



ANNUAL REPORT 2015



Creos Luxembourg S.A. Registered as a société anonyme (public limited company) under Luxembourg law with capital of EUR 198,851,260
Luxembourg Trade and Companies Register B 4513
Legal headquarters: 59-61 rue de Bouillon, L-1248 Luxembourg

Annual General Meeting of 10 May 2016
Reports presented to the annual general meeting of shareholders by the Board of Directors and the independent auditors
Reports and annual accounts for the 2015 financial year

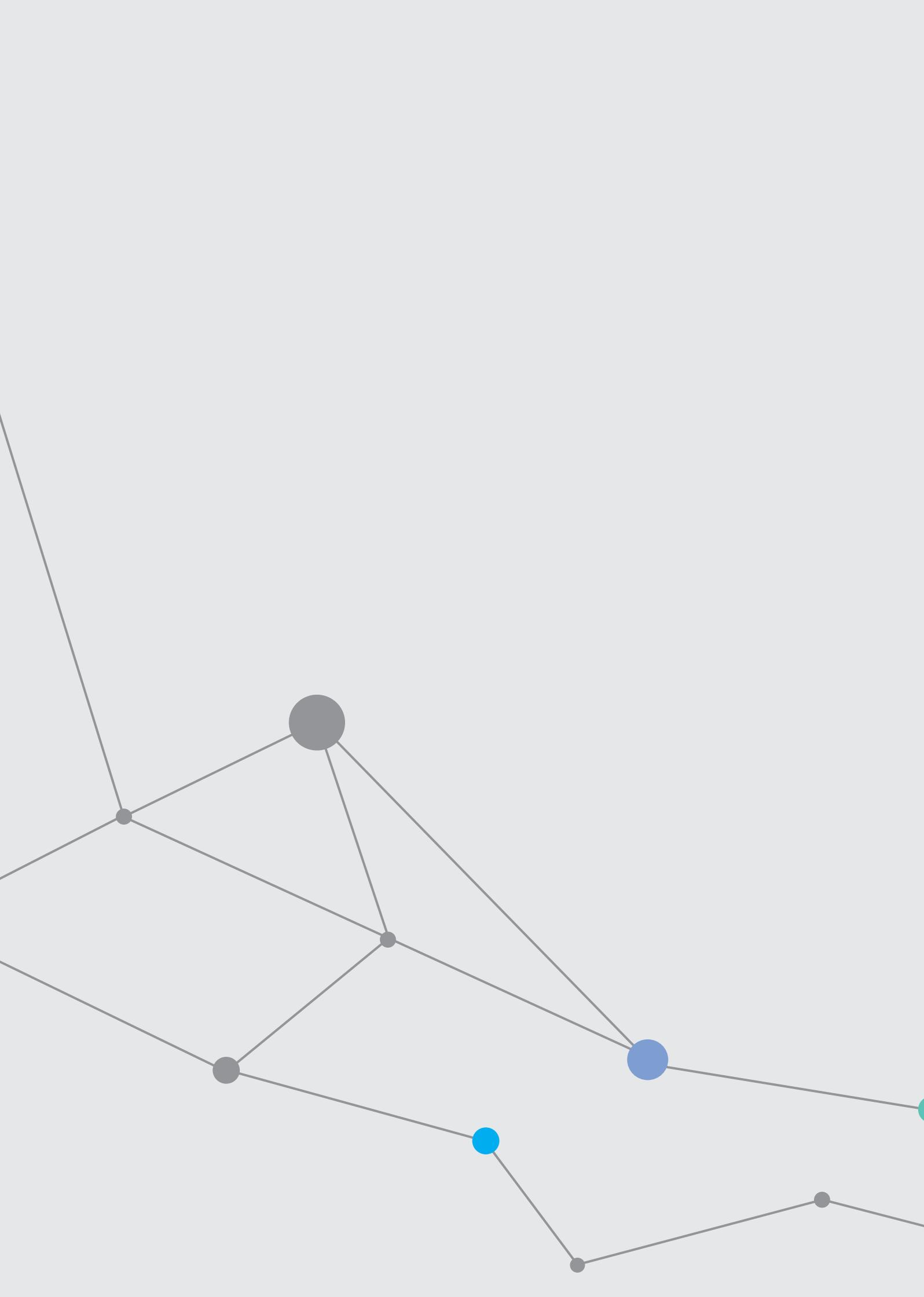
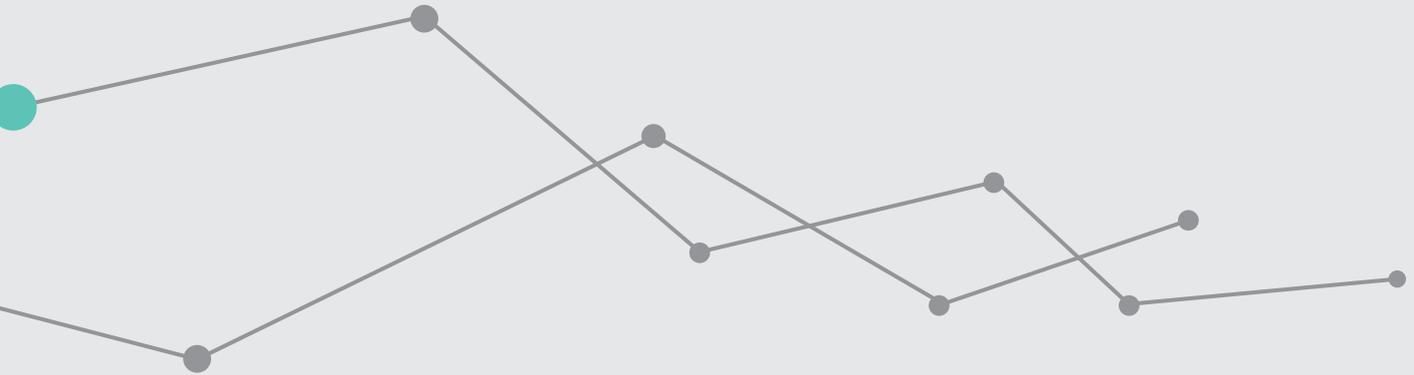


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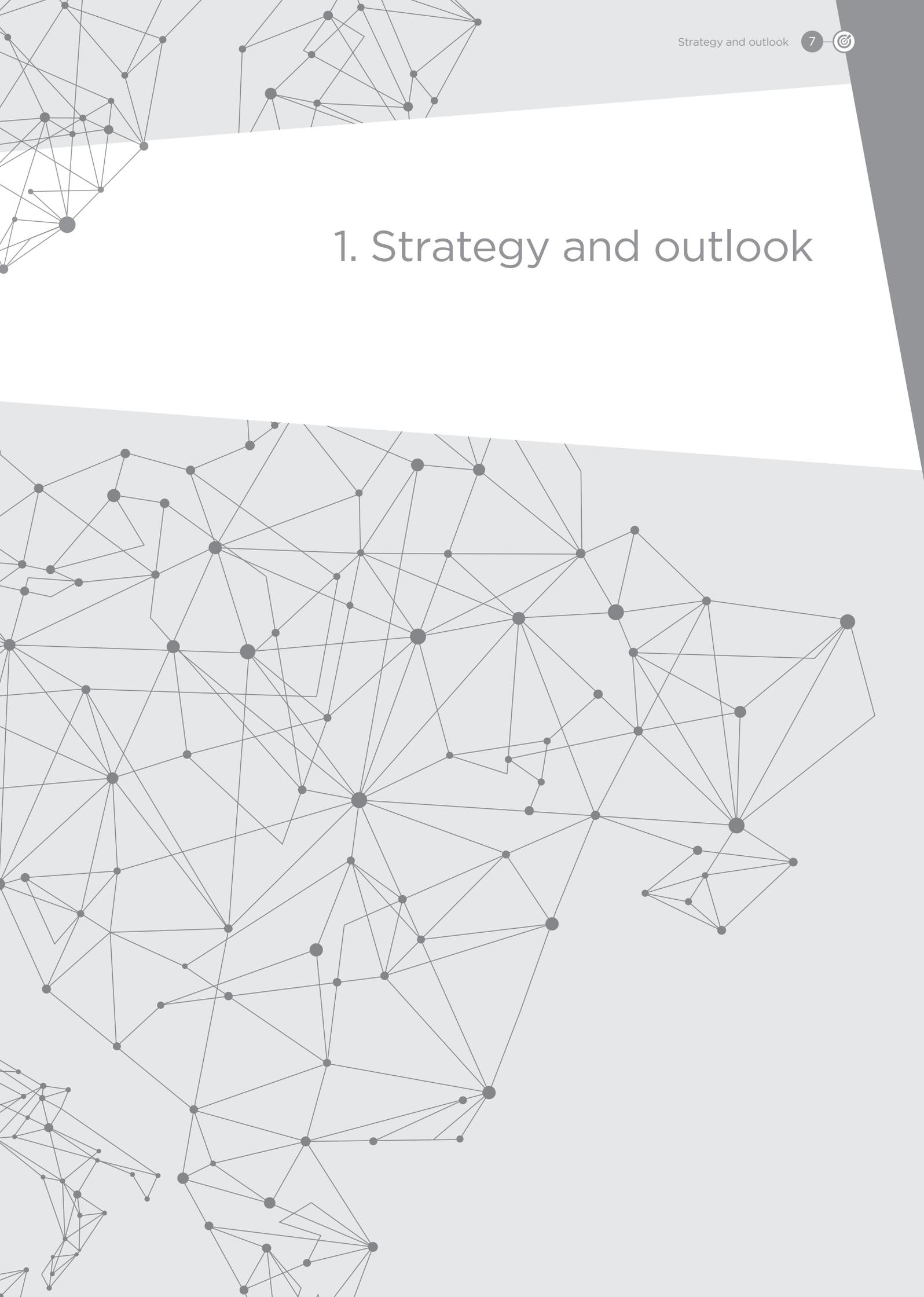
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1. Strategy and outlook



Interview with Mario Grotz, Chairman and Claude Seywert, CEO

The transition towards smart energy

AS PETROLEUM CONTINUES PUSHING ENERGY PRICES DOWN, THE CREOS LEADERSHIP DUO ADOPTS A SUNNIER OUTLOOK. VALUES, INVESTMENTS, RECOVERY, DEVELOPING NEW TECHNOLOGIES, AND INTEGRATED MARKETS ARE ON THEIR MINDS. ALL WHILE STAYING THE COURSE AMID MARKET REALITIES, MARIO GROTZ AND CLAUDE SEYWERT SHOW THAT THERE ARE NUMEROUS REASONS TO REMAIN OPTIMISTIC.

At Creos, values are often mentioned. How important are values really in managing the company?

Mario Grotz: Our values nurture us daily: our personnel's safety when confronting risks in managing key facilities nationwide for our country and its citizens go hand-in-hand with quality and commitment. Lastly, innovation is essential as we are in the midst of a transition towards new technology tools, i.e. "smart energy," and our networks must be cutting edge through Smart Grid digitising and technologies.

Claude Seywert: Creos employs more than 650 people, so it is essential that these values are communicated, shared, and everyone has the same vision in working towards the same goal.

Last year, you mentioned a nascent recovery. Did that materialise in the economic panorama in 2015?

C.S.: General energy market trends are currently less than promising, with energy prices tied to petroleum having lagged throughout 2015, putting pressure on all market players. At the same time, being a network operator, Creos is subject to legislation that has a stabilising effect on our results, and indeed at Creos, we're seeing improved earnings as a result of our investment programme. In terms of energy volumes, the recovery signs for

2014 have been borne out for electricity. Stagnation has characterised the gas sector, since globally volumes have declined. A slight uptick has been noted in the residential area, but it's essentially due to lower average temperatures than in 2014.

M.G.: The entire outlook for the energy market is highly hazy. No one would have believed petroleum would fall to such an extent, and that's what we must confront. We're looking at a huge decentralisation of networks, highly complicating the investment issue.

2015 was marked by climate change, with the COP 21 as an highlight. Are you feeling the impact of such changes?

C.S.: It's a little too soon to tell. There are of course energy efficiency directives that have begun to be felt. This is mostly visible in gas consumption where customer numbers continue to grow without volume increases, given that homes are increasingly energy efficient.

Regarding electricity, there are promising sectors such as ICT, tram construction, and, moreover, the widespread state introduction of electric vehicles. Consequently, demand is tending to grow despite all efficiency efforts. COP 21 above all will involve the retirement of large thermal plants, to be replaced with other production units, generating the challenge of adapting our networks to the new production terrain.



*“Our values
nurture us
daily.”*

Mario Grotz, Chairman



Do you already know how those plants will be replaced?

C.S.: Mostly with renewable energy, notably in Luxembourg, by increasing production from photovoltaic facilities and wind generators. These decentralised and highly weather-sensitive generators suppose to resolve the electricity storage problem.

M.G.: Following the results of the COP 21, a lot more political pressure is expected to favour renewable energy and energy storage. It's these questions that will shake things up, and consequently, we must invest more in research and development to respond. At present, technology is not yet optimal, however, large scale accumulators are already present in some companies. Hence there'll be major shifts on this front.

There are new synergies between Belgium and Germany. Does that foretell European market integration?

M.G.: The Commission has a clear policy aimed at integrating the energy market. Together with Belgium, Luxembourg has launched a pilot gas project to integrate our markets, and similar examples are trending.

C.S.: The disappearance of borders guarantees a more stable and reliable supply. Creos wants to play a role in that European integration plan. Indeed, we're well situated in this regard!

We've reached the end of the first regulatory term. The Luxembourg Regulatory Institute (ILR) has issued guidelines for 2017-2020. Are you happy with them?

M.G.: The methodology will be the same as the previous period, which is perfect for us. On the other hand, given the ECB interest rate, which is currently negative, the ILR is tending to lower its rates on investments, and that has direct implications on our abilities to invest. We've asked for an increase in the proposed ILR rates, and are impatiently awaiting the outcome.

C.S.: The debate surrounding network remuneration and attracting investment if rates are so low has also taken place in France, Belgium and Germany. All network operators are asking the same questions, and trying to make the regulator more responsive in this regard.

The Luxembourg electric vehicle public infrastructure regulation of 3 December 2015 defines the distribution network operators' responsibilities. In the last version, were there any changes that had an impact on your industries?

M.G.: Our teams will install 749 charging stations in 102 municipalities certainly impacting the organisation of their work. But we appreciate that the Ministry has entrusted this task to operators in general, because we can thus include it in our overall consideration of future smart networks. Moreover, electric vehicles are in fact becoming an additional business for us, the upshot being something positive.

Regarding other investments, what were your priorities in 2015?

C.S.: In 2015, it was clearly the Luxring project which is being continued through its operational start in 2016. Otherwise, we have invested in reinforcing the network as necessary. We have high demographic growth in relation to other countries, so we're always in the process of altering supply to meet demand. We have yet to discuss replacement of a large number of gas pipelines, some within the city of Luxembourg.

M.G.: Since 2013, we have invested more the 100 million annually in gas and electricity networks, which on the scale of the Luxembourg economy, is considerable! That benefits the entire economic picture, notably many small/medium-sized companies that create a lot of value.





***“Guaranteeing
a more stable
and reliable
supply.”***

Claude Seywert, CEO



Shareholder structure

Shareholder structure of Creos Luxembourg S.A. as at 31.12.2015

Enovos International S.A.	75.43%
City of Luxembourg	20.00%
State of the Grand Duchy of Luxembourg	2.28%
Fédération des Installateurs en Equipements Sanitaires et Climatiques (Federation of Sanitary and Air-Conditioning Equipment Fitters)	0.10%
42 Luxembourg Municipal Authorities	2.13%
Creos Luxembourg S.A. (own shares)	0.05%
Total	100.00%

Key figures

(under Lux GAAP)		2015	2014
Net turnover	(M€)	237.3	223.2
EBITDA	(M€)	125.6	117.3
EBIT	(M€)	67.0	65.3
Profit for the financial year	(M€)	67.9	67.5
Investment	(M€)	141.4	130.0
Workforce (average)*	(number)	663	650
Electricity			
Electricity flow	(GWh)	4,919.4	4,832.8
Electricity network peak	(MW)	786.0	774.2
Network length	(km)	9,556.9	9,464.1
Number of electric meters	(LV-SLP) (MV-RLP)	256,594 9,563	248,601 7,868
Natural gas			
Total gas network capacity	(Nm ³ /h)	319,000	275,289
Gas network peak	(Nm ³ /h)	257,945	244,600
Volume transported	(GWh)	9,938	10,895
Network length	(km)	2,026.7	1,992.2
Natural gas meters	(number)	45,082	43,947

* including workforce of the City of Luxembourg made available to Creos Luxembourg S.A.

The financial year corresponds to the calendar year.



Mission

Our mission is to viably ensure energy transportation and distribution via electricity and natural gas networks at transparent rates in the Grand Duchy of Luxembourg.

This role is executed equally with respect to all suppliers and by respecting the company's public service and environmental protection obligations.

Corporate governance

Board of Directors of Creos Luxembourg S.A. as at 31.12.2015

Chairman and Managing Director

Mario Grotz

Vice-Chairman of the Board

Benoît Gaillochet¹

Members of the Board

Sasha Baillie	Julien Kohnen	Claude Reder	Claude Seywert ²
Eric Bosman	Pierre Kremer	Patrick Reder	Anne Van Goethem
Manfred Fess	Thierry Kuffer	Michael Reuther	Marco Walentiny
Stephan Kamphues	Paulette Lenert	Christiane Schaul	
Lex Kaufhold	Alain Nicolai	Jean Schiltz	

Government Commissioner for Energy

Tom Eischen

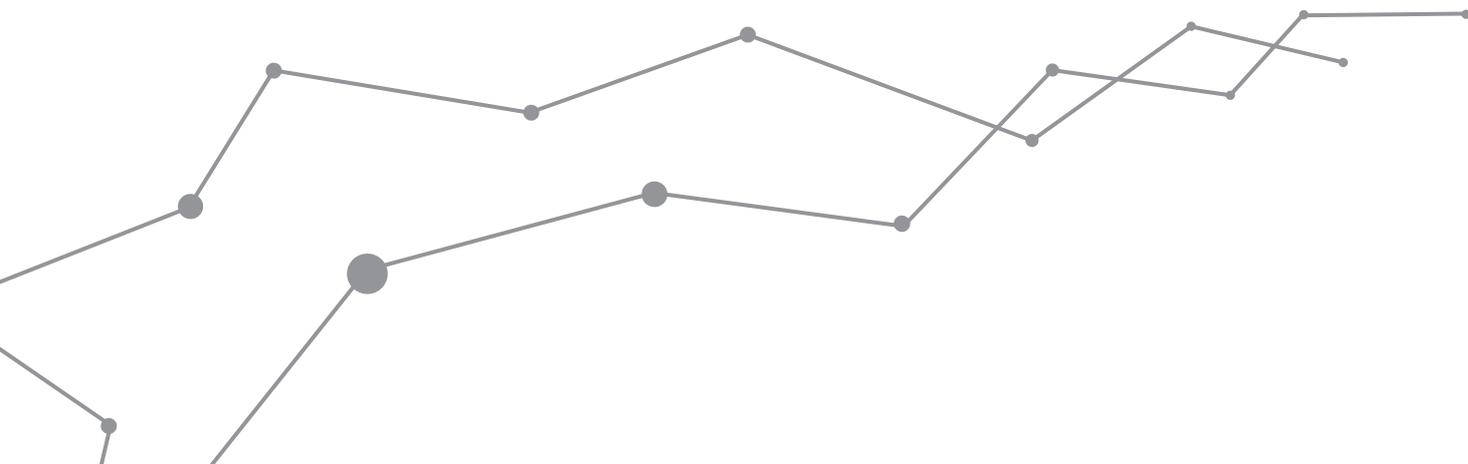
¹ Permanent representative of the director AXA Redilion ManagementCo S.C.A.

² Claude Seywert took over as Managing Director and CEO from Romain Becker with effect from 1 August 2015

Compliance Programme Officer

In accordance with the amended laws of 1 August 2007 on the organization of the electricity (Art. 32(2)d)) and natural gas markets (Art. 37(2)(d)), any grid operator which is part of a vertically integrated structure must establish a compliance programme including measures to guarantee that any discriminatory conduct with regard to actors in the markets in question (producers, suppliers, network clients and users, etc.) is excluded. As such, a compliance programme has been developed and has been published on the Creos Luxembourg S.A. website.

A person has been appointed in this respect to take responsibility for monitoring the implementation of the compliance programme, known as the "Compliance Programme Officer", or more simply "Compliance Officer" (currently Ms Bernadette Coolens). The officer makes a report each year which is submitted to the Institut Luxembourgeois de Régulation. The report is subsequently published by Creos Luxembourg S.A. on its website.



Management of Creos Luxembourg S.A.



Claude Seywert
is the Managing Director and CEO of Creos Luxembourg S.A.



Marc Adler
is in charge of the *Asset Service* department. He is also responsible for the Operation Centres, the Documentation, Project Management, Connections and Contracts units.



Carlo Bartocci
is in charge of the *Grid Operations* department, i.e. gas and electricity Dispatching, the Scada/Communication Infrastructure service and the Smart Grid unit.



Robert Graglia
is responsible for the *Grid Support* department, which heads the Metering and Reading service and the Back Office.



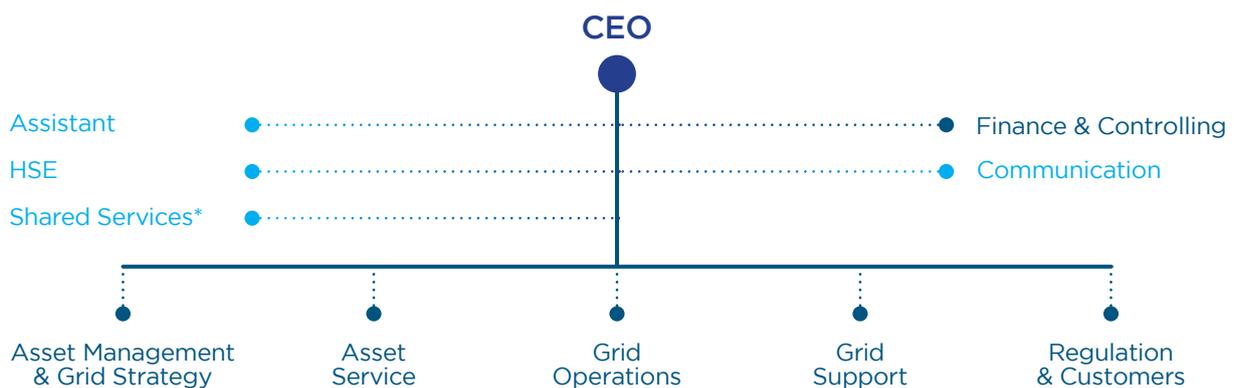
Eric Mauer
is responsible for *Finance & Controlling* as well as the Legal and Purchasing departments.



Marc Meyer
is in charge of the *Asset Management & Grid Strategy* department, and is also responsible for network strategy and international relations.



Alex Michels
heads the new *Regulation & Customers* department, along with the Front Office, Business IT and Special Projects units.



* Provided by Enovos International S.A.:

Accounting, finance, tax / Internal audit / Risk management / IT / Human resources / Facility management

Highlights 2015

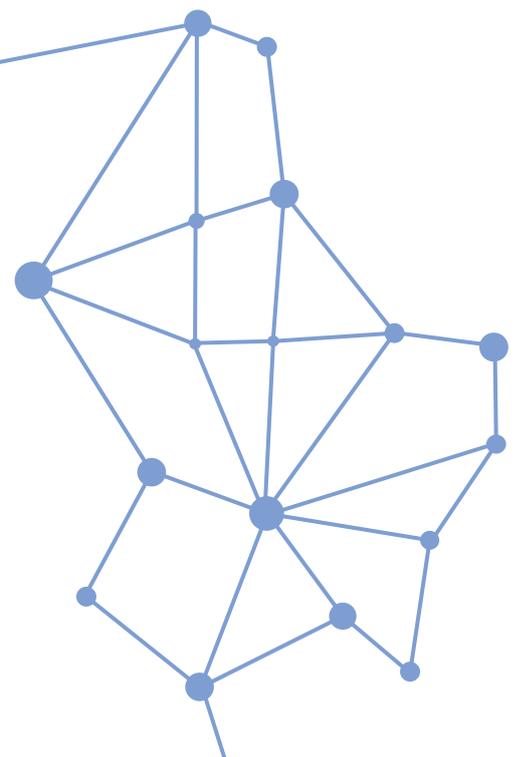


CLAUDE SEYWERT, NEW CEO OF CREOS LUXEMBOURG S.A.

Claude Seywert was appointed CEO and Managing Director of Creos Luxembourg S.A. on 1 August 2015, taking over from Romain Becker. Claude Seywert holds a physics degree from ETH Zurich and an aeronautics degree from the California Institute of Technology (USA). He started his career in Germany, in strategic consulting, before joining the group management control at Arcelor in 2002. Subsequently, with the creation of ArcelorMittal, he became executive assistant to a member of the new group's Executive Board, before taking on operational responsibilities in France. At the end of 2012, he joined Creos as Head of Development and Strategy.

CONSTRUCTION OF THE TETRA NETWORK

The construction of a proprietary digital telecommunications network is a key component of the company's strategy, and is intended to secure its supply at all times. A comprehensive communication solution has been put in place covering 2,586 km², i.e., the whole of the Grand Duchy of Luxembourg. Fifty six sites have been identified and fitted with antennae to handle voice communications, and over 2,800 modems are to be installed at the medium-voltage substations so that data can be transmitted using the SCADA control system. The technology deployed will play a major role in the implementation of "Smart Grid" intelligent networks. This project has won plaudits from the specialist press on several occasions.



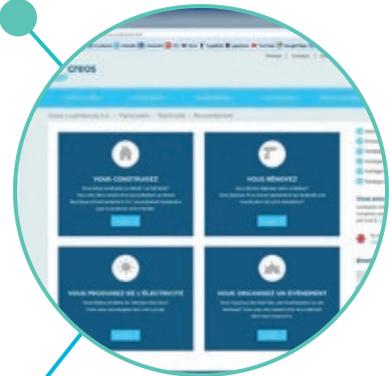


LUXRING

To meet Luxembourg's future electricity requirements and to secure its supply, Creos continued with the construction of a 220 kV loop around Luxembourg City in 2015. Comprising two high-voltage power lines linking Heisdorf in the north with Itzig/Bloeren in the south-east and Berchem in the south, the Luxring project will cost EUR 80 million and will double the electricity transport capacity between the north and the south. To protect the environment, Creos has favoured underground infrastructures, with 18 km of underground electrical cable and just 17 km of overhead power lines.

NEW ELECTRICITY AND GAS CONNECTION PROCEDURES

To improve its service to its customers, Creos has given its procedures for connecting to the electricity and natural gas grids a complete overhaul. The implementation of the Connect+ project has harmonised and streamlined all connection requests. The Creos website has been revised, and now provides a clear, step-by-step explanation of how to apply for or change a connection to the distribution grid.



DELIVERY OF 220/65 KV TRANSFORMERS TO THE ITZIG/BLOOREN SUBSTATION

As part of the Luxring project and the construction of the new high-voltage shielded substation at Itzig/Bloeren, two giant 220/65 kV transformers were delivered in January 2015 to Bech-Kleinmacher by inland waterway. Built in Italy by Tironi, each transformer weighs almost 140 tons and is over 8 metres long. The Itzig/Bloeren substation will supply the Kirchberg, Gasperich and Findel districts, as well as the south-east region of Luxembourg.



INSTALLATION OF A PST AT THE SCHIFFLANGE SUBSTATION

As part of the integration of the energy markets, Creos built a PST (Phase Shifting Transformer) in 2015 at its Schifflange site to create a new 220 kV interconnection with the Elia substation in Aubange, Belgium. This interconnection with the Belgian grid is a flagship component of Creos's investment programme intended to strengthen its grids in line with foreseeable changes in demand.



BELUX - EUROPE'S FIRST INTEGRATED GAS MARKET

On 1 October 2015, Creos Luxembourg and Fluxys Belgium launched the very first integrated gas market involving two EU Member States.

This merger, the result of extensive cooperation dating back to 2013 between Creos Luxembourg, Fluxys Belgium and their respective regulators, the Institut Luxembourgeois de Régulation (ILR) and Belgium's Commission de Régulation de l'Electricité et du Gaz (CREG), is very much in line with the EU's desire to create an internal, borderless gas market where gas supplies can circulate freely between all member countries.



PURCHASE OF A NEW SITE AT RUE NICOLAS BOVÉ

Creos has bought a 2.8 hectare plot of land for construction of its new headquarters and Luxembourg City operations Centre. Located between Rue Nicolas Bové and Rue de Strassen in Luxembourg-Merl, the site will open in 2020 and will house over 300 staff in three buildings.



COMMISSIONING OF THE 65/20 KV SHIELDED SUBSTATION AT EHLERANGE

The new 65/20 kV shielded substation at Ehlerange came into service in the autumn of 2015. To ensure that its transformer substations successfully blends in with the environment, this GIS (Gas Insulated Substation) is housed in an ultra-modern design that uses natural ventilation techniques to cool the transformers.



ELECTROMOBILITY: GOVERNMENTAL REGULATION

The publication in the Mémorial in December 2015 of the Governmental regulations on the public infrastructure relating to electromobility, sets out the government's preferred *modus operandi* in this area. Two types of charging stations will be installed in Luxembourg, namely 3 kVA 'normal' mode and 22 kVA 'accelerated' mode.

Creos will install a total of 749 charging stations in 102 municipalities (communes).

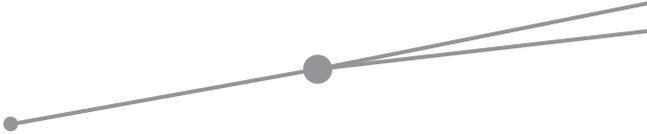
The first 300 stations are scheduled for roll-out starting in March 2017.

Report

Innovation, at the heart of our strategy

TECHNIQUES ADVANCE, SO DOES CREOS. AS A NETWORK OPERATOR, RESPONSIBLE FOR THE NATIONWIDE ENERGY SUPPLY TO THE COUNTRY'S CITIZENS AND BUSINESSES, WE HAVE THE DUTY TO CONTINUOUSLY INNOVATE IN ORDER TO MAINTAIN OUR HIGH STANDARDS OF QUALITY. HENCE, WE CAN MEET FUTURE CHALLENGES.

Prioritising intelligence



The 'smart' nature of networks focuses attention in terms of development. Extending electrical and gas networks through a communication network. This communication enables electricity and gas supply flow monitoring, formerly static but liable to become ever more variable and unpredictable in the future. "Historically, networks were smart in terms of overall flow, but now we've spread that intelligence into the grid, for supplying end users," summarises Robert Graglia, Head of Grid Support. That "Smart Grid" technology will optimise energy production, distribution and consumption. Indeed, it connects supply and demand between electricity suppliers and consumers more efficiently. "Smart grids enable greater loads to be assumed by exploiting them much more efficiently. The system will cover peak times with lower demand ones, redirecting loads for usage at opportune times," stipulates Yves Reckinger, an engineer at the Smart Grids Division.

Developing smart grids is consistent with developing smart meters. Intelligent metering is the launching point toward a better harnessed energy market. It will allow the introduction of more flexible rates that are better adapted to customer tendencies.

"As of 2019-2020, everyone will have their own smart meter," says Reckinger. "Currently, we are implementing a data collection system and finalising the smart metering IS. On site physical implementation will begin in the summer of 2016. We are investing 60 million in intelligent metering and the Ministry's business plan provides for system profitability to return upstream in 12-15 years."

Certainly smart metering technology is conceived to guarantee secure data transmission end-to-end, both in terms of IT security and of confidentiality. The plant operated by Luxmetering G.I.E. collects data but cannot link it with metering values and the customer, as the information managed by Luxmetering G.I.E. is limited to the meter number and excludes the customer name.

Only the network operator and customer vendor know the meter/customer correlation. Algorithms used to encrypt data and authenticate equipment are secure state-of-the-art communication technology.



“Regarding Smart Grids, the innovative outlook is infinite.”

Robert Graglia, Head of Grid Support



One of the advantages digitising is offering is greater transparency regarding the grid situation, enabling action or reaction faced with unforeseen events such as outages or overloads. This gives customers a better guide on their consumption and allows them to reduce it through better monitoring.

“Regarding Smart Grids, the innovative outlook is infinite,” concludes Graglia. “This will always continue.”

“As of 2019-2020, everyone will have their own smart meter.”

Yves Reckinger, Manager Smart Grids

The importance of Contern

With a successful transition in sight toward smart metering, Creos has prepared to move its metering unit from Mersch to Contern. Thirty-five people will work at the new site, which will be the nerve centre of the smart system, a centre of expertise for gas and electricity metering in a modern context, entirely secure pursuant to the most exacting standards. Creos will assemble all its metering facilities there. *“Contern will be the stepping stone for the smart meter,”* Laurent Hoffmann enthuses, the Metering Services Manager.

In 2015, Creos took all necessary steps to be able to become ISO 17025 certified for volume calibration converters, the measurement equipment for gas volume, temperature, and pressure in providing standard volumes. ISO 17025 sets general professional requirements for conducting experiments and/or calibration, including sampling. A viability guarantee of tests done in Creos laboratories. *“We were certified for electric meters, so it is an extension for the converters. We passed the audit and are only awaiting official word from the OLAS Accreditation Committee.”*



The Contern site will be supplemented by a fully climate-controlled building and a completely new calibration bench, all of which will expand our gas meter certification programme.

In the electricity area (mainly smart meters), the company is investing also in a skills centre for smart metering to test smart meters and their functionalities, metrology being no longer sufficient.

“We must test each new version of the global system in detail before deploying it directly with our customers. The smarter the meter becomes, with an increased number of functionalities, the more rigorous we need to be during this testing,” explains Laurent Hoffmann.

Creos will also house Luxmetering G.I.E. in the same building, a great plus for implementing the new meters.

“Contern will be the stepping stone for the smart meter.”

Laurent Hoffmann,
Manager Metering Services



TETRA & DLR: Increased speed and capacity

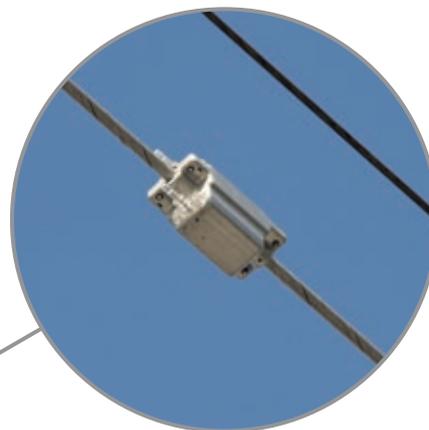
In terms of significant innovations, and on the subject of smart grids, the TETRA network commissioning should be mentioned. It's a digital mobile radio system, to be used by field staff to coordinate and execute manoeuvres in the grids and certainly in response to urgent incidents.

As the system is very resilient, it will also be used for crisis communication purposes respectively when public telecom operator will not be available. The system relies on 56 base stations, scattered across the country and connected to our fibre optic network, and runs autonomously up to 72 hours, even during blackouts.

"Moreover, TETRA provides us the opportunity to connect all our medium-voltage stations to back-haul information from these stations in real time system to our SCADA system which is used to manage the power grid. It will thus facilitate decision making by the operator, and in case where the substations are remotely controlled outage times can be substantially reduced," says Carlo Bartocci.

It's an important innovation that will spread over the next decade: five years to connect all the medium-voltage substations and five more for the system to become completely automated.

In its strive to investigate new technologies, Creos acquired shares in Ampacimon, a spin-off of the the University of Liège, which has developed a technology called "dynamic line rating" (DLR), enabling real time power capacity management over high voltage lines. This technology can increase the permissible power capacity by 10 to 15%. *"In general, we use minimal capacity. DLR will enable us to use the maximum line capacity and increase cost and efficiency savings. Based on the given nominal capacity of the electrical line and the meteorological conditions (wind, temperature, rainfall) the DLR system will calculate the maximum usable capacity of the line while still respecting all safety regulations (i.e. the sag of the line)."*



"DLR is a significant step in increasing the interconnection capacity of the power grid."

Carlo Bartocci,
Head of Grid Operations

Human resources

Values nexus



Chantal Feilen,
HR Business Partner

Gilles Breuer,
Head of Human Resources



LOYALTY, COMMITMENT, SAFETY, OUTLOOK: AT CREOS, WE ARE EVER MINDFUL ABOUT THE QUALITY OF OUR HUMAN RESOURCE MANAGEMENT. ALL COMPANY VALUES MERGE AT THAT NEXUS IN SUPPORT OF EVERYONE'S WELL-BEING.

Group growth and the emergence of new technologies has considerably diversified our occupations and profiles within Creos. In a sector that's ever more complicated by many current and future hurdles, the company is counting upon a committed, motivated, and well-trained workforce and that regardless of their field: first of all technical areas, ranging from gas and electricity specialists to cross-cutting functions such as construction or project managers, engineers, maintenance technicians, but also administrative areas such as procurements, accounting, management oversight, legal, IT, and HR. *"This diversity is characterising our evolution,"* says Chantal Feilen, HR Department Business Partner. *"And we are aiming at future jobs such as data experts or automated engineering technicians."*

Gilles Breuer, Head of Human Resources, insists on the primacy of training and mentoring. *"Newly arrived young electricians are provided expansive orientational training throughout their first year within the company. Moreover training plans are set annually to ensure that they acquire and/or complete essential technical capacities in their occupations, and at any point can consult an internal, more senior mentor to help them quickly integrate themselves within their team."*

All told, that adds up to 25 hours of training per employee, per year, within the company with a special focus on "smart" technologies. It's essential to confront current and upstream challenges.

"We are counting on manager availability and proximity to guide colleagues in accomplishing their missions and providing direction in their decisions. The value of the commitment is firstly a management issue, living our shared values daily, providing a vision, informing, and listening. Managers set realistic and realisable goals, consistent with our developmental targets. We take into account every colleague's aspirations and offer them training and appropriate developmental targets. And of course we push internal mobility," explains Chantal Feilen. Thus, every vacant position is first advertised internally prior to external recourse.

Continuous training is one of the company's priorities, so key training areas such as safety - representing 60% of all instruction - and quality, but also team management (implemented in 2014 with Curriculum Management, a series of 7 modules for all managers providing them with more effective key team management skills) is emphasised. *"A training catalogue directed to staff development was also completed for all personnel to allow everyone to more easily find occupation-appropriate training but with an eye toward the future - internal transfers, professional development, etc.,"* Gilles Breuer states.

In 2015, Creos recruited 56 new employees, 20 more compared to the previous year. While they are mostly from Luxembourg, 9 other nationalities are represented as well. The company's bedrock specialisation, electricity, has 514 employees while the gas area has 158 at year-end.

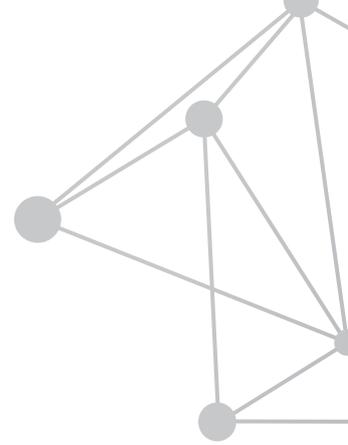
The company's attractive work environment has reaped its rewards:

"It's quite fitting that our company has one of the strongest employee retention rates nationwide",

concludes Gilles Breuer.

Health and safety

Safety first!



AT THE HEART OF CREOS'S MOST IMPORTANT VALUES, SAFETY IS ESPECIALLY PREPONDERANT. MANY EMPLOYEES DIRECTLY OR INDIRECTLY CONFRONT RISK IN THEIR DUTIES, AND IT'S ESSENTIAL THAT THEIR SAFETY IS ENSURED.

Certainly there are health-related regulations in place to protect everyone. And the HSE Department, led by Christian Bour, oversees their implementation. Its role? Taking all necessary steps to protect the health and safety of all staff. This starts with being well-informed, by understanding the law and regulatory aspects, and then transmitting that knowledge to employees through clear warnings and routinely scheduled technical training. *"I am quite lucky to be supported by a team of three motivated individuals, each with special skills: gas network, electricity grid, equipment security, first aid, evacuation procedures, prevention drills,"* enthuses Bour.

Health, a preoccupation

This undertaking serves to convince all Creos employees to adhere to the 'safety' value. Investing in prevention to preserve health makes the company much more efficient through time saving and motivation provoked by that focus on everyone's well-being.

To be mindful of risks, they must be well-understood! Various potential dangers are constantly being assessed, position by position, task by task, with a special focus on what are considered 'risky jobs.' This occurs through constant observance of warnings. Internal training is essential, with certificates issued afterwards. There are specific training programmes for each position and occupation.

In 2015, 464 safety training certificates were issued. But moreover, every company employee can find safety memos relating to their position on the company intranet. And twice annually, the HSE Department organises a safety conference, geared to 'risky jobs' but open to all. Accidents which occurred are revisited, with analyses of the circumstances, how they could have been avoided, in the context of open debate. *"We have 672 employees, 359 of whom are in 'risky jobs'. These employees have duties that may put them in danger along with colleagues or third-parties (customers, subcontractors, bystanders, etc.) Contrary to what might be assumed, the riskiest circumstances are transportation-related, covering 24% of accidents during 2015".*

Professional recognition

In 2015, the Accident Insurance Association recognised Creos as a training entity qualified to provide electrical certification preparatory training. Being among the list of recognised trainers is a legitimate source of pride, as this only comes through compliance with the strictest rules and criteria issued by the Association. Nearly 30 employees received electrical certification in 2015 and 6 became gas experts. The next phase will focus on traction vehicle driving certification.



***“Prevention
is better
than cure.”***

Christian Bour,
Head of HSE



Work-related accident severity rate

During 2015, Creos documented 46 accidents. Of those, 32 were minor and 14 resulted in over 3 days absence from work. The main causes were travel-related (24%), falls (18%), and tool-related injuries (15%). The rate of serious accidents at Creos was 0.5%, corresponding to the maximum goal set for 2015. The definition of that rate is the relationship of lost calendar days to the total productive (working) hours multiplied by 1,000.

Breakdown of number of accidents reported monthly

	Accidents notified per month												Total
	J	F	M	A	M	J	J	A	S	O	N	D	
Creos Luxembourg S.A.	7	2	5	7	3	4	5	1	3	2	3	4	46

Corporate social responsibility (CSR)



Aware of the economic, social and environmental issues at stake, Creos has a long-standing commitment to the principles of sustainable development. The Corporate Social Responsibility policy is focused on the company's mission and values, and aims to make an effective contribution to changing the society we live in. The cornerstones of the day-to-day work of the company are commitment, quality, safety and innovation.

Staff training in general, and in the field of health and safety at work in particular, is fundamental for Creos. Even though there is no such thing as zero risk in the electricity and gas industries, the company strives to optimise its working procedures, and readily employs the latest safety technologies to reduce accidents at work.

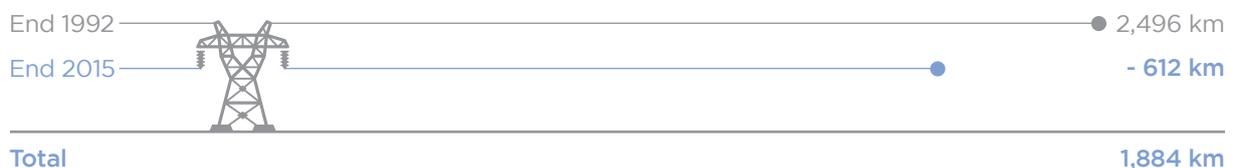
When replacing power lines and installing new systems, Creos makes a special effort to bury networks in local communities and their surrounding areas. This work, which is designed to protect nature, is often carried out in close collaboration with state and municipal authorities.

Creos now has 94.6% of its low-voltage power lines and 69.2% of its medium-voltage lines underground, representing over 7,500 km or more than three-quarters of the network, a level of performance which exceeds European standards.

Creos has always been concerned that its facilities should be integrated effectively with the environment. Today, for example, new high-voltage transformer stations are all gas-insulated substations. At the leading edge of technology, these are discreet and compact, with a footprint of only one-fifth of the traditional outdoor substations, and are landscaped to blend in with the scenery. Low- and medium-voltage substations within the boundaries of local communities are today constructed exclusively as shielded substations with stone walls, or prefabricated concrete or steel structures, or are directly integrated into a building. Creos substations comply with all safety regulations to ensure optimal protection in the event of fire, unauthorised access or bad weather. Accordingly, sites housing transformers are soundproofed and have a leak proof tank to recover the oil in the event of a leak. The substations have surveillance cameras directly connected to the Dispatching.

Live working has become an essential approach for meeting the needs of industry, SMEs and individuals as fully as possible, providing a means of optimising network operation and avoiding inconvenient outages for clients. Today, this technique is used for numerous interventions on electrical installations.

Total length of overhead lines





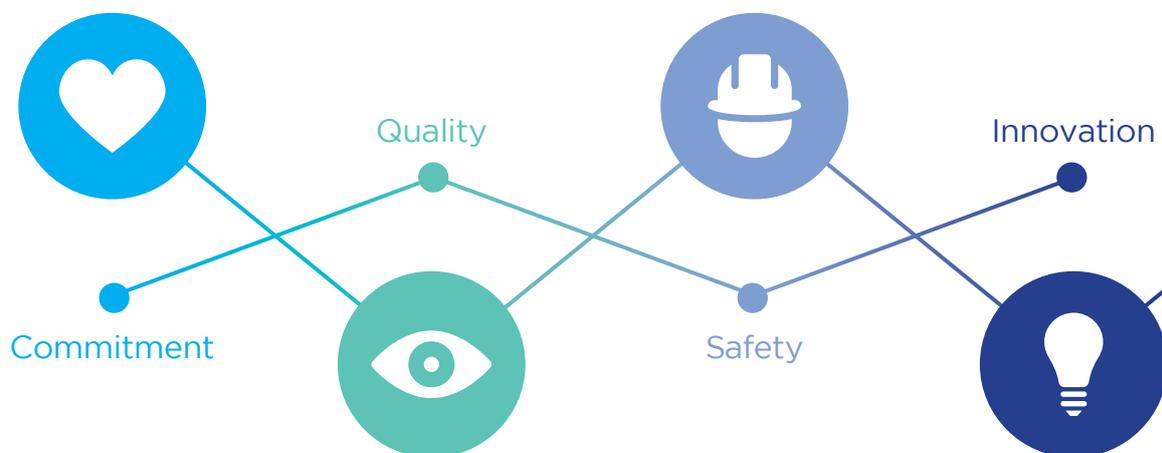
Creos also works abroad. For example, after the 2010 earthquake in Haiti, Creos decided to undertake an electrification project in the area around Café Lompré. In joining forces with Objectif Tiers Monde (OTM), Creos found a professional, effective partner who has worked exclusively in Haiti since 1985. Today, Creos maintains its commitment by providing cable and electrical supplies. Every year, a team of volunteers arrives on site to make their skills available to this rural community.

Creos's CSR strategy is an integral part of the strategy of the Enovos Group¹, which is based on six commitments:

- 1 Business ethics and transparency
- 2 Sustainable investment
- 3 Staff employability development
- 4 Health and safety
- 5 Environmental impacts reduction
- 6 Commitment to local communities

In November 2015, Creos was recognised as a 'Socially Responsible Business' by the INDR (Institut National pour le Développement Durable et la responsabilité sociale des entreprises - Luxembourg's National Institute for Sustainable Development and Corporate Social Responsibility), formally acknowledging its efforts in CSR.

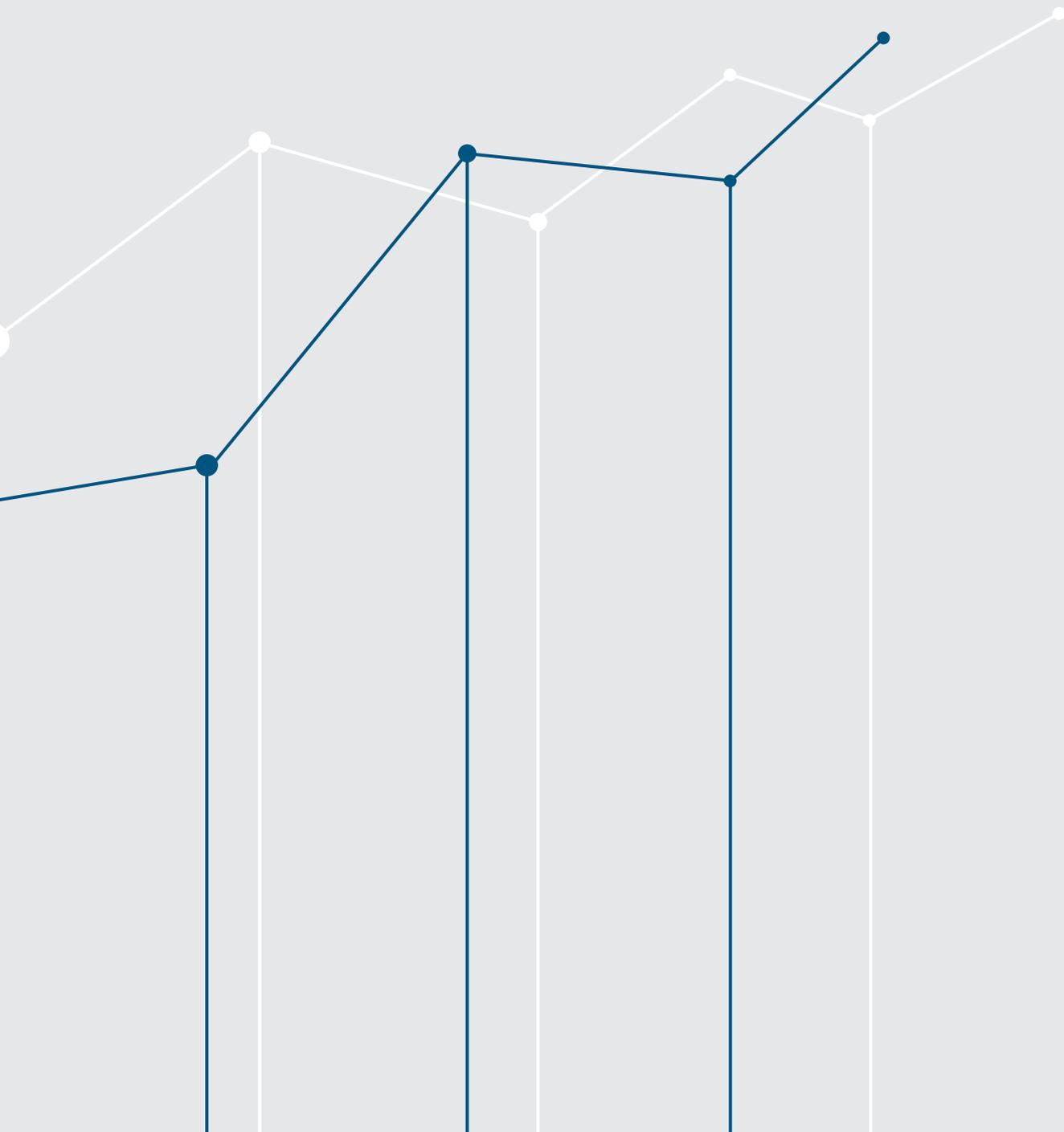
Values



¹ The full CSR report for the Enovos Group is available on the website at creos.net

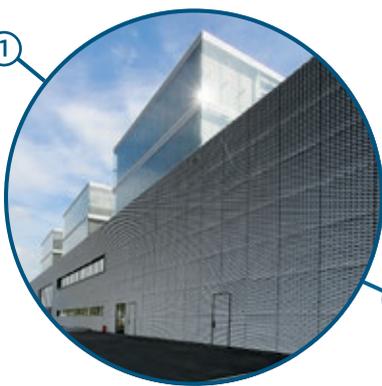
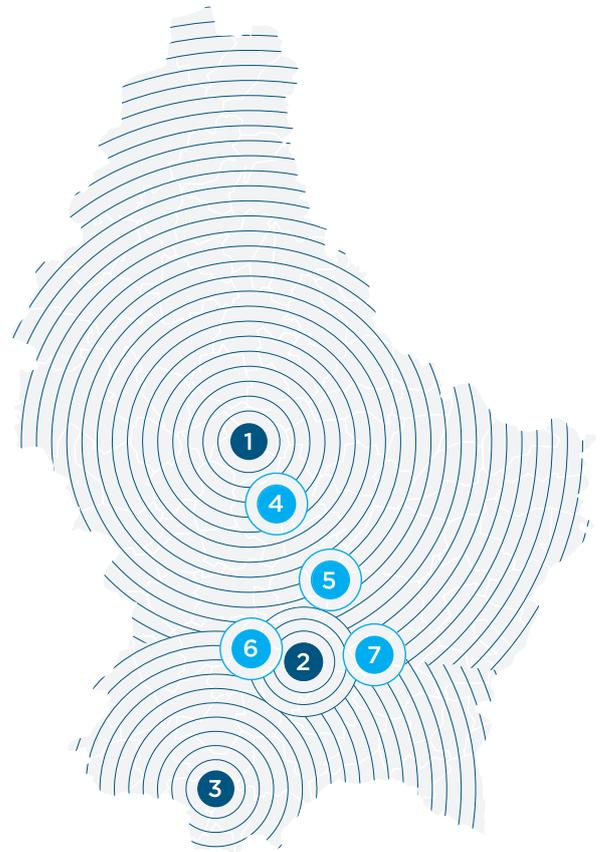


2. Activity



Operation Centres

Creos has three regional Centres which deal with construction, operation, maintenance and repair of electricity and natural gas networks. Their locations ensure flexibility and a rapid reaction nationwide, 24/7.



1 ROOST

The Roost Centre is in charge of the electricity and natural gas networks in the central and northern regions of the Grand Duchy. It covers the high, medium and low voltage electricity services and the medium and lower pressure natural gas services. The central warehouse and mechanical and electrical workshops are also housed in this ultra-modern complex.

2 LUXEMBOURG-VILLE

The Luxembourg City Centre (electricity and natural gas) covers the highly populated areas of the capital and the nearby municipalities of Strassen and Hesperange.

3 SCHIFFLANGE

The Schifflange Centre is responsible for electricity networks and infrastructures in the south of the country, and monitors the high pressure natural gas network at national level.

OTHER SITES

4 MERSCH

Creos's Metering Service is based in Mersch, and is tasked with monitoring and adjusting meters, an area which is growing rapidly with the introduction of intelligent meters.

5 HEISDORF

Dispatching for electricity and natural gas together with the monitoring rooms for remote network control and management are installed at the Creos facility in Heisdorf.

6 STRASSEN

The company's headquarters is in Strassen.

7 CONTERN

The facility in Contern will open its doors in 2016.

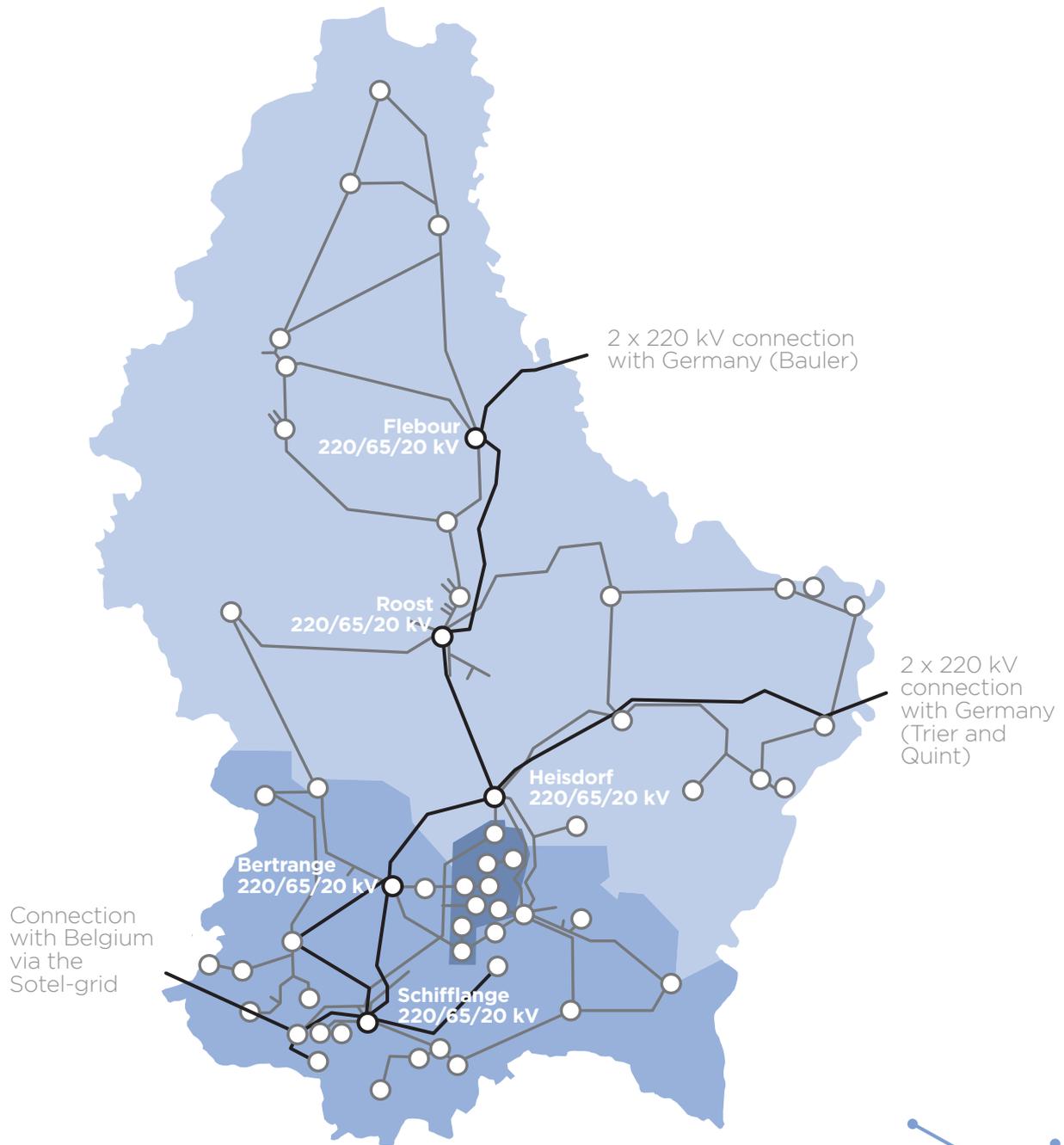




The background of the page features a sunset sky with soft orange and pink hues. Several black power lines stretch across the upper half of the image. Overlaid on these lines are two network diagrams: one with white nodes and lines on the left, and another with blue nodes and lines on the right. The bottom half of the image shows a wide, flat field of brown earth, possibly a plowed field, with a line of green trees in the distance under the same sunset sky.

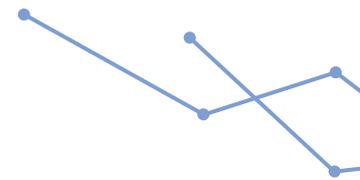
Electricity

The electricity transmission grid



— 220 kV-grid

— 65 kV-grid





Technical activity

Projects completed on the 220 kV grid during 2015

Creos is required to maintain and develop an electrical infrastructure capable of meeting the energy requirements of a steadily growing population and of a cutting-edge, state-of-the-art industry that is stringent in its demands for quality of supply.

220 kV ring around the City of Luxembourg

The laying of the 220 kV line, in underground and overhead cables, of the sections between the 220 kV Heisdorf-Trier line, the existing substation in Berchem and the future 220/65/20 kV substation at Itzig/Blooren are being finalized.

Finalization work is continuing on the new 220/65/20 kV transformation and distribution substation at Itzig/Blooren.

220 kV Luxembourg - Belgium interconnection

With the aim of securing Luxembourg's electrical energy supply and tapping directly into the energy markets, Creos is partnering with Belgian grid operator Elia to construct a new tie-line from Elia's substation in Aubange (B).

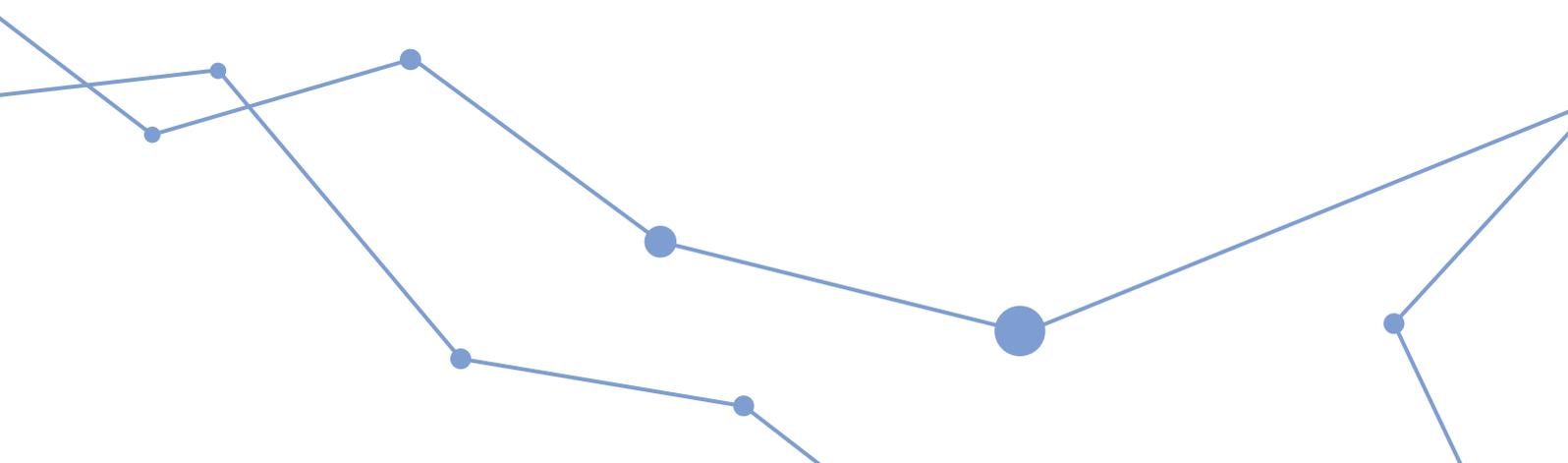
This is in addition to the two existing tie-lines from Germany, and will be implemented in two phases, namely:

- pre-intermediate: installation of a 245/245 kV phase-shifting transformer (PST) in the arrival span line to Twinerg at the Schiffflange 220 kV substation;
- intermediate: switching of the 245/245 kV phase-shifting transformer on the line to Bascharage-Aubange (B) and inclusion of the Twinerg power station in Creos's 'Schiffflange-Oxylux-Schiffflange' ring.

The groundwork for the installation of the 245/245 kV PST is under way, with the technical go-live of the first phase scheduled by the end of 2016.

Negotiations are also on-going with industrial grid operator Sotel with a view to optimising Sotel's existing assets as part of the tie-line project.

As regards the long-term solution, analyses and negotiations are continuing with Elia and Amprion.

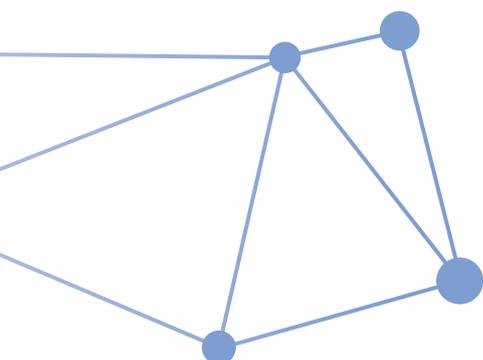




Evolution of the electricity grid

			2015	2014
Transformer substations	220/65/20 kV	(number)	6	6
	65/20 kV (65/5 kV)	(number)	48	45
	20,000 to 400/230 V	(number)	2,547	2,524
High-voltage lines	220 kV ¹	overhead (km)	122.4	122.4
		underground (km)	7.1	7.1
	Total 220 kV (km)		129.5	129.5
	65 kV 1-phase	overhead (km)	214.8	214.8
		underground (km)	24.3	24.3
	65 kV 2-phase	overhead (km)	186.8	187.1
underground (km)		25.8	25.8	
Total 65 kV (km)		451.7	452	
Medium-voltage lines	20 kV + 5 kV	overhead (km)	1,058.2	1,077.7
		underground (km)	2,372.1	2,306.7
	Total MV (km)		3,430.3	3,384.4
	Underground rate (%)		69.2	68.2
Low-voltage lines	400/230 V	overhead (km)	302.0	310.0
		underground (km)	5,243.4	5,188.2
	Total LV (km)		5,545.4	5,498.2
	Underground rate (%)		94.6	94.4
Total (km)			9,556.9	9,464.1

¹ including Schiffflange-Bascharage-Bertrange (18.7 km) temporarily operated at 65 kV.



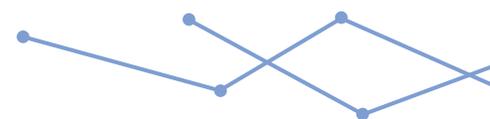
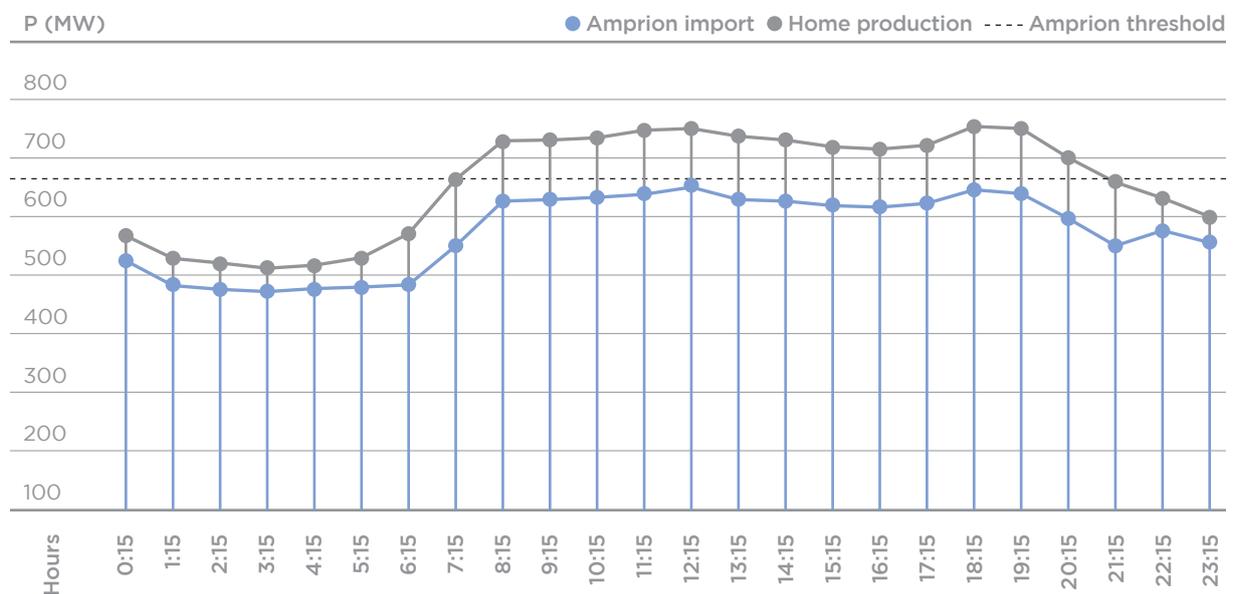
Evolution of the national load

The national peak demand in 2015 was **786.0 MW**, compared to **774.2 MW** in 2014. This peak was recorded at 11.45 a.m. on 29 January 2015.

The Amprion import threshold in 2015 was **669.0 MW**, which was recorded on 22 January 2015 (compared to 666.8 MW on 3 December 2014).

The usage time for 2015 amounted to **6,259 hours**. Therefore, the maximum rate of use of the grid was **71.4%**.

Evolution of the national load during the day of 22.01.2015





Total electricity consumption

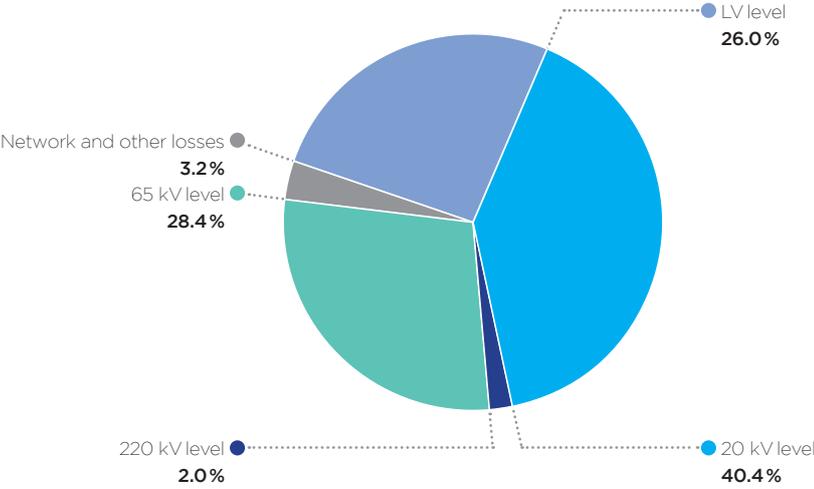
The total volume of electricity fed into the grid at national level via

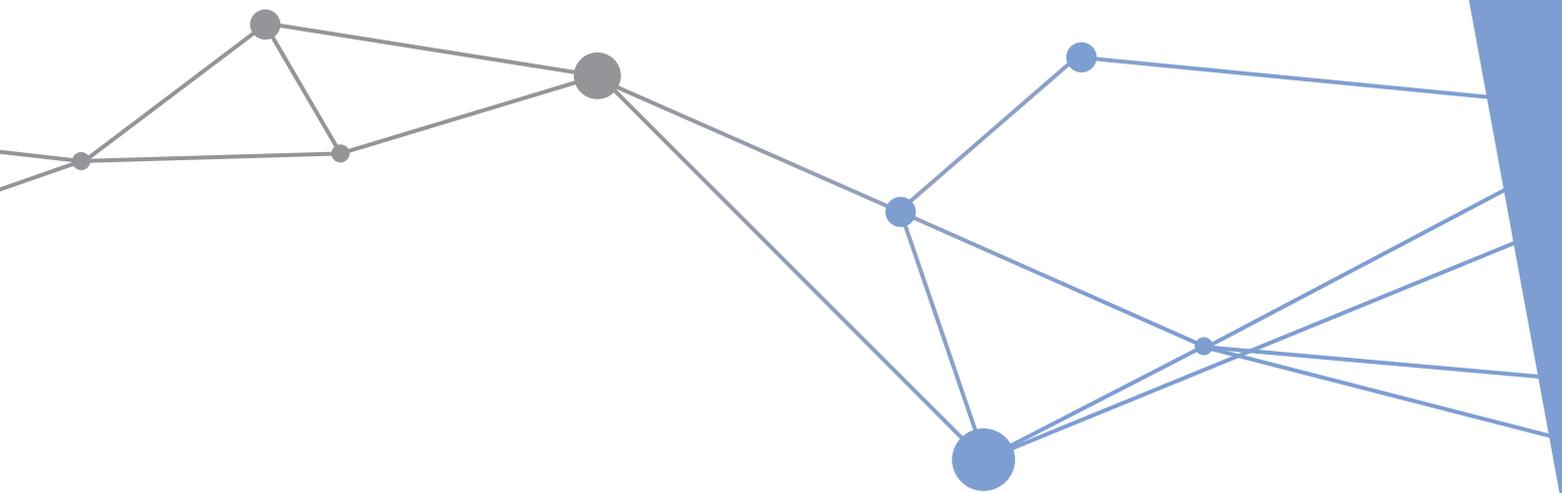
- 220 kV interconnection lines,
- self-generated electricity (with metering on customer sites) or
- local generation sources connected to Creos networks or to those of the four municipal or private distributors,

amounted to **4,919.4 GWh** in 2015 (4,832.8 GWh in 2014), corresponding to an increase of **1.8%** in national consumption, excluding Sotel's grid.

Consumption by voltage level

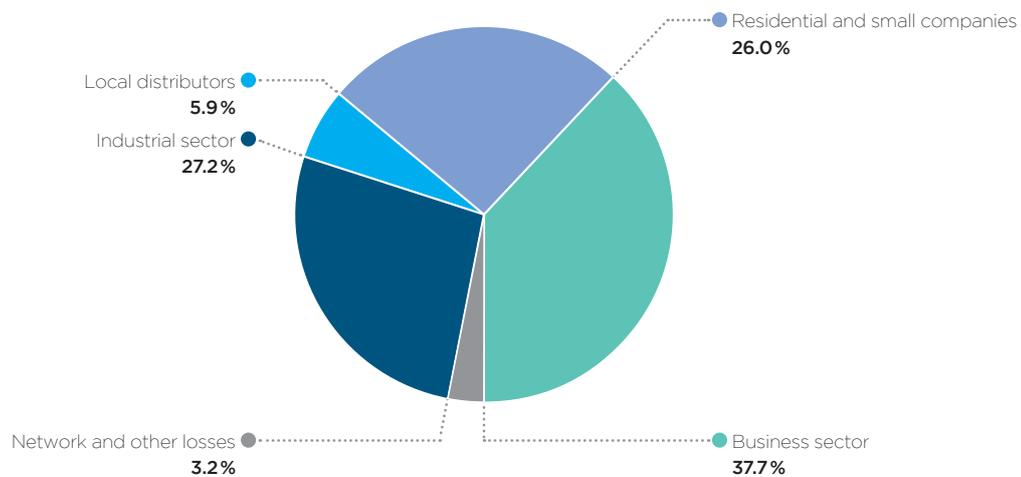
		2015	2014	Variation
Consumption				
220 kV level	(GWh)	99.0	93.2	+6.2%
65 kV level	(GWh)	1,399.4	1,373.1	+1.9%
20 kV level	(GWh)	1,986.0	1,949.3	+1.9%
LV level	(GWh)	1,277.4	1,264.3	+1.0%
Network and other losses				
	(GWh)	157.6	152.9	+3.1%
Total	(GWh)	4,919.4	4,832.8	+1.8%





Consumption by sector

		2015	2014	Variation
End customers				
Industrial sector	(GWh)	1,337.2	1,309.3	+2.2%
Business sector	(GWh)	1,856.6	1,822.1	+1.9%
Residential and small companies	(GWh)	1,277.4	1,264.3	+1.0%
Local distributors				
	(GWh)	290.6	284.2	+2.3%
Network and other losses				
	(GWh)	157.6	152.9	+3.1%
Total	(GWh)	4,919.4	4,832.8	+1.8%

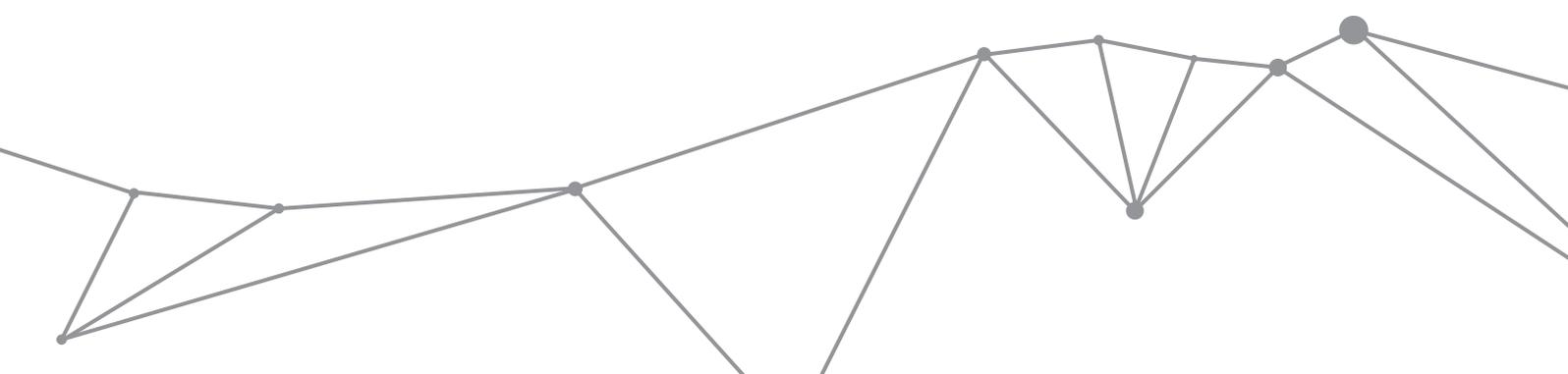
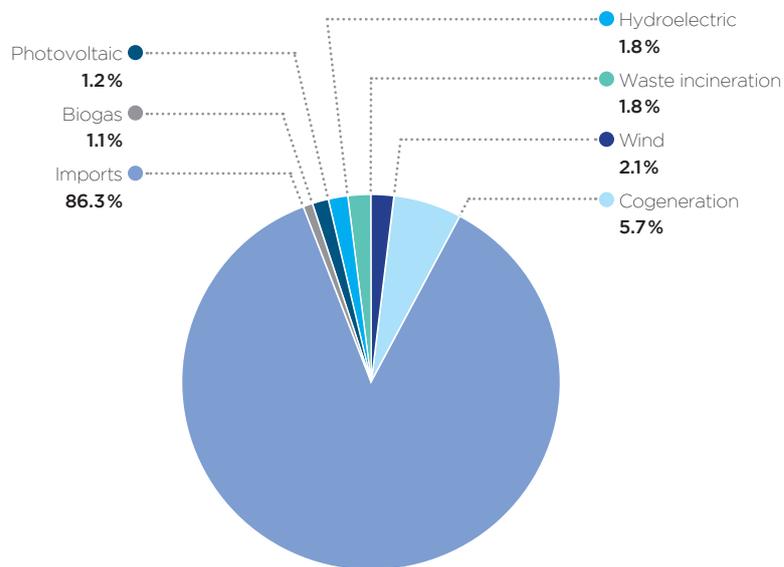


Injections into the electricity network

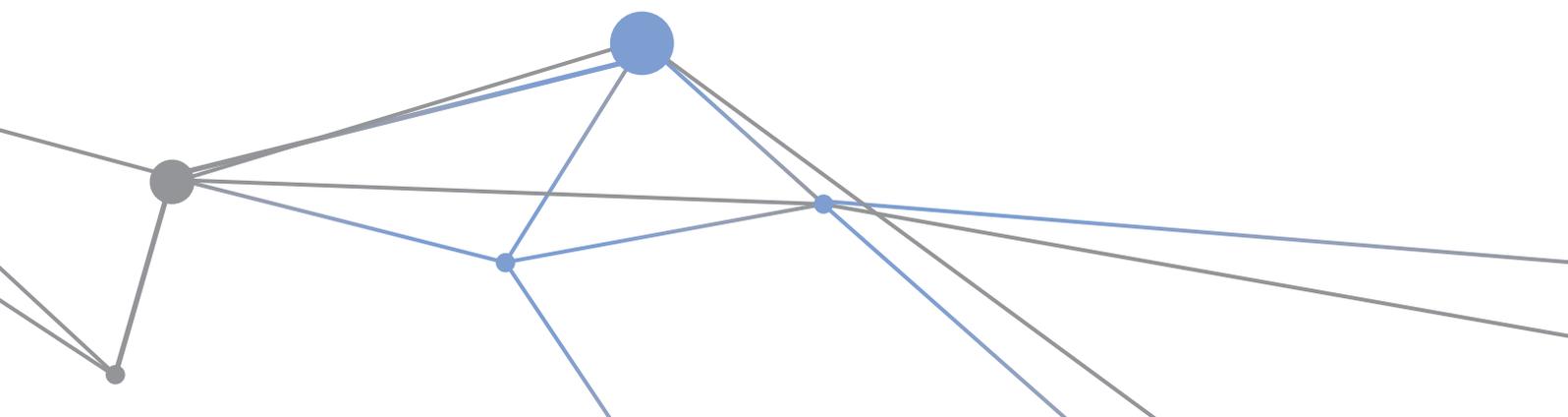
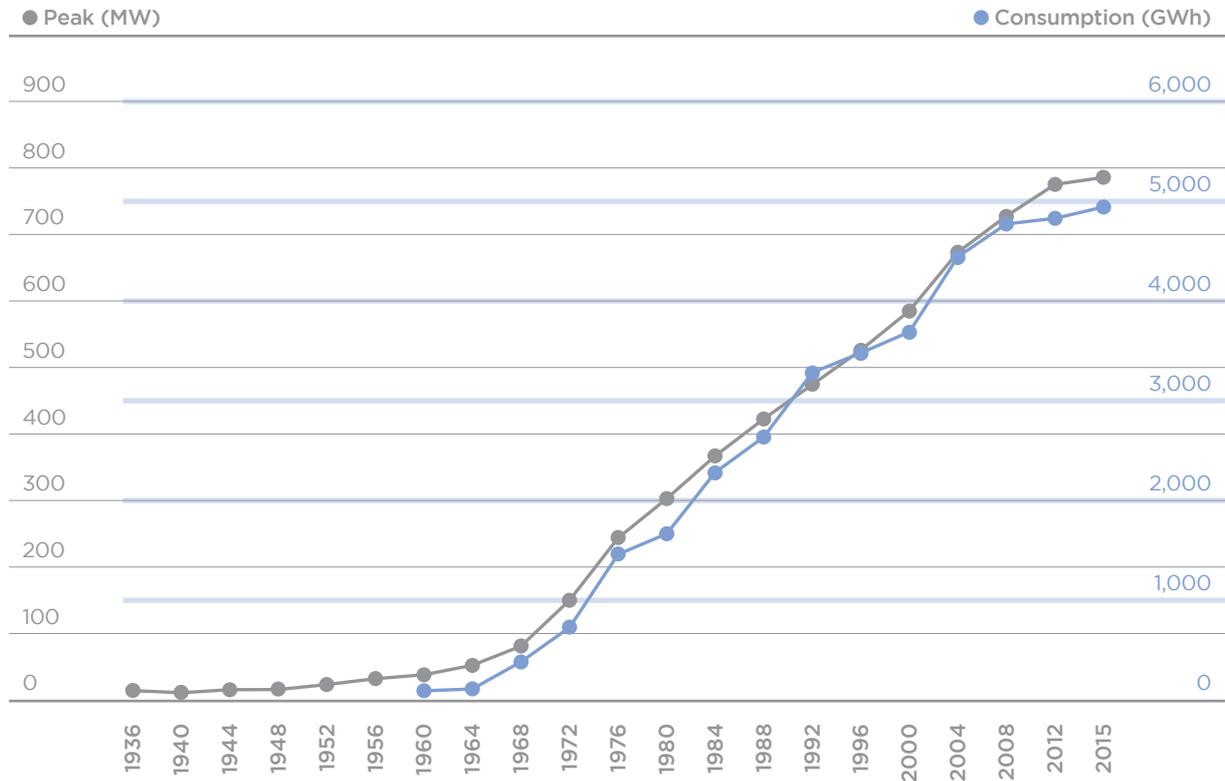
		2015	2014	Variation
Cross-border exchanges				
Imports*	(GWh)	4,247.8	4,152.5	+ 2.3%
Home production				
Cogeneration	(GWh)	280.3	312.6	-10.3%
Hydroelectric**	(GWh)	86.1	97.3	-11.5%
Wind**	(GWh)	102.2	82.5	+ 23.9%
Waste incineration**	(GWh)	89.4	72.4	+ 23.5%
Biogas**	(GWh)	54.3	54.9	-1.1%
Photovoltaic**	(GWh)	59.3	60.6	-2.1%
Total	(GWh)	4,919.4	4,832.8	+1.8%

* including production Twinerg, plant connected to the Belgium grid

** renewables



Evolution of the peak and network demand



Network reliability

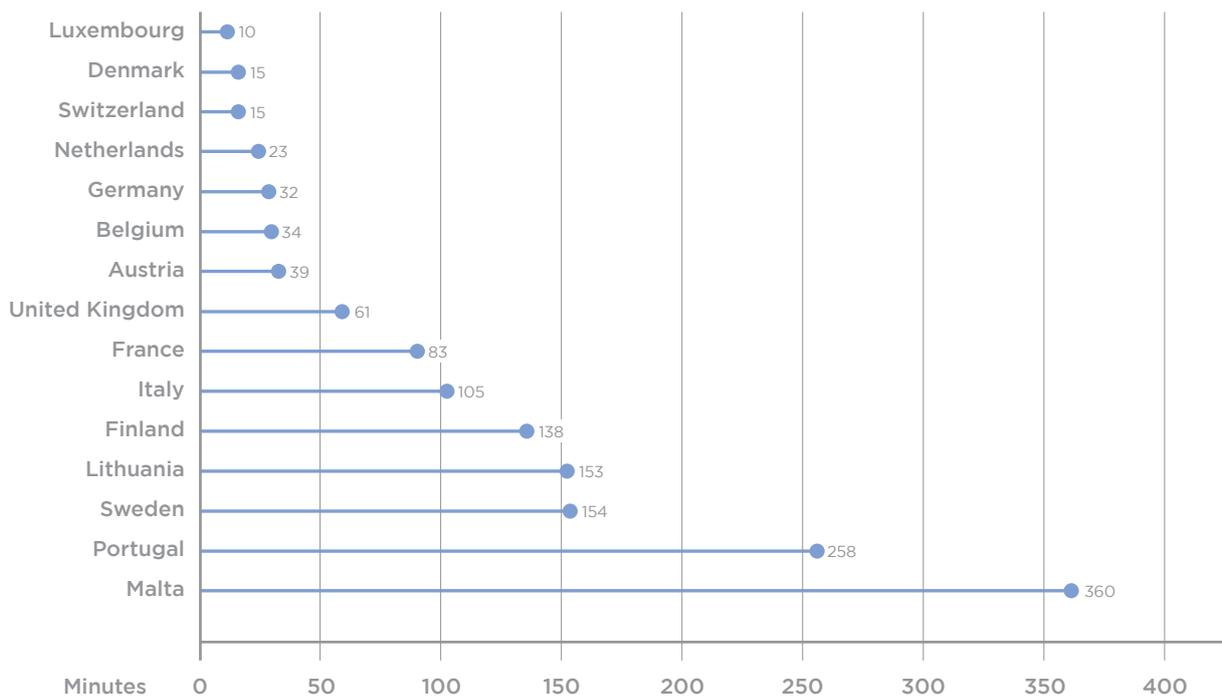
An economic base which is diversifying and developing and a rapidly growing population obligate Creos to strengthen and expand its networks in order to maintain a high quality infrastructure and guarantee the security of supply at all times. This continues to be the absolute priority for Creos, which is responding to this challenge with a large programme of investment. The Luxring project and the interconnection with Belgium will enable Luxembourg to consolidate its position among the European electricity grids.

The challenges of the future are to integrate renewable energies and consumers who are also becoming producers. Flows on the grid will become bidirectional, and the network operator will have the responsibility of managing them through the development of a smart grid.

In recent years, Creos has taken first place in a European ranking of average annual downtime of supply to clients connected to the low-voltage grid. Efforts over the course of many years to bury as many lines as possible are bearing fruit today. Underground lines are naturally less exposed to weather conditions, and are less vulnerable as a result.

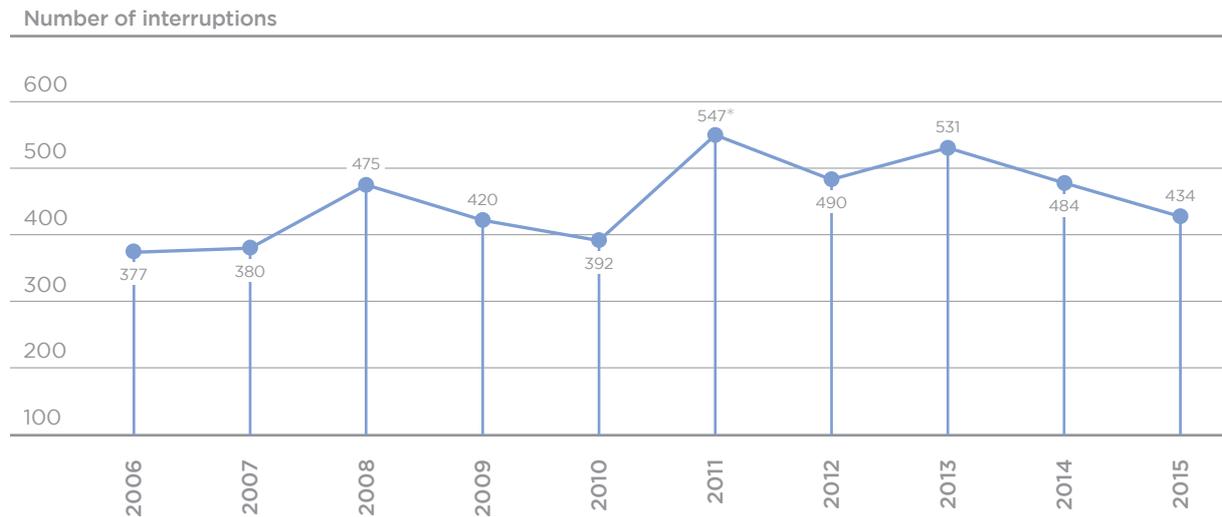
Creos strives to reduce to a strict minimum incidents on the grid and the interruptions in supply which can result.

Average annual power outage time for customers connected to the low-voltage network (LV)



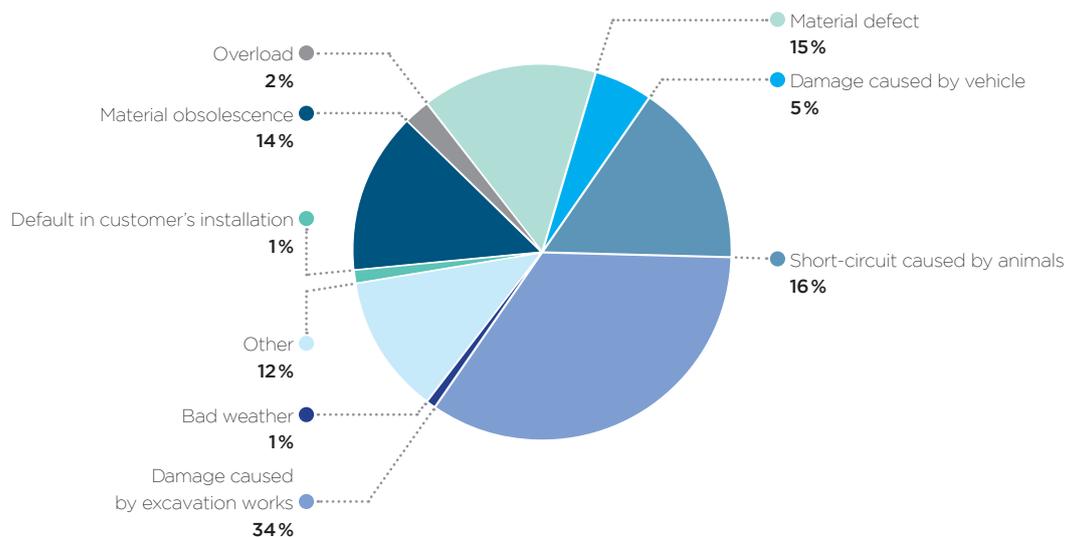
Source: CEER (Council of European Energy Regulators) - 2015

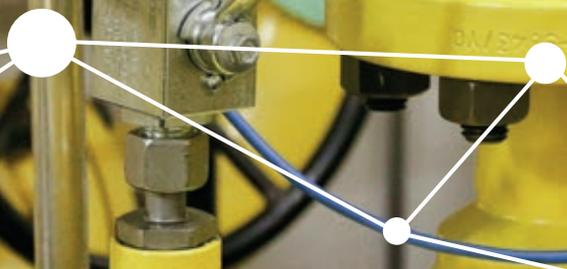
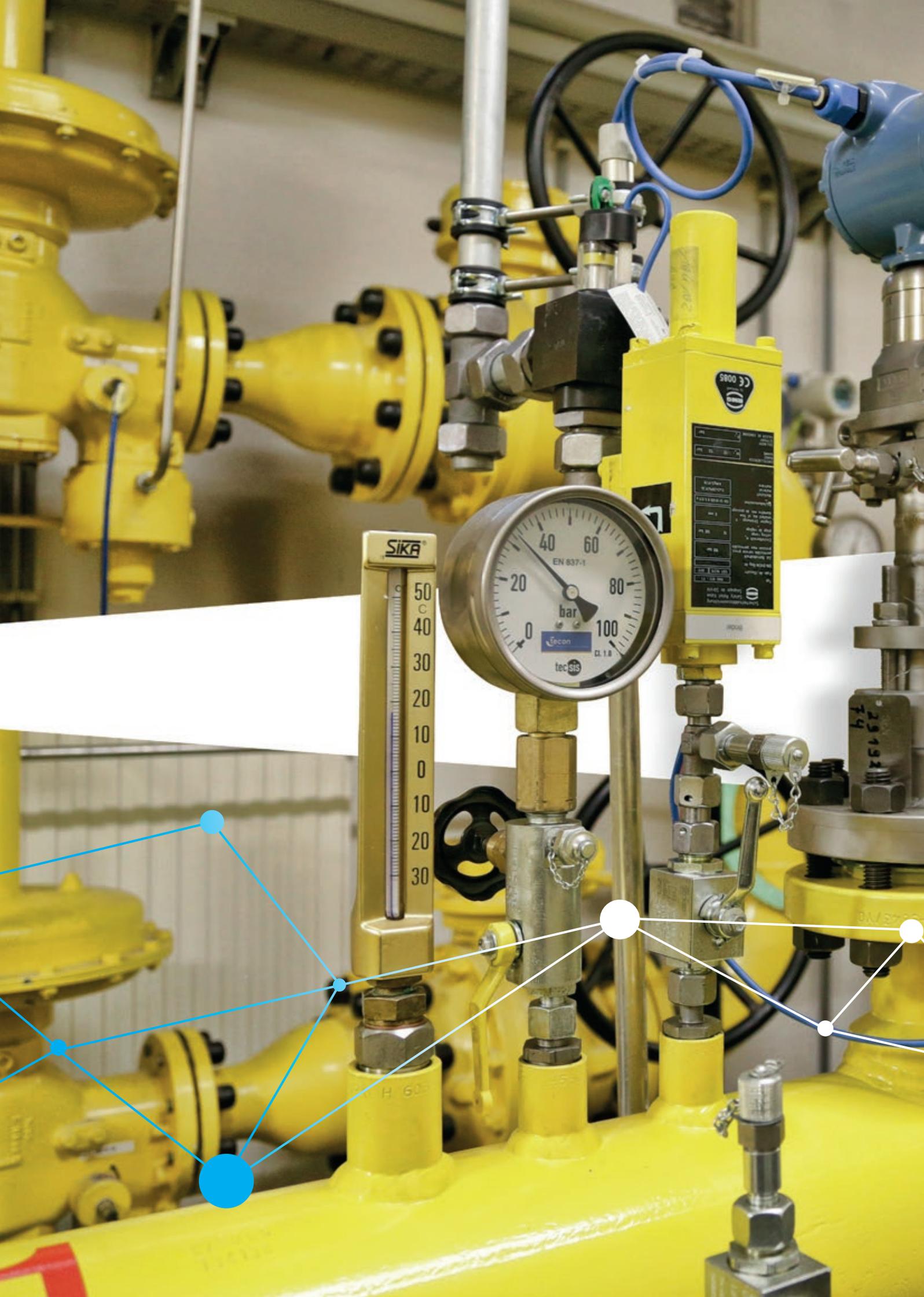
Perceptible LV-interruptions (> 3 min) from 2006-2015



* including the electricity network of the City of Luxembourg (as at 01.01.2011)

Causes of LV-interruptions



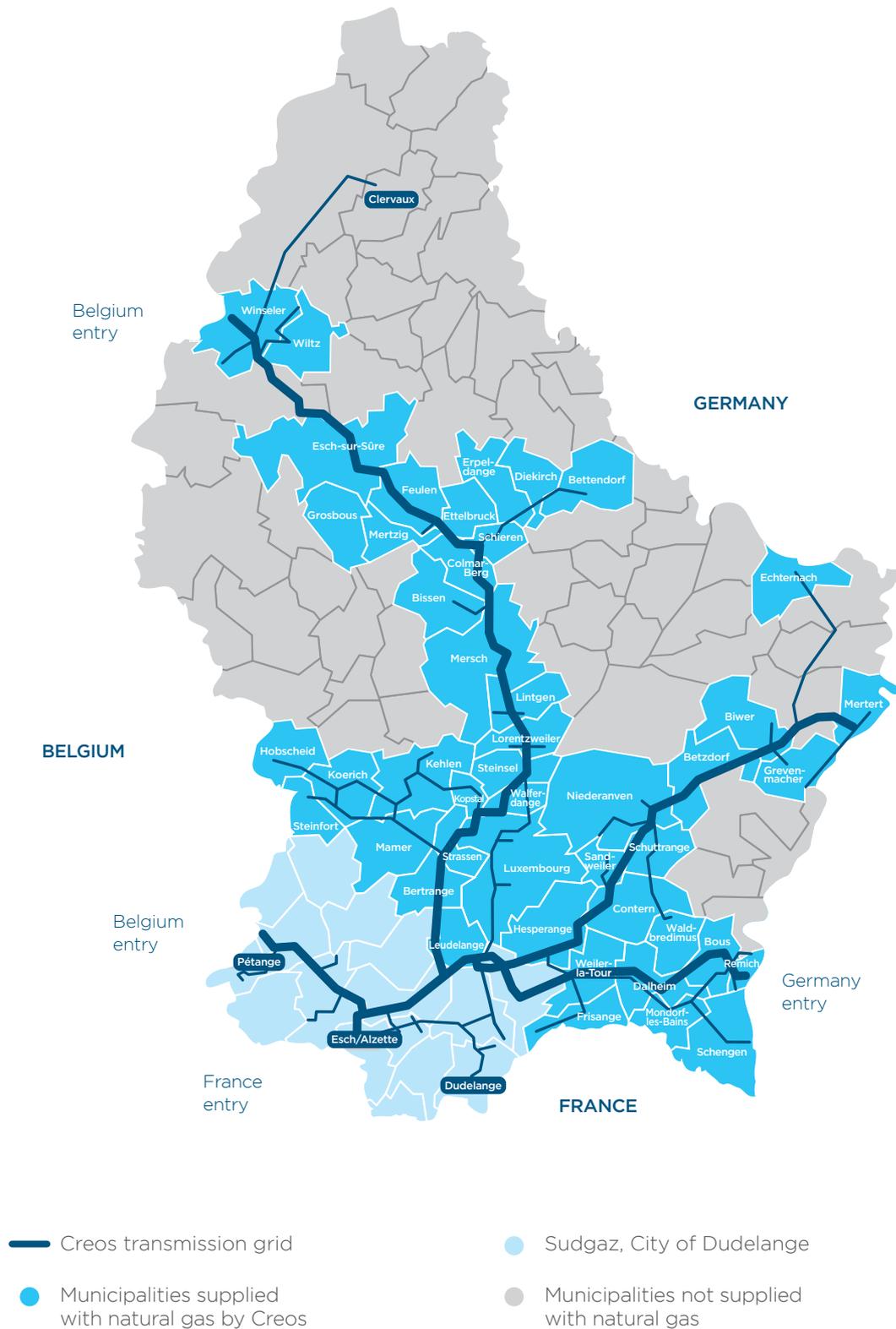




Gas



The natural gas transmission grid





Technical activity

Creos has the responsibility to ensure maximum reliability of its equipment and infrastructure. Hence all new facilities are in compliance with the latest DVGW standards.

The goal in all our work is to ensure the perfect functioning of the facilities, the continuity and quality of the natural gas supply and to meet the demand for energy of our residential customers and of a demanding high-tech industry, while protecting people and respecting the environment.

Transmission network

Border station in Pétange

In summer 2015, Creos modernised the regulating lines at its high pressure border station in Pétange. Built in the 1970s to link the Luxembourg gas network with the Belgian network, this station has an ultra-modern infrastructure today. The work was completed on schedule.

Gate station in Differdange

To simplify management of the high pressure gas network in Differdange, Creos replaced and regrouped a number of decentralised installations near the Arcelor Mittal steel plant, also during the summer of 2015. The old stations with the pressure reduction lines and meters have been replaced by a new building in washed concrete which consolidates all functionalities of a gate station at a single location. The work was carried out in a joint project with the network operator Sudgaz, which benefited by adapting part of its distribution network.

Distribution network

Extension of the medium pressure network towards the municipality of Grosbous

Creos has extended its medium pressure network (d 225 MP) in the direction of the town of Grosbous. In September 2015, the last section was brought into service. The entire project starting from the Niederfeulen station covers a total length of 6.6 km.

Rodenbourg - Ernster connection

The medium pressure network covering 3.3 km was completed in 2015. Creos used this opportunity to construct a distribution network in Rodenbourg and Olingen.

Leudelange - Cessange connection

The medium pressure network between Leudelange and Luxembourg City was reinforced to increase the reliability of the supply. The project required the boring of two tunnels under the A4 and A6 motorways.

Bertrange - Windhof

In the course of completing the PN10 distribution network between Bertrange and Windhof, Creos started in 2015 with the construction of several sections (4 km) as part of an overall project covering a total of 11.5 km.

In addition, work is continuing on laying the low and medium pressure network in Waldbredimus and Foetz, and the gate substations at Waldbredimus and Senningerberg have been brought into service.

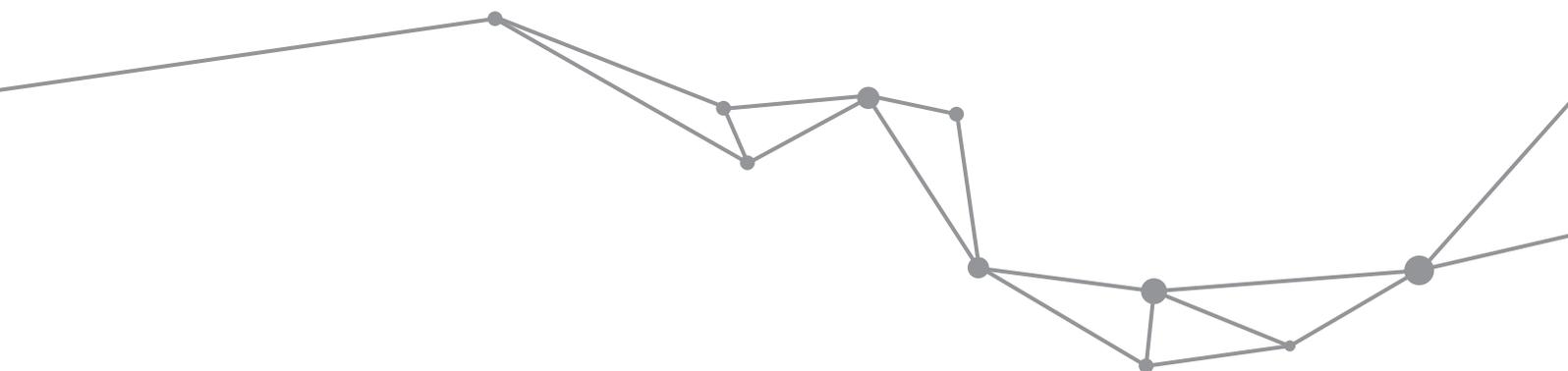
In Luxembourg City, work is continuing on modernising the network (8.83 km of low pressure network and 2.19 km of medium pressure network) and on replacing the connections.

During 2015, a total of 34.99 km of distribution lines was laid.

Evolution of the natural gas grid

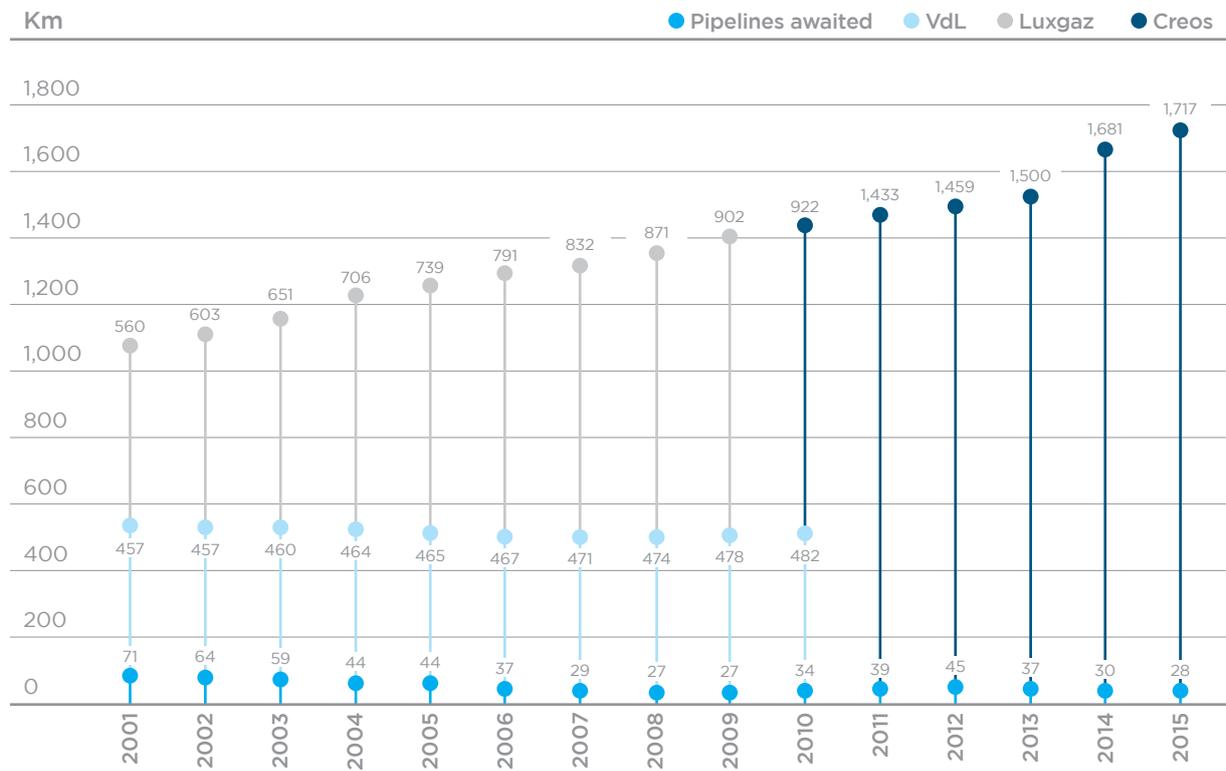
		2015	2014
Length of the grid by activity			
TSO (transmission)	(km)	280.4	280.8
DSO (distribution)*	(km)	1,746.3	1,711.4
Total	(km)	2,026.7	1,992.2
Length of the grid by PN (nominal pressure)			
PN80/67.5	(km)	213.6	213.4
PN40	(km)	39.4	39.4
PN25	(km)	2.1	2.1
PN16	(km)	22.8	23.4
PN4	(km)	2.5	2.5
Total	(km)	280.4	280.8
Pressure-reduction substations on the transmission grid			
Border substations	(number)	4	4
Active stations (with teletransmission capability)	(number)	59	63
Total	(number)	63	67

* pipelines in service and awaited

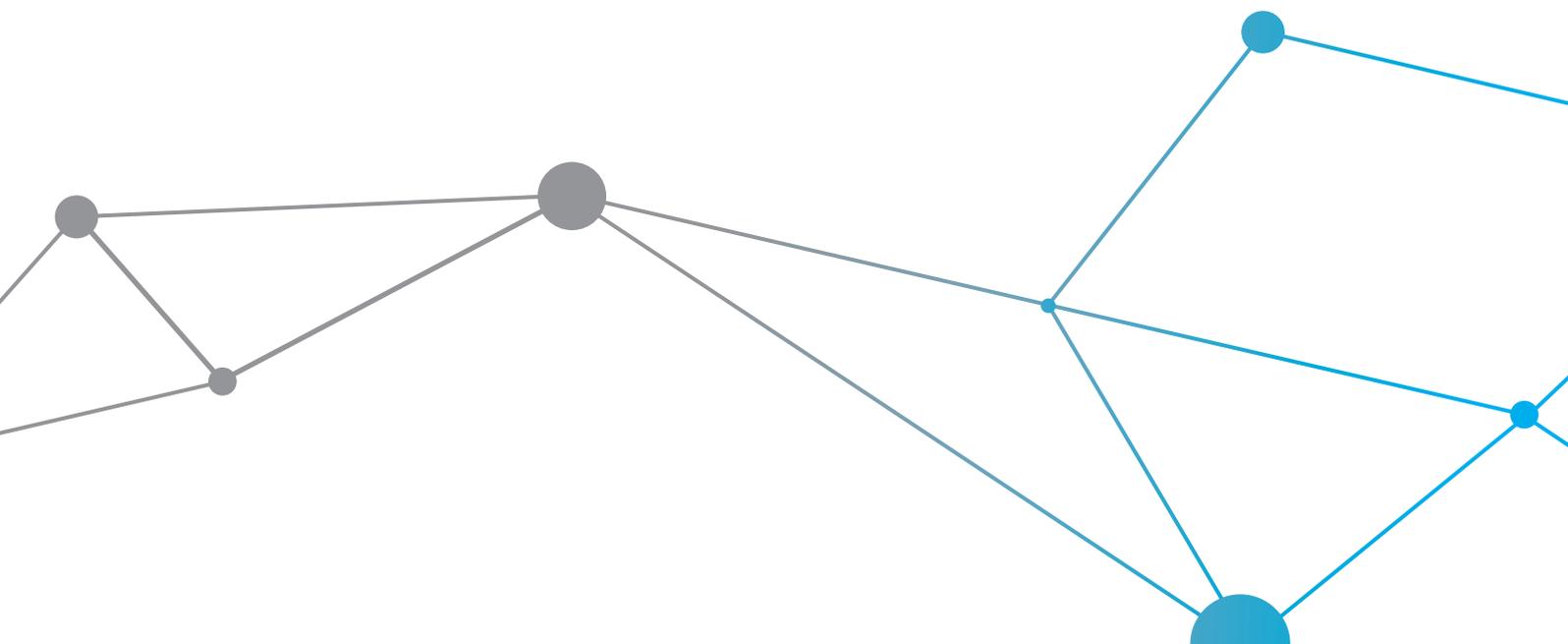




Natural gas distribution grid: length of pipelines in service



At 31 December 2015, the Creos distribution network consisted of 1,746.3 km of laid pipelines, of which 1,717.7 km were in service and 28.6 km pressurised with air, pending implementation.



Total volume transported

In 2015, the volume carried on the transmission network amounted to a total of 9,938 GWh, -8.8% compared to 2014.

		2015	2014	Variation
Total capacity reserved for transmission	(Nm ³ /h)	319,000*	275,289	+15.9%
Gas grid peak	(Nm ³ /h)	257,945	244,600	+5.4%
Total volume carried	(GWh)	9,938	10,895	-8.8%

* total subscribed capacity (Q1- Q3 2015): 290,000 Nm³/h (before the start of the Belux project: entry model)

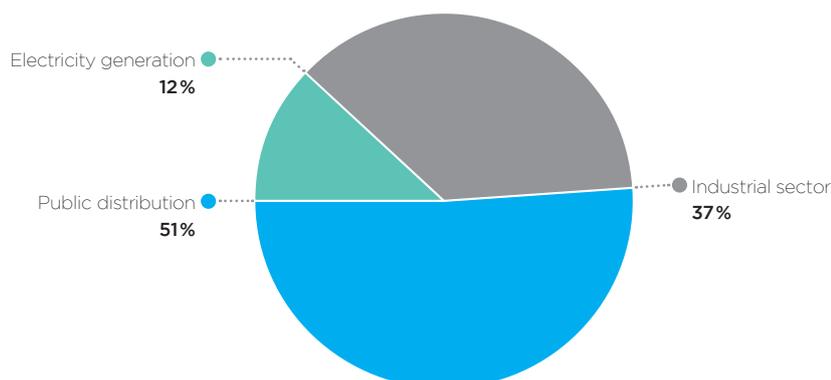
* total subscribed capacity (Q4 2015): 319,000 Nm³/h (exit model: 3,557,223 KWh/h)

Total demand on the Luxemburgish market

Total demand by sector

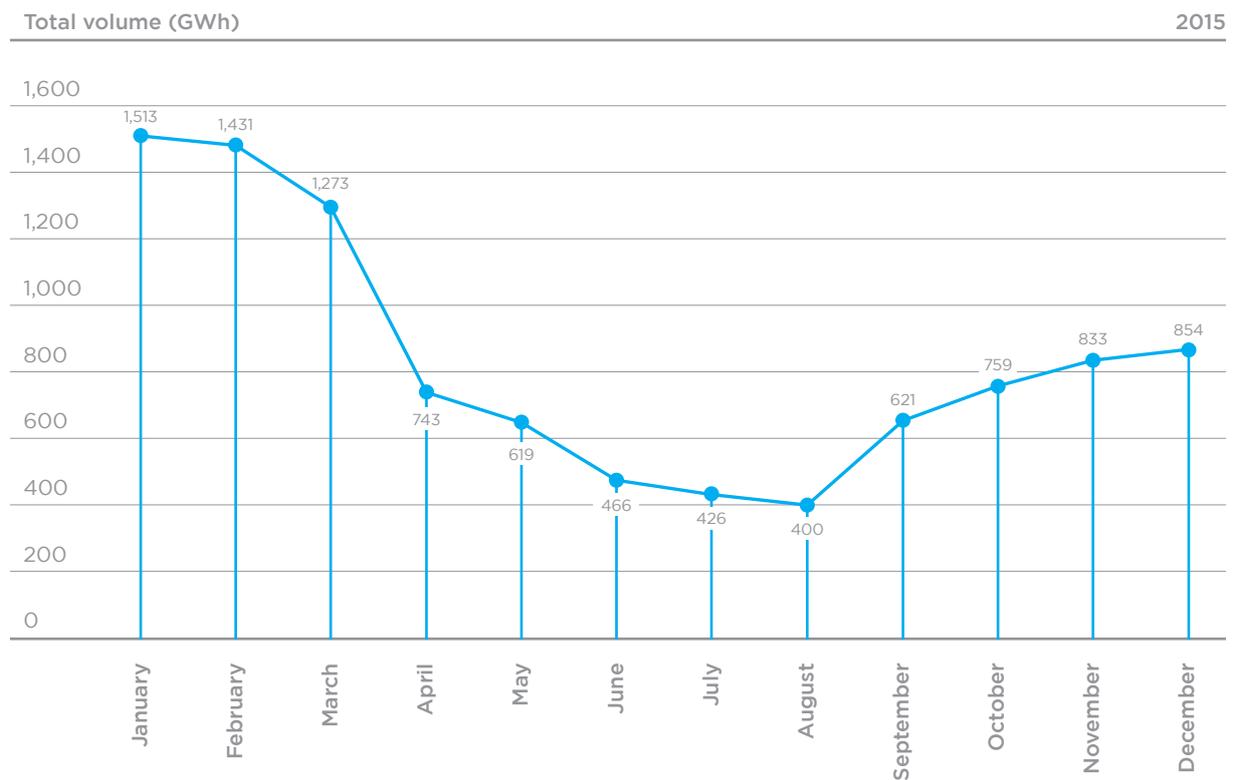
		2015	2014	Variation
Industrial sector	(GWh)	3,631	3,744	-3.0%
Electricity generation (>100 MW)	(GWh)	1,227	2,425	-49.4%
Public distribution	(GWh)	5,080	4,726	+7.5%
of which Creos	(GWh)	3,237	3,028	+6.9%
Total	(GWh)	9,938	10,895	-8.8%

The inclusion of the Twinerg power plant in the Belgian strategic reserve has strongly affected the mode of operation of the Esch/Alzette power plant. The economic uncertainties in 2015 resulted in a slight decrease in consumption by industrial customers. These negative tendencies were partly offset by an increase in demand for natural gas on from residential customers.



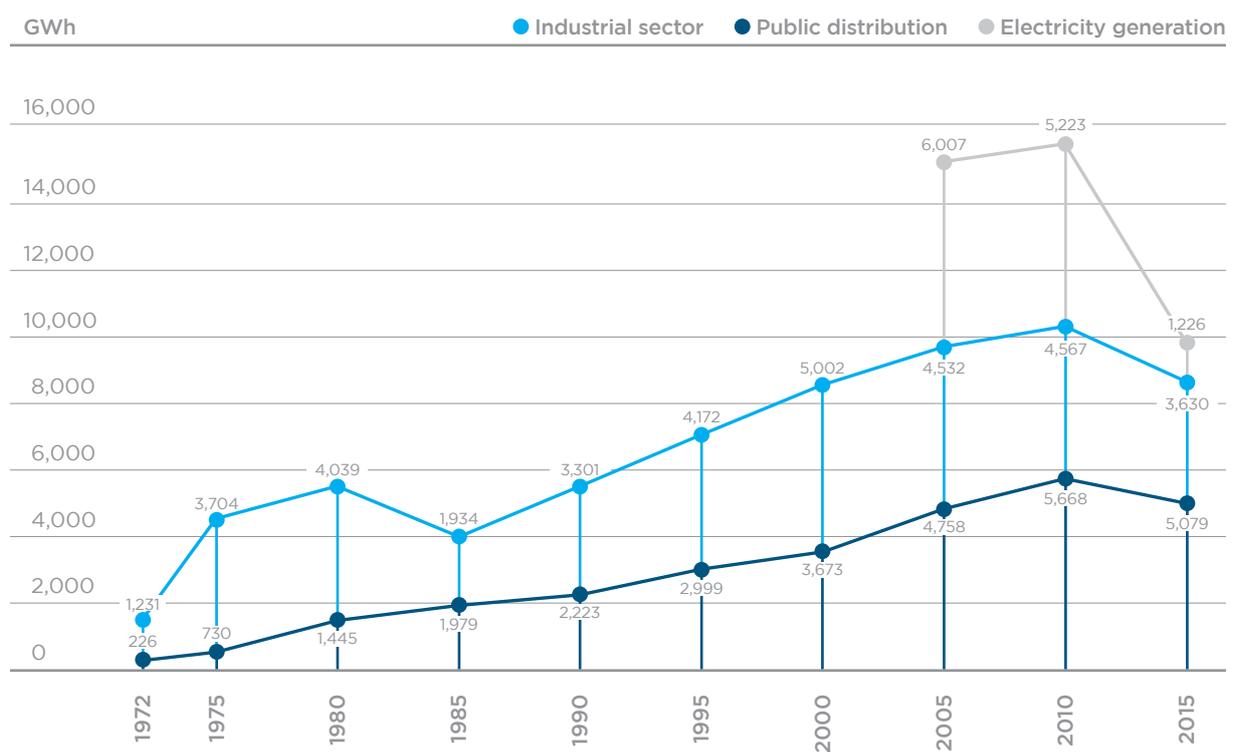


Total demand per month

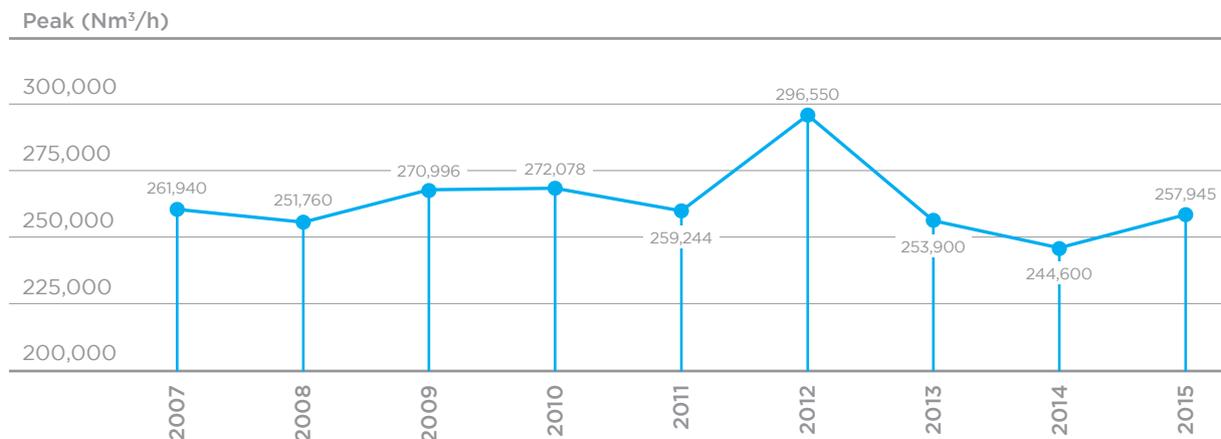


Total demand includes the large-scale industrial and electricity production sector

Evolution of the total demand per year

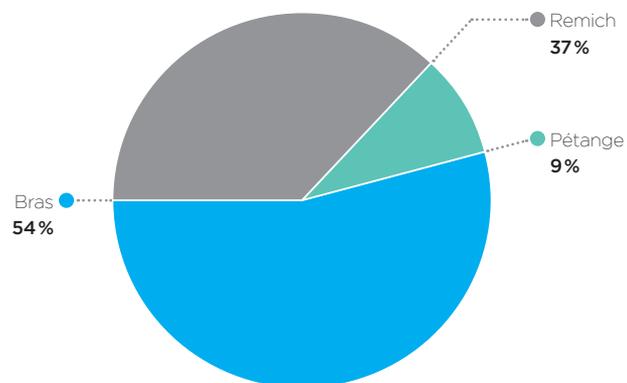


Evolution of the network peak



Breakdown of flows per point of interconnection

			2015	2014	Variation
Remich	German network	(GWh)	3,693	5,638	-34.5%
Bras	Belgian network	(GWh)	5,387	4,810	+12.0%
Pétange	Belgian network	(GWh)	858	447	+92.0%
Total		(GWh)	9,938	10,895	-8.8%

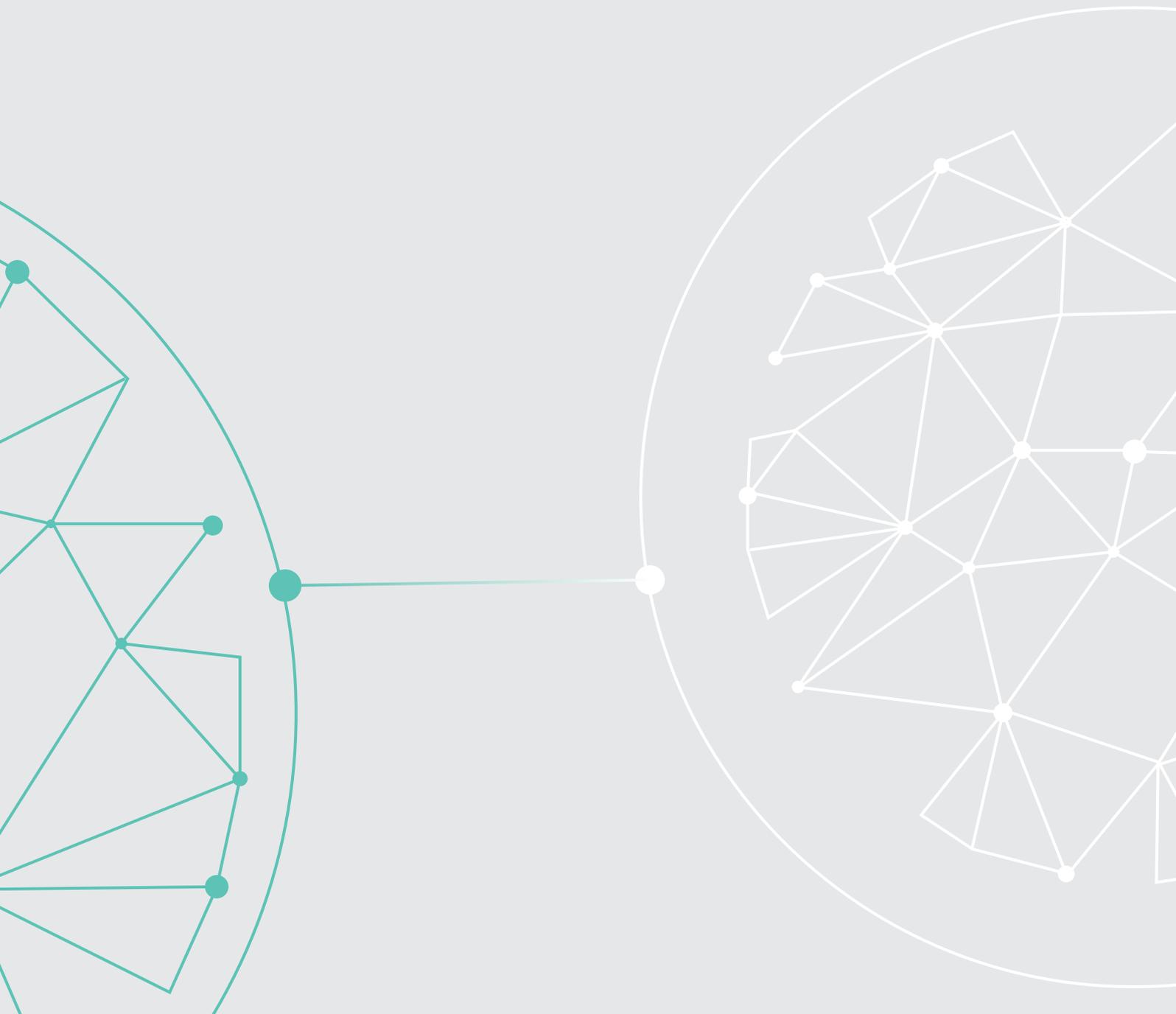




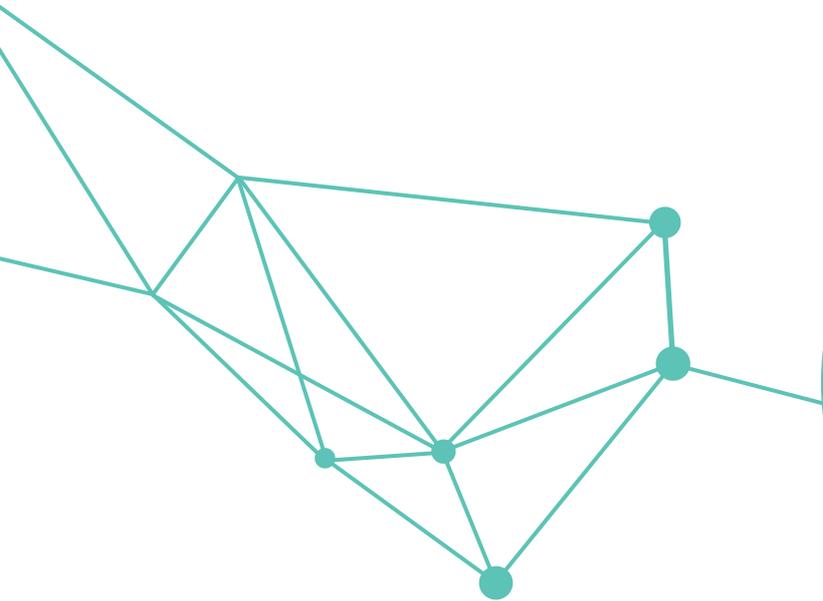




Subsidiaries and equity interests of Creos Luxembourg S.A.



Creos Deutschland: a year of challenges



Jens Apelt,
Managing Director

2015 WAS THE BASE YEAR FOR THE NEXT COST REVIEW. HENCE, IT WAS A PIVOTAL MOMENT FOR THE GERMAN SUBSIDIARY. WHO SAYS COSTS ALSO SAYS SAVINGS: FROM THE POINT OF VIEW OF ENERGY ECONOMY, THE CLIMATE SUMMIT IN PARIS WAS A MAJOR EVENT. THE RELOCATION OF THE HEADQUARTERS TO HOMBURG ANOTHER. FOR JENS APELT, MANAGING DIRECTOR OF CREOS DEUTSCHLAND GMBH, THE RESULTS COME UP TO THE CHALLENGES.

You invested substantially in your technical capacities in 2015...

Jens Apelt: We operate one of the oldest high-pressure gas grids in Germany; our need to reinvest is therefore correspondingly high. We aim to have invested roughly EUR 200 million by 2032. Also, in 2015, we incurred initial expenses for our new building in Homburg.

What about the so-called Saarland Cooperation?

J.A.: Together with our colleagues from Stadtwerke Saarbrücken, VSE Verteilnetz and EnergisNetz, we are operating a network control room and a joint graphical information system. The collaborative relationship is proving successful. Indeed, the synergies we achieved together are worth millions. In this respect, the shareholdings are also strategic

in nature. In addition, we want to expand our portfolio primarily in the electricity segment. Following the climate summit in Paris and according to the German energy concept, natural gas is set to play a rather tangential role over the next few decades.

The relocation to Homburg is a milestone in the company's history. What goals are you pursuing with this relocation?

J.A.: First of all, it is an outcome of the 'Fit for Future' cost reduction project. We are reducing the number of sites from four to three and are thereby saving costs. The centralisation of essential roles goes hand in hand with this, so that – in the end – all of the first level managers at the shared location in Homburg will work more closely together. The 'soft' factors play a key role too; here, it's about team



building, a consistent understanding of leadership and a modern corporate culture. These are the prerequisites for us to be able to work successfully in a dynamic and complex environment.

What are the main events that shaped 2015?

J.A.: 2015 was the base year for the next cost review; hence, it was very important to adhere strictly to the business plan. Our efforts were successful. I would describe the transfer of our two initial shareholdings - Stadtwerke Völklingen Netz GmbH and Stadtwerke Saarbrücken Netz AG - as a milestone, and I was also thrilled by the fact that our service business enjoyed a positive performance. With regard to the energy industry, I would call the COP 21 a major event. I believe that the announced decarbonisation of the global economy will cause renewable energies' triumphant progress to gather

pace. I am confident that the Enovos Group will seize these opportunities and use its extensive expertise in all disciplines to generate success.

Could you describe Creos Deutschland Services' field of activity?

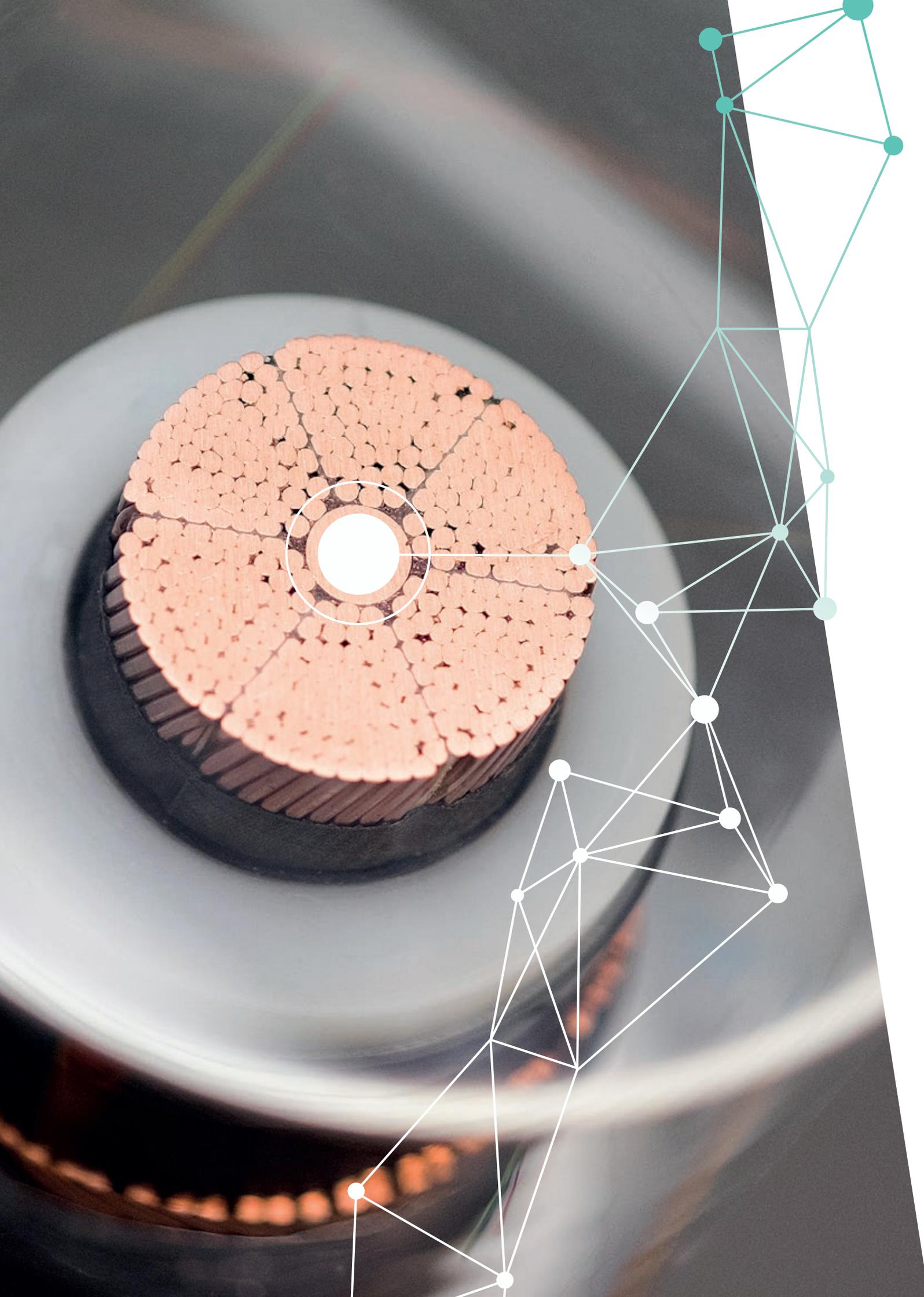
J.A.: Our customers primarily include public utilities and industrial customers. The service portfolio ranges from traditional network activities, such as the planning, building and operating of gas pressure, regulation facilities and gas, oxygen and nitrogen networks, all the way to energy data management, target network planning and consulting services in asset and regulation management.

Creos Deutschland Holding GmbH is a 96.88%-owned subsidiary of Creos Luxembourg S.A. and the sole shareholder in Creos Deutschland GmbH and Creos Deutschland Services GmbH. The company Creos Deutschland GmbH carries natural gas on a high pressure grid almost 1,700 km in length in Germany's Saar and Rhineland-Palatinate regions, supplying natural gas to numerous industrial clients, power station operators and municipal utilities (Stadtwerke), and 2.7 million individuals.

Key figures*		2015	2014
Volume transported	(GWh)	26,842	25,533
Net turnover	(M€)	82.3	88.9
EBITDA	(M€)	22.1	21.1
EBIT	(M€)	15.9	15.5
Profit for the financial year	(M€)	6.6	8.7
Investment	(M€)	41.4**	13.9
Workforce	(number)	107	108

* pro-forma consolidation of the German Creos companies

** in 2015 including the transfer of the grid participations Stadtwerke Völklingen Netz GmbH and Stadtwerke Saarbrücken Netz AG (indirectly via Projecta 14 GmbH) from Enovos Deutschland SE





Luxmetering



Luxmetering is an economic interest grouping (EIG) created in 2012 by Luxembourg's seven electricity and gas network operators: Creos Luxembourg, Ville d'Ettelbruck, Ville de Diekirch, Hoffmann Frères (Electricis), Ville de Dudelange, Sudstrom and Sudgaz.

In 2015, Luxmetering focused on defining the smart metering infrastructure, particularly the installation of the central IT system which will read the data transmitted by the smart meters daily, and preparations for the national roll-out due to start in 2016.

Balansys



Balansys S.A. was formed in 2015 in the context of the interconnection of the Luxembourg gas market with the Belgian gas market in October. The two network operators, Creos Luxembourg S.A. and Fluxys Belgium, hold equal shares in Balansys, which is responsible for applying the rules and the balancing in the integrated Belgium-Luxembourg zone.

Ampacimon



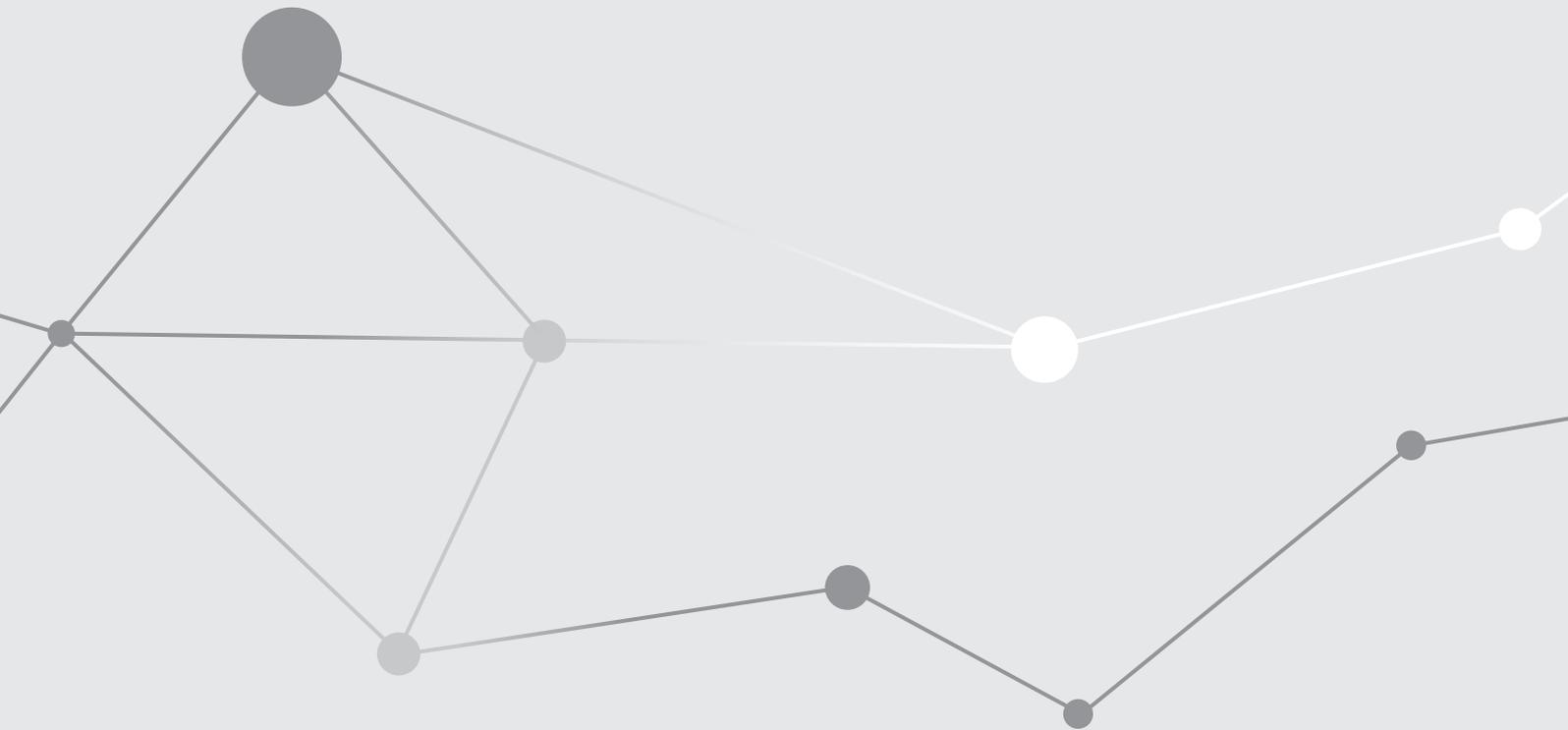
Ampacimon S.A. is a company formed in 2010 by researchers from the University of Liège. Its function is to develop and market Dynamic Line Rating (DLR), an innovative system of stand-alone sensors which makes it possible to forecast the true capacity of high-voltage transmission lines.

In September 2015, Ampacimon launched a round of fund-raising in which Creos Luxembourg S.A. acquired 20% of its capital, becoming a major partner to this young and ambitious company, alongside Elia.

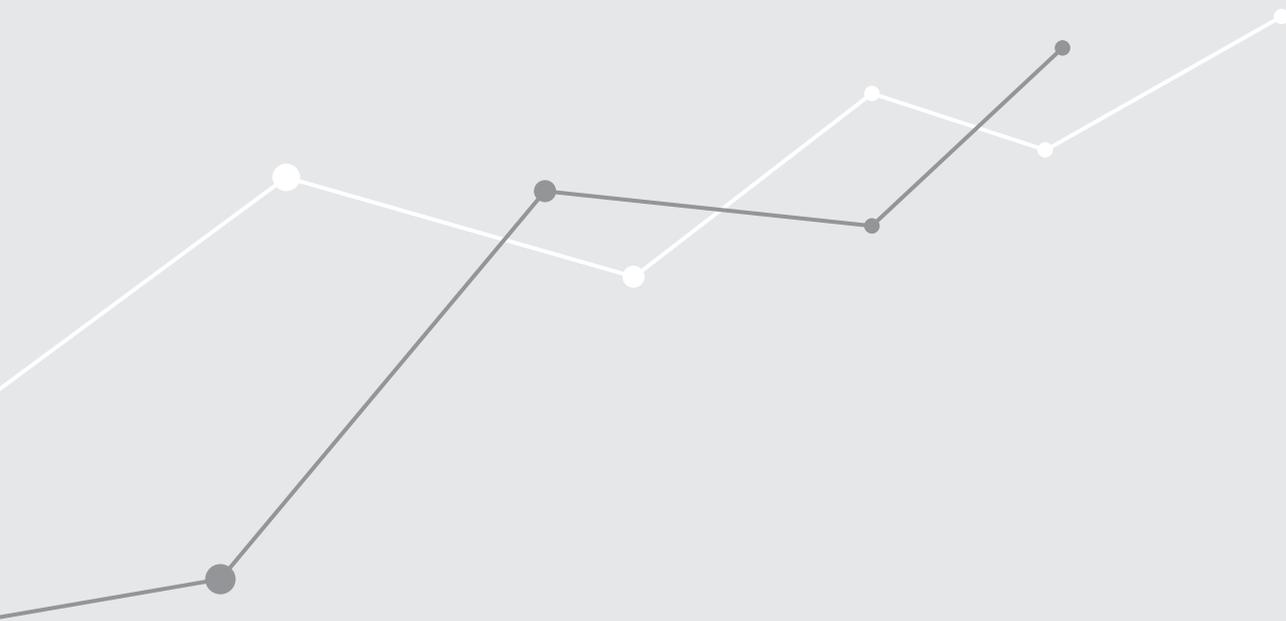
Learning Factory



Learning Factory, formed in 2014, is a joint venture between the Luxembourg State and Creos Luxembourg, the Chamber of Commerce, Fedil – Business Federation Luxembourg, ArcelorMittal, Schneider Electric, Enovos, Sudstrom and Ville d'Esch. It is an accredited training and consultancy centre which aims to strengthen long-term business competitiveness through training, sharing expertise and providing support in the areas of energy efficiency and operational excellence.



3. Management report of the Board and annual accounts



Management report of the Board

The framework for the organization of the energy markets has been defined within the 3rd European energy package. Its transposition to the Luxembourgish context is more precisely defined by the Laws on electricity and gas markets dated 7 August 2012.

The main principle is a strict separation between the energy grid infrastructure management and other activities such as production, sale, purchase, trading of energy. Within the Enovos Group, Creos is in charge of the grid activities (planning, building, operating and maintaining gas and power networks).

Regulation and Non-discrimination

Network access is organized and supervised by a regulator, in this case the Luxembourg Institute of Regulation (ILR). The regulator's task in particular is to ensure non-discrimination, effective competition and the efficient operations of the markets. Furthermore for the grid activities, the regulator sets the tariffs which all users of the network have to pay. The six main activities of Creos (which compose more than 95% of its turnover) are all fully regulated activities: transport of electricity (TSO power), transport of gas (TSO gas), distribution of electricity (DSO power), distribution of gas (DSO gas), as well as metering of both electricity and gas.

2015 was the third year of the first regulatory period under the so-called "incentive regulation" which caps the allowed operational expenses of a network operator. Thus the regulatory framework under which Creos operated remained unchanged compared to the previous year (and will remain so until 31.12.2016). Detailed information on the applicable regulation as well as the tariffs approved for Creos can be found on www.ilr.lu.

As required by the law, Creos Luxembourg S.A. has established a programme containing the appropriate measures to exclude any discriminatory practice in the treatment of different network users. The programme and its annual monitoring are published on our Internet site at www.creos.net.

Highlights of the past year

A safe and reliable energy transport and distribution infrastructure is a key element to guarantee the well-being of citizens and the sustainable development of a country's economy. That is why security of supply remains the top priority of Creos and why Creos continues to heavily invest in its power and gas networks in order to be able to meet future energy demand requirements, to accommodate the development of renewable energies and to prepare new sectors such as electro-mobility, distributed storage, etc.

2015 has again been a record year concerning investments for Creos – never before in its history has the company invested so much in its grids and operations. This big investment program, driven mainly by the expansion of the high voltage grid, the deployment of the smart meters and the modernization/renewal of operating sites will continue for the next few years before tapering off towards EUR 100 million at the horizon of 2018.

Besides reinforcing its own national grid, Creos has continued to be very active on the European level by working together with the adjacent TSO's in order to drive forward a regional market integration respectively create new connections between adjacent markets. With these efforts, Creos positions itself clearly within the spirit of the European Directive 2009/73/EC, which aims at getting the Member States to evolve towards creating a barrier-free single market.

Power

The single largest investment item of Creos Luxembourg relates to the construction of a new high voltage line (and the transforming stations connected to it) bypassing Luxembourg-city on the East and creating a new North-South connection within the country. Work on this line and its stations continued in 2015 (installation of transformers, pylons, overhead lines and cables) and is scheduled to be completed in 2016. Together with Elia (the Belgium TSO) and in cooperation with Amprion (the TSO on the German side), Creos continued to work on a new interconnector of the Luxembourg public power grid with Belgium. In the second half of the year, a phase-shift transformer (PST) was installed in Schiffflange. Due to on-going discussions on



operational parameters of the PST with concerned TSOs at European level, no date for the start of commercial operations of the interconnector has yet been set.

Natural gas

In close collaboration with Luxembourg's regulatory authority (ILR) and Belgium's Regulatory Commission for Electricity and Gas (CREG), Creos Luxembourg and Fluxys Belgium have launched the integrated Belgian-Luxembourgish Gas Market in October 2015. This market integration is the first of its kind between two EU Member States and has received broad media coverage. In order to manage the balancing in the new market area, Creos and Fluxys have established a new jointly owned (50/50) company called Balansys.

Metering

Introduction of smart meters (power and gas) in Luxembourg is mandated by law for all local distribution operators. The legal deadline for complete (i.e. 95%) coverage has been shifted by one year (power meters until 2019, gas meters until 2020). During 2015, the Luxmetering G.I.E. (a common company of Creos with all the other DSOs in Luxembourg) has designed and implemented the common and unique platform for the smart meter read-out. Smart Meter suppliers (for both gas and power) have been selected via a European-wide submission process and first prototypes have been tested. The general mass roll-out is now foreseen starting mid-2016.

Various

Creos is currently in the planning phase for a new headquarter and operational center in the City of Luxembourg (to replace and consolidate its current Hollerich and Strassen sites); in 2015 Creos acquired a plot of land for this project and start of construction is planned for the end of 2016. Creos is also constantly monitoring new technological developments that can be interesting to make its grids more reliable or to reduce the investment needed to prepare its grids for future evolutions – in this context Creos has introduced the “dynamic line rating” technology on a key power transport line and took a participation in the company Ampacimon S.A. which developed this technology.

Financial results of Creos Luxembourg S.A.

Summary of the annual accounts (according to Lux GAAP standards)

Profit and loss account

Net turnover reached EUR 237,292,719 in 2015 (EUR 223,240,338 in 2014). Increase in net turnover (see Note 16) is mainly due to the increase of grid sales (following tariff increases applied since January 2015) and of balancing energy sales (with no impact on EBITDA as compensated by purchases for the same amount). Other revenues have decreased due to lower sales to third parties than previous year.

The current operating result (EBITDA) was EUR 125,580,763 in 2015 (EUR 117,310,357 in 2014), mainly as a result of increased revenues.

Profit for the financial year was EUR 67,855,335 (EUR 67,494,477 in 2014). It includes a dividend received from Creos Deutschland of EUR 7,750,032 (EUR 7,750,032 in 2014).

Balance sheet

There has been no change in subscribed capital of the company since the Extraordinary Meeting of Shareholders held on 6 January 2011 which approved the contribution of the gas and electricity networks of the City of Luxembourg to Creos Luxembourg S.A. with the issue of new shares. The subscribed capital amounts to EUR 198,851,260 and the share premium to EUR 189,562,253.

Pursuant to a merger of Communes and according to the company's by-laws and a resolution of the General Assembly dated 8 May 2012, Creos Luxembourg S.A. bought back 5,045 own shares from Schengen municipality for an amount of EUR 469,595 which has been recorded as financial assets. A blocked reserve for the same amount has been provided for according to the law on commercial companies.

Risk Management Objectives and Policies

The main risks the company has to manage are accidents to people (internal and third parties) and network damage in certain climatic events.

Proposed appropriation of net profit

The profit available for appropriation of EUR 77,293,631 includes the net profit for the year of EUR 67,855,335, the reversal of the blocked reserve (wealth tax) of EUR 4,500,000 and the profit brought forward of 4,938,296.

The Board of Directors proposes to the Annual Shareholder's Meeting to be held on 10 May 2016 the following appropriation of net profit:

Dividend of 3.50 euros per share*	34,781,313
Allocation to the legal reserve (5% of net profit until 10% of subscribed capital)	0
Allocation to the blocked reserve	16,045,000
Allocation to other reserve	20,000,000
Amount carried forward	6,467,318
Total	77,293,631

* Number of shares 9,937,518 (total shares issued of 9,942,563 minus 5,045 own shares)

Outlook

Creos Luxembourg S.A. will continue in 2016 and following years to implement a significant plan for investment and maintenance to modernize its networks in order to ensure their safety and reliability. The company will also continue to actively prepare the introduction of 'smart' meters and 'smart' grids. In 2016 will also start the preparatory works for the Emobility project (installation of loading stations for electrical cars).

Since 1 January 2013, a new 'incentive' regulation is in force for a first application period until 2016, according to the ILR regulations E/12/05 (electricity) and E/12/06 (gas) as of 22 March 2012. A public consultation process has been launched end 2015 to adapt these regulations for the second application period which will start in 2017 for 4 years (2017-2020) with 2015 as the reference year. The new ILR regulations should be made public



in the beginning of the second quarter 2016 but according to currently available information and documents (see www.ilr.lu), the ILR is of the opinion that a substantial reduction (of more than 180 basis points) of the capital remuneration for grid operators should be applied.

At this stage, the company does not foresee any technical or financial development likely to raise issues on its economic or financial situation.

Change in 2015 in the Board of Directors and Management of Creos Luxembourg S.A.

To replace Mr Romain Becker, who had resigned, and in accordance with article 51 of the consolidated text of the Companies Act dated 10 August 1915, the amending Acts and Article 22.1 of the Statutes, the Board members met on 25 June 2015 to co-opt Mr Claude Seywert onto the Board of Directors as of 1 August 2015, for the outstanding term of his predecessor's mandate. The annual general meeting of shareholders is invited to confirm this provisional nomination, which remains subject to its approval.

The Board of Directors appointed on 25 June 2015 Mr Claude Seywert as Executive Director and CEO as of 1 August 2015, in replacement of Mr Romain Becker, having exercised his entitlement to retire.

To replace Mr Mark Lauwers, who had resigned, and in accordance with article 51 of the consolidated text of the Companies Act dated 10 August 1915, the amending Acts and Article 22.1 of the Statutes, the Board members met on 10 December 2015 to co-opt Mr Eric Bosman onto the Board of Directors, for

the outstanding term of his predecessor's mandate. The annual general meeting of shareholders is invited to confirm this provisional nomination, which remains subject to its approval.

At its meeting on 10 December 2015, the Board of Directors approved the proposal submitted by AXA Redillion ManagementCo S.C.A. to appoint Mr Michael Reuther, permanent representative of the Director AXA Redillion ManagementCo S.C.A., as Director of the company (personal mandate). The Board members co-opted Mr Michael Reuther as Director of the company and the annual general meeting of shareholders is invited to confirm this provisional nomination, which remains subject to its approval.

The term of office of Mr Jean Schiltz, representing the municipalities, is set to expire. The Coordination Committee of Municipalities will make a proposal on this subject.

Other changes in 2016

On 7 March 2016, an extraordinary shareholders' meeting of Enovos International S.A. was held as a consequence of the change in the shareholding of Enovos International S.A. Accordingly, MM Manfred Fess and Stephan Kamphues resigned from their office as member of the Board of Directors of Creos Luxembourg as of 7 March 2016.

At its meeting on 10 March 2016, the Board of Directors of Creos Luxembourg co-opted Mrs Patricia Rix and Mr Michel Birel as new

Board members, both nominations having to be confirmed by the next general meeting of shareholders. Moreover, and as a consequence of the amended shareholder agreement between the new shareholders of the Enovos Group holding company, Article 20.1 of the articles of association of Creos Luxembourg S.A. is expected to be amended in an extraordinary general meeting of shareholders to be held on 10 May 2016, and an additional director is expected to be appointed in that shareholder meeting.

Auditor

The shareholders general Assembly on 12 May 2015 appointed PricewaterhouseCoopers as auditor according to the article 69 of the modified law of 19 December 2002 for the years 2015 and 2016.

Luxembourg, 10 March 2016
The Board of Directors

Annual accounts

Balance sheet as at 31 December 2015

Assets	Notes	2015	2014
Fixed assets		€	€
Intangible fixed assets	Note 4		
Concessions, patents, licences, trade marks and similar rights and assets, if they were			
a) acquired for valuable consideration		3,799,837	4,341,459
Payments on account and intangible fixed assets under development		7,829,567	2,358,595
Tangible fixed assets	Note 5		
Land and buildings		115,103,218	74,575,591
Plant and machinery		507,173,753	429,896,222
Other fixtures and fittings, tools and equipment		16,503,674	5,502,034
Payments on account and tangible fixed assets under development		106,359,838	157,660,239
Financial fixed assets	Note 6		
Shares in affiliated undertakings		42,000,000	42,000,000
Shares in undertakings with which the undertaking is linked by virtue of participating interests		2,030,834	530,000
Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests		35,000	0
Own shares or own corporate units		469,595	469,595
Total Fixed Assets		801,305,316	717,333,735
Current assets			
Inventories			
Raw materials and consumables		6,792,800	6,015,764
Work and contracts in progress		22,638,767	10,860,280
Debtors			
Trade receivables	Note 7		
a) becoming due and payable within one year		7,567,012	10,231,101
Amounts owed by affiliated undertakings			
a) becoming due and payable within one year	Note 8	60,368,061	57,716,027
Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests			
a) becoming due and payable within one year		475,176	846,230
Other receivables			
a) becoming due and payable within one year	Note 9	27,338,302	22,231,727
Cash at bank, cash in postal cheque accounts, cheques and cash in hand		211,116	202,524
Total Current Assets		125,391,234	108,103,653
Prepayments	Note 10	7,696,280	4,532,841
Total Assets		934,392,830	829,970,229



The accompanying notes form an integral part of the annual accounts

Liabilities	Notes	2015	2014
Capital and reserves	Note 11	€	€
Subscribed capital		198,851,260	198,851,260
Share premium and similar premiums		189,562,253	189,562,253
Reserves			
Legal reserve		19,885,126	19,885,126
Reserve for own shares or own corporate units		469,595	469,595
Other reserves		161,885,486	122,785,486
Profit or loss brought forward		4,938,296	6,356,373
Temporarily not taxable capital gains		179,284	0
Profit or loss for the financial year		67,855,335	67,494,477
Total Capital and reserves		643,626,635	605,404,570
Provisions			
Provisions for pensions and similar obligations	Note 12.1	31,098,170	30,732,979
Other provisions	Note 12.2	11,227,263	7,262,342
Total Provisions		42,325,433	37,995,321
Non Subordinated debts			
Amounts owed to credit institutions			
a) becoming due and payable within one year		43	0
Payments received on account of orders as far as they are not deducted distinctly from inventories			
a) becoming due and payable within one year		16,589,056	10,486,294
Trade creditors			
a) becoming due and payable within one year		74,770,760	35,342,002
Amounts owed to affiliated undertakings			
a) becoming due and payable within one year	Note 13	35,203,135	17,411,897
b) becoming due and payable after more than one year	Note 13	90,000,000	90,000,000
Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests			
a) becoming due and payable within one year		504,844	316,937
Tax and social security debts			
a) Tax debts	Note 15	13,525,281	8,241,416
b) Social security debts		2,530,196	2,534,559
Other creditors			
a) becoming due and payable within one year		1,063,870	1,068,281
Total Non Subordinated debts		234,187,185	165,401,386
Deferred income	Note 10	14,253,577	21,168,952
Total Liabilities		934,392,830	829,970,229

Profit and loss account from 1 January to 31 December 2015

Charges	Notes	2015	2014
		€	€
Use of merchandise, raw materials and consumable materials		29,840,683	31,645,240
Other external charges		47,275,756	42,117,679
Staff costs	Note 14		
a) Salaries and wages		56,072,382	55,813,498
b) Social security on salaries and wages		6,048,822	5,709,405
c) Supplementary pension costs		3,686,537	2,729,026
Value adjustments			
a) on formation expenses and on tangible and intangible fixed assets	Notes 4, 5	58,594,363	52,019,682
Interest and other financial charges			
a) concerning affiliated undertakings		2,123,794	1,708,271
b) other interest and similar financial charges		13,071	13,977
Income tax	Note 15	4,753,432	4,033,787
Other taxes not included in the previous caption		21,400	21,400
Profit for the financial year		67,855,335	67,494,477
Total Charges		276,285,575	263,306,442

Income	Notes	2015	2014
		€	€
Net turnover	Note 16	237,292,719	223,240,338
Fixed assets under development	Note 17	30,531,932	31,651,620
Reversal of value adjustments			
a) on current assets	Note 7	40,661	6,876
Other operating income		639,632	426,370
Income from financial fixed assets			
a) derived from affiliated undertakings	Note 18	7,750,032	7,750,032
Other interest and other financial income			
a) derived from affiliated undertakings		0	15,468
b) other interest and similar financial income		30,599	215,738
Total Income		276,285,575	263,306,442

The accompanying notes form an integral part of the annual accounts



Notes to the annual accounts

Note 1 – General information

Creos Luxembourg S.A. ('the Company') was incorporated in Luxembourg under the name of Cegeedel S.A. on 27 March 1928. The Company is registered under RCS nr. B4513. In the context of the below described operations, the Company has been renamed Creos Luxembourg S.A. in 2009.

Following a business combination in 2009 of the grid activities of Cegeedel S.A. and Soteg S.A., the integration of the grid activities of Luxgaz Distribution S.A. in 2010 and the integration of the grid activities of the City of Luxembourg in 2011, the main activities of Creos Luxembourg S.A. are to operate in Luxembourg electricity and gas transport and distribution networks. Creos Luxembourg S.A. holds a 96.88% participation in Creos Deutschland Holding GmbH, which owns a 100% participation in Creos Deutschland GmbH, a result of the merger in 2009 of Saar Ferngas Transport GmbH in Germany with the network activities of Saar Ferngas AG.

The registered office of the Company is established in Luxembourg.

The regulated activities are under the supervision of a Regulator, namely the 'Institut Luxembourgeois de Régulation' ('ILR').

Annual accounts

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

Note 2 – Authorizations

Following the two European directives 2009/72 and 73 of 13 July 2009 concerning common rules for the internal markets in electricity and natural gas, and the laws that transposed these directives into national laws, namely the laws of 7 August 2012 regarding the organization of the electricity and natural gas markets, transport and distribution grid management activities have been legally separated from the other activities of generation and sale of electricity and gas.

Note 3 – Summary of significant accounting policies

Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the amended Law of 19 December 2002, determined and applied by the Board of Directors.

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

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

Significant accounting policies

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

Foreign currency translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. Formation expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date, exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

Intangible fixed assets

Intangible fixed assets are valued at purchase price including the expenses incidental thereto or at production cost, less cumulated depreciation amounts written off and value adjustments. Where the Company considers that an intangible fixed asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. The depreciation method is straight-line and the duration three years.

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

Tangible fixed assets

Tangible fixed assets are recorded at their acquisition price including the expenses incidental thereto or at production costs. Tangible fixed assets are depreciated over their estimated useful economic lives.

Value adjustments for electricity assets are made in accordance with the following principles:

- Plant and equipment that are part of the grid: depreciation using the declining-balance method based on coefficients equal to double those laid down in Article 30 of the Concession Agreement of 11 November 1927 and in the Agreement of 8 September, 1998 for investments completed before 1990, and to triple for investments completed thereafter.
- Buildings: straight-line depreciation (over 20 years in general for assets part of the grid and over 50 years in general for assets not part of the grid).
- Other equipment, machines and furniture: straight-line depreciation over one year in general.
- Fixed assets contributed by the City of Luxembourg or purchased from Echternach: straight-line depreciation, duration from four to forty years.

Value adjustments for gas assets are made in accordance with the following principles:

- Buildings, plant and equipment contributed by Luxgaz Distribution S.A. and by the City of Luxembourg: straight-line depreciation, duration from four to forty years.
- The tangible assets bought since 2010 by Creos Luxembourg S.A. are depreciated using the declining-balance method, based on coefficients equal to triple to linear and a duration from four to forty years.

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



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

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

Fixed assets developed by the Company itself

The costs incurred on fixed assets under development created by the Company itself are recorded in the profit and loss account under caption 'Fixed assets under development' during the year and are transferred at balance sheet date to the appropriate balance sheet caption.

Financial fixed assets

Shares in affiliated undertakings and participating interests are recorded in the balance sheet at their acquisition cost including the expenses incidental thereto. Amounts owed by affiliated undertakings and amounts owed by undertakings with which the Company is linked by virtue of participating interests are included at their nominal value. In the case of an impairment that the Board of Directors considers as permanent in nature, value adjustments are made in respect to these long-term investments to apply the lower value to be assigned to them at the balance sheet date. These value adjustments are not maintained when the reasons for making them have ceased to exist.

Inventories of raw materials and consumables

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

Inventories of finished goods and work and contracts in progress

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

Debtors

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

Prepayments

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

Temporarily not taxable capital gains

Temporarily non-taxable capital gains include gains for which the taxation is deferred by virtue of Article 54 LIR (Income tax law). Such gains, which are rolled over, are recorded at their initial value. Reinvested gains are written off using the same method and over the same period as the assets to which they relate.

Provisions

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

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

Provisions for pensions and similar obligations

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

Defined benefit plan

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

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

Past-service costs are recognized immediately in the profit or loss account.

Defined contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions paid are directly registered in the profit and loss during the year they are paid. The commitment of the Company is limited to the contributions that the Company agreed to pay into the fund on behalf of its employees.

Non subordinated debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is recorded in the profit and loss account when the debt is issued. All fixed costs related to setting up the facilities are depreciated over the duration of the loan.

Deferred income

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

Net turnover

Net turnover relates to transportation and distribution of electricity and gas provided as well as related activities as part of the Company's ordinary activities, net of discounts, value-added tax and other taxes directly linked to sales.

Other operating income

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

Income from financial fixed assets

Dividend income is recorded when dividends are paid.

Note 4 – Intangible fixed assets

Intangible fixed assets comprise IT software licences and IT projects. Movements for the year were as follows:

	IT software licences and projects	Payments on account and intangible fixed assets under development	TOTAL 2015	TOTAL 2014
	€	€	€	€
Gross book value - opening balance	20,579,309	2,358,595	22,937,904	18,046,014
Additions for the year	10,500	7,153,305	7,163,805	2,988,794
Disposals for the year	0	0	0	0
Transfers for the year	1,682,333	(1,682,333)	0	1,903,096
Gross book value - closing balance	22,272,142	7,829,567	30,101,709	22,937,904
Accumulated value adjustments - opening balance	(16,237,850)	0	(16,237,850)	(14,939,806)
Allocations for the year	(2,234,455)	0	(2,234,455)	(1,298,044)
Reversals for the year	0	0	0	0
Accumulated value adjustments - closing balance	(18,472,305)	0	(18,472,305)	(16,237,850)
Net book value - closing balance	3,799,837	7,829,567	11,629,404	6,700,054

Note 5 – Tangible fixed assets

Movements for the year were as follows:

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Payments on account and tangible fixed assets under development	TOTAL 2015	TOTAL 2014
	€	€	€	€	€	€
Gross book value - opening balance	99,678,659	1,262,464,175	48,448,759	157,660,239	1,568,251,832	1,444,927,211
Additions for the year	24,472,741	5,980,587	2,320,055	101,500,718	134,274,101	127,058,341
Disposals for the year	(127,436)	(58,867)	(120,060)	(242,039)	(548,402)	(1,830,626)
Transfers for the year	19,450,581	120,309,632	12,798,867	(152,559,080)	0	(1,903,094)
Gross book value - closing balance	143,474,545	1,388,695,527	63,447,621	106,359,838	1,701,977,531	1,568,251,832
Accumulated value adjustments - opening balance	(25,103,068)	(832,567,953)	(42,946,725)	0	(900,617,746)	(851,431,006)
Allocations for the year	(3,268,259)	(48,974,367)	(4,117,282)	0	(56,359,908)	(50,721,638)
Reversals for the year	0	20,546	120,060	0	140,606	1,534,898
Transfers for the year	0	0	0	0	0	0
Accumulated value adjustments - closing balance	(28,371,327)	(881,521,774)	(46,943,947)	0	(956,837,048)	(900,617,746)
Net book value - closing balance	115,103,218	507,173,753	16,503,674	106,359,838	745,140,483	667,634,086

In 2015, Creos Luxembourg S.A. sold some land in Grevenmacher for EUR 306,720 (purchase price EUR 127,436). The resulting gain of EUR 179,284 on sale has been, in accordance with the tax law art. 54 LIR, immunized in a specific reserve shown under the caption 'Temporarily not taxable capital gains' (see Note 11). Furthermore, the company acquired a plot of land from the City of Luxembourg for EUR 24,425,000 for the construction of its planned new headquarter and centre. The other additions include mainly investments in the gas and electricity grid.



Note 6 – Financial fixed assets

Movements for the year were as follows:

	Affiliated undertakings	Affiliated undertakings	Undertakings with which the undertaking is linked by virtue of participating interests	Own shares or own corporate units	TOTAL 2015	TOTAL 2014
	Shares	Loans	Shares			
	€		€	€	€	€
Gross book value - opening balance	42,000,000	0	530,000	469,595	42,999,595	42,999,595
Additions for the year	0	35,000	1,721,025	0	1,756,025	0
Disposals for the year	0	0	(220,191)	0	(220,191)	
Gross book value - closing balance	42,000,000	35,000	2,030,834	469,595	44,535,429	42,999,595

During the year, the Company completed a number of transactions:

- On 7 May 2015, the Company created Balansys, a joint-venture with Fluxys Belgium NV/S.A., for an amount of EUR 15,500. The purpose of the new company is to facilitate the integration of the Belgian and Luxembourg H-gas market zones into a single zone as well as the further integration of gas markets in Europe.
- During the year, the Company took a stake of 20.78% in Ampacimon S.A., a Belgian company which develops innovative 'Dynamic Line Rating' systems for transmission/distribution systems operators, for a purchase price of EUR 1,705,525.
- On 24 June 2015, the extraordinary general meeting of the shareholders of CASC CWE S.A. decided to reduce the share capital of the company and approved the cross border merger between the company and Central Allocation Office GmbH. After the merger, the name of the company is Joint Allocation Office S.A. (JAO S.A.) and the participation of Creos Luxembourg S.A. is reduced from 7.14% to 5%.

The Company holds at least 20% of the capital in the following undertakings (audited figures):

Company name	Headquarters	Proportion of capital held	Last available financial statements	Shareholders' equity at year-end	Of which profit for the year	Participation net book value 31/12/2015
		%		€	€	€
Creos Deutschland Holding GmbH	Sarrebrücken (Germany)	96.88	31/12/2015	41,857,428	6,616,146	42,000,000
Balansys S.A.	Luxembourg (Luxembourg)	50.00	31/12/2015	31,000	0	15,500
Ampacimon S.A.	Grâce-Hollogne (Belgium)	20.78	31/12/2014	2,554,393	277,519	1,705,525

The Company further holds a participation of 16.45% in Learning Factory for a net book value of EUR 100,000.

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

Note 7 – Trade receivables

Trade receivables relate mainly to revenues from transportation and distribution of electricity and gas.

Note 8 – Amounts owed by affiliated undertakings

The item 'Amounts owed by affiliated undertakings' of EUR 60,368,061 (2014: EUR 57,716,027) comprises EUR 22,847,335 (2014: EUR 21,260,225) related to commercial activities with affiliated undertakings.

Creos Luxembourg S.A. has entered into a cash pooling agreement with Enovos International S.A. which, as of 31 December 2015, owed a cash amount of EUR 37,520,725 to the Company (EUR 36,455,802 as at 31 December 2014). This amount is recorded under the caption 'Amounts owed by affiliated undertakings'. The Company paid an interest rate based on Euribor plus a margin for loans (respectively is paid an interest based on Euribor minus a margin for deposits).

Note 9 – Other receivables

As of 31 December 2015, this caption mainly comprises a receivable of EUR 3,966,248 (2014: EUR 12,761,393) in the context of the mechanism of the 'Fonds de compensation', income tax recoverable of EUR 18,628,000 (2014: EUR 5,831,600), and VAT receivable of EUR 4,173,171 (2014: EUR 3,222,789).

Note 10 – Prepayments and deferred income

According to the regulation scheme, the amount of revenues (grid tariffs) deriving from regulated activities is authorised on an annual basis by the Regulator, ILR. The difference between actual and authorised revenues is assessed each year by the Regulator. This difference is considered in the determination of the electricity and gas grid tariffs for subsequent years. In case actual revenues are exceeding revenues as accepted by the ILR, tariffs for subsequent years will be reduced and consequently such negative difference is provided for.

According to the regulation scheme, a cumulated difference (2015 and prior years) is calculated individually for each regulated activity (electricity, gas transport, gas distribution, metering electricity, metering gas) and is provided for, when positive, in the caption Prepayments for an amount of EUR 4,661,885 (2014: EUR 3,514,538) and when negative, in the caption Deferred income for an amount of EUR 13,525,694 (2014: EUR 21,168,952).

Furthermore, Creos Luxembourg S.A. participated early 2013 together with the other grid operators in Luxembourg in the 'Luxmetering G.I.E.' to develop an IT platform dedicated to the smart metering system to come. The G.I.E. has no capital and the financial stake of Creos Luxembourg in the G.I.E. corresponds to the ratio number of meters owned by Creos Luxembourg S.A./number of meters owned by all G.I.E. members and is around 80%. Cash advances of EUR 2,622,376 paid to Luxmetering G.I.E. are posted under the caption 'Prepayments' (2014: EUR 745,575).

The same caption also comprises prepaid expenses related to rental charges relating to a subsequent financial year for an amount of EUR 92,429 (2014: EUR 92,001).

An amount of EUR 727,882 corresponding to future gas capacity reservation invoiced to Twinerg was recorded in the caption Deferred income.



Note 11 – Capital and reserves

As at 31 December 2015, the Company's subscribed capital was EUR 198,851,260. The capital is fully paid-up and represented by 9,942,563 shares without designation of a nominal value.

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

The movements for the year are as follows:

	31/12/2014	Distribution of dividends	Allocation of previous year's profit	Profit of the year	Other movements		31/12/2015
					Increase	Decrease	
	€	€	€	€	€	€	€
Subscribed capital	198,851,260						198,851,260
Share premium and similar premiums	189,562,253						189,562,253
Legal reserve	19,885,126						19,885,126
Reserve for own shares or own corporate units	469,595						469,595
Other reserves	122,785,486		47,100,000			(8,000,000)	161,885,486
Other reserve	81,805,486		35,000,000 ¹⁾				116,805,486
Blocked reserve	40,980,000		12,100,000 ¹⁾			(8,000,000) ¹⁾	45,080,000
Profit brought forward	6,356,373		(9,418,077) ¹⁾	8,000,000 ¹⁾			4,938,296
Temporarily not taxable capital gains	0				179,284 ²⁾		179,284
Result for the financial year	67,494,477	(29,812,554) ¹⁾	(37,681,923) ¹⁾	67,855,335			67,855,335
Total	605,404,570	(29,812,554)	0	67,855,335	8,179,284	(8,000,000)	643,626,635

1) Decision of the ordinary general meeting of shareholders of 12 May 2015.

The amount allocated to the blocked reserve is equal to five times the amount of the wealth tax credit. The total reserve amounts to EUR 45,080,000, and breaks down as follows: EUR 4,500,000 for 2010, EUR 5,300,000 for 2011, EUR 11,830,000 for 2012, EUR 11,350,000 for 2013 and EUR 12,100,000 for 2014. The amount allocated for 2009, EUR 8,000,000, was released to retained earnings as at 31st December 2015 (Note 15). This reserve is non distributable for a period of five years from the year following that during which the Net Wealth Tax was reduced.

2) Capital gain from the sale of land (see Note 5) in 2015.

Note 12 – Provisions

12.1. Provisions for pensions and similar obligations

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

- retirement age taken into account for financing: 60 years
- yearly discount rate of 4,15%
- estimated wage at time of retirement.

Actuarial profits and losses are immediately recognised in the profit and loss account.

In addition, for a defined contribution pension scheme for staff members who joined the Company after 1 January, 2001, the Company pays a contribution to an insurance Company that is recorded under expenses for the year. For 2015, expenses for the pension scheme amount to EUR 775,646 (2014: EUR 722,827).

12.2. Other provisions

The caption 'Other provisions' comprises provisions to cover untaken holidays for employees and provisions for regulatory risk for an amount of EUR 7,239,044 (2014: EUR 3,576,279). According to the regulation scheme, the authorised revenue derived from large investment projects can be adjusted based on the actual amounts invested.

Note 13 – Amounts owed to affiliated undertakings

As of 31 December 2015, the Company owed EUR 35,203,135 to affiliated undertakings becoming due and payable within 1 year (2014: EUR 17,411,897), corresponding mainly to the invoicing by Enovos Luxembourg S.A. of the amount due in relation with the 'Fonds de compensation' scheme.

On 26 June 2013, Enovos International issued a German Certificate of Indebtness ('Schuldschein') of EUR 102 million with a tenor of 7, 10, 12 and 15 years, of which EUR 65 million were lent to the Company at back-to-back conditions. The interest rate charged reflects the costs incurred by Enovos International S.A. to raise the funds in the financial markets. The Schuldschein bears a floating interest rate for the 7 year tenor and a fix interest rate of 2.81%, 3.22% and 3.5% for the 10, 12 and 15 years tenor respectively. The interests for the floating 7 years tenor are paid twice a year in June and December whereas the interests on the fix tenors are paid in June every year. The interests are appropriately provisioned in the accounts. The accrued interest payable as at 31 December 2015 amounts to EUR 752,020 (2014: EUR 716,777).

On 21 November 2014, Enovos International S.A. issued an additional German Certificate of Indebtedness ('Schuldschein') of EUR 80 million, of which EUR 25 million were lent to Creos Luxembourg at back-to-back conditions. The interest rate charged reflects the costs incurred by Enovos International S.A. to raise the funds in the financial markets. The Schuldschein bears a fixed interest rate for the 7 years of 1.547%, 2.004% for the 10 years and 2.297% for 12 years. The interests on the fixed tenors are paid in November every year.

Note 14 – Staff costs

Staff costs include salaries, social security costs as well as costs for the pension plans. In 2015, the Company had on average 663 employees (2014: 650). The figure in 2015 includes the staff of the City of Luxembourg made available to Creos Luxembourg S.A. (110 employees), the costs of which are shown under wages and salaries for EUR 10,610,664 (2014: EUR 11,019,164).

Note 15 – Income tax

Creos Luxembourg S.A. is subject to all taxes applicable to Luxembourg companies and the tax provisions have been provided in accordance with the relevant laws. In accordance with paragraph 8a of the Law dated 16 October, 1934 as amended, Creos Luxembourg S.A. will opt for the reduction of the net wealth tax due for the year 2014 by setting up a special reserve equal to five times the amount of the net wealth tax reduced (see Note 11). As of 31 December 2015, tax debts cover principally preceding years from 2012 to 2015. For 2012 to 2015, an amount of EUR 18,628,000 is recorded in other receivables (see Note 9).

Note 16 – Net turnover

Net turnover for the year 2015 breaks down as follows:

	2015	2014
	€	€
Sales grid power	153,100,325	138,707,755
Sales grid gas	42,674,101	41,748,293
Metering revenues	18,735,765	16,356,453
Energy sales power (equilibrium)	3,246,598	1,804,316
Other revenues	19,535,930	24,623,521
Total	237,292,719	223,240,338

Energy sales power (Equilibrium) are the differences between nominations made by suppliers and their actual purchases. This difference which can be a cost (or a revenue) for the Company is re-invoiced (or credited) to the suppliers.

Note 17 – Fixed assets under development

This caption 'Fixed assets under development' accounts for capitalised transport costs, overheads and hours worked by employees on projects activated by the Company.

Note 18 – Income from financial fixed assets

This caption includes the dividends paid by Creos Deutschland GmbH for an amount of EUR 7,750,032 (2014: EUR 7,750,032).

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

Remuneration paid to members of the administration and supervisory bodies totalled EUR 706,000 (2014: EUR 768,000). No advance or loan was granted to members of the administration and supervisory bodies, nor was any commitment given on their behalf in respect of any form of guarantee.

Note 20 – Related parties transactions

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

Note 21 – Off balance sheet commitments

The Company has issued bank guarantees in the context of its regular business for a total amount of EUR 1,000,992 (2014: EUR 1,000,000).

Note 22 – Post-balance sheet events

No major post balance-sheet event has occurred affecting the 2015 accounts.

Audit report

To the Shareholders of Creos Luxembourg S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Creos Luxembourg S.A., which comprise the balance sheet as at 31 December 2015, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

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

Responsibility of the 'Réviseur d'entreprises agréé'

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the 'Réviseur d'entreprises agréé', including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Creos Luxembourg S.A. as of 31 December 2015, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

PricewaterhouseCoopers, Société coopérative
Luxembourg, 10 March 2016
Represented by Christiane Schaus



Creos Luxembourg's annual report is published in both English and French.
Only the English version may be considered the original.
We would like to thank all those involved in the preparation and publication of this annual report.

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