



**EnBW International Finance B.V.**

**Report on the 2007 financial  
statements**

KPMG Accountants N.V.  
Utrecht, 29 January, 2008  
*This report contains 28 pages*  
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To the management board of  
EnBW International Finance B.V.  
Rotterdam

Utrecht, 29 January 2008

Dear sirs,

## **1 Auditors' report**

We have audited the financial statements 2007 (as set out on pages 6 up to and including 22) of EnBW International Finance B.V., Amersfoort, which comprise the balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility*

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

### *Auditor's responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of EnBW International Finance B.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

## **2 General**

The company is a private limited company, where Energie Baden-Württemberg Aktiengesellschaft (hereafter EnBW AG) holds 100% of the shares.

The company was incorporated and started its activities on April 2, 2001. The articles of association of the company (including the memorandum of association) were notari ally executed on April 2, 2001. In March 2007 the articles of association are revised and the statutory seat of the company is now Rotterdam (formerly: Amersfoort).

The most important objectives of the company are:

- to incorporate, to participate in any way whatsoever, to manage, to supervise, to operate and to promote enterprises, businesses and companies;
- to finance businesses and companies;
- to borrow, to lend and to raise funds, including the issue of bonds, convertible bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with the aforementioned.

## **3 Fiscal position**

EnBW International Finance B.V. constitutes a financing company for EnBW AG and provides and co-ordinates beneficial services to EnBW AG. In return for this EnBW AG pays a handling service fee, a guarantee fee and a subordination fee (with respect to all loans granted up until 2003) and a loan management fee (with respect to all loans granted as from 2004).

The taxable profit of the company up until 2003 consists of these fees (as part of the received interest by the company), a calculated return on equity and the general expenses. As from 2004 the taxable profit also consists of the loan management fee and as from 2006 the taxable profit only consists of the loan management fee and deductible costs.

As a result of this the taxable amount can deviate substantially from the commercial result. In order to formalize this, the tax advisor of the EnBW International Finance B.V. filed an Advance Pricing Agreement ("APA") with the fiscal authorities during the 1<sup>st</sup> quarter 2003. In December 2003/January 2004 the fiscal authorities have granted this ruling for the years 2001 – 2005, with respect to all loans granted before January 1, 2004.

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For the loans granted in 2004 and onwards a new tax ruling request has been filed during the 4<sup>th</sup> quarter 2004. The fiscal authorities have granted this ruling for the years 2004 – 2008 in April 2005. In 2006 negotiations have taken place between the tax advisor and the fiscal authorities with regard to the taxable results 2001 – 2005 and the consequences of the granted rulings. The result of these negotiations is that the payable corporation tax 2001 – 2005 is EUR 271,681 higher than the calculated corporation tax presented in the financial statements 2001 – 2005. This is mainly caused by the non-deductibility of the interest on the current account with the shareholder. Furthermore, the company should repay all income in excess of the ruling income for the years 2001 – 2005 (EUR 1,831,680) to EnBW AG. These adjustments are taken into account in the year 2006. In August 2007 the tax advisor filed a new tax ruling request, covering all loans. In December 2007 the fiscal authorities had granted the new ruling request. The calculation of the corporation tax 2006 and 2007 is based on the new tax ruling. For this reason the payable corporation tax 2006 is EUR 97,095 lower than presented in the financial statements 2006.

The taxable profit for the financial year 2007 can be calculated as follows:

	2007 EUR
Loan management fee	1,164,714
Deductible costs	(129,952)
Taxable profit	1,034,762
Corporation tax payable:	
2007	261,789
2006 (adjustment)	(97,095)
	164,694

*Financial statements 2007*

To date the tax returns, those have been filed up to and including 2005, are settled up to and including 2005. The tax return 2006 will be filed in a short-term.

Yours sincerely,

KPMG ACCOUNTANTS N.V.

  
C.F. van Echtelt RA

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## Balance sheet as at 31 December 2007

(before appropriation of the profit)

		31 December 2007		31 December 2006	
		EUR	EUR	EUR	EUR
<b>Non-current assets</b>					
<i>Other investments</i>					
Loans EnBW AG	1		2,377,592,229		3,132,577,518
<b>Current assets</b>					
<i>Receivables</i>					
Investments	2	172,670,000		–	
Current account group companies	3	113,502,893		119,095,930	
Turnover tax		1,313		2,857	
			286,174,206		119,098,787
Cash and cash equivalents	4		63,816		946
			2,663,830,251		3,251,677,251
<b>Shareholders' equity</b>					
Issued and paid up share capital	5	50,000		50,000	
Share premium reserve	6	1,950,000		1,950,000	
Other reserves	7	–		2,103,360	
Undistributed result		657,018		-1,167,994	
			2,657,018		2,935,366
<b>Long-term debts</b>					
Interest-bearing loans and borrowings	8		2,377,592,229		3,132,577,518
<b>Current liabilities</b>					
Interest-bearing loans and borrowings	9	199,507,121		–	
Corporation tax		375,123		279,958	
Accrued expenses and deferred income	10	83,698,760		115,884,409	
			283,581,004		116,164,367
			2,663,830,251		3,251,677,251

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## Profit & loss account for the year 2007

		2007		2006
		EUR	EUR	EUR
<b>Turnover</b>				
Fees received from EnBW AG			836,689	1,247,117
<b>Expenses</b>				
General expenses	11		129,952	96,912
Charged expenses to EnBW AG			(135,058)	(121,233)
<b>Profit from operations</b>			841,795	1,271,438
Interest income and similar income	12	152,590,871		140,455,902
Interest expense and similar expenses	13	152,610,954		142,285,370
<b>Net financing costs</b>			(20,083)	(1,829,468)
<b>Result before corporate income tax</b>			821,712	(558,030)
Corporate income tax			(164,694)	(609,964)
<b>Net result</b>			657,018	(1,167,994)

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## Statement of cash flows for the period ended 31 December 2007

	2007 EUR 1,000	2006 EUR 1,000
<b>Operating activities</b>		
Cash receipts from group companies	394	511
Cash paid to suppliers	(148)	(143)
	<hr/>	<hr/>
Cash generated from operations	246	368
Interest paid	(182,862)	(139,540)
Taxes paid	(52)	(393)
	<hr/>	<hr/>
<b>Cash flows from operating activities</b>	<hr/> (182,668) <hr/>	<hr/> (139,565) <hr/>
<b>Investing activities</b>		
Interest received	182,856	139,524
Acquisition (sale) of other investments	550,368	(428,930)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>	<hr/> 733,224 <hr/>	<hr/> (289,406) <hr/>
<b>Financing activities</b>		
Proceeds from (non-) current borrowings	8,183,145	493,930
Repayment of borrowings	(8,733,638)	(65,000)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>	<hr/> (550,493) <hr/>	<hr/> 428,930 <hr/>
Net decrease in cash and cash equivalents	63	(41)
Cash and cash equivalents as 1 January	1	42
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<hr/> 64 <hr/>	<hr/> 1 <hr/>

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## Notes

### Reporting entity

EnBW International Finance B.V. is a company domiciled in the Netherlands. The company has a controlling related party relationship with its parent company. The company is a wholly owned subsidiary of EnBW AG (ultimate parent company).

### Basis of preparation

#### (a) Statement of compliance

In the financial year 2003 for the first time the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

#### (b) Basis of preparation

The financial statements are presented in euro. They are prepared on the historical cost basis unless indicated otherwise hereafter.

#### (c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### Significant accounting policies

#### (a) Foreign currency

##### *Foreign currency transactions*

Transactions in foreign currency are translated to euro at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Exchange rates applicable as at 31 December 2007 are as follows:

1 CHF = EUR 0.6043 (31 December 2006: EUR 0.6216).

**(b) Loans and investments**

Investments held-to maturity are recognised/derecognised on the day they are transferred to/by the company. These assets are stated at amortised cost, taken into account the effective yield on these assets per inception date.

**(c) Other receivables**

Other receivables are stated at their cost less impairment losses if any.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

**(e) Interest-bearing loans and borrowings**

Interest-bearing loans and borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings on an effective interest basis as per inception date.

**(f) Other payables**

Other payables are stated at cost.

**(g) Expenses**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested, taking into account the effective yield on these assets and liabilities as per inception date.

**(h) Income tax**

Income tax on the profit or loss for the year comprises current tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The taxable profit of the company is based on the Advance Pricing Agreements. As a result of this the taxable result can deviate substantially from the commercial result.

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### **Determination of fair values**

The fair value of the long-term interest-bearing loans and borrowings is based on their listed market price. The fair value of these loans and borrowings as at December 31, 2007 amounts to EUR 2,350 billion (December 31, 2006: EUR 3,235 billion). Facing the fact that the net proceeds from each issue of these loans and borrowings by EnBW International Finance B.V. only is applied towards the purposes of on lending to EnBW AG and that the interest rates and other interest conditions on these loans and borrowings are equal to these on the long-term loans to EnBW AG, the fair value of these non-current assets is equal to the fair value of the long-term interest-bearing loans and borrowings. The fair value of the other assets and liabilities as at December 31, 2007 and 2006 is equal to the valuation in the balance sheet.

### **Financial risk management**

#### ***Overview***

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

#### ***Credit risk***

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and investment securities.

The company's exposure to credit risk is influenced mainly by the individual characteristics of EnBW AG. The net proceeds from each issue of interest-bearing loans and borrowings by EnBW International Finance B.V. only will be applied towards the purposes of on lending to EnBW AG. The interest rates and other interest conditions on the interest-bearing loans and borrowings are equal to these on the loans to EnBW AG. EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of all bondholders with respect to the prescribed and punctual payment of capital and interest of the bond notes issued by EnBW International Finance B.V.

## **EnBW International Finance B.V.**

The long-term credit ratings of EnBW AG are A2 (Moody's) and A- (Standard & Poor's). Given these credit ratings, management does not expect that EnBW AG will fail to meet its obligations.

### ***Liquidity risk***

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of all bondholders with respect to the prescribed and punctual payment of capital and interest of the bond notes issued by EnBW International Finance B.V.

### ***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### ***Currency risk***

The net proceeds from each issue of interest-bearing loans and borrowings by the company only will be applied towards the purposes of on lending to EnBW AG (for equal currency). Therefore the company is not exposed to currency risk on investments and borrowings that are denominated in a currency other than the functional currency of the EnBW group. The currencies in which these transactions primarily are denominated are euro and Swiss Francs (CHF).

### ***Interest rate risk***

The interest rates and other interest conditions on the interest-bearing loans and borrowings are equal to these on the loans to EnBW AG.

### ***Capital management***

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the company's approach to capital management during the year.

The company is no subject to externally imposed capital requirements.

## Notes to the balance sheet as 31 December 2007

### 1 Other investments

#### Loans EnBW AG (held to maturity)

	31-12-2007 EUR	31-12-2006 EUR
1. Loan granted in 2002	996,728,431	996,054,259
2. Loan granted in 2002	–	749,771,908
3. Loan granted in 2002	149,739,839	149,651,623
4. Loan granted in 2003	241,697,946	248,361,136
5. Loan granted in 2004	494,897,290	494,709,532
6. Loan granted in 2006	494,528,723	494,029,060
	<u>2,377,592,229</u>	<u>3,132,577,518</u>

#### 1. Loan granted in 2002

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2002/2012 (nominal EUR 1,000,000,000) by way of a loan to EnBW AG on February 28, 2002. The payment of the loan has taken place after deduction of “disagio” (EUR 2,960,000) and management and underwriting fees (EUR 3,750,000). These amounts will be calculated on the basis of the remaining term of the loan. For the year 2007 EUR 674,172 (2006: EUR 636,216) is therefore credited to the profit & loss account and presented as interest income.

As from January 1, 2003 the loan bears interest at a fixed interest rate (5.966% per annum) and has a fixed term of 9 years and 2 months. Redemption of the EUR 1 billion takes place on 28 February 2012.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

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## ***2. Loan granted in 2002***

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2002/2007 (nominal EUR 750,000,000) by way of a loan to EnBW AG on February 28, 2002. The payment of the loan has taken place after deduction of "disagio" (EUR 3,870,000) and management and underwriting fees (EUR 2,250,000).

These amounts will be calculated on the basis of the remaining term of the loan. For the year 2007 EUR 228,093 (2006: EUR 1,339,871) is therefore credited to the profit & loss account and presented as interest income.

As from January 1, 2003 the loan bore interest at a fixed interest rate (5.3148% per annum) and has a fixed term of 4 years and 2 months. Redemption of the EUR 750 million has taken place on 28 February 2007.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

## ***3. Loan granted in 2002***

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2002/2010 (nominal EUR 150,000,000) by way of a loan to EnBW AG on December 6, 2002. The payment of the loan has taken place after deduction of "disagio" (EUR 141,000) and management and underwriting fees (EUR 525,000). These amounts will be calculated on the basis of the remaining term of the loan. For the year 2007 EUR 88,216 (2006: EUR 83,959) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (5.0706% per annum) and has a fixed term of 7.75 years. Redemption of the EUR 150 million takes place on 6 September 2010.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

## ***4. Loan granted in 2003***

EnBW International Finance B.V. had diverted the proceeds from the issue of a CHF-bond 2003/2008 (nominal CHF 400,000,000/EUR 241,735,662) by way of a loan to EnBW AG on February 25, 2003. The payment of the loan has taken place after addition of "agio" (CHF 1,200,000) and deduction of management and underwriting fees (CHF 3,150,000). These amounts will be calculated on the basis of the remaining term of the loan. For the year 2007 CHF 406,483 (2006: CHF 397,133) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (2.3544% per annum) and has a fixed term of 5 years. Redemption of the CHF 400 million takes place on 25 February 2008.

## **EnBW International Finance B.V.**

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards the Bank von Ernst & Cie AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the CHF-bond issued by EnBW International Finance B.V.

### ***5. Loan granted in 2004***

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2004/2025 (nominal EUR 500,000,000) by way of a loan to EnBW AG on December 9, 2004. The payment of the loan has taken place after deduction of "disagio" (EUR 3,650,000) and management and underwriting fees (EUR 2,000,000). These amounts will be calculated on the basis of the remaining term of the loan. For the year 2007 EUR 187,758 (2006 EUR 178,876) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (4.9651% per annum) and has a fixed term of 20.1 years. Redemption of the EUR 500 million takes place on 16 January 2025.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

### ***6. Loan granted in 2006***

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2006/2016 (nominal EUR 500,000,000) by way of a loan to EnBW AG on October 19, 2006. The payment of the loan has taken place after deduction of "disagio" (EUR 4,820,000) and management and underwriting fees (EUR 1,250,000). These amounts will be calculated on the basis of the remaining term of the loan. For the year 2007 EUR 499,663 (2006 EUR 99,060) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (4.403% per annum) and has a fixed term of 10 years. Redemption of the EUR 500 million takes place on 19 October 2016.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

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## 2 Investments (held to maturity)

EnBW International Finance B.V. had diverted the net proceeds from the issue of the Commercial Paper Programme by way of loans to EnBW AG (on balance EUR 172,670,000).

The interest rate is equal to the rate, which has to be paid on the received amounts under the Commercial Paper Programme and vary between 3.7 and 4.65 %. The interest for the year 2007 amounts to EUR 27,128,818. Redemption of the EUR 172,670,000 will take place during in January 2008.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Commercial Paper notes issued by EnBW International Finance B.V.

## 3 Current account group companies

	31-12-2007 EUR	31-12-2006 EUR
EnBW AG	<u>113,502,893</u>	<u>119,095,930</u>

The interest on this current account is EONIA +/- 0.125%. No securities are provided.

## 4 Cash at banks

	31-12-2007 EUR	31-12-2006 EUR
Deutsche Bank AG (current accounts)	<u>63,816</u>	<u>946</u>

## 5 Issued and paid up share capital

The authorised share capital is composed of 500 ordinary shares with a nominal value of EUR 100 each, in total EUR 50,000. All shares have been issued and fully paid and belong to EnBW AG (Germany).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

## 6 Share premium reserve

In December 2002 it was decided to increase the equity of the company with EUR 1,950,000.

## 7 Other reserves

	2007 EUR	2006 EUR
Balance as at 1 January	2,103,360	1,587,081
Dividend to shareholder	(935,366)	–
Result for the year 2006 (2005)	(1,167,994)	516,279
	<hr/>	<hr/>
Balance as at 31 December	–	2,103,360
	<hr/>	<hr/>

## 8 Interest-bearing loans and borrowings

	31-12-2007 EUR	31-12-2006 EUR
1. Eurobond 2002/2012	996,728,431	996,054,259
2. Eurobond 2002/2007	–	749,771,908
3. Eurobond 2002/2010	149,739,839	149,651,623
4. CHF-loan 2003/2008	241,697,946	248,361,136
5. Eurobond 2004/2025	494,897,290	494,709,532
6. Eurobond 2006/2016	494,528,723	494,029,060
	<hr/>	<hr/>
	2,377,592,229	3,132,577,518
	<hr/>	<hr/>

### 1. Eurobond 2002/2012

The company has issued on 28 February 2002 1,000,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the loan were decreased with “disagio” (EUR 2,960,000) and management and underwriting fees (EUR 3,750,000). These amounts will be calculated on the basis of the remaining term of the bond. For the year 2007 EUR 674,172 (2006: EUR 636,216) is therefore debited to the profit & loss account and presented as interest expenses.

The loan bears interest at a fixed interest rate (5.966% per annum) and has a fixed term of 10 years. Redemption of the EUR 1 billion takes place on 28 February 2012.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

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## **2. Eurobond 2002/2007**

The company has issued on 28 February 2002 750,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the loan were decreased with "disagio" (EUR 3,870,000) and management and underwriting fees (EUR 2,250,000). These amounts will be calculated on the basis of the remaining term of the bond. For the year 2007 EUR 228,093 (2006: EUR 1,339,871) is therefore debited to the profit & loss account and presented as interest expenses.

The loan bore interest at a fixed interest rate (5.3148% per annum) and has a fixed term of 5 years. Redemption of the EUR 750 million has taken place on 28 February 2007.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

## **3. Eurobond 2002/2010**

The company has issued on 6 December 2002 150,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the loan were decreased with "disagio" (EUR 141,000) and management and underwriting fees (EUR 525,000). These amounts will be calculated on the basis of the remaining term of the bond. For the year 2007 EUR 88,216 (2006: EUR 83,959) is therefore debited to the profit & loss account and presented as interest expenses.

The loan bears interest at a fixed interest rate (5.0706% per annum) and has a fixed term of 7.75 years. Redemption of the EUR 150 million takes place on 6 September 2010.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

## **4. CHF-bond 2003/2008**

The company has issued on 25 February 2003 a CHF-bond in the amount of CHF 400 million. The proceeds of the loan were increased with "agio" (CHF 1,200,000) and reduced with management and underwriting fees (CHF 3,150,000). These amounts will be calculated on the basis of the remaining term of the bond.

For the year 2007 CHF 406,483 (2006: CHF 397,133) is therefore debited to the profit & loss account and presented as interest expenses.

The loan bears interest at a fixed interest rate (2.3544% per annum) and has a fixed term of 5 years. Redemption of the CHF 400 million takes place on 25 February 2008.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards the Bank von Ernst & Cie AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the CHF-bond issued by EnBW International Finance B.V.

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## 5. Eurobond 2004/2025

The company has issued on 9 December 2004 500,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the loan were decreased with "disagio" (EUR 3,650,000) and management and underwriting fees (EUR 2,000,000). This amount will be calculated on the basis of the remaining term of the bond. For the year 2007 EUR 187,758 (2006: EUR 178,876) is therefore debited to the profit & loss account and presented as interest expenses.

The loan bears interest at a fixed interest rate (4.9651% per annum) and has a fixed term of 20.1 years. Redemption of the EUR 500 million takes place on 16 January 2025.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

## 6. Eurobond 2006/2016

The company has issued on 19 October 2006 500,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the loan were decreased with "disagio" (EUR 4,820,000) and management and underwriting fees (EUR 1,250,000). This amount will be calculated on the basis of the remaining term of the bond. For the year 2007 EUR 499,663 (2006: EUR 99,060) is therefore debited to the profit & loss account and presented as interest expenses.

The loan bears interest at a fixed interest rate (4.403% per annum) and has a fixed term of 10 years. Redemption of the EUR 500 million takes place on 19 October 2016.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

## Terms and debt repayment schedule

	Total EUR 1.000	Less than 1 year EUR 1.000	2-5 years EUR 1.000	More than 5 years EUR 1.000
Secured bond issues:				
Eurobonds 2010 – fixed at 5.0706%	149,740		149,740	
Eurobonds 2012 – fixed at 5.966%	996,729		996,729	
Eurobonds 2016 – fixed at 4.403%	494,528			494,528
Eurobonds 2025 – fixed at 4.9651%	494,897			494,897
CHF-bonds 2008 – fixed at 2.3544%	241,698	241,698		
	<u>2,377,592</u>	<u>241,698</u>	<u>1,146,469</u>	<u>989,425</u>

## 9 Interest-bearing loans and borrowings

During the year 2007 the company has issued several short-term Euro notes under the Commercial Paper Programme. The notes have a maturity period of not less than 14 and of not more than 364 days. The redemption of the outstanding notes as at December 31, 2007 will take place in January 2008. The notes bear interest at a fixed interest rate. The payable interest as at December 31, 2007 amounts to EUR 166,385. During 2007 EUR 26,962,433 interest was already paid.

The transactions (including conditions) are specified in the attached appendix.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards the Deutsche Bank AG) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of these notes issued by EnBW International Finance B.V.

## 10 Accrued expenses and deferred income

	31-12-2007 EUR	31-12-2006 EUR
Interest bond loans	83,497,375	115,854,409
Interest Commercial Paper Programme	166,385	–
Auditors' and consultants' fees	25,000	20,000
Management fees	10,000	10,000
	<hr/>	<hr/>
	83,698,760	115,884,409
	<hr/>	<hr/>

## Notes to the profit & loss account for the year 2007

### General

The company has no employees.

### 11 General expenses

	2007 EUR	2006 EUR
Auditors' and consultants' fees	93,221	80,500
Management fees and administrative expenses	34,312	14,983
Other general expenses	2,419	1,429
	<u>129,952</u>	<u>96,912</u>

### 12 Interest income and similar income

	2007 EUR	2006 EUR
Loans EnBW AG	152,579,611	142,229,818
Interest and fee repayment 2001 – 2005	–	(1,831,680)
Current account EnBW AG	7,577	12,967
Interest corporation tax 2006	1,090	–
Exchange rate differences	2,593	44,797
	<u>152,590,871</u>	<u>140,455,902</u>

**13 Interest expense and similar expenses**

	2007 EUR	2006 EUR
Interest bond loans	125,450,793	142,229,818
Loans Commercial Paper Programme	27,128,818	–
Bank charges	31,343	26,469
Interest corporation tax 2001 - 2005	–	29,083
	<u>152,610,954</u>	<u>142,285,370</u>

Rotterdam, 29 January 2008

The Management Board,

Mr. W.P. Ruoff

Mr. I.P. Voigt

## Other information

### Auditors' report

To: The management board of EnBW International Finance B.V.

### Report on the financial statements

We have audited the financial statements 2007 (as set out on pages 6 up to and including 22) of EnBW International Finance B.V., Amersfoort, which comprise the balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility*

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

#### *Auditor's responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of EnBW International Finance B.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Utrecht, 29 January 2008

KPMG ACCOUNTANTS N.V.

C.P. van Echtelt RA

**Provisions in the articles of association governing the appropriation of profits**

Under article 20 of the company's articles of association, the profit is at the disposal of the General Meeting of Shareholders which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

**Appropriation of result**

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2007 profit after tax: an amount of EUR 657,018 to be paid out as a dividend.

The proposed appropriation of the result has not been included in the company's financial statements for the year 2007.

**Subsequent events**

EnBW International Finance B.V. has launched on 24 January 2008 a CHF-bond in the amount of CHF 300 million. The bond issue date will be 25 February 2008 and repayment will be due on 25 February 2013. The bond has a coupon rate of 3.125%.

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## Appendix 1

Landesbank Baden-Württemberg	20,000,000	99.632	4.150%	August 6, 2007	September 7, 2007	19,926,493	20,000,000		73,507
				August 6, 2007				-223,950,000	
				August 6, 2007				-49,800,000	
				August 6, 2007				340,000,000	
Landesbank Baden-Württemberg	20,000,000	99.544	4.150%	August 7, 2007	September 7, 2007	19,928,782	20,000,000		71,218
				August 7, 2007				-19,900,000	
				August 14, 2007				50,000,000	
Landesbank Baden-Württemberg	50,000,000	99.917	4.270%	August 15, 2007	August 22, 2007	49,958,521	50,000,000		41,479
				August 15, 2007				-50,000,000	
				August 17, 2007				30,000,000	
				August 21, 2007				50,000,000	
				August 28, 2007				50,000,000	
				August 31, 2007				60,000,000	
Landesbank Baden-Württemberg	100,000,000	99.709	4.410%	September 3, 2007	September 27, 2007	99,706,862	100,000,000		293,138
Dresdner Bank	25,000,000	99.651	4.500%	September 3, 2007	October 1, 2007	24,912,805	25,000,000		87,195
Bayerische Landesbank	100,000,000	99.721	4.380%	September 3, 2007	September 26, 2007	99,720,948	100,000,000		279,052
Dresdner Bank	33,000,000	99.650	4.520%	September 3, 2007	October 1, 2007	32,884,393	33,000,000		115,807
Bayerische Landesbank	20,000,000	99.833	4.290%	September 3, 2007	September 17, 2007	19,966,689	20,000,000		33,311
				September 3, 2007				315,000,000	
				September 3, 2007				-277,200,000	
				September 6, 2007				100,000,000	
Bayerische Landesbank	40,000,000	99.220	4.640%	September 7, 2007	November 7, 2007	39,687,964	40,000,000		312,036
Bayerische Landesbank	50,000,000	99.744	4.400%	September 7, 2007	September 28, 2007	49,871,995	50,000,000		128,005
Bayerische Landesbank	15,000,000	99.831	4.350%	September 7, 2007	September 21, 2007	14,974,668	15,000,000		25,332
Landesbank Baden-Württemberg	10,000,000	99.831	4.350%	September 7, 2007	September 21, 2007	9,983,112	10,000,000		16,888
				September 7, 2007				140,000,000	
				September 7, 2007				-114,500,000	
Landesbank Baden-Württemberg	15,000,000	99.628	4.500%	September 11, 2007	October 11, 2007	14,943,960	15,000,000		56,040
				September 11, 2007				-14,900,000	
Landesbank Baden-Württemberg	100,000,000	99.627	4.490%	September 12, 2007	October 12, 2007	99,627,228	100,000,000		372,777
Landesbank Baden-Württemberg	15,000,000	99.222	4.630%	September 12, 2007	November 12, 2007	14,883,237	15,000,000		118,763
				September 12, 2007				50,000,000	
				September 12, 2007				-114,590,000	
Bayerische Landesbank	20,000,000	99.614	4.500%	September 14, 2007	October 15, 2007	19,922,799	20,000,000		77,201
Bayerische Landesbank	30,000,000	99.833	4.300%	September 14, 2007	September 28, 2007	29,848,917	30,000,000		50,083
				September 14, 2007				-49,800,000	
Bayerische Landesbank	40,000,000	99.628	4.500%	September 17, 2007	October 17, 2007	39,850,560	40,000,000		149,440
Bayerische Landesbank	10,000,000	99.745	4.380%	September 17, 2007	October 8, 2007	9,974,515	10,000,000		25,485
				September 17, 2007				50,000,000	
				September 17, 2007				-49,850,000	
Citibank London	115,000,000	99.758	4.400%	September 20, 2007	October 10, 2007	114,719,574	115,000,000		280,428
				September 20, 2007				-114,700,000	
				September 21, 2007				25,000,000	
Landesbank Baden-Württemberg	10,000,000	99.833	4.310%	September 21, 2007	October 5, 2007	9,983,267	10,000,000		16,733
				September 21, 2007				-10,000,000	
DZ Bank	50,000,000	99.553	4.490%	September 25, 2007	October 31, 2007	49,776,504	50,000,000		223,497
				September 25, 2007				-49,800,000	
				September 26, 2007				100,000,000	
DZ Bank	75,000,000	99.605	4.460%	September 27, 2007	October 29, 2007	74,703,841	75,000,000		296,155
Landesbank Baden-Württemberg	150,000,000	99.556	4.460%	September 27, 2007	November 2, 2007	149,333,970	150,000,000		668,030
Landesbank Baden-Württemberg	60,000,000	99.915	4.350%	September 27, 2007	October 4, 2007	59,949,293	60,000,000		50,707
				September 27, 2007				100,000,000	
				September 27, 2007				-284,000,000	
				September 28, 2007				130,000,000	
				September 28, 2007				58,000,000	
Dresdner Bank	40,000,000	99.605	4.460%	October 1, 2007	November 2, 2007	39,842,048	40,000,000		157,953
				October 1, 2007				-39,800,000	
				October 4, 2007				60,000,000	
Landesbank Baden-Württemberg	50,000,000	99.835	4.250%	October 5, 2007	October 19, 2007	49,917,497	50,000,000		82,503
				October 5, 2007				35,000,000	
				October 5, 2007				-49,900,000	
Landesbank Baden-Württemberg	20,000,000	99.622	4.407%	October 8, 2007	November 8, 2007	19,924,389	20,000,000		75,811
				October 8, 2007				10,000,000	
				October 8, 2007				-20,000,000	
				October 10, 2007				115,000,000	
Dresdner Bank	15,000,000	99.589	4.370%	October 10, 2007	November 13, 2007	14,938,346	15,000,000		61,655
Dresdner Bank	5,000,000	99.589	4.370%	October 10, 2007	November 13, 2007	4,979,449	5,000,000		20,355
Landesbank Baden-Württemberg	7,000,000	99.919	4.160%	October 10, 2007	October 17, 2007	6,994,342	7,000,000		5,635
				October 10, 2007				-19,900,000	
				October 10, 2007				-7,000,000	
DZ Bank	50,000,000	99.227	4.600%	October 11, 2007	December 11, 2007	49,613,292	50,000,000		386,700
Citibank London	95,000,000	99.614	4.360%	October 11, 2007	November 12, 2007	94,633,244	95,000,000		366,750
Landesbank Baden-Württemberg	31,000,000	99.919	4.160%	October 11, 2007	October 18, 2007	30,974,945	31,000,000		25,055
				October 11, 2007				15,000,000	
				October 11, 2007				-175,200,000	
Dresdner Bank	10,000,000	99.235	4.550%	October 12, 2007	December 12, 2007	9,923,493	10,000,000		78,500
Landesbank Baden-Württemberg	5,000,000	99.920	4.140%	October 12, 2007	October 19, 2007	4,995,978	5,000,000		4,020
Landesbank Baden-Württemberg	5,000,000	99.837	4.190%	October 12, 2007	October 26, 2007	4,991,866	5,000,000		8,130
Landesbank Baden-Württemberg	75,000,000	99.629	4.330%	October 12, 2007	November 12, 2007	74,721,393	75,000,000		278,600
Bayerische Landesbank	35,000,000	99.837	4.200%	October 12, 2007	October 26, 2007	34,942,527	35,000,000		57,070
				October 12, 2007				-119,700,000	
				October 12, 2007				-9,900,000	
				October 12, 2007				100,000,000	
UBS	34,000,000	99.249	4.540%	October 15, 2007	December 14, 2007	33,744,865	34,000,000		255,330

## Appendix 1

Deutsche bank London	36,000,000	99.272	4.550%	October 15, 2007	December 12, 2007	35,738,020	36,000,000		261,980
				October 15, 2007				20,000,000	
				October 15, 2007				-69,400,000	
				October 17, 2007				47,000,000	
				October 18, 2007				31,000,000	
Landesbank Baden-Württemberg	50,000,000	99.919	4.150%	October 19, 2007	October 26, 2007	49,959,685	50,000,000		40,315
Dresdner Bank	50,000,000	99.919	4.150%	October 19, 2007	October 26, 2007	49,959,685	50,000,000		40,315
Deutsche bank London	50,000,000	99.919	4.150%	October 19, 2007	October 26, 2007	49,959,685	50,000,000		40,315
Landesbank Baden-Württemberg	100,000,000	99.919	4.150%	October 19, 2007	October 26, 2007	99,919,371	100,000,000		80,629
Landesbank Baden-Württemberg	40,000,000	99.919	4.155%	October 19, 2007	October 26, 2007	39,967,709	40,000,000		32,291
DZ Bank	30,000,000	99.919	4.150%	October 19, 2007	October 26, 2007	29,975,811	30,000,000		24,189
				October 19, 2007				55,000,000	
				October 19, 2007				-319,700,000	
Bayerische Landesbank	50,000,000	99.628	4.200%	October 26, 2007	November 27, 2007	49,814,030	50,000,000		185,970
				October 26, 2007				360,000,000	
				October 26, 2007				-49,900,000	
Landesbank Baden-Württemberg	40,000,000	99.639	4.210%	October 29, 2007	November 29, 2007	39,855,513	40,000,000		144,487
DZ Bank	50,000,000	99.639	4.210%	October 29, 2007	November 29, 2007	49,819,391	50,000,000		180,609
				October 29, 2007				75,000,000	
				October 29, 2007				-89,700,000	
Landesbank Baden-Württemberg	50,000,000	99.638	4.220%	October 30, 2007	November 30, 2007	49,818,963	50,000,000		181,037
				October 30, 2007				-49,800,000	
				October 31, 2007				50,000,000	
DZ Bank	50,000,000	99.815	4.220%	October 31, 2007	December 3, 2007	49,807,329	50,000,000		192,871
				October 31, 2007				-49,800,000	
				November 2, 2007				190,000,000	
Citibank London	24,000,000	99.639	4.210%	November 2, 2007	December 3, 2007	23,913,308	24,000,000		86,692
Bayerische Landesbank	50,000,000	99.652	4.195%	November 6, 2007	December 6, 2007	49,825,817	50,000,000		174,183
				November 6, 2007				-50,000,000	
				November 7, 2007				40,000,000	
Landesbank Baden-Württemberg	30,000,000	99.675	4.190%	November 8, 2007	December 6, 2007	29,902,551	30,000,000		97,449
				November 8, 2007				20,000,000	
				November 8, 2007				-29,900,000	
				November 12, 2007				185,000,000	
Landesbank Baden-Württemberg	100,000,000	99.873	4.170%	November 12, 2007	November 23, 2007	99,872,745	100,000,000		127,255
				November 12, 2007				-99,900,000	
Dresdner Bank	70,000,000	99.745	4.180%	November 13, 2007	December 5, 2007	69,821,644	70,000,000		178,356
				November 13, 2007				20,000,000	
				November 13, 2007				-69,800,000	
Landesbank Baden-Württemberg	80,000,000	99.919	4.150%	November 15, 2007	November 22, 2007	79,935,497	80,000,000		64,504
				November 15, 2007				-79,900,000	
				November 22, 2007				80,000,000	
				November 23, 2007				100,000,000	
				November 27, 2007				50,000,000	
				November 29, 2007				90,000,000	
				November 30, 2007				50,000,000	
				December 3, 2007				74,000,000	
				December 5, 2007				70,000,000	
				December 6, 2007				80,000,000	
				December 11, 2007				50,000,000	
				December 12, 2007				46,000,000	
L-Bank	50,000,000	99.849	4.180%	December 14, 2007	December 27, 2007	49,924,642	50,000,000		75,358
				December 14, 2007				34,000,000	
				December 14, 2007				-49,950,000	
DZ Bank	50,000,000	99.550	4.850%	December 21, 2007	January 25, 2008	49,774,976			70,722
				December 21, 2007				-49,800,000	
L-Bank	150,000,000	99.821	4.600%	December 27, 2007	January 10, 2008	149,732,146			95,662
				December 27, 2007				50,000,000	
				December 27, 2007				-149,700,000	
Totals	8,210,600,000					8,183,144,688	8,010,800,000		27,128,818
Redemptions (exchange value)						7,983,637,567			
Balance as at December 31, 2007						199,507,121		-172,670,000	
Interest financial year 2007									27,128,818