

Shaping energy

Annual Report 2017
Enovos Luxembourg



Energy for today. Caring for tomorrow.



*"We want to be
a driving force in the
energy transition."*



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PART I

OUR MISSION

 The core mission of Enovos is to provide electricity, natural gas and renewable energies to a wide range of customers including industrial clients, SMEs and private households. We take pride in our advances in renewable energy production and our contributions to a better, greener tomorrow. This section provides highlights of our performance and reflections on things to come.

INTERVIEW

The next step

Energy markets have undergone a variety of changes in the past few years and the evolution of the whole sector is far from over. Enovos is part of that change; proactively helping to shape the energy landscape of the Greater region. True to its motto: "Energy for today. Caring for tomorrow." and aware of the role it has to play in contributing to Corporate Social Responsibility (CSR), Enovos is taking the next step to stay ahead of the pack, and to be ready for tomorrow's energy world.

How did Enovos perform last year, in this environment that is still in permanent evolution?

Marco Hoffmann: Despite the complicated environment we are facing, the results were satisfactory, although not as good as the previous year. In 2016, we had an exceptional year for our Portfolio Management and the markets offered great opportunities. 2017 was just the opposite. The markets were less favourable, and sourcing was more complicated, as price volatility remained high. But there were several success stories, such as the positive renegotiation of major long-term contracts.

Marc Reiffers: In Luxembourg, our home market, our 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 country-wide sales organisation and concentrated its oversight functions to one site. Both actions were accompanied by a reduction of workforce and an improved cost position. German renewable energy activities were expanded with the addition of several large biogas plants now fully owned

by Enovos Luxembourg. The photovoltaic Operations & Maintenance (O&M) portfolio was enlarged to 600 MW, making Enovos one of Germany's largest providers in the field. In Belgium we took full control of NPG energy and initiated a plan for the optimisation of our assets.

What is the strategic focus for Enovos going forward?

Marco Hoffmann: Over the course of 2017, there was a group-wide strategy review which confirmed our key focus areas. Luxembourg will remain our core market and even become more important, which also has to do with the ongoing Rifkin process on the national level. The German market will be another area of focus. As for France and Belgium, the strategy review is still on-going.

Have there already been any internal implications from the strategy review?

Marc Reiffers: The internal organisation was modified to grant greater autonomy to the people in operations and to allow us to work in a more decentralised manner. Also, we decided to strengthen the group's innovative potential. The Energy Solutions and Services Department was integrated into various business units to increase market performance there. Together, management and staff, defined four core values for our whole group: Respect, Team Spirit, Commitment and Excellence. These values build on each other and we are convinced that they will help us to implement our new strategy.



You have also mentioned the Rifkin process. It has been a little more than a year since the presentation of the study. Were there already any implications for Enovos?

Marco Hoffmann: There are several areas out of the Rifkin process that are important to us: energy efficiency, ecomobility, the increase in renewable energy production, and the development of the energy internet. In energy efficiency, we are heading in the right direction, although it is a challenging field of activity and the 2020 target remains a very ambitious one. In ecomobility we are set-up to serve our customers; our products, linked to infrastructure, and to ecomobility services, are in place.

Marc Reiffers: Electric mobility is on the rise, as clearly demonstrated by the projected 800 public charging stations, nearly 100 of which are already in use. 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, increased production of renewable energy becomes even more important.

We will continue to develop renewable energy production. Our joint venture Soler, has 42 installed wind turbines in Luxembourg. With a total capacity of 91 MW, and an actual production of 171 GWh last year, the plan is to further develop its portfolio over the next years. As for photovoltaics, our efforts point to three main areas: ground mounted installations, and both large and small rooftop installations for individual customers or households. For the time being, the energy internet is clearly visible on the horizon: self-consumption, energy communities, smart products and others are clearly on our agenda.

These strategic developments are in full harmony with our ambitions and priorities in terms of Corporate Social Responsibility, focusing on key

Marco Hoffmann,
Chairman of the
Board of Directors
Marc Reiffers, CEO
Enovos Luxembourg
and Member of the
Board of Directors

"Our core values
will help us to implement
our new strategy."

areas such as sustainable and clean energy, industry innovation and infrastructure and sustainable cities and communities.¹⁾

This shows that Enovos' commitment to sustainability and a greener future is inherent to the core mission of the company. Are there any other examples that you could mention?

Marc Reiffers: This commitment is also mirrored in our sales products. The best example is nova naturstrom. It is produced entirely from renewable sources, but the focus really lies on strong local and regional production. 69% of the nova naturstrom mix is regionally produced. The rest comes from renewable sources in Europe. It shows our commitment to sustainability, to a greener future, and also to local communities.

Renewable energies, electro-mobility and energy efficiency are the 'obvious' challenges. But digitalisation is another topic often mentioned in relation to Rifkin. How does this affect Enovos?

Marc Reiffers: We have already achieved real success stories in digitalisation. For example, we have set up a fully digital ecomobility offer for our customers. Our offering

process for business and institutional customers is now also available in a completely digital form. These digital processes spare employees from time-consuming tasks, so that they can focus on more important, value-added activities.

Which regulatory challenges will Enovos face in the near future?

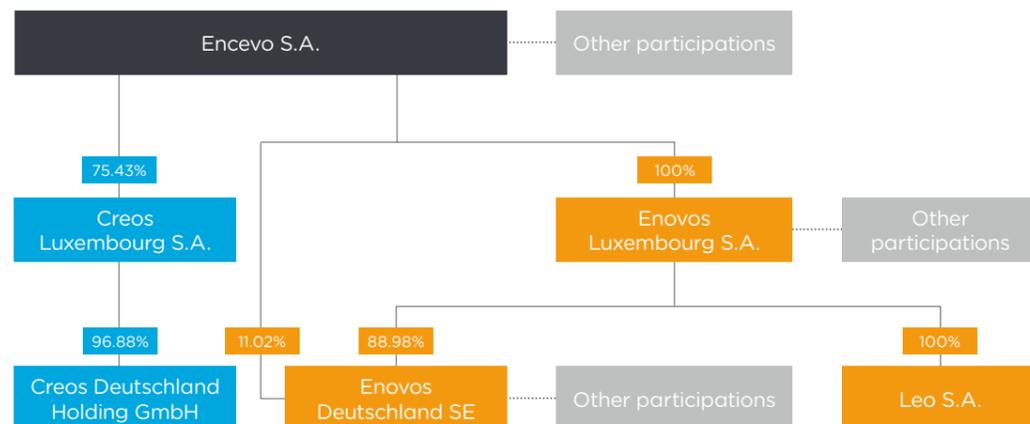
Marco Hoffmann: Regulatory constraints and challenges have always been, and are becoming even more important. One example is the new legislative package presented by the European Commission in November 2016. The Clean Energy Package (CEP) consists of measures to keep the European Union competitive as the transition to clean energy changes global energy markets. It consists of no less than 4 EU Regulations and 4 EU Directives. This package focuses mainly on the electricity market, so impacts all business lines of Enovos.

Which challenges will be the most important for Enovos in a near future?

Marc Reiffers: 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.

1) More information on this subject can be found in the CSR report of the Encevo Group, which has been integrated in the annual report of Encevo S.A.

Group Structure



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.

Marco Hoffmann: The general implementation of smart meters by the grid operators will be a commercial challenge in terms of future data handling and pricing. We also must continue to develop our portfolio of renewable energy assets. Self-consumption and energy communities will be fields of development. We have indeed a lot on our agenda.

To wrap it up, 2017 was ...

Marco Hoffmann: ... a year where a lot was accomplished. We managed to increase our operational efficiency and to enjoy continued success in various programs that move us toward operational excellence. The annual financial results were not as good as the previous year because wholesale markets were not as favourable as expected. But the positive results of our 2017 efforts will be dedicated exclusively to serve our customers.

Board of Directors of Enovos Luxembourg S.A.

Marco Hoffmann	Chairman
Stephan Fedrigo ¹⁾	Vice-Chairman
Dr Werner Brinker	Member of the Board of Directors
Danielle Castagna	Member of the Board of Directors
Luc Diswiscour	Member of the Board of Directors
Henri Haine	Member of the Board of Directors
François Knaff	Member of the Board of Directors
Guy Lentz	Member of the Board of Directors
Nicolas Pundel	Member of the Board of Directors
Marc Reiffers	Member of the Board of Directors
Guy Rosseljong	Member of the Board of Directors
Simo Santavirta ²⁾	Member of the Board of Directors
Patrick Thein	Member of the Board of Directors
Françoise Thoma	Member of the Board of Directors
Dr Geneviève Schlink	Member of the Board of Directors
Claude Strasser ³⁾	Member of the Board of Directors

1) Mr Stephan Fedrigo is the permanent representative of the director "Azimuth Solutions GmbH".
2) Mr Simo Santavirta was co-opted on 1st July 2016 and his appointment was confirmed by the general meeting of shareholders on May 9th, 2017.
3) Mr Claude Strasser was co-opted by the Board on March 29th, 2018 following Mr Johan van Bragt's resignation with effect as from February 21st, 2018.

Status: March 2018

Enovos Luxembourg S.A. Corporate governance bodies

INTERVIEW

The customer will play an essential role in the energy transition

Jean-Luc Santinelli, Chief Commercial Officer of Enovos Luxembourg S.A.

How has your role as Chief Commercial Officer evolved?

I took responsibility for the build-up of Technical Services and Distributed Renewables in Luxembourg. This recent addition to our business is part of our new strategy and within that, innovation and digitalisation will play a very important role. In addition to this, I took over a coordinator role in Luxembourg for all customer-relationship matters, with a view to achieving a consistent approach towards Technical Services, Renewables and Energy Sales clients. The goal is not only to create synergies between the different departments, but also to generate value for our customers.

How has the field of new products offered to the customer been this year?

2017 saw a positive response to the introduction and promotion of several new products. We further developed our electromobility offer with our enodrive services. These services are combined with the mKaart Chargy and allow the customer to access all

the public Chargy stations as well as the public and semi-public stations operated by our partners. We pursued our growth in electric mobility with more than 200 newly installed charging points in Luxembourg.

Energy efficiency is another focus area. A prime example is our enolight programme, an all-inclusive lighting solution, for professional or industrial customers, that improves energy efficiency and comfort for large sites. On the other hand, some things were not as successful as anticipated. It may have been too early to introduce smart applications like enocoach and enosmart to the market.

We had some nice successes on the PV field in Belgium, where we installed large rooftop PVs for professional customers. Finally, in our core business of power and gas, our naturgas and naturstrom offers grew substantially.

What is the focus going forward?

We want to go deeper into the value chain, and to do this in line with the challenges and goals presented in the Rifkin study. We want to be a driving force in the energy transition. The consumer is an essential part of this, as he/she will be the prosumer of tomorrow. It is therefore important that we develop our expertise

in technical services; to develop more offers in the fields of energy efficiency, electromobility, decentralised energy production and all satellite domains. Digitalisation will become more and more important in this context. The customer will play an essential role in the energy transition, as well as the development of renewable energies and infrastructure.



"We want to be
a driving force
in the energy transition."

PART II

OUR ACHIEVEMENTS

➤ Enovos aspires to help shaping the energy landscape of the Greater Region by playing an active role in the development and the implementation of innovative solutions and business models that arise from the fast reshaping of the energy sector. The following pages offer a glimpse of what we have achieved in the various domains of activity and describe some of the challenges we are facing.

HIGHLIGHTS 2017

What has Enovos accomplished?

SOCIETAL COMMITMENT

FONDATION ENOVOS

The Fondation Enovos under the aegis of the Fondation de Luxembourg went through a busy year. The research & innovation branch saw the first results of the exciting SECURE project, aimed at a geospatial, interoperable Smart Energy Cities and Region's platform for Luxembourg.

An important part of the research & innovation pillar is the 'Prix d'Excellence' rewarding engineering students for their thesis. The sixth awards ceremony took place in November.

In terms of social engagement, the Fondation Enovos offered financial support to Paerd's Atelier, Caritas, Médecins du Monde, Kanner Jugend Telefon, ATD Quart Monde, Fondation Autisme, Fondation Kriibskrank Kanner, Special Olympics and ARCUS.

FONDS NOVA NATURSTROOM

A RECORD YEAR

The asbl fonds nova naturstrom, an integrated part of the Fondation Enovos, supported 914 Luxembourgish households, companies and municipalities with a total amount of EUR 282,821 – marking a record year. Since the launch of fonds nova naturstrom in 2005, until end-of-year 2017, a total of EUR 2,541,901 was paid to 3,588 households, companies and municipalities to encourage them in their efforts toward ecological or energy efficient projects in Luxembourg.



SALES & MARKETING LUXEMBOURG

EVENTS

Enovos participated in the freshly redesigned Springbreak Luxembourg Fair at Luxexpo and also in the Autumn Fair Home & Living, during which some 30,000 LED bulbs were distributed to interested visitors. LEO co-sponsored the 11th ING Night Marathon that took place on the 27th May with 15,000 runners and 120,000 visitors. The LEO LIGHT VILLAGE in the "Péitrus"-valley has become a very popular meeting point for Marathon visitors.

ECOMOBILITY

200 NEW CHARGING POINTS INSTALLED

In 2017, Enovos pursued growth in ecomobility, with more than 200 newly installed charging points in Luxembourg. Roughly one third of the installations were for private customers, while the other two thirds were for business or public customers. More than 40% of the installations are already "smart" charging points.



ENERGY EFFICIENCY

IN A BETTER LIGHT

Through the enolight service by Enovos, Cargolux replaced the lighting system in its hangar. Old energy-intensive lighting made way for new LED high-bay lights. Throughout the whole installation project (30 meters above ground), Cargolux staff continued their work below without interruption. The project improves luminosity and reduces the freight company's energy costs.

ENERGY MANAGEMENT AND TRADING

**A TRANSITION YEAR:
INCREASED COMPETITIVENESS,
TRANSPARENCY AND COST
EFFECTIVENESS**

The EMT organisation and book structure was adjusted to make our gas and power activities more coherent, simple, transparent and cost effective. Projects ranging from trading over pricing, portfolio management, sales, and customer services, were initiated to improve automation and interconnection. The terms and conditions of two long-term commitments were commercially settled outside on-going arbitrage procedures, and group assets such as storage and the Cegyco Joint Venture activities, are now more actively integrated and steered within the EMT perimeter.

NATURSTROUM, FIX 1, FIX 3, NATURGAS ...

EXPANDING THE PRODUCT RANGE

During 2017, our electricity and gas product range expanded to include further FIX products. Today Enovos customers have their choice of a large number of frequently updated products. Securing price stability for the longer-term, or going for flexible products, are alternative supply scenarios offered to our clients.



ENODRIVE.LU

LAUNCH OF FULLY DIGITAL OFFER

A main pillar of sustainable mobility in Luxembourg is ecomobility; zero-emission electric vehicle use. By 2020, network operators will expand the public charging infrastructure (Chargy) to 1,600 charging points. Based on this public charging infrastructure, Enovos launched the first enodrive services in 2017. Electric car drivers can choose the enodrive service corresponding to their needs.

enodrive customers have access to the largest public charging infrastructure in Luxembourg. enodrive is fully digital and uses mKaartChargy as physical support. New enodrive services will be further developed and, in the near future, it should be possible for enodrive customers to use charging services abroad.



NEW E-SHOP

DIGITAL CUSTOMER JOURNEY

With the launch of enodrive services, e-shop by enovos went live in June. By using our on-line shop, customers can learn more about our products and do their shopping in the most user-friendly way. In 2017, enovos.lu was restyled and is now continually updated. In 2018, we enter the final development phase of our new customer portal that offers a fully digital customer journey.

FRANCE

STABILISATION AND IMPROVEMENT

In 2017, Enovos Luxembourg S.A. stabilised its sales to industrial customers in France for natural gas and increased them for electricity. The French energy market also faced important changes such as the implementation of power production capacity mechanism and the evolution of regulation for gas storage obligations.

Within this context, Enovos managed to maintain its existing portfolio within the large industrial consumers segment. One year after implementing its SME segment expansion strategy, Enovos France S.A.S. has finalised the set-up of its dedicated sales team. The first results are encouraging and Enovos will continue to strengthen its business with this segment.



BELGIUM

FIRST ENERGY SERVICES DELIVERED

With regard to the professional and industrial markets in Belgium, Enovos maintained its positions in these highly competitive commodity sales markets. First energy services (enosolar, enolight and energy audits) could also be delivered in cooperation with a local installer (ecoparfait).

RENEWABLES LUXEMBOURG

A 30% INCREASE IN WIND POWER PRODUCTION

In 2017, the renewable energy production in Luxembourg increased again. The 35 MW of additional wind capacity installed in 2016, through our joint venture (Soler), yielded an additional 74 GWh of power production compared to 2016. The total net installed capacity for 2017 amounted to 112 MW (91 MW wind power, 20 MW hydro, 1.6 MW photovoltaic) with an over-all energy production of 202 GWh for Luxembourg; the equivalent of energy consumption for 51,000 households. Thanks to a strong project pipeline, the wind power development activities of Soler in Luxembourg continue to prosper and an additional capacity increase of 20 MW is expected by 2019. Overall, taking into account the assets in other countries of activity (e.g. Germany, Belgium, France...), the installed renewable energy capacity for Enovos was 325 MW, for an energy production of 663 GWh.



ENOPRIMES

THIRD CONTINUOUS GROWTH OF RESULTS

2017 saw the initiation of 2,869 energy efficiency projects under the enoprimes programme. 1,832 projects were completed, and the corresponding premiums paid. With up to 82 GWh in total energy savings, it was an increase of nearly 25% over 2016. The payment of premiums for attained energy savings amounted to EUR 1,760,000; an increase of 30%.

2017
Key Figures



213*
221 in 2016



16
Nationalities*

11.0
TWh
electricity

25.8
TWh
natural gas

663
GWh
renewable energy production

325
MW
renewable net installed capacity

* Enovos Luxembourg, Enovos France, Enovos Belgium

PART III

ANNUAL ACCOUNTS

 This section is dedicated to the Management Report and a general overview of the 2017 financial year. Our financial position and the results of our operating performances are presented on the following pages, including additional information and commentary on each segment of the statement.

MANAGEMENT REPORT

In 2017, Enovos Luxembourg S.A.'s home energy markets, mainly Luxembourg and Germany, showed remarkable strengths in terms of economic dynamic, growth and energy consumption. Whereas the company could maintain most of its traditional market positions, the professional customer segments witnessed a severe increase in competition coupled with decreasing margins. The annual results were affected by disappointing operations in Belgium and France, negative impact of long-term contracts, as well as by several impairments and provisions on renewable energy generation assets.

Enovos has onboarded the energy transition trend towards a more digitized 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, Enovos entered 2017 in deep strategic analysis that will re-orient its core activities in the mid- to long-term.

HIGHLIGHTS

Commodity Sales

In 2017, natural gas sales increased to 25.8 TWh compared to 22.5 TWh in 2016. These volumes include the quantities sold by the subsidiaries of Enovos Luxembourg S.A. Sales in the Luxembourg home market remained high and steady in all customer segments. The gas sales increase in Germany, mainly contributed to higher sales volumes in 2017.

Electricity sales have decreased overall by 1.8 TWh to 11.0 TWh. These volumes include the quantities sold by the subsidiaries of Enovos Luxembourg S.A. Power sales in Luxembourg were in line with the previous year and new products could be offered to our residential and professional customers.

In Germany, the market environment has been very challenging, which is illustrated by the decline of our electricity sales mainly in the large scale customers segment. The same is valid for both

Belgium and France, where sales volumes could not be increased at the speed and to the level expected.

In Germany, 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 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. About 10,000 energy contracts were signed through different sales channels, and considerable effort was spent testing and launching a new IT platform as well as in the implementation of operational processes both executed by Enovos' telecom partner (JOIN). The commercial and operational success 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 positions in a highly competitive commodity B2B market. Activities on the residential and

professional markets are the result of a close collaboration between the Enovos Belgian branch (7 persons located near Brussels) and the Luxembourgish head office assuming back-office and support functions.

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.

For example, in 2017, Enovos nearly tripled sales in Luxembourg of enosolar (compared to 2016). enosolar is an all-inclusive residential solution for small photovoltaic systems. In order to address new topics, which are not yet supported by the existing economic and regulatory framework, Enovos is continuously exploring storage solutions in first pilot projects with partner companies. It is expected that, subject to supporting regulation and commercial conditions, storage and self-consumption of own production e.g. from PV, will play a role in Luxembourg in the future as is already the case in Germany and Belgium, and Enovos targets a leading role in that. Another new topic in the early development phase, is to identify suitable options for the application of the concept of local energy communities in Luxembourg.

Enovos' existing position as a leader in e-mobility in Luxembourg was further developed and strengthened; with more than 200 newly installed charging points for our residential, business and public customers, we kept our key role as infrastructure and service provider in that growing market. With our new mobility product line eno-drive we issued around 1,000 new mKaarts allowing e.g. access to the public Chargy infrastructure, and secured a leading position as mobility service provider in the Luxembourgish market.

In the field of energy efficiency, additional projects of the product enolight – a replacement of lighting of large industrial buildings with more efficient LED solutions – have been initiated including e.g. a large installation at Cargolux. Together with its subsidiary Agence de l'Energie S.A., Enovos supported many Luxembourgish companies to qualify for and obtain the mandatory Energy Audit.

A substantial part of 2017 activities was again focused on the fulfilment of the European Energy Efficiency Directive's energy saving objectives and obligations. With its subsidiary Agence de l'Energie S.A. and its partner programme and IT platform enoprimes, an increase of 25% in energy savings to approximately 82 GWh out of more than 2,869 new energy saving projects was achieved. Enovos continued to enhance this programme with a new software platform in order to further expand the number of energy saving projects in 2018.

In the area of digitalisation 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.

Energy Management and Trading (EMT)

During the course of 2017, the EMT organization was adjusted to make our gas and power activities more coherent, simple, transparent and cost effective.

Bundling pricing activities of gas and power as well as both portfolio management activities, was put in place to:

- Improve and align the processes and management of said activities across different commodities.
- Increase redundancy between power and gas activities and rationalize the necessary FTE's for smooth operations.
- Establish 1 point of contact per activity for both commodities, hence improving the communication between entities.
- Enhance our employees' cross commodity knowledge and operational excellence.

The trading desk of Enovos assures a window to the wholesale energy markets, in both their physical and derivative forms, including power, gas, oil, coal and carbon. Their core business is to provide liquidity and profitable market access to support portfolio structuring and hedging activities, and to do some proprietary trading. Through 78 EFET contracts, 6 brokers, and an active presence on 5 energy exchanges, Trading handled 13.4 TWh of power and 92.8 TWh natural gas with external counterparts.

The reorganization of our intraday trading, in parallel with the establishment of automated trading activities, has improved profitability and increased development potential for intraday optimization and market arbitrage.

Rigorous mathematical models were and will continue to be implemented to improve our risk assessment, asset valuation and transfer pricing, and to assess risks from a consolidated portfolio perspective.

In 2017, the terms and conditions of two long-term commitments were commercially settled outside on-going arbitrage procedures and cross-border transport capacity optimization reduced the recurrent cost of idle or un-used capacities. Group assets like storage and Cegyco Joint Venture activities are now more actively integrated and steered within the EMT perimeter.

Renewable Energies

Renewable Energies activities in 2017, were mainly determined by the implementation of the group strategy to focus on development in our core markets and to restructure our position in Belgium.

Renewables in Luxembourg

The total net installed capacity by end of 2017

for Renewables in Luxembourg 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. Furthermore, dismantling of two wind parks Hengischt Phase1 and Phase 2 with a total of 8 WTGs (Wind Turbine Generators) was completed. In addition, the wind assets of Renewables in Luxembourg were successfully connected and set up in the Renewables asset management platform selected in 2016, enabling at a glance data monitoring and supervision of overall and individual performance of the whole asset portfolio. It allows the identification of immediate or progressive performance degradations and thus instant action implementation. The features of managing maintenance plans, ticketing system, creating contract and plan interventions, automating reporting, helps improve the overall efficiency. The wind project development activities of Soler S.A. continue to prosper and a capacity increase of 20 MW is expected by 2019.

Renewable Energies in Germany

For Biogas, the German market environment remained difficult due to increasing regulatory requirements which necessitated further on site investments. Moreover, following the insourcing of full technical and commercial management in 2016 and the termination of the O&M contracts with Revis, relevant maintenance investments were necessary in order to return the assets to minimum technical standards, allowing the reduction of technical risks, and planned and unplanned O&M costs for the future.

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 Enovos' 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 Wind, Enovos has come to an agreement with Sysys for the full replacement of all rotor blades of the Priesberg and Schiffweiler Wind Farms.

For PV, Enovos came to an agreement with Stadtwerke Saarbruecken to unwind the sales contracts of Ahorn and Kenn PV parks. Moreover, for Kenn PV park, Enovos came to an agreement with First Solar for an exchange of underperforming solar panels.

The overall environment 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.

Other

Amongst the most important achievements are the successful negotiation of the exit of our partner in NPG and the takeover of 100% of the shares, as well as the divestment of two biogas units in Belgium. Significant investments for rebuilding the remaining damaged two biogas installation, combined with increased safety requirements have been engaged by our Belgian subsidiary.

Finally, Enovos Luxembourg S.A. has successfully divested its wind assets in France selling both French wind parks to the regional French industrial partner Sergies.

Energy Business IT

In 2017, the Business IT department could deliver an increasing number of projects after having simplified the IT architecture. Simplified cloud-based environments providing stable operations together with easy update, backup and recovery capabilities, facilitated the integration of new applications.

The high number of projects reflects the increasing change in the markets and the pressure on the business. Most projects are derived from the need to provide better customer journeys and interaction points, but also from the need for cost reduction.

Below are some major developments and achievements of 2017:

enoprimes: The new web solution simplifies the request and approval of the cash-back (primes) that customer receive for their energy saving investments. All calculations are managed and can be accessed through a central interface.

Customer Portal: The first release of the new customer portal enhances the selling of the new products. The next release of the customer portal (expected 1Q 2018) digitizes the customer's self-service. In this context, a single sign-on service for all web-based applications was developed.

E-shop: A new online offer was implemented to sell off-the-shelf products like "tado" and mKaart directly to customers.

Next to these digitization activities, challenging regulatory projects were implemented. In particular, the project to separate billing and customer service support operations into two SAP-environments for Creos and Enovos, required for regulatory unbundling, proved to be very complicated and time intensive.

Personnel

The number of employees decreased from 215 FTE at year end 2016 to 199 FTE at year end 2017.

The Board of Directors and the Management of Enovos Luxembourg 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.

Financials

Results in the core sales business of Enovos Luxembourg S.A. remained stable in 2017. Yet, the company's total EBITDA suffered under expensive long-term natural gas contracts and power upstream assets. As well, the overall difficult market environment in gas, and a number of extraordinary impairments and provisions, mainly on the Company's renewable production assets, impacted the bottom line. The latter relate to a provision of EUR 8.6 million to cover the Company's risks regarding its PV activities in Italy, and a further impairment of its investments in Energiepark Trelder Berg GmbH by an amount of EUR 11.2 million regarding its affiliates Biogas Oebisfelde GmbH and Biogas Ohretal GmbH.

Furthermore, in the context of the restructuring of the affiliates of NPG Energy NV, the net impact of the impairment of the transactions related to the biogas activities of NPG Energy and NPG Agro BVBA amounts to EUR -6.7 million. During the year, the Company converted EUR 3.2 million

of its loan to Enovos Solar Investments II S.r.l. Unipersonale in Italy into equity, and booked an additional impairment with a net impact of EUR 1.1 million.

Finally, the Company also booked additional provisions and write-downs of EUR 3.5 million to cover the risks identified with regard to its sales activities in Belgium and EUR 0.3 million following the decision to liquidate the entity Learning Factory S.A.

In December 2017, Twinerg S.A. reimbursed outstanding loans of EUR 1.0 million. As a consequence, an impairment of EUR 0.9 million has been reversed positively impacting the financial results of Enovos Luxembourg S.A.

Also in December of 2017, an agreement was signed to sell the windfarms of La Benâte Energies S.à r.l. and Ferme Eolienne de la Côte du Gibet S.à r.l., with the closing of the transaction in January 2018. Consequently, transaction fees of EUR 0.5 million have been posted to the caption "Prepayments" and an impairment reversal of EUR 1.7 million was posted in 2017.

Considering the above-mentioned value adjustments, the Company realized a net loss for the year of EUR -18.3 million, compared to a net profit of EUR 25.2 million in 2016. Excluding the net impact of the above mentioned extraordinary items, EUR 28.7 million on total (of which EUR 8.6 million EBITDA effective), the Company would have achieved a net profit of EUR 10.4 million.

Net financial debt has decreased during the year, with EUR 181.9 million at the end of 2017, compared to EUR 202.8 million a year earlier, leading to a gearing ratio of 47% in 2017 (49% in 2016).

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 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 at Enovos Luxembourg S.A. 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 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 additional provisions in the accounts of Enovos Luxembourg S.A.

OUTLOOK

The company 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. Enovos 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 of Enovos Luxembourg S.A. will evolve into a "business unit" concept, allowing management to better steer the company 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 Company's core sales 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.

Regarding the technological challenges of digitalization, the company will move through a careful project management program that keeps an eye on external opportunities. The ultimate objective

remains competitiveness and excellence in the delivery of products and services to our customers.

The Company'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.

CHANGE IN THE BOARD OF DIRECTORS OF ENOVOS LUXEMBOURG S.A.

There was no change in the composition of the Board of Directors in 2017. In the context of the change in the shareholding of Encevo S.A. as of 21 February 2018, Mr Johan van Bragt resigned from his office as member of the Board of Directors of Enovos Luxembourg S.A. with effect as of the same date. The Board co-opted Mr Claude Strasser as a new Director on March 29th 2018. This co-optation is expected to be ratified at the annual general meeting of shareholders.

AUDITOR

The mandate of the external independent statutory auditor, PricewaterhouseCoopers S.C., will come to term with the audit of the financial year 2017. The Board of Directors will submit a proposal on this behalf to the annual general meeting of shareholders to be held in May 2018.

PROPOSED APPROPRIATION OF NET PROFIT

The profit available for appropriation of EUR 45,355,348 includes the loss for the year of EUR 18,288,050 and the profit brought forward of EUR 63,643,398.

The Board of Directors proposes to the Annual Shareholder's Meeting, to be held on 8th of May 2018, the following appropriation of net profit:

Dividend of 0 Euros per share*	0
Allocation to the legal reserve	0
Allocation to the blocked reserve	0
Allocation to other reserves	0
Amount carried forward	45,355,348
	45,355,348

*Number of shares 4,768,964

The Board of Directors
Esch-sur-Alzette, 29th March 2018



Audit report

To the Shareholders of
Enovos Luxembourg S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Enovos Luxembourg S.A. (the “Company”) as at 31 December 2017, and of the 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 annual accounts.

What we have audited

The Company’s annual accounts comprise:

- the balance sheet as at 31 December 2017;
- the profit and loss account for the year then ended; and
- the notes to the 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 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 Company 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 annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

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



Our opinion on the 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 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 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 annual accounts

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

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company’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 Company 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 annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the 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 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 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 Company’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 Company'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 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 Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 29 March 2018

A handwritten signature in black ink, appearing to read 'Christiane Schaus', written in a cursive style.

Christiane Schaus

Balance sheet as at 31st December 2017

ASSETS Denominated in EUR	Notes	2017 €	2016 €
Fixed assets		551,392,940	576,707,847
Intangible assets	Note 4		
Concessions, patents, licences, trademarks and similar rights and assets, if they were a) acquired for valuable consideration		56,680,890	56,826,624
Goodwill, to the extent that it was acquired for valuable consideration		1,875,000	2,250,000
Payments on account and intangible assets under development		3,565,815	5,963,339
Tangible assets	Note 5		
Other fixtures and fittings, tools and equipment		107,825,100	108,064,838
Payments on account and tangible assets in the course of construction		205,491	2,099,429
Financial assets	Note 6		
Shares in affiliated undertakings		316,728,114	324,513,585
Loans to affiliated undertakings		26,805,565	35,442,715
Participations interests		23,662,262	23,762,262
Loans to undertakings with which the undertaking is linked by virtue of participating interests		13,175,000	16,950,000
Loans and investments held as fixed assets		869,703	835,055
Current assets		380,365,105	341,001,369
Stocks	Note 7.1		
Raw materials and consumables		15,216,948	12,277,136
Debtors			
Trade debtors	Note 7.2		
a) becoming due and payable within one year		165,118,208	137,514,292
Amounts owed by affiliated undertakings			
a) becoming due and payable within one year	Note 8	181,817,503	173,603,322
Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests			
a) becoming due and payable within one year		1,389,757	2,988,321
Other debtors			
a) becoming due and payable within one year		1,491,018	1,141,440
b) becoming due and payable after more than one year		21,000	22,000
Investments			
Other investments		1,667,253	937,636
Cash at bank and in hand		13,643,418	12,517,222
Prepayments	Note 9	27,140,958	28,542,569
Total Assets		958,899,003	946,251,785

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

CAPITAL, RESERVES AND LIABILITIES Denominated in EUR	Notes	2017 €	2016 €
Capital and reserves	Note 10	383,676,120	414,554,235
Subscribed capital		119,224,100	119,224,100
Share premium account		122,458,503	122,458,503
Reserves			
Legal reserve		11,922,410	11,922,410
Other reserves, including the fair value reserve			
a) Other available reserves		61,100,000	61,100,000
b) Other non available reserves		23,615,759	23,615,759
Profit or loss brought forward		63,643,398	51,004,413
Profit or loss for the financial year		(18,288,050)	25,229,050
Provisions		18,955,311	9,856,412
Provisions for pensions and similar obligations	Note 11.1	5,170,028	4,530,176
Other provisions	Note 11.2	13,785,283	5,326,236
Creditors		554,652,844	520,982,024
Amounts owed to credit institutions			
a) becoming due and payable within one year		1,652	0
Trade creditors			
a) becoming due and payable within one year		211,579,086	186,644,570
Amounts owed to affiliated undertakings	Note 8		
a) becoming due and payable within one year		41,906,746	24,732,900
b) becoming due and payable after more than one year		200,021,400	200,021,400
Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests			
a) becoming due and payable within one year		4,394,058	4,082,567
Other creditors			
a) Tax authorities	Note 12.1	9,883,338	11,307,686
b) Social security authorities		767,615	712,611
c) Other creditors	Note 12.2		
becoming due and payable within one year		6,664,164	9,720,231
becoming due and payable after more than one year		79,434,785	83,760,059
Deferred income	Note 13	1,614,728	859,114
Total Capital, Reserves and Liabilities		958,899,003	946,251,785

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

Profit and loss account for the year ended 31st December 2017

PROFIT AND LOSS ACCOUNT Denominated in EUR	Notes	2017 €	2016 €
Net turnover	Note 14	1,051,073,659	1,183,479,638
Work performed by the undertaking for its own purposes and capitalised		1,707,390	1,382,462
Other operating income	Note 15	574,863	17,185,110
Raw materials and consumables and other external expenses			
a) Raw materials and consumables		(988,610,836)	(1,100,904,314)
b) Other external expenses		(32,286,925)	(28,219,787)
Staff costs	Note 16		
a) Wages and salaries		(19,402,449)	(18,508,920)
b) Social security costs			
i) relating to pensions		(1,275,629)	(1,330,491)
ii) other social security costs		(1,121,447)	(1,002,436)
c) Other staff costs		(1,575,149)	(1,305,304)
Value adjustments tangible and intangible fixed assets			
a) in respect of formation expenses and of tangible and intangible fixed assets		(12,112,364)	(8,234,907)
b) in respect of current assets	Note 7	944,619	1,922,567
Other operating expenses		(10,709,274)	(1,208,984)
Income from participating interests	Note 17		
a) derived from affiliated undertakings		25,538,549	16,592,300
b) other income from participating interests		743,344	525,615
Other interest receivable and similar income			
a) derived from affiliated undertakings		1,921,040	1,957,614
b) other interest and similar income		1,296,446	1,775,738
Value adjustments in respect of financial assets and of investments held as current assets	Note 6, 18	(16,670,130)	(20,923,735)
Interest payable and similar expenses			
a) concerning affiliated undertakings		(12,546,657)	(12,739,767)
b) other interest and similar expenses		(5,069,978)	(5,203,349)
Tax on profit or loss	Note 8, 12.1	(372,097)	0
Profit or loss after taxation		(17,953,025)	25,239,050
Other taxes not shown under items 1 to 16		(335,025)	(10,000)
Profit or loss for the financial year		(18,288,050)	25,229,050

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

Notes to the annual accounts

Note 1 - General Information

Enovos Luxembourg S.A. (the "Company") was incorporated in Luxembourg under the name of Cegedel Participations S.A. on 2nd August 1993 as a société anonyme for an unlimited period. The Company is registered under RCS No. B44683. The Company was renamed Enovos Luxembourg S.A. in 2009. The registered office of the Company is established at 2, Domaine du Schlassgoard L-4327 in Esch-sur-Alzette.

The main purpose of Enovos Luxembourg S.A. is to supply electricity and gas to customers in Luxembourg and abroad, and to perform trading activities. Enovos Luxembourg S.A. also holds several stakes in the energy-generation business, including significant interests in power-generation assets based on conventional and renewable energies.

Annual accounts

The Company's financial year runs from 1st January to 31st December each year. Enovos Luxembourg S.A. accounts are consolidated into the financial statements of its sole shareholder, Encevo S.A., forming at once the largest and the smallest body of the undertakings of which the Company forms part as a subsidiary undertaking. Encevo S.A. is established in 2, Domaine du Schlassgoard, L-4327 Esch-sur-Alzette. The consolidated accounts are available at this address.

Note 2 - 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 3 - Summary of significant accounting policies

Basis of preparation

The annual accounts 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 annual accounts requires the use of certain critical 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 annual accounts in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company 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.

Significant accounting policies

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

Foreign currency translation

The Company maintains its books in Euro (EUR). 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 for 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 net unrealised losses are recorded in the profit and loss account, and net unrealised exchange gains are not recognised.

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 captions "Social security costs" and "Other staff costs" (see note 16). The comparative figures for 2016 have been reclassified accordingly.

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Intangible assets

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

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	10%	Straight-line

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

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

Tangible assets

Tangible assets are valued at purchase price, including the expenses incidental thereto or at production cost. Tangible assets are depreciated over their estimated useful economic lives.

The depreciation rates and methods applied are as follows:

	Depreciation rate	Depreciation method
Other fixtures and fittings, tools and equipment	10%-25%	Straight-line
Exception: Finance lease of pumping station in Vianden	2%	Straight-line

The finance lease concerns a specific investment in a turbine in a pumping station. As the underlying contract has a duration of 49 years, the Board of Directors decided to mirror the depreciation period on the duration of the contract, therefore the application of a 2% depreciation rate.

Investments that qualify from a tax point of view as finance lease are treated in accounting as finance lease as well.

Where the Company considers a tangible asset to have experienced a lasting 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 costs of the Company, and are reviewed annually for impairment.

Work performed by the undertaking for its own purposes and capitalised

The costs incurred on fixed assets under development created by the Company itself are recorded in the profit and loss account under caption "Work performed by the undertaking for its own purposes and capitalised" during the year and are transferred at balance sheet date to the appropriate balance sheet caption.

Financial assets

Shares in affiliated undertakings and participating interests are recorded on the balance sheet at their acquisition cost, including the expenses incidental thereto. Loans to affiliated undertakings and loans to undertakings with which the undertaking is linked by virtue of participating interests are included at their nominal value. In 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.

Raw materials and consumables

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

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

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

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.

Derivative financial instruments

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

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

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Prepayments

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

Temporarily not taxable capital gains

Temporarily not-taxable capital gains include gains for which the taxation is deferred by virtue of Article 54 LIR (Income tax law). Such gains, which are rolled over, are recorded at their initial value. Reinvested gains are written off using the same method and over the same period as the assets to which they relate. This caption is disclosed under "other non available reserves" on the balance sheet.

Provisions

The aim of provisions is to cover clearly defined losses and debts, 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 Company'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 as to their amount or the date on which they will arise.

Provisions for pensions and similar obligations

The Company offers its employees a defined benefit plan and a defined contribution plan.

Defined benefit plan

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

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

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

Defined contribution plan

A defined contribution plan is a pension plan under which the Company 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 recorded in the profit and loss account during the year in which they are paid. The commitment of the Company is limited to the contributions that the Company has agreed to pay into the fund on behalf of its employees.

Creditors

Creditors 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 or preceding years but relating to a subsequent financial year.

Net turnover

Net turnover comprises sales of gas and electricity as well as of energy related services provided as part of the Company's ordinary activities, net of discounts, value-added tax and other taxes directly linked to sales. Trading sales are not included, as they are shown net of supplies, which is part of the policy to consider trading as a means to reduce procurement costs.

Other operating income

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

Income from participating interests

Dividend income is recorded when dividends are declared.

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Note 4 - Intangible assets

Transactions for the year were 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 2017	TOTAL 2016
	€	€	€	€	€
Gross book value - opening balance	109,150,125	5,280,000	5,963,339	120,393,464	112,378,039
Additions for the year	4,136,816	0	2,220,998	6,357,814	8,269,116
Disposals for the year	0	0	0	0	0
Transfers for the year	4,618,522	0	(4,618,522)	0	(253,691)
Gross book value - closing balance	117,905,463	5,280,000	3,565,815	126,751,278	120,393,464
Accumulated value adjustments - opening balance	(52,323,501)	(3,030,000)	0	(55,353,501)	(49,827,907)
Allocations for the year	(6,443,591)	(375,000)	0	(6,818,591)	(5,525,594)
Exceptional depreciation for the year	(2,457,481)	0	0	(2,457,481)	0
Transfers for the year	0	0	0	0	0
Accumulated value adjustments - closing balance	(61,224,573)	(3,405,000)	0	(64,629,573)	(55,353,501)
Net book value - closing balance	56,680,890	1,875,000	3,565,815	62,121,705	65,039,963

The additions and transfers for the year of EUR 4,136,816 and EUR 4,618,522 respectively concern mainly software investments related to the required separation of the Creos client energy data management systems from Enovos Luxembourg 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 an IT platform that will no longer be used by the Company.

On 1st January 2013, the Company started buying a flat base load of 50 MW power from two pulverised coal-fired power plants, under the terms and conditions of a long-term contract signed with Innogy SE (former RWE AG) (see also note 22). 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 Company'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).

The Board of Directors is further of the opinion that no other exceptional depreciation of the intangible assets are necessary.

Note 5 - Tangible assets

Transactions for the year were as follows:

	Other fixtures and fittings, tools and equipment	Payments on account and tangible assets in the course of construction	TOTAL 2017	TOTAL 2016
	€	€	€	€
Gross book value - opening balance	115,275,247	2,099,429	117,374,676	116,650,315
Additions for the year	1,226,555	205,491	1,432,046	575,800
Disposals for the year	(2,430)	(727,000)	(729,430)	(105,130)
Transfers for the year	1,372,429	(1,372,429)	0	253,691
Gross book value - closing balance	117,871,801	205,491	118,077,292	117,374,676
Accumulated value adjustments - opening balance	(7,210,409)	0	(7,210,409)	(4,604,418)
Allocations for the year	(2,836,292)	0	(2,836,292)	(2,709,313)
Reversals for the year	0	0	0	103,322
Accumulated value adjustments - closing balance	(10,046,701)	0	(10,046,701)	(7,210,409)
Net book value - closing balance	107,825,100	205,491	108,030,591	110,164,267

The Company 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 the Company 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 12.2).

Furthermore, EUR 867,647 have been invested in solar panels in Belgium, which are subsequently leased to end customers for a period of 10 years.

The Board of Directors is of the opinion that no exceptional depreciation on tangible assets are necessary.

Note 6 - Financial assets

Movements for the year were as follows:

	Affiliated undertakings		Participating interests		Investments held as fixed assets	Total 2017
	Shares	Loans	Shares	Loans		
	€	€	€	€		
Value at beginning of the year	324,513,585	35,442,715	23,762,262	16,950,000	835,055	401,503,617
Additions for the year	9,350,002	4,556,655	181,075	126,200	34,648	14,248,580
Learning Factory S.A.	0	0	181,075	0	0	181,075
Windpark Mosberg GmbH & Co. KG	650,000	0	0	0	0	650,000
NPG Energy NV	8,700,002	2,801,655	0	0	0	11,501,657
NPG Agro BVBA	0	1,155,000	0	0	0	1,155,000
NPG Groningen NV	0	600,000	0	0	0	600,000
Twining S.A.	0	0	0	126,200	0	126,200
Loan to customers (Enoheat)	0	0	0	0	33,648	33,648
Guarantees	0	0	0	0	1,000	1,000
Disposals for the year	(5,200)	(13,021,033)	0	(4,815,190)	0	(17,841,423)
Biogas Ohretal GmbH	0	(2,709,949)	0	0	0	(2,709,949)
Biogas Oebisfelde GmbH	0	(489,966)	0	0	0	(489,966)
Enovos Solar Investments II S.r.l. Unipersonale	0	(677,796)	0	0	0	(677,796)
La Benâte Energies S.à r.l.	0	(204,371)	0	0	0	(204,371)
Ferme Eolienne de la Côte du Gibet S.à r.l.	0	(649,658)	0	0	0	(649,658)
Energiepark Trelder Berg GmbH	0	(5,286,714)	0	0	0	(5,286,714)
NPG Agro BVBA	0	(1,282,500)	0	0	0	(1,282,500)
NPG Groningen	0	(100,000)	0	0	0	(100,000)
NPG Energy NV	(5,200)	(1,620,079)	0	0	0	(1,625,279)
Twining S.A.	0	0	0	(1,040,190)	0	(1,040,190)
SEO S.A.	0	0	0	(3,775,000)	0	(3,775,000)
Transfers for the year	7,069,497	(6,883,422)	(186,075)	0	0	0
Learning Factory S.A.	186,075	0	(186,075)	0	0	0
NPG Energy NV	3,696,592	(3,696,592)	0	0	0	0
Enovos Solar Investments II S.r.l. Unipersonale	3,186,830	(3,186,830)	0	0	0	0
Allocations of value adjustment for the year	(25,904,970)	0	(95,000)	0	0	(25,999,970)
Enovos Solar Investments II S.r.l. Unipersonale	(2,122,301)	0	0	0	0	(2,122,301)
NPG Energy NV	(12,396,594)	0	0	0	0	(12,396,594)
NPG Agro BVBA	0	0	0	0	0	0
Energiepark Trelder Berg GmbH	(11,200,000)	0	0	0	0	(11,200,000)
Learning Factory S.A.	(186,075)	0	(95,000)	0	0	(281,075)
Reversals of value adjustment for the year	1,705,200	6,710,650	0	913,990	0	9,329,840
Twining S.A.	0	0	0	913,990	0	913,990
NPG Energy NV	5,200	5,560,849	0	0	0	5,566,049
NPG Agro BVBA	0	127,500	0	0	0	127,500
Enovos Solar Investments II S.r.l. Unipersonale	0	1,022,301	0	0	0	1,022,301
La Benâte Energies S.à r.l.	1,700,000	0	0	0	0	1,700,000
Value at end of the year	316,728,114	26,805,565	23,662,262	13,175,000	869,703	381,240,644

During the year, the Company completed a number of transactions on NPG Group:

- On 24th March 2017, the Company acquired the remaining 49.02% of NPG Energy NV for EUR 1 from the minority shareholder NPG Invest. In this context, the Company provided a shareholder loan of EUR 1,900,000 (of a total of EUR 2,801,655) to NPG Energy NV in order to finance the reimbursement of a shareholder loan of EUR 1,885,714 to NPG Invest CVBA.
- In May 2017, an amount of EUR 1,096,588 shareholder loan has been converted in equity.
- On 11th September 2017, the Company sold 1 share of NPG Energy to Encevo S.A. for an amount of EUR 47, leading to an impairment reversal of EUR 5,200 under the caption "Value adjustments in respect of financial assets and of investments held as current assets".
- In September 2017, the Company granted a loan of EUR 1,155,000 to NPG Agro BVBA, and of EUR 600,000 to NPG Groninger NV.
- On 20th December 2017, in the context of the restructuring of the affiliates of NPG Energy NV, the Company subscribed to an equity increase of EUR 8,700,002 in cash and of EUR 2,600,004 through a shareholder loan conversion in NPG Energy NV.

As a consequence of the above mentioned transactions, the total capital increase in NPG Energy NV amounting to EUR 12,396,594 has been completely depreciated and posted under the caption "Value adjustments in respect of financial assets and of investments held as current assets". In addition, reversals of impairments of EUR 5,560,849 and EUR 127,500 recognized in 2016 on the shareholder loans provided respectively to NPG Energy NV and NPG Agro BVBA have been posted under the caption "Value adjustments in respect of financial assets and of investments held as current assets".

Other transactions of the year:

- In 2017, Twinerg S.A. reimbursed outstanding loans of EUR 1,040,190. As a consequence an impairment of EUR 913,990 has been reversed and posted under the caption "Value adjustments in respect of financial assets and of investments held as current assets".
- In the context of the annual impairment testing process, the Board of Directors decided to partially depreciate its investments in Energiepark Trelder Berg GmbH by an amount of EUR 11,200,000 regarding its affiliates Biogas Oebisfelde GmbH and Biogas Ohretal GmbH under the caption "Value adjustments in respect of financial assets and of investments held as current assets".
- On 13th April 2017, the Company converted EUR 3,186,830 of its loan to Enovos Solar Investments II S.r.l. Unipersonale into equity. The previous impairment on the shareholder loan of EUR 1,022,301 has been reversed. The Board of Directors decided to recognize an additional value adjustment on shares of EUR 2,122,301 under the caption "Value adjustments in respect of financial assets and of investments held as current assets".
- 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 181,000 and acquired additional shares for EUR 75. The entity has been transferred from the caption "Participating interests" to the caption "Shares in affiliated undertakings" and 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.
- On 25th October 2017, the Company subscribed to an equity increase of EUR 650,000 of Windpark Mosberg GmbH & Co. KG.
- The windfarms La Benâte Energies S.à r.l. and Ferme Eolienne de la Côte du Gibet S.à r.l. have been sold in January 2018 (see also note 23). Consequently, in December 2017, a reversal of impairment of EUR 1,700,000 was posted under the caption "Value adjustments in respect of financial assets and of investments held as current assets".
- In total, an amount of EUR 10,018,454 of loans was reimbursed by the affiliates other than the NPG group.

The aforementioned loans bear interests computed at arm's-length conditions.

The Company owns the following affiliated undertakings and shareholdings (all above 20%, except Vialis S.A.):

Company name	Head- quaters	Propor- tion of capital held	Last year-end	Share- holders' equity at year-end	Of which profit for the year	Net book value 31/12/2017
		%		€	€	€
Enovos Deutschland SE	Germany	88.98%	31/12/2017	133,957,112	12,962,676	101,869,245
LuxEnergie S.A.	Luxembourg	60.35%	31/12/2017	43,755,991	6,011,326	5,213,935
Windpark Mosberg GmbH & Co. KG ^(*)	Germany	100%	31/12/2017	230,606	(322,685)	1,185,234
Steinergy S.A.	Luxembourg	50%	31/12/2017	513,443	128,601	50,000
Soler S.A.	Luxembourg	50%	31/12/2017	34,136,028	1,644,919	8,782,500
Cegyco S.A.	Luxembourg	50%	31/12/2017	5,020,876	613,864	954,390
Ceduco S.A. ^(*)	Luxembourg	100%	31/12/2017	2,152	(1,802)	0
NordEnergie S.A.	Luxembourg	33.33%	31/12/2017	1,605,073	420,111	100,000
Energieagence S.A. ^(*)	Luxembourg	50%	31/12/2016 ^(**)	707,536	50,819	233,736
Energiepark Trelder Berg GmbH	Germany	100%	31/12/2017	10,624,233	(9,770,702)	8,399,954
La Benâte Energies S.à r.l. ^(*)	France	100%	31/12/2017	(337,965)	1,016	2,303,172
Enovos Solar Investments I S.r.l. Unipersonale ^(*)	Italy	100%	31/12/2017	439,208	2,278	0
Enovos Solar Investments II S.r.l. Unipersonale ^(*)	Italy	100%	31/12/2017	(1,845)	(751,846)	1,064,529
Aveleos S.A.	Luxembourg	59.02%	31/12/2015 ^(**)	(1,941,730)	(20,923,065)	0
Leo S.A.	Luxembourg	100%	31/12/2017	123,273,244	4,746,948	149,940,712
Ferme Eolienne de la côte du Gibet S.à r.l. ^(*)	France	100%	31/12/2017	(703,682)	(288,808)	1,131,333
Biopower Tongeren NV ^(*)	Belgium	3.50%	31/12/2017	597,166	(707,438)	0
Encasol S.A. ^(*)	Luxembourg	50%	31/12/2016	775,617	120,714	320,000
Enovos Real Estate Luxembourg S.A. ^(*)	Luxembourg	100%	31/12/2017	39,502,801	3,430,645	36,000,000
NPG Energy NV ^(*)	Belgium	61.88%	31/12/2017	2,868,910	(15,872,366)	0
Real Estate Enovos Esch S.A. ^(*)	Luxembourg	48.47%	31/12/2017	17,665,983	(382,730)	9,550,000
Learning Factory S.A. ^(*)	Luxembourg	87.24%	31/12/2016 ^(**)	260,244	(111,256)	0
City Mov' S.à r.l. ^(*)	Luxembourg	100%	31/12/2016 ^(**)	675,870	34,292	0
Active SmartHome S.A.	Luxembourg	50%	31/12/2016 ^(**)	136,980	(148,807)	150,040
Enovos France, S.A.S. ^(*)	France	100%	31/12/2017	79,654	(147,627)	70,000

(*) unaudited figures

(**) last available figures

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

Note 7 – Current assets**7.1. Stocks**

As of 31st December 2017, the Company owns gas stocks in France and Germany valued at EUR 15,216,948 (2016: EUR 12,277,136). No additional value adjustment has been recognised in 2017 under the caption “Value adjustments in respect of current assets” (2016: EUR 0).

7.2. Trade debtors

Trade debtors are mainly related to energy sales and trading activities. Impairments of current assets are calculated for the customers for whom realisation of the outstanding receivable is not assured.

Value adjustments are recorded in the income statement under “Value adjustments in respect of current assets” for an amount of EUR 1,570,857 (2016: EUR 1,671,799). As reversal of value adjustments on trade debtors of EUR 2,515,476 (2016: EUR 3,594,366) have been recorded under the same caption, the total amounts to a net positive value adjustment of EUR 944,619 for 2017 (2016: 1,922,567).

Note 8 – Amounts owed by and owed to affiliated undertakings

Enovos Luxembourg S.A. has entered into a cash-pooling agreement with Encevo S.A., under which the Company pays/receives an interest rate based on Euribor 1 month plus or minus a margin for loans and deposits, respectively. As of 31st December 2017, the Company is owed a cash amount of EUR 92,440,582 by the parent company, which is recorded under the heading “Amounts owed by affiliated undertakings” (2016: EUR 81,041,796).

Included under the same heading are receivables of EUR 89,326,760, relating to commercial activities with affiliated undertakings (2016: EUR 92,561,526).

Included under the heading “Amounts owed to affiliated undertakings” are debts of EUR 35,807,270, which relate to commercial activities (2016: EUR 18,683,585).

The long-term loan agreement of EUR 200,000,000 is related to the back-to-back shareholder loan by Encevo S.A. from the proceeds of the seven-year retail bond issued in June 2012 in consideration of the financing of the Company’s projects, including investments in conventional and renewable energy generation. An accrual for interest of EUR 6,049,315 is posted as of 31st December 2017 (2016: 6,049,315).

An amount of EUR 21,400, representing the Company’s tax debts, was owed to Encevo S.A. under the system of fiscal unity with its parent company (see note 12).

Note 9 – Prepayments

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

Furthermore, are included French capacity guarantees with delivery year 2018 for an amount of EUR 840,839.

Are also included transaction fees of EUR 242,766 and EUR 240,830 following the sale of the windfarms 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 10 – Capital and reserves

As at 31st December 2017, the Company’s subscribed capital was EUR 119,224,100. The capital is fully paid-up and represented by 4,768,964 shares, with a nominal value of EUR 25 each.

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. The reserve is already fully allocated.

The movements of the year are as follows:

	31/12/2016	Allocation of the previous year's profit	Distribution of dividends	Profit or loss for the financial year	31/12/2017
	€	€	€	€	€
Subscribed capital	119,224,100	0	0	0	119,224,100
Share premium account	122,458,503	0	0	0	122,458,503
Legal reserve	11,922,410	0	0	0	11,922,410
Other reserves	84,715,759	0	0	0	84,715,759
<i>Other available reserves</i>	<i>61,100,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>61,100,000</i>
<i>Other non available reserves</i>	<i>23,615,759</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>23,615,759</i> ²⁾
Profit or loss brought forward	51,004,413	25,229,050 ¹⁾	(12,590,065)	0	63,643,398
Profit or loss for the financial year	25,229,050	(25,229,050) ¹⁾	0	(18,288,050)	(18,288,050)
Total	414,554,235	0	(12,590,065)	(18,288,050)	383,676,120

1) Decision of the ordinary general meeting of shareholders of 9th May 2017.

2) The other non-available reserves are a temporarily non-taxable capital gain of EUR 23,615,759 resulting 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 capital gain becomes taxable only when the latter subsidiary is sold.

Note 11 – Provisions**11.1. Provisions for pensions and similar obligations**

Under a supplementary pension scheme, Enovos Luxembourg S.A. has contracted a defined benefit scheme for staff members who started their employment with the Company before 1st January 2001. The Company is committed to pay a lump sum at the retirement of each employee. The amount reported in the balance sheet is estimated based on the following assumptions:

- retirement age taken into account for financing: 60 years
- yearly discount rate of 3.65%
- estimated wage at time of retirement

Actuarial profits and losses are immediately recognised in the profit and loss account based on a calculation done by an external actuary.

In addition, for a defined contribution pension scheme for employees who joined after 1st January 2001, the Company pays a contribution to an insurance company, that is recorded under expenses for the year. For 2017, expenses for the defined contribution pension scheme amount to EUR 547,267 (2016: EUR 496,678).

11.2. Other provisions

The heading “Other provisions” mainly comprises provisions to cover risks related to energy trading for an amount of EUR 218,710 (2016: EUR 621,531), representing the negative impact against the market valuation of the Company’s proprietary trading positions when netting by commodity type and by maturity year. For all commodity types and maturities together, the net position is a loss of EUR 326,469 (2016: loss of EUR 392,259) (see also note 20 – Financial derivatives).

Furthermore, this heading includes a provision of EUR 11,775,000 (2016: EUR 3,175,000) related to guarantees issued in the context of the Company’s participations in Enovos Solar Investments I S.r.l. Unipersonale and Aveleos S.A. and to cover some litigation risks in relation with Enovos Solar Investments II S.r.l. Unipersonale. In 2017, a provision of EUR 8,600,000 has been posted in the context of the ongoing litigation regarding the Company’s Italian PV parks.

Finally, this heading also comprises provisions to cover untaken holidays for employees for an amount of EUR 1,407,544 (2016: EUR 1,279,705).

Note 12 – Other creditors**12.1. Tax authorities**

Enovos Luxembourg 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, Enovos Luxembourg S.A. is part of a fiscal unity with Encevo S.A., Cegedel International S.A. and Enovos Ré S.A. In 2012, LEO S.A. became part of that fiscal unity, joined by Real Estate Enovos Esch S.A. and Enovos Real Estate Luxembourg S.A. in 2014.

In the context of fiscal unity, taxes are recorded as follows:

- Tax expenses are booked in the subsidiaries’ accounts as would be the case if there was no fiscal unity;
- Tax savings relating to a loss-making subsidiary are recorded as a deduction of tax expenses in the head of the fiscal unity;
- The head of the fiscal unity (i.e. Encevo S.A.) books the tax provisions on the basis of the consolidated results of the companies included in the fiscal unity.

As the liabilities to tax authorities are generally becoming due after less than one year, it has been decided to reclassify the amounts owed to the parent company accordingly.

In order to benefit from the fiscal unity system, 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 this five-year period, the fiscal unity ceases to apply, retroactively, as from the first year in which it was granted.

Debts to the tax authorities include other tax debts, such as net wealth tax, VAT debts, taxes on gas and electricity, taxes on salaries and pensions.

12.2. Other creditors

This caption mainly includes the finance obligation towards SEO S.A. related to the investment at the Vianden pumping station for an amount of EUR 83,557,350 (2016: EUR 91,242,000) (see also note 5).

Note 13 – Deferred income

This heading includes mainly an invoice of a trading counterpart relating to the subsequent year.

Note 14 – Net turnover

Net turnover for the year breaks down as follows:

	2017 €	2016 €
Categories of activity:		
Electricity sales and accessories for the supply of electricity	527,593,460	649,871,708
Gas sales and accessories for the supply of gas	512,905,145	515,926,976
Other sales	10,575,054	17,680,954
Total	1,051,073,659	1,183,479,638
Geographical markets:		
France	102,523,194	140,919,047
Belgium	36,172,916	46,699,609
Germany	452,719,816	513,747,956
Luxembourg	459,657,733	482,113,026
Total	1,051,073,659	1,183,479,638

Trading sales are not included in these amounts, as they are shown net of supplies, which is part of the policy to consider trading as a means to reduce procurement costs.

Note 15 – Other operating income

The caption “Other operating income” heading includes mainly income not directly linked to turnover. In 2016, the caption included an exceptional reversal of a provision of EUR 15,050,000.

Note 16 – Staff costs

Staff costs include salaries, social security costs as well as costs for the pension plans. Total staff costs amount to EUR 23,374,674 in 2017 (2016: EUR 22,147,151). 208 people were employed by the Company, on average, in 2017 (2016: 209). 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 scheme. The amounts of 2016 have been reclassified accordingly.

Note 17 – Income from participating interests

This heading includes dividends received from affiliated undertakings and other holdings.

Note 18 – Value adjustments in respect of financial assets and of investments held as current assets

As a consequence of the financial transactions described in note 6, the Company posted a value adjustment of EUR 11,200,000 on Energiepark Trelderberg GmbH, of EUR 1,100,000 on Enovos Solar Investments II S.r.l. Unipersonale, of EUR 6,830,545 on NPG Energy NV and of EUR 281,075 on Learning Factory S.A. Reversals of value adjustments of EUR 913,990 have been posted on Twinerg S.A., EUR 1,700,000 on La Benâte Energies S.à r.l. and EUR 127,500 on NPG Agro NV.

The total net impact of these transactions amounts to EUR 16,670,130 in 2017.

Note 19 – Remuneration paid to members of the administration and supervisory bodies

Remuneration paid to members of the board totalled EUR 553,000 (2016: EUR 451,000). No advance or loan was granted to members of the administration and supervisory bodies, nor was any commitment given on their behalf in respect of any form of guarantee.

Note 20 – Financial derivatives

The Company is further engaged in spot and forward electricity and gas trading on organised markets and by private sales. These transactions are carried out using various instruments. Among these instruments are forward contracts, which involve 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 and other contractual agreements.

These contracts are not accounted for on the balance sheet, as the Company has opted to not take up the option to use fair value accounting in its annual accounts. Only the unrealised losses are accounted for in the income statement, in accordance with prudence principles.

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

	31/12/2017	31/12/2016
	€	€
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
	€	€
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
Financial derivatives on electricity futures	227,619,882	(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. A provision of EUR 218,710 is recorded in the books of the company to account for this negative position (see also note 11.2. – Other provisions).

Note 21 – Related parties transactions

During the financial year, the Company did not conclude any significant transactions with related parties which were not done at market conditions.

Note 22 – Off-balance-sheet commitments**Commercial commitments**

The Company 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, the Company 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).

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

Financial commitments

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

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

In December 2017, the Company has provided a guarantee of EUR 4,796,788 to ensure commitments arising from a loan agreement between SW Saarbrücken und Enovos Deutschland SE.

Within the framework of the sales process of photovoltaic installations held by Aveleos S.A., Enovos Luxembourg S.A. provided parent company guarantees amounting to EUR 23,312,900 to hold the buyer harmless from contingent liabilities. A provision of EUR 8,600,000 has been posted in 2017 to cover the risks on part of these guarantees,

Enovos Solar Investment I S.r.l. Unipersonale has outstanding operating lease obligations for a total amount of EUR 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 of 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

By order of Enovos Luxembourg S.A., the Company'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.

In addition, Encevo S.A. provided Enovos Luxembourg S.A. with a total amount of EUR 140,000,000 in parent company guarantees and letters of comfort, mainly as collateral under existing EFET and ISDA agreements.

Other off balance guarantees

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).

Note 23 - 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. A value adjustment of EUR 1,700,000 has been reversed in 2017. In 2018, a gain on sale of EUR 1,698,849 will be recognised on that transaction.

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

There are no further subsequent sheet events affecting the 2017 annual accounts.

Enovos' CSR strategy is an integral part of the Encevo Group's CSR strategy, which is based on contributing to the achievement of the UN Sustainable Development Goals (SDGs).

2017 was a transition year for our CSR approach. In previous years, our CSR performance was structured around 6 commitments, defined in 2014. In line with the change initiated last year, our approach has been modified to better reflect international trends and their local implications. More specifically, the group focuses its efforts on the 6 SDGs for which it believes it has an active and direct role to play.

Formerly inspired by the GRI G4 guidelines, we are now using some of the indicators from the new GRI Standards in our approach to CSR reporting. More information on this subject can be found in the CSR report of the Encevo Group, which has been integrated in the annual report of Encevo S.A.

In 2015, Enovos received the "Socially Responsible Enterprise - ESR" label from the INDR (National Institute for Sustainable Development and Corporate Social Responsibility), attesting of the efforts made to progress in the various dimensions of CSR.



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