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EnBW increases earnings again and meets targets for 2020 financial year despite corona

- Adjusted EBITDA increased for the fourth consecutive year
- Again substantial earnings growth in Renewable Energies
- Most financial targets of EnBW 2020 Strategy exceeded
- Only moderate impact from corona pandemic on Group earnings

Stuttgart. EnBW continued its growth in operating earnings in the 2020 financial year, despite corona, and increased consolidated profit for the fourth consecutive year. The 2020 financial year was also the target year for the EnBW 2020 Strategy. Starting in 2013, this saw EnBW sustainably align itself to the opportunities of the energy transition and complete a fundamental transformation.

The Company met and, in some cases, exceeded the strategic and financial targets set in the EnBW 2020 Strategy. "After years of transformation, EnBW is repositioned. Thanks to the ongoing efforts of the entire team over the past eight years, we now have a portfolio that is consistently aligned with the needs of the energy transition. We have now an organisation that is also prepared for challenges and opportunities of the coming years," said EnBW CEO Frank Mastiaux. At the same time, he explained, the Company launched specific new projects to lay the groundwork for further growth beyond the energy sector. "We are making good progress both in our established business fields, for example in the expansion of renewable energies, and in new business fields, such as e-mobility or telecommunications," Mastiaux added.

The company significantly increased earnings in 2020 despite Corona. Group operating earnings (adjusted EBITDA) went up by 14.3% to €2.78 billion in the reporting year. "We have met and, in most cases, actually exceeded the targets we set in 2013 for 2020," said Mastiaux in presenting the results in Stuttgart. The target for 2020 under this strategy was an operating result of at least €2.4 billion. Over the last few years, the Group has successfully transformed its business portfolio towards renewables and grids, which now make up around 80% of earnings.

The 2020 earnings figure is within the full-year guidance of between €2.75 billion and €2.9 billion. External revenue was some €19.69 billion, marking an increase of 1.3% on the previous year (€19.44 billion). The number of employees rose to 24,655, a year-on-year increase of 5.8%.

CFO Thomas Kusterer: "Alongside Grids, the other main earnings driver was Renewable Energies and notably our two new offshore wind farms, EnBW Hohe See and Albatros. We spent almost 25% of total investment on expanding renewables in 2020, and in total

nearly €5 billion since launching our transformation in 2012.” Kusterer emphasized that thanks to the robust business model, the corona pandemic had only a moderate impact on the operating business. “Our successful portfolio transformation is reflected in our earnings and hence also in our dividend performance. After a challenging phase over the last few years, we can now reap the rewards of our efforts.” The Company has a solid internal financial capacity and good access to the capital market, Kusterer went on to say. “This is a good starting point for implementation of our Strategy 2025, which will see us grow and further improve profitability,” he added.

Adjusted Group net profit was down by €104 million in the 2020 financial year (-13.2% year-on-year). The decrease mainly relates to marking securities to market. EnBW consequently generated a Group net profit attributable to the shareholders of EnBW AG of €682.8 million in the reporting year. A dividend of €1 per share will be proposed at this year’s Annual General Meeting.

Guidance for 2021: Further earnings growth targeted

EnBW expects a further slight increase in earnings this year. “We expect adjusted EBITDA to be in a range between €2.825 billion and €2.975 billion – that is an increase of 2% to 7%,” said Kusterer. From this year onwards, the business is organised in three segments instead of the previous four. For the Sustainable Generation Infrastructure segment (renewable and conventional generation plus trading), earnings are expected to be between €1,375 billion and €1,475 billion. The System-critical Infrastructure (grids) segment is expected to contribute around €1.3 billion to €1.4 billion to earnings. Driven increasingly by the growing telecommunications business, earnings of between €300 million and €375 million are expected in the Smart Infrastructure for Customers (sales) segment.

Outlook: new growth towards 2025

The EnBW 2025 Strategy and the vision of a sustainable infrastructure company set a clear course for the future, said Mastiaux. That course is a growth trajectory: “We aim to earn over €3 billion in 2025 and to achieve that we plan to invest €12 billion – mainly in further expanding renewables, the broadband and grids business, but also in new business areas such as e-Mobility, telecommunication and sustainable urban development,” said CEO Mastiaux. Just a few weeks ago, in partnership with BP, EnBW won the auction for two large areas in the Irish Sea. There, the two companies plan to jointly develop two offshore wind farms with a combined capacity of three gigawatts to be brought into operation from 2028 onwards.

All corporate strategy initiatives will place greater emphasis than ever before on the aspect of sustainability. Mastiaux: “We added further shape to our sustainable corporate strategy last year. A 25-point plan centres on the goal of climate neutrality by 2035. That is an ambitious target by industry standards. We are going to halve our carbon emissions by 2030. To achieve our goal of climate neutrality at EnBW, we will align consistently future decisions, investments and our growth even more closely to sustainability criteria.”

2020 financial year: Performance by segment

Adjusted EBITDA in the Sales segment came to €335 million in the reporting year, an increase of 2.8% on the previous year. Within this, the Plusnet telecommunications group made its first full-year contribution to earnings in 2020.

The Grids segment showed virtually no change in 2020 relative to the previous year. Adjusted EBITDA came to €1,346.6 million, marking a 0.6% decrease year-on-year. A major factor in the earnings performance comprised higher grid revenue, notably due to necessary increased investment in grid security and reliability. This was offset by a modest fall in earnings in the distribution grids business, which is affected by impacts of the corona pandemic.

Adjusted EBITDA in the Renewable Energies segment rose substantially in 2020 to €835.6 million. This corresponds to a strong 67.4% earnings growth compared with the previous year. The improvement is largely due to the earnings contributions from the two offshore wind farms EnBW Hohe See and EnBW Albatros. Better wind conditions for onshore wind farms in Germany and the French subsidiary Valeco additionally contributed to the positive earnings performance. Electricity generated by our run-of-river power plants was also sold on the forward market at higher wholesale prices than in the previous year.

Adjusted EBITDA in the Generation and Trading segment was €442.2 million in the 2020 financial year. That marks an increase of 3.7%. EnBW-generated electricity was sold at higher wholesale prices than in the previous year and trading activities also contributed positively to segment earnings.

The EnBW Group's total investment, at €2.53 billion in 2020, was down on the previous year (€3.32 billion). This is mainly due to the 2019 acquisitions of the French wind and solar power group Valeco and of the Cologne-based telecommunications group Plusnet, together with completion of the offshore wind power projects. 68% 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	2020	2019	Change in %
External revenue ¹	19,694.3	19,435.7	1.3
TOP Adjusted EBITDA	2,781.2	2,432.5	14.3
TOP Share of adjusted EBITDA accounted for by Sales in € million/in % ¹	335.0/12.0	325.9/13.4	2.8/-
TOP Share of adjusted EBITDA accounted for by Grids in € million/in % ¹	1,346.6/48.4	1,355.3/55.7	-0.6/-
TOP Share of adjusted EBITDA accounted for by Renewable Energies in € million/in % ¹	835.6/30.0	499.3/20.5	67.4/-
TOP Share of adjusted EBITDA accounted for by Generation and Trading in € million/in % ¹	442.2/15.9	426.4/17.5	3.7/-
Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in % ¹	-178.2/-6.3	-174.4/-7.1	-2.2/-
EBITDA	2,663.3	2,245.2	18.6
Adjusted EBIT	1,391.5	944.7	47.3
EBIT	1,102.7	596.7	84.8
Adjusted Group net profit ²	682.8	786.8	-13.2
Group net profit ²	596.1	734.2	-18.8
EnBW share price as of 31/12	56.0	50.5	10.9
Earnings per share from Group net profit/loss in € ²	2.20	2.71	-18.8
Dividend per share/dividend payout ratio in % ^{3,4}	1.00/40	0.70/40	42.9/-
Retained cash flow	1,638.5	1,240.7	32.1
TOP Internal financing capability in % ¹	102.8	90.0	-
Net cash investment ¹	1,826.9	2,481.4	-26.4
Net debt	14,406.5	12,852.4	12.1
Net financial debt	7,231.9	6,021.6	20.1
TOP Return on capital employed (ROCE) in %	6.3	5.2	-
Weighted average cost of capital before tax in %	5.2	5.2	-
Average capital employed	23,025.6	19,315.1	19.2
Value added	253.3	0.0	-

Non-financial performance indicators

	2020	2019	Change in %
Customers and society goal dimension			
TOP Reputation Index	55.5	52.8	5.1
TOP EnBW/Yello Customer Satisfaction Index	132/159	116/157	13.8/1.3
TOP SAIDI (electricity) in min./year	15	15	-
Environment goal dimension			
TOP Installed output of renewable energies (RE) in GW and the share of the generation capacity accounted for by RE in %	4.9/39.0	4.4/31.8	18.9/-
TOP CO ₂ intensity in g/kWh ^{5,6}	372	419	-11.7
Employees goal dimension			
TOP People Engagement Index (PEI) ⁷	83	-	-
TOP LTIF for companies controlled by the Group ^{8,9} /LTIF overall ⁸	2.1/3.6	2.1/3.8	-/-5.3

Employees¹⁰

	31/12/2020	31/12/2019	Change in %
Employees	24,655	23,293	5.8
Employee equivalents ¹¹	23,078	21,843	5.7

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 For 2020, subject to approval from the ordinary Annual General Meeting on 05/05/2021.

4 Adjusted for the valuation effects of IFRS 9 in 2019.

5 Includes redispatch deployment.

6 Nuclear generation is not included in the calculation for the key performance indicator CO₂ intensity. The CO₂ intensity including nuclear generation for the reporting year was 268 g/kWh (previous year: 235 g/kWh).

7 The performance indicator was reported for the first time in 2020 and replaces the Employee Commitment Index (ECI). There is no value for 2019 and no forecasted value for 2020 available.

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

9 Except for companies in the area of waste management.

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

11 Converted into full-time equivalents.

25th March 2021

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