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EnBW meets 2020 transformation target ahead of time with double-digit earnings growth in 2019

- Adjusted EBITDA increased for the third year in a row
- Substantial 60% earnings growth in Renewable Energies
- EnBW 2020 targets delivered one year earlier
- Earnings growth of up to 19% expected for 2020

Stuttgart. EnBW continued to press ahead with its transformation in the 2019 financial year and met its transformation target ahead of time with earnings growth of 12.7% to €2.43 billion adjusted EBITDA. "We have once again delivered what we set out to achieve," said EnBW CEO Frank Mastiaux on presentation of the results in Stuttgart. "This also means we have met our 2020 earnings target of €2.4 billion, which we set back in 2013, one year ahead of plan. We are pleased to report that all segments contributed to this success." Mastiaux continued: "With our acquisitions and further advances in renewables, e-mobility and telecommunications, we have also already made tangible progress towards our targets for 2025."

In the current situation with the corona pandemic, Mastiaux said, the company moved quickly to take wide-ranging and to date highly effective countermeasures to safeguard people's health while securing energy supplies. "Our workforce are doing a fantastic job in difficult conditions. EnBW is rock solid."

The 2019 earnings are within the full-year guidance between €2.35 billion and €2.5 billion. External revenue was approximately €18.77 billion, marking a decrease of 9.9% on the previous year (€20.82 billion), mostly due to lower trading volume combined with lower prices in the gas sector. The number of employees rose to 23,293, an increase of 7 percent on the previous year.

"The 2019 financial year was an eventful year in many ways," added CFO Thomas Kusterer. "We took advantage of market opportunities earlier than originally planned and invested in growth by acquiring the French project developer Valeco in the renewables sector and Cologne-based Plusnet in telecommunications." The two large-scale offshore wind farms Hohe See and Albatros were also completed on schedule and on budget. "And we succeeded in delivering operating earnings within our guidance range," Kusterer said.

Adjusted Group net profit increased by €348.5 million (or 79.5%) in the 2019 financial year relative to the previous year. A material factor in the increase is measurement gains on securities (under IFRS 9). EnBW consequently generated adjusted Group net profit attributable to the shareholders of EnBW AG of €787 million in the 2019 financial year. A dividend of €0.70 per share will be proposed at this year's Annual General Meeting.

Outlook for the 2020 financial year: Further earnings growth targeted

EnBW once again expects significant earnings growth for the current financial year: "Adjusted EBITDA this year is expected to be in a range between €2.75 billion and €2.9 billion – that is an increase of 13% to 19%," said Thomas Kusterer, announcing the guidance for the current financial year. "We expect a further significant increase in earnings most of all in Renewable Energies thanks to Hohe See and Albatros, our new offshore wind farms." Further new builds and acquisitions of onshore wind farms and photovoltaic installations will also have a positive impact, Kusterer added. Earnings between €825 million and €925 million are therefore expected for the Renewable Energies segment.

The Grids segment is expected to contribute around €1.3 billion to €1.4 billion to earnings. This means the regulated and hence low-risk share of EnBW's business is growing. Earnings of between €425 million and €500 million are expected in the conventional Generation and Trading segment. In the Sales segment, earnings are expected to be between €325 million and €400 million euros, increasingly driven by the telecommunications business.

"As of today, the corona crisis has not yet had any significant impact on our operating business," Thomas Kusterer explained. "Depending on the duration and intensity of developments going forward, we cannot rule out delays on individual projects. It is too early to be able to say more."

New growth through to 2025

With a view to the successful completion of the EnBW 2020 Strategy, Frank Mastiaux said, "We have now developed the right platform and the latitude to switch to a stronger growth trajectory for the years ahead." From a position of renewed strength, the Company will now be driven forward towards the next strategy horizon in 2025, Mastiaux continued.

This will be focused on three strategic segments that together are expected to provide strong growth to EBITDA of over €3 billion by 2025. Mastiaux: "Our new strategy is very ambitious and places new demands on structures, processes and the capabilities of our teams."

Internationalisation, new innovative infrastructure areas and digitalisation, all in a highly dynamic environment of social change, make onward evolution of the Company's capabilities, processes and workflows absolutely essential. "EnBW is all set for the next stride forward. We aim to continue reliably delivering on our current goals as a Company while at the same time pursuing a clear-cut plan for the future."

2019 financial year: Performance by segment

Adjusted EBITDA in the Sales segment came to €294.3 million last year, an increase of 9.6% on the previous year. Plusnet, the Cologne-based telecommunications company, contributed to earnings from the beginning of the third quarter.

The Grids segment sustained its positive performance in the 2019 financial year. Adjusted EBITDA came to €1,311.2 million, an increase of 11.4% relative to the previous year. A major

factor in the positive earnings performance comprised higher grid revenue, notably due to necessary increased investment in grid security and reliability.

Adjusted EBITDA in the Renewable Energies segment rose substantially in 2019 to €482.8 million. This corresponds to a strong 62.2% earnings growth compared with the previous year. The improvement is due to earnings contributions from the onshore wind farms acquired in Sweden at the end of 2018 and to the overall improvement in wind conditions at onshore and offshore wind farms in Germany. French-based Valeco has contributed to earnings from the beginning of the third quarter. The Hohe See offshore wind farm contributed to earnings from the fourth quarter of 2019.

Adjusted EBITDA in the Generation and Trading segment was €383.8 million in the 2019 financial year. That marks a decrease of 10.9%. As expected, a significant factor here was the absence of positive one-off effects that increased earnings in the previous year.

The EnBW Group's capital expenditure, at €3.32 billion in 2019, was significantly higher than in the previous year (€1.77 billion). Most of the increase is attributable to the acquisitions of Valeco and Plusnet in the second quarter of 2019. Both companies are in line with EnBW's strategic direction. Further investment went into completion of the EnBW Hohe See and EnBW Albatros offshore wind farms. 85% of total gross investment related to growth projects, primarily in grid expansion and renewables.

Performance indicators of the EnBW Group

Financial and strategic performance indicators

in € million	2019	2018	Change in %
External revenue ¹	18,765.0	20,815.4	-9.9
TOP Adjusted EBITDA	2,432.5	2,157.5	12.7
TOP Share of adjusted EBITDA accounted for by Sales in € million/in % ¹	294.3/12.1	268.4/12.4	9.6/-
TOP Share of adjusted EBITDA accounted for by Grids in € million/in %	1,311.2/53.9	1,176.9/54.5	11.4/-
TOP Share of adjusted EBITDA accounted for by Renewable Energies in € million/in %	482.8/19.8	297.7/13.8	62.2/-
TOP Share of adjusted EBITDA accounted for by Generation and Trading in € million/in % ¹	383.8/15.8	430.8/20.0	-10.9/-
Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in %	-39.6/-1.6	-16.3/-0.7	-142.9/-
EBITDA	2,245.2	2,089.6	7.4
Adjusted EBIT	944.7	957.5	-1.3
EBIT	596.7	875.8	-31.9
Adjusted Group net profit ²	786.8	438.3	79.5
Group net profit ²	734.2	334.2	119.7
Earnings per share from Group net profit in € ²	2.71	1.23	119.7
Retained cash flow	1,240.7	999.1	24.2
TOP Internal financing capability in % ¹	82.6	92.2	-
Total investment ¹	3,315.2	1,786.4	85.6
Net financial debt	6,021.6	3,738.4	61.1
Coverage ratio ALM in %	48.1	51.8	-
TOP Return on capital employed (ROCE) in %	5.2	6.5	-
Weighted average cost of capital before tax in %	5.2	6.3	-
Average capital employed	19,315.1	16,053.3	20.3
Value added	0.0	32.1	-100.0

Non-financial performance indicators

	2019	2018	Change in %
Customers and society goal dimension			
TOP Reputation Index	52.8	51.3	2.9
TOP EnBW/Yello Customer Satisfaction Index	116/157	120/152	-3.3/3.3
TOP SAIDI (electricity) in min./year	15	17	-11.8
Employees goal dimension			
TOP Employee Commitment Index ³	66	62	6.5
TOP LTIF for companies controlled by the Group ⁴ /LTIF overall ⁵	2.1/3.8	2.3/3.6	-8.7/5.6
Environment goal dimension			
TOP Installed output of renewable energies (RE) in GW and the share of the generation capacity accounted for by RE in %	4.4/31.8	3.7/27.9	18.9/-
TOP CO ₂ intensity in g/kWh	419	553	-24.2

Employees⁶

	31/12/2019	31/12/2018	Change in %
Employees	23,293	21,775	7.0
Full-time equivalents ⁷	21,843	20,379	7.2

1 The figures for the previous year have been restated.

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

3 Variations in the group of consolidated companies (all companies with more than 100 employees are generally considered [except ITOs]).

4 Variations in the group of consolidated companies (all companies with more than 100 employees are generally considered except for companies in the area of waste management as well as external agency workers and contractors).

5 Variations in the group of consolidated companies (all companies with more than 100 employees are generally considered except external agency workers and contractors).

6 Number of employees excluding apprentices/trainees and inactive employees.

7 Converted into full-time equivalents.

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