ENEXIS
HOLDING N.V.

ENERGY IN A **NEW REALITY**

ANNUAL REPORT 2019

TABLE OF CONTENTS

STRUCTURE OF THIS REPORT

At Enexis[1], we are intrinsically motivated to promote a feasible and affordable energy transition for everyone. In this annual report we explain to you why we see this as our social mission, what we aim to achieve in the long term, and the value we added with our daily activities in 2019.

We also provide insight into how we are contributing to the climate objectives and how we are actively seeking to make our activities more sustainable. This way we make our contribution to the Sustainable Development Goals (SDGs) explicit. We are taking the first step towards the further integration of our objectives into our business operations.

ADDING VALUE IS OUR PRIMARY GOAL

Now that the energy transition is gathering pace, we notice that our activities in relation to 'excellent grid management' and 'accelerating the energy transition' are becoming inextricably intertwined. One cannot do without the other. The value we add in the long term is not focussed on one of these pillars, but at a mutually reinforcing combination of the two. At the same time, we add value in relation to material issues and the SDGs.

Our value-adding activities, both in 2019 and in the longer term, are broken down into four subjects listed below, and they also provide the structure for this annual report. Our strategy, material issues, risks and our contribution to the SDGs are inherently interwoven in these subjects.

- customers and grids
- sustainable operations
- safety and expertise
- financial position

Finally, separate theme pages are devoted to the priorities we set ourselves for 2019: safe working practices, customer-driven work, improvement projects for the customer and accelerating the energy transition.

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.

ENERGY IN A NEW REALITY

Never before have climate and sustainability attracted so much attention as in 2019. All over the country, from residential neighbourhoods to rural areas, massive investments are being made into solar energy. By embracing renewable energy, consumers, companies and governments are jointly building a new energy system. And Enexis is facilitating this drive across a large part of the Netherlands. Much has changed in our 10-year history as Enexis Groep. A new reality has emerged in the energy landscape.

As a grid operator, we are an increasingly visible link in the energy transition. Last year, we placed our signature on the Dutch Climate Agreement and were a prominent participant in the talks about the Regional Energy Strategies. We are contributing to the energy revolution and actively seeking cooperation. We need cooperation with market parties and energy suppliers in such areas as data exchange and privacy protection. We work together with training institutes to promote skills and knowledge development and to get young people enthusiastic about our work. With local administrators we work out sustainability plans and discuss regulatory amendments with ministries and supervisors. All these forms of collaboration enable us to coordinate our efforts, achieve objectives faster, and move the energy transition forward.

OUR DRIVE TO CONNECT SUSTAINABLE INITIATIVES

Whilst we are working hard to build the energy system of the future, the main thing for our customers is to have a secure energy supply every day. Reliable access to energy is a certainty in our society. Our low outage time, 14.2 minutes for electricity and 51 seconds for gas in 2019, is something we want to maintain. Enexis will therefore stick to its course amidst the turbulence of the energy transition. It is our task to ensure an energy supply that is safe, reliable, affordable and accessible to everyone, both today and in the decades ahead. That's a difficult assignment, because we must make long-term investments in renewable connections now, even though the definite design of the new energy system is not yet ready.

The number of renewable feed-in connections has tripled in the past five years. So far, Enexis Netbeheer has managed to keep pace with this development thanks to smart investments. But the potential for more large-scale renewable production on the electricity grid is currently limited. This became clear in 2019 when we sometimes had to say "no" to customers and were unable to connect all renewable projects to our grid. Disappointing customers in this way was a painful, but necessary decision. Because business-based renewable initiatives require a lot of transmission capacity and our grid is not always equipped to handle this demand, particularly in Groningen, Drenthe and Overijssel. Together with TenneT, we are trying to establish how we can create sufficient capacity and how much time this will take. To prevent the queue of customers growing in the meantime, a new legal obligation was introduced in 2019 for applicants for the SDE+ renewable energy grant scheme. They must now have a statement from the grid operator indicating that sufficient transmission capacity is available for their application. A subsidy application without confirmation of transmission capacity will not be processed. This increases the chance of grant-approved projects being realised, thus ensuring that the grants are actually used for renewable generation.

SCARCITY CALLS FOR MORE FOCUS

Last year, transmission constraints were compounded by a shortage of staff and materials. Both strike at the heart of our operational work and, hence, affect our customers. One question we ask ourselves daily is: how can we get the work done safely with a limited number of people? First and foremost, we were fortunately able to count on the loyalty of our staff in these extra busy times. We are proud that our teams stand ready day and night to get the job done. Secondly, we made choices in our work scheduling: what must we do now, and what can wait? The four priorities we set for 2019 were: safe working, customer-driven working, improvement projects for the customer and accelerating the energy transition.

Safety is always our highest priority. It is the cornerstone of our work and the energy system, a certainty that our employees, their families and customers can always rely on: we work safely or not at all. Everyone must return home safely and in good health every day. For several years now, our safety score at Enexis has been on an improving trend. We also notice that safety awareness within the organisation is steadily growing. In 2019 we focused on leadership and encouraged employees to challenge one another about potentially unsafe situations. Changing behavioural patterns is not always easy, but we are doing what we can to remove impediments by means of workplace discussions, for example. We are convinced that the reinforcement of our operational management will enable us to realise a growing work package. At the same time, more technicians and IT staff are needed to achieve sustainable neighbourhoods and technological innovation in the grids. To address this problem, we run our own technical skills academy to train technicians. In the year ahead, we will continue to grow and place emphasis on skills and learning.

PRIORITY TO CUSTOMERS

Based on the priorities set in 2019, customer requests always came first last year. Maintenance and replacements were postponed, provided our grid and work remained safe. Despite this priority treatment, we could not realise consumer and business connections on time in all cases. That is annoying, because we know that delays can cause great inconvenience to customers. To discuss their expectations, we now more frequently contact customers in person. This personal approach is appreciated. And our consumer satisfaction ratings have risen. Large corporate users, however, were less satisfied due to the long waiting times. In the current conditions, it is difficult to increase customer satisfaction to a permanently higher level but we are not satisfied with where we stand now. By increasing our operational capacity, improving the planning and personal interaction with customers and suppliers we are working on continuous improvements. This helped us to strengthen the focus on our activities in 2019. That is why we stick to the same priorities in 2020: consistency is the best way forward.

NEW ENERGY TRANSITION ISSUES

The shape of the energy system of the future is still a big unknown. An integrated vision is key to make the correct decisions for our brand-new energy system. The Dutch Climate Agreement was a first step and its implications will be worked out in more detail in the coming months in the Regional Energy Strategies. In all our service areas we are arguing for an energy system that combines renewable electricity, green gas and sustainable heating. In this way, we are utilising the existing infrastructure to the full and keeping the transition on track.

Ensuring that energy remains affordable for everyone in the future is a crucial challenge. On the one hand, the energy system must be kept up and running at the lowest possible costs to society; on the other hand, major investments in the energy infrastructure are needed now. Together with other grid operators, we are working on a tariff structure that stimulates efficient use of the grid as well as a fair distribution of costs. Enexis will invest proactively to future-proof the energy infrastructure, although the period between costs incurred and their recovery under the regulatory framework needs to be shortened. This applies not only to our own investments, but also to TenneT's rising procurement costs.

In addition, regulatory adjustments are necessary to create room for the rapidly growing volumes of renewable solar and wind energy being fed into our grid. Grid operators are currently obliged to maintain reserve margins in transmission capacity. Permission to use this 'emergency lane' on the grid for intake from producers would create about thirty per cent more capacity. In addition, transmission capacity is built to cope with the peak output of customers. It would make a big difference in transmission capacity if energy producers curtailed a portion of their peak output. This can be done in various ways; temporary storage of peak production would also help.

MEETING CHALLENGES TOGETHER

As the Netherlands moves rapidly towards a more sustainable future, a new reality is emerging in the energy landscape. Alongside an integrated vision of the energy system, fundamental political and social choices must be made. One key issue concerns the role of solidarity in the provision of energy as a basic necessity. Our current task as a grid operator is to provide everyone with access to energy. But will this continue to be affordable in the future? Cooperation is crucial to achieve bigger goals. We feel supported by thousands of businesses which – like ourselves – are striving for a better world and committing to the Sustainable Development Goals (SDGs) of the United Nations. Last year, we again selected the goals through which we can make the biggest possible contribution to society. And in the coming period, we will continue to shape our corporate social responsibility activities in line with the OECD guidelines.

Irrespective of all the uncertainties, we are confident that our society can build a solid and sufficiently flexible energy infrastructure for the new era of renewable energy. Our employees deserve a big compliment for the increasing enthusiasm and mutual cooperation throughout the past year, as demonstrated in the employee survey as well as on many other occasions. At Enexis we all stand ready to help drive forward the energy landscape of the future.

Executive Board of Enexis Holding N.V.,

Peter Vermaat, CEO
Maarten Blacquière, CFO

KEY FIGURES

During the energy transition Enexis is growing in terms of both revenue and investment. Reliability of the energy supply remained consistently high.

It is a significant challenge to make the energy supply sustainable. We are modifying our grids and installing connections at customers for feeding sustainable energy back into the grid. We are also focusing on making our own operations more sustainable. Reliability of the energy supply is essential for customers in order to live and work comfortably. Our grids are stable, and the outage time was limited in 2019. Our investment in the grids increased significantly in order to enable the energy transition. Working safely is the priority at all times.

REVENUE
In millions of euros
1,491
2018: 1,445

PROFIT FOR THE YEAR
In millions of euros
210
2018: 319

LTIF ENEXIS
Safety index
1.16
2018: 1.48

BALANCE SHEET TOTAL
In millions of euros
8,258
2018: 7,715

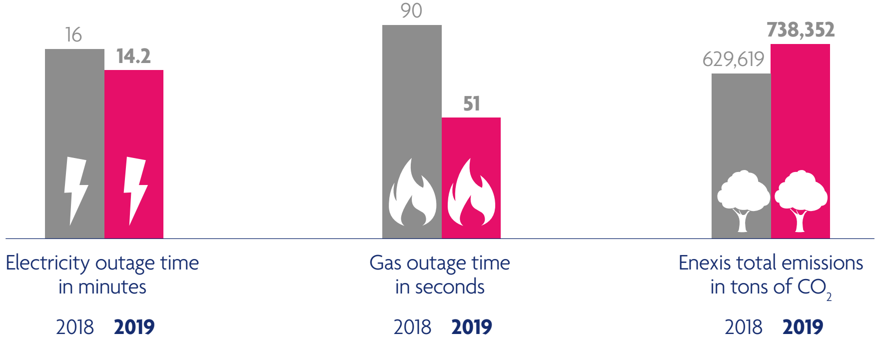
INVESTMENTS IN THE GRIDS
In millions of euros
657
2018: 560

EMPLOYEES ENEXIS
In numbers
4,488
2018: 4,324

Electricity grid
141,000 km
2,849,000 connections
33,759 GwH

Gas grid
46,400 km
2,328,000 connections
5,935 Mm^3

READ MORE
- Section Customers and grids



READ MORE
- Section Financial position

READ MORE
- Section Safety and expertise

READ MORE
- Section Customers and grids

READ MORE
- Section Sustainable operations

PROFILE

Enexis Groep is a regional grid operator. Millions of customers are connected to our dynamic energy grid in order to receive electricity or gas and, increasingly, to feed renewable energy back into it. We are striving to promote the sustainability of the energy system in the Netherlands and to support consumers, businesses and municipalities with their sustainable energy choices.

OUR ORGANISATION

Enexis Holding N.V. has diverse subsidiaries, each with its own specific focus area. Our activities as a whole are organised in Enexis Groep. Our shareholders are mainly provinces and municipalities within our service area.

Enexis Netbeheer B.V. carries out regulated activities, such as the construction, maintenance, development and management of the electricity and gas grid. The Netherlands Authority for Consumers & Markets (ACM) oversees the quality of the services and sets the permitted tariff range for grid operators.

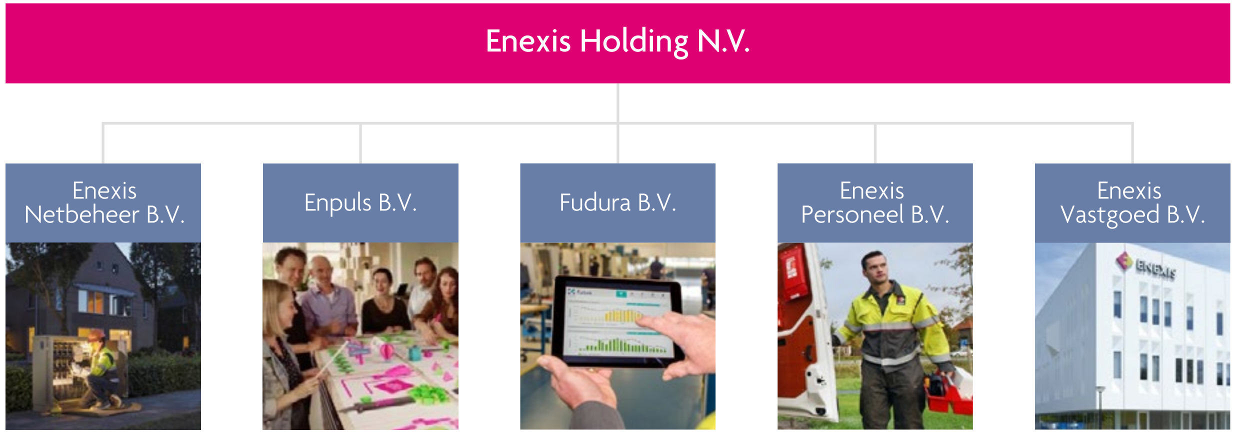
Enpuls B.V. develops visions for sustainable area development, an efficient energy system and mobility to accelerate the energy transition. That is the basis for scalable concepts that can be transferred to private and public parties.

Fudura B.V. offers services enabling businesses to achieve a more effective and sustainable energy system. Among other things, Fudura gives advice, measures energy flows and designs and realises infrastructure. Fudura also leases and maintains e-vehicle charging posts, transformers and switching installations.

Enexis Personeel B.V. and **Enexis Vastgoed B.V.** support the various businesses of Enexis Groep with staff and property services.

Endinet Groep B.V. was legally dissolved in 2019 after being fully integrated into Enexis.

ORGANISATIONAL CHART ENEXIS HOLDING NV (as of 31 December 2019)



OUR PLACE IN THE ENERGY CHAIN

Energy flows into our grid from all sides. Both from large-scale energy producers and from customers feeding in self-generated energy. Enexis is a prominent player in the energy chain and a major driver of sustainability.

LARGE-SCALE PRODUCTION ABROAD

The vast majority of the energy comes from power stations, offshore wind farms and foreign sources.

NATIONAL TRANSMISSION CHAIN

The national transmission grids of TenneT and Gasunie distribute energy to the regional grid in the form of high-voltage electricity and high-pressure gas.

REGIONAL DISTRIBUTION GRIDS

Electricity and gas are transformed in the grids of Enexis Netbeheer into, respectively, low-pressure gas and low- and mid-voltage electricity. Self-generation customers feed renewably generated energy into our grids. We, in turn, deliver energy to customers in the provinces of Groningen, Drenthe, Overijssel, Noord-Brabant and Limburg.

LOCAL RENEWABLE GENERATION AND FEED-IN

More and more customers are producing and feeding in energy from wind, solar or biomass waste. In 2019 energy was fed into our regional grid via about 400,000 connections. The number of Enexis customers feeding in renewable energy is growing every year.

ENERGY AND METERING SERVICES

Enpuls and Fudura develop concepts, scalable solutions and services. They also provide advice on energy optimisation and sustainability enhancement.

OUR STRATEGY

Our goal is to deploy our grids, expertise and activities to achieve a feasible and affordable energy transition for all our stakeholders. This ambition is underlined by our mission, vision and strategy.

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

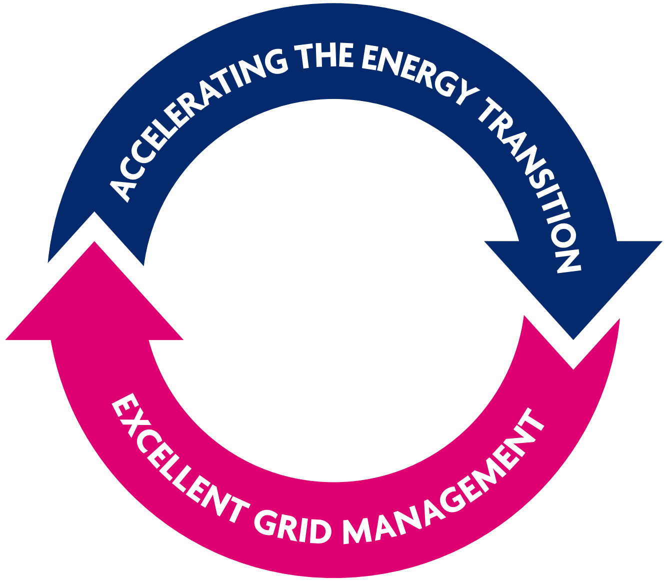
- Everybody wants easy access to energy, at any time and anywhere.
- The drive towards change in the energy landscape is gathering pace. New solutions are necessary to accommodate the rise of renewable generation and energy saving devices.

STRATEGY

As co-signatory of the Dutch Climate Agreement, we are committed to the objective of achieving a 49% reduction in CO_2 emissions relative to 1990 by 2030. Together with tens of other companies, civil society organisations and government agencies, we are putting our shoulder to the wheel to achieve that ambitious objective. Enexis is working hard to facilitate the increase in renewable generation in the Netherlands and to promote national energy savings year after year. We are convinced that we have the knowledge and expertise at our disposal to realise the Dutch climate objectives together with local partners. Moreover, our efforts for the Climate and Energy Agreement tie in perfectly with our core task: to ensure a reliable and affordable energy supply.

Our strategy is aimed at excellent grid management and the acceleration of the energy transition. Due to external developments in wider society, these pillars have become increasingly intertwined. We see excellent management of the energy grid as our license to operate. We strive to maintain the quality of the grid at a high level and are preparing for an increase in (decentralised) renewable generation, energy storage, diversification of heat sources and electric transport. To be able to better navigate the fluctuations in the supply and demand of energy, we are incorporating ICT into our grids. The 'smart grids' and DALI boxes in our stations allow us to resolve or even prevent malfunctions more quickly. In this way, we keep our grids reliable, future-proof and safe. That is the basis.

At the same time, we are accelerating the energy transition and the development of innovative, scalable solutions. We contribute towards sustainable area development, an efficient energy system and mobility; themes that are relevant in the light of the Dutch climate objectives and are closely linked to our energy infrastructure. We are actively looking to cooperate with other companies, government agencies, consumers, cooperatives and knowledge centres. Because to arrive at solutions that work for all parties, we need to join forces and share knowledge to the maximum.



OUR FOUR PRIORITIES

We started the dialogue with our stakeholders in 2019 and worked on solutions to make the supply of energy more sustainable. Focus and priorities were essential in order to reinforce our strategy: excellent grid management and accelerating the energy transition. That is why we are sticking to the same priorities in 2020: a consistent approach.

WORKING SAFELY

Working safety is more than a priority. It comes from within and is our most important value. We want everyone to return home safe and healthy every day. That is why we believe that any accident is one too many. We show leadership and encourage one another to make safe choices. Safety always comes first. Even if the work overruns and/or becomes more expensive. We make no concessions in this regard.

CUSTOMER-DRIVEN WORK

The economy is growing, and extensive investments are done to make homes, buildings and offices more sustainable and making electricity generation more sustainable. We are noticing that this is leading to increased requests from customers. We give priority to carrying out customer-driven work over maintenance and replacement, provided that our networks and our work continue to be safe. We are thereby working on the power supply for today and tomorrow.

IMPROVEMENT PROJECTS FOR THE CUSTOMER

The expansion of our work package and the lack of available staff and materials demand greater focus within our improvement portfolio. We need to do the work for our customers more efficiently or smarter, so that they feel that they have been properly supported. We give priority to improvement projects that deliver visible results for our customers. This increases our social added value.

ACCELERATING THE ENERGY TRANSITION

We want to take steps to both facilitate and accelerate the energy transition. Broad support is thereby essential. Initiatives are aimed at implementing and developing achievable and affordable solutions. For example: we help municipal councils to produce plans for solutions that deliver quick results at the lowest possible cost.

OUR ENVIRONMENT

The environment in which we operate is changing rapidly. Global challenges are leading to arrangements at national and international levels, with direct implications for our work.

INTERNATIONAL DEVELOPMENTS

The increase in greenhouse gases in the atmosphere is causing the earth to heat up. Climate specialists of the United Nations are advising governments to take extra measures. Attention for the climate and sustainability is growing around the world. One high-profile event was the recent international climate summit in Spain, while thousands of climate strikers also went out onto the streets in Europe to voice their concerns about the future. Themes such as squandering of resources, climate change and mobility have the power to mobilise young and old alike.

NATIONAL DEVELOPMENTS

The Dutch government has signed up to the climate commitments made in Paris in December 2015 and more recently adopted the Dutch Climate Agreement in 2019. As well as the targeted 49% reduction in CO_2 emissions, the parties have agreed to achieve 35 TWh of installed renewable energy capacity in the form of onshore wind and solar farms by 2030. Sustainable mobility also plays a prominent role in the Climate Agreement: all cars sold after 2030 must be emissions-free. An ambitious challenge, certainly. But with the right regulations, leadership and focus, it can be done. The relentless rise of renewable energy is visible all over the Netherlands. Myriads of initiatives are being taken for large- and small-scale renewable generation, industrial electrification, the construction of e-vehicle charging infrastructure and gas-free residential heating.

HOW IT IMPACTS ON ENEXIS

Early identification of developments is crucial for Enexis so that we can prepare our services in good time. Our grids must be adapted and reinforced to cope with new demands such as renewable feed-in and e-vehicle charging. We are working hard to rise to this challenge, but modifying the energy infrastructure costs time. An added consideration is that electricity alone cannot meet all our energy needs of the future. Enexis is therefore a strong proponent of an energy mix with other sustainable alternatives, such as green gas. The gas grids in many neighbourhoods will remain in place after 2030 and can possibly be used to supply green gas or hydrogen. To give everyone affordable access to new technologies, European and Dutch laws and regulations must give grid operators more freedom for experimentation.

We are helping customers to put sustainable thinking into action. Every day, we realise connections for feeding renewable energy into our grid. We are also working on proposals for a grid tariff structure that encourages customers to use the grid more efficiently by spreading their energy consumption across the day. The digitisation of our energy system also leads to direct energy efficiency gains. But digitisation has undesirable effects as well. The risk of privacy infringements and unfair competition is growing. In view of the increasing importance of energy data in our sustainability planning, we advocate the introduction of a clear statutory framework for data sharing and data retention. While our services are becoming increasingly digitised, personal contact remains vital.

Enexis wants to lead by example as a sustainable operator. To give insight into our contribution towards global and national challenges, we are working to quantify our positive and negative impacts on diverse aspects. We are a co-signatory of the Dutch Climate Agreement and are helping to advance the Sustainable Development Goals of the United Nations. We feel responsible for facilitating a sustainable energy supply and for helping to reduce the CO_2 emissions in the Netherlands.

WHAT ARE THE IMPLICATIONS FOR OUR STAKEHOLDERS?

The transition to a new energy system also has implications for our stakeholders. In 2019 we entered into a dialogue with them about the question: 'How can we make the energy transition work for everyone?' The most important values mentioned for the energy transition were honesty, dignity and vulnerability. People want to contribute, understand that we do not have all the answers and expect us as a grid operator to be open to different perspectives.

In these dialogue sessions, Enexis was supported in 2019 by Number 5 Foundation, an organisation set up by Laurentien van Oranje and Constantijn van Oranje.

READ MORE

FOCUS ON ADDED VALUE

As a public-private company, we work in the interests of society. We deploy our grid, employees and financial resources to unlock new opportunities for stakeholders. That includes electric transport, renewable generation and sustainable housing.

As a grid operator, we cannot provide solutions for everything, so we focus on what we can do to help stakeholders move forward. Not simply by ensuring that energy is always available, but also by facilitating developments. How we add value is illustrated in the diagram on the next page. We start with the environment and the developments to which we want to make a direct contribution. Next we show what we need to do our work (input), what our actual results were in 2019 (output) and what qualitative value we add in the long term for stakeholders (outcome) and for a better world (SDGs). Clearly, our strategic objectives play a crucial role in steering our actions. And this, in turn, has a direct impact on our added value in the fields of:

- customers and grids
- sustainable operations
- safety and expertise
- financial position

Our results for 2019 contribute to the long-term value we aspire to deliver. The implementation of distribution automation, for instance, contributes towards the long-term reliability of our energy supply. Another example concerns our involvement in the formulation of Regional Energy Strategies (RES) in 2019. Our input helps municipalities in reaching their sustainability ambitions and reduce CO_2 emissions in the Netherlands. And by investing in the expertise and safety of our employees, today, we are helping them to improve their long-term employability for the future.

Not all the effects of our work are positive, however. Our employees run safety risks, we use scarce resources and energy distribution leads to grid losses and the associated CO_2 emissions. This is a direct consequence of our core activity: ensuring a reliable and affordable energy supply. We strive to reduce our negative impact and increase our positive impact on all fronts.

MEASURING IMPACT

By giving more insight into our positive and negative impacts and taking measures, we want to show that we, as a grid operator, are taking responsibility for society. Together with eight other infrastructure operators (as part of the Green Grid Coalition) we started a project in 2019 to make a qualitative description of the value of infrastructures in the Netherlands. In the coming years we aim to develop a shared method for the quantification of these infrastructures. This will enable us to measure and compare our performance in order to jointly boost the value we deliver to society.

We want to gain a better understanding of how our added value is created and how we can improve this in the long term. To this end, we are working to make specific aspects of our impact measurable. Ultimately, this input will allow us to draw up a social balance sheet, indicating our positive and negative contributions to the prosperity and well-being of our stakeholders. Based on this information, we can also determine what improvements we need to make.

An initial stock-take shows that the distribution of electricity and gas has a high well-being value for society. At the same time, energy outages yield a negative value for society in terms of financial loss as well as inconvenience. Another important finding concerned our negative impact on nature through CO_2 emissions and fossil depletion. The ongoing electrification of our society is leading to an increase in the electricity transmission in our grids, so that the volume of grid losses and the associated CO_2 emissions is also rising. On the one hand, therefore, the realisation of our climate objectives produces higher emissions. On the other hand, we are seeking to limit our grid losses through the procurement of more economical components.

HOW WE ADD VALUE

TRENDS

- Climate-related actions
- Electrification
- Acceleration in sustainable generation
- Increase in sustainable mobility
- Digitisation
- Changing laws and regulations

DIALOGUE

We maintain an ongoing dialogue with our stakeholders: customers, employees, shareholders, market and chain partners, investors, policymakers, special interest groups and local energy partners.

SDGs

17 Sustainable Development Goals to make the world a better place by 2030.

INPUT

CUSTOMERS AND GRIDS

Our energy grids deliver electricity and gas to customers and a growing number of our customers feed energy back to us. Systems and data empower customers to make their own choices.

SUSTAINABLE OPERATIONS

We support provinces and municipalities with their Regional Energy Strategies. In addition, we are making our own operations more sustainable.

SAFETY AND EXPERTISE

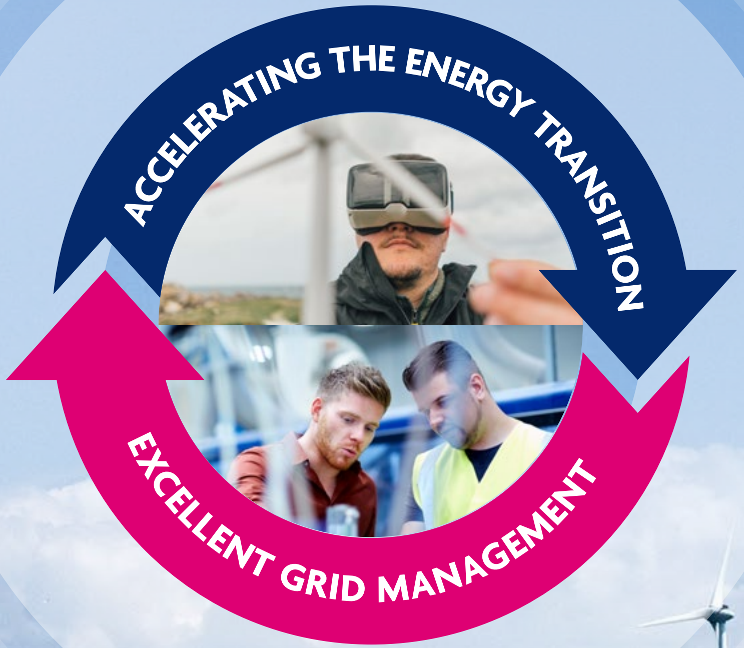
Enexis employs 4,488 people. They work constantly to improve their expertise and long-term employability.

FINANCIAL POSITION

Income from grid tariffs is used to maintain the energy infrastructure. We invested € 657 million in the grids.

ADDED VALUE

- We realise innovative, scalable solutions that accelerate the transition to a sustainable energy system.
- Together with local partners we are helping to realise the Dutch renewable energy and energy-saving goals.



- Our grids and services will be ready in time to cope with the changing energy landscape.
- Our energy supply is reliable.
- We strive for excellent service, high customer satisfaction and cost reductions.

OUTPUT

CUSTOMERS AND GRIDS

- Average electricity outage time: 14.2 minutes
- Average gas outage time: 51 minutes
- Number of substations equipped with distribution automation: 250
- Installation of smart meters: 84.6%
- Customer Effort Scores

SUSTAINABLE OPERATIONS

- Participation in 9 RES steering groups
- Enexis CO_2 emissions: net 0
- Employee CO_2 reduction via mobility: 22.5%
- Waste policy: 93% recycled waste

SAFETY AND EXPERTISE

- Lost Time Injury Frequency Enexis:
  - Enexis: 1.16
  - Contractors: 2.58
- Employee satisfaction:
  - teamwork: 6.6
  - engagement: 7.8

FINANCIAL POSITION

- Revenue: € 1,491 million
- Controllable costs and revenues of Enexis Netbeheer: € 420 million
- Net profit: € 210 million
- Solvency: 49.8

OUTCOME

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

Municipalities are seeking to make their energy supply more sustainable and gain insight into local options. We have a continuous focus on reducing our gross CO_2 emissions.

A safe working environment and long-term employability promote the well-being of our employees and their family members. We offer employment opportunities in municipalities.

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

SDG's

7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES

7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION

4 QUALITY EDUCATION, 7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES

7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES

SUSTAINABLE DEVELOPMENT GOALS

Our work contributes towards the advancement of the global Sustainable Development Goals (SDGs) of the United Nations. To boost our impact, we sharpened the focus of our social engagement activities in 2019. The aim is to use our central role in society as a provider of key services to make a real difference.

MAIN FOCUS ON CORE ACTIVITIES

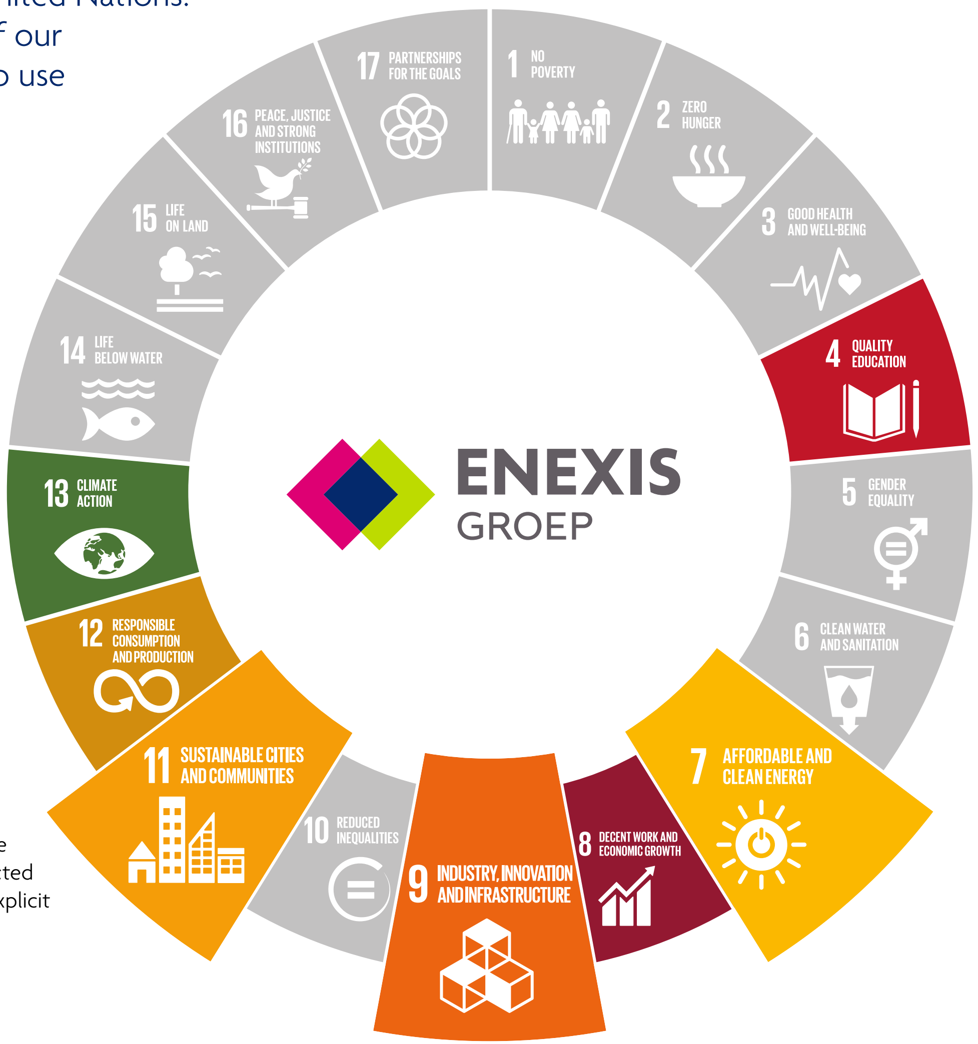
Three SDGs make a seamless fit with our core activities: ensure access to affordable and sustainable energy (7), provide safe infrastructure and cities (9) and help communities become more sustainable (11). These goals are interwoven in our mission, vision and strategy. This, therefore, is where our focus lies and where our impact is greatest.

Through our reliable energy infrastructure we give households and companies in our service area access to energy We take the lead in the development of innovative solutions aimed at affordable and more sustainable energy. We also support provinces and municipalities with the implementation of Regional Energy Strategies. By taking into account the local context, we support economic, social and ecological connections.

The efforts we undertake to achieve these three goals are a recurrent theme throughout our entire annual report. They are an inextricable part of our work. These SDGs are therefore not explicitly described.

DIRECT CONTRIBUTION TO FOUR SDGS

As a grid operator, we cannot make a difference in all areas. Alongside the contributions stemming from our core activities, we have therefore selected four SDGs that we can support directly. Our annual report provides an explicit account of the actions undertaken to advance these goals.



QUALITY EDUCATION

Technical education is crucial to achieving the energy transition: demand for skilled technicians is continuing to grow, which is why we at Enexis Groep see the ongoing development of technical knowledge and skills as an important theme. We contribute to sub-goals 4.3, 4.4 and 4.7.

DECENT WORK AND ECONOMIC GROWTH

To succeed in our work on the energy transition, we need to harness every available talent in society. That's why we are seeking to promote sustained, inclusive and sustainable growth, full and productive employment, and decent and safe work for all. We contribute to sub-goal 8.8. In accordance with the Participation Act, we work with organisations such as the UWV benefits agency to train unemployed over-50s as smart meter engineers. The safety of our people is a primary concern, alongside good working conditions, employee fitness and long-term employability. These are key priorities in our staff policy.

RESPONSIBLE CONSUMPTION AND PRODUCTION

We at Enexis take responsibility for our own consumption patterns and the accompanying production chain. Hence our systematic focus on SDG 12: we are committed to socially responsible procurement, long product use and high-quality end-of-life processing or upcycling (where possible) (sub-goal 12.5).

CLIMATE ACTION

Enexis makes an active contribution to a sustainable and low-carbon future; not just through our core activities, but also via Enpuls. This organisational unit develops visions for the future in the fields of sustainable area development, the energy system and mobility in order to accelerate the energy transition and thus reduce Dutch emissions. In addition, we take responsibility for the impact of our own operations by curbing our emissions. With these activities, we hope to inspire ourselves and others to be an example in sustainability. We contribute to sub-goals 13.2 and 13.3.

OBJECTIVES AND PERFORMANCE

KPI	2019 OBJECTIVES	2019 REALISATION	CLARIFICATION
EXCELLENT GRID MANAGEMENT			
Employee engagement and teamwork	• Q4 engagement score ≥ 8.0 • Q4 teamwork score ≥ 6.5	• Q4 engagement score 7.8 • Q4 teamwork score 6.6	Page 32
Lost Time Injury Frequency Enexis	Any accident is one too many.	1.16	Page 32
Lost Time Injury Frequency Contractors	Any accident is one too many.	2.58	Page 32
Electricity annual outage time	≤ 18.5 minutes	14.2 minutes	Page 18
Controllable costs and revenues[1]	≤ € 408 mln	€ 420 mln	Page 38
Customer Effort Scores (CES)[2]	• Q4 score Standard connections ≤ 24% • Q4 score Installation of Primary infrastructure ≤ 26% • Q4 score Outages ≤ 16%	• Q4 score Standard connections 26% • Q4 score Installation of Primary infrastructure 36% • Q4 score Outages 17%	Page 18
ACCELERATING THE ENERGY TRANSITION			
Reduction in CO_2 of leased cars and claimed mileage[3]	≥ 29% reduction compared to 2014	22.5%	Page 25
Number of substations equipped with Distribution Automation and Distribution Automation Light[4]	DA ≥ 250 stations DALI ≥ 2,000 stations	DA 250 stations DALI 2,447 stations	Page 38
Enexis presence on provincial steering groups [5]	10 out of 10 indicated regions	9	Page 25

1 Enexis Netbeheer (including corporate staff departments). Due to the implementation of IFRS 16 (Leases) as from 1 January 2019, controllable costs and revenues of the 2019 objective have been reduced by € 27 million.
2 A CES year runs from December to November, with each quarterly score being calculated over the period: Q1: Dec, Jan, Feb; Q2: Mar, Apr, May; Q3: Jun, Jul, Aug; Q4: Sept., Oct., Nov. The lower the score, the higher the satisfaction rating.
3 Calculation of these KPI figures for the period from December to November includes trainees and work experience placements, while vehicles with a grey number plate are excluded from this measurement.
4 Target and actual figures for 2019 up to and including November.
5 Represented is defined as the presence of an Enexis Group employee at one or more meetings of the relevant steering committee (in connection with his or her position). Representation shall be demonstrated by the minutes or starting note of the Regional Energy Strategies (RES).

OUR GOALS FOR 2020

Classification of our KPIs for 2020 is based on our most important goals. We no longer differentiate between strategic pillars because goals contribute to both excellent grid management and acceleration of the energy transition.

We measure safety according to the LTIF for Enexis employees and third parties working for us. In addition, we have set ourselves the goal that progress on the work package shall be greater than or equal to € 878 million (+9% compared to 2019). We strive for continuous improvement of customer satisfaction concerning construction of primary infrastructure, installation of standard connections and rectification of outages. As far as affordability is concerned, we want the controllable costs and revenues of Enexis Netbeheer and the corporate staff departments to be less than or equal to € 455 million. The TenneT procurement costs will be considerably higher in 2020; approximately € 50 million more than in 2019. Finally, we intend to ensure that our grids are suitable for changes in the energy world in time. Our aim is to expand the connection capacity for the sustainable supply of more than 1,280 MVA, which is comparable to the energy consumption of 450,000 homes.

MONITORING DEVELOPMENTS

In addition to the above KPIs, we are monitoring developments and trends relating to material issues on a quarterly basis. These issues, which are relevant to stakeholders and have an impact on Enexis, comprise financial value (net profit), reliability of the energy supply (annual outage time), innovation and digitalisation (the number of stations equipped with distribution automation), accessible energy supply (connected decentralised production capacity), sustainability of the company's own operations (CO_2 reduction in leased vehicles and mileage claims compared to the 2014 score) and organisational adaptability (cooperation, employee enthusiasm and absenteeism due to illness).

PROGRESS THROUGH CONNECTIVITY

STRATEGIC CONTEXT

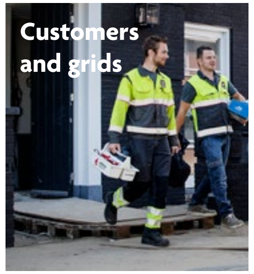
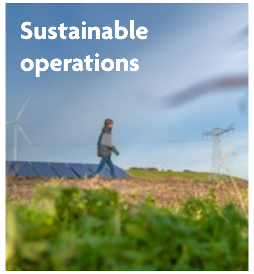
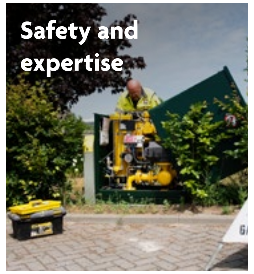
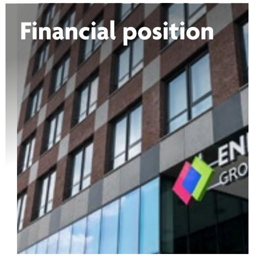
Trends

- Climate-related actions
- Electrification
- Acceleration in sustainable generation
- Increase in sustainable mobility
- Digitisation
- Changing laws and regulations

DIALOGUE

We maintain a continuous dialogue with our stakeholders: customers, employees, shareholders, market and chain partners, investors, policymakers, special interest groups and local energy partners.

SDGs

STRATEGY	ADDING VALUE BASED ON	MATERIAL ISSUES	PRIORITIES IN 2019	STRATEGIC RISKS	KPIS IN 2019	RESULTS IN 2019
Excellent grid management	Customers and grids 	• Reliable energy supply • Customer central • Innovation and digitisation • Compliance	Customer-driven working Improvement projects for the customer	• Realisation of customer demand remains below expectations due to scarcity of staff, materials and/or grid capacity • Unauthorised use of data and/or systems • Failure to anticipate new developments in time due to insufficiently flexible organisation, processes and/or systems • Extensive and prolonged interruptions of the energy supply due to natural disasters, external causes or asset failures	• Annual electricity outage time: ≤ 18.5 minutes • The number of stations equipped with Distribution Automation and Distribution Automation Light: DA ≥ 250 stations / DALI ≥ 2,000 stations • Customer Effort Scores: Q4 score Standard connections ≤ 24% / Q4 score Installation of Primary Infrastructure ≤ 26% / Q4 score Outages ≤ 16%	• 14.2 minutes • DA 250 substations • DALI 2,447 substations • CES Standard connections 26% • CES Installation of Primary Infrastructure 36% • CES Outages 17% Page 18 Page 38
Accelerating the energy transition	Sustainable operations 	• More sustainable energy system • Sustainable operations • Compliance	Acceleration of the energy transition	• Regulatory constraints prevent Enexis from playing an active role in the energy transition	• Reduction in CO_2 of leased cars and claimed kilometres: ≥ 29% reduction versus score 2014 • Enexis presence at provincial steering groups: 10 of the 10 indicated regions	• 22.5% • 9 Page 25
Excellent grid management	Safety and expertise 	• Safety • Organisational adaptability • Compliance	Safe working	• Realisation of customer demand remains below expectations due to scarcity of staff, materials and/or grid capacity • Accidents of employees and/or bystanders due to unsafe situations and/or asset failures • Failure to anticipate new developments in time due to insufficiently flexible organisation, processes and/or systems	• Safe working • Employee engagement and teamwork: – Q4 engagement score: ≥ 8.0 – Q4 teamwork score: ≥ 6.5	• LTIF Enexis: 1.16 • LTIF Contractors: 2.58 • Engagement: 7.8 • Teamwork: 6.6 Page 32
Excellent grid management / Accelerating the energy transition	Financial position 	• Accessible energy system • Financial value for shareholders • Compliance		• Financial position is influenced by effects of energy transition and regulatory method	• Controllable costs and revenues: ≤ € 408 million	• € 420 million Page 38

CUSTOMERS AND GRIDS

A sustainable house, clubhouse or office is what many customers think about and what they achieve. We make the grid as suitable as possible to support all renewable energy choices. While we work diligently on the renewable energy system of the future, the daily reliability of energy is undeniably important for individual customers and for the efficient functioning of society and the economy.

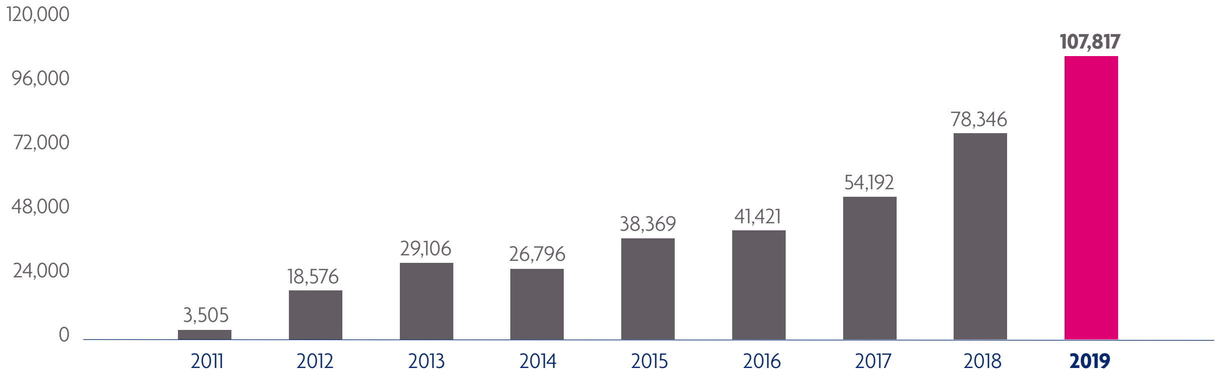
In our societal ambition to connect renewable initiatives to the grid, a stable and reliable energy supply is crucial. Also in 2019 could customers count on a high level of reliability; the outage time for electricity was limited to 14.2 minutes and for gas to 51 seconds. This is, in part, due to our sound conservation policy and an efficient power outage restoration service. We will make every effort to maintain this low outage time in the future by investing in maintenance and management.

ENEXIS' OUTAGE TIME BY REGION

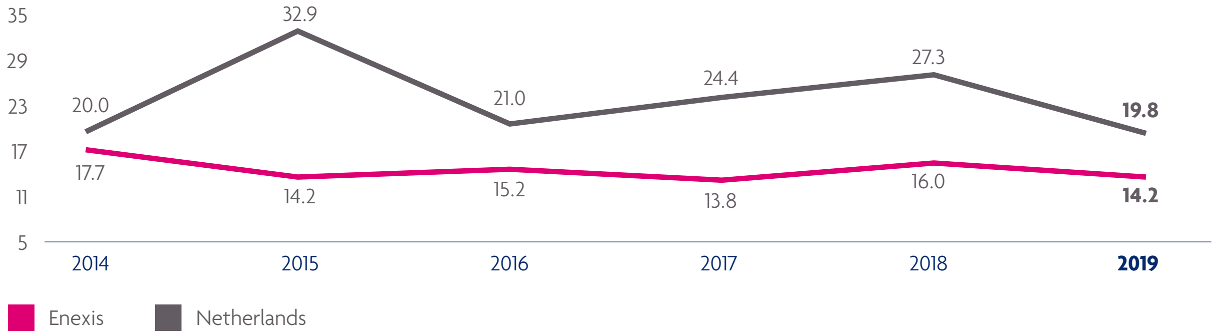
	Electricity (in minutes)	Gas (in seconds)
Outage duration		
Groningen/Drenthe	19.3	93
Overijssel	11.1	48
Noord-Brabant Oost	14.5	47
Noord-Brabant West	12.4	28
Limburg	11.7	44
High voltage[1]	0.5	-
Average	**14.2**	**51**

1 Unable to allocate geographically.

ANNUAL INCREASE IN FEED-IN CONNECTIONS

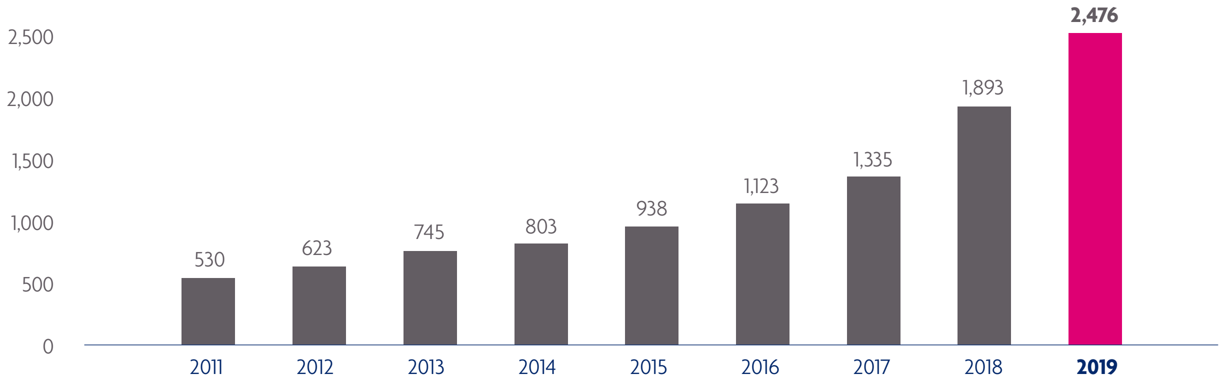


OUTAGE TIME ELECTRICITY COMPARED TO THE NATIONAL AVERAGE



Nestor electricity registration system.

ANNUAL RENEWABLE ENERGY CAPACITY (CUMULATIVE IN MEGAWATT)[1]



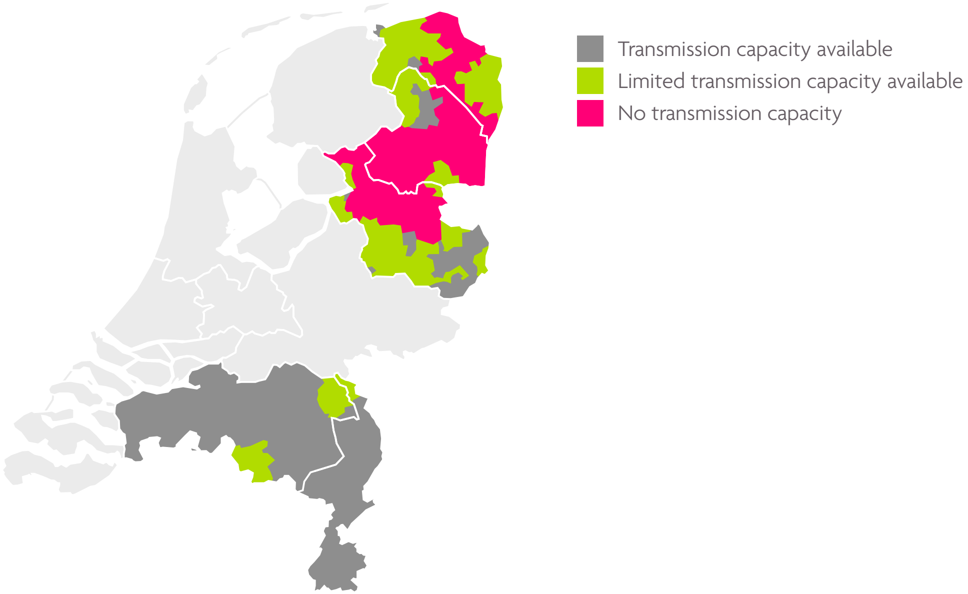
LARGEST INCREASE IN RENEWABLE INITIATIVES

The Dutch electricity supply's dependence on natural resources, such as wind and solar power, increased strongly in 2019. Last year, the number of feed-in connections increased by approximately 35% for consumers and 55% for high-volume customers.

The energy from solar panels on consumers' roofs is easy to integrate for a grid operator. However, the grid is unable to meet the high demand for grid capacity for solar farms that arose among project developers as a result of the SDE+ renewable energy subsidy scheme. On occasion, we were compelled to disappoint customers who wanted to feed energy back into the grid; they had to stand in the 'queue' until transmission capacity became available. This was necessary because an overload of current can damage the grid and thus jeopardise the reliability of supply. The electricity supply is particularly high in the Northeast Netherlands region - which has a relatively low population and traditionally thinner and fewer cables - simply because the energy demand was low. At the same time the area is in great demand for the development of wind or solar

1 Concerns customers in the large business segment.

farms due to the low price of land and the available space. The combination of limited grid capacity and the development of large solar farms in a short period of time means that not all renewable energy initiatives in the Northeast Netherlands region can be connected to the grid in the near future.



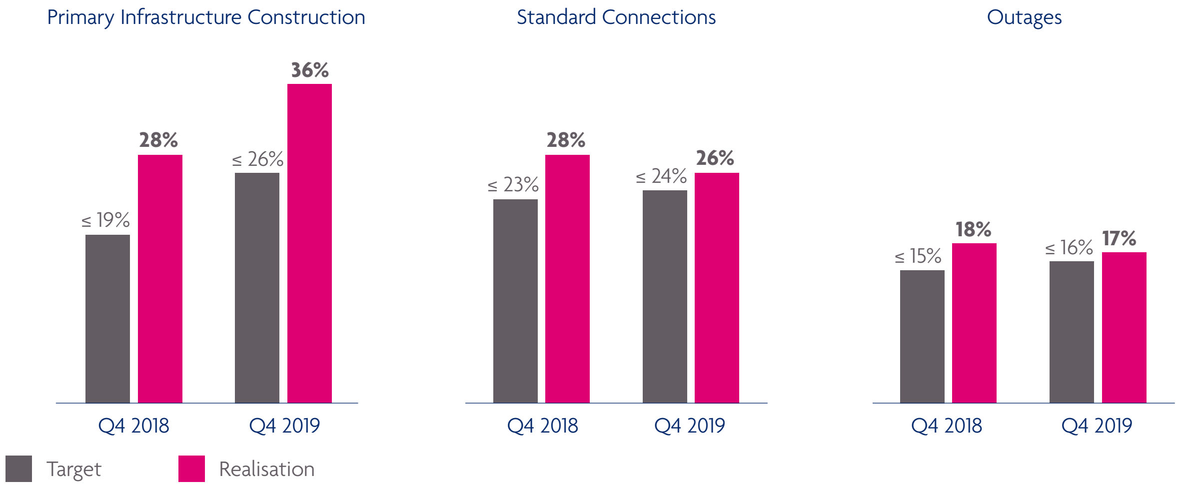
As soon as there is sufficient grid capacity, renewable energy initiatives can still be connected. However, rapid upgrading of our grids is often impossible due to licensing and participation procedures. Moreover, the high-voltage grid often also requires upgrades. Together with TenneT, we are investigating how we can create sufficient capacity and how much time this will take. We also have to contend with a shortage of technical staff in our sector.

To prevent the queue of customers growing in the meantime and to ensure that subsidy is awarded to projects that can actually be implemented, a 'transmission capacity statement' was introduced in 2019. Almost 4,500 customers applied for a transmission capacity statement for their subsidy application, which was issued with a positive result in 87% of the cases. Conducting the grid capacity assessment at the start of the subsidy process will help eliminate surprises for applicants and grid operators down the road and increase the chances of realisation for projects. In special construction teams, employees of both Enexis and contractors will work side by side to prepare projects.

To create more grid capacity, it will be possible to use reserve capacity, curtail peak output and expedite planning procedures in the future. This will also require amending certain laws and regulations. We are in the process of discussing the options and the measures required with market parties, the government and the Netherlands Authority for Consumers & Markets (ACM).

PROVISION OF SERVICES TO CUSTOMERS

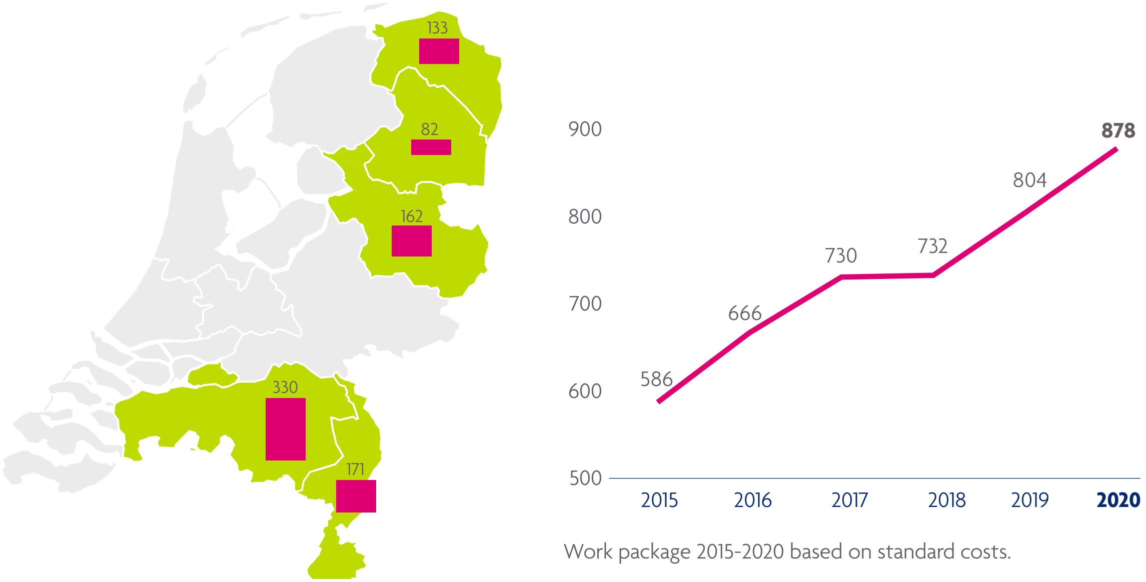
Because of the significant expansion of our work package, we made choices in our work scheduling: what must we do now, and what can wait? We have made customer-driven work and improvement projects for the customer our top priorities. This increased our value for society. In 2019, consumers were generally satisfied with the power outage restoration and new, standard connection services we provided. However, the extent to which high-volume customers are satisfied with our services is declining. This is mainly due to the longer delivery times. On the one hand, the reasons for this lie in our increased workload and the limited transmission capacity, and on the other hand, in staff shortage and longer delivery times for materials. We are investing in teams that can help deliver tailor-made solutions for high-volume customers. We use the Customer Effort Score to measure customer satisfaction in relation to three primary work processes. Note, the lower the score, the higher the satisfaction rating.



Despite this priority treatment, we were unable to realise new grid connections on time for customers in all cases in 2019. Which is very frustrating, because we know that delays can cause great inconvenience to customers. We also observe that the number of complaints from high-volume customers about timely connections increased. It is proving difficult to make structural improvements to services. We want to prevent longer waiting times for customers, however, our work package is growing and the labour market conditions are tightening. Improved planning and personal interaction with customers helps us make continuous improvements. To show that we want to be there for our customers, we will maintain the same priorities in 2020. Where safety is not an issue, customer-driven work will be given priority over maintenance and replacement.

GROWTH OF WORK PACKAGE AND DEVELOPMENT INVESTMENTS IN THE GRIDS

That the energy transition leads to a significant increase in work and costs is reflected in the development of our work package. In the 2015 - 2020 period, our work package grew by no less than 50%. It consists of investments in the electricity and gas grids, grid operations, such as maintenance and power outage restoration services, and the installation of smart meters. These long-term expenditures are preceded by careful considerations. Factors such as safety, reliability, statutory provisions, costs, customer satisfaction and sustainability are considered carefully against each other. We use our ISO-55001 and NTA 8120 certified Risk & Opportunity Based Asset Management (ROBAM) methodology to do so. The work package is shown on the basis of standard costs and is therefore an indicator of the amount of work we carry out. Implementing the work package of € 878 million is one of our most important goals in 2020.



Work package 2015-2020 based on standard costs.

Growth is also visible in the table with gross investments (in accordance with IFRS) shown here. These are the actual investment costs incurred for our electricity and gas grids and the smart meters for low-volume customers. They do not include the operating costs that are specified in the work packages. The increasing investments in electricity grids are mainly due to the growth of sustainable onshore projects (Duurzaam op Land), such as connections for wind and solar farms.

The increase in investments in the gas grids is explained by the higher costs incurred for replacement of fragile pipelines, often in densely populated urban areas.

	Gross investments				
€ Million	2019	2018	2017	2016[1]	2015
Electricity					
Standard connections	30	26	23	21	21
Customised connections	73	34	25	19	20
Grid expansions	194	153	120	93	93
Reconstructions	21	24	22	27	25
Replacements	38	34	38	46	40
Other	22	20	18	15	16
Total Electricity	**378**	**291**	**246**	**221**	**215**
Gas					
Standard connections	9	9	9	7	7
Customised connections	2	2	2	2	2
Grid expansions	16	17	19	17	15
Reconstructions	18	19	18	19	19
Replacements	139	127	127	116	117
Other	2	2	2	2	2
Total Gas	**186**	**176**	**177**	**163**	**162**
Smart meters					
Low-volume electricity	57	53	59	63	22
Low-volume gas	36	40	42	44	13
Total smart meters	**93**	**93**	**101**	**107**	**35**
Total	**657**	**560**	**524**	**491**	**412**

1 Figures 2016 excluding Endinet.

INVESTMENT IN DIGITAL ENERGY INFRASTRUCTURE

In addition to maintenance and implementation of more (renewable) connections, we invest in innovative solutions and digitisation of the grids. This allows us to deploy E-houses on an increasingly larger scale. The E-houses are prefab mobile medium-voltage substations. They are less expensive than conventional medium-voltage substations and can be installed more quickly, which enables us to eliminate the biggest bottlenecks more quickly. However, this is not possible everywhere as E-houses can only be installed in places where space and connection options are available, and there is sufficient transmission capacity in the national high-voltage grid.

We are also creating smart grids that give a signal when a massive feed-in occurs via solar panels. This helps us prevent outages and keep the energy supply reliable for customers. Although grid digitisation was not part of our four priorities in 2019, we still connected approximately 2,500 'DALI boxes' in our substations. This smart automation in our grid substations enables us to more quickly locate and eliminate congestion in the low-voltage grid or power outages.

THREE MILLION SMART METERS

The smart meter is an important part of our smart grids. The meter makes us better prepared for a future of rapidly changing energy supply and demand. In 2020 we will complete the roll-out of the smart meter for all our customers. The 3.5 millionth smart meter was installed in 2019; about 150,000 smart meters are added each quarter. Due to a production error, we replaced almost 50,000 gas meters as a precaution in 2019.

DATA QUALITY AND DATA PROTECTION

In 2019, we made smart data exchange arrangements with fellow grid operators to enable us to facilitate the market in a uniform manner. In the same year, we became the first grid operator to work with the central registration system, C-ARM. Grid operators use the central system to keep track of the number of kilowatt hours of electricity and cubic metres of gas they transport via the grid for individual suppliers. The metering data are necessary for allocating and settling costs with end users.

We are also working on agreements for establishing data retention periods. The shorter the data retention period, the smaller the risk of data breaches and the better we are able to protect customer privacy as required under the General Data Protection Regulation (GDPR). In 2019, Enexis Netbeheer received the ISO27001 certification for protecting its two operating centres, the 130 most important high and medium-voltage substations and the departments responsible for them. This ISO27001 certification affirms that Enexis Netbeheer has an efficient management system for data protection.

We have taken a wide range of structural security measures to protect our operational technology and personal data, such as authorisation management and conducting Privacy Impact Assessments. We are also working on the development of an authorisation platform, where the customer may specify which user may use what data.

OUR DILEMMAS, INSIGHTS AND LESSONS LEARNED

Could we have predicted the increase in renewable energy initiatives?

For a long time, we thought solar panels would mainly be installed on roofs. But the SDE+ renewable energy generation subsidy scheme has made solar farm development a favourable business proposition for project developers. The locations where solar farms are often installed do not take into account the existing infrastructure, yet we are obliged to provide connections. It is therefore important to ensure that the supply matches demand as much as possible. As grid operator, we must also prepare for this. We have learned that timely demand forecast for grid capacity is critical for good preparation and are therefore pleased with the transmission capacity statement.

Opportunities for sharing energy data are limited

Sharing energy data is becoming increasingly important for municipalities and businesses to shape their sustainability plans and initiatives. In doing so, we take into account the statutory requirements regarding confidentiality and privacy protection. In preparation for the new Energy Act, we are working within the sector to establish clear agreements for the exchange of data between suppliers, price comparators, metering operators and grid operators, among others. Enexis advocates clear legal frameworks for data sharing. On the one hand, we are required to disclose data, but on the other hand, we are not at liberty to provide consumption data by postal code, for example. We also are not permitted to enrich data while we know that it can help speed up the energy transition. We provide open data on the location of our grids, asset data and geographical data, while also providing data at an aggregated level. Moreover, we provide solar energy data, among other things, through Statistics Netherlands (CBS). By making data public, we help parties to make choices for the development of solar farms or new residential districts, for example. As grid operator, we would also like to use data provided by other parties in order to deliver more efficient work for customers. As grid operator, we may only have access to connection data, not data relating to customers and/or residents. This makes it difficult to contact customers/residents directly in certain circumstance, e.g. when they are entitled to compensation after an outage, or with regard to work in their neighbourhood or in the event of vacancy or suspicion of energy fraud.

MATERIAL ISSUES

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

RISKS

- Realisation of customer demand remains below expectations due to scarcity of staff, materials and/or grid capacity
- Unauthorised use of data and/or systems
- Failure to anticipate new developments in time due to insufficiently flexible organisation, processes and/or systems
- Extensive and prolonged interruptions of the energy supply due to natural disasters, external causes or asset failures

More about this can be found in the Additional Information

- Outage time per region
- Average number of low-voltage and medium-voltage interruptions per customer
- Five-year infrastructure summary
- Incidents in the gas grid
- Complaints and disputes procedure

CUSTOMER-DRIVEN WORKING

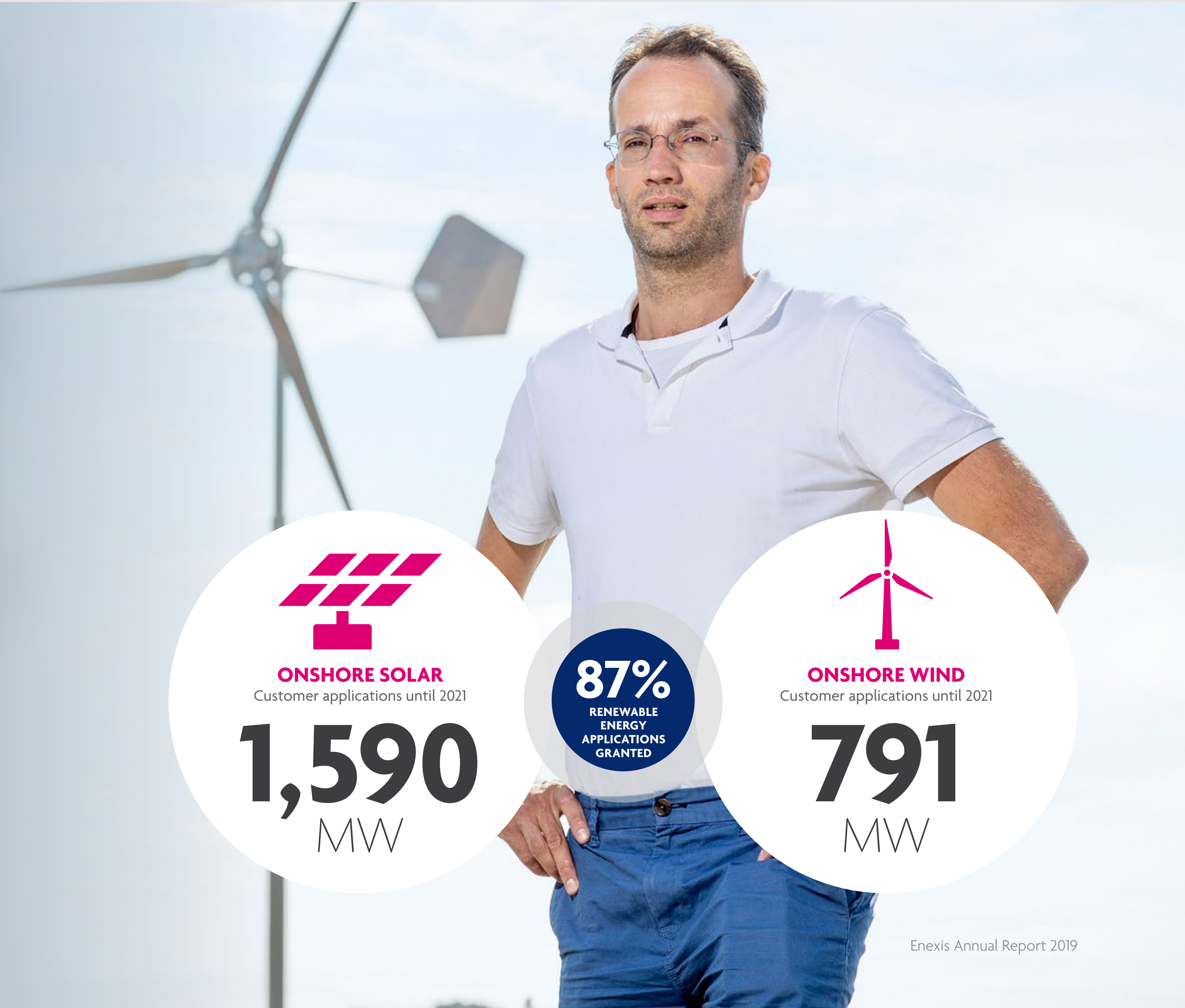
In the summer of 2019, agricultural entrepreneur Jan Kuiper was delighted to see his second wind turbine connected to the grid. A guaranteed success, you might think. Unfortunately, the turbine is not yet operating at full power. The grid has run out of capacity.

The entrepreneur would like to invest more in renewable energy, including a solar farm and rooftop solar panels on the barns. But transmission capacity in Noord-Groningen is limited. In 2019 Enexis made a transmission capacity map indicating current and future availability. That way, customers are not confronted with unpleasant surprises. Although transmission capacity is limited in some places, we were able to provide positive transmission capacity statements for 87% of the applicants for the SDE+ renewable energy grant scheme.

CUSTOMER-DRIVEN WORK IN 2020

- Timely and service-driven realisation of customer connections
- Expansion and upgrading of the grid in the northern region of the Netherlands for solar farm and onshore wind connections
- New relay stations in southeastern Netherlands to facilitate large-scale power generation
- Distribution automation in approx. 4,700 grid stations

“LACK OF CAPACITY **COSTS TIME AND MONEY”**



SUSTAINABLE OPERATIONS

The Netherlands is committed to becoming cleaner and more sustainable. Plans are being made in countless places in our country to implement the Climate Agreement. We support the Agreement and will help in its implementation. On the one hand, by facilitating sustainability in the regions and for customers. On the other hand, by reducing our carbon footprint and using resources in a responsible manner.

Municipalities, provinces and water boards are required to present an initial plan for the Regional Energy Strategy (RES) in June 2020. They will make choices for the generation of sustainable electricity. Every municipality is also required to deliver a heat transition vision by the end of 2021. As grid operator, we possess extensive knowledge and expertise that we can share with municipalities. This enables us, among other things, to define the impact of choices on the electricity grid. We have a comprehensive view of the energy supply and advise administrative bodies at all levels on the capabilities that our grid has to offer. In all the RES regions in which Enexis is active, we served as a partner for the provinces, municipalities and water boards in helping implement the Regional Energy Strategies in 2019. We underscored that, in addition to all-electric solutions or the construction of heating grids, there are more alternatives available to reduce CO_2 and that the plans will have an impact on the grid, and thus on social costs, time and space. As a grid operator, we do not pursue a single solution. Rather, we believe that the most favourable sustainability choices should be made by local authorities. This keeps the energy transition feasible and affordable.

We help local authorities in identifying local opportunities using up-to-date energy data. How much capacity is available? What expansions are possible? We provide relevant information to RES regions so that they can make informed decisions.

FACILITATING SUSTAINABILITY

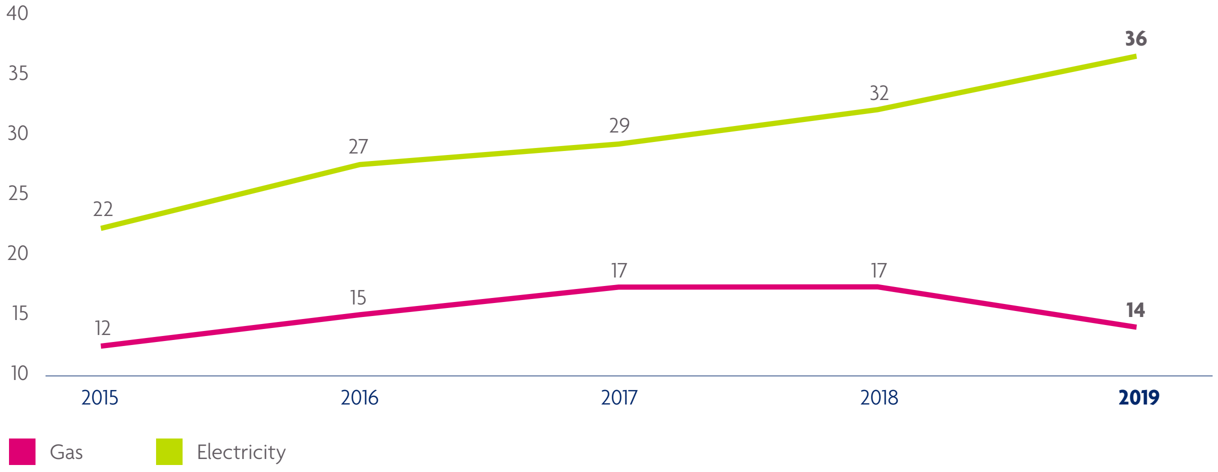
Transition means taking a new direction and making choices. Step by step, we look for solutions that will drive the energy transition. To direct the public debate and find solutions, we actively seek collaboration in various areas: with politicians and policymakers, with supply chain partners and with innovative engineers. We want to add substantive value to sustainability. We do so, for example, by working with Enpuls to develop visions for future-oriented solutions and technology, such as sustainable freight transport, hydrogen and the hybrid heat pump. Moreover, Fudura helps companies use energy more efficiently and improve their energy performance by offering metering services and developing a fit-for-purpose infrastructure with transformers, metering installations, switchgear installations, e-vehicle charging stations, and other services. In addition to the integration of wind and solar energy, we also help make existing residential buildings gas-free, facilitate the development of an e-transport charging infrastructure and help customers achieve energy savings.

GAS-FREE NEIGHBOURHOODS

Making the approximately 7.7 million existing residential buildings gas-free is a significant challenge for the Netherlands. The options in existing residential areas are sometimes limited and the residents have differing views and requirements. To drive this process, 27 Dutch neighbourhoods received a government grant last year to implement their plan to become natural gas-free. Thirteen of the neighbourhoods were located within the service area of Enexis. The knowledge and experience gained in these 'living labs' is useful for other neighbourhoods that have yet to move away from natural gas. The transition to a gas-free neighbourhood affects many of our processes - from the removal of gas connections to the upgrading of the electricity grid. As an organisation, we are accustomed to optimising each process individually, but in the living lab everything takes place at the same time. This is both new and instructive to us. We want to learn from these living labs. What is taking place in the outside world? Why are decisions made and how can we make the biggest contribution? Many living labs are still in the exploratory phase and a next round of gas-free neighbourhoods has been announced.

The graph below shows that the number of new gas connections has been decreasing since 2018, while the number of electricity connections has continued to increase.

DEVELOPMENT OF NEW CONNECTIONS (IN THOUSANDS)



E-TRANSPORT CHARGING INFRASTRUCTURE

By 2030, all new vehicles must be emission-free, so states the Climate Agreement. This will place a significant demand on the e-transport charging infrastructure as 1.9 million electric passenger vehicles and an estimated 1.8 million charging points are expected to be in use by that year. Strong growth is also expected in electric freight transport. The National Charging Infrastructure Agenda (NAL), which is part of the Climate Agreement, sets out how the charging needs of all these vehicles can be met. A challenge is to prevent grid overload due to charging demands. As a grid operator, we support the NAL regions within our service area.

We are committed to developing solutions that make the upscaling of the required charging infrastructure feasible and affordable. We develop prediction models, such as the 'EV Prognosis Atlas', to identify future charging needs. Together with provincial and municipal authorities, we are working to provide a robust public EV charging infrastructure, while focussing on a freedom of choice for EV users. In addition, we are developing concepts, such as the charging proposition for Homeowners' Associations, to make charging for specific target groups easier and more affordable.

38%

INCREASE IN E-VEHICLE CHARGING POSTS IN 2019

The number of charging posts in our service area is rapidly increasing. In 2019 over 2,500 public charging posts were added. In addition, some 800 charging posts were placed at the premises of consumers and businesses. For the coming years we foresee exponential growth of the charging infrastructure in the Netherlands.

ENERGY SAVINGS FOR THE ENTIRE NEIGHBOURHOOD

The importance and influence of social networks in the energy transition is demonstrated by our Buurkracht (Community Power) programme. Set up in 2013, the programme enables neighbours to save energy as a community. Connecting neighbours and improving the neighbourhood are currently among the programme's most important goals. The organisation has grown into an intermediary between neighbours, and between authorities and residents. Since its inception, more than 400 neighbourhoods have been actively working on saving energy, resulting in annual CO_2 reductions. The programme has taught us a great deal about what works and what doesn't work in translating ordinary citizens' initiatives into concrete actions and results. We introduced the lessons learned at the talks at the Klimaattafel Gebouwde Omgeving (a climate roundtable on the built environment). In December 2019, the Buurkracht programme demerged from Enexis to become an independent entity with its own Supervisory Board. As an independent foundation, the organisation can continue to grow and seek greater and broader cooperation with residents, municipalities and other social organisations, such as Enexis. The demerger also means that Buurkracht will develop and offer more services.

EXAMPLE IN SUSTAINABILITY

Enexis wants to be an example in sustainability. Supported by the United Nations Sustainable Development Goals (SDGs) and the Climate Agreement, we want to increase – and shed light on – our contribution to a better world. Last year, we again selected and defined the goals through which we can make the biggest possible contribution to society. And in the coming period, we will continue to shape our corporate social responsibility activities in line with OECD guidelines.

CLIMATE OFFSET AND CO_2

Our activities produce greenhouse gases through grid losses, our vehicles, gas grid leaks, and our buildings, among other things. In 2019, our emissions amounted to 738,352 tonnes of CO_2 equivalent. This is more than in 2018 and is largely due to a different CO_2 conversion factor of the energy purchased for grid losses. The increase in emissions was also due to the purchase of more materials and grid components from suppliers, which was necessary for upgrading and expanding our grids for the energy transition. Lastly, the calculation was expanded in the previous year to include the emissions from grid components. This new model has led to a more complete representation of reality.

CO_2 FOOTPRINT (IN TONS OF CO_2 EQUIVALENT)

SCOPE 1

GAS GRID LEAKAGES
Gas leakage 3,4 million m³ natural gas
54,266
(2018: 55,099)

LEASED CARS AND COMPANY VEHICLES
Fuel consumption vehicle fleet 4.6 million litre, 1.5 million kWh and 0.0 million kg
11,738
(2018: 12,390)

NATURAL GAS CONSUMPTION OF BUILDINGS
1.0 million m³ biogas
0
(2018: 0)

LEAKAGE SF_6 FROM SWITCHGEAR
Leakage 29.9 kg
703
(2018: 536)

SCOPE 2

ELECTRICITY TRANSMISSION GRID LOSS
1,213 million kWh electricity
568,549
(2018: 504,966)

GREEN ELECTRICITY CONSUMPTION OF BUILDINGS
7.7 million kWh green electricity
0
(2018: 0)

SCOPE 3

COMMUTER TRAFFIC
11.9 million km
2,159 (2018: 2,001)

BUSINESS TRIPS
6.1 million km
1,102 (2018: 1,058)

PUBLIC TRANSPORT
Train trips: 6.9 million km, Air travel: 0.8 million km, Taxi trips: 0.0 million km
333 (2018: 218)

GRID COMPONENTS BY SUPPLIERS
5,434 km cable, 1,167 km gas pipelines, 1,090 transformers, 1,410 installations and stations
94,518 (2018: 48,145)

PROCESSING OF COMPANY WASTE
4,985 (2018: 5,205)

ENEXIS TOTAL EMISSIONS
7.7 million kWh green electricity
738,352
(2018: 629,619)

GUARANTEES OF ORIGIN
of origin from hydroelectric power stations in Scandinavia, France (75.1%) and wind power in the Netherlands (24.9%)
568,549
(2018: 504,966)

COMPENSATION WITH GOLD STANDARD CERTIFICATES
70,300 (2018: 71,303)

CHAIN EMISSIONS NOT COMPENSATED
99,503
(2018: 53,350)

ENEXIS NET EMISSIONS
0

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.

The purchase of Guarantees of Origin enables us to green our grid loss of electricity. The remaining portion of our CO_2 footprint in scopes 1 and 2 is offset by Gold Standard Certificates. These 'renewable energy certificates' serve to offset emissions by investing in projects that reduce emissions elsewhere in the world. This brings the net own emissions of the core activities of Enexis to zero. 75.1% of the Guarantees of Origin come from Scandinavian and French hydropower plants (2018: 81.5%) and 24.9% from Dutch wind (2018: 18.5%). Our share of Guarantees of Origin from Dutch renewable energy grows in line with the availability in the Netherlands. By 2023, we want 40% of our grid losses to be generated sustainably with additional renewable energy generated in the Netherlands.

We believe that offsetting our emissions is not enough, which is why we are taking concrete measures to reduce our CO_2 emissions. As such, we are working to make our mobility and our buildings more sustainable. We are also looking to reduce our grid losses and use internal CO_2 prices (€ 40 per tonne of CO_2) for our investment decisions and the purchase of materials, such as cables. Replacing grey cast iron gas pipelines, which we do primarily to keep the gas grid safe and reliable, also results in CO_2 emission reductions. In 2019, we replaced 145 kilometres of this type of gas pipeline, which resulted in a structural CO_2 emission reduction of over 700 tonnes. This replacement programme will remain in effect through 2023.

	2019	2018	2017	2016	2015
Sustainable vehicle fleet					
100% electric passenger cars	497	168	54	37	16
Passenger cars on hydrogen	5	-	-	-	-
Passenger cars on biogas / natural gas	-	3	7	12	17
Hybride passenger cars	261	220	62	49	25

We also feel responsible for emissions produced in the supply chain. To identify and reduce our supply chain emissions, we use CO_2 emission data provided by our chain partners, such as our cable, gas pipeline and transformer suppliers. A detailed disclosure of the CO_2 footprint is provided in the section Additional Information.

71
ESG Rating
21,5
ESG Risk rating

A SUSTAINABLE INVESTMENT

Investors increasingly take the sustainability of our operations on board in their decision-making. They often use the ESG rating as a guideline. ESG stands for Environmental, Social & Governance. The ESG rating is determined by such factors as energy consumption, climate, availability of resources, health, safety and good corporate governance.

The ESG Rating placed Enexis in an average position in 2019, with an overall score of 71, which is a 6-point improvement from 2018. The 21.5 ESG Risk Rating places Enexis in the 'average risk' category, close to the limit for 'low risk'.

RESPONSIBLE CONSUMPTION AND PRODUCTION

We take responsibility for the entire supply chain through which a product moves: from purchase to use to end-of-life disposal. Enexis implements a Socially Responsible Procurement policy in all European tenders. This means that people, materials and/or the environment are a key focus in the tenders. We try to address these focus groups in relation to each product or service to the extent possible. In all European tenders for products from the primary process, we ask for a 'material passport' in order to promote transparency in the chain and increase the circularity of our products. We try to keep purchased products in use to the extent possible. That is why we actively work to reuse various components from our grids. When components reach their end-of-life, we implement our waste management process in order to achieve the highest recycling rate possible. In 2019, we recycled 93% of our waste.

	2019	2018	2017	2016[1]	2015
Amount of waste (in tons) [2),3)]					
Recycled waste	28,540	27,281	30,185	16,115	22,383
Incinerated waste	1,523	1,618	1,529	1,129	1,238
Waste to landfill	355	1,142	2,177	1,173	1,018
Biomass	92	203	-	-	-
Fermentation	95	101	-	-	-
Composting	33	35	-	-	-
Total	30,638	30,380	33,891	18,417	24,639
Of which hazardous waste (%)	4.7	5.3	0.4	0.7	0.7

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

Addressing scarcity of materials requires a supply chain approach. Due to shortages in the market, we cannot always purchase the required materials when necessary. We need to put in place a more effective plan to identify the materials that need to be purchased and when that should be done, so that suppliers can prepare for this in advance. In 2019, several teams were assembled to identify the contract arrangements for important components to ensure that they could be purchased as and when required.

1,715
tons of CO_2 emissions prevented in 2019

INSTALLATIONS ARE GIVEN A SECOND LIFE

Our installations and their components must be reused as well as possible to reduce the procurement of new materials. We refurbish components in cases where the manufacturer no longer exists. That expert knowledge is available under our roof. Refurbishing makes it possible to reuse installations for at least 15 more years. Moreover, materials do not end up as waste and we avoid unnecessary CO_2 emissions. When materials can no longer be reused, we process them as sustainably as possible.

OUR DILEMMAS, INSIGHTS AND LESSONS LEARNED

Higher CO_2 emissions by Enexis as a result of electrification

Working on the energy transition results in higher gross CO_2 emissions for Enexis. The number of electricity connections to our grids is increasing and so is the amount of electricity we transport from A to B. This results in higher grid losses and higher gross CO_2 emissions for Enexis. We are taking measures to reduce grid losses and to make the remaining grid losses greener through the purchase of Guarantees of Origin. As a result, our net CO_2 emissions are zero.

The legal framework limits the grid operator's ability to implement energy transition

The legal scope for experimentation is limited for grid operators. As a result, we cannot conduct tests with hydrogen power in our grids, for example. Needless to say, we will always comply with the law and are compliant, but we are also driven to support the energy transition. In 2019, we held regular meetings with the Ministry of Economic Affairs and Climate and the Netherlands Authority for Consumers & Markets (ACM) to discuss the extent of our latitude in the energy transition. To give everyone affordable access to new technologies, we believe that European and Dutch laws and regulations must give grid operators more freedom for experimentation. This will allow for safe and controlled experimentation, and will allow us to leverage our knowledge and experience for the public good.

MATERIAL ISSUES

- More sustainable energy system
- Sustainable operations

RISKS

- Regulatory constraints prevent Enexis from playing active role in the energy transition

More about this can be found in the Additional Information

- Explanation of CO_2 footprint

ACCELERATING THE ENERGY TRANSITION

What is a region's renewable energy potential? We are taking stock of the opportunities for Regional Energy Strategies.

In 2019 Enexis invested in data management. We are collating data on land use, possible nuisances for local residents, planned sustainability initiatives and the existing infrastructure in a single map. Initiatives are given a high, reasonable or low score to indicate how promising they are. This helps the regions develop effective approaches to their specific climate-related issues.

ACCELERATING THE ENERGY TRANSITION IN 2020

- Developing visions for the future and concepts for effective solutions, such as energy storage and the hybrid heat pump
- Pilots and research for hydrogen distribution via existing gas pipelines
- Roadmap for increasing the volume of green gas
- Development, realisation and management of open heating networks via Enpuls Warmte-infra

> **"IN THE NETHERLANDS,** WE NEED TO TAKE BIG STEPS FAST"

Enexis Annual Report 2019

SAFETY AND EXPERTISE

Working for a grid operator has seldom been so challenging. Our work package is increasing, we have many vacancies and - no matter how busy we are - working safely is a top priority. Improving our operations management is intensifying our focus and enhancing our ability to achieve goals. This is also the result of programmes initiated several years ago to improve efficiency and IT. We will continue this process in 2020.

In addition to being challenging, a job at Enexis is also rewarding. Our employees are helping to build the energy system of the future. A huge endeavour, because so much is changing. To keep abreast of what society demands from us, we have to take big steps, set ambitious goals and work with conviction on new solutions. However, every change sometimes also gives rise to a feeling of work pressure. We are constantly evolving, developing ourselves and our way of working. For, in this day and age, agility is essential. Providing leadership, engaging employees, asking questions and accepting that we don't know all the answers are all required to achieve this aim.

We have been working on this culture change since 2017, as part of the Behaviour and Leadership programme. Our behaviour is evolving along three axes ('from > to'): collaborative change with shared ambition, taking ownership for results and aiming for growth. Our original behaviour has, in the past, brought us a great deal of success, but the current era requires us to grow in different ways. For us, employee engagement and collaboration provide a good indication of the change taking place. We perform an employee survey every quarter. In the final quarter of 2019, collaboration scored 6.6 and engagement 7.8. The survey reveals a positive trend, as Enexis scores higher than the industry average. This is a great accomplishment at a time when society is demanding more and more of us and when we are achieving the highest production ever. We were honoured to receive the Best Employer Seal of Approval in 2019.

SAFE WORKING DESPITE A SHORTAGE OF PEOPLE

Our work package increased significantly in 2019, compared to 2018. We received more customer requests for sustainable connections to our grids, updated technology and worked with municipalities, provinces, water boards and businesses on sustainability plans. There are just too few employees to complete all the work in time. Every day we were confronted with the question: how can we safely manage the increasing workload when additional personnel is so hard to find?

8 DECENT WORK AND ECONOMIC GROWTH

Safety is always our highest priority, even when under pressure. Our aim is to eliminate all accidents. We want everyone to return home safely after a day's work. A fatal accident at the end of 2017 and a serious accident at the end of 2018 made a deep impression on our employees, one that can still be felt today. Fewer accidents resulting in absenteeism occurred in 2019. We also monitored safety incidents that fortunately did not result in an accident involving absenteeism on a daily basis. For every safety incident is one too many. That is why we continue to invest in safety training and, over the past year, have held frequent discussions with each other about safety and the role employees play in it. Do we dare to confront each other about unsafe behaviour? Even when a co-worker is older and more experienced?

We do everything we can to break ingrained patterns and change our company culture as well as our behaviour to improving safety. Not only do we do this with regard to ourselves but also to the over 2,000 employees of contractors working for Enexis. We work as one team, where everyone is subject to the same safety rules. In 2019, we introduced 'Life Saving Rules', ten basic rules for safe working practices that no one is allowed to violate. The practice of holding workplace dialogues has been initiated to increase safety awareness. This approach strengthens the understanding of safety among both operating employees and management. It exposes the obstacles to work safety experienced by employees, making it possible to remove them. Safety is something we achieve together, so that working safely becomes a matter of course for everyone.

In 2019, we also improved our operations management. This means, for example, that we plan our work in a better and smarter manner. We now follow progress more closely and, where necessary, make adjustments more quickly. We have noticed that operations management also has an effect on team spirit and cooperation with contractors. Planning and allocating actions increases the sense of ownership and autonomy in the teams.

	2019	2018	2017	2016	2015
Accidents and LTIF[1]					
Fatal accidents	-	-	1	-	-
Enexis	1.16	1.48	1.65	0.85	1.65
Contractors[2]	2.58	4.53	2.20	4.30	3.90

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

RECRUITING NEW EMPLOYEES

The growth in the work package cannot be solved by simply working more efficiently. The shortage of technical staff and IT specialists is just too great. In addition, many of our employees will soon be retiring. At the same time, the labour market is tight. This not only affects us at the Enexis Group or in the energy sector, but also in other technical sectors. By investing in the professional development and career prospects of our current employees, we aim to bind them to our organisation as strongly as possible. We are pleased with their involvement, as everyone is willing to take an extra step.

We are also making an effort to increase the influx of new employees. We expanded the training capacity at our Enexis Vakschool in 2019, providing vocational training for more than 250 new employees. In addition, more than 20 employees were trained at the Enexis Engineering Academy to become fully-fledged engineers, their training programme lasted two years. We make maximum use of lateral recruitment and have launched a project to offer legal refugees and other status holders a place within our organisation. Moreover, providing work for people who are distanced from the labour market allows us to aim for a diverse workforce in which there is room for everyone. In general, the percentage of women in our organisation has stabilised in recent years. In supervisory positions at Enexis, this percentage is above average (2019: 20.4%).

	2019	2018	2017	2016	2015
Personnel					
Number of employees at year-end (own personnel)	4,488	4,324	4,332	4,390	4,299
FTEs at year-end (own personnel)	4,317	4,167	4,175	4,229	4,148
Female employees as a % of the total workforce	18.8	18.6	18.5	18.6	18.2
Absence due to illness (%)	5.4	5.6	4.8	4.4	4.3

	Male	Female	Total
Age category			
under 30 years	358	61	419
30 - 50 years	1,518	397	1,915
over 50 years	1,770	384	2,154
Total	**3,646**	**842**	**4,488**
Percentage	81.2%	18.8%	100%

	Male				Female			
	Inflow	Outflow	Total male	Average term of employment[1]	Inflow	Outflow	Total female	Average term of employment[1]
In- en outflow[2]								
under 30 years	110	9	**101**	2.78	28	9	**19**	1.78
30 - 50 years	204	63	**141**	6.65	65	30	**35**	5.63
over 50 years	39	156	**-117**	34.70	8	23	**-15**	34.91
Total	**353**	**228**	**125**	**25.69**	**101**	**62**	**39**	**15.94**

1 Average term of employment in the event of outflow.
2 Employee turnover rate 6,6%.

	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	-	-	-	**-**	**2**
30 - 50 years	2	-	**3**	5	1	-	1	**2**	**7**
over 50 years	-	14	**11**	25	-	2	5	**7**	**32**
Total	**4**	**14**	**14**	**32**	**1**	**2**	**6**	**9**	**41**

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

QUALITY EDUCATION

We believe it is important to start developing technical knowledge and making our field attractive at an early age. That is why we develop teaching packages for primary schools, work together with the Council for Children and regularly offer guided tours for primary school classes. We hope to meet these children again after primary school, for example during secondary vocational education (VMBO), where we encourage students to take a technical course and offer learning packages to increase their intake into technical post-secondary vocational education programmes (MBO).

Along with various ROCs, we offer joint advanced training to, for example, technicians or engineers. We not only do this to train our own people, but also those of other companies in the sector. Additionally, we provide guest lecturers for various study programmes, employ trainees and PhD students and collaborate extensively in joint research projects with higher education institutions, while one of our directors is a professor at Eindhoven University of Technology.

In our opinion, it is not only important to study in preparation for a technical career, but also to continue learning and developing throughout your career. For this reason, we have established an Enexis-wide programme aimed at increasing the development and change capacity of our organisation. This means, in concrete terms, that our employees are continuously stimulated to learn by participating in internal or external training programmes. For example, each employee receives an annual budget of 500 euros to stimulate their personal development. Safety training is a mandatory and essential part of the training programme within Enexis. As well as our own staff, Enexis also provides safety training for third parties, including contractors.

	2019[3)]	2018	2017	2016[4)]	2015
Training and education					
Average number of training hours total[1,2)]	25.4	22.2	24	28	30
of which:					
- Male	29.7	26.3	28.7	32.6	-
- Female	8.4	5.4	6.7	7.2	-

1 ET&O develops and facilitates training courses for employees working at or for our energy grids. The training courses offered by ET&O are primarily aimed at working (or continuing to work) in accordance with our safety requirements, working methods, and procedures. Moreover, ET&O offers training in leadership and performance and competency development.
2 The average number of training hours was calculated incorrectly in the years up to and including 2015. Figures cannot be altered in retrospect.
3 The reported average number of training hours relates only to training courses provided by or through the Enexis training centre, ET&O. The training hours involved in training courses provided through a different training provider are not factored into this calculation. The estimated number of hours of training provided by or through ET&O is 38%.
4 Figures 2016 excluding Endinet.

Training so many new employees takes a lot of time and requires our full attention. At the same time, we regard it as an opportunity. Along with teaching the tricks of the trade and the safety rules, we also provide training in the behaviour that should accompany them. The Enexis Code of Conduct was updated in 2019 in order to include the most important behaviour-related measures. The compliance policy and protocol were also updated in 2019, encouraging all our employees to comply with applicable laws and regulations.

CARING FOR EMPLOYEES

Employees should not only be able to work safely but also feel safe. The ' Speak up' campaign focused extra attention on integrity in 2019. Our aim is to encourage employees to discuss and report matters. Everyone plays a role in creating a safe and pleasant workplace. For example, allowing each other to make mistakes makes it possible to learn from them. And talking to each other is better than talking about each other. We also deal with any subversion and threatening of employees. For example, criminals may seek to benefit from the expertise of our employees in having them make connections to cannabis plantations. Conversely, opponents of wind farms would prefer to see our employees leave without completing their task of connecting the windfarm. In 2019, we engaged in a discussion about the temptations and risks lurking for our staff. Speaking openly about such matters strengthens the resilience of our people.

HR POLICY

Consideration for our employees is enshrined in our HR policy, collective labour agreements (CLAs) and company regulations. The CBA for grid operators and the Enexis CBA that will come into effect on 1st of January 2020 have been greatly simplified and, at the same time, made more attractive in terms of the retention and recruitment of employees. In its CSR policy, Enexis recognises and endorses the United Nations Universal Declaration of Human Rights. Issues relating to human rights, such as equal treatment and employee participation, are further elaborated in the collective labour agreement, company regulations and Enexis Code of Conduct. There are various procedures for reporting possible violations, as well as confidential advisors and a regulation governing alleged abuses. We also offer terms of employment in accordance with the fundamental principles and rights at work adopted by the International Labour Organization (ILO).

Our policies to prevent employee corruption or bribery are set out in the Employee Code of Conduct, the Supplier Code of Conduct and our General Terms of Purchase. We have a regulation governing the reporting of possible violations ('Alleged wrongs and irregularities'), and confidential advisors have been appointed. Furthermore, there is an internal integrity committee that discusses possible violations of integrity and ensures that we continue to work on anchoring integrity in our culture.

OUR DILEMMAS, INSIGHTS AND LESSONS LEARNED

Working healthily until the age of 67

The commitment of our employees and their will to get the job done is great. This is good for team spirit, but also has a downside. Employees who have to perform physical work day and night until they reach the age of 67 are particularly subject to health issues. Such work is heavy. Long-term absenteeism has increased since 2015, although there was a slight decrease in 2019 of 0.2% below the level in 2018.

More attention was paid to absenteeism in 2019 than in previous years, partly due to more intensive supervision of the managers of incapacitated employees and various absenteeism projects within the organisation. The relatively high average age of our employees poses an additional challenge to the management of (future) absenteeism. We are implementing planning measures to protect employees, but staying healthy at work remains a concern. The initiated course of action with regard to preventing absenteeism will be continued and intensified in 2020. Attention will also be paid to the hazardous substances to which our employees and the environment may be exposed. We have an eye for such concerns and also perceive their prevalence throughout society.

MATERIAL ISSUES

- Safety
- Adaptability of the organisation

RISKS

- Realisation of customer demand remains below expectations due to scarcity of staff, materials and/or grid capacity
- Accidents of employees and/or bystanders due to unsafe situations and/or asset failures
- Failure to anticipate new developments in time due to insufficiently flexible organisation, processes and/or systems

More about this can be found in the Additional Information

- Development of workforce
- Norms and Standards

WORKING SAFELY

Safety is the highest priority at Enexis. We take measures every day to ensure our employees work as safely as possible. They also attend training sessions and discuss safe working practices with each other to keep everyone on their toes.

This focus on safety is paying off: our safety score has been steadily improving in recent years. We also notice that safety awareness within the organisation is growing.

In 2019 we started to hold workplace dialogues. These provide an ideal opportunity to speak with colleagues about safety in the workplace. The dialogues revolve around such questions as: Do you manage to observe the 10 Life Saving Rules at all times and in all situations? What difficulties do you come up against? Do you dare to confront each other about unsafe behaviour? And how do you go about that? The workplace dialogues produced frank conversations between employees, supervisors and co-workers of contractors that work for us. By making safety a regular talking point, it is becoming increasingly normal and acceptable to raise issues and help each other change for the better. A welcome development – because a safe return home, that's something you do together!

WORKING SAFELY IN 2020

- Showing leadership in safe working practices via e.g. workplace dialogue
- Assuring Life Saving Rules at our contractors
- Expertise via training and education
- Making safety visible at our locations

"RETURNING HOME **SAFELY EVERY DAY"**

LTIF ENEXIS
Safety Index
1,16
2018: 1,48

LTIF CONTRACTORS
Safety Index
2,58
2018: 4,53

FINANCIAL POSITION

A robust financial position is crucial for Enexis in order to finance vital investments in the energy grids. In the coming years our role as grid operator will require us to make growing investments, while our regulated income will decrease as a result of the low interest rates. This situation poses challenges.

The energy transition is having a major impact on grid operators and therefore on Enexis. We are making our grids suitable for the connection of wind and solar farms and the transmission of sustainably generated energy. Furthermore, Enexis will continue to invest in the regular maintenance and expansion needed to ensure a safe and reliable grid operation.
This combination has led to a significantly higher level of activity and investment.

Current regulations do not sufficiently facilitate the growth referred to above, and Grid operators are currently in dialogue with the government on this issue. In the meantime, we are critically examining our own efficiency in order to curtail expenditure. In addition, we are deploying innovative solutions to carry out grid expansions in a cost-effective manner and to make the best possible use of the existing electrical system. Enexis is also in discussion with various stakeholders concerning the options for financing the energy transition. We expect to make greater use of capital providers to finance our growth in coming years - both debt providers and shareholders.

INVESTMENTS FOR THE ENERGY TRANSITION

The confidence in our strategic path by shareholders and providers of debt in combination with our turnover makes it possible to finance investments in the energy grids. We have a solid financial foundation for that is supported buy by our financial policy and the dividend policy. Enexis has a strong credit risk profile with an A+ credit rating from Standard & Poor's and an Aa3 credit rating from Moody's.

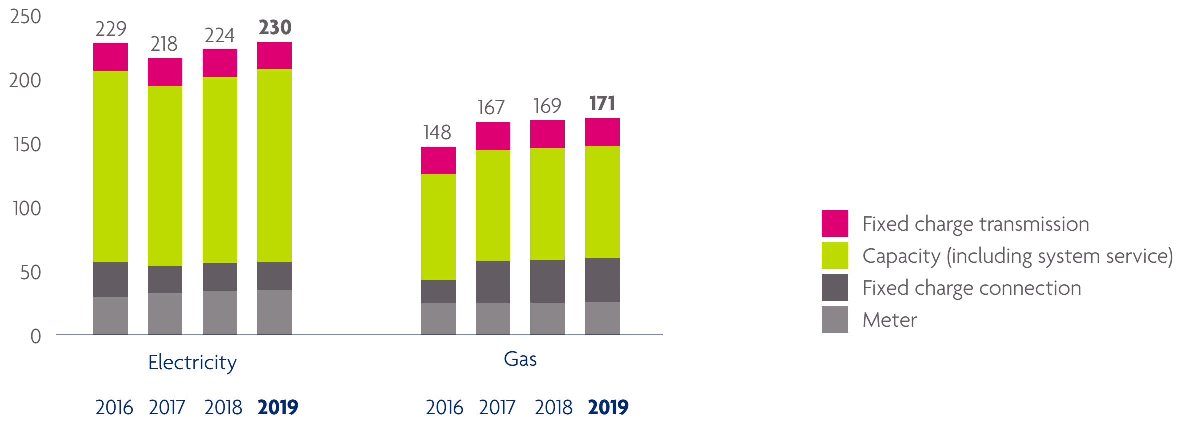
The work package amounted to € 804 million in 2019, probably rising to € 878 million in 2020. In order to make the correct long-term investment decisions, we need a comprehensive vision for the energy system of the future. The Dutch Climate Agreement was a first step and its implications will be worked out in more detail in the coming months in the Regional Energy Strategies. Once the direction of the energy transition has become clearer, we will be able to implement investments in a more efficient and timely manner.

Another key factor, alongside a clear vision, is the realignment of the regulatory system with the evolving energy landscape. Due to the sharp increase in investments for the energy transition, regulations must be forward- rather than backward-looking. The current regulatory framework is based on historical figures. Our investment plans accurately predict the required expenditures for the coming years. Nevertheless, the regulator still uses revenue forecasts based on historical costs to set the tariffs. We, along with other grid operators, are holding talks with the regulatory authority (ACM) and the Ministry of Economic Affairs & Climate about changes to the new method decision that is due to take effect in 2022.

ADJUSTMENT OF THE GRID TARIFF STRUCTURE

Consumers in the Netherlands pay a fixed fee for the use of the energy grid, irrespective of whether they use it a lot or not. The Netherlands Authority for Consumers & Markets (ACM) sets maximum tariffs for the connection, transmission and metering of gas and electricity. In 2019 we raised our tariffs for consumers by 2.7% for electricity and 1.2% for gas in line with the ACM tariff decisions.

AVERAGE HOUSEHOLD ENERGY BILL (ANNUALISED IN EUROS)



The sun may shine for free and the wind may blow for free, but the energy transition still costs a lot of money. Keeping energy affordable for everyone in the future is a crucial challenge. On the one hand, we want to keep the energy system up and running at the lowest possible costs to society. On the other hand, major investments in the energy infrastructure are needed now. Enexis strongly advocates a new grid tariff structure, where the charged tariffs are based more on the customer's actual use or feed-in of power. Those who place a heavier burden on the grid must pay a higher tariff than their more energy-conscious neighbours. That's fairer, and also encourages customers to use the grid more efficiently by spreading their energy consumption across the day. The result is fewer peaks in demand and less need to upgrade the grid. We see it as our duty to society to minimise the grid costs by working as efficiently as possible.

2019 FINANCIAL PERFORMANCE

Net profit for 2019 amounted to € 210 million, which was € 109 million lower than in 2018. The net profit for 2018 was exceptional because of a large one-off release from provisions.

As in 2018, there were various non-recurring items in 2019. The largest related to the effects of the new company-specific collective labour agreement, an agreed compensation payment and an addition to the deferred tax provision due to the fact that the corporate tax rates will be reduced by less than assumed in 2018. Excluding non-recurring items, the adjusted net profit ran to € 228 million in 2019, € 15 million below the adjusted net profit for 2018. Revenue from ordinary operations rose in 2019, mainly due to higher electricity tariffs. Operating expenses increased due to a larger work package and stepped-up efforts to achieve our key priorities, notably recruitment and training of technical staff, facilitation of the energy transition and future-proofing of ICT systems. The expansion of the work package as a result of the energy transition was also reflected in a substantial increase in investments in the electricity and gas grids.

€ Million	2019	2018	2017	2016	2015
Result					
Revenue	1,491	1,445	1,398	1,376	1,353
Costs of transmission services and distribution losses	232	228	231	228	231
Other operating income	12	4	4	31	19
Balance available for operating activities	1,271	1,221	1,171	1,179	1,141
Operating expenses excluding depreciation, impairments and decommissioning	539	468	487	492	447
Depreciation, impairments and decommissioning	379	349	345	344	301
Operating profit	353	404	339	343	393
Share of result of associates and joint ventures	-1		-3	1	1
EBIT [1]	353	404	336	344	395
Financial income and expenses	-52	-58	-59	-73	-93
Profit before tax	300	346	277	271	302
Profit for the year	210	319	207	207	223
Financial position (before profit appropriation)					
Net working capital [1]	-43	-89	-61	-53	-80
Non-current assets	7,980	7,480	7,181	6,884	5,862
Capital employed [1]	7,056	6,594	6,386	6,150	5,477
Equity	4,112	4,024	3,912	3,704	3,607
Net interest-bearing liabilities [1]	2,634	2,272	2,201	2,078	1,777
Total assets	8,258	7,715	7,668	7,284	7,079
Ratios					
Solvency [1]	49.8	52.2	51.0	50.9	51.0
ROIC [1]	5.0	6.1	5.3	5.6	7.2
Return on equity [1]	5.1	7.9	5.3	5.6	6.2
Cash flow					
Cash flow from operational activities	647	679	628	528	535
Cash flow from investing activities	-753	-646	-597	-813	-457
Cash flow from financing activities	137	-58	-9	-217	376
Cash flow	31	-25	22	-502	454

1 For definitions, please refer to the glossary.

BALANCE AVAILABLE FOR OPERATING ACTIVITIES

The balance available for operating activities rose by € 50 million in 2019, mainly due to higher electricity revenue. Total revenue amounted to € 1,491 million in 2019, up € 46 million relative to 2018. This increase was mainly driven by higher electricity and gas tariffs. The breakdown by regulated services is as follows:

- Electricity: revenue up € 30 million relative to 2018, mainly due to an average tariff increase of 2.9%.
- Gas: revenue up € 4 million relative to 2018, mainly due to an average tariff increase of 1.2%.
- Revenue from regulated metering services up € 3 million relative to 2018, mainly due to an average tariff increase of 2.1%.

Non-regulated and other revenue amounted to about 9% of the total revenue and increased € 6 million compared to 2018. Costs of transmission services and distribution losses climbed € 4 million to € 232 million in 2019, mainly due to higher costs related to grid losses as a result of tariff increases. This was partly offset by lower grid losses and lower costs for the procurement of green certificates. The TenneT procurement costs remained virtually unchanged relative to 2018.

Other operating income was up € 8 million relative to 2018, mainly due to a non-recurring income from an agreed compensation payment.

OPERATING EXPENSES

Total operating expenses increased by € 101 million to € 918 million in 2019. Apart from our greater workload, the increase in operating expenses is attributable to several non-recurring income items in 2018. The main developments were:

- € 102 million increase in employee benefits expense: in 2019 Enexis recruited 150 mainly technical employees in order to cope with our steadily growing work package and to meet our strategic objectives. Employee benefits expense reflects the effects of the annual salary increase as well as the one-off 3% CAO increase on 1 January 2019. In addition, € 31 million was spent in 2019 on extra temporary staff for the implementation of improvement and transition projects as well as for the temporary filling of permanent roles.
- However, the main cause of the higher employee benefits expense in 2019 was a large one-off release from employee-related provisions in 2018 (€ 40 million) due to the new Grid Operator CAO and the effects of the new company-specific CAO in 2019 (€ 12 million). On the other hand, € 10 million from the employee benefit expense item was reclassified to depreciation as a result of the implementation of IFRS 16. Owing to the aforementioned expansion of our work package and the increase in improvement and transition projects, own production capitalised also rose in 2019. After deducting the increased own production capitalised item, the net increase in employee benefit expense worked out at € 80 million.
- € 30 million increase in depreciation: the implementation of IFRS 16 led to € 27 million higher depreciation. In addition to the employee benefit expense, this also concerns the reclassification of part of the external expenses. Moreover, depreciation on property, plant and equipment used in the course of ordinary operations increased. This is due to the growing work package and rising amortisation of intangible assets as a result of the increase in improvement and transition projects. In 2018 € 4 million was written down on smart meters at an accelerated rate.

- € 9 million decrease in costs of work contracted out, materials and other external expenses: due to the implementation of IFRS 16, € 17 million of costs was reclassified to depreciation. Taking account of this reclassification, the increase was € 9 million. This is mainly attributable to higher costs for our work package and higher ICT expenses.

FINANCIAL INCOME AND EXPENSES

Net financial income and expenses amounted to € 52 million in 2019, down € 6 million on 2018. The main reason for the decrease in financial income and expenses was the refinancing of a maturing loan on much more favourable interest rate conditions.

TAXES

The income tax expense was € 90 million in 2019, € 63 million higher than in 2018. This difference is attributable to a partial release of the deferred tax provision in 2018 as a result of the expected step-by-step tax rate adjustment from 2020. The future tax rate was revised again in 2019, leading to an addition to the deferred tax provision, which had a negative impact on the net profit of € 13 million.

CAPITAL EXPENDITURES

As explained above, the growing work package is an important reason for the rising operating expenses. The strong growth in our work package clearly also translates into higher capital expenditures. Gross investments amounted to € 747 million in 2019, € 105 million higher than the gross investments in 2018, largely due to increased capital expenditures on the grids. In response to increased customer demand, for instance, we are realising grid expansions and sustainable onshore projects ('Duurzaam op Land') such as connections for solar and wind farms. In addition, we are investing in the safety of our gas grid. Gross investments in electricity and gas grids rose by, respectively, € 86 million and € 11 million. The other capital expenditures are also on the rise, notably due to increased expenditures on improvement and transition projects and higher investments in Fudura as a result of the expanding volume of customer projects.

We receive a contribution from customers for some of our customer-driven activities. After deducting these contributions, net capital expenditures ran to € 642 million.

FINANCING AND CREDIT RATING

The financing and refinancing requirements of Enexis Holding N.V. for the coming years relate to working capital, operational cash requirements, loan refinancing and grid investments. To fulfil these financing requirements, Enexis makes use of the external money and capital markets. The financing via our Euro Medium Term Notes (EMTN) programme offers sufficient flexibility to respond to the new developments arising from the energy transition. In early July 2019, Enexis Holding issued a bond loan of € 500 million to finance the growing investments for both the energy transition and general operations.

The long-term credit rating of Enexis Holding N.V. and Enexis Netbeheer B.V. was reconfirmed in 2019 by the rating agencies. The credit rating issued by Standard & Poor's for Enexis Holding N.V. and Enexis Netbeheer B.V. remained unchanged at A+ with a stable outlook. Moody's only issues a credit rating for Enexis Holding N.V. and this remained unchanged at Aa3 with a stable outlook. The long-term credit ratings of Aa3/A+ with a stable outlook at year-end 2019 are comfortably in line with our financial policy to maintain an A credit rating profile.

The short-term credit rating of Enexis Holding N.V. at year-end 2019 was P-1 (Moody's) and A-1 (Standard & Poor's).

TAX AND ENEXIS

The tax policy of Enexis is designed to ensure regulatory compliance, while meeting all strategic, financial and operational objectives. We aspire to comply with all tax obligations, control the tax risks and deliver rapid and complete tax information. Our tax policy is not confined to corporate income tax, but covers all types of tax that we are liable to pay. The table below shows the most important types of national tax that we pay.

€ Million	2019	2018
Payroll tax	127	120
Value Added tax	181	179
Corporate Income Tax	53	66
Dividend Witholding Tax	18	16
Total	**379**	**381**

Any tax issues that arise in practice are put to the Tax and Customs Administration, including a full professional analysis and our underlying considerations. The Tax and Customs Administration is also proactively kept informed of developments within Enexis that affect or may affect the full and timely payment of the taxes owed. In this way, we live up to the principles of understanding, transparency and trust as set out in our compliance agreement with the Tax and Customs Administration (Horizontal monitoring).

OUR DILEMMAS, INSIGHTS AND LESSONS LEARNED

Facilitation of proactive investing

Large expenditures are necessary to make the energy infrastructure future-proof. Enexis must invest proactively in order to accelerate the connection of renewable generation to the grid. However, the current regulatory framework does not encourage such investments. The reason is that extra investments are not included in the determination of the statutory fees until the next regulatory period. Due to this delay, extra investments put pressure on the financial ratios of the grid operator. Grid operators are therefore urging the Netherlands Authority for Consumers & Markets to adjust the regulatory method. The period between the incurrence of costs and the receipt of fees must be shortened and grid operators must have assurances that the incurred costs will be reimbursed.

Limitation of grid upgrade costs

Due to the renewable energy generation grant scheme (SDE+), solar or wind farm development is a favourable business proposition for project developers. They are often inclined to select locations where land is cheap. In most cases, this means that the power grid needs to be upgraded to enable the connection of these renewable energy initiatives. The resulting costs for grid operators are not charged to the project developer but are incorporated into the grid tariffs and passed on to all our customers. In one sense, this is justified. After all, a more sustainable energy system in the Netherlands benefits Dutch society as a whole. On the other hand, Enexis would prefer to realise projects where the existing grid is already adequate. Capital expenditures in grid capacity can then be avoided and the affordability of the energy transition will not come under pressure. Enexis would therefore welcome the introduction of an appropriate incentive to encourage project developers to realise renewable energy production capacity while keeping the costs of society as low as possible.

MATERIAL ISSUES

- Financial value for shareholders
- Accessible energy supply

RISKS

- Financial position is influenced by effects of energy transition and regulatory method

More specific information about our financial position can be found in the

- Financial Statements

IMPROVEMENT PROJECTS FOR THE CUSTOMER

Our work package is growing. So we need to do our work for customers more efficiently and smartly. To this end, we introduced operations management in 2019. That is a new way of working, and a new way of thinking.

Every Monday teams start the week with a kick-off meeting to discuss the past week's results and the targets for the coming week. New connections, price quotes, building inspections: all tasks are planned and divided. This approach leads to more structure, insight and focus. Meeting targets is easier, after all, when you keep track of the progress made and know what adjustments are necessary to stay on the right path.

IMPROVEMENT PROJECTS FOR THE CUSTOMER

- Ongoing development of operations management;
- Simplification of the primary processes and the ICT landscape via e.g. the implementation of a new ERP system
- Developing, testing and implementing a new smart meter reading and management system
- Digital grid operator: enhancing data quality and data-driven working

"WORKING DIFFERENTLY **STARTS WITH THINKING DIFFERENTLY"**

CORPORATE GOVERNANCE

In providing a reliable energy supply both for today and tomorrow, we play an essential role at the heart of society. As our work is largely funded with public money, it is important to be transparent about how our company is managed and supervised.

Enexis Holding N.V. is a public limited company under Dutch law. In keeping with our role, the strategy of Enexis is inherently designed to create value for society; both for the near and longer term. Our company has statutory two-tier status. We apply the Corporate Governance Code (the Code 2016) to the extent possible and applicable. This choice emphasises our commitment to socially responsible entrepreneurship.

The articles of association, various sets of rules and by-laws and other corporate governance documentation can be viewed on the website of enexisgroep.nl.

EXECUTIVE BOARD

The Executive Board (EB) is responsible for the management of Enexis. The EB defines the strategy, sets the operational and financial objectives of the company and identifies the preconditions for the realisation of the strategy. The EB is responsible for ensuring compliance with all relevant laws and regulations as well as effective risk control and adequate funding of the company.

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

The remuneration policy for the members of the EB adheres to the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT). This remuneration policy was adopted by the General Meeting of Shareholders. The SB determines the level of remuneration of each EB member based on a proposal from the Remuneration and Selection Committee. The remuneration of the EB is disclosed in the financial statements.

The current male-female ratio of the EB does not meet the statutory requirement of at least 30% men and 30% women (effective since 13 April 2017). The general section of the profile for the Executive Board contains a provision on diversity.

SUPERVISORY BOARD

The Supervisory Board (SB) has three tasks: supervision, providing advice and acting as the employer of the EB. The SB supervises the policy of the EB, with a particular focus on the realisation of the company's objectives, the strategy and the risks associated with the operations of the business, the internal risk management and control systems, and the financial reporting.

Members of the SB sit on two permanent committees: the Audit Committee and the Remuneration and Selection Committee. Members of the SB receive a remuneration as determined by the General Meeting of Shareholders 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 disclosed in the financial statements.

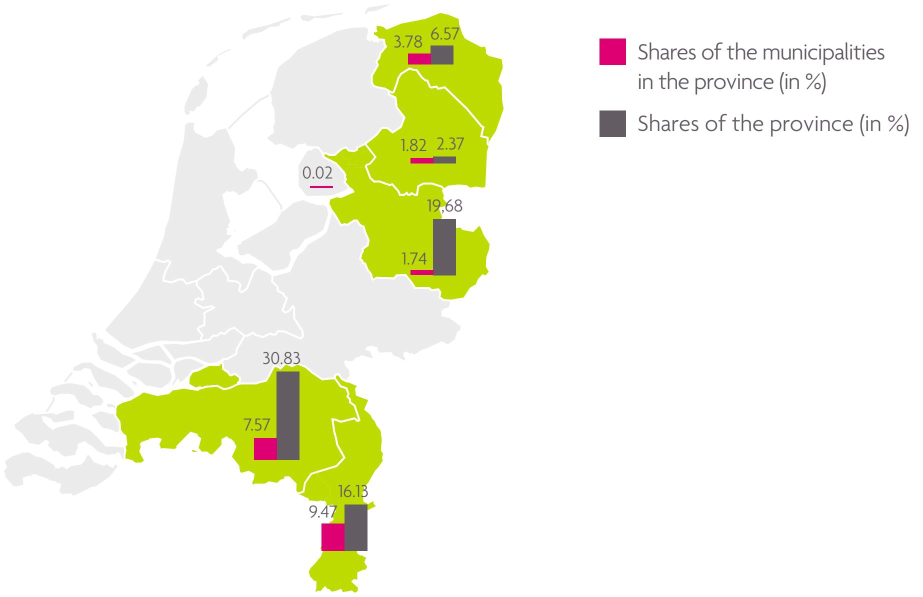
The male-female ratio of the EB adheres to the statutory requirement of at least 30% men and 30% women (effective since 13 April 2017).

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the highest decision-making body within Enexis. It decides on such matters as the annual report, the discharge from liability of the EB and SB, the adoption of the financial statements and the determination of the profit appropriation. It also approves the company's strategy and appoints the members of the SB. Certain powers of the General Meeting of Shareholders have been delegated to the Shareholders Committee (SC). This committee, comprising seven members, promotes efficient and effective decision-making within the General Meeting of Shareholders. The SC members receive no remuneration for their work.

The shareholders of Enexis Holding N.V. are provinces and municipalities within the service area of Enexis Netbeheer B.V.

SHARES IN ENEXIS HOLDING N.V. (PERCENTAGE OF SHARES HELD BY THE PROVINCES AND MUNICIPALITIES IN THE PROVINCES)



INTERNAL AUDIT DEPARTMENT

Enexis has an Internal Audit & Risk Department staffed with independent auditors. They provide additional assurance to the EB and management in relation to operational control, effectiveness, efficiency and compliance.

The Audit Committee supervises the Internal Audit & Risk Department and advises the Supervisory Board on the role and functioning of the Internal Audit & Risk Department.

Each year a risk-based audit plan is drawn up, indicating the internal audits to be carried out in that year. The SB adopts the audit plan. The Audit Committee discusses the progress and most significant audit findings. The external auditor is also informed of the findings of the Internal Audit & Risk Department.

EXTERNAL AUDITOR

PricewaterhouseCoopers Accountants N.V. is the external auditor of Enexis. The Audit Committee supervises the relationship with the external auditor. The external auditor attends the annual AGM as well as all meetings of the Audit Committee.

DEPARTURES FROM THE DUTCH CORPORATE GOVERNANCE CODE

- **Provision 2.2.1: maximum appointment (and reappointment) periods for Executive Board** The remuneration policy for the Executive Board (adopted on 5 December 2012 by the General Meeting of Shareholders) states that employment agreements with 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. The reason is that the committee has an advisory role towards the SB, which carries collective responsibility.
- **We have departed from the provisions listed below** because the statutory two-tier status is applicable and because Enexis shares are held by (lower) Dutch government bodies and are not listed on a stock exchange:
  - 2.1.3.: executive committee
  - 2.8.2-2.8.3: takeover bid
  - 3.1.3: remuneration - executive committee
  - 3.3.2-3.3.3: remuneration of supervisory board in shares and share ownership of supervisory board members
  - 4.2.6: anti-takeover measures
  - 4.3.3: cancelling the binding nature of a nomination or dismissal
  - 4.3.4: voting right on financing preference shares
  - 4.3.5: publication of institutional investors' voting policy
  - 4.3.6: report on the implementation of institutional investors' voting policy
  - 4.4: issuing depositary receipts for shares
  - 5: one-tier governance structure

INTERVIEW WITH THE CHAIRMAN OF THE SUPERVISORY BOARD

Our role, objectives and investments for society. The Chairman of the Supervisory Board, Piet Moerland, gives his take on the challenges facing the grid operator and the oversight role of the Supervisory Board.

"The world of energy is going through a rapid and radical transformation, which is both desirable and necessary for our planet. This transitional period is inevitably one of strong dynamics and turbulence. That's why the focus of our oversight is on the stability and trustworthiness that is expected from grid operators. As utility companies we fulfil a vital role for society. People look to us to assure safe and dependable energy transmission, even in times of uncertainty and disruption.

KEY PERFORMANCE INDICATORS

Safety at work is the most important thing of all, both for employees (including contractor staff) and for society; compromises on safety are out of the question. The growing safety awareness among employees gives us, as Supervisory Board members, great satisfaction. It is a trend that we must be sure to sustain in the coming years.

Besides safety, we see reliability as our main Key Performance Indicator for judging how well Enexis is carrying out its statutory tasks. When it comes to reliability of supply, the Netherlands has long been a world leader. In the year under review, interruptions of energy transmission in the service area of Enexis were very rare; that's down to our effective maintenance and management of the local and regional grids for gas and electricity.

Over the past financial year, safety and reliability were repeatedly and intensively discussed with the Executive Board, also in light of the strategic challenges we face. The strategy that Enexis is pursuing rests on two pillars of our corporate policy: assuring excellent grid management and accelerating the energy transition. Both pillars are key, neither of the two can be favoured at the expense of the other.

RISING INVESTMENTS VERSUS REGULATORY FRAMEWORK

Whilst this ambitious corporate strategy is driven by vision, it also requires increasing investments in manpower and assets. The Supervisory Board sees these investments as a prerequisite both for the transition and our daily grid management in the years ahead. Investments in staff, transmission capacity and materials are on a significant upward trend. Accordingly, the need for both debt and equity capital will drastically increase.

In light of this emerging new trend, it's fair to expect modifications in the regulatory framework to enable better synchronisation of expenditures and revenues. The boundaries that the law imposes on the playing field for regional grid operators also need to be redrawn to fit our rapidly changing world of energy supply.

SERVICE TO CUSTOMERS

Raising customer satisfaction is proving to be a tricky challenge. Demand has increased so much that meeting our statutory duty to realise new grid connections on time can be problematic. By improving our communication to customers, Enexis is now better able to manage expectations on this score, which has improved customer satisfaction. Connecting large solar farms in sparsely populated areas at short notice has turned out to be difficult, if not impossible. We also find that such projects really require broader consultation and support within society.

Due to the ongoing digitisation of operational and administrative processes, we see that our services to customers and suppliers are being further intensified. The multiple improvements have also been good for our operational efficiency within Enexis, and that has beneficial knock-on effects for customer charges and our ability to deliver a reasonable return for shareholders.

ATTENTION FOR EMPLOYEES

In these times of relentless change, employees are under considerable pressure to remain flexible and employable. To cope with the chronic scarcity of technically skilled staff, Enexis is insourcing training and education facilities. That way, a new generation of skilled technicians can be added to the existing pool of experienced employees. From our supervisory perspective, there is some concern about the relatively high sickness absenteeism among staff. We would very much like to find out what the underlying causes are.

In the year under review, a meeting held upon the invitation of the Works Council produced a lively discussion on the theme of behaviour and leadership. Apart from the members of the Works Council, the members of the Executive and Supervisory Boards were also present. The Works Council expressed its enthusiasm about the programmatic attention for culture change within the company. It's good that we can challenge one another about attitude and behaviour. Do what you promise: that's an important cultural value. A recent employee survey shows that engagement and teamwork have improved within Enexis.

STRENGTHENING THE DIALOGUE WITH SHAREHOLDERS

According to the Supervisory Board, the energy transition necessitates an even more intensive dialogue with shareholders. Not just in their capacity as providers of capital, but also as supply chain partners. The energy transition takes place in municipalities, provinces and regions. So surely it is only logical for grid operators and local authorities to work together in a joint effort to find effective solutions. That too is in the interests of society in general. What's more, it also makes the transition more affordable.

The energy transition is compelling Enexis to significantly step up its investments compared to the recent past. On top of the normal expenditures for maintaining and managing the grids, funding must also be available for structural adjustments of the grids to facilitate the transition, such as for solar farms, e-vehicle charging stations and gas-free neighbourhoods. To achieve all this, a reasonable profitability, good and permanent access to the financial markets and solid backing from our shareholders as providers of capital is eminently important.

The Supervisory Board fully supports the constructive dialogue that takes place on a regular basis in the meetings of the Shareholders' Committee between the Executive Board and our shareholders. As a rule, a representation of the Supervisory Board also attends this meeting. The topics discussed include strategy, long-term financial projections, the role and significance of providers of capital in the overall context, the importance of maintaining financial solidity and the prospects of a reasonable return. It is generally acknowledged that reliable projections are now more difficult to make than has been the case so far.

In light of the major developments now underway, the Supervisory Board urges the company to further intensify the dialogue with our shareholders. Because Enexis and its shareholders now need each other more than ever to meet the extremely ambitious challenge of accelerating the energy transition while maintaining excellent grid management."

REPORT OF THE SUPERVISORY BOARD

As the Supervisory Board, we supervise and advise the Executive Board, on request or otherwise, 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.

Peter Vermaat has expressed the wish to hand over his position as CEO of Enexis in the course of 2020. The Supervisory Board respects this decision and has started the process of finding a successor.

We are extremely grateful to Peter for the inspiring manner in which he, together with his colleagues in the Executive Board and management, has led the company and shaped the first phase of the energy transition within Enexis and the sector. Much has been achieved under Peter's leadership. We understand his reasons for this decision and wish him every success in the next step in his career.

COMPOSITION AND ORGANISATION

The composition of the Supervisory Board changed in 2019. On the occasion of the General Meeting of Shareholders on 11 April 2019, Monique Caubo resigned having reached the end of her statutory 8-year term. We thank Monique Caubo for her years of dedicated work as a member of both the Supervisory Board and the Audit Committee.

Anita Arts was appointed to the Supervisory Board effective from that same date. She makes up the Audit Committee together with Carmen Velthuis (Chair) and Marc Calon. The Remuneration and Selection Committee consists of Piet Moerland (Chair) and Joost van Dijk. Frans Voorwinde acted as secretary of our Supervisory Board in 2019.

INDEPENDENCE

Throughout the entire year, all members of the Supervisory Board were independent within the meaning of the Dutch Corporate Governance Code. The Supervisory Board is of the opinion that its composition is such that the members can operate independently from each other and the Executive Board. None of the members holds a position outside the company that is in conflict with their membership of the Supervisory Board of Enexis.

DIVERSITY

Following the dialogue session with the Executive Board on the issues of diversity and culture, several diversity objectives were incorporated into the profiles of the Executive Board and the Supervisory Board. These can be summed up as the aspiration to achieve a balanced composition of the Executive Board and the Supervisory Board that reflects the diversity that society requires.

EVALUATION OF THE FUNCTIONING OF THE SUPERVISORY BOARD

We evaluated our functioning with external support in November 2018. The functioning of the Supervisory Board and its individual members was discussed as part of this evaluation. The insights and recommendations emerging from the evaluation have been used from 2019 onwards to make continuous improvements to the functioning of the Supervisory Board.

OUR DUTIES

As the Supervisory Board, our most important duty is to oversee the policy of the Executive Board and the general conduct of business of the company and its subsidiaries. We exercise this oversight primarily through meetings with the Executive Board, working visits to company locations, attendance of meetings of the Works Council and the perusal of reports, publications and other information made 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 hand. In 2020 we will endeavour to continue the direct and valuable contact we have had with the management team in recent years.

The Supervisory Board convened five times in 2019. Virtually all meetings were attended by all members of the Supervisory Board. In addition to our scheduled meetings, we held several meetings to discuss matters in more depth with the Executive Board, while also conferring internally with each other.

The agenda for our meetings is based on our most important oversight duties (such as the realisation of objectives, strategy and risks, regulatory compliance) and also contains a series of fixed topics. Safety is always the first item on the agenda.

The daily conduct of business is discussed in our meetings on the basis of an extensive management report. The performance of the grid operator (including reliability of supply) is a recurring subject in this report. Other reported subjects included important projects, customer processes, customer satisfaction and financial data on a monthly and cumulative basis as well as forecasts for the financial results and cash flow. 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.

In 2019 we adopted, on the advice of the Audit Committee, the updated Treasury Charter and devoted considerable attention to the financial implications of the current regulatory financial compensation system, the decreasing WACC and the low interest rates combined with a structurally higher investment level for the implementation of the Climate Agreement.

AUDIT COMMITTEE

The Audit Committee met on six occasions in 2019. The Audit Committee supervises the internal risk management and control systems and the financial reporting procedures and prepares the decision-making of the Supervisory Board for these and other topics. The periodic management report is discussed insofar as this concerns technical reporting or valuation details. The committee took note of the audit plan of the external auditor as well as the audit plan of the Internal Audit & Risk Department and recommended their adoption by the Supervisory Board. Furthermore, the agenda contained the standard items, including the 2018 financial statements, the 2019 interim report, the audit findings of the external auditor, the management comments, the findings of the Internal Audit & Risk Department and the accompanying action points. The financial implications of the current regulatory method in combination with the structurally higher investments for the implementation of the Climate Agreement were also frequently discussed. With regard to the larger ICT projects, we mainly examined the manageability of projects and the associated risks and advised the Supervisory Board according to our findings.

REMUNERATION AND SELECTION COMMITTEE

The committee met twice in 2019. Important topics were the functioning and remuneration of the members of the Executive Board, the succession potential at senior management level and the legislative developments with regard to the remuneration of the Executive Board and senior executives, notably the proposed changes to the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT). In 2019 the committee again shared its concerns about the possible expansion of the scope of WNT (WNT3) with the EB. The Supervisory Board and Executive Board fear that WNT3 will affect the ability of Enexis to secure the services of sufficiently qualified senior management and specialised staff. Finally, a process was started up, in consultation with the Shareholders' Committee, for the appointment of a new Supervisory Board member in 2020 to succeed outgoing Supervisory Board member Marc Calon.

SUPERVISORY BOARD MEMBER ATTENDANCE

The attendance percentages of the Supervisory Board members at the meetings in 2019 were as follows:

	P. Moerland	M. Calon	M. Caubo	J. v. Dijk	C. Velthuis	A. Arts
Supervisory Board meetings (4)	100%	67%	100%	100%	83%	100%
Audit committee meetings (6)	n/a	67%	100%	n/a	100%	100%
Remuneration and Selection Committee meetings (3)	100%	n/a	n/a	100%	n/a	n/a

FINANCIAL STATEMENTS 2019

We took note of the financial statements for 2019, as prepared by the Executive Board, and of the audit findings and 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 2019 financial statements as they stand.

WORD OF APPRECIATION

The Executive Board, management team, managers and employees once again achieved good results throughout 2019. We thank them for their efforts and commitment and wish them an equally successful and fulfilling year with Enexis in 2020.

's-Hertogenbosch, 19 February 2020

Supervisory Board

Piet Moerland, Chair
Marc Calon, Vice Chair
Carmen Velthuis
Joost van Dijk
Anita Arts

RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT (ERM)

Within Enexis risk management is embedded as an integral part of the standard management processes. The management is responsible for identifying and controlling the risks and for ensuring that the risk management is effectively implemented to support the achievement of the objectives.

Our risk management is derived from the COSO-ERM model and, as such, is embedded in our processes: from strategy to planning and control. Integrity and risk awareness are key elements within our culture. Strong leadership and exemplary behaviour promote and enhance risk awareness within the organisation and we encourage employees to report and discuss incidents and risks.

We are transparent about our risks and keep close track of the development of risks. This helps us to respond rapidly, create and maintain value, improve our performance and achieve regulatory compliance. The development of the most important risks is periodically reported to the Executive Board. Concrete mitigating measures are recorded in the multi-annual plans of our business units and are monitored by departmental management.

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 in the first instance responsible for identifying risks and the timely implementation of controls. Our Business Controllers (2nd line) and other 2nd line functions (compliance, security, privacy, HSE, etc.) support the line management. Internal Audit & Risk (3rd line) coordinates the risk management process. Risks are monitored at centralised level in the senior management meeting.

STRATEGIC RISK MANAGEMENT

In our strategic risk analysis, we identify events that threaten the continuity or realisation of our strategic objectives. We quantify these identified risks by determining the likelihood of an event and its impact on one or more business values. The risk matrix specifies our risk appetite with respect to each business value. Risks that score 'High' 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 via the planning and control cycle.

OPERATIONAL RISK MANAGEMENT

Integrated Operational Risk Assessments are performed to identify risks at tactical and operational levels that constitute a threat to the business processes of Enexis. For compliance, privacy, security and data management reasons, we have integrated the periodic analyses into our operational risk analyses. The risks and control measures are recorded in the Enexis Internal Control Framework. The effectiveness of this Framework is assessed twice a year by the line management by means of a Control Self-Assessment (CSA). The outcomes of this assessment are evaluated by the departmental management and, if necessary, included in the internal Letter of Representation (LOR) to the EB. In this LOR the departments indicate the extent to which the internal risk management and control systems are fit for purpose. The 'hard controls' in the Internal Control Framework are supplemented with 'soft controls' focusing on integrity, engagement and teamwork.

The outcomes of the strategic risk analysis and the CSA/LOR process are also reported to and discussed with the Audit Committee. This process enables the EB to issue its Board Statement.

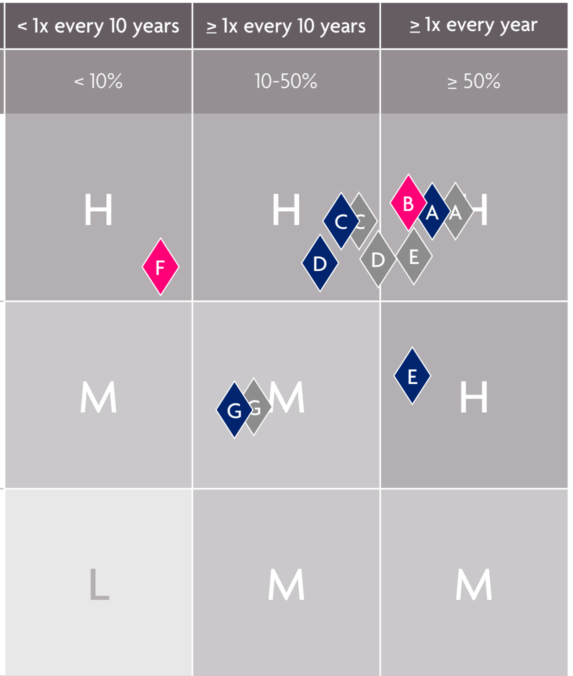
Specifically, we report that, in previous years, shortcomings were observed in demonstrating the effects of internal control measures relating to the process of invoicing and authorising statements of account issued to third parties. In 2019, the quality of internal control was further improved by implementing a tighter project evaluation process. The effectiveness of the internal control measures is, however, still not visible in all cases.

STRATEGIC RISKS

Potential consequences

	Business values					
	Affordability	Reliability	Stakeholders	Compliance	Safety	Sustainability
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
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
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

Frequency or probability of occurrence



A. Realisation of customer demand remains below expectations due to scarcity of staff, materials and/or grid capacity.

B. Financial position is influenced by effects of energy transition and regulatory.

C. Unauthorised use of data and/or systems.

D. Accidents of employees and/or bystanders due to unsafe situations and/or asset failures.

E. Failure to anticipate new developments in time due to insufficiently flexible organisation, processes and/or systems.

F. Extensive and prolonged interruptions of the energy supply due to natural disasters, external causes or asset failures.

G. Regulatory constraints prevent Enexis from playing active role in the energy transition.

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

■ Refers to 2018 ■ Refers to 2019 ■ New on the list

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

EXPLANATION PER RISK

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

A. Realisation of customer demand remains below expectations due to scarcity of staff, materials and/or grid capacity

The energy transition and booming economy causes grid expansions and connections. But it is not always clear where and when our grids must be adapted. Certain parts of our grid are contending with transmission scarcity, which means that customers cannot be connected at short notice. In addition to the grid improvements, we must continue investing in normal maintenance. The extra demand is also putting growing pressure on available resources (staff and materials). Due to shortages in the labour and materials markets, both Enexis and its contractors cannot always hire sufficiently skilled staff or purchase the required materials when necessary.

Despite these challenges, we try to facilitate concrete renewable generation requests immediately. Work on the main infrastructure is proactively carried out based on estimated customer demand. Energy plans are made with municipalities in anticipation of future developments. We are also seeking to minimise the consequences of scarce resources by implementing more efficient and effective innovative processes, optimising our operational management and deploying reserve capacity. In addition, we are raising our staffing levels through intensified recruitment, extra training capacity and programmes to retain skilled technicians. More context about this risk can be found in 'Customers and networks' and 'Safety and expertise'.

B. Financial position is influenced by effects of energy transition and regulatory method
The existing regulatory method has several disadvantages for the grid manager. Fee increases to compensate for extra energy transition investments are not granted until the next regulatory period, the compensation for future costs of capital is based on historical tariffs, while higher charges (payable to e.g. TenneT) are only reimbursed at a later stage. This weighs on the financial ratios and makes extra investments less attractive.

The financial risks have meanwhile been assessed and quantified and a relevant risk management strategy is being developed. We do scenario analyses and studies in the national context to establish how the regulatory system can best be modified. More context about this risk can be found in 'Financial position.

C. Unauthorised use of data and/or systems
Unauthorised access to our systems and data can compromise security and business continuity. One major threat comes from increased hacker and cybercriminal activity.

We have implemented a broad range of systematic security & privacy measures, such as authorisation management, Privacy Impact Assessments, periodic penetration tests, security scanning and staff training and screening. Specific steps have also been taken to protect our operational technology (OT), including staff certification, firewalls and security assessments at our stations. The privacy & security steering group is responsible for the central coordination of these measures. More context about this risk can be found in 'Customers and networks'.

D. Accidents of employees and/or bystanders due to unsafe situations and/or asset failures
Working on energy grids carries inherent risks for the health of employees and/or bystanders. Due to the nature of our primary processes (working on electricity and gas infrastructure and working in public spaces), accidents are an ever-present risk. Asset failures can also have serious safety consequences.

Safety is a top priority for Enexis. We are continuously improving our safety measures. The risks of unsafe situations and incidents occurring in our electricity and gas grids are systematically analysed. We are implementing a Gas and Electricity replacement programme and carry out preventive maintenance. Continuous efforts are being undertaken to strengthen the safety awareness and alertness of staff, management and contractors. Extra attention is also being devoted to our role as a contracting authority and the performance of contractors. Safety is a prominent feature in all our training courses and programmes. More context about this risk can be found in 'Safety and expertise'.

E. Failure to anticipate new developments in time due to insufficiently flexible organisation, processes and/or systems
The rapid pace of social and technological change demands great adaptability on the part of our staff and organisation. Enexis is striving for high customer satisfaction and that means meeting the steadily growing expectations of our customers. To keep up with the rapidly changing landscape, our staff and organisation need to be more adaptable than ever, and the same goes for our processes and systems. ICT, with its ever-growing complexity, affects our ability to change and plays an increasingly prominent role in our operational processes. A failure to improve our organisation, systems and customer processes in time could jeopardise our ambitious objectives on customer satisfaction. That's why we are implementing a broad array of organisation-wide measures to enhance our agility, such as measures to promote the long-term employability and knowledge development of our employees.

Various transition programmes are underway, including ones that deal extensively with behaviour and leadership as well as ICT. ICT projects are prioritised on the basis of our strategic goals and market needs. We also rationalise our ICT landscape, while maintaining a close collaboration between business and ICT to achieve target architectures and reduced costs. A new portfolio management process has been implemented. We are also trying to improve our customer expectation management through proactive communication, transparent processes and closer cooperation with our supply chain partners (e.g. contractors). More context about this risk can be found in 'Customers and networks' and 'Safety and expertise'.

F. Extensive and prolonged interruptions of the energy supply due to natural disasters, external causes or asset failures
Natural disasters, such as flooding and earthquakes, deliberate wrongdoing or asset failures can cause serious interruptions in our grids. Extensive and prolonged interruptions of the energy supply are a serious risk.

Our Maintenance Engineering, Design Guidelines, Grid Redundancy and Maintenance Programmes aim to keep the grid as reliable as possible. Regarding earthquake and flooding risks, specific preventive measures have been taken and extra checks are carried out after incidents. In addition, our crisis management plans provide for an adequate post-incident response to make the situation safe and restore the energy supply as quickly as possible. More context about this risk can be found in 'Customers and networks'.

G. Regulatory constraints prevent Enexis from playing active role in the energy transition
Enexis wants to help achieve the climate targets. We are looking for new solutions to keep the electricity grid stable and reliable, while coping with an extra supply of energy. We are also developing visions and concepts for sustainable heating within the wider context of the energy transition. However, the central role that grid companies are keen to play in the energy transition is impeded by the Energy Act and other regulations as well as a lack of support for our role among market parties. This could hamper or block our efforts to achieve our energy transition objectives for the benefit of society.

To better align our strategies with the needs of society, we have strengthened our focus on stakeholder management and have set up region-specific energy transition teams. More context about this risk can be found in 'Sustainable operations'.

EMPLOYEE PARTICIPATION AT ENEXIS

Within the Works Council, employees actively contribute to the policy of the organisation. That's an important task, particularly now that the energy transition is gathering momentum. Important topics discussed with the Executive Board in 2019 were the shortage of technicians, the employability of employees and the new collective labour agreements.

2019 was the first full year of participation for the new members of the Works Council. The Works Council and Sub-Committees have visibly become more collaborative and professional in their approach in the past 1.5 years, partly thanks to their joint participation in the Behaviour & Leadership Programme.

ATTRACTIVE EMPLOYMENT CONDITIONS PACKAGE

Together with the trade unions, the Works Council extensively discussed the various compensation & benefits arrangements at Enexis. In the current tight labour market conditions, an attractive compensation & benefits package is crucial to attract and retain skilled staff. From 2020, two CAOs apply for employees of Enexis Groep: the Grid Operator CAO and the company-specific CAO for Enexis. Once the CAO results have been incorporated into the company schemes, in consultation with the Works Council, we explore whether these schemes need to be updated and/or modernised.

EMPLOYABILITY

Now that the CAOs have been finalised, the Works Council's improvement proposal for the DI+ scheme is back on the agenda. Since 2014 this long-term employability scheme provides employees with extra facilities and support to improve their long-term employability and avoid redundancy. In this context, the Works Council has also emphasised the need for strategic staff planning. The scarcity of technical staff makes it all the more imperative to harvest the skills available in the organisation.

In 2019 the Works Council advised on the stand-alone continuation of Buurkracht and the future prospects of the employees who worked for this community support organisation. The intensive participation of employees in the stand-alone process testifies to their strong involvement with Buurkracht. Employees are deeply motivated to continue their work for the programme and will arrange the stand-alone employment conditions without the intermediation of the Works Council.

COOPERATION WITH EXECUTIVE BOARD AND SUPERVISORY BOARD

The new member of the Supervisory Board, Ms Anita Arts, was introduced in 2019. She was appointed on the recommendation of the Works Council. The Works Council appreciates its good and cooperative relationship with the management and the Supervisory Board.

Works Council members
Eef Verhoeven (chairman), Han de Jong (deputy chairman), Peter Doreleijers (secretary), Lucas Arts (deputy secretary) resigned from 13 March, Peter Weldam (deputy secretary) from 4 April, Lianne Dreef-Ritmeijer, Frank Niessen, Peter van Huizen, Liza Wilts, Marysia Zolik, Jo Custers (administrative secretary).

Linking pins from the Sub-Committees
Lisa Bisschop (until 30 April), Rianne van den Oever and Frank van Rossum (SC Enpuls), Harrie Darding (SC Fudura), Cas Kuntzelaers (until 25 April), Greet ter Laan (from 25 April) (SC Customer & Markets), Chris Warmerdam (SC Infra), Peter Weldam (until 4 April), Arnoud Brouwer (from 4 April) and Wouter Gerarts (SC StAM).

BOARD STATEMENT

The Executive Board (EB) is responsible for the effectiveness of the design and operation of the internal risk management and control system of Enexis. 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 management and control system and our risk profile. No system can provide absolute certainty concerning the achievement of company objectives or prevention of material errors, losses, fraud or violations of laws and regulations that may occur in the processes and financial reporting. The EB has evaluated the set-up and effectiveness of the internal risk management and control system during 2019, based on the business control information, 'Letters of Representation' and reports from the internal auditor. The outcomes of this evaluation and the risk profile were discussed with the Audit Committee of the Supervisory Board, in the presence of the internal and external auditors.

We declare that:
- this report states the material risks and uncertainties that are relevant in relation to the expectation of the company's continuity for the twelve months following the preparation of this report;
- the current state of affairs justifies the preparation of the financial report on a going concern basis of accounting;
- this report provides sufficient insight into deficiencies in the operation of the internal risk management and control system;
- the aforementioned system provides a reasonable degree of certainty that the financial and other reports contain no inaccuracies of material significance.

's-Hertogenbosch, 19 February 2020

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 at Delft University of Technology. Following this, he obtained an MBA at Rotterdam School of Management. He began his career in 1991 at construction firm VolkerWessels, where he held various management positions. He was CEO of water company Evides from 2008 to mid-2014. Since 1 August 2014 he has held the position of CEO at Enexis. Over the years he has gained considerable national and international experience in the commercial management of public infrastructure for the transport, energy and water chain, focusing specifically on sustainability and public-private partnerships (PPS). Peter Vermaat is also a board member of the Royal Dutch Gas Association (KVGN) and the Dutch Sustainable Energy Association (NVDE). Peter Vermaat is due to leave Enexis in mid-2020 and will transfer his duties to a successor.

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 Netherlands, where he held various positions in the Netherlands and abroad. From 2005 to 2012 he was CFO of gas trading company GasTerra. He has been a member of the Executive Board/CFO of Enexis since 1 January 2013. Until September 2019 he was also a member of the Supervisory Council of healthcare group Zorggroep Treant. In October 2014 he joined the Supervisory Board of Energie Data Services Nederland (EDSN). In 2018 Maarten Blacquière was also appointed to the Supervisory Board of Ultra-Centrifuge Nederland N.V.

SUPERVISORY BOARD

Carmen Velthuis, Piet Moerland, Anita Arts, Marc Calon, Joost van Dijk

PIET MOERLAND

Mr 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 of the Remuneration and Selection Committee. Previously he was Chairman of the Board of Directors of Rabobank Nederland. He is also Chairman of the Foundation Board of Stichting Berenschot Beheer, Chairman of the Foundation Supervisory Council of Stichting Stadhuismuseum Zierikzee and a member of the Foundation Board of Stichting Administratiekantoor Heijmans. He is a Dutch national.

JOOST VAN DIJK

Mr Van Dijk (1961) was appointed as a Supervisory Board member in 2016 and is due to retire in 2020. He is also a member of the Remuneration and Selection Committee. Mr Van Dijk is furthermore active as an adviser and coach supporting company directors with the implementation of strategic transitions. He is a Dutch national.

ANITA ARTS

Ms Arts (1959) was appointed as a Supervisory Board member in 2019 and is due to retire in 2023. She is also a member of the Audit Committee. Ms Arts is Chair of the Executive Board of FlevoHospital Almere. In addition, she is a board member of NVZ (the Dutch Association of Hospitals), a member of the Supervisory Board of NOS Broadcasting Company (until 1 December), a member of the Advisory Board of SEO Economic Research, a member of the Economic Board Almere and a member of the Higher Education Development Board of University of Applied Sciences Windesheim. She is a Dutch national.

MARC CALON

Mr 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 member of the Audit Committee. Mr Calon was a member of the Provincial Executive 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.

CARMEN VELTHUIS

Ms 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. Ms Velthuis has been CFO of the European Cluster at Vodafone Group in London since 2017. Prior to this, she was CFO at Vodafone Netherlands. She is a Dutch national.

ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS 2019

CONSOLIDATED INCOME STATEMENT

€ Million	Notes		2019		2018
Revenue	1		1,491		1,445
Less: Transmission services and distribution losses	2		232		228
Other operating income	3		12		4
Balance available for operating activities			1,271		1,221
Employee benefit expenses	4	493		391	
Depreciation, impairments and decommissioning	5	379		349	
Costs of subcontracted work, materials and other external expenses	6	208		217	
Other operating expenses	7	29		29	
Capitalised expenses of own production	8	-191		-169	
			918		817
Operating profit			**353**		**404**
Share in result of associates and joint arrangements	9		-1		0
Financial income	10	3		3	
Financial expenses	10	55		61	
Financial income and expenses			**-52**		**-58**
Profit before tax	11		**300**		**346**
Corporate income tax expenses	12		-90		-27
Profit for the year			**210**		**319**
Attributable to:					
Minority shareholders			0		0
Shareholders			210		319
Average number of shares during the financial year			149,682,196		149,682,196
Profit per share [1]			**1.40**		**2.13**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ Million	2019	2018
Profit for the year	210	319
Released part of non-realised income through hedge reserve	0	0
Tax released on non-realised income through equity	0	0
Total result including non-realised income [1]	**210**	**319**
Attributable to:		
Minority shareholders	0	0
Shareholders	210	319

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

CONSOLIDATED BALANCE SHEET

€ Million	Notes	31 December 2019	31 December 2018
Assets			
Property, plant and equipment	13	7,598	7,226
Intangible assets	14	252	229
Right-of-use assets	15	106	-
Associates and joint arrangements	16	8	9
Other financial assets	17	16	16
Non-current assets		**7,980**	**7,480**
Inventories	18	18	19
Receivables	19	181	160
Corporate income tax	20	7	22
Other financial assets (current)	21	10	3
Cash and cash equivalents	22	62	31
Current assets		**278**	**235**
Total assets		**8,258**	**7,715**

€ Million	Notes	31 december 2019	31 December 2018
Liabilities			
Issued and paid-up share capital		150	150
Share premium reserve		2,436	2,436
General reserve		1,318	1,121
Hedge reserve		-2	-2
Profit for the year		210	319
Equity	23	**4,112**	**4,024**
Non-current interest-bearing liabilities	24	1,868	1,790
Non-current provisions	25	36	37
Advance contributions for the installation of grids and connections	26	859	777
Deferred corporate income tax	27	283	262
Other non-current liabilities	28	1	2
Non-current liabilities		**3,047**	**2,868**
Trade and other payables	29	245	287
Current interest-bearing liabilities	30	828	513
Current provisions	25	4	3
Advance contributions to be amortised in the following year	26	22	20
Current liabilities		**1,099**	**823**
Total liabilities		**8,258**	**7,715**

CONSOLIDATED CASH FLOW STATEMENT

€ Million	Notes	2019		2018	
Profit for the year		210		319	
Depreciation and impairments	5	379		349	
Amortised contribution for installation of grids and connections	26	-21		-19	
Received contributions for the installation of grids and connections	26	105		82	
Share of result of associates and joint ventures	9	1		0	
Dividend received from associates	16	0		0	
Change in operational working capital	31	-46		26	
Change in deferred corporate income tax	12	21		-31	
Change in non-current provisions	25	-1		-47	
Change in other non-current liabilities	28	-1		0	
Cash flow from operating activities			**647**		**679**
Investments in property, plant, equipment	13	-694		-594	
Investments in intangible assets	14	-52		-49	
Loans granted	17	-14		-7	
Increase deposits and money market funds	21	-50		0	
Decrease deposits and money market funds	21	50		0	
Repayment of loans granted	17	7		4	
Cash flow from investing activities			**-753**		**-646**
Cash flow before financing activities			**-106**		**33**
New interest-bearing liabilities [1]	24, 30	496		-	
Repayment of interest-bearing liabilities	24, 30	1,649		1,250	
Repayment of interest-bearing liabilities	24, 30	-350		-	
Repayment of interest-bearing liabilities	24, 30	-1,508		-1,205	
Repayment of lease obligation	15	-28		-	
Dividend paid	33	-122		-103	
Cash flow from financing activities			**137**		**-58**
Total cash flows			**31**		**-25**
Cash and cash equivalents at the beginning of the financial year	31		31		56
Cash and cash equivalents at the end of the period	31		**62**		**31**

1 € 500 million face value minus € 4 million emission costs which will be amortized during the term of the loan.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ Million	Number of ordinary shares	Share capital	Share premium reserve	General reserve	Hedge reserve	Profit for the year	Total equity
At 1 January 2018	**149,682,196**	**150**	**2,436**	**1,017**	**-2**	**207**	**3,808**
Profit for the year 2018	-	-	-	-	-	319	319
Amortisation hedge reserve year 2018	-	-	-	-	0	-	0
Total result including unrealized results	**-**	**-**	**-**	**-**	**-**	**319**	**319**
Profit appropriation for 2017	-	-	-	104	-	-104	0
Dividend paid for 2017	-	-	-	-	-	-103	-103
At 31 December 2018[1]	**149,682,196**	**150**	**2,436**	**1,121**	**-2**	**319**	**4,024**
At 1 January 2019	**149,682,196**	**150**	**2,436**	**1,121**	**-2**	**319**	**4,024**
Profit for the year 2019[1]	-	-	-	-	-	210	210
Amortisation hedge reserve for the year 2019	-	-	-	-	0	-	0
Total result including unrealized results	**-**	**-**	**-**	**-**	**-**	**210**	**210**
Profit appropriation for 2018	-	-	-	197	-	-197	0
Dividend paid for 2018	-	-	-	-	-	-122	-122
At 31 December 2019[2]	**149,682,196**	**150**	**2,436**	**1,318**	**-2**	**210**	**4,112**

1 The dividend for 2019, to which the shareholders are entitled in 2018 and which has been paid to shareholders in 2019, amounted to € 0.82 per share (2018: € 0.69), calculated on the basis of the number of shares at year-end.
2 Total equity per share (before profit appropriation) at year-end 2019 was € 27.49 (2018: € 26.90), 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 company under Dutch law. The consolidated financial statements of the company for the financial year 2019 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 88 municipalities. Enexis Holding N.V. heads the Group.

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 2020. The financial statements, signed by the Supervisory Board, will be presented to the General Meeting of Shareholders for adoption on 9 April 2020.

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 otherwise stated, all amounts are in millions of euros. Purchase and sale transactions in foreign currencies are recognised at the settlement exchange rate on the transaction date.

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 AMENDMENTS TO IFRS

STANDARDS IN EFFECT AS FROM 1 JANUARY 2019

The following new or amended IFRS standards and IFRIC interpretations are effective from 1 January 2019.

- IFRS 16 (Leases) published by the IASB on 13 January 2016 and effective from 1 January 2019. IFRS 16 was adopted by the European Union on 31 October 2017.

The new lease standard, IFRS 16 'leases', which has been effective since 1 January 2019 requires lessees to bring most leases into the balance sheet, recognizing a right-of-use asset and a lease liability. In 2018 Enexis assessed its leases and rental obligations whether they meet the IFRS 16 criteria. Enexis also assessed the adequacy of its existing control framework.

Based on the contract portfolio, Enexis determined that the leases related to property and employee cars meet the IFRS 16 lease criteria. Enexis Holding N.V. utilises the following practical expedients according to IFRS 16:

- leases with a term shorter than 12 months are excluded;
- leases with a low value (€ 5,000) are excluded;
- For leases of employee cars the practical expedient of including the non-lease component is applied.

The new standard was applied using the modified retrospective approach for the transition accounting which implies the value of the right-of-use asset as at 1 January 2019 is equal to the lease liability as at per 1 January 2019.

The effect of implementing IFRS 16 as from 1 January 2019 is as follows:

€ Million	2019
Operational lease liability disclosed at year-end 2018	75
Add: non-lease components	9
Less: practical expedient short-term car leases	-3
Less: discounted incremental borrowing rate at 1 January 2019	-1
Lease liability recognised at 1 January 2019	**80**

Due to the application of IFRS 16, the result before taxes decreased by € 0.2 million in 2019. In addition, IFRS 16 results in a reclassification on the income statement from employee benefit expenses (€ -10 million) and other operating expenses (€ -18 million) to depreciation, impairments and decommissioning (€ 28 million) and financial income and expenses (€ 0.4 million).

€ Million	Profit-and-loss after change in accounting policy	Profit-and-loss before change in accounting policy	Difference
Other financial assets	493	503	-10
Other financial assets (current)	208	226	-18
Trade receivables	55	55	0
Amounts receivable	379	351	28
Total	**1,135**	**1,135**	

Lessor accounting has not changed significantly under IFRS 16 compared to the accounting rules under IAS 17. Lessors will classify all leases in accordance with IAS 17, distinguishing between operating and financial leases. IFRS 16 requires both lessees and lessors to provide more detailed disclosures on the financial statements than IAS 17 does. The notes regarding lessor agreements have no quantifiable impact on the Enexis Group's financial statements for 2019.

- Amendments to IAS 28 (Long-term interests in associates and joint arrangements) effective 1 January 2019.
- Annual improvements to IFRS standards, cycle 2015-2017, effective 1 January 2019.
- Amendments to IAS 19 (Plan amendments, curtailment or settlement) effective 1 January 2019.

These amendments to the standards as from 2019 do not impact equity and result of Enexis or are not applicable.

FUTURE STANDARDS NOT YET IN FORCE IN 2019

The following improvements and amendments to IFRS standards have been published and are applicable in the coming years.

- Amendments to references in the conceptual framework of IFRS standards, effective 1 January 2020.
- Amendments to IFRS 3 (Business Combinations), effective 1 January 2020.
- Amendments to IAS 1 and IAS 8 (Definition of materiality), effective for annual periods beginning on or after 1 January 2020.
- IFRS 17 (Insurance policies), effective 1 January 2021.

The amended standards as from 2020 have no direct impact on Enexis' equity and result or are not applicable to Enexis.

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 or entitled to variable results based on its involvement with the entity and has the capacity to influence these results 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 on 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 on 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.

The suppositions, assumptions and estimates used by management particularly affect the valuation and the need for impairment (notes 13, 14 and 15), the need for possible impairments of receivables (note 19), the valuations of provisions (note 25), the recognition of revenue (note 1) and allocation and reconciliation (note 2).

Enexis does not regard advance payments from customers for providing a connection and installing the grid as a separate performance obligation. For a more detailed explanation of the relevant assumptions, please refer to note 26.

CURRENCY

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

OFFSETTING

Offsetting of asset and liability items takes place per counter party if there is a contractual right to offset the recognised amounts and if there is an intention to offset. In the event that there is no right to offset amounts or no intention to settle asset and liability items at the same time, then the items 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 concerning the balances of the asset and liability item.

PRESENTATION

The presentation of the income statement follows the classification in categories. The costs of transmission services and distribution losses are presented directly following revenue and other operating income. This is due to the relationship with revenue, as well as their distinction from other operating costs over which our organisation can exercise an influence in the short term.

VALUATION AT FAIR VALUE

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

- on the most important market for the asset or the liability; or, if that does not exist,
- on the most advantageous market for the asset or 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. Valuation of a non-financial asset at fair value takes account of a market participant's ability to generate economic benefits by maximising and optimising the use of the asset or by selling it to another market participant who would maximise and optimise the use of the asset.

The Group applies valuation methods that are appropriate in the circumstances and for which there is sufficient data available to determine fair value using, as far as possible, relevant observable inputs and as few unobservable inputs as possible.

All assets and liabilities for which fair value is determined or disclosed on the financial statements are classified in the following fair value hierarchy, based on the input of the lowest level that is significant for the entire valuation:

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

For assets and liabilities that are recognised on the financial statements at fair value 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 entire valuation).

When disclosing fair values, the Group has determined categories of assets and liabilities based on their nature, characteristics and risks, along with their level in the fair value hierarchy 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. For each business combination, the Group determines 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 for 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 terms, economic conditions and relevant circumstances on the acquisition date. This also comprises the separation of derivative instruments contractually embedded in the acquiring party's base contracts.

Every conditional payment that is transferred by the Group will initially be valued at its fair value on the acquisition date. A contingent payment classified as an asset or liability classified as a financial instrument is valued at fair value, with changes in fair value being recognised on the income statement.

Goodwill is the difference between the costs of the acquisition of the company less the balance of the fair value of the company's identifiable assets and transferred liabilities. The costs of the acquisition of the company are valued at the total 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. The goodwill divested under these circumstances is valued on the basis of 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 to determine 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 of selling 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 if the assumptions used to determine the recoverable amount are deemed to have changed and to the extent that the remaining carrying amount of the asset is lower than the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised for the asset 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 used by Enexis to hold these financial assets and the characteristics of the cash flows generated by them.

Accounting on initial recognition

Purchases and sales of financial instruments are recognised on the transaction date. The Group no longer recognises a financial asset on 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 with 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 and other receivables, loans provided, borrowings and other financing obligations, as well as trade 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 through unrealised results.

Financial assets and liabilities at fair value via the income statement

Within this category Enexis holds only derivatives and deposits.

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 may be the result of developments in market interest rates or market exchange rates for foreign currencies. The specific use of derivatives to mitigate interest rate and exchange rate risk on cash flows makes it possible for Enexis to apply hedge accounting.

Valuation of derivatives takes place at fair value. The fair value of interest rate derivatives is determined by discounting the future cash flows. The fair value of currency derivatives is determined by 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. 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 on 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 impairments 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 derived from 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 receivables. 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).

IFRS 16, 'LEASES'

Enexis Group as the lessee
In accordance with IFRS 16, which became effective on 1 January 2019, leases are recognised in the balance sheet as soon as the group has the right of use over the asset. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is then depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will renew the contract or obtain ownership at the end of the lease term.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate and are measured on initial recognition based on the index or interest rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease period reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or Enexis' incremental borrowing rate. The incremental borrowing rate is the interest rate at which Enexis could obtain a similar borrowing from an independent financier under comparable terms and conditions.

At the commencement date, lease liabilities are measured at the present value of the lease payments that have not been made at that date. Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred by Enexis; and
- an estimate of the costs to be incurred by Enexis for decommissioning and removing the underlying asset and for restoring the site where it is located, or for restoring the underlying asset to the condition described in the terms of the lease, unless those costs are incurred for producing inventories. Enexis will assume the corresponding liability either at the commencement date or as a result of the fact that it has used the underlying asset for a certain period of time.

Extension and termination options Enexis determines the lease period as the non-cancellable period of a lease, combined with:
- the periods subject to an extension option if it reasonably certain that Enexis will exercise this option;
- the periods subject to a termination option if it is reasonably certain that Enexis will not exercise this option.

In determining the lease term, Enexis considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Enexis Group as the lessor Enexis has contracted operating leases for energy-related installations. Operating leases are leases that do not qualify as finance leases. The risks and rewards associated with the ownership of the underlying assets have not been transferred to Enexis Group.

Assets that have been provided to third parties under operating leases are recognised within property, plant and equipment. Income from operating leases is recognised through profit or loss over the term of the lease as other operating income within 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. Net cash and cash equivalents as included in the cash flow statement refer to cash and cash equivalents as stated on the balance sheet.

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 reports are based on the same principles as those applied to the consolidated financial statements. An adjustment is made for incidental 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, 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 employees. 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 cannot be assigned to a segment and therefore form part of the column “Normalisations, eliminations and reconciliations”.

	Enexis regulated		Enexis Other		Subtotal		Normalisations, eliminations and reconciliations		Enexis total	
€ Million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income statement										
Revenue	1,420	1,378	87	82	1,507	1,460	-16	-15	1,491	1,445
Transmission services and distribution losses	232	228	0	0	232	228	0	0	232	228
Other operating income	13	5	4	4	17	9	-5	-5	12	4
Balance available for operating activities	1,201	1,155	91	86	1,292	1,241	-21	-20	1,271	1,221
Operating expenses	857	763	82	72	939	835	-21	-18	918	817
Operating profit	344	392	9	14	353	406		-2	353	404
Share of result of associates and joint ventures	-1	0	0	0	-1	0	0	0	-1	0
Financial income and expenses	-47	-50	-3	-3	-50	-53	-2	-5	-52	-58
Profit for the year	223	256	4	8	227	264	-17	55	210	319
Assets and liabilities										
Total assets	7,328	6,960	249	240	7,577	7,200	681	515	8,258	7,715
Non-consolidated associates and joint ventures	7	8	1	1	8	9	0	0	8	9
Liabilities (provisions and debts)	3,056	2,758	82	99	3,138	2,857	1,008	834	4,146	3,691
Others										
Additions in property, plant and equipment, intangible assets and right-of-use-assets	772	625	28	17	800	642	0	1	800	643
Number of employees at year-end (FTE)	4,051	3,921	266	246	4,317	4,167	0	0	4,317	4,167

Costs and revenues charged between the segments and receivables, payables and current- account positions between the segments have been eliminated. In the segmentation overview, these costs and revenues are recognised under "Normalisations, eliminations and reconciliations". The eliminated costs and revenues mainly concern accommodation expenses charged by Enexis Vastgoed B.V. and costs charged by Enexis Personeel B.V. for services that it has provided.

NON-RECURRING ITEMS PER SEGMENT

Enexis reports the normalised results per segment internally. This normalisation takes place based on the item included in note 11: Non-recurring items. In 2019, non-recurring items can be broken down by segment as follows:

€ Million	Regulated activities	Other	Total 2019
Changes and compensating measures Enterprise Bargaining Agreements	11	1	12
Received damage compensation from a supplier	-10	0	-10
Effect on profit and loss as a result of received claims	3	0	3
Total exceptional items (before tax)	**4**	**1**	**5**
Impact on corporate income tax	-1	0	-1
Total exceptional items (after tax)	**3**	**1**	**4**

In 2018, non-recurring items were allocated to segments as follows:

€ Million	Regulated activities	Other	Total 2018
Release provision Empoyee Benefits Object related holidays	-39	-1	-40
Effects on financial results due to claims submitted	9	0	9
Accelerated depreciation of meters	10	0	10
Total exceptional items (before tax)	**-20**	**-1**	**-21**
Impact on corporate income tax	5	0	5
Total exceptional items (after tax)	**-15**	**-1**	**-16**

4. ACQUISITIONS AND SALES

ENPULS B.V.'S DEMERGER OF "BUURTKRACHT" ACTIVITIES

Enexis Group demerged Buurtkracht, the platform for energy saving and citizen participation in making neighbourhoods more energy efficient, which was founded in 2013 and integrated into Enpuls. As an independent foundation, the organisation can continue to grow and seek greater and broader cooperation with residents, municipalities and other social organisations. The demerger took place on 1 December 2019. Sixteen employees were transferred from Enpuls to Stichting Buurtkracht when the activities were transferred. For details about the guarantees agreed in the transaction, please refer to note 34: Off-balance sheet commitments and assets.

SALE OF ADDITIONAL HIGH-PRESSURE GRIDS AS AT 31 DECEMBER 2020

In August 2019, agreement was reached on the sale of the extra high-pressure grids owned by Zebra Gasnetwerk B.V., Enexis Netbeheer B.V. and Enduris B.V. to national grid operator Gasunie Transport Services (GTS).

This agreement, which has a sale date of 31 December 2020, reduced the recoverable amount of Zebra Gasnetwerk B.V. to € 7 million. This results in a € 1 million downward revaluation of joint arrangement Zebra Gasnetwerk B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

Revenue consists of regulated and non-regulated income.

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 and energy tax. 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.

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.

Non-regulated rental income does not fall under the scope of IFRS 15 and qualifies as a lease under the lease accounting standards. These income items are classified as a separate category within revenue, not being income from customer contracts. In the specification of revenue, there is a further split into regulated and non-regulated items:

€ Million	2019	2018
Regulated		
Periodic transmission- and connection fees for electricity		
High-volume consumers	329	320
Low-volume consumers	548	527
Periodic transmission- and connection fees for gas		
High-volume consumers	41	41
Low-volume consumers	286	282
Metering services	131	128
Amortised contributions	21	19
Other	6	5
Total regulated	**1,362**	**1,322**
Non-regulated		
Income from sale of products and services	61	56
Metering services	33	33
Total non-regulated	**94**	**89**
Other revenue		
Rental income	35	34
Total	**1,491**	**1,445**

In the revenue for 2019, the estimated grid charges for low-volume customers amounted to € 81 million (2018: € 80 million) and for high-volume customers € 31 million (2018: € 30 million), together 7.5% (2018: 7.6%) of total revenue. The maturity differences on these still-to-be invoiced income items are generally small. Estimated revenue relates to the month of December and is largely based on the revenue generated in November.

2. TRANSMISSION SERVICES AND DISTRIBUTION LOSSES

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

€ Million	2019	2018
Transmission services	185	186
Distribution losses	47	42
Total	**232**	**228**

Enexis divides the transmitted energy among its customers through its allocation and reconciliation process. In this case, the allocation is the advance and the reconciliation is the final settlement. The difference between the energy taken up by the distribution grid and the energy allocated to end users after allocation and reconciliation is the distribution loss. The reconciliation of the calendar year in question is only finalised after a reconciliation process that takes 20 months. Using forecasts, Enexis tries to estimate the final reconciliation result as accurately as possible, estimating the annual distribution loss between € 5 and € 10 million based on experience over the past 5 years.

The costs of transmission services and distribution losses increased by € 4 million in 2019 to € 232 million. This increase is mainly attributable to higher costs for grid losses due to price increases of € 8 million, offset by lower costs for grid losses due to allocation of € 3 million and reduced purchases of green certificates amounting to € 1 million.

3. OTHER OPERATING INCOME

Other operating income comprises income not directly related to core activities. Operating subsidies are recognised in the results of 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	2019	2018
Subsidies and received refunds	1	3
Other income	11	1
Total	**12**	**4**

In 2019, other income relates almost entirely to compensation for damages agreed with a supplier.

4. EMPLOYEE BENEFIT EXPENSES

Expenses are allocated to the financial year to which they relate.

€ Million	2019	2018	Difference
Salaries	279	254	25
Social security contributions	34	35	-1
Pension costs	37	33	4
External staff	114	83	31
Allocation to/release from employee-related provisions	3	-57	60
Other employee-related expenses	26	43	-17
Total	**493**	**391**	**102**

Changes in the number of employees during 2019 were as follows:

	2019	2018	Difference
Own staff	4,317	4,167	150
External staff with a temporary employment	1,113	920	193
Total FTE at year-end	**5,430**	**5,087**	**343**

There are no employees working outside the Netherlands.

The € 8 million increase in salaries was due to an increase in the number of employees amounting to 150 FTEs. This increase relates to the expansion of the work package and commitment to other priorities, such as facilitating the energy transition and implementing upgrade and transition projects. In addition, € 6 million of the increase was due to the collective labour agreement in effect as from 1 January 2019 and € 12 million to compensation for adverse effects paid as at year-end 2019. This is the result of amended and/or cancelled clauses in the company collective labour agreement agreed as at 1 January 2020.

The rise in the costs of external staff resulted from an increase in the number of employees hired under temporary employment contracts, which amounted to 193 FTEs. This increase was mainly caused by commitments to upgrade and transition projects, as well as external recruitment to fill vacancies resulting from the growth of our work package.

A large part of the increased employee benefit expenses relates to investment projects and as such is the main reason for the increase in capitalised expenses of own production (see note 8: Capitalised expenses of own production).

The increase in the balance of allocations to and releases from employee-related provisions is largely due to the release in 2018 of provisions for purpose-related leave and the partial release of the provision for long-service benefits.

The decrease in other employee benefit expenses was mainly caused by redemption of elapsed of expired schemes for long-service awards and overtime leave recognised in 2018 (€ 10 million) and reclassification of the lease costs for private cars from employee benefit expenses to depreciation and interest expenses (€ 10 million) following the implementation of IFRS 16 as from 1 January 2019. For further information, see note 5: Depreciation and decommissioning and note 15: Right-of-use assets.

PENSION OBLIGATIONS

Enexis employees participate in the pension scheme of Stichting Pensioenfonds ABP (the Dutch pension fund for employees in the government, public and education sectors). The coverage ratio of pension fund ABP at the end of 2019 amounted to 97.8% (year-end 2018: 97.1%). The coverage ratio increased by 0.7 percentage points at the end of 2019. The level that the coverage ratio reached is not sufficient to increase participant pensions, while the chance of a reduction in pensions in 2021 is minimal. The chance of reduction will continue to exist during subsequent years, and no increase is expected over that period.

The contribution for the retirement and surviving dependants' pension for 2019 amounted to 24.9% (22.9% in 2018). The increase in the contribution is due to the coverage ratio of the fund, which is still too low.

As from 1 January 2020, the contribution for the retirement pension and the surviving dependants' pension has been set at 24.9%. The contribution will therefore remain at the same level as in 2019. It is expected to rise in 2021. The fund requires a structurally higher contribution level in order to ensure that the pension scheme remains affordable. Further steps are expected to follow in 2021.

In 2019, the employer-employee contribution allocation was respectively 70% and 30%, i.e. 17.43% for the employer and 7.47% for the employee (same as in 2018).

In essence, the scheme is a so-called defined benefit plan, in which the amount of the pension to be received is fixed. Since, however, Enexis does not have access to the necessary specific information, these schemes are treated as defined contribution plans and the pension contributions payable for the financial year are recognised in the financial statements as pension expenses.

5. DEPRECIATION, IMPAIRMENTS AND DECOMMISSIONING

The depreciation charges can be specified as follows:

€ Million	2019	2018
Depreciation of property, plant and equipment	309	308
Depreciation of intangible assets	26	24
Depreciation of use of right assets	28	-
Decommissioning	16	17
Total	**379**	**349**

PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated in accordance with the straight-line method. The expected future useful life of the asset is taken into account in determining the depreciation. The useful life and residual value of assets are assessed each year. Any adjustments are recognised prospectively. Land is not depreciated. A tangible fixed asset is no longer recognised on 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. Any profit or loss arising from the de-recognition of an asset is recognised in the result.

The expected useful lives of the main categories of property, plant and equipment are 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

DEPRECIATION OF RIGHT-OF-USE ASSETS

Following introduction of IFRS 16, leases previously recognised directly on the income statement will, as from 1 January 2019, be recognised as right-of-use assets on the balance sheet. Right-of-use assets are then depreciated on a straight-line basis over the total term of the lease. IFRS 16 has resulted in a reclassification on the income statement, increasing depreciation expenses by € 28 million. For more information, see note 4: Employee benefit expenses and note 6: Cost of subcontracted work, materials and other external expenses.

IMPAIRMENTS

For a more detailed specification of impairments and the vision for the future of the gas grid, please refer to note 14: Intangible fixed assets.

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

Expenses are allocated to the financial year to which they relate.

€ Million	2019	2018
Subcontracted work	75	65
Materials	24	23
ICT costs	65	61
Other external expenses	44	68
Total	**208**	**217**

The increase in the cost of subcontracted work and materials totalling € 11 million is mainly attributable to higher costs for our work package.

Other external expenses decreased mainly due to the reclassification of the costs of leasing company cars and renting buildings to depreciation expenses as a result of the implementation of IFRS 16.

AUDITOR'S FEES

Fees charged by PricewaterhouseCoopers accountants N.V. in the financial year for the audit of the financial statements amounted to € 0,8 in 2019 (2018: € 0,6) and for other audit assignments € 0,1 (2018: € 0.0). No services of any other type were provided.

7. OTHER OPERATING EXPENSES

€ Million	2019	2018
Allocated to/released from provisions	10	12
Other	19	17
Total	**29**	**29**

Other operating expenses mainly concern allocations to and/or releases from non-employee-related provisions, corporate taxes, as well as expenses for compensation and service guarantees. The decrease in this expense item relative to 2018 is mainly due to lower allocations to non-employee-related provisions.

8. CAPITALISED EXPENSES OF OWN PRODUCTION

€ Million	2019	2018
Capitalised employee benefit expenses	-152	-133
Capitalised supplements and logistic surcharge	-39	-36
Total	**-191**	**-169**

Capitalised production costs relate to the hours of the company's employees and contracted employees allocated to the company's investment projects, additional charges recognised in connection with investment projects and logistical warehousing.

The increase in capitalised production costs relative to 2018 can largely be attributed to the growing work package and the extra deployment of company and contracted employees to upgrade and transition projects eligible for capitalisation.

9. SHARE IN RESULTS OF ASSOCIATES AND JOINT ARRANGEMENTS

€ Million	2019	2018
ZEBRA Gasnetwerk B.V.	-1	0
Total	**-1**	

For a further explanation of the results and carrying amounts relating to associates and joint arrangements and the dividends received, please refer to note 16: Associates and joint arrangements.

10. 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 (See note 13: Property, plant and equipment). If hedge accounting is applied, then the ineffective part of derivatives is recognised directly on the profit and loss account under financial income and expenses.

€ Million	2019	2018
Financial income	3	3
Total financial income	**3**	**3**
Interest added to provisions	-2	-2
Other financial expenses	57	63
Total financial expenses	**55**	**61**
Financial income and expenses	**-52**	**-58**

Financial expenses mainly consist of interest payments related to borrowings. For further details on these loans, please refer to note 24: Interest-bearing liabilities (non-current) and note 30: Interest-bearing liabilities (current).

The decrease in financial expenses is mainly due to the expiration of the shareholder loan with conditional right of conversion into equity (tranche D) in the amount of € 350 million as at 30 September 2019. This loan has been refinanced by a bond loan issued on 2 July 2019 under the Euro Medium Term Notes (EMTN) programme in the amount of € 500 million at significantly more favourable interest rates (7.2% and 0.75% respectively).

11. NON-RECURRING ITEMS

Non-recurring items include income and expense items which, in the opinion of 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 lower limit 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:

2019

Changes and compensatory measures for the new company collective labour agreement that came into force on 1 January 2020

The collective labour agreement (CLA) implemented as from 1 January 2020 has given rise to new arrangements, while some existing arrangements elapsed as at 31 December 2019. The total employee benefit expenses resulting from the changes and compensatory measures amount to € 12 million.

Compensation received for loss due to accelerated depreciation of meters

Compensation of € 10 million was agreed with the supplier of the meters that did not meet the applicable quality requirements and were depreciated at an accelerated rate in 2018.

Impact on results due to submitted claims

Enexis has recognised a provision for disputes and claims. In 2019, allocations for disputes and claims that individually exceed or have exceeded the lower limit used in this section amounted to € 3 million (2018: € 9 million).

Non-recurring corporate income tax expenses

The adoption of Tax Plan 2020 postponed a previously announced decrease in corporate income tax rate (the 2020 rate remains 25%) and partially reversed a rate decrease for the years from 2021 onwards. These changes to future tax rates have resulted in a recalculation of the deferred corporate income tax liability and therefore a non-recurring tax expense of € 13 million. The corporate income tax return for 2018, prepared in 2019, also resulted in an expense of € 1 million. These two items, together amounting to € 14 million, were classified as non-recurring corporate income tax expenses.

2018

Release of provision for special purpose leave

The provision was reassessed in 2018, and a part ceased to apply due to the tighter interpretation of the guidelines applicable to the provision for special purpose leave, resulting in the release of € 40 million.

Accelerated depreciation of meters

A decision was taken to replace or cease installation of meters of a specific type prior to 1 March 2019. In connection with 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). An additional € 1 million has been earmarked for the remainder of the accelerated depreciation stemming from the replacement of these meters, which was decided in 2017.

Non-recurring corporate income tax income
The Tax Plan adopted in 2018 included a reduction in corporate income tax rates from 2020 onwards. As a result of the reduction originally announced in 2018, the deferred tax provision of € 56 million was reclassified as income. The corporate income tax return for 2017, prepared in 2018, also resulted in income of € 4 million. These two items, amounting to € 60 million, were classified as non-recurring corporate income tax income.

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

€ Million	2019	2018
Profit before tax (including exceptional items)	**300**	**346**
Changes and compensatory measures company labour agreement	12	-
One-off damage compensation from supplier	-10	-
Provision for special leave	-	-40
Effects on results due to claims submitted	3	9
Accelerated depreciation of meters	-	10
Total exceptional items	**5**	**-21**
Profit before tax (excluding exceptional items)	**305**	**325**

€ Million	2019	2018
Profit for the year (including exceptional items)	**210**	**319**
Total non-recurring items	5	-21
Tax on non-recurring items	-1	5
Profit for the year (excluding exceptional items)	**214**	**303**
Total non-recurring items	-14	60
Profit before tax (excluding exceptional items)	**228**	**243**

12. CORPORATE INCOME TAX EXPENSES

The business activities of Enexis Group are subject to corporate income tax. Enexis Holding N.V. is head of the tax group for corporate income tax and, in this capacity, it is jointly and severally liable for the obligations of the companies within the tax group. As at year-end 2019, group companies included Enexis Netbeheer B.V., Enexis Personeel B.V., Enexis Vastgoed B.V., Fudura B.V., Enpuls B.V. and Enpuls Projecten B.V. Within this group of companies, the corporate income tax that Enexis Holding N.V. owes the Dutch Tax and Customs Administration is apportioned among the companies included in the tax group based on realised commercial results.

The tax on the result for the reporting period comprises current, offsetable and deferred corporate income tax. This tax is included on the income statement, except when it relates to items recognised directly in equity.

In 2019, corporate income tax amounts to € 90 million (2018: € 27 million). This amount includes an allocation to the deferred tax liability in the amount of € 13 million. This allocation to the deferred tax liability stems from Tax Plan 2020, which was adopted at the end of 2019. The adoption of Tax Plan 2020 postponed a previously announced corporate income tax rate cut (the 2020 rate remains 25%) and partially reversed a rate cut for the years from 2021 onwards. These changes to future tax rates have resulted in a recalculation of the deferred tax liability and therefore a non-recurring tax expense of € 13 million ((in 2018, income from future rate changes amounted to € 56 million).

€ Million	2019	2018
Acute portion of corporate income tax	65	65
Deferred portion of corporate income tax fiscal year	11	22
	76	**87**
Change in deferred tax liability following future tax rate changes	13	-56
	89	**31**
Acute portion of corporate income tax for previous years	4	-7
Deferred portion of corporate income tax for previous years	-3	3
Total income Tax	**90**	**27**

The corporate income tax can be specified as follows:

€ Million	2019	2018
Profit before tax	300	346
Non-taxable results and non-deductible expenses	2	1
Profit for calculation of corporate income tax expense	302	347
Tax on current year	**76**	**87**
Change in deferred tax liability following future tax rate changes	13	-56
Adjustment(s) for preceding years	1	-4
Total corporate income tax expense	**90**	**27**

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

€ Million	2019	2018
Results participations & joint arrangements	1	0
Non-taxable part of taxed salaries	1	1
Total non-taxable results and non-deductible expenses	**2**	**1**

The corporate income tax return for 2018, which was prepared and submitted in financial year 2019, resulted in net corporate income tax for previous years of € 1 million. Since the final corporate income tax assessments for 2017 and 2018 were imposed during financial year 2019, there were no uncertain tax liabilities arising from previous years as at year-end 2019.

The reconciliation of the statutory income tax rate with the reported income tax rate (€ 90 million), expressed as a percentage of profit before tax (€ 300 million), is as follows:

	2019	2018
Nominal statutory corporate income tax rate in the Netherlands	25.00%	25.00%
Effect from non-taxable results and non-deductable costs	0.20%	0.08%
Change in deferred tax liability following future tax rate changes	4.51%	-16.14%
Effect of adjustments for preceding years	0.25%	-1.11%
Effective tax rate [1]	**29.95%**	**7.83%**

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

The higher effective tax rate in 2019 compared to the statutory rate is mainly due to the one-off tax liability resulting from the adjustment of future tax rates.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (tangible fixed assets) are valued at acquisition price or (internal) production cost, less depreciation calculated on 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.

Changes to property, plant and equipment in 2019 were as follows:

€ Million	Land and Buildings	Cables, pipelines and equipment	Other non-current assets	Work in progress	Total 2019
Cost at 1 January 2019	720	12,327	239	258	13,544
Accumulated depreciation at 1 January 2019	343	5,794	181	-	6,318
Carrying amount at 1 January 2019	**377**	**6,533**	**58**	**258**	**7,226**
Reclassified work in progress	11	153	4	-168	0
Reclassified	0	0	2	0	2
Additions [1]	8	436	9	241	694
Depreciated	-13	-286	-10	-	-309
Decommissioning	0	-15	0	-	-15
Carrying amount at 31 December 2019	**383**	**6,821**	**63**	**331**	**7,598**
Accumulated depreciation at 31 December 2019	354	6,012	54	-	6,420
Cost at 31 December 2019	**737**	**12,833**	**117**	**331**	**14,018**

1 In 2019 € 2.6 million (2018: € 2.6 million) in construction interest was capitalised and recorded as financial income. This was calculated based on an interest rate of 2.15% (2018: 2.62%).

Due to the migration to a new accounting platform as at 1 January 2020, asset accounting records for other fixed assets were cleared of assets with a carrying amount of nil as at year-end 2019 and no longer in use as at the balance sheet date. This led to a decrease in acquisition value and accumulated depreciation totalling € 134 million.

The comparative overview for 2018 is 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	-	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
Additions	7	392	10	185	594
Depreciated	-13	-280	-15	-	-308
Decommissioning	0	-16	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	-	6,318
Cost at 31 December 2018	**720**	**12,327**	**239**	**258**	**13,544**

IMPAIRMENT OF INDIVIDUAL ASSETS

The recoverable value of all individual assets is only calculated if events or changes in circumstances give cause to do so ("triggering event" analysis).

The results of this calculation are used to determine if any impairment exists. An assessment is performed annually and in the event of the interim publication in order to ascertain whether such events or changes have occurred.

For the future outlook of the gas network and its impact on valuation, please refer to note 14: Intangible fixed assets.

14. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of goodwill, acquired or self-created application software and capitalised leases. Intangible fixed assets, except for goodwill, are valued at acquisition costs, less amortisation calculated on this value and any impairments. Costs are only capitalised if it is likely that future economic advantages will result from the use of a specific asset.

Changes to intangible fixed assets in 2019 were as follows:

€ Million	Goodwill	Software	Lease contracts	Work in progress	Total 2019
Cost at 1 January 2019	115	402	7	26	550
Accumulated depreciation at 1 January 2019	0	319	2	-	321
Carrying amount at 1 January 2019	**115**	**83**	**5**	**26**	**229**
Reclassified work in progress	0	23	0	-23	0
Reclassified	0	-2	0	0	-2
Additions	0	5	0	47	52
Depreciation	0	-25	-1	-	-26
Decommissioning	0	-1	0	-	-1
Carrying amount at 31 December 2019	**115**	**83**	**4**	**50**	**252**
Accumulated depreciation at 31 December 2019	0	210	-2	-	208
Cost at 31 December 2019	**115**	**293**	**2**	**50**	**460**

Due to migration to a new accounting platform as at 1 January 2020, asset accounting records for intangible fixed assets (software and leases) were cleared of assets no longer in use as at the balance sheet date. This led to a decrease in acquisition value amounting to € 134 million and in accumulated amortisation totalling € 133 million.

The comparative overview for 2018 is as follows:

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

Assets classified as software consist mainly of the grid registration system, various operating systems, connection registrations, customer information systems, job order management systems and other support systems.

IMPAIRMENT OF INDIVIDUAL ASSETS

The recoverable amount of all individual assets is only calculated if events or changes in circumstances give cause to do so ("triggering event" analysis).

The results of this calculation are used to determine if any impairment exists. An assessment is performed annually and in the event of interim publication in order to ascertain whether such events or changes have occurred.

GOODWILL IMPAIRMENT TEST

In this case, 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 performed during the year under review to detect any indication of impairment with regard to the cash-generating units Electricity, Gas and Other Assets identified by Enexis, taking the net realisable value as the starting point. In addition to the above, goodwill is included in the impairment test carried out on cash flow generating units in December of each year. Goodwill due to 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**

Accordingly, the net realisable amounts of Electricity, Gas and Other Assets are considerably higher than the carrying values of the corresponding assets, plus the goodwill allocated to them. As a result, there is no necessity for an impairment of goodwill.

Net realisable amounts of 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 main assumptions included in this calculation are, among others, an estimate of the discount rate based on the WACC rates used by ACM, regulated tariffs and changes in the number of connections and services, as well as operating and other costs (including costs related to sales). Selected assumptions concern 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.

Pursuant to Method Decision 2017-2021, revenue will decrease due to the x-factors that it contains, which constitute a discount in order to promote efficient business operations. This is offset by a revenue increase due to an inflation adjustment and a combination of growth in 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. Enexis devotes a great deal of attention to efficient operations, initiating programmes designed to achieve a level of efficiency that is at least equal to the increase in costs due to inflation. Despite these efforts, operating cost levels are expected to increase, mainly due to extra work as a result of the energy transition.

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 final value under the assumption that the whole sector shall be operating equally efficiently at that time. The final value is therefore assumed to be equal to the efficient book value (Standardised Asset Value). A growth rate of 1.6% applies to non-regulated activities based on the free cash flows.

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 of debt capital	1.8%	3.9%
Cost of equity	3.6%	15.7%
Discount rate after taxes	2.5%	6.8%

FUTURE OUTLOOK FOR THE GAS NETWORK

Part of the National Energy Agenda of the Ministry of Economic Affairs and Climate is the aim of the Netherlands to achieve a low-carbon energy supply by 2050. An interim target has been set whereby total Dutch emissions are to fall by at least 49% below 1990 levels by 2030. 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 them entirely. The abolition of the gas connection obligation for new buildings is one of the first concrete measures in built-up areas. The Regional Energy Strategies and Municipal Heating Transition Proposals will also reduce the dependence of existing buildings on natural gas by 2021. A potential risk associated with this development might be that the useful lives of the gas grids transporting this natural gas become shorter than the currently applied depreciation periods.

However, Enexis Netbeheer B.V. does not believe that the gradual phasing out of natural gas will also lead to the large-scale decommissioning of gas grids. A growing consensus maintains that it is virtually impossible to meet the heating demand without a gaseous energy carrier. Use of electricity alone is not always a technically and economically feasible option. A heating grid is by no means suitable for use everywhere. In such situations, the use of sustainable gaseous energy carriers—such as hydrogen produced from sustainable electricity or green gas—in combination with the use of hybrid heat pumps is the most viable route to sustainability. A safe and reliable gas network is expected to continue to be necessary—even within a (more) sustainable energy supply.

In preparation for the next regulatory period (2022 and beyond), grid operators are currently in discussion with ACM regarding adaptation of the regulatory methodology in connection with the reduced use of gas grids. The basic principle in this respect is that, in any scenario involving reduced use of gas grids, grid operators will continue to be compensated for their efficient costs, including a reasonable return on investment.

Enexis therefore 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. To further limit this risk however, Enexis Netbeheer B.V. is extremely reluctant to construct new or replace existing gas networks when alternative heating systems, such as heat networks or all-electric solutions, are in the offing. Where appropriate, intensive consultations will be held with other parties involved, such as municipalities, project developers and housing corporations. Analyses conducted by both the Netherlands Environmental Assessment Agency and Enexis in connection with the Heating Transition Proposals also indicate that a hybrid solution continues to be an option, which means that an infrastructure for gaseous energy carriers remains necessary.

15. RIGHT-OF-USE ASSETS

The Group has recognised assets with rights of use and lease liabilities for those leases that were previously classified as operating leases, with the exception of short-term leases, leases for low value assets, and agreements which do not qualify as lease under the IFRS 16 standard. Right-of-use assets relate to lease agreements for company and employee cars and property where the right of use is depreciated in accordance with the total expected leaseterm.

Changes in right-of-use assets in 2019 were as follows:

€ Million	Land and Buildings	Lease cars	2019
Cost at 1 January 2019	28	52	80
Accumulated depreciation at 1 January 2019	-	-	-
Carrying amount at 1 January 2019	**28**	**52**	**80**
Additions	0	36	36
Modifications of contracts	18	0	18
Depreciation	-8	-20	-28
Carrying amount at 30 December 2019	**38**	**68**	**106**
Accumulated depreciation at 31 December 2019	8	20	28
Cost at 31 December 2019	**46**	**88**	**134**

For the lease liabilities related to the rights of use of assets, reference is made to note 24. Interest-bearing loan obligations (long-term).

Lease expenses

Expenses arising from right-of-use assets can be specified as follows:

€ Million	Land and Buildings	Cables, pipelines and equipment	Total 2019
Depreciation and decommisioning	8	20	28
Financial expenses	0	0	0
Total	**8**	**20**	**28**

Expenses arising from right-of-use assets relating to low-value and short-term items can be broken down as follows:

€ Million	Estimated value at 1 January 2019	Lease costs 2019
Lease obligations < € 5,000	1	0
Lease obligations < 1 year	3	3
Total lease obligations exempted from capitalisation	**4**	**3**

16. ASSOCIATES AND JOINT ARRANGEMENTS

ASSOCIATES

The valuation of economic interests not included in the consolidation but over which Enexis exercises significant influence takes place using 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, with the carrying amount being increased or decreased after initial recognition by Enexis Holding N.V.'s share 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, providing these loans actually form part of the net investment. A provision is recognised for the share of further losses only if 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 (in proportion to Enexis' share) to enable the associate to repay its debts.

The accounting treatment included in the section on ''Impairments'' in "Accounting policies" applies to potential impairments of associates.

JOINT ARRANGEMENTS

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

Associates and joint arrangements consist of the following:

€ Million	2019	2018
Associates:		
-Energie Data Services Nederland B.V.	0	0
-Other associates and foundations	1	1
Joint ventures:		
-Zebra Gasnetwerk B.V.	7	8
At 31 December	**8**	**9**

ZEBRA Gasnetwerk B.V., in which Enexis holds a 67% share, has not been included in the consolidation because a majority of 75% is required for decisions. The recoverable amount of this investment, which is based on calculation of value in use, amounted to € 10 million at year-end 2019, taking into account the agreed sales price as at 31 December 2020 and the cash flows in 2020 estimated by management. Enexis' share (67%) amounts to € 7 million, which means that the valuation of the investment in ZEBRA was impaired by € 1 million compared to € 8 million as at 31 December 2018.

Changes in the value of joint arrangements were as follows:

€ Million	2019	2018
At 1 January	9	8
Obtained by acquisition	0	1
Profits for the year	0	2
Impairments	-1	-2
Dividends received	0	0
At 31 December	**8**	**9**

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

€ Million	2019	2018
Non-current assets	21	19
Current assets	5	9
Non-current liabilities	-13	-9
Current liabilities	-5	-10
Book value at 31 December	**8**	**9**
Revenue	13	13
Costs (including financial income and expenses)	-13	-10
Profit before tax	**0**	**3**
Corporate income tax expense	0	-1
Profit for the year	**0**	**2**

A list of all associates and joint arrangements (group companies, joint arrangements and other associates) is included in note 54: Associates and joint arrangements. None of the associates and joint arrangements is listed on a stock exchange.

17. OTHER FINANCIAL FIXED ASSETS

Other financial fixed assets consist of the following:

€ Million	2019	2018
Loans and receivables	16	16
Total	**16**	**16**

Changes in financial fixed assets in 2019 were as follows:

€ Million	Loans granted to staff	Other loans	Total 2019
At 1 January 2019	**2**	**17**	**19**
New loans	1	13	14
Repayments	1	6	7
At 31 December 2019	**2**	**24**	**26**
Less: current portion	0	10	10
Total non-current portion	**2**	**14**	**16**

Other financial fixed assets concern loans provided to EDSN B.V., Stichting Mijnaansluiting.nl and ZEBRA Gasnetwerk B.V., as well as loans provided to employees in connection with financing arrangements. The average weighted effective interest rate amounted to approximately 1.4% (2018: 1.6%).

The interest rate charged for the loans included in other financial fixed assets differed from the market interest rate at the end of 2019. Due to the limited size, the deviation from the market rate did not have a significant effect on fair value. The agreed interest rate on the loans provided to EDSN B.V. Stichting Mijnaansluiting.nl and ZEBRA Gasnetwerk B.V was determined on an arm's length basis at the time these loans were concluded, which resulted in a market interest surcharge for each associate in addition to the standard market interest rate.

In 2019, the total amount of new loans made available to EDSN was € 6 million, of which a total of € 4 million had been drawn down at the end of 2019. In addition, two loans of € 3 million and € 6 million respectively were provided to ZEBRA Gasnetwerk B.V. in 2019, the loan of € 3 million being repaid in the same year.

18. 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.

€ Million	2019	2018
Materials	22	22
Provision for obsolescence	-4	-3
Total	**18**	**19**

Materials refer to items held as inventory for investment, maintenance and emergency repair activities, as well as for work performed for third parties.

Impairments of inventories amounted to nil in 2019 (2018: also nil).

19. RECEIVABLES

€ Million	2019	2018
Trade receivables	53	53
Amounts receivable	114	109
Other receivables	28	11
Provision for expected credit losses	-14	-13
Total	**181**	**160**

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

								2019
	Trade receivables			Amounts receivable			Other receivables	Total
€ Million	Expected credit losses	Gross	Provision	Expected credit losses	Gross	Provision	Gross	Net
Not past due	3%	18	0	0.2%	111	0	28	157
0-30 days past due	4%	7	0	0%	1	0	0	8
31-60 days past due	3%	9	0	0%	1	0	0	10
61-90 days past due	34%	1	0	0%	0	0	0	1
91-365 days past due	62%	4	-3	2%	1	0	0	2
Over 365 days past due	69%	14	-11	0%	0	0	0	3
Total		**53**	**-14**		**114**	**-0**	**28**	**181**

As at 31 December 2018, the age of trade receivables without deduction of the provision for doubtful debts was as follows:

								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**

20. CORPORATE INCOME TAX

The corporate income tax consists of the corporate income tax payable less the amounts paid under a provisional tax assessment. As at year-end 2019, the item only relates to the to financial year 2019. The final assessments for the financial years up to and including 2018 have been imposed, and the corporate income tax due has been paid.

€ Million	2019	2018
Prepaid corporate income tax	7	22
Total	**7**	**22**

21. OTHER FINANCIAL ASSETS (CURRENT)

€ Million	2019	2018
Loans with maturity < 1 year	10	3
At 31 december	**10**	**3**

The share of the loans provided to EDSN B.V. that will be repaid in 2020, an amount of € 4 million, is recognised as a current portion of the other financial assets, as is the repayment of the loan of € 6 million provided to ZEBRA Gasnetwerk B.V. in 2019.

Excess liquidity of € 50 million was transferred to deposits in 2019. This amount was re-incorporated in the financial statements during the course of the year. There are deposits that remain outstanding at the end of 2019.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised at nominal value. The item only includes cash and cash equivalents payable on demand. Cash and cash equivalents not payable on demand are recognised under other current financial assets, depending on the applicable maturities and conditions.

€ Million	2019	2018
Cash at bank and cash balances	62	31
Total	**62**	**31**

For a breakdown of cash flows, please refer to the cash flow statement and the explanatory notes to the cash flow statement included in note 31: 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. and Enpuls 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.

Cash and cash equivalents within the group are reported on a net basis, as zero balancing is applied. 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. The net cash and cash equivalents at the end of 2019 amounted to € 62 million.

23. 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 settled in 2012 that Enexis concluded in order to hedge the risks arising from expected future interest payments. The loss recorded in the cash flow hedge reserve is debited from the income statement over the remaining term of the borrowings. There was no change in the hedge reserve in 2019 and 2018.

The proposed dividend distribution for 2019 is based on 50% of the realised profit and shall be distributed to the shareholders as an exact amount pro rata to the number of shares. The proposed dividend distribution for 2019 is € 0.70 per share (2018: € 0.82 per share). The proposed dividend payment amounts to € 105 million; as a result, the reservation to be credited to the general reserve amounts to € 105 million. The profit appropriation proposal has not been taken into account on the balance sheet as at 31 December 2019.

The result before taxes for financial year 2019 presented on the income statement exclusively relates to realised results. At 2019's year-end, equity amounted to € 4,112 billion (2018: € 4,024 billion), and total equity per share amounted to € 27.47 (2018: € 26.88).

Please refer to the consolidated statement of changes in equity for further details.

24. INTEREST-BEARING LIABILITIES (NON-CURRENT)

€ Million	2019	2018
Euro Medium-Term Notes	1,787	1,788
Green loan	2	2
Lease obligations	79	-
Total	**1,868**	**1,790**

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 interest-bearing liabilities (current).

For more information on interest-bearing liabilities (non-current), please refer to note 32: Financing policy and risks associated with financial instruments.

The total nominal value of listed bond loans with a term > 1 year was € 1.8 billion; deducting the costs to be amortised from these loans yielded residual value of € 1.787 billion.

On 2 July 2019 a 12 year € 500 million bond was issued with a coupon of 0.75% and a maturity of 2 July 2031.

IFRS 16 (Leases) has been applied as from 1 January 2019. The related lease liability amounted to € 107 million at year-end 2019, of which € 28 million is classified as a current portion.

Lease liabilities are recognised at the present value of the remaining lease payments, discounted at the marginal interest rate. The weighted average marginal interest rate for these liabilities at year-end 2019 was 0.003%. The average term of the liability arising from the right-of-use assets at year-end 2019 was 5.9 years and can be broken down as follows:

€ Million	Accommodation	Lease cars	Total 2019
< 1 year	8	20	28
2-5 years	18	42	60
> 5 years	13	6	19
Total	**39**	**68**	**107**

Lease liabilities < 1 year in the amount of € 28 million are recognised as current interest-bearing liabilities (see note 30: Interest-bearing liabilities (current)).

25. PROVISIONS

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

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

Provisions at the end of 2019 can be specified as follows:

€ Million	Service-related benefits	Other employee benefits	Other	Total 2019
Obligations at beginning of year	21	4	15	40
Recognised claims current year	4	1	13	18
Withdrawals	-4	0	-7	-11
Released	-2	-1	-4	-7
Total	**19**	**4**	**17**	**40**
Less: current portion	1	1	2	4
Total non-current portion	**18**	**3**	**15**	**36**

The current portion of provisions, amounting to € 4 million (2018: € 3 million) has been included separately under current liabilities.

The comparative overview for 2018:

€ 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 current year	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**

ESTIMATES FOR EMPLOYEE-RELATED PROVISIONS

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

	2019	2018
Discount rates	-0,24%-1,17%	-0,18%-2,05%
Estimated future annual CLA wage increases	1.5%	1.2%
Company-specific annual periodic indexation	1.0%	1.0%
Estimate future departure probability	4.0%	2.5%
Holiday allowance [1]	0.0%	8.0%
Markup social security expenses	7.7%	7.6%

1 In 2018 only employee-benefits-related provisions were included, where no mark-up for holiday allowance had been included. The provision for goal-related absence was fully release in 2018, and did include a mark-up for holiday allowance.

LONG-SERVICE BENEFITS

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

SHORTER WORKING HOURS AND SPECIAL PURPOSE LEAVE

This provision pertained 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 2018 with the result that, due to an adjustment in the interpretation of the applicable guidelines, the provision was cancelled.

PROVISION FOR OTHER EMPLOYEE-RELATED EXPENSES

This provision covers 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 year-end 2019, other provisions consisted of a provision for disputes, to which a net amount of € 6 million was allocated in 2019 (2018: € 9 million).

26. ADVANCE CONTRIBUTION FOR THE INSTALLATION OF GRIDS AND CONNECTIONS

Enexis does not regard advance payments from customers for providing a connection and installing the grid as a separate performance obligation. This means that a connection fee received before the connection is established can be regarded as an advance payment for a service still to be provided. Due to the causal relationship between the connection payments received and the capital expenditure incurred for the realisation of the connection, Enexis has opted to spread recognition of revenue from the payments received over the useful life of the connection.

Advance payments received for investments in the construction of networks and connections can be specified as follows:

€ Million	2019	2018
At 1 January	797	734
Received during the year	105	84
Depreciated	-21	-21
Total	**881**	**797**
Current portion to be amortised in following financial year	22	20
Total non-current portion as of 31 December	**859**	**777**

27. DEFERRED CORPORATE INCOME TAX

Deferred corporate income tax assets and liabilities are created to reflect temporary differences between the carrying value of assets and liabilities in these financial statements and the value in the corporate income tax return.

The deferred income tax asset at year-end 2019 relate to unrealised results on derivative transactions recognised as a hedge provision under other comprehensive income. In addition, a deferred corporate income tax asset has been formed with regard to the impact of IFRS 16 (Leases) on the commercial result. The deferred corporate income tax asset is recognised on the balance sheet if and to the extent that sufficient taxable profits will likely be available.

The deferred corporate income tax liability is mainly formed due to a lower tax valuation of intangible asssets and property, plant and equipment. The differences in valuation originated from the start of the 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. A small portion of the deferred income tax liability relates to provisions and liabilities valued differently for tax purposes. A deferred corporate income tax liability is mainly of a long-term nature.

Offsetting deferred corporate income tax assets and 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 included at nominal value. The calculation is based on the tax rates expected to apply when the temporary differences are cease to exist. The tax rates in question are those set as at the reporting date or already materially decided as at the balance sheet date. The 2020 Taxs Plan was adopted in 2019. Under this Tax Plan, the corporate income tax rate in 2020 will remain the same as in 2019, whereas the 2019 Tax Plan included a reduction. The corporate income tax rate will be lowered from 2021 onwards, but less than it would have been under the 2019 Tax Plan. As a result of these changes in future tax rates, € 13 million was added to the deferred tax liability in 2019. This addition has been debited from the 2019 result.

The deferred corporate income tax can be broken down as follows:

€ Million	2019	2018
Deferred corporate income tax assets for derivatives	0	-1
Deferred corporate income tax liabilities for property, plant and equipment	283	263
Total	**283**	**262**

28. OTHER NON-CURRENT LIABILITIES

€ Million	2019	2018
Payments to employees	1	2
Total	**1**	**2**

These liabilities relate to employee entitlements to leave.

29. TRADE AND OTHER PAYABLES

€ Million	2019	2018
Suppliers	66	90
Tax and social security contributions	69	67
Payments to employees	40	45
Other	70	85
Total	**245**	**287**

30. INTEREST-BEARING LIABILITIES (CURRENT)

€ Million	2019	2018
Bond loan	500	0
Euro Commercial Paper	250	150
Cash loan	50	0
Lease obligations	28	0
Shareholders' loan with conditional conversion right to convert into equity (tranche D)	0	350
Loan ZEBRA Gasnetwerk B.V.	0	12
Others	0	1
Total	**828**	**513**

Current interest-bearing liabilities include borrowings that are available to Enexis for a period shorter than one year.

The bond loan with a coupon interest rate of 1.875% will be redeemed in 2020 and is therefore recognised as an interest bearing current liability.

The shareholder loan with conditional right of conversion into equity (tranche D) in the nominal amount of € 350 million was redeemed on 30 September 2019.

The existing loan of € 12 million was repaid to ZEBRA Gasnetwerk B.V. in 2019.

Issuing commercial paper under the Euro Commercial Paper (ECP) programme and obtaining a bilateral cash loan raised € 300 million in 2019 to finance liquidity needs.

IFRS 16 (Leases) has been applied as from 1 January 2019. The current portion of the interest-bearing liability concerns lease payments to be made in 2020.

31. NOTES TO THE CASH FLOW STATEMENT

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

€ Million	2019	2018
Cash at bank and cash balances	62	31
Total	**62**	**31**

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

Changes in net working capital can be specified as follows:

€ Million	2019	2018
Corporate income tax expense recognised through profit or loss	-90	-27
Corporate income tax paid or received	-50	-73
Interest received and paid recognised through profit or loss	52	58
Interest paid	-57	-58
Interest received	3	3
Working capital before tax and interest	96	123
Total	**-46**	**26**

Breakdown of net working capital:

€ Million	2019	2018	Delta
Inventories	18	19	-1
Receivables	181	160	21
Subtotal	**199**	**179**	**20**
Trade and other payables	-245	-287	42
Corporate income tax	7	22	-15
(Current) provisions	-4	-3	-1
Subtotal	**-242**	**-268**	**26**
Total	**-43**	**-89**	**46**

Trade and other payables decreased significantly compared to the end of 2018. This is mainly due to the fact that, in connection with the migration of the financial administration to a new system on 1 January 2020, a number of outstanding invoices were paid at the end of 2019.

Changes to the net interest-bearing liabilities in 2019 are as follows:

	Other assets		Liabilities from financing activities		
€ Million	Cash and cash equivalents	Deposits	Non-current interest-bearing liabilities	Current interest-bearing liabilities	Total
At 1 January	**31**	**0**	**-1,790**	**-513**	**-2,272**
Cash flows [1]	31	0	-496	213	-252
Reclassification from non-current to current	0	0	500	-528	-28
Changes in other non-cash generating units	0	0	-82	0	-82
At 31 December	**62**	**0**	**-1,868**	**-828**	**-2,634**

1 Total incoming cash flow from borrowings in 2019 amounts € 2,141 million and total outgoing cash flow from loans repaid in 2019 amounts € 1,858 million. In 2019 € 50 million on surplus cash has been placed on deposits and have been withdrawn during the year.

32. FINANCING POLICY AND RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

GENERAL

The financing policy of Enexis Group is aimed at securing the independent financing of Enexis by providing timely, permanent and sufficient access to capital and money markets while 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, as well as organisational and administrative frameworks for financing.

The Enexis Group is financed by means of external funding raised by Enexis Holding N.V., which is then loaned to the group companies. As part of its business operations, Enexis Holding N.V. is exposed to a number of risks, including market risk, credit risk, solvency/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 equity position. Enexis Holding N.V. can make use of financial instruments and derivatives for this purpose.

MARKET RISK

Market risk 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 risk

The interest rate risk partly consists of the risk that the interest component in the regulatory return will be lower in the future. This will have a dampening effect on Enexis' income. The compensation for interest expenses may also be lower than the interest payments laid down in existing loan agreements, while there is also a risk that the interest rates to be paid for future financing will be higher than the current market interest rate. Furthermore, there exists 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. As in 2018, Enexis Holding N.V. did not use derivatives to hedge interest rate risks in 2019, nor does it have any derivatives outstanding.

Receivables

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

- by matching the maturities of receivables, including financial assets, to the liquidity forecast; and
- by contractually fixing interest rates on financial assets in advance right up to the expiry date of signed contracts. Only part of the surplus cash and cash equivalents may be invested with a short horizon or at a floating interest rate in order to ensure diversification and flexibility.

Borrowed capital

Interest-bearing loans had the following terms, interest rates and maturity dates at the end of 2019:

€ Million	Nominal value	Book value	Contractual maturity date	Initial contract period (years)	Remaining period (years)	Interest
Euro Medium-Term Notes	500	500	13-11-2020	8	0.9	1.875%
Euro Medium-Term Notes	300	299	26-01-2022	10	2.1	3.375%
Euro Medium-Term Notes	500	497	20-10-2023	8	3.8	1.500%
Euro Medium-Term Notes	500	495	28-04-2026	10	6.3	0.875%
Euro Medium-Term Notes	500	496	02-07-2031	12	11.5	0.750%
Green loan	3	2	26-04-2023	10	3.3	1.700%
Lease liability	50	50	29-01-2020	0,1	0.1	-0.440%
Cash loan	250	250	miscellaneous	miscellaneous	0.1	-0.422%
Euro Commercial Paper	107	107	miscellaneous	miscellaneous	5.9	0.003%
Total	**2,710**	**2,696**				

The fair value of the interest-bearing loans amounted to approximately € 2.706 billion at year-end 2019 (year-end 2018: € 2.417 billion). This fair value of bond loans is in accordance with the listed market price and of other loans in accordance with the calculation method based on the Euro Utility (A) BFV yield curve as at 31 December 2019. The fair value has remained stable due to the increased issue of Euro Commercial Paper, of which € 250 million and € 50 million were still outstanding at the end of 2019, combined with the net effect of redeeming the last shareholder loan (tranche D) of € 350 million and issuing a new € 500 million bond. At year-end 2019, all interest-bearing loans, with the exception of outstanding ECP and the bilateral cash loan, were fixed-interest loans.

The bond loans concerns “level 1” financial instruments. For Enexis, this means that the fair value is based on the listed market prices of 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 based on applicable market discounting curves.

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

A change of 100 basis points in interest rates effective 31 December 2019 would, if all other circumstances remained unchanged, have a pre-tax effect of € 300,000 on equity and the result.

Foreign exchange rate risk

Enexis may be exposed to foreign exchange rate risk when issuing financial instruments and making purchases in currencies other than the euro. The policy of Enexis Holding N.V. is to directly hedge both the exchange rate risk and the interest rate risk when issuing financial instruments in foreign currencies. For investments or larger purchases denominated in currencies with an equivalent value exceeding € 250,000, consideration is given to immediately fixing the exchange rate risk.

The total amount of cash and cash equivalents, receivables and liabilities held in foreign currencies at the end of 2019 amounted to nil, which means that foreign exchange rate risks and sensitivity to foreign exchange rate fluctuations were not relevant. As in 2018, Enexis Holding N.V. did not use derivatives to hedge foreign exchange rate risks in 2019, nor does it have any derivatives outstanding to hedge foreign exchange rate risks.

Commodity price risk

For the Enexis Group, this relates to the risk of changes in commodity prices, in particular concerning energy purchases for grid losses at Enexis Netbeheer B.V. and, to a limited extent, Guarantees of Origin with regard to making energy purchases more sustainable. The risk associated with 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 a 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

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 involving grid payments, the receivables are collected by the energy suppliers, who bear the debtor risk with regard to the consumer. However, Enexis Netbeheer B.V. incurs 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 over 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 concerns the risk that the Enexis Group 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, Enexis Holding N.V. has made a committed Revolving Credit Facility (RCF) of € 850 million available to hedge liquidity risk. In September 2019, additional bilateral RCFs totalling € 450 million were concluded for a period of two years.

Enexis Holding N.V. did not make use of these RCFs in 2019, but is retaining these facilities for any unforeseen liquidity requirements. It has contractual obligations with participating banks in order to maintain the RCFs.

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 RCFs do 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 € 62 million at the end of 2019 (year-end 2018: positive net balance of € 31 million).

Contractual term analysis

The table below shows the contractual undiscounted cash flows the end of 2019:

€ Million	< 1 month	< 3 month	3-12 month	1-5 year	> 5 year	Total
Non-current interest-bearing liabilities	0	0	0	856	1,012	1,868
Trade and other payables	135	0	110	0	0	245
Current interest-bearing liabilities	302	5	521	0	0	828
Interest on interest-bearing liabilities	0	0	35	67	31	133
Total	**437**	**5**	**666**	**923**	**1,043**	**3,074**

At year-end 2018, contractual undiscounted cash flows were as follows:

€ 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**

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

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

To achieve the objective of maintaining at least an A credit rating and a financially sound capital structure, the following financial ratios are pursued:

	Standard	Actual 2019	Actual 2018
FFO-interest cover [1]	≥ 3,5	11.5	10.9
FFO/net interest-bearing liabilities [1]	≥ 16%	23%	27%
Net interest-bearing liabilities /(equity + net interest-bearing liabilities) [1]	≤ 60%	39%	36%

1 For definitions, please refer to the glossary.

The long-term credit ratings of Enexis Holding N.V. and Enexis Netbeheer B.V. did not change in 2019. 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 year-end 2019 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 year end 2019 was 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 Group manages its capital structure and adjusts its capital structure to changes in economic conditions and statutory or regulatory requirements, taking into account the target minimum key financial ratios. To maintain or adjust its capital structure, the Enexis Group may, subject to specific conditions, revise its dividend policy, distribute capital to shareholders or issue new shares.

GROUP FINANCING

The Enexis Group implements group financing, which means that Enexis Holding N.V. raises the necessary financing for the entire Group on external capital and money markets as well as, if necessary, makes use of credit facilities agreed with banks. 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.

Externally-raised funding is loaned to other group companies via inter-company loans and settled via the bank accounts or internal current account of the group companies and included in the joint cash pool. Interest and balance compensation takes place within the cash pools (notional cash pooling). The inter-company loans and cash-pool structure comply with the legal requirements for the group financing of grid companies, under which the grid operator may not provide security or assume liability for the financing of non-regulated activities.

Distinction is made between regulated and non-regulated activities when determining the financing conditions and interest rates of inter-company loans. Group funding for regulated activities takes place based on equal conditions and interest rates relative to financing externally raised by Enexis Holding N.V. This assumes that Enexis Holding N.V. and Enexis B.V., as grid operators with regulated activities, both have equivalent creditworthiness / credit ratings. Group funding for non-regulated activities occurs according to conditions and at interest rates established on an arm's length basis, resulting in a market interest surcharge on top of the standard market interest rates that corresponds 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 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.

33. 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 regarding the assets and liabilities of related parties. The adjustment for doubtful receivables was zero.

In 2019, Enexis Holding N.V. classified 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.

No purchase transactions outside the course of the company's regular operations took place with major shareholders (possessing interest >20%) in 2019. The total amount of liabilities at the end of 2019 amounted to nil.

There were no shareholder loans provided by shareholders at year-end 2019 (2018: € 350 million). Interest payments on these loans in 2019 amounted to € 19 million (2018: € 25 million). Dividend payments to shareholders amounted to € 122 million (2018 € 103 million).

There were no transactions with affiliates of shareholders outside the course of regular operations.

Sales transactions were concluded with our own associates and participations in the amount of € 1 million (2018: € 1 million) and purchase transactions were concluded in the amount of € 20 million (2018: € 16 million).

The total value of liabilities to associates at year-end 2019 was nil.

Loans provided by Enexis Holding N.V. to associates at year-end 2019 amounted to € 24 million (2018: € 17 million). Loans made to Enexis Holding N.V. by associates at year-end 2019 amounted to € 12 million (2018: € 12 million).

No dividends were received from associates in 2019 (2018: € 0.0).

We use the term "senior officials" to refer to members of the Executive and Supervisory Boards. Transactions with senior officials only concern remunerations. For more information, please refer to note 35: Remuneration and the Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act.

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 2019	Equity stake held by Enexis Holding N.V. 31 December 2018	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.	Groningen	40%	40%	Fudura B.V.

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

34. 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. and Enexis Vastgoed B.V. for an amount of € 238 million at year-end 2019 (2018: € 282 million).

	2019			2018		
€ Million	< 1 year	1-5 year	> 5 year	< 1 year	1-5 year	> 5 year
Leased cars (operational lease)	0	0	0	15	26	3
Rental of office sites	0	0	0	8	20	3
Service agreements	12	23	0	11	22	0
ICT	46	21	0	42	16	0
Grid loss	71	63	0	52	59	2
Others	0	1	1	0	1	2
Total	**129**	**108**	**1**	**128**	**144**	**10**

As a result of the new IFRS 16 standard, all leases and rental liabilities previously shown as off-balance sheet commitments have been recognised on the balance sheet as from 1 January 2019. For more explanation regarding the impact of IFRS 16, please refer to note 15: Right-of-use assets.

LEGAL PROCEEDINGS AND DISPUTES

Enexis Holding N.V. and its group companies were involved in various legal proceedings and disputes at the end of 2019. 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. and Enpuls B.V. for a total of € 6 million (2018: € 6 million).

Guarantees were issued to SPIE at the time of Ziut's sale in 2017, 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.

CONTINGENT LIABILITIES

Contingent liabilities were agreed for 2020 and 2021 when Buurkracht became independent.

LESSOR RECEIVABLES

As lessor, the Enexis Group has made assets available under operating leases, mainly related to compact substations, fields and transformers. The lease receivables have a term between 5 and 15 years. All lease agreements contain a clause providing for an annual adjustment to the lease amounts based on the price level as at 1 July. No guarantees are provided for the residual values of any assets supplied under lease. Rental income from operating leases amounted to € 35.1 million (2018: € 33.9 million).

Risk management

Enexis Group has incorporated retention of title in its lease agreements in order to reduce the risks associated with assets supplied under lease (as lessor). In addition, the general terms and conditions include a section on compensation in the event of breach of contract.

The minimum lease receivables under non-cancellable operating leases as at 31 December 2019 (and 2018) were as follows:

€ Million	< 1 year	1-5 years	> 5 years	Total 2019
Compact stations	2.3	7.6	3.7	13.6
Fields	3.1	10.6	5.8	19.5
Transformers	9.5	31.6	12.9	54.0
Other	0.3	1.0	0.8	2.1
Total	**15.2**	**50.8**	**23.2**	**89.2**

€ Million	< 1 year	1-5 years	> 5 years	Total 2018
Compact stations	2.4	8.5	5.1	16.0
Fields	3.2	11.6	7.9	22.7
Transformers	9.8	35.2	18.8	63.8
Other	0.3	1.1	1.0	2.4
Total	**15.7**	**56.4**	**32.8**	**104.9**

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

The Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act [Wet Normering bezoldiging topfunctionarissen publieke en semipublieke sector] (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 under the WNT [Wet verlaging bezoldigingsmaximum WNT] came into force on 1 January 2015. As of 1 January 2015, the statutory maximum remuneration for senior officials subject to the WNT was set at 100% of the remuneration of a government minister.

This maximum is adjusted annually by means of a Ministerial Order. For 2019, the WNT maximum is set at € 194,000 and for 2020 at € 201,000. A remuneration maximum also applies with regard to senior officials who are Supervisory Directors (the Chairman and members of the Supervisory Board). The maximum for Supervisory Directors in 2019 is 10% of the applicable remuneration maximum under the WNT and 15% for the Chairman.

Transitional law provides that the maximum limit applying to a senior official may be exceeded during a transitional period.

REMUNERATION POLICY FOR 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 Executive Directors appointed under the articles of association, responsible for the management of Enexis Netbeheer B.V. The Executive Directors of Enexis Holding N.V., along with its Supervisory Directors, are therefore regarded as senior officials within the meaning of the WNT.

The WNT transitional law therefore applies to Executive Directors. In compliance with this transitional law, the existing remuneration of Executive Directors in the amount of € 230,474 was respected up to and including 2018. This remuneration for Executive Directors is being reduced in three years (four steps), starting in 2019.

Since the reduction period started on 1 January 2019, the legal standard will be reached by 2022. In accordance with WNT transitional law, remuneration of Executive Directors was decreased by 25% of the reduction amount in 2019, the first year of reduction, which means that the maximum remuneration in 2019 was € 221,355. Consequently, Enexis Netbeheer B.V. satisfied the provisions of the WNT in 2019. In the second year of the reduction (2020), remuneration will be reduced by a further 33.33% of the reduction amount, maximum remuneration then not exceeding € 214,570 in 2020.

REMUNERATION POLICY FOR OTHER OFFICERS 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, are not regarded as senior officials within the meaning of the WNT. The remuneration of the members of the Management Team at Enexis fits within the WNT framework that came into effect on 1 January 2013. Under the lower standard applicable as from 1 January 2015, according to which 100% of the remuneration of a government minister may not be exceeded, the remuneration of a few officials was higher than the reduced WNT standard for 2019 of € 194,000.

REMUNERATION OF SENIOR OFFICIALS (EXECUTIVE AND SUPERVISORY DIRECTORS)

The remuneration of Executive and Supervisory Directors amounted to € 0,55 in 2019 (2018: € 0,56).

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

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. The remuneration policy for the Executive Board does not include variable remuneration.

PENSION SCHEME

Executive Directors participate in the pension scheme that has been established with 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. Executive Directors are required to pay a personal contribution for participation in the pension scheme.

OTHER TERMS OF EMPLOYMENT

As a basic principle, the collective labour agreement for the Grid Operators of Energy and Utilities companies (ENb) and collective labour agreement of Enexis Personeel B.V., which are both applicable to employees working at Enexis, also apply to Executive Directors, subject, however, to compliance with the stipulations in the WNT. Relevant employment benefits arising from the collective labour agreements which apply to Enexis employees are therefore also included in the remuneration for Executive Directors, if and to the extent these are in accordance with the WNT. Executive Directors are entitled to the holiday leave and disability scheme stipulated in the collective labour agreement for Grid Operators (ENb).

The policy furthermore includes a fixed net expense allowance, which will be capped 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 Executive Directors.

EMPLOYMENT CONTRACTS

An employment contract for an indefinite period was entered into with both Executive Directors 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 inadequate performance by Executive Directors.

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

REMUNERATION OF THE EXECUTIVE BOARD IN 2019

Each year, the Supervisory Board determines the individual remuneration of the Executive Directors on the basis of the applicable remuneration policy. The table below shows the changes to their remuneration over time.

in €	2019	2018
M. Blacquière [1]		
Basic salary (including holiday allowance)	187,340	187,340
Pension allowance [2]	11,642	11,642
General expenditure allowance [3]	571	11,333
Pension costs [4]	21,801	20,159
Subtotal [5]	**221,354**	**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]	571	11,333
Pension costs [4]	21,801	20,159
Subtotal [5]	**221,354**	**230,474**
Total	**442,708**	**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 € 571. 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 in accordance with the WNT's transitional scheme. The individual renumeration maximimum according WNT in 2019 has been determined at the amount of € 194.000

In addition to the above remuneration, Executive Directors receive an annual fixed tax-free expense allowance of € 3,600 for the CEO and € 3,300 for the CFO. The social security contributions that the employer is legally required to pay (in 2019, € 8,210 for both the CEO and CFO; this was € 7,963 in 2018) have not been included in the above table, as they do not count for the WNT.

REMUNERATION OF THE SUPERVISORY BOARD IN 2019

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

The WNT limits the remuneration of the highest supervisory body to 10% of the maximum remuneration applicable to Enexis Netbeheer B.V. for members and 15% for the chairman. This means that for 2019, the annual maximum for the Chairman of the Supervisory Board was € 29,100 (15% of € 194,000) and € 19,400 for other Supervisory Directors (10% of € 194,000). These amounts are adjusted annually in accordance with the indexed remuneration in the WNT regulations.

The table below indicates the changes in the remuneration of individual Supervisory Directors over time.

in €	Remuneration paid in 2019	Remuneration paid in 2018
Mr. M.A.E. Calon	19,400	18,900
Ms M.E.J. Caubo [1]	5,368	18,900
Mr. J.F.M. van Dijk	19,400	18,900
Mr. P.W. Moerland [2]	29,100	28,350
Ms C.M. Velthuis	19,400	18,900
Ms. J.C.H.G. Arts [3]	14,011	-
Total	**106,679**	**103,950**

1 Ms Caubo has stepped down as member of the Supervisory Board of Enexis Holding N.V. as of 11th of April 2019. The amount mentioned is the individual WNT maximum for 2019.
2 Mr Moerland is the chairman of the Supervisory Board.
3 Ms Arts has joined the Supervisory Board of Enexis Holding N.V. as of the 11th of April 2019. The individual WNT maximum renumeration for 2019 amounts € 14.085.

In addition to the above remuneration, Supervisory Board members receive an annual fixed tax-free expense allowance of € 2,000 for the Chairman and € 1,500 for other Supervisory Directors.

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, which was € 194,000 in 2019. The disclosure for non-senior officials working at Enexis Netbeheer B.V. takes place based on position and is shown in the diagram below. As a result of one-off reimbursements in connection with the commutation of expired schemes due to an amended collective labour agreement, there are now more other officers who exceed the WNT standard. See the comment in the footnote 6 to the table below. Officials at Enexis who are employed for 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 2019 received 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-reim-bursement [3]	Pension expenses [4]	Subtotal 2019 and 2018 [5]	One-time reimburse-ment [6]	Total 2019 and 2018 [7]	
Director line Department[8]	1.0	173,096	7,390	21,092	201,578	-	201,578	2019
	1.0	170,069	-	19,399	189,468	-	189,468	2018
Director staff Department[8]	1.0	186,940	8,375	21,674	216,989	-	216,989	2019
	1.0	187,940	15,623	19,712	223,275	-	223,275	2018
Director line Department[8]	1.0	182,655	4,991	21,200	208,846	-	208,846	2019
	1.0	178,402	-	19,409	197,811	-	197,811	2018
Director line Department[8]	1.0	176,481	-	21,188	197,669	-	197,669	2019
	1.0	173,368	-	19,320	192,688	-	192,688	2018
Manager line Department	1.0	140,694	13,549	20,317	174,560	34,399	208,959	2019
	1.0	140,761	10,742	18,478	169,981	-	169,981	2018
Manager staff Department[8]	1.0	154,769	30,813	20,583	206,165	22,348	228,513	2019
	1.0	154,752	24,331	18,802	197,885	-	197,885	2018
Manager line Department	1.0	144,410	16,800	20,190	181,400	27,153	208,553	2019
	1.0	141,152	19,552	18,475	179,179	-	179,179	2018
Manager line Department	1.0	133,086	23,284	20,181	176,551	31,130	207,681	2019
	1.0	132,709	15,658	18,245	166,612	-	166,612	2018
Manager line Department	1.0	146,584	24,925	20,402	191,911	21,476	213,387	2019
	1.0	140,308	9,892	18,587	168,787	-	168,787	2018
Manager line Department	1.0	138,914	26,186	20,316	185,416	33,282	218,698	2019
	1.0	137,698	23,677	18,437	179,812	-	179,812	2018
Manager staff Department	1.0	138,889	23,049	20,112	182,050	26,766	208,816	2019
	1.0	139,750	21,111	18,419	179,280	-	179,280	2018
Manager staff Department	1.0	144,554	14,581	20,247	179,382	33,742	213,124	2019
	1.0	145,924	19,763	18,567	184,254	-	184,254	2018
Manager line Department	1.0	121,720	22,444	19,825	163,989	30,877	194,866	2019

Amounts in euros	Part time-factor [1]	Reward [2]	Cost-reim-bursement [3]	Pension expenses [4]	Subtotal 2019 and 2018 [5]	One-time reimburse-ment [6]	Total 2019 and 2018 [7]	
	1.0	121,845	18,948	18,139	158,932	-	158,932	2018
Manager staff Department	1.0	136,555	20,312	20,247	177,114	31,427	208,541	2019
	1.0	136,779	18,131	18,475	173,385	-	173,385	2018
Manager line Department	1.0	136,246	15,787	20,085	172,118	31,314	203,432	2019
	1.0	137,734	12,801	18,231	168,766	-	168,766	2018
Manager line Department	1.0	144,188	24,752	20,247	189,187	32,131	221,318	2019
	1.0	144,397	22,575	18,475	185,447	-	185,447	2018
Manager line Department	1.0	134,661	21,831	20,154	176,646	31,671	208,317	2019
	1.0	123,732	16,730	18,255	158,717	-	158,717	2018
Manager staff Department	1.0	136,956	20,263	20,058	177,277	30,310	207,587	2019
	1.0	133,693	17,659	18,165	169,517	-	169,517	2018

1 All mentioned employees have been employed from 1st of January until 31st of December.
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 CAO regulations excluding one-time pay-off employment benefits).
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 The column 'Total 2019 and 2018' contains the total amount of the remuneration as specified in the WNT, both for the year 2019 and 2018, excluding single one-time reimbursement.
6 Due to the expired overtime pay, expired anniversary reimbursements and expired individual variable rewards, a single one-time pay-off reimbursement have been granted to the individuals involved.
7 The column 'Total 2019 and 2018' contains the total amount of the remuneration as specified in the WNT, both for the year 2019 and 2018 including single one-time reimbursement.
8 Renumeration official is higher than WNT norm due to existing individual labour agreement

36. EVENTS AFTER THE BALANCE SHEET DATE

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

COMPANY FINANCIAL STATEMENTS 2019

COMPANY INCOME STATEMENT

€ Million	Notes		2019		2018
Share in results of group companies	37		227		264
Financial income	38	54		56	
Financial expenses	38	56		62	
Financial income and expenses			**-2**		**-6**
Profit before tax			**225**		**258**
Corporate income tax expense	39		-15		61
Profit for the year			**210**		**319**

COMPANY BALANCE SHEET
(BEFORE PROFIT PROPOSAL APPROPRIATION)

€ Million	Notes	31 December 2019	31 December 2018
Assets			
Investments in group companies	40	4,440	4,407
Other financial assets	41	1,370	1,376
Non-current assets		**5,810**	**5,783**
Receivables	42	616	404
Corporate income tax	43	7	22
Other financial assets (current)	44	510	360
Cash and cash equivalents	45	62	31
Current assets		**1,195**	**817**
Total assets		**7,005**	**6,600**

€ Million	Notes	31 December 2019	31 December 2018
Liabilities			
Issued and paid-up share capital		150	150
Share premium reserve		2,436	2,436
Hedge reserve		-2	-2
General reserve		1,318	1,121
Profit for the year		210	319
Equity	46	**4,112**	**4,024**
Deferred corporate income tax	47	283	262
Provisions		**283**	**262**
Non-current interest-bearing liabilities	49	1,789	1,790
Non-current liabilities		**1,789**	**1,790**
Trade and other payables	50	21	24
Current interest-bearing liabilities	51	800	500
Current liabilities		**821**	**524**
Total liabilities		**7,005**	**6,600**

EXPLANATORY NOTES TO THE COMPANY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES GOVERNING THE FINANCIAL REPORTING

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 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 under Dutch law. Approximately 76% of the shares of Enexis are held by five Dutch provinces, and approximately 24% of the shares are held by 88 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 initial recognition in tandem 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 you to the accounting principles for the financial reporting of the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

37. SHARE IN RESULTS OF GROUP COMPANIES

€ Million	2019	2018
Enexis Netbeheer B.V.	223	256
Fudura B.V.	17	23
Enexis Vastgoed B.V.	0	0
Enexis Personeel B.V.	0	0
Endinet Groep B.V.	-	-1
Enpuls B.V.	-13	-14
Total	**227**	**264**

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. Endinet Groep B.V. was liquidated in 2019. The costs incurred by Enpuls B.V., having energy savings and the greening of energy as their objectives, generate virtually no revenue, with the consequence that the result is negative.

38. FINANCIAL INCOME AND EXPENSES

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

€ Million	2019	2018
Interest income	54	56
Total financial income	**54**	**56**
Other interest expenses	56	62
Total financial expenses	**56**	**62**
Financial income and expenses	**-2**	**-6**

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.

The decrease in financial expenses is mainly due to the expiration of the shareholder loan with conditional right of conversion into equity (tranche D) in the amount of € 350 million as at 30 September 2019. This loan was refinanced by a bond loan issued on 2 July 2019 under the Euro Medium Term Notes (EMTN) programme in the amount of € 500 million at significantly more favourable interest rates (0.75% and 7.2% respectively). Financial expenses also include interest charges on the bond loans issued in previous years.

39. CORPORATE INCOME TAX EXPENSES

As head of the tax group, Enexis Holding N.V. is liable for the corporate income tax payable by the tax group. Corporate income tax on the result for the reporting period comprises current and offsettable corporate income tax, deferred corporate income tax, adjustments for prior years and corporate income tax charged to the entities included in the fiscal unity.

Taxes are included in the income statement except to the extent that they relate to items included directly in equity.

€ Million	2019	2018
Corporate income tax expenses	15	-61
Total corporate income tax expense	**15**	**-61**

The corporate income tax payable by Enexis Holding N.V. on behalf of the tax group. For 2019 amounts to € 65 million. The corporate income tax payable in 2019 is entirely attributable to the group companies included in the tax group.

The Tax Plan 2020 was adopted at the end of 2019. The adoption of the Tax Plan 2020 postponed a previously announced corporate income tax rate cut (the 2020 rate remains 25%) and partially reversed a rate cut for 2021 onwards. These changes to future tax rates have resulted in a recalculation of the deferred corporate income tax liability and therefore a non-recurring tax expense of € 13 million (in 2018, income tax benefit from future rate changes amounted to € 56 million). The corporate income tax return for 2018, prepared in 2019, resulted in an expense of € 1 million. These items are allocated to Enexis Holding N.V., as head of the tax group.

The effective tax rate for Enexis Holding N.V. is 6.25% in 2019 (2018: -23.54%). For the group as a whole, this is 29.95% in 2019 (2018: 7.83%). See note 12. Corporate income tax expenses.

The corporate income tax payable is calculated and settled with the underlying group companies on the basis of commercial results, taking into account the tax exemptions and non-deductible amounts.

40. INVESTMENTS IN GROUP COMPANIES

€ Million	2019	2018
Enexis Netbeheer B.V.	4,286	4,184
Fudura B.V.	131	128
Enexis Vastgoed B.V.	14	14
Endinet Groep B.V.	-	77
Enexis Personeel B.V.	0	0
Enpuls B.V.	9	4
Total	**4,440**	**4,407**

Changes in the participating interests in Group companies were as follows:

€ Million	2019	2018
At 31 January	**4,407**	**4,235**
Profit for the year	227	264
Dividends paid	-134	-111
Capital contribution	17	32
Mergers and demergers	-77	-
To provision for associate [1]	-	-13
At 31 December	**4,440**	**4,407**

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

For the specification of the results for 2019, please refer to note 37: Share in result of group companies. In 2019, dividends of € 121 million for 2018 were received from Enexis Netbeheer B.V. and € 13 million from Fudura B.V. In 2019, the liquidation of Endinet Groep B.V. resulted in a capital withdrawal of € 77 million and a capital injection into Enpuls B.V. of € 17 million.

For further information on the investments in group companies, please see note 54: Associates and joint arrangements.

41. OTHER FINANCIAL FIXED ASSETS

In the consolidated financial statements, expected credit loss from loans and receivables involving consolidated associates are eliminated. This also applies to loans and receivables involving the consolidated associate with regard to the company's financial statements. 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 involving associates is also eliminated.

€ Million	2019	2018
Loans granted to group companies	1,356	1,363
Loans granted to associates	14	13
Total	**1,370**	**1,376**

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

For the relevant conditions, the conversion terms of this loan and the information that is of importance for other loans., please see note 32: Financing policy and risks associated with financial instruments. 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.

An amount of € 500 million in loans granted to group companies has been classified as other current financial assets in connection with the planned redemption in 2020 of the bond loan with a coupon interest rate of 1.875%.

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

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

€ Million	Loans granted to group companies	Loans granted to associates	Total 2019
At 1 January 2019	**1,720**	**16**	**1,736**
New loans	500	4	504
Redemptions	357	3	360
At 31 December 2019	**1,863**	**17**	**1,880**
Less: current portion	507	3	510
Total non-current portion	**1,356**	**14**	**1,370**

42. RECEIVABLES

€ Million	2019	2018
Receivables from group companies	600	384
Interest receivable from group companies	16	20
Total	**616**	**404**

Receivables from group companies mainly concern the current account position created by group financing and the settlement of payable corporate income tax.

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

43. CORPORATE INCOME TAX

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

€ Million	2019	2018
Prepaid corporate income tax	7	22
Total	**7**	**22**

For further explanation of this item, see note 12: Taxes and note 20: Corporate income tax expense.

44. OTHER FINANCIAL ASSETS (CURRENT)

€ Million	2019	2018
Loans granted to group companies	507	357
Loans granted to associates	3	3
Total	**510**	**360**

The loans granted to group companies relate to the current portion of the loans granted to Enexis Netbeheer B.V., Fudura B.V. and Enexis Vastgoed B.V. The bond loan of € 500 million lent to Enexis Netbeheer B.V. with a coupon interest rate of 1.875% at year-end 2019 is presented as other current financial assets in connection with the planned redemption in 2020.
The shareholder loan lent to Enexis Netbeheer B.V. with conditional right of conversion to equity (tranche D) and nominal value of € 350 million was repaid on 30 September 2019.

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

45. CASH AND CASH EQUIVALENTS

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

€ Million	2019	2018
Cash at bank and cash balances	62	31
Total	**62**	**31**

46. EQUITY

No statutory reserve had been recognised for the cumulative result from minority interests because this result, insofar as not paid out, was nil. For further explanation, please refer to note 23: Equity.

47. DEFERRED CORPORATE INCOME TAX

As the corporate income tax with participations in group companies is settled on the commercial result, the deferred income taxes are determined on a holding level and presented as taxes.

Deferred corporate income tax relate to temporary differences between the carrying value and tax valuation of property, plant and equipment, IFRS 16 (Leases) and provisions and liabilities valued differently for tax purposes. This item also relates to unrealised results on derivative transactions recognised as a hedge provision under other comprehensive income.

Offsetting deferred corporate income tax assets and liabilities only takes place if a formal right to offset exists and the company has the intention to settle the deferred income tax at the same time. Deferred income tax are included 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 as at the balance sheet date. For an explanation of the intended changes to tax rates in coming years and their impact on the 2019 result of Enexis Holding N.V., please refer to note 39: Taxes.

€ Million	2019	2018
Deferred corporate income tax	283	262
Total	**283**	**262**

48. PROVISION FOR INVESTMENT

Changes to the provision during the year were as follows:

€ Million	2019	2018
At 31 January	**-**	**13**
Dotation	-	-
Release	-	-13
At 31 December	**-**	**0**

This provision was created in 2017 to cover the negative investment value of Enpuls B.V. caused by the negative result in 2017 in the amount of € 13 million. Capital contributions were made to Enpuls B.V. in 2018 and 2019 (€ 32 million and € 17 million respectively), resulting in a positive investment value and therefore no further need for a provision.

49. INTEREST-BEARING LIABILITIES (NON-CURRENT)

€ Million	2019	2018
Euro Medium Term Notes	1,787	1,788
Private loans	2	2
Total	**1,789**	**1,790**

Non-current interest-bearing liabilities include borrowings that are available to Enexis for a period longer than one year.

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)	2019		2018	
			1-5 year	> 5 year	1-5 year	> 5 year
Euro Medium Term Notes	3.375%	2.1	299	0	299	0
Euro Medium Term Notes	1.500%	3.8	497	0	496	0
Euro Medium Term Notes	0.875%	6.3	0	495	0	494
Euro Medium Term Notes	0.750%	11.5	496	0	0	0
Green loan	1.700%	3.3	2	0	2	0
Total	-	-	1,294	495	797	494

The stock-listed bond loans together amount to € 1.8 billion nominal; after deducting the amortised costs related to these loans, a value of € 1.787 billion remains.

The fair value of the interest-bearing loans amounted to approximately € 2.706 billion at the end of 2019.

50. TRADE AND OTHER PAYABLES

€ Million	2019	2018
Interest payable	17	21
Other current liabilities	4	3
Total	**21**	**24**

Interest payable relates to the interest due at the end of the year on the bonds issued under the EMTN programme.

51. INTEREST-BEARING LIABILITIES (CURRENT)

€ Million	2019	2018
Shareholder's loan with conditional conversion rights (tranche D)	-	350
Euro Commercial Paper Loans	250	150
Bond loans	500	-
Cash loans	50	-
Total	**800**	**500**

Current interest-bearing liabilities include borrowings that are available for a period shorter than one year. The amounts for repayments due within one year are included in interest-bearing liabilities (current). The bond loan with a coupon interest rate of 1.875% will be redeemed in 2020 and is therefore recognised as an interest bearing current liability.

At 2019's year-end, the sum of € 250 million in current loans is outstanding under the Euro Commercial Paper programme.

52. 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.

There were no shareholder loans provided by shareholders at year-end 2019 (2018: € 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 2019 amounted to € 19 million in 2019 (2018: € 25 million). Dividend payments to shareholders amounted to € 122 million (2018: € 103 million).

Loans provided to Group companies amounted to € 1.863 billion at year-end 2019 (2018: € 1.72 billion). Loans provided to associates at amounted to € 18 million at year-end 2019 (2018: € 16 million).

53. REMUNERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

REMUNERATION OF THE EXECUTIVE BOARD

For more details, see note 35 of the consolidated financial statements of Enexis Holding N.V.: Remuneration and the Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT).

REMUNERATION OF THE SUPERVISORY BOARD

For more detailed information, see note 35 of the consolidated financial statements of Enexis Holding N.V.: Remuneration and the Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT).

54. 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, with the carrying amount being increased or decreased after initial recognition by Enexis Holding N.V.'s share 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, providing 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 included in the "Impairments" section of the "Accounting principles for financial reporting".

JOINT ARRANGEMENTS

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

	Registered office	Equity stake held by Enexis Holding N.V. 31 December 2019	Equity stake held by Enexis Holding N.V. 31 December 2018	division of	Joint and several liability statement
Group companies					
Enexis Netbeheer B.V.	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	yes
Enexis Personeel B.V.	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	yes
Endinet Groep B.V. #[1]	Eindhoven	0%	100%	Enexis Holding N.V.	
Enpuls B.V.	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	yes
Fudura B.V.	Zwolle	100%	100%	Enexis Holding N.V.	yes
Enexis Vastgoed B.V.	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	yes
Enpuls Projecten B.V.	's-Hertogenbosch	100%	100%	Enpuls B.V.	
Other associates and Joint ventures (non-controlling interests)					
ZEBRA Gasnetwerk B.V. [2]	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. [2]	Tilburg	67%	67%	Zebra Gasnetwerk B.V.	
ZEBRA Activa B.V. [2]	Middelburg	67%	67%	Zebra Gasnetwerk B.V.	
ZEBRA Pijpleiding V.O.F. [2]	Middelburg	67%	67%	Entrade Pipe B.V.	
Breedband Regio Eindhoven (BRE) B.V. [3]	Eindhoven	0%	2%	Endinet Groep B.V.	
Sustainable Buildings B.V.	Groningen	40%	40%	Fudura B.V.	
Cohere Energy Solutions B.V.	Amsterdam	5%	5%	Fudura B.V.	

1 In 2019 this entity has been liquidated.
2 Associates are not included in the consolidation because there is no decisive control (decisions are taken with a majority of 75%).
3 In 2019 all shares have been sold.

55. PROFIT APPROPRIATION

Under the articles of association and 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 might lose its A rating profile within 5 years as a result of this dividend.

The proposed dividend distribution for 2019 is based on 50% of the realised profit after taxes of € 210 million and shall be distributed to the shareholders as an exact amount pro rata to the number of shares. The proposed dividend distribution for 2019 is € 0.70 per share (2018: € 0.82 per share). The profit appropriation proposal has not been taken into account on the balance sheet as at 31 December 2019.

The proposal for the appropriation of the 2019 result is as follows:

€ Million	2019	2018
Profit for the year	210	319
Allocation to the general reserve	-105	-197
Proposed dividend	**105**	**122**

56. 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 2019

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 (the company together with its subsidiaries) as at 31 December 2019 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 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 2019 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 2019 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 2019;
- the consolidated statements of comprehensive income over 2019;
- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of cash flows over 2019;
- the consolidated statement of changes in equity over 2019; 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 2019;
- the company balance sheet as at 31 December 2019; and
- the notes, comprising the significant 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 2019. 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 regional grid operator in the energy sector. Enexis B.V. is responsible for construction, maintenance, management and development of its electricity and gas transmission grids in the provinces Groningen, Drenthe, Overijssel, Noord-Brabant and Limburg. The other activities of the group mainly relate to non-regulated activities in relation to measuring energy flows, the rental of transformers and switchgear installations, the maintenance of private energy grids, accelerating the energy transition to sustainable energy supply and helping companies and municipalities in realizing sustainable energy solutions. 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), intangible fixed assets and right-of-use 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), intangible fixed assets and right-of-use assets we classify (similar to prior years) the deficiencies in internal controls related to project-related expenditures, and our resulting additional audit procedures as a key audit matter. The design of the internal control on the project-related expenditures was further improved compared to 2018, only the operating effectiveness is however still not visible in all cases.

Due to the significant level of IT integration in the group's business processes and the significant IT-projects that were completed in 2019 or currently still being implemented, the audit procedures on the IT environment are a significant area in our audit. We have received comfort from assurance-reports from significant IT-service providers. Due to the importance of IT we have marked the reliability and continuity of electronic data processing as a key audit matter. These procedures in relation to the financial statement audit have been performed by specialized IT-auditors as part of our audit team. Next to this the group started in 2018 with a multi-year SAP-transition program, which relates to a phased implementation as per financial year 2020 and will have a direct impact on the information and communication within the group and therefore the financial statements 2020.

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 applied data analyses relating to journal entry processing and in relation to 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 approachh were as follows:

Materiality
- Overall materiality: €15 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'), intangible fixed assets and right-of-use 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	€ 15 million (2018: € 16 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 group.

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 € 750,000 (2018: € 800,000) 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 group structure is described in the paragraph 'profile' in the annual report. 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. In addition we have taken note of reports of the internal audit and risk department in relation to these components and have performed specific procedures on material risks identified through these reports.

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.

OUR FOCUS ON THE RISK OF FRAUD AND NON-COMPLIANCE WITH LAWS AND REGULATIONS

Our objectives
The objectives of our audit are:

In respect to fraud:
- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

In respect to non-compliance with laws and regulations:
- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with management with the oversight of the supervisory board.

Our risk assessment
As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Group. We identified provisions of those laws and regulations, generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as regulation, tax laws, pension laws and the Dutch Standards for Remuneration Act (WNT).

As in all of our audits, we 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.

Our response to the risks identified

We performed the following audit procedures to respond to the assessed risks:

- We have inquired several layers of management for the understanding and assessment of fraud risk factors and related internal controls.
- We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks.
- We performed data analysis of high-risk journal entries. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
- We evaluated key estimates and judgements for bias by Enexis Holding N.V., including retrospective reviews of prior year's estimates.
- Assessment of matters reported on the (group's) whistleblowing and complaints procedures with the entity and results of management's investigation of such matters.
- With respect to the risk of fraud in revenue we have performed substantive audit procedures. These procedures included testing of transactions back to source information.
- We incorporated an element of unpredictability in our audit.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud. This has had no impact on our planned audit procedures.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements. As to the other laws and regulations, we inquired with the board of directors and/or the supervisory board as to whether the entity is in compliance with such laws and regulations. In addition, we have inspected correspondence with relevant licensing and regulatory authorities.

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.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
Valuation of property, plant and equipment (PPE), intangible fixed assets and right-of-use assets *The disclosures on the valuation of PPE and intangible fixed assets are included in notes 13 and 14 to the financial statements.*	
PPE, intangible fixed assets and right-of-use assets, minus advance contributions for the installations of grids and connections are stated at € 7.075 million as at 31 December 2019 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 climate agreement will cause significant changes to the energy landscape and give rise to major investments and 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 2019 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 matter	How our audit addressed the matter
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. During the year the group completed the transition to a centralized allocation and reconciliation process with EDSN.	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. In order to validate the continuity and reliability of the data processing, we have performed audit procedures on the design, existence and operating effectiveness of the following relevant IT-controls: ■ IT-governance, IT-risk management and IT-security management; ■ Physical and logical access management to applications, databases and networks, including the policies and procedures related to identification, authentication and authorization; ■ Management of changes to applications and IT-infrastructure, including the policies and procedures related to requesting, testing and implementation of changes in the production systems; and ■ Policies and procedures in relation to back-up and recovery and incident management. We have received comfort from assurance-reports from significant IT-service providers. These procedures have been performed by our specialized IT-auditors as part of the audit team. 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 matter	How our audit addressed the matter
Accuracy of the project-related expenditures **The disclosure on the deficiencies in the internal control are included in the section 'strategic risks' of the annual report.**	
The total project-related expenditures 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 design of the internal controls on the project related expenditures improved compared to 2018, however the effectiveness of this is not always visible. As a consequence, the increased risk on the accuracy and integrity of the project-related expenditures still exists in 2019. Based on these findings, management has performed additional procedures on the accuracy and existence of financial project evaluation controls in order to mitigate the risk.	We have assessed the design, existence and operating effectiveness of internal controls over the project-related expenditures, including the updated project evaluation process and have taken note of the report from the internal audit and risk department. As a follow up on the deficiencies in internal controls we have validated the additional controls performed by the group. We have performed additional audit procedures and where necessary obtained comfort through inquiry and supporting documentation. Next to this we have performed substantive audit procedures on the accuracy of the project-related expenses. 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 2019 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;
- Key figures
- About Enexis;
- Report on 2019;
- Governance and risk management;
- Additional information.

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 9 April 2020, and annually reconfirmed by the shareholders. We act as auditors of the company for an uninterrupted period of 5 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 and the provisions of and pursuant to the 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 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements.

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 material 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 2020
PricewaterhouseCoopers Accountants N.V.

drs. K. Hofstede RA

(This auditor's report is a translation of the original auditor's report accompanying the original consolidated financial statements 2019, 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 2019 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 2019, ethical requirements and independence requirements. 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 the supervisory board of Enexis Holding N.V.

ASSURANCE REPORT ON THE SUSTAINABILITY INFORMATION 2019

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 2019 of Enexis Holding N.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the thereto related events and achievements for the year ended 31 December 2019

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 2019, as included in the following sections in the annual report (hereafter: "the sustainability information"):

- Structure of this report;
- Foreword by the Executive Board;
- Key figures
- About Enexis
- Report on 2019 (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 sustainability and the thereto related business operations, events and achievements for the year ended 31 December 2019.

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 evidence 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 – Dutch Code of Ethics).

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 relevant 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 an 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 the management and the supervisory board

Management of Enexis is responsible for the preparation of reliable and adequate 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 evidence 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.

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 evidence 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.
- Reconciling the relevant financial information with the financial statements.
- 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 February 2020
PricewaterhouseCoopers Accountants N.V.

drs. K. Hofstede RA

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by K. Hofstede RA on 19 February 2020

ABOUT THIS REPORT

SCOPE

The scope of this report is Enexis Holding N.V., registered at 's-Hertogenbosch. This also includes the activities of Enexis Netbeheer B.V., Fudura B.V., Enexis Personeel B.V., Enexis Vastgoed B.V. and Enpuls B.V. The activities of other associates are not in scope.

The statutory board report is included in pages 18 to and including 55. The reporting period runs from 1 January 2019 to and including 31 December 2019. Enexis reports semi-annually on its strategic and financial performance. The annual report is published in the first quarter of each year on the website of www.enexisgroep.nl; this year on 27 February 2020.
The report for 2018 appeared on 21 February 2019.

INTEGRATED REPORT

This is an integrated annual report incorporating financial, operational and corporate social responsibility (CSR) information.

- The financial information is consolidated. The financial report was prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted within the European Union and provisions of Title 9, Book 2 of the Dutch Civil Code.
- The non-financial information is consolidated. In general, we aim to integrate non-financial information of new acquisitions as soon as possible and by no later than 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.

TRANSPARENCY

Our stakeholders attach great value to transparency – and so do we. Our ambition is to secure a permanent position among the leaders in the Transparency Benchmark of the Ministry of Economic Affairs and Climate. This report complies with the:

- Sustainability Reporting Standards of the GRI, CORE application level;
- Internal reporting criteria;
- Transparency Benchmark Guidelines;
- Corporate Governance Code where possible and applicable;
- EU Directive on disclosure of non-financial information and diversity information.

DIALOGUE WITH STAKEHOLDERS

Enexis maintains a regular dialogue with the eight distinctive stakeholder groups that it has identified. This dialogue also addresses wider societal developments in the long term, such as the Sustainable Development Goals and our contributions to these goals. The overview below indicates in outline how we assure our dialogue with stakeholders, but is not exhaustive. The most important topics are organised according to material themes.

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

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

DIALOGUE SESSIONS 2019

In 2019 Enexis organised two dialogue sessions with stakeholders. These were held with the support of Number 5 Foundation, an organisation set up by Laurentien van Oranje and Constantijn van Oranje.

The participants included representatives of the business community, special interest organisations and government. The focus question was: 'How can we make the energy transition work for everyone?'. The sessions touched on the values that are instrumental to change as well as the diverse needs of diverse groups. As well as key values, the sessions also identified specific behaviours that are necessary to achieve the projected transformation. The most important values mentioned were honesty, dignity and vulnerability. Crucially, people want to be approached in person and hear an honest story. A vulnerable stance is appreciated in this connection. People understand that we do not have all the answers and expect us as a grid operator to be open to different perspectives. Step by step, virtually everyone is inclined to come on board.

The dialogue sessions provided lots of insights into the human values that are vital to the transition and communication in general. In addition, greater awareness was raised among the participants. For Enexis, the dialogue sessions are not the end of the road, but only a first step towards looking at the energy transition with fresh eyes, while continuously engaging with those whom it directly concerns.

COLLABORATION WITH LOCAL PARTNERS

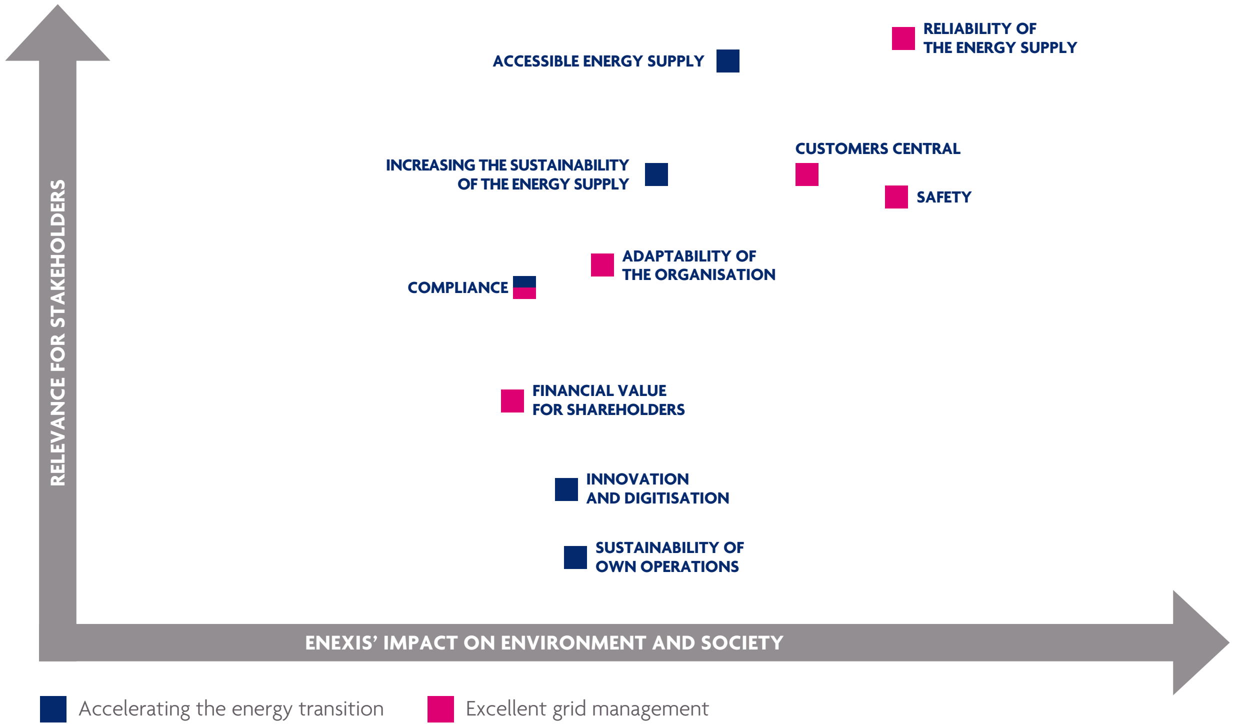
We recognise that collaboration is required in order to speed up the energy transition. As a grid operator we believe we have a role to play in bringing parties together. In 2019 we sat down with provincial councils, industry and universities in order to collaborate on innovative, scalable solutions that work for all parties. We are also joining forces within the sector in order to increase our social impact and speed up the energy transition. Enexis is a member of Netbeheer Nederland, MVO Nederland, Dutch Power, Nederlandse Vereniging Duurzame Energie, EDSO for smart grids, KVGN and the Coalitie Groene Netten, amongst other organisations.

DETERMINING THE MATERIAL ISSUES

Our annual report provides an account of our performance on issues that are relevant to stakeholders and have an impact on Enexis. We call these 'material issues'. We carry out a detailed materiality analysis once every four years and an update once every two years.

Our most recent two-yearly update in 2018 looked at whether our material issues were still in line with the interests of our stakeholders. As well as a benchmark survey of grid operators and a media analysis, we conducted an internal consultation process. Participants included customers, market and chain partners, and investors. Our employees asked external stakeholders which subjects they considered to be of material significance. Management then discussed the outcomes, while also determining the impact of material issues of an economic, ecological and social nature.

Based on our findings, our materiality matrix was validated and realigned in 2018. The definitions of the material issues were tightened up, but otherwise this update produced no significant changes relative to 2016 and 2017. The next two-yearly update of the material issues is planned in 2020.



DEFINITIONS OF MATERIAL ISSUES

SAFETY	Positive impact	Negative impact
Limiting the totality of risks for people and society that arise from working on and using the energy grid and data system.	+ well-being of employees, their families, customers and the surroundings in which we operate + improving our services through data + digital security measures: preventing cybercrime and hacking	- working on energy grids gives rise to health risks for employees and/or bystanders
RELIABILITY OF ENERGY SUPPLY		
The degree of reliability of the energy supply, expressed as the average time and frequency of interruptions of energy transmission to end consumers.	+ an uninterrupted energy supply keeps the economy and society up and running	- interruptions can have major impacts on the lives or businesses of our customers
INCREASING THE SUSTAINABILITY OF THE ENERGY SUPPLY		
Reducing the environmental impact by taking actions as an independent party in conjunction with stakeholders to develop the energy supply.	+ contribution to climate objectives and Sustainable Development Goals + contribution to social cohesion in neighbourhoods	- costs and environmental impact caused by grid losses
CUSTOMER CENTRAL		
The basic principle that customer wishes and customer satisfaction determine the level of service and performance in the customer processes.	+ social aspects, including respect and non-discriminatory treatment + helping customers to contribute to the energy transition	- impact on the reputation of Enexis
INNOVATION AND DIGITISATION		
The change in business and customer processes and networks through the application of innovations and digital technologies.	+ increasing customer satisfaction + affordability of the energy supply through efficiency + technological development in conjunction with suppliers + employee knowledge development	- unauthorised use of data and/or systems - passing on costs to customers
ADAPTABILITY OF THE ORGANISATION		
The degree to which the organisation and its employees are able to respond in time to organisational and energy transition issues.	+ employee development	- reduced customer satisfaction
ACCESSIBLE ENERGY SUPPLY		
The equal treatment of our customers who can count on sufficient grid capacity, an efficient energy market and an affordable service.	+ well-being of consumers and business customers	- costs for the construction, maintenance, development and management of the energy grids
FINANCIAL VALUE FOR SHAREHOLDERS		
The total created value for shareholders.	+ dividend + contributions to Regional Energy Strategies and sustainability of municipalities	- growing investments in the energy grids
COMPLIANCE		
Adhering to the laws and regulations that are applicable in the domain of the grid operator and energy companies including the totality of behavioural criteria for employees and chain partners.	+ our stakeholders can rely on a relationship based on integrity with Enexis	- costs
SUSTAINABILITY OF OWN OPERATIONS		
The organisation's direct and indirect footprint on society and the environment and the efforts undertaken to improve this.	+ contributions to climate objectives via e.g. CO_2 reduction	- impact on the environment via e.g. materials procurement and waste

MANAGEMENT OF MATERIAL ISSUES

The management directs the company based on diverse aspects of social entrepreneurship. Forming part of the Balanced Score Card, these aspects include promoting health and safety at work, ensuring a reliable and safe energy supply, reducing energy consumption and CO_2 emissions, assisting the energy transition and controlling costs. As part of the Balanced Score Card, these aspects also fall within the scope of audits and are reported to the Supervisory Board.

Enexis applies an integrated management system, comprising both financial and non-financial material issues. This is described in the 'Governance and risk management' section. Within the annual business planning cycle, strategic goals are translated into concrete objectives for the coming year. These annual objectives are then incorporated into the business plan and Balanced Score Card. Progress is reported monthly to the Executive Board and also discussed in the Supervisory Board. A formal risk management process, internal audit function and compliance function are in place to ensure the timely identification and recognition of strategic risks. The Netherlands Authority for Consumers & Markets (ACM) and the Dutch State Supervision of Mines (SodM) oversee the core activity.

The 'Sustainable operations' section contains an explanation of the measures taken to assure sustainability within the organisation. In addition, a clarification of the management approach to individual corporate responsibility themes, as based on ISO 26000, can be found in the CSR principles on the Enexis website.

MEASURING METHODS AND DATA COLLECTION

Where possible, Enexis derived the quantitative information in this report from its own systems. Internal control measures are applicable to these systems. External Reporting & Accounting of the Finance Department is responsible – with the involvement of Business Control – for the collection and justification of the non-financial data. The GRI Index is included in the Additional Information section.

The qualitative information was supplied and justified by the staff members responsible for the various topics. The reported data was generated with the highest level of reliability, but we note that uncertainties are inherent in measuring methods and data collection. The composition of the data collected for the material issues is outlined below.

Safety
Reported accidents and incidents in 2019, reports on HSE and VGWM (Safety, Health, Welfare and Environment), calculation of the number of accidents with absenteeism per 1 million hours worked. Fatal commuter accidents are out of scope for Lost Time Injury Frequency.

Reliability of the energy supply
Reports on outage time for electricity and gas, transmitted quantities and section lengths, reports on State of Supervision of Mines (SSM) notifications 2019, measurement of public safety.

Increasing the sustainability of the energy supply
Overview of measures and CO_2 savings in 2019, results and analysis of surveys.

Customer central
Reports from GfK market research institute, reports from Perspective and Avaya, results of visits to the Enexis.nl website.

Innovation and digitisation
Reports on numbers of stations fitted with distribution automation (Light).

Adaptability of the organisation
Employee survey, workforce reports including FTE numbers, male/female ratio, age categories, inflow and outflow, sickness absenteeism, development budget.

Accessible energy supply
Report on WAVE integrated permit management system.

Financial value for shareholders
Overview of controllable costs and revenues of Enexis Netbeheer B.V. (including corporate staff departments).

Compliance
Reports on data breaches, reports on regulatory fines.

Sustainability of our own operations
Source documentation on claimed kilometres, lease fleet fuel consumption, CO_2 emissions due to grid and leakage losses and waste material reports of waste processors. All waste is stored and processed, taking account of the specific risks attached to each type of waste.

CHANGES COMPARED TO PREVIOUS REPORTING YEARS

The calculation of our 2020 work package, as explained in 'Customers and grids', excludes the general expenses mark-up. The work package concerns the gross investments in our electricity and gas grids plus the grid and smart meter operating activities. For comparison purposes, the work package calculation for 2019 is also shown exclusive of the general expenses mark-up.

ASSURANCE

PwC performed an assurance engagement to obtain limited assurance that the sustainability information in the sections 'Structure of this Report', 'Foreword by the Executive Board', 'About Enexis', 'Report on 2019' (except 'Financial Position')' and the Additional Information ('About this Report' and 'Facts and Figures') in the Annual Report 2019 of Enexis is fairly presented in all material aspects in accordance with the 'Sustainability Reporting Standards' of the Global Reporting Initiative and the internal reporting criteria of Enexis. We refer to page 113 for the assurance report of the independent auditor.

PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

Under the articles of association, the profit remaining after the addition to the reserves is at the disposal of the General Meeting of Shareholders (Article 36.2).

In addition to these provisions, it has been agreed with the shareholders that the dividend payable during the Strategic Plan period shall not exceed 50% of the net profit, while aiming to achieve a minimum annual dividend of € 100 million. This percentage shall be reduced if this dividend payment places the company at risk of 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, the policy ensures sufficient equity growth and demonstrates the shareholders' active support for a healthy financial position.

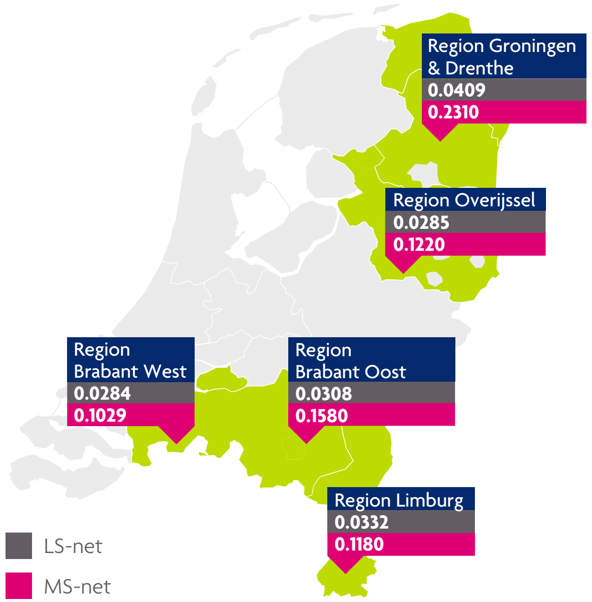
For the proposed appropriation of the result 2019, please refer to 'Profit appropriation'.

FACTS AND FIGURES

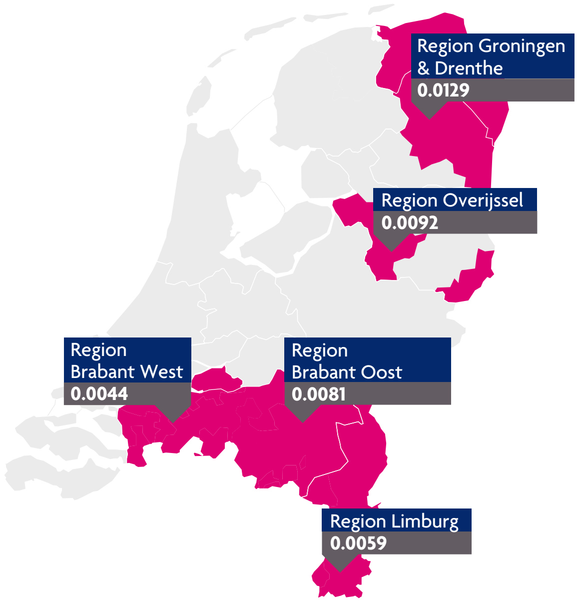
This part of the report gives you a section-by-section run-down on specific facts and figures. The level of detail is greater than in the preceding sections and provides deeper insight.

CUSTOMERS AND GRIDS

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



AVERAGE NUMBER OF GAS OUTAGES PER DISTRICT PER CUSTOMER



	2019	2018	2017	2016	2015
The grids					
Section lengths (x 1,000 km)					
Electricity grid	141.0	139.9	139.1	136.9	138.0
- Low voltage	96.1	95.3	94.7	92.8	93.3
- Medium voltage	44.8	44.5	44.4	43.9	44.6
- Intermediate voltage	0.1	0.1	0.1	0.1	0.1
Gas grid	46.4	46.4	46.4	46.2	44.8
- Low pressure	37.6	37.6	37.5	37.4	35.8
- High pressure	8.8	8.8	8.9	8.9	9.0
Stations (x 1,000)					
E-stations	54.6	53.8	53.1	53.1	53.2
G-stations	22.4	22.5	22.7	22.8	24.4
Number of connections (x 1,000)					
Electricity	2,849	2,814	2,786	2,752	2,698
- Domestic (including 3x25 A)	2,618	2,597	2,578	2,549	
- Low-voltage connections other (small-volume as from 3x25A)	215	202	193	189	
- Medium voltage connections	16	15	15	14	
Gas	2,328	2,324	2,315	2,285	2,091
- Domestic (G4 and G6)	2,267	2,260	2,249	2,213	
- Low pressure other (small-volume as from G10)	58	61	63	69	
- High pressure connections	3	3	3	3	
Transported quantities					
Electricity (GWh)[1]	33,759	34,112	34,592	34,453	34,121
Gas (Mm^3)	5,935	6,204	6,241	6,075	5,530
Of which green gas	59.0	54.0	51.0	45.0	41.0
Product quality					
Outage time electricity (in minutes)	14.2	16.0	13.8	15.2	14.2
- High voltage	0.5	0.2	0.1	0.2	0.9
- Medium voltage	8.4	10.5	8.7	10.0	8.2
- Low voltage	5.4	5.3	5.1	5.0	5.1
Outage time gas (in seconds)	51	90	50	45	78

1 December 2019 is an estimation.

INCIDENTS IN THE GAS AND ELECTRICITY GRIDS

To keep the public safe and prevent incidents, we closely monitor our grids to spot any signs of possible faults. The number of incidents is measured according to seriousness. We also measure 'early warning indicators' that signal increased risks of incidents. No serious accidents occurred in 2019. To ensure public safety, Enexis has put in place an intensive risk-based replacement programme for main and connecting pipes. A lot of attention is also devoted to preventing excavation damage and ensuring that technical spaces with equipment and installations are well-locked after use.

Milestones	At 2019 year-end	
Public safety	Gas	Electricity
Number of incidents with a moderate or considerable impact[1] ≤ 4	4	3
Number of incidents with a serious impact[2] ≤ 2	0	0
Number of incidents with a disastrous impact[3] = 0	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.

LIMITED IMPACT OF MEASURES FOR NATURE, CONSTRUCTION AND INFRASTRUCTURE

Nitrogen and PFAS became major environmental issues in 2019. The cabinet rushed through measures for the accelerated rehabilitation and reinforcement of nature areas so that new construction and infrastructure projects could go ahead. The impact of these measures on our operational activities remained limited in 2019 and none of our projects needed to be stopped. However, some projects that customers have planned for 2020 may be delayed or cancelled due to the measures that the government is taking to ward off the nitrogen crisis.

COMPLAINTS AND DISPUTES PROCEDURE

Sometimes customers are not satisfied with our services. In such cases, they can report their complaint or claim via our website or by telephone. Every complaint or claim is treated individually by Enexis Netbeheer. Customers receive confirmation of receipt within five working days and usually a detailed response within thirty working days.

Enexis wants to prevent complaints and takes all complaints very seriously. We are affiliated with the Dutch Foundation for Consumer Complaints Boards (Geschillencommissie). Customers can go there if they are not satisfied with our answer to their complaint or claim. The Energy Committee of the 'Geschillencommissie' deals with complaints of consumers against energy suppliers concerning the disconnection, delivery or billing of gas, electricity and heating. The Committee also handles complaints from consumers against the grid operator about the operation of the meter (calibration) or damage resulting from a power outage.

SUSTAINABLE OPERATIONS

CARBON FOOTPRINT

The carbon footprint, as presented in the 'Sustainable operations' section, was drawn up in accordance with the guidelines of the international GreenHouseGas (GHG) Protocol. As in 2018, three different emission scopes are reported here. Each of these scopes is explained below.

SCOPE 1: DIRECT EMISSIONS

These are greenhouse gas emissions from the company's own assets or leased equipment and are a direct consequence of the core activities.

Enexis reports on direct carbon emissions resulting from gas leakages, leakages from switching devices (SF_6), the use of lease and service vehicles and the heating of buildings. Gas leakage loss declined by 2% compared to last year. In line with the previous year, this reduction was achieved thanks to the replacement programme for grey cast iron pipes. Grey cast iron is an outdated material with an above-average leakage frequency. Enexis is on schedule to replace all main grey cast iron pipelines before 2024.

The greenhouse gases reported in our footprint are expressed in CO_2 equivalents. Besides CO_2, methane and SF_6 emissions are also reported. In keeping with last year, the conversion and emission factors used in the calculations were taken from the IPCC Fifth Assessment Report and www.CO_2emissiefactoren.nl.

The footprint relating to lease and service cars dropped 5% compared to last year. This decrease stemmed from our fleet greening efforts and a reduction in travel movements, reflecting our ambition to cut our mobility-related carbon emissions by 50% in 2020.

SCOPE 2: INDIRECT EMISSIONS

This comprises all greenhouse gas emissions relating to the company's use of electricity generated by third parties.

Energy is always lost during the distribution of electricity due to such causes as electrical resistance. In 2019 the electricity grid losses declined by 31 million kWh. Based on the profile, the purchase volume allocation was adjusted downwards, so that the purchased allocated grid loss decreased by 44 GWh. Against this, the reconciliation result increased by 13 GWh (less grid gain). The grid loss fell in 2019 by 2.46% (2018: 3.15%). The number of additionally purchased Guarantees of Dutch origin increased again this year. We want 40% of our grid losses to consist of additional Netherlands-generated renewable energy by 2023.

SCOPE 3: OTHER INDIRECT EMISSIONS

This relates to greenhouse gas emissions from energy and transport fuel consumption, gas extraction, energy production (excl. electricity generation) and third-party emissions resulting from the grid operator's activities.

This last category contains a few elements within the company's control, such as commuting, public transport and business travel. In addition, this scope comprises elements over which Enexis has less direct control, such as grid components from suppliers and waste processing. Some grid components are not reported because we have not yet received all the required information from our partners. The most important category of missing components is smart meters. We see a 93% increase in the carbon emissions for grid components compared to 2018. This increase is caused by the addition of a previously unreported cable scope to the computational model for grid components. Another factor is that the connection of large numbers of solar and wind farms caused an increase in the number of cable kilometres in 2019 compared to 2018.

As in the previous year, the ICT chain emissions were not included in the carbon footprint. Both selected providers (Microsoft and Amazon) have programmes to achieve 100% climate-neutral services. Due to the scale of these cloud providers they operate their own solar and wind farms and actually use green energy rather than merely offsetting carbon emissions.

The mobility-related footprint rose by 10% compared to last year. This increase was largely caused by a change in the method used to determine the number of commuter and business travel kilometres (6%). Effective from 2019, the number of kilometres actually travelled in the year is taken into account, whereas in 2018 the months from January to November were extrapolated to the full year. The remainder of the increase is attributable to higher air travel emissions.

All emissions within the company's own control 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, bringing our net own emissions for 2019 to 0.

We also feel responsible for the emissions in the chain (remainder of scope 3), such as from the production of cables and pipes and the processing of waste. Thanks to the active cooperation of our grid component suppliers, we are also able to provide increasingly extensive and accurate reports on the carbon emissions of our supply chain partners.

In order to make our environmental impact more easily comparable, we have calculated our 'carbon intensity' as well as our carbon footprint. This involves setting the carbon emissions in scope 1 and 2 against the revenue figures in millions of USD. The revenue figures have been converted to dollars using an average exchange rate over the years in question. In 2019 the carbon intensity was € 381 million (2018: € 366 million; 2017 € 355 million).

SAFETY AND EXPERTISE

Enexis is striving for a diverse workforce. We comply with the Participation Act by offering work to people with occupational impairments. The tables below give an impression of various workforce-related developments in 2019. 99.75% of the personnel fall under the collective labour agreement for Grid Operators.

	Male	Female	Year-end 2019
Personnel			
Own personnel			
FTEs	3,598	719	4,317
Labour contract:			
- specific	287	64	351
- indefinite	3,311	655	3,966
Number	3,646	842	4,488
Labour contract:			
- specific	291	71	362
- indefinite	3,355	771	4,126
Contractors			
FTEs	873	240	1,113
- temporary workers	161	131	292
- consultants	523	92	615
- call specialist	189	18	207
- fixed price[1]	-	-	-
Number	1,104	341	1,445
- temporary workers	180	169	349
- consultants	572	106	678
- call specialist	224	27	251
- fixed price	128	39	167

1 Carrying out work in accordance with a preset price; FTE factor = 0.

	Definite period	Indefinite period	Total
Origin and type of employment agreement			
Belgium	2	35	37
Germany	2	28	30
Total outside of the Netherlands	**4**	**63**	**67**
Groningen	33	455	488
Friesland	2	95	97
Drenthe	24	359	383
Gelderland	21	142	163
Overijssel	46	541	587
Flevoland	2	14	16
Noord-Holland	2	13	15
Zuid-Holland	4	28	32
Utrecht	7	58	65
Noord-Brabant	133	1,400	1,533
Zeeland	1	10	11
Limburg	83	948	1,031
Total Netherlands	**358**	**4,063**	**4,421**
Total	**362**	**4,126**	**4,488**

LONG-TERM EMPLOYABILITY

Our Long-Term Employability Plus (DI+) Scheme provides extra facilities and support to increase the employability of our personnel. Employees receive a DI budget for activities and resources aimed at maintaining or expanding their knowledge and skills in their current or future role and/or remaining fit, vital and motivated to do their work well. In 2019 our employees used the bulk of the budget (about 90%) for fitness and vitality purposes.

ACCIDENTS RESULTING IN ABSENTEEISM

	LTIF Enexis
LTIF[1]	
Location Groningen	1.90
Location Overijssel Oost	3.66
Location Noord-Brabant NO	5.17
Location Noord-Brabant ZO	2.46
Location Limburg Noord	5.53
Logistics	10.92
Fudura	2.34
Average	**1.16**

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

NORMS AND STANDARDS

Enexis offers employment terms and conditions in accordance with the fundamental principles and rights at work as adopted by the Internal Labour Organization (ILO).

Guidance is provided to employees in the form of a Code of Conduct and a Compliance Protocol. All employees joining the company are required to sign a confidentiality undertaking confirming that they will adhere to the contents of the Compliance Protocol. Employees with access to price-sensitive information must sign an additional statement with regard to the confidentiality of such information. As described in the 'Sustainable operations' section, suppliers must conform to the guidelines set out in our Supplier Code of Conduct.

Finally, Enexis has formulated its CSR policy and activities in accordance with the international ISO 26000 standard for CSR. The CSR policy is embedded in a Board Statement and in a set of principles.

LAWS AND REGULATIONS

In 2019 the Administrative and Legal Affairs (BJZ) Department and other relevant departments received no fines with regard to the services provided by Enexis or for non-compliance with the E Act, G Act and environmental legislation.

BENCHMARKS

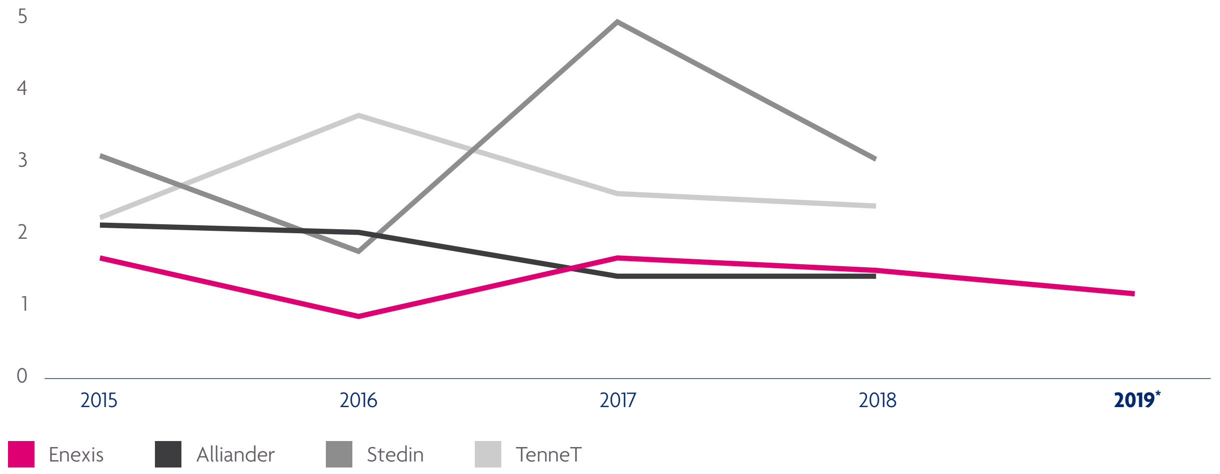
To keep raising the quality of our work, we measure our performance against that of comparable companies. We are transparent about our results, even when they are lower than average in the sector. The benchmarks have been part of our annual report for a number of years, and are being expanded further where possible and/or relevant.

ELECTRICITY OUTAGE TIME

In recent years the electricity outage time at Enexis Netbeheer was lower than the Dutch average. A graph and explanation can be found in the Customers and Grids section.

SAFETY

To improve the reliability of safety comparisons within the sector, Enexis started in 2018 to measure the number of accidents via the Lost Time Injury Frequency (LTIF), i.e. the number of accidents resulting in absenteeism per 1,000,000 hours worked. Our safety score is satisfactory compared to our sector peers. But that is not good enough for us. Because every accident is one too many. Safety will therefore remain a central focus of attention in the coming years.



LTIF: Lost Time Injury Frequency (LTIF) represents the number of accidents resulting in absence per 1,000,000 hours worked.
* 2019: The LTIF scores of industry peers were not yet known at the time of publication of this annual report.

TRANSPARENCY

Our report for 2018 came sixth in the Transparency Benchmark, which is carried out each year by the Ministry of Economic Affairs and Climate. Enexis Group has thus secured a position among the Transparency Leaders in corporate social responsibility reporting, claiming sixth place in a ranking of 241 companies.

Unlike the previous editions, this year's Transparency Benchmark will not consist of an overall assessment, but will focus on the specific theme of 'climate transparency'. Enexis does not yet approach this theme on the basis of the model of the Task Force on Climate-related Financial Disclosures (TFCD). We are still seeking concrete ways to engage with and manage our climate-related risks and their possible consequences, such as natural disasters in the form of flooding and earthquakes.

EMPLOYMENT PRACTICES

We expect our employees to play a proactive role in the energy transition. They can identify developments, build innovations and help customers solve their energy issues. In return, we create the best possible conditions for them to thrive in their work. Key priorities include safe working practices and a socially safe working environment.

In 2019 Enexis and the trade unions reached a new company-specific collective labour agreement (CLA) for Enexis. Among other things, the various different personal development budgets have been merged into a 13th month. This simplification makes it easier for employees to understand their compensation package and measure its worth. From 1 January 2020, Enexis employees fall within two CBAs: the Grid Operator CBA and the company-specific CBA for Enexis.

ABSENTEE RATE

For several years now, the average sickness absenteeism rate in the Netherlands has remained fairly stable at 3.9%, but big variances exist between sectors. These differences are due to the diverse types of work and employees. The energy sector has one of the highest absentee rates. Last year, the absentee rate at Enexis was 5.4%, higher than the Dutch average. To address this, we have stepped up our absenteeism prevention efforts as well as our support and counselling for employees unfit for work. The sector average for 2019 was not yet available at the time of publishing this annual report.

GRI-INDEX

The sustainability report was prepared in accordance with the GRI Sustainability Reporting Standards, application level CORE. For a description of the management and evaluation of material issues belonging to the 'disclosures on management approach' (DMA), we refer you to the 'Management of material issues' section.

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 2019	
GRI 102-7	Scale of the reporting organisation.	Key figures - Employees Enexis	
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: Safety and expertise	
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: Our place 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.	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; Norms and standards	
GRI 102-13	Principal memberships of associations (such as industry associations) and national and international advocacy organisations.	Appendix: About this report; 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 - 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 - 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.	Safety and expertise; HR 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.	Corporate governance: Appendix: About this report; Management of material issues	
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 labour agreements.	Appendix: About this report; Safety and expertise	
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.	Appendix: About this report; Dialogue with stakeholders	

Category name/indicator	Name of the indicator	Reference	Not reported
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 material issues	
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 2019 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 compared to previous reporting years	
GRI 102-50	The reporting period for information provided.	2019	
GRI 102-51	Date of most recent previous report.	Enexis Holding N.V. Annual Report 2018, 21 February 2019	
GRI 102-52	Reporting cycle.	Annual	
GRI 102-53	The contact person for questions regarding the report or its contents.	Appendix: About this report; Reactions; 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	

Category name/indicator	Name of the indicator	Reference	Not reported

SPECIFIC STANDARD DISCLOSURES

Financial value for shareholders

Category name/indicator	Name of the indicator	Reference	Not reported
GRI-103	Management approach.	Financial position; Appendix: About this report; Scope; Determining the material issues	
GRI 201-1	Direct economic value generated and distributed.	Financial position; Consolidated financial statements	
Enexis indicator	Controllable costs and revenues	Objectives and performance	

Sustainability of own operations

Category name/indicator	Name of the indicator	Reference	Not reported
GRI-103	Management approach.	Sustainable operations; Appendix: About this report; Scope; Determining the material issues	
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	
GRI 305-4	GHG emission intensity	Sustainable operations; Appendix: Facts and figures; CO_2 footprint	
Enexis indicator	CO_2 reduction lease cars and declared kilometers.	Objectives and performance; Sustainable operations; CO_2 footprint	

Safety

Category name/indicator	Name of the indicator	Reference	Not reported
GRI-103	Management approach.	Safety and expertise; Appendix: About this report; Scope; Determining the material issues	
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.	Objectives and performance; Safety and expertisey; Safe working despite a shortage of people	
Enexis indicator	Lost Time Injury Frequency Contractors.	Objectives and performance; Safety and expertisey; Safe working despite a shortage of people	

Category name/indicator	Name of the indicator	Reference	Not reported
Change capacity of organisation			
GRI-103	Management approach.	Safety and expertise; Appendix: About this report; Scope; Determining the material issues	
GRI 404-1	Average hours of training that an employee has undertaken per year by employee category and gender.	Safety and expertise; Quality education	Employee category is not reported; not relevant for Enexis. Job level is not reported. In 2018 is Enexis started a phased introduction of roles; phasing continued in 2019.
GRI 404-2	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Objectives and performance; Quality education; Appendix: Facts and figures; Safety and expertise; Long-term employability	
Enexis indicator	Employee engagement and collaboration.	Objectives and performance	
Compliance			
GRI-103	Management approach.	Corporate governance; Appendix: About this report; Scope; Determining the material issues; Dialogue with stakeholders	
GRI 307-1	Amount of significant fines and total number of non-monetary sanctions for failure to comply with environmental laws and regulations.	Appendix: Facts and figures; Safety and expertise; 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.	Appendix: Facts and figures; Safety and expertise; Laws and regulations	
Customers Central			
GRI-103	Management approach.	Customers and grids; Appendix: About this report; Scope; Determining the material issues	
Enexis indicator	Customer Effort Scores.	Objectives and performance; Customers and grids; Provision of services to customers	

Category name/indicator	Name of the indicator	Reference	Not reported
Increasing the sustainability of the energy supply			
GRI-103	Management approach.	Sustainable operations: Appendix: About this report; Scope; Determining the material issues	
Enexis indicator	Presence at RES steering groups	Objectives and performance; Sustainable operations	
Innovation and digitisation			
GRI-103	Management approach.	Customers and grids; Appendix: About this report; Scope; Determining the material issues	
Enexis indicator	Number of stations equipped with distribution automation (Light).	Objectives and performance; Customers and grids; Investment in digital energy infrastructure	
Accessible energy supply			
GRI-103	Management approach.	Customers and grids; Appendix: About this report; Scope; Determining the material issues	
Enexis indicator	Investments in the grids.	Customers and grids; Growth of work package and development investments in the grids	
Reliability of energy supply			
GRI-103	Management approach.	Customers and grids; Appendix: About this report; Scope; Determining the material issues	
EU 28	The frequency of electricity outages.	Customers and grids; Appendix: Facts and figures; Customers and grids	
EU29	Average outage time.	Objectives and performance; 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.	About Enexis
Environmental matters		
Policy pursued and its results		Sustainable operations
Risks and their management	Regulatory constraints prevent Enexis from playing active role in the energy transition. Extensive and prolonged interruptions of the energy supply due to natural disasters, external causes or asset failures.	Corporate Governance; Risk management
Non-financial performance indicators	Reduction in CO_2 of leased cars and claimed mileage. Sustainable vehicle fleet. Amount of waste. CO_2 footprint.	Sustainable operations
Social and personnel matters		
Policy pursued and its results		Safety and expertise
Risks and their management	Accidents of employees and/or bystanders due to unsafe situations and/or asset failures. Failure to anticipate new developments in time due to insufficiently flexible organisation, processes and/or systems.	Corporate Governance; Risk management
Non-financial performance indicators	LTIF Enexis and LTIF Contractors Age category Inflow and outflow Labour participation Long-term employability Training and education Engagement and teamwork Absence due to illness	Safety and expertise

	Description	Reference
Respect for human rights		
Policy pursued and its results	Enexis is a signatory and supporter of the United Nations' Universal Declaration of Human Rights. Aspects relating to human rights, such as equal treatment and employee participation, are set out in the Collective Labour Agreement, company schemes and Code of Conduct for employees (updated in May 2019). Enexis has a complaints procedure, confidential counsellors and a whistleblower scheme to report any breaches. Enexis also abides by the guidelines for terms of employment and working conditions that constitute fundamental principles and employment rights as formulated by the International Labour Organisation. The Code of Conduct is publicly accessible via the website. Breaches will be reported.	Sustainable operations: Responsible consumption and production; Safety and expertise: HR policy
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 for human rights. Making our social performance measurable is something we regard as an important topic, on which we will focus our attention in the coming years.
Anti-corruption and bribery		
Policy pursued and its results	Enexis' policy to prevent corruption or bribery of employees is laid down in the Corporate Social Responsibility Purchasing policy, Code of Conduct for employees (updated in May 2019) and the Supplier Code of Conduct (part of the General Purchasing Conditions). For reporting any violations, there is a regulation 'Alleged abuses and irregularities', and confidential advisors have been appointed. Also, there is an internal integrity committee that discusses any integrity violations and ensures that we continue to work on the cultural anchoring of integrity.	Sustainable operations: Responsible consumption and production; Safety and expertise: HR policy
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 Authority for Consumers & Markets ensures fair competition between companies and protects consumer interests, regulates the tariffs of energy companies and oversees compliance with the Electricity Act 1998 and the Gas Act.

ANNUAL OUTAGE TIME (AOT)
Annual outage time as a result of unforeseen interruptions (outages). The average number of minutes (electricity) or seconds (gas) that the customer is without energy in a calendar year.

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

CSR
Corporate Social Responsibility. Sustainable approach to business aimed at minimising the negative operational impact on the environment and maximising the positive operational impact on society.

CUSTOMER EFFORT SCORE (CES)
The Customer Effort Score shows how much effort a customer needs to put into getting an issue resolved.

CUSTOMER SATISFACTION
The score that customers give for the performance of Enexis.

DUTCH DATA PROTECTION AUTHORITY (DDPA)
The Dutch Data Protection Authority is the independent regulator in the Netherlands that promotes and safeguards the protection of personal data.

ENERGY AGREEMENT
The agreement signed in September 2013 by forty parties, including the Dutch government, in order to make the energy supply more sustainable.

ENERGY CHAIN
Everything relating to the origin, production, transmission and end use of energy.

ENERGY FEED-IN
Process where a customer feeds self-generated (and usually renewable) energy into the energy grid.

ENERGY TRANSITION
Term referring to the ongoing efforts to switch the energy supply from centralised fossil generation to decentralised renewable generation.

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

GRI
Global Reporting Initiative. A global standard for annual sustainability reports.

GRID OPERATOR
An independent utility company appointed in a designated area to provide for the transmission of gas and electricity between supplier and customer and to construct and maintain grids for this purpose. The tasks of the grid operator are laid down in the Electricity Act 1998 and the Gas Act.

LTIF
Lost Time Injury Frequency. Indicator for employee safety during the performance of work expressed in the number of accidents resulting in absenteeism per 1 million hours worked.

REGIONAL ENERGY STRATEGY (RES)
The Regional Energy Strategy is a tool for making regional choices with societal involvement with regard to generating sustainable energy, the heat transition in the built environment and the required storage and energy infrastructure. The RES sets out the strategy that an RES region is adopting in order to set and achieve local/regional energy goals.

REGULATION
The development and alignment of laws and regulations for the activities of companies, such as grid operators and energy companies, and the government supervision of compliance with these laws and regulations.

RELIABILITY
The degree of reliability of the energy supply is expressed as the average duration and frequency of interruptions of the energy transmission to end users.

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

SMART METER
A meter for measuring electricity and/or gas consumption that can be read remotely by the grid operator and that makes consumption data available to the customer via a local access portal for further processing via their own peripheral equipment.

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

STAKEHOLDER
Party involved in or affected by the activities of Enexis. Enexis identifies the following stakeholders: customers, employees, shareholders, market and chain partners, investors, policymakers, special interest groups, local energy partners.

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

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, briefly put, interprets this in relation to its primary tasks as 'Endeavouring to make sensible use of energy sources and the environment.

FINANCIAL TERMINOLOGY

EBIT
Earnings Before Interest and Tax.

DEGENERATION EXPENSES
Expenses charged by municipalities for damage and inconvenience arising from work on the grid on municipal land. EBIT Earnings Before Interest and Tax.

FFO/NET INTEREST-BEARING LIABILITIES
This is calculated as follows: (operating income + depreciation – amortisations + dividend received from associates – financial expenses + financial income – taxes due and payable) / net interest-bearing liabilities.

FFO INTEREST COVERAGE RATIO
This is calculated as follows: (operating result + depreciation – amortisations + dividend received from associates + financial income – taxes due and payable) / paid interest expenses.

INVESTED CAPITAL
Fixed assets plus assets held for sale 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).

STANDARD COSTS
Internal price based on standard quantities and average standard costs.

RETURN ON EQUITY
Result after taxes divided by equity capital at year-end.

ROIC
EBIT divided by the invested capital at year-end.

SOLVENCY
Equity x 100% divided by the balance sheet total.

WORK PACKAGE
Gross investments and operational work on the electricity and gas grids plus activities relating to smart meters based on standard tariffs. From 2020 the work package contains no mark-up for general expenses.

X-FACTOR
The X-factor is used by the ACM to calculate the reduction applied to promote operational efficiency.

COLOPHON

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REACTIONS

We strive to improve our reporting every year. Input from critical readers is always welcome.
If you have any suggestions for improvement, send an email to communicatie@enexis.nl.

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