encevo

Building bridges

Annual Report 2017

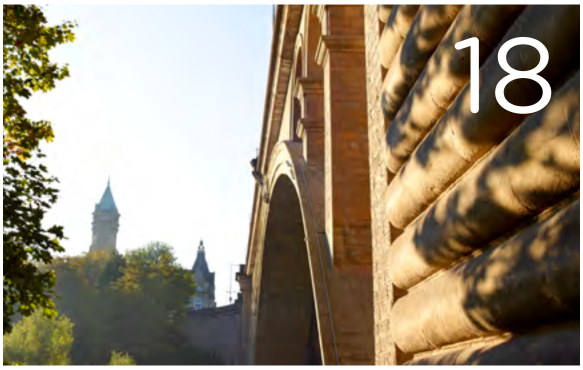
ENTREPRISE SOCIALEMENT RESPONSABLE

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 mobilize all our forces to bring the energy of tomorrow to our customers.

Encevo S.A. Registered as a société anonyme (public limited company) under Luxembourg law with a capital of EUR 90,962,900 (31.12.2017)
Registered office: Esch-sur-Alzette Luxembourg Trade and Companies' Register B11723. Annual General Meeting of 8th May 2018

“There is a lot of activity in progress in terms of digitisation, but we haven’t crossed the finish line.”



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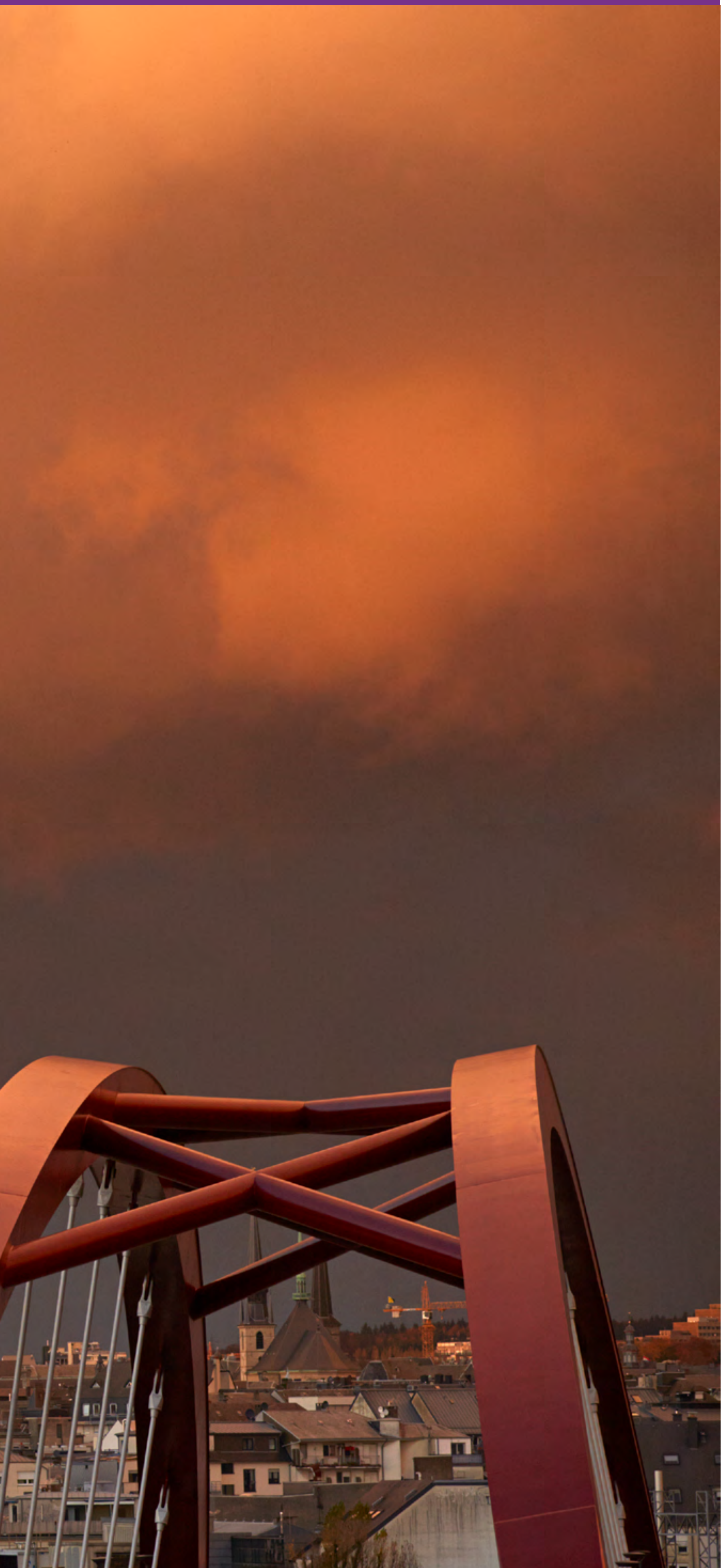
Building Bridges

Annual Report 2017
Encevo S.A.

PART I

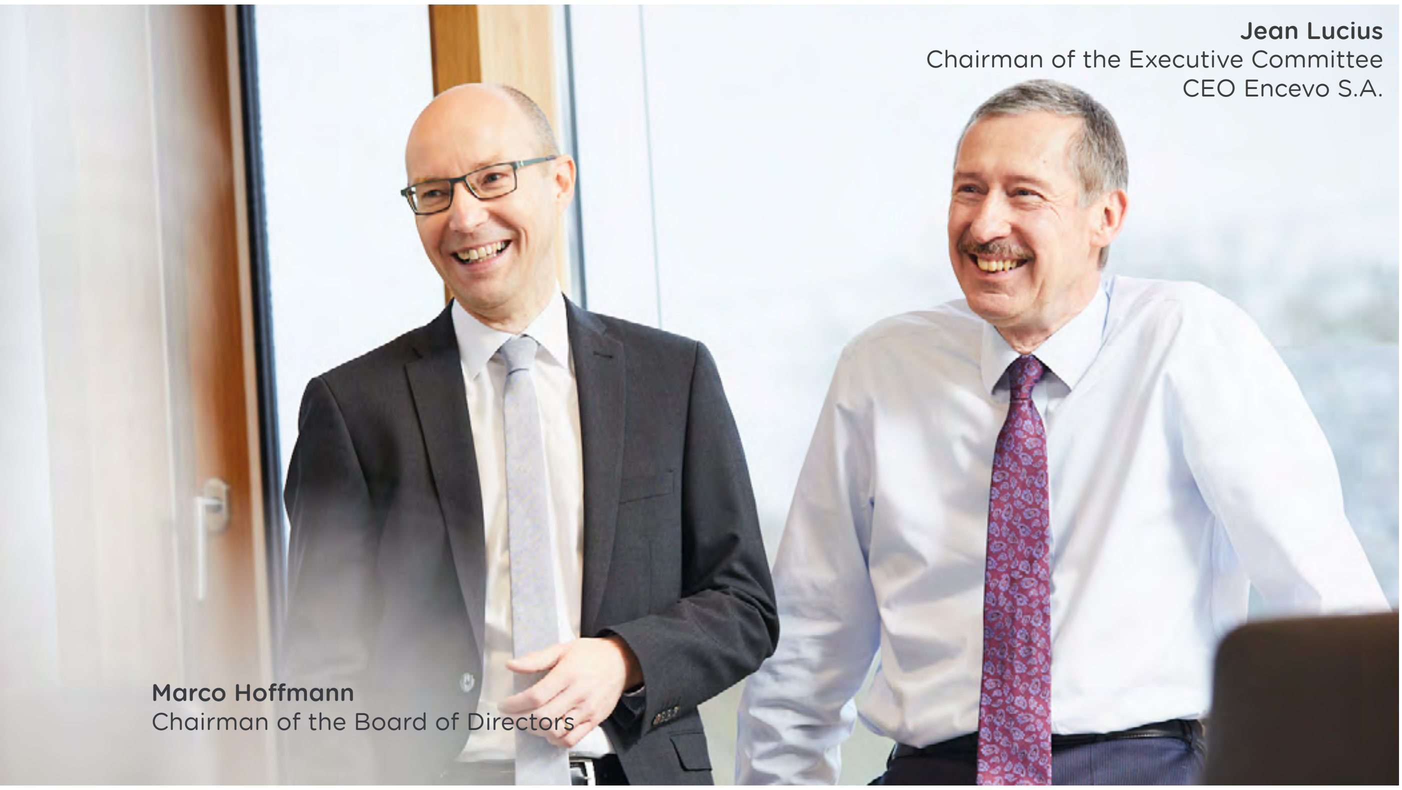
OUR MISSION



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

Evolving the future

Energy markets remain in permanent evolution and are still subject to change. Encevo is a key player in this evolution; building bridges towards a sustainable future growth, embracing the change and even shaping the energy landscape for Luxembourg and the Greater Region. The group has gone to great effort and initiated a variety of projects to stay ahead of the curve.



How would you rate 2017 performance for the Encevo Group?

Marco Hoffmann: Financial results are just one piece of the puzzle when we talk about performance and building for the future. Unlike the exceptional opportunities 2016 presented in our Portfolio Management, 2017 had positions that were less favourable for us. On the grid side, the lower remuneration rates at the beginning of the new regulatory period in Luxembourg affected Creos and hence the group's financial results. The level of investment was extremely high for Creos, but all the extensions and modernisation of the grid remained well within the allocated budget.

Jean Lucius: Many internal projects, notably in the area of digitalisation, were launched for both Enovos and Creos and are still underway. Although we did not reach the record highs, all in all, we are pleased with the overall performance in 2017.

With the energy market still being in permanent evolution, what is the strategic focus of the group?

Marco Hoffmann: 2017 saw work on a group-wide, strategic review somewhat influenced by the Rifkin process. Key areas of focus were confirmed, but new avenues for investment and growth were also identified and developed. One area we will develop during the upcoming years is technical services; and Luxembourg, as our core market, will become even more important.

Jean Lucius: The German market will remain important. The acquisition of the electrical grid from STEAG, reinforces our position on the grid-side. We managed to add the power grid to our gas grid, and this should help our partnerships with municipal utilities ("Stadtwerke"). We had this know-how before, but now we can advertise it on a regional scale; from energy trading, through sales activities, to grid technology, we are a complete partner for municipal utilities. This will help further develop our business in Germany. Our strategic review of activities in Belgium and France is still on-going.

Were there any internal implications in this regard?
Jean Lucius: In 2017, we felt it important to formulate corporate values for the group. Our values embody not only our day-to-day business practices, but also our attitude towards our colleagues and customers. We launched a process with our employees, to define four core values; Respect, Team Spirit, Commitment and Excellence compliment and build on each other. We are convinced that these values will help us implement our new strategy.

You already mentioned the Rifkin process in the context of the strategic review. It has been a little more than a year since the presentation of the study. Has this already impacted Encevo Group? And what does the future hold in this regard?
Marco Hoffmann: The Rifkin study confirmed different areas of existing Encevo Group activity. For example, we raised our ambition both for an increase in production of renewable energies and in energy efficiency. Creos will continue to invest heavily in critical elements such as reinforcing the grid. An increase in wind energy through the repowering of existing or the building of new parks requires more capacity on the grid side. As for Enovos, the level of investment will also remain high. In addition to new wind parks, there will be extensive investment in solar projects. This is a great opportunity for our group. Most of these commercial activities and grid investments will be made right here in Luxembourg.

"Most of the commercial activities and grid investments will be made right here in Luxembourg"

Marco Hoffmann
Chairman of the Board of Directors

How has the role of the parent company evolved in the past year?
Jean Lucius: Encevo took the lead in the strategic review and, based on the result, adapted our internal organisation. We see the value of decentralisation, so are according greater autonomy to the people working in operations. In parallel, we improved the tools we use to conduct business and will achieve more transparency regarding unit performance. Working in a more decentralised way also means that support functions in our holding must be closer to the business.

Executive Committee
Encevo S.A.

What are the main regulatory challenges the group will face?

Marco Hoffmann: Regulation plays an increasingly important role in our sector. Grid business faces pressure on costs as remuneration is aligned to financial market conditions; where we observe a downward trend. The 'Clean Energy for all Europeans' package is also still very significant for our group. It has a major influence on Luxembourg legislation, and we will have to adapt. This primarily concerns Creos, which must find the right balance between distributed energy production, and central grid management. The 'Clean Energy Package' grants national authorities enough flexibility to adjust to local conditions and circumstances.

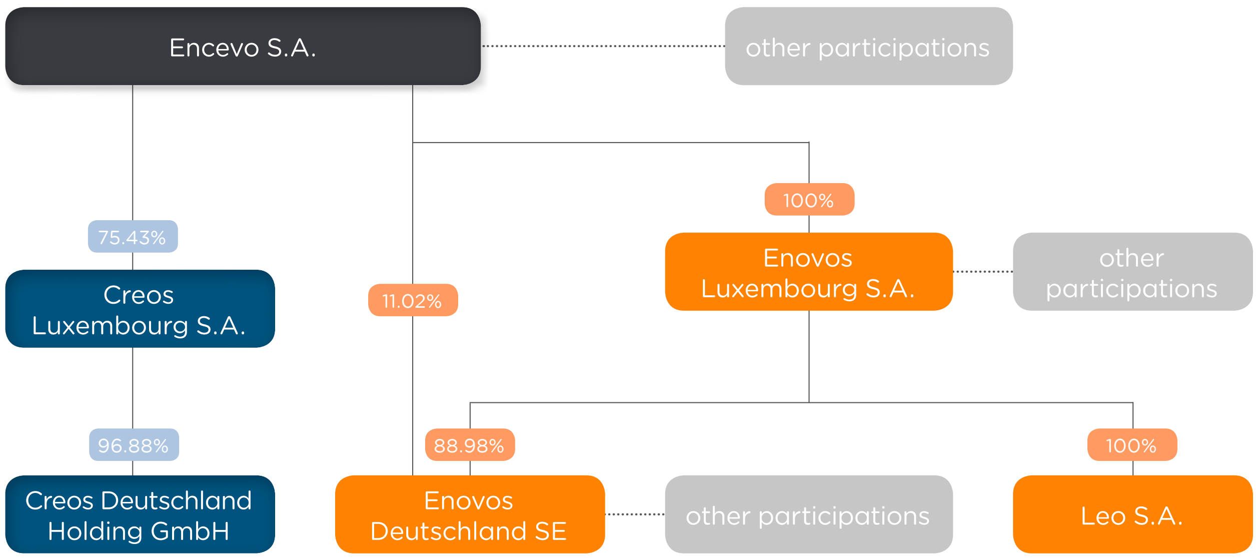
What do you retain from the past year for Enovos and Creos?

Jean Lucius: 2017, and 2018, are transition years. There will be many internal projects, mainly on digitisation. The first results will be seen in two or three years, although there are already some first achievements. For example, workforce management is now fully digital within Creos; for Enovos, contract offers are generated faster and automatically from the customer profiles. There is a lot of activity in progress, but we haven't crossed the finish line. Our focus must be on implementation.

What do you consider the biggest challenge ahead?

Jean Lucius: The biggest challenge is all the new technologies under development. There are several challenges ahead; digitisation, the on-going creation of new products and services for our customers, and the development of distributed energies. Advancement of all these related technical services is needed for us to become a one-stop-shop. We must adapt our business model, or even find a new one, to meet these challenges. We must also optimise, wherever possible, to prepare for when more and more customers have PV panels on their rooftops, and electric cars charging in the garage. It's a huge challenge to manage efficiently – commercially as well as for the grid.
Marco Hoffmann: Electric mobility will be a key element for Luxembourg's future mobility in general, and an enviable opportunity for the group. The large-scale deployment of electric mobility will further increase the need for electricity, but also calls for the appropriate infrastructure to be able to serve the customer. The State's decision to deploy adequate charging infrastructure throughout the country is very positive and sets the basis for further development. We will see in the coming months, and years, if the industry proposes adequate offers of cars to convince people of the efficiency and convenience of this new technology. Electric mobility will happen, and we will help move it forward quickly.

GROUP STRUCTURE



“The Rifkin study confirmed different areas of Encevo Group activity. For example, we raised our ambition both for an increase in the production of renewable energies and in energy efficiency”

Marco Hoffmann
Chairman of the Board of Directors

3 questions to Marc Reiffers

A strong commitment to sustainability and a greener future

Marc Reiffers
Member of the
Executive Committee
CEO Enovos Luxembourg

What are the main success stories for Enovos in 2017?
We are pleased with overall 2017 performance considering that we faced a complicated environment. For example, in Luxembourg, our home market and sales position remained strong in all customer segments due to competitive prices, which were supported by high quality service levels. In Germany, Enovos Deutschland restructured its countrywide sales organisation and concentrated its oversight functions to one site. German renewable energy activities were expanded. Notably, the Operations & Maintenance (O&M) portfolio was enlarged to 600 MW, making Enovos one of Germany's largest providers in the field. Internally, we focussed on projects and programs that move us toward operational excellence, but these results will only be seen a few years from now.

Enovos has long incorporated sustainability and a greener future into its core mission, which has received another push by the Rifkin study. How has that impacted Enovos?
Energy efficiency, ecomobility and an increase in renewable energy production are the main areas for Enovos in the Rifkin process. Electric mobility is on the rise and the projected 800 public charging stations, of which nearly 100 are already in use, clearly show this. This calls for adequate products for the customer such as our fully digital ecomobility offer. But the large-scale deployment of electric mobility will also increase the need for electricity. Hence, the increase in production of renewable energy becomes even more important. We will grow production, notably by developing wind power. But the commitment to sustainability and a greener future was, and is, mirrored in our sales products. Take for example nova naturstroum. It is produced entirely from renewable sources, with a focus on strong local and regional production. 69% of the nova naturstroum mix is locally produced. The rest comes from renewable sources in Europe. It shows our commitment to sustainability, to a greener future, and also to local communities.

What will be the most important challenges for Enovos?
Our focus is to become more and more digital; to implement digitisation across all internal processes, and to offer digitally accessible products and services on the market. Another challenge will be to enter the field of technical energy services; becoming a one-stop-shop for our customers, where they can find all the answers for their energy needs. But these are just two points we must develop. We have indeed a lot on our agenda.

Interview with Claude Seywert

Getting ready for a smart world

What was the biggest success for Creos in 2017?
Clearly, the biggest step Creos took in 2017, was interconnecting its high-voltage grid with Belgium. Though this interconnection is currently still only in the technical trial phase, the fact that we managed to put it into place - with our neighbouring TSOs Amprion and Elia - is a major accomplishment for the project team. This is the first link between the German and Belgian market areas. It is also a major development for Creos as we now must ensure substantial additional TSO roles, one illustrative example, is entering into a direct relationship with the regional security coordinator TSCNET.
We are also quite proud of three other achievements: the introduction of electronic market-communication in Luxembourg in October, the successful management of the ramp-up to full speed of the national smart meter roll-out, and the deployment of the first wave of charging stations for electrical cars throughout the country.

How do you see the outlook for 2018 and beyond?
For 2018, Creos will continue the grid infrastructure investment program at the same high level as previous years. We are following the growth of the country by reinforcing the grid where necessary, and we are getting ready for a "smart" world. We must also maintain our pace on the smart meter and loading station roll-out throughout the year and into 2019, which is no small endeavour. Visible developments of Creos over the next years will include the construction of our new headquarters and operating centre in Luxembourg city (for which we broke ground in 2017), as well as beginning construction of a new grid control centre in Bettembourg.

What do you consider the most important challenge for Creos?
Considering the latest industrial developments in the country, its population growth, the further spread of renewable power production, the rapid electrification of our mobility, etc. (trends fully described also in the "Rifkin" strategy of our government), we can see that we will reach the capacity limits of our grid in the medium-term. Therefore, we must review our grid development plan and start to prepare the "next step" in the evolution of our infrastructure. Obviously this will be done in collaboration with neighbouring countries and will take into account (as much as possible) the technological evolution towards a "smart" world and further decentralisation of the energy landscape.

Claude Seywert
Member of the Executive Committee
CEO Creos Luxembourg

3 questions to Erik von Scholz

Build on our success

In addition to your responsibility for the Corporate Development of the group you have taken over the responsibility for the renewable energies activities in March 2017. What are the major success stories in 2017?
It was a challenging year for Corporate Development & Strategy, and the Renewable Energies teams. Following an ambitious and arduous strategy review, the group decided to focus on its core markets and our internal organisation was adapted accordingly. We took full control of NPG Energy, our subsidiary in Belgium and reduced our exposure in biogas. As well, we committed substantial resources to repair two biogas units. We sold our wind activities in France and concentrated our teams' activities in Luxembourg on developing our solar business. We expanded our asset base in Germany through the acquisition of a local electricity grid operator.

What is your outlook for 2018 and beyond?
Our focus is to build on 2017 successes and to position our group as a leading player in shaping the energy sector of the Greater Region, as it evolves. I am confident that we will enjoy our first success stories with our photovoltaic (PV) activities in Luxembourg and will develop renewable activities in Germany; focusing on PV. Our group's positioning as the regional reliable partner for public utilities in the southwest regions, will allow us to further develop regulated and non-regulated activities. The finalisation of restructuring core activity for NPG, and commissioning both biogas units in due time, are also two important endeavours. Once this is achieved, we will analyse potential development scenarios, as the Belgian market also offers opportunities in the PV sector.

What do you consider to be the critical factor for success?
Our people are integral to our success. Our intent is to further improve collaboration between our teams and empower our managers to be comfortable with the appropriate level of decision-making. Our corporate culture must be adapted to increasing competition and uncertainty in our market. Digitalisation will progressively transform the business - both in terms of processes and customer interaction; it is essential to develop our know-how in technical services. This means choosing the right battles and optimising our cost structure. There is a lot on our agenda, but we know we can count on our skilled and hardworking staff to succeed.

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

Interview with Michel Schaus

Operational Support services play a key role

Could you describe some of the key contributions that Operational Support Services bring to the organisation?

When it comes to facing an increasingly complex environment, our employees are our greatest asset. Operational Support Services play a key role in assisting the organisation to meet elaborate energy market challenges. Just to mention one example, being active in four countries and in various fields, means our legal department must constantly keep up with four different jurisdictions in both general and very specific topics to be able to efficiently counsel the organisation. We aim to bring specific expertise, give the right advice and provide relevant and efficient tools, thereby acting as an enabler for a flexible and responsive organisation. This approach is particularly noticeable in the field of project management, where the dedicated 'project management culture and collaboration' programme has enabled, and continues to contribute to, the group's improved project management maturity level. Furthermore, we increased our efforts around talent management and established a catalogue of competencies. This enabled us to better and more effectively develop the employability of our workforce and foster the acquisition of skills essential to the group's success. In some areas, the high level of sophistication requires hiring ever-increasing specialised profiles, while at the same time, improvements in the process allow us to reduce average recruiting time for new candidates. We also strengthened the HSE (Health, Safety and Environment) culture within the group; using training, campaigns and other communication vehicles to raise awareness regarding health, safety and environmental matters among our personnel.

Michel Schaus
Member of the Executive Committee
Chief of Operational Support

What are your CSR Highlights of 2017?

We are gradually moving towards a more integrated approach. Our stakeholders support the view that CSR topics are an integral part of the group's strategy. They expect to be provided with this broader, more integrated perspective that affords a transparent and logical account of value created, both from a financial point of view, and from a wider standpoint – in relation to environmental, social and governance topics. From an external point of view, this evolution can be seen, for example, in our choice to integrate CSR into our annual report.
Our CSR Strategy was historically structured around 6 CSR Commitments. In line with this more integrated approach in 2017, Encevo Group committed to contributing to the Sustainable Development Goals (SDGs) and modified its CSR Strategy accordingly; making the link between the SDGs, their national and local implications, and the group's activities.

What do you consider the main challenges ahead?

Digitalisation is certainly a key topic that concerns all our services; bringing new opportunities that we cannot afford to miss. Digitalisation will allow employees to focus on more value-add tasks and will also help improve communication within the group. We aim to take advantage of innovative technologies to strengthen a cooperative approach where support functions are close to operations, allowing them to fully focus on their core business.

3 questions to Guy Weicherding

A challenging year

Guy Weicherding
Member of the Executive Committee
Chief Financial Officer

2017 financial results have deteriorated compared to 2016, what are the main factors explaining the lower performance?
As expected, 2017 was indeed a challenging year for both commercial and renewable activities. Market prices were still quite low albeit an upside trend, especially in power, began in the 2nd half of the year. While sales prices could be kept at relatively stable levels, sourcing prices increased due to the growing impact of long term supply contracts. The results of our renewable activities were also negatively impacted mainly by the restructuring of our biogas activities which started in 2016. Finally, 2017 grid activities, faced lower financial results, while Creos continued on its path of high investments, especially in Luxembourg. The first year of the 2nd regulatory period was characterized by lower remuneration rates and lower allowable costs.

To offset the lower revenues and margins, the group continued to work on its cost base, and launched a 2nd cost improvement programme during 2017 – F4F 2.0 – which already brought initial savings last year, and is expected to bring further significant savings in years to come.
Our EBITDA therefore comes in at EUR 193.6 million, some 26.2% lower than 2016. It should be noted, however, that in 2017 included EUR 10.8 million of exceptional provisions, while 2016 enjoyed a positive impact of EUR 15.1 million from reversing provisions, both were mainly due to our renewables assets. Excluding these two effects, 2017 recurring EBITDA of EUR 204.4 million lagged the 2016 result by some EUR 42.9 million , or -17.3%.

What will the impact be of these lower operational results on the group's financial strength?

Actually, we had no negative impacts. On the contrary, operating cash flow remained solid with EUR 201.1 million, albeit a decrease of some EUR 37 million compared to 2016. The main contributing factor was continued low working capital requirements, amongst others, but also a lower net cash-out from investments. While gross investments of nearly EUR 200 million slightly exceed the 2016 figure, proceeds of some EUR 56 million from the sale of a building and a minority stake in an ITC participation, lead to a total free cash flow of EUR 60.9 million , slightly exceeding the EUR 58.9 million of 2016.

Consequently, the group's consolidated net financial debt decreased for the 2nd year in a row, to EUR 473.8 million at end of 2017, a decrease of EUR 28.4 million compared to the previous year. This netted out a gearing ratio – net financial debt compared to total capital and reserves – of 36.8%, the lowest figures in 5 years. Total capital and reserves compared to total assets also stayed at a very sound level of 50.7%, the highest value since 2012, illustrating the group's strong balance sheet.

What is your outlook for the next years?

2018 and 2019 should be similar to the 2017 in terms of financial results; as energy sourcing costs and lower remuneration rates in grid, again prevent us from growing our operational results. Therefore, the group will continue to work on its cost base to offset some of these negative impacts. Investments will remain at a high level, especially on the grid side, and the group is contemplating entering the financial markets during 2018 with the aim of raising the funds required to support its ambitious investment plan – market conditions, despite the recent long-term rate increase at the end of 2017 and early 2018, remain very favourable.

In the medium term, we are cautiously optimistic that we will generate sustainable EBITDA growth again, thanks to continued high investment in the grids, from the impact of the group's development of its renewable activities, and new services.

The group will continue to work on its cost base to offset some of these negative impacts. Investments will remain at a high level, especially on the grid side.

Key figures consolidated	2017	2016
Sales volume gas (TWh)	27.2	23.8
Sales volume electricity (TWh)	11.4	13.3
Sales (EUR millions)	1,758.2	1,888.9
EBITDA (excl. exceptional items)	**204.4**	**247.2**
EBITDA (incl. exceptional items)	**193.6**	**262.3**
Operating cash flow	**201.0**	**237.9**
Free cash flow	**60.9**	**58.9**
Net profit (excl. exceptional items)	**68.8**	**108.3**
Net profit for the year (incl. exceptional items)	55.7	83.2
Total Assets	2,538.5	2,468.9
Capital and reserves	1,288.2	1,243.7
Net financial debt*	473.8	502.3
Capital expenditures	199.7	196.1

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

PART II

OUR ACHIEVEMENTS

Encevo defines the group strategy as well as governance and ensures financing for all group entities with a view to guarantee the sustainable development of the whole group. Through its skilled and experienced staff of over 160 employees, Encevo also provides various support services to group entities. The following pages offer an insight into what we have achieved in the various domains of activity and our outlook on the upcoming year.

HIGHLIGHTS 2017

What has Encevo Group accomplished?

REAL ESTATE & FACILITY MANAGEMENT

FOCUS ON HEALTH, SAFETY AND ENVIRONMENT (HSE)

2017 marked another year of continued reliable support to the core business; constantly challenging FM service providers to deliver superior performance, in an increasingly difficult environment, is now part of daily business. To further strengthen the group's HSE culture, we conducted a series of activities to raise personnel's awareness regarding health, safety and environmental matters. Training sessions, information campaigns, and a health & safety day, took place, as well as the recertification of the SGS Label and the further development of KPI's for HSE. Within the scope of the continuous improvement circles of the ISO 50001 certification, we examined and explored new real estate energy optimisation techniques and standards. As part of the real estate strategy, the sales transaction of the Real Estate Strassen S.A. was completed, with the lease back of the Strassen site. The planning and permission phase of two major construction projects CSL (Creos Siege Luxembourg) , the new HQ of Creos in Luxembourg and CDB (Creos Dispatching Bettembourg), the new dispatching building were finished and are entering the construction phase.
Emphasis is now on progressing construction, while simultaneously integrating facility management to assure the best possible life cycle management of future assets.

GROUP ORGANISATION AND PROCESS EXCELLENCE

FACILITATING AND DRIVING OPERATIONAL EXCELLENCE

Our Group Organisation & Process Excellence is steeped in the digital transformation. This department's core mission is to facilitate business operations; providing professional methods which improve overall performance and efficiency (lean & digitised processes) and improve the organisation's capabilities to implement its strategy in a time- and resource-sensitive manner. This focus is leading the group to the next level of processes digitisation (incl. elimination of paper) and enhancing how we manage our tools, methods & processes.

HUMAN RESOURCES

PROVIDING OPPORTUNITIES

Fostering a closer partnership with the business remained one of HR's top priorities in 2017. We improved our partnering ability during the company's re-organization by providing our expertise and acting in an advisory capacity to our management teams. Furthermore, a regular on-site presence enabled more than 150 employees to exchange ideas on HR topics. We also finalized the first competency framework in the organization, which will be deployed in 2018. The purpose of this tool is to identify competencies which are crucial to business success, align them with our employee roles, and support further people development. Moreover, Encevo Group invested more than EUR 2 million in training & development and organized over 120 training sessions internally in 2017. This demonstrates the commitment of our group to supporting professional growth. The HR team hired 77 external candidates and successfully completed 76 internal transfers, which clearly confirms our strategy to provide internal opportunities to our people.

INFORMATION TECHNOLOGY

INFORMATION SECURITY AND PRIVACY

Encevo companies operate in markets affected by fast technical evolution, increased commercial competition and enhanced regulation. To protect information entrusted to us by our customers, the group reinforced IT security measures and launched digital security initiatives, which efficiently support our new business models and proactively address cyber-risks. The group also strengthened its information security governance with an Information Security Committee monitoring the enforcement of a group-wide information security policy. The group also completed the first milestones towards its compliance with general data protection regulations coming into force in May 2018.

LEGAL DEPARTMENT

FOCUS ON CORPORATE RESTRUCTURING AND RENEWABLE ENERGIES

In 2017, Encevo's Legal Department was involved in various M&A activities. In Germany, we oversaw the transactional aspects of a regional grid acquisition. In Belgium, the department managed the take-over of Enovos's direct subsidiary. As well as the sale of several foreign renewable energy sector subsidiaries, the Legal team supported the sale and lease back of one of the group's major real estate buildings through a share deal. More generally, the department provided the business units with training, policy updates and individual advice; helping the group understand the changing legal and regulatory environment (e.g. GDPR, European Clean Energy Package, feed-in tariffs, etc.), supervised all major litigation files, and assisted the Renewables and Energy Services Departments with implementing new projects.

INFORMATION TECHNOLOGY

ENCEVO GROUP GOES DIGITAL

The group pursued its digital transformation on three levels. First, the development of digital business processes and operations to improve overall effectiveness; Creos has notably finalised the digitalisation of its workforce for recurring maintenance and inspection. Second, the digital customer experience to automate much of the customer journey and reduce transaction costs, with elements like eshop (the new web-based Point of Sales solution), or enocoach (that informs users about their real-time consumption and gives energy-saving recommendations). Third, with digital offerings and business models, the group targeted both the extension of existing offerings to new digital channels, and develop new digital business opportunities such as Arrive&Stay. This platform provides people who are relocating with support for administrative tasks (e.g. energy provider, insurances, etc.).

INTERNAL AUDIT

INTERNAL AUDIT PLAN COMPLETED

The Internal Audit Department successfully completed its 2017 internal audit plan, approved by the Audit Committee. Completed audits were mainly related to the following processes: real estate and facility management, Belgian photovoltaic plants, Belgian wind farms and biogas plants. Upon the Executive Committee's request, Internal Audit also performed audits on human resources budgeting processes. The department also successfully conducted follow-up on previous internal audit report recommendations.

CORPORATE VALUES FOR THE GROUP

RESPECT, TEAM SPIRIT, COMMITMENT, EXCELLENCE

In 2017, Encevo Group defined four core values in order to help implement a common, group-level corporate culture: Respect, Team Spirit, Commitment and Excellence embody our day-to-day business practices as well as our attitude towards our colleagues and customers. The process of defining these values took the broadest basis possible and was launched with our employees. Embedding these values into our day-to-day operations will also enhance our ability to adapt to the fast-changing market conditions in our industry.

GROUP ORGANISATION AND PROCESS EXCELLENCE

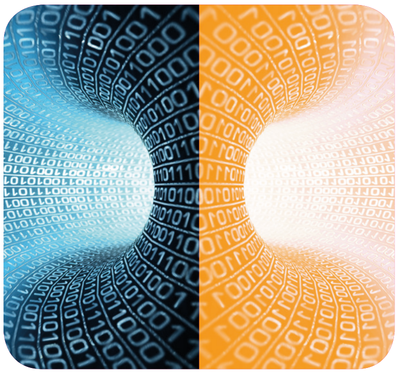
SUCCESS IN A CHANGING PROJECT MANAGEMENT CULTURE

2017 was a very successful year for this department. We deployed group-wide guidelines for project management, defined and installed a Project Portfolio Management structure, and portfolio reports increased project health transparency. We adapted project management life-cycles to specific project types such as agile IT, business development (invest/divest), renewables, and process efficiency, to allow more flexibility and align with unique project needs. Compared to 2016, the number of portfolio projects was significantly reduced; ultimately, our approach ensures more focus on fewer, high-value projects.
In 2017, the Process Excellence team concentrated mainly on finalising high volume unbundling processes (Move In/ Move Out etc.) for a September go-live. Completely new processes were designed for Market Communication (new regulatory requirement), and Smart Meter Management. We demonstrated agility and efficient knowledge management by re-using processes in end-user testing, training and videos; driving key projects to success.

INFORMATION TECHNOLOGY

SAP UNBUNDLING (SUN2)

In 2017, the group successfully finalised a challenging program aiming at dividing a common SAP platform into dedicated SAP applications for Enovos and Creos. The first objective was to comply with European regulation; unbundling activities performed by the energy supplier and the grid operator. The second objective was to implement an architecture to support the new Luxembourg Market Communication for electricity and gas, between Distribution System Operators (DSOs) and suppliers, and Grid communications between Creos, other DSOs, and LuxMetering. The third objective was to re-engineer the core business processes of Enovos and Creos.



OUTLOOK

What challenges does Encevo Group face?

GROUP ORGANISATION AND PROCESS EXCELLENCE

DESIGN BUSINESS PROCESSES FOR FUTURE CHALLENGES

In 2018, we will focus on project benefit management, project selection criteria, enhanced tool support, and advanced trainings for key project managers. The first wave of in-house Encevo LeanSixSigma training in 2017 (for process owners and process responsibles), will continue in 2018. This second wave will help us design business processes that can address future challenges. We also expect to finalise re-engineering the group procurement processes (End2End digitisation), with the help of our project team colleagues. Finally, we will produce an initial version of a common, shared-services balanced scorecard dashboard. This tool will ensure we are very close to our business units; integrating their service requirements to drive service improvements.

HUMAN RESOURCES

BUILD FROM WITHIN

Investing in our employees through development opportunities will remain of the utmost importance to support business growth. Therefore, the HR team endeavours to promote competency management tools for improved process efficiency by keeping focus on business needs. The development of the group training catalogue with specific focus on competencies, was identified as essential to guaranteeing business success and will support this mission. Promoting internal mobility in our company will contribute to our "build from within" approach. It will give further opportunities to our employees to develop their competencies and build deeper understanding of Encevo Group's activities and services.

LEGAL DEPARTMENT

SUPPORTING CROSS-BORDER ACTIVITIES

In 2018, challenges for Encevo's Legal Department will include assisting in further M&A activities, as well as developing and implementing new activities and products. More generally, the Legal Department will continue to assist the group's various business units with general legal advice, proposing templates, and training to keep up with growing complexity of legislation evidenced by permanently evolving market legislation, and regulation in the countries where the group is active. Finally, the Legal Department will continue supervising all major litigation files.

"There are several challenges ahead; digitisation, the on-going creation of new products and services for our customers, and the development of distributed energies"

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

PART III

OUR SOCIAL RESPONSIBILITY

A sound corporate strategy needs to take into account all stakeholders' concerns. This section describes the group's CSR approach and presents some key aspects of 2017.

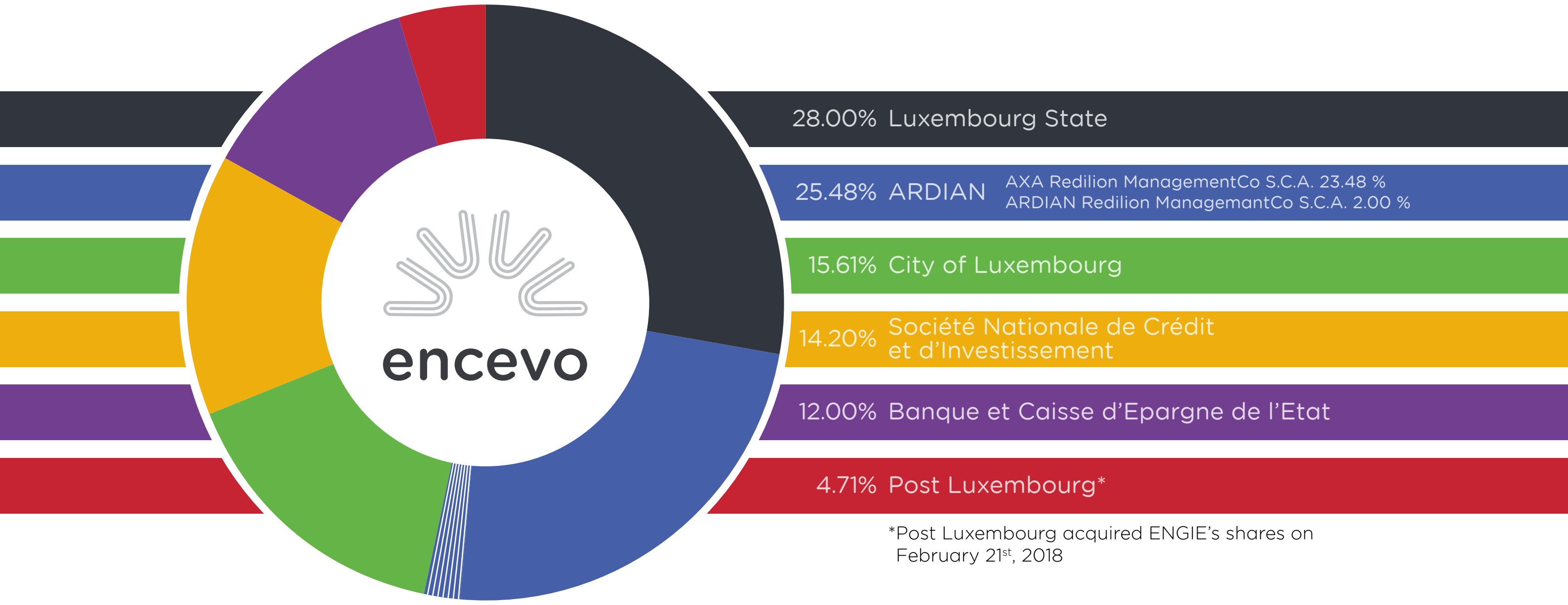
Message from the Executive Committee

Today's European energy market is in constant evolution, and Encevo Group plays a proactive role in shaping the future of energy production and distribution in the Greater Region. The group believes in taking the long view; driving real sustainable progress. The group considers its contribution to a sustainable future as an integral part of its strategy.
We are convinced that a thorough reflexion on CSR material aspects really helps the group steer its activities toward long-term positive economic growth; with sustainable benefits for the economy, the people and the environment. Reporting on this initiative provides the transparency our stakeholders expect.
Looking back over the past few years, we are pleased to see that the group's CSR approach has become increasingly rooted and mature. The first report in 2013 raised internal awareness about the group's CSR initiative in Luxembourg; connecting with internal stakeholders is now easier and brings more results. For improved transparency, the German entities have been included in the report's scope since 2014. The following years saw CSR reporting settle in as an integral part of the group's public communication. Building on these experiences, it is now time to move on to a more integrated approach that better reflects the incorporation of CSR themes into the group's strategic thinking.
In the meantime, in 2017, Luxembourg identified 6 priority areas of action to achieve the U.N. Sustainable Development Goals (SDGs) on a national level: 'Assure social inclusion and education for all', 'Diversify the economy', 'Plan and coordinate land use', 'Assure a sustainable mobility', 'Stop environmental degradation' and 'Protect the climate'. Encevo Group is willing to contribute to the achievement of these overarching national goals in cooperation with the other local actors. More specifically, the group structures and focuses its efforts on the key Sustainable Development Goals for which it believes it has an active and direct role to play:

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

This first integrated report, focused on the SDGs, is an important milestone in our CSR approach. We hope that this format will enable enhanced transparency and clarity for our stakeholders with regard to our impacts and our contributions to a sustainable future.

Shareholding



*Post Luxembourg acquired ENGIE's shares on February 21st, 2018

Board of Directors of Encevo S.A.

Marco Hoffmann	Chairman
Benoît Gaillochet[1]	1st Vice-Chairman
Tom Theves	2nd Vice-Chairman
Michael Reuther[2]	3rd Vice-Chairman
Werner Brinker	Director
Frank Reimen[3]	Director
Paul Konsbruck[4]	Director
Charles Hutmacher	Director
Aloyse Kohll	Director
Prof.Dr. Uwe Leprich[5]	Director
Marc Reding	Director
Georges Reuter	Director
Joachim Scherer	Director
Dr. Geneviève Schlink	Director
Claude Strasser[6]	Director
Daniel Da Cruz[6]	Director

1) Mr Benoît Gaillochet was the permanent representative of the director "AXA Redilion ManagementCo S.C.A." until September 29th, 2017 when Mr Michael Reuther became the permanent representative of this director. Mr Gaillochet is now a director in his own name.
2) Mr Michael Reuther is the permanent representative of "AXA Redilion Management S.C.A." as from September 29th, 2017. Until this date, he was a director in his own name.
3) Mr Frank Reimen was appointed by the general shareholders meeting on May 9th, 2017 to replace Mrs Andrée Colas who ceased to be a director on the same day.
4) Mr Paul Konsbruck was co-opted as a member of the Board on 30th September 2016 and his appointment was confirmed by the general meeting of shareholders on May 9th, 2017.
5) Prof. Dr. Uwe Leprich is the permanent representative of the director "Administration communale de la Ville de Luxembourg".
6) In the context of the change in the shareholding of Encevo S.A. as of 21st 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 27th 2018. Further to these resignations, the Board co-opted Daniel Da Cruz as a new Director of Encevo S.A. as of 27th April 2018 upon the proposal of the Luxembourg State while Mr Claude Strasser was co-opted on 27th April 2018 upon the proposal of the new shareholder Post Luxembourg, both with effect as from April 27th 2018. Both co-optations are expected to be ratified at the annual general meeting of shareholders to be held on 8th May 2018.

For further details regarding the membership in the Board of Directors of Encevo as of 31st December 2017, please consult the Annual Report of Corporate Governance.

Status: April 2018

Our CSR context and approach

About the Sustainable Development Goals:
On September 25th 2015, 193 United Nations member countries adopted a set of goals to end poverty, protect the planet, and ensure prosperity for all, as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. The European Union has committed to implement the SDGs both in its internal and external policies.
As such, and in accordance with Luxembourg's Prime Minister Xavier Bettel's declaration of September 27th 2015, Luxembourg, along with other member countries, is committed to achieving these Sustainable Development Goals. This intention was confirmed in 2017 with the identification of priority areas of action for Luxembourg on a national level.

Encevo Group supports the Sustainable Development Goals and is committed to contribute to their achievement.
Encevo Group examined the seventeen objectives and divided them into three categories, taking into account the group's strategy, national priorities, feedback from internal experts, and interactions with its internal and external stakeholders.
As a result of this exercise, we have concluded that the Encevo Group has a direct, active role to play in six of the seventeen SDGs, a moderately direct role to play in five, and an indirect role to play in the remaining six. Consequently, we have chosen to concentrate our attention on the six most relevant objectives. This section explains their materiality to us and our impacts and contributions in these different areas.

Withstanding adversity

2017 was marked by a challenging economic environment caused by, among other things, high price volatility on wholesale markets and lower remuneration rates on the grid side. The Encevo Group could count on the excellence of its teams to navigate in this turbulent environment.

With over 1500 employees, Encevo Group is one of the largest employers in the Greater Region and recognises its responsibility to invest in human capital. Facilitating the ongoing professional training of collaborators is at the core of our human resources approach. As well, like many larger organisations, the group is 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.

From a corporate culture perspective, in 2017 employees were invited to participate in a consultative exercise which refined a coherent set of company values, aligned with the Executive Committee's vision. The outcome of this exercise was a widely accepted set of values: Respect, Team Spirit, Commitment and Excellence. Aware of the need to embed these values in our day-to-day operations; we trust they will contribute to our ability to adapt to the fast-changing market conditions that are the norm today. This common value set is now being fostered at group-level, to provide a stable and resilient foundation for our future development.

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

Caring for tomorrow – our inspiration for innovation

Since 2011 Enovos has supplied renewable electricity to its retail customers at no additional cost. This demonstrated our long-standing commitment to develop and provide renewable energy. With this in mind, Enovos, through its joint venture Soler increased wind power capacity to 91 MW in Luxembourg. In terms of energy efficiency, the company continues to play its role as an enabler, providing the technological background for energy reduction in households as well as businesses. We are well aware of the challenges that lay ahead, and of the need for further innovation to realise greater energy efficiency to live up to the EU 2020 goals. Going ever further in energy efficiency can only be achieved by leveraging the full potential of technical expertise, innovation, creativity and our team's outstanding focus on our customer.

Wired for the future

Digitalisation, the backbone of 21^{st} century development, is becoming more and more influential within our industry. In 2017, we leaped forward in digitalising several areas such as human resources management, invoicing, energy procurement and electronic market-communication. We are also well aware that our industry is not shielded from the disruption arising from new technologies such as block-chain, artificial intelligence, and machine learning. An increasingly tech-savvy workforce is crucial to actively follow developments in these areas and to be ready to make the most of emerging opportunities.

On the grid side, Creos see strategic challenges and opportunities. The full integration of the European energy market was articulated by the Energy Union strategy in 2007. In 2017, Creos took a major step in this direction by initiating the interconnection of its high-voltage grid with Belgium. The reinforcement of the prosumer community, consumers producing electricity themselves, requires an infrastructure capable of monitoring and regulating energy uptake from these decentralized sources – smart-metering – while maintaining a reliable supply level for all.

Last but not least, with the ecomobility trend in the Greater Region gaining more and more ground, we see an increased adoption of electric vehicles. The Encevo Group plays an essential role in enabling the spread of this form of eco-friendly mobility. Creos is actively deploying charging stations in Luxembourg; the ultimate goal is to have 800 stations available to the public by 2020. Enovos will be the main energy provider for the charging stations and is committed to supplying them using 100% renewable energy.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Dialogue with stakeholders

Who are the group's stakeholders?
Encevo Group noticed a growing interest from its stakeholders on many critical elements of its activity. By looking from their perspective; the group was able to identify and prioritise the important aspects to report on. These include (but are not limited to) the economic performance of the group, its procurement and labour practices, its energy efficiency and GHG emissions, its health and safety methods and training programs and its engagement towards local communities. To date, the group acknowledges the importance of including its stakeholders in this process. It aims at further developing its policies in order to include its stakeholders at all level of the CSR reporting process (identification, prioritisation, validation and review).

An efficient strategy needs to take into account all the stakeholders' interests. On top of the CSR Context and SDGs described in the previous chapter, the group encourages feedback from its stakeholders and engages with them to take their concerns into account in the definition of its CSR Approach. Employees are, of course, at the core of this multilateral communication, but Enveco Group also communicates with customers, suppliers, contractors, investors, local communities… In order to engage with these stakeholders, the group initiated various techniques:

- Participation in "Clusters" with key stakeholders to discuss what really matters to them.
- Building of commitment networks such as "myclimate" or "Lëtzebuerg gëtt Gas" to connect with those who share the group's values and create opportunities to go further.
- Engagement with local communities, promotion and support of exciting projects via the "Enovos Foundation".
- Participation to industry associations such as ENTSO-E ENTSO G, Eurelectric, ILA, FEDIL, IMS, Member of FEDIL "Prix de l'environnement" Jury…
- Investment in cutting-edge technologies and connection with researchers through the "nova naturstroum fund".
- Internal meetings to identify relevant topics, concerns or issues.
- Signature of the mediation charter (an initiative coming from the "Centre de Médiation Civile et Commerciale" – CMCC), in an effort to favour dialogue where possible, even in the case of a disagreement with a stakeholder.

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.

1. Economic Performance
2. Market Presence
3. Indirect Economic Impacts
4. Procurement Practices
5. Anti-Corruption
6. Anti-Competitive Behavior
7. Materials
8. Energy
9. Water
10. Biodiversity
11. Emissions
12. Effluents & Waste
13. Environmental Compliance
14. Supplier Environmental Assessment
15. Employment
16. Labor Management Relations
17. Occupational Health & Safety
18. Training & Education
19. Diversity & Equal Opportunity
20. Non-Discrimination
21. Freedom of Association & Collective Bargaining
22. Child Labor
23. Forced or Compulsory Labor
24. Security Practices
25. Rights of Indigenous People
26. Human Rights Assessment
27. Local Communities
28. Supplier Social Assessment
29. Public Policy
30. Customer Health & Safety
31. Marketing & Labelling
32. Customer Privacy
33. Socioeconomic Compliance

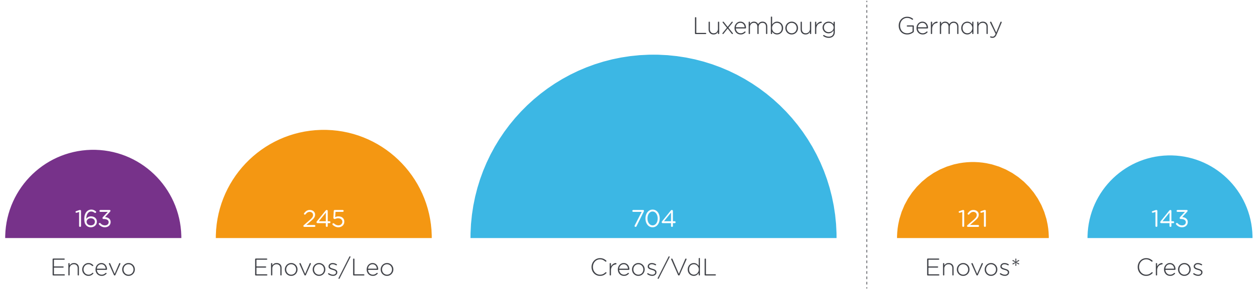
Employability

Why do we regard employability as a material topic?
Employability is an important part of the HR strategy because it fosters employees' well-being and performance.
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.

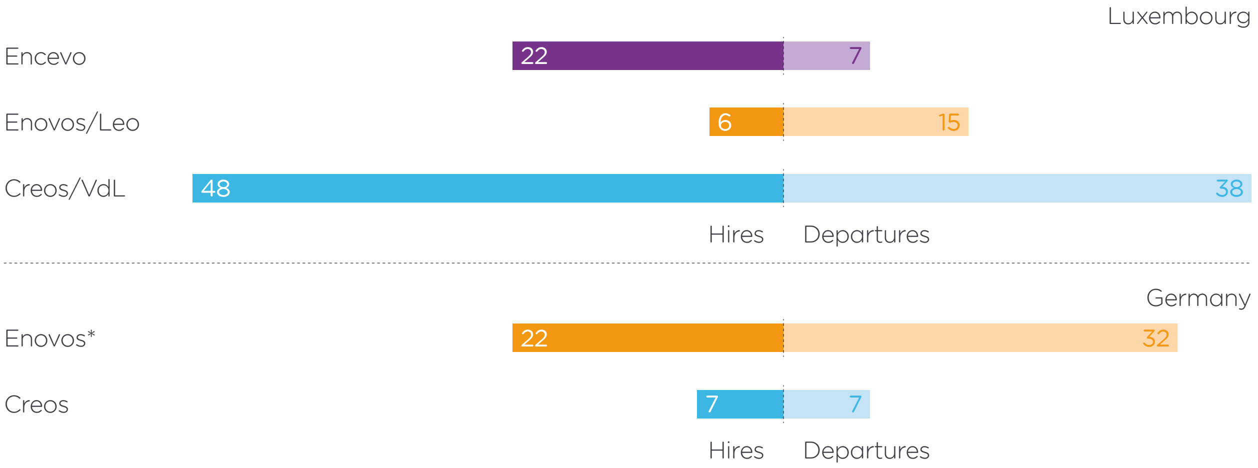
What is our approach to employability management?
We empower our employees to take ownership of their development and employability. We support them in defining their personal training plans and offer a learning environment that aids their development. We aim to ease access to various training solutions promoted in an internal group training catalogue and online portal.

How can we evaluate our approach?
All training offered within the group is systematically evaluated. The participants' feedback, combined with input from their managers, 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.

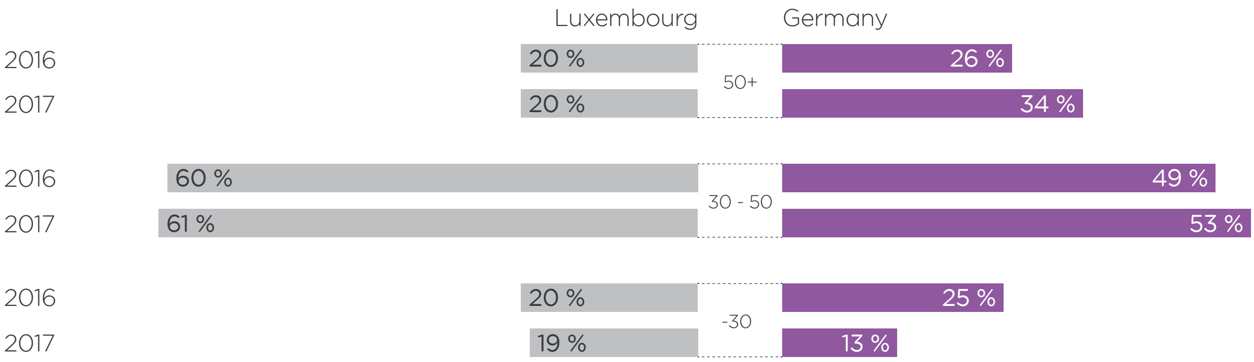
Personnel by entity 2017 (core companies)



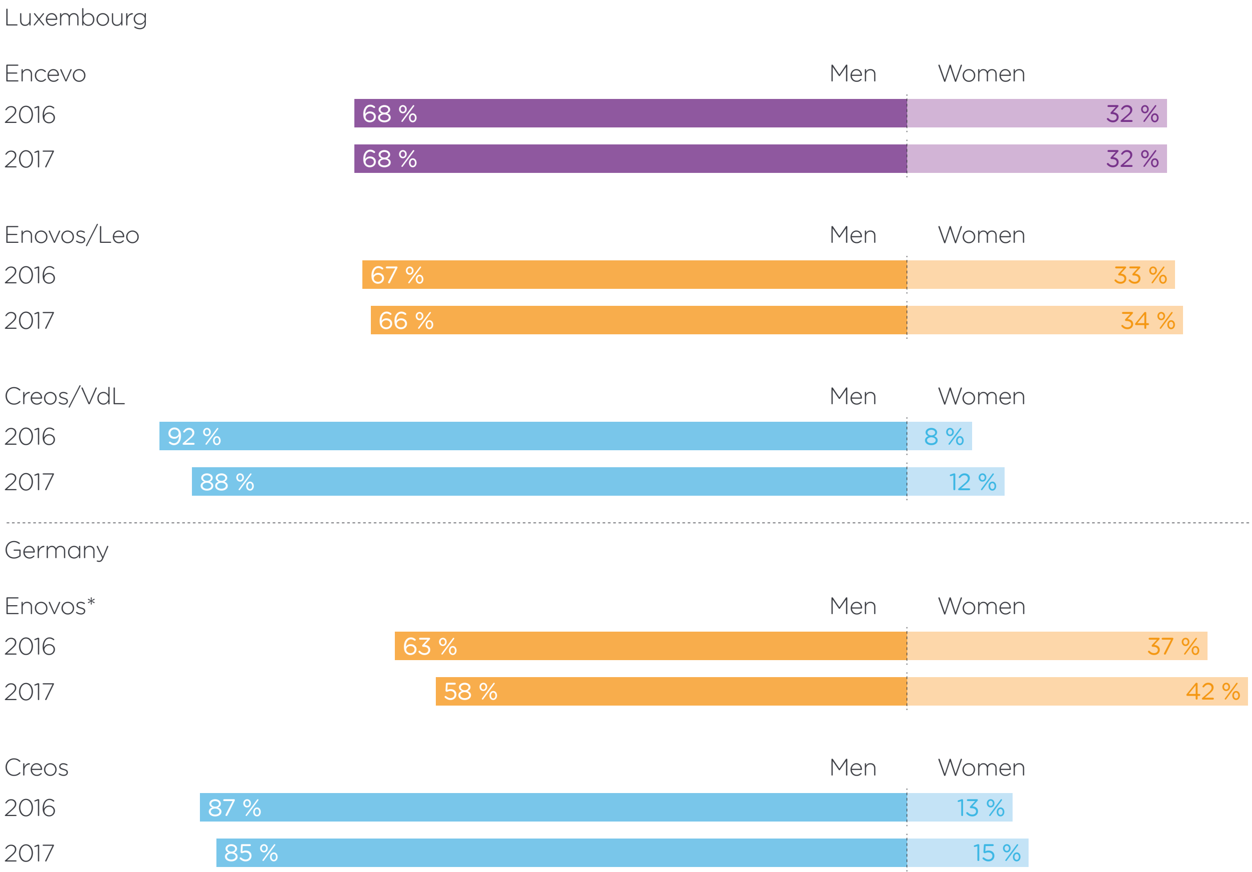
Hires and departures (Includes internal transfers)



Age distribution by country



Gender repartition by entity



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

Health and safety

Occupational health and safety

To prevent major accidents, the HSE department of Creos Luxembourg organized 722 trainings in 2017, covering risk-prone functions for their 371 employees. Creos Luxembourg is also a member of 'VISION ZERO', a strategy which calls for a common and integrated HSE approach, aimed at reducing the number and severity of accidents at work, commuting accidents and occupational diseases in Luxembourg.

For harmful activities with tools, machines (e.g. cutting discs, magnetic drills, cranes, forklifts) or hazardous substances, our operators must comply with detailed work instructions. Safety officers conducted 130 spot (not announced) site inspections in 2017, to check that instructions are up-to-date and observed by blue-collar workers.

Risk identification and risk assessments (Fine & Kinney method) for work activities are performed and documented by the HSE department.

Based on the result of the risk assessment, appropriate measures (e.g. implementation of personal/collective protective equipment or work instructions) are taken with the concerned parties.

Every employee, occupying a risk-prone function, must attend "security conferences", organized by the HSE Department twice a year. During these conferences, employees are updated on state-of-the-art safety, and security issues can be reported by participants. All accidents occurring in the company, are disclosed and their causes are published in these conferences to prevent similar accidents from occurring in the future.

On the Encevo / Enovos side, the HSE approach is also tailored to best target the risks encountered. As the 2017 accidents were commuting accidents only (13 in total), it is therefore natural that, in addition to job-specific actions and first aid training, key initiatives have been undertaken in the field of mobility, including an awareness campaign for drivers and pedestrians, as well as a driver training course at the Colmar-Berg training centre. In the field of prevention, an occupational health and safety day helped to raise awareness among employees and to transmit the right moves and habits for the prevention of stress and musculoskeletal disorders, with the help of a sophrologist and an osteopathic physiotherapist.

Customer health and safety

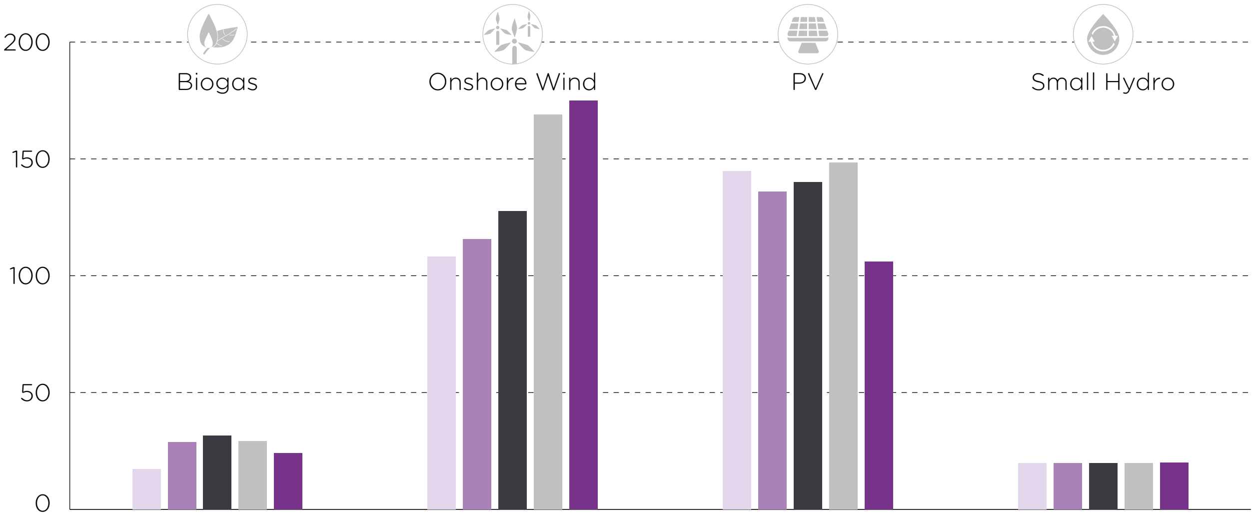
Dredging activities in proximity to damaged electrical cables and gas pipes can be dangerous to third party providers. Third party providers and customers can also be exposed to the dangers of electric overhead lines (HV/MV/LV) in the public area. As a utility that provides power and gas, we take our responsibility for safety seriously. Flyers, including behavioural rules, are available for third party (dredger operator, tractor and harvester drivers, fishermen, aeronauts) to increase awareness about these risks.

Creos Luxembourg is concerned with the prevention of waste, and environmental accidents. We are in compliance with environmental standards and in possession of the label 'SuperDreckskëscht' of Luxembourg (national waste management).

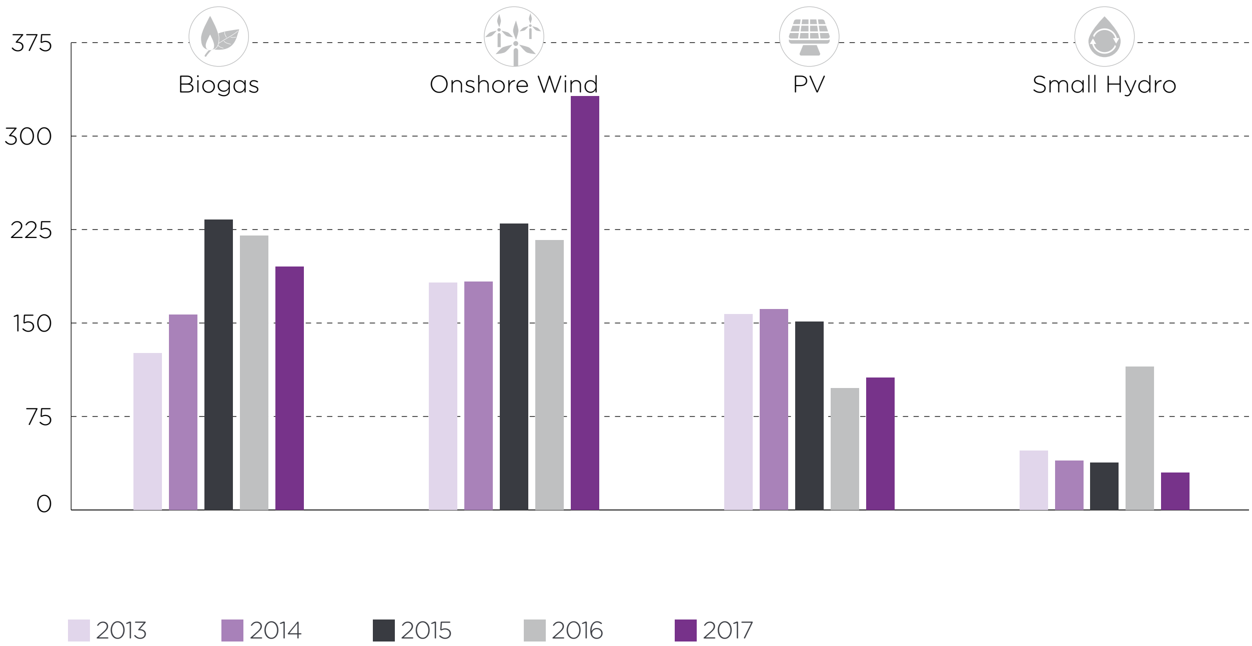
Renewable energies

Thanks to its renewable energy production of 663 GWh in 2017, Enovos has been able to provide the equivalent of 165,850 medium-sized households totally with renewable energy and avoided by this way the emission of more than 375,000 tons of CO_2. The graphs below will give you 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

Socioeconomic 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, its business and is key to its long-term sustainability.

Where do the impacts occur and what is the organisation's involvement with the impacts?

The Encevo group's activities entail compliance risks which are comparable to those encountered by utilities active in the same segments in comparable geographies.

How is the topic managed?

The Encevo group has adopted a Code of Business Conduct which sets out the ethical and compliance standards to which our employees comply. The group expects equally high standards from its business partners. Additional policies have been adopted in various areas such as personal data protection, conflicts of interest and insider dealing.

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. It conducted a gap analysis in this area, set up personal data registers and is implementing a plan which lists all actions required to ensure compliance. These actions have been classified and scheduled based on priority levels.

In 2017, the group also adopted a more global compliance action plan, aimed at strengthening its governance. Specifically, appointments of compliance and data protection officers, in the most significant entities of energy sales and grid business, and actions within its compliance processes areas (risk assessment, training, controls and internal audit).

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, to obtain a more granular view on where corruption risks may reside and how they can be best addressed, the group intends to conduct compliance risk assessments which will cover a variety of risks including anti-corruption.

How is the topic managed?

Clearly, Encevo Group has a zero tolerance policy regarding corruption. This principle is reflected in the Code of Business Conduct, which also addresses, in greater detail, the related topics of 'accepting and offering gifts and entertainment' and 'conflicts of interest'. In addition, the Code of Business Conduct includes a 'whistle-blowing policy', which protects employees who report improper or illegal practices. It aims to ensure that possible cases of corruption may be confidentially reported through a specific channel without risk of retaliation.

In addition, at the end of 2017, the group adopted a work instruction relating to conflicts of interest, which will be implemented in 2018. This instruction put in place a process for top management and their direct reports to systematically, on an annual basis, be requested to file a declaration of conflict of interest. Other anti-corruption-related processes and controls may be put in place or, as the case may be, strengthened depending on the outcome of the above-mentioned risk assessment.

Our CSR team

Data Experts

Data experts were chosen for their deep and broad knowledge and experience in a given topic: 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 the activities within their field of expertise, and
- analysing complex data used to determine the level of achievement in various areas.

They are the most important interlocutors for topics that require specific input from an expert to ensure clear understanding. With the CSR Coordinator, they built a solid framework to assess the group's sustainability practices. This framework is an evolving tool that is continuously improved to further enhance self-knowledge, transparency and control of sustainability matters.

The CSR Coordinator

The Coordinator plays the role of facilitator and guide in the group's CSR approach and methodology. He:

- reviews and proposes updates to the group's CSR approach and materiality analysis,
- coordinates the execution of the group's CSR approach once validated,
- produces and delivers the CSR Report for the group, and
- acts as a point of contact and facilitates exchanges regarding CSR topics between the 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 contribution in the materiality analysis approach, and
- reviewing and validating the proposed CSR Approach.

The Executive Committee

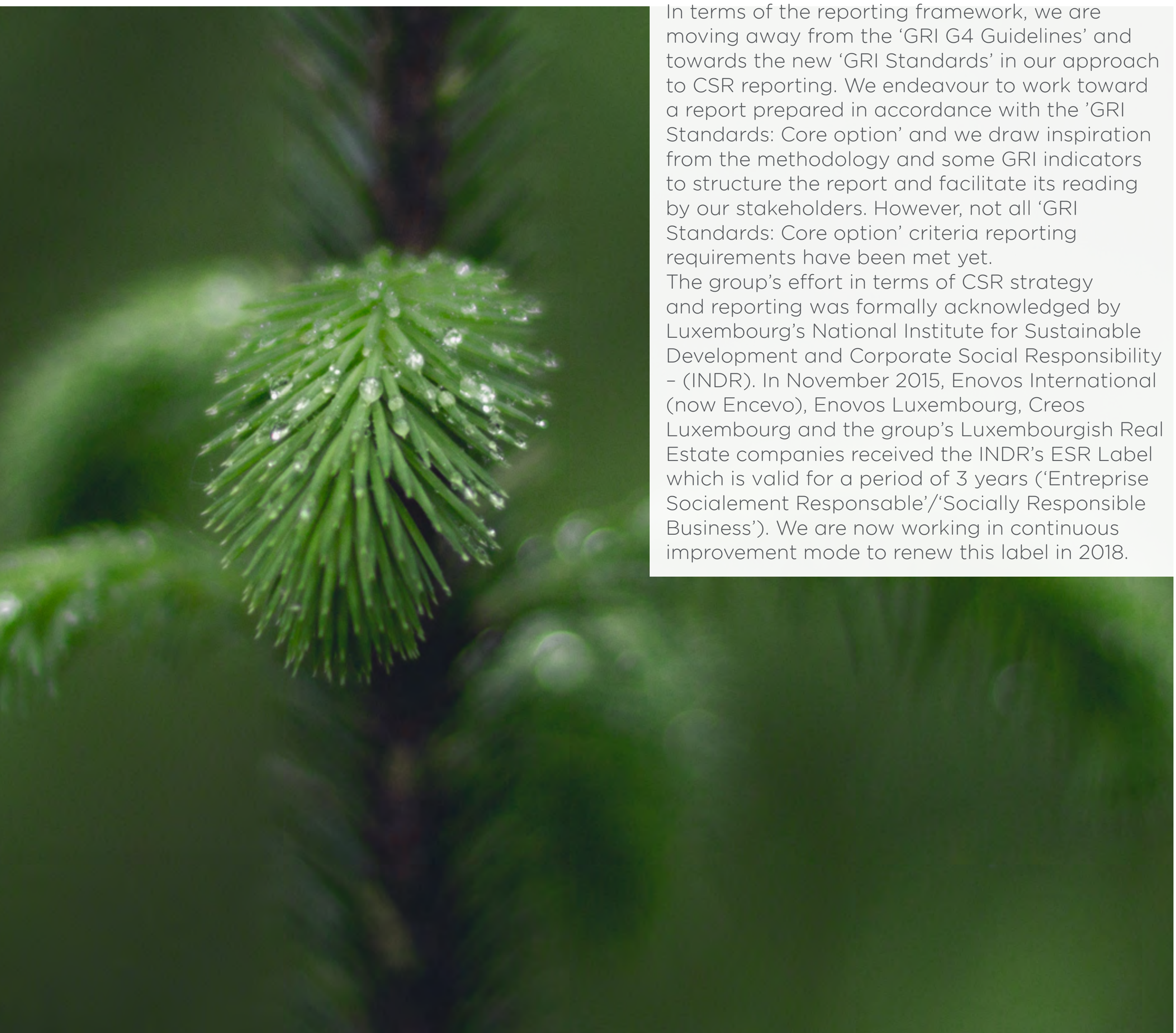
The Executive Committee has the final authority on the launch of CSR initiatives and projects as well as the validation of the CSR approach and materiality analysis.

Message from the CSR Steering Committee

As Luxembourg's main energy supplier and grid operator, a significant actor on the German business-to-business (B2B) market, and an emerging actor in France and Belgium, Encevo Group's mission is to produce and deliver energy to households and businesses. Electricity, natural gas and energy services are necessary in the daily activities of many 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 year, and 2017 was a year of transition to a more integrated approach. During previous years, our CSR performance was structured along 6 commitments: business ethics and transparency, sustainable investment, staff employability development, health and safety, environmental impacts reduction and local communities. In line with Encevo Group's commitment in 2017 to contribute to the U.N. Sustainable Development Goals (SDGs), we modified our approach to better reflect international trends and their local implications. In terms of the reporting framework, we are moving away from the 'GRI G4 Guidelines' and towards the new 'GRI Standards' in our approach to CSR reporting. We endeavour to work toward a report prepared in accordance with the 'GRI Standards: Core option' and we draw inspiration from the methodology and some GRI indicators to structure the report and facilitate its reading by our stakeholders. However, not all 'GRI Standards: Core option' criteria reporting requirements have been met yet.

The group's effort in terms of CSR strategy and reporting was formally acknowledged by Luxembourg's National Institute for Sustainable Development and Corporate Social Responsibility – (INDR). In November 2015, Enovos International (now Encevo), Enovos Luxembourg, Creos Luxembourg and the group's Luxembourgish Real Estate companies received the INDR's ESR Label which is valid for a period of 3 years ('Entreprise Socialement Responsable'/'Socially Responsible Business'). We are now working in continuous improvement mode to renew this label in 2018.



About this section

The section provides a view of Encevo Group's Corporate Social Responsibility efforts. It is the fifth CSR report issued by Encevo Group and focusses on its Luxembourgish and German entities. For the first time, the CSR topics have been fully integrated in the Encevo S.A. Annual Report.
This 2017 CSR Report structure draws its inspiration from the international 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 by Creos Luxembourg S.A. and Creos Deutschland GmbH
- production, storage and sale of electricity, of natural gas, and of energy services, by Enovos Luxembourg S.A. and Enovos Energie Deutschland GmbH
- support services from Encevo S.A. and Enovos Deutschland SE

GRI Option

We endeavour to work towards a report prepared in accordance with the "GRI Standards: Core option" and we draw inspiration from the methodology and some GRI indicators to structure the report and facilitate its reading by our stakeholders. However, not all reporting requirements have been met yet.
As part of our continuous improvement approach, a "work-in-progress" GRI Content Index is currently under construction to provide more information on the indicators used in this report and the topics for which additional information will need to be obtained to meet the requirements of the "GRI Standards: Core option".

Reporting period

From 01/01/2017 to 31/12/2017
The CSR reporting period coincides with the financial reporting period.

Most recent previous report

CSR Report 2016 published in May 2017

Reporting cycle

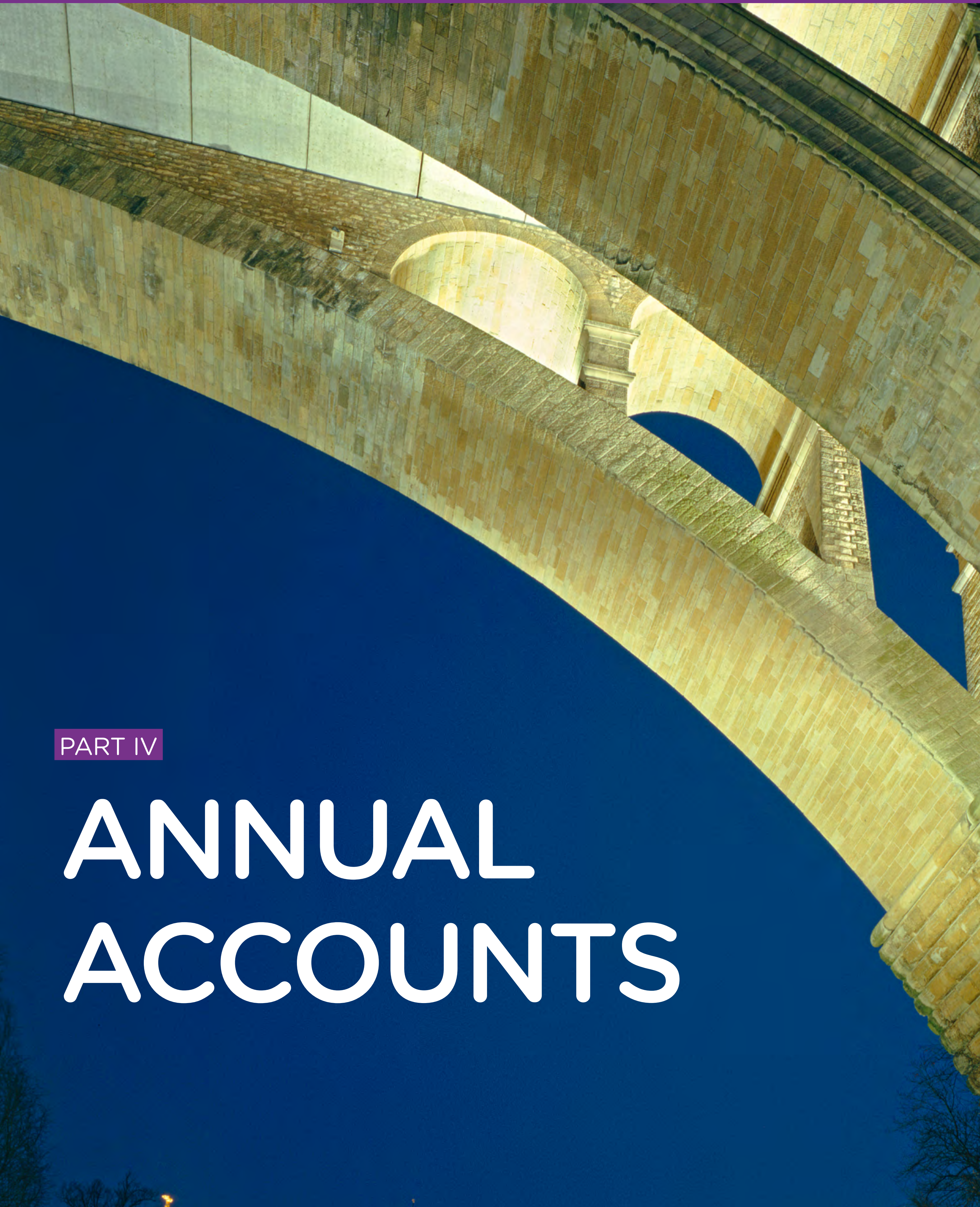
Annual

Contact points

Michel Schaus – Member of the Executive Committee of Encevo – Chief of Operational Support - michel.schaus@encevo.eu
Vincent Robinet – CSR Coordinator, Encevo Group - vincent.robinet@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.



PART IV

ANNUAL ACCOUNTS

This last section is dedicated to the Management Report and will provide you with a general overview of the 2017 financial year and the results of our operating performances, including additional information and commentary on each segment of the statement.

CONSOLIDATED ANNUAL ACCOUNTS 2017

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 54 companies, of which 36 are fully consolidated and 19 are consolidated under the equity method.

Highlights

In 2017, the group's home energy markets, mainly Luxembourg and Germany, showed continued strength in terms of economic dynamic, growth and energy consumption. Whereas the group could maintain most of its traditional market positions, the professional customer segments witnessed a strong increase in competition coupled with decreasing margins. While sales margins were kept at stable level compared to 2016, the annual results were negatively affected by disappointing operations in Belgium and France, negative impact of long-term supply contracts, as well as by several impairments and provisions on renewable energy generation assets. In grid, while investments continued at a high pace, the group was also facing lower financial results in 2017, the first year of the 2nd regulatory period characterized by lower remuneration rates and lower allowed costs.

The group has on-boarded the energy transition trend towards a more digitalized and service-oriented business environment, supported and documented by the new European Clean Energy Package legislation as well as by the "Rifkin" initiative launched by the Luxembourg Government. Aware of these material challenges, the group entered 2017 in a deep strategic analysis that will re-orient its core activities in the mid- to long-term.

Non-regulated activities

Commodity Sales

In 2017, consolidated natural gas sales by Enovos Luxembourg S.A. and its affiliates ("Enovos") increased to 27.2 TWh compared to 23.8 TWh in 2016, mainly from an increase in Germany, while sales in the Luxembourg home market remained high and steady in all customer segments.

Electricity sales have decreased overall by 1.9 TWh to 11.4 TWh. Power sales in Luxembourg were in line with the previous year and new products could be offered to the residential and professional customers whereas volumes decreased in Germany mainly in the large scale customers segment, where the market environment has been very challenging. The same is valid for both Belgium and France, where sales volumes could not be increased at the speed and to the level expected.

Enovos Energie Deutschland GmbH, affiliate of Enovos Deutschland SE, restructured its country-wide sales organisation and concentrated its overhead functions on one site; both initiatives were accompanied by a reduction of workforce and hence an improved cost position.

In the Belgian market, the development of commercial activities in the residential market in Wallonia has been the main focus during 2017. The commercial and operational success, however, of the new household customer business-line remained, in the end, well below expectations, and, at the beginning of 2018, Management decided to exit the activity and to impair the related investments. Regarding its business with industrial, commercial and professional customers in Belgium, Enovos delivered, in close partnership with a local technical installer (Ecoparfait), the first energy services (enosolar, enolight and energy audits) and participated in the implementation of a new commodity offering platform ("one crm"). Thus, Enovos maintained its position in a highly competitive commodity B2B market.

In 2017, Enovos had to adapt its offer to 2 major market evolutions in France: the implementation of the Power production capacity mechanism, and the evolution of the regulation for gas storage obligations.

Following the strategy defined in 2016 to cover the SME sector, Enovos France enhanced its dedicated sales team with a network of independent Sales Agents active in the entire French territory.

Energy Solutions & Services

During 2017, Enovos Luxembourg S.A continued developing and selling products and services not linked to commodity-contracts, targeting the residential, municipal and business customer segments in Luxembourg.

Some realizations are as follows:

- Enovos Luxembourg S.A. nearly tripled sales in Luxembourg of Enosolar (compared to 2016). Enosolar is an all-inclusive residential solution for small photovoltaic systems;
- Storage solutions in first pilot projects with partner companies are continuously explored;
- Enovos Luxembourg S.A. existing positions as a leader in e-mobility in Luxembourg was further developed and strengthened with more than 200 newly installed charging points;
- In the field of energy efficiency, additional projects of the product enolight – a replacement of lighting of large industrial buildings with more efficient LED solution – have been initiated;
- In the context of the European Energy Efficiency Directive's an increase of 25% in energy savings to approximately 82 GWh out of more than 2.869 new energy saving projects was achieved.

In the area of digitalization and Internet of things (IoT) Enovos Luxembourg S.A. sold smart heating or smart consumption solutions for more than 250 homes in an ongoing pilot phase. These solutions help customers achieve energy savings, while improving their comfort (enosmart Tado and enocoach).

For the market in Belgium, the Energy Solutions & Services Department and a regional installation partner sold several leasing and contracting solutions for rooftop PV and re-lighting for business customers (in total 850 kWp, investment of approximate EUR 1 million).

Furthermore, Enovos Luxembourg S.A. developed and implemented activities of an open innovation approach, e.g. pilots with start-ups, testing their solutions for the Luxembourgish market. One strategic objective is to get closer to innovative start-ups and identify promising new products, technologies and business models early on.

Renewable Energies

In Luxembourg, the total net installed capacity by end of 2017 for Renewables was 112 MW with a total production of 202 GWh. Assets comprise 91 MW of onshore wind, 20 MW of hydro power, and 1.6 MW of photovoltaic installations. The 35 MW wind capacity installed at the end of 2016 by Soler S.A., Enovos Luxembourg S.A.'s joint venture with SEO S.A., yielded an additional 72 GWh of power production. The wind project development activities of Soler S.A. continue to prosper and a capacity increase of more than 50 MW is expected by the end of 2019.

In Germany, for Biogas the market environment remained difficult due to increasing regulatory requirements which necessitated further on site investments coupled with maintenance investments in order to return the assets to minimum technical standards. For PV O&M, Enovos continued its successful growth path with the acquisition of Skytron's O&M business including some 160 MWp control center contracts and 25 MWp of O&M contracts allowing for consolidation and synergies both in scope and scale of the group's PV O&M activities. The PV O&M portfolio of 600 MW propels Enovos to one of Germany's largest providers in that field. For PV and Wind development remains difficult, with tendering processes for both PV and wind showing sharply decreasing tariffs of (on average) 4.91 ct/kWh and 3.82 ct/kWh, respectively.

In Belgium, after the successful negotiation of the exit of our partner in NPG Energy NV and the takeover of 100% of the shares, a divestment of two Biogas units has been realized and investments for rebuilding the remaining damaged two biogas installations have been engaged.

In France, the group has successfully divested, with effect in January 2018, its wind assets selling both French wind parks to the regional French industrial partner Sergies.

Regulated activities

2017 has again been a strong year concerning investments for Creos Luxembourg S.A. This large investment program, driven mainly by the expansion of the high and medium voltage grid, the deployment of the smart meters and the modernization/renewal of operating sites will continue in the next few years.

Besides reinforcing its own national grid, Creos Luxembourg S.A. has continued to be very active on the European level by working together with the adjacent TSO's in order to drive forward a regional market integration respectively create new connections between adjacent markets.

In Power, a permanent interconnection of Creos Luxembourg S.A. with the Belgian grid (Elia) is planned in different steps. In a first step, a phase shift transformer was installed in the existing infrastructure in order to control the flows between the grids. The commissioning of the "Luxembourg-Ring" - the new High Voltage Line east of Luxembourg city - further increased the possible transfer of power through the country. Therefore Creos Luxembourg S.A., in coordination with Elia and Amprion decided on a technical "trial phase" go-live of this first interconnection between the German and Belgian market areas in October 2017. At this point, this new interconnection was fully embedded in all European systems. The trial phase, which tests the actual available capacities on that line, will last for a year – after which a decision on full commercialisation of the capacity will have to be agreed upon with all concerned TSOs and regulators.

In Natural gas, in close collaboration with Luxembourg's regulatory authority (ILR) and Belgium's Regulatory Commission for Electricity and Gas (CREG), Creos Luxembourg S.A. and Fluxys Belgium S.A. had launched on 1st October 2015 the integrated Belgian-Luxembourgish Gas Market, first market integration of its kind between two EU Member States and established a new jointly owned (50/50) company called Balansys S.A. responsible for the full operation of the balancing activities in the integrated market. For regulatory reasons, the final setup and approval by the Agency for the Cooperation of Energy Regulators (ACER) of Balansys S.A. initially scheduled on 1st of April 2016 was delayed and is now planned in 2018.

Further Creos Luxembourg S.A., together with the other DSO's started in 2016 a common project e-mobility of deploying 800 charging points for electric cars (741 for Creos) until 2020. This common system entered into operation in Q2 2017 and the installation of the charging stations was launched in parallel – at the end of 2017 over 100 loading stations (with two loading points each) were installed and operational in the national system.

One other key element of the investment plan in Luxembourg concerns the so-called "smart energy meters". Introduction of smart meters (power and gas) in Luxembourg is mandated by law for all distribution operators. The legal deadline for complete (i.e. 95 %) coverage has been fixed to 2019 for electricity meters and 2020 for gas meters. After the creation in 2015 of Luxmetering G.I.E. (a common entity of Creos Luxembourg S.A. with all the other DSOs in Luxembourg) to design and implement the common and unique platform for the smart meter read-out, the general mass roll-out of smart meters started in 2016. By the end of 2017, some 80,000 smart meters have been installed and an additional 100,000 are foreseen for 2018. The central management and read-out system managed by Luxmetering achieved full operational status in 2017.

In parallel, an electronic market communication was introduced in Luxembourg. Creos Luxembourg S.A. fully implemented this market communication with all market partners in 2017. An extension of the market communication to cover new functionalities of the smart meters is scheduled for introduction in 2018.

Since 1st January 2017, the second regulation period is in force for 4 years (until 2020 included). According to the ILR regulations E/16/12 (electricity), E/16/13 (gas) as of 13th April 2016 and E16/14 (smart metering) as of 14th April 2016, the capital remuneration rate has been reduced to 6.12% (instead of 7.60% in the first regulation period until 2016). This, combined with the fact that the baseline of allowed costs for the new regulation period has been reviewed downwards when compared with the allowed costs until 2016, has had a negative impact on the 2017 financial results of grid activities in Luxembourg.

In Germany, the group has successfully completed the takeover of the electricity grid of Steag Netz GmbH in the Saarland, and renamed the company Creos Deuschland Netz GmbH as a subsidiary of Creos Deutschland Holding GmbH which heads the group's grid activities in Germany.

Personnel

In order to support its growth strategy and to carry out the numerous development and investment projects, the average number of employees of the Encevo Group further increased from 1,530 people in 2016 to 1,609 in 2017. The Board of Directors and the Management of Encevo S.A. would like to thank all employees for their contributions throughout 2017 and for their full support in implementing important changes.

Financials

As a consequence of the aforementioned negative impacts from long term supply contracts, the lower grid remuneration rates in Luxembourg and the exceptional provisions on renewable energy generation assets, the consolidated EBITDA comes in at 193.6 MEUR, compared to 262.3 MEUR in 2016.

The contribution from participating interest (non consolidated) companies and companies accounted for under the equity method remains at a high level with 26.2 MEUR compared to 25.0 MEUR in 2016.

In the context of the annual impairment-testing process, exceptional value adjustments and provisions amounting to 13 MEUR (thereof 10.8 MEUR at EBITDA level) have been recognized. The amounts relate mainly to a provision of 8.6 MEUR to cover the risks regarding Photovoltaic activities in Italy and a write-down of 1.2 MEUR regarding a windfarm project in Germany which did finally not obtain the permit. Further provisions and write-downs of 3.5 MEUR have been recognized to cover the risks identified with regard to its sales activities in Belgium. Finally, amounts of 0.4 MEUR and 0.3 MEUR are reflecting respectively the increasing regulatory requirements in biogas activities in Germany and the decision to liquidate the entity Learning Factory S.A. in December 2017. Finally, as a consequence of Twinerg S.A. reimbursing an outstanding shareholder loan previously impaired, a reversal of impairment of 0.9 MEUR has been booked, positively impacting the financial results.

Including the net impact of the above mentioned exceptional depreciations and provisions, net profit for the year amounts to 55.7 MEUR (36 MEUR group share), compared to 83.2 MEUR in 2016. Excluding the impact of the exceptional impairments of EUR 13 million, the consolidated net profit for the financial year would be 68.7 MEUR.

Risk Management and Regulatory Affairs

On 3rd January 2018, the Directive 2014/65/EU on markets in financial instruments (MiFID II) amending Directive 2002/92/EC, and Directive 2011/61/EU entered into force. MiFID constitutes the framework for European Union financial services legislation and aims at improving efficiency and fostering the integration of EU financial markets. After having analysed the scope and impact of MiFID, the Regulatory Affairs team carried out the two necessary tests in order to actively file for an exemption with the national regulator. As Enovos Luxembourg S.A. is below the thresholds defined by MiFID II, the company filed for the exemption in December 2017. Furthermore, independent of whether or not an organisation is exempt from MiFID II, market participants must deliver specific data to organised market places in order to provide support in the position and transaction reporting. The set-ups necessary for data provision have been carried out.

Starting from November 2017, Enovos Luxembourg S.A. updated its reporting required under Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (the so-called European Market Infrastructure Regulation, in short EMIR). The revised reporting requirements have been analysed and implemented by the back-office team with the support of the Regulatory Affairs department.

During 2017, the reporting solution of Enovos Luxembourg S.A. in relation to the Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency (‘REMIT’) was constantly improved. About 14,000 reports were sent by the Regulatory Affairs Team during that same year.

Last but not least, the Regulatory Affairs team continued monitoring the ever-changing regulatory landscape, analysing the impacts and determining the necessary steps to take in order to further reduce regulatory risk.

In 2017, a risk management, risk reporting and risk limits review took place using an external consultant. 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 started in 2017 and will continue in 2018.

In regards to the status of the Italian photovoltaic assets, it should be noted that GSE (the authority that has granted the feed-in-tariffs to the various Italian subsidiaries of Enovos Luxembourg S.A.) has continued its investigations during the course of 2017 and has kept contact with Encevo S.A. and Enovos Luxembourg S.A. that continued to accommodate the requests for information. In addition, EAM Solar ASA from Norway and EAM Solar Italy Holding S.R.L. had filed a criminal complaint in Luxembourg against Enovos Luxembourg S.A., Encevo S.A. and four of its employees for alleged damages regarding the purchase of Italian assets from Aveleos S.A., a subsidiary of Enovos Luxembourg S.A. Encevo S.A. took meanwhile legal counter-action against EAM and the Court suspended its decision on the slanderous denunciation claim until the end of investigations. On the substance, no further material events occurred in 2017 which could justify a change in the appreciation of the facts at stake and thus the taking of additional provisions in the group's consolidated accounts.

Outlook

On 21st 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.

The group expects energy markets to remain volatile and difficult to predict. Geostrategic uncertainties in the Middle East may affect primary energy prices and burden the operational margin spreads for European players. In this context, market players turn increasingly to short-term exchange platforms, whereas the economy expresses continuous demand for stable and secured prices and flexibility in consumption. The group trusts its experienced teams to deal with related risks in a responsible manner and is confident to take on the upcoming challenges.

In the course of 2018, the internal organisation will evolve into a "business unit" concept, allowing management to better steer the group by main activity types. Particular attention will be drawn to innovation and expansion into future market gravity, i.e. technical services combined with energy efficiency competence and electro-mobility services. The former "Energy Solutions and Services" department was integrated directly into the new business units. The development of further renewable energy facilities shall be concentrated in the group's core markets Luxembourg and Germany. More than in the past, Enovos Luxembourg S.A. intends to become an inclusive energy partner, providing a full range of products and services to all residential, professional, industrial and administrative customers in its traditional geographical markets.

On the grid side, the group will continue in 2018 and following years to implement a significant plan for investment and maintenance to modernize its networks in order to ensure their safety and reliability. Creos Luxembourg S.A. will also continue to roll-out the 'smart' meters (called 'Smarty') and prepare the introduction of 'smart' grids. In 2018 and following years, the installation of loading stations 'Chargy' for electrical cars will continue. In Germany, a new regulatory period for gas activities started on 1st January 2018 with an adapted regulatory scheme including i.a. lower remuneration rates, a new cost base, and a different and faster recognition of investment costs incurred during the regulatory period.

The group's financial results for the next 2 years are expected to stay at similar levels to 2017. Excluding the extraordinary impacts from last year, they will still be negatively impacted by legacy long-term supply contracts. Thus, the increased need for cost control, and enhanced risk management, with regard to the Company's energy management activities, will continue also into 2018 and beyond.

Encevo S.A. as the parent holding company of the group will provide further financing means to realize the ambitious investment program of its subsidiaries mainly into grid, renewable energy generation activities and new services. First discussions to that effect have taken place at the beginning of 2018 with the group's core banks in order to set up a new long term financing agreement in the course of the year.

Regarding the technological challenges of digitalization, Management decided to launch a strategic study in order to design a target information system that will support the group's strategy and digital transformation. It will start with a broad scope including Luxembourg, Germany, Belgium and France core companies of the group. Inspired by the group vision as well as recognized practices in the utilities sector, the study will deliver a digital roadmap including a strategic review of Encevo Information System. The ultimate objective remains competitiveness and excellence in the delivery of products and services to our customers.

Own shares

No transactions occurred in the course of the year.

Changes in 2017 in the Board of Directors of Encevo S.A.

Mr Benoît Gaillochet was the permanent representative of the director "AXA Redilion Management Co S.C.A." until 29th September 2017 when Mr Michael Reuther became the permanent representative of this director. Mr Gaillochet is now a director in his own name. Mr Michael Reuther is the permanent representative of "AXA Redilion Management S.C.A." as from 29th September 2017. Until that date, he was a director in his own name.

Mr Frank Reimen was appointed by the general shareholders meeting on 9th May 2017 to replace Mrs Andrée Colas who ceased to be a director on the same day.

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 21st 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 27th April 2018. Further to these resignations, the Board co-opted Daniel Da Cruz as a new Director of Encevo S.A. as of 27th April 2018 upon the proposal of the Luxembourg State while Mr Claude Strasser was co-opted on 27th April 2018 upon the proposal of the new shareholder Post Luxembourg, both with effect as from 27th April 2018. Both co-optations are expected to be ratified at the annual general meeting of shareholders to be held on 8th May 2018.

Auditor

The mandate of the external independent statutory auditor, PricewaterhouseCoopers, will come to term with the audit of the financial year 2017. In order to select a new statutory auditor, a call for tenders was launched in 2017 and several proposals were received and analysed. The Board of Directors will designate the new auditor for the 2018 annual accounts at the annual general meeting of shareholders of 8th May 2018.

The Board of Directors
Esch-sur-Alzette, 27th April 2018

Consolidated Annual Accounts

Consolidated balance sheet as at 31st December 2017

ASSETS	Notes	31.12.2017	31.12.2016
Denominated in EUR		€	€
Goodwill on first consolidation	Note 4	**54,900,180**	**48,990,602**
Formation expenses	Note 6	**39,022**	**163,927**
Fixed assets		**1,920,904,626**	**1,866,956,346**
Intangible assets			
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.	Note 7	88,840,773	77,522,670
Goodwill, to the extent that it was acquired for valuable consideration		49,875,000	58,250,000
Payments on account and intangible assets under development		5,471,545	15,011,189
Tangible assets	Note 8		
Land and buildings		178,165,796	180,831,489
Plant and machinery		1,200,252,316	1,099,024,833
Other fixtures and fittings, tools and equipment		37,180,029	37,331,764
Payments on account and tangible assets in the course of construction		112,549,009	141,997,122
Financial assets			
Companies consolidated under the equity method	Note 9.1	112,189,168	115,831,637
Investments carried at cost	Note 9.2	86,659,036	88,129,598
Loans to undertakings with which the undertaking is linked by virtue of participating interests		19,899,104	23,371,383
Investments held as fixed assets	Note 12	28,913,211	28,769,477
Other loans		909,641	885,183
Current assets		**517,707,103**	**502,135,288**
Stocks	Note 10		
Raw materials and consumables		25,350,886	21,684,562
Work in progress		16,317,228	26,733,596
Finished goods and goods for resale		14,390,929	10,531,759
Debtors			
Trade debtors	Note 11.1		
a) becoming due and payable within one year		307,735,292	280,022,428
b) becoming due and payable after more than one year		0	0
Amounts owed by undertakings with which the undertaking is linked	Note 11.2		
by virtue of participating interests			
a) becoming due and payable within one year		18,535,349	22,761,063
b) becoming due and payable after more than one year		26,000	63,180
Other debtors	Note 11.3		
a) becoming due and payable within one year		43,690,938	48,206,526
b) becoming due and payable after more than one year		866,037	930,216
Deferred tax assets	Note 11.4	548,550	2,578,380
Investments	Note 12		
Other investments		17,202,163	14,560,779
Cash at bank and in hand	Note 13	73,043,731	74,062,799
Prepayments	Note 14	**44,973,828**	**50,647,244**
TOTAL ASSETS		**2,538,524,760**	**2,468,893,407**

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

CAPITAL, RESERVES AND LIABILITIES	Notes	31.12.2017	31.12.2016
Denominated in EUR		€	€
Capital and reserves, group share	Note 15	**1,041,136,783**	**1,002,184,958**
Subscribed capital		90,962,900	90,962,900
Share premium account		387,028,449	387,028,449
Consolidated reserves		473,600,276	403,113,838
Other non available reserves		23,615,759	0
Profit or loss brought forward		23,971,759	56,421,145
Capital investment subsidies		5,998,264	3,456,053
Consolidated Profit or loss for the financial year, group share		**35,959,377**	**61,202,573**
Minority interests		**247,040,234**	**241,496,387**
Capital and reserves, total		**1,288,177,017**	**1,243,681,345**
Provisions		**182,226,306**	**166,767,904**
Provisions for pensions and similar obligations	Note 16.1	96,768,249	91,724,670
Other provisions	Note 16.2	85,458,057	75,043,234
Creditors		**1,039,490,625**	**1,030,404,165**
Debenture loans			
b) Non convertible loans	Note 17		
i) becoming due and payable within one year		5,485,507	5,493,859
ii) becoming due and payable after more than one year		382,166,667	382,333,333
Amounts owed to credit institutions	Note 18		
a) becoming due and payable within one year		28,463,582	33,097,378
b) becoming due and payable after more than one year		64,352,007	78,639,703
Payments received on account of orders in so far as they are	Note 19		
shown separately as deductions from stocks			
a) becoming due and payable within one year		13,306,240	16,459,799
b) becoming due and payable after more than one year		0	0
Trade creditors	Note 20		
a) becoming due and payable within one year		321,048,674	279,341,589
b) becoming due and payable after more than one year		69,192	73,805
Amounts owed to undertakings with which the undertaking is linked	Note 21		
by virtue of participating interests			
a) becoming due and payable within one year		8,233,917	8,548,343
b) becoming due and payable after more than one year		0	0
Other creditors	Note 22		
a) Tax authorities		32,813,461	35,208,924
b) Social security authorities		4,313,864	5,257,053
c) Other creditors			
i) becoming due and payable within one year	Note 23	14,888,707	22,219,325
ii) becoming due and payable after more than one year		85,280,485	91,945,812
Deferred income tax	Note 24	79,068,322	71,785,242
Deferred income	Note 25	**28,630,812**	**28,039,992**
TOTAL CAPITAL, RESERVES AND LIABILITIES		**2,538,524,760**	**2,468,893,407**

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

Consolidated profit and loss account for the year ended 31st December 2017
Legal presentation

PROFIT AND LOSS ACCOUNT		31.12.2017	31.12.2016
Denominated in EUR		€	€
Net turnover	Note 26	**1,758,187,765**	**1,888,903,366**
Work performed by the undertaking for its own purposes and capitalised	Note 1	**41,267,906**	**42,105,096**
Other operating income	Note 27	**30,300,897**	**50,261,906**
Raw materials and consumables and other external expenses	Note 28		
a) Raw materials and consumables		(1,353,592,016)	(1,439,791,308)
b) Other external expenses		(97,385,636)	(100,941,980)
Staff costs	Note 29		
a) Wages and salaries		(134,003,923)	(125,286,367)
b) Social security costs			
i) relating to pensions		(6,742,474)	(6,384,013)
ii) other social security costs		(9,960,631)	(8,840,919)
c) Other staff costs		(14,950,938)	(12,766,761)
Value adjustments			
a) in respect of formation expenses and of tangible and intangible fixed assets	Notes 4, 6, 7, 8	(120,266,330)	(149,312,757)
b) in respect of current assets		(252,397)	(6,556,034)
Other operating expenses	Note 30	**(19,316,236)**	**(18,447,279)**
Income from participating interests			
b) other income from participating interests	Note 31	10,082,895	8,945,817
Other interest receivable and similar income			
b) other interest and similar income	Note 32	8,115,992	5,516,451
Share of profit or loss undertakings accounted for under the equity method	Note 33	**16,144,098**	**16,036,111**
Value adjustments in respect of financial assets and of investments held as current assets	Note 34	**632,915**	**(6,179,511)**
Interest payable and similar expenses			
b) other interest and similar expenses	Note 35	(28,334,204)	(25,316,103)
Tax on profit or loss	Note 36	**(23,859,860)**	**(28,252,898)**
Consolidated profit or loss after taxation		**56,067,823**	**83,692,816**
Other taxes not shown under items 1 to 15		**(318,885)**	**(474,550)**
Consolidated profit or loss for the financial year		**55,748,938**	**83,218,266**
Minority interests		**(19,789,562)**	**(22,015,693)**
Consolidated profit or loss for the financial year, group share		**35,959,377**	**61,202,573**

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

Consolidated profit and loss account for the year ended 31st December 2017
List presentation

PROFIT AND LOSS ACCOUNT	31.12.2017	31.12.2016
Denominated in EUR	€	€
Net turnover	1,758,187,765	1,888,903,366
Other operating income	20,264,890	41,201,244
Work performed by the undertaking for its own purposes and capitalised	41,267,906	42,105,096
Cost of sales	(1,353,592,016)	(1,439,791,308)
Staff costs	(165,657,966)	(153,278,061)
Other operating expenses	(106,918,262)	(116,884,631)
Ordinary operating profit (EBITDA)	**193,552,317**	**262,255,707**
Value adjustments in respect of formation expenses and of tangible and intangible fixed assets	(120,266,330)	(149,312,757)
Operating profit (EBIT)	**73,285,988**	**112,942,950**
Income from participating interests	10,082,895	8,945,817
Gain on disposal of financial assets	5,963,586	809,806
Other interest receivable and similar income	2,785,321	4,706,645
Share in result of companies accounted under the equity method	16,144,098	16,036,111
Interest and other financial expenses	(28,334,204)	(31,495,614)
Consolidated profit or loss before taxation	**79,927,684**	**111,945,714**
Current income tax (including net wealth tax)	(14,000,954)	(20,491,582)
Deferred income tax	(10,177,792)	(8,235,866)
Consolidated profit or loss after taxation	**55,748,938**	**83,218,266**
Minority interests	(19,789,562)	(22,015,693)
Consolidated profit or loss for the financial year, group share	**35,959,377**	**61,202,573**

Consolidated cash flow statement for the year ended 31st December 2017

Denominated in EUR	31.12.2017 €	31.12.2016 €
Result for the financial year, group share	35,959,377	61,202,573
+ Minority interests	19,789,562	22,015,693
+ Amortization and depreciation	117,724,120	150,805,425
- Capital gain on disposals financial assets	(5,963,586)	(809,806)
- Capital gain on disposals fixed assets	(952,175)	(974,900)
+ / - Change in provisions	15,839,476	(10,861,389)
- Share in result of companies accounted under the equity method	(16,144,098)	(16,036,111)
+ Dividends received from companies accounted for under the equity method	14,258,145	13,302,767
+ Current and deferred income taxes	24,178,745	28,727,448
- Taxes paid	(17,261,299)	(31,918,538)
- Increase / (+) Decrease in current assets	(10,305,914)	105,943,736
+ Increase / (-) Decrease in current liabilities	23,886,174	(83,452,960)
Operating cash flow	**201,008,528**	**237,943,938**
- Capital expenditures on intangible assets	(15,526,911)	(19,762,881)
- Capital expenditures on tangible assets	(169,865,820)	(161,155,542)
- Impact of change in scope	(12,847,586)	(4,259,707)
+ Cash received from disposal of fixed assets	34,741,970	13,188,855
- Capital expenditures on financial assets	(1,412,753)	(10,886,370)
+ Cash received from disposal of financial assets	21,305,600	3,417,824
+ / - Change in loans to participations	3,472,280	364,714
Cash flow from investing activities	**(140,133,220)**	**(179,093,107)**
- Dividends paid to the group shareholders	(34,993,428)	(32,200,867)
- Dividends paid to the minorities of consolidated companies	(11,944,849)	(14,081,176)
+ Change in equity	6,781,797	(2,290,718)
- Net change in financial liabilities	(19,096,511)	5,294,629
- Impact of change in scope on financial liabilities	0	10,355
Cash Flow from financing activities	**(59,252,991)**	**(43,267,777)**
CHANGE IN CASH	**1,622,316**	**15,583,054**
Situation at the beginning of the year	88,623,578	73,040,524
Situation at the end of the year	90,245,893	88,623,578

Notes to the consolidated annual accounts

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Note 1 – Summary of significant accounting principles

Basis of preparation

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

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

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

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

Scope of consolidation

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

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

Significant accounting policies

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

Consolidation methods

The methods used are:

- Full consolidation in the case of those companies that the Encevo Group directly or indirectly controls (generally with more than 50% of the voting rights). With this method, the assets and liabilities of the consolidated companies are incorporated into the consolidated accounts, rather than the book value of the equity interests held by the group in the companies concerned. Use of this method can lead to goodwill on consolidation and minority interests being reported. Similarly, the income and expenses of these subsidiaries are consolidated with those of the parent company and their results for the financial year are apportioned between the group and the minority interests. Intercompany accounts and transactions are eliminated.
- The equity method in the case of those companies over which the Encevo Group exercises either joint control with a limited number of associates or significant influence. With this method, the parent company's share of its affiliate's equity, based on its equity interest, is entered in its balance sheet, rather than the acquisition cost of the equity holding itself. The difference thus generated is posted to group capital and reserves. The dividends received by the respective parent company are eliminated. The other balance sheet and income statement items are not affected and intercompany accounts and transactions are not eliminated.
- Goodwill on consolidation is calculated at the time of acquisition or consolidation of an equity interest. Goodwill on first consolidation represents the excess of the acquisition price over the group's interest share in the equity of the acquired entity. Negative goodwill is accounted for in profit and loss or in provisions if it relates to anticipated future losses. Positive goodwill is recorded as an asset and depreciated over 15 years, unless a different amortisation period is justified. The 15 years are based on the expected economic life of the underlying assets. The positive and negative goodwills resulting from the restructuring process in 2009 have been by exception recorded in 2009 against the consolidated reserves in the shareholder's equity.
- If the Board of Directors considers that an impairment must be recognized 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 2017 some reclassification between the caption “Social security costs” and “Other staff costs” and between the captions “Other operating income”, “Other external expenses” and “Other operating expenses”. The comparative figures for 2016 have been reclassified 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
Concessions, patents, licences, trademarks and similar rights and assets	4% - 33.33%	Straight-line
Goodwill, to extent that it was acquired for valuable consideration	6.67% - 20%	Straight-line

Where the group considers that an intangible asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. 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
Buildings	2% - 10%	Straight-line
Plant and machinery	2% - 10%	Straight-line
Other fixtures and fittings, tools and equipment	10% - 33.33%	Straight-line

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

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

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

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

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

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

Debtors
Debtors are recorded at their nominal value. Value adjustments are recorded when there is a risk that all or part of the amounts concerned may not be recovered. These value adjustments are not maintained if the reasons for recording them have ceased to exist.

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

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

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

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

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

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

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

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

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

Defined benefit plan
A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized 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 recorded in the profit and loss account when the debt is issued. All fixed costs related to setting up the facilities are depreciated over the duration of the loan.

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

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

Net turnover
Net turnover relates to transportation and distribution of electricity and gas, sales of gas and electricity, cogeneration provided as well as related services as part of the group's ordinary activities, net of discounts, value-added tax and other taxes directly linked to sales.
In energy supply, revenue is recognised at the time of physical delivery except for supplies of electricity and gas to residential and commercial customers from Enovos Luxembourg S.A. and Leo S.A. for which revenue recognition is based on five respectively eleven flat-rate advance payments and one detailed final billing following meter reading as invoiced annually.

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

Income from participating interests
Dividend income is recorded when dividends are paid.

Note 2 – Creation of the Encevo Group (formerly Enovos Group)
Encevo S.A. (formerly Enovos International S.A.) was incorporated under the name of Soteg S.A. in Luxembourg on 5th February 1974. The Company is registered under RCS nr. B11723. In the context of the below described operations, the Company has been renamed Enovos International S.A. in 2009. The registered office of the Company is established in Esch-sur-Alzette.

As of 23rd January 2009, the shareholders of Cegedel S.A. and Saar Ferngas AG contributed their respective shares into Soteg S.A. Soteg S.A. then launched a mandatory public offer on all Cegedel S.A. shares not yet in its possession and Cegedel S.A. was delisted after a successful squeeze-out process. A process of restructuring took place thereafter and resulted in a new energy group named Enovos consisting of the parent company, Enovos International S.A. (formerly Soteg S.A.) and its two main subsidiaries, Creos Luxembourg S.A. (formerly Cegedel S.A.) in charge of grid activities and Enovos Luxembourg S.A. (formerly Cegedel Participations S.A.) dealing with energy generation, sales and trading activities. This restructuring has been made with retroactive effect as of 1st January 2009. Enovos Luxembourg S.A. has a subsidiary, Enovos Deutschland SE, (former Enovos Deutschland AG), for the German market and Creos Luxembourg S.A. has a subsidiary, Creos Deutschland Holding GmbH (former Creos Deutschland GmbH), for the German grid.

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

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

Note 3 – Authorisations

Following the two European directives 2003/54 and 55, of 26th 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 1st August 2007, as amended by the Laws of 18th December 2009, 17th October 2010 and 7th 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 a period of 15 years. As of 31st December 2017, the group has recognised goodwill on the following acquisitions (see also note 5):

	Date of first consolidation	31.12.2017 Goodwill Gross value	31.12.2017 Goodwill Net value
Denominated in EUR		€	€
Energiepark Trelder Berg GmbH	1st January 2010	11,911,481	0
Surré S.A.	1st January 2010	989,661	461,842
Enovos Luxembourg S.A. (Luxgas S.à r.l.)	1st May 2010	14,871,586	7,270,553
Creos Luxembourg S.A.	1st May 2010	9,285,305	4,539,484
La Benâte Energies S.à r.l.	1st July 2010	1,771,954	0
Enovos Solar Investment I S.r.l. Unipersonale	1st October 2010	805,849	0
Enovos Solar Investment II S.r.l. Unipersonale	1st November 2010	3,035,199	0
Enovos Energie Deutschland GmbH	1st January 2011	7,296,109	3,891,259
Creos Deutschland Stromnetz GmbH	1st January 2017	12,276,943	11,458,480
Leo S.A.	6th January 2011	21,157,085	11,283,779
Ferme Eolienne de la Côte du Gibet S.à r.l.	2nd November 2011	51,800	28,202
Biogas Ohretal GmbH	1st January 2012	6,963,113	4,666,411
ESW Energie Südwest AG	1st January 2012	2,205,965	1,360,345
DiSUN Deutsche Solarservice GmbH	1st January 2016	1,106,662	959,107
Enovos Deutschland SE	20th September 2012	1,992,075	1,328,050
Creos Deutschland Holding GmbH	1st January 2013	689,966	470,796
Biogas Oebisfelde GmbH	8th February 2013	9,308,224	6,236,369
NPG Energy Group	15th January 2013	6,015,427	945,502
Total		**111,734,403**	**54,900,180**

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

	31/12/2017	31/12/2016
Denominated in EUR	€	€
Gross book value - opening balance	**99,457,461**	**94,364,328**
Additions for the year	12,276,943	5,093,133
Transfer for the year	0	0
Gross book value - closing balance	**111,734,403**	**99,457,461**
Accumulated value adjustment - opening balance	**(50,466,859)**	**(41,543,938)**
Allocations for the year	(5,967,364)	(5,462,198)
Exceptional depreciation for the year	(400,000)	(3,460,723)
Accumulated value adjustment - closing balance	**(56,834,223)**	**(50,466,859)**
Net book value - closing balance	**54.900.180**	**48.990.602**

The addition of the year concerns Creos Deutschland Stromnetz GmbH, on which a goodwill of EUR 12,276,943 was posted.

Furthermore, as a consequence of the annual impairment testing, the Board of Directors decided to further depreciate the goodwill of Biogas Oebisfelde GmbH by EUR 400,000.

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 31st December 2017:

Fully consolidated group companies:

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

In 2017, Creos Deutschland Holding GmbH acquired the company Steag Netz GmbH (subsequently renamed Creos Deutschland Stromnetz GmbH) for EUR 12,819,160, to which transaction costs of EUR 774,318 were added. A goodwill of EUR 12,276,943 was recognized on that operation, as the entity was integrated as a fully consolidated company during the year.

Furthermore, on 25th April 2017, Enovos Real Estate Luxembourg S.A. sold Real Estate Strassen S.A. for EUR 33,856,730. A gain on sale of EUR 1,493,948 was recognized on that operation in the consolidated accounts.

Companies consolidated under the equity method:

Name	Country	Percentage of control	"Percentage of interest"	Main activity
Global Facilities S.A.	Luxembourg	50.00%	50.00%	Facility management
Steinergy S.A.	Luxembourg	50.00%	50.00%	Supply of power
Soler S.A.	Luxembourg	50.00%	50.00%	Production of power
Cegyco S.A.	Luxembourg	50.00%	50.00%	Production of power
Nordenergie S.A.	Luxembourg	33.33%	33.33%	Supply of power
Airportenergy S.A.	Luxembourg	50.00%	30.18%	Production of heat and power
Datacenterenergie S.A.	Luxembourg	50.00%	30.18%	Production of heat and power
Aveleos S.A.	Luxembourg	59.02%	59.02%	Construction of solar parks
Kiowatt S.A.	Luxembourg	50.00%	30.18%	Production of power
Pfalzgas GmbH	Germany	50.00%	50.00%	Supply of energy
Projecta 14 GmbH	Germany	50.00%	36.85%	Holding company
energis GmbH	Germany	28.06%	28.06%	Supply of energy
Windpark Wremen GmbH & Co. KG	Germany	40.00%	30.20%	Production of power
SK Ahorn GmbH & Co. KG	Germany	15.10%	15.10%	Production of power
NSL Projekt 2 GmbH	Germany	75.00%	62.75%	Production of power
Solarkraftwerk Barderup GmbH & Co. KG	Germany	32.50%	19.68%	Production of power
NPG Willebroek NV	Belgium	50.00%	50.00%	Production of power
Bioenergie Merzig GmbH	Germany	39.00%	39.00%	Production of power
WES Green GmbH	Germany	50.00%	50.00%	Production of power

Two new entities, Bioenergie Merzig GmbH and WES Green GmbH, have entered the consolidation scope in 2017 under equity method. One entity, Artelis S.A., has been sold and been taken out of the consolidation scope.

NSL Projekt 2 GmbH is not fully consolidated because the Group hasn't the exclusive control.

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 31.12.2017	Total 31.12.2016
Denominated in EUR	€	€
Gross book value - opening balance	720,378	722,617
Additions for the year	0	0
Disposals for the year	0	(2,239)
Transfers for the year	(3,444)	0
Change in consolidation scope	(402,423)	0
Gross book value - closing balance	314,511	720,378
Accumulated value adjustment - opening balance	(556,451)	(433,180)
Allocations for the year	(64,266)	(125,510)
Reversals for the year	0	2,239
Transfers for the year	3,444	0
Change in consolidation scope	341,784	0
Accumulated value adjustment - closing balance	(275,489)	(556,451)
Net book value - closing balance	**39,022**	**163,927**

The change in consolidation scope is due to the sale of Real Estate Strassen S.A.
The Board of Directors considers that no further value adjustments are needed as of 31st December 2017.

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 assets under development	Total 31.12.2017	Total 31.12.2016
Gross book value - opening balance	183,848,209	125,280,000	16,790,182	325,918,391	307,068,503
Additions for the year	6,734,810	0	8,758,428	15,493,238	19,947,231
Disposals for the year	(203,574)	0	0	(203,574)	(995,710)
Transfers for the year	21,332,428	0	(18,298,073)	3,034,356	(101,818)
Change in consolidation scope	178,538	0		178,538	184
Gross book value - closing balance	211,890,411	125,280,000	7,250,537	344,420,948	325,918,391
"Accumulated value adjustments - opening balance"	(106,325,538)	(67,030,000)	(1,778,993)	(175,134,531)	(155,811,590)
Allocations for the year	(14,261,967)	(8,375,000)	0	(22,636,967)	(19,798,274)
Exceptional depreciation for the year	(2,457,481)	0	0	(2,457,481)	0
Reversals for the year	95,394	0	0	95,394	570,805
Transfers for the year	(3)	0	0	(3)	(95,472)
Change in consolidation scope	(100,043)	0	0	(100,043)	0
Accumulated value adjustment - closing balance	(123,049,638)	(75,405,000)	(1,778,993)	(200,233,631)	(175,134,531)
Net book value - closing balance	**88,840,773**	**49,875,000**	**5,471,545**	**144,187,317**	**150,783,860**

On 1st 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). 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. Owing to a new assessment of the profitability of the contract in the context of the Group's impairment-testing process, the Board of Directors decided that no additional impairment is necessary as of 31st December 2017 (exceptional impairment of EUR 19,000,000 in 2015 and EUR 14,000,000 in 2014).

Of the transfers for the year of EUR 21,332,428, EUR 13,682,204 relate to software investments required for the separation of the Creos client energy data management systems from Enovos Luxembourg S.A. and Leo S.A. ones via the implementation of a standardized electronic market communication. A public consultation has been made by the regulator on this market communication among all market participants.

In 2017, the Board of Directors decided to post an exceptional depreciation of EUR 2,457,481 related to the decision of the Group to restructure its commercial activities in Belgium.

The Board of Directors is further of the opinion that no other 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 assets in the course of construction	Total 31.12.2017	Total 31.12.2016
Gross book value - opening balance	269,643,519	2,325,679,251	123,527,218	141,997,122	2,860,847,109	2,725,520,765
Additions for the year	2,334,540	41,730,547	6,429,310	111,082,071	161,576,468	163,682,373
Disposals for the year	(533,476)	(2,304,335)	(660,462)	(814,109)	(4,312,382)	(28,608,926)
Transfers for the year	9,788,469	120,853,957	4,386,866	(139,111,575)	(4,082,284)	152,933
Change in consolidation scope	(23,372,505)	4,919,628	(1,636,108)	(604,500)	(20,693,485)	99,964
Gross book value - closing balance	257,860,547	2,490,879,048	132,046,824	112,549,009	2,993,335,427	2,860,847,109
Accumulated value adjustment - opening balance	(88,812,029)	(1,226,654,418)	(86,195,454)	0	(1,401,661,901)	(1,295,348,900)
Allocations for the year	(6,703,602)	(71,375,739)	(10,678,355)	0	(88,757,696)	(86,886,855)
Exceptional depreciation for the year	0	0	0	0	0	(33,734,010)
Reversals for the year	54,878	2,052,985	461,742	0	2,569,605	16,819,876
Transfers for the year	(27,397)	1,128,111	(35,393)	0	1,065,321	(2,512,013)
Change in consolidation scope	15,793,400	4,222,329	1,580,665	0	21,596,394	0
Accumulated value adjustment - closing balance	(79,694,750)	(1,290,626,732)	(94,866,795)	0	(1,465,188,277)	(1,401,661,901)
Net book value - closing balance	**178,165,796**	**1,200,252,316**	**37,180,029**	**112,549,009**	**1,528,147,149**	**1,459,185,208**

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

Enovos Luxembourg S.A. has participated in the construction of the 11th turbine at the Vianden pumping station of SEO S.A. This investment qualifies as a finance lease and consequently has been recorded in the books of Enovos Luxembourg S.A. Production at the pumping station has started on 1st August 2015. The depreciation period mirrors the duration of the contract between Enovos Luxembourg S.A. and SEO S.A. which ends in 2063. In 2017, the project has been closed and a final settlement has been issued. Consequently, an amount of EUR 1,370,000 has been transferred to the heading "Other fixtures and fittings, tools and equipment", whereas the gross value has been decreased by an amount of EUR 727,000. The total investment for that project amounts to EUR 111,071,439. The remaining balance of the finance obligation towards SEO S.A. of EUR 78,642,300 (2016: EUR 83,002,500) is posted under the heading "Other creditors becoming due and payable after more than one year" and EUR 4,915,050 (2016: EUR 8,329,500) is posted under the heading "Other creditors becoming due and payable within one year" (see also note 23).

In 2017, as Luxenergie S.A. has finalized its investments in energy producing facilities in Luxembourg, a total amount of EUR 23,438,904 has consequently been added to the caption "Plant and machinery".

Also, Creos Deutschland GmbH finished the construction of its new building in Homburg. An amount of EUR 8,779,716 has been invested and transferred to the heading "Land and buildings", EUR 671,767 have been transferred to the heading "Other fixtures and fittings, tools and equipment".

The item "change in consolidation scope" concerns the sale of Real Estate Strassen S.A. and two entities of NPG Group, as well as the integration in the consolidation scope of Steag Netz GmbH.

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:

	31/12/2017	31/12/2016
energis GmbH	38,389,907	38,837,746
Pfalzgas GmbH	23,453,108	23,018,650
Soler S.A.	17,070,734	8,401,228
Projecta 14 GmbH	14,049,677	14,137,545
Kiowatt S.A.	3,860,315	3,591,419
Datacenterenergie S.A.	3,549,225	3,559,500
Cegyco S.A.	2,510,438	2,443,141
NSL Projekt 2 GmbH	1,528,640	1,480,404
SKW Barderup GmbH&CoKG	1,461,362	1,505,739
Global Facilities S.A.	1,458,156	1,283,217
Bioenergie Merzig GmbH	1,060,482	0
Windpark Wremen GmbH & Co. KG	887,367	793,027
SK Ahorn GmbH & Co. KG	725,282	666,694
NPG Willebroek NV	608,825	570,394
WES Green GmbH	569,806	0
Nordenergie S.A.	535,111	547,186
Steinergy S.A.	256,721	242,421
Airportenergy S.A.	214,011	315,611
Artelis S.A.	0	14,437,716
	112,189,168	**115,831,637**

In January 2017, the Group sold its participation in Artelis S.A. for EUR 18,900,000. A consolidated gain on sale of EUR 4,462,284 was posted on the transaction.

In 2017, two entities, Bioenergie Merzig GmbH and WES Green GmbH, entered the consolidation scope.

9.2. Investments carried at cost

Investments carried at cost are recorded at acquisition cost. This caption also includes companies which are not consolidated because of minor significance or for which the activities have not yet started as at 31st December 2017:

		2017		2016	
	Location	Percentage owned	Net value	Percentage owned	Net value
Denominated in EUR			€		€
Stadtwerke Bad Kreuznach GmbH	Germany	24,52%	15.000.000	24,52%	15.000.000
Vialis S.A.	France	10,00%	11.100.000	10,00%	11.100.000
Stadtwerke Pirmasens Versorgungs GmbH	Germany	12,99%	6.667.000	12,99%	6.667.000
Neustromland Energieprojekt 2 GmbH & Co. KG	Germany	100,00%	6.206.000	100,00%	6.206.000
Stadtwerke Trier Versorgungs GmbH	Germany	24,90%	5.029.615	24,90%	4.889.739
Enovos Pfalzwerke BG St. Ingbert GmbH	Germany	50,00%	5.000.000	50,00%	5.000.000
Neustromland Energieprojekt 1 GmbH & Co. KG	Germany	100,00%	5.000.000	100,00%	5.000.000
Pfalzwerke AG	Germany	1,86%	4.628.000	1,86%	4.628.000
Stadtwerke Sulzbach GmbH	Germany	15,00%	3.982.062	15,00%	3.982.062
Stadtwerke Völklingen Netz GmbH	Germany	17,60%	3.232.302	17,60%	3.232.302
Energie Südpfalz GmbH & Co. KG	Germany	50,00%	2.899.712	50,00%	2.899.712
GasLINE GmbH & Co. KG	Germany	5,00%	2.017.612	5,00%	2.017.612
SEO S.A.	Luxembourg	4,46%	1.971.596	4,46%	1.971.596
AMPACIMON S.A.	Belgium	22,43%	1.759.542	20,78%	1.759.525
Solar Kraftwerk Kenn GmbH	Germany	49,00%	1.595.666	25,10%	757.779
Neustromland Solarkraftwerk 1 GmbH & Co. KG	Germany	100,00%	1.401.000	100,00%	1.401.000
Stadtwerke Bliestal GmbH	Germany	23,50%	1.333.000	23,50%	1.333.000
SWT Erneuerbare Energien GmbH & Co. KG	Germany	49,00%	1.323.000	49,00%	1.323.000
Queichtal Energie Offenbach GmbH & Co.KG (former VG Offenbach GmbH & Co. KG)	Germany	49,00%	1.173.650	49,00%	1.173.650
Stadtwerke Völklingen Vertrieb GmbH	Germany	17,60%	1.100.000	17,60%	1.100.000
Windpark Meckel/Gilzem GmbH & Co. KG	Germany	34,00%	560.340	34,00%	560.340
Trifels Gas GmbH	Germany	49,00%	492.250	49,00%	492.250
Solarpark Nordband GmbH & Co. KG	Germany	49,00%	436.590	100,00%	891.000
Solarkraftwerk Niersbach GmbH	Germany	25,00%	427.500	50,00%	855.000
Encasol S.A.	Luxembourg	50,00%	320.000	50,00%	320.000
Stadtwerke Lambrecht GmbH	Germany	15,00%	248.061	15,00%	241.265
energieagence S.A.	Luxembourg	50,00%	233.736	50,00%	233.736
Stadtwerke Homburg GmbH	Germany	10,67%	233.452	10,67%	233.452
JAO S.A. (former CASC EU S.A.)	Luxembourg	5,00%	209.809	5,00%	209.809
Neustromland GmbH & Co. KG	Germany	5,56%	191.309	5,56%	150.000
ACTIVE SMARTHOME	Luxembourg	50,00%	150.040	50,00%	150.040
Solarpark St. Wendel GmbH	Germany	15,00%	142.500	15,00%	142.500
EnergieSüdpfalz PV-Anlage Leinefelde-Worbis GmbH & Co. KG	Germany	10,00%	128.950	10,00%	128.950
Blue Wizzard Beteiligungsverwaltungsgesellschaft GmbH	Germany	100,00%	125.000	100,00%	50.000
Enovos France	France	100,00%	70.000	100,00%	70.000
IZES GmbH	Germany	8,26%	67.700	8,26%	67.700
Windpark Gimbweiler & Mosberg Infr. GbR	Germany	50,00%	34.347	60,00%	36.311
SSG Saar Service GmbH	Germany	10,00%	32.565	10,00%	32.565
ESW - Grüne Energie GmbH	Germany	100,00%	25.000	100,00%	25.000
ESWL.CAB GmbH	Germany	100,00%	25.000		
Neustromland Projekt 1 GmbH	Germany	100,00%	25.000	100,00%	25.000
NPG Energy Nederland N.V. (former NPG Groningen N.V.)	Netherlands	100,00%	18.250	85,00%	18.250
BALANSYS S.A.	Luxembourg	50,00%	15.500	50,00%	15.500
WE Sun GmbH (50%)	Germany	50,00%	12.500		
Energie Südpfalz Verwaltung GmbH	Germany	50,00%	12.500	50,00%	12.500
GasLINE Geschäftsführungs GmbH	Germany	5,00%	1.278	5,00%	1.278
NPG Energy Nederland B.V.	Netherlands	100,00%	100		
GuD KW Krefeld GmbH	Germany	-	1	-	1
Forward Forstservice GmbH	Germany	33,00%	1	33,00%	1
Bioenergie Merzig GmbH	Germany	39,00%	0	39,00%	1.277.250
Learning Factory S.A.	Luxembourg	89,41%	0	32,90%	200.000
WES Green GmbH (former Neustromland Projekt 3 GmbH)	Germany	50,00%	0	100,00%	77.500
Neustromland Solarkraftwerk 1 VG GmbH	Germany	100,00%	0	100,00%	25.000
Windpark Mosberg Verwaltungs GmbH	Germany	100,00%	0	100,00%	25.000
Windpark Bliesgau GmbH	Germany	100,00%	0	100,00%	25.000
Enovos Participations GmbH	Germany	100,00%	0	100,00%	25.000
Enovos Projektgesellschaft 1 GmbH	Germany	100,00%	0	100,00%	25.000
Enovos Projektgesellschaft 2 GmbH	Germany	100,00%	0	100,00%	25.000
Gastmotive Erdgastankstellen GmbH & Co. KG	Germany	11,70%	0	11,70%	17.500
Gastmotive Erdgastankstellen GmbH	Germany	11,70%	0	11,70%	2.925
City Mov S.à r.l.	Luxembourg	100,00%	0	100,00%	0
Cegedel International S.A.	Luxembourg	100,00%	0	100,00%	0
Twinerg S.A.	Luxembourg	17,50%	0	17,50%	0
			86,659,036		**88,129,598**

On 26th April 2017, Learning Factory S.A. proceeded to a capital reduction of EUR 95,000. Subsequently Enovos Luxembourg S.A. subscribed to an equity increase of EUR 281,000 and acquired 75 additional shares for EUR 1 each. The total amount of EUR 281,075 has been completely depreciated under the caption "Value adjustments in respect of financial assets and of investments held as current assets". The entity will be liquidated in 2018.

The participations in Bioenergie Merzig GmbH and WES Green GmbH have been consolidated in 2017 using the equity method.

The companies Enovos Participations GmbH, Enovos Projektgesellschaft 1 GmbH and Enovos Projektgesellschaft 2 GmbH have been merged with Enovos Properties GmbH. The companies Windpark Mosberg Verwaltungs GmbH, Windkraft Bliesgau GmbH and NSL SKW 1 Verwaltungs GmbH have been merged with Blue Wizzard BG GmbH.

The entities gasmotive Erdgastankstellen GmbH and Gastmotive Erdgastankstellen GmbH & Co.KG have been sold in 2017.

Enovos Renewables GmbH sold 51% of Solarpark Nordband GmbH & Co. KG and 25% of Solarkraftwerk Niersbach GmbH.

Enovos Renewables GmbH acquired 23.9% of Solarkraftwerke Kenn GmbH for EUR 837,887.

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 25,350,886 (2016: EUR 21,684,562) consist mainly of inventories parts of Creos Luxembourg S.A. and of feedstock of the biogas production companies.

Work and contracts in progress of EUR 16,317,228 (2016: EUR 26,733,596) are mainly made up of work in progress for grid customers of Creos Luxembourg S.A. which will be invoiced to customers once completed.

Finished goods of EUR 14,390,929 (2016: EUR 10,531,759) 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.

	31.12.2017	**31.12.2016**
Denominated in EUR	€	€
Trade debtors - Gross value	316,586,466	303,079,003
Value adjustment	(8,851,174)	(23,056,575)
Trade debtors - Net value	**307,735,292**	**280,022,428**

The decrease in value adjustment is largely due to the sale of a portfolio of doubtful invoices in 2017.

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 11,156,873 (2016: EUR 13,331,986) and in Germany of EUR 9,117,385 (2016: EUR 10,004,097).

Furthermore, VAT recoverable in Luxembourg amounts to EUR 3,726,383 (2016: EUR 3,488,071).

An amount of EUR 835,000 is composed of receivables on gas and electricity taxes in Germany (2016: EUR 3,834,099).

As of 31st December 2017, this caption also comprises a receivable on the "Institut Luxembourgeois de Régulation" ("ILR") of EUR 8,244,205 (2016: EUR 7,673,176) in the context of the mechanism of the "Fonds de compensation" for Creos Luxembourg S.A.

11.4. Deferred tax assets

In 2016, deferred tax assets for a total of EUR 2,049,000 had been computed on the German companies part of the fiscal unity of Enovos Deutschland SE as a result of the fiscal losses in 2013, 2014 and 2015. As the amount is no longer expected to be recovered with future taxable profits, the tax assets have been reversed in 2017.

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

Note 12 – Investments

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

Note 13 – Cash at bank 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 3,482,905 posted on clearing accounts linked to the group's activities on the energy exchange (2016: EUR 2,625,099).

Note 14 – Prepayments

On 23rd 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 15th June with a maturity in 2019, the three IRS contracts have been unwound and the related costs of EUR 23,928,000 were deferred, as part of the financing fees, over the life time of the underlying retail bond financing. As of 31st December 2017, an amount of EUR 4,985,000 was posted under the caption "Prepayments" (2016: EUR 8,403,286) related to these IRS contracts.

In 2017, this heading includes a prepaid gas invoice for an amount of EUR 16,160,486 (2016: EUR 0) relating to the subsequent year.

Furthermore, are included French capacity guarantees with delivery year 2018 for an amount of EUR 840,839 (2016: EUR 310,000).

According to the regulation scheme in Luxembourg, the amount of revenues (grid tariffs) deriving from regulated activities is authorised on an annual basis by the Regulator. The difference between actual and authorised revenues is assessed each year and is considered in the determination of the electricity and gas grid tariffs for subsequent years. In case actual revenues are exceeding revenues as accepted by the Regulator, tariffs for subsequent years will be reduced and consequently such negative difference is provided for. Within Creos Luxembourg S.A., according to the regulation scheme, a cumulated difference (2017 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 109,122 (2016: EUR 3,542,111) and when negative, in the caption "Deferred income" for an amount of EUR 25,033,017 (2016: EUR 25,174,596).

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 7,627,249 paid to Luxmetering G.I.E. are posted under the caption "Prepayments" (2016: EUR 4,983,510).

An amount of EUR 1,698,518 represents advance leasing payments by Enovos Solar Investment I S.r.l. Unipersonale for the year 2017 (2016: EUR 1,845,180).

Are also included transaction fees of EUR 242,766 and EUR 240,830 following the sale of the wind farms La Benâte Energies S.à r.l. and Ferme Eolienne de la Côte du Gibet S.à r.l. in January 2018.

Finally, EUR 9,680,564 relate to realised power portfolio positions from 2018 to 2021 (2016: EUR 22,508,025).

Note 15 – Capital and reserves

As at 31st December 2017, 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 (2016: 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

	31/12/2016	Distribution of dividends	Appropriation of profit	Change in scope	Other	Profit for the year	31/12/2017
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	403,113,838	0	58,658,531	1,249,506	10,578,400	0	473,600,276
Legal Reserve	9,096,290	0	0	0	0	0	9,096,290
Reserve of 1st consolidation	(57,960,816)	0	0	0	0	0	(57,960,816)
Consolidation reserves	387,046,212	0	58,658,531	1,249,506	10,578,400	0	457,532,650
Other reserves	64,932,152	0	0	0	0	0	64,932,152
Retained earnings	56,421,145	0	(32,449,386)	0	0	0	23,971,759
Capital investment subsidies	3,456,053	0	0	0	2,542,210	0	5,998,264
Temporarily not taxable capital gains	0	0	0	0	23,615,759	0	23,615,759
Profit for the year	61,202,573	(34,993,428)	(26,209,145)	0	0	35,959,377	35,959,377
Total shareholder's equity Group share"	**1,002,184,959**	**(34,993,428)**	**0**	**1,249,506**	**36,736,369**	**35,959,377**	**1,041,136,783**
Minority interest	241,496,387	(14,723,329)	0	469,808	7,806	19,789,562	247,040,234
Total shareholder's equity	**1,243,681,345**	**(49,716,756)**	**0**	**1,719,314**	**36,744,176**	**55,748,939**	**1,288,177,017**

The category "Change in scope" mainly comprises the impact of the sale of two subsidiaries of NPG Energy NV, the sale of Real Estate Strassen S.A. and the entering into the consolidation scope of WES Green GmbH. The movement in the caption "Capital investment subsidies" comprises a new subsidy of EUR 2,916,654 to Luxenergie S.A. and the annual amortization revenue of existing subsidies. The category "Other" includes a subsidy of EUR 7,862,272 from Soler Group. The temporarily non-taxable capital gain of EUR 23,615,759 results from the transfer of the building in Strassen to Real Estate Strassen S.A. in 2012, a subsidiary of Enovos Real Estate Luxembourg S.A. The gain becomes taxable only when the latter subsidiary is sold. At Group level that item has been eliminated as an intercompany operation. As Real Estate Strassen S.A. left the consolidation scope, the intercompany elimination has been reversed in 2017.

Note 16 – Provisions

16.1. Provisions for pensions and similar obligations

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

- retirement age taken into account for financing: 60 years (for Luxembourg), 62 years (for Germany)
- yearly discount rate of 3.65%
- estimated salary at time of retirement based on past experience.

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

Whereas in Luxembourg, the application of the group assumptions has been accepted by the tax authorities, there is a difference in Germany between local accounting standard HGB and group assumptions. Consequently, consolidated pension provisions booked under group assumptions are lower than those booked locally under HGB by EUR 16,058,952 (2016: EUR 14,961,025).

16.2 Other provisions

The caption "Other provisions" comprises provisions to cover the following risks:

	31.12.2017	31.12.2016
Denominated in EUR	€	€
Provisions for regulatory and environmental risks	47,515,292	38,625,689
Provisions for staff costs	18,309,253	18,312,521
Provisions for sales risks	1,018,347	7,443,986
Provisions for derivatives	218,710	621,531
Provisions for litigation	1,668,825	975,067
Other provisions	16,727,630	9,064,440
Total	**85,458,057**	**75,043,234**

The overall increase in provisions is mainly due to a provision of EUR 8,600,000 related to guarantees issued in the context of the litigations concerning the photovoltaic parks in Italy and a provision of EUR 5,000,000 due to entry in the consolidation scope of Creos Deutschland Stromnetz GmbH in regards to regulatory and environmental risks. The provisions for sales risks have been mostly released in 2017 as no longer deemed necessary.

Note 17 – Debenture loans

On 15th June 2012, Encevo S.A. issued a public bond of EUR 200,000,000 which is listed on the secondary Euro MTF market in Luxembourg. The bond bears an interest of 3.75% and is entirely redeemed on 15th June 2019. Interests on the coupons are paid on 15th June every year from 2013 to 2019. The accrued interest payable as at 31st December 2017 amounts to EUR 4,083,333 (2016: EUR 4,083,333).

Furthermore, on 26th 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 bears a floating interest rate for the 7 year tenors and a fixed interest rate of 2.81%, 3.22% and 3.5% for the 10, 12 and 15 years tenors respectively. The interests for the floating 7 years tenor are paid twice a year in June and December whereas the interests on the fixed tenors are paid in June every year. The accrued interests payable as at 31st December 2017 amount to EUR 1,086,493 (2016: EUR 1,086,761).

On 21st 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 31st December 2017 amount to EUR 149,014 (2016: EUR 157,098).

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

	Within one year	After one year and within five years	After more than five years	Total 2017	Total 2016
Denominated in EUR	€	€		€	€
Non-convertible debenture loans	5,485,507	285,166,667	97,000,000	387,652,174	387,827,192
Total	**5,485,507**	**285,166,667**	**97,000,000**	**387,652,174**	**387,827,192**

Note 18 – Amounts owed to credit institutions

Encevo S.A. successfully completed the replacement of the agreement linked to the Revolving credit Facility ("RCF") of 2013, with a committed amount of EUR 200,000,000 on 17th August 2016 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 have the option, upon request of the Company, to extend by one more year, until August 2023. No new issuance of long-term financings occurred during the financial year under review. The amount drawn on the committed RCF as of 31st December 2017 is EUR 0 (2016: EUR 0).

The amounts owed to credit institutions break down as follows:

	31.12.2017	31.12.2016
Denominated in EUR	€	€
Current financial liabilities due to financial institutions		
due within one year	28,463,582	33,097,378
Non-current financial liabilities due to financial institutions		
due after one year and within five years	33,285,286	38,681,064
due in more than five years	31,066,721	39,958,639

The main outstanding current financial liabilities are loans of EUR 21,599,625 due by Luxenergie S.A.The main outstanding non-current financial liabilities are loans of EUR 22,950,000 due by Real Estate Enovos Esch S.A., EUR 14,159,805 due by NPG Group and EUR 15,239,163 due by Luxenergie S.A.

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 interest related to the financing of 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 three 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 as well as Energiepark Trelder Berg GmbH, regrouping Biogas Trelder Berg 1 GmbH, Biogas Trelder Berg 2 GmbH, Biogas Trelder Berg 3 GmbH, Biogas Ohretal GmbH and Biogas Oebisfelde 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 83,557,350 (2016: EUR 91,242,000) has been posted under this caption in 2017, of which EUR 78,642,300 are due after more than one year (2016: EUR 83,002,500); (see also note 8).

As of 31st December 2017, 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" (2016: EUR 1,700,000 and EUR 1,500,000).

Furthermore, in the context of the financing of renewable projects, Energie Südwest AG has a long term liability towards its customers of EUR 2,646,500 (2016: EUR 2,968,000).

Note 24 – Deferred income tax

The deferred income tax liability is mainly related

- to the different depreciation methods used in consolidated accounts (linear) compared with the statutory accounts (degressive) of several group companies
- to the different calculation method of the pension obligations in consolidated accounts compared with statutory accounts of several group companies
- to a provision reversal at 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 25,033,017 (2016: EUR 25,174,596) related to the regulated activities.

The caption also includes derivatives used to hedge operations to be settled in subsequent years and advance payments by customers.

Note 26 – Net turnover

Sales break-down is as follows:

Denominated in EUR	2017 €	2016 €
Sales electricity	931,770,101	1,090,295,608
Sales gas	596,158,067	592,966,809
Other energy sales	23,601,833	22,400,142
Grid sales electricity	36,365,454	32,320,167
Grid sales gas	82,019,089	81,423,480
Other sales	91,016,775	72,201,942
Rebates & discounts	(2,743,555)	(2,704,782)
Total sales	**1,758,187,765**	**1,888,903,366**

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	2017 €		2016 €	
Luxembourg	608,054,402	34.58%	629,367,711	33.32%
Germany	1,003,518,865	57.08%	1,048,769,825	55.52%
France	106,321,841	6.05%	144,680,964	7.66%
Belgium	35,972,089	2.05%	62,668,818	3.32%
Other countries	4,320,568	0.25%	3,416,048	0.18%
Total sales	**1,758,187,765**	**100.00%**	**1,888,903,366**	**100.00%**

Note 27 – Other operating income

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

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

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

Note 28 – Raw materials and consumables and other external expenses

Denominated in EUR	2017 €	2016 €
Electricity supplies	759,244,895	872,779,282
Trading sales electricity	(190,215,619)	(178,907,397)
Gas supplies	1,069,929,675	1,031,500,085
Trading sales gas	(571,962,135)	(556,626,854)
Other supplies	285,831,000	270,125,261
Derivatives	764,199	920,931
Total Raw materials and consumables	**1,353,592,016**	**1,439,791,308**

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 among others professional fees, subcontracting and maintenance costs, marketing and communication costs, rental costs and insurance premiums.

Note 29 – Staff costs

The group had on average 1,609 employees in 2017 (2016: 1,530). The figure in 2017 includes the staff of the City of Luxembourg made available to Creos Luxembourg S.A., 90 employees (2016: 102 employees), the costs of which are shown under wages and salaries for EUR 8,884,661 (2016: EUR 9,906,767).
Due to the improvement of the presentation of the annual accounts (see note 1), the captions "Social security costs" and "Other staff costs" have been redefined. The caption "Social security costs" relating to pensions includes employer's share of social security costs relative to legal pension contributions. The caption "Other staff costs" includes pension costs related to the supplementary pension schemes. The amounts of 2016 have been reclassified accordingly.

Note 30 – Other operating expenses

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

In 2017, Enovos Luxembourg S.A. posted a provision of EUR 8,600,000 in the context of the ongoing litigation regarding the Company's Italian PV parks.

Note 31 – Income from participating interests

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

Note 32 – Other interest receivable and similar income

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

In 2017, the caption also includes a capital gain of EUR 4,462,284 resulting from the sale of Artelis S.A. and a capital gain of EUR 1,493,948 resulting from the sale of Real Estate Strassen S.A.

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:

Denominated in EUR	2017 €	2016 €
energis GmbH	6,370,889	6,775,816
Pfalzgas GmbH	4,634,458	4,915,414
Datacenterenergie S.A.	1,049,403	936,403
Soler S.A.	807,234	(54,390)
Projecta 14 GmbH	682,302	964,790
Global Facilities S.A.	674,939	461,384
WES Green GmbH	370,801	0
Cegyco S.A.	317,298	175,019
Kiowatt S.A.	268,896	213,295
Bioenergie Merzig GmbH	179,857	0
Solarkraftwerk Ahorn GmbH & Co. KG	143,781	85,193
NPG Willebroek NV	138,932	102,707
Nordenergie S.A.	137,928	213,827
Airportenergy S.A.	109,660	113,359
Windpark Wremen GmbH & Co. KG	94,340	(14,501)
Steinergy S.A.	64,301	58,557
Solarkraftwerk Barderup GmbH & Co. KG	50,844	95,221
Neustromland Projekt 2 GmbH	48,236	10,172
artelis S.A.*	0	983,845
Twinerg S.A.	0	0
Aveleos S.A.	0	0
Total	**16,144,098**	**16,036,111**

*Sold in 2017

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

As a consequence of the liquidation of Learning Factory S.A., Enovos Luxembourg S.A. completely depreciated the entity for an amount of EUR 281,075. On the other hand, Twinerg S.A. reimbursed an outstanding loan of EUR 1,040,190, including accrued interests, so that an prior impairment of EUR 913,990 could be reversed.

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 bond issuance.

Note 36 – Current and deferred income tax expense

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

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

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

Remuneration paid to members of the management and supervisory bodies of Encevo S.A. totalled EUR 621,500 in 2017 (2016: EUR 593,500). 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 2017 amount to EUR 534,325 (2016: EUR 562,450). Non-audit related fees amount to EUR 47,500 (2016: EUR 768,000).

Note 39 – Financial derivatives

The group is further engaged in spot and forward electricity and gas trading on organised markets and by private sales. These transactions are made using different instruments. Among these instruments are forward contracts, which imply final delivery of electricity and gas, swap contracts, which entail promises of payment to and from counterparties in conjunction with the difference between a fixed price and a variable price indexed on underlying products, options or other contractual agreements.
These contracts are not accounted for in the balance sheet as the group has chosen to not apply the option to use fair value accounting in its annual accounts. Only the unrealized 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

	31.12.2017	31.12.2016
Denominated in EUR	€	€
Financial derivatives on electricity futures	(60,572,177)	(45,991,803)
Other financial derivatives	(6,844,026)	(11,228,475)
Total	**(67,416,203)**	**(57,220,278)**

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

	31.12.2017	31.12.2016
Denominated in EUR	€	€
Financial derivatives on electricity futures	60,466,089	45,696,441
Other financial derivatives	6,623,645	11,131,578
Total	**67,089,734**	**56,828,019**

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

	31.12.2017		31.12.2016	
	Nominal value	Fair value	Nominal value	Fair value
Denominated in EUR	€	€	€	€
Financial derivatives on electricity futures	277,619,882	(106,088)	196,813,480	(295,362)
Other financial derivatives	79,243,460	(220,381)	77,448,170	96,897

The net fair value of the derivative contracts amounts to a loss of 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 going accounting principles, a provision is posted for negative positions. Thus, in 2017, a provision of EUR 218,710 (2016: EUR 621,531) is recorded under the caption other "Other provisions – Provisions for derivatives" (see note 16.2).

Note 40 – Off-balance sheet liabilities and commitments

Commercial commitments

Enovos Luxembourg S.A. concluded a number of forward contracts for the purchase and sale of electricity and gas as part of its usual operations. The company has thus contracted purchase commitments for physical delivery of electricity and gas amounting to EUR 1,44 billion, as of 31st December 2017 (2016: EUR 1.12 billion). The amount of the aforementioned forward purchase contracts includes only forward contracts signed with counterparties. In addition, the company holds several long-term gas-sourcing contracts, for which the off balance sheet commitments as of 31st December 2017 amount to EUR 101,61 million (2016: EUR 224.4 million), and long-term electricity-sourcing contracts amounting to EUR 120 million (2016: EUR 125.2 million). In addition, Enovos Luxembourg S.A. has natural gas purchase commitments from the 1st January 2018 until 2025 for a volume of 41.68 TWh, for which prices will be settled, with retroactive effect as from January 1st 2018, and which are currently under discussion. Enovos Luxembourg S.A. furthermore has a power-sourcing contract from 1st of January 2018 until 2037 with a total volume of 8,766 TWh.

The cross-border gas-transportation capacity commitments account for EUR 35.78 million and run until 2025 (2016: EUR 43.96 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 31st December 2017, has a commitment, for the period 2018-2021, to purchase certificates valued at EUR 6.1 million from producers of alternative sources of energy (2016: EUR 7.4 million).

Enovos Luxembourg S.A. further entered into a variety of financially settled derivative contracts (mainly futures and swaps in gas and electricity) in order to hedge the procurements for customer business and assets. As of 31st December 2017, the unrealised gain of these transactions amounts to EUR 0.262 million (2016: loss of EUR 0.204 million).

Energie Südwest AG has issued a security of EUR 558,600 for the purchase of a power grid in Annweiler.

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, Encevo S.A. has provided a guarantee of EUR 4,796,788 to ensure commitments arising from a loan agreement between SW Saarbrücken und Enovos Deutschland SE.

In the context of the sale of NPG BIO I, Enovos Luxembourg S.A. has given the buyer a feedstock supply guarantee of EUR 1,000,000 for 2018.

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 12,296,850 (2016: EUR 13,346,886) maturing in 2029. All leasing obligations are guaranteed by a comfort letter issued by Enovos Luxembourg S.A.

Enovos Luxembourg S.A. has entered into an interest rate swap agreement in order to hedge its floating rate exposure from a loan it had received from Encevo S.A. to refinance Enovos Solar Investment II S.r.l. Unipersonale. As of 31st December 2017, the notional amount equals EUR 15,304,510 (2016: EUR 16,523,281) with a negative fair value of EUR -1,476,500.

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 140,000,000 (2016: EUR 159,200,000).

For the electricity and gas trades, Enovos Luxembourg S.A. has received from counterparties parental support letters totalling EUR 85,000,000 (2016: EUR 70,150,000).

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 12,311,864 (2016: EUR 10,563,863).

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

Encevo S.A. provided a parent company guarantee of EUR 8,201,329 as of 31st December 2017 (2016: EUR 9,129,121) for the benefit of a bank by order and for account of SKW Kenn GmbH as performance bond for a financing agreement between the lender and the latter. In return, Encevo S.A. received a parent company counter-guarantee from Stadtwerke Trier with a current amount of EUR 4,182,678 (2016: EUR 4,655,852).

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 11,475,000 at the end of 2017 (2016: EUR 12,150,000).

Luxenergie S.A., together with Société de l'Aéroport de Luxembourg S.A., has provided a joint and several guarantee in the context of the financing of their joint-venture Airport-Energy S.A., for an initial amount of EUR 15,800,000. The remaining balance as of 31st December 2017 amounts to EUR 8,564,185 (2016: EUR 9,139,223).

In the context of the sale of Real Estate Strassen S.A. (RES), 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 (2016: EUR 0) to RES to guarantee its commitments under the lease agreement entered into with RES.

Enovos Deutschland SE and Enovos Renewables GmbH have granted various shareholder loans to non-consolidated participations for which the undrawn portions amount to EUR 2,501,152 on total (EUR 2,280,842 in 2016).

Creos Luxembourg S.A. has issued bank guarantees in the context of its regular business for a total amount of EUR 1,000,992 (2016: 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 Incorporation 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

In January 2018, La Benâte Energies S.à r.l. and Ferme Eolienne de la côte du Gibet S.à r.l. have been sold for a total amount of EUR 5,616,950. The entities will leave the consolidation scope in 2018.

In December 2017, Enovos Luxembourg S.A. decided to liquidate Learning Factory S.A. in 2018. The entity has been completely depreciated in 2017.

In February 2018, the shareholding in Encevo S.A. changed: Electrabel S.A. (Group Engie) sold its 4.71% participation to Post Luxembourg.

There are no other subsequent events affecting the 2017 accounts.

Audit report

To the Shareholders of
Encevo S.A.

Report on the audit of the consolidated annual accounts

Our opinion

In our opinion, the accompanying consolidated annual accounts give a true and fair view of the consolidated financial position of Encevo S.A. (the "Company") and its subsidiaries (the "Group") as at 31 December 2017, and of the consolidated results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated annual accounts.

What we have audited

The Group's consolidated annual accounts comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated profit and loss account for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (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 annual accounts" section of our report.

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

We are 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 annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

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Other information

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

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

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

Responsibilities of the Board of Directors for the consolidated annual accounts

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

In preparing the consolidated annual accounts, 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.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report 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 annual accounts.

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 scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated annual accounts, 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 the 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 audit report to the related disclosures in the consolidated annual accounts 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 audit report. 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 annual accounts, including the disclosures, and whether the consolidated annual accounts 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 annual accounts. 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 annual accounts and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 27 April 2018

Christiane Schaus

MANAGEMENT REPORT

EXTRACT OF THE ANNUAL ACCOUNTS OF ENCEVO S.A.

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 subsidiaries, the dividend income from its subsidiaries, as well as the income from corporate services and the costs associated to provide these services, costs which are re-allocated to group companies based on specific keys or individual projects.

As the Company is centralizing the financing for the main group companies, management follows external net financial debt as one of the key performance indicators. Adequate treasury tools are implemented and management ensures a strict cash flow follow-up, including daily reporting of consolidated cash in the cash pool which regroups about 19 group companies, as well as a monthly cash forecast, in order to support the development of the group and to insure sufficient liquidity.

2017 Highlights

In January 2017, the Company completed the sale of its 36,95% stake in Artelis S.A. for an amount of EUR 18,900,000. In April 2017, Enovos Real Estate Luxembourg S.A., a subsidiary of Enovos Luxembourg S.A., sold its building located in Strassen for an amount of EUR 33.856.730.

A global restructuring of the NPG Group occurred in 2017, which led to the disposal of the 2 biogas companies NPG Bio I N.V. and NPG Bio II N.V., since the latter negatively impacted the NPG Group with technical issues and various incidents, resulting in a recapitalization of the NPG Group through a capital increase of EUR 7,000,018 fully subscribed by Encevo S.A. We refer to Note 5 for a more detailed description of the accounting impact of the transactions.

Since the successful replacement in August 2016 of the Revolving credit Facility ("RCF") initially set up in 2013, with a committed amount of EUR 200,000,000 with 7 banks, no new issuance of medium or long term financings has occurred in 2017. The amount drawn on the committed EUR 200,000,000 RCF as of 31st December 2017 is EUR 0 (2016: EUR 0). In August 2017, all participating banks agreed to extend the maturity of the RCF by one additional year to August 2023.

Considering the retail bond of EUR 200,000,000 issued in June 2012, the German Certificates of Indebtedness ("Schuldschein") of EUR 102,000,000 issued in June 2013 and of EUR 80,000,000 issued in November 2014, the Company's debt maturity profile has an average tenor of 3.6 years, while the exposure to floating interest rates is less than 10%. Within the long term proceeds of EUR 382,000,000 (2016: EUR 382,000,000), a total amount of EUR 290,000,000 (2016: EUR 290,000,000) is allocated through back to back loans with mirror conditions to the subsidiaries in order for the latter mainly to finance their grid investments projects and the financing of renewable energy generation projects.

While no additional external debt was raised during 2017, the Company continued to finance the investments and working capital needs of its core subsidiaries via shareholder loans. We refer to Note 5 in the annual accounts for more details on these transactions.

In August 2017, the newly acquired company Creos Deutschland Stromnetz GmbH entered into the cash pooling agreement with Encevo S.A. with a deposit amounting to EUR 2,591,623 as at year-end.

In December 2017, the Company signed a two-year loan agreement with Creos Luxembourg for an amount of EUR 30,000,000, amount drawn in January 2018.

During the year, the Company distributed a dividend of EUR 34,993,428 (EUR 32,200,867 in 2016).

The amounts owed to credit institutions decreased from EUR 10,025,568 in 2016 to EUR 26,747 in 2017, largely as a consequence of an overdraft facility of EUR 10,000,000 drawn in 2016 but reimbursed in 2017, while Cash and cash equivalents could be maintained at a level of EUR 28,208,885 in 2017 (2016: EUR 30,343,478), thus leading to a net financial debt decreasing to EUR 370,143,392 end of 2017, compared to EUR 379,009,282 one year earlier.

As of 31st December 2017, the total cash amount managed on behalf of the subsidiaries with which the Company entered into a cash pooling agreement is EUR 157,917,540 (2016: EUR 136,549,321).

Regarding information technology, Encevo S.A. consolidated the new IT organization and governance, and on-boarded several skills in order to better position the Group IT department for the upcoming challenges in supporting the newly created business units to achieve their operational and strategic targets. As part of the IT transition program, newly acquired technologies improving security, availability, monitoring and resilience were deployed throughout the information systems. The Company also ensured the transition to operations of major IT projects like e.g. the required separation of the biling systems of Creos Luxembourg S.A. and Enovos Luxembourg S.A., which is operational at year-end, or the Creos digitalization of workforce management for the recurring maintenance and inspection.

In order to protect information entrusted to the Company and its subsidiaries by our employees and business partners, the Group IT department reinforced IT security measures and launched digital security initiatives to efficiently support the group's new business structure and proactively address cyber-risks. Group IT also strengthened its information security governance with an Information Security Committee moniting the enforcement of a group-wide information security policy. On a broader level, the Company has initiated a groupwide initiative and completed the first milestones towards its compliance to the General Data Protection Regulations, which will come into force in May 2018.

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 2017. Moreover, a second wave of cost efficiency initiatives (F4F 2.0) has been identified during the year for the Company which will be implemented in the coming years.

Personnel

The number of employees increased from 143 FTE at year end 2016 to 155 FTE at year end 2017.

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 operations of the company's core activities.

Financial results

In 2017 the net turnover amounted to EUR 47,247,242 (2016: EUR 44,205,002) 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, Strategy and Corporate Development rendered by Encevo S.A. to the main subsidiaries and re-invoiced through a transparent and systematic allocation key or through specific projects for which the Company has rendered these services.

Income from participating interests increased from EUR 35,673,146 in 2016 to EUR 42,310,945 in 2017 due to higher dividends received from Enovos Luxembourg S.A. and Enovos Deutschland SE compared to 2016.

Interest receivable and similar income derived from affiliated undertakings amount to EUR 18,441,453 in 2017 (EUR 18,594,456 in 2016) and are mainly related to the interests received on the shareholder loans granted to the group companies.

Interest payable and similar expenses of EUR 47,153,647 in 2017 are including interest payables of 15,509,402 in line with the 2016 amount of 15,573,378 and are mainly related to the interests accrued on the long term financings (2012 Retail bond and the two German Certificates of Indebtedness) as well as to the depreciation of the associated hedge and all-in financing arrangement costs. The interest payable and similar expenses concerning affiliated undertakings is mainly related to the sale of the shares held in Artelis S.A, EUR 9,846,413, and the restructuring of NPG Energy NV, EUR 21,773,738, with limited impact at net profit level:

- On 28th December 2016, the Company signed an agreement for the sale of its shares held in Artelis S.A. for an amount of EUR 18,900,000. The transaction became effective in January 2017. As the sale price is lower than the book value, an impairment of EUR 9,846,413 was posted in 2016. The impairment has been reversed under the caption "Value adjustments in respect of financial assets and of investments held as current assets and the effective loss on sale has been recognized for the same amounts in the caption "Other interest and similar expenses" so that the transaction had no net result impact in 2017.
- As detailed in the notes 5 and 7 to the accounts, the restructuring of NPG Energy NV led to impacts in various captions thereof mainly a negative impact of 21,773,738 from the sale of 2 subsidiaries in the caption "Interest payables and similar expenses" partially compensated by reversals of 2016 impairments recognized in the caption "Value adjustments in respect of financial assets" for EUR 14,850,000 regarding the shareholders loans and EUR 3,279,035 in the caption "Value adjustments in respect of current assets" regarding the cash pool amounts. In total, the Company recorded a net loss related to the NPG restructuring of EUR 3,644,768 in 2017.

Risk management

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

In regards to the status of the Italian photovoltaic assets, it should be noted that GSE (the authority that has granted the feed-in-tariffs to the various Italian subsidiaries of Enovos Luxembourg S.A.) has continued its investigations during the course of 2017 and has kept contact with Encevo S.A. that continued to accommodate the requests for information. In addition, EAM had filed a criminal complaint in Luxembourg against Enovos Luxembourg S.A., Encevo S.A. and four of its employees for alleged damages regarding the purchase of Italian assets from Aveleos S.A., a subsidiary of Enovos S.A. Encevo S.A. took meanwhile legal counter-action against EAM and the Court suspended its decision on the slanderous denunciation claim until the end of investigations. On the substance, no further material events occurred in 2017 which could justify a change in the appreciation of the facts at stake and thus the taking of provisions in the accounts of Encevo S.A.

The Group Risk Management department is centralizing 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.

Outlook

On 21st 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.

The Company will provide further financing means to realize the ambitious investment program of its subsidiaries mainly into grid and renewable energy generation activities. Therefore, and in light also of the maturity of the Company's Retail Bond of EUR 200,000,000 in June 2019, first discussions have started with the Company's core banks in order to set up a new long term financing agreement in the course of 2018.

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

On the information technology side, management decided to launch a strategic study in order to design a target information system that will support the group's strategy, regulatory requirements and digital transformation.

Finally, the Company will continue to drive the project throughout which the Encevo Group aims to be compliant with European regulation on general data protection and to meet the deadline of May 2018.

Changes in the Board of Directors of Encevo S.A.

Mr Benoît Gaillochet was the permanent representative of the director "AXA Redilion Management Co S.C.A." until 29th September 2017 when Mr Michael Reuther became the permanent representative of this director. Mr Gaillochet is now a director in his own name. Mr Michael Reuther is the permanent representative of "AXA Redilion Management S.C.A." as from 29th September 2017. Until that date, he was a director in his own name.

Mr Frank Reimen was appointed by the general shareholders meeting on 9th May 2017 to replace Mrs Andrée Colas who ceased to be a director on the same day.

In the context of the change in the shareholding of Encevo S.A. as of 21st 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 27th 2018. Further to these resignations, the Board co-opted Daniel Da Cruz as a new Director of Encevo S.A. as of 27th April 2018 upon the proposal of the Luxembourg State while Mr Claude Strasser was co-opted on 27th April 2018 upon the proposal of the new shareholder Post Luxembourg, both with effect as from April 27th 2018. Both co-optations are expected to be ratified at the annual general meeting of shareholders to be held on 8th May 2018.

Auditor

The mandate of the external independent statutory auditor, PricewaterhouseCoopers, will come to term with the audit of the financial year 2017. In order to select a new statutory auditor, a call for tenders was launched in 2017 and several proposals were received and analysed. The Board of Directors will designate the new auditor for the 2018 annual accounts at the annual general meeting of shareholders to be held on 8th May 2018.

Proposed appropriation of net profit

The profit available for appropriation of EUR 60,469,935 includes the profit for the year of EUR 36,498,177 and the profit brought forward of EUR 23,971,758.The Board of Directors proposes to the Annual Shareholder's Meeting to be held on 8th May 2018 the following appropriation of net profit:

	€
Dividend of 27 Euros per share*	**24,559,983**
Allocation to the legal reserve	0
Allocation to the blocked reserve	3,600,000
Allocation to other reserves	0
Amount carried forward	32,309,952
Total allocated	**60,469,935**

* Number of shares 909,629

The Board of Directors
Esch-sur-Alzette
27th April 2018

Balance sheet as at 31st December 2017

ASSETS	2017	2016
Denominated in EUR	€	€
Fixed assets	**1,218,486,393**	**1,200,926,070**
Intangible assets		
Concessions, patents, licences, trademarks and similar rights and assets, if they were		
a) acquired for valuable consideration	3,119,807	3,645,599
Payments on account and intangible assets under development	192,251	293,440
Tangible assets		
Other fixtures and fittings, tools and equipment	1,140,203	1,945,953
Payments on account and tangible assets the in course of construction	22,855	0
Financial assets		
Shares in affiliated undertakings	773,200,363	773,200,363
Loans to affiliated undertakings	439,586,564	401,716,365
Participating interests	1,224,350	20,124,350
Current assets	**171,589,320**	**129,445,969**
Stocks		
Finished goods and goods for resale	659,343	0
Debtors		
Trade debtors		
a) becoming due and payable within one year	0	58,435
Amounts owed by affiliated undertakings		
a) becoming due and payable within one year	142,260,194	92,775,936
Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests		
a) becoming due and payable within one year	35,521	0
Other debtors		
a) becoming due and payable within one year	411,386	6,252,120
b) becoming due and payable after more than one year	14,000	16,000
Cash at bank and in hand	28,208,885	30,343,478
Prepayments	**6,674,523**	**9,854,250**
TOTAL ASSETS	**1,396,750,236**	**1,340,226,289**

CAPITAL, RESERVES AND LIABILITIES	2017	2016
Denominated in EUR		€
Capital and reserves	**710,535,412**	**709,030,663**
Subscribed capital	90,962,900	90,962,900
Share premium account	387,028,449	387,028,449
Reserves		
Legal reserve	9,096,290	9,096,290
Other reserves, including the fair value reserve		
a) other available reserves	161,438,164	161,438,164
b) other non available reserves	1,539,674	6,539,674
Profit or loss brought forward	23,971,758	56,421,145
Profit or loss for the financial year	36,498,177	(2,455,959)
Provisions	**10,188,799**	**8,535,499**
Provisions for pensions and similar obligations	8,521,337	7,360,264
Other provisions	1,667,462	1,175,235
Creditors	**676,026,025**	**622,660,127**
Debenture loans		
b) Non convertible loans		
i) becoming due and payable within one year	5,318,840	5,327,192
ii) becoming due and payable after more than one year	382,000,000	382,000,000
Amounts owed to credit institutions		
a) becoming due and payable within one year	26,747	10,025,568
Trade creditors		
a) becoming due and payable within one year	4,997,355	5,547,056
Amounts owed to affiliated undertakings		
a) becoming due and payable within one year	277,386,110	205,519,029
b) becoming due and payable after more than one year	0	8,000,000
Amounts owed to undertakings with which the undertaking is linked		
by virtue of participating interests		
a) becoming due and payable within one year	28,559	12,532
Other creditors		
a) Tax authorities	3,542,755	3,278,388
b) Social security authorities	563,741	730,289
c) Other creditors		
i) becoming due and payable within one year	2,157,718	2,220,073
ii) becoming due and payable after more than one year	4,200	0
TOTAL CAPITAL, RESERVES AND LIABILITIES	**1,396,750,236**	**1,340,226,289**

Profit & Loss account for the year ended 31st December 2017

Denominated in EUR	2017	2016 €
Net turnover	47,247,242	44,205,002
Work performed by the undertaking for its own purposes and capitalised	104,331	85,458
Other operating income	994,867	767,892
Raw materials and consumables and other external expenses		
a) Raw materials and consumables	(450,659)	(369,837)
b) Other external expenses	(29,172,565)	(28,895,761)
Staff costs		
a) Wages and salaries	(17,928,228)	(15,870,742)
b) Social security costs		
i) relating to pensions	(1,143,299)	(983,911)
ii) other social security costs	(804,858)	(664,101)
c) Other staff costs	(1,562,190)	(1,001,013)
Value adjustments		
a) in respect of formation expenses and of tangible and intangible fixed assets	(1,960,090)	(1,774,697)
b) in respect of current assets	3,279,035	(3,285,209)
Other operating expenses	(633,181)	(596,002)
Income from participating interests		
a) derived from affiliated undertakings	40,702,445	34,064,646
b) other income from participating interests	1,608,500	1,608,500
Other interest receivable and similar income		
a) derived from affiliated undertakings	18,441,453	18,594,456
b) other interest and similar income	1,755	10,960
Value adjustments in respect of financial assets and of investments held as current assets	24,696,349	(35,966,413)
Interest payable and similar expenses		
a) concerning affiliated undertakings	(31,644,245)	(30,429)
b) other interest and similar expenses	(15,509,402)	(15,573,378)
Tax on profit or loss	88,497	3,104,200
Profit or loss after taxation	36,355,757	(2,570,379)
Other taxes not shown under items 1 to 16	142,420	114,420
Profit or loss for the financial year	36,498,177	(2,455,959)

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We would like to thank all those involved in the preparation and publication of this annual report.

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