

# ENEXIS HOLDING N.V.

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Financial review

Full financial statements 2009

Other information

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# FINANCIAL REVIEW

## Consolidated financial statements

Enexis Holding N.V. was incorporated in 2009, which means that these are its first financial statements. The first six months of 2009 Enexis Holding N.V. was a private company. In the consolidated financial statements, the financial figures of Essent Netwerk B.V. are presented as the comparative figures for 2008. In the annual report of Enexis Holding N.V. is a condensed financial statements of Enexis Holding N.V. For the annual report of Enexis Holding N.V. please log on to [www.enexis.nl](http://www.enexis.nl).

## Profit developments

Operating profit was up from EUR 365.5 million in 2008 to EUR 399.1 million in the reporting period. This increase by EUR 33.6 million was attributable to a rise in gross profit by EUR 6.5 million and a drop in operating expenses by EUR 27.1 million. Finance expenses dropped by EUR 103.2 million on balance. In combination, these developments resulted in an increase in profit for the year by EUR 115.6 million on 2008.

## Gross profit

Gross profit was up EUR 6.5 million thanks to an increase in revenue by EUR 16.8 million, which was largely cancelled out by higher cost of sales in the sum of EUR 10.3 million. The revenue growth is attributable to a number of opposing developments. First of all, revenue fell by EUR 26.1 million due to the X factors imposed by the Office of Energy Regulation and the termination of revenue from the high-voltage grid. Secondly, revenue rose by EUR 8.2 million in 2009 thanks to prior-year costing. Revenue from non-regulated activities was up also in 2009, seeing a EUR 5.7 million increase. In addition, EUR 29.0 million was posted in exceptional income thanks to loss of revenue from UMTS masts upon the transfer of the high-voltage grid to TenneT.

Cost of sales was up EUR 10.3 million. Of this increase, EUR 11.3 million was due to higher prices for the purchase of grid losses. On balance, the higher purchase cost from TenneT as a result of discharge on lower purchase points and the averted grid

losses thanks to the sale of the high-voltage grid resulted in a EUR 17.0 million increase in costs. Lower grid loads and own initiatives to reduce grid losses have led to a drop in grid losses by EUR 18.0 million.

### **Operating expenses**

Operating expenses were down EUR 27.1 million, which is the sum of a drop in operating expenses by EUR 41.5 million and an increase in depreciation charges by EUR 14.4 million. Of the drop in operating expenses, EUR 9.0 million was attributable to an efficiency programme.

Another EUR 19.6 million drop was due to the transfer of the high-voltage grid to TenneT. Provisions that were formed in 2008 in preparation for the unbundling accounted for a decrease by EUR 25.6 million. Finally, operating expenses increased by EUR 12.7 million because Enexis compensated its employees for abolishing discounts on own products.

Depreciation charges were up EUR 14.4 million due to higher investment levels and accelerated write-offs of IT systems.

### **Finance income and expenses**

Total finance expenses were lower than in 2008 thanks mainly to repayments on loans as a result of the capital contribution by Essent and the sale of the high-voltage grid. In addition, Enexis benefited in 2009 from low capital market interest rates on short-dated risk-free debt securities, since the interest on the bridging loan from Essent Nederland B.V. was based, throughout the year, on the short-term Euribor interest rate plus a risk margin.

### **Profit for the year**

Profit for the year stood at EUR 263.1 million in 2009, a rise of EUR 115.6 million compared with the profit of EUR 147.5 million reported in 2008.

## **Financial position**

Concluding the unbundling from Essent by virtue of the Independent Grid Management Act, the shares in Enexis Holding N.V. held by Essent Nederland B.V. were repurchased as of 30 June 2009, after, at the Ministry's instruction, EUR 350 million in shareholder loans had been converted into equity. An amount of EUR 149.7 million in new share capital was issued and fully paid up at the same time.

The bridging loan from Essent Nederland B.V. in the sum of EUR 1,800 million was transferred to the shareholders of Enexis Holding N.V. and converted into shareholder loans as of 30 September via a contract takeover.

The capital restructuring, the funding, the definition of the capital base and the equity/debt ratio are governed by solvency ratios imposed by the Office of Energy Regulation.

## **Cash flows**

Cash flow from operating activities amounted to EUR 501.0 million. Cash flow from investing activities were EUR 24.8 million. Elimination of the sale of the high-voltage grid from these cash flows would result in a negative cash flow from investing activities of EUR 289.7 million. Cash flows before financing activities amounted to EUR 525.8 million on balance.

Cash flow used in financing activities was EUR 335.6 million. This relates mainly to the repayment of the bridging loan from Essent Nederland N.V. as a result of the sale of the high-voltage grid. On balance, cash available for continuing operations was EUR 190.2 million, increasing net cash and cash equivalents to EUR 192.2 million. Most of these cash resources are locked up in deposits.

# ENEXIS HOLDING N.V. CONSOLIDATED FINANCIAL STATEMENTS 2009

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# CONSOLIDATED INCOME STATEMENT

in millions of euros

	Note	2009	2008
Revenue from the supply of goods and services	3	1,358.1	1,341.9
Cost of sales	4	223.4	213.1
<b>Gross profit</b>		<b>1,134.7</b>	<b>1,128.8</b>
Other operating income	5	10.2	9.6
<b>Gross profit plus other operating income</b>		<b>1,144.9</b>	<b>1,138.4</b>
Employee benefits expense	6	260.7	221.2
Depreciation and impairments	7	229.1	214.7
Cost of work contracted out, materials and other external expenses	8	239.8	269.4
Other operating expenses	9	16.2	67.6
<i>Total operating expenses</i>		<i>745.8</i>	<i>772.9</i>
<b>Operating profit</b>	10	<b>399.1</b>	<b>365.5</b>
Share of result of associates	11	9.2	6.6
Finance income	12	15.5	19.7
Finance expenses	12	88.0	195.4
Finance income and expenses		-72.5	-175.7
<i>Profit before tax</i>		<i>335.8</i>	<i>196.4</i>
Income tax expense	13	72.7	48.9
<b>Profit for the year</b>	10	<b>263.1</b>	<b>147.5</b>

# CONSOLIDATED BALANCE SHEET

(BEFORE PROPOSED APPROPRIATION OF PROFIT)

in millions of euros

Note **31 December 2009**

31 December 2008

## Assets

Property, plant and equipment	15	4,578.0	4,523.6
Intangible assets	16	63.1	47.0
Associates	17	32.5	10.4
Other financial assets	18	2.7	5.3

## Non-current assets

**4,676.3**

**4,586.3**

Inventories	19	15.3	21.0
Receivables	20	575.2	656.1
Cash and cash equivalents	21	192.2	2.0

## Current assets

**782.7**

**679.1**

Assets held for sale	22	0.7	315.2
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## Total assets

**5,459.7**

**5,580.6**

in millions of euros

Note **31 December 2009** 31 December 2008**Liabilities**

Issued and paid-up share capital	23	149.7	0.0
General reserve	23	0.0	1,064.9
Share premium reserve	23	2,436.3	1,023.6
Profit for the year	23	263.1	147.5

**Equity****2,849.1** **2,236.0**

Non-current interest-bearing liabilities	24	1,912.0	111.9
Non-current provisions	25	67.0	75.9
Other non-current liabilities	26	--	0.9
Deferred income tax	24a	26.8	3.3

**Non-current liabilities****2,005.8** **192.0**

Trade and other payables	27	562.2	599.4
Current interest-bearing liabilities	28	14.5	2,501.1
Income tax expense	13	0.4	48.2
Current provisions	25	27.7	3.9

**Current liabilities****604.8** **3,152.6****Total equity and liabilities****5,459.7** **5,580.6**

# CONSOLIDATED CASH FLOW STATEMENT

in millions of euros

2009

2008

Profit for the year	263.1	147.5
Depreciation and impairments	229.1	214.7
Changes in provisions, working capital and other items	8.8	123.9
<b>Cash flow from operating activities</b>	<b>501.0</b>	<b>486.1</b>
Purchases of property, plant, equipment and intangible assets	-299.6	-302.3
Sale of high-voltage grid	314.5	
Repayment of financial assets	0.9	0.1
Proceeds from sale of associates	6.7	3.0
Proceeds from sale of non-current assets	2.3	1.1
<b>Cash flow from in investing activities</b>	<b>24.8</b>	<b>-298.1</b>
<b>Cash flows before financing activities</b>	<b>525.8</b>	<b>188.0</b>
Change in interest-bearing liabilities	-335.6	-205.2
Additional capital contribution <sup>1</sup>	350.0	
Repayment of bridge loan <sup>1</sup>	-350.0	
<b>Cash flow used in financing activities</b>	<b>-335.6</b>	<b>-205.2</b>
<b>Total cash flows</b>	<b>190.2</b>	<b>-17.2</b>
Cash and cash equivalents at beginning of year	2.0	19.2
<b>Cash and cash equivalents at end of year</b>	<b>192.2</b>	<b>2.0</b>

<sup>1</sup> The additional capital contribution and the repayment of the bridge loan did not generate cash flows.

For details, see Note 29.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of euros

	Number of ordinary shares	Share capital	Share premium reserve	General reserve	Profit for the year	Total equity
<b>At 1 January 2008</b>	<b>20,000</b>	<b>0.020</b>	<b>0.0</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
Repayment of declared dividends for 2005	--	--	--	38.1	--	38.1
Reclassification of capital contribution for 2007	--	--	485.2	-485.2	--	0.0
Capital contribution under Unbundling Plan	--	--	514.0	--	--	514.0
Contribution in kind by shareholder	--	--	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>
<b>At 1 January 2009</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>
Profit appropriation for 2008	--	--	--	147.5	-147.5	0.0
Capital contribution as instructed by Ministry of Economic Affairs <sup>1</sup>	--	--	350.0	--	--	350.0
Repurchased [from] shareholder	-20,000	-0.020	-1,373.6	-1,212.4	0.0	-2,586.0
Issue and full payment of share capital <sup>2</sup>	149,682,196	149.7	2,436.3	--	--	2,586.0
Profit for 2009	--	--	--	--	263.1	263.1
<b>At 31 December 2009</b>	<b>149,682,196</b>	<b>149.7</b>	<b>2,436.3</b>	<b>0.0</b>	<b>263.1</b>	<b>2,849.1</b>

<sup>1</sup> Part of the shareholder loan was converted into equity following an instruction by the Ministry of Economic Affairs of 26 May 2009 within the context of the unbundling ("de Aanwijzing").

<sup>2</sup> Deed of transfer of shares in the capital of Enexis Holding N.V. by way of distribution of reserves.

For details on equity, see Note 23.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1.1 Introduction

Enexis Holding N.V., based in Rosmalen, the Netherlands, is responsible for the construction, maintenance and management of the transmission and distribution grids for electricity (cables and mains) and gas (mains and pipelines), and related operations, which mainly involve activities pertaining to measuring services and public lighting, letting of medium-voltage installations, and the construction and management of private energy-distributing grids.

Enexis Holding N.V. is a public limited liability company. Of the Enexis shares, about 74% are held by six Dutch provinces and about 26% by 130 municipalities.

Enexis Holding N.V. was incorporated in 2009, which means that these are its first financial statements. In the consolidated financial statements, the financial figures of Essent Netwerk B.V. are presented as the comparative figures for 2008.

Enexis Holding N.V. uses the euro as its functional currency. Unless stated otherwise, all amounts are in millions of euros.

The financial statements, which have been prepared by Enexis Holding N.V. and audited by Ernst & Young Accountants LLP, were presented to the Supervisory Board for signing on 12 April 2010. The financial statements, signed by the Supervisory Board, were presented to the Annual General Meeting of Shareholders for adoption on 12 April 2010.

## 1.2 Dutch Independent Grid Management Act and Unbundling

The Dutch Senate passed a bill to amend the Electricity and Gas Act on 21 November 2006. This bill, the Independent Grid Management Act (Dutch acronym: WON), rests on three pillars.

- 1) Transfer of the management of high-voltage grids with a voltage level of 110-150 kV to TenneT TSO B.V. with effect from 1 January 2008.
- 2) Creation of “loaded grid managers”, who hold the beneficial ownership of the grid, meaning that, from 1 July 2008 onwards, grid managers have had to be fully fledged organisations (no outsourcing of grid management duties).

- 3) Introduction of the group ban, meaning that, with effect from 1 January 2011 onwards, grid managers will no longer be allowed to belong to groups whose members include entities that engage in electricity and gas generation, trade and supply: the Unbundling.

Enexis was a member of the Essent Group when the Act became effective. Essent prepared an Unbundling Plan, which was submitted to the Netherlands Competition Authority (NMa). The Ministry of Economic Affairs approved this Unbundling Plan on 26 May 2009, subject to an Instruction stipulating that:

- 1) Enexis' equity needed to be increased by EUR 350 million;
- 2) part of the shareholder loan of EUR 350 million should be convertible into equity in the event of a structural capital deficiency and
- 3) Enexis should pursue a restrictive dividend policy.

The Unbundling Plan stipulated that the grid operations were to be unbundled from the Essent Group. As a result, the shareholders of Essent N.V. would also become shareholders in Enexis, fulfilling the statutory condition that the Enexis shares must – directly or indirectly – remain in the hands of Dutch public bodies at all times. The unbundling was effected on 30 June 2009, at which date the following transactions took place:

The Articles of Association of Enexis Holding B.V., which was incorporated by Essent Nederland B.V. at year-end 2008, were amended. The amendment entailed an increase in share capital, the institution of a Supervisory Board and the conversion of the legal form from a private into a public limited liability company by the name of Enexis Holding N.V.

Essent Nederland B.V. transferred its shares in Enexis B.V. to Enexis Holding N.V.

Enexis B.V. transferred Enexis Infra Products B.V., Enexis Meetbedrijf B.V. and Enexis Vastgoed B.V. to Enexis Holding N.V.

Essent Nederland B.V. transferred its shares in Enexis Holding N.V. to Essent N.V. and Essent N.V. subsequently transferred these shares to the current shareholders of Enexis Holding N.V. These share transfers took the form of a dividend distribution in kind.

By way of these transactions, the Enexis Group was unbundled from the Essent Group, making Enexis B.V., which conducts the asset operations, a wholly owned subsidiary of Enexis Holding N.V.

This also led to a number of amendments to the Articles of Association, in which process the names of Essent Vastgoed B.V. and Activabedrijf Essent Friesland B.V. were changed to Enexis Vastgoed B.V. and Activabedrijf Enexis Friesland B.V., respectively.

The shareholder loans that Essent had granted to Enexis were transferred to the shareholders of Enexis Holding N.V. in the transaction of 30 September 2009, in which process the shares held by Essent N.V. were transferred to RWE. In doing so, allowance was made for the requirements that were imposed in the Instruction issued by the Ministry of Economic Affairs.

## **2 Basis of preparation**

### **2.1 General**

Enexis Holding N.V. uses the euro as its functional currency. Unless stated otherwise, all amounts are in millions of euros.

The financial statements of Enexis Holding N.V. have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

## 2.2 New and/or amended IFRS standards in 2009

The following new and/or amended standards and interpretations are effective as of the financial year 2009. Enexis Holding N.V. has adopted them for the first time in the financial statements for 2009.

Improvements to IFRS standards, effective as of 1 January 2009. These improvements are non-urgent amendments not covered by any other IASB project. A distinction is made between improvements in presentation, identification and measurement, and improvements in terminology and other changes with a negligible impact on financial reporting.

Amendment to IAS 1 'Presentation of Financial Statements: A Revised Presentation', effective as of 1 January 2009. The amendment provides guidance on the disclosure of movements in equity, on the retrospective application of changes in accounting policies, the disclosure of income tax relating to equity, and the disclosure of reclassifications of components of equity. It is also comprised of changes to titles of sections of the financial statements.

Amendment to IAS 23 'Borrowing Costs', effective as of 1 January 2009. Subject to certain conditions, this amendment makes it mandatory to include capitalised construction interest as a component of the cost of an asset. Up to and including the financial year 2008, Enexis Holding N.V. used the option provided for in the current standard of recognising construction interest directly through profit or loss. Enexis Holding N.V. has applied the amendment prospectively with effect from 1 January 2009, implying that the amendment only impacts capital expenditures incurred after that date.

Amendment to IAS 39 'Reclassification of Financial Instruments: Effective Date and [Transition]', effective as of 1 January 2009. The amendment addresses the effective date of the amendments to IAS 39 and IFRS 7 'Reclassification of Financial Instruments'.

Amendment to IAS 39 'Financial Instruments: Recognition and Measurement: Eligible Hedged Items', effective as of 1 January 2009. The amendment addresses the effective date of the amendments to IAS 39 and IFRS 7 'Reclassification of Financial Instruments'.

Amendments to IFRS 1 and IAS 27, to IFRS 2, to IFRS 7, to IFRIC 9 and IAS 39, to IAS 32 and IAS 1, as well as to IAS 39 and IFRS 7. These amendments do not impact Enexis Holding N.V.

Interpretations of IFRIC 12, IFRIC 13, IFRIC 15, IFRIC 16. These interpretations do not currently impact Enexis Holding N.V.

Enexis Holding N.V. has not yet applied the following IFRS standards and interpretations in its financial statements.

IFRS 8 'Operating Segments', effective as of 1 January 2009. This standard sets additional requirements for segment reporting in the financial statements. It uses a stricter definition of a segment and requires additional disclosures.

IFRS 3 'Business Combinations' (revised), effective as of 1 January 2010. The revision applies to accounting for acquisitions making allowance for aspects such as cost, goodwill and a purchase achieved in stages, as well as the sale of associates either with or without retaining control. This standard will impact the recognition of acquisitions and disposals with effect from the financial year 2010. The revised standard has been adopted by the European Union.

Amendment to IAS 27, 'Consolidated and Separate Financial Statements', effective as of 1 January 2010. The amendment applies to accounting for the partial disposal of an equity interest held in a subsidiary, associate or joint venture. This standard will impact the disposal of equity interests with effect from the financial year 2010. The amendment has been adopted by the European Union.

IFRIC 17 'Distributions of Non-cash Assets to Owners', effective as of 1 January 2010. This interpretation governs the measurement of non-cash dividend distributions to shareholders. The impact of this amendment is being studied in detail. The interpretation has been adopted by the European Union.

IFRS 9 'Financial Instruments', effective as of 1 January 2013. This amendment to the standard has not yet been adopted by the European Union.

Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement', effective as of 1 January 2011. This amendment involves rules for financing requirements in relation to prepayments. This amendment to the standard has not yet been adopted by the European Union.

IFRIC 18 'Transfers of Assets from Customers', effective as of 1 July 2009. This amendment applies to accounting for transfers of assets from customers. Enxsis will review the interpretation and the impact of this amendment in more detail. This amendment to the standard has been adopted by the European Union.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments', effective as of 1 July 2010. The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. This interpretation has not yet been adopted by the European Union.

Improvements to IFRS standards, various effective dates. The interpretations have not yet been adopted by the European Union.

Amendment to IFRS 2 'Group Cash-settled Share-based Payment Transactions', effective as of 1 January 2010. This amendment involves rules for the settlement in cash of share-based payment transactions. This amendment to the standard has not yet been adopted by the European Union.

Amendment to IFRS 1 'Additional Exemptions for First-time Adopters', effective as of 1 January 2010. This amendment addresses additional exemptions for oil and gas exploration companies that are used for determining the cost of assets when IFRS is first adopted. This amendment does not impact Enexis Holding N.V. This amendment to the standard has not yet been adopted by the European Union.

Amendment to IAS 32 'Classification of Rights Issues', effective as of 1 January 2010. This amendment to the standard has not yet been adopted by the European Union.

Revision of IAS 24 'Related Party Disclosures', effective as of 1 January 2010. This revision sets rules for additional disclosures on related parties. This revision of the standard has not yet been adopted by the European Union.

### **2.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of Enexis Holding N.V. and its subsidiaries.

Associates are legal entities and companies over whose management and financial policy the Company can exercise control. Associates are included in the consolidation from the date on which control is obtained. Associates are excluded from the consolidation from the date on which control ceases. In determining whether control exists, potential voting rights that can be exercised directly are taken into account.

Full consolidation is used. If an interest in a consolidated entity is less than 100%, a minority interest is disclosed in equity and in the income statement. Transactions between consolidated companies and intercompany balances are eliminated.

The entity concept method is applied to any additional interest acquired in an associate over which the Company already has control. In this situation, the transaction is treated as a change in equity, with the difference between the acquisition price and the fair value being taken to the other reserve.

## 2.4 Accounting policies

### Accounting estimates and assumptions

The preparation of the financial statements requires the use of certain estimates and assumptions that affect the amounts presented. Differences between the actual results and these estimates and assumptions impact the amounts that will be recognised in future periods.

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

### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling on the balance sheet date. Income and expenses denominated in foreign currencies are translated at the exchange rates ruling on the corresponding transaction dates. Any resulting exchange differences are recognised through profit or loss.

### Netting

The assets and liabilities relating to one counterparty are netted provided there is a contractual right to net the amounts recognised and there is the intention to do so. If there is no intention or no actual netting, each contract is treated separately as an asset or a liability.

### Presentation

The classification used for the presentation of the income statement is by category.

### **Revenue**

Revenue represents the income from the supply of goods and services relating to the transmission of electricity and gas, and other activities, less value-added tax and energy tax. Energy consumption with private and small business consumers is settled principally based on annual meter readings spread over the year. The amount of revenue from total energy transmitted in the calendar year is regulated by the Dutch Office of Energy Regulation and determined based on billed volumes, including standing charges, plus an estimate of billable volumes and less an estimate of billable volumes at the end of the previous financial year.

### **Cost of sales**

This concerns the cost of sales directly attributable to revenue, including energy transmission charges and grid losses.

### **Grants and subsidies**

Investment grants are recognised as reductions in the carrying amount of the asset concerned and released to profit or loss based on its useful life. Operating subsidies are recognised in profit or loss in the period to which they relate. Grants and subsidies are recognised only if their receipt is reasonably certain.

### **Other operating income**

Other operating income consists of income not directly related to the Company's core activities.

### **Operating expenses**

Expenses are allocated to the financial year to which they relate. Any expenses directly attributable to the Company's investment projects and capitalised as such (i.e. employee benefits expense and cost of materials in particular) are deducted from the relevant cost categories.

### **Finance income and expenses**

Interest received and paid is allocated to the period to which it relates, using the effective interest method.

### **Property, plant and equipment**

Items of property, plant and equipment are carried at cost or internal manufacturing price, net of subsidies received, and less accumulated depreciation and any impairment losses.

Depreciation is applied on a straight-line basis. When determining depreciation, the expected useful life of the asset is taken into account. The useful lives and residual values are assessed each year, with any adjustments being recognised prospectively. Land is not depreciated. Items of property, plant and equipment are derecognised on disposal or if no further economic benefits are expected from their continued use or from their sale. Any gain or loss on derecognition of an asset is recognised through profit or loss.

### **Intangible assets**

Intangible assets comprise application software costs. All intangible assets are carried at cost less accumulated depreciation and any impairment losses. Depreciation is applied on a straight-line basis. When determining depreciation, the expected useful life is taken into account. The useful lives are assessed each year, with any adjustments being recognised prospectively.

### **Impairment losses**

During the year, it is assessed whether there is any indication that an asset may be impaired. If there are any such indications, an estimate is made of the recoverable amount of the asset. The recoverable amount of an asset is the greater of the fair value less costs to sell and its value in use. Value in use is determined based on the present value of the expected future cash flows.

An impairment loss is recognised if the carrying amount of an asset or of the cash-generating unit to which it belongs exceeds the recoverable amount of the asset concerned. Impairment losses are recognised through profit or loss.

An impairment loss can be reversed if the assumptions used for determining the recoverable amount no longer hold. An impairment loss is reversed only to the extent that the carrying amount after reversal does not exceed the carrying amount that would have been determined (net of depreciation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised through profit or loss.

### **Associates**

The carrying amounts of economic interests that do not belong to Enexis Holding N.V. (i.e. joint ventures and associates) are determined using the equity method of accounting in accordance with the accounting policies of Enexis Holding N.V. Using this method, the economic interest is initially measured at cost, after which its carrying amount is increased or reduced by the share of result of the associate of Enexis Holding N.V. Dividends received are netted against the carrying amount.

In the event of an equity deficit, losses on associates are recognised up to the amount of the net investment in the entity in question. This net investment includes loans to associates, to the extent that the loans are integral to the net investment. A provision is formed for the Company's share of further losses only in the event and to the extent that it has accepted liability for the financial obligations of the associate in question or in the event that it has the firm intention to allow the associate to meet its financial obligations (for its share).

### **Other financial assets**

There are two categories of other financial assets:

- assets available for sale; and
- loans and receivables.

### **Assets available for sale**

This category includes equity interests over which the Company has no significant influence. Such interests are recognised at cost on acquisition (i.e. their fair value at the time) and subsequently at fair value. If a subsequent fair value cannot be reliably measured, the measurement is at cost.

Unrealised gains and losses due to changes in fair value are temporarily recognised in equity as part of the IAS 39 reserve. On disposal of equity interests, the reserve is released to profit or loss. Impairment losses are recognised through profit or loss.

### **Loans and receivables**

Loans to associates or external parties are carried at amortised cost less a provision for doubtful debts, if necessary.

### **Inventories**

Inventories are stated at the lower of cost and estimated net realisable value (the estimated selling price in the normal course of business less costs to sell). Cost is calculated using the weighted average cost method. Cost comprises all expenses and costs directly attributable to their purchase and to bringing inventories to their present location and condition.

### **Receivables**

Receivables (including trade receivables) are carried at face value, if necessary net of a provision for doubtful debts. Several customer risk profiles are used to determine the provision. A separate provision is recognised for trade receivables. When it is firmly established that a receivable is uncollectible, it and the corresponding provision are both written off.

Netting and presentation of trade receivables and advances from private and small business customers is based on billing groups: a grouping method for customers based on the period in which their meters are read for the purpose of issuing energy bills. Other receivables, prepayments and accrued income are stated at face value, net of a provision for doubtful debts, which is deducted directly from the carrying amount.

### **Cash and cash equivalents**

Cash and cash equivalents and securities are recognised at fair value.

### **Assets held for sale**

Assets held for sale can comprise individual assets and/or asset groups, including the related liabilities if any. Assets or asset groups that management intends to sell within one year and whose sale within that term is highly probable are classified separately under current assets. On initial classification, such assets or asset groups, less any impairments recognised through profit or loss, are measured at the lower of their carrying amounts and fair values less costs to sell. Once classified as being held for sale, they are no longer impaired.

### **Non-current interest-bearing liabilities**

Non-current interest-bearing liabilities are carried at amortised cost using the effective interest method. Repayments on non-current liabilities falling due within one year are presented under current interest-bearing liabilities. Gains and losses on the buy-back of interest-bearing liabilities are recognised as finance expenses.

### **Provisions**

Provisions are recognised for obligations enforceable at law or constructive obligations of uncertain amount or timing as a result of past events. If the effect of an obligation is material, the provision is calculated by discounting expected future cash flows at a current discount rate, taking into account any specific risks inherent to the obligation. The present value is calculated, insofar as applicable, using the projected unit credit method. Any resulting actuarial gains and losses are recognised directly through profit or loss.

Any cash outflows expected within a year of the balance sheet date are included separately under current liabilities.

### **Pension obligations**

The pension and early-retirement benefits for employees are treated as defined contribution plans in accordance with IAS 19, as there is insufficient information available and the pension funds in question have stated that there is no consistent and reliable method for allocating the liability, plan assets and expenses individually to the participant employers. Any contributions made during a financial year are recognised through profit or loss for that year.

### **Trade and other payables**

Trade and other payables are stated at face value.

### **Income tax expense**

Energy companies in the Netherlands have been liable for income tax since 1 January 1998. A notional rate of zero percent applied during the transition period, which ran from 1998 to 2001. The statutory nominal tax rate has been in effect since 1 January 2002.

Income tax is calculated by applying the current nominal tax rate to the profit before tax disclosed in the financial statements, taking into account permanent differences between this profit and the profit for tax purposes.

Income tax is recognised through profit or loss, except to the extent that it relates to items recognised directly in equity.

#### **Leases**

Leases that involve the transfer to Enexis Holding N.V. of substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases and recognised as purchases of property, plant and equipment, with recognition of a corresponding non-current liability.

At inception of the lease, the carrying amount of the asset and the liability is the lower of the fair value of the leased asset and the present value of the lease payments. Lease payments are split into a finance charge and a repayment on the lease obligation, in order to achieve a constant discount rate on the outstanding balance of the liability. The asset is depreciated over the shorter of the asset's useful life and the outstanding term of the lease. If the lease does not provide for the transfer of substantially all the risks and rewards incidental to ownership (i.e. if it is an operating lease), the lease payments are expensed evenly over the term of the lease.

#### **Cash flow statement**

The cash flow statement has been prepared using the indirect method, with the change in cash and cash equivalents at the end of the year being based on the profit for the year. Cash and cash equivalents at the end of the year disclosed in the cash flow statement are those recognised in the balance sheet, less bank overdrafts.

### 3 Revenue from the supply of goods and services

	<b>2009</b>	2008
Transmission fees for 2009	1,024.0	1,050.1
Prior-year adjustments of transmission fees	39.2	31.0
One-off payment for loss of revenue from UMTS masts	29.0	--
Other products and services sold	265.9	260.8
<b>Total</b>	<b>1,358.1</b>	<b>1,341.9</b>

Transmission fees for 2009 were down on 2008 as a result of the X factors imposed by the Office of Energy Regulation and the sale of the high-voltage grid to TenneT.

The Prior-year adjustments of transmission fees relate to revenue billed in 2009 as a result of Prior-year costing.

The One-off payment for loss of revenue from UMTS masts was agreed at the time of the transfer of the high-voltage grid to TenneT.

Other products and services sold are mainly comprised of income from contract work and payments received from third parties in the form of compensation for damage caused to the Enexis grid.

### 4 Cost of sales

	<b>2009</b>	2008
Transmission and system services	104.7	66.2
Distribution losses	118.7	146.8
Other purchase costs/prior-year adjustments	--	0.1
<b>Total</b>	<b>223.4</b>	<b>213.1</b>

The cost of transmission and system services is higher in 2009 as a result of the transfer of the high-voltage grid to TenneT due to purchases discharge on lower purchase points.

The drop in distribution losses was attributable to lower volumes, caused partially by the transfer of the high-voltage grid to TenneT. This drop was partly compensated by higher pricing.

## 5 Other operating income

	<b>2009</b>	2008
Subsidies and refunds received	0.1	1.2
Proceeds from sale of assets	2.3	1.1
Settlement agreement with Dutch Emissions Authority	0.0	3.4
Rentals	4.9	--
Other	2.9	3.9
<b>Total</b>	<b>10.2</b>	<b>9.6</b>

Rentals relate to the letting of office space at several locations by Vastgoed B.V. to Essent Support Group (ESG). Since Enexis did not acquire Vastgoed B.V. until 31 December 2008 through an asset acquisition, this income was not included in the comparative figures for 2008.

## 6 Employee benefits expense

	<b>2009</b>	2008
Salaries	205.4	181.4
Social security contributions	9.8	5.9
Pension costs	32.3	30.9
Outside staff	61.4	52.7
Allocation to provisions for employee benefits	16.6	4.7
Other	26.0	22.0
Less: own production capitalised	-90.8	-76.4
<b>Total</b>	<b>260.7</b>	<b>221.2</b>

The rise in salaries was caused by a 1.3% collective bargaining increase as of 1 July 2009, an increase in the average number of FTEs and the compensation paid to employees for abolishing the discount on own products.

The increase in the allocation to provisions for employee benefits relates to allocations to provisions for reorganisation and employee transfers.

The item Other includes travelling expenses, costs of education and training, and entertainment expenses.

## 7 Depreciation and impairments

	<b>2009</b>	2008
Depreciation of property, plant and equipment	207.1	199.7
Depreciation of intangible assets	13.2	11.2
Impairments	8.8	3.8
<b>Total</b>	<b>229.1</b>	<b>214.7</b>

Impairments relate to the disposal of grid components within the context of replacement and reconstruction investments, and of transformers.

## 8 Cost of work contracted out, materials and other external expenses

	<b>2009</b>	2008
Work contracted out	127.0	131.9
Materials	36.2	39.5
Other external expenses	76.6	98.0
<b>Total</b>	<b>239.8</b>	<b>269.4</b>

Other external expenses comprise EUR 20.4 million in management fees paid to Essent in 2008.

## 9 Other operating expenses

	Note	2009	2008
Allocated to/released from provisions		2.8	32.3
Other	9a	13.4	35.3
<b>Total</b>		<b>16.2</b>	<b>67.6</b>

In 2008, the Allocation to provisions was determined by forming provisions that used to be formed at Essent group level, but were acquired by Enexis B.V. within the context of the unbundling.

The item Other was higher in 2008 because of non-recurring costs of rebranding and the introduction of the new market model, which were incurred within the context of the unbundling.

### 9a Accounting fees

In the fiscal year by Ernst&Young Accountants LLP charged fees amounted to EUR 0.4 million in 2009 for accountants work (2008: EUR 0.8 million) an EUR 0.1 million for accountantswork related activities (2008: EUR 0.1 million).

## 10 Exceptional items

Exceptional items are comprised of 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 considered separately to enable a better analysis of the results. The lower limit for exceptional items is EUR 5 million.

Operating profit includes the following exceptional items:

	<b>2009</b>	2008
<b>Normalised operating profit (exclusive of exceptional items)</b>	<b>377.9</b>	<b>398.5</b>
Expenses:		
Compensation for "own product discount" for all employees	-12.7	
New provisions for reorganisation/employee transfers	-12.8	
New provision for future legal and advisory fees relating to cross-border leases*		-15.7
New provision for employee benefits*		-10.0
Costs associated with introduction of new market model		-7.3
Income:		
One-off payment for loss of revenue from UMTS masts	29.0	
Settlement of prior-year purchases from TenneT	12.7	
Partial release of provision for cross-border leases	5.0	
<b>Total exceptional items within operating profit</b>	<b>21.2</b>	<b>-33.0</b>
<b>Disclosed operating profit (inclusive of exceptional items)</b>	<b>399.1</b>	<b>365.5</b>

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

The above items have the following impact on profit for the year:

	<b>2009</b>	2008
<b>Profit for the year (exclusive of exceptional items)</b>	<b>247.3</b>	<b>172.1</b>
Total exceptional items within operating profit	21.2	-33.0
Tax on exceptional items	-5.4	8.4
<b>Profit for the year (inclusive of exceptional items)</b>	<b>263.1</b>	<b>147.5</b>

## 11 Share of result of associates

	2009	2008
ZEBRA Pijpleiding V.O.F.	0.0	0.6
ZEBRA Gasnetwerk B.V.	2.6	1.7
Gain on sale of Entrade Pipe B.V.	0.0	3.0
Essent Shared Services Center B.V.	0.0	1.3
Gain on sale of Lighting B.V.	6.7	0.0
GOB Euroservices B.V.	-0.1	0.0
<b>Total</b>	<b>9.2</b>	<b>6.6</b>

The gain on the sale of Lighting B.V. was achieved when Lighting B.V. and Lighting View B.V. were contributed to the joint venture Ziut B.V., which was established together with Alliander B.V. on 1 November. Enexis Infra Products has a 47% equity interest in Ziut. The financial results of Ziut for December 2009 were eliminated in [adopting] the financial statements for reasons of materiality.

ZEBRA Pijpleiding V.O.F. and Entrade Pipe B.V. were transferred to ZEBRA Gasnetwerk B.V. The participation in Essent Shared Services Center B.V. was terminated as of 30 December 2008 as a result of the unbundling from Essent.

## 12 Finance income and expenses

	2009	2008
Interest received	15.5	19.7
<b>Total finance income</b>	<b>15.5</b>	<b>19.7</b>
Interest added to provisions	4.8	1.3
Other interest paid	83.2	194.1
<b>Total finance expenses</b>	<b>88.0</b>	<b>195.4</b>
<b>Net finance expenses</b>	<b>-72.5</b>	<b>-175.7</b>

Interest received relates mainly to interest income from the transfer of the high-voltage grid to TenneT, which was settled in 2009, income from deposits and fees for overdue payments.

In the first three quarters of 2009, the item Other interest paid related to the payments of financial costs for the bridging loan from Essent Nederland B.V.; in the last quarter of the year, the item related to fees for shareholder loans received.

The drop in other interest paid was due to lower interest-bearing liabilities and to a drop in 2009 in the effective interest rate compared with 2008 thanks to the lower short-term Euribor interest rate.

## 13 Income tax expense

Until 1 July 2009, Enexis Holding N.V. was a member of the corporate income tax group headed by Essent N.V. With effect from 1 July 2009, Enexis Holding N.V. has headed its own tax group, in which capacity it is jointly and severally liable for any obligations assumed by the members of the tax group.

The operations undertaken by Enexis Holding N.V. are subject to income tax. The income tax liability of each member of the tax group is determined and settled based on their profit disclosed in the financial statements and making allowance for any relevant exemptions. The reconciliation between the statutory income tax rate expressed as a percentage of profit before tax and the effective tax rate is as follows.

as a %	2009	2008
Nominal statutory income tax rate in the Netherlands	25.50	25.50
Exempt from income tax and prior-year settlements	3.86	0.60
<b>Effective tax rate</b>	<b>21.64</b>	<b>24.90</b>

The profit tax is as follows:

	2009	2008
Profit before tax	335.8	196.4
Exempt income and prior-year settlements	50.5	4.6
<b>Taxable profit</b>	<b>285.3</b>	<b>191.8</b>
<b>Total taxes</b>	<b>72.7</b>	<b>48.9</b>
Of which deferred	26.8	0.0
<b>Current portion</b>	<b>45.9</b>	<b>48.9</b>

## 14 Acquisitions

Carrying amount	2009
Non-current assets	0.4
Current assets	8.9
<b>Total assets acquired</b>	<b>9.3</b>
Non-current liabilities	1.2
Current liabilities	4.1
<b>Total liabilities acquired</b>	<b>5.3</b>
<b>Equity of acquired interest in Liandyn B.V.</b>	<b>4.0</b>
<b>Acquisition price of acquired interest in Liandyn B.V.</b>	<b>13.5</b>

Enexis Infra Products B.V. has recognised its equity interest in Ziut B.V. at historical cost, which is comprised of the remaining equity of the former participation in Enexis Lighting B.V. and Enexis Lighting View B.V. (47%) in the sum of EUR 6.1 million, and the acquisition price of 47% of Liandyn B.V. amounting to EUR 13.5 million. The historical cost is EUR 9.6 million higher than the corresponding equity position disclosed in the balance sheet of Ziut B.V., which is the aggregate of the carrying amounts of the assets and liabilities of Enexis Lighting B.V., Enexis Lighting View B.V. and Liandyn B.V.

## 15 Property, plant and equipment

Movements in property, plant and equipment during 2009 were as follows:

in millions of euros	Land and buildings	Cables, pipelines and equipment	Other non-current assets	Work in progress	<b>Total 2009</b>
Cost at 1 January	564.9	7,959.0	156.9	122.1	8,802.9
Accumulated depreciation at 1 January	253.5	3,909.4	116.4	0.0	4,279.3
<b>Carrying amount at 1 January</b>	<b>311.4</b>	<b>4,049.6</b>	<b>40.5</b>	<b>122.1</b>	<b>4,523.6</b>
Reclassified	0.2	-5.9	2.3	3.4	0.0
Consolidated and deconsolidated	0.0	-0.4	-1.8	0.0	-2.2
Acquired	0.0	0.0	0.0	0.0	0.0
Reclassified work in progress	0.0	0.0	0.0	2.3	2.3
Assets held for sale	0.0	-0.5	0.0	0.0	-0.5
Purchased	10.6	250.7	15.2	0.3	276.8
Sold	-5.6	0.0	-0.9	0.0	-6.5
Depreciated	-10.9	-194.3	-10.7	0.0	-215.9
Other	0.0	-0.1	0.5	0.0	0.4
<b>Carrying amount at 31 December</b>	<b>305.7</b>	<b>4,099.1</b>	<b>45.1</b>	<b>128.1</b>	<b>4,578.0</b>
Accumulated depreciation at 31 December	261.0	4,085.3	122.2	0.0	4,468.5
<b>Cost at 31 December</b>	<b>566.7</b>	<b>8,184.4</b>	<b>167.3</b>	<b>128.1</b>	<b>9,046.5</b>

Other non-current assets comprise company vehicles subject to finance lease. At year-end 2009, their carrying amount was EUR 16.1 million.

The remained part of the high-voltage grid in the Province of Friesland qualify as assets held for sale.

Movements in this item were as follows in 2008:

in millions of euros	Land and buildings	Cables, pipelines and equipment	Other non-current assets	Work in progress	<b>Total 2008</b>
Cost at 1 January	139.2	4,152.8	141.5	124.9	4,558.5
Accumulated depreciation at 1 January	2.3	0.6	114.1	--	117.0
<b>Carrying amount at 1 January</b>	<b>136.9</b>	<b>4,152.2</b>	<b>27.4</b>	<b>124.9</b>	<b>4,441.5</b>
Reclassified	138.6	-145.7	7.1	--	--
Acquired	29.8	2.4	--	--	32.2
Reclassified work in progress	--	--	--	-2.9	-2.9
Assets held for sale	8.2	-22.6	--	--	-14.4
Purchased	8.2	249.8	11.9	0.2	270.1
Depreciated	-10.3	-186.8	-6.4	--	-203.5
Other	--	0.2	0.5	-0.1	0.6
<b>Carrying amount at 31 December</b>	<b>311.4</b>	<b>4,049.6</b>	<b>40.5</b>	<b>122.1</b>	<b>4,523.6</b>
Accumulated depreciation at 31 December	253.5	3,909.4	116.4	--	4,279.3
<b>Cost at 31 December</b>	<b>564.9</b>	<b>7,959.0</b>	<b>156.9</b>	<b>122.1</b>	<b>8,802.9</b>

See Note 24 for commitments arising from the finance lease of company vehicles.  
The expected useful lives of the key assets are as follows:

Buildings	25-50 years
Cables, pipelines and equipment	25-55 years
<b>Other non-current assets</b>	
Company vehicles	7 years
Tools and equipment	5 years

## 16 Intangible assets

Movements in intangible assets were as follows in 2009:

	Software	Under construction	<b>Total 2009</b>
Cost at 1 January	117.4	4.6	122.0
Accumulated depreciation and impairments at 1 January	75.0	0.0	75.0
<b>Carrying amount at 1 January</b>	<b>42.4</b>	<b>4.6</b>	<b>47.0</b>
Reclassified	0.0	-2.3	-2.3
Purchased	31.8	0.0	31.8
Sold	-0.1	0.0	-0.1
Consolidated and deconsolidated	-0.1	0.0	-0.1
Depreciation	-13.2	0.0	-13.2
<b>Carrying amount at 31 December</b>	<b>60.8</b>	<b>2.3</b>	<b>63.1</b>
Accumulated depreciation at 31 December	85.9	0.0	85.9
<b>Cost at 31 December</b>	<b>146.7</b>	<b>2.3</b>	<b>149.0</b>

Assets classified as Software mainly concern the network registration system, several operating systems, connections registers, and field office and other support systems.

Movements in this item were as follows in 2008:

	Software	Under construction	<b>Total 2008</b>
Cost at 1 January	102.7	1.7	104.4
Accumulated depreciation and impairments at 1 January	63.8	--	63.8
<b>Carrying amount at 1 January</b>	<b>38.9</b>	<b>1.7</b>	<b>40.6</b>
Reclassified	--	2.9	2.9
Purchased	14.7	--	14.7
Depreciation	-11.2	--	-11.2
<b>Carrying amount at 31 December</b>	<b>42.4</b>	<b>4.6</b>	<b>47.0</b>
Accumulated depreciation [and impairments] at 31 December	75.0	--	75.0
<b>Cost at 31 December</b>	<b>117.4</b>	<b>4.6</b>	<b>122.0</b>

The expected useful life of Software is 5 years.

## 17 Associates

Associates can be broken down as follows:

	<b>2009</b>	2008
G.O.B. Euroservices B.V.	0.0	0.0
ZEBRA Gasnetwerk B.V.	12.8	10.3
Energie Data Services Nederland B.V.	0.1	0.1
Ziut B.V.	19.6	--
<b>At 31 December</b>	<b>32.5</b>	<b>10.4</b>

Enexis Infra Products B.V. contributed its companies Enexis Lighting B.V. and Enexis Lighting View B.V. to Ziut B.V., a company incorporated in tandem with Alliander B.V. as of 30 November 2009. The two companies have joined forces in Ziut B.V., which specialises in public lighting, traffic control, light architectures and camera supervision.

The table below lists the relevant information in relation to the equity interest of Enexis Holding N.V. for all its associates in 2009.

	<b>2009</b>
Non-current assets	42.6
Current assets	62.8
Non-current liabilities	-28.9
Current liabilities	-43.9
<b>Carrying amount at 31 December 2009</b>	<b>32.5</b>
Revenue	7.4
Costs (including finance income and expenses)	4.9
Profit before tax	2.5
Income tax expense	0.6
<b>Profit for the year</b>	<b>1.9</b>

Comparative figures for 2008 are given below:

	<b>2008</b>
Non-current assets	30.0
Current assets	8.0
Non-current liabilities	-24.6
Current liabilities	-3.0
<b>Carrying amount at 31 December 2008</b>	<b>10.4</b>
Revenue	58.8
Costs (including finance income and expenses)	54.0
Profit before tax	4.8
Income tax expense	1.2
<b>Profit for the year</b>	<b>3.6</b>

See Note 30 for a list of associates. None of the associates is listed at a stock exchange.

## 18 Other financial assets

Other financial assets can be broken down as follows:

	<b>2009</b>	2008
Loans	2.7	3.1
Loans and receivables	2.7	3.1
Receivables from leases	--	2.2
<b>Total</b>	<b>2.7</b>	<b>5.3</b>

The average weighted effective interest rate on the loans was 4.9% in 2009 (2008: 6.3%). The fair value of loans is substantially the same as their carrying amount.

Receivables from leases in 2008 related to Enexis Lighting B.V., which was transferred to Ziut B.V. in 2009.

## 19 Inventories

	<b>2009</b>	2008
Materials	16.2	22.3
Provision for obsolescence	-0.9	-1.3
<b>Total</b>	<b>15.3</b>	<b>21.0</b>

The revaluation of inventories recognised through profit or loss was nil in the reporting period (2008: EUR 0.7 million added to profit).

## 20 Receivables

	<b>2009</b>	2008
Trade receivables	132.4	108.6
Receivable from shareholder	--	22.9
<hr/>		
Loans and receivables	132.4	131.5
Amounts receivable	458.6	545.2
Provision for doubtful debts	-15.8	-20.6
<hr/>		
<b>Total</b>	<b>575.2</b>	<b>656.1</b>

The fair value of the receivables is in line with their carrying amount. At year-end 2008, the item Receivable from shareholder related to the intercompany account with the then shareholder Essent Nederland B.V.

Amounts receivable relates to additional estimates of transmission fees that have yet to be settled in final billings.

The ages of trade receivables, net of the provision for doubtful debts, were as follows at 31 December 2009:

	<b>2009</b>	2008
Not past due	4.8	20.2
0-30 days past due	82.9	50.2
31-60 days past due	5.5	8.5
61-90 days past due	2.1	3.4
91-365 days past due	9.8	9.6
Over 365 days past due	27.3	16.7
<hr/>		
<b>Total</b>	<b>132.4</b>	<b>108.6</b>

The collectability of trade receivables is assessed individually or collectively depending on the customer profile, based on a risk assessment by management.

Movements in adjustments for doubtful debts as regards trade receivables can be broken down as follows:

	<b>2009</b>	2008
At 1 January	-20.6	-26.1
Allocation recognised through profit or loss	-3.0	-0.5
Write-offs	9.3	7.2
Reversals of earlier write-offs	-1.5	-1.2
<b>At 31 December</b>	<b>-15.8</b>	<b>-20.6</b>

## 21 Cash and cash equivalents

	<b>2009</b>	2008
Cash at bank and cash balances	7.2	2.0
Short-term deposits	185.0	--
<b>Total</b>	<b>192.2</b>	<b>2.0</b>

With effect from mid-2009, after the unbundling from Essent Nederland B.V., surplus cash resources have been locked up in deposits. The lending policy contains maximum counterparty limits and minimum requirements for counterparty credit ratings.

## 22 Assets held for sale

Assets held for sale can be broken down as follows:

	2009	2008
High-voltage grid	0.7	311.9
Public lighting in Maastricht	--	3.3
<b>Total</b>	<b>0.7</b>	<b>315.2</b>

The 110 kV and 150 kV high-voltage grids were sold to TenneT in 2009. Enexis held on to the high-voltage grid in the Province of Friesland for the time being. Expectations are that this high-voltage grid will be sold to TenneT in the course of 2010. Public lighting in Maastricht was sold back to the Municipality of Maastricht in 2009.

## 23 Equity

The Company's authorised share capital amounts to EUR 350,000,000 (in words: three hundred and fifty million euros), divided into 350,000,000 (in words: three hundred and fifty million) ordinary shares of EUR 1 (in words: one euro) each. Of these shares, 149,682,196 shares with a total value of EUR 149,682,196 have been issued and fully paid up. Payment of EUR 149,662,196 on these shares was made via the Deed of Transfer of Shares in the capital of Enexis Holding N.V. by way of distribution of the reserves.

In accordance with an instruction by the Ministry of Economic Affairs of 26 May 2009 within the context of the unbundling (de Aanwijzing), Essent converted EUR 350,000,000 of the bridging loan into equity on 30 June 2009.

The share premium reserve is tax-approved.

The profit for 2009 is comprised of realised gains only. After tax, the profit for 2009 amounted to EUR 263.1 million (2008: EUR 147.5 million).

For further details, see the consolidated statement of changes in equity on page 15.

## 24 Non-current interest-bearing liabilities

	<b>2009</b>	2008
Shareholder loan convertible into equity	350.0	--
Shareholder loans	1,450.0	--
Subordinated loans	93.9	93.9
Private loans	5.1	5.7
Lease obligations	13.0	12.3
<b>Total</b>	<b>1,912.0</b>	<b>111.9</b>

Non-current interest-bearing liabilities include borrowings with outstanding terms exceeding one year. The amounts relating to repayments due within one year are recognised as current interest-bearing liabilities.

The bridging loan from Essent Nederland B.V. was transferred to the provincial and municipal shareholders of Enexis Holding N.V. and converted into shareholder loans via a contract takeover on 30 September 2009.

In accordance with the Instruction of the Ministry of Economic Affairs, part of the shareholder loans of EUR 350,000,000 needs to be convertible into equity within the context of the unbundling in the event of a structural capital deficiency. This convertible shareholder loan is subject to 7.2% interest and has a remaining term to maturity of 9.75 years. The other shareholder loans, which fall due in 4.8 years on average, come with 4.0% interest on average.

The Subordinated loans have been subordinated to payables by EDON Groep B.V., a group company. All Subordinated loans have been granted by some of the shareholders and have indefinite terms. The rate of interest (9% in 2009 and 2008) will not be revised during the terms of the loans.

The Private loans were assigned by Essent Nederland B.V. to Enexis B.V. The average outstanding term of these loans is 2.8 years; the average interest rate is 6.8%. No collateral security has been provided for these loans.

The Lease obligations have been reclassified because of their interest-bearing nature. These obligations were as follows at year-end 2009 and year-end 2008:

	2009			2008		
	No later than 1 year	1-5 years	Later than 5 years	No later than 1 year	1-5 years	Later than 5 years
Nominal lease obligations	4.4	12.5	1.8	4.5	12.4	2
Present value of lease obligations	4.4	11.5	1.5	4.5	10.8	1.5

The current portion of these Lease obligations has been included in current liabilities.

### Capital management

The capital that the Company manages is comprised of the share capital paid up by the shareholders and the accrued general reserves. The capital management of the Enexis Group (“the Group”) is meant to achieve a financially sound capital structure and to maintain its strong credit ratings in view of ensuring the continuity of its business processes and realising the planned investments. In this process, the Group seeks to achieve for its shareholders the equity returns value that was set by the Office of Energy Regulation, taking into accounts of the interests of the Group’s

lenders and other stakeholders. In order to meet the targets of maintaining a strong credit rating and achieving a financially sound capital structure, the following financial key ratios are used:

EBIT interest cover	>= 2.5x
FFO interest cover	>= 4.0x
FFO/interest-bearing liabilities	>= 20%
Interest-bearing liabilities/total invested capital	<= 55%

EBIT interest cover = ratio of operating profit plus share of result of associates to interest paid.

FFO interest cover = ratio of profit for the year plus changes in deferred income tax plus depreciation and depreciation plus changes in provisions plus interest paid to interest paid.

FFO/interest-bearing liabilities = ratio of profit for the year plus changes in deferred income tax plus depreciation and depreciation plus changes in provisions to interest-bearing liabilities.

Interest-bearing liabilities/total invested capital (gearing) = ratio of interest-bearing liabilities to equity plus interest-bearing liabilities.

Complying with these key ratios and maintaining the current credit rating, the Group amply satisfies the statutory obligations for capital structure and solvency, as well as the financial covenants under existing finance agreements and Letters of Credit facilities.

The Group manages its capital structure and adjusts it to changes in economic conditions and statutory or regulatory requirements taking into account the target minimum key ratios. In order to maintain or adjust the capital structure,

the Group is competent, to change its dividend policy, distribute capital to shareholders, exercise its conversion option or issue new shares. This under specific circumstances and making allowance for the instructions issued by the Ministry of Economic Affairs.

### Invested capital

	2009	2008
Non-current interest-bearing liabilities	1,912.0	111.9
Current interest-bearing liabilities	14.5	2,501.1
Sub-total interest-bearing liabilities (A)	1,926.5	2,613.0
Less: cash and cash equivalents	192.2	2.0
Net debts	1,734.3	2,611.0
Issued and paid-up share capital	149.7	0.0
General reserve	2,436.3	2,088.5
Profit for the year	263.1	147.5
Total equity (B)	2,849.1	2,236.0
Invested capital (A+B)	4,775.6	4,849.0
Gearing (A/(A+B))	0.40	0.54

## Capital base

Capital base, which is defined as equity plus long-term subordinated loans and convertible debt, comprises not only equity, but also a perpetual subordinated shareholder loan and a convertible shareholder loan.

	2009	2008
Total equity	2,849.1	2,236.0
Perpetual subordinated loans	93.9	93.9
Convertible debt	350.0	--
<b>Total capital base</b>	<b>3,293.0</b>	<b>2,329.9</b>

The perpetual subordinated loans were issued by some of the shareholders of Enexis Holding N.V.

The convertible debt relates to Tranche D (amount: EUR 350 million; term to maturity: 10 years) of the shareholder loans contracted on 30 September 2009.

Enexis has the right to request the lender to convert all or part of Tranche D into equity capital for Enexis if it should establish a need for such conversion. This is subject to the approval of the Supervisory Board. The request should be made in view of Enexis' ability to continue to fulfil its duties as a grid manager and with due observance of the relevant energy regulations. As lenders, shareholders are under the obligation to cooperate in the requested conversion if Enexis should have a structural capital deficiency, but only to the extent that such conversion is required for Enexis to comply with the statutory and bank financial ratios on a structural basis.

The capital of Enexis is protected from risks attaching to the voluntary and involuntary termination of the remaining cross-border leases (CBLs) because Enexis can recover any associated costs from a CBL fund that was established for this purpose by the shareholders and Essent/RWE. Enexis has formed provisions for pending compliance costs, advisory fees and costs associated with issued Letters of Credit.

As part of the ministerial Unbundling terms, the dividend policy for the financial years 2009 to 2013 was set, in the Articles of Association, at a dividend pay-out ratio of 30% for 2009 and 2010, and 50% for the three subsequent years. The dividend pay-out ratio is defined as a percentage of the annual profit that is available for distribution.

#### 24a Deferred income tax

Up to and including 2008, deferred income tax assets and liabilities were formed at group level and disclosed by Essent N.V., with the exception of the tax deferral acquired following the acquisition of Essent Vastgoed. As a result of the unbundling from Essent, Enexis Holding N.V. has formed and recognised deferred income tax assets and liabilities since 1 July 2009. The deferred income tax relates to differences between the tax bases and the carrying amounts of property, plant, equipment and employee benefits provisions.

	<b>2009</b>	2008
Deferred income tax assets for provisions	-1.8	--
Deferred income tax liabilities for property, plant and equipment	28.6	3.3
<b>Total</b>	<b>26.8</b>	<b>3.3</b>

## 25 Provisions

Provisions can be broken down as follows:

	2009	2008
Long-service benefits	23.5	21.7
Shorter working hours and special-purpose leave	23.8	21.2
Provision for future legal and advisory fees for cross-border leases*	8.5	15.7
Provision for other employee benefits*	22.4	10.0
Provision for grid losses	7.5	7.6
Provision for decontamination of gas sites*	3.2	3.7
Other provisions	5.8	--
<b>Total</b>	<b>94.7</b>	<b>79.8</b>
Less: current portion	27.7	3.9
	<b>67.0</b>	<b>75.9</b>

\* The new provisions in 2008 were formed at Essent group level in the past, but were acquired by Enexis Holding N.V. within the context of the unbundling.

The current portion of EUR 27.7 million (2008: EUR 3.9 million) has been recognised as a separate component of current liabilities.

### Long-service benefits

In accordance with the terms of collective bargaining agreements, Enexis Holding N.V. grants long-service benefits to employees. A provision is formed for these long-service benefits from the time an employee joins the company. The provision is based on the number of years of service, expected price and salary increases, and mortality, invalidity and attrition rates.

	<b>2009</b>	<b>2008</b>
Obligations at beginning of year	21.7	21.5
Interest	2.3	0.6
Benefits granted	1.9	1.5
Released	-0.2	-0.1
Benefits paid	-1.9	-1.7
Other	-0.3	-0.1
<b>Total</b>	<b>23.5</b>	<b>21.7</b>
Less: current portion	2.3	2.0
<b>Total non-current portion</b>	<b>21.2</b>	<b>19.7</b>

The most important parameters used in calculating the long-service benefit provision are:

	<b>2009</b>	<b>2008</b>
Discount rate	1.9-5.1%	3.2-5.3%
Estimated rate of future salary increases	2.5%	2.5%

#### **Shorter working hours and special-purpose leave**

This item concerns liabilities arising from the transition scheme for shorter working hours for older employees and from special-purpose leave schemes.

	<b>2009</b>	<b>2008</b>
Obligations at beginning of year	21.2	21.4
Interest	2.4	0.7
Benefits granted	2.1	1.4
Released	-0.1	-1.1
Benefits paid	-1.3	-1.2
Other	-0.5	--
<b>Total</b>	<b>23.8</b>	<b>21.2</b>
Less: current portion	2.2	1.5
<b>Total non-current portion</b>	<b>21.6</b>	<b>19.7</b>

#### Provision for future legal and advisory fees for cross-border leases

The provision relates to future costs incurred for legal fees in connection with the cross-border leases.

	<b>2009</b>	<b>2008</b>
Obligations at beginning of year	15.7	--
Benefits granted		15.7
Released	-5.0	--
Benefits paid	-2.5	--
Other	0.3	--
<b>Total</b>	<b>8.5</b>	<b>15.7</b>
Less: current portion	0.0	--
<b>Total non-current portion</b>	<b>8.5</b>	<b>15.7</b>

### Provision for other employee benefits

The provision relates to various personnel expenses, including retention bonuses and dismissal compensation.

	2009	2008
Obligations at beginning of year	10.0	--
Interest	0.1	--
Benefits granted	14.8	10.0
Released	-0.6	--
Benefits paid	-1.9	--
<b>Total</b>	<b>22.4</b>	<b>10.0</b>
Less: current portion	20.9	--
<b>Total non-current portion</b>	<b>1.5</b>	<b>10.0</b>

### Provision for grid losses\*

This provision for grid losses relates to the financial risk arising from the reconciliation and allocation process.

	2009	2008
Obligations at beginning of year	7.6	--
Reclassified	0.0	0.9
Benefits granted	-0.1	13.3
Reconciliated 2006 to 2008	0.0	-5.9
Released	0.0	-0.7
<b>Total</b>	<b>7.5</b>	<b>7.6</b>
Less: current portion	0.0	--
<b>Total non-current portion</b>	<b>7.5</b>	<b>7.6</b>

\* The name of this provision, which was formed in 2008 under the name Provision for reconciliation, was changed to Provision for grid losses in 2009.

### Provision for decontamination of gas sites

The provision relates to the financial risk associated with obligations to decontaminate gas sites.

	2009	2008
Obligations at beginning of year	3.7	--
Benefits granted	0.0	3.9
Benefits paid	-0.5	-0.2
<b>Total</b>	<b>3.2</b>	<b>3.7</b>
Less: current portion	0.0	--
<b>Total non-current portion</b>	<b>3.2</b>	<b>3.7</b>

### Other provisions

Other provisions are comprised of several provisions of a diverse nature.

	2009	2008
Obligations at beginning of year	0.0	--
Benefits granted	2.8	--
Released	-2.0	--
Reclassified	5.0	--
<b>Total</b>	<b>5.8</b>	--
Less: current portion	2.3	--
<b>Total non-current portion</b>	<b>3.5</b>	--

## 26 Other non-current liabilities

Other non-current liabilities can be broken down as follows:

	2009	2008
Obligations under Letter of Credit	--	0.8
Green loans	--	--
Other	--	0.1
<b>At 31 December</b>	<b>--</b>	<b>0.9</b>

## 27 Trade and other payables

	2009	2008
Suppliers	37.7	81.6
Tax and social security contributions	44.4	16.3
Payments to employees	43.1	38.3
Advances placed on deposit	366.7	362.6
Other	70.3	100.6
<b>Total</b>	<b>562.2</b>	<b>599.4</b>

Unless stated otherwise, all items are normally settled within one year.

The advances from energy suppliers that are placed on deposit result from the agreements with energy suppliers within the framework of the supplier model. The energy supplier is obliged to pay half-yearly advances to the grid manager by way of compensation for the disadvantages that the method of settlement between the parties entails. In the normal execution of the agreement, the debt to the suppliers is a non-current debt. On termination of the agreement and in the event of changes in the expected settlement amount, the outstanding liability is repayable on demand in full or in part, respectively. For this reason, it has been recognised within current liabilities. No interest is due on the advances.

## 28 Current interest-bearing liabilities

	2009	2008
Loan ZEBRA Gasnetwerk B.V.	9.4	0.0
Bridging loan	--	2,495.4
Private loan	0.7	0.7
Lease obligations	4.4	4.4
Intercompany account	--	0.6
<b>Total</b>	<b>14.5</b>	<b>2,501.1</b>

The Bridging loan from Essent Nederland B.V. was transferred to the provincial and municipal shareholders of Enexis Holding N.V. and converted into long-term shareholder loans via a contract takeover on 30 September 2009. To Enexis B.V. ZEBRA Gasnetwerk B.V. issued two loans in the sum of EUR 6.0 million and EUR 3.4 million at an interest rate of 2.26% and 1.00%, respectively.

## 29 Notes to the cash flow statement

In preparing the consolidated cash flow statement, the following items have been included in cash and cash equivalents at the end of the year:

	2009	2008
Cash at bank and cash balances	7.2	2.0
Short-term deposits	185.0	--
<b>Total</b>	<b>192.2</b>	<b>2.0</b>

The main items of the cash flow statement are broken down below:

### Changes in provisions, working capital and other items

The changes in provisions, working capital and other items can be broken down as follows:

	<b>2009</b>	2008
Working capital	25.3	99.0
Provisions	-8.9	34.9
Other	-7.6	-10.0
<b>Total</b>	<b>8.8</b>	<b>123.9</b>

Changes in working capital can be broken down as follows:

	<b>2009</b>	2008
Income tax expense recognised through profit or loss	72.7	48.9
Income tax paid	-120.4	-161.3
Interest received and paid recognised through profit or loss	72.6	175.7
Interest paid	-62.3	-193.7
Interest received	15.4	19.7
Working capital before tax and interest	47.3	209.7
<b>Total</b>	<b>25.3</b>	<b>99.0</b>

### 29a Risks associated with financial instruments

Enexis does not hold financial instruments for trading purposes, nor does it issue any financial instruments. The financial instruments are limited to asset and liability positions. What follows is a description of relevant risks and how they are managed.

### Solvency risk

Enexis' solvency ratio, i.e. the ratio of equity to total assets, was 52.2% at 31 December 2009 (2008: 40.1%). It continued to improve in 2009 thanks, in part, to an additional capital contribution of EUR 350 million in mid-2009.

On 9 December 2009, two rating agencies issued a long-term corporate credit rating for both Enexis Holding N.V. and Enexis B.V.

S&P: awarded both Enexis Holding N.V. and Enexis B.V. a corporate credit rating, long term, of A flat stable outlook (cf. Moody's level A2).

Moody's: awarded both Enexis Holding N.V. and Enexis B.V. a corporate credit rating, long term, of Aa3 stable outlook (cf. S&P AA-minus).

### Liquidity risk

Liquidity risk is the risk of Enexis' not being able to meet its short-term payment obligations. At the beginning of October 2009, Enexis contracted a new three-year stand-by Revolving Credit Facility (RCF) of EUR 550 million to replace the RCF whose term would end in mid-December 2009.

In addition, Enexis contributed its bank accounts to a cash pool in 2009 which is linked to a committed overdraft facility of EUR 20 million.

Enexis' cash and cash equivalents amounted to EUR 192.2 million at year-end 2009.

### Interest rate risk

Interest rates on most of the liabilities, i.e. the shareholder loans, are fixed over the term of the tranche of the relevant loan. The different tranches of the shareholder loans come with the following terms to maturity and fixed interest rates:

Tranche A: EUR 450 million, three years and 3.27%

Tranche B: EUR 500 million, five years and 4.10%

Tranche C: EUR 500 million, seven years and 4.65%

Tranche D: EUR 350 million, ten years and 7.20%

The other loans are also fixed-rate over their respective terms.

### **Credit risk**

Most of the activities undertaken by Enexis Holding N.V. and its group companies are regulated. Credit risks in regulated markets are lower than in liberalised energy markets. The collectability of trade receivables is assessed individually or collectively depending on the customer profile, based on a risk assessment by management. The economic decline that followed the credit crisis was a factor in determining the credit risk in 2009.

In principle, the maximum credit risk equals the carrying amount of trade receivables and current assets.

### **30 Related party disclosures**

Transactions with related parties are conducted at arm's length prices. Year-end asset and liability positions are not retained, but usually settled in cash. No guarantees were received or issued for assets or liabilities of related parties, respectively, except for those disclosed in Note 31 involving the CBLs. The adjustment in 2009 for doubtful debts was nil (2008: nil).

Until 1 July 2009, Enexis B.V. had the following related parties: Essent Nederland B.V., the shareholder, and its affiliated entities, associates and key officers. The shares in Essent Nederland B.V. were held by Essent N.V.

In the period from January through June 2009, the value of sales transactions with Essent Nederland B.V. in the normal course of business amounted to EUR 0.1 million. The value of sales transactions with entities affiliated with Essent Nederland B.V. was EUR 5.7 million. Enexis Holding N.V. did not conduct any sales transactions with its own associates.

In the period from January through June 2009, the value of purchase transactions with Essent Nederland B.V. in the normal course of business amounted to EUR 2.6 million. The value of purchase transactions with entities affiliated with Essent Nederland B.V. was EUR 77.1 million. Enexis Holding N.V. conducted purchase transactions with its own associates for an amount of EUR 27.2 million.

In the period from January through June 2009, the value of interest rate transactions with Essent Nederland B.V. as part of financing activities amounted to EUR 33.7 million; no interest rate transactions were conducted with entities affiliated with Essent Nederland B.V.

As part of the Unbundling Plan, Essent Netwerk was unbundled from the shareholder Essent Nederland B.V. in July 2009 to form Enexis Holding N.V. The shares in Essent Holding N.V. are held by Dutch provincial and municipal authorities. No transactions were conducted with the shareholders other than in the normal course of business. In addition to the existing shareholder loan of EUR 93.9 million, the shareholders issued new shareholder loans for an amount of EUR 1,800 million. The interest due on these loans was EUR 46.1 million in 2009 (from 1 July 2009).

Information on transactions with key officers in is given in Note 32.

The non-consolidated associates of Enexis Holding N.V. and its affiliated entities have been listed below. For more details, see Note 47.

	Registered office	<b>Equity stake held by Enexis Holding N.V. 31 December 2009</b>	Equity stake held by Essent Netwerk B.V. 31 December 2008
G.O.B. Euroservices B.V.	Heerlen	40%	40%
ZEBRA Gasnetwerk B.V.	Middelburg	67%	67%
Energie Data Services Nederland B.V.	Arnhem	15%	15%
Ziut B.V.	Arnhem	47%	--

Enexis Holding N.V. is the majority shareholder in ZEBRA Gasnetwerk B.V. Control is exercised on a 50/50 basis.

## **31 Off-balance sheet commitments and contingencies**

### **Developments in cross-border leases in 2009**

In close collaboration with Essent, Enexis managed, in the first half of 2009, to prematurely terminate a significant number of cross-border leases (CBLs) in dialogue with the contracting parties. The number of CBLs remaining for the Enexis grids has been reduced to two and the number of remaining individual transactions dropped to three. In addition, the number of CBLs that related to the commercial assets of Essent N.V. was reduced to one, which is comprised of six individual transactions, four of which are with a single investor and two with another investor.

### **Early termination of CBLs based on consensus**

Together with Essent, Enexis will continue to work towards early termination of CBLs based on consensus with the contracting parties where such options exist.

CBLs have been established on Enexis gas grids in the provinces of Drenthe, Friesland, Groningen, Limburg (including the gas grid in Maastricht), Noord-Brabant and Overijssel, and on the Enexis electricity grid in Maastricht since 1998. Of these transactions, the CBLs on the gas grid in Maastricht and the gas grid in some parts of the Province of Limburg are still in effect.

These CBLs were established with US investors, and Dutch and foreign lenders and guarantors, among other parties. When entering into the CBLs, the US investors often incorporated separate legal entities, some in the form of trusts. Enexis also placed most of its CBLs in separate subsidiaries of the Enexis asset companies.

All CBLs are governed by conditional and unconditional rights and obligations. Under the cross-guarantee structure that was agreed at the unbundling on 30 June 2009, Essent N.V. and Enexis B.V. mutually guarantee substantially all these obligations, both where the remaining grid CBLs and the commercial CBLs are concerned.

This includes any amounts due to US investors and some other parties upon termination, as described below. In addition, supplementary agreements were concluded on 30 September 2009, relating to, for instance, the mutual guarantee structure and indemnities, as well as to the establishment of a CBL fund to cover costs, if any, associated with the termination of the CBLs. This fund was financed by RWE and the Enexis shareholders.

CBLs are long-term leasecontracts under which (indirect) subsidiaries of Enexis B.V. have transferred user or similar rights to specific assets with a long useful life for an long period, either to US investors (lease) or to US trusts established by those investors especially for that purpose. Those assets are then leased back for a shorter period (sublease) from the US investors and/or trusts. At the end of the lease-back periods, the entities in question have the right, subject to specific conditions, to buy back the rights to the assets from the US investors and/or trusts at a price agreed at the closing of the original transaction (buy-back option). If the buy-back option is exercised, the amounts that are payable are expected to be covered by the revenues from the financial instruments that were purchased to serve this purpose at the closing date or by replacement financial instruments that were acquired later.

Similar to previous years, the structure of the transactions concluded for this purpose does not require disclosure of the rights and obligations of the CBLs in Enexis' balance sheet.

The CBLs are potentially subject to early termination (in close consultation) as specific events occur that are defined in the contracts. The early termination of a CBL might occur, for instance, if the lessee is in default or if the underlying asset is destroyed.

If a CBL were to be early terminated on an involuntary basis, the Enexis CBL entities, and consequently Enexis B.V. and Essent N.V. (Essent N.V. under the cross-guarantee structure) can be held liable for payment of termination compensation and other related indemnities and finance charges to the US investors and/or other CBL contracting parties. Enexis can claim back any expenses incurred for both voluntary and involuntary early terminations from the CBL fund.

The number of voluntary terminations of CBLs in 2009 explains why the values of the CBL obligations mentioned below dropped sharply over the year.

At 31 December 2009, total equity exposure on the remaining grid CBLs (i.e. the amount due if they were early terminated) was about USD 86.1 million (31 December 2008: USD 999 million). Some of this amount is covered by separate financial instruments (portfolio investments) at a value depending on at the time of any early termination. The value of these instruments was estimated at USD 52.4 million at 31 December 2009 (31 December 2008: about USD 519 million).

The contractually agreed CBL rental obligations for the coming years can be broken down as follows:

in millions of US dollars	2010	2011	2012	2013	2014 >	Total
CBL rental obligations:	11	12	9	9	53	94

For the remaining CBL contracts, rights of pledge and other security rights were provided on the underlying assets. These assets had a carrying amount of about EUR 42 million at 31 December 2009.

Under the terms of the CBLs, Letters of Credit and/or other guarantees were issued for the benefit of certain CBL contracting parties when the CBLs were concluded. At 31 December 2009, financial institutions had issued about USD 34 million of Letters of Credit for the grid CBLs for the benefit of the contracting parties. The value of issued LCs for grid CBLs was about USD 103 million at year-end 2008.

Some CBLs require the provision of additional or replacement LCs and/or other security if a specific event should occur. Such events would include failure to satisfy specified credit rating tests, certain changes in the shareholding position of the guarantors, non-fulfilment of specific financial conditions or violation of the CBL terms and conditions and adverse amendments of Dutch laws and regulations. If such events occur, security will have to be provided up to a maximum amount of approximately USD 50 million for the grid CBLs. This amount includes the aforementioned LCs of about USD 34 million that have already been issued. The amounts apply as of 31 December 2009.

In view of this, an LC facility amount was contracted with a group of Enexis' relationship banks. The facility amount was lowered in August 2009 as a result of the voluntary termination of a number of CBLs. This facility gives Enexis the right to issue new LCs or other security instruments to CBL parties for up to USD 40 million for grid CBLs.

	No later than 1 year	1-5 years	Later than 5 years
<b>Lease obligations</b>			
Passenger cars	2.1	2.0	0.0
<b>Total</b>	<b>2.1</b>	<b>2.0</b>	<b>0.0</b>

### **Purchase commitments**

Enexis Holding N.V. had assumed, via its subsidiaries Enexis B.V., Enexis Meetbedrijf B.V., Enexis Infra Products B.V. and Enexis Vastgoed B.V., purchase commitments for an amount of EUR 166.0 million at year-end 2009 (2008 – relating to Essent Netwerk B.V. and subsidiaries: EUR 30.0 million).

### **Legal proceedings and disputes**

Enexis Holding N.V. was involved in several legal proceedings and disputes at year-end 2009 via its subsidiaries Enexis B.V., Enexis Meetbedrijf B.V., Enexis Infra Products B.V. and Enexis Vastgoed B.V.

Based on financial risk, provisions were formed only for claims received.

### **Guarantees**

Enexis Holding N.V. had issued, via its subsidiaries Enexis B.V., Enexis Meetbedrijf B.V., Enexis Infra Products B.V. and Enexis Vastgoed B.V., third-party guarantees for an amount of EUR 0.2 million at year-end 2009 (2008 – relating to Essent Netwerk B.V. and subsidiaries: EUR 0.2 million).

## **32 Remuneration of the Management Board and the Supervisory Board**

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

The salaries of the members of the Management Board of Enexis Holding N.V. are based on the accepted system of compensation and benefits that was applied by at Essent, in which the existing contracts have been respected. The guiding principle is that the remuneration should be competitive in the market. A new remuneration policy is currently being developed.

To illustrate developments in the remuneration of the Management Board members, a table has been included below. The first two columns show the remuneration based on performance during the year. This concerns variable annual remuneration that is disclosed for the year to which it relates. The last two columns show the remuneration paid to the Management Board members each year; for the

performance-related bonus, the year of payment is that following the year to which it relates.

The increase in remuneration is due in particular to the fact that Mr Oudejans worked for the Company since april 2008 (2009: 12 months).

in euros	Performance year		Payment year	
	2009	2008 <sup>1</sup>	2009	2008 <sup>1</sup>
<b>H. Levelink</b>				
Fixed salary	249,118	241,751	249,118	241,751
Variable remuneration	63,213	75,656	75,656	82,049
Pension costs	47,085	42,887	47,085	42,887
	<b>359,416</b>	<b>360,294</b>	<b>371,859</b>	<b>366,687</b>
<b>I.M. Oudejans</b>				
Fixed salary	202,985	147,171	202,985	147,171
Variable remuneration	51,507	44,838	44,838	62,461
Pension costs	31,429	22,622	31,429	22,622
	<b>285,921</b>	<b>214,631</b>	<b>279,252</b>	<b>232,254</b>
<b>Total</b>	<b>645,337</b>	<b>574,925</b>	<b>651,111</b>	<b>598,941</b>

<sup>1</sup> I.M. Oudejans with effect from 1 April 2008.

### Remuneration of the Supervisory Board

The remuneration paid to the members of the Supervisory Board is based on the accepted system of compensation and benefits that was applied by at Essent. The guiding principle is that the remuneration should be competitive in the market. The remuneration for 2009 can be broken down as follows. Chair: EUR 24.6 thousand; member: EUR 16.6 thousand. Members receive an additional annual payment for being a member of a Supervisory Board committee: Chair: EUR 5.0 thousand; member: EUR 4.5 thousand.

The remuneration is adjusted annually on 1 July based on the general collective increases at median level from the HAY compensation report.

The table below provides an overview of developments in the remuneration of the individual members of the Supervisory Board, broken down by membership of the Board and membership of committees.

in euros	Membership	Committees	Total remuneration	Total remuneration
			<b>2009</b>	<b>2008</b>
D.D.P. Bosscher <sup>1</sup>	22,288	5,000	27,288	19,070
F.J.M. Houben	15,825	4,500	20,325	19,000
Mevr. W.M. van Ingen <sup>1</sup>	15,825	4,500	20,325	11,000
J.A.M. Theeuwes	15,825	5,000	20,825	19,333
R. de Jong	15,825	4,500	20,325	19,000
<b>Total</b>	<b>85,588</b>	<b>23,500</b>	<b>109,088</b>	<b>87,403</b>

<sup>1</sup> With effect from 18 April 2008.

Supervisory Board members receive a fixed expense allowance in addition to the remuneration disclosed above.

### 33 Events after the balance sheet date

No events occurred after the balance sheet date that might affect the consolidated financial statements of Enexis Holding N.V.



# ENEXIS HOLDING N.V. COMPANY FINANCIAL STATEMENTS 2009

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# COMPANY INCOME STATEMENT

in millions of euros

Note

2009

Share of result of group companies	35		254.7
Finance income	36	28.4	
Finance expenses	36	28.6	
<hr/>			
Finance income and expenses			-0.2
<hr/>			
<i>Profit before tax</i>			254.5
Income tax expense	37		-8.6
<hr/>			
<b>Profit for the year</b>			<b>263.1</b>

# COMPANY BALANCE SHEET

(BEFORE PROPOSED PROFIT APPROPRIATION)

in millions of euros

Note **31 December 2009**

## Assets

Group companies	38	2,881.2
Other financial assets	39	1,800.0
<b>Non-current assets</b>		<b>4,681.2</b>
Receivables to group companies	40	20.9
Income tax expense		34.2
<b>Current assets</b>		<b>55.1</b>
<b>Total assets</b>		<b>4,736.3</b>

in millions of euros

Note **31 December 2009**

## Liabilities

Issued and paid-up share capital		149.7
Share premium reserve		2,436.3
Profit for the year		263.1
<b>Equity</b>		<b>2,849.1</b>
Non-current interest-bearing liabilities	42	1,800.0
Deferred income tax	43	26.9
<b>Non-current liabilities</b>		<b>1,826.9</b>
Trade and other payables	44	20.9
Cash and cash equivalents	45	39.4
<b>Current liabilities</b>		<b>60.3</b>
<b>Total equity and liabilities</b>		<b>4,736.3</b>

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## **34 Basis of preparation**

The company financial statements of Enexis Holding N.V. have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The accounting policies are largely the same as those used for the consolidated financial statements in accordance with Section 362, paragraph 8, of Part 9 of Book 2 of the Dutch Civil Code with group companies being recognised at net asset value using the equity method.

Enexis Holding N.V. is a public limited liability company. Of its shares, about 74% are held by six Dutch provinces and about 26% by 130 municipalities.

Enexis Holding N.V. was incorporated in 2009, which means that these are its first financial statements. The company financial statements do not include any comparative figures for 2008.

Consolidated entities are measured using the equity method of accounting. Using this method, the economic interest is initially measured at cost, after which its carrying amount is increased or reduced by the share of the result of the relevant consolidated entity. Dividends received are netted against the carrying amount.

Enexis Holding N.V. uses the euro as its functional currency. Unless stated otherwise, all amounts are in millions of euros. For a description of the accounting policies, reference is made to the accounting policies section of the consolidated financial statements.

### 35 Share of result of group companies

	2009
Enexis B.V.	167.4
Enexis Meetbedrijf B.V.	44.2
Enexis Infra Products B.V.	40.2
Enexis Vastgoed B.V.	2.9
<b>Total</b>	<b>254.7</b>

### 36 Finance income and expenses

	2009
Interest received	28.4
<b>Total finance income</b>	<b>28.4</b>
Other interest paid	28.6
<b>Total finance expenses</b>	<b>28.6</b>
<b>Net finance expenses</b>	<b>-0.2</b>

Other interest paid relates to interest paid on the shareholder loans during the fourth quarter of 2009.

The shareholder loans are fully relented to Enexis B.V. on the same conditions. Interest received relates to the interest received on these loans to Enexis B.V. during the fourth quarter of 2009.

### 37 Income tax expense

	<b>2009</b>
Income tax	-8.6
<b>Total income tax</b>	<b>-8.6</b>

This tax gain relates to the initial difference between the carrying amounts and tax bases of assets and liabilities at the effective date of the tax group, i.e. 1 July 2009, the date since which Enexis Holding N.V. has headed the tax group.

Until 1 July 2009, Enexis Holding N.V. was a member of the corporate income tax group headed by Essent N.V. With effect from 1 July 2009, Enexis Holding N.V. has headed its own tax group, in which capacity it is jointly and severally liable for any obligations assumed by the members of the tax group.

The operations undertaken by Enexis Holding N.V. are subject to income tax. The income tax liability of each member of the tax group is determined and settled based on their profit disclosed in the financial statements and making allowance for any relevant exemptions. The reconciliation between the statutory income tax rate expressed as a percentage of profit before tax and the effective tax rate is as follows:

as a %	<b>2009</b>
Nominal statutory income tax rate in the Netherlands	25.5
Tax-exempt share of result of associates	28.8
<b>Effective tax rate</b>	<b>-3.3</b>

### 38 Group companies

	<b>2009</b>
Enexis B.V.	2,753.4
Enexis Infra Products B.V.	53.1
Enexis Meetbedrijf B.V.	47.4
Enexis Vastgoed B.V.	27.3
<b>Total</b>	<b>2,881.2</b>

Movements in this item were as follows:

	<b>2009</b>
Acquired on the basis of transfer	2,626.5
Profit for the year	254.7
<b>Total</b>	<b>2,881.2</b>

### 39 Other financial assets

	<b>2009</b>
Loans to group companies	1,800.0
<b>Total</b>	<b>1,800.0</b>

Loans to group companies are loans to Enexis B.V. The conditions attaching to these loans are the same as those attaching to the shareholder loans mentioned in Note 42.

#### 40 Receivables to group companies

	<b>2009</b>
Amounts receivable	20.9
<b>Total</b>	<b>20.9</b>

Amounts receivable relate to the interest due by Enexis B.V.

#### 41 Equity

Since the accumulated share of result of minority interests, to the extent not distributed, can be deemed to be nil, no related statutory reserve has been recognised. For details, see Note 23.

#### 42 Non-current interest-bearing liabilities

	<b>2009</b>
Convertible shareholder loan	350.0
Shareholder loans	1,450.0
<b>Total</b>	<b>1,800.0</b>

The bridging loan from Essent Nederland B.V. was transferred to the shareholders of Enexis Holding N.V. and converted into shareholder loans via a contract takeover on 30 September 2009.

In accordance with the Instruction of the Ministry of Economic Affairs, part of the shareholder loans of EUR 350,000,000 needs to be convertible into equity within the context of the unbundling in the event of a structural capital deficiency. This loan is subject to 7.2% and has a remaining term to maturity of 9.75 years. For the conditions of the conversion option, see Note 24.

The other shareholder loans come with an average interest rate of 4.0%; the average outstanding term of these loans is 4.8 years. For further details, see Note 24.

#### 43 Deferred income tax

	<b>2009</b>
Deferred income tax on non-current assets	26.9
<b>Total</b>	<b>26.9</b>

#### 44 Trade and other payables

	<b>2009</b>
Interest payable	20.9
<b>Total</b>	<b>20.9</b>

Interest payable relates to the interest due on the shareholder loans at year end.

#### 45 Cash and cash equivalents

	<b>2009</b>
Cash at bank and cash balances	39.4
<b>Total</b>	<b>39.4</b>

Interest received on bank and cash balances is at variable rates in line with the rate paid on current accounts.

#### **46 Related party disclosures**

Transactions with related parties are conducted at arm's length prices. Year-end asset and liability positions are not retained, but usually settled in cash. No guarantees were received or issued for assets or liabilities of related parties, respectively, except for those disclosed in Note 31 involving the CBLs. The adjustment in 2009 for doubtful debts was nil (2008: nil).

Until 1 July 2009, Enexis B.V. had the following related parties: Essent Nederland B.V., the shareholder, and its affiliated entities, associates and key officers. The shares in Essent Nederland B.V. were held by Essent N.V.

In the period from January through June 2009, the value of interest rate transactions with Essent Nederland B.V. as part of financing activities amounted to EUR 33.7 million; no interest rate transactions were conducted with entities affiliated with Essent Nederland B.V.

As part of the Unbundling Plan, Enexis B.V. was unbundled from the shareholder Essent Nederland B.V. in July 2009 and Enexis Holding N.V. was created. The shares in Essent Holding N.V. are held by Dutch provincial and municipal authorities. No transactions were conducted with the shareholders other than in the normal course of business. The shareholders issued loans for an amount of EUR 1,800.0 million. The interest due on these loans was EUR 20.9 million in 2009 (from 1 July 2009).

## 47 Associates

	Registered office	Equity stake held by Enexis Holding N.V. 31-Dec-2009	Equity stake held by Essent Netwerk B.V. 31-Dec-2008	Structure of associate division of	Joint and several liability statement
<b>group companies</b>					
Enexis B.V.	's-Hertogenbosch	100%	N/A	Enexis Holding N.V.	
Enexis Meetbedrijf B.V.	's-Hertogenbosch	100%	100%	Enexis Holding N.V.	yes
Enexis Infra Products B.V.	Nederweert	100%	100%	Enexis Holding N.V.	yes
Enexis Vastgoed B.V.	Arnhem	100%	100%	Enexis Holding N.V.	yes
Aktivabedrijf Enexis Friesland B.V.	Sneek	100%	100%	Enexis B.V.	yes
Edon Groep B.V.	Zwolle	100%	100%	Enexis B.V.	yes
N.V. Nutsbedrijven Maastricht	's-Hertogenbosch	100%	100%	Enexis B.V.	yes
PNEM Leidingen B.V.	's-Hertogenbosch	100%	100%	Enexis B.V.	yes
N.V. MEGA Limburg	Maastricht	100%	100%	Enexis B.V.	yes
Frigem Gasnetwerken B.V.	Zwolle	100%	100%	Activa Enexis Friesland B.V.	yes
Westergo Gasnetwerken B.V.	Zwolle	100%	100%	Activa Enexis Friesland B.V.	yes
Edon Gasnetwerken Noord B.V.	Zwolle	100%	100%	Edon Groep B.V.	yes
Edon Gasnetwerken Oost B.V.	Zwolle	100%	100%	Edon Groep B.V.	yes
Edon Gasnetwerken Zuid B.V.	Zwolle	100%	100%	Edon Groep B.V.	yes
Edon Gasnetwerken West B.V.	Zwolle	100%	100%	Edon Groep B.V.	yes
Edon Gasnetwerken Twente B.V.	Zwolle	100%	100%	Edon Groep B.V.	yes
Nutsbedrijven Maastricht					
Elektriciteitsnetwerk B.V.	Maastricht	100%	100%	N.V. Nutsbedrijven Maastricht	yes
Nutsbedrijven Maastricht Gasnetwerk B.V.	Maastricht	100%	100%	N.V. Nutsbedrijven Maastricht	yes
Inframosane N.V.	's-Hertogenbosch	100%	100%	N.V. Nutsbedrijven Maastricht	yes
PNEM Gasnet I B.V.	Arnhem	100%	100%	PNEM Leidingen B.V.	yes
Megasnet I B.V.	Maastricht	100%	100%	MEGA Limburg N.V.	yes
Megasnet II B.V.	Maastricht	100%	100%	MEGA Limburg N.V.	yes
Megasnet III B.V.	Maastricht	100%	100%	MEGA Limburg N.V.	yes
Megasnet IV B.V.	Maastricht	100%	100%	MEGA Limburg N.V.	yes
Megasnet V B.V.	Maastricht	100%	100%	MEGA Limburg N.V.	yes
Enexis Hoogspanningsnetten	's-Hertogenbosch	--	100%	Enexis B.V.	

	Registered office	Equity stake held by Enexis Holding N.V. 31-Dec-2009	Equity stake held by Essent Network B.V. 31-Dec-2008	Structure of associate division of	Joint and several liability statement
<b>other associates</b>					
Energie Data Services Nederland B.V.	Arnhem	15%	15%	Enexis B.V.	
G.O.B. Euroservices B.V.	Heerlen	40%	40%	Enexis B.V.	
ZEBRA Gasnetwerk B.V.	Bergen op Zoom	67%	67%	Enexis B.V.	
Ziut B.V.	Arnhem	47%	--	Enexis Infra Products B.V.	
NV Stadsherstel Leeuwarden*	Zwolle	0%	0%	Activa Enexis Friesland B.V.	
Entrade Pipe B.V.	Tilburg	67%	67%	ZEBRA Gasnetwerk B.V.	
ZEBRA Activa B.V.	Middelburg	67%	67%	ZEBRA Gasnetwerk B.V.	
Stichting JOB center	Arnhem	N/A	--	Enexis Holding N.V.	
Stichting E-laad	Arnhem	N/A	--	Enexis B.V.	

\* Beneficial ownership transferred to Essent Nederland B.V.; legal ownership due to be transferred in 2010.

#### 48 Remuneration of the Management Board

For further details, see Note 32.

#### 49 Remuneration of the Supervisory Board

For further details, see Note 32.

#### 50 Events after the balance sheet date

No events occurred after the balance sheet date that might affect the company financial statements of Enexis Holding N.V.

# OTHER INFORMATION

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# AUDITOR'S REPORT

To: Annual General Meeting of Shareholders of Enexis Holding N.V.

## Report on the financial statements

We have audited the accompanying financial statements of Enexis Holding N.V., Rosmalen. The financial statements consist of the consolidated and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2009, the company income statement for the year then ended and the notes.

## Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion with respect to the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Enexis Holding N.V. as at December 31, 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

#### **Opinion with respect to the company financial statements**

In our opinion, the company financial statements give a true and fair view of the financial position of Enexis Holding N.V. as at December 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

#### **Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Maastricht, The Netherlands  
12 April 2010

Ernst & Young Accountants LLP

was signed by P.L.C.M. Janssen

# APPROPRIATION OF PROFIT

## Provisions in the Articles of Association governing profit appropriation

In accordance with the Articles of Association, the profit, insofar as not qualified as retained earnings, will be at the disposal of the Annual General Meeting of Shareholders (Article 36.2).

At least 70% (in words: seventy percent) of the profit achieved for the financial years 2009 and 2010 is required to be retained where available (Article 36.6).

## Proposed appropriation of profit for 2009

The income statement discloses a profit for the year of EUR 263.1 million.

Making allowance for the retained earnings requirement, profit is proposed to be appropriated as follows:

	<b>2009</b>
Profit for the year	263.1
Addition to General Reserve	184.2
<b>Proposed dividend distribution</b>	<b>78.9</b>

The proposed appropriation of profit has not been recognised in the balance sheet as at 31 December 2009.