ENEXIS
ENERGIE IN GOEDE BANEN

Consolidated financial statements

Enexis B.V.

2014

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Introduction

Enexis Holding N.V. has issued a 403 statement for the financial statements of Enexis B.V. based on Section 403, Book 2, of the Dutch Civil Code. Therefore, Enexis B.V. is exempt from the obligation to publish its financial statements and its obligation to file financial statements has been fulfilled by means of the publication of the declaration of consent and the declaration of liability.

The consolidated financial statements of Enexis B.V. are included in the consolidated financial statements of Enexis Holding N.V. Ernst & Young Accountants LLP issued an unqualified audit opinion with respect to the consolidated financial statements of Enexis Holding N.V. on 6 March 2015.

Enexis B.V. must comply with the obligation to make the consolidated financial statements of Enexis B.V. available for inspection at the offices of Enexis B.V. This obligation follows from Article 18 of the Electricity Act 1998 and Article 10d of the Gas Act. In addition, Enexis B.V. must prepare its consolidated financial statements for the rating agencies for its credit rating. The consolidated financial statements of Enexis B.V. do not concern unabridged financial statements.

In order to obtain a complete picture of the financial position of Enexis B.V., the financial statements of Enexis Holding N.V. must also be examined.

The English version of the consolidated financial statements of Enexis B.V. is a translation of the Dutch version. The leading version of the consolidated financial statements is the Dutch version.

Key figures I

amounts in millions of euros		2014	2013	2012	2011	2010
Result						
Net-revenue		1,337.7	1,322.6	1,317.1	1,268.3	1,155.9
Cost of sales		243.0	229.7	235.8	239.0	218.7
Gross profit		1,094.7	1,092.9	1,081.3	1,029.3	937.2
Other operating income		20.9	18.8	14.9	12.1	12.0
Operating expenses excluding depreciation and impairments		413.6	426.5	439.9	397.1	383.6
Depreciation and impairments		300.0	288.8	281.3	264.6	241.8
Operating profit		402.0	396.4	375.0	379.7	323.8
Share of result of associates		1.3	1.3	1.5	2.2	2.1
EBIT [1]		403.3	397.7	376.5	381.9	325.8
Financial income and expenses		-76.6	-103.5	-87.7	-87.5	-90.7
Profit before tax		326.7	294.2	288.8	294.4	235.2
Profit for the year		244.9	221.0	224.0	221.0	173.9
Financial position (before profit appropriation)						
Net working capital [2]		-115.4	-102.1	-165.1	-204.6	-134.4
Non-current assets		5,852.8	5,701.3	5,608.6	5,415.6	4,984.4
Capital employed [3]		5,135.4	5,049.3	4,953.9	4,798.9	4,851.2
Equity		3,425.8	3,291.3	3,185.0	3,045.9	2,877.1
Total assets		6,186.2	5,994.2	6,338.4	6,224.3	5,803.2
Ratios						
Solvency [4]	%	55.4	54.9	50.2	48.9	49.6
ROIC [5]	%	7.9	7.9	7.6	8.0	6.7
Return on equity [6]	%	7.1	6.7	7.0	7.3	6.0
Cash flow						
Cash flow from operating activities		542.8	430.5	497.9	504.8	522.9
Cash flow from investing activities		-410.8	-269.5	-252.7	-512.3	-301.5
Cash flow used in financing activities		-101.1	-120.0	-254.6	-50.8	-54.7
Cash flow		30.9	41.0	-9.4	-58.3	166.7

1. EBIT = Earnings before interest and taxes (EBT).
2. Net working capital = Total current assets (excluding cash and cash equivalents, excluding current financial fixed assets and excluding deposits) less current liabilities (excluding interest-bearing liabilities, excluding prepayments to be amortised in the next year and excluding derivatives).
3. Invested capital = Fixed assets less prepayments (non-current and current) plus net working capital.
4. Solvency = Equity divided by the balance sheet total x 100%.
5. ROIC = EBIT divided by the invested capital at year-end.
6. Return on equity = Profit for the year divided by equity at year-end.

Key figures II

	2014	2013	2012	2011	2010
Pathway lenghts (x 1,000 km)					
Electricity grid	137.2	135.2	134.2	133.3	132.3
Low voltage	92.8	90.8	90.0	89.4	88.8
Medium voltage	44.4	44.3	44.1	43.8	43.5
Intermediate voltage	0.1	0.1	0.1	0.1	0.1
Gas grid	44.7	44.8	44.8	44.6	41.3
Low pressure	35.7	35.8	35.8	35.6	32.8
High pressure	9.0	9.0	9.0	9.0	8.4
Stations (x 1,000)					
Electricity stations	53.0	52.9	52.7	52.5	52.1
Gas stations	24.5	24.6	24.6	24.7	24,1 [1)]
Number of connections (x 1,000)					
Electricity	2,683	2,672	2,662	2,648	2,631
Gas	2,083	2,079	2,074	2,068	1,908
Transported volumes					
Electricity (GWh) [2)]	34,050	34,900	35,043	35,079	34,858
Gas (Mm^3) [1)]	5,111	6,510	6,350	5,788	6,959
Of which biogas [2)]	37.0	34.0	21.1	10.9	8.0
Product quality					
Outage duration electricity (in minutes)	17.7	23.6	21.6	18.9	25.1
High voltage	0.6	0.1	0.1	1.1	3.8
Medium voltage	12.2	17.8	15.2	11.9	15.2
Low voltage	4.8	5.7	6.3	5.9	6.2
Outage duration gas (in seconds)					
Gas	89.5	50	36	69	43
Customer satisfaction					
Low-volume customers	8.0	8.1	7.9	7.9	7.9
High-volume customers	7.5	7.4	7.3	7.2	7.2
Total	7.8	7.8	7.6	7.6	7.6
Employees					
Number of employees at end of year	3,985	3,966	3,908	3,792	-

1. As from 2010, gas stations that are not operational are not included in the count.
2. The transmitted amount of electricity concerns an estimate based on the figures of November and the transported amount of biogas concerns an estimate based on the figures of October.

Consolidated income statement*

amounts in millions of euros	2014		2013	
Net-revenue from the supply of goods and services		1,337.7		1,322.6
Cost of sales		243.0		229.7
Gross margin		**1,094.7**		**1,092.9**
Other operating income		20.9		18.8
Gross margin plus other operating income		**1,115.6**		**1,111.7**
Employee benefits expenses	260.6		263.4	
Depreciation and impairments	300.0		288.8	
Cost of work contracted out, materials and other external expenses	129.1		139.8	
Other operating expenses	23.9		23.3	
Total operating expenses		**713.6**		**715.3**
Operating profit		**402.0**		**396.4**
Share of result of associates		1.3		1.3
Financial income	2.8		6.3	
Financial expenses	79.4		109.8	
Financial income and expenses		**-76.6**		**-103.5**
Profit before tax		**326.7**		**294.2**
Corporate income tax expense		81.8		73.2
Profit for the year		**244.9**		**221.0**

* The consolidated financial statements of Enexis B.V. are not full financial statements. To gain a complete picture of the financial position of Enexis B.V. the financial statements of Enexis Holding N.V. should also be read.

Consolidated balance sheet*

(before profit appropriation proposal)

amounts in millions of euros	31 December 2014	31 December 2013
Assets		
Property, plant and equipment	5,731.3	5,576.2
Intangible assets	106.8	110.8
Associates	12.5	12.4
Other financial assets	2.2	1.9
Non-current assets	**5,852.8**	**5,701.3**
Inventories	20.4	22.1
Receivables	171.3	174.4
Other financial assets (current)	110.0	85.0
Cash and cash equivalents	31.7	11.4
Current assets	**333.4**	**292.9**
Total assets	**6,186.2**	**5,994.2**

amounts in millions of euros	31 December 2014	31 December 2013
Liabilities		
Issued and paid-up share capital	-	-
Share premium reserve	1,392.6	1,392.6
General reserve	1,788.3	1,677.7
Profit for the year	244.9	221.0
Equity	**3,425.8**	**3,291.3**
Non-current interest-bearing liabilities	1,747.4	1,750.5
Non-current provisions	64.1	65.9
Advanced contributions for the installation of grids and connections	587.7	537.2
Non-current liabilities	**2,399.2**	**2,353.6**
Trade and other payables	294.3	286.0
Current interest-bearing liabilities	39.9	38.0
Current provisions	12.8	12.6
Advanced contributions to be amortised in the following year	14.2	12.7
Current liabilities	**361.2**	**349.3**
Total liabilities	**6,186.2**	**5,994.2**

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Consolidated cash flow statement*

amounts in millions of euros	2014		2013	
Profit for the year	244.9		221.0	
Depreciation and impairments	300.0		288.8	
Amortised contribution for installation of grids and connections	-13.6		-12.1	
Balance of amounts allocated to, charged to and released from provisions, changes in operational working capital and other items	11.5		-67.2	
Cash flow from operating activities		**542.8**		**430.5**
Investments in property, plant, equipment and intangible assets	-451.1		-382.1	
Contributions for installation of grids and connections	65.6		72.4	
Changes in other financial assets	-0.3		0.2	
Increase/decrease deposits	-25.0		40.0	
Cash flow from investing activities		**-410.8**		**-269.5**
Cash flow before financing activities		**132.0**		**161.0**
Changes interest-bearing liabilities	9.4		-5.3	
Dividend paid out and share premium deposit	-110.5		-114.7	
Cash flow from financing activities		**-101.1**		**-120.0**
Total cash flows		**30.9**		**41.0**
Cash and cash equivalents minus amounts owed to credit institutions at the beginning of the financial year		-12.9		-53.9
Cash and cash equivalents minus amounts owed to credit institutions at the end of the financial year		**18.0**		**-12.9**

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The balance of cash and cash equivalents consists of the following items:

amounts in millions of euros	2014	2013
Cash at bank and cash equivalents	31.7	11.4
Amounts owed to credit institutions	-13.7	-24.3
Total	**18.0**	**-12.9**

Consolidated statement of changes in equity*

amounts in millions of euros	Number of ordinary shares	Share capital	Share premium reserve	General reserve	Profit for the year	Total equity
At 1 January 2013	**20,000**	**-**	**1,392.6**	**1,568.5**	**224.0**	**3,185.1**
Profit appropriation for 2012	-	-	-	109.3	-109.3	-
Dividend paid for 2012	-	-	-	-	-114.7	-114.7
Profit for the year 2013	-	-	-	-	221.0	221.0
Subtotal 2013	**-**	**-**	**-**	**109.3**	**-3.0**	**106.3**
At 31 December 2013	**20,000**	**-**	**1,392.6**	**1,677.8**	**221.0**	**3,291.4**
At 1 January 2014	**20,000**	**-**	**1,392.6**	**1,677.8**	**221.0**	**3,291.4**
Profit appropriation for 2013	-	-	-	110.5	-110.5	-
Dividend paid for 2013	-	-	-	-	-110.5	-110.5
Profit for the year 2014	-	-	-	-	244.9	244.9
Subtotal 2014	**-**	**-**	**-**	**110.5**	**23.9**	**134.4**
At 31 December 2014	**20,000**	**-**	**1,392.6**	**1,788.3**	**244.9**	**3,425.8**

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Information on the consolidated financial statements

1. Introduction

Enexis B.V., with its registered office in Rosmalen, the Netherlands, is responsible for the installation, maintenance, operation and development of distribution grids for electricity (cables and mains) and gas (pipelines and mains) and related services.

Enexis B.V. is a Dutch limited liability company of which the shares are wholly owned by Enexis Holding N.V.

The figures included in the consolidated financial statements prepared by Enexis B.V. have been derived from the figures included in the financial statements for 2014 of Enexis Holding N.V.

2. Accounting principles governing the financial reporting

2.1 General

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

2.2 Accounting principles governing the consolidation

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

Group companies are legal entities and companies over which the company can exercise control with regard to the management and the financial policy of these legal entities and companies. Group companies are included in the consolidation from the date on which decisive control is obtained. Group companies are no longer included in the consolidation as from the date on which control ceases to exist. In determining whether control exists, potential voting rights that can be exercised directly are taken into account.

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

The entity concept method is used in the event that an additional interest is acquired in a participation over which the company already exercised control. In this method, changes in the ownership percentage in a group company that do not result in loss of control are processed administratively as equity transactions. Book values of the majority and minority interests are adjusted to show the changes in their relative interests in a group company. Any differences between the amount with which the minority interests are adjusted and the fair value of the paid or received compensation are processed directly in equity and attributed to the owners of the parent company.

The scope of consolidation of Enexis B.V. consists of:

	Registered office	Equity stake held by Enexis B.V. 31-12-2014	Equity stake held by Enexis B.V. 31-12-2013	Structure of division of
Group companies				
Aktivabedrijf Enexis Friesland B.V.	Rosmalen	100%	100%	Enexis B.V.

2.3 Valuation principles and accounting policies relating to the determination of the result

Estimates and assumptions

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

Assumptions and estimates made by the management mainly have an effect on the valuation of tangible and intangible fixed assets, the necessity to recognise impairments of tangible and intangible fixed assets, the necessity to recognise possible impairments of debtors, the valuation of provisions, and the reporting of the net revenues due to meter readings spread out over the year and regulation.

Currency

Assets and liabilities in foreign currency are converted at exchange rates prevailing on the balance sheet date. Transactions in foreign currencies are converted at the exchange rate applying on the transaction date. The resulting exchange rate differences are credited to or debited from the result. Monetary items are converted at the year-end exchange rate.

Offsetting

Offsetting of asset and liability items takes place per counter party if there is a contractual right to offset the recognised amounts and if there is the intention to offset the recognied amounts. If the intention or the actual execution of the offsetting is lacking then it is determined per contract whether this concerns an asset or a liability item.

Presentation

The operating expenses are presented in the income statement according to a categorical division.

Revenue

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

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

The amount of revenue from the distributed energy is regulated by the Netherlands Authority for Consumers and Markets (ACM) and is determined on the basis of the invoiced grid charges plus the estimate of the still to be invoiced grid charges minus the estimate of the still to be invoiced grid charges at the end of the previous reporting period.

Cost of sales
This item recognises the purchasing costs that are directly attributable to the net revenue, i.e. the costs of transmission services, system services and grid losses.

Subsidies
Investment subsidies are deducted from the acquisition costs of the asset concerned and credited to the result based on the useful life of the asset. Operating subsidies are recognised in the result in the period to which they relate. Subsidies are only recognised if the receipt of these subsidies can be determined with reasonable certainty.

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

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

Operating expenses
Expenses are allocated to the financial year to which they relate. Any expenses directly attributable to the company's investment projects and capitalised as such (mainly the costs of the company's own personnel and material costs) are deducted from the relevant cost categories.

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

Property, plant and equipment
Property, plant and equipment (tangible fixed assets) are carried at cost or (internal) manufacturing price, less contributions received (up to 2008 amounts were not recognised as seperate liabilities) and less depreciation charges calculated over this value and any impairments.

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

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

	Period
Estimated useful lives	
Buildings	25-50 years
Cables, pipelines and equipment	25-55 years
Other non-current assets en vans	7 years
Tools and equipment	5 years
Meters (excl. software)	15 years

Intangible fixed assets

The intangible fixed assets consist mainly of application software costs.

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

Depreciation takes place in accordance with the straight-line method. The expected future useful life is taken into account in determining the depreciation. The useful life is assessed each year. Any adjustments are recognised prospectively.

Goodwill is the difference between the acquisition price for the company less the balance of the fair value of identifiable assets and the fair value of the acquired liabilities of the company. Goodwill is carried at cost less any impairment losses. Goodwill is assessed each year for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may be subject to impairment. An impairment of goodwill cannot be reversed.

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

	Period
Estimated useful lives	
Software	5 years
Goodwill	not applicable

Impairments

During the financial year, an assessment is made whether there is any indication that an asset may be impaired. If any such indications exist, an estimate is made of the recoverable amount of the asset. The recoverable amount of an asset is the highest of the fair value less the costs to sell the asset or its value in use. The value in use is determined based on the present value of the expected future cash flows.

An impairment loss is recognised if the carrying amount of an asset, or of the cash-generating unit to which it belongs, exceeds the recoverable amount of the asset concerned. Impairment losses are charged to the result.

An impairment can be reversed if it is established that the assumptions, which were used for determining the recoverable amount at the time, have changed. An impairment is reversed only to the extent that the carrying amount after reversal does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment been recognised for the asset in previous years. The effects of reversing an impairment are credited to the result.

The starting point for the impairment assessment is initially based on the data contained in the strategic plan and the business plan. In this context, the strategic plan is based on an estimate of a number of variables derived from the Netherlands Authority for Consumers and Markets. The realisable value of the regulated segment is also determined based on:

- the figures as specified in the strategic plan and in the business plan up to and including 2025, after which the residual value is assumed;
- two cash flow generating units: the electricity grid and the gas grid;
- a discount rate of 3.86% after taxes based on the risk-free interest rate, a company specific mark-up, leverage ratio, asset beta, equity beta and a market risk premium in line with the regulated activities; and
- the inflation rate.

Associates

The valuation of economic interests that are included in the consolidation takes place based on the net asset value method based on the accounting principles governing the valuation and the determination of the result of Enexis B.V. according to this method, the economic interest is initially valued at cost whereby the carrying amount is increased or decreased after the initial recognition with the share of Enexis B.V. in the result. Dividends received are deducted from the carrying amount.

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

In the event of a possible impairment of an associate, reference is made to the accounting method as included in the paragraph 'Impairments' in the 'Valuation principles and accounting policies relating to the determination of the result'.

Other financial fixed assets

Loans and receivables with a maturity of more than one year are recognised in the other financial fixed assets. The loans provided to associates or to external parties are carried at amortised cost. If necessary a provision in connection with possible uncollectability is formed which is deducted from the carrying amount.

Inventories

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

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

Receivables

In view of the short duration of the (trade) receivables, their fair value corresponds to the nominal value less a value adjustment for possible doubtful debts. Different customer risk profiles are used to determine this value adjustment. The value adjustment for trade receivables is recognised in a separate provision. When it is firmly established that a receivable is not collectable, the receivable is written off and the corresponding provision is debited.

Netting and presentation of trade receivables and advances from low-volume retail and small business customers are based on invoicing categories: a customer categorisation method based on meter readings over time to determine the to be invoices energy consumption.

Other receivables and accrued assets are recognised at nominal value, less a value adjustment for doubtful debts, which is deducted directly from the carrying amount.

Other financial assets (current)

Other current financial assets are carried at amortised cost, which is normally the same as the nominal value, and have a term to maturity of no more than one year.

Cash and cash equivalents

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

Interest-bearing liabilities (non-current)

The non-current interest-bearing liabilities are carried at amortised cost using the effective interest method. These are recognised at nominal value less any transaction costs and these costs are then amortised over the period to maturity of the liability. Repayment obligations on non-current liabilities falling due within one year are presented under current interest-bearing liabilities. Gains and losses on the buying back of interest-bearing liabilities are recognised as financial expenses.

The fair value of the interest-bearing liabilities is determined by discounting the cash flows in connection with the interest-bearing liabilities. Liabilities with a remaining maturity of one year or less are valued at nominal value and the liabilities with a remaining maturity of more than one year are discounted based on a discounting curve that is appropriate for Enexis. If a loan has a higher risk profile, the discounting rate is adjusted based on an additional risk mark up.

Advance contributions for the installation of grids and connections

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

Provisions

Provisions are recognised for obligations enforceable by law or factual obligations of an uncertain amount or timing as a result of past events. If the effect of an obligation is material, the provision is calculated by discounting expected future cash flows at a current discount rate, taking into account any specific risks inherent in the obligation. The present value is calculated, insofar as applicable, using the projected unit credit method. Any resulting actuarial gains and losses are recognised directly in the result.

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

Pension obligations
The pension and early retirement benefits for employees are treated as defined contribution plans in accordance with the valuation principles and accounting policies of Enexis Holding N.V., as there is insufficient information available and the pension funds in question have stated that there is no consistent and reliable method for allocating the obligation, pension fund investments and expenses to the individual participants. The contributions paid in the financial year are recognised in the result.

As a result of the deterioration of its financial position at the end of 2008, the ABP pension fund board initiated a recovery plan at the beginning of 2009 to improve the cover ratio. The board of the ABP decided to terminate the recovery measures (including a recovery mark-up of 3%) as of 2015 and to take recovery measures in the new recovery plan system at the beginning of 2015 as a consequence of the coming into force of the new Financial Assessment Framework (nFTK) on 1 January 2015. In connection with this recovery plan, the board is required to carry out an annual evaluation at the beginning of the year of the progress of the recovery based on the realised cover ratio at the end of the previous year. The cover ratio at the end of 2014 amounted to 101.1% (2013: 105.9%). calculated according to the old method. According to the new legislation (nFTK), pension funds will have to calculate the cover ratio in a different manner. The difference for ABP amounts to 101.1% (old) versus 104.7% (new). The pension contribution for 2015 amounts to 19.6% compared to 21.6% in 2014. The contribution of 19.6% is the sum of the cost-covering contribution for the old age and surviving dependents pension of 18.7% (including the mark-up due to the updating of life expectancy) and a non-recurrent contribution of 0.9% due to the extension of the duration of compensation schemes up to the state retirement benefit age for existing pension payments. The division employer - employee will shift in 2015 from 65.79 : 34.21 to 68 : 32 (and in 2016 to 70 : 30). In determining the contribution for 2015, the changes in the pension scheme coming into effect on 1 January 2015 have been taken into account in connection with the changes in the fiscal framework (adjustment of accrual percentage and cutting off of the pensionable salary at EUR 100,000).

Trade and other payables
The trade and other payables are valued at nominal value.

Corporate income tax expense
Corporate income tax is calculated by applying the prevailing nominal tax rate to the profit before tax presented in the financial statements, taking into account permanent differences between this profit and the profit for tax purposes and any temporary differences that are not recognised.

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

Lease
Leases that involve the transfer to Enexis B.V. of practically all the risks and benefits associated with ownership of an asset are classified as finance leases and recognised as investments under property, plant and equipment, with recognition of a corresponding non-current liability.

At the commencement of the lease period, the carrying amount of the asset and the liability is the lower of the fair value of the leased asset and the present value of the lease payments. Lease payments are split into financing expenses and a repayment of the lease obligation, in order to achieve a constant discount rate on the outstanding balance of the liability. The asset is depreciated over the asset's useful life or the residual period of the lease if this period is shorter. If the lease does not provide for the transfer of practically all of the risks and benefits associated with ownership (operational lease), the lease payments are recognised as an expense in the result on a time-proportional basis during the period of the lease.

Cash flow statement

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

The Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act

Enexis respects the policy guidelines of the application of the WNT (Beleidsregels toepassing WNT) when applying the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet Normering bezoldiging Topfunctionarissen publieke en semipublieke sector – WNT). For the explanatory notes Remuneration and the Senior Officials in the Public and Semi-Public Sector Act (WNT) reference is made to the annual report 2014 of Enexis Holding N.V.

Off-balance sheet commitments and assets

Cross-border Lease Developments in 2014

For a specific time after termination of the last Cross-Border Lease (CBL) in 2012, there will be the possibility of subsequent invoices for the termination and settlement of the CBLs as well as a very low risk of claims arising from accrued liabilities, the so-called surviving obligations. We estimate the probability of subsequent costs and the risk of claims in connection with this CBL termination to be very low.

All other CBLs originally entered into by Essent/Enexis were voluntarily terminated by the end of 2011. For the time being, the existing cross-guarantee structure between Esent and Enexis has remained intact in connection with the possible accrued liabilities and expenses after termination. This entails both parties standing as guarantors for the US investors of the discontinued commercial and grid CBLs. To cover possible costs and claims, the former Essent shareholders and RWE formed a CBL fund. we estimate that the balance of the available funds of the fund is more than sufficiënt to cover any subsequent costs of Enexis and we estimate the risk of subsequent claims as very limited. Enexis is not entitled to any residual funds of the CBL fund.

Grid losses

In future periods, Enexis will have to settle the grid losses over previous years for which, according to the reconciliation process, too little or too much was settled. Due to the absence of a reliable basis for estimating the future settlement, neither a receivable nor a liability was recognised in the balance sheet at year-end 2014.

Rent, lease and purchasing obligations

Enexis B.V. has entered into purchasing obligations for EUR 308.4 million (2013: EUR 371.6 million).

	2014			2013		
amounts in millions of euros	< 1 year	1-5 year	> 5 year	< 1 year	1-5 year	> 5 year
Passenger cars	18.7	33.3	2.4	18.9	37.8	2.9
Office locations	12.0	14.2	5.9	14.1	28.6	11.5
Gridd loss	74.8	53.6	-	84.5	63.1	-
ICT	42.0	25.4	-	34.5	18.0	-
Others	0.3	1.0	2.0	0.3	1.0	1.9
Total	**147.8**	**127.5**	**10.3**	**152.3**	**148.5**	**16.3**

Legal proceedings and disputes

Enexis was involved in several legal proceedings and disputes at year-end 2014. Based on financial risks, provisions have been formed for the claims received, or the possible financial impact has been recognised in the financial statements.

In the beginning of 2014, the Trade and Industry Appeals Tribunal (CBb) deliverd a judgement that a connection that existed at a customer was not a connection within the meaning of the Electricity Act of 1998 and therefore regulated tariffs should not have been charged. The Electricity Act of 1998 was amended on 1 January 2014 as a result of which the connection in question now does fall under the legal definition of a connection. However, the CBb judgement could possibly have consequences for the whole sector, including Enexis. At present, it is still uncertain whether this will lead to obligations.

Guarantees issued

Enexis B.V. has issued guarantees to third parties for in total EUR 0.2 million (2013: EUR 0.2 million)

Appropriation of profit

Appropriation of the result in accordance with the articles of association

In accordance with the articles of association, the profit is at the free disposal of the General Meeting of Shareholders (Article 18.2), to the extent that it is not reserved.

Proposal for the appropriation of the result of the 2014 financial year

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

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

The income statement has been closed with a result of EUR 244,9 million.

The profit appropriation is as follows:

amounts in millions of euros	2014	2013
Profit	244.9	221.0
Reservation in favor of the general reserve	122.5	110.5
Proposed dividend	**122.4**	**110.5**

This profit appropriation proposal has not been taken into account in the balance sheet as at 31 December 2014.

Independent auditor's report

To: the Management Board of Enexis B.V.

We have audited the consolidated financial statements 2014 of Enexis B.V., Rosmalen, as included in this report from page 6 up to and including page 18. The consolidated financial statements comprise the consolidated income statement for the year ended at 31 December 2014, the consolidated balance sheet as at 31 December 2014, the consolidated cash flow statement for 2014, the consolidated statement of changes in equity as at 31 December 2014 and the Information on the consolidated financial statements, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation of the consolidated financial statements in accordance with the accounting policies selected and disclosed by the entity, as set out in Section 2 ("Accounting principles governing the financial reporting") of the notes to the financial statements. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch Law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements are prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the entity, as set out in Section 2 ("Accounting principles governing the financial reporting") of the Information on the consolidated financial statements to the consolidated financial statements.

Basis of accounting and restriction on use

We draw attention to:

- Page 2 ("Introduction") of the consolidated financial statements 2014 on which reference is made that Enexis B.V. makes use of the exemption from publication of its statutory financial statements on the basis of Section 403 Book 2 of the Dutch Civil Code. This introduction also states that the consolidated financial statements of Enexis B.V. are not full financial statements.
- Section 2 ("Accounting principles governing the financial reporting") of the financial statements, which describes the basis of accounting and the accounting policies used and selected by the entity.

Our opinion is not qualified in this respect. The consolidated financial statements as at 31 December 2014 of Enexis B.V. are prepared for the Management Board of the "Authority for Consumers & Markets" and rating agencies with the purpose of enabling Enexis B.V. to comply with the obligations as set out in the Electricity Act 1998, the Gas Act and the commitments made by Enexis B.V. to rating agencies. Our auditor's report is therefore solely intended for the purpose as stated above and should not be used for other purposes.

The Hague, June 18, 2015

Ernst & Young Accountants LLP

Signed by J. Niewold

Events after the balance sheet date

Claims

Enexis has received a claim from a customer regarding restitution of revenues from transport and connection services. Enexis is opposing this claim and will also fight the claim legaly. Enexis is of the opinion that this claim cannot be upheld in court. In order not to further influence the current claim process and future legal procedures, we will not be providing a further explanation at this point.

Exchange of energy networks with Alliander

As from March 2014, Enexis examines the possibility of exchanging grid areas together with Alliander. Enexis signed a letter of intent on 18 March 2014 in connection with this and on 24 March 2015 Enexis signed an agreement on headlines. Enexis could transfer the management of their grid areas in Friesland and the Noordoostpolder to Alliander in exchange for the Endinet (part of Alliander) areas in Eindhoven and South-east Brabant. Enexis aims to reach an agreement with Alliander in 2015.

Declaration ex article 18

3th paragraph, Electricity Act 1998 respectively ex article 10d, 3th paragraph, Gas Act

Declaration ex article 18, 3th paragraph, Electricity Act 1998 respectively ex article 10d, 3th paragraph, Gas Act

The undersigned, P. Vermaat, hereby declares, in his capacity as a board member of Enexis B.V. that:

The financial relationship between Enexis B.V. and a group company that is connected to Enexis B.V. within Enexis Holding N.V., which carries out activities that the grid operator may not carry out itself based on Article 17 of the Electricity Act 1998 and Articled 10b of the Gas Act, complies with the requirements specified in Article 18, first paragraph, of the Electricity Act 1998 and Article 10d, first paragraph, of the Gas Act in the year 2014, which means that Enexis has not given preferential treatment to such a group company in 2014 above others with which such a group company is in competition, or has granted any other advantages that exceed that which is considered normal practice in a business relationship.

The following is, in any case, regarded as constituting preferential treatment of a group company or granting advantages that exceed that which is considered normal practice in a business relationship:

- providing information to a group company about customers, not being customers as referred to in Article 95a, first paragraph, of the Electricity Act 1998, who have made a request as referred to in Article 23 or 24 of the Electricity Act 1998, or about customers, not being customers as referred to in Article 43, first paragraph, of the Gas Act, who have made a request for a connection or transport as referred to in Chapter 2 of the Gas Act;
- supplying goods or services to a group company for a fee that it lower that the costs that can reasonably be attributed to these goods or services;
- allowing a group company to use the name or logo of the grid operator in a manner that could cause confusion among the public with regard to the origin of the goods or services.

’s-Hertogenbosch, 25 June 2015

ir. P. Vermaat MBA,
Chairman Enexis B.V.

Contracts

related party (> EUR 4.5 million)

Enexis B.V. has no service level agreements with related parties with a value higher as EUR 4.5 million. For the financing of Enexis B.V. separate loan agreements have been agreed upon between the parent company Enexis Holding N.V. and Enexis B.V.

Statutory ratios

The aim of Enexis's financing policy is to assure the independent financing of Enexis by ensuring timely, constant and sufficient access to the capital and money markets while also optimising the financing structure, costs and risks. The execution of the financing policy is laid down in the Treasury Charter, which contains the Treasury's objectives, task description and mandate, reporting, risk management and organisational and administrative frameworks for financing. The policy is carried out within the currently applicable rules of the Electricity Act 1998 and Gas Act and the Grid Operators Financial Management Decree.

In connection with it's financing, Enexis has credit ratings at two rating agencies, Standard & Poor's and Moody's. Enexis's aim with regard to its rating is directed at maintaining a strong A rating. These ratings are above the standards for creditworthiness as described in the Financial Management of Grid Managers Decree. S&P lowered the credit rating on 6 October 2014 by 1 notch from AA- stable outlook to A+ stable outlook. S&P indicated that they expect that the revised credit rating ratios that it issued for Enexis will deteriorate from a 'Modest' financial risk to an 'Intermediate' financial risk profile. Due to the combined effect of the financing of Enexis's growing investments and the lower capital compensation of the supervisory body the Netherlands Authority for Consumers and Markets.

Moody's credit rating remained unchanged at Aa3 with a stable outlook.

The credit ratings at year-end 2014 of A+/Aa3 with a stable outlook more than satisfy Enexis's requirements for maintaining an A rating profile.

Financial Management of Grid Managers Decree

If a grid operator has a statement issued by an acknowledged credit rating agency from which it appears that the grid manager's credit rating is investment grade, the grid operator is not required to report on the specified requirements regarding creditworthiness based on Article 3 of the Financial Management decree. Enexis's current credit ratings satisfy the minimum required creditworthiness grade. Nevertheless, Enexis still chooses to publish the specified requirements regarding creditworthiness and bases this on accounting principles which are in line with the generally applied definitions of the credit rating agencies.

Investments in grids

Keeping the grids safe and reliable and avoiding outages and accidents demands good maintenance and judicious investments. As grids have a long life, we should not only look at today but also at the longer term. Enexis analyses the long-term developments every two years in a strategic asset management plan. Based on this plan and the specific developments in the regions, we draw up an annual work package for maintance, replacement and renewal of our grid. In this manner, we cater to the needs of our customers and we make sure that the grids are reliable and ready for the energy transition. In addition to carrying out work at our own initiative, we also carry out work at the request of customers (customer-driven investments). For instance, new connections or expansion of capacity.

Enexis bears the responsibility for 180,000 kilometres of transmission and distribution grids and over 77,000 above-ground transformation and gas reduction stations. Enexis guarantees a reliable energy supply to more than 2.7 million customers, due to constantly invest in the its grids. In 2014, this involved an amount of approximately EUR 357 million.

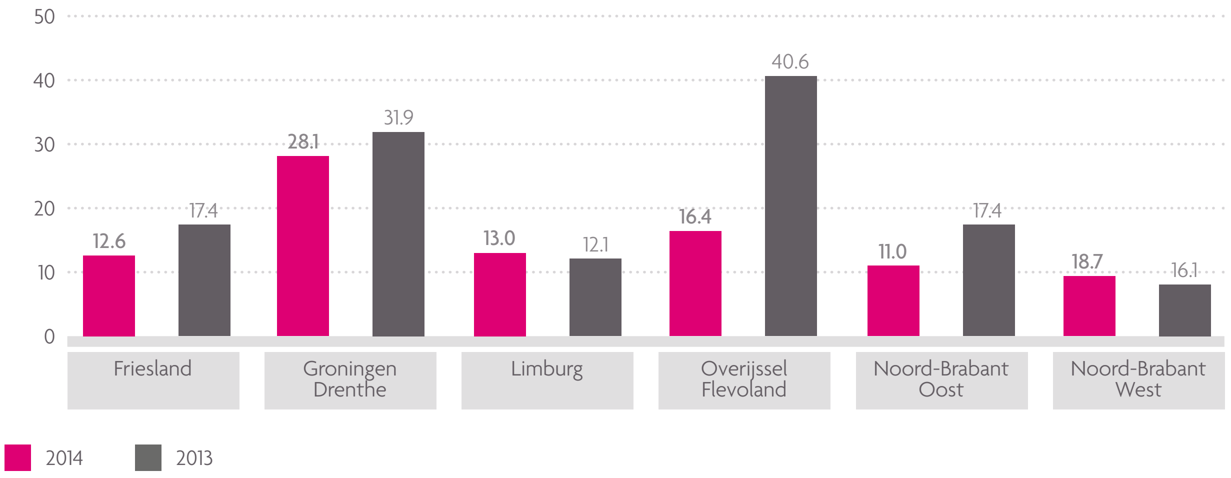
amounts in EUR mio.	2014	2013
Electricity		
Standard connections	21.5	22.1
Customised connections	19.2	22.2
Grid expansions	89.0	94.7
Reconcstructions	25.8	27.2
Replacements	37.1	40.4
Other	14.0	11.1
Total electricity	**206.6**	**217.7**
Gas		
Standard connections	6.9	7.6
Customised connections	1.8	2.0
Grid expansions	15.2	16.4
Reconcstructions	20.0	17.0
Replacements	104.6	94.5
Other	2.1	1.3
Total gas	**150.4**	**138.8**
Total gas and electricity	**357.0**	**356.5**

Reliability in figures

The reliability of the energy grids is expressed in the Annual Outage Time (JUD), which indicates the average time that a customer has not been supplied with energy during a year.

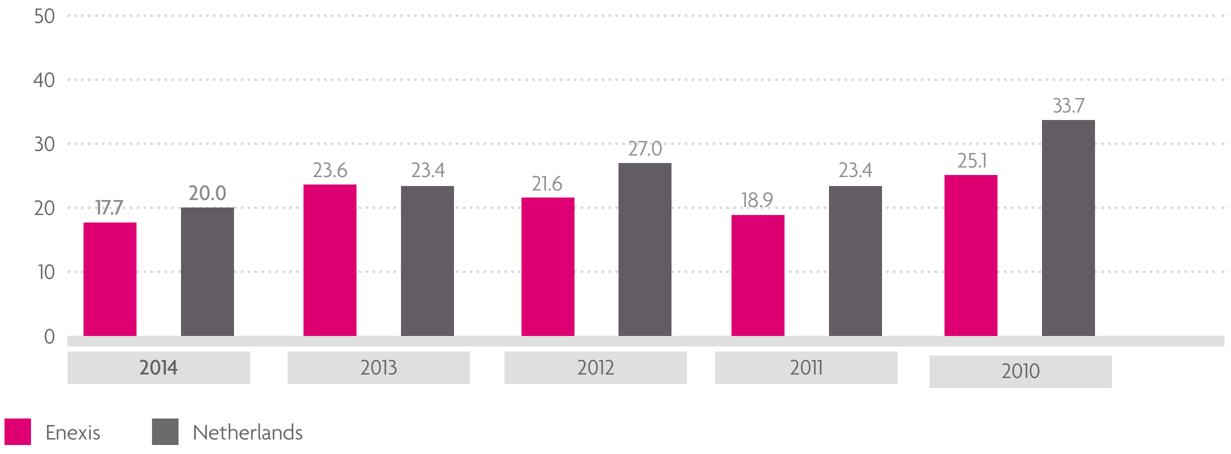
This amounted to 17.7 minutes for Enexis's electricity grid in 2014. The national average was 20.0 minutes.

Annual outage time per e-connection due to MV and LV outages in 2014
(in minutes per connection)



The annual outage time per E-connection of MS and LS can be further specified per region within Enexis's servicing area.

Annual outage time per e-connection due to MV and LV outages 2010-2014
(in minutes per connection)



The outage time in the gas grids amounted to 89.5 seconds, compared to a national average of 194 seconds.

The tabel below shows that there are differences between regions as far as outage duration is concerned. These have become smaller in recent years, due to extra investments by Enexis in the areas where the gain with regard to reliability is the highest. With the exception of the incident in Enschede.

The outage time of the gas grid in 2014 was as follows:

	Gas (in seconds)	Gas (in seconds)
	2014	2013
Friesland	56	77
Groningen/Drenthe	25.9	69
Limburg	21.7	47
Overijssel/Flevoland	363.3	61
Noord-Brabant Oost	18.7	45
Noord-Brabant West	40.5	18
Total	**89.5**	**50**

ENEXIS B.V.
P.O. Box 856
5201 AW 's-Hertogenbosch, the Netherlands
Telephone: +31 (0)88 857 77 77
www.enexis.nl