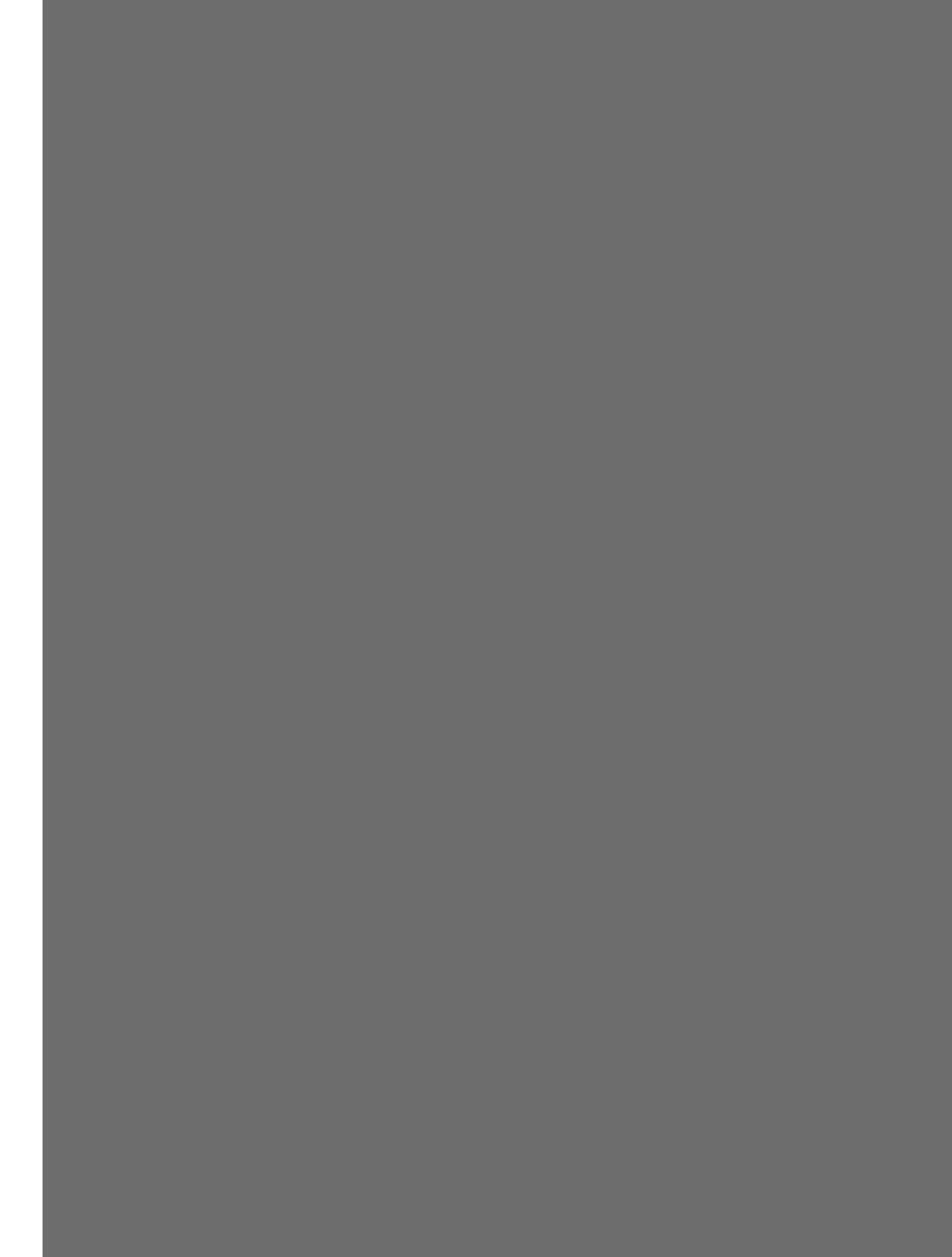


# BECOMING











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## BECOMING ENEXIS

Essent's grid company has spread its wings, having become an autonomous entity by the name of Enexis on 1 January 2009. The year 2008 was characterised by the transition towards autonomy, which ultimately resulted in a business with a newly discovered identity, an innovative name and a new house style. Every one of our employees has contributed their share. Enexis came about in close harmony and collaboration with Essent N.V.

In order to pave the way for the transition to Enexis, a project team was established in 2008 and the Enexis vision and mission were defined.

### Our vision

"There is a rising awareness in the community at large of its dependency on energy and the effect of energy usage on the economy, the living environment and the climate. As a result, stakeholders and customers will become more and more critical of the performance and actions of energy and energy-distributing partners, and their ability to capitalise on technological developments and changing market conditions (e.g. decentralised energy generation)."

### Our mission

Our mission, which is based on our vision, is as follows:

"We go to great lengths to earn the trust of our customers, our employees, our shareholders and society in general so that we can play a leading role in facilitating a renewable energy supply."

Our key values of **responsible**, **decisive**, **future-oriented** and **together** are rooted in our mission. Our employees have had a great deal of input in establishing the new autonomous business and in fleshing out the core values.

The changes, which were communicated to our customers and business relations, were obviously implemented without compromising the continuity and quality of our service offering.

Our new brand is more than just a name and a logo, and more than a house style. First and foremost, it is an exponent of how we work and communicate with each other and the world. The name Enexis demonstrates that we are an **autonomous** grid company that is responsible for **energy distribution**. We are the **link** in the chain between energy suppliers and consumers. We have to, and want to, make sure that **infrastructures** are adequate to keep pace with our customers' energy needs, both now and in the future.

ENE : energy distribution  
X/"axis" : the link  
Nex(t) : the future  
IS : infrastructure



The symbol stands for the transfer of energy.

Enexis is now making its presence felt in the Netherlands, not only in the work that we do, but you can also find our logo on vehicles, buildings, clothing, printed matter, and the Internet. This annual report shows you how we became Enexis. How did our employees deal with the changes? How do they describe the Enexis feeling?



## “Accountability for priorities”

**Tjark van Dijk**  
*Senior Strategy Designer*

As a strategy designer for gas grids, my duties involve defining policies for replacing connections and mains. You could call it working on the grid. Where we used to be assigned a budget by the company, we are now entirely autonomous. This means that we have to fine-tune our priorities. And that we have to accept accountability for our choices and decisions. Especially since not everyone shares our views on those priorities.

# KEY FIGURES

*in millions of euros*

	2008	2007	2006
<b>RESULTS</b>			
Revenue	1,341.9	1,699.0	1,597.9
Cost of sales	213.1	593.7	585.3
Gross profit	1,128.8	1,105.3	1,012.6
Other operating income	9.6	3.1	3.2
Operating expenses excluding depreciation, amortisation and impairments	558.2	846.5	750.5
Depreciation, amortisation and impairments	214.7	24.6	28.1
Operating profit	365.5	237.3	237.2
Share of profit of associates	6.6	3.1	4.5
EBIT	372.1	240.4	241.7
Finance income and costs	-175.7	32.6	26.6
Profit before tax	196.4	273.0	268.3
Profit for the year	147.5	203.8	183.0
<b>EMPLOYEES</b>			
Number of employees at year end	3,511	3,536	3,477
Number of FTEs at year end	3,245.7	3,264.0	3,214.2
DART score (including third parties)	0.74	0.77	0.78
Absenteeism rate	4.3	4.2	4.2
<b>BALANCE SHEET</b>			
Net working capital	25.7	122.8	760.4
Non-current assets	4,586.2	4,492.0	78.7
Invested capital	4,927.1	4,930.8	839.1
Equity	2,236.0	1,512.0	823.0
Total assets	5,580.6	5,733.0	3,922.7
<b>RATIOS</b>			
Solvency	40.07	26.37	20.98
ROIC	7.6	4.9	6.2
Return on equity	6.6	13.5	22.2
<b>CASH FLOWS</b>			
Cash flows from operating activities	486.1	120.3	-59.0
Cash flows used in investing activities	-298.1	-148.3	-19.4
Cash flows from/used in financing activities	-205.2	7.2	8.9
Total cash flows	-17.2	-20.8	-69.5

To compare 2008 to 2007 we refer to the restated income statement at page 51.

	2008	2007	2006
<b>GENERAL</b>			
Scale of grids (x 1,000 kilometres)			
- electricity grid (figures for 2006 are atypical due to a difference in measuring method)	128.6	124.3	140.3
low voltage	86.3	82.6	--
medium voltage	42.2	41.6	--
intermediate voltage	0.1	0.1	--
- gas grid	41.0	40.3	40.1
low pressure	32.6	32.1	--
high pressure	8.4	8.2	--
Plants (x 1,000)			
- electricity plants	51.3	49.7	49.6
- gas plants	24.2	24.2	23.9
Number of connections (x 1,000)*			
- electricity	2,596	2,518	2,477
- gas	1,892	1,788	1,770
Transported volumes			
- electricity (GWh)	34,046	33,679	33,459
- gas	6,109	5,564	5,891
Product quality			
- electricity outage time (in minutes)	21.78	24.23	24.48
high voltage	1.60	4.33	6.21
medium voltage	15.49	15.18	14.05
low voltage	4.69	4.72	4.22

\* Effective 2008, the definition has been changed from "number of revenue-generating connections" to "number of technical connections".

## Definitions of financial ratios

### EBIT

Operating profit plus share of profit of associates

### Invested capital

Total of non-current assets and net working capital

### Net working capital

Total of current assets exclusive of cash and cash equivalents and bank overdrafts, less current liabilities exclusive of bank overdrafts

### Return on invested capital (ROIC)

EBIT divided by invested capital

### Return on equity

Profit for the year divided by equity

### Solvency

Equity divided by total assets, expressed as a percentage

## FOREWORD

2008 marked the end of an era during which we acted as a grid operator under the umbrella of Essent N.V. At the same time, new perspectives opened up to us as we looked forward to our future as an independent grid operator. During the year, we updated our mission, vision and identity, and we decided on a new logo and a new name: Enexis. In addition, we achieved excellent scores in the area of customer satisfaction. 2008 was also a satisfactory year from a financial perspective.

Although profit for the year was down EUR 56.3 million on 2007 at EUR 147.5 million, this decrease was chiefly due to non-recurring costs. Our employees accomplished a great deal in the changeover from Essent Netwerk to Enexis. We are proud of their achievements, and would like to thank all of our colleagues for their contributions.

In 2007 we started work to ensure the Dutch Independent Grid Management Act (Wet onafhankelijk netbeheer, "WON") would be implemented correctly and on time. Among other things, this Act provides for the mandatory unbundling of grid operators from energy producers and suppliers by 1 January 2011, and for the transfer of the high-voltage grid to the national grid operator TenneT TSO B.V. In anticipation of this, the beneficial and legal ownership of the grids was transferred to Essent Netwerk B.V. in December 2007. The 110 kV and 150 kV grid operations were transferred to TenneT, the national grid operator at 1 January 2008 pursuant to new legislation. This meant that we not only lost an important core activity, but we also had to say goodbye to some 140 highly

professional employees who were transferred, along with their jobs, to TenneT.

In early 2008 we started preparing for the unbundling of the grid operation activities as of 1 January 2009, in close consultation with Essent N.V. Key issues included the management of the grid operator, the introduction of a two-member Management Board, a change in the composition of the Supervisory Board, and preparations for independent funding. Towards the end of 2008 we started to organise frequent meetings with representatives of the new shareholders of Enexis, which are the current shareholders of Essent N.V., discussing the robust funding for Enexis,



Herman Levelink  
*Chairman of the Management Board*



René Oudejans  
*Chief Financial Officer*

which includes an 'A-minus' rating requirement, to ensure we can continue to invest in a reliable, safe, sustainable grid in the future.

In addition, as part of the move towards independent operations, several departments at Essent Netwerk were strengthened and expanded, particularly the corporate and support departments. Steps were also taken in relation to areas such as assuming responsibility for joint purchasing contracts and IT systems. In preparation for the changeover to the new corporate structure following the legal unbundling in mid 2009, Enexis Holding B.V. was incorporated on 19 December 2008. Pursuant to the Independent Grid Management Act, Essent N.V. presented its unbundling plan to the Netherlands Competition Authority (Nederlandse Mededingingsautoriteit, "Nma") on 19 November 2008. We would like to take this opportunity to state that we appreciate the harmonious, professional way in which Essent N.V. has worked with the grid operator on the unbundling project.

Other preparations for operational independence as of 1 January 2009 related to the marketing of Enexis. We presented our new name and logo to our employees on 28 June 2008, and in December we informed customers and suppliers of the fact that Essent Netwerk B.V. would be known as Enexis B.V. with effect from 1 January 2009. Since the start of 2009, our new name has become increasingly visible on our vehicles, clothing, printed matter and business premises. A small-scale regional media campaign is also being conducted to increase the profile of Enexis, particularly on the labour market.

We still give top priority to recruiting, retaining, motivating and developing employees. Finding high-quality technical staff remains a challenge. In connection with our new identity, during 2008 a great deal of attention was paid to defining and fleshing out our core values: responsible, decisive, future-oriented and together. We will continue to work on giving substance to these core values during 2009, in part by introducing the 'Enexis Way'.

Continuous improvement is at the heart of our business operations. Improvements in efficiency are achieved by the application of the Lean methodology and reduction in overheads. With respect to our employees, being passionate about work, focusing on service, and providing a reliable service are issues that are given special attention. However, the newly independent position in which Enexis finds itself also increasingly calls for a focus on the future and a readiness to act.

As always, safety at work continues to receive our full attention. The number of accidents dropped in 2008, and we are one of the leading companies of our kind in Europe in terms of safety. As many of the accidents we saw during the year were not directly related to work on plants, we paid a great deal of attention to accidents that occurred while employees were travelling to, from and around their place of work. We still aim to eliminate all accidents involving our own employees and employees of contractors working for us. In connection with this, we discussed current safety issues with contractors, and we are introducing a new safety toolkit in our regions.

Despite the preparations for the unbundling of operations, we continued to pay a great deal of attention to customers. The rising trend seen in customer satisfaction scores continued. We achieved a good average score for 2008 (7.4), which – similar to 2007 – was above the national average for Dutch businesses and government agencies. During 2008 our grids proved highly reliable, with an average outage time of 22 seconds per connection for the gas grid and 22 minutes per connection for the electricity grid.

We made significant headway with the introduction of the new market model during the year. This new model should lead to further improvements in efficiency and customer satisfaction in the energy chain. In particular, a great deal of effort was put into optimising databases. We also prepared for the introduction of a national Central Connections Register for all grid operators. Our company has done

pioneering work in this area. A number of smart gas and electricity meters that can be programmed and read remotely have been installed as part of a pilot project.

Enexis plays a leading role, both nationally and internationally, in facilitating the transition to renewable energy. In order to guarantee a sustainable, reliable, safe grid in the future, we need to make long-term investments. These include investments in modifying the grid so that decentralised generators, such as wind turbines and small-scale combined heat and power stations, can be hooked up. In this way, a number of customers, many of which work in the greenhouse farming sector, will also become suppliers.

One of the areas in which we focus our efforts to facilitate the transition towards renewable energy is the Mobile Smart Grid concept. This smart concept not only supports the more widespread use of electric vehicles, but also makes the energy supply more sustainable by feeding energy back into the grid, and ensures the best possible use of our grid capacity.

In 2008 we got off to a good start in the area of electric transport, which included the unveiling of our brand new, electric, promotional car (Lotus Elise) at TT motor-racing circuit Assen. We promoted this sustainable form of driving, which does not produce any carbon emissions, at various events during the year.

Our company policy is aimed at minimising carbon emissions where we can, and we therefore encourage employees to use videoconferencing facilities and work from home, subject to certain conditions. We will also include more electric vehicles in our fleet, and have ordered around 40 electric company cars for 2009.

This annual report is the last to be published by Essent Network. We are proud of all that we have achieved with our colleagues at Essent over the years in terms of reliability,



Electric company car

safety, efficiency and professionalisation. Although the creation of our new company put our organisation under a great deal of pressure, everyone has done their utmost to ensure we could get to where we are today – facing a fresh future as a newly independent grid operator.

*Herman Levelink, Chairman of the Management Board*

*René Oudejans, CFO*

## PROFILE OF ENEXIS

Essent Netwerk, now operating under the name Enexis, is an independent grid operator, responsible for the construction, maintenance, management and development of the transportation (medium-voltage) and distribution grids for electricity and gas, thereby allowing energy suppliers to meet changing energy demands on an ongoing basis.

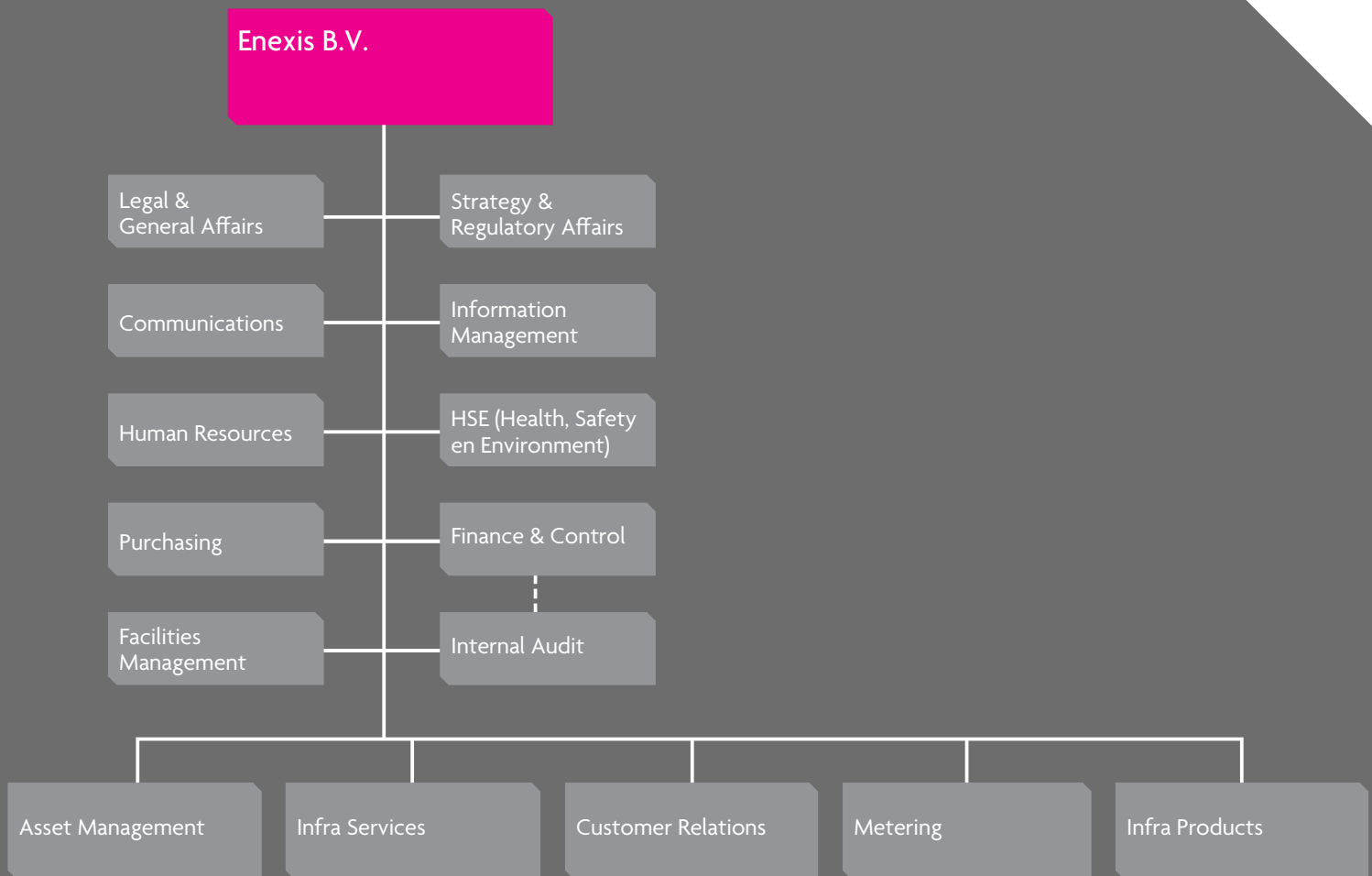
We primarily conduct operations in the northern, eastern and southern parts of the Netherlands. In these areas, we operate about 130,000 kilometres of electricity cables and 40,000 kilometres of gas pipes for 2.5 million customers. In addition to operating, maintaining and developing the energy grid, we perform a number of non-regulated activities in a separate division by the name of Infra Products, including services relating to public lighting, traffic management and parking systems, as well as letting medium-voltage equipment, and electricity and gas meters.

Even in 2008, Essent Netwerk operated as a financially, organisationally and legally separate entity of its parent company Essent and had its own Supervisory Board. Essent Nederland B.V. is its sole shareholder. The grid operator is subject to the oversight of the Dutch Office of Energy Regulation (Energiekamer), a special division of the Netherlands Competition Authority (NMa).

Essent Netwerk was carved out as an independent grid operator under the name Enexis B.V. at 1 January 2009.

## ORGANISATION CHART

as of 1 January 2009 of Enexis B.V.



## SERVICE AREAS OF ENEXIS B.V.



# REPORT OF THE SUPERVISORY BOARD

## To the shareholders

In presenting the annual report, including the condensed financial statements 2008, as prepared by the Management Board of Essent Netwerk, the Supervisory Board expresses its appreciation for the results and performance posted for the past year.

This is Essent Netwerk's third separate annual report. The operations of Essent Netwerk have been spun off from Essent N.V. since 1 January 2009, when the company emerged as an autonomous entity under the name Enexis B.V.

The financial statements have been audited by Ernst & Young Accountants; for the auditor's report, please consult page 70. The condensed financial statements have been set out on pages 57 through 72 of this annual report.

The Supervisory Board of Essent Netwerk discussed the financial statements with the auditors in a plenary session on 15 April 2009 and then presented them to the Annual General Meeting of Shareholders, advising it to adopt them. The Annual General Meeting of Shareholders adopted the financial statements in their meeting of 15 April 2009.

## Scope of supervision and composition of the Supervisory Board

The Supervisory Board met six times during the reporting period in the presence of the Management Board of Essent Netwerk. An important meeting took place on 18 April 2008, when the Chairman, Mr M.A.M. Boersma, and Mr O.W.A.H.M. Mengelberg and Mr R. Vos stepped down. Their places were taken by Mr D.D.P. Bosscher (Chairman), Mr R. de Jong and Ms W.M. van Ingen in that same meeting. The Annual

General Meeting of Shareholders of 18 April 2008 appointed Mr I.M. Oudejans to the Management Board of Essent Netwerk as Chief Financial Officer (CFO).

Two committees that are new to Essent Netwerk were formed from the new Supervisory Board: the Audit Committee and the Remuneration and Selection Committee. The purpose of the Audit Committee is to exercise oversight of, and to advise the Management Board on, internal risk management and control systems, and financial information provision. This Committee convened once in 2008. The purpose of the Remuneration and Selection Committee is to advise on, and do the preparatory work for, the Supervisory Board's decision-making regarding the selection, appointment and compensation of Management Board members. This Committee met twice in 2008.

The unbundling of the operations of Essent Netwerk that was scheduled for 1 January 2009 and the financial implications of this transaction demanded much of the Supervisory Board's attention in 2008. The Independent Grid Management Act resulted in the transfer of the beneficial and legal ownership of the electricity and gas grids from Essent N.V. to Essent Netwerk at year-end 2007.

Clearly, 2008 was characterised by the many legal, economic and operational preparations that were necessary to bring the unbundling of Essent Netwerk to a successful conclusion. In addition to another member being appointed to the Management Board, which we mentioned above, focus was placed on creating a new organisational structure, with own corporate support departments to replace those of Essent N.V. The Independent Grid Management Act starts from the



The Supervisory Board (from left to right: J.A.M. Theeuwes, D.D.P. Bosscher, W.M. van Ingen, R. de Jong, F.J.M. Houben)

assumption that all grid operators should be unbundled by 1 January 2011 at the latest. Essent Network has always taken a pro-active approach to these developments and is fully prepared for the implementation of the Act in this respect.

The Supervisory Board was very much involved in 2008 in arranging for robust funding of the grid operations, including the required 'A' credit rating. It was decided in March 2009 that, at the time of unbundling, a grid operator should have a debt/equity ratio of at least 60% to 40%. Essent Network/Enexis already satisfied this requirement at year-end 2008.

The high-voltage grid operations were transferred to TenneT TSO B.V., the national operator, at 1 January 2008. Legal title was transferred at the end of March 2009.

We are pleased to note that the supply reliability of Essent Network continues to be excellent, with outage being lower than last year. The outage time of the electricity grid was in keeping with the national average in 2008.

Much to the satisfaction of the Supervisory Board, Essent Network again focused much of its efforts on improving the

safety of its employees and the grid. The overall DART score dropped further in 2008, landing at 0.74.

We adopted the business plan for 2009 in our meeting on 3 December 2008.

### **Word of appreciation**

We were happy to see the professionalism and commitment of the people that make up the organisation during the process of moving towards the newly gained independence. The new identity, symbolised by the new name Enexis, has now been successfully communicated to the stakeholders. A well-deserved word of appreciation from the Supervisory Board goes to the Management Board and all employees.

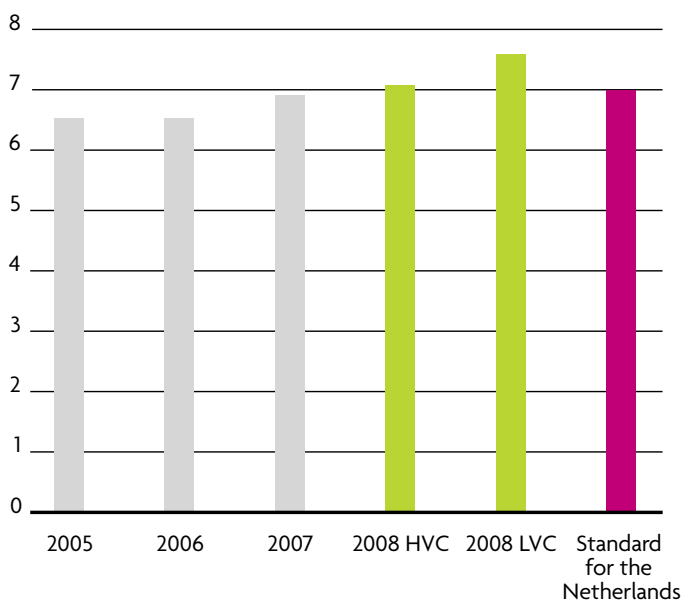
*15 April 2009*

*D.D.P. Bosscher, Chairman*

## CUSTOMERS AND MARKETS

At Enexis, we want to offer our customers an efficient, reliable, safe grid that is ready for the future. It is important that our customers know who we are and what we do, that we are a good, reliable partner in all circumstances and that we are fully prepared for the new market model. Customer satisfaction increased considerably during 2008. Significant milestones in 2008 included the launch of the first 'smart meters' onto the market, further improvements in the quality of readings, and the start of preparations for a national Central Connections Register.

### Customer satisfaction



HVC = high-volume consumers (corporate customers)

LVC = low-volume consumers (households)

A great deal of effort was put into achieving a sustainable increase in customer satisfaction during 2008 as well. The upswing first seen in 2007 continued in 2008, giving us an average score of 7.4 (year-end 2006: 6.5). This is above the national average for Dutch businesses and government agencies (7.0). The score we were awarded by the consumer market (2.5 million connections) was even better at 7.6. Essent Netwerk has 25,000 corporate customers. Our score of 7.1 for customer satisfaction in this market segment was also an improvement on previous years. The higher score was partly down to great improvements in the way that we deal with complaints and removals. 2008 was the first year in which two regions scored more than 8 for the way in which they handled problems with the gas supply at customers. Lead times have been reduced, and customers' issues are more and more being resolved during the first attempt. In addition, we organised several events for various groups of customers in 2008, such as the horticultural sector. All in all, we can say that during the year an excellent basis was laid for the launch of the new Enexis organisation on 1 January 2009.

The importance of being actively committed to our customers was further embedded when the Customer Relations department launched a new Customers & Markets division on 1 December 2008 to deal with customer satisfaction projects. As a result, the procedures aimed at improving customer satisfaction and optimising costs have now been given permanent status within the organisation.

The Lighting division (part of Infra Products, one of our commercial arms) managed to maintain its customer satisfaction score of 7.1 in 2008, despite the volatility of the market and stiff competition. During 2008 we secured a new customer, the City of Rotterdam, for maintenance services for traffic management equipment. Our policy is aimed at ensuring that we gain a foothold in the unregulated market in other parts of the country too.

**New market model and smart meters**

As a grid operator we are preparing for a number of interrelated major changes in the market that are intended to increase transparency in the responsibilities of gas and electricity suppliers and grid operators.

1. A new market model for the consumer market.

This involves a comprehensive transition to the supplier model, offering customers a single point of contact for energy issues. Moreover, energy transportation charges will no longer be dependent on usage, but on the type of connection the customer has chosen (capacity tariff).

2. Introduction of smart meters.

The smart meter is a gas or electricity meter that can be read and programmed remotely. Customers will no longer have to report meter readings, and readings will no longer have to be estimated. As a result, bills will be even more accurate. In addition, it will be relatively easy for energy suppliers to inform their customers of their energy consumption and potential areas of savings at any time.

In 2008 Essent Netwerk installed over 30,000 smart meters in the Brabant and Limburg areas, in order to gain experience

and test the procedures for the remote reading of data. The customer satisfaction score given for the installation of smart meters was 7.8.

On 7 April 2009, the Upper House of the Dutch Parliament rejected the legislative proposal providing for the roll-out of smart meters and the new market model. The proposal will be redrafted where the mandatory roll-out of smart meters is concerned, and be presented to the Upper and Lower Houses of the Dutch Parliament once again, resulting in the approval of the legislative proposal being delayed by at least four to six months. Enexis is in the process of examining the consequences of the delay for the scheduled roll-out of the smart meters during the remainder of 2009 and for the implementation of the new market model.

**Household service standards (performance as a percentage)**

	2008	2007	2006
1 In case of failure, engineer on site within 2 hours.	97	97	96
2a Correspondence processing within 10 working days.	95	97	94
2b Complaints handling within 10 working days.	98	98	94
3 Appointments with customers in 2-hour time slots.	98	97	93
4 Work performed within 3 working days.	96	94	82
5 Maintenance appointment made 5 days in advance.	100	99	100
6 3-day advance warning for work causing an interruption of energy supply.	99	95	97
7 Proposal offered within 10 days of receipt of request.	99	97	96
8 Energy interruption statement within 10 working days.	100	100	100



## “An inspiring job: putting Enexis on the map”

**Cor Brockhoven**  
*Communications Manager*

What we don't know, we don't love. This goes for a new grid operator as well. What we need to do is to communicate to the public that we are a solid and reliable organisation, that we are self-confident and ready to act, and have a vision of the future. This will make us an interesting partner for customers and shareholders, as well as an appealing employer for new recruits.

### Tariff developments

Electricity metering costs for the peak and off-peak tariff, and the single average tariff were harmonised in 2008. The tariffs for gas meters did not change compared with 2007.

There were no changes in electricity grid costs in 2008. Gas grid costs were reduced by 13% for households as of 1 July 2008 (see page 23).

### Household service standards

Our service to households is measured annually and evaluated for potential areas of improvement (see table on page 19).

Where seven of the nine criteria met the 96% standard in 2007, eight criteria were satisfied in 2008. The only criterion that fell short of the mark was that of correspondence processing within ten working days. We outperformed our score for 2007 on all other points.

Correct billing plays a key role in our ambition to increase our customer satisfaction score. The scorecard of the Office of Energy Regulation is our benchmark for the focus on service that is inherent in our customer processes. The standard imposed by the Office is 98%. Essent Network's own internal standard for 2008 was 99.5%, which requirement we more than satisfied.

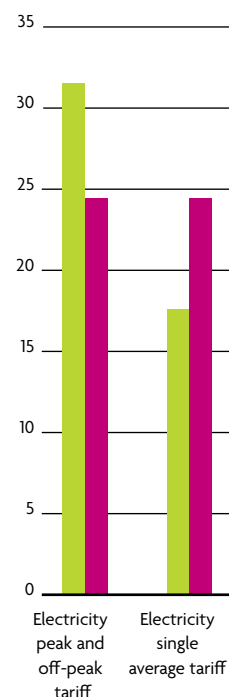
### Central Connections Register

Essent Network is a co-initiator of a Central Connections Register for all grid operators. After an exploratory study in concert with fellow grid operators and EDSN (Energie Data Services Nederland), Netbeheer Nederland agreed to the continued development of this system in April 2008. Essent Network performed an analysis in the fourth quarter of 2008 of the impact of the implementation of the new market model and the introduction of the Central Connections Register.

#### Electricity meters

(up to 3 x 80A)<sup>1</sup>

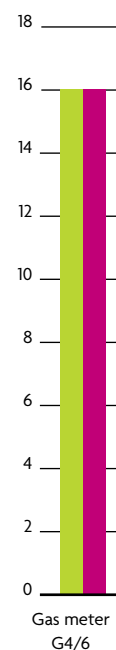
Low-volume consumers



#### Gas meters

(Household G4/6 meter)

Low-volume consumers



Amounts in euros per year per customer, exclusive of VAT.

■ 2008  
■ 2007

<sup>1</sup> Low-volume consumer tariffs have been regulated by the Office of Energy Regulation since 2008.

#### Office of Energy Regulation scorecard for Essent Network

	2008	2007	2006
<b>Electricity connections and disconnections</b>			
Timeliness of provisional billing	99.6	99.8	98.2
Timeliness of final billing	99.9	99.0	99.0
<b>Gas connections and disconnections</b>			
Timeliness of provisional billing	99.6	99.7	98.9
Timeliness of final billing	99.9	99.8	99.5
<b>Annual electricity statement</b>			
Timeliness	99.7	99.2	99.6
<b>Annual gas statement</b>			
Timeliness	99.8	99.1	99.6

## Reliability and safety

We take our responsibility for the reliability and safety of the electricity and gas grids very seriously. We use an advanced system, i.e. the Risk-based Asset Management system, to define annual maintenance and investment programmes, and to take action to control and reduce risks where appropriate. The risk matrix was broadened in 2008 to include customer satisfaction and sustainability in addition to reliability and costs. We have been PAS 55-certified since 2005. We were the second company worldwide to be awarded this certificate. Since the re-audit of 2008, we have again become one of the first businesses that are certified under the latest PAS 55 standard.

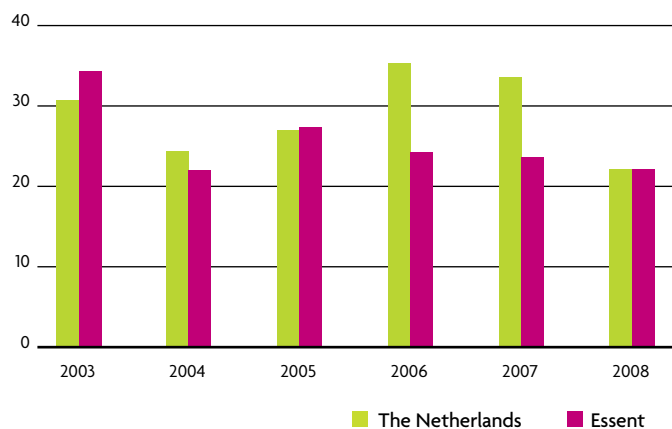
In December 2007, the Electricity and Gas Quality and Capacity Documents (QCDs) were sent to our regulators, the Office of Energy Regulation and the State Supervision of Mines (Staatstoezicht op de mijnen). We draw up these documents every two years in accordance with statutory rules and regulations, setting out the measures to be taken in the period running from 2008 to 2014 so as to safeguard electricity and gas grid capacity. Company visits made on 13 and 14 November 2008 and on 20 January 2009 form part of the meritorious review of the QCDs. A report is expected to be issued on this in the second quarter of 2009.

### Electricity grids

International benchmark studies show that the reliability of the Dutch electricity supply is among the best in Europe. The outage time for Essent Netwerk was 22 minutes per connection in 2008, two minutes less than in 2007 and corresponding with the national average.

The principal failure in our service area was in Tilburg on 17 January 2008, which affected 29,000 customers. The failure was caused by the theft of a copper earthing bar. There were also two large failures in Groningen and Leeuwarden due to digging works performed by third parties.

**Annual outage time** (due to HV, MV and LV failures)  
(in minutes per connection)



The high-voltage grid operations were transferred to TenneT at 1 January 2008. To guarantee their continuity, the actual work continued to be contracted out to Essent Netwerk in 2008. The transfer was transacted with due care so as not to compromise on safety and reliability.

### Gas grids

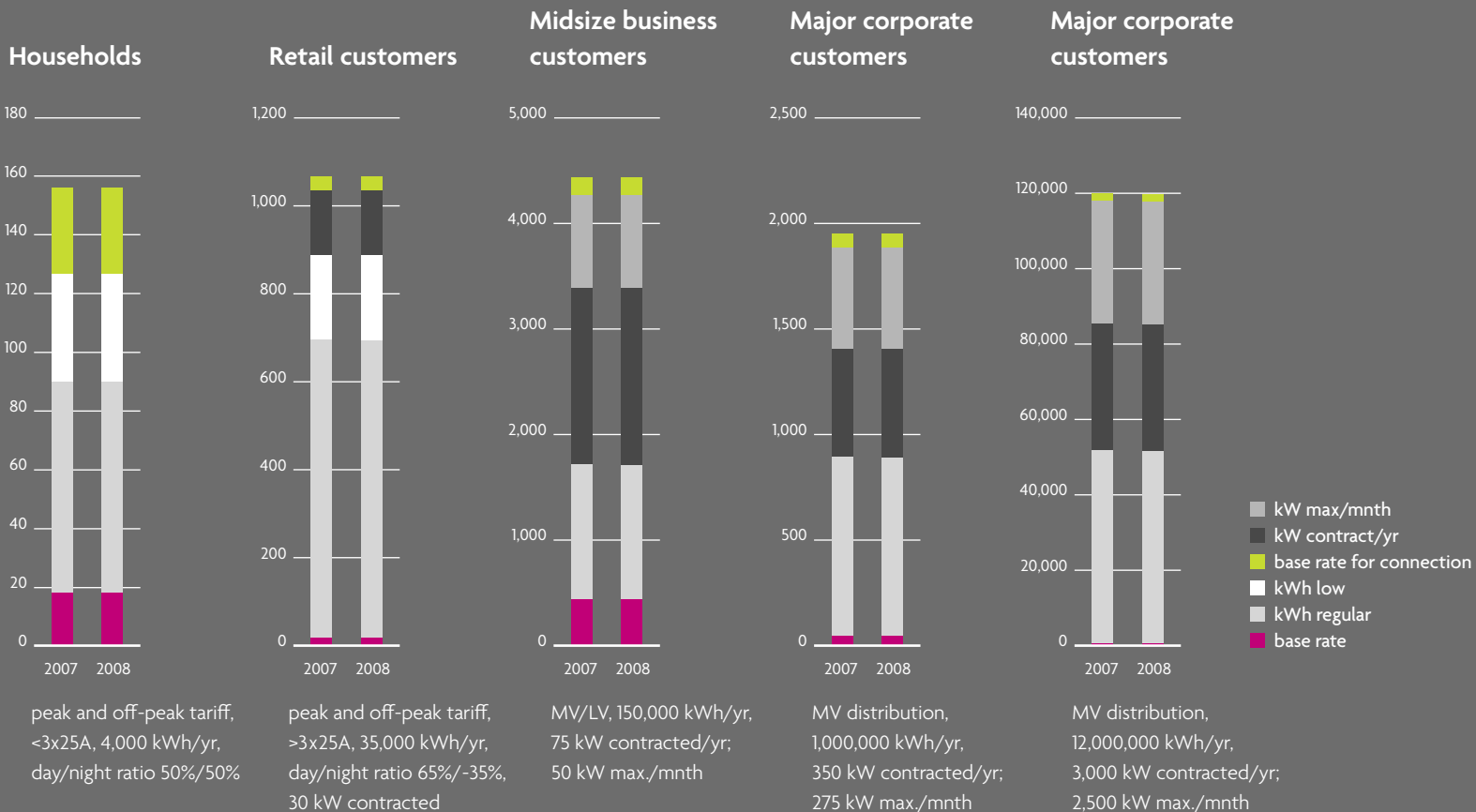
The supply reliability of the gas grids is excellent, at an outage time of a mere 22 seconds per connection in 2008. There were no serious accidents, although five major incidents did occur in our service area. All of these were due to external factors.

Since 2007, a safety indicator has been used to determine gas grid safety. Enexis developed the Gas Grid Safety Indicator (GGSI) to express gas grid quality as one single figure better indicating actual gas grid quality than just the annual outage time per customer. The GGSI relates leaks measured in the gas grids and the – minor – chance of a gas leak leading to an explosion that causes damage to the surrounding area.

## Breakdown of average grid bill (transport and connections) for 2008 and 2007 of Essent Network

(Average bill in euros per year, exclusive of VAT)

### ELECTRICITY<sup>1</sup>



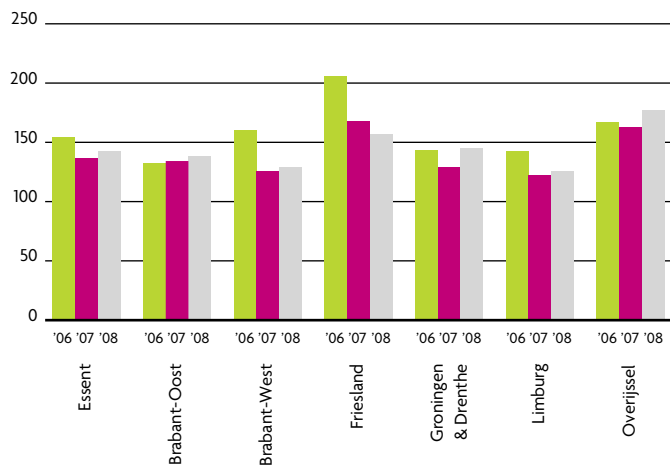
### GAS<sup>2</sup>



- 1 The tariffs for 2007 were still in effect in 2008 due to the Office of Energy Regulation's failure to issue a new Tariffs Decree.
- 2 The tariffs for 2007 were temporarily still in effect in 2008 due to the Office of Energy Regulation's failure to issue a new Tariffs Decree. The Office of Energy Regulation has adopted new gas tariffs, which have been in effect since 1 July 2008.

An overview of the safety indicator for the regions in which Enexis operates the grid is given below.

### Safety indicator Enexis regions



The safety indicator also provides an insight into the failure categories per region, so that these can be taken into account in our efforts to resolve failures.

The safety indicator for 2008 showed virtually the same level as in 2007 for Enexis. Compared with other grid operators, our score is average or slightly better. Nation-wide, interpretations of and opinions on the safety indicator still differ.

The method will be developed further into a standard, nationally applicable system.

To prevent unsafe situations arising where possible, connecting pipes were replaced as a preventative measure in 2008 as well. This replacement programme was launched in 2007 and will be continued over the next few years. We will start the preventative replacement of gas mains in 2009.

Since failures may well develop into dangerous situations, we maintain close contacts with emergency services so that

everyone is prepared for potential calamities. Emergency drills are organised on a regular basis.

### Connections process

The Long-term Vision for Connections describes how the connections process might look in 2011. The purpose is to achieve a higher customer satisfaction score, a more efficient connections process and higher employee satisfaction.

The results of the first pilot, which involved sYnfra, Essent Netwerk, Brabant Water, KPN, Rasenberg Kabel en Leidingen, Intergas Netbeheer and Ziggo, were revealed in 2008. The pilot demonstrated that the connection procedure set out in the pilot is workable and that the envisaged results are attainable.

The Long-term Vision for Accounts, Engineering & Infra (AE&I) focuses on customised connections, reconstruction work, and work done on expanding and replacing the electricity and gas grids. Our objectives are to increase customer satisfaction, improve staff motivation, and enhance quality and efficiency.

The aims of this long-term vision include:

- channelling external contacts with customers (predominantly high-volume consumers and municipalities);
- planning work; and
- simplifying paperwork and procedures.

In order to test out the practical aspects of the vision, parallel pilot projects are being carried out in the northern Groningen/Drenthe and southern Limburg regions. We expect that the vision will be fully implemented in all regions by the end of 2010.

### Consumer safety information

As an expert in the fields of gas and electricity, we feel a broad responsibility to society. That is why we initiated the website [www.energieveilig.nl](http://www.energieveilig.nl), which contains a range of reference material on safety in relation to gas and electricity, and is the linchpin of our external communications regarding safety.

Henk Schuls  
Team 6 Gas Engineer



## “Enexis, what on earth is that?”

The technology is the same. It's just the field of work that changes. The market is different, being a grid operator. I notice it when I call customers. To them, we are a new and unknown factor, despite the notice we sent. Customers are reserved and contact head office just in case. And to add to their confusion, we drive up in an 'old' Essent van to replace their meter.

Visitors to the site can use tools such as the online checklist to generate a personal safety report that provides direct information on the level of energy safety in their home. We have also launched a digital newsletter as an extra service.

Issues highlighted in 2008 included the safe operation of gas-fired appliances in the home (including an online test), the mechanism of a residual-current device, and tips on how to be safe with energy around the home when on holiday.

# SOCIAL AND REGULATORY DEVELOPMENTS

Social and regulatory developments are highly decisive in determining the direction of our work over the next few years. We lead the way in facilitating the transition towards renewable energy and ensure that our grids are robust enough to accommodate future developments, such as the increase in decentralised energy generation. We design smart concepts that help bring renewable energy to the foreground. Also, in 2008, we went all-out to prepare for the operational and legal unbundling of energy companies, as dictated by the Independent Grid Management Act.

## Corporate Social Responsibility (CSR)

Corporate social responsibility is embedded in our vision and mission. Our mission is that we go to great lengths to earn the trust of our customers, our employees, our shareholders and society in general so that we can play a leading role in facilitating a renewable energy supply.

In 2008, in the wake of Essent's CSR policy, our priorities concentrated primarily on our energy consumption, mobility and employee involvement. Asset Management also established a new Innovation division in 2008, which focuses on sustainable solutions. And a vision was defined with respect to the transition towards renewable energy, which is underpinned by such concepts as the

Mobile Smart Grid (see next section), electric transport and green gas.

The following pillars of our CSR policy have been defined together with portfolio holders:

- use of raw materials and waste flows
- employer of choice
- facilitation of the transition towards renewable energy
- customer satisfaction and affordability
- energy saving and emissions reduction
- communications

New systems ... New capacity tariffs ... In two months' time, my work has been turned topsy-turvy. It takes some getting used to, such a changeover. Everything is new. I've had to reinvent and reprogram myself. But it doesn't just concern me, the whole department is involved. Now we're all singing from the same hymn-sheet. If you know where you're headed, you can't easily get lost. Our satnav has been programmed.

## “My work made over”

**Monique Remmers**  
*Team 2 Technology*



### **Innovation and investments**

The government's aspiration to increase the renewability of the energy supply in tandem with the current situation on the European energy market has led to a sharp rise in client demand for connections of decentralised generation plants, such as combined heat and power stations and wind turbines. This demand is emerging mostly from sparsely populated and grid-poor areas, warranting major investments in high and medium-voltage grids here. For this reason, we introduced a higher voltage for regional transport grids (20 kV instead of 10 kV), which is intended to efficiently connect with decentralised generation systems, especially in horticulture. As a result, we will be able to save about 25% over the next few years on investments in making all these connections to the grid. Nevertheless, Enexis is still poised to spend some hundreds of millions of euros on hooking up wind turbines and decentralised heat and power generation plants over the coming period.

The vision of Essent Netwerk/Enexis on the transition towards renewable energy and other innovation priorities was defined and formalised in 2008 in a document entitled 'Our Common Future'. Mobile Smart Grid, electric transport and green gas are the main pillars.

The Mobile Smart Grid concept, which not only facilitates electric vehicles, but also supports a more renewable energy supply and helps to harness the full capacity of the electricity grids, will be developed further over the next few years. Enexis is putting itself on the map, on both a national and global scale, with this technically advanced concept, which is highly relevant from a societal point of view also. A spectacular presentation of the perspectives offered by electric vehicles was organised at the TT motor-racing circuit in Assen on 17 June. In October, the electric Lotus Elise, a promotional electric car, was delivered, which has attracted a flurry of media attention at numerous events since.

We organised a national innovation session in December in order to share our vision of, and attitude towards, innovation and the transition to renewable energy with research institutes, universities and contractors.

In concert with a number of fellow grid operators, we enthusiastically worked on making it possible to feed green gas into the distribution grid without compromising on safety and supply security.

Our Long-term Optimisation Study revealed that, if there is no change in policy, the number of power failures affecting electricity grids will increase in the coming decades and that gas grids will become less safe owing to the gradual ageing of assets. As current levels of quality can only be maintained through substantial programmes of investments in preventative replacements of components, we will continue to raise the volume for replacement investments over the coming years.

A multi-year programme has been launched to further reduce outage time in the northern part of the country. We are also stepping up our collaboration with municipalities to aid our long-term plans and investments.

### **Independent Grid Management Act**

The Independent Grid Management Act was enshrined into law on 21 November 2006. The Act, which amends the Electricity Act 1998 and the Gas Act, is comprised of three main elements, i.e.:

1. transfer of the high-voltage grid operations (110-150 kV) to TenneT;
2. establishment of a broad grid operator that is also the grid's beneficial owner; and
3. introduction of a group prohibition.

## Investments in electricity and gas grids

in millions of euros

	2008			2007		
	gross investment	subsidy	net investment	gross investment	subsidy	net investment
<b>Electricity</b>						
standard connections	41.7	37.3	4.4	39.6	38.3	1.3
customised connections	35.2	41.9	-6.7	34.6	43.8	-9.2
expansion of grid	112.3	6.7	105.6	95.9	6.4	89.5
reconstructions	24.2	15.7	8.5	23.9	13.5	10.4
replacements	23.8	0.1	23.7	27.4	0.3	27.1
other	5.6	0.1	5.5	2.3		2.3
<b>total electricity</b>	<b>242.8</b>	<b>101.8</b>	<b>141.0</b>	<b>223.7</b>	<b>102.3</b>	<b>121.4</b>
<b>Gas</b>						
standard connections	14.8	14.3	0.5	14.7	14.8	-0.1
customised connections	2.5	2.5	-	2.3	2.3	-
expansion of grid	17.2	1.6	15.6	15.2	3.2	12.0
reconstructions	15.6	6.8	8.8	12.5	6.4	6.1
replacements	39.9	0.1	39.8	45.2	0.1	45.1
other	1.3	-	1.3	0.4	-	0.4
<b>total gas</b>	<b>91.3</b>	<b>25.3</b>	<b>66.0</b>	<b>90.3</b>	<b>26.8</b>	<b>63.5</b>
<b>total gas and electricity</b>	<b>334.1</b>	<b>127.1</b>	<b>207.0</b>	<b>314.0</b>	<b>129.1</b>	<b>184.9</b>

The statutory implementation dates of these three elements are not the same. The transfer of the high-voltage grid operations had to be completed by 1 January 2008, a broad grid operator that is also the grid's beneficial owner had to be established by 1 July 2008, and the group prohibition and ownership unbundling of the production and supply operations on the one hand and the grid operations on the other have to be implemented by 1 January 2011 at the latest.

### Re 1) Transfer of operation of high-voltage grids

In accordance with the Act, the operation of Essent's high-voltage grids (110 kV and higher) was transferred to TenneT TSO B.V., the national grid operator, at 1 January 2008.

The assets (i.e. the high-voltage grid proper) were transferred via a sales transaction at the end of March 2009. Essent Network carried on the operations for TenneT in 2008 in order to safeguard the continuity and safety of the grids.



**André Timmerman**  
*Field Engineer*

## “Customers look at us differently”

I have gotten used to name changes. This is the sixth I’ve seen so far, and my work hasn’t changed. Our new name will help customers identify us as a grid operator, rather than as an energy supplier. We are taking up the challenge of servicing 2.5 million connections.

About 140 colleagues whose work was directly related to high-voltage plants and grids have transferred to TenneT with effect from 1 October.

### Re 2) A broad grid operator

Title to the gas and electricity grids was transferred to Essent Network via a share transaction at year-end 2007. Essent Network has satisfied all statutory requirements governing a broad grid operator since 1 July 2008.

### Re 3) Group prohibition

Existing grid operators will have to be unbundled from group companies engaging in energy production and/or trade in the Netherlands by 1 January 2011 at the latest. We collaborated closely with Essent N.V. in 2008 to prepare for this unbundling that is required by law.

In dialogue with the Central Works Council and the Works Council of Essent Network, agreements were made in 2008 on the transfer of the corporate support services that Essent Network used to contract from the Essent head office. Some of the people who provided these services to Essent Network transferred to Essent Network at the end of 2008. Essent Network's operations were unbundled from Essent at 1 January 2009. In order to visualise this unbundling for the external stakeholders, Essent Network B.V. changed its name under the Articles of Association to Enexis B.V. at 1 January 2009.

One of the statutory obligations for the implementation of the group prohibition is that the executive body of the controlling entity is required to submit an unbundling plan. At Essent, the Executive Board of Essent N.V. qualifies as that body. In its capacity as an independent grid operator, Essent Network collaborated in drafting the Unbundling Plan for Essent in 2008. Essent N.V. submitted the Unbundling Plan to the Netherlands Competition Authority (NMa) on 19 November.

## Regulatory developments

### Intended amendments to Electricity Act and Gas Act

As proposed by the Minister of Economic Affairs, the Dutch Cabinet of Ministers has agreed to a legislative proposal for amending the Dutch Electricity and Gas Acts. The key aspects of the proposal are:

1. The effectiveness of the gas market will be improved. This would include replacing the current markets for high-caloric gas and low-caloric gas by a single domestic market. The proposal will also allow buyers of gas to decide for themselves what to do with their purchase: use it or resell it.
2. Renewable electricity will be given priority on the grid. It will become mandatory for grid operators to give priority to the transport of renewable electricity on the grids.
3. Affirmation of expansion investments for grid operators. If a grid operator can demonstrate that an investment is necessary or useful, the investment can be incorporated into tariffs and recharged to customers. The Netherlands Competition Authority (NMa) decides on the necessity and usefulness of expansion investments by regional grid operators, but can ask the Ministry of Economic Affairs for its opinion.
4. Introduction of a gas connection obligation.
5. The Netherlands Competition Authority (NMa) will be competent to adjust the tariffs once to the defined efficient cost level at the beginning of a regulation period, if it feels that the tariffs are too much at variance with that cost level. This is subject to approval by the Minister of Economic Affairs.

The Cabinet of Ministers agreed that the legislative proposal would be submitted to the Council of State for their opinion on the aspects listed above. Expectations are that the proposal will be presented to the Dutch Parliament in the first half of 2009. Its exact content will not be public until then.

Where the new **market model** is concerned, the government submitted a legislative proposal early in 2008, which was co-initiated by the sector, for amending the Electricity and Gas Acts. The proposal aims to limit administrative processes in the sector, thereby also reducing the risk of errors. Roughly speaking, the legislative proposal introduces a new market model for low-volume consumers. The following is proposed:

1. Introduction of a capacity tariff (i.e. a tariff that is not dependent on measuring data).
2. Introduction of a mandatory supplier model (the supplier will become the full point of contact for low-volume consumers, save in a few exceptional situations).
3. Introduction of smart meters (remote-readable; tariffs can be cut if a grid operator should fail to meet the roll-out deadline).

On 7 April 2009, the Upper House of the Dutch Parliament rejected the legislative proposal providing for the roll-out of smart meters and the new market model. The proposal will be redrafted where the mandatory roll-out of smart meters is concerned, and be presented to the Upper and Lower Houses of the Dutch Parliament once again, resulting in the approval of the legislative proposal being delayed by at least four to six months.

#### **Decree on Financial Management of Grid Operators**

It was agreed in the Parliamentary Committee on Energy of the Dutch Lower House on 17 December 2008 that the debt/equity ratio of grid operators should be capped at 60% to 40% at the time of their unbundling. Essent Netwerk's funding strategy states that we seek to achieve an 'A' credit rating with a stable outlook. This will secure a robust funding structure for future investments in a reliable, safe and sustainable grid. Essent Netwerk started to focus on the 60% to 40% ratio at an early stage, meeting this requirement as early as on 31 December 2008. An order amending the Decree was published in the Government Gazette on 26 March 2009.

## **Tariff regulation**

### **Method decisions**

The Office of Energy Regulation has issued tariff method decisions for electricity and gas that apply to regional grid operators during the period from 1 January 2008 to 31 December 2010. This involves the method for determining the x-factor, an annual tariff cut to encourage effective operations. The cuts imposed on Essent Netwerk were 5% for electricity and 8.7% for gas. Both Essent Netwerk and Netbeheer Nederland have appealed these decisions with the Appeals Board for Trade and Industry.

The decisions also set a method for determining the q-factor, which indicates the extent to which revenue can be raised based on quality supplied relative to the national average. Essent Netwerk's q-factor was set at 0.2%, which shows that we score better than the national average.

### **Tariff decisions for 2009**

The Office of Energy Regulation took the following tariff decisions in 2008.

#### *Regional grid operators (electricity and gas)*


The Netherlands Competition Authority (NMa) has set the maximum transport and connection tariffs 2009 for electricity and the transport tariffs 2009 for gas that apply to regional grid operators in the Netherlands. Total income generated by all grid operators jointly will drop by 4.4% (electricity) and 3.8% (gas) on balance in 2009. This will be attributable, in part, to the effectiveness cuts in tariffs that were applied by the Office of Energy Regulation. The ultimate drop in tariffs in 2009 at Enexis will not be in keeping with the overall picture as the general revenue for 2009 will include set-offs for incidental items. The drop in tariffs at Enexis for 2009 will roughly amount to about 2% for electricity and about 4% for gas.

**Ingrid Hofmans**  
*Programme Manager*



**“Creating something good together”**

The changeover to Enexis generated a lot of positive energy. Focused, cross-departmental collaboration and short communication lines between colleagues allowed us to present ourselves as an independent business on 1 January 2009.



**Rolf Collombon**  
*Fraud Prevention Coordinator*

**“Every opportunity to  
address fraud”**

As an Enexis employee, I’m more ready than ever to prevent fraud. I’m extremely motivated and want to grasp every opportunity for investigation and monitoring.

#### *Capacity tariffs*

With effect from 2009 households (with a connection capacity of no more than 3 x 80 ampere) will be billed based on capacity rather than consumption. Load is decisive in this regard. As a result, individual consumers may find that the amount they are billed has changed from 2008. In order to alleviate these differences in individual cases, the Ministry of Economic Affairs, in dialogue with the Ministry of Finance and the energy sector, has announced a transitional arrangement.

#### *Regulation of meter rent tariffs*

The electricity meter rent tariff for low-volume consumers has been regulated since 2008. The tariff was indexed by 3.2% for 2009, so that it now totals EUR 25.25 (exclusive of VAT). Disregarding the 3.2% indexation, this is the same tariff as in 2008. This tariff will be decisive in the smart meter tariff.

#### *Tariffs for energy feed-in by consumers*

The Office for Energy Regulation acknowledges that the grid operators might become less effective due to the obligation to accommodate decentralised energy generation. It will investigate whether the introduction of a feed-in tariff might resolve this situation. In announcing their study, the Office of Energy Regulation indicated clearly that grid operators should continue to do everything in their ability to hook up energy generated in decentralised plants in a reasonable timeframe. Enexis takes part in the talks with the Office of Energy Regulation.

#### *Study of tariff regulation*

The Netherlands Court of Audit published a study on tariff regulation of energy grid operators on 31 March 2009. The outcome of the study will be subject to follow-up discussion by the Office of Energy Regulation and be submitted for discussion in the Lower House of the Dutch Parliament.

#### *Regional differences*

The Office of Energy Regulation initiated the regional differences project to establish whether there might be specific reasons in the regional (working) environment of a grid operator that justify a grid operator incurring more costs and subsequently charging higher tariffs than would be acceptable based on the average sector costs. The Office of Energy Regulation decided previously that water-crossings and frontage tax constitute such a regional difference.

The question of whether connection density qualifies as a regional difference was subject to further review. This is of great significance for Essent Netwerk/Enexis. It has become clear in the interim that the Office of Energy Regulation holds the opinion that a lower connection density results in a longer grid, i.e. additional costs; it will be investigated in 2009 how high these additional costs are and whether and, if so, how they can be incorporated into the regulation methodology.

## OUR EMPLOYEES

The success of Enexis depends on motivated, dedicated employees who develop to their full potential. We provide them with a safe, inspirational working environment with plenty of opportunities for development and hold open dialogues. During 2008 work was dominated by preparations for becoming an independent organisation. We also started to introduce the Lean methodology, and made good progress on implementing the new way of working for field workers.

But dialogue at Enexis is not restricted to matters such as efficiency and how to improve procedures: our core values were shaped during meetings involving management and staff. Our core values – responsible, decisive, future-oriented and together – reflect how we want people at Enexis to work together.

### Safety

Safety at work is our top priority, and we want to become one of the leading companies of our kind in northwest Europe in terms of safety too.

We use a standardised system for recording accidents that can be used to calculate a DART score (Days Away, Restricted or Transferred), which reflects the number of accidents that result in time off work or modified work for every 200,000 hours worked. Our score of 0.74 in 2008 shows an improvement in our situation compared to previous years

(0.77 in 2007, and 0.78 in 2006). Fortunately, just as in 2007, no fatal accidents occurred during the year, although there were 18 accidents involving Essent Network employees that resulted in time off work (2007: 23). Strikingly, most of these accidents did not occur while employees were working on primary plants, but while they were travelling to, from and around their place of work. As a result, the focus is on reducing accidents of this type. The total number of incidents reports was 1,213 in 2008, down 6.5% compared to 2007 (1,297 reports).

The targets set for 2008 and campaigns to achieve improvements in relation to HSE (health, safety and the environment) did not just relate to reducing the number of accidents and our DART score, but also included inspections of workstations, evacuations and training courses relating to safety awareness.

Important activities and achievements in 2008 included:

- the formal implementation of VIAG gas safety training as of 1 April 2008. Since then, all of our employees have complied with the more stringent instructions issued on 1 January 2006;
- internal audits at Essent Netwerk;
- the continued provision of training courses relating to safety awareness and the development of a safety toolkit. Most of the regions organised a toolkit session during the second half of 2008;
- the formulation of a set of criteria for safe workwear and the safeguarding of certain HSE elements in tenders;
- the production of a safety guide for contractors. Two meetings were held during which the Management Board gave talks on current issues in the area of safety to all contractors working for Essent Netwerk;
- the agreement reached by the Infra Services management team on matters such as setting a good example and a new approach to inspecting workstations with the aim of reducing the number of incidents;
- basic training in defensive driving given to 200 employees.

In an effort to make our employees and contractors even safer, on top of our normal work we will focus primarily on setting a good example, enforcing rules and ensuring safe working practices among contractors during 2009.

**Staff trends**

Essentially, our workforce has not changed. The high proportion of male employees (85%) is due to the high number of engineers we employ. In 2008 the average age of

our male employees was 47.5 years, while our female employees had an average age of 42.6 years. The absenteeism due to illness rate was up 0.1% compared with 2007.

The transfer of some 140 employees and their jobs to TenneT had a greater impact on the workforce. In connection with the move towards operational independence, the Purchasing and Logistics departments were separated from Essent N.V. and the Finance & Control, Information Management, Human Resources, Facilities Management, Communications, Legal Affairs and Regulatory Affairs departments were expanded.

**Workforce**

	2008	2007
Employees (number)	3,511	3,536
Employees (FTEs)	3,246	3,264
DART score (including third parties)	0.74	0.77
Absenteeism due to illness (%)	4.3	4.2

**Breakdown of workforce by age for 2008**

	Male	Female
19 and under	3	0
20 - 24	45	6
25 - 29	136	35
30 - 34	152	49
35 - 39	258	75
40 - 44	390	135
45 - 49	548	115
50 - 54	672	71
55 - 59	622	37
60 and over	160	2
	2,986	525



**“The house style has  
to be spot on”**



**Monique Grootzwagers**

*Technical Administration, Infra Project Desk*

I believe that when a grid operator starts operating independently, its house style needs to move on too. There's a lot of preparatory work involved in this, especially when you're dealing with hundreds and thousands of letters and forms. All the details have to be spot on, and logos have to be put in the right place. It would look really bad if customers received letters from Enexis in Essent's colours.

### Approach to labour market

The financial crisis led to a change in the labour market at the end of 2008, when there was a temporary increase in the number of people available. With respect to the long term, a great deal of energy continued to be put into reinforcing our position on the labour market to ensure Enexis is considered to be a leading employer. In order to achieve this, a plan for approaching the labour market has been produced that identifies priorities for the next few years and translates them into activities. In connection with this, the intensive campaign to promote the sector in the technical education system will be continued to increase the level of interest in the energy sector among pupils, students, teachers and guidance counsellors in vocational education. We also stepped up our contacts with regional education centres and institutions of higher vocational education by attending open days and being more proactive in offering work placements.

We also concluded two covenants with institutes of higher education in order to strengthen formal ties. In addition, we decided to set up a recruitment office and made preparations for a campaign to raise the profile of the Enexis brand on the labour market and promote Enexis as an appealing employer, to be launched in 2009.

The technical trainee programme, which was launched in 2006, was embedded in our day-to-day operations.

### Training

Training has become more and more important as a tool for recruiting, retaining and motivating staff due to the fact that technical staff are increasingly in short supply on the labour market. During 2008 Essent Netwerk gave priority to staff development, with a view to enabling employees to grow in their current positions and increasing their ability to take on new positions and duties. We believe that we should not only train our own employees, but we should also ensure that the people who work for us through contractors are well trained too.

As a result, Essent Netwerk offers a large number of opportunities for learning and development. In 2008 the NT&O training centres joined forces with relevant departments to develop a comprehensive training programme that integrates work and learning for engineers from Maintenance & Faults. This programme will be launched in 2009.

In total, our NT&O training centres gave 806 training courses to 9,093 people in 2008 (2007: 7,433), including over 3,000 participants from outside the organisation. In addition to courses on safety and technical training, a number of position and competency-specific training courses were given in 2008.

### Leadership development

Based on the principle of learning by observation, four new groups of managers were formed in 2008 around the themes of authentic leadership, peer review, team development and bringing about change by changing one's own behaviour. Here too, the central focus is on achieving a greater return on the qualities of management and staff, and making a more development-focused contribution to achieving our goals. The theme of commitment, which was an area of focus in 2007, resulted in responsibilities being assigned at the lowest level possible within the organisation.

The Management Board paid special attention to the leadership styles that are necessary for Enexis to put its strategy into practice, in which continuous improvement and cost awareness play a key part.

A number of leadership courses have been prepared for 2009. These focus on a coaching, authoritative style of management, control-based management versus trust-based management, and relationships between managers and their staff.

### Improving performance with Lean

We need to make continuous improvements in order to fulfil our duty to provide high-quality services on time and at appealing prices. During 2008 Essent Netwerk decided to investigate the extent to which the Lean methodology could

help us make such improvements. To this end, we held thirteen pilot projects in 2008 to gain a picture of general areas for improvement, the best approach to be taken and potential results. By taking measurements, reducing lead times (decisive), improving quality (right the first time), making process management clearer and improving teamwork, an initial improvement in efficiency can be achieved of 10%.

Lean principles can be used to identify areas where processes, management, leadership and conduct can be improved in each team, and to resolve these with the team. Based on the results of the pilot projects, we have decided to introduce the Lean methodology in all teams in 2009 and 2010. The Gerard Bakker project forms part of this.

### **Gerard Bakker**

Gerard Bakker is a fictional engineer who works for Enexis in 2011. Our vision is that, in the future, field staff will be able to operate with greater independence and receive the best possible support from colleagues in the office and helpful software installed on their tablet PCs. The Gerard Bakker project was officially launched in 2007.

During 2008 a work order management (WOM) system was constructed. This package supports our vision of working in which engineers are in a better position to plan their work. Paperwork has been minimised to a great extent. Data quality has improved as engineers enter data directly, thus eliminating intermediate stages in which errors may occur. A number of workshops were held in 2008 to obtain a better understanding of the role played by field engineers, and these also looked at the impact of the new way of working on back-office staff.

The new way of working gives field workers more opportunities to use their initiative and increased responsibilities, which means that the role of managers will change too. They will first have to coach people in new ways of collaborating and provide instruction on how to use the software on the tablet PC. In addition, their new management style will give employees

such as Gerard Bakker more room to manoeuvre and managers will rely to a greater extent on their staff's ability to work independently, while at the same time paying closer attention to achieving results and calling staff to account for inappropriate behaviour. A series of seminars was given on collective coaching for managers to prepare them for their changing role. In addition, managers underwent assessment to provide insight into the impact of their own style of management and support their development.

In 2008 a group of staff made a film about Gerard Bakker to support and encourage all involved in the project. This was done as part of the preparations for the new way of working, which will be introduced in stages during 2009. The region where the WOM package will first be rolled out was closely involved in the development of the application, training and the roll-out scenario during 2008.

### **Essent Staff Survey**

A total of 74% of Essent Netwerk staff took part in the Essent Staff Survey. This response rate represents an increase of 2% compared with 2007. The survey was conducted almost entirely by computer, in contrast to previous surveys in which regional operational staff in particular filled out printed questionnaires. Compared with 2007, the survey produced a more positive picture on the whole. The survey revealed that staff were much more positive about the company's image and their own job security. Staff were also significantly happier with the appraisal process, and marked improvements were noted in the availability of information, enabling staff to be of better service to customers, both inside and outside the company. No scores fell significantly.

Other interesting facts revealed by the survey were that female respondents were more satisfied with their work/life balance, their salaries and fringe benefits, and communication within the company than male respondents were. On the other hand, men were significantly more positive about safety and working conditions than women.



Following the transfer of the high-voltage grid, we unfortunately had to say goodbye to 142 of our highly professional colleagues in 2008 when their jobs were transferred to a new employer, TenneT TSO B.V. We would like to wish them all the best for the future.

In such surveys, Essent Network achieves considerably better scores than the national standard, based on the 50 largest Dutch companies.

### Health policy

The absenteeism due to illness rate amounted to 4.3% in 2008, remaining below the target rate of 4.5% stated in the business plan. Our health policy encompasses four phases: prevention, absenteeism, intervention and reintegration. When an employee becomes incapacitated for work we look at what they can do, rather than what they can no longer do, in order to prevent staff from becoming inactive unnecessarily. Besides improving the absenteeism rate, the policy also has a positive impact on continuity in the workplace, job satisfaction and commitment.

The prevention policy launched in previous years was continued. This policy focuses on providing safe workstations, promoting healthy food in our canteens and encouraging staff to keep fit.

### Age-aware HR policy

During the coming years the Netherlands will see an increase in the number of older employees who stop working, and this will not be offset by the influx of young people on to the labour market; in other words, there will be a rise in the ageing population combined with a decline in the number of young people. This decline will make it harder to find young people to fill vacancies, and there is a risk that a great deal of knowledge and expertise will be lost when the baby-boomers retire. One of the consequences of this is that people will have to carry on working for longer.

The challenge for us is to ensure that our staff remain healthy, motivated, productive and employable as they become older. During 2008 two studies were conducted into energy levels among staff, which involved staff in the Asset Management department and the Maintenance & Faults department in the Friesland region. The study revealed that on the whole staff in both departments have plenty of energy and enjoy their work. Further investigations were carried out at the level of individuals, providing the staff in question with extremely useful data that they can use as part of the appraisal cycle, for instance.

### Employee participation

The Works Council has three permanent committees (Day-to-Day Management, the Safety, Health, Welfare and Environment Committee, and the Social, Financial and Organisational Committee), as well as three sub-committees (Infra Services, Customer Relations and Asset Management/Support Departments).

Eight regular meetings and one additional consultative meeting were held during 2008. Besides dealing with a considerable number of requests for a formal opinion and matters relating to the transfer to Enexis, the Works Council also paid attention to the 2009 rotas, the project portfolio, the situation concerning the Long-term Vision for Connections and the Gerard Bakker project, the strategic business plan for 2009, the Lean action plan and the Works Council's vision of the future.

**Maikel van Helvoort**

*Maintenance and Service Engineer*



## **“Getting on with your normal work is actually pretty special”**

It's great that we're setting up a new grid operator, but the day-to-day work doesn't wait. Faults can arise at any time, and maintenance work still needs to be done. The trick is to keep calm and use your common sense. I think we have all achieved a great deal by keeping the company going.

# MANAGEMENT STRUCTURE AND FINANCE

Within the scope of the operational unbundling as of 1 January 2009, we started to reorganise, in 2008, a number of departments, including Purchasing, Facilities Management, Human Resources, Communications and Finance & Control.

The impact of the unbundling on the management structure that is required for us as an independent organisation to control risks and comply with rules and regulations is specifically addressed. We made preparations for establishing our own treasury function and setting up new tax and audit departments.

## Compliance

We test all our operations for compliance with the relevant rules and regulations. A number of specialists concentrated fully on compliance activities in 2008. These activities mainly involved creating compliance awareness and interpreting rules and regulations, issuing advisory opinions on compliance issues, exercising internal oversight on compliance and supervising external audits by such regulators as the Office of Energy Regulation and the State Supervision of Mines. Employees of Essent Netwerk are bound by the compliance rules, either because they have signed a confidentiality agreement or because they have received a compliance letter from the Management Board.

The Office of Energy Regulation performed a number of oversight studies in 2008 that also involved Essent Netwerk. Aspects studied included:

- intercompany billing;
- monitoring of administrative processes;

- capacity issues involving decentralised generation;
- scorecard benchmark of submitting measuring data to suppliers;
- compensation for faults;
- fleshing out of activities of a broad grid operator; and
- compliance with ministerial regulations.

Following this study, the Netherlands Competition Authority (NMa) fined Essent Netwerk EUR 0.9 million in 2008 for failing to promptly pay compensation to customers who suffered from major power or gas failures during the period from 1 December 2007 to 15 May 2008. We immediately took action to speed up the streamlining of our power and gas failure records by introducing a single fault reporting and planning system. No other enforcement measures are being taken and, where studies have not yet been completed, there is no ground for such measures.

In accordance with the rules of the Office of Energy Generation, Essent Netwerk paid EUR 3.9 million in compensation in 2008 as a result of prolonged grid failures. This figure is considerably higher than the just over EUR 1.5 million in 2007, the reason being a change in the rules dictating that additional compensation is due in the event of prolonged failure and that the initiative for payment now lies with the grid operator rather than with the customer.

## Impact of unbundling on management structure

### Treasury and funding

Because we are building autonomous grid operations, we started to establish, in October 2008, an independent treasury function for Enexis, as well as preparing to secure independent funding after the unbundling. We held exploratory talks in 2008 with a large group of banks in order to make a selection of relationship banks and a selection of banks that will advise Enexis on how to determine a capital structure, apply for a credit rating and prepare funding programmes.

### Cross-border leases (CBLs)

With the transfer of the beneficial and legal ownership of the grid assets at year-end 2007, Essent Netwerk also acquired the CBL obligations attaching to these assets. Compliance of the CBLs has traditionally been handled by the Essent corporate CBL Desk. We concluded a service level agreement with this CBL Desk for 2008; services will run until the date of the legal unbundling in principle. To prepare for the shift in responsibility for the CBLs away from the corporate CBL Desk, the transfer of the contract documentation of grid-related CBLs to Enexis was initiated in 2008, as well as introducing e-filing. We also established our own CBL Desk, where a few people are now working.

In November 2008 we contracted a Letter of Credit facility (LC facility) from a group of relationship banks of Essent N.V. This facility gives Enexis the right to issue LCs or other types of security to CBL parties for up to USD 525 million for

grid-related CBLs. There were regular meetings with the corporate CBL Desk in 2008 in order to transfer knowledge. At Essent Netwerk, we hired our own legal CBL advisers in 2008; we will also recruit our own financial adviser for the CBLs early in 2009.

The transfer of CBL knowledge and the set-up of our own CBL Desk will be completed in the first half of 2009. As soon as the legal unbundling has taken place, Enexis will monitor compliance of the grid-related CBLs in close dialogue with the Essent corporate CBL Desk.

### Tax Affairs

Up until the end of 2008 any tax issues involving Essent Netwerk were addressed by the Tax Affairs department of Essent N.V. At Enexis, we have had our own corporate Tax Affairs department since 2009. This department's primary duty is to advise the Management Board, management and the divisions on tax issues. In 2009, this will mostly involve the tax aspects of the unbundling.

Another key aspect of the department's duties is to manage tax risks as efficiently as possible, which requires a well-functioning tax control framework (TCF). This aspect is gaining importance in the tax practice in connection with the concept of 'horizontal supervision' that is being advocated by the Dutch Tax & Customs Administration. Within this scope, the opportunity and the need for concluding an "enforcement covenant" with the Tax & Customs Administration will be reviewed. A covenant implies an open and transparent relationship with the tax authorities where tax issues are taken up with them as they occur, rather than in retrospect.

In addition, the department is responsible for the prompt, complete and correct filing of any tax returns that are relevant for Enexis. The department is effectively Enexis' only point of contact for the Tax & Customs Administration.

### Information management

Essent IT's services to Essent Network were mapped out in 2008 and an approach was defined to splitting the shared IT facilities. This has resulted in a transfer of duties and responsibilities, including the required people and resources. In addition, the strategy towards outsourcing IT services was recalibrated and a start was made with a European tendering procedure for the technical IT infrastructure. We also began to physically segregate IT applications. The goal is that Enexis and Essent will each have their own IT resources by 1 January 2011. A European tendering procedure was initiated to select a suitable IT supplier. The final selection will be made in mid 2009.

## Risk management and internal control

### Risk management

Risk management involves the systematic identification, analysis, quantification and presentation of risks and controls. Essent Network/Enexis has set up its risk management procedures based on the COSO-ERM model, which is the international standard for risk management and internal control. This means that risk management has a broad scope and encompasses all of the company's facets and objectives, ranging from strategic and operational risks to the reliability of reports and compliance with rules and regulations.

Risk management is an important aspect of the governance model at Essent Network/Enexis. Our guiding principle is, and will remain, that line and project managers at all levels of the organisation are responsible for identifying relevant risks and taking appropriate steps to control these risks. We use an advanced risk-based asset management system to define maintenance and investment programmes annually based on a Strategic Asset Management Plan, as well as taking steps to control and reduce any risks incurred.

In support of the existing risk management activities in the line departments, we established a centralised Risk Management & Internal Control department in 2008, whose

duties include developing and implementing Enexis' own comprehensive vision of risk management and internal control.

### State of the Risk

We prepare a "State of the Risk report" twice a year. The report is based on knowledge and insights provided by the primary and corporate support departments, and summarises the main risks as well as measures that have been taken to mitigate them and those scheduled to be introduced in the future.

### Internal control

#### Development and operation of Internal Control Framework

Essent Network/Enexis' Internal Control Framework provides the basis for internal control and lays down the main risks and controls. Changes in our internal and external environment lead to new risks all the time, and the identification of such risks is an ongoing process. We conduct our own bi-annual assessment of the effectiveness of the controls that are in place; this assessment is supported by firm evidence. This cycle has resulted in a statement by departmental directors, departmental managers and the Management Board on the extent to which they are in control of processes and departments ('in-control statement'). The results of the periodic self-assessments of the Internal Control Framework are reported to the Management Board on a quarterly basis. Managers are required to take internal accountability for the integrity of the financial reports and internal controls twice a year.

#### Outcome and future

We made good progress on increasing risk and control awareness at Essent Network in 2008 as well. 2008 was characterised mostly by chain management, meaning that efforts were focused on supradepartmental controls. In addition, much attention was given to implementing our own controls that relate specifically to risks associated with the transfer of operations as a result of the Independent Grid Management Act (unbundling). The introduction of the market

model and the unbundling of Essent are set to lead to further adjustments to the Internal Control Framework in the near future.

#### **Planning & control cycle**

Essent Network/Enexis' strategic planning cycle covers a period of five years, with an annual update. Plans are translated into budgets for each business unit. Management of the business units must provide monthly information on how the units are actually performing compared to budget, and indicate the extent to which results for the year as a whole will be in line with the budget, whereby a specific analysis has to be made of quantities and prices. Because prospectivity of figures is gaining importance, monthly updated forecasts for the year have been prepared since 2008. As a result of the Order Amending the Decree on Financial Management of Grid Operators and for purposes of maintaining the LC facility, Enexis needs to satisfy a number of financial ratios that are comparable to the statutory ratios mentioned in the Decree. A temporary margin of 10% on the financial ratios of the LC facility will apply at the time of the unbundling, when ties with Essent N.V. are severed. In order to achieve compliance, these ratios will be subject to monthly reporting in 2009 as well as being included in the planning and forecasting systems to demonstrate their viability over a prolonged period.

#### **Information security**

Given the enormous amount of fixed and variable data involved in serving millions of customers, it is vital to secure the availability, integrity and security of systems and applications. Essent Network/Enexis is also required to ensure that data relating to its customers and staff is kept confidential. This makes information security an increasingly important criterion. Over the past year, we have fleshed out our policy, organisation and procedures involving information security. We also focused, in 2008, on preparing for the unbundling of the systems and applications that are used by both Essent and Essent Network.

#### **Whistleblowers' charter**

We have a whistleblowers' charter to support employees who wish to report allegations of irregularities.

#### **Audit**

Essent's Corporate Audit Department and Essent Network's Audit Department played a vital role in 2008 in controlling processes at Essent Network. With a view to the operational unbundling, the internal audit function was further professionalised at the end of 2008 with the set-up of an independent Internal Audit Department.

Internal Audit is an independent function that provides additional assurance to management and the Management Board in particular in relation to operational control, effectiveness, efficiency and compliance. Internal Audit regularly performs systematic assessments of processes relating to internal control, risk management and governance. In doing so, Internal Audit follows the procedures as stipulated in the Board-approved Audit Charter.

Internal Audit prepares audit plans annually in dialogue with management and the external auditor. Audit plans are subject to the approval of the Management Board. The Audit Charter and the audit plan are adopted by the Supervisory Board.



## “Getting to the heart of the matter”

New vans, new flags, new stationery ... Things have changed on the surface. But below the surface as well. Personally, I'm interested in core value such as **responsible, decisive, future-oriented** and **together**. What do they signify? How do I translate them into my everyday work? For me, this means soul-searching, thinking and putting my teeth into the seemingly obvious. After all, these values are not all that obvious.

**Gerda Weerts**

*Management Assistant*

# FINANCIAL REVIEW

## Consolidated financial statements

To maintain the readability of the financial statements, it was decided to include condensed consolidated financial statements of Essent Netwerk B.V. in the annual report for 2008 as well. For the full consolidated and company financial statements 2008, please log on to [www.enexis.nl](http://www.enexis.nl).

In anticipation of full compliance with the Independent Grid Management Act, the beneficial and legal ownership of the assets of Essent Nederland B.V. (mainly involving the electricity and gas grids) was transferred to Essent Netwerk B.V. on 31 December 2007. As a result, the financial performance for 2008 does not automatically compare with that for 2007 where operating profit is concerned. Profit for the year is directly comparable however.

Due to the transfer of the assets as of 31 December 2007, Essent Nederland B.V. still recognised the depreciation, amortisation and interest charges for 2007. Essent Netwerk B.V. recognised its investments in the electricity and gas grids as costs for the financial year 2007 and recharged them to Essent Nederland B.V., which, for its part, recognised them as investments in its balance sheet. In addition, a grid provision fee (plus interest) was paid to Essent Nederland B.V. in 2007 for the use of the electricity and gas grids by Essent Netwerk B.V.

Depreciation and amortisation charges have been recognised in the income statement of Essent Netwerk B.V. with effect from 2008 and no more grid provision fee has been due since then. Investments are now capitalised in the balance sheet of Essent Netwerk B.V. and Essent Netwerk B.V. incurs any interest charged on (some of) the acquired assets. Essent Nederland B.V. transferred the legal ownership of the

real estate operations to Essent Netwerk B.V. on 31 December 2008, also in connection with the further carve-out of Essent Netwerk B.V.

## Profit developments

Operating profit was up from EUR 237.3 million in 2007 to EUR 365.5 million in the reporting period. This increase by EUR 128.2 million was the result of a higher gross profit and lower operating expenses. The changes in both gross profit and operating expenses can largely be attributed to the acquisition of the electricity and gas grids. This acquisition hardly had any impact on profit for the year.

Profit for the year dropped by EUR 56.3 million, due mainly to provisions being formed or transferred (EUR 37 million) and higher purchase costs for transport and system services, and distribution losses (EUR 18.7 million).

## Operating profit

The EUR 30.0 million rise in gross profit was caused by three factors. The main factor was that no more revenue was generated from investment activities charged to Essent Nederland B.V. (resulting in a drop in revenue by EUR 330.3 million). This development was amply compensated by the fact that no more grid provision fee (plus interest) was due in 2008, causing cost of sales to drop by EUR 399.2 million. On balance, the margin improved by EUR 68.9 million compared with 2007. The grid provision fee in 2007 was counterbalanced, however, by “own” depreciation, amortisation and interest charges. A second factor affecting gross profit was the drop in revenue by about EUR 20.0 million, due partly to lower transport fees

(EUR 16.2 million) resulting from lower x-factors and one-off prior-year subsequent adjustments, and partly to lower revenue from other sales and services (EUR 4.0 million). Thirdly, purchase costs for transport and system services, and distribution losses were up EUR 18.7 million, mainly as a result of higher purchase costs for energy.

The decrease in operating expenses by EUR 98.2 million was caused by four factors. As mentioned above, investment activities have been capitalised at Essent Netwerk B.V. since the financial year 2008. In 2007 these were still recognised as costs, resulting in a decline in the 2008 cost level by EUR 309.5 million (own production capitalised).

Since the financial year 2008 depreciation of the electricity and gas grids has been recognised by Essent Netwerk B.V., resulting in an increase on 2007 by EUR 190.1 million. Furthermore, in 2008 an amount of EUR 37.0 million was spent on activities and facilities to prepare for the operational unbundling. Finally, the activity level for contract work was lower in 2008, causing a EUR 15.8 million drop in the cost level. The effects of price increases and inflation were offset by efficiency measures.

Profit for the year was down EUR 56.3 million, dropping from EUR 203.8 million in 2007 to EUR 147.5 million in 2008. In addition to the EUR 128.2 million increase in operating profit mentioned above, this drop was caused in particular by higher interest charges of about EUR 208 million. These higher interest charges were due to the acquisition of the electricity and gas grids on 31 December 2007 and the resulting funding needs. In 2007 interest charges were included in the grid provision fee paid to Essent Nederland B.V. and, as such, part of gross profit.

In order to allow comparison between the income statements for 2007 and 2008, the key line items for 2007 have been restated to reflect the acquisition of the electricity and gas grids. As a result, the depreciation, amortisation and interest charges have been restated, the grid provision fee is no longer recognised within purchase costs, and investments in the electricity and gas grids are not recognised as income any more. For further details we refer to the table below.

### Financial position and financing

Following the restructuring of the debt position in 2007, a share premium was paid in 2008 and the dividends made payable for 2005 and 2007 were added to equity, with a view to arriving at the intended debt/equity ratio of 60% to 40%. This was offset by repayments on the bridging loan from Essent Nederland N.V.

In 2008 Enexis was still financed via group loans from Essent Nederland B.V. This funding will be continued until the unbundling is complete and independent funding is contracted.

#### Restated income statement

<i>in millions of euros</i>	<b>2008</b>	2007 restated	2007 reported
Gross profit plus other operating income	<b>1,138.4</b>	1,177.3	1,108.4
Total operating expenses	<b>772.9</b>	734.4	871.1
Finance income and costs	<b>-175.7</b>	-173.0	32.6
Profit for the year	<b>147.5</b>	203.8	203.8

**Cash flows**

Net cash from operating activities amounted to EUR 486.1 million. Net cash used in investing activities was EUR 298.1 million. On balance, EUR 188.0 million in cash was available for financing activities.

Net cash used in financing activities was EUR 205.2 million. This involves a repayment on the bridging loan from Essent Nederland N.V., which was counterbalanced by a capital contribution and the negotiation of new, partially subordinated, loans. On balance, cash available for continuing operations was EUR 17.2 negative, thereby reducing net cash and cash equivalents to EUR 2.0 million.

**Liesbeth van Houten**  
*Change Management*

## “Creating a new house style together”

Thanks to clear ideas, thorough planning and a high level of involvement of many of our colleagues, we were able to launch a new house style in no time. The new house style has really given face to the organisation as far as I'm concerned.

## OUTLOOK FOR 2009

2009 will be characterised by the ownership unbundling of Enexis from Essent N.V., its current parent company. This means that Enexis will be transferred to its new shareholders, the current provincial and municipal shareholders of Essent N.V. Other implications will be that Enexis will refinance its existing intercompany debt to Essent N.V. and that the IT systems that are being managed by Essent N.V. today will be split and outsourced. Enexis will bolster its collaboration with the new shareholders in 2009 by giving shape to its strategy of facilitating the transition towards renewable energy via pilot projects, for instance, or regionally based studies. Considering its primary function and core activities, Enexis already has a strong focus on corporate social responsibility (CSR). We will undertake a number of new CSR initiatives in 2009 involving materials recycling and emissions reduction, among other areas. The continued preparations for the new market model will weigh heavily in 2009 on the organisation's capacity for change. Enexis will place particular focus in 2009 on efficiency improvements, for instance via the roll-out of the 'Enexis Way' based on the Lean methodology, which is meant to achieve the tariff reductions through cost savings that have been agreed in the regulations.

# “It’s just the name that has changed”

Efficiency is our second nature. We were already well on our way in that regard. We constantly work to improve quality; if processes can be improved, they should be improved. You ask whether I miss the old situation? No, I can’t say that I do. Not much has changed really, except for our name.



**Judith Ennenga**

*HR and Payroll Accounting, Changes Team*



**CONDENSED FINANCIAL  
STATEMENTS 2008**  
ESSENT NETWERK B.V.



## Introduction

Essent Netwerk B.V., based in 's-Hertogenbosch, is a grid operator responsible for the construction, maintenance, management and development of the transportation and distribution grids for electricity (cables and mains) and gas (mains and pipelines), and related activities. The related services mainly involve activities pertaining to measuring services and public lighting, letting of medium-voltage installations, and the construction and management of private energy distribution grids.

The financial statements of Essent Netwerk B.V. and its subsidiaries in which it exercises decisive control have been included in the consolidated financial statements of Essent N.V. of Arnhem. Essent Netwerk B.V. is a wholly owned subsidiary of Essent Nederland B.V.

The financial information included in these condensed financial statements is based on the financial statements of Essent Netwerk B.V. for 2008, on which an unqualified auditor's report was issued on 4 April 2009. For the full financial statements, including a full description of the accounting policies, we refer to our website ([www.enexis.nl](http://www.enexis.nl)).

The financial statements, which have been prepared by Essent Netwerk B.V. and audited by Ernst & Young Accountants, were presented to the Supervisory Board for signing on 4 April 2009. The financial statements, signed by the Supervisory Board, were presented to the Annual General Meeting of Shareholders for adoption on 15 April 2009.

## Basis of preparation

Essent Netwerk B.V. uses the euro as its functional currency and, unless otherwise stated, all amounts are in millions of euros.

Essent Netwerk B.V.'s accounting policies are the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The preparation of the financial statements involves making certain estimates and assumptions that affect the amounts presented. Differences between the actual results and these estimates and assumptions affect the amounts recognised in future periods.

The assumptions and estimates used by management particularly affect the measurement of property, plant and equipment (useful economic lives and residual values), the need to recognise all impairments of property, plant, equipment and intangible assets, the measurement of deferred tax assets, receivables (the need to possibly recognise impairments), provisions for employee benefits (actuarial assumptions) and other provisions, and the recognition of revenue (allowing for meter readings spread throughout the year).

As of 1 January 2008, Essent Netwerk B.V. reviewed the useful economic lives of all its electricity grids and gas grids, resulting in their expected useful economic lives being lengthened. The current carrying amounts of these grids and grids will be depreciated over the remainder of their new expected useful economic lives. Because of the longer depreciation periods, annual depreciation recognised on these grids and grids will be approximately EUR 69 million less with effect from the financial year 2008 than if the assets acquired at year-end 2007 had been depreciated over their previous useful lives.

### **Independent Grid Management Act**

The provisions of the Independent Grid Management Act that came into force on 1 July 2008 concern the unbundling of integrated energy companies such as Essent into regulated and commercial entities. The sections of the Act stipulate that the unbundling must be completed by 1 January 2011 at the latest.

As required by the Independent Grid Management Act, Essent prepared a comprehensive ownership unbundling plan in 2008, including the financial structure for the grid company in relation to its specific risk profile.

The outcome of the debate in the Lower House of the Dutch Parliament at the end of 2008 on the capitalisation of the Dutch grid companies led to an adjustment to the required equity/debt ratio compared with the unbundling plan to 40% equity. In the first half of 2009, the Netherlands Competition Authority (NMa) will present its recommendations on the plan submitted by Essent to the Minister of Economic Affairs, who could suggest some changes to the implementation of the unbundling plan. Once the Minister has approved the unbundling plan, the remainder of the legal process will take its course.

# CONSOLIDATED INCOME STATEMENT

<i>in millions of euros</i>	<b>2008</b>	2007
Revenue from the supply of goods and services	1,341.9	1,699.0
Cost of sales	213.1	593.7
<b>GROSS PROFIT</b>	<b>1,128.8</b>	<b>1,105.3</b>
Other operating income	9.6	3.1
<b>GROSS PROFIT PLUS OTHER OPERATING INCOME</b>	<b>1,138.4</b>	<b>1,108.4</b>
Employee benefits expense	221.2	259.5
Depreciation, amortisation and impairments	214.7	24.6
Cost of work contracted out, materials and other external costs	269.4	555.7
Other operating expenses	67.6	31.3
<i>Total operating expenses</i>	<i>772.9</i>	<i>871.1</i>
<b>OPERATING PROFIT</b>	<b>365.5</b>	<b>237.3</b>
Share of profit of associates	6.6	3.1
<b>EARNINGS BEFORE INTEREST AND TAX (EBIT)</b>	<b>372.1</b>	<b>240.4</b>
Finance income	19.7	158.1
Finance costs	195.4	125.5
Finance income and costs	-175.7	32.6
<i>Profit before tax</i>	<i>196.4</i>	<i>273.0</i>
Income tax expense	48.9	69.2
<b>PROFIT FOR THE YEAR</b>	<b>147.5</b>	<b>203.8</b>

# CONSOLIDATED BALANCE SHEET

*in millions of euros*

**31 december 2008**

31 december 2007

## ASSETS

Property, plant and equipment	4,523.6	4,441.5
Intangible assets	47.0	40.6
Associates	10.4	4.4
Other financial assets	5.3	5.4

## NON-CURRENT ASSETS

**4,586.2** **4,492.0**

Inventories	21.0	22.7
Receivables	656.1	881.4
Current non-interest-bearing liabilities	-651.5	-781.3

## NET WORKING CAPITAL

**25.7** **122.8**

Assets held for sale	315.2	316.0
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## INVESTED CAPITAL

**4,927.1** **4,930.8**

Equity	2,236.0	1,512.0
Provisions	75.9	39.8
Interest-bearing and other non-current liabilities	116.1	3,394.1
Current interest-bearing liabilities	2,501.1	4.1
Less: net cash and cash equivalents	2.0	19.2

## FINANCING

**4,927.1** **4,930.8**

# CONSOLIDATED CASH FLOW STATEMENT

<i>in millions of euros</i>	<b>2008</b>	2007
Profit for the year	147.5	203.8
Depreciation, amortisation and impairments	214.7	24.6
Changes in provisions, working capital and other items	123.9	-108.1
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>486.1</b>	<b>120.3</b>
Purchases of property, plant and equipment and intangible assets	-302.3	-151.2
Repayment of financial assets	0.1	2.6
Proceeds from sale of associates	3.0	--
Proceeds from sale of non-current assets	1.1	0.3
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-298.1</b>	<b>-148.3</b>
<b>CASH FLOWS BEFORE FINANCING ACTIVITIES</b>	<b>188.0</b>	<b>-28.0</b>
Changes in interest-bearing liabilities	-205.2	7.2
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-205.2</b>	<b>7.2</b>
<b>TOTAL CASH FLOWS</b>	<b>-17.2</b>	<b>-20.8</b>
Cash and cash equivalents at beginning of year	19.2	40.0
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>2.0</b>	<b>19.2</b>

*The acquisition of the asset-holding companies as at 31 December 2007 did not yield any cash flows.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>in millions of euros</i>	Number of ordinary shares	Share capital	Share premium	General reserve	Profit for the year	Total equity
<b>AT 1 JANUARY 2007</b>	<b>20,000</b>	<b>0.020</b>	<b>--</b>	<b>640.0</b>	<b>183.0</b>	<b>823.0</b>
Capital contribution for purposes of funding the acquisition of the asset-holding companies	--	--	--	485.2	--	485.2
Repayment of distributed dividends	--	--	--	134.5	--	134.5
Profit for 2007	--	--	--	--	203.8	203.8
Profit appropriation for 2006	--	--	--	48.5	-48.5	0.0
Dividends paid during the year	--	--	--	--	-134.5	-134.5
<b>AT 31 DECEMBER 2007</b>	<b>20,000</b>	<b>0.020</b>	<b>--</b>	<b>1,308.2</b>	<b>203.8</b>	<b>1,512.0</b>
<b>AT 1 JANUARY 2008</b>	<b>20,000</b>	<b>0.020</b>	<b>0.000</b>	<b>1,308.2</b>	<b>203.8</b>	<b>1,512.0</b>
Profit appropriation for 2007	--	--	--	203.8	-203.8	0.0
Return of dividends made payable for 2005 <sup>1</sup>	--	--	--	38.1	--	38.1
Reclassification of capital contribution for 2007 <sup>2</sup>	--	--	485.2	-485.2	--	0.0
Capital contribution under unbundling plan <sup>1</sup>	--	--	514.0	--	--	514.0
Contribution in kind by shareholder <sup>3</sup>	--	--	24.4	--	--	24.4
Profit for 2008	--	--	--	--	147.5	147.5
<b>AT 31 DECEMBER 2008</b>	<b>20,000</b>	<b>0.020</b>	<b>1,023.6</b>	<b>1,064.9</b>	<b>147.5</b>	<b>2,236.0</b>

<sup>1</sup> A share premium was paid and the dividend made payable for 2005 was fed back into equity with a view to arriving at the intended debt/equity ratio of 60% to 40% in accordance with the unbundling plan that was submitted.

<sup>2</sup> Reclassification of the capital contribution in 2007 for purposes of funding the acquisition of the asset-holding companies.

<sup>3</sup> Payment of share premium upon the acquisition of Essent Vastgoed B.V. as of 31 December 2008.

## OTHER DISCLOSURES

### Exceptional items

Exceptional items comprise income and expense items that, in the view of management, do not arise in the normal course of business and/or items that, because of their nature and size,

should be presented separately to enable a better analysis of the results.

Operating profit includes the following exceptional items.

	2008	2007
<b>OPERATING PROFIT (EXCLUSIVE OF EXCEPTIONAL ITEMS)</b>	402.2	229.8
<i>Expenses:</i>		
New provision for future legal and advisory fees for cross-border leases*	-15.7	
New provision for employee benefits*	-10.0	
Costs associated with introduction of new market model	-7.3	
New provision for decontamination of gas sites*	-3.7	
<i>Income:</i>		
Release of provision for grid loss for 2005		7.5
<b>EXCEPTIONAL ITEMS WITHIN OPERATING PROFIT</b>	<b>-36.7</b>	<b>7.5</b>
<b>OPERATING PROFIT (INCLUSIVE OF EXCEPTIONAL ITEMS)</b>	<b>365.5</b>	<b>237.3</b>

\* These provisions were formed at group level in the past, but were acquired by Essent Netwerk B.V. within the scope of the unbundling.

Profit for the period includes the exceptional items shown in the following reconciliation:

	2008	2007
<b>PROFIT FOR THE YEAR (EXCLUSIVE OF EXCEPTIONAL ITEMS)</b>	174.8	198.2
Exceptional items within operating profit	-36.7	7.5
Tax on exceptional items	9.4	-1.9
<b>PROFIT FOR THE YEAR (INCLUSIVE OF EXCEPTIONAL ITEMS)</b>	<b>147.5</b>	<b>203.8</b>

### Acquisitions

Pursuant to the Independent Grid Management Act, Essent Netwerk B.V. acquired the ownership of Essent Vastgoed B.V. from Essent Nederland B.V. via a share transaction on 31 December 2008 based on the fair value of EUR 24.4 million.

### Assets held for sale

At 31 December 2008, assets held for sale were comprised of EUR 311.8 million for the 110kV and 150kV high-voltage grids (2007: EUR 300.7 million). At year-end 2007, the Company took steps to sell the 110kV and 150kV high-voltage grids. In 2008, the Company reached agreement in principle with TenneT. A final agreement was signed on 31 March 2009. Furthermore, assets relating to the street lighting system of N.V. Nutsbedrijven Maastricht are classified in the balance sheet as held for sale. The street lighting system will be sold back to the Municipality of Maastricht no later than on 31 December 2009 at the carrying amount at that time.

### Cross-border lease transactions

Commencing in 1998, Group operating companies and their predecessors entered into US-Dutch cross-border lease transactions (CBLs) on gas networks in the provinces of Drenthe, Friesland, Groningen, Limburg (including the gas network of Maastricht), Noord-Brabant and Overijssel and the electricity grid in Maastricht.

The Group entered into the CBLs with US investors and Dutch and foreign lenders and collateral support providers. When entering into the CBLs, the US investors often established separate legal entities, some in the form of trusts.

All CBLs are subject to conditional and unconditional contractual rights and obligations. Essent N.V. guarantees substantially all these obligations, in each case as described

below. Pursuant to arrangements concluded in 2007, under certain agreed conditions (including, without limitation, if there are breaches of CBL covenants by network related operating companies that result in CBL liabilities) ENEXIS B.V. (formerly known as Essent Netwerk B.V.) would be required to reimburse Essent N.V. for amounts paid out by Essent N.V. under these guarantees.

CBLs are long term leasing transactions under which Group companies transferred the use of, or similar rights with respect to, the assets referred to above to US investors (or special trusts established for the benefit of such investors) for extended periods of time and subsequently leased back these assets from the US investors (or trusts) for shorter periods of time. At the end of the respective lease back periods, the relevant Group companies have the right (subject to certain conditions) to purchase the interests of the US investors (or trusts) in the relevant assets by payment of an agreed amount (established at the closing of the transactions), pursuant to a fixed price purchase option. If the fixed price purchase options are exercised, it is expected that amounts payable in connection therewith would be funded from the proceeds of financial instruments purchased at the time the transactions were entered into (or any replacements thereof from time to time).

As in previous years, the structure of the transactions does not require that the rights and obligations under the CBLs be included in the Group's Balance sheet, nor in that of any other group entity.

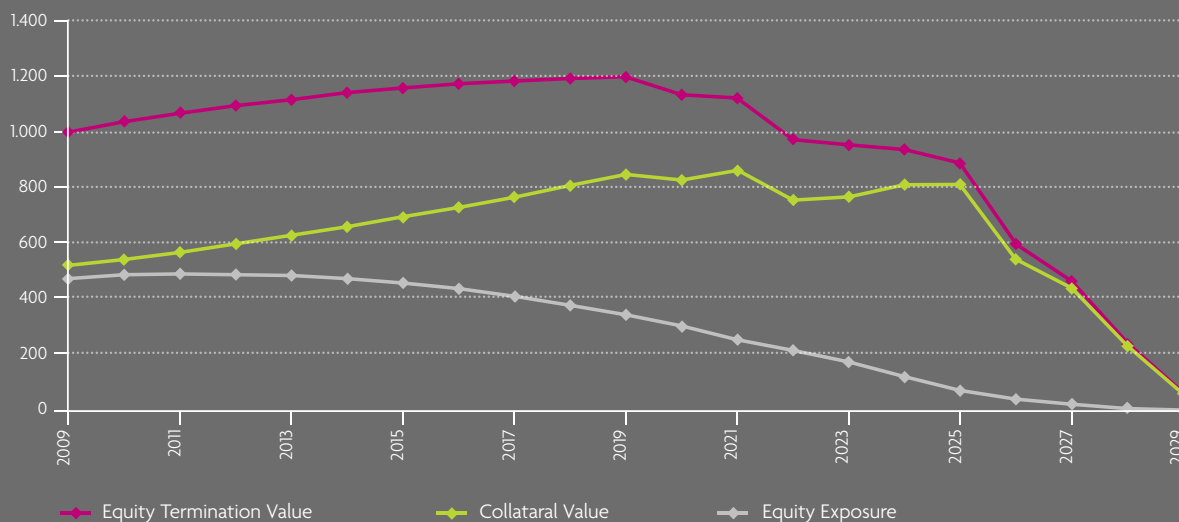
	Year of contractual termination option	Net book-value at 31-12-2008 <sup>1</sup>	Transaction value at inception of CBL	Equity Termination Value at 31-12-2008 <sup>2</sup>	Equity Termination Value at 31-12-2007 <sup>2</sup>
<i>Amounts in millions</i>		EUR	US dollar	US dollar	US dollar
Energy networks	2016-2029	1,130	2,728	999	1,159
<b>Total in EURO</b>		<b>1,130</b>	<b>1,943</b>	<b>711</b>	<b>795</b>

<sup>1</sup> Book value of network assets reflects revaluation thereof at transferpricing based on fair value as at 31 December 2007 and adjusted for investments, amortizations and depreciations of the relevant assets and terminations of certain CBLs in 2008.

<sup>2</sup> Excluding the debt portion of the "Termination Values" in respect of which financial instruments, other collateral or internal reserves have been established.

## SUMMARY TOTAL EQUITY EXPOSURES

amounts in US dollars at 31 december 2008



Certain aspects of the CBLs can be summarised as follows. (see table left page)

The CBLs are subject to early termination if certain events (as defined in the contracts) occur. Early termination events may include (but are not limited to) events of default and events of loss.

If an early termination event were to occur, the Group operating companies and hence Essent N.V. also, could be liable for considerable equity termination value payments (and other related damages and financing costs) to the US investors and/or other parties involved in the CBLs.

As at 31 December 2008, the aggregate Equity Termination Value exposure, which would be payable to the US investors (or their trusts) were an early termination event to occur and financial damages were to be claimed, was some less than US dollar 1 billion (see table left page). If required to be paid, part of this amount would be covered by the amounts available under certain of the financial instruments purchased to fund payment of the relevant purchase prices in the event the above-mentioned fixed price purchase options were to be exercised.

As at 31 December 2008, the estimated aggregate value of these financial instruments, which are sensitive to movements in interest rates, was equal to approximately US dollar 519 million (31 December 2007: approximately US dollar 616 million).

To illustrate this interest rate sensitivity, it is estimated that an increase in the US treasuries interest yield of 10 basis points (0.10 percentage points) would cause a loss in market value of these financial instruments of approximately US dollar 6 million. It should be noted that also consensual early terminations caused a decrease in exposure amounts. The portion of the Equity Termination Value exposure not covered by the financial instruments (approximately US dollar 480 million as at 31 December 2008) is sensitive to movements in the US dollar/EUR exchange rate. For example,

a loss in value of the Euro relative to the US dollar of US dollar 0.01 would cause an increase in this exposure of approximately EUR 2,4 million.

The following graph illustrates the pattern of net financial exposure that is anticipated for Equity Termination Values; this exposure is the difference between the aggregate Equity Termination Values and the aggregate value of the relevant financial instruments, based on market conditions as at 31 December 2008, should early termination payments under the CBLs be required. From the top line of such graph, it can be seen that the maximum US dollar gross exposure to Equity Termination Value is anticipated to be reached in 2019.

However, based on the referenced market conditions and the expected increase in value of the above referenced financial instruments, it can also be seen that the maximum US dollar net exposure to Equity Termination Value (i.e., Equity Termination Value minus the expected value of such financial instruments) will be reached in 2012 (estimated to be US dollar 494 million). This pattern can change over time depending on the value of the underlying financial instruments.

If an early termination event were to occur under a CBL and financial damages were to be claimed, the Group operating companies (and thus Essent N.V.) would also be liable for the balance of any scheduled Termination Value payments in addition to the above-mentioned Equity Termination Value payments. It is anticipated that these amounts, which would be payable to the lenders and other parties involved in the CBLs and are estimated to be equal to approximately US dollar 2.7 billion (31 December 2007: 2.9 billion), will be covered by the financial instruments, collateral and internal reserves referred to in footnote 2. (see table left page)

If there were to be a simultaneous mandatory early termination of all CBLs and financial damages were to be claimed in connection therewith, it is estimated that the aggregate net cost for the relevant Group companies could exceed the aggregate net Equity Termination Value exposure referenced above. This could result from (i) changes in the valuations of the above-mentioned financial instruments, other collateral and internal reserves, including as a result of the potential impact of market volatility with respect thereto and (ii) other relevant factors in respect of specific items and other related costs that would be expected to be incurred.

The contractual CBL-rental obligations for the next five years are shown in the table below:

Under the terms of some CBLs, mortgages, pledges or other security rights have been placed on the underlying assets. For all CBLs the net book value of the assets concerned as at 31 December 2008 is approximately EUR 93 million.

### Letters of credit and other collateral on cross-border lease transactions

Under the terms of the CBLs, letters of credit (LCs) and/or other collateral instruments were required to be delivered at closing in favour of certain CBL parties. The total coverage amounts of LCs that were provided by financial institutions to CBL parties in the Enexis CBLs was at 31 December 2008 US dollar 103 million (2007 US dollar 320 million). This decrease is mainly caused by the consensual early terminations as referred to in this report. The required coverage in respect of these letters of credit are sensitive to changes in the values of the relevant underlying financial instruments (including by reason of changing credit spreads applicable to the issuers thereof) and to the level of US interest rates.

Based on arrangements entered into on 2 January 2008, LCs previously issued to a US investor for a total amount of approximately US dollar 149 million were terminated in respect of one of the CBLs. A letter of credit will not be required to be provided in the future to such investor except upon the occurrence of circumstances that are presently considered to be remote.

Also during 2008, various previously issued LCs were terminated as a result of consensual early terminations of 4 CBLs.

Certain CBLs contracts require that additional LCs and/or other collateral be delivered (and/or that existing LCs and/or other collateral be replaced) if certain events occur.

These events include (without limitation) (i) the failure to satisfy specified credit rating tests, (ii) certain changes in respect of the identity of Essent's shareholders, (iii) breaches of financial covenants and/or (iv) the occurrence of certain adverse Dutch legislative or regulatory changes.

In the case of the credit rating tests that will trigger the requirement to provide additional LCs and/or other collateral, if the credit rating of Essent N.V. and/or other relevant Group companies were to decrease to A- (S&P), additional collateral would have to be furnished in an amount equal to approximately US dollar 462 million. A further decrease to BBB+ would require further collateral in an incremental amount equal to US dollar 38 million, and a decrease to BBB would require further additional collateral in an amount equal to approximately US dollar 38 million.

The above amounts apply as at 31 December 2008 reflect the aggregate requirements for the CBLs with respect to the commercial and network assets, are based solely on the amount of additional collateral required to be provided in the event of a decrease in credit rating of Essent N.V. and/or other relevant Group companies and are sensitive to changes in the values of the relevant underlying financial instruments

<i>amounts in millions USD</i>	2009	2010	2011	2012	2013	2014>	Total
CBL-rental obligations	194	181	189	165	162	1,849	2,740

(including by reason of changing credit spreads applicable to the issuers thereof) and to the level of US interest rates. and the level of the US interest rates. If additional events occur, either alone or in combination with credit rating downgrades, different amounts of additional collateral may be required. Accordingly, in November 2008 a facility for LCs and/or other collateral instruments (the "Letter of Credit Facilities") has been concluded with certain of Essent's relationship banks. The Letter of Credit Facility permits the issuance of US dollar 525 million of LCs and/or other collateral instruments for the CBLs on network assets.

### **Consensual Early Terminations CBLs**

As a way of managing the inherent risk associated with the CBLs, Enexis and Essent have been exploring the possibility of agreeing to consensual early terminations of certain of the CBLs.

Since June 2008, four network CBLs with three different US investors and the relevant related CBL parties were successfully terminated. All of these terminations allowed pre-existing LCs to be cancelled. As a result of these terminations, the Enexis Group's electricity networks are no longer subject to CBL related obligations.

Enexis together with Essent will continue to pursue additional consensual terminations as opportunities arise with particular CBL parties.

### **Independent Network Management Act**

The provisions of the Independent Network Management Act that relate to the unbundling of integrated energy companies like Essent into regulated and non-regulated activities came into effect on 1 July 2008. The Act's provisions for effecting the mandatory unbundling will be required to be complied with no later than 1 January 2011.

To achieve such an unbundling, including the required financial structure of the network enterprise reflecting its specific credit profile, Essent has developed in 2008 an Unbundling Plan as prescribed in the Independent Network Management Act. A debate in Parliament (Tweede Kamer der Staten Generaal) about the capitalisation of the network companies has led to an adjustment in the debt/equity ration in compare to the unbundling plan that was filed. In the first half of 2009 the regulator (NMa) will advise on the plan to the Minister of Economic Affairs. The Minister can based on that, provide additional rulings. After approval by the Minister of the unbundling plan, the legal implementation will occur.

### **Remuneration of the Management Board**

Up to and including 2007, the Management Board of Essent Netwerk B.V. had eight members. The composition of the Management Board has changed in connection with the spin-off of the operations of Essent Netwerk B.V. and the incorporation of Enexis. With the appointment of Mr I.M. Oudejans on 1 April 2008, the Management Board now has two members. The remuneration of the two members of the Management Board has been disclosed in the financial statements with effect from 2008.

The salaries of the members of the Management Board of Essent Netwerk B.V. are based on the HAY salary system. The guiding principle is that the remuneration should be competitive in the market.

Based on the above salary system and the change in the composition of the Management Board, the remuneration paid to the managing directors in 2008 amounted to EUR 592,500 (2007: EUR 1,582,500 based on 8 members).

### **Remuneration of the Supervisory Board**

The remuneration of the Supervisory Board members in 2008 was EUR 85,569 (2007: EUR 75,000).

## OTHER INFORMATION

### **Auditor's report on the condensed financial statements**

To the Supervisory Board of Essent Netwerk B.V.

### **Auditor's report**

#### **Introduction**

We have audited whether the condensed financial statements of Essent Netwerk B.V., 's-Hertogenbosch, for the year 2008 (as set out on pages 57 to 72 inclusive) have been derived consistently from the audited financial statements of Essent Netwerk B.V. for the year 2008. In our auditor's report dated 4 April 2009 we expressed an unqualified opinion on these financial statements.

Management of Essent Netwerk B.V. is responsible for the preparation of the condensed financial statements for 2008 in accordance with the accounting policies as applied in the financial statements of Essent Netwerk B.V. for 2008.

Our responsibility is to express an opinion on these condensed financial statements for 2008.

#### **Scope**

We conducted our audit in accordance with Dutch law. This law requires that we plan and perform the audit to obtain reasonable assurance that the condensed financial statements for 2008 have been derived consistently from the financial statements for 2008.

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

#### **Opinion**

In our opinion, the condensed financial statements for 2008 have been derived consistently, in all material respects, from the financial statements.

### **Emphasis of matter**

For a better understanding of the company's financial position and results and of the scope of our audit, we emphasise that the condensed financial statements for 2008 should be read in conjunction with the unabridged financial statements for 2008, from which the condensed financial statements were derived and our unqualified auditor's report thereon issued on 4 April 2009. This emphasis of matter does not qualify our opinion.

*Maastricht, the Netherlands, 4 April 2009*

*Ernst & Young Accountants LLP*

*P.L.C.M. Janssen*

### Statement pursuant to Section 18, paragraph 3, of the Electricity Act 1998 and Section 10d, paragraph 3, of the Gas Act

The undersigned, Mr H.J. Levelink, hereby declares, in his capacity as Managing Director under the Articles of Association of Essent Netwerk B.V., as follows.

The financial relationship between Essent Netwerk B.V. and a group company affiliated with it within Essent N.V. that performs activities that the grid operator is not permitted to perform itself under Section 17 of the Electricity Act 1998 or Section 10b of the Gas Act, satisfied, in the year 2008, the requirements of Section 18, paragraph 1, of the Electricity Act 1998 or Section 10d of the Gas Act respectively, which implies that Essent Netwerk B.V. did not, in the year 2008, give preferential treatment to such group company over others with which such group company is in competition, or otherwise favoured such group company in a way that goes beyond what is customary in regular commerce.

The following will, as a minimum, qualify as giving preferential treatment to a group company or favouring it in a way that goes beyond what is customary in regular commerce:

- a providing information to a group company about customers, not being customers as referred to in Section 95a, paragraph 1, of the Electricity Act 1998 who have made an application as referred to in Section 23 or 24 of the Electricity Act 1998, or about customers, not being customers as referred to in Section 43, paragraph 1, of the Gas Act who have made a connection or transportation application as referred to in Chapter 2 of the Gas Act respectively;
- b supplying products or services to a group company at a non-arm's length fee; and
- c allowing a group company to use the name or logo of the grid operator such that there might be confusion among the general public as to the origin of the products or services.

*'s-Hertogenbosch, the Netherlands, 4 April 2009*

*H.J. Levelink  
Managing Director under the Articles of Association  
of Essent Netwerk B.V.*

### Agreements with related parties (> EUR 4.5 million)

Essent Netwerk B.V. has contracted services from the following related parties under service level agreements (SLAs):

Company	Service	No. of SLAs
Essent Shared Service Center B.V.	Billing, data exchange, etc.	1
Essent Facilities B.V.	Housing/facility management	1
Essent Nederland B.V.	ICT services	1
Essent N.V.	General expenses and directly attributable holding company costs	2
Essent Energie Trading B.V.	Purchase of grid losses	1

### **Events after the balance sheet date**

The Company has reached agreement in principle with TenneT about the sale of the 110kV and 150kV high-voltage grids.

At the balance sheet date, the negotiations that had been started in 2008 were still underway, and the buyer had not completed its internal decision-making process and financing arrangements. Final agreement was reached on 31 March 2009.

The notes to cross-border lease transactions (CBLs) state that Enexis B.V. and Essent N.V. will continue their early termination based on consensus. This resulted in the termination of an extensive grid-related CBL in the last week of March 2009, for instance.

### **Appropriation of profit**

#### **Articles of Association provisions governing profit appropriation**

In accordance with the Company's Articles of Association, the profit, insofar as not qualified as retained earnings, will be at the disposal of the Annual General Meeting of Shareholders.

#### **Proposed appropriation of profit for 2008**

The income statement closed on a profit of EUR 147.5 million. In order to achieve the envisaged debt/equity ratio of 60% to 40%, it is proposed that the profit posted should be added to the other reserve.

The proposed appropriation of profit for 2008 has not yet been recognised in the balance sheet.

# PERSONAL DETAILS

## Supervisory Board

D.D.P. Bosscher, *Chairman*

F.J.M. Houben

W.M. van Ingen

J.A.M. Theeuwes

R. de Jong

## Remuneration and Selection Committee

D.D.P. Bosscher, *Chairman*

F.J.M. Houben

## Audit Committee

J.A.M. Theeuwes, *Chairman*

F. Voorwinde, *Secretary*

W.M. van Ingen

R. de Jong

I.M. Oudejans

## Management Board and Management Team

H.J. Levelink, *Chief Executive Officer/Chairman of the Management Board*

I.M. Oudejans, *Chief Financial Officer*

A.C.J. van Bekkum, *Human Resources*

J.L.T. Blommaert, *Strategy & Regulatory Affairs*

C.G.M. Brockhoven, *Communications*

J.P. Eydems, *Legal & General Affairs*

P.H. Graansma, *Information Management*

J.C.F.M. Peters, *Asset Management*

J.H.M. Prevoo, *Finance & Control*

R. Pruijssens, *Facilities Management*

T. Schra, *Infra Services*

J.P.C.M. Slegers, *Infra Products*

M.A.M.C. Wijnen, *Purchasing*

J. van Zanen, *Customer Relations*

## Works Council

W. Camfferman, *Chairman*

H.M.J.M. Danse, *Secretary*

E.H.J.M. Verhoeven, *Deputy Chairman*

P.J.M. Doreleijers, *Deputy Secretary*

G.H.M. van Bragt

D.J. Brokken

G.J. Diggelen

J.P.G. Dols

W.H. Geesing

J.J.A.J. Haans

H.B. Hulzebosch

A.C.M. ter Laare

A.B.P.F. Marcelis

H. Reinders

F.E.M. Schonewille

L.S.R. Venema

H.J.M. Vollenbroek

W. van Broeck

A. Woldinga

J.F.N.M. Custers, *Official Secretary*

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