

EnBW AG

The financial statements of EnBW AG have been prepared in accordance with the regulations in the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and the law governing the electricity and gas industries in Germany (German Energy Industry Act – EnWG). The regulations for large corporations apply.

The financial statements as audited by the Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, as well as the management report of EnBW AG contained in the Group management report, will be published in the German Federal Gazette (Bundesanzeiger).

For statements that are necessary to understand the position of EnBW AG and that are not explicitly described in the following sections, especially those relating to the strategy of the company and to economic and political conditions, please refer to the information provided for the EnBW Group (p. 40 ff.¹ and 67 ff.²).

The annual net profit, which indicates the company's ability to pay a dividend, is an important performance indicator for EnBW AG.

The full **financial statements of EnBW AG** are available to download on our website.

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Results of operations of EnBW AG

Condensed income statement of EnBW AG

in € million ¹	2021	2020	Change in %
Revenue	67,052.9	37,943.8	76.7
Cost of materials	-66,217.0	-36,959.1	-79.2
Amortization and depreciation	-471.2	-300.9	-56.6
Other operating result	50.5	-804.3	-
Earnings before interest and taxes	415.2	-120.5	-
Financial result	-384.7	315.2	-
Tax	16.1	-36.8	-
Net profit	46.6	157.9	-70.5

¹ In accordance with German commercial law.

EnBW AG reported an annual net profit of €46.6 million. The decrease in comparison to the previous year was mainly influenced by the €535.7 million in higher earnings before interest and taxes, the decrease in the financial result of €699.9 million and the increase in the tax result of €52.9 million.

Earnings before interest and taxes of EnBW AG is primarily determined by the revenues generated from electricity and gas sales, as well as by the associated cost of materials. The increase in revenue of €29,109.1 million was offset by an increase in the cost of materials of €29,257.9 million.

Revenue (after the deduction of electricity and energy taxes) of €67,052.9 million primarily includes revenue from electricity sales of €13,052.7 million and gas sales of €49,422.9 million. Electricity and gas sales comprise both the trading business, involving deliveries to trading partners and stock exchanges, and sales activities in the form of the direct delivery of energy to end customers.

The trading business recorded an increase in revenue in 2021 of €28,512.7 million to €64,194.1 million. This increase was mainly attributable to price effects as a result of the development of gas and electricity prices since the second half of 2021. There was also an increase in the volume traded in the gas sector related to the growth in business activities. The increase in total revenue in the trading business was also offset by the rise in the cost of materials of €28,483.4 million to €63,598.9 million.

Revenues from sales activities were split into €1,696.3 million for electricity and €205.6 million for gas, which represented an overall increase of €37.3 million.

In the retail and end customer sector (B2C), electricity sales of 6.6 billion kWh were 0.1 billion kWh higher than the level in the previous year due, in particular, to higher electricity heating consumption as a result of the temperature. The higher sales volume led to higher revenues in the electricity business segment. Gas sales increased to 3.9 billion kWh also due to the temperature and were thus 0.1 billion kWh higher than in the previous year. Alongside the sales trends described above, higher revenues in the gas business were also attributable to the introduction of the CO₂ duty, which is passed on to customers.

The cost of materials includes costs for electricity procurement of €12,305.6 million and costs for gas procurement of €49,229.8 million.

Alongside scheduled amortization and depreciation, the amortization and depreciation item includes impairment losses of €242.0 million, which mainly relate to conventional generation plants.

The significant increase in the other operating result in comparison to the previous year was primarily due to a rise in income from the disposal of assets of €657.4 million, which was mainly attributable to intercompany restructuring, and higher income from reversals of provisions of €238.8 million, which was mainly related to provisions for onerous contracts for electricity procurement agreements.

The decrease in the financial result was mainly influenced by a fall in investment income of €401.7 million, higher impairment losses on financial assets of €291.1 million, which were mainly related to EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH, and higher interest expenses for personnel provisions of €124.5 million. This was offset to some extent by the lower interest expenses for nuclear provisions of €54.4 million, the decrease in interest expenses for tax provisions of €33.7 million and the drop in interest expenses for subordinated bonds of €15.7 million.

In the financial year, there was a positive tax result of €16.1 million, compared to a negative tax result of €36.8 million in the previous year. The taxes mainly comprise reversals of provisions for tax audit risks of €31.0 million. In the previous year, there were additions to the provisions for tax audit risks of €48.7 million. The tax result also includes out-of-period expenses for income taxes of €8.2 million, compared to out-of-period income from income taxes of €19.6 million in the previous year. The option of recognizing a surplus of deferred tax assets was not exercised.

Net assets of EnBW AG

Balance sheet of EnBW AG

in € million ¹	31/12/2021	31/12/2020	Change in %
Assets			
Non-current assets			
Intangible assets	381.3	448.5	-15.0
Property, plant and equipment	623.6	902.8	-30.9
Financial assets	23,802.6	22,687.3	4.9
	24,807.5	24,038.6	3.2
Current assets			
Inventories	674.0	471.9	42.8
Receivables and other assets	7,134.7	2,551.9	-
Securities	305.0	250.0	22.0
Cash and cash equivalents	4,275.5	413.7	-
	12,389.2	3,687.5	-
Prepaid expenses	8,925.3	668.7	-
Surplus from offsetting	128.7	363.6	-64.6
	46,250.7	28,758.4	60.8
Equity and liabilities			
Equity			
Subscribed capital	708.1	708.1	-
Treasury shares	-14.7	-14.7	-
Issued capital	(693.4)	(693.4)	-
Capital reserve	776.0	776.0	-
Revenue reserves	1,572.5	1,872.5	-16.0
Retained earnings	427.6	351.9	21.5
	3,469.5	3,693.8	-6.1
Extraordinary items for investment cost subsidies and grants	25.5	27.2	-6.3
Provisions	13,654.5	12,005.0	13.7
Liabilities	21,191.9	12,483.0	69.8
Deferred income	7,909.3	549.4	-
	46,250.7	28,758.4	60.8

¹ In accordance with German commercial law.

The net assets of EnBW AG as of 31 December 2021 are significantly influenced by the non-current assets (particularly the financial assets) and the receivables and other assets. These are primarily offset by liabilities and provisions relating to nuclear power and for pensions and similar obligations.

Financial assets primarily consist of shares in affiliated entities of €16,310.7 million, securities held as non-current assets of €2,841.0 million and investments of €1,420.8 million. The increase in financial assets of €1,115.3 million mainly comprises payments into the capital reserves at shares in affiliated entities and intercompany restructuring. This was offset to some extent by the reduction in loans to affiliated entities of €550.9 million and impairments of €298.8 million.

Trade receivables of €2,038.8 million mainly comprise receivables from trading activities and consumption accruals for electricity and gas deliveries not yet invoiced. This increase was primarily attributable to trading activities as a result of the development of gas and electricity prices.

The increase in other assets was mainly due to the rise in collateral of €2,538.7 million. Higher market prices and a very volatile market environment in the 2021 financial year led to an increase in the collateral to stock markets and trade partners.

Cash and cash equivalents of EnBW AG totaling €4,275.5 million largely consist of bank deposits, which are invested as time deposits to the amount of €1,200.0 million. More details on the development of this item can be found in the section "Financial position of EnBW AG."

The increase in prepaid expenses of €8,256.6 million was primarily due to deferred earnings components from electricity and gas futures as a result of the significant increase in market prices.

The provisions for pensions and similar obligations held by EnBW AG to the amount of €6,348.6 million combine obligations from the company pension scheme and other company agreements made by major subsidiaries and EnBW AG. The resulting annual expenses for retirement benefits are reimbursed by the subsidiaries concerned in each case. The increase in the provisions for pensions and similar obligations of €548.2 million was mainly due to the effect of the further decrease in the discount rate as in the previous year. In addition, provisions relating to nuclear power of €3,630.7 million are disclosed, which are formed to fulfill public law obligations and requirements in the operating licenses.

Of the liabilities totaling €21,191.9 million, €7,705.0 million have a residual term of more than one year. Overall, there are liabilities of €9,381.8 million to affiliated entities, which primarily result from intercompany settlement transactions within the framework of centralized financial and liquidity management, as well as from loan agreements.

The total increase in liabilities of €8,708.9 million was mainly attributable to higher cash collateral received of €2,734.4 million and the increase in variation margins of €3,553.8 million, which were due to higher market prices and the extremely volatile market environment. In addition, liabilities to affiliated entities and to investments increased by €1,880.8 million.

Non-current liabilities exist to the amount of €4,705.1 million to EnBW International Finance B.V. as part of the Debt Issuance Program (DIP) ², to the amount of €2,500.0 million from the issuing of five subordinated bonds and to the amount of €456.8 million from loan agreements with credit institutions. The main changes in comparison to the previous year were the issuing of one green subordinated bond with a total volume of €500.0 million and the issuing of a subordinated bond with a volume of €500.0 million, as well as the repayment of a subordinated bond with a volume of €1,000.0 million. Furthermore, two new bonds were issued via EnBW International Finance B.V., each with a volume of €500.0 million.

The increase in deferred income of €7,359.9 million was primarily due to deferred earnings components from futures as a result of the significant increase in market prices.

The aim is to cover the non-current pension and nuclear provisions with appropriate financial assets within an economically feasible time period. Overall, financial assets of €23,802.6 million are offset by long-term debt of €17,174.5 million.

The liquidity of EnBW AG on the reporting date guarantees the solvency of the company for the payment of current liabilities from the operating business.

Financial position of EnBW AG

In comparison to the reporting date in the previous year, the liquidity of EnBW AG increased from €413.7 million by €3,861.8 million to €4,275.5 million.

The cash flows of EnBW AG fundamentally arise from both its own operating business and also the operating business of the subsidiaries with balance payments received and made via the bank accounts of EnBW AG as part of the intercompany cash pooling system ² within the framework of central financing and liquidity management.

Important business transactions that had an effect on the financial position of EnBW AG in the financial year are summarized below:

Inflows from margin payments of €3,738 million had a material impact on liquidity.

In addition, a green subordinated bond with a volume of €494.8 million and a subordinated bond with a volume of €498.3 million were issued and €265.1 million was invested in time deposits. Two new bonds with a total volume of €994.6 million and commercial papers with a volume of €240.0 million were also issued via EnBW International Finance B.V. This was offset to some extent by the repayments of a subordinated bond with a volume of €1,000.0 million and bank loans of €70.5 million.

In the financial year, there was investment of €1,530.8 million, mainly in the area of the grids and renewable energies.

There was a cash outflow of €748.3 million in connection with the utilization of the nuclear power and pension provisions.

Another business transaction with a material impact on liquidity was the repayment to settle the EEG ⁸ credit line of €656.0 million from the previous year.

In the financial year, the loans to affiliated entities also decreased by €550.9 million.

A total of €270.9 million was distributed to the shareholders of EnBW AG in dividends. This was offset to some extent with an impact on liquidity by the receipt of dividends of €237.8 million.

Interest payments of €125.0 million were also made to banks.

Overall assessment of the economic situation and development of EnBW AG

In our judgment, the development of the results of operations, financial position and net assets of EnBW AG as of 31 December 2021 is satisfactory after taking into account the effects described below that are not relevant to the ongoing management of the company. In the previous year, we expected a break-even annual net result in 2021. The annual net profit in 2021 was influenced by negative effects not relevant to the ongoing management of the company of around €400 million and considerably higher expenses for the grid reserve and balancing energy to maintain the security of supply.

The annual net profit for 2021 stands at €46.6 million and was significantly influenced by effects that arose both at EnBW AG itself and at its subsidiaries, which had an impact on EnBW AG due to profit and loss transfer agreements.

The main effects not relevant to the ongoing management of the company were higher interest expenses for pension provisions and provisions relating to nuclear power totaling €582.5 million (€553.9 million of which is reported as interest expenses of EnBW AG) resulting from the drop in discount rates, which were €46.5 million lower than expected. Furthermore, additions to the provisions relating to nuclear power of €239.1 million (of which €164.4 million was reported as cost of materials of EnBW AG) had a negative effect. Other negative effects arose from impairment losses on financial assets of €349.1 million, which were mainly attributable to EnBW Kraftwerk Lippendorf GmbH, impairment losses on intangible assets and property, plant and equipment of €290.2 million, primarily relating to conventional generation plants, and additions to the provisions for onerous contracts of €279.5 million.

This was offset to some extent by income from the disposal of assets of €825.8 million, reversals of provisions of €428.6 million and tax effects of €62.9 million.

Based on the annual net profit of €46.6 million and taking into account the profit carried forward of €81.0 million and transfers from other revenue reserves of €300.0 million, there are retained earnings of €427.6 million.

We anticipate an annual net profit of between €150 million and €200 million in 2022. This result will be negatively influenced by high interest expenses for non-current provisions. We anticipate that the negative impact on earnings caused by the fall in the average interest rate will be reduced in 2022. Based on the assumption that the average interest rate will fall to a lesser extent, we expect a negative impact on earnings of around €350 million.

In the 2022 financial year, we expect that effects not relevant to the ongoing management of the company will, in total, negatively impact earnings by around €400 million. Adjusted for these effects, the annual net profit would be between €550 million and €600 million. The possible impact of the war between Russia and the Ukraine has not been taken into account in the forecast. Due to the dynamic situation, we expect the results to be subject to increased volatility. Based on our preliminary updates to the anticipated risks and opportunities, however, we currently do not expect any significant deviations from the forecast.

The amount that is ineligible for distribution as dividends, which primarily comprises the valuation of the provisions for pension obligations, is expected to be around €550 million as of 31 December 2022.

Opportunities and risks

As the business performance, economic situation and opportunities and risks relating to the future development of EnBW AG do not deviate from the business performance, economic situation and opportunities and risks relating to the future development of the EnBW Group, the management report of EnBW AG is combined with that of the EnBW Group [\(p. 127 ff.?\)](#).

Comments on reporting

The consolidated financial statements of EnBW AG are prepared in accordance with section 315e (1) HGB using the International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board (IASB), the adoption of which is mandatory in the EU as of the reporting date. As a vertically integrated energy supply company in the sense of EnWG, EnBW AG engages in activities in electricity distribution, activities in gas distribution, other activities within the electricity sector, other activities within the gas sector and other activities outside of the electricity and gas sectors in accordance with section 6b (3) sentence 3 and sentence 4 EnWG.

EnBW share and dividend policy

As a result of the small proportion of EnBW shares in free float, events on the financial markets and the development of the DAX generally only have a minor influence on the development of the EnBW share price. The price of EnBW shares was €57.00 at the start of 2021 and stood at €76.00 by the end of the year.

The strategic development of the company as an infrastructure partner by the end of 2025 will create the foundations for the future viability of EnBW. The trust placed in EnBW by shareholders is based on this value generated by the company. EnBW manages the development of value using the key performance indicator ROCE [?](#), which will be replaced by the value spread [?](#) from the 2022 financial year, and has managed its credit standing since 2021 using the key performance indicator debt repayment potential [?](#).

EnBW strives to achieve a dividend payout ratio of between 40% and 60% of adjusted Group net profit. Based on the annual net profit of EnBW AG of €46.6 million and taking into account the profit carried forward of €81.0 million and transfers from other revenue reserves of €300.0 million, there are retained earnings of €427.6 million for the financial year and thus dividends will be paid for the 2021 financial year. If approved by the Annual General Meeting, the dividend to be distributed for the 2021 financial year will be €1.10 per share. Adjusted for the valuation effects of IFRS 9, this corresponds to a dividend payout ratio of 36%.

Information on our [share price, dividends and shareholder structure](#) can be found on our website.

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