

28th March 2017

## Press release >

### **Following a challenging year in 2016, EnBW is pushing forward its restructuring to reach a turning point in terms of earnings**

**Operating result in line with forecast / Grids, Renewable Energies and Sales already account for 80 percent of earnings / Group net loss in 2016 due to nuclear energy compromise / No payment of dividends to help safeguard future / Forecast 2017: Goal of stabilising earnings with ambitions to increase earnings**

Stuttgart. EnBW Energie Baden-Württemberg AG sees itself at a turning point in terms of earnings in the current financial year. In 2017, the objective is to halt the fall in earnings experienced since 2011 or even to achieve a slight increase in the operating result (adjusted EBITDA) once again. It was a challenging year for the company in 2016 due to persistently low electricity prices and due to the upcoming, and already fully incorporated in the annual financial statements 2016, payment of 4.7 billion euro to the funds under public law for the phasing out of nuclear power. EnBW CEO Frank Mastiaux: "Despite having to cope with extraordinarily high negative effects in 2016, we are able to say: Our resolute and profound restructuring process is paying off, both in terms of efficiency and growth. Grids, Renewable Energies and Sales already account for 80 percent of the operating result (adjusted EBITDA). We are now focussing all our efforts on turning our earnings trend into a positive one from 2017 onwards. Major projects such as the Hohe See offshore wind farm demonstrate that our investments clearly focus on the future and despite the deteriorating conditions we are still on course for 2020."

In the 2016 financial year, EnBW achieved revenue of around 19,368 million euro with a workforce of 20,409 employees (previous year: 20,288), which was 9 percent lower than the figure in the previous year. The operating result adjusted for non-operating effects (adjusted EBITDA) stood at 1,939 million euro, which was 8 percent down on the previous year and thus in line with the forecast (-5 percent to -10 percent). "In view of the difficult conditions, this result was right on the mark and anything but easy", explains Thomas Kusterer, EnBW Chief Financial Officer. "Financial discipline and above all the resolute implementation of our efficiency measures and growth projects have ensured that we can continue to deliver what we promise in the operating business. Our objective will remain unchanged going forward."

The implementation of the legal package for the reorganisation of responsibilities for the disposal of nuclear waste (KFK) means that EnBW will pay 4.7 billion euro into a fund under public law in the 2017 financial year. The Group result in 2016 was impacted by the

implementation of the KFK solution that includes a risk premium of 35 percent amounting to 2.4 billion euro. This also includes the negative impact on the financial result, which is affected by higher expenses due to the shorter residual terms of the remaining provision obligations and the resulting fall in the real interest rate. These negative effects resulted in a Group net loss attributable to the shareholders of EnBW AG of 1.8 billion euro in the 2016 financial year. In the previous year, the Group net profit was positively affected by the sale of securities and still stood at 158.2 million euro. Kusterer: "The extraordinary negative effects relating to nuclear power significantly limit our financial headroom. They have hit us at a time when we are making significant investments in our restructuring and thus in our future. Against this background, we will forgo the distribution of dividends this year. For this same reason, the Board of Management, management team and employees have also agreed to forgo part of their salaries. Everybody in the company is thus demonstrating their solidarity by making a contribution to the long-term future security of EnBW."

### **Business development in 2016 by segment**

The earnings performance in the different business segments was varied, although it was without exception in line with our forecasts, some of which were adjusted in the third quarter.

The adjusted EBITDA in the **Sales** segment fell by 2.2 percent to 249.7 million euro. This slight fall in earnings was primarily due to the sale of EnBW Propower GmbH together with the Eisenhüttenstadt CHP plant as of 31 December 2015. This was offset by the first positive effects of the withdrawal from the loss-making electricity and gas business with large customers (B2B) under the brands EnBW and Watt.

The **Grids** segment continued to develop positively in 2016. The adjusted EBITDA increased significantly by 34.3 percent to more than 1 billion euro. A decisive factor in this development was the elimination of negative extraordinary items that had made an impact in 2015, as well as higher revenues from the use of the electricity and gas grids. The share of the adjusted EBITDA for the Group accounted for by this segment increased significantly as expected and now stands at around 52 percent.

The **Renewable Energies** segment achieved an adjusted EBITDA of 295.3 million euro, which corresponds to growth of 2.7 percent. The share of the adjusted EBITDA accounted for by this segment thus stood at 15.2 percent. Although the wind yields were lower than expected due to the weather, the year-round earnings contribution from the offshore wind farm EnBW Baltic 2 was able to compensate for the negative earnings performance of the run-of-river power plants. The share of the total installed generation capacity accounted for by Renewable Energies stood at 23.1 percent.

The fact that electricity deliveries for 2016 were placed on the forward markets for lower wholesale prices than in the previous year had a very negative effect on the **Generation and Trading** segment. It was possible to successfully offset some of this significant burden caused

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by the conditions in the sector through continued optimisation measures. The adjusted EBITDA nevertheless fell significantly by 56.6 percent to 337.2 million euro. The share of the Group earnings accounted for by this segment still stood at 17.4 percent.

The investment volume of the EnBW Group increased significantly to 2.59 billion euro (previous year: 1.46 billion euro) due mainly to the acquisition of 74.21 percent of the shares in VNG-Verbundnetz Gas Aktiengesellschaft (VNG). Around 80 percent of overall gross investment (including the acquisition of VNG) was attributable to growth projects.

### **Forecast: Stabilising earnings with ambitions to increase earnings**

In the current 2017 financial year, EnBW anticipates the possibility of a slight increase in earnings (adjusted EBITDA) for the first time in several years. "We expect the operating result to at least remain stable and we have the ambition of even being able to achieve a slight increase in earnings of up to 5 percent. This is naturally subject to the proviso that the conditions in the sector do not once again deteriorate unexpectedly", commented Kusterer.

In the Sales segment, a significant increase in adjusted EBITDA of between 15 and 25 percent is expected. The adjusted EBITDA in the Renewable Energies segment is also expected to continue to increase in line with expectations by between 5 and 15 percent. Wind power plants with a total output of more than 200 megawatts will be realised in the onshore sector alone in 2017. Although a clear increase in earnings is not expected in the Grids segment (forecast -5 to +5 percent), it will nevertheless remain the segment with the highest earnings in 2017. In the Generation and Trading segment, EnBW expects a further significant fall in adjusted EBITDA of between 10 and 20 percent.

Mastiaux: "Our earnings targets for both 2017 and 2020 continue to be extremely challenging. In view of the progress we have made so far through our own efforts, I am convinced that we will achieve both targets. This restructuring phase, which was characterised to a large extent by efficiency measures and simultaneous growth initiatives, forms the basis for a new phase of growth. This must be our goal. We have seen in the past few years how the general conditions in our sector have changed dramatically within a short period of time. And we continue to expect a high pace of change, which we need to prepare ourselves for at an early stage. The ability to change has now become an important component of our corporate culture and competitiveness."

### **A look ahead: Post 2020 strategic perspectives developed**

With a view to further developing its strategy, EnBW recently carried out an intensive analysis of trends that will be relevant for the future of the company.

Against the background of increasing decarbonisation, renewable energies and grids will continue to be main pillars of future, decentralised energy systems. In contrast, the company anticipates significant changes in the value chain, which will be shaped by new competitors, as well as technological progress. In addition, electrification and digitisation will increasingly shape industrial development and likewise will change the behaviour of consumers. As a result, energy and infrastructure issues will converge, as can already be seen today by the example of electromobility. Last but not least, the trend towards further urbanisation will lead to a growing demand for intelligent and reliable infrastructure – at the level of municipalities, industry and private households.

Mastiaux: “The Energiewende is entering a new phase. This will be determined less by energy policy and regulation but by market and technological developments, new competitors and by modified and more discerning customer behaviour. Infrastructure development will become ever more important in all these areas. In this context, there will be an enormous need for investment in critical infrastructure in the coming years both within the energy system and in adjacent sectors, such as the transportation sector. EnBW has core expertise in the efficient set up, professional management and safe operation of complex infrastructure systems. Therefore, we prepare ourselves to take advantage of respective opportunities. We want to achieve above-average growth after 2020, from which our shareholders and employees will benefit.”

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Financial and strategic performance indicators

in € million	2016	2015	Change in %
External revenue	19,368.4	21,166.5	-8.5
<b>TOP</b> Adjusted EBITDA	1,938.9	2,109.6	-8.1
<b>TOP</b> Share of adjusted EBITDA accounted for by Sales in € million/in %	249.7/12.9	255.3/12.1	-2.2/-
<b>TOP</b> Share of adjusted EBITDA accounted for by Grids in € million/in %	1,004.1/51.8	747.4/35.4	34.3/-
<b>TOP</b> Share of adjusted EBITDA accounted for by Renewable Energies in € million/in %	295.3/15.2	287.4/13.6	2.7/-
<b>TOP</b> Share of adjusted EBITDA accounted for by Generation and Trading in € million/in %	337.2/17.4	777.3/36.8	-56.6/-
Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in %	52.6/2.7	42.2/2.1	24.6/-
EBITDA	730.7	1,918.2	-61.9
Adjusted EBIT	1,024.5	1,181.9	-13.3
EBIT	-1,662.9	277.0	-
Group net profit/loss <sup>1, 2</sup>	-1,797.2	158.2	-
Earnings per share from Group net profit/loss in € <sup>1, 2</sup>	-6.64	0.58	-
Retained cash flow <sup>1</sup>	949.5	1,717.6	-44.7
Net (cash) investments <sup>1</sup>	1,316.9	493.9	-
<b>TOP</b> Internal financing capability in %	72.1	347.8	-
Net financial liabilities	3,645.0	3,329.0	9.5
Coverage ratio ALM in %	61.0	74.2	-
<b>TOP</b> Return on capital employed (ROCE) in % <sup>1</sup>	7.8	9.5	-
Weighted average cost of capital before tax in %	6.9	6.9	-
Average capital employed <sup>1</sup>	13,715.6	13,627.2	0.6
Value added <sup>1</sup>	123.4	354.3	-65.2

Non-financial performance indicators

	2016	2015	Change in %
<b>Customers and society goal dimension</b>			
<b>TOP</b> Reputation Index	50.0	48.5	3.1
<b>TOP</b> EnBW/Yello Customer Satisfaction Index	132/150	136/152	-2.9/-1.3
<b>TOP</b> SAIDI (electricity) in min/year	16	15	6.7
<b>Employees goal dimension</b>			
<b>TOP</b> Employee Commitment Index (ECI) <sup>3</sup>	59	60	-1.7
<b>TOP</b> LTIF <sup>3</sup>	3.9	3.8	2.6
<b>Environment goal dimension</b>			
<b>TOP</b> Installed output of renewable energies (RE) in GW and the share of the generation capacity accounted for by RE in %	3.1/23.1	3.1/23.6	-/-2.1
<b>TOP</b> CO <sub>2</sub> intensity in g/kWh	577	606	-4.8

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Employees of the EnBW Group<sup>4</sup>

	31/12/2016	31/12/2015	Change in %
Employees	20,409	20,288	0.6

<sup>1</sup> The figures for the previous year have been restated.

<sup>2</sup> In relation to the profit/loss attributable to the shareholders of EnBW AG.

<sup>3</sup> Variations in the group of consolidated companies; see also the definition of key performance indicators on page 28.

<sup>4</sup> Number of employees excluding marginally employed persons, apprentices/trainees and inactive employees.