ANNUAL REPORT 2010

ENEXIS

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Reader's guide

As well as the customary information, this Annual Report contains five interviews presenting portraits of Enexis employees and external stakeholders. People who – perhaps without being aware of it – are linked together by Enexis. Literally, through our energy grid. Or for example by partnership in an innovative project. Each portrait contains a reference to the preceding or following person in the chain.
That's how Enexis makes links visible, in practice and in this Annual Report.

PUBLICATION DETAILS

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The Dutch printed version takes precedence.

FOREWORD

For Enexis, 2010 was the year in which the unbundling from Essent was completed. In addition, a number of sustainability initiatives received a major boost in 2010, for example the green gas infrastructure and the development of smart grids. We said farewell in 2010 to Herman Levelink, who had led Enexis for more than 25 years and before that Essent Netwerk. And we welcomed Han Fennema as new Chairman of the Management Board. The Management Board can look back at 2010 with appreciation. The reliability of the grids remained at a high level, and the financial results – although lower than 2009 because of tariff regulation – were better than expected. The net result after tax was EUR 193.7 million. Many new projects took shape in partnership with stakeholders such as provinces and municipalities, further underlining the social engagement of Enexis.

Enexis can look back on a good year.

After two years of intensive preparations, the final elements of the unbundling from Essent were completed in 2010. This was made possible by three major processes:

- SITIS, the migration of the essential Enexis information system from Essent/IBM to Enexis/Getronics;
- Knexis, the completion and commissioning of our own customer information system;
- SSC migration, the transfer to Enexis of the SSC activities with around 450 staff responsible for meter readings, billing and collection of transport costs.

Retirement of Herman Levelink

Herman Levelink stepped down on 1 September 2010 as Chairman of the Management Board. He made a major contribution to the development of Essent Netwerk, and later positioned Enexis as a reliable and future proof grid operator. As Chairman of the grid operators' members council, he was involved in the founding of the new market model and the cooperation between the grid operators. Examples are the development of the Central Connections Register and the position of the meter market within the sector. As a person and as a leader, Herman Levelink has had a great uniting influence on both Enexis and the sector as a whole.

Financial performance

Enexis achieved a profit of EUR 193.7 million in 2010. A key factor in 2010 was a big reduction in the regulated tariffs, which led to a decline in revenue of EUR 61.3 million. The policy of Enexis was focused on partly compensating for this lower revenue by cost savings, which resulted in a reduction of EUR 25 million in the cost level.

Customers

Supply reliability remains at a high level, and customer satisfaction is increasing structurally.

Supply reliability remained at a high level in 2010 thanks to our robust grids and condition based maintenance method. The annual duration of electricity supply interruptions increased slightly as a result of a number of major grid failures. We were able slightly increase the general customer satisfaction for the fifth year in succession, reaching a score of 7.6. And in 2010 customer tariffs were reduced as a result of regulation.

Safety

"We work safely or we don't work at all" is the guiding principle, both for our own people and for those of the contractors working for Enexis. This includes safety awareness and pointing out unsafe behaviour to each other. A great deal of attention was devoted to safety in 2010, as well as to the 'toolkit sessions' and workplace visits. Regrettably, despite all these efforts there was a fatal accident in West Brabant involving one of our contractors. This accident and a DART (Days Away, Restricted or Transferred) safety score at the same level as in the preceding year underline the need for an even more stringent safety policy and, more specifically, a willingness to point out any unsafe working practices to each other.

Sustainability and innovation

Enexis innovates with the aim of increasing the sustainability of energy distribution. There are three spearhead areas:

- Gaining understanding of energy consumption: the 'Energie in Beeld' (Energy in view) tool for municipalities was developed for this purpose in 2010;
- Sustainable, smart grids: a new smart grid pilot in the city of Breda was prepared, and there was also a pilot project for electric transport;
- Sustainable Enexis: Enexis is building sustainable regional offices, and is reporting for the first time on its social responsibility as an organisation under the Global Reporting Initiative (GRI) standards.

We are particularly proud of Han Slootweg, Innovation Manager at Enexis, who has accepted a (part-time) position as professor of smart grids at Eindhoven University of Technology (TU/e).

Partnership with stakeholders

Regarding sustainability, provincial and municipal authorities have their own wishes and goals to influence their own energy bills and those of their citizens. Enexis works together with them to facilitate these goals wherever possible – for example by means of electric transport in North Brabant, and by producing biogas and feeding it into the provincial gas grids in Overijssel and Friesland.

Enexis also exchanges information with provinces and municipalities to enable proper scheduling of grid reconstruction, replacements and maintenance. This is done in a way that creates synergy benefits, while at the same time causing minimum disturbance for customers. Through this approach the role of shareholder, one that is also held by many municipalities and provinces, gains a reciprocal character. Together we are able to play a significant role in fulfilling the ambition of Enexis to provide for reliable and affordable energy distribution, and in facilitating the transition to a sustainable energy supply.

Technical talent

In the coming years Enexis will be faced with a large (retirement-related) outflow of staff. This makes retention of knowledge and staff development vital considerations, together with the recruitment of technical talent from outside. Our own in-house recruitment centre is working on these aims. At the same time Enexis is training VMBO (pre-vocational secondary education) students as technicians in our two in-company technical schools.

Outlook

Enexis will continue working in 2011 on a reliable, affordable, sustainable and public-focused energy supply within its service area. In doing so Enexis strives to ensure that customers in one province have only a single grid operator to deal with, so that the community, customers and shareholders can all benefit from the resulting synergies. In this respect a provisional share purchase agreement for the acquisition of Intergas Energie B.V. located in Oosterhout, in the province of Brabant, was signed between both management boards in January 2011. This acquisition is in line with the sector structuring strategy followed by Enexis. There are high expectations of the small-scale roll-out of smart meters with a display which give customers information about their energy consumption, just as in the smart grid pilot in Breda referred to above. The profit for the year in 2011 is expected to be higher than 2010, because the tariff regulation system will allow the grid operators to charge slightly higher tariffs in 2011. The development of costs in the period 2008–2010 was less favourable than had been assumed in the tariff reductions over that period.

We are proud of the results that we have been able to achieve together in 2010, and we would like to thank all colleagues, provincial and municipal authorities and other stakeholders for their contribution.

Han Fennema
Chairman,
Management Board

René Oudejans
Member/CFO

“LEEUWARDEN ENERGY-NEUTRAL BY 2020.”

SUSTAINABILITY COUNCILLOR
MUNICIPALITY OF LEEUWARDEN

ISABELLE DIKS

REALISING AMBITIONS

Leeuwarden: capital of the province of Friesland and heart of the working area of Enexis technician Peter Grotenboer. In the city's monumental town hall, councillor Isabelle Diks is responsible for the municipality's sustainability policy. The ambition is to take a leading role, without losing contact with residents and businesses. Because it's only if everyone is involved that a sustainable future can become reality.

"In setting up the council we were the only municipality in the Netherlands to commit ourselves to being energy-neutral, in other words independent of fossil fuels, by 2020. As far as we're concerned that's not just an ideal, and it certainly isn't a question. I admit that there's still a lot to be done, but it's certainly possible and we're committed to achieving it. I'm not afraid to say that Leeuwarden is leading the way in sustainability", the councillor states clearly. The trump card that she's holding is biogas. "Here in the north we have a lot of cows", she says. "And the good thing about that is that the manure from one cow can meet the energy needs of five to seven households."

The Treaty of Leeuwarden has been signed by 33 businesses and authorities.

Not just government rules

But biogas alone won't be enough to meet the challenge Leeuwarden has set itself. The councillor believes that environmental awareness has long ago spread much further than trendsetters alone. "Now the general public are also getting involved. Which is a good thing, because that's the only way to get the sustainability message across to all levels of society. People and business really have to want to do it themselves; if government enforces it by rules there's no chance of success. We're still at the stage of motivating people and supporting initiatives, but things are starting to move."

And motivating people is something she knows how to do. She challenged the almost 11,000 residents of the Oranjewijk neighbourhood in a bet: if they achieved energy savings of ten per cent in a year, the municipality would provide one euro per resident for a sustainability initiative in the neighbourhood. The residents won the bet easily. "In fact, for a number of people the bet was what made them decide it was time to buy a solar panel or to install extra insulation", she recalls proudly.

Exchanging knowledge and inspiring each other

But Diks' efforts aren't limited to consumers. She's also trying to make agreements with businesses and social organisations, to get them to make a concrete contribution to the municipality's energy goals. Last year the city's Sustainability Day (11 November) led to the Treaty of Leeuwarden, which has now been signed by 33 businesses and authorities. "They're all joining our sustainability cause", she explains. "That means we're all learning from each other, exchanging knowledge and inspiring each other. Sometimes businesses tell me they'd like to see things moving faster. It's good to be ambitious, but it's also important to keep everyone involved. So that we stay together in our efforts for a sustainable society, while at the same time we remove the obstacles for businesses that want to move ahead faster."

"EVERY ONE OF US SHARES THE SAME INTERESTS AS FAR AS SUSTAINABILITY IS CONCERNED."

For the councillor, Enexis is a valued partner. "As local government, we also need companies like Enexis to enable us to achieve our target in 2020. If they invest in the installation of a smart grid, then we in the council want to support them in that. Not just for charging electric cars, but also because we want to help citizens and businesses to generate their own energy. And to save energy. It's good to see that Enexis is also taking its responsibilities in those areas. For example with 'Energy in view': a tool to give municipalities and citizens concrete information about their own energy consumption. And as a result to bring the opportunities to change their – in some cases wasteful – behaviour 'into view'. What's special about the development of sustainability is that every one of us shares the same interests", the councillor concludes. "In the economy one person's gain is quite often someone else's loss. But in sustainability there are no losers. We'll allbe winners when we're living in a cleaner world in the future."

"WE'VE REACHED A TURNING POINT."

READ THE PORTRAIT OF JORIS KNIGGE ON PAGE 32

REPORT OF THE SUPERVISORY BOARD

To the shareholders

In presenting the Annual Report, including the financial statements for 2010, as prepared by the Management Board of Enexis Holding N.V., the Supervisory Board expresses its appreciation, within the applicable regulatory framework, for the results and performance delivered over the past year.

The financial statements have been audited by Ernst & Young Accountants LLP. Please see page 109 for the unqualified auditor's report. The condensed version of the financial statements is included on pages 93 to 111 of this Annual Report.

Having read the findings of the Audit Committee, the Supervisory Board discussed the financial statements at length with the Management Board and the auditor in its plenary meeting of 28 March 2011. We endorse the proposal of the Management Board for the appropriation of profit.

We propose that you adopt the financial statements, including the proposal for the appropriation of profit, without amendment at the Annual General Meeting of shareholders to be held on 20 April 2011.

Composition of the Supervisory Board

There were no changes in the composition of the Supervisory Board in 2010. The Supervisory Board has the following members:

- D.D.P. Bosscher, Chairman
- J.A.M. Theeuwes, Vice-Chairman
- F.J.M. Houben
- W.M. van Ingen
- R. de Jong

Preparations were made in 2010, together with the Shareholder Committee and the Works Council, for the appointment at the General Meeting of Shareholders in April 2011 of a new supervisory director as successor to Mr. J.A.M. Theeuwes, who will resign in 2011.

For the profiles of the members of the Supervisory Board, please consult the personal details section of this Annual Report.

Meetings of the Supervisory Board

The Supervisory Board met seven times in 2010. None of the members was absent on a regular basis. The Management Board attended every meeting. Mr. J.P. Eydems, Director of Legal and General Affairs and Official Secretary, acted as secretary to the Supervisory Board.

Independence of Supervisory Directors

All members of the Supervisory Board were independent of Enexis, as defined in the Dutch Corporate Governance Code, throughout the year. In the opinion of the Supervisory Board, its composition is such that the members can operate independently of each other and of the Management Board.

Scope of supervision

A key factor during 2010 was the succession of the Chairman of the Management Board, Mr. H. Levelink, who left the board having reached the age of retirement. Mr. J.J. Fennema was appointed with effect from 1 September 2010 as Chairman of the Management Board. The duties of the Supervisory Board in 2010 primarily concerned the completion of the organisational changes resulting from the unbundling of Enexis in 2009, the formulation of the long-term strategy of Enexis, including the plans for sector structuring, and the progress of three important projects (the implementation of the Knexis customer information system, the migration of the Essent Shared Service Center and the SITIS ICT migration project) which were still related to the unbundling in mid-2009.

During the meetings and in its contacts with the Management Board, the Supervisory Board addressed the strategy of Enexis, the performance delivered and the plans for the upcoming periods, decisions subject to the approval of the Supervisory Board and all other relevant issues that were brought to its attention.

The financial results and the effectiveness of the risk management and control systems at Enexis were discussed extensively during the meetings of the Supervisory Board. In this process, the Audit Committee advised the full Supervisory Board on key issues.

Experts in different areas informed the Supervisory Board regularly of significant technical and regulatory developments. The issue of safety was addressed during every meeting. The Business Plan for 2011 was adopted in the meeting of 8 December 2010.

In the past year the Supervisory Board carried out a self-assessment with the aim of increasing its effectiveness and checking the integrity, the expertise and the independence of its members. This assessment also included the mutual relationships with the Management Board and the Works Council.

Committees

The Supervisory Board has two permanent committees: the Audit Committee and the Remuneration and Selection Committee.

Audit Committee

The duty of the Audit Committee is to oversee, and to advise the Management Board on, the internal risk management and control systems, financing and financial information provision. Other responsibilities of the Audit Committee include the periodic assessment of the performance of the external auditor and of the CFO and his organisation. The Audit Committee had the following members in 2010:

- J.A.M. Theeuwes - Chairman
- W.M. van Ingen
- R. de Jong

The Audit Committee met four times in 2010. The CFO attended all these meetings. Two meetings were held in the presence of the external auditor. The Audit Committee assessed and discussed all relevant financial issues that were submitted to the Supervisory Board, including reports from the internal auditor and the external auditor, the financial statements, and risk-related and financial reports. In addition, the Audit Committee discussed the audit plan of the external auditor and approved the internal audit plan for 2011.

Remuneration and Selection Committee

The principal duties of the Remuneration and Selection Committee are to define selection criteria and appointment procedures for members of the Supervisory Board and the Management Board, to perform periodic assessments of the performance of the individual members of the Supervisory Board and those of the Management Board, and to make proposals for the remuneration of individual members of the Management Board to be put before the General Meeting of Shareholders for adoption. The Remuneration and Selection Committee had the following members in 2010:

- D.D.P. Bosscher - Chairman
- F.J.M. Houben

The Remuneration and Selection Committee met five times in 2010 and consulted on a number of occasions with external advisors, candidate members of the Management Board and the Shareholder Committee. The main topics of consultation were the continuity in staffing of the Management Board and the existing and future remuneration policy for the Management Board and senior managers.

Word of appreciation

First of all the Supervisory Board wishes to underline the role played by the first Chairman of the Management Board of Enexis Holding N.V., Mr. H. Levelink. We would like to extend our warm thanks to him for the way in which he guided the process of transforming the former Essent Netwerk into the present Enexis organisation during recent years. Over that period the company has been able to grow into a respected and leading grid operator.

In addition, we would like to express our appreciation to the employees: we have positively experienced their professionalism and engagement of the organisation in the further development of the independent Enexis. We experienced the regular attendance at the consultation meetings between the Management Board and the Works Council as positive and valuable. The Supervisory Board expresses its appreciation for the work of all those concerned, and thanks the Management Board and all employees for their efforts in 2010.

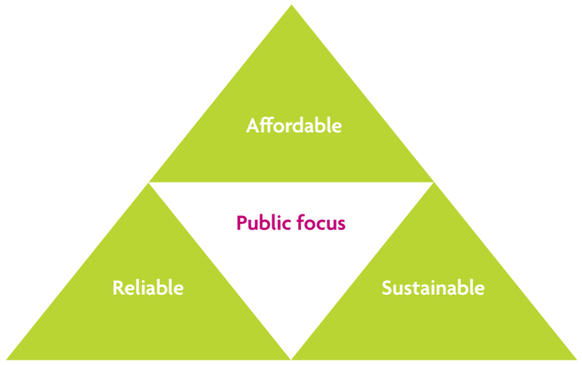
28 March 2011
D.D.P. Bosscher, Chairman

STRATEGIC TARGETS

Energy is an important basic provision. Consumers and businesses rightly take for granted that it is available at all times and in sufficient quantities. Enexis recognises that a reliable, sustainable, public-focused and affordable energy supply is of great social importance. This forms the basis for our activities. It is the principle from which our strategic goals are directly derived.

Enexis is ambitious, and intends to develop itself into the leading grid operator in the Netherlands. Enexis aims to encourage pride and ambition by achieving the best scores on the relevant points. Enexis also aims for its leadership to be recognised by others. It goes without saying that these ambitions have been translated into performance for the stakeholders of Enexis.

Strategic spearheads.



Points of departure

Enexis applies a carefully formulated vision as the point of departure for its actions, and has laid down how it intends to act in its mission statement.

The vision of Enexis

Society at large is becoming increasingly aware of its dependency on energy and the effects of the use of energy for the economy, quality of life and the climate. This means stakeholders and customers will be increasingly critical of the performance and behaviour of energy (distribution) partners and their ability to capitalise on technology developments and changing market conditions.

Mission statement

Enexis goes to great lengths in its efforts to ensure sustainable, reliable and affordable energy distribution.

Society at large

Enexis takes a leading role in facilitating the energy transition. It plays an active role in the public discussion of this subject, and supports that discussion by providing expert input. Enexis does this by promoting awareness of energy consumption, and by its active involvement in innovations focusing on the future role of grids. It is committed to maintaining the reliability and safety of the grids at the present high level.

Ensuring a reliable, sustainable, public focused and affordable energy supply has the highest priority.

Individual customers

Enexis offers its customers an affordable and reliable infrastructure with excellent service. Controlled development of tariffs ensures constant affordability. The target is an average customer satisfaction score of over 7.5.

Employees

Enexis offers conditions of employment at a competitive market level, and strives for optimal motivation and development opportunities for its employees. Enexis' aim is a position among the top 25 most attractive employers in the Netherlands.

Shareholders

Enexis provides a stable and reasonable return for its shareholders. Provincial and municipal authorities are actively involved in Enexis. The aim of Enexis is that our shareholders rate the reliability, sustainability and public focus of Enexis with a score of 8.

Financial base

A sound financial base is a prerequisite for achieving these ambitions. The strategy of Enexis focuses on maintaining the present ratings of A flat (S&P) and Aa3 (Moody's). These ratings are an indication of a sound financial position, and guarantee Enexis' ability to access the money and capital markets, enabling the financing of investments in the grid and in the organisation.

KEY FIGURES FINANCIAL

Amounts in millions of euros.

	2010	2009	2008	2007	2006
Results					
Revenue	1,204.2	1,358.1	1,341.9	1,699.0	1,597.9
Cost of sales	218.7	223.4	213.1	593.7	585.3
Gross profit	985.5	1,134.7	1,128.8	1,105.3	1,012.6
Other operating income[1]	11.4	14.4	9.6	3.1	3.2
Operating expenses exclusive of depreciation and impairments					
Depreciation and impairments[1]					
Operating profit	349.7	399.1	365.5	237.3	237.2
Share of profit of associates	4.9	9.2	6.6	3.1	4.5
EBIT	354.6	408.3	372.1	240.4	241.7
Financial income and expenses[1]	–93.8	–72.5	–175.7	32.6	26.6
Profit before tax	260.8	335.8	196.4	273.0	268.3
Profit for the year	193.7	263.1	147.5	203.8	183.0
Financial position					
Net working capital	–86.2	0.2	25.7	122.8	760.4
Non-current assets[1]	5,059.2	4,893.6	4,586.2	4,492.0	78.7
Capital employed[2]	4,974.2	4,894.5	4,927.1	4,930.8	839.1
Equity	2,963.9	2,849.1	2,236.0	1,512.0	823.0
Total assets[1]	5,911.5	5,677.0	5,580.6	5,733.0	3,922.7
Ratios					
Solvency[1]	50.1	50.19	40.07	26.37	20.98
ROIC	7.1	8.3	7.6	4.9	6.2
Return on equity	6.5	9.2	6.6	13.5	22.2
Cash flow					
Cash flow from operating activities[1]	629.1	615.9	486.1	120.3	–59.0
Cash flow from investing activities[1]	–412.1	–90.1	–298.1	–148.3	–19.4
Cash flow used in financing activities	–79.0	–335.6	–205.2	7.2	8.9
Total cash flows	138.0	190.2	–17.2	–20.8	–69.5

1. The comparable figures for 2009 were restated because of a change in the presentation of contributions to investments in grids and connections received from third parties. The restatement has no impact on equity or profit.
2. The definition has been changed in 2010. Formerly defined as the sum of equity and interest-bearing debt.

Definitions of financial ratios

EBIT	Operating profit plus share of profit of associates.
Capital employed[2]	Sum of Non-current assets, Net working capital and Assets held for sale.
Net working capital	Total current assets excluding cash and cash equivalents (2007 and 2006: also excluding bank current account) less current liabilities excluding interest-bearing debt.
Return on invested capital (ROIC)	Ratio of EBIT to capital employed.
Return on equity	Ratio of profit for the year to equity.
Solvency	Ratio of equity to total assets x 100%.

GENERAL

	2010	2009	2008	2007	2006
Length of grids (x 1,000 km)					
Electricity grid	132.3	131.0	128.6	124.3	142.3
Low voltage	88.8	88.0	86.3	82.6	
Medium voltage	43.5	42.9	42.2	41.6	
Intermediate voltage	0.1	0.1	0.1	0.1	
Gas grid	41.3	41.1	41.0	40.3	40.1
Low pressure	32.8	32.7	32.6	32.1	
High pressure	8.4	8.4	8.4	8.2	
Stations (x 1,000)					
Power stations	52.1	51.8	51.3	49.7	49.6
Gas stations	*24.1	24.3	24.2	24.2	23.9
Number of connections (x 1,000)					
Electricity	2,631	2,610	2,596	2,518	2,477
Gas	1,908	1,899	1,892	1,788	1,770
Transported volumes					
Electricity (GWh)	34,858	33,305	34,046	33,679	33,459
Gas (millions of m³)	6,959	6,003	6,109	5,564	5,891
Of which biogas[1]	8.0	7.5	7.3	7.7	7.1
Product quality					
Electricity outage time (in minutes)	25.1	20.0	21.8	24.2	24.5
High voltage	3.8	0.4	1.6	4.3	6.2
Medium voltage	15.2	14.6	15.5	15.2	14.1
Low voltage	6.2	5.0	4.7	4.7	4.2
Gas outage time (in minutes)					
Gas	0.7	0.4	0.7	0.9	0.4
Customer satisfaction					
Low-volume customers	7.9	7.7	7.6	-	-
High-volume customers	7.2	7.2	7.0	6.7	6.5
Overall	7.6	7.5	7.4	6.7	6.5

* From 2010 non-operational gas stations are not included in this figure.

The transported volumes of gas and electricity once again increased. The number of connections is increasing slightly.

The number of employees rose as a result of the migration of the Essent Shared Service Center to Enexis.

	2010	2009	2008	2007	2006
Employees					
Number of employees at year-end	4,061	3,791	3,511	3,536	3,477
Number of FTEs at year-end	3,718	3,490	3,246	3,264	3,214
Percentage of female employees	19.1	16.1	14.9	14.1	13.7
DART rate for Enexis employees*	0.55	0.55	0.55	-	-
DART rate for outside staff	1.05	1.74	1.19	-	-
Overall DART rate	0.68	0.88	0.74	0.77	0.78
Absenteeism (%)	3.9	4.4	4.3	4.2	4.2
Number of Learning & Development trainees	12,378	9,628	9,093	7,433	1,517
Employee satisfaction score	-	81	78	80	79
Waste (in tonnes)					
Recycled waste	6,163	4,135	5,713	9,487	7,303
Incinerated waste	1,362	1,409	1,171	1,190	1,354
Deposited waste	**308	95	173	119	107
Total	7,833	***5,640	7,058	10,796	8,767
Of which hazardous waste (%)	7.5	6	9	9	9
Car fleet					
Electric cars					
100% electric passenger cars	17	10	-	-	-
Other electric vehicles					
100% electric scooters	3	3	-	-	-

* The DART rate (Days Away, Restricted or Transferred) represents the number of accidents resulting in absence or restricted work for every 200,000 hours worked.

** The increase was primarily caused by asbestos-containing waste as a result of the replacement of a larger number of pipes made of asbestos cement.

*** The reduction in 2009 was caused by a lower number of executed projects as a result of the economic situation.

OUR GRIDS

Without reliable, robust and sustainable energy grids, Enexis would not be able to fulfil its tasks. That's why Enexis goes to great lengths to ensure that its grids are among the best in Europe. And that 2.6 million customers can count on safe and reliable distribution of gas and electricity.

Enexis manages its gas and electricity grids responsibly. In doing so we seek a balance between business goals such as reliability, affordability, public-focused and sustainability. In its 'KCDs' (Quality and Capacity Documents), Enexis describes the actions it takes to keep the capacity and quality of the grids at today's high levels in the future. We write a maintenance and investment programme for our energy grids annually using a Risk Based Asset Management (RBAM) system. In 2010 this RBAM was recertified in accordance with the 2008 PAS 55 standard. Lloyds noted no shortcomings during the audit process.
As a grid operator we are subject to frequent monitoring by the Dutch energy market regulator, the Office of Energy Regulation (part of the NMa, Netherlands Competition Authority) and SSM (State Supervision of Mines). Four KCD audits were held in 2010, although the findings of the supervisory bodies were not yet known at the date of this publication.

Enexis manages its gas and electricity grids based on four strategic principles: reliability, affordability, public focus and sustainability.

Reliable grids

The most important indicator for measuring the reliability of energy grids is their outage time. This is the average number of minutes/seconds per year per customer during which the energy supply is interrupted. With a figure of 25.1 minutes, Enexis' electricity grid scored a higher reliability than the national average of 33.7 minutes in 2010. The gas networks scored an outage time of 44 seconds per connection in 2010, which was less good than the national average of 29 seconds. This difference is due to normal annual fluctuations.

Major electricity outages

Despite all control measures, the Enexis grids suffered a number of major electricity outages during 2010.

- The biggest outage affected 183 large business customers and 27,954 small business and domestic customers, when a high-voltage transformer failed in Aarle-Rixtel on 14 September. Normal supplies were restored in less than four hours.
- In Maasbracht 10,770 customers were without electricity on 19 May, 7,277 of them for longer than four hours, when a high-voltage transformer switched off automatically as a result of an accident.
- In 's-Hertogenbosch several medium-voltage cables were damaged on 2 November during the building of retaining walls for the diversion of the Zuid-Willemsvaart canal. As a result, electricity supplies to 9,818 customers were interrupted.

Annual outage time per electricity connection as a result of HV (excluding TenneT), MV and LV failures (in minutes per connection).

Safe gas grids

Enexis has used a 'VIG' (Gas Grid Safety Indicator) as a performance indicator for the safety of the gas grid since 2007. The VIG gives an indication of the quality of the gas grids by linking identified leaks in the gas grids and the (small) chance of such leaks causing explosions. The average number of gas leaks with a potential for explosion within our service area has been declining annually since 2006, and this was again the case in 2010.

The safety indicator is a dimensionless number representing the safety of our gas grids. The indicator is based on the weighted number of leaks per year, expressed in relative terms on the basis of the numbers of connections and grid length. Leaks are weighted by statistically linking the number of leaks and the seriousness of incidents that can result from each type of leak. The lower the figure, the higher the safety of the grid.

The Enexis grids are among the most reliable in Europe.

Damage prevention

Enexis' gas and electricity grids include a large amount of underground infrastructure which is potentially subject to damage, for example during excavation works. To minimise the chance of this happening, Enexis provides information about the location of its cables and pipelines to the Kadaster (Dutch Land Registry Office) and to other parties involved in excavation works. Since the introduction of the WION (information exchange on underground networks) act, all excavation works must be notified to the Kadaster. This has resulted in a significant increase in the annual number of such notifications. These reached 150,000 in 2010, an increase of 25%. The number of cases of damage resulting from excavations by Enexis declined slightly in 2010, but these are still much too high according to the standards used by Enexis.

Emergency plan

Failures and leaks can lead to dangerous situations, potentially causing economic or social damage for customers and the surrounding area. Enexis has a robust emergency plan to address these possible dangers. Close contacts are maintained with emergency services, ensuring that this plan works in crisis situations and that everyone is prepared. Eight emergency exercises and four training meetings were held in 2010, in partnership with the regional safety and security authorities in the Netherlands. In addition, a large emergency exercise was held involving the large-scale use of emergency energy-generating sets to deal with extensive outages.

GRID INVESTMENTS

Businesses and private individuals are increasingly generating energy at local (decentralised) level. For example by means of wind turbines, cogeneration (combined heat and power or CHP), solar panels or HRe (micro-CHP) boilers. This increasing sustainability of energy supply means the grid has to be made suitable for two-way energy flows. Enexis is making substantial investments in upgrading, and is keeping the grid in good condition by proper maintenance.

Enexis follows an anticyclic investment policy. This means that we increase our investments in grid replacement at times of weak customer demand caused by an economic downturn. As the economy improves, we focus manpower and other resources on new connections and grid expansion. Investments for customers were below the planned level in 2010, which is why it was decided to increase investment in replacements by 10% during that year. This had a positive effect on maintaining the level of the available workforce at Enexis, as well as at contractors and suppliers.

Decentral energy generation

Enexis carried out a number of large-scale grid expansion projects in 2010 to meet the demand for more transport capacity resulting from a number of current projects. Additional room for future growth in decentral electricity generation was created by the building of a number of new high-voltage stations near to horticultural areas in Luttelgeest (Noordoostpolder), Klazienaveen (Drenthe), IJsselmuiden (Overijssel) and Californië (North Limburg).

Decentral energy generation demands smart grids that allow two-way energy flows.

Replacement of the SCADA system

For the benefit of efficient, reliable and affordable grid management, Enexis is adding intelligent control by means of a Distribution Management System (DMS) based on SCADA software. All the necessary preparations were made in 2010 for the roll-out in 2011 of the new SCADA/DMS system for the medium-voltage grids in the northern and southern service areas.

	2010	2009	2008	2007	2006
	Gross investment	Gross investment	Gross investment	Gross investment	Gross investment
Electricity					
Standard connections	31.0	36.9	45.5	43.2	40.5
Customised connections	20.9	24.7	34.3	33.7	29.3
Grid expansions	140.8	133.9	115.2	88.0	55.8
Reconstructions	23.4	23.7	26.1	22.2	20.8
Replacements	22.9	15.4	25.6	26.0	24.2
Other	7.9	5.0	24.6	2.4	3.0
Total electricity	246.9	239.6	271.2	215.6	173.5
Gas					
Standard connections	9.9	12.8	16.2	16.0	11.3
Customised connections	2.4	2.7	2.7	2.5	2.0
Grid expansions	12.2	14.4	19.0	16.7	11.2
Reconstructions	14.5	14.8	16.8	13.9	10.0
Replacements	58.1	33.9	43.7	49.5	26.1
Other	1.5	1.5	1.5	0.4	1.4
Total gas	98.6	80.1	99.8	99.0	62.0
Total gas and electricity	345.5	319.7	371.0	314.6	235.5

Investment in the grids (amounts in millions of euros).

Enexis is investing a gross amount of 345 million euro in grid replacement and expansion.

Investments in the grids can be divided into customer-focused investments and those initiated by Enexis itself. Customer-focused investments include, among others, new customer connections and the associated grid extensions. Investments initiated by Enexis itself are primarily for the replacement of (parts of) its grids and other grid expansion.

Long-term replacement plans

Enexis is working closely together with municipal authorities and other grid operators to develop long-term replacement plans. The long-term aim is to maintain a high quality infrastructure with minimal costs and minimal inconvenience to the public. Two aspects are particularly important in this respect:
First of all: cost-efficiency can be improved and public inconvenience reduced by combining the replacement of energy, water and telecom infrastructure with replacements or renovations by road and sewerage managers.
Secondly: sharing knowledge and information about the ageing and failure of components allows grid operators to develop optimised long-term replacement strategies. A project was started in 2010 in partnership with all the Dutch grid operators to develop a simulation model for long-term effects of component ageing on the reliability and safety of the grids. The results of this project will be known in 2011.

Both these forms of partnership will be continued in 2011.

Benefits of combining knowledge

Considerable efforts were made in 2010 within Enexis, but also in partnership with other grid operators, on combining and exchanging knowledge. For example a great deal of information about the failure behaviour of components was gathered in equipment dossiers. These serve as the basis for defining both tactical and strategic policy on maintenance and replacement. To learn from emergencies and prevent repetitions, the nine electricity and gas grid operators in the Netherlands, united in the Netbeheer Nederland industry association, are studying these incidents. In some cases this is being done together with knowledge centres such as KIWA and KEMA. The voltage quality throughout the Netherlands is being measured against the applicable standards together with KEMA as part of a nationwide project. The ability to combine all the available knowledge is constantly being improved, thereby helping to ensure that the quality, safety and affordability of the grids are maintained at today's high level into the future.

INNOVATION

At Enexis, we work constantly on improving and upgrading our energy grids and on the technology we use in our operations. Enexis is preparing for the energy supply of the future, and for its role as grid operator in providing them, through innovative projects.

Innovation at Enexis always has to be aligned with Enexis' role as grid operator and its overall position in the energy sector. If projects become broader than the scope of Enexis, we seek partners such as commercial energy providers, suppliers, builders, agricultural parties and government. Innovations arise from the major strategic challenges for Enexis:

- Energy transition and increasing levels of sustainability;
- Monitoring the condition of assets: developing new methods and tools to deal as effectively as possible with the ageing of the grids;
- Improving working productivity to save costs and compensate for the shortage of technical staff.

Energy transition and increasing sustainability

Enexis is working hard on developing the Mobile Smart Grid for electric vehicles. The aim is to use the grid so efficiently that as many electric cars as possible can be recharged with minimal grid expansion or modification. Enexis intends to increase its knowledge of spreading the load on the electricity grid and matching electricity supply and demand more efficiently. A successful pilot was carried out in 2010 on communication between charging stations, the cars to be recharged and a smartphone. Information is gathered through the e-laad.nl foundation, in which Enexis participates together with other grid operators, about the recharging behaviour of electric car drivers and the impact of electric transport on the power grid. Electric transport has the potential for substantial growth with sufficiently large numbers of charging stations together with a smart energy distribution system.

Local use of decentrally generated energy minimises transport losses. In the longer term it also reduces the required investments in grid expansion and generating capacity. Based on this idea, Enexis tested in 2010 as part of the Smart Wash project how consumers can run as many of their domestic appliances as possible on their own solar energy. The project was so innovative that the required technology (user interface, remote-controllable washing machine) had to be specially developed together with partners possessing expertise in this field.

Pilot projects in smart grid applications were carried out successfully.

Further developing the Smart Wash concept, other pilots are planned with smart grids offering more functionality, such as dynamically variable energy prices. The concept for these pilots was developed in 2010, and partnerships have been entered into with a commercial energy provider and a project developer. Implementation of the concept is planned in 2011.

Enexis continued in 2010 with feeding green gas into its grid. The green gas was produced in the Vagron fermentation plant operated by Attero in Groningen. Enexis intends to do the same with biogas from the BioNOF (North-East Friesland biogas) pipeline, into which farmers can feed their fermentation gas. Enexis is one of the parties that will work together in building the BioNOF pipeline in 2011, subject to the necessary government subsidy. There is excellent cooperation in this project with local and regional government authorities.

Monitoring the condition of assets

A significant part of the Enexis assets is located underground. This means that monitoring their condition is not always easy. Together with other grid operators, Enexis is designing and developing techniques to measure the condition and the remaining useful life of the assets as efficiently and accurately as possible. One area of development is a technology to allow the condition of an underground electricity cable to be determined without the need to disconnect the electricity supply. Enexis is working together in this Smart Cable Guard project with Alliander, KEMA and Locamation (see Partnerships section).

Together with GnoSys UK, Enexis has developed a method to measure the length of the molecules in plastic components without the need for removal or dismantling of the components. The molecule length is an indicator for the ageing of the material, and with it the loss of elasticity. Up to now the components had to be dismantled and tested in a laboratory, after which they were no longer usable. Now they are only replaced when really necessary.

Improving (working) productivity

Ageing infrastructure and replacement as a result of the energy transition are creating an ever-increasing workload for Enexis staff. At the same time technically skilled people are becoming scarcer, both in our own workforce and on the employment market. In addition to extra recruitment efforts, this means that Enexis has to invest in productivity-increasing techniques and components. Enexis is working on this together with suppliers.

Doing the same work with fewer people, because of the increasingly difficult employment market.

One example is the replacement of gas pipes without the need for excavation along the entire pipeline. Despite some initial problems, the technical feasibility of this method has been proven. The financial viability is also positive and – possibly most important of all – productivity has been improved because the work can be carried out with fewer people. The method will be further tested and developed in 2011, in anticipation of its expected implementation in 2012.

LED technology in public lighting

In partnership with Enexis and Ziut (a joint venture with Alliander), municipalities can make significant savings on their energy costs by using LED technology together with dimming in public lighting. The introduction of dimming and LED technology places different demands on the underground lighting grid. Large-scale dimming of street lighting can lead to unfavourable current distributions, and as a result higher losses in the grid. Switching-on LED or other new types of lamps can cause problems through the required peak currents, which can endanger the overall power supply. Because these new technologies are being used on an ever-increasing scale, Enexis is working hard to ensure that the switch to energy-saving public lighting can be made without technical problems. This requires good coordination between municipalities, other involved parties and Enexis, and will help to ensure an integrated solution to the problems referred to above.

“WE’VE REACHED A TURNING POINT.”

ENEXIS INNOVATOR

JORIS KNIGGE

TAKING NEW DIRECTIONS

Joris Knigge is the man behind the innovations at Enexis. He does that in a way that fits the company: with both feet on the ground. “I don’t have a crystal ball”, he says. His job is to keep a close eye on the technical developments in the energy field, and to look for ways to apply them in concrete applications. Preferably together with other parties.

“We’ve reached a turning point”, says innovator Joris Knigge. “It’s time to put away the polished Powerpoint presentations. We now have to show that the decentralised energy generation model can really work. Demand for energy is continuing to rise worldwide, and fossil fuel supplies are becoming exhausted. That calls for new ways of generating and using energy. The grid has a crucial role to play in that.”

Smart energy grid

A smart energy grid demands big investments, but it also offers a lot of opportunities.

That’s exactly why it’s very important for Enexis to make the most realistic possible estimates of the future energy landscape. “The cables that we’re now laying underground have a lifetime of around 50 years”, says Knigge. “That means the decisions we’re taking now will still have an impact in 2050. Our role as a grid operator will then still be the same; we have to make sure we deliver the right amount of energy to the right place at the right time. But the conditions under which we do that will be a lot more complex.” People will increasingly generate their own energy in and around their homes and businesses. And that places new demands on the grid. “Every energy consumer will also be an energy producer”, Knigge explains. “That means the energy must be able to flow in both directions. And that’s not all: we also have to be able to record and account for all those movements. So that in the future you won’t just pay for the electricity you’ve used, but you’ll also receive money for the energy that you’ve generated. For example with solar panels or a wind turbine.” A smart energy grid like that demands big investments, but it also offers a lot of opportunities for cost efficient use of energy. Joris Knigge gives an impression of a home in the near future. “With the new energy grid, the smart meter and smart appliances, we’ll all be using energy in the future at the most favourable time. For example you’ll be able to set the washing machine to do the washing when demand for energy is at its lowest, which of course also means the lowest price. Or at the time when, according to the weather forecast, your solar panels will be producing the most energy.”

Pioneering horticulturalists

Just future dreams? Knigge smiles. The future is closer than we think. “Right now Enexis is working together with the project developer Heja and energy supplier Greenchoice on a pilot project in Breda in which we’re already planning to use that smart washing machine in practice. In this project we want to find out the impact appliances like that have on the way people use energy. Not just in technical terms, but also in terms of consumers’ attitudes. Because what’s really the strongest motivation to use energy in this new, smart way? Is it purely financial? Or could it be sustainability? That’s what we want to find out with this pilot.”

“IN THE FUTURE WE’LL BE USING ENERGY AT THE MOST FAVOURABLE TIME.”

The future energy landscape will influence not only every home, but also the entire energy-supply system. “If in the future we have millions of places where energy is generated, then the world will literally look different”, says Knigge. “Large numbers of horticulturalists, for example, are already producing their own energy. They are real pioneers. Just image that there’s a big failure in the electricity supply – then with a smart energy grid we’ll be able the use the excess electricity from horticulturalists to reduce the problems for everyone caused by the failure at regional level.”
In his search for what the future will bring, Knigge is also trying to get managers and policy-makers involved. Which is why, as well as working on concrete projects, he also spends a lot of time on sharing his vision at seminars and other meetings. For example the VNG (Association of Netherlands Municipalities) congress, at which he recently met the Leeuwarden councillor Isabelle Diks. ”She and her colleagues around the country are working on sustainability in its broadest sense”, he says. “The energy transition is a vital part of that. Enexis intends to contribute to that with all its knowledge and efforts.”

“OUR HOME WILL BE OUR OWN FILLING STATION.”

READ THE PORTRAIT OF TEUN VERCAUTEREN ON PAGE 52

SUSTAINABILITY

If you aim for sustainability among your customers and in the community at large, you have to apply the same principles yourself. That's why Enexis is constantly working to improve the sustainability of its own operations. For example by using both energy (gas and light) and other materials (such as paper) responsibly, by asking suppliers to do the same, by eliminating all leaks and losses in operations, by keeping our own waste streams manageable, and by reducing the amount of travel by employees.

A sustainable fleet

Mobility is essential for a grid operator. Work has to be carried out at remote locations, and in most cases tools and equipment also have to be transported. Enexis has deliberately opted to use more economical vehicles. New tenders for the commercial vehicle fleet were requested in 2010, and the Renault brand was chosen. The new vehicles use an average of 10% less fuel, resulting in lower CO_2 emissions. Next to these economical vehicles, Enexis also used three electric scooters and 16 electric cars (Volkswagen Golf) in 2010, as well as one car using green gas as fuel. The fleet also includes an electric Lotus Elise to promote electric mobility. The ambition for 2011 is to add a further 23 electric cars and 50 cars using green gas/natural gas. This is a significant step in a total leased fleet of 750 cars and 1,150 commercial vehicles. In addition, Enexis intends to purchase future leased vehicles with ex-factory preparations for electric operation to save on conversion costs.

Enexis received the Dutch Sourcing Award 2010 for sustainable purchasing.

Sustainable purchasing

Enexis not only intends to operate sustainably itself, but also expects its partners and suppliers to do the same. All suppliers involved in tenders therefore have to sign a Supplier Code of Conduct, which sets out the requirements they have to meet in areas such as working conditions, environmental impact and human rights. In putting the procurement policy into practice, increasing use is made of multifunctional teams that include representatives of the commissioning parties, users and the logistics and purchasing departments. For each tender process this team defines the specific sustainability requirements for aspects such as products, processes and waste disposal.

Enexis increasingly entered into purchasing partnerships with other grid operators in 2010. They too are faced with expiring contracts and more stringent sustainability requirements in new agreements. The Dutch Sourcing Award was won in 2010 as a result of the intensive partnerships with Alliander, Stedin/Joulz and Delta Netwerkbedrijf. The fact that the combined grid operators focused not only on cost savings but particularly on sustainability aspects (CO_2 emissions) was responsible for winning this award.

To reduce emissions inside the company's buildings, a start was made in 2010 on two energy-neutral buildings to replace existing offices. The effects of these new developments will become visible in 2012. In addition constant investments are made in the efficiency of systems and equipment in the existing buildings, by means of both operational improvements and replacements.

Enexis has started the building of energy-neutral premises in Venlo and Maastricht.

Material use and re-use

Enexis uses materials and components responsibly and efficiently. The same applies to unused auxiliary materials so that these can be used in subsequent projects.
Particular attention is paid in purchasing to packaging sizes. The quantities of unused materials are minimised by careful purchasing and increasing the range of available packaging sizes. Environmental impact is taken into account in the purchasing of new materials. Tools that no longer meet quality criteria are donated to a foundation that fixes them and sends them to projects in developing countries.

Enexis disposes of the remaining wastes in the most responsible possible way. The key figures on page 22 include a table showing the development of the total waste stream from 2006 to 2010. These streams are quantified in detail together with the waste-processing company, creating opportunities to control them.

Reducing grid losses and increasing sustainability

Some energy is always lost when gas and electricity are transported. For electricity this is particularly the case in cables and transformers, simply as a result of the laws of physics. There are also administrative grid losses that can be caused by fraud or metering errors. It goes without saying that Enexis investigates how and where losses arise, and what can be done to reduce or prevent them.
Enexis has purchased 'green certificates' to compensate for the CO_2 emissions corresponding to the total grid losses. These certificates represent specific amounts of green energy; in the case of the Enexis certificates this energy comes from Scandinavian hydroelectric power stations.

CO_2 FOOTPRINT

The footprint that indicates the amount and diversity of the CO_2 emissions enables Enexis to focus specifically on reducing these emissions and on working to meet sustainability targets.
The majority of Enexis' CO_2 emissions are caused by grid losses and mobility. The emissions in both these categories were compensated in 2010 by the purchase of Green and Gold Label Certificates.

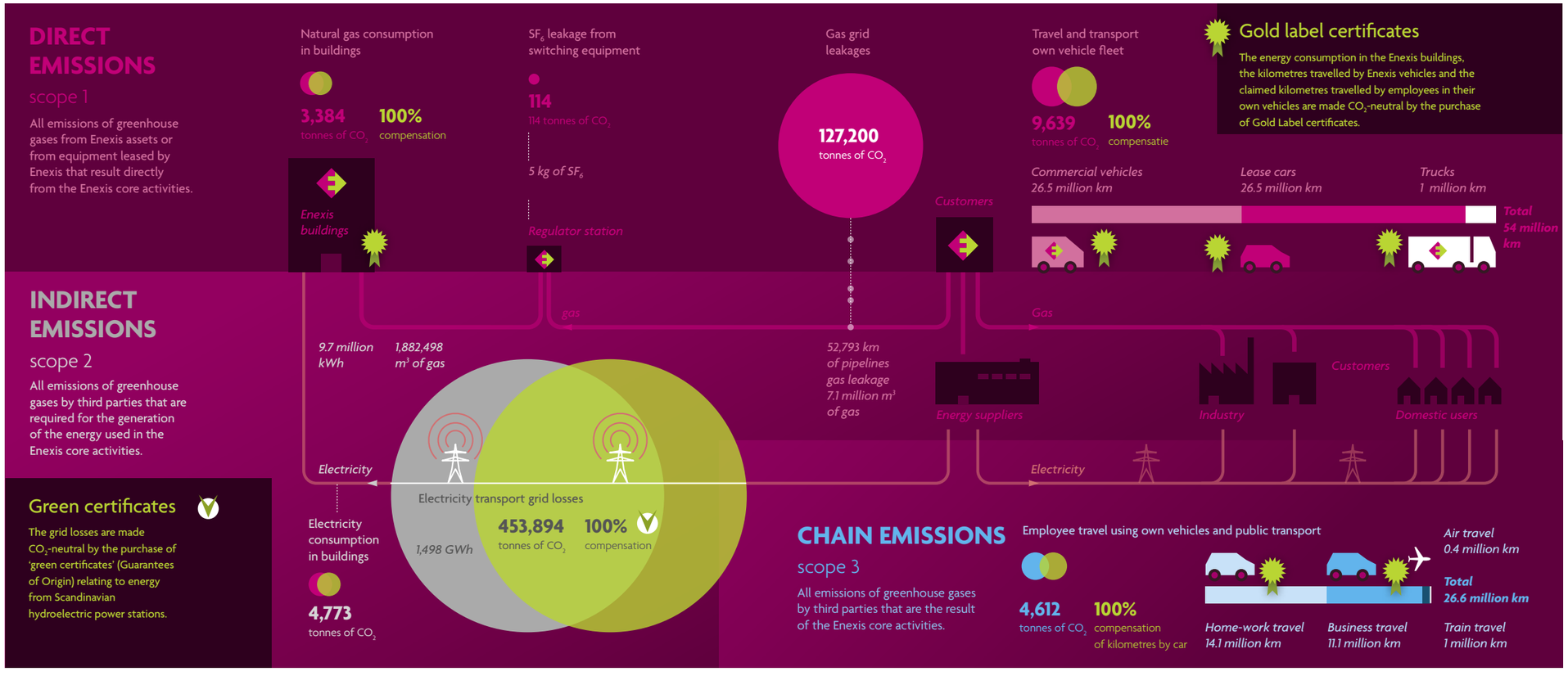
A number of initiatives have been taken to reduce the Enexis CO_2 emissions as far as possible. For example in the tender process for new commercial vehicles, the model that was chosen is 10% more economical, and the leasing policy now includes a restriction relating to vehicle energy labels.

Drivers of commercial vehicles and leased cars have followed compulsory (refresher) training in driving skills, with a strong emphasis on energy-saving 'new driving' techniques. In addition, more than 400 employees now have access to video conferencing facilities using their own computers.
CO_2 emissions caused by grid losses are directly related to the amount of energy transported. Although there is little that can be done to influence the amount of the grid losses, efforts are still being made to reduce them by taking them into account in the selection of grid components.

A start was made in 2010 on the building of two new energy-neutral offices to replace the existing premises. Constant investments are made in the efficiency of the systems and equipment in the existing offices, by means of both operational improvements and replacements.

Structure of the model
This model, based on the Greenhouse Gas Protocol, is divided into three categories: direct emissions, indirect emissions and chain emissions.

The model clearly shows the amount and diversity of the CO_2 emissions for each category (scope), as well as whether and how they are compensated.



Totals in tonnes CO_2 equivalent

Direct emissions
140,530

Indirect emissions
458,666

Chain emissions
5,384

Total
604,580

Compensated
79%

ECOFYS

Ecofys has assessed the footprint of Enexis with a positive result;
see page 115.

* Enexis uses no water in its processes, although water is used in the buildings. A total of 22,899 m^3 of water was used in the buildings in 2010. This was discharged into the sewerage system.

The above footprint relates to the annual emissions resulting from the activities of Enexis B.V., Enexis Meetbedrijf and Enexis IP.
In drawing up this footprint use was made of the Greenhouse Gas Protocol Corporate Standard defined by the World Resources Institute.

SAFETY FIRST

Enexis puts safety high on its list of priorities. Customers, employees and contractors must all be able to count on Enexis making maximum efforts to ensure safe and responsible working conditions. Safe working starts with awareness of the risks in your environment. A range of measures are taken to maximise safety. But unfortunately that doesn't mean nothing ever goes wrong.

A strong statement made in 2009 underlined the way Enexis approaches safety: "We work safely or we don't work at all." This statement led to a number of measures and initiatives in the areas of health, safety, welfare and the environment. In 2010 Enexis continued its safety efforts undiminished. Sadly these were still unable to prevent an accident on 17 November in which a technician working for an Enexis subcontractor lost his life. Our sympathies are with his relatives. In addition, an employee of a contractor was seriously injured on 19 May by coming into contact with a medium-voltage conductor. Enexis deeply regrets these incidents.

Despite both these accidents, there were some significant achievements in 2010 in relation to health and safety. Enexis employees and contractors made great efforts to reach the highest possible level of working safety and to minimise the number of incidents. To recognise these efforts and to share good practices, Enexis presented the annual Herman Levelink HSE Award and the Contractor Safety Award in December. The first of these went to the mobile working container – an invention by Transport Noord employees that allows switches in medium-voltage areas to be maintained safely, in compliance with ARBO (Occupational Health & Safety) legislation, and sustainably. The Contractor Safety Award went to BAM Infratechniek Zuid for their good performance in the HSE area, not only in terms of figures but also in their culture, approach and policy.

Responsibility

All employees are themselves responsible for working safely. Everyone from technician to manager must at all times be aware of potential risks: to himself, to others and to the environment. Employees are issued with protective working clothing and appropriate equipment. Preventive safety checks are carried out at working locations, and safety awareness is emphasised during training. Enexis strives for a culture in which employees point out unsafe behaviour to each other. The right leadership is an important factor in this: managers and supervisors are expected to set the example. The Management Board of Enexis has final responsibility for safety policy: for the plans and systems, the training courses, the equipment, the communication and the instruction.

Safe together

Workplace safety is investigated before each task, to increase safety awareness and promote safe working. Checks of this kind are called 'pre-job' and 'start work meetings'.
Enexis employees point out safety-related behaviour to each other and to the partners with whom they work. If that leads to intense discussions, also with contractors, then that's no problem. A contractor's work was actually stopped because of unsafe conditions during the first half of the year.

Enexis is constantly in dialogue with its contractors about safety.

Safety has an important role to play in every job. In discussions with contractors Enexis clearly states in advance what its expectations are, what the rules are and what the contractor's own responsibilities are. Regular contact is maintained as the work progresses, and improvement points are identified and followed-up. The focus on safety was further intensified in 2010 by meetings with contractors in March and November and by joint site visits.

At national level the safety instructions for working on and near to electrical and gas installations (BEI and VIAG safety standards) were harmonised. Contractors and grid operators in the Netherlands will all follow the same instructions in 2011, also including Enexis. In addition, a national 'ARBO catalogue' has been developed. This contains the Occupational Health & Safety agreements about the way in which contractors are expected to deal with matters such as contaminated ground, asbestos and working in enclosed areas.

"WE WORK SAFELY OR WE DON'T WORK AT ALL."

Cable and pipe selection

A specific attention point is the number of accidents and incidents in 2010 arising from the selection of cables and pipes. Where several cables are located next to each other, the one that is disconnected from the supply must first be identified so that it can be worked on safely. Errors can sometimes made in this process, causing work to be started on live cables. This has occurred despite a special toolbox and an extensive campaign. Three aspects were therefore agreed in April: incorporating fixed discussion points in the working process, checking of working methods by team managers and sanctions where necessary.

Safe driving

Employees with a leased car or commercial vehicle followed a defensive driving training course in 2010. Enexis encourages employees to hold 'smart meetings' using teleconferencing and video conferencing. This reduces the number of kilometres driven on business, which in turn leads to higher safety, lower fuel consumption and as a result a reduced environmental impact (lower CO_2 emissions).

Health and welfare

Although employees' health is in the first instance their own responsibility, Enexis intends to contribute in a number of ways to a healthy lifestyle. For example all smoking areas were moved outdoors in 2010 to further discourage smoking during working hours. A start was also made in 2010 on preventive medical examinations for employees on a voluntary basis. The resulting data provides Enexis with information about the health and fitness of employees, and can also be used to give individual advice on a healthier lifestyle or activity and sport.

HSE results DART scores accidents in 2010.

	2010	2009	2008
Fatal accidents	1	0	0
DART score Enexis	*0.55	0.55	0.55
DART score outside staff	1.05	1.74	1.19
Workplace visits (internal)	129%	112%	133%
Incident reports (internal)	864	817	1,213
Monthly reports	92%	92%	100%
Evacuation exercises	96%	94%	-

Enexis uses a single accident recording system to determine the DART score (Days Away, Restricted or Transferred). The DART score is a measure of the number of incidents resulting in absence or restricted work for every 200,000 hours worked.

* The fatal accident on 17 November 2010 related to a subcontractor.
The system and definition of the DART score do not allow a fatal accident to be expressed (there is no formal absence).

CUSTOMERS AND MARKETS

Enexis wants customers to experience it as a reliable, engaged and accessible energy provider. We work constantly to increase customer satisfaction with a stable, smart grid and by providing support and advice on sustainable use of energy. A number of initiatives in these areas were taken in 2010 and processes were improved.

Enexis started to carry out meter readings itself from August. Since that month Enexis has also handled billing and collection of the transport costs for part of the customer base. Additionally, we now also ourselves handle the customer contacts arising out of those changes. This was formerly done by Essent acting on behalf of Enexis. Now we are ourselves responsible for the total service process, which gives us the ability to manage on our own priorities relating to the customer experience and customer satisfaction. To enable this process we have implemented a new customer information system, called Knexis, for consumers and small business users. This system is designed specifically to handle grid management tasks and to enable Enexis to provide higher levels of customer service and support.

A new customer information system allows Enexis to further improve its customer service.

Even without this system, there is scope for further improvements. A significant improvement was achieved in the relocation process for large business customers by incorporating telephone contact a few weeks in advance of the actual relocation. This is used to remind customers of matters that they need to arrange with Enexis, and what information Enexis needs relating to their relocation. This service is greatly appreciated by large business customers. As a result, we intend to take further initiatives in 2011 to include (positive) surprises in most of our customer processes.

Customer satisfaction is increasing structurally.

Additionally, many process initiatives were taken, for example relating to handling of complaints and claims from consumers and small business customers. A slight positive trend is visible, and this is expected to continue in the coming year. Activities initiated in 2010 that will be continued in 2011 include improvement of the content of letters, bringing telephone contact more in line with the needs of the customer, and advising on possible preventive measures in case of failures. Late billing of travel costs was found to be a frequent cause of complaints, and improvements were also made in this respect.

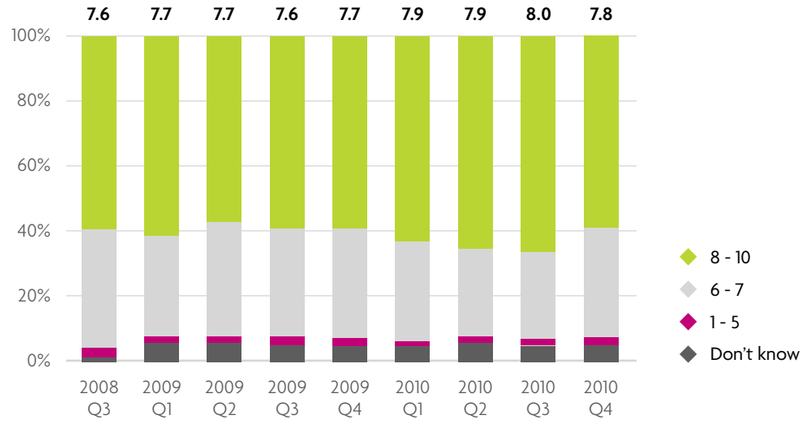
Smart meters

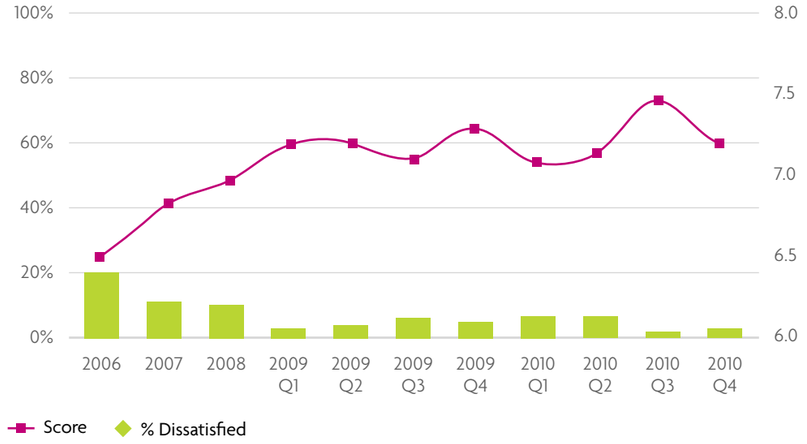
Enexis is glad to contribute with smart meters to increasing awareness of energy usage and opportunities for energy saving. Smart meters collect data about the electricity usage of households, allowing advice to be given on energy savings and – in the somewhat longer term – intelligent control of electricity supply. Now that the Dutch Senate has passed the legislation, Enexis intends to start as soon as possible with the installation of smart meters in new buildings and renovation projects.

Customer satisfaction

Enexis measures customer satisfaction by determining the 'average score for our overall service level'. The average customer satisfaction score for consumers and small business customers in 2010, the first full Enexis year, was 7.9 compared with 7.7 in 2009. This represents a structural increase relative to the preceding year. Enexis regularly measures customer satisfaction at process level, and makes constant efforts for further improvement.

Average score for overall service level by consumers and small business customers.



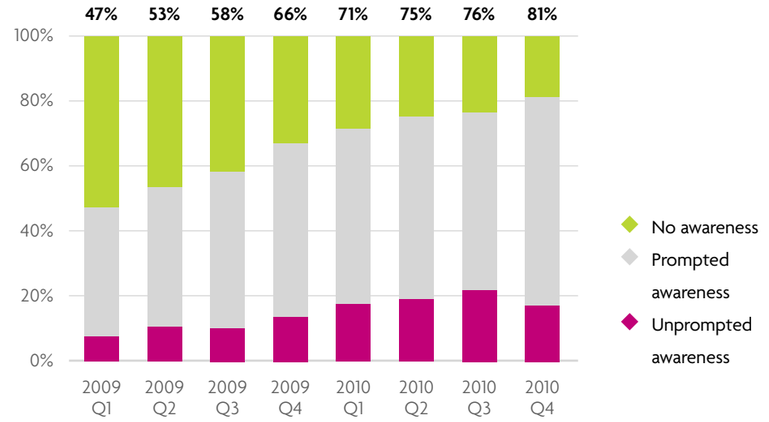


Assessment of overall service level by large business customers.

Brand awareness

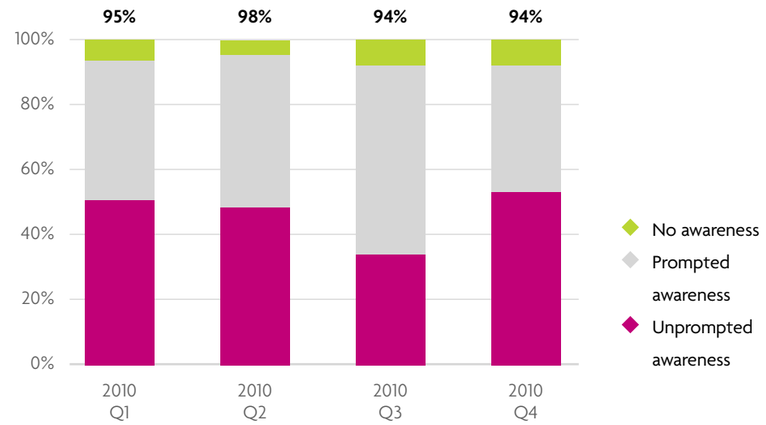
As a young company Enexis not only wants to know how customers rate its service, but also whether awareness of its name or brand is increasing as a result of initiatives and its market presence. For this Enexis measures prompted and unprompted brand awareness on a quarterly basis.

Overall brand awareness among consumers and small business customers increased slightly in 2010, although this still remains a matter for which attention is required. Awareness among large business customers remained at a high level.



Enexis brand awareness among consumers and small business customers.

Enexis brand awareness among large business customers.



The way in which the question about brand awareness is formulated was changed in 2009. As a result the percentages for 2009 are not comparable with those for 2010.

Service quality

Enexis is aware that service quality is primarily a matter of customer perception. Nevertheless we also measure service quality using a number of objective criteria: eight service standards based on quality criteria defined in the Grid Code. This document specifies the standards and conditions for the behaviour of grid operators. For all these standards Enexis has set itself a minimum performance figure of 96%. We achieved this level in 2010 for all service standards.

Service performance in the domestic and business markets (expressed as percentages).

		2010	2009	2008	2007
1	Engineer on-site within 2 hours in case of failure	98	98	97	97
2a	Correspondence handled within 10 working days	99	95	95	97
2b	Complaints handled within 10 working days	98	98	98	98
3	Appointments with customers in 2-hour time slots	99	98	98	97
4	Work carried out within 3 days	99	97	96	94
5	Maintenance appointments made 5 days in advance	99	99	100	99
6	3-day advance warning of work causing an interruption of energy supply	98	98	99	95
7	Quotation provided within 10 days of request	99	96	99	97
8	Customer queries about energy interruption answered within 10 working days	100	100	100	100

The Enexis customer base represents the entire community in the Netherlands, including people from other countries who have settled here. After a survey, Enexis decided in 2010 to improve the service to people who do not speak Dutch. This plan was further developed in 2011.

Quality of bills

Service providers who send correct bills show that their processes are working properly. This means both service provider and customer have agreed on the products and services supplied, and about their costs. Enexis places great importance on correct billing, and endorses the standards that have been defined by the Energiekamer (Dutch Office of Energy Regulation). Six standards have been set relating to the timeliness of billing. The Office of Energy Regulation specifies a minimum level of 98% for a positive score on this criterion. Enexis again achieved high scores on these standards in 2010. Performance exceeded the standards set by the Office of Energy Regulation in almost every month. It was only in the last three months of the year that the scores for timeliness of the provisional billing for new connections was somewhat lower. This was largely due to the introduction of a new customer information system. A recovery has now started, and performance in 2001 is again expected to be higher than the Office of Energy Regulation standards on all aspects.

	2010	2009	2008	2007
Electricity connections and disconnections				
Timeliness of provisional billing for connections	92.7	99.1	99.6	99.8
Timeliness of final billing for disconnections	98.4	99.9	99.9	99.0
Gas connections and disconnections				
Timeliness of provisional billing for connections	86.4	99.2	99.6	99.7
Timeliness of final billing for disconnections	98.4	99.9	99.9	99.8
Timeliness of annual electricity bill	99.7	99.7	99.7	99.2
Timeliness of annual gas bill	99.9	99.9	99.8	99.1

Office of Energy Regulation Scorecard for Enexis (performance as a percentage).

Tariff developments

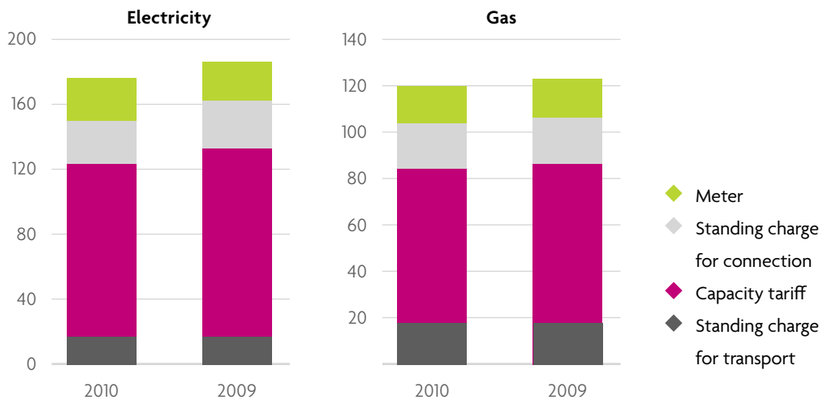
New applications make the smart meter more attractive for energy saving.

Tariffs in 2010 were lower than in 2009 because of a correction in the efficiency requirements placed on all regional grid operators in the Netherlands by the Office of Energy Regulation. These efficiency requirements help Enexis in its ambition to be an affordable service provider. Tariffs are also influenced by incidental settlements, for example for adjustments relating to the preceding year. These adjustments are defined by the Office of Energy Regulation. Tariffs for high-volume customers were changed due to these factors.

The change in the electricity tariff structure introduced in 2009 for low-volume users (domestic and small business customers) has been completed. All customers have now been billed based on a capacity tariff. The customer's load category, rather than the actual consumption, is the decisive factor for the transport costs. The introduction of these changes was completed smoothly.

The differences between customers caused by the introduction of the capacity tariff were in some cases compensated in 2010 on the basis of a compensation scheme implemented by the Ministry of Finance and the Ministry of Economic Affairs, Agriculture and Innovation, together with the energy industry. In addition, Enexis asked customers with higher loads if these were really needed. Where lower loads were sufficient, the customers concerned were allowed to change their loads at reduced tariffs. More than 6,500 customers have made use of this facility. In addition these customers benefited from the capacity tariff corresponding to the lower load with retrospective effect to 1 January 2009, and have received refunds of the excess payments.
Compensation was also paid to customers with a low electricity consumption and a relatively high load. This applied to 2009 and 2010, and was paid by Enexis in 2010.

Average bill for domestic usage (annual costs, amounts in euro, excluding VAT).



	Electricity	Gas	Total
Cogas	239	168	407
Delta	220	171	391
Endinet (NRE)	203	159	362
Enexis	212	142	354
Intergas	-	177	-
Liander	215	154	369
Rendo	216	179	395
Stedin	203	156	359
Westland	240	122	362

Annual tariffs for 2010 per grid operator for domestic users, in euro, incl. VAT.

Sources: NMa (Netherlands Competition Authority); information from companies and associated organisations.

The new market model

Enexis supports customers who wish to generate their own energy, and helps them with advice.

The energy industry aims to make the responsibilities of suppliers and grid operators more transparent by means of a new market model. It also intends to reduce the dependencies between these parties. One measure from the model, the capacity tariffs, was already introduced in 2009 (see above). Other measures include the introduction of a mandatory supplier model and changes of the responsibilities in the meter market.

The new legislation that was required for the introduction of the new market model was initially kept under review by the Dutch Senate as a result of questions about smart meters. This was because the read-out frequency for metered data was too high and the transmitted data was too detailed. In addition, the Senate found that customers should have the right to refuse the installation of a smart meter. In consultation with the industry, the proposed legislation was revised by the Minister of Economic Affairs, Agriculture and Innovation. The standard read-out frequency of smart meters has been reduced to once every two months, and customers have additionally been given the choice of allowing no data, or alternatively more detailed data, to be transmitted. Customers have also been given the right to refuse the installation of a smart meter. The revised proposal was passed by the Senate in February 2011. Discussions are currently taking place between the ministry and the industry about the implementation schedule for the new market model.

Freedom of choice

In the revised proposals customers are given the choice of whether to have a smart meter installed, and there will no longer be a mandatory roll-out. The grid operator will for the time being offer smart meters only for new buildings, extensive renovations, regular replacements and at the request of the customer. The large-scale roll-out will follow later. For customers who do not want a smart meter, the meter can be switched off centrally so that no data is transmitted. Customers who also do not want a smart meter that can be switched off centrally will be given a traditional meter, or can keep their existing meter. The proposed legislation also provides for only a limited amount of data to be gathered by the grid operator in the standard situation. The grid operator is allowed to gather data more frequently or to gather more values only with the 'unambiguous permission' of the customer. The Senate is expected to approve the revised proposals at the beginning of 2011, followed by the introduction on 1 January 2012.

www.zelfenergieproduceren.nl

Enexis launched a website in 2010 for customers who wish to generate their own sustainable energy. Based on the ambition of playing a leading role in the energy transition, Enexis aims to give those customers practical information to find their way through the maze of rules and subsidy schemes. By introducing the website www.zelfenergieproduceren.nl, Enexis hopes to make it easier for customers to become energy producers.

The 'Groene Loket' (Green Desk) was introduced for internal use. This aims to combine all the knowledge available at Enexis about clean and sustainable energy generation by consumers themselves, and supports staff in dealing with customer questions about sustainable initiatives.

Energy in view

Together with Liander Enexis developed an energy consumption scan for municipalities under the name 'Energy in view' in 2010. This interactive internet application enables them to make a visual representation of the gas and electricity consumption of their citizens, and to monitor CO_2 emissions. To protect privacy, data is provided not on individual consumers but instead at street and neighbourhood level.

'Energy in view' enables authorities to formulate their energy and/or climate policy much more effectively, and thereby to achieve their climate goals. Enexis is contributing to energy savings in municipalities with this innovative service.

“OUR HOME WILL BE OUR OWN FILLING STATION.”

ENERGY DEVELOPER AT HEJA

TEUN VERCAUTEREN

MAKING HISTORY

At project developer Heja, Teun Vercauteren specialises in new developments in the field of energy. Together with Enexis innovator Joris Knigge he's working today on the buildings of the future. Smart homes connected to a smart network.

The job of 'energy developer' was created two years ago by project developer Heja. That was partly because of all the attention for the film 'An inconvenient truth' by Al Gore. "Heja has always been a firm with big ambitions in terms of corporate social responsibility", Teun Vercauteren explains. "But that was just when we were defining our vision on climate-neutral working. We believe that energy generation in the near future will increasingly be done locally. For example in your own home or apartment building. We're now working to put that idea into practice."

Own power station

The introduction of decentralised energy generation will place new demands on the grid.

But that isn't such an easy task. "Making this new way of looking at energy work is a tough job if you don't control all the links in the chain yourself", says Vercauteren. "That's why we've set up a special company to do that; our own energy company. Under the name 'Opgewekt', we're working on sustainable forms of energy development. For example we're developing a power plant for use in residential areas and complexes. And by doing so, we're contributing to decentralised electricity generation."

But that won't be all, according to Vercauteren. "We're on the verge of what may be the biggest revolution in history. With solar panels on the roof, we'll be able to generate our own energy. Not just for use in the home, but also for our electric cars. Our home will be our own filling station, just imagine that!

As well as that, we'll be able to set the thermostat at home using our mobile phones. In fact, people are even working on mobile phone applications that will enable your thermostat to know that you're on the way, and to make sure it's nice and warm before you arrive."

"ENERGY GENERATION WILL INCREASINGLY BE DONE LOCALLY."

For Heja, Enexis is a partner that helps to distribute the locally generated energy. The introduction of decentralised energy generation places new demands on the energy grid. Energy flow in one direction only is history. That will be replaced by a smart network, with the ability to optimally match supply and demand. If your own solar panels aren't providing enough energy,
the shortfall will be met by power from an energy company. Or perhaps by your neighbours. That's a technical challenge, but also an administrative one. "Together with Enexis, we're looking for the optimum match between innovative building and the new smart energy grid", says Teun Vercauteren.
"That's aimed at getting maximum benefit from what the new technologies offer. And that doesn't just apply to homes and offices. We're also talking about ideas for large-scale solar panel installations in noise barriers along highways. These are already there, and so is the skyline pollution they cause, so let's find another way to make good use of them."
But the philosophy of Heja in the field of energy isn't limited to the development of new ideas. "A lot of benefits can still be gained from old-fashioned things like energy saving. In developing apartment buildings and new residential areas we're totally converted to using triple glazing. At present that's just for new building projects. But just think what we can achieve with the seven million existing homes."
Heja's corridors are full of boxes. The company is just about to move into its new offices on Overakkerstraat in Breda. A monumental building with an attractive glass conservatory. "No. it's not triple glazing", the energy developer admits. "You have to make concessions in a monumental building. But we do use a geothermal heat pump system." Vercauteren's own home is also an attractive old building. He was able to free a number of square metres on the roof for a series of solar panels. "It makes me very happy when the sun's shining and I can see how many kilowatt hours I've produced myself. That's fantastic!
It feels a bit like an artist who already has his next new painting."

"YOU CAN SEE THE KILO-WATT-HOURS ROLLING IN"

READ THE PORTRAIT OF EELKE NUTMA ON PAGE 72

WORKING WITH OTHERS

Grid operators are entering into partnerships with each other because of the Dutch Unbundling Act, also known as the Independent Grid Management Act. Their joint aim is to gain synergy benefits by joint development, innovation, purchasing and outsourcing, and to increase the uniformity and quality of industry processes. But fellow grid operators are not the only parties with which Enexis works together gladly and frequently.

Working with fellow grid operators

The cooperation with other grid operators focuses primarily on minimising the social costs.

Enexis has a joint agreement with all grid operators, including those for water and for the cable and telecom networks, expressly providing for cooperation on matters affecting their social role and/or the efficiency of the chain. It has been decided to start with the connection process. Two investigations have been carried out to clarify the overall framework and basic principles of the connection process of the respective grid operators. This process was confirmed in a meeting held in December, and agreements on the concrete details will be made at the beginning of 2011.

Working with fellow energy grid operators

Together with the other energy grid operators Enexis is a member of Netbeheer Nederland, the industry organisation for the regional and national grid operators. The aim of the cooperation is to minimise the social costs. To do this the members jointly make policy proposals and share knowledge about important matters such as innovation and sustainability.

Netbeheer Nederland represents the industry to the government, the supervisory authority the Dutch Office of Energy Regulation and market parties in discussions on how the grid operators can contribute to the development of the gas and electricity markets and the transition to a more sustainable energy supply.

The grid operators also intensively exchange information with the energy suppliers about the volumes of energy used and transported. It is important for optimal customer service and correct billing that the shared information is up-to-date and correct. A great deal of work has been done by Enexis and the other grid operators and the energy suppliers to optimise databases.

A good database is essential for uniformity of the connection processes. For this purpose the joint regional energy grid operators have set up the national Central Connections Register to improve the uniformity and quality of the industry processes. Grid operators are joining this register in phases, and Enexis intends to do this from 1 January 2013.

Work is also being done together with other grid companies and contractors at national level to harmonise the safety standards and instructions (BEI and VIAG) for working on or near to the electricity or gas infrastructure. The same instructions now apply to everyone concerned.

Working together at regional level

As a national grid operator Enexis participates in its service area in three regional partnerships for joint installation and maintenance of underground infrastructure. This is part of the way in which Enexis puts three core values into practice: affordable, sustainable and public-focused.

NONed

In the provinces of Groningen, Drenthe and Overijssel this partnership is called NONed (Northern and Eastern Netherlands). As well as Enexis this also includes Waterbedrijf Groningen, Waterbedrijf Drenthe, Vitens, KPN, Rendo, Cogas, Ziggo and Reggefiber. Tenders for works in two clusters (around Zwolle and around Hengelo - Haaksbergen) were again requested in 2010, and ways in which NONed can be further professionalised were investigated.

CTO

Together with Vitens, Stedin, KPN, UPC, Alliander, Kabel Noord and Ziggo, Enexis is part of CTO in Friesland. This organisation for consultation on technical matters focused in 2010 together with grid operators in Noord-Holland, Gelderland and Flevoland on a new cable specification, and on starting the tendering procedures for 2011.

sYnfra

As well as Enexis, the sYnfra foundation includes Brabant Water, WML, Delta, Endinet and Intergas, and has a service agreement with KPN and Ziggo. In the south of the Netherlands sYnfra coordinates the joint installation of underground infrastructure. Because Delta has formally joined the foundation, its service area now covers the three southern provinces. Important developments in 2010 were committee changes through which Enexis took over the chairmanship, the roll-out of new software (Gemma), the formulation of core values and the initiative for better relationships and partnerships with municipalities and contractors.

Working together with regional partners

Enexis has a firm operating base in its service area. It works together with municipalities, water boards and housing corporations on the management, maintenance and expansion of grids. The aim is to coordinate long-term plans together with municipalities and other grid operators (electricity, gas, water and telecom). This allows integrated planning of the renovation and maintenance of streets and neighbourhoods, thereby reducing disturbance to residents to a minimum. This process is already operating highly satisfactorily in many municipalities.

Communication relating to failures of street lighting was improved, partly at the request of municipalities. Since 2010 municipalities can report street lighting failures and track their status online. Enexis has also talked to many municipalities about the increased number of failures as a result of excavation works, and about possible preventive measures.

Municipalities, provinces and Enexis are facilitating each other in the transition to sustainable energy, and are frequently working together as partners at project level. Examples are projects requiring biogas infrastructure, smart grid pilots and electric mobility pilots.

Working together on innovation

Supporting the energy transition, the combined grid operators are building the national Production Installation Register. This is a central register of all small-scale decentralised energy generation facilities such as solar panels and HRe boilers (micro-CHP installations). This registration is necessary so that grid operators know where and how much energy needs to be supplied and fed into the grid, for example at times when more power is generated than is used.

e-laad.nl

At the initiative of Enexis a number of grid operators have jointly set up the e-laad.nl foundation to prepare for large-scale electric mobility. Through e-laad.nl the grid operators can see the effects of electric mobility on the Dutch electricity grid, and the charging behaviour of electric vehicle users. This knowledge enables them to decide what changes are needed to the electricity grid, and what investments will be needed to maintain the same level of reliability without making unnecessary investments.

Smart Energy Collective

Enexis is participating in a joint project that was started in December focusing on innovations in (smart) energy supplies and reduction of the chance of grid failures. More than 20 Dutch companies are working together on the development of smart energy concepts in the Smart Energy Collective. The goal is the development of smart energy services and smart grids. As far as we know this is the largest initiative in this field in Europe.

Smart Cable Guard

Enexis is developing the Smart Cable Guard together with fellow grid operator Alliander, the automation company Locamation and the energy consulting and certification organisation KEMA. This system constantly pinpoints weak and damaged points in the grid, for example caused by excavation works. Grid operators can then reduce the chance of supply failures by preventive replacement of damaged cable sections.

OUR EMPLOYEES

Jointly responsible, effective and forward-looking are the core values that form the basis for the *Enexis Way of Working*.

Enexis aims to be the leading grid operator in the Netherlands. The way to achieve that is not by what we do, but by how we do it. It's our employees who make the difference. They put that into practice through the Enexis Way of Working, driven by professionalism. As a good employer, Enexis aims to retain and motivate employees by offering a safe and inspiring working environment, with room for personal development. Working together with an eye on costs towards sustainable energy supplies. Three core values form the basis for the Enexis Way of Working: jointly responsible, effective and forward-looking.

Staff trends

In 2010 the workforce of Enexis increased by 270 employees (228 FTEs), mainly from the Essent Shared Service Center where they were responsible for meter readings, billing and collection of transport costs. The high proportion of male employees (80.9%) is primarily due to the large number of technical functions. However this percentage was down relative to 2009 (83.9%). The percentage of women in the workforce increased in 2010. Of all the new employees joining Enexis in 2010, 20% were women. The average age of employees in 2010 was 47. Absence due to sickness was 0.5% lower than in 2009.

	Male	Female	End-2010
FTEs	3,102	616	3,718
No. of FTEs	3,287	774	4,061

Employees.

Age category	**Male**	**Female**	**Total**
19 and under	10	1	11
20 – 24	58	21	79
25 – 29	178	61	239
30 – 34	219	82	301
35 – 39	259	80	339
40 – 44	362	143	505
45 – 49	496	188	684
50 – 54	651	104	755
55 – 59	777	87	864
60 and over	277	7	284
Total 2010	**3,287**	**774**	**4,061**

Breakdown by age.

The table shows that approximately 7% of employees will reach retirement age in the next 5 years, and 28% within 10 years. These are in many cases technical staff.

Employment market approach

Enexis devoted a great deal of energy to strengthening its position on the employment market position in 2010. Brand awareness increased, and Enexis was able to profile itself as an attractive employer. This led to an increase in the inflow of new graduate-level employees. A first group of management trainees started on a new development programme in October. Enexis is working concretely on management succession with young, high-level inflow. Two new groups of technical professionals also started at Enexis. They are following a broadly based development programme to increase their working scope.

Enexis' stand-by service team is expected to need another 200 new members in the coming four to five years, and these will have to be recruited. At the same time bottlenecks such as pressure of work, working times, age and experience will need to be addressed. Together with the team's staff, an approach has been developed focusing, among other aspects, on the recruitment and career growth of new young colleagues. Inflow at MBO (intermediate vocational education) level is also being strengthened by the use of an in-house Recruitment agency. This has also contributed to starting up the 'Vakschool', an internal training school which has two aims: providing in-house training up to MBO level, and giving talented young people the chance of a job at Enexis. In addition, contacts with schools, regional training centres and HBO (higher vocational education) institutes were continued. Enexis will continue these activities in 2011 to address the threatened shortage of well qualified technical people.

"THE NUMBER OF WOMEN WORKING AT ENEXIS IS INCREASING."

The in-house recruitment agency also contributes to strengthening the position of the Enexis branches in their local communities. By joint recruitment activities together with local businesses, by taking part in local shows and by working together with UWV WERKbedrijf (Public Employment Service). Vacancies for technicians are advertised in local newspapers. Trainees for the Enexis in house training school, which trains people with a low educational level and unemployed people as technicians at MBO (intermediate vocational education) level are recruited through the UWV offices.
Top management is not specifically recruited in the local communities of important Enexis locations. There are also no targets for staff at this level, since they are expected to visit the regions regularly. There is an increasing amount of time- and location-independent working to save travelling time.

Good employership

Enexis has a high ambition level and is making focused efforts to be among the best employers in the Netherlands. Despite a lower ranking, Enexis was able in 2010 to keep its place among the top 25 employers. A good employer is not only attractive for future employees, but is also able to retain and motivate its present employees.

Leadership development

Good leadership is one of the spearheads of the Enexis strategy. Good leadership enables people to manage and motivate others in achieving the organisation's goals. Showing professionalism and leading by example are essential for managers, but also for project managers, specialists and advisors. For these reasons training courses within the leadership college were developed and started for these groups in 2010. There is a high level of interest in these courses, and the evaluations are very positive.

Training and education

Enexis intends in the future to fulfil its social role with employees who work by following the Enexis Way of Working. This demands different leadership behaviour, which is why the existing programmes given by the leadership college have been assessed and updated.

Enexis invests actively in professional training for its own employees and those of contractors. More than 12,000 people were trained by Enexis Training & Opleiding in 2010, and more than 2,000 of them were external employees. Trainees took part in a total of almost 950 classical training courses and almost 30 different kinds of e-learning activities. As well as safety training and practical technical training, a start was made in 2010 on the 'Enexis Leerplein' training centre at which employees can register for competence-oriented and functional training. These courses can be followed by means of e-learning.
The existing trainee programme was also extended in 2010 with additional disciplines for management trainees and technical specialists.
The 'Kern van Enexis' (Core of Enexis) programme is aimed at the introduction of new employees, and offers modules dealing with aspects of the organisation such as the working environment, the industry, the customer and the strategy. This programme reflects the importance ensuring that new employees quickly feel at home.

Enexis is making structural investments in recruitment and (internal) training to compensate for the large outflow of employees reaching retirement age.

Employees followed an average of 40 hours of training in 2010, which is more than in past years. Approximately 40% of the training at Enexis deals with safety. A large proportion of the employees of Infra Services followed refresher courses in BEI (safety instructions for working on and near to electrical installations). The figures are not entirely comparable with past years because a different hour-registration system has led to a significant increase in the number of recorded training hours.

Health policy

Absence due to sickness was 3.9% in 2010, thereby meeting expectations and remaining below the figure of 4.5% in the operational plan.
Traditional health policy aims at preventing health hazards and ensuring a safe workplace. This is now changing, especially as a result of the increasing age of employees who are now expected by the government to work longer before retirement. For this reason, and inspired by a report by the SER (Social Economic Council), Enexis started in 2010 on the development of a new health policy. Attention is given not only to the traditional approach to absence due to sickness, but also to the promotion of good health aimed at optimising motivation, productivity and vitality of employees.

Remuneration policy and conditions of employment exchange scheme

Enexis introduced a new – modern and forward-looking – remuneration policy in 2010. The spearheads of this policy are increased flexibility and more rapid career growth within income categories. The conditions of employment also have the same modern and forward-looking characteristics.
The 'Arbeidsvoorwaardenwinkel' (conditions of employment exchange scheme) allows employees to exchange part of their total income for other conditions of employment factors of their own choice (time, money or a bicycle).

Works Council

The Works Council makes it possible for employees to exercise an influence on the policy of Enexis.
In addition to the new Works Council, which was elected on 30 March 2010, there are four councils for specific parts of the company (Infra Services, Customer Relations, Staff and Infra Products), and a pilot at Asset Management. There are also four standing committees: Finance, SB&O (Social Policy & Organisation), VGWM (Health, Safety, Welfare & Environment) and DB-OR (Daily Management).
Eight regular consultative meetings were held in 2010.

COMPANY-WIDE RISK MANAGEMENT

Society demands that businesses avoid unnecessary risks for their customers and for their environment, and that they comply with standards, regulations and legislation. This certainly applies to a public-interest organisation such as Enexis. Risk management at Enexis aims to ensure that the principal risks that could affect our business objectives are identified and understood. The appropriate measures can then be taken.

Good risk management has a positive influence on the relationship of trust with society, customers, employees and shareholders.

Risk management is an important aspect of the Enexis governance model. This covers all aspects of the organisation; from strategic and operational risks to the reliability of (financial) reporting and compliance with regulations and legislation. Enexis has an approved risk management policy and a Risk Management Governance model.

Objectives

Company-wide risk management ensures better decision-making (processes): timely identification of risks and correct reporting make it possible to respond appropriately to both internal and external developments. This provides greater certainty that the business objectives will be achieved, and with it the confidence of and good relationships with shareholders, customers and the community.

Organisation

Line and project managers at all levels in the organisation are themselves responsible for identifying risks and taking the appropriate measures. They are supported by risk specialists in quantifying, limiting and monitoring the risks. This decentralised responsibility is an essential element of the overall risk management approach.
At central level, a Risk Management Committee (RMC) has the task of monitoring the implementation of the risk management policy. Next to a delegation from the Management Team, the RMC also includes risk management experts.

Risico & Control Raamwerk

The entire set of procedures, internal control systems to identify business risks, and the measures taken to address those risks is referred to as the Risk & Control Framework. The main elements of the Enexis Risk & Control Framework are:

- The **Enexis Enexis Governance Model**. This consists of the Articles of Association, regulations, guidelines and procedures relating to the governance of Enexis Holding N.V.
- The **Risk-based Asset Management System**. Based on this system, the maintenance and investment programmes are defined each year and steps are taken to manage and reduce the risks.
- The **Business Planning & Control Cycle**. Enexis follows a five-year strategic planning cycle. Each year long-term business plans are prepared for the business as a whole and for each division, and strategy and plans are reviewed against changing conditions. The outcome of this review forms the basis for the new annual plan.
- Enexis prepares a **State of the Risk Report** twice a year. This is based on knowledge and insights provided by the primary departments and corporate support departments, and summarises the principal risks together with the (proposed) measures to be taken.
- The Enexis **Internal Control Framework**, which documents the principal risks and specific controls. Changes in the internal and external environment constantly result in new risks, and identifying these risks is an ongoing process. The effectiveness of the controls that are in place is assessed and justified twice a year on the basis of sound evidence.
- The annual confirmation provided by the Management Board and the responsible management concerning the reliability of the financial reporting in the form of internal **Letters of Representation** (LoR).
- The rules governing signing powers and authorisation levels, which stipulate that contracts with a value or risk exceeding specified amounts must be approved by the relevant director or departmental manager, the Management Board or the Supervisory Board.
- The **Information Security Policy**, which describes how information security is organised at Enexis, including a 'basic security level' that lays down minimum standards in relation to the accessibility, confidentiality and integrity of information, based on **best practices** from ISO/IEC 27002.
- Policy in the areas of **Business Continuity** and **Contingency Plans** for the most crucial information systems.
- **Crisis Management Plans and Organisation** aimed at company-wide handling of incidents and crises.
- The **Policy on Insurance** and the insurance manual.
- The **Project Portfolio Review Board**, which ensures that Enexis carries out the right projects.
- **Certification** within various operational units in areas including quality (PAS 55/1S0 9000) and safety (VCA, Safety Checklist for Contractors).
- **Audits** conducted by the Internal Audit Department, in accordance with the audit plan adopted by the Management Board and the Audit Committee. Audit findings and reports are discussed with the Management Board and the Audit Committee. The findings of internal and external audits are reported periodically to the Management Board.
- **HSE policy** and the **HSE Department**. Safety is a prerequisite at Enexis. The policy pursued by Enexis aims to ensure the continued good health of everyone, and to minimise the environmental impact of our activities. The HSE Department advises and supports Enexis in putting HSE aspects into practice in the organisation.

Compliance

The Enexis Strategy & Regulation department advises on the interpretation of the Electricity Act 1998, the Gas Act and the secondary legislation derived form these acts. This department also serves as an internal supervisory body on compliance with the above legislation.

Although the number of requests to the department for advice was initially expected to fall in 2010, they in fact increased. This was due primarily to new (product) developments at Enexis, including those relating to innovation and Corporate Social Responsibility.

Enexis made proactive notifications to the external supervisory authority, the NMa (Netherlands Competition Authority – Office of Energy Regulation) on a number of occasions in 2010. For example Enexis notified the authority about measurement results relating to voltage fluctuations (dips) in Hoogezand, and also about expected temporary performance problems in message transmission as a result of the start-up of the new customer information system (Knexis).

It later emerged that these proactive notifications to the Office of Energy Regulation were positively received. Compliance is based on reliability and responsibility, and proactive notification is an element of that.

PRINCIPAL RISKS

Regulatory regime

The starting point taken by the Office of Energy Regulation is that grid operators with an efficient cost level should achieve a reasonable return on capital employed. The regulatory regime of the Office of Energy Regulation has been defined for the coming three years. Any changes to this model remain potential long-term risks. In addition, Enexis may possibly be faced with higher purchasing costs if the appeal by TenneT against the regulatory regime is successful.

Safety and failures

Safety risks to the public, employees and contractors can never be totally eliminated. Enexis works carefully to structurally limit these risks. The asset management of Enexis follows an integrated approach, and is fully risk-based. For example Enexis applies condition-based maintenance, and a risk-based programme for the phased replacement of non-maintainable assets and the detection of gas leaks. There are various awareness programmes, and employees and contractors are held to strict procedures for safe working.
A similar approach is followed for preventing failures. Risks of electricity and gas supply interruptions are identified, and the most cost-effective risk-reduction methods out of all the available options are selected and implemented. To deal with failures Enexis has its own, well trained first- and second-line technical services teams. In addition, crisis management is constantly further optimised by means of exercises and in actual practice.

Dealing with retirement of technical staff

Large numbers of employees will reach retirement age in the coming years. The outflow of technical staff, in particular, forms a risk. The employment market for technicians is expected to become increasingly difficult. Enexis will need fewer employees (10 to 15%) as a result of more efficient working processes, but the volume of work will also increase so that a large replacement need will remain.
To ensure sufficient inflow, Enexis is working hard on recruitment with its own recruitment agency together with supporting employment market activities and communications. In addition an in-house MBO (intermediate vocational education) training school and a new internship policy have been introduced.

Data quality

Data that is missing or not up-to-date can cause errors in operational processes. There is also the risk that investment decisions will be taken on the basis of incorrect assumptions, and that the quality of the data is not compliant with the requirements of the Office of Energy Regulation or the Dutch State Supervision of Mines. Enexis devotes a great deal of attention to improvement of data quality. The grid operator possesses a data atlas defining the data that must be available. A number of projects focusing on validating, supplementing and improving data are in progress.

IN CONTROL STATEMENT

The Management Board is responsible for the design and effectiveness of the internal risk management and control system that is in place at Enexis. The purpose of this system is to monitor the achievement of strategic and operational targets, the reliability of financial reporting and compliance with laws and regulations.

At Enexis, the internal risk management and control system has been anchored in the Risk & Control Framework. It should be noted in this regard that the framework does not provide an absolute assurance that the corporate targets will be achieved or that there are no instances of material error, loss, fraud or non compliance with laws and regulations in the processes and financial reports. The Framework is assessed regularly and subject to ongoing development.

The Management Board has assessed the design and effectiveness of the Enexis Risk & Control Framework during 2010, based in part on business control information, Letters of Representation, reports from the Internal Audit Department and the management letter from the external auditor.

Despite the fact that improvements were made in 2010 in the area of internal risk management, extra attention is needed in 2011 for:

- Timely, correct and complete asset information within projects;
- Improvement of the effectiveness and assignment of responsibilities in the purchasing process.

With due observance of the above, the Management Board believes that Enexis' internal risk management and control systems for financial reporting functioned properly in 2010 and provide reasonable assurance that the financial information does not contain any material misstatements.

Based on the above, it is our opinion that, with these systems, we are in compliance with best practice provisions 11.1.3, 11.1.4 and 11.1.5 of the Dutch Corporate Governance Code. The above has also been discussed with the Audit Committee of the Supervisory Board, in the presence of the external and internal auditors.

Rosmalen, the Netherlands, 28 March 2011

The Management Board
J.J. Fennema
Chairman/CEO

R. Oudejans
Member/CFO

“YOU CAN SEE THE KILOWATT-HOURS ROLLING IN.”

ENEXIS CUSTOMER

EELKE NUTMA

BRINGING TOGETHER PEOPLE AND ORGANISATIONS

Enexis brings together people and organisations. It does so literally, of course, through its energy grids. But also in numerous other ways. We would like to introduce Eelke Nutma, an Enexis customer in Wytgaard, in the province of Friesland.

The countryside of Friesland is just as you would imagine it. Here and there you can see the contours of a farmhouse or the home of a distant neighbour. Apart from that there's an endless view over meadows, broken only occasionally by the silhouette of a solitary tree. A dead-end street leads to the home of the Nutma family. Hens scuttle idyllically across the farmyard, braving today's wet, stormy weather. The wind is literally whistling around the house.

Solar panels

Since September Eelke Nutma has been the proud owner of eight solar panels. They're located out of sight on the roof of the extension, almost completely hidden from view by the main part of the house. "No, I'm not likely to get complaints about unsightly structures any time soon", laughs Nutma. "First of all I wanted to install more panels, but because I've been able to keep them out of sight so well we decided to settle for eight panels."

Enexis gave Nutma advice to help him find his way through the maze of subsidies.

Indoors, the wood-burning stove is blazing. "From an energy point of view this certainly isn't the best place to live", says Nutma, while he closes the door behind him and watches the rain striking the windows. "We fell in love with this spot 21 years ago. We're far away from all the facilities; there's no gas connection, no mains sewerage, and of course no cable TV. I wouldn't say we live like hermits, but the conditions mean we have to think carefully about what we do. That's why solar panels had been on Nutma's wish list for a long time. They're a good match for the tradition of self-sufficiency that has been a feature of life in the Friesland countryside for many generations. "The story really started in 2009", Nutma explains. "And to be honest, it was quite a process. The panels themselves are a big investment – you could buy a good mid-range car for the same price. So it's a good thing that all kinds of subsidies are now available. Although you have to go through a lot of procedures to qualify for them."

Sustainable development

Enexis gave Nutma advice by telephone to help him find his way through the maze of subsidies. He turned out not to be the only person with the same questions. More and more people and businesses want to generate their own energy. Not just with solar panels, but also with wind turbines or by burning biomass, for example. That's why on 21 June 2010 Enexis launched the website www.zelfenergieproduceren.nl, on which all the relevant information can be found. After installing Nutma's solar panels, Enexis technician Peter Grotenboer also replaced the electricity meter. "We still had an analogue meter", Nutma explains, "but that wasn't suitable for this kind of modern technology. You might not think about it, but if you generate some of your own energy then that suddenly makes you both a consumer and a producer at the same time. The network has to be able to supply you with power from the energy company when you need it, and to accept your energy at times when your solar panels produce more than you use yourself. The new smart meter from Enexis makes sure that all the energy flows are properly recorded."

"SUDDENLY YOU'RE BOTH A CONSUMER AND A PRODUCER AT THE SAME TIME."

Nutma's solar panels have only been working since last September. So they still have to see their first summer. He's looking forward to that eagerly. "Even now, you can see the kilowatt-hours rolling in when the sun's shining", he notes happily. "And there's an immediate reduction in your energy bill. So just imagine what's going to happen when it's really good weather." Nutma shows the same enthusiasm in his work. As director of the 'Doarpswurk' foundation, he works on promoting and supporting social cohesion and the quality of life on the Friesland countryside. This spring the foundation is starting an initiative called 'Netwerk duurzame dorpen' (sustainable villages network), with the aim of encouraging people to contribute to sustainable development wherever possible. The province of Fryslan has the ambition of being completely CO_2-neutral, and that's something Doarpswurk very much wants to support.

"IN OUR BUSINESS, IT'S EXPERIENCE THAT COUNTS"

READ THE PORTRAIT OF PETER WILLEM GROTENBOER ON PAGE 86

CORPORATE GOVERNANCE

Enexis Holding is a public limited liability company under Dutch law. Enexis is a statutory two-tier company. It aims to provide maximum openness and transparency on its organisational structure, actions, goals and results. Enexis has therefore decided to apply the Dutch Corporate Governance Code on a voluntary basis.

Enexis applies the Dutch Corporate Governance Code on a voluntary basis.

Good corporate governance is an important condition for achieving the strategic goals. The code emphasises the responsibilities of companies for social aspects of business. These are well aligned with the strategic goals of Enexis in the areas of sustainability, reliability, affordability and public focus.

Although Enexis is not a listed company, it applies the Corporate Governance Code[1] – so far as applicable and possible – on a voluntary basis. The Management Board and the Supervisory Board have reached this decision because of the scale of the company, its role in relation to public energy supplies, and because Enexis places great importance on transparency.

[1] Version dated December 2008 / Frijns Committee

Not applicable

Because Enexis is an unlisted Dutch public limited liability company with (lower) government authorities as its shareholders, the following provisions do not apply:

- II.2.4 - II.2.7 (options);
- III.7.1 – III.7.2 (share-based payments to supervisory directors);
- III.8.1 to III.8.4 (one-tier governance structure);
- IV.I.1 (quorum requirements for resolutions to cancel the binding nature of a nomination in non-two-tier companies);
- IV.1.2 (specific voting rights attaching to financing preference shares);
- IV.1.7 (registration date for the exercise of voting and meeting rights);
- IV.2.1 to IV.2.8 (depositary receipts for shares);
- IV.3.1 to IV.3.4 (analysts);
- IV.3.11 (list of anti-takeover measures in the annual report);
- IV.4.1 to IV.4.3 (institutional investors).

The Management Board and the Supervisory Board have jointly decided which of the best practice provisions if the Corporate Governance Code will not be observed. To honour existing agreements made on the unbundling of Enexis from Essent, among other reasons, the company is in (partial) non-compliance with the following provisions:

- II.1.1 (maximum term of office for Executive Directors);
- II.2.12 to II.2.14 (publication of remuneration report).

In addition, Enexis has opted for a combined Remuneration and Selection Committee, and deliberately does not comply with:

- III.1.5 (composition of a separate Remuneration Committee in addition to a Selection and Appointment Committee).

Enexis' governance structure

Good governance and adequate supervision are the two most important fundamentals of sound corporate governance. The Management Board, the Supervisory Board and the General Meeting of Shareholders are jointly responsible for ensuring that these requirements are met, supported by an effective system of measures for risk management, internal control and audit practices. The relationships between the Management Board, the Supervisory Board, the General Meeting of Shareholders and the various committees have been formalised in regulations, the Articles of Association and a covenant. These documents are available on the Enexis website, www.enexis.nl.

The Management Board

The Management Board bears collective responsibility for managing Enexis; its duties include setting the company's operational and financial targets, and defining the strategy required to achieve the set targets and the associated prerequisites. These duties are subject to approval by the Supervisory Board and the General Meeting of Shareholders, and within the provisions of the Articles of Association.

Enexis intends to earn the trust of its stakeholders.

The Management Board is responsible for compliance with all applicable legislation and regulations, managing the risks inherent in the company's operations and arranging their financing. In addition, the Management Board together with the Supervisory Board is responsible for the corporate governance structure of Enexis and for compliance with the Corporate Governance Code.

The members of the Management Board are appointed by the Supervisory Board, which also appoints one of the members as Chairman/CEO and one of the members as CFO. The Management Board had two members in 2010. Until 1 September Mr. Herman Levelink was Chairman/CEO, and after that date Mr. Han Fennema. Mr. Rene Oudejans was CFO throughout 2010. The members of the Management Board divide their duties between themselves by mutual agreement and in consultation with the Supervisory Board. The Board of Management acts in accordance with its own regulations, which are aligned as far as possible with the Corporate Governance Code and approved by the Supervisory Board. These regulations include procedures for the composition of the board, duties and powers, meetings and decision-making. Detailed profiles of the Management Board members are shown in the personal details section at the back of this Annual Report.

The remuneration of the members of the Management Board is in accordance with the company's remuneration policy, to be adopted by the General Meeting of Shareholders. The remuneration of each Management Board member is set by the Supervisory Board at the proposal of the Remuneration and Selection Committee. Information about the remuneration of the Management Board is shown in the condensed and full financial statements.

The Supervisory Board

The duties of the Supervisory Board are to supervise the policies pursued by the Management Board, for example in relation to the achievement of the company's goals, the strategy and the risks inherent in the operational activities. The board also monitors the structure and effectiveness of the internal risk management and control systems and the financial reporting process.

The Supervisory Board acts in accordance with its own regulations, which lay down the composition of the board, committees, duties and powers, meetings and decision-making. The Supervisory Board appoints two permanent committees from within its own ranks: an Audit Committee and a combined Remuneration and Selection Committee. These committees also have their own regulations, which lay down their composition, duties and responsibilities and their working methods.

Members of the Supervisory Board receive a remuneration which is set by the General Meeting of Shareholders. As well as their remuneration, they are also entitled to reimbursement of the travel and subsistence expenses which they incur in performing their duties. Information about the remuneration of the Supervisory Board is shown in the condensed and full financial statements.

General Meeting of Shareholders

The highest decision-making body within Enexis is the General Meeting of Shareholders. In its annual meeting, subjects on the agenda include:

- the written Annual Report of the Management Board;
- discharge of the Management Board and Supervisory Board from liability;
- adopting the financial statements and the profit appropriation;
- the company strategy;
- any (proposed) appointments of members of the Management Board or the Supervisory Board.

The Management Board and the Supervisory Board are obliged to provide the General Meeting of Shareholders with all the required information, unless there is a compelling corporate reason for not doing so.

For functional and practical reasons, the General Meeting of Shareholders has assigned specific powers to a Shareholder Committee. This committee, which has seven members, promotes the flexibility and effectiveness of the decision-making process of the General Meeting of Shareholders.

The committee members receive no remuneration for their duties. These are described in the Articles of Association of Enexis, and their working methods are formalised in a covenant between the Management Board, the Supervisory Board and the Shareholder Committee, which has been approved by the General Meeting of Shareholders.

The external auditor

The external auditor is appointed by the General Meeting of Shareholders. The Supervisory Board nominates the external auditor based on recommendations by both the Audit Committee and the Management Board. An important factor in the nomination is the developments in the relationship with the external auditor, and in particular the independence of the external auditor. The Management Board reports annually on these matters to the Supervisory Board and the General Meeting of Shareholders.

At least once every four years the Management Board assesses the functioning of the external auditor. The Management Board reports its most important findings to the Supervisory Board and the General Meeting of Shareholders, which are then able to review the nomination.
The external auditor is invited to take part in the meeting(s) of the Audit Committee at which the draft financial statements, the financial section of the Annual Report and the auditor's report are reviewed.
The Audit Committee oversees the relationship with the external auditor, and in particular:

- assesses the independence, fee and any non-audit duties performed by the external auditor of the company;
- establishes the commitment of the external auditor to the content and publication of the financial reports other than the financial statements;
- takes note of any irregularities in relation to the content of financial reports such as those that the external auditor is required to report;
- discusses the annual audit plan of the external auditor.

Internal Audit Department

additional assurance in relation to the control, effectiveness, efficiency and compliance of operational management. Internal Audit also assesses the processes relating to operational control, risk management and governance.

Internal Audit acts under the responsibility of the Chairman of the Management Board. The Audit Committee supervises the work of the committee and advises the Management Board on its role and functioning. In particular the committee is responsible for adopting the audit plan and takes note of the discussions and findings. The audit plan is produced in consultation with the external auditor and the Management Board and is based, among other factors, on risk reports and audit findings. The external auditor also takes note of the findings of the Internal Audit Department.

PROFILE

More than 2.6 million families, businesses and government authorities in the provinces of Groningen, Friesland, Drenthe, Flevoland, Overijssel, Noord Brabant and Limburg rely on the Enexis grids for the supply of their electricity and gas. That's an important responsibility.

Enexis handles the distribution of energy and the installation, maintenance, management and development of the energy transport and distribution grids in large parts of the provinces referred to above.

Organisational structure

To perform these tasks efficiently and effectively, Enexis has opted for the following organisational structure:

Enexis Holding

All the operating companies, which carry out the grid management activities and a number of commercial activities, are legal subsidiaries of Enexis Holding N.V., a public limited liability company. Approximately 74% of the shares in Enexis are held by the provinces of Groningen (6.0%), Drenthe (2.3%), Overijssel (18.7%), Flevoland (0.02%), Noord-Brabant (30.8%) and Limburg (16.1%).
The remainder of approximately 26% of the shares are held by 121 Dutch municipalities in the above provinces and in Friesland. The number of municipal shareholders declined by nine in 2010 as a result of changes in municipal boundaries.

Share capital

The authorised share capital of the company is 300 million euro, in the form of 300 million shares with a nominal value of 1 euro. Of these, 149,682,196 shares were issued and paid-up as at end-2010.

The grid operator

Enexis B.V. is responsible for the grid management activities which are carried out by subsidiaries. In addition, Enexis B.V. participates in EDSN, which is responsible for the transmission of messages between the regional and national grid operators, suppliers and measuring companies, and in ZEBRA Gasnetwerk B.V., which manages the gas pipeline between Zelzate (Belgium) and Moerdijk.

Enexis has structured its grid-management activities separately from the commercial activities.

Core-strengthening activities

The commercial activities of Enexis are carried out by:

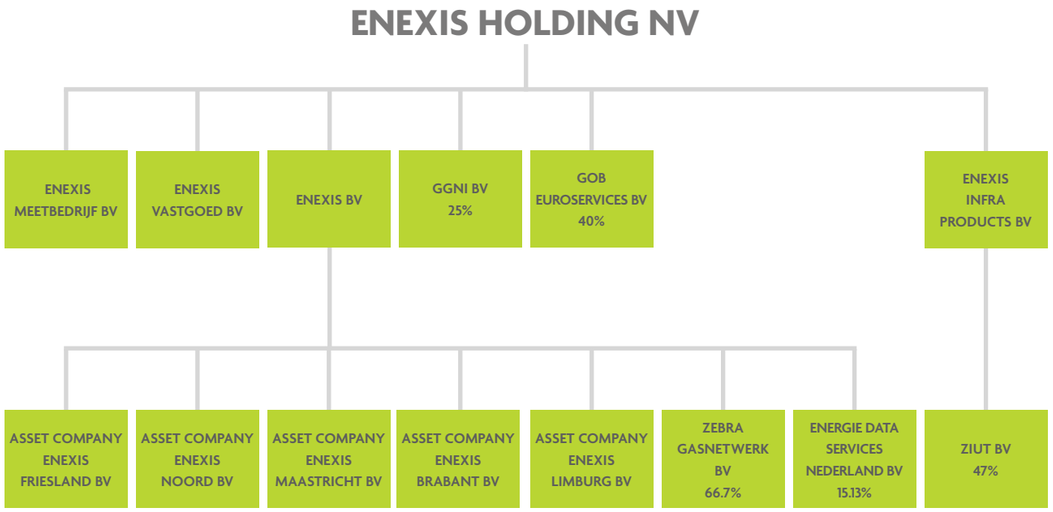
- Enexis Meetbedrijf B.V., which supplies data on electricity and gas consumption by business customers to suppliers, grid operators and trading parties. It also supplies metering data products that give customers a better understanding of their energy consumption. Finally, this company supplies, installs and maintains the metering equipment required to carry out its tasks.

- Enexis Infra Products B.V., and in particular its Intermediate department, provides high- and medium-voltage equipment and total solutions for electricity supply to high-volume customers (design, management, maintenance and advisory services). The participation in Ziut B.V., a joint venture with Alliander to which the public lighting activities of Enexis have been assigned, also falls under Enexis Infra Products.

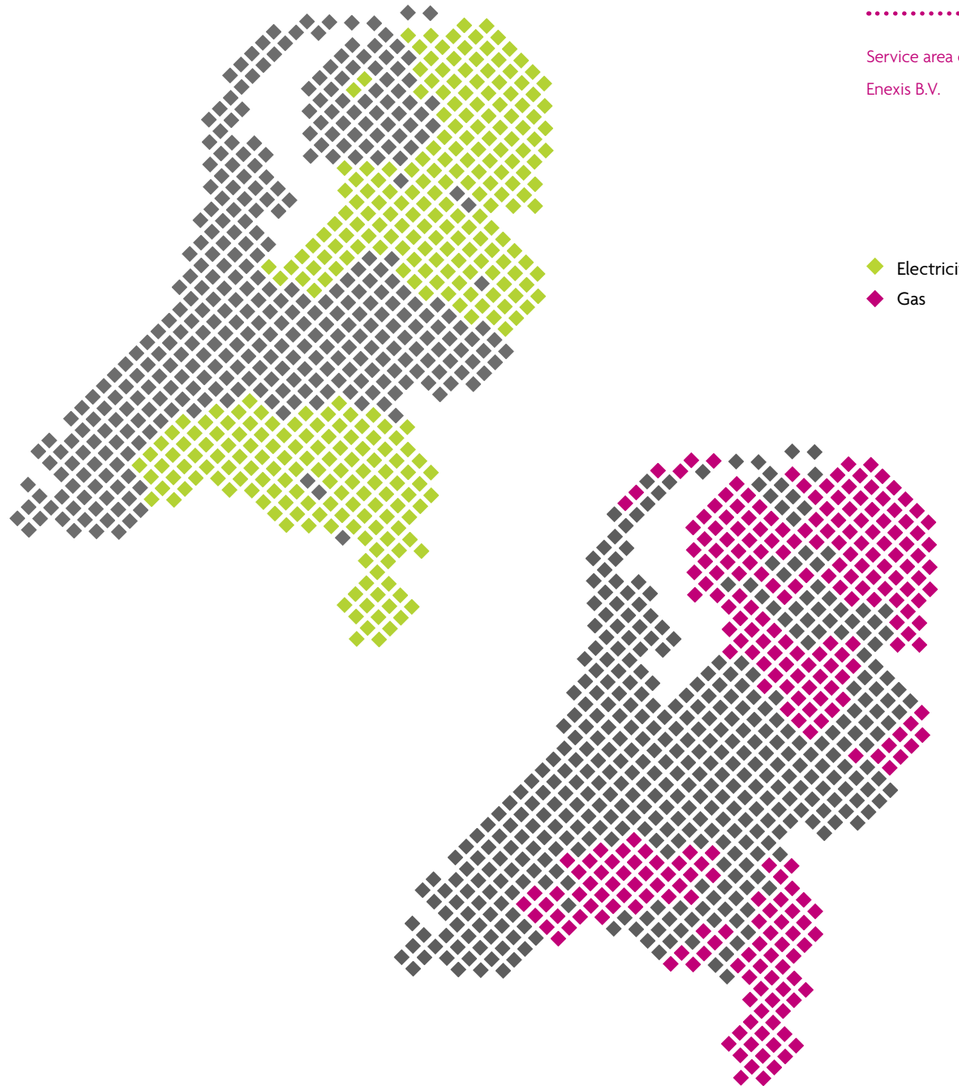
- Enexis Vastgoed B.V., which manages the real estate activities of Enexis that do not fall under one of the asset companies.

These companies are provided with support by the Enexis staff departments under a service agreement.

ORGANOGRAM ENEXIS HOLDING N.V.



Service area of Enexis B.V.



“IN OUR BUSINESS IT’S EXPERIENCE THAT COUNTS.”

ENEXIS TECHNICIAN

PETER WILLEM GROTENBOER

THE CUSTOMER IS KING

Technician Peter Willem Grotenboer is one of the ‘faces’ of Enexis. If you’re a customers in Friesland he could visit you any day. For example if there’s a failure, or to install a digital meter for use with your brand-new solar panels. That’s just what happened to Eelke Nutma in Wytgaard. It’s no wonder that customer focus has become second nature for Grotenboer.

“My work is mostly limited to the meter cabinet”, Grotenboer explains. “And nowadays that’s only during office hours – because at my age I don’t have to work evenings any more.” He’s what you might call a long-serving employee, and can look back on more than 30 years of working experience. “I started way back with Frigas”, he says, after which he effortlessly sums up all the other owners of the energy grid in the intervening period.

Safety is vitally important.

Maintenance

In Friesland, the region in which he works, he knows the grid like the back of his hand. As do most of his experienced colleagues. Now and again he regretfully sees one or other of those long-serving colleagues retire, taking all his knowledge and experience away with him for good. But fortunately Enexis is very active on the employment market to recruit new talent. “Even though they still have a lot to learn”, he says resolutely. “I’m still learning myself every day! And not just about the latest technologies. In our business it’s experience that counts. Knowing the network inside out. “When it comes down to it, the meter cabinet is just a little box”, says Grotenboer with a touch of irony.

“I regularly have to replace a meter, repair a pressure valve or fix a gas leak.” But when he’s asked about the most common cause of problems in that ‘little box’, the answer is clear. “Maintenance! I sometimes ask home owners if they’ve ever checked the earth leakage switch. They look at me strangely, but really you should do that every month. All you have to do to test it is push the button!”

Safety is vital

His work focuses mainly on technical matters, but the enjoyment comes from the people. “Each customer that I visit is different”, he says. “Some people say: ‘I’m sure you’ll be able to fix it’. Then they leave me alone in their house which may be full of valuables. That makes me feel they trust me. And then it’s my duty to live up to that. Customers aren’t there for me; I’m there for them. Sometimes I even feel like a social worker. In a few minutes’ time I get to hear someone’s complete life story. Then people are sometimes shocked by what they’ve been saying, and they apologise to me. But then I just say: “Don’t worry – you’ve got it off your chest, and in any case I’ll have forgotten it very soon’. Sometimes Grotenboer himself is seen as the cause of the problem, and he’s confronted with people’s anger and sorrow if their supply is cut off because they haven’t paid their bills. Although that hasn’t happened so often recently. “The social services have become more aware of people with payment problems. And Enexis also plays an active role in that. Which of course is a good thing.”

“SHOES, VACUUM CLEANERS, IRONING BOARDS, YOU FIND ALL KINDS OF THINGS.”

Safety is vital in his work as a technician: both his own safety and that of others. “It’s a question of concentrating on what you’re doing. Don’t rush, and always work is if the power supply is connected. Then I’m careful, and that means I work better.” That’s why he isn’t so pleased to see what people do when they’re deliberately interfering with ‘his’ grid. For example to run an illegal cannabis plantation. “I just need to touch the cables in the meter cabinet and I know immediately what’s going on. If they are very hot, then there’s something wrong. But we mostly notice that much sooner because of irregularities in the grid. What some people do is extremely dangerous.” Fortunately those are exceptional cases.
Peter Willem Grotenboer still enjoys his work every day. “It’s a good job with a lot of freedom. I tour around the province every day; this morning I’ve already been in Heeg, Oosterwolde and Lemmer. I would feel very closed in if I had to work in an office. Even after all those years, I’m still surprised by the things I find in people’s meter cabinets. Shoes, vacuum cleaners, ironing boards; it’s sometimes as though our meter is in their way.”

“LEEUWARDEN ENERGY-NEUTRAL BY 2020.”

READ THE PORTRAIT OF ISABELLE DIKS ON PAGE 10

FINANCIAL REVIEW

Consolidated financial statements

Enexis achieved a profit for the year 2010 of EUR 193.7 million. A key factor in 2010 was the big reduction in the regulated tariffs, which led to decline in revenue of EUR 61.3 million. The strategy of Enexis was focused on compensating for a part of this lower revenue by cost savings, which resulted in a reduction of EUR 25.0 million in the cost level.

Profit developments

Operating profit was down from EUR 399.1 million in 2009 to EUR 349.7 million in 2010. This decline of EUR 49.4 million was due to the lower gross profit of EUR 152.2 million, which was partly compensated by lower operating expenses of EUR 102.8 million. Financial income and expenses were EUR 21.3 less favourable on balance than in 2009. The share of profit of associates was also EUR 4.3 million lower. These developments together led to a decline in profit for the year of EUR 69.4 million compared with 2009.

Gross profit

Gross profit was down by EUR 152.2 million. After elimination of the revenue in 2009 of Enexis Lighting B.V. and Lighting View B.V., which were transferred in November 2009 to Ziut[1], as well as a number of exceptional items (one off repayment by TenneT and proceeds from the sale of UMTS masts to TenneT), the gross profit declined on balance by EUR 48.7 million. The decline in revenue was largely due to lower prices as a result of the X-factors imposed by the Office of Energy Regulation on the energy transport tariffs. On the other hand the cost of sales, after normalisation for exceptional items in 2009, showed a decline of EUR 17.4 million, resulting largely from one-off items.
Favourable price differences on the grid losses were compensated by unfavourable price differences in the transport tariffs paid to TenneT.

1. Financial data for Enexis Lighting B.V. and Lighting View B.V., which were transferred to Ziut in November 2009, are recognised at the following amounts in the consolidated income statement for 2009 of Enexis Holding N.V. (amounts in millions of euro):

Gross profit		65.4
Employee benefits expense	15.6	
Depreciation	0.7	
Cost of work contracted out, materials and other external expenses	42.7	
Other operating expenses	1.3	
Total operating expenses		**60.3**
Financial income and expenses		–0.1
Profit before tax		**5.2**

Operating expenses

Operating expenses declined by EUR 102.8 million. After elimination of the costs in 2009 of Enexis Lighting B.V. and Lighting View B.V., which were transferred to Ziut B.V. in November 2009, the remaining decline was EUR 37.5 million. This is the balance of the fall in operational costs by EUR 57.8 million and an increase of EUR 15.2 million in depreciation charges. Of the fall in operational costs, EUR 25.0 million was a result of the continuing efforts made in the efficiency programme which was initiated in 2009, the compensation for 'own product discount' for employees of EUR 12.7 million paid in 2009, a positive effect of changes in provisions of on balance EUR 30.5 million, and a number of one-off costs incurred in 2009 in relation to the unbundling of Enexis. On the other hand there was an increase in the expenses for policy spearheads such as sustainability, a number of initiatives such as e-laad, sustainability pilots (including Red Carpet and Smart Grid), the in-company training schools and the trainee programme, with costs totalling EUR 12.3 million.

Depreciation charges increased by EUR 15.2 million as a result of the higher level of investments – partly in IT systems – and higher impairment charges as a result of grid divestments associated with replacement and reconstruction projects. These were to a large extent caused by the increasing replacement investments.

Financial income and expenses

The balance of financial income and expenses was EUR 21.3 million lower than in 2009. Financial income in that year was higher than in 2010 because of interest received in relation to the transfer of the high-voltage grid to TenneT. Interest charges were higher than in 2009 because loans were taken in part of 2009 at a variable, low interest rate, while in the whole of 2010 a fixed interest rate was paid on loans with a fixed duration.

Profit for the year

Profit in 2010 was EUR 69.4 million lower at EUR 193.7 million, compared with EUR 263.1 million in 2009.

Cash flow

Cash flow from operating activities was EUR 629.1 million positive. Cash flow from investing activities was EUR 412.1 million negative. On balance cash flow before financing activities was EUR 217.0 million positive. Cash flow used in financing activities was EUR 79.0 million negative. This relates primarily to dividends for 2009 paid to shareholders. On balance the total cash flow for continuing activities was EUR 138.0 million, by which amount the cash and cash equivalents increased to EUR 330.2 million positive. Most of these cash resources are on deposit.

CONDENSED FINANCIAL STATEMENTS 2010

TABLE OF CONTENTS

INTRODUCTION

Enexis Holding N.V., based in Rosmalen, the Netherlands, is responsible for the construction, maintenance, management and development of the distribution grids for electricity (cables and mains) and gas (mains and pipelines), and related operations mainly involving core-strengthening, unregulated activities in the fields of metering services, public lighting, rental of medium-voltage installations and the construction and management of private energy-distribution grids.

Enexis Holding N.V. is a public limited liability company. Approximately 74% of the Enexis shares are held by six Dutch provinces, and approximately 26% by 121 Dutch municipalities.

The financial statements prepared by Enexis Holding N.V. and audited by Ernst & Young Accountants LLP were presented to the Supervisory Board for its approval on 28 March 2011. The financial statements, signed for approval by the Supervisory Board, will be presented to the Annual General Meeting of Shareholders for adoption on 20 April 2011.

Enexis Holding N.V. uses the euro as its functional currency. Unless stated otherwise, all amounts are in millions of euros.

To improve the readability of the financial statements of Enexis Holding N.V., condensed consolidated financial statements of Enexis Holding N.V. are included in the Annual Report. The full consolidated and company financial statements are available at www.enexis.nl.

The financial statements of Enexis Holding N.V. have been prepared in accordance with the International Financial Reporting Standards (IFRS) as generally accepted within the European Union. In addition, the financial statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Netherlands Civil Code.

The preparation of the financial statements requires the use of certain estimates and assumptions that affect the amounts presented. Differences between the actual results and these estimates and assumptions impact the amounts that will be recognised in future periods.

The assumptions and estimates used by management particularly affect the valuation of property, plant, equipment and intangible assets (useful economic lives and residual values), the need to recognise impairments of property, plant, equipment and intangible assets, the valuation of any deferred income tax assets, receivables (need to recognise potential impairments), provisions for employee benefits (actuarial assumptions) and other provisions, and the recognition of revenue (as a result of meter readings spread throughout the year in the case of low-volume consumers).

CONSOLIDATED INCOME STATEMENT

	2010		2009	
Revenue from the supply of goods and services		1,204.2		1,358.1
Cost of sales		218.7		223.4
Gross profit		**985.5**		**1,134.7**
Other operating income[1]		11.4		14.4
Gross profit plus other operating income		**996.9**		**1,149.1**
Employee benefits expense	220.4		260.7	
Depreciation, amortisation and impairments[1]	248.5		233.3	
Cost of work contracted out, materials and other external expenses	164.9		239.8	
Other operating expenses	13.4		16.2	
Total operating expenses		647.2		750.0
Operating profit		**349.7**		**399.1**
Share of profit of associates		4.9		9.2
Financial income	5.0		15.5	
Financial expenses	98.8		88.0	
Financial income and expenses		–93.8		–72.5
Profit before tax		260.8		335.8
Income tax expenses		67.1		72.7
Profit for the year[2]		**193.7**		**263.1**

Amounts in millions of euros.

1. The comparable figures for 2009 were restated because of a change in the presentation of contributions to investments in grids and connections received from third parties. This restatement has no impact on equity or profit.
2. The profit for 2010 is EUR 1.29 per share (2009: EUR 1.76). The profit for the financial year 2010 relates solely to profits realised.

CONSOLIDATED BALANCE SHEET (BEFORE PROPOSED APPROPRIATION OF PROFIT)

Amounts in millions of euros.		31 December 2010	31 December 2009
	Assets		
	Property, plant and equipment[1]	4,938.2	4,795.3
	Intangible assets	85.3	63.1
	Associates	32.9	32.5
	Other financial assets	2.8	2.7
	Non-current assets	**5,059.2**	**4,893.6**
	Inventories	16.7	15.3
	Receivables	504.2	575.2
	Cash and cash equivalents	330.2	192.2
	Current assets	**851.1**	**782.7**
	Assets held for sale	1.2	0.7
	Total assets	**5,911.5**	**5,677.0**

Amounts in millions of euros.		31 December 2010	31 December 2009
	Liabilities		
	Issued and paid-up share capital	149.7	149.7
	Share premium reserve	2,436.3	2,436.3
	General reserve	184.2	0.0
	Profit for the year	193.7	263.1
	Equity	**2,963.9**	**2,849.1**
	Non-current interest-bearing liabilities	1,910.9	1,912.0
	Non-current provisions	58.1	67.0
	Advance contributions for installation of grids and connections[1]	290.3	217.3
	Deferred income tax	65.7	26.8
	Non-current liabilities	**2,325.0**	**2,223.1**
	Trade and other payables	571.9	562.2
	Current interest-bearing liabilities	15.5	14.5
	Income tax expense	17.5	0.4
	Current provisions	17.8	27.7
	Current liabilities	**622.7**	**604.8**
	Total liabilities	**5,911.5**	**5,677.0**

1. The comparable figures for 2009 were restated because of a change in the presentation of contributions to investments in grids and connections received from third parties. This restatement has no impact on equity or profit.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in millions of euros.

	2010	2009
Profit for the year	193.7	263.1
Depreciation, amortisation and impairments	242.6	229.1
Contributions for installation of grids and connections[2]	78.9	114.9
Changes in provisions, working capital and other items	113.9	8.8
Cash flow from operating activities	**629.1**	**615.9**
Investments in property, plant, equipment and intangible assets	–411.8	–414.5
Changes in assets and liabilities held for sale	–0.5	314.5
Acquisition of associate	–0.2	
Changes in financial assets	–0.2	0.9
Proceeds from sale of associates	0.0	6.7
Proceeds from sale of non-current assets	0.5	2.3
Cash flow from investing activities	**–412.1**	**–90.1**
Cash flow before financing activities	**217.0**	**525.8**
Change in interest-bearing liabilities	–0.1	–335.6
Dividend paid	–78.9	-
Additional capital contribution[1]	-	350.0
Repayment of bridge loan[1]	-	–350.0
Cash flow used in financing activities	**–79.0**	**–335.6**
Total cash flows	**138.0**	**190.2**
Cash and cash equivalents at beginning of year	192.2	2.0
Cash and cash equivalents at end of year	**330.2**	**192.2**

1. The additional capital contribution and the repayment of the bridge loan did not generate cash flows.
2. The comparable figures for 2009 were restated because of a change in the presentation of contributions to investments in grids and connections received from third parties. This restatement has no impact on equity or profit.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Number of ordinary shares	Share capital	Share premium reserve	General reserve	Profit for the year	Total equity
At 1 January 2009	**20,000**	**0.020**	**1,023.6**	**1,064.9**	**147.5**	**2,236.0**
Profit appropriation for 2008	-	-	-	147.5	–147.5	0.0
Capital contribution on instruction of Minister of Economic Affairs[1]	-	-	350.0	-	-	350.0
Repurchased from shareholder	–20,000	–0.020	–1,373.6	–1,212.4	0.0	–2,586.0
Issue and full payment of share capital[2]	149,682,196	149.7	2,436.3	-	-	2,586.0
Profit for the year 2009	-	-	-	-	263.1	263.1
At 31 December 2009	**149,682,196**	**149.7**	**2,436.3**	**0.0**	**263.1**	**2,849.1**
At 1 January 2010	149,682,196	149.7	2,436.3	0.0	263.1	2,849.1
Profit appropriation for 2009	-	-	-	184.2	–184.2	0.0
Dividend paid for 2009[3]	-	-	-	-	–78.9	–78.9
Profit for the year 2010	-	-	-	-	193.7	193.7
At 31 December 2010[4]	**149,682,196**	**149.7**	**2,436.3**	**184.2**	**193.7**	**2,963.9**

1. As a result of an instruction by the Minister of Economic Affairs dated 26 May 2009 in relation to the Unbundling ('De Aanwijzing'), EUR 350 million in shareholder loans was converted into equity.
2. Deed of transfer of shares in the capital of Enexis Holding N.V. by way of distribution of reserves.
3. The dividend payable to shareholders for 2009, which was paid in 2010, was EUR 0.53 per share (2009: n.a.).
4. At year-end 2010 the total equity per share was EUR 19.80 (2009: EUR 19.03).

Amounts in millions of euros.

OTHER DISCLOSURES

EXCEPTIONAL ITEMS

Exceptional items consist of income and expense items that, in the view of management, do not arise in the normal course of business and/or items that, because of their nature and size, should be considered separately to enable better analysis of the results. The lower limit for exceptional items is EUR 5 million.

Operating profit includes the following exceptional items.

Amounts in millions of euros.

	2010	2009
Normalised operating profit (excluding exceptional items)	**333.0**	**377.9**
Expenses:		
Compensation for 'own product discount' for all employees		–12.7
New provisions for reorganisation/employee transfers		–12.8
Income:		
Release of provisions for reorganisation/ employee transfers	5.8	
Settlement of purchases from TenneT	5.7	12.7
Release of provision for tax risks	5.2	
One-off payment for loss of revenue from UMTS masts		29.0
Partial release of provision for cross-border leases		5.0
Total exceptional items recognised in operating profit	**16.7**	**21.2**
Disclosed operating profit (including exceptional items)	**349.7**	**399.1**

The effect of the items shown opposite on profit for the year is as follows:

Amounts in millions of euros.

	2010	2009
Profit for the year (excluding exceptional items)	**181.3**	**247.3**
Total exceptional items recognised in operating profit	16.7	21.2
Tax on exceptional items	–4.3	–5.4
Profit for the year (including exceptional items)	**193.7**	**263.1**

OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

Developments in cross-border leases in 2010

One cross-border lease ('CBL') still remained at end-2010, consisting of one individual transaction.

Cross-border leases have been established since 1998 on Enexis gas grids in the provinces of Drenthe, Friesland, Groningen, Limburg (including the gas grid in Maastricht), Noord-Brabant and Overijssel, and on the Enexis electricity grid in Maastricht. Of these transactions, one CBL on the gas grid in Maastricht is still in effect.

These CBLs were established with US investors and with Dutch and foreign lenders and guarantors, among other parties. When entering into the CBLs, the US investors often incorporated separate legal entities, some in the form of trusts. Enexis has also placed its CBL in a separate subsidiary of the asset company Enexis Maastricht B.V.

The CBLs are governed by conditional and unconditional rights and obligations. Under the cross guarantee structure that was agreed at the unbundling on 30 June 2009, Essent N.V. and Enexis B.V. mutually guarantee substantially all these obligations, in relation to both the remaining grid CBL and the (Essent) commercial CBL. This includes any amounts due to US investors and some other parties upon termination, as described below. In addition, supplementary agreements were concluded on 30 September 2009, for example relating to the mutual guarantee structure and indemnities, as well as to the establishment of a CBL fund to cover any costs associated with the termination of the CBLs. This fund was financed by RWE and the Enexis shareholders.

As in previous years, the structure of the transactions concluded for this purpose does not require disclosure of the rights and obligations of the CBLs in Enexis' balance sheet.

The number of CBLs relating to the commercial assets of Essent N.V. was reduced to one, consisting of six individual transactions.

It is possible in consultation with the investor for a CBL to be terminated prematurely. This option of voluntary early termination has been used frequently in recent years because of a range of circumstances.

Early (involuntarily) termination of CBLs may also occur if specific events as defined in the contracts arise, for example default by the lessee, or if the underlying asset is destroyed.

In case of involuntary early termination of a CBL, the Enexis CBL entity, and consequently Enexis B.V. and Essent N.V. (Essent N.V. under the cross-guarantee structure) can be held liable for payment of termination compensation and other related indemnities and finance charges to the US investors and/or other CBL parties. Enexis can reclaim any expenses incurred in both voluntary and involuntary early terminations from the CBL fund.

There was 1 voluntary early CBL termination by Enexis in 2010 (2 transactions), which explains why the values of the CBL obligations as stated below declined further in that year.

At 31 December 2010, total equity exposure on the remaining grid CBL (i.e. the amount that would be payable in case of early termination) was USD 26.9 million (31 December 2009: USD 86.1 million). Part of this amount is covered by separate financial instruments (portfolio investments) at a value depending on the time of any early termination. The value of these instruments at 31 December 2010 was estimated at USD 16.9 million (31 December 2009: USD 52.4 million).

The contractually agreed CBL rental obligations for the coming years can be broken down as follows:

	2011	2012	2013	2014	2015 >	total
CBL rental obligations	9.6	3.6	3.6	3.6	29.2	49.6

Amounts in millions of US dollars.

For the remaining CBL contract rights of pledge and other security rights were granted on the underlying assets. At 31 December 2010 these assets had a carrying amount of about EUR 17 million (31 December 2009: EUR 42 million).

Under the terms of the CBL contract, Letters of Credit and/or other guarantees were issued for the benefit of specific CBL contracting parties when the CBLs were concluded. At 31 December 2010, financial institutions had issued Letters of Credit to the value of approximately USD 11.8 million for the grid CBL in favour of contracting parties. At year-end 2009 the value of issued LCs for grid CBLs was about USD 34 million.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Remuneration of the Management Board

The salaries of the members of the Management Board of Enexis Holding N.V. are shown on the basis of the individually agreed contracts. It was decided in consultation with the General Meeting of Shareholders that, pending the finalisation of the proposed Act Standardising Publicly Financed Remuneration of Top Executives (Wetsontwerp normering uit publieke middelen gefinancierde beloning topfunctionarissen) submitted to the Dutch Parliament for review in January 2011, no remuneration policy for the members of the Management Board would be drawn up.

The new chairman of the Management Board, Mr. Fennema, who took office on 1 September, has therefore been appointed by the General Meeting of Shareholders, after consultation with the Shareholder Committee, for a 2-year period on the basis of a temporary contract of employment. The duration of this temporary contract is until 1 August 2012, with the option of renewal by Mr. Fennema in line with the remuneration policy which may by then have been defined. The contract of employment with Mr. Fennema provides for a basic annual salary of EUR 290,000 (including vacation allowance) and no variable income.

The increase in the remuneration of Mr. Oudejans in 2010 compared with 2009 (4.91%) reflects the contractual agreements about the development of his salary. The basic annual salary of Mr. Oudejans in 2010 under his contract of employment was EUR 209,423 (including vacation allowance), with a maximum variable income of 35% of the basic annual salary.

The basic annual salary of Mr. Levelink in 2010 under his contract of employment was EUR 252,178, with a maximum variable income of 35% of the basic annual salary.

The table below illustrates the developments in the remuneration of the Management Board members. The table shows the remuneration based on performance during the year. For the annual variable income the year shown is the year to which the income relates. The table shows the remuneration of the members of the Management Board in 2010 on the basis of the gross salary (including social security charges). Previous annual reports showed salaries excluding social security charges. The comparative figures for 2009 have been adjusted accordingly.

Amounts in euros.

	2010	2009
J.J. Fennema[1]		
Basic salary (including vacation allowance)	120,834	
Employer's contributions[4]	3,341	
Pension costs[2]	19,658	
	143,833	
H.J. Levelink[3]		
Basic salary (including vacation allowance)	168,118	249,065
Employer's contributions[5]	16,687	3,553
Variable income[6]	50,015	63,213
Pension costs[2]	31,458	47,085
	266,278	**362,916**
I.M. Oudejans		
Basic salary (including vacation allowance)	209,423	199,619
Employer's contributions[7]	10,808	10,367
Variable income[8]	54,178	50,663
Pension costs[2]	32,946	31,429
	307,355	**292,078**
Total	**717,466**	**654,994**

In addition to the above remuneration, the members of the Management Board receive a fixed annual expenses allowance of EUR 3,600 for Mr. Fennema and Mr. Levelink and EUR 3,300 for Mr. Oudejans.

For footnotes, please see page 108.

1. The employment of Mr. Fennema relates to the period 1 August to 31 December 2010.
2. Relates to employer's contribution to the pension scheme as charged by the pension fund; the employee's contribution is not included.
3. The employment of Mr. Levelink relates to the period 1 January to 31 August 2010. The variable income for 2010 and the variable income for 2009 were paid in 2010.
4. The employer's contributions for Mr. Fennema in 2010 were EUR 3,341 (EUR 967 employer's contribution to the 'levensloop' (unpaid leave) scheme, and EUR 2,374 employer's contribution to social security charges).
5. The employer's contributions for Mr. Levelink in 2010 were EUR 16,687 (EUR 2,476 employer's contribution to social security charges, EUR 12,935 payment for remaining hours of leave, EUR 1,035 vacation allowance over paid hours of leave, and EUR 241 employer's contribution to health insurance).
6. The variable income of Mr. Levelink in 2010 was set at 85% of his maximum achievable variable income of 35%, based on an estimate of the outcome of the Balanced Scorecard on his date of retirement.
7. The employer's contributions for Mr. Oudejans in 2010 were EUR 10,808 (EUR 6,269 employer's contribution to social security charges, EUR 3,769 employer's contribution to the 'levensloop' (unpaid leave) scheme, EUR 680 flexbudget and EUR 90 health budget).
8. The variable income of Mr. Oudejans in 2010 was set on the basis of the outcome of the Enexis Balanced Scorecard for 2010 at 73.9% of his maximum achievable variable income of 35%.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is based on the accepted system of compensation and benefits based on conformity with market practice. From July 2010 the annual remuneration for 2010 is: chairman EUR 24,944, member EUR 16,900. Additional annual payments are made for committee membership, and from July 2010 these are: chairman 5,075, member EUR 4,568. The remuneration is adjusted annually on 1 July based on the median general collective increases as stated in the HAY compensation report.

The table below provides an overview of developments in the remuneration of the individual members of the Supervisory Board, broken down by board and committee membership.

Amounts in euros.

Name	Membership	Committee	Total remuneration 2010	Total remuneration 2009
D.D.P. Bosscher	24,760	5,038	29,798	27,288
F.J.M. Houben	16,775	4,534	21,309	20,325
W.M. van Ingen	16,775	4,534	21,309	20,325
J.A.M. Theeuwes	16,775	5,038	21,813	20,825
R. de Jong	16,775	4,534	21,309	20,325
Total	**91,860**	**23,678**	**115,538**	**109,088**

In addition to the above remuneration, the members of the Supervisory Board receive a fixed annual expenses allowance of EUR 2,000 for the chairman and EUR 1,500 for the members.

REPORT BY THE INDEPENDENT AUDITOR

To: the Annual General Meeting of Shareholders and the Supervisory Board of Enexis Holding N.V.

The accompanying condensed financial statements, which comprise the condensed income statement, the condensed balance sheet as at 31 December 2010, the condensed cash flow statement and the condensed statement of changes in equity, and related notes, are derived from the audited financial statements of Enexis Holding N.V. for the year ended 31 December 2010. We expressed an unqualified audit opinion on those financial statements in our report dated 28 March 2011. Those financial statements, and the condensed financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements. The condensed financial statements do not contain all the disclosures required by the International Financial Reporting Standards and Part 9, Book 2 of the Dutch Civil Code. Reading the condensed financial statements, therefore, is not a substitute for reading the audited financial statements of Enexis Holding N.V.

Management's responsibility

Management is responsible for the preparation of a summary of the audited financial statements on the bases of the accounting policies as described in the Financial statements of Enexis Holding N.V.

Auditor's responsibility

Our responsibility is to express an opinion on the condensed financial statements based on our procedures, which were conducted in accordance with Dutch Law, including the Dutch Standard on Auditing 810 "Engagements to report on summary financial statements".

Opinion

In our opinion, the condensed financial statements derived from the audited financial statements of. Enexis Holding N.V. for the year ended 31 December 2010 are consistent, in all material respects, with those financial statements, in accordance with the accounting policies as applied in the Financial statements for 2010 of Enexis Holding N.V.

Maastricht, the Netherlands
28 March 2011

Ernst & Young Accountants LLP

was signed P.L.C.M. Janssen

APPROPRIATION OF PROFIT

Provisions in the Articles of Association governing profit appropriation

In accordance with the Articles of Association, the profit, insofar as not qualified as retained earnings, will be at the disposal of the General Meeting of Shareholders (Article 36.2).

Under the unbundling plan, at least 70% (seventy per cent) of the profit achieved for the financial years 2009 and 2010, if any, is required to be retained (Article 36.6). The basis for the dividend to be paid is the distributable profit after tax and excluding material non-cash book profits.

Proposed appropriation of profit for 2010

The income statement shows a profit for the year of EUR 193.7 million.
Making allowance for the retained earnings requirement, profit is proposed to be appropriated as follows:

Amounts in millions of euros.	2010	2009
Profit for the year	193.7	263.1
Addition to General Reserve	135.6	184.2
Proposed dividend distribution	**58.1**	**78.9**

The proposed dividend distribution for 2010 is EUR 0.39 per share (2009: EUR 0.53).
The proposed appropriation of profit has not been recognised in the balance sheet as at 31 December 2010.

EVENTS AFTER THE BALANCE SHEET DATE

Enexis and Intergas Holding reached provisional agreement on 25 January 2011 about the acquisition of Intergas Energie B.V., owner and operator of the gas distribution grid in the central and western parts of the province of Noord-Brabant, with approximately 148,000 connections. The acquisition sum, based on the enterprise value, is EUR 200 million, which will be financed by Enexis out of its available cash position. Intergas had revenues of almost EUR 30 million in 2009, and has more than 60 employees.

Approval of the planned acquisition is still required from the shareholders or their representatives and the Works Councils of both parties, the Minister of Economic Affairs, Agriculture and Innovation and possibly also the Netherlands Competition Authority (NMa). The aim is for the transaction to be completed by end-May 2011.

CORPORATE SOCIAL RESPONSIBILITY

Enexis is making its first structural report in accordance with the applicable guidelines on its corporate social responsibilities.

This Annual Report contains the first structural report by Enexis on Corporate Social Responsibility (CSR). This underlines the importance we place on anchoring CSR in our operations as a part of our efforts towards reliable, affordable and sustainable energy supplies. In preparing this sustainability report, we made intensive use of the reporting guidelines of the Global Reporting Initiative (GRI).

The Global Reporting Initiative is a global non-profit organisation that aims to contribute to clearer and better comparable corporate reporting. Just as in financial reporting, these reports on economic, ecological and social performance must meet specific requirements. GRI provides organisations with the principles and indicators to use in measuring and reporting on their economic, ecological and social activities. Together, they form the basis for preparing sustainability reports.
For more information about indicators and standards, please see www.globalreporting.org.

Using the GRI guidelines, we have assessed the activities and results of Enexis and concluded that the company complies – on more than 20 performance indicators – with the GRI B standard. Because sustainability is fully integrated in the operations of Enexis, the various indicators used in sustainability reporting are referred to throughout this Annual Report. The GRI index on pages 116 and 117 shows where the indicators can be found, and can thereby serve as a reader's guide.

A central and important aspect of the environmental reporting is the footprint. This shows the greenhouse gas emissions of Enexis. The Enexis footprint is shown graphically on pages 38 and 39. Some of the indicators used in the GRI report are so specific that they are included in this separate 'Corporate Social Responsibility' section, divided over three themes: Employees, Customers and Markets, and Environment.

"ENEXIS COMPLIES WITH THE GRI B STANDARD ON MORE THAN 20 PERFORMANCE INDICATORS."

PART 1: EMPLOYEES

Composition of the workforce

Enexis operates in a number of regions in the Netherlands. The table below shows the origins of employees based on their place of residence.

Country	Province	Temporary	Permanent	Total
Belgium		1	7	**8**
Germany		–	4	**4**
Netherlands				
	Drenthe	3	211	**214**
	Flevoland	–	7	**7**
	Friesland	7	153	**160**
	Gelderland	3	26	**29**
	Groningen	21	566	**587**
	Limburg	27	991	**1,018**
	Noord-Brabant	98	1,201	**1,302**
	Overijssel	41	683	**724**
	Utrecht	–	3	**3**
	Zeeland	–	3	**3**
	Zuid-Holland	–	2	**2**
Total		201	3,860	4,061

Total workforce subdivided by type of employment contract and region.

Central labour agreement and salaries

95% of employees are covered by the CAO (central labour agreement) for the energy industry. Under this agreement, Enexis follows an income table providing starting salaries at competitive market levels. The average salaries are EUR 3,120 for female employees and EUR 3,577 for male employees. The difference is partly due to the lower average age of female employees, and partly due to the lower function classification of the type of work done by women. Enexis observes the periods of notice of termination as laid down in the Netherlands Civil Code.

Training in human rights

Enexis places great importance on training and development of its employees. The average time spent by employees on training in 2010 was 40 hours. This included no specific training dealing with the various aspects of human rights. Risk of incidents in this area within the core activities is very low. However a new code of behaviour for employees was drawn up in which special attention is given to acting ethically. This guideline was completed at the end of 2010.

PART 2: CUSTOMERS AND MARKETS

New connections

The Dutch Electricity Act means grid operators are obliged to connect new customers. Grid operators have fixed, exclusive service areas, within which they have to provide new connections to all those who ask for them.
The same does not yet apply to gas connections, although this will probably be the case in the near future on the basis of a revised Gas Act. However there will be no obligation to provide new connections in areas where it would not be cost-effective to do so, nor in locations where district heating is provided.

The services of Enexis are subject to General Terms and Conditions, to which reference is made in all quotations sent out to customers. These General Terms and Conditions can be found at http://www.enexis.nljsiteivoorwaardenisitevoorwaardenialgemene _ voorwaarden.jsp and are available on request from customer service.

Enexis acts and supplies energy in accordance with General Terms and Conditions which are easily accessible to customers and can be sent on request.

Communication

New legislation relating to digital mailings to customers came into effect in 2010. Since then customers must give specific permission to companies to send them (digital) mailings. Enexis has implemented this legislation in its marketing communications by means of an opt-in facility, in which customers must explicitly state their wish to receive mailings from Enexis in the future.

"ENEXIS EMPLOYEES FOLLOWED AN AVERAGE OF 40 HOURS OF EDUCATION OR TRAINING IN 2010."

PART 3: ENVIRONMENT

Subsidies

Enexis made use of a number of subsidy schemes in 2010. One of these is 'ESF 2007-2013 action D' (European Social Fund), aimed at improving the position of people with a low education level on the employment market. Under certain conditions, this scheme allows up to 40% of training costs to be subsidised.

In addition, Enexis is eligible for an EOS subsidy (Energy Research Subsidy) from the Ministry of Economic Affairs, Agriculture and Innovation. This subsidy is granted for projects relating to the broadening of knowledge about energy efficiency and sustainable energy in the Netherlands.

For the planned energy-neutral new building projects in Maastricht and Venlo, Enexis is making efforts to qualify for the applicable EIA and MIA subsidy schemes (Energy and Environmental Investment Deduction).

The subsidies which Enexis aims to use are largely for sustainable initiatives.

Compliance with legislation

Market access has for many years been laid down in regulations and legislation. Enexis is not currently involved in any legal proceedings relating to disputes about market access. Enexis has not received any fines and/or sanctions for failure to comply with regulations and legislation.
No registered sanctions or fines are known to have been imposed in 2010 for violations of environmental legislation, nor were there any significant waste discharges.

CO_2 footprint quality assessment:

The footprint of Enexis (see pages 38 and 39) has been validated by Ecofys. Ecofys is a leading independent knowledge and innovation company with activities in the fields of sustainable energy, energy efficiency and climate change. Based on its audit, Ecofys issued the following statement:
Ecofys has independently validated the greenhouse gas footprint of Enexis on the aspects of scope, calculation and methodology, documentation and procedures and reporting, and the final assessment is positive.
The mandatory scope 1 and scope 2 greenhouse gas emissions in accordance with the GHG Protocol have been completely and correctly calculated. The optional scope 3 emission sources which are currently included by Enexis are based entirely on actual measured data.

ECOFYS

GRI INDEX

Indicator	Description	Page
EU3	Number of domestic and business connections	21
EU4	Length of transport and distribution lines	21
EU6	Short- and long-term capacity planning for availability and reliability of the electricity grid	23
EU15	Percentage of employees eligible for pension scheme after 5 and 10 years by function group and region	61
EU16	Policy and conditions relating to health and safety of employees and (sub) contractors	41
EU21	Emergency plans, training programmes and plans for damage repair	25/68
EU24	Measures to prevent problems due to language, culture, low literacy levels and handicapped employees, to support access to and promotion of safe energy usage	47
EU26	Non-connected percentage of the population in the service area	114
EU28	Failure frequency	24
EU29	Average failure duration	24
EC4	Significant financial support by government	115
EC5	Proportion of standard starting salary and local minimum wage	113
EC7	Procedures for local recruitment and proportion of top management at important branch locations recruited from the local community	62
EN1	Total amounts of materials used by weight or volume	37
EN3	Direct energy consumption by primary energy source	38/39
EN4	Indirect energy consumption by primary energy source	38/39
EN6	Initiatives for energy efficiency or products and services based on sustainable energy, plus reductions in energy requirements as a result of these initiatives	29/30/31/ 50/51
EN7	initiatives to reduce indirect energy consumption and reduction already achieved	37
EN8	Total water consumption from each source	38
EN16	Total direct and indirect greenhouse gas emissions by weight	37
EN17	Other relevant indirect greenhouse gas emissions by weight	38/39
EN18	Initiatives to reduce greenhouse gas emissions and reductions already achieved	36/37
EN19	Emissions of ozone-depleting substances by weight	38/39
EN22	Total weight of wastes by type and method of disposal	37
EN23	Total number and volume of significant discharges	115
EN28	Monetary value of significant fines and total non-monetary sanctions for non compliance with environmental regulations and legislation	115
EN29	Significant environmental consequences of the transport of products and other goods and materials used for the activities of the organisation and the transport of personnel	38/39
LA1	Total workforce subdivided by type of contract of employment and region	113
LA4	Percentage of employees covered by a collective labour agreement	113
LA5	Minimum period(s) of notice in relation to operational changes, including whether this is specified in collective agreements	113

Indicator	Description	Page
LA6	Percentage of total workforce represented in formal collective ARBO (Occupational Health & Safety) committees of employers and employees that contribute to the monitoring of and advising on ARBO programmes	64
LA7	Figures on injuries, occupational sickness, lost working days and absence and the number of work-related fatalities for each region	42
LA10	Average number of training hours per employee per year, subdivided by employee category	63
LA14	Ratio of male and female employee salaries for each employee category	113
HR1	Percentage and total number of significant investment agreements containing clauses about human rights or for which the observation of human rights has been checked	36
HR3	Total number of hours of employee training on policy and procedures relating to aspects of human rights that are relevant to the activities, including the percentage of employees that have followed the training	113
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impact of operations on communities, including entering, operating and exiting	8/58
SO5	Viewpoints relating to public policy and participation in its development, including lobbying	36
SO7	Total number of legal proceedings in relation to market access with their results	115
SO8	(Monetary value of) fines and sanctions for non-compliance with regulations and legislation	115
PR3	Types of product and service information required by procedures and the percentage of significant products and services subject to such information requirements	114
PR5	Policy relating to customer satisfaction, including results of customer satisfaction surveys	44
PR6	Programmes for the observation of legislation, standards and voluntary codes relating to marketing communications, including advertising, promotions and sponsoring	114

PERSONAL DETAILS

MANAGEMENT BOARD

Han Fennema

Chairman/CEO, Enexis Holding N.V.

Hans Fennema (12 September 1964) has been Chairman/CEO of Enexis Holding N.V. since 1 September 2010. He is also a board member of Enexis B.V. Mr. Fennema has held a number of positions in the energy world. At Exxon Mobil he held a number of positions in the fields of ICT, finance, logistics and joint venture management. After that he was director of strategy at Eneco Holding, and subsequently statutory director of Eneco Netbeheer. After that he was a member of the Management Board and COO of Eneco Energie. Mr. Fennema is a member of the management committee of the e-laad.nl foundation.

René Oudejans

CFO, Enexis Holding N.V.

René Oudejans (27 October 1961) has been a member of the Management Board and CFO of Enexis Holding N.V. since April 2008. Mr. Oudejans has held a range of financial positions, including those of corporate controller of Unisource Group and financial director Europe of Global Crossing and Cable & Wireless Global Europe, before moving to the energy world. From November 2003 he was finance manager of the former Essent Retail, and from May 2006 to March 2008 he was director of corporate finance & control of Essent N.V. Mr. Oudejans has also been a member of the Supervisory Board of Ziut B.V. since 2009.

SUPERVISORY BOARD

D.D.P. Bosscher

Mr. Bosscher (30 January 1945) has been Chairman of the Supervisory Board since 2008, and is due to retire in 20102. Mr. Bosscher is also Chairman of the Remuneration and Selection Committee. He is former Technology & Development Director of Sappi Fine Paper plc and has Dutch nationality.

F.J.M. Houben

Mr. Houben (19 February 1939) was reappointed as a member of the Supervisory Board in 2008, and is due to retire in 2012. He is a member of the Remuneration and Selection Committee. Mr. Houben was the Queen's Commissioner for the province of Noord-Brabant. He is also Chairman of the Health Insurance Complaints and Disputes Committee (Stichting Klachten en Geschillen Zorgverzekeraars). He has Dutch nationality.

W.M. van Ingen

Mrs. Van Ingen (1 March 1958) was appointed as a member of the Supervisory Board in 2008, and is due to retire in 2012. She is a member of the Audit Committee. Mrs. Van Ingen is a board member of the law firm Nysingh advocaten - notarissen N.V. She is also Supervisory Director of FC Twente football club and Supervisory Director of Rabobank Apeldoorn en Omgeving, President of the Fanny Blankers-Koen Games and Vice-President of IKT (Twente Industrial Circle). She has Dutch nationality.

R. de Jong

Mr. De Jong (24 September 1948) was appointed as a member of the Supervisory Board in 2008, and is due to retire in 2012. He is a member of the Audit Committee. Mr. De Jong was formerly CFO of Essent N.V., and is also Chairman of the Supervisory Board of EAH Holding B.V. (Thialf speed skating oval), Supervisory Director of USG People N.V., Supervisory Director of APX-ENDEX, board member of Stichting Aandelenbeheer BAM Groep, and member of the Supervisory Committee of the Guarantee Fund for the Healthcare Sector (Waarborgfonds voor de Zorgsector). He has Dutch nationality.

J.A.M. Theeuwes

Mr. Theeuwes (17 April 1944) was reappointed as a member of the Supervisory Board in 2007, and is due to retire in 2011. He is Vice-Chairman of the Supervisory Board and Chairman of the Audit Committee. Mr. Theeuwes is Emeritus Professor of Business Economics at Eindhoven University of Technology, and director of Thema Holding B.V. He is also a board member of the Foundation for Business Administration Courses (Stichting Leergang Bedrijfskunde), board member of the Art and Culture Foundation (Stichting Kunst en Cultuur), member of the Advisory Committee of the Foundation for Industrial Policy and Communication (Stichting voor Industriebeleid en Communicatie) and Chairman of the Advisory Board of Every Angle Software Solutions B.V. He has Dutch nationality.

SUPERVISORY BOARD COMMITTEES

J.A.M. Theeuwes - Chairman
W.M. van Ingen
R. de Jong

Remuneration and Selection Committee
D.D.P. Bosscher - Chairman
F.J.M. Houben

SHAREHOLDER COMMITTEE

The Shareholder Committee consists of delegates from provinces and municipalities. Its members are appointed by the General Meeting of Shareholders.

C.W. Jacobs, Member of the Provincial Executive of Noord-Brabant
T.W. Rietkerk, Member of the Provincial Executive of Overijssel
J.W.M.M.J. Hessels, Member of the Provincial Executive of Limburg
W.J. Moorlag, Member of the Provincial Executive of Groningen, representative of Drenthe and Flevoland
J.H. van der Laan, Mayor of Noorderveld (VEGANN)*
A.M.J. Cremers, Mayor of Beek (VEGAL)**
L.W.L. Pauli, Alderman, Municipality of 's-Hertogenbosch, representative of Brabant municipalities

* Retired on 26/10/2010; deputised by B. Arends, Alderman, Municipality of Emmen

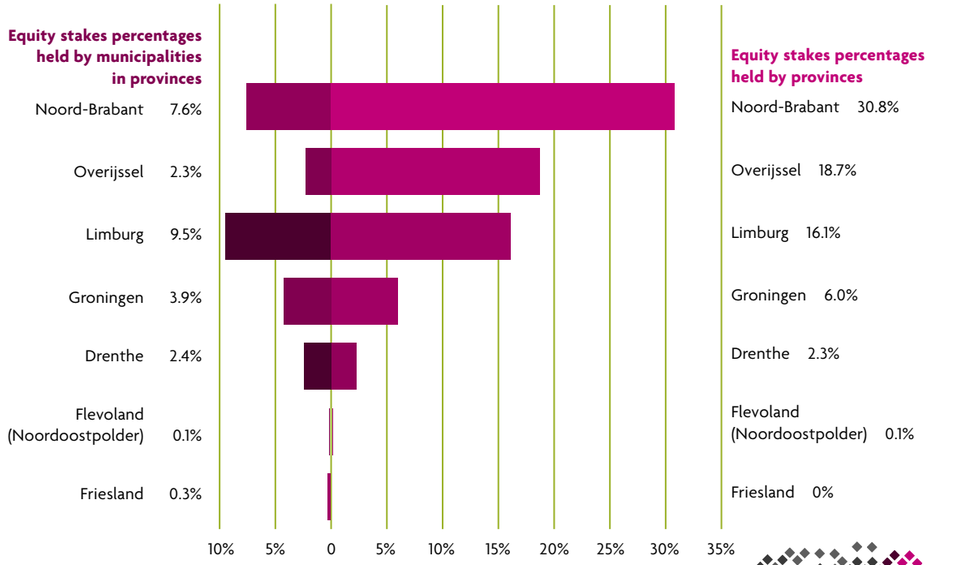
** Retired on 23/11/2010; deputised by C.A.M. Hanselaar-van Loevezijn, Mayor of Roerdalen

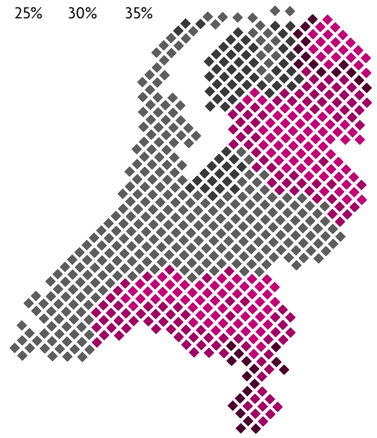
WORKS COUNCIL

W. Camfferman, Chairman
J.F.N.M. Custers, Official Secretary
A.R. van den Bos, Secretary
E.H.J.M. Verhoeven, Deputy Chairman
P.J.M. Doreleijers, Deputy Secretary
G.H.M. van Bragt (until 30 March 2010)
W. van Broeck (until 30 March 2010)
D.J. Brokken
G.J. van Diggelen
J.J.H.J. Haans
L.J.W.R. Hamers (from 21 January 2010 to 30 March)
H.J. Helfferich (from 21 January 2010 to 30 March)
H.B. Hulzebosch
A.C.M. ter Laare
A.B.P.F. Marcelis (until 30 March 2010)
Y. van Nielen (from 8 April 2010)
H. Reinders (until 30 March 2010 and from 18 May 2010)
C.S. Scholten (from 8 April 2010)
F.E.M. Schonewille
J.A.W. Sluyter (from 8 April 2010)
A.G. Snijder (from 8 April 2010)
L.S.R. Venema (until 30 March 2010)
A.J.M. Vollenbroek
P.W. Weldam
A. Woldinga
P.J.A. Wijsman (from 8 April 2010 to 17 May 2010)

APPENDIX

Equity stakes in ENEXIS held by municipalities and provinces





ENEXIS

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