

**EnBW International Finance B.V.**

Financial report 2016

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## Financial report

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## **Report of the Board of Management**

The Management of EnBW International Finance B.V. herewith submits its financial report for the year ended 31 December 2016.

### **General**

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

EnBW International Finance B.V. was founded by EnBW AG on 3 April 2001, according to Dutch law as a company with limited liability (besloten vennootschap met beperkte aansprakelijkheid). EnBW International Finance B.V. has its registered office at Herikerbergweg 122, 1101 CM Amsterdam.

### **Overview of objectives and activities**

In accordance with Article 3 of its Articles of Association, the mission, objectives and activities of the company are:

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

The activities of EnBW International Finance 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 Management is responsible for the internal control and the management of risks within EnBW International Finance B.V.

### **Activities during the period**

During the period no new loans have been issued. In October 2016 one public bond and one loan granted (both EUR 500 million) were redeemed.

**Result and other performance indicators**

	<b>2016</b> <b>(EUR million)</b>	<b>2015</b> <b>(EUR million)</b>
Net result	35	35
Net interest result	46	46
Shareholder's equity	1,167	1,167
Free cash flow	884	866
Net working capital	34	35
Solvency (equity/ total assets)	28%	25%

**Principal risks and uncertainties**

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

The company has exposure to the following risks.

***Credit risk***

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

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

***Liquidity risk***

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

***Market risk***

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

*Interest rate risk*

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

*Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in foreign currency will fluctuate because of changes in exchange rates. The net proceeds from each issue of interest-bearing loans and borrowings by the company only will be applied towards the purposes of on-lending to EnBW AG (for equal currency). Therefore the company is not exposed to currency risk on investments and borrowings that are denominated in a currency other than the functional currency of the EnBW group.

The currencies in which these transactions primarily are denominated are Euro, Swiss Francs (CHF), Japanese yen (JPY) and US dollar (USD)

*Operational risk*

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

*Sensitivity analysis*

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

*Capital management*

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

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

The company is not subject to externally imposed capital requirements

### **Future outlook and Post-balance sheet events**

It is expected that the financing activities will develop in line with the strategy of the parent company EnBW AG. No events which would be significant for assessing the net assets, financial position and result of EnBW International Finance B.V. occurred after 31 December 2016.

### **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 a negative outlook (Moody's), A- with a negative outlook (Standard & Poor's) and A- with a stable outlook (Fitch).

EnBW AG has a comfortable level of liquidity

### **Management's accountability**

Herewith the management confirms that the annual report and provides a fair presentation of the financial statements and that all relevant risks applicable to the company have been described. Furthermore the management confirms that the report of the Board of Management provides a fair presentation of the situation at 31 December 2016 and the described activities during the book year

Amsterdam, 9 March 2017

EnBW International Finance B.V.

The Board of Management

Mr. P.A. Berlin

Mr. W.P. Ruoff

Supervisory board

Mr. I.P. Voigt

Mr. F. van der Rhee

Mr. G.J. Gutekunst

## Statement of financial position as at 31 December 2016

(before appropriation of the profit)

		31 December 2016		31 December 2015	
		EUR	EUR	EUR	EUR
<b>Non-current assets</b>					
<i>Other investments</i>	1				
Loans EnBW AG	1	4,060,728,706		4,048,082,210	
Loans related companies	2	22,186,766		21,885,267	
			4,082,915,472		4,069,967,477
<b>Current assets</b>					
<i>Receivables</i>					
Loan EnBW AG	1	-		499,418,576	
Interest receivable loans EnBW AG		105,226,672		109,447,782	
Interest receivable related company		-		384,629	
Turnover tax		18,884		4,132	
Deposit office lease		4,749		4,749	
			105,250,305		609,259,868
Cash and cash equivalents	3		883,547		866,204
			4,189,049,324		4,680,093,549
<b>Shareholder's equity</b>					
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	-		-	
Undistributed result		35,003,573		35,260,982	
			1,166,717,547		1,166,974,956
<b>Long-term debts</b>					
Interest-bearing loans and borrowings	7				
Loans EnBW AG	8	2,928,298,706		2,915,652,210	
	9	22,186,766		21,885,267	
			2,950,485,472		2,937,537,477
<b>Current liabilities</b>					
Interest-bearing loans and borrowings	7	-		499,418,576	
Current account EnBW AG	10	13,297,045		13,495,975	
Corporation tax		212,359		159,738	
Accrued expenses and deferred income	11	58,336,901		62,506,827	
			71,846,305		575,581,116
			4,189,049,324		4,680,093,549

## Statement of income for the year 1 January – 31 December 2016

		2016		2015	
		EUR	EUR	EUR	EUR
Interest income and similar income	12	207,870,530		227,731,521	
Interest expense and similar expenses	13	162,320,796		182,163,349	
<b>Net interest result</b>			45,549,734		45,568,172
<b>Fees received from EnBW AG</b>	19		1,435,940		1,596,881
<b>Expenses</b>					
General expenses	14		369,917		328,498
Wages and salaries	15		91,200		49,029
Charged expenses to EnBW AG			(272,714)		(228,001)
<b>Result before corporate income tax</b>			46,797,271		47,015,527
Corporate income tax previous year			-		80,277
Corporate income tax	18		(11,793,698)		(11,834,822)
<b>Net result</b>			35,003,573		35,260,982
<b>Other comprehensive income</b>					
Items that will never be reclassified to profit or loss			-		-
Items that are or may be reclassified to profit or loss					
<b>Other comprehensive income, net of tax</b>			-		-
<b>Total comprehensive income</b>			35,003,573		35,260,982
Income for shareholder			35,003,573		35,260,982
Income for minority shareholder			-		-
<b>Total comprehensive income</b>			35,003,573		35,260,982



## Statement of cash flows for the year 1 January - 31 December 2016

	2016	2015
<b>Operating activities</b>		
Cash receipts from group companies	10,736,116	11,109,292
Cash paid to employees	(71,092)	(49,029)
Cash paid to suppliers	(357,224)	(316,522)
	<hr/>	<hr/>
Cash generated from operations	10,307,800	10,743,741
Interest paid	(163,199,377)	(190,925,941)
Interest received	164,695,115	191,652,970
Taxes paid	(11,776,009)	(11,725,470)
	<hr/>	<hr/>
<b>Cash flows from operating activities</b>	<b>27,529</b>	<b>(254,700)</b>
	<hr/>	<hr/>
<b>Investing activities</b>		
Repayment of other investments	-	-
Proceeds from other investments	500,000,000	750,000,000
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>	<b>500,000,000</b>	<b>750,000,000</b>
	<hr/>	<hr/>
<b>Financing activities</b>		
Proceeds from borrowings	-	-
Repayment of (non-) current borrowings	(500,000,000)	(750,000,000)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>	<b>(500,000,000)</b>	<b>(750,000,000)</b>
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	27,529	(254,700)
Exchange results	(10,186)	29,957
Cash and cash equivalents as 1 January	866,204	1,090,947
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<b>883,547</b>	<b>866,204</b>
	<hr/>	<hr/>

## Statement of changes in equity for the year 1 January – 31 December 2016

	Share capital	Share premium	Other reserves	Undistributed result	Total
Balance at 1 January 2015	100,000	1,131,613,974	0	34,971,931	1,166,685,905
Appropriation of the result	0	0	34,971,931	(34,971,931)	0
Dividend to shareholder	0	0	(34,971,931)	0	(34,971,931)
Result for the year	0	0	0	35,260,982	35,260,982
Balance at 31 December 2015	100,000	1,131,613,974	0	35,260,982	1,166,974,956
Balance at 1 January 2016	100,000	1,131,613,974	0	35,260,982	1,166,974,956
Appropriation of the result	0	0	35,260,982	(35,260,982)	0
Dividend to shareholder	0	0	(35,260,982)	0	(35,260,982)
Result for the period	0	0	0	35,003,573	35,003,573
<b>Balance at 31 December 2016</b>	<b>100,000</b>	<b>1,131,613,974</b>	<b>0</b>	<b>35,003,573</b>	<b>1,166,717,547</b>

## **Notes**

### **General**

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

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

The company was incorporated and started its activities on April 2, 2001. The articles of association of the company (including the memorandum of association) were notari ally executed on April 2, 2001. In 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 changed its address to 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 issue of bonds, convertible bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with the aforementioned

## **Basis of preparation**

### **(a) Statement of compliance**

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

### **(b) Basis of preparation**

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

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

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. There are no substantial judgements, estimates and assumptions in the financial statements 2016 and 2015.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. If a loan qualifies as impaired, it is measured at its impaired value, any impairment is disclosed in the income statement

## **Significant accounting policies**

### **(a) Foreign currency**

#### ***Foreign currency transactions***

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

Exchange rates applicable as at 31 December 2016 are as follows:

1 CHF = EUR 0.9312 (31 December 2015: EUR 0.9229)

1 JPY = EUR 0.0081 (31 December 2015: EUR 0.0076)

1 USD = EUR 0.9487 (31 December 2015: EUR 0.9185)

The average exchange rates in 2016 are as follows

1 CHF = EUR 0.9175 (2015: EUR 0.9372)

1 JPY = EUR 0.0083 (2015: EUR 0.0074)

1 USD = EUR 0.9040 (2015: EUR 0.9012)

**(b) Other investments**

Other investments are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, other investments are stated at amortised cost (less impairment losses if any) with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings on an effective interest basis as per inception date. Investments with duration less than one year are stated at the current assets

A loan is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment is a permanent decline in the value of an asset.

**(c) Other receivables**

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

**(d) Cash and cash equivalents**

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

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

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

**(f) Other payables**

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

**(g) Income**

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

**(h) Expenses**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested, taking into account the effective yield on these liabilities as per inception date. Other expenses are recognised in the year to which they are related

**(i) Cash-flow statement**

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

**(j) Income tax**

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

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

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

**Determination of fair values**

The fair value of the long-term interest-bearing loans and borrowings is based on their listed market price. The loans relating to EnBW Holding A.S. are based on internal calculations. The fair value of these loans and borrowings as at December 31, 2016 amounts to EUR 3,727 million (December 31, 2015: EUR 4,104 million). Facing the fact that the net proceeds from each issue of these loans and borrowings by EnBW International Finance B.V. only is applied towards the purposes of on lending to EnBW AG and that the interest rates and other interest conditions on these loans and borrowings are equal to these on the long-term loans to EnBW AG, the fair value of these non-current assets is equal to the fair value of the long-term interest-bearing loans and borrowings. The difference between the book value of the long-term loans to EnBW AG (EUR 4,061 million) and the book value of the long-term interest-bearing loans and borrowings (EUR 2,929 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, 2016 and December 31, 2015 is equal to the valuation in the balance sheet

The carrying and fair value of the assets and liabilities as at December 31, 2016 and December 31, 2015 is specified in the following overview.

Level		Carrying value 2016 (EUR million)	Fair value 2016 (EUR million)	Unrecognised gain/(loss) 2016 (EUR million)	Carrying value 2015 (EUR million)	Fair value 2015 (EUR million)	Unrecognised gain/(loss) 2015 (EUR million)
2	Loans EnBW AG (corresponding debts are listed)	2,929	3,727	798	3,415	4,104	689
3	Loan EnBW AG (GESO)	834	940	106	834	953	119
3	Loan EnBW AG (OPOLE)	298	347	49	298	343	45
3	Loans EnBW Holding AS	22	23	1	22	23	1
n a	Current Assets	92	92	0	96	96	0
n a	Cash and cash equivalents	0.9	1	0	0.9	0.9	0
1	Long-term debts (listed)	2,929	3,727	(798)	3,415	4,104	(689)
3	Loans EnBW AG (Turkey)	22	23	1	22	23	1
n a	Current liabilities	58	58	0	63	63	0

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

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

### ***Credit risk***

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

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

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

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

### ***Liquidity risk***

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

There is only a small liquidity risk facing the equal terms of the non-current assets and the long-term debts. The repayment schedules can be found on pages 20 and 27.

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

### ***Market risk***

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

### ***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 diversified in a variety of loans issued to EnBW AG in Germany, ENBW AS Holding in Turkey and private loans in Germany. The company has a minimal exposure of the concentration risk mainly because of the irrevocable and unconditional guarantee given by EnBW AG. The company has four reportable segments divided by currencies in Euro, Swiss Francs (CHF), Japanese yen (JPY) and US dollar (USD). The related income per segment is: EURO: € 197.6 million, CHF: € 3.4 million, JPY: € 6.4 million and USD: € 0.4 million.

### ***Currency risk***

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

The currencies in which these transactions primarily are denominated are Euro, Swiss Francs (CHF), Japanese yen (JPY) and US dollar (USD).



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

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

### *Capital management*

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

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

The company is not subject to externally imposed capital requirements.

## Notes to the balance sheet as 31 December 2016

### 1 Other investments

	2016 EUR	2015 EUR
Balance at 1 January	4,569,386,053	5,283,104,907
Received	(500,000,000)	(750,000,000)
Exchange differences	11,431,765	34,018,002
Other movements	2,097,654	2,263,144
	<hr/>	<hr/>
Receivables < 1 year (current assets)	4,082,915,472	4,569,386,053
	-	(499,418,576)
	<hr/>	<hr/>
Balance at 31 December	4,082,915,472	4,069,967,477
	<hr/>	<hr/>

### Loans EnBW AG

	31-12-2016 EUR	31-12-2015 EUR
1 Loan granted in 2004	497,069,673	496,782,242
2 Loan granted in 2006	-	499,418,576
3 Loan granted in 2008	748,847,176	748,300,691
4 Loan granted in 2008	162,074,554	152,590,219
5 Loan granted in 2009	589,262,970	588,974,926
6 Loan granted in 2010	834,430,000	834,430,000
7 Loan granted in 2012	298,000,000	298,000,000
8 Loan granted in 2013	93,028,423	92,132,643
9 Loan granted in 2013	92,809,673	91,933,550
10 Loan granted in 2014	498,283,271	498,125,923
11 Loan granted in 2014	99,135,370	99,109,437
12 Loan granted in 2014	98,254,974	98,180,701
13 Loan granted in 2014	49,532,622	49,521,878
	<hr/>	<hr/>
	4,060,728,706	4,547,500,786
	<hr/>	<hr/>
Recognised as		
Other investments (non-current assets)	4,060 728 706	4,048,082,210

Receivables (< 1 year) (current assets) - 499,418,576

The interest receivable on the loans is presented under current assets. The fair values of these loans can be found on page 15 of the financial report.

### ***1. Loan granted in 2004***

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2004/2025 (nominal EUR 500,000,000) by way of a loan to EnBW AG on December 9, 2004. The payment of the loan has taken place after deduction of “disagio” (EUR 3,650,000) and management and underwriting fees (EUR 2,000,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2016 EUR 291,275 (2015 EUR 280,582) 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 EnBW International Finance B.V.

### ***2. Loan granted in 2006***

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2006/2016 (nominal EUR 500,000,000) by way of a loan to EnBW AG on October 19, 2006. The payment of the loan has taken place after deduction of “disagio” (EUR 4,820,000) and management and underwriting fees (EUR 1,250,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2016 EUR 591,222 (2015 EUR 715,246) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (4.250% per annum) and has a fixed term of 10 years. Redemption of the EUR 500 million took place on 19 October 2016.

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

### ***3. Loan granted in 2008***

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2008/2018 (nominal EUR 750,000,000) by way of a loan to EnBW AG on November 20, 2008. The payment of the loan has taken place after deduction of “disagio” (EUR 2,482,500) and management and underwriting fees (EUR 2,250,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2016 EUR 553,674 (2015 EUR 524,812) is therefore credited to the profit & loss account and presented as interest income.

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

The loan bears interest at a fixed interest rate (6.875% per annum) and has a fixed term of 10 years. Redemption of the EUR 750 million takes place on 20 November 2018.

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

### ***4. Loan granted in 2008***

EnBW International Finance B.V. had diverted the proceeds from the issue of the JPY-bond 2008/2038 (nominal JPY 20,000,000,000/EUR 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 EnBW International Finance B.V.

### ***5. Loan granted in 2009***

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2009/2039 (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 2016 EUR 290,518 (2015 EUR 180,616) 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 EnBW International Finance B.V.

### ***6. Loan granted in 2010***

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

The loan bears interest at a fixed interest rate (4.130% 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.

### ***7. Loan granted in 2012***

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

The loan bears interest at a fixed interest rate (3.670% 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.

### ***8. Loan granted in 2013***

EnBW International Finance B.V. had diverted the proceeds from the issue of a CHF-bond 2013/2018 (nominal CHF 100,000,000/EUR 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 2016 CHF 62,374 (2015: CHF 61,565) is therefore credited to the profit & loss account and presented as interest income.

The loan bears interest at a fixed interest rate (1.250% per annum) and has a fixed term of 5 years. Redemption of the CHF 100 million takes place on 12 July 2018.

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

### ***9. Loan granted in 2013***

EnBW International Finance B.V. had diverted the proceeds from the issue of a CHF-bond 2013/2023 (nominal CHF 100,000,000/EUR 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 2016 CHF 47,144 (2015: CHF 46,081) 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 EnBW International Finance B.V.

***10. Loan granted in 2014***

EnBW International Finance B V. had diverted the proceeds from the issue of the Eurobond 2014/2026 (nominal EUR 500,000,000) by way of a loan to EnBW AG on June 4, 2014. The payment of the loan has taken place after deduction of “disagio” (EUR 870,000) and management and underwriting fees (EUR 1,250,000). These amounts will be calculated on the basis of the remaining term of the loan. For 2016 EUR 159,508 (2015: EUR 157,715) 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 EnBW International Finance B.V.

***11. Loan granted in 2014***

EnBW International Finance B V. had diverted the proceeds from the issue of the Eurobond 2014/2039 (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 2016 EUR 26,287 (2015: EUR 25,842) 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 EnBW International Finance B.V.

***12. Loan granted in 2014***

EnBW International Finance B V. had diverted the proceeds from the issue of the Eurobond 2014/2034 (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 2016 EUR 75,288 (2015: EUR 74,106) 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

## EnBW International Finance B.V.

the prescribed and punctual payment of capital and interest of the Eurobond issued by EnBW International Finance B.V.

### *13. Loan granted in 2014*

EnBW International Finance B.V. had diverted the proceeds from the issue of the Eurobond 2014/2044 (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 2016 EUR 10,891 (2015: EUR 10,726) 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 100 million takes place on 1 August 2044.

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

### **Terms and investment repayment schedule**

	Total	Within 1	2-5 years	More than
	EUR 1,000	year	EUR 1,000	5 years
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Loan granted in 2004	719,375	24,375	97,500	597,500
Loan granted in 2008	853,125	51,563	801,562	
Loan granted in 2008	301,398	6,309	25,236	269,854
Loan granted in 2009	1,445,250	36,750	147,000	1,261,500
Loan granted in 2010	972,278	34,462	937,816	
Loan granted in 2012	363,619	10,937	43,746	308,936
Loan granted in 2013	95,470	1,164	94,305	
Loan granted in 2013	107,811	2,095	8,383	97,332
Loan granted in 2014	625,000	12,500	50,000	562,500
Loan granted in 2014	170,840	3,080	12,320	155,440
Loan granted in 2014	151,750	2,875	11,500	137,375
Loan granted in 2014	90,600	1,450	5,800	83,350
	<hr/>	<hr/>	<hr/>	<hr/>
	5,896,516	187,560	2,235,168	3,473,787
	<hr/>	<hr/>	<hr/>	<hr/>

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

## **2 Loans related companies**

	<b>2016 EUR</b>	<b>2015 EUR</b>
Balance at 1 January	21,885,267	20,936,554
Exchange differences	301,499	948,713
	<hr/>	<hr/>
Balance at 31 December	<u>22,186,766</u>	<u>21,885,267</u>

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

### **1. Loan USD 10,000,000**

On 11 July 2013 the proceeds of a loan issued by EnBW AG in the amount of EUR 9,486,766 (USD 10,000,000) have been lent to EnBW Holding AS. The interest is 4.13% and the repayment date is 11 July 2018.

### **2. Loan EUR 12,700,000**

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

The repayment of both loans is guaranteed by EnBW AG.

## **3 Cash and cash equivalents**

	<b>31-12-2016 EUR</b>	<b>31-12-2015 EUR</b>
Deutsche Bank AG (current accounts)	324,342	833,561
BW Bank (current accounts)	559,205	32,643
	<hr/>	<hr/>
	<u>883,547</u>	<u>866,204</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 (2015: 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.

	2016 EUR	2015 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**

	2016 EUR	2015 EUR
Balance as at 1 January	–	–
Dividend to shareholder	(35,260,982)	(34,971,931)
Result for the year 2015 (2014)	<u>35,260,982</u>	<u>34,971,931</u>
Balance as at 31 December	<u>–</u>	<u>–</u>

## **7 Long-term debts**

	<b>2016 EUR</b>	<b>2015 EUR</b>
Balance at 1 January	3,436,956,053	4,150,674,907
Repayments of loans	(500,000,000)	(750,000,000)
Exchange differences	11,431,765	34,018,002
Other movements	2,097,654	2,263,144
	<hr/>	<hr/>
Repayments due < 1 year	2,950,485,472 -	3,436,956,053 (499,418,576)
	<hr/>	<hr/>
Balance at 31 December	2,950,485,472	2,937,537,477
	<hr/>	<hr/>

## **8 Interest-bearing loans and borrowings**

	<b>31-12-2016 EUR</b>	<b>31-12-2015 EUR</b>
1 Eurobond 2004/2025	497,069,673	496,782,242
2 Eurobond 2006/2016	-	499,418,576
3 Eurobond 2008/2018	748,847,176	748,300,691
4 JPY-bond 2008/2038	162,074,554	152,590,219
5 Eurobond 2009/2039	589,262,970	588,974,926
6 CHF-bond 2013/2018	93,028,423	92,132,643
7 CHF-bond 2013/2023	92,809,673	91,933,550
8 Eurobond 2014/2026	498,283,271	498,125,923
9 Eurobond 2014/2039	99,135,370	99,109,437
10 Eurobond 2014/2034	98,254,974	98,180,701
11 Eurobond 2014/2044	49,532,622	49,521,878
	<hr/>	<hr/>
	2,928,298,706	3,415,070,786
	<hr/>	<hr/>
Recognised as		
Interest-bearing loans and borrowings (long-term debts)	2,928,298,706	2,915,652,210
Interest-bearing loans and borrowings (current liabilities) (< 1 year)	-	499,418,576

The fair values of these loans can be found on page 15 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 2016 EUR 291,275 (2015: EUR 280,582) 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 EnBW International Finance B.V.

### ***2. Eurobond 2006/2016***

The company has issued on 19 October 2006 500,000 Eurobonds in the amount of EUR 1,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 4,820,000) and management and underwriting fees (EUR 1,250,000). This amount will be calculated on the basis of the remaining term of the bond. For 2016 EUR 591,222 (2015: EUR 715,246) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (4.250% per annum) and have a fixed term of 10 years. Redemption of the EUR 500 million took place on 19 October 2016.

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

### ***3. Eurobond 2008/2018***

The company has issued on 20 November 2008 15,000 Eurobonds in the amount of EUR 50,000 each. The proceeds of the bonds were decreased with “disagio” (EUR 2,482,500) and management and underwriting fees (EUR 2,250,000). This amount will be calculated on the basis of the remaining term of the bond. For 2016 EUR 553,674 (2015: 524,812) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (6.875% per annum) and have a fixed term of 10 years. Redemption of the EUR 750 million takes place on 20 November 2018.

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

### ***4. JPY-bond 2008/2038***

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

The bonds bear interest at a fixed interest rate (3.880% 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 EnBW International Finance B.V.

### ***5. 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 2016 EUR 290,518 (2015 EUR 180,616) is therefore debited to the profit & loss account and presented as interest expenses.

The bonds bear interest at a fixed interest rate (6 125% per annum) and have a fixed term of 30 years. Redemption of the EUR 600 million takes place on 7 July 2039.

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

### ***6. 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 2016 CHF 62,374 (2015: CHF 61,565) is therefore debited to the profit & loss account and presented as interest expenses. The loan bears interest at a fixed interest rate (1.250% per annum) and has a fixed term of 5 years. Redemption of the CHF 100 million takes place on 12 July 2018.

EnBW AG has provided no securities, but has taken over the irrevocable and unconditional guarantee (towards Credit Suisse AG and the Royal bank of Scotland Plc) for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the CHF-bond issued by EnBW International Finance B.V.

### ***7. 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 2016 CHF 47,144 (2015: CHF 46,081) 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 EnBW International Finance B.V.

#### ***8. 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 2016 EUR 159,508 (2015: EUR 157,715) 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 EnBW International Finance B.V.

#### ***9. 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 2016 EUR 26,287 (2015: EUR 25,842) 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 EnBW International Finance B.V.

#### ***10. 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 2016 EUR 75,288 (2015: EUR 74,106) 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 EnBW International Finance B.V.

### ***11. Eurobond 2014/2044***

The company has issued on 1 August 2014 5,000 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 2016 EUR 10,891 (2015: EUR 10,726) 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 100 million takes place on 1 August 2044.

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

### **Terms and debt repayment schedule**

	<b>Total</b>	<b>Within 1</b>	<b>2-5 years</b>	<b>More than</b>
	<b>EUR 1,000</b>	<b>year</b>	<b>EUR 1,000</b>	<b>5 years</b>
	<b>EUR 1,000</b>	<b>EUR 1,000</b>	<b>EUR 1,000</b>	<b>EUR 1,000</b>
Secured bond issues				
Eurobonds 2025	719,375	24,375	97,500	597,500
Eurobonds 2018	853,125	51,563	801,562	
JPY-bonds 2038	326,604	6,837	27,346	292,422
Eurobonds 2039	1,445,250	36,750	147,000	1,261,500
CHF bonds 2018	94,766	1,156	93,611	
CHF bonds 2023	102,946	2,080	8,321	92,545
Eurobonds 2026	625,000	12,500	50,000	562,500
Eurobonds 2039	170,840	3,080	12,320	155,440
Eurobonds 2034	151,750	2,875	11,500	137,375
Eurobonds 2044	90,600	1,450	5,800	83,350
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>4,580,256</b>	<b>142,666</b>	<b>1,254,960</b>	<b>3,182,632</b>
	<hr/>	<hr/>	<hr/>	<hr/>

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

## **9 Loans EnBW AG**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Balance at 1 January	21,885,267	20,936,554
Exchange differences	301,499	948,713
	<hr/>	<hr/>
Balance at 31 December	<u>22,186,766</u>	<u>21,885,267</u>

In 2013 the company received two loans from its shareholder.

### **1. Loan USD 10,000,000**

On 11 July 2013 the proceeds of a loan issued by EnBW AG in the amount of EUR 9,486,766 (USD 10,000,000) have been lent to EnBW Holdings AS. The interest is 4.10% and the repayment date is 11 July 2018. No securities have been provided.

### **2. Loan EUR 12,700,000**

On 19 December 2013 the proceeds of a loan issued by EnBW AG in the amount of EUR 12,700,000 have been lent to EnBW Holdings AS. The interest is 4.10% and the repayment date is 19 December 2018. No securities have been provided.

## **10 Current account EnBW AG**

	<b>31-12-2016</b>	<b>31-12-2015</b>
	<b>EUR</b>	<b>EUR</b>
EnBW AG	13,297,045	13,495,975
	<hr/>	<hr/>

The interest on this current account is EONIA + 0.400% for liabilities and EONIA flat for receivables (2015: EONIA + 0.400% for liabilities and EONIA flat for receivables). No securities are provided.

**11 Accrued expenses and deferred income**

	<b>31-12-2016</b>	<b>31-12-2015</b>
	<b>EUR</b>	<b>EUR</b>
Interest bond loans	57,324,559	61,545,669
Interest loans EnBW AG	924,818	909,758
Auditors' and consultants' fees	65,050	43,400
Management fees	17,052	8,000
Other accrued expenses	5,422	-
	<hr/>	<hr/>
	<b>58,336,901</b>	<b>62,506,827</b>
	<hr/>	<hr/>



## Notes to statement of income for the year 2016

### 12 Interest income and similar income

	Year ended 31 December 2016 EUR	Year ended 31 December 2015 EUR
Loans EnBW AG	206,743,936	226,589,906
Loans EnBW Holding AS	931,585	916,415
Interest corporation tax	195,009	195,234
Exchange rate differences	-	29,966
	<u>207,870,530</u>	<u>227,731,521</u>

### 13 Interest expense and similar expenses

	Year ended 31 December 2016 EUR	Year ended 31 December 2015 EUR
Interest bond loans	161,345,377	181,191,347
Interest loan EnBW AG	924,818	909,758
Current account EnBW AG	17,890	38,304
Bank charges	7,041	23,940
Exchange rate differences	25,670	-
	<u>162,320,796</u>	<u>182,163,349</u>

### 14 General expenses

	Year ended 31 December 2016 EUR	Year ended 31 December 2015 EUR
Auditors' fees	61,490	78,500
Consultants' fees	65,855	64,795
Management fees and administrative expenses	166,678	106,836
Office rent	19,964	24,248
Other general expenses	55,930	54,119
	<u>369,917</u>	<u>328,498</u>

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

	<b>31 December 2016</b>	<b>31 Dec. 2015</b>
	<b>EUR</b>	<b>EUR</b>
	<b>BDO Audit &amp; Assurance B.V.</b>	<b>BDO Audit &amp; Assurance B V</b>
Audit annual accounts	41,750	41,750
Audit annual accounts previous year	-	11,500
Other audit assignment	19,740	7,500
Other non-audit services	-	17,750
	<u>61,490</u>	<u>78,500</u>

## **15 Wages and salaries**

	<b>Year ended 31 December 2016 EUR</b>	<b>Year ended 31 December 2015 EUR</b>
Salaries	82,809	36,513
Social security's premiums	8,391	12,516
	<u>91,200</u>	<u>49,029</u>

## **16 Remuneration**

Over the period of 1 January 2016 to 31 December 2016 the company paid a fixed salary in the amount of EUR 19,042 (2015 EUR 18,208) remuneration for its board of directors. No other remunerations were provided

The remuneration for services provided by the supervisory board in 2016 amounted to EUR 38,000 (2015 EUR 38,000) and is provided in the form of a fixed remuneration. No other remunerations were provided.

## **17 Average number of employees**

The company employs four staff members in the Netherlands (2015: three staff members).

## **18 Corporate income tax**

EnBW International Finance B.V. constitutes a financing company for EnBW AG and provides and co-ordinates beneficial services to EnBW AG. In return for this EnBW AG pays a loan management fee.

In October 2013 the tax advisor filed a (new) Advance Pricing Agreement (APA) request. In December 2013 the fiscal authorities had granted this request. This ruling covers all loans granted up to and including December 31, 2018. The taxable profit for the financial year 2016 can be calculated as follows:

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Loan management fee	1,435,940	1,602,990
Interest income loans not included in APA	45,549,734	45,593,793
Deductible costs	(184,003)	(177,404)
Taxable profit	46,801,671	47,019,379
Corporate income tax (payable)	11,691,945	11,744,843
Turkish withholding tax	103,280	91,642
Creditable withholding tax	(1,527)	(1,663)
Total corporate income tax due (effective rate 25.20%)	11,793,698	11,834,822

The applicable CIT rates are 20% for the first bracket of EUR 200,000 and 25% for the second bracket of EUR 46,601,671

To date the tax returns, those have been filed up to and including 2015, are settled up to and including 2014.

The current APA agreement will expire on 31 December 2018

## **19 Transactions with related parties**

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

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

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

The issued notes are unconditionally and irrevocably guaranteed by EnBW AG. EnBW International Finance B V received remuneration for her financing activities from EnBW AG (EUR 1.40 million).

The company has provided two intercompany loans (USD 10 million and EUR 12,7 million) to EnBW Holding AS.

The company has received two intercompany loans (USD 10 million and EUR 12,7 million) from EnBW AG.

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

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

For transactions with board of directors see note 16.

## **20 Off balance commitments**

EnBW International Finance B V. 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. The commitment as at 31 December 2016 amounts EUR 13,450.

## **21 Forthcoming requirements and Post-balance sheet events.**

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

- IFRS 9 Financial Instruments and subsequent amendments Not yet endorsed Effective date: 1 January 2018 (postponed)
- IFRS 15 Revenue recognition. Effective date. 1 January 2018.
- IFRS 16 Leases. Effective date 1 January 2019.

The company is assessing the potential impact on its financial statements resulting from the application of IFRS 9, IFRS 15 and IFRS 16.

No events which would be significant for assessing the net assets, financial position and result of EnBW International Finance B.V. occurred after 31 December 2016.

## **22 Appropriation of result**

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2016 profit after tax: an amount of EUR 35,003,573 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 2016.

Amsterdam, 9 March 2017

EnBW International Finance B.V.

The Board of Management

Mr P.A. Berlin                      Mr. W P Ruoff

Supervisory board

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

## **Other information**

### **Provisions in the articles of association concerning the appropriation of profits**

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

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

### **Auditors' report**

The auditors' report is shown on page 39 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 2016

#### Our opinion

We have audited the financial statements 2016 of EnBW International Finance B.V., based in Amsterdam.

WE HAVE AUDITED	OUR OPINION
<p>The financial statements which comprise:</p> <ol style="list-style-type: none"><li>1. the statement of financial position as at 31 December 2016;</li><li>2. the following statements for 2016: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and</li><li>3. the notes comprising a summary of the significant accounting policies and other explanatory information.</li></ol>	<p>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 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.</p>

#### Basis for our opinion

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

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

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

#### Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 15,000,000. The materiality is based on the benchmark total assets (representing 1.0% of reported total assets). The group auditor also has given an amount in the group audit instructions. We used the lowest of the benchmark of total assets and the amount given in the group audit instructions, which resulted in using a materiality level of € 15,000,000. 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 € 500,000, 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, 2 and 3 of the financial statements and representing 99.98% 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 an impairment may have on the income statement. Initially, loans issued and the current account receivable are recognised at its fair value and subsequently measured at amortised cost using the effective interest method. The Board of Management did not identify objective evidence of an impairment with regard to the loans issued to and a current account receivable with EnBW AG.	We have performed detailed audit procedures addressing the valuation of the loans issued to and a current account receivable with EnBW AG. We have performed the following audit procedures: <ul style="list-style-type: none"><li>• Inspected the 2016 interim financial statements of EnBW AG and financial statements as per 31 December 2015 of EnBW AG.</li><li>• Evaluated the information derived from credit rating agencies: Standard &amp; Poor's, Moody's and Fitch Ratings.</li><li>• Inspected the agreements entered into between the company and EnBW AG.</li><li>• Reviewed the market values of the outstanding notes.</li><li>• Discussed the recent developments in the financial position and cash flows with the auditor of EnBW AG.</li><li>• Searched and evaluated the information for investors on the website of EnBW AG.</li><li>• Discussed the recent developments in the financial position and the cash flows with the Board of Management and the Supervisory Board of the company.</li><li>• Assessed the adequacy of the disclosures in the financial statements relating to both the loans issued and current account receivable.</li></ul>

### 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 38.

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 other information including the preparation of the Board of Management report and the other information on page 38 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 and have operated as statutory auditor ever since that date.

### **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 scepticism 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.

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, 9 March 2017

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

sgd.  
drs. M.F. Meijer RA