive Board. Concrete mitigating measures are recorded in the multi-annual plans of our business units, and are monitored by departmental management.

RISK MANAGEMENT

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

Our risk management is set up according to the '3 lines of defence' model. At all levels of the organisation, line managers (1st line) are responsible themselves for identifying risks and taking timely risk-control measures. This decentralised responsibility is an essential element to how Enexis approaches risks. Our business controllers (2nd line) support line management. The Internal Audit & Risk department (3rd line) coordinates the risk management process. Risks are monitored centrally in the Management Meeting.

In our strategic risk analysis, we identify events that threaten the continuity of Enexis or the realisation of our strategic objectives. We quantify these identified risks by determining the likelihood of a risk occurring and its impact on one or several business values. The risk matrix also specifies Enexis' Risk Appetite with respect to each business value. Risks that score 'High' ("H") exceed the Risk Appetite and must be mitigated by means of additional measures. Each strategic risk is allocated to an 'owner' who is responsible for taking adequate measures and for monitoring the development of the risk. The development of the risks and the effectiveness of the measures are monitored by means of the planning and control cycle.

Using Operational Risk Assessments, we identify risks at the tactical and operational levels 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' focussing on integrity, enthusiasm and mutual cooperation.

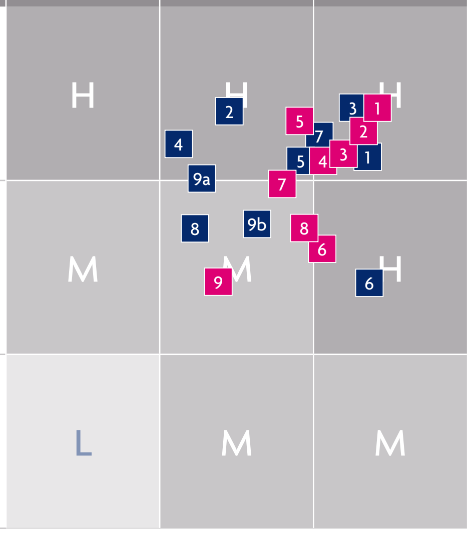
To guarantee the continuity of our service, Business Continuity Management and Crisis Management have also been set up.

The outcomes of the strategic risk analysis and the process of Control Self-Assessment/Letter of Representation are also reported to and discussed by the Audit Committee. This process enables the Executive Board to issue a Board Statement.

In 2017, deficiencies were identified in terms of the ability to demonstrate the operation of the internal control measures relating to the process of invoicing and authorisation of lists of charges owing from/payable to third parties. In 2018, the quality of internal control was improved by measures including modifications to working instructions and arranging random sampling, but the effectiveness of this is not yet demonstrable in some cases. We are also researching the automation of internal control mechanisms in this process.

RISK MATRIX ENEXIS FOR STRATEGIC RISK ANALYSIS

	Potential consequences						Frequency or probability of occurrence		
	Business values						< 1x every 10 years	≥ 1x every 10 years	≥ 1x every year
	Affordability	Reliability	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 stakeholders	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	H
M	Damage 5-50 million	2,000,000 - 20,000,000 outage minutes[1] (HV/MV station, 4 hours outage)	National commotion 2,000-20,000 complaints Conflict with multiple stakeholders or groups of stakeholders	Warning or appointment of competent authority; financial penalty 4th-5th category	Accidents with injury resulting in absenteeism	Emissions 25-250 kton CO_2	M	M	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 of stakeholders	Investigation by competent authority; financial penalty < 4th category	Accidents requiring first aid (no absenteeism) or incident	Emissions < 25 kton CO_2	L	M	M



L = Low / M = Medium / H = High / Risk = Probability x Impact

■ Refers to 2017 ■ Refers to 2018

[1] Outage minutes: the number of minutes a user spends without electricity and/or gas due to a grid outage.

1. Increasing personnel shortages, qualitatively and quantitatively (for Enexis, contractors and suppliers)
2. Energy grid not adapted to the energy transition on time
3. Insufficient capacity for change and organisational focus on the realisation of the energy and digital transition
4. Employee safety
5. Unauthorised access to systems and data (privacy & security)
6. Enexis customer processes do not meet customer expectations
7. Insufficient flexibility in terms of speed and costs in the ICT landscape
8. Public safety (failing assets)
9. Energy legislation and limited external support are restrictive for the role of grid operators as facilitators of the energy transition

Risks from 2017 which have been incorporated into risk 9 in 2018:

9a. Little external support for the role of the grid operator in realising the energy transition
9b. Energy legislation is an obstacle to the facilitation of the energy transition

EXPLANATION PER RISK

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

1. Growing personnel shortages, qualitatively and quantitatively (for Enexis, contractors and suppliers)

Capacity is becoming an increasingly bigger bottleneck. The energy transition and the upturn in the economy is translating into more grid expansion and more connections, now and in the coming years. Moreover, it is essential that the maintenance investments in the grid remain at their current level. This means extra pressure on the available capacity (staff deployment) at Enexis and its contractors. We are attempting to cope with this shortage by implementing new and more efficient systems and processes, by optimising operational control of available capacity and by increasing capacity using extra inflow, training capacity and campaigns aimed at retaining technically qualified personnel. You can find more context about this risk in the section, 'Expertise and safety'.

2. Energy grid not adapted to the energy transition on time

The energy transition is increasing in terms of speed and scope. We try to facilitate concrete projects for sustainable energy generation immediately, but it is not always clear where and when our grids need to be modified. In certain parts of our grid, we are combatting a lack of transport capacity and we are unable to connect new customers immediately. We proactively implement the main infrastructure, based on our predictions of customer expectations. We identify local developments at an early stage, by preparing energy plans with municipalities. We develop scenario builders, for long-term optimisation of investments in expansion and replacement. We carry out expert assessments to determine how future-proof our grid is. To address the consequences of the current shortage problem, we are in close contact with TenneT, local government and our customers. You can find more context about this risk in the sections, 'Customers and grids' and 'Sustainable operations'.

3. Insufficient capacity for change and organisational focus on the realisation of the energy and digital transitions

Societal and technological developments are placing new demands on the capacity for change of staff and the organisation. These developments, but also continuing to work until an advanced age, can result in higher absenteeism and a greater chance of permanent occupational disability. We have already adopted a wide range of measures, and more are being developed to turn us into an agile organisation with engaged employees. These include strategic personnel planning, measures aimed at sustainable employability and knowledge development for our employees, raising the standard of leadership within the organisation, simplifying the employment terms and conditions, and the Enexis-wide 'Behaviour & Leadership' transition programme. You can find more context about this risk in the section, 'Expertise and safety'.

4. Safety of employees

Working on the energy grid has inherent risks for the health of our employees Due to the nature of our primary processes that involve working on the gas and electricity infrastructure and working in public spaces, the risk of an accident with health consequences for our employees, is always present. For Enexis, safety is a top priority. We improve safety measures and provide a safe grid. We are working to improve safety awareness and the alertness of personnel, management and contractors. We are paying extra attention to Enexis' role as a client and the performance of our contractors. You can find more context about this risk in the section, 'Expertise and safety'.

5. 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. One of the causes of this is an increase in the activities of hackers and cyber-criminals. We are adopting a broad range of systematic security measures, including improving authorisation management, security audits, periodic penetration tests, security scanning and screening our staff. We are also taking specific steps to protect our operational technology (OT), including staff certification, firewalls and security assessments for our substations. To protect personal data, we carry out periodic Privacy Impact Assessments and have fine-tuned specific security and privacy-related control measures. For more context about this risk, see the section, 'Laws and regulations'.

6. Enexis customer processes do not meet customer expectations

Enexis attempts to provide 'state-of-the-art' services and a high level of customer satisfaction. The increasing demand and customer expectations set high standards for our customer processes. There is a risk that if our customer processes are too slow to improve, our customer satisfaction objectives will be threatened. We are therefore continuing to optimise and digitise our customer processes. To manage expectations better, we ensure proactive communication, an improved working relationship with our partners in the energy supply chain (such as contractors), and we carry out active stakeholder management. By organising a feedback cycle, critical signals from customers are identified at an earlier stage. You can find more context about this risk in the section, 'Customers and grids'.

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

The complexity of ICT is increasing and is affecting our capacity for change and our agility. If ICT solutions are not available fast enough, we are unable to fully satisfy the increasing demands of the market and legislation. At the same time, we wish to save costs in order to achieve our strategic efficiency goals. An extensive transition programme is currently under way. We prioritise ICT projects on the basis of our strategic objectives and the necessity arising from the market. In 2018, we also implemented the transition of the SAP systems to a cloud environment. We are rationalising our ICT landscape. Business and ICT are collaborating closely to achieve a target architecture and reduce ICT costs. You can find more context about this risk in the section, 'Customers and grids'.

8. Public safety (failing assets)

Serious safety risks can occur as a result of failing assets, for example fatal accidents or accidents resulting in serious physical injury. Safety risks can also be caused by physical defects, in a batch of smart meters, for instance. As safety is one our guiding principles, we analyse the risk of unsafe situations in our electricity and gas grids. We have a Gas and Electricity replacement programme. To safeguard the safety of smart meters, we have adopted a broad range of measures, we carry out extensive tests on meters, and every shipment of smart meters is subject to technical checks. We also carry out periodic quality audits of the production process at the meter suppliers' premises. We monitor whether outages are resolved in a promptly. You can find more context about this risk in the section, 'Customers and grids'.

9. Energy legislation and limited external support are restrictive for the role of grid operators as facilitators of the energy transition

Enexis wishes to help realise climate goals, and our strategy is to develop services in the field of energy transition, including increasing the sustainability of the heat supply. Energy legislation restricting the role that grid operators would like to have in the energy transition, limiting them to statutory tasks, could result in delays or an inability to realise Enexis' goals concerning the energy transition. Our organisation has already been adapted to meet the requirements of the Energy Transition Progress Act. In order to better meet the needs of society, we have implemented stakeholder management. We have area teams, a coordinating team and a Central Lobby Consultation Body. We focus our efforts on Public Affairs and on better coordination (internal and external), and join constructive consultations with partners. You can find more context about this risk in the section, 'Laws and regulations'.

EMPLOYEE PARTICIPATION AT ENEXIS

The Works Council is committed to ensuring a smooth running organisation that provides a pleasant work environment for all of its employees. Important topics in 2018 were the evaluation of the Sustainable Employability Plus scheme and elections for new members of the Council.

There is a great deal of interest in employee participation at Enexis. This became apparent in 2018, for example in the number of employees who stood as candidates for the Works Council. Following the elections, a new Works Council with five sub-committees was inaugurated on 14 June 2018, and now includes representation from Enpuls. Due to increasing numbers of young employees and women, employee participation is now a better reflection of the organisation.

PLEASANT WORKING ENVIRONMENT

The start of the new Works Council was a good opportunity to consider the council's direction for the coming 2018-2021term. All 54 elected colleagues discussed this extensively during the start-up conference, where roles and responsibilities were also allocated.
At the start of 2018, the Council and the Executive Board discussed in depth their mutual cooperation and expectations. The Works Council urges that they be involved in organisational developments at an early stage.

EVALUATION OF THE SUSTAINABLE EMPLOYABILITY PLUS SCHEME (DI+)

The Works Council notes that the unpredictability and the influence of external developments such as the abolition of the requirement to provide compulsory gas connections, is affecting the organisation and its employees. The Works Council is therefore enthusiastic about the Enexis2020 change programme. It helps employees deal with uncertainty and make use of each other's talents.

When developments occur that are expected to lead to redundancies among employees, the Sustainable Employability Plus plan (DI+) will take effect. Since 2014, this scheme has provided extra facilities and coaching to increase employment prospects for our employees. In 2018, the Works Council held extensive discussions with the management about the scheme and its effects. The Works Council has noted that employees are offered many opportunities for personal development, but that there is definitely room for improvement. The Council is, therefore, working on an initiative to optimise the Sustainable Employability Plus scheme.

PRESENTATION OF A NEW SUPERVISORY BOARD MEMBER IN 2019

The Works Council expresses its appreciation for the excellent cooperation with the management and the Supervisory Board. In 2019, the Supervisory Board made use of its right to propose a new board member to replace Ms M.E.J. Caubo, who is stepping down.

BOARD STATEMENT

The Executive Board (EB) is responsible for the effectiveness of 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 and to focus on all facets of the business; from strategic and operational risks to the reliability of the financial and other reports while also complying with legal and regulatory requirements.

The section on 'Governance and risk management' describes our internal risk and control system and our risk profile.

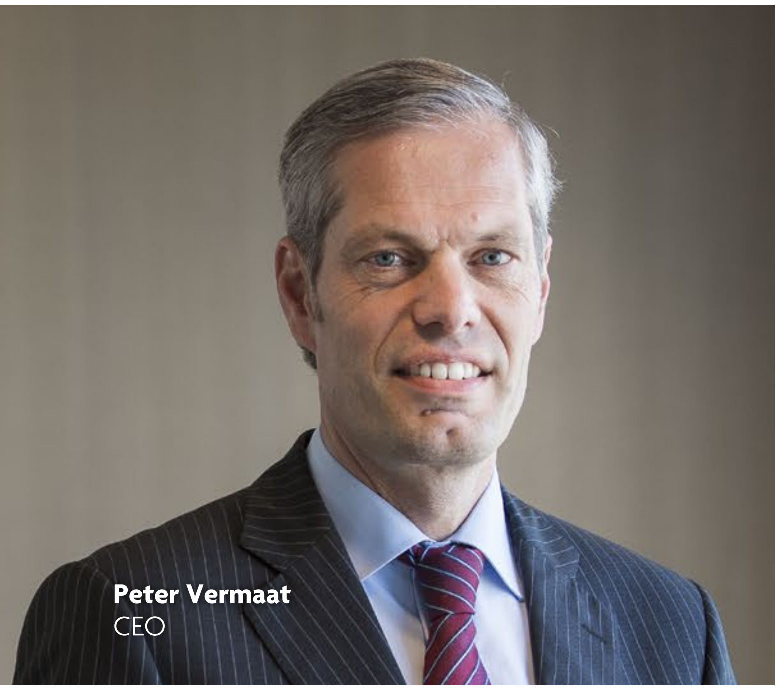
No system can provide absolute certainty for our ability to realise our company objectives or prevent material misstatements, losses, fraud or violations of laws and regulations that may occur in processes and financial reporting. The EB has evaluated the set up and effectiveness of the internal risk and control system during 2018, 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 auditor and external accountant.

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 of accounting;
- 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 2019,

The Executive Board,

Peter Vermaat chairman of the Executive Board,
Maarten Blacquière member of the Executive Board



EXECUTIVE BOARD

PETER VERMAAT

CHAIRMAN OF THE EXECUTIVE BOARD

Peter Vermaat (1965) studied Civil Engineering and Business Economics at the Delft University of Technology. Following this, he obtained an MBA at the Rotterdam School of Management. He began his career in 1991 at the construction firm, Volker Wessels, where he held various management positions. He was the CEO of the water company, Evides, from 2008 to mid-2014. Since 1 August 2014, he has held the position of CEO at Enexis. Over the years, he has gained considerable experience, both within the Netherlands and abroad, in the commercial management of public infrastructure for the transportation, energy and water sectors, with particular attention on sustainability and public-private sector cooperation (PPS). Peter Vermaat is also a member of the board of the Royal Dutch Gas Association (KVGN) and the Dutch Sustainable Energy Association (NVDE).

MAARTEN BLACQUIÈRE

MEMBER OF THE EXECUTIVE BOARD/CFO

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 the gas trading company, GasTerra. He has been a member of the Executive Board / CFO of Enexis since 1 January 2013. Since 2011, he has also been a member of the Supervisory Council of the healthcare group, Zorggroep Treant. In October 2014, he joined the Supervisory Board of Energie Data Services Nederland (EDSN), and the Supervisory Board of Ultra-Centrifuge Nederland N.V in 2018.

SUPERVISORY BOARD

MR MARC CALON

Mr M.A.E. Calon (1959) was reappointed as a Supervisory Board member in 2016 and is due to retire 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 JOOST VAN DIJK

Mr J.F.M. van Dijk (1961) was appointed as a Supervisory Board member in 2016 and is due to retire in 2020. He is also a member of the Remuneration and Selection Committee. Mr van Dijk furthermore serves as an adviser and coach to managers of companies, coaching them in the implementation of strategic transitions. He is a Dutch national.

MS MONIQUE CAUBO

Ms M.E.J. Caubo (1961) was reappointed as a Supervisory Board member in 2015 and is due to retire in 2019. She is also a member of the Audit Committee. Until the end of 2018, Ms Caubo was a member of the board of Human Total Care, and Chair of the Supervisory Board of the Stichting Wonen Limburg foundation. In January 2019, she was appointed Chair of the Executive Board of Stichting Dichterbij. In addition, she is a member of the Supervisory Council of the Maastricht School of Management. She is a Dutch national.

MR PIET MOERLAND

Mr P.W. Moerland (1949) was reappointed as a Supervisory Board member in 2018 and is due to retire in 2022. 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 Stichting Berenschot Beheer foundation, Chairman of the Supervisory Council of the Stichting Stadhuismuseum Zierikzee foundation, and a member of the board of the Stichting Administratiekantoor Heijmans foundation. He is a Dutch national.

MS CARMEN VELTHUIS

Ms C.M. Velthuis (1974) was appointed as a Supervisory Board member in 2016 and is due to retire 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.

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CONSOLIDATED FINANCIAL STATEMENTS 2018

CONSOLIDATED INCOME STATEMENT

€ Million	Notes	2018	2018	2017	2017
Revenue	1		1,445		1,398
Less: Transmission services and distribution losses	2		228		231
Other operating income	3		4		4
Balance available for operating activities			1,221		1,171
Employee benefit expenses	4	391		416	
Depreciation, impairments and decommissioning	5	349		345	
Costs of subcontracted work, materials and other external expenses	6	217		202	
Other operating expenses	7	29		21	
Capitalised expenses of own production	8	-169		-152	
			817		832
Operating profit			**404**		**339**
Share of result of associates and joint arrangements	9	0		0	-3
Financial income	10	3		2	
Financial expenses	10	61		61	
Financial income and expenses			**-58**		**-59**
Profit before tax	11		**346**		**277**
Corporate income tax expenses	12		-27		-70
Profit for the year			**319**		**207**
Attributable to:					
Minority shareholders			0		0
Shareholders			319		207
Average number of shares during the financial year			149,682,196		149,682,196
Profit per share [1]			**2.13**		**1.38**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ Million	2018	2017
Profit for the year	319	207
Released part of unrealised income through hedge reserve	0	1
Tax released on unrealised income through equity	0	0
Total result including unrealised income [1]	**319**	**208**
Attributable to:		
Minority shareholders	0	0
Shareholders	319	208

1 The unrealised amounts in the total result solely concern amounts recognised in later periods in the income statement.

CONSOLIDATED BALANCE SHEET

€ Million	Notes	31 December 2018	31 December 2017
Assets			
Property, plant and equipment	13	7,226	6,956
Intangible assets	14	229	205
Associates and joint arrangements	15	9	8
Other financial assets	16	16	12
Non-current assets		**7,480**	**7,181**
Inventories	17	19	22
Receivables	18	160	161
Corporate income tax	19	22	14
Other financial assets (current)	20	3	4
Cash and cash equivalents	21	31	286
Current assets		**235**	**487**
Total assets		**7,715**	**7,668**

€ Million	Notes	31 December 2018	31 December 2017
Liabilities			
Issued and paid-up share capital		150	150
Share premium reserve		2,436	2,436
General reserve		1,121	1,017
Hedge reserve		-2	-2
Profit for the year		319	207
Equity	22	**4,024**	**3,808**
Non-current interest-bearing liabilities	23	1,790	2,139
Non-current provisions	24	37	86
Advance contributions for the installation of grids and connections	25	777	716
Deferred corporate income tax	26	262	293
Other non-current liabilities	27	2	2
Non-current liabilities		**2,868**	**3,236**
Trade and other payables	28	287	251
Current interest-bearing liabilities	29	513	348
Current provisions	24	3	7
Advance contributions to be amortised in the following year	25	20	18
Current liabilities		**823**	**624**
Total liabilities		**7,715**	**7,668**

CONSOLIDATED CASH FLOW STATEMENT

€ Million	Notes	2018	2017
Profit for the year		319	207
Depreciation and impairments	5	349	345
Amortised contribution for installation of grids and connections	25	-19	-18
Received contributions for the installation of grids and connections	25	82	71
Share of result of associates and joint arrangements	9	0	4
Dividend received from associates	15	0	1
Change in operational working capital	30	26	8
Change in deferred corporate income tax	12	-31	8
Change in non-current provisions	24	-47	2
Change in other non-current liabilities		0	-1
Others		0	1
Cash flow from operating activities		**679**	**628**
Investments in property, plant, equipment	13	-594	-554
Investments in intangible assets	14	-49	-31
Acquisition of N.V. Stedin Netten Weert		0	-59
Loans granted	16	-7	-9
Decrease deposits and money market funds	20	0	50
Repayment of loans granted	16	4	6
Cash flow from investing activities		**-646**	**-597**
Cash flow before financing activities		**33**	**31**
New interest-bearing liabilities excluding amounts owed to credit institutions	23, 29	1,250	480
Repayment of interest-bearing liabilities excluding amounts owed to credit institutions	23, 29	-1,205	-385
Dividend paid		-103	-104
Cash flow from financing activities		**-58**	**-9**
Total cash flows		**-25**	**22**
Cash and cash equivalents at the beginning of the financial year	30	56	34
Cash and cash equivalents at the end of the financial year	30	**31**	**56**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ Million	Number of ordinary shares	Share capital	Share premium reserve	General reserve [1]	Hedge reserve	Profit for the year	Total equity
At 1 January 2017	**149,682,196**	**150**	**2,436**	**914**	**-3**	**207**	**3,704**
Profit for the year 2017	-	-	-	-	-	207	207
Amortisation hedge reserve 2017	-	-	-	-	1	-	1
Total result including unrealised results	**-**	**-**	**-**	**-**	**1**	**207**	**208**
Profit appropriation for 2016	-	-	-	103	-	-103	-
Dividend paid for 2016	-	-	-	-	-	-104	-104
At 31 December 2017	**149,682,196**	**150**	**2,436**	**1,017**	**-2**	**207**	**3,808**
At 1 January 2018	149,682,196	150	2,436	1,017	-2	207	3,808
Profit for the year 2018 [2]	-	-	-	-	-	319	319
Amortisation hedge reserve 2018	-	-	-	-		-	
Subtotal	**-**	**-**	**-**	**-**	**-**	**319**	**319**
Profit appropriation for 2017	-	-	-	104	-	-104	-
Dividend paid for 2017	-	-	-	-	-	-103	-103
At 31 December 2018 [3]	**149,682,196**	**150**	**2,436**	**1,121**	**-2**	**319**	**4,024**

1 Due to the application of IFRS 9 from 1 January 2018, the provisions for receivables and the valuation of loans to associates and joint arrangements were adjusted from 1 January 2018. This accounting change had a negative impact of €0.4 million and was recognised from 1 January 2018 as a debit to the general reserve.
2 The dividend for 2018, to which the shareholders are entitled in 2017 and which has been paid to shareholders in 2018, amounted to €0.69 per share (2017: €0.69), calculated on the basis of the number of shares at year-end.
3 Total equity per share (before profit appropriation) at year-end 2018 was €26.90 (2017: €25.44), 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. has its registered office at Magistratenlaan 116, 's Hertogenbosch, in the Netherlands (Chamber of Commerce registration number 17238877) and 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 2018 comprise the company and its subsidiaries (hereafter referred to as the Group). Approximately 76% of the shares of Enexis are held by 5 Dutch provinces and approximately 24% of the shares are held by 97 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 2019. The financial statements, signed by the Supervisory Board, will be presented to the General Meeting of Shareholders for adoption on 11 April 2019.

2. ACCOUNTING PRINCIPLES GOVERNING THE FINANCIAL REPORTING

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 2018

The following new or amended IFRS standards and IFRIC interpretations came into effect on 1 January 2018.

- IFRS 9 - 'Financial instruments', into effect on 1 January 2018. The main change from IAS 39 is a new framework for the classification and measurement of financial assets, with recognition at amortised cost, at fair value through other comprehensive income, or at fair value through the profit and loss. Under IFRS 9, at initial recognition receivables and loans to associates and joint arrangements are recognised including a provision for expected credit losses on the balance sheet. Under the new standard, loans to associates and joint arrangements are also valued taking into account the expected credit loss. This valuation method differs from IAS 39 because, for the determination of provisions for doubtful debts and the valuation of loans made to associates and joint arrangements, moves from 'incurred losses' to 'expected credit losses'. As a consequence of the transition from 'incurred losses' to 'expected credit losses' the provisions for receivables are €0.4 million higher. This result has been recognised in the opening balance through equity as of 1 January 2018. The expected credit loss is based on estimates of our own debt collection data and long-term average credit loss ratings and recovery rates as published by credit rating agencies. The results of this change in accounting policy for the current period are recognised in the consolidated balance sheet and income statement.
- IFRS 15 - Revenue from contracts with customers, into effect on 1 January 2018. This standard replaces 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. The Group has been applying this new standard since 1 January 2018. The transition to IFRS 15 has not had any numerical impac on the result and/or the balance sheet of the Group given that the identification of the performance obligation, the allocation of the transaction price and the timing of revenue recognition did not change. Changes were, however, made to the presentation and the explanatory notes. Effective as of 2018, the amortised contributions are classified as revenue. This led to the following reclassification:

€ Million	2018	2017
Consolidated income statement		
Revenue	19	18
Other operating income	-19	-18
Total	**0**	**0**

- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016).
- IFRIC interpretation 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016).
- Amendments to IAS 40 - Transfers of Investment Property (issued on 8 December 2016).
- Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016).

Future standards that are not yet effective in 2018

The IFRS improvements and amendments below have been published and endorsed by the European Union in 2018, and will be effective as of 1 January 2019.

- IFRS 16 – On 13 January 2016, the International Accounting Standards Board (IASB) published IFRS 16, 'Leases'. This new standard will be effective as of 1 January 2019 and has been endorsed by the European Union.

In this new standard, all leases and rental liabilities that are currently recognized as an off-balance sheet commitment will be accounted for on the balance sheet from 2019. The only exemptions are short-term (12 months or less) and leases for which the underlying asset is of low value. Enexis applies the low value exemption to exclude leases for which the underlying asset is of low value (e.g. laptops and printers).

In applying IFRS 16 Enexis used the ''modified retrospective methode'', where the value of the right of use (the asset) is equal to the related lright-of-use asset lease liability. Enexis applies the practical expedient not to separate lease components and non-lease components of contracts related to lease vehicles.

Enexis assessed the lease and rental contracts according to the IFRS 16 criteria (whether a contract is, or contains, a lease), in 2018. The adequacy of the existing control framework was also assessed. Based on the contract portfolio, Enexis concluded that lease contracts relating to vehicles and rental contracts relating to office buildings qualify as lease under the new IFRS 16 standard.

As of 31 December 2018, Enexis has non-cancellable lease liability for lease vehicles and office sites for €76 million according to IAS 17 accounting principles. Enexis expects to recognize a lease liability of €74 million on the balance sheet per 1 January 2019. This liability is calculated using an incremental borrowing rate for future payment liabilities. The application has no financial impact on equity and the profit before tax is expected to decrease with € 0.1 million in 2019. The changes have no impact on the deferred taxes at 1 January 2019. The impact of IFRS 16 is still the subject of discussion in tax literature. The Dutch Tax and Customs Administration has not yet adopted a formal statement concerning application of IFRS 16 for the determination of taxable profit, with the result that the current method of accounting for leases remains in place from a tax perspective. As a consequence, a deferral will arise in 2019.

Lessor accounting will not change significantly under IFRS 16 compared to the current recognition criteria under IAS 17. Lessors will recognize all leases as in IAS 17, with a distinction being required between operational and financial leases. IFRS 16 requires both lessees and lessors to include more detailed explanation in the disclosures of the financial statements as compared with IAS 17. Enexis' lessor contracts have no significant impact on the opening balance at 1 January 2019.

- IFRIC 23 - Uncertainty over Income Tax Treatments (issued on 7 June 2017) entered into effect on 1 January 2019. Enexis has investigated the consequences of this interpretation and concludes that there is no impact on the Group's financial position and results.
- Amendments to IFRS 9 - Prepayment features with negative compensation entered into effect on 1 January 2019. These changes will not have any impact on the Group's financial position and results.

The following IFRS improvements and amendments have been published but were not yet adopted by the European Union in 2018. Possible improvements or amendments are applicable as of the financial years after 2018 and have not yet been applied in 2018.

- Amendments to IAS 28 – Long-term interests in associates and joint arrangements, entered into effect on 1 January 2019.
- IFRS annual improvements, cycle 2015-2017, entered into effect on 1 January 2019.
- Amendments to IAS 19 - Plan amendment, curtailment or settlement, entered into effect on 1 January 2019.
- Amendments to changes to the conceptual framework in IFRS standards, entered into effect on 1 January 2020.
- Amendments to IFRS 3 - Business combinations, entered into effect on 1 January 2020.
- Amendments to IAS 1 and IAS 8 - Definition of material, entered into effect on 1 January 2020.
- IFRS 17 - 'Insurance contracts', entered into effect on 1 January 2021.

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 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 of 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 related to 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 of the date that control ceased to exist. After initial recognition, the interest is recognised as an investment in accordance with the 'equity' method.

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 13 and 14), the necessity to recognise impairments of tangible and intangible fixed assets (note 13 and 14, see also 'Impairments' in the accounting principles), the necessity to recognise possible impairments of debtors (note 18), the valuation of provisions (note 24) and the reporting of the revenues (note 1).

Enexis does not regard payments received in advance from customers for providing a connection and installing the grid as a separate performance obligation. For a more detailed explanation of the relevant assumptions, we refer to note 25.

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.

Saldering

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. Where the right exists to offset the asset and liability items based on a contract, 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 and costs are presented directly after the revenue and other operating income. This is due to the relationship with the 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) at the balance sheet date at fair value. In addition, an explanation of the fair values of interest-bearing liabilities is provided in note 31. '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 to 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 related to 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 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.

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

Classification

All assets are valued at amortised cost price, fair value through unrealised results or fair value via the income statement. The classification depends on the business model that Enexis applies for holding these financial assets and the characteristics of the cash flows generated with the financial assets.

Accounting on initial recognition

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 “risk and rewards connected to the ownership of this asset are transferred. On initial recognition, assets are accounted for at fair value.

Financial assets and liabilities at amortised cost

This category of financial instruments comprises deposits, trade debtors and other receivables, loans provided, borrowings and other financing obligations, trade payables and other payables.

These financial instruments are recognised initially at fair value. After initial recognition, they are valued at amortised cost price on the basis of the effective interest method.

Financial assets and liabilities at fair value through unrealised results

Enexis does not hold any interests that are classified at fair value via unrealised results.

Financial assets and liabilities at fair value through profit or loss
Within this category Enexis holds only derivatives.

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. In view of the specific use of derivatives to mitigate the interest rate and the exchange rate risk of cash flows, Enexis may apply hedge accounting.

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.

Impairment
Any impairment are identified using either the generic or the simplified method.

The generic method applies the following model:
- 12 months' expected credit loss; or
- Lifetime expected credit losses for financial assets where circumstances cause the credit risk to rise significantly. In this situation, all the expected credit losses for the lifetime of the asset are actively accounted for; or
- Lifetime expected credit losses, with interest being calculated on the net liability less impairment.

The expected credit loss is determined on the basis of a long-term average credit loss rating that is based on a risk profile allocated by credit rating agencies.

Loans granted to associates and joint arrangements, receivables from suppliers under the supplier model and all other receivables are assessed for possible impairment using the generic model.

The simplified method is applied to the other debtors. This involves accounting immediately for the lifetime expected credit losses, determined on the basis of a historic series of average irrecoverable amounts (on the basis of historic debt collection data).

Lease

Classification

The assets which the company or its subsidiaries have the economic ownership of 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 related to 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 sales and services forming part of the 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, 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 Netbeheer B.V. and Enexis Personeel B.V. jointly and forms by far the largest segment within Enexis (with regard to revenue and total assets, the share of these activities is more than 90%). Enexis Netbeheer 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. provides labour for the companies in its group as well as providing other services and supplying goods with respect to its own staff. Staff working for the grid 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 connections’.

€ Million	Enexis regulated 2018	Enexis regulated 2017	Enexis Other 2018	Enexis Other 2017	Normalisations, eliminations and reconciliations 2018	Normalisations, eliminations and reconciliations 2017	Enexis total 2018	Enexis total 2017
Income statement								
Revenue	1,378	1,294	82	123	-15	-19	1,445	1,398
Transmission services and distribution losses	228	231	0	0	0	0	228	231
Other operating income	5	5	4	4	-5	-5	4	4
Balance available for operating activities	1,155	1,068	86	127	-20	-24	1,221	1,171
Operating expenses	763	786	72	68	-18	-22	817	832
Operating profit	392	282	14	59	-2	-2	404	339
Share of result of associates and joint arrangements	0	-3	0	0	0	0	0	-3
Financial income and expenses	-50	-51	-3	-3	-5	-11	-58	-59
Profit for the year	256	170	8	41	55	-4	319	207
Assets and liabilities								
Total assets	6,960	7,138	240	240	515	290	7,715	7,668
Non-consolidated associates and joint arrangements	8	8	1	0	0	0	9	8
Liabilities (provisions and debts)	2,758	3,108	99	131	834	621	3,691	3,86
Others								
Investments in property, plant and equipment and intangible assets	625	565	17	16	1	4	643	585
Number of employees at year-end (FTE)	3,921	3,953	246	222	0	0	4,167	4,175

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 connections'. 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 11 Non-recurring items. The non-recurring items in 2018 can be divided over the segments as follows:

€ Million	Regulated activities	Other	Total 2018
Release of provision for special purpose leave	-39	-1	-40
Result effect due to submitted claims	9	0	9
Write-off and/or accelerated depreciation of smart meters due to exceptional circumstances	10	0	10
Total	**-20**	**-1**	**-21**

The non-recurring items in 2017 were divided over the segments as follows:

€ Million	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**

4. ACQUISITIONS AND SALES

ACQUISITION OF SUSTAINABLE BUILDINGS B.V.

In 2018, Fudura B.V. acquired 40% of the shares in Sustainable Buildings B.V. for €0.4 million. Sustainable Buildings is a high-tech software company and provides an innovative energy management system that makes buildings smarter, healthier and more energy-efficient. Fudura B.V. aims to use this acquisition to expand its role and influence in the field of energy saving.

POTENTIAL SALE OF EXTRA HIGH-PRESSURE GRIDS

Enexis Netbeheer and Enduris joined with national grid operator Gasunie Transport Services (GTS) to investigate whether the extra high-pressure grids owned by ZEBRA Gasnetwerk, and those owned by Enexis Netbeheer and Enduris, could form part of GTS's national gas transport grid. With a view to a possible sale, a Heads of Agreement (HoA) was signed on 18 June 2018. However, the investigation revealed that a transfer of the extra high-pressure grids to the GTS's national gas transport grid is not feasible at present, following which further negotiations regarding the sale were terminated effective as of 21 December 2018. ZEBRA, Enduris/Stedin and Enexis are now discussing what form ZEBRA's future will take.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

The revenue consists of regulated and non-regulated income.

The regulated revenue accounts for the income from the supply of services relating to the connection and transmission of electricity and gas, measurement services and other services, less turnover tax and energy tax. The non-regulated revenue accounts for the income from the supply of services such as measuring energy flows, design and realisation of infrastructure, rental and maintenance of casings, transformers and switchgear installations and advice.

The transmission and connection fees agreed in the contracts with low-volume energy consumers and high-volume energy consumers are identified as a single performance obligation given that the transmission of the electricity and gas cannot take place without the connection and grid. The transaction price is determined on the basis of the standard tariffs adopted by Enexis, which for the regulated revenue are based on the maximum tariffs set by the Netherlands Authority for Consumers & Markets (ACM). Transmission of electricity or gas during the contract period constitutes a series of services, which are realised over time. Progress is measured on the basis of the number of days that Enexis provides its services to the customer. Enexis only supplies goods and services within the Dutch market.

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. Charging of low-volume energy consumers takes place based on fixed amounts depending on the size (capacity) of the connection and is invoiced and collected by the energy suppliers. The energy suppliers pass the amounts charged to consumers on to Enexis periodically. Charging 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.

With respect to recognition of the non-regulated income, Enexis has concluded that rental incomes do not fall under the scope of IFRS 15; these incomes qualify as a lease under the lease accounting standards. Effective as of 2018, these incomes are classified as a separate category within revenue, outside revenue from contracts with customers. The recognition of non-regulated income under IFRS 15 does not differ significantly from the accounting under the previous standards. In the specification of the revenue, a further split into regulated and non-regulated is made:

€ Million	2018	2017
Regulated		
Periodic transmission- and connection fees for electricity		
High-volume consumers	320	306
Low-volume consumers	527	505
Periodic transmission- and connection fees for gas		
High-volume consumers	41	41
Low-volume consumers	282	278
Metering services	128	123
Amortised contributions	19	18
Other	5	4
Total regulated	**1,322**	**1,275**
Non-regulated		
Income from sale of products and services	56	56
Metering services	33	35
Total non-regulated	**89**	**91**
Other revenue		
Rental income	34	32
Total	**1,445**	**1,398**

In the revenue for 2018, the estimated grid fee for small-volume consumers amounted to €80 million (2017: €77 million) and for large-volume consumers €30 million (2017: €29 million), together 7.6% (2017: 7.7%) of total revenue. The runoff differences on still-to-be-invoiced incomes are small in general. The estimated revenue concerns the revenue for the month of December and is largely based on the revenues achieved in November.

2. TRANSMISSION SERVICES AND DISTRIBUTION LOSSES

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

€ Million	2018	2017
Transmission services	186	185
Distribution losses	42	45
Total	**228**	**231**

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 annual distribution losses are estimated between €5 and €10 million, on the basis of figures from experience over the past 5 years.

The costs of transmission services and distribution losses decreased by €3 million in 2018 to €228 million. This decrease is primarily explained by lower costs for grid losses from the allocation of €5 million. These are caused by higher costs for green certificates (GOs) and higher TenneT transmission costs due to a higher peak load, together amounting to €2 million.

3. OTHER OPERATING INCOME

Other operating income recognises income that is not directly related to the core activities. Operating subsidies are recognised in the results 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.

€ Million	2018	2017
Subsidies and refunds received	3	2
Rental income buildings	0	1
Other income	1	1
Total	**4**	**4**

4. EMPLOYEE BENEFIT EXPENSES

Expenses are allocated to the financial year to which they relate. For capitalised production for our own business, see note 8. Capitalised expenses of own production.

€ Million	2018	2017
Salaries	254	255
Social security contributions	35	34
Pension costs	33	32
External staff	83	63
Allocation to/release from employee-related provisions	-57	3
Other employee-related expenses	43	30
Total	**391**	**416**

The development of the workforce in 2018 can be specified as follows:

	2018	2017	
Own staff	4,167	4,175	-8
External staff with a temporary employment	920	651	269
Total FTE at year-end	**5,087**	**4,826**	**261**

The high release of employee-related provisions was made up of €11 million due to the partial release of the provision for long-service benefits resulting from the Collective Labour Agreement (CLA), signed on 13 December 2018, and €40 million due to the abolition of the provision for special purpose leave. This is aside from the standard changes of €6 million as a consequence of altered interest discounting percentage and parameters (increase in leavers percentage from 1.8% to 2.5%). For more information see note 11. Non-recurring items and note 24. Provisions.

The increase in other employee-related expenses as compared with last year is almost entirely due to the lump sum amounts agreed in the CLA agreement signed with respect to discontinued schemes for service anniversary payments and overtime leave, together amounting to €10 million.

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 2018 amounted to 97% (2017: 104.4%). The cover ratio decreased by 4.8 percentage points at the end of 2018. The level of the cover ratio reached is not sufficient to increase the participants' pensions; the chance of a reduction in the pensions in 2019 is minimal. For subsequent years, a chance of reduction will remain. An increase will not be possible in the coming years.

The contribution for the retirement and surviving dependents' pension for 2018 amounted to 22.9% (21.1% in 2017). The increase in the contribution is due to the cover ratio of the fund, which is still too low at the end of 2018.

As of 1 January 2019, the contribution for the retirement pension and the surviving dependents' pension has been determined at 24.9%. The fund requires a structurally higher contribution level in order to ensure that the pension scheme remains affordable. Next steps are expected to follow in 2020.

In 2018, the contribution split between the employer and the employee is 70 and 30 percent respectively (as in 2017).

5. DEPRECIATION AND DECOMMISSIONING

The depreciation charges can be specified as follows:

€ Million	2018	2017
Depreciation of property, plant and equipment	308	293
Depreciation of intangible assets	24	29
Decommissioning	17	23
Total	**349**	**345**

Property, plant and equipment

Depreciation is calculated according to 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 accounted for 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 accounted for in the profit and loss. 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	5 - 15 year

Intangible fixed assets

Depreciation is calculated 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.

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

	Period
Software	5 year
Goodwill	n/a

Impairments

Reference is made to note 14. Intangible fixed assets for a more detailed specification of the impairments.

6. COST OF SUBCONTRACTED WORK, MATERIALS AND OTHER EXTERNAL EXPENSES

Expenses are allocated to the financial year to which they relate. For capitalised production for our own business, see note 8. Capitalised expenses of own production.

The costs of subcontracted work, materials and other external expenses have increased by €16 million compared to 2017. This increase is primarily explained by an increase of €13 million in ICT costs, which is largely related to ongoing projects to transform applications from KPN to the cloud and create a new work management and SAP system.

€ Million	2018	2017
Subcontracted work	65	70
Materials	23	27
ICT costs	61	51
Other external expenses	68	54
Total	**217**	**202**

Auditor's fees

Fees charged by PricewaterhouseCoopers accountants N.V. in the financial year for the audit of the financial statements amounted to €0.6 million in 2018 (2017: €0.6 million) and for other audit assignments €0.0 million (2017: €0.1 million). No services of any other type were provided.

7. OTHER OPERATING EXPENSES

€ Million	2018	2017
Allocated to/released from provisions	12	6
Other	17	15
Total	**29**	**21**

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

8. CAPITALISED EXPENSES OF OWN PRODUCTION

€ Million	2018	2017
Capitalised employee benefit expenses	-133	-117
Capitalised supplements and logistic surcharge	-36	-35
Total	**-169**	**-152**

To provide greater insight into the expenses presented in the consolidated income statement, effective as of 2018, the hours of our own personnel and contracted personnel that can be allocated directly to Enexis' own investment projects, supplements recognised on investment projects and logistic surcharges are no longer deducted from the relevant category of expenditure but presented separately in the income statement as "Capitalised expenses of own production".

The cost of the materials used for investment projects, subcontracted work, other external costs and other business expenses are not recognised through the profit and loss account but directly as capital investment expenditure.

The presentation in previous years was as follows:

€ Million	2018	2017
Employee benefit expenses	258	298
Depreciation and decommissioning	348	345
Costs of subcontracted work, materials and other external expenses	182	168
Other operating expenses	29	21
Total	**817**	**832**

The presentation was changed effective as of the end of 2018 to:

€ Million	2018	2017
Employee benefit expenses	391	416
Depreciation, impairments and decommissioning	348	345
Costs of subcontracted work, materials and other external expenses	218	202
Other operating expenses	29	21
Capitalised expenses of own production	-169	-152
Total	**817**	**832**

9. SHARE IN RESULTS OF ASSOCIATES AND JOINT ARRANGEMENTS

€ Million	2018	2017
ZEBRA Gasnetwerk B.V.	0	-3
Total	**0**	**-3**

Reference is made to note 15. Associates and joint arrangements for a more detailed explanation of the results and book values of the associates and joint arrangements and the dividends received.

10. FINANCIAL INCOME AND EXPENSES

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

€ Million	2018	2017
Financial income	3	2
Total financial income	**3**	**2**
Interest added to provisions	-2	1
Other financial expenses	63	60
Total financial expenses	**61**	**61**
Financial income and expenses	**-58**	**-59**

Financial expenses mainly consist of interest payments related to borrowings. For further details on these loans, reference is made to note 23. Interest-bearing liabilities (non-current) and note 29. Interest-bearing liabilities (current).

11. 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 €5 million with comparative figures being shown without limits for exceptional items where these arise.

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

2018

Release of provision for special purpose leave

In 2018, a reassessment of the provision was conducted, wherein a part ceased to apply due to the tighter interpretation of the applicable guidelines the provision for special purpose leave, resulting in the release of €40 million.

Non-recurring corporate income tax benefits

As a consequence of the Tax Plan 2019 adopted at the end of 2018, which includes a gradual reduction in the corporate income tax rate, a partial release of the net passive income tax deferral in the amount of €56 million occurred in 2018.

The Tax Plan 2019 adopted at the end of 2018, which includes a gradual reduction in the corporate income tax rate, resulted in a partial release of the net passive income tax deferral, increasing the result for 2018 by €56 million. The corporate income tax return for 2017 that was prepared in 2018 also resulted in an income item of €4 million. These two items, amounting to €60 million, were classified as non-recurring corporate income tax benefits.

Writing off and/or accelerated depreciation of smart meters

It has been decided to replace or cease installation of meters of a specific type before 1 March 2019. These are meters that possibly leak a relatively small amount of gas, which do not comply with the applicable quility standards. In connection to the preventive replacement of these meters the expected useful life was adjusted, resulting in 2018 to an additional depreciation expense of €4 million for meters in use and an impairment of €5 million with respect to meters that had not yet been installed (total: €9 million). Also, 1 million of the additional depreciation expense relates to the adjusted expected useful life of L+G meters.

Impact on results due to submitted claims

Enexis has recognized a provision for disputes. The allocation to this provision, reduced by the net release, amounts to €9 million in 2018 and €4 million in 2017.

2017

Writing off and/or accelerated depreciation of smart meters

It was decided in 2017 to replace or cease installation of meters that did not comply with the applicable quality requirements. The accelerated depreciation resulting from this amounted to €9 million in 2017 and €1 million in 2018.

Impairment of affiliate ZEBRA Gasnetwerk B.V.

In connection to 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 €6 million.

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

€ Million	2018	2017
Profit before tax (including exceptional items)	**346**	**277**
Release of provision for special purpose leave	-40	0
Effects on results due to claims submitted	9	4
Write-off and/or accelerated depreciation of smart meters due to exceptional circumstances	10	9
Impairment of associate ZEBRA Gasnetwerk B.V.	0	6
Total exceptional items	**-21**	**19**
Profit before tax (excluding exceptional items)	**325**	**296**

€ Million	2018	2017
Profit for the year (including exceptional items)	**319**	**207**
Total non-recurring items	-21	19
Tax on non-recurring items	5	-3
Profit for the year (excluding exceptional items)	**303**	**222**
Total non-recurring items	60	0
Profit before tax (excluding exceptional items)	**243**	**222**

12. TAXES

The business activities of Enexis Groep are subject to corporate income tax. Enexis Holding N.V. is head of the of the tax entity for corporate income tax and, in this capacity, it is jointly and severally liable for the liabilities of the companies within the tax entity. The companies included are Enexis Netbeheer 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.

The corporate income tax amounts payable is determined and settled with Enexis Holding N.V. for all of the individual companies and are based on the realised commercial results of these individual companies.

The tax on the result for the reporting period comprises current, refundable and deferred corporate income tax. Corporate income tax is included in the income statement except in case they relate to items recognised directly in equity.

Corporate income tax amounts to € 27 million in 2018, taking into account the partial release of the deferred income tax liability as a result of the gradual reduction of the corporate income tax rate as of 2020, which amounts to € 56 million.

	2018	2017
Acute portion of profit tax	65	61
Latent portion of profit tax fiscal year	22	9
	87	**70**
Release of latent tax liability following tariff reduction	-56	
	31	**70**
Acute portion of profit tax for previous years	-7	0
Latent portion of profit tax for previous years	3	0
Total income Tax	**27**	**70**

The corporate income tax of previous years for the net amount of €4 million, made up of €7 million in current corporate income taxes (income) and €3 million in deferred corporate income taxes (expense), is a consequence of the corporate income tax return for 2017 prepared during the financial year. Final tax assessments have been received for the years up to and including 2016. The corporate income tax return for 2017 was discussed with the Dutch Tax and Customs Administration at the end of 2018 and will be submitted early in 2019. The tax has been accounted for in the financial statements on the basis of the return(s) submitted and the accounting principles applied therein.

The corporate income tax can be specified as follows:

€ Million	2018	2017
Profit before tax	346	277
Non-taxable results and non-deductible expenses	1	4
Profit for calculation of corporate income tax expenses	347	281
Tax on current year	**87**	**70**
Adjustment for future years due to gradual reduction of the corporate income tax rate as of 2020	-56	0
Adjustment(s) for preceding years	-4	0
Total corporate income tax expense	**27**	**70**

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

€ Million	2018	2017
Share of results of associates (ZEBRA)	0	3
Non-taxable part of taxed salaries	1	1
Total non-taxable results and non-deductible expenses	**1**	**4**

The reconciliation between the statutory corporate income tax rate and the corporate income tax reported, expressed as a percentage of profit before tax, is as follows:

	2018	2017
Nominal statutory corporate income tax rate in the Netherlands	25.00%	25.00%
Effect of annual taxable profit calculation on effective tax rate	0.08%	0.40%
Effect of adjustments for preceding years	-1.11%	-0.07%
Effect of adjustment for future years due to gradual reduction of the corporate income tax rate as of 2020	-16.14%	0.00%
Effective tax rate [1]	**7.83%**	**25.33%**

1 Total corporate income tax as a percentage of profit before tax.

The effective tax rate for 2018 is lower than the nominal tax rate. This is primarily due to the release of the deferred income tax liability as a result of the gradual reduction of the corporate income tax rate as of 2020.

13. 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 2018 are as follows:

€ Million	Land and Buildings	Cables, pipelines and equipment	Other non-current assets	Work in progress	Total 2018
Cost at 1 January 2018	709	11,896	239	209	13,053
Accumulated depreciation at 1 January 2018	330	5,590	177	0	6,097
Carrying amount at 1 January 2018	**379**	**6,306**	**62**	**209**	**6,956**
Reclassified	-1	2	-1	0	0
Reclassified work in progress	5	129	2	-136	0
Investments [1]	7	392	10	185	594
Depreciated	-13	-280	-15	0	-308
Decommissioning	0	-16	0	0	-16
Carrying amount at 31 December 2018	**377**	**6,533**	**58**	**258**	**7,226**
Accumulated depreciation at 31 December 2018	343	5,794	181	0	6,318
Cost at 31 December 2018	**720**	**12,327**	**239**	**258**	**13,544**

1 In 2018 € 2,6 million (2017: € 1.4 million) in construction interest was capitalised and recorded as financial income. This was calculated based on an interest rate of 2.62% (2017: 2.69%).

The comparative overview for 2017 is as follows:

€ Million	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 acquisition	6	52	0	0	58
Investments	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	5,59	177	0	6,097
Cost at 31 December 2017	**709**	**11,896**	**239**	**209**	**13,053**

In connection to the preventive replacement of gas meters of a specific type, their expected useful life was adjusted. In 2018, this led to an additional depreciation expense of €4 million for these types of gas meters that were in use and a writing-off expense of €5 million for gas meters that had not yet been installed, both of which are recognised under depreciation. Works in progress includes G-meters that are not compliant and therefore cannot be installed.

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

Impairments

Reference is made to note 14. Intangible fixed assets for a more detailed specification of the impairments and the vision for the future of the gas grid.

14. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of goodwill, acquired or self-created application software and capitalised lease contracts. Intangible fixed assets, except for 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 2018 are as follows:

€ Million	Goodwill	Software	Lease contracts	Under construction	Total 2018
Cost at 1 January 2018	115	362	7	19	503
Accumulated depreciation at 1 January 2018	0	298	0	0	298
Carrying amount at 1 January 2018	**115**	**64**	**7**	**19**	**205**
Reclassified	0	0	-1	1	0
Reclassified work in progress	0	22	0	-22	0
Investments	0	21	0	28	49
Depreciation	0	-24	0	0	-24
Decommissioning	0	0	-1	0	-1
Carrying amount at 31 December 2018	**115**	**83**	**5**	**26**	**229**
Accumulated depreciation at 31 December 2018	0	319	2	0	321
Cost at 31 December 2018	**115**	**402**	**7**	**26**	**550**

The comparative overview for 2017 is as follows:

€ Million	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 assets that are classified as software are mainly the grid 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 is the result of 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 the cash flow generating units identified by Enexis, which are 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:

€ Million	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**

Such a calculation only takes place for all individual assets if events or changes in circumstances cause 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 (including expenses related to sale). The chosen starting points are estimates, mainly based on the most recent information with regard to tariff regulation (method decision 2017-2021), the investment programme (quality and capacity document and strategic asset management plan), the smart meter roll-out programme and Enexis' efficiency objectives.

As a consequence of the 2017-2021 method decision, 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.

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

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

Therefore, the 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. As a result, there is no necessity for an impairment of goodwill.

Part of the vision of the National Energy Agenda of the Ministry of Economic Affairs and Climate is that the Netherlands achieves a low CO_2 energy supply in 2050. An interim objective has been set that total Dutch emissions in 2030 should decrease by 49%, compared with 1990. In 2018, various measures were proposed in the outline for the Dutch climate agreement to achieve this ambition and to significantly reduce the contribution of natural gas to energy supplies as a whole, if not terminating this entirely. In the built-up areas, the abolition of the gas connection requirement for new buildings is one of the first specific measures. Before 2021, existing buildings' dependency on natural gas will also be reduced by means of the regional energy strategies and municipal transition plans for heating. A potential risk might be that the useful lives of gas grids is shorter than the currently applied depreciation periods.

However, in Enexis Netbeheer B.V.'s 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 heating demand 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 believes that there is currently no need to shorten the depreciation periods of the existing gas grids or to start impairing the existing gas grids. However, to limit this risk further, Enexis Netbeheer B.V. 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 carried out with the other parties involved such as municipalities, project developers and housing corporations.

The impairment assessment is based on the following variables:

	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	3.1%	5.9%
Cost equity	5.5%	15.7%
Discount rate after taxes	3.9%	7.8%

15. ASSOCIATES AND JOINT ARRANGEMENTS

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 arrangements 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 arrangements. Joint arrangements 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 arrangements consist of the following:

€ Million	2018	2017
Associates:		
- Energie Data Services Nederland B.V.	0	0
- Other associates and foundations	1	0
Joint arrangements:		
- Zebra Gasnetwerk B.V.	8	8
At 31 December	**9**	**8**

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 value of this participation, based on a calculation of its operating value and with regard to the regulatory data currently applicable and known and the management's best estimate of expected future volumes, corresponds approximately to the book value of €8 million at 2018's year-end.

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

€ Million	2018	2017
At 1 January	**8**	**13**
Obtained by acquisition	1	0
Profits for the year	2	2
Impairments	-2	-6
Dividends received	0	-1
At 31 December	**9**	**8**

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

€ Million	2018	2017
Non-current assets	19	16
Current assets	9	13
Non-current liabilities	-9	-15
Current liabilities	-10	-6
Book value at 31 December	**9**	**8**
Revenue	13	12
Costs (including financial income and expenses)	-10	-15
Profit before tax	3	-3
Corporate income tax expense	-1	0
Profit for the year	**2**	**-3**

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

16. OTHER FINANCIAL FIXED ASSETS

Other financial fixed assets consist of the following:

€ Million	2018	2017
Loans and receivables	16	12
Total	**16**	**12**

The changes in financial fixed assets in 2018 are as follows:

€ Million	Loans granted to staff	Other loans	Total 2018
At 1 January 2018	**2**	**14**	**16**
New loans	1	6	7
Redemptions	1	3	4
At 31 December 2018	**2**	**17**	**19**
Less: current portion	0	3	3
Total non-current portion	**2**	**14**	**16**

Other financial fixed assets concern loans provided to EDSN B.V. and the Stichting Mijnaansluiting.nl foundation, as well as loans provided to employees related to financing arrangements. The average weighted effective interest rate amounted to approximately 1.6% (2017: 1.5%).

The interest rate that is charged for the loans included in other financial fixed assets differs from the market interest rate at 2018's year-end. Due to the limited size, the difference in the rates did not have a significant effect on the fair value. The agreed interest rate on the loans provided to EDSN B.V. and Mijnaansluiting.nl was determined on an arm's length basis at the time these loans were concluded, which resulted in a market interest surcharge on top of the standard market interest rate for each associate.

In 2018, the total amount of new loans made available to EDSN was €9 million, of which a total of €6 million had been drawn down at the end of 2018.

17. INVENTORIES

Inventories are recognised at cost 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.

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

€ Million	2018	2017
Materials	22	24
Provision for obsolescence	-3	-2
Total	**19**	**22**

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

Impairments of inventories amounted to nil in 2018 (2017: also nil).

18. RECEIVABLES

€ Million	2018	2017
Trade receivables	53	59
Amounts receivable	109	108
Other receivables	11	8
Provision for expected credit losses	-13	-14
Total	**160**	**161**

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

								2018
	Trade receivables			Amounts receivable			Other receivables	Total
€ Million	Expected credit losses	Gross	Provision	Expected credit losses	Gross	Provision	Gross	Net
Not past due	1%	19	0	0.5%	109	-1	11	138
0-30 days past due	3%	13	0	0%	0	0	0	13
31-60 days past due	32%	3	-1	0%	0	0	0	2
61-90 days past due	54%	2	-1	0%	0	0	0	1
91-365 days past due	50%	4	-2	0%	0	0	0	2
Over 365 days past due	70%	12	-8	0%	0	0	0	4
Total		**53**	**-12**		**109**	**-1**	**11**	**160**

The age of the trade debtors without the deduction of the provision for doubtful debts was as follows per 31 December 2017:

								2017
	Trade receivables			Amounts receivable			Other receivables	Total
€ Million	Expected credit losses	Gross	Provision	Expected credit losses	Gross	Provision	Gross	Net
Not past due	0%	25	0	0%	107	-1	8	139
0-30 days past due	1%	11	0	0%	1	0	0	12
31-60 days past due	17%	1	0	0%	0	0	0	1
61-90 days past due	24%	1	0	0%	0	0	0	1
91-365 days past due	53%	4	-2	0%	0	0	0	2
Over 365 days past due	65%	17	-11	0%	0	0	0	6
Total		**59**	**-13**		**108**	**-1**	**8**	**161**

19. CORPORATE INCOME TAX EXPENSE

The corporate income tax consists of the corporate income tax payable less the amounts paid under a provisional tax assessment.

€ Million	2018	2017
Corporate income tax	22	14
Total	**22**	**14**

20. OTHER FINANCIAL ASSETS (CURRENT)

€ Million	2018	2017
Loans with maturity < 1 year	3	4
At 31 december	**3**	**4**

The share of the loans provided to EDSN B.V. that will be repaid in 2019, an amount of €3 million, is recognised as the current portion of other financial assets.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised at 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.

€ Million	2018	2017
Cash at bank and cash balances	31	286
Total	**31**	**286**

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 30. 'Notes to the cash flow statement'.

The balance of cash and cash equivalents consists of the balance of the cash pool agreement 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 Netbeheer B.V. and for amounts owed to each other.

Effective as of 2018, the cash and cash equivalents within the group are reported on a net basis, as zero balancing was first applied at the end of 2018. As a result, the companies' positive bank balances are automatically concentrated in the main account and negative bank balances are compensated from this main account. The net cash and cash equivalents at the end of 2018 amounted to €31 million.

Last year, zero balancing was not yet applied and consequently the balances of the accounts of the different companies could not be offset. Applying the offset of the bank and cash balances with the amounts owed to credit institutions being €230 million, the net cash and cash equivalent position at the end of 2017 amounted to €56 million.

22. EQUITY

The company's authorised share capital amounts to three hundred million euros (€300,000,000) and is divided into three hundred million (300,000,000) ordinary shares of one euro (€1.00) Of these shares, 149,682,196 shares with a total nominal value of €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 (€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 €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 €1 million positive (2017: €1 million positive).

The proposed dividend distribution for 2018 is based on 50% of the normalised profit after tax (an amount of €243 million, see note 11. Non-recurring items) and shall be distributed to the shareholders as an exact amount pro rata to the number of shares. The amounts shown in the overview above have been rounded to the nearest million euros. The proposed dividend distribution for 2018 is €0.82 per share (2017: €0.69 per share). The profit appropriation proposal has not been taken into account in the balance sheet as of 31 December 2018.

The result following from the income statement for the 2018 financial year before taxation concerns only realised results. The proposed dividend distribution for 2018 is based on 50% of the normalised profit after tax (an amount of €243 million, see note 11. Non-recurring items). The proposed dividend payment amounts to €122 million; and, as a result, the reservation to be credited to the general reserve amounts to €197 million. In determining the amount of equity, this proposal for profit appropriation was not taken into account. At 2018's year-end, the equity amounted to €4.024 million (2017: €3.808 million), and the total equity per share amounted to €26.88 (2017: €25.44).

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

23. INTEREST-BEARING LIABILITIES (NON-CURRENT)

€ Million	2018	2017
Euro Medium-Term Notes	1,788	1,786
Shareholders' loan with a conversion right to convert into equity (tranche D)	0	350
Private loan	2	3
Total	**1,790**	**2,139**

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. The shareholders' loan (Tranche D) is therefore classified as a current liability.

Reference is made to note 31. 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 a nominal €1.800 million, less the amortised costs related to these loans. Therefore, a value of €1.788 million remains.

24. PROVISIONS

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

An increase in the discount rate applied and changes to the parameters applied, in particular an increase in the leavers percentage from 1.8% to 2.5%, resulted in a "standard" release of the employee-related provisions in the amount of €6 million.

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

The provisions at the end of 2018 can be specified as follows:

€ Million	Service-related benefits	Shorter working hours and special-purpose leave	Other employee benefits	Other	Total 2018
Obligations at beginning of year	36	45	4	8	93
Interest	0	1	0	0	1
Recognised claims in 2017	3	0	1	9	13
Released	-15	-46	0	0	-61
Benefits paid	-3	0	-1	-2	-6
Total	**21**	**0**	**4**	**15**	**40**
Less: current portion	2	0	1	0	3
Total non-current portion	**19**	**0**	**3**	**15**	**37**

The current portion of the provisions of €3 million (2017: €7 million) has been included separately under the current liabilities.

The comparative overview for 2017:

€ Million	Service-related benefits	Shorter working hours and special-purpose leave	Other employee benefits	Other	Total 2017
Obligations at beginning of year	36	44	5	7	92
Obtained by acquisition	0	0	0	0	0
Interest	1	1	0	0	2
Recognised claims in 2016	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**

Estimates of employee-related provisions

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

	2018	2017
Discount rates	-0.18%-2.05%	-0.29%-1.81%
Estimated future annual CLA wage increases	1.2%	1.2%
Company-specific annual periodic indexation	1.0%	1.0%
Estimate future departure probability	2.5%	1.8%
Holiday allowance and social security expenses	15.6%	15.4%

Long-service benefits

In accordance with the provisions of the collective labour agreement (CLA), Enexis grants long-service benefits to employees. As of 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. As a consequence of the CLA agreement signed on 13 December 2018, €11 million of the provision has ceased to apply.

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. This provision was reassessed at year-end with the result that, due to an adjustment in the interpretation of the applicable guidelines, the provision was cancelled. After processing the usual claims and the adjusted discount rate and parameters (together amounting to €6 million), the remainder of the provision was released and added to the result in the sum of €40 million.

Provision for other employee-related expenses

This provision relates to various employee-related expenses, including expenses related to 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 end of 2018, other provisions consisted of a provision for disputes (2017: the same), with the allocation to this provision in 2018 being €9 million (2017: net allocation €4 million).

25. ADVANCE CONTRIBUTIONS FOR THE INSTALLATION OF GRIDS AND CONNECTIONS

Enexis does not regard contributions received in advance from customers for providing a connection and installing the grid as a separate performance obligation. This means that a connection contribution received prior to connection must be regarded as a performance obligation (contract liability) and as such forms part of the revenue. Due to the causal relationship between the connection contributions and the investment expenditure incurred for the realisation of the connection, Enexis chooses a timing on the basis of the lifetime of the connection where the revenue is recognised as contributions received.

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

€ Million	2018	2017
At 1 January	734	681
Received during the year	84	71
Depreciated	-21	-18
Total	**797**	**734**
Current portion to be amortised in following financial year	20	18
Total non-current portion	**777**	**716**

26. DEFERRED CORPORATE INCOME TAX

Deferred corporate income tax assets and liabilities are created by temporary differences between the carrying value of assets and liabilities in the financial statements and the tax valuation for those items.

The deferred corporate income tax assets, due to provisions that are not formed or valued differently according to the tax rules, were almost entirely realised in 2018. The deferred corporate income tax asset arising from the perpetual loan was also realised, due to the full repayment during the accounting year. At the end of 2018, a deferred tax asset remains for unrealised results of derivative transactions that have been formed as a hedge provision via the other comprehensive result. The deferred tax assets are recognised on the balance sheet if and to the extent that it is probable that sufficient fiscal profits will be available.

The deferred corporate income tax liability arose due to a lower tax valuation of tangible (and intangible) fixed assets. The differences in valuation primarily originated from the start of the fiscal tax obligation (1998), the separation of ownership from Essent (2009), and the tax incentive scheme arbitrary depreciations in 2009, 2010, 2011 and in the second half of 2013.

Offsetting deferred tax assets and deferred tax liabilities only takes place if a formal right to offset exists and the company has the intention to settle the deferred taxes at the same time.

Deferred taxes are recognised at nominal value. This is calculated based on the tax rates that are expected to apply when the temporary differences cease to exist, on the basis of the tax rates that have been adopted on the reporting date or are already materially agreed on the balance sheet date. As a consequence of the Tax Plan 2019 adopted at the end of 2018, which includes a gradual reduction in the corporate income tax rate, the sum of €56 million was released in 2018 from the corporate income tax deferral, increasing the result by this amount.

The corporate income tax deferral is made up as follows:

€ Million	2018	2017
Deferred corporate income tax assets for provisions	0	-10
Deferred corporate income tax assets for derivatives	-1	-1
Deferred corporate income tax assets for settlement agreements re repayment of perpetual loan	0	-2
Deferred corporate income tax liabilities for property, plant and equipment	263	306
Total	**262**	**293**

27. OTHER NON-CURRENT LIABILITIES

€ Million	2018	2017
Payments to employees	2	2
Total	**2**	**2**

These liabilities relate to employees' entitlement to leave.

28. TRADE AND OTHER PAYABLES

€ Million	2018	2017
Suppliers	90	78
Tax and social security contributions	67	62
Payments to employees	45	36
Other	85	75
Total	**287**	**251**

The liabilities arising under the CLA agreement, signed on 13 December 2018, to make surrender payments for the rights already accrued with respect to the discontinued schemes for service anniversary payments and overtime leave, have been recognised in the amount of €10 million as a current liability in the item "Payments to employees".

29. INTEREST-BEARING LIABILITIES (CURRENT)

€ Million	2018	2017
Shareholders' loan with conditional conversion right to convert into equity (tranche D)	350	0
Agreements repayment perpetual loan	0	5
Loan ZEBRA Gasnetwerk B.V.	12	12
Lease obligations	0	1
Euro Commercial Paper	150	100
Amounts owed to credit institutions	0	230
Others	1	0
Total	**513**	**348**

Current interest-bearing liabilities include borrowings that are available to Enexis for a period shorter than one year. The amounts for repayments due within one year are included in the interest-bearing liabilities (current). The shareholders' loan (Tranche D) is therefore classified as a current liability.

Of the liability of €108 million that arose under the settlement agreement signed with the providers of the perpetual loan, €98 million was settled in 2016, €5 million in 2017 and €5 million in 2018. At the end of 2018, no further liability to pay an interest supplement to the original providers of the perpetual loan remains.

In 2018, ZEBRA Gasnetwerk B.V. rolled over the existing loan of €12 million at a variable interest rate of 0.0% applicable at 2018's year-end. This loan has a remaining term of May 2019.

By the issue of commercial paper under the Euro Commercial Paper (ECP) programme, cash funds were obtained in 2018 to finance the requirement for cash. At the end of 2018, an amount of €150 million was still outstanding under this programme.

Enexis applied zero balancing for the first time in 2018. As part of this, the companies' positive bank balances are automatically concentrated in the main account and negative bank balances are compensated from this main account. Consequently, at the end of 2018, there are no negative balances on the companies' bank accounts and therefore no current liabilities to credit institutions.

30. NOTES TO THE CASH FLOW STATEMENT

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

€ Million	2018	2017
Cash at bank and cash balances	31	286
Amounts owed to credit institutions	0	-230
Total	**31**	**56**

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

Changes in net working capital can be specified as follows:

€ Million	2018	2017
Corporate income tax expense recognised through profit or loss	-27	70
Corporate income tax paid or received	-73	-60
Interest received and paid recognised through profit or loss	58	59
Interest paid	-58	-57
Interest received	3	2
Working capital before tax and interest	123	-6
Total	**26**	**8**

Specification net working capital:

€ Million	2018	2017	Delta
Inventories	19	22	-3
Receivables	160	161	-1
Subtotal	**179**	**183**	**-4**
Trade and other payables	-287	-253	-34
Corporate income tax	22	14	8
(Current) provisions	-3	-7	4
Subtotal	**-268**	**-246**	**-22**
Total	**-89**	**-63**	**-26**

The changes to the net interest-bearing liabilities in 2018 are as follows:

	Other assets	Liabilities from financing activities		
€ Million	Cash and cash equivalents	Non-current interest-bearing liabilities	Current interest-bearing liabilities [1]	Total
At 1 January	**56**	**-2,139**	**-118**	**-2,201**
Cash flows [2]	-25	0	-44	-69
Reclassification from non-current to current	0	351	-351	0
Changes in other non-cash generating units	0	-2	0	-2
At 31 December	**31**	**-1,790**	**-513**	**-2,272**

1 Excluding amounts owed to credit institutions
2 The total incoming cash flow from borrowings in 2018 amounts to €1,250 million and the total outgoing cash flow from loans repaid in 2018 amounts to €1,205 million.

31. FINANCING POLICY AND RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

General

The aim of the financing policy of Enexis Groep 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 Groep takes place by means of external funding raised by Enexis Holding N.V., where funding is then loaned to the group companies. Related to 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 financing policy is to minimise the effect of the above-mentioned risks on the financial results and the equity position. 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 related to 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 floating), 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 2018, as in 2017, 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 part of the surplus cash and cash equivalents may be invested with a short horizon or at a floating interest rate to ensure diversification and flexibility.

Borrowed capital

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

€ Million	Nominal value	Book value	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	0.8	7.200%
Euro Medium-Term Notes 1st issue	300	299	26 January 2022	10	3.1	3.375%
Euro Medium-Term Notes 2nd issue	500	499	13 November 2020	8	1.9	1.875%
Euro Medium-Term Notes 3rd issue	500	496	20 October 2023	8	4.8	1.500%
Euro Medium-Term Notes 4rd issue	500	494	28 April 2026	10	7.3	0.875%
Private loan	3	2	26 April 2023	miscellaneous	4.3	1.700%
Loan Zebra Gasnetwerk B.V.	12	12	07 May 2019	0.5	0.4	0.000%
Euro Commercial Paper	150	150	miscellaneous	miscellaneous	0.1	-0.393%
Total	**2,315**	**2,302**				

The fair value of the interest-bearing loans amounted to approximately €2.417 million at 2018's year-end (2017 year-end: €2.409 million). This fair value for the bond loans is in accordance with the listed market price and for the other loans in accordance with the calculation method based on the Euro Utility (A) BFV yield curve on 31 December 2018. The fair value has remained stable due to the increased issue of Euro Commercial Paper on the one hand, of which €150 million is still outstanding at the end of 2018. On the other hand, the value has decreased by €42 million due to the coupon interest payments on the shareholder loan tranche D and the bond loans. At 2018's year-end, all interest-bearing loans, other than the outstanding ECP, 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 market prices in an active market. The other loans concern "level 2" financial instruments. This means that for Enexis Holding N.V., 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 related to the unbundling, the shareholders' loan tranche D in the amount of €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 it becomes necessary in the opinion of Enexis Holding N.V. and endorsed by the Supervisory Board. This request should be made with respect 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 Netbeheer B.V. to structurally comply with the financial ratios required by law or by its bank financing documentation.

Sensitivity analysis with respect to cash flows for financial assets and liabilities with floating interest rates

A change of 100 basis points in the interest rates effective as of 31 December 2018 would, if all other circumstances remained unchanged, have a pre-tax effect of €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 Holding N.V.'s policy to hedge both the foreign exchange rate and the interest rate risk immediately upon the issue of financial instruments denominated in other currencies. In the case of investments or larger purchases denominated in other currencies with an equivalent value exceeding €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 2018 amounted to zero, which means that foreign exchange rate risks and sensitivity to foreign exchange rate fluctuations were not relevant. In 2018, as in 2017, 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 Groep, this refers to the risk of changes in commodity prices, particularly related to the purchase of energy for grid losses at Enexis Netbeheer B.V. and to a limited extent for Guarantees of Origin in the context of increasing sustainable energy purchasing. The risk relating to 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 the year of delivery. 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 related to 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 grid payments, the receivables are collected by the energy suppliers who bear the debtor risk with regard to the end customer. However, Enexis Netbeheer 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 Netbeheer 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.

Liquidity risk and contractual term analysis

Liquidity risk

Liquidity risk is the risk that the Enexis Groep will not be able to meet its short-term payment obligations.

As a minimum, Enexis Holding N.V. aims for an "adequate" liquidity profile in accordance with the current definitions applied by rating agency S&P for regulated grid operators, which includes liquidity requirements always being covered for a year in advance with a safety buffer of 10%. Enexis Holding N.V. regularly evaluates and adjusts its liquidity profile for the long, medium and short term.

As part of its measures to hedge the liquidity risk, Enexis Holding N.V. has a committed Revolving Credit Facility (RCF) available. In December 2018, the existing RCF of €600 million was replaced by a new €850 million RCF. This facility was entered into with a group of eight banks and has a maturity of 5 years.

Enexis Holding N.V. did not make use of the RCF in 2018; 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 general covenants that are customary for these facilities, 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. An uncommitted credit facility of €20 million has been made available to this cash pool.

Enexis Holding N.V. had a consolidated positive cash balance of €31 million at the end of 2018 (2017's year-end: net balance €56 million positive).

Contractual term analysis

The table below shows the contractual and non-discounted cash flows at 2018's year-end:

€ Million	< 1 month	< 3 month	3-12 month	1-5 year	> 5 year	Total
Non-current interest-bearing liabilities	0	0	0	1,293	497	1,790
Trade and other payables	157	0	130	0	0	287
Current interest-bearing liabilities	150	0	363	0	0	513
Interest on interest-bearing liabilities	0	0	52	79	8	139
Total	**307**	**0**	**545**	**1,372**	**505**	**2,729**

The contractual and non-discounted cash flows at 2017's year-end amounted to:

€ Million	< 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**

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 Holding N.V. 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 Groep 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. This is in order to support the continuity of its operations and to be able to realise planned investments.

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

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 2018	Actual 2017
FFO-interest cover [1]	≥ 3.5	10.9	9.9
FFO/net interest-bearing liabilities [1]	≥ 16%	27%	25%
Net interest-bearing liabilities /(equity + net interest-bearing liabilities) [1]	≤ 60%	36%	37%

1 For definitions, please refer to the glossary.

The long-term credit ratings of Enexis Holding N.V. and Enexis Netbeheer B.V. were reconfirmed in 2018. The credit rating issued by Standard & Poor's (S&P) for Enexis Holding N.V. and Enexis Netbeheer B.V. remained unchanged at A+ stable outlook. Moody's only issues a credit rating for Enexis Holding N.V. and this remained unchanged at Aa3 stable outlook. The long-term credit ratings at 2018's year-end of Aa3/A+ with a stable outlook more than satisfies the internal requirements for maintaining an A credit rating profile.

The short-term credit rating of Enexis Holding N.V. at 2018's year-end 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 - Grid Operator Financial Management Decree) as well as the financial covenants under existing financing agreements.

The Enexis Groep 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 Groep can revise its dividend policy, distribute capital to shareholders, exercise its conversion right linked to the tranche D shareholders' loan, or issue new shares.

Group funding

Group funding takes place within the Enexis Groep, which means that Enexis Holding N.V. raises the necessary funding for the whole Enexis Groep in the external capital market and money market, as well as, if necessary, makes use of bank credit facilities. All companies also have a current account relationship with Enexis Holding N.V. so that mutual receivables and liabilities can be set off against one another internally.

The externally raised funding is loaned to other group companies via inter-company loans, and is 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. This assumes 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 according to conditions and at interest rates on an arm's length basis, which results in a market interest surcharge on top of the standard market interest rates corresponding to the estimated credit risk of the relevant company.

Funding of associates is also carried out by Enexis Holding N.V. on an arm's length basis according to conditions and a market interest surcharge on top of the standard market interest rates 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 Netbeheer 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 applied above the bank's rate.

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

32. RELATED PARTY DISCLOSURES

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 related to the assets and liabilities of related parties. The adjustment for doubtful debts was zero.

In 2018, 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 €0.4 million in 2018. At 2018's year-end the total amount of liabilities amounted to nil.

Shareholders' loans provided by the shareholders amounted to €350 million at 2018's year-end (2017: €350 million). Interest payments on these loans in 2018 amounted to €25 million (2017: €25 million). Dividend payments to shareholders amounted to €103 million (2017: €104 million).

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

With our own associates and participations, sales transactions were concluded amounting to €1 million (2017: €4 million) and purchase transactions were concluded amounting to €16 million (2017: €15 million).

The total value of liabilities to associates at 2018's year-end amounted to €1 million.

Loans provided by Enexis Holding N.V. to associates at 2018's year-end amounted to €17 million (2017: €14 million). Loans made to Enexis Holding N.V. by associates at 2018's year-end amounted to €12 million (2017: €12 million).

No dividends were received from associates in 2018 (2017: €1 million).

We use the term 'senior officials' to refer to members of the Executive Board and the Supervisory Board. Transactions with senior officials only concern remunerations. Reference is made to note 34. 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 2018	Equity stake held by Enexis Holding N.V. 31 December 2017	Structure of division of
ZEBRA Gasnetwerk B.V. [1]	Bergen op Zoom	67%	67%	Enexis Netbeheer B.V.
Energie Data Services Nederland B.V.	Arnhem	23%	23%	Enexis Netbeheer B.V.
Sustainable Buildings B.V. [2]	Groningen	40%	-	Fudura B.V.

1 Associations are not included in the consolidation as there is no decisive control (decisions with a majority of 75%).
2 In September 2018 Fudura acquired a 40% interest in Sustainable Buildings B.V.

33. 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 €282 million at 2018's year-end (2017: €286 million).

	2018			2017		
€ Million	< 1 year	1-5 year	> 5 year	< 1 year	1-5 year	> 5 year
Leased cars (operational lease)	15	26	3	13	22	2
Rental of office sites	8	20	3	8	21	4
Service agreements	11	22	0	10	31	0
ICT	42	16	0	52	34	1
Grid loss	52	59	2	47	38	0
Others	0	1	2	0	1	2
Total	**128**	**144**	**10**	**130**	**147**	**9**

The new IFRS 16 standard "Leases" means that all leases and rental liabilities that are currently accounted for as off-balance sheet commitments will need to be accounted for on the balance sheet as of 2019. Enexis has concluded that contracts relating to lease vehicles and contracts relating to rental of office sites qualify as leases under the new IFRS 16 standard. For more explanation regarding the impact of IFRS 15 please refer to paragraph 2.2.

Legal proceedings and disputes

At the end of 2018, 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 Netbeheer B.V., Enexis Personeel B.V., Fudura B.V., Enexis Vastgoed B.V., Enpuls B.V. and Endinet Groep B.V. for a total of €6 million (2017: €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.

34. 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 of 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.

This maximum is adjusted annually by means of a Ministerial Order. For 2018, the WNT maximum has been set at €189,000 and for 2019 at €194,000. 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 €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 2018 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 Netbeheer B.V., 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 Enexis Netbeheer 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 in the WNT applies to the members of the Executive Board. According to this transitional law, the existing remuneration of the members of the Executive Board in the amount of €230,474 was respected up to and including 2018. This means that Enexis Netbeheer B.V. satisfied the provisions of the WNT in 2018.

The reduction period starts as of 1 January 2019 and the remuneration will be reduced over a period of three years so that the standard of 100% of the remuneration of a Minister of State will have been achieved as of 2022. In accordance with the WNT transitional law the remuneration of the members of the Executive Board will be decreased by 25% of the reduction amount in the first year of reduction, which means that the maximum remuneration in 2019 is €221,355.

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 to 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 €189,000 for 2018.

Remuneration of senior officials (Executive Board and Supervisory Board)

The remuneration of the members of the Executive Board and the Supervisory Board amounted to €0.56 million in 2018 (2017: €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 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 members of 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 members 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 and the occupational disability scheme according to the provisions in the collective labour agreement for Grid Companies ENb.

The policy further includes a fixed net expense allowance that will be maximised in accordance with applicable tax regulations, a company car that satisfies sustainability requirements, accident 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 necessary 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.

Enexis Personeel B.V., a subsidiary of Enexis Holding N.V., is the employer of the members of the Executive Board.

Remuneration of the Executive Board in 2018

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.

in €	2018	2017
M. Blacquière [1]		
Basic salary (including holiday allowance)	187,340	187,340
Pension allowance [2]	11,642	11,642
General expenditure allowance [3]	11,333	12,582
Pension costs [4]	20,159	18,909
Subtotal [5]	**230,474**	**230,474**
P. Vermaat [1]		
Basic salary (including holiday allowance)	187,340	187,340
Pension allowance [2]	11,642	11,642
General expenditure allowance [3]	11,333	12,582
Pension costs [4]	20,159	18,909
Subtotal [5]	**230,474**	**230,474**
Total	**460,948**	**460,948**

1 Mr Blacquière and Mr Vermaat held their positions for the full accounting year in a full-time capacity.
2 The sum of €11,642 (€970.20 gross per month) was allocated to Mr Blacquière and Mr Vermaat as of 1 January 2015 in connection with the termination of pension accrual above €100,000.
3 The allocation of a taxable allowance for general expenses is set at €11,333. This is made possible by the capacity freed up by the lower pension expenses resulting from the termination of pension accrual above €100,000.
4 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.
5 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 €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 €3,600 for the Chairman and €3,300 for the CFO. The social security contributions that the employer is legally obliged to pay (in 2018, €7,963 for both the Chairman and the CFO; this was €7,566 in 2017) have not been included in the above table; the social security contributions do not count for the WNT.

Remuneration of the Supervisory Board in 2018

The General Meeting of Shareholders adopted the remuneration policy for the members of the Supervisory Board on 18 April 2016. This remuneration policy for the members of the Supervisory Board has been determined in accordance with the WNT maximum.

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 Netbeheer B.V. This means that for the year 2018, the maximum for the Chairman of the Supervisory Board on an annual basis amounts to €28,350 (15% of €189,000) and €18,900 for the members of the Supervisory Board on an annual basis (10% of €189,000). 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.

in €	Remuneration payed in 2018	Remuneration payed in 2017
Mr. M.A.E. Calon	18,900	18,100
Ms M.E.J. Caubo	18,900	18,100
Mr. J.F.M. van Dijk	18,900	18,100
Mr. P.W. Moerland	28,350	27,150
Ms C.M. Velthuis	18,900	18,100
Total	**103,95**	**99,55**

In addition to the above remuneration, the members of the Supervisory Board receive a fixed tax-free expense allowance on an annual basis of €2,000 for the Chairman and €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 non-senior officials of Enexis Netbeheer B.V. must be disclosed if the remuneration amounts to more than the applicable WNT remuneration maximum; the WNT remuneration maximum for 2018 is an amount of €189,000. The disclosure for the non-senior officials working for Enexis Netbeheer B.V. takes place based on the name of the position and is provided in the diagram below.

Officials at Enexis who are employed for the non-regulated activities (Enpuls and Fudura) are not included in the disclosure.

In accordance with Enexis' policy, no officers employed by an Enexis entity in 2018 received a remuneration that was higher than the maximum standard of the former WNT regulations in 2014 (€230,474).

Amounts in euros	Part time-factor 1)	Reward 2)	Cost-reimbursement 3)	Pension expenses 4)	One-time pension amount 2018 and 2017 5)	Total 2018 and 2017 6)	
Director line Department	1.0	170,069	-	19,399	-	189,468	2018
	1.0	180,266	21,845	18,000	-	220,111	2017
Director staff Department	1.0	187,940	15,623	19,712	-	223,275	2018
	1.0	187,532	13,046	18,473	11,223	230,274	2017
Director staff Department	1.0	163,905	7,511	19,061	-	190,477	2018
	1.0	146,971	13,815	15,826	-	176,612	2017
Director line Department	1.0	178,402	-	19,409	-	197,811	2018
	1.0	173,226	3,483	18,063	-	194,772	2017
Director staff Department	1.0	173,197	-	19,712	-	192,909	2018
	1.0	171,749	-	18,421	-	190,170	2017
Director line Department 6)	1.0	173,368	-	19,320	-	192,688	2018
	1.0	168,355	-2,579	18,051	-	183,827	2017
Manager staff Department	1.0	154,752	24,331	18,802	-	197,885	2018
	1.0	156,103	33,827	17,533	-	207,463	2017
Consultant staff Department	1.0	150,583	22,154	18,818	-	191,555	2018
	1.0	159,440	22,439	17,811	-	199,690	2017
Manager line Department	1.0	177,190	12,712	19,380	-	209,282	2018
	1.0	175,754	17,246	18,089	10,934	222,023	2017

1 All non-senior officials held their positions for the full accounting year.
2 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).
3 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.
4 The 'Pension expenses' component relates to the employers' contributions to the pension scheme as charged by the pension fund; contributions by the officials themselves are not included.
5 In connection with the capping of pension accrual above € 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.
6 The column 'Total 2018 and 2017' contains the total amount of the remuneration as specified in the WNT, both for the year 2018 and 2017.
7 The official purchased extra leave to the sum of € 2,579.

35. EVENTS AFTER THE BALANCE SHEET DATE

For more information, reference is made to note 55. Events after the balance sheet date.

COMPANY
FINANCIAL STATEMENTS 2018

COMPANY INCOME STATEMENT

€ Million	Notes		2018		2017
Share of result of group companies	36		264		211
Financial income	37	56		56	
Financial expenses	37	62		61	
Financial income and expenses			**-6**		**-5**
Profit before tax			**258**		**206**
Corporate income tax expenses	38		61		1
Profit for the year			**319**		**207**

COMPANY BALANCE SHEET
(BEFORE PROFIT PROPOSAL APPROPRIATION)

€ Million	Notes	31 December 18	31 December 17
Assets			
Investments in group companies	39	4,407	4,235
Other financial assets	40	1,376	1,729
Non-current assets		**5,783**	**5,964**
Receivables	41	404	133
Corporate income tax expenses	42	22	14
Other financial assets (current)	43	360	10
Cash and cash equivalents	44	31	263
Current assets		**817**	**420**
Total assets		**6,600**	**6,384**

€ Million	Notes	31 December 2018	31 December 2017
Liabilities			
Issued and paid-up share capital		150	150
Share premium reserve		2,436	2,436
Hedge reserve		-2	-2
General reserve		1,121	1,017
Profit for the year		319	207
Equity	45	**4,024**	**3,808**
Deferred corporate income tax	46	262	293
Provision for associate	47	0	13
Provisions		**262**	**306**
Non-current interest-bearing liabilities	48	1,790	2,138
Non-current liabilities		**1,790**	**2,138**
Trade and other payables	49	24	27
Current interest-bearing liabilities	50	500	105
Current liabilities		**524**	**132**
Total liabilities		**6,600**	**6,384**

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 on the equity method of the assets.

The company financial statements of Enexis Holding N.V. consist of the company income statement, the company statement of comprehensive income 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 97 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. 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 results. 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

36. SHARE OF RESULT OF GROUP COMPANIES

€ Million	2018	2017
Enexis Netbeheer B.V.	256	203
Fudura B.V.	23	24
Enexis Vastgoed B.V.	0	-1
Enexis Personeel B.V.		
Endinet Groep B.V.	-1	-1
Enpuls B.V.	-14	-14
Total	**264**	**211**

Effective as of 1 January 2018, the name Enexis B.V. was changed to Enexis Netbeheer B.V. Enexis Personeel B.V. and Enexis Vastgoed B.V. work solely for the other operating entities within the group, with the result that a full settlement of costs has taken place. The costs incurred by Enpuls B.V. with energy savings and the greening of energy as their objectives, do not generate any revenue, with the consequence that the result is negative.

37. 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.

€ Million	2018	2017
Interest income	56	56
Total financial income	**56**	**56**
Other interest expenses	62	61
Total financial expenses	**62**	**61**
Financial income and expenses	**-6**	**-5**

Interest income consists of the interest with respect to the shareholders' loan and a part of the bond loans that were subsequently lent to Enexis Netbeheer B.V. in full and under the same conditions. The exception here is the €500 million bond loan issued in 2015, which has not subsequently been loaned to Enexis Netbeheer B.V. and was largely used for the acquisition of Endinet Group B.V. in 2016.

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.

38. TAXES

The tax on the result for the reporting period comprises the payable and offsetable corporate income taxes, deferred corporate income taxes, and the corporate income taxes that are charged on within the tax entity to subsidiaries.

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

€ Million	2018	2017
Corporate income tax expenses	-61	-1
Total corporate income tax expenses	**-61**	**-1**

As the head of the tax entity, Enexis Holding N.V. is liable for the taxes payable by the tax entity. The corporate income taxes payable by Enexis Holding N.V. on behalf of the tax entity for 2018, amount to €65 million. Of the corporate income tax payable in 2018, €67 million is attributable to the group companies included in the tax entity. A tax gain of €2 million can be attributed to Enexis Holding N.V. for the 2018 accounting year. A gain of €7 million from previous years has also been recognised in the income statement for Enexis Holding N.V.

The Tax Plan 2019 adopted at the end of 2018, which includes a gradual reduction in the corporate income tax rate, resulted in a partial release of the net passive income tax deferral in 2018 in the amount of €56 million. The corporate income tax return for 2017, prepared in 2018, also resulted in an income of €4 million. These two items increased the result for Enexis Holding N.V. as head of the tax entity.

The effective tax rate for Enexis Holding N.V. in 2018 is -23.54% (2017: -0.45%). For the group as a whole in 2018, this is 7.83% (2017: 25.33%). See note 12. Taxes in the consolidated financial statements.

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.

39. INVESTMENTS IN GROUP COMPANIES

€ Million	2018	2017
Enexis Netbeheer B.V.	4,184	4,030
Fudura B.V.	128	114
Enexis Vastgoed B.V.	14	14
Endinet Groep B.V.	77	77
Enexis Personeel B.V.	0	0
Enpuls B.V.	4	0
Total	**4,407**	**4,235**

Changes in the investments in group companies were as follows:

€ Million	2018	2017
At 31 January	**4,235**	**4,048**
Change in accounting policy		
Profit for the year	264	211
Dividends paid	-111	-87
Capital contribution	32	0
Mergers and demergers	0	50
To provision for associate [1]	-13	13
At 31 December	**4,407**	**4,235**

1 The provision built in 2017 for the negative equity value of Enpuls was released in 2018 due to a capital contribution.

Effective as of 1 January 2018, the name Enexis B.V. was changed to Enexis Netbeheer B.V. For the specification of the results for 2018 we refer to note 36. Share of result of group companies. In 2018, €102 million in dividends over 2017 was received from Enexis Netbeheer B.V. and €9 million from Fudura B.V. This was caused by a capital contribution of €32 million to Enpuls B.V., changing the value of the investment from negative to positive.

Due to the application of IFRS 9 as of 1 January 2018, the provisions for receivables and the valuation of loans to associates and joint arrangements were adjusted accordingly. This accounting change had a negative impact of €0.4 million and was recognised as a debit to the general reserve as of 1 January 2018.

For further information on the investments in group companies please see note 53. Associates and joint arrangements.

40. OTHER FINANCIAL FIXED ASSETS

In the consolidated financial statements the expected credit loss relating to loans and receivables with respect to consolidated associates are eliminated. For the company's financial statements this also applies for loans and receivables with respect to consolidated associates. When valuing the associate according to the changes in equity method, the associate is regarded as a collection of assets and liabilities rather than an indivisible asset. The effect of expected credit loss on loans and receivables with respect to the associates is also eliminated.

€ Million	2018	2017
Loans granted to group companies	1,363	1,720
Loans granted to associates	13	9
Total	**1,376**	**1,729**

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 Netbeheer B.V. by Enexis Holding N.V. as a back-to-back loan under the same conditions.

Reference is made to note 31. 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 Netbeheer B.V. as the contracting party and have been accepted in the financing documentation as an exception.

€350 million in loans to group companies are classified as other current financial assets related to the scheduled repayment of the shareholders' loan (Tranche D) in 2019.

The loans granted to participants concern loans to EDSN B.V.

The changes to the other financial fixed assets, including the current portion, are as follows:

€ Million	Loans granted to group companies	Loans granted to associates	Total 2018
At 1 January 2018	**1,727**	**13**	**1,740**
New loans	0	6	6
Redemptions	7	3	10
At 31 December 2018	**1,720**	**16**	**1,736**
Less: current portion	357	3	360
Total non-current portion	**1,363**	**13**	**1,376**

41. RECEIVABLES

€ Million	2018	2017
Receivables from group companies	384	113
Interest receivable from group companies	20	20
Total	**404**	**133**

Receivables from group companies mainly concern the current account position created by group financing and 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 tax entity.

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

42. CORPORATE INCOME TAX EXPENSE

The corporate income tax consists of the corporate income tax payable less the amounts paid under a provisional tax assessment.

€ Million	2018	2017
Prepaid corporate income taks	22	14
Total	**22**	**14**

For more information, reference is made to note 12. Taxes and note 19. Corporate income tax expense.

43. OTHER FINANCIAL ASSETS (CURRENT)

€ Million	2018	2017
Loans granted to group companies	357	7
Loans granted to associates	3	3
Total	**360**	**10**

Loans granted to group companies concern the current portion of the loans provided to Enexis Netbeheer B.V., Fudura B.V. and Enexis Vastgoed B.V. €350 million of these loans are classified as other current financial assets related to the scheduled repayment of the shareholders' loan (Tranche D) in 2019.

The loans granted to participants concern the current portion of the loans to EDSN B.V.

44. 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.

€ Million	2018	2017
Cash at bank and cash balances	31	263
Total	**31**	**263**

45. EQUITY

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

46. DEFERRED CORPORATE INCOME TAX

As the corporate income tax is settled with participations in group companies 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 temporary differences between the carrying value and the tax basis of tangible fixed assets and employee-related provisions. In addition, deferred taxes pertain to unrealised 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.

Offsetting of deferred tax assets and deferred tax liabilities only takes place if a formal right to offset exists, related to the taxation of profits which is levied by the same tax authority and there is an intention to settle the deferred taxes at the same time.

Tax deferrals are recognised at nominal value. This is calculated based on the tax rates that are expected to apply when the temporary differences cease to exist, on the basis of the tax rates that have been adopted on the reporting date or are already materially agreed on the balance sheet date.

€ Million	2018	2017
Deferred corporate income tax	262	293
Total	**262**	**293**

As a consequence of the Tax Plan 2019 adopted at the end of 2018, which includes a gradual reduction in the corporate income tax rate, a partial release of the net passive income tax deferral in the amount of €56 million occurred in 2018.

47. PROVISION FOR INVESTMENT

€ Million	2018	2017
Provision for associate Enpuls	0	13
Total	**0**	**13**

The changes to the provision during the year are as follows:

€ Million	2018	2017
At 1 January	**13**	**0**
Allocation	0	13
Release	-13	0
At 31 December	**0**	**13**

This provision was created in 2017 for the negative investment value of Enpuls B.V. caused by the negative result in 2017 of €13 million. In 2018, a capital contribution of €32 million was made to Enpuls B.V., with the result that at 2018's year-end, the investment value is positive and therefore no provision is required.

48. INTEREST-BEARING LIABILITIES (NON-CURRENT)

€ Million	2018	2017
Euro Medium-Term Notes	1,788	1,786
Shareholders' loan with a conditional conversion right to convert into equity (tranche D)	0	350
Private loans	2	2
Total	**1,790**	**2,138**

The non-current interest-bearing liabilities can be specified as follows, according to remaining term and interest rate percentages:

amounts in millions of euros	Interest	Remaining period (years)	2018		2017	
			1-5 year	> 5 year	1-5 year	> 5 year
Euro Medium-Term Notes 1st issue	3.375%	3.1	299	0	797	989
Euro Medium-Term Notes 2nd issue	1.875%	1.9	499	0	0	0
Euro Medium-Term Notes 3rd issue	1.500%	4.8	496	0	0	0
Euro Medium-Term Notes 4th issue	0.875%	7.3	0	494	0	0
Shareholders' loan with conditional conversion right to convert into equity (tranche D)	7.200%	0.8	0	0	350	0
Private loans	1.700%	4.3	2	0	2	0
Total	-	-	1,296	494	1,149	989

Pursuant to the Instructions issued by the Minister of Economic Affairs, related to the unbundling, part of the shareholders' loans in the amount of €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 0.8 years. This loan (Tranche D) has been categorised as a current liability.

Reference is made to note 31. 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 stock-listed bond loans together amount to €1.800 million nominal; after deducting the amortised costs related to these loans, a value of €1.788 million remains.

49. TRADE AND OTHER PAYABLES

€ Million	2018	2017
Interest payable	21	21
Other current liabilities	3	5
Total	**24**	**27**

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

50. INTEREST-BEARING LIABILITIES (CURRENT)

€ Million	2018	2017
Shareholders' loan with conditional conversion right to convert into equity (tranche D)	350	0
Euro Commercial Paper loans	150	100
Agreements for repayment of perpetual loan	0	5
Total	**500**	**105**

Current interest-bearing liabilities include loans that are still available for a period shorter than one year. The amounts for repayments due within one year are included in the interest-bearing liabilities (current). The shareholders' loan (Tranche D) is therefore classified as a current liability.

At 2018's year-end, the sum of €150 million in current loans is outstanding under the Euro Commercial Paper programme.

51. RELATED PARTY DISCLOSURES

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 related to the assets and liabilities of related parties. The adjustment for doubtful debts was zero.

Shareholders' loans provided by shareholders and the settlement agreements amounted to €350 million at 2018's year-end (2017: €350 million). The interest payments on the shareholders' loans and on the perpetual loan that were transferred from Enexis Netbeheer B.V. to the holding company in 2018 amounted to €25 million in 2018 (2017: €46 million). Dividend payments to shareholders amounted to €103 million (2017: €104 million).

Loans provided to group companies at 2018's year-end amounted to €1.720 million (2017: €1.726 million). Loans provided to associates at 2018's year-end amounted to €16 million (2017: €13 million).

52. REMUNERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

Remuneration of the Executive Board

Reference is made to note 34. 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 34. 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.

53. ASSOCIATES AND JOINT ARRANGEMENTS

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 arrangements 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 arrangements. Joint arrangements 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	Aandeel Enexis Holding N.V. 31-12-2018	Aandeel Enexis Holding N.V. 31-12-2017	division of	403-verklaring
Group companies					
Enexis Netbeheer B.V. 1)	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	ja
Enexis Personeel B.V.	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	ja
Endinet Groep B.V.	Eindhoven	100%	100%	Enexis Holding N.V.	ja
Enpuls B.V.	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	ja
Fudura B.V. 2)	Zwolle	100%	100%	Enexis Holding N.V.	ja
Enexis Vastgoed B.V. 3)	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	ja
Enpuls Projecten B.V.	's-Hertogenbosch	100%	100%	Enpuls B.V.	
Other associates and joint arrangements (non-controlling interests)					
ZEBRA Gasnetwerk B.V. 4)	Bergen op Zoom	67%	67%	Enexis Netbeheer B.V.	
Energie Data Services Nederland B.V.	Baarn	23%	23%	Enexis Netbeheer B.V.	
Entrade Pipe B.V. 4)	Tilburg	67%	67%	Zebra Gasnetwerk B.V.	
ZEBRA Activa B.V. 4)	Middelburg	67%	67%	Zebra Gasnetwerk B.V.	
ZEBRA Pijpleiding V.O.F. 4)	Middelburg	67%	67%	Entrade Pipe B.V.	
Breedband Regio Eindhoven (BRE) B.V.	Eindhoven	2%	2%	Endinet Groep B.V.	
Sustainable Buildings B.V. 5)	Groningen	40%	-	Fudura B.V.	
Cohere Energy Solutions B.V.	Amsterdam	5%	5%	Fudura 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 Associates are not included in the consolidation because there is no decisive control (decisions are taken with a majority of 75%).
5 In 2018 Fudura B.V. acquired 40% of the shares in Sustainable Buildings B.V. Sustainable Buildings is a high-tech software company and provides an innovative energy management system that makes buildings smarter, healthier and more energy-efficient. Fudura B.V. aims to use this acquisition to expand its role and influence in the field of energy saving.

54. PROFIT APPROPRIATION

Under the articles of association, to the extent that it has not been reserved, the profit is at the disposal of the General Meeting of Shareholders (Article 36.2). Supplementary to these provisions in the articles of association, it has been agreed with the shareholders that the dividend payable during the plan period of the Strategic Plan shall not exceed 50% of the net profit, whilst aiming to achieve a minimum level of €100 million each year. This percentage shall be reduced if the company may lose its A rating profile within 5 years as a result of this dividend.

The proposed dividend distribution for 2018 is based on 50% of the normalised profit after tax (an amount of €243 million, see note 11. Non-recurring items) and shall be distributed to the shareholders as an exact amount pro rata to the number of shares. The amounts shown in the overview above have been rounded to the nearest million euros. The proposed dividend distribution for 2018 is €0.82 per share (2017: €0.69 per share). This profit appropriation proposal has not been taken into account in the balance sheet as of 31 December 2018.

The proposal for the appropriation of the 2018 result is as follows:

€ Million	2018	2017
Profit for the year	319	207
Allocation to the general reserve	-197	-104
Proposed dividend	**122**	**103**

55. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date that have an impact on these financial statements.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS 2018

OUR OPINION

In our opinion:

- the accompanying consolidated financial statements of Enexis Holding N.V. give a true and fair view of the financial position of the company and the group as at 31 December 2018 and of its result and cash flows for the year then ended in accordance with the 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 of Enexis Holding N.V. give a true and fair view of the financial position of Enexis Holding N.V. as at 31 December 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of Enexis Holding N.V., 's-Hertogenbosch ('the company'). The financial statements include the consolidated financial statements of Enexis Holding N.V. together with its subsidiaries (together: 'the group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated income statement over 2018;
- the consolidated statements of comprehensive income over 2018;
- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of cash flows over 2018;
- the consolidated statement of changes in equity over 2018; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company profit and loss account over 2018;
- the company balance sheet as at 31 December 2018; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation 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 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 2018. 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 grid operator 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. The group comprises of different components and therefore we considered the scope and approach for the group as detailed further in the paragraph 'the scope of our group audit'. We tailored our audit approach to specifically cover areas that relate to the business activities of the group.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. We specifically 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. 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, we considered this a key audit matter.

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.

Next to the valuation of property, plant and equipment (PPE) and intangible fixed assets we classify (similar to prior year) the deficiencies in internal controls related to project-related expenditures, and our resulting additional audit procedures as a key audit matter.

Due to the significant level of IT integration in the group's business processes and the significant IT-projects that were completed in 2018 or currently still being implemented, IT has been a focus area in our audit. The reliability and continuity of electronic data processing within the group is highly dependent on the effectiveness of its IT-controls. These IT-controls mainly relate to continuity, logical access security and change management. We assessed the design and operating effectiveness of the reliability and continuity of electronic data processing to the extent relevant for our audit of the 2018 financial statements. Due to its importance to the group we have marked the reliability and continuity of electronic data processing as a key audit matter.

Last year, we also included the acquisition of N.V. Stedin Netten Weert as a key audit matter. This acquisition was fully recognised in 2017. The group did not enter into any significant acquisitions during 2018.

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 involved our internal IT specialists in the use of data analyses relating to journal entry processing, data analysis in relation to transactions and/or processes in the areas of logical access security and project control.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a network operator. We therefore involved specialists in the areas of IT, regulation, taxes and valuation 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: €16 million, representing 5% of profit before tax, excluding non-recurring items.

Audit scope
- Enexis Netbeheer B.V. and Enexis Personeel B.V. are jointly identified as a significant component. This significant component covers 90% of the consolidated revenues, balance sheet total and profit before taxes.

Key audit matters
- Valuation of property, plant and equipment ('PPE') and intangible fixed assets.
- Reliability and continuity of electronic data processing.
- Accuracy of the project-related expenditures.

Materiality

The scope of our audit is impacted by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set, based on our professional judgement, certain quantitative thresholds for materiality including the materiality for the financial statements as a whole, as detailed in the table below. 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, both individually and in total, on the financial statements as a whole and on our opinion.

Overall group materiality	€16 million (2017: €13 million).
How we determined it	We determine the materiality based on professional judgement. As the basis for this judgement, we applied 5% of profit before tax, excluding non-recurring items.
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 misstatements identified during our audit above €800,000 (2017: €650,000) 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.

We have determined our scope of the audit in such a way that we perform sufficient audit procedures to conclude on the financial statements as a whole. We have taken into account, amongst others, the management structure of the group, the nature of the business activities of the group components, the business processes and internal controls and the business area in which the entity operates.

All activities of the group are in the Netherlands and group entities are managed centrally. We have identified Enexis Netbeheer B.V. and Enexis Personeel B.V. jointly as a significant component of the group. For this component the administrative processes and internal controls are almost entirely centralized. Our audit is performed by a single audit team. Our audit procedures on this significant component have resulted in a coverage of 90% of the consolidated revenues, balance sheet total and profit before taxes.

The group components not included in the scope of the audit, Fudura B.V., Enpuls B.V., Enpuls Projecten B.V., Endinet groep B.V. en Enexis vastgoed B.V., do not represent individually more than 5% of the consolidated revenues or consolidated balance sheet total. On the financial information of those remaining group components we performed, amongst others, analytical procedures to support our estimate that there are no significant risks of material misstatement in relation to these components.

By performing the procedures mentioned 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 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 brought the key audit matters to the attention of 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 matters	**How our audit addressed these matters**
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 13 and 14 to the financial statements.*	
PPE and intangible fixed assets, minus advance contributions for the installations of grids and connections are stated at €6.658 million as at 31 December 2018 and, therefore, represent significant financial lines in the consolidated financial statements of the group. The group conducts an annual impairment assessment by comparing the carrying value of the assets concerned with the recoverable amount. The energy transition and the Dutch governmental coalition agreement will cause significant changes to the energy landscape and give rise to (for example) uncertainty regarding the future role of natural gas. These factors could affect the valuation of the PPE and intangible fixed assets of the grid operators. Therefore, 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 14 that the difference between the recoverable amount of the PPE and intangible assets (incl. goodwill) and the carrying amounts per 31 December 2018 is still sufficient.	We performed audit procedures on the annual impairment assessment 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. 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.

Key audit matters	How our audit addressed these matters
Reliability and continuity of electronic data processing. *The disclosure on the strategic importance of IT-systems is included in the section 'strategic risks' of the annual report.* The reliability and continuity of electronic data processing of the group is dependent on the operating effectiveness of IT general controls and relevant IT-controls. These IT-controls mainly relate to the continuity, logical access security and change management. The group uses several application systems, databases and interfaces which are relevant for the primary processes and preparation of the financial statements. Our increased attention for the IT-environment is in line with the strategy of the group, in which IT takes a more prominent role. In addition, during 2018 some significant IT-projects were completed or are currently still being implemented, amongst others the transition of the SAP-systems to a cloud environment.	We assessed the design and operating effectiveness of the IT general controls and IT-controls to the extent relevant for our audit of the 2018 financial statements. Relevant aspects in the audit were the continuity and reliability of the data processing, change management and the logical access security to the network and applications. We have performed audit procedures by testing the design, existence and operating effectiveness of the relevant IT-controls. These procedures have been performed by our specialized IT-auditors as part of the audit team. As part of abovementioned audit procedures we also performed procedures on the transition of the SAP-systems to a cloud environment and related data-migrations and changes in the internal control environment. To the extent deficiencies in the internal controls were noted the group performed remediation procedures and additional testing and substantive audit procedures have been performed by us.

Key audit matters	How our audit addressed these matters
Accuracy of the project-related expenditures to third-parties. *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 mainly consist of employee benefits expenses, materials and cost of work contracted ('expenditures to third-parties'). Depending on the nature, these expenditures are being capitalized or directly expensed in the profit and loss. The quality of the internal controls on the project related expenditures improved compared to 2017, however the effectiveness of this is not always visible. This mainly relates to the absence of visible and consistent authorization of expenses statements with third parties in some cases. As a consequence, the increased risk on the accuracy and integrity of the project-related expenditures with third parties still exists in 2018. 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 the project-related expenditures. We paid specific attention to the accuracy of the actual costs compared to budgeted costs. 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 obtained comfort through inquiry and supporting documentation on the quality of the budget-actual analyses of projects. Finally, we have tested other mitigating internal controls like for example available project-related management information and other internal remediation measures.

COMPLIANCE WITH ANTI-ACCUMULATION PROVISIONS WNT NOT AUDITED

In accordance with the Audit protocol WNT 2018 we have not audited the anti-accumulation provisions of article 1.6a WNT and article 5, paragraph 1 (j) Uitvoeringsregeling WNT. This means we have not audited whether or not there is a breach of anti-accumulation remuneration standards resulting from remuneration for a possible employment as a high-ranking official of other WNT-entities, nor have we audited if any related disclosure requirement are correct and complete.

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:

- Structure of this report;
- Foreword by the executive board;
- About Enexis;
- Report on 2018;
- Governance and risk management;
- 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, and annually reconfirmed by the shareholders. We act as auditors of the company for an uninterrupted period of 4 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 February 2019
PricewaterhouseCoopers Accountants N.V.

K. Hofstede RA

(This auditor's report is a translation of the original auditor's report accompanying the original consolidated financial statements 2018, 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 2018 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 2018, 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. Based on this information we scoped the group components for which an audit or review of the financial information or specific balances is required.

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

ASSURANCE REPORT ON THE SUSTAINABILITY INFORMATION 2018

OUR CONCLUSION

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information included in the annual report 2018 of Enexis Holding N.V. does not present, in all material respects, a reliable and adequate view of:
- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2018, in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria as included in the section 'reporting criteria'.

What we have reviewed

We have reviewed the sustainability information included in the annual report for the year ended 31 December 2018, as included in the following sections in the annual report (hereafter: "the sustainability information"):
- Structure of this report
- Foreword by the Executive Board
- About Enexis
- Report on 2018 (with the exception of paragraph 'Financial position')
- Additional information, with respect to the paragraphs 'About this report' and 'Facts and figures'.

This review is aimed at obtaining a limited level of assurance.

The sustainability information comprises a representation of the policy and business operations of Enexis Holding N.V., 's-Hertogenbosch (hereafter: "Enexis") with regard to corporate social responsibility and the thereto related business operations, events and achievements for the year ended 31 December 2018.

THE BASIS FOR OUR CONCLUSION

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. 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 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement 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').

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – 'Regulations for quality systems') 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

The sustainability information needs to be read and understood in conjunction with the reporting criteria. Management of Enexis is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria, as disclosed in section "About this report" of the annual report. 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.

Limitations to the scope of our review

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. Inherently, the actual results are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the sustainability information.

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

RESPONSIBILITIES FOR THE SUSTAINABILITY INFORMATION AND THE REVIEW

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD

Management of Enexis is responsible for the preparation of the sustainability information in accordance with the reporting criteria as included in section 'reporting criteria', including the identification of stakeholders and the definition of material matters. The choices made by management regarding the scope of the sustainability information and the reporting policy are summarized in section "About this report" of the annual report. Management is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

Management is also responsible for such internal control as management determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The supervisory board is responsible for overseeing the company's reporting process on the sustainability information.

OUR RESPONSIBILITIES FOR THE REVIEW OF THE SUSTAINABILITY INFORMATION

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance information to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or errors and are considered 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 procedures 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 review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management.

- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management (and/or relevant staff) at corporate level responsible for the (sustainability) strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive;
  - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.
- Evaluating the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information;
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the supervisory board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Utrecht, 19 februari 2019
PricewaterhouseCoopers Accountants N.V.

K. Hofstede RA

(This assurance report is a translation of the original assurance report accompanying the original annual report 2018, 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

SCOPE

The scope of this report is Enexis Holding N.V., registered 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 19 to 70 . The reporting period runs for 1 January 2018 up to and including 31 December 2018. Enexis reports semi-annually on its strategic and financial performance. The annual report is published in the first quarter of each year on the website of www.enexisgroep.com; this year on 21 February 2019. The report over 2017 was published on 21 February 2018.

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 with 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.
- The non-financial information was compiled in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the Electric Utilities Sector Supplement. In 2018, we stopped reporting in accordance with GRI 4.0 Guidelines and adopted the GRI Standards.

TRANSPARENCY

Our stakeholders highly value transparency, as do we. With regard to reporting, we have the ambition to maintain our ranking among the top companies in the Transparency Benchmark of the Dutch Ministry of Economic Affairs and Climate. In this annual report, we report in accordance with:

- GRI Sustainability Reporting Standards at CORE application level
- Internal reporting criteria
- Transparency Guidelines
- Corporate Governance Code as far as possible and where applicable
- EU directive: disclosure of non-financial information and diversity information

DIALOGUE WITH STAKEHOLDERS

Enexis distinguishes a total of eight groups of stakeholders. This stakeholder framework was adopted in 2016 by management and is a result of a reorientation of our strategy. The stakeholder groups customers, employees and shareholders remain unchanged.

The initial stakeholder group 'society' was considered too broad and we have therefore split it into local energy partners, market and supply chain partners, investors, policymakers and policy influencers.

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

We aim to also discuss with our stakeholders broad-based societal developments for the long term such as the Sustainable Development Goals and the role we play. The overview below shows in general lines how we safeguard the dialogue with stakeholders. However, it is not an exhaustive summary. The most important discussion points are formulated according to material issues.

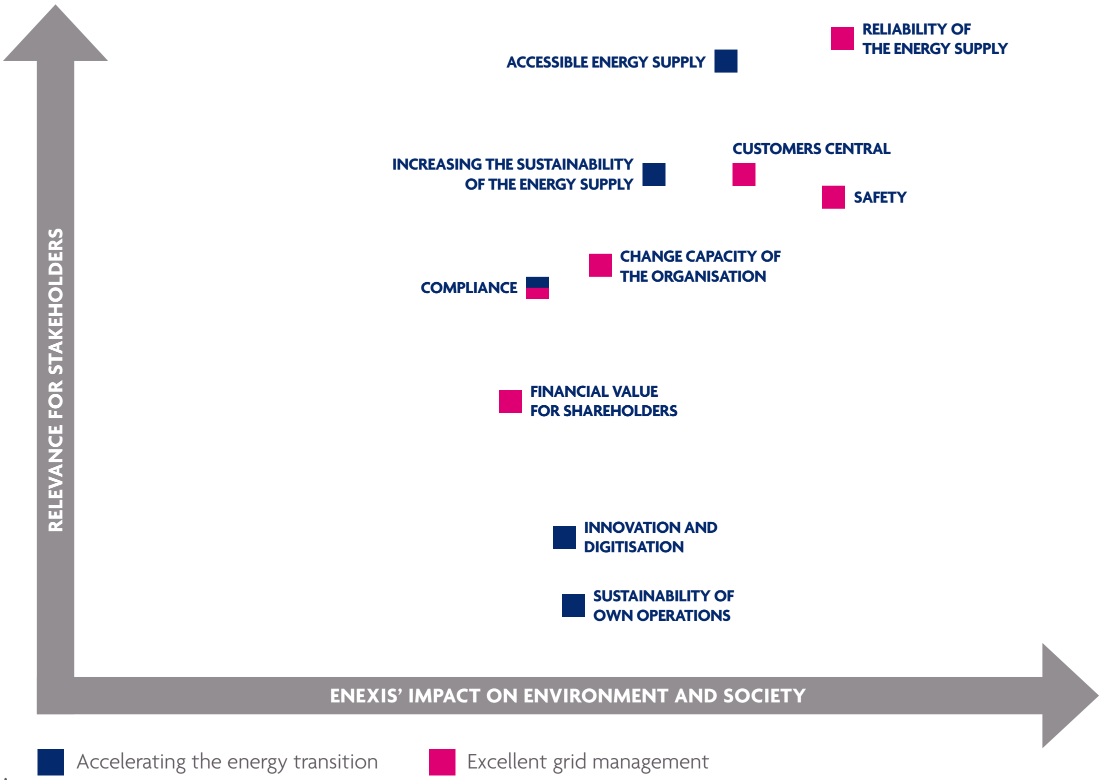
Stakeholder model

Stakeholder group	Examples	Main discussion points[1]	Interaction with Enexis through
CUSTOMERS	Low-volume customers (consumers and SMEs), high-volume customers (corporates)	Customers central, reliability, accessible energy supply	Periodic customer satisfaction surveys, customer service, account managers
EMPLOYEES	Works council, unions	Change capacity of the organisation, safety	Internal communications, staff meetings, Works Council meets with management approx 8 times a year
SHAREHOLDERS	Provinces and municipalities in their role as shareholder	Increasing the sustainability of the energy supply, financial value, sustainability of own business operations, compliance	Annual General Meeting of Shareholders, Shareholders' committee that meets with the Executive Board 3 to 4 times a year
LOCAL ENERGY PARTNERS	Municipalities, energy cooperations, water authorities, project developers, housing associations	Innovation and digitisation, increasing the sustainability of the energy supply, change capacity of the organisation	Annual General Meeting of Shareholders, Shareholders' committee that meets with the Executive Board 3 to 4 times a year
MARKET AND CHAIN PARTNERS	Contractors, infrastructure companies, technology companies, energy suppliers, independent services providers (ODAs), start-ups	Innovation and digitisation, safety, reliability, accessible energy supply	Periodic discussion within the NEDU platform, periodic discussion within KLO cables and pipelines platform, via account managers, FD Energy Debate
INVESTORS	Bond investors, banks, rating agencies	Financial value	Investor presentation, annual report
POLICYMAKERS	Political parties, Ministry of Economic Affairs and Climate Policy, Authority for Consumers & Markets, State Supervision of the Mines, Data Protection Authority, sector organisations Uneto-VNI and KVGN	Increasing the sustainability of the energy supply, compliance, safety, reliability, innovation and digitisation, accessible energy supply	Consultations, Public Affairs, periodic meetings with regulators
INTEREST GROUPS	NBNL, NVDE, VNG, IPO, Energie Nederland, Dutch Water Authorities	Various	Periodic Public Affairs discussion and discussions at Board level, FD Energy Debate

1 This represents our own interpretation of the discussions with the various stakeholders.

DETERMINING THE CONTENTS (MATERIALITY)

In the annual report, we render account for issues that are relevant to our stakeholders and which have an impact on Enexis. We refer to these as ‘material issues. Once every four years we carry out a detailed analysis of materiality, and provide an update every two years. In 2018, the two-yearly update took place, in which we investigated if the material issues were still relevant to our stakeholders’ interests. In addition to a benchmark survey of grid operators and a media analysis, we carried out an internal consultation process. Among others, we spoke to customers, market and supply chain partners and investors. Our employees asked external stakeholders which issues are of material importance to them. After discussing the outcomes in the management consultation, the impact of material issues in economic, ecological and social terms was determined. On the basis of our findings, our materiality matrix was validated and realigned. Besides defining the material issues more accurately, the 2018 update did not result in significant changes compared to 2016 and 2017.



DEFINITIONS OF MATERIAL ISSUES

The names and definitions of several material issues have been changed in the past year to indicate more accurately what they refer to, and to bring them into line with current circumstances. The updated definitions are marked with a *.

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*
The grid operator develops the energy supply in consultation with stakeholders, thus decreasing environmental impact.

Customer-focussed*
Customer wishes and customer satisfaction form the central grounding principle for the level of service and performance in customer processes.

Innovation and digitisation*
Changing business and customer processes and grids by implementing innovations and digital technologies.

Change capacity of the organisation*
The degree to which the organisation and its employees are able to respond on time to organisational and energy transition issues.

Accessible energy supply*
Equal treatment of our customers so they can rely on sufficient grid capacity, a smoothly working energy market and an affordable service.

Financial value for shareholders*
The total value created that is passed on to shareholders.

Compliance*
Complying with laws and regulations that apply to the realm of grid operator and including the overall behavioural criteria required of employees and supply chain partners.

Sustainability of own business operations*
The direct and indirect footprint of the organisation on society and the environment and the efforts made to improve.

MANAGEMENT OF MATERIAL ISSUES

The management sets a course based 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, reducing energy consumption and CO_2 emissions, contributing to the energy transition and maintaining 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.

Enexis applies an integral management system whereby both financial and non-financial material issues are managed. This is described in the section 'Governance and risk management'. The translation of strategic objectives into the business plan, including concrete targets, takes place in the annual business plan cycle. Annual targets derived from the strategy are formulated and included in the business plan and the Balanced Score Card. 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 (SodM) supervise the core activities. An explanation of how sustainability is safeguarded is included in the section 'Sustainable operations. In addition, an elaboration of the management approach with regard to each social theme, based on the ISO 26000 guideline, can be found in the CSR principles on the Enexis website.

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 'Additional information'.

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. In general, the data collection regarding substantive matters has been composed as follows:

Safety

Reported accidents and incidents in 2018, reports on HSE and VGWM (Safety, Health, Welfare and Environment), calculation of the number of accidents with absenteeism per 1 million hours worked. Fatal accidents commuting to and from work are not part of the scope of the Lost Time Injury Frequency.

Reliability of the energy supply

Reports on outage time for electricity and gas, transported quantities and section lengths, State Supervision of Mines (SSM) reports of notifications 2018, measurement of public safety.

Increasing the sustainability of the energy supply

Overview of measures taken and CO_2 savings in 2018, results and analysis of surveys.

Customer-focussed

Reports from the GfK marketing research institute, reports from Perspective and Avaya, results from website visits to Enexis.nl.

Innovation and digitisation

Reports on the numbers of stations fitted with distribution automation (Light).

Change capacity of the organisation

Employee survey, reports about the workforce including numbers of FTEs, male/female ratio, age categories, inflow and outflow of staff, absence due to illness, development budget.

Accessible energy supply

Report on the WAVE integral permit management system.

Financial value for shareholders
Overview of controllable costs and revenues

Enexis Netbeheer B.V. (including staff departments).

Compliance
Report of any notifications of data leaks, report of any fines from supervisory bodies.

Sustainability of our own operations
Source documentation on kilometres declared, lease cars' fuel consumption, CO_2 emissions as a result of grid and leakage losses, and the waste report from waste management companies. All waste is stored and processed appropriately according to the type of waste product, because every type of waste has its own risks.

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 being a good employer. Although we do not have CSR certification, we observe the international guideline for CSR, ISO 26000.

The ISO 26000 guideline mentions the importance of the environment to the organisation and of the organisation to the environment. Based on this guideline, Enexis has integrated the CSR themes into its strategy. This is recorded in CSR principles and a CSR declaration. In 2017, Enexis updated its CSR principles and declaration. The themes in this guideline also fulfil the objectives set by the United Nations, the Sustainable Development Goals (SDGs). The section on sustainable operations includes an explanation of the way in which the subject of sustainability is safeguarded.

CHANGES IN COMPARISON TO PREVIOUS REPORTING YEARS

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ASSURANCE

PwC carried out an assurance engagement aimed at obtaining limited assurance as to whether the information provided in the sections 'Structure of this report', 'Foreword by the Executive Board', 'About Enexis', 'Report on 2018' (excluding 'Financial position') and the 'Additional information' ('About this report' and 'Facts and figures') in the Annual Report 2018 of Enexis presents a reliable and adequate view in all material respects in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative and the Enexis internal reporting criteria. We refer to page 157 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 email to communicatie@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 dividend to be paid out over the plan period of the Strategic Plan will amount to 50% of the net profit, whereby a minimum level of EUR 100 million is aimed for annually. This percentage will be lowered if the distribution would result in the company possibly losing its A-rating profile within five years.

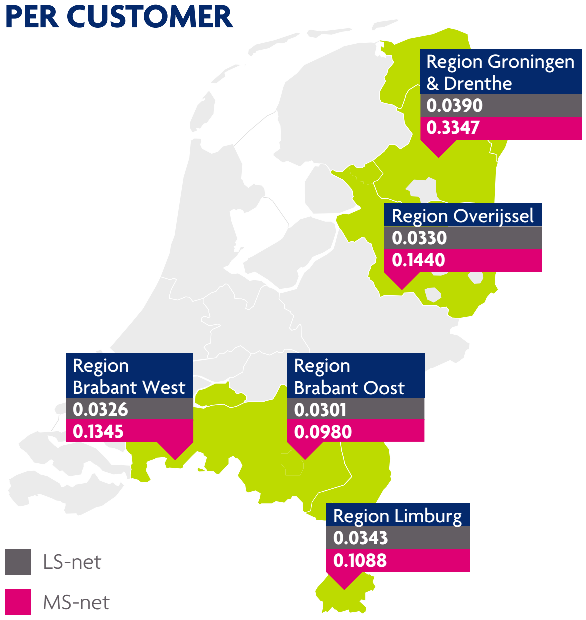
This dividend policy ensures that the shareholders can expect a predictable and stable dividend. At the same time, this policy ensures sufficient equity growth and demonstrates that the shareholders actively support a healthy financial position.

For the proposal on the appropriation of the result for the 2018 accounting year, please refer to 'Profit appropriation'.

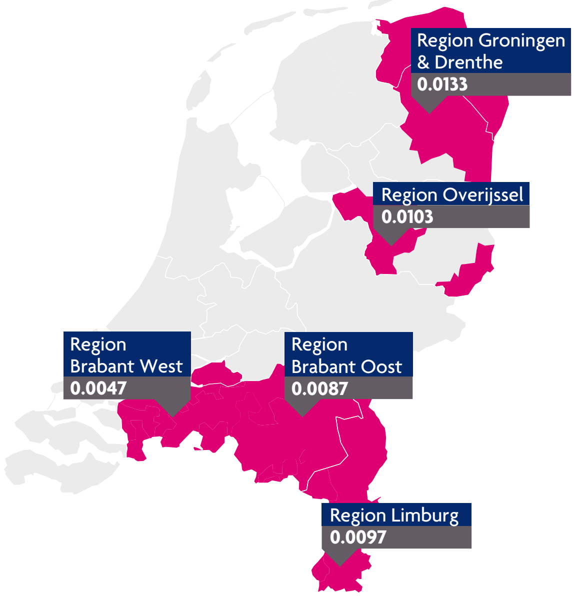
FACTS AND FIGURES

CUSTOMERS AND GRIDS

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



AVERAGE NUMBER OF GAS OUTAGES PER DISTRICT PER CUSTOMER



The outage time in our gas grids rose in 2018 to 90 seconds. This increase was caused by a small number of exceptional outages when water and soil entered our gas pipelines. Repair work on this type of outage takes a relatively long time to carry out.

	2018	2017	2016	2015	2014
The grids					
Section lengths (x 1,000 km)					
Electricity grid	139.9	139.1	136.9	138.0	137.2
- Low voltage	95.3	94.7	92.8	93.3	92.8
- Medium voltage	44.5	44.4	43.9	44.6	44.4
- Intermediate voltage	0.1	0.1	0.1	0.1	0.1
Gasnet	46.4	46.4	46.2	44.8	44.7
- Low pressure	37.6	37.5	37.4	35.8	35.7
- High pressure	8.8	8.9	8.9	9.0	9.0
Stations (x 1,000)					
E-stations	53.8	53.1	53.1	53.2	53.0
G-stations	22.5	22.7	22.8	24.4	24.5
Number of connections (x 1,000)					
Electricity	2,814	2,786	2,752	2,698	2,683
- Domestic (including 3x25 A)	2,597	2,578	2,549	-	-
- Low voltage connections other (small-volume as from 3x25A)	202	193	189	-	-
- Medium voltage connections	15	15	14	-	-
Gas	2,324	2,315	2,285	2,091	2,083
- Domestic (G4 and G6)	2,260	2,249	2,213	-	-
- Low pressure other (small-volume as from G10)	61	63	69	-	-
- High pressure connections	3	3	3	-	-
Transported quantities					
Electricity (GWh)[1]	34,112	33,544	34,453	34,121	34,050
Gas (Mm^3)	6,204	6,194	6,075	5,53	5,111
Of which green gas	54.0	50.8	45.0	41.0	37.0
Product quality					
Outage time electricity (in minutes)	16.0	13.8	15.2	14.2	17.7
- High voltage	0.2	0.1	0.2	0.9	0.6
- Medium voltage	10.5	8.7	10.0	8.2	12.2
- Low voltage	5.3	5.1	5.0	5.1	4.8
Outage time gas (in seconds)	90	50	45	78	89.5

1 December 2018 is an estimation.

INCIDENTS IN THE GAS GRID

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. In 2018, as in 2017, no serious accidents occurred. To maintain the safety of the public, Enexis has an intensive, risk-based replacement programme for the main and connecting pipelines. Furthermore, we pay considerable attention to preventing excavation damage. We have adopted additional measures in this area with respect to CROW 500 and KLIC/WIBON, reporting work on gas infrastructure and in the public space.

Milestones	at 2018 year-end
Number of incidents with a negligible or small impact:	
Number of gas leaks (Nestor registrations 'gas odour / gas leakage' for grid operator) ≤ 13,000	12,064
Number of incidents with evacuation > 10 persons or > 10 customers affected by irregular gas pressure (too high / too low) and/or irregular gas quality (in terms of composition or smell) ≤ 55	62
Number of incidents with fire/explosion or evacuation > 250 persons or surrounding area or > 250 customers affected by irregular gas pressure (too high / too low) and/or irregular gas quality (in terms of composition or smell) ≤ 18	19
Number of incidents with a moderate or considerable impact[1] ≤ 4	2
Number of incidents with a serious impact[2] ≤ 2	0
Number of incidents with a disastrous impact[3] = 0	0

1 Moderate or considerable impact: Accidents requiring First Aid or treatment by medical staff (victim(s) among the public) or damage to the environment amounting to between €10,000 and €1 million.
2 Serious impact: Accidents resulting in serious (permanent) injury (victim(s) among the public) or damage to the environment amounting to between €1 million and €10 million.
3 Disastrous impact: Accidents with one or several fatalities (victim(s) among the public) or damage to the environment of at least €10 million.

PROCEDURE IN THE CASE OF COMPLAINTS AND DISPUTES

If customers are not satisfied with our service, they can submit a complaint, or report damage via our website or by phone. Every complaint or damage report is dealt with individually by Enexis Netbeheer. We send our customers a confirmation of receipt within five working days, and a detailed response usually within 30 days.

Enexis would like to prevent complaints and takes the task of resolving them seriously. We are affiliated with the Dutch Foundation for Consumer Complaints Boards (De Geschillencommissie), which customers can go to if they are not satisfied with our decision regarding a complaint or claim. The Energy Committee of De Geschillencommissie deals with customer complaints against energy suppliers regarding connections, supply, or charges for gas, electricity and heating. The Committee also deals with consumer complaints against the grid operator regarding the performance of the meter (calibration) or damage resulting from a power outage.

SUSTAINABLE OPERATIONS

CARBON FOOTPRINT

The carbon footprint as it is presented in the section 'Sustainable operations' has been formulated according to the guidelines of the international Greenhouse Gas (GHG) protocol. As in 2017, we are reporting our emissions in three different scopes. These scopes are explained below.

Scope 1: Direct emissions

These are emissions from greenhouse gasses that arise directly as a consequence of our core activities, from properties, or through leased equipment. In this category, Enexis reports on the CO_2 emissions resulting from gas leakages, leaks from switching devices (SF_6), the use of lease and service vehicles, and heating of buildings. The greenhouse gasses reported in our carbon footprint are expressed in CO_2 equivalents. In addition to CO_2, we report on methane and SF_6 emissions. The conversion factors and emission factors used in the calculations are taken from the IPCC Fifth Assessment Report and www.CO_2emissiefactoren.nl.

For 2017, the equivalents for methane and SF_6 were still reported using the conversion factors from the IPCC Fourth Assessment. As a result, the CO_2 emissions from gas leakage losses for 2018 are around 10%. Without this adjustment, there would be a decrease, primarily caused by the programme to replace grey cast iron pipelines. This material is outdated and frequently suffers from leaks. We are on schedule to achieve our goal of replacing all main pipelines before 2024.

Scope 2: Indirect emissions

This relates to all emissions of greenhouse gasses resulting from the generation of electricity that is used by the company, but generated by third parties. Energy is always lost during the distribution of electricity, due to electrical resistance, for example. In the course of 2018, the electricity grid losses rose by 38 million kWh, mainly as a result of increased customer demand for electricity. The allocation of the purchased volume has been adjusted downwards according to the profile and 61 GWh less allocated grid loss has therefore been purchased. This is offset by the final settlement, which increased by 99 GWh (lower net profit). The grid loss percentage rose slightly in 2018: 3.91% (2017: 3.81%). The number of purchased Guarantees of Dutch origin also increased in 2018. In 2023, we aim to have 40% of our grid losses generated sustainably through sustainable energy that is generated in the Netherlands.

Scope 3: Other indirect emissions

This relates to the emission of greenhouse gasses produced by the activities of the grid operator as a result of energy and fuel consumption for transport, gas extraction, energy production (excluding electricity generation) and emissions at third party sites. This last category contains a number of elements upon which Enexis is able to exert direct influence, such as commuting, public transport and business travel. Under this scope, we also report on a number of elements upon which Enexis is able to exert a limited and less direct influence, such as the grid components by suppliers and waste processing. We have not reported all grid components as we have not yet received all the information from our partners regarding some components. The most important missing component is that of the smart meters.

Information about the chain emissions for ICT is no longer available because our new cloud providers are unable to give this information on a customer-by-customer basis. However, our suppliers (Microsoft and Amazon) do have schemes for achieving up to 100% climate-neutral services. Moreover, the size of our new cloud providers is such that they have their own solar parks and wind farms, hence not only offsetting CO_2, but also making use of green energy. By using cloud providers, we now have the option of temporarily switching off our ICT systems (e.g. outside office hours), reducing our energy use and costs by 65% for those IT environments. Our intention is to implement this for all non-production ICT systems in 2019.

Our footprint in terms of mobility has decreased slightly. This is mainly due to the greening of our vehicle fleet, increased use of public transport and less air travel by our employees. However, there has been an increase in our CO_2 emissions for air travel. The reason for this is that, since 2018, we have been using the accurate data produced by our supplier. The comparative figures from 2017 have not been adjusted.

All emissions that Enexis is able to influence itself are fully offset via Gold Standard Certificates or Guarantees of Origin. This means that scopes 1 and 2 and a large proportion of scope 3 are fully offset, with the result that our net own emissions for 2018 is equal to 0. We≈also feel responsibility for the emissions in the chain (the remainder of scope 3), for example in 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 accurate reports on CO_2 emissions coming from our partners in the supply chain.

EXPERTISE AND SAFETY

Enexis strives to achieve a diverse workforce. We comply with the Participation Act by offering work to people with occupational impairments. The tables below give an impression of our personnel developments in 2018. 99.72% of the personnel falls under the Collective Labour Agreement for Grid Operators.

	Male	Female	Year-end 2018
Personnel			
FTEs	3,483	684	4,167
Labour contract:			
- specific	195	42	237
- indefinite	3,288	642	3,930
Number	3,521	803	4,324
Labour contract:			
- specific	196	45	241
- indefinite	3,325	758	4,083

	Year-end 2018
Contractors	
Number	1,262
- temporary workers	320
- consultants	511
- call specialist	236
- fixed price	195

	Definite period	Indefinite period	Total
Origin and type of employment agreement			
Belgium	1	37	38
Germany	1	27	28
Total outside of the Netherlands	**2**	**64**	**66**
Groningen	24	438	462
Friesland	5	91	96
Drenthe	17	344	361
Gelderland	12	133	145
Overijssel	31	539	570
Flevoland	2	14	16
Noord-Holland	2	15	17
Zuid-Holland	2	25	27
Utrecht	8	55	63
Noord-Brabant	89	1,404	1,493
Zeeland	1	10	11
Limburg	46	951	997
Total Netherlands	**239**	**4,019**	**4,258**
Total	**241**	**4,083**	**4,324**

	LTIF Enexis
LTIF [1]	
Location Groningen	2.05
Location Drenthe	3.40
Location Noord Brabant NO	5.34
Location Noord Brabant W	11.46
Logistics	5.43
EBS	1.28
Customer & Market	1.86
Average	**1.48**

1 For the regional split, the organisational chart is used.

The number of accidents resulting in absenteeism was relatively high in North Brabant in 2018. This was mainly due to a very serious accident in Bergen op Zoom in November 2018, in which three Enexis colleagues were injured.

NORMS AND STANDARDS

Enexis subscribes to the guidelines for employment terms and conditions that apply as fundamental principles and rights at work, as formulated by the International Labour Organisation (ILO).

We have a code of conduct and a compliance protocol for employees. Upon entering employment, all employees are required to sign a confidentiality declaration, in which they state that they will comply with the provisions of the Compliance Protocol. In addition, employees who have access to price-sensitive information are required to sign a confidentiality statement. As described in the section on sustainable operations, the suppliers' code of conduct applies to our suppliers. Finally, Enexis has designed its CSR policy and activities according to the international ISO 26000 guideline for CSR. The CSR policy is embedded in a Board Statement and in principles.

LAWS AND REGULATIONS

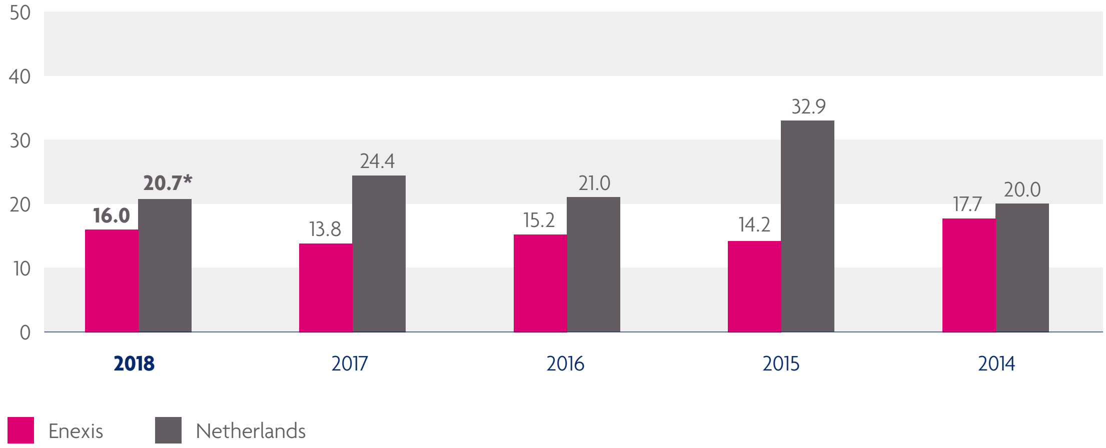
In 2018, no fines were received by the Administrative and Legal Affairs (BJZ) departments or other relevant departments with regard to the services provided by Enexis, and also not for non-compliance with the E-Act, the G-Act and environmental legislation.

BENCHMARKS

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 been lower than the Dutch average. The graph below shows the annual outage time per electricity connection (as a result of high-voltage, medium-voltage and low-voltage outages) in minutes per connection.



* This is an estimate.

TRANSPARENCY

The Transparency Benchmark, carried out each year on behalf of the Ministry of Economic Affairs and Climate Policy, has been updated. Unlike previous years, no assessment was carried out. Instead, our 2017 Annual Report was assessed on the topic of 'chain transparency and chain responsibility'. We realise that other organisations have a better insight into their supply chains. This allows them to demonstrate responsibility for the possible risks to their own organisation, and the direct and indirect consequences for people, the environment and natural capital. We can follow their example.

In 2019, another assessment for the Transparency Benchmark will take place for the 2018 Annual Report. As in previous years, we aim to be frontrunners with regard to being one of the most transparent organisations in social reporting in the Netherlands.

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. For our part, we provide our employees with the necessary facilities and environment to enable them to do their work to the best of their ability and to enjoy it. This applies, for example, to safety in the workplace and to providing a socially safe workplace.

In 2018, an agreement was reached between employers and trade unions about a new Collective Labour Agreement for Grid Operators (CAO-NWB). The agreement offers a mix of salary increases, a Personal Budget and extra free days. This gives employees in every age group the maximum freedom to choose between money and free time, as well as the option to save up free days. In addition, employees aged 62 and above can make use of a vitality scheme allowing them to work less but retain their pension.

ABSENTEE RATE

The average absentee rate due to sickness in the Netherlands has been fairly stable for several years, at 3.9%, but there are significant differences between different sectors. 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 absenteeism. At 5.61%, the absentee rate at Enexis over 2018 was higher than the Dutch average. The sector average for 2018 was not available at the time of publishing this annual report.

GRI INDEX

In the preparation of the sustainability reporting, the GRI 4.0 Sustainability Reporting Standards 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			
GRI 102-1	Name of the organisation.	Profile	
GRI 102-2	a. A description of the organisation's activities. b. Primary brands, products and/or services including a description of the products and/or services that are prohibited in certain markets.	Profile	
GRI 102-3	Location of the organisation's headquarters.	Appendix: Colophon	
GRI 102-4	The number of countries where the organisation operates, and names of the countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	The Netherlands	
GRI 102-5	Nature of ownership and legal form.	Profile; Our organisation Governance and risk management; Shares in Enexis Holding N.V.	
GRI 102-6	Markets served (geographical breakdown, sectors served and types of customers/beneficiaries).	Profile; Servicing area 2018	
GRI 102-7	Scale of the reporting organisation.	Key figures 2018 - Number of employees	
GRI 102-8	a. Number of employees by type of employment contract (temporary and permanent) and gender. b. Number of employees by type of employment contract (temporary and permanent) and region. c. Number of employees by type of employment contract (full-time and part-time) and gender. d. Whether a significant proportion of the organisation's activities are carried out by staff who are not employees. If applicable, a description of the nature and scope of the activities carried out by staff who are not employees. e. Any significant variations in the figures reported in the information provided under 102-8a, 102-8b and 102-8c (such as seasonal variation in the tourism or agricultural industries). f. An explanation of how the data are collected, including the assumptions used.	Appendix: Facts and figures: Expertise and safety	
GRI 102-9	Description of the organisation's supply chain, including the most important elements relating to the organisation's activities, principal brands, products and/or services.	Profile; Connector in the energy chain	
GRI 102-10	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain.	Appendix: About this report; Scope	
GRI 102-11	Report whether and how the precautionary approach or principle is addressed by the organisation.	Strategic risks; Risk management	

Category name/ indicator	Name of the indicator	Reference	Not reported
GRI 102-12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses.	Appendix: Facts and figures; Standards and Norms	
GRI 102-13	Principal memberships of associations (such as industry associations) and national and international advocacy organisations.	Sustainable operations; Collaboration with local partners	
GRI 102-14	The statement of the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy for addressing sustainability.	Foreword by the Executive Board	
EU3	The number of household, industrial and institutional customers.	Appendix: Facts and figures; Customers and grids Key figures 2018 - The grids	Enexis has opted for a different classification of customers; focused on grid operator.
EU4	The length of the transmission and distribution grids per regulatory regime.	Appendix: Facts and figures; Customers and grids Key figures 2018 - The grids	
GRI 102-16	Description of the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Expertise and safety; Personnel policy	
GRI 102-18	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.	Governance risk management; Appendix: About this report; Management approach to corporate social responsibility (CSR)	
GRI 102-40	List of stakeholder groups engaged by the organisation.	Appendix: About this report; Dialogue with stakeholders	
GRI 102-41	Percentage of total employees covered by collective bargaining agreements.	Appendix: About this report; Expertise and safety	
GRI 102-42	Basis for identification and selection of stakeholders with whom to engage.	Appendix: About this report; Dialogue with stakeholders	
GRI 102-43	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.	Appendix: About this report; Dialogue with stakeholders	
GRI 102-44	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.	Connectivity between aims: Appendix: About this report; Dialogue with stakeholders	
GRI 102-45	a. List of all entities included in the organisation's consolidated financial statements or equivalent documents. b. List of all entities included in the organisation's consolidated financial statements or equivalent documents that are not covered by this report.	Explanatory notes to the consolidated financial statements; General information	
GRI 102-46	a. Process for determining the report content and defining the aspect boundaries of the report. b. Explanation of the points of departure used by the organisation to determine the report content.	Structure of this report; Appendix: About this report; Determining the contents	
GRI 102-47	List of all material aspects identified in the process for determining report content.	Appendix: About this report; Definitions of material issues	
GRI 102-48	The effect of any restatements of information provided in previous reports and the reasons for such restatements.	Changes in definitions in 2018 as stated in the footnotes to the relevant KPIs	
GRI 102-49	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
GRI 102-50	The reporting period for information provided.	2018	
GRI 102-51	Date of most recent previous report.	Enexis Holding N.V. Annual Report 2017 21 februari 2018	
GRI 102-52	Reporting cycle.	Annual	
GRI 102-53	The contact person for questions regarding the report or its contents.	Appendix: About this report; Feedback; Appendix: Colophon	
GRI 102-54	The chosen application level	Core	
GRI 102-55	GRI content index.	-	
GRI 102-56	a. Policy and current practice with regard to seeking external assurance for the report. b. If the report has received external assurance: i. A reference to the external assurance report, statements or advice. A description of the aspects that are and are not covered by assurance and the basis for this, including the norms, the degree of certainty and any limitations if not described in the assurance statement accompanying the sustainability report. ii. The relationship between the organisation and the assurance provider. iii. 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	

SPECIFIC STANDARD DISCLOSURES

Financial value for shareholders

GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Financial position; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
GRI 201-1	Direct economic value generated and distributed.	Financial position; Consolidated financial statements	

Sustainability of own operations

GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Sustainable operations; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
GRI 305-1	Direct greenhouse gas emissions (scope 1).	Sustainable operations; Appendix: Facts and figures; CO_2 footprint	
GRI 305-2	Indirect greenhouse gas emissions (scope 2).	Sustainable operations; Appendix: Facts and figures; CO_2 footprint	
GRI 305-3	Other indirect greenhouse gas emissions (scope 3).	Sustainable operations; Appendix: Facts and figures; CO_2 footprint	

Category name/ indicator	Name of the indicator	Reference	Not reported
Safety			
GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Expertise and safety; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
GRI 403-2	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.	Expertise and safety	
Change capacity of organisation			
GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Expertise and safety; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
GRI 404-1	Average hours of training that an employee has undertaken per year by employee category and gender.	Expertise and safety; Expertise and safety; Search for new employees	Employee category is not reported; not relevant for Enexis. Job level is not reported. In 2018 is Enexis started a phased introduction of roles.
GRI 404-2	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Expertise and safety; Expertise and safety; Change capacity of the organisation	
Compliance			
GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Laws and regulations; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
GRI 307-1	Amount of significant fines and total number of non-monetary sanctions for failure to comply with environmental laws and regulations.	Laws and regulations; Appendix: Facts and figures; Laws and regulations	
GRI 419-1	a. Significant fines and non-monetary sanctions for non-compliance with laws and regulations relating to social and economic matters in terms of: i. monetary value; ii. non-monetary sanctions; iii. cases pending through dispute resolution. b. If the organisation has not identified any non-compliance with laws and/or regulations, a brief explanation of this fact is sufficient. c. The context in which significant fines and non-monetary sanctions were imposed.	Laws and regulations; Appendix: Facts and figures; Laws and regulations	

Category name/ indicator	Name of the indicator	Reference	Not reported
Customer-focussed			
GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Customers and grids; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
Enexis indicator	Customer Effort Scores.	Objectives and performance; Customers and grids; Services to customers	
Increasing the sustainability of the energy supply			
GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Sustainable operations; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
Enexis indicator	Number of tons of CO_2 emissions saved by Buurkracht project.	Sustainable operations; Saving energy	
Innovation and digitisation			
GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Customers and grids; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
Enexis indicator	Number of stations equipped with distribution automation (Light).	Objectives and performance; Customers and grids; Intelligent grids	
Accessible energy supply			
GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Sustainable operations; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
Enexis indicator	Increased sustainability of urban area.	Sustainable operations; Increasing sustainability in the urban environment	

Category name/ indicator	Name of the indicator	Reference	Not reported
Reliability of energy supply			
GRI 103-1	Description and boundaries of material topics.	Appendix: About this report; Scope; Determining the contents	
GRI 103-2	Management approach.	Customers and grids; Appendix: About this report; Scope; Determining the contents	
GRI 103-3	Evaluation of management approach.	Appendix: About this report; Scope; Determining the contents	
EU 28	The frequency of electricity outages.	Customers and grids; Appendix: Facts and figures; Customers and grids	
EU29	Average outage time.	Customers and grids	

DISCLOSURE OF NON-FINANCIAL INFORMATION

	Description	Reference
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		Sustainable operations; Appendix: About this report; Management approach Corporate Social Responsibility (CSR)
Risks and their management	Energy grid not adapted to the energy transition in time.	Governance and risk management; Strategic risks
Non-financial performance indicators	Number of tons of CO_2 emissions saved by Buurkracht project. Reduction in CO_2 of leased cars and claimed mileage. Waste. CO_2 footprint.	Sustainable operations
Social and personnel matters		
Policy pursued and its results		Expertise and safety; Appendix: About this report; Management approach Corporate Social Responsibility (CSR)
Risks and their management		Governance and risk management; Strategic risks
Non-financial performance indicators	LTIF Enexis. Training and education Engagement and teamwork Sustainable employability. Age category Inflow and outflow. Participation in the labour market.	Expertise and safety

	Description	Reference
Respect for human rights		
Policy pursued and its results	Enexis acknowledges and subscribes to the United Nations' Universal Declaration on Human Rights. Aspects involving human rights are described in detail in the Collective Labour Agreements, company regulations and the Enexis Code of Conduct. For reporting any infringements, Enexis has a complaints procedure, confidential advisers and a whistleblower policy. The Enexis Code of Conduct is publicly available on the website. In the event of any infringements, this is reported.	Sustainable operations: Socially responsible procurement; Expertise and safety: Personnel policy; Appendix: About this report; Management approach Corporate Social Responsibility (CSR)
Risks and their management		Enexis has not identified any risks in the context of the guidelines and arrangements in this area.
Non-financial performance indicators	Code of Conduct for suppliers. Enexis Code of Conduct. Complaints procedure. Fraud regulations and implementation protocol.	Enexis does not maintain a specific quantitative KPI with respect to upholding human rights. Making our social performance measurable is something we regard as an important topic, which we will focus our attention on in the coming years.
Anti-corruption and bribery		
Policy pursued and its results		Sustainable operations: Socially responsible procurement; Appendix: About this report; Management approach Corporate Social Responsibility (CSR)
Risks and their management		Enexis has not identified any risks in the context of the guidelines and arrangements in this area.
Non-financial performance indicators	Code of Conduct for suppliers. Enexis Code of Conduct. Complaints procedure. Fraud regulations and implementation protocol.	Enexis does not maintain a specific quantitative KPI with respect to corruption and bribery. Making our social performance measurable is something we regard as an important topic, on which we will focus our attention in the coming years.

GLOSSARY

NON-FINANCIAL TERMINOLOGY

NETHERLANDS AUTHORITY FOR CONSUMERS & MARKETS (ACM)
The Netherlands ACM supervises fair competition between companies and protects consumer interests, regulates rates charged by power companies and oversees compliance with the Electricity Act 1998 and the Gas Act.

ANNUAL OUTAGE TIME (AOT):
Annual outage time due to unforeseen interruptions (outages). The average number of minutes (electricity) or seconds (gas) that the customer did not have any energy supply in a calendar year.

DUTCH DATA PROTECTION AGENCY (AP)
The Dutch Data Protection Agency (AP) is the independent regulator in the Netherlands that promotes and monitors personal data protection.

CHAIN
The group of parties that carry out a process together. Enexis is active in the energy chain and in the resources chain.

CORPORATE SOCIAL RESPONSIBILITY (CSR)
CSR is a manner of doing business that has the aim of limiting the negative influence of business operations on the environment, and of exerting a positive influence on society.

CUSTOMER EFFORT SCORE (CES)
The Customer Effort Score shows how much effort a customer has had to make to get their request dealt with.

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

FEEDBACK ENERGY
When customers feed energy back into the energy grid due to the generation of their own (generally, sustainable) energy.

ENERGY AGREEMENT
Short for 'Agreement on Energy for Sustainable Growth', which was signed by 40 parties, including the Dutch government, in September 2013 with the objective of increasing the sustainability of the energy supply.

ENERGY CHAIN
Everything 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 sources to decentralised production using 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 relating 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.

LOST TIME INJURY FREQUENCY (LTIF)
This is an 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 (AOT).

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

RELIABILITY
The degree of reliability of the energy supply, expressed as the average time and frequency of interruptions to energy transmission (outages) 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 which uses ICT to react to situations in which the demand and the supply of energy require managing.

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 access port for further processing in their own auxiliary equipment.

STATE SUPERVISION OF MINES (SODM)
SodM is the independent regulator for mineral and energy extraction in the Netherlands, as well as gas safety.

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 eight stakeholders: customers, employees, shareholders, market and chain partners, investors, policymakers, policy influencers, local energy partners.

SUSTAINABILITY
'Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. Enexis interprets this, in short, and in relation to its primary tasks, as 'The aim of dealing with energy sources and the environment in a responsible manner'.

SUSTAINABLE EMPLOYABILITY PLUS (DI+)
The scheme that comes into effect when there are developments that are expected to lead to future 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.

FUNDS FROM OPERATIONS (FFO) / NET INTEREST-BEARING LIABILITIES
Funds from Operations divided by 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

FFO interest coverage ratio 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 minus 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) minus 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.

RETURN ON INVESTED CAPITAL (ROIC)

ROIC is EBIT divided by invested capital at year-end.

SOLVENCY

Equity x 100% divided by the balance sheet total.

COLOFON

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