

EnBW International Finance B.V.

Annual Report 2018

Contents

Annual Report

Report of the Board of Directors	3
Statement of financial position as at 31 December 2018	8
Statement of comprehensive income for the year 2018	9
Statement of cash flows for the year ended 31 December 2018	10
Statement of changes in equity for the year ended 31 December 2018	11
Notes	12
Other information	50

Report of the Board of Directors

The Directors of EnBW International Finance B.V. herewith submit its Annual Report for the year ended 31 December 2018.

General

EnBW International Finance B.V. (hereinafter ‘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, hereinafter ‘EnBW AG’) in Germany. EnBW AG is part of the EnBW Group.

The Company was founded by EnBW AG on 2 April 2001, according to Dutch law as a company with limited liability (besloten vennootschap met beperkte aansprakelijkheid). The Company 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 of the Company, the most important 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 the Company take place in the Netherlands.

Internal structure

The Company employs four staff members. The Board of Directors 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 Directors is responsible for the internal control and the management of risks within the Company.

Activities during the period

During the period the Company issued a new bond for EUR 500 million on 31 October 2018. The bond qualifies as a green bond which means that proceeds of this bond only may be used to finance Eligible Green Projects. In December 2018 the Company made use of a short-term financing instrument (Commercial Paper). In five separate instalments EUR 250 million was issued. All the proceeds under the Commercial Paper programme will be repaid before the end of March 2019.

A provision for expected credit losses was recognized during the year as disclosed in the ‘change of accounting policy’ paragraph in the financial statement. No other impairments on loans or interest receivables were considered to be necessary.

Result and other performance indicators

	Year ended 31 December 2018 (EUR million)	Year ended 31 December 2017 (EUR million)
Net result	40	32
Net interest result	46	43
Shareholder's equity	1,169	1,164
Free cash	0.71	1.01
Net working capital	39	31
Solvency (equity/ total assets)	29%	28%

Principal risks and uncertainties

The principal risks and uncertainties that the Company faces 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 net proceeds from each issue of interest-bearing loans and borrowings by EnBW International Finance B.V. only will be applied towards the purposes of on lending to EnBW AG. The interest rates and other interest conditions on the interest-bearing loans and borrowings are equal to these on the loans to EnBW AG. EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards different banks, dependable on the loan provided) for the benefit of all bondholders with respect to the prescribed and punctual payment of capital and interest of the bond notes issued by EnBW International Finance B.V. The two loans issued to EnBW Holding A.S., EnBW AG were repaid during the year under review.

The total value of the loans to EnBW AG including accrued interest per 31 December 2018 amounted EUR 4.1 billion.

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 34 and 41.

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 EnBW International Finance B.V.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company has two loans outstanding to EnBW AG (GESO and OPOLE) which are not on-lending loans from debts. These loans were financed by equity. The total fair value of these loans per 31 December 2018 amounted EUR 1.2 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. Per 31 December 2018, the loans to EnBW AS Holding in Turkey were repaid to the Company. As all loans are in one geographic area (Germany), the Company has a significant exposure of concentration risk. The Company mitigates this risk mainly by the irrevocable and unconditional guarantee given by EnBW AG.

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 issue of interest-bearing loans and borrowings by the Company only will be applied towards the purposes of on-lending to EnBW AG (for equal currency). Therefore, the Company is not exposed to currency risk on investments and borrowings that are denominated in a currency other than the functional currency of the EnBW group.

The currencies in which these transactions primarily are denominated are Euro (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 Board of Directors 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.

Male and female split of board members

The Board of Directors of the Company consists of two members of which two are male (100%) and none are female (0%). The Supervisory Board consists of three members of which three are male (100%) and none are female (0%). The Board of Directors and the Supervisory Board recognize the importance of a gender balanced composition and will take this into account when selecting potential nominees. However, as gender is only part of diversity, the Board of Directors will continue to select their members on the basis of their background, knowledge and experience.

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. The Company has issued on 21 January 2019 750 Eurobonds in the amount of EUR 100,000 each. The proceeds of the bonds were decreased with "disagio" (EUR 261,750). This amount will be calculated on the basis of the remaining term of the bond.

The bonds bear interest at a fixed interest rate (2.08% per annum) and have a fixed term of 22 years. Redemption of the EUR 75 million takes place on 21 January 2041.

The Company continues the use of the Commercial Paper Programme in 2019. On 24 January 2019, the Company has issued two short-term Euro notes for in total EUR 100,000,000. The notes have a maturity period of 63 to 95 days. The notes that matured on 30 January and 6 February 2019 both were rolled over with a new maturity period of 90 days. All notes bear 0% interest (fixed).

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

No other events which would be significant for assessing the net assets, financial position and result of EnBW International Finance B.V. occurred after 31 December 2018.

EnBW International Finance B.V.

Activities in the field of research and development

The Company is not engaged in such activities.

Market Environment

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

The long-term credit ratings of EnBW AG are 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.

Board of Directors' accountability

Herewith the Board of Directors confirms that the annual report provides a fair presentation of the financial position and that all relevant risks applicable to the Company have been identified and mitigated. Furthermore, the Board of Directors confirms that the Report of the Board of Directors provides a fair presentation of the situation at 31 December 2018 and the described activities during the book year.

Amsterdam, 12 March 2019

EnBW International Finance B.V.

The Board of Directors

sgd.

Mr. P.A. Berlin

sgd.

Mr. W.P. Ruoff

Statement of financial position as at 31 December 2018

(before appropriation of the profit)

		31 December 2018		31 December 2017	
		EUR	EUR	EUR	EUR
Non-current assets					
<i>Investments</i>					
Loans EnBW AG	1	3,707,477,457		3,198,111,211	
Deferred tax assets	17	459,050		-	
			3,707,936,507		3,198,111,211
Current assets					
<i>Receivables</i>					
Loan EnBW AG	1	249,855,750		834,866,191	
Loans related companies	2	-		21,038,197	
Current account EnBW Wind op Zee B.V.		-		38,902	
Interest receivable loans EnBW AG		100,403,716		105,078,229	
Turnover tax		12,625		6,092	
Deposit office lease		4,749		4,749	
			350,276,840		961,032,360
Cash and cash equivalents	3		708,125		1,006,545
			4,058,921,472		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		39,934,869		32,451,552	
			1,169,022,885		1,164,165,526
Non-current liabilities					
Interest-bearing loans and borrowings	7	2,577,198,453		2,065,681,211	
			2,577,198,453		2,065,681,211
Current liabilities					
Interest-bearing loans and borrowings	7	250,000,000		834,866,191	
Loans EnBW AG	8	-		21,038,197	
Current account EnBW AG	9	7,251,607		13,621,670	
Corporation tax		161,679		150,579	
Accrued expenses and deferred income	10	55,286,848		60,626,742	
			312,700,134		930,303,379
			4,058,921,472		4,160,150,116

Statement of comprehensive income for the year 1 January – 31 December 2018

		2018	2017
		EUR	EUR
Interest income and similar income	11	184,910,618	189,645,428
Interest expense and similar expenses	12	(139,417,179)	(146,668,911)
Net interest result		45,493,439	42,976,517
Fees received from EnBW AG	18	1,618,465	1,530,317
Other financial income	20	4,205,000	-
Expenses			
General expenses	13	424,319	294,361
Wages and salaries	14	114,175	114,647
(Decrease) / increase expected loss on loans	19	(987,201)	-
Result before corporate income tax		51,765,611	44,097,826
Corporate income tax previous year		-	91,480
Corporate income tax	17	(11,830,742)	(11,737,754)
Net result		39,934,869	32,451,552
Other comprehensive income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		39,934,869	32,451,552
Income for shareholder		39,934,869	32,451,552
Income for minority shareholder		-	-
Total comprehensive income		39,934,869	32,451,552

Statement of cash flows for the year 1 January - 31 December 2018

(Prepared in accordance with the direct method, all amounts expressed in Euro)

	2018	2017
Operating activities		
Cash receipts from group companies	11,459,626	11,245,343
Cash paid to employees	(102,393)	(80,355)
Cash paid to suppliers	(426,280)	(341,104)
	<hr/>	<hr/>
Cash generated from operations	10,930,953	10,823,884
Interest paid	(141,681,201)	(141,857,554)
Interest received	142,043,356	142,922,617
Taxes paid	(11,640,154)	(11,717,717)
	<hr/>	<hr/>
Cash flows from operating activities	(347,046)	171,230
	<hr/>	<hr/>
Investing activities		
Repayment of investments	857,092,612	-
Proceeds from investments	(746,420,000)	-
	<hr/>	<hr/>
Cash flows from investing activities	110,672,612	-
	<hr/>	<hr/>
Financing activities		
Proceeds from borrowings	746,420,000	-
Repayment of (non-) current borrowings	(857,127,334)	-
Group company current account	38,902	(38,902)
	<hr/>	<hr/>
Cash flows from financing activities	(110,668,432)	(38,902)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(342,866)	132,328
Exchange results	44,446	(9,330)
Cash and cash equivalents as 1 January	1,006,545	883,547
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	708,125	1,006,545
	<hr/>	<hr/>

Statement of changes in equity for the year 1 January – 31 December 2018

	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	-	-	-	32,451,552	32,451,552
Balance at 31 December 2017	100,000	1,131,613,974	-	32,451,552	1,164,165,526
Balance at 1 January 2018	100,000	1,131,613,974	-	32,451,552	1,164,165,526
Implementation of IFRS 9 'Financial Instruments'	-	-	(2,625,958)	-	(2,625,958)
Balance at 1 January 2018 revised	100,000	1,131,613,974	(2,625,958)	32,451,552	1,161,539,568
Appropriation of the result	-	-	32,451,552	(32,451,552)	-
Dividend to shareholder	-	-	(32,451,552)	-	(32,451,552)
Result for the year	-	-	-	39,934,869	39,934,869
Balance at 31 December 2018	100,000	1,131,613,974	(2,625,958)	39,934,869	1,169,022,885

Notes

General

EnBW International Finance B.V. (hereinafter ‘the Company’) is a company domiciled and established 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 company with limited liability, 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 notari ally 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 the International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

(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. All values are rounded to the nearest euro, except when otherwise indicated.

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

IFRS 15 has no significant impact on the financial statements of the Company given that the only source of revenue consists of income from financial instruments which is not in scope of IFRS 15 (IFRS 15.5I).

2. New standards, interpretations and amendments not yet effective

IFRS 16 Leases

The Company does not have lease contracts with duration of more than 12 months and is not fully certain if the existing contracts will be extended. Therefore, IFRS 16 will not have impact for the Company. The new standard will be effective from 1 January 2019.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

The narrow-scope amendments made to IFRS 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be ‘reasonable compensation for early termination of the contract’ and the asset must be held within a ‘held to collect’ business model. The Company has not received such prepayable financial assets and does therefore not expect any impact on the financial statements.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company’s financial statements.

- IFRS 17 Insurance Contracts
- Interpretation 23 Uncertainty over Income Tax Treatments
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

The Board of Directors believes that new accounting standards that will be implemented as from 1 January 2019 will not have significant 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.

EnBW International Finance B.V.

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.

The following judgements are applicable for 2018 only:

Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The following assumptions and estimation uncertainties are applicable for 2018 only:

Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

There are no other substantial judgements, estimates and assumptions in the financial statements 2018 and 2017.

(d) Changes in accounting policies

IFRS 9 Financial instruments

The Company has identified the adoption of IFRS 9, which replaced IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018.

IFRS 9 Financial instruments (IFRS9) is effective for periods beginning on or after 1 January 2018.

IFRS 9 contains a new classification and measurement approach for 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 adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Under this new model applied to all financial assets, the impairment provision amounts EUR 2.3 million as per 31 December 2018, while under the incurred loss model, no impairments were recorded in 2017.

The Company has elected to apply the 'modified' retrospective application of IFRS 9 and in accordance with IFRS 9 paragraph 7.2.15 in not restating prior periods in the year of initial application of the standard.

As the Company currently does not apply any hedge accounting, there is no impact expected from IFRS 9 on hedge accounting policies.

EnBW International Finance B.V.

The effect of this change in accounting policy on the opening balance of 2018 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	<u>4,160,150,116</u>	<u>(2,625,958)</u>	<u>4,157,524,158</u>

Statement of changes in equity	Share capital	Share premium	Other reserves	Undistributed result	Total
Balance at 1 January 2018	<u>100,000</u>	<u>1,131,613,974</u>	<u>-</u>	<u>32,451,552.00</u>	<u>1,164,165,526</u>
Implementation of IFRS 9 'Financial Instruments'	<u>-</u>	<u>-</u>	<u>(2,625,958)</u>	<u>-</u>	<u>(2,625,958.00)</u>
Balance at 1 January 2018 revised	100,000	1,131,613,974	(2,625,958)	32,451,552	1,161,539,568

Significant accounting policies

Policies applicable before 1 January 2018

(a) Investments

Investments are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, 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.

(b) 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.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value. Cash and cash equivalents are stated at face value.

(d) 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.

(e) Other payables

Other payables are recognised initially at fair value. Subsequent to initial recognition, other payables are stated at amortised cost.

Policies applicable after 1 January 2018

(f) Financial assets

Financial assets consist of investments, other receivables and cash and cash equivalents.

Initial Recognition and Classification

Financial instruments are recognized initially at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price (e.g., the fair value of the consideration given or received). If a financial asset is not subsequently accounted for at fair value through profit and loss, the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'Solely Payments of Principal and Interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all loans not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

(g) Financial liabilities

Financial liabilities consist of Interest-bearing loans and borrowings and other payables.

Initial Recognition and Classification

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The subsequent measurement depends on their classification.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest expense in the statement of profit or loss.

The Company's financial liabilities consist of interest-bearing loans and borrowings and interest bond loans.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(h) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, thus, the related assets and liabilities are presented on a gross basis in the consolidated statement of financial position.

(i) 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.

(j) 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.

(k) Income tax

Current 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.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

EnBW International Finance B.V.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(l) Foreign currency

Transactions in foreign currency are translated to euro at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Exchange rates applicable as at 31 December 2018 are as follows:

1 CHF = EUR 0.8874 (31 December 2017: EUR 0.8546)

1 JPY = EUR 0.0079 (31 December 2017: EUR 0.0074)

1 USD = EUR 0.8734 (31 December 2017: EUR 0.8338)

The average exchange rates in 2018 are as follows:

1 CHF = EUR 0.8658 (2017: EUR 0.9090)

1 JPY = EUR 0.0077 (2017: EUR 0.0081)

1 USD = EUR 0.8468 (2017: EUR 0.8869)

(m) Cash-flow statement

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

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 relating to EnBW Holding A.S. were based on internal calculations and were repaid. The fair value of the loans and borrowings to EnBW AG as at December 31, 2018 amounts to EUR 3,267 million (December 31, 2017: EUR 3,699 million). Facing the fact that the net proceeds from each issue 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 3,708 million) and the book value of the long-term interest-bearing loans and borrowings (EUR 2,577 million) concerns the long-term loan to EnBW AG as a result of the sale of the GESO shares in 2010 (EUR 834 million) and the sale of the OPOLE-shares in 2012 through EnBW Investment I B.V. (EUR 298 million). The fair value of these two loans is based on internal calculations.

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

EnBW International Finance B.V.

Level		Carrying value 31 December 2018 (EUR million)	Fair value 31 December 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)	2,576	3,267	691	2,901	3,699	798
3	Loan EnBW AG (GESO)	834	879	45	834	913	79
3	Loan EnBW AG (OPOLE)	298	331	33	298	339	41
3	Loan EnBW Holding A.S.	0	0	0	21	23	2
3	Commercial Paper EnBW AG	250	250	0	0	0	0
n.a.	Current Assets	101	101	0	105	105	0
n.a.	Cash and cash equivalents	0.7	0.7	0	1.0	1	0
1	Debts (listed)	2,577	3,267	(690)	2,901	3,699	(798)
3	Lonas EnBW AG (Turkey)	0	0	0	21	23	(2)
3	Commercial Paper	250	250	0	0	0	0
n.a.	Current liabilities	63	63	0	74	74	0

IFRS 13 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 data (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 Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

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

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Interest receivable loans EnBW AG
- Loans EnBW AG (current)
- Loan EnBW AG (non-current)
- Interest bond loans
- Interest-bearing loans and borrowings (current)
- Interest-bearing loans and borrowings (non-current)

EnBW International Finance B.V.

The financial instruments held by the Company can be classified as follows:

Financial instruments by category

Financial assets

	Fair value through profit or loss		Amortised cost (Loans and receivable 2017)		Fair value through Other comprehensive income	
	2018	2017	2018	2017	2018	2017
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Cash and cash equivalents	-	-	708	1,007	-	-
Interest receivable loans EnBW AG	-	-	100,404	105,078	-	-
Loan EnBW AG (current)	-	-	249,856	834,866	-	-
Loan EnBW AG (non-current)	-	-	3,707,477	3,198,111	-	-
	-	-	4,058,445	4,139,062	-	-

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	2018	2017	2018	2017
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Interest bond loans	-	-	55,005	59,680
Interest-bearing loans and borrowings (current)	-	-	250,000	834,866
Interest-bearing loans and borrowings (non-current)	-	-	2,577,198	2,065,681
	-	-	2,882,203	2,960,227

Credit risk

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

The Company's exposure to credit risk is influenced mainly by the individual characteristics of EnBW AG. The net proceeds from each issue of interest-bearing loans and borrowings by 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 different banks, dependable on the loan provided) 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. The two loans issued to EnBW Holding A.S., EnBW AG were repaid during the year under review.

The total value of the loans to EnBW AG including accrued interest per 31 December 2018 amounted EUR 4.1 billion.

As loans receivables at amortised cost are considered to be low risk, the impairment allowance is determined at 12-month expected credit losses ('ECL') with a reference to internal credit ratings of the counterparties. The ECL is the sum of the value of all possible losses, each multiplied by the probability of that loss occurring and calculated as follows: $ECL = EAD \times LGD \times PD$. Exposure at Default (EAD) is the gross carrying value of loans receivable; Loss Given Default (LGD) is the portion of loans receivable that the Company shall lose if a borrower defaults; Probability of Default (PD) is the likelihood of a default of a counterparty over an observed period. The PD and LDG rates were defined based on historical loss rates of its parent company, and adjusts for forward looking macroeconomic data. The expected credit loss rate for EnBW AG on 31 December 2018 was 0.0577% (2017: 0.0806%). There were no loans receivables for which the Company observed a significant increase in the credit risk which would require the application of the lifetime expected credit losses impairment model. There was no material impact resulting from the revised impairment approach under IFRS 9. In addition, there were no material movements in the loss allowance in 2018. The Company assesses a significant increase in credit risk using the delta in the lifetime default probability, internal ratings and arrears. The Company evaluates qualitative information on the borrower's other cash flow obligations (including to other debt providers), its liquidity position and business performance and on the regulatory, economic, and technological environment of the borrower. The Company also considers forward-looking information on developments in the relevant macroeconomic indicators such as GDP and/or other macroeconomic indicators. The Company uses the 30 days past due criteria as a backstop rather than a primary driver of moving exposures into stage 2. The Company assumes that the credit risk of such assets have increased significantly if they are more than 30 days past due. The Company considers a financial asset to be in default when the counterparty is unlikely to pay its obligations to the Company in full. In assessing whether a counterparty is in default, the Company considers both qualitative and quantitative indicators (e.g. overdue status) that are based on data developed internally and for certain financial assets also obtained from external sources. The following indicators are incorporated: internal credit rating, significant increases in credit risk on other financial instruments of the same borrower, actual or expected significant adverse changes in business, financial and economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

No significant changes to estimation techniques or assumptions were made during the reporting period. As all loans and notes are towards EnBW AG, the Company assumes the expected credit loss the same for all loans.

The Company does not expect any credit loss during the foreseeable future.

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).

At 31 December 2018 the Company has no financial assets which are past due but not impaired (2017: none) and no financial assets whose terms have been renegotiated (2017: none). The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 1 and 2. The gross carrying amount of a financial asset is written off and derecognised only when the Company has no reasonable expectation of recovering the financial asset in its entirety, after all reasonable efforts and enforcement procedures for recovery have been exhausted. The Company individually makes an assessment with respect to the timing and amount of write-off based on the individual facts and circumstances.

EnBW International Finance B.V.

The Company expects no significant recovery from the amount written off. The loss allowance for loans recognized at amortised cost as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 January 2018 as follows:

	2018
	EUR 1,000
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	-
Application of IFRS 9 Financial Instruments	3,282
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	3,282
Increase (decrease) in loan loss allowance recognised in profit or loss during the year	(729)
New financial assets originated or purchased	433
Repaid financial assets during the year	(691)
Closing loss allowance as at 31 December 2018	2,295

For financial assets at amortised cost, the Company applies the general expected credit loss model. The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. Evidence that a financial asset is credit-impaired also includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Cash in bank

Cash is held with the following institutions:

	Rating (Moody's)	31-Dec-18 EUR 1,000	31-Dec-17 EUR 1,000
Deutsche Bank AG (current account)	A3 (Negative)	557	42
Baden-Württembergische Bank (current accounts)	Aa3 (stable)	151	965
		708	1,007

The Board of Directors monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

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 34 and 41.

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 on-lending loans from debts. These loans were financed by equity. The total fair value of these loans per 31 December 2018 amounted EUR 1.2 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. Per 31 December 2018, the loans to EnBW AS Holding in Turkey were repaid to the Company. As all loans are in one geographic area (Germany), the Company has a significant exposure of concentration risk. The Company mitigates this risk mainly by the irrevocable and unconditional guarantee given by EnBW AG.

Currency risk

The net proceeds from each issue of interest-bearing loans and borrowings by the Company only will be applied towards the purposes of on-lending to EnBW AG (for equal currency). Therefore, the Company is not exposed to currency risk on investments and borrowings that are denominated in a currency other than the functional currency of the EnBW Group.

The currencies in which these transactions primarily are denominated are Euro (EUR), Swiss Franc (CHF), Japanese yen (JPY) and US dollar (USD). The related income per currency is: EUR: € 182.8 million, CHF: € 2.6 million, JPY: € 6.1 million and USD: € 0.2 million.

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

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

Capital management

Capital includes ordinary share capital and other equity attributable to the equity holders of the parent. As at 31 December 2018 and 2017, the Company's equity amounted to EUR 1,169,022,855 and EUR 1,164,165,526 respectively. 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.

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

The Company is not subject to externally imposed capital requirements.

Notes to the balance sheet as 31 December 2018

1 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	(3,282,448)	-
Balance at 1 January (revised)	4,050,733,151	4,082,915,472
Movement due to IFRS 9 Financial Instruments	987,201	-
Received	(857,092,612)	-
Issued loans	746,420,000	-
Exchange differences	14,655,223	(30,379,238)
Other movements	1,630,244	1,479,365
	3,957,333,207	4,054,015,599
Receivables < 1 year (current assets)	(249,855,750)	(855,904,388)
Balance at 31 December	3,707,477,457	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 31 December 2018 amounts to EUR 2,295,248. A detailed reconciliation can be found in the Notes on page 25.

1b Loans EnBW AG

	31-12-2018 EUR	31-12-2017 EUR
1. Loan granted in 2004	497,694,695	497,374,614
2. Loan granted in 2008	-	749,439,411
3. Loan granted in 2008	158,919,349	148,137,175
4. Loan granted in 2009	589,827,198	589,470,505
5. Loan granted in 2010	834,430,000	834,430,000
6. Loan granted in 2012	298,000,000	298,000,000
7. Loan granted in 2013	-	85,426,780
8. Loan granted in 2013	88,531,264	85,213,245
9. Loan granted in 2014	498,614,552	498,446,833
10. Loan granted in 2014	99,190,440	99,162,480
11. Loan granted in 2014	98,412,404	98,332,524
12. Loan granted in 2014	49,555,379	49,543,835
13. Loan granted in 2018	496,453,174	-
14. Loan granted in 2018	50,000,000	-
15. Loan granted in 2018	50,000,000	-
16. Loan granted in 2018	50,000,000	-
17. Loan granted in 2018	50,000,000	-
18. Loan granted in 2018	50,000,000	-
	<hr/> 3,959,628,455	<hr/> 4,032,977,402

Recognised as:

Investments (non-current assets)	3,709,628,455	3,198,111,211
Receivables (< 1 year) (current assets)	250,000,000	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 21 of the financial report.

The provision for Expected Credit Loss (IFRS 9) for non-current assets amounts EUR 2,150,998 and EUR 144,250 for current assets.

1. Loan granted in 2004

The Company had diverted the proceeds from the issue of the Eurobond 2004/2025 (nominal EUR 500,000,000) by way of a loan to EnBW AG on December 9, 2004. The payment of the loan has taken place after deduction of “disagio” (EUR 3,650,000) and management and underwriting fees (EUR 2,000,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2018 EUR 320,081 (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 issue of the Eurobond 2008/2018 (nominal EUR 750,000,000) by way of a loan to EnBW AG on November 20, 2008. The payment of the loan has taken place after deduction of “disagio” (EUR 2,482,500) and management and underwriting fees (EUR 2,250,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2018 EUR 560,589 (2017: 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 took 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 issue 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 issue of the Eurobond 2009/2039 (nominal EUR 600,000,000) by way of a loan to EnBW AG on July 7, 2009. The payment of the loan has taken place after deduction of “disagio” (EUR 8,940,000) and management and underwriting fees (EUR 3,030,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2018 EUR 356,693 (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 issue 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 33,582 (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 took 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 issue 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 49,343 (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 issue of the Eurobond 2014/2026 (nominal EUR 500,000,000) by way of a loan to EnBW AG on June 4, 2014. The payment of the loan has taken place after deduction of “disagio” (EUR 870,000) and management and underwriting fees (EUR 1,250,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2018 EUR 167,719 (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 issue of the Eurobond 2014/2039 (nominal EUR 100,000,000) by way of a loan to EnBW AG on June 16, 2014. The payment of the loan has taken place after deduction of management and underwriting fees (EUR 930,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2018 EUR 27,960 (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 issue of the Eurobond 2014/2034 (nominal EUR 100,000,000) by way of a loan to EnBW AG on June 13, 2014. The payment of the loan has taken place after deduction of “disagio” (EUR 1,933,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2018 EUR 79,880 (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 issue of the Eurobond 2014/2044 (nominal EUR 50,000,000) by way of a loan to EnBW AG on August 1, 2014. The payment of the loan has taken place after deduction of “disagio” (EUR 493,200). These amounts will be calculated on the

basis of the remaining term of the loan. For 2018 EUR 11,543 (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.

13. Loan granted in 2018

The Company had diverted the proceeds from the issue of the Eurobond 2018/2033 (nominal EUR 500,000,000) by way of a loan to EnBW AG on 31 October 2018. The payment of the loan has taken place after deduction of management and underwriting fees and “disagio” (in total EUR 3,580,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2018 EUR 33,174 is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (1.875% per annum) and has a fixed term of 15 years. Redemption of the EUR 500 million takes place on 31 October 2033.

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.

14, 15, 16, 17, 18. Loans granted in 2018

The Company had diverted the net proceeds from the issue of the Commercial Paper Programme by way of loans to EnBW AG for in total EUR 250,000,000. The interest rate on all of the five drawdowns was 0%. The redemption schedule is as follows:

- 14. Drawdown amount: EUR 50,000,000. Redemption date: 6 February 2019
- 15. Drawdown amount: EUR 50,000,000. Redemption date: 11 March 2019
- 16. Drawdown amount: EUR 50,000,000. Redemption date: 18 March 2019
- 17. Drawdown amount: EUR 50,000,000. Redemption date: 30 January 2019
- 18. Drawdown amount: EUR 50,000,000. Redemption date: 19 March 2019

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee towards the dealers with respect to the prescribed and punctual payment of capital and interest of the Commercial Paper notes issued by EnBW International B.V.

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	282,241	6,166	24,664	251,411
Loan granted in 2009	1,371,750	36,750	147,000	1,188,000
Loan granted in 2010	903,354	34,462	868,892	-
Loan granted in 2012	341,746	10,936	330,810	-
Loan granted in 2013	98,722	1,997	96,725	-
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	87,700	1,450	5,800	80,450
Loan granted in 2018	640,625	9,375	37,500	593,750
Loan granted in 2018	50,000	50,000	-	-
Loan granted in 2018	50,000	50,000	-	-
Loan granted in 2018	50,000	50,000	-	-
Loan granted in 2018	50,000	50,000	-	-
Loan granted in 2018	50,000	50,000	-	-
	<u>5,557,443</u>	<u>393,966</u>	<u>1,682,711</u>	<u>3,480,766</u>

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
Exchange differences	239,604	(1,148,569)
Received	(21,277,801)	-
	<u>-</u>	<u>-</u>
Balance at 31 December	-	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 was 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 was 19 December 2018.

As a result of the changes in accounting policies the Company considered on these loans an expected credit loss per 1 January 2018 of EUR 16,957. As both loans were repaid before the end of the year, the Company released this provision in full.

3 Cash and cash equivalents

	31-12-2018	31-12-2017
	EUR	EUR
Deutsche Bank AG (current accounts)	557,420	41,866
BW Bank (current accounts)	150,705	964,679
	<u>708,125</u>	<u>1,006,545</u>

Cash and cash equivalents are free at disposal.

4 Issued and paid up share capital

The authorised 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 issued and fully paid and belong to EnBW AG (Germany).

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

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	2017
	EUR	EUR
Balance as at 1 January	<u>1,131,613,974</u>	<u>1,131,613,974</u>
Balance as at 31 December	<u>1,131,613,974</u>	<u>1,131,613,974</u>

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 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 Non-current liabilities

	2018 EUR	2017 EUR
Balance at 1 January	2,921,585,599	2,950,485,472
Repayments of loans	(857,127,334)	-
Receipts from loans	746,420,000	-
Exchange differences	14,689,944	(30,379,238)
Other movements	1,630,244	1,479,365
	<hr/> 2,827,198,453	<hr/> 2,921,585,599
Repayments due < 1 year	250,000,000	855,904,388
	<hr/>	<hr/>
Balance at 31 December	<hr/> 2,577,198,453	<hr/> 2,065,681,211

Interest-bearing loans and borrowings

	31-12-2018 EUR	31-12-2017 EUR
1. Eurobond 2004/2025	497,694,695	497,374,614
2. Eurobond 2008/2018	-	749,439,411
3. JPY-bond 2008/2038	158,919,348	148,137,175
4. Eurobond 2009/2039	589,827,198	589,470,505
5. CHF-bond 2013/2018	-	85,426,780
6. CHF-bond 2013/2023	88,531,264	85,213,245
7. Eurobond 2014/2026	498,614,552	498,446,833
8. Eurobond 2014/2039	99,190,440	99,162,480
9. Eurobond 2014/2034	98,412,404	98,332,524
10. Eurobond 2014/2044	49,555,378	49,543,835
11. Eurobond 2018/2033 (green bond)	496,453,174	-
12. Commercial Paper (short term)	50,000,000	-
13. Commercial Paper (short term)	50,000,000	-
14. Commercial Paper (short term)	50,000,000	-
15. Commercial Paper (short term)	50,000,000	-
16. Commercial Paper (short term)	50,000,000	-
	<hr/> 2,827,198,453	<hr/> 2,900,547,402
Recognised as:		
Interest-bearing loans and borrowings (long-term debts)	2,577,198,453	2,065,681,211
Interest-bearing loans and borrowings (current liabilities) (< 1 year)	250,000,000	834,866,191

The fair values of these loans can be found on page 21 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 320,081 (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 560,589 (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 took 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 356,693 (2017: EUR 207,535) is therefore debited to the profit & loss account and presented as interest expenses.

EnBW International Finance B.V.

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 33,582 (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 took 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 49,343 (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 167,719 (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 27,960 (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 79,880 (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 11,543 (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.

11. Eurobond 2018/2033

The Company has issued on 31 October 2018 500,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 2,330,000) 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 33,174 is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (1.875% per annum) and have a fixed term of 15 years. Redemption of the EUR 500 million takes place on 31 October 2033.

EnBW International Finance B.V.

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.

12, 13, 14, 15, 16. Commercial Paper Programme

The Company has issued several short-term Euro notes under the Commercial Paper Programme. The notes have a maturity period of 42 to 90 days. The notes bear 0% interest (fixed). The redemption schedule is as follows:

- 12. Drawdown amount: EUR 50,000,000. Redemption date: 6 February 2019
- 13. Drawdown amount: EUR 50,000,000. Redemption date: 11 March 2019
- 14. Drawdown amount: EUR 50,000,000. Redemption date: 18 March 2019
- 15. Drawdown amount: EUR 50,000,000. Redemption date: 30 January 2019
- 16. Drawdown amount: EUR 50,000,000. Redemption date: 19 March 2019

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee towards the dealers with respect to the prescribed and punctual payment of capital and interest of the Commercial Paper notes issued by EnBW International B.V.

Terms and debt repayment schedule

	Total	Within 1	2-5 years	More than
		year		5 years
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Secured bond issues:				
Eurobond 2025	670,625	24,375	97,500	548,750
JPY-bond 2038	282,241	6,166	24,664	251,411
Eurobond 2039	1,371,750	36,750	147,000	1,188,000
CHF bond 2023	98,722	1,997	96,725	-
Eurobond 2026	600,000	12,500	50,000	537,500
Eurobond 2039	164,680	3,080	12,320	149,280
Eurobond 2034	146,000	2,875	11,500	131,625
Eurobond 2044	87,700	1,450	5,800	80,450
Eurobond 2033 (green bond)	640,625	9,375	37,500	593,750
Commercial Paper (short term)	50,000	50,000	-	-
Commercial Paper (short term)	50,000	50,000	-	-
Commercial Paper (short term)	50,000	50,000	-	-
Commercial Paper (short term)	50,000	50,000	-	-
Commercial Paper (short term)	50,000	50,000	-	-
	4,312,343	348,568	483,009	3,480,766

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

8 Loans EnBW AG

	2018 EUR	2017 EUR
Balance at 1 January	21,038,197	22,186,766
Exchange differences	274,326	(1,148,569)
Repayment	(21,312,523)	
	<hr/>	<hr/>
Balance at 31 December	-	21,038,197
	<hr/>	<hr/>
Interest-bearing loans and borrowings (current liabilities) (< 1 year)	-	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 took place on 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 took place on 19 December 2018. No securities have been provided.

9 Current account EnBW AG

	31-12-2018 EUR	31-12-2017 EUR
EnBW AG	7,251,607	13,621,670
	<hr/>	<hr/>

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.

10 Accrued expenses and deferred income

	31-12-2018 EUR	31-12-2017 EUR
Interest bond loans	55,005,157	59,679,670
Interest loans EnBW AG	195,193	874,546
Auditors' and consultants' fees	73,500	57,105
Management fees	12,000	12,000
Other accrued expenses	998	3,421
	<hr/>	<hr/>
	55,286,848	60,626,742
	<hr/>	<hr/>

Notes to statement of income for the year 2018

11 Interest income and similar income

	Year ended 31 December 2018 EUR	Year ended 31 December 2017 EUR
Loans EnBW AG	184,011,379	188,568,964
Loans EnBW Holding AS	704,016	880,945
Interest corporation tax	195,223	195,519
	<u>184,910,618</u>	<u>189,645,428</u>

12 Interest expense and similar expenses

	Year ended 31 December 2018 EUR	Year ended 31 December 2017 EUR
Interest bond loans	138,612,820	145,673,959
Interest loan EnBW AG	705,768	874,546
Current account EnBW AG	66,237	79,779
Bank charges	15,569	19,920
Exchange rate differences	16,785	20,709
	<u>139,417,179</u>	<u>146,668,911</u>

13 General expenses

	Year ended 31 December 2018 EUR	Year ended 31 December 2017 EUR
Auditors' fees	67,894	60,089
Consultants' fees	143,190	9,750
Management fees and administrative expenses	166,748	169,556
Office rent	20,304	20,044
Other general expenses	26,183	34,922
	<u>424,319</u>	<u>294,361</u>

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

	Year ended 31 December 2018 EUR BDO Audit & Assurance B.V.	Year ended 31 December 2017 EUR BDO Audit & Assurance B.V.
Audit annual accounts	48,500	47,500
Other audit assignment	19,394	12,589
	<u>67,894</u>	<u>60,089</u>

14 Wages and salaries

	Year ended 31 December 2018 EUR	Year ended 31 December 2017 EUR
Salaries	109,935	108,157
Social security's premiums	4,240	6,490
	<u>114,175</u>	<u>114,647</u>

15 Remuneration

Over the period of 1 January 2018 to 31 December 2018 the Company paid a fixed salary in the amount of EUR 20,540 (2017: EUR 19,125) remuneration for its Board of Directors. No other remunerations were provided.

The remuneration for services provided by the Supervisory Board and Audit Committee in 2018 amounted to EUR 50,000 (2017: EUR 50,000) and is provided in the form of a fixed remuneration. No other remunerations were provided.

16 Average number of employees

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

17 Income tax

Company's profit or loss

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	2018 EUR	2017 EUR
<i>Current income tax:</i>		
Current income tax charge	11,633,302	11,737,754
Adjustments in respect to current income tax of previous year	-	(91,480)
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	197,440	-
Income tax expense reported in the statement of comprehensive income	11,830,742	11,646,274

The current income tax charge comprises of corporate income tax (payable) 11,634,478 and creditable withholding tax of (1,176). The current income tax charge of 2017 comprises of corporate income tax 11,737,754

Current tax expense

The Company constitutes a financing Company for EnBW AG and provides and co-ordinates beneficial services to EnBW AG. In return for this EnBW AG pays a loan management fee.

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

	2018 EUR	2017 EUR
Loan management fee	1,256,905	1,261,850
Interest income loans not included in APA	45,493,439	45,480,071
Deductible costs	(172,534)	(140,541)
Taxable profit	46,577,910	46,601,380
Corporate income tax (payable)	11,634,478	11,665,941
Turkish withholding tax	70,402	97,883
Creditable withholding tax	(1,176)	(26,070)
Total corporate income tax due (effective rate 25.13%)	11,703,704	11,737,754

The applicable CIT rates are: 20% for the first bracket of EUR 200,000 and 25% for the second bracket of EUR 46,377,910.

EnBW International Finance B.V.

To date the tax returns, those have been filed up to and including 2017, are settled up to and including 2016. A preliminary assessment for the CIT 2017 was received.

The current APA agreement expired on 31 December 2018. The Company filed for a new APA agreement to be effective as of 1 January 2019.

Deferred tax asset

	2018 EUR	2017 EUR
Balance at 1 January	-	-
Opening balance adjustment expected credit losses of financial assets	656,490	-
Expected credit losses of financial assets	(197,440)	-
	<hr/>	<hr/>
Balance at 31 December	459,050	-
	<hr/>	<hr/>

The deferred tax asset is solely related to the expected credit losses of financial assets. The available losses to carry forward amount to EUR 0 (2017: 0)

18 Transactions with related parties

Transactions with related parties include relationships between the Company, companies of the EnBW Group, the Company's Directors and the members of the Supervisory Board.

Transactions with key management personnel

Over the period of 1 January 2018 to 31 December 2018 the Company paid a fixed salary in the amount of EUR 20,540 (2017: EUR 19,125) remuneration for its Board of Directors. No other remunerations were provided.

The remuneration for services provided by the Supervisory Board and Audit Committee in 2018 amounted to EUR 50,000 (2017: EUR 50,000) and is provided in the form of a fixed remuneration. No other remunerations were provided.

No transactions with key management have occurred during year other than the remuneration. The outstanding balances relating to key management amount to Nil (2017: Nil).

Transaction with EnBW Group

The Company obtains funds from the market by issuing corporate bonds/notes as well as by the use of short-term commercial paper contracts. The net proceeds of these notes and contracts are lent on in the form of intercompany loans. The Company issued the following loans toward EnBW AG during the year:

The Company had diverted the proceeds from the issue of the Eurobond 2018/2033 (nominal EUR 500,000,000) by way of a loan to EnBW AG on 31 October 2018. The payment of the loan has taken place after deduction of management and underwriting fees and "disagio" (in total EUR

EnBW International Finance B.V.

3,580,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2018 EUR 33,174 is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (1.875% per annum) and has a fixed term of 15 years. Redemption of the EUR 500 million takes place on 31 October 2033.

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.

The Company had diverted the net proceeds from the issue of the Commercial Paper Programme by way of loans to EnBW AG for in total EUR 250,000,000. The interest rate on all of the five drawdowns was 0%. The redemption schedule is as follows:

- 14. Drawdown amount: EUR 50,000,000. Redemption date: 6 February 2019
- 15. Drawdown amount: EUR 50,000,000. Redemption date: 11 March 2019
- 16. Drawdown amount: EUR 50,000,000. Redemption date: 18 March 2019
- 17. Drawdown amount: EUR 50,000,000. Redemption date: 30 January 2019
- 18. Drawdown amount: EUR 50,000,000. Redemption date: 19 March 2019

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee towards the dealers with respect to the prescribed and punctual payment of capital and interest of the Commercial Paper notes issued by EnBW International B.V.

The outstanding non-current loan receivable with EnBW AG is EUR 3,707,477,457. (2017: 3,198,111,211). The outstanding current loan receivable with EnBW AG is EUR 249,855,750 (2017: 834,866,191). The outstanding current loan receivable with EnBW Holding AS amount to EUR 0 (2017: 21,038,197) and the current loan receivable with EnBW Wind op Zee B.V. amounts to 0 (2017: 38,902). The outstanding current interest receivable with EnBW AG is EUR 100,403,716. The outstanding non-current liability towards EnBW AG amounts to 7,251,607 (2017: 34,659,867)

The total amount of interest income received from EnBW AG amounts to EUR 184,011,379 (2017: 188,568,964), the total amount of interest income from EnBW Holding AS amounts to EUR 704,016 (2017: 880,945). The total amount of interest expenses paid to EnBW AG amounts to EUR 772,005 (2017: 954,325).

The issued notes are unconditionally and irrevocably guaranteed by EnBW AG. The Company received remuneration for her financing activities from EnBW AG in the amount of EUR 1.26 million (2017: 1.26 million).

The Company sent quarterly invoices to EnBW AG for recharge of expenses in the amount of in total EUR 361,560 (2017: 268,467).

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.

19 Movements of financial instruments

	Year ended 31 December 2018 EUR	Year ended 31 December 2017 EUR
Increase (decrease) of provision	(987,201)	-

20 Other financial income

The Company received an amount of EUR 4,205,000 related to a tax clause in the Sale & Purchase Agreement, dated 11 February 2010 in which the Company sold its shares in GESO Beteiligungs- und Beratungs AG, Dresden, Germany. The Company does not expect any other income or expenses from this transaction in the future.

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. After extension of a year, the agreement now will continue for periods of one year at a time, unless terminated by either party.

The current APA agreement expired 31 December 2018. The Company filed for a new APA agreement to be effective as of 1 January 2019.

22 Post balance sheet events

The Company has issued on 21 January 2019 750 Eurobonds in the amount of EUR 100,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 261,750). This amount will be calculated on the basis of the remaining term of the bond.

The bonds bear interest at a fixed interest rate (2.08% per annum) and have a fixed term of 22 years. Redemption of the EUR 75 million takes place on 21 January 2041.

The Company continues the use of the Commercial Paper Programme in 2019. On 24 January 2019, the Company has issued two short-term Euro notes for in total EUR 100,000,000. The notes have a maturity period of 63 to 95 days. The notes that matured on 30 January and 6 February 2019 both were rolled over with a new maturity period of 90 days. All notes bear 0% interest (fixed).

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.

No other events which would be significant for assessing the net assets, financial position and result of the Company occurred after 31 December 2018.

23 Appropriation of result

Due to adoption of changed accounting policies as of 1 January 2018, the other reserves decreased to EUR 2,625,958 negative. The General Meeting of Shareholders will be asked to approve the following appropriation of the 2018 profit after tax: an amount of EUR 39,934,869 deducted by EUR 2,625,958 leading to an amount of EUR 37,308,911 to be paid out as a dividend.

The proposed appropriation of the result has not been included in the Company's financial statements for the year 2018.

Amsterdam, 12 March 2019

EnBW International Finance B.V.

The Board of Directors

sgd.
Mr. P.A. Berlin

sgd.
Mr. W.P. Ruoff

Supervisory Board

sgd.
Mr. I.P. Voigt

sgd.
Mr. F. van der Rhee

sgd.
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 the next page and further.

Independent auditor's report

To: the shareholders and Supervisory Board of EnBW International Finance B.V.

A. Report on the audit of the financial statements 2018

Our opinion

We have audited the financial statements 2018 of EnBW International Finance B.V., based in Amsterdam.

WE HAVE AUDITED	OUR OPINION
The financial statements which comprise: 1. the statement of financial position as at 31 December 2018; 2. the following statements for 2018: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion the enclosed financial statements give a true and fair view of the financial position of EnBW International Finance B.V. as at 31 December 2018 and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Basis for our opinion

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

We are independent of EnBW International Finance B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 40,000,000. The materiality has been calculated with reference to a benchmark of total assets (representing 1.0% of reported total assets) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of € 2,000,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF LOANS ISSUED	OUR AUDIT APPROACH
We consider the valuation of the loans, issued to EnBW AG and a current account receivable with EnBW AG, as disclosed in notes 1 of the financial statements and representing 99,9% of the balance sheet total, as a key audit matter. We identified this as a key audit matter due to the size of the loans issued and a current account receivable and due to the material impact a possible impairment may have on the income statement. Initially, loans issued and the current account receivables are recognised at its fair value and subsequently carried at amortised cost using the effective interest method. The Board of Management recognized the expected credit loss provision with regard to the loans issued to and a current account receivable with EnBW AG following the implementation of IFRS 9 (refer to page 14).	<p>We have performed detailed audit procedures addressing the valuation of the loans issued to and a current account receivable with EnBW AG.</p> <p>We have performed the following audit procedures:</p> <ul style="list-style-type: none">▶ Inspected the 2018 interim financial statements of EnBW AG and financial statements as per 31 December 2017 of EnBW AG.▶ Evaluated the information derived from credit rating agencies: Standard & Poor's, Moody's and Fitch Ratings.▶ Inspected the agreements between the company and EnBW AG.▶ Reviewed the market values of the outstanding notes.▶ Reviewed news reports on google and Reuters of the company and EnBW AG.▶ Discussed the recent developments in the financial position and cash flows of EnBW AG with the auditor of EnBW AG.▶ Searched and evaluated the information for investors on the website of EnBW AG.

	<ul style="list-style-type: none"> ▶ Discussed the recent developments in the financial position and the cash flows with the Board of Management and the Supervisory Board of the company. ▶ Assessed the adequacy of the disclosures in the financial statements as disclosed in note 1 relating to both the loans issued and current account receivable. ▶ Evaluated the probability of default rate derived from Moody's . ▶ Assessed the accuracy of the assumptions used by the company in the expected credit loss calculation and assessed the accuracy of the calculated expected credit loss.
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B. Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- ▶ the report of the Board of Management;
- ▶ the other information on page 50.

Based on the procedures as mentioned below, we are of the opinion that the other information:

- ▶ is consistent with the financial statements and contains no material deficiencies;
- ▶ includes all information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

The Board of Management is responsible for the preparation of the report of the Board of Management and the other information on page 50 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of EnBW International Finance B.V. on 13 May 2015 as of the audit for year 2015. We have operated as statutory auditor since the financial year 2015.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5 (1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

D. Description of responsibilities for the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- ▶ Concluding on the appropriateness of the Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events 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. However, future events or conditions may cause the company ceasing to continue as a going concern.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report 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 Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Amstelveen, 12 March 2019

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

sgd.
drs. M.F. Meijer RA
