Six-Monthly Financial Report

January to June 2016

Adjusted EBITDA
falls to €967.5 million

Earnings forecast for 2016
confirmed at –5% to –10%

Adjusted EBITDA for the Grids and Renewable Energies segments significantly higher

Acquisition of VNG shares
Investments have increased significantly

EnBW

Performance indicators of the EnBW Group

Financial and strategic performance indicators

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %	01/01 – 31/12/2015
External revenue	9,811.4	10,913.8	-10.1	21,166.5
TOP Adjusted EBITDA	967.5	1,276.8	-24.2	2,109.6
TOP Share of adjusted EBITDA accounted for by Sales in € million/in %	138.3/14.3	179.4/14.1	-22.9/–	255.3/12.1
TOP Share of adjusted EBITDA accounted for by Grids in € million/in %	523.8/54.1	437.0/34.2	19.9/–	747.4/35.4
TOP Share of adjusted EBITDA accounted for by Renewable Energies in € million/in %	153.1/15.8	87.5/6.9	75.0/–	287.4/13.6
TOP Share of adjusted EBITDA accounted for by Generation and Trading in € million/in %	148.6/15.4	542.5/42.5	-72.6/–	777.3/36.8
Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in %	3.7/0.4	30.4/2.3	-87.8/–	42.2/2.1
EBITDA	887.8	1,109.1	-20.0	1,918.2
Adjusted EBIT	504.0	824.1	-38.8	1,181.9
EBIT	402.0	645.9	-37.8	277.0
Adjusted Group net profit[1]	52.1	1,028.4	-94.9	951.7
Group net loss/profit[1]	-194.2	1,056.5	–	124.9
Earnings per share from adjusted Group net profit[1] in €	0.19	3.80	-94.9	3.51
Earnings per share from Group net loss/profit[1] in €	-0.72	3.90	–	0.46
Cash flow from operating activities	-362.4	794.7	–	1,918.3
Free cash flow	-607.4	365.9	–	725.8
Investments	1,663.4	526.3	–	1,461.6

Non-financial performance indicators[2]

	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %	01/01 – 31/12/2015
Customers goal dimension				
TOP EnBW/Yello Brand Attractiveness Index	45/38	44/34	2.3/11.8	43/35
TOP EnBW/Yello Customer Satisfaction Index	127/143	132/148	-3.8/-3.4	136/152
TOP SAIDI (electricity) in min./year	11	13	-15.4	15
Employees goal dimension				
TOP LTIF[3]	3.7	2.9	27.6	3.8

Employees[4, 5]

	30/06/2016	30/06/2015	Change in %	31/12/2015
Number	20,263	20,061	1.0	20,288

[1] In relation to the profit/loss attributable to the shareholders of EnBW AG.
[2] The values for the key performance indicators Employee Commitment Index (ECI) and "installed output of renewable energies and the share of the generation capacity in % accounted for by renewable energies" will be exclusively collected at the end of the year.
[3] Variations in the group of consolidated companies; only those companies controlled by the Group are included.
[4] Number of employees excluding marginally employed persons, apprentices/trainees and inactive employees.
[5] The number of employees for the ITOs (TransnetBW GmbH and terranets bw GmbH) is only updated at the end of the year; for intervals of less than a year, the number of employees from 31/12/2015 is carried forward.

At a glance 2016

EnBW decided at an early stage: We want to play a reliable and influential role in reshaping the energy system. "Energiewende. Safe. Hands on." is our guiding principle.

We already realigned our business model three years ago and have been rigorously implementing our strategy since then. We are countering the foreseeable fall in earnings from conventional generation and trading by increasing generation from renewable sources of energy, expanding the stable grids business and engaging in an innovation and service-based campaign to promote business in the area of "Customer proximity". EnBW views itself as an energy company that is active along the entire value chain. In the process, we are supported by our regional roots in Baden-Württemberg and by a stable group of shareholders, who, like us, are pursuing long-term goals.

As one of the largest energy supply companies in Germany, we supply electricity, gas, water and energy-related products and services to approximately 5.5 million customers.

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The contents of this report exclusively serve to provide information and do not constitute an offer or an investment recommendation. Please take this into consideration and also refer to the other important notes on page 47.

Highlights

April to July 2016

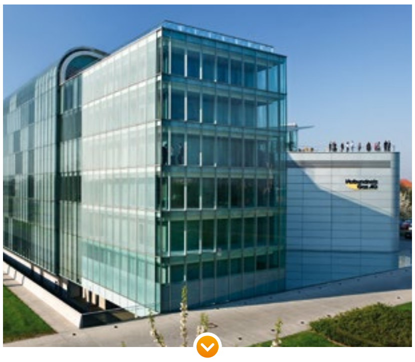
April

EnBW launches a new image campaign

At the heart of the new EnBW communication campaign, which is running under the motto of "We're making it happen", lie the company's employees. As ambassadors, they will be campaigning throughout Baden-Württemberg to gain the trust of customers and the general public in EnBW and its accomplishments. At the launch of the campaign, EnBW used a sound and laser installation "Wasserleuchten" through which visitors could move to transform Schlossplatz in Stuttgart into a virtual ocean – to symbolise the energy of water.

Cooperation in the tender procedure for the Danish offshore wind farm Kriegers Flak

In cooperation with Siemens Financial Services and DEME Concessions Wind, EnBW has submitted an indicative offer to the Danish Energy Agency for the tender procedure for the Kriegers Flak offshore wind farm project. Siemens Financial Services are acquiring 32.5% and DEME Concessions Wind 17.5% of the shares in the project company Kriegers Flak ApS. EnBW holds a 50% shareholding. The Danish government is awarding the concession for the Kriegers Flak wind farm with a capacity of between 590 to 610 MW.



EWE and EnBW: restructuring of shareholdings

As part of the restructuring of shareholdings with EWE Aktiengesellschaft Oldenburg (EWE), EnBW acquired 74.2% of VNG-Verbundnetz Gas Aktiengesellschaft (VNG) on 20 April. At the same time, EWE and EWE-Verband each acquired a 10% shareholding in EWE from EnBW. EnBW will retain a 6% shareholding in EWE until at the latest 2019, at which time it will be acquired by EWE-Verband.

May

The EnBW "Making it happen" bus provides local assistance

The EnBW "Making it happen" bus set out across the state from May to July and stopped to provide assistance where it was needed. Up to ten EnBW employees offered their heads, hearts and hands to support charitable projects directly on-site. Over 120 applications from private persons, associations and charitable organisations were received in the last two weeks. A jury of employees from EnBW selected ten projects from amongst all the applications for the final vote. Internet users and the EnBW workforce selected their five favourite projects from those selected. The winners will all be provided with support in the form of manpower, motivation and materials worth up to in each case €5,000 by the "Making it happen" team from EnBW. The "Making it happen" team have, amongst other things, already constructed a herb and vegetable garden for the Maximilian-Kolbe kindergarten in Winnenden and renovated a mountain bike route for children at the St. Märgen Ski Club in Breisgau. This work is being carried out as part of the "We're making it happen." campaign of EnBW.

Branch opened in Erfurt

In the presence of the Thuringia Minister for the Environment Anja Siegesmund and around 50 invited guests, EnBW officially opened its Erfurt branch in which a dedicated team of eight employees have been working on the development, construction and operation of onshore projects in Thuringia, Saxony and Saxony-Anhalt since 2015. On the occasion of the opening, EnBW invited guests to join in an energy and business discussion that focussed on the current draft reform of EEG published by the Federal Ministry for Economic Affairs and Energy.

June

Digital Leader Award for SM!GHT

Multifunctional street lighting from SM!GHT – an in-house development from the EnBW Innovation Campus – won first prize in the "Digitize Society" category at the Digital Leader Awards. As part of the gala evening in Berlin, project manager Matthias Weis accepted the prize on behalf of EnBW. The Digital Leader Awards, under the patronage of Sigmar Gabriel, honours projects that push forward the digital revolution. The jury was won over by, amongst other things, the fact that EnBW has founded a start-up within the framework of its Innovation Campus that had succeeded in successfully developing a future-oriented digital product to market maturity in less than two years.

July

EnBW is examining the construction of a further offshore wind farm

EnBW initiates the tendering process for the Albatros offshore wind farm. This will allow the commercial and technical framework conditions for the possible realisation of the project to be examined in more detail. The Albatros offshore wind farm project acquired by EnBW in December 2014 is located in the German North Sea in the immediate vicinity of the planned offshore wind farm "EnBW Hohe See" and thus offers the possibility to exploit synergies during the erection and operational phases. Due to the legal limit for grid connections for the expansion of offshore wind power, Albatros currently has binding approval for grid connections of 116.8 MW.

The "Auf der Weißen Trisch" wind park project acquired

EnBW has started the construction of the "Auf der Weißen Trisch" onshore wind farm in Homburg (Saarpfalz district) by setting out the construction site. In the next few months, four wind power plants with a total output of 9.6 MW will be erected. The turbines, which have an output of 2.4 MW each, are due to commence operating by the end of March 2017 and will cover the annual electricity requirements of around 7,500 households. The project was approved in February 2016 and was acquired by EnBW under the name "Windpark Auf der Weißen Trisch GmbH" from the product developer Energy 3k in May 2016.

Significant financial developments

- **The adjusted EBITDA** of the EnBW Group of €967.5 million in the first half of 2016 was below the level in the previous year.
- **The operating result** was impacted by temporary effects. The earnings performance for the whole 2016 financial year will remain in line with our forecasted range of between –5% and –10%.
- **The restructuring of our business model** is progressing well: €676.9 million of the operating result is now attributable to the Grids and Renewable Energies segments.
- **Adjusted Group net profit attributable to the shareholders of EnBW AG** fell to €52.1 million (previous year: €1,028.4 million).
- **The investment volume** increased significantly by the middle of the 2016 in comparison to the previous year due to the acquisition of the shares in VNG. Divestitures were also successful due to the associated sale of shares in EWE. Net cash investments were slightly above the level in the previous year.

Interim Group management report

Business activity and strategy

Business activity

As an integrated energy supply company, EnBW operates in Germany along the energy industry value chain and has a diversified business portfolio with a balanced risk-return profile.

Business operations are divided into four segments:

- The Sales segment encompasses the sale of electricity and gas, as well as the provision of energy-related services such as billing services or energy supply contracting and energy-saving contracting.
- The Grids segment includes the transmission and distribution of electricity and gas, the provision of grid-related services – for instance the operation of grids for third parties – and water supply services.
- Activities in the area of electricity generation from water, wind and sun are combined under the Renewable Energies segment.
- The Generation and Trading segment encompasses the generation and trading of electricity, the provision of system services, the gas midstream business, district heating, environmental services and the dismantling of power plants.

Other/Consolidation includes activities which are not otherwise allocated to the separately presented segments.

Our core market is Baden-Württemberg, where we are positioned as market leader and active along the energy industry value chain through our numerous subsidiaries. Beyond our core market, we operate throughout Germany and in Europe. We supply customers all over Germany through our subsidiary Yello Strom GmbH. Energiedienst Holding AG, in which EnBW is the majority shareholder, supplies customers in South Baden and Switzerland. Stadtwerke Düsseldorf AG, a further company in which EnBW holds a majority stake, supplies customers in Düsseldorf, the capital of North Rhine-Westphalia. EnBW Baltic 1 GmbH & Co. KG and EnBW Baltic 2 S.C.S. contribute to the generation of electricity from renewable energy sources with their wind farms in the Baltic Sea. A share in Pražská energetika a.s. (PRE), the third-largest electricity supply utility in the Czech Republic, means that EnBW is also active on the Czech market. EnBW is represented in Turkey by a joint venture with the Borusan Group. Furthermore, we are also active in Austria.

EnBW supplies in total around 5.5 million customers with energy. With its strong brands, EnBW enjoys a close relationship with customers, orientating itself to their needs through its efficiency and quality.

Market conditions and structures

Market conditions in the energy sector are currently undergoing profound change. The desire to achieve autonomy and generate energy in a decentralised manner, as well as falling energy consumption due to improved energy efficiency, are leading to a change in the patterns of demand and consumption amongst customers. An increase in price and cost awareness and the continued strong orientation towards sustainability support this development. Cities and communities are also playing a role in this change.

The trend towards decentralisation is benefiting from technological advances, which in turn are leading to a massive decline in the costs associated with decentralised energy generation, particularly with regard to photovoltaic power plants, but also to combined heat and power plants (CHP) and wind power plants. The role of centralised electricity generation is being fundamentally transformed as a result, meaning there are considerably fewer operating hours in power plants. Nuclear power generation will be phased out by 2022, with plants being successively and safely decommissioned and dismantled.

Corporate strategy

We have closely analysed future revenue sources in the energy industry to further develop our business portfolio. According to our estimations, revenue flows in the energy industry will shift considerably. Renewable energies, grids and the decentralised solution business are growing in importance. On this basis, we have developed the EnBW 2020 strategy guided by the principle “Energiewende. Safe. Hands on.”, which charts the course for the future development of our business model and strengthens the future viability of the company.

Two operating models

The two complementary operating models of “Customer proximity” and the “Engine room of the Energiewende” lie at the core of the EnBW 2020 strategy. “Customer proximity” shifts the focus of our activities onto the customer to an even greater degree. Key elements here are consistent innovation management, shorter development times for new products and services and well-balanced partnership models. In the “Engine room of the Energiewende”, we are building, in particular, on operational excellence and a strict efficiency and cost orientation to achieve defined levels of quality, in order to ensure the efficient and safe operation, construction and dismantling of energy supply plants and infrastructure.

Restructuring the business portfolio

EnBW aims to more than double the share of its generation capacity accounted for by renewable energies from 19% (based on the reference year of 2012) to more than 40% in 2020. The capacities of our onshore wind farms will be increased significantly in the target markets of Germany and Turkey. Offshore wind power represents a further opportunity for growth. By investing extensively in grid expansion, we will be making a substantial contribution to the infrastructure required by the energy system and thus to the security of supply.

By 2020, a significant share of the Group’s earnings (the tar get value of adjusted EBITDA is between €2.3 billion and €2.5 billion) is to be raised from strategic initiatives. Innovative products and services will form another important pillar of the company’s business. The overall share of adjusted EBITDA accounted for by the regulated grid business and renewable energies will increase from the current level of approximately 40% (based on the reference year of 2012) to around 70% in 2020. This will improve the risk-return profile of EnBW.

Extensive investments and divestitures

EnBW intends to invest €14.1 billion in total by 2020 (based on the reference year of 2012). In this context, the focus will be placed on expanding wind and hydropower on an industrial scale. In addition, we will concentrate on the expansion and upgrading of our transmission and distribution grids right through to so-called smart grids. Beyond our core market of Baden-Württemberg, we will be focusing our investment activities on Germany, Switzerland, the Czech Republic and Turkey. To obtain the financial headroom required for these extensive investments, we have considerably extended our divestiture programme, involving conventional divestitures and cash flow from participating investment models and the disposal of assets and from subsidies, to around €5.1 billion (based on the reference year of 2012).

Around €7.1 billion of the overall investments planned up to 2020 have already been realised as of 30 June 2016, while approximately €3.4 billion of our divestiture programme was implemented as of the same date.

Further development of the gas business

As part of the restructuring of shareholdings with EWE Aktiengesellschaft, Oldenburg, EnBW acquired 74.2% of VNG-Verbundnetz Gas Aktiengesellschaft, Leipzig (VNG), on 20 April 2016. As a result, EnBW will double its gas business and become the third-largest gas supplier on the German market in future. The acquisition of VNG represents an important step in the restructuring and further development of EnBW, both strategically and economically.

Efficiency measures are being intensified

EnBW is increasing the tempo of its realignment with further measures to achieve targeted improvements in earnings. This is taking place against the background of falling electricity prices, additional expected burdens in the area of nuclear power due to the compromise offered by the “Commission to examine the financing of the phase-out of nuclear energy” (KFK) and intensive competition above all in the sales business. Following on from the significant improvements in efficiency achieved up to now, the aim is to achieve further cost reductions in the order of around €250 million by 2020. The planned measures primarily focus on the areas of sales, generation and trading as well as administrative functions and will be implemented within different time frames. Customer-oriented business will be concentrated more directly on profitable activities, the faster development of new business models and the rigorous application of digital technology. In the first stage, it was decided that the brands EnBW and Watt will withdraw from the traditional electricity and gas sales to large customers (B2B). Ongoing or already concluded customer contracts will be fulfilled reliably and in their entirety. Financial resources will thus be focussed on those business fields in the sales sector that have sufficient growth potential and whose profitability EnBW can increase in a sustained manner. This includes, in particular, the private customer business that will continue unchanged.

General conditions

The business performance of EnBW is primarily influenced by the development of the wholesale market price for electricity, as well as the political/regulatory framework conditions such as those relating to funding for renewable energies or in the grids sector. The price of electricity is not only dependent on demand but also on the development of the global fuel/CO_2 markets. In addition, the global energy sector is experiencing a period of fundamental change – especially in Germany because of the Energiewende – due to the transition to increasingly carbon-neutral methods of energy generation. On the sales side of the business, there is very intensive competition – especially in business with industry and redistributors.

Sales segment

Despite the continued generally positive economic environment, the demand for energy in Germany is gradually declining due to the use of energy-efficient devices and processes. This trend continued in the first half of 2016 due to the mild winter. This trend could be offset in the long term because of an increase in demand as fossil fuels are replaced by electricity – such as through the use of heat pumps – and due to the politically desired expansion of electromobility. In order to accelerate the market penetration of electromobility, additional incentives have been introduced: For example, increased funding for electric cars in the form of purchase subsidies was agreed in early 2016. Furthermore, the German government aims to provide funding of around €300 million for the expansion of the charging infrastructure. In the area of energy services, there will be new applications for electricity for electromobility, urban infrastructure and in other business fields.

In the second quarter, the Federal Ministry for Economic Affairs and Energy (BMWi) started a comprehensive campaign on the subject of energy efficiency to raise awareness amongst consumers of how to use energy more sparingly. This is being accompanied by a variety of funding programmes, such as the introduction of competitive tendering for energy efficiency. This means only those energy providers who are able to most effectively implement measures to increase energy efficiency will receive funding.

The increasing digitalisation of the energy supply system is also acting as the basis for the development of innovative business models. The draft cabinet bill for the digitalisation law issued in November 2015 proposes the gradual digitalisation of measurement and metering up to 2032. The Law on Digitalizing the Energiewende was approved by parliament on 8 July 2016.

Grids segment

The basis for the success of the Energiewende will be the expansion of the energy grids to meet demand. In particular, the connection of renewable energies will require further construction measures at both the transmission and distribution grid level. These measures will call for a high level of investment in the grid infrastructure. Accordingly, the further development of the regulatory framework for distribution grids is now in the final stages as part of the reform of the incentive regulations.

In the area of transmission grids, underground cables have been given priority ahead of new overhead lines where this is possible and appropriate since the start of 2016 in accordance with the Federal Requirements Plan issued in December 2015. The position paper on underground cables published by the Federal Network Agency (BNetzA) in April 2016 has defined the legal regulations for direct current (DC) projects. According to assessments made by the transmission system operator (TSO), this will cause a delay of approximately three years to the completion of the high-voltage DC transmission lines (HVDC).

The reform of the Incentive Regulation Ordinance (ARegV) was agreed in July 2016, the final approval of the reform by the German government is still pending and has been announced for the second half of 2016. It contains important new aspects for grid operators such as a comparison of capital costs to eliminate the current time delays in the refinancing of new investments and the introduction of a transitional regulation for investments that have already been made by the grid operators since the beginning of the incentive regulation in 2007. As things currently stand, the adjustments to the regulatory regime for network charges for electricity and gas are then due to become effective from the third regulatory period (electricity in 2019, gas in 2018). EnBW AG and its subsidiary Netze BW have actively participated in the consultations for the reform of ARegV.

Renewable Energies segment

Due to our activities in Turkey via our joint venture with the Borusan Group, we are monitoring the further developments in this country very carefully. Initially, our primary focus is naturally the well-being of our employees working in the country.

The German Renewable Energies Act (EEG) 2016 was passed by the Bundestag and Bundesrat on 8 July 2016. The funding of renewable energies will be provided based on a competitive auction system in future, which will replace the existing feed-in tariffs. The design of the auctions aims to maintain the expansion corridor for renewable energies, enabling sufficient competition and guaranteeing a diverse range of stakeholders. In our estimation, the switch to the new funding system will significantly change the business logic in the renewable energies business field. For example, the size of the portfolio will be an important factor for success in the future.

For **onshore wind power plants**, a transitional period for projects is currently in progress up to the end of 2016 and for the completion of already approved turbines up to the end of 2018. In the case of new projects, the funding will be switched over to an auction process. Three to four rounds of auctions should be held per year from May 2017. Aside from the very challenging criteria for the prequalification of new wind turbines in accordance with the Federal Immission Control Act (BImSchG), the gross expansion limit of 2,800 MW per year (or 2,900 MW from 2021) could lead to a situation where net growth will be near to zero or even negative in individual years.

For **offshore wind power plants**, the targets of 6.5 GW by 2020 and 15 GW by 2030 have been defined. There will also be a period of transition to competitive auctions for offshore wind power plants: All wind farms that are placed into operation by 2020 will receive funding in accordance with EEG 2014. Transitional auctions will be held for wind turbines that are connected to the grid between 2021 and 2024, while the central auction process will apply to new projects from 2025.

For **photovoltaic power plants**, there are only plans to precisely regulate the expansion of large power plants with an installed output of more than 1 MWp. Here, the central auction model will also apply. Actual expansion will also be dependent, however, on the investment decisions made about small power plants. Irrespective of subsidies, the economic viability of PV power plants for own consumption due to, for example, decreasing costs for battery storage systems could lead to dynamic growth in this area.

As a company with ambitious expansion targets in the area of renewable energies, these changes to the system will impact EnBW. EnBW has thus accompanied the legislative process in the past few months by actively participating in the relevant consultations in order to point out the level of protection that is required for existing plans and investments, as well as to ensure the most unbureaucratic and effective implementation of the new system possible.

Generation and Trading segment

The situation on the wholesale electricity market is characterised by persistent overcapacity due to the progress of the Energiewende and a sharp fall in the global price of fuel.

Electricity wholesale market

The price of electricity on the wholesale market followed the development of fuel prices in the first half of the 2016, which fell across the board. In the first quarter, prices on the wholesale market for electricity reached a ten-year low, while they rose slightly in parallel with fuel prices in the second quarter. The pressure on conventional generation continues to be high, especially in Germany. Already, the electricity generated by large power plants is at times forced out of the market entirely by renewable energies so that it is becoming ever more difficult to operate these power plants economically. The wholesale market price for electricity is not expected to change significantly during the rest of the year.

Development of prices for electricity (EPEX), base load product

in €/MWh	Average H1/2016	Average H1/2015	Average 2015
Spot	24.99	30.22	31.62
Rolling front year price	23.90	32.03	30.96

Oil market

Although the market continues to be characterised by oversupply, the OPEC countries are continuing their policy of not intervening in the market to stabilise prices. Oil production in the USA achieved permanent cost reductions that were greater than those expected by the market. This also meant that there were no production shortfalls that could have been caused by a large number of insolvencies. Finally, Iran's return to the international oil market has led to a further increase in supply. In addition, the trend in demand for oil has had a rather dampening effect on oil prices because the dynamic economic growth in Asia – especially in China – has slowed. During the remainder of the year, we anticipate that oil prices will remain relatively constant at the current level.

Development of prices on the oil markets

in US $/bbl	Average H1/2016	Average H1/2015	Average 2015
Crude oil (Brent), front month (daily quotes)	41.21	59.35	53.60
Crude oil (Brent), rolling front year price (daily quotes)	46.57	67.01	60.45

Coal market

Following a low in the first quarter of 2016 when coal prices fell below US $40.00/t, the coal market recovered significantly in the second quarter of the year. We do not anticipate any further significant increase in coal prices.

Development of prices on the coal markets

in US $/t	Average H1/2016	Average H1/2015	Average 2015
Coal – API #2 rolling front year price	43.91	59.06	54.64

Gas market

Long-term gas import contracts form the primary basis of Germany's gas supply. Prices primarily track the oil price trends with a time lag. As a result of the increased supply of LNG from the Gulf region and Australia, the dependency of the gas price on the price of oil has however fallen in Europe. The border price index for natural gas published monthly by the German Federal Office of Economics and Export Control (BAFA) stood at €14.43/MWh in April 2016, which is 21.2% below the December 2015 figure (€18.32/MWh) and 33.2% below the figure for the same month in the previous year (€21.59/MWh).

As a result of the oversupply on the gas markets, we do not anticipate that prices will recover further in the short term.

Development of prices for natural gas on the TTF (Dutch wholesale market)

in €/MWh	Average H1/2016	Average H1/2015	Average 2015
Spot	13.05	21.25	19.86
Rolling front year price	14.57	21.56	20.26

CO_2 allowances

Under the European emissions trading system, proof must be provided of allowances for CO_2 emissions from power plants. The price of emission allowances (EU Allowances – EUA) initially fell continuously from the start of 2016 until the middle of February to under €5/t CO_2. From then on, the price experienced sideways movement and reached €6/t CO_2 again at the end of June 2016. The price of emission allowances then fell abruptly to under €5/t CO_2 following the decision made by Great Britain to leave the EU. This sharp fall in prices is contradictory to the resolutions made at the UN Climate Change Conference, which was held in Paris in December 2015. An international agreement on climate change was reached at the conference that proposes to limit global warming to 1.5 degrees Celsius above preindustrial levels. The uncertainty about future economic growth in Europe caused not least by the result of the referendum in Great Britain also suggests that prices will tend to remain relatively low.

Development of prices for emission allowances/daily quotes

in €/t CO_2	Average H1/2016	Average H1/2015	Average 2015
EUA, rolling front year price	5.70	7.22	7.70
CER, rolling front year price	0.39	0.44	0.48

Design of the electricity market

The European Commission initiated the consultation process on the future design of the European market by issuing a communication package on 15 July 2015, in order to adapt the market to challenges posed by a decentralised and digitalised energy world. EnBW welcomes this approach, especially the cross-border consideration of the security of supply and the opening of national capacity mechanisms. Concrete proposals for legislation or policy measures are expected at the end of 2016. EnBW has expressed its position in the consultation process started by the European Commission.

By passing the Electricity Market Act at the beginning of July 2016, the German government has strengthened the Energy-only Market (EOM 2.0) and will allow prices to spike. This pronounced market orientation of the electricity market is welcomed by EnBW. We view the planned reform of the electricity market as a low-risk and cost-effective option for continuing to guarantee a secure supply by strengthening market forces.

Market conditions are increasingly necessitating the decommissioning of conventional power plants. At the same time, power plants that have been selected for decommissioning, especially those in southern Germany, are still required in order to guarantee the stability of the grid and thus secure the supply of electricity. In order to prevent the decommissioning of system-relevant power plants, the law intends to obligate operators to maintain these facilities as reserve power plants ("grid reserve"). Therefore, the power plant operator has a right to be reasonably reimbursed for the costs that arise. Politicians are also planning the introduction of an additional capacity reserve, which will be maintained for times when there is an extreme shortage of generating capacity on the electricity market. EnBW welcomes the establishment of a competitively-oriented process for procuring the capacity reserve outside of the wholesale market.

Nuclear power

The proposals made by a commission appointed by the German government for the amendment of the financing system for the phasing out of nuclear power (KFK) are presented in the risk report (page 26).

On the basis of the Site Selection Act (Standortauswahlgesetz), the commission tasked with searching for a final storage site published their report at the beginning of July 2016 that included recommendations for criteria for a new search for a final storage site for highly radioactive waste. Legislators will examine the recommendations and are expected to pass a corresponding law by the end of 2016. The affected energy supply companies agreed the basic principles regarding the repatriation of reprocessing waste to Germany from France and Great Britain with the German Federal Ministry for the Environment in the middle of 2015. Whether EnBW will submit an application for the storage of five containers of waste from the reprocessing plant in La Hague at the intermediate storage site in Philippsburg will depend on the precise details that will be agreed by a working group consisting of representatives from the German government and operators, as well as on the progress of negotiations regarding the KFK. Part of the KFK solution is the transfer of intermediate storage from the operators to the German government. Depending on the timing of this transfer, it could be that the German government will already be responsible for the required applications.

The EnBW Group

Financial and strategic performance indicators

Results of operations

Falling electricity and gas sales

Electricity sales of the EnBW Group (without Grids)

in billions of kWh 01/01 - 30/06	Sales		Renewable Energies		Generation and Trading		Total (without Grids)		Change in %
	2016	2015	2016	2015	2016	2015	2016	2015	
Retail and commercial customers (B2C)	7.9	8.2	0.0	0.0	0.0	0.0	7.9	8.2	-3.7
Business and industrial customers (B2B)	14.1	15.7	0.0	0.0	0.0	0.0	14.1	15.7	-10.2
Trade	0.3	0.3	1.8	1.5	32.8	34.4	34.9	36.2	-3.6
Total	**22.3**	**24.2**	**1.8**	**1.5**	**32.8**	**34.4**	**56.9**	**60.1**	**-5.3**

In the first half of 2016, electricity sales of the EnBW Group were lower than the level in the previous year. This reduction is primarily attributable to falling sales in the business and industrial customer sector (B2B) and a decrease in trading activities. However, the effect on the earnings potential of the company is limited. In a persistently challenging competitive environment, electricity sales in business with retail and commercial customers (B2C) also fell.

Gas sales of the EnBW Group (without Grids)

in billions of kWh 01/01 - 30/06	Sales		Generation and Trading		Total		Change in %
	2016	2015	2016	2015	2016	2015	
Retail and commercial customers (B2C)	6.4	6.4	0.0	0.0	6.4	6.4	0.0
Business and industrial customers (B2B)	22.3	45.1	0.0	0.0	22.3	45.1	-50.6
Trade	1.2	0.6	41.7	38.3	42.9	38.9	10.3
Total	**29.9**	**52.1**	**41.7**	**38.3**	**71.6**	**90.4**	**-20.8**

The gas sales of the EnBW Group fell significantly compared to the same period of the previous year. Despite a slight increase in the number of customers, gas sales in the retail customer business (B2C) were at the same level as in the previous year. This development was contributed to above all by falling sales to business and industrial customers (B2B) due to the elimination of portfolio optimisations in the previous year. Trading activities increased slightly compared to the previous year. However, portfolio optimisations and trading activities only have a minor effect on the earnings potential of the company.

External revenue below that of the previous year

External revenue of the EnBW Group by segment

in € million[1]	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %	01/01 – 31/12/2015
Sales	4,070.8	4,920.2	-17.3	9,061.2
Grids	3,234.1	3,156.8	2.4	6,350.6
Renewable Energies	254.5	163.2	55.9	447.0
Generation and Trading	2,246.9	2,669.5	-15.8	5,300.4
Other/Consolidation	5.1	4.1	24.4	7.3
Total	**9,811.4**	**10,913.8**	**-10.1**	**21,166.5**

[1] After deduction of electricity and energy taxes.

Sales: Revenue in the Sales segment was significantly lower in the first half of 2016 compared to the previous year, mainly as a result of falling electricity and gas sales.

Grids: Revenue in the Grids segment increased slightly in the reporting period compared to the previous year due to higher revenues from the use of the grids.

Renewable Energies: In the Renewable Energies segment, revenue increased significantly in the first half of 2016 in comparison to the previous year. This was mainly attributable to the full commissioning of our offshore wind farm EnBW Baltic 2 in the second half of 2015.

Generation and Trading: Revenue in the Generation and Trading segment fell significantly in the reporting period in comparison to the same period of the previous year. This fall is mainly attributable to lower electricity and gas prices.

Material developments in the income statement

The negative balance from other operating income and other operating expenses in the reporting period increased from €-155.5 million in the previous year to €-336.6 million in the reporting period, which was mainly due to restructuring expenses in the Sales segment and valuation effects from derivatives. The cost of materials stood at €7,814.4 million, which was 12.1% below the figure in the previous year. This was primarily attributable to lower sales and was in line with revenue. The investment result stood at €70.9 million, which was €246.0 million lower than the figure of €316.9 million in the previous year. This is mainly due to a write-up of a company accounted for using the equity method in the same period of the previous year. The financial result deteriorated in the reporting period in comparison to the previous year by €772.8 million to €-537.2 million (previous year: €235.6 million), primarily as a result of high income from the disposal of securities in the first half of 2015. Overall, earnings before tax (EBT) totalled €-64.3 million in the first six months of the 2016 financial year, compared with €1,198.4 million for the same period in the previous year.

Earnings

The Group net profit attributable to the shareholders of EnBW AG fell from the figure of €1,056.5 million in the comparative period by €1,250.7 million to €-194.2 million in the reporting period. Earnings per share amounted to €-0.72 in the reporting period compared to €3.90 for the same period in the previous year.

Adjusted earnings and non-operating result

The sustainable profitability of operating activities is of particular importance for internal management and for the external communication of the current and future earnings potential of EnBW. The operating result is disclosed in the form of adjusted EBITDA – earnings before interest, tax, depreciation and amortisation and adjusted for extraordinary items – which we use as a key reporting indicator. The extraordinary items are presented and explained in the section “Non-operating result” (page 12).

Adjusted EBITDA of the EnBW Group by segment

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %	01/01 – 31/12/2015
Sales	138.3	179.4	-22.9	255.3
Grids	523.8	437.0	19.9	747.4
Renewable Energies	153.1	87.5	75.0	287.4
Generation and Trading	148.6	542.5	-72.6	777.3
Other/Consolidation	3.7	30.4	-87.8	42.2
Total	**967.5**	**1,276.8**	**-24.2**	**2,109.6**

Share of adjusted EBITDA for the EnBW Group accounted for by the segments

in %	01/01 – 30/06/2016	01/01 – 30/06/2015	01/01 – 31/12/2015
Sales	14.3	14.1	12.1
Grids	54.1	34.2	35.4
Renewable Energies	15.8	6.9	13.6
Generation and Trading	15.4	42.5	36.8
Other/Consolidation	0.4	2.3	2.1
Total	**100.0**	**100.0**	**100.0**

In the first half of 2016, the adjusted EBITDA of the EnBW Group was impacted by temporary effects and lay below the figure in the previous year. This is primarily attributable to the earlier inspection of the Philippsburg 2 nuclear power plant (KKP 2) in comparison to the previous year. We continue to expect that the earnings performance over the whole 2016 financial year will develop in line with our forecast range of between -5% and -10%.

Sales: In the Sales segment, the adjusted EBITDA fell in the first half of 2016 compared to the same period of the previous year. This was primarily due to the sale of EnBW Propower GmbH together with the Eisenhüttenstadt CHP plant as of 31 December 2015. The share of the adjusted EBITDA for the Group accounted for by this segment was almost unchanged compared to the previous year.

Grids: The adjusted EBITDA for the Grids segment in the reporting period was substantially higher than the level in the previous year and hence the share of the adjusted EBITDA for the Group accounted for by this segment also increased significantly. Higher revenues from the use of the electricity and gas grids was the reason for this development. This increase is primarily due to the fact that higher pension provisions in accordance with the German Commercial Code (HGB) as a result of the low-interest phase were taken into account. In contrast, the higher expenses incurred for the grid reserve and the planned increases in the number of employees for the expansion of the grids has had a negative effect.

Renewable Energies: The adjusted EBITDA in the Renewable Energies segment for the first half of 2016 was significantly above the value achieved in the same period of the previous year. This was due to the full commissioning of our offshore wind farm EnBW Baltic 2. However, the wind strength in the first half of the year did not reach the long-term average on which our plans are based. As a result of the contribution to earnings made by EnBW Baltic 2, it was nevertheless possible to overcompensate for the poor earnings performance of our run-of-river power plants resulting from lower electricity prices. The share of the adjusted EBITDA for the Group accounted for by this segment also increased significantly.

Generation and Trading: The adjusted EBITDA for the Generation and Trading segment fell noticeably compared to the same period of the previous year. This was due, on the one hand, to large negative effects compared to the previous year that will no longer be significant by the end of the year. For example, the inspection of KKP 2 was already completed in the first half of 2016; the inspection was only carried out in the second half of the year in 2015. In comparison to the previous year, this meant that less electricity was generated while, at the same time, it resulted in temporarily higher expenses. On the other hand, the expenses for the nuclear fuel rod tax were also already accounted for in the first half of the year. Another important reason for the earnings performance in the segment was the fact that we sold electricity from our power plants at lower wholesale prices compared to the previous year. Furthermore, an electricity procurement agreement in the nuclear sector that expired at the end of the third quarter of 2015 and valuation effects from derivatives also had a negative effect. The share of the adjusted EBITDA for the Group accounted for by this segment fell significantly.

Adjusted earnings indicators of the EnBW Group

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %	01/01 – 31/12/2015
Adjusted EBITDA	**967.5**	**1,276.8**	**-24.2**	**2,109.6**
Scheduled amortisation and depreciation	-463.5	-452.7	2.4	-927.7
Adjusted EBIT	**504.0**	**824.1**	**-38.8**	**1,181.9**
Adjusted investment result	37.8	80.6	-53.1	135.2
Adjusted financial result	-385.1	348.9	–	75.8
Adjusted income taxes	-48.6	-182.9	73.4	-358.0
Adjusted Group net profit	**108.1**	**1,070.7**	**-89.9**	**1,034.9**
of which profit/loss shares attributable to non-controlling interests	(56.0)	(42.3)	32.4	(83.2)
of which profit/loss shares attributable to the shareholders of EnBW AG	(52.1)	(1,028.4)	-94.9	(951.7)

The fall in the adjusted investment result compared to the same period of the previous year was mainly the result of lower earnings from entities accounted for using the equity method. In particular, the reclassification of a 20% share in EWE under assets held for sale and their subsequent disposal as part of the restructuring of shareholdings had an effect. The adjusted financial result in the comparative period was strongly influenced by tax-free profits from the disposal of securities. These disposals were carried out against the background of positive developments on the stock market and a potential change in the taxation of diversified shareholdings. The adjusted tax rate stood at 31.0% in the reporting period, compared to just 14.6% in the previous year. The adjusted Group net profit attributable to the shareholders of EnBW AG was thus significantly below the figure in the previous year.

Non-operating result of the EnBW Group

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %
Income/expenses relating to nuclear power	-7.3	28.3	–
Result from disposals	11.5	26.5	-56.6
Addition to the provisions for onerous contracts relating to electricity procurement agreements	0.0	-214.7	100.0
Restructuring	-77.8	-7.3	–
Other non-operating result	-6.1	-0.5	–
Non-operating EBITDA	**-79.7**	**-167.7**	**52.5**
Impairment losses	-22.3	-10.5	-112.4
Non-operating EBIT	**-102.0**	**-178.2**	**42.8**
Non-operating investment result	33.1	236.3	-86.0
Non-operating financial result	-152.1	-113.3	-34.2
Non-operating income taxes	25.6	84.2	–
Non-operating Group net loss/profit	**-246.6**	**29.0**	**–**
of which profit/loss shares attributable to non-controlling interests	(-0.3)	(0.9)	–
of which profit/loss shares attributable to the shareholders of EnBW AG	(-246.3)	(28.1)	–

The net loss in non-operating EBITDA and the non-operating EBIT reduced significantly compared to the same period of the previous year. This positive earnings performance was primarily influenced by the fact that there was no need to increase provisions for onerous contracts for long-term electricity procurement agreements in the first half of 2016 – in contrast to the same period of the previous year. This was offset to some extent by restructuring expenses that were mainly due to EnBW withdrawing from the sales business to large customers. The impairment losses in the reporting period were also connected with this new alignment of the business policy. The fall in the non-operating investment result was primarily the result of a write-up of a company accounted for using the equity method in the same period of the previous year. In the reporting period and also in the same period of the previous year, the shortfall in the non-operating financial result was influenced mainly by the reduction in the discount rate for nuclear provisions by ten basis points in each year. In addition, securities were also impaired in the current financial year. In the reporting period, the tax expense included in the non-operating income taxes primarily results from deferred tax assets not being recognised due to the limited planning horizon and because the probability of the deferred tax assets arising from these extraordinary items being used in the reporting period is insufficient. The non-operating Group net loss attributable to the shareholders of EnBW AG amounted to €-246.6 million in the reporting period, compared to a Group net profit of €28.1 million in the previous year.

Financial position

Financing

In addition to the Group's internal financing capabilities and its own funds, the EnBW Group has the following instruments at its disposal to cover its overall financing needs:

- Debt Issuance Programme (DIP), via which bonds are issued, with a €7.0 billion line (€3.5 billion drawn as of 30 June 2016)
- Hybrid bonds with a total volume of €2.0 billion (as of 30 June 2016)
- Commercial paper (CP) programme for a total of €2.0 billion (undrawn as of 30 June 2016)
- Syndicated credit line of €1.5 billion with a term until 2020 (undrawn as of 30 June 2016). A final extension of the term of credit by a further year was due on 21 July 2016. A partial amount of €1.38 billion was extended here until July 2021
- Bilateral short-term credit lines of €352 million (undrawn as of 30 June 2016)
- Project financing and low-interest loans from the European Investment Bank (EIB)

Established issuer on the debt capital market

EnBW has sufficient and flexible access to the capital market at all times. Nevertheless, EnBW is endeavouring to reduce net debt further. Bonds due on 19 October 2016 to the amount of €500 million will be repaid from existing liquidity. The EnBW bonds have a well-balanced maturity profile. As part of its financing strategy, EnBW constantly assesses capital market trends with regard to the current interest rate environment and to any potentially favourable refinancing costs.

Rating and rating trends

Maintaining a good credit standing remains the key objective of the financing strategy of EnBW. EnBW uses the dynamic leverage ratio as a guide for this purpose, whereby the target of <3.3 currently corresponds to the "A" ratings issued by the rating agencies. EnBW has always satisfied the relevant criteria since the rating agencies Standard & Poor's (2000), Moody's (2002) and Fitch (2009) started issuing credit ratings for the company. However, the rating agencies have adopted a more critical appraisal of energy policy conditions in the German energy utilities sector since 2011, ascribing it a weaker business risk profile. EnBW has largely been able to withstand the sector-wide negative rating trend to date through the restructuring of its portfolio with the EnBW 2020 strategy and its increased focus on low-risk activities. On 13 June 2016, Standard & Poor's confirmed its A- rating for EnBW and reduced the outlook to negative. The current ratings at Moody's and Fitch as of 30 June 2016 are A3/negative and A-/stable, respectively.

Investment analysis

Net cash investments of the EnBW Group

in € million[1]	01/01–30/06/2016	01/01–30/06/2015	Change in %	01/01–31/12/2015
Investment in growth projects	1,492.3	381.6	–	1,026.1
Investment in existing projects	171.1	144.7	18.2	435.5
Total investments	**1,663.4**	**526.3**	**–**	**1,461.6**
Conventional divestitures[2]	-1,108.1	-3.2	–	-35.6
Participation models	-0.6	0.0	–	-719.8
Other disposals and construction cost subsidies	-98.9	-101.3	-2.4	-218.4
Total divestitures	**-1,207.6**	**-104.5**	**–**	**-973.8**
Net (cash) investments	**455.8**	**421.8**	**8.1**	**487.8**

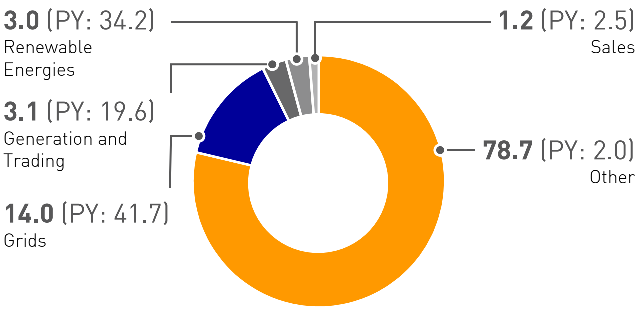
[1] Excluding investments held as financial assets.
[2] Does not include cash and cash equivalents relinquished with the sale of fully consolidated companies. These amounted to €1.4 million in the reporting period (01/01–30/06/2015: €6.0 million, 01/01–31/12/2015: €6.5 million).

The investment volume of the EnBW Group increased significantly in the first half of 2016 compared to the same period of the previous year due to the completion of the acquisition of 74.2% of the shares in VNG-Verbundnetz Gas Aktiengesellschaft (VNG) in April 2016.

Around 89.7% of the overall gross investment was attributable to growth projects; the proportion of investments in existing facilities stood at 10.3% and was primarily allocated to existing power stations and grid infrastructure.

Investments by segment

in %



In the **Sales** segment, €19.7 million was invested in the reporting period. In the previous year, investment in this segment stood at €13.3 million.

Investment of €232.1 million in the **Grids** segment was slightly higher than the figure in the previous year (€219.5 million), which was mainly allocated for the expansion and upgrade of the grids and the connection of facilities for the generation of renewable energies.

Investment in the **Renewable Energies** segment of €50.6 million was lower than in the previous year (€180.0 million) because the offshore wind farm EnBW Baltic 2 was completed in the summer of 2015 and the Hohe See wind farm is still in the design phase.

Investment in the **Generation and Trading** segment stood at €51.1 million, which was significantly lower than in the previous year (€103.1 million) due to the completion of the Lausward CCGT power plant.

Other investments of €1,309.9 million were significantly above the level in the previous year (€10.4 million) because the acquisition of the shares in VNG – accounted for using the equity method – as part of the restructuring of shareholdings was completed in April 2016.

The divestitures were significantly above the figure in the previous year due to the associated disposal of a 20% share of EWE Aktiengesellschaft, as well as the sale of EnBW Propower GmbH together with the Eisenhüttenstadt CHP plant as of 31 December 2015, for which the purchase price was only received in January 2016.

Liquidity analysis

Free cash flow of the EnBW Group

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %	01/01 – 31/12/2015
Cash flow from operating activities	**-362.4**	**794.7**	**–**	**1,918.3**
Change in assets and liabilities from operating activities	840.3	376.4	123.2	137.7
Interest and dividends received	190.2	177.5	7.2	380.6
Interest paid for financing activities	-191.7	-198.2	-3.3	-375.1
Funds from operations (FFO)	**476.4**	**1,150.4**	**-58.6**	**2,061.5**
Change in assets and liabilities from operating activities	-840.3	-376.4	123.2	-137.7
Capital expenditure on intangible assets and property, plant and equipment	-342.4	-509.4	-32.8	-1,416.4
Disposals of intangible assets and property, plant and equipment	71.7	68.4	4.8	140.2
Cash received from construction cost and investment subsidies	27.2	32.9	-17.3	78.2
Free cash flow	**-607.4**	**365.9**	**–**	**725.8**

Cash flow from operating activities and funds from operations (FFO) fell significantly in comparison to the same period of the previous year. This was primarily the result of the payment of tax arrears in the reporting period, while tax refunds were received in the same period of the previous year. In addition, there was also a reduction in the cash-relevant adjusted EBITDA. The net balance of assets and liabilities from operating activities increased compared to the same period of the previous year, mainly as a result of the purchase of CO_2 allowances in the reporting period, as well as a higher net balance of trade receivables and payables that was influenced by EEG effects. In addition, extraordinary items such as changes to collateral requirements as part of our trading activities increased the net balance of assets and liabilities from operating activities. This was offset by lower investment in intangible assets and property, plant and equipment in comparison to the same period of the previous year. Overall, free cash flow fell in comparison to the same period of the previous year by €973.3 million.

Cash flow statement of the EnBW Group

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %	01/01 – 31/12/2015
Cash flow from operating activities	-362.4	794.7	–	1,918.3
Cash flow from investing activities	86.3	-137.4	–	-814.2
Cash flow from financing activities	-516.3	-527.7	2.2	-798.5
Net change in cash and cash equivalents	**-792.4**	**129.6**	**–**	**305.6**
Net foreign exchange difference	-1.5	6.7	-122.4	10.3
Change in cash and cash equivalents	**-793.9**	**136.3**	**–**	**315.9**

In the first half of 2016, cash flow from investing activities returned an inflow of cash, while in the same period of the previous year there was an outflow of cash. Divestitures were higher than investments in the reporting year due primarily to the sale of securities against the background of the current developments on the market. In addition, the payment for the sale of EnBW Propower GmbH was received. At the same time, capital expenditure on intangible assets and property, plant and equipment fell due to the completion of major projects. This was offset by the acquisition of 74.2% of the shares in VNG-Verbundnetz Gas Aktiengesellschaft (VNG) – accounted for using the equity method – from EWE Aktiengesellschaft in April 2016 as part of the restructuring of shareholdings. In return, EnBW divested itself of a 20% share in EWE.

Cash flow from financing activities returned an outflow of cash that was at the same level as the previous year.

Net assets

Condensed balance sheet of the EnBW Group

in € million	30/06/2016	31/12/2015	Change in %
Non-current assets	26,444.3	25,587.8	3.3
Current assets	11,112.0	11,554.5	-3.8
Assets held for sale	17.1	1,015.9	-98.3
Assets	**37,573.4**	**38,158.2**	**-1.5**
Equity	3,806.9	5,089.5	-25.2
Non-current liabilities	23,865.8	23,791.7	0.3
Current liabilities	9,899.2	9,276.2	6.7
Liabilities directly associated with assets classified as held for sale	1.5	0.8	87.5
Equity and liabilities	**37,573.4**	**38,158.2**	**-1.5**

As of 30 June 2016, the total assets held by the EnBW Group were slightly lower than the level at the end of the previous year. The carrying amount of entities accounted for using the equity method increased by €993.8 million. The reason for this was primarily the acquisition of 74.2% of the shares in VNG-Verbundnetz Gas Aktiengesellschaft (VNG). This was offset by a reduction in the assets held for sale of €998.8 million mainly due to the disposal of a 20% shareholding in EWE Aktiengesellschaft (EWE) as part of the aquisition of the shares in VNG. Current trade receivables increased significantly by €1,001.9 million, influenced mainly by seasonal effects from the sales businesses and the increased trading activities. Other current assets decreased by €358.5 million to €2,676.2 million, which was due above all to a reduction in derivatives.

The equity held by the EnBW Group fell by €1,282.6 million as of the reporting date of 30 June 2016. This was primarily attributable to increased losses in other comprehensive income of €814.9 million to € -2,459.1 million. The main reasons for this development were the adjustment of the discount rate for pension provisions from 2.3% to 1.95% in the first quarter of 2016, as well as a further adjustment to 1.5% in the second quarter. However, this resulted in an increase in non-current provisions of €1,118.2 million; the adjustment to the discount rate for nuclear provisions from 4.7% to 4.6% and thus a drop in the real interest rate from 1.2% to 1.1% in the first quarter of 2016 also had an impact. The total increase in current liabilities of €623.0 million was primarily attributable to the reclassification of a hybrid bond with a call option in April 2017.

Adjusted net debt

Adjusted net debt of the EnBW Group

in € million	30/06/2016	31/12/2015	Change in %
Short-term funds	-3,810.9	-4,836.9	-21.2
Short-term funds of the special funds and short-term securities to cover pension and nuclear provisions	1,559.4	1,755.2	-11.2
Adjusted short-term funds	**-2,251.5**	**-3,081.7**	**-26.9**
Bonds	5,524.7	5,492.2	0.6
Liabilities to banks	1,493.9	1,588.5	-6.0
Other financial liabilities	466.9	487.5	-4.2
Financial liabilities	**7,485.5**	**7,568.2**	**-1.1**
Recognised net financial liabilities[1]	**5,234.0**	**4,486.5**	**16.7**
Pension and nuclear provisions	16,252.7	15,069.7	7.9
Fair market value of plan assets	-1,127.8	-1,113.8	1.3
Long-term securities and loans to cover the pension and nuclear provisions[2]	-8,015.6	-8,035.0	-0.2
Short-term funds of the special funds and short-term securities to cover pension and nuclear provisions	-1,559.4	-1,755.2	-11.2
Other	-36.6	-51.4	-28.8
Recognised net debt[2]	**10,747.3**	**8,600.8**	**25.0**
Non-current receivables associated with nuclear provisions	-765.3	-759.2	0.8
Valuation effects from interest-induced hedging transactions	-112.2	-106.1	5.7
Restatement of 50% of the nominal amount of the hybrid bonds[3]	-1,000.0	-1,000.0	0.0
Adjusted net debt[2]	**8,869.8**	**6,735.5**	**31.7**

[1] Adjusted for valuation effects from interest-induced hedging transactions and 50% of the nominal amount of the hybrid bonds, net financial liabilities amounted to €4,121.8 million (31/12/2015: €3,380.4 million).
[2] Includes investments held as financial assets.
[3] The structural characteristics of our hybrid bonds meet the criteria for half of the bond to be classified as equity, and half as debt, by the rating agencies Moody's and Standard & Poor's.

As of 30 June 2016, adjusted net debt increased significantly by €2,134.3 million compared to the figure posted at the end of 2015. This increase can mainly be attributed to higher pension and nuclear provisions as a result of the adjustment in the discount rates. In addition, adjusted net debt increased due to the negative free cash flow and the payment of the cash settlement to EWE and EWE-Verband in April 2016 as part of the restructuring of shareholdings.

Related parties

Transactions with related parties are disclosed in the notes and explanations of the six-monthly consolidated financial statements.

Non-financial performance indicators

In the quarterly financial reports, we report on the non-financial goal dimensions of EnBW based on current themes in the areas of customers, employees and the environment. Every half-year, we also report on the key non-financial performance indicators presented in the Group management report 2015. Exceptions are the Employee Commitment Index (ECI) in the employees goal dimension and the key performance indicators of "installed output of renewable energies and the share of the generation capacity in % accounted for by renewable energies" in the environment goal dimension. The values for these key indicators will be exclusively collected at the end of the year.

Customers goal dimension

Key performance indicators

	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %	01/01 – 31/12/2015
Brand Attractiveness Index for EnBW/Yello	45/38	44/34	2.3/11.8	43/35
Customer Satisfaction Index for EnBW/Yello	127/143	132/148	-3.8/-3.4	136/152
SAIDI (electricity) in min/year	11	13	-15.4	15

TOP Brand Attractiveness Index

It was possible to slightly increase the attractiveness of the EnBW brand in the first half of 2016 in comparison to the same period of the previous year due to intensified advertising activities – primarily our “We're making it happen.” campaign. The brand attractiveness is currently at the upper edge of the range forecast for the whole year with a value of 45. It was also possible to increase the attractiveness of the Yello brand due to ongoing advertising activities; the index value also lies within the desired range for 2016. We expect a further improvement due to a new advertising campaign that is planned for autumn 2016.

TOP Customer Satisfaction Index

Customer satisfaction is an important element for generating customer loyalty. The satisfaction of the customers of EnBW fell slightly in the first half of 2016 compared to the corresponding period in the previous year. This development is attributable to differential pricing measures at the beginning of 2016. The second phase of the EnBW communication campaign will start in the autumn of 2016, which will be accompanied by sales measures. Therefore, we anticipate that the satisfaction of the customers of EnBW over the whole year will remain within the forecasted range. The satisfaction of the customers of Yello weakened slightly in the first half of the year in comparison to the same period of the previous year and the year as a whole. In comparison to the market average, the fall in the level of satisfaction of the customers of Yello was less however. The reason for the falling level of customer satisfaction on average across the market was price increases made by competitors. Targeted measures for maintaining customer loyalty that are planned for the second half of the year should also improve customer satisfaction to within the expected range for the whole year.

TOP SAIDI

The security of the energy supply is fundamentally important to our customers. The SAIDI – measured by the average length of supply interruptions experienced annually by each connected customer – of eleven minutes in the first half of 2016 in the grid areas operated by EnBW companies was very good in comparison to the other grid areas in Germany. The half-year figure is thus a little better than the figure expected for the whole year. This was contributed to by the fact that, amongst other things, heavy storms have so far only occurred locally and thus there have been no widespread effects on the grid areas operated by EnBW companies.

Current developments

In the area of billing services, a large grid operator went live on the EnBW platform at the beginning of 2016. EnBW now handles around one million additional metering points through its Operations business unit. Alongside the operation of applications, the services provided by EnBW include energy-related processing in the areas of meter data management, billing, market communication and customer services.

The City of Riedlingen has awarded the contract for the erection of the Tautschbuch wind farm to a consortium led by EnBW. Four wind turbines with hub height of 149 metres and a rotor diameter of 126 metres are due to be erected at the site in Tautschbuch. The crucial factor in deciding in favour of EnBW was the reliability of EnBW as a partner, the consideration for the interests of citizens and potential small investors and the “Sustainable City” concept.

A good supply of data for industry and private people is fundamentally important for the future viability and attractiveness of a local authority. The expansion of the broadband network is thus a central task for districts and local authorities in the next few years. EnBW offers the “General Contractor Infrastructure” package to local authorities for the expansion of inner city broadband networks. The range of services ranges from the planning and construction of the infrastructure through to the operation of the telecommunications network. The concept leads to more synergies for the customer and greater efficiency during construction work because the local authority does not need to develop any special expertise itself and the complex subject of funding applications can also be handled by EnBW. As a strategic partner for the company Breitbandkabel Landkreis Karlsruhe GmbH (BLK), EnBW is currently already constructing an approximately 130 kilometre-long cross-regional backbone network in the Karlsruhe area. It provides around 30 towns, cities and local authorities with access to a forward-looking, fibre-optic-based data supply.

As part of the subdivision of business operations at the company Grundgrün Energie GmbH, EnBW has taken over the direct marketing business of Grundgrün. Private and commercial customers of Grundgrün received a new offer for the supply of electricity from EnBW or NaturEnergiePlus as part of an inter-company and inter-brand project.

The Wärmelösungen B2C (Heat Solutions B2C) business field has started a market test phase. By offering fuel cell heating systems, EnBW is taking a major step towards meeting the desire of many customers for autonomy, generating their own electricity and achieving independence from fluctuating energy prices. The market test will enable conclusions to be drawn about customer requirements, processes and handling. EnBW is ready to assist its customers in the selection of an individually tailored system and will accompany them through all subsequent steps through to installation.

Yello relies on its fair prices, relevant products and high-quality, fast service to acquire and retain customers. The Internet is currently the most important sales and communication channel and will be used by Yello to an even greater extent in future for maintaining customer loyalty. Mobile applications play a major role in this area. The aim is to actively communicate with customers. Therefore, Yello has opened up its service app to non-customers as well as customers and is continuously expanding this service. Yello is also responding to advancing digitalisation when it comes to its product range. It is testing new markets and positioning itself more broadly on the market. For example, Yello is now offering smartphones in addition to tablets in its electricity or gas product packages and will continue to expand its portfolio in the future.

Employees goal dimension

Key performance indicators

	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %	01/01 – 31/12/2015
LTIF[1]	3.7	2.9	27.6	3.8

[1] Variations in the group of consolidated companies; only those companies controlled by the Group are included.

TOP LTIF

The key performance indicator LTIF (Lost Time Injury Frequency) in the first half of 2016 was – as intended – below the level for the whole 2015 financial year. EnBW works continuously on minimising dangers in the workplace through training and a programme of measures. For example, the new EHS (Environment, Health and Safety) software will be available across almost the whole Group by the end of July 2016. The aim is to implement the software – which focuses on the management of hazardous materials and their risk assessment – in all relevant areas of the company by the end of 2018. So-called short safety briefings will be introduced into the grids area from 2017 in order to increase awareness of any potential risks in everyday work. In addition, regular risk inspections with respect to employee conduct will also be carried out by management in the grids area from 2017 and in the generation area already from 2016 to assess the observance of safety regulations directly in workplaces.

Further performance indicators for personnel

Employees of the EnBW Group[1]

	30/06/2016	31/12/2015	Change in %
Sales	3,264	3,300	-1.1
Grids[2]	8,245	8,086	2.0
Renewable Energies	823	815	1.0
Generation and Trading	5,137	5,167	-0.6
Other	2,794	2,920	-4.3
Total	**20,263**	**20,288**	**-0.1**
Number of full-time equivalents[3]	18,824	18,763	0.3

[1] Number of employees excluding marginally employed persons, apprentices/trainees and inactive employees.
[2] The number of employees for the ITOs (TransnetBW GmbH and terranets bw GmbH) is only updated at the end of the year; for intervals of less than a year, the number of employees from 31/12/2015 is carried forward.
[3] Converted into full-time equivalents.

As of 30 June 2016, the EnBW Group had 20,263 employees. As new appointments are mainly only being made in strategic growth fields, the number of employees was at the same level as at the end of 2015. The growing importance of regulated business is shown by the increase in activities in this area: The increase in the number of employees in the Grids segment is mainly attributable to this and the purchase of two fully consolidated companies via Pražská energetika a.s. (PRE). The falling number of employees in Other/Consolidation mainly resulted from the planned departure of employees based on an earlier restructuring programme. The numbers of employees in the Sales, Renewable Energies and Generation and Trading segments remained largely unchanged.

Around 400 employees are affected by the decision to withdraw from the traditional electricity and gas sales to large customers (page 5). Negotiations have now been started with employee representatives regarding the specific human resources measures that will be introduced. In accordance with the existing collective pay agreements, compulsory redundancies are excluded.

A central task of Human Resources is to actively support the process of change at EnBW and to maintain the attractiveness of EnBW as an employer. In this context, various measures have been undertaken. Here is a current overview:

"Innovation and Diversity" is the motto of a congress organised by EnBW Human Resources in our Innovation Campus to enable an exchange of experiences. Around 120 employees and managers addressed the following question together with two female start-up entrepreneurs: "What features characterise female start-up entrepreneurs, what do they do differently and what can we learn from them?" The discussions focussed, for example, on the conflict between the Group structure and the spirit of innovation, the lack of an "error management culture" in Germany and the advantages offered by considering different perspectives and approaches – the utilisation of diversity – in the handling of a business topic.

The staff restaurants at EnBW together with occupational medicine and health management started a joint campaign called "Health & Nutrition" on 19 April 2016. The aim is to demonstrate how employees can positively influence their health through a balanced diet. Information stands, a course on nutrition including cooking together with the professionals from the EnBW kitchens and the "Fit Weeks" being held at the same time in the staff restaurants provided opportunities to put newly acquired knowledge into practice.

The large-scale communication offensive started by EnBW in April 2016 under the motto of "We're making it happen." has quickly gained momentum and created an impact. Brand recognition generated by the corporate campaign – which places our employees in the spotlight – is high. Adverts in newspapers and magazines, outdoor advertising and advertising online make up only part of the campaign, there are other elements such as the "Making it happen" bus. This takes employees out and about into the region to provide assistance where it is required – such as for the renovation of a kindergarten or social institutions. The "live" poster campaign at the train stations in Karlsruhe and Stuttgart attracted particular attention: Employees spoke to passers-by and engaged them in a discussion from inside a box fitted with a screen on the outside in the form of a digital poster – they later emerged from the box to provide their discussion partner with further assistance or to present them with a small gift. This campaign holds the potential to position EnBW employees in social networks as people who make things happen. In contrast, the focus internally has been the "Making it happen films", six employee portraits that show their day-to-day work and offer a glimpse behind the scenes at EnBW, as well as a "Making it happen gallery" on the Intranet and in the conference room area of the company headquarters in Karlsruhe. In this way, the "Making it happen" attitude of EnBW is being made tangible both externally and internally.

Environment goal dimension

As a large energy company, EnBW shares responsibility for our environment and climate protection. Supplying our customers with energy causes emissions, above all through the operation of power plants, and uses natural resources and space. Environmental and climate protection form an integral part of the EnBW corporate strategy.

The long-term success of an energy supply company's activities hinges on acceptance by society. EnBW strives to achieve a balance between respecting the environment and achieving its corporate, political and social goals, and underpins this commitment with a diverse range of activities.

EnBW increased its electricity generation from renewable sources from 7.2 TWh in the previous year to 7.7 TWh in 2015. Fundamental to this development was the full commissioning of the second offshore wind park EnBW Baltic 2. Further decisions are due to be made in 2016 about the realisation of major projects in the area of renewable energies. EnBW is well on track to achieve its objectives in the environment goal dimension by 2020.

While offshore wind farms are generally major projects, the onshore sector is instead dominated by smaller wind farm projects. In total, around 100 wind turbines with an overall capacity of 300 MW are currently in the process of being approved. The approvals are expected by the end of the year and construction is due to start in early 2017. EnBW places great importance on informing all stakeholders and interested parties as early as possible about the planned projects and their progress. You can find an overview of the onshore wind farms that are currently under construction or being planned at www.enbw.com/windkraftprojekte.

The responsible expansion of renewable energies is also receiving public recognition: For example, EnBW has received the "Partner for fair wind energy" seal (Partner für faire Windenergie Siegel) from the Wind Energy Service Centre at the Thuringia Energy and Greentech Agency (ThEGA). The focus of the guidelines for awarding the seal is placed on the participation of all interest groups and a high level of transparency for the project. In the area of solar energy, EnBW has taken another step forward with the construction of a solar park in Kenzingen. EnBW Solar GmbH is due to finish installing 9,900 photovoltaic modules on an area covering 4.4 hectares by the end of July 2016 on a former detonation test site used by the French armed forces. This subsidiary of EnBW was awarded the contracts for building six open-field plants in Germany in 2015 and is now successively constructing them.

When EnBW hydropower plants are undergoing modernisation, the focus is always placed on constructing special facilities to improve the opportunities for fish to ascend and descend the river past the barrier. The bypass streams enable the fish to travel upstream to their spawning sites. EnBW inaugurated a new fish pass on the weir at the Mühlhausen an der Enz hydropower plant on 1 April 2016. The most important improvement is the increase in the length of the fish ladder from 30 to over 100 metres. Following conversion work at the EnBW hydropower plant, the River Kocher in Künzelsau has been passable again without any limitations since May for fish and other species living in the river. The ascending and descending fish ladder contains a total of 31 individual pools.

Conventional transformers in which mineral oil is used as an insulating material and coolant are not permitted, for example, in water protection zones or in areas with increased fire prevention regulations. Since 2010, EnBW has been testing the use of transformers in which vegetable oil is used as an insulating material. In June 2016, a major field test was started featuring more than 100 of the new type of transformers. This project alone will save 37 tonnes of mineral oil. Overall, our subsidiary Netze BW operates around 26,500 local grid transformers that convert medium-voltage electricity into low-voltage electricity usually used in households and commercial operations. Up to 1,000 of these transformers need to be replaced annually. If the recently started field test proves successful, this new, environmentally friendly technology could be rolled out across the board.

Other important Group topics

In dialogue with our stakeholders

Current examples

Stakeholders	Opportunity for dialogue	Main themes	Further information
Shareholders/ capital market	Telephone conference for analysts and investors, financial reports	Corporate economic development and positioning on capital market, publication of the Six-Monthly Financial Report January to June 2016	www.enbw.com/investor-update www.enbw.com/financial-publications
	EnBW Bankers' Day	Latest developments at EnBW and in the energy sector	www.enbw.com/bankersday
Employees	EnBW aktuell	Information about the intensification of efficiency measures and the realignment of sales	
	"Innovation and Diversity congress"	Exchange of experiences with 2 female start-up entrepreneurs at the Innovation Campus with about 120 employees and managers	page 19
Customers	"Meine EnBW" online customer portal	Modernisation of the user interfaces and optimisation in ongoing operation based on customer surveys and analyses of user behaviour	www.enbw.com/meine-enbw
	"Customer Thursday"	Monthly communication with customers and interested parties on current themes and customer feedback	
	Social media/customer blog & newsletter/customer magazine	Information on latest news, products, services and events	www.facebook.com/enbw www.enbw.com/blog
	EnBW test lab for measurement systems	Practical day on innovations and exchanging experiences on the topic of measurement and metering	www.enbw.com/messsysteme
Local authorities/ public utilities	Kooperationsnetz Baden-Württemberg e.V. (Cooperation network)	Joint product developments, process optimisations and information events from 32 energy suppliers with participation from EnBW	www.kooperationsnetz-bw.de
	Energy team	Discussion forum for representatives of municipal utilities on current energy themes: Steering Group meeting, topical forums and info events	
	Local authority energy efficiency networks	Support for ten local authorities to improve energy efficiency and save CO_2 provided by EnBW experts and network managers	www.regioenergie-netzwerk.de
Society	Award ceremony for Heinrich Hertz Award 2016	Award presented by the EnBW Foundation since 1975 for outstanding scientific or technical achievements	www.kit.edu/kit/20048.php page 23
	"Renewable Energies Day"	A glimpse behind the scenes of modern energy generation at the EnBW service station in Barhöft	www.energietag-mv.de
	German Sustainability Days	Participation by EnBW in the 4th Sustainability Week held by NaturEnergiePlus (NE+) and guided tours at the Rudolf-Fettweis Plant in Forbach	www.aktionstage-nachhaltigkeit.de www.naturenergieplus.de
Suppliers/ business partners	Dialogue on the responsible handling of coal procurement	Continuation of the ongoing dialogue with stakeholders with a focus on Germany and Columbia	page 24 www.enbw.com/kohlebeschaffung
Politics	Energy Reporter Project	Competition for students involved with climate protection and the energy industry abroad	www.energieundklimaschutzbw.de
	EnBW Energy and Business Club (EWC)	Exchange of information and ideas on the subject: "EEG 3.0 – will renewables be successful?"	
	Two debate evenings held by the Energy & Climate Protection Foundation	Latest on energy and environmental policy themes: "Phasing out coal" and "Gas: shattered dream or the backbone of the Energiewende"	www.energieundklimaschutzbw.de

Shares and capital market

The two major shareholders of EnBW AG, the Federal State of Baden-Württemberg (indirectly via NECKARPRI-Beteiligungsgesellschaft mbH) and OEW Energie-Beteiligungs GmbH each hold 46.75% of the share capital in the company.

The overall shareholder composition as of 30 June 2016 breaks down as follows:

Shareholders of EnBW

Shares in %[1]	
OEW Energie-Beteiligungs GmbH	46.75
NECKARPRI-Beteiligungsgesellschaft mbH	46.75
Badische Energieaktionärs-Vereinigung	2.45
Gemeindeelektrizitätsverband Schwarzwald-Donau	0.97
Neckar-Elektrizitätsverband	0.63
EnBW Energie Baden-Württemberg AG	2.08
Other shareholders	0.39

[1] The figures do not add up to 100% due to rounding differences.

Due to the shareholder composition of EnBW AG and the very limited trading volumes in the shares as a result, the EnBW stock market price is only subject to minor fluctuations. The stock market price stood at €20.52 on 30 June 2016.

EnBW engages in continuous and open dialogue with capital market participants in order to ensure investors, analysts and rating agencies maintain their trust in the company at all times. The annual investor update was held in April 2016 in important financial centres such as London, Paris and Frankfurt. In June 2016, more than 50 representatives from the core banks participated once again in this year's EnBW Bankers' Day to find out about the latest developments at the company and in the energy sector (www.enbw.com/bankersday). Alongside its periodic reporting obligations, EnBW will continue to communicate with analysts, investors and rating agencies during the remainder of 2016. The Capital Market Day will be held on 29 September 2016. As is the case with the Bankers' Day, this type of event is highly valued because it provides great scope for posing questions directly to the management team itself.

Society

EnBW is fully aware of its responsibility towards society. Through its commitment to addressing the concerns and interests of society, it conducts its business in close customer proximity and aligns its activities to the target groups of end customers, business partners and local authorities. It is chiefly involved within its primary business sphere of influence in Baden-Württemberg in this regard. In the interests of safeguarding the future in general, EnBW supports popular sports, as well as education, knowledge and learning. Interaction and getting involved are further guiding principles of our social commitment.

The high numbers of refugees fleeing to Europe, especially to Germany, has become a major social, political and economic challenge over the last few months. Long-term perspectives for the asylum seekers are just as important as short-term humanitarian assistance. EnBW is engaged here on multiple levels: Around 30 refugees in Karlsruhe and Stuttgart have been taking part in an integration programme since January 2016 to prepare them for an apprenticeship at EnBW. Four new training jobs have been created for this purpose. At the beginning of September 2016, refugees selected from the pre-study placement will begin their one-year introductory qualification in preparation for their technical apprenticeship at EnBW. Furthermore, EnBW is supporting employees who are voluntarily providing assistance to refugees and encouraging them to network in order to coordinate aid measures, exchange experiences and mobilise other helpers.

Accenture, EnBW, Evonik and Wirtschaftswoche have cooperated since 2010 to honour excellent, future-oriented innovative German companies with an award. Alongside product innovations, the German Innovation Award (Deutscher Innovationspreis) also takes into account innovative business models, processes and services, as well as organisational and marketing innovations. The 2016 award ceremony was held on 8 April in Munich. As well as large established companies such as Schaeffler Technologies, the BMW Group and ThyssenKrupp, medium-sized companies and start-ups were also honoured.

For many years, EnBW has been offering artists and young artists in particular the opportunity to display their work in its administrative buildings. The artist Mona Breede held a photographic exhibition at the Group headquarters in Karlsruhe from May to July 2016 under the title “People in their working environments” (Menschenbilder-Arbeitswelten) that displayed impressive portraits of employees at EnBW. In October 2016, the exhibition can be seen at EnBW City in Stuttgart. This was also the location for the “Visual Power” exhibition from the middle of June to the end of July 2016, where students from the Kunstakademie Stuttgart presented their interpretation of the word “energy” from song lyrics in artistic forms.

As a company with strong roots in the region, EnBW has been a partner and sponsor of sport in Baden-Württemberg for many years. We support, for example, the Baden Gymnastics Association and the Swabian Gymnastics Association, sponsor amateur and youth sports and promote numerous events and initiatives. EnBW will also be present at the State Gymnastics Festival in Ulm at the end of July 2016: In the “EnBW Electric Hotel”, participants and visitors can leave their smartphones to be charged with electricity from renewable energies – even generated by their own muscle power.

Research, development and innovation

The goal of research and development at EnBW is to develop medium and long-term market opportunities. The task is to identify important trends and technological developments at an early stage and to build up the required expertise for subsequent commercial utilisation through pilot and demonstration projects. Therefore, we carry out research projects within the operational units at EnBW or together with customers – directly at the site of their subsequent application. This ensures that successful research projects deliver innovations for EnBW.

In the Soultz-sous-Forêts geothermal power plant, the partners Electricité de Strasbourg and EnBW have upgraded the power plant section. The commissioning started in June 2016. This and other geothermal power plants will act as the starting point for further analyses. In this context, EnBW is a partner in the four-year DESTRESS project funded by the EU that began in March 2016. This project is headed by the German Research Centre for Geosciences in Potsdam and has other international partners, especially from the EU. The aim of the project is to further develop methods to make the generation of geothermal electricity more profitable and, at the same time, environmentally friendly. On the basis of already completed geothermal projects, the partners aim to discover which approach can enable the extraction of a high level of heat from the underground reservoir while at the same time having no noticeable impact on the environment. The contribution being made by EnBW, which started working on the project in May, primarily focuses on analysing the risks associated with methods for increasing performance. The aim is to improve expertise about the economic utilisation of geothermal energy in the area of services and own projects.

As part of the Decentralised Energy research platform, scientists at the German Aerospace Center (DLR) have been cooperating with EnBW since 2008 on the development and testing of a pilot plant that can utilise biomass from land management, such as cuttings and waste wood, directly on-site to generate energy. As part of the project, an already existing wood gasification plant has been fitted with a micro gas turbine for the first time. A specially developed combustion chamber burns the gas generated from the biomass in a highly efficient way that produces very low levels of pollutants. The project has demonstrated that the micro gas turbine can function as an alternative to a gas motor for the generation of electricity and heat from wood gas.

The EnBW subsidiary MSE Mobile Schlammentwässerungs GmbH (MSE) has been investigating the extraction of phosphate from local authority sewage sludge since January 2016. The centrepiece of the process is a chemical separation process jointly developed and patented by EnBW. The plant technology is installed in HGV trailers. It is thus mobile and can be connected as a module to existing sewage treatment plants. During the second quarter of 2016, practical tests were completed at the sewage treatment plants in Stuttgart-Büsnau and Speyer and it was possible to separate around half of the phosphate found in the sewage sludge for use as fertiliser. MSE presented the process at the leading global trade fair for environmental technologies IFAT in Munich in May.

As part of the annual conference held by the KIT Energy Center, the EnBW Foundation honoured Prof. Hartmut Schmeck with the Heinrich Hertz Award 2016. In particular, the award acknowledges Prof. Schmeck's contribution to the development and application of innovative information and communication technologies in intelligent energy management systems. The EnBW Foundation has presented the award since 1975 for outstanding scientific or technical achievements in the generation, distribution and application of electrical energy or for application-oriented research activities.

For its innovation activities, EnBW specifically targets partnerships and participating interests in other companies in order to supplement its own expertise. Potential business ideas are developed within the company and are also externally sourced and exploited in order to expand the portfolio. Internal start-up teams are established at the EnBW Innovation Campus, where they can develop their ideas through to market maturity. The concepts developed by external start-ups are linked with and supplemented by internal concepts at EnBW. EnBW focuses here on combining competencies in the energy industry with innovations from the digital world in order to generate new business.

After EnBW took part in CeBIT in 2015 with its first innovative projects in the CODE_n-Halle, it is now presenting its own market-ready start-ups at the follow-up event "new.New Festival" in 2016, which is being held in the Centre for Art and Media Karlsruhe (ZKM) together with other leading commercial enterprises. EnBW is participating in this new event that has an “innovation festival” format unique in Baden-Württemberg as an innovation partner in the themes of sustainable mobility, smart city/infrastructure and big data. As part of the “new.New Festival”, start-ups have the opportunity to apply with projects for the four subject clusters “Applied FinTechs”, “Connected Mobility”, “Health Tech” and “Photonics 4.0”. The 50 finalists selected by a specialist jury will get the opportunity to present their business models at “new.New Festival” from 20 to 22 September 2016 at the ZKM.

Following its investment in the company DZ-4 from Hamburg that is active in the solar sector, EnBW has now invested in another young company via its subsidiary EnBW New Ventures GmbH. The start-up company Lumenaza, which was founded in Berlin in 2013, is developing a software platform to flexibly and intelligently manage the decentralised production, storage and consumption of electricity.

In cooperation with leading commercial enterprises from Baden-Württemberg and the company Pioniergeist GmbH from Stuttgart, EnBW started a statewide programme for new ideas called “ACTIVATR” in April 2016. The aim of this programme was to enable Group employees to work together jointly with young external entrepreneurs for two months to develop new business models. For this purpose, EnBW specified two key central themes: “value added services for the charging infrastructure” and “smart city data – innovatively utilising urban data”. Each theme was worked on by one team – consisting of two EnBW employees and two entrepreneurs – to develop an economically viable business model. The business model “binando” from the smart city team that aims to develop an intelligent rubbish management system for smart cities has reached its third phase at the EnBW Innovation Campus. A prototype is set to be produced and the business model developed further by the end of 2016.

Procurement

A large number of suppliers and service providers contribute to the services rendered by EnBW. EnBW places great importance on the efficient and sustainable design of their procurement processes and on continuously increasing the value added by the Procurement Department.

An important step towards the fulfilment of these requirements is the “Transformation of Procurement” project that was successfully concluded in the middle of April 2016 and transferred into normal operations. The basic principles and procedures developed are being continued in normal operations and the measures agreed together with the specialist areas during the project are being implemented to achieve cost savings. On the basis of best-practice approaches from industry, the goal is to better realise optimisation potential for EnBW than ever before. In addition, the Procurement Department will become even more strongly anchored within the Group in its role as a partner for generating added value.

Procurement processes at EnBW have been made even more efficient and transparent as a result of the development of an integrated purchasing platform and the introduction of automated ordering processes. The purchasing platform includes standardised pre-qualification of suppliers, participation in invitations to tender and the submitting of offers, as well as a supplier evaluation. The purchasing platform is being positioned within a larger holistic context and is closely linked with the future theme of digitalisation.

In the first stage, all important suppliers are obligated to observe legal and social standards. In the second and third stages, the commercial and technical pre-qualification phase will be defined and gradually introduced during the course of 2016. The supplier evaluation system is now established and, together with the supplier pre-qualification, forms the foundation for active supplier management that is setting a new benchmark.

Contract and claim management has been centralised in the Procurement functional unit with effect from 1 May 2016. It will be responsible Group-wide in future for supplier-side contract and claim management for large projects – especially in the area of offshore wind power plants. The aim here is to pursue the goal of successfully implementing projects based on close and constructive cooperation between different areas. Clear structures and responsibilities will remove any duplicates and redundancies. We will thus utilise synergies to achieve improvements in efficiency. Furthermore, continuous support for processes and projects – from the issuing of the contract through to the construction and operation phase – will be ensured from one source. A central contract and claim management department is an important success factor for “ONE EnBW”.

Responsible raw materials procurement, particularly in the coal sector, is of major importance to EnBW.

In the first half of 2016, Russia replaced Columbia as the most important coal-producing country for EnBW.

Origin of coal supplies to EnBW power plants

in millions of tonnes	01/01 – 30/06/2016	01/01 – 30/06/2015	Change in %
Russia	1.21	0.84	44.0
Columbia	0.63	0.93	-32.3
USA	0.20	0.20	0.0
Poland	0.07	–	–
South Africa	0.05	0.42	-88.1
Germany	0.01	0.17	-94.1
Australia	–	0.03	–
Total	**2.17**	**2.59**	**-16.2**

EnBW is continuing to engage in constructive dialogue with stakeholders in the area of coal procurement in Germany, Columbia and Russia in 2016: Comprehensive answers were provided from Columbian coal producers at a management board level to our list of questions and EnBW presented the significant findings to both the participants of the fact-finding mission to Columbia in March 2015 and also the Supervisory Board of EnBW.

As part of the technical support being provided for projects to provide decentralised supplies of drinking water in the communities impacted by coal mining, the first solar pump system was placed into operation in a hand-dug well on the La Guajira peninsula. When transferring this concept to other communities, it will be possible to routinely and conveniently utilise the decentralised infrastructure that is commonly found in the region, which will reduce the investment costs. The distances travelled by the local population to collect water will also be shorter. Further progress in these projects is expected in the next few months thanks to the continued technical support.

In the sustainability index database, the most important coal suppliers will be systematically analysed and documented. EnBW is intensifying its dialogue with Russian stakeholders to reflect their growing quantitative significance in this area. EnBW underlines its engagement in responsible coal procurement through these measures.

Report on opportunities and risks

In comparison to the report issued at the end of 2015, the EnBW Group continued to face a high level of risk in the first six months of 2016. There are still great challenges faced by the energy industry due to the Energiewende in Germany, yet it also offers opportunities to resolute and flexible market participants. No risks currently exist that might jeopardise the EnBW Group as a going concern.

EnBW defines an opportunity or risk as an event or a number of events that might result in a potentially positive or negative future deviation from the targets that the Group has set for itself, an individual company or function. In other words, the result may be the potential over-attainment or non-attainment of strategic, operational, financial and compliance targets. Risks may arise either from events that are generally calculable but which are nevertheless subject to chance or unpredictable occurrences. Opportunities may arise within the sphere of operations of the EnBW Group or as part of an individual business activity. Opportunities frequently represent the reverse aspects of corresponding risks.

Using the report on risks in the Group management report 2015 as a basis, only the significant opportunities or risks which have changed, arisen or ceased to exist in the reporting period are described in this Six-Monthly Financial Report January to June 2016.

Cross-segment risks and opportunities

EWE/VNG claims for damages: In May 2013, EWE submitted an arbitration request to the German Institution of Arbitration against EnBW. On 16 October 2015, EnBW concluded an agreement with EWE for a fundamental restructuring of shareholdings. Following the conclusion of this transaction on 20 April 2016, the arbitration proceedings between EWE and EnBW were terminated by mutual agreement. This risk thus no longer exists.

Discount rate applied to pension provisions: As of the end of June 2016, the discount rate stood at 1.5%, which was 0.8 percentage points below the interest rate as of the reporting date of 31 December 2015 (2.3%). This resulted in the present value of the defined pension benefit obligations increasing by €925.9 million. The uncertain future development of interest rates with its impact on pension provisions may have either a positive or negative effect on the adjusted net debt. In this context, we currently identify a high level of opportunity and a high level of risk for the remainder of the financial year. This could have a positive or also negative impact on the key performance indicator dynamic leverage ratio through effects on the adjusted net debt in the mid to high three-digit million euro range.

Renewable Energies segment

Fluctuations in wind energy yield: The generation of electricity from onshore and offshore wind is subject to fluctuations dependent on the wind. Due to the poor wind conditions, we anticipate the risk of negative effects on the key performance indicator adjusted EBITDA for the remainder of the financial year.

Generation and Trading segment

Availability of power plants: Block 2 of the Philippsburg power plant (KKP 2) has been back online since 1 June 2016 following the completion of its annual inspection. Testing and maintenance work was carried out at the plant, while fuel elements were replaced and a number of technical projects were implemented. In parallel to the inspection work, we carried out a comprehensive investigation into the misconduct we had identified by three employees of an external service provider and introduced measures to prevent it happening again. The risk of unscheduled unavailability in relation to this matter thus no longer exists.

Moratorium lawsuit: EnBW AG filed a lawsuit at the Regional Court in Bonn against the Federal State of Baden-Württemberg and the Federal Republic of Germany on 23 December 2014 for the payment of damages by liable public authorities. The background to the lawsuit is the order issued by the Ministry for the Environment of Baden-Württemberg on the request of, and in agreement with, the German Federal Ministry for the Environment for the temporary three-month suspension of operations at GKN I and KKP 1 in the aftermath of the events at Fukushima. In legal proceedings held in the State of Hesse, it was legally established that an identical order issued in that state was unlawful. The lawsuit filed by EnBW was rejected by the Regional Court in Bonn on 6 April 2016. EnBW has utilised the legal option of appealing against this verdict at the Higher Regional Court (OLG) in Cologne. If the claim for damages is then granted (the OLG Cologne will possibly permit an appeal to BGH), it could have a positive effect on the adjusted EBITDA.

Changes to interest rates on nuclear provisions: The discount rate is a key factor influencing the present value of nuclear provisions. A reduction in the discount rate will have a negative effect on the level of adjusted net debt, while an increase in the discount rate could have a correspondingly positive effect on adjusted net debt. In comparison to 31 December 2015, the interest rate was 0.1 percentage points lower at 4.6%. This led to an increase in the nuclear provisions of €139.8 million. In addition, we currently identify a high level of risk here for the remainder of the financial year. This could have a negative impact on the key performance indicator dynamic leverage ratio through effects on the adjusted net debt in the mid three-digit million euro range.

Commission to examine the financing of the phase-out of nuclear power: At the end of April 2016, a “Commission to examine the financing of the phase-out of nuclear energy” (KFK) appointed by the German government in the middle of October 2015 issued recommendations for the amendment of the financing system for the phasing out of nuclear power. The KFK proposes that the intermediate and final storage of the radioactive waste and the necessary funds for these tasks be transferred to the federal state as a safeguard. The remaining tasks, particularly the decommissioning and dismantling of the nuclear power plants and the packaging of the radioactive waste for intermediate storage, as well as the financial collateral, should remain with the companies.

Overall, the energy supply companies should transfer the funds of €17.2 billion plus a risk premium of 35% that are required for safeguarding this process to the federal state. The total amount of €23.3 billion would be used to create a fund under public law. The operators will be discharged from their liability as a result of the gradual payment of the risk premium. EnBW would be responsible for around 20% of the payments.

If the proposals made by the KFK are implemented in law, the risk premium will lead to an extraordinary negative impact on earnings and a deterioration in the key performance indicator dynamic leverage ratio.

Power plant optimisation: Following the conclusion of the hedging of generation activities, the Trading business unit will continue to manage the further use of the asset. This is being carried out as part of power plant optimisation on the forward market, through the sale of system solutions and through placements on the spot and intraday trading platforms. In particular, falling revenues from system services and low volatility on the forward and spot markets could have a negative effect on the key performance indicator adjusted EBITDA in 2016 in the low to mid double-digit million euro range. We currently identify a high level of risk in this area.

Margin payments: As a result of unfavourable developments on the market, margin requirements for stock market transactions and bilateral margin agreements can lead to short-term cash outflows. These are settled again at the latest when the underlying futures transactions are fulfilled. This liquidity risk is constantly monitored using stress tests. As a result of fluctuating prices and higher volumes on the wholesale market due to the decision to withdraw from the traditional electricity and gas sales to large customers (B2B), there will be potential for higher margin payments. In this context, we currently identify a high level of opportunity and risk. In 2016, this could affect the adjusted net debt in the low three-digit million euro range and the key performance indicator dynamic leverage ratio.

Forecast

In the following forecast, we take a look at the expected future development of EnBW in the current financial year. It should be noted that the present conditions increase the level of uncertainty with which predictions about the future development of the company can be made, as the assumptions upon which they are based can quickly become outdated.

Expected trends in financial key performance indicators

Implementation of the strategy for a three-year period

An extensive €6 billion investment programme is planned for the 2016 to 2018 period, to ensure the company can continue to play an active role in structuring the Energiewende. €1.4 billion (24%) of this investment will be on existing projects and €4.6 billion (76%) on growth projects. The volume of this investment programme exceeds that for the three-year period 2015 to 2017 by €2 billion. This increase is primarily due to the Hohe See offshore wind farm and the acquisition of the shares in VNG-Verbundnetz Gas Aktiengesellschaft (VNG).

Around 34% of the total investment or 19% of the investment in growth projects will flow into the Grids segment. In order to make the transport of renewable energies from the north to the south of Germany possible, the Network Development Plan includes a budget for the realisation of two corridors that will involve our subsidiary TransnetBW. This relates to the ULTRANET project in the period from 2016 to 2018. Furthermore, extensive investment will be made in the expansion and upgrading of the existing distribution grid in order to guarantee the security of supply and to cope with the increased load due to the decentralised feed-in of electricity.

Around 28% of the total investment or 27% of the investment in growth projects will be attributable to the Renewable Energies segment. This includes funds for the realisation of the Hohe See offshore wind farm and the erection of onshore wind farms that form part of our comprehensive project pipeline. The at-equity consolidated activities in Turkey are reflected in the investment programme based on their proportional share of equity.

Around 10% of the total investments or 3% of the investments in growth projects will be attributable to the Sales segment and the Generation and Trading segment. In contrast to the traditional business of energy supply companies that focuses intensively on centralised energy production in plants, lower investment is required in sales to grow as a supplier offering decentralised solutions. A substantial proportion of this investment is earmarked for the universal introduction of smart meters. In accordance with our strategy, only around 6% of the overall investment will be attributable to the Generation and Trading segment.

The acquisition of the majority shareholding in VNG is allocated under Other because VNG will be consolidated at equity in 2016. Therefore, 28% of the investment in the planning period is accounted for by this segment. In the Integrated Report 2015, the acquisition of VNG was still allocated in the Grids, Sales and Generation and Trading segments. We anticipate that VNG will be fully consolidated from the middle of 2017.

This investment programme thus reflects our strategy for massively expanding renewable energies, guaranteeing security of supply in the regulated areas of the transmission and distribution grids (both electricity and gas) and strengthening the gas business outside of the regulated area.

In order to finance some of this volume of investment that totals around €6 billion, divestitures amounting to €2.2 billion are planned in the years 2016 to 2018. This includes the already completed sale of a 20% shareholding in EWE in 2016, as well as the sale of EnBW Propower GmbH together with the Eisenhüttenstadt CHP plant. The sale of the Eisenhüttenstadt CHP plant was completed on 31 December 2015, whereas the purchase price was only paid in January 2016. Divestitures in the onshore and offshore sector, which build on our already realised participation models, are also planned in future. The remaining divestitures will involve the sale of investment property, the receipt of construction cost subsidies and the disposal of subsidiaries.

The investment and divestiture programme for the 2016 to 2018 period has to date been implemented as planned.

TOP Adjusted EBITDA and the share of the adjusted EBITDA accounted for by the segments

Expected development of earnings in 2016 compared to the previous year

	Adjusted EBITDA		Share of adjusted EBITDA for the EnBW Group accounted for by the segments	
	H1 2016	2015	H1 2016	2015
Sales	less than -20%	less than -20%	5% to 15%	5% to 15%
Grids	more than +20%	more than +20%	45% to 55%	45% to 55%
Renewable Energies	10% to 20%	10% to 20%	15% to 20%	15% to 20%
Generation and Trading	less than -20%	less than -20%	15% to 25%	15% to 25%
Other/Consolidation	–	–	–	–
Adjusted EBITDA, Group	**-5% to -10%**	**-5% to -10%**		

The earnings forecast for the entire Group and the individual segments for the whole 2016 financial year remains unchanged from that given in the Group management report 2015.

In the **Sales** segment, we expect a drop in earnings in 2016 in comparison to the previous year. A change in the consolidated companies due to the sale of EnBW Propower GmbH together with the Eisenhüttenstadt CHP plant as of 31 December 2015 will have a negative impact in this segment. Earnings will also be placed under increasing pressure due to the challenging competitive environment. The envisaged improvements in earnings will not be able to compensate for this development. Therefore, we expect a stable or a slight decrease in the share of the adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA for the **Grids** segment in 2016 is set to rise sharply and once again reach the levels achieved in 2013. As a result, it will become the segment with the highest earnings. This marked shift in earnings between the segments that was laid out in our 2020 strategy will thus already occur in 2016. This positive development is, on the one hand, attributable to the elimination of the negative extraordinary items in the high double-digit million euro range in the second half of 2015. These included expenses for compensation payments as part of the management of transmission losses and the retroactive adjustment of the water price in Stuttgart. In addition, higher earnings from the use of the electricity and gas grids had a positive impact on earnings. This increase is primarily due to the fact that higher pension provisions in accordance with the German Commercial Code (HGB) as a result of the low-interest phase were taken into account. We expect a large increase in the share of the adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA for the **Renewable Energies** segment will increase further in 2016. The negative earnings performance of our run-of-river power plants due to the further fall in wholesale market prices for electricity will be more than offset by the year-round earnings contributions from our offshore wind farm EnBW Baltic 2; EnBW Baltic 2 was only placed into full operation in the second half of 2015. The wind farm will remain fully consolidated even after the sale of 49.89% of the shares. The increase in earnings is dependent on the actual wind strength. In the first half of the year, the wind strength was below the long-term average on which our plans are based. Expansion in the onshore wind sector was only slight in comparison to the offshore wind sector. The next major leap in growth will be as a result of the commissioning of the Hohe See offshore wind farm, whereas expansion in the onshore wind sector will lead to a continuous rise over the coming years. As a result of this positive development, the share of the adjusted EBITDA for the Group accounted for by this segment will increase slightly in 2016.

The adjusted EBITDA for the **Generation and Trading** segment will fall very heavily in 2016. An important reason for this development is the fact that we will sell electricity from our power plants at lower wholesale prices than was the case in the previous year. Furthermore, an electricity procurement agreement in the nuclear sector that expired at the end of the third quarter of 2015 will also have a negative effect. Temporary effects in the first half of the year due to the earlier inspection of the Philippsburg power plant (KKP 2) compared to the previous year will balance out over the year as a whole. In addition, the negative valuation effects from derivatives in comparison to the previous year will become less important. The share of the adjusted EBITDA for the Group accounted for by this segment will fall significantly.

The adjusted EBITDA for the EnBW Group in 2016 will thus be between -5% and -10% below the 2015 level. This is mainly due to falling wholesale market prices and spreads. The positive development in the Grids segment and our offshore wind park EnBW Baltic 2, which was put into operation in 2015, will not be able to completely compensate for these negative effects.

TOP Dynamic leverage ratio

	2016	2015
Dynamic leverage ratio	3.7–4.2	3.19

The forecast previously anticipated an adjusted net debt of between €6.3 billion and €6.8 billion and, based on the earnings forecast, a dynamic leverage ratio of 3.2 to 3.6. On the basis of the current interest rate for pension provisions, we now expect an adjusted net debt of between €7.5 billion to €8.0 billion by the end of 2016. Therefore, we anticipate a dynamic leverage ratio of 3.7 to 4.2. The proposals made by the "Commission to examine the financing of the phase-out of nuclear energy" (KFK) have not yet been taken into account and will have a further impact on the adjusted net debt. However, the precise level of the impact is still subject to significant uncertainties. Following the conclusion of the legislative process, we will adjust the forecast for 2016 (page 26). In this context, countermeasures for guaranteeing the investment programme and medium-term earnings will also be included in the forecast.

TOP ROCE

There are no significant changes compared to the expectations formulated for the 2016 financial year in the forecast published in the Integrated Report 2015 of EnBW AG.

Expected trends in non-financial key performance indicators

After the end of the first half of 2016, there are no significant changes to the non-financial performance indicators compared to the expectations formulated for the 2016 financial year in the forecast published in the Integrated Report 2015 of EnBW AG.

Six-monthly consolidated financial statements

Income statement

in € million	01/04–30/06/2016	01/04–30/06/2015	01/01–30/06/2016	01/01–30/06/2015
Revenue including electricity and energy taxes	4,786.3	5,193.7	10,185.6	11,317.9
Electricity and energy taxes	-170.0	-176.1	-374.2	-404.1
Revenue	**4,616.3**	**5,017.6**	**9,811.4**	**10,913.8**
Changes in inventories	6.4	16.5	36.6	28.0
Other own work capitalised	21.9	20.8	40.0	35.5
Other operating income	81.2	90.6	308.4	339.0
Cost of materials	-3,774.1	-4,134.8	-7,814.4	-8,885.4
Personnel expenses	-436.9	-422.9	-849.2	-827.3
Other operating expenses	-245.0	-209.1	-645.0	-494.5
EBITDA	**269.8**	**378.7**	**887.8**	**1,109.1**
Amortisation and depreciation	-263.6	-238.5	-485.8	-463.2
Earnings before interest and taxes (EBIT)	**6.2**	**140.2**	**402.0**	**645.9**
Investment result	57.0	257.9	70.9	316.9
of which net profit/loss from entities accounted for using the equity method	(-18.0)	(246.3)	(-6.0)	(303.2)
of which other profit/loss from investments	(75.0)	(11.6)	(76.9)	(13.7)
Financial result	-271.1	18.5	-537.2	235.6
of which finance income	(61.1)	(186.3)	(171.3)	(824.1)
of which finance costs	(-332.2)	(-167.8)	(-708.5)	(-588.5)
Earnings before tax (EBT)	**-207.9**	**416.6**	**-64.3**	**1,198.4**
Income tax	20.5	-29.2	-74.2	-98.7
Group net loss/profit	**-228.4**	**387.4**	**-138.5**	**1,099.7**
of which profit/loss shares attributable to non-controlling interests	(16.8)	(15.0)	(55.7)	(43.2)
of which profit/loss shares attributable to the shareholders of EnBW AG	(-245.2)	(372.4)	(-194.2)	(1,056.5)
EnBW AG shares outstanding (million), weighted average	**270.855**	**270.855**	**270.855**	**270.855**
Earnings per share from Group net loss/profit (€)[1]	**-0.91**	**1.37**	**-0.72**	**3.90**

[1] Diluted and basic; in relation to profit/loss attributable to the shareholders of EnBW AG.

Statement of comprehensive income

in € million	01/04 – 30/06/2016	01/04 – 30/06/2015	01/01 – 30/06/2016	01/01 – 30/06/2015
Group net loss/profit	**-228.4**	**387.4**	**-138.5**	**1,099.7**
Revaluation of pensions and similar obligations	-561.7	1,100.5	-952.4	331.3
Entities accounted for using the equity method	0.0	-30.9	1.4	-81.3
Income taxes on other comprehensive income	-0.7	-83.0	20.1	6.2
Total of other comprehensive income and expenses without future reclassifications impacting earnings	**-562.4**	**986.6**	**-930.9**	**256.2**
Currency translation differences	-2.0	5.3	-8.1	42.3
Cash flow hedge	96.9	85.8	133.2	69.7
Available-for-sale financial assets	42.6	-317.0	-28.1	-450.5
Entities accounted for using the equity method	-38.8	8.3	-45.0	3.6
Income taxes on other comprehensive income	-29.6	9.7	-47.2	13.8
Total of other comprehensive income and expenses with future reclassifications impacting earnings	**67.1**	**-207.9**	**4.8**	**-321.1**
Total other comprehensive income	**-493.3**	**778.7**	**-926.1**	**-64.9**
Total comprehensive income	**-721.7**	**1,166.1**	**-1,064.6**	**1,034.8**
of which profit/loss shares attributable to non-controlling interests	(15.8)	(16.9)	(50.6)	(57.4)
of which profit/loss shares attributable to the shareholders of EnBW AG	(-737.5)	(1,149.2)	(-1,115.2)	(977.4)

Balance sheet

in € million	30/06/2016	31/12/2015
Assets		
Non-current assets		
Intangible assets	1,708.4	1,744.9
Property, plant and equipment	13,426.2	13,508.1
Entities accounted for using the equity method	1,819.9	826.1
Other financial assets	8,286.6	8,309.3
Trade receivables	766.2	760.3
Other non-current assets	360.2	345.7
Deferred taxes	76.8	93.4
	26,444.3	**25,587.8**
Current assets		
Inventories	824.7	877.5
Financial assets	1,114.7	1,353.9
Trade receivables	3,789.2	2,787.3
Other current assets	2,676.2	3,034.7
Cash and cash equivalents	2,707.2	3,501.1
	11,112.0	**11,554.5**
Assets held for sale	17.1	1,015.9
	11,129.1	**12,570.4**
	37,573.4	**38,158.2**
Equity and liabilities		
Equity		
Shares of the shareholders of EnBW AG		
Subscribed capital	708.1	708.1
Capital reserve	774.2	774.2
Revenue reserves	3,152.0	3,601.5
Treasury shares	-204.1	-204.1
Other comprehensive income	-2,459.1	-1,644.2
	1,971.1	**3,235.5**
Non-controlling interests	1,835.8	1,854.0
	3,806.9	**5,089.5**
Non-current liabilities		
Provisions	15,596.3	14,478.1
Deferred taxes	683.6	670.7
Financial liabilities	5,780.9	6,810.0
Other liabilities and subsidies	1,805.0	1,832.9
	23,865.8	**23,791.7**
Current liabilities		
Provisions	1,203.0	1,342.8
Financial liabilities	1,704.6	758.2
Trade payables	4,135.1	3,523.5
Other liabilities and subsidies	2,856.5	3,651.7
	9,899.2	**9,276.2**
Liabilities directly associated with assets classified as held for sale	1.5	0.8
	9,900.7	**9,277.0**
	37,573.4	**38,158.2**

Cash flow statement

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015
1. Operating activities		
EBITDA	887.8	1,109.1
Changes in provisions	-132.1	103.8
Result from disposals	-11.4	-24.3
Other non-cash expenses/income	-33.9	-19.1
Change in assets and liabilities from operating activities	-840.3	-376.4
Inventories	(-97.9)	(114.8)
Net balance of trade receivables and payables	(-414.1)	(-281.2)
Net balance of other assets and liabilities	(-328.3)	(-210.0)
Income tax paid/received	-232.5	1.6
Cash flow from operating activities	**-362.4**	**794.7**
2. Investing activities		
Capital expenditure on intangible assets and property, plant and equipment	-342.4	-509.4
Disposals of intangible assets and property, plant and equipment	71.7	68.4
Cash received from construction cost and investment subsidies	27.2	32.9
Acquisition/sale of subsidiaries, entities accounted for using the equity method and interests in joint operations	-714.6	-18.2
Changes in securities and investments	854.2	111.4
Interest received	129.4	133.5
Dividends received	60.8	44.0
Cash flow from investing activities	**86.3**	**-137.4**
3. Financing activities		
Interest paid for financing activities	-191.7	-198.2
Dividends paid	-174.2	-215.0
Increase in financial liabilities	14.7	151.6
Repayment of financial liabilities	-141.6	-263.2
Payments from the capital reduction of non-controlling interests	-23.5	-2.9
Cash flow from financing activities	**-516.3**	**-527.7**
Net change in cash and cash equivalents	**-792.4**	**129.6**
Net foreign exchange difference	-1.5	6.7
Change in cash and cash equivalents	**-793.9**	**136.3**
Cash and cash equivalents at the beginning of the period	3,501.1	3,185.2
Cash and cash equivalents at the end of the period	**2,707.2**	**3,321.5**

Statement of changes in equity

in € million				Other comprehensive income[1]							
	Subscribed capital and capital reserve	Revenue reserves	Treasury shares	Revaluation of pensions and similar obligations	Difference from currency translation	Cash flow hedge	Available-for-sale financial assets	Entities accounted for using the equity method	Shares of the shareholders of EnBW AG	Non-controlling interests[1]	Total
As of Integrated Report 2015: 01/01/2015	**1,482.3**	**3,692.4**	**-204.1**	**-1,652.2**	**-95.6**	**-334.3**	**605.3**	**-53.7**	**3,440.1**	**1,105.5**	**4,545.6**
Other comprehensive income				340.6	29.9	46.8	-418.7	-77.7	-79.1	14.2	-64.9
Group net profit		1,056.5							1,056.5	43.2	1,099.7
Total comprehensive income	**0.0**	**1,056.5**	**0.0**	**340.6**	**29.9**	**46.8**	**-418.7**	**-77.7**	**977.4**	**57.4**	**1,034.8**
Dividends paid		-186.9							-186.9	-46.5	-233.4
Other changes		-0.8							-0.8	-11.3	-12.1
As of: 30/06/2015	**1,482.3**	**4,561.2**	**-204.1**	**-1,311.6**	**-65.7**	**-287.5**	**186.6**	**-131.4**	**4,229.8**	**1,105.1**	**5,334.9**
As of: 01/01/2016	**1,482.3**	**3,601.5**	**-204.1**	**-1,482.7**	**-54.4**	**-256.9**	**213.1**	**-63.3**	**3,235.5**	**1,854.0**	**5,089.5**
Other comprehensive income				-928.0	-6.0	93.9	-37.3	-43.6	-921.0	-5.1	-926.1
Group net loss/profit		-194.2							-194.2	55.7	-138.5
Total comprehensive income	**0.0**	**-194.2**	**0.0**	**-928.0**	**-6.0**	**93.9**	**-37.3**	**-43.6**	**-1,115.2**	**50.6**	**-1,064.6**
Dividends paid		-149.0							-149.0	-43.8	-192.8
Other changes		-106.3						106.1	-0.2	-25.0	-25.2
As of: 30/06/2016	**1,482.3**	**3,152.0**	**-204.1**	**-2,410.7**	**-60.4**	**-163.0**	**175.8**	**-0.8**	**1,971.1**	**1,835.8**	**3,806.9**

[1] Of which other comprehensive income directly associated with the assets held for sale as of 30/06/2016 to the amount of €0.0 million (01/01/2016: € -45.4 million, 30/06/2015: €0.0 million, 01/01/2015: €0.0 million). Of which attributable to the shareholders of EnBW AG: €0.0 million (01/01/2016: € -45.4 million, 30/06/2015: €0.0 million, 01/01/2015: €0.0 million). Of which attributable to non-controlling interests: €0.0 million (01/01/2016: €0.0 million, 30/06/2015: €0.0 million, 01/01/2015: €0.0 million).

Notes and explanations

Accounting policies

The six-monthly financial statements of the EnBW Group are prepared according to the International Financial Reporting Standards (IFRS), the adoption of which is mandatory in the EU as of the reporting date. In addition, the related interpretations (IFRIC/SIC) are observed. Standards and interpretations that have not yet come into force have not been adopted.

The accounting policies applied for the six-monthly consolidated financial statements as of 30 June 2016, as well as the evaluation methods and input parameters for measuring fair value, are the same as those used for the consolidated financial statements as of 31 December 2015 with the exception of the new policies described below.

In accordance with IAS 34, the form of reporting chosen for the presentation of the consolidated financial statements of EnBW AG as of 30 June 2016 was shortened in comparison with that used for the consolidated financial statements as of 31 December 2015.

In addition to the income statement, the statement of comprehensive income, balance sheet, abridged cash flow statement and statement of changes in equity for the EnBW Group are presented separately.

Significant events in the reporting period such as the change to the discount rate for pension and nuclear provisions are described and detailed descriptions of the segments are given in the EnBW AG section of the management report. The withdrawal from traditional electricity and gas sales to large customers (B2B) is explained in the chapter “Business activity and strategy”, as well as in the chapter “The EnBW Group” in the management report.

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretation Committee (IFRS IC) have adopted the following new standards and amendments to existing standards whose application is mandatory as from the 2016 financial year:

- **Collective standard for the amendment of various IFRS (2013) “Improvements to the IFRS Cycle 2010–2012”:** The amendments are the result of the annual IASB improvement process. The amendments are intended to clarify the wording of the standards and remove any unintended inconsistencies between them. The cycle affects IAS 16, IAS 24, IAS 37, IAS 38, IAS 39, IFRS 2, IFRS 3, IFRS 8 and IFRS 13. The amendments are effective for the first time for financial years beginning on or after 1 February 2015. The standard has no material impact on the consolidated financial statements of EnBW.
- **Collective standard for the amendment of various IFRS (2014) “Improvements to the IFRS Cycle 2012-2014”:** The amendments are the result of the annual IASB improvement process. The amendments are intended to clarify the wording of the standards and remove any unintended inconsistencies between them. The cycle affects IAS 19, IAS 34, IFRS 5 and IFRS 7. The amendments are effective for the first time for financial years beginning on or after 1 January 2016. The standard has no material impact on the consolidated financial statements of EnBW.
- **Amendments to IAS 1 (2014) “Disclosure Initiative”:** The amendments are intended to clarify the standard to make it simpler for preparers to exercise their judgement in presenting financial reports. For example, the concept of materiality is emphasised more strongly in order to encourage the communication of relevant information and in order to facilitate the presentation of additional line items in the balance sheet and the statement of comprehensive income. The amendments are effective for the first time for financial years beginning on or after 1 January 2016. In order to improve the presentation of the results of operations, net assets and financial position, we have combined items on the balance sheet following due consideration of their materiality and also removed immaterial information from the notes.
- **Amendments to IAS 16 and IAS 38 (2014) “Clarification of Acceptable Methods of Depreciation and Amortisation”:** The amendments are intended to clarify which methods of depreciation of property, plant and

equipment and amortisation of intangible assets are appropriate. In particular, it was clarified that a revenue-based method is not an appropriate method. The amendments are effective for the first time for financial years beginning on or after 1 January 2016. The standard has no impact on the consolidated financial statements of EnBW.

- **Amendments to IAS 16 and IAS 41 (2014) "Agriculture: Bearer Plants":** The amendments clarify that so-called bearer plants, which are used only for the production of agricultural produce, fall under the scope of IAS 16 "Property, Plant and Equipment". The amendments are effective for the first time for financial years beginning on or after 1 January 2016. The standard has no impact on the consolidated financial statements of EnBW.
- **Amendments to IAS 19 (2013) "Defined Benefit Plans: Employee Contributions":** The amendments are intended to clarify those standards that relate to the allocation of employee contributions or contributions from third parties, which are linked to the service rendered, to periods of service. The amendments are effective for the first time for financial years beginning on or after 1 February 2015. The standard has no impact on the consolidated financial statements of EnBW.
- **Amendments to IAS 27 (2014) "Equity Method in Separate Financial Statements":** The amendments mean that in future it will also be possible to account for investments in subsidiaries, joint ventures and associates using the equity method in IFRS separate financial statements. The revised standard is effective for the first time for financial years beginning on or after 1 January 2016. The standard has no impact on the consolidated financial statements of EnBW.
- **Amendments to IFRS 10, IFRS 12 and IAS 28 (2014) "Investment Entities: Applying the Consolidation Exception":** The amendments clarify how the exemption from the consolidation requirement for investment entities that instead account for their subsidiaries at fair value must be applied. The amendments are effective for the first time for financial years beginning on or after 1 January 2016. They have yet to be endorsed by the EU. The standard has no impact on the consolidated financial statements of EnBW.
- **Amendment to IFRS 11 (2014) "Acquisition of an Interest in a Joint Operation":** The amendments clarify how an acquisition of an interest in a joint operation that is a business is to be accounted for. Acquirers of such an interest have to apply the rules on accounting for business combinations in IFRS 3 "Business Combinations" and other relevant standards. The amendments are effective for the first time for financial years beginning on or after 1 January 2016. The standard has no impact on the consolidated financial statements of EnBW.

Consolidated companies

All subsidiaries under the control of the Group are included in the consolidated financial statements in accordance with the full consolidation method. The equity method is used when there is a joint arrangement in the form of a joint venture or a significant influence may be exercised over the business policy of the associated company, but the entity does not qualify as a subsidiary. Joint arrangements that are classified as joint operations are reported based on the proportion of the assets, liabilities, income and expenses which are attributable to the parent company in compliance with the respective applicable IFRS.

There are no reciprocal shareholdings in the EnBW Group as defined by section 19 (1) of the German Companies Act (AktG).

The consolidated companies are as follows:

Type of consolidation

Number	30/06/2016	31/12/2015	30/06/2015
Full consolidation	117	118	117
Entities accounted for using the equity method	17	17	17
Joint operations	3	3	3

Company acquisitions and disposals 2016

EnBW Energie Baden-Württemberg AG acquired 74.2% of the shares in VNG-Verbundnetz Gas Aktiengesellschaft (VNG) from EWE Aktiengesellschaft (EWE) on 20 April 2016. In return, EnBW divested itself of a 20% share in EWE. In addition, a cash settlement was paid by EnBW to EWE and the Ems-Weser-Elbe Versorgungs- und Entsorgungsverband (EWE-Verband). Due to a contractual agreement, VNG will initially be accounted for by EnBW in the consolidated financial statements using the equity method. The remaining 6% shareholding in EWE will be recognised under other financial assets. VNG, with headquarters in Leipzig, is particularly active in the areas of exploration and production, gas transport and gas storage, as well as trading and services. It is allocated in the segment reporting to Other/Consolidation as a joint venture accounted for using the equity method.

Investment result

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015
Share of profit/loss of entities accounted for using the equity method	-1.4	65.8
Write-downs/write-ups of entities accounted for using the equity method	-4.6	237.4
Net profit/loss from entities accounted for using the equity method	**-6.0**	**303.2**
Investment income	40.2	14.5
Write-downs of investments	-1.3	-0.8
Result from the sale of equity investments	38.0	0.0
Other profit/loss from investments	**76.9**	**13.7**
Investment result (+ income/- costs)	**70.9**	**316.9**

In the previous year, the write-ups of entities accounted for using the equity method contains the reversal of the impairment for the investment in EWE Aktiengesellschaft.

Financial result

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015
Interest and similar income	142.1	123.3
Other finance income	29.2	700.8
Finance income	**171.3**	**824.1**
Borrowing costs	-158.8	-140.1
Other interest and similar expenses	-98.2	-158.5
Interest portion of increases in liabilities	-263.1	-258.5
Personnel provisions	(-64.3)	(-63.3)
Provisions relating to nuclear power	(-192.7)	(-191.3)
Other non-current provisions	(-0.6)	(-0.7)
Other liabilities	(-5.5)	(-3.2)
Other finance costs	-188.4	-31.4
Finance costs	**-708.5**	**-588.5**
Financial result (+ income/- costs)	**-537.2**	**235.6**

Other finance income in the same period of the previous year primarily contains gains on the sale of securities. In both periods, other interest and similar expenses contains non-operating interest expenses as a result of the adjustment of the discount rate for nuclear provisions. In the first half of 2016, the discount rate was adjusted from 4.7% to 4.6%, while in the comparative period it was adjusted from 4.8% to 4.7%.

Assets held for sale

The fall in assets held for sale was primarily the result of the sale of a 20% shareholding in EWE. As a result of the planned restructuring of shareholdings agreed between EnBW AG, EWE and EWE-Verband, this was previously classified under assets held for sale. In addition, a piece of land with a building has since been sold.

Dividends

On 10 May 2016, the Annual General Meeting of EnBW AG approved the proposal by the Board of Management and the Supervisory Board to distribute a dividend of €0.55 per share for the financial year 2015. This corresponds to a dividend payment of €149.0 million.

Additional notes to the cash flow statement

The consideration transferred to acquire 74.2% of the shares in VNG included a non-cash proportion comprising 10% of the shares in EWE (€419.8 million). In addition, a cash settlement was paid for the acquisition.

Contingent liabilities and other financial commitments

Compared to 31 December 2015, contingent liabilities and other financial commitments decreased by €1,233.4 million to €21,404.8 million. This fall was primarily the result of the conclusion of the arbitration proceedings with EWE in April 2016, as well as a reduction in long-term purchase obligations in the gas sector.

Notes relating to fair value

The fair value and carrying amounts of the financial assets and financial liabilities under the individual balance sheet items are shown below.

Carrying amounts and fair value of financial instruments

in € million[1]	30/06/2016			31/12/2015		
	Fair value	Not within the scope of application	Carrying amount	Fair value	Not within the scope of application	Carrying amount
Financial assets	9,402.9	66.9	9,401.3	9,654.6	68.9	9,663.2
Held for trading	(61.0)		(61.0)	(223.0)		(223.0)
Available for sale[2]	(8,200.9)		(8,200.9)	(8,186.8)		(8,186.8)
Held to maturity	(1,076.0)		(1,007.5)	(1,171.9)		(1,111.6)
Loans and receivables	(65.0)		(65.0)	(72.9)		(72.9)
Trade receivables	4,555.4		4,555.4	3,547.6		3,547.6
Other assets	2,281.6	754.8	3,036.4	2,579.4	801.0	3,380.4
Held for trading	(1,369.7)		(1,369.7)	(1,790.7)		(1,790.7)
Loans and receivables	(716.2)		(716.2)	(547.2)		(547.2)
Derivatives designated as hedging instruments	(165.4)		(165.4)	(206.1)		(206.1)
Carrying amount in accordance with IAS 17	(30.3)		(30.3)	(35.4)		(35.4)
Cash and cash equivalents	2,707.2		2,707.2	3,501.1		3,501.1
Assets held for sale[3]	10.3	6.8	17.1	6.4	1,009.5	1,015.9
Total	**18,957.4**	**828.5**	**19,717.4**	**19,289.1**	**1,879.4**	**21,108.2**
Financial liabilities	8,408.4		7,485.5	8,194.6		7,568.2
Measured at amortised cost[4, 5]	(8,376.6)		(7,453.7)	(8,162.6)		(7,536.2)
Carrying amount in accordance with IAS 17	(31.8)		(31.8)	(32.0)		(32.0)
Trade payables	2,792.3	1,342.8	4,135.1	437.3	3,086.2	3,523.5
Other liabilities and subsidies	2,277.7	2,383.8	4,661.5	2,931.9	2,552.7	5,484.6
Held for trading	(1,454.3)		(1,454.3)	(1,852.6)		(1,852.6)
Measured at amortised cost	(719.7)		(719.7)	(875.1)		(875.1)
Derivatives designated as hedging instruments	(103.7)		(103.7)	(204.2)		(204.2)
Liabilities directly associated with assets classified as held for sale	0.6	0.9	1.5		0.8	0.8
Total	**13,479.0**	**3,727.5**	**16,283.6**	**11,563.8**	**5,639.7**	**16,577.1**

[1] The figures for the comparative period have been restated.
[2] Available-for-sale financial assets include equity instruments of €772.4 million (31/12/2015: €759.3 million) measured at amortised cost whose fair value cannot be reliably determined.
[3] In the previous year, this refers primarily to a non-recurring measurement of the fair value due to the application of IFRS 5.
[4] This includes financial liabilities of €7,941.4 million (31/12/2015: 7,707.1 million) measured at fair value through profit or loss.
[5] Of the financial liabilities measured at amortised cost, an amount of €492.8 million (31/12/2015: €481.6 million) is part of fair value hedges.

Counterparty default risk is taken into account when measuring the fair value of derivative financial instruments. Default risk with respect to an individual counterparty is calculated on the basis of the net risk position.

Hierarchy of input data

in € million[1]		30/06/2016			31/12/2015	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets	5,355.2	2,377.6	832.7	5,735.7	2,580.3	506.4
Held for trading	(61.0)			(223.0)		
Available for sale	(4,218.2)	(2,377.6)	(832.7)	(4,340.8)	(2,580.3)	(506.4)
Held to maturity	(1,076.0)			(1,171.9)		
Other assets	0.3	1,534.8	0.0	22.4	1,974.4	0.0
Held for trading	(0.3)	(1,369.4)		(18.1)	(1,772.6)	
Derivatives designated as hedging instruments		(165.4)		(4.3)	(201.8)	
Assets held for sale						973.1
Total	**5,355.5**	**3,912.4**	**832.7**	**5,758.1**	**4,554.7**	**1,479.5**
Financial liabilities	6,422.3	1,519.1	0.0	6,101.0	1,606.1	0.0
Measured at amortised cost	(6,422.3)	(1,519.1)		(6,101.0)	(1,606.1)	
Other liabilities and subsidies	64.2	1,493.8	0.0	23.6	2,033.2	0.0
Held for trading	(45.0)	(1,409.3)		(18.2)	(1,834.4)	
Derivatives designated as hedging instruments	(19.2)	(84.5)		(5.4)	(198.8)	
Total	**6,486.5**	**3,012.9**	**0.0**	**6,124.6**	**3,639.3**	**0.0**

[1] The figures for the comparative period have been restated.

The following table shows the development of the financial instruments to be accounted for at fair value in accordance with Level 3:

in € million	As of 01/01/2016	Changes recognised in equity	Additions	Disposals	Reclassification	Other	As of 30/06/2016
Financial assets	506.4	-2.3	65.8	-19.9	291.9	-9.2	832.7

In the first six months of the year, gains from Level 3 financial instruments were recognised in the investment result or financial result in the amount of €31.9 million. Of which, €14.3 million is accounted for by financial instruments still held on the reporting date.

The change in financial assets allocated to Level 3 of the IFRS 13 fair value hierarchy is primarily the result of the reclassification of the 6 % shareholding in EWE under other financial assets. The fair value was calculated on the basis of the fair value less selling costs. It was based on a market transaction carried out for VNG in the previous year less a valuation adjustment and has been derived from the value of the shares in VNG to be acquired by EnBW. The valuation adjustment, particularly reflects the medium and long-term market assumptions, which had worsened between the date of this market transaction and signature of the contract and the reporting date.

Segment reporting

01/01 – 30/06/2016

in € million	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
External revenue	4,070.8	3,234.1	254.5	2,246.9	5.1	9,811.4
Internal revenue	202.0	1,372.4	132.1	1,187.0	-2,893.5	0.0
Total revenue	4,272.8	4,606.5	386.6	3,433.9	-2,888.4	9,811.4
Adjusted EBITDA	138.3	523.8	153.1	148.6	3.7	967.5
EBITDA	73.5	515.0	152.9	130.0	16.4	887.8
Adjusted EBIT	108.7	344.3	77.8	-16.1	-10.7	504.0
EBIT	22.1	335.0	77.6	-34.7	2.0	402.0
Scheduled amortisation and depreciation	-29.6	-179.5	-75.3	-164.7	-14.4	-463.5
Impairment losses	-21.8	-0.5	0.0	0.0	0.0	-22.3
Capital employed as of 30/06/2016	679.8	5,098.9	3,001.5	2,163.9	2,811.6	13,755.7

01/01 – 30/06/2015

in € million	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
External revenue	4,920.2	3,156.8	163.2	2,669.5	4.1	10,913.8
Internal revenue	145.5	1,332.8	164.6	1,392.6	-3,035.5	0.0
Total revenue	5,065.7	4,489.6	327.8	4,062.1	-3,031.4	10,913.8
Adjusted EBITDA	179.4	437.0	87.5	542.5	30.4	1,276.8
EBITDA	184.1	458.5	82.4	356.2	27.9	1,109.1
Adjusted EBIT	149.9	267.5	50.7	339.5	16.5	824.1
EBIT	154.6	289.0	45.6	153.2	3.5	645.9
Scheduled amortisation and depreciation	-29.5	-169.5	-36.8	-203.0	-13.9	-452.7
Impairment losses	0.0	0.0	0.0	0.0	-10.5	-10.5
Capital employed as of 31/12/2015	578.7	4,936.9	2,960.3	2,055.9	2,369.9	12,901.7

Adjusted EBITDA is one of the key internal performance indicators. Adjusted EBITDA is an earnings ratio before interest, tax, depreciation and amortisation and adjusted for extraordinary items, which accurately reflects the development of results of operations. In the management report, the performance of the segments is explained with the aid of adjusted EBITDA. Adjusted EBITDA can be reconciled to earnings before taxes (EBT) as follows:

in € million	01/01 – 30/06/2016	01/01 – 30/06/2015
Adjusted EBITDA	967.5	1,276.8
Non-operating EBITDA	-79.7	-167.7
EBITDA	**887.8**	**1,109.1**
Amortisation and depreciation	-485.8	-463.2
Earnings before interest and taxes (EBIT)	**402.0**	**645.9**
Investment result	70.9	316.9
Financial result	-537.2	235.6
Earnings before tax (EBT)	**-64.3**	**1,198.4**

Segment reporting is based on internal reporting.

Sales of electricity and gas, as well as the provision of energy-related services, such as billing services or energy supply and energy-saving contracting, are summarised in the Sales segment. The Grids segment encompasses the transmission and distribution of electricity and gas. In addition, the provision of grid-related services and the supply of water is reported in the Grids segment. Activities in the area of power generation using renewable energies are presented in their own segment. In addition to the generation and trading of electricity, the Generation and Trading segment also comprises the provision of system services, gas midstream operations, district heating, environmental services and the area dealing with the dismantling of nuclear power plants. Our shareholding in VNG and our shareholding in EWE up to 20 April 2016, and other activities which cannot be attributed to the separately presented activities of the segments, are disclosed together with eliminations between the segments under Other/Consolidation.

The segment figures have been determined in accordance with the accounting policies used in the consolidated financial statements. Internal revenue shows the level of sales between Group companies. Sales between the segments were made at market prices.

Related parties (entities)

Related parties include, above all, the Federal State of Baden-Württemberg and Zweckverband Oberschwäbische Elektrizitätswerke as indirect major shareholders of EnBW AG. As of 30 June 2016, the Federal State of Baden-Württemberg and NECKARPRI GmbH indirectly held 46.75% of the shares in EnBW AG, and NECKARPRI-Beteiligungsgesellschaft mbH held the same amount directly. Zweckverband Oberschwäbische Elektrizitätswerke directly held 46.75% of the shares in EnBW AG, and OEW Energie-Beteiligungs GmbH (OEW GmbH) held the same amount indirectly.

Except for dividends paid, there are no business relations with OEW GmbH or NECKARPRI-Beteiligungsgesellschaft mbH.

Related parties include the federal state and entities controlled or jointly controlled by it, or over which it has significant influence, as well as joint ventures and associated companies accounted for using the equity method. In addition, there are business relations with joint operations whose assets, liabilities, income and expenses are recognised on a proportional basis and also EnBW Trust e. V., which manages the plan assets for securing pension obligations.

Business relations with related parties had no material effect on the income statement in the first half of 2016; shareholdings only changed marginally in comparison with the end of 2015 with the exception of the circumstances described below. Due to the fact that a cash settlement was paid to EWE and EWE-Verband on 20 April 2016 as part of the agreed restructuring of shareholdings between EnBW, EWE and EWE-Verband, the liabilities to associated companies accounted for using the equity method fell by around 20%.

Related parties (individuals)

The EnBW Group has not entered into any significant transactions with individuals that are related parties.

Subsequent events

No events that are considered significant for assessing the results of operations, financial position and net assets of EnBW occurred after 30 June 2016.

Certification following auditor's review

To EnBW Energie Baden-Württemberg AG, Karlsruhe

We have reviewed the interim condensed consolidated financial statements, comprising the income statement, statement of comprehensive income, balance sheet, condensed cash flow statement, statement of changes in equity and selected explanatory notes, together with the interim Group management report of EnBW Energie Baden-Württemberg AG, Karlsruhe, for the period from 1 January to 30 June 2016, which are part of the six-monthly financial report pursuant to section 37w German Securities Trading Act (WpHG). The preparation of the interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) on interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the requirements of WpHG applicable to interim Group management reports is the responsibility of the company's Board of Management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim Group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS on interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the applicable provisions of WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance obtainable from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS on interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of WpHG applicable to interim Group management reports.

Frankfurt am Main, 27 July 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Janz	Stratmann
German Public Auditor	German Public Auditor

Declaration of the legal representatives

We assure to the best of our knowledge that, in accordance with the accounting principles applicable for six-monthly financial reporting, the six-monthly consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the interim Group management report gives a true and fair view of the business development including the result and situation of the Group and also describes the significant opportunities and risks relating to the anticipated development of the Group.

Karlsruhe, 27 July 2016

EnBW Energie Baden-Württemberg AG

Dr. Mastiaux

Dr. Beck

Kusterer

Dr. Zimmer

Board of Management and Supervisory Board

Board of Management

- **Dr. Frank Mastiaux, Stuttgart**
Chief Executive Officer
since 1 October 2012
Appointed until 30 September 2017

- **Dr. Bernhard Beck LL.M., Stuttgart**
Chief Personnel Officer
since 1 October 2002
Appointed until 30 September 2017

- **Thomas Kusterer, Ettlingen**
Chief Financial Officer
since 1 April 2011
Appointed until 31 March 2019

- **Dr. Hans-Josef Zimmer, Steinfeld (Pfalz)**
Chief Technical Officer
since 1 January 2012
Appointed until 31 May 2021

Supervisory Board

- **Lutz Feldmann, Bochum**
Independent Business Consultant, Chairman

- **Dietrich Herd, Philippsburg**
Chairman of the Group works council for the EnBW Group and Chairman of the central works council "production sector" of EnBW Energie Baden-Württemberg AG, Karlsruhe, Deputy Chairman

- **Stefanie Bürkle, Sigmaringen**
District Administrator of the Sigmaringen district (since 10 May 2016)

- **Stefan Paul Hamm, Gerlingen**
Head of the Department for Utilities and Waste Management, ver.di Baden-Württemberg

- **Michaela Kräutter, Stutensee**
Union Secretary for Utilities and Waste Management, ver.di Central Baden/North Black Forest district

- **Silke Krebs, Stuttgart**
Freelance Consultant (strategic and organisational consultancy specialising in not-for-profit organisations)

- **Marianne Kugler-Wendt, Heilbronn**
Regional Director, ver.di, Heilbronn-Neckar-Franconia region

- **Thomas Landsbek, Wangen im Allgäu**
Member of the Group works council for the EnBW Group and Chairman of the central works council for the "market sector" and Chairman of the Stuttgart works council for the "market sector" of EnBW Energie Baden-Württemberg AG, Karlsruhe (since 10 May 2016)

- **Dr. Hubert Lienhard, Heidenheim an der Brenz**
Chief Executive Officer of Voith GmbH, Heidenheim an der Brenz

- **Sebastian Maier, Ellenberg**
Member of the Group works council for the EnBW Group and Chairman of the works council at EnBW Ostwürttemberg DonauRies AG, Ellwangen

- **Arnold Messner, Aichwald**
Deputy Chairman of the Group works council for the EnBW Group and Chairman of the central works council of Netze BW GmbH, Stuttgart

- **Dr. Wolf-Rüdiger Michel, Rottweil**
District Administrator of the Rottweil district

- **Gunda Röstel, Flöha**
Commercial Director of Stadtentwässerung Dresden GmbH and Authorised Officer of Gelsenwasser AG, Gelsenkirchen

- **Dr. Nils Schmid MdL, Reutlingen**
Member of the State Parliament of Baden-Württemberg

- **Klaus Schörnich, Düsseldorf**
Member of the Group works council for the EnBW Group and Chairman of the works council of Stadtwerke Düsseldorf AG, Düsseldorf

- **Heinz Seiffert, Ehingen**
District Administrator of the Alb-Donau district

- **Carola Wahl, Bonn**
Member of the Executive Board and Head of Transformation & Market Management of AXA Winterthur, Winterthur (Switzerland)

- **Ulrike Weindel, Karlsruhe**
Member of the Karlsruhe works council for the "functional units sector" of EnBW Energie Baden-Württemberg AG, Karlsruhe (since 10 May 2016)

- **Lothar Wölfle, Friedrichshafen**
District Administrator of the Lake Constance district

- **Dr. Bernd-Michael Zinow, Pfinztal**
Head of the functional unit Legal Services, Compliance and Regulation (General Counsel) at EnBW Energie Baden-Württemberg AG, Karlsruhe

- **Dr. Claus Dieter Hoffmann, Stuttgart**
Managing Partner of H + H Senior Advisors GmbH, Stuttgart (up to 10 May 2016)

- **Wolfgang Lang, Karlsruhe**
Consultant for HR functional units at EnBW Energie Baden-Württemberg AG, Karlsruhe (up to 10 May 2016)

- **Dietmar Weber, Esslingen**
Member of the Group works council for the EnBW Group and Chairman of the central works council "market sector" of EnBW Energie Baden-Württemberg AG, Karlsruhe (up to 10 May 2016)

Key
- **Active member**
- Inactive member

As of: 27 July 2016

Important notes

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Our cover image shows Dennis Schulz using 40 screens with 300 images to monitor and operate Block 8 at the Rheinhafen Steam Power Plant (RDK) in Karlsruhe. The image is part of the new company campaign in which employees of EnBW have been working as ambassadors across the whole of Baden-Württemberg since the beginning of April, to gain trust in the company and its accomplishments. More information is available on page 19 and at www.enbw.com/WirMachenDasSchon.

Financial calendar

28 July 2016
Publication of the Six-Monthly Financial Report
January to June 2016

29 September 2016
Capital Market Day

10 November 2016
Publication of the Report
January to September 2016

28 March 2017
Publication of the Integrated Annual Report 2016

09 May 2017
Annual General Meeting 2017

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