

EnBW International Finance B.V.

EnBW International Finance B.V.

Annual report 2023

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Annual Report

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Report of the Board of Management

The Directors of EnBW International Finance B.V. herewith submit its annual report for the period from 1 January to 31 December 2023.

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 or the Shareholder’) in Germany. EnBW AG is part of the EnBW Group.

The Company was founded by EnBW AG on 2 April 2001, under the 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, The Netherlands.

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 Board of Directors of the Company consists of two board members and is responsible for the strategic orientation, operational guidance, internal control and the management of risks within the Company. The Board of Directors holds at least five formal board meetings per year to monitor and exercise control to ensure that the Company is compliant with laws and regulations. Beside the formal board meetings, the board members interact frequently and have contact with the staff members to be updated about the day-to-day activities and management of the Company.

The Supervisory Board consists of three members, and the Audit Committee consists of three members including an independent chairman. The Supervisory Board and Audit Committee hold at least two meetings per year to supervise the management of the Company.

The Company employs three staff members.

Good Corporate Governance and Code of Conduct

The Company follows good corporate governance practice and applies Code of Conduct of EnBW AG to cover fraud prevention and detection, anti-corruption aspects and violations of laws and regulations.

Report and control management

EnBW AG is a stock-listed entity and has a corporate governance policy in place. It is sufficiently transparent and is bound to the strict regulations of the Frankfurt stock exchange and the regulated market of Stuttgart. The Company is a direct subsidiary and a financing vehicle of EnBW AG and therefore must adhere to its corporate governance policy. The Company itself must comply to the legislations and regulations set by The Dutch Central Bank (DCB) and Dutch Authority for the Financial Markets (AFM). In this regard, it should be noted that also the third party service providers engaged are under supervision of the DCB and the AFM.

The company's risk management approach is based on EnBW AG's framework of Integrated Risk Management (IRM). The IRM Process does identify, assess, review and report relevant risks and opportunities and their subsequent measures on a yearly basis, at least. A risk management meeting is held regularly by the Company with the risk management team of EnBW AG to comply with the mentioned procedure.

To mitigate fraud risks, the Company has implemented measures to prevent frauds taking place. The Company can be represented jointly by the two managing directors to ensure the 4-eyes principles when binding the Company legally. The Supervisory Board is involved with the Board of Directors when important economic decisions have to be taken. The Company applies 4-eyes principles by its staff members to ensure that the day-to-day activities are compliant from legal and compliance perspectives. From accounting perspectives, the Company makes use of an accounting software system with its own ISAE audit, which prevents deletion of posted accounting entries. From segregation of duties perspectives, the Board of Directors assigns posting and review roles of accounting entries to two different persons within the Company as mitigating measures to accounting fraud. Furthermore, the Company uses third party service providers which have their own Standard ISAE 3402 reports describing among others the control environment and control objectives which the Board of Directors of the Company can rely on as one of the control measures.

Activities during the year

On 11 January 2023, the Board of Managing Directors resolved to issue additional bonds in a total amount of up to EUR 2 billion under the Company's existing EUR 10,000,000,000 Debt Issuance Programme. The Supervisory Board and the Shareholder of the Company have approved said board resolution on 12 January 2023 by way of execution of written resolutions.

On 24 January 2023, the Company issued two senior bonds for a total volume of EUR 1.25 billion. The two bonds have a principal amount of EUR 500 million and EUR 750 million and a term of 5.5 years and 12 years, respectively, combined with coupons of 3.5% and 4.0%.

On 28 March 2023, the Board of Managing Directors resolved to update the Company's Debt Issuance Programme for the issuance, offer and sale of notes issued by the Company up to an aggregate principal amount of EUR 10,000,000,000. The Supervisory Board and the Shareholder of the Company have approved said resolutions on the same date by way of execution of written resolutions.

On 17 May 2023, the Board of Managing Directors resolved to issue additional bonds in a total amount of up to EUR 750 million equivalent in CHF notes. The notes are to be listed on the SIX Swiss Stock Exchange. The Supervisory Board and the Shareholder of the Company have approved said resolutions on the same date by way of execution of written resolutions. Subsequently on 15 June 2023, the Company issued two senior CHF bonds in the amounts of CHF 165 million and CHF 245 million and a term of 3 years and 6 years, respectively, combined with coupons of 2.25% and 2.625%.

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The Company repaid the CHF note due on 12 July 2023 in the total amount of CHF 100 million.

On 28 October 2023, the OPOLE loan in the amount of EUR 298 million matured. EUR 198 million has been settled by way of setoff against a share premium repayment in the same amount. EUR 100 million has been renewed by entering into a new loan for a duration of ten years at an interest rate of 4.64% per annum based on market conditions.

On 14 November 2023, the Board of Managing Directors resolved to issue additional bonds in a total amount of up to EUR 3 billion under the Company's existing EUR 10,000,000,000 Debt Issuance Programme. On the same date, the Supervisory Board and the Shareholder of the Company have approved said board resolution by way of execution of written resolutions.

On 23 November 2023, the Company issued two green bonds for a total volume of EUR 1.5 billion. The two bonds have a principal amount of EUR 650 million and EUR 850 million and a term of 6.5 years and 10.5 years, respectively, combined with coupons of 3.85% and 4.3%.

During the year under review, the Company continued to make use of the Commercial Paper (CP) programme to fulfil short-term financial needs of EnBW AG.

The accumulated volume of CP issued during the year was in a total amount of EUR 190 million divided in 3 short-term EUR notes. As per balance sheet date, all commercial papers have been repaid.

A provision for expected credit losses was updated during the year as disclosed in the "financial assets" paragraph in the financial statement. No other impairments on loans or interest receivables were considered to be necessary.

Result and financial performance indicators

	Period ended 31 December 2023 (EUR million)	Year ended 31 December 2022 (EUR million)
Net result	29	(19)
Net interest result	3	4
Shareholder's equity	110	278
Total issued loans	8,808	5,917
Total issued bonds	8,708	5,641
Free cash	0.9	2.7
Net working capital	10	299
Solvency (equity/ total assets)	1%	4%

Non-financial performance indicators

The Company is the financing entity of the EnBW Group and follows the ESG approach of EnBW AG. Non-financial performance indicators are an important element of EnBW Group's corporate strategy.

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The EnBW Group's non-financial indicators are classified into the following goal dimensions:

1. Customers and society goal dimension measured with:
 - a. Reputation index
 - b. EnBW/ Yello Customer Satisfaction Index
 - c. SAIDI (electricity) in min./ year
2. Environmental goal dimension measured with:
 - a. Installed output of renewable energies (RE) in GW and the share of the generation capacity accounted for by RE in %
 - b. CO₂ intensity in g/kWh
3. Employees goal dimension measured with:
 - a. People Engagement Index (PEI)
 - b. Lost Time Injury Frequency (LTIF)

Corporate Sustainability Reporting

The Corporate Sustainability Reporting Directive entered into force in 2023 starting with a reporting obligation for multinational groups over financial year 2024 in 2025. The Company is exempted from the reporting requirements, as its sustainability reporting is included in the consolidated sustainability reporting carried out by its parent company EnBW AG at group level.

Significant risks and uncertainties

The significant 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 which 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 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 total value of the loans to EnBW AG including accrued interest per 31 December 2023 amounted to EUR 8.9 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 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 31 and 36.

Cash flow movements on a gross basis may be larger during periods of volatile commodity prices when short-term financing activities increase.

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EnBW AG has taken over the irrevocable and unconditional guarantee 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 one loan outstanding to EnBW AG ("OPOLE") which is not on-lending loan from debt and is therefore subject to potential consequences of the above-mentioned market risks. This loan was financed by equity and matured on 28 October 2023. EUR 198 million has been settled by way of setoff against a share premium repayment in the same amount. EUR 100 million has been renewed by entering into a new loan for a duration of ten years at an interest rate of 4.64% per annum based on market conditions. The renewal of the loan has been accounted for as a substantial modification based on quantitative- and qualitative factors. The fair value of this loan per 31 December 2023 amounted to EUR 109 million (31 December 2022: EUR 295 million).

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. As all loans are in one geographic area (Germany), and as all loans are issued to the same borrower only, the Company has a significant exposure to concentration risk.

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 loan granted 2012, which has been reduced to EUR 100 million and now bears an interest rate of 4.64%. Therefore, the Company is not significantly 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 will only 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 Company.

The currencies in which these transactions primarily are denominated are Euro (EUR), Swiss Francs (CHF) and Japanese Yen (JPY).

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 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.

Political risk from the Russia-Ukraine and Middle East Conflicts

Throughout 2021, tensions between Russia and Ukraine escalated due to the Russian military build-up along the Ukrainian border. On 24 February 2022, Russia initiated a full-scale military invasion of Ukraine, leading to widespread condemnation and the imposition of sanctions. The conflict resulted in natural gas supply cuts, necessitating the procurement of replacement gas at higher prices, particularly impacting group company VNG, which had two gas supply contracts. As of 31 December 2022 both supply contracts were terminated, thus reducing EnBW's exposure to Russian gas to zero. EnBW AG concluded the year 2022 with very strong results due to its diversified business model.

Despite the Company's reliance on EnBW AG, it experienced minimal disruption from the Russia-Ukraine war in 2022 and 2023, maintaining regular operations, including timely repayments of Commercial Papers transactions, interests, salaries, and related taxes.

The conflict in the Middle East led to increased commodity prices in 2023. Briefly after 7 October 2023, the conflict in the Middle East caused a surge in oil prices. Additionally, concerns arose that Iran, amidst the escalating conflict, might blockade the Strait of Hormuz, a crucial passage for LNG deliveries from Qatar. Consequently, natural gas and LNG prices rose, indirectly driving up coal prices.

EnBW's strategy with the integrated setup along the value chain demonstrates resilience in times of crisis. The geopolitical developments and high volatility in markets increase uncertainty regarding statements about future developments. Therefore, EnBW continuously monitors and assesses conditions regarding possible impacts on its business.

Sensitivity analysis

The concentration risk is significant, cannot be avoided and can only be mitigated by a solid operation and management of the parent company. The parent company reports publicly on a quarterly basis and key figures, update of the business and upcoming transactions are being discussed on a regular basis by the Board of Directors of the Company.

Capital management

The policy of EnBW AG is to maintain a strong capital base and solid investment grade ratings aiming to maintain investors'-, creditors'- 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 operational expenses of the Company, given that the expenses arising from the financing activities are recharged to EnBW AG.

The loans payable are mirrored by loans receivables with identical characteristics. No impairments are to be expected except for the provision as recognized in line with IFRS 9.

There were no changes in the Company's approach to capital management during the year ended 31 December 2023.

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 male members and no female member. The Supervisory Board consists of three male members and no female member.

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. The Board of Directors and the Supervisory Board aim to have at least one third of the Board of Directors and Supervisory Board consisting of females.

However, as gender is only part of diversity, the Board of Directors will not only reflect gender in their selection process but continue to select their members also based on their background, knowledge and experience.

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Rights of the Shareholder

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 in addition to – one or more general or special reserve funds.

The Company can only make profit distributions to the Shareholder and other parties entitled to the distributable profit insofar as the Shareholder's equity exceeds the issued and paid-up capital plus the legally required reserves. The decision lies with the Shareholders' Meeting and is subject to the cooperation of the Board of Directors.

The authority to appoint and dismiss the members of the Supervisory Board and the Board of Directors lies with the General Meeting of Shareholders.

Post-balance sheet events

No other events which would be significant for assessing the net assets, financial position and result of the Company occurred after 31 December 2023.

Future outlook

It is expected that the financing activities will develop in line with the strategy of EnBW AG.

Going concern

The Board of Directors carried out a going concern assessment and is not aware of any material uncertainties that may cause reasonable doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements have been prepared on the basis of the going concern assumption.

Activities in the field of research and development

The Company is not engaged in such activities.

Market environment

The Company issues bonds under the guarantee of EnBW AG and is therefore exposed to the market conditions which affect EnBW AG as well.

The long-term credit ratings of EnBW AG are Baa1 with stable outlook (2022: Baa1 stable) (Moody's) and A- with stable outlook (2022: A- negative) (Standard & Poor's).

EnBW AG has a comfortable level of liquidity.

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Board of Directors' accountability

Herewith the Board of Directors confirms that the financial statements provide 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 as per 31 December 2023 and the described activities during the year.

Amsterdam, 13 March 2024

EnBW International Finance B.V.

The Board of Directors

sgd.

P.A. Berlin

sgd.

W.P. Ruoff

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Financial statements

Statement of financial position

(before appropriation of the profit)

	<i>Note</i>	31 December 2023		31 December 2022	
		EUR	EUR	EUR	EUR
Non-current assets					
<i>Investments</i>					
Loans EnBW AG	1.1a	8,807,781,943		5,518,799,119	
Deferred tax assets	16	126,296		516,000	
			8,807,908,239		5,519,315,119
Current assets					
Loans EnBW AG	1.1b	-		1,107,899,446	
Interest receivable loans EnBW AG	2	116,616,966		70,038,286	
Current account EnBW AG	3	3,252,272		-	
Corporation tax		2,414,423		2,733,344	
Turnover tax		19,529		10,567	
Deposit office lease		4,749		4,749	
			122,307,939		1,180,686,392
Cash and cash equivalents	4		899,327		2,689,049
			8,931,115,505		6,702,690,560
Shareholder's equity					
Issued and paid-up share capital	5	100,000		100,000	
Share premium reserve	6	99,183,974		297,183,974	
Other reserves	7	(18,844,449)		-	
Undistributed result		29,149,144		(18,844,449)	
			109,588,669		278,439,525
Non-current liabilities					
Interest-bearing loans and borrowings	8.1	8,708,264,918		5,539,468,970	
			8,708,264,918		5,539,468,970
Current liabilities					
Interest-bearing loans and borrowings	8.2	-		814,028,279	
Interest payable on loans and borrowings	8.3	113,133,283		65,858,845	
Current account EnBW AG	3	-		4,784,336	
Accrued expenses	9	128,635		110,470	
			113,261,918		884,782,065
			8,931,115,505		6,702,690,560

The notes on page 16 to 45 are integral part of the financial statements.

Statement of income

Continuing operations	Note	2023	2022
		EUR	EUR
Interest income and similar income	10	209,262,607	123,089,371
Interest expense and similar expenses	11	(205,788,770)	(118,684,292)
Net interest result		3,473,837	4,405,079
Fees received from EnBW AG	17	4,013,246	3,116,938
Expenses			
General expenses	12	666,616	577,333
Wages and salaries	13	141,312	141,148
(Decrease) / increase expected credit loss	18	(24,570,171)	24,247,800
Result before corporate income tax		31,249,326	(17,444,264)
Corporate income tax	16	(2,100,182)	(1,400,185)
Net result		29,149,144	(18,844,449)
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/(loss), net of tax		-	-
Total comprehensive income/(loss)		29,149,144	(18,844,449)

The notes on page 16 to 45 are integral part of the financial statements.

Statement of cash flows

(expressed in Euros)

	<i>Note</i>	1 January - 31 December 2023	1 January - 31 December 2022
Operating Activities			
Cash receipts from group companies		2,340,655	8,884,138
Cash paid to employees		(98,827)	(122,708)
Cash paid to suppliers		(812,658)	(1,475,775)
		<hr/>	<hr/>
Cash generated from operations		1,429,170	7,285,655
Interest paid	8	(154,498,187)	(111,728,584)
Interest received	2	154,525,885	111,723,527
Taxes paid		(1,302,749)	(3,453,115)
		<hr/>	<hr/>
Cash flows from/(used in) operating activities		154,119	3,827,483
		<hr/>	<hr/>
Investment activities			
Repayment of loans issued to group company	1	1,005,773,779	5,510,000,000
Loans issued to group company	1	(3,346,132,555)	(6,973,876,394)
		<hr/>	<hr/>
Cash flows from/(used in) investment activities		(2,340,358,776)	(1,463,876,394)
		<hr/>	<hr/>
Financing activities			
Proceeds from borrowings	8	3,346,132,555	7,023,876,394
Repayment of (non-) current borrowings	8	(1,005,773,779)	(5,560,000,000)
Netting current account group company	3	(1,916,227)	(1,775,884)
		<hr/>	<hr/>
Cash flows from/(used in) financing activities		2,338,442,549	1,462,100,510
		<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents		(1,762,108)	2,051,599
Exchange results		(27,614)	3,227
Cash and cash equivalents as 1 January	4	2,689,049	634,223
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	4	899,327	2,689,049
		<hr/>	<hr/>

The notes on page 16 to 45 are integral part of the financial statements.

Statement of changes in equity

(expressed in Euros)

	<i>Note</i>	Share capital	Share premium	Other reserves	Undistributed result	Total
Balance at 1 January 2022	5, 6, 7	100,000	297,183,974	-	14,470,900	311,754,874
Appropriation of the result		-	-	14,470,900	(14,470,900)	-
Distribution to shareholder	5, 6, 7	-	-	(14,470,900)	-	(14,470,900)
Net result and total comprehensive income		-	-	-	(18,844,449)	(18,844,449)
Balance at 31 December 2022	5, 6, 7	100,000	297,183,974	-	(18,844,449)	278,439,525
Balance at 1 January 2023	5, 6, 7	100,000	297,183,974	-	(18,844,449)	278,439,525
Appropriation of the result		-	-	(18,844,449)	18,844,449	-
Distribution to shareholder	5, 6, 7	-	(198,000,000)	-	-	(198,000,000)
Net result and total comprehensive income		-	-	-	29,149,144	29,149,144
Balance at 31 December 2023	5, 6, 7	100,000	99,183,974	(18,844,449)	29,149,144	109,588,669

The notes on page 16 to 45 are integral part of the financial statements.

Notes

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, hereinafter ‘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, whereas EnBW AG holds 100% of the issued shares.

The Company was incorporated and started its activities on April 2, 2001. The Company’s registered address is Herikerbergweg 122, 1101 CM Amsterdam, The Netherlands. The registration 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 (hereafter referred as investment activities);
- 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.

These financial statements of the Company were authorized for issue by the shareholder EnBW AG on 13 March 2024.

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. The accounting policies remain unchanged compared to the 2022 financial statements.

(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 2023

The new standards, interpretations and amendments issued by the International Accounting Standards Board effective from 1 January 2023 do not have a significant impact on the Company's financial statements. The Company has not applied new standards, interpretations and amendments which are not yet effective for the current year.

2. New standards, interpretations and amendments not yet effective

The Board of Directors expects that the currently known new accounting standards that are applicable for financial years after 1 January 2024 will not have a significant impact for the Company.

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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following judgements are applicable:

Classification of financial assets: assessment of the business model in 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:

Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information and a deferred tax asset which is related to the expected credit loss for the year. The deferred tax asset is calculated by multiplying the expected credit loss for the year with the future tax rate of 25.8% (2022: 25.8%).

Material accounting policies

(a) 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 amortized 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.

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The Company measures financial assets at amortized 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 flow;
- 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The EIR amortization is included as interest income in the statement of income.

In order for a financial asset to be classified and measured at amortized 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 of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognized 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.

Modification of financial assets

The Company assesses modifications of financial assets for substantive economic effect in accordance with IFRS 9. A modification is considered substantial if:

- Quantitative test indicate the net present value (NPV) of the modified cash flows, discounted at the original effective interest rate, differs by at least 10% from the NPV of the remaining cash flows under the original terms;
- Qualitative factors indicate the modification effectively extinguishes the original debt and replaces it with a new one. These factors may include significant changes to the interest rate, repayment schedule, collateral requirements, or forgiveness of principal or interest;
- Substantial modifications are accounted for as the derecognition of the original financial asset and the recognition of a new financial asset at fair value. Any difference between the carrying amount of the old asset and the fair value of the new asset is recognized;
- Non-substantial modifications do not result in derecognition. The carrying amount of the original financial asset is adjusted to reflect any upfront fees paid or received associated with the modification. The effective interest rate is updated to reflect the modified terms, and interest expense is calculated based on the new rate.

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Impairment of financial assets

The Company recognizes 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.

ECLs are recognized in three 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).

(b) Financial liabilities

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

Initial Recognition and Classification

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method (EIR). Gains and losses are recognized in profit or loss when the liabilities are derecognized or modified as well as through the EIR amortization process. Amortized 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 amortization is included as interest expense in the statement of income.

The Company's financial liabilities consist of interest-bearing loans due to outstanding bonds and its interest accrued.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

(c) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are set off and the net amount is reported 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.

(d) 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 (APA) which expired on 31 December 2023. The Company is conducting a study for the remuneration of the financing activities going forward. Until the study is finalized the terms and conditions of the APA are respected. It is expected that the study will be finalized in the first half of 2024.

(e) Expenses

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

(f) Lease

The Company applies an exemption for IFRS 16 as the office lease contract it has with its lessor, has a duration of 12 months. The lease contract is automatically renewed for a period of 12 months at the end of each term.

(g) Income tax

Current income tax

Income tax on the statement of income for the year comprises current tax and deferred 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.

In 2019 the Company had been granted an Advanced Pricing Agreement (APA) with the Dutch Tax Authority which expired on 31 December 2023. The Company is conducting a study for the remuneration of the financing activities going forward. Until the study is finalized the terms and conditions of the APA are respected. It is expected that the study will be finalized in the first half of 2024.

(h) 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 recognized in the statement of income.

Exchange rates applicable as at 31 December 2023 are as follows:

1 CHF = EUR 1.0799 (31 December 2022: EUR 1.0155)

1 JPY = EUR 0.0064 (31 December 2022: EUR 0.0071)

1 GBP = EUR 1.1507 (31 December 2022: EUR 1.1275)

The average exchange rates for the period 1 January to 31 December 2023 are as follows:

1 CHF = EUR 1.0293 (31 December 2022: EUR 0.9961)

1 JPY = EUR 0.0066 (31 December 2022: EUR 0.0073)

1 GBP = EUR 1.1498 (31 December 2022: EUR 1.1731)

(i) Cash-flow statement

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

During the year under review, the Company has decided to adjust the presentation of the comparative figures in the Cash-flow statement relating to the year ended 31 December 2022. As during 2022, which was characterized by market volatility due to the Russia-Ukraine war, the Company experienced instances where commercial papers issuances and maturities coincided on the same day, partially with differing cut off times. This was covered through temporary liquidity by EnBW AG.

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To enhance clarity and transparency in the Cash Flow Statement for the year ended 31 December 2022, an amount of EUR 154.5 million has been reclassified from cash receipts from group companies under Operating activities to Netting current account group company under Financing activities and has been presented on a net basis.

Determination of fair values

The fair value of the long-term interest-bearing loans and borrowings is based on their listed market price. The fair value of the loans and borrowings to EnBW AG as at 31 December 2023 amounts to EUR 8,736 million (31 December 2022: EUR 5,161 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 back to back lending to EnBW AG, the interest rates and other interest conditions on these loans and borrowings are mirrored to these on the long-term loans to EnBW AG. The fair value of these non-current assets is therefore corresponding 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 is EUR 8,708 million (31 December 2022: EUR 5,519 million) and the book value of the long-term interest-bearing loans and borrowings EUR 8,708 million (31 December 2022: EUR 5,539 million) relates to the Expected Credit Loss (ECL) as required under IFRS-9, as disclosed on page 24 and 25 of this report.

The fair value of the other assets and liabilities as at 31 December 2023 and 31 December 2022 is approximately the carrying amount in the balance sheet.

The fair value of the non-current loans to AG and the corresponding listed debts have increased during the year under review. The Board of Directors has no reason to believe that the changes in the unrecognized fair value results will impact the financial position and going concern of the Company, as it is expected that the non-current loans to AG and corresponding listed debts will be held until maturity date and repaid as per the carrying value.

The carrying and fair value of the assets and liabilities as at 31 December 2023 and 31 December 2022 is specified in the following overview.

Level		Carrying value 31 December 2023 (EUR million)	Fair value 31 December 2023 (EUR million)	Unrecognised gain/(loss) 2023 (EUR million)	Carrying value 31 December 2022 (EUR million)	Fair value 31 December 2022 (EUR million)	Unrecognised gain/(loss) 2022 (EUR million)
2	Loans EnBW AG (non-current) (corresponding debts are listed)	8,708	8,736	28	5,519	5,161	(358)
2	Loans EnBW AG (current) (corresponding debts is listed)	-	-	-	101.2	101.8	0.6
3	Commercial Paper onlending EnBW AG	-	-	-	709.9	712.5	2.6
3	Loan EnBW AG (OPOLE)	100.0	109.1	9.1	296.9	295.3	(1.6)
n.a.	Current Assets	122	122	-	73	73	-
n.a.	Cash and cash equivalents	0.9	0.9	-	2.7	2.7	-
1	Debts (non-current) (listed)	8,708	8,736	(28)	5,539	5,161	379
1	Debts (current) (listed)	-	-	-	101.5	101.8	(0.3)
3	Commercial Paper	-	-	-	712.5	712.5	-
n.a.	Current liabilities	113	113	-	71	71	-

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).

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- Level 3: Fair values measured based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk for assets and liabilities (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)
- Loans EnBW AG (non-current)
- Bond interest payable
- Interest-bearing loans and borrowing (current)
- Interest-bearing loans and borrowings (non-current)

The classification of the financial instruments held by the Company is presented on the next page.

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	Fair value through profit or loss		Amortised cost (Loans and receivable 2023)		Fair value through Other comprehensive income	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Cash and cash equivalents	-	-	899	2,689	-	-
Interest receivable loans EnBW AG	-	-	116,617	70,038	-	-
Loan EnBW AG (current)	-	-	-	1,107,899	-	-
Loan EnBW AG (non-current)	-	-	8,807,782	5,518,799	-	-
	-	-	8,925,298	6,699,425	-	-

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Interest bond loans	-	-	113,133	65,859
Interest-bearing loans and borrowings (current)	-	-	-	814,028
Interest-bearing loans and borrowings (non-current)	-	-	8,708,265	5,539,469
	-	-	8,821,398	6,419,356

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 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 total carrying value of the loans to EnBW AG including accrued interest but excluding the provision for expected credit loss per 31 December 2023 amounted EUR 8.9 billion (31 December 2022: EUR 6.7 billion).

As there has not been a significant increase in credit risk since initial recognition, 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.

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The PD and LGD rates were defined based on historical data of its parent company and adjusted for forward looking macroeconomic data.

The 1-year Probability of Default rate for EnBW AG on 29 December 2023 was 0.0091% (2022: 0.6188%) which is derived from data service provider Bloomberg. The PD rate is driven by the change of the default risk assessment of EnBW AG which decreased to Investment Grade 4 during the year (2022: High Yield 1). The changes are to a certain extent driven by a significant increase in Bloomberg-adjusted last 12 month-Cash Flow from Operations (from minus €2.029bn to plus €7.349bn) and the lower volatility of the share price of EnBW AG during 2023. In this context, the input parameter Price Volatility decreased from 43% in 2022 to 23% as per 31 December 2023. The Loss Given Default (LGD) was determined at 60% in 2021 based on conducted studies and remained 60% (2022: 60%).

Below table shows the amounts and rates regarding above mentioned definitions, including the outcome of the ECL-provisions.

Financial year	EAD EUR 1 million	LGD	PD	ECL EUR 1 million
2023 in total	8,966	60%	0.0091%	0.49
2023 < 1 year	120	60%	0.0091%	0.01
2023 > 1 year	8,846	60%	0.0091%	0.48
2022 in total	6,750	60%	0.6188%	25.06
2022 < 1 year	1,182	60%	0.6188%	4.39
2022 > 1 year	5,568	60%	0.6188%	20.67

The Board of Directors is aware of all indicators and believes that credit risks are well assessed and that there are no reasons for concerns about the recent changes of these indicators at this moment or in the foreseeable future. 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. The loss allowance in the period January to 31 December 2023 decreased with EUR 24.6 million (31 December 2022: 24.3 million increase). The Company assesses a significant decrease 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 has 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.

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The long-term credit ratings of EnBW AG are Baa1 with stable outlook (2022: Baa1 stable) (Moody's) and A- with stable outlook (2022: A- negative) (Standard & Poor's).

At 31 December 2023 the Company has no financial assets which are past due (2022: none) and one financial asset of which terms have been renegotiated (2022: one). The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets disclosed in Note 1 and 2. The gross carrying amount of a financial asset is written off and derecognized 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.

The loss allowance for loans recognized at amortised cost as of 31 December 2023 reconciles to the opening loss allowance on 1 January 2023 and to the closing loss allowance as at 31 December 2023 as follows:

	2023 EUR 1,000	2022 EUR 1,000
Opening loss allowance as at 1 January	25,060	812
Increase (decrease) in loan loss allowance recognised in profit or loss during the period/year	(21,722)	17,927
Increase (decrease) in loan loss allowance due to new financial assets originated or purchased	174	6,358
Increase (decrease) in loan loss allowance due to repaid financial asset during the period/year	(3,022)	(37)
Closing loss allowance as at 31 December	490	25,060

For financial assets at amortized cost, the Company applies the general expected credit loss model. The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting year. 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 another 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)	31-12-2023 EUR 1,000	31-12-2022 EUR 1,000
Deutsche Bank AG (current account)	A1 (stable)	189	62
Landesbank Baden-Württemberg (current accounts)	Aa3 (stable)	711	2,627
		899	2,689

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 ECL is considered as immaterial, 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 31 and 36.

Cash flow movements on a gross basis may be larger during periods of volatile commodity prices when short-term financing activities increase.

EnBW AG has taken over the irrevocable and unconditional guarantee 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 had one loan outstanding to EnBW AG ("OPOLE") which was not on-lending loan from debts and is therefore subject to potential consequences of the above-mentioned market risks. This loan was financed by equity and matured on 28 October 2023. EUR 198 million has been settled by way of setoff against a share premium repayment in the same amount. EUR 100 million has been renewed by entering into a new loan for a duration of ten years at an interest rate of 4.64% per annum based on market conditions. The renewal of the loan has been accounted for as a substantial modification based on quantitative- and qualitative factors. The total fair value of this loan per 31 December 2023 amounted EUR 109 million (31 December 2022: EUR 295 million).

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. As all loans are in one geographic area (Germany), and as all loans are issued to the same borrower only, the Company has a significant exposure to concentration risk.

Currency risk

The net proceeds from each issue of interest-bearing loans and borrowings by the Company will only 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 Company. The currencies in which these transactions primarily are denominated are Euro (EUR), Swiss Franc (CHF) and Japanese Yen (JPY). The related income per currency is: EUR: EUR 197 million (31 December 2022: EUR 115.3 million), CHF: EUR 7.2 million (31 December 2022: EUR 2.3 million) and JPY: EUR 5 million (31 December 2022: EUR 5.4 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 loan granted in 2012 and extended until 28 October 2023 at an interest rate of 1.08%. At maturity date, EUR 198 million has been settled by way of setoff against a share premium repayment in the same amount and EUR 100 million has been renewed by entering into a new loan for a duration of ten years at an interest rate of 4.64% per annum. Therefore, the Company is not significantly exposed to variability of cash flows due to market development in interest rates.

Political risk from the Russia-Ukraine and Middle East Conflicts

Throughout 2021, tensions between Russia and Ukraine escalated due to the Russian military build-up along the Ukrainian border. On 24 February 2022, Russia initiated a full-scale military invasion of Ukraine, leading to widespread condemnation and the imposition of sanctions. The conflict resulted in natural gas supply cuts, necessitating the procurement of replacement gas at higher prices, particularly impacting group company VNG, which had two gas supply contracts. As of 31 December 2022 both supply contracts were terminated, thus reducing EnBW's exposure to Russian gas to zero. EnBW AG concluded the year 2022 with very strong results due to its diversified business model.

Despite the Company's reliance on EnBW AG, it experienced minimal disruption from the Russia-Ukraine war in 2022 and 2023, maintaining regular operations, including timely repayments of Commercial Papers transactions, interests, salaries, and related taxes.

The conflict in the Middle East led to increased commodity prices in 2023. Briefly after 7 October 2023, the conflict in the Middle East caused a surge in oil prices. Additionally, concerns arose that Iran, amidst the escalating conflict, might blockade the Strait of Hormuz, a crucial passage for LNG deliveries from Qatar. Consequently, natural gas and LNG prices rose, indirectly driving up coal prices.

EnBW's strategy with the integrated setup along the value chain demonstrates resilience in times of crisis. The geopolitical developments and high volatility in markets increase uncertainty regarding statements about future developments. Therefore, EnBW continuously monitors and assesses conditions regarding possible impacts on its business.

Sensitivity analysis

The concentration risk is significant, cannot be avoided and can only be mitigated by a solid operation and management of the parent company. The parent company reports publicly on a quarterly basis and key figures, update of the business and upcoming transactions are being discussed on a regular basis by the Board of Directors of the Company.

Capital management

Capital includes ordinary share capital and other equity attributable to the equity holders of the parent. During the year under review, it was decided to perform a share premium repayment in the amount of EUR 198,000,000 which created a payable. Subsequently, the payable was partially set off against the OPOLE loan due from EnBW AG in the amount of EUR 298,000,000 which matured on 28 October 2023. Reference made to the Shareholder's resolution, Board resolution and Set Off Agreement all dated 25 October 2023. Hence, as at 31 December 2023 and 31 December 2022, the Company's equity amounted to EUR 109,588,669 and EUR 278,439,525 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 operational expenses of the Company, given that the expenses arising from the financing activities are recharged to EnBW AG. The loans payable are mirrored 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

1. Investments

1.1 Statement of changes in investments

	31-12-2023 EUR	31-12-2022 EUR
Balance at 1 January	6,626,698,565	5,186,008,418
Movement due to provision for expected credit loss	24,315,709	(23,997,938)
Repayment loans in cash	(1,005,773,779)	(5,510,000,000)
Repayment loan in kind	(198,000,000)	(50,000,000)
Issued loans in cash	3,346,132,555	6,973,876,394
Issued loans in kind	-	50,255,403
Exchange rate differences	9,791,183	(6,456,970)
Other movements	4,617,710	7,013,258
	<hr/>	<hr/>
	8,807,781,943	6,626,698,565
Receivables < 1 year (current assets)	-	(1,107,899,446)
	<hr/>	<hr/>
Balance at 31 December	8,807,781,943	5,518,799,119

During the year under review, the Company decided to extend the presentation of the above movement schedule in order to distinguish between cash and non-cash movements. As a result of the change, the presentation of the comparative figures has been adjusted and the issuance and repayment of loans has been split in a cash and a non-cash portion.

IFRS 9 Financial instruments

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 2023 amounts to EUR 0.5 million (31 December 2022: EUR 25 million).

	2023 EUR 1,000	2022 EUR 1,000
Opening loss allowance as at 1 January	25,060	812
Increase (decrease) in loan loss allowance recognised in profit or loss during the period/year	(21,722)	17,927
Increase (decrease) in loan loss allowance due to new financial assets originated or purchased	174	6,358
Increase (decrease) in loan loss allowance due to repaid financial asset during the period/year	(3,022)	(37)
Closing loss allowance as at 31 December	<hr/> 490 <hr/>	<hr/> 25,060 <hr/>

1.1a Loans EnBW AG

	31-12-2023 EUR	31-12-2022 EUR
1. Loan granted in 2004	499,523,685	497,286,697
2. Loan granted in 2008	127,927,513	141,658,923
3. Loan granted in 2009	591,251,187	588,728,425
4. Loan granted in 2014	499,491,991	497,472,749
5. Loan granted in 2014	99,338,487	98,940,042
6. Loan granted in 2014	98,843,828	98,385,382
7. Loan granted in 2014	49,615,679	49,419,419
8. Loan granted in 2018	497,488,520	495,443,942
9. Loan granted in 2019	74,778,467	74,494,653
10. Loan granted in 2020	499,015,750	496,452,697
11. Loan granted in 2020	498,578,299	496,546,569
12. Loan granted in 2021	498,987,326	496,930,110
13. Loan granted in 2021	497,005,534	494,866,304
14. Loan granted in 2022	497,789,099	495,304,066
15. Loan granted in 2022	498,843,731	496,869,141
16. Loan granted in 2023	745,520,400	-
17. Loan granted in 2023	498,016,579	-
18. Loan granted in 2023	177,824,486	-
19. Loan granted in 2023	265,493,792	-
20. Loan granted in 2023	99,994,540	-
21. Loan granted in 2023	845,243,815	-
22. Loan granted in 2023	647,209,235	-
	<u>8,807,781,943</u>	<u>5,518,799,119</u>

Recognized as:

Investments (non-current assets)	8,807,781,943	5,518,799,119
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1.1b Loans EnBW AG (current)

Receivables (< 1 year) (current assets)	-	1,107,899,446
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As per 31 December 2023, all current loans receivable from EnBW AG have been repaid (31 December 2022: EUR 1,107,899,446).

The interest receivable on the loans is presented under current assets. The fair values of these loans can be found on page 21 of this report.

The Probability of Default (PD) rate at 31 December 2023 was 0.0091% (31 December 2022: 0.6188%). The changes in the PD rate are to a certain extent driven by a significant increase in Bloomberg-adjusted last 12 month-Cash Flow from Operations (from minus €2.029bn to plus €7.349bn) and the development of the share price of EnBW AG during 2023. The Loss Given Default (LGD) remained 60% (2022: 60%) which is described on page 24 and 25. The ECL for non-current assets decreased and amounted to EUR 482,975 (31 December 2022: EUR 20,669,851). The ECL for current assets decreased and amounted to EUR 6,545 (31 December 2022: EUR 4,389,840).

Terms and investment repayment schedule

The Company had diverted proceeds from several bond issuances by way of loans to EnBW AG except for the OPOLE loan in the amount of EUR 100 million (2022: EUR 298 million) which was financed with equity.

EnBW AG has provided no securities but has taken over the irrevocable and unconditional guarantee for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the bonds issued by the Company.

Below table shows details of the loans granted:

	Original currency	Interest rate (fixed)	Redemption date	Principal amount	Discounted fees	Amortization discounted fees 2023
				EUR	EUR	EUR
1. Loan granted in 2004	EUR	4.875%	16/01/2025	500,000,000	5,650,000	407,888
2. Loan granted in 2008	JPY	3.880%	16/12/2038	127,934,498	-	-
3. Loan granted in 2009	EUR	6.125%	07/07/2039	600,000,000	11,970,000	327,841
4. Loan granted in 2014	EUR	2.500%	04/06/2026	500,000,000	2,120,000	190,142
5. Loan granted in 2014	EUR	3.080%	16/06/2039	100,000,000	930,000	32,625
6. Loan granted in 2014	EUR	2.875%	13/06/2034	100,000,000	1,933,000	92,626
7. Loan granted in 2014	EUR	2.900%	01/08/2044	50,000,000	493,200	13,350
8. Loan granted in 2018	EUR	1.875%	31/10/2033	500,000,000	3,580,000	215,479
9. Loan granted in 2019	EUR	2.080%	21/01/2041	75,000,000	261,750	9,448
10. Loan granted in 2020	EUR	0.625%	17/04/2025	500,000,000	3,650,000	733,952
11. Loan granted in 2020	EUR	0.250%	19/10/2030	500,000,000	2,040,000	202,630
12. Loan granted in 2021	EUR	0.125%	01/03/2028	500,000,000	1,600,000	228,116
13. Loan granted in 2021	EUR	0.500%	01/03/2033	500,000,000	3,800,000	310,130
14. Loan granted in 2022	EUR	3.625%	22/11/2026	500,000,000	2,875,000	655,934
15. Loan granted in 2022	EUR	4.049%	22/11/2029	500,000,000	1,250,000	145,490
16. Loan granted in 2023	EUR	4.000%	24/01/2035	750,000,000	4,687,500	248,850
17. Loan granted in 2023	EUR	3.500%	24/07/2028	500,000,000	2,160,000	203,879
18. Loan granted in 2023	CHF	2.250%	15/06/2026	178,185,745	392,500	68,694
19. Loan granted in 2023	CHF	2.625%	15/06/2029	264,578,834	(944,450)	(85,962)
20. Loan granted in 2023	EUR	4.640%	28/10/2033	100,000,000	-	-
21. Loan granted in 2023	EUR	4.300%	23/05/2034	850,000,000	4,683,500	(26,275)
22. Loan granted in 2023	EUR	3.850%	23/05/2030	650,000,000	2,756,000	725
Total				8,845,699,077	55,888,000	3,975,562

The Company has diverted the net proceeds from 3 issuances of the Commercial Papers from the existing Commercial Paper Programme by way of loans to EnBW AG in the accumulated amount of EUR 190 million. At balance sheet date all commercial papers have been repaid.

The total overview of the issued Commercial Papers is presented as follows:

Book year	Number of issuances	Average days	Currency	Average issuance price	Accumulated principal amount	Repaid per balance sheet date	Outstanding per balance sheet date
2023	3	71	EUR	99.53729257%	902,500,000	(902,500,000)	-
2022	176	54	EUR	99.90675014%	6,272,500,000	(5,560,000,000)	712,500,000

EnBW AG had provided no securities but had taken over the irrevocable and unconditional guarantee with respect to the prescribed and punctual payment of capital and interest of the Commercial Paper notes issued by the Company.

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Below table shows the contractual terms for redemption and interest receipts of the outstanding loans.

	Total	Within 1	2-5 years	More than
	EUR 1,000	year	EUR 1,000	5 years
		EUR 1,000		EUR 1,000
1. Loan granted in 2004	548,750	24,375	524,375	-
2. Loan granted in 2008	202,392	4,964	19,855	177,573
3. Loan granted in 2009	1,188,000	36,750	147,000	1,004,250
4. Loan granted in 2014	537,500	12,500	525,000	-
5. Loan granted in 2014	149,280	3,080	12,320	133,880
6. Loan granted in 2014	131,625	2,875	11,500	117,250
7. Loan granted in 2014	80,450	1,450	5,800	73,200
8. Loan granted in 2018	593,750	9,375	37,500	546,875
9. Loan granted in 2019	103,080	1,560	6,240	95,280
10. Loan granted in 2020	506,250	3,125	503,125	-
11. Loan granted in 2020	508,750	1,250	5,000	502,500
12. Loan granted in 2021	503,125	625	502,500	-
13. Loan granted in 2021	525,000	2,500	10,000	512,500
14. Loan granted in 2022	554,375	18,125	536,250	-
15. Loan granted in 2022	621,470	20,245	80,980	520,245
16. Loan granted in 2023	1,110,000	30,000	120,000	960,000
17. Loan granted in 2023	587,500	17,500	570,000	-
18. Loan granted in 2023	190,213	4,009	186,204	-
19. Loan granted in 2023	306,250	6,945	27,781	271,524
20. Loan granted in 2023	149,890	3,490	18,560	127,840
21. Loan granted in 2023	1,252,050	36,550	146,200	1,069,300
22. Loan granted in 2023	825,175	25,025	100,100	700,050
31 December 2023	11,174,875	266,318	4,096,290	6,812,267
31 December 2022	8,041,149	1,264,805	2,487,782	4,288,562

2. Interest receivable loans EnBW AG

	2023	2022
	EUR	EUR
Balance at 1 January	70,038,286	72,547,239
Movement due to provision for expected credit loss	254,640	(249,862)
Received interest from EnBW AG in cash	(154,525,885)	(111,723,527)
Received interest from EnBW AG in kind	(4,440,448)	(12,668,228)
Interest charged during the year	205,253,480	122,047,717
Exchange differences	36,893	84,947
Balance at 31 December	116,616,966	70,038,286

During the year under review, the Company decided to extend the presentation of the above movement schedule to distinguish between cash and non-cash movements. As a result of the change, the presentation of the comparative figures has been adjusted and an amount of EUR 4.5 million relating to the 2022 commercial paper margin has been added to the received interest from EnBW AG (operating cash flows) as well as to “interest charged during the year. Net effect is nil.

3. Current account EnBW AG

	2023 EUR	2022 EUR
Balance at 1 January	(4,784,336)	2,751,353
Movement due to provision for expected credit loss	(178)	-
Cash draw downs	(2,344,921)	(161,202,509)
Cash repayments	1,916,227	154,094,256
Non-cash draw downs	(198,000,000)	(14,480,974)
Non-cash repayments	206,465,480	14,053,538
Balance at 31 December	3,252,272	(4,784,336)

During the year under review, it was resolved to perform a share premium repayment in the amount of EUR 198,000,000 by way of set off against the current account which is reflected in the movement schedule above as a non-cash draw down. On the same date, the OPOLE loan in the amount of EUR 298,000,000 matured. EUR 198,000,000 had been set off against the above-mentioned share premium repayment through the current account and is presented as non-cash repayment. Reference made to the Shareholder's resolution, Board resolution and Set Off Agreement dated 25 October 2023.

The remainder of the non-cash repayments in the amount of EUR 8,465,480 relates to settlement of the OPOLE loan- and current account interest, recharge invoices and remuneration for the Company's financing activities.

As result of the above-mentioned, the current account changed from a payable in the amount of EUR 4,784,336 as per 31 December 2022 to a receivable in the amount of EUR 3,252,272.

The interest on this current account is ESTER + 0.60% for liabilities and ESTER flat for receivables (2022: ESTER + 0.60% for liabilities and ESTER flat for receivables). If the ESTER rate is negative, the ESTER is set to 0%. No securities are provided.

4. Cash and cash equivalents

	31-12-2023 EUR	31-12-2022 EUR
Deutsche Bank AG (current accounts)	188,786	62,255
BW Bank (current accounts)	710,541	2,626,794
	899,327	2,689,049

Cash and cash equivalents are free at disposal.

5. Issued and paid-up share capital

The authorised share capital is composed of 1,000 (2022: 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.

6. Share premium reserve

On 28 October 2023, the Company distributed EUR 198,000,000 of the share premium reserve to its shareholder.

The share premium per 31 December 2023 amounted EUR 99,183,974 (2022: EUR 297,183,974).

	2023 EUR	2022 EUR
Balance as at 1 January	297,183,974	297,183,974
Distribution	(198,000,000)	-
	<hr/>	<hr/>
Balance as at 31 December	99,183,974	297,183,974
	<hr/>	<hr/>

7. Other reserves

	2023 EUR	2022 EUR
Balance as at 1 January	-	-
Dividend to shareholder	-	(14,470,900)
Result appropriation	(18,844,449)	14,470,900
	<hr/>	<hr/>
Balance as at 31 December	(18,844,449)	-
	<hr/>	<hr/>

During the year under review no dividends have been declared (2022: EUR 14,470,900).

8. Non-current liabilities

	2023 EUR	2022 EUR
Total liabilities at 1 January	6,419,356,094	4,950,430,950
Repayments of commercial papers/bonds in cash	(1,005,773,779)	(5,560,000,000)
Issuance of bonds and commercial papers in cash	3,346,132,555	7,024,131,797
Interest expense accrued on bonds	201,763,429	115,880,697
Interest payments in cash	(154,498,187)	(111,728,584)
Exchange differences	9,800,379	(6,372,024)
Other movements	4,617,710	7,013,258
	<hr/>	<hr/>
Total liabilities at 31 December	8,821,398,201	6,419,356,094
Bonds and commercial papers due < 1 year	-	(814,028,279)
Accrued interest on bonds due < 1 year	(113,133,283)	(65,858,845)
	<hr/>	<hr/>
Non-current liabilities at 31 December	8,708,264,918	5,539,468,970
	<hr/>	<hr/>

8.1 Interest-bearing loans and borrowings (non-current)

	31-12-2023	31-12-2022
	EUR	EUR
1. Eurobond 2004/2025	499,550,985	499,143,097
2. JPY-bond 2008/2038	127,934,498	142,186,834
3. Eurobond 2009/2039	591,283,947	590,956,105
4. Eurobond 2014/2026	499,519,291	499,329,149
5. Eurobond 2014/2039	99,343,947	99,311,322
6. Eurobond 2014/2034	98,849,288	98,756,662
7. Eurobond 2014/2044	49,618,409	49,605,059
8. Eurobond 2018/2033 (green bond)	497,515,820	497,300,342
9. Eurobond 2019/2041	74,782,562	74,773,113
10. Eurobond 2020/2025	499,043,050	498,309,097
11. Eurobond 2020/2030	498,605,599	498,402,969
12. Eurobond 2021/2028	499,014,626	498,786,510
13. Eurobond 2021/2033	497,032,834	496,722,704
14. Eurobond 2022/2026 (green bond)	497,816,399	497,160,466
15. Eurobond 2022/2029 (green bond)	498,871,031	498,725,541
16. Eurobond 2023/2035	745,561,350	-
17. Eurobond 2023/2028	498,043,879	-
18. CHF-bond 2023/2026	177,834,215	-
19. CHF-bond 2023/2029	265,508,238	-
20. Eurobond 2023/2034 (green bond)	845,290,225	-
21. Eurobond 2023/2030 (green bond)	647,244,725	-
	<u>8,708,264,918</u>	<u>5,539,468,970</u>

Recognized as:

Interest-bearing loans and borrowings (long-term debts)	8,708,264,918	5,539,468,970
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The Company is a financing vehicle of EnBW AG of which green bonds' proceeds have been allocated to projects in the following categories by EnBW AG:

- Renewable energy (onshore/offshore wind power and solar/photovoltaics)
- Electricity Networks (electricity distribution infrastructure)
- Energy-efficiency (such as smart meters)
- Clean transportation (such as e-mobility infrastructure/charging stations).

All green bonds have met the criteria for certification by the Climate Bonds Standard Board on behalf of the Climate Bonds Initiative.

8.2 Interest-bearing loans and borrowings (current)

	31-12-2023	31-12-2022
	EUR	EUR
Interest-bearing loans and borrowings (current liabilities) (< 1 year)	-	814,028,279

As per 31 December 2023, all current interest-bearing loans and borrowings have been repaid (31 December 2022: EUR 814,028,279). The fair values of these loans can be found on page 21 of this report.

Terms and debt repayment schedule

The Company has issued several bonds throughout the years. EnBW AG has taken over the irrevocable and unconditional guarantee for the benefit of the bondholders with respect to the prescribed and punctual payment of capital and interest of the bonds issued by the Company.

Below table shows details of the bonds issued:

	Original currency	Interest rate (fixed)	Redemption date	Nominal amount	Discounted fees	Amortization discounted fees 2023
				EUR	EUR	EUR
1. Eurobond 2004/2025	EUR	4.875%	16/01/2025	500,000,000	5,650,000	407,888
2. JPY-bond 2008/2038	JPY	3.880%	16/12/2038	127,934,498	-	-
3. Eurobond 2009/2039	EUR	6.125%	07/07/2039	600,000,000	11,970,000	327,841
4. Eurobond 2014/2026	EUR	2.500%	04/06/2026	500,000,000	2,120,000	190,142
5. Eurobond 2014/2039	EUR	3.080%	16/06/2039	100,000,000	930,000	32,625
6. Eurobond 2014/2034	EUR	2.875%	13/06/2034	100,000,000	1,933,000	92,626
7. Eurobond 2014/2044	EUR	2.900%	01/08/2044	50,000,000	493,200	13,350
8. Eurobond 2018/2033	EUR	1.875%	31/10/2033	500,000,000	3,580,000	215,479
9. Eurobond 2019/2041	EUR	2.080%	21/01/2041	75,000,000	261,750	9,448
10. Eurobond 2020/2025	EUR	0.625%	17/04/2025	500,000,000	3,650,000	733,952
11. Eurobond 2020/2030	EUR	0.250%	19/10/2030	500,000,000	2,040,000	202,630
12. Eurobond 2021/2028	EUR	0.125%	01/03/2028	500,000,000	1,600,000	228,116
13. Eurobond 2021/2033	EUR	0.500%	01/03/2033	500,000,000	3,800,000	310,130
14. Eurobond 2022/2026	EUR	3.625%	22/11/2026	500,000,000	2,875,000	655,934
15. Eurobond 2022/2029	EUR	4.049%	22/11/2029	500,000,000	1,250,000	145,490
16. Eurobond 2023/2035	EUR	4.000%	24/01/2035	750,000,000	4,687,500	248,850
17. Eurobond 2023/2028	EUR	3.500%	24/07/2028	500,000,000	2,160,000	203,879
18. CHF-bond 2023/2026	CHF	2.250%	15/06/2026	178,185,745	392,500	68,694
19. CHF-bond 2023/2029	CHF	2.625%	15/06/2029	264,578,834	(944,450)	(85,962)
20. Eurobond 2023/2034	EUR	4.300%	23/05/2034	850,000,000	4,683,500	(26,275)
21. Eurobond 2023/2030	EUR	3.850%	23/05/2030	650,000,000	2,756,000	725
Total				8,745,699,077	55,888,000	3,975,562

Commercial Paper Programme

The Company has issued short-term Euro notes under the Commercial Paper Programme. During 2023, 3 new transactions took place in the accumulated amount of EUR 190 million. As per balance sheet date, no commercial papers remain outstanding.

A simplified overview of the issued Commercial Paper and the respective prices relating to each transaction can be found below.

Book year	Number of issuances	Average days	Currency	Average issuance price	Accumulated principal amount	Repaid per balance sheet date	Outstanding per balance sheet date
2023	3	71	EUR	99.53729257%	902,500,000	(902,500,000)	-
2022	176	54	EUR	99.90675014%	6,272,500,000	(5,560,000,000)	712,500,000

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

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Below table shows the contractual terms for redemption and interest obligations of the outstanding bonds.

	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
1. Eurobond 2004/2025	548,750	24,375	524,375	-
2. JPY-bond 2008/2038	202,392	4,964	19,855	177,573
3. Eurobond 2009/2039	1,188,000	36,750	147,000	1,004,250
4. Eurobond 2014/2026	537,500	12,500	525,000	-
5. Eurobond 2014/2039	149,280	3,080	12,320	133,880
6. Eurobond 2014/2034	131,625	2,875	11,500	117,250
7. Eurobond 2014/2044	80,450	1,450	5,800	73,200
8. Eurobond 2018/2033	593,750	9,375	37,500	546,875
9. Eurobond 2019/2041	103,080	1,560	6,240	95,280
10. Eurobond 2020/2025	506,250	3,125	503,125	-
11. Eurobond 2020/2030	508,750	1,250	5,000	502,500
12. Eurobond 2021/2028	503,125	625	502,500	-
13. Eurobond 2021/2033	525,000	2,500	10,000	512,500
14. Eurobond 2022/2026	554,375	18,125	536,250	-
15. Eurobond 2022/2029	621,470	20,245	80,980	520,245
16. Eurobond 2023/2035	1,110,000	30,000	120,000	960,000
17. Eurobond 2023/2028	587,500	17,500	570,000	-
18. CHF-bond 2023/2026	190,213	4,009	186,204	-
19. CHF-bond 2023/2029	306,250	6,945	27,781	271,524
20. Eurobond 2023/2034	1,252,050	36,550	146,200	1,069,300
21. Eurobond 2023/2030	825,175	25,025	100,100	700,050
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31 December 2023	11,024,985	262,828	4,077,730	6,684,427
31 December 2022	7,736,035	959,691	2,487,782	4,288,562
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8.3 Interest payable on loans and borrowings (current)

	2023	2022
	EUR	EUR
Balance at 1 January	65,858,845	61,621,785
Interest expense accrued on bonds	201,763,429	115,880,697
Interest payments in cash	(154,498,187)	(111,728,584)
Exchange differences	9,196	84,947
<hr/>		
Balance at 31 December	113,133,283	65,858,845
<hr/> <hr/>		

9. Accrued expenses

	31-12-2023 EUR	31-12-2022 EUR
Trade creditors	32,515	135
Auditors' and consultants' fees	95,000	109,350
Other accrued expenses	1,120	1,120
	<u>128,635</u>	<u>110,605</u>

Notes to the statement of income

10. Interest income and similar income

	Year ended 31 December 2023 EUR	Year ended 31 December 2022 EUR
Loans EnBW AG	209,255,005	123,086,144
Other interest	7,519	-
Exchange rate differences	83	3,227
	<u>209,262,607</u>	<u>123,089,371</u>

11. Interest expenses and similar expenses

	Year ended 31 December 2023 EUR	Year ended 31 December 2022 EUR
Interest bonds/commercial papers	205,764,954	118,645,696
Current account EnBW AG	-	10,074
Bank charges	23,816	20,568
Other interest	-	7,954
	<u>205,788,770</u>	<u>118,684,292</u>

12. General expenses

	Year ended 31 December 2023 EUR	Year ended 31 December 2022 EUR
Auditors' fees	167,586	148,355
Consultants' fees	107,083	27,010
Management fees and administrative expenses	302,504	344,014
Office rent	25,968	24,299
Other general expenses	63,475	33,655
	<u>666,616</u>	<u>577,333</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 2023 EUR	Year ended 31 December 2022 EUR
	BDO Audit & Assurance B.V.	BDO Audit & Assurance B.V.
Audit annual accounts	123,951	104,196
Other audit assignment	43,635	44,159
	<u>167,586</u>	<u>148,355</u>

13. Wages and salaries

	Year ended 31 December 2023 EUR	Year ended 31 December 2022 EUR
Salaries	133,438	135,881
Social security's premiums	7,874	5,267
	<u>141,312</u>	<u>141,148</u>

14. Remuneration

During 2023, the Company paid a remuneration in the amount of EUR 44,321 (2022: EUR 41,618) to its Board of Directors. No other remunerations were provided.

The remuneration for services provided by the Supervisory Board and Audit Committee in 2023 amounted to EUR 51,000 (2022: EUR 50,000) and is provided in the form of a fixed remuneration. No other remunerations were provided.

15. Average number of employees

The Company employs three staff members in the Netherlands (2022: three staff members).

16. Income tax

Company's profit or loss

The major components of income tax expense for years ended 2023 and 2022 are:

	Year ended 31 December 2023 EUR	Year ended 31 December 2022 EUR
<i>Current income tax:</i>		
Current income tax charge	1,710,938	1,713,891
Adjustments in respect to current income of tax previous years	(460)	(679)
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	389,704	(313,027)
Income tax expense reported in the statement of comprehensive income	<u>2,100,182</u>	<u>1,400,185</u>

The current income tax charge comprises of corporate income tax (payable) EUR 1,710,938 (2022: EUR 1,713,891). The Company received final assessments for Corporate Income Tax up to 2021. Management expects no changes anymore for the tax position of the mentioned financial year.

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 December 2018 the tax advisor filed a (new) Advance Pricing Agreement (APA) request. In June 2019 the fiscal authorities had granted this request. This ruling covers all loans granted up to and including 31 December 2023.

On 9 June 2021 the tax advisor sent an informative letter to the fiscal authorities with respect to the issuances of the bonds in 2020 and 2021 of which amounts exceeded the volume of the ruling as of 2020.

Furthermore, with the issuances of the two bonds during 2022 and four bonds in the period up to September 2023, the volume of the ruling was further exceeded. On 19 September 2023 the tax advisor sent another informative letter to the fiscal authorities in respect to the aforementioned issuances. With the issuances of the two bonds in November 2023, the volume of the ruling was further exceeded.

The increase in volume did not materially affect the facts and circumstances upon which the ruling was based.

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The taxable profit can be calculated as follows:

	Year ended 31 December 2023 EUR	Year ended 31 December 2022 EUR
Loan management fee	3,387,236	2,617,474
Interest income loans not included in APA	3,497,570	4,440,448
Deductible costs	(200,551)	(249,586)
	<hr/>	<hr/>
Taxable profit	6,684,255	6,808,336
	<hr/>	<hr/>
Corporate Income Tax (payable)	1,710,938	1,713,891
Creditable withholding tax costs	-	-
	<hr/>	<hr/>
Total corporate income tax due	1,710,938	1,713,891
	<hr/>	<hr/>
Effective rate	25.60%	25.17%

The applicable CIT rates for 2023 are: 19% (2022: 15%) for the first bracket of EUR 200,000 (2022: EUR 395,000) and 25.8% for the second bracket (2022: 25.8%). The change of the first bracket increases the tax charge with EUR 29,060 for 2023. The change of the CIT rate is a result of changes of legislation.

To date the tax returns, those have been filed up to and including 2022, are settled up to 2022. A preliminary tax assessment in the amount of EUR 4.4 million is settled for 2022. For current book year, a preliminary tax assessment in the amount of EUR 1.4 million has been settled.

The current APA agreement expired on 31 December 2023.

Deferred tax asset

	2023 EUR	2022 EUR
Balance at 1 January	516,000	202,973
Expected credit losses of financial assets	(389,704)	313,027
	<hr/>	<hr/>
Balance at 31 December	126,296	516,000
	<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 (2022: 0). The applied tax rate is 25.8% (2022: 25.8%).

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

EnBW International Finance B.V.

Deferred tax is not recognized 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.

Global Minimum Tax Act

The EnBW group falls within the scope of the OECD model rules to ensure global minimum taxation (Pillar II model rules). The regulations are therefore applicable to the Company. The Minimum Tax Act entered into force in The Netherlands, the jurisdiction in which the Company is resident for tax purposes and applies for the first time for financial years beginning after 31 December 2023.

The Pillar II regulations stipulate the introduction of a domestic top-up tax for entities domiciled in The Netherlands if the minimum tax level of 15% is not reached in the Netherlands. The company is then subject to a domestic top-up tax in the amount of the difference between the Pillar II effective tax rate and the minimum tax level of 15%. Considering that the Company is already subject to the required minimum tax level of 15% in the Netherlands, the domestic top-up tax regulations will not apply.

17. 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

During the year ended 31 December 2023 the Company paid a remuneration in the amount of EUR 44,321 (31 December 2022: EUR 41,618) to its Board of Directors. No other remunerations were provided.

The remuneration for services provided by the Supervisory Board and Audit Committee in the period as from 1 January up to 31 December 2023 amounted to EUR 51,000 (31 December 2022: 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 other than the remuneration. The outstanding balances relating to key management amount to Nil (31 December 2022: Nil).

Transactions 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 Eurobond 2023/2035 (nominal EUR 750,000,000) and Eurobond 2023/2028 (nominal EUR 500,000,000) by way of loans to EnBW AG on 24 January 2023. The payment of the loans has taken place after deduction of management, underwriting fees and "disagio" (in the respective amounts of EUR 4,687,500 and EUR 2,160,000). These amounts are amortized over the lifetime of the loans.

EnBW International Finance B.V.

Furthermore, the Company had diverted the proceeds from the issue of CHF-bond 2023/2026 (nominal CHF 165,000,000/EUR 169,213,414) and CHF-bond 2023/2029 (nominal CHF 245,000,000/EUR 251,256,281) by way of loans to EnBW AG on 15 June 2023. The payment of the loans has taken place after addition of “disagio” in the respective amounts of CHF 82,500 (EUR 84,607) and CHF 1,619,450 (EUR 1,660,804) and deduction of management, underwriting fees in the amounts of CHF 475,000 (EUR 487,130) and CHF 675,000 (EUR 692,237), respectively. These amounts are amortized over the lifetime of the loans.

On 12 July 2023, EnBW AG repaid the matured CHF loan 2013/2023 in the amount of CHF 100,000,000 (EUR 103,273,779).

Furthermore, on 28 October 2023, the OPOLE loan in the amount of EUR 298 million matured. EUR 198 million has been settled by way of setoff against a share premium repayment in the same amount. EUR 100 million has been renewed by entering into a new loan for a duration of ten years at an interest rate of 4.64% per annum based on market conditions.

The Company had diverted the proceeds from the issue of Eurobond 2023/2034 (nominal EUR 850,000,000) and Eurobond 2023/2030 (nominal EUR 650,000,000) by way of loans to EnBW AG on 23 November 2023. The payment of the loans has taken place after deduction of management, underwriting fees and “disagio” (in the respective amounts of EUR 4,683,500 and EUR 2,756,000). These amounts are amortized over the lifetime of the loans.

The Company has issued new short-term Euro notes under the Commercial Paper Programme. During 2023, three new transactions (2022: 176) took place for in total EUR 190 million (2022: EUR 6 billion). As per balance sheet date all notes have been repaid (2022: EUR 712.5 million). The interest rate on all transactions was 0%. Commercial Paper notes had a maximum maturity of nine months. EnBW AG has provided no securities but has taken over the irrevocable and unconditional guarantee with respect to the prescribed and punctual payment of capital and interest of the Commercial Paper notes issued by the Company.

The outstanding non-current loan receivable with EnBW AG as per 31 December 2023 is EUR 8,807,781,943 (31 December 2022: EUR 5,518,799,119). As per 31 December 2023 no current loans remain outstanding with EnBW AG (31 December 2022: EUR 1,107,899,446). The outstanding current interest receivable with EnBW AG amounts to EUR 116,616,966 (31 December 2022: EUR 70,038,286).

The current account with EnBW AG changed from being a payable in the amount of EUR 4,784,336 as per 31 December 2022 to a receivable in the amount of EUR 3,252,449 as per 31 December 2023.

The total amount of interest income charged to EnBW AG as per 31 December 2023 amounts to EUR 209,262,524 (31 December 2022: EUR 123,089,371). The total amount of interest expenses paid to EnBW AG amounts to nil (31 December 2022: EUR 10,074).

The Company received during 2023 in total EUR 4,013,246 (31 December 2022 EUR 3,116,938) for fees charged to EnBW AG. The fees comprised remuneration for the Company’s financing activities in the amount of EUR 3,387,236 (2022: EUR 2,617,474) which is subject to the APA as well as a recharge of expenses in the amount of EUR 626,010 (31 December 2022: EUR 499,464).

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.

18. Movements in ECL provision

	Year ended 31 December 2023 EUR	Year ended 31 December 2022 EUR
Increase (decrease) of provision	(24,570,171)	24,247,800

Please refer to the credit risk paragraph starting on page 23 for more details of the movement in the ECL.

19. 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 rent obligation until the end of the current contract time is EUR 16,644.

The current APA agreement has expired on 31 December 2023.

20. Post balance sheet events

No other events which would be significant for assessing the net assets, financial position and result of the Company occurred after 31 December 2023.

21. Future outlook

It is expected that the financing activities will develop in line with the strategy of EnBW AG.

22. Appropriation of result

In March 2023 the General Meeting of Shareholders adopted the annual accounts 2022 and approved to add the loss in the amount of EUR 18,844,449 to the other reserves.

23. Going concern

The Board of Directors carried out a going concern assessment and is not aware of any material uncertainties that may cause reasonable doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements have been prepared on the basis of the going concern assumption.

Amsterdam, 13 March 2024

EnBW International Finance B.V.

The Board of Management

sgd.

P.A. Berlin

sgd.

W.P. Ruoff

Supervisory board

sgd.

M.P. Münch

sgd.

F. van der Rhee

sgd.

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 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 of EnBW International Finance B.V. based in Amsterdam.

WE HAVE AUDITED	OUR OPINION
The financial statements comprise: 1. the statement of financial position as at 31 December 2023; 2. the following statements for 2023: the statement of income, the statement of changes in equity and the statement of cash flows; and 3. the notes comprising material accounting policy information.	In our opinion, the accompanying financial statements give a true and fair view of the financial position of EnBW International Finance B.V. as at 31 December 2023 and of its result and its cash flows for 2023 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.

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, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

B. Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 89,000,000. The materiality is based on a benchmark of total assets (representing 1,0% of 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 the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 4,450,000, 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.

Audit approach going concern

The financial statements are prepared on the basis of the going concern assumption, which assumes that the EnBW International Finance B.V. will continue to operate as a going concern for the foreseeable future. As explained in the section 'Going concern' on page 44 of the financial statements and in the section 'Going concern' in the Report of the Board of Management, the Board of Directors has carried out a going concern assessment and has not identified any events or circumstances that may cause reasonable doubt on the entity's ability to continue as a going concern (hereinafter: 'going concern risks').

Our audit procedures to evaluate the board's going concern assessment included:

- ▶ considered whether the board's going concern assessment contains all relevant information that we have knowledge of and inquired the board on key assumptions and estimates. In doing so, we have paid attention, among the other things to the recoverability of the loans.
- ▶ obtained information from the board about its knowledge of going concern risks beyond the period of the going concern assessment carried out by the board.

Our audit procedures indicated that the going concern assumption used by the board is appropriate and no going concern risks have been identified.

Audit approach fraud risks

We refer to section "Report and control management" on page 4 of the management report for management's fraud risk assessment in which is described how the 4-eye principle is used to ensure that day to day activities are compliant for legal and compliance perspective. Additionally EnBW International Finance B.V. uses third party service providers which have their own Standard ISAE 3402 reports describing among others the control environment and control objectives on which we rely as one of the control measures.

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the EnBW Group code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risks and performed the following specific procedures:

- ▶ As in all of our audits and based on our professional standards, we identified and addressed the risk of management override of internal control.
We evaluated the design and existence of internal control measures in the processes for generating and processing journal entries and making estimates, assuming a risk of management override of controls of that process. We also assessed the process surrounding the preparation of financial statements.
We performed procedures to evaluate key accounting estimates in particular relating to important judgment areas and significant accounting estimates related to the valuation of the loans, issued to EnBW AG as disclosed in note 1 of the financial statements and the interest receivables from EnBW AG as disclosed in note 2 of the financial statements. We have also used data analysis to identify and address high-risk journal entries.
- ▶ We identify a significant fraud risk on a material misstatement as a result of non-routine / manual journal entries for revenue recognition. We have analysed all manual journal entries for interest income above our threshold. We determined all these journals for the interest income reconcile with the amounts according to the contract details of the loans.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We considered available information and made enquiries of the Board of Directors and Supervisory Board.

The above mentioned approach did not lead to indications or suspicions for fraud potentially resulting in material misstatements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors and 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
<p>We consider the valuation of the loans, issued to EnBW AG as disclosed in note 1 of the financial statements and the interest receivable loans from EnBW AG as disclosed in note 2 of the financial statements, combined representing 99,92% of the balance sheet total, a key audit matter. We identified this as a key audit matter due to the size of the loans issued and due to the material impact a possible impairment may have on the income statement.</p> <p>Initially, loans issued to and the interest receivable loans from EnBW AG are recognized at its fair value and subsequently carried at amortized cost using the effective interest method. The Board of Directors recognized the expected credit loss provision with regard to the loans issued to and the interest receivable loans with EnBW AG in accordance with IFRS 9.</p>	<p>We have performed detailed audit procedures addressing the valuation of the loans issued to and the interest receivable loans from EnBW AG.</p> <p>We have performed the following audit procedures:</p> <ul style="list-style-type: none">▶ Inspected the loan agreements entered into between the company and EnBW AG.▶ Inspected the agreement with guarantor EnBW AG.▶ Inspected the 2023 interim financial statements of EnBW AG and financial statements as per 31 December 2022 of EnBW AG.▶ Evaluated the information derived from credit rating agencies: Standard & Poor's and Moody's.▶ Evaluated the probability of default rate derived from Bloomberg.▶ Evaluated the loss given default rate.▶ 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.▶ Reviewed the market values of the outstanding notes.▶ Reviewed news reports on Google and Reuters of the company and EnBW AG.▶ Searched and evaluated the information for investors on the website of EnBW AG.▶ Discussed the recent developments in the financial position and the cash flows with the Board of Directors and the Supervisory Board of the company.

	<p>▶ Assessed the adequacy of the disclosures in the financial statements relating to both the loans issued to and current account receivables from EnBW AG.</p>
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C. Report on other information included in the annual report

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

- ▶ The Report of the Board of Management;
- ▶ other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- ▶ is consistent with the financial statements and does not contain material misstatements;
- ▶ contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

By performing these procedures, we comply with the requirements of Part 9 of Book 2, of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

D. Report on other legal and regulatory requirements and European Single Electronic Format

Engagement

We were engaged by the Supervisory Board as auditor of EnBW International Finance B.V., as of the audit for financial year 2015 and have operated as statutory auditor ever since that financial year.

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.

European Single Electronic Format (ESEF)

EnBW International Finance B.V. has prepared its annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML-format, including the financial statements of EnBW International Finance B.V., has been prepared in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements, in accordance with the RTS on ESEF.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- ▶ obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report in XHTML-format;
- ▶ identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including examining whether the annual financial report in XHTML-format is in accordance with the RTS on ESEF.

E. Description of responsibilities regarding the financial statements

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

The Board of Directors 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 Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

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 engagement 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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error 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 judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- ▶ identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the 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 entity's internal control;
- ▶ evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors ;
- ▶ concluding on the appropriateness of the Board of Directors use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity'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 a company to cease to continue as a going concern;
- ▶ evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- ▶ evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amstelveen, 13 March 2024

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

sgd.
W.J.P. Hoeve RA
