

Annual Report 2015

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Director's report

2015 was a turbulent year. One in which ECN worked hard to manage the challenges ahead.

General

The consolidated financial statements of Stichting Energieonderzoek Centrum Nederland (ECN) include the financial statements of ECN and the financial statements of the group companies:

- V.o.f. Nuclear Research and consultancy Group
- NRG Nuclear Services B.V.
- ECN Wind Energy Facilities B.V. (WEF)
- ECN Windturbine Testpark Wieringermeer C.V.
- SunLab B.V.
- Stichting ECN Nuclear

ECN is an offshoot of Reactorcentrum Nederland (RCN), an institute incorporated in 1955 with the objective to perform research into the peaceful application of nuclear energy. As from 1976 it has been expanding its activities into research on sustainable energy applications. What's more, on the back of historical developments involving well over fifty years of energy research (nuclear and otherwise) in the Netherlands, a unique project has emerged (the Radioactive Waste Management Programme). All of this together means ECN distinguishes the following three main activities:

1. Sustainable activities
2. Nuclear activities
3. Transport of historical nuclear waste.

Activities

Sustainable activities

ECN Duurzame Energie (ECN DE) is a unique knowledge organisation in Europe, engaged in sustainable energy. ECN DE performs cutting-edge applied research, whose influence on the energy transition is significant. ECN DE's high-quality research infrastructure helps the market to enhance the development and exploitation of knowledge and innovative technology. Its leading research quality makes ECN DE an important partner for top class institutes, governments and the business community, both within and beyond Europe. ECN DE has branches in Petten, Amsterdam, Eindhoven, Wieringermeer and Asia.

Transitioning to a sustainable energy household is a necessity and ECN DE develops knowledge and technology

to realize this - and to make an impact. We have expressly opted to fulfil a system function in sustainable energy. The idea is to bridge the gap between fundamental research in academia and the application of new knowledge and technology in the business community, particularly in small and medium sized businesses.

With the energy agreement increasing the need for innovation (internationally acknowledged in, e.g., the Paris Climate Agreement), ECN DE is concerned about less direct research subsidies and public resources being available every year. In 2015, it signalled the Ministry of Economic Affairs about the difficulties of maintaining the current high quality research in the face of ever decreasing government contributions. On the back of this the ministry has ring-fenced EUR 2.5 million in additional commissions for 2016. On top of that, it commissioned a survey in the spring of 2016, so as to form an opinion about ECN DE's role and position in the energy sector and the related infrastructure in the Netherlands. The survey is led by a steering committee in which in addition to ECN DE and the responsible ministry officials, public-private parties have a seat as well.

ECN DE completed drafting its strengthened 2016-2018 strategy¹ by the end of 2015. In it, ECN DE advocates combining the currently fragmented knowledge research on sustainable energy applications in the Netherlands. What's more, the subsidies for this type of research should be raised to a level in sync with the high energy transition ambitions. ECN DE opts for joining forces across the knowledge chain to make the best possible impact. This would include intensive collaboration on specific themes in clusters of both knowledge institutes and market parties.

As one of the partners within the TO2 federation, ECN DE co-ordinates the topic *Secure, clean and efficient energy*, which is structured as an open innovation network. The TO2 federation encompasses Deltares, ECN, MARIN, NLR, TNO, WageningenUR and acts as the link between knowledge and innovation in partnership with government, business community and society.

This pooling of resources has led to a further enhancement of the Netherlands Energy Research

¹ The plan's two-year time horizon has been aligned with harmonisation of the strategy period of the TO2 institutes and follows the wish of the Minister of Economic Affairs. All institutes will apply the same four-year strategy period as from 2018.



Alliance, NERA, a partnership of ECN DE, TNO, FOM, the three technical universities and the University of Groningen. In 2015, NERA focused on materials research, the exploration of fundamental research in the Top Sector Energy programmes, and it contributed to the realisation of the National Research Agenda (*Nationale Wetenschaps Agenda - NWA*). NERA will continue to coordinate and shape the energy transition process in 2016.

As part of the pooling of resources ECN DE has entered into various partnerships in 2015; they included:

- TNO and Energy Academy Europe (EAE), to find an answer for the major future energy issues
- TNO: “VoltaChem” - an industry driven Shared Innovation Program linking the chemical industry with the electricity sector and with equipment suppliers
- GasUnie, Dahlman, Taqa, the municipality of Alkmaar, and PDENH - for a green gas demo in Alkmaar

New partnerships have been created as part of various initiatives set up in 2015, such as:

- AMOLF, VU and UvA at the Amsterdam Science park, involving crystalline silicon
- Vito and TNO in the south-western part of the Netherlands, involving a Center for Bioapplications
- TNO and technical universities, involving process technology

ECN DE participates in many collaborative projects resulting from various Top Sector tenders, while it likewise collaborated with universities and companies to expand the knowledge and innovation agendas (KIAs) 2016-2018 of the Top Sector Energy in 2015. Collaborative projects not financed through the Top Sector tenders

in which ECN DE participates are part of the ECN DE programme, too, likewise making them part of the Top Sector. Most of them involve European projects such as the Horizon 2020 programme.

ECN DE shares its knowledge with society through publications, collaborations, lectures, exhibitions, and patents. ECN DE owned 96 patent families by the end of 2015, 31 of which are less than 30 months old. The goal is to find parties willing to exploit or further develop knowledge. Patent applications are usually stopped if no parties are found within the 30 months set, after which the knowledge is published. Out of the patent families exceeding the 30 month period (65) 86% were subsequently used (the average within the TO2 federation is 78%). Its uses include license contracts, starting spin-offs, consultancy, commercial research projects, and public-private collaborative projects.

Led by an independent committee encompassing members of international applied-research institutes, RVO, FME CME, and the business community, ECN DE performed an external peer review in June 2015. ECN DE makes an impact, the committee concluded, through its knowledge and technology development and it is important for the energy transition in the Netherlands and Europe. Still, it focuses too strongly on the Netherlands, not enough investments are made in research Infrastructure, and collaboration with universities has dropped strongly. The committee's recommendations have been included in the 2016-2018 strategy.

Nuclear activities

NRG is the go-to nuclear service provider of the Netherlands, providing in the need society has for high-quality nuclear research and innovation. NRG is the world's number one producer of nuclear isotopes for health care purposes. Likewise, NRG is the expert and reliable consultant and service provider for organisations involved in nuclear technology or radioactive products. It has a market share in the worldwide supply of medical isotopes of roughly 30%. Petten supplies the medical isotopes for 25,000 patient treatments across the world, every day. NRG has branches in Petten and Arnhem in the Netherlands.

Taking part in a long Dutch tradition of nuclear research, NRG can pride itself in a rich history. Today, in 2016, NRG's consultants and engineers work on keeping nuclear power plants around the world safe and making them even safer. The global nuclear community greatly values the knowledge and skills NRG has. One of the most striking features regards the NRG operators who run the High Flux Reactor (HFR) of the European Union. The reactor produces medical isotopes and it is the location where pioneering innovative research takes place, including research on materials.

While the European domestic market continues to be at the heart of NRG's commercial activities, it has also taken clear positions in niche markets in the international nuclear industry, such as decommissioning and waste. One example is the dismantling of decommissioned foreign nuclear power plants. The Far East market is promising, too. China is committed to further developing and scaling up the High Temperature Reactor. Although it was developed in Europe, this modular, expandable nuclear reactor was never built here. China considers its possible use as an industrial heat installation to be a solution: producing power and processing heat with the least possible environmental impact. NRG is highly knowledgeable about the HTR.

In its capacity of a nuclear operator NRG regards safety and security as absolute preconditions. Their priority exceeds anything else and so we continuously strive to become a High Reliability Organisation (HRO), a term embedded in high risk industries such as aviation, the chemical industry and other industries where serious incidents are rare, if not impossible. Up until the end of the previous century attention mostly focused on the technical and procedural/organisational integrity involved in safety and security. The professional focus

has now expanded and has increasingly come to include the attitude and behaviour of groups and individual employees. NRG strives to reach the top-most level of protection against undesirable incidents: technically, in procedural terms and as part of its security culture.

When the HFR was built its useful life had always been expected to last through the end of 2015. A new reactor planned for 2024 (the Pallas project) triggered plans in 2013, including the related investments, to keep the HFR running through 2024. The Ministry of Economic Affairs granted ECN DE a loan in 2014, to finance those investments and ECN DE's operations over the years to come. This was realised in the form of a private loan agreement. The loan amount will be made available in tranches.

The year 2015 marked the first full year in which NRG's new organisational set-up was operational. Likewise, this was a year of investments in the nuclear installations to guarantee a reliable supply and safe operations up to 2024. Marginal slack in one of the regulating rods in mid-September 2015 complicated this, as it required a preventive shutdown of the reactor. It was started up again early in December. Partly because of this incident but also because of the additional attention required for what were mostly internal processes, a loss was once again incurred in 2015.

The various occasions on which the HFR was involved in maintenance downtime in recent years and the adjusted cost estimates as regards the current Radioactive Waste Management Programme (transport of historical nuclear waste), have led to a negative equity as at year-end 2015. The HFR will not be affected by downtime in 2016, bar any unforeseen circumstances. This and the ongoing cost saving measures are expected to result in positive operations such that the equity will no longer be negative as at year-end 2016. The investments required for the HFR have meant that NRG has had to raise the prices for its customers. In demanding the market to pay rates based on full cost recovery, NRG is one of the frontrunners internationally.

Transport of historical nuclear waste

The Dutch government has decided to store all nuclear waste in the Netherlands in a central location, in Vlissingen. On the back of this NRG started a project as part of the Radioactive Waste Management Programme (RWMP) in 2012. Historical nuclear waste will have to be separated into low, medium and high-level radioactive

waste, so as to be cost efficient in meeting the current stricter packaging requirements. NRG has had to adapt its existing installations in order to be able to sort, classify and package historical waste. Reaching the first 100 barrels of historical radioactive waste ready for shipment to COVRA in Vlissingen started in 2015.

Other issues

The Court of Appeal in The Hague delivered its judgment in the legal dispute with the association of former employees of ECN and NRG, the *Vereniging van Oud Medewerkers ECN @ NRG* (OMEN) on 31 March 2015. The Court of Appeal has dismissed all claims by OMEN against ECN and has upheld the earlier judgment of the Subdistrict Court in Alkmaar of 8 September 2010, which states that ECN did have the power to change the pension scheme as at 1 January 2007 and to introduce a conditional indexation at the time. As OMEN has not lodged an appeal against the ruling of the Court of Appeal with the Dutch Supreme Court, the legal dispute has now been settled.

Situation as at balance sheet date

The negative results over the past three years have caused ECN's equity to become negative, while the removal of radioactive waste (use of the provision) and the investments required to keep the HFR operational through 2024 have resulted in a considerable need for liquidity over the years to come. The Minister of Economic Affairs announced a decision on 17 October 2014, in which ECN is granted a EUR 82 million credit. It concerns a loan agreement under private law, which is to be made available in tranches. The second tranche of the loan, amounting to EUR 10 million, was received from the Ministry of Economic Affairs in 2015.

The liquidity position decreased to EUR 105.1 million, down from EUR 116.3 million. A major part of the cash is not at ECN's free disposal. Its current balance is EUR 43 million (2014: EUR 51 million). The amounts not freely disposable includes the Escrow accounts for radioactive waste and the prepaid amounts in respect of ADEM and Solliance.

Compared with year-end 2014, the workforce has increased by 10 persons, to 915 (ECN DE 483/NRG 432), up from 905 (ECN DE 484/NRG 421). The number of full time equivalents (FTEs) as at year-end has decreased by 1 FTE, to 837 (ECN DE 435/NRG 402), down from 838 (ECN DE 443/NRG 395).

Results

The total operating income decreased to EUR 137.9 million (2014: EUR 139.7 million). The net result realised amounts to -/- EUR 10.7 million (2014: -/- EUR 16.8 million).

The income from licenses amounted to EUR 0.2 million (2014: EUR 0.3 million).

The 2015 operating result was -/- EUR 9.3 million. The negative result was caused by NRG's negative operating result of -/- EUR 9.9 million, due to the one-month unexpected downtime of the HFR and the addition to the provision for radioactive waste.

The participation WEF B.V. realized a positive result of EUR 0.4 million after taxation in 2015 (2014: EUR 0.9 million). The participation SunLab B.V. realized a negative result of EUR 0.1 million in 2015 (2014: EUR 0.1 million profit).

The investments (including major maintenance) totalled EUR 9.6 million in 2015 (2014: EUR 4.8 million).



Risks and uncertainties

Historical radioactive waste

ECN has obligations in respect of removing and storing historical and other radioactive waste and to dismantle the nuclear buildings and installations. These obligations carry a very high risk for ECN's financial and liquidity positions. New insights and unforeseen circumstances relating to this file may lead to significantly higher expenditures. The uncertainty has been disclosed in more detail in the note to the provision for radioactive waste.

Safety and licenses

ECN has the necessary licenses for performing its experimental work. A breach of the regulations attached to the licenses may lead to these licenses being withdrawn, while it may likewise create dangerous situations for people and the environment. ECN has competent employees in place to prevent this from happening, an appropriate management system, and an up-to-date security culture.

To date, the supervisory authority 'Authority for Nuclear Safety and Radiation Protection' (*Autoriteit Nucleaire Veiligheid en Stralingsbescherming* – 'ANVS') has not indicated in any way whatsoever that they will be taking measures as regards the equity. NRG is responsible for providing information to ANVS. The periodic consultation it has with ANVS is one of the occasions when they do so. As part of its periodic consultation with the supervisory authority the Board of Directors implements any mitigating measures required.

Availability nuclear installations

The main risks for the business operations regard the availability of the installations and an organisation incapable of continuing all operations safely, reliably and financially sound.

To this end, a three-phased Recovery Plan was introduced by the end of 2013. The phases encompass the crisis phase (as from mid-November 2013 through mid-February 2014), the transition phase (up to mid-2014), and the structural phase. The latter is specifically intended to implement all programmes involved in mitigating the risks referred to.

Political risks

Public funding (subsidies) provides for most of ECN's resources. Developing an innovation policy is largely politically inspired. The current model, involving various technology institutions, is rather opaque according to the Minister of Economic Affairs. Cooperation within the TO2 should be enhanced to improve this situation. The Minister of Economic Affairs has requested for a synchronisation of the strategic planning periods of TO2 institutions as from 2018.

A uniform approach vis-à-vis unfair competition by public institutions within the Top Sector policy is envisaged for applied research. ECN is expected to apply a more market-oriented focus to be eligible for sufficient financing, while at the same time the uniform approach is expected to restrict ECN's opportunities. How best to cope with this tension is now being examined. Following consultation within the TO2, a code of conduct has been prepared.

Commercial risks

The shift from government contracts to commercial contracts and the rise in public-private partnerships has forced ECN to anticipate risks involved in engagements with market parties (such as the risk of bad debts, the risk of claims, and the risk of unfair competition).

Continuity risk

The bad solvency position may be an impediment to ECN and NRG being involved in any tenders for European and other projects, as well as any collaborative projects. This requires a supporting policy and may involve a commitment by the Dutch government.

Markets and cyclical risks

Not all of the markets on which ECN is increasingly forced to operate are stable and free of cyclical developments. The so-called captive customer represents another danger. ECN strives to be independent from one or some specific markets or customers to mitigate these risks. Business Development ensures ECN is informed sufficiently of the developments on the different markets and at the different market parties. This should enable ECN to react on time. Active Asset Portfolio Management is another element of ECN's policy of spreading the risks.

The market developments relating to the medical isotopes are key to further reinforcing the selling prices. Knowledge of the market developments and timely anticipation of these developments mitigate the risk.

Efficiency/primary process project control and corporate services departments

As part of efficiency and project control an extensive project management training was started in 2013, according to the Prince II system. Combined with the ongoing development of the RAM-tool, the introduction of a capacities management tool, and the mobility square, this has boosted the project control. NRG started to further implement project-based working in 2014. The Prince II methodology was introduced throughout the organisation in 2015.

Horizon 2020

Horizon 2020 (H2020) is the program initiated by the European Commission to stimulate European science and innovation with the goal of enhancing Europe's competitiveness. What's more, this should challenge the business community and the academic world to join forces and to come up with solutions for societal issues throughout Europe.

Horizon 2020 is the successor of the Seventh Framework Program (FP7) and has an overall budget of approximately EUR 80 billion for the period of 2014-2020.

Payments under H2020 deviate from payments under the Seventh Framework Program. The indirect expenses are reimbursed on the basis of a fixed percentage of 25%. Under the Seventh Framework Program the actual indirect expenses were fully reimbursed. Knowledge institutions may compensate this by receiving a higher payment. To this end, they have to show that the research infrastructure is an essential component of the total assets available and that the indirect costs can demonstrably be considered to be direct. A number of fellow institutes have submitted the request and their eligibility for payment of the so-called Large Research Infrastructure payment has been rejected. ECN's request, which was submitted in the autumn of 2015, is currently still being assessed by the European Committee. Apart from the risk involved in obtaining the LRI payment, there is another risk. Since the conditions are unknown and because this is a new program, the average acquisition balance realised on EU projects may be lower than in the past.

ald op EU projecten die lager ligt dan in het verleden.

Safety, Health and the Environment

Legislation and regulations

Amendment of the Environmental Modification Permit for the Petten site became irrevocable as from January 2016. ECN had filed this request, which contained an update of a number of business operations, in April 2014. Apart from applying for this license, the basic Risk Assessments & Evaluations have been updated, while actions have been determined for the Plan of Approach (obligatory under the Working Conditions Act). The measures implemented on the back of the license being granted include an adjustment of the storage facilities for hazardous substances and instructions for employees working with such substances.

ECN is a 'light BRZO institute' (an institute governed by the Major Accidents (Risks) Decree – the 'BRZO') and an inspection by the Competent Authority identified seven observations. Improvement measures had already been implemented in respect of most of these observations.

Safety, Health and the Environment

No lost-time accidents were registered in 2015. The security awareness campaign 'Think Safety First' seems

to have had a positive effect. Our campaign focuses on implementing Last Minute Risk Assessments (LMRAs), discussing any unsafe behaviour with each other, and better knowledge of what is safe or not.

The Near Misses reported are down by a quarter compared with previous year. The willingness to report incidents is still good, although the decrease most probably reflects the drop in the number of experimental actions.

The business operations have been such that they had little impact on the environment. More specific information is available in the public SHE annual report.

Corporate Social Responsibility

Sustainability is embedded in the genes of ECN. Contributing to a sustainable future is at the heart of our mission. At ECN we have been translating this passion into a consistent and targeted policy on corporate social responsibility ever since 2011. Under the banner of our three icon themes - 'core business', 'our area', and 'society' - we wish to demonstrate how we interpret our social responsibility.

ECN DE organized a stakeholder dialogue in January 2015. The objective was to exchange ideas with some of our major customers and collaboration partners. Like ECN DE, they play a key role in the energy transition. We were assured that ECN DE's core operations have the strongest impact by far. As we develop new knowledge and technologies for a sustainable energy household together with and for the market, we can truly make a difference. That said, we also want to take our responsibility by setting the right example in our business operations and by sharing our knowledge with others. Our CSR policy was ingrained in the veins of our organization in 2015. Where CSR started out as a project, with a few enthusiasts, it has been now transferred to the line. Its broader appeal will make the CSR policy more powerful.

We monitor the progress through the twelve indicators we have identified; this is where we systematically want to achieve progress. The CSR annual report includes progress reports and more information about the actions implemented.

Corporate governance

The Board of Directors and the Supervisory Board endorse the general principles and basic assumptions of the Dutch corporate governance code as laid down by

the Corporate Governance Code Monitoring Committee, for honest and transparent operations and the proper supervision of, and accountability for, these operations. Although this Code mainly focuses on Dutch listed companies, in 2004, the Board of Directors and the Supervisory Board decided to implement the elements of the corporate governance code that are also relevant to ECN. On the back of this Supervisory Board Regulations and Board of Directors Regulations were laid down in 2006, which included the elements of the Code relevant to ECN.

The most recent versions of both sets of regulations were adopted by the Supervisory Board on 28 November 2014. They became effective on 17 February 2015. The most recent articles of association were adapted and became effective on 17 February 2015.

It was decided in 2015 to combine the boards of directors of ECN and NRG by allowing NRG's authorised representatives to accede to ECN's Board of Directors. ECN's combined Board of Directors now comprises five members: one chief executive officer (CEO) appointed under the articles of association, a Vice-Chair appointed under the articles of association, a Chief Operating Officer Sustainability appointed under the articles of association, a Chief Operating Officer Nuclear not appointed under the articles of association, and a Chief Financial Officer appointed under the articles of association. The CEO chairs the Board of Directors and has the ultimate responsibility for the company as a whole. In accordance with the Board of Directors Regulations and the Supervisory Board Regulations, he answers to the Supervisory Board.

The Supervisory Board basically comprises six members. The Supervisory Board has the duty of supervising how the Board of Directors manages the foundation. The Supervisory Board supports the Board of Directors with advice.

The Minister of Economic Affairs appoints the Supervisory Board members, on the nomination of the Supervisory Board. The Supervisory Board consults with the Board of Directors and the Works Council when preparing the nomination. The candidate must fit the desired profile of the Supervisory Board. The Supervisory Board drafts this profile factoring in ECN's nature, its operations, and the desired level of expertise, experience and independence of its members. Members of the Supervisory Board are appointed for a period of four



years and may be reappointed twice at the most. The Board of Directors and the Supervisory Board are responsible for ECN's corporate governance structure – each in accordance with their specific roles. In this respect they answer to the Minister of Economic Affairs. The Supervisory Board provides the Minister of Economic Affairs with all the information needed.

Expectations for 2016

A positive financial result is expected for 2016, both for the nuclear and the sustainable energy activities. This does require the nuclear installations to be fully available, the cost saving measures to be implemented, and the pricing policy to be improved.

Although the solvency is negative, as yet the liquidity is adequate. Subject to the loan conditions being met, the 2014 loan obtained from the Minister of Economic Affairs ensures the liquidity for the coming years, too. The loan is paid in tranches. In realising the Recovery Plan, ECN expects it takes just a few years to raise the equity level to what is appropriate to the type of activities performed.

The nuclear activities will demand a lot of attention in 2016 as well. Operating the installations safely and reliably to bridge the period until the arrival of the new reactor requires major investments. These will need to be raised by the market. In addition, claims are expected as regards the historical nuclear waste removal project.

The survey to be performed by the Ministry of Economic Affairs in the spring of 2016 will be decisive for ECN DE's decision-making on how ECN DE will structure its future energy research. ECN DE advocates combining the currently fragmented knowledge research on sustainable energy applications in the Netherlands. What's more, the subsidies for this type of research should be raised to a level in sync with the high energy transition ambitions.

Petten, 14 April 2016

for the Board of Directors

Ir. P.A.O.G. Korting

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Supervisory Board's Report

Supervisory Board's Report

The Supervisory Board convened four times for a scheduled meeting this year. The Board of Directors under the articles of association attended each of the meetings. The Supervisory Board convened a multitude of additional meetings and consultations, a number of which were attended by the Board of Directors according to the articles of association. The additional meetings specifically regarded improving the collaboration by amending the corporate governance, i.e., combining the boards of directors of ECN and NRG. Many additional consultations were held about the worrisome financial developments within ECN.

The topics discussed during the scheduled meetings were the following:

- The continuity of ECN and NRG, the imminent liquidity deficit;
- The developments regarding the drop in subsidies of the Ministry of Economic Affairs and the related consultations with the ministry;
- The boards of directors of ECN and NRG being combined, and the functioning of the Board of Directors;
- Financial issues regarding ECN and NRG, such as the annual accounts, the periodic financial reports, the investment plan, the operational plan, and the participations;
- NRG's Recovery Plan, which focuses on operating the High Flux Reactor safely, reliably, and financially sound;
- Progress of the Radioactive Waste Project;
- The Research & Development plan.
- Composition of the Supervisory Board

A Supervisory Board member also attended several of the Works Council's consultation meetings where a member of the Board of Directors had been present. The full Supervisory Board convened for a meeting with the Works Council once.

Committees

The Supervisory Board has two committees: the Audit Committee and the Remuneration and Appointment Committee. They both prepare special topics for the Supervisory Board. As part of Corporate Governance, regulations were prepared for both committees in 2005. They have been approved by the Supervisory Board.

In 2015, the Audit Committee members were Ms. *mr.* L.L. Pool (Chair), Ms. *prof. dr. ir. drs.* H. Bijl (up to 1 March 2016), and Mr. *ir.* B.C. Fortuyn. The committee convened three times in 2015. The following topics were discussed during these meetings:

- the financial statements and the auditor's report
- creation of radioactive waste fund
- liquidity position and continuity
- the 2016 budget deficit

In 2015, the Remuneration and Appointment Committee members were Mr. *dr. ir.* C.P. Jongenburger (Chair), Mr. *prof. dr. ir.* T.H.J.J. van der Hagen, Mr. *drs.* P. de Krom (up to 1 March 2015) and Ms. *prof. dr. ir. drs.* H. Bijl (as from 1 March 2015). The committee convened three times in 2015. The following topics were discussed during these meetings:

- the composition of the Supervisory Board and its committees, in particular filling the vacancy of Chair of the Supervisory Board;
- the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act ['Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector'- WNT];
- the termination of the employment contract of ECN's CFO and the search for and appointment of the interim CFO.
- the functioning of the members of the Board of Directors

Integrity

The regulations demand the Chair of the Supervisory Board to be notified immediately if a member of the Supervisory Board, of the Executive Board, or the external auditor has a conflicting interest that has material significance for ECN or for the person involved. Such notification was not received in 2015. The related provisions in the regulations have been observed.

Independence

In the opinion of the Supervisory Board the requirement that each of its members is independent, with the exception of one person at the most, has been satisfied. The Supervisory Board considers all of its members to be independent.



Changes

The composition of the Board changed in 2015. *Mr. drs.* P. de Krom resigned as a member and Chair of the Board on 1 March 2015. In anticipation of a new Chair to be appointed, *Ms. prof. dr. ir. drs.* H. Bijl became acting Chair on 1 March 2015. *Mr. dr.* H.P.M. Knapen was appointed Chair of the Board on 8 March 2016. Following the termination of its second term of appointment *Mr. dr. ir.* C.P. Jongenburger resigned on 1 February 2016.

Looking back and outlook

The continuity issue dominated the year 2015. The Ministry of Economic Affairs ultimately granted a bridging agreement to fill the 2016 budget deficit. The minister made this conditional to a survey to be performed in the spring of 2016, into the need for, and the future structure of, the energy research performed by ECN DE. This survey has been started and its outcome will have significant consequences for ECN DE's future.

The Supervisory Board thanks the Board of Directors and the employees for their commitment and the results realised in 2015.

Petten, 14 April 2016

The Supervisory Board

3

Consolidated financial statements ECN

Consolidated balance sheet

Consolidated balance sheet (x EUR 1,000)

(before allocation of result)

| ASSETS | Note | 31-12-2015 | 31-12-2014 |
|----------------------------------|------|----------------|----------------|
| Fixed assets | | | |
| Intangible fixed assets | 1 | 1.833 | 2.609 |
| Tangible fixed assets | 2 | 46.325 | 43.841 |
| Financial fixed assets: | | | |
| Other participations | 3 | 59 | 100 |
| Securities | 3 | 0 | 0 |
| Other receivables | 3 | 0 | 0 |
| Total financial fixed assets | | 59 | 100 |
| | | | |
| Total fixed assets | | 48.217 | 46.550 |
| | | | |
| Current asset | | | |
| Inventories | 4 | 11.557 | 12.289 |
| Work in progress | 5 | 21.002 | 28.611 |
| Receivables and prepaid expenses | 6 | 17.060 | 17.233 |
| Total current assets | | 49.619 | 58.133 |
| | | | |
| Cash | 7 | 105.143 | 116.250 |
| TOTAL | | 202.979 | 220.933 |

Consolidated balance sheet (x EUR 1,000)

(before allocation of result)

| LIABILITIES | Note | 31-12-2015 | 31-12-2014 |
|--|----------|----------------|----------------|
| Group equity | 8 | | |
| Equity | | -9.350 | 1.354 |
| Minority interests | | 37 | 40 |
| | | -9.313 | 1.394 |
| | | | |
| Provisions | | | |
| Provision for radioactive waste | 9 | 106.828 | 109.660 |
| Provision for redundancy costs | 10 | 1.947 | 3.369 |
| Provision for pension indexation | 11 | 0 | 1.904 |
| Provision for compensation upon commencement of retirement | 12 | 642 | 732 |
| Provision for Job-Related Discharge Regulation (RBF) | 13 | 189 | 189 |
| Provision for long-service awards | 14 | 921 | 1.112 |
| Provision for WIP | 15 | 1.360 | 1.956 |
| Other provisions | 16 | 1.362 | 3.376 |
| | | 113.249 | 122.298 |
| | | | |
| Long-term liabilities | | | |
| Long-term loans | 17 | 36.945 | 25.256 |
| | | 36.945 | 25.256 |
| | | | |
| Current liabilities | | | |
| Prepayments from third parties | 18 | 34.284 | 34.664 |
| Accounts payable | 18 | 10.448 | 20.104 |
| Taxation and social security contributions | 18 | 3.586 | 3.799 |
| Liabilities relating to other staff costs | 18 | 5.985 | 6.949 |
| Pension liabilities | 18 | 2.843 | 3.095 |
| Other liabilities and accrued expenses | 18 | 4.952 | 3.374 |
| | | 62.098 | 71.985 |
| TOTAL | | 202.979 | 220.933 |

Consolidated statement of income

Consolidated statement of income (x EUR 1,000)

| OPERATING INCOME | Note | 2015 | 2014 |
|---|------|----------------|----------------|
| Revenue | | | |
| • Financing by the State of the Netherlands | 19 | 29.706 | 31.681 |
| • Assignments and other funds | 20 | 100.588 | 91.288 |
| • Changes in WIP and inventories of finished goods | | -7.609 | 2.363 |
| | | 122.685 | 125.332 |
| Capitalised corporate production | 21 | 8.503 | 5.160 |
| Other operating income | 22 | 6.681 | 9.225 |
| | | | |
| Total operating income | | 137.869 | 139.717 |
| | | | |
| OPERATING EXPENSES | | | |
| Cost of raw materials and consumables | | 7.442 | 7.443 |
| Wages and salaries | 23 | 58.431 | 61.023 |
| Social security charges | 23 | 6.884 | 7.561 |
| Pensions | 23 | 7.053 | 8.295 |
| Amortisation of intangible fixed assets | 1 | 1.600 | 459 |
| Depreciation of tangible fixed assets | 24 | 7.077 | 7.636 |
| Other operating expenses | 25 | 58.674 | 63.996 |
| | | | |
| Total operating expenses | | 147.160 | 156.413 |
| | | | |
| OPERATING RESULT | | -9.291 | -16.696 |
| | | | |
| Share in income from participations | | -180 | -226 |
| Financial income and expenses | 26 | -1.145 | 221 |
| Consolidated result ordinary operating activities before tax | | -10.616 | -16.701 |
| | | | |
| Taxation on result from ordinary activities | 27 | -86 | -77 |
| Consolidated result after taxation | | -10.702 | -16.778 |
| | | | |
| Minority interests | | 0 | 0 |
| Result of the legal entity | | -10.702 | -16.778 |

Statement of aggregate results of the legal entity

| | 2015 | 2014 |
|-------------------------------------|----------------|----------------|
| Consolidated net result | -10.702 | -16.778 |
| Direct movements in equity | 0 | 0 |
| Aggregate result after taxes | -10.702 | -16.778 |

Consolidated cash flow statement

Consolidated cash flow statement (x EUR 1,000)

| (according to the indirect method) | | 2015 | | 2014 |
|---|--------|----------------|--------|----------------|
| Operating result | | -9.291 | | -16.696 |
| Amortisation of intangible fixed assets | | 1.600 | | 459 |
| Depreciation of tangible fixed assets | | 7.058 | | 7.639 |
| Movement in provisions: | | -9.049 | | -1.445 |
| | | | | |
| Movements in working capital | | | | |
| • Work in progress | 7.609 | | -1.132 | |
| • Inventories | 732 | | 2.696 | |
| • Receivables and prepaid expenses | 173 | | 2.129 | |
| • Current liabilities | -9.826 | | -4.701 | |
| | | -1.312 | | -1.008 |
| Cash flow from business activities | | -10.994 | | -11.051 |
| | | | | |
| Financial income: - interest received | 743 | | 854 | |
| Profit tax paid | -149 | | -195 | |
| | | 594 | | 659 |
| Cash flow from operating activities | | -10.400 | | -10.392 |
| | | | | |
| Investments intangible fixed assets | -824 | | -323 | |
| Disposal of intangible fixed assets | 0 | | 0 | |
| Investments tangible fixed assets | -9.542 | | -4.450 | |
| Disposal of tangible fixed assets | 0 | | 1 | |
| Investments in and disposal of other financial assets | -142 | | 6.672 | |
| | | -10.508 | | 1.900 |
| Cash flow from investment activities | | -20.908 | | -8.492 |
| | | | | |
| Movement financings | 11.689 | | 19.440 | |
| Financial expenses (paid interest) | -1.888 | | -633 | |
| Cash flow from financing activities | | 9.801 | | 18.807 |
| | | | | |
| Net cash flow | | -11.107 | | 10.315 |
| Exchange rate and translation differences cash and cash equivalents | | 0 | | 0 |
| Movement in cash and cash equivalents | | -11.107 | | 10.315 |
| | | | | |
| Opening balance cash and cash equivalents | | 116.250 | | 105.935 |
| Closing balance cash and cash equivalents | | 105.143 | | 116.250 |
| | | | | |
| Movement in cash and cash equivalents | | -11.107 | | 10.315 |

Notes to the consolidated financial statements

General

Unless indicated otherwise, all amounts stated in the annual report are x EUR 1.000.

Stichting Energieonderzoek Centrum Nederland (ECN) has its registered office in Petten, municipality of Schagen, the Netherlands. ECN's object is to gain knowledge and experience in the field of energy and to ensure it is effective in serving the public interest and the various sub-interests to be distinguished therein.

Activities

The activities of ECN and its group companies primarily consist of:

- a. conducting and commissioning fundamental, strategic, and applied research and related studies in fields determined by ECN itself, or as instructed by the national government, lower government authorities, companies, including electricity companies, other organizations and individuals.
- b. making accessible and sharing the results of research and studies as referred to under a., and supervising and providing support in the application of those results.
- c. collaborating with companies, included energy companies, and other research institutions in research and studies as referred to under a.
- d. contributing to coordinating research and studies in the Netherlands, and collaboration internationally.

Group structure

ECN heads a group of companies. An overview of the information required under Sections 379 and 214 Book 2, of the Netherlands Civil Code is included below:

Consolidated participations:

| Name | Registered office | Share in issued capital |
|--|---------------------------------|-------------------------|
| NRG v.o.f. | Petten, municipality of Schagen | 99% |
| NRG Nuclear Services B.V. * | Arnhem | 100% |
| ECN Wind Energy Facilities B.V. | Petten, municipality of Schagen | 100% |
| ECN Windturbine Testpark Wieringermeer C.V | Petten, municipality of Schagen | 100% |
| SunLab B.V. | Petten, municipality of Schagen | 100% |
| Stichting ECN Nuclear ** | Petten, municipality of Schagen | |

* NRG Nuclear Services B.V. is responsible for commercialising licensing rights relating to loading of reactors in the US.

** Stichting ECN Nuclear is fully included in the consolidation because Stichting ECN has full control over Stichting ECN Nuclear. Stichting ECN Nuclear holds the remaining 1% interest in NRG v.o.f. Stichting ECN Nuclear is the legal successor of ECN Nuclear B.V.

Non-consolidated participations

For a specification of the non-consolidated participations, reference is made to the note on the participations in the balance sheet.

Consolidation principles

The consolidated financial statements of ECN include the financial statements of the group companies, and other legal entities over which ECN has management control, or that are managed centrally. If these entities are immaterial to the view presented by the consolidated financial statements, they are not included in the consolidation.

The consolidated financial statements are prepared in accordance with the accounting principles of ECN. The financial statements of the group companies, and other legal entities and companies included in the consolidation, have been fully included in the consolidated financial statements. All intercompany balances and transactions have been eliminated. Minority interests in ECN's equity and in the results of group companies are reported separately in the consolidated financial statements. The results of newly acquired group companies and the other legal entities and companies included in the consolidation are consolidated as from the date of acquisition. On that date, the assets, provisions, and liabilities are valued at fair value. The paid goodwill is charged fully to the result in the year of acquisition of the entity. The results of divested participations are included in the consolidation until the date the group affiliation is terminated.

Accounting principles - general

The consolidated financial statements are prepared according to the stipulations in Title 9 Book 2 of the Netherlands Civil Code. Valuation of assets and liabilities and determination of financial results are based on the historical cost convention. Assets and liabilities are recorded at face value, unless mentioned otherwise. Income and expenditures are accounted for on an accrual basis. Profits are recorded insofar as realised as at the balance sheet date. Liabilities and possible losses originating before the end of the year are recorded if they have become known before the preparation of the financial statements.

Continuity paragraph

These financial statements have been prepared under the assumption that Stichting ECN will be able to continue as a going concern. Despite the negative equity as at year-end 2015, the valuation of the balance sheet

positions in these financial statements continues to be based on the assumption of continuity. The assumption of continuity is based both on the opportunity to generate positive results in the future and on the collaboration with the Dutch government in finding solutions for the various challenges ECN faces. This is partly why a government initiated survey is being conducted into future-proof scenarios for the role and position of ECN Duurzaam Energie in the energy sector and the related knowledge infrastructure in the Netherlands.

Financial instruments

Financial instruments include primary financial instruments, such as receivables and debts, and derivative financial instruments. If the fair value of an instrument deviates from its book value, it is disclosed in the notes to specific balance sheet items. If the financial instrument is not included in the balance sheet, the information on the fair value is provided in the note on off-balance sheet rights and commitments. For the accounting principles relating to the primary financial instruments, we refer to the note on this specific balance sheet item. Financial derivatives whose underlying securities are not listed are stated at cost. If the fair value is below cost or negative as at the balance sheet date, the derivative is subject to a fair value write down charged to income.

Translation of foreign currencies

Receivables, debts, and liabilities in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Transactions in foreign currencies during the year under review are recognized in the financial statements at the exchange rates prevailing at the transaction date. The exchange differences resulting from the translation as at the balance sheet date are included in the statement of income.

Principles for valuation of assets and liabilities

Intangible fixed assets

Intangible fixed assets are stated at cost incurred, less accumulated amortisation and impairment, if any. Annual amortisation is based on the straight-line method, as explained in the notes to the balance sheet, except for the rights to storage space for radioactive waste, which are valued and amortised based on the number of positions used in the HABOG (high radioactive waste treatment and storage facility). The useful economic life and amortisation period are revised at the end of each financial year.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and impairments, if any. Depreciation is based on estimated useful life of the respective assets and is calculated as a fixed percentage of cost, taking accounting of the residual value, if any. Depreciation commences when the asset is first used. Land is not depreciated. Periodic major maintenance is capitalised under the components method. The total expenses are allocated to the component parts.

The costs considered necessary for settlement of the re-establishment liability relating to the cost of dismantling buildings are capitalised as part of the carrying value of the respective assets.

Tangible assets under construction are stated at cost less impairments, if any. Cost comprises the costs of materials, direct labour, and an allocable part of production overheads. Periodic major maintenance is capitalised under the component approach. The aggregate expenditures are allocated to the component parts.

Financial fixed assets

Non-consolidated participations on whose business and financial policies significant influence is exercised are valued at net asset value, but not lower than nil. The net asset value is determined in accordance with the accounting principles of ECN.

Participations with a negative net asset value are valued

at nil. If ECN fully or partly guarantees the debts of the relevant participation, a provision is formed for an amount equal to the share in the participation's losses or the sum of the expected payments by ECN to the respective participation.

Participations on whose business and financial policies ECN has no significant influence are valued at cost net of impairments, if any.

The receivables from and loans to participations as well as other receivables are included at market value on their first-time recognition and are then valued at amortised cost, which equals face value, net of any provisions deemed necessary.

The bonds stated under securities, both listed and unlisted, that do not also belong to a trading portfolio and are held until the end of the investment term, are valued at amortised cost or lower market value. If the market value is lower than the amortised cost, an impairment is recorded. Reversal of impairments is capped at the amortised cost that would have been calculated had there been no impairment.

Inventories

The item inventories includes the raw and ancillary materials to be used in the daily operations and the fuel needed for the operations of the HFR. Raw and ancillary materials are valued at the acquisition price, determined as the lower of average purchase price and net realisable value. The inventory of fuels is valued at the acquisition price determined under the FIFO principle or lower net asset value. This lower net asset value is determined based on individual assessment of the inventories.

Work in progress

Work in progress is valued at cost incurred, less the amounts already stated on the balance sheet date and losses already foreseeable on the balance sheet date. The costs incurred include the direct use of materials, the direct wage and machinery costs and other costs that are directly attributable to the research project. The income from the financing of the research project is determined based on the costs incurred in connection with the work at the balance sheet date. Instalments invoiced relating to work in progress are deducted from the value of the

work in progress. Any resulting negative balance of work in progress is accounted for under current liabilities.

Receivables and prepaid expenses

Receivables are included at face value on first-time recognition and are subsequently stated at amortised cost, which can be equal to the face value, less any bad debt provisions deemed necessary. These provisions are based on an assessment of individual receivables.

Cash and cash equivalents

Cash and cash equivalents are measured at face value. If cash is not freely disposable, this is reflected in the measurement.

Minority interests

The share of third parties in group equity concerns the minority interest of third parties in the equity of consolidated companies. The share of third parties in the result of consolidated companies is deducted in the statement of income on the group result.

Provisions

Provisions for employee benefits

In 2006, the pension plan was changed from a defined benefit plan into a defined contribution plan. Under this pension plan, ECN pays the respective pension insurers and funds fixed contributions and it has no payment obligations other than those fixed amounts. The amounts are taken as an expense when they are payable.

These pension liabilities are valued under the 'liability to administrator approach'. Under this approach, the pension contributions payable to the fund administrator are expensed in the income statement. At the end of the administration agreement, it is established whether and, if so, what liabilities exist apart from the payment of the pension contributions annually due to the fund administrator. These additional liabilities, including any liabilities from recovery plans of the pension administrator, result in expenses for the group and are recorded on the balance sheet as a provision.

The provision for pension indexation is recorded at present value.

Other long-term employee benefits concern the benefits included in the remuneration package, such as long-service awards, temporary leave and related benefits. All these benefits are long-term. The net liability relating to these benefits concerns the sum of the future benefits earned by employees in exchange for their services in the current and prior reporting periods. Actuarial gains and losses on other long-term employee benefits are directly added or charged to the statement of income.

Redundancy arrangements involve liabilities on account of termination of employment of workers prior to their respective pension start dates. Redundancy payments are recorded if a reasonable case can be made that there is an obligation to terminate the employment of certain workers. Compensations are taken against real value. The liabilities are recorded as such and disclosed under provisions. For bonus and profit sharing schemes based on relevant performance regulations, a liability is included under short-term liabilities.

Provision for radioactive waste

This provision has been formed for the costs of future treatment and storage of radioactive waste as at the balance sheet date and settlement of the re-establishment liability relating to the cost of dismantling buildings and installations. The part of the provision relating to the costs of future treatment and storage of radioactive waste as at the balance sheet date is stated at face value. Each year, the provision for settlement of the re-establishment liability relating to the cost of dismantling buildings and installations is adjusted for inflation.

Provision for redundancy costs

This provision is formed for the costs relating to restructuring of the activities following termination of the Energy Research Grant Scheme (regeling Energie Onderzoek Subsidie, EOS). The provision is based on the expected costs ensuing from a formalised social plan and the implementation - after the balance sheet date - of a restructuring plan. The provision for restructuring also includes the costs ensuing from restructuring of the corporate services departments in 2013. This provision is

based on the expected costs according to the formalised social plan and implementation after the balance sheet date of the restructuring plan.

Other provisions

Unless otherwise mentioned, the other provisions are valued at the nominal value of the expenses that are expected to be necessary to settle the respective liabilities.

Principles for the determination of the results

Operating income

Operating income includes income from services and products supplied during the year under review, less the taxation of the turnover. Income from research projects is included in proportion to progress made. Costs for these research projects are recognised as incurred.

Operating grants

Operating grants are added to the statement of income in the year to which the subsidised expenses are charged/in which the income was lost/in which the operating loss was occurred.

Share in income from participations

The results of participations on whose business and financial policies ECN exercises significant influence are stated as the share in the profit of these participations to which ECN is entitled. This profit is determined in accordance with the principles for valuation and determination of the result applicable at ECN. Dividends from participations on whose business and financial policies ECN does not exercise significant influence are accounted for as income under the item "financial income and expenses".

Taxes

Corporate income tax is determined by applying the respective rate to the result for the financial year, taking into account permanent differences between profit calculations for financial reporting and tax purposes. Deferred tax assets (if any) are accounted for only insofar as their realisation is probable.

Principles for the preparation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method. The cash in the cash flow statement consists of cash and cash equivalents. Cash flows in foreign currencies are translated at an estimated average rate. Exchange differences relating to funds are shown separately in the cash flow statement. Profit taxes, interest received and dividends paid are included under the cash flow from operating activities. Interest and dividends paid are included under the cash flow from financing activities.

Notes to the consolidated balance sheet

Fixed assets

1. Intangible fixed assets

Intangible fixed assets

The breakdown of and the movements in the intangible fixed assets is as follows

| | HABOG | Concessions, permits and intellectual property | Research and development costs | Total 2015 | Total 2014 |
|---------------------------|--------------|---|-----------------------------------|---------------|---------------|
| Acquisition cost | | | | | |
| As at 1 January | 1.697 | 1.024 | 1.610 | 4.331 | 4.067 |
| Investments | o | 1 | 823 | 824 | 323 |
| Disposals | o | o | o | o | -59 |
| As at 31 December | 1.697 | 1.025 | 2.433 | 5.155 | 4.331 |
| Amortisation | | | | | |
| As at 1 January | -771 | -595 | -356 | -1.722 | -1.322 |
| Amortisation for the year | -154 | -205 | -1.241 | -1.600 | -459 |
| Disposals | o | o | o | o | 59 |
| As at 31 December | -925 | -800 | -1.597 | -3.322 | -1.722 |
| Book value | | | | | |
| As at 1 January | 926 | 429 | 1.254 | 2.609 | 2.745 |
| Investments | o | 1 | 823 | 824 | 323 |
| Disposals | o | o | o | o | o |
| Amortisation for the year | -154 | -205 | -1.241 | -1.600 | -459 |
| As at 31 December | 772 | 225 | 836 | 1.833 | 2.609 |

The item HABOG concerns additional storage space rights for high radioactive nuclear fuel waste at Covra N.V. The carrying value at year-end 2015 is 772 and is based on the available HABOG positions.

The item concessions, permits and intellectual property also includes software licenses. Both the costs of intellectual property and the development costs are amortised in 5 years.

2. Tangible fixed assets

Tangible fixed assets

The breakdown of and the movements in the tangible fixed assets is as follows

| | Land and buildings | Industrial fixtures and fittings | Instruments and machines | Assets under construction | Total 2015 | Total 2014 |
|---------------------------|--------------------|----------------------------------|--------------------------|---------------------------|-----------------|-----------------|
| Acquisition cost | | | | | | |
| As at 1 January | 82.704 | 56.957 | 69.748 | 3.379 | 212.788 | 211.050 |
| Investments | 289 | 519 | 2.812 | 5.923 | 9.543 | 4.451 |
| Transfers | 352 | 61 | 577 | -984 | 6 | 0 |
| Disposals | -1.181 | -1 | -8.174 | 0 | -9.356 | -2.713 |
| As at 31 December | 82.164 | 57.536 | 64.963 | 8.318 | 212.981 | 212.788 |
| Depreciation | | | | | | |
| As at 1 January | -57.944 | -47.099 | -63.904 | 0 | -168.947 | -164.020 |
| Depreciation for the year | -2.716 | -2.063 | -2.280 | 0 | -7.059 | -7.639 |
| Transfers | -6 | 0 | 0 | 0 | -6 | 0 |
| Disposals | 1.181 | 1 | 8.174 | 0 | 9.356 | 2.712 |
| As at 31 December | -59.485 | -49.161 | -58.010 | 0 | -166.656 | -168.947 |
| Book value | | | | | | |
| As at 1 January | 24.760 | 9.858 | 5.844 | 3.379 | 43.841 | 47.031 |
| Investments | 289 | 519 | 2.812 | 5.923 | 9.543 | 4.450 |
| Transfers | 346 | 61 | 577 | -984 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | -1 |
| Depreciation for the year | -2.716 | -2.063 | -2.280 | 0 | -7.059 | -7.639 |
| As at 31 December | 22.679 | 8.375 | 6.953 | 8.318 | 46.325 | 43.841 |

As at 31 December 2015, the item land and buildings includes an amount of 9,406 for decommissioning (2014: 10,068).

Depreciation is on a straight-line basis using the following periods:

| | |
|---|----------------|
| • Buildings | 20 tot 30 jaar |
| • Temporary buildings and site facilities | 10 jaar |
| • Industrial fixtures and fittings | 10 jaar |
| • Instruments, machinery, etc. | 5 jaar |
| • Computer hard- and software | 3 jaar |

As of 31 December 2000, the re-establishment costs for decommissioning nuclear buildings and installations are written down to the date of re-establishment and/or decommissioning. The site was acquired in 1957 under a long-term lease from Staatsbosbeheer. The period of long-term lease was extended in between and now runs up to 2051.

3. Financial fixed assets

Financial fixed assets

The movements in participations is as follows:

| | | 2015 | | 2014 |
|----------------------------------|------|-----------|------|------------|
| Balance as at 1 January | | 100 | | 136 |
| Investments | 165 | | 210 | |
| Disposals | 0 | | 0 | |
| Result participations | -206 | | -246 | |
| | | -41 | | -36 |
| Balance as at 31 December | | 59 | | 100 |

Other participations

The following participations in knowledge-based and other enterprises were reported at the corresponding values.

| | Place of establishment | ECN interest (in %) | 2015 | 2014 |
|--------------------------------------|------------------------|---------------------|-----------|------------|
| Sundye B.V. | Petten | 100,0 | 16 | 16 |
| Aster Intellectual Properties B.V. | Veessen | 18,0 | 0 | 0 |
| BO2 Energy Concepts B.V. | Petten | 100,0 | 4 | 4 |
| ToN2 B.V. | Petten | 95,0 | 3 | 2 |
| Solar Academy B.V. | Petten | 100,0 | 0 | 0 |
| Sulphcatch B.V. | Petten | 100,0 | 0 | 0 |
| Fest GmbH | Achen | 100,0 | 0 | 0 |
| ECN New Energy Technologies Co China | Beijing | 100,0 | 26 | 68 |
| Admatec B.V. | Moergestel | 33,3 | 10 | 10 |
| Total as at 31 December | | | 59 | 100 |

The above companies in which ECN has a controlling interest are not included in the consolidation as their joint significance is negligible to the company as a whole.

Securities

The securities portfolio fully comprised bonds in a single fund that was to expire in 2015. The fund was sold in May 2014.

The movements in portfolio is as follows:

| | 2015 | 2014 |
|----------------------------------|----------|----------|
| Balance as at 1 January | 0 | 5.955 |
| Sales | 0 | -5.969 |
| Value differences | 0 | 14 |
| Balance as at 31 December | 0 | 0 |

Other receivables

This item includes the receivable from Mallinckrodt LTD (formerly Covidien LTD) regarding the payable lease terms for the Molybdeen building. The basis is an investment of 20.000 and a contract for 20 years. The interest was revised in 2006 under a contractual provision based on which the lease price will be valued for the remaining terms (40 quarters). The outstanding receivable at year-end 2014 was: 907. Repayment in 2015 will be 907 and is included under current assets.

The movements in Other receivables are as follows:

| | 2015 | 2014 |
|--|----------|----------|
| Balance as at 1 January | 0 | 907 |
| Transfer to receivables and prepaid expenses | 0 | -907 |
| | 0 | -907 |
| Balance as at 31 December | 0 | 0 |

Current assets

4. Inventories

Inventories

| | 2015 | 2014 |
|----------------------------------|---------------|---------------|
| Warehouse inventory | 0 | 92 |
| Inventory of scanners | 51 | 234 |
| Inventory of fuel HFR | 11,506 | 11,963 |
| Balance as at 31 December | 11,557 | 12,289 |

The inventory of fuel HFR includes the prepaid inventory of 1,406 (2014: 506).

5. Work in progress

Work in progress

| | 2015 | 2014 |
|----------------------------------|---------------|---------------|
| Work in progress | 21,002 | 28,611 |
| Provision for WIP* | -1,360 | -1,956 |
| Provision for EU projects* | -1,203 | -3,302 |
| Balance as at 31 December | 18,439 | 23,353 |

* These provisions are reported on the liabilities side of the balance sheet.

6. Receivables and prepaid expenses

The receivables are included at amortised cost, equalling the face value, less any provisions required. The receivables are due within 1 year and can be specified as follows.

| | 2015 | 2014 |
|--|---------------|---------------|
| Accounts receivable | 12,845 | 9,972 |
| Receivables from participations | 111 | 1 |
| Other receivables and prepaid expenses | 4,104 | 7,260 |
| Balance as at 31 December | 17,060 | 17,233 |

As at year-end 2015, the bad debt provision totalled 1,264 (2014: 1,336). The movements in the aggregate bad debt provision were as follows.

| | 2015 | 2014 |
|----------------------------------|--------------|--------------|
| Balance as at 1 January | 1,336 | 695 |
| Addition | 138 | 670 |
| Withdrawal | -37 | -2 |
| Release | -173 | -27 |
| Balance as at 31 December | 1,264 | 1,336 |

7. Cash

Cash is freely disposable, with the exception of 42,691 (see detailed specification below).

| | 2015 | 2014 |
|----------------------------------|----------------|----------------|
| Cash | 3 | 3 |
| Deutsche Bank | 2,920 | 2,753 |
| ING Bank | 102,220 | 113,494 |
| Balance as at 31 December | 105,143 | 116,250 |

Not freely disposable:

| | 2015 | 2014 |
|------------------------------------|---------------|---------------|
| ING Escrow account | 34,504 | 38,043 |
| ING 6th and 7th framework accounts | 1,834 | 1,347 |
| Blocked for restructuring costs | 1,264 | 1,597 |
| RWE measurement mast | 0 | 759 |
| ADEM project | 4,261 | 7,817 |
| Solliance project | 828 | 1,660 |
| Total | 42,691 | 51,223 |

Each year interest from the bank accounts is added to the ING Escrow account. In the ING Escrow accounts from 2004 and 2006, this amount is supplemented up to an annual interest rate of 5%. This addition of interest is financed out of the freely available cash and cash equivalents of ECN and is 781 in 2015 781 (2014: 737).

Liabilities

8. Group equity

Reference is made to the notes on equity in the statutory financial statements. The minority interest in the group equity concerns a capital contribution by limited partners in ECN Windturbine Testpark Wieringermeer C.V.

Provisions

The majority of the provisions below are long term.

| | | 2015 | 2014 |
|--|----|----------------|----------------|
| Provision for radioactive waste | 9 | 106.828 | 109.660 |
| Provision for redundancy costs | 10 | 1.947 | 3.369 |
| Provision for pension indexation | 11 | 0 | 1.904 |
| Provision for compensation upon commencement of retirement | 12 | 642 | 732 |
| Provision for Job-Related Discharge Regulation (RBF) | 13 | 189 | 189 |
| Provision for long-service awards | 14 | 921 | 1.112 |
| Provision for WIP | 15 | 1.360 | 1.956 |
| Other provisions | 16 | 1.362 | 3.376 |
| | | 113.249 | 122.298 |

9. Provision for radioactive waste

The movements in the provision can be specified as follows.

| | | 2015 | 2014 |
|----------------------------------|---------|----------------|----------------|
| Balance as at 1 January | | 109.660 | 105.579 |
| • Withdrawal | -10.156 | | -15.638 |
| • inflation adjustment | 420 | | 453 |
| • addition | 6.904 | | 19.266 |
| | | -2.832 | 4.081 |
| Balance as at 31 December | | 106.828 | 109.660 |

The balance as at 31 December 2015 can be broken down as follows:

| | |
|---|--------|
| Provision for radioactive waste | 77.854 |
| Provision for decommissioning nuclear buildings and installations | 28.974 |

The provision for radioactive waste, historic and otherwise, is intended for the costs of future treatment, removal and storage of radioactive waste and for settling the recovery obligation in respect of dismantling costs.

The treatment, removal and storage of radioactive waste is spread over time (period 2015 through 2030+). It is arranged through the Radioactive Waste Management Program (RWMP). The RWMP is a complex and extensive program, covering both larger and smaller waste streams. The complexity has various causes, such as the specialist knowledge required; the limited capacity available (worldwide); the lack of data collected; the increase in legislation and regulations; and the dependence on a limited number of parties available for removal and storage. Specific plannings and priorities are determined for the various waste streams. One of the ways this is done is through consulting the licensing authorities. The activities involved with dismantling the nuclear installations fall within the scope of the RWMP, too. A provision has been formed for the costs involved with implementing the RWMP. The greatest part of the costs involves the RAP project. This project involves the transfer of so-called historical high radioactive waste, stored at the Petten site, to COVRA (the government-designated institution for the storage of radioactive waste). The RAP project has two main streams, with the distinction being made according to how much so-called alpha emitters the waste contains. A removal route has been prepared for the waste streams that do not contain alpha emitters. Most of this has been laid down in a contract. The planning involved in this waste removal has been known for some years, while the related costs can be estimated fairly well, too. The processing, repackaging, and assessing the contents result in changes in the costs.

As regards the waste stream that does contain alpha emitters, the removal route was not mapped out until recently. On the back of the insights obtained about the options available for the removal of this waste and the related estimates made for the cost of removal, the provision to this end has been adjusted upwards by 11.5 million euro as at year-end 2014. Since the RAP project

is still ongoing the cost estimate is revised regularly, with which the uncertainty gradually diminishes. Nevertheless, many things are not ultimately determined until during the separation process – this is a final test as regards the estimates and assumptions.

Only a rough cost estimate is made for the other waste streams within the RWMP. This is likewise based on expert opinions and experience gained with similar national activities and activities abroad. Any future developments, for instance in terms of licenses and technical licenses, are taken into account as much as possible.

The estimates obviously contain a considerable uncertainty. Estimates and assumptions by nature almost always deviate from the actual result. They are based on past experiences and other factors, among which expectations about future events that, according to the current state of the affairs, may reasonably be expected to occur. Major components in the estimates about which more information becomes available during the process include the ratio for high, medium and low radioactive barrels; the timing involved in removing the barrels; and the removal process.

The provision for the costs of the recovery obligation in respect of the dismantling costs of nuclear buildings and installations contains major assumptions and estimate components as well. The Plan of Approach for the decommissioning of nuclear facilities was used to estimate the dismantling costs.

The bulk of the dismantling activities will not take place until the operations of the various nuclear facilities have been terminated (2024). So, this is in the distant future. This has implications for the uncertainty about the reliability of the calculated obligation. The policy assumes the use of the empirical figures obtained during the dismantling activities to be rolled out over the coming years (in particular the LFR and buildings 05 and 06), when periodically evaluating the estimates and assumptions.

Renewed insights were the reason for an upward adjustment of the provision for the RAP project by well over EUR 1 million. Likewise, the provision for other waste streams was adjusted upwards by EUR 2.2 million. This EUR 2.2 million increase regards the processing and discharge of resins. Formerly, the resin barrels were expected to be removed together with the regular waste

stream. As became clear in 2015, this was not possible and the costs would be higher. The costs for a new, alternative removal process are assessed to be EUR 2.2 higher than the initial provision recorded.

Based on what is stated above, it can be concluded that the provision accounted for is based on the best possible estimate of the expected costs for satisfying the present obligations.

The inflation adjustment for 2015 amounted to 420 (2014: 453).

10. Provision for redundancy costs

This provision was formed to cover costs of staff redundancies ensuing from reorganizations.

The movements in the provision are as follows.

| | | 2015 | 2014 |
|----------------------------------|--------|--------------|--------------|
| Balance as at 1 January | | 3,369 | 1,710 |
| • Withdrawal | -1.422 | | -318 |
| • Addition | 0 | | 1,977 |
| | | -1.422 | 1,659 |
| Balance as at 31 December | | 1.947 | 3.369 |

11. Provision for pension indexation

The (paid up) pension entitlements, accrued up to year-end 2006 by both active participants and former participants were deposited with Centraal Beheer Achmea (CBA). Effectively, the pension obligation as presented has the character of 'contributions to be paid to CBA'; this means it is not a self-administered pension obligation.

With the exception of the pension rights based on the pension rules of 1964 (the pension rights with a fixed 3% annual increase), ECN and NRG will annually index the aforementioned pension rights. The indexation is financed separately from the new pension plan at ABP since 1 January 2007. The pension plan aims at indexation at price index level, but is limited to what can be achieved in any year with the disposable financial resources. For this reason, the indexation provisions in the various pension schemes have been amended (unilaterally).

This indexation method is applied to achieve a near market-level result within the limited financial means.

- To finance the indexation, the following financing is available, and/or ECN/NRG will make the following financing available as from 2007:
- For a period of 10 years, ECN/NRG will pay a fixed amount of 2 million into the deposit each year.
- For a period of 10 years, a preferential allocation of the result of 1 million will be paid into the deposit each year. This allocation is conditional to sufficient positive result. If the positive result is smaller than 1 million, the full amount of the result will be transferred to the deposit.
- For a period of 10 years, 1/3 of a positive result between 1 and 4 million will be paid into the deposit each year. This payment is conditional to the result being more than 1 million.
- For a period of 10 years, a payment of half of the positive result above 4 million will be paid to into the deposit each year. This payment is conditional to the result being more than 4 million.
- Result is defined as net consolidated result after taxes.

When the above financing scheme terminates, the financing of the indexation will have to be renewed in 2016.

Early in 2006, a provision was formed for the fixed annual 2 million deposit at consolidated level. Based on a discounted cash flow analysis, at 5% interest, the present value was set at 16.2 million. This provision is included at present value each year, with the fixed deposit for the coming year being included under current liabilities (reclassification).

The movements in the provision are as follows.

| | | 2015 | | 2014 |
|----------------------------------|--------|----------|--------|--------------|
| Balance as at 1 January | | 1.904 | | 3.719 |
| • reclassification | -2.000 | | -2.001 | |
| • Release | 1 | | 0 | |
| • Addition of interest | 95 | | 186 | |
| | | -1.904 | | -1.815 |
| Balance as at 31 December | | 0 | | 1.904 |

In 2015, an aggregate of EUR 2,000 was transferred to CBA. This enabled an indexation of 0.696% on accrued paid-up entitlements at CBA. The profit-related contribution over the result for 2014 was nil. Because of the negative net result over 2015, the profit-related contribution over the result for 2015 will likewise be nil.

12. Provision for compensation upon commencement of retirement

Article 24, paragraph 7 of the transitional regulation as included in the pension plan 1999 on the compensation on commencement of retirement continues to be effective. This compensation is based on a graduated scale linked to the years 2000 up to and including 2018 and generates 3 monthly salaries in 2000 to 1.25 monthly salaries in 2018. Under the same tax limitations applying to anniversary and redundancy disbursements, this compensation is paid to employees who retire directly after employment.

The movements in the provision are as follows.

| | | 2015 | | 2014 |
|----------------------------------|------|------------|------|------------|
| Balance as at 1 January | | 732 | | 845 |
| • Withdrawal | -127 | | -155 | |
| • Addition of interest | 37 | | 42 | |
| | | -90 | | -113 |
| Balance as at 31 December | | 642 | | 732 |

13. Provision for Job-Related Discharge Regulation (RBF formerly FLO)

Employees working in shifts were entitled to early retirement under the regulation on job-related discharge from service dictated by age (FLO) as from the age of 57.5. Due to statutory changes, this regulation was no longer permitted as of 2006. A new regulation was agreed in consultation with the respective employees in 2006. This regulation became effective on 1 January 2007. Under the new Job-Related Discharge Regulation (Regeling Bezwarende Functies) a personal budget is granted for years of service in a strenuous job. With this budget, employees can accrue life-cycle savings under a life-cycle savings regulation, which can be withdrawn to finance life-cycle leave prior to the pensionable age. In addition, a transitional regulation has been provided for current employees. Under the transitional regulation, a personal budget is granted afterwards for years of service in a strenuous job until 2006. On top of this, the regulation provides for additional compensation in the form of extra leave entitlements per age cohort. A provision has been included in connection with this regulation. This provision is based on the assumption

that the Tax Administration will consider parts of the transitional regulation inadmissible under tax law and will impose penalties with respect to the leave entitlements granted of 26% (up to and including 2010) and 52% (from 2013), respectively.

The withdrawal from this provision consists of two parts: payments to the existing group of beneficiaries under the former FLO regulation, and payments to the present employees in the form of personal budgets under the new RBF regulation. Payments relating to the personal budgets were charged to the provision. Also the costs incurred for the existing beneficiaries during the year under review under the former FLO regulation were charged to the provision.

The movements in the provision are as follows.

| | | 2015 | | 2014 |
|----------------------------------|---|------------|---|------------|
| Balance as at 1 January | | 189 | | 189 |
| • Withdrawal | o | | o | |
| | | o | | o |
| Balance as at 31 December | | 189 | | 189 |

14. Provision for long-service awards

This provision is formed for payment of future long-service awards.

The movements in the provision are as follows.

| | | 2015 | | 2014 |
|----------------------------------|------|------------|-----|--------------|
| Balance as at 1 January | | 1.112 | | 1.078 |
| • Withdrawal | -222 | | -72 | |
| • Addition | o | | 76 | |
| • Addition of interest | 31 | | 30 | |
| | | -191 | | 34 |
| Balance as at 31 December | | 921 | | 1.112 |

The provision has been determined based on the following principles:

- The payroll as at 1-1-2015 and a redundancy rate of 3%;
- Addition of interest of 5% annually;
- Annual pay rise of 2%.

15. Provision for WIP

The provision for WIP has been formed for any corrections of the value of the work in progress, to hedge any risks of cost overrun relating to work in progress.

The movements in the provision are as follows.

| | | 2015 | | 2014 |
|----------------------------------|------|--------------|--------|--------------|
| Balance as at 1 January | | 1.956 | | 4.386 |
| • Withdrawal | -596 | | -1.038 | |
| • Release | o | | -1.436 | |
| • Addition | o | | 44 | |
| | | -596 | | -2.430 |
| Balance as at 31 December | | 1.360 | | 1.956 |

16. Other provisions

The movements in the 'Other provisions' are as follows:

| | | 2015 | | 2014 |
|----------------------------------|--------|--------------|--------|--------------|
| Balance as at 1 January | | 3.376 | | 6.237 |
| • Withdrawal | -2.099 | | -643 | |
| • Release | -6 | | -2.208 | |
| • Addition | 91 | | -10 | |
| | | -2.014 | | -2.861 |
| Balance as at 31 December | | 1.362 | | 3.376 |

The provision consists of:

| | 2015 | 2014 |
|--|--------------|--------------|
| Tariff variances EU projects | 1.203 | 3.302 |
| Provision for participation Solar Academy B,V, | o | 6 |
| Dismantling assets SOFC | 45 | 45 |
| Provision for participation Sulphcatch B,V, | 114 | 23 |
| | 1.362 | 3.376 |

A provision of 1,203 (2014: 3,302) has been formed for the estimated financial consequences of the revised/to be revised expense claims relating to yet uncompleted projects at the EU. This was caused by a revised method for determining tariffs based on the findings from audits

performed by or on behalf of the European Commission. In 2015, an amount of 2,099 of the provision was released in favour of the result as a result of the updated calculation of the provision. The update was performed on the basis of the settlement method agreed upon with the EU.

The provision for cleaning and maintenance of lead cells was formed for the lead cells in the Hot Cell Laboratories (HCL). The provision is based on historical figures relating to the cleaning costs per cell.

At the end of 2009, a decision was made to terminate the SOFC operations as this research programme was not considered to offer any perspectives for the future. A small amount of the provision formed still remains. This serves to defray the expected costs of dismantling and removing the testing facilities involved.

17. Long-term liabilities

The long-term liabilities consist of:

| | | 2015 | 2014 |
|----------------------------------|--------|---------------|---------------|
| Balance as at 1 January | | 25,256 | 5,816 |
| • Withdrawal of loan | 10,000 | 25,000 | |
| • Addition of interest | 1,689 | 302 | |
| • Release | 0 | -5,862 | |
| | | 11,689 | 19,440 |
| Balance as at 31 December | | 36,945 | 25,256 |

The loan as at year-end 2015 fully comprises the loan granted by the Minister of Economic Affairs on 17 October 2014, to guarantee the continuity of ECN and NRG. It is inclusive of the interest addition. It concerns a loan agreement under private law, with a right of pledge being granted on patents with which the rights already granted to third parties upon entering into the contract have been taken into account. The loan is capped at EUR 82 million and is made available in tranches. The first tranche, amounting to EUR 25 million, was drawn in 2014. The second tranche, amounting to EUR 10 million, was drawn in 2015. The interest due over the loan is charged at a rate of 5.5%. The interest is not due immediately, but is added to the principal. According to the agreed upon repayment schedule the first repayment will be made in 2018. The final repayment will be made in 2023.

18. Current liabilities

Current liabilities have a term of less than one calendar year:

| | 2015 | 2014 |
|--|---------------|---------------|
| 1. Prepayments from third parties | 34,284 | 34,664 |
| 2. Accounts payable related to third party deliveries and services | 10,448 | 20,104 |
| 3. Taxes and social security contributions | | |
| • Corporate income tax | 34 | 97 |
| • Wage tax | 3,552 | 3,702 |
| 4. Liabilities relating to other staff costs | | |
| • Pension charges | 2,843 | 3,095 |
| • Other staff costs | 451 | 462 |
| • Reservation for holiday allowance and leave balances | 5,534 | 6,487 |
| 5. Other liabilities and accrued expenses | | |
| • Funds advanced for 6th & 7th framework accounts | 1,834 | 1,347 |
| • Other liabilities | 3,118 | 2,027 |
| Balance as at 31 December | 62,098 | 71,985 |

The items 'Prepayments by third parties' and 'Funds advanced for 6th and 7th framework accounts' concern advances received from partners of ongoing projects which ECN received from the EU in its capacity as project coordinator and has to pass on.

Financial instruments

The risks relating to financial instruments are explained as follows.

Currency exchange risks

For most transactions with suppliers and buyers, ECN and its subsidiaries apply the euro as payment currency. As a result, the currency exchange risk of ECN and its subsidiaries is limited to an insignificant number of transactions outside the Eurozone. NRG uses forward contracts to hedge currency risks on purchasing raw materials. At the time the purchase contract in a foreign currency is signed, the term rate is fixed for the moment the transaction is realised. No currency contract was outstanding as at 31 December 2015.

Interest risks

The main interest risk that ECN runs at a consolidated level is a difference between proceeds of investments and cash versus the required additions of interest to provisions. Through active asset management ECN tries to mitigate this risk as much as possible.

Credit risks

These are reduced as much as possible by doing business with third parties that have good creditworthiness and actively pursue debt management.

Off-balance-sheet commitments

1. As a partner to the partnership firm NRG, ECN is jointly and severally liable for the debts of this firm. In addition, as a wholly owned subsidiary of ECN, ECN Wind Energy Facilities B.V. is jointly and severally liable for the debts in its capacity of managing partner of ECN Windturbine Testpark Wieringermeer C.V.
2. In 2004, ECN received funds from the Ministry of Economic Affairs totalling over 15,800 and in 2006, it received an amount of 8.100 from the Ministry and in 2012 an amount of 35,000. These payments served to defray the costs of work related to the disposal of radioactive waste. If due to circumstances, ECN is not able to perform the work itself, or commission the work to third parties under its supervision, it is obliged to repay the non-disbursed amount to the Ministry of Economic Affairs. The payments from the Escrow account that has been opened for this purpose may be solely be remitted, if the payment orders are signed by both parties (the Ministry of Economic Affairs, Agriculture & Innovation and ECN). In 2013, an amount of 4,790 of the amount received in 2012 was credited to the result. This was 5,862 in 2014. Anticipating final approval by the Ministry of Economic Affairs, this movement was recorded on account of the increase in the provision for radioactive waste (additional costs). Of the total amount received on the Escrow accounts an amount of 32,500 was withdrawn in respect of funds spent on the radioactive waste project.
3. The site was acquired in 1957 under a long-term lease from Staatsbosbeheer. It has been extended in between and will now expire in 2051. On 1 January 2006, the annual ground rent was set at 204 per year and as from 1 January 2009, it is indexed based on the development of the Consumer Price Index.
4. Wind Energy Facilities B.V. (WEF) has building rights for a 25 year period starting in 2010, for which it pays 40 annually.
5. On 5 July 2007, ECN and NRG were summoned by an association of former employees of ECN and NRG, the Vereniging van Oud Medewerkers ECN & NRG (OMEN). OMEN has applied for a declaratory judgment that ECN et. al. did not have the power to change the indexation provisions in the pension schemes relating to the former ECN employees. The Court of Appeal in The Hague delivered its judgment on 31 March 2015. The Court of Appeal has dismissed all claims by OMEN against ECN and has upheld the earlier judgment of the Subdistrict Court in Alkmaar of 8 September 2010, which states that ECN did have the power to change the pension scheme as at 1 January 2007 and to introduce a conditional indexation at the time. Thus, OMEN's objections against this have once again been dismissed. OMEN did not avail itself of the opportunity to lodge an appeal against the ruling of the Court of Appeal with the Dutch Supreme Court. An addition will be made 2014, in accordance with the agreements as at year-end 2006. This will be a fixed contribution of EUR 2 million. It will be the final contribution under the agreement concluded in 2006. ECN is examining the options available to continue the financing of the indexation. The options are limited due to ECN's financial situation.
6. The Public Prosecution Service is conducting a criminal investigation into alleged non-compliance by NRG with the permit requirements for export of goods and services during the period up to and including 2012. Although NRG has set up a robust compliance structure since that date, NRG had formally breached the law by failing to apply for a license and the public prosecutor intends to impose a EUR 50K penalty.
7. In addition, in two cases the Ministry of Infrastructure and the Environment has imposed an order subject to a penalty ["Last Onder Dwangsom" – LOD]. These LODs are remedial sanctions to safeguard the implementation of a number of technical measures at NRG. Alternative technical solutions have been agreed with the ANVS, which have been approved. Still, in procedural terms only one LOD has been cancelled up to now. The second LOD, too, is expected to be cancelled before termination of the compliance period of 1 May 2016. Upon non compliance NRG will forfeit expenses of 200K per week (capped at 800K).
8. On 17 October 2014, the Minister of Economic Affairs announced a decision to grant ECN a EUR 82 million credit. This was realised in the form of a private loan agreement. A right of pledge has been granted on

patents, taking into account the rights already granted to third parties upon entering into the contract.

9. ECN removes its radioactive waste to COVRA in Vlissingen. The COVRA contract expired on 31 December 2014. ECN has started consultations with COVRA about continuing COVRA's services and the agreements to be concluded in this respect. It is assumed a new contract period will be concluded, up to and including 31 December 2029. The contract will likewise settle the extension of COVRA's HABOG facility.

Specification of contractual commitments entered into

| Description | < 1 year | >1yr <5yr | >5yr |
|---|--------------|--------------|--------------|
| Rent of buildings in Amsterdam (ECN) and Arnhem (NRG) | 1.134 | 3.148 | 2.316 |
| Lease of cars | 248 | 298 | 0 |
| Cleaning services | 363 | 91 | 0 |
| Copying machines | 70 | 53 | 0 |
| Occupational Health and Safety Service | 25 | 9 | 0 |
| | 1.840 | 3.599 | 2.316 |

Bank guarantees provided

The bank guarantees provided total 126 for ECN and 429 for NRG as at year-end 2015. The bank guarantees have primarily been provided at the request of the lessors of the buildings in Amsterdam, Arnhem and Eindhoven and the Ministry of Infrastructure and the Environment regarding prepayments for an EPZ barrel inspection.

Notes to consolidated statement of income

19. Operating income

Financing by the State of the Netherlands

| | 2015 | 2014 |
|---------------------------------------|---------------|---------------|
| Basic, Engine and Knowledge financing | 5.121 | 5.899 |
| Program and Cooperation financing | 24.585 | 25.782 |
| Total | 29.706 | 31.681 |

The financing by the State of the Netherlands comprises subsidies granted by the Ministry of Economic Affairs and the Ministry of Infrastructure and the Environment granted. These subsidies are recognized in the financial year for which they were granted. The lawful spending of the funds has to be proven every year. Based on the assessment of the respective ministries, part of the subsidies that have been granted may be deducted from future subsidies. The income received includes the EZS funds received by NRG, totalling 6,600 (2014: 8,169), the Knowledge and Program Funding received by ECN, totalling 21,713 (2014: 22,200), and the funds received from the Ministry of Infrastructure and the Environment, totalling 1,393 (2014: 1,312).

20. Assignments and other funds

The item Assignments and other funds includes income from 100% third-party assignments, or the part performed by third-parties of joint assignments under partnership agreements. Third parties include the assignments commissioned by NL Agency on behalf of the Ministry of Economic Affairs and assignments commissioned by the EU. The table below includes a specification of third-party assignments, including the increase / decrease in work in progress, by client.

| | 2015 | 2014 |
|------------------------------------|---------------|---------------|
| National trade and industry sector | 24.793 | 26.709 |
| Domestic energy sector | 3.277 | 5.919 |
| European Commission | 14.868 | 18.804 |
| Foreign trade and industry sector | 23.228 | 19.479 |
| Government agencies | 6.223 | 9.394 |
| Technological institutes | 10.978 | 4.511 |
| NL Agency | 9.612 | 8.835 |
| Total | 92.979 | 93.651 |

21. Capitalised corporate production

Capitalised corporate production comprises operating expenses for work carried out by the company's own staff and with its own operating assets, credited to investments or debited to provisions.

| | 2015 | 2014 |
|---------------------------------|--------------|--------------|
| Movable assets | 2.395 | 0 |
| Tangible fixed assets | 606 | 657 |
| Provision for radioactive waste | 5.502 | 4.503 |
| Total | 8.503 | 5.160 |

22. Other operating income

Other operating income relates to the following:

| | 2015 | 2014 |
|--|--------------|--------------|
| Royalties | 196 | 277 |
| Energy supplies | 4.677 | 5.700 |
| Lease of prototypes | 1.196 | 1.295 |
| Rental income from lease contract with Mallinkrodt | 0 | 147 |
| Other | 612 | 1.806 |
| Total | 6.681 | 9.225 |

The other income includes amounts for use of facilities charged on to third parties established on the Research site Petten [Onderzoekslocatie Petten (OLP)].

Operating expenses

23. Wages and salaries, social security and pension charges

| | 2015 | 2014 |
|--|---------------|---------------|
| • Temporary and permanent employment contracts (including doctoral students) | 45.468 | 51.787 |
| • Other staff costs | 12.963 | 9.236 |
| | 58.431 | 61.023 |
| Social security charges | 6.884 | 7.561 |
| Pension charges | 7.053 | 8.295 |
| Total | 72.368 | 76.879 |

Average staffing (FTE's)

| | 2015 | 2014 |
|--|------------|------------|
| Permanent employment | 747 | 768 |
| Temporary employment (including doctoral students) | 89 | 88 |
| Total average for the financial year | 835 | 856 |

The abovementioned staffing in FTEs does not include the temporary employees.

24. Depreciation of tangible fixed assets

The breakdown of this item is as follows:

| | 2015 | 2014 |
|----------------------------------|--------------|--------------|
| Land and buildings | 2.718 | 3.388 |
| Industrial fixtures and fittings | 2.063 | 1.690 |
| Instruments and machines | 2.296 | 2.558 |
| Total | 7.077 | 7.636 |

25. Other operating expenses

The breakdown of this item is as follows:

| | 2015 | 2014 |
|---|---------------|---------------|
| Project costs | 20.825 | 27.080 |
| Cost centres | 20.072 | 17.819 |
| Staffing agency and seconded staff | 11.877 | 7.778 |
| Movement in bad debt provision | -41 | 586 |
| Movement provision EU projects | 0 | -1.750 |
| Movement in provision for radioactive waste | 5.521 | 12.030 |
| Addition inflation adjustment provision for radioactive waste | 420 | 453 |
| Movement in other provisions | 0 | 0 |
| Total | 58.674 | 63.996 |

The project costs include the various costs for equipment and services related to projects. Particularly the costs for equipment can strongly fluctuate every year, depending on the types of projects realised in the related year. The line item cost centre costs includes various costs for equipment and services not directly linked to the projects realised.

The audit fee can be specified as follows:

| | 2015 | 2014 |
|----------------------------|------------|------------|
| Financial statements audit | 182 | 161 |
| Other audit engagements | 189 | 163 |
| Total | 371 | 324 |

26. Financial income and expenses

Financial income and expenses

| | 2015 | 2014 |
|------------------------------------|---------------|------------|
| Interest income and related income | 743 | 854 |
| Interest payable and related costs | -1.888 | -633 |
| Total | -1.145 | 221 |

Interest income and related income

| | 2015 | 2014 |
|---------------------------------|------------|------------|
| Interest income current account | 321 | 561 |
| Revaluation of securities | 0 | 14 |
| Capital gains | 379 | 206 |
| Other interest income | 43 | 73 |
| Total | 743 | 854 |

Interest payable and related costs

| | 2015 | 2014 |
|---|--------------|------------|
| Interest payable from current account | 8 | 20 |
| Interest payable loans | 1.689 | 302 |
| Addition interest provision for severance pay | 37 | 42 |
| Addition interest provision Jubileum | 31 | 30 |
| Addition transitional pension law | 95 | 186 |
| Other interest payable | 28 | 53 |
| Total | 1.888 | 633 |

27. Taxes

The nominal tax rate was 20% in 2015 (2014: 20%) over profits up to 200 25% over higher profits (2014: 25%). The effective tax rate is -/-0.8% (2014: -/-0,5%). The difference between the nominal and effective tax burden is the result of the exemption of corporate income tax applicable to ECN and NRG. The reported tax burden concerns the activities of ECN Wind Energy Facilities B.V. and SunLab B.V.

3

Company financial statements ECN

Company balance sheet ECN

Company balance sheet ECN (x EUR 1,000)

(before allocation of result)

| ASSETS | Note | 2015 | 2014 |
|---------------------------------------|------|----------------|----------------|
| Fixed assets | | | |
| Intangible fixed assets | 28 | 225 | 429 |
| Tangible fixed assets | 29 | 23.842 | 25.811 |
| Financial fixed assets: | | | |
| • Participation in group companies | 30 | 8.880 | 8.647 |
| • Other participations | | 59 | 100 |
| • Securities | | 0 | 0 |
| Other receivables | | 7.761 | 4.838 |
| Total financial fixed assets | | 16.700 | 13.585 |
| | | | |
| Total fixed assets | | 40.767 | 39.825 |
| | | | |
| Current assets | | | |
| Work in progress | 31 | 15.759 | 22.747 |
| Receivables from group companies | 32 | 223 | 245 |
| Receivables from other participations | 33 | 111 | 1 |
| Trade accounts receivable | | 4.083 | 4.175 |
| Receivables and prepaid expenses | | 1.055 | 4.752 |
| Inventories | | 0 | 92 |
| | | 21.231 | 32.012 |
| | | | |
| Cash | 34 | 93.698 | 104.534 |
| TOTAL | | 155.696 | 176.371 |

Company balance sheet ECN

Company balance sheet ECN (x EUR 1,000)

(before allocation of result)

| LIABILITIES | Note | 2015 | 2014 |
|--|------|----------------|----------------|
| Equity | 35 | | |
| Foundation capital | | 45 | 45 |
| Statutory reserves | | 27 | 43 |
| Other reserves | | 1.463 | 18.126 |
| Retained earnings | | -10.597 | -16.678 |
| | | -9.062 | 1.536 |
| | | | |
| Provisions | | | |
| Provision for radioactive waste | 36 | 85.754 | 92.534 |
| Provision for redundancy costs | 37 | 1.264 | 1.597 |
| Provision for pension indexation | 38 | 0 | 1.568 |
| Provision for compensation upon commencement of retirement | 39 | 642 | 732 |
| Provision for long-service awards | 40 | 510 | 614 |
| Provision for WIP | 41 | 274 | 462 |
| Other provisions | 42 | 1.362 | 3.376 |
| | | 89.806 | 100.883 |
| | | | |
| Long-term liabilities | 43 | | |
| Long-term loans | | 36.945 | 25.256 |
| | | 36.945 | 25.256 |
| | | | |
| Current liabilities | 44 | | |
| Prepayments from third parties | | 24.847 | 23.514 |
| Debts to group companies | | 0 | 0 |
| Crediteuren | | 3.714 | 15.709 |
| Taxes and social security charges | | 1.998 | 2.039 |
| Liabilities relating to other staff costs | | 3.219 | 3.668 |
| Liabilities relating to pensions | | 2.080 | 2.191 |
| Other liabilities and accrued expenses | | 2.149 | 1.575 |
| | | 38.007 | 48.696 |
| | | | |
| TOTAL | | 155.696 | 176.371 |

Company statement of income

Company statement of income (x EUR 1,000)

| OPERATING INCOME | Note | 2015 | 2014 |
|---|------|----------------|----------------|
| Revenue | | | |
| • Financing by the State of the Netherlands | 45 | 23.106 | 23.512 |
| • Assignments and other funds | 46 | 40.779 | 36.693 |
| • Changes in progress projects | 46 | -6.988 | 1.724 |
| • Sales in group companies | 46 | 12.983 | 12.273 |
| | | 69.880 | 74.202 |
| Other operating income | 47 | 565 | 1.962 |
| | | | |
| Total operating income | | 70.445 | 76.164 |
| | | | |
| OPERATING EXPENSES | | | |
| Wages and salaries | 48 | 32.224 | 32.504 |
| Social security charges | 48 | 3.637 | 4.024 |
| Pensions | 48 | 3.950 | 4.545 |
| Amortisation of intangible fixed assets | 28 | 205 | 260 |
| Depreciation of tangible fixed assets | 49 | 4.203 | 4.738 |
| Other operating expenses | 50 | 18.985 | 33.148 |
| Outsourcing to group companies | 51 | 6.944 | 4.857 |
| | | | |
| Total operating expenses | | 70.148 | 84.076 |
| | | | |
| OPERATING RESULT | | 297 | -7.912 |
| Financial income and expenses | 52 | -479 | 357 |
| Share in result of participations | 53 | -10.415 | -9.123 |
| | | | |
| Result from ordinary operations before tax | | -10.597 | -16.678 |
| | | | |
| Taxation on result from ordinary activities | | 0 | 0 |
| | | | |
| NET RESULT after tax | | -10.597 | -16.678 |

Notes to the company financial statements ECN

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

Accounting principles

For the general principles of the financial statements, the principles of valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, if not presented otherwise hereinafter.

Participations in group companies in which significant influence is exercised on the business and financial policy, are valued under the net equity value, but not lower than nil. This net asset value is based on the accounting principles applied by the respective group company.

Participations with a negative net equity value are valued at nil. If the company fully or partly guarantees the liabilities of the participation concerned, or has the effective obligation respectively, to enable the participation to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the participation are taken into account.

Fixed assets

28. Intangible fixed assets

| | 2015 | 2014 |
|---------------------------|--------------|--------------|
| Acquisition cost | | |
| As at 1 January | 1.024 | 1.039 |
| Investments | 1 | 44 |
| Disposals | 0 | -59 |
| As at 31 December | 1.025 | 1.024 |
| | | |
| Amortisation | | |
| As at 1 January | -595 | -394 |
| Amortisation for the year | -205 | -260 |
| Disposals | 0 | 59 |
| As at 31 December | -800 | -595 |
| | | |
| Book value | | |
| As at 1 January | 429 | 645 |
| Investments | 1 | 44 |
| Disposals | 0 | 0 |
| Amortisation for the year | -205 | -260 |
| As at 31 December | 225 | 429 |

The intangible fixed assets consist of concessions, licenses and intellectual properties.

Stichting ECN has reviewed the book value of the intangible fixed assets and did not identify any indications of impairment.

29. Tangible fixed assets

The breakdown of and the movements in of the tangible fixed assets is as follows:

| | Land and buildings | Industrial fixtures and fittings | Instruments and machines | Assets under construction | Total 2015 | Total 2014 |
|---------------------------|--------------------|----------------------------------|--------------------------|---------------------------|-----------------|-----------------|
| Acquisition cost | | | | | | |
| As at 1 January | 71.356 | 48.684 | 47.097 | 552 | 167.689 | 167.894 |
| Investments | 291 | 439 | 474 | 1.014 | 2.218 | 1.779 |
| Transfers | 352 | 61 | 577 | -984 | 6 | 0 |
| Disposals | -1.181 | -1 | -8.174 | 0 | -9.356 | -1.984 |
| As at 31 December | 70.819 | 49.184 | 39.975 | 582 | 160.557 | 167.689 |
| Depreciation | | | | | | |
| As at 1 January | -53.055 | -44.094 | -44.729 | 0 | -141.878 | -139.121 |
| Depreciation for the year | -2.260 | -918 | -1.009 | 0 | -4.187 | -4.741 |
| Transfers | -6 | 0 | 0 | 0 | -6 | 0 |
| Disposals | 1.181 | 1 | 8.174 | 0 | 9.356 | 1.984 |
| As at 31 December | -54.140 | -45.011 | -37.564 | 0 | -136.715 | -141.878 |
| Book value | | | | | | |
| As at 1 January | 18.301 | 4.590 | 2.368 | 552 | 25.811 | 28.773 |
| Investments | 291 | 439 | 474 | 1.014 | 2.218 | 1.779 |
| Transfers | 346 | 61 | 577 | -984 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the year | -2.260 | -918 | -1.009 | 0 | -4.187 | -4.741 |
| As at 31 December | 16.679 | 4.172 | 2.410 | 582 | 23.842 | 25.811 |

As at 31 December 2015, the item land and buildings included a carrying value of 9,406 (31 December 2014: 10,068). An amount of 0 (2014: 9) out of the total depreciation charges has been charged to the provision for restructuring.

30. Financial fixed assets

Participation in group companies

The movements in the participation in group companies are as follows.

| | 2015 | 2014 |
|----------------------------------|--------------|--------------|
| Balance as at 1 January | | |
| Result of group companies | 8.646 | 7.674 |
| Transfer to other receivables | 234 | -8.897 |
| Dividends received/distributed | 0 | 9.870 |
| Balance as at 31 December | 8.880 | 8.646 |

Other receivables

The other receivables regard the receivable from v.o.f. Nucleair Research Consulting Group (NRG). This receivable regards the 29,000 loan granted to NRG, the balance of the current receivables and debts to NRG and NRG's negative participation value (22,832), which has been deducted from this. The interest rate on the loan is 5,5% per annum. NRG has the same obligations in respect of this loan as ECN has in respect of the State on account of the loan agreement with the State.

Current assets

31. Work in progress

| | 2015 | 2014 |
|----------------------------------|---------------|---------------|
| Work in progress | 15.759 | 22.747 |
| Provision for work in progress | -274 | -462 |
| Provision for EU projects* | -1.203 | -3.302 |
| Balance as at 31 December | 14.282 | 18.983 |

* The abovementioned provision is included in the balance sheet under the other provisions.

32. Receivables from group companies

| | 2015 | 2014 |
|---------------------------------------|------------|------------|
| ECN Wind Energy Facilities B.V. (WEF) | 198 | 219 |
| Sunlab B.V. | 25 | 26 |
| Balance as at 31 December | 223 | 245 |

33. Receivables from other participations

The breakdown of the receivables from other participations in knowledge and other enterprises is as follows.

| | 2015 | 2014 |
|--------------------------------------|------------|----------|
| ECN New Energy Technologies Co China | 0 | 0 |
| SulphCatch B.V. | 111 | 129 |
| ToN2 B.V. | 0 | 1 |
| Bad debt provision | 0 | -129 |
| Balance as at 31 December | 111 | 1 |

The movements in the aggregate bad debt provision were as follows.

| | 2015 | 2014 |
|-----------------------------------|--------------|--------------|
| Balance as at 1 January | 1.222 | 638 |
| Addition | 50 | 613 |
| Withdrawal | 0 | -2 |
| Release | -173 | -27 |
| Balance as at 31 December* | 1.099 | 1.222 |

34. Cash

| | 2015 | 2014 |
|------------------------------------|---------------|----------------|
| Deutsche Bank | 251 | 75 |
| ING | 93.447 | 104.459 |
| Balance as at 31 December | 93.698 | 104.534 |
| Not freely disposable | | |
| ING Escrow account | 34.504 | 38.043 |
| ING 6th and 7th framework accounts | 1.668 | 573 |
| Blocked for restructuring | 1.264 | 1.597 |
| RWE measurement mast | 0 | 759 |
| ADEM project | 4.261 | 7.817 |
| Solliance project | 828 | 1.660 |
| Total | 42.525 | 50.449 |

Equity

35. Equity

The movements in equity were as follows:

| | Foundation capital | Statutory reserves | Other reserves | Retained earnings | Total equity |
|--|--------------------|--------------------|----------------|-------------------|---------------|
| Beginbalance sheet as at 1 January 2014 | 45 | 48 | 22.847 | -4.726 | 18.214 |
| Allocation of the 2014 result | 0 | 0 | -4.726 | 4.726 | 0 |
| Movement in statutory reserve participations | 0 | -5 | 5 | 0 | 0 |
| Other result after taxes 2014 | 0 | 0 | 0 | -16.678 | -16.678 |
| Closing balance as at 31 December 2014 | 45 | 43 | 18.126 | -16.678 | 1.536 |
| Allocation result 2014 | 0 | 0 | -16.678 | 16.678 | 0 |
| Movement in statutory reserve participations | 0 | -16 | 16 | 0 | 0 |
| Result after taxes 2015 | 0 | 0 | 0 | -10.597 | -10.597 |
| Closing balance as at 31 December 2015 | 45 | 27 | 1.463 | -10.597 | -9.062 |

Het stichtingskapitaal bedraagt 45 overeenkomstig de The foundation capital amounts to 45 in accordance with the articles of association of the foundation. The statutory reserves consist of non-distributable results participations on account of capitalised development costs of participation SunLab B.V. The difference between the equity according to the company balance sheet of -9,062 and the equity according to the consolidated balance sheet of -9,313

is 251 and relates for 37 to the minority interest in the group equity such as explained in note 8. The difference between the result according to the company statement of income and the consolidated statement of income is 106 and the difference on account of the equity of Stichting ECN Nuclearair is 182. This difference is caused by the 1% interest in NRG v.o.f. held by Stichting ECN Nuclearair as from 1 January 2013.

Provisions

36. Provision for radioactive waste

This provision has been formed for the costs of future treatment and storage of radioactive waste.

| | | 2015 | | 2014 |
|----------------------------------|--------|---------------|---------|---------------|
| Balance as at 1 January | | 92.534 | | 90.647 |
| • Withdrawal | -8.325 | | -14.672 | |
| • Addition | 1.125 | | 16.106 | |
| • Inflation adjustment | 420 | | 453 | |
| | | -6.780 | | 1.887 |
| Balance as at 31 December | | 85.754 | | 92.534 |

The provision is recorded at the estimated costs, with an annual inflation adjustment. The inflation adjustment was 0.5% in 2015 (2014: 0.6%).

37. Provision for redundancy costs

This provision has been formed to cover costs as a result of staff being made redundant on the back of restructurings.

The movements in the provision are as follows:

| | | 2015 | | 2014 |
|----------------------------------|------|--------------|------|--------------|
| Balance as at 1 January | | 1.597 | | 1.710 |
| • Withdrawal | -333 | | -318 | |
| • Addition | 0 | | 205 | |
| | | -333 | | -113 |
| Balance as at 31 December | | 1.264 | | 1.597 |

38. Provision for pension indexation

| | | 2015 | | 2014 |
|----------------------------------|--------|----------|--------|--------------|
| Balance as at 1 January | | 1.568 | | 3.062 |
| • Reclassification | -1.647 | | -1.647 | |
| • Release | 1 | | 0 | |
| • Addition of interest | 78 | | 153 | |
| | | -1.568 | | -1.494 |
| Balance as at 31 December | | 0 | | 1.568 |

39. Provision for compensation upon commencement of retirement

| | | 2015 | | 2014 |
|----------------------------------|------|------------|------|------------|
| Balance as at 1 January | | 732 | | 845 |
| • Withdrawal | -127 | | -155 | |
| • Addition of interest | 37 | | 42 | |
| | | -90 | | -113 |
| Balance as at 31 December | | 642 | | 732 |

40. Provision for long-service awards

This provision has been formed for payment of future long-service awards to staff.

| | | 2015 | | 2014 |
|----------------------------------|------|------------|-----|------------|
| Balance as at 1 January | | 614 | | 596 |
| • Withdrawal | -135 | | -12 | |
| • Addition of interest | 31 | | 30 | |
| | | -104 | | 18 |
| Balance as at 31 December | | 510 | | 614 |

41. Provision for work in progress

| | | 2015 | | 2014 |
|----------------------------------|------|------------|------|------------|
| Balance as at 1 January | | 462 | | 839 |
| • Withdrawal | -188 | | 0 | |
| • Release | 0 | | -421 | |
| • Addition | 0 | | 44 | |
| | | -188 | | -377 |
| Balance as at 31 December | | 274 | | 462 |

42. Other provisions

| | | 2015 | | 2014 |
|----------------------------------|--------|--------------|--------|--------------|
| Balance as at 1 January | | 3.376 | | 5.779 |
| • Withdrawal | -2.099 | | -643 | |
| • Release | -6 | | -1.750 | |
| • Addition | 91 | | -10 | |
| | | -2.014 | | -2.403 |
| Balance as at 31 December | | 1.362 | | 3.376 |

| The provision consists of | 2015 | 2014 |
|--|--------------|--------------|
| Tariff variances EU projects | 1.203 | 3.302 |
| Provision for participation Solar Academy B.V. | 0 | 6 |
| Dismantling SOFC assets | 45 | 45 |
| Provision for participation Sulphcatch B.V. | 114 | 23 |
| Total | 1.362 | 3.376 |

Long-term liabilities

43. Long-term liabilities

| | | 2015 | | 2014 |
|----------------------------------|--------|---------------|--------|---------------|
| Balance as at 1 January | | 25.256 | | 5.816 |
| • Withdrawal | 10.000 | | 25.000 | |
| • Addition of interest | 1.689 | | 302 | |
| • Release | 0 | | -5.862 | |
| | | 11.689 | | 19.440 |
| Balance as at 31 December | | 36.945 | | 25.256 |

Current liabilities

44. Current liabilities

| | 2015 | 2014 |
|---|---------------|---------------|
| 1. Prepayments from third parties | | |
| • EZS funds received in advance | 9.862 | 7.730 |
| • Payable to co-contractors ADEM project | 4.261 | 7.816 |
| • Payable to project co-contractors | 5.847 | 4.448 |
| • Other | 4.877 | 3.520 |
| 2. Debt to group company NRG | 0 | 0 |
| 3. Suppliers and trade credits | | |
| • Accounts payable | 2.379 | 14.141 |
| • Invoices yet to be received | 1.335 | 1.568 |
| 4. Taxes and social security charges | | |
| • VAT | 129 | 0 |
| • Wage tax | 1.869 | 2.039 |
| 5. Liabilities relating to other staff costs | | |
| • Other staff costs | 354 | 334 |
| • Reservation for holiday allowance and leave balances | 2.865 | 3.334 |
| 6. Pension liabilities | 2.080 | 2.191 |
| 7. Other liabilities and accrued expenses | | |
| • Funds for 6th and 7th framework accounts received in advancen | 1.668 | 573 |
| • Other liabilities | 481 | 1.002 |
| Balance as at 31 December | 38.007 | 48.696 |

Off-balance-sheet commitments

For a specification of off-balance sheet commitments, reference is made to this item in the notes to the consolidated financial statements.

Notes to the company financial statements

Operating income

45. Funding by the State of the Netherlands

| | 2015 | 2014 |
|-------------------------------------|---------------|---------------|
| Basic, Engine and Knowledge funding | 4.012 | 4.667 |
| Program and Cooperation funding | 19.094 | 18.845 |
| Total | 23.106 | 23.512 |

46. Assignments and other funds

Specification of third-party assignments, including increase/decrease in work in progress, by client.

| | 2015 | 2014 |
|------------------------------------|---------------|---------------|
| Domestic trade and industry sector | 15.887 | 15.859 |
| Domestic energy sector | 407 | 319 |
| European Commission | 7.477 | 10.199 |
| Foreign trade and industry sector | 5.742 | 4.512 |
| Government agencies | 5.454 | 8.044 |
| Technological institutes | 2.195 | 2.922 |
| NL Agency | 9.612 | 8.835 |
| Total | 46.774 | 50.690 |

47. Other operating income

| | 2015 | 2014 |
|---|------------|--------------|
| Royalties | 196 | 277 |
| Rental income from lease contract with Covidien | 0 | 147 |
| Other | 369 | 1.538 |
| Total | 565 | 1.962 |

The other income comprises amounts charged on to third parties, established at 'Onderzoekslocatie Petten' (OLP), relating to facilities.

Operating expenses

48. Wages and salaries, social security and pension charges

| | 2015 | 2014 |
|--|---------------|---------------|
| Permanent and temporary employment (including doctoral students) | 25.044 | 25.479 |
| Other staff costs | 7.180 | 7.025 |
| | 32.224 | 32.504 |
| Social security charges | 3.637 | 4.024 |
| Pension charges | 3.950 | 4.545 |
| | 39.811 | 41.073 |

| Average staffing (FTEs) | 2015 | 2014 |
|--|------------|------------|
| Permanent employment | 401 | 401 |
| Temporary employment (including doctoral students) | 35 | 49 |
| Total average for the year | 436 | 450 |

49. Depreciation of tangible fixed assets

| | 2015 | 2014 |
|----------------------------------|--------------|--------------|
| Land and buildings | 2.261 | 2.406 |
| Industrial fixtures and fittings | 918 | 1.028 |
| Instruments and machines | 1.024 | 1.304 |
| Total | 4.203 | 4.738 |

50. Other operating expenses

| | 2015 | 2014 |
|---|---------------|---------------|
| Project costs | 8.470 | 12.069 |
| Indirect costing | 6.895 | 9.229 |
| Staffing agency and seconded staff | 2.273 | 2.468 |
| Movement in bad debt provision | -58 | 586 |
| Movement in provision for radioactive waste | 1.125 | 10.244 |
| Movement in provision EU projects | 0 | -1.750 |
| Addition inflation adjustment provision for radioactive waste | 280 | 302 |
| Total | 18.985 | 33.148 |

The project costs include the several costs for equipment and services related to projects. Particularly the costs for equipment can strongly fluctuate every year, depending on the types of projects realised in the related year. The line item cost centre costs includes various costs for equipment and services not directly linked to the projects realised.

The movement in the provision for the removal of radioactive waste regards the addition to the provision for radioactive waste.

51. Outsourcing to group companies

| | 2015 | 2014 |
|--|--------------|--------------|
| V.O.F. Nucleair Research consultancy Group (NRG) | 6.944 | 4.857 |
| ECN Wind Energy Facilities B.V. (WEF) | 0 | 0 |
| Total | 6.944 | 4.857 |

52. Financial income and expenses

| | 2015 | 2014 |
|---|--------------|------------|
| Interest income and related income | 1.372 | 898 |
| Interest payable and related costs | -1.851 | -541 |
| Total | -479 | 357 |
| Interest income and related income | | |
| Interest income from current account | 296 | 538 |
| Interest income loans | 1.020 | 263 |
| Revaluation of securities | 0 | 14 |
| Currency exchange profits | 13 | 8 |
| Other interest income | 43 | 75 |
| Total | 1.372 | 898 |
| Interest payable and related costs | | |
| Interest payable on current account bank/ giro | 7 | 3 |
| Interest payable loans | 1.689 | 302 |
| Addition of interest to provision for severance pay | 37 | 42 |
| Addition of interest to provision for long-service awards | 31 | 30 |
| Addition for transitional pension law | 78 | 153 |
| Other interest payable | 9 | 11 |
| Total | 1.851 | 541 |

53. Share in result of participations

| | 2015 | 2014 |
|--|----------------|---------------|
| V.o.f. Nucleair Research Consultancy Group (NRG) | -10.469 | -9.870 |
| ECN Nucleair B.V. | 0 | 0 |
| ECN Wind Energy Facilities (WEF) | 376 | 860 |
| SunLab B.V. | -142 | 113 |
| BO2 Energy Concepts B.V. | 0 | 0 |
| Solar Academy B.V. | 6 | 0 |
| Solsilc Development Company | 0 | 0 |
| Sunday B.V. | 0 | 0 |
| Sulphcatch B.V. | 20 | 0 |
| ToN2 B.V. | 1 | 12 |
| FEST GmbH | 0 | -1 |
| ECN New Energy Technologies Co China | -207 | -246 |
| Admatec B.V. | 0 | 9 |
| Total | -10.415 | -9.123 |

Remuneration of Managing Directors and Supervisory Board members

| | 2015 | 2014 |
|---|-------|------|
| Remuneration of Managing Directors, incl. pension charges | 1.349 | 780 |
| Remuneration of Supervisory Board members | 55 | 62 |

Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT)

Amounts in Euro's

| Position | Name of chairperson-applicable clause | Name | Commencement date of service | End date of service | Remuneration (fixed) | Other ⁴ | Total | Within WNT Norm |
|--|---------------------------------------|--|------------------------------|---------------------|----------------------|--------------------|---------|-----------------|
| Member of Supervisory Board | J | Mrs. prof. dr. ir. drs. H. Bijl | 01/04/2010 | | 15,000 | 0 | 15,000 | J |
| Member of Supervisory Board | N | Mr. dr. ir. C.P. Jongenburger | 01/02/2008 | | 10,000 | 0 | 10,000 | J |
| Member of Supervisory Board | N | Mrs. Mr. L. L. Pool | 15/11/2013 | | 10,000 | 0 | 10,000 | J |
| Member of Supervisory Board | N | Mr. ir. B.C. Fortyun | 01/01/2014 | | 10,000 | 0 | 10,000 | J |
| Member of Supervisory Board | N | Mr. prof. dr. ir. T.H.J.J. van der Hagen | 01/04/2014 | | 10,000 | 0 | 10,000 | J |
| member of Executive Board (CEO) | J | Mr. Ir. P.A.O.G. Korting | 01/12/2010 | | 265,347 | 64,884 | 330,231 | N ¹ |
| Member of Executive Board | N | Mr. R.A. Kleiburg | 01/01/2012 | | 168,182 | 48,859 | 217,041 | N ¹ |
| Member of Executive Board | N | Mr. P.J. Sayers | 01/04/2009 | 30/09/2015 | 114,888 | 491,272 | 606,160 | N ² |
| Member of Executive Board | N | Mr. N.C. Unger | 01/09/2015 | | 56,779 | 5,628 | 62,407 | N ¹ |
| Member of Executive Board | N | Mr. H. Buurlage | 01/09/2015 | | 51,300 | 6,128 | 57,428 | J |
| Member of Executive Board (ad interim) | N | Mr. T. Martin | 19/10/2015 | | 72,000 | 3,795 | 75,795 | J ³ |

¹ WNT transition scheme

The WNT transition scheme adjusts in art 7.3 the remuneration of the officials that exceeds the law's norm and whereby employment began before the law took effect. These officials retain their agreed remuneration for a maximum of four years, after which the remuneration must be reduced according to the stipulations of the law to the maximum that applies to the respective legal person or institution within a period of three years. If an appointment or remuneration agreement is amended within the transition period of four years, the right to the transition scheme become null and void.

² An amount of Euro 400.000 has been paid as redemption money based on court adjudication.

³ This position has been fulfilled by an ad interim official. Specific rules of the WNT regime are applicable for ad interim officials.

⁴ Specification of the components of the other remuneration: Mr. Korting 64,884: Remuneration one-off 33,755, Taxable fixed and variable expense allowances fiscal surcharge car -/- own contribution 11,124, Provisions for remuneration payable later, employer contribution to pension premium 20,005. Mr. Kleiburg 48,859: Remuneration one-off 22,423, Taxable fixed and variable expense allowances fiscal surcharge car -/- own contribution 9,409, Provisions for remuneration payable later, employer contribution to pension premium 17,027. Mr. Sayers 491,272: Redemption money 400,000, Remuneration one-off 72,536, Taxable fixed and variable expense allowances fiscal surcharge car -/- own contribution 6,316, Provisions for remuneration payable later, employer contribution to pension premium 12,420. Mr. Unger 5,230: Provisions for remuneration payable later, employer contribution to pension premium. Mr. Buurlage: 6,128, taxable fixed and variable expense allowances fiscal surcharge car -/- own contribution 898 Provisions for remuneration payable later, employer contribution to pension premium 5,230. Mr. Martin: 3,795 travel costs.

Mr. H.P.M. Knapen was appointed chair of the supervisory board on 8 March 2016.

Signing of the financial statements 2015

Petten, 14 April 2016

Supervisory Board

Stichting Energieonderzoek Centrum Nederland

Dr. H.P.M. Knapen
(Chair Supervisory Board)

Ir. P.A.O.G. Korting
(Chair Executive Board ECN)

Prof. dr. ir. drs. H. Bijl

Ir. B.C. Fortuyn

Mr. L.L. Pool

Prof. dr. ir. T.H.J.J. van der Hagen

Other information

Articles of Association provision regarding allocation of the result

As generating a profit is not the primary aim of Stichting Energieonderzoek Centrum Nederland, no provisions on profit appropriation have been included in the Articles of Association. The result realised in any financial year is therefore added to or withdrawn from the other reserves of ECN.

Allocation of the result for the financial year 2014

The result for the financial year 2014 was -/16,678. The Supervisory Board and the Executive Board have decided to fully add the result for the financial year 2014 to the other reserves.

Allocation of the result for the financial year 2015

Subject to approval by the Supervisory Board, the Executive Board proposes to add the result for the year 2015 of / 10,597 to the other reserves. This proposal has not yet been incorporated in the financial statements.

Independent auditor's report

Reference is made to the auditor's report as included hereinafter.

Independent auditor's report

To: the Supervisory Board of Stichting Energieonderzoek Centrum Nederland, Petten

Report on the company financial statements

We have audited the accompanying company financial statements 2015 which are part of the financial statements of Stichting Energieonderzoek Centrum Nederland, Petten, and comprise the company balance sheet as per December 31, 2015, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these company financial statements and for the preparation of the board report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company financial statements.

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

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Stichting Energieonderzoek Centrum Nederland as per December 31, 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Emphasis of disclosure with respect to the going concern assumption

We draw attention to page 21 in the disclosures to the company financial statements which indicates that the company has a negative equity, and that the going concern principle is based on both the possibilities of obtaining future positive results as well as the cooperation with the Dutch Government to find solutions to the various challenges of the company. This matter does not affect our opinion.

Emphasis of uncertainty

We draw attention to note 9 to the company financial statements which indicates uncertainties with regard to the disposal of the radioactive wastes. This matter does not affect our opinion.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the board report to the extent we can assess, is consistent with the company financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Utrecht, 14 april 2016

Deloitte Accountants B.V.

M. Wabeke



ECN
P.O. Box 1, NL
1755 ZG Petten
The Netherlands

ecn.nl