EnBW International Finance B.V.

Report on the interim financial statements for the period 1 January – 30 June 2018

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Financial report

Report of the Board of Management

The Management of EnBW International Finance B.V. herewith submits its financial report for the period from 1 January to 30 June 2018.

General

EnBW International Finance B.V. is a company incorporated and 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 Energie Baden-Württemberg AG (ultimate parent company, hereafter EnBW AG) in Germany. EnBW AG is part of the EnBW Group.

EnBW International Finance B.V. was incorporated by EnBW AG on 2 April 2001, in accordance with Dutch law as a company with limited liability (besloten vennootschap met beperkte aansprakelijkheid). EnBW International Finance B.V. has its registered office at Herikerbergweg 122, 1101 CM Amsterdam.

Overview of objectives and activities

In accordance with Article 3 of its Articles of Association, the mission, objectives and activities 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 issuance 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.

The activities of EnBW International Finance B.V. take place in the Netherlands.

Internal structure

The company employs four staff members. The Board of Management consists of two members, the supervisory board consists of three members, and the audit committee consists of three members including an independent chairman. The Board of Management is responsible for the internal control and the management of risks within EnBW International Finance B.V.

Activities during the period

During the period no new loans or bonds have been issued. The company implemented the first time adoption of IFRS 9 Financial Instruments. The company considered the probability of a default occurring over the contractual life of its receivables on initial recognition of those assets. Under this model, the total provision per 30 June 2018 amounts to EUR 4.7 million.

Result and other performance indicators

	Period ended 30 June 2018 (EUR million)	Year ended 31 December 2017 (EUR million)	Period ended 30 June 2017 (EUR million)
Net result	16	32	15
Net interest result	21	43	20
Shareholder's equity	1,145	1,164	1,147
Free cash	0.66	1.01	0.14
Net working capital	17	31	14
Solvency (equity/ total assets)	27%	28%	27%

Principal risks and uncertainties

The principal risks and uncertainties facing the company for risk management purposes are outlined below.

The company has exposure to the following risks:

Credit risk

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

The company's exposure to credit risk is influenced mainly by the individual characteristics of EnBW AG. The company's risk is concentrated in the accounts receivable from EnBW AG mainly from its loan and interest receivable

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Cash forecasts identifying the companies' liquidity requirements are produced regularly and are stress-tested for different scenario's to ensure sufficient financial headroom exists for at least a 12-month period to safeguard the company's ability to continue as a going concern.

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. Market risk comprises of the following risks:

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the company. The interest rates and other interest conditions on the interest-bearing loans and borrowings are equal to these on the loans to EnBW AG, except for the loans granted in 2010 and 2012 which are funded by equity. These loans bear a fixed interest rate. Therefore the company is not exposed to variability of cash flows due to market development in interest rates.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in foreign currency will fluctuate because of changes in exchange rates. The net proceeds from each issuance 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 (EUR), Swiss Francs (CHF), Japanese yen (JPY) and US dollar (USD).

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards for corporate behaviour. Operational risks arise from all of the company's operations. The company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All administrative functions have been outsourced by the company.

Sensitivity analysis

The management considers the above-mentioned risks to be minimal and therefore has not performed a sensitivity analysis.

Capital management

The policy of EnBW AG is to maintain a strong capital base and solid investment grade ratings so as to maintain investor, creditor and market confidence and to sustain future development of the business. No additional capital is needed to finance the activities of the company. The margin of the interest on the loans covers the expenses of the company. The loans payable are reflected by loans receivables with identical characteristics. No impairments are to be expected.

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

The company is not subject to externally imposed capital requirements.

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. On 12 July a 5 year CHF-bond (ISIN: CH0217677605) matured and consequently the redemption of CHF 100 million was paid. The on lended loan to EnBW AG was paid back to the Company. Also the USD 10 million loan to EnBW Holding A.S. matured and the Company will receive this amount. The connected loan to EnBW AG will be repaid.

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 A3 with stable outlook (Moody's), A- with stable outlook (Standard & Poor's) and A- with stable outlook (Fitch).

EnBW AG has a comfortable level of liquidity.

Management's accountability

Herewith the management confirms that this interim report provides a fair presentation of the financial statements and that all relevant risks applicable to the company have been described. Furthermore the management confirms that the report of the Board of Management provides a fair presentation of the situation at 30 June 2018 and the described activities during the first half year under review.

Amsterdam, 19 July 2018

EnBW International Finance B.V.

The Board of Management

sgd.	sgd.
Mr. P.A. Berlin	Mr. W.P. Ruoff

Supervisory Board

sgd.	sgd.	sgd.
Mr. I.P. Voigt	Mr. F. van der Rhee	Mr. G.J. Gutekunst

Statement of financial position as at 30 June 2018

(before appropriation of the result)

		30 June 2018		31 December 2017	
		EUR	EUR	EUR	EUR
Non-current assets					
Other investments	*1*				
Loans EnBW AG	*1*	3,203,793,342		3,198,111,211	
			3,203,793,342		3,198,111,211
Current assets					
Receivables					
Loans EnBW AG	*1*	835,280,073		834,866,191	
Loans related companies	*2*	21,286,254		21,038,197	
Current account EnBW Wind op Zee B.V.		-		38,902	
Interest receivable loans EnBW AG		106,845,496		105,078,229	
Interest receivable related company		442,518		-	
Corporation tax		6,529,142		-	
Turnover tax		16,118		6,092	
Wage tax and social securities		1,174		-	
Deposit office lease		4,749		4,749	
			970,405,524		961,032,360
Cash and cash equivalents	*3*		661,802		1,006,545
			4,174,860,668		4,160,150,116
Shareholder's equity					
Issued and paid up share capital	*4*	100,000		100,000	
Share premium reserve	*5*	1,131,613,974		1,131,613,974	
Other reserves	*6*	(2,625,958)		-	
Undistributed result		16,310,878		32,451,552	
			1,145,398,894		1,164,165,526
Long-term debts	*7*				
Interest-bearing loans and borrowings	*8*	2,075,113,903		2,065,681,211	
			2,075,113,903		2,065,681,211
Current liabilities					
Interest-bearing loans and borrowings	*7*	836,252,981		834,866,191	
Loans EnBW AG	*9*	21,311,039		21,038,197	
Current account EnBW AG	*10*	12,136,334		13,621,670	
Corporation tax		-		150,579	
Accrued expenses and deferred income	*11*	84,647,519		60,626,742	
			954,347,873		930,303,379
			4,174,860,670		4,160,150,116

Statement of income for the year 1 January – 30 June 2018

(expressed in Euros)

	Notes	Period ended 30 June 2018	Year ended 31 December 2017	Period ended 30 June 2017
Interest income and similar income	12	94,489,631	189,645,428	94,562,826
Interest expenses and similar expenses	13	71,590,022	146,668,911	74,175,941
Decrease / (increase) expected loss on loans	20	(1,465,804)	-	-
NET INTEREST RESULT		**21,433,805**	**42,976,517**	**20,386,885**
FEES RECEIVED FROM ENBW AG	19	**625,739**	**1,261,850**	**625,739**
GENERAL AND ADMINISTRATIVE EXPENSES				
General expenses	14	158,380	294,361	169,413
Salary expenses	15	76,198	114,647	72,176
Recharged expenses		(137,136)	(268,467)	(154,296)
		97,442	**140,541**	**87,293**
RESULT BEFORE CORPORATE INCOME TAX		**21,962,102**	**44,097,826**	**20,925,331**
Corporate income tax previous year		-	91,480	91,480
Corporate income tax current year	18	(5,651,224)	(11,737,754)	(5,872,589)
NET RESULT		**16,310,878**	**32,451,552**	**15,144,222**

Statement of cash flows for the period 1 January - 30 June 2018

	1 January - 30 Jun 2018	1 January - 30 Jun 2017
Operating activities		
Cash receipts from group companies	11,350,000	11,000,000
Cash paid to employees	(77,524)	(56,878)
Cash paid to suppliers	(173,109)	(187,070)
Cash generated from operations	11,099,367	10,756,052
Interest paid	(45,854,869)	(45,973,482)
Interest received	46,050,092	46,169,001
Taxes paid	(11,690,224)	(11,697,627)
Cash flows from operating activities	(395,634)	(746,056)
Investing activities		
Repayment of other investments	-	-
Proceeds from other investments	-	-
Cash flows from investing activities	-	-
Financing activities		
Proceeds from borrowings	-	-
Repayment of (non-) current borrowings	-	-
Group company current account	38,902	-
Cash flows from financing activities	38,902	-
Net increase (decrease) in cash and cash equivalents	(356,732)	(746,056)
Exchange results	11,989	(452)
Cash and cash equivalents as 1 January	1,006,545	883,547
Cash and cash equivalents at 30 June	661,802	137,039

Statement of changes in equity for the period 1 January - 30 June 2018

(expressed in Euros)

	Share capital	Share premium	Other reserves	Undistributed result	Total
Balance at 1 January 2017	100,000	1,131,613,974	-	35,003,573	1,166,717,547
Appropriation of the result	-	-	35,003,573	(35,003,573)	-
Dividend to shareholder	-	-	(35,003,573)	-	(35,003,573)
Result for the year	-	-	-	15,144,222	15,144,222
Balance at 30 June 2017	100,000	1,131,613,974	-	15,144,222	1,146,858,196
Balance at 1 January 2018	100,000	1,131,613,974	-	15,144,222	1,146,858,196
Implementation of IFRS 9 'Financial Instruments'	-	-	(2,625,958)	-	(2,625,958.00)
Balance at 1 January 2018 revised	100,000	1,131,613,974	(2,625,958)	15,144,222	1,144,232,238
Appropriation of the result	-	-	15,144,222	(15,144,222)	-
Dividend to shareholder	-	-	(15,144,222)	-	(15,144,222)
Result for the period	-	-	-	16,310,878	16,310,878
Balance at 30 June 2018	**100,000**	**1,131,613,974**	**(2,625,958)**	**16,310,878**	**1,145,398,894**

Notes

General

EnBW International Finance B.V. (hereafter "the Company") 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 Energie Baden-Württemberg AG (ultimate parent company, hereafter EnBW AG). The annual accounts of the Company are being consolidated in the annual accounts of EnBW AG.

The Company is a private limited liability company, where 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 December 2014 the articles of association were revised to include a supervisory board and to be in line with the Flex-BV regulations. In December 2016 the articles of association were revised and the statutory seat of the Company is now Amsterdam (formerly: Rotterdam). The Company's address is Herikerbergweg 122, 1101 CM Amsterdam. The file number at the Chamber of Commerce is 32085302.

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 issuance 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 IAS 34.

(b) **Basis of preparation**

The financial statements are prepared in euros, the functional and presentation currency of the Company and on the historical cost basis unless indicated otherwise hereafter.

The financial statements have been drawn up on a going concern basis. Assets and liabilities are only offset in the financial statements if and to the extent that an enforceable legal right exist to offset the assets and liabilities and settle them simultaneously and the positive intention is to settle the assets and liabilities on a net basis or simultaneously.

1. New standards, interpretations and amendments effective from 1 January 2018

IFRS 15 Revenue from contracts with customers
The Company does not have contracts with customers and therefore the IFRS 15 disclosure requirements are not relevant for the Company.

IFRS 16 Leases
The Company does not have lease contracts with duration of more than 12 months and therefore IFRS 16 will not have impact for the Company.

2. New standards, interpretations and amendments not yet effective

The Management Board believes that new accounting standards that will be implemented as from 2019 will not have impact for the Company.

(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 2018 and 2017.

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. If a loan qualifies as impaired, it is measured at its impaired value; any impairment is disclosed in the income statement.

(d) **Changes in accounting policies**

IFRS 9 Financial instruments

The Company has identified that the adoption of IFRS 9, which replaced IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018.
IFRS 9 contains a new classification and measurement approach tor financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial instruments: measured at amortised cost, Fair Value Through Other Comprehensive Income (FVTOCI) and Fair Value Through P&L (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. The Company has determined that all financial instruments currently classified as held-to-maturity and measured at amortised cost meet the conditions for classification, i.e. Hold to Collect business model and SPPI test, at amortised cost under IFRS 9.

The Company has applied an expected credit loss model when calculating impairment losses on its financial assets (both current and non-current). This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Company considered the probability of a default occurring over the contractual life of its receivables on initial recognition of those assets. Under this new model applied to all financial assets, the impairment provision amounts EUR 4.7 million as per 30 June 2018, while under the incurred loss model, no impairments were recorded in 2017.
As the Company currently does not apply any hedge accounting, there is no impact expected from IFRS 9 on hedge accounting policies.

The effect of this change in accounting policy on comparative figures is reflected as follows:

(expressed in Euros)

Changes in accounting policies	Balance at 1 January 2018	Application of IFRS 9	Balance at 1 January 2018 (revised)
Non-Current assets			
Loans EnBW AG	3,198,111,211	(2,592,115)	3,195,519,096
Current assets			
Loans EnBW AG	834,866,191	(673,376)	834,192,815
Loans related companies	21,038,197	(16,957)	21,021,240
Deferred tax asset	-	656,490	656,490
Other current assets and cash	106,134,517	-	106,134,517
Net assets	4,160,150,116	(2,625,958)	4,157,524,158

Statement of changes in equity	**Share capital**	**Share premium**	**Other reserves**	**Undistributed result**	**Total**
Balance at 1 January 2018	100,000	1,131,613,974	-	15,144,222	1,146,858,196
Implementation of IFRS 9 'Financial Instruments'	-	-	(2,625,958)	-	(2,625,958.00)
Balance at 1 January 2018 revised	100,000	1,131,613,974	(2,625,958)	15,144,222	1,144,232,238

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 30 June 2018 are as follows:
1 CHF = EUR 0.8655 (31 December 2017: EUR 0.8546)
1 JPY = EUR 0.0078 (31 December 2017: EUR 0.0074)
1 USD = EUR 0.8611 (31 December 2017: EUR 0.8338)

The average exchange rates for the period from 1 January until 30 June 2018 are as follows:
1 CHF = EUR 0.8545 (2017: EUR 0.9090)
1 JPY = EUR 0.0076 (2017: EUR 0.0081)
1 USD = EUR 0.8678 (2017: EUR 0.8869)

(b) **Other investments**

Other investments are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, other investments are stated at amortised cost (less impairment losses if any) 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. Investments with duration less than one year are stated at the current assets.

A loan is impaired when the carrying amount of the asset exceeds its recoverable amount.
An impairment is a permanent decline in the value of an asset. No impairments on loans or interest receivables were considered to be necessary.

(c) **Other receivables**

Other receivables are recognised initially at fair value. Subsequent to initial recognition, other receivables are stated at amortised cost less impairment if any. A receivable is impaired when the carrying amount of the asset exceeds its recoverable amount.

(d) **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are stated at face value.

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

Interest-bearing loans and borrowings are recognised initially at fair value. 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 recognised initially at fair value. Subsequent to initial recognition, other payables are stated at amortised cost.

(g) **Income**

Net financing income comprise interest receivable on lending's calculated using the effective interest rate method and interest receivable on funds invested, taking into account the effective yield on these assets as per inception date. Furthermore the Company recharges expenses to the shareholder according to the advance pricing agreement.

(h) **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 liabilities as per inception date. Other expenses are recognised in the year to which they are related.

(i) **Cash-flow statement**

The Cash-flow statement has been prepared in accordance with the direct method.

(j) **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 Agreement. As a result of this the taxable result can deviate 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 loans receivable relating to EnBW Holding A.S. are based on internal calculations. The fair value of these loans and borrowings as at June 30, 2018 amounts to EUR 3,665 million (December 31, 2017: EUR 3,699 million). Facing the fact that the net proceeds from each issuance of these loans and borrowings by The Company 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 4,039 million) and the book value of the long-term interest-bearing loans and borrowings (EUR 2,911 million) concerns a provision for expected loss on loans (EUR 5 million), 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). The fair value of these two loans is based on internal calculations.

The fair value of the other assets and liabilities as at June 30, 2018 and December 31, 2017 is equal to the valuation in the balance sheet.

The carrying and fair value of the assets and liabilities as at June 30, 2018 and December 31, 2017 is specified in the following overview.

Level		Carrying value 30 June 2018 (EUR million)	Fair value 30 June 2018 (EUR million)	Unrecognised gain/(loss) 2018 (EUR million)	Carrying value 31 Dec. 2017 (EUR million)	Fair value 31 Dec. 2017 (EUR million)	Unrecognised gain/(loss) 2017 (EUR million)
2	Loans EnBW AG (corresponding debts are listed)	2,908	3,665	757	2,901	3,699	798
3	Loan EnBW AG (GESO)	833	913	80	834	913	79
3	Loan EnBW AG (OPOLE)	298	340	42	298	339	41
3	Loans EnBW Holding AS	21	22	1	21	23	2
n.a.	Current Assets	114	114	0	105	105	0
n.a.	Cash and cash equivalents	0.7	1	0	1.0	1	0
1	Debts (listed)	2,911	3,665	(754)	2,901	3,699	(798)
3	Loans EnBW AG (Turkey)	21	22	(1)	21	23	(2)
n.a.	Current liabilities	97	97	0	74	74	0

IFRS 7 specifies a fair value hierarchy that identifies the following hierarchy levels:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Fair values measured using inputs for the assets or liability that are not based on observable market date (unobservable inputs).

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

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

Credit risk

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

The company's exposure to credit risk is influenced mainly by the individual characteristics of EnBW AG. The net proceeds from each issuance of interest-bearing loans and borrowings by The Company 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 the Company. For the two loans issued to EnBW Holding A.S., EnBW AG issued a payment guarantee to secure the payment obligations.

The total value of the loans to EnBW AG including accrued interest per 30 June 2018 amounted EUR 4.2 billion. The total value of the loans to EnBW Holding A.S. (Turkey) including accrued interest amounted EUR 21.7 million.

The long-term credit ratings of EnBW AG are A3 with a stable 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. The repayment schedules can be found on pages 25 and 31.

EnBW AG has taken over the irrevocable and unconditional guarantee (towards 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 the Company.

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. The Company has two loans outstanding to EnBW AG (GESO and OPOLE) which are not financed with proceeds of issued bonds. These loans were financed by equity. The total value of these loans per 30 June 2018 amounted EUR 1.1 billion.

Concentration risk

Concentration risk is the risk that the concentration of loans is not diversified and concentrated in a certain geographic area. The loans are diverted in a variety of loans issued to EnBW AG in Germany, EnBW AS Holding in Turkey. The Company has a minimal exposure of the concentration risk mainly because of the irrevocable and unconditional guarantee given by EnBW AG. The Company has four reportable segments divided by currencies in Euro (EUR), Swiss Francs (CHF), Japanese yen (JPY) and US dollar (USD). The related income per segment is: EUR: EUR 90.2 million, CHF: EUR 1.6 million, JPY: EUR 3.0 million and USD: EUR 0.4 million.

Currency risk

The net proceeds from each issuance 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 (EUR), 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, except for the loans granted in 2010 and 2012 which are funded by equity. These loans bear a fixed interest rate.

Sensitivity analysis

Management considers the above-mentioned risks to be minimal and therefore has not performed a sensitivity analysis.

Capital management

The policy of EnBW AG is to maintain a strong capital base and solid investment grade ratings so as to maintain investor, creditor and market confidence and to sustain future development of the business. No additional capital is needed to finance the activities of the Company. The margin of the interest on the loans covers the expenses of the Company. The loans payable are reflected by loans receivables with identical characteristics. No impairments are to be expected.

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

The Company is not subject to externally imposed capital requirements.

Notes to the balance sheet as 30 June 2018

1 Other investments

1a Statement of changes in investments

	2018 EUR	2017 EUR
Balance at 1 January	4,054,015,599	4,082,915,472
Application of IFRS 9 Financial Instruments	(3,282,449)	-
Balance at 1 January (revised)	4,050,733,151	4,082,915,472
Movement due to IFRS 9 Financial Instruments	(1,465,804)	-
Exchange differences	10,242,570	(30,379,238)
Other movements	849,754	1,479,365
	4,060,359,670	4,054,015,599
Receivables < 1 year (current assets)	(856,566,328)	(855,904,388)
Balance at 30 June / 31 December	3,203,793,342	3,198,111,211

Implementation of IFRS 9 Financial instruments
The Company implemented the first time adoption of IFRS 9.

The Company has considered the probability of a default occurring over the contractual life of its receivables on initial recognition of those assets. Under this model the total impairment provision per 30 June 2018 amounts to EUR 4,748,253.

1b Loans EnBW AG

	30-06-2018 EUR	31-12-2017 EUR
1. Loan granted in 2004	496,951,839	497,374,614
2. Loan granted in 2008	748,845,151	749,439,411
3. Loan granted in 2008	155,739,768	148,137,175
4. Loan granted in 2009	589,007,486	589,470,505
5. Loan granted in 2010	833,459,558	834,430,000
6. Loan granted in 2012	297,653,426	298,000,000
7. Loan granted in 2013	86,434,922	85,426,780
8. Loan granted in 2013	86,225,472	85,213,245
9. Loan granted in 2014	497,948,503	498,446,833
10. Loan granted in 2014	99,060,045	99,162,480
11. Loan granted in 2014	98,255,836	98,332,524
12. Loan granted in 2014	49,491,409	49,543,835
	4,039,073,415	4,032,977,402

	30-06-2018	31-12-2017
	EUR	EUR
Recognised as:		
Other investments (non-current assets)	3,203,793,342	3,198,111,211
Receivables (< 1 year) (current assets)	835,280,073	834,866,191

The interest receivable on the loans is presented under current assets. The fair values of these loans can be found on page 16 of the financial report.

1. Loan granted in 2004

The Company had diverted the proceeds from the issuance 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 2018 EUR 158,725 (2017: EUR 304,941) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (4.875% 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 the Company.

2. Loan granted in 2008

The Company had diverted the proceeds from the issuance 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 2018 EUR 277,991 (2017: EUR 592,235) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (6.875% 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 the Company

3. Loan granted in 2008

The Company had diverted the proceeds from the issuance of the JPY-bond 2008/2038 (nominal JPY 20,000,000,000/EUR 162,074,554) by way of a loan to EnBW AG on December 16, 2008.

The loan bears interest at a fixed interest rate (3.880% 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 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 the Company.

4. Loan granted in 2009

The Company had diverted the proceeds from the issuance 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 2018 EUR 234,781 (2017: EUR 207,535) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (6.125% per annum) and has a fixed term of 30 years. Redemption of the EUR 600 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 the Company.

5. Loan granted in 2010

The Company 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 (4.130% per annum) and has a fixed term of 10 years. Redemption of the EUR 834,430,000 takes place on 31 March 2020. EnBW AG has provided no securities.

6. Loan granted in 2012

The Company 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 the Company was settled as a result of the legal merger between these companies.

The loan bears interest at a fixed interest rate (3.670% per annum) and has a fixed term of 10 years. Redemption of the EUR 298,000,000 takes place on 28 February 2022. EnBW AG has provided no securities.

7. Loan granted in 2013

The Company had diverted the proceeds from the issuance of a CHF-bond 2013/2018 (nominal CHF 100,000,000/EUR 93,118,540) 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 2018 CHF 16,791 (2017: CHF 63,194) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (1.250% 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 the Company.

8. Loan granted in 2013

The Company had diverted the proceeds from the issuance of a CHF-bond 2013/2023 (nominal CHF 100,000,000/EUR 93,118,540) 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 2018 CHF 24,671 (2017: CHF 48,231) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (2.250% 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 the Company.

9. Loan granted in 2014

The Company had diverted the proceeds from the issuance 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 2018 EUR 83,170 (2017: EUR 163,562) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (2.500% 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 the Company.

10. Loan granted in 2014

The Company had diverted the proceeds from the issuance 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 2018 EUR 13,865 (2017: EUR 27,110) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (3.080% 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 the Company.

11. Loan granted in 2014

The Company had diverted the proceeds from the issuance 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 2018 EUR 39,612 (2017: EUR 77,550) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (2.875% 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 the Company.

12. Loan granted in 2014

The Company had diverted the proceeds from the issuance 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 2018 EUR 5,724 (2017: EUR 11,213) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (2.900% per annum) and has a fixed term of 30 years. Redemption of the EUR 50 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 the Company.

Terms and investment repayment schedule

	Total EUR 1,000	Within 1 year EUR 1,000	2-5 years EUR 1,000	More than 5 years EUR 1,000
Loan granted in 2004	**670,625**	**24,375**	**97,500**	**548,750**
Loan granted in 2008	**801,563**	**801,563**	-	-
Loan granted in 2008	**279,941**	**6,050**	**24,199**	**249,692**
Loan granted in 2009	**1,408,500**	**36,750**	**147,000**	**1,224,750**
Loan granted in 2010	**937,816**	**34,462**	**903,354**	-
Loan granted in 2012	**352,683**	**10,937**	**341,746**	-
Loan granted in 2013	**86,536**	**86,536**	-	-
Loan granted in 2013	**98,234**	**1,947**	**7,790**	**88,497**
Loan granted in 2014	**600,000**	**12,500**	**50,000**	**537,500**
Loan granted in 2014	**164,680**	**3,080**	**12,320**	**149,280**
Loan granted in 2014	**146,000**	**2,875**	**11,500**	**131,625**
Loan granted in 2014	**89,150**	**1,450**	**5,800**	**81,900**
	5,635,728	**1,022,525**	**1,601,209**	**3,011,994**

The terms and investment repayment schedule is based on the nominal values of the loans and interest to be paid.

2 Loans related companies

	2018 EUR	2017 EUR
Balance at 1 January	21,038,197	22,186,766
Application of IFRS 9 Financial Instruments	(16,957)	-
Balance at 1 January (revised)	21,021,240	22,186,766
Movement due to IFRS 9 Financial Instruments	(7,828)	-
Exchange differences	272,842	(1,148,569)
Balance at 30 June / 31 December	21,286,254	21,038,197
Receivables (< 1 year) (current assets)	21,286,254	21,038,197

In 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 EUR 9,486,766 (USD 10,000,000) have been lent to EnBW Holding AS. The interest is 4.13% and the repayment date is 11 July 2018.

2. Loan EUR 12,700,000

On 19 December 2013 the proceeds of a loan issued by EnBW AG in the amount of EUR 12,700,000 have been lent to EnBW Holding AS. The interest is 4.13% and the repayment date is 19 December 2018.

The repayment of both loans is guaranteed by EnBW AG.

3 Cash and cash equivalents

	30-06-2018 EUR	31-12-2017 EUR
Deutsche Bank AG (current accounts)	185,195	41,866
BW Bank (current accounts)	476,607	964,679
	661,802	1,006,545

Cash and cash equivalents are free at disposal.

4 Issued and paid up share capital

The issued share capital is composed of 1,000 (2017: 1,000) ordinary shares with a nominal value of EUR 100 each, in total EUR 100,000. All shares have been 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.

5 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.

	2018 EUR	2017 EUR
Balance as at 1 January	1,131,613,974	1,131,613,974
Balance as at 30 June / 31 December	1,131,613,974	1,131,613,974

6 Other reserves

	2018 EUR	2017 EUR
Balance as at 1 January	–	–
Application of IFRS 9 Financial Instruments	(2,625,958)	
Balance as at 1 January (revised)	(2,625,958)	–
Dividend to shareholder	(32,451,552)	(35,003,573)
Result appropriation	32,451,552	35,003,573
Balance as at 30 June / 31 December	(2,625,958)	–

The first time implementation of IFRS 9 has led to a negative balance on the other reserves. The Company will deduct a negative balance of the other reserves from future distributions.

7 Long-term debts

	2018 EUR	2017 EUR
Balance at 1 January	2,921,585,599	2,950,485,472
Exchange differences	10,242,570	(30,379,238)
Other movements	849,754	1,479,365
	2,932,677,923	2,921,585,599
Repayments due < 1 year	857,564,020	855,904,388
Balance at 30 June / 31 December	2,075,113,903	2,065,681,211

8 Interest-bearing loans and borrowings

	30-06-2018 EUR	31-12-2017 EUR
1. Eurobond 2004/2025	497,533,339	497,374,614
2. Eurobond 2008/2018	749,717,402	749,439,411
3. JPY-bond 2008/2038	155,921,104	148,137,175
4. Eurobond 2009/2039	589,705,285	589,470,505
5. CHF-bond 2013/2018	86,535,580	85,426,780
6. CHF-bond 2013/2023	86,326,130	85,213,245
7. Eurobond 2014/2026	498,530,003	498,446,833
8. Eurobond 2014/2039	99,176,345	99,162,480
9. Eurobond 2014/2034	98,372,136	98,332,524
10. Eurobond 2014/2044	49,549,560	49,543,835
	2,911,366,884	2,900,547,402
Recognised as:		
Interest-bearing loans and borrowings (long-term debts)	2,075,113,903	2,065,681,211
Interest-bearing loans and borrowings (current liabilities) (< 1 year)	836,252,981	834,866,191

The fair values of these loans can be found on page 16 of the financial report.

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 2018 EUR 158,725 (2017: EUR 304,941) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (4.875% 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 the Company.

2. 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 2018 EUR 277,991 (2017: 592,235) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (6.875% 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 the Company.

3. 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 (3.880% 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 the Company.

4. 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 2018 EUR 234,781 (2017: EUR 207,535) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (6.125% 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 the Company.

5. 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 2018 CHF 16,791 (2017: CHF 63,194) is therefore debited to the profit & loss account and presented as interest expenses. The loan bears interest at a fixed interest rate (1.250% 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 the Company.

6. 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 2018 CHF 24,671 (2017: CHF 48,231) is therefore debited to the profit & loss account and presented as interest expenses. The loan bears interest at a fixed interest rate (2.250% 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 the Company.

7. 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 2018 EUR 83,170 (2017: EUR 163,562) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (2.500% 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 the Company.

8. 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 2018 EUR 13,865 (2017: EUR 27,110) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (3.080% 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 the Company.

9. 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 2018 EUR 39,612 (2017: EUR 77,550) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (2.875% 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 the Company.

10. Eurobond 2014/2044

The Company has issued on 1 August 2014 500 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 2018 EUR 5,724 (2017: EUR 11,213) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (2.900% per annum) and have a fixed term of 30 years. Redemption of the EUR 50 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 the Company.

Terms and debt repayment schedule

	Total	Within 1 year	2-5 years	More than 5 years
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Secured bond issuances:				
Eurobonds 2025	670,625	24,375	97,500	548,750
Eurobonds 2018	801,563	801,563	-	-
JPY-bonds 2038	279,941	6,050	24,199	249,692
Eurobonds 2039	1,408,500	36,750	147,000	1,224,750
CHF bonds 2018	86,536	86,536	-	-
CHF bonds 2023	98,234	1,947	7,790	88,497
Eurobonds 2026	600,000	12,500	50,000	537,500
Eurobonds 2039	164,680	3,080	12,320	149,280
Eurobonds 2034	146,000	2,875	11,500	131,625
Eurobonds 2044	89,150	1,450	5,800	81,900
	4,345,229	977,126	356,109	3,011,994

The terms and debt repayment schedule is based on the nominal values of the loans and interest to be paid.

9 Loans EnBW AG

	2018 EUR	2017 EUR
Balance at 1 January	21,038,197	22,186,766
Exchange differences	272,842	(1,148,569)
Balance at 30 June / 31 December	21,311,039	21,038,197
Interest-bearing loans and borrowings (current liabilities) (< 1 year)	21,311,039	21,038,197

In 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 EUR 9,486,766 (USD 10,000,000) have been lent to EnBW Holdings AS. The interest is 4.10% and the repayment date is 11 July 2018. No securities have been provided.

2. Loan EUR 12,700,000

On 19 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 19 December 2018. No securities have been provided.

10 Current account EnBW AG

	30-06-2018 EUR	31-12-2017 EUR
EnBW AG	12,136,334	13,621,670

The interest on this current account is EONIA + 0.60% for liabilities and EONIA flat for receivables (2017: EONIA + 0.60% for liabilities and EONIA flat for receivables). If the EONIA rate is negative, the EONIA is set to 0%. No securities are provided.

11 Accrued expenses and deferred income

	30-06-2018 EUR	31-12-2017 EUR
Interest bond loans	84,146,216	59,679,670
Interest loans EnBW AG	439,303	874,546
Auditors' and consultants' fees	55,000	57,105
Management fees	6,000	12,000
Other accrued expenses	1,000	3,421
	84,647,519	60,626,742

Notes to statement of income for the year 2017

12 Interest income and similar income

	Period ended 30 June 2018 EUR	Year ended 31 December 2017 EUR	Period ended 30 June 2017 EUR
Loans EnBW AG	93,839,879	188,568,964	93,920,661
Loans EnBW Holding AS	442,518	880,945	446,646
Interest corporation tax	195,223	195,519	195,519
Exchange rate differences	12,011	-	-
	94,489,631	189,645,428	94,562,826

13 Interest expense and similar expenses

	Period ended 30 June 2018 EUR	Year ended 31 December 2017 EUR	Period ended 30 June 2017 EUR
Interest bond loans	71,140,599	145,673,959	73,724,961
Interest loan EnBW AG	439,303	874,546	443,402
Current account EnBW AG	-	79,779	-
Bank charges	10,120	19,920	7,148
Exchange rate differences	-	20,709	430
	71,590,022	146,668,911	74,175,941

14 General expenses

	Period ended 30 June 2018 EUR	Year ended 31 December 2017 EUR	Period ended 30 June 2017 EUR
Auditors' fees	34,144	60,089	45,230
Consultants' fees	15,402	9,750	5,387
Management fees and administrative expenses	85,362	169,556	98,675
Office rent	10,152	20,044	10,022
Other general expenses	13,320	34,922	10,099
	158,380	294,361	169,413

The audit and other accounting fees of the accounting organisation providing the audit opinion of the annual accounts are specified as follows:

	Period ended 30 June 2018 EUR BDO Audit & Assurance B.V.	Year ended 31 December 2017 EUR BDO Audit & Assurance B.V.	Period ended 30 June 2017 EUR BDO Audit & Assurance B.V.
Audit annual accounts	25,000	47,500	32,230
Other audit assignment	9,144	12,589	13,000
	34,144	60,089	45,230

15 Wages and salaries

	Period ended 30 June 2018 EUR	Year ended 31 December 2017 EUR	Period ended 30 June 2017 EUR
Salaries	74,311	108,157	67,919
Social security's premiums	1,887	6,490	4,257
	76,198	114,647	72,176

16 Remuneration

Over the period from 1 January 2018 to 30 June 2018 the Company paid a fixed amount of EUR 9,710 (30 June 2017: EUR 8,817) as remuneration for its board of management. No other remunerations were provided.

The remuneration for services provided by the supervisory board in 2018 will amount to EUR 50,000 (2017: EUR 50,000) and is provided in the form of a fixed remuneration. No other remunerations were provided.

17 Average number of employees

The Company employs four staff members in the Netherlands (2017: four staff members).

18 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 period from 1 January to 30 June 2018 can be calculated as follows:

CORPORATE INCOME TAX

	Period ended 30 June 2018 EUR	Year ended 31 December 2017 EUR	Period ended 30 June 2017 EUR
Management fee loans	625,739	1,261,850	625,739
Interest income loans not included in APA	22,899,609	45,480,071	22,890,439
Decrease / (increase) expected loss on loans	(1,465,804)	-	-
Deductible costs	(92,942)	(140,541)	(82,793)
Taxable amount	21,966,603	46,601,380	23,433,385
Corporate income tax (payable)	5,872,572	11,665,941	5,848,346
Movement deferred taxes	(293,161)	-	-
Turkish withholding tax	97,883	97,883	25,000
Creditable withholding tax	(26,070)	(26,070)	(757)
Total corporate income tax due	5,651,224	11,737,754	5,872,589
Effective tax rate	25.73%	25.19%	25.06%

The applicable CIT rates are: 20% for the first bracket of EUR 200,000 and 25% for the second bracket of EUR 21,766,603.

To date the tax returns, those have been filed up to and including 2016, are settled up to and including 2016.

The current APA agreement will expire on 31 December 2018.

19 Transactions with related parties

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

The Company 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 are unconditionally and irrevocably guaranteed by EnBW AG. EnBW International Finance B.V received remuneration for her financing activities from EnBW AG (EUR 626 thousand).

The Company has provided two intercompany loans (USD 10 million and EUR 12.7 million) to EnBW Holding AS.

The Company has received two intercompany loans (USD 10 million and EUR 12.7 million) from EnBW AG.

The balance outstanding with and the revenues and expenses related to EnBW AG and EnBW Holding AS have been disclosed separately in the balance sheet and the statement of income.

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.

For transactions with board of directors see note 16.

20 Movements of financial instruments

	Period ended 30 June 2018 EUR	Year ended 31 December 2017 EUR	Period ended 30 June 2017 EUR
Increase (decrease) of provision	(1,465,804)	-	-

The Company has considered the probability of a default occurring over the contractual life of its receivables on initial recognition of those assets.

21 Off balance commitments

The Company entered into a rental agreement for the rent of an office accommodation in Amsterdam for the period 1 September 2016 up to and including 31 August 2017, which was extended for a year and will now end 31 August 2018.

The current APA agreement will expire 31 December 2018. The Company intends to file for a new APA agreement to be effective as of 1 January 2019.

22 Post balance sheet events

On 12 July a 5 year CHF-bond (ISIN: CH0217677605) matured and consequently a CHF 100 million redemption was paid. The on lended loan to EnBW AG was paid back to the Company. Also the USD 10 million loan to EnBW Holding A.S. matured and the Company will receive this amount. The connected loan to EnBW AG will be repaid.

23 Appropriation of result

In March 2018 the General Meeting of Shareholders adopted the annual accounts 2017 and approved to distribute a dividend of EUR 32,451,552.

Amsterdam, 19 July 2018

EnBW International Finance B.V.

The Board of Management

sgd.	sgd.
Mr. P.A. Berlin	Mr. W.P. Ruoff

Supervisory board

sgd.	sgd.	sgd.
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 26 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 shareholder's equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Auditors' report

The auditors' report is shown on page 39 and further.

Review report

To: the General Meeting and the Management of EnBW International Finance B.V.

Engagement

We have reviewed the accompanying interim financial information of EnBW International Finance B.V., Amsterdam, which comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of cash flows and the statement of changes in equity for the six-month period then ended and the notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, 19 July 2018

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
drs. M.F. Meijer RA