

There are always challenges, but we always rise to meet them.

2018

Annual Report  
Encevo S.A.

Our ambition is to grow sales volume and renewables; to be the energy leader in the Greater Region.



**encevo**

## OUR VISION

We envision Encevo as leading and sustainable energy player in the Greater Region. In the rapidly changing energy landscape, we will ensure a secure access and competitive supply of energy, and actively shape the transition to a sustainable energy sector by embracing technology, deploying innovative solutions and partnering with local communities.

Encevo people are empowered and strive for excellence. We mobilise all our forces to bring the energy of tomorrow to our customers.

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Marco Hoffmann,  
Chairman of the Board of Directors

Claude Seywert,  
CEO Encevo S.A.  
Chairman of the Executive Committee

CUSTOMER  
FOCUSED,  
RESULTS  
DRIVEN



In 2018, Encevo followed a clear strategy that focused the organisation's efforts on using core capabilities and developing local markets. Encevo's ambition is to capture potential, innovate and drive digitalisation within the core business, while keeping a keen eye on the lengthening value chain. Changes in top management and the shareholder structure, were mastered smoothly while the group continued to realise positive results.

*You took over the position of CEO in September. How would you characterise the transition to your new role?*

**Claude Seywert:** My transition was smooth; I must thank all of the employees in our group for the warm welcome that made this possible. Since this transition was anticipated, there were also no real surprises for anyone. Clearly my role has changed from an operational focus to a more strategic position now. Yet, because I have worked within the group for the past few years, I possess the required body of knowledge and have already helped shape the group's strategy.

The ambition of the group has not changed, I'm surrounded by an excellent team that is dedicated to providing high-quality, stable and standardised solutions for a reliable, secure energy supply to Luxembourg. My new role allows me to maximise our work toward that ambition.

*There have been some changes to Encevo's shareholders. How does that affect the group's direction and focus?*

**Marco Hoffmann:** Managing the shareholder change\* required quite an effort from our team in terms of due diligence. I am happy to say, that we managed to accomplish all the required activities, while ensuring that day-to-day activities did not suffer. As we look toward a horizon that includes decentralised production, local storage, auto-consumption, and more, we are pleased to have an industrial partner that is well acquainted with our challenges.

**Claude Seywert:** Our team's ambition is to remain an industry leader. The new shareholder gives us stability and manoeuvrability, and is aligned with our direction, goals and objectives. It takes the same long-term perspective to development as this group.

\*cf. page 24



*Would you share your thoughts about the results coming out of the strategy review?*

**Claude Seywert:** The strategy review was certainly beneficial. It gave everyone a clear path and guidance. Our ambition is to be the leading green energy player in Luxembourg and the Greater Region. With that strategy, we are keeping our attention and investment firepower trained on improving and expanding our core local markets. Positive results are emerging and the strategy will continue to evolve as the industry, technology, and customer requirements evolve.

*What regulatory/legal challenges will the group face? What are some of the implications in the near future?*

**Marco Hoffmann:** The revised European renewable energy directive, that confirms the 32% renewable energy target for 2030, came into effect in December. In the first quarter of 2019, rules associated with the Clean Energy for all Europeans legislative framework are being implemented across the EU. Furthermore, new national laws will complement these European initiatives. As a group, we support these ambitions and will work towards the realisation of those targets.

**Claude Seywert:** Essential to forwarding Luxembourg's national energy and climate plan is engaging with key stakeholders. Our responsibility is to ensure we are at the table for important conversations that will help create the exceptional future we all envision. Our focus is to stay ahead of the curve in energy efficiency measures and re-inforce the active role consumers play in this landscape.

*As the energy market is in permanent evolution, what is the strategic focus of the group?*

**Claude Seywert:** Encevo Group provides a combination of services and products that ensure we are well-positioned to provide sustainable and renewable energy. The increase in grid capacity and the advent of smart grids, allows us to manage decentralised energy production and balance energy consumption variations. We will continue to upgrade the physical infrastructure while, at the same time, developing and digitalising our energy sales and services. Concurrently, we will also expand our renewable energy production base. Only together, will these strategies allow us to offer the best all-round solutions for tomorrow's energy market.

Our ambition is  
to grow sales volume  
and renewables  
to be the  
energy leader  
in the Greater  
Region



Claude Seywert,  
CEO Encevo S.A.  
Chairman of the Executive Committee

*How would you rate the performance of Encevo Group last year?*

**Marco Hoffmann:** Encevo realised a very positive return from its 'Green Schuldschein'. This offering allowed financial partners to back Encevo's renewable energy projects and to support clean transportation solutions. Securing this long-term financing puts Encevo Group on a positive and strong footing to build toward the envisioned future and to meet challenges with confidence.

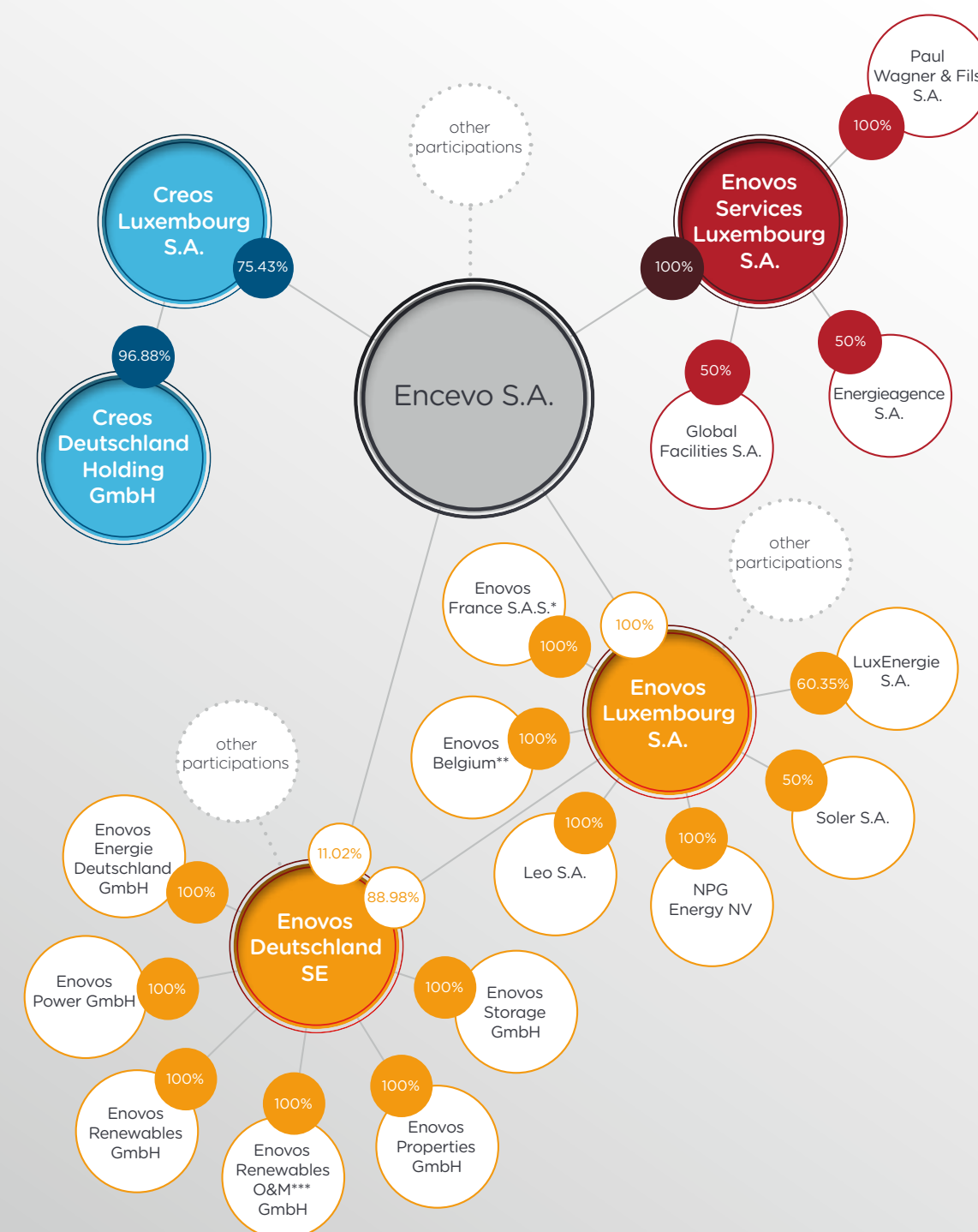
**Claude Seywert:** We exceeded our internal 2018 targets. The balance sheet is stronger than budgeted and Enovos winning renewables tenders (PV) in Luxembourg, combined with the takeover of Wirsol O&M, puts us squarely on track to leverage our core expertise in PV and Wind. Additionally, the divestment of biogas interests in Germany and Belgium is moving forward. On the grid side, we managed a record investment program and the integration of the former Steag electricity grid in Saarland into Creos progressed as planned. Our new technical services division, and the acquisition of Paul Wagner & Fils, fills a gap identified by our customers and expands our product offering in the energy value chain. Keeping operational excellence at the forefront of our ambition also allows us to continue to optimise our risk management processes.

*Main challenge & opportunity for Encevo Group going forward in 2019?*

**Marco Hoffmann:** The marketplace is evolving and splintering. There are new competitors and the value chain keeps growing. As well, the economy is expected to slow in 2019. We have a strong position in the region, but we must be prepared to defend that position and add-value where other organisations are ill-equipped to do so. A current challenge is to examine the broader renewables landscape and the full value chain to better forecast challenges and seize opportunities. We must understand and optimise the whole system, approaching each day with an open and innovative mind-set.

**Claude Seywert:** The exciting thing about this industry is that it is constantly evolving. There are always challenges, but we always rise to meet them. Our ambition is to grow sales volume and renewables; to be the energy leader in the Greater Region. Our previous 'large utility mentality' is changing to a more entrepreneurial and agile mind-set. Going forward, our ability to be more open and transparent allows us to connect with the customer and meet their needs more fully. In practical terms, our group will continue implementing the strategy. We will continue to optimise, explore and maximise our exit options from non-priority activities and will progressively reduce legacies. Understanding the customer, digitalising to improve communication, continuing with green investment, expanding existing markets and growing core solutions are all elements of that strategy. We will continue to refine our strategy for Belgium and France, calling upon our teams for input and supporting them to grow markets in these important regions.

## Group Structure



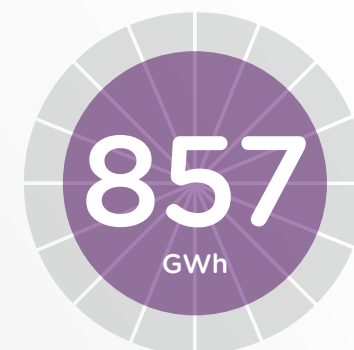
\* Commercial agency of Enovos Luxembourg S.A.  
 \*\* Branch of Enovos Luxembourg S.A.  
 \*\*\* 100% subsidiary of Enovos Future GmbH

# AT A GLANCE

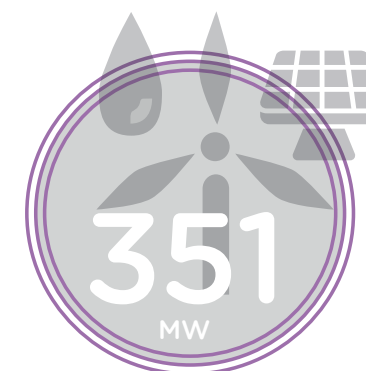
Consolidated figures of Encevo Group

1,948  
Employees

(avg. 2018)



Total renewable energy production



Renewable net installed capacity



Energy Sales  
Power

12.5 TWh

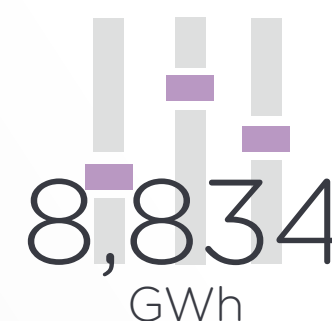


Energy Sales  
Gas

27.5 TWh



of electric power transported



of natural gas transported



21<sup>st</sup> February 2018

Laying of the foundation stone of Creos' new headquarters and operating center in Luxembourg City

10<sup>th</sup> July 2018

Acquisition of Paul Wagner et Fils S.A. and creation of the business unit « Technical Services » within Enovos Services Luxembourg



26<sup>th</sup> July 2018

Signing of the Green Schuldschein contracts which has been awarded "The Deal of the Year" by mtn-i on 7<sup>th</sup> February 2019 in London



17<sup>th</sup> September 2018

Acquisition of Wirsol GmbH by Enovos Renewables O&M GmbH



15<sup>th</sup> September 2018

New composition of the Executive Committee of Encevo Group



18<sup>th</sup> September 2018

Successful PV RES Tender in Luxembourg



18<sup>th</sup> October 2018

New shareholder China Southern Power Grid International takes over Ardian's parts



20<sup>th</sup> December 2018

Exit of German biogas, Enovos Luxembourg has sold its shares in Gesellschaft Energiepark Trelder Berg GmbH to BALANCE Erneuerbare Energien GmbH





# Growing in a competitive environment



**Erik von Scholz**  
CEO Enovos Luxembourg S.A.  
Member of the Executive Committee

Enovos enjoyed good financial performance, successes in digitalisation, products and service expansion. New regulations, organisational changes and energy technology evolution, were all in play in 2018.

## Smooth Transition

A smooth management transition and successful consolidation in 2018 reinforced 2017's restructuring and transformation. "Enovos personnel are positive and open-minded," says Erik von Scholz, Enovos' new CEO, "The organisation benefits from a diverse and talented team that stays on course."

Enovos continued to develop local market share and expand renewables, winning PV tenders in Luxembourg, the Netherlands and Germany. The team showed great creativity and had tremendous success, acquiring contracts for over 20 MWp of renewable power generation. Enovos has more than 1,000 MWp of installations currently under management in Germany.

Refocusing core activities in PV and wind technology allowed Enovos divesting of biogas facilities in Belgium and Germany.

## Customer Focus, Market Expansion

Solid customer relationships are integral to retaining and expanding in a strongly competitive market. Digitalisation will enable Enovos to connect fully with customers, providing better information faster. Digitalised tools and systems like smart meters, and upgrades to the customer portal and other touch-points will improve communication and customer service.

On the horizon are targeted products, such as ecomobility, implementing PV projects won in 2018, and leveraging skills and expertise to win similar tenders. Further developing the PV, wind and CHP, will allow the organisation to effectively meet and manage customers' energy needs.

Enovos will also increase its risk management capability so it can foresee and capitalise on opportunities associated with a more complex and volatile market.

Our first ambition is to serve the customers best, using modern technology and adjusting our energy offer to meet evolving needs



# Keeping up with growing complexity

## Investing for the Future

In 2018, Creos invested a record amount of EUR 132 million in its operational infrastructure and information systems. This extraordinary achievement was made possible by the devoted collaboration of a large number of dedicated colleagues.

Furthermore, we will invest a global envelope of EUR 800 million over the next five years in our grid infrastructure and intelligence. More than just figures, our plan is testimony to Creos taking up the challenges of a fundamental industry transition: digitisation with the objective of implementing “smart power grids”, decentralisation of energy generation and enabling flexible load demand i.e. in e-mobility.

Creos is and will be ready to deliver convenient grid service to an intelligent world of customers, whether they are industrial, large data centres, e-mobility operators, business and commercial centres, private customers, storage operators or else. Creos is formally committed to upgrade its infrastructure and IT for the smart energy world we are expecting to be established in the next decade.

## Meeting Complexity in Demand

We do witness an in-depth transformation process in the energy value-chain, and we are expecting this to pick up speed. In addition to the traditional security of energy supply, our customers demand a complex mix of data, including online and even forecast consumption. A one-size-fits-all approach, even if it is high quality, will no longer be sufficient within Creos’ regulated business. In a decentralised environment of active consumers, producers and energy communities, smart devices will allow individual comfort. The complexity of energy flows will grow tremendously.

Creos will keep up with such formidable perspectives by progressively putting new intelligence into operations. In particular, a state-of-the-art Customer Relations Management tool will start at the end of 2019 and integral electricity and gas smart meter roll-out will be accomplished in 2020, ahead of its legal deadlines.

## Is there a Hidden Wish?

Our wish is that ...

1. motivated and smart young people, well-trained technicians and engineers, may find Creos and join our great teams.
2. the political and regulatory evolution may be paused after the package “Clean Energy for all Europeans” to allow the industry to develop and deliver.
3. our customers will be a bit patient and confident. Energy is, unlike ICT, a business of mid- and long-term infrastructure; its transformation takes some more time.

**Marc Reiffers**  
CEO Creos Luxembourg S.A.  
Member of the Executive Committee



New intelligence will offer tremendous opportunities in the new energy world

# Stability & Streamlining in 2018



**Guy Weicherding**  
Chief Financial Officer Encevo S.A.  
Member of the Executive Committee

## Financial results in line with expectations

The group's operational results (i.e. EBITDA of EUR 213.3 million) are in line with expectations exceeding the prior year's value by nearly EUR 20 million (thereof EUR 7.3 million due to lower negative impacts from exceptional items in 2018 compared to 2017), therefore, we are quite satisfied with the group's performance in 2018. Indeed, the year was very

challenging with important changes within the group, a continuously shifting regulatory and market environment, and also persisting negative impacts from our long-term supply contracts. Our supply and sales business has managed to stay at a stable level despite increased competition and pressure on its margins. This was achieved through stringent cost management and further improvements to the portfolio management process. Our grid

activities continue to increase their contribution to the group results as a consequence of the high investments in our infrastructure during the past few years (a record EUR 155 million in 2018). Furthermore, our renewable operations improved in comparison with last year from the restructuring of our biogas activities in Belgium which negatively impacted 2017 results. Free cash flow is positive albeit at a lower level than in 2017,

while our net financial debt increased by EUR 35 million to EUR 521 million, mainly due to the high investments of EUR 209 million in total, and the increase in working capital, itself a consequence of overall increased market prices. Nevertheless, the gearing ratio stays at a rather solid level of just below 40%.

Net profit of EUR 63.9 million also exceeds the 2017 value by EUR 8.2 million, but is nearly at the same level than in the prior year when excluding the additional impacts from exceptional items of 2017.

## New Long term financing

2018 was a successful year with regard to providing new financing for the group. Indeed, Encevo S.A. issued a Green Schuldschein of EUR 250 million with maturities of 7, 10, 12 and 15 years (average of approximately 10 years).

The proceeds are used to finance and refinance projects in the field of renewable energy, energy transmission, distribution & smart grid, sustainable real estate or clean transportation solutions.

We are very pleased with this transaction, the largest financing that the group has ever made since its inception 10 years ago. As a matter of fact, at the mtn-awards in London in February 2019, Encevo was awarded "Deal of the Year" for issuing the largest Green Schuldschein in 2018. Encevo's Deal of the Year award recognises the market's support for the green bond theme. The acceptance of SSD «Schuldscheindarlehen» contributes to the group's overall and Luxembourg's sustainability strategy related to GHG emissions reduction, renewable energy and improvements in the efficiency of energy infrastructure.

## Positive on investments & growth

We are rather positive for what's to come in 2019 and beyond. The group will continue on its high investment path, especially in grid and in renewable projects, thus further contributing to a highly stable EBITDA within the group. After the acquisition of Paul Wagner & Fils, the group is well positioned to further develop the activity of technical services which should become an additional pillar in the group's activities, alongside grid, supply and renewable energy generation. On the supply side, we expect margin pressure to continue, but we plan to mitigate the impact by improving and streamlining our processes and further building on digitalisation.

Financial results for 2019 should be at a similar level to 2018, while the mid-term goal is to further grow our operational results thanks to our high investments in grid and renewable assets, but also in new service activity.

Key figures consolidated	2018	2017
Sales volume gas (TWh)	27.5	27.2
Sales volume electricity (TWh)	12.5	11.4
Sales (EUR million)	2,019.2	1,758.2
<b>EBITDA</b>	<b>213.3</b>	<b>193.6</b>
EBITDA (excl. exceptional items)	216.8	204.4
<b>Operating cash flow <sup>(*)</sup></b>	<b>190.1</b>	<b>183.5</b>
<b>Free cash flow <sup>(**)</sup></b>	<b>19.8</b>	<b>51.9</b>
<b>Net profit for the year</b>	<b>63.9</b>	<b>55.7</b>
Net profit (excl. exceptional items)	63.8	64.7
Total Assets	2,845.4	2,538.5
Capital and reserves	1,306.9	1,288.2
Net financial debt <sup>(*)</sup>	520.9	486.5
as a % of capital and reserves (Gearing ratio)	39.9%	37.8%
Capital expenditures <sup>(**)</sup>	209.0	199.7

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

(\*\*) cash flow statement restated for 2017

# A Bright Beginning

Technical Services Luxembourg  
Jean-Luc Santinelli

In 2018, Enovos Services implementation was a main focus for the group's strategy to enter new adjacent activities in Luxembourg. This move positions the Encevo Group to play a major role in the green energy transition and in the implementation of the Third Industrial Revolution in the Grand Duchy.



## Expanding Presence with SMEs

"Enovos Services handles the group's presence and activities with regards to installations and technical services in the domain of building equipment, distributed energy production, electro-mobility and energy efficiency," says Jean-Luc Santinelli, Managing Director, "We aim to be a catalyst for the energy transition going on in Luxembourg and within the Encevo Group; handling the group's presence and activities in installations and technical services."

With about 535 employees and 65 million euro in revenues (the sum of all affiliates), Enovos Services Luxembourg S.A. is mainly active in Luxembourg, but also in France and Germany. This team is developing new, innovative solutions that can be implemented by Encevo subsidiaries and by partners that are part of the 'diego' platform, which is the result of a cooperation with the "Fédération des Artisans" (FDA).

# Enovos Services provides energy installation and management packages to intermediary businesses that work with end consumers

## Achieving Milestones

The first milestone was acquiring Paul Wagner & Fils S.A. (PWF) in July 2018. PWF is among the leaders in technical building equipment provision and services in Luxembourg. This acquisition is doubly positive for the group, because it fulfils Encevo's strategy in emerging energy sectors, such as decentralised energy production. It also aligns with the ambition to provide related services in this field and is fully aligned with the Rifkin strategy, whose objectives include the installation and servicing of photovoltaic panels, energy storage or electric mobility with electrical charging station management systems. As PWF is integrated, its presence completes the group's already extensive service offering in this field.

A second milestone was reached with the implementation of a cooperation agreement with the "Fédération des Artisans" (FdA) under the label 'diego' (digital installer and electrician to-go). The related [www.mydiego.lu](http://www.mydiego.lu) platform offers a common, digital, customer journey for energy-related products and services for small-to medium-sized businesses.

Finally, the legal administration and the management of the participants active in the services business (PWF, Global Facilities S.A. and Energieagence S.A.) were merged under the operational holding company banner: Enovos Services Luxembourg S.A., within the Encevo Group. Enovos Services ensures the group's ubiquity in the entire energy value chain, beyond the traditional components of merely grid operation and energy supply.

## Commercialising Partnerships

A major role next year lies in the rolling out of diego products jointly with the Fédération des Artisans, more specifically in electro-mobility, PV and heating to establish the foundation of the diego product portfolio. Jointly, with our affiliate Paul Wagner & Fils, we will start the commercialisation of new B2B services mainly in the mid-to large-sized PV installations.

Specific attention will be given to the development of a new detailed business strategy for the technical services and for each entity held by Enovos Services Luxembourg. An increase of the technical services business activities is planned through organic growth but as well through acquisitions of selected companies.



# Our Social Responsibility

As the group continues with its structural, digital and business transition, we have not lost sight of our obligations and responsibilities to the environment, society and our stakeholders. This section contains key elements from the group's 2018 CSR activities.

## MESSAGE FROM THE EXECUTIVE COMMITTEE

An integral part of Encevo Group's strategy is its contribution to pro-actively shaping a sustainable future for energy production and distribution in the Greater Region. In terms of meeting the challenge of the persistent evolution of the European energy market, Encevo Group is taking a long-term view; ensuring it is driving real sustainability and positive progress.

We are convinced that taking a long-term approach to sustainability brings benefits to the economy, the environment, the community, individuals and our company. Continued focus on our CSR obligations has had the effect of raising awareness regarding the number of sustainable elements we already enjoy throughout the company. The more we reflect on our CSR activities, the more we see the tendency of our staff to work toward our CSR goals naturally.

We are in this together. As we mature in our thinking and approach about CSR, we see and enjoy the benefits that accompany this worthwhile endeavour. Reflecting upon CSR material aspects helps the group steer its activities toward long-term positive economic growth; with sustainable benefits for the economy, the people and the environment.

This report is another element that demonstrates our commitment to ensuring transparency and openness in the workplace and with our stakeholders, and supporting Luxembourg's six priority SDGs. The Encevo Group focuses its efforts on key Sustainable Development Goals where we see the group's most active and direct contribution:

**SDG 7: Sustainable and clean energy**  
Ensuring access to affordable, reliable and modern energy from renewable sources is integral to our raison d'être. As the Encevo Group expands the renewal energy supply in Luxembourg and the Greater Region, it is working to help the government reach its 2020 target of 11% green power.

**SDG 8: Decent work and economic growth**  
Encevo is one of the largest employers in Luxembourg. As such, we take our responsibility to ensure our staff have a safe work environment seriously. Our Occupational Health, Safety and Environment department focuses on increasing awareness of occupational health regulations and embedding behaviours that ensure health and well-being for staff, third-party contractors and impacted communities.

## Decent work and economic growth

### SDG 9: Industry innovation and infrastructure

The Encevo Group is undergoing a business and digital transformation. Studies show that innovation improves with informed participation. Our employment policies are inclusive and we strive to optimise innovation within our teams via diversity and personal accountability. The mytalent platform provides a space where individuals throughout the organisation can connect and build upon each other's ideas. We encourage and support our staff to bring forward ideas and streamline processes to enable pro-activity and continuous improvement.

### SDG 11: Sustainable cities and communities

With the installation of almost 250 Chargy stations in 2018, electric car owners have access to and can choose the station and charging package that best suits their needs. Smart meters for residential electricity and gas have positioned Encevo Group to deal effectively and efficiently with increasing and evolving demands and requirements in energy consumption in the Greater Region.

### SDG 12: Responsible consumption and production

Sustainable development is at the core of Encevo Group's vision and mission. Expanding our business in renewable and green energy connects businesses, the community and individuals to a more sustainable and circular economy. With knowledge comes power. Our customer programs raise awareness regarding energy use and encourage effective energy management behaviour.

### SDG 13: Climate action

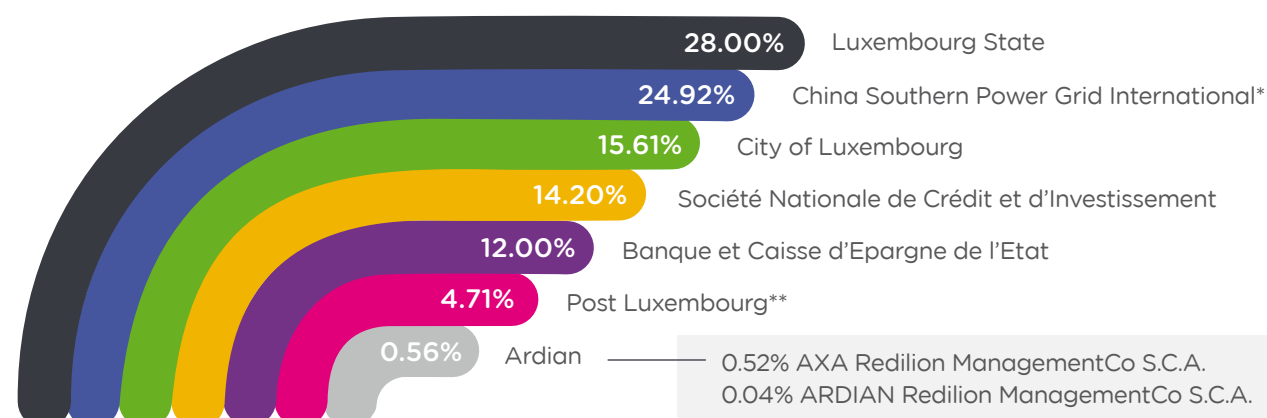
Energy efficiency is a priority today. In Luxembourg, Encevo subsidiaries provide a variety of tools and web-based services to enable customers to monitor and manage their consumption of natural gas and electricity. Customers receive data and analysis of their usage and carbon footprint.

## ABOUT THIS REPORT

The first integrated report in 2017, focused on the SDGs, and was an important milestone in our CSR approach. This second integrated report (2018), focuses on the re-certification of the ESR (Entreprise Socialement Responsable) label from the INDR (Institut National du Développement Durable) which shows Encevo Group's clear commitment to a sustainable future.



## SHAREHOLDING



\*China Southern Power Grid International (Luxembourg) Co. Ltd acquired 24.92% of the capital of Encevo S.A. from ARDIAN on 18<sup>th</sup> October, 2018. ARDIAN AXA Redilion ManagementCo S.C.A. still holds 0.52 % and ARDIAN Redilion ManagementCo S.C.A. 0.04 % of the shares.

\*\*Post Luxembourg acquired ENGIE's shares on 21<sup>st</sup> February 2018.

## Board of Directors of Encevo S.A.

Marco Hoffmann	Chairman	Aloyse Kohll	Director
Li Sun <sup>1)</sup>	1 <sup>st</sup> Vice-Chairman	Prof. Dr. Uwe Leprich <sup>3)</sup>	Director
Tom Theves	2 <sup>nd</sup> Vice-Chairman	Marc Reding	Director
Changqing Ji <sup>1**</sup>	3 <sup>rd</sup> Vice-Chairman	Georges Reuter	Director
Stefan Grützmacher <sup>1***</sup>	Director	Joachim Scherer	Director
Frank Reimen	Director	Dr. Geneviève Schlink	Director
Paul Konsbrück	Director	Claude Strasser	Director
Charles Hutmacher <sup>2)</sup>	Director	Daniel Da Cruz	Director

1) In the context of the change in the shareholding of Encevo S.A. as of 18<sup>th</sup> October 2018, Mr Benoît Gaillochet\*, AXA Redilion ManagementCo S.C.A. (represented by Mr Michael Reuther)\*\* and Mr Werner Brinker\*\*\* resigned from their office as members of the Board of Directors of Encevo S.A. with effect as of the same date.

The Board co-opted Mrs Li Sun\*, Mr Changqing Ji\*\* and Mr Stefan Grützmacher\*\*\* as new Directors of Encevo S.A. with effect as from 13<sup>th</sup> November, 2018. The co-optations are expected to be ratified at the annual general meeting of shareholders to be held on 14<sup>th</sup> May 2019.

2) Mr Charles Hutmacher resigned from his office with effect as of 1<sup>st</sup> January 2019.

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

For further details regarding the membership in the Board of Directors of Encevo as of 31<sup>st</sup> December 2018, please consult the Annual Report of Corporate Governance.

## OUR CSR CONTEXT AND APPROACH

Encevo Group has committed to the United Nations Sustainable Development Goals that were ratified on September 25<sup>th</sup>, 2015. The SDGs were categorised into groups, that represent the amount of direct activity the organisation can attribute to each. The group has chosen six of the seventeen SDGs which are most relevant to the business and staff, and where their concentrated activity can make a very direct difference.

SDG 7: Sustainable and Clean Energy

SDG 8: Decent Work and Economic Growth

SDG 9: Industry Innovation and Infrastructure

SDG 11: Sustainable Cities and Communities

SDG 12: Responsible Consumption and Production

SDG 13: Climate Action

VERY DIRECT SDG'S  
2018 Progress

2018 was an interesting mix of volatility and progress. A new government in Luxembourg, new shareholders, a business in transition, expansion of sales in the local market and focus on core business expertise all marked this year.

Acquisitions in 2018, moved Encevo Group further towards being one of the largest employers in the Greater Region. We embrace our responsibility to investment in our people and, with them, to achieve meaningful work and career growth. Facilitating ongoing professional development and training is at the core of our human resources approach.

The group, like many larger organisations, is also aware of its responsibility to consider social impacts within the supply chain. As such, we are currently developing a framework to improve performance in this important area in upcoming years.

Caring for tomorrow – our inspiration  
for innovation

The Encevo Group's vision is to be a leader in the renewable energy in the Greater Region. Following a European-wide call for tender for photovoltaic installations, organised in 2018 by the Luxembourg Ministry of the Economy, nine solar power projects for a total of 13.9 MWp were submitted and all projects were awarded a Feed-in Premium. These projects will help move Luxembourg toward its 2020 sustainable clean energy goal of 11% renewable energy production. Enovos has a longstanding commitment to develop and provide renewable energy and to enable consumers to move towards more efficient energy consumption. The Enovos customer portal provides energy saving strategies and advice to visitors regarding day-to-day consumption behaviour, renovation, and construction projects. It even allows customers to calculate their carbon footprint.

Ongoing programs from previous years include:

- Further increasing wind power capacity in Luxembourg through Soler, a joint venture by Enovos and SEO
- Since 2011: At cost renewable electricity supply for retail customers
- Since 2010 the Fondation Enovos under the aegis of Fondation de Luxembourg contributes to the progress of know-how and technologies that make sustainable development possible, but also engages in social projects that benefit the most vulnerable members of Luxembourg's society

The  
Encevo Group's  
vision is to be a leader in  
the renewable energy in  
the Greater Region

## WIRED FOR THE FUTURE

No one can deny the importance of digitalisation or smart technology in today's energy landscape. In 2018, Creos deployed additional smart charging stations for electric cars throughout Luxembourg. This brings the total to almost 250 stations, with an ultimate goal to have 800 stations available by 2020. These charging stations will be supplied with 100% renewable energy by Enovos.

In line with Enovos' focus on excellent customer communication and product access, the ecomobility platform provides information relating to the advantages of using eco-friendly cars and charging station installation.

Always vigilant regarding new developments and disruptive technology our IT team was relocated to different business units to ensure tech-savvy personnel are working side-by-side with customer-focused front-line staff. Collaborative projects included web-portal development, web-enabled tools and systems for the customer, building a data backbone that allows large amounts of data to be processed effectively and anywhere-anytime access to customer data.

Designing and implementing the enoprimes portal provided a one-stop-shop for customers to apply for and track their enoprimes energy efficiency measure application. It also provides clear and easy to use support information to contractors and other professionals who supply energy renovation and optimisation services and often act as an intermediary between enoprimes and the final customer.

On the grid side, Creos now has services that cover the whole value chain. The company operates 590.3 km of highvoltage lines, of which 489.9 km are overhead lines (91.4 underground). The Steag Stromnetz integration is moving forward well. Steag Stromnetz is a positive addition to the 1,700 km gas network Creos already manages in that region. The reinforcement of the prosumer community, consumers producing electricity themselves, requires an infrastructure capable of monitoring and regulating energy uptake from these decentralised sources – smart-metering – while maintaining a reliable supply level for all.

## RENEWAL OF ESR LABEL FOR ENCEVO GROUP COMPANIES

In 2015, Enovos International S.A., Enovos Luxembourg S.A., Creos Luxembourg S.A., Leo S.A., Enovos Real Estate Luxembourg S.A., Real Estate Strassen S.A. and Real Estate Enovos Esch S.A. received their first ESR Label. The Label Entreprise Socialement Responsable reviews a company's sustainable development strategy, governance, and the social and environmental impacts of its activities. Due to their responsible behaviour, our group creates value both for shareholders and for society. It supports the 17 United Nations Sustainable Development Goals. With it, the audit, carried out by independent experts, provided a list of recommendations and suggestions for improvement.



L'INDR décerne le  
**Label ESR**

**Encevo S.A.**

le  
**26 novembre 2018**

Sous réserve du respect des critères vérifiés, ce label a une validité de 3 ans.

*Jean-Paul Olinger*  
Directeur

*Michel Wurth*  
Président



Now, three years later, the main entities of Encevo Group (Enovos, Encevo (former Enovos International), Creos, Leo) have addressed the recommendations and suggestions to successfully renew their ESR label. The 2018 ESR label was officially awarded on November 30th, at the Chamber of Commerce. The main entities of Encevo Group joined 20 other companies for the 16<sup>th</sup> official award ceremony organised by the National Institute for Sustainable Development and Corporate Social Responsibility (INDR). The renewal of this label is a public acknowledgment of the group's continued good practices in the field of Corporate Social Responsibility.

During the ceremony, Marc Reiffers, member of the Executive Committee, described some of the group's key sustainable initiatives. He highlighted the progressive deployment of 800 charging stations for electric vehicles and the installation of smart meters that improve network efficiency. He also explained how Enovos, through various energy efficiency projects, helps its customers realise energy savings

(1.5% per year). One example is the installation of more efficient LED lighting systems for industrial customers. Finally, he mentioned Enovos' recent success in a public tender for photovoltaic power plants.

In order to renew the label, the group evaluated its maturity against 126 questions linked to the four pillars of INDR's CSR-concept: CSR-Strategy, Governance, Social and Environment. The evaluation was verified and certified by an INDR-approved expert. The work done since 2013, with the help of Encevo, Enovos and Creos experts, who provided the necessary evidence for the verification process, was crucial for the successful renewal of this label.

The Encevo Group takes the independent expert's recommendations and suggestions for improvement very seriously and intends to implement them with an eye towards the next renewal in 2021.



Taking a CSR approach to business is becoming standard practice in Luxembourg and the Encevo Group created a CSR framework in 2018. The framework covers all CSR-related challenges for the group. It describes their implementation and expected improvements in the coming years. The framework will be used to communicate efficiently with and for our stakeholders. The framework is divided into several categories and functions:

- Strategy: includes the approach, KPIs, targets and a roadmap that the Encevo Group can use to pursue CSR-relevant topics
- Organisation: explains the rationale for Encevo Group reporting CSR-related issues and highlights the group key activities, missions and values
- Governance: describes the roles of the CSR team, the tasks and responsibilities they assume
- Reporting: includes the three Encevo reports (CSR Report, Annual Report & Governance Report) and explains why the Encevo Group aspires to report using the GRI standards
- Labels: explain what the ESR label is, how to obtain it and provides a view of activities required for its verification within the main companies of the group
- Sustainable Development Goals: explains the SDG's and how Encevo Group supports them
- Topic Specific Standards: explains the TSSs and highlights those that are important to the group

The alignment table describes the relationship of the Sustainable Development Goals (SDGs) to the Topic Specific Standards (TSS) and the certification questions of the ESR label.

Sustainable Development Goals	Topic Specific Standards	ESR Label Questions
1	202-203, 413	4-6, 57-61, 88-90
2	201, 203, 411,413	4-6, 57-61, 69-70
3	203, 305-306, 403-404	4-6, 67-75, 99-101, 119-122
4	404	86-87, 91-93
5	201-203, 401, 404-406, 414	62-66, 71-85, 88-96
6	302, 303, 304, 306	108-112, 119-122
7	201, 203, 302	4-6, 99-101, 113-114, 123-126
8	201-203, 301-303, 401-407, 409, 414	4-6, 62-66, 76-93, 97-98
9	201, 203	4-6, 17-23, 99-107, 113-114
10	203, 405	4-6, 29-31, 57-66
11	203	94-96, 99-101, 108-112
12	204, 301-303, 305-307, 417	57-61, 99-126
13	201, 302,304-307	4-6, 99-126
14	303-304, 306-307	119-126
15	304-307	108-112,119-126
16	205-206, 307, 406, 408, 410, 414-419	24-28, 62-66, 76-78
17	203	4-6, 49-61

#### ENCEVO GREEN GERMAN CERTIFICATE OF INDEBTEDNESS (SCHULDSCHHEIN)

In 2018, Encevo developed the Encevo Green Schuldschein Framework (German Certificate of Indebtedness) under which it can issue multiple certificates (Green Schuldschein). Proceeds are used to finance and refinance, in whole or in part, existing and future projects that promote a transition toward a sustainable economy. The framework defines eligibility criteria in four areas:

- Renewable Energy Projects
- Energy Transmission, Distribution and Smart Grid projects
- Sustainable Real Estate
- Clean Transportation Solutions

Proceeds from the Green Schuldschein (Certificate of Indebtedness) will be tracked through an internal, segregated, accounting system. The project evaluation & selection process is aligned with current market practice and includes a designated working group for project evaluation and selection. The group is comprised of representatives from the group companies; Encevo, Enovos Luxembourg, Creos Luxembourg, and the Group Finance department and CSR team.

Encevo Group intends to report allocation of proceeds on an annual basis. Encevo Group will also report impact metrics annually, including estimated greenhouse gas emissions reductions and the number of smart grid components installed, which is aligned with market practice.

This was the first Green Schuldschein (Certificate of Indebtedness) issued by a Luxembourg Company and it has been recently awarded **The Deal of the Year** by mtn-i, a global financial news, data and analytics platform which provides global private debt market coverage, focussed on MTNs, Private Placements, and Structured Notes.

## CSR MATERIAL ASPECTS

As announced during the previous reporting cycle, the materiality matrix underwent an important overhaul this year. A number of factors influenced the CSR Steering Committee's review decision, including:

- findings from the internal consultation conducted in 2016 (see the 2016 CSR Report for details)
- the shift to an SDG-based (Sustainable Development Goals) format for the CSR Report
- feedback and interactions with our stakeholders, and
- the use of certain indicators from the GRI Standards, instead of the G4 GRI Guidelines



## EMPLOYABILITY

Encevo knows that our workforce is crucial to every aspect of our activity. 2018 saw the continued development of our talent and competencies management portal. Developing talents and enhancing employees' competencies are key elements to motivate and unify our workforce. It also helps our group maintain a competitive advantage in terms of growth and innovation. The automation of many HR processes reduces the investment and energy it takes to recruit and hire (internal or external) candidates. It also improves motivation. With transparency comes trust in the system. Tested and implemented during 2018, this platform will continue to be developed in the coming years.

We encourage our teams to be innovative, working with our partners and customers to identify and fill regional energy requirements. Our ambition is to improve both energy production efficiency and the effectiveness of management practices, while leveraging the full potential of our team's technical expertise, creativity, ability to innovate and their outstanding focus on our customers.

### What is our approach to employability management?

The **mytalent** portal empowers employees to be accountable for their development and employability. In 2018, HR segregated the performance review from the professional development planning processes. This breaks down barriers to learning and helps create a **learning workplace** where people feel more accountable for and empowered to manage their career proactively.

Support in defining personal training plans and selecting learning environments that aid development is provided by HR and can also be obtained in the portal that shows career path progression and suggests appropriate competency level development. Employees have easy access to classroom, web-based and blended training solutions via the portal and an internal group training catalogue.

Succession planning was another success for 2018. Critical jobs were identified, and 27 priority competencies were listed via the competency catalogue. Employee development can now be matched to mission critical job competencies for candidates who show potential to participate in the succession planning process.

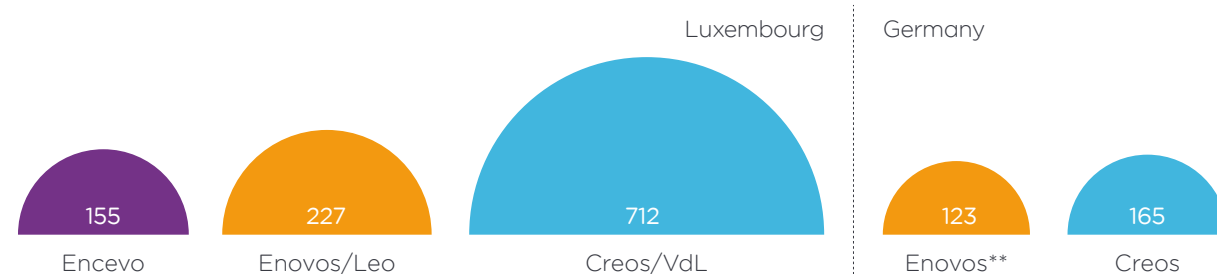
### How can we evaluate our approach?

In 2018, all training offered within the group was tied to one of the 27 critical competencies. All training is evaluated using a combination of participant feedback, and management input, which allows continuous improvement of training content and quality. A close partnership with the business and regular follow-up based on the initial development needs, ensure Encevo's continuous growth and sustainability in a rapidly evolving environment.



## PERSONNEL STATISTICS BY ENTITY\*

The following table provides a view of personnel at each entity.



## GENDER REPARTITION BY ENTITY

## Luxembourg



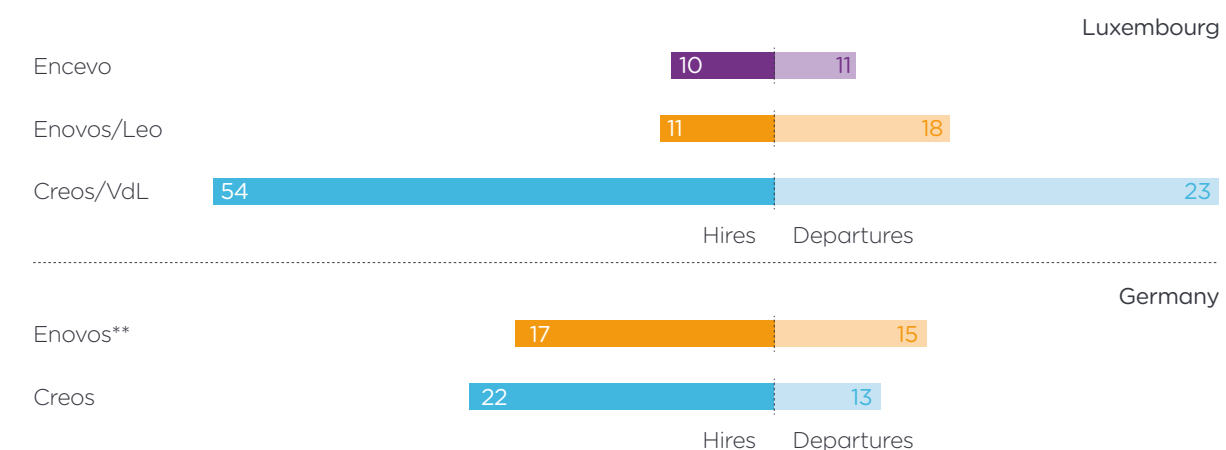
## Germany



\* The CSR Report for 2018 only covers the entities Encevo, Enovos and Creos. Other fully consolidated entities will be considered in the CSR Report 2019.

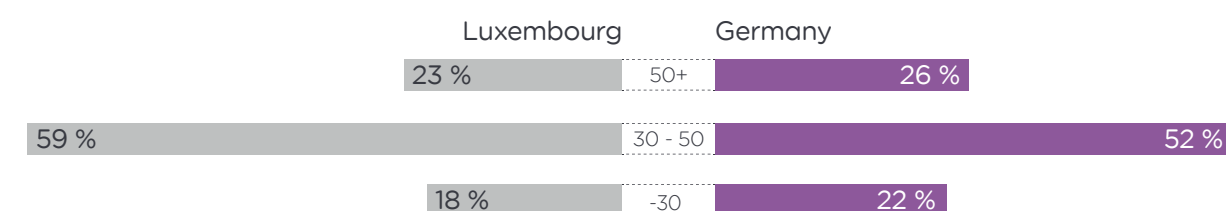
\*\* Enovos in Germany includes Enovos Deutschland and Enovos Energie Deutschland.

## HIRES AND DEPARTURES



## AGE DISTRIBUTION BY COUNTRY

The following table provides statistics regarding age distribution by country



# Health, Safety & Environment

## FOCUS ON HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Encevo Group takes health and safety seriously. Dedicated HSE teams work to ensure reliable health, safety and environmental support and information is supplied to all personnel. Ongoing activities to raise awareness included training sessions, information campaigns, and events such as the recertification of the SGS Label and under ISO 50001 certification continuous improvement circles. Continuing emphasis is placed on progressing construction, while simultaneously integrating facility management to assure the best possible life cycle management of future assets.

## OUR BIGGEST ASSET? WELL-TRAINED STAFF

The Creos Health, Safety & Environment (HSE) department's mission is to 1) guarantee occupational safety and health, particularly by preventing risk, and 2) the ensure the compliance and application of standards and directives protects citizens and the environment, especially with our employees; our most valued resource.

HSE's focus is the overall health and safety of our constituents. Our industry has risks, electrician and gas line installers especially, must be vigilant to always follow best practices in safe behaviour. First and foremost, HSE's concern is to ensure that the whole population follows HSE principles, and to improve awareness regarding behaviours that are required for a healthy and safe workforce.

Creos strives to optimise its work processes and does not hesitate to equip itself with the latest safety technology, with a view to reducing accidents at work. To ensure that employees maintain a heightened level of awareness regarding possible risks and mitigation behaviour which will prevent accidents at work, the Creos HSE department regularly organises safety conferences and training sessions. During the year, two security conferences were held for staff in 'positions of risk'. The table here details the basic training courses organised in 2018, as well as the number of certificates issued.

Domain	Name	Number
First Aid	Rescuers	45
Tools	Chainsaw	3
Gas Network	Expert in Gas (Sachkundiger)	5
Electrical Network	Electrical Enabling (Schaltberechtigung)	30
	Live working BT	15
	Work at height	24
Safe Driving Practices	Crane / Truck with auxiliary crane	34
	Telescopic forklift	6
Total certificates issued		162

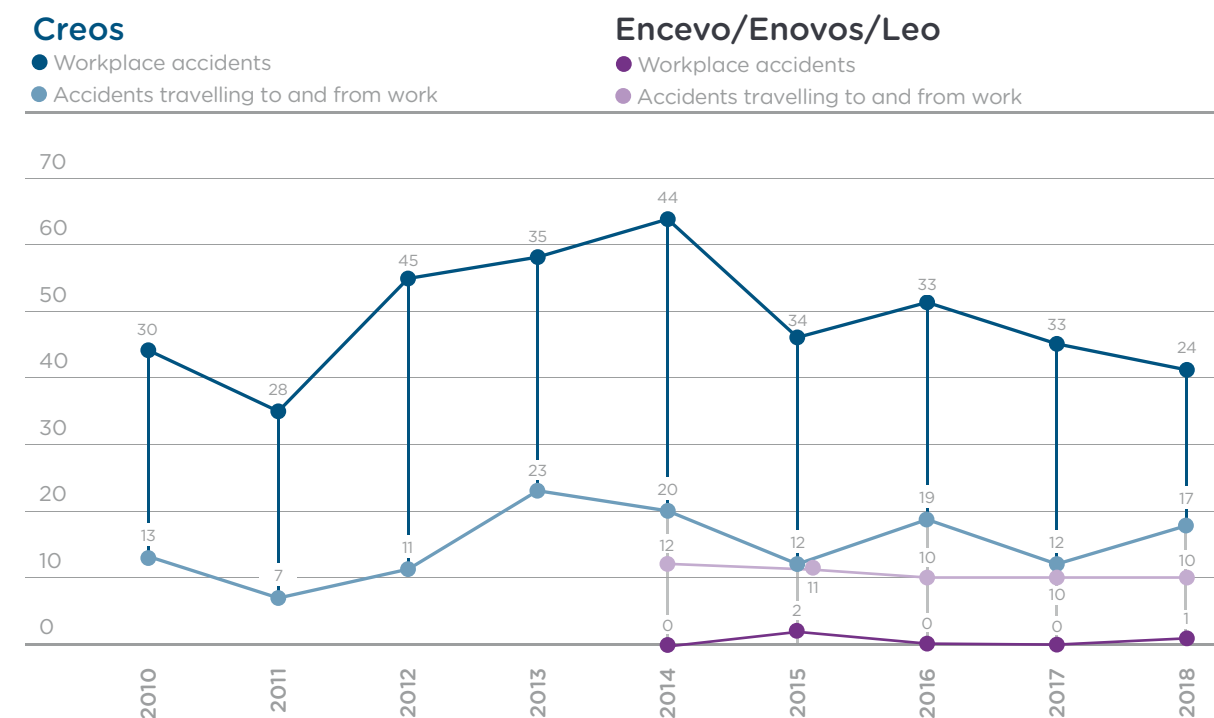
Creos Luxembourg is also a member of the VISION ZERO program, which requires a common and integrated approach to safety. The goal is to reduce occupational diseases and accidents and their severity while commuting and at work.

## Severity level and accidents at work in 2018

In 2018, Creos recorded a total of 41 accidents including 24 benign accidents and 17 accidents that caused more than 3 days of absence from work. Commuting accidents, falls from one level and incorrect movements comprised the majority of these.

Creos' accident severity rate is 0.41 for 2018; this rate remains below the maximum target of 0.5. The definition of this rate is the ratio of lost calendar days to total productive hours (worked) multiplied by 1,000.

## NUMBER OF ACCIDENTS



	Encevo	Enovos	Creos
Lost Time Injury Frequency for 100,000 work days and >=1 Lost days (Injury rate)	0.99	2.52	2.16
Number of lost days	13	3	478
Number of accidents resulting in =< 3 lost days	1	3	25
Number of accidents resulting in > 3 lost days	2	0	16
Severity rate	0.043	0.0088	0.41

#### CUSTOMER HEALTH, SAFETY & ENVIRONMENT

Workers from other industries and the public, can be endangered when in close proximity to electrical cables (HV/MV/LV overhead or buried) and gas lines in public areas. Our communication campaign for 3<sup>rd</sup> party employees (dredge, tractor and harvester operators, fishermen, and airline), provides guidelines via flyers that increase awareness of the risks and recommendations for behaviour around our installations and lines.

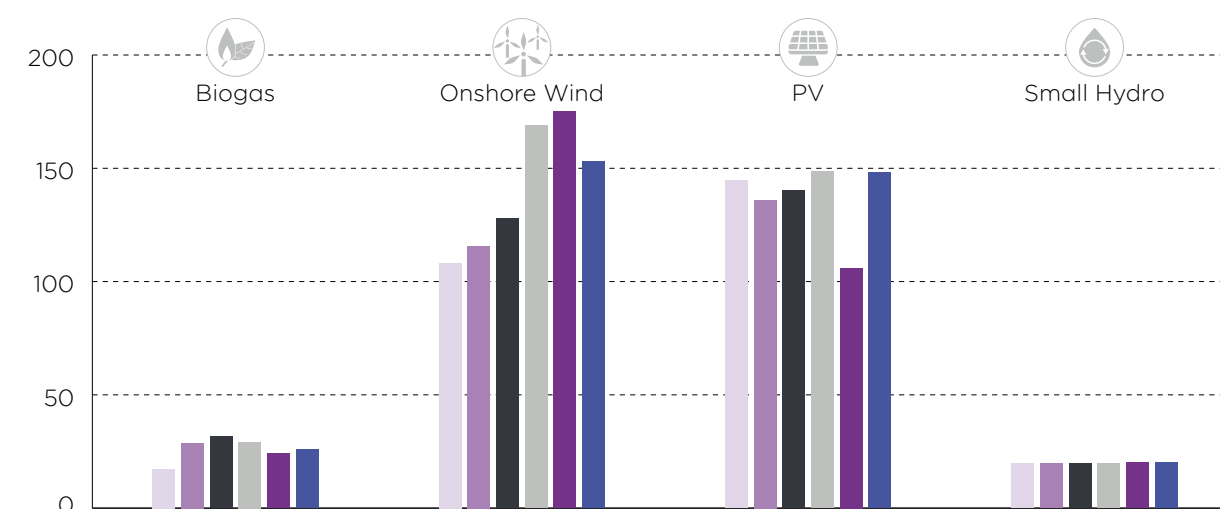
**Waste**  
Creos Luxembourg believes that the prevention of waste, prevents environmental accidents. We are in compliance with environmental standards and in possession of Luxembourg's national waste management label **SuperDreckskëscht**.

The prevention of waste prevents environmental accidents

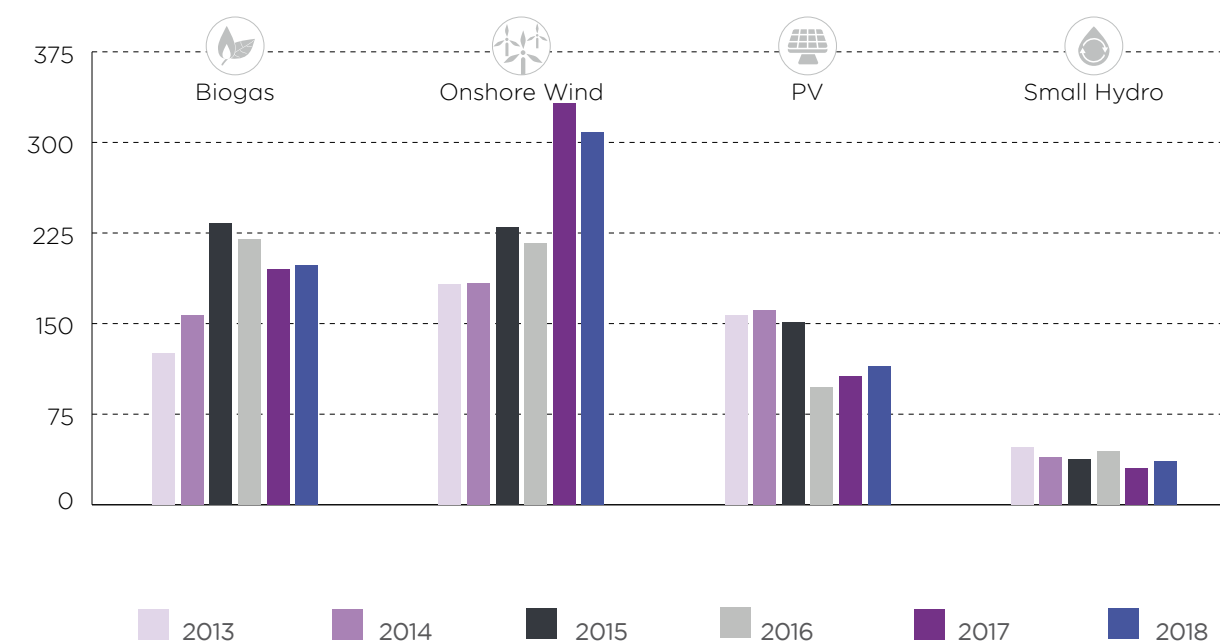
## Renewable Energies

Thanks to 655 GWh in renewable energy production in 2018, Enovos was able to provide the equivalent of 163,850 medium-sized households with totally renewable energy and prevented the emission of more than 370,000 tons of CO<sub>2</sub>. The graph below provides an overview of the installed capacity and electrical production per year and technology.

CAPACITY PER YEAR AND TECHNOLOGY [MW]



ELECTRICAL PRODUCTION PER YEAR AND TECHNOLOGY [GWH]



# Compliance

## SOCIO-ECONOMIC COMPLIANCE

Why is this topic material?

Compliance is considered important because it aligns with the high ethical and governance standards of the Encevo Group. It protects the group's reputation and its business. It is key to the long-term sustainability of both.

Encevo Group's compliance activities address risks which are similar to those encountered by other utilities active in the same segments in comparable geographies.

### How is compliance addressed?

The Encevo Group has a Code of Business Conduct which outlines ethical and compliance standards that direct and regulate our employees' behaviour. The group expects equally high standards from its business partners. Additionally, the group has policies for areas such as personal data protection, conflicts of interest and insider trading.

The group launched a personal data protection compliance program at the beginning of 2017 in order to become compliant with the EU General Data Protection Regulation ("GDPR"). After conducting a gap analysis, setting up personal data registers and appointing of Data Protection Officers, it continued in 2018 to implement its plan with a view to ensuring compliance. In particular, a personal data protection training project was put in place with the aim to raise the level of awareness amongst its employees.

Following the adoption of a global compliance action plan aimed at strengthening governance in 2017, compliance risk assessments were conducted in the group's main entities within Luxembourg and Germany in 2018. The aim of this initiative is to concentrate on major compliance risk areas using specific action plans.

## ANTI-CORRUPTION COMPLIANCE

Why is the topic material? Where do the impacts occur?

Given that the Encevo Group is not active in high risk jurisdictions, corruption risks are not considered very significant. However, in order to obtain a more granular view on potential risk areas and on the ways to best address them, anti-corruption was included in the compliance risk assessments conducted by the group in 2018.

### How is the topic managed?

Clearly, Encevo Group has a zero-tolerance policy toward corruption. This principle is reflected in the Code of Business Conduct, which also addresses 'accepting and offering gifts and entertainment' and 'conflicts of interest', in greater detail. In addition, the Code of Business Conduct includes a 'whistle-blowing policy', which protects employees who report improper or illegal practices. It ensures that any possible case of corruption can be reported confidentially through a specific channel without risk of retaliation. In 2018, this policy was revisited to include EU GDPR requirements and strengthened in terms of process and reporting.

In addition, at the end of 2017, the group adopted a work instruction relating to conflicts of interest, which was implemented in 2018. This instruction put in place a process for Encevo Executive Board members and their direct reports to systematically file on an annual basis, a declaration of conflict of interest in the group's main entities. Furthermore, a specific conflict of interest procedure was put in place for Board members at the level of Encevo S.A. and its two main subsidiaries, Enovos Luxembourg S.A. and Creos Luxembourg S.A.

# Our CSR Team

## DATA EXPERTS

Data experts were chosen for their deep and broad knowledge and experience in specific high-impact areas: finance, governance, human resources, product development, purchasing, facility management, etc. They provide support to the CSR Coordinator by:

- raising specific CSR-related issues
- participating in materiality assessment tests
- providing data and information on current activities within their field of expertise, and
- analysing complex data used to determine the level of achievement in various areas

They are a critical connection regarding topics that require expert input to ensure clear understanding. The team, with the CSR Coordinator, has built a solid framework to assess the group's sustainability practices. This living framework continuously improves as we enhance self-knowledge, transparency and control of sustainability themes.

## THE CSR COORDINATOR

The Coordinator facilitates and guides the group and is the keeper of the CSR methodology. He:

- reviews and proposes updates to the group's CSR approach and materiality analysis
- validates and coordinates the execution of the group's CSR approach with appropriate stakeholders
- produces and delivers the CSR Report for the group, and
- acts as a point of contact and facilitates CSR discussions and exchanges between stakeholders and the organisation.

## THE CSR STEERING COMMITTEE

The CSR Steering Committee represents the Executive Committee for CSR-related topics, by:

- selecting and evaluating CSR projects and initiatives to be undertaken
- providing senior expertise and contributing to the materiality analysis approach, and
- reviewing and validating the proposed CSR approach

## THE EXECUTIVE COMMITTEE

The Executive Committee has final authority over the launch of CSR initiatives and projects, as well as the validation of the CSR approach and materiality analysis.



# Message from the CSR Steering Committee

As Luxembourg's main energy supplier and grid operator and a significant actor on the German business-to-business (B2B) market, Encevo Group's mission is to produce and deliver energy to households and businesses. Electricity, natural gas and energy services enable the daily activities of people and businesses. The group strives to maintain optimum quality and availability of its products and services at an affordable price, with continuous progress towards greater sustainability.

The group's Corporate Social Responsibility has matured over the years. In line with Encevo Group's commitment in 2017 to contribute to the U.N. Sustainable Development Goals (SDGs), we further matured our approach to better reflect international trends and their local implications. An enormous amount of effort was directed toward the ESR label re-certification. This confirms the group's focus on supporting those efforts that leveraged and confirm our commitment.

The group's effort in terms of CSR strategy and reporting was formally confirmed by Luxembourg's National Institute for Sustainable Development and Corporate Social Responsibility – (INDR). In November 2018, Encevo, Enovos Luxembourg, Creos

Luxembourg received the INDR's ESR Label which is valid for a period of 3 years (Entreprise Socialement Responsable/Socially Responsible Business). We are now leveraging continuous improvement methods to work toward its renewal in 2021. For example, we will strengthen our standards in procurement by working on a code of conduct for suppliers.

In terms of the reporting framework, we also increase maturity towards using GRI Standards in our approach to CSR reporting. We continue to work toward preparing a report that is in full accord with the GRI Standards: Core option and we draw inspiration from that body of knowledge to structure the report into an easy-to-read recap of activities for our stakeholders. However, we do not profess to meet all GRI Standards: Core option criteria reporting requirements.

This is still work in progress, and as such, we will continue to evolve and improve. This new Encevo CSR Framework including the elements associated with modern, effective and efficient CSR management, was established in 2018 and will be further developed during 2019. The topics for 2019 will include researching the 2018 CSR Environment Questions (S2), and the development of a code of conduct for suppliers in our value chain.

# About the Annual Report Section

At the heart of Encevo Group lies a core, both in business and expertise, focused on renewable energy. Efforts to digitalise will allow the group to better serve our customer and staff, but also go hand-in-hand with smart systems that enable a new energy landscape to emerge. Without the creativity and innovation of our staff, core business processes and critical communication would lag.

For the second year, CSR topics have been fully integrated in the Encevo S.A. Annual Report. This is the sixth CSR report issued by Encevo Group and focusses on its Luxembourgish and German entities. While many organisations must create separate lists of the CSR activities, ours are truly at the nucleus of what we do. This Encevo Group Annual Report section includes details about our Corporate Social Responsibility efforts; are embedded in virtually every section and everything we do.

The 2018 CSR Report structure draws its inspiration from the Global Reporting Initiative Standards. It describes and analyses the economic, environmental and social impact of the group's activities which are used to set up a monitoring and development plan for the future. It also takes into account the latest developments in national and international sustainability such as the Rifkin Study in Luxembourg and the U.N. Sustainable Development Goals.

## REPORT PARAMETERS

This report includes all activities associated with the production and distribution of electricity and natural gas in Luxembourg and Germany. This includes the following associated services:

- infrastructure and grid management: Creos Luxembourg S.A. / Creos Deutschland GmbH
- production, storage and sale of electricity, natural gas, and energy services: Enovos Luxembourg S.A. / Enovos Energie Deutschland GmbH, and
- support services: Encevo S.A. / Enovos Deutschland SE

## 2018 GRI FORMAT PROGRESS

We are working towards a report that follows the GRI Standards: Core option. We have drawn inspiration from the methodology and some GRI indicators to structure the report and to make it easier to read. Yet, not all reporting requirements have been met. As an element in our continuous improvement approach, the GRI Content Index is currently being constructed to provide more information on the indicators used in this report and the topics. It will also be used to assess additional information requirements to fulfil the GRI Standards: Core option.

### Reporting period

From 01/01/2018 to 31/12/2018

The CSR reporting period coincides with the financial reporting period.

### Most recent previous report

Annual Report 2017 published in May 2018

### Reporting cycle

Annual

## CONTACT POINTS

Seywert Claude – Member of the Executive Committee of Encevo – Chief Executive Officer of Encevo S.A. - [claude.seywert@encevo.eu](mailto:claude.seywert@encevo.eu)

Ricken Jan – CSR Coordinator, Encevo Group - Head of Group Organisation & Process Excellence - [jan.ricken@encevo.eu](mailto:jan.ricken@encevo.eu)

### Assurance and verification

This report has been validated by the Encevo Group CSR Steering Committee.

The CSR Steering Committee would like to thank you, on behalf of the Encevo Group, for reading this report, as well as all those involved in its preparation and publication.

# MANAGEMENT REPORT



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 55 companies, of which 35 are fully consolidated and 20 are consolidated under the equity method.

## HIGHLIGHTS

Overall, in a market environment that continues to be challenging, 2018 was a satisfactory year for the Encevo Group. Operating results on the supply side remained at a stable level, despite continued pressure on the margins, while investments in grid assets continue to be at very high levels. Thanks to higher volumes and sales prices, both in power and gas, the group's energy sales of 1,762 MEUR in 2018 exceeded the prior year's level by some 14%. In 2018, grid investments continued at a high pace. Creos Luxembourg S.A. invested a record amount of 132 MEUR, thus also contributing to an overall increase in grids sales from 118 MEUR up to 145 MEUR. Overall the consolidated turnover increased from 1,758 MEUR in 2017 to 2,019 MEUR in 2018, while the consolidated profit for the financial year reached 63.94 MEUR 8.2 MEUR above the 2017 value.

In line with the group's strategic review performed in 2017 in regards to the development of technical services for the professional and industrial customers, Encevo S.A. acquired in 2018 100% of the shares of Paul Wagner & Fils, one of the leading firms among installers and service providers in the field of technical building equipment in Luxembourg. In the same context, Cegedel International S.A., a 100% subsidiary of Encevo S.A., has been renamed in Enovos Services Luxembourg S.A in order to concentrate all group companies active in the technical service area under this new company.

On 26<sup>th</sup> July 2018, Encevo S.A. successfully closed a new long term financing transaction, issuing a 250 MEUR Green “Schuldschein” (German Certificate of Indebtedness) in order to finance the group's sustainable capital expenditures in Luxembourg, largely in grid assets and renewable energy generation. This financing has a weighted average tenor of 9.9 years with 4 tranches of 7, 10, 12 and 15 years.

During the year, two changes occurred in the shareholding of Encevo S.A. First, on 21<sup>st</sup> February 2018, Post Luxembourg acquired 4.71% of the shares held by ENGIE S.A. and has thus become a new shareholder of Encevo S.A. holding 42,800 shares.

Furthermore, on 18<sup>th</sup> October 2018, China Southern Power Grid International (Luxembourg) Co. Ltd, a “société à responsabilité limitée” incorporated under Luxembourg law, acquired 17,793 Encevo S.A. shares held by Ardian Redilion ManagementCo S.C.A. and 208,887 shares held by AXA Redilion ManagementCo S.C.A., thus holding 24.92% of the total shares in Encevo S.A after this transaction. Axa Redilion ManagementCo S.C.A. and Ardian Redilion ManagementCo .C.A. continue to hold 0.52% of the shares (4,713 shares) respectively 0.04% of the shares (401 shares) in Encevo S.A.

The composition of the Executive Committee of Encevo S.A. also changed during the year, following the retirement respectively the departure of two of its members in September 2018, the Group Chief Executive Officer – Jean Lucius and the Chief of Operational Support – Michel Schaus.

The new composition of the Executive Committee going forward is as follows: Claude Seywert as Group Chief Executive Officer, Marc Reiffers as Chief Executive Officer of Creos Luxembourg S.A., Erik von Scholz as Chief Executive Officer of Enovos Luxembourg S.A., and Guy Weicherding who remains Group Chief Financial Officer. The Chief of Operational Support position has not been replaced within Encevo S.A., hence the departments concerned were reorganised accordingly under the Group CEO and the Group CFO.

The group further improved its financial steering system by the implementation of a group segmentation over 9 business units and 15 segments, reflecting the various activities and customer segments of the group. The internal organisation and responsibilities have been adapted accordingly.

#### NON-REGULATED ACTIVITIES

##### Sales Luxembourg

In 2018, the Luxembourgish electricity sales slightly surpassed sales volumes from the previous year. Sales in the Luxembourg home market totalled 4,557 GWh in 2018 compared to 4,513 GWh in 2017. 2018 gas sales of 6,840 GWh in Luxembourg, remained slightly behind the previous year (2017: 6,972 GWh).

Enovos sales, mainly in the B2C business as well as to industrial customers and municipalities, were stable in Luxembourg. Market share stayed at a high level in all sectors and Enovos continues to be the reference energy supplier in Luxembourg.

During 2018 Enovos also continued its efforts to encourage customers to increase their energy consumption awareness via the Efficiency Obligation Scheme. Continuous efforts were made by the customers and Enovos to support the achievement of Luxembourg's ambitious goals related to energy efficiency.

Finally, based on the implementation of the "Chargy" loading stations in Luxembourg, Enovos has developed the Enodrive zen post-pay product, allowing its customers to charge their electrical vehicles at every charging station.

##### Energy Management and Trading (EMT), Sales France and Belgium

During the course of 2018, the EMT organisation within Enovos Luxembourg S.A. was integrated with the Sales France and Belgium activities. The intent was to improve proximity of the teams, operational efficiency and decision-making processes throughout the sales value-chain.

Profitable asset arbitrage and portfolio management have contributed to positive financial results for 2018 and beyond. In addition, key successes were booked in the renegotiation of long-term supply and capacity commitments. A new book structure was implemented to improve risk monitoring and management; to harmonise gas & power products and to improve automation in pricing and portfolio management.

Key commercial objectives were defined by the development of commodity sales activities across France, for industrial customers (B2B) and the small & medium enterprise (SME) segments, while the physical delivery of sales activities were phased out in Belgium.

Rationalising the cost structure, upholding risk management and assuring safe and error-free operations are important contributors to improving competitiveness. The teams will continue to expand competences in the field of automation, modelling and IT to improve efficiency, with the aim of generating a return on risk capital in line with historical performance.

##### Renewables Luxembourg

By end of 2018, the total net installed capacity for renewables in Luxembourg was 164 MW with total production of 438 GWh. Assets comprise 91 MW of onshore wind, 40 MW of combined heat and power (CHP), 31.5 MW of hydro power, and 1.6 MWp of photovoltaic installations.

The wind project development activities of Soler S.A. continue to prosper. All authorisations for two additional wind parks (repowering Windpower and new project WP Garnich) for a capacity of 9 MW have been obtained in 2018 and construction of those wind turbines is planned for a commissioning which is expected in Q2 2020. In addition, a strong project pipeline of 164 MW was built and the focus will be to advance those projects for commissioning in 2021 and 2022.

Following a European-wide call for tender for photovoltaic installations, organised by the Luxembourg Government, nine solar power projects for a total of 13.9 MWp were awarded a Feed-in-Premium. These photovoltaic plants comprise two large ground-mounted installations for a total of 7.3 MWp and 6.6 MWp rooftop installations. These projects were developed in collaboration with strategic partners.

In the CHP segment, 2018 was a fruitful year for Luxenergie S.A. and its major subsidiaries Kiowatt S.A., Airport Energy S.A., and Datacenterenergie S.A. Among others, Luxenergie won the submission for the heat supply to the new stadium in Kockelscheuer and is planning the construction of a new biomass cogeneration plant in Strassen in 2019.

##### Renewables International

Among many accomplishments, two were very important for the organisation. First, the successful grant of the environmental permit for our biogas unit in Bocholt (B), which allows the dryer installation to be repaired, and therefore returns the plant to full operation. Second, the on time finalisation and commissioning of the dryers repair of the second biogas unit, Biopower Tongeren.

As well, by the end of 2018, the group had finalised and approved the strategy for the business unit. This will focus on expanding the footprint of the group in renewable energies in the Netherlands and opportunistically in Belgium through development and construction of photovoltaic projects.

Finally, the operational performance of the existing assets ended well above target, thanks to excellent weather conditions, combined with good operational management.

In regards to the Italian renewable activities, in the main litigation currently ongoing, the Milan criminal court has issued a first instance judgement on 18<sup>th</sup> April 2019. The court rejected the claim brought by Norwegian investor EAM to hold Enovos Luxembourg civilly liable for contractual fraud allegedly committed by former representatives of Aveleos S.A. in the scope of the sale of PV plants to EAM Solar Italy Holding S.r.l. in 2014. With regard to the claim against

Enovos Solar Investments II S.r.l. ("ESI II"), the criminal court also rejected the claims brought by the Italian prosecutor. The written grounds of the judgement will only be available in around three months.

Regarding the other proceedings, notably the claim of companies of the EAM group filed in Luxembourg, there have been no major developments during 2018 and up to the date of approval of the annual accounts. Management continues estimating the risks associated with these proceedings as remote and consequently no provision has been recorded.

##### Business Unit Germany

The Enovos Deutschland sales team continued to drive initiatives forward to achieve positive results in 2018. Despite ongoing market challenges, many clients renewed their contracts and a number of new deals were concluded.

During 2018, the group succeeded on the divestiture of its biogas plants in line with strategic decisions taken beginning of 2018. Effective 1<sup>st</sup> January 2019, Enovos Luxembourg S.A. sold 100% of its shares in Energiepark Trelder Berg GmbH. This deal concerns five biogas plants in three locations: Biogas Trelder Berg 1-3 in Buchholz, Biogas Oebisfelde and Biogas Ohretal plants. The deal is scheduled to close in April 2019.

Following the acquisition of the control room and O&M division from skytron energy at the beginning of 2018, Enovos Deutschland acquired 100% of the shares in Wirsol O&M GmbH in October, and took over the operating and maintenance contracts from Wircon GmbH. These transactions together, brought the contractual volume managed by Enovos Deutschland to well over 1,000 MWp and reinforced the company's leading position amongst the OEM independent O&M providers.

## REGULATED ACTIVITIES

### Grid Luxembourg

In 2018, Creos Luxembourg's large investment programme was driven in particular by expenditures on building the new corporate headquarters together with the new technical centre for Luxembourg City and the start of construction of a new network operating centre in Bettembourg, which are set to begin operation in late 2020. The expansion and replacement of the high and medium-voltage power grid and the medium-pressure gas grid, as well as the continued deployment of smart meters, also led to very high capital expenditures. Furthermore, the company pressed ahead in the fields of electro-mobility and smart metering/grid, a process which will continue apace in the coming years.

In power, with 5,100 additional power connections in 2018, the number of active electric meters in the Creos grid increased to 281,470, while a total of 5,121 GWh were transported through the network. Besides reinforcing its own national grid, Creos Luxembourg S.A. has remained highly active at the European level by working together with the adjacent transmission system operators (TSOs) in order to drive forward regional market integration and to create new connections between adjacent markets. In natural gas, with 660 additional gas connections in 2018, the number of active natural gas meters in the Creos grid reached 47,000, while a total of 8,834 GWh was transported through the grid.

Further in 2016 Creos Luxembourg S.A., together with the other DSOs, had started a joint e-mobility project branded "Chargy" to deploy 800 charging stations (741 for Creos) for electric cars by 2020. Beyond the mission to build, operate and maintain the charging stations, the DSOs are also responsible for the installation, operation and maintenance of a shared system to provide all the necessary information and services to electric car customers and provide widespread availability of non-discriminatory supplier access. By the end of 2018, a total of 245 charging stations (490 charging points) were installed and operational in the national system.

In the context of the legally prescribed installation of smart meters, 2018 saw Creos roll out the total of 105,000 smart power meters and 17,400 smart

gas meters, as well as nearly 2,000 devices to ensure communication between the meters and headquarters for the monitoring and read-out procedures.

New functionalities were implemented in relation to electronic market communication between the DSOs and the suppliers. The market communication digitisation project will need to continue over the next few years in order to adapt to new market demands and integrate an increasing number of small and distributed power generation units.

### Grid Germany

In Germany, the year 2018 was characterised in particular by the integration of Creos Deutschland Stromnetz GmbH (former Steag Netz GmbH) acquired in 2017, the implementation of new legal requirements, the necessary internal reorganisation due to company leaves and the general continuation of the "Saarländische Kooperation" project. All these factors will have a significant impact on the future of Creos Deutschland GmbH and its subsidiaries.

Investments were also continued at a steady level, reaching 22.9 MEUR, of which 20.6 MEUR in the gas grid and 1.9 MEUR in the power grid.

## PERSONNEL

The average number of employees of the Encevo Group further increased from 1,609 people in 2017 to 1,948 in 2018. The increase compared to 2017 is mainly due to the first consolidation of Paul Wagner & Fils S.A. (353 employees), overcompensating the otherwise decrease of 14 employees.

The Board of Directors and the Management of Encevo S.A. would like to thank all employees for the fulfilment of their duties, for their contribution throughout the year and for their full support provided to reliable and strong operations of the group's core activities.

## FINANCIALS

The consolidated ordinary operating profit (EBITDA) of 213.3 MEUR exceeds the 2017 performance of 193.6 MEUR. While 2018 suffered from the negative impacts from long term power supply contracts, the group was able to overcompensate these downsides through taking advantage of exceptional market price movements and the successful management and renegotiation of a long-term gas contract, combined with a lower cost base achieved in its supply and sales activities. The continued high investments in the grid activities also contributed to increase the EBITDA contribution compared to 2017.

In renewable activities, the operational result improved as well, largely following the restructuring of the group's biogas activities in Belgium during 2017. In line with the new strategy, French renewable wind assets were sold in early 2018, followed by an SPA signed at the end of the year to sell the German biogas assets. The negative impact of the exit of the French windfarms was largely offset by two wind parks in Germany previously held for sale which have been consolidated for the first time in 2018.

The contribution from participating interest (non consolidated) companies and companies accounted for under the equity method remains at a high level with 23.4 MEUR albeit at a lower level than in 2017 with 26.2 MEUR. As previously mentioned, the consolidated profit for the financial year of 63.94 MEUR is above the 2017 figure. The positive gap at EBITDA level of 19.7 MEUR is partially offset mainly by higher depreciation of 8 MEUR, largely from the high investments in grid, as well as by an impairment of 3.4 MEUR of the biogas assets in Germany following the agreement signed end of the year to sell these companies.

## RISK MANAGEMENT AND REGULATORY AFFAIRS

In the context of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) as well as the Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency ("REMIT"), Enovos Luxembourg S.A.

tested and implemented a new surveillance software enabling the company to monitor its trading activity and to detect potential market abuse. A risk assessment was carried out at the beginning of 2019 confirming that the selected software is appropriate for and proportionate to the activities of Enovos Luxembourg S.A.

With respect to the Directive 2014/65/EU on markets in financial instruments (MiFID II), a new report was created, enabling the Regulatory Affairs Team to compute both ancillary activity tests on a yearly basis. Furthermore, Enovos Luxembourg S.A. successfully filed for an exemption from MiFID II, also for the year 2019.

During 2018, about 14,400 reports were sent by the Regulatory Affairs Team under REMIT. Moreover, the Regulatory Affairs Team also improved the processes required by the Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (EMIR).

Furthermore, the Regulatory Affairs team continued monitoring the ever-changing regulatory landscape, analysed impacts and determined steps necessary to take in order to further reduce regulatory risk.

In 2017, a risk management, risk reporting and risk limits review was conducted by an external consultant for Enovos Luxembourg S.A. The main recommendations were about refining the book structure in order to delineate the value pools, including a revision of risk limits based on the new book structure and implementation of key risk indicators. The implementation of the recommendations continued according to schedule in 2018 and will result in a new risk limits framework to be finalised by Q1 2019.

## OUTLOOK

Based on the group's strategic review from 2017, the main focus in Luxembourg remains on being the reference energy provider by keeping customer satisfaction at a high level through providing outstanding services to our household as well as professional customers.



In addition, Enovos Luxembourg S.A. will continue to work on reducing the negative impact of long-term contracts, increasing the value of existing joint ventures and contributing to the development of the future energy landscape in the greater region. The company is also engaged in a further extension of its green footprint by developing new wind, photovoltaic and CHP plants in its home region, Luxembourg, in cooperation with customers and strategic partners.

In Germany, while positioning itself as a strategic industrial partner with its public utility participation, the group sees growing potential in core commodity sales activities. Benefiting from strong technical and business development know-how, the renewable portfolio will be further developed especially in photovoltaic assets and O&M services.

Given past experience with biogas activities and considering the limited development potential in this area, the remaining assets in Belgium are planned to be sold, while photovoltaic developments in the Netherlands will further grow the group's renewable activities in the near future.

In 2019 and 2020, the group will continue to make record investments into its grid infrastructure, buildings and IT, further increasing its regulated asset base. The ambitious programmes especially of Creos Luxembourg S.A. reflect the group's efforts to successfully realize its transition towards an intelligent, flexible and progressively decentralised power grid system that will respond to the country's future energy market design.

#### OTHER INFORMATION

Encevo S.A. doesn't hold own shares, and does not operate any branches.

The group issues a separate corporate and social responsibility report, as well as a corporate governance report.

#### CHANGES IN 2018 IN THE BOARD OF DIRECTORS OF ENCEVO S.A.

In the context of the change in the shareholding of Encevo S.A. as of 21<sup>st</sup> February 2018, Mr Johan van Bragt resigned from his office as a member of the Board of Directors of Encevo S.A. with effect as of the same date. Mr Claude Strasser, who had been elected Board member upon the proposal of the Luxembourg State, resigned as of April 27<sup>th</sup> 2018. Further to these resignations, the Board co-opted Daniel Da Cruz as a new Director of Encevo S.A. as of 27<sup>th</sup> April 2018 upon the proposal of the Luxembourg State while Mr Claude Strasser was co-opted on 27<sup>th</sup> April 2018 upon the proposal of the new shareholder Post Luxembourg, both with effect as from 27<sup>th</sup> April 2018. Both co-optations were ratified at the annual general meeting of shareholders held on 8<sup>th</sup> May 2018.

Furthermore, following the sale by AXA Redilion Management Co S.C.A. and Ardian Redilion ManagementCo. S.C.A. of 24.92 % of the capital of Encevo S.A. to China Southern Power Grid International (Luxembourg) Co. Ltd., Mr. Benoît Gaillochet, AXA Redilion ManagementCo S.C.A. (represented by Mr. Michael Reuther) and Mr Werner Brinker resigned from their respective offices as First Vice-Chairman of the Board, Third Vice-Chairman of the Board and Member of the Board of Directors as of 18<sup>th</sup> October 2018. They were replaced by Mrs Li Sun in the position of first Chairman of the Board and Member of the Board of Directors, Mr Ji Changqing as 3<sup>rd</sup> Chairman of the Board and Member of the Board of Directors and Mr Stefan Grützmacher as Member of the Board of Directors.

#### AUDITOR

The mandate of the external independent statutory auditor, PricewaterhouseCoopers, came to term with the audit of the financial year 2017. Ernst & Young was appointed as new independent statutory auditor for the financial years 2018, 2019 and 2020 at the annual general meeting of shareholders held on 8<sup>th</sup> May 2018.

#### The Board of Directors

Esch-sur-Alzette, 26<sup>th</sup> April 2019

# CONSOLIDATED ANNUAL ACCOUNTS



CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER 2018

ASSETS	Notes	31.12.2018	31.12.2017
Denominated in EUR		€	€
<b>A. Goodwill on first consolidation</b>	Note 4	<b>50,949,328</b>	<b>54,900,180</b>
<b>B. Formation expenses</b>	Note 6	<b>438</b>	<b>39,022</b>
<b>C. Fixed assets</b>		<b>1,928,298,128</b>	<b>1,920,904,626</b>
I. Intangible assets	Note 7		
2. 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.		84,137,842	88,840,773
3. Goodwill, to the extent that it was acquired for valuable consideration		41,500,000	49,875,000
4. Payments on account and intangible assets under development		4,351,704	5,471,545
II. Tangible assets	Note 8		
1. Land and buildings		176,360,756	178,165,796
2. Plant and machinery		1,256,212,650	1,200,252,316
3. Other fixtures and fittings, tools and equipment		34,951,268	37,180,029
4. Payments on account and tangible assets in the course of construction		122,433,013	112,549,009
III. Financial assets			
1. Companies consolidated under the equity method	Note 9.1	116,407,691	112,189,168
2. Investments carried at cost	Note 9.2	71,661,819	86,659,036
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests		18,095,219	19,899,104
5. Investments held as fixed assets	Note 12	183,981	28,913,211
6. Other loans		2,002,185	909,641
<b>D. Current assets</b>		<b>837,669,660</b>	<b>517,707,103</b>
I. Stocks	Note 10		
1. Raw materials and consumables		14,665,412	25,350,886
2. Work in progress		21,556,410	16,317,228
3. Finished goods and goods for resale		17,910,342	14,390,929
II. Debtors			
1. Trade debtors	Note 11.1		
a) becoming due and payable within one year		361,407,928	320,456,473
b) becoming due and payable after more than one year		0	0
3. 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		27,439,006	18,535,349
b) becoming due and payable after more than one year		26,000	26,000
4. Other debtors	Note 11.3		
a) becoming due and payable within one year		63,436,138	43,690,938
b) becoming due and payable after more than one year		569,050	866,037
5. Deferred tax assets	Note 11.4	529,663	548,550
III. Investments	Note 12		
3. Other investments		76,307,011	17,202,163
IV. Cash at bank and in hand	Note 13	253,822,700	60,322,550
<b>E. Prepayments</b>	Note 14	<b>28,499,801</b>	<b>44,973,828</b>
<b>TOTAL ASSETS</b>		<b>2,845,417,355</b>	<b>2,538,524,760</b>

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

CAPITAL, RESERVES AND LIABILITIES	Notes	31.12.2018	31.12.2017
Denominated in EUR		€	€
<b>A. Capital and reserves, group share</b>	Note 15	<b>1,049,257,343</b>	<b>1,041,136,783</b>
I. Subscribed capital		90,962,900	90,962,900
II. Share premium account		387,028,449	387,028,449
IV. Consolidated reserves		466,044,804	473,600,276
IV.b Other non available reserves		23,615,759	23,615,759
V. Profit or loss brought forward		32,309,951	23,971,759
VIII. Capital investment subsidies		5,934,232	5,998,264
<b>Consolidated Profit or loss for the financial year, group share</b>		<b>43,361,248</b>	<b>35,959,377</b>
<b>A.1. Minority interests</b>		<b>257,601,344</b>	<b>247,040,234</b>
<b>A.2. Capital and reserves, total</b>		<b>1,306,858,687</b>	<b>1,288,177,017</b>
<b>B. Provisions</b>		<b>190,791,174</b>	<b>182,226,306</b>
1. Provisions for pensions and similar obligations	Note 16.1	93,199,209	96,768,249
3. Other provisions	Note 16.2	97,591,965	85,458,057
<b>C. Creditors</b>		<b>1,303,107,519</b>	<b>1,039,490,625</b>
1. Debenture loans			
b) Non convertible loans	Note 17		
i) becoming due and payable within one year		206,542,295	5,485,507
ii) becoming due and payable after more than one year		397,000,000	382,166,667
2. Amounts owed to credit institutions	Note 18		
a) becoming due and payable within one year		14,410,907	28,463,582
b) becoming due and payable after more than one year		93,158,292	64,352,007
3. 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		11,844,531	13,306,240
b) becoming due and payable after more than one year		0	0
4. Trade creditors	Note 20		
a) becoming due and payable within one year		336,714,216	321,048,674
b) becoming due and payable after more than one year		351,655	69,192
7. 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		6,863,743	8,233,917
b) becoming due and payable after more than one year		0	0
8. Other creditors	Note 22		
a) Tax authorities		39,060,003	32,813,461
b) Social security authorities		4,926,384	4,313,864
c) Other creditors			
i) becoming due and payable within one year	Note 23	21,880,850	14,888,707
ii) becoming due and payable after more than one year		80,311,932	85,280,485
9. Deferred income tax	Note 24	90,042,712	79,068,322
<b>D. Deferred income</b>	Note 25	<b>44,659,974</b>	<b>28,630,812</b>
<b>TOTAL CAPITAL, RESERVES AND LIABILITIES</b>		<b>2,845,417,355</b>	<b>2,538,524,760</b>

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

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018 - LEGAL PRESENTATION

PROFIT AND LOSS ACCOUNT	Notes	31.12.2018	31.12.2017
Denominated in EUR		€	€
<b>1. Net turnover</b>	Note 26	<b>2,019,154,524</b>	<b>1,758,187,765</b>
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	Note 1	<b>41,324,872</b>	<b>41,267,906</b>
<b>4. Other operating income</b>	Note 27	<b>19,815,880</b>	<b>30,300,897</b>
<b>5. Raw materials and consumables and other external expenses</b>	Note 28		
a) Raw materials and consumables		(1,568,709,563)	(1,353,592,016)
b) Other external expenses		(100,628,635)	(97,385,636)
<b>6. Staff costs</b>	Note 29		
a) Wages and salaries		(149,878,761)	(134,003,923)
b) Social security costs			
i) relating to pensions		(9,157,829)	(6,742,474)
ii) other social security costs		(12,283,043)	(9,960,631)
c) Other personnel costs		(9,176,767)	(14,950,938)
<b>7. Value adjustments</b>			
a) in respect of formation expenses and of tangible and intangible fixed assets	Notes 4, 6, 7, 8	(127,925,470)	(120,266,330)
b) in respect of current assets		(2,927,613)	(252,397)
<b>8. Other operating expenses</b>	Note 30	<b>(14,249,232)</b>	<b>(19,316,236)</b>
<b>9. Income from participating interests</b>			
b) other income from participating interests	Note 31	9,498,326	10,082,895
<b>11. Other interest receivable and similar income</b>			
b) other interest and similar income	Note 32	8,518,975	8,115,992
<b>12. Share of profit or loss undertakings accounted for under the equity method</b>	Note 33	<b>13,948,523</b>	<b>16,144,098</b>
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	Note 34	<b>(4,043,686)</b>	<b>632,915</b>
<b>14. Interest payable and similar expenses</b>			
b) other interest and similar expenses	Note 35	(26,150,904)	(28,334,204)
<b>15. Tax on profit or loss</b>	Note 36	<b>(22,089,232)</b>	<b>(23,859,860)</b>
<b>Consolidated Profit or loss after taxation</b>		<b>65,040,364</b>	<b>56,067,823</b>
<b>17. Other taxes not shown under items 1 to 15</b>		<b>(1,132,788)</b>	<b>(318,885)</b>
<b>Consolidated Profit or loss for the financial year</b>		<b>63,907,575</b>	<b>55,748,938</b>
Minority interests		(20,546,328)	(19,789,562)
<b>Consolidated Profit or loss for the financial year, group share</b>		<b>43,361,248</b>	<b>35,959,377</b>

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

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018 - LIST PRESENTATION

PROFIT AND LOSS ACCOUNT	31.12.2018	31.12.2017
Denominated in EUR	€	€
Net turnover	2,019,154,524	1,758,187,765
Other operating income	16,774,571	19,312,715
Gain on disposal of fixed assets	961,524	952,175
Work performed by the undertaking for its own purposes and capitalised	41,324,872	41,267,906
Cost of sales	(1,568,709,563)	(1,353,592,016)
Staff costs	(180,496,401)	(165,657,966)
Other operating expenses	(115,725,696)	(106,918,262)
<b>Ordinary operating profit (EBITDA)</b>	<b>213,203,832</b>	<b>193,552,317</b>
Value adjustments in respect of formation expenses and of tangible and intangible fixed assets	(127,925,470)	(120,266,330)
<b>Operating profit (EBIT)</b>	<b>85,358,361</b>	<b>73,285,988</b>
Income from investments carried at cost	9,498,326	10,082,895
Gain on disposal of financial assets	6,626,492	5,963,586
Other interest receivable and similar income	3,270,856	3,066,396
Share in result of companies accounted under the equity method	13,948,523	16,144,098
Interest and other financial charges	(31,572,963)	(28,615,279)
<b>Consolidated Profit or loss before taxation</b>	<b>87,129,596</b>	<b>79,927,684</b>
Current income tax (including net wealth tax)	(12,227,920)	(14,000,954)
Deferred income tax	(10,994,101)	(10,177,792)
<b>Consolidated Profit or loss after taxation</b>	<b>63,907,575</b>	<b>55,748,938</b>
Minority interests	(20,546,328)	(19,789,562)
<b>Consolidated Profit or loss for the financial year, group share</b>	<b>43,361,248</b>	<b>35,959,377</b>

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018

	31.12.2018	31.12.2017 *
Denominated in EUR	€	€
<b>Result for the financial year, group share</b>	<b>43,361,248</b>	<b>35,959,377</b>
+ Minority interests	20,546,328	19,789,562
+ Amortisation and depreciation	127,187,909	119,762,631
- Capital gain on disposals financial assets	(6,626,492)	(5,963,586)
- Capital gain on disposals fixed assets	(961,523)	(952,175)
+/- Change in provisions	11,304,712	10,442,549
- Share in result of companies accounted under the equity method	(13,948,523)	(16,144,098)
+ Dividends received from companies accounted for under the equity method	15,500,636	15,345,807
+ Current and deferred income taxes	23,222,020	24,178,745
- Taxes paid	(6,572,402)	(17,254,631)
- Increase / (+) Decrease in current assets	(87,422,548)	(20,416,507)
+ Increase / (-) Decrease in current liabilities	64,537,036	18,777,851
<b>Operating cash flow</b>	<b>190,128,400</b>	<b>183,525,527</b>
- Capital expenditures on intangible assets	(12,607,200)	(15,532,098)
- Capital expenditures on tangible assets	(168,835,540)	(162,045,013)
- Capital expenditures on financial assets	(5,175,883)	(1,285,374)
- Net Capital expenditures on purchases of subsidiaries	(19,795,702)	(13,593,478)
+ Cash received from disposal of fixed assets	11,723,417	2,803,132
+ Cash received from disposal of financial assets	2,461,347	19,811,653
+ Net cash received from disposal of subsidiaries	20,025,453	34,738,993
+/- Change in loans to participations	1,895,593	3,472,280
<b>Cash flow from investing activities</b>	<b>(170,308,514)</b>	<b>(131,629,907)</b>
- Dividends paid to the group shareholders	(24,559,983)	(34,993,428)
- Dividends paid to the minorities of consolidated companies	(12,207,670)	(12,843,349)
+ Change in equity	(786,660)	892,897
+ Subsidies received	673,530	3,045,908
- Net change in financial liabilities	208,402,545	(19,096,511)
<b>Cash Flow from financing activities</b>	<b>171,521,761</b>	<b>(62,994,865)</b>
<b>CHANGE IN CASH</b>	<b>191,341,647</b>	<b>(62,994,485)</b>
Situation at the beginning of the year	77,524,712	88,623,578
Situation at the end of the year (**)	268,866,358	77,524,712

\*\* including the EUR 12,285,570 from short term investments and EUR 2,758,088 other liquid short term investments.

\* for comparability to 2018 figures, the cashflow statement 2017 has been restated. No impact occurred from improvement of definitions except the reclassification of the domiciliations considered as trade receivables in 2018 but as Cash at bank in 2017 (12.72 MEUR).

## 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 Commercial Law dated 10<sup>th</sup> August 1915 as amended and the amended Law of 19<sup>th</sup> December 2002, determined and applied by the Board of Directors.

The object of the group is to supply electricity and gas to customers in Luxembourg and abroad. The group is active all along the energy value chain: Production, storage, supply, transport, trading, distribution and grid operations.

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 1<sup>st</sup> January and ends on 31<sup>st</sup> 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 “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 31<sup>st</sup> 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 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 the 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

In order to further improve the presentation of the annual accounts, management has recorded in 2018 some reclassification between the captions “Trade debtors” and “Cash at bank and in hand” (EUR 302,870). The comparative figures for 2017 have been reclassified accordingly (EUR 12,721,181). Further, the Group improved the consolidated cash flow statement by reclassifying the item “impact of change in scope” on the other captions of the statement, the 2017 figures having been restated accordingly.

### 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
<b>Concessions, patents, licences, trademarks and similar rights and assets</b>	10% - 33.33%	Straight-line
<b>Goodwill, to extent that it was acquired for valuable consideration</b>	6.67% - 20%	Straight-line
<b>Customer contracts</b>	6.67% - 20%	Straight-line
<b>Long-term tolling contract</b>	4%	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. Except for goodwill, 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
<b>Buildings</b>	2% - 10%	Straight-line
<b>Plant and machinery</b>	2% - 10%	Straight-line
<b>Other fixtures and fittings, tools and equipment</b>	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.

#### Work performed by the undertaking for its own purposes and capitalised

The costs incurred on assets under development created by the group itself are recorded in the profit and loss account under caption "Payments on account and tangible 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.

#### 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.

#### 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.

#### Short-term investments

Other 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, unrealised gains or losses on the hedge as well as the underlying asset/liability 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.

#### Temporarily tax exempted capital gains

Temporarily tax exempted capital gains include gains for which the taxation is deferred by virtue of Article 54 LIR (Income tax law). Such gains, which are rolled over, are recorded at their initial value. Reinvested gains are written off using the same method and over the same period as the assets to which they relate. This caption is disclosed under "Other non-available reserves" on the balance sheet.

### 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 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.

#### 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 shown as an asset and is written off over the period of the debt based on a linear method. All fixed costs related to setting up the facilities are depreciated over the duration of the loan.

### Deferred income

This 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.

### Cost of sales

The EMT (Energy Management and Trading) department within Enovos Luxembourg S.A. provides sales entities with gas and electricity sourced via bilateral procurement contracts. As both the procurement side as well as the sales sides are being managed as interdependent portfolios, there is no precise link possible between a specific sourcing contracts and a specific customer or group of customers. It is EMT's role to balance the physical and financial exposure on the sales side with the overall sourcing commitments on the upstream side.

### 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 5<sup>th</sup> 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 23<sup>rd</sup> 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 1<sup>st</sup> 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 2003/54 and 55, of 26<sup>th</sup> June 2003, concerning common rules for the internal markets in electricity and natural gas, and the laws that transposed these directives into national law, namely the laws of 1<sup>st</sup> August 2007, as amended by the Laws of 18<sup>th</sup> December 2009, 17<sup>th</sup> October 2010 and 7<sup>th</sup> August 2012, regarding the organisation of the electricity and natural gas markets, transportation and distribution grid-management activities have been legally separated from the other activities of electric or gas power generation and sale.

NOTE 4 - GOODWILL ON FIRST CONSOLIDATION

Goodwill on acquisitions is recognised on the asset side and is depreciated over the expected economic life of the underlying assets. As of 31<sup>st</sup> December 2018, the group has recognised goodwill on the following acquisitions (see also note 5):

	31.12.2018 Goodwill Gross value	31.12.2018 Goodwill Net value
Denominated in EUR	€	€
Surré S.A.	989,661	0
Enovos Luxembourg S.A. (Luxgas S.à r.l.)	14,871,586	6,279,114
Creos Luxembourg S.A.	9,285,305	3,920,463
Enovos Solar Investment I S.r.l. Unipersonale	805,849	0
Enovos Solar Investment II S.r.l. Unipersonale	3,035,199	0
Enovos Energie Deutschland GmbH	7,296,109	3,404,851
Creos Deutschland Stromnetz GmbH	9,721,790	8,255,207
Leo S.A.	21,157,085	9,873,307
ESW Energie Südwest AG	2,205,965	1,213,281
DiSUN Deutsche Solarservice GmbH	1,106,662	885,330
Enovos Deutschland SE	1,992,075	1,195,245
Creos Deutschland Holding GmbH	689,966	424,799
NPG Energy Group	5,993,455	857,771
Paul Wagner & Fils S.A.	12,722,485,40	11,450,237
Wirsol O&M GmbH	3,243,786	3,189,723
	<b>95,116,978</b>	<b>50,949,328</b>

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

	31.12.2018	31.12.2017
Denominated in EUR	€	€
<b>Gross book value - opening balance</b>	<b>111,734,403</b>	<b>99,457,461</b>
Additions for the year	15,966,272	12,276,942
Disposals for the year	(32,583,698)	0
<b>Gross book value - closing balance</b>	<b>95,116,978</b>	<b>111,734,403</b>
<b>Accumulated value adjustment - opening balance</b>	<b>(56,834,223)</b>	<b>(50,466,859)</b>
Allocations for the year	(7,119,878)	(5,967,364)
Disposals for the year	20,182,317	
Exceptional depreciation for the year	(395,865)	(400,000)
<b>Accumulated value adjustment - closing balance</b>	<b>(44,167,650)</b>	<b>(56,834,223)</b>
<b>Net book value - closing balance</b>	<b>50,949,328</b>	<b>54,900,180</b>

The additions of the year concern the acquisitions of Paul Wagner & Fils S.A. and Wirsol O&M GmbH, on which respective goodwill of EUR 12,722,485 and EUR 3,243,786 were posted (see also note 5).

The disposals of the year concern the price adjustment of Creos Deutschland Stromnetz GmbH for an amount of EUR 2,555,153 and the deconsolidation of the companies Energiepark Trelder Berg GmbH and its subsidiaries Biogas Ohretal GmbH and Biogas Oebisfelde GmbH, as well as La Benâte Energies S.à r.l. and Ferme Eolienne de la Côte du Gibet S.à r.l. for a total amount of 9,846,228 (see also note 5).

An exceptional goodwill depreciation has been recognised on Surré S.A. for an amount of 395,865. The Board of Directors is of the opinion that no additional exceptional depreciations are necessary.

NOTE 5 - SCOPE OF CONSOLIDATION AND LIST OF CONSOLIDATED COMPANIES

The consolidation scope is as follows as at 31<sup>st</sup> December 2018:

Fully consolidated group companies:

Name	Country	2018		2017		Main activity
		% of control	% of interest	% of control	% of interest	
Encevo S.A.	LU	100.00%	100.00%	100.00%	100.00%	Holding company and shared service provider
Enovos Luxembourg S.A.	LU	100.00%	100.00%	100.00%	100.00%	Supply of power and gas
Creos Luxembourg S.A.	LU	75.47%	75.47%	75.47%	75.47%	Transport and distribution of gas and power
Encevo Re S.A.	LU	100.00%	100.00%	100.00%	100.00%	Reinsurance
Luxenergie S.A.	LU	60.35%	60.35%	60.35%	60.35%	Production of heat and power
Surré S.A.	LU	100.00%	60.35%	100.00%	60.35%	Production of heat and power
Windpark Mosberg GmbH & Co KG	DE	100.00%	100.00%	100.00%	100.00%	Production of power
Enovos Deutschland SE	DE	100.00%	100.00%	100.00%	100.00%	Holding company and shared service provider
Enovos Energie Deutschland GmbH	DE	100.00%	100.00%	100.00%	100.00%	Supply of power and gas
Enovos Future GmbH	DE	100.00%	100.00%	100.00%	100.00%	Facility management
Enovos Renewables O&M GmbH	DE	100.00%	100.00%	100.00%	100.00%	Operation & maintenance of solar- and windparks
Enovos Properties GmbH	DE	100.00%	100.00%	100.00%	100.00%	Real estate
Enovos Storage GmbH	DE	100.00%	100.00%	100.00%	100.00%	Gas Storage
Enovos Renewables GmbH	DE	100.00%	100.00%	100.00%	100.00%	Holding company for power producers
Enovos Power GmbH	DE	100.00%	100.00%	100.00%	100.00%	Supply of power
Energie Südpfalz Shared Service GmbH	DE	64.00%	32.64%	64.00%	32.64%	Service provider
Creos Deutschland Holding GmbH	DE	98.03%	73.70%	98.03%	73.70%	Holding company and shared service provider
Creos Deutschland GmbH	DE	100.00%	73.70%	100.00%	73.70%	Transport and distribution of gas
Creos Deutschland Services GmbH	DE	100.00%	73.70%	100.00%	73.70%	Service provider
Creos Deutschland Stromnetz GmbH	DE	100.00%	73.70%	100.00%	73.70%	Transport and distribution of electricity
Energie Südwest AG	DE	51.00%	51.00%	51.00%	51.00%	Supply of power, gas and heat
Energie Südwest Netz GmbH	DE	100.00%	51.00%	100.00%	51.00%	Transport and distribution of gas, power, water and heat
Energie Südwest Projektentwicklung GmbH	DE	100.00%	51.00%	100.00%	51.00%	Supply of heat / Provider of services in gas and power
Energiepark Trelder Berg GmbH	DE	0.00%	0.00%	100.00%	100.00%	Production of power
La Benâte Energies S.à r.l.	FR	0.00%	0.00%	100.00%	100.00%	Production of power
Enovos Solar Investment I S.r.l. Unipersonale	IT	100.00%	100.00%	100.00%	100.00%	Production of power
Enovos Solar Investment II S.r.l. Unipersonale	IT	100.00%	100.00%	100.00%	100.00%	Production of power
Leo S.A.	LU	100.00%	100.00%	100.00%	100.00%	Supply of power and gas
Ferme Eolienne de la Côte du Gibet S.à r.l.	FR	0.00%	0.00%	100.00%	100.00%	Production of power
Biogas Ohretal GmbH	DE	0.00%	0.00%	100.00%	100.00%	Production of power
Solkraftwerk Frauental GmbH	DE	90.40%	90.40%	90.40%	53.75%	Production of power
Biogas Oebisfelde GmbH	DE	0.00%	0.00%	100.00%	100.00%	Production of power
Real Estate Enovos Esch S.A.	LU	100.00%	100.00%	100.00%	100.00%	Real estate
Enovos Real Estate Luxembourg S.A.	LU	100.00%	100.00%	100.00%	100.00%	Holding company
NPG Energy Group	BE	100.00%	100.00%	100.00%	100.00%	Production of heat and power
DiSUN Deutsche Solarservice GmbH	DE	80.00%	80.00%	80.00%	80.00%	Operation & maintenance of solar- and windparks
Paul Wagner & Fils S.A.	LU	100.00%	100.00%	0.00%	0.00%	Technical services provider
Wirsol O&M GmbH	DE	100.00%	100.00%	0.00%	0.00%	Operation & maintenance of solar- and windparks
Neustromland Energieprojekt I GmbH & Co. KG	DE	100.00%	100.00%	0.00%	0.00%	Production of power



In 2018, Encevo S.A. acquired the company Paul Wagner & Fils S.A. and its three subsidiaries for EUR 17,100,000, to which transaction costs of EUR 389,311 were added. All four entities entered the consolidation scope on 1<sup>st</sup> January 2018.

On 17<sup>th</sup> September 2018, Enovos Renewables O&M GmbH purchased the shares of Wirsol O&M GmbH for a total amount of 3,536,000, to which transaction costs of EUR 44,809 were added. The entity entered the consolidation scope on 1<sup>st</sup> October 2018.

Two entities, Neustromland Energieprojekt 1 GmbH & Co. KG and Neustromland Energieprojekt 2 GmbH & Co. KG, were previously not consolidated, and accounted for as investments carried at cost. In 2018, the Management decided to keep the companies in the Group. Consequently, they entered the consolidation scope as of 1<sup>st</sup> January 2018.

On 4<sup>th</sup> January 2018, La Benête Energies S.à r.l. and Ferme Eolienne de la Côte du Gibet S.à r.l. have been sold for EUR 2,705,167 and EUR 3,110,839 respectively. Consolidated capital gains of EUR 2,800,365 and EUR 3,573,692 have been posted on that operation.

Furthermore, on 20<sup>th</sup> December 2018, the Group sold Energiepark Trelde Berg GmbH and its subsidiaries Biogas Ohretal GmbH and Biogas Oebisfelde GmbH for EUR 4,517,294, with an effective date in January 2019 and a final closing date expected in April 2019. All three entities left the consolidation scope at 31<sup>st</sup> December 2018. As the total net value of the assets was valued at EUR 7,928,267, an impairment of EUR 3,410,973 was posted in the P&L (see also note 41).

Companies consolidated under the equity method:

Name	Country	2018		2017		Main activity
		% of control	% of interest	% of control	% of interest	
Global Facilities S.A.	LU	50.00%	50.00%	50.00%	50.00%	Facility management
Steinergy S.A.	LU	50.00%	50.00%	50.00%	50.00%	Supply of power
Soler S.A.	LU	50.00%	50.00%	50.00%	50.00%	Production of power
Cegyco S.A.	LU	50.00%	50.00%	50.00%	50.00%	Production of power
Nordenergie S.A.	LU	33.33%	33.33%	33.33%	33.33%	Supply of power
Airportenergie S.A.	LU	50.00%	30.18%	50.00%	30.18%	Production of heat and power
Datacenterenergie S.A.	LU	50.00%	30.18%	50.00%	30.18%	Production of heat and power
Kiowatt S.A.	LU	50.00%	30.18%	50.00%	30.18%	Production of power
Pfalzgas GmbH	DE	50.00%	50.00%	50.00%	50.00%	Supply of energy
Projecta 14 GmbH	DE	50.00%	36.85%	50.00%	36.85%	Holding company
Energis GmbH	DE	28.06%	28.06%	28.06%	28.06%	Supply of energy
Windpark Wremen GmbH & Co. KG	DE	40.00%	30.20%	40.00%	30.20%	Production of power
SK Ahorn GmbH & Co. KG	DE	49.10%	49.10%	15.10%	15.10%	Production of power
NSL Projekt 2 GmbH	DE	75.00%	62.75%	75.00%	62.75%	Production of power
Solkraftwerk Barderup GmbH & Co. KG	DE	32.50%	19.68%	32.50%	19.68%	Production of power
NPG Willebroek NV	BE	50.00%	50.00%	50.00%	50.00%	Production of power
Bioenergie Merzig GmbH	DE	39.00%	39.00%	39.00%	39.00%	Production of power
WES Green GmbH	DE	50.00%	50.00%	50.00%	50.00%	Production of power
ESW Grüne Energie GmbH	DE	84.90%	43.30%	100.00%	51.00%	Production of power
Energie Südpfalz GmbH & Co KG	DE	50.00%	25.50%	50.00%	25.50%	Production of power

In 2018, Energie Südwest AG restructured its activities in ESW Grüne Energie GmbH. First it sold 15,1% of its stake in the entity to Südpfalz GmbH & Co. KG, of which it owns a 50%, then it sold photovoltaic installations for an amount of EUR 8,789,327 to ESW Grüne Energie GmbH which also bought Neustromland Solarkraftwerke 1 GmbH & Co. KG from Enovos Renewables GmbH. To finance these acquisitions, Energie Südwest Grüne Energie GmbH increased its equity, to which Energie Südwest AG contributed EUR 2,324,440. Both ESW Grüne Energie GmbH and Südpfalz GmbH & Co. KG have been

subsequently consolidated at equity. Enovos Renewables bought 34% of Solarkraftwerke Ahorn GmbH & Co. KG for EUR 1,542,729, increasing its participation from 15.1% to 49.1%.

NSL Projekt 2 GmbH and ESW Grüne Energie GmbH are not fully consolidated because the Group has not the full control in these entities.

## NOTE 6 - FORMATION EXPENSES AND SIMILAR EXPENSES

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

Movements of the year are as follows:

	Total 31.12.2018	Total 31.12.2017
Denominated in EUR	€	€
Gross book value - opening balance	314,511	720,378
Additions for the year	0	0
Disposals for the year	0	0
Transfers for the year	0	(3,444)
Change in consolidation scope	0	(402,423)
Gross book value - closing balance	314,511	314,511
Accumulated value adjustment - opening balance	(275,489)	(556,451)
Allocations for the year	(38,584)	(64,266)
Reversals for the year	0	0
Transfers for the year	0	3,444
Change in consolidation scope	0	341,784
Accumulated value adjustment - closing balance	(314,073)	(275,489)
<b>Net book value - closing balance</b>	<b>438</b>	<b>39,022</b>

The Board of Directors considers that no value adjustments are needed as of 31<sup>st</sup> December 2018.

## 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 31.12.2018	Total 31.12.2017
Denominated in EUR	€	€	€	€	€
<b>Gross book value - opening balance</b>	<b>211,890,411</b>	<b>125,280,000</b>	<b>7,250,537</b>	<b>344,420,948</b>	<b>325,918,391</b>
Additions for the year	6,368,297	0	6,234,431	12,602,728	15,493,238
Disposals for the year	(352,350)	0	0	(352,350)	(203,574)
Transfers for the year	7,412,029	0	(7,354,272)	57,756	3,034,356
Change in consolidation scope	(1,112,308)	0	0	(1,112,308)	178,538
<b>Gross book value - closing balance</b>	<b>224,206,079</b>	<b>125,280,000</b>	<b>6,130,696</b>	<b>355,616,775</b>	<b>344,420,948</b>
<b>"Accumulated value adjustments - opening balance"</b>	<b>(123,049,638)</b>	<b>(75,405,000)</b>	<b>(1,778,993)</b>	<b>(200,233,631)</b>	<b>(175,134,531)</b>
Allocations for the year	(17,355,299)	(8,375,000)	0	(25,730,299)	(22,636,967)
Exceptional depreciation for the year	0	0	0	0	(2,457,481)
Reversals for the year	258,919	0	0	258,919	95,394
Transfers for the year	(54,508)	0	0	(54,508)	(3)
Change in consolidation scope	132,289	0	0	132,289	(100,043)
<b>Accumulated value adjustment - closing balance</b>	<b>(140,068,238)</b>	<b>(83,780,000)</b>	<b>(1,778,993)</b>	<b>(225,627,230)</b>	<b>(200,233,631)</b>
<b>Net book value - closing balance</b>	<b>84,137,842</b>	<b>41,500,000</b>	<b>4,351,704</b>	<b>129,989,545</b>	<b>144,187,317</b>

On 1<sup>st</sup> January 2013, 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 Innogy SE (former RWE AG) (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. In the light of the ongoing developments, the Board of Directors decided that no additional impairment is necessary as of 31<sup>st</sup> December 2018 (exceptional impairment of EUR 19,000,000 in 2015 and EUR 14,000,000 in 2014).

The goodwill acquired for valuable consideration relates to the customers of Leo S.A. for an amount of EUR 120,000,000 and Enovos Luxembourg S.A. for EUR 5,280,000.

The transfers for the year of EUR 7,354,272 mainly concern software projects by Enovos Luxembourg S.A. in support of the sales business and by Creos Luxembourg S.A. for the implementation of a standardised electronic market communication and of smart meter systems.

In 2018, Enovos Renewables O&M GmbH purchased customer contracts for a total amount of EUR 2,358,644. Creos Luxembourg S.A. invested EUR 3,284,368 into software required for the implementation of a standardised electronic market communication and smart meter systems. The other additions for the year concern mainly other software investments in support of the sales business.

The item “change in consolidation scope” concerns the deconsolidation of Energiepark Trelder Berg GmbH and its two subsidiaries as well as the new entities Paul Wagner & Fils S.A. and Wirsol O&M GmbH.

The Board of Directors is further of the opinion that no exceptional value adjustments of the intangible 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 31.12.2018	Total 31.12.2017
Denominated in EUR	€	€	€	€	€	€
Gross book value - opening balance	257,860,547	2,490,879,048	132,046,824	112,549,009	2,993,335,427	2,860,847,109
Additions for the year	2,772,441	29,096,414	4,467,552	134,269,078	170,605,485	161,576,468
Disposals for the year	(808,356)	(13,564,004)	(4,597,356)	(42,732)	(19,012,447)	(4,312,382)
Transfers for the year	6,635,059	114,785,449	4,754,870	(124,654,086)	1,521,292	(4,082,284)
Change in consolidation scope	(6,581,887)	(30,665,767)	133,357	311,744	(36,802,553)	(20,693,485)
<b>Gross book value - closing balance</b>	<b>259,877,804</b>	<b>2,590,531,141</b>	<b>136,805,247</b>	<b>122,433,013</b>	<b>3,109,647,204</b>	<b>2,993,335,427</b>
Accumulated value adjustment - opening balance	(79,694,750)	(1,290,626,732)	(94,866,795)	0	(1,465,188,277)	(1,401,661,901)
Allocations for the year	(6,822,891)	(79,240,965)	(8,551,418)	0	(94,615,275)	(88,757,696)
Reversals for the year	518,375	4,362,023	4,250,193	0	9,130,591	2,569,605
Transfers for the year	(20,984)	1,402,139	(2,602,663)	0	(1,221,508)	1,065,321
Change in consolidation scope	2,503,203	29,785,045	(83,297)	0	32,204,951	21,596,394
<b>Accumulated value adjustment - closing balance</b>	<b>(83,517,048)</b>	<b>(1,334,318,491)</b>	<b>(101,853,979)</b>	<b>0</b>	<b>(1,519,689,518)</b>	<b>(1,465,188,277)</b>
<b>Net book value - closing balance</b>	<b>176,360,756</b>	<b>1,256,212,650</b>	<b>34,951,268</b>	<b>122,433,013</b>	<b>1,589,957,685</b>	<b>1,528,147,149</b>

Enovos Luxembourg S.A. has participated in the construction of the 11<sup>th</sup> turbine at the Vianden pumping station of SEO S.A. This investment qualifies as a finance lease from a tax point of view and consequently has been recorded in the books of Enovos Luxembourg S.A. Production at the pumping station has started on 1<sup>st</sup> August 2015. The depreciation period mirrors the duration of the contract between the Company and SEO S.A. which ends in 2063. In 2018, an additional amount of EUR 275,505 has been invested in the venture, increasing the total gross value for that project to EUR 111,436,454. The remaining balance of the finance obligation towards SEO S.A. of EUR 73,727,250 (2017: EUR 78,642,300) is posted under the heading “Other creditors becoming due and payable after more than one year” and EUR 4,915,050 (2017: EUR 4,915,050) is posted under the heading “Other creditors becoming due and payable within one year” (see also note 23).

In 2018, Creos Luxembourg S.A. invested EUR 92,602,247 in the electricity grid and EUR 22,152,168 in the gas grid. As of 31<sup>st</sup> December 2018, investment projects by Creos Luxembourg S.A. of EUR 119,625,592 have been definitively closed and transferred to their respective asset class.

Also, Creos Deutschland GmbH invested EUR 20,596,862 in its gas grid. As of 31<sup>st</sup> December 2018, investment projects of EUR 8,557,228 have been definitively closed and transferred to their respective asset class.

In 2018, as Luxenergie S.A. has finalised its investments in energy producing facilities in Luxembourg, a total amount of EUR 6,146,360 has consequently been added to the caption “Plant and machinery”.

The item “change in consolidation scope” concerns the deconsolidation of Energiepark Trelderberg GmbH and its two subsidiaries, the sale of La Benâte Energies S.à r.l. and Ferme Eolienne de la Côte du Gibet S.à r.l. and the first consolidation of Neustromland Energieprojekt 1 GmbH & Co. KG, Neustromland Energieprojekt 2 GmbH & Co. KG, Paul Wagner & Fils S.A. and Wirsol O&M GmbH.

Energie Südwest AG sold photovoltaic installations for EUR 8,789,327 to its subsidiary Energie Südwest Grüne Energie GmbH, which has been subsequently consolidated under the equity method.

The Board of Directors is of the opinion that no further value adjustments of tangible 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:

	31.12.2018	31.12.2017
Denominated in EUR	€	€
Energis GmbH	36,113,623	38,389,907
Pfalzgas GmbH	23,254,611	23,453,108
Soler S.A.	19,621,120	17,070,734
Projecta 14 GmbH	13,676,103	14,049,677
Kiowatt S.A.	4,124,557	3,860,315
Datacenterenergie S.A.	3,921,052	3,549,225
SK Ahorn GmbH & Co. KG	2,412,689	725,282
Cegyco S.A.	2,235,062	2,510,438
NSL Projekt 2 GmbH	1,566,726	1,528,640
EnergieSüdpfalz GmbH & Co. KG	1,564,548	0
SKW Barderup GmbH & Co. KG	1,522,357	1,461,362
Global Facilities S.A.	1,491,628	1,458,156
ESW - Grüne Energie GmbH	1,193,508	0
Bioenergie Merzig GmbH	1,137,212	1,060,482
Windpark Wremen GmbH & Co. KG	757,748	887,367
NPG Willebroek NV	664,149	608,825
Nordenergie S.A.	625,998	535,111
Airportenergy S.A.	280,043	214,011
Steinergy S.A.	244,957	256,721
WES Green GmbH	0	569,806
	<b>116,407,691</b>	<b>112,189,168</b>

In 2018, two entities previously held at cost, ESW Grüne Energie GmbH and Energie Südpfalz GmbH & Co. KG, entered the consolidation scope with an equity value of EUR 1,193,508 and EUR 1,564,548 respectively.

Enovos Renewables increased its participation in Solarkraftwerke Ahorn GmbH & Co. KG to 49,1% (see note 5).

Soler S.A. proceeded to a capital increase of EUR 1,200,000, to which Enovos Luxembourg S.A. contributed EUR 600,000.

## 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 31<sup>st</sup> December 2018:

Name	Location	2018		2017	
		Percentage owned	Net value €	Percentage owned	Net value €
Stadtwerke Bad Kreuznach GmbH	DE	24.52%	15,000,000	24.52%	15,000,000
Vialis S.A.	FR	10.00%	11,100,000	10.00%	11,100,000
Stadtwerke Pirmasens Versorgungs GmbH	DE	12.99%	7,367,000	12.99%	6,667,000
Stadtwerke Trier Versorgungs GmbH	DE	24.90%	5,087,722	24.90%	5,029,615
Enovos Pfalzwerke BG St. Ingbert GmbH	DE	50.00%	5,000,000	50.00%	5,000,000
Pfalzwerke AG	DE	1.86%	4,628,000	1.86%	4,628,000
Stadtwerke Sulzbach GmbH	DE	15.00%	3,306,062	15.00%	3,982,062
Stadtwerke Völklingen Netz GmbH	DE	17.60%	3,232,302	17.60%	3,232,302
GasLINE GmbH & Co. KG	DE	5.00%	2,017,612	5.00%	2,017,612
SEO S.A.	LU	4.46%	1,971,596	4.46%	1,971,596
AMPACIMON S.A.	BE	21.48%	1,759,542	21.48%	1,759,542
Solar Kraftwerk Kenn GmbH	DE	49.00%	1,749,526	49.00%	1,595,666
Stadtwerke Bliestal GmbH	DE	23.50%	1,333,000	23.50%	1,333,000
SWT Erneuerbare Energien GmbH & Co. KG	DE	49.00%	1,323,000	49.00%	1,323,000
Queichtal Energie Offenbach GmbH & Co.KG (former VG Offenbach GmbH & Co. KG)	DE	49.00%	1,173,650	49.00%	1,173,650
Stadtwerke Völklingen Vertrieb GmbH	DE	17.60%	1,100,000	17.60%	1,100,000
Windpark Meckel/Gilzem GmbH & Co. KG	DE	10.00%	560,340	10.00%	560,340
Nexxtlab S.A.	LU	50.00%	500,000	-	-
Trifels Gas GmbH	DE	49.00%	492,250	49.00%	492,250
Solarpark Nordband GmbH & Co. KG	DE	49.00%	436,590	49.00%	436,590
Solkraftwerk Niersbach GmbH	DE	50.00%	367,500	50.00%	427,500
Encasol S.A.	LU	50.00%	320,000	50.00%	320,000
Stadtwerke Lambrecht GmbH	DE	15.00%	251,043	15.00%	248,061
energieagence S.A.	LU	50.00%	233,736	50.00%	233,736
Stadtwerke Homburg GmbH	DE	10.67%	233,452	10.67%	233,452
JAO S.A. (former CASC EU S.A.)	LU	5.00%	209,809	5.00%	209,809
Neustromland GmbH & Co. KG	DE	5.56%	191,309	5.56%	191,309
Solarpark St. Wendel GmbH	DE	15.00%	142,500	15.00%	142,500
EnergieSüdpfalz PV-Anlage Leinefelde-Worbis GmbH & Co. KG	DE	10.00%	128,950	10.00%	128,950
Blue Wizzard Beteiligungsverwaltungsgesellschaft GmbH	DE	100.00%	125,000	100.00%	125,000
Enovos France	FR	100.00%	70,000	100.00%	70,000
Izes GmbH	DE	8.26%	67,700	8.26%	67,700
Windpark Gimbleweil & Mosberg Infr. GbR	DE	50.00%	34,347	50.00%	34,347
ESWL CAB GmbH	DE	100.00%	25,000	100.00%	25,000
NPG Energy Nederland N.V.	NL	100.00%	18,250	100.00%	18,250
Balansys S.A.	LU	50.00%	15,500	50.00%	15,500
Panhelios S.A.	LU	100.00%	15,300	-	-
Voltranovos S.A.	LU	100.00%	15,300	-	-
Heliovos S.A.	LU	100.00%	15,300	-	-
WE Sun GmbH (50%)	DE	50.00%	12,500	50.00%	12,500
Energie Südpfalz Verwaltung GmbH	DE	50.00%	12,500	50.00%	12,500
My green e Beteiligungsgesellschaft GmbH	DE	49.00%	12,250	-	-
Neustromland Projekt 1 GmbH	DE	100.00%	5,000	100.00%	25,000
GasLINE Geschäftsführungs GmbH	DE	5.00%	1,278	5.00%	1,278
NPG Energy Nederland B.V.	NL	100.00%	100	100.00%	100
GuD KW Krefeld GmbH	DE	-	1	-	1
Forward Forstservice GmbH	DE	33.00%	1	33.00%	1
Active Smarthome S.A.	LU	50.00%	0	50.00%	150,040
City Mov S.à r.l.	LU	100.00%	0	100.00%	0
Enovos Services S.A. (formerly Cegedel International S.A.)	LU	100.00%	0	100.00%	0
Twinerg S.A.	LU	17.50%	0	17.50%	0
Aveleos S.A.	LU	59.02%	0	59.02%	0
Neustromland Energieprojekt 2 GmbH & Co. KG (*)	DE	-	-	100.00%	6,206,000
Neustromland Energieprojekt 1 GmbH & Co. KG (*)	DE	-	-	100.00%	5,000,000
Energie Südpfalz GmbH & Co. KG (*)	DE	-	-	50.00%	2,899,712
Neustromland Solarkraftwerk 1 GmbH & Co. KG	DE	-	-	100.00%	1,401,000
Learning Factory S.A.	LU	-	-	100.00%	0
SSG Saar Service GmbH	DE	-	-	10.00%	32,565
ESW - Grüne Energie GmbH	DE	-	-	100.00%	25,000
			<b>71,661,819</b>		<b>86,659,036</b>

On 22<sup>th</sup> February 2018, Creos Luxembourg S.A., together with Powerdale S.A., created Nextlaab S.A. for an amount of EUR 500,000. The purpose of the new company is the research and development of innovative solutions in the field of smart grid and electric mobility (Energy Management).

On 22<sup>nd</sup> May 2018, Enovos Deutschland SE sold its stake in SSG Saar Service GmbH for EUR 285,000. A capital gain of EUR 252,435 was posted in P&L.

In 2018, Enovos Luxembourg S.A. invested EUR 15,300 each in three joint-ventures, Panhelios S.A., Voltranovos S.A. and Heliovos S.A. The purpose of the new entities is the production of electricity from renewable energies.

Enovos Renewables sold Neustromland Solarkraftwerke 1 GmbH & Co. KG to Energie Südwest Grüne Energie GmbH for EUR 2,225,000, realising a gain of EUR 715,347.

Four entities held at cost in 2017, Neustromland Energieprojekt 1 GmbH & Co. KG, Neustromland Energieprojekt 2 GmbH & Co. KG, Energie Südwest Grüne Energie GmbH and Energie Südpfalz GmbH & Co. KG have entered the equity consolidation scope as of 1<sup>st</sup> January 2018.

In the context of the annual impairment testing process, the Board of Directors of Enovos Luxembourg S.A. decided to completely depreciate its investment in Active SmartHome S.A. by an amount of EUR 150,040 under the caption "Value adjustments in respect of financial assets and of investments held as current assets". The entity will be liquidated in 2019.

On 16<sup>th</sup> October 2018, Learning Factory S.A. was liquidated. As a consequence, an impairment of EUR 186,075 has been reversed and posted under the caption "Value adjustments in respect of financial assets and of investments held as current assets". A loss of EUR 177,604 was posted under the caption "Interest payable and similar expenses".

Further, the Board of Directors decided to fully depreciate its loans to City Mov' S.à r.l. by an amount of EUR 250,000 under the caption "Value adjustments in respect of financial assets and of investments held as current assets". The entity will be liquidated in 2019.

Enovos Deutschland SE reversed part of an impairment in its participation in Stadtwerke Pirmasens GmbH for EUR 700,000 and posted a value adjustment of EUR 676,000 on its investment in Stadtwerke Sulzbach GmbH.

In 2018, Twinerg S.A. reimbursed outstanding loans of EUR 665,722. As a consequence an impairment of EUR 487,297, including the capitalised interests of EUR 178,425, has been reversed and posted under the caption "Value adjustments in respect of financial assets and of investments held as current assets".

On 28<sup>th</sup> November 2018, Cegedel International S.A., a 100% subsidiary of Encevo S.A., has been renamed in Enovos Services Luxembourg S.A in order to concentrate all group companies active in the technical service area under this new company.

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 - STOCKS

Raw materials of EUR 14,665,412 (2017: EUR 25,350,886) consist mainly of inventories parts of Creos Luxembourg S.A. The decrease in 2018 is due to the deconsolidation of Energiepark Trelderberg GmbH and its two subsidiaries, which, at the end of 2017, had a feedstock for the production of biogas worth EUR 12,171,445.

Work and contracts in progress of EUR 21,556,410 (2017: EUR 16,317,228) are mainly made up of work in progress for grid customers of Creos Luxembourg S.A. which will be invoiced to customers once completed. The increase from 2017 is due to the first consolidation of Paul Wagner & Fils S.A., which, as of 31<sup>st</sup> December 2018, had work in progress for customers of EUR 6,771,514.

Finished goods of EUR 17,910,342 (2017: EUR 14,390,929) mainly consist of gas stocks held by Enovos Luxembourg S.A. in France and Germany.

#### NOTE 11 - DEBTORS

##### 11.1. Trade debtors

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

	31.12.2018	31.12.2017
Denominated in EUR	€	€
Trade debtors - Gross value	372,523,465	329,307,647
Value adjustment	(11,115,536)	(8,851,174)
<b>Trade debtors - Net value</b>	<b>361,407,928</b>	<b>320,456,473</b>

##### 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 relate to commercial activities mainly due within 30 days and to shareholder loans.

##### 11.3. Other debtors

This caption mainly includes tax receivable in Luxembourg of EUR 19,505,513 (2017: EUR 11,156,873) and in Germany of EUR 14,634,211 (2017: EUR 9,117,385).

Furthermore, VAT recoverable in Luxembourg amounts to EUR 2,465,547 (2017: EUR 3,726,383). An amount of EUR 909,559 is composed of receivables on gas and electricity taxes in Germany (2017: EUR 835,000).

As of 31<sup>st</sup> December 2018, this caption also comprises a receivable on the "Institut Luxembourgeois de Régulation" ("ILR") of EUR 15,595,864 (2017: EUR 8,244,205) in the context of the mechanism of the "Fonds de compensation" for Creos Luxembourg S.A.

##### 11.4. Deferred tax assets

Deferred tax assets 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

In 2018, an amount of EUR 28,597,497, corresponding to the investment in the fund Frankfurt Trust, has been transferred from the caption "Investments held as fixed assets" to this caption, which already included short term investments of EUR 13,103,908. This investment has been depreciated by EUR 818,338, posted under the caption "Value adjustments in respect of financial assets and of investments held as current assets". As of 31<sup>st</sup> December 2018, the total portfolio is valued at EUR 40,883,067 and will be sold in 2019.

In 2018, this caption also includes an amount of EUR 32,665,655, corresponding to the net equity value and outstanding intercompany loans of Energiepark Trelderberg GmbH and its subsidiaries, which will be paid in 2019.



**NOTE 13 – CASH AT BANK AND 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 2,220,943 posted on clearing accounts linked to the group's activities on the energy exchange (2017: EUR 3,482,905).

**NOTE 14 – PREPAYMENTS**

On 23<sup>rd</sup> May 2011, Encevo S.A. 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 contracts have been extended up to this date. As the EUR 200,000,000 bond was definitely launched in May 2012 and issued on 15<sup>th</sup> 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 31<sup>st</sup> December 2018, an amount of EUR 1,566,714 was posted under the caption "Prepayments" (2017: EUR 4,985,000) related to these IRS contracts, EUR 3,418,286 having been transferred to P&L in 2018.

In 2018, Encevo S.A. decided to issue a new German Certificate of Indebtedness ("Schuldschein") amounting to EUR 250,000,000. In order to pre-hedge the interest rate on this transaction, five forward swaps have been executed: the first on 9<sup>th</sup> February 2018 with an amount of EUR 100,000,000 (starting on 13<sup>th</sup> July 2018 with a tenor of 10 years), the second one on 15<sup>th</sup> of February 2018 with an amount of EUR 50,000,000 (starting on 13<sup>th</sup> July 2018 with a tenor of 7 years), the third one on 20<sup>th</sup> February 2018 again with an amount of EUR 50,000,000 (starting on 20<sup>th</sup> July 2018 with a tenor of 7 years), the fourth and fifth one on 06<sup>th</sup> July 2018 with an amount of EUR 25,000,000 each (starting on 27<sup>th</sup> July 2018 with a tenor of 12 years and 15 years respectively). The average tenor of all five pre-hedges is 9.5 years – close to the average tenor of the new "Schuldschein". On 27<sup>th</sup> July, one day after the issuance of the new "Schuldschein", all forward swaps have been unwound and the related costs of EUR 6,341,590 were deferred, as part of the financing costs, over the life time of the underlying Schuldschein financing. As of 31<sup>st</sup> December 2018, an amount of EUR 6,218,349 was posted under the caption "Prepayments" (2017: EUR 0) related to these IRS contracts, EUR 123,241 having been transferred to P&L in 2018.

In 2018, this heading includes a prepaid power invoice for an amount of EUR 2,443,594 (2017: EUR 16,160,486) relating to the subsequent year.

According to the grid regulation scheme in Luxembourg, the amount of revenues (grid tariffs) deriving from regulated activities is authorised on an annual basis by Luxembourg's regulatory authority, 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 over (respectively under) the revenues as accepted by the ILR, tariffs for subsequent years will be reduced (respectively increased) and consequently such difference is provided for. According to the regulation scheme, a cumulated difference (2018 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 5,714,587 (2017: EUR 109,122) and when negative, in the caption "Deferred income" for an amount of EUR 33,241,471 (2017: EUR 25,033,017).

Furthermore, Creos Luxembourg S.A. participated early 2013 together with the other grid operators in Luxembourg in the "Luxmetering GIE" to develop an IT platform dedicated to the smart metering system. The GIE has no capital and the financial stake of Creos Luxembourg S.A. in the GIE corresponds to the ratio number of meters owned by Creos Luxembourg S.A. / number of meters owned by all GIE members and is around 80%. Cash advances of EUR 2,820,869 paid to Luxmetering G.I.E. are posted under the caption "Prepayments" (2017: EUR 7,627,249).

An amount of EUR 1,551,856 represents advance leasing payments by Enovos Solar Investment I S.r.l. Unipersonale for the year 2018 (2017: EUR 1,698,518).

Finally, in 2017, this caption included EUR 9,680,564 related to realised power portfolio positions from 2018 to 2021, whereas in 2018 the portfolio positions of EUR 4,223,445 from 2019 to 2021 were classified as deferred income.

**NOTE 15 – CAPITAL AND RESERVES**

As at 31<sup>st</sup> December 2018, 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 (2017: 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:

	31.12.2017	Distribution of dividends	Appropriation of profit	Change in scope	Other	Profit for the year	31.12.2018
Denominated in EUR	€	€	€	€	€	€	€
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	473,600,277	0	3,061,201	(9,780,298)	(836,375)	0	466,044,803
Legal Reserve	9,096,290	0	0	0	0	0	9,096,290
Reserve of 1 <sup>st</sup> consolidation	(57,960,816)	0	0	0	0	0	(57,960,816)
Consolidation reserves	457,532,650	0	3,061,201	(9,780,298)	(836,375)	0	449,977,177
Other reserves	64,932,152	0	0	0	0	0	64,932,152
Retained earnings	23,971,759	0	8,338,192	0	0	0	32,309,951
Capital investment subsidies	5,998,264	0	0	0	(64,032)	0	5,934,233
Temporarily not taxable capital gains	23,615,759	0	0	0	0	0	23,615,759
Profit for the year	35,959,377	(24,559,983)	(11,399,394)	0	0	43,361,248	43,361,248
<b>Total shareholder's equity Group share</b>	<b>1,041,136,783</b>	<b>(24,559,983)</b>	<b>0</b>	<b>(9,780,298)</b>	<b>(900,407)</b>	<b>43,361,248</b>	<b>1,049,257,343</b>
Minority interest	247,040,234	(12,207,670)	0	0	2,222,453	20,546,328	257,601,344
<b>Total shareholder's equity</b>	<b>1,288,177,017</b>	<b>(36,767,654)</b>	<b>0</b>	<b>(9,780,299)</b>	<b>1,322,046</b>	<b>63,907,576</b>	<b>1,306,858,687</b>

The change in scope is linked to the consolidation of Neustromland Energieprojekt 1 GmbH & Co. KG, Neustromland Energieprojekt 2 GmbH & Co. KG, ESW Grüne Energie GmbH, Energie Südpfalz GmbH & Co KG and Paul Wagner & Fils S.A. and the deconsolidation of Energiepark Trelderberg GmbH and its subsidiaries. The increase in Minority interest in the caption "other" is due mainly to the percentage of the minorities of Creos Luxembourg in the equity increase of Creos Deutschland Holding GmbH.

**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., Leo 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 3.48%
- estimated salary at time of retirement based on past experience
- turnover rate of employees

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 21,487,147 (2017: EUR 16,058,952).

**16.2 Other provisions**

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

	31.12.2018	31.12.2017
Denominated in EUR	€	€
Provisions for regulatory and environmental risks	54,566,095	47,515,292
Provisions for staff costs	18,521,726	18,309,253
Provisions for sales risks	3,589,291	1,018,347
Provisions for derivatives	386,138	218,710
Provisions for litigation	1,459,440	1,668,825
Other	19,069,275	16,727,630
	<b>97,591,965</b>	<b>85,458,057</b>

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 31<sup>st</sup> of December 2018, the notional amount equals EUR 13,593,077 (2017: EUR 15,304,510) with a negative fair value of EUR -1,281,600.

In 2018, Creos Luxembourg S.A. posted an additional provision for regulatory risks of EUR 3,900,000 including a provision for defective assets and Enovos Energie Deutschland S.A. recorded a provision of EUR 3,531,670 for commercial risks in the biogas supply with Bioenergie Merzig GmbH in Germany.

**NOTE 17 – DEBENTURE LOANS**

On 1<sup>st</sup> 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.

On 15<sup>th</sup> 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 of 3.75% and will be entirely redeemed on 15<sup>th</sup> June 2019. The accrued interest payable as at 31<sup>st</sup> December 2018 amounts to EUR 4,083,333 (2017: EUR 4,083,333).

Furthermore, on 26<sup>th</sup> June 2013, Encevo S.A. issued a first German Certificate of Indebtedness (“Schuldschein”) of EUR 102,000,000 with tenors of 7, 10, 12 and 15 years. The Schuldschein bared 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 31<sup>st</sup> December 2018 amount to EUR 1,083,193 (2017: EUR 1,086,493). The 7 years variable tranche of EUR 35,000,000 has been early reimbursed in June 2018.

On 21<sup>th</sup> November 2014, Encevo S.A. 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 the 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 31<sup>st</sup> December 2018 amount to EUR 153,271 (2017: EUR 149,014).

On 26<sup>th</sup> July 2018, Encevo S.A. issued a third (green) German Certificate of Indebtedness (“Schuldschein”) of EUR 250,000,000 with tenors of 7, 10, 12 and 15 years with two different pay-out dates – the first pay-out date was on 23<sup>rd</sup> August 2018 (EUR 150,000,000) for the 7 and 10 years tranches and the second pay-out date was on 23<sup>rd</sup> October 2018 (EUR 100,000,000) for the 12 and 15 years tranches. One of the two 7 years tranches bears a floating interest rate as well one of the two 10 years tranches. The remaining tranches bear fixed interest rates of 1.158%, 1.641%, 1.926% and 2.257% for the other 7, 10, 12 and 15 years tranches respectively. Both floating interest rate tranches have been hedged on the date of the closing on 26<sup>th</sup> July 2018. The interests for the floating 7 years tenor and 10 years tenor are paid twice a year in April and October whereas the interests on the fixed 7 and 10 years tenors are paid once in October every year and the fixed 12 and 15 years tenors are paid once in August every year. The accrued interests payable as at 31<sup>st</sup> December 2018 amount to EUR 1,055,831 (2017: EUR 0).

	Within one year	After one year and within five years	After more than five years	Total 2018	Total 2017
Denominated in EUR	€	€		€	€
Non-convertible debenture loans	206,542,295	50,000,000	347,000,000	603,542,295	387,827,192
<b>Total</b>	<b>206,542,295</b>	<b>50,000,000</b>	<b>347,000,000</b>	<b>603,542,295</b>	<b>387,827,192</b>

**NOTE 18 – AMOUNTS OWED TO CREDIT INSTITUTIONS**

On 17<sup>th</sup> August 2016, 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 with 7 banks. This credit line had an initial tenor of 5 years until August 2021. In August 2017, all participating banks agreed to extend the credit facility by one year, and in July 2018, all participating banks again agreed to extend the credit facility by one more year, until August 2023. The amount drawn on the committed RCF as of 31<sup>st</sup> December 2018 is EUR 0 (2017: 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:

	31.12.2018	31.12.2017
Denominated in EUR	€	€
Current financial liabilities due to financial institutions		
due within one year	14,410,907	28,463,582
Non-current financial liabilities due to financial institutions		
due after one year and within five years	42,380,308	33,285,286
due in more than five years	50,777,984	31,066,721

The main outstanding current financial liabilities are loans of EUR 5,169,354 due by Luxenergie S.A. and EUR 2,703,295 due by Paul Wagner & Fils S.A. The main outstanding non-current financial liabilities are loans of EUR 28,782,055 due by Luxenergie S.A., EUR 20,250,000 due by Real Estate Enovos Esch S.A., EUR 16,380,000 due by NSL Energieprojekt 1 GmbH & Co. KG., EUR 12,671,805 due by NSL Energieprojekt 2 GmbH & Co. KG and EUR 4,304,967 due by NPG Energy.

#### 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 UNDERTAKING IS LINKED BY VIRTUE OF PARTICIPATING INTERESTS

This caption includes mainly provisions on accrued interests related to the financing of the investment in machine11 in the SEO pumping station in Vianden and a commitment to participate in a capital increase in a minority participation.

#### 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 Encevo Re 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 other 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, Enovos Renewables O&M 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 78,642,300 (2017: EUR 83,557,350) has been posted under this caption in 2018, of which EUR 73,727,250 are due after more than one year (2017: EUR 78,642,300); (see also note 8).

As of 31<sup>st</sup> December 2018, Enovos Deutschland SE and Enovos Renewables GmbH have a long term liability of EUR 1,700,000 and 1,500,000 respectively towards "Pensionskasse der Enovos Deutschland VVaG" (2017: EUR 1,700,000 and EUR 1,500,000).

Furthermore, in the context of the financing of renewable projects, Energie Südwest AG has a liability towards its customers of EUR 2,641,500 (2017: EUR 2,646,500), which becomes due in 2029, but with the contractual option to cancel the liability from 2019.

#### 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 Encevo Re S.A. in the consolidated accounts.

#### NOTE 25 – DEFERRED INCOME

As described in note 14, Creos Luxembourg S.A. has posted under the caption "Deferred income" an amount of EUR 33.241.471 (2017: EUR 25,033,017) related to the regulated activities.

This heading also relates to realised power portfolio positions from 2019 to 2021 for an amount of EUR 4,233,445 (2017: EUR -9,680,564, classified under the caption "Prepayments").

Finally, EUR 5,569,380 relates to derivatives which are used to hedge operations to be settled in subsequent years (2017: EUR 94,020).

#### NOTE 26 – NET TURNOVER

Sales break-down is as follows:

	2018 €	2017 €
Denominated in EUR		
Sales electricity	1,076,460,644	931,770,102
Sales gas	658,418,889	596,158,067
Other energy sales	27,168,509	23,601,833
Grid sales electricity	48,065,256	36,365,454
Grid sales gas	97,886,148	82,019,089
Other sales	114,042,561	91,016,775
Rebates & discounts	(2,887,481)	(2,743,555)
<b>Total sales</b>	<b>2,019,154,524</b>	<b>1,758,187,765</b>

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:

Denominated in EUR	2018 €		2017 €	
Luxembourg	709,331,416	35.13%	606,054,402	34.47%
Germany	1,128,320,658	55.88%	993,620,772	56.51%
France	108,027,268	5.35%	106,321,841	6.05%
Belgium	66,480,399	3.29%	47,864,296	2.72%
Other countries	6,994,783	0.35%	4,326,454	0.25%
<b>Total sales</b>	<b>2,019,154,525</b>	<b>100.00%</b>	<b>1,758,187,765</b>	<b>100.00%</b>

#### NOTE 27 - OTHER OPERATING INCOME

The caption "Other operating income" includes mainly the activities unrelated to the supply of gas and electricity, such as reversals of value adjustments, income from asset sales, renting fees, income from employees, re-insurance fee.

In 2017, the caption also included a reversal of a provision by Enovos Energie Deutschland GmbH of EUR 6,124,790.

#### NOTE 28 - RAW MATERIALS AND CONSUMABLES AND OTHER EXTERNAL EXPENSES

Denominated in EUR	2018 €	2017 €
Electricity supplies	885,460,835	759,244,896
Trading sales electricity	(217,032,331)	(190,215,619)
Gas supplies	1,561,407,700	1,069,929,675
Trading sales gas	(1,025,977,166)	(571,962,135)
Other supplies	363,500,261	285,831,000
Derivatives	1,350,266	764,199
<b>Total Raw materials and consumables</b>	<b>1,568,709,563</b>	<b>1,353,592,016</b>

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. The margin achieved on trading activities is therefore included under "Raw materials and consumable and other external expenses", as well as the realised profit or loss and the unrealised loss on derivative financial instruments.

The caption "Other external expenses" includes amongst 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 1,948 employees in 2018 (2017: 1,609). The figure in 2018 includes the staff of the City of Luxembourg made available to Creos Luxembourg S.A., 79 employees (2017: 90 employees), whose costs are shown under wages and salaries for EUR 8,239,462 (2017: EUR 8,884,661). The increase from 2017 is mainly due to the first consolidation of Paul Wagner & Fils S.A. (353 employees).

#### NOTE 30 - OTHER OPERATING EXPENSES

Creos Luxembourg S.A. posted an additional provision for regulatory risks of EUR 3,900,000 including a provision for defective assets.

Enovos Energie Deutschland S.A. recorded a provision of EUR 3,531,671 for commercial risks in the biogas supply with Bioenergie Merzig GmbH in Germany.

The caption "Other operating expenses" comprises also 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 entities held at acquisition costs.

#### NOTE 32 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

In 2018, the caption includes a capital gain of EUR 6,375,057 resulting from the sale of La Benâte Energies S.à r.l. and Ferme Eolienne de la Côte du Gibet S.à r.l. and a capital gain of EUR 252,435 resulting from the sale of SSG Saar Service GmbH.

Other interest receivable and similar income is also composed of interests received on short-term bank deposits.

#### NOTE 33 - SHARE OF PROFIT OR LOSS UNDERTAKINGS ACCOUNTED FOR UNDER THE EQUITY METHOD

The share of profit or loss undertakings accounted for under the equity method breaks down as follows:

	2018 €	2017 €
Pfalzgas GmbH	4,401,503	4,634,458
energis GmbH	4,162,061	6,370,888
Soler S.A.	1,707,080	807,234
Datacenterenergie S.A.	1,283,866	1,049,403
Global Facilities S.A.	583,472	674,939
Solkraftwerk Ahorn GmbH & Co. KG	521,848	143,781
Projecta 14 GmbH	327,190	682,302
Kiowatt S.A.	320,679	268,896
Cegyco S.A.	224,624	317,298
NPG Willebroek NV	193,824	138,932
Nordenergie S.A.	160,880	137,928
Airportenergy S.A.	150,536	109,660
Solkraftwerk Barderup GmbH & Co. KG	111,839	50,844
Neustromland Projekt 2 GmbH	86,322	48,236
Bioenergie Merzig GmbH	76,730	179,857
ESW - Grüne Energie GmbH	74,203	-
Windpark Wremen GmbH & Co. KG	55,920	94,340
Steinergy S.A.	38,236	64,301
EnergieSüdpfalz GmbH & Co. KG	37,516	-
Twinerg S.A. *	0	0
Aveleos S.A.	0	0
WES Green GmbH	(569,806)	370,801
<b>Total</b>	<b>13,948,523</b>	<b>16,144,097</b>



#### NOTE 34 - VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS

As a consequence of the sale of Energiepark Trelder Berg GmbH and its subsidiaries Biogas Ohretal GmbH and Biogas Oebisfelde GmbH in 2019, a value adjustment of EUR 3,410,973 was posted in 2018 (see also note 5).

Enovos Deutschland SE reversed part of an impairment in its participation in Stadtwerke Pirmasens GmbH for EUR 700,000. Enovos Luxembourg S.A. reversed an impairment on a loan to Twinerg S.A. of EUR 487,297.

Furthermore, value adjustments for EUR 1,919,378 have been posted on a loan to City Mov' S.à r.l. as well as the shares of Active SmartHome S.A. and Stadtwerke Sulzbach GmbH and the investment fund Frankfurt Trust.

#### NOTE 35 - INTEREST PAYABLE AND SIMILAR EXPENSES

The caption "Interest payable and similar expenses" 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 2012 bond issuance and the 2018 German certificate of indebtedness.

#### 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 689,500 in 2018 (2017: EUR 621,500). 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 2018 amount to EUR 486,000 (2017: EUR 534,325). Non-audit related fees amount to EUR 231,573 (2017: EUR 47,500).

#### 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

	31.12.2018	31.12.2017
Denominated in EUR	€	€
Financial derivatives on electricity futures	(102,035,757)	(60,572,177)
Other financial derivatives (gas, CO <sub>2</sub> certificates, coal)	(2,880,415)	(6,844,026)
<b>Total</b>	<b>(104,916,172)</b>	<b>(67,416,203)</b>

##### Derivative financial instruments - Unrealised gains (losses) on - Buy positions

	31.12.2018	31.12.2017
Denominated in EUR	€	€
Financial derivatives on electricity futures	102,185,804	60,466,089
Other financial derivatives (gas, CO <sub>2</sub> certificates, coal)	2,632,505	6,623,645
<b>Total</b>	<b>104,818,310</b>	<b>67,089,734</b>

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

	31.12.2018		31.12.2017	
Denominated in EUR	€		€	
	Nominal value	Fair value	Nominal value	Fair value
Financial derivatives on electricity futures	235,838,397	150,048	227,619,882	(106,088)
Other financial derivatives (gas, CO <sub>2</sub> certificates, coal)	132,616,900	(247,910)	79,243,460	(220,381)

The net fair value of the derivative contracts amounts to a loss of EUR 97,862 (2017: EUR 326,469). 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 current accounting principles, a provision is posted for negative positions. Thus, in 2018, a provision of EUR 386,138 (2017: EUR 218,710) 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 entity has thus contracted purchase commitments for physical delivery of electricity and gas amounting to EUR 1.97 billion, as of 31<sup>st</sup> December 2018 (2017: EUR 1.44 billion). The amount of the aforementioned forward purchase contracts includes only forward contracts signed with counterparties. In addition, Enovos Luxembourg S.A. holds long-term electricity-sourcing contracts amounting to EUR 97 million (2017: EUR 120 million) and a natural gas purchase commitment from the 1<sup>st</sup> January 2019 until 2025 for a volume of 36.2 TWh. Enovos Luxembourg S.A. furthermore has a power-sourcing contract from 1<sup>st</sup> of January 2019 until 2037 with a total volume of 8,328 TWh. The cross-border gas-transportation capacity commitments account for EUR 26.74 million and run until 2025 (2017: EUR 35.78 million).

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 31<sup>st</sup> December 2018, has a commitment, for the period 2019-2022, to purchase certificates valued at EUR 13.4 million from producers of alternative sources of energy (2017: EUR 6.1 million).

Enovos Luxembourg S.A. further entered into a variety of financially settled derivative contracts (mainly futures and swaps in gas, electricity and allowances) in order to hedge the procurements for customer business and assets. As of 31<sup>st</sup> December 2018, the unrealised profit of these transactions amounts to EUR 7.91 million (2017: EUR 0.26 million).

### Financial commitments

Enovos Luxembourg S.A. also provided a letter of comfort amounting to EUR 200,000 (2016: EUR 200,000) to ensure commitments arising from a bank loan agreement entered into by Windpark Mosberg GmbH.

In December 2017, Enovos Luxembourg S.A. has provided a guarantee of EUR 4,796,788 to ensure commitments arising from a loan agreement between Stadtwerke Saarbrücken und Enovos Deutschland SE.

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. A provision of EUR 8,600,000 has been posted in 2017 to cover the risks on part of these guarantees.

Enovos Solar Investment I S.r.l. Unipersonale has outstanding operating lease obligations for a total amount of EUR 11,246,814 (2017: EUR 12,296,850) maturing in 2029. All leasing obligations are guaranteed by a comfort letter issued by Enovos Luxembourg S.A.

### Bank and parent company commitments

Encevo S.A. has given customary parental support letters to several energy providers and trading counterparts of Enovos Luxembourg S.A. amounting to EUR 110,000,000 (2017: EUR 140,000,000).

For the electricity and gas trades, Enovos Luxembourg S.A. has received from counterparties parental support letters totalling EUR 100,000,000 (2017: EUR 85,000,000).

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 7,474,177 (2017: EUR 12,311,864).

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. The risks associated to this guarantee have been considered in the impairment testing performed on Enovos Solar Investments II S.r.l. Unipersonale.

Encevo S.A. provided a parent company guarantee of EUR 7,237,883 as of 31<sup>st</sup> of December 2018 (2017: EUR 8,201,329) 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 3,691,320 (2017: EUR 4,182,678).

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 10,800,000 at the end of 2018 (2017: EUR 11,475,000).

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 31<sup>st</sup> December 2018 amounts to EUR 7,978,838 (2017: EUR 8,564,185).

In the context of the sale of Real Estate Strassen S.A., holding the administrative building in Strassen, Encevo S.A. has provided the buyer with a parent company guarantee of EUR 6,630,000. Furthermore, Encevo S.A. provided a bank guarantee of EUR 325,000 (2017: EUR 325,000) to Real Estate Strassen S.A. to guarantee its commitments under the lease agreement entered into with that company.

Enovos Deutschland SE and Enovos Renewables GmbH have granted various shareholder loans to non- consolidated participations for which the undrawn portions amount to EUR 3,143,932 on total (EUR 2,501,152 in 2017).

Creos Luxembourg S.A. has issued bank guarantees in the context of its regular business for a total amount of EUR 1,000,992 (2017: EUR 1,000,992).

### 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.

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 20<sup>th</sup> December 2018, the Enovos Luxembourg S.A. signed an agreement for the sale of Energiepark Trelde Berg GmbH. The transaction was effective in January 2019 with expected final closing date in April 2019. An additional impairment of EUR 3,410,973 was posted under the caption “Value adjustments in respect of financial assets and of investments held as current assets” as of 31<sup>st</sup> December 2018. In 2019, no additional gain/loss on sale should be recognised on that transaction.

On 26<sup>th</sup> February 2019, in the context of the creation of a new service activity within the Encevo Group, Encevo S.A. transferred its participations held in Paul Wagner & Fils and in Global Facilities S.A. to its wholly owned subsidiary Enovos Services Luxembourg S.A. The latter also acquired on 1st March 2019 50% of the shares of energieagence S.A. from Enovos Luxembourg S.A., thus holding all group subsidiaries active in the new area of services in Luxembourg within the Encevo Group going forward.

On 29<sup>th</sup> March 2019, Enovos Deutschland SE sold its portfolio of equities and bond.

In regards to the ongoing litigation concerning the group’s Italian renewable activities, the Milan criminal court has issued a first instance judgement on 18<sup>th</sup> April 2019. The court rejected the claim brought by Norwegian investor EAM to hold Enovos Luxembourg civilly liable for contractual fraud allegedly committed by former representatives of Aveleos S.A. in the scope of the sale of PV plants to EAM Solar Italy Holding S.r.l. in 2014. With regard to the claim against Enovos Solar Investments II S.r.l. (“ESI II”), the criminal court also rejected the claims brought by the Italian prosecutor.

# AUDITORS REPORT



To the Shareholders of  
Encevo S.A.  
2 Domaine du Schlassgoard,  
4327 Esch-sur-Alzette

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Encevo S.A. and its subsidiaries (the “Group”), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated profit and loss account for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of the consolidated results of its operations and its cash flow for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated financial statements.

### Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the “Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (“CSSF”). Our responsibilities under those Law and standards are further described in the “responsibilities of the “réviseur d’entreprises agréé” for the audit of the consolidated financial statements” section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the “consolidated profit and loss account for the year ended 31 December 2018 – List presentation” but does not include the consolidated financial statements and our report of the “réviseur d’entreprises agréé” thereon.

Our opinion on the consolidated financial statements 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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.

### Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

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

assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group’s financial reporting process.

### Responsibilities of the “réviseur d’entreprises agréé” for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d’entreprises agréé” to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d’entreprises agréé”. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to



express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

Ernst & Young  
Société anonyme  
Cabinet de révision agréé

Jeannot Weyer

Luxembourg, 26 April 2019

# EXTRACT OF THE ANNUAL ACCOUNTS OF ENCEVO S.A.

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The main activity of Encevo S.A. the “Company”, 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’s subsidiaries, the dividend income from the subsidiaries, as well as by 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 centralising the financing for the main subsidiaries, 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 Company’s cash pool system which regroups 17 subsidiaries (down from 19 in 2017 following the sale of the wind-farms of La Benâte and Souilly in 2018), as well as a monthly cash forecast, in order to support the development of the group and to ensure sufficient liquidity.

#### 2018 Highlights

During the year, two changes occurred in the shareholding of the Company. First, on 21<sup>st</sup> February 2018, Post Luxembourg acquired 4.71% of the Company’s shares held by ENGIE S.A. and has thus become a new shareholder of Encevo S.A. holding 42,800 shares.

Furthermore, on 18<sup>th</sup> October 2018, China Southern Power Grid International (Luxembourg) Co., Ltd, a “société à responsabilité limitée” incorporated under Luxembourg law, acquired 17,793 Encevo S.A. shares held by Ardian Redilion ManagementCo S.C.A. and 208,887 shares held by AXA Redilion ManagementCo S.C.A., thus holding 24.92% of the total shares in Encevo S.A after this transaction. Axa Redilion ManagementCo S.C.A. and Ardian Redilion ManagementCo .C.A. continue to hold 0.52% of the shares (4,713 shares) respectively 0.04% of the shares (401 shares) in Encevo S.A.

In line with the group’s strategic review performed in 2017 in regards to the development of technical services for the group’s professional and industrial customers, the Company acquired in 2018 100% of the shares of Paul Wagner & Fils, one of the

leading firms among installers and service providers in the field of technical building equipment in Luxembourg.. In the same context, Cegedel International S.A., a 100% subsidiary of Encevo S.A., has been renamed in Enovos Services Luxembourg S.A in order to concentrate all group companies active in the technical service area under this new company.

The composition of the Executive Committee of Encevo S.A. also changed during the year, following the retirement respectively the departure of two its members in September 2018, the Group Chief Executive Officer – Jean Lucius and the Chief of Operational Support – Michel Schaus. The new composition of the Executive Committee going forward is as follows: Claude Seywert as Group Chief Executive Officer, Marc Reiffers as Chief Executive Officer of Creos Luxembourg S.A., Erik Von Scholz as Chief Executive Officer of Enovos Luxembourg S.A., and Guy Weicherding who remains Group Chief Financial Officer. The Chief of Operational Support position has not been replaced within Encevo S.A., hence the departments concerned were reorganised accordingly under the Group CEO and the Group CFO.

On 26<sup>th</sup> July 2018, the Company successfully closed a new long term financing transaction, issuing a EUR 250,000,000 Green “Schuldschein” (German Certificate of Indebtedness) in order to finance the group’s sustainable capital expenditures in Luxembourg, largely in grid assets and renewable energy generation. This financing has a weighted average tenor of 9.9 years (4 tranches of EUR 128,000,000, EUR 22,000,000, EUR 50,000,000 and EUR 50,000,000 with respective tenors of 7 years, 10 years, 12 years and 15 years).

Given the group’s overall high liquidity, the Company decided to prematurely reimburse in June 2018 the 7 year tranche of 35,000,000 EUR from the 2013 Schuldschein initially due in June 2020.

The amount drawn on the Revolving Credit Facility (“RCF”) – maturing in August 2023 with a committed amount of EUR 200,000,000 with 7 banks – as of 31<sup>st</sup> December 2018 is EUR 0 (2017: EUR 0).

Non convertible loans amount to EUR 597,000,000 excluding accrued interests (2017: EUR 382,000,000), the increase compared to last year stems from the new Green Schuldschein of EUR 250 million partially offset by the EUR 35 million reimbursement on the 2013 Schuldschein. On the other hand, loans to affiliated undertakings did also increase, to EUR 506,938,362 (2017: 439,586,564) mainly from the net increase of EUR 70 million in shareholder loans to Creos Luxembourg S.A. (EUR 164.3 million new loans and EUR 94.3 million loan redemption).

We refer to Note 5 in the annual accounts for more details on the Company’s financing of the investments and working capital needs of its core subsidiaries.

During the year, the Company distributed a dividend of EUR 24,559,983 (EUR 34,993,428 in 2017).

Cash and cash equivalents of the Company increased significantly from EUR 28,208,885 in 2017 to EUR 211,158,557 in 2018 largely from the various group financing transactions. The proceeds received from the Green Schuldschein of EUR 250 million, the reimbursement of shareholder loans by Creos Luxembourg S.A. of EUR 94 million, and the decrease in cash pool receivable of EUR 60 million were partially offset by the early redemption of the EUR 35 million on the 2013 Schuldschein, 2 new shareholder loans to Creos Luxembourg S.A. of EUR 30 MEUR and of EUR 134 million, and the aforementioned acquisition of Paul Wagner & Fils for EUR 17.5 million. The remainder of the proceeds from the Green Schuldschein should be allocated to group companies (largely Creos Luxembourg S.A. and Enovos Luxembourg S.A.) to finance their sustainable capex during 2019 or latest 2020.

The Net Financial Debt increased from

EUR 370,143,392 end of 2017 to 406,242,274 EUR as at December 2018, mainly due to the net increase in the shareholder loans to Creos Luxembourg S.A. as explained above of EUR 70 million, the new investment in Paul Wagner of EUR 17.5 million, partially compensated by the higher net deposits from affiliated undertakings of EUR 53 million.

As of 31<sup>st</sup> December 2018, the total cash managed on behalf of the subsidiaries with which the Company entered into a cash pooling agreement is EUR 211,675,642 (2017: EUR 157,923,714).

In IT, 2018 was a year marked by the need to optimise, adapt and improve the stability of the market and network communication processes implemented in 2017. Group IT department also took on many challenges in the field of cloud migration, improvement of IT infrastructure, information security and compliance with the General Data Protection Regulation. Thus the Company drove successfully the implementation of internal procedures and IT projects in order to be compliant with European regulation on general data protection applicable since 25<sup>th</sup> May.

On a broader level, the group launched an IT strategic study in order to support its overall business strategy including the need for a digital transformation. The results of this study delivered an IT strategy for the core subsidiaries of Enovos, Creos and for the shared functions of the Group in Luxembourg and Germany including implementation roadmaps and target architectures. After finalisation of the unbundling of the SAP-ISU production environment in 2018, this study further highlighted that Creos and Enovos have different operational needs, priorities and timelines leading to the conclusion that the central IT function within the Encevo S.A. Group IT department needed to be reorganised into two operational IT divisions for Luxembourg: a Creos (Luxembourg) IT department in charge of all common infrastructure, cloud and platform services and offering application services to Creos Luxembourg S.A. and Encevo S.A., and an Enovos IT department in charge of Enovos application services and pure Enovos cloud and platform services. This reorganisation will result in the transfer of all of the Group IT department personnel to Creos Luxembourg S.A. and to Enovos Luxembourg S.A. starting 2019.

Throughout the year, the Company continued to implement the detailed action plan defined in its efficiency improvement programme “fit for future – F4F” covering also its core subsidiaries, positively impacting the financial results of the Company and its main subsidiaries for 2018. Moreover, the second wave of cost efficiency initiatives (F4F 2.0) started to be implemented in 2018 with positive results and overall savings exceeding the identified potentials.

## PERSONNEL

The number of employees decreased from 155 FTE at year end 2017 to 146 FTE at year end 2018.

The Board of Directors and the Management of Encevo S.A. would like to thank all the employees for the fulfilment of their duties, for their contribution throughout the year, and for their full support in providing reliable and strong operational support for the group's core activities.

## FINANCIAL RESULTS

In 2018, the net turnover amounted to EUR 46,181,666 (2017: EUR 47,247,242) 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, Regulatory and Public Affairs, services provided 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 decreased from EUR 42,310,945 in 2017 to EUR 24,495,876 in 2018 mainly due to no dividends received from Enovos Luxembourg S.A. while the company distributed 12.590.065 EUR in 2017, and lower dividends received from Creos Luxembourg S.A., EUR 22,550,000, compared to 2017, EUR 26,250,000.

Interest receivable and similar income derived from affiliated undertakings amount to EUR 18,886,188 in 2018 (EUR 18,441,453 in 2017) and are mainly related to the interests received on the shareholder loans granted to the group companies.

Interest payable and similar expenses of EUR 16,660,182 in 2018 (EUR 47,153,647 in 2017) have strongly decreased, since the 2017 amount also comprised expenses in regards to the sale of the shares held in Artelis S.A. for EUR 9,846,413, and the restructuring of NPG Energy NV for EUR 21,773,738. In 2018, no such event occurred. Only a total amount of EUR 250,000 was impaired regarding the loan granted to City Mov' following the decision to liquidate this company. Excluding these extraordinary effects from 2017, interest costs and similar expenses have increased from EUR 15,509,402 in 2017 to 16,633,436 in 2018 mainly due to the new Green Schuldschein.

## RISK MANAGEMENT

The Group Risk Management department is centralising all risk management reporting from the core group companies including i.a. market risks related to the commercial activities of the Company's subsidiaries, and reports to the Group Risk Committee who monitors the main risks identified across the Encevo Group.

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 non-core 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 (“RCF”) which ensures sufficient liquidity to the main group companies. The maturity of the RCF has been extended by one more year now maturing in August 2023. 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 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 bared a floating interest rate and was prematurely reimbursed this year. The interest rates on the various maturities of the new Green Schuldschein are all fixed rates, either directly by the underwriter, or fixed via an interest swap on the day of the closing of the transaction in order to mitigate the related risk.

In regards to the ongoing litigation concerning the PV assets of Enovos Luxembourg S.A. in Italy, the Milan criminal court has issued a first instance judgement on 18<sup>th</sup> April 2019. The court rejected the claim brought by Norwegian investor EAM to hold Enovos Luxembourg S.A. civilly liable for contractual fraud allegedly committed by former representatives of Aveleos S.A. in the scope of the sale of PV plants to EAM Solar Italy Holding S.r.l. in 2014. With regard to the claim against Enovos Solar Investments II S.r.l. (“ESI II”), the criminal court rejected the claims brought by the Italian prosecutor.

## OUTLOOK

As mentioned above, on 1<sup>st</sup> January 2019 the Company's Group IT department (54 FTEs) was transferred from Encevo S.A. to Creos Luxembourg S.A. and Enovos Luxembourg S.A. for a better alignment of the various IT activities and projects with the specific needs of the two companies.

The Company will provide further financing means to realize the ambitious green investment program of its subsidiaries mainly into grid and renewable energy generation activities through the distribution of the remaining amount of the new Green Schuldschein that is held as cash at year-end. In addition, the Company is expecting to reimburse the EUR 200 million Retail Bond from 2012 at maturity in June 2019 with the proceeds of the re-imbursement by Enovos Luxembourg of the back-to-back shareholder loan of MEUR 200 also from 2012.

As the Encevo Group will continue to expand both on the supply side as well as on the grid side as foreseen in the latest business plan 2019-2023, 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.

## OTHER INFORMATION

No research and development activities have been performed during the year.

The Company doesn't hold own shares.

The Company doesn't operate any branches.

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

In the context of the change in the shareholding of Encevo S.A. as of 21<sup>st</sup> February 2018, Mr Johan van Bragt resigned from his office as a member of the Board of Directors of Encevo S.A. with effect as of the same date. Mr Claude Strasser, who had been elected Board member upon the proposal of the Luxembourg State, resigned as of April 27<sup>th</sup> 2018. Further to these resignations, the Board co-opted Daniel Da Cruz as a new Director of Encevo S.A. as of 27<sup>th</sup> April 2018 upon the proposal of the Luxembourg State while Mr Claude Strasser was co-opted on 27<sup>th</sup> April 2018 upon the proposal of the new shareholder Post Luxembourg, both with effect as from 27<sup>th</sup> April 2018. Both co-optations were ratified at the annual general meeting of shareholders held on 8<sup>th</sup> May 2018.

Furthermore, following the sale by AXA Redilion Management Co S.C.A. and Ardian Redilion ManagementCo. S.C.A. of 24.92 % of the capital of Encevo S.A. to China Southern Power Grid International (Luxembourg) Co., Ltd, Mr. Benoît Gaillochet, AXA Redilion ManagementCo S.C.A. (represented by Mr. Michael Reuther) and Mr Werner Brinker resigned from their respective offices as First Vice-Chairman of the Board, Third Vice-Chairman of the Board and Member of the Board of Directors as of 18<sup>th</sup> October 2018. They were replaced by Mrs Li Sun in the position of first Chairman of the Board and Member of the Board of Directors, Mr Ji Changqing as 3<sup>rd</sup> Chairman of the Board and Member of the Board of Directors and Mr Stefan Grützmacher as Member of the Board of Directors.

## AUDITOR

The mandate of the external independent statutory auditor, PricewaterhouseCoopers, came to term with the audit of the financial year 2017. Ernst & Young was appointed as new independent statutory auditor for the financial years 2018, 2019 and 2020 at the annual general meeting of shareholders held on 8<sup>th</sup> May 2018.

## PROPOSED APPROPRIATION OF NET PROFIT

The profit available for appropriation of EUR 60,717,209 includes the profit for the year of EUR 23,707,257, the profit brought forward of EUR 32,309,952 and the reversal of the wealth tax of EUR 4,700,000. The Board of Directors proposes to the Annual Shareholder's Meeting to be held on 14<sup>th</sup> May 2019 the following appropriation of net profit:

Dividend of 20.80 Euros per share*	18,920,283
Allocation to the legal reserve	0
Allocation to the blocked reserve	0
Allocation to other reserves	0
Amount carried forward	41,796,926
	<b>60,717,209</b>

\* Number of shares 909,629

The Board of Directors

Esch-sur-Alzette

26<sup>th</sup> April 2019

ASSETS	2018	2017
Denominated in EUR	€	€
<b>C. Fixed assets</b>	<b>1,302,805,160</b>	<b>1,218,486,393</b>
I. Intangible assets		
2. Concessions, patents, licences, trademarks and similar rights and assets, if they were		
a) acquired for valuable consideration	2,510,351	3,119,807
4. Payments on account and intangible assets under development	496,469	192,251
II. Tangible assets		
3. Other fixtures and fittings, tools and equipment	811,082	1,140,203
4. Payments on account and tangible assets in the course of construction	134,872	22,855
III. Financial assets		
1. Shares in affiliated undertakings	790,689,674	773,200,363
2. Loans to affiliated undertakings	506,938,362	439,586,564
3. Participating interests	1,224,350	1,224,350
<b>D. Current assets</b>	<b>292,940,430</b>	<b>171,589,320</b>
I. Stocks		
3. Finished goods and goods for resale	767,056	659,334
II. Debtors		
1. Trade debtors		
a) becoming due and payable within one year	585	0
2. Amounts owed by affiliated undertakings		
a) becoming due and payable within one year	80,474,389	142,260,194
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests		
a) becoming due and payable within one year	65,279	35,521
4. Other debtors		
a) becoming due and payable within one year	461,564	411,386
b) becoming due and payable after more than one year	13,000	14,000
IV. Cash at bank and in hand	211,158,557	28,208,885
<b>E. Prepayments</b>	<b>9,974,109</b>	<b>6,674,523</b>
<b>TOTAL ASSETS</b>	<b>1,605,719,699</b>	<b>1,396,750,236</b>

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

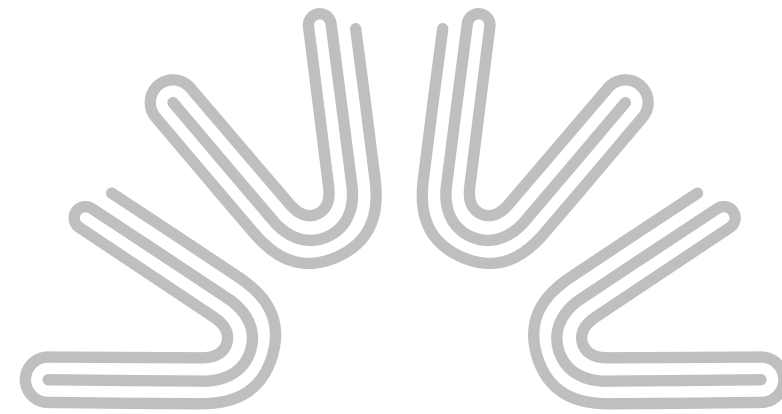


<b>CAPITAL, RESERVES AND LIABILITIES</b>	<b>2018</b>	<b>2017</b>
Denominated in EUR	€	€
<b>A. Capital and reserves</b>	<b>709,682,686</b>	<b>710,535,412</b>
I. Subscribed capital	90,962,900	90,962,900
II. Share premium account	387,028,449	387,028,449
IV. Reserves		
1. Legal reserve	9,096,290	9,096,290
4. Other reserves, including the fair value reserve		
a) other available reserves	161,438,164	161,438,164
b) other non available reserves	5,139,674	1,539,674
V. Profit or loss brought forward	32,309,952	23,971,758
VI. Profit or loss for the financial year	23,707,257	36,498,177
<b>B. Provisions</b>	<b>7,648,231</b>	<b>10,188,799</b>
1. Provisions for pensions and similar obligations	6,030,279	8,521,337
3. Other provisions	1,617,952	1,667,462
<b>C. Creditors</b>	<b>888,188,400</b>	<b>676,026,025</b>
1. Debenture loans		
b) Non convertible loans		
i) becoming due and payable within one year	206,375,628	5,318,840
ii) becoming due and payable after more than one year	397,000,000	382,000,000
2. Amounts owed to credit institutions		
a) becoming due and payable within one year	25,083	26,747
4. Trade creditors		
a) becoming due and payable within one year	5,953,500	4,997,355
6. Amounts owed to affiliated undertakings		
a) becoming due and payable within one year	260,110,884	277,386,110
b) becoming due and payable after more than one year	14,000,000	0
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests		
a) becoming due and payable within one year	88	28,559
8. Other creditors		
a) Tax authorities	1,708,283	3,542,755
b) Social security authorities	596,097	563,741
c) Other creditors		
i) becoming due and payable within one year	2,414,637	2,157,718
ii) becoming due and payable after more than one year	4,200	4,200
<b>D. Deferred income</b>	<b>200,382</b>	<b>0</b>
<b>TOTAL CAPITAL, RESERVES AND LIABILITIES</b>	<b>1,605,719,699</b>	<b>1,396,750,236</b>

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

<b>PROFIT AND LOSS ACCOUNT</b>	<b>2018</b>	<b>2017</b>
Denominated in EUR	€	€
<b>1. Net turnover</b>	<b>46,181,666</b>	<b>47,247,242</b>
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	<b>64,521</b>	<b>104,331</b>
<b>4. Other operating income</b>	<b>786,167</b>	<b>994,867</b>
<b>5. Raw materials and consumables and other external expenses</b>		
a) Raw materials and consumables	(490,156)	(450,659)
b) Other external expenses	(26,312,614)	(29,172,565)
<b>6. Staff costs</b>		
a) Wages and salaries	(19,143,813)	(17,928,228)
b) Social security costs		
i) relating to pensions	(1,171,935)	(1,143,299)
ii) other social security costs	(1,028,017)	(804,858)
c) Other staff costs	(776,608)	(1,562,190)
<b>7. Value adjustments</b>		
a) in respect of formation expenses and of tangible and intangible fixed assets	(1,793,501)	(1,960,090)
b) in respect of current assets	(159,176)	3,279,035
<b>8. Other operating expenses</b>	<b>(696,475)</b>	<b>(633,181)</b>
<b>9. Income from participating interests</b>		
a) derived from affiliated undertakings	23,921,580	40,702,445
b) other income from participating interests	574,296	1,608,500
<b>11. Other interest receivable and similar income</b>		
a) derived from affiliated undertakings	18,886,188	18,441,453
b) other interest and similar income	40,713	1,755
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	<b>(250,000)</b>	<b>24,696,349</b>
<b>14. Interest payable and similar expenses</b>		
a) concerning affiliated undertakings	(26,746)	(31,644,245)
b) other interest and similar expenses	(16,633,436)	(15,509,402)
<b>15. Tax on profit or loss</b>	<b>1,734,604</b>	<b>88,497</b>
<b>16. Profit or loss after taxation</b>	<b>23,707,257</b>	<b>36,355,757</b>
<b>17. Other taxes not shown under items 1 to 16</b>	<b>0</b>	<b>142,420</b>
<b>18. Profit or loss for the financial year</b>	<b>23,707,257</b>	<b>36,498,177</b>

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



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Design, production and editorial direction:  
Corporate Communication

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Edouard Olszewski

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Reka



**Encevo S.A.**  
2, Domaine du Schlassgoard  
L-4327 Esch-sur-Alzette

Postal address: B.P. 558  
L-2015 Luxembourg

Tel.: (+352) 2737-1  
[encevo.eu](http://encevo.eu)