



New horizons



Annual Report 2016

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“Encevo Group is constantly establishing new foundations to meet the upcoming challenges in the industry and turn them into opportunities.”

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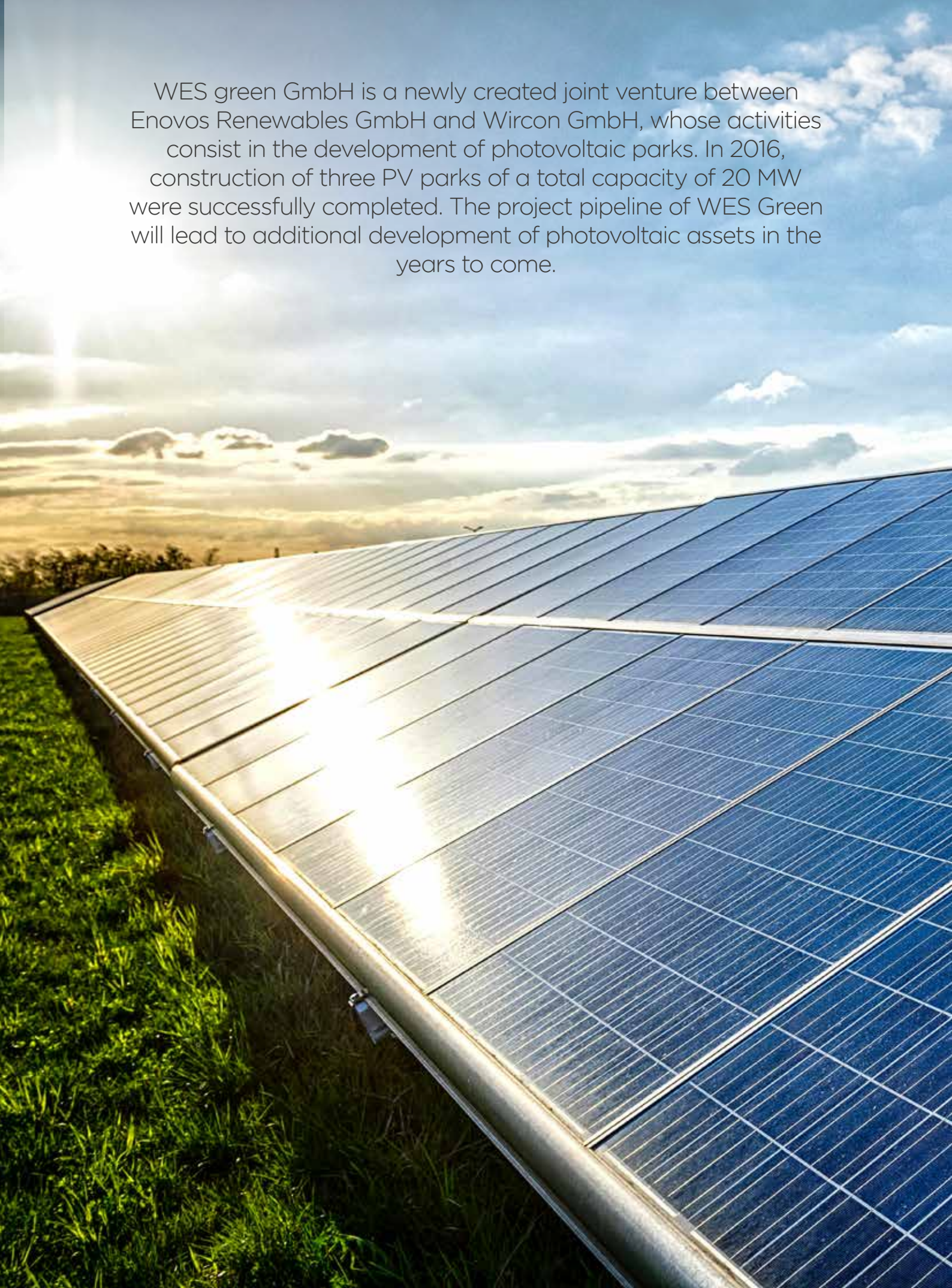
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As part of its strategic development, Enovos International changed its name to Encevo on 3rd October 2016. The purpose of this move was to clearly differentiate between the parent company and its subsidiaries, energy supplier Enovos and grid operator Creos, and as a result, to clarify the group's governance.



WES green GmbH is a newly created joint venture between Enovos Renewables GmbH and Wircon GmbH, whose activities consist in the development of photovoltaic parks. In 2016, construction of three PV parks of a total capacity of 20 MW were successfully completed. The project pipeline of WES Green will lead to additional development of photovoltaic assets in the years to come.





On 1st July 2016, Creos started the installation of the first smart meters, also known as Smarty. This date will be remembered as an important milestone in the history of the electrification of the Grand Duchy. Creos will fit a total of 300,000 meters by 2020: 250,000 electricity meters and 50,000 gas meters.

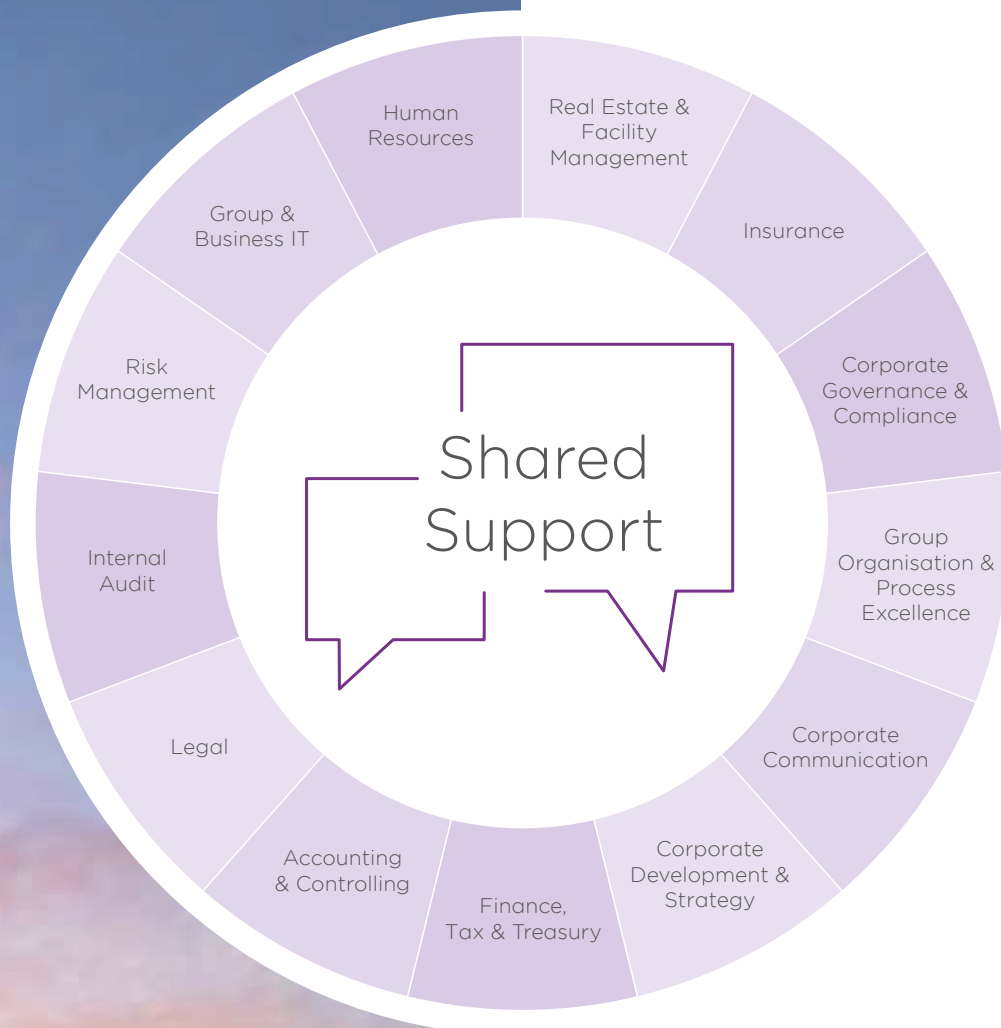
In order to optimise its project management and overall efficiency, Encevo Group has developed a pragmatic, effective and harmonised project management culture. Since its launch in June 2016, the PMC² programme (for Project Management Culture & Collaboration) brings together key stakeholders from Encevo, Creos and Enovos services. The programme enhances the capabilities of the group to allocate its know-how, financial and human resources to the corporate strategy. The organisation will be able to react more swiftly and in a coordinated manner to the changes in the market and thus achieve a superior business result.



PART I

OUR MISSION





This introduction to our annual report provides you with an overview of who we are and what we do. Key persons of the group reflect on the past year and give their view on the challenges to come.

Challenges and opportunities in a rapidly evolving market

2016 was a very successful year for Encevo, but it also offered a glimpse of what the future may hold for the energy markets in Luxembourg and beyond. To stay ahead in this rapidly evolving environment, the Encevo Group is constantly establishing new foundations to meet the upcoming challenges in the industry and turn them into opportunities.



Jean Lucius
Chairman of the Executive Committee
CEO Encevo S.A.

Marco Hoffmann
Chairman of the Board of Directors

In 2016 the holding company changed its name from Enovos International to Encevo. What were the reasons for this?

Marco Hoffmann: There was a risk of confusion between Enovos International, the holding company at the head of the group, and Enovos Luxembourg, our energy supplier. The purpose of renaming the holding company to Encevo was to distinguish more clearly the parent company and its subsidiaries, namely the energy supplier Enovos and the grid operator Creos. It was also an opportunity to clarify the group's governance.

How would you describe the role of the holding company?

Marco Hoffmann: Encevo defines the group's strategy as well as its governance and ensures financing for all group entities with a view to guarantee the sustainable development of the whole group. Encevo has a skilled and experienced staff of over 140 employees. This talent pool provides various support services to group entities, including Finance, Treasury Management,

Accounting, Legal, Human Resources, Facility Management, IT, Internal Audit, Risk Management and Insurance. The purpose is to create synergies and increase overall efficiency and effectiveness throughout the group. Furthermore, the role of Encevo is to position the group in relation to its various stakeholders, including employees, shareholders, investors and the media.

How do you rate the Encevo Group's performance in 2016?

Jean Lucius: Last year's operational performance of the group was excellent; we achieved the best result since the group's existence in its current form. There are two reasons for this success. On one side, Enovos performed very well, with a main accent on optimisation within the Portfolio Management. On the other side, our improvements reside in the important investments

we made within Creos in the past years, and which now have a positive effect on our EBITDA. But besides the good operational results, there is still need for progress. One example is the biogas business in Belgium. Another challenge is the expansion of our activities to the Belgian B2C market. In Germany, we face a very competitive market and we have to further improve our performance.

Energy is one of the crucial points in the Rifkin study that was presented this year. What challenges do you see for Encevo Group in the findings of the study?

Jean Lucius: In my opinion, the Rifkin study has three crucial points. One is energy and the others are mobility and digitisation. Since these subjects are tangent to our interests, the Encevo Group will



Could you name one big achievement for Creos this past year?

Jean Lucius: Creos has invested more than EUR 100 million per year over the last years. In all of these projects, timelines and budgets have been met. Furthermore the company has already made progress in terms of digitisation. One example is workforce management. The project is not yet completed, but it is well under way.

What would you consider Enovos' biggest achievement?

Jean Lucius: It is very difficult to pick just one. The overall result is very good, there has been a lot of activity and the range of products has been considerably increased. We can be very satisfied with that. But the main challenge remains the same everywhere within the group: we must become more flexible, more efficient and faster in the implementation. But all in all the teams worked well together and they achieved very good results in a challenging and difficult environment.

“Last year’s operational performance of the group was excellent.”

certainly engage itself strongly in the implementation of the strategy as envisioned in the study.

Marco Hoffmann: This in itself will lead to important opportunities for our group. One of the key messages in the study is the further drastic increase in production of renewable energies. Beside the expansion of renewables, the energy efficiency will be key for a “future ready” energy landscape. These are areas our group is already active in today, but in which it will raise its level of ambition in the years to come. Another example: Creos will be further challenged

by subjects like smart meters, smart grids or micro-grids. The group is already investing in those fields today and will continue to do so in the next years. For the Encevo Group, the Rifkin study is an opportunity to go beyond what has been done until now. This also means that the group will maintain and even raise its level of investment in Luxembourg.

The Rifkin study is a vision for a more or less distant future, but what current challenges does the group face?

Jean Lucius: One of our current challenges is digitisation. It is a topic in the Rifkin study, but it already concerns us now on two levels. First there is our internal challenge in terms of digitisation. We need to optimise our processes and become more efficient. The other aspect consists in optimising our customer services and defining how to position new services and new products. This will be one of our main projects in the coming years.

Which regulatory challenges is the group facing now and what will they be in the future?

Marco Hoffmann: A main challenge will be to define the right role of the different group entities within the energy transition, be it Creos, Enovos or the group as an entity. In its legislative proposal called "Clean Energy for All Europeans", otherwise known as the "winter package", the European Commission seeks, amongst others, to give more importance to the integration of renewable energies into the market. Having in mind the "Rifkin vision", combined with the aspiration to participate in translating this vision into

"We need to optimise our processes and become more efficient."

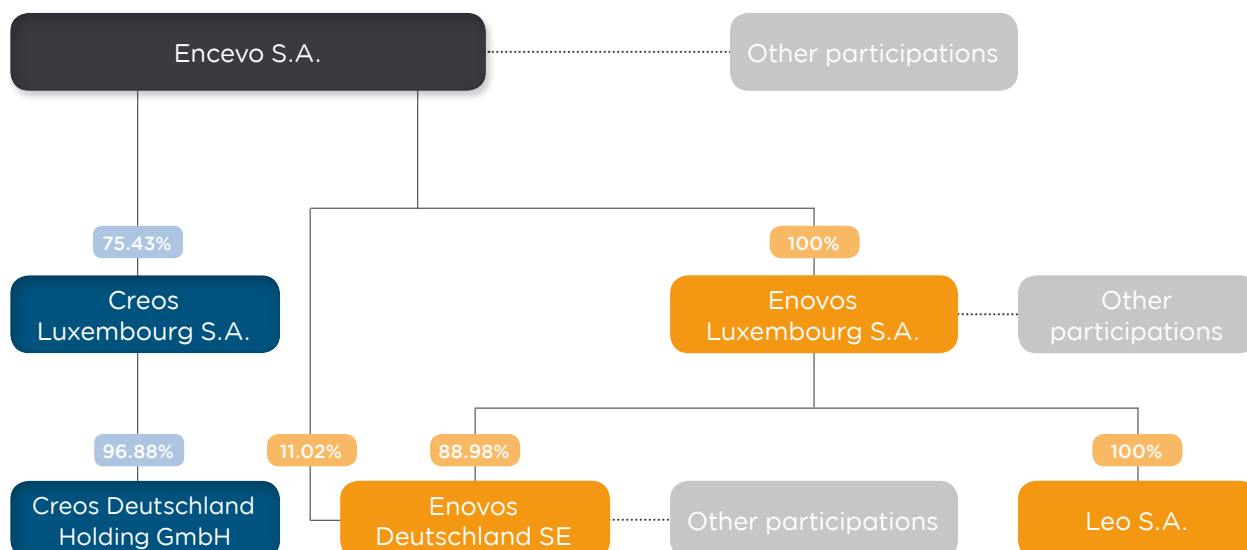
reality, the question of how the more massive future production of renewable energy is to be integrated into the market will be of utmost importance. In any case, the Encevo Group has the willingness to help shape the rules.

So, the biggest challenge ahead for the group is...

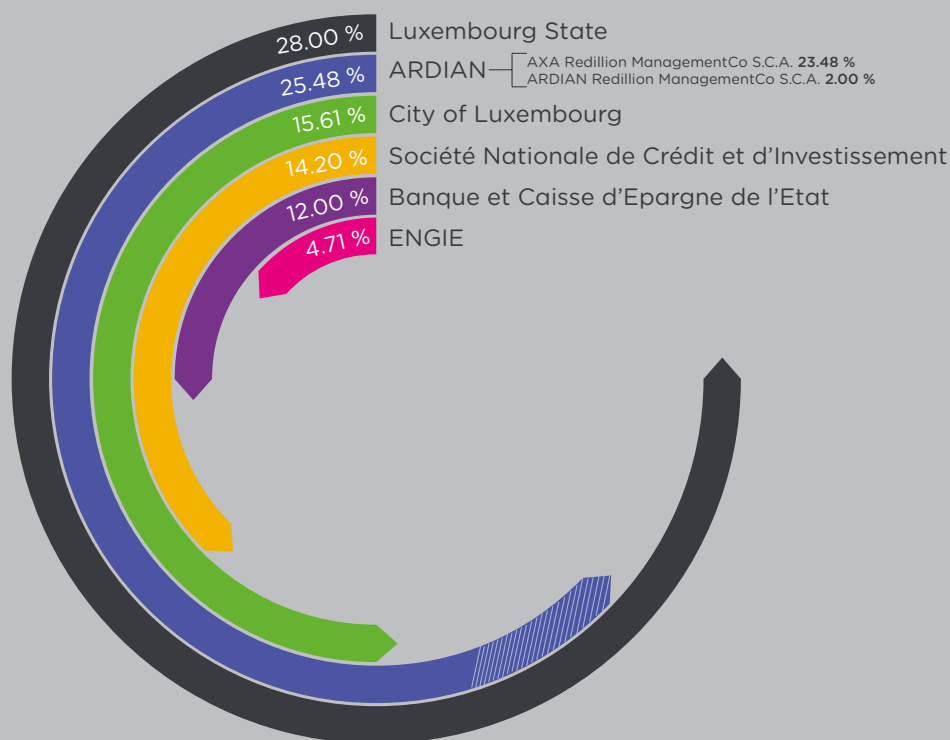
Jean Lucius: ...to adjust to the changes in the energy market, which are happening faster and faster. We have to be prepared internally to react quickly to any changes. The main question is: How can we optimise our decisional process in a way that allows us to adapt fast to changes in the market, be they of regulatory or competitive origin?

In fact, we have to be more like a start-up company. We have to improve our flexibility. We must be able to combine the advantages of the good organisation we have already established with the flexibility of a start-up.

GROUP STRUCTURE



SHAREHOLDING



Board of Directors of Encevo S.A.

Marco Hoffmann	Chairman	Aloyse Kohll ¹⁾	Director
Benoît Gaillochet ¹⁾	1 st Vice-Chairman	Prof. Dr. Uwe Leprich ⁶⁾	Director
Tom Theves	2 nd Vice-Chairman	Marc Reding ⁷⁾	Director
Michael Reuther ²⁾	3 rd Vice-Chairman	Georges Reuter	Director
Werner Brinker ³⁾	Director	Joachim Scherer	Director
Andrée Colas ⁴⁾	Director	Dr. Geneviève Schlink	Director
Paul Konsbruck ⁵⁾	Director	Claude Strasser ^{*)}	Director
Charles Hutmacher	Director	Johan Van Bragt ⁷⁾	Director

1) Mr Benoît Gaillochet is the permanent representative of the director "AXA Redillion ManagementCo S.C.A." 1st from January 2016 on.

2) Mr Michael Reuther was co-opted as a member of the Board on 1st December 2016 following Azimuth Solutions GmbH's resignation. Mr Stephan Fedrigo was the permanent representative of Azimuth Solutions GmbH which was a Board member from 1st January 2016 until 30th November 2016.

3) Mr Werner Brinker was co-opted as a member of the Board with effect as of 1st January 2016 in place of Mr Fernand FELZINGER and his appointment was confirmed by the general assembly of shareholders on 10th May 2016.

4) Mrs Andrée Colas was co-opted as a member of the Board on 25th September 2015 and the appointment was confirmed by the general assembly of shareholders on 10th May 2016.

5) Mr Paul Konsbruck was co-opted as a member of the Board on 30th September 2016 in place of Mr Pierre Franck, whose mandate came to an end on 29th September 2016.

6) Prof. Dr. Uwe Leprich is the permanent representative of the director "Administration communale de la Ville de Luxembourg".

7) Mr Johann van Bragt was co-opted as a member of the Board with effect as of 12th December 2015 and his appointment was confirmed by the general assembly of shareholders of 10th May 2016.

*) Mr Aloyse Kohll, Mr Marc Reding and Mr Claude Strasser were appointed members of the Board with effect as of 7th March 2016 while Dr Peter Frankenberg, Mr Peter Pichl and Dr Werner Roos resigned with effect as of 7th March 2016, following a change in the shareholder base of the company.

For further details regarding the membership in the Board of Directors of Encevo as of 31st December 2016, please consult the Annual Report of Corporate Governance.

3 questions to Marc Reiffers

“A strong focus on innovation”



Marc Reiffers
Member of the
Executive Committee
CEO Enovos Luxembourg

What was the biggest success for Enovos in 2016?

The operational performance was extraordinarily good. Thanks to the initiatives, we have taken in the past and the good cooperation between our teams, we managed to achieve a record year in a difficult and challenging environment. We can look back on many achievements in different fields of activity, be it our further growth in eco-mobility or the successful launch of new products such as enosolar, to name just one example.

Sustainability and a greener future are part of Enovos' core mission. What additional efforts have been achieved in this regard?

The classic mission to provide electricity and natural gas will always be an important part of Enovos' business. Those activities have to be combined with associated services and operations. The four pillars of Enovos - eco-mobility, energy efficiency, smart applications and distributed energy services - illustrate this. We also have to foster innovation and take an active role in innovative business models that arise from the fast reshaping of the energy sector. An example of how to fulfil this commitment is the collaboration agreement that has been signed with Technoport S.A. The goal is to promote and support the creation and development of innovative and technology-oriented companies in Luxembourg.

2016 also saw the publication of the Rifkin study. What challenges await Enovos?

Key elements of the energy part of the study are - besides the creation of a national energy Internet - energy efficiency and eco-mobility, areas Enovos is

already active in and which will be developed further. Enovos fully supports the development of eco-mobility and considers it an important part of its business. Another central element of the study is pursuing the exploitation of the totality of Luxembourg's economically feasible renewable energy production potential. To reach this target, the development of photovoltaic energy will have to play a major role.

Interview with Claude Seywert

“An evolving role for grid operators”

What was the biggest success for Creos in 2016?

Two major national initiatives launched by Creos in 2016 and which received quite a lot of public attention were Chargy and Smarty. Both of these initiatives - the build-up of a public loading station network for electric cars and the switch of all household meters to smart meters - have the potential to profoundly change the way we approach energy questions in Luxembourg. Creos is at the forefront of these projects that have been set up jointly with all other local grid operators and so far we can say that the initial phases have been a true success thanks to the dedication of our teams.

How do you see the outlook for 2017 and beyond?

The year 2017 marks the beginning of a new regulatory period - and while the main rules under which we operate are basically stable, the same cannot be said for the remuneration we get for all our work. As such, pressure on our costs will rise and we will have to think twice before launching any new projects. Considering the phase of the “energy transition” we are in, this is highly unfortunate as a lot of adaptability is expected from grid operators in the future. Nevertheless, we will of course continue in the next years our ambitious investment programme and also the work on further strengthening the energy interconnections with our neighbours.

In this context of evolving energy markets, what will be the most important challenge for Creos?

The last quarter of 2016 was marked by two important events that will have an effect on Creos: the release by the European Commission of its “Clean Energy for all Europeans” package and, on a more local note, the presentation of the “Rifkin Study” by the Luxembourgish government. Both describe a vision of future energy markets in which the role of grid operators evolves considerably from the one they have today. Where exactly we are heading is not yet known, but at Creos we are clearly positioning ourselves to be able to respond to the new challenges. On the one hand we are accelerating our preparations for the “smart grid” and on the other we are adapting our processes internally to become more customer focused.

Claude Seywert
Member of the Executive Committee
CEO Creos Luxembourg



3 questions to Erik von Scholz

“Encevo will play a leading role in shaping the future”

The Rifkin study for Luxembourg was presented in 2016. What challenges does this entail for the Encevo Group from your perspective?

The main challenge will be to position the Encevo Group in such a way that it can play the leading role in shaping the upcoming profound changes in Luxembourg's energy supply. In the future, we want a decentralised and climate-neutral energy supply that is also secured and affordable. I have no doubts that the Encevo Group will rise to the challenge. We are THE energy supplier in Luxembourg, the customers trust us and our committed employees have all the necessary know-how.

What is your outlook for 2017 and beyond?

This year will be very exciting and not only because of the challenges in Luxembourg mentioned above. We have to develop further with the aim of becoming the leading energy supplier in the Greater Region. On the one hand, our sales activities in Germany will be restructured. On the other hand we want to grow in this market – in the regulated and the non-regulated sectors – and position ourselves as the regional partner for public utilities in the southwest region. In the mid- to long-term, France and Belgium also offer interesting growth perspectives for our group.

You recently joined the Encevo Group and were appointed member of the Executive Committee in October 2016. Based on your international experience of more than 18 years, what is your perception of the Encevo Group?

I have known the group for a number of years and have followed its impressive development. The employees have all reason to be proud of their performances. We are both a modern, dynamic company and a long-established one. That is a very valuable combination. I really appreciate the diversity and multiplicity here paired with the ability and the willingness for change, which is an essential condition for success in our markets.

Erik von Scholz
Member of the Executive Committee
Head of Corporate Development and Strategy
Head of Renewables



Interview with Michel Schaus

“Creating opportunities for talent”

What has the group achieved for its employees in 2016?

In times of rapid changes geared towards the achievement of a more sustainable energy market, the stakes are high and the challenges often complex. This creates a very exciting environment in which employees find many opportunities to make use of their skills while having the opportunity to grow and play a part in shaping our energy future. This, added to the group's attractiveness as an employer, a new e-recruiting tool and an increased presence on the social networks, is attracting more and more talent to our teams (150+ new contracts signed in 2016).

Employees are the group's most valuable assets. Our role is to empower them throughout their careers. The new on-boarding event launched mid-November 2016 illustrates how we do so from the start. This primary round has been widely welcomed by newcomers and existing collaborators alike, as an opportunity to understand the dynamics of the group for some, and a way to present their work and share their experience for others. This first step is also an opportunity to introduce our expanding training catalogue, tailored on our collaborators' needs to support competencies development.

What were your CSR highlights in 2016?

Our Corporate Social Responsibility initiative matures year after year by focusing on the group's stakeholders to foster the creation of shared value. The materiality analysis led this year with Encevo and Enovos employees has allowed us to pinpoint the most relevant topics for our internal stakeholders. The results were in line with our expectations and recent initiatives (such as the ISO 50001 certification for Esch obtained during Spring 2016). Employee development, well-being/health and safety at work,

dialogue and transparency, as well as innovation in the field of energy efficiency and social inclusion form the top 5 of the priority topics ranking.

What are the main challenges ahead?

As support functions, performance improvement is the keystone of our activities. Providing the best possible services to our clients, improving the organisations' performance and managing the human capital at every stage of the employment cycle are among the main goals guiding all of our initiatives. 2016 began with the launch of an improvement programme with the objective to upgrade our project culture and be prepared to work and collaborate efficiently on the multiple projects induced by our evolving market environment. In 2017, the introduction of a new portfolio management approach, as well as putting the defined standards and guidelines into practice to “do the right projects right” will definitely be a worthwhile challenge.



Michel Schaus
Member of the
Executive Committee
Chief of Operational Support

3 questions to Guy Weicherding

“A good performance in a competitive environment”

2016 has been another challenging year for the energy market in Western Europe, still facing low market prices, amongst others. How did Encevo perform in this environment?

Overall, 2016 has been a good year as far as our grid and commercial activities are concerned. EBITDA grew by 13% to a record level of EUR 262.3 million (or EUR 247.2 million, excluding the one off impact from reversing a provision of EUR 15.1 million). In grid we continue to invest heavily in our networks in Luxembourg and in Germany, leading to a continued increase in our regulated asset base (“RAB”) thus allowing further growth in EBITDA. Our commercial activities also performed rather well, maintaining the margins at stable levels in a still very competitive environment.

The downside to our financial results 2016 is on the renewable assets side, with declining contribution compared to 2015 largely from the biogas activities where we suffered both from unfavourable market conditions as well as from technical incidents in our Belgian plants. A total of EUR 41.1 million have been booked as impairments in 2016, coming to a large extent from our biogas companies thus negatively impacting the net profit of EUR 83.2 million, slightly above the 2015 figure of EUR 80.6 million. Excluding the net impact of the exceptional items, net profit would stand at EUR 109.2 million, nearly constant compared to 2015.

A sound financing policy has been the strength of the group since its inception in 2009. Has 2016 been in line with prior years in that respect?

Clearly yes. First it should be noted that free cash flow has been strongly positive in 2016, EUR 58.9 million (2015: EUR 6.3 million) despite a continued high investment activity, EUR 196.1 million (2015: EUR 221.4 million), thanks also to a stringent management of our working capital. Net financial debt



Guy Weicherding
Member of the Executive Committee
Chief Financial Officer

therefore decreased slightly from EUR 520.4 million in 2015 to EUR 502.3 million in 2016, reducing our gearing ratio from 43.1% to 40.4 % end of 2016, while the balance sheet remains very strong, with capital and reserves accounting for 50.4% of the total assets (2015: 47.8%).

Then, we were able to prematurely renew our EUR 200 million revolving credit facility with our core banks by five years, taking advantage of currently favourable market conditions, thus insuring the liquidity of the group for the years to come.

What are your main challenges going into 2017 and thereafter?

In the short term, we will continue to face price and margin pressure both in Luxembourg as well as in the neighbouring markets of Germany, France and Belgium. In grid, the lower remuneration rates starting 2017 at the beginning of a new regulation period in Luxembourg (and starting 2018 in Germany) will impact our financial results negatively.

The group will therefore focus on more value added business in the commercial activities, while in grid, we will be able to maintain EBITDA at a constant high level due to additional investments. But overall, the group needs to work further on its cost base by

“2016 has been a
good year
as far as our grid and
commercial activities are
concerned.”

increasing its efficiency and thus improving its “time to market”, and by continuing to develop innovative solutions for the customer.

We therefore expect 2017 to be below the record levels seen in 2015 and 2016 in terms of the operational results, but thanks to the contemplated efforts in cost management and continued high capex in grid, we are cautiously optimistic to generate EBITDA growth again in the years thereafter.

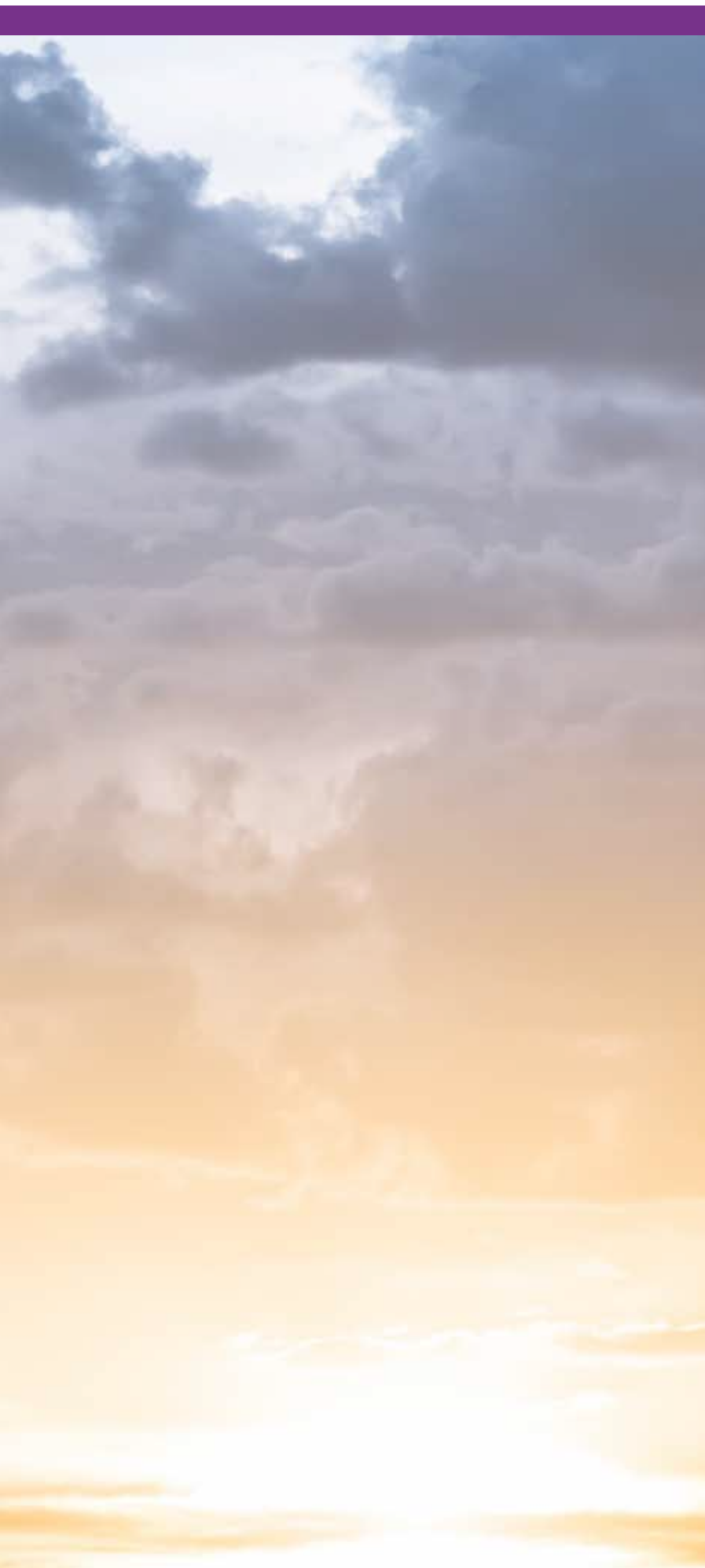
Key figures consolidated	2016	2015
Sales volume gas (TWh)	23.8	24.2
Sales volume electricity (TWh)	13.3	17.3
Sales (EUR millions)	1,888.9	2,389.5
Ordinary operating profit (EBITDA)	262.3	232.4
Operating cash flow	237.9	223.1
Adj. net profit (excl. exceptional items)	109.2	108.7
Net profit for the year (incl. exceptional items)	83.2	80.6
Total Assets	2,468.9	2,527.0
Capital and reserves	1,243.7	1,207.5
Net financial debt*	502.3	520.4
Capital expenditures	196.1	221.4

(*) including finance leasing obligations and net of cash and marketable securities.

PART II

OUR ACHIEVEMENTS





Encevo defines the group strategy as well as governance and ensures financing for all group entities with a view to guarantee the sustainable development of the whole group. Through its skilled and experienced staff of over 140 employees, Encevo also provides various support services to group entities. The following pages offer an insight into what we have achieved in the various domains of activity and our outlook on the upcoming year.

HIGHLIGHTS 2016

What has Encevo Group accomplished?



REAL ESTATE & FACILITY MANAGEMENT

FIRST FULL YEAR OF CENTRALISED REFM SERVICES

2016 marked the first year where REFM (Real Estate & Facility Management) services were managed centrally and in a controlled outsourcing mode for the FM Operations. The current REFM organisation and service portfolio creates added value for the company.

HUMAN RESOURCES

CLOSER TO THE BUSINESS

In the past year, HR focused on being as close to the business as possible. By adapting training programmes to the needs of our management population, by visualising and simplifying HR data and KPIs and by supporting the employees in their everyday professional life and simplifying administrative tasks, HR worked to increase efficiency and productivity within the group. To strengthen our workforce, 800 interviews were conducted to close a total of 175 positions. Employees changing jobs within the Encevo Group filled 57 of these.



GROUP ORGANISATION AND BUSINESS PROCESS EXCELLENCE

FACILITATING AND DRIVING OPERATIONAL EXCELLENCE



The newly created Group Organisation and Business Process Excellence Department's mission is to facilitate business operations by providing professional methods to improve the group's overall performance and efficiency. First, this includes reviewing, rethinking and optimising processes. Second, this means empowering the group to perform better, to do the "right projects right" by applying adapted and meaningful standards.

LEGAL DEPARTMENT

INSURING MAJOR TRANSACTIONS

In 2016, Encevo's Legal Department supported the development of sales activities in Belgium (among others, the launching of a B2C offer) and France (among others, the incorporation of Enovos France S.A.S.). It further advised on energy solutions and services products (e.g. enoprimes programme, enocare, enosolar, enolight). The Legal Department also assisted in M&A transactions, including the closing of the sale by RWE and E.ON of their shares in Encevo S.A., the divestments of participations in Artelis S.A. (Luxembourg) and Suncoutim Solar Energy S.A. (Portugal), the reorganisation of certain renewables investments in Germany and France, the implementation of REMIT and the renegotiation of a group revolving credit facility agreement.



GROUP ORGANISATION AND BUSINESS PROCESS EXCELLENCE MORE THAN 400 PROCESSES DESIGNED OR CHANGED

A group-wide programme named "Project Management Culture and Collaboration (PMC²)" was launched and achieved the definition and first deployment of Encevo Project Management Guidelines (based on well-known PMI Global Standard), while trainings on all hierarchy levels and project coaching on selected business projects were deployed and added to the HR-Training catalogue. In 2016, the Process Excellence team ensured full support in major process re-engineering initiatives or new end-to-end product processes (enocare, enosolar, enoheat, e-mobility etc.). Overall, more than 400 processes were designed or changed ensuring at the same time that a central, lean and efficient platform is maintained. This platform has been migrated to latest technology including additional collaboration and process automation features.

INFORMATION TECHNOLOGY

IS UPGRADE SUCCESSFULLY COMPLETED

In 2016, the group Information Technology Department successfully delivered the second part of the IS-upgrade program (part of the GO4IT initiative launched in 2015) in order to increase its capacity to deliver better and faster services to the different Encevo entities. Special attention was given to mobility and ergonomics, security of the technical infrastructure, Disaster Recovery procedures, systems availability and performance monitoring as well as IT service management. The back-end infrastructure spread across our two datacentres has been fundamentally renewed in order to provide increased performance and availability, support the unbundling as well as the new market and grid communication processes.

In the aftermath of these improvements the group launched a corporate action plan focused on information security governance and security posture enhancement. The objective is to protect our business, prevent incidents and be compliant with several regulations like the General Data Protection Regulation coming into force in May 2018 across all EU Member States.



INTERNAL AUDIT

INTERNAL AUDIT PLAN COMPLETED

The Internal Audit Department has successfully completed its 2016 internal audit plan, which was approved by the Audit Committee. The audits performed were mainly related to the following processes: board of directors and management committees, wind farms in France, fleet management as well as health and safety. In addition to the planned audits, Internal Audit performed audit activities on biogas plants in Belgium on request of the Executive Committee. The department also successfully conducted the quarterly follow-up on previous internal audit report recommendations.



FINANCING

GROUP LIQUIDITY ASSURED UNTIL 2021

The revolving credit facility negotiated in 2013 was replaced by a 5-year new syndicated revolving credit facility with seven banks amounting to EUR 200 million with improved terms and conditions. Upon request by Encevo S.A., the banks have the option to extend the credit facility by two years; consequently final maturity would be in August 2023. This committed line of credit ensures that the group has sufficient liquidities available to cover the needs for working capital fluctuations or to bridge-finance its investments.

RISK MANAGEMENT

ENHANCED BUSINESS CONTINUITY MANAGEMENT

In 2016, the Business Continuity Management Policy was approved and the first two Business Continuity Committees were held. Business Continuity Plans were updated and/or defined for the most critical departments, and tested during the year, while a Disaster Recovery test was performed at the end of the year. The aim of all these actions involving different stakeholders from the group companies is to ensure a rapid restoration of business activity in case of unexpected disruption.



OUTLOOK

What challenges does Encevo Group face?



REAL ESTATE & FACILITY MANAGEMENT

FOCUS ON MAJOR CONSTRUCTION PROJECTS AND ON OPTIMISATION

The focus for the years to come is set on major construction projects and the optimisation of core REFM services and competencies. The constant challenge of our service providers and the boost of working partnerships on innovative, socially responsible and cost effective solutions is aiming to always keep the competitive edge. To further pursue our vision to support people within the organisation in their endeavours to achieve business goals, health, safety and environment has been placed into the centre of attention for 2017.

HUMAN RESOURCES

PRODUCTS AND SERVICES TAILORED TO THE CUSTOMER

HR strives to develop products and services as close to the internal customer demands as possible. HR will implement fixed hour meetings on various sites welcoming all employees to discuss HR topics. Furthermore HR will roll out a talent management programme to enhance the development of skills. By further integrating our existing IT-tools, a more swift administration will be performed. The development of these tailored products and services for the internal and external clients of our group will add value to the business as a whole.



LEGAL DEPARTMENT

SUPPORTING CROSS-BORDER ACTIVITIES

In 2017, challenges for Encevo's Legal Department will include assisting in M&A activities, the development or implementation of new products and the review of major agreements.

Furthermore, the Legal Department will continue working on its legal processes and trainings for its internal clients, also to keep up with the permanently evolving legislation and regulation in the countries where the group is active, in order to assure appropriate advice to business.

INTERNAL AUDIT

REINFORCE INTERNAL CONTROL MATURITY LEVEL

In addition to the completion of the 2017 Internal Audit plan and the follow-up on recommendations implementation, the Internal Audit Department will contribute to helping the group increase its internal control maturity level and strengthen its role as third line of defence.



GROUP ORGANISATION AND BUSINESS PROCESS EXCELLENCE

FURTHER TRAINING AND FINETUNING

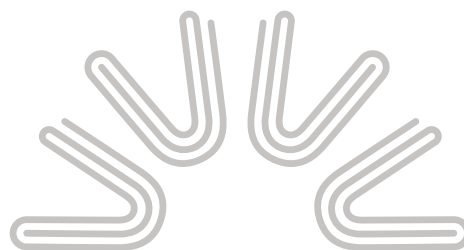
As of 2017, all group projects (aside from Creos construction/connection projects, for regulatory reasons) will apply the common PMC² guidelines to ensure business project objectives are delivered within time, scope, budget and required quality. Furthermore, the department has built a balanced scorecard-based key performance indicators dashboard for operational support services, to monitor progress and continuously align service development with internal customers' requirements (Creos/Enovos). Agreed service levels will be further fine-grained following a Voice-of-the-Customer (VoC) analysis in 2017.

The professional in-house Encevo LeanSixSigma training, defined to ensure that process owners and process responsables are trained in best practice process improvement methods, will be proposed as of 2017 and will serve as accelerator on shaping business processes for future challenges.

A person in a red shirt and dark shorts stands with hands on hips, looking out over a vast, hazy landscape at sunset. The person is positioned on a rocky, uneven terrain. In the background, a small stone structure is visible on the hilltop, and distant mountains are silhouetted against the warm, orange glow of the setting sun. The sky transitions from a deep blue at the top to a bright orange near the horizon.

PART III

ANNUAL ACCOUNTS



This last section is dedicated to the Management Report and will provide you with a general overview of the 2016 financial year and the results of our operating performances, including additional information and commentary on each segment of the statement.

CONSOLIDATED ANNUAL ACCOUNTS 2016

MANAGEMENT REPORT

As part of its strategic development, Enovos International S.A. changed its name to Encevo S.A. on 3rd October 2016. The purpose of this move is to clearly differentiate between the parent company and its subsidiaries, energy supplier Enovos Luxembourg S.A. and grid operator Creos Luxembourg S.A., and as a result, to clarify the group's governance.

Encevo S.A. is the holding company for the energy supplier Enovos Luxembourg S.A., which is not regulated, and the grid operator Creos Luxembourg S.A. which is regulated.

The consolidated annual accounts include those of Encevo S.A. and those of its affiliates (the "group"), including 54 companies, of which 36 are fully consolidated and 18 are consolidated under the equity method.

HIGHLIGHTS

2016 has been yet a year marked by global macroeconomic and geopolitical events that also affected Europe's energy markets' mid to long-term expectations. In this context, Enovos Luxembourg S.A.'s home energy markets, mainly Luxembourg and Germany, showed remarkable strengths in terms of economic dynamic, growth and energy consumption. Nevertheless, Enovos Luxembourg S.A. had to witness increasing competition coupled with decreasing margins in all its sales activities as the market maturity in the industrial and utility segments continued to rise. During the year the wholesale energy markets showed positive price evolutions starting at very low ranges in January and peaks in November and December driven by coal and oil. In particular, CO₂ lost about 40% of its already low price range in one year with notable effects on the merit order of power generation as older lignite assets kept competitiveness against high-effective modern gas generators.

Overall, 2016 has been a good year as far as our grid and commercial activities are concerned. EBITDA grew by 13% to a record level of EUR 262.3 Million (or EUR 247.2 Million excluding the one off impact from reversing a provision for risks of EUR 15.1 Million). The downside to our financial results 2016 is on the renewable assets side, with declining contribution compared to 2015 largely from the biogas activities where the group suffered both from unfavourable market conditions as well as from technical incidents in our Belgian plants. A total of 41.1 MEUR have been booked as impairments in 2016, coming to a large

extent from our biogas companies thus negatively impacting the net profit of 83.2 MEUR, slightly above the 2015 figure of 80.6 MEUR. Excluding the net impact of these exceptional items, net profit would stand at 109.2 MEUR.

NON-REGULATED ACTIVITIES

Commodity Sales

In 2016, natural gas sales remained at a constant level with a slight decrease to 23.8 TWh in 2016 compared to 24.2 TWh in 2015. A sales decrease in Luxembourg (-2.6 TWh) has been recorded due to the stop of the activities of the Twinerg power plant. The impact of Twinerg has been partially reduced by growing sales in the industrial customer segment and by a temperature driven increase of volumes for heat-driven customers. Most importantly, the gas sales increase in Germany and higher gas sales in France contributed to stable sales volumes in 2016.

Electricity sales have overall decreased by 4 TWh to 13.3 TWh. On the Luxembourgish home market, sales efforts in the industrial customer sector were at a constant and good conversion level and new products could be offered to our residential and professional customers. In Germany, the market environment has been very challenging, which is illustrated by the decline (-3.8 TWh) of our electricity sales in the segment of large scale customers mainly. The same is valid for both Belgium and France, where sales volumes could not be increased at the speed and to the level expected.

In order to be able to respond more effectively to the developments and changes in the market environment, the sales organisation in Germany has been restructured.

On the Belgian market, the focus during 2016 has been on the development of a commercial partnership and offer for the Wallon residential market together with the telecom operator JOIN Experience S.A. To facilitate and support these developments, the main office of the Belgium branch, hosting as well the commercial B2B activities of Enovos Belgium, has been set-up in Mont Saint Guibert (South of Brussels) and is fully operational since August 2016.

With the termination of regulated tariffs, the sales activities in France do now also cover the SME sector. In view of ramping up this business activity in France, Enovos Luxembourg S.A. has incorporated its commercial prospection subsidiary "Enovos France

S.A.S.” with registered seat in Metz in March 2016.

The Renewable Energies Department’s activities in 2016 were mainly determined by the continued implementation of the “Olympia 2” action plan started in September 2015. Amongst the key events are the take-over of the remaining 20% of the shares, as well as the insourcing of technical and commercial operations of the two German biogas plants Biogas Oebisfelde GmbH and Biogas Ohretal GmbH.

In 2016, the Belgian biogas activities were impacted by several material technical incidents. Extensive focus has been put into the incident clarification and corrective actions determination. Additional investments for rebuilding the damaged installations, combined with increased safety requirements are being considered by management. Furthermore, future revenues from green and heat certificates according to Belgian legislation are still under review and may have a crucial impact on the profitability of the respective plants.

A scrutiny selection of the renewable asset management platform has been concluded and the platform is expected to become operational in the course of Q2/Q3 2017 in order to allow close monitoring of all assets in the portfolio.

On the development side, the Renewable Energies organisation has continued to grow its existing green asset base with a technology focus on onshore wind and photovoltaic. Enovos Renewables GmbH has completed commissioning two wind farm projects in Saarland, while in Luxembourg, three new wind parks have been built and connected to the grid by Soler S.A., Enovos Luxembourg S.A.’s joint venture with SEO S.A. Successful acquisition of a photovoltaic developer in Germany (WES green) has been concluded, whose project development activities in 2016 yielded construction of three photovoltaic parks of a total of 20 MW.

The total net installed capacity by end 2016 grew by 15% to 366 MW, whereas total production did not change and totalled to 649 GWh. The additional 64 MW renewable capacity increases have all been completed by year end 2016 and are expected to generate additional 100 GWh in 2017.

Furthermore, Enovos Luxembourg S.A. will continue its successful growth strategy in the field of PV O&M activities in Germany (currently 420 MW contracted), and possibly extend these services, provided mainly to financial investors, in other European countries.

REGULATED ACTIVITIES

The total electricity-transportation volumes of the group are in line with last year, at 5 TWh in 2016 (+2.6%), whereas total gas-transportation volumes have decreased from 9.9 TWh in 2015 to 9.2 TWh in 2016 in Luxembourg, mainly because of lower demand on the electricity-production side (Twinerg) partly compensated by a higher demand of public utilities, although in Germany there was an increase from 26.8 TWh in 2015 to 29.1 TWh in 2016.

2016 has again been a strong year concerning investments for Creos Luxembourg S.A. This large investment program, driven mainly by the expansion of the high voltage grid, the deployment of the smart meters and the modernisation/renewal of operating sites will continue for the next few years before tapering off towards 100 MEUR at the horizon of 2021. The single largest investment item of Creos Luxembourg S.A. relates to the construction of a new high voltage line (and the transforming stations connected to it) bypassing Luxembourg-city on the East and creating a new North-South connection within the country. Work on this line and its stations continued in 2016 (installation of transformers, pylons, overhead lines and cables) and operational go-live of the ‘Luxring’ went ahead in Q4 2016.

Besides reinforcing its own national grid, Creos Luxembourg S.A. has continued to be very active on the European level by working together with the adjacent TSO’s in order to drive forward a regional market integration respectively create new connections between adjacent markets. With these efforts, Creos Luxembourg S.A. positions itself clearly within the spirit of the European Directive 2009/73/EC, which aims at getting the Member States to evolve towards creating a barrier-free single market. In Natural gas finalising of the integrated Belgian-Luxembourgish Gas Market, first market integration of this kind between two EU Member States has continued in 2016 and will be completed in 2017.

One key element of the investment plan in Luxembourg concerns the so-called “smart energy meters”. Introduction of smart meters (power and gas) in Luxembourg is mandated by law for all distribution operators. The legal deadline for complete (i.e. 95 %) coverage has been fixed to 2019 for electricity meters and 2020 for gas meters. After the creation in 2015 of Luxmetering G.I.E. (a common entity of Creos Luxembourg S.A. with all the other DSOs in Luxembourg) to

design and implement the common and unique platform for the smart meter read-out, the general mass roll-out of smart meters has started in 2016.

Finally, in 2016, Creos Luxembourg S.A. has completed the preparatory works for the electromobility project (loading stations for electrical cars on the public domain). The 'Chargy' project has been officially launched in November with the inauguration of the first 2 loading stations and the mass installation of loading stations will start in 2017.

PERSONNEL

In order to support its growth strategy and to carry out the numerous development and investment projects, the average number of employees of the Encevo Group further increased from 1,470 people in 2015 to 1,530 in 2016. The Board of Directors and the Management of Encevo S.A. would like to thank all employees for their contributions throughout 2016 and for their full support in implementing important changes.

FINANCIALS

The consolidated ordinary operating profit (EBITDA) of EUR 262.3 million (2015: EUR 232.4 million) illustrates the strong operational performance of the group in 2016 at an historical level (or 247.2 MEUR excluding the one off impact from reversing a provision of 15.1 MEUR as mentioned above).

The positive financial impact on operations is very much due to successful sales activities, mainly in the Luxemburgish market. The Energy Management and Trading Department achieved important gross margin contributions, supported by successful optimisation of the flow trading books (short term markets) as well as of the global sales portfolios, equally on both wholesale markets Power and Gas. The benefits from Long Term Contract renegotiations and the optimisation of own Assets remained behind the expectations, mainly due to delayed arbitration processes. In Germany, while the contribution improved in 2016, the operating profit of the subsidiaries remains under pressure due to the strong market competition in the industrial segment and falling energy-market prices. The contribution to the consolidated ordinary operating profit of the grid companies further improved in 2016, as a result of increased revenues and more capitalised own work due to the high investments. The contribution to the consolidated ordinary oper-

ating profit of the renewables companies decreased in 2016, largely driven by technical incidents in our Biogas activities in Belgium.

Share in the companies' results posted under the equity method of EUR 16.0 million (2015: EUR 13.2 million) improved mainly from the equity consolidated company Pfalzgas GmbH benefitting from improved sourcing conditions and the deconsolidation of Twinerg affected by negative results in the comparative year 2015.

In the context of the annual impairment-testing process that the group performs on its fixed assets, a number of value adjustments have been booked, related mainly to two assets, which had a negative impact on the consolidated results. First, as a consequence of unfavourable market conditions as well as from technical incidents in our Belgian biogas plants, an exceptional depreciation of EUR 35.0 million has been booked. Second, as a consequence of the final decision taken in July 2016 to shut down all operational activities of Twinerg S.A., a shareholder loan and accrued interest for an amount of EUR 5.0 million have been fully impaired.

In total, exceptional value adjustments and provisions amounting to 41.1 MEUR have been recognised, impacting operating profit (EBIT) by a total of 35 MEUR and further impacting earnings before tax (EBT) by a total of EUR 6.1 million.

As a consequence of the exceptional depreciations and provisions, net profit for the year amounts to EUR 83.2 million (EUR 61.2 million group share). Excluding the impact of the exceptional impairments of EUR 41.1 million and the one off impact from reversing a provision of 15.1 MEUR, the consolidated net profit for the financial year would be 109.2 MEUR.

In 2016, the group largely continued its high level of investments mainly in grids and to a lesser extent in renewables sectors, with a total of 194.6 MEUR (2015: 221.3 MEUR). Consolidated net financial debt (debt, loans and amounts owed to credit institutions including the financing of the SEO 11th turbine, less cash at bank and transferrable securities) decreased from EUR 520.4 million in 2015 to EUR 502.4 million in 2016 since the free cash flow has been strongly positive in 2016, 58.9 MEUR (2015: 6.3 MEUR) despite the high investment activity, thanks also to a stringent management of our working capital.

The group's total capital and reserves increased to EUR 1,243.7 million (2015: EUR 1,207.5 million), tak-

ing account of the distributed dividends to its shareholders and the net profit for the year. Capital and reserves represent 50.4% of total assets (47.8% in 2015), leaving the group with a very sound balance sheet structure to support its continued growth for the years to come.

RISK MANAGEMENT AND REGULATORY AFFAIRS

The main risks the group has to manage are those relating to market risk, induced by the price volatility in the energy markets, credit risk towards clients and counterparties, and risks related to past and future investments. In addition there are operational and IT risks as well as a need to comply with the increasing regulatory intervention in the energy market on a European level.

Overall during 2016, risk management culture is further developed across the group, with over 50 workshops held throughout the year. Significant input to the development and awareness of risk management has been given to the Renewables entities with i.a. specific trainings held for the employees from several biogas installations.

An early identification of possible risk factors is key to maintaining a stable business. For this reason, risk management is integrated in the daily business of the Encevo Group across the entire organisation and value-chain. A centralisation of possible risks as well as the definition of policies and guidelines assist the managers and foster the value-creation process.

During the year, the Business Continuity Management Policy has been approved and the first two Business Continuity Committees have been held. Business Continuity Plans have been updated and/or defined for the critical departments. Those Business Continuity plans as well as the Disaster Recovery plan have been tested during the year.

On 25th October 2011, the Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency ("REMIT") was adopted, introducing a framework to regulate insider dealing and market manipulation tailored on the needs and dynamics of wholesale energy markets and imposing a reporting obligation for wholesale energy products. During 2016, the regulatory affairs team within Risk Management implemented the Phase II of the mandatory transaction reporting obligation under REMIT, coming into force for new transactions on 7th April as well the associated back loading of older transactions

due on 6th July 2016.

To further improve efficiency and to reduce operational risks, the Back Office team drove the introduction of an electronic confirmation matching (ECM) system and its coupling to the Energy Trading and Risk Management (ETRM) system. Between participating counterparties and brokers, the ECM now allows the automatic confirmation of the details of the OTC transactions done. Currently, this has been implemented for gas, and will be extended to power in 2017.

Besides, a training regarding the relevant topics on insider trading and market abuse of REMIT and the MAR ("Market Abuse Regulation") was given to the concerned front office personnel.

In regards to the status of the Italian PV assets, it should be noted that GSE (the authority that has granted its feed-in-tariffs to the various Italian subsidiaries of Enovos Luxembourg S.A.) has continued its investigations during the course of 2016 and has kept contact with Enovos who continued to accommodate the requests for information. In addition, the company EAM filed a criminal complaint in Luxembourg against Enovos, Encevo and four of its employees for alleged damages regarding the purchase of Italian assets from Aveleos S.A., a subsidiary of Enovos Luxembourg S.A. Meanwhile, Encevo S.A. took legal counter-action against EAM and awaits further developments of the various Italian cases before courts. On the substance, no further material events occurred in 2016 which could justify a change in the appreciation of the facts at stake and thus the taking of additional provisions.

OUTLOOK

The group does not expect a major short term recovery on the energy markets and hence foresees energy prices remaining at low level. This considering, Encevo Group expects existing energy assets and long term commitments to not recover in a short term, a fact that in principle penalises traditional players against new competitors.

In 2017, Enovos Luxembourg S.A. will focus on strengthening its competitiveness in home sales markets and on developing the marketing and management of its B2C sales initiatives in Belgium. In parallel, the B2B bi-fuel offer will be supported in Luxembourg, Germany, France and Belgium by a strong portfolio approach to support price competitiveness

in those highly disputed market segments.

In the energy service segments (e-mobility, smart-home, etc), Enovos Luxembourg S.A. will consolidate the existing offer accepted by the market and stay open and alert to new initiatives and investments that announce potentials to be leveraged in that company's energy home markets.

On the grid side, the group will continue in 2017 and the following years to implement a significant plan for investment and maintenance to modernise its networks in Creos Luxembourg S.A. and Creos Deutschland GmbH in order to ensure their safety and reliability. In Luxembourg, Creos Luxembourg S.A. will also continue to roll-out the 'smart' meters (called 'Smarty') and prepare the introduction of 'smart' grids. 2017 will also see the beginning of the large scale implementation of the electro mobility project (installation of loading stations 'Chargy' for electrical cars).

The lower remuneration rates starting 2017 at the beginning of a new regulation period in Luxembourg (and starting 2018 in Germany) will impact negatively the group's financial results.

In the renewables energy generation market, the group will have to align its ambitions with the changing regimes of public support mechanisms in the different countries of activity, as well as with the fact that strong financial players entered as investors with return expectations closer to the historic low financial interests than to industrial proved remuneration schemes. In the context of a broader strategic review project the group will re-consider the development of current activities in the mid- to long-term in order to propose the shareholders options of re-orientation on those business and markets that appear the most promising to Enovos Luxembourg S.A.'s resources, size and corporate status.

On the information technology side, a major point of management attention will be the innovation process of the entire industry ("digitalisation", "decentralisation", "smart generation, grids, consumption"). The question is raised which of the numerous streams in technology would survive and enter mature business, and how Enovos Luxembourg S.A. may position itself against competitors with a digital background. The group will therefore continue investing in the IT infrastructure and applications in order to prepare the digitalisation of communications, products and processes. Furthermore, Information security, data

protection and compliance to changing regulations will stay pivotal to the IT strategy of the group.

Finally, defining a roadmap and start the implementation of key strategic initiatives in the aftermath of the current review of the group's long term strategy, while launching a further efficiency improvement project will also be in the center of the group's agenda for 2017.

OWN SHARES

No transactions occurred in the course of the year.

CHANGES IN 2016 IN THE BOARD OF DIRECTORS OF ENCEVO S.A.

With effect of 7th March 2016, there has been a change in the shareholder structure of Encevo S.A., as a consortium led by the existing shareholders the Luxembourg State, the City of Luxembourg, the SNCI (Société Nationale de Crédit et d'Investissement), and ARDIAN, joined by the BCEE (Banque et Caisse d'Epargne de l'Etat) took over of all the Company's shares held by RWE and E.ON energy groups (28.36%).

As a result, the composition of the board of directors of the Company also changed as follows:

Marco Hoffmann	Chairman	Aloyse Kohll ^{*)}	Director
Benoît Gaillochet ¹⁾	1 st Vice-Chairman	Prof. Dr. Uwe Leprich ⁶⁾	Director
Tom Theves	2 nd Vice-Chairman	Marc Reding ^{*)}	Director
Michael Reuther ²⁾	3 rd Vice-Chairman	Georges Reuter	Director
Werner Brinker ³⁾	Director	Joachim Scherer	Director
Andrée Colas ⁴⁾	Director	Dr. Geneviève Schlink	Director
Paul Konsbruck ⁵⁾	Director	Claude Strasser ^{*)}	Director
Charles Hutmacher	Director	Johan Van Bragt ⁷⁾	Director

1) Mr. Benoît GAILLOCHET is the permanent representative of the director "AXA Redilion Management Co S.C.A." from January 1st, 2016 on.

2) Mr Michael REUTHER was co-opted as a member of the Board on December 1st 2016 following Azimuth Solutions GmbH's resignation. Mr Stephan FEDRIGO was the permanent representative of Azimuth Solutions GmbH which was a Board member from January 1st, 2016 until November 30th, 2016.

3) Mr Werner BRINKER was co-opted as a member of the Board with effect as of 1st January 2016 in place of Mr Fernand FELZINGER and his appointment was confirmed by the general assembly of shareholders on May 10th, 2016.

4) Mrs Andrée COLAS was co-opted as a member of the Board on September 25th, 2015 and the appointment was confirmed by the general assembly of shareholders on May 10th, 2016.

5) Mr Paul KONSBRUCK was co-opted as a member of the Board on September 30th, 2016 to finish the mandate of Mr Pierre Franck, whose directorship came to an end on September 29th, 2016.

6) Prof. Dr. Uwe LEPRICH is the permanent representative of the director "Administration communale de la Ville de Luxembourg".

7) Mr Johann VAN BRAGT was co-opted as a member of the Board with effect as of December 12th, 2015 and his appointment was confirmed by the general assembly of shareholders of May 10th, 2016.

*) Mr Aloyse KOHLL, Mr Marc REDING and Mr Claude STRASSER were appointed members of the Board with effect as of March 7th 2016 while Dr Peter FRANKENBERG, Mr Peter PICHL and Dr Werner ROOS resigned with effect as of March 7th, 2016, following the change in the shareholder base of the Company.

AUDITOR

The mandate of the external auditor, PricewaterhouseCoopers, will come to term with the audit of the financial year 2016. The Board of Directors will submit a proposal on this behalf to the annual general meeting of shareholders to be held in May 2017.

The Board of Directors

Esch-sur-Alzette, 21th April 2017

2.1 CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2016

ASSETS	Notes	31.12.2016	31.12.2015
Denominated in EUR		€	€
Goodwill on first consolidation	Note 4	48,990,602	52,820,390
Formation expenses	Note 6	163,927	289,437
Fixed assets		1,866,956,346	1,829,333,240
Intangible assets	Note 7		
Concessions, patents, licences, trademarks and similar rights and assets, if they were a) acquired for valuable consideration and need not be shown under C.I.3.		77,522,670	74,282,295
Goodwill, to the extent that it was acquired for valuable consideration		58,250,000	66,994,781
Payments on account and intangible fixed assets under development		15,011,189	9,979,837
Tangible assets	Note 8		
Land and buildings		180,831,489	196,750,093
Plant and machinery		1,099,024,833	1,055,982,629
Other fixtures and fittings, tools and equipment		37,331,764	40,664,014
Payments on account and tangible fixed assets under development		141,997,122	136,775,129
Financial assets			
Companies consolidated under the equity method	Note 9.1	115,831,637	109,150,407
Investments carried at cost	Note 9.2	88,129,598	85,733,462
Loans to undertakings with which the undertaking is linked by virtue of participating interests		23,371,383	23,736,097
Investments held as fixed assets	Note 12	28,769,477	28,769,477
Other loans		885,183	515,019
Current assets		502,135,288	587,239,255
Stocks	Note 10		
Raw materials and consumables		21,684,562	21,881,078
Work in progress		26,733,596	24,910,042
Finished goods and goods for resale		10,531,759	47,160,167
Debtors			
Trade debtors	Note 11.1		
a) becoming due and payable within one year		280,022,428	326,447,422
b) becoming due and payable after more than one year		0	0
Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	Note 11.2		
a) becoming due and payable within one year		22,761,063	15,086,694
b) becoming due and payable after more than one year		63,180	26,000
Other debtors	Note 11.3		
a) becoming due and payable within one year		48,206,526	73,904,629
b) becoming due and payable after more than one year		930,216	758,842
Deferred tax assets	Note 11.4	2,578,380	4,023,857
Investments	Note 12		
Other investments		14,560,779	14,684,809
Cash at bank and in hand	Note 13	74,062,799	58,355,715
Prepayments	Note 14	50,647,244	57,349,440
Total Assets		2,468,893,407	2,527,031,762

The notes in the annex form an integral part of the annual accounts.

CAPITAL, RESERVES AND LIABILITIES	Notes	31.12.2016	31.12.2015
Denominated in EUR		€	€
Capital and reserves, group share	Note 15	1,002,184,958	981,857,562
Subscribed capital		90,962,900	90,962,900
Share premium account		387,028,449	387,028,449
Consolidated reserves		403,113,838	383,001,495
Profit or loss brought forward		56,421,145	57,493,537
Capital investment subsidies		3,456,053	4,948,722
Consolidated Profit or loss for the financial year, group share		61,202,573	58,422,459
Minority interests		241,496,387	225,685,737
Capital and reserves, total		1,243,681,345	1,207,543,299
Provisions		166,767,904	178,259,762
Provisions for pensions and similar obligations	Note 16.1	91,724,670	89,234,744
Other provisions	Note 16.2	75,043,234	89,025,018
Creditors		1,030,404,165	1,119,619,237
Debtenture loans			
b) Non convertible loans	Note 17		
i) becoming due and payable within one year		5,493,859	5,683,222
ii) becoming due and payable after more than one year		382,333,333	382,500,000
Amounts owed to credit institutions	Note 18		
a) becoming due and payable within one year		33,097,378	17,984,751
b) becoming due and payable after more than one year		78,639,703	88,091,317
Payments received on account of orders in so far as they are shown separately as deductions from stocks	Note 19		
a) becoming due and payable within one year		16,459,799	17,515,484
b) becoming due and payable after more than one year		0	0
Trade creditors	Note 20		
a) becoming due and payable within one year		279,341,589	352,316,472
b) becoming due and payable after more than one year		73,805	1,968,745
Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	Note 21		
a) becoming due and payable within one year		8,548,343	8,541,230
b) becoming due and payable after more than one year		0	0
Other creditors	Note 22		
a) Tax authorities		35,208,924	46,636,704
b) Social security authorities		5,257,053	4,157,283
c) Other creditors			
i) becoming due and payable within one year	Note 23	22,219,325	22,355,701
ii) becoming due and payable after more than one year		91,945,812	106,874,299
Deferred income tax	Note 24	71,785,242	64,994,029
Deferred income	Note 25	28,039,992	21,609,464
Total Capital, Reserves and Liabilities		2,468,893,407	2,527,031,762

The notes in the annex form an integral part of the annual accounts.

2.2 CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2016

- LEGAL PRESENTATION

PROFIT AND LOSS ACCOUNT	Notes	31.12.2016 €	31.12.2015 €
Net turnover	Note 26	1,888,903,366	2,389,491,708
Work performed by the undertaking for its own purposes and capitalised	Note 1	42,105,096	34,382,148
Other operating income	Note 27	41,201,244	17,211,454
Raw materials and consumables and other external expenses	Note 28		
a) Raw materials and consumables		(1,439,791,308)	(1,947,557,663)
b) Other external expenses		(105,050,651)	(98,617,353)
Staff costs	Note 29		
a) Wages and salaries		(125,286,367)	(119,758,306)
b) Social security costs		(15,263,518)	(15,170,351)
c) Other personnel costs		(12,728,175)	(12,123,712)
Value adjustments			
a) in respect of formation expenses and of tangible and intangible fixed assets	Notes 4, 6, 7, 8	(149,312,757)	(120,065,878)
b) in respect of current assets		(6,556,034)	(10,255,050)
Other operating expenses	Note 30	(5,277,946)	(5,172,165)
Income from participating interests			
b) other income from participating interests	Note 31	8,945,817	8,287,157
Other interest receivable and similar income			
b) other interest and similar income	Note 32	5,516,451	3,934,189
Share of profit or loss undertakings accounted for under the equity method	Note 33	16,036,111	13,195,375
Value adjustments in respect of financial assets and of investments held as current assets	Note 34	(6,179,511)	(7,445,885)
Interest payable and similar expenses			
b) other interest and similar expenses	Note 35	(25,316,103)	(23,952,139)
Tax on profit or loss	Note 36	(28,252,898)	(23,524,080)
Consolidated Profit or loss after taxation		83,692,816	82,859,448
Other taxes not shown under previous items		(474,550)	(2,229,471)
Consolidated Profit or loss for the financial year		83,218,266	80,629,977
Minority interests		(22,015,693)	(22,207,518)
Consolidated Profit or loss for the financial year, group share		61,202,573	58,422,459

The notes in the annex form an integral part of the annual accounts.

2.2 CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2016

- LIST PRESENTATION

PROFIT AND LOSS ACCOUNT	31.12.2016	31.12.2015
	€	€
Net turnover	1,888,903,366	2,389,491,708
Other operating income	40,226,345	17,211,452
Gain on disposal of fixed assets	974,900	0
Work performed by the undertaking for its own purposes and capitalised	42,105,096	34,382,148
Cost of sales	(1,439,791,308)	(1,947,557,663)
Staff costs	(153,278,061)	(147,052,369)
Other operating expenses	(116,884,631)	(114,044,568)
Ordinary operating profit (EBITDA)	262,255,707	232,430,709
Value adjustments in respect of formation expenses and of tangible and intangible fixed assets	(149,312,757)	(120,065,878)
Operating profit (EBIT)	112,942,950	112,364,831
Income from investments carried at cost	4,706,645	3,934,189
Gain on disposal of financial assets	809,806	0
Other interest receivable and similar income	8,945,817	8,287,157
Share in result of companies accounted under the equity method	16,036,111	13,195,375
Interest and other financial charges	(31,495,614)	(31,398,024)
Consolidated Profit or loss before taxation	111,945,714	106,383,528
Current income tax (including net wealth tax)	(20,491,582)	(16,884,497)
Deferred income tax	(8,235,866)	(8,869,055)
Consolidated Profit or loss after taxation	83,218,266	80,629,977
Minority interests	(22,015,693)	(22,207,518)
Consolidated Profit or loss for the financial year, group share	61,202,573	58,422,459

2.3 CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2016

	31.12.2016	31.12.2015
Denominated in EUR	€	€
Result for the financial year, group share	61,202,573	58,422,459
+ Minority interests	22,015,693	22,207,518
+ Amortisation and depreciation	150,805,425	120,684,348
- Capital gain on disposals financial assets	(809,806)	0
- Capital gain on disposals fixed assets	(974,900)	0
+ / - Change in provisions	(10,861,389)	108,470
- Share in result of companies accounted under the equity method	(16,036,111)	(13,195,375)
+ Dividends received from companies accounted for under the equity method	13,302,767	14,314,994
+ Current and deferred income taxes	28,727,448	25,753,552
- Taxes paid	(31,918,538)	(29,890,654)
- Increase / (+) Decrease in current assets	105,943,736	42,045,146
+ Increase / (-) Decrease in current liabilities	(83,452,960)	(17,309,593)
Operating cash flow	237,943,938	223,140,865
- Capital expenditures on intangible assets	(19,762,881)	(15,538,721)
- Capital expenditures on tangible assets	(161,155,542)	(185,829,749)
- Impact of change in scope	(4,259,707)	(411,941)
+ Cash received from disposal of fixed assets	13,188,855	1,537,655
- Capital expenditures on financial assets	(10,886,370)	(19,567,668)
+ Cash received from disposal of financial assets	3,417,824	593,013
+ / - Change in loans to participations	364,714	2,405,993
Cash flow from investing activities	(179,093,107)	(216,811,418)
- Dividends paid to the group shareholders	(32,200,867)	(24,005,109)
- Dividends paid to the minorities of consolidated companies	(14,081,176)	(10,884,326)
+ Change in equity	(2,290,718)	(310,695)
- Net change in financial liabilities	5,294,629	(22,703,951)
- Impact of change in scope on financial liabilities	10,355	0
Cash Flow from financing activities	(43,267,777)	(57,904,081)
CHANGE IN CASH	15,583,054	(51,574,634)
Situation at the beginning of the year	73,040,524	124,615,158
Situation at the end of the year	88,623,578	73,040,524

2.4 NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

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Note 1 – Summary of significant accounting principles

Basis of preparation

The consolidated annual accounts of Encevo S.A. (the “Company”), together with its subsidiaries, (the “group”) have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the amended Law of 19th December 2002, determined and applied by the Board of Directors.

The preparation of consolidated annual accounts requires the use of certain important accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the consolidated annual accounts in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the consolidated annual accounts therefore present the financial position and results fairly.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The financial year starts on 1st January and ends on 31st December of each year.

Scope of consolidation

The consolidated annual accounts include those of Encevo S.A. and those of its affiliates, including jointly controlled entities, and its associated companies. Together they form the group. The consolidated companies are listed in Note 5, “Scope of consolidation and list of consolidated companies”.

All consolidated companies prepare their statutory annual accounts as at 31st December.

Significant accounting policies

The main valuation rules applied by the group are the following:

Consolidation methods

The methods used are:

- Full consolidation in the case of those companies that the Encevo Group directly or indirectly controls (generally with more than 50% of the voting rights). With this method, the assets and liabilities of the consolidated companies are incorporated into the consolidated accounts, rather than the book value of the equity interests held by the group in the companies concerned. Use of this method can lead to goodwill on consolidation and minority interests being reported. Similarly, the income and expenses of these subsidiaries are consolidated with those of the parent company and their results for the financial year are apportioned between the group and the minority interests. Intercompany accounts and transactions are eliminated.
- The equity method in the case of those companies over which the Encevo Group exercises either joint control with a limited number of associates or significant influence. With this method, the parent company's share of its affiliate's equity, based on its equity interest, is entered in its balance sheet, rather than the acquisition cost of the equity holding itself. The difference thus generated is posted to group capital and reserves. The dividends received by the respective parent company are eliminated. The other balance sheet and income statement items are not affected and intercompany accounts and transactions are not eliminated.
- Goodwill on consolidation is calculated at the time of acquisition or consolidation of an equity interest. Goodwill on first consolidation represents the excess of the acquisition price over the group's interest share in the equity of the acquired entity. Negative goodwill is accounted for in profit and loss or in provisions if it relates to anticipated future losses. Positive goodwill is recorded as an asset and depreciated over 15 years, unless a different amortisation period is justified. The 15 years are based on the expected

economic life of the underlying assets. The positive and negative goodwills resulting from the restructuring process in 2009 have been by exception recorded in 2009 against the consolidated reserves in shareholder's equity.

- If the Board of Directors considers that an impairment must be recognised on goodwill on consolidated entities, a corresponding value adjustment is posted.

Foreign currency translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. Formation expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date, exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

All group companies use EUR as their functional currency.

Presentation of the comparative financial data

Following the amendment of the Luxembourgish Law of 19th December 2002, adopted on 18th December 2015, some figures for the year ended 31st December 2015 have been reclassified to ensure comparability with the figures for the year ended 31st December 2016.

Formation expenses

Formation expenses are written off on a straight-line basis over a period of 5 years.

Intangible assets

Intangible assets are valued at purchase price including the expenses incidental thereto or at production cost, less cumulated depreciation amounts written off.

The depreciation rates and methods applied are as follows:

	Depreciation rate	Depreciation method
Concessions, patents, licences, trade marks and similar rights and assets	4% - 33.33%	Straight-line
Goodwill, to extent that it was acquired for valuable consideration	6,67% - 20%	Straight-line

Where the group considers that an intangible asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Tangible assets

Tangible assets are valued at purchase price including the expenses incidental thereto or at production cost.

The acquisition price is made up of the purchase price, including customs due and non-refundable taxes, after

deduction of commercial discounts and rebates, and any cost directly attributable to the asset's transfer to its place of operation and any adaptation needed for its operation.

Depreciation is recorded on the basis of an asset's useful life under the straight line method. The estimated useful lives of the main components of tangible assets are as follows:

	Depreciation rate	Depreciation method
Buildings	2% - 10%	Straight-line
Plant and machinery	2% - 10%	Straight-line
Other fixtures and fittings, tools and equipment	10% - 33,33%	Straight-line

For the grid assets in Luxembourg, when a part of grid assets is to be replaced and cannot be separately identified, no disposal of assets is accounted for and the replaced assets continue to be depreciated with normal rates. This accounting principle has been agreed with the Regulator for the determination of grid tariffs.

Where the group considers that a tangible asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Tangible assets under development are valued at cost, based on the direct and indirect costs of the group and are reviewed for impairment annually.

The costs incurred on assets under development created by the group itself are recorded in the profit and loss account under caption "Assets in the course of construction" during the year and are transferred at balance sheet date to the appropriate balance sheet caption.

Investments carried at cost and investments held as fixed assets

Investments carried at cost and not consolidated in these accounts are recorded in the balance sheet at their acquisition costs including the expenses incidental thereto. In the case of an impairment that the Board of Directors considers as permanent in nature, value adjustments are made in respect to these long-term investments to apply the lower value to be assigned to them at the balance sheet date. These value adjustments are not maintained when the reasons for making them have ceased to exist.

Investments held as fixed assets are classified as long term financial assets if they are not available for sale. A value adjustment is recorded where the market value is lower than the purchase price.

Inventories of raw materials and consumables

Raw materials and consumables are valued at the lower of purchase price calculated on the basis of weighted average cost and market value. Value adjustments are recorded when the estimated realisable value of stocks is lower than the weighted average cost. Their value adjustments are not maintained if the reasons for recording them have ceased to exist.

Inventories of finished goods and work in progress

Inventories of finished goods and work and contracts in progress are valued at the lower of production cost including the purchase price of the raw materials and consumables, the costs directly attributable to the product/contract in question and a proportion of the costs indirectly attributable to the product/contract in question, and market value. A value adjustment is recorded where the market value is below the production cost. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Debtors

Debtors are recorded at their nominal value. Value adjustments are recorded when there is a risk that all or

part of the amounts concerned may not be recovered. These value adjustments are not maintained if the reasons for recording them have ceased to exist.

Investments

Investments are valued at their purchase price, including expenses incidental thereto, expressed in the currency in which the annual accounts are prepared. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

The market value corresponds to the latest available quote on the valuation day for investments listed on a stock exchange or traded on another regulated market.

For non-listed investments or for investments where the last quote is not representative, the market value corresponds to the probable realisation value estimated with due care and in good faith by the Board of Directors.

Derivative financial instruments

The group may enter into derivative financial instruments such as options, swaps, futures or foreign exchange contracts. The group records initially derivative financial instruments at cost.

At each balance sheet date, unrealised losses are recognised in the profit and loss account whereas gains are accounted for when realised. In the case of hedging of an asset or a liability which is not recorded at fair value, unrealised gains or losses are deferred until the recognition of the realised gains or losses on the hedged item.

Prepayments

This asset item includes expenditures incurred during the financial year but relating to a subsequent financial year.

Provisions

The aim of provisions is to cover clearly defined charges and liabilities, which, on the balance sheet date, are either probable or certain but for which the amount or date of occurrence cannot be determined with certainty. A review is carried out at year-end to determine the provisions to be recorded for the group's liabilities and charges. Provisions recorded in previous years are reviewed annually and those no longer needed are released.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions for pensions and similar obligations

Different group companies offer their employees a defined benefit plan and a defined contribution plan. Those plans are provided for based on acceptable principles in the different countries of the group companies.

Defined benefit plan

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to historical evolution of long term interest rates.

Actuarial gains and losses are charged or credited in the profit or loss in the period in which they arise.

Past-service costs are recognised immediately in the profit or loss.

Provisions for pensions and similar obligations (cont.)**Defined contribution plan**

A defined contribution plan is a pension plan under which the group pays fixed contributions to a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions paid are directly registered in the profit and loss during the year they are paid. The commitment of the group is limited to the contributions that the group agreed to pay into the fund on behalf of its employees.

Creditors

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is recorded in the profit and loss account when the debt is issued. All fixed costs related to setting up the facilities are depreciated over the duration of the loan.

Deferred income

This liability item includes income received during the financial year but relating to a subsequent financial year.

Current and deferred income tax

Provisions for current income tax include the current taxes charged. Deferred taxes are recorded on the temporary differences existing between the tax rules and those used for preparing the consolidated annual accounts. Deferred taxes are calculated in accordance with the variable carrying forward method based on the tax rate expected at the time that the receivable or liability materialises. Active deferred taxes are recorded only if it is likely that future taxable profits will be available.

Net turnover

Net turnover relates to transportation and distribution of electricity and gas, sales of gas and electricity, cogeneration provided as well as related services as part of the group's ordinary activities, net of discounts, value-added tax and other taxes directly linked to sales.

In energy supply, revenue is recognised at the time of physical delivery except for supplies of electricity and gas to residential and commercial customers from Enovos Luxembourg S.A. and Leo S.A. for which revenue recognition is based on five respectively eleven flat-rate advance payments and one detailed final billing following meter reading as invoiced annually.

Other operating income

Other operating income comprises all income only indirectly linked to usual business activities.

Income from participating interests

Dividend income is recorded when dividends are paid.

Note 2 – Creation of the Encevo Group (formerly Enovos Group)

Encevo S.A. (formerly Enovos International S.A.) was incorporated under the name of Soteg S.A. in Luxembourg on 5th February 1974. The Company is registered under RCS nr. B11723. In the context of the below described operations, the Company has been renamed Enovos International S.A. in 2009. The registered office of the Company is established in Esch-sur-Alzette.

As of 23rd January 2009, the shareholders of Cegedel S.A. and Saar Ferngas AG contributed their respective shares into Soteg S.A.. Soteg S.A. then launched a mandatory public offer on all Cegedel S.A. shares not yet in its possession and Cegedel S.A. was delisted after a successful squeeze-out process. A process of restructuring took place thereafter and resulted in a new energy group named Enovos consisting of the parent company, Enovos International S.A. (formerly Soteg S.A.) and its two main subsidiaries, Creos Luxembourg

S.A. (formerly Cegedel S.A.) in charge of grid activities and Enovos Luxembourg S.A. (formerly Cegedel Participations S.A.) dealing with energy generation, sales and trading activities. This restructuring has been made with retroactive effect as of 1st January 2009. Enovos Luxembourg S.A. has a subsidiary, Enovos Deutschland SE, (former Enovos Deutschland AG), for the German market and Creos Luxembourg S.A. has a subsidiary, Creos Deutschland Holding GmbH (former Creos Deutschland GmbH), for the German grid.

In the context of this restructuring, former Cegedel S.A. and Soteg S.A. sales activities were contributed to Enovos Luxembourg S.A. against issuing new shares. Enovos Luxembourg S.A. acquired 86.2% of Enovos Deutschland SE (former Enovos Deutschland AG). Cegedel Participations S.A. was sold to Soteg S.A. and the former Cegedel S.A. sales activity has been contributed to Enovos Luxembourg S.A. in exchange for shares. Former Soteg S.A. grid activities have been contributed to Creos Luxembourg S.A. in exchange for shares.

In October 2016, Enovos International S.A. has been renamed Encevo S.A., the parent company of the Encevo Group.

Note 3 – Authorisations

Following the two European directives 2009/72 and 73 of 13th July 2009 concerning common rules for the internal markets in electricity and natural gas, and the laws that transposed these directives into national laws, namely the laws of 7th August 2012, regarding the organisation of the electricity and natural gas markets, transport and distribution grid management activities have been legally separated from the other activities of generation and sale of electricity and gas.

Note 4 – Goodwill on first consolidation

Goodwill on acquisitions is recognised on the asset side and is depreciated over a period of 15 years. As of 31st December 2016, the group has recognised goodwill on the following acquisitions (see also note 5):

	Date of first consolidation	31/12/2016 Goodwill Gross value €	31/12/2016 Goodwill Net value €
Energiepark Trelder Berg GmbH	1 st January 2010	11,911,481	0
Surré S.A.	1 st January 2010	989,661	527,820
Enovos Luxembourg S.A. (Luxgas S.à r.l.)	1 st May 2010	14,871,586	8,261,992
Creos Luxembourg S.A.	1 st May 2010	9,285,305	5,158,504
La Benâte Energies S.à r.l.	1 st July 2010	1,771,954	0
Enovos Solar Investment I S.r.l. Unipersonale	1 st October 2010	805,849	0
Enovos Solar Investment II S.r.l. Unipersonale	1 st November 2010	3,035,199	0
Enovos Energie Deutschland GmbH	1 st January 2011	7,296,109	4,377,666
Leo S.A.	6 th January 2011	21,157,085	12,694,252
Ferme Eolienne de la Côte du Gibet S.à r.l.	2 nd November 2011	51,800	31,656
Biogas Ohretal GmbH	1 st January 2012	6,963,113	5,130,619
ESW Energie Südwest AG	1 st January 2012	2,205,965	1,507,409
DiSUN Deutsche Solarservice GmbH	1 st January 2016	1,106,662	1,032,885
Enovos Deutschland SE	20 th September 2012	1,992,075	1,460,855
Creos Deutschland Holding GmbH	1 st January 2013	689,966	516,795
Biogas Oebisfelde GmbH	8 th February 2013	9,308,224	7,256,918
NPG Energy Group	15 th January 2013	6,015,427	1,033,233
		99,457,461	48,990,602

Value adjustments have been recorded using a straight line depreciation method:

	31/12/2016 €	31/12/2015 €
Gross book value - opening balance	94,364,328	94,051,032
Additions for the year	5,093,133	213,197
Transfer for the year	0	100,099
Gross book value - closing balance	99,457,461	94,364,328
Accumulated value adjustment - opening balance	(41,543,938)	(34,967,716)
Allocations for the year	(5,462,198)	(5,240,787)
Exceptional depreciation for the year	(3,460,723)	(1,335,435)
Accumulated value adjustment - closing balance	(50,466,859)	(41,543,938)
Net book value - closing balance	48,990,602	52,820,390

The additions of the year concern Biogas Oebisfelde GmbH and Biogas Ohretal GmbH following the acquisition of the remaining 20% of the shares in both companies and the acquisition of 80% of DiSUN Deutsche Solar Service GmbH.

Furthermore, as a consequence of the annual impairment testing, the Board of Directors decided to depreciate the goodwill of NPG Energy Group by EUR 3,460,723.

The Board of Directors is of the opinion that no further value adjustments are necessary.

Note 5 – Scope of consolidation and list of consolidated companies

The consolidation scope is as follows as at 31st December 2016:

Fully consolidated group companies:

Name	Country	Percentage of control	Percentage of interest	Main activity
Encevo S.A.	Luxembourg	100.00%	100.00%	Holding company and shared service provider
Enovos Luxembourg S.A.	Luxembourg	100.00%	100.00%	Supply of power and gas
Creos Luxembourg S.A.	Luxembourg	75.47%	75.47%	Transport and distribution of gas and power
Enovos Re S.A.	Luxembourg	100.00%	100.00%	Reinsurance
Luxenergie S.A.	Luxembourg	60.35%	60.35%	Production of heat and power
Surré S.A.	Luxembourg	100.00%	60.35%	Production of heat and power
Windpark Mosberg GmbH & Co KG	Germany	100.00%	100.00%	Production of power
Enovos Deutschland SE	Germany	100.00%	100.00%	Holding company and shared service provider
Enovos Energie Deutschland GmbH	Germany	100.00%	100.00%	Supply of power and gas
Enovos Future GmbH	Germany	100.00%	100.00%	Facility management
Enovos Renewables O&M GmbH	Germany	100.00%	100.00%	Operation & maintenance of solar- and windparks
Enovos Properties GmbH	Germany	100.00%	100.00%	Real estate
Enovos Storage GmbH	Germany	100.00%	100.00%	Gas Storage
Enovos Renewables GmbH	Germany	100.00%	100.00%	Holding company for power producers
Enovos Power GmbH	Germany	100.00%	100.00%	Supply of power
Energie Südpfalz Shared Service GmbH	Germany	64.00%	32.64%	Service provider
Creos Deutschland Holding GmbH	Germany	98.03%	73.70%	Holding company and shared service provider
Creos Deutschland GmbH	Germany	100.00%	73.70%	Transport and distribution of gas
Creos Deutschland Services GmbH	Germany	100.00%	73.70%	Service provider
Energie Südwest AG	Germany	51.00%	51.00%	Supply of power, gas and heat
Energie Südwest Netz GmbH	Germany	100.00%	51.00%	Transport and distribution of gas, power, water and heat
Energie Südwest Projektentwicklung GmbH	Germany	100.00%	51.00%	Supply of heat / Provider of services in gas and power
Energiepark Trelder Berg GmbH	Germany	100.00%	100.00%	Production of power
La Benôte Energies S.à r.l.	France	100.00%	100.00%	Production of power
Enovos Solar Investment I S.r.l. Unipersonale	Italy	100.00%	100.00%	Production of power
Enovos Solar Investment II S.r.l. Unipersonale	Italy	100.00%	100.00%	Production of power
Leo S.A.	Luxembourg	100.00%	100.00%	Supply of power and gas
Ferme Eolienne de la Côte du Gibet S.à r.l.	France	100.00%	100.00%	Production of power
Real Estate Strassen S.A.	Luxembourg	100.00%	100.00%	Real estate
Biogas Ohretal GmbH	Germany	100.00%	100.00%	Production of power
Solkraftwerk Frauental GmbH	Germany	90.40%	53.75%	Production of power
Biogas Oebisfelde GmbH	Germany	100.00%	100.00%	Production of power
Real Estate Enovos Esch S.A.	Luxembourg	100.00%	100.00%	Real estate
Enovos Real Estate Luxembourg S.A.	Luxembourg	100.00%	100.00%	Holding company
NPG Energy Group	Belgium	50.98%	50.98%	Production of heat and power
DiSUN Deutsche Solarservice GmbH	Germany	80.00%	80.00%	Operation & maintenance of solar- and windparks

In 2016, Enovos Luxembourg S.A. bought the remaining 20% of shares of Biogas Oebisfelde GmbH and Biogas Ohretal GmbH from its partner Pure Nature Energy GmbH for an amount of EUR 4,901,887. A goodwill of EUR 3,986,470 was recognised on that operation. Both companies have then been sold at cost to Energiepark Trelder Berg GmbH.

Furthermore, the activities of Enovos Futures were spinned off for EUR 1,506,529 in a new entity, Enovos Renewables O&M GmbH, which subsequently bought a stake of 80% in DISUN Deutsche Solarservice GmbH for EUR 1,200,000. Both companies entered the consolidation scope on 1st January 2016. A goodwill of EUR 1,106,662 was recognised on the purchase of DISUN Deutsche Solarservice GmbH.

Companies consolidated under the equity method:

Name	Country	Percentage of control	Percentage of interest	Main activity
Global Facilities S.A.	Luxembourg	50.00%	50.00%	Facility management
Steinergy S.A.	Luxembourg	50.00%	50.00%	Supply of power
Soler S.A.	Luxembourg	50.00%	50.00%	Production of power
Cegyco S.A.	Luxembourg	50.00%	50.00%	Production of power
Artelis S.A.	Luxembourg	36.95%	36.95%	Telecommunications
Nordenergie S.A.	Luxembourg	33.33%	33.33%	Supply of power
Airportenergie S.A.	Luxembourg	50.00%	30.18%	Production of heat and power
Datacenterenergie S.A.	Luxembourg	50.00%	30.18%	Production of heat and power
Aveleos S.A.	Luxembourg	59.02%	59.02%	Construction of solar parks
Kiowatt S.A.	Luxembourg	50.00%	30.18%	Production of power
Pfalzgas GmbH	Germany	50.00%	50.00%	Supply of energy
Projecta 14 GmbH	Germany	50.00%	36.85%	Holding company
energis GmbH	Germany	28.06%	28.06%	Supply of energy
Windpark Wremen GmbH & Co. KG	Germany	40.00%	30.20%	Production of power
SK Ahorn GmbH & Co. KG	Germany	15.1%	15.1%	Production of power
NSL Projekt 2 GmbH	Germany	75.00%	62.75%	Production of power
Solkraftwerk Barderup GmbH & Co. KG	Germany	32.50%	19.68%	Production of power
NPGWillebroek NV	Belgium	50.00%	50.00%	Production of power

Energie Südwest AG has sold its participation in Solarkraftwerk Ahorn GmbH & CoKG, reducing the group's stake to 15.1%. As another entity of the group is planning to buy a substantial stake in 2017, the participation remains consolidated at equity.

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Note 6 – Formation expenses and similar expenses

Formation expenses comprise expenses incurred in the course of the creation of the Company.

Movements of the year are as follows:

	Total 2016	Total 2015
	€	€
Gross book value - opening balance	722,617	774,820
Additions for the year	0	0
Disposals for the year	(2,239)	0
Transfers for the year	0	(52,203)
Gross book value - closing balance	720,378	722,617
Accumulated value adjustment - opening balance	(433,180)	(329,369)
Allocations for the year	(125,510)	(125,235)
Reversals for the year	2,239	0
Transfers for the year	0	21,424
Accumulated value adjustment - closing balance	(556,451)	(433,180)
Net book value - closing balance	163,927	289,437

The Board of Directors considers that no further value adjustments are needed as of 31st December 2016.

Note 7 – Intangible assets

Movements for the year are as follows:

	Concessions, patents, licences, trademarks and similar rights and assets	Goodwill acquired for valuable consideration	Payments on account and intangible fixed assets under development	Total 2016	Total 2015
	€	€	€	€	€
Gross book value - opening balance	169,504,173	125,805,500	11,758,830	307,068,503	291,772,420
Additions for the year	9,181,890	0	10,765,341	19,947,231	15,527,844
Disposals for the year	(995,710)	0	0	(995,710)	(732,161)
Transfers for the year	6,157,671	(525,500)	(5,733,988)	(101,818)	397,865
Change in consolidation scope	184	0	0	184	102,535
Gross book value - closing balance	183,848,209	125,280,000	16,790,182	325,918,391	307,068,503
Accumulated value adjustments - opening balance	(95,221,878)	(58,810,719)	(1,778,993)	(155,811,590)	(117,476,197)
Allocations for the year	(11,423,274)	(8,375,000)	0	(19,798,274)	(19,622,798)
Exceptional depreciation for the year	0	0	0	0	(19,000,000)
Reversals for the year	570,805	0	0	570,805	585,114
Transfers for the year	(251,191)	155,719	0	(95,472)	(317,351)
Change in consolidation scope	0	0	0	0	19,642
Accumulated value adjustment - closing balance	(106,325,539)	(67,030,000)	(1,778,993)	(175,134,531)	(155,811,590)
Net book value - closing balance	77,522,670	58,250,000	15,011,189	150,783,860	151,256,913

On 1st January 2013, the Enovos Luxembourg S.A. started buying a flat base load of 50 MW power from two pulverised coal-fired power plants, under the terms and conditions of a long-term contract signed with RWE (see also note 40). Its share of financing the plants of EUR 89,466,245 has been fully paid up and is depreciated over a period of 25 years, which corresponds to the duration of the commitment. Following the annual assessment of the profitability of the contract in the context of the entity's impairment-testing process, the Board of Directors decided that no further impairment is necessary (exceptional impairment of EUR 19,000,000 in 2015 and EUR 14,000,000 in 2014).

The additions for the year of EUR 19,947,231 mainly concern software investments related to the required separation of the billing systems of Creos Luxembourg S.A., Leo S.A. and Enovos Luxembourg S.A., as well as investments in new software tools by Enovos Luxembourg S.A. in relation with its presence in Belgium. EUR 3,399,820 are related to the purchase of commercial contracts by Enovos Renewables O&M GmbH.

The Board of Directors is further of the opinion that no other value adjustments of the intangible fixed assets are necessary.

Note 8 – Tangible assets

Movements for the year are as follows:

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Payments on account and tangible fixed assets in the course of construction	Total 2016	Total 2015
	€	€	€	€	€	€
Gross book value - opening balance	278,705,319	2,189,789,460	120,250,857	136,775,129	2,725,520,765	2,543,152,117
Additions for the year	2,141,184	38,453,724	5,842,082	117,245,383	163,682,373	192,268,401
Disposals for the year	(2,771,040)	(20,357,604)	(5,297,233)	(183,049)	(28,608,926)	(2,495,017)
Transfers for the year	(8,431,945)	117,793,672	2,631,548	(111,840,341)	152,933	(7,406,204)
Change in consolidation scope	0	0	99,964	0	99,964	1,468
Gross book value - closing balance	269,643,519	2,325,679,251	123,527,218	141,997,122	2,860,847,109	2,725,520,765
Accumulated value adjustment - opening balance	(81,955,226)	(1,133,806,831)	(79,586,843)	0	(1,295,348,900)	(1,222,640,380)
Allocations for the year	(6,847,596)	(68,278,597)	(11,760,662)	0	(86,886,855)	(74,726,028)
Exceptional depreciation for the year	(6,854,661)	(26,879,349)	0	0	(33,734,010)	0
Reversals for the year	2,040,763	9,613,833	5,165,281	0	16,819,876	1,104,408
Transfers for the year	4,804,690	(7,303,473)	(13,230)	0	(2,512,013)	913,100
Change in consolidation scope	0	0	0	0	0	0
Accumulated value adjustment - closing balance	(88,812,029)	(1,226,654,418)	(86,195,454)	0	(1,401,661,901)	(1,295,348,900)
Net book value - closing balance	180,831,489	1,099,024,833	37,331,764	141,997,122	1,459,185,208	1,430,171,865

The additions consist mainly of investments in the gas and electricity grid in Luxembourg and in Germany.

In 2016, Luxenergie S.A. has invested EUR 9,682,142 in energy producing facilities in Luxembourg.

The disposals in 2016 concern mainly the sale of three photovoltaic installations (EUR 12,948,640) by Enovos Renewables GmbH, the scrapping of assets by Creos Luxembourg S.A. (EUR 5,966,688) and Creos Deutschland GmbH (EUR 5,088,919).

The Company has participated in the construction of the 11th turbine at the Vianden pumping station of SEO. This investment qualifies as a finance lease and consequently has been recorded in the books of Enovos Luxembourg S.A. Production at the pumping station has started on 1st August 2015 for a total investment of EUR 111.798.438. The depreciation period mirrors the duration of the contract, which ends in 2063. A corresponding amount of the finance obligation of EUR 83,002,500 (2015: EUR 87,885,000) is posted under the heading "Other creditors becoming due and payable after more than one year" and EUR 8,329,500 (2015: EUR 11,320,612) is posted under the heading "Other creditors becoming due and payable within one year" (see also note 23).

In the context of the annual impairment process, the Company decided to completely depreciate the remaining net value of the technical installations of four entities of the NPG group for a total amount of EUR 33,734,010.

The Board of Directors is of the opinion that no further value adjustments of tangible fixed assets are necessary.

Note 9 – Financial assets

9.1. Companies consolidated under the equity method

Companies consolidated under the equity method are companies in which the group has a significant influence. The undertakings consolidated accordingly break down as follows:

	31/12/2016	31/12/2015
	€	€
energis GmbH	38,837,746	38,429,832
Pfalzgas GmbH	23,018,650	21,203,237
Artelis S.A.	14,437,716	14,562,371
Projecta 14 GmbH	14,137,545	13,877,867
Soler S.A.	8,401,228	5,610,617
Kiowatt S.A.	3,591,419	3,378,124
Datacenterenergie S.A.	3,559,500	3,377,597
Cegyco S.A.	2,443,141	2,268,121
Solarkraftwerk Barderup GmbH&CoKG	1,505,739	0
Neustromland Projekt 2 GmbH	1,480,404	0
Global Facilities S.A.	1,283,217	1,321,834
Windpark Wremen GmbH & Co. KG	793,027	970,386
Solarkraftwerk Ahorn GmbH & Co. KG	666,694	1,296,913
NPG Willebroek NV	570,394	612,687
Nordenergie S.A.	547,186	433,348
Steinergy S.A.	242,421	233,864
Airportenergie S.A.	315,611	202,252
Suncoutim - Solar Energy, S.A.	0	1,371,358
Twining S.A.	0	0
	115,831,637	109,150,407

On 23th December 2016, the group sold its participation in Suncoutim – Solar Energy S.A. for EUR 1,338,120. A consolidated loss of EUR 33,238 was posted in profit&loss.

In 2016, the group invested EUR 65,000 in Solarkraftwerk Barderup GmbH&CoKG and EUR 1,737,788 in Neustromland Projekt 2 GmbH. Both companies have subsequently entered the consolidation scope.

The group invested a further EUR 2,845,000 in Soler S.A., Enovos Luxembourg's joint venture with SEO S.A., in order to develop its investments in onshore wind parks in Luxembourg.

9.2. Investments carried at cost

Investments carried at cost are recorded at acquisition cost. This caption also includes companies which are not consolidated because of minor significance or for which the activities have not yet started as at 31st December 2016:

Name	Location	2016		2015	
		Percentage owned	Net value €	Percentage owned	Net value €
Stadtwerke Bad Kreuznach GmbH	Germany	24.52%	15,000,000	24.52%	15,000,000
Vialis S.A.	France	10.00%	11,100,000	10.00%	11,100,000
Stadtwerke Pirmasens Versorgungs GmbH	Germany	12.99%	6,667,000	12.99%	6,667,000
Neustromland Energieprojekt 2 GmbH & Co. KG	Germany	100.00%	6,206,000	100.00%	6,206,000
Enovos Pfalzwerke BG St. Ingbert GmbH	Germany	50.00%	5,000,000	50.00%	5,000,000
Neustromland Energieprojekt 1 GmbH & Co. KG	Germany	100.00%	5,000,000	100.00%	500,000
Stadtwerke Trier Versorgungs GmbH	Germany	24.90%	4,889,739	24.90%	4,599,760
Pfalzwerke AG	Germany	1.86%	4,628,000	1.86%	4,628,000
Stadtwerke Sulzbach GmbH	Germany	15.00%	3,982,062	15.00%	3,982,062
Stadtwerke Völklingen Netz GmbH	Germany	1760%	3,232,302	1760%	3,211,179
Energie Südpfalz GmbH & Co. KG	Germany	50.00%	2,899,712	50.00%	2,899,712
GasLINE GmbH & Co. KG	Germany	5.00%	2,017,612	5.00%	2,017,612
Seo S.A.	Luxembourg	4.46%	1,971,596	4.46%	1,971,596
AMPACIMON S.A.	Belgium	20.78%	1,759,525	20.78%	1,705,525
Neustromland Solarkraftwerk 1 GmbH & Co. KG	Germany	100.00%	1,401,000	100.00%	1,401,000
Stadtwerke Bliestal GmbH	Germany	23.50%	1,333,000	23.50%	1,333,000
SWT Erneuerbare Energien GmbH & Co. KG	Germany	49.00%	1,323,000	49.00%	1,323,000
Bioenergie Merzig GmbH	Germany	39.00%	1,277,250	39.00%	1,277,250
Queichtal Energie Offenbach GmbH & Co.KG (former VG Offenbach GmbH & Co. KG)	Germany	49.00%	1,173,650	49.00%	1,173,650
Stadtwerke Völklingen Vertrieb GmbH	Germany	1760%	1,100,000	1760%	1,100,000
Solarpark Nordband GmbH & Co. KG	Germany	100.00%	891,000	100.00%	891,000
Solarkraftwerk Niersbach GmbH	Germany	50.00%	855,000	-	0
Solar Kraftwerk Kenn GmbH	Germany	25.10%	757,779	25.10%	757,779
Windpark Meckel/Gilzem GmbH & Co. KG	Germany	34.00%	560,340	34.00%	560,340
Trifels Gas GmbH	Germany	49.00%	492,250	49.00%	492,250
Encasol S.A.	Luxembourg	50.00%	320,000	50.00%	320,000
Stadtwerke Lambrecht GmbH	Germany	15.00%	241,265	15.00%	241,265
energieagence S.A.	Luxembourg	50.00%	233,736	50.00%	233,736
Stadtwerke Homburg GmbH	Germany	10.67%	233,452	10.67%	233,452
JAO S.A. (former CASC EU S.A.)	Luxembourg	5.00%	209,809	5.00%	209,809
Learning Factory S.A.	Luxembourg	32.90%	200,000	32.90%	200,000
ACTIVE SMARTHOME	Luxembourg	50.00%	150,040	50.00%	150,040
Neustromland GmbH & Co. KG	Germany	5.56%	150,000	5.56%	150,000
Solarpark St. Wendel GmbH	Germany	15.00%	142,500	15.00%	142,500
EnergieSüdpfalz PV-Anlage Leinefelde-Worbis GmbH & Co. KG	Germany	10.00%	128,950	10.00%	136,950
WES Green GmbH (former Neustromland Projekt 3 GmbH)	Germany	100.00%	77,500	-	0
Enovos France S.A.S.	France	100.00%	70,000	-	0
IZES GmbH	Germany	8.26%	67,700	8.26%	67,700
Blue Wizzard Beteiligungsverwaltungsgesellschaft GmbH	Germany	100.00%	50,000	100.00%	50,000
Windpark Gimweiler & Mosberg Infr. GbR	Germany	60.00%	36,311	60.00%	35,494
SSG Saar Service GmbH	Germany	10.00%	32,565	10.00%	32,565
ESW - Grüne Energie GmbH	Germany	100.00%	25,000	100.00%	25,000
Neustromland Solarkraftwerk 1 VG GmbH	Germany	100.00%	25,000	100.00%	25,000
Windpark Mosberg Verwaltungs GmbH	Germany	100.00%	25,000	100.00%	25,000
Windpark Bliesgau GmbH	Germany	100.00%	25,000	100.00%	25,000
Enovos Participations GmbH	Germany	100.00%	25,000	100.00%	25,000
Neustromland Projekt 1 GmbH	Germany	100.00%	25,000	100.00%	25,000
Enovos Projektgesellschaft 1 GmbH	Germany	100.00%	25,000	100.00%	25,000
Enovos Projektgesellschaft 2 GmbH	Germany	100.00%	25,000	100.00%	25,000
NPG Groningen NV	Netherlands	85.00%	18,250	85.00%	18,250
Gastmotive Erdgastankstellen GmbH & Co. KG	Germany	11.70%	17,500	11.70%	17,500
BALANSYS S.A.	Luxembourg	50.00%	15,500	50.00%	15,500
Energie Südpfalz Verwaltung GmbH	Germany	50.00%	12,500	50.00%	12,500
gastmotive Erdgastankstellen GmbH	Germany	11.70%	2,925	11.70%	2,925
GasLINE Geschäftsführungs GmbH	Germany	5.00%	1,278	5.00%	1,278
GuD KW Krefeld GmbH	Germany	-	1	-	147,472
Forward Forstservice GmbH	Germany	33.00%	1	33.00%	1
Solarkraftwerk Bardenup GmbH & Co. KG	Germany	-	0	32.43%	2,816,813
City Mov S.à r.l.	Luxembourg	100.00%	0	100.00%	419,598
Enovos Generation GmbH	Germany	100.00%	0	100.00%	25,000
Enovos Power Beteiligung GmbH	Germany	100.00%	0	100.00%	25,000
Neustromland Projekt 2 GmbH	Germany	-	0	100.00%	25,000
C-Gen NV	Netherlands	5.00%	0	5.00%	5,400
Cegedel International S.A.	Luxembourg	100.00%	0	100.00%	0
Twinerg S.A.	Luxembourg	17.50%	0	17.50%	0
			88,129,598		85,733,462

Enovos Renewables GmhH invested EUR 5,432,500 in three of its subsidiaries, WES Green GmbH, Neustromland Energieprojekt 1 GmbH and Solarpark Niersbach GmbH.

On 7th November 2016, Enovos Luxembourg S.A. and City Mov' S.à r.l. agreed to convert two loans of a total amount of EUR 723,000 into equity. The total investment in that entity has been subsequently written off by an amount of EUR 1,142,598.

The companies Eisenhüttenstadt Generation GmbH, Eisenhüttenstadt Beteiligung GmbH and C-Gen NV have been liquidated.

The participations in Neustromland Projekt 2 GmbH and Solarkraftwerk Barderup GmbH & CoKG have been consolidated in 2016 using the equity method.

The participation of Energie Südwest AG in GuD KW Krefeld GmbH of EUR 147,471 has been completely depreciated.

In 2016, the shareholders of Twinerg S.A. have decided to liquidate the company, which has thereby been taken off the consolidation scope. As the entity has already been completely depreciated in 2015, there is no impact in the accounts 2016.

The Board of Directors is of the opinion that no additional value adjustments are necessary for all the investments considered as financial fixed assets.

Note 10 – Inventories

Raw materials of EUR 21,684,562 (2015: EUR 21,881,078) consist mainly of parts inventories of Creos Luxembourg S.A. and of feedstock of the biogas production companies.

Work and contracts in progress of EUR 26,733,596 (2015: EUR 24,910,042) are mainly made up of work in progress for grid customers of Creos Luxembourg S.A. which will be invoiced to customers once finished.

Finished goods of EUR 10,531,759 (2015: EUR 47,160,167) mainly consist of gas stocks held in France and Germany held by Enovos Luxembourg S.A.

Note 11 – Debtors

11.1. Trade debtors

Trade receivables are mainly related to energy sales, transportation and distribution of electricity and gas.

	31/12/2016	31/12/2015
	€	€
Trade debtors - Gross value	303,079,003	343,163,195
Value adjustment	(23,056,575)	(16,715,773)
Trade debtors - Net value	280,022,428	326,447,422

11.2. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests

Receivables due by undertakings with which the group is linked by virtue of participating interests are mainly due within 30 days and relate to commercial activities.

11.3. Other debtors

This caption mainly includes tax receivable in Luxembourg of EUR 13,331,986 (2015: EUR 30,425,417) and in Germany of EUR 10,004,097 (2015: EUR 12,090,494).

Furthermore, VAT recoverable in Luxembourg amounts to EUR 3,488,071 (2015: EUR 4,583,359).

An amount of EUR 3,834,099 is composed of receivables on gas and electricity taxes in Germany (2015: EUR 7,627,385).

As of 31st December 2016, this caption also comprises a receivable on the “Institut Luxembourgeois de Régulation” (“ILR”) of EUR 7,673,176 (2015: EUR 3,966,248) in the context of the mechanism of the “Fond de compensation” for Creos Luxembourg S.A.

11.4 Deferred tax assets

Deferred tax assets for a total of EUR 2,049,000 (2015: EUR 2,996,000) have been computed on the German companies part of the fiscal unity of Enovos Deutschland SE as a result of the fiscal loss in 2013, 2014 and 2015. The amount is expected to be recovered with future taxable profits.

Deferred tax assets for a total of EUR 500,000, corresponding to the loss carried forward used during the year, have been reversed on behalf of those companies part of the fiscal unity of Encevo S.A.

Deferred tax assets for a total of EUR 529,663 have been computed by Enovos Solar Investment II S.r.l. Unipersonale as a result of the partial non-deductibility of interest costs and a change in law concerning depreciation duration for photovoltaic plants.

Note 12 – Investments

Investments held as fixed assets relate to a portfolio of equities and bonds held until maturity whereas securities posted in current assets relate to money market investments.

Note 13 – Cash at bank, cash in postal cheque accounts, cheques and cash in hand

This caption comprises sight deposits and term deposits for investment periods of less than three months. The caption also comprises an amount of EUR 2,625,099 posted on clearing accounts linked to the portfolio management (2015: EUR 25,211,075).

Note 14 – Prepayments

On 23rd May 2011, the Company entered into three interest rate swaps (IRS) for an aggregate nominal amount of EUR 200,000,000 and a final maturity 7 years later, in order to hedge a long term financing initially planned for September 2011. Since the planned financing has been postponed to May 2012, the IRS have been extended up to this date. As the EUR 200,000,000 bond was finally launched in May 2012 and issued on 15th June with a maturity in 2019, the three IRS contracts have been unwound and the related costs of EUR 23,928,000 were deferred, as part of the financing fees, over the life time of the underlying retail bond financing. As of 31st December 2016, an amount of EUR 8,430,286 was posted under the caption “Prepayments” (2015: EUR 11,821,572).

This heading also includes a quantity of prepaid gas valued at EUR 4,055,305 in the context of implementing a make-up clause in Enovos Luxembourg’s long-term gas contracts (2015: EUR 16,868,020).

Furthermore, are included power purchase contracts from 2017 for an amount of EUR 310,000 (2015: EUR 858,000).

Within Creos Luxembourg S.A., according to the regulation scheme, a cumulated difference (2016 and prior years) is calculated individually for each regulated activity (electricity, gas transport, gas distribution, metering electricity, metering gas) and is provided for, when positive, in the caption Prepayments for an amount of EUR 3,542,111 (2015: EUR 4,661,885) and when negative, in the caption Deferred income for an amount of

EUR 25,174,596 (2015: EUR 13,525,694). According to the regulation scheme, the amount of revenues (grid tariffs) deriving from regulated activities is authorised on an annual basis by the regulator, ILR. The difference between actual and authorised revenues is assessed each year by the regulator. This difference is considered in the determination of the electricity and gas grid tariffs for subsequent years. In case actual revenues are exceeding revenues as accepted by the ILR, tariffs for subsequent years will be reduced and consequently such negative difference is provided for.

An amount of EUR 1,845,180 represents advance leasing payments by Enovos Solar Investment I S.r.l. Uniper-sonale for the year 2016 (2015: EUR 1,973,199).

Finally, EUR 22,508,025 relate to realised power portfolio positions from 2016 to 2017 (2015: EUR 12,290,494).

Note 15 – Capital and reserves

As at 31st December 2016, the share capital of Encevo S.A. amounted to EUR 90,962,900. It was fully paid-up and was represented by 909,629 ordinary shares (2015: 909,629), with a nominal value of EUR 100 per share and with no preferential rights.

The company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Consolidated capital and reserves, group share

	31/12/2015	Distribution of dividends	Appropriation of profit	Change in scope	Other	Profit for the year	31/12/2016
	€	€	€	€	€	€	€
Subscribed capital	90,962,900	0	0	0	0	0	90,962,900
Share premium	387,028,449	0	0	0	0	0	387,028,449
Consolidated Reserves	383,001,495	0	27,293,984	(747,824)	(6,433,817)	0	403,113,838
<i>Legal Reserve</i>	<i>9,096,290</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>9,096,290</i>
<i>Reserve of 1st consolidation</i>	<i>(57,960,816)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(57,960,816)</i>
<i>Consolidation reserves</i>	<i>366,933,869</i>	<i>0</i>	<i>27,293,984</i>	<i>(747,824)</i>	<i>(6,433,817)</i>	<i>0</i>	<i>387,046,212</i>
<i>Other reserves</i>	<i>64,932,152</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>64,932,152</i>
Retained earnings	57,493,537	0	(1,072,391)	0	0	0	56,421,145
Capital investment subsidies	4,948,722	0	0	0	(1,492,669)	0	3,456,053
Profit for the year	58,422,459	(32,200,867)	(26,221,592)	0	0	61,202,573	61,202,573
Total shareholder's equity group share	981,857,562	(32,200,867)	0	(747,824)	(7,926,486)	61,202,573	1,002,184,958
Minority interest	225,685,737	(14,081,176)	0	(924,092)	8,800,225	22,015,693	241,496,387
Total shareholder's equity	1,207,543,299	(46,282,043)	0	(1,671,916)	873,739	83,218,266	1,243,681,345

The category "Change in scope" mainly comprises the impact of the change in percentage of interest of Solarkraftwerk Ahorn GmbH & CoKG. The movement in the caption "Capital investment subsidies" comprises a reversal of subsidies of two subsidiaries of NPG group (EUR 2,136,288), a new subsidy of EUR 1,248,956 to Luxenergie S.A. and the annual amortisation revenue of existing subsidies. The category "Other" includes a transfer of EUR 8,793,791 from the caption "Consolidation reserves" to the caption "Minority interest" in the context of a capital increase within Energie Südwest AG.

Note 16 – Provisions

16.1. Provisions for pensions and similar obligations

This caption includes provisions relating to pension commitments. Under a supplementary pension scheme, Encevo S.A., Enovos Luxembourg S.A., Creos Luxembourg S.A., Enovos Deutschland SE and its subsidiaries and Creos Deutschland Holding GmbH and its subsidiaries have contracted defined benefit schemes. The amount reported in the balance sheet is based on the following assumptions:

- retirement age taken into account for financing: 60 years (for Luxembourg), 62 years (for Germany)
- yearly discount rate of 3.86%
- estimated salary at time of retirement based on past experience.

Actuarial profits and losses are immediately recognised in the income statement.

Whereas in Luxembourg, the application of the group assumptions has been accepted by the tax authorities, there is a difference in Germany between local accounting standard HGB and group assumptions. Consequently, consolidated pension provisions booked under group assumptions are lower than those booked locally under HGB by EUR 14,961,025 (2015: EUR 15,936,701).

16.2 Other provisions

The caption “Other provisions” comprises provisions to cover the following risks:

	31/12/2016	31/12/2015
	€	€
Provisions for regulatory and environmental risks	38,625,689	38,974,982
Provisions for purchases	0	828,645
Provisions for staff costs	18,312,521	15,742,861
Provisions for sales risks	7,443,986	9,715,759
Provisions for derivatives	621,531	178,434
Provisions for litigation	975,067	462,777
Other provisions	9,064,440	23,121,561
	75,043,234	89,025,018

The caption “Provision for sales risks” comprises EUR 7,443,986 (2015: 9,715,759) related to sales risks in Germany.

The overall decrease in provisions is mainly due to the reversal of a provision of EUR 15,050,000 related to guarantees issued in the context of the litigations concerning the photovoltaic parks in Italy.

Note 17 – Debenture loans

On 15th June 2012, Encevo S.A. issued a public bond of EUR 200,000,000 which is listed on the secondary Euro MTF market in Luxembourg. The bond bears an interest rate of 3.75% and is entirely redeemed on 15th June 2019. Interests on the coupons are paid on 15th June of every year from 2013 to 2019. The accrued interest payable as at 31st December 2016 amounts to EUR 4,083,333 (2015: EUR 4,084,740).

Furthermore, on 26th June 2013, the Company issued a first German Certificate of Indebtedness (“Schuldschein”) of EUR 102,000,000 with tenors of 7, 10, 12 and 15 years. The Schuldschein bears a floating interest rate for the 7 year tenors and a fixed interest rate of 2.81%, 3.22% and 3.5% for the 10, 12 and 15 years tenors respectively. The interests for the floating 7 years tenor are paid twice a year in June and December whereas the interests on the fixed tenors are paid in June every year. The accrued interests payable as at 31st December 2016 amount to EUR 1,086,761 (2015: EUR 1,239,888).

On 21st November 2014, the Company issued an additional German Certificate of Indebtedness (“Schuldschein”) of EUR 80,000,000 with tenors of 7, 10 and 12 years. The Schuldschein bears a fixed interest rate for 7 years of 1.547%, 2.004% for the 10 years and 2.297% for 12 years. The interests on the fixed tenors are paid in November every year. The accrued interests payable as at 31st December 2016 amount to EUR 157,098 (2015: EUR 157,098).

On 1st May 2011, NPG Green I, an affiliate of NPG Group, issued a non-convertible subordinated loan of EUR 1 million with a third party investor, reimbursable in yearly instalments from 2014 to 2019. The loan bears a fixed interest rate of 8% payable per semester.

	Within one year	After one year and within five years	After more than five years	Total 2016	Total 2015
	€	€	€	€	€
Non-convertible debenture loans	5,493,859	265,333,333	117,000,000	387,827,192	388,183,222
Total	5,493,859	265,333,333	117,000,000	387,827,192	388,183,222

Note 18 – Amounts owed to credit institutions

Encevo S.A. successfully completed the replacement of the agreement linked to the Revolving credit Facility (“RCF”) of 2013, with a committed amount of EUR 200,000,000 on August 17th 2016 with 7 banks. This new credit line has a tenor of 5 years. Upon request of Encevo S.A., the banks have the option to extend the credit facility by 2 years, until August 2023. Besides this renegotiation, no new issuance of long term financings occurred during the financial year under review, as the Company used the proceeds from long term financings issued previous years as well as from its RCF to cover the liquidity needs of the group’s core companies. The amount drawn on the committed RCF as of 31st December 2016 is EUR 0 (2015: EUR 0).

Interests to be paid are based on Euribor plus a margin which may vary depending on the consolidated gearing ratio (ratio of net financial debt to equity on a consolidated base) as well as on the utilisation rate of the credit facility.

The amounts owed to credit institutions break down as follows:

	31/12/2016 €	31/12/2015 €
Current financial liabilities due to financial institutions		
due within one year	33,097,378	17,984,751
Non-current financial liabilities due to financial institutions		
due after one year and within five years	38,681,064	41,860,361
due in more than five years	39,958,639	46,230,956

Note 19 – Payments received on account of orders

Are recorded under this caption down-payments received, largely on works performed for third party grid customers.

Note 20 – Trade creditors

Trade creditors are mainly related to energy purchases / supplies and trading activities.

Note 21 – Amounts owed to undertakings with which the group is linked by virtue of participating interests

Amounts owed to undertakings with which the group is linked by virtue of participating interests are usually due within 30 days, and related largely to commercial activities.

Note 22 – Tax authorities

This caption includes corporate income taxes, value added tax (VAT) liabilities, taxes on gas and electricity sales, and social taxes on pensions and salaries.

Encevo S.A. is subject to all taxes applicable to Luxembourg companies and the tax provisions have been provided in accordance with the relevant laws. Since 2009, Encevo S.A. is part of the fiscal unity with Enovos Luxembourg S.A., Cegedel International S.A. and Enovos Ré S.A. Beginning 2012, LEO S.A. has joined that fiscal unity. In 2014, Enovos Real Estate Luxembourg S.A. and Real Estate Enovos Esch S.A. have joined the fiscal unity. In the frame of the fiscal unity, the taxes in the accounts are recorded as follows:

- Tax expenses are booked in the subsidiaries' accounts as would be the case if no tax unity exists;
- Tax savings relating to a loss-making subsidiary are recorded as a deduction of tax expenses in the head of the fiscal unity;
- Encevo S.A., as the head of the fiscal unity, books the tax provisions on the basis of the consolidated results of the companies included in the scope of the fiscal unity.

In order to benefit from the fiscal unity regime, the companies concerned have agreed to be part of the fiscal unity for a period of at least five financial years. This means that if the conditions laid down in Article 164bis LIR (Income tax law) are not met at any time during these five years period, the fiscal unity ceases to apply, retroactively, as from the first year in which it was granted.

There are two further fiscal unities in Germany, one for Creos Deutschland Holding GmbH, regrouping Creos Deutschland Netz GmbH and Creos Deutschland Services GmbH, another for Enovos Deutschland SE, regrouping Enovos Energie Deutschland GmbH, Enovos Renewables GmbH, Enovos Properties GmbH, Enovos Storage GmbH and Enovos Future GmbH.

Note 23 – Other creditors

In the course of the financing agreement reached with SEO S.A. over the financing of the 11th turbine at the Vianden pumping station of SEO, an amount of EUR 91,242,000 (2015: EUR 99,205,612) has been posted under this caption in 2016, of which EUR 83,002,500 are due after more than one year (2015: EUR 87,885,000); (see also note 8).

During the year, the group settled its long-term liability to the city of Landau (2015: EUR 11,524,000) in the context of the acquisition of Energie Südwest AG.

Furthermore, as of 31st December 2016, Enovos Deutschland SE has a long term liability of EUR 1,700,000 towards "Pensionskasse der Enovos Deutschland VVaG" (2015: EUR 1,700,000).

Note 24 – Deferred income tax

The deferred income tax liability is mainly related

- to the different depreciation methods used in consolidated accounts (linear) compared with the statutory accounts (degressive) of several group companies
- to the different calculation method of the pension obligations in consolidated accounts compared with statutory accounts of several group companies
- to a provision reversal at Enovos Re S.A. in the consolidated accounts.

Note 25 – Deferred income

Same as in 2015, this caption mainly includes derivatives used to hedge operations to be settled in subsequent years and advance payments by customers.

In addition, as described in note 14, Creos Luxembourg S.A. has posted under the caption “Deferred income” an amount of EUR 25,174,596 (2015: EUR 13,525,694) related to the regulated activities.

Note 26 – Net turnover

Sales break-down is as follows

	2016 €	2015 €
Sales electricity	1,090,295,608	1,476,756,937
Sales gas	592,966,809	706,424,583
Other energy sales	22,400,142	22,828,766
Grid sales electricity	32,320,167	36,483,846
Grid sales gas	81,423,480	78,201,317
Other sales	72,201,942	72,365,017
Rebates & discounts	(2,704,782)	(3,568,758)
Total sales	1,888,903,366	2,389,491,708

Other sales include sales of services to electricity and gas customers like metering and costs for grid connections. Sales relating to gas and electricity trading are shown net of purchases under “Raw materials and consumables”.

Geographical sales break down as follows

	2016 €		2015 €	
Luxembourg	629,367,711	33.32%	752,574,856	31.50%
Germany	1,048,769,825	55.52%	1,397,072,210	58.47%
France	144,680,964	7.66%	146,772,854	6.14%
Belgium	62,668,818	3.32%	80,105,357	3.35%
Other countries	3,416,048	0.18%	12,966,431	0.54%
Total sales	1,888,903,366	100.00%	2,389,491,708	100.00%

Note 27 – Other operating income

The caption “Other operating income” includes mainly the activities unrelated to the supply of gas and electricity.

In 2016, the caption includes two exceptional items, mainly the reversal of a provision by Enovos Luxembourg S.A. of EUR 15,050,000 and the reversal of a provision by Enovos Deutschland SE linked to settlement of the liability to the city of Landau of EUR 11,524,000.

Note 28 – Raw materials and consumable and other external charges

	2016 €	2015 €
Electricity supplies	872,779,282	1,321,362,666
Trading sales electricity	(178,907,397)	(248,777,794)
Gas supplies	1,031,500,085	1,204,086,618
Trading sales gas	(556,626,854)	(623,852,747)
Other supplies	270,125,261	287,031,623
Derivatives	920,931	7,707,296
Total Raw materials and consumables	1,439,791,308	1,947,557,663

The caption Raw material and consumables includes energy procurement and energy trading costs. Electricity and gas trading sales are shown net of cost of sales, since they were made partly to reduce procurement costs. In 2016, the line item “Trading sales” has been split between trading related to electricity supplies and trading related to gas supplies. 2015 figures have been reclassified accordingly.

The margin achieved on trading activities is therefore included under “Use of merchandise, raw materials and consumable materials”, as well as the realised profit or loss and the unrealised loss on derivative financial instruments.

The caption Other external charges includes among others professional fees, subcontracting and maintenance costs, marketing and communication costs, rental costs and insurance premiums.

Note 29 – Staff costs

The group had on average 1,530 employees in 2016 (2015: 1,470). The figure in 2016 includes the staff of the City of Luxembourg made available to Creos Luxembourg S.A., 102 employees (2015: 110 employees), the costs of which are shown under wages and salaries for EUR 9,906,767 (2015: EUR 10,610,664).

Note 30 – Other operating expenses

The caption “Other operating expenses” comprises attendance fees, losses on receivables, extraordinary charges and sundry taxes.

Note 31 – Income from participating interests

Income from participating interests relates to dividends received from not consolidated entities.

Note 32 – Other interest receivable and similar income

Other interest and financial income is mostly composed of interests received on short-term bank deposits. In 2016, the caption also includes a capital gain of EUR 840,000 resulting from the sale by Energie Südwest AG of its 23.9% stake in SK Ahorn GmbH & CoKG.

Note 33 – Share in result of companies accounted under the equity method

The share in result of companies accounted under the equity method breaks down as follows:

	2016	2015
	€	€
energis GmbH	6,775,816	6,384,060
Pfalzgas GmbH	4,915,414	3,098,573
artelis S.A.	983,845	1,368,012
Projecta 14 GmbH	964,790	528,955
Datacenterenergie S.A.	936,403	696,102
Global Facilities S.A.	461,384	494,954
Nordenergie S.A.	213,827	108,950
Kiowatt S.A.	213,295	(180,740)
Cegyco S.A.	175,019	634,831
Airportenergy S.A.	113,359	103,970
NPG Willebroek NV	102,707	140,802
Solkraftwerk Barderup GmbH & Co. KG	95,221	0
Solkraftwerk Ahorn GmbH & Co. KG	85,193	191,394
Steinergy S.A.	58,557	68,422
Neustromland Projekt 2 GmbH	10,172	0
Twining S.A. (*)	0	(1,157,564)
Suncoutim - Solar Energy S.A.	0	37,689
Aveleos S.A.	0	0
Windpark Wremen GmbH & Co. KG	(14,501)	93,398
Soler S.A.	(54,390)	583,567
Total	16,036,111	13,195,375

Note 34 – Value adjustments in respect of financial assets and of investments

In the context of the annual impairment testing process, the Board of Directors decided to depreciate its financial loan to Twining S.A. by EUR 5,037,360 and the participation in CitiMov' S.à r.l. by EUR 1,142,598.

Note 35 – Interest payable and similar charges

The caption “Interest and other financial charges” is mostly composed of interests paid on bank loans, on the public bond and on the German certificates of indebtedness, as well as of the depreciation of the hedge costs related to the bond issuance.

Note 36 – Current and deferred income tax expense

The current tax provisions have been provided in accordance with the relevant laws applicable in Luxembourg, Germany, Belgium, France and Italy.

Deferred taxes are recorded on the time differences existing between the tax rules and those used for preparing the consolidated annual accounts. Deferred taxes are calculated in accordance with the variable carrying forward method based on the tax rate expected at the time that the receivable or liability materialises. Active deferred taxes are recorded only if it is likely that future taxable profits will be available.

Note 37 – Remuneration paid to members of the administration and management bodies

Remuneration paid to members of the management and supervisory bodies of Encevo S.A. totalled EUR 593.500 in 2016 (2015: EUR 597,500). No advances nor loans were granted to members of the administration and supervisory bodies, nor was any commitment undertaken on their behalf in respect of any form of guarantee.

Note 38 – Auditor's fees

Audit and audit-related fees for the year 2016 amount to EUR 562,450 (2015: EUR 570,100). Non-audit related fees amount to EUR 768,000.

Note 39 – Financial derivatives

The group is further engaged in spot and forward electricity and gas trading on organised markets and by private sales. These transactions are made using different instruments. Among these instruments are forward contracts, which imply final delivery of electricity and gas, swap contracts, which entail promises of payment to and from counterparties in conjunction with the difference between a fixed price and a variable price indexed on underlying products, options or other contractual agreements.

These contracts are not accounted for in the balance sheet as the group has chosen to not apply the option to use fair value accounting in its annual accounts. Only the unrealised losses are accounted for in the income statement according to principles disclosed in Note 1 to the accounts.

Derivative financial instruments – Unrealised gains (losses) on Sell positions

	31/12/2016	31/12/2015
	€	€
Financial derivatives on electricity futures	(45,991,803)	8,301,203
Other financial derivatives	(11,228,475)	2,960,384
Total	(57,220,278)	11,261,587

Derivative financial instruments – Unrealised gains (losses) on Buy positions

	31/12/2016	31/12/2015
	€	€
Financial derivatives on electricity futures	45,696,441	(8,073,939)
Other financial derivatives	11,131,578	(2,874,423)
Total	56,828,019	(10,948,362)

The total nominal value (purchases and sales) of derivatives contracts and the net fair value break down as follows:

	31/12/2016		31/12/2015	
	€		€	
	Nominal value	Fair value	Nominal value	Fair value
Financial derivatives on electricity futures	196,813,480	(295,362)	386,335,304	227,264
Other financial derivatives	77,448,170	(96,897)	123,029,635	85,961

The net fair value of the derivative contracts amounts to EUR 392,259. That value comprises the net market value of all proprietary trading positions. When netting by commodity type and maturity year, there could be negative as well positive market values. According to going accounting principles, a provision is posted for negative positions. Thus, in 2016, a provision of EUR 621,531 (2015: EUR 178,434) is recorded under the caption other "Other provisions – Provisions for derivatives" (see note 16.2).

Note 40 – Off-balance sheet liabilities and commitments

Commercial commitments

Enovos Luxembourg S.A. concluded a number of forward contracts for the purchase and sale of electricity and gas as part of its usual operations. The company has thus contracted purchase commitments for physical delivery of electricity and gas amounting to EUR 1.12 billion, as of 31st December 2016 (2015: EUR 1.21 billion). The amount of the aforementioned forward purchase contracts includes only forward contracts signed with counterparties. In addition, the company holds several long-term gas-sourcing contracts, for which the off balance sheet commitments as of 31st December 2016 amount to EUR 224.4 million (2015: EUR 229.5 million), and long-term electricity-sourcing contracts amounting to EUR 125.2 million (2015: EUR 135.2 million). In addition, Enovos Luxembourg S.A. has natural gas purchase commitments from the 1st January 2017 until 2025 for a volume of 47.14 TWh, for which prices will be settled during contract renegotiations. The cross-border gas-transportation capacity commitments account for EUR 43.96 million and run until 2025 (2015: EUR 49.1 million).

In the context of the investment in a stake (finalised in 2012) of two pulverised coal-fired power plants owned by RWE AG, Enovos Luxembourg S.A. also committed to buy a flat base load of 50 MW of electricity per year until the year 2037.

For its activities as an electricity distributor in Belgium, Enovos Luxembourg S.A. is obliged to deliver a certain amount of quota (green) certificates and guarantee of origin certificates to local regulators. In order to respect its obligations, the company, as of 31st December 2016, has a commitment, for the period 2017-2019, to purchase certificates valued at EUR 7.4 million from producers of alternative sources of energy (2015: EUR 12.1 million).

Enovos Luxembourg S.A. further entered into a variety of financially settled derivative contracts (mainly futures and swaps in gas and electricity) in order to hedge the procurements for customer business and assets. As of 31st December 2016, the unrealised gain of these transactions amounts to EUR 0.204 million (2015: loss of EUR 0.287 million).

Financial commitments

Enovos Luxembourg S.A. took over a commitment related to a Memorandum of Understanding signed with SEO S.A., RWE Power AG and the State of Luxembourg for the enlargement of the Vianden pumping station. Under an amendment dated 16th June 2011, the company committed to proportionally finance the bank loan taken out by SEO S.A. In addition, Enovos Luxembourg S.A. agreed to provide up to EUR 20,000,000 in shareholder loan financing, out of which EUR 3,050,000 were undrawn as of 31st December 2016.

In the context of its renewable energy business, Enovos Luxembourg S.A. issued a parent company guarantee to the lenders of Biopower Tongeren NV for a total amount of EUR 6,737,602 (2015: EUR 7,292,186). In addition, the company provided joint liability declarations amounting to EUR 1,264,780 (2015: EUR 2,665,926) as performance bonds under the loan and lease agreements entered into between Energiepark Trelder Berg GmbH and UniCredit Group. Enovos Luxembourg S.A. also provided a letter of comfort amounting to EUR 200,000 (2015: EUR 200,000) to ensure commitments arising from a bank loan agreement entered into by Windpark Mosberg GmbH.

Within the framework of the sales process of photovoltaic installations held by Aveleos S.A., Enovos Luxembourg S.A. provided parent company guarantees amounting to EUR 23,312,900 to hold the buyer harmless from contingent liabilities.

Enovos Solar Investment I S.r.l. Unipersonale has outstanding operating lease obligations for a total amount of EUR 13,346,886 (2015: EUR 14,396,922) maturing in 2029. All leasing obligations are guaranteed by a comfort letter issued by Enovos Luxembourg S.A.

Enovos Luxembourg S.A. has entered into an interest rate swap agreement in order to hedge its floating rate exposure from a loan it had received from Encevo S.A. to refinance Enovos Solar Investment II S.r.l. Unipersonale. As of 31st of December 2016, the notional amount equals EUR 16,523,281 (2015: EUR 17,356,110) with a negative fair value - EUR 1,910,500.

Bank and parent company commitments

By order of Enovos Luxembourg S.A., the group's core banks have issued a number of bank guarantees to its suppliers, in the context of its regular business, totalling EUR 10,563,863 (2015: EUR 8,494,392).

In the context of the on-going litigation in Italy, Enovos Luxembourg S.A. ordered a bank guarantee for the account of Enovos Solar Investments II S.r.l. Unipersonale amounting to EUR 7,494,558 for the benefit of the Italian authorities.

Encevo S.A. provided a parent company guarantee of EUR 9,129,121 as of 31st of December 2016 (2015: EUR 10,022,459) for the benefit of a bank by order and for account of SKW Kenn GmbH as performance bond for a financing agreement between the lender and the latter. In return, Encevo S.A. received a parent company counter-guarantee from Stadtwerke Trier with a current amount of EUR 4,655,852 (2015: EUR 5,111,454).

In the context of the financing of the group's new administrative building in Esch, Real Estate Enovos Esch S.A. has granted to the lending bank a mortgage on its property in Domaine Schlassgoard for a maximum amount of 50% of the outstanding debt, or EUR 12,150,000 at the end of 2016 (2015: EUR 12,825,000).

Creos Luxembourg S.A. has issued bank guarantees in the context of its regular business for a total amount of EUR 1,000,992 (2015: EUR 1,000,992).

In the context of the financing of its various renewable projects, NPG Energy Group has agreed to pledge various assets for a total value of EUR 14,620,394 (2015: EUR 18,000,000).

Luxenergie S.A., together with Société de l'Aéroport de Luxembourg S.A., has provided a joint and several guarantee in the context of the financing of their joint-venture Airport-Energy S.A., for an initial amount of EUR 15,800,000. The remaining balance as of 31st December 2016 amounts to EUR 9,139,223 (2015: EUR 9,700,000).

Other off balance guarantees

Under the shareholder agreements to which Encevo S.A. is a signatory, and as mentioned in the bylaws of the Company, the Luxembourg State (the "State"), and/or Société Nationale de Crédit et d'Investissement (the "SNCI"), a Luxembourg public law banking institution, and/or the Banque et Caisse d'Epargne de l'Etat (the "BCEE"), an "établissement public autonome" under the laws of Luxembourg, shall obtain at any time upon one or more successive requests from the State individually or the State and the SNCI jointly, or the State and the BCEE jointly, or the State, the SNCI and the BCEE jointly, if applicable each time for a portion (and regardless of the level of participation of Encevo in the subsidiaries) a direct participation and if so requested even a qualified (e.g. two third) majority in the share capital of Creos Luxembourg S.A. and the shareholders shall take the necessary actions, resolutions and approvals to be taken to such effect (including by Encevo S.A.) and in particular to cause the resolutions of the shareholders and/or the subsidiaries to be taken in order to allow the State and/or the SNCI and/or the BCEE to obtain the participation(s) as set forth here above in one or more successive operations. All transactions necessary in that respect must respect the arm's length principle. The State and/or the SNCI and/or the BCEE, as applicable, agree not to transfer for commercial reasons, during a period of ten (10) years, starting at the date of the acquisition of the relevant shares in Creos Luxembourg S.A., all or part of the shares it/they has/have acquired in the share capital of Creos Luxembourg S.A., subject to certain exceptions, including transfers between the State and SNCI, or between the State and the BCEE, transfers to their affiliates or municipalities or public bodies or transfers pursuant to legal or regulatory constraints or a court order.

Subject to the same exceptions, if at any time after the above 10 year period, the State and/or the SNCI and/or the BCEE (or the affiliates, municipalities or public bodies referred to in the preceding sentence), as applicable, propose to make a transfer of all or part of such shares Encevo S.A. has a pre-emption right over such shares.

Transfer of shares in Encevo S.A. by the shareholders will be subject to pre-emption rights (with certain exceptions in case of transfer to affiliates) which are largely reflected in the Articles of Association of Encevo S.A. The same pre-emption rights apply in case of a change of control of a shareholder.

For the electricity and gas trades, Enovos Luxembourg S.A. has received from counterparties parental support letters totalling EUR 70,150,000 (2015: EUR 70,150,000).

Encevo S.A. has given customary parental support letters to several energy providers and trading counterparts of Enovos Luxembourg S.A. amounting to EUR 159,200,000 (2015: EUR 134,200,000).

Enovos Deutschland SE and Enovos Renewables GmbH have granted various shareholder loans to non-consolidated participations for which the undrawn portions amount to EUR 2,280,842 on total (EUR 765,925 in 2015).

Energie Südwest AG has issued a security of EUR 559,000 for the purchase of a power grid in Annweiler.

The Board of Directors is of the opinion that all necessary provisions have been made to cover potential losses out of the off balance sheet liabilities and commitments.

Note 41 – Subsequent events

On 28th December 2016, Encevo S.A. signed an agreement for the sale of Artelis S.A. for an amount of EUR 18,900,000. The transaction is effective in January 2017.

On 28th March 2017, the group signed an agreement with its partner in NPG group to purchase the remaining 49% shares of NPG Energy NV for 1 euro and to reimburse the partner's shareholder loan for EUR 1,900,000.

On 31st March 2017 the group sold Enovos Real Estate Strassen S.A., whose exclusive purpose is to hold the administrative building in Strassen, for EUR 33,388,858. The entity will consequently be deconsolidated in 2017.

There are no other post-balance sheet events affecting the 2016 accounts.



Audit report

To the Shareholders of
Encevo S.A.

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Encevo S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated profit and loss account and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual accounts 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 the Board of Directors, as well as evaluating the overall presentation of the consolidated annual accounts.

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 annual accounts give a true and fair view of the consolidated financial position of the Group as of 31 December 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated annual accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated annual accounts and our audit report thereon.

Our opinion on the consolidated annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated annual accounts and has been prepared in accordance with the applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 21 April 2017

A handwritten signature in blue ink, appearing to read 'Christiane Schaus', written over a horizontal line.

Christiane Schaus

EXTRACT OF THE ANNUAL ACCOUNTS OF ENCEVO S.A.

MANAGEMENT REPORT

The main activity of Encevo S.A. the “Company” (formerly Enovos International S.A.), as the parent company of the Encevo Group, is the holding of financial interests in affiliated companies and the providing for the latter of financing and corporate services. The balance sheet and profit and loss account are therefore largely influenced by the financing needs of the group subsidiaries, the dividend income from its subsidiaries, as well as the income from corporate services and the costs associated to provide these services, costs which are re-allocated to group companies based on specific keys or individual projects. As the Company is centralizing the financing for the main group companies, management follows external net financial debt as one of the key performance indicators. Adequate treasury tools are implemented and management ensures a strict cash flow follow-up, including daily reporting of consolidated cash in the cash pool which regroups about 20 group companies, as well as a monthly cash forecast, in order to support the development of the group and to insure sufficient liquidity.

2016 HIGHLIGHTS

On 7th March 2016, a consortium led by the existing shareholders the Luxembourg State, the City of Luxembourg, the SNCI (Société Nationale de Crédit et d'Investissement), and ARDIAN, joined by the BCEE (Banque et Caisse d'Epargne de l'Etat) completed the take-over transaction of all the Company's shares held by RWE and E.ON energy groups (28.36%).

As part of its strategic development, Enovos International S.A. changed its name to Encevo S.A. on 3rd October 2016. The purpose of this move is to clearly differentiate between the parent company and its subsidiaries, energy supplier Enovos Luxembourg S.A. and grid operator Creos Luxembourg S.A., and as a result, to clarify the group's governance.

Encevo S.A. successfully completed the replacement of the agreement linked to the Revolving credit Facility (“RCF”) of 2013, with a committed amount of EUR 200,000,000 on August 17th 2016 with 7 banks. This new credit line has a tenor of 5 years. If requested by the Company, the banks have the option to extend the credit facility by 2 years, until August 2023.

Besides this renegotiation, no new issuance of long term financings occurred during the financial year under review, as the Company used the proceeds

from long term financings issued previous years as well as from its RCF to cover the liquidity needs of the group's core companies. The amount drawn on the committed EUR 200,000,000 RCF as of 31st December 2016 is EUR 0 (2015: EUR 0).

Considering the retail bond of EUR 200,000,000 issued in June 2012, the German Certificates of Indebtedness (“Schuldschein”) of EUR 102,000,000 issued in June 2013 and of EUR 80,000,000 issued in November 2014, the Company's debt maturity profile has an average tenor of 4.6 years, while the exposure to floating interest rates is less than 10%.

Within the long term proceeds of EUR 382,000,000 (2015: EUR 382,000,000), a total amount of EUR 290,000,000 (2015: EUR 290,000,000) is allocated through back to back loans with mirror conditions to the subsidiaries in order for the latter mainly to finance their grid investments projects and the financing of renewable energy generation projects.

The Company further provided in 2016 an additional loan of EUR 42,000,000 to Creos Luxembourg S.A. and a new loan of EUR 13,500,000 was granted in 2016 to Creos Deutschland GmbH in order to finance its Network investments. Further, an additional loan of EUR 1,700,000 was granted to Biogas Ohretal GmbH following the 20% share purchase by Encevo S.A. in order to become the sole shareholder.

The amounts owed to credit institutions increased from EUR 2,396,531 in 2015 to EUR 10,025,568 in 2016, largely as a consequence of an overdraft facility of EUR 10,000,000. Cash and cash equivalents increased from EUR 2,840,126 in 2015 to EUR 30,343,478 in 2016 leading to a net financial debt decrease to a level of EUR 379,009,282 (2015: EUR 387,072,960).

During the year, the Company distributed a dividend of EUR 32,200,867 (EUR 24,005,109 in 2015).

As of 31st December 2016, the net cash amount managed on behalf of the subsidiaries with which the Company entered into a cash pooling agreement is EUR 136,549,321 (2015: EUR 85,658,839).

The Company furthermore pursued its investments into upgrading its IT infrastructure through the closing in 2016 of projects initiated in 2015 that were aiming to enable Encevo S.A. to give better and faster services to its subsidiaries. Projects with an emphasis set on disaster recovery procedures, system availability and performance monitoring were carried out

through the year under review. The Company proceeded to the reinforcement of the infrastructure through an increase in IT personnel that will go on in 2017. Moreover, in order to carry out the centralisation of the IT function initiated in 2015, an IT governance has been defined in order to ensure the respect of strategic objectives of the different subsidiaries.

In 2016, the Business Continuity Management Policy has been approved and the first two Business Continuity Committees have been held. Business Continuity Plans have been updated and/or defined for the critical departments. Those Business Continuity Plans have been tested during the year. Additionally a Disaster Recovery test has been performed at the end of the year. The aim of all these actions involving different stakeholders from the Group companies is to ensure a rapid restoration of business activity in case of unexpected disruption.

Throughout the year, the Company continued to implement the detailed action plan defined in its efficiency improvement programme “fit for future” covering also its core subsidiaries, positively impacting the financial results of the Company and its main subsidiaries for 2016.

FINANCIAL RESULTS

In 2016 the net turnover amounted to EUR 44,205,002 (2015: EUR 44,526,805) and is mainly generated by the service level agreements with affiliated companies. The shared services are related to central services for Facility Management, Human Resources, IT, Internal Communication, Finance and Tax, Corporate Development, Risk Management, Insurance, Legal, Internal audit, Management, Controlling, Strategy and Corporate Development rendered by Encevo S.A. to the main subsidiaries and re-invoiced through a transparent and systematic allocation key or through specific projects for which the Company has rendered these services.

Income from participating interests increased from EUR 24,621,290 in 2015 to EUR 35,673,146 in 2016 mainly since Enovos Luxembourg S.A. did not distribute dividends in 2015 in light of the negative net result that the company had incurred in 2014 while it distributed a dividend of EUR 7,153,446 in 2016.

The increase in interest income derived from affiliated undertakings from EUR 17,439,678 in 2015 to EUR 18,594,456 in 2016 is mainly related to the increase of

the shareholders loan granted to Creos Luxembourg S.A. in November 2016 from EUR 90,000,000 to EUR 132,000,000.

On 28th December 2016, the Company signed an agreement for the sale of its shares held in Artelis S.A. for an amount of EUR 18,900,000. The transaction is effective in January 2017. As the sale price is lower than the book value, an impairment of EUR 9,846,413 was posted in 2016 under the caption “value adjustments in respect of financial assets”.

Further, in the context of the Company’s annual impairment-testing process, the Board of Directors has decided to book an exceptional value adjustment of EUR 29,405,209 on the loans and cash pooling granted to the affiliates of NPG Energy NV following the adverse market conditions and technical incidents in the company’s biogas activities.

As a result from all the above, the Company recorded a net loss of EUR 2,455,959 in 2016, compared to net profit of EUR 26,128,475 in 2015, the decrease being related to the exceptional value adjustments described above, partially offset by higher income from participating interests.

RISK MANAGEMENT

Specific risks directly managed at the Company level relate to the financial liquidity risk, the credit risk of the subsidiaries supported by financings from Encevo S.A. as well the interest rate risk. While the credit risk of the subsidiaries is followed on a monthly basis for the core companies and on a quarterly basis for the noncore companies by the Group Controlling department, the liquidity risk is mitigated by the Group Finance & Tax department through the setting up of a EUR 200,000,000 revolving credit facility which ensures sufficient liquidity to the main group companies. Group Finance & Tax department is further monitoring on a continuous basis the evolution of short and long term interest rates to evaluate the need to further hedge the interest rate risk. It should be noted that in regards to the long term financings in place amounting to EUR 200,000,000 retail bond and EUR 182,000,000 German Certificate of Indebtedness only a portion of EUR 35,000,000 of the latter bears a floating interest rate.

In regards to the status of the Italian photovoltaic assets, it should be noted that GSE (the authority that has granted its feed-in-tariffs to the various Italian

subsidiaries of Enovos Luxembourg S.A.) has continued its investigations during the course of 2016 and has kept contact with Enovos S.A. that continued to accommodate the requests for information. In addition, EAM filed a criminal complaint in Luxembourg against Enovos Luxembourg S.A., Encevo S.A. and four of its employees for alleged damages regarding the purchase of Italian assets from Aveleos S.A., a subsidiary of Enovos S.A.. Encevo S.A. took meanwhile legal counter-action against EAM and awaits further developments of the various Italian cases before courts. On the substance, no further material events occurred in 2016 which could justify a change in the appreciation of the facts at stake and thus the taking of additional provisions.

The Group Risk Management department is centralising all risk management reporting from the core group companies and reports to the Group Risk Committee who monitors the main risks identified across the Encevo Group.

OUTLOOK

The Company will provide further financing means to realise the ambitious investment program of its subsidiaries mainly into grid activities and some renewable projects. As current financial market conditions are expected to remain favourable, with interest rates to stay at low levels, management is confident that such long term financing will be arranged in the course of the year.

As the Group will continue to expand both on the supply side as well as on the grid side, management is furthermore expecting that the Company will continue to provide corporate services in order to support the various business units to achieve their respective targets. Implementing the improvement potential identified in the "fit for future" programme will allow the Company to do so with increased efficiency.

On the information technology side, the Company will continue investing in the IT infrastructure in order to prepare the digitalisation of communications, products and processes. Furthermore, Information security, data protection and compliance to changing regulations will stay pivotal to the IT strategy of the Company.

CHANGES IN 2016 IN THE BOARD OF DIRECTORS OF ENCEVO S.A.

As a result of the change in the shareholder base of the company as described above, the new composition of the board of directors of the Company is the following:

Marco Hoffmann	Chairman	Aloyse Kohll ^{*)}	Director
Benoît Gaillochet ¹⁾	1 st Vice-Chairman	Prof. Dr. Uwe Leprich ⁶⁾	Director
Tom Theves	2 nd Vice-Chairman	Marc Reding ^{*)}	Director
Michael Reuther ²⁾	3 rd Vice-Chairman	Georges Reuter	Director
Werner Brinker ³⁾	Director	Joachim Scherer	Director
Andrée Colas ⁴⁾	Director	Dr. Geneviève Schlink	Director
Paul Konsbruck ⁵⁾	Director	Claude Strasser ^{*)}	Director
Charles Hutmacher	Director	Johan Van Bragt ⁷⁾	Director

1) Mr. Benoît GAILLOCHET is the permanent representative of the director "AXA Redilion ManagementCo S.C.A." from January 1st, 2016 on.

2) Mr Michael REUTHER was co-opted as a member of the Board on December 1st 2016 following Azimuth Solutions GmbH's resignation. Mr Stephan FEDRIGO was the permanent representative of Azimuth Solutions GmbH which was a Board member from January 1st, 2016 until November 30th, 2016.

3) Mr Werner BRINKER was co-opted as a member of the Board with effect as of 1st January 2016 in place of Mr Fernand FELZINGER and his appointment was confirmed by the general assembly of shareholders on May 10th, 2016.

4) Mrs Andrée COLAS was co-opted as a member of the Board on September 25th, 2015 and the appointment was confirmed by the general assembly of shareholders on May 10th, 2016.

5) Mr Paul KONSBRUCK was co-opted as a member of the Board on September 30th, 2016 to finish the mandate of Mr Pierre Franck, whose directorship came to an end on September 29th, 2016.

6) Prof. Dr. Uwe LEPRICH is the permanent representative of the director "Administration communale de la Ville de Luxembourg".

7) Mr Johann VAN BRAGT was co-opted as a member of the Board with effect as of December 12th, 2015 and his appointment was confirmed by the general assembly of shareholders of May 10th, 2016.

*) Mr Aloyse KOHLL, Mr Marc REDING and Mr Claude STRASSER were appointed members of the Board with effect as of March 7th 2016 while Dr Peter FRANKENBERG, Mr Peter PICHL and Dr Werner ROOS resigned with effect as of March 7th, 2016, following the change in the shareholder base of the company.

AUDITOR

The mandate of the external independent statutory auditor, PricewaterhouseCoopers, will come to term with the audit of the financial year 2016. The Board of Directors will submit a proposal on this behalf to the annual general meeting of shareholders to be held in May 2017.

PROPOSED APPROPRIATION OF NET PROFIT

The profit available for appropriation of EUR 58,965,186 includes the loss for the year of EUR 2,455,959, the reversal of the blocked reserve (net wealth tax) of EUR 5,000,000 and the profit brought forward of EUR 56,421,145.

The Board of Directors proposes to the Annual Shareholder's Meeting to be held on 9th May 2017 the following appropriation of net profit:

	€
Dividend of 38,47 Euros per share*	34,993,428
Allocation to the legal reserve	0
Allocation to the blocked reserve	0
Allocation to other reserves	0
Amount carried forward	23,971,758
Total allocated	58,965,186

* Number of shares 909,629

The Board of Directors

Esch-sur-Alzette

17th March 2017

BALANCE SHEET AS AT 31ST DECEMBER 2016

ASSETS	2016	2015
Denominated in EUR	€	€
Fixed assets	1,200,926,070	1,186,476,720
Intangible assets		
Concessions, patents, licences, trademarks and similar rights and assets, if they were		
a) acquired for valuable consideration	3,645,599	3,071,810
Payments on account and intangible assets under development	293,440	880,214
Tangible assets		
Other fixtures and fittings, tools and equipment	1,945,953	2,132,385
Payments on account and tangible assets the in course of construction	0	181,282
Financial assets		
Shares in affiliated undertakings	773,200,363	773,200,363
Loans to affiliated undertakings	401,716,365	377,039,903
Participating interests	20,124,350	29,970,763
Current assets	129,445,969	114,880,261
Debtors		
Trade debtors		
a) becoming due and payable within one year	58,435	796
Amounts owed by affiliated undertakings		
a) becoming due and payable within one year	92,775,936	100,428,395
Other debtors		
a) becoming due and payable within one year	6,252,120	11,596,944
b) becoming due and payable after more than one year	16,000	14,000
Cash at bank and in hand	30,343,478	2,840,126
Prepayments	9,854,250	12,920,644
TOTAL ASSETS	1,340,226,289	1,314,277,625

CAPITAL, RESERVES AND LIABILITIES

	2016	2015
Denominated in EUR	€	€
Capital and reserves	709,030,663	743,687,489
Subscribed capital	90,962,900	90,962,900
Share premium account	387,028,449	387,028,449
Reserves		
Legal reserve	9,096,290	9,096,290
Other reserves, including the fair value reserve		
a) other available reserves	161,438,164	161,438,164
b) other non available reserves	6,539,674	11,539,674
Profit or loss brought forward	56,421,145	57,493,537
Profit or loss for the financial year	(2,455,959)	26,128,475
Provisions	8,535,499	8,948,610
Provisions for pensions and similar obligations	7,360,264	8,023,715
Other provisions	1,175,235	924,895
Creditors	622,660,127	561,641,526
Debtenture loans		
b) Non convertible loans		
i) becoming due and payable within one year	5,327,192	5,516,555
ii) becoming due and payable after more than one year	382,000,000	382,000,000
Amounts owed to credit institutions		
a) becoming due and payable within one year	10,025,568	2,396,531
Trade creditors		
a) becoming due and payable within one year	5,547,056	6,799,865
Amounts owed to affiliated undertakings		
a) becoming due and payable within one year	205,519,029	158,143,372
b) becoming due and payable after more than one year	8,000,000	0
Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests		
a) becoming due and payable within one year	12,532	356,330
Other creditors		
a) Tax authorities	3,278,388	4,146,483
b) Social security authorities	730,289	484,900
c) Other creditors		
i) becoming due and payable within one year	2,220,073	1,797,490
TOTAL CAPITAL, RESERVES AND LIABILITIES	1,340,226,289	1,314,277,625

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2016

PROFIT AND LOSS ACCOUNT	2016	2015
Denominated in EUR	€	€
Net turnover	44,205,002	44,526,805
Work performed by the undertaking for its own purposes and capitalised	85,458	194,060
Other operating income	767,892	1,124,397
Raw materials and consumables and other external expenses		
a) Raw materials and consumables	(369,837)	(429,187)
b) Other external expenses	(28,895,761)	(29,144,430)
Staff costs		
a) Wages and salaries	(15,870,742)	(13,508,462)
b) Social security costs		
i) relating to pensions	(1,001,013)	(895,464)
ii) other social security costs	(1,648,012)	(1,431,606)
Value adjustments		
a) in respect of formation expenses and of tangible and intangible fixed assets	(1,774,697)	(1,644,914)
b) in respect of current assets	(3,285,209)	0
Other operating expenses	(596,002)	(600,327)
Income from participating interests		
a) derived from affiliated undertakings	34,064,646	23,197,540
b) other income from participating interests	1,608,500	1,423,750
Other interest receivable and similar income		
a) derived from affiliated undertakings	18,594,456	17,439,678
b) other interest and similar income	10,960	20,343
Value adjustments in respect of financial assets and of investments held as current assets	(35,966,413)	0
Interest payable and similar expenses		
a) concerning affiliated undertakings	(30,429)	(35,868)
b) other interest and similar expenses	(15,573,378)	(16,168,807)
Tax on profit or loss	3,104,200	2,245,967
Profit or loss after taxation	(2,570,379)	26,313,475
Other taxes not shown under items 1 to 16	114,420	(185,000)
Profit or loss for the financial year	(2,455,959)	26,128,475

PriewaterhouseCoopers has been appointed as independent auditor for fiscal year 2016 by the annual ordinary shareholder's meeting on 12nd May 2015.

The Encevo Annual Report is published in English.
We would like to thank all those involved in the preparation and publication of this annual report.

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Under the leadership of the Corporate Communication Department of Encevo.

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