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Press release >

EnBW remains on course despite difficult conditions – renewable energies experience large boost in earnings

2015 financial year: adjusted EBITDA in line with expectations / renewable energies experience 50 percent increase in earnings / outlook for 2016: continued rigorous implementation of the strategy, EBITDA between -5 percent and -10 percent below the previous year

Stuttgart. The 2015 financial year was characterised by a continued fall in electricity prices on the wholesale markets to below 30 euro at the end of the year. Nevertheless, EnBW was able to achieve an operating result (adjusted EBITDA) of around 2.1 billion euro, which was only slightly below the figure in the previous year. Further high impairment losses on power plants and increased provisions for onerous contracts for electricity procurement agreements did, however, impact the Group operating result to a considerable extent.

“We also made good progress with our growth initiatives and efficiency measures in 2015. This meant that the operating result remained relatively stable despite a further significant deterioration in the general conditions. Therefore, our focus continues to be on the rigorous implementation of our EnBW 2020 strategy”, explained EnBW CEO Frank Mastiaux on the occasion of the press conference for the annual report. “We were able to successfully proceed with the expansion of renewable energies through the commissioning of the EnBW Baltic 2 offshore wind farm and other onshore wind farms. The planned acquisition of the majority shareholding in the gas supplier VNG based in Leipzig means we have significantly strengthened our gas business and taken a major step towards restructuring our company. As a result, EnBW will become the third largest gas supplier in Germany. The gas business will contribute between 15 and 20 percent of the Group operating result in future and thus become an important pillar of the company.”

Business performance in 2015 and dividend proposal

In the 2015 financial year, EnBW achieved slightly higher revenue of around 21.2 billion euro (previous year: 21.0 billion euro) compared to the previous year with a workforce of 20,288 employees (previous year: 20,092). The operating result adjusted for extraordinary items (adjusted EBITDA) fell by 2.7 percent to 2.1 billion euro. Thomas Kusterer, CFO: “Our operating result therefore lay in the range of our announced forecast of between 0 and -5 percent. In view of the sharp fall in electricity prices, this can be considered a success. This was contributed to not least by our targeted efficiency measures that we introduced with the

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'Fokus' programme. We were already able to achieve noticeable cost reductions in 2015, especially in the areas of generation and administration. We are very confident that we will already be able to achieve the desired cost savings of 400 million euro before 2020. However, we will need to adjust these savings targets to take account of the current market developments. We will define the precise targets and the measures that will be implemented to achieve them in the coming months."

In the Sales segment, the adjusted EBITDA stood at 255.3 million euro and was thus 10.7 percent above the figure in the previous year, an increase which was primarily attributable to higher earnings in the gas and heating sector due to the weather conditions. In the area of customer-oriented sales, the 2015 financial year was characterised by measures to achieve greater optimisation and flexibility. It was possible to attract new customers in the contracting, broadband and settlement business areas. In addition, the first new products and business models from the Innovation Campus were launched onto the market. Collaboration with local authorities, another important business area, was intensified through participation and cooperation models.

The Grids segment achieved an adjusted EBITDA of 747.4 million euro and thus fell by 15.7 percent. This was due to, amongst other things, the necessary and planned increase in the number of employees for the expansion of the grids, settlement payments for transmission losses and higher expenses for decentralised feed-ins from renewable energies. Around 3,000 new decentralised power plants were connected to the grid in the area operated by Netze BW in 2015 alone.

The Renewable Energies segment achieved an adjusted EBITDA of 287.4 million euro and thus significant growth of 50.2 percent. It was possible to make important progress with the commissioning of projects and in the area of project development. Due to the EnBW Baltic 2 offshore wind farm and other onshore projects, the share of the total installed generation capacity accounted for by renewable energies increased from 19.1 percent in the previous year to 23.6 percent.

The falling prices and spreads on wholesale electricity markets had a very negative effect on the Generation and Trading segment. It was possible to offset this to some extent through the further decommissioning of generation capacities and the optimisation of structures. The adjusted EBITDA fell by 13.6 percent to 777.3 million euro.

The drastic fall in electricity prices made it necessary to make further impairment losses on power plants and to increase provisions for onerous contracts for electricity procurement agreements totalling around one billion euro. Despite these burdens, the Group net profit

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attributable to the shareholders of EnBW AG stood at around 125 million euro, following a Group net loss of -466 million euro in the previous year.

This was primarily due to the realisation of capital gains on disposals of securities in the first half of 2015. As a result, the adjusted Group net profit attributable to the shareholders of EnBW AG increased to 952 million euro (an increase of 105 percent). Kusterer: "The basis for the payment of dividends to our shareholders is principally the adjusted Group net profit. However, we have not taken into account the profits from the sales of securities when calculating the dividends for 2015. For the 2015 financial year, we will thus propose to the Annual General Meeting that a dividend of 0.55 euro per share is distributed. This corresponds to a dividend payout ratio of 34.7 percent."

The volume of capital investment of the EnBW Group was 1.46 billion euro. As expected, it was 25.3 percent below the figure in the previous year because major projects such as the RDK 8 power plant and the EnBW Baltic 2 offshore wind farm were completed. Thomas Kusterer, CFO: "In line with our strategy, more than 70 percent of this capital expenditure was spent on growth projects such as the expansion of the grids and renewable energies."

Outlook for the 2016 financial year – forecast in line with the 2020 strategy

As a result of a further deterioration in the market conditions, EnBW expects an adjusted EBITDA for the current financial year of between -5 and -10 percent below the figure in the previous year. In the Grids segment, a significant increase in adjusted EBITDA of over 20 percent is expected. Grids will thus become the segment with the highest earnings. The adjusted EBITDA in the Renewable Energies segment is also expected to increase in line with expectations by between 10 and 20 percent. In the Generation and Trading segment, EnBW expects a further significant fall in adjusted EBITDA by more than 20 percent. A fall in earnings of at least 20 percent is also expected in the Sales segment.

Mastiaux: "Our business activities will be determined by three clear priorities this year: Firstly, the continued rigorous implementation of our EnBW 2020 strategy with its well-established focus on the growth of renewable energies, the grids business and customer-oriented sales. Secondly, we will examine additional measures for improving efficiency in order to combat the further deterioration in the economic environment. Finally, our third priority will be dealing with the question of how we want to position ourselves in the future beyond 2020. This will include discussions about how such things as the increasing digitalisation of the energy business or customer behaviour will shape our future development. The consistent restructuring of the company and its realignment will also remain part of the programme for 2016."

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Financial and strategic performance indicators

in € million	2015	2014	Change in %
External revenue	21,166.5	21,002.5	0.8
TOP Adjusted EBITDA	2,109.6	2,167.4	-2.7
TOP Share of the adjusted EBITDA accounted for by Sales in € million/in %	255.3/12.1	230.6/10.6	10.7/-
TOP Share of the adjusted EBITDA accounted for by Grids in € million/in %	747.4/35.4	886.3/40.9	-15.7/-
TOP Share of the adjusted EBITDA accounted for by Renewable Energies in € million/in %	287.4/13.6	191.4/8.8	50.2/-
TOP Share of the adjusted EBITDA accounted for by Generation and Trading in € million/in %	777.3/36.8	899.5/41.5	-13.6/-
Share of the adjusted EBITDA accounted for by Other/Consolidation in € million/in %	42.2/2.1	-40.4/-1.8	-/-
EBITDA	1,918.2	2,137.3	-10.3
Adjusted EBIT	1,181.9	1,290.5	-8.4
EBIT	277.0	0.1	-
Adjusted Group net profit ^{1, 2}	951.7	464.2	105.0
Group net profit/loss ^{1, 2}	124.9	-465.9	-
Earnings per share from adjusted Group net profit ^{1, 2} in €	3.51	1.71	105.0
Earnings per share from Group net profit/loss ^{1, 2} in €	0.46	-1.72	-
Cash flow from operating activities	1,918.3	1,775.7	8.0
Free cash flow	725.8	330.2	119.8
Adjusted net debt ³	6,735.5	7,982.6	-15.6
TOP Dynamic leverage ratio in years	3.19	3.68	-13.3
Total investments	1,461.6	1,956.7	-25.3
TOP Return on capital employed (ROCE) in %	9.5	10.0	-
Weighted average cost of capital before tax in %	6.9	7.2	-
Average capital employed ¹	13,620.4	13,423.6	1.5
Value added ¹	354.1	375.9	-5.8

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Non-financial performance indicators

	2015	2014	Change in %
Customers goal dimension			
TOP EnBW/Yello Brand Attractiveness Index	43/35	43/36	0.0/-2.8
TOP EnBW/Yello Customer Satisfaction Index	136/152	114/145	19.3/4.8
TOP SAIDI (electricity) in min/year	15	15	0.0
Employees goal dimension			
TOP Employee Commitment Index (ECI) ⁴	60	56	7.1
TOP LTIF ⁴	3.8	4.3	-11.6
Environment goal dimension			
TOP Installed output of renewable energies in GW and the share of the generation capacity accounted for by renewable energies in %	3.1/23.6	2.6/19.1	19.2/-

Employees⁵

	31/12/2015	31/12/2014	Change in %
Number	20,288	20,092	1.0

¹ The figures for the previous year have been restated.

² In relation to shares in profit/loss attributable to the shareholders of EnBW AG.

³ Includes equity investments held as financial assets.

⁴ Variations in the group of consolidated companies; see also the definition of key performance indicators on page 25.

⁵ Number of employees excluding marginally employed persons, apprentices/trainees and inactive employees.

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Performance indicators of the EnBW Group

