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Press Release >

EnBW continues to improve earnings

2018 financial year: Forecast delivered and adjusted EBITDA increased – 2020 earnings target already within reach in 2019

Stuttgart. EnBW Energie Baden-Württemberg AG sustained its positive earnings trend despite challenging operating conditions throughout the 2018 financial year. With a workforce of 21,775 (+2%), EnBW generated revenue of some 20.62 billion euros, marking a decrease of 6.2% on the previous year (21.97 billion euros). The change in revenue performance is solely attributable to first-time application of a new financial reporting standard and has no impact on earnings. The operating result (adjusted EBITDA) was 2.16 billion euros, up 2.1% on the previous year and thus within the 0-5% guidance range for the year.

“This means our ambitious plan has delivered – in an equally ambitious year. Our decision to completely restructure the business while keeping the company in one piece is increasingly paying off. EnBW today is more robust and has gained inner strength,” said EnBW CEO Frank Mastiaux on presentation of the results in Stuttgart. “It also means that we continue to power ahead on the home straight in our EnBW 2020 Strategy,” Mastiaux added. CFO Thomas Kusterer underlined: “The key point is that we were once again able to improve our operating result in 2018, after having achieved financial turnaround in 2017.”

For the industry as a whole and hence also for EnBW, 2018 was a year of both below-average wind levels and low water levels, which notably impacted output from offshore wind farms and run-of-river power plants. These negative impacts were offset by good performance in other parts of the business, most of all in the grids business, and by additional efficiency gains. Thomas Kusterer: “This is where we benefit from our broad portfolio spanning the whole energy value chain. That provides us with scope for offsetting.”

Adjusted Group net profit was down by 355 million euros in the financial year 2018. In the previous year, the financial result was substantially increased by disposals of securities in readiness for the payment to the KFK (nuclear phase-out commission) fund. EnBW generated adjusted Group net profit attributable to the shareholders of EnBW AG of 438.3 million euros in the financial year 2018. A dividend of 0.65 euros per share will consequently be proposed at this year’s Annual General Meeting.

2019: Further earnings growth targeted

“Adjusted EBITDA this year is expected to be in a range between 2.35 and 2.5 billion euros – 9% to 16% percent above the previous year,” said Thomas Kusterer, announcing the guidance for the current financial year. “Our EnBW 2020 Strategy target of regaining our 2012 operating result – that is, 2.4 billion euros – remains firmly in place. We even expect to exceed this ambitious target in 2020.”

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The planned further earnings growth will be largely attributable to the Grids segment and the Renewable Energies segment. This represents growth in EnBW's low-risk business. EnBW is also aiming in 2019 for early attainment of its 650-million-euro efficiency target, which will have an additional positive impact. Conversely, EnBW expects a slight decrease in earnings in the conventional Generation and Trading segment. The Sales business is expected to generate a result at the previous year's level.

Looking ahead: New growth opportunities from infrastructure businesses

Looking ahead beyond 2020, Frank Mastiaux said: "We are focusing – in fact, we are concentrating on what we are really good at, which is building and managing complex, large-scale and critical infrastructure, safely and reliably. Not just in the energy business, but also in other areas. And secondly, we want to grow. Specifically, we aim for an operating result of more than three billion euros in 2025. That would be more than this company has ever attained."

To this end, EnBW will increasingly focus in the years ahead on infrastructure, both in the energy sector and beyond. Following its strategy through to 2025, these efforts will target three growth areas: Sustainable generation infrastructure, system-critical infrastructure and smart infrastructure for customers. "To be successful here, we need financial clout, a modern organisational lineup and an enthusiastic workforce," said Frank Mastiaux. "And we need to recruit. We expect to take on 3,600 new employees by the end of 2021. In addition, from 2021 to 2025 EnBW plans to invest a total of some 12 billion euros, 80% of that will be in growth areas. Frank Mastiaux: "We attained our goals for 2018 and we will further increase earnings this year. Looking ahead to 2020, we are already close to target, and the course is set for 2025."

2018 financial year: Performance by segment

In the Sales segment, adjusted EBITDA fell by 18% year-on-year to 271 million euros. Earnings in 2017 had been positively impacted by out-of-period effects. The absence of such items last year had a somewhat more pronounced effect than expected.

Adjusted EBITDA performance in the Grids segment, by contrast, was up 12.5% year-on-year. This earnings growth to 1,177 million euros partly reflected the full earnings contribution of VNG since the second quarter of 2017. In addition to this, there was also higher electricity grid revenue.

In the Renewable Energies segment, the operating result for the 2018 financial year was 10.3% down on the previous year. Poor wind conditions and low water levels had a negative impact on output both from offshore wind farms and from run-of-river power plants. The increase in earnings from onshore wind farms commissioned in mid-2017 was not sufficient to make up for this.

Adjusted EBITDA performance in the Generation and Trading segment was positive, with growth of 13.7% to 429 million euros. This largely related to the unscheduled downtime at Unit 2 at the Philippsburg nuclear power plant in 2017. That effect was absent in 2018. It was

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thus possible to make up for the extension of the inspection of Neckarwestheim nuclear power plant's Unit 2 and for the weather-related negative impact on electricity generation.

Total investment of the EnBW Group, at 1.77 billion euros, was at the previous year's level. 74.8% of total gross investment related to growth projects, primarily in the areas of grid expansion and renewable energies.

Performance indicators of the EnBW Group

Financial and strategic performance indicators

in € million	2018	2017	Change in %
External revenue	20,617.5	21,974.0	-6.2
TOP Adjusted EBITDA	2,157.5	2,113.0	2.1
TOP Share of adjusted EBITDA accounted for by Sales in € million/in %	270.6/12.5	330.0/15.6	-18.0/-
TOP Share of adjusted EBITDA accounted for by Grids in € million/in %	1,176.9/54.5	1,045.9/49.5	12.5/-
TOP Share of adjusted EBITDA accounted for by Renewable Energies in € million/in %	297.7/13.8	331.7/15.7	-10.3/-
TOP Share of adjusted EBITDA accounted for by Generation and Trading in € million/in %	428.6/19.9	377.1/17.8	13.7/-
Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in %	-16.3/-0.7	28.3/1.4	-/-
EBITDA	2,089.6	3,752.4	-44.3
Adjusted EBIT	957.5	998.8	-4.1
EBIT	875.8	2,504.0	-65.0
Adjusted Group net profit ¹	438.3	793.3	-44.7
Group net profit ¹	334.2	2,054.1	-83.7
Earnings per share from Group net profit in € ¹	1.23	7.58	-83.7
Retained cash flow	999.1	3,050.3	-67.2
TOP Internal financing capability in %	93.2	111.9	-16.7
Total investments	1,769.9	1,770.3	0.0
Net financial debt	3,738.4	2,917.8	28.1
Coverage ratio ALM in % ²	51.8	53.3	-
TOP Return on capital employed (ROCE) in % ²	6.5	7.3	-
Weighted average cost of capital before tax in %	6.3	6.3	-
Average capital employed ²	16,053.3	15,119.9	6.2
Value added ²	32.1	151.2	-78.8

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Non-financial performance indicators

	2018	2017	Change in %
Customers and society goal dimension			
TOP Reputation Index	51.3	52.1	-1.5
TOP EnBW/Yello Customer Satisfaction Index	120/152	143/161	-16.1/-5.6
TOP SAIDI (electricity) in min./year	17	19	-10.5
Employees goal dimension			
TOP Employee Commitment Index (ECI) ³	62	60	3.3
TOP LTIF ⁴	2.3	3.0	-23.3
Environment goal dimension			
TOP Installed output of renewable energies (RE) in GW and the share of the generation capacity accounted for by RE in % ²	3.7/27.9	3.4/25.8	8.8/8.1
TOP CO ₂ intensity in g/kWh	553	556	-0.5

Employees of the EnBW Group⁵

	31/12/2018	31/12/2017	Change in %
Employees	21,775	21,352	2.0
Full-time equivalents ⁶	20,379	19,939	2.2

- 1 In relation to the profit/loss attributable to the shareholders of EnBW AG.
- 2 The figures for the previous year have been restated.
- 3 Variations in the group of consolidated companies (consideration of companies controlled by the Group (without ITOs)).
- 4 Variations in the group of consolidated companies (consideration of all employees at those companies controlled by the Group, except external agency workers and contractors).
- 5 Number of employees excluding apprentices/trainees and inactive employees.
- 6 Converted into full-time equivalents.

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