

EMBARGO 10 November 2017 – 9.00 a.m.

Press Release >

Planned earnings turnaround at EnBW in 2017 in sight

Balance sheet significantly stronger in the third quarter / VNG makes a positive contribution to earnings / earnings forecast of 0 to +5 percent for the year as a whole confirmed / net debt reduced

Karlsruhe. For the first time since 2010 EnBW expects the operating result to rise again in 2017. EnBW Energie Baden-Württemberg AG closed the first nine months of the financial year 2017 with substantial earnings growth and a significantly stronger balance sheet. With 21,298 employees (+5.3 percent) EnBW achieved revenue of around 15.34 billion euros (+7.5 percent) and an operating result (adjusted EBITDA) of around 1.52 billion euros. This represents an increase of 10.8 percent compared to the previous year.

This temporary better-than-expected result is due in part to positive one-off effects such as the elimination of the nuclear fuel rod tax the previous year. This will be offset in the fourth quarter by the lower electricity prices on the forward market compared to the previous year. EnBW therefore confirms its forecast for the year and projects an operating result of between 0 and +5 percent compared to 2016. Taking into account the effects from the full consolidation of VNG-Verbundnetz Gas Aktiengesellschaft, adjusted EBITDA is up 2.1 percent on the previous year.

Thomas Kusterer, Chief Financial Officer: “As already announced at our balance sheet press conference in March, our goal is to achieve a turnaround in earnings in 2017. The full consolidation of VNG has had a positive impact on revenue and our operating result. We are expecting to see a stronger contribution to earnings than we had projected in our original planning. In addition, our efficiency measures are also taking effect more quickly than anticipated, which is also having a positive impact on our earnings.”

Kusterer went on to say, “We will continue to press ahead on our chosen course and will complete the implementation of our efficiency measures in 2019, one year earlier than originally planned. This means savings of 1.4 billion euros per year, on a sustained basis. Parallel to this we will continue the strategic reorientation of our company and invest heavily in growth areas such as the Grids and Renewable Energies segments, where we will focus on wind power in particular. Other key areas include new products and digital solutions for our customers as well as electromobility. As of today we are confident and will continue to make rigorous efforts to achieve our earnings targets in 2020 through a combination of efficiency measures and growth areas.”

Group net profit stands at around 1.87 billion euros (previous year - 192.5 million euros). This increase is primarily due to the reimbursement of the nuclear fuel rod tax and the sale of 49.89 percent of the shares in the "EnBW Hohe See" offshore wind farm in February 2017. Earnings per share attributable to the shareholders of EnBW AG amounted to 6.90 euros, compared to -0.71 euros for the same period in the previous year. The equity ratio has also improved to 15.2 percent, from 8.3 percent at the end of the previous year. At the same time, net debt fell by around 19 percent to its current level of around 8.1 billion euros compared to the end of 2016 (around 10 billion euros).

In the Sales segment, adjusted EBITDA increased by 5.8 percent in the first nine months of 2017 compared to the same period in the previous year. In addition to the cost-savings achieved by withdrawing from the loss-making B2B commodity business under the brands EnBW and Watt, billing services for other sales and network operators contributed to improved earnings. This positive trend will continue to gain momentum for the remainder of the year. The earnings forecast therefore remains stable with earnings expected to rise between 15 and 25 percent on the previous year.

Adjusted EBITDA in the Grids segment continued to grow, rising by 9.9 percent to 829.3 million euros (previous year 754.6 million euros) in the first nine months of 2017. This is largely due to the full consolidation of VNG as a gas transmission system operator since last year. ONTRAS Gastransport GmbH belongs to the VNG Group and operates the second-longest gas transmission system in Germany with 7,000 kilometres of pipelines. For the year as a whole EnBW still expects a result of between -5 and +5 percent compared to the previous year.

Adjusted EBITDA for the Renewable Energies segment rose by one percent in the first nine months of the year from 223.2 million euros in the previous year to 224.8 million euros. The amount of electricity generated by the run-of-river power plants declined due to lower water levels compared to 2016. Moreover, the electricity delivered from the hydroelectric power plants was sold on the forward markets at lower prices than in the previous year. However, the onshore and offshore wind farms were able to compensate for these negative effects. As recently as in September, EnBW commissioned more onshore wind farms than in any other single month before. EnBW currently operates onshore wind farms with a total capacity of 450 megawatts, and another 100 megawatts should follow by the end of the year. The wind yield of the two offshore wind farms Baltic 1 and Baltic 2 was also higher than in the same period of the previous year. The earnings forecast for the segment Renewable Energies remains stable with EnBW anticipating an improvement of 5 to 15 percent compared to the previous year.

In the Generation and Trading segment, adjusted EBITDA in the first nine reporting months rose 31.7 percent to 197.1 million up from 149.7 million euros in the same prior-year period. This increase was primarily due to the full consolidation of VNG but also to positive one-off effects from the elimination of the nuclear fuel rod tax. This compensated for the negative impacts from the shutdown of Block 2 of the Philippsburg nuclear power plant (KKP 2) and lower electricity prices on the forward market compared to the previous year.

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Due to VNG's contribution to earnings, which was higher than originally planned, the forecast for the Generation and Trading segment was adjusted from -10 to -20 percent to 0 to -10 percent compared to the previous year.

The investment volume of the EnBW Group fell significantly in the first nine months of the year compared to last year, as the acquisition of 74.21 percent of the shares in VNG was included in the figures for this period of the previous year. Of the total gross investments amounting to 983.6 million euros, 77 percent was allocated to growth projects. However, at 431.4 million euros investment in Renewable Energies was up significantly on the previous year (93.5 million euros) as construction of the offshore wind farms EnBW Hohe See and Albatros has begun. In addition, the onshore wind farm portfolio is being expanded to a much greater extent than in the previous year.

Performance indicators of the EnBW Group

Financial and strategic performance indicators

in € million	01/01 – 30/09/2017	01/01 – 30/09/2016	Change in %	01/01 – 31/12/2016
External revenue	15,337.4	14,273.0	7.5	19,368.4
Adjusted EBITDA	1,521.8	1,372.9	10.8	1,938.9
Share of adjusted EBITDA accounted for by Sales in € million/in %	227.3/14.9	214.9/15.7	5.8/ –	249.7/12.9
Share of adjusted EBITDA accounted for by Grids in € million/in %	829.3/54.5	754.6/55.0	9.9/ –	1,004.1/51.8
Share of adjusted EBITDA accounted for by Renewable Energies in € million/in %	224.8/14.8	223.2/16.3	0.7/ –	295.3/15.2
Share of adjusted EBITDA accounted for by Generation and Trading in € million/in %	197.1/13.0	149.7/10.9	31.7/ –	337.2/17.4
Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in %	43.3/2.8	30.5/2.1	42.0/ –	52.6/2.7
EBITDA	3,064.1	1,308.7	134.1	730.7
Adjusted EBIT	708.5	677.1	4.6	1,024.5
EBIT	2,223.2	590.4	–	-1,662.9
Group net profit/loss ¹	1,868.7	-192.5	–	-1,797.2
Earnings per share from Group net profit/loss ¹ in €	6.90	-0.71	–	-6.64
Retained cash flow	2,565.7	504.1	–	949.5
Net (cash) investment	730.2	687.9	6.2	1,316.9

Employees^{2,3}

	30/09/2017	30/09/2016	Change in %	31/12/2016
Number	21,298	20,217	5.3	20,409
Full-time equivalents	19,874	18,765	5.9	18,923

¹ In relation to the profit/loss attributable to the shareholders of EnBW AG.

² Number of employees excluding marginally employed persons, apprentices/trainees and inactive employees.

³ The number of employees for the ITOs is only updated at the end of the year; for intervals of less than a year, the number of employees from 31/12/2016 is carried forward.

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