

EnBW International Finance B.V.

Financial report 2014

Vastgesteld door de Algemene
Vergadering van Aandeelhouders

10 februari 2015

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Report of the Board of Management

The Management of ENBW International Finance B.V. herewith submits its financial report for the year ended 31 December 2014.

Overview of activities

EnBW International Finance B.V. was founded by EnBW AG on 3 April 2001, according to Dutch law as a company with limited liability (besloten vennootschap met beperkte aansprakelijkheid). EnBW International Finance B.V. has its registered office at Westblaak 89, 3012 KG Rotterdam.

In accordance with Article 3 of its Articles of Association, the purpose of EnBW International Finance B.V. is financing and participation activities and as a consequence of this EnBW International Finance B.V. supports the current financing requirements of EnBW AG.

Activities during the year

The company issued 4 new bonds (EUR 500 million on 4 June, EUR 100 million on 13 June, EUR 100 million on 16 June and EUR 50 million on 1 August). During the year the board of management changed, Mr Voigt was replaced by Mr Berlin. Furthermore a supervisory board of 3 members was established, consisting of Mr Voigt, Mr van der Rhee and Mr Gutekunst. The supervisory board also acts as the audit committee of the company.

Results for the year

The profit for the period is EUR 34,971,931 (2013: EUR 35,229,667).

Risk Management

The Board of Management is responsible for the internal control and the management of risks within the EnBW International Finance B.V. and for the assessment of the effectiveness of the control systems. These controls were set up in cooperation with EnBW Group to identify and manage foreign exchange, interest, liquidity and credit risks. The long-term bonds issues of EnBW International Finance B.V. are irrevocably guaranteed by EnBW AG and have long-term ratings which rely on the performance of the EnBW Group. As in previous years, the liquid funds of EnBW International Finance B.V. have been made available to EnBW AG by way of intercompany loans. As of 31 December 2014 the issued bonds are in full extent lent onward at similar conditions.

Financial instruments include cash items, loans and other financing commitments. EnBW International Finance B.V. does not use derivative financial instruments such as swaps and forward rate agreements.

Future outlook and Post-balance sheet events

It is expected that the financing activities will develop in line with the strategy of the parent company EnBW AG. In 2015 one public bond (EUR 750 million) will be redeemed.

EnBW International Finance B.V.

Activities in the field of research and development

The company is not engaged in such activities.

Market Environment

EnBW International Finance B.V. issues under the guarantee of EnBW AG and therefore is exposed to the market conditions which affect EnBW AG as well.

The long-term credit ratings of EnBW AG are unchanged A3 with a negative outlook (Moody's), A- with a stable outlook (Standard & Poor's) and A- with a stable outlook (Fitch).

EnBW AG has a comfortable level of liquidity.

Management's accountability

Herewith the management confirms that the annual report provides a fair presentation of the financial statements and that all relevant risks applicable to the company have been described.

Rotterdam, 10 February 2015

EnBW International Finance B.V.

The Board of Management

Mr. P.A. Berlin

Mr. W.P. Ruoff

Supervisory board

Mr. I.P. Voigt

Mr. F. van der Rhee

Mr. G.J. Gutekunst

Balance sheet as at 31 December 2014

(before appropriation of the profit)

		31 December 2014		31 December 2013	
		EUR	EUR	EUR	EUR
Non-current assets					
<i>Other investments</i>					
Loans EnBW AG	1		5,262,168,353		4,512,542,184
Loans related companies	2		20,936,554		19,951,106
Current assets					
<i>Receivables</i>					
Current account group companies	3	110,562,941		102,750,535	
Turnover tax		6,300		6,387	
Deposit office lease		4,749		4,749	
			110,573,990		102,761,671
Cash and cash equivalents	4		1,090,947		172,113
			5,394,769,844		4,635,427,074
Shareholders' equity					
Issued and paid up share capital	5	100,000		100,000	
Share premium reserve	6	1,131,613,974		1,131,613,974	
Other reserves	7	—		—	
Undistributed result		34,971,931		35,229,667	
			1,166,685,905		1,166,943,641
Long-term debts					
Interest-bearing loans and borrowings	8		4,129,738,353		3,380,112,184
Loans EnBW AG	9		20,936,554		19,951,106
Current liabilities					
Corporation tax		132,831		3,061,823	
Accrued expenses and deferred income	10	77,276,201		65,358,320	
			77,409,032		68,420,143
			5,394,769,844		4,635,427,074

Profit & loss account for the year 2014

		2014		2013	
		EUR	EUR	EUR	EUR
Interest income and similar income	11	232,681,762		260,871,917	
Interest expense and similar expenses	12	187,318,768		215,342,552	
Net interest result			45,362,994		45,529,365
Fees received from EnBW AG			1,532,918		1,601,511
Expenses					
General expenses	13		294,822		321,419
Wages and salaries	14		75,330		74,481
Charged expenses to EnBW AG			(198,350)		(242,481)
Result before corporate income tax			46,724,110		46,977,457
Corporate income tax	15		(11,752,179)		(11,747,790)
Net result			34,971,931		35,229,667
Other comprehensive income					
Items that will never be reclassified to profit or loss			-		-
Items that are or may be reclassified to profit or loss					
Other comprehensive income, net of tax			-		-
Total comprehensive income			34,971,931		35,229,667

Statement of cash flows for the period ended 31 December 2014

	2014 EUR 1,000	2013 EUR 1,000
Operating activities		
Cash receipts from group companies	15,092	12,039
Cash paid to employees	(75)	(74)
Cash paid to suppliers	(335)	(355)
	<hr/>	<hr/>
Cash generated from operations	14,682	11,610
Interest paid	(173,203)	(223,469)
Taxes paid	(14,681)	(11,807)
	<hr/>	<hr/>
Cash flows from operating activities	(173,202)	(223,666)
	<hr/>	<hr/>
Investing activities		
Interest received	174,120	223,457
Acquisition of other investments	(744,524)	(181,166)
Sale of other investments	-	994,499
	<hr/>	<hr/>
Cash flows from investing activities	(570,404)	1,036,790
	<hr/>	<hr/>
Financing activities		
Proceeds from (non-) current borrowings	744,524	181,166
Repayment of borrowings	-	(994,499)
	<hr/>	<hr/>
Cash flows from financing activities	744,524	(813,333)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	918	(209)
Exchange results	1	6
Cash and cash equivalents as 1 January	172	375
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	1,091	172
	<hr/>	<hr/>

Notes

General

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).

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 notarially 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). As per 1 December 2011 the company changed its address to Westblaak 89, 3012 KG Rotterdam. In December 2014 the articles of association were revised to include a supervisory board and to be in line with the Flex-BV regulations.

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.

Basis of preparation

(a) Statement of compliance

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. There are no substantial judgements, estimates and assumptions in the financial statements 2014 and 2013.

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 2014 are as follows:

1 CHF = EUR 0.8317 (31 December 2013: EUR 0.8146)

1 JPY = EUR 0.0069 (31 December 2013: EUR 0.0069)

1 USD = EUR 0.8237 (31 December 2013: EUR 0.7251)

(b) Other investments

These investments 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.

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, 2014 amounts to EUR 5.109 billion (December 31, 2013: EUR 3.963 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 difference between the book value of the long-term loans to EnBW AG (EUR 5,262 billion) and the book value of the long-term interest-bearing loans and borrowings (EUR 4,130 billion) concerns the long-term loan to EnBW AG as a result of the sale of the GESO shares in 2010 (EUR 834 million) and the sale of the OPOLE-shares in 2012 through ENBW Investment I B.V. (EUR 298 million).

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The fair value of the other assets and liabilities as at December 31, 2014 and 2013 is equal to the valuation in the balance sheet.

The carrying and fair value of the assets and liabilities as at December 31, 2014 and 2013 is specified in the following overview.

	Carrying value 2014 (EUR million)	Fair value 2014 (EUR million)	Unrecognised gain/(loss) 2014 (EUR million)	Carrying value 2013 (EUR million)	Fair value 2013 (EUR million)	Unrecognised gain/(loss) 2013 (EUR million)
Loans EnBW AG (corresponding debts are listed)	4,129	5,109	980	3,380	3,963	583
Loan EnBW AG (GESO)	834	977	143	834	930	96
Loan ENBW AG (OPOLE)	298	352	54	298	322	24
Loans ENBW Holding AS	21	23	2	20	21	1
Current Assets	111	111	0	103	103	0
Cash and cash equivalents	1.1	1.1	0	0.2	0.2	0
Long-term debts (listed)	4,129	5,109	(980)	3,380	3,963	(583)
Loans ENBW AG (Turkey)	21	23	0	20	21	(1)
Current liabilities	77	77	0	65	65	0

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.

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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.

The long-term credit ratings of EnBW AG are unchanged A3 with a negative outlook (Moody's), A- with a stable outlook (Standard & Poor's) and A- with a stable outlook (Fitch).

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.

There is only a small liquidity risk facing the equal terms of the non-current assets and the long-term debts.

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, Swiss Francs (CHF), Japanese yen (JPY) and US dollar (USD).

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 policy of EnBW AG is to maintain a strong capital base and satisfactory long-term credit ratings 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 2014

1 Other investments

Loans EnBW AG

	31-12-2014 EUR	31-12-2013 EUR
1. Loan granted in 2004	496,501,660	496,238,012
2. Loan granted in 2006	498,703,330	498,027,629
3. Loan granted in 2008	747,775,879	747,291,959
4. Loan granted in 2008	137,712,594	138,197,899
5. Loan granted in 2009	749,805,852	749,444,026
6. Loan granted in 2009	588,794,310	588,626,682
7. Loan granted in 2010	834,430,000	834,430,000
8. Loan granted in 2012	298,000,000	298,000,000
9. Loan granted in 2013	82,970,853	81,218,139
10. Loan granted in 2013	82,804,325	81,067,838
11. Loan granted in 2014	497,968,208	-
12. Loan granted in 2014	99,083,595	-
13. Loan granted in 2014	98,106,595	-
14. Loan granted in 2014	49,511,152	-
	<hr/>	<hr/>
	5,262,168,353	4,512,542,184
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1. 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 2014 EUR 263,648 (2013 EUR 251,177) 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.

2. 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 2014 EUR 675,701 (2013: EUR 647,207) 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.

3. Loan granted in 2008

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2008/2018 (nominal EUR 750,000,000) by way of a loan to EnBW AG on November 20, 2008. The payment of the loan has taken place after deduction of “disagio” (EUR 2,482,500) 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 2013 EUR 483,920 (2012: 452,411) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (6.9647% per annum) and has a fixed term of 10 years. Redemption of the EUR 750 million takes place on 20 November 2018.

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 2008

EnBW International Finance B.V. had diverted the proceeds from the issue of the JPY-bond 2008/2038 (nominal JPY 20,000,000,000/EUR 137,712,594) by way of a loan to EnBW AG on December 16, 2008.

The loan bears interest at a fixed interest rate (3.88% per annum) and has a fixed term of 30 years. Redemption of the JPY 20 billion takes place on 16 December 2038.

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.

5. Loan granted in 2009

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2009/2015 (nominal EUR 750,000,000) by way of a loan to EnBW AG on July 7, 2009. The payment of the loan has taken place after deduction of “disagio” (EUR 472,500) and management and underwriting fees (EUR 1,500,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2014 EUR 361,826 (2013 EUR 265,260) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (4.1763% per annum) and has a fixed term of 6 years. Redemption of the EUR 750 million takes place on 7 July 2015.

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 2009

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2009/2039 (nominal EUR 600,000,000) by way of a loan to EnBW AG on July 7, 2009. The payment of the loan has taken place after deduction of “disagio” (EUR 8,940,000) and management and underwriting fees (EUR 3,030,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2014 EUR 167,628 (2013 EUR 62,830) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (6.2718% per annum) and has a fixed term of 30 years. Redemption of the EUR 750 million takes place on 7 July 2039.

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.

7. Loan granted in 2010

EnBW International Finance B.V. had diverted the proceeds from the sale of the GESO shares (EUR 834,430,000) by way of a loan to EnBW AG on 31 March 2010.

The loan bears interest at a fixed interest rate (4.13% per annum) and has a fixed term of 10 years. Redemption of the EUR 834,430,000 takes place on 31 March 2020.

8. Loan granted in 2012

EnBW International Finance B.V. had diverted the proceeds from the sale of the shares of EnBW Investment II B.V. and EnBW Investment III B.V. by EnBW Investment I B.V. (EUR 298,000,000) by way of a loan to EnBW AG on 16 February 2012 (“Opole” transaction). The corresponding loan between EnBW Investment I B.V. and EnBW International Finance B.V. was settled as a result of the legal merger between these companies.

The loan bears interest at a fixed interest rate (3.67% per annum) and has a fixed term of 10 years. Redemption of the EUR 298,000,000 takes place on 28 February 2022.

9. Loan granted in 2013

EnBW International Finance B.V. had diverted the proceeds from the issue of a CHF-bond 2013/2018 (nominal CHF 100,000,000/EUR 83,166,999) by way of a loan to EnBW AG on July 12, 2013. The payment of the loan has taken place after addition of “agio” (CHF 440,000) and deduction of management and underwriting fees (CHF 750,000).

These amounts will be calculated on the basis of the remaining term of the loan. For 2014 CHF 60,766 (2013: CHF 13,388) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (1.25% per annum) and has a fixed term of 5 years. Redemption of the CHF 100 million takes place on 12 July 2018.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards Deutsche Bank 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.

10. Loan granted in 2013

EnBW International Finance B.V. had diverted the proceeds from the issue of a CHF-bond 2013/2023 (nominal CHF 100,000,000/EUR 83,166,999) by way of a loan to EnBW AG on July 12, 2013. The payment of the loan has taken place after addition of “agio” (CHF 634,000) and deduction of management and underwriting fees (CHF 1,125,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2014 CHF 45,042 (2013: CHF 9,878) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (2.25% per annum) and has a fixed term of 10 years. Redemption of the CHF 100 million takes place on 12 July 2023.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards Deutsche Bank 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.

11. Loan granted in 2014

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2014/2026 (nominal EUR 500,000,000) by way of a loan to EnBW AG on June 4, 2014. The payment of the loan has taken place after deduction of “disagio” (EUR 870,000) 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 2014 EUR 88,208 is therefore credited to the profit & loss account and presented as interest income.

EnBW International Finance B.V.

The loan bears interest at a fixed interest rate (2.5414% per annum) and has a fixed term of 12 years. Redemption of the EUR 500 million takes place on 4 June 2026.

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.

12. Loan granted in 2014

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2014/2039 (nominal EUR 100,000,000) by way of a loan to EnBW AG on June 16, 2014. The payment of the loan has taken place after deduction of management and underwriting fees (EUR 930,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2014 EUR 13,595 is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (3.1342% per annum) and has a fixed term of 25 years. Redemption of the EUR 100 million takes place on 16 June 2039.

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.

13. Loan granted in 2014

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2014/2034 (nominal EUR 100,000,000) by way of a loan to EnBW AG on June 13, 2014. The payment of the loan has taken place after deduction of "disagio" (EUR 1,933,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2014 EUR 39,595 is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (3.005% per annum) and has a fixed term of 20 years. Redemption of the EUR 100 million takes place on 13 June 2034.

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.

14. Loan granted in 2014

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2014/2044 (nominal EUR 50,000,000) by way of a loan to EnBW AG on August 1, 2014. The payment of the loan has taken place after deduction of "disagio" (EUR 493,200). These amounts will be calculated on the basis of the remaining term of the loan. For 2014 EUR 4,352 is therefore credited to the profit & loss account and presented as interest income.

EnBW International Finance B.V.

The loan bears interest at a fixed interest rate (2.9% per annum) and has a fixed term of 30 years. Redemption of the EUR 100 million takes place on 1 August 2044.

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.

2 Loans related companies

During 2013 the company issued two loans to EnBW Holding AS, Turkey.

1. Loan USD 10,000,000

On 11 July 2013 the proceeds of a loan issued by EnBW AG in the amount of USD 10,000,000 have been lent to EnBW Holdings AS. The interest is 4.13% and the repayment date is 11 July 2018.

2. Loan EUR 12,700,0000

On 23 December 2013 the proceeds of a loan issued by EnBW AG in the amount of EUR 12,700,000 have been lent to EnBW Holdings AS. The interest is 4.13% and the repayment date is 23 December 2018.

The repayment of both loans is guaranteed by EnBW AG.

3 Current account group companies

	31-12-2014 EUR	31-12-2013 EUR
EnBW AG	110,562,941	102,750,535

The interest on this current account is EONIA +/- 0.125% (2013: EONIA +/- 0.125%). No securities are provided.

4 Cash at banks

	31-12-2014 EUR	31-12-2013 EUR
Deutsche Bank AG (current accounts)	1,090,947	172,113

5 Issued and paid up share capital

The authorised share capital is composed of 1,000 (2013: 1000) ordinary shares with a nominal value of EUR 100 each, in total EUR 100,000. 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. In January 2010 the share premium was increased by EUR 828,132,499 as a result of the GESO transaction. During 2012 the share premium reserve was further increased due to the mergers with EnBW Investment I B.V. (EUR 301,072,715) and EnBW Benelux B.V. (EUR 458,760) resulting in a share premium as per balance sheet date of EUR 1,131,613,974.

	2014	2013
	EUR	EUR
Balance as at 1 January	1,131,613,974	1,131,613,974
Balance as at 31 December	1,131,613,974	1,131,613,974

7 Other reserves

	2014	2013
	EUR	EUR
Balance as at 1 January	—	—
Dividend to shareholder	(35,229,667)	(31,044,585)
Result for the year 2013 (2012)	35,229,667	31,044,585
Balance as at 31 December	—	—

8 Interest-bearing loans and borrowings

	31-12-2014 EUR	31-12-2013 EUR
1. Loan granted in 2004	496,501,660	496,238,012
2. Loan granted in 2006	498,703,330	498,027,629
3. Loan granted in 2008	747,775,879	747,291,959
4. Loan granted in 2008	137,712,594	138,197,899
5. Loan granted in 2009	749,805,852	749,444,026
6. Loan granted in 2009	588,794,310	588,626,682
7. Loan granted in 2013	82,970,853	81,218,139
8. Loan granted in 2013	82,804,325	81,067,838
9. Loan granted in 2014	497,968,208	-
10. Loan granted in 2014	99,083,595	-
11. Loan granted in 2014	98,106,595	-
12. Loan granted in 2014	49,511,152	-
	<hr/> 4,129,738,353	<hr/> 3,380,112,184

1. 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 bonds 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 2014 EUR 263,648 (2013 EUR 251,177) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (4.9651% per annum) and have 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.

2. 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 bonds 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 2014 EUR 675,701 (2013: EUR 647,207) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (4.403% per annum) and have 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.

3. Eurobond 2008/2018

The company has issued on 20 November 2008 15,000 Eurobonds in the amount of EUR 50,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 2,482,500) and management and underwriting fees (EUR 2,250,000). This amount will be calculated on the basis of the remaining term of the bond. For 2014 EUR 483,920 (2013: 452,411) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (6.9647% per annum) and have a fixed term of 10 years. Redemption of the EUR 750 million takes place on 20 November 2018.

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. JPY-bond 2008/2038

The company has issued on 16 December 2008 200 JPY-bonds in the amount of JPY 100 million each.

The bonds bear interest at a fixed interest rate (3.88% per annum) and have a fixed term of 30 years. Redemption of the JPY 20 billion takes place on 16 December 2038.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards Morgan Stanley & Co. International Plc) 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.

5. Eurobond 2009/2015

The company has issued on 7 July 2009 750,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 472,500) and management and underwriting fees (EUR 1,500,000). This amount will be calculated on the basis of the remaining term of the bond. For 2014 EUR 361,826 (2013: EUR 265,260) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (4.1763% per annum) and have a fixed term of 6 years. Redemption of the EUR 750 million takes place on 7 July 2015.

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 2009/2039

The company has issued on 7 July 2009 600,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 8,940,000) and management and underwriting fees (EUR 3,030,000). This amount will be calculated on the basis of the remaining term of the bond. For 2014 EUR 167,628 (2013: EUR 62,830) is therefore debited to the profit & loss account and presented as interest expenses.

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The bonds bear interest at a fixed interest rate (6.2718% per annum) and have a fixed term of 30 years. Redemption of the EUR 600 million takes place on 7 July 2039.

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.

7. CHF-bond 2013/2018

The company has issued on 12 July 2013 20,000 CHF-bonds in the amount of CHF 5,000 each. The proceeds of the bonds were increased with “agio” (CHF 440,000) and reduced with management and underwriting fees (CHF 750,000). These amounts will be calculated on the basis of the remaining term of the bond. For 2014 CHF 60,766 (2013: CHF 13,388) is therefore debited to the profit & loss account and presented as interest expenses. The loan bears interest at a fixed interest rate (1.25% per annum) and has a fixed term of 5 years. Redemption of the CHF 100 million takes place on 12 July 2018.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards Credit Suisse AG and the Royal bank of Scotland Plc) 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.

8. CHF-bond 2013/2023

The company has issued on 12 July 2013 20,000 CHF-bonds in the amount of CHF 5,000 each. The proceeds of the bonds were increased with “agio” (CHF 634,000) and reduced with management and underwriting fees (CHF 1,125,000). These amounts will be calculated on the basis of the remaining term of the bond. For 2014 CHF 45,042 (2013: CHF 9,878) is therefore debited to the profit & loss account and presented as interest expenses. The loan bears interest at a fixed interest rate (2.25% per annum) and has a fixed term of 10 years. Redemption of the CHF 100 million takes place on 12 July 2023.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards Credit Suisse AG and the Royal bank of Scotland Plc) 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.

9. Eurobond 2014/2026

The company has issued on 4 June 2014 500,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 870,000) 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 2014 EUR 88,208 is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (2.5414% per annum) and have a fixed term of 12 years. Redemption of the EUR 500 million takes place on 4 June 2026.

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.

10. Eurobond 2014/2039

The company has issued on 16 June 2014 1,000 Eurobonds in the amount of EUR 100,000 each. The proceeds of the bonds were decreased with management and underwriting fees (EUR 930,000). This amount will be calculated on the basis of the remaining term of the bond. For 2014 EUR 13,595 is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (3.1342% per annum) and have a fixed term of 25 years. Redemption of the EUR 100 million takes place on 16 June 2039.

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.

11. Eurobond 2014/2034

The company has issued on 13 June 2014 1,000 Eurobonds in the amount of EUR 100,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 1,933,000). This amount will be calculated on the basis of the remaining term of the bond. For 2014 EUR 39,595 is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (3.005% per annum) and have a fixed term of 20 years. Redemption of the EUR 100 million takes place on 13 June 2034.

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.

12. Eurobond 2014/2044

The company has issued on 1 August 2014 5000 Eurobonds in the amount of EUR 100,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 493,200). This amount will be calculated on the basis of the remaining term of the bond. For 2014 EUR 4,352 is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (2.9% per annum) and have a fixed term of 30 years. Redemption of the EUR 100 million takes place on 1 August 2044.

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	Within 1	2-5 years	More than
	EUR 1,000	year EUR 1,000	EUR 1,000	5 years EUR 1,000
Secured bond issues:				
Eurobonds 2016 – fixed at 4.403%	498,703		498,703	
Eurobonds 2025 – fixed at 4.9651%	496,502			496,502
Eurobonds 2018 – fixed at 6.9647%	747,776		747,776	
JPY-bonds 2038 – fixed at 3.88%	137,713			137,713
Eurobonds 2015 – fixed at 4.1763%	749,806	749,806		
Eurobonds 2039 – fixed at 6.2718%	588,794			588,794
CHF bonds 2018 – fixed at 1.25%	82,971		82,971	
CHF bonds 2023- fixed at 2.25%	82,804			82,804
Eurobonds 2026 - fixed at 2.5414%	497,968			497,968
Eurobonds 2039 – fixed at 3.1342%	99,084			99,084
Eurobonds 2034 – fixed at 3.005%	98,107			98,107
Eurobonds 2044 – fixed at 2.95%	49,511			49,511
	<hr/>	<hr/>	<hr/>	<hr/>
	4,129,739	749,806	1,329,450	2,050,483
	<hr/>	<hr/>	<hr/>	<hr/>

9 Loans EnBW AG

During 2013 the company received two loans from its shareholder.

1. Loan USD 10,000,000

On 11 July 2013 the proceeds of a loan issued by EnBW AG in the amount of USD 10,000,000 have been lent to EnBW Holdings AS. The interest is 4.10% and the repayment date is 11 July 2018.

2. Loan EUR 12,700,0000

On 23 December 2013 the proceeds of a loan issued by EnBW AG in the amount of EUR 12,700,000 have been lent to EnBW Holdings AS. The interest is 4.10% and the repayment date is 23 December 2018.

10 Accrued expenses and deferred income

	31-12-2014	31-12-2013
	EUR	EUR
Interest bond loans	76,374,231	65,297,335
Interest loans EnBW AG	869,970	11,571
Auditors' and consultants' fees	27,000	39,414
Management fees	5,000	10,000
	<hr/>	<hr/>
	77,276,201	65,358,320
	<hr/>	<hr/>

Notes to the profit & loss account for the year 2014

11 Interest income and similar income

	2014 EUR	2013 EUR
Loans EnBW AG	231,763,754	260,518,242
Loans EnBW Holding AS	876,689	171,705
Interest corporation tax	40,289	108,724
Exchange rate differences	1,030	73,246
	<u>232,681,762</u>	<u>260,871,917</u>

12 Interest expense and similar expenses

	2014 EUR	2013 EUR
Interest bond loans	186,365,195	215,119,683
Interest loan EnBW AG	858,399	151,960
Current account EnBW AG	71,742	58,785
Bank charges	23,432	12,124
	<u>187,318,768</u>	<u>215,342,552</u>

13 General expenses

	2014 EUR	2013 EUR
Auditors' and consultants' fees	150,110	208,111
Management fees and administrative expenses	91,105	70,559
Office rent	9,833	14,473
Other general expenses	43,774	19,760
	<u>294,822</u>	<u>321,419</u>

14 Wages and salaries

As per 31 December 2014 and 2013 three staff members, including one of the managing directors, were employed by the company.

The emoluments as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the company amounted to EUR 40,427 for managing directors and former managing directors. The supervisory directors did not receive remuneration in the financial year.

15 Corporate income tax

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 loan management fee.

In October 2013 the tax advisor filed a (new) Advance Pricing Agreement (APA) request. In December 2013 the fiscal authorities had granted this request. This ruling covers all loans granted up to and including December 31, 2018. The taxable profit for the financial year 2014 can be calculated as follows:

	2014 EUR
Loan management fee	1,539,028
Interest income loans not included in APA	45,344,705
Deductible costs	(167,403)
Taxable profit	46,716,330
Corporate income tax 2014 (payable)	11,669,083
Turkish withholding tax	87,669
Creditable withholding tax	(4,573)
Total corporate income tax due	11,752,179

To date the tax returns, those have been filed up to and including 2013, are settled up to and including 2011.

The current APA agreement will expire on 31 December 2018.

16 Transactions with related parties

Transactions with related parties include relationships between EnBW International Finance B.V., companies of the EnBW Group and the company's directors.

EnBW International Finance B.V. obtains funds from the market by issuing corporate bonds/notes. The net proceeds of these notes are lent on in the form of intercompany loans.

The issued notes (total EUR 4.13 billion) are unconditionally and irrevocably guaranteed by EnBW AG. EnBW International Finance B.V. received remuneration for her financing activities from EnBW AG (EUR 1.54 million).

The company has provided two intercompany loans to ENBW Holding AS.

Due to the company's general policy to match funding in terms of maturities and interest rate risks, the funds obtained are lent onward at similar conditions. As a consequence the terms in respect of currencies, maturities and interest rate on the in – and outbound loans correspond.

One of members of the Managing Board received remuneration during 2014 and 2013 (see note 14).

17 Forthcoming requirements

Below is a brief summary of relevant new and amended standards and interpretations that may be newly effective for annual (and year-to-date interim) reporting beginning after 1 January 2015:

- IFRS 9 Financial Instruments and subsequent amendments. Not yet endorsed. Effective date: 1 January 2018 (postponed).

These requirements will not have a substantial impact on the forthcoming reporting.

Rotterdam, 10 February 2015

EnBW International Finance B.V.

The Board of Management

Mr. P.A. Berlin

Mr. W.P. Ruoff

Supervisory board

Mr. I.P. Voigt

Mr. F. van der Rhee

Mr. G.J. Gutekunst

Other information

Provisions in the articles of association concerning 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 2014 profit after tax: an amount of EUR 34,971,931 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 2014.

Auditors' report

The auditors' report is shown on page 31 and further.



Independent auditor's report

To: The Board of Management of EnBW International Finance B.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of EnBW International Finance B.V. (the company), based in Rotterdam.

In our opinion the financial statements give a true and fair view of the financial position of EnBW International Finance B.V. as at December 31, 2014 and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

- 1 the balance sheet as at December 31, 2014;
- 2 the following statements for 2014: the profit & loss account, the statement of comprehensive income and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of EnBW International Finance B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 2.3 million. The materiality is based on (5% of) the profit before tax. We consider this as an appropriate benchmark. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of EUR 115,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated a key audit matter to the Supervisory board. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The exposure on EnBW AG has a significant effect on the financial statements

The total balance sheet of the company consists for 99,5% of an exposure on EnBW AG (loans and a current account). In the event of insolvency, the company, as at the date of this audit report, has no material assets other than the loans to EnBW AG. The company will be dependent on interest income from, or repayments of, the loans to EnBW AG to meet its financial obligations.

As such, the risk of a financial loss of the company is significant (credit risk), if EnBW AG fails to meet its contractual obligations. Therefore we considered the soundness of this exposure on EnBW AG as a key audit matter.

As explained on page 12 of the annual accounts of the company, 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 repayment of the bonds (included interest) issued by EnBW International Finance B.V.

We have performed the following substantive procedures with respect to the exposure on EnBW AG:

- Inspection of the reviewed interim (2nd and 3rd quarter 2014) and audited financial statements (for the year 2013) of EnBW AG;
- Comparison and evaluation of the long-term credit ratings (and outlook) of EnBW AG from Moody's, Standard & Poor's and Fitch of the last three years;
- Discussing the recent developments in the financial position and cash flows with the auditor of EnBW AG;
- Reading and evaluating the news and information for investors on the website of EnBW AG during 2014;
- Discussing the recent developments in the financial position and cash flows with the Board of Management and Supervisory Board of the company.

We have also evaluated the adequacy of the Company's disclosures included in Note 1.

Responsibilities of Board of Management and the Supervisory Board for the financial statements

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the report of the board of management and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the report of the board of management and other information):

- We have no deficiencies to report as a result of our examination whether the report of the board of management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the report of the board of management, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Board of Management as auditor of EnBW International Finance B.V. on 16 June 2001, for the audit of the financial statements as from the year 2001 and have operated as statutory auditor ever since that date.

Utrecht, 10 February 2015

KPMG Accountants N.V.

K. Oosterhof RA