

Financial Report 2019

innogy Finance B.V.

's-Hertogenbosch, the Netherlands

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Directors' report

Directors' report

Introduction

innogy Finance B.V. (hereafter named 'the Company') acts to facilitate the financing of the innogy Group. The external funding is inter alia carried out via innogy Finance B.V. guaranteed by innogy SE, and the funds are then lent from innogy Finance B.V. to the innogy Group companies. innogy Finance B.V. is a wholly owned (indirect) subsidiary of innogy SE and has no subsidiaries of its own.

Main developments during 2019

In the first half year of 2019, one bond with an interest rate of 6.6250% and a face value of EUR 1,000 million matured. The corresponding loan with an interest rate of 6.6475% matured on the same date. Mainly as a result of this transaction the balance sheet total decreased from EUR 12.8 billion per the end of 2018 to EUR 11.9 billion per 31 December 2019. The net result increased with 12.5% to EUR 3.2 million (2018: EUR 2.8 million). The higher net result is mainly caused by a positive foreign currency impact following developments in the exchange rate for GBP-EUR, and by lower general and administrative expenses in 2019. During the financial year 2019 innogy Finance B.V. declared an interim dividend in the amount of EUR 3.0 million. The next maturity date will be 30 January 2020 for an amount of EUR 750.0 million.

In March 2018, RWE AG and E.ON SE have announced that they have reached an agreement in principle according to which RWE shall sell its 76.8% stake in innogy SE to E.ON. As of 18 September 2019 it was transferred to E.ON. The purchase of a total of 426,624,685 shares has thus been closed. With the transaction closed innogy Finance B.V. has become a part of the E.ON Group.

E.ON will also close the voluntary public takeover offer to innogy's minority shareholders. The minority shareholders who tendered their shares to E.ON last year will receive the offer consideration. By the end of the acceptance period on 25 July 2018, a good 9.4 percent of the shareholders had decided to sell their innogy shares to E.ON. Together with the 3.8 percent innogy shares that E.ON has since acquired on the stock exchange, E.ON then holds 90 percent of all innogy shares and thus fulfills the requirements for a squeeze-out under the German Transformation Act. As announced at the beginning of September, E.ON intends to acquire the shares of the remaining minority shareholders of innogy SE by way of a merger squeeze-out and thus become the only shareholder of innogy. In March 2020 E.ON decided to start the squeeze-out procedure.

The ability of innogy Finance B.V. to fulfill its short-term obligations is expressed in the current ratio. Short-term receivables and short-term liabilities are almost equal as the difference is only caused by a small margin for interest spread. Therefore the year-end current ratio of 2019 of 1.008 is stable when compared to last year (2018: 1.006). The solvency ratio (equity / total equity and liabilities) shows a result of 0.09% (2018: 0.08%). The equity is at a level of EUR 10.6 million, based on the tax ruling. The payment obligations towards bondholders are backed by proceeds from the loans granted to the innogy Group companies. Additionally, all outstanding bonds are guaranteed by innogy SE. The profitability of the Company, expressed as return on shareholder's equity (net income/ equity), is 29.96%, which is slightly higher than last year (2018: 27.08%).

In view of the activities of the Company, research and development is not applicable and as such no such expenses were incurred in 2019 and 2018.

Corporate responsibility

In the past the Company issued one green bond in 2017 to finance/refinance eligible capex spendings under innogy's Green Bond Framework. As the Company became part of E.ON Group since September 2019, the financing of capex spending will be done via E.ON for the time being.

No employees were employed at the Company in 2019 and 2018, implicating that the Company itself does not have to establish procedures for topics such as health and safety and labour agreements.

Risk management and use of financial instruments

innogy Finance B.V. manages the risks of the Company with the procedures and systems used within the innogy Group. The risk management system meets the requirements of Company management. The risk appetite of the Company is very limited. This is also embedded in the structure of the Company, in which external financing is applied only for internal financing purposes with very limited risks. Reference is made to the disclosures below on the separate risks.

Both an external and internal legal counsel continuously monitor the compliance to relevant regulations and the internal legal counsel informs the Board of Directors in case of any changes or other relevant information. During the Board meetings, which take place three times a year, an update on compliance is discussed by the internal legal counsel and documented in the minutes of the meetings.

As part of the applicable tax ruling a fixed spread is set on the interest expenses resulting in a higher interest income on the intercompany loans receivable, and furthermore a maximum amount of operational expenses is allowed. Next to that, the Company is required to keep a minimal level of equity. These basic rules result in a continuously healthy financial company.

The Company has designed and implemented control measures in order to mitigate risks. These control measures are both automated and manual. Amongst others the control measures are monitoring, reviewing, 4-eye principles and authorization matrices. To ascertain the existence and correct execution of control measures, different types of control monitoring are executed. Most important example of these is the assessments on the controls performed by innogy SE once a year.

Currency risk

The Company's currency exposure mainly relates to positions and future transactions in British Pounds. However, as the bonds issued in foreign currencies have been one-on-one used to finance the loans to group companies in the same currency a natural hedge has been obtained and therefore currency risk is eliminated.

Interest rate risk

The Company's exposure to interest rate risk on interest-bearing receivables and interest-bearing non-current and current liabilities is limited as the bonds and loans issued all have corresponding tenors and fixed interest rates.

Credit risk

The loans to group companies have been granted to the direct parent company innogy International Participations N.V. as well as to innogy Benelux Holding B.V. and innogy SE, all being 100% group companies. Repayment of the bonds is guaranteed by innogy SE.

Liquidity risk

The liquidity risk is limited, because the proceeds of the bonds outstanding are one-on-one lent to innogy International Participations N.V., innogy Benelux Holding B.V. and innogy SE. The interest rates on these loans are higher than the interest rates on the related bonds.

As of 31 December 2019 innogy SE possessed credit ratings from 3 main agencies:

- Moody's => long term: Baa2, stable outlook; short-term: P2
- S&P => long-term: BBB, stable outlook; short-term: A2
- Fitch => long-term: BBB+, stable outlook (senior unsecured bonds are rated at A-); short-term: F2

Other

The risk impact related to the COVID-19 crisis is disclosed in the Subsequent events paragraph below.

Financial outlook

For the upcoming period, innogy Finance B.V. intends to continue its operations as an intragroup finance company of the innogy Group.

Subsequent events

In March 2020 innogy SE transferred 5 bonds to innogy Finance BV with a total face value of EUR 1.5 billion. innogy Finance BV received the market value as compensation. For each bond a new loan was issued to innogy SE with the same maturity. This transaction does not have impact on the figures per 31 December 2019.

As a consequence of the outbreak of the COVID-19 pandemic in 2020 and considering that having a full comprehensive analysis of the current situation and its potential effects is not reasonably feasible, innogy Finance B.V., along with the E.ON Group, is continuously analyzing the situation and its evolution as well as the regulatory measures implemented.

The outstanding public debt issued by the innogy Finance B.V. is guaranteed by innogy SE. After the consummation of the merger squeeze out, E.ON SE will also be liable for all outstanding debt of innogy SE and innogy Finance B.V. E.ON SE has solid credit ratings of BBB and Baa that have been reaffirmed by S&P and Moody's respectively late March 2020 and hence also in light of COVID-19. Moreover, the liquidity of the E.ON Group as published in its 2019 financial statements is good and adequate to face upcoming maturities and E.ON management has also recently reaffirmed its strong BBB / Baa rating target.

From an operational perspective, the Company has adopted the necessary measures to guarantee the continuity of its activities and business in the current scenario.

Based on our analysis, taken into account the credit ratings of the E.ON Group as well as the current level of liquidity as published by E.ON SE we are of the opinion that the above is a non-adjusting subsequent event. Whilst uncertain, innogy Finance B.V. at the date of issuance of this report has no reason to believe, that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity and therefore innogy Finance B.V. does continue its operations as a going concern.

No other significant events, which could have a material impact, occurred between year-end 2019 and the date on which the Directors approved and authorized these financial statements for issue.

Code of Conduct

As part of innogy SE the Board of Directors voluntarily follows the Code of Conduct of innogy SE. The principles of the Code of Conduct define the way we do business, which is characterized by integrity and compliance with the law. The full text of the Code of Conduct can be found on www.innogy.com

Board

At the end of 2019 there was a change in the composition of the Board of Directors. As per 31 December 2019, Mr. H. Dullens resigned as director of the Company. As per 18 February 2020, Mr. Jacobs was appointed as director of the Company.

According to legislation, the Company is required to include certain disclosures regarding the appointment of at least 30% female board members. Based on the changes in the board in 2019 this criterion has not been met. In the internal selection process priority was given to experience in management positions in the area of tax regulations, as well as good knowledge of E.ON structures and procedures. The importance of diversity is duly recognised. In case a position will become vacant in the future, the Company will actively seek for female candidates and invite them to apply.

's-Hertogenbosch, The Netherlands, 24 April 2020

Board of Directors,

S. Weitz

V. Heischkamp

J. Stollenga

D. Jacobs

Responsibility Statement

Responsibility Statement

The Managing Directors of the Company hereby declare that to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the period ending 31 December 2019 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company, and that the Directors' report referred to above gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company together with a description of the principal risks that it faces.

's-Hertogenbosch, The Netherlands, 24 April 2020

Board of Directors,

S. Weitz

V. Heischkamp

J. Stollenga

D. Jacobs

Financial statements

Balance sheet

(before appropriation of profit)

Assets	Ref.	31 December 2019		31 December 2018	
		EUR'000	EUR'000	EUR'000	EUR'000
Non-current assets					
Financial assets	5.1		10.923.291		11.450.364
Current assets					
Receivables	5.2	1.017.060		1.321.077	
Derivatives	5.8	-		23	
Cash and cash equivalents	5.3	7.515		6.920	
			1.024.575		1.328.020
			11.947.866		12.778.384
Equity and liabilities	Ref.	31 December 2019		31 December 2018	
		EUR'000	EUR'000	EUR'000	EUR'000
Shareholder's equity	5.4				
Share capital		2.000		2.000	
Retained earnings		5.435		5.609	
Profit for the financial year		3.180		2.826	
			10.615		10.435
Non-current liabilities	5.5		10.921.201		11.448.152
Current liabilities					
Derivatives	5.8	4		-	
Other Liabilities	5.6	1.016.046		1.319.797	
			1.016.050		1.319.797
			11.947.866		12.778.384

Income statement

	Ref.	Jan - Dec 2019		Jan - Dec 2018	
		EUR'000	EUR'000	EUR'000	EUR'000
Interest and similar income	6.1	470.163		544.267	
Interest and similar expenses	6.2	(456.553)		(530.923)	
Total financial result			13.610		13.344
General and administrative expenses	6.3		(9.369)		(9.523)
Operating income			4.241		3.821
Income tax expense	6.4		(1.061)		(995)
Net result after taxation			3.180		2.826

Cash flow statement

	Ref.	Jan - Dec 2019	Jan - Dec 2018
		EUR'000	EUR'000
Cash flows from operating activities			
Cash generated from operations:			
Interest received		524.213	555.657
Interest paid		(510.614)	(542.670)
Expenses paid		(185)	(251)
Income tax paid		(846)	(621)
Guarantee fee paid		(8.986)	(9.139)
Net cash generated from operating activities		3.582	2.976
Cash flows from investing activities			
Issuance of long-term loans	5.1	-	(2.231.858)
Repayment of long-term loans	5.1	1.000.000	980.000
Net cash generated from / (used in) investing activities		1.000.000	(1.251.858)
Cash flows from financing activities			
Issuance of long-term bonds	5.5	-	2.231.858
Repayment of long-term bonds	5.5	(1.000.000)	(980.000)
Dividends paid	5.4	(3.000)	(6.200)
Net cash (used in) / generated from financing activities		(1.003.000)	1.245.658
Net cash flows		582	(3.224)
Exchange and translation differences on cash and cash equivalents		13	(25)
Net increase / (decrease) in cash and cash equivalents		595	(3.249)
Cash and cash equivalents			
Opening balance		6.920	10.169
Closing balance		7.515	6.920
Net increase / (decrease) in cash and cash equivalents		595	(3.249)

Notes to the financial statements

1 General

1.1 Activities

The activities of innogy Finance B.V. are to facilitate the financing of companies within the innogy SE Group.

1.2 Group structure

innogy Finance B.V. (hereafter named 'the Company'), incorporated on 14 February 2001, is a private limited liability company. Since July 2016 the direct parent company is innogy International Participations N.V. in 's-Hertogenbosch, the Netherlands. The financial statements of innogy Finance B.V. are included in the consolidated financial statements of the indirect parent company innogy SE, having its legal seat in Essen, Germany. These statements are available via www.innogy.com. E.ON SE is the ultimate parent company, having its legal seat in Essen, Germany.

innogy Finance B.V. is seated at Willemsplein 4, 's-Hertogenbosch, the Netherlands, and registered in the Trade register Brabant no. 34 15 11 16. The home member state is the Netherlands.

1.3 Audit committee

innogy Finance B.V. is exempted from having an audit committee under the Dutch Act on Supervision Audit firms, since innogy SE as innogy Finance B.V.'s (indirect) sole shareholder has a qualified audit committee which complies with certain governance requirements under Dutch law.

1.4 Accounting policies

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the Company.

1.5 Comparison previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

1.6 Notes to the cash flow statement

The cash flow statement has been prepared using the direct method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities.

Transactions not resulting in inflow or outflow of cash, such as entering into a financial leasing agreement, are not recognised in the cash flow statement.

1.7 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates and management's judgment in the process of applying the accounting policies. If necessary, for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, are disclosed in the relevant notes to the financial statements.

1.8 Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

2 Accounting policies for the balance sheet

2.1 General

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes. The financial statements are expressed in EUR'000.

2.2 Foreign currencies

Transactions, receivables and payables

Transactions denominated in foreign currencies during the reporting period are recognized in the financial statements at the exchange rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences resulting from settlement and translation are charged or credited to the income statement.

The exchange rate for GBP which is used for the balance sheet per 31 December 2019 is 0.85080 (31 December 2018: 0.89453). The average exchange rate used for profit and loss statement and the cash flow statement per 31 December 2019 is 0.87587 (31 December 2018: 0.88570).

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in euro, which is the functional and presentation currency of innogy Finance B.V.

2.3 Financial instruments

Derivatives are initially recognised in the balance sheet at fair value, the subsequent valuation of derivative financial instruments depends on whether or not the instrument is quoted in an open market. If the underlying object of the derivative financial instrument is listed on an open market, it is valued at fair value. If the object is not quoted in an open market, it will be stated at cost or current value, if lower.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and/or option pricing models, making allowance for entity-specific inputs.

The Company uses as derivatives Foreign Exchange contracts for hedging its foreign exchange risk. The Foreign Exchange contracts are valued at market value. The contracts were entered into in order to eliminate the risk stemming from exchange rate differences of interest accruals.

2.4 Financial assets

Loans to group companies

Loans to group companies included in financial assets are initially recognized at fair value less transaction cost (if material), and subsequently measured at amortized cost. If loans are issued at a discount or premium, the discount or premium is recognised through profit or loss over the maturities of the loans using the effective interest method. Impairment losses are deducted from amortized cost and expensed in the income statement.

The interest rate charged on loans to group companies has been set in conformity with the tax ruling obtained from the local tax authorities.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the income statement.

2.5 Receivables

Receivables are initially recognized at fair value and subsequently measured at amortized cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. When a receivable is not collectible, it is written off against the allowance account for receivables.

2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and deposits with a maturity of less than twelve months. Cash and cash equivalents are stated at nominal value.

2.7 Non-current liabilities

Bonds included in non-current liabilities are initially recognized at fair value, net of transaction costs incurred. Bonds are subsequently measured at amortized cost, being the amount received taking into account premiums or discounts and minus transaction costs. Deferred premiums and discounts on bonds are amortized over the term of the bonds using the effective interest method.

2.8 Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortized cost, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

2.9 Deferred tax liabilities

Deferred tax liabilities are recognised at non-discounted value for temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred tax liabilities are calculated using the tax rates that are expected to apply to the period when the liability will be settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date. The effects of changes in income tax rates are recognised directly in profit or loss, unless the effects relate to items recognised directly in equity.

3 Accounting policies for the income statement

3.1 General

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

3.2 Foreign currencies

Exchange rate differences resulting from settlement and translation are charged or credited to the income statement.

3.3 Interest income and expense

Income from financing activities is determined as interest income received from intercompany financing activities. Interest paid and received is recognized on a pro rata basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognizing interest paid, allowance is made for the transaction costs on loans received as part of the calculation of effective interest.

3.4 General and administrative expenses

The guarantee fee that is due by innogy Benelux Holding B.V. and innogy International Participations N.V. is received by the Company as part of their interest payments and accounted for and paid to innogy SE as an operating expense by the Company.

3.5 Taxation

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

As part of the applicable tax ruling a fixed spread is set on the interest expenses resulting in a higher interest income on the intercompany loans receivable, and furthermore a maximum amount of operational expenses is allowed. Next to that, the Company is required to keep a minimal level of equity.

4 Financial instruments and risk management

4.1 Market risk

Currency risk

The Company's currency exposure mainly relates to positions and future transactions in British Pounds. However, as the bonds issued in foreign currencies have been one-on-one used to finance the loans to group companies a natural hedge has been obtained and therefore currency risk is eliminated.

Price risk

The Company's price risk is limited as the bonds issued by the Company have been one-on-one used to finance the loans to group companies. As a result, a natural hedge has been obtained.

4.2 Interest rate risk

The Company's exposure to interest rate risk on interest-bearing receivables and interest-bearing non-current and current liabilities is limited as the bonds and loans issued all have fixed interest rates. The spread on loans amounts to 0.0237% for loans issued before 2008 and 0.0225% for loans issued thereafter till 2012. For 2012 and 2013 the spread was again 0.0237% and for 2014 as well as 2015 0.03%. As from 2016 the spread is 0.06386%.

4.3 Credit risk

The loans to group companies have been granted to the direct parent company innogy International Participations N.V. as well as to innogy Benelux Holding B.V. and innogy SE, all being 100% group companies of the E.ON group. Repayment of the bonds is guaranteed by innogy SE.

As of 31 December 2019 innogy SE possessed credit ratings from 3 main agencies:

- Moody's => long term: Baa2, stable outlook; short-term: P2
- S&P => long-term: BBB, stable outlook; short-term: A2
- Fitch => long-term: BBB+, stable outlook (senior unsecured bonds are rated at A-); short-term: F2

We furthermore refer to paragraph 5.1 of the notes to these financial statements.

4.4 Liquidity risk

The liquidity risk is limited, because the proceeds of the bonds outstanding are one-on-one lent to innogy International Participations N.V., innogy Benelux Holding B.V. and innogy SE.

The interest rates on the loans to innogy International Participations N.V., innogy Benelux Holding B.V. and innogy SE are higher than the interest rates on the related bonds.

5 Notes to the balance sheet

5.1 Financial assets

Financial assets concern loans to group companies and are specified as follows:

	2019		2018	
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 January				
Book value		12.450.247		11.233.970
Movements financial year				
New loans issued			2.231.858	
Redemption	(1.000.000)		(980.000)	
Amortization of discount and premiums	(901)		260	
Exchange rate differences	222.869		(35.841)	
Short-term part of loans transferred to receivables	(748.924)		(999.883)	
		(1.526.956)		216.394
Balance as at 31 December				
Book value				
non current		10.923.291		11.450.364
current (see note 5.2)		749.916		999.883
total		11.673.207		12.450.247

In 2019, one loan with an interest rate of 6.6475% and a face value of EUR 1,000.0 million matured. This mainly explains the lower book value of financial assets. The loans are to be repaid in the period between 2020 and 2039. An amount of EUR 750.0 million is to be repaid in January 2020. An amount of EUR 2,550.0 million and GBP 1,557.5 million is to be repaid between 1 January 2021 and 31 December 2024.

Currency

The loan to the direct parent company innogy International Participations N.V. is contracted in GBP for a nominal amount of GBP 600.0 million (EUR 705.2 million). Furthermore, four loans for a total amount of EUR 2,550.0 million have been lent on to innogy Benelux Holding B.V., a 100% group company. A total of seven loans for a total amount of EUR 4,450.0 million plus another eight loans contracted in GBP for a total amount of GBP 3,317.5 million (EUR 3,899.3 million) have been lent on to innogy SE, also a 100% group company.

Interest

The interest rates are fixed, ranging from:

Loan	Amount ('000)	Interest rate
EUR	7.000.000	0.8136% - 6.5225%
GBP	3.917.500	5.3737% - 6.5237%

5.2 Receivables

	31 December 2019	31 December 2018
	EUR'000	EUR'000
Short-term part of group loans	749.916	999.883
Interest receivable from group companies	267.144	321.194
	<u>1.017.060</u>	<u>1.321.077</u>

The fair value of the receivables is in line with their carrying amount. All receivables are due within one year.

5.3 Cash and cash equivalents

The cash and cash equivalents are at the free disposal of the Company.

The fair value of the cash and cash equivalents is in line with their carrying amount. Current account group companies refers to the current account position with innogy International Participation N.V., which can be reclaimed directly.

	31 December 2019	31 December 2018
	EUR'000	EUR'000
Current account group companies	7.514	6.899
Cash	<u>1</u>	<u>21</u>
	<u>7.515</u>	<u>6.920</u>

5.4 Shareholder's equity

The movements in Equity are specified as follows:

Statement of changes in equity	Share capital	Other reserves	Result for the year	Total
EUR'000				
Balance as at 1 January	2.000	10.083	1.726	13.809
Distribution of dividend	-	(6.200)	-	(6.200)
Addition to Other reserves	-	1.726	(1.726)	-
Result after tax	-	-	2.826	2.826
Balance as at 31	2.000	5.609	2.826	10.435
Distribution of dividend	-	(3.000)	-	(3.000)
Addition to Other reserves	-	2.826	(2.826)	-
Result after tax	-	-	3.180	3.180
Balance as at 31	2.000	5.435	3.180	10.615

Share capital

The issued share capital as of 31 December 2019 amounts to EUR 2.0 million of which 20,000 ordinary shares of EUR 100 each have been fully paid up.

Other reserves

The movement in other reserves is explained by the profit appropriation of the undistributed result of 2018 (EUR 2.8 million) and the declaration of interim dividend of EUR 3.0 million (2018: EUR 6.2 million).

Proposed appropriation of result

The Company will not advise the shareholder to pay a final dividend and add the profit for the financial year to the retained earnings.

5.5 Non-current liabilities

This item relates to the issued bonds and is specified as follows:

	2019	2018
	EUR'000	EUR'000
Balance as at 1 January		
Book value	12.448.035	11.231.640
Movements financial year		
New bonds issued	-	2.231.858
Redemption	(1.000.000)	(980.000)
Amortization of discount and premiums	(779)	377
Exchange rate differences	222.869	(35.840)
Short-term part of bonds transferred to current liabilities	(748.924)	(999.883)
Balance as at 31 December	(1.526.834)	216.512
Book value	10.921.201	11.448.152
non current		
current (see note 5.6)	749.916	999.883
total	11.671.117	12.448.035

In 2019, one bond with an interest rate of 6.625% and a face value of EUR 1,000.0 million matured. This mainly explains the lower book value of non-current liabilities. The repayment obligations of the bonds in nominal value are as follows:

	Bonds
	EUR'000
Duration <1 year	750.000
Duration ≥1 years ≤5 years	4.380.630
Duration >5 years	6.473.859
	11.604.489

Currency

The nominal amount of the bonds consists of nine bonds contracted in EUR amounting to EUR 7,000.0 million and six bonds contracted in GBP to a total amount of GBP 3,917.5 million (EUR 4,604.5 million). The bonds are listed at the Luxembourg Stock Exchange.

Interest

The interest rates are fixed, ranging from:

Bond	Amount	Interest rate
EUR	7.000.000	0.7500% - 6.5000%
GBP	3.917.500	4.7500% - 6.5000%

5.6 Other liabilities

	31 December 2019		31 December 2018	
	Total	Term > 1 year	Total	Term > 1 year
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of bonds	749.916	-	999.883	-
Interest payable	256.395	-	310.456	-
Guarantee Fee (innogy SE)	8.508	-	8.318	-
Corporate income tax	1.079	-	982	-
Accrued liabilities	30	-	22	-
Accounts payable	-	-	-	-
Deferred tax liability	118	99	136	117
	1.016.046	99	1.319.797	117

The fair value of the liabilities is in line with their carrying amount.

innogy Finance B.V. is part of the fiscal unity innogy International Participations N.V. as of 1 January 2015. The current tax expense is settled with the fiscal unity parent within one year.

Deferred tax liability

	2019	2018
	EUR'000	EUR'000
Balance as at 1 January	136	163
Movements	-18	-27
Balance as at 31 December	118	136

During the coming 12 months EUR 18,709 will be amortized to the income statement.

The deferred tax liability is caused by a penalty payment in 2007 for early termination of a loan. For tax purposes the payment is spread over the original duration of the loan which originally ended in 2030.

5.7 Financial instruments

Financial instruments valued at amortized cost

The table below shows financial instruments whose market value differs from amortized cost.

	31 December 2019		31 December 2018	
	Market value	Book value	Market value	Book value
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Financial assets</i>				
Loans to group companies	14.106.016	11.673.207	14.292.383	12.450.247
<i>Financial liabilities</i>				
Bonds issued	13.719.020	11.671.117	13.806.052	12.448.035

The market value of bonds and loans is determined through different valuation methods. The market value of bonds is determined based on market quotes, whereas the market value of loans is based on a discounted cash flow model. In this model the base rates and credit spreads applied are fixed, ranging from -0.312 to 0.23 and 0.23 to 0.95 respectively. As a result of the different valuation methods; the market values are different.

The market value of loans to group companies and bonds issued is higher than the book value because they carry interest at a rate that is higher than the market rate.

5.8 Derivatives

The derivatives comprise the fair value of financial contracts with innogy SE to cover the risk of foreign exchange rates related to interest balances in GBP and the guarantee fee payable in GBP.

6 Notes to the income statement

6.1 Interest and similar income

	Jan - Dec 2019	Jan - Dec 2018
	EUR'000	EUR'000
Interest income on loans group companies		
Release deferred premiums and discounts	470.810	543.708
Interest on deposit/ bank	(901)	260
Income derivatives	252	145
	2	154
	<u>470.163</u>	<u>544.267</u>

6.2 Interest and similar expenses

	Jan - Dec 2019	Jan - Dec 2018
	EUR'000	EUR'000
Interest expenses on bonds issued		
Release deferred premiums and discounts	457.302	530.546
Expenses derivatives	(779)	377
	30	-
	<u>456.553</u>	<u>530.923</u>

6.3 General and administrative expenses

	Jan - Dec 2019	Jan - Dec 2018
	EUR'000	EUR'000
Guarantee Fee		
Audit fees	9.176	9.277
Management and administrative expenses	62	70
Other	126	173
	5	3
	<u>9.369</u>	<u>9.523</u>

In 2018 and 2019 the remuneration of the Board of Directors was nil.

PricewaterhouseCoopers Accountants N.V. is the auditor of the financial statements of the Company. The composition of the fees paid to the auditor is as follows:

	Jan - Dec 2019	Jan - Dec 2018
	EUR'000	EUR'000
Audit of the Financial Statements		
Other assurance services	28	37
Total audit fees	34	33
	<u>62</u>	<u>70</u>

The fees listed above relate to the procedures applied to the Company by accounting firms and auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. The fees for audit of the financial statements relate to the audit of the 2019 financial statements, regardless of whether the work was performed during the financial year.

6.4 Income tax expense

	Jan - Dec 2019	Jan - Dec 2018
	EUR'000	EUR'000
Current tax:		
Current income tax		
Deferred tax:	1.079	1.022
Net movement in deferred taxes		
Income tax expense	(18)	(27)
	1.061	995
Income before tax		
	4.241	3.821
Effective tax rate	25,0%	26,0%

The statutory tax rate is 25% for the year 2019 (2018: 25%).

The difference between the statutory tax rate of 25% and the effective tax rate for the year 2018 is caused by a prior year tax adjustment.

7 Supplementary information

7.1 Employees

innogy Finance B.V. had no employees inside or outside the Netherlands in 2018 and 2019.

7.2 Commitments and contingencies

Fiscal Unity

innogy Finance B.V. is part of the fiscal unity innogy International Participations N.V. for corporate income tax effective 1 January 2015. The Company and its fellow group members are jointly and severally liable for all corporate income tax liabilities of the fiscal unity. The corporation tax charge is settled through the intercompany current accounts.

7.3 Subsequent events

In March 2020 innogy SE transferred 5 bonds to innogy Finance BV with a total face value of EUR 1.5 billion. innogy Finance BV received the market value as compensation. For each bond a new loan was issued to innogy SE with the same maturity. This transaction does not have impact on the figures per 31 December 2019.

As a consequence of the outbreak of the COVID-19 pandemic in 2020 and considering that having a full comprehensive analysis of the current situation and its potential effects is not reasonably feasible, innogy Finance B.V., along with the E.ON Group, is continuously analyzing the situation and its evolution as well as the regulatory measures implemented.

The outstanding public debt issued by the innogy Finance B.V. is guaranteed by innogy SE. After the consummation of the merger squeeze out, E.ON SE will also be liable for all outstanding debt of innogy SE and innogy Finance B.V. E.ON SE has solid credit ratings of BBB and Baa that have been reaffirmed by S&P and Moody's respectively late March 2020 and hence also in light of COVID-19. Moreover, the liquidity of the E.ON Group as published in its 2019 financial statements is good and adequate to face upcoming maturities and E.ON management has also recently reaffirmed its strong BBB / Baa rating target.

From an operational perspective, the Company has adopted the necessary measures to guarantee the continuity of its activities and business in the current scenario.

Based on our analysis, taken into account the credit ratings of the E.ON Group as well as the current level of liquidity as published by E.ON SE we are of the opinion that the above is a non-adjusting subsequent event. Whilst uncertain, innogy Finance B.V. at the date of issuance of this report has no reason to believe, that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity and therefore innogy Finance B.V. does continue its operations as a going concern.

No other significant events, which could have a material impact, occurred between year-end 2019 and the date on which the Directors approved and authorized these financial statements for issue.

's-Hertogenbosch, The Netherlands, 24 April 2020

Board of directors,

S. Weitz

V. Heischkamp

J. Stollenga

D. Jacobs

Other information

Other information

Articles of association governing profit appropriation

According to article 27 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.

Independent Auditor's report

The independent auditor's report is included on the next page.



Independent auditor's report

To: the general meeting of innogy Finance B.V.

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of innogy Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of innogy Finance B.V., 's-Hertogenbosch.

The financial statements comprise:

- the balance sheet as at 31 December 2019;
- the income statement for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

Independence

We are independent of innogy Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

2QYZMDQCFCQ5-1879448286-14

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Our audit approach

Overview and context

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The repayment of the bonds to the investors is guaranteed by innogy SE as disclosed in note 4.3 to the financial statements. The Company has derivative financial instruments in place to mitigate currency risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 1.7 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of the loans issued, we considered this matter as key audit matter as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of the loans issued as key audit matter because of the importance of existence for users of the financial statements.

As in all our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the board of directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of a finance company. We therefore included specialists in the area of valuation and accounting in our team.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements at €119,450,000 (2018: €127,500,000). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders are the most important ones. Inherent to the nature of the company's business, the amounts in the financial statements are large in proportion to the income statement line items general and administrative expenses and income tax expense. Based on qualitative considerations, we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.



We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the board of directors that we would report to them misstatements identified during our audit above €5,972,500 (2018: €6,375,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year, we have presented the key audit matters for the valuation and existence of the loans issued separately instead of one combined key audit matter last year.

Key audit matter

Valuation of the loans issued

Note 5.1

We consider the valuation of the loans issued, as disclosed in note 5.1 to the financial statements for a total amount of €11,673,207,000, to be a key audit matter. This is because the board of directors has to identify objective evidence of impairment, which is important and judgemental, and because of the possible material effect an impairment may have on the financial statements.

The board of directors did not identify any objective evidence that a loan is impaired.

Our audit work and observations

We performed the following procedures to test the board of directors' assessment of possible loss events to support the valuation of the loans issued to innogy SE group companies:

- We recalculated the amortised cost value based on the effective interest method.
- We evaluated the financial position of the counterparties of loans issued and their ability to repay the notional and interest to the Company, by assessing observable data from rating agencies, developments in credit spreads, current financial data (such as recent financial information and cash flows) and other publicly available data and by discussing and obtaining information from the group auditor.

We found the board of directors' assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

Key audit matter

Existence of the loans issued

Note 5.1

We consider the existence of the loans issued, as disclosed in note 5.1 to the financial statements for a total amount of €11,673,207.000, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.

Our audit work and observations

We performed the following procedures to support the existence of the loans issued to innogy SE group companies:

- We confirmed the existence of the loans through reconciliation with the intercompany matching reports from Innogy SE.
- We compared interest receipts with bank statements.

Based on the procedures as set out above, we found no material differences.

Emphasis of Matter related to the uncertainty related to the effects of the COVID-19 virus

We draw attention to Note 7.3 in the financial statements in which management has described the possible impact and consequences of the COVID-19 (Corona) virus on the Company and the environment in which the Company operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the responsibility statement; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of innogy Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held in 2002. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of eighteen years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 6.3 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The board of directors 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.



Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 24 April 2020

PricewaterhouseCoopers Accountants N.V.

Original has been signed by V.S. van der Reijden RA

Appendix to our auditor's report on the financial statements 2019 of innogy Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional 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 the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors 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 board of directors, 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 communicating the matter is in the public interest.