



EnBW Energie Baden-Württemberg AG

Welcome to EnBW´s Conference Call  
on the first half-year of fiscal 2004

Presentation by Prof. Dr. Utz Claassen, CEO,  
Ingo Peter Voigt, Chief Representative of Finance/IR

August 13, 2004

## EnBW representatives



**Prof. Dr. Utz Claassen**

Chief Executive Officer



**Ingo Peter Voigt**

Chief Representative of Finance/Investor Relations

## Disclaimer

This document contains forward-looking statements based on current assumptions and forecasts made by EnBW management. Such statements are subject to risks, uncertainties. These and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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1. Highlights
2. Net sales
3. Earnings
4. Cash flow
5. Debt and equity
6. Restructuring of the group
7. Outlook 2004

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Highlights H1 2004 reflect that EnBW continues to focus on cost reduction and the improvement of earnings and cash flow



- ✓ Yello achieved positive EBT in the 1<sup>st</sup> half 2004 well in advance of expected turn-around
- ✓ Measures to achieve the Top Fit target of € 300m already implemented by end of June 2004
- ✓ Earnings ratios have improved further
- ✓ Equity ratio rose by 3.5% compared to end of year 2003 (6.1%) and is now at 9.6%
- ✓ Excellent cash flow figures enforced due to improved operating performance and divestment of DITRA, Apcoa, SIP and Melvo
- ✓ Significant reduction of structural complexity is well under way with 132 companies already sold, dissolved or merged as of July 31, 2004
- ✓ Further significant reduction of nebt debt by 18.5%
- ✓ Ongoing strict investment management with a reduction of 21.5% compared to last year´s H1\*

\* These measures do not, of course, apply to legally stipulated investments or investments in the area of safety.

In terms of liquidity and balance sheet structure, EnBW has regained full strategic and creative control of the group



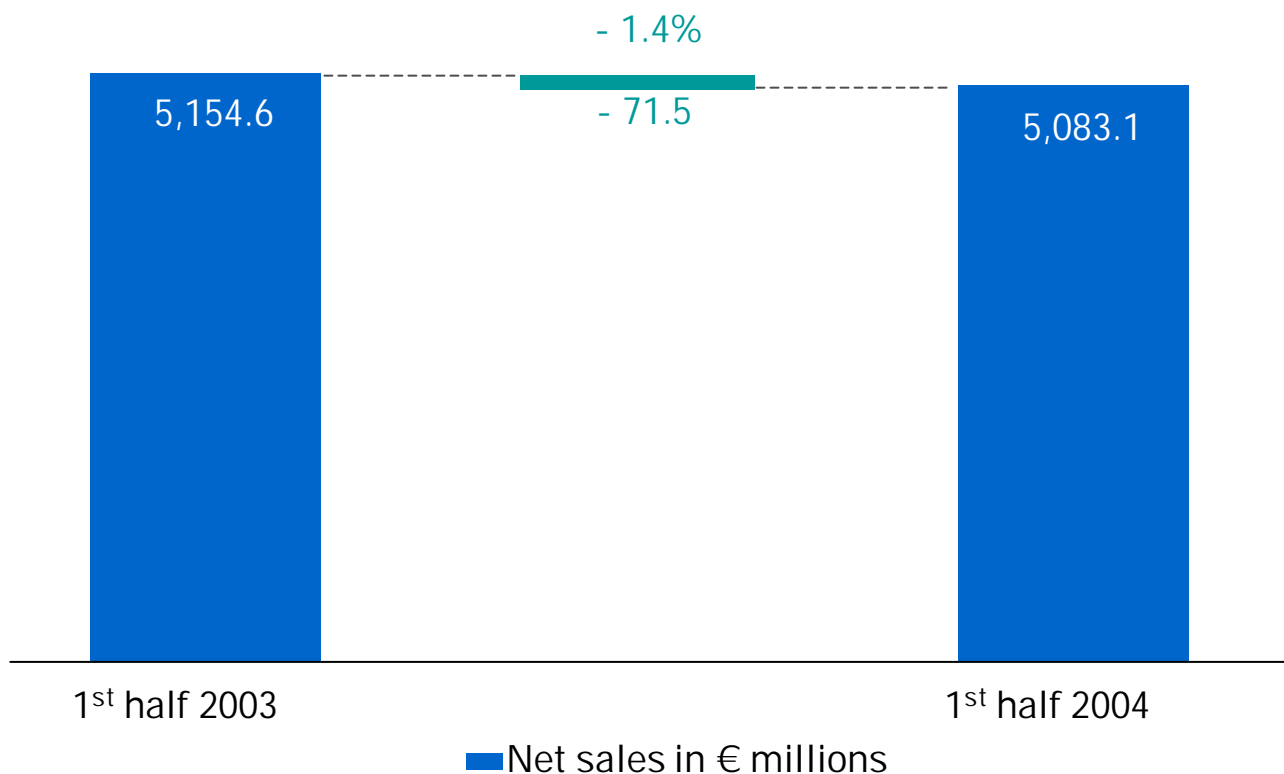
EnBW is well ahead of schedule in its ambitious consolidation timeframe:

- ✓ Around 3 months ahead of target with Top Fit cost reduction programme
- ✓ Almost 6 months ahead within schedule for other divestments
- ✓ More than 12 months ahead with regard to first-time posting of profits at Yello
- ✓ Around 24 months ahead of target within scheduled debt reduction (Hidrocantábrico included)

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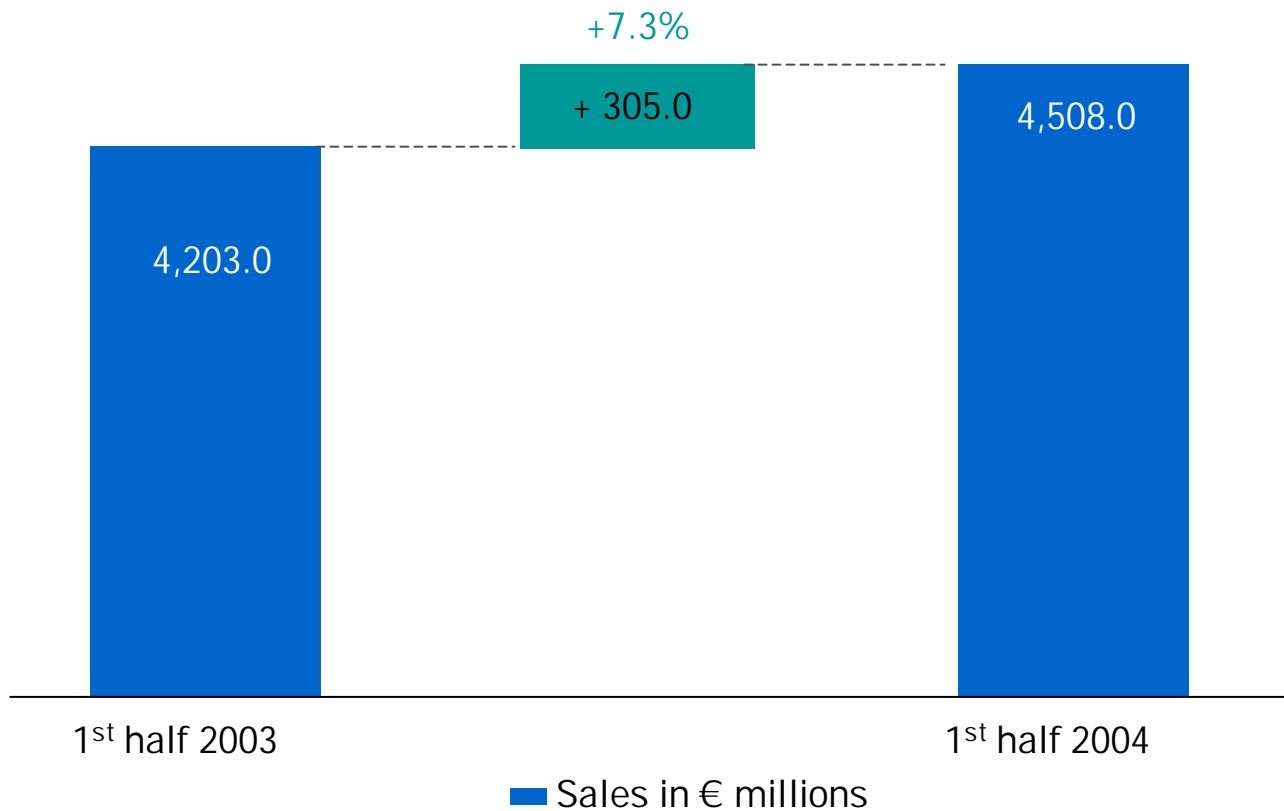
In the 1st half 2004 net sales of the EnBW group were nearly unchanged with € 5,083.1 million due to an enforced core business



### Comments

- After adjustments in the consolidation scope sales rose by € 298.7m
- Growth in core business by € 305 million (7.3%)
  - Electricity
    - Successful selling activities of Yello
    - Increased price levels
- Discontinuing operations
  - Due to disposals sales dropped by 39.6%
- Deconsolidation of
  - Melvo
  - DiTRA
  - SIP
  - Salamander shoe division
  - GegenbauerBosse

In the 1<sup>st</sup> half 2004 the total sales of the core business rose by 7.3% compared to the 1<sup>st</sup> half 2003



### Comments

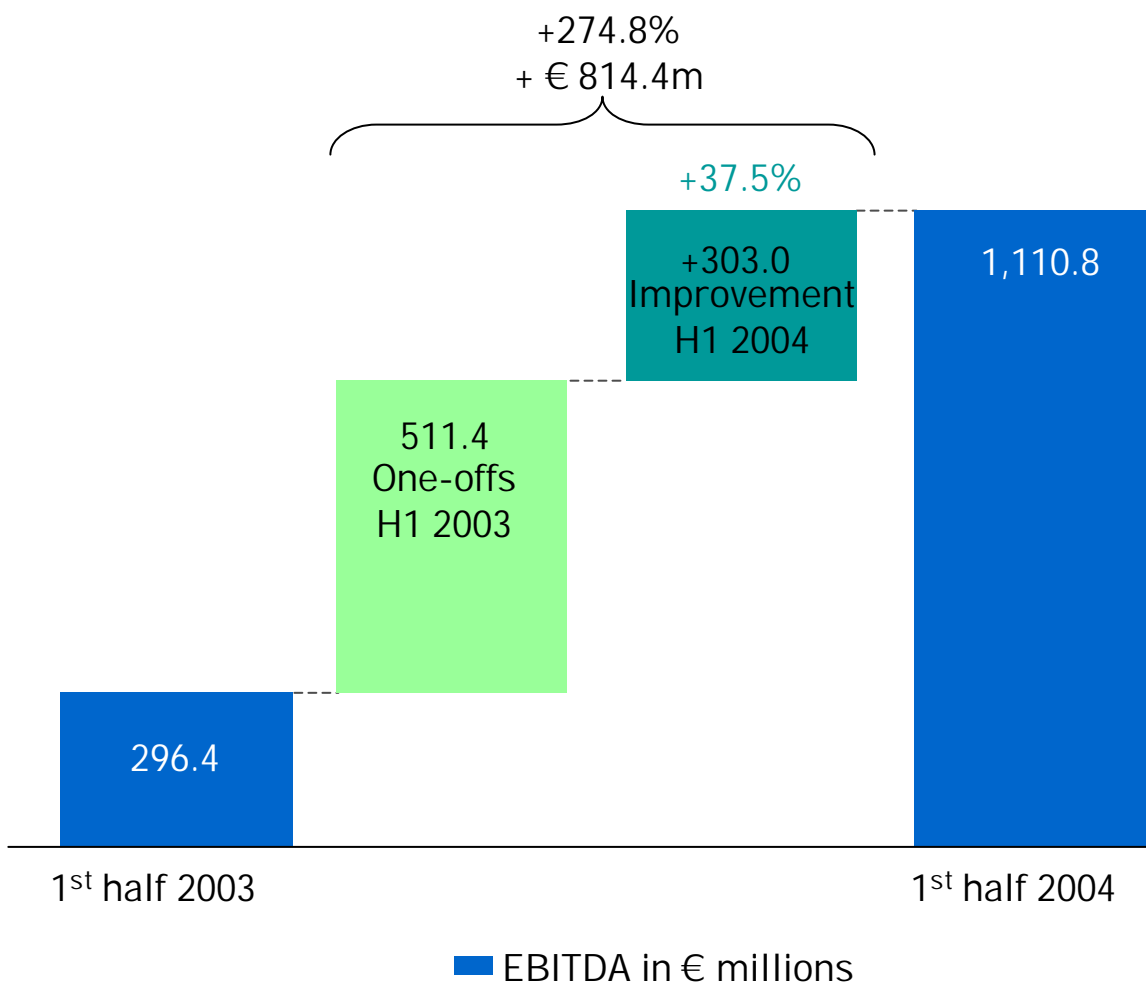
#### Core business

- Sales increased
  - Electricity by 11.8%
  - Energy and environmental services by 2.4%
- Gas
  - Sales decreased in absolute terms by 8.6%
  - Adjusted for consolidation effects sales dropped by 5.2% due to decreasing natural gas prices. The natural gas price is linked to the heating oil price with a time lag

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Even adjusted for one-offs in H1 2003 the EBITDA rose by 37.5% in the 1<sup>st</sup> half 2004 compared to the 1<sup>st</sup> half 2003\*

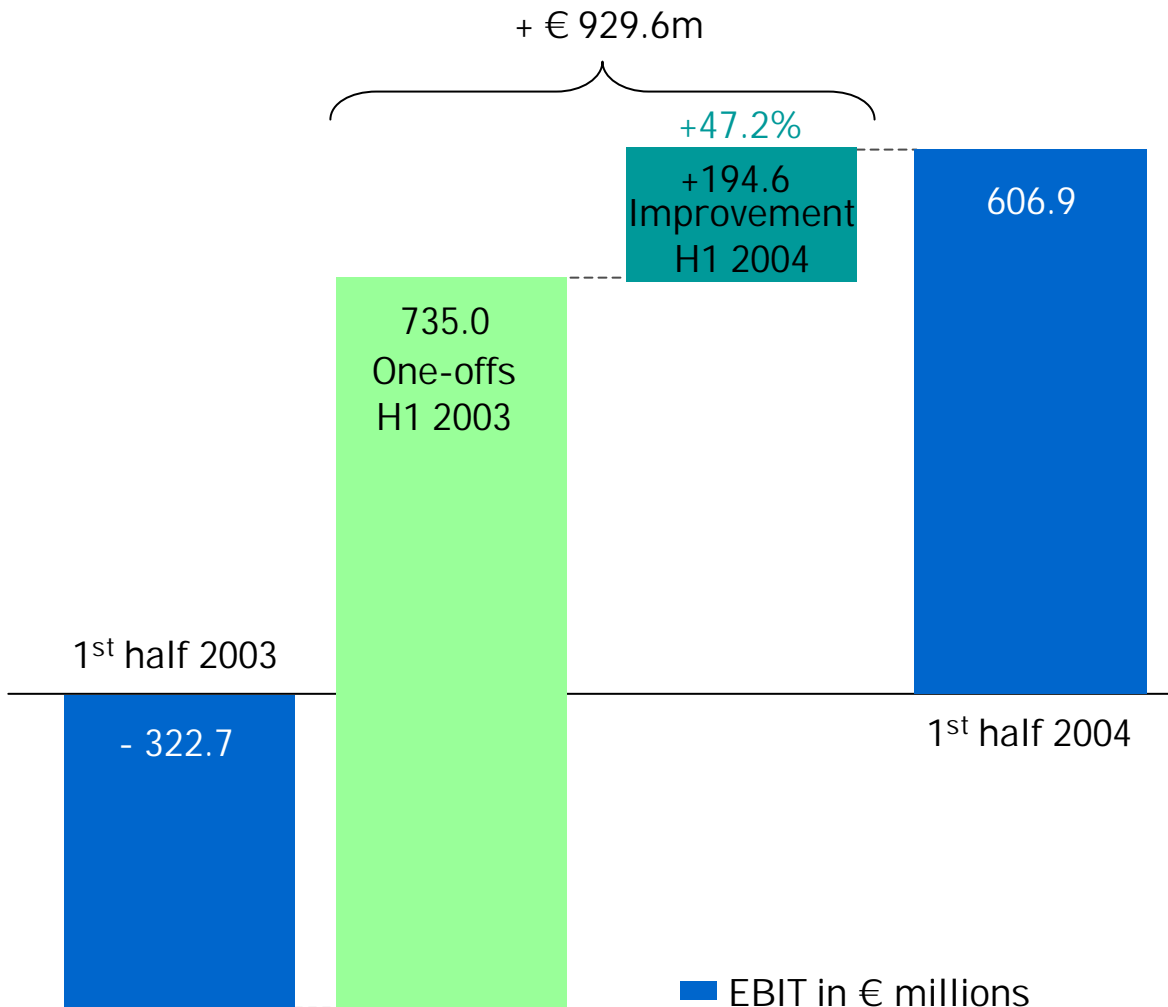


### Comments

- EBITDA in the electricity segment increased by 11.7% or € 84m adjusted for one-off effects of the 1<sup>st</sup> half 2003 due to
  - increase of operating performance due to TOP FIT (optimisation of selling activities, margin orientation and cost monitoring)
  - special items, mainly release of provisions and liabilities in the personnel area
- EBITDA in the gas segment increased by 33.6% to € 128.4m due to
  - increased margins
  - colder temperatures
- EBITDA in the energy and environmental services segment increased by 37.0% to € 91.4m mainly due to implementation of Top Fit programme
- The discontinuing operations segment amounts for € 150.6m of group EBITDA

\* Due to one-off effects in the 1<sup>st</sup> half of 2003 the half-year figures of 2003 and 2004 are comparable to a very limited extent

In the 1<sup>st</sup> half 2004 the EBIT rose by € 929.6m compared to the 1<sup>st</sup> half 2003\*

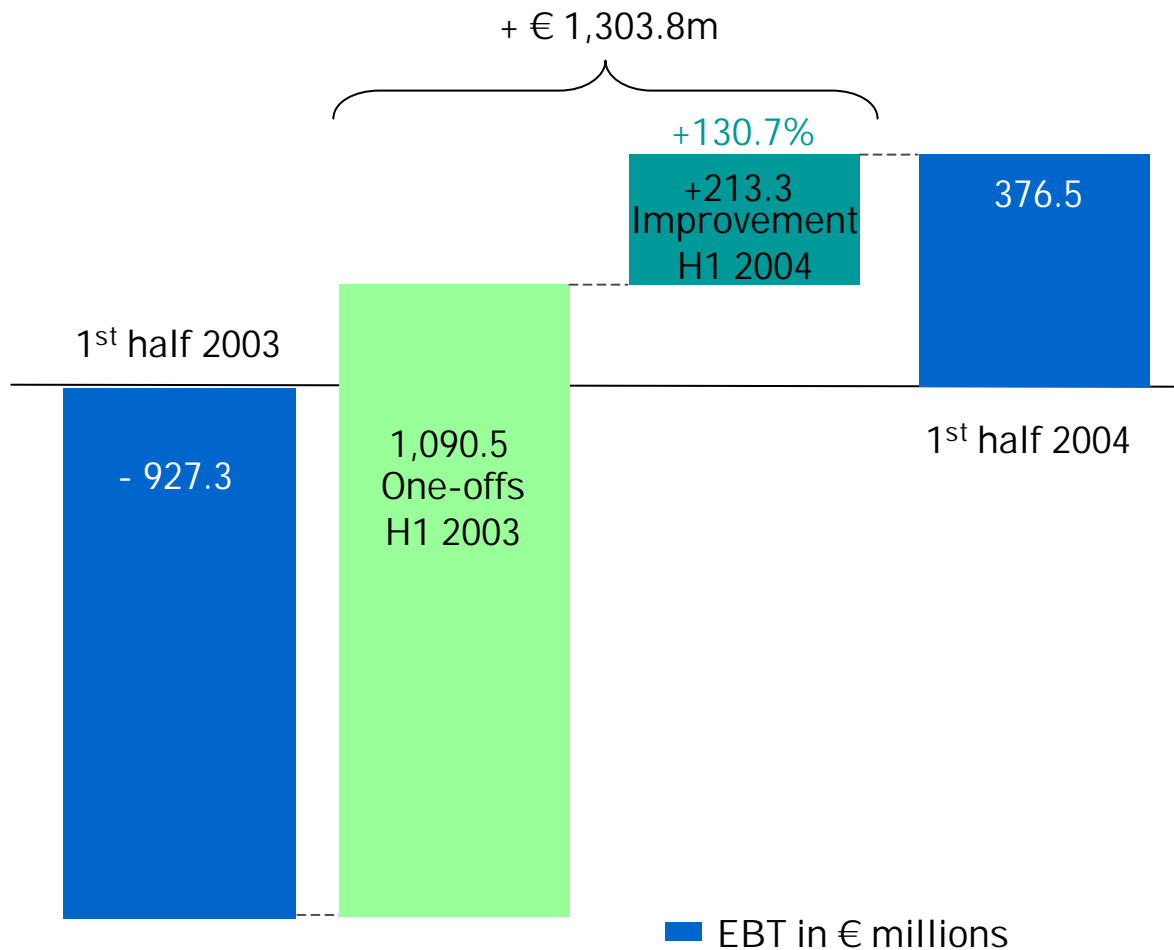


### Comments

- Increase in EBIT higher than in EBITDA after adjustments primarily due to goodwill impairments of € 80 million in the discontinuing operations segment.
- Adjusted for one-off effects of the 1<sup>st</sup> half 2003 (€ 735m) EBIT increased by 47.2% (€ 194.6m)

\* Due to one-off effects in the 1<sup>st</sup> half of 2003 the half-year figures of 2003 and 2004 are comparable to a very limited extent

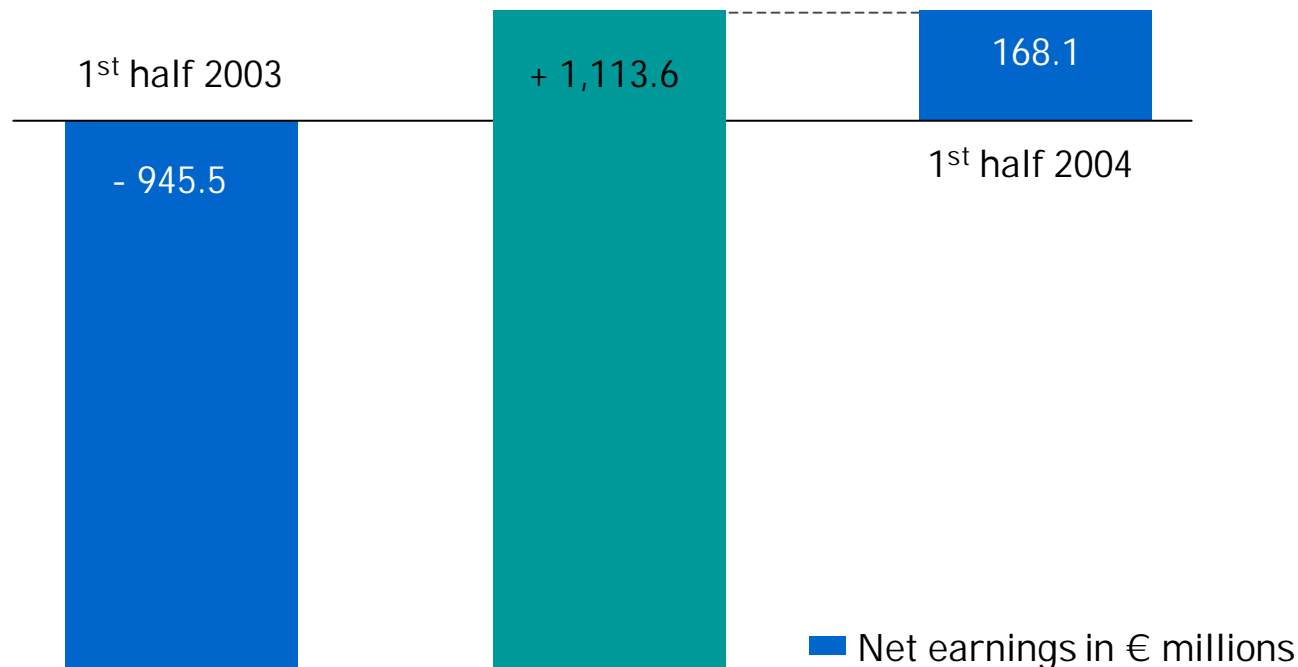
In the 1<sup>st</sup> half 2004 the EBT increased by € 1,303.8m compared to the 1<sup>st</sup> half 2003\*



Comments
<ul style="list-style-type: none"> <li>• Due to an improved financial result EBT increased more than EBIT</li> <li>• Adjusted for one-off effects of the 1st half 2003 (€ 1,090.5m) EBT increased by 130.7% (€ 213.3m)</li> </ul>

\* Due to one-off effects in the 1<sup>st</sup> half of 2003 the half-year figures of 2003 and 2004 are comparable to a very limited extent

In the 1<sup>st</sup> half 2004 the net earnings rose by € 1.113,6m compared to the 1<sup>st</sup> half 2003



### Comments

- After deducting income taxes of € 174.8m (H1 2003: € 25.6m) and minority interests of € 33.6m (H1 2003: € -7.4m), net earnings for the 1<sup>st</sup> half 2004 come to € 168.1m

In the core business electricity and gas account for the majority of EnBW's results. All business segments develop well



	Electricity*			Gas*			Energy & environmental services*		
	H1 2004	H1 2003	yoy change	H1 2004	H1 2003	yoy change	H1 2004	H1 2003	yoy change
<b>Net Sales</b>	3,516.3	3,144.6	11.8%	763.2	835.2	-8.6%	228.5	223.2	2.4%
<b>EBITDA</b>	800.9	456.9	75.3%	128.4	96.1	33.6%	91.4	66.7	37.0%
<b>adjusted EBITDA</b>	800.9	716.9	12.0%	128.4	96.1		91.4	66.7	
<b>adjusted margin</b>	22.8%	22.8%		16.8%	11.5%		40.0%	29.9%	
<b>EBIT</b>	527.0	179.1	194.3%	91.6	61.2	49.7%	46.4	4.4	954.6%
<b>adjusted EBIT</b>	527.0	454.1	16.0%	91.6	61.2		46.4	4.4	
<b>adjusted margin</b>	15.0%	14.4%		12.0%	7.3%		20.3%	2.0%	
	<b>78% of sales**</b>			<b>17% of sales**</b>			<b>5% of sales**</b>		

\* Prior year figures have been restated: natural gas tax is openly deducted (H1 2003: disclosed in cost of materials), reversal of construction cost subsidies received in operating income (H1 2003: shown in sales), amortisation of goodwill from valuation at equity in investment result (H1 2003: under depreciation/amortisation), deferred tax liabilities disclosed separately (H1 2003: shown within provisions)

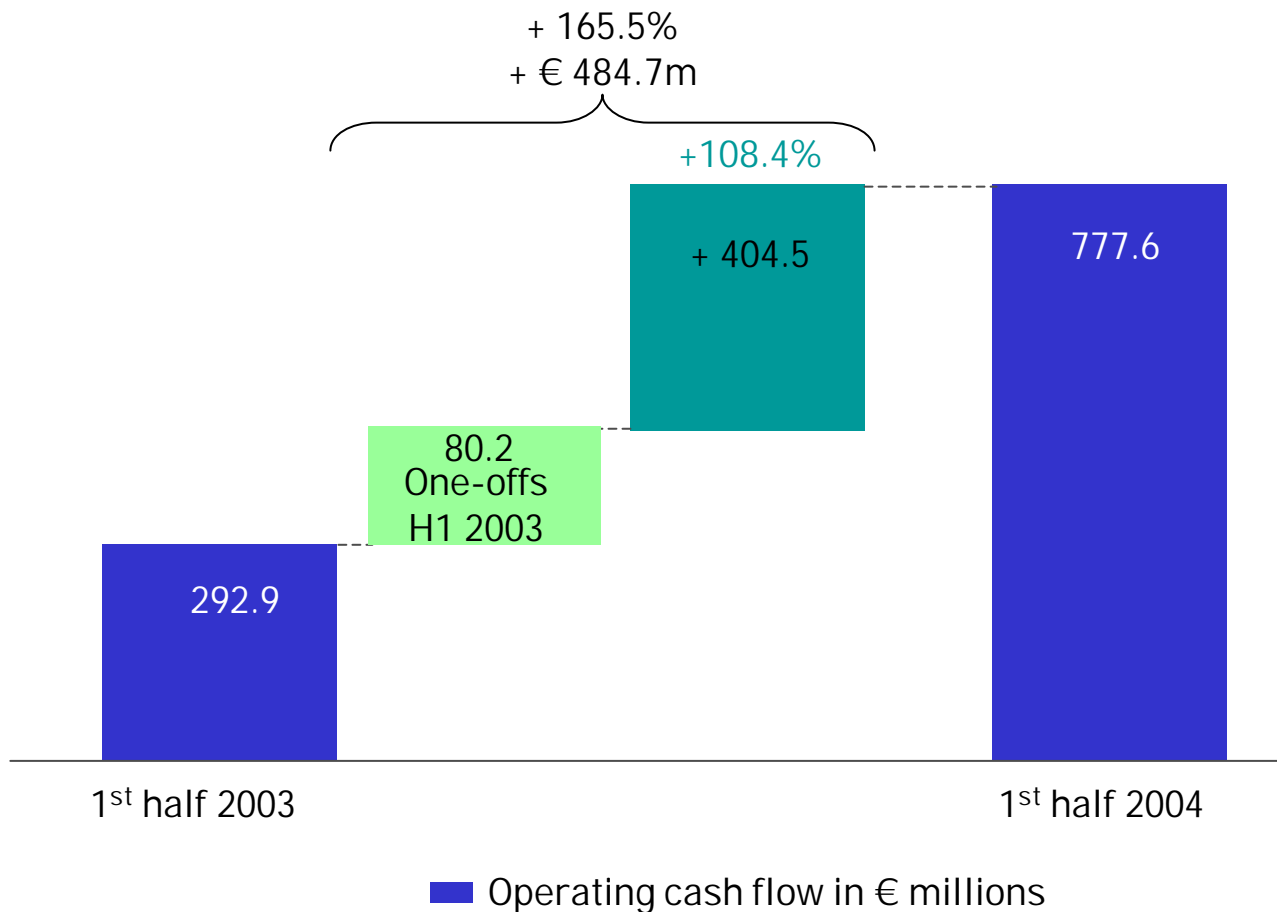
Due to the sale of Hidrocanábriico contractually agreed in July 2004, the activities of the Hidrocanábriico group were eliminated from the electricity and gas segments and are now shown under discontinuing operations. The figures of the comparative periods have been adjusted accordingly.

\*\* of continuing operations

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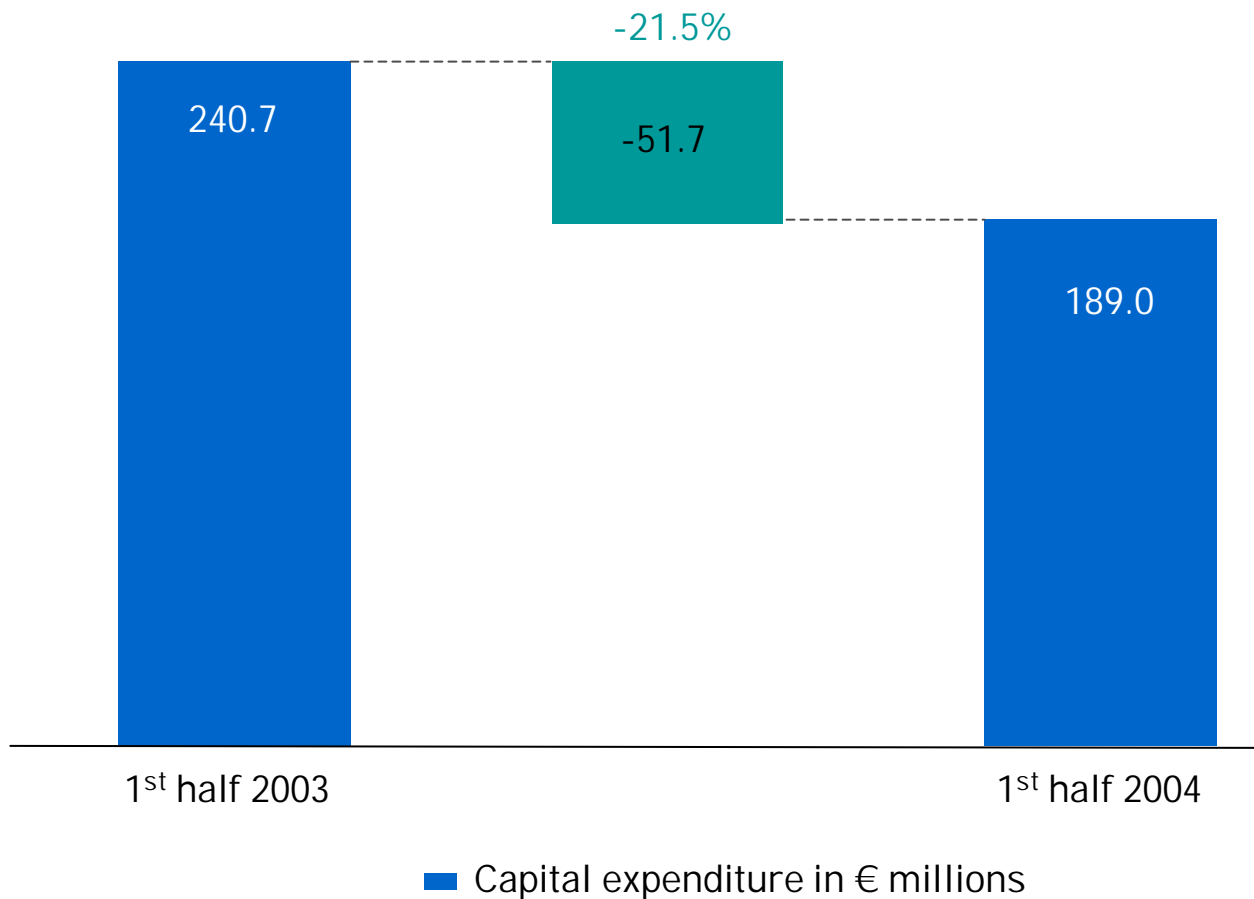
The operating cash flow rose from € 259.9 millions in the 1<sup>st</sup> half 2003 to € 777.6 millions in the 1<sup>st</sup> half 2004



### Comments

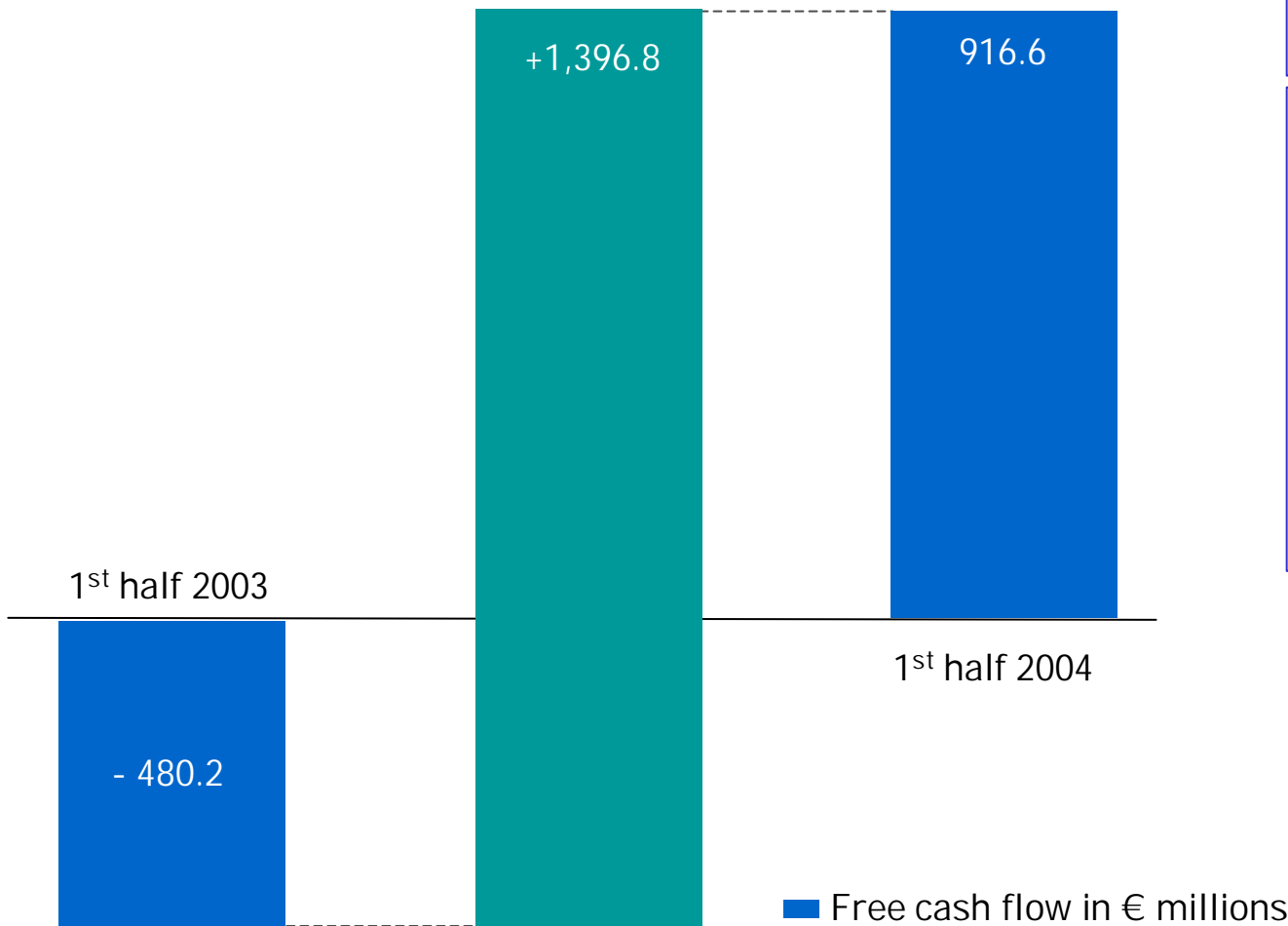
- Increase of operating cash flow mainly due to
  - improved operating performance of EnBW group
  - higher tax payments in 2003
  - higher utilisation of nuclear provisions in 2003

Capital expenditures on intangible assets and property, plant and equipment have almost been reduced by half in the 1<sup>st</sup> half 2004 compared to the half 2003



Comments
<ul style="list-style-type: none"><li>• Overall, capital expenditures in the group were down € 51.7m or 21.5% on the prior period</li><li>• In the core business segment electricity investments amount for € 86.6m only</li><li>• Spending on property, plant and equipment focused on the expansion of the power stations and distribution plants</li><li>• Strict investment management does not apply to legally stipulated investments or investments in the area of safety</li></ul>

In the 1<sup>st</sup> half 2004 the free cash flow increased by € 1,396.8m compared to the 1<sup>st</sup> half 2003



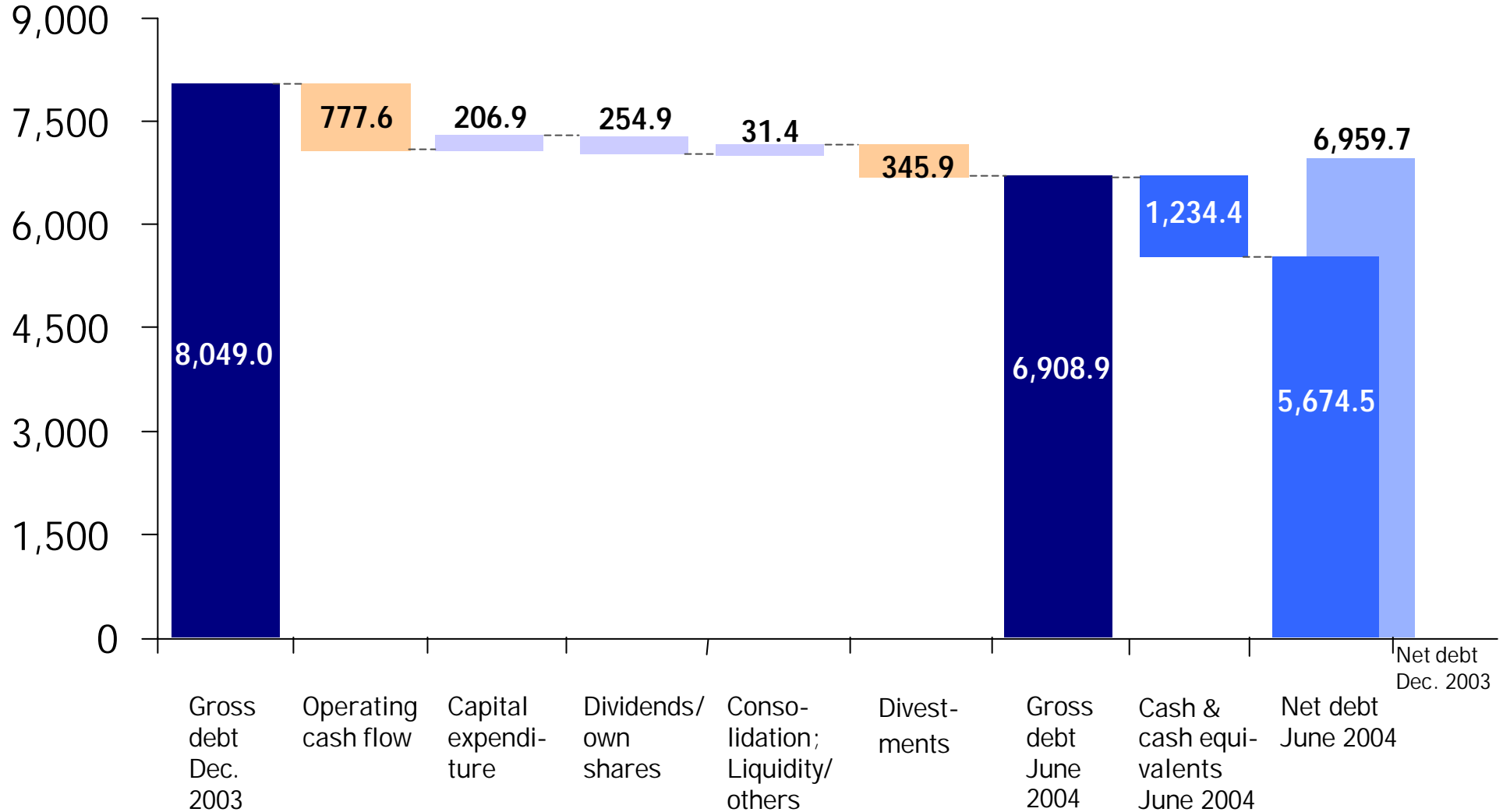
### Comments

- The increase of the free cash flow resulted from
  - the purchase of ED group in H1 2003
  - increased operating performance
  - successful divestment of subsidiaries
  - strict investment management in H1 2004

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Gross debt has been reduced by € 1.140.1m in the 1<sup>st</sup> half 2004,  
net debt\* has been reduced by 18.5%



\* Net debt defined as financial liabilities minus cash minus securities held as current assets

By placement of own shares EnBW successfully demonstrates its commitment to the capital markets



- The shareholders of EnBW purchased 11.262.652 shares, representing 91.9 % of the total offer
- The cash inflow of about € 288m led to a rise of the group's equity ratio by 1.2%
- The implementation of a subordinated shareholder loan amounting € 350m further strengthens EnBW's balance sheet and underpins EDF's and OEW's strong commitment to EnBW
- EnBW AG currently holds own shares representing 7.21%



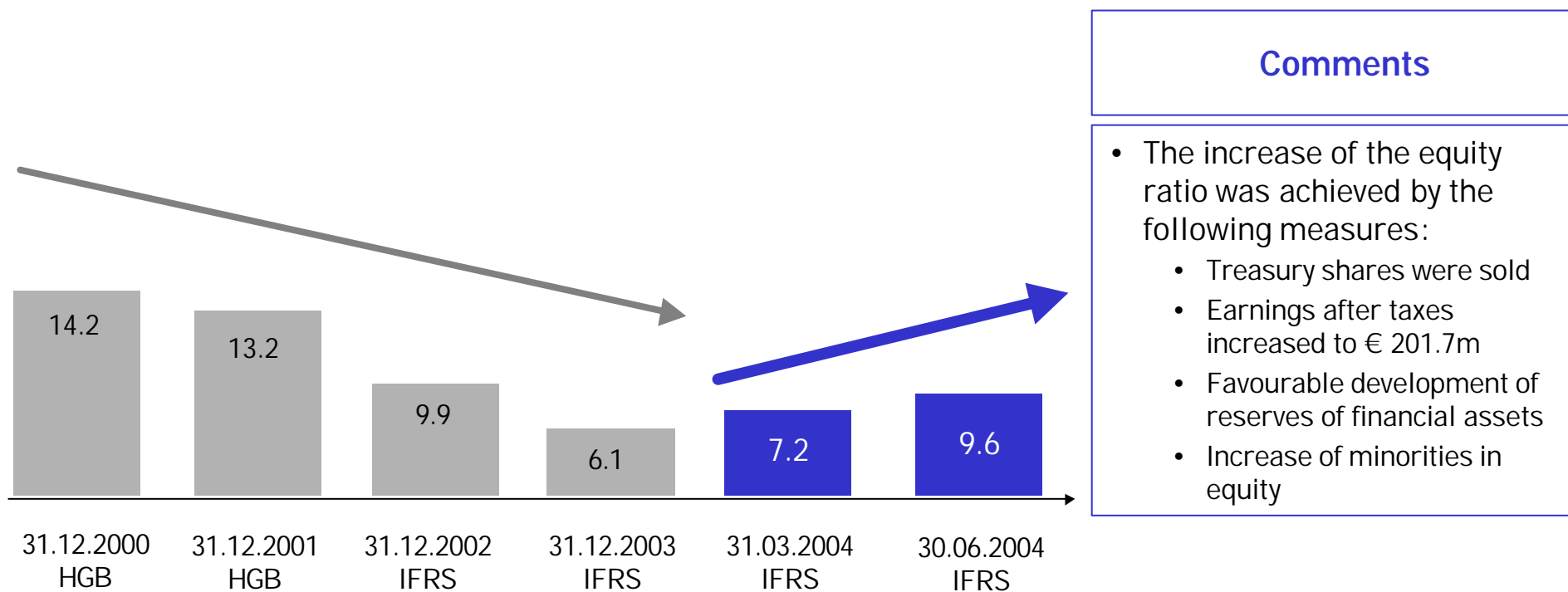
### Key features of the purchase offer

- 12.261.746 own shares to be sold
- Purchase price 25.60 €
- Purchase ratio 18:1

The positive trend of the development of the equity ratio has been continued in the 1<sup>st</sup> half 2004



Equity ratio in %



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The Top Fit program is developing well with a current implementation ratio of about 44%



- Groupwide identification of more than **1.300 measures**
- Implementation portion with a sustainable cost reduction of more than **€ 300 million** for 2004 already achieved by the end of June 2004
- This development indicates the high implementation speed of EnBW's TopFit project
- The precision within the controlling of the measures is systematically increased

## Restructuring of the group is very well on track

### Signed and executed

- Salamander Shoe division (Oct 2003)
- Sioux (Dezember 2003)
- Melvo (Dezember 2003)
- Rojana (Jan 2003)
- Controlling stake in Gegenbauer Bosse - maintenance, part of Salamander group (Q4 2003)
- Ditra - telecommunications (cable network) (Dec 2003)
- BW-Gas - restructuring of gas activities (Dec 2003)
- Amata (March 2004)
- Würth Solar (March 2004)
- SIP (June 2004)
- Apcoa (June 2004)
- Hidrocantábrico (July 2004/only signed)

### Current negotiations

- Rybnik restructuring

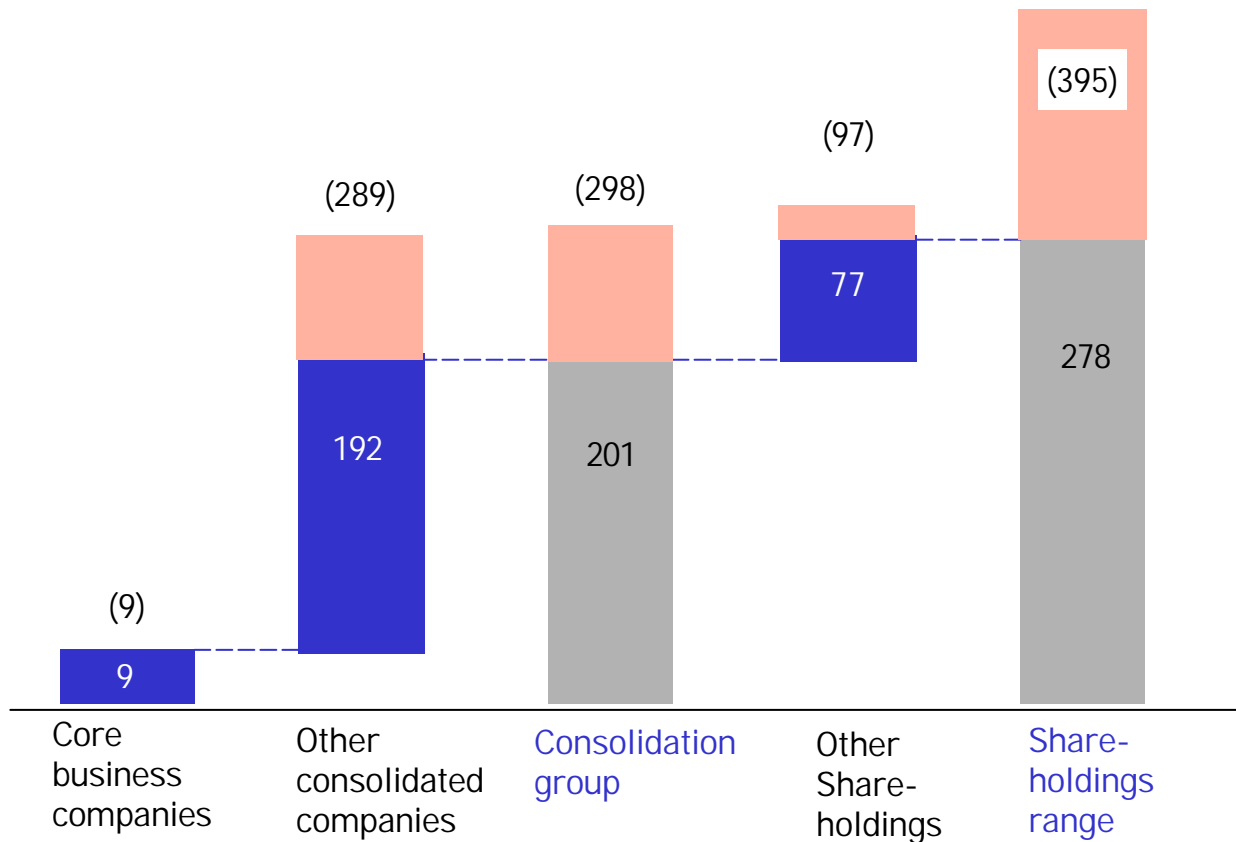
### Scheduled for 2004

- Properties at EnBW, Salamander and NWS level

The significant reduction of EnBW's shareholdings has led to a further simplification of structural complexity



Number of companies as of June 30, 2004 (Mar 31, 2003)



Comments
<ul style="list-style-type: none"> <li>• Control functions are centralised in the holding company</li> <li>• Yello was tied close to new sales company</li> <li>• As of July 31, 2004, EnBW has further reduced its shareholdings: 132 companies were sold, merged, closed or incorporated in other companies</li> </ul>

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## Outlook 2004



**Sales**

### Expectations

Overall slight decrease due to

- netting out of traded amount of electricity
- divestment of 50 % share in ENRW

**Turnover**

Slight increase in core business

(Decrease in discontinuing operations due to divestment of numerous companies of the Salamander group)

**Results\***

An adequate result in 2004 due to TOP FIT programme

**Dividend**

Adequate dividend due to the expected positive EBIT for the group

**Capital Expenditure**

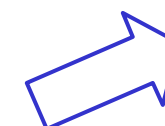
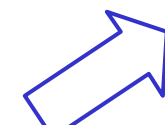
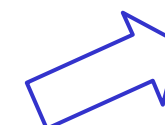
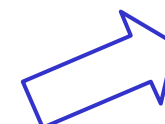
- Well below last year´s level due to divestment programme
- Further strict investment management

**Free Cash flow**

Effective improvement due to

- Top FIT programme
- reduced investing activities

### Outlook



\* This implies average annual earnings growth of EBITDA, EBIT and EBT in the two-digit percentage range.

## Back-up charts

Positive EBT of Yello Strom achieved in H1 2004 well in advance of expected turn-around

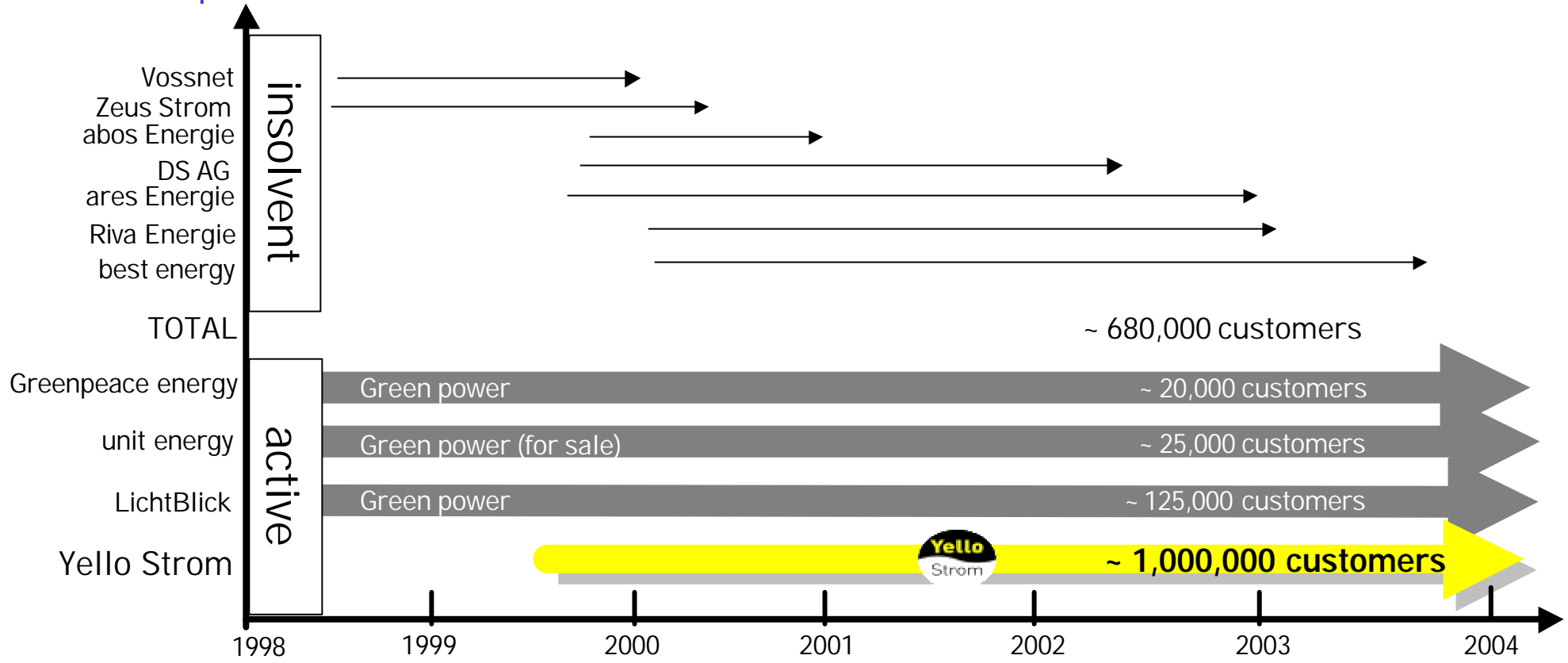


The success drivers are ...

- Tighter integration into EnBW organisation
- Cross industry benchmark in CRM and direct marketing
- Reduction of marketing and distribution efforts by more than 30%
- Competition oriented regional pricing modell
- Optimized customer mix
- Exceptional co-ordination of multi channel distribution
- Reduction of personnel expenses by more than 20%
- Increasing margins (lower costs, higher prices accepted due to improved service level)

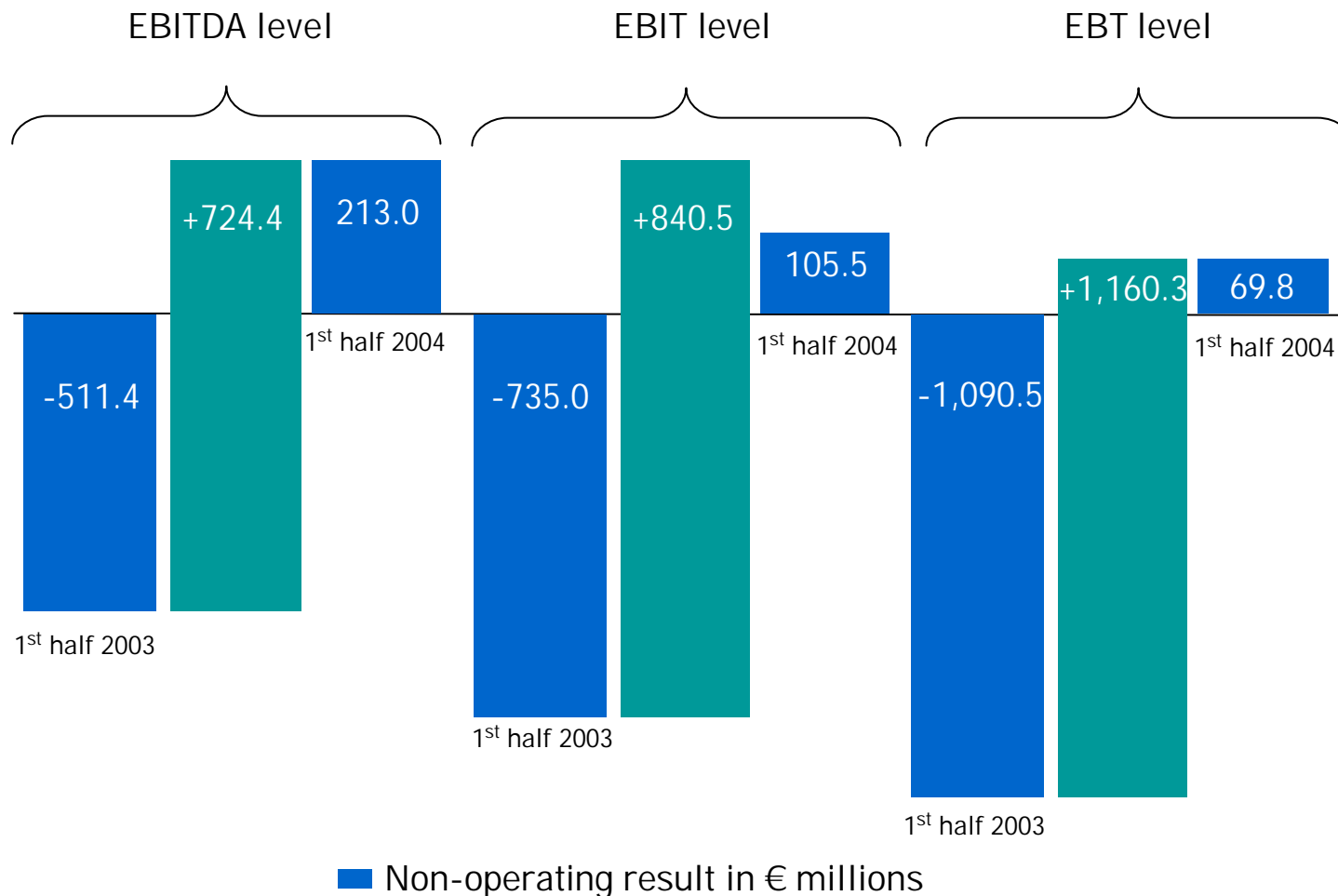
EnBW and Yello are strongly developing the sustainability of all success drivers.

### Comparison of main "newcomers"



- High service level and low churn rate
- Well-engineered IT systems
- Unique multi-channel distribution
- Excellent market know-how
- 97% brand awareness
- High level of customer satisfaction
- Clear end customer strategy

After a negative non-operating result in the 1<sup>st</sup> half 2003 the non-operating result was positive on the EBITDA, EBIT and EBT level in the 1<sup>st</sup> half 2004



### Comments

- Positive non-operating result on EBITDA level due to
  - gains on sale by reduction of share in ESAG Energie-versorgung Sachsen Ost AG and successful exploitation of assets in the discontinuing operations segment
  - release of personnel provisions and liabilities
  - risk provisions were used in full at the EBIT level for the companies sold in the first half-year 2004
- Lower non-operating result at EBIT and EBT level due to impairments of goodwill and financial assets