Report 2014

Energiewende. Safe. Hands on.

Version without notes to financial statements

EnBW

Key performance indicators of the EnBW Group

Key financial and strategic performance indicators[1]

in € million	2014	2013	Change in %
External revenue	21,002.5	20,544.8	2.2
TOP Adjusted EBITDA	2,167.4	2,224.7	-2.6
TOP Share of the adjusted EBITDA accounted for by the Sales segment in € million/in %	230.6/10.6	227.1/10.2	1.5/–
TOP Share of the adjusted EBITDA accounted for by the Grids segment in € million/in %	886.3/40.9	961.8/43.2	-7.8/–
TOP Share of the adjusted EBITDA accounted for by the Renewable Energies segment in € million/in %	191.4/8.8	220.2/9.9	-13.1/–
TOP Share of the adjusted EBITDA accounted for by the Generation and Trading segment in € million/in %	899.5/41.5	839.0/37.7	7.2/–
Share of the adjusted EBITDA accounted for by Other/Consolidation in € million/in %	-40.4/-1.8	-23.4/-1.0	-72.6/–
EBITDA	2,137.3	1,999.7	6.9
Adjusted EBIT	1,290.5	1,339.5	-3.7
EBIT	0.1	1,024.1	–
Adjusted Group net profit[2]	479.4	462.3	3.7
Group net profit/loss[2]	-450.7	51.0	–
Earnings per share from adjusted Group net profit[2] in €	1.77	1.71	3.7
Earnings per share from Group net profit/loss[2] in €	-1.66	0.19	–
Cash flow from operating activities	1,775.7	1,919.1	-7.5
Free cash flow	330.2	1,168.2	-71.7
Adjusted net debt[3]	7,982.6	7,271.3	9.8
TOP Dynamic leverage ratio	3.68	3.27	12.5
Capital expenditures	1,956.7	1,108.3	76.5
TOP Return on capital employed (ROCE) in %	10.0	9.7	3.1
Weighted average cost of capital (WACC) before tax in %	7.2	8.5	-15.3
Average capital employed	13,473.0	14,972.7	-10.0
Value added	377.2	179.7	109.9

Key non-financial performance indicators

	2014	2013
Customers goal dimension		
TOP EnBW/Yello Brand Attractiveness Index	43/36	42/38
TOP EnBW/Yello Customer Satisfaction Index	114/145	111/148
TOP SAIDI (electricity) in min/year[1]	15	21
Employees goal dimension		
TOP Employee Commitment Index (ECI)[4]	56	58
TOP LTIF[1,4]	4.3	3.7
Environment goal dimension		
TOP Installed output of renewable energies (RE) in GW and the share of the generation capacity accounted for by RE in %	2.6/19.1	2.6/19.1

Employees of the EnBW Group[1, 5]

	31/12/2014	31/12/2013	Change in %
Employees	20,092	19,844	1.2

[1] The figures for the previous year have been restated.
[2] In relation to the profit/loss attributable to the equity holders of EnBW AG.
[3] Includes investments held as financial assets.
[4] Variations in the group of consolidated companies.
[5] Number of employees excluding apprentices/trainees and excluding inactive employees.

Profile **2014**

EnBW decided at an early stage: We want to play a reliable and influential role in the re-design of the energy system. “Energiewende. Safe. Hands on.” is our guiding principle.

We already realigned our business model two years ago and have rigorously implemented our strategy since then. We are countering the falling earnings from conventional generation and trading by expanding generation from renewable sources of energy, extending the stable grids business and engaging in an innovation and service-based campaign to promote the area of “customer proximity”. EnBW views itself as an energy company that is active along the entire value chain. In the process, we are supported by our regional roots in Baden-Württemberg and by a stable group of shareholders who, like us, are pursuing long-term goals.

As one of the largest energy supply companies in Germany, we supply electricity, gas, water and energy-related products and services to approximately 5.5 million customers.

The first integrated report of EnBW

This integrated report brings together aspects of financial and sustainability reporting. We have placed a particular emphasis on concise and transparent reporting that complies with the comprehensive legal requirements in order to deliver a full picture of our company’s performance. We explain the fundamental developments at the company in a clear and comprehensible manner.

Navigation

The following symbols indicate that further information is available within the report or on the Internet:

Further information is available on the Internet.

Further information is available in another section of the report.

The term is explained in our Glossary on page 116 ff.

The integrated management of EnBW comprises financial and non-financial goals in the dimensions of finance, strategy, customers, employees and environment.

TOP Our key performance indicators are labelled with this symbol.

We also publish an online version of the EnBW Report 2014 with additional interactive features at:

www.enbw.com/report2014

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About this report

The first integrated report

EnBW recognised the importance of integrated reporting, which takes into account ecological and social dimensions as well as economic aspects, at an early stage. We actively pursued the realignment of our corporate reporting within the framework of the pilot programme run by the International Integrated Reporting Councils (IIRC) with the aim of achieving a holistic representation of the performance of the company.

In this first integrated report for EnBW, which is based on the recommendations of the IIRC, we have linked together the contents of the financial and sustainability reports, further reduced the size of the report and placed a special focus on explaining the performance of the company in a clear and comprehensible manner. This represents a further milestone on our path towards providing more concise, transparent and comprehensive reporting to meet the increased demands of stakeholders for more information and to increase the capabilities of EnBW when entering into dialogue. The most important information on sustainability is included in the integrated report, while more detailed information on sustainability has been prepared and made available on the EnBW website at www.enbw.com/verantwortung.

On the basis of the EnBW 2020 strategy, integrated reporting implies for EnBW the highly integrated management of the company. By presenting financial and non-financial corporate goals – the achievement of which is measured using key performance indicators – we are seeking to promote integrated thinking within the company and underline the importance of being comprehensively oriented towards our performance and stakeholders. The corporate performance of EnBW is thus not only measured by financial results, as the short- to long-term success of the company is also dependent on what decisions EnBW takes in response to the constantly changing economic, ecological and social conditions.

This integrated report contains the combined management report of the EnBW Group and EnBW AG for the 2014 financial year, as well as the condensed version of the consolidated financial statements for the EnBW Group without the notes to the financial statements. We publish the complete consolidated financial statements and other documents relating to these financial statements at www.enbw.com/report2014-downloads.

The contents of this report exclusively serve to provide information and do not constitute an offer or an investment recommendation. Please take this into consideration and also refer to the other important notes on page 119.

More about integrated reporting at EnBW can be found at www.enbw.com/integrated-reporting. A version of the report that can be configured according to the interests of the individual reader is available on the EnBW website at www.enbw.com/report2014-downloads.

Factors influencing the integrated EnBW Report 2014

Basis for the presentation of the report

The information about the results of operations, net assets and financial position of the EnBW Group is based on the requirements of the International Financial Reporting Standards (IFRS), and, where applicable, German commercial law and German accounting standards (DRS). Internal control mechanisms ensure the reliability of the information presented in this report. Furthermore, this integrated report is based on the recommendations for reporting principles and reporting elements contained within the IIRC framework. An overview of the current implementation status for these recommendations can be found on page 112 f.

The materiality analysis that was conducted for the first time in 2013 with the assistance of central stakeholders of EnBW and an internal survey conducted amongst the senior management of EnBW formed the main foundations for the selection and level of detail given to the topics described in this report. Important financial and non-financial topics for this report were identified and explained in detail based on this investigation and an internal questionnaire. The goal is to develop strategies to handle potential opportunities and risks at an early stage. The resulting materiality matrix thus reflects the importance of the topics for both external and internal stakeholders (page 33 f.).

The reporting of sustainability issues for the 2014 financial year has been carried out in accordance with the G3.1 guidelines issued by the Global Reporting Initiative (GRI), including the Electric Utilities Sector Supplement. EnBW plans to use the new G4 guidelines issued by the GRI for the next reporting year. Our sustainability reporting also complies with the "Communication on Progress" requirements for the UN Global Compact.

All data and calculation methods used for this report are based on German and international standards for financial and sustainability reporting. The responsible specialist units applied representative methods in each case for the collection of all data and information for the reporting period. The reporting period comprises the 2014 financial year. We took into account all relevant information up to 19 February 2015. Along with EnBW AG, with its headquarters in Karlsruhe, Germany, the group of consolidated companies of EnBW for its financial reporting also includes all of its important subsidiaries. The reporting limits for the non-financial performance indicators correspond to the scope of consolidation for the financial reporting, unless otherwise stated.

More information about the Global Reporting Initiative is available at
www.globalreporting.org and at
www.enbw.com/gri-index.

Independent auditing and evaluation

The condensed financial statements for the 2014 financial year that form part of the integrated report do not include the notes to the consolidated financial statements. The complete consolidated financial statements – including the notes to the consolidated financial statements – and the combined management report for the company and the Group for the 2014 financial year were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, who were elected as the auditor and Group auditor by the Annual General Meeting of EnBW Energie Baden-Württemberg AG on 29 April 2014. Based on its audit, KPMG AG Wirtschaftsprüfungsgesellschaft arrived at the overall conclusion that the audit did not lead to any reservations and issued an unqualified audit opinion. The complete consolidated financial statements and the combined management report for the company and the Group for the 2014 financial year, as well as the unqualified audit opinion issued by the auditor, are accessible to the public on the website of EnBW Energie Baden-Württemberg AG at www.enbw.com/report2014-downloads.

In addition, KPMG AG Wirtschaftsprüfungsgesellschaft once again carried out an assurance engagement on selected non-financial information and performance indicators relating to the company's sustainability for the purpose of achieving greater process reliability. This process was conducted in accordance with the relevant standards for providing assurance for sustainability reporting: the International Standard on Assurance Engagements (ISAE) 3000 and the International Standard on Assurance Engagements (ISAE) 3410. The report on the limited assurance engagement of the sustainability information is available at www.enbw.com/assurance-engagement. Information and performance indicators included in the scope of the assurance engagement are highlighted accordingly.

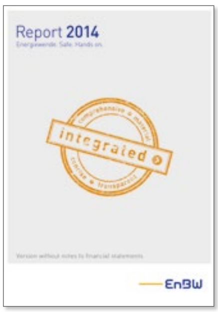
The GRI confirmed that the EnBW Report 2013 complied with the A+ level of the GRI guidelines (version 3.1). The GRI statement can be found at www.enbw.com/gri-index. The GRI Level Check for 2014 will be carried out after the editorial deadline for the report. Information on the fulfilment of other sustainability standards is available on the EnBW website at www.enbw.com/weitere-kennzahlen.

Financial publications

All our published reports for the reporting year 2014 are available for you to read and download on our websites www.enbw.com/report2014 and www.enbw.com/report2014-downloads.

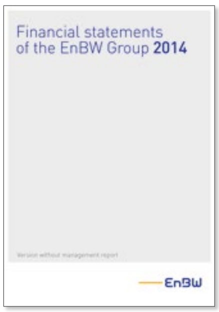
Magazine "Moving ahead"

Our magazine to accompany the EnBW Report 2014, which features a variety of articles about EnBW and its stakeholders, is available in print, in PDF format and also as an interactive version online.



EnBW Report 2014

The EnBW Report 2014 is published in print, in PDF format and also as an interactive version online. It contains the combined management report of the EnBW Group and EnBW AG, as well as the condensed version of the consolidated financial statements.



Financial statements of the EnBW Group 2014

This document is published in PDF format and contains the complete consolidated financial statements including the notes to the financial statements.

Report on the 2014 financial year of EnBW AG

This report is published in PDF format and contains the annual financial statements of EnBW AG. The report is only available in German.

Quarterly financial reports

The quarterly reports are published online at www.enbw.com/financial-publications.

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Letter to shareholders

Dear Sir or Madam, Dear Shareholders,

Employees and Friends of EnBW,

Without energy nothing is possible. Not only is this a plain and simple fact but also an urgent call for action. Future-oriented energy companies must have their own high level of momentum in order to actively exploit opportunities on the market. This places great demands on both management and employees. Having the closest possible proximity to customers, innovative products and services, strong sales in intensively competitive markets, flexibility, agility and a focus on performance are what is required – in addition to the traditional strengths of this company.

EnBW has been rigorously and confidently following a clear strategy for two years: "Energiewende. Safe. Hands on." is our guiding principle. We are countering the falling earnings from conventional generation and trading by expanding generation from renewable sources of energy, extending the stable grids business and engaging in an innovation and service-based campaign to promote business in the area of "customer proximity". We want to maintain EnBW as an integrated energy company that is involved in activities along the entire value chain. In the process, we are supported by our regional roots in Baden-Württemberg and by a stable group of shareholders, who like us are pursuing long-term goals. My message is clear: EnBW is on the right course – irrespective of the turbulence being experienced, for example, on the oil markets. And we want to stay ahead – because, when it comes to the reorientation of our company, we set our new course early and have picked up speed quickly.

Extensive investment in growth drives the implementation of our strategy

To put it simply: We are investing heavily in our growth areas. And as a result we are strengthening the future viability of our company. We are financing this investment first and foremost through the sale of non-strategic investments and through participation models on a partnership basis. The second source of financing comes from increasing our efficiency in all areas.

We have invested nearly 2 billion euros in 2014. A large proportion was invested in the Renewable Energies segment, while almost as much was invested in the expansion of the grids. Other main areas of investment were the new power plants RDK 8 in Karlsruhe and Lausward in Düsseldorf. In addition, we have purchased the remaining 50 percent share of GasVersorgung Süddeutschland GmbH and terranets bw GmbH.

We have continued with the implementation of our divestiture programme with almost half a billion euro of divestitures in 2014, and can thus continue to make sufficient investment funds available to enable us to play an active role in shaping the Energiewende.

We have also made significant progress in increasing our levels of efficiency in 2014. Since the beginning of the year, we are operating as a new, leaner structure: as ONE EnBW. The impact of the "Fokus" efficiency programme was already felt in 2014 – one year earlier than expected – with a yearly saving of more than 750 million euros.

The operating result of the EnBW Group fell in 2014 by 2.6 percent. In view of the drop in electricity prices and spreads on the wholesale market and the warm weather conditions, this was an achievement by the EnBW team. Yet despite this success and the progress we have made in the implementation of our strategy, the 2014 financial year was not "good".

Dr. Frank Mastiaux
Chairman of the Board of Management

This was due to unscheduled write-downs on the generation portfolio and increased provisions for onerous contracts for electricity procurement agreements to a total amount of 1.3 billion euros. These actions resulted from poor expectations regarding long-term electricity price developments. The bottom line is that EnBW experienced a Group net loss last year. In addition, we were forced to increase pension and nuclear power provisions due to the low interest rate.

Without energy nothing is possible

This is not only true for EnBW – this rallying cry also applies to the necessary acceleration of political decision-making processes. The goal is clear even if there are still lots of discussions about how to achieve it. These discussions must be concluded as quickly as possible, because those companies involved in the energy industry require planning security. Our planning horizon stretches – as a result of the immense volumes of investment – over decades, not for a quarter of a year nor even for a government's term of office. We need decisions to be made now that reconcile the themes of security of supply, economic viability and environmental and climate protection. We stand ready to put these policies into practice.

Yours sincerely,

Frank Mastiaux

Dr. Frank Mastiaux
Chairman of the Board of Management

The Board of Management ...


1600
FLUG
TÜRKEI

… out in the field

in the “New Working Worlds”

Bernhard Beck chats to employees about their first experiences.

Employees

The working environment at EnBW is adapting to meet new demands: The “New Working Worlds” project was set up to create open office environments which promote direct interaction between employees.

Dr. Bernhard Beck LL.M.
born 1954 in Tuttlingen
Member of the Board of Management
Chief Personnel Officer since 1 October 2002
Appointed until 30 September 2017
Stuttgart

at the Innovation Campus

Frank Mastiaux finds out about the status of the innovation activities.

Customers

New and innovative products are being developed in an unconventional environment at the Innovation Campus – not just for our customers but also together with them. The first products are already being launched on the market in 2015, after only a few months of development.

Dr. Frank Mastiaux
born 1964 in Essen
Chairman of the Board of Management
Chief Executive Officer since 1 October 2012
Appointed until 30 September 2017
Karlsruhe

at the Capital Market Day 2014

Thomas Kusterer gets involved in discussions with guests at the Capital Market Day 2014.

Shareholders / Capital market

Although this event was only being held for the second time, the Capital Market Day was given an enthusiastic reception from investors and analysts. Key topics: current financial developments and discussions directly between stakeholders and EnBW.

Thomas Kusterer
born 1968 in Pforzheim
Member of the Board of Management
Chief Financial Officer since 1 April 2011
Appointed until 31 March 2019
Ettlingen

on the way to our partner Borusan

Hans-Josef Zimmer is flying to Turkey for discussions.

Joint venture partners

We have invested a great deal in the expansion of renewable energies in Turkey together with our partner Borusan. The output from wind and hydropower currently totals around 186 megawatts. Further wind farms are currently at the planning stage or under construction.

Dr. Hans-Josef Zimmer
born 1958 in Merzig
Member of the Board of Management
Chief Technical Officer since 1 January 2012
Appointed until 31 December 2016
Steinfeld (Pfalz)

Report of the Supervisory Board (condensed)

The Supervisory Board performed all of the tasks incumbent on it in the 2014 financial year as required by law and the Articles of Association. It regularly advised the Board of Management on its management of the company and accompanied and monitored all important management measures. In the process, the Supervisory Board was involved in all decisions of fundamental importance to the company and the Group. The Board of Management regularly, comprehensively and promptly informed the Supervisory Board about all significant aspects of the business development, business policies and economic performance of the company and the Group, as well as the risk situation, corporate strategy and planning, risk management, internal control system and compliance. Any discrepancies between the actual development of business and the set plans and targets were all discussed and explained in detail.

Key topics of the discussions at the plenary meetings of the Supervisory Board

In the past financial year, the Supervisory Board dealt extensively with the reports and proposals for resolutions issued by the Board of Management at its five ordinary meetings on 6 March 2014, 6 June 2014, 9 July 2014, 26 September 2014 and 4 December 2014, two extraordinary meetings on 9 April 2014 and 28 April 2014, as well as through written resolution procedures. In addition, it requested reports and information from the Board of Management on individual topics, which were immediately and comprehensively provided in each case. The discussions and resolutions at the plenary meetings of the Supervisory Board focused on the following issues:

- Regular and detailed reports by the Board of Management on the development of business and the profitability of the company and the Group, especially on the latest developments relating to revenue and earnings and the net assets and financial position, as well as reports on HR development and significant risks for the Group and individual Group segments
- In-depth consultations and discussions with the Board of Management about the strategic positioning of the company
- Examination of the package of measures proposed by the Board of Management for improving the company's operating result, as well as for the ongoing optimisation of the operating processes of the EnBW Group
- Examination and consideration of the German government’s energy policy and its effect on EnBW, including, in particular, the resulting financial burden and deterioration in the general economic conditions in the energy industry
- Resolution on the issuing of new senior and/or hybrid bonds to secure the financial flexibility of EnBW to the total amount of up to 2 billion euros
- Regular reports on the status of the divestiture projects
- Discussion and deliberation on the company's engagement in Turkey (Joint Venture Borusan EnBW Enerji A.S.)
- Approval of the sale of OSD SCHÄFER GmbH to the KÖTTER Group
- Approval of the purchase of a further 50 percent of the shares in EnBW Gas Verwaltungsgesellschaft mbH (formerly EnBW Eni Verwaltungsgesellschaft mbH) and thus indirectly a further 50 percent of the shares in both GasVersorgung Süddeutschland GmbH and terranets bw GmbH
- Approval of the sale of 49.89 percent of the shares in the offshore wind farm EnBW Baltic 2 to the Australian financial investor Macquarie Capital
- Approval of a binding bid made by EnBW Operations GmbH as a participant in a number of negotiations for the “award of contracts for grid services” and for “shared services grids and agency activities”
- Regular reporting on major investment projects, particularly the progress of the construction of the RDK 8 hard coal power station in Karlsruhe and the offshore wind farm EnBW Baltic 2 in the German Baltic Sea, as well as other projects that form part of the generation strategy
- Discussion and deliberation on the decommissioning strategy for the nuclear power plants owned by the EnBW Group, as well as the issues of interim and ultimate storage

Dr. Claus Dieter Hoffmann
Chairman of the Supervisory Board

- Resolution on the decommissioning of the hard coal units 5 and 6 at the location in Heilbronn
- Examination and consideration of the situation regarding the transmission grids, particularly the issues of system security and grid expansion
- Detailed examination of the topic of concessions in Baden-Württemberg and other cooperation opportunities with municipal partners
- Extensive consultation and discussions on current sales issues
- Detailed consultation and resolution on the redesign of the remuneration system for the members of the Board of Management
- Approval of the budget for the 2015 financial year and acknowledgement of the medium-term planning for the period from 2015 to 2017 consisting of the income statement, balance sheet and cash flow statement

Aside from the meetings, the Supervisory Board was informed in writing by the Board of Management about all business transactions of particular importance for the company or the Group. In addition, there was ongoing communication with the Board of Management, particularly with the Chairman of the Board of Management, in order to discuss issues relating to the strategic positioning, planning, business development, risk situation, risk management, compliance, important individual transactions and pending decisions.

The majority of the members of the Supervisory Board attended all meetings of the Supervisory Board. No member of the Supervisory Board participated in less than half of the meetings.

Work of the committees

In order for the Supervisory Board to optimally perform its functions, the committees it set up once again met regularly in the past financial year. The respective members of the committees are listed on page 107 of this report. Detailed reports on the work of the committees were provided at the beginning of every meeting of the Supervisory Board.

Corporate governance

The Supervisory Board again paid special attention to the various issues relating to corporate governance in the 2014 financial year. These issues are described in detail in the corporate governance report. The corporate governance report is part of the declaration of conformity, which the company has made available to the public on its website in accordance with Section 289a (1) sentence 2 of the German Commercial Code (HGB) on its website at www.enbw.com/corporate-governance-page.

Audit of the annual and consolidated financial statements

Following a thorough examination by the audit committee, the Supervisory Board undertook a detailed review of the annual financial statements and consolidated financial statements as of 31 December 2014 that were audited and issued with an unqualified audit opinion by KPMG AG Wirtschaftsprüfungsgesellschaft, the combined management report for the 2014 financial year and the Board of Management's proposals for the appropriation of retained earnings for the 2014 financial year. The final results of its own reviews did not lead to any reservations on behalf of the Supervisory Board. It approved the audit results of the independent auditor, endorsed the annual financial statements prepared by the Board of Management as of 31 December 2014 – which have thus been ratified – and the consolidated financial statements as of 31 December 2014, as well as the combined management report for the 2014 financial year, and agreed with the Board of Management's proposal for the appropriation of retained earnings for the 2014 financial year.

Reference to the complete version of the report of the Supervisory Board

Further details on the topics "Work of the committees", "Corporate governance", "Audit of the annual and consolidated financial statements" and "Personnel changes at the level of the Board of Management and Supervisory Board" can be found in the full version of the report of the Supervisory Board made available to the public on the company's website at www.enbw.com/corporate-governance-page.

Karlsruhe, 16 March 2015
The Supervisory Board

Dr. Claus Dieter Hoffmann
Chairman

Combined management report

of the EnBW Group and EnBW AG

The cross-references marked with orange icons do not form part of the audited management report.

Fundamentals of the Group

Business model

Business principles

Business model

Our driving incentive:
"Energiewende. Safe. Hands on."

Our plan:
EnBW 2020 strategy – "Customer proximity" and **"Engine room of the Energiewende"**

Our values:

- We work with **strength, competence** and **passion** for the success of the Energiewende.
- **Sustainable supply reliability** for people is particularly important for us in this context.
- We help our customers to profit from the **new opportunities offered by future energy**.
- We are active for our **customers and partners** and invite them to **become involved**.
- We offer our customers quality and ingenuity from **Baden-Württemberg**.

Our activities:
Integrated energy group active at every value-added stage

Electricity	Generation	Trade / procurement	Transmission / distribution	Sales	
Gas	Import contracts / infrastructure	Storage	Trading / portfolio management	Transport / distribution	Sales

As an integrated energy supply company, EnBW operates in Germany along the entire energy industry value chain in four segments: Sales, Grids, Renewable Energies, and Generation and Trading. EnBW has a diversified business portfolio, but still maintains a balanced risk-return profile.

We have also closely analysed future revenue sources in the energy industry to further develop our business portfolio. According to our estimations, revenue flows in the energy industry will shift considerably. Renewable energies, grids and the decentralised solution business are growing in importance (p. 39 ff.). On this basis, we have developed the EnBW 2020 strategy governed by the guiding principle "Energiewende. Safe. Hands on.", "Energiewende" being the new energy concept in Germany. This strategy charts the course for the future development of our business model and strengthens the future viability of the company. The driving issues of "Customer proximity" and the "Engine room of the Energiewende" are at the core of the EnBW 2020 strategy. "Customer proximity" puts the customer at the heart of our activities to an even greater degree through a focused orientation towards the core elements of innovation and cooperative partnership models. In the "Engine room of the Energiewende", we focus in particular on operational excellence and a strict efficiency and cost orientation for defined quality levels to ensure the efficient and safe operation, construction and decommissioning of energy supply plants.

The new ONE EnBW management model saw the complexity of the EnBW Group reduced considerably through the merger of important Group companies. EnBW now largely corresponds to the model of an integrated company, managed through business and functional units. Core operating activities will be concentrated in the business units. The functional units will assume Group-wide support and governance tasks. These streamlined structures have simplified processes and accelerated procedures. As a consequence, EnBW has gained in flexibility to enable it to adapt rapidly to changing market conditions. Further information on the organisation structure can be found in the chapter "Corporate governance" under "Management and supervision"(p. 29).

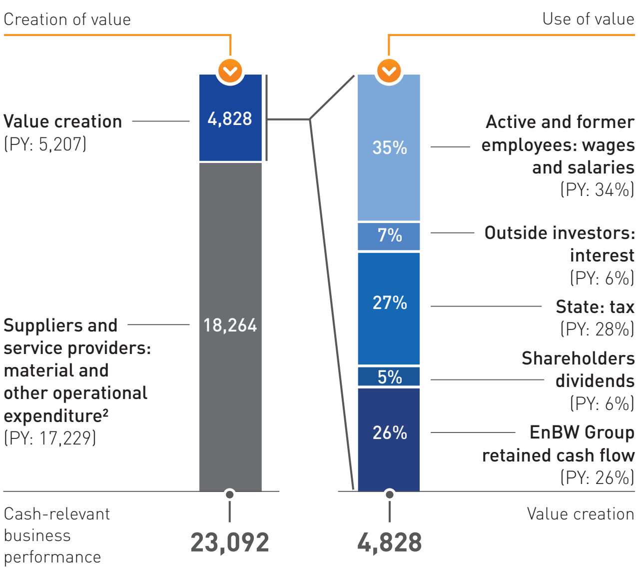
With strength, competence and passion, EnBW is committed to the success of the Energiewende and guarantees a sustainable and reliable supply at all times. We invite our customers and partners to join in shaping the future energy landscape and profiting from new opportunities. We convince our customers through quality and creativity and are acutely aware of our responsibility towards our employees.

We are active along the entire electricity and gas value chain. We also enjoy an extremely favourable position under general conditions which have fundamentally changed as a result of the Energiewende, thanks to our comprehensive and profound system competence. We have anchored customer orientation firmly in our company, as we anticipate a significant growth in the importance of the solution business, due to increasing decentralisation in the energy system. Our current activities are governed by the fostering of dialogue, the principle of partnership and solution orientation.

Value added for our stakeholders

The value added statement indicates the degree to which EnBW contributes to the prosperity of society and further economic development, particularly in Baden-Württemberg. This observation clearly demonstrates the value we create for our stakeholders through our business activities. Further information on the exchange with our stakeholders is summarised in the chapter "In dialogue with our stakeholders" (p. 32 ff.).

Value added of EnBW Group[1] in € million



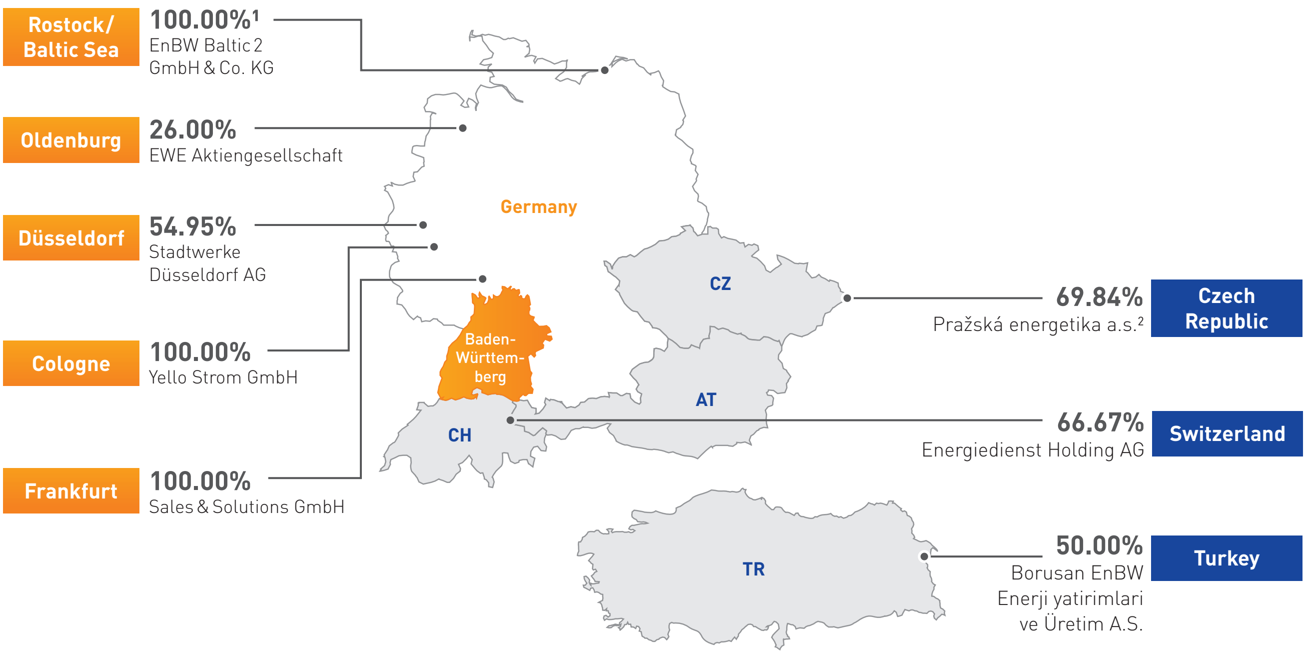
[1] The figures for the previous year have been restated.
[2] Includes interest and dividends received.

We define value added as the cash-relevant business performance of EnBW in the past financial year minus cash-relevant costs. Value added created in the EnBW Group amounted to 20.9% in the reporting year (previous year: 23.2%). Alongside its use for active and former employees in the form of wages and salaries, as well as for pension payments, a significant share is dedicated to payments to the state in the form of income taxes, electricity and energy taxes and nuclear fuel rod tax. Following consideration of all stakeholder groups, the retained cash flow in the EnBW Group is an expression of our internal financing strength which is available to the company for future investments without a need to obtain additional outside capital (p. 56).

Business radius

Our core market is Baden-Württemberg, where we are positioned as market leader. Beyond our core market, we operate throughout Germany and in Europe. We supply customers all over Germany through our subsidiaries Yello Strom GmbH and Sales & Solutions GmbH. Energiedienst Holding AG, in which EnBW is a majority shareholder, supplies customers in south Baden and Switzerland. Stadtwerke Düsseldorf AG, a further company in which EnBW holds a majority stake, supplies customers in Düsseldorf, the capital of North Rhine-Westphalia, while EWE Aktiengesellschaft, in which EnBW is a minority shareholder, supplies Oldenburg in Lower Saxony. A share in Pražská energetika a.s. (PRE), the third-largest electricity supply company in the Czech Republic, means that EnBW is also active on the Czech market. We participate in the growth market of Turkey through our joint venture with the Borusan Group. Moreover, we are also active in Austria.

Business radius and significant investments outside Baden-Württemberg



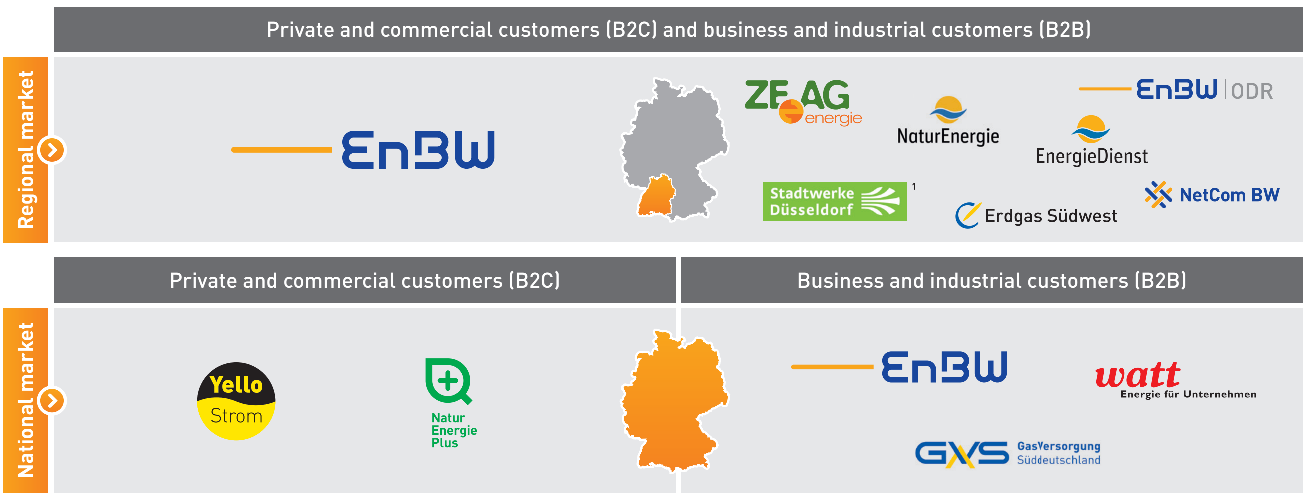
[1] A contract for sale of 49.89% of the shares to Macquarie Capital was signed. Transfer of these shares is expected in the summer of 2015 following approval under antitrust regulations and the complete commissioning of EnBW Baltic 2.
[2] Directly and indirectly held shares.

www.enbw.com

Customers, products and services

EnBW supplies in total around 5.5 million customers with energy. We differentiate here between two customer groups: The B2C (business-to-customer) customer group, which includes private customers, commercial enterprises, the housing industry and agriculture, and the B2B (business-to-business) customer group which, for example, encompasses major commercial enterprises, industrial customers and redistributors, municipal utilities, local authorities and public entities. With its strong brands, EnBW enjoys a close relationship with customers and responds to their needs with efficiency and quality.

Regional and national market development with strong brands



[1] Operations in the Düsseldorf region.

As an active partner for the sustainable future of electricity, gas, district heating and drinking water, EnBW is visible on the market under the EnBW brand (www.enbw.com). This offering focuses on Baden-Württemberg. EnBW primarily sells electricity and gas to private and commercial customers throughout Germany through the Yello brand (www.yellostrom.de). The needs of ecologically oriented customers are addressed all over Germany with green electricity products under the NaturEnergiePlus brand (www.naturenergieplus.de). In addition, the strategic orientation of EnBW's B2C brands is focused on the future-oriented energy solutions market.

In B2B sales, EnBW is represented throughout Germany with the EnBW, Watt and GVS brands. In addition to commodity supplies, this range also includes energy, efficiency and system services (www.enbw.com/geschaeftskunden). EnBW is one of the largest providers of energy and environmental services in Germany. Another focus is on the development of our cooperation with municipal utilities and local authorities in Baden-Württemberg.

Our operative segments

Sales segment

The Sales segment encompasses the distribution of electricity and gas and the provision of energy-related services such as invoicing services and both energy supply and energy-saving contracting. We exploit our broad energy industry and process know-how in particular here and existing relationships with our customers. We have already participated successfully in the growing readiness of, for example, local authorities and other grid operators to outsource invoicing services to third parties. We will demonstrate even greater flexibility and speed in future in fulfilling the wishes of our customers (e.g. through the modularisation of our existing and new contracting services).

We will differentiate ourselves from competitors through innovative products, close proximity and a spirit of partnership. Our innovation management system (p. 35 f.), which we established in 2014, will enable us to develop new products and solutions in a more targeted and accelerated manner. We will involve customers in the product development process at an early stage in this context to address their needs in the best possible manner. Proximity will be achieved through strategies including a rigorous orientation of the organisation towards our customer groups. The B2C and B2B customer groups will be addressed on a one-stop shop basis through dedicated business units (i.e. business units oriented towards customer groups).

Grids segment

The Grids segment encompasses the transmission and distribution of electricity and gas, the provision of grid-related services (e.g. operation of grids for third parties) and the supply of water. Value added in the Grids segment is based on the existing infrastructure and process know-how which enables us to operate and expand this efficiently. In addition, value added is anchored in existing relationships with local authorities and citizens. We will further expand our grid business at all voltage levels as part of the Energiewende, thus contributing to supply reliability. For example, our subsidiary TransnetBW GmbH is currently involved in planning with its partners for two high-performance north-south connections based on high-voltage DC transmission technology (HVDC). Partnerships will also play a more important role in the distribution grid in future as we efficiently manage our customers' grid installations and infrastructures and prepare them to meet the latest requirements.

Renewable Energies segment

The company's activities in the area of power generation from renewable energy sources – above all using wind power and hydropower – are combined under the Renewable Energies segment. We will expand renewable energies considerably in the context of our business model and broaden our activities along the value chain. The principle of partnership plays a central role in this context, and we will attract the involvement of potential investors such as local authorities and private citizens in a targeted manner with the aid of appropriate models. The value we add encompasses project development, construction, the efficient operation of plants and repowering of plants in future.

Generation and Trading segment

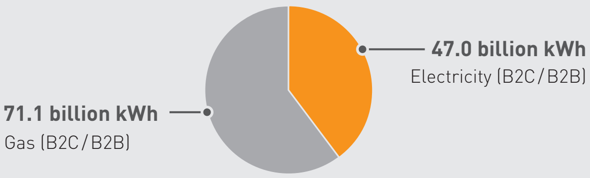
The Generation and Trading segment encompasses the generation and trading of electricity, the gas midstream business, district heating, environmental services and decommissioning of power plants. This business is primarily based on the generation of electricity and heat from our thermal power plants (coal, gas and pumped storage power plants without a natural flow of water, nuclear power plants) and our operating and optimising competence. We ensure the sustainable procurement of fuels (particularly coal) through the aid of a Corporate Social Responsibility committee (p. 37 f.). Due to falling wholesale prices and spreads (p. 41 f.), we will be reducing our power plant capacities in thermal generation. Some of the power plants will remain on the market, while others which were earmarked for decommissioning will remain available as system-relevant in the context of the German Reserve Power Plant Directive (ResKV). Taken together, these power plants ensure supply reliability in Baden-Württemberg. Moreover, we intend to exploit the growth opportunities present by the Energiewende with greater intensity in this segment. As equal partners, we will support our customers with our services and know-how (e.g. in the area of direct marketing) during the integration of their plants in the market.

Segment overview

Sales

Tasks
Sale of electricity, gas and other products; providing of energy-related services; advisory service; "Sustainable City" project development; support for local authorities; collaboration with public utilities

Significant results 2014
- The range of services will be expanded further, e. g. in the area of energy-related payment and settlement services in the "Operations" business unit
- The "Municipal relationships" unit means that EnBW regional representation is even stronger and it has established central contacts for local authorities and EnBW involvement in municipal utilities and grid companies
- 300th specialist conference of the EnBW Energy Efficiency Network, saving realised of 107,000 t CO_2 per annum (as of 31/12/2014)
- Takeover of Eni Group's 50% share in GVS
- Development of Qivicon smart home platform in cooperation with Deutsche Telekom

Sales in 2014


Number of customers (B2C)
5.2 million

Key figures 2014
3,322
employees (as of 31/12/2014)

€ **230.6** million
adjusted EBITDA in 2014

€ **76.4** million
investments in 2014

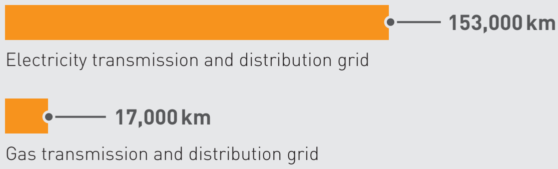
10.6 %
share in adjusted EBITDA in 2014

Development of adjusted EBITDA


Grids

Tasks
Transport and distribution of electricity and gas; providing of grid-related services; water supply

Significant results 2014
- SuedLink: Cooperation agreement conclude between transmission grid operators TenneT and TransnetBW
- ULTRANET: The search for a converter location in the context of grid expansion project pre-planning will be completed by early 2015
- Stadtwerke Stuttgart and Netze BW will operate the Stuttgart electricity and gas grids together in future
- EnBW is pooling its telecommunication activities in NetCom BW
- Takeover of Eni Group's 50% share in terranets bw
- terranets bw will start construction of the new North Black Forest Pipeline for gas transmission in Baden-Württemberg

Grid lengths 2014


Transport volume in 2014
65.8 billion kWh
electricity

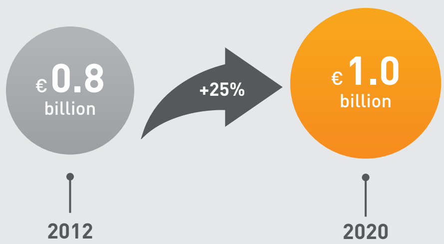
24.3 billion kWh
gas

Key figures 2014
7,824
employees (as of 31/12/2014)

€ **886.3** million
adjusted EBITDA in 2014

€ **521.6** million
investments in 2014

40.9 %
share in adjusted EBITDA in 2014

Development of adjusted EBITDA


Renewable Energies

Tasks

Project development and management, construction and operation of power plants generating power from renewable energies

Significant results 2014

- Construction of EnBW Baltic 2 in the German Baltic Sea is progressing successfully
- Acquisition of the Albatros wind farm project with approval for 79 wind turbines in the North Sea and consequent addition of about 400 MW to the offshore portfolio
- EnBW investment models for 17 onshore wind farms successfully implemented
- EnBW starts operating the largest solar park in Baden-Württemberg in Königsbronn in the Heidenheim district
- Opening of solar parks to third parties: EnBW sells the Königsbronn solar park to municipal partners

Generation portfolio 2014[1]

6,109 GWh generation

1,094 MW installed output

Key figures 2014

519 employees (as of 31/12/2014)

€ **191.4** million adjusted EBITDA in 2014

€ **610.8** million investments in 2014

8.8 % share in adjusted EBITDA in 2014

Development of adjusted EBITDA

Generation and Trading

Tasks

Advisory service, construction, operation and decommissioning of thermal generation plants; electricity trading; risk management of market-related risks; development of gas midstream business, district heating; waste management/environmental services

Significant results 2014

- Commissioning of the RDK 8 hard coal unit in Karlsruhe with an efficiency of over 46% and gross electrical rated capacity of 912 MW. In addition, over 200 MW of district heat is extracted and fed into the Karlsruhe grid.
- Construction of the Lausward Combined Cycle Gas Turbine in Düsseldorf with an efficiency of over 61% (net) and district heat extraction of up to 300 MWth is progressing
- The Marbach and Walheim power plants were contracted as grid reserve power plants

Generation portfolio 2014[1]

51,189 GWh generation

12,548 MW installed output

Key figures 2014

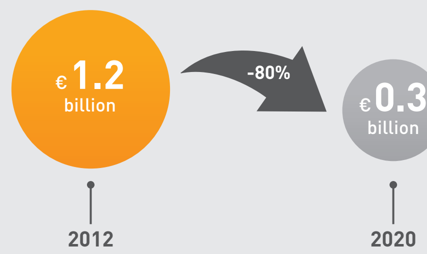
5,432 employees (as of 31/12/2014)

€ **899.5** million adjusted EBITDA in 2014

€ **476.5** million investments in 2014

41.5 % share in adjusted EBITDA in 2014

Development of adjusted EBITDA



[1] Total generation and installed capacity indicated in the Renewable Energies and Generation and Trading segments is not identical to EnBW Group totals. Part of the generation plants is assigned to other segments. Total EnBW Group generation is 57,778 GWh, of which 7,163 GWh or 12.4% is generation based on renewable energies. Total EnBW Group installed capacity is 13,748 MW, of which 2,632 MW or 19.1% is from renewable plants. Total Group generation and installed capacity is illustrated in detail in chapter "The EnBW Group" on page 64.

Strategy, goals and management and control system

Strategy

Market conditions and structures

Market conditions in the energy sector are currently experiencing profound change, with efforts to achieve autonomy and decentralised energy generation and falling energy consumption due to improved energy efficiency leading to a change in a demand and consumption patterns on the part of customers. An increase in price and cost awareness and a continued strong orientation towards sustainability support this development. Cities and communities also play a role in this change.

The trend towards decentralisation benefits from technological progress which has led to a massive decline in the costs associated with decentralised energy generation, particularly with regard to photovoltaic power plants, but also those relating to combined heat and power plants (CHP) and wind power plants. The role of centralised electricity generation is being fundamentally transformed as a result, leading to considerably fewer operating hours in power plants. Nuclear power generation will be phased out by 2022, with plants being successively and safely decommissioned.

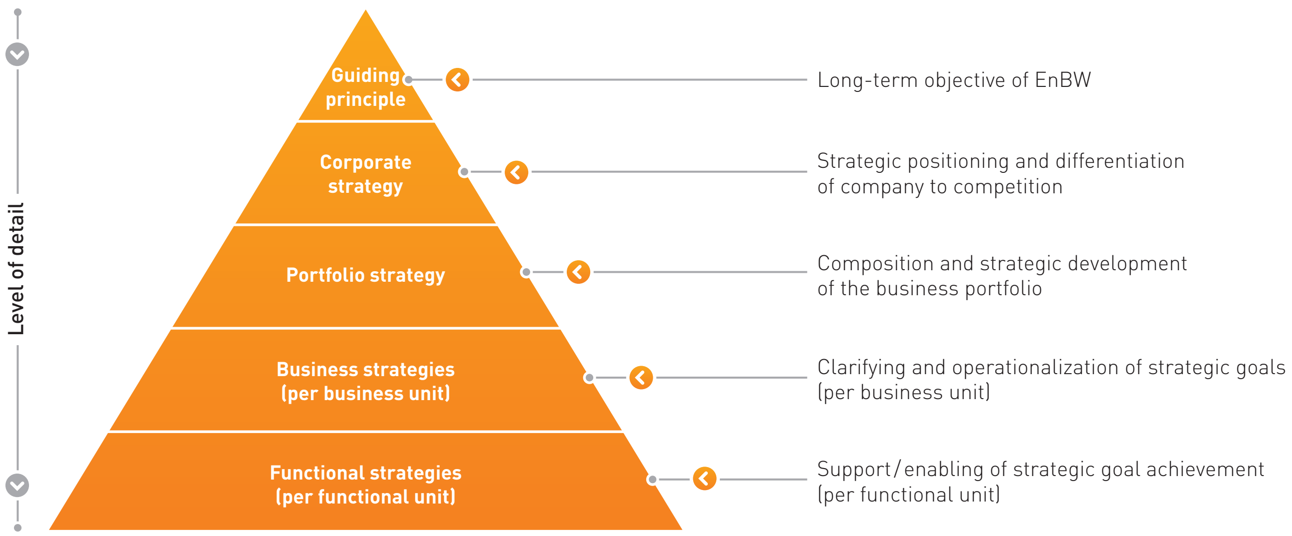
As a consequence, new business models and a revitalising of corporate culture will be required in energy supply companies (p. 14 f.). When it comes to providing services, technologies such as dialogue-oriented communication tools, digitalisation and increased cooperation with partners are becoming areas of focus for energy supply companies.

According to our long-term assessment of the sub-markets examined, the total comprehensive income of the energy industry in Germany will increase slightly in nominal terms up to 2020. However, the aforementioned trends result in significant shifts in earnings between individual value-added stages. The contribution to earnings of overall thermal generation in Germany will fall considerably up to 2020. The growth in earnings in renewable energies (in particular onshore/offshore wind and photovoltaic) and grids – particularly as a result of the major expansion of transmission networks – offsets this development. The distribution business involving standard products is under pressure, particularly as a result of the continued increase in own energy production and energy efficiency. However, a slight overall growth in the market is anticipated up to 2020 due to a clear rise in demand in the decentralised solution business.

Strategy process

Development of strategy at EnBW is governed by a uniform and structured process. Initially, our vision is governed by the guiding principle “Energiewende. Save. Hands on.” with which we describe our long-term objective. The corporate strategy describes our strategic positioning and differentiation from our competitors. We shape the composition and strategic development of our business portfolio in our portfolio strategy, clarifying and achieving our strategic goals in a final step through the structuring of our business, investment and functional strategies.

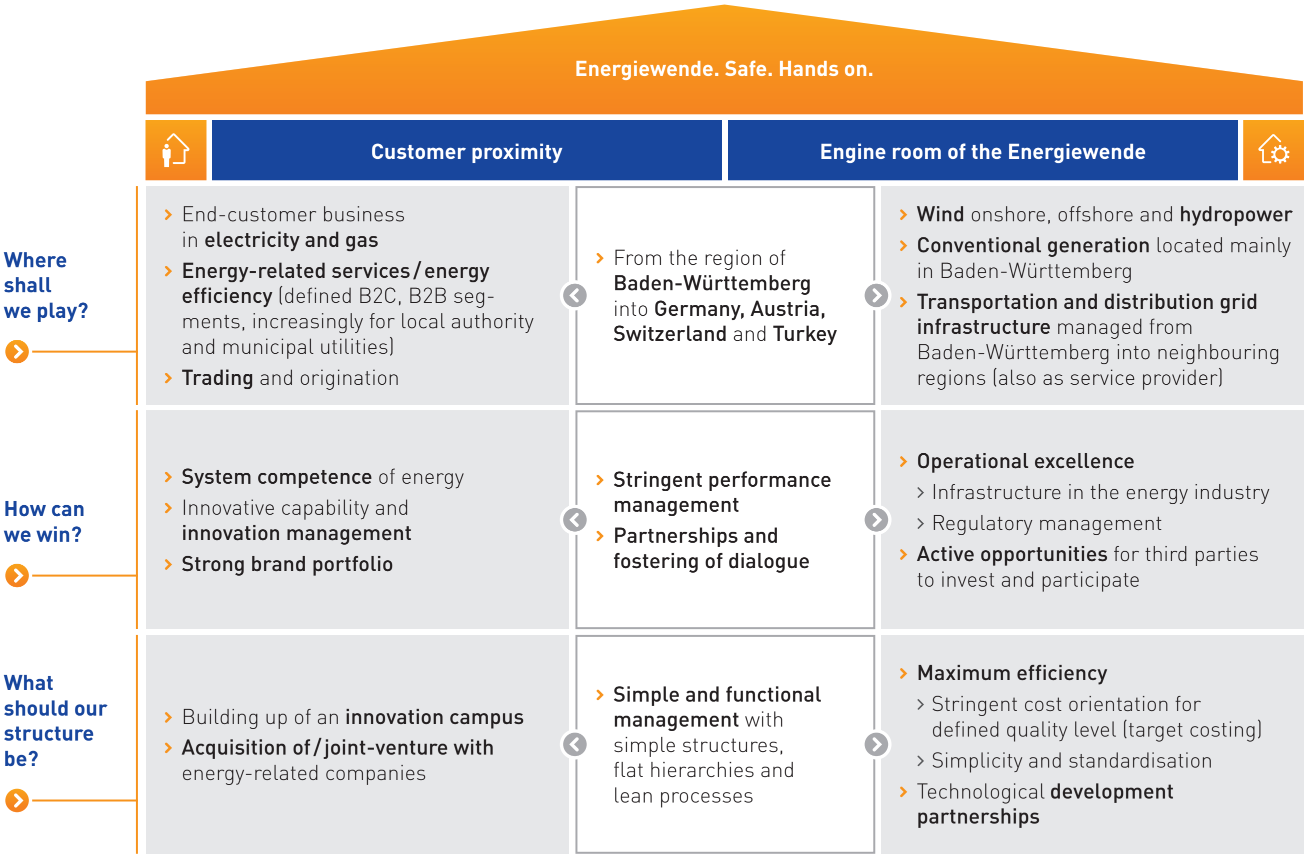
Strategy process



Uniform structured process for strategic goal achievement

Guiding principle and corporate strategy

The EnBW 2020 strategy



The EnBW Group strategy developed under our guiding principle encompasses two operative and complementary models encapsulated in the EnBW Strategy House:

Customer proximity: Customers are the focus of the EnBW 2020 strategy to an even greater degree. Targeted innovation management and short development times for new products and services will become key components. The objective is to expand cooperation with municipal utilities and local authorities, primarily on the basis of partnership cooperation models. EnBW aims to establish advantages over its competitors through the use of customer segment-specific system and turnkey solutions and a strong brand portfolio. An innovation campus supports swift forward-looking product development. It is distinguished by characteristics ranging from market proximity and concentration of the necessary expertise in research and development right up to sales, flanked by entrepreneurial thinking. In the area of energy-related services, in particular, select company acquisitions will complement existing know-how and complete the range of products and services (p. 35 f.).

Engine room of the Energiewende: Safety, simplicity and flexibility are the criteria that count when operating system-relevant infrastructure. EnBW relies on operational excellence, a strict focus on efficiency and cost-orientation to achieve defined quality standards and standardisation. Partnerships formed in the area of technological development serve to minimise costs and risks. In addition, EnBW actively offers the opportunity to invest in grids and power plants, especially to local authorities. In the “engine room of the Energiewende”, EnBW’s competence ensures the reliable supply of energy which must also be guaranteed during work on conversion of the energy environment.

Portfolio strategy

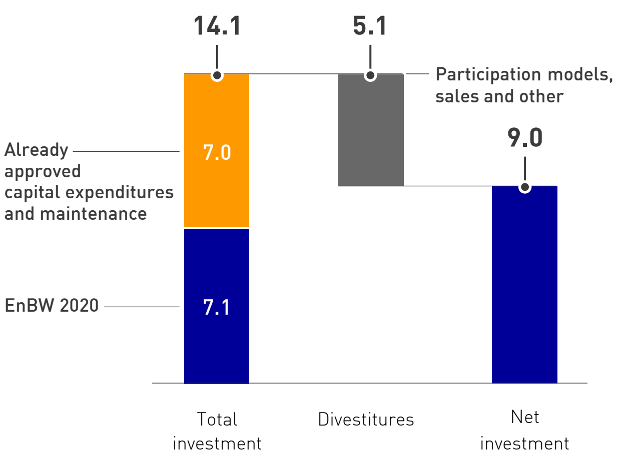
Realigning the business portfolio

EnBW aims to more than double its share of renewable energies in its generation portfolio, raising it from a current level of 19% (based on the reference year of 2012) to more than 40% in 2020. Our capacities derived from onshore wind farms will be increased significantly in the target markets of Germany and Turkey. Offshore wind power represents a further opportunity for growth. By investing extensively in grid expansion, we will be making a substantial contribution to the energy system infrastructure which is needed and, consequently, supply reliability. Innovative products and services will form another important pillar of the company's business. By 2020, a significant share of our earnings (the target value of adjusted EBITDA is between €2.3 and €2.5 billion) is to be raised from strategic initiatives. At the same time, the overall share of adjusted EBITDA accounted for by the regulated grid business and renewable energies will increase from a current level of approximately 40% (based on the reference year of 2012) to around 70% in 2020. This will improve the risk-return profile of EnBW.

Extensive investments and divestitures

EnBW intends to invest €14.1 billion in total by 2020 (based on the reference year of 2012). In this context, the focus will be placed on expanding wind and hydropower on an industrial scale. Moreover, we will also concentrate on the expansion and retrofitting of our transmission and distribution grids right through to so-called smart grids. From a regional point of view, and beyond our core market of Baden-Württemberg, we will be focusing our investment activities on Germany, Switzerland, the Czech Republic and Turkey. To obtain the financial headroom required for these extensive investments, we have considerably extended our divestiture programme, involving conventional divestitures and cash flow from participating investment models and the disposal of assets and subsidies, to around €5.1 billion (based on the reference year of 2012).

Investments and divestitures as part of the portfolio streamlining — in € billion



Of the overall investments planned up to 2020, around €3.9 billion have already been realised up to the 2014 reporting date, while approximately €1.3 billion of our divestiture programme was implemented up to this date.

Examples of business and functional strategies

The business and functional units have developed their individual strategies and specific initiatives and measures on the basis of the corporate and portfolio strategy. A few examples of significant business and functional strategies are illustrated below:

Sales strategy

The main focus at EnBW is on the customer, and our solutions and products meet the specific needs of our differing customer groups in terms of efficiency and quality (p. 16 f.). Of decisive importance for the achievement of sales success is an understanding of customer requirements, coupled with intelligent product development and operative implementation excellence. Beyond the provision of products which address commodity and commodity-related needs, EnBW supports its customers in both the management and optimisation of decentralised energy systems and in the areas of energy efficiency, smart worlds and sustainable mobility. The product range varies in this respect for different customer segments (B2C and B2B) and is differentiated according to our brands. Operation services for other energy supply companies in Germany are also part of our offer. EnBW contributes its system expertise in the energy sector to the customer relationship in this respect, acting rapidly and reducing the complexity for the customer.

Generation strategy for renewable energies

In the area of generation of renewable energies, we focus on onshore/offshore wind technologies and energy generation from hydropower. We plan to achieve strong growth in the area of renewable energies by 2020, a target which will also be achieved through cooperation with partners such as financial investors, municipal utilities, local authorities and private citizens (p. 17). For example, the cornerstone was laid in Turkey in September 2014 for a further five onshore projects with a total capacity of around 207 MW. We will also expand our involvement in the area of offshore wind power further following the successful commissioning of EnBW Baltic 1 in 2011. Our second wind farm, EnBW Baltic 2, has been erected since mid-2013 approximately 32 kilometres north of the island of Rügen. The 80 wind turbines will be fully operational in the summer of 2015 with a total output of 288 MW. A contract for the sale of approximately half the shares in this wind farm was signed in January 2015. EnBW acquired the Albatros offshore wind farm project in December, involving an approval for 79 wind turbines in the North Sea. This acquisition means that EnBW has increased its existing offshore portfolio by approximately 400 MW.

Innovation strategy

The innovation strategy pursues the goal of developing models for new business segments and advancing their rapid commercialisation. Group-wide management of the innovation process through which the development of skills and processes for ideas, piloting and scaling are enabled plays a significant role in this respect. An agile innovation culture should be established at EnBW in the long term. At the centre of our activities are the development of a pipeline of growth issues and management of the innovation portfolio. These activities will be accelerated through partnerships, the involvement of third parties and the acquisition of and involvement in start-up enterprises with innovative business ideas (p. 35 f.).

Personnel strategy

The personnel strategy has been developed through three main thrusts: management, competence and an effective and efficient HR policy. Leadership, performance and diversity are among the areas at the heart of our management focus. Our competence encompasses expertise management and HR development. Significant activities which ensure an effective and efficient HR policy are recruiting for business growth areas, personnel restructuring and process optimisation (p. 62 f.).

Environmental strategy

Three significant areas of action for environmental protection are derived from Energiewende issues and our corporate strategy: “Expansion of renewable energies”, “Enhancing energy efficiency, including at customer facilities” and the “Reduction of greenhouse gas emissions”. In order to achieve these goals permanently in the long-term at all levels, both in our power plants and the private households of customers, we continually work on the development of our certified environmental management system. This is the only way to improve processes, set quantitative goals and measure the degree to which goals are achieved (p. 63 ff.).

Corporate strategy outlook

EnBW rigorously and confidently implements its 2020 strategy as an integrated energy supply company – as ONE EnBW. That which has been achieved to date confirms the robustness and correctness of our strategic orientation. The derivation of strategies for business and functional units from our corporate strategy enables us to create a basis for the achievement of our clearly formulated and ambitious goals for 2020. We will strive to check the implementation progress of our clearly defined initiatives and measures at regular intervals in the coming years, and identify possible requirements for action under changing general conditions. This goes hand in hand with the necessary further development of our organisation, processes and performance orientation – key topics in the next few years. This transformation is not confined to structural changes, but also encompasses a new, agile corporate culture and new management logic. We will significantly reduce our decision-making paths, thereby ensuring the requisite response speed within a constantly changing market environment.

Goals

Key performance indicators

We will ensure the implementation of our 2020 strategy through a holistic goal and performance management system. This system is an expression of an overall appraisal of company performance and strengthens integrated thinking within EnBW. At the same time, it underpins the comprehensive and transparent performance and stakeholder orientation of our company. We have defined financial and non-financial factors in five dimensions (finance, strategy, customers, employees and the environment) for our goal and performance management system – the key performance indicators. These performance indicators enable us to measure the degree to which goals are achieved and contribute to the management and control of our company. A review of management relevance during 2014 led to an adjustment of the target matrix when compared to 2013. In particular, we expanded the target matrix through the addition of a strategic dimension to clarify our EnBW 2020 strategy. On the other hand, key indicators were dispensed with in the target matrix which no longer had any management relevance in 2014, these being the avoidance of CO_2 emissions, the CO_2 intensity of own electricity production, the sickness and absence rate and the number of employees trained with regard to corruption and violations of antitrust law. Data on these key indicators will nevertheless continue to be recorded and they belong to the other performance indicators of the EnBW Group. Through the reorientation of EnBW (p. 14 f.) towards increased renewable energies, the grid business and business embodying customer proximity, with clearly defined, quantitative goals for 2020, we will become the first point of contact for energy issues and ensure the continued competitiveness of EnBW through convincing products, an improved risk-return profile and even stronger regional anchoring.

TOP Financial and non-financial key performance indicators and targets

Finance goal dimension

Goal	Key performance indicator	2014	Target in 2020	
Securing profitability	Adjusted EBITDA in € billion	2.2	2.3 – 2.5	The operating result is to return to the average level achieved before the Energiewende. The total regulated business (Grids and Renewable Energies segments) together contributes around 70% to this result.
Safeguarding the good credit rating	Dynamic leverage ratio	3.68	< 3.3	In proportion to the operating result, leverage remains within narrow boundaries. The unchanged goal is to ensure good creditworthiness controlled via the dynamic leverage ratio which, at < 3.3 currently, corresponds to an A rating.
Raising the Group's value	ROCE in %	10.0	8.5 – 11	Return on capital employed (ROCE) is higher than the cost of capital. EnBW creates value for its stakeholders.

Financial performance indicators > page 49 and 58 ff.

Report on risks and opportunities > page 77 ff.

Expected trends in financial performance indicators > page 85 f.

Strategy goal dimension

Goal	Key performance indicator	2014[1]	Target in 2020	
Share in results of "Customer proximity" / Sales	Share in adjusted EBITDA (total) in € billion / in %	0.2 / 11	0.4 / 15	The operating results of the Sales segment double from €0.2 billion (reference year: 2012) to €0.4 billion in 2020 and represents around 15% of Group operational results. Innovations make this possible.
Share in results of Grids	Share in adjusted EBITDA (total) in € billion / in %	0.9 / 41	1.0 / 40	The operating results of the Grids segment rise by 25% from €0.8 billion (reference year: 2012) to €1.0 billion in 2020, thus represents around 40% of Group operational results. The share of the stable regulated business is expanding.
Share in results of Renewable Energies	Share in adjusted EBITDA (total) in € billion / in %	0.2 / 9	0.7 / 30	The operating results of the Renewable Energies segment multiply by 250% from €0.2 billion (reference year: 2012) to €0.7 billion in 2020, contribution to around 30% of Group operational results. EnBW is more sustainable.
Share in results of Generation and Trading	Share in adjusted EBITDA (total) in € billion / in %	0.9 / 42	0.3 / 15	The operating results of the Generation and Trading segment fall due to changed general conditions by 80% from €1.2 billion (reference year: 2012) to €0.3 billion in 2020 and only contribute to around 15% of Group operational results.

Strategic performance indicators / strategy > page 49

Report on risks and opportunities > page 77 ff.

Expected trends in strategic performance indicators > page 85 f.

[1] The Other / Consolidation segment contributes a total of -2% to adjusted EBITDA.

Customers goal dimension

Goal	Key performance indicator	2014	Target in 2020	
Increasing brand attractiveness	Brand Attractiveness Index EnBW/Yello	43/36	44/40	EnBW and Yello are regarded as attractive brands by consumers, supporting sales and customer acquisition.
Customer proximity	Customer Satisfaction Index EnBW/Yello	114/145	> 136/> 159	EnBW and Yello customers are satisfied customers with a high level of customer loyalty. EnBW and Yello are organisations strongly oriented towards the customer and which meet the needs and wishes of their customers through tailored solutions and products.
Supply reliability	SAIDI (electricity) in min/year	15	< 25	EnBW regards the maintenance of supply quality to its customers as its chief priority. The high degree of supply reliability in the EnBW grid area is based on comprehensive investment in grids and plants and our distinctive system competence.

Non-financial performance indicators/ customers › page 61

Report on risks and opportunities › page 78 and 81 f.

Expected trends in the customer area › page 86

Employees goal dimension

Goal	Key performance indicator	2014	Target in 2020	
Employee commitment	Employee Commitment Index (ECI)	56	65	The commitment our employees feel to EnBW is very strong, and there is faith in the future viability of the company.
Occupational health & safety	LTIF[1]	4.3	≤ prior-year figure	The number of occupational accidents and resulting days of absence remains at a sustained, stable level or falls.

Non-financial performance indicators/ employees › page 61 f.

Report on risks and opportunities › page 78 and 81 f.

Expected trends in the employees area › page 87

Environment goal dimension

Goal	Key performance indicator	2014	Target in 2020	
Expand renewable energies (RE)	Installed capacity of RE in GW and the share of the generation capacity accounted for by RE in %	2.6/19.1	5.0/> 40	The share of renewable energies in EnBW's generation capacity has doubled compared with 2012. Onshore and offshore wind power and hydropower are at the forefront in this respect.

Non-financial performance indicators/ environment › page 63 f.

Report on risks and opportunities › page 81 f.

Expected trends in the environment area › page 87

[1] Variations in the group of consolidated companies.

Interaction of TOP key performance indicators

We are convinced that, in addition to illustrating the economic, ecological and social context, an appraisal and analysis of interaction in these areas is necessary to convey a comprehensive picture of the company. Integrated reporting also necessitates this linking of information to the varied dimensions of business activities, encouraging an approach involving holistic corporate management and control within EnBW and positioning us as a responsible and sustainable company with a viable future when viewed externally.

In order to illustrate this interaction, EnBW exploits the key performance indicators of its goal and performance management system, encompassing financial and non-financial factors in the finance, strategy, employees and environment dimensions. In an initial step, we conducted an internal survey in 2014 in the relevant specialist areas on the interaction between individual key performance indicators. Both the frequency and intensity of interaction between the key indicators was examined in this context. Four key indicators demonstrated the greatest frequency and intensity with regard to interaction:

- TOP Adjusted EBITDA
- TOP Share of renewable energies in adjusted EBITDA
- TOP Customer satisfaction
- TOP Employee commitment

The E adjusted EBITDA illustrates the operating results of EnBW without considering one-off or extraordinary effects. For example, it directly contributes to the E dynamic leverage ratio which, in turn, significantly influences the credit rating of EnBW. The operating results for their part are very strongly determined by our capacity to bind existing customers to us (key performance indicator of customer satisfaction) and acquire new customers (key performance indicator of brand attractiveness).

As a key performance indicator, the share of renewable energies in adjusted EBITDA measures the share of the Renewable Energies segment in the Group operating results. The greater we expand this share – including in terms of the Energiewende – the better we can compensate for the decline of the share of the Generation and Trading segment in the results and achieve the 2020 target for adjusted EBITDA. Naturally enough, the key performance indicator of the share of renewable energies in adjusted EBITDA for its part profits from improvements in the environment dimension – namely the absolute installed output from renewable energies and the share of renewable energies in the generation capacity.

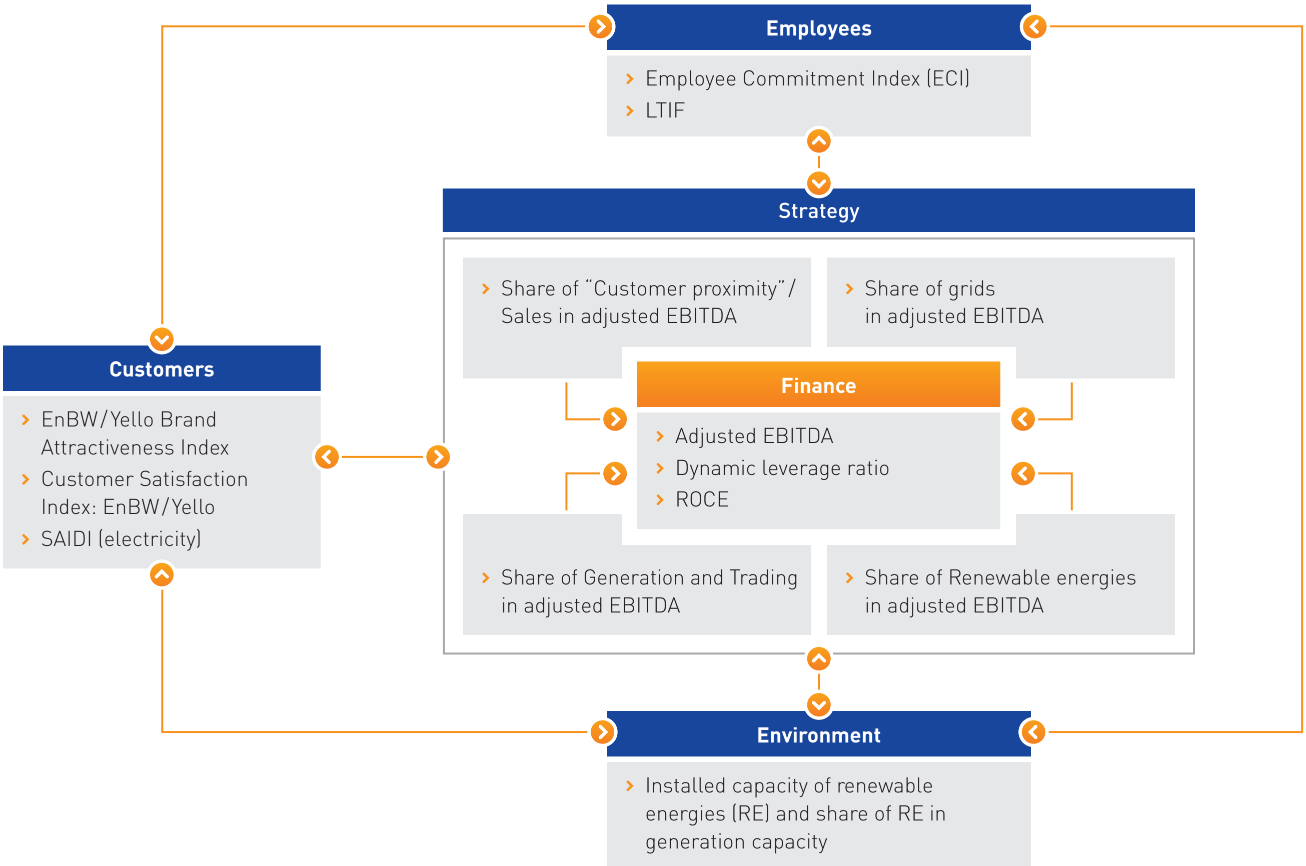
A high frequency and intensity with regard to interaction is also indicated by the key performance indicator of customer satisfaction. It is governed by an index determined by an external service provider through customer surveys relating to the Group's two core brands, EnBW and Yello. In our estimation, an improvement of this key indicator also leads to an increase in the key performance indicator of the share of sales in adjusted EBITDA through sustained customer loyalty. For example, the goal of supply reliability which EnBW guarantees its customers to a high degree has a significant influence on customer satisfaction.

The key performance indicator of employee commitment is of further central importance relative to the frequency and intensity of interaction. The Employee Commitment Index (ECI), compiled in the context of regular employee surveys, expresses the degree to which employees identify with EnBW. Through their commitment and dedication, employees make a significant contribution to the generation of the operating results (adjusted EBITDA) of EnBW. Inversely, employee commitment is encouraged if the competitiveness and future viability of the company is positively influenced through an increase in the company's value (return on capital employed, E ROCE).

The selection on the basis of our initial survey in 2014 of these four key performance indicators with a particularly high frequency and intensity regarding their interaction does not reduce the importance of other key performance indicators. The recording and analysis of the interaction between these performance indicators will be expanded and refined on a continual basis by EnBW in the coming years. The goal is to achieve a comprehensive depiction of all significant interactions between financial and non-financial key performance indicators.

Moreover, the complete report contains numerous other indications of interactions between different dimensions and aspects of the business activities of EnBW.

Interaction of key performance indicators



Management and control system

Performance management system

The management and control system was primarily aligned with the company's financial goals up until the end of 2012. Since 2013, the corporate management and control has been continually expanded through the addition of financial and non-financial goals and now also encompasses the strategy, customers, employees and environment dimensions. The centrepiece of this integrated corporate management and control is the performance management system (PMS). As of 2015, the PMS will encompass all instruments used in strategic and operational management and control. Group targets will be broken down in 2015 through consistent target agreements at all management levels and the achievement of goals evaluated at the end of the year in a comparison with competitors. Over the course of 2013, quarterly performance reviews conducted at Board of Management level were already gradually being implemented and were revised in 2014 to provide an analysis of the current status and measures taken to achieve financial and non-financial goals. This instrument will be rolled out successively in 2015 to encompass further management levels. As regards external communication, the PMS feeds into integrated reporting on the financial and non-financial performance of EnBW based on the reporting framework of the International Integrated Reporting Council (IIRC). The integrated EnBW report available for 2014 incorporates the financial and non-financial aspects of our business activities.

Definition of TOP key performance indicators

The financial and strategic key performance indicators within the PMS are the adjusted EBITDA, the total shares of segments in adjusted EBITDA, the dynamic leverage ratio and the ROCE.

The **adjusted EBITDA** is the adjusted earnings excluding extraordinary items before interest, tax and amortisation (p. 49 and 85 f.). The key performance indicators of the strategy goal dimension, which describes the share of individual segments in adjusted EBITDA, are derived directly from this key performance indicator of the finance goal dimension. The **dynamic leverage ratio** is the ratio of the adjusted net debt to adjusted EBITDA and is the most significant performance indicator for ratings and of financing capacity (p. 58 and 86). The **ROCE** (return on capital employed) is the ratio of achieved operational results (considerably influenced by the adjusted EBITDA) to the capital employed and forms the basis for determining the value added reflecting the development of the company's value from a financial point of view (p. 59 f. and 86).

In addition to financial key performance indicators, the PMS was also expanded through the inclusion of non-financial key performance indicators.

The customers goal dimension encompasses the Brand Attractiveness Index, the Customer Satisfaction Index and the SAIDI (System Average Interruption Duration Index) (p. 61 and 86). As a key performance indicator, the **Brand Attractiveness Index**, which is compiled by an external provider, measures the consumer's perception of the attractiveness of our brands. It incorporates ten different facets. This key indicator reflects consumer appreciation in terms of their emotional attraction and understanding of and their behavioural patterns with regard to the brands, thereby encompassing all aspects relevant to attitude-oriented brand strength. This key indicator is compiled for the Group's two core brands, EnBW and Yello. The **Customer Satisfaction Index** key performance indicator reflects an integrated analysis of retail end-customer satisfaction which is directly linked to customer loyalty. It is compiled and derived from customer surveys carried out by an external provider. We compile this key indicator for the Group's two core brands, EnBW and Yello. **SAIDI** serves as the key performance indicator of supply reliability. It expresses the average length of supply interruption in the electricity grid experienced annually by each connected customer. SAIDI includes all unscheduled downtimes with supply interruptions lasting more than three minutes experienced by the consumer. The calculation methodology is based on regulations issued by the VDE (German Association for Electrical, Electronic & Information Technologies) for reporting on supply interruptions in electricity grids.

The Employee Commitment Index (ECI) and LTIF (Lost Time Injury Frequency) are drawn upon as control indicators in the employees goal dimension (p. 61f. and 87). The **Employee Commitment Index (ECI)** expresses the degree to which employees identify with EnBW. The ECI is compiled through employee surveys and based on standardised questions which address the degree to which employees identify with their company, including satisfaction with their employment contract, attractiveness of the employer, identification with the company, motivational climate, competitiveness and future viability. The ECI is regularly compiled for selected companies in Germany: every two to three years in the context of an overall survey and in the intermediate periods through representative random surveys. The **LTIF** is calculated on the basis of LTI (Lost Time Injuries) which denotes the number of accidents during working hours which have occurred exclusively as a result of a work assignment from the company and result in at least one day of absence. LTIF indicates how many LTIs have occurred relative to one million working hours performed. This key indicator takes into account all employees, except temporary agency workers, at those companies controlled by the Group.

The **installed output of RE in GW and the share of the generation capacity in % accounted for by RE** is a key performance indicator determined in the environment goal dimension (p. 63f. and 87). This is a measure of the expansion of renewable energies. It represents the installed output of plants using renewable energies rather than the volume of electricity produced by these facilities.

Corporate governance

Corporate management

Responsible and transparent corporate management is the basis and leading principle underlying our activities. We are convinced that good corporate governance strengthens the trust and confidence that customers, capital providers, employees and the general public invest in the company, thereby contributing to its long-term success and profitability. The Board of Management and Supervisory Board seek to manage and supervise management of the company above and beyond mere compliance with statutory provisions, in accordance with recognised benchmarks of good corporate governance and in harmony with the principles of a social market economy, guaranteeing the continued existence of the company and ensuring a sustainable increase in its enterprise value. EnBW therefore meets all the recommendations of the German Corporate Governance Code.

As in previous years, Dr. Bernhard Beck, the Board of Management member responsible for corporate governance, monitored conformity with the German Corporate Governance Code at EnBW and reported extensively to the Board of Management and Supervisory Board on all topical matters pertaining to corporate governance. Both boards acknowledged his report and subsequently approved the company's declaration of compliance pursuant to Sec. 161 German Stock Corporations Act (AktG).

The declaration of compliance can be accessed along with the corporate governance report and statement of compliance at www.enbw.com/corporate-governance-page.

The remuneration report is included as part of the management report on p. 88 ff. of this report.

Management and supervision

Board of Management

At the end of his contractual term on 30 September 2014, Dr. Dirk Mausbeck stepped down from the Board of Management at EnBW AG which, as of 31 December 2014, consists of four members. Sales and grid tasks previously realised at Board level were distributed among the remaining four management remits. The Board of Management conducts the business of the Group in joint responsibility. In addition to the responsibilities of the CEO, Board of Management tasks are structured into the remits of finance, personnel, law and technology.

Allocation of responsibilities at Board of Management level (as of 31/12/2014)

CEO	Finance	Personnel/Law	Technology
Dr. Frank Mastiaux	**Thomas Kusterer**	**Dr. Bernhard Beck** (Chief Personnel Officer)	**Dr. Hans-Josef Zimmer**
› Corporate development/strategy › Economics and policies/sustainability › Corporate communications › Transformation/IT/procurement/infrastructure › Research and development/innovation › Sales (B2C/B2B and municipal relations), marketing and operations › Escalation: Risk management trading	› Accounting/tax › Controlling › Finance/Investor Relations › Risk management/ICS › Energy sector › Mergers and acquisitions › Trade	› Executives management/personal development › Labour/collective bargaining policy › Law › Compliance management/data protection › Occupational medicine › Regulatory management › Investment management (particularly for following investments: PRE, SWD, ED, ZEAG, ODR) › Boards/shareholder relationships › Audit	› Generation (renewable, conventional, nuclear) › Waste management/environmental services › Transmission grids › Distribution grids › Grid technology › Occupational safety, environmental protection, crisis management

www.enbw.com/board-of-management

Supervisory Board

The Supervisory Board consists of 20 members in accordance with Sec. 8 (1) of the Articles of Association. In accordance with the German Co-determination Act (MitbestG), an equal number of members represent shareholders and employees. Three employee representatives are nominated by the ver.di trade union.

The Supervisory Board appoints the members of the Board of Management and advises them in their managerial activities. It discusses business development, planning and company strategy together with the Board of Management at regular intervals and ratifies the annual financial statement. The Supervisory Board is always involved in decisions of fundamental importance to the company. Legal transactions and measures subject to the approval of the Supervisory Board are defined in its by-laws. In order to carry out its tasks in the best-possible manner, the Supervisory Board has formed the following standing committees: a personnel committee, a finance and investment committee, an audit committee, a nomination committee and a mediation committee in accordance with Sec. 27 (3) of the German Co-determination Act (MitbestG), as well as an ad-hoc committee.

Further information on the Board of Management and Supervisory Board can be found in this report under the section on corporate bodies (p. 106 ff.) and in the declaration of compliance, the corporate governance report, and the Supervisory Board report (www.enbw.com/corporate-governance-page).

Annual General Meeting

Shareholders exercise their rights in company matters at the Annual General Meeting. The Annual General Meeting passes resolutions on the discharge of Board of Management and Supervisory Board members, the appropriation of earnings and selection of the auditor. Resolutions of the Annual General Meeting only require a simple majority of votes in most cases. Each bearer share is equivalent to one vote. Further information on the Annual General Meeting is available at www.enbw.com/annual-general-meeting.

Equity holders of EnBW AG

Shares in %[1]	
OEW Energie-Beteiligungs GmbH	46.75
NECKARPRI-Beteiligungsgesellschaft mbH	46.75
Badische Energieaktionärs-Vereinigung	2.45
Gemeindeelektrizitätsverband Schwarzwald-Donau	0.97
Neckar-Elektrizitätsverband	0.63
EnBW Energie Baden-Württemberg AG	2.08
Free float	0.39

[1] The figures do not add up to 100% due to rounding differences.

Shares of EnBW AG are listed on Deutsche Börse's General Standard. A stake of 46.75% in EnBW's share capital is held by the federal state of Baden-Württemberg through NECKARPRI-Beteiligungsgesellschaft mbH and by Zweckverband Oberschwäbische Elektrizitätswerke (OEW) through OEW Energie-Beteiligungs GmbH. Overall, the shareholder structure is unchanged as of 31 December 2014 when compared to the previous year.

Compliance

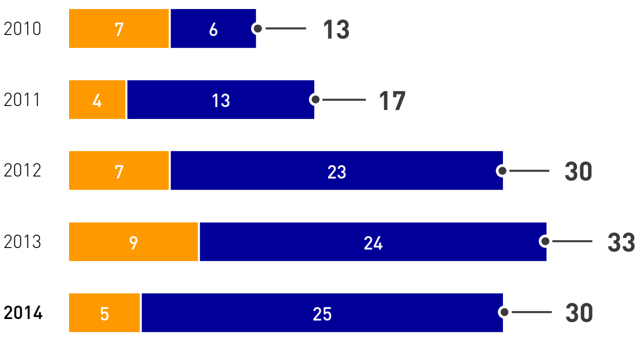
Compliance as an expression of all measures to comply with statutory regulations and internal guidelines is regarded as an essential management and supervisory task at EnBW. A Compliance Management System (CMS) was set up and implemented throughout the Group in the last five years to avoid liability and reputational losses. The system serves to minimise risk, while also enhancing efficiency through coordination of existing compliance activities. It is designed specifically to address priorities and risks in the energy industry, aligned to corporate strategy and encompasses all controlled companies managed by staff. The focus is on prevention, detection and the sanctioning of corruption and violations of competition legislation, antitrust law and data protection.

The Board of Management and Supervisory Board commissioned an efficacy audit of the Group's CMS in 2013. The audit marked the conclusion of the CMS development phase and encompassed the specific areas of corruption prevention and antitrust law pursuant to the Institute of Public Auditors in Germany (IDW PS 980). EnBW received an unqualified audit opinion: The principles and measures of the EnBW CMS are appropriate for detecting risks of significant violations of applicable regulations for the specific areas mentioned in good time and with a sufficient degree of certainty and, also, to prevent violations of this nature.

22 (95.7%) of a total of 23 controlled Group companies managed by staff were included in the CMS in the reporting year. Detailed structuring of compliance goals is realised in the compliance programme which defines Group-wide centralised and specific decentralised preventive compliance measures. It is based on comprehensive risk assessments which examine corruption, antitrust law, fraud and data protection risks annually and were conducted in 21 controlled Group companies managed by staff (91.3%) in 2014.

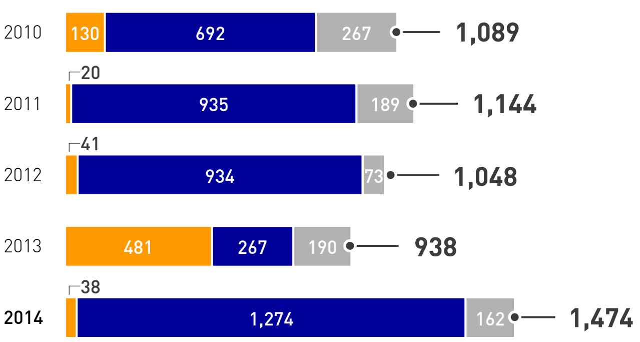
Reporting and central processing of indications and suspicious incidents have been realised since 2011 through a regulated and communicated procedure. Whistle-blowers can avail of both an internal and external reporting channel. Use of reporting channels has increased significantly since this procedure was set up. EnBW received 30 indications of compliance infringements and suspicious incidents in the reporting year, two of which were submitted to the ombudsman. Five of these incidents were processed by the compliance committee task force, with disciplinary measures being taken in three cases.

Number of compliance breaches and suspected cases



Specific training campaigns are conducted at EnBW as a significant prevention measure to tackle corruption and deal with antitrust law risks. Different target groups receive training in this context according to a defined training plan. In contrast to 2013, the focus in the reporting year was on sensitive specialist areas, particularly advising local authorities, construction coordination, procurement and sales. Required compliance knowledge has been imparted to around 1,270 employees in face-to-face training seminars. Realisation of an E-learning course or participation in face-to-face training is obligatory for new employees. The e-learning and manager training campaign conducted throughout the Group in 2013 and face-to-face training and other measures this year saw a total of 92.8% (previous year: 86.9%) of employees and managers being trained and sensitised in the area of compliance in 2014, corresponding to the annual planning and forecast for an aspect which was a key performance indicator in the previous year.

Participants in compliance training events



A significant component of the preventive compliance orientation is the advisory service. The compliance hotline received 1,132 enquiries in the reporting year relating to the focal issues of subsidies, donations and sponsoring, and further topics such as business partner auditing. Sensitising of employees and managers with regard to compliance issues has consolidated on a significant level.

Applicable requirements pursuant to the German Money Laundering Act (GwG) were investigated for EnBW in the reporting year. Subsequent to this risk assessment conducted throughout the Group, preventive measures and inspections were defined with the units involved which were fully realised by the beginning of 2015.

Effective and understandable guidelines limited to fundamental principles are a prerequisite for efficient structures and processes. The contents of guidelines were streamlined and simplified in 2014 as planned, and this optimising led to a significant reduction in the number of Group guidelines and standards.

A minor percentage of consolidated revenue from the point of view of compliance (3.3%) was generated in the Czech Republic which, according to CPI, is one of the countries most susceptible to corruption. Nevertheless, the Group considers that the compliance organisation implemented at the Group subsidiary Pražská energetika a.s. (PRE) takes appropriate account of this risk factor.

The focus of activities relating to data protection shifted in the reporting year to support in terms of data protection legislation during the development of new products (Smart Home, Smart Grid) and new business areas such as the third-party market business and citizen participation portal. The development which sees IT services being sourced from external providers (so-called software as a service and cloud services) increased advisory complexity and intensity considerably, particularly with regard to structuring of order data processing in line with legislation. The number of advisory enquiries remained at an equally high level in 2014.

The EnBW Group faced neither antitrust law penalty procedures nor third-party antitrust lawsuits in the 2014 financial year. The Baden-Württemberg antitrust authority initiated abuse proceedings under antitrust law in 2014 against EnBW on the grounds of allegedly excessive water prices in Stuttgart. EnBW regards these allegations as unfounded and has taken appropriate legal steps. In addition, no penalties due to infringements of legal regulations were imposed on the company due to any other significant matters.

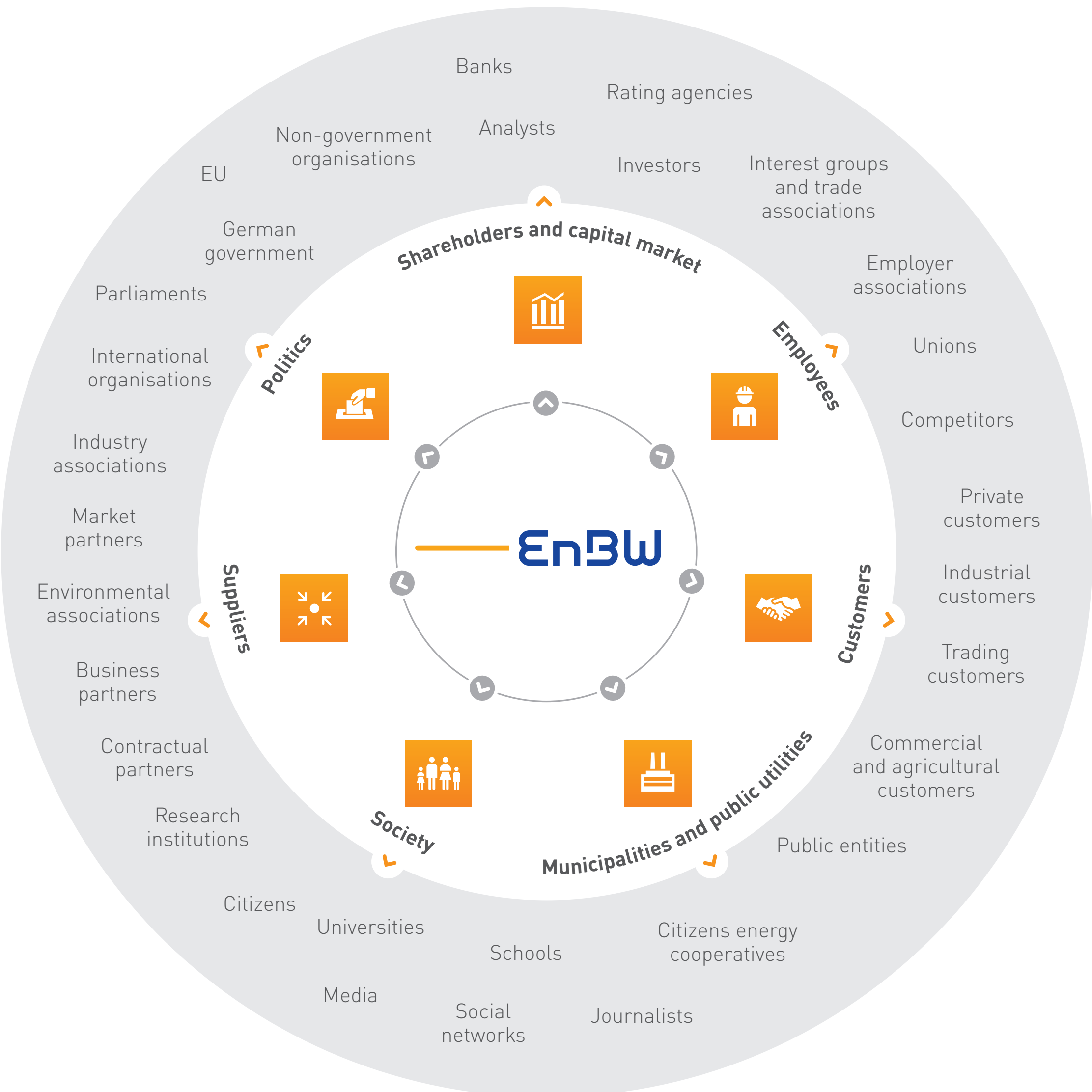
Law enforcement agency investigations of individual employees and former company members relating to the so-called Russian business and so-called sales tax carousel in CO_2 allowance trading continue. An end to or any results of these investigations are not yet in sight.

In dialogue with our stakeholders

Our stakeholders

A continuous systematic exchange with our internal and external stakeholders is an important component of our business activities. These include shareholders and the capital market, employees, customers, local authorities, municipal utilities, society, suppliers and the political community. One basis of dialogue with stakeholders is the identification and prioritising of stakeholder groups in terms of strategically significant and current issues, particularly with regard to the Energiewende, the new energy concept in Germany. This dialogue is conducted through a variety of dialogue formats, ranging from conferences to social media platforms. As one of the largest energy supply companies in Germany and Europe, we are acutely aware of our responsibility and welcome active dialogue. In the exchange with our stakeholders, we listen carefully to their interests and expectations of EnBW and take these into account in the context of the strategic orientation of our company and in our business decisions. At the same time, we inform all stakeholders about the company's needs and the necessary prerequisites for an efficient, reliable and sustainable supply of energy. Mutual understanding, social acceptance and trust are increased further through the purposeful exchange of insights and perspectives. In addition, central developments and key topics are also identified at an early stage in this manner.

EnBW and its stakeholders



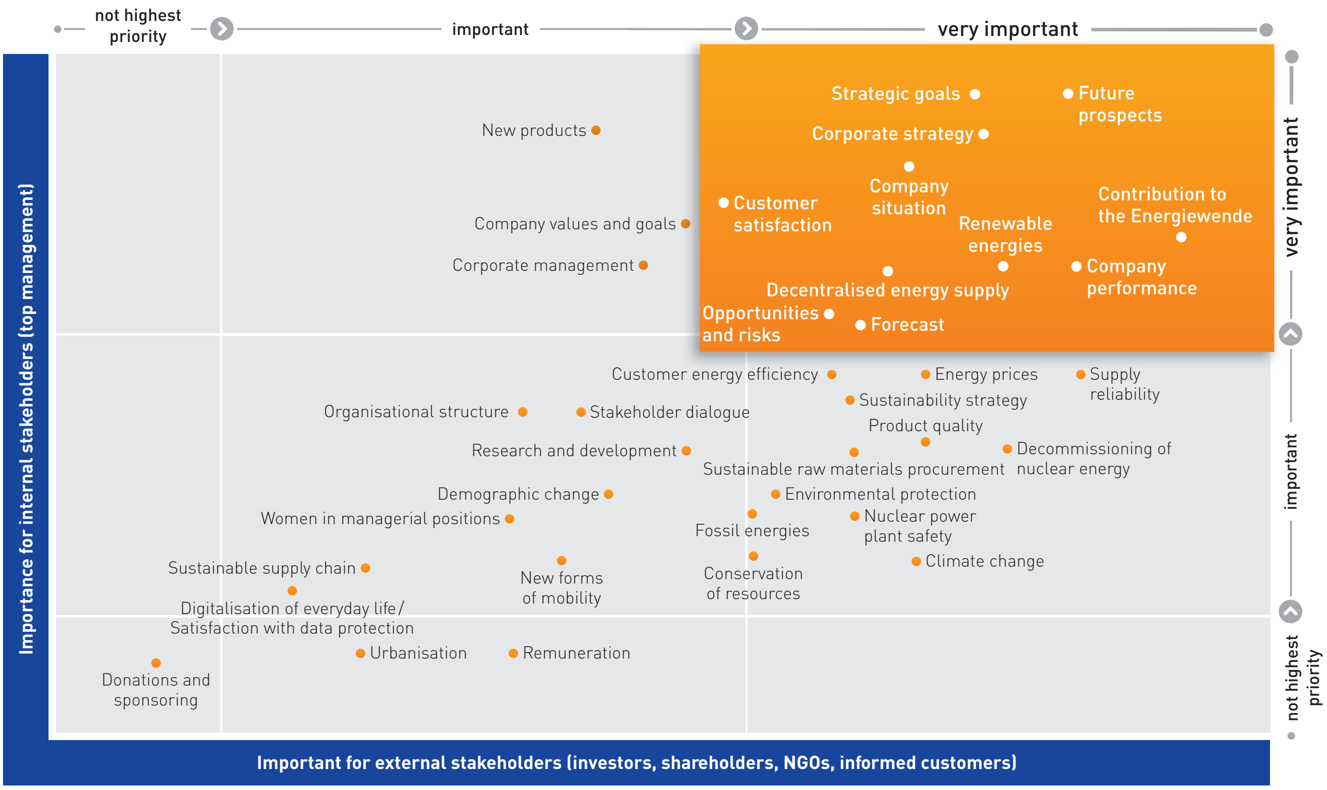
In dialogue with our stakeholders (examples)

Stakeholder	Opportunity for dialogue	Main themes	Further information
Shareholders and capital market	EnBW quarterly and annual financial reports	Corporate economic development	www.enbw.com/financial-publications
	Annual General Meeting	Discharge Board of Management/Supervisory Board, resolution on appropriation of earnings	www.enbw.com/annual-general-meeting
	Banking Day and Capital Market Day	Strategy and business development	www.enbw.com/investor-update
	Investor update	Continuous contact with investors	
Employees	EnBW Intranet	Current information/issues and dialogue forums (e. g. Team Blog)	
	Management forum	Information and discussion platform for managers	
	EnBW news	Regular dialogue event with employees	
Customers	EnBW online customer centre	Service offerings	www.enbw.com/privatkunden
	Online information on power outages	Information on current outages and disruptions	www.netze-bw.de/stoerungen
	Energy efficiency networks	Network meetings	www.enbw.com/geschaeftskunden
Municipalities and public utilities	Kooperationsnetz Baden-Württemberg e. V.	Pooling of know-how and resources for the Energiewende	
	Online portal for local authorities	Services for local authorities	www.enbw.com/geschaeftskunden
	Energy Days for local authorities	Energy industry discussion forum	www.enbw.com/kommunaler-energietag
	Sustainable City	Citizen dialogue events	www.enbw.com/nachhaltige-stadt
	Smart Grid Day 2.0	Innovations addressing issues such as stable electricity supply, energy efficiency	www.smartgrids-bw.net
Society	Open days and EnBW InfoCenter	Dialogue with citizens and information service	www.enbw.com
	Social media channels and Energiewende blog	Dialogue platforms such as the blog, Facebook, Twitter, YouTube	www.dialog-energie-zukunft.de www.facebook.com/EnBW
	Citizen Involvement online platform	Participation options during development of renewable energies	www.buergerbeteiligung.enbw.com
	"Köpfe dieser Zeit" (Great Minds of Our Time)	Series of events with important personalities and lateral thinkers	
Suppliers	International specialist conference in Colombia	Responsible approach to coal mining in Colombia	www.enbw.com/kohlebeschaffung
Politics	EnBW Energy and Business Club (EWC)	Exchange on issues such as market design or innovation	
	Debates by Energy and Climate Protection Foundation	Issues such as global energy perspectives and global climate protection	www.energieundklimaschutzbw.de
	Sustainability Days Baden-Württemberg 2014	Open day in Schopfloch, participation events in the EnBW Shop	www.nachhaltigkeitstage-bw.de

Materiality matrix

EnBW conducted a systematic materiality analysis for the first time in 2013 which involved a survey of the most important EnBW stakeholder groups. The result of this analysis is a materiality matrix which provides an overview of central EnBW issues. An issue is deemed to be of particular significance if regarded as being extremely important by both our stakeholders and EnBW and, consequently, appears in the upper-right quadrant of the materiality matrix. The survey indicated that estimations of internal and external stakeholders regarding the relevance of issues which have been classified as very important correspond to the greatest-possible extent. The issues of future prospects, the contribution to the Energiewende, renewable energies and the decentralised supply of energy in particular are judged to be significant. The result of the survey validates the corporate strategy through which we will significantly increase our share in renewable energies by 2020 and provide our customers with innovative products and services. Correspondingly, implementation of the strategy is at the core of our business activities, opening up new future prospects as a result.

Materiality matrix (as of 31/12/2013)



Individual discussions with different stakeholder groups confirm the results of last year's survey. Consequently, we plan to repeat the stakeholder survey every three to five years. This will ensure that we can follow the positions of stakeholders with regard to the relevance of particular issues on a continual basis.

EnBW as part of society

EnBW is acutely aware of its responsibility towards society. Through its commitment to addressing the concerns and interests of society, it conducts its business in close customer proximity and aligns its activities to the target groups of end customers, business partners and local authorities. It is chiefly involved within its primary business sphere of influence in Baden-Württemberg in this regard. Support for superordinate social issues is concentrated on the core areas of popular sport, art and culture, education, social issues and the environment. EnBW has considerably reduced the number of its sponsoring commitments and the overall outlay dedicated to this purpose in recent years, a move which also reflects the economic situation of the company. For example, promotion of top-class sport was reduced considerably and particular attention directed towards popular sport. Beyond the company's financial sponsoring measures, EnBW employees also demonstrate their own personal commitment to society. EnBW particularly welcomes this contribution. For example, EnBW apprentices and trainees in the "Energy-Lädle" junior enterprise have demonstrated their commitment for the last 35 years with their own stall at the Stuttgart Christmas market, where they offer products they have made themselves. Social institutions in the greater Stuttgart area profit from sales' proceeds, with 80 donations amounting to €250,000 being raised over the years.

An overview of EnBW sponsoring (examples)

Key issues	Example projects	Further information
Popular sport	EnBW-Oberliga Junioren	www.enbw.com/oberliga
Art/Culture	release and art in support of release e. V. (help with drugs)	www.enbw.com/kunst
Education	energy@school: Energie für Ideen	www.enbw.com/energyatschool
Social issues	ECHT GUT! Das Ehrenamt in Baden-Württemberg	www.enbw.com/ehrenamt
Environment	Amphibian protection programme "Impulse für die Vielfalt"	www.enbw.com/biodiversitaet

Research and innovation

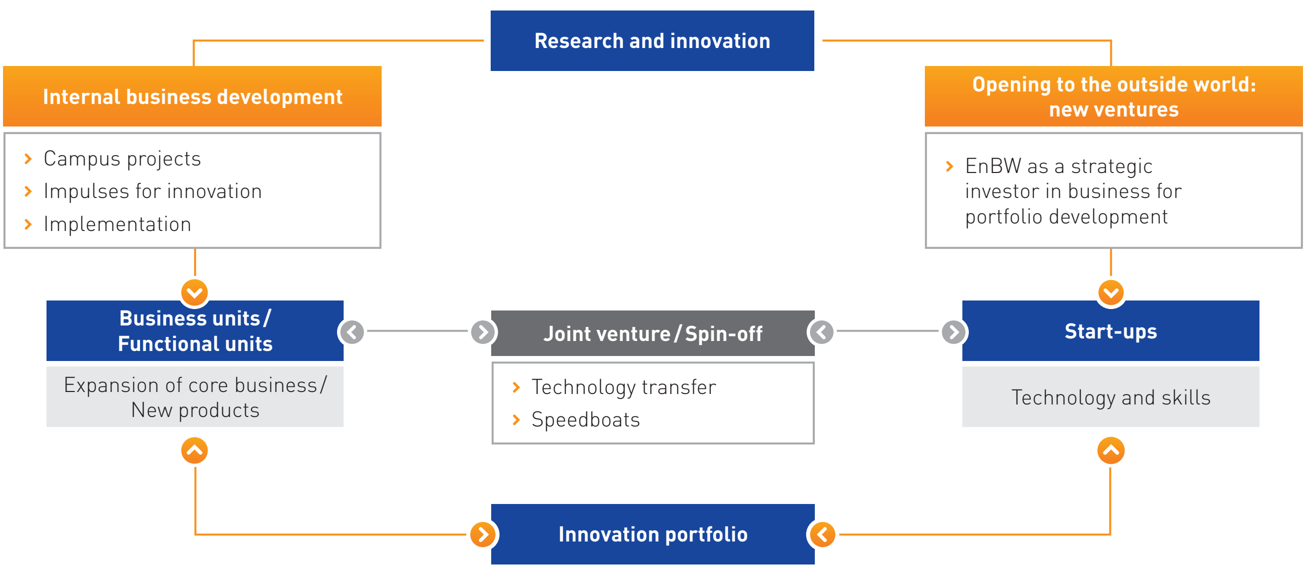
Objectives and guidelines

EnBW develops models for new future business areas through its research and innovation activities. The goal is to identify new revenue sources in the altered energy landscape and illustrate ways of exploiting these. Innovation management creates transparency in all innovation projects in the EnBW Group. Research develops technical solutions which can be marketed as new products for use by our customers. Important elements in this context are an innovation board and centres of excellence which contribute to the speedy identification of new trends and market opportunities and their implementation in product solutions. Research and innovation represent an important driving force in the transformation of the company, changing of the corporate culture and for future economic success.

An example of a new cooperation across different areas and the embracing of new business worlds is the 1492@EnBW format initiated in November 2013. Mirroring a voyage of discovery analogous to that of Christopher Columbus who discovered America in 1492, the goal is to develop ideas in an interdisciplinary fashion without any hierarchy. The initial phase saw 64 employees cooperating creatively and constructively in four 1492 projects. Results have confirmed the effectiveness of this method. Not only the idea for intelligent street lighting was born of this initiative, but also a marketable online platform for citizen involvement in wind farms. The second phase was started in September 2014 with four new topics. The 1492@EnBW initiative won the HR Award in December in the employee commitment category, an honour bestowed by the "Human Resources Manager" trade magazine for outstanding projects in the HR area.

Structure

The innovation process at EnBW



The innovation process is divided into two main thrusts. On the one hand, the area of research and innovation promotes the internal generation of new business ideas and provides new impulses for business and functional units. An important platform of this internal process for the development of ideas is the innovation campus, which commenced its work in the summer of 2014 to promote new business ideas for all customer segments. The second thrust is the opening of EnBW to the outside world under the heading of new ventures. EnBW will increasingly act as a strategic investor for start-up companies with attractive products or ideas and enter into partnerships. In addition, EnBW works together increasingly with external partners in terms of open innovation. An active exchange will occur between both main thrusts to ensure that start-ups benefit from ideas created internally in the company and these small and innovative companies in turn provide business and functional units with new impulses through their know-how. The first results were achieved from this new structure in 2014.

SM!GHT – the intelligent infrastructure

The SM!GHT team joined the innovation campus in July 2014 as the first project. In only four months, an innovative contribution derived from modified street lighting was turned into the modern infrastructure of a smart city – the city of tomorrow. This innovative new technology involves integration of WLAN hardware in an existing street lighting post. The official market launch will take place in April 2015. Pre-testing has already been conducted in Baden-Württemberg with a total of nine pilot municipalities. The multifunctional post will be developed up to the serial production stage in the innovation campus in 2015.

Code_n (GFT Group) as strategic EnBW partner

Under the motto of "Future Mobility", the GFT Group in Stuttgart utilises Code_n SPACES to promote the networking of selected start-ups with industrial partners and their resources, already existing initiatives and other stakeholders in education and politics. The establishment of a start-up southern axis in terms of innovation will be developed together with EnBW as a strategic partner. In addition, EnBW will be presenting innovative projects in the Code_n Hall at CeBIT 2015.

Focal areas and selected results

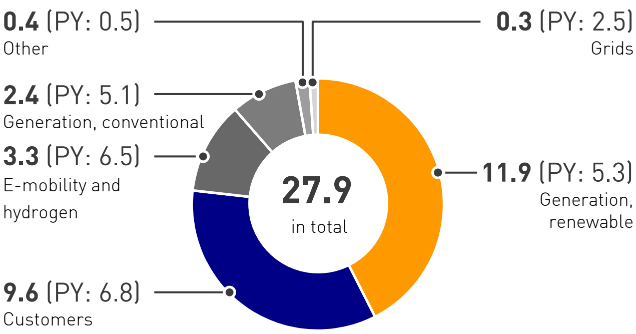
Main thrusts for research and innovation

Key issues	Examples 2014	
Decentralised generation	Heating and electricity with fuel cells	Heating supply for private BrennstoffzellePlus contracting package customers with innovative, low-maintenance technology
	Heating and electricity with micro gas turbines	Efficiency was further enhanced in cooperation with manufacturers in the case of low-maintenance technology for customer power plants (businesses, local authorities)
	Bruchsal geothermal power station	Continuous operation, development of know-how to support local authorities in the exploitation of their own geothermal energy resources
	Bioenergy efficiency	Concepts for customers to increase their level of self-sufficiency in terms of supply based on biogas, sustainable provision of biogas and replacement of fossil fuel natural gas
	Hydrogen	Exploitation and storage tested in EnBW fuelling station in Stuttgart, supply of fuel to public service buses
Energy management	Electromobility	E-mobility solutions for companies, local authorities and suppliers from various research projects (roaming capability of charging plants and charging cards, billing included in test)
	Energy manager	Simple and user-friendly solutions for consumption transparency and energy efficiency, including electricity storage
Virtual power plant	Boxberg pilot scheme	Regional utilisation of surplus green electricity in 150 heat flow plants in Boxberg (northern Baden-Württemberg) and other regions, simultaneous stabilising of electricity grids

Expenditure and personnel

Expenditure for research and innovation

in € million



The EnBW Group spent €27.9 million (previous year: €26.7 million) on research and innovation in the 2014 financial year. EnBW received a government research grant of €3.1 million (previous year: €4.5 million).

38 people were employed in 2014 in the area of research and innovation (previous year: 37). This involves employees in research, the development of new energy solutions and innovation management – supported by numerous students. In addition, 131 employees were involved in research and development projects as part of their operational work.

Procurement

Securing potential

Following conclusion of the "Fokus" efficiency project and the associated centralisation of the procurement organisation, the focus in 2014 was on securing and the further development of the potential developed and further intensification of cooperation with the specialist units.

It proved possible to further expedite development of valid product group strategies throughout the Group as a result of this cooperation. Additional savings were realised for the Group through the harmonisation of specifications and bundling of requirements based on strategic framework agreement partners.

Operative and strategic procurement activities were complemented by rigorous continuation of support for major projects and the opening up of new business areas from project idea to project conclusion by Project Procurement/Claims Management. Contract management and training of specialists were intensified to avoid contractual risks and reduce the level of retroactive claims from suppliers.

Procurement will continue to promote its positioning as a value-adding partner within the Group in 2015. We wish to make a continuing and measurable contribution to company success in cooperation with the specialist units.

Sustainable procurement

Sustainable procurement begins with the careful selection of our business partners. EnBW has established a Group-wide, standardised and optimised pre-qualification process in a company-wide project coordinated by our Central Procurement Department. Our prospective suppliers must undergo a pre-qualification process in which they demonstrate sustainable measures which they take in the areas of data protection, quality management, environmental management as well as occupational health and safety, and how these are developed further. Centralised documenting of certifications enables us to ensure that all the necessary prerequisites are currently met for awarding a contract.

Procurement at EnBW has pledged to ensure system-based documentation of pre-qualification by the end of 2015 encompassing all significant suppliers and all product groups. Over 660 suppliers already successfully passed pre-qualification in 2014 during the start-up.

Enhancing efficiency during cooperation with suppliers

With a view to making EnBW's procurement processes even more efficient and transparent, we are developing an integrated purchasing platform and working on the introduction of automated order processes. On the supplier front, this integrated purchasing platform encompasses standardised pre-qualification, participation in invitations to tender and the submitting of offers, recording of services rendered and an efficient option for informing our suppliers of any changes. All processes can be accessed centrally by our business partners through ePortal.enbw.com.

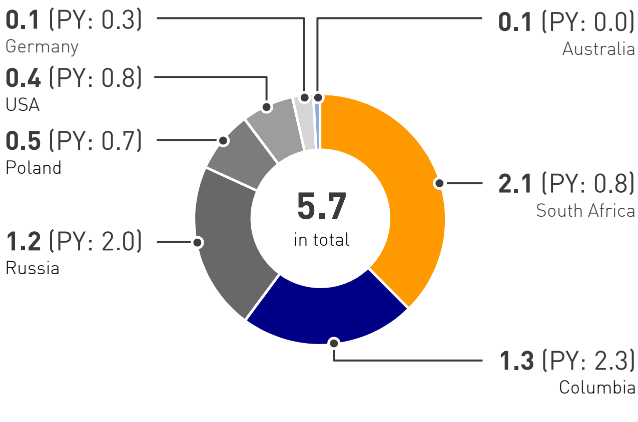
As part of the system launch, we will be rolling out the tendering platform implemented in the reporting year on a broad scale in 2015. Our business partners will therefore be able to avail of an efficient option for the electronic submission of offers and interaction with the Central Procurement Department.

Sustainable raw materials procurement using coal as an example

Origin of coal deliveries

Hard coal will continue to play an important role in future at EnBW in ensuring a reliable and economic supply of electricity. Power station coal is procured from major trading companies and coal producers, with 5.7 million t of coal being delivered to EnBW power stations in 2014. This corresponds to a procurement volume of €321 million. Coal was sourced from seven producing countries. Part of this originated from Australia again for the first time since 2009.

Origin of coal deliveries to EnBW power plants — in millions of tons



EnBW places importance on maintaining a balanced procurement portfolio to avoid dependence on individual producing countries, producers or traders. EnBW covers a larger part of its coal requirements through contracts with trade intermediaries which usually define quality standards but not where the coal originates from. The countries from which the coal deliveries originate only become apparent to us on delivery. In addition, direct business relationships exist with selected coal producers which were further intensified in 2014. You can access more information on coal procurement by EnBW on our website at www.enbw.com/kohlebeschaffung and in our Energiewende blog at www.dialog-energie-zukunft.de/infografik_kohle/.

Introduction of rules of conduct

EnBW strives to structure the generation of electricity from hard coal in as sustainable a manner as possible across the entire value chain. The rules of conduct governing the responsible procurement of hard coal and other raw materials adopted by the EnBW Board of Management in July 2014 form the basis for our activities (www.enbw.com/verhaltenskodex).

We have laid down the requirements to be met by suppliers and business partners in these rules of conduct. EnBW expects observance of the rules of conduct and respect of the principles underlying these in all areas of their business activities, including their own business relationships. Adherence to the rules of conduct will contribute to the improvement of the living and working conditions of people along the value chain and better management of legal, operative and reputational risks associated with coal consumers and producers. The principles of these rules of conduct governing responsible business behaviour are based on recognised international guidelines and standards for the protection of human rights, ensuring the rights of indigenous peoples, improving conditions for employees, environmental protection and guaranteeing good corporate management and compliance. We expect our suppliers and business partners to acknowledge the standards defined in the rules of conduct and take measures to implement these. In particular, the responsibility of companies to acknowledge and respect these standards according to the Guiding Principles on Business and Human Rights of the United Nations applies to every company on an international level.

Observance of these principles will be agreed in future in our raw materials procurement contracts through the inclusion of appropriate contractual clauses. In addition to regular auditing of the sustainability performance of business partners, a multi-stage auditing process will come into force in the event of suspected breaches of the principles which can lead to termination of the business relationship or exclusion from our procurement process.

Implementation of the rules of conduct

Implementation of the rules of conduct is ensured through numerous measures. The sustainability index database for coal producers is currently being revised so that substantial requirements and developments on the part of producers can be integrated more effectively in the decision-making process of the CSR committee for sustainable raw materials procurement. The CSR committee met on six occasions in 2014 to discuss all significant supplier companies on the basis of existing knowledge and findings from the sustainability index. In addition, options for on-site involvement in Colombia, a sourcing country, were the subject of intensive discussion and a variety of options were debated. Moreover, responsibilities and process steps were defined in an implementation guide which edited internal processes in a clear manner for all areas involved in the CSR committee and simplified and clarified consideration during decision-making.

On-site involvement in Colombia

EnBW has gradually expanded its on-site activities in Colombia, one of the most important sourcing countries for hard coal. For example, EnBW gained first-hand impressions of mining and living conditions in the coal mining regions of Cesar and La Guajira in March 2014 during a fact-finding mission which included members of the Board of Management. It also held numerous discussions with producers and a variety of stakeholder groups. EnBW has established a presence in Colombia since June 2014 to intensify the dialogue with stakeholders and examine further measures. The Board of Management decided in December 2014 that EnBW involvement in Colombia should be strengthened further through technical offers. In addition, it was decided to conduct a fact-finding mission in the first half of 2015 together with representatives of the political community and civil society. This will enable the strengthening of core measures for business partner auditing and stakeholder management in a targeted manner through on-site involvement (p. 32 f.).

Business report

Economic and political environment

General conditions

A wide variety of external factors such as developments in the macroeconomic, political and regulatory environments, as well as the market prices for primary energy sources, CO_2 allowances and electricity, have a significant influence on the business performance of EnBW. Demand from industry for electricity and gas is strongly influenced by phases of growth and decline in the macroeconomic environment. In contrast, the energy consumption of private households develops largely independent of the economy. In addition, gas sales depend heavily on weather conditions.

Political decisions at a European and national level – particularly market and competition-based regulations – have an influence on the energy sector. The sociopolitical will, for example, to strengthen the area of climate protection or preserve natural resources, shapes the political and regulatory requirements and the extensive legislative intervention into the energy sector. As a result, EnBW constantly faces new challenges, which it tackles with flexible and sustainable concepts.

In terms of costs and income, market prices for fuel and CO_2 allowances, as well as those on the electricity wholesale market, influence the business performance of EnBW: The key factors determining the variable costs of producing electricity in power plants are the prices of primary energy sources and CO_2 allowances, which must be procured in the context of the European Emissions Trading System for the CO_2 emissions generated during the production of electricity. Alongside fuel and CO_2 prices, the continuous growth in the supply of renewable energies is a factor exerting an increasingly strong influence on wholesale electricity prices, which are decisive for the profitability of the power plants operated by EnBW. EnBW strives to reduce the uncertainty in the generation margin that can arise as a result of price trends for primary sources of energy, CO_2 allowances and electricity on the wholesale markets. The quantities of primary energy sources and CO_2 allowances required for generating electricity are thus procured in advance on the forward market. We sell the planned electricity production on the forward market and through the sales channels utilised by EnBW. Consequently, the terms and conditions of the supply contracts agreed upon in previous years formed the basis for the costs and income in 2014. On the other hand, the development of prices on the forward market in the 2014 financial year will impact earnings in following periods. This relationship is also true on the sales side of the business for the quantities of electricity procured from the company on the forward market.

Economic environment

Macroeconomic trends

The global economy grew in 2014 by 3.3% which was on a level with the previous year. Economic growth in the industrialised countries accelerated a little; although the rate of economic recovery was significantly slower than had been expected at the beginning of the year. Numerous political disputes – primarily in the Middle East, Africa and the Ukraine – and their negative economic effects had an adverse effect on growth. In contrast, a drastic fall in the price of crude oil in the second half of the year provided impetus for growth in the global economy. In Germany, economic growth accelerated from 0.1% in 2013 to 1.6% in 2014. The driving force for this growth was domestic demand, led by private consumption. The number of people in employment reached a new high of 42.7 million, while gross wages and salaries increased noticeably and consumer prices only increased at a moderate level. Other foreign economies that are relevant for the business activities of EnBW also largely experienced positive economic growth.

Development of gross domestic product (GDP)

in %	2013	2014	2015
World	3.3	3.3	3.5
Eurozone	-0.5	0.8	1.2
Germany	0.1	1.6	1.7
Austria	0.2	0.3	0.7
Switzerland	2.0	1.6	1.8
Czech Republic	-0.7	2.6	2.4
Turkey	4.1	3.5	3.5

In 2015, the rate of growth in the global economy is expected to increase slightly to 3.5%. The eurozone will benefit from the continued expansive monetary policy and the depreciation of the euro – as well as from lower oil prices. Economic growth in Germany is expected to be 1.7%. A further increase in private consumption should be increasingly accompanied by a recovery in the level of investment. A low rate of inflation and the continued favourable state of the job market round off this positive situation. In the foreign markets important to EnBW, stable or improved macroeconomic conditions are also expected. However concerning Switzerland, it remains to be seen to what extent the massive appreciation of the Swiss franc, after the cap on its value against the euro was abandoned in January 2015, will have a dampening effect on economic growth.

Demand for energy

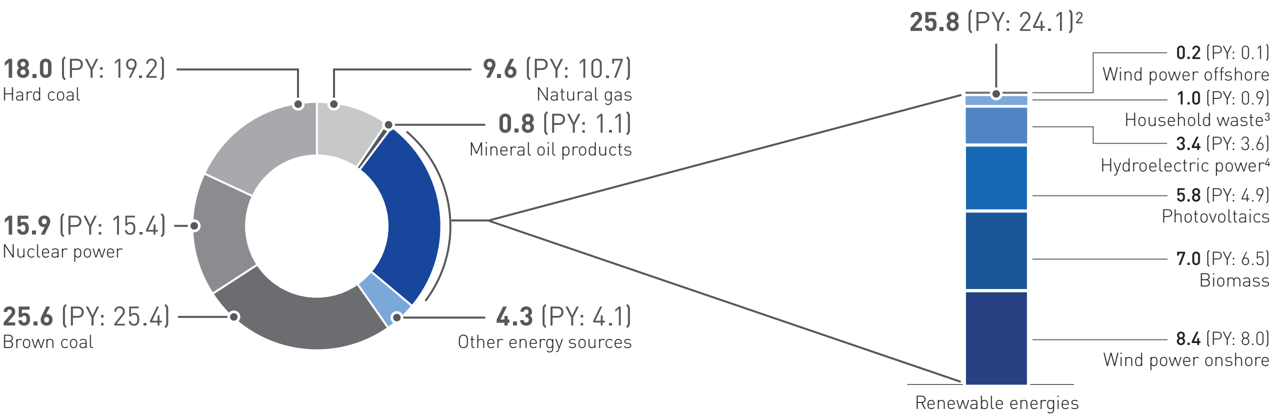
According to preliminary calculations by the German Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen, AGEB), energy consumption in Germany in 2014 was down 4.8% on the previous year. The most important reason for this fall in consumption was a lower demand for heating as a result of the warm spring and mild winter. Despite a moderate level of economic growth, energy consumption adjusted for weather conditions declined by around 1%. The consumption of mineral oil in 2014 was 1.3% below the figure for the previous year. The demand for heavy heating oil fell by 8% and for light heating oil by 14%, while fuel consumption increased by 3%. Gas consumption fell by 14.0%. This decrease was caused by lower gas usage for heating purposes and in combined heat and power plants, as well as by declining production levels in the chemical raw materials industry. The consumption of hard coal decreased by 7.9%. This was primarily due to the lower use of hard coal in power plants for generating electricity and heat. The consumption of brown coal, which is mainly used for generating electricity, fell by 2.3% in 2014 because the electricity production from brown coal power plants decreased by around 3% as a consequence of the overhaul of a number of power plants. The share of nuclear energy in overall energy consumption fell by a further 0.3%. This was in contrast to an increase of 1.4% in the share accounted for by renewable energies. The proportion of renewable energy sources in primary energy consumption increased to 11.1% (previous year: 10.4%). Electricity generated by photovoltaic power plants was almost 14% and by wind power a little more than 1% up on the respective figures in the previous year. In contrast, the electricity generated by hydropower (without pumped storage) fell by 9%. According to information from the German Association of Energy and Water Industries (BDEW), domestic electricity consumption in Germany fell by 3.8% from 599.4 billion kWh in the previous year to 576.3 billion kWh.

Global energy consumption is set to increase by 41% between 2012 and 2035 according to the BP Energy Outlook 2035. While yearly growth rates during this period should reach an average level of 2.3% in the emerging and developing economies, energy consumption in industrial countries is set to virtually stagnate with a yearly growth of 0.2%. In Germany, primary energy consumption and economic output have become largely decoupled in recent years. In the event of economic growth in the medium and long term of 1% per year, a study in June 2014 commissioned by the German Federal Ministry for Economic Affairs and Energy predicts a fall in primary energy consumption of 1.5% per year in the period between 2011 and 2020 and 1.2% per year in the period between 2011 and 2050. Productivity based on primary energy consumption will thus increase significantly. The proportion of renewable energies in primary energy consumption is estimated to rise from 10.8% in 2011 to 18.4% in 2020 and 34.5% by 2050.

Electricity generation and export

According to the BDEW, electricity generation in Germany stood at 610.4 billion kWh in 2014, which was 3.6% below the level in 2013 (633.2 billion kWh). In 2014, German electricity exports exceeded imports by around 34.1 billion kWh. The largest net suppliers of electricity in 2014 were France and the Czech Republic; the highest export surpluses were primarily attributable to the Netherlands, Switzerland, Austria and Poland.

Gross electricity generation according to energy source 2014[1] in Germany in %



[1] Preliminary data, partially estimated.
[2] Deviation in the first decimal place due to rounding differences.
[3] Only generation from the biogenic part of household waste (approximately 50%).
[4] Generation in run-of-river/storage power plants, as well as generation from pumped storage power plants using the natural flow of water.

Source: AGEB, As of: December 2014

Gas procurement

Long-term procurement agreements form the basis of gas imports to Germany. According to preliminary data from the BDEW, 38% of Germany's natural gas supply was sourced from Russia in 2013 (previous year: 33%), 20% from Norway (previous year: 25%) and 26% from the Netherlands (previous year: 26%). The share of domestic production in relation to total supply amounted to 10% in 2013 following 11% in the previous year. As an alternative to transmission via pipelines, importing liquefied natural gas (LNG) can open up access to gas producing regions that are not linked by pipeline to the European market. This alternative means of procurement is increasingly gaining importance as new import terminals go into operation.

Price trends for primary sources of energy, CO_2 allowances and electricity

In the 2014 financial year, the average prices for oil, coal, gas and electricity on the spot market were below the level in the previous year. The price for CO_2 allowances in 2014 fluctuated significantly below the level in the previous year.

Oil market: Oil prices (front month) fluctuated within a range of US$115/bbl to US$57/bbl in 2014. Despite the continuing geopolitical tensions, there was only lateral movement up to the middle of June within a relatively small range at around the same level as in the previous year. In the second half of 2014, oil prices fell significantly against the background of a strongly appreciating US dollar, the subdued global economy and the associated restrained growth in the demand for oil, the abundant reserve capacities of OPEC and the considerable expansion of oil production in the USA. The gradual reversal of the expansive US monetary policy was also reflected in a reduction of long positions held by speculative market participants. As a result, the price of oil fell strongly in the second half of 2014. The decision by OPEC to nevertheless keep production levels constant had an additional downward effect on prices. The average price of oil fell in 2014 to US$99.45/bbl, compared to US$108.70/bbl in the previous year. The price trend on the forward markets largely followed the price fluctuations on the spot market. As a result of the current oversupply on the global oil market, forward market prices are experiencing contango and point to the fact that market participants expect higher oil prices again in the future. The front month price at the end of 2014 was US$57.33/bbl (previous year: US$110.80/bbl). The front year price stood at US$62.71 /bbl (previous year: US$102.88/bbl). The expectation of higher prices in the future reflected in the contango point to the fact that market participants also anticipate a more equal balance between supply and demand in the future.

Coal market: The mild winter 2013/2014 in Europe and China, the devaluation of numerous currencies against the US dollar in emerging economies and slower growth in the demand for coal in China led to a drop in price on the spot market for coal in 2014. Tensions in the Ukraine and a slight increase in freight prices led to a moderate increase in prices at the beginning of the third quarter, which was quickly corrected, however, due to the generally good supply situation on the world market, high stock levels and rumours of imminent restrictions on Chinese coal imports.

The forward market prices are currently in contango and have thus pointed since the third quarter of 2014 to an expectation of moderate increases in coal prices in the future. However, this market expectation is subject to risk: The growth in demand in important countries such as China and India is above all dependent on the rate of growth in these economies. Further devaluations of the currencies in emerging countries would also tend to have a negative effect on coal prices. Another factor that could lead to falling prices are plans by the American and Chinese governments to reduce or limit the emissions caused by coal-fired power generation. Furthermore, demand from Japan will fall due to the gradual return to the use of nuclear energy. Finally, a significantly higher price for CO_2 allowances in Europe due to backloading will result in a fall in demand and thus to lower prices for coal. The spot price at the end of 2014 was US$66.89/t (previous year: US$82.59/t). The front year price stood at US$66.91/t (previous year: US$82.35/t).

Development of prices on the oil and coal markets

	Average 2014	Average 2013
Crude oil (Brent) front month (daily quotes in US$/bbl)	99.45	108.70
Crude oil (Brent) annual price front month (daily quotes in US$/bbl)	98.72	103.14
Coal – API #2 annual price front year in US$/t	75.24	81.67

Gas market: Long-term gas import contracts form the primary basis of Germany's gas supply. Prices primarily track the oil price trends with a time lag. The border price index for natural gas published monthly by the German Federal Office for Economic Affairs and Export Control (BAFA) stood at €23.52/MWh in November 2014, which was 13% below the December 2013 figure (€27.03/MWh). The wholesale markets, such as the Dutch Title Transfer Facility (TTF) and the trading point of the NetConnect Germany (NCG) market area, are other important sources of natural gas.

2014 was the warmest year in Germany since records began, which was reflected in a significantly lower consumption of gas. As a result, the average spot and forward prices on the TTF fell significantly in 2014: In 2014, the average spot price stood €6.15/MWh below and the forward price for the 2015 calendar year €1.70/MWh below the prices in the previous year. Following the warm winter, there were high gas storage levels in spring/summer 2014 and the demand from the gas storage market remained slow. In addition, the conflict in the Ukraine led to a moderate risk premium on the spot and futures markets throughout spring/summer. Nevertheless, the average forward price for deliveries in 2015 remained lower than the level in the previous year.

Development of prices for natural gas on the TTF (Dutch wholesale market)

in €/MWh	Average 2014	Average 2013
Spot	20.88	27.06
Front year	24.36	26.58

Market participants are expecting slightly higher prices over the next few years on the gas market; gas prices between the 2016, 2017 and 2018 calendar years are in contango. However, stable or falling prices are more likely in the short term as the gas storage facilities in Germany are well stocked. Moreover, further expansion in renewable energies will also induce a lower structural demand for gas in Europe, since such expansion will primarily reduce the periods when gas power plants are utilised.

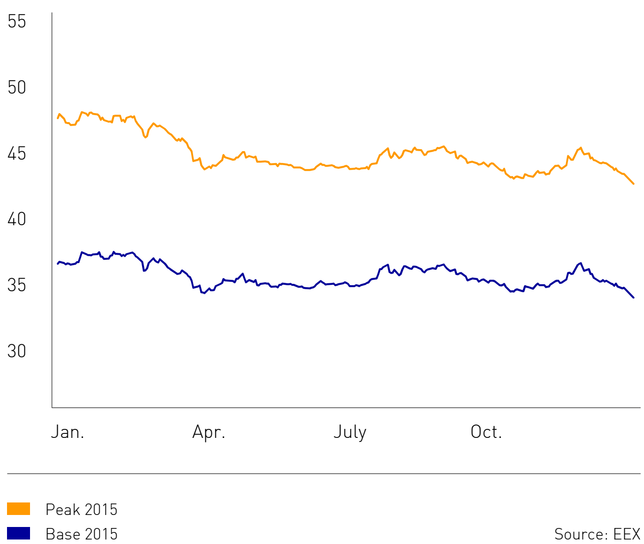
CO_2 allowances: Under the European Emissions Trading System, proof must be provided of allowances for the amount of CO_2 emissions from power plants. After the price of emission allowances fell significantly during the course of 2013 due to the oversupply of these allowances, the prices for CO_2 allowances (EU Allowance – EUA) rose sharply during the course of 2014 to over €6/tCO_2 after the EU resolution on backloading. The mild winter, however, also had an effect on the market for CO_2 allowances. Lower electricity consumption and a tighter Clean Dark Spread led to reduced demand for EUAs. The average price for EUAs stood at €5.96/tCO_2 in 2014, which was around 27% above the average price for the same period in the previous year of €4.69/tCO_2. In general, the price of Certified Emission Reductions (CERs) trades largely in parallel with the price of the EUAs. As a result of the limited validity of CERs in the EU Emissions Trading System, demand is, however, lower and prices are generally below those for EUAs. CER prices have remained considerably below €1/tCO_2 since the end of 2012 and reached a new record low of €0.07/tCO_2 in 2014. The future development of prices for CO_2 allowances will be influenced mainly by the volumes of fossil fuels used and the resulting emissions, as well as by political interventions into the market mechanism such as by limiting the supply through the introduction of a Market Stability Reserve (MSR). On the demand side, there is currently no indication of a significant increase in the use of fossil fuels. Any developments in the supply of these allowances is dependent, amongst other things, on when and to what extent a Market Stability Reserve is introduced.

Development of prices for emission allowances/daily quotes

in €/tCO_2	Average 2014	Average 2013
EUA front year	5.96	4.69
CER front year	0.17	0.47

Electricity wholesale market: In 2014, the average price of €32.76/MWh for the immediate delivery of electricity (base load product) on the spot market of the European Energy Exchange (EEX) stood at around €5/MWh or 13% lower than the average price of €37.78/MWh in the previous year. Four factors were primarily responsible for this development: a lower demand for electricity due to the weather in the first quarter, significantly higher feed-ins from wind and solar power sources of renewable energy, the commissioning of new coal power plants and the lower prices for fuels – particularly short-term prices for coal – in the reporting period compared to the same period in the previous year.

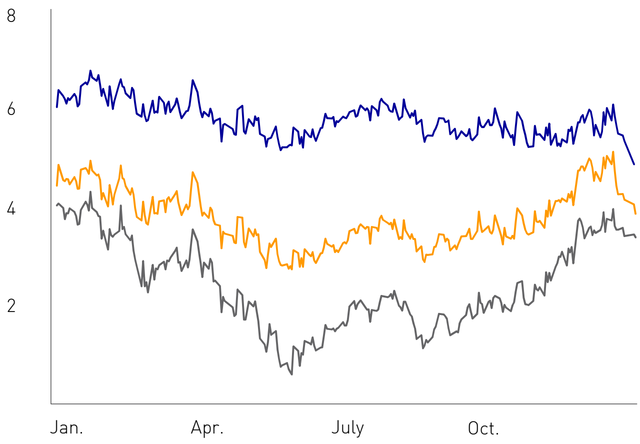
Forward market price trend of electricity (EEX) Daily price quotations in €/MWh



Source: EEX

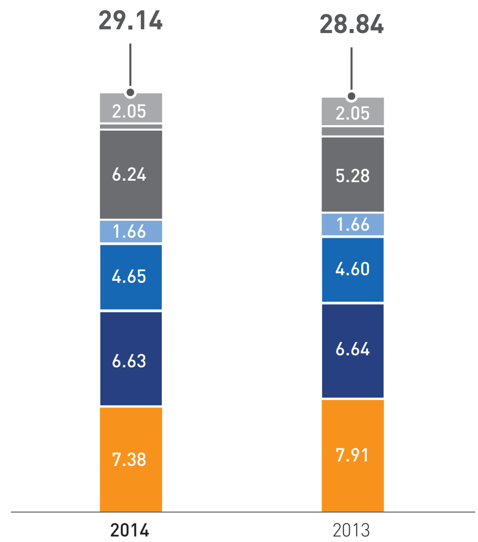
Forward market prices for electricity for 2015 and 2016 at the end of 2014 stood at €33.44/MWh and €32.87/MWh, respectively – compared to an average spot price in 2014 of €32.76/MWh. This forms the basis for the expectation that there will be roughly comparable earnings from the sale of electricity in later years. On the supply side, this expectation is supported, on the one hand, by an expectation of slightly higher coal prices in the future and, on the other hand, by the expansion of renewable energies and the commissioning of new conventional power plants. An increased demand for electricity due to economic developments – especially from industry – is only expected to have a minor effect on the stabilisation of electricity prices.

Clean Dark Spreads (base) in €/MWh



Standard power plant, degree of efficiency 36%

Average electricity price for a 3-person household (annual consumption of 3,500 kWh) in ct/kWh



[1] Use of the German Compensation Mechanism Ordinance (AusglMechV) since 2010.

Source: BDEW, As of: October 2014

The energy generation spreads (E Clean Dark Spreads – CDS) for standard coal power plants resulting from the forward prices for electricity, coal and CO_2 – based on an efficiency level of 36% – indicated a period of E backwardation with an annual average of €5.77/MWh for the 2015 delivery year and only €2.79/MWh for the 2017 delivery year. Therefore, the CDS in the reporting period for the 2015 delivery year was slightly above the average value for 2013. In contrast, the CDS for the 2016 and 2017 delivery years was below the level in the previous year; the decrease was particularly high for the 2017 delivery year at around 40%.

Electricity and gas prices for retail and industrial customers

According to an analysis of electricity prices by the German Association of Energy and Water Industries (BDEW) published in December 2014, the average monthly electricity bill for a household with an annual consumption of 3,500 kWh in 2014 came to €84.99 compared to €84.13 in the previous year. Taxes and levies accounted for more than half of this amount. As a result of lower procurement costs, EnBW was able to keep electricity and gas prices relatively stable for most customers in 2014. Heat transfer applications were an exception and prices rose in this area by between 2.1% and 2.4% at the turn of the year 2013/2014.

In the case of industrial customers receiving a medium-voltage supply, the average electricity price including electricity taxes increased according to calculations made by the BDEW by 1.1%, from 15.11 ct/kWh in the previous year to 15.28 ct/kWh in 2014.

According to calculations by the German Federal Statistical Office, natural gas prices for private households in 2014 rose by 2.6% compared to the value in the previous year; in contrast, the price of natural gas for industrial customers fell by 4.6%.

Political and regulatory environment

European energy policy

The new EU Commission under Commission President Jean-Claude Juncker officially started its term of office on 1 November 2014. The newly merged department of Energy and Climate Action, headed by Energy Commissioner Miguel Arias Cañete from Spain, is responsible for energy policy. The Vice-President for Energy Union, Maroš Šefčovič from Slovakia, has the task of ensuring the European energy policy is coordinated with other policy areas. One of the main focuses here is to improve the external security of supply. In an analysis of the situation regarding security of supply, a gas stress test demonstrated that an interruption to supply would have a serious impact, which could however be significantly reduced using cooperation mechanisms between the member states.

European Internal Energy Market: The EU Commission published state aid guidelines at the beginning of April 2014. For Germany, this did not require any additional amendments to the E German Renewable Energies Act (EEG) above and beyond the reform already intended. Any concerns held by the European Commission that imported green electricity would be burdened by the E EEG cost allocation system without at the same time benefiting from any financial support offered by the EEG were allayed. In return, the European Commission approved the EEG 2014. The European Commission has also now ended the state aid proceedings initiated in December 2013 against the EEG 2012. The commission regards it as state aid but aid that has been approved. The informal agreement reached calls only for small, symbolic sums to be repaid.

The new European Commission is expected to issue a statement on the retail energy market and the future role of distribution grid operators in the second quarter of 2015. It will probably focus on necessary changes to the existing design of the market and regulatory requirements, such as the ongoing debate in Germany about the capacity markets.

Energy and climate strategy: At the end of February 2015, the European Commission will present its energy and climate policy goals including a concrete plan of action for the next few years. Special focus will be placed on the security of supply and external energy policy and also on the actual implementation and broadening of the rules within the internal market, improvements to energy efficiency and the expansion of renewable energies.

Framework for climate and energy policy 2030: The agreement reached at the summit meeting on 23/24 October 2014 by the EU heads of state and government on the climate and energy policy is extremely welcome in the view of EnBW, particularly the agreement on the reduction of greenhouse gas emissions within the EU by at least 40%. However, it will only be possible to evaluate the effects of the detailed arrangements in the agreements made to satisfy the demands of industry and above all the Eastern European states once they take concrete form. The target for the expansion of renewable energies at an EU-wide level is disappointing at only 27%. Despite the binding nature of this target, EnBW nevertheless considers it to be insufficient to guarantee that all member states contribute reliably and with equal effort. In addition, a non-binding target of an increase in energy efficiency of at least 27% with a possible increase to 30% after a review in 2020, as well as increased efforts to expand cross-border interconnection capacities between member states, were agreed. However, the policy will continue to be reviewed, particularly in light of the results of the United Nations Climate Change Conference in Paris at the end of 2015. Concrete legislative proposals for the implementation of the 2030 strategy will not follow until 2015 or 2016.

Emissions Trading System: The proposed amendment to the Emissions Trading Directive, which was already negotiated during the legislative procedure, to include the introduction of a Market Stability Reserve (MSR) is generally to be welcomed. In order to provide substantial support for emissions trading in the short term, however, the complete removal of at least 1.4 billion emission allowances would be required in the view of EnBW, or at the very least – as also called for by the German government and a growing number of member states – the early introduction of the MSR with the immediate adoption of the reduced quantity of allowances as a result of backloading. However, the outcome of this process, which is not anticipated to end before the summer of 2015 at the earliest, cannot yet be predicted despite the positive signs in terms of the position held by EnBW. In order to prepare for a further reform of the Emissions Trading Directive for implementing the 2030 strategy, the European Commission already initiated a consultation on the subject in the middle of December 2014.

Financial services legislation: The legislative procedure for the Markets in Financial Instruments Directive (MiFID 2) was concluded in the first half of 2014. It was possible to agree some positive fundamental provisions here, particularly in terms of exemptions for the energy sector, although they still need to be specified in more detail in the subsequent legislative process. Another central issue is the still outstanding question of when electricity and gas transactions are to be classified as financial instruments. This will have a significant impact on both the scope of the MiFID and on the regulation governing the trading of OTC derivatives (EMIR), as well as on the ordinance governing energy market integrity and transparency (REMIT). A number of legislative processes are still also ongoing here to define how this regulation will be implemented in law, particularly when it comes to reporting obligations, which will have a significant impact both on costs and business operations.

Nuclear liability and insurance: A non-legislative statement on liability and off-site emergency preparedness in the nuclear sector is expected in the first quarter of 2015. The objective is to introduce European-wide standards in both fields. Depending on the standards agreed, this could change the liability and insurance costs for EnBW.

German energy policy

Energiewende/amendment to the German Renewable Energies Act (EEG): The amended EEG came into force on 1 August 2014. It includes improved control of volumes generated for the further expansion of renewable energies and prepares the way for changing the method of funding for renewable energies to an auction system by 2017 at the latest. Some initial experience with the system will be gained during a pilot auction for open-field photovoltaic plants. The corresponding ordinance was agreed by the German Federal Cabinet on 28 January 2015. It stipulates that the German Federal Network Agency will carry out the first auctions on 15 April 2015. EnBW was involved in the preceding consultation process and plans to participate in the auction.

Reserve power plants: As a result of the general economic conditions, conventional power plants are being increasingly forced into becoming permanently unprofitable and must therefore be gradually decommissioned. In order to prevent the closure of system-relevant power plants, the law intends to obligate operators to maintain the operational readiness of these facilities as reserve power plants. In this context, the power plant operator has a right to be reasonably reimbursed for the costs that arise as a result of this obligation. For power plant operators, the reimbursement of the full costs, including the returns on their invested capital, will be necessary because the financial burden will soon become unsustainable for companies in the sector. EnBW will be unable to make further investment decisions until there is sufficient confidence about future energy policy conditions.

Design of the electricity market: The German government published a “Green Book” of proposals for the future design of the electricity market at the end of October 2014. It contains various options for the future design of the electricity market.

The public consultation will then be followed by a white paper in May 2015 that will contain concrete legislative proposals. The German government has made it clear that they will in any case reform the Energy-only-Market (EOM 2.0) and introduce a capacity reserve. More detailed questions are still to be clarified. This is welcomed by EnBW. There is currently no need for a complete reorientation of the design of the market in the sense of introducing capacity markets. We view the introduction of a reserve and the reform of the EOM as a low risk and inexpensive option for continuing to ensure a secure supply by strengthening market forces.

Ultimate storage: A government/federal state commission has continued its work on the selection of sites. Criteria for an ultimate storage site for highly radioactive waste are due to be defined on the basis of the Site Selection Act by 2016. In addition, transports from the reprocessing plants to the Gorleben interim storage site are to be discontinued. Therefore, the German government has reached an agreement with France that the return of the waste stored at the La Hague reprocessing plant will not take place before 2016.

Climate Protection Action Programme 2020: The Climate Protection Action Programme was approved by the German Federal Cabinet on 3 December 2014. It envisages, amongst other things, further reductions in CO_2 emissions from conventional power plants to the amount of 22 million tonnes of CO_2 by 2020. A law, whose key points will be presented in the first half of 2015, is expected to finalise the details – with its content linked to the decisions being made about the future design of the electricity market. Without this action programme, Germany is in danger of missing its national greenhouse gas reduction target of 40% by 2020 (compared to the reference year of 1990), according to a projection report commissioned by the German government, and will only achieve a figure of between 32 and 35%. This shortfall is to be plugged by a programme of measures to be applied across the energy sector. The largest contribution will be made by energy-efficiency measures. EnBW welcomes this initiative but nevertheless supports above all the idea of exploiting the untapped potential for reducing greenhouse gases outside of the ETS sector (Emission Trading System): Alongside a rapid and ambitious reform of the ETS, EnBW believes that increasing the electrification of heating and mobility, in combination with strong incentives for energy conservation, is key to achieving Germany's climate protection goals.

National Energy Efficiency Action Plan: The German government adopted a National Energy Efficiency Action Plan on 3 December 2014. It will be used to implement central requirements of the EU Energy Efficiency Directive to improve energy efficiency in Germany, as well as for the achievement of the German efficiency targets (20% less primary energy consumption by 2020 in comparison to 2008). The main focus of this action plan will lie in reducing final energy consumption, particularly in the heating sector. Furthermore, the German government plans to introduce other initiatives to stimulate the market for energy services. The key measures in the action programme include, in particular, tax incentives for the renovation of buildings to make them more energy efficient, an expansion of the building renovation programme, the introduction of an energy-efficient tendering model (with the focus on electricity) and the expansion of the guarantee provisions for contracting agreements.

Basic Supply Ordinances for Electricity and Gas (StromGVV, GasGVV): The Basic Supply Ordinances for Electricity and Gas came into force on 30 October 2014. Despite the large number of grids, the current version of the reform means that EnBW will still just about be able to implement these new, extended requirements for transparency in practice without any significant additional costs.

Renewable Energy Heating Law for Baden-Württemberg (EWärmeG BW): The Council of Ministers approved the reform of EWärmeG BW in the German Federal Cabinet on 9 December 2014. The parliamentary procedure for EWärmeG is due to be concluded during the first half of 2015. The law is due to come into force on 1 July 2015. The inclusion of non-residential buildings, an increased level of openness for technology and the integration of an individual renovation schedule into the law could additionally promote some of the business models pursued by EnBW.

Increase to the water extraction charge (WEE BW) in Baden-Württemberg: The two-stage increase to the WEE BW was approved by the state parliament of Baden-Württemberg on 12 December 2014 as part of a law accompanying the state budget. The State of Baden-Württemberg intends to use the money raised in order to finance measures in the area of flood protection. The water extraction charges will be increased on 1 January 2015 for public water supplies and on 1 January 2019 for, amongst other things, the extraction of water for cooling purposes. In addition to the law accompanying the state budget, the state parliament decided that the state government will assess the second stage of the increase to the WEE BW in good time before 2019 to take into account the general conditions in the energy industry at that time.

Regulation of the electricity and gas markets

Network charges for electricity: The second regulatory period began on 1 January 2014. As a result of the still outstanding settlement of the regulatory account, not all of the electricity distribution system operators have received their final notification on the upper revenue limits from the German Federal Network Agency (BNetzA). Therefore, there may still be slight differences between the preliminary and the final upper revenue limits.

Electricity Network Development Plan (NDP) 2014/2015, Offshore Network Development Plan (O-NDP) 2014/2015 and the Federal Requirements Plan: The network development plans describe the necessary expansion of the electricity grids and the expansion plans for the connection lines for the offshore wind farms in the North Sea and the Baltic Sea in the coming 10 and 20 years, respectively. These plans are created on an annual basis by the four German transmission system operators (TSO). Considering the views of the interested general public is a integral part of this process.

The current draft version of NDP Electricity 2014 takes into account the new version of the Renewable Energies Act (EEG) that has been in force since August 2014. On this basis and according to calculations made by the TSO, there is a requirement for 3,800 km of new transmission routes and for the reinforcement of around 5,300 km of existing routes. In the process, the great necessity for the transmission of electricity between north and south Germany should be fulfilled through high-voltage direct-current transmission lines (HVDC) or direct-current lines (DC). Our grid subsidiary TransnetBW is responsible for the optimisation and expansion of the high-voltage grids in Baden-Württemberg and is involved, for example, in the HVDC projects ULTRANET and SuedLink.

The expansion requirements for the offshore grid are dependent on the predicted additional output from wind power plants at sea. According to the draft O-NDP 2014, the requirement is between 1,055 km and 2,555 km.

The draft NDP and O-NDP developed by the TSO will be examined by the BNetzA and are subject to a new public consultation. The assessment by the authorities is not, however, expected before February 2015. A new Federal Requirements Plan must be drafted by the BNetzA at the latest on the basis of the NDP 2015 and the O-NDP 2015. The associated framework scenario, which acts as the foundations for these network development plans, was confirmed by BNetzA on 19 December 2014.

Network Development Plan (NDP) Gas 2014/2015: In April 2014, the German transmission system operators (FNB) submitted to the BNetzA the draft of the NDP Gas 2014, which envisages in total more than 50 measures for the expansion of the national gas infrastructure over the next ten years. The volume of investment for the planned expansion comes to around €1.8 billion up to 2019, and will rise to a total of €3.1 billion by 2024. In particular, major expansion measures are planned in the south-east and north-west of Germany. The authorities listened to the opinions of all current and potential users of the network on the plan and approved it on 17 November 2014 complete with a relevant request for a change. This obligates the FNB to remove 5 of the 56 previously proposed network expansion measures from the NDP Gas 2014 because the assumed increases in consumption were not plausible in the view of the authorities.

The process for compiling the NDP 2015 began in July 2014 with the publication of the framework scenario on which it is based. In November 2014, the BNetzA confirmed the basic scenarios they received together with a request for changes. The changes call for the development of criteria for a method to model temperature-dependent fixed capacities for storage tanks and for dynamically changing capacities for power plants. In addition, it should be highlighted in this context that a variant should also be used to model the requirements of the downstream grids, in contrast to the proposals of the transmission system operators, which is based on the plausible long-term forecasts of the distribution system operators. A first draft of the NDP 2015 based on the scenarios is expected from the FNB in February 2015.

Smart metering systems: The introduction of smart metering systems is anchored in law in Germany. A cost-benefit analysis carried out by the German Federal Ministry for Economic Affairs and Energy (BMWi) calls for the installation of smart metering systems in certain cases. The details are due to be finalised in the form of a package of ordinances. As part of this package of ordinances, the EU notification procedure for the metering system ordinance was concluded in the autumn of 2013. There have been no further draft ordinances presented by the BMWi for discussion since then. The BMWi currently plans to present the ordinances to the German Federal Cabinet in April 2015 and for them to be read in the German Bundesrat in June 2015. Therefore, the package of ordinances is not expected to be made law until the third quarter of 2015 at the earliest.

Development of the sector and the competitive situation

The energy sector is undergoing a period of radical change. In Germany, the Energiewende is fundamentally changing the political and regulatory conditions, while the structure of the market and the competition are in a state of flux. In the area of generation, the rise in renewable energies is reshaping the energy landscape. On the sales side, competition in business with private and industrial customers remains acute in both the electricity and gas sectors: The number of suppliers from outside the sector is increasing and customers have a very high level of price sensitivity. Many cities and communities are also pursuing the re-municipalisation of their electricity, gas and water supplies. In this challenging environment, companies in the sector need to review their business models and orientate themselves to the new market conditions (p. 14 f. and 20).

The competitive environment in the B2C sector is dominated by companies such as Vattenfall Europe, E.ON Bayern and Süwag Energie, discounters such as Extraenergie, Eprimo or Stromio, as well as a large number of public utilities. In addition, we are more strongly engaged in competition with companies that do not belong to the traditional energy supply companies, such as Deutsche Telekom.

The largest competitors in the B2B sector are E.ON, RWE and Vattenfall including their subsidiaries, as well as regional suppliers, redistributors and public utilities. Furthermore, international companies such as GDF Suez, Enovos, Shell, Total and Wingas also operate nationwide. The already fierce competition is further intensified by solution-based products such as energy advisory services or contracting. Moreover, competition for prestigious customers is also very pronounced. Decentralised energy systems are considered to be the most important market in the field of energy services, closely followed by measures to enhance energy efficiency. The areas of "Smart World" and "Electromobility" offer great potential in the medium term. Owing to enormous differentiation possibilities in conventional business fields, competition is tough in this strongly fragmented market.

The EnBW Group

Financial and strategic performance indicators

Results of operations

Trading activities drive electricity and gas sales

Electricity sales by the EnBW Group

in billions of kWh	Sales		Grids		Renewable Energies		Generation and Trading		Total		Change in %
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
Retail and commercial customers (B2C)	15.8	17.2	0.0	0.0	0.0	0.0	0.0	0.0	15.8	17.2	-8.1
Business and industrial customers (B2B)	31.2	33.9	0.0	0.0	0.0	0.2	0.0	2.2	31.2	36.3	-14.0
Trade	0.6	0.6	12.1	12.8	4.0	3.6	74.5	57.5	91.2	74.5	22.4
Total	**47.6**	**51.7**	**12.1**	**12.8**	**4.0**	**3.8**	**74.5**	**59.7**	**138.2**	**128.0**	**8.0**

As a result of higher trading volumes, the electricity sales of the EnBW Group in the 2014 financial year were higher than the value achieved in the previous year. The effects of this increase in sales in the trading sector on the earnings potential of the company are however limited. The sales volumes in both business with retail and commercial customers (B2C) and with business and industrial customers (B2B) continued to decline. The cause of this fall in sales was primarily the mild temperatures in the spring and winter of 2014, as well as the persistently challenging competitive environment and growing levels of energy efficiency. Due particularly to the unforeseeable mild weather conditions, the fall in sales in both sectors was greater then expected (forecast 2014: 0% to -5%).

Gas sales of the EnBW Group

in billions of kWh	Sales		Generation and Trading		Total		Change in %
	2014	2013	2014	2013	2014	2013	
Retail and commercial customers (B2C)	8.7	10.1	0.0	0.0	8.7	10.1	-13.9
Business and industrial customers (B2B)	62.4	57.6	0.0	0.0	62.4	57.6	8.3
Trade	0.7	0.9	44.7	31.4	45.4	32.3	40.6
Total	**71.8**	**68.6**	**44.7**	**31.4**	**116.5**	**100.0**	**16.5**

The gas sales of the EnBW Group increased significantly compared to the previous year. The expansion of the company's trading activities and higher sales to business and industrial customers contributed to this increase. In the B2B sector, it was possible to particularly increase sales to large redistributors. Overall, business in the B2B sector developed in line with our expectations (forecast 2014: +5% to +10%). In business with private customers, the sales volumes fell in contrast to our forecast (forecast 2014: 0% to +5%). These sales were especially affected by the higher average temperatures in spring and winter compared to the previous year. After adjustments for temperature, B2C sales were higher than in the previous year and thus in line with our forecast.

External revenue increased due to growth in trading activities and higher EEG revenue

External revenue of the EnBW Group by segment

in € million[1, 2]	2014	2013	Change in %
Sales	9,066.8	9,568.4	-5.2
Grids	6,230.5	5,707.6	9.2
Renewable Energies	407.4	372.3	9.4
Generation and Trading	5,290.1	4,888.3	8.2
Other/Consolidation	7.7	8.2	-6.1
Total	**21,002.5**	**20,544.8**	**2.2**

[1] The figures for the previous year have been restated.
[2] After deduction of electricity and energy taxes.

Sales: The fall in revenue in the Sales segment was especially due to the lower sales volumes for electricity.

Grids: Revenue in the Grids segment grew significantly mainly as a result of higher EEG revenues.

Renewable Energies: The increase in revenue in this segment was due, on the one hand, to the sale of two solar parks that had been planned and constructed by EnBW. In addition, the increase in sales also had a positive effect.

Generation and Trading: In the Generation and Trading segment, revenue increased principally as a consequence of growth in trading activities in the electricity and gas businesses.

Material developments in the income statement

The positive balance from other operating income and other operating expenses stood at €173.2 million in the 2014 financial year in comparison to the level achieved in the previous year of €12.9 million. This was primarily due to a write-up on generation facilities in the second half of 2014, caused predominantly by the development of market interest rates. An increase in the cost of materials by 2.5% to €17,511.7 million was mainly due to an increase in Group revenue. In addition, these items included increased provisions for onerous contracts for long-term electricity procurement agreements in comparison to the previous year. The significant increase in write-downs from €975.6 million in the previous year to €2,137.2 million in the reporting year was primarily the result of impairment losses on the generation portfolio in the first half of 2014. The investment result of €25.6 million was primarily influenced by a write-down on our associated company in Turkey in the reporting year, after a write-up on the same investment had resulted in a positive effect in the previous year. The improvement in the financial result by €317.6 million to €-635.4 million was mainly contributed to by lower ongoing interest expenses for pension provisions and lower interest expenses for the payment of tax arrears in comparison to the previous year. Furthermore, there were lower interest expenses from an adjustment to the interest rate for provisions relating to nuclear power compared to the previous year. While the interest rate fell from 5.4% to 5.0% in the previous year, the adjustment in the reporting period was only 0.2 percentage points (from 5.0% to 4.8%). Earnings before tax (EBT) fell overall in comparison to the figure from the previous year from €170.7 million by €780.4 million to €- 609.7 million. You can find the complete consolidated financial statements at www.enbw.com/report2014-downloads.

Earnings fall significantly

The Group net loss attributable to EnBW AG shareholders for the 2014 financial year was €450.7 million, compared with a Group net profit of €51.0 million in the previous year. Earnings per share for 2014 stood at €-1.66 (previous year: €0.19).

Adjusted earnings and non-operating result

The sustainable profitability of operating activities is of particular importance for the internal management and external communication of the current and future earnings potential of EnBW. The operating result is disclosed in the form of adjusted EBITDA – earnings before interest, tax, depreciation and amortisation and adjusted for extraordinary items – which we use as a key reporting indicator. The extra-ordinary items are presented and explained in the section "Non-operating result".

TOP Adjusted EBITDA and the TOP share of the adjusted EBITDA accounted for by the segments

Adjusted EBITDA of the EnBW Group by segment

in € million[1]	2014	2013	Change in %	Forecast 2014
Sales	230.6	227.1	1.5	+10% to +20%
Grids	886.3	961.8	-7.8	-5% to -15%
Renewable Energies	191.4	220.2	-13.1	-5% to -15%
Generation and Trading	899.5	839.0	7.2	0% to -5%
Other/Consolidation	-40.4	-23.4	-72.6	–
Total	**2,167.4**	**2,224.7**	**-2.6**	**0% to -5%**

[1] The figures for the previous year have been restated.

Share of the adjusted EBITDA accounted for by the segments in the EnBW Group

in %	2014	2013
Sales	10.6	10.2
Grids	40.9	43.2
Renewable Energies	8.8	9.9
Generation and Trading	41.5	37.7
Other/Consolidation	-1.8	-1.0
Total	**100.0**	**100.0**

The adjusted EBITDA for the EnBW Group fell slightly in the 2014 financial year in line with our expectations.

Sales: The adjusted EBITDA for the Sales segment stood slightly above the level in the previous year but was lower than forecast. The positive development in the area of electricity sales resulted from optimisation measures in the customer portfolio as part of the implementation of the EnBW 2020 strategy, as well as from cost-efficiency measures. In contrast, the result for gas sales was below the level for the previous year due to the exceptionally mild winter. In addition, our expected earnings from the increased marketing of decentralised solutions did not materialise, particularly in the last quarter of 2014. These effects were also the reason why we were not able to achieve our forecast. The segment's share of the adjusted EBITDA for the Group increased slightly in comparison to the previous year.

Grids: In the Grids segment, the adjusted EBITDA fell compared to the previous year as expected. This was due, on the one hand, to the start of the second regulatory period, which resulted in the discontinuation of extraordinary items from the first regulatory period in the distribution grid that had a positive effect in the previous year. In addition, lower distribution volumes in the gas business due to weather conditions, and the associated declining income from the use of the grid, had a negative effect on the result. However, this was offset by positive earnings effects due to lower prices for E operating reserves and transmission losses. Accordingly, the share of the adjusted EBITDA for the Group accounted for by this segment fell.

Renewable Energies: Contrary to our original forecast (+5% to +15%), the adjusted EBITDA for the Renewable Energies segment in 2014 was below the level in the previous year, although still in line with our revised forecast made during the year. The revised forecast was mainly due to the delay in ramping up our offshore wind farm EnBW Baltic 2, which will only start operating in 2015. In comparison to the previous year, lower electricity generation and lower electricity prices had a predominantly negative effect on the earnings of our run-of-river power plants. These effects had an impact on the share of the adjusted EBITDA for the Group accounted for by this segment, which fell in comparison to the previous year.

Generation and Trading: In the Generation and Trading segment, the adjusted EBITDA improved compared to the previous year against our expectations. It was possible to compensate for the lower E base prices in electricity production from nuclear power and brown coal power plants due to the following positive effects:

- The commissioning of RDK 8 with a significant rise in efficiency made it possible – despite the falling E Clean Dark Spread on the market – to improve the margins in comparison to the previous year
- The reimbursement of costs in the second half of 2014 as part of the reserve power plant legislation
- The absence of the extraordinary upgrading measures for French nuclear power plants from the previous year
- The significantly higher earnings effects from efficiency measures in comparison to those forecast

As a result, the share of the adjusted EBITDA for the Group accounted for by this segment increased.

Adjusted earnings indicators

Adjusted earnings indicators of the EnBW Group

in € million[1]	2014	2013	Change in %
Adjusted EBITDA	**2,167.4**	**2,224.7**	**-2.6**
Amortisation and depreciation	-876.9	-885.2	-0.9
Adjusted EBIT	**1,290.5**	**1,339.5**	**-3.7**
Adjusted investment result	73.4	118.2	-37.9
Adjusted financial result	-542.8	-681.7	20.4
Adjusted income taxes	-251.7	-214.5	-17.3
Adjusted Group net profit	**569.4**	**561.5**	**1.4**
of which profit/loss shares attributable to non-controlling interests	(90.0)	(99.2)	-9.3
of which profit/loss shares attributable to the equity holders of EnBW AG	(479.4)	(462.3)	3.7

[1] The figures for the previous year have been restated.

This decline in the adjusted investment result is primarily due to the transfer of shares in associated companies into a Contractual Trust Arrangement (CTA) at the end of 2013. The shortfall in the adjusted financial result was less than in the previous year. The reason for this change was primarily lower interest expenses for ongoing pension provisions in the reporting period, lower interest expenses for the payment of tax arrears in comparison to the previous year and higher earnings from the sale of securities in the reporting period. The adjusted tax rate amounted to 30.7% in the reporting period, compared with 27.6% in the previous year.

Non-operating result burdened by unscheduled write-downs

Non-operating result of the EnBW Group

in € million[1]	2014	2013	Change in %
Income/expenses relating to nuclear power	-30.1	-119.4	74.8
Income from the release of other provisions	36.4	126.3	-71.2
Result from divestitures	96.3	34.6	–
Addition to the provision for onerous contracts relating to electricity procurement agreements	-433.6	-211.0	-105.5
Earnings from write-ups	350.3	0.4	–
Restructuring	-45.0	-13.7	–
Other non-operating result	-4.4	-42.2	89.6
Non-operating EBITDA	**-30.1**	**-225.0**	**86.6**
Unscheduled write-downs	-1,260.3	-90.4	–
Non-operating EBIT	**-1,290.4**	**-315.4**	**–**
Non-operating investment result	-47.8	-18.6	–
Non-operating financial result	-92.6	-271.3	65.9
Non-operating income taxes	473.8	166.1	–
Non-operating Group net loss	**-957.0**	**-439.2**	**-117.9**
of which profit/loss shares attributable to non-controlling interests	(-26.9)	(-27.9)	3.6
of which profit/loss shares attributable to the equity holders of EnBW AG	(-930.1)	(-411.3)	-126.1

[1] The figures for the previous year have been restated.

The improvement in the non-operating EBITDA was primarily due to write-ups on the generation portfolio resulting from the market interest rates. In addition, expenses in the area of nuclear power fell in the reporting period; the approval of the German Site Selection Act had led to an increase in the previous year. The result from divestitures included, amongst other things, earnings from the sale of the electricity and gas networks to the state capital of Stuttgart as part of the re-municipalisation in the reporting year. This was offset by higher provisions for onerous contracts for long-term electricity procurement agreements which no longer cover costs in comparison to the previous year. The increase in restructuring expenses of €31.3 million was related to the "Fokus" programme and phased retirement arrangements in the Group. The increase in unscheduled write-downs of €1,169.9 million in comparison to the previous year was primarily attributable to the generation portfolio, whose carrying amount had to be adjusted due to considerably worsening expectations regarding long-term electricity price developments. The non-operating investment result for the reporting year primarily contained write-downs on the project planning costs for an investment in a foreign operation. The non-operating financial result in the 2014 financial year was primarily influenced by the adjustment to the discounting rate for nuclear power provisions from 5.0% to 4.8% to the amount of €141.2 million; the higher burden in the previous year was the result of the reduction in the discounting rate from 5.4% to 5.0%. The tax relief from non-operating income taxes in comparison to the previous year stood at €307.7 million, which was primarily related to write-downs on the generation portfolio. Overall, the non-operating Group net loss attributable to the shareholders of EnBW AG increased by €518.8 million compared to the previous year.

Financial position

Financial management of EnBW

Basis and objectives

Financial management is responsible for securing the existing financial assets of the EnBW Group and their development, as well as for guaranteeing a sufficient level of liquidity reserves. This ensures that the Group is able to meet its payment obligations at all times without restriction. The financial transactions permitted by the Board of Management of EnBW, and the specified scope within which they may be carried out, define the E treasury guidelines of the EnBW Group. The guidelines are applicable to all business entities that are either consolidated in full or with which EnBW AG has a profit and loss transfer agreement. The guidelines also act as basic principles for all other business entities. The centralised financial management system serves to minimise risks, provide transparency and optimise costs.

In the operating business, E derivatives are generally deployed for hedging purposes only: for example, for forward contracts in electricity trading, or in trading with primary energy sources. This also applies for foreign exchange and interest rate derivatives. Propriety trading is only permitted within narrow, clearly defined limits.

Another important aspect of financial management is to manage financial assets (E asset management) in order to cover the corresponding obligations to make provisions.

E Treasury

The treasury controls all processes in all business entities that are consolidated in full, or with which EnBW AG has a profit and loss transfer agreement. Liquidity management is based on a rolling liquidity planning system and applies within the scope of validity defined above. The treasury is also responsible for the central management of credit lines and bank guarantees, the issuing of guarantees and letters of comfort, as well as interest rate risk and currency management.

Interest rate risk and currency management

Interest rate risk and currency management involves the management and monitoring of interest-bearing and interest-sensitive assets and liabilities. The consolidated entities regularly report on the existing risk position via the rolling liquidity planning system. An interest rate risk strategy is devised based on an analysis conducted every quarter on an aggregated basis. The purpose is to limit the impact of fluctuations in interest rates and interest rate risks on the results of operations and net assets.

The interest rates on the financial liabilities of the EnBW Group are predominantly fixed. Through interest derivatives, the relationship between fixed and variable interest rates is able to change within predefined limits. This can have an effect on the interest result of EnBW. The risk potential is determined on the basis of current interest rates and potential changes in these interest rates.

Generally, currency positions resulting from operations are closed by appropriate forward exchange contracts. Overall, currency fluctuations from operating activities do not have any major effect on the operating result of EnBW. Any foreign exchange risks are monitored on a case-by-case basis within the framework of the currency management system.

E Asset management

Our aim is to cover the Group's non-current pension and nuclear power provisions within an economically feasible period of time by means of appropriate financial assets. EnBW uses a model based on cash flows to determine the effects on the balance sheet, income statement and cash flow statement over the next 30 years. This takes into account actuarial valuations of pension provisions and external expert reports on nuclear power provisions. This model also allows simulations of various alternative scenarios.

We strive to reach the defined investment targets with minimum risk. We also continued our efforts to optimise the risk/return profile of the financial assets throughout 2014. Cash and cash equivalents are transferred from the bonds issued to the cover funds. The investment volume as of 31 December 2014 totalled approximately €9 billion (previous year: €6.7 billion) and falls into nine asset classes. The financial assets are bundled in four master funds with the following investment targets:

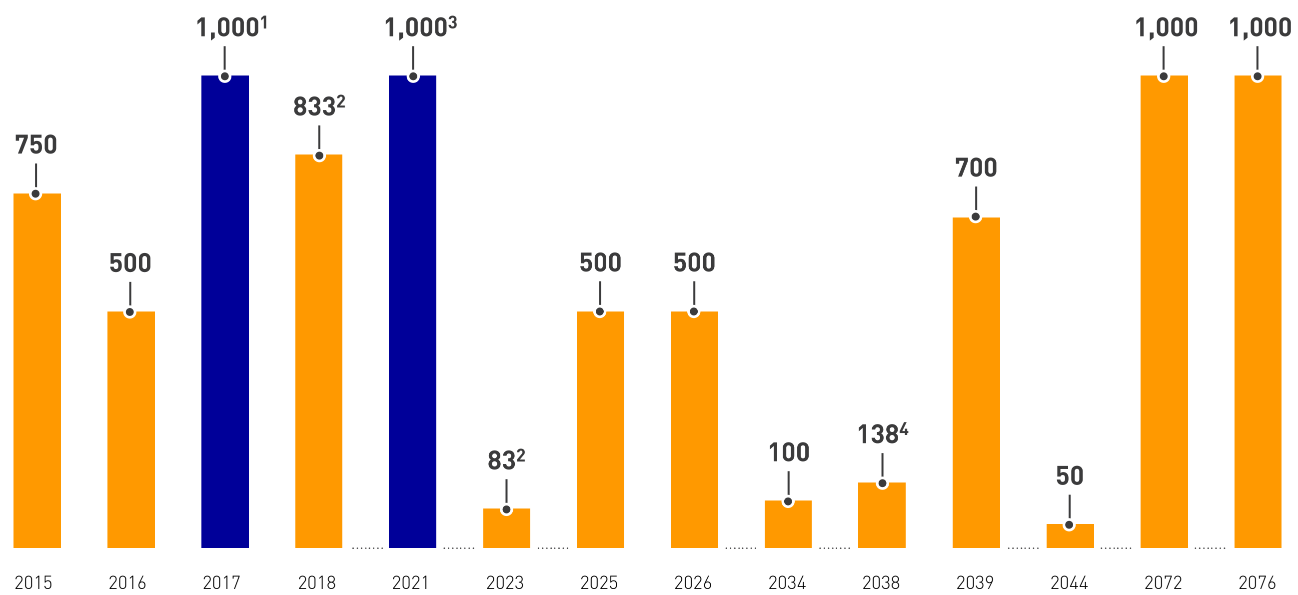
- Risk-optimised investments, with returns in line with market trends
- Risk optimisation
- Minimisation of the effects on the balance sheet and income statement
- Broad diversification of the asset classes
- Reduction of costs and simplification of administrative processes

Financing facilities
In addition to the Group's internal financing capabilities from the free cash flow of €330.2 million in 2014 (previous year restated: €1,168.2 million) and its own funds, the EnBW Group has the following instruments at its disposal to cover its overall financing needs:

- Commercial paper (CP) programme for a total of €2.0 billion (undrawn as of 31 December 2014)
- Syndicated credit line of €1.5 billion with a term until 2019; Extension options exist in 2015 and 2016 for an additional year in each case (undrawn as of 31 December 2014)
- Bilateral short-term credit lines (€352 million, undrawn as of 31 December 2014)
- Euro Medium Term Note (EMTN) programme with a €7.0 billion line (€4.2 billion drawn as of 31 December 2014)
- Measures to strengthen equity and issuing of special products
- Project financing and low-interest loans from the European Investment Bank (EIB)

There were no bonds due during the 2014 financial year. EnBW is endeavouring to reduce net debt further. The EnBW bonds have a well-balanced maturity profile.

Maturity profile of EnBW bonds in € million



[1] First call date: hybrid due in 2072.
[2] Includes CHF 100 million, converted as per the reporting date of 31/12/2014.
[3] First call date: hybrid due in 2076.
[4] Nominal with conversion as per the reporting date of 31/12/2014.

Documentation of short-term and long-term borrowings on the capital market under the established EMTN and CP programmes, as well as all other credit documentation with banks (e.g. syndicated lines of credit) includes internationally standard clauses. The issuing of a negative covenant, as well as a pari passu clause, to all creditors forms a key element of the financing policy of EnBW. The use of undrawn credit lines is not subject to restrictions.

The existing syndicated credit line was reduced to €1.5 billion on 21 July 2014 and has been initially extended until July 2019. In addition, extension options have also been agreed, giving the opportunity to extend the credit line in 2015 and 2016 by one additional year each up to July 2021 at the latest.

In the 2014 financial year, EnBW financed projects above all in the wind sector, e.g. for onshore wind projects of our Turkish joint venture Borusan. Furthermore, a low-interest project loan from the EIB was utilised for the offshore wind farm EnBW Baltic 2.

In March 2014, EnBW successfully issued a hybrid bond with a total volume of €1 billion. The subordinated bond has a term to maturity of approximately 62 years and includes the option for EnBW to make early repayment of the bond. Based on its terms and conditions, the bond will be partially recognised as equity by the rating agencies. This supports the good credit standing of EnBW. The bond reduces the cost of capital for EnBW and thus strengthens the capital structure of the company. The issue date was 18 March 2014 and the final repayment date is 2 April 2076. The first interest payment date is 2 April 2015. EnBW has the right to repay the bond early, for the first time on 2 April 2021 and then every five years afterwards. The bond has been initially given a coupon of 3.625%. EnBW also has the option of suspending interest payments. However, these interest payments must be subsequently paid if EnBW pays dividends or redeems other hybrid bonds. The bond is subordinate to all other financial liabilities but has an equal ranking with the existing hybrid bond.

EnBW then issued a bond with a volume of €500 million and a term to maturity of twelve years at the end of May 2014. The bond was given a coupon of 2.5% and will be used to pre-finance future maturities due on the capital markets. The bond was significantly oversubscribed. In addition, EnBW made three private placements with a total volume of €250 million in the period between June and August 2014.

EnBW is endeavouring to reduce net debt further. Bonds due during the 2015 financial year to the amount of €750 million will be repaid from cash flow. As it can make sense to issue a bond in a favourable capital market environment when taking into account corresponding opportunity costs, EnBW constantly analyses and assesses capital market trends with regard to the current interest rate environment and to any potentially favourable refinancing costs.

Details on liabilities are presented in note 24 and explanations on other financial commitments are presented in note 28 of the notes to the consolidated financial statements at www.enbw.com/report2014-downloads.

Rating and rating trends

Maintaining a good credit standing remains the key objective of the financing strategy of EnBW. For this purpose, EnBW uses the dynamic leverage ratio to guide its internal management. The target of < 3.3 currently corresponds to the "A" ratings issued by the rating agencies. EnBW has always satisfied the relevant criteria since the rating agencies Standard & Poor's (2000), Moody's (2002) and Fitch (2009) started issuing credit ratings for the company. However, the rating agencies have adopted a more critical appraisal of energy policy conditions in the German energy utilities sector since 2011, ascribing it a weaker business risk profile. EnBW has largely withstood the sector-wide negative rating trend to date.

Overview of the ratings for EnBW – rating/outlook

	2014	2013	2012	2011	2010
Moody's	A3/negative	A3/negative	A3/negative	A3/negative	A2/stable
Standard & Poor's	A-/stable	A-/stable	A-/stable	A-/stable	A-/negative
Fitch	A-/stable	A-/stable	A-/stable	A-/stable	A/stable

The rating agencies confirmed their ratings during the course of 2014:

Assessment by the rating agencies

Moody's (15/12/2014)	Standard & Poor's (10/12/2014)	Fitch (15/08/2014)
The conventional generation market remains challenging, the EnBW 2020 strategy aims to compensate for the negative effect of the changes to the market	Strong competitive position on the regional market	Strengthening of the future business profile due to a focus on growth in the area of renewable energies and the regulated grids business
EBITDA mix subject to a low risk, increasing share of stable profit streams	Increasing share of low-risk regulated activities, lower volatility for future operating cash flow	Strong liquidity position, access to capital market and financial flexibility with regards to investments and dividends
Continuous implementation of measures to retain creditworthiness	Unfavourable market conditions, particularly in the area of electricity generation	Better coverage of provisions than German competitors due to earmarked financial investments
Provisions for the nuclear power sector and pensions covered by more than 70% by financial investments	Coverage ratio for pension and nuclear power provisions of more than 70%	Structural challenges in area of electricity generation, risks in the implementation of the company's strategy and increasing costs for the decommissioning and dismantling of nuclear power plants

The current ratings reflect the transparent vision of restructuring the EnBW portfolio towards low-risk activities. The EnBW 2020 strategy was designed to ensure that the EnBW Group satisfies the requirements expected by the rating agencies in order to retain a good credit standing. The following aspects, amongst others, contribute to this goal:

- the planned increase in the share of EBITDA accounted for by regulated business (Grids segment and Renewable Energies segment) to around 70% by 2020
- a solid financial profile
- a conservative financial policy with flexible mechanisms for distributing dividends
- a stable shareholder composition
- an E asset liability management model based on cash flow for covering the pension and nuclear power provision obligations of EnBW

By maintaining its good credit standing, EnBW endeavours to continue to:

- offer first-class opportunities for financing partners with no restrictions in the financing options available
- be regarded as a reliable business partner for trading activities
- achieve the lowest possible capital costs
- implement an appropriate number of projects and thereby maintain the future viability of the company.

Investment analysis

Net cash investments of the EnBW Group

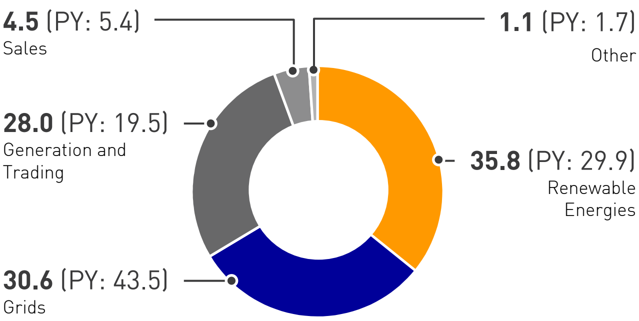
in € million[1]	2014	2013	Change in %
Sales	76.4	56.8	34.5
Grids	521.6	462.0	12.9
Renewable Energies	610.8	316.5	93.0
Generation and Trading	476.5	207.4	129.7
Other/Consolidation	19.1	17.5	9.1
Total capital expenditures on intangible assets and property, plant and equipment	**1,704.4**	**1,060.2**	**60.8**
Cash paid for the acquisition of subsidiaries,entities accounted for using the equity method and interests in joint operations	40.8	39.2	4.1
Cash paid for the acquisition of investments[2]	13.6	8.9	52.8
Cash paid for changes in ownership interest without loss of control	197.9	0.0	–
Total investments	**1,956.7**	**1,108.3**	**76.5**
Cash received from disposals of intangible assets and property, plant and equipment	-194.1	-172.4	12.6
Cash received from construction costs and investment subsidies	-79.9	-72.6	10.1
Cash received from the sale of subsidiaries, entities accounted for using the equity method and interests in joint operations[3]	-108.9	-18.3	–
Income from the sale of equity investments[2]	-21.2	-12.5	69.6
Cash received for changes in ownership interest without loss of control	-89.7	0.0	–
Cash received from participation models	-35.6	-16.2	119.8
Total divestitures	**-529.4**	**-292.0**	**81.3**
Net (cash) investments	**1,427.3**	**816.3**	**74.8**

[1] The figures for the previous year have been restated.
[2] Excluding investments held as financial assets.
[3] Does not include cash and cash equivalents relinquished with the divestiture. These amounted to €0.0 million in the reporting period (previous year: €8.4 million).

The investment volume of the EnBW Group as part of the implementation of the EnBW 2020 strategy significantly increased in the 2014 financial year by €848.4 million in comparison to the value in the previous year.

The largest proportion was invested in intangible assets and property, plant and equipment. Primarily as a result of the investment in the offshore wind farm EnBW Baltic 2, the Renewable Energies segment achieved the highest proportion of the investments made by the Group. Investment in the Grids segment primarily involved further expansion to upgrade the grids and to connect of plants for the generation of energy from sources of renewable energy. These account for 30.6% of the entire investment in intangible assets and property, plant and equipment. In the Generation and Trading segment, which accounts for 28.0% of the investment, the focus lay on the major projects of RDK 8 and the construction of the Lausward Combined Cycle Gas Turbine (CCGT) power plant. The remaining 5.6% of the investment was primarily used for strengthening sales.

Capital expenditures on intangible assets and property, plant and equipment by segment[1] in %



[1] Figures for the previous year have been restated.

The financial investments in 2014 primarily included the purchase of the 50% share of EnBW Gas Verwaltungsgesellschaft mbH, Karlsruhe, from the Italian energy group Eni S.p.A., and with it indirectly a 50% share in both GasVersorgung Süddeutschland GmbH, Stuttgart, and terranets bw GmbH, Stuttgart.

The investments in growth projects – primarily the construction of the offshore wind farm EnBW Baltic 2, the Lausward CCGT power plant and the hard coal power station RDK 8 – accounted for a proportion of around 77% of the investments in the reporting year. The proportion of investments in existing facilities stood at around 23% and was primarily allocated to the grid infrastructure.

It was possible to finance around 27% of the gross investment volume through divestitures in the reporting year. These primarily comprised the sale of grids as part of re-municipalisation. In addition, this included divestitures from the successful realisation of participation models, mainly in the area of onshore wind.

Capital commitments for the acquisition of intangible assets and property, plant and equipment amounted to €984.9 million as of 31 December 2014 (previous year restated: €1,038.8 million). Commitments to acquire entities totalled €549.4 million (previous year restated: €494.3 million). The investment commitment is financed from current funds from operations (FFO).

Liquidity analysis

Free cash flow of the EnBW Group

in € million[1]	2014	2013	Change in %
Cash flow from operating activities	**1,775.7**	**1,919.1**	**-7.5**
Change in assets and liabilities from operating activities	-254.7	-318.1	-19.9
Interest and dividends received	323.5	368.0	-12.1
Interest paid for financing activities	-338.6	-303.7	11.5
Funds from operations (FFO)	**1,505.9**	**1,665.3**	**-9.6**
Change in assets and liabilities from operating activities	254.7	318.1	-19.9
Capital expenditures on intangible assets and property, plant and equipment	-1,704.4	-1,060.2	60.8
Cash received from disposals of intangible assets and property, plant and equipment	194.1	172.4	12.6
Cash received from construction costs and investment subsidies	79.9	72.6	10.1
Free cash flow	**330.2**	**1,168.2**	**-71.7**

[1] The figures for the previous year have been restated.

Cash flow from operating activities and funds from operations (FFO) both fell in comparison to the level in the previous year. This decrease was due, amongst other things, to the fall in adjusted EBITDA in comparison to the previous year. The reduction in the net balance of assets and liabilities from operating activities was less in comparison to the same period in the previous year, but made a positive contribution to the development of the cash flow in both reporting periods. The net balance of trade receivables and payables fell significantly here in comparison to the previous year. This was mainly influenced by EEG matters and lower receivables from the sales businesses compared to the previous year. This effect was more than compensated for by the change in the net balance of other assets and liabilities, which was mainly caused by the application of the reverse charge procedure. As a result of the significantly increased investments in intangible assets and property, plant and equipment compared to the previous year, free cash flow was significantly below the level in the previous year, but nevertheless remains positive.

Retained cash flow of the EnBW Group

in € million[1]	2014	2013	Change in %
Funds from operations (FFO)	**1,505.9**	**1,665.3**	**-9.6**
Dividends paid	-261.8	-310.8	-15.8
Retained cash flow	**1,244.1**	**1,354.5**	**-8.2**

[1] The figures for the previous year have been restated.

As a result of the fall in the FFO, retained cash flow also fell. This was offset by lower dividend payments. The retained cash flow reflects our internal financing capabilities; it is available to the company for future investments without the need to raise additional debt (p. 15).

Capital flow statement of the EnBW Group

in € million[1]	2014	2013	Change in %
Cash flow from operating activities	1,775.7	1,919.1	-7.5
Cash flow from investing activities	-2,776.6	-572.4	–
Cash flow from financing activities	1,760.9	-1,509.4	–
Change in cash and cash equivalents[2]	**760.0**	**-162.7**	**–**
Net foreign exchange difference	0.3	-1.2	–
Change in cash and cash equivalents[2]	**760.3**	**-163.9**	**–**

[1] The figures for the previous year have been restated.
[2] Includes cash and cash equivalents from assets held for sale.

Cash flow from investing activities increased significantly in comparison to the previous year. This growth is attributable, on the one hand, to significantly increased investments in intangible assets and property, plant and equipment. In addition, there was also significantly higher investment in securities in comparison to the previous year. The funds for this investment came primarily from an increase in financial liabilities.

Cash flow from financing activities returned an inflow of cash, while in the previous year there was still a cash outflow. This change is mainly attributable to a significant increase in financial liabilities, primarily due to the issuing of a hybrid bond with a volume of €1 billion, four bonds with a total volume of €750 million and a loan from the European Investment Bank (EIB). In the previous year, there were also repayments made for a €750 million bond. The Group's cash and cash equivalents thus increased by €760.3 million in the reporting period.

The solvency of the EnBW Group was ensured at all times throughout the 2014 financial year due to the company's available liquidity, a continued positive free cash flow and the external sources available for financing. The company's future solvency is secured by its solid financial position (p. 52 ff.).

Net assets

Condensed balance sheet of the EnBW Group

in € million[1]	31/12/2014	31/12/2013	Change in %
Assets			
Non-current assets	27,382.6	25,507.9	7.3
of which intangible assets	(1,783.0)	(1,844.1)	-3.3
of which property, plant and equipment	(13,681.7)	(14,069.7)	-2.8
of which entities accounted for using the equity method	(1,941.0)	(1,927.4)	0.7
of which other financial assets	(8,513.4)	(6,399.9)	33.0
of which deferred taxes	(430.0)	(257.8)	66.8
Current assets	10,825.0	10,160.1	6.5
Assets held for sale	104.5	90.3	15.7
	38,312.1	**35,758.3**	**7.1**
Equity and liabilities			
Equity	4,545.6	6,082.7	-25.3
Non-current liabilities	24,146.7	21,086.9	14.5
of which provisions	(14,302.2)	(12,450.7)	14.9
of which deferred taxes	(648.9)	(955.7)	-32.1
of which financial liabilities	(7,187.1)	(5,547.4)	29.6
Current liabilities	9,571.3	8,556.1	11.9
of which provisions	(1,151.6)	(1,391.6)	-17.2
of which financial liabilities	(1,078.5)	(224.7)	–
Liabilities directly associated with assets classified as held for sale	48.5	32.6	48.8
	38,312.1	**35,758.3**	**7.1**

[1] The figures for the previous year have been restated.

As of the 31 December 2014 reporting date, the total assets of the EnBW Group increased by €2,553.8 million. On the assets side, there was an increase of €1,874.7 million in non-current and €664.9 million in current assets. In the area of non-current assets, other financial assets increased in particular due to the purchase of securities for investment purposes and increases in stock prices on securities by €2,113.5 million. In addition, deferred taxes increased by €172.2 million. In contrast, property, plant and equipment fell by €388.0 million due primarily to write-downs on the generation portfolio. The increase in current assets was predominantly the result of higher cash and cash equivalents from the issuing of bonds, as well as the higher market value of derivatives in the other current assets.

The reduction in equity as of 31 December 2014 was mainly due to the fall in revenue reserves as a result of the Group net loss and the dividend payments, as well as an increase in losses in other comprehensive income on equity as a result of the adjustment of the discount rate for pension provisions. The equity ratio fell to 11.9% as of the end of 2014, compared to 17.0% as of the 31 December 2013, as a consequence. Non-current liabilities increased in comparison to the previous year by €3,059.8 million. This increase was mainly caused by an increase in non-current provisions in the area of nuclear energy and for pension obligations. In addition, non-current financial liabilities increased due to the issuing of a hybrid bond, four further bonds and the disbursement of an EIB loan for the offshore wind farm EnBW Baltic 2. This was offset by the reclassification based on the maturity date of a €750 million bond due in 2015 from non-current to current liabilities. Current liabilities thus increased as a result by a total of €1,015.2 million.

Adjusted net debt

The increase in financial liabilities and current financial assets, as well as – due to the partial investment of the funds received – non-current securities, was mainly attributable to the issuing of a hybrid bond with a volume of €1.0 billion, the issuing of four bonds with a total volume of €750 million and the disbursement of an EIB loan to the amount of €500 million. As 50% of the nominal value of the hybrid bond is classified as equity and is thus recognised as a deduction by the rating agencies Moody's and Standard & Poor's, the hybrid bond has led to a reduction in the adjusted net debt of €500 million. In addition, the positive free cash flow reduced the adjusted net debt. This was offset by increased pension provisions due to the reduction of the discount rate from 3.75% at 31 December 2013 to 2.20% at

31 December 2014, the increased nuclear power provisions, also due to the reduction in the discount rate, as well as by cash outflows for dividend payments. These effects led to an increase in the adjusted net debt as of 31 December 2014 of €711.3 million compared to the reporting date in the previous year.

Adjusted net debt of the EnBW Group

in € million[1]	31/12/2014	31/12/2013	Change in %
Short-term cash and cash equivalents	-3,939.5	-3,154.0	24.9
Short-term cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions	1,282.1	1,083.9	18.3
Adjusted short-term cash and cash equivalents	**-2,657.4**	**-2,070.1**	**28.4**
Bonds	6,225.6	4,466.7	39.4
Liabilities to banks	1,813.1	1,002.3	80.9
Other financial liabilities	226.9	303.1	-25.1
Financial liabilities	**8,265.6**	**5,772.1**	**43.2**
Recognised net financial liabilities[2]	**5,608.2**	**3,702.0**	**51.5**
Pension and nuclear power provisions	14,959.8	13,308.1	12.4
Fair value of plan assets	-1,102.4	-1,068.6	3.2
Long-term investments and loans[3]	-8,320.5	-6,235.7	33.4
Cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions	-1,282.1	-1,083.9	18.3
Other	-68.5	-73.9	-7.3
Recognised net debt[3]	**9,794.5**	**8,548.0**	**14.6**
Market value of CO_2 allowances purchased for planned future electricity generation	0.0	-33.9	–
Non-current receivables associated with nuclear power provisions	-675.4	-623.9	8.3
Valuation effects from interest-induced hedging transactions	-136.5	-118.9	14.8
Adjusted for 50% of the nominal amount of the hybrid bonds[4]	-1,000.0	-500.0	100.0
Adjusted net debt[3]	**7,982.6**	**7,271.3**	**9.8**

[1] The figures for the previous year have been restated.
[2] Adjusted for valuation effects from interest-induced hedging transactions and 50% of the nominal amount of the hybrid bonds, net financial liabilities amounted to €4,471.7 million (31/12/2013 restated: €3,083.1 million).
[3] Includes investments held as financial assets.
[4] The structural characteristics of our hybrid bonds meet the criteria for half of the bond to be classified as equity, and half as debt, by the rating agencies Moody's and Standard & Poor's.

TOP Dynamic leverage ratio

Dynamic leverage ratio of the EnBW Group

in € million[1]	2014	2013	Change in %
Adjusted net debt	7,982.6	7,271.3	9.8
Adjusted EBITDA	2,167.4	2,224.7	-2.6
Dynamic leverage ratio	**3.68**	**3.27**	**12.5**

[1] The figures for the previous year have been restated.

The dynamic leverage ratio increased to 3.68 as of 31 December 2014. The reasons for this were the fall in adjusted EBITDA (p. 49 f.) and the increase in the adjusted net debt (p. 57 f.). The dynamic leverage ratio developed in line with our forecasted range of between 3.4 and 3.8.

TOP ROCE and value added

The cost of capital before tax represents the minimum return on capital employed (average capital employed). Positive value is added when the return on capital employed (ROCE) exceeds the cost of capital. The cost of capital is determined based on the weighted average of cost of equity and debt together. The value of equity is based here on a market valuation and thus deviates from the value recognised in the balance sheet. The cost of equity is based on the return of a risk-free investment and a company-specific risk premium. The latter is calculated as the difference between a risk-free investment and the return for the overall market, weighted with a company-specific beta factor. The terms according to which the EnBW Group can obtain long-term debt funding are used to determine the cost of debt.

There are various factors that influence value added. The level of ROCE and value added depend not only on the development of the operating result but above all on the invested capital. Large-scale investments tend to significantly increase the capital employed in the early years, while the effect on income that boosts value, however, only filters through over a lengthier period of time, often long after the investments were initially made. This is especially true of investments in property, plant and equipment relating to the construction of new power plants, which do not have any positive effect on the operating result of the Group until after they are commissioned. Investments in power generation facilities, on the other hand, are already taken into account in the capital employed during the construction phase. In a comparison of individual years, the development of ROCE and value added is, to a certain extent, cyclical in nature, depending on the investment volume. This effect is therefore inherent in the system and results in a lower ROCE in phases of strong growth or phases of investment.

Value added to the EnBW Group for 2014 by segment

	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
Adjusted EBIT including investment result in[1] in € million	169.5	571.4	127.9	529.9	-51.2	1,347.5
Average capital employed in € million	856.1	4,868.7	2,261.8	3,350.3	2,136.1	13,473.0
ROCE in %	**19.8**	**11.7**	**5.7**	**15.8**	**–**	**10.0**
Cost of capital in %	8.5	6.2	7.9	8.7	–	7.2
Value added in € million	**96.7**	**267.8**	**-49.8**	**237.9**	**–**	**377.2**

[1] Adjusted investment result excluding income from investments held as financial assets to the amount of €40.4 million and adjusted for taxes (adjusted investment result/0.71 - adjusted investment result (with 0.71 = 1 - tax rate 29%)).

Value added to the EnBW Group for 2013 by segment[1]

	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
Adjusted EBIT including investment result in[2] in € million	162.4	646.0	157.9	495.7	-6.3	1,455.7
Average capital employed in € million	977.5	5,659.4	1,863.1	4,152.1	2,320.6	14,972.7
ROCE in %	**16.6**	**11.4**	**8.5**	**11.9**	**–**	**9.7**
Cost of capital in %	9.6	7.6	9.2	9.7	–	8.5
Value added in € million	**68.4**	**215.1**	**-13.0**	**91.3**	**–**	**179.7**

[1] The figures for the previous year have been restated.
[2] Adjusted investment result excluding income from investments held as financial assets to the amount of €82.5 million and adjusted for taxes (adjusted investment result/0.71 - adjusted investment result (with 0.71 = 1 - tax rate 29%)).

Despite the continued difficult market and industry conditions, the positive value added generated by the EnBW Group more than doubled in the 2014 financial year compared to the previous year to €377.2 million. This increase in value added was primarily due to the fact that the cost of capital fell by 1.3 percentage points as a result of the development of the market interest rates. At the same time, the ROCE improved by 0.3 percentage points because the average capital employed fell more strongly than the adjusted EBIT including the investment result. This effect also led to the ROCE exceeding our expectations for the 2014 financial year to reach a level of 10.0% (forecast 2014: 8% to 9%).

Sales: Value added in the Sales segment increased in 2014 by €28.3 million. This improvement was contributed to both by the fact that the cost of capital fell by 1.1 percentage points and the ROCE increased by 3.2 percentage points. The increase in the ROCE is primarily due to a reduction in the average capital employed as it was possible to reduce current trade receivables as part of an improved working capital management system.

Grids: Value added in the Grids segment increased in the reporting year by €52.7 million in comparison to 2013. This was due to the fact that the cost of capital fell by 1.4 percentage points and the ROCE increased by 0.3 percentage points in comparison to the previous year. The increase in the ROCE resulted from a decrease in working capital and the disposal of assets as part of concession losses.

Renewable Energies: The Renewable Energies segment recorded a €36.8 million lower value added compared to the previous year. This decrease was due, on the one hand, to the fall in adjusted EBIT including the investment result in comparison to the previous year. On the other hand, the capital base in the reporting year increased further due to investments in the offshore wind farm EnBW Baltic 2 and the expansion of the onshore wind portfolio. The ROCE for this segment fell by 2.8 percentage points because the plants still under construction have still not made any contribution to earnings.

Generation and Trading: The Generation and Trading segment achieved an increase in the value added of €146.6 million in the 2014 financial year. This segment benefited from the developments in the market interest rates; the cost of capital fell in comparison to the previous year by 1 percentage point. At the same time, the capital base fell primarily as a result of unscheduled write-downs on the generation portfolio and due to a significantly lower level of working capital. In addition, it was possible to increase the adjusted EBIT including the investment result by €34.2 million.

Non-financial performance indicators

Customers goal dimension

Key performance indicators

Key performance indicators

	2014	2013	Forecast 2014
Brand Attractiveness Index for EnBW/Yello	43/36	42/38	42/38
Customer Satisfaction Index for EnBW/Yello	114/145	111/148	114/150
SAIDI[1] (electricity) in min/year	15	21	15

[1]The figures for the previous year have been restated.

TOP **Brand Attractiveness Index:** It was possible to increase the attractiveness of the EnBW brand slightly in 2014; we anticipated a stable level of brand attractiveness in our forecast for 2014. In particular, there were gains for the aspects of sympathy and positive differentiation from other energy suppliers. The new EnBW strategy is thus having an impact more quickly than expected and has led to a positive image of the company amongst the general public. The reasons for this development are primarily the measures to improve public relations and advertising activities in the area of sales. The attractiveness of the Yello brand fell slightly in 2014; we also predicted here an unchanged level of brand attractiveness in our forecast. The aspect sympathy declined the most. In a hard-fought, price-dominated competitive environment with diverse advertising measures undertaken by national suppliers, it was not possible to maintain the attractiveness of the Yello brand.

TOP **Customer Satisfaction Index:** Customer loyalty is based on high customer satisfaction. It was possible to once again increase the satisfaction of the customers of EnBW slightly in 2014 in line with our expectations. In the reporting year, EnBW ranked far ahead of E.ON and Vattenfall, level with RWE and below the municipal utilities and regional suppliers. The increase in the satisfaction of the customers of EnBW is due, amongst other things, to a positive perception of the company's image. This image had a very high influence in the current reporting year on customer loyalty, whereas the importance of the performance categories of price and tariffs declined, which are traditionally rated lower. The satisfaction of the customers of Yello fell slightly in 2014 against our expectations. This was due to the competitive environment, in which Yello was not able to distinguish itself as positively as in the previous year. Nevertheless, customer satisfaction still ranked highly in the competitive environment, clearly above all other competitors except the municipal utilities, which achieve the same level.

TOP **SAIDI:** The duration of supply interruptions per connected customer fell in 2014 compared to the previous year – in line with our forecast – from 21 minutes to around 15 minutes. The reason for this improvement was the return to normal levels of supply interruptions compared to those experienced due to the severe weather conditions in 2013. We rank at a very good level on a German national comparison as a consequence.

Employees goal dimension

Key performance indicators

Key performance indicators

	2014	2013	Forecast 2014
Employee Commitment Index (ECI)[1]	56	58	60
LTIF[1,2]	4.3	3.7	≤ previous-year figure

[1] Variations in the group of consolidated companies.
[2] The figures for the previous year have been restated.

TOP **Employee Commitment Index (ECI):** The first short survey for monitoring the ECI – the MAB-Blitzlicht (Employee Flashlight) – was carried out between 22 September and 10 October 2014. This survey comprised just twelve questions and was carried out as part of a representative sample. As in the previous full employee surveys (MAB), it collected information on the level of commitment of the employees to the Group and to their respective business entity.

The results of the MAB-Blitzlicht show a slight fall in the ECI from 58 to 56 points. Although it was not possible to achieve the desired increase in the index to 60 points, the result can be considered to be satisfactory against a background of numerous changes in the reporting year: the major reorganisation toward ONE EnBW, the streamlining of the management levels, the further realisation of ambitious savings goals and the resolute advancement of our optimisation programmes. In addition, the market environment continued to exert a heavy burden. Our main objective from the last employee survey in 2013 was to convince the workforce of our new strategy, the competitiveness and especially the future viability of EnBW and to further deepen the level of trust in the company. The measures that were introduced have borne fruit at a management level; their assessment of this topic has developed positively. The task for the Board of Management and the management team is now to also achieve this positive development amongst the employees. This will involve explaining the positive effects of the changes introduced at the company in a way appropriate for the target group and making the successes – both externally on the market and internally within the company – more tangible.

TOP **LTIF:** The LTIF (Lost Time Injury Frequency) is an indicator of occupational safety. It changed slightly in 2014 in comparison to 2013 from 3.7 to 4.3 and continues to remain at a stable level. The average days of absence per accident did fall from 12.5 in 2013 to 10.5 in 2014. This means that there was a decline in the average severity of the accidents.

Safety at work is extremely important to us. We endeavour to constantly improve the safety of working conditions. The Board of Management of EnBW ensures it is kept informed continuously about the situation regarding accidents occurring within the Group. It receives weekly reports about any extraordinary events within the company. Besides accidents with serious consequences or fire-related events, this also includes incidents of a positive nature, such as aid given in emergency situations. The "InA" (Occupational Safety Initiative) that was started in 2013 was completed in 2014. In the reporting year, information events were held for all employees and management personnel at the grid companies and they were thus made more aware of occupational safety and health protection. Further activities included, for example, a road show on fire protection and information events on personal protective equipment.

Other performance indicators

Employees of the EnBW Group[1,2]

	31/12/2014	31/12/2013	Change in %
Sales	3,322	3,461	-4.0
Grids	7,824	7,487	4.5
Renewable Energies	519	485	7.0
Generation and Trading	5,432	5,436	-0.1
Other	2,995	2,975	0.7
Total	**20,092**	**19,844**	**1.2**
Number of full-time equivalents[3]	18,524	18,378	0.8

[1] Number of employees excluding apprentices/trainees and excluding inactive employees.
[2] The figures for the previous year have been restated.
[3] Converted into full-time equivalents.

As of 31 December 2014, the EnBW Group employed 20,092 people. As a result of the continuation of our recruitment policy in 2014 – essentially limited to strategic growth areas of EnBW – the number of employees stood slightly above the level at the end of the 2013 financial year. The reduction in the number of employees in the Sales segment is mainly due to the deconsolidation of a minor business entity. The growing importance of regulated business is reflected in the increase in the number of employees in the Grids and Renewable Energies segments. The number of employees in the Generation and Trading segment remained largely unchanged. The reason for the change in Other/Consolidation is primarily the movement of employees from the Grids segment as a result of restructuring within the Group.

Further key performance indicators for personnel: Further key performance indicators for personnel can be found on our website at www.enbw.com/weitere-kennzahlen. These include, for example, the regional distribution of our employees, the proportion of women in the workforce and in management personnel, or the proportion of disabled people in the workforce.

The three focal points of our HR policy

Executive management: For our new strategic alignment, we require management personnel who can confidently lead the company in a success-oriented way during this period of radical change in the energy environment. In the area of management expertise, we offer our management personnel development modules that are targeted towards this group. Through the leadership and young talent conferences, those employees with potential, who are ready for their first management position or an expanded management role, are accompanied through their development. For example, candidates have the opportunity to test themselves against practical challenges as part of management workshops. Managers and personnel development officers are able, in their role as observers, to witness the candidates taking part in a wide range of activities and so they are able to base development plans for the candidates on secure foundations with corresponding expertise.

Safeguarding and promoting expertise: As a result of the start of our trainee programme in June and the educational and training year in September 2014, as well as through the creation of apprenticeships and university places for 2015, we are securing young talent to suit our requirements and thus responding to demographic change. Our target-group-oriented funding programmes also create the best-possible opportunities for students to enter the world of employment.

In order to further develop the expertise and skills of employees and open up career perspectives, two important building blocks have been established in the area of personal development: the Personal Development Plan (PDP) and the Personal Development Campus (PD Campus). The PDP replaces the previous development plan and, alongside agreements on targets and the delegation of responsibility, represents an important part of the annual employee appraisal. Employees can use their own initiative to discuss their PDP with management personnel and colleagues. Management personnel and employees can receive information about further education and training opportunities on the new PD Campus online platform. This platform not only makes it possible to directly book traditional events such as seminars and training courses, but also to call up thematic, electronic teaching material such as e-training courses or bibliographic references on demand.

Effective and efficient HR policy: Developing new ideas in projects, promoting innovation and quickly and effectively tapping into new sources of income – these are important factors for the future success of EnBW. It is particularly important to find the right employee in the company for these new topics. This is precisely what the introduction of the Project Job Market aims to achieve: It is designed to bring those projects requiring personnel for a limited period of time together with interested employees.

By implementing new "New Working Worlds" at four locations run by EnBW, the Group is pursuing both cultural and economic goals. While the "New Working Worlds" aim, on the one hand, to create the prerequisites for further consolidation of the property portfolio and thus achieve significant cost reductions, open office spaces promote, on the other hand, communication and interaction between employees and management personnel, as well as between the different specialist departments. Especially in light of the realignment of the company's business model, EnBW is striving to not only develop efficient structures and processes, but also to create a working atmosphere that promotes openness, flexibility and dialogue – entirely in the spirit of "Space for ONE EnBW". Employees had moved into allocated pilot areas at the location in Stuttgart and Karlsruhe by the end of 2014. Other specialist departments will be moved in the next two years so that the workplaces for EnBW employees will be concentrated in future at central Group locations.

Along with flexible working hours, childcare facilities and special family and health-related vacations, employees also enjoy access to extensive advisory services – for example, for advice on care issues. As a result, our employees can achieve the optimal balance between their private and professional lives. EnBW AG and Energiedienst AG have been awarded the "work and family" (berufundfamilie) certificate for this reason. The attractiveness of EnBW as an employer has also been confirmed in the reporting year by the receipt of the "Top Employer 2014" award. In particular, the jury for this certification programme were impressed by the provision of so-called secondary, non-monetary benefits.

Health management

The promotion of health is an important topic within the EnBW Group. Our employees can participate in a range of different health courses such as stress management, giving up smoking and back exercises. Energiedienst AG conducted an exercise programme this year to make employees aware of the theme of health and exercise. The goal of the "EnBW Running Programme" (EnBW-Laufbewegung), one of our numerous company sports groups, was also to exercise together and remain fit in everyday life. Thus more than 200 employees took part, for example, in the Baden Marathon in Karlsruhe in September 2014.

In recognition of its holistic concept for an occupational health and safety management system, EnBW was honoured with the "Dekra Award 2014" in the category health. For many years, an important focus of this concept has been preserving mental health, especially with regard to the prevention of occupational burnout. Qualified psychologists in the areas of occupational medicine and health management provide a comprehensive level of expert support for individual issues, training measures and the development of the corporate culture, as well as being responsible for the overall concept of "mental health" at EnBW. This work was honoured for the first time this year with the "Soul@Work Award".

Sickness ratio: The sickness ratio fell more steeply than expected in 2014 compared to the previous year from 4.5% to 4.1% (forecast 2014: 4.3%) and is thus once again at the levels achieved in previous years.

Environment goal dimension

Key performance indicator

Key performance indicator

	2014	2013	Forecast 2014
Installed output of RE in GW and the share of the generation capacity in % accounted for by RE	2.6/19.1	2.6/19.1	2.7–3.0/ 19–20

TOP **Installed output of renewable energies (RE) and the share of the generation capacity accounted for by RE:** In the 2014 financial year, the installed output of renewable energies and the share of the generation capacity accounted for by renewable energies remained constant in comparison to the previous year at 2.6 GW and 19.1%, respectively. The forecasted increase to a value of between 2.7 and 3.0 GW could not be achieved mainly due to delays in the progress of our project for the offshore wind farm EnBW Baltic 2 and connecting it up to the grid.

Generation portfolio of the EnBW Group

Breakdown of the generation portfolio of the EnBW Group[1] (as of 31/12)

Electrical output[2] in MW	2014	2013
Renewable Energies	**2,632**	**2,642**
Run-of-river power plants	947	978
Storage/pumped storage power plants using the natural flow of water[2]	1,322	1,322
Wind onshore	194	186
Wind offshore	48	48
Other renewable energies	121	108
Thermal power plants[3]	**11,116**	**11,160**
Brown coal	875	1,034
Hard coal	4,776	4,249
Gas	1,191	1,177
Other thermal power plants	396	822
Pumped storage power stations that do not use the natural flow of water[2]	545	545
Nuclear power plants	3,333	3,333
Installed output of EnBW Group (without standby reserve)	**13,748**	**13,802**
of which renewable in %	19.1	19.1
of which low CO_2 in %[4]	12.6	12.5

[1] Own generation includes long-term procurement agreements and generation from partly owned power plants.
[2] Capacity values irrespective of marketing channel, for storage: generation capacity.
[3] Including pumped storage power stations that do not use the natural flow of water.
[4] Excluding renewable energies; only gas power plants and storage power stations that do not use the natural flow of water.

Own generation of the EnBW Group[1] by primary energy source

in GWh	2014	2013
Renewable Energies	**7,163**	**7,476**
of which subsidised under the German Renewable Energies Act (EEG)	519	670
Run-of-river power plants	5,466	5,699
Storage power plants/pumped storage power plants using the natural flow of water	829	974
Wind onshore	308	292
Wind offshore	196	191
Other renewable energies	364	320
Thermal power plants[2]	**50,615**	**51,072**
Hard coal	16,401	18,209
Brown coal	6,563	7,062
Gas	742	759
Other thermal power plants	295	321
Pumped storage power stations that do not use the natural flow of water	1,528	1,494
Nuclear power plants	25,086	23,227
Own generation of the EnBW Group	**57,778**	**58,548**
of which renewable in %	12.4	12.8
of which low CO_2 in %[3]	3.9	3.8

[1] Long-term procurement agreements and partly owned power plants are included in own electricity production.
[2] Including pumped storage power stations that do not use the natural flow of water.
[3] Excluding renewable energies; only gas power plants and storage power stations that do not use the natural flow of water.

Adjustments to the portfolio in the area of renewable energies, the commissioning of the Rheinhafen-Dampfkraftwerk RDK 8 in Karlsruhe (hard coal), the transfer of power plant capacities to the grid reserve (hard coal and other thermal power plants) and other adjustments to the portfolio in the area of thermal power plants – such as the expired electricity supply contract with the Buschhaus power plant (brown coal) – are responsible for the slight reductions in installed output to 13.7 GW and own generation to 57.8 TWh in 2014. The thermal generation portfolio of EnBW is well balanced in its mix of energy sources and the age structure of the facilities. As a result of the lower water levels (run-of-river plants and storage power plants) in 2014 compared to 2013, the share of own generation accounted for by renewable energies was only just able to reach the level in the previous year but not exceed it. Even the increase in production from wind energy and other renewable energies could not compensate for this effect.

Other performance indicators

In addition to the key performance indicators in the area of the environment, EnBW utilises a broad range of further environmental indicators for measuring, controlling and reporting. The table below includes the most important indicators. A comprehensive presentation of the environmental performance indicators for EnBW can be found on the Internet at www.enbw.com/umweltschutz. You will also find information here about our wide ranging environmental activities relating to energy efficiency, the conservation of biological diversity, and the protection of nature and species, such as our EnBW amphibian protection programme or bird protection activities in the grids sector. In addition, you can also find further information relating to the Global Reporting Initiative (GRI 3.1) on the Internet.

Environmental performance indicators[1, 2]

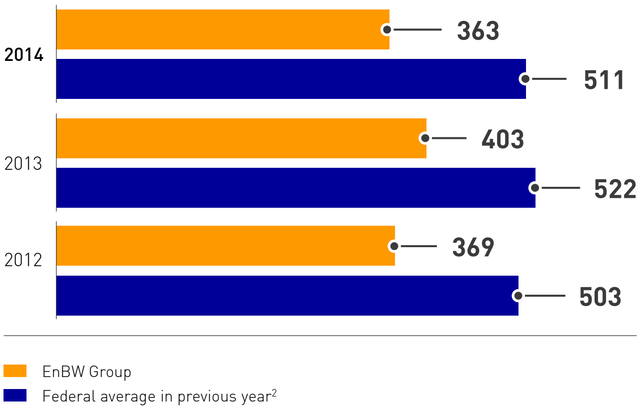
	Unit	2014	2013
Carbon footprint			
Direct CO_2 emissions (Scope 1)[3]	millions of t CO_2eq	19.6	22.7
Indirect CO_2 emissions (Scope 2)[4]	millions of t CO_2eq	1.2	1.2
Other indirect CO_2 emissions (Scope 3)[5]	millions of t CO_2eq	16.9	16.6
CO_2 emissions avoided[6]	millions of t CO_2eq	5.1	5.3
CO_2 intensity of own electricity generation[7]	g CO_2/kWh	363	403
CO_2 intensity of business journeys and travel[8]	g CO_2eq/km	231	245
Energy consumption			
Total final energy consumption[9]	GWh	2,824	3,149
Proportion of renewable energies in final energy consumption	%	44	24
Energy consumption of buildings per employee (MA)	kWh/MA	9,728	10,843
Environmental protection expenditure[10]			
Capital expenditure on environmental protection	€ million	450	322
Current environmental protection expenses	€ million	268	286

1 Unless otherwise indicated, the data reflect the business entities and facilities of the consolidated group.
2 The figures for the previous year have been restated.
3 Preliminary data.
4 Includes greenhouse gas emissions due to electricity grid losses and through electricity consumption of plants in the gas and electricity grid, water supplies and buildings.
5 Includes greenhouse gas emissions through consumption of purchased electricity volumes by customers, consumption of gas by customers, fuel provision and business travel.
6 Includes avoided CO_2 emissions through the expansion of renewable energies, through energy efficiency projects with customers/partners and through the generation and sale of biogas.
7 Long-term procurement agreements and partly owned power plants are included in own electricity production.
8 Includes all business travel and business activities (Scope1 and Scope 3).
9 Includes final energy consumption of production including pump energy, energy consumption of grid facilities (electricity, gas and water) excluding grid losses, energy consumption of buildings and vehicles.
10 Pursuant to the German Environmental Statistics Act (UStatG) and BDEW guidelines on the recognition of investment and ongoing expenditure relating to environmental protection (April 2007).

Carbon footprint: Direct CO_2 emissions are determined mainly by the usage of fossil fuel power plants. Accordingly, the decrease in fossil fuel-based electricity generation is also the reason for the fall in direct CO_2 emissions from 22.7 to 19.6 million t CO_2eq. The indirect Scope 2 CO_2 emissions remained constant at 1.2 million t CO_2eq. As a result of increased gas sales, the Scope 3 CO_2 emissions rose slightly. Numerous EnBW activities also avoid CO_2 emissions: primarily that of generating electricity from renewable energy sources. The small decrease in this area in 2014 led to a slight fall in the CO_2 emissions avoided compared to the previous year and thus also to a deviation from the value forecast for last year of 5.8 million t CO_2.

In comparison to the value in the previous year of 403 g CO_2/kWh the CO_2 intensity of own electricity generation fell by around 10% to 363 g CO_2/kWh. The reason for these low emissions is the reduced level of electricity generated from fossil fuels compared to the previous year and especially because of the expired electricity supply contract with the Buschhaus brown coal power plant. This is also the reason for the deviation from the value forecast for CO_2 intensity last year of around 410 g/kWh. The CO_2 intensity of EnBW continues to remain significantly below the overall German national figure of 511 g CO_2/kWh in 2013.

CO_2 intensity of own electricity production[1] in g/kWh



[1] Own generation comprises own and partially owned power plants, as well as long-term supply contracts.
[2] The federal average of the respective reporting year is only available in autumn of the next respective year. The comparison is therefore made against the national average of the previous year.

Energy consumption: The total final energy consumption includes the consumption of final energy for the business activities of EnBW. It does not include conversion and transportation losses such as primary energy sources for electricity generation or grid losses. The total final energy consumption is mostly influenced by pump energy and the company's own requirements, plus the operating consumption of the generation plants. The main reasons for the fall in final energy consumption by almost 10% from 3,149 GWh in 2013 to 2,824 GWh in the reporting year 2014 are a reduced need for pump energy and falling own consumption in the power plants due to the reduction in electricity generated from fossil fuels.

The proportion of renewable energies in the final energy consumption increased from 24% in 2013 to 44% in 2014. This was due to the use of green electricity for pump energy in the pumped storage power plants operated by Vorarlberger Illwerke.

We have introduced the energy consumption of our buildings per employee for the first time as a new performance indicator. This indicator fell from 10,843 to 9,728 kWh/employee. The causes were the mild winter and the wide range of measures for increasing energy efficiency.

Environmental protection expenditure: We report environmental expenditure in line with the requirements of the statistical offices and using the guidelines published by our sector association – the BDEW. Environmental protection expenditure increased from €322 million to €450 million in 2014. This growth primarily reflects higher investment in climate protection through the expansion of generation using renewable energies.

EnBW AG

The companies EnBW Trading GmbH (ETG), EnBW Operations GmbH (EOG) and EnBW Systeme Infrastruktur Support GmbH (SIS) were merged with EnBW Erneuerbare und Konventionelle Erzeugung AG (EZG) with retroactive effect to 1 January 2014 following the notarial execution of merger contracts on 18 March 2014 and entry in the Commercial Register on 30 April 2014. The companies EZG and EnBW Vertrieb GmbH (VTR) were also merged with EnBW AG with retroactive effect to 1 January 2014 following the notarial execution of merger contracts on 18 March 2014 and entry in the Commercial Register on 30 April 2014. The mergers were completed at the fair value of the shares of the absorbed companies (p. 14).

The Annual General Meeting of EnBW AG approved the change in the purpose of the company on 29 April 2014. This change means that EnBW AG is no longer purely a holding company. Therefore, the sequence of items included in the income statement has changed in comparison to the previous year and the income statement has been structured in accordance with Sec. 275 of the German Commercial Code (HGB).

As a result of the merger process, the balance sheet and the income statement cannot be directly compared with the figures from the previous year. An additional column titled “01/01/2014” has been added to the balance sheet in order to illustrate the effects of the mergers. The column “31/12/2013” shows the values for EnBW AG from the 2013 financial statements. In the income statement, values from the 2013 financial statement have been stated in accordance with the new structure.

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 German Electricity and Gas Supply Act (EnWG). The regulations for large corporations apply.

The financial statements as audited by the KPMG AG Wirtschaftsprüfungsgesellschaft, Mannheim, as well as the management report of EnBW AG contained in the Group management report, will be published in the German Federal Gazette (Bundesanzeiger). The full financial statements of EnBW AG are available for download at www.enbw.com/report2014-downloads.

For statements that are not explicitly described in the following sections, especially those relating to the strategy of the company and economic and political conditions, please refer to the information provided for the EnBW Group.

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

Results of operations of EnBW AG

EnBW AG reported an annual net profit of €1,249.4 million. A loss from ordinary activities to the amount of €1,005.4 million was offset by extraordinary merger gains to the amount of €2,237.2 million.

The operating result of EnBW AG is largely determined by the generated revenue from electricity and gas sales, as well as by the corresponding cost of materials.

The revenue (after the deduction of electricity and energy taxes) of €24,106.6 million primarily includes revenue from electricity sales to the amount of €13,419.4 million and gas sales to the amount of €9,873.6 million.

Of the electricity sales totalling 254.7 billion kWh, 7.6 billion kWh were attributable to the retail and commercial customer sector (B2C), 3.4 billion kWh to the business and industrial customer sector (B2B) and 243.7 billion kWh to the energy trading sector.

Of the gas sales totalling 377.0 billion kWh, 3.5 billion kWh were attributable to the retail and commercial customer sector (B2C), 1.1 billion kWh to the business and industrial customer sector (B2B) and 372.4 billion kWh to the energy trading sector.

These sales are offset by the cost of materials totalling €23,323.4 million, which primarily comprises costs for electricity procurement to the amount of €10,538.5 million and costs for gas procurement to the amount of €9,787.4 million.

Alongside scheduled amortisation and depreciation, the write-downs include unscheduled write-downs of power plants to the amount of €320.3 million.

The financial result primarily includes revenues from profit and loss transfers to the amount of €528.7 million and income from investments to the amount of €213.9 million. This is offset by the write-downs of financial assets to the amount of €280.0 million. In addition, interest expenses accrued for non-current provisions in the nuclear power sector and for pensions and similar obligations to the amount of €834.1 million, and from internal Group settlement transactions as part of the centralised financial and liquidity management to the amount of €259.9 million are included.

The full amount of the extraordinary result comprises profits from the merger of subsidiaries.

The taxes exclusively contain current taxes as no deferred taxes were accounted for due to the active surplus of deferred tax assets. The option of recognising deferred tax assets was not exercised for the active surplus of deferred tax assets.

We will propose to the Annual General Meeting on 29 April 2015 that a dividend of €0.69 per share be distributed from the retained earnings of EnBW AG. As of 31 December 2014, a total of 270,855,027 shares were entitled to a dividend. If the Annual General Meeting approves this proposal, the total amount distributed by EnBW AG for the financial 2014 year will be €186.9 million.

Condensed income statement of EnBW AG

in € million[1]	2014	2013
Revenue	24,106.6	0.0
Cost of materials	-23,323.4	0.0
Amortisation and depreciation	-712.7	-2.9
Other operating result	-384.3	33.4
Operating result	**-313.8**	**30.5**
Financial result	**-691.6**	**-853.4**
Extraordinary result	2,237.2	235.6
Tax	17.6	-186.1
Annual net profit/loss	**1,249.4**	**-773.4**

[1] In accordance with German commercial law.

Net assets of EnBW AG

Merger effects as of 1 January 2014

The mergers of EOG, ETG, EZG, SIS and VTR had significant effects on the balance sheet of EnBW AG as of 1 January 2014. The most important effects of the mergers on the balance sheet will be presented below:

Non-current assets increased by a total of €2,632.8 million. A total of €1,301.3 million is attributable to intangible assets. These primarily include customer bases to the amount of €592.7 million, electricity procurement agreements to the amount of €427.2 million and goodwill to the amount of €230.1 million.

In the case of property, plant and equipment, the increase of €2,280.8 million mainly results from additions from the generation sector. A total of €711.8 million of these additions was attributable to technical equipment and machines, €655.9 million to payments on account and fixed assets under construction and €623.5 million to land and buildings.

The decrease in financial assets to the amount of €949.3 million is primarily due to the impairment of shares in affiliated entities to the amount of €568.7 million. This impairment relates to the fall in the carrying amount of the merged companies to the amount of €2,189.4 million and was offset to some extent by the takeover of shares in affiliated companies to the amount of €1,620.7 million.

The impairment of loans to affiliated companies results mainly from the loss of loans from EnBW AG to the merged companies to the amount of €1,545.7 million. In contrast, an addition in loans to the amount of €276.1 million was recorded.

The increase in securities held as non-current assets to the amount of €761.1 million is attributable to the takeover of shares in investment assets.

The current assets of EnBW AG increased in total due to the mergers by €3,521.5 million. A total of €2,406.6 million is attributable to receivables and other assets and €913.8 million to inventories.

Trade receivables primarily concern accruals for electricity and gas deliveries not yet invoiced and receivables from the sale of emission allowances. The increase in other assets mainly refers to cash securities and services paid to the EEX and ICE from variation margins. These significant changes in the two balance sheet items result from the takeover of the trading business. The additions to inventories mainly comprise nuclear fuel, coal, gas and other raw, auxiliary and operating materials from the generation and trading sector.

The increase in prepaid expenses to the amount of €239.6 million is mainly attributable to 2014 earnings components from EEX futures for the trading sector to the amount of €138.1 million. In addition, emission allowances for delivery in 2013 have been rolled into the emission allowances for delivery in 2014 to 2018, for the use in power plants in subsequent years.

In terms of the resulting earnings components, active prepaid expenses to the amount of €70.5 million were accrued by 31 December 2013, which were reported for EnBW AG on 1 January 2014.

Equity increased by €2,179.0 million. This is due to the retained earnings that contain the merger result of the same amount.

Provisions increased by €8,473.2 million, which comprises the following main items:

Provisions in the nuclear power sector (less the payments made) arising due to public law obligations and requirements in the operating licences as well as contractual nuclear obligations, which will primarily cover the costs of intermediate storage, personnel costs and the cost of decommissioning and dismantling the plants, to the amount of €5,722.0 million were taken over due to the mergers. Alongside these obligations, provisions in the generation sector that were mainly attributable to provisions for uncertain liabilities to the amount of €423.3 million and obligations for CO_2 allowances to the amount of €96.5 million were also taken over.

Provisions for outstanding invoices to the amount of €1,864.9 million were also added, of which €1,827.9 million is attributable to the trading sector. In addition, provisions from the trading sector for onerous contracts to the amount of €173.4 million were also taken over due to the mergers.

Liabilities decreased in total by €4,934.0 million. While the liabilities from bonds and to banks have not changed, the increase in trade payables to the amount of €64.1 million, for received payments for orders to the amount of €50.7 million and other liabilities to the amount of €676.3 million offset to some extent the clear decrease in liabilities to affiliated companies to the amount of €5,725.1 million. This decrease relates to the liabilities that existed on the part of EnBW AG to the merged subsidiaries.

The increase in passive prepaid expenses to the amount of €667.3 million primarily comprises the 2014 earnings components from EEX futures to the amount of €483.4 million for the trading sector, a one-off payment for a waste disposal contract to the amount of €59.4 million and advance payments for electricity supply contracts to the amount of €52.6 million.

Net assets as of 31 December 2014

After the completion of the mergers, the net assets of EnBW AG as of 31 December 2014 will be significantly influenced by its non-current assets, particularly the financial assets, its receivables and other assets, as well as by cash and cash equivalents. This is primarily offset by provisions from the nuclear power sector and for pensions and similar obligations, as well as non-current liabilities.

At the end of the financial year, EnBW reported shares in affiliated entities to the amount of €11,981.3 million, securities from non-current assets to the amount of €4,781.4 million and equity investments to the amount of €2,300.3 million.

Trade receivables to the amount of €1,709.2 million mainly comprise receivables for consumption accruals for electricity and gas deliveries not yet invoiced.

The liquidity of EnBW AG mainly consists of positive bank balances, which are invested as fixed-term deposits to the amount of €1,615.0 million.

Provisions for the nuclear power sector to the amount of €6,238.1 million are recorded for EnBW AG, which arise due to public law obligations and requirements in the operating licences.

Furthermore, provisions for pensions and similar obligations to the amount of €3,549.6 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 paid by the subsidiaries concerned in each case.

Of the liabilities totalling €14,275.6 million, €7,669.4 million have a term of more than one year. Overall, there are liabilities of €9,973.3 million to affiliated entities, which primarily result from internal Group settlement transactions within the framework of the centralised financial and liquidity management, as well as from loan agreements.

Non-current liabilities exist to the amount of €4,196.8 million to the Dutch financing subsidiary EnBW International Finance B.V. as part of the EMTN programme, to the amount of €2.0 billion from the issuing of two hybrid bonds and to the amount of €1.0 billion from loan agreements with credit institutions.

The non-current provisions from the nuclear power sector and for pensions and similar obligations to the amount of €9,787.7 million are mainly offset by shares in investment assets, which are recorded as securities for non-current assets. These two mixed funds focusing on assets in the eurozone countries are mainly direct or indirect investments in fixed-interest securities and shares. After €1,550.0 million was invested in the funds in the reporting year, the total carrying amount of the funds on the reporting date was €3,796.0 million. Furthermore, these long-term obligations are offset by directly held fixed and variable interest securities for the non-current assets, as well as in other investments, which had a total carrying amount on the reporting date to the amount of €1,696.8 million.

The goal is to cover these non-current pension and nuclear power provisions with appropriate financial assets within an economically feasible time period. Overall, the non-current assets to the amount of €23,825.7 million are offset by long-term debt to the amount of €17,457.1 million.

The liquidity of EnBW AG to the amount of €1,850.3 million on the reporting date guarantees the solvency of the company for the payment of dividends and current liabilities from the operative business.

Balance sheet of EnBW AG

in € million[1]	31/12/2014	01/01/2014	31/12/2013
Assets			
Non-current assets			
Intangible assets	1,225.0	1,305.0	3.7
Property, plant and equipment	1,855.7	2,287.1	6.3
Financial assets	20,745.0	17,859.8	18,809.1
	23,825.7	**21,451.9**	**18,819.1**
Current assets			
Inventories	834.0	913.8	0.0
Receivables and other assets	3,651.4	4,143.9	1,737.3
Securities	921.8	857.8	670.8
Cash and cash equivalents	1,850.3	1,494.5	1,480.4
	7,257.5	**7,410.0**	**3,888.5**
Prepaid expenses	**193.2**	**267.4**	**27.8**
Surplus from offsetting	**35.1**	**0.5**	**0.1**
	31,311.5	**29,129.8**	**22,735.5**
Equity and liabilities			
Equity			
Subscribed capital	708.1	708.1	708.1
Treasury shares	-14.7	-14.7	-14.7
Issued capital	(693.4)	(693.4)	(693.4)
Capital reserve	776.0	776.0	776.0
Revenue reserves	1,161.5	761.5	761.5
Retained earnings	849.5	2,366.0	187.0
	3,480.4	**4,596.9**	**2,417.9**
Extraordinary items	**8.8**	**8.8**	**0.0**
Provisions	**13,097.6**	**12,853.8**	**4,380.6**
Liabilities	**14,275.6**	**10,992.1**	**15,926.1**
Prepaid expenses	**449.1**	**678.2**	**10.9**
	31,311.5	**29,129.8**	**22,735.5**

[1] In accordance with German commercial law.

Financial position of EnBW AG

The liquidity of EnBW AG increased by €369.9 million from €1,480.4 million to €1,850.3 million in comparison to the previous year.

The most significant business transactions that had an effect on the financial position of EnBW AG in the reporting year will be summarised below.

Liquidity increased due to the issuing of a hybrid loan with a volume of €1.0 billion that matures on 2 April 2076 and includes repayment rights for EnBW AG every five years, starting on 2 April 2021.

Furthermore, bonds with a total volume of €750.0 million and with terms from 2026 to 2044 have been issued via the Dutch financing subsidiary EnBW International Finance B.V. as part of the EMTN programme.

Interest for the EMTN programme to the amount of €173.2 million was paid via EnBW International Finance B.V.

Payments to the amount of €213.7 million were made for investments in intangible assets and property, plant and equipment.

The financial assets included investments of €1,550.0 million in fund assets made in the reporting year.

Significant additions to the shares in affiliated entities led to a cash outflow to the amount of €286.4 million, while €233.7 million was paid for the acquisition of investments in the reporting year.

The company paid €289.0 million in relation to the nuclear fuel rod tax.

As part of the dividend payments, a total of €186.9 million was distributed to the shareholders of EnBW AG.

The other cash flows resulting from the operating business of EnBW AG and its subsidiaries balance payments in and out of the bank accounts of EnBW AG as part of the internal Group cash pooling system within the framework of the central financing and liquidity management.

Overall assessment of the economic situation of EnBW AG and the development of EnBW AG

In our judgement, the development of the asset, financial and earnings situation of EnBW AG as of 31 December 2014 is satisfactory. The 2014 annual net profit stands at €1,249.4 million and is, as expected, significantly influenced by extraordinary items. Significant extraordinary items included merger gains to the amount of €2,237.2 million offset by higher interest expenses for non-current provisions to the amount of €661.9 million, as well as unscheduled write-downs on property, plant and equipment and financial assets to the amount of €600.9 million in total. The net annual profit adjusted for extraordinary items stands at around €330 million and is thus above the expected result of around €200 million. This deviation was due to improved business operations and lower tax expenses in comparison to the forecast.

The ability of EnBW AG to pay a dividend for the 2014 financial year is thus guaranteed.

In 2015, we expect an annual net loss in the region of between €1.1 billion and €1.3 billion. The reason for this annual net loss will be higher interest expenses for non-current provisions. A seven-year average interest rate is applied to the pension and nuclear power provisions. As a result of the low-interest phase, the average interest rate will fall in the future. In 2015, we expect a resulting impact on earnings of between €1.3 billion and €1.5 billion. After it has been adjusted for this impact on earnings, the annual net profit will be around €150 million.

In 2016 and 2017, we expect further negative effects on earnings due to the falling average interest rate, which will however decrease each year.

Risks and opportunities

As the business performance, economic situation and risks and opportunities relating to the future development of EnBW AG do not deviate from the business performance, economic situation and risks and opportunities relating to the future development of the EnBW Group, the management report of EnBW AG is combined with that of the EnBW Group (p. 74 ff.).

Comments on reporting

The consolidated financial statements of EnBW AG are prepared in accordance with Sec. 315a (1) of the German Commercial code (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 the EnWG, EnBW AG engages in 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 Sec. 6b (3) sentence 3 and sentence 4 of the EnWG.

Dependent company declaration

Pursuant to Sec. 312 of the AktG, the Board of Management of EnBW AG prepared a dependent company report for the 2014 financial year. This report details relationships with affiliated entities, and closes with the following declaration: "In the legal transactions listed in the dependent company report, and according to the circumstances that were known to us when those legal transactions were performed, our company received appropriate consideration for each legal transaction and was not placed at a disadvantage. We did not take, or refrain from taking, any reportable actions motivated by or in the interest of the controlling companies or their affiliated entities."

EnBW share and dividend policy

As a result of the small proportion of EnBW shares in free float (www.enbw.com/shareholder-structure), events on the financial markets and the development of the DAX generally have no influence on the development of the EnBW share price. Nevertheless, the energy policy conditions remain challenging for German energy supply companies due to the Energiewende. Accordingly, the price of EnBW shares was €26.18 at the start of 2014 yet fell by the end of the year to €25.60 (www.enbw.com/stock-chart).

The trust placed in EnBW by capital market participants is based on the value generated by the company. Against this backdrop, EnBW pursues the goal of disclosing a positive free cash flow in each financial year and refraining from building up any additional net debt. The amount of the dividend is based on the earnings performance of the company, the scope of the investment programme, as well as the volume of net debt and the dynamic leverage ratio. Depending on these parameters, EnBW strives to always pay out between 40% and 60% of adjusted Group net profit. If the Annual General Meeting approves this proposal, the dividend payout ratio for the 2014 financial year will be 39.0%.

Overall assessment of the economic situation of the Group

The energy market in Germany is experiencing a period of profound change. This is affecting the political and regulatory environment, the structures of supply and demand, as well as the technological demands placed on the entire energy system. The energy landscape in Germany is becoming more decentralised and sustainable. Accordingly, EnBW has aligned its strategy based on the motto "Energiewende. Safe. Hands on." and adapted its business model to these new demands in order to secure the future viability of the company and tap into this potential for growth. The expansion of renewable energies, restructuring of the grids and the customer-oriented extension of the service portfolio are the hallmarks of this strategy.

In the 2014 financial year, EnBW has resolutely pushed ahead with its EnBW 2020 strategy. This can be clearly observed, for example, in the significant increase in investment, of which the largest proportion was attributable to investments in the Renewable Energies segment. Operating activities have developed as expected at the Group level: The adjusted EBITDA for the EnBW Group fell in 2014 compared to the previous year by 2.6%. At the segment level, the performance of the company fell short of some forecasts. The situation was also impacted by considerable extraordinary expenses. As a result of the significantly poorer prospects for the long-term development of electricity prices, it was necessary during the course of the year to make unscheduled write-downs on the generation portfolio and increase provisions for onerous contracts for electricity procurement agreements which no longer cover costs. In total, there was a Group net loss attributable to EnBW AG shareholders for the 2014 financial year of €450.7 million, compared with a net profit of €51.0 million in the previous year.

The financial position of the company remains sound. The solvency of the EnBW Group was ensured at all times throughout the 2014 financial year thanks to the company's available liquidity, a positive free cash flow and the external sources available for financing. EnBW is an attractive issuer on the capital market: A hybrid bond and four other bonds that were issued on the market in 2014 were very well received. Due mainly to the increased pension provisions as a result of a reduction in the interest rate, the adjusted net debt of the Group as of 31 December 2014 increased by 9.8% to €7,982.6 million compared to the figure one year earlier. The dynamic leverage ratio increased from 3.27 to 3.68. The equity ratio fell from 17.0% to 11.9% compared to the previous year's reporting date. All three important rating agencies confirmed the A rating issued to EnBW in 2014.

As part of the implementation of the EnBW 2020 strategy, EnBW utilises a goal and performance management system across the five dimensions finance, strategy, customers, employees and environment (p. 23 ff.). It defines clear and measurable goals for the year 2020. In the 2014 financial year, EnBW made important decisions to lay the foundations for achieving these goals. In the customers goal dimension we largely achieved the targets set for 2014. However, our brand Yello is performing below our expectations due to the competitive market. In the employees goal dimension we were not able to achieve our forecasted targets for either of the key performance indicators. Based on the key performance indicator for the environment goal dimension, it was not possible to achieve the predicted increase due mainly to delays in the progress of our project for the offshore wind farm EnBW Baltic 2 and connecting it up to the grid.

From the perspective of the Board of Management of EnBW, the 2014 financial year can be evaluated on three levels:

- In view of the challenging environment, EnBW performed well in terms of its operating activities.
- Extraordinary items placed a heavy burden in 2014 not only on the operating result, due primarily to impairment losses on the generation portfolio, but also on the adjusted net debt, mainly caused by the reduction in the discounting rate applied to pension provisions and nuclear power provisions.
- EnBW made considerable progress in the implementation of its strategy.

Report on risks and opportunities

Principles of the integrated risk and opportunity management system

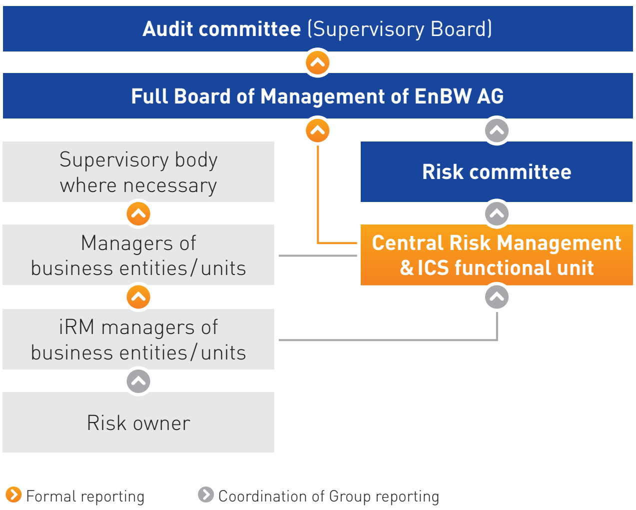
The integrated risk and opportunity management system (iRM) is based on the internationally established COSO II framework standard for risk management systems that span entire companies. The iRM system aims, through a holistic and integrated approach, to effectively and efficiently identify, evaluate and manage risks and opportunities (including monitoring) and report on the risk/opportunity position, as well as to ensure the appropriateness and functionality of related processes. Risk management involves measures for avoiding, reducing or transferring risk, as well as measures for managing or tolerating risk in the financial statements. EnBW defines a risk/opportunity as an event that might cause a potential non-attainment/over-attainment of strategic, operational, financial and compliance goals in the future. In order to identify and categorise risks and opportunities, the risk and opportunity map that is anchored throughout the Group is utilised.

Risk and opportunity map

- **Strategic**
  - Governance
  - Market development/ society trends
  - Technology
  - Politics
  - Competition
  - Clusters/ concentration
  - M&A/ investments
- **Operational**
  - Business activity
    - Models
    - Business processes
    - Operations
    - Products/ contracts
    - Projects
    - Approvals/ licenses/ patents
    - Legislation/ regulation/ litigation
  - Infrastructure
    - Plants/ grids/ storage
    - Locations/ buildings
    - IT management
    - Information security
  - Mankind and environment
    - Personnel/ labour market
    - Occupational health and safety/ health protection
    - Environmental protection
    - Contaminated sites
    - Weather/ natural phenomena
    - Criminality/ sabotage/ terrorism
- **Financial**
  - Market
    - Market price in general
    - Interest
    - Margin
    - Forecast (volume/ structure)
  - Lending
    - Counterparties
    - Countries
    - Issuers
    - Collateral
  - Liquidity
    - Cash flow
    - Convertibility into cash
    - Refinancing for own account
  - Financial reporting
    - Financial accounting
    - Tax
    - Debtors
    - Creditors
    - Asset accounting
    - Consolidation
    - Service billing
- **Compliance**
  - Active corruption
  - Passive corruption
  - Antitrust law
  - Data protection
  - Confidentiality
  - General fraud
  - Financial fraud
  - Procurement fraud

Structure and processes of the integrated risk and opportunity management system

Structure and processes of the iRM system



The structures and processes of the iRM system are anchored throughout the Group in all relevant business entities, business units and functional units. The central Risk Management & ICS functional unit is responsible for specifying methods, processes and systems for the whole Group, determining the risk and opportunity position of the Group and for reporting. The central steering body is the risk committee, which – with the involvement of specially selected business units/entities – is responsible for clarifying relevant issues from various Group perspectives, as well as for determining selected top risks/opportunities.

iRM relevance filter

Relevance class	Effects on the strategic, operational, financial or compliance goals
0	none
Area/departmental level	
1	very low
2	low
Business entity/unit level	
3	medium
4	high
Group reporting level	
5	very high
6	significantly

For the purposes of evaluation, all risks and opportunities are firstly assessed with the help of the iRM relevance filter before and after consideration has been taken of both implemented and envisaged management instruments. The relevance class is determined in each case based on quantitative and qualitative criteria for each of the four dimensions: strategic, operational, financial and compliance.

In this process, the probability of occurrence is firstly defined based on six levels.

iRM levels for the probability of occurrence

Description	Level for the probability of occurrence
Very low	0–10%
Low	10–30%
Medium	30–50%
High	50–70%
Very high	70–90%
Almost certain	90–100%

The risks and opportunities allocated to relevance class five or above are generally included in the Group risk report. Insofar as a financial evaluation is possible, this corresponds to a value of €50 million within the medium-term planning period. Long-term risks and opportunities that are of particular importance are then added. The reports are submitted on a quarterly basis in standardised form. In the case of any significant change in the risks, a special report is immediately issued.

Those risks relevant to the Group risk report are generally evaluated using quantitative methods (e.g. scenario techniques and distribution functions) for the purpose of stochastic modelling. Any possible effects on the adjusted EBITDA (with any associated impact on the dynamic leverage ratio and the ROCE) and the adjusted net debt (with any associated impact on the dynamic leverage ratio) are considered. Alongside these financial effects, risks and opportunities can also have an impact on the other key performance indicators (p. 23 ff.).

Any risks with a probability of occurrence of up to 50% are subject to an individual review to determine whether they should be taken into account in the next planning session. Risks with a probability of occurrence of over 50% are generally taken into account in the planning process and, as far as possible, appropriate accounting measures are taken in the consolidated financial statements in accordance with IFRS.

The iRM is regularly checked by the Group Auditing Department and a report presented to the Supervisory Board.

The project to further interlink risk management – from an organisational, methodological and process standpoint – with the internal control system (ICS) that is anchored within the company's business processes was pursued further in the financial year with the launch of a pilot scheme involving a new IT solution designed to support the iRM.

Structure and processes of the accounting-related internal control system

General

Along with the ICS that is anchored within the company's business processes via the iRM, an accounting-related ICS was established at EnBW that is designed to ensure proper and reliable financial reporting. In order to guarantee that this ICS is effective, the appropriateness and functionality of the Group-wide control mechanisms are tested regularly at an individual business entity and Group level. If any existing weaknesses are identified in the control system and considered relevant to the financial statements, they are promptly remedied. This accounting-related ICS methodology is based on the COSO II standard – an internationally accepted framework for internal control systems.

Once the control mechanisms have reached a standardised and monitored degree of maturity, and no material control weaknesses are identified, the accounting-related ICS is deemed to be effective. The materiality of control weaknesses is measured as the probability of occurrence and the extent to which there could be a potential misstatement in connection to those financial statement items concerned. The accounting-related risk management system defines measures for identifying and assessing risks that jeopardise the preparation of compliant financial statements as part of the accounting-related ICS.

Despite having established an ICS, there is no absolute certainty that it will attain its objectives or that it will be complete. In exceptional cases, the effectiveness of the ICS can be impaired by unforeseeable changes in the control environment, fraud or human error.

Structure

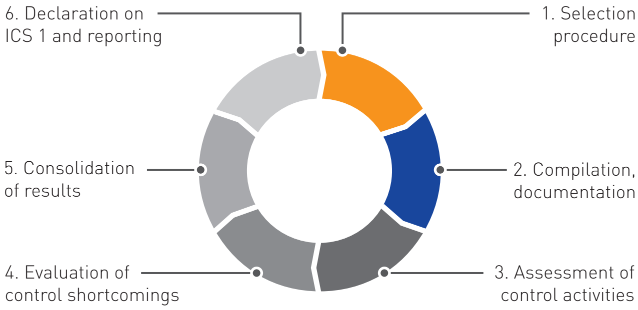
The accounting-related ICS at EnBW is organised at both a centralised and decentralised level. All important business entities, business units and functional units have an ICS officer. These officers monitor the effectiveness of the ICS and evaluate any control weaknesses that may arise. A report on the effectiveness of the ICS is prepared on an annual basis, which is approved by the management of the business entity or unit. The ICS officer at Group level assists the business entities/units with the implementation of standardised procedures and also consolidates collected data.

Processes

Standardised procedures ensure completeness and consistency in the preparation of the financial statements and financial reporting. The accounting-related ICS defines controls designed to ensure compliance with the accounting policies used by the Group, as well as procedures and deadlines for the individual accounting processes. An annual control cycle monitors whether the documentation is up to date and also checks the appropriateness and functionality of the controls; in addition, it identifies and evaluates any control weaknesses that may arise.

A risk-based selection process defines relevant business entities/units, significant items in the financial statements and processes including their associated control measures. This selection process is based on quantitative and qualitative risk indicators.

Phases of accounting-related ICS



The defined processes and controls are recorded in a central documentation system. The effectiveness of the various control activities is then assessed. This includes analysing whether the control activities are generally appropriate for the purpose of reducing the risk of erroneous financial reporting. In addition, regular monitoring of the implementation of the controls and their documentation is carried out to review the functionality of the defined controls. If any control weaknesses are identified, their effect on the financial statements is evaluated. The results are reported at both a business entity/unit and Group level. Furthermore, the Group Auditing Department performs ICS reviews as part of its risk-oriented audit planning.

Risk and opportunity position

The following diagram illustrates how the risk and opportunity position is reported to the Board of Management and the audit committee of the Supervisory Board. On the basis of the individual evaluation of the top risks/opportunities and a subsequent quantitative aggregation of data, the diagram illustrates how these themes correlate with each other and what effects they could have – based on the relative level of risk/opportunity at a high probability of occurrence – on the adjusted EBITDA and/or the adjusted net debt relative to the current planning period. The risks are depicted after the risk limitation measures have been implemented.

Top risks/opportunities (as of 31/12/2014)

The following top risks and opportunities were added in 2014:

- **Improvements in efficiency (top risk/opportunity):** In the 2014 financial year, Group-wide projects designed to make further improvements in efficiency were initiated: the achievement of their goals is still currently subject to risk.
- **EU sanctions against Russia:** As a result of the conflict in the Ukraine, the EU imposed sanctions against Russian institutions, companies and individuals during the course of 2014 could have a negative impact on the business activities of EnBW.
- **Price adjustment regulations in the Basic Supply Ordinances:** As a result of decisions taken by the European Court of Justice (ECJ), there may be risks associated with sales in the retail customer sector.
- **Health, Safety, Security, Environment – HSSE:** In the 2014 financial year, there were, as in previous years, no relevant risks from a Group perspective, this topic has nevertheless been included for the first time for the purposes of establishing an integrated, external reporting standard.

Further details about the top risks/opportunities presented in the diagram and their potential effects on the relevant performance indicators are listed in the following section.

Cross-segment risks and opportunities (Other/Consolidation)

Strategic risks and opportunities

1 **Divestitures:** Based on past experience, our divestiture portfolio is subject to uncertainties with respect to the realisation of reduced or surplus revenue, as well as to time delays for the completion of these transactions. If the proceeds from these divestitures do not meet our medium-term planning goals, this could have an effect in the mid double-digit million euro range on the adjusted net debt in 2016, as well as having an associated impact on the key performance indicator dynamic leverage ratio. We currently identify a relatively low to medium level of risk and opportunity in this area.

Operational risks and opportunities

2 **Improvements in efficiency:** EnBW aims to introduce further measures for creating more efficient structures and processes and to achieve an improvement in earnings in the mid three-digit million euro range by 2020. These measures will already take effect to a large extent in 2017. However, there is currently still a risk in the mid double-digit million euro range in the financial years 2015 and 2016 that the structural and value chain projects forming part of these measures fail to fully achieve the planned earnings improvement in the key performance indicator adjusted EBITDA. The level of risk will decrease as the conditions for realising these earnings improvements are established. Therefore, we currently still identify overall a rather higher level of risk than opportunity.

EU sanctions against Russia: In the Generation and Trading segment, these sanctions could have a negative impact on existing business relations with Russian companies. In the Grids segment, it is not possible to completely exclude the risk that EnBW will no longer be able to supply gas due to an extended interruption in the delivery of gas from Russia. In the Sales segment, there is an increased risk of default by German companies that are active in the Russian Federation due to a possible drop in sales and also the possible risk of shortfalls in electricity and gas deliveries as a result of corresponding cutbacks in production. In terms of the financial assets of EnBW, the broad level of diversification means that there is currently a very low probability at most of an increase in the risk of default on isolated bonds from German, Austrian and Russian issuers of the overall portfolio of EnBW.

Legal risks: With respect to our contractual relationships with customers, business partners and employees, EnBW is currently engaged in some legal proceedings and other legal disputes. To a lesser extent, we are also conducting legal proceedings relating to topics in the area of corporate law. Adequate accounting provisions have been made for these risks in coordination with the specialist departments concerned and the legal department. As a consequence, there is also an opportunity of positive effects on earnings if the provisions made for these legal risks can be released once again. A risk to the amount of €1,620.3 million, which is reported under contingent liabilities and other financial obligations, exists for claims legally made against EnBW where it is predicted that the counterparty has little chance of winning the case. In addition, various court cases, official investigations or proceedings and other claims are pending against EnBW. The chances of these actions being successful is, however, considered very remote and thus they are not reported under contingent liabilities and other financial obligations. Major disputes currently include:

- **EWE/VNG claims for damages:** In May 2013, EWE submitted an arbitration request to the German Institution of Arbitration against EnBW in which it is making a claim for damages of around €500 million plus interest of approximately €339 million. The justification for this claim is the assertion that through its behaviour EnBW prevented the Annual General Meeting of VNG giving approval to a share transfer in December 2011. In the opinion of EnBW, there is no basis for the claims made by EWE and thus there is only a low probability in 2015 that this risk will have negative effects on the adjusted net debt with any associated impact on the key performance indicator dynamic leverage ratio.

- 3 **Company pension scheme:** Legal proceedings are still pending before the relevant labour courts in relation to the reorganisation of the company pension scheme at EnBW. There is a general risk in the mid three-digit million euro range that the legal proceedings could go against EnBW and this could have a negative impact on earnings. The chances of success are very positive according to appraisals by EnBW and those lawyers advising the company. The chances of success have been taken into account in the medium-term planning, which has identified a low level of opportunity and a high level of risk. Overall, there is only a low probability in 2015 and 2016 that this high level of risk will have negative effects on the adjusted net debt with any associated impact on the key performance indicator dynamic leverage ratio.

Personnel risks: There is a risk that the EnBW will not have a sufficient number of employees at its disposal with the necessary qualifications or skills. When recruiting in the relevant target groups, for example, this risk is primarily due to competition from other companies on the labour market. In addition, this risk is exacerbated by demographic developments and the stricter conditions facing the energy industry. On the basis of ongoing analyses, we receive information on areas in particular need of action. We believe that regular anonymous employee surveys are an important tool for seizing opportunities early in the areas of employee development and employee loyalty (p. 61 ff.). The Employee Commitment Index (ECI) is used as a key performance indicator within the employees goal dimension.

Health, Safety, Security, Environment – HSSE:

- **Health and occupational safety:** In order to appropriately combat risks in the areas of occupational safety and health care and to protect employees as well as possible against any adverse consequences, the EnBW Group utilises a comprehensive set of organisational and procedural measures such as workplace-specific risk analyses. EnBW also views these measures as an opportunity to preserve the capacity of its employees to do their work and to maintain the position of EnBW as an attractive employer. Occupational safety is measured in the form of the key performance indicator LTIF within the employees goal dimension (p. 61).
- **Safety:** Those risks caused by external and internal factors are counteracted by EnBW using an emergency and crisis management system that has been implemented throughout the Group and includes a comprehensive level of organisational and procedural measures. Despite this functioning management system, it is not possible to completely prevent crisis and emergency situations occurring (with their associated damage). EnBW ensures that the risks posed by crisis and emergency situations are combated quickly, effectively and with a coordinated approach through the use of regular crisis management exercises and other measures. All of these measures have a positive effect on the key performance indicator supply reliability (SAIDI) in the customers goal dimension (p. 61).
- **Environmental protection:** Risks in the area of environmental protection are countered by EnBW using an environmental management system certified according to ISO 14001 and implemented on a Group-wide basis (p. 63 ff.). Through its numerous activities for the protection of the environment, nature and species, EnBW also aims to take advantage of the opportunities offered by climate protection and resource efficiency. These measures should also have a positive effect on the key performance indicator increasing brand attractiveness in the customers goal dimension (p. 61).

Financial risks and opportunities

4 **Market prices of financial investments:** The financial investments managed by the asset management system are exposed to price changes and other loss risks as a result of the volatile financial market environment (p. 51ff.). If these risks lead to a significant or prolonged decline in the fair value of these assets, this needs to be recognised in the form of write-downs on those securities affected. In the 2014 financial year, impairment losses stood at €1.2 million (previous year: €7.5 million). As far as the market prices of financial investments are concerned, we currently identify a high level of opportunity and only a low level of risk due to broad diversification across various investment classes. The value at risk determined per security as of the reporting date is €70.5 million (95%/10 days). This value stood at €48.6 million in 2013 (95%/10 days). This could also have a positive impact on the key performance indicator dynamic leverage ratio in 2015 and 2016 through corresponding effects on adjusted net debt in the very high three-digit million euro range.

5 **Discount rate applied to pension provisions:** At the end of the 2014 financial year, the discount rate was 2.20%, which was down 1.55 percentage points on the interest rate at the end of the previous year (3.75%). This resulted in the present value of the defined pension benefit obligations increasing by €1,465.0 million. The uncertain future development of interest rates with its impact on pension provisions may have either a positive or negative effect on the adjusted net debt. In this context, we currently identify a low level of opportunity and a high level of risk. This could also have a negative impact on the key performance indicator dynamic leverage ratio in 2015 and 2016 through effects on the adjusted net debt in the mid to very high three-digit million euro range.

Impairment risks: For investments that are to be stated at market value using share prices, a risk of impairment exists if share prices fall. In contrast, there is a possible opportunity that the value of these investments will increase due to positive developments in share prices. Therefore, this could have either a positive or negative impact on the key performance indicator dynamic leverage ratio in 2015 if such investments are held within the reserve funds.

Rating: We identify a general risk that the rating agencies may downgrade the credit rating of EnBW if the economic and political conditions deteriorate further or EnBW cannot fulfil the expectations of the agencies (p. 53f.). The credit standing of EnBW is measured using the key performance indicator dynamic leverage ratio.

Sales segment

Operational risks and opportunities

Price adjustment regulations in the Basic Supply Ordinances for Electricity and Gas (GVV): The European Court of Justice (ECJ) decided in two rulings on 23 October 2014 that the previous price adjustment regulations in the Basic Supply Ordinances for Electricity and Gas (GVV) did not conform to European law. They violate the requirement for transparency in the European directives for the internal electricity and gas markets as they do not ensure customers are informed in good time about the reason, conditions and scope of price changes before they come into force. In the case of future price changes, the legislators have implemented the requirements for transparency stipulated under European law as part of the reform to the GVV (Transparency Ordinance) – which came into force on 30 October 2014. The ECJ did not limit its ruling just to future events. It is now the responsibility of the German Federal Court of Justice (BGH) to clarify the legal consequences under German law and the effects at a customer level. These issues have sector-wide significance because until this new legal regulation was issued, all basic suppliers were obligated to use the regulations in the Basic Supply Ordinances that have now been challenged by the ECJ. A decision by the BGH is expected in the middle of the current financial year. In terms of any possible related risks to sales in the retail customer sector, it is necessary to wait for further developments.

Financial risks and opportunities

6 **Competitive environment:** Customers are very willing to switch suppliers. Price and margin risks exist in the low double-digit million euro range if energy costs (such as EEG cost allocations) cannot be passed on to customers. In this context, we currently identify a low level of opportunity and a rather high level of risk. This could also negatively impact the key performance indicator adjusted EBITDA in both 2015 and 2016. As part of its EnBW 2020 strategy, EnBW identifies good long-term opportunities in the development of Customer segment-specific system and complete solutions. Alongside the traditional supply of electricity and gas to customers, EnBW also sees future opportunities in offering additional innovative solutions such as energy technology in the home, corporate energy efficiency and electromobility, with corresponding earnings contributions for EnBW. This could also have a potentially positive impact on the key performance indicator adjusted EBITDA.

Grids segment

Strategic risks and opportunities

High-voltage DC transmission technology projects (HVDC): Our transmission system operator (TSO), TransnetBW GmbH, plans to set up new high-voltage DC transmission lines with other TSOs. In these projects (ULTRANET up to 2019 and SuedLink up to 2022), there is currently a high risk of potential delays and additional costs after 2015, as well as the risk that the necessity for these transmission lines might no longer be confirmed in a new Network Development Plan (NDP).

Operational risks and opportunities

Price controls under cartel law: In September 2014, EnBW received a price reduction order for the water prices in Stuttgart from the EKartB with retroactive effect back to August 2007 and, as a result, adjusted its provisions on the balance sheet for the Group entity responsible for this business – Netze BW GmbH. If the price reduction order becomes legally binding, this could also have other negative effects on the adjusted net debt in the low three-digit million euro range and an associated impact on the key performance indicator dynamic leverage ratio.

Water concession in Stuttgart: In the court proceedings dealing with the takeover of the water concession, the City of Stuttgart and EnBW are striving to reach an amicable settlement. The responsible chamber of the Regional Court presented a proposal to both sides in January 2015 to be used as the basis for the settlement negotiations. The court proceedings have been suspended for the duration of these negotiations. Therefore, there remains a risk of losing the concession without receipt of adequate compensation.

Financial risks and opportunities

7 **Year-end balance on the EEG bank account:** As of the reporting date on 31 December 2014, a net surplus in the mid three-digit million euro range existed on the EEG bank account, which temporarily relieved the net debt of EnBW. We continue to identify a relatively high level of opportunity and a low level of risk in this area due to the EEG cost allocations defined for 2015. As a result, this could have a positive effect in 2015 on adjusted net debt in the mid three-digit million euro range and thus also on the key performance indicator dynamic leverage ratio.

Renewable Energies segment

Operational risks and opportunities

8 **New construction project EnBW Baltic 2:** Regarding the offshore wind farm EnBW Baltic 2 that is currently under construction, there is a risk of increasing costs and further delays to commissioning beyond the summer of 2015. Overall, we currently identify a low level of opportunity and a medium level of risk due to a large number of exogenous and endogenous factors. As a result, this could have a negative effect in 2015 on the key performance indicator adjusted EBITDA in the mid double-digit million euro range.

Generation and Trading segment

Strategic risks and opportunities

9 **Ultimate storage:** The costs for identifying storage sites must be borne by the companies using nuclear power such as EnBW. The legal obligation of operators to bear the costs of finding an alternative site to Gorleben is in dispute. Therefore, the possibility cannot be excluded that the costs for finding ultimate storage sites and constructing the ultimate storage itself could have negative effects after 2017 on the adjusted net debt and an associated impact on the key performance indicator dynamic leverage ratio. In this context, we currently identify a low level of opportunity and risk for the key performance indicators in the planning period.

10 **Interim storage:** As a result of the planned transfer of nuclear fuel rods from Obrigheim to Neckarwestheim, there is a risk, on the one hand, of delays to the implementation of the project and, on the other hand, of the possible failure of the project. In addition, there is a risk of a delay in the return of waste to the interim storage facilities with possible additional costs as a result of the waste being stored for a longer period of time in Great Britain and France, as well as the risk of further costs for approval and authorisation procedures. We currently identify a low level of opportunity and risk in this area. However, this could also have negative effects in 2015 and 2016 on the adjusted net debt in a high double-digit million euro range with an associated impact on the key performance indicator dynamic leverage ratio.

Nuclear energy in France: The nuclear power plant in Fessenheim in France could be finally removed from the grid at the end of 2016. There is a general risk that EnBW will have to share the costs of decommissioning the power plant. In the opinion of EnBW, however, the power plant operator is not legally entitled to claim for these costs. The matter is currently being clarified. The risk of possibly having to invest in the modernisation of the power plant and any resulting higher electricity procurement expenses for EnBW continues to exist, just as it does for the power plant at Cattenom.

Operational risks and opportunities

11 **Availability of power plants:** Exogenous and endogenous factors have an influence on the availability of power plants. We strive to counter these risks using preventive measures. Depending on their duration, interruptions to the operation of the power plants can significantly impact the operating result. We currently identify rather a medium level of opportunity and risk in this area. This could have a negative effect in the low double-digit million euro range on the key performance indicator adjusted EBITDA in 2015 and 2016. However, there is also the opportunity of additional earnings on a comparable scale in 2016.

Operation and decommissioning of nuclear facilities: There are possible opportunities and risks in a wide range of different areas that could have an impact on the key performance indicators in the finance goal dimension. These include the risk of missed deadlines due to delays in receiving approval for transport and storage, as well as risks from delays to decommissioning projects due to a change in conditions or planning premises. This is offset by opportunities arising from the potential to accelerate the completion of the work.

Nuclear fuel rod tax: After the nuclear fuel rod tax for the years 2011 to 2014 was announced, EnBW submitted lawsuits for each year to the Freiburg Finance Court on the basis that the tax breached German Constitutional and European law. The nuclear fuel rod tax that is due to be reported for 2015 and 2016 wasincluded as a burden on the operating result in the medium-term planning. The question of whether the nuclear fuel rod tax breaches European law is currently pending before the ECJ. The Advocate General took the position in his plea on the 3 February 2015 that the nuclear fuel rod tax does not breach European law. The legal proceedings before the German Federal Constitutional Court are independent of the proceedings before the ECJ and focus on other legal issues. It is expected that both the ECJ proceedings and those before the German Federal Constitutional Court will be concluded in 2015.

Moratorium lawsuit: EnBW AG filed a lawsuit at the Regional Court in Bonn against the State of Baden-Württemberg and the Federal Republic of Germany on 23 December 2014 for the payment of damages by liable public authorities. The background to the lawsuit is the order issued by the Ministry for the Environment of Baden-Württemberg on the request and in agreement with the German Federal Ministry for the Environment for the temporary three-month suspension of operations at GKN I and KKP 1 in the aftermath of the events at Fukushima. In legal proceedings held in the State of Hesse, it was legally established that an identical order issued in this state was unlawful. If the lawsuit for damages is successful, this could have a positive effect on the adjusted net debt.

Financial risks and opportunities

12 **Changes to interest rates on nuclear power provisions:** The discount rate is a key factor influencing the present value of nuclear power provisions. A reduction in the discount rate will have a negative effect on the level of adjusted net debt, while an increase in the discount rate could have a correspondingly positive effect on adjusted net debt. The interest rate stood at 4.8% on the reporting date (previous year: 5.0%). In this area, we identify a high level of risk and a low level of opportunity. For this reason, there could be negative effects in 2015 and 2016 on the adjusted net debt in the low three-digit million euro range with an associated impact on the key performance indicator dynamic leverage ratio.

13 **Hedging:** Despite its hedging strategy, when selling generated electricity volumes, EnBW is exposed to the long-term risk of falling electricity prices and the risk of the unfavourable development of fuel prices in relation to electricity prices. The concept underlying the hedging strategy also involves the exploitation of opportunities. The hedging instruments utilised in 2014 were forwards, futures, swaps and options. As of 31 December 2014, the nominal value of all energy derivatives totalled €28,754.7 million. The market value of all energy derivatives was €-625.0 million. The EnBW Group has exposure to foreign exchange risks from procurement and hedging of prices for its fuel requirements, as well as from gas and oil trading. Where the hedge is concerned, we currently identify a medium level of opportunity and risk due to the fact that electricity prices have fallen and remain at a low level and due to rising fuel and emission allowance prices on the wholesale market. Therefore, this could result in both a positive or negative effect in 2016 on the key performance indicator adjusted EBITDA in the low double-digit million euro range. Further information can be found in the section "Accounting for financial instruments" in the notes to the consolidated financial statements (www.enbw.com/report2014-downloads).

14 **Margin payments:** As a result of unfavourable developments on the market, margin requirements for stock market transactions and bilateral margin agreements can lead to short-term cash outflows. These are settled again at the latest when the underlying futures transactions are fulfilled. This liquidity risk is constantly monitored using stress tests. We currently identify a medium level of opportunity and risk in this area. As a result, this could have corresponding effects in 2015 and 2016 on adjusted net debt in the low three-digit million euro range that may impact on the key performance indicator dynamic leverage ratio.

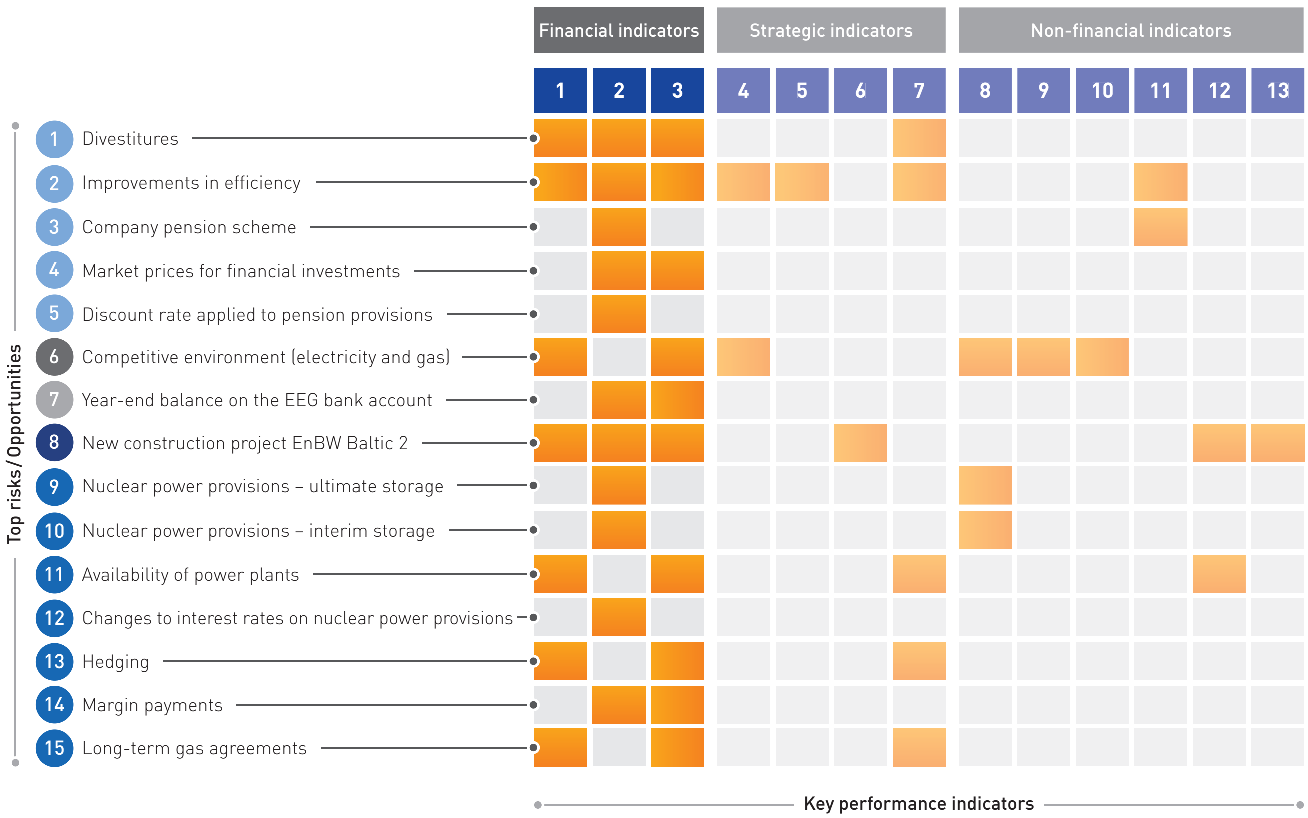
15 **Long-term gas agreements:** As part of its gas strategy, EnBW aims to establish a long-term gas procurement portfolio. The associated opportunities and risks due to falling summer-winter spreads and lower volatilities lie in the low double-digit million euro range. Therefore, we currently identify a low level of opportunity and risk in this area. As a result, this could have either a positive or negative effect on the key performance indicator adjusted EBITDA in 2015 and 2016.

Electricity procurement agreements and power plants: As a result of the still unfavourable market prices at the present time and the considerably worsening expectations regarding long-term electricity prices, EnBW increased its provisions for onerous contracts for electricity procurement agreements which no longer cover costs during the course of 2014. In addition, impairments have been carried out on our power plants. In addition to these burdens on the company's earnings, there is also the risk of other unscheduled write-downs stemming from the inspection of the profitability of conventional power plants that may result in the early decommissioning of individual plants.

Link to the key performance indicators

Alongside the top risks/opportunities, there are a wide variety of different risks and opportunities facing the Group that are allocated to relevant risk categories on the risk and opportunity map and evaluated with the aid of the iRM relevance filter. These items could also have an effect on the key performance indicators in the financial, strategy, customers, employees and environment goal dimensions. As a result of their relatively minor level of relevance in comparison to the top risks/opportunities, they are not, however, listed in the external reports for reasons of clarity.

Linking the top risks / opportunities with the key performance indicators



- Sales
- Grids
- Renewable Energies
- Generation and Trading
- Other / Consolidation

1 Adjusted EBITDA
2 Dynamic leverage ratio
3 ROCE
4 Share of the overall adjusted EBITDA accounted for by "customer proximity"/Sales
5 Share of the overall adjusted EBITDA accounted for by Grids
6 Share of the overall adjusted EBITDA accounted for by Renewable Energies
7 Share of the overall adjusted EBITDA accounted for by Generation and Trading
8 EnBW / Yello Brand Attractiveness Index
9 EnBW / Yello Customer Satisfaction Index
10 SAIDI (electricity)
11 Employee Commitment Index (ECI)
12 LTIF
13 Installed output of RE and the share of the generation capacity accounted for by RE

Compared with the previous year, the following risks and opportunities were either eliminated or were removed from the Group reports due to their low level of relevance:

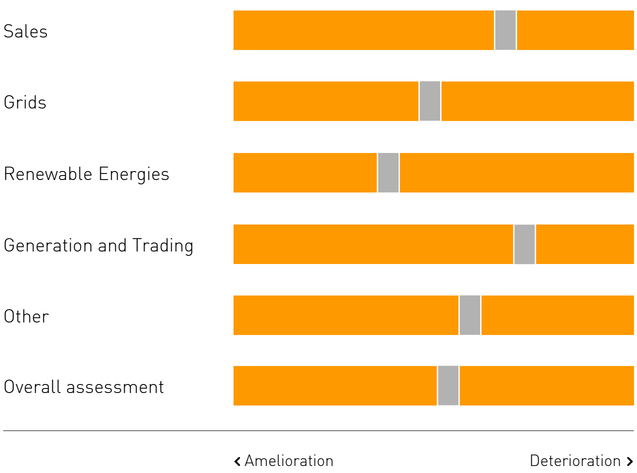
- **Political and regulatory environment:** Relevant risks and opportunities will no longer be covered generally but rather listed separately.
- **Uranium supply agreements:** As a result of the shutdown of nuclear power units, there was a risk that compensation payments would have to be made to suppliers for lower purchase volumes, which has now been taken into account on the balance sheet.
- **Renewal of concession agreements:** The cooperation model between the EnBW subsidiary Netze BW GmbH and the Stadtwerke Stuttgart for the future operation of the electricity and gas networks in Stuttgart has been implemented. The risk of losing this concession thus no longer exists.
- **Profitability of investments:** The new hard coal unit RDK 8 at the Karlsruhe location has commenced commercial operation. There are only very slight residual risks concerning the new construction of Block 9 at the large-scale power plant in Mannheim.
- **Investment in EWE:** If the acquisition of the EnBW shares in 2011 by the federal state of Baden-Württemberg were to represent a change of control over the company, there is still the now very improbable risk that EnBW would be obliged to sell its shares in EWE to the other municipal shareholders of EWE at a price lower than the current carrying amount of the investment reported by EnBW.
- **Renewable Energies Act (EEG) state aid proceedings:** The European Commission reached its decision on the EEG 2012 on 25 November 2014 and largely approved the state aid. It also ordered a partial repayment for the years 2013 and 2014 for some particularly electricity-intensive companies. The residual risk of liquidity difficulties or insolvency amongst the customers of EnBW (default risk) is now only evaluated as being very low.
- **Counterparty default risk (credit risk):** In the 2014 financial year, there were, from a Group perspective, no relevant counterparty default risks from customer transactions and business or in the over-the-counter (OTC) market due to

numerous organisational safeguards implemented through the credit risk management system.

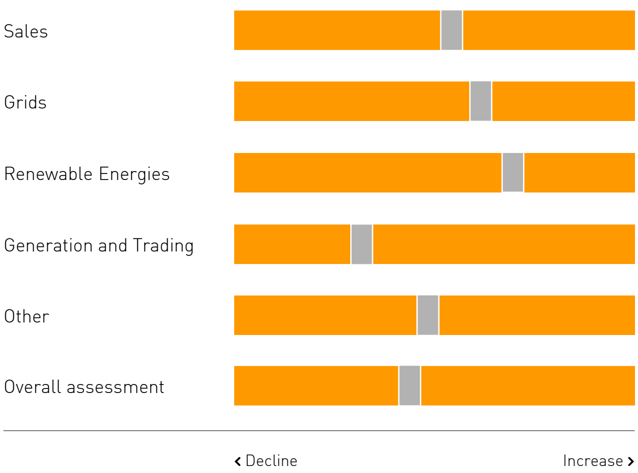
- **Regulation of system services:** The risk of costs arising from possible non-recognition is only considered to have a very low probability of occurrence.
- **Abuse proceedings relating to operating reserves:** Although the BNetzA has not yet concluded its abuse proceedings against the German TSOs, the risk of the possible non-recognition of expenditure on operating reserves that has resulted to date is, however, considered to have a very low probability of occurrence.
- **System responsibility:** Should irregularities or interruptions to supply occur, EnBW will be generally liable for any resulting damage as the operator of transnational and long-distance transmission grids for the electricity and gas sectors. However, the legislators have specified certain limitations on the company's liability so that from a Group perspective there remains only a very small residual risk.
- **Grid utilisation:** There is only a small residual risk due to changes in the Incentive Regulation Ordinance and the associated revenue caps and network user charges within a regulatory period.
- **"Fokus" efficiency programme and the new management model "ONE EnBW":** The projects have been successfully concluded.

Overall assessment by the Group management

Development of the risk situation in 2014



Development of the opportunities situation in 2014



The risks facing the entire energy supply industry have intensified since 2011. Framework conditions are changing significantly as a consequence of the Energiewende in Germany. The overall risk situation facing the EnBW Group remains considerably tense with regards to 2015. Numerous factors could jeopardise the achievement of our economic goals. At the same time, the Energiewende also offers a diverse range of opportunities to develop new models for future business segments, which we are pursuing through our new EnBW 2020 strategy that was approved in 2013. The implementation of this strategy aims to secure the future viability of the company and tap into this potential for growth.

The political decision for Germany to phase out the use of nuclear power has reduced planning certainty and harbours a large degree of risk in the future.

This has resulted in far-reaching consequences for the operating business of the EnBW Group and had a negative effect on earnings. The euro debt crisis caused a period of sustained volatility on the international financial markets. For this reason, it may be necessary to make further impairment losses on our financial assets and other assets. The current competitive and market risks could influence the operating result, financial positions, net assets and liquidity situation of the EnBW Group.

Although some risks were reduced or eliminated during the course of 2014, several additional risks for EnBW either emerged or were exacerbated. No risks currently exist that might jeopardise the EnBW Group as a going concern.

Forecast

In our forecast we take a look, as far as possible, at the expected future growth and development of EnBW for the years 2015 to 2017.

In contrast to previous reports, the expected economic, political and regulatory conditions, as well as developments in the sector, are now included in the chapter “Economic and political environment” (p. 39 ff.).

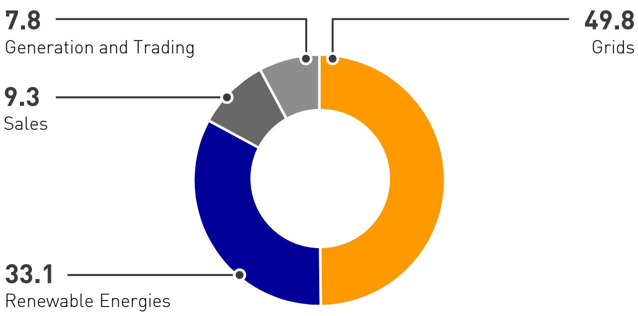
Potential factors influencing the forecast are described in detail in the “Report on risks and opportunities” (p. 74 ff.).

Expected trends in financial and strategic performance indicators

Implementation of the strategy for a three-year period

An extensive €4.0 billion investment programme is planned for the 2015 to 2017 period to ensure the company can continue to play an active role in structuring the Energiewende. These investments are split into €2.7 billion for growth projects and €1.3 billion for investments in existing plants. This also includes the planning costs for further offshore projects. Due to the fact that the conditions upon which the profitability of an offshore wind farm is dependent have not yet been clarified and thus the time schedule is subject to a degree of uncertainty, there are no investments included that go above and beyond those covering the project planning costs.

Gross investments 2015–2017 in %



Around one tenth of the investment will be made in the Sales segment. In contrast to the traditional plant-intensive business carried out by energy supply companies, less investment is required to grow as a supplier offering decentralised solutions. A significant proportion of the investment has been allocated for biogas plants (successful pilot plants have already been realised), as well as for the universal introduction of smart meters.

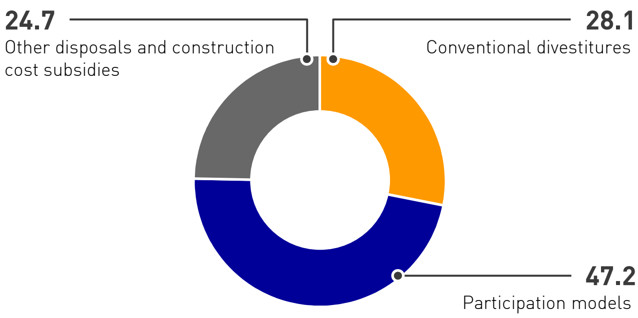
Around one third of the overall investment is attributable to the Renewable Energies segment. This includes investments in project planning for further offshore projects and the realisation of onshore wind farms that form part of our comprehensive pipeline of projects. In addition, investment will be made in the completion of the offshore wind farm EnBW Baltic 2 in 2015. The at-equity consolidated activities in Turkey are reflected in the investment programme based on their proportional share of equity.

Around half of the investment will flow into the Grids segment. In order to make the transport of renewable energies from the north to the south of Germany possible, investment will be made in the transmission grid to realise two corridors that are part of the network development plan in which our subsidiary TransnetBW is involved. In the planning period, this primarily involves the ULTRANET project, whereas the investment in SuedLink is expected to take place mainly after 2017. To ensure security of supply and in order to cope with the increased loads due to the decentralised feed-in of electricity into the grid, extensive investment will also be made into the distribution grid for the expansion and upgrading of the existing network.

In accordance with our strategy, only around one twelfth of the overall investment will be made in the Generation and Trading segment. As a result of a lack of profitability in this segment, no further growth investments, exception for replacement investments, will be made after the completion of the Lausward Combined Cycle Gas Turbine in Düsseldorf.

This programme of investments thus reflects our strategy for massively expanding renewable energies and ensuring security of supply in the regulated areas of the transmission and distribution grids.

Divestitures 2015–2017 in %



In order to finance this volume of investment totalling around €4 billion, divestitures amounting to €1.9 billion are planned in the years 2015 to 2017, which corresponds to around 50% of the investment programme. In summer 2015, the participation model for EnBW Baltic 2 will be realised – for which the contracts were signed at the beginning of 2015. Divestitures in the onshore sector are also planned in the future, which will be based on an already successfully implemented participation model from 2014. A quarter of the divestitures will result from the sale of property and the receipt of construction cost subsidies. Around €0.6 billion will be attributable to the sale of investments.

TOP Adjusted EBITDA and TOP the share of the adjusted EBITDA accounted for by the segments

Development in 2015 (adjusted EBITDA and the share of the adjusted EBITDA accounted for by the segments)[1] compared to the previous year

	Earnings performance (adjusted EBITDA) compared to the previous year		Development of the share of the adjusted EBITDA accounted for by the segments in the EnBW Group	
	2015	2014	2015	2014
Sales	+10% to +20%	€230.6 million	10% to 15%	10.6%
Grids	0% to -10%	€886.3 million	35% to 40%	40.9%
Renewable Energies	more than 20%	€191.4 million	15% to 20%	8.8%
Generation and Trading	-15% to -25%	€899.5 million	30% to 35%	41.5%
Other/Consolidation	–	€-40.4 million	–	-1.8%
Adjusted EBITDA, Group	**0% to -5%**	**€2,167.4 million**		**100.0%**

[1] Segments adjusted for changes in the consolidated companies.

We expect that the **Sales** segment will deliver a growth in earnings in 2015. Our planning is based – in contrast to the above-average temperatures in the previous year – on there being average temperatures in 2015. As a result, we anticipate higher earnings in both the electricity and gas sales sectors. After the growth area dealing with the supply of decentralised solutions in the energy sector developed unsatisfactorily in 2014, we will successively refine our goals and are thus confident of being able to achieve positive growth effects as part of our growth strategy for 2015. The first contracts for our invoicing services were successfully concluded in 2014 and these will continue to have a positive effect on earnings over the years. We expect a slight increase in the share of the E adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA for the **Grids** segment is expected to fall slightly in 2015. As the weather conditions caused the revenue cap for the gas distribution grid to be exceeded in 2013, the revenue cap for 2015 will be lower than in 2014. Furthermore, the new contract arrangement with the City of Stuttgart will have a negative effect on earnings. We expect a slight decrease in the share of the adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA for the **Renewable Energies** segment will increase significantly in 2015. The drop in the wholesale market price for electricity and the accompanying negative effects on earnings from our run-of-river power plants will be more than compensated for by the expected full commissioning of our offshore wind farm EnBW Baltic 2 in the summer of 2015. It will remain fully consolidated even after the sale of 49.89% of the shares. In addition, the expansion of the onshore wind energy sector will also result in an increase in earnings. We will more than double the installed output in the area of wind energy. As a result of this positive development, the share of the adjusted EBITDA for the Group accounted for by this segment will increase significantly.

The adjusted EBITDA for the **Generation and Trading** segment will fall significantly in 2015. This continues to be due primarily to the noticeably falling prices and E spreads on wholesale electricity markets during preceding periods in which we agreed on fixed sales prices for quantities of electricity to be supplied in 2015. Our efficiency improvement measures can only partly cushion these negative influences in this segment in 2015. As a result, the share of the adjusted EBITDA for the Group accounted for by this segment will fall significantly.

As things currently stand, changes to the companies that are included in the consolidated financial statements will not have any effect on earnings in 2015.

The adjusted EBITDA at a Group level in 2015 will thus be between 0% and -5% below the 2014 level. This is mainly due to falling wholesale prices and spreads. The commissioning of our offshore wind farm EnBW Baltic 2, as well as our other growth and efficiency projects, will not be able to fully compensate for these negative effects.

Group earnings trends in the years 2016 and 2017 will decisively depend on the results of the E hedging process and the realisation of the network development plan. The realisation of the network development plan would already have a positive effect on the contributions to EBITDA made by the area of transmission grids during the investment phase. Against the background of uncertain energy policy conditions for 2016 and the resultant wholesale market prices, as well as the uncertain length of time required for the implementation of the network development plan, we are expecting – based on the status as of today – a drop in earnings of between -10% and -20%.

TOP Dynamic leverage ratio

Key performance indicator

	2015	2014
Dynamic leverage ratio	3.2–3.6	3.68

We expect an adjusted net debt of between €7.0 billion and €7.5 billion in 2015. Based on the earnings forecast, we are expecting a E dynamic leverage ratio of between 3.2 and 3.6. We are thus confident that we can retain our current rating level as a result. As already mentioned, we are continuing with our divestiture strategy, which will have a positive effect on our adjusted net debt particularly in 2015 due to the sale of shares (49.89%) in EnBW Baltic 2. Therefore, we also expect our adjusted net debt to fall further in subsequent years. The uncertain future development of interest rates with its impact on pension and nuclear power provisions may have either a positive or negative effect on our adjusted net debt. The pending judgement on E nuclear fuel rod tax is also subject to a degree of uncertainty, which may have a positive effect, but has not yet been taken into account in our forecast.

TOP ROCE

Key performance indicator

	2015	2014
ROCE in %	8.5–9.5	10.0

Capital employed is mainly influenced by investments and write-downs. In 2015, we expect a slight increase in capital employed due to a continued high level of investment activities; therefore we expect a E ROCE of between 8.5% and 9.5%. As a result of our strategy, we also expect a high level of investment despite falling earnings in subsequent years, which at the beginning of the investment activity will lead to a fall in ROCE.

Expected trends in non-financial key performance indicators

Expected trends in the customers dimension

Key performance indicators

	2015	2014
Brand Attractiveness Index for EnBW/Yello	44/38	43/36
Customer Satisfaction Index for EnBW/Yello	120/150	114/145
SAIDI (electricity) in min/year	15	15

TOP **Brand Attractiveness Index:** It was possible to increase the attractiveness of the EnBW brand slightly in 2014. As a result of continuous communication and sales activities, we aim to increase the attractiveness of the brand further in the coming year to a target figure of 44. The attractiveness of Yello needs to be improved further using sustainable brand communication following a slight fall in 2014; we aim to achieve an index value of 38 in 2015.

TOP **Customer Satisfaction Index:** The satisfaction of the customers of EnBW grew in 2014. A decisive factor in this result was a positive perception of the company's image, which currently has a high level of influence on customer loyalty. EnBW will continue to introduce a series of new, attractive products and services to the market for both business customers and private customers, and establish ourselves even more strongly as a partner for our customers. Therefore, there is a chance that the index value can be further increased by a significant amount in 2015 to 120. The satisfaction of the customers of Yello fell slightly in 2014, yet remains at a high level. The aim will be to increase the Customer Satisfaction Index for Yello in 2015 to 150 through the implementation of appropriate measures.

TOP **SAIDI:** EnBW has always ensured a high quality of supply throughout its grid area and for its customers. The relevant key performance indicator SAIDI, which states the average duration of supply interruptions per connected customer per year, reached a value of 15 minutes in 2014. In the 2015 financial year and also in subsequent years, we expect that this value will consistently remain at this very good level.

Expected trends in the employees dimension

Key performance indicators

	2015	2014
Employee Commitment Index (ECI)[1]	58	56
LTIF[1]	≤ previous-year figure	4.3

[1] Variations in the group of consolidated companies.

TOP **Employee Commitment Index (ECI):** The main task is to transfer the positive development in the level of trust that has been achieved at a management level to an employee level. Measures have been developed for this purpose to make the positive effects and successes of the changes introduced at the company transparent, tangible and above all perceptible for the appropriate target group. All management personnel are encouraged to enter into dialogue with their employees to achieve this task. As both the level of identification amongst staff with the Group and the motivational climate continue to remain high, we believe that there is a realistic chance of achieving a turnaround in 2015 and to once again increase the ECI to 58 points.

TOP **LTIF:** The key performance indicator LTIF (Lost Time Injury Frequency) measures the occupational safety in our company. It goes without saying that we are committed to continuously improving occupational safety within the company for both our own and third-party employees. Numerous accident prevention measures serve this purpose. In 2015, we are striving to reduce this indicator for occupational safety below the figure for the previous year.

Further significant developments: In view of the difficult conditions, it will be important over the coming years to realise further improvements in efficiency across the entire Group. There will be a moderate increase in the number of personnel in the areas of Decentralised Solutions (Product Innovations) and Grids as part of the restructuring of our business portfolio. This will be offset by further measures to optimise processes across the entire company with a focus on centralised areas and the area of thermal power plants. At the same time, the effects of the "Fokus" efficiency enhancement programme, which will include minor personnel losses, will be felt through to 2016. One initiative that is part of the EnBW 2020 corporate strategy is the "New Working Worlds" project, in which modern and open office structures are realised. The goal is to promote communication, interaction and networked styles of working. During the course of 2014, the first units moved into their "New Working Worlds" and empirical data and experience is now available that can flow into the implementation of the next stages of the project.

Expected trends in the environment dimension

Key performance indicator

	2015	2014
Installed output of RE in GW and the share of the generation capacity in % accounted for by RE	3.0/22.1	2.6/19.1

TOP **Installed output of renewable energies (RE) and the share of the generation capacity accounted for by RE:** In 2015, we expect a clear increase in the installed output from renewable energies of around 15%, particularly as a result of the full commissioning of the offshore wind farm EnBW Baltic 2. Accordingly, the share of the generation capacity of the Group accounted for by renewable energies is predicted to increase to more than a fifth.

The management's overall assessment of anticipated developments

In comparison to 2014, we expect a largely stable business performance at a Group level in 2015. Our financial key performance indicators will still remain under pressure in 2015. Nevertheless, we are well on the way to achieving our 2020 targets. We will continue to implement our divestiture programme and can thus continue to make sufficient investment funds available to enable us to play an active role in structuring the Energiewende. At the same time, we also aim to reduce our net debt in order to retain our credit rating. With respect to our non-financial key performance indicators, we expect them to continue to develop positively in 2015 as a further step on the way to achieving our 2020 targets.

Remuneration report

The remuneration report encompasses the principles significant in determining the remuneration of Board of Management members and explains the structure and level of both Board of Management and Supervisory Board remuneration.

The remuneration report takes the recommendations of the German Corporate Governance Code and the German Accounting Standard (DRS) 17 (amended in 2010) into consideration in this respect. It also contains disclosures required by German commercial law and the supplementary provisions of the German Act on the Appropriateness of Management Board Remuneration (VorstAG) included in the notes pursuant to Sec. 314 German Commercial Code (HGB) and the management report pursuant to Sec. 315 German Commercial Code (HGB).

Board of Management remuneration

Based on a proposal of the personnel committee, the Supervisory Board passes a resolution on the remuneration of the Board of Management, including the main contract elements, and reviews it on a regular basis. The criteria for determining appropriate remuneration include the responsibilities and performance of Board of Management members, the economic situation, the performance and sustainable development of the company and the relationship between Board of Management remuneration and the remuneration of senior management and the workforce as a whole and its development over time.

Board of Management remuneration was restructured in 2014 in respect of the value appreciation bonus and, for 2014, consists of the following essential components:

Fixed remuneration

This comprises a fixed basic annual remuneration, of which only a part counts towards pension claims, and other earnings.

Variable remuneration

- **Performance bonus:** The level of the performance bonus depends on the extent to which the respective targets agreed for the financial year have been achieved. These include financial targets at Group level (corporate targets), which are measured relative to the performance indicators EBITDA and ROCE, and individual targets. The performance bonus is a minimum of 0% and maximum of 200% of the fixed basic annual remuneration. The share of the performance bonus for individual targets (30%) for the respective assessment year is paid out immediately, while the share of the performance bonus for corporate targets (70%) is divided into three. The first third is also paid out immediately. The remaining two shares (deferral 1 and 2) are adjusted to reflect the extent to which corporate targets are met in the two subsequent years. Interest of 3% per annum is paid on these shares, which are paid out following ratification of the respective financial statements for the subsequent years 1 and 2.
- **Value appreciation bonus (long-term incentive – LTI):** The value appreciation bonus consists of a basic LTI and a competition component. The basic LTI is determined by the accumulated contribution to value derived from the three-year mid-term planning. It is calculated from the difference between the ROCE and WACC (weighted average cost of capital) multiplied by the average capital employed. The competition component measures the relative performance of the Group in the respective three-year performance period against a peer group of competitors on the basis of the value spread (= ROCE - WACC). Relative to the fixed basic annual remuneration, the value appreciation bonus is equivalent to between 0% and 102% for a Board of Management member and 0% and 120% for the CEO. The basic LTI comprises two thirds and the competition component one third of the LTI in this respect. The EnBW AG Supervisory Board defines targets and upper and lower limits for the individual LTI targets stipulated. Payment, which accrues 3% interest per annum, will first be made in 2017 subsequent to determination of the last annual financial statement in the respective three-year period.
- **Board of Management's contribution to "Fokus":** The Board of Management contributes to "Fokus" by voluntarily waiving a portion of its variable remuneration. The portion of variable remuneration waived relates exclusively to two remuneration components, the performance bonus for corporate targets and the LTI. Calculations are based on the target income of the respective Board of Management member. Upon achieving or exceeding the target income, 20% is deducted from the performance bonus for corporate targets and the LTI. Should the actual remuneration fall short of the target income, the difference between the target income and actual remuneration is credited to the defined deduction and the lower amount is deducted. However, a minimum of €20,000 per year is deducted in any case. The contribution of the Board of Management to "Fokus" is derived from supplementary agreements to the service agreement valid for the financial years 2012 to 2014.
- **Restructuring of the remuneration system as of 2015:** The Supervisory Board at EnBW AG passed a resolution on 4 December 2014 on the second stage of the restructuring of the Board of Management remuneration system, effective as of 1 January 2015. This simplified the remuneration system, introduced an additional sustainability component in the case of the LTI and redefined the individual remuneration components of total remuneration. The purpose of this restructuring of the system is not to increase the target and maximum income of Board of Management members. The new Board of Management remuneration system will be presented to the ordinary Annual General Meeting on 29 April 2015 for approval.

Remuneration of Board of Management members in the 2014 financial year

in €	Fixed remuneration		Variable remuneration		Total
(previous-year figures in brackets)	Basic remuneration	Other remuneration[1]	Without long-term incentive	With long-term incentive	
Dr. Frank Mastiaux, Chairman	850,000	12,554	763,996	591,518[2]	2,218,068
	(812,500)	(402,234)[3]	(720,904)	(124,361)	(2,059,999)
Dr. Bernhard Beck, LL.M.	500,000	47,111	429,167	365,161[2]	1,341,439
	(500,000)	(48,527)	(435,958)	(77,726)	(1,062,211)
Thomas Kusterer	450,000	21,374	382,000	530,537[2]	1,383,911
	(450,000)	(25,749)	(396,033)	(345,647)	(1,217,429)
Dr. Dirk Mausbeck	337,500	12,582	285,375	508,104[2]	1,143,561
(until 30/09/2014)	(450,000)	(16,828)	(389,350)	(276,002)	(1,132,180)
Dr. Hans-Josef Zimmer	450,000	39,769	379,750	530,537[2]	1,400,056
	(450,000)	(39,946)	(390,970)	(279,813)	(1,160,729)
Hans-Peter Villis, Chairman	–	–	–	–	–
(until 30/09/2012)	–	–	(5,737)	–	(5,737)
Total	**2,587,500**	**133,390**	**2,240,288**	**2,525,857**	**7,487,035**
	(2,662,500)	**(533,283)**	**(2,338,952)**	**(1,103,549)**	**(6,638,285)**

[1] Other remuneration includes monetary benefits, particularly from the provision of company cars amounting to €132,886 (previous year: €134,514).
[2] Current deferrals and the preliminary value appreciation bonus for the performance period 2014 to 2016 total €1,717,786 for Dr. Frank Mastiaux (previous year: €878,440), €971,459 for Dr. Bernhard Beck (previous year: €541,516), €876,313 for Thomas Kusterer (previous year: €651,950), €712,097 for Dr. Dirk Mausbeck (previous year: €633,663) and €876,313 for Dr. Hans-Josef Zimmer (previous year: €651,950). The exact level of the value appreciation bonus for the performance period 2014 to 2016 can only be determined following the end of the 2016 financial year and can be within the LTI spread pursuant to the following table of the target income for Board of Management members.
[3] This includes the one-off premium of €450,000 pro rata agreed with Dr. Frank Mastiaux which was payable after one year of service on the Board of Management.

Target income of Board of Management members[1]

in €	Dr. Frank Mastiaux Chief Executive Officer				Dr. Bernhard Beck, LL.M. Chief Personnel Officer				Thomas Kusterer Chief Financial Officer			
	2013	2014	2014 (min.)	2014 (max.)	2013	2014	2014 (min.)	2014 (max.)	2013	2014	2014 (min.)	2014 (max.)
Fixed remuneration	812,500	850,000	850,000	850,000	500,000	500,000	500,000	500,000	450,000	450,000	450,000	450,000
Fringe benefits	402,234	12,554	12,554	12,554	48,527	47,111	47,111	47,111	25,749	21,374	21,374	21,374
Minimum bonus	–	–	–	–	–	–	–	–	–	–	–	–
Total	**1,214,734**	**862,554**	**862,554**	**862,554**	**548,527**	**547,111**	**547,111**	**547,111**	**475,749**	**471,374**	**471,374**	**471,374**
One-year variable remuneration performance bonus	593,125	620,500	0	827,333	365,000	365,000	0	486,667	328,500	328,500	0	438,000
Multi-year variable remuneration Deferral 1	227,500	238,000	0	317,333	140,000	140,000	0	186,667	126,000	126,000	0	168,000
Deferral 2	227,500	238,000	0	317,333	140,000	140,000	0	186,667	126,000	126,000	0	168,000
LTI	487,500	510,000	0	816,000	280,000	280,000	0	408,000	252,000	252,000	0	367,200
Total	**2,750,359**	**2,469,054**	**862,554**	**3,140,553**	**1,473,527**	**1,472,111**	**547,111**	**1,815,112**	**1,308,249**	**1,303,874**	**471,374**	**1,612,574**
Pension expenses	430,080	444,949	444,949	444,949	160,473	150,943	150,943	150,943	203,416	210,774	210,774	210,774
Total remuneration	**3,180,439**	**2,914,003**	**1,307,503**	**3,585,502**	**1,634,000**	**1,623,054**	**698,054**	**1,966,055**	**1,511,665**	**1,514,648**	**682,148**	**1,823,348**

[1] This table illustrates the remuneration in both the reporting year and previous year which arises given 100% target attainment (target income) and the potential minimum and maximum remuneration for the financial year. Remuneration is described for Board of Management members who were appointed at least on a part-time basis in either the reporting year or previous year to the Board of Management at EnBW AG.

Payments to Board of Management members[1]

in €	Dr. Frank Mastiaux Chief Executive Officer		Dr. Bernhard Beck, LL.M. Chief Personnel Officer		Thomas Kusterer Chief Financial Officer	
	2014	2013	2014	2013	2014	2013
Fixed remuneration	850,000	812,500	500,000	500,000	450,000	450,000
Fringe benefits	12,554	514.734[2]	47,111	48,527	21,374	25,749
Minimum bonus	–	–	–	112,500	–	–
Total	**862,554**	**1,327,234**	**547,111**	**661,027**	**471,374**	**475,749**
One-year variable remuneration performance bonus	755,667	178,733	444,283	668,208	395,650	396,032
Multi-year variable remuneration Deferral 1 from 2012	124,361	–	77,726	–	279,813	–
Deferral 2 from 2011	–	–	–	–	65,834	–
Deferral 1 from 2011	–	–	–	–	–	63,917
Total	**1,742,582**	**1,505,967**	**1,069,120**	**1,329,235**	**1,212,671**	**935,698**
Pension expenses	444,949	430,080	150,943	160,473	210,774	203,416
Total remuneration	**2,187,531**	**1,936,047**	**1,220,063**	**1,489,708**	**1,423,445**	**1,139,114**

[1] This table illustrates receipts in both the reporting year and previous year pursuant to the German Income Tax Act. Earnings are described for Board of Management members who were appointed at least on a part-time basis in either the reporting year or previous year to the Board of Management at EnBW AG.
[2] The one-off premium of €450,000 that Dr. Frank Mastiaux receives after one year of service on the Board of Management accrued to him in its entirety in 2013.

	Dr. Dirk Mausbeck Chief Commercial Officer (until 30/09/2014)				Dr. Hans-Josef-Zimmer Chief Technical Officer			
	2013	2014	2014 (min.)	2014 (max.)	2013	2014	2014 (min.)	2014 (max.)
	450,000	337,500	337,500	337,500	450,000	450,000	450,000	450,000
	16,828	12,582	12,582	12,582	39,946	39,769	39,769	39,769
	–	–	–	–	–	–	–	–
	466,828	**350,082**	**350,082**	**350,082**	**489,946**	**489,769**	**489,769**	**489,769**
	328,500	246,375	0	328,500	328,500	328,500	0	438,000
	126,000	94,500	0	126,000	126,000	126,000	0	168,000
	126,000	94,500	0	126,000	126,000	126,000	0	168,000
	252,000	189,000	0	275,400	252,000	252,000	0	367,200
	1,299,328	**974,457**	**350,082**	**1,205,982**	**1,322,446**	**1,322,269**	**489,769**	**1,630,969**
	31,789	41,490	41,490	41,490	250,117	258,817	258,817	258,817
	1,331,117	**1,015,947**	**391,572**	**1,247,472**	**1,572,563**	**1,581,086**	**748,586**	**1,889,786**

	Dr. Dirk Mausbeck Chief Commercial Officer (until 30/09/2014)		Dr. Hans-Josef-Zimmer Chief Technical Officer	
	2014	2013	2014	2013
	337,500	450,000	450,000	450,000
	12,582	16,828	39,769	39,946
	–	–	–	–
	350,082	**466,828**	**489,769**	**489,946**
	392,995	355,238	393,400	390,970
	256,495	–	279,813	–
	19,506	–	–	–
	–	18,938	–	–
	1,019,078	**841,004**	**1,162,982**	**880,916**
	41,490	31,789	258,817	250,117
	1,060,568	**872,793**	**1,421,799**	**1,131,033**

Compensation agreed with the Board of Management in the event of termination of service

During their first term of office, members of the Board of Management are generally not entitled to retirement benefits. As of their first term of office, Dr. Frank Mastiaux and Thomas Kusterer have a vested right to retirement benefits. In the case of Dr. Dirk Mausbeck, the entitlement to retirement benefits arises from the contractual provisions relating to his prior work within the Group.

From the second term of office onwards, pension entitlements from the age of 63 or in the event of permanent disability are calculated on the basis of different criteria. Vested benefits rise in proportion to the period as of first-time appointment to the Board of Management and are capped at 60% of the pensionable basic annual remuneration. Unless benefits have already become vested by operation of law, they become vested as of the second term of office. The rates of increase are generally set such that the maximum post-employment benefit is reached at the same time as the contractually agreed age limit. Other company pension entitlements earned are credited once the maximum pensionable basic annual remuneration has been exceeded.

When benefit obligations become due for payment, the payments are indexed in accordance with the German Company Pensions Act.

In the event of the death of a member of the Board of Management, the surviving dependants are entitled to continued payment of the remuneration for three months. For as long as they live, widows receive 60% of the benefit that the member of the Board of Management received or would have received on the day they died if the pension had been due for payment on that day. Children of the Board of Management member receive an orphan's allowance until they reach the age of 25 (20% if they have lost both parents, 12% if they have lost one parent). Surviving dependants' benefits are limited in total to 100% of the pension entitlements.

The following change of control regulation currently exists for all Board of Management members: If Board of Management members relinquish their office and resign due to a change of control, they are entitled to their outstanding annual basic remuneration until the expiry of the planned contractual duration (but limited to a maximum of three annual basic salaries) and to the deferrals already earned as part of the performance bonus. Such entitlements are restricted to one and a half times the settlement cap, cannot compensate for more than the residual term of the service contract and are due in the event of premature termination of the service contract.

Where Board of Management employment contracts are concluded or extended, in the event of the early termination of Board of Management activity due to a change of control, it is agreed that settlement or termination payments should not exceed the settlement cap and should not compensate for more than the residual term of the service contract.

No termination benefit obligations exist above and beyond this in the event of premature termination of service on the Board of Management. However, termination benefits may be payable on the basis of a cancellation agreement made with the individual. For agreements in place as of the reporting date, it was agreed that payments made to a member of the Board of Management on premature termination of his or her contract without serious cause, including fringe benefits, will not exceed the value of two years' remuneration (severance payment cap) and compensate for no more than the remaining term of the contract. In concluding or extending management board contracts, care is taken to ensure that no payments are made to a member of the Board of Management on premature termination of the contract for an important reason for which the member of the Board of Management is responsible.

In the event of temporary unavailability for work on the part of a Board of Management member due to illness or any other reason for which the member of the Board of Management is not responsible, remuneration will be paid for the first six months. The amount of variable remuneration will be calculated from the average of the last three years, and basic remuneration will be paid for a further six months. However, payments in the event of unavailability for work will be made no longer than until the end of the term of the service agreement.

Upon expiry of his term of office on 30 September 2014, Dr. Dirk Mausbeck stepped down from the Board of Management. No further agreements were made with Dr. Dirk Mausbeck beyond the regulations contained in his service agreement. Dr. Dirk Mausbeck was granted compensation totalling €1,377,734.88 in 2014 pursuant to the service agreement. This amount corresponds to 50% of the last basic remuneration he received and his average bonus for his term of office, taking future earnings for the duration of the non-compete obligation into consideration and payable in equal monthly instalments until 30 September 2016.

The disclosures for the 2014 financial year concerning post-employment benefits (previous-year figures in brackets) are presented below. This presentation satisfies the requirements of Sec. 285 No. 9a German Commercial Code (HGB). The disclosures include the vested entitlement as of the reporting date, the annual expenses for pension obligations and the present value of the pension obligations earned as of the reporting date (including pension entitlements financed by the board members themselves by waiving part of their salary).

Post-employment benefits

(previous-year figures in brackets)	Vested benefit as of 31/12/2014	Annual expenses for pension obligations in €[1]	Present value of pension obligations (defined benefit obligations) in €
Dr. Frank Mastiaux, Chairman	30%[2]	444,949	1,332,117
	(30%)	(430,080)	(548,289)
Dr. Bernhard Beck, LL.M.	60%[3]	150,943	5,677,345
	(60%)	(160,473)	(4,450,918)
Thomas Kusterer	37.5%[3]	210,774	2,252,937
	(35%)	(203,416)	(1,373,839)
Dr. Dirk Mausbeck	8.5%[4]	41,490	512,373
(until 30/09/2014)	(7%)	(31,789)	(409,423)
Dr. Hans-Josef Zimmer	47.5%[3]	258,817	4,748,713
	(45%)	(250,117)	(3,474,206)

[1] Including an addition to capital for pension benefits totalling €124,188 (previous year: €48,490). This is a pension commitment financed through voluntarily waiving of part of the salary.
[2] Basis for entitlement in percentage of the pensionable annual basic remuneration, currently: €600,000.
[3] Basis for entitlement in percentage of the pensionable annual basic remuneration, currently: €350,000.
[4] Basis for entitlement in percentage of the pensionable annual basic remuneration, currently: €250,000.

Annual expenses for pension obligations include both service and interest costs. These are defined benefit obligations in accordance with IFRS of €14.5 million for the current members of the Board of Management (previous year: €10.3 million).

Former members of the Board of Management and their surviving dependants received total remunerations of €5.9 million in the 2014 financial year (previous year: €4.3 million). Former members of the Board of Management and management of companies integrated into EnBW AG and their surviving dependants received total payments of €2.1 million in the 2014 financial year (previous year: €0.0 million). Remunerations therefore totalled €8.0 million (previous year: €4.3 million). These pension payments are indexed to the percentage change in remuneration according to the collective bargaining agreement.

Defined benefit obligations of €73.9 million exist pursuant to IFRS relating to former members of the Board of Management and their surviving dependants (previous year: €63.1 million) and of €24.6 million pursuant to IFRS relating to former members of the Board of Management and management of companies integrated into EnBW AG and their surviving dependants (previous year: €0.0 million). Pension obligations therefore totalled €98.5 million (previous year: €63.1 million).

As in the previous year, no loans or advances were granted to members of the Board of Management at the end of the financial year.

Supervisory Board remuneration

In response to a proposal of the Board of Management and Supervisory Board, the Annual General Meeting on 25 April 2013 revised the regulations for Supervisory Board remuneration. Accordingly, members of the Supervisory Board receive fixed remuneration of €30,000 each payable at the end of the financial year in addition to reimbursement of their expenses for the entire 2014 financial year. The Chairman of the Supervisory Board receives twice the above, while the Deputy Chairman of the Supervisory Board receives one and a half times the aforementioned amount.

Members of the Supervisory Board receive fixed remuneration of €5,000 each per financial year to offset the additional work involved in any activities in one or more Supervisory Board committees. The Chairperson of one or more committees receives twice the amount of the remuneration for the committee work, unless the respective committee has not met in the financial year concerned.

Supervisory Board members who have only belonged to the Supervisory Board or a committee or acted as a Chairperson for part of the financial year are paid remuneration proportionate to the duration of their office or their position in that financial year.

In addition, the Supervisory Board members receive an attendance fee of €500 for Supervisory Board meetings and committee meetings. Attendance at preliminary meetings is remunerated with €250 per meeting, but only for one preliminary meeting per Supervisory Board meeting.

According to this remuneration system, the members of the Supervisory Board will receive the following total remuneration for the 2014 financial year (including attendance fees and remuneration for offices held at subsidiaries):

Total remuneration for EnBW AG Supervisory Board members in 2014

in € (previous-year figures in brackets)	Fixed remuneration (incl. attendance fees)	Remuneration for offices held at subsidiaries	Total
Dr. Claus Dieter Hoffmann, Chairman	81,500 (80,000)	0 (0)	81,500 (80,000)
Dietrich Herd, Deputy Chairman	61,000 (61,000)	11,213 (18,620)	72,213 (79,620)
Stefan Paul Hamm[1]	35,250 (20,589)	6,260 (3,027)	41,510 (23,616)
Silke Krebs[2]	42,000 (42,500)	0 (0)	42,000 (42,500)
Marianne Kugler-Wendt[1]	41,500 (42,000)	7,647 (13,120)	49,147 (55,120)
Wolfgang Lang	42,000 (41,750)	7,935 (8,260)	49,935 (50,010)
Dr. Hubert Lienhard	39,500 (39,500)	0 (0)	39,500 (39,500)
Sebastian Maier	35,000 (28,651)	4,365 (3,628)	39,365 (32,279)
Arnold Messner	45,750 (42,500)	7,090 (9,190)	52,840 (51,690)
Dr. Wolf-Rüdiger Michel[3] (since 01/07/2014)	19,534 (0)	4,607 (0)	24,141 (0)
Bodo Moray[1]	42,000 (42,000)	8,477 (14,250)	50,477 (56,250)
Gunda Röstel	47,500 (48,000)	0 (0)	47,500 (48,000)
Dr. Nils Schmid[2]	43,000 (41,500)	0 (0)	43,000 (41,500)
Klaus Schörnich	41,750 (41,750)	13,475 (12,975)	55,225 (54,725)
Heinz Seiffert[3]	44,000 (45,500)	0 (0)	44,000 (45,500)
Gerhard Stratthaus	39,000 (40,500)	0 (0)	39,000 (40,500)
Carola Wahl (since 29/04/2014)	21,802 (0)	0 (0)	21,802 (0)
Dietmar Weber	41,750 (42,000)	2,287 (6,860)	44,037 (48,860)
Kurt Widmaier[3]	42,500 (42,000)	0 (0)	42,500 (42,000)
Dr. Bernd-Michael Zinow	48,250 (49,500)	11,620 (10,720)	59,870 (60,220)
Dirk Gaerte[3] (until 30/06/2014)	19,856 (39,000)	0 (0)	19,856 (39,000)
Günther Cramer (until 22/12/2013)	0 (35,137)	0 (0)	0 (35,137)
Reiner Koch[1] (until 31/05/2013)	0 (14,411)	0 (5,550)	0 (19,961)
Bernd Munding (until 28/02/2013)	0 (6,099)	0 (0)	0 (6,099)
Total	**874,442** **(885,887)**	**84,976** **(106,200)**	**959,418** **(992,087)**

[1] In accordance with the regulations of the German Federation of Trade Unions (DGB) on the transfer of supervisory board remuneration, the remuneration is transferred to the Hans-Böckler foundation and ver.di GewerkschaftsPolitische Bildung gGmbH.
[2] The members of the state government have agreed to transfer any remuneration received for membership of supervisory boards, advisory boards and all other comparable boards to which they have been appointed in connection with their office or to which they are assigned as a member of the state government, applying Sec. 5 Ancillary Activities Ordinance (Landesnebentätigkeitsverordnung – LNTVO) analogously, provided that the extent to which the remuneration received in the calendar year exceeds a gross total of €6,100 (council of ministers resolution dated 24/05/2011).
[3] Pursuant to Secs. 82-88 Civil Service Act (Landesbeamtengesetz – LBG) in conjunction with Sec. 5 Ancillary Activities Ordinance (LNTVO), remuneration is transferred to the district.

The above disclosures include attendance fees of the members of the Supervisory Board amounting to €139,250 (previous year: €136,750) and attendance fees totalling €24,840 in the remuneration for offices held at subsidiaries (previous year: €35,086). No other remuneration or benefits for services rendered personally, in particular consulting or mediation services, were paid to members of the Supervisory Board, nor did they receive any loans or advances in the reporting year.

The members of the Board of Management and the Supervisory Board are covered by adequate D&O insurance concluded in the interest of EnBW. An appropriate deductible was arranged for this D&O insurance, equivalent to three basic monthly salaries for members of the Board of Management and half of the annual remuneration for members of the Supervisory Board. Since 1 July 2010, the deductible for D&O insurance for both members of the Board of Management and the Supervisory Board has been 10% of the claims, but no more than one and a half times the fixed annual remuneration.

Disclosures pursuant to Secs. 289 (4) and 315 (4) German Commercial Code (HGB) and explanatory report of the Board of Management

In the following, the Board of Management provides the information prescribed by Secs. 289 (4) and 315 (4) German Commercial Code (HGB) and explains this in accordance with Sec. 176 (1) sentence 1 German Stock Corporations Act (AktG). The composition of the subscribed capital is described and explained in the notes to the annual and consolidated financial statement in the section “Equity”. Direct or indirect shares in capital which exceed 10% of the voting rights are described and explained in the notes to the annual financial statement in the sections “Shareholder composition” and “Disclosures pursuant to Sec. 21 German Securities Trading Act (WpHG)” and the notes to the consolidated financial statement in section “Related parties (individuals)”.

Restrictions relating to voting rights or transferability of shares

A shareholder agreement exists, on the one hand, between Zweckverband Oberschwäbische Elektrizitätswerke (Zweckverband OEW) and OEW Energie-Beteiligungs GmbH and, on the other, the federal state of Baden-Württemberg, NECKARPRI GmbH and NECKARPRI-Beteiligungsgesellschaft mbH. The shareholder agreement contains customary clauses governing the relationship between the two major shareholders of EnBW and their relationship with EnBW and coordination of their influence on EnBW. These include but are not limited to clauses prescribing that voting rights are to be exercised in a coordinated and in some cases uniform manner, establishing a shareholders’ committee for these purposes and clauses stipulating that each party shall consult with the other party on significant transactions and decisions. Furthermore, they include regulations relating to restrictions of authorisation over EnBW shares held by the main shareholders and a generally mutual obligation of both main shareholders to maintain parity investment relationships in EnBW with respect to each another.

An agreement exists between, on the one hand, NECKARPRI GmbH and NECKARPRI-Beteiligungsgesellschaft mbH and, on the other, Zweckverband OEW and OEW Energie-Beteiligungs GmbH which grants OEW Energie-Beteiligungs GmbH the right to purchase both the NECKARPRI-Beteiligungsgesellschaft mbH lines of share acquired in EnBW AG arising from the voluntary takeover offer dated 7 January 2011 (3,852,236 shares) and from the capital increase implemented on 5 July 2012 (12,929,978 shares) if, as part of the request for arbitration of NECKARPRI GmbH against E.D.F. INTERNATIONAL S.A., Paris, France, the purchase of the EnBW shares acquired by this company with an agreement dated 6 December 2010 is unwound. However, it was communicated to EnBW that the federal state government does not wish to unwind this transaction, and that the agreement is intended to ensure that EnBW’s ownership structure remains stable at all times.

Legal provisions and statutes on the appointment and dismissal of members of the Board of Management and amendments to the articles of incorporation and by-laws

Pursuant to Sec. 84 German Stock Corporations Act (AktG) in conjunction with Sec. 31 German Co-determination Act (MitbestG), responsibility for the appointment and dismissal of members of the Board of Management rests with the Supervisory Board. This competence is stipulated in Sec. 7 (1) sentence 2 of EnBW’s articles of incorporation and by-laws. If under exceptional circumstances a required board member is missing, Sec. 85 German Stock Corporations Act (AktG) requires in urgent cases that a board member be appointed by the court.

The Annual General Meeting has the right to make changes to the articles of incorporation and by-laws in accordance with Sec. 119 (1) No. 5 German Stock Corporations Act (AktG). The specific rules of procedure are contained in Secs. 179 and 181 German Stock Corporations Act (AktG). For practical reasons, the right to amend the articles of incorporation and by-laws solely in relation to their wording was transferred to the Supervisory Board. This option pursuant to Sec. 179 (1) sentence 2 German Stock Corporations Act (AktG) is embodied in Sec. 18 (2) of the articles of incorporation and by-laws.

Pursuant to Sec. 179 (2) German Stock Corporations Act (AktG), resolutions of the Annual General Meeting to amend the articles of incorporation and by-laws are passed by the Annual General Meeting with a majority of at least three quarters of the capital stock represented at the passing of the resolution, unless the articles of incorporation and by-laws provide that the amendment of the purpose of the company requires a higher majority of the capital. Pursuant to Sec. 18 (1) of the articles of incorporation and by-laws, the resolutions of the Annual General Meeting require a simple majority of the votes cast, unless legal regulations or the articles of incorporation and by-laws prescribe otherwise. If the law requires a larger majority of the votes cast or of the capital stock represented when passing the resolution, the simple majority suffices in those cases where the law leaves it up to the articles of incorporation and by-laws to determine this.

Authority of the Board of Management regarding the possibility to issue or redeem shares

Pursuant to Sec. 5 (2) of the articles of incorporation and by-laws, the Board of Management is authorised, with the assent of the Supervisory Board, to increase the company's share capital until 25 April 2017 by up to €31,907,829.76 through issuing against cash capital contributions, either once or on several occasions, new ordinary bearer shares.

No authorisation of the Annual General Meeting pursuant to Sec. 71 (1) No. 8 German Stock Corporations Act (AktG) for the purchase of treasury shares by the company exists at EnBW. The company may therefore only acquire treasury shares on the basis of other reasons justifying such purchases in accordance with Sec. 71 (1) German Stock Corporations Act (AktG). As of 31 December 2014, the company holds 5,749,677 treasury shares which were purchased on the basis of earlier authorisations in accordance with Sec. 71 (1) No. 8 German Stock Corporations Act (AktG). The company's treasury shares can be sold on the stock exchange or by public offer to all company shareholders. The use of treasury shares, in particular their sale, in any other way can only occur within the scope of the resolution of the Annual General Meeting dated 29 April 2004. The treasury shares held by EnBW do not grant the company any rights in accordance with Sec. 71b German Stock Corporations Act (AktG).

Material agreements of the company subject to the condition of a change of control as a result of a takeover bid and the resulting effects

The following EnBW agreements are subject to the condition of a change of control following a takeover bid as defined by Sec. 289 (4) No. 8 and Sec. 315 (4) No. 8 German Commercial Code (HGB):

Financing arrangements

A syndicated credit line of €1.5 billion, which had not been drawn by 31 December 2014, can be terminated by the lenders, thereby becoming due for repayment given a change of control at EnBW. This does not apply if the purchaser of the shares is the state of Baden-Württemberg or Zweckverband OEW or another German public law legal entity.

A €650 million syndicated loan for Group company Stadtwerke Düsseldorf AG (SWD), of which around €347.9 million was drawn down as of 31 December 2014, can become due for repayment given a change of control at SWD, including an indirect change of control. This does not apply if, after the change of control, the majority of shares in SWD are held directly or indirectly by German government entities, and the city of Düsseldorf holds at least 25.05% of the shares in SWD.

A bond of JPY 20 billion issued on 12 December 2008 under the debt issuance programme can be terminated by the lenders and become due for repayment given a change of control. This does not apply if the purchaser of the shares is EDF (whose legal successor as shareholder is now the state of Baden-Württemberg) or Zweckverband OEW or another German public law corporation.

Two bilateral long-term bank loans, valued at €475 million and €500 million on 31 December 2014, can be terminated by the lender and become due for repayment given a change of control at EnBW, provided the change of control has a negative effect on repayment of the loan in future. This does not apply if the purchaser of the shares is EDF (whose legal successor as shareholder is now the state of Baden-Württemberg) or Zweckverband OEW.

Corporate law agreements

In the event of a change of control at EnBW, EnBW is required to offer its shareholding in EWE Aktiengesellschaft (EWE) to EWE's municipal shareholders, Weser-Ems-Energiebeteiligungen GmbH and Energieverband Elbe-Weser-Beteiligungsholding GmbH. The purchase price is the market price as determined by an expert appraisal. A change of control is deemed to have occurred if a shareholder other than EDF (whose legal successor as shareholder is the state of Baden Württemberg) or Zweckverband OEW directly or indirectly obtains the majority of the voting rights in EnBW; this may also be achieved through joint control together with another shareholder.

Compensation agreements

Compensation agreements pursuant to Secs. 289 (4) No. 9 and 315 (4) No. 9 German Commercial Code (HGB) concluded with members of the Board of Management to cover any case of a change of control are described and explained in the remuneration report.

Nos. 4 and 5 of Secs. 289 (4) and 315 (4) German Commercial Code (HGB) were not relevant for EnBW in the 2014 financial year.

Significant events after the reporting date

EnBW Energie Baden-Württemberg AG has sold 49.89% of the shares acquired from its subsidiary EnBW Offshore 2 GmbH in the offshore wind farm EnBW Baltic 2 to a subsidiary of the Australian financial investor Macquarie Capital Group Limited. A corresponding purchase agreement was signed on 5 January 2015. The purchase price for the shares, which are expected to be transferred to Macquarie Capital next summer following approval under antitrust regulations and the complete commissioning of the offshore wind farm, is €720 million. EnBW will simultaneously take charge of operations and maintenance tasks at the wind farm, resulting in a corresponding expansion of its service business.

Condensed financial statements

of the EnBW Group

Income statement

in € million[1]	Notes	2014	2013
Revenue including electricity and energy taxes		21,760.1	21,377.6
Electricity and energy taxes		-757.6	-832.8
Revenue	(1)	**21,002.5**	**20,544.8**
Changes in inventories		15.5	0.6
Other own work capitalised		78.0	56.0
Other operating income	(2)	1,238.1	1,001.8
Cost of materials	(3)	-17,511.7	-17,078.0
Personnel expenses	(4)	-1,620.2	-1,536.6
Other operating expenses	(5)	-1,064.9	-988.9
EBITDA		**2,137.3**	**1,999.7**
Amortisation and depreciation	(6)	-2,137.2	-975.6
Earnings before interest and taxes (EBIT)		**0.1**	**1,024.1**
Investment result	(7)	25.6	99.6
of which net profit/loss from entities accounted for using the equity method		(-15.7)	(75.3)
of which other income from investments		(41.3)	(24.3)
Financial result	(8)	-635.4	-953.0
of which finance revenue		(433.8)	(358.3)
of which finance costs		(-1,069.2)	(-1,311.3)
Earnings before tax (EBT)		**-609.7**	**170.7**
Income tax	(9)	222.1	-48.4
Group net profit/loss		**-387.6**	**122.3**
of which profit/loss shares attributable to non-controlling interests		(63.1)	(71.3)
of which profit/loss shares attributable to the equity holders of EnBW AG		(-450.7)	(51.0)
EnBW AG shares outstanding (million), weighted average		**270.855**	**270.855**
Earnings per share from Group net profit/loss (€)[2]	(26)	**-1.66**	**0.19**

[1] The figures for the previous year have been restated. Further disclosures are presented in the notes under "Changes in accounting policies". We publish the complete consolidated financial statements at www.enbw.com/report2014-downloads.
[2] Diluted and basic; in relation to shares in profit/loss attributable to the equity holders of EnBW AG.

Statement of comprehensive income

in € million	2014	2013
Group net profit/loss	**-387.6**	**122.3**
Revaluation of pensions and similar obligations	-1,193.5	31.0
Entities accounted for using the equity method	-83.3	0.0
Income taxes on other comprehensive income	237.0	-7.9
Total of other comprehensive income and expenses without future reclassifications impacting earnings	**-1,039.8**	**23.1**
Currency translation differences	7.7	-48.7
Cash flow hedge	-36.1	-179.9
Available-for-sale financial assets	240.2	36.3
Entities accounted for using the equity method	29.6	0.0
Income taxes on other comprehensive income	-29.2	58.3
Total of other comprehensive income and expenses with future reclassifications impacting earnings	**212.2**	**-134.0**
Other comprehensive income	**-827.6**	**-110.9**
Total comprehensive income	**-1,215.2**	**11.4**
of which profit/loss shares attributable to non-controlling interests	(38.0)	(54.3)
of which profit/loss shares attributable to the equity holders of EnBW AG	(-1,253.2)	(-42.9)

Balance sheet

in € million[1]	Notes	31/12/2014	31/12/2013	01/01/2013
Assets				
Non-current assets				
Intangible assets	(10)	1,783.0	1,844.1	1,930.2
Property, plant and equipment	(11)	13,681.7	14,069.7	13,920.2
Investment properties	(12)	75.8	77.0	81.5
Entities accounted for using the equity method	(13)	1,941.0	1,927.4	2,219.0
Other financial assets	(14)	8,513.4	6,399.9	6,058.7
Trade receivables	(15)	678.6	641.9	567.4
Income tax refund claims	(16)	9.1	12.9	17.1
Other non-current assets	(17)	270.0	277.2	298.5
Deferred taxes	(23)	430.0	257.8	48.3
		27,382.6	**25,507.9**	**25,140.9**
Current assets				
Inventories	(18)	1,135.4	1,353.9	1,285.9
Financial assets	(19)	780.1	750.3	785.6
Trade receivables	(15)	3,193.1	3,745.0	3,919.5
Income tax refund claims	(16)	451.6	343.1	169.4
Other current assets	(17)	2,085.6	1,542.9	1,836.5
Cash and cash equivalents	(20)	3,179.2	2,424.9	2,588.8
		10,825.0	**10,160.1**	**10,585.7**
Assets held for sale	(25)	104.5	90.3	681.1
		10,929.5	**10,250.4**	**11,266.8**
		38,312.1	**35,758.3**	**36,407.7**
Equity and liabilities				
Equity	(21)			
Equity holders of EnBW AG				
Subscribed capital		708.1	708.1	708.1
Capital reserve		774.2	774.2	774.2
Revenue reserves		3,769.3	4,378.9	4,559.1
Treasury shares		-204.1	-204.1	-204.1
Other comprehensive income		-1,607.4	-791.8	-697.9
		3,440.1	**4,865.3**	**5,139.4**
Non-controlling interests		1,105.5	1,217.4	1,236.5
		4,545.6	**6,082.7**	**6,375.9**
Non-current liabilities				
Provisions	(22)	14,302.2	12,450.7	12,260.6
Deferred taxes	(23)	648.9	955.7	1,000.8
Financial liabilities	(24)	7,187.1	5,547.4	5,563.9
Income tax liabilities	(24)	134.3	164.4	289.6
Other liabilities and subsidies	(24)	1,874.2	1,968.7	2,006.0
		24,146.7	**21,086.9**	**21,120.9**
Current liabilities				
Provisions	(22)	1,151.6	1,391.6	1,226.1
Financial liabilities	(24)	1,078.5	224.7	1,201.1
Trade payables	(24)	3,829.6	3,611.0	3,472.2
Income tax liabilities	(24)	330.9	418.0	254.6
Other liabilities and subsidies	(24)	3,180.7	2,910.8	2,756.3
		9,571.3	**8,556.1**	**8,910.3**
Liabilities directly associated with assets classified as held for sale	(25)	48.5	32.6	0.6
		9,619.8	**8,588.7**	**8,910.9**
		38,312.1	**35,758.3**	**36,407.7**

[1] The figures for the previous years have been restated. Further disclosures are presented in the notes under "Changes in accounting policies" and "Restatement of previous year figures". We publish the complete consolidated financial statements at www.enbw.com/report2014-downloads.

Cash flow statement

in € million[1, 2]	2014	2013
1. Operating activities		
EBITDA	2,137.3	1,999.7
Changes in provisions	73.2	42.0
Result from disposals	-93.1	-24.9
Other non-cash expenses/income	-341.5	-59.0
Change in assets and liabilities from operating activities	254.7	318.1
Inventories	(-68.7)	(-123.8)
Net balance of trade receivables and payables	(669.4)	(194.0)
Net balance of other assets and liabilities	(-346.0)	(247.9)
Income tax paid	-254.9	-356.8
Cash flow from operating activities	**1,775.7**	**1,919.1**
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-1,704.4	-1,060.2
Cash received from disposals of intangible assets and property, plant and equipment	194.1	172.4
Cash received from construction cost and investment subsidies	79.9	72.6
Cash paid for the acquisition of subsidiaries, entities accounted for using the equity method and interests in joint operations	-40.8	-39.2
Cash received from the sale of subsidiaries, entities accounted for using the equity method and interests in joint operations	108.9	9.9
Cash paid for investments in other financial assets	-2,795.4	-1,187.2
Cash received from the sale of other financial assets	1,071.2	1,077.3
Cash received/paid for investments in connection with short-term finance planning	-13.6	14.0
Interest received	211.2	198.4
Dividends received	112.3	169.6
Cash flow from investing activities	**-2,776.6**	**-572.4**
3. Financing activities		
Interest paid for financing activities	-338.6	-303.7
Dividends paid	-261.8	-310.8
Cash received for changes in ownership interest without loss of control	89.7	0.0
Cash paid for changes in ownership interest without loss of control	-197.9	0.0
Increase in financial liabilities	2,661.5	435.7
Repayment of financial liabilities	-192.0	-1,330.6
Cash flow from financing activities	**1,760.9**	**-1,509.4**
Net change in cash and cash equivalents	**760.0**	**-162.7**
Net foreign exchange difference	0.3	-1.2
Change in cash and cash equivalents	**760.3**	**-163.9**
Cash and cash equivalents at the beginning of the period	2,424.9	2,588.8
Cash and cash equivalents at the end of the period	**3,185.2**	**2,424.9**
of which cash and cash equivalents in current assets	3,179.2	2,424.9
of which cash and cash equivalents in assets held for sale	6.0	0.0

[1] The figures for the previous year have been restated. Further disclosures are presented in the notes under "Changes in accounting policies".
[2] Further disclosures are presented under (34) "Notes to the cash flow statement". We publish the complete consolidated financial statements at www.enbw.com/report2014-downloads.

Statement of changes in equity

in € million[1]				Other comprehensive income							
	Subscribed capital and capital reserve[2]	Revenue reserves	Treasury shares	Revaluation of pensions and similar obligations	Difference from currency translation	Cash flow hedge	Available-for-sale financial assets	Entities accounted for using the equity method	Equity holders of EnBW AG	Non-controlling interests	Total
As of: 01/01/2013	**1,482.3**	**4,559.1**	**-204.1**	**-806.2**	**-74.6**	**-172.8**	**355.7**	**0.0**	**5,139.4**	**1,236.5**	**6,375.9**
Other comprehensive income				23.1	-25.5	-138.3	46.8		-93.9	-17.0	-110.9
Group net profit		51.0							51.0	71.3	122.3
Total comprehensive income	**0.0**	**51.0**	**0.0**	**23.1**	**-25.5**	**-138.3**	**46.8**	**0.0**	**-42.9**	**54.3**	**11.4**
Dividends paid		-230.2							-230.2	-61.7	-291.9
Other changes[3, 4]		-1.0							-1.0	-11.7	-12.7
As of: 31/12/2013	**1,482.3**	**4,378.9**	**-204.1**	**-783.1**	**-100.1**	**-311.1**	**402.5**	**0.0**	**4,865.3**	**1,217.4**	**6,082.7**
Other comprehensive income				-944.5	4.5	-11.6	202.8	-53.7	-802.5	-25.1	-827.6
Group net profit/loss		-450.7							-450.7	63.1	-387.6
Total comprehensive income	**0.0**	**-450.7**	**0.0**	**-944.5**	**4.5**	**-11.6**	**202.8**	**-53.7**	**-1,253.2**	**38.0**	**-1,215.2**
Dividends paid		-186.9							-186.9	-57.2	-244.1
Other changes[3, 4]		28.0		-1.5		-11.6			14.9	-92.7	-77.8
As of: 31/12/2014	**1,482.3**	**3,769.3**	**-204.1**	**-1,729.1**	**-95.6**	**-334.3**	**605.3**	**-53.7**	**3,440.1**	**1,105.5**	**4,545.6**

[1] Further disclosures are presented in note (21) "Equity". We publish the complete consolidated financial statements at www.enbw.com/report2014-downloads.
[2] Of which subscribed capital €708.1 million (31 December 2013: €708.1 million, 1 January 2013: €708.1 million) and capital reserve €774.2 million (31 December 2013: €774.2 million, 1 January 2013: €774.2 million).
[3] Of which change in revenue reserves, revaluation of pensions and similar obligations and of the cash flow hedge due to changes in ownership interest in subsidiaries without loss of control amounting to €26.6 million, €-1.5 million and €-11.6 million, respectively (previous year: €0.0 million, €0.0 million and €0.0 million, respectively). Of which changes in non-controlling interests due to changes in ownership interest of subsidiaries without loss of control amounting to €-94.7 million (previous year: €0.0 million).
[4] Of which transaction costs that were accounted for as a deduction from equity amounting to €1.8 million (previous year: €0.0 million).

Information on the result of the audit of the consolidated financial statements and the combined management report of the company and the Group for the 2014 financial year

These condensed financial statements for the 2014 financial year that form part of the integrated report do not include the notes to the consolidated financial statements. The full set of consolidated financial statements – including the notes to the consolidated financial statements – and the combined management report for the company and the Group, both for the 2014 financial year, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor and Group auditor elected by the Annual General Meeting of EnBW Energie Baden-Württemberg AG on 29 April 2014. Based on its audit, KPMG AG Wirtschaftsprüfungsgesellschaft arrived at the overall conclusion that the audit did not lead to any reservations and issued an unqualified audit opinion. The full set of consolidated financial statements and the combined management report for the company and the Group, both for the 2014 financial year, as well as the unqualified audit opinion issued by the auditor, can be accessed on the website of EnBW Energie Baden-Württemberg AG.

Corporate bodies

The Supervisory Board

Members

- **Dr. Claus Dieter Hoffmann, Stuttgart**
  Managing partner of H + H Senior Advisors GmbH
  Chairman

- **Dietrich Herd, Philippsburg**
  Chairman of the Group works council for the EnBW Group and Chairman of the central works council "production sector" of EnBW Energie Baden-Württemberg AG
  Deputy Chairman

- **Stefan Paul Hamm, Gerlingen**
  Regional Department Secretary for Utilities and Waste Management, ver.di Baden-Württemberg

- **Silke Krebs, Stuttgart**
  Minister in the State Ministry of Baden-Württemberg

- **Marianne Kugler-Wendt, Heilbronn**
  Regional Director, ver.di, Heilbronn-Neckar-Franconia district

- **Wolfgang Lang, Karlsruhe**
  Consultant HR for functional units at EnBW Energie Baden-Württemberg AG

- **Dr. Hubert Lienhard, Heidenheim**
  Chief Executive Officer of Voith GmbH

- **Sebastian Maier, Ellenberg**
  Member of the Group works council for the EnBW Group and Chairman of the works council at EnBW Ostwürttemberg DonauRies AG

- **Arnold Messner, Aichwald**
  Deputy Chairman of the Group works council for the EnBW Group and Chairman of the central works council of Netze BW GmbH

- **Dr. Wolf-Rüdiger Michel, Rottweil**
  District Administrator of the Rottweil district (since 1 July 2014)

- **Bodo Moray, Mannheim**
  Head of the Department for Utilities and Waste Management, ver.di Baden-Württemberg

- **Gunda Röstel, Flöha**
  Commercial Director of Stadtentwässerung Dresden GmbH and Authorised Officer of Gelsenwasser AG

- **Dr. Nils Schmid MdL, Reutlingen**
  Deputy Premier Minister and Minister for Finance and Economic Affairs of the Federal State of Baden-Württemberg

- **Klaus Schörnich, Düsseldorf**
  Member of the Group works council for the EnBW Group and Chairman of the works council at Stadtwerke Düsseldorf AG

- **Heinz Seiffert, Ehingen**
  District Administrator of the Alb-Donau district

- **Gerhard Stratthaus MdL, Brühl**
  Minister for Finance (retired)

- **Carola Wahl, Bonn**
  Senior Vice President Indirect Sales and Service at Telekom Deutschland GmbH (since 29 April 2014)

- **Dietmar Weber, Esslingen**
  Member of the Group works council for the EnBW Group and Chairman of the central works council "market sector" of EnBW Energie Baden-Württemberg AG

- **Kurt Widmaier, Ravensburg**
  District Administrator of the Ravensburg district

- **Dr. Bernd-Michael Zinow, Pfinztal**
  Head of the functional unit Legal Services, Compliance and Regulation at EnBW Energie Baden-Württemberg AG

- **Dirk Gaerte, Sigmaringendorf**
  District Administrator of the Sigmaringen district (until 30 June 2014)

Key
- **Active member**
- **Inactive member**

As of: 19 February 2015

Committees

Personnel committee

- **Dr. Claus Dieter Hoffmann**
  Chairman
- **Dietrich Herd**
- **Arnold Messner**
- **Dr. Nils Schmid**

Finance and investment committee

- **Dr. Claus Dieter Hoffmann**
  Chairman
- **Dietrich Herd**
- **Silke Krebs**
- **Dr. Hubert Lienhard**
- **Arnold Messner**
- **Bodo Moray**
- **Heinz Seiffert**
- **Dr. Bernd-Michael Zinow**

Audit committee

- **Gunda Röstel**
  Chairwoman
- **Marianne Kugler-Wendt**
- **Wolfgang Lang**
- **Dr. Nils Schmid**
- **Klaus Schörnich**
- **Heinz Seiffert**
- **Dietmar Weber**
- **Kurt Widmaier**

Nomination committee

- **Dr. Claus Dieter Hoffmann**
  Chairman
- **Silke Krebs**
- **Gunda Röstel**
- **Heinz Seiffert**
- **Kurt Widmaier**

Ad hoc committee (since 7 June 2010)

- **Dr. Bernd-Michael Zinow**
  Chairman
- **Dietrich Herd**
- **Dr. Wolf-Rüdiger Michel (since 9 July 2014)**
- **Gerhard Stratthaus**
- Dirk Gaerte (until 30 June 2014)

Mediation committee (committee pursuant to Sec. 27 (3) German Co-determination Act (MitbestG))

- **Dr. Claus Dieter Hoffmann**
  Chairman
- **Dietrich Herd**
- **Sebastian Maier**
- **Dr. Nils Schmid**

Key
- **Active member**
- Inactive member

As of: 19 February 2015

Offices held by members of the Board of Management

> **Dr. Frank Mastiaux**
Chairman
– EWE Aktiengesellschaft

> **Dr. Bernhard Beck**
– EnBW Kernkraft GmbH (Chairman)
– EnBW Erneuerbare und Konventionelle Erzeugung AG (until 30 April 2014, Chairman)
– EnBW Operations GmbH (until 30 April 2014)
– EnBW Perspektiven GmbH (Chairman)
– EnBW Systeme Infrastruktur Support GmbH (until 30 April 2014, Chairman)
– Energiedienst AG
– Stadtwerke Düsseldorf AG (Chairman)

– BKK VerbundPlus, Körperschaft des öffentlichen Rechts
– Energiedienst Holding AG
– Pražská energetika, a.s. (since 1 October 2014)

> **Thomas Kusterer**
– Netze BW GmbH

– EVN AG

> **Dr. Hans-Josef Zimmer**
– EnBW Kernkraft GmbH
– EnBW Erneuerbare und Konventionelle Erzeugung AG (until 30 April 2014)
– EWE Aktiengesellschaft
– Netze BW GmbH (since 1 October 2014, Chairman)
– terranets bw GmbH (Chairman)
– TransnetBW GmbH (Chairman)

– Vorarlberger Illwerke AG

> **Dr. Dirk Mausbeck**
– EnBW Operations GmbH (until 30 April 2014, Chairman)
– Netze BW GmbH (until 30 September 2014, Chairman)
– EnBW Vertrieb GmbH (until 30 April 2014, Chairman)
– European Energy Exchange AG (until 5 June 2014)
– Stadtwerke Düsseldorf AG (until 30 September 2014)
– ZEAG Energie AG (until 30 September 2014, Chairman)

– GasVersorgung Süddeutschland GmbH (until 30 September 2014, Chairman)
– Pražská energetika, a.s. (until 30 September 2014)

Key
> **Active member**
> Inactive member

Disclosures of office holders pursuant to Sec. 285 No. 10 German Commercial Code (HGB)
– Membership in other statutory supervisory boards
– Membership in comparable domestic and foreign control bodies of business

As of: 19 February 2015

Other offices held by members of the Supervisory Board

Dr. Claus Dieter Hoffmann
(Chairman)
- ING-DiBa AG

- De Boer Holding NV (until 30 September 2014)
- EJOT Holding GmbH & Co. KG

Dietrich Herd
(Deputy Chairman)
- EnBW Kernkraft GmbH
- EnBW Erneuerbare und Konventionelle Erzeugung AG (until 30 April 2014)

Stefan Paul Hamm
- TransnetBW GmbH

Silke Krebs
- MFG Medien- und Filmgesellschaft Baden-Württemberg mbH (until 31 March 2014)
- Stiftung Kinderland Baden-Württemberg (Chairwoman)
- Südwestrundfunk, Anstalt des öffentlichen Rechts
- SWR Media Services GmbH
- Baden-Württemberg Stiftung gGmbH

Marianne Kugler-Wendt
- Bausparkasse Schwäbisch-Hall AG
- EnBW Kernkraft GmbH
- EnBW Erneuerbare und Konventionelle Erzeugung AG (until 30 April 2014)
- SLK-Kliniken Heilbronn GmbH

- Heilbronner Versorgungs GmbH
- Regionale Gesundheitsholding Heilbronn-Franken GmbH (until 31 July 2014)
- Stadtwerke Heilbronn GmbH

Wolfgang Lang
- EnBW Systeme Infrastruktur Support GmbH (until 30 April 2014)

- EnBW Perspektiven GmbH (since 1 March 2014)

Dr. Hubert Lienhard
- Heraeus Holding GmbH
- SGL Carbon SE
- SMS Group GmbH
- Voith Turbo Beteiligungen GmbH (Chairman)

- Voith Hydro Holding GmbH & Co. KG (Chairman)
- Voith Industrial Services Holding GmbH & Co. KG (Chairman)
- Voith Paper Holding GmbH & Co. KG (Chairman)
- Voith Turbo GmbH & Co. KG (Chairman)

Sebastian Maier
- EnBW Ostwürttemberg DonauRies AG

- NetCom BW GmbH, formerly ODR Technologie Services GmbH (since 1 May 2014)
- Netzgesellschaft Ostwürttemberg GmbH

Arnold Messner
- Netze BW GmbH

Dr. Wolf-Rüdiger Michel
- Netze BW GmbH (until 31 October 2014)
- Kreisbaugenossenschaft Rottweil e. G. (Chairman)

- Kreissparkasse Rottweil, Anstalt des öffentlichen Rechts (Chairman)
- Schwarzwald Tourismus GmbH
- SMF Schwarzwald Musikfestival GmbH
- Sparkassen-Beteiligungen Baden-Württemberg GmbH
- Sparkassenverband Baden-Württemberg, Körperschaft des öffentlichen Rechts
- Wirtschaftsförderungsgesellschaft Schwarzwald-Baar-Heuberg mbH
- Zweckverband Bauernmuseum Horb/Sulz
- Zweckverband Kommunale Informationsverarbeitung Reutlingen-Ulm
- Zweckverband Oberschwäbische Elektrizitätswerke
- Zweckverband Protec
- Zweckverband Ringzug Schwarzwald-Baar-Heuberg
- Zweckverband Tierische Nebenprodukte Süd-Baden-Württemberg

Bodo Moray
- EnBW Erneuerbare und Konventionelle Erzeugung AG (until 30 April 2014)
- Netze BW GmbH

- Member of the representatives' meeting of Postspar- und Darlehensverein Karlsruhe-Neustadt (PSD)
- NetCom BW GmbH, formerly ODR Technologie Services GmbH (since 1 May 2014)

Gunda Röstel
- Universitätsklinikum Carl Gustav Carus Dresden an der Technischen Universität Dresden, Anstalt des öffentlichen Rechts

- University council of Technische Universität Dresden, Körperschaft des öffentlichen Rechts (Chairwoman)
- Sächsische Aufbaubank, Anstalt des öffentlichen Rechts (until 22 November 2014)
- Stadtwerke Burg GmbH

> **Dr. Nils Schmid**
- Landesbank Baden-Württemberg, Anstalt des öffentlichen Rechts

- Baden-Württemberg International – Gesellschaft für internationale wirtschaftliche und wissenschaftliche Zusammenarbeit mbH (Chairman)
- Baden-Württemberg Stiftung gGmbH
- e-mobil BW GmbH (Chairman)
- Landeskreditbank Baden-Württemberg – Förderbank, Anstalt des öffentlichen Rechts (Chairman)
- Kreditanstalt für Wiederaufbau (KfW), Anstalt des öffentlichen Rechts
- Leichtbau BW GmbH (Chairman)

> **Klaus Schörnich**
- AWISTA GmbH
- Stadtwerke Düsseldorf AG
- Netzgesellschaft Düsseldorf mbH, formerly Stadtwerke Düsseldorf Netz GmbH

> **Heinz Seiffert**
- Krankenhaus GmbH Alb-Donau-Kreis (Chairman)

- ADK GmbH für Gesundheit und Soziales (Chairman)
- Donau-Iller-Nahverkehrsverbund GmbH
- Fernwärme Ulm GmbH
- Kreisbaugesellschaft mbH Alb-Donau (Chairman)
- Pflegeheim GmbH Alb-Donau-Kreis (Chairman)
- Regionalverband Donau-Iller (Chairman)
- Sparkasse Ulm, Anstalt des öffentlichen Rechts (Chairman)
- Zweckverband Oberschwäbische Elektrizitätswerke (Chairman)
- Zweckverband Thermische Abfallverwertung Donautal (Chairman)

> **Gerhard Stratthaus**
- Badische Staatsbrauerei Rothaus AG

- Zentrum für Europäische Wirtschaftsforschung GmbH

> **Carola Wahl**

> **Dietmar Weber**
- EnBW Operations GmbH (until 30 April 2014)

> **Kurt Widmaier**
- Oberschwabenklinik GmbH (Chairman)

- Bodensee-Oberschwaben-Bahn GmbH & Co. KG (since 1 January 2014)
- Bodensee-Oberschwaben Verkehrsverbundgesellschaft mbH (Chairman)
- Kreissparkasse Ravensburg (Chairman)
- LBS Landesbausparkasse Baden-Württemberg
- REAG Ravensburger Entsorgungsanlagengesellschaft mbH (Chairman)
- WIR – Gesellschaft für Wirtschafts- und Innovationsförderung Landkreis Ravensburg mbH (Chairman)
- Zentrum für Psychiatrie Weissenau, Anstalt des öffentlichen Rechts
- Zweckverband Oberschwäbische Elektrizitätswerke
- Zweckverband Tierische Nebenprodukte Süd-Baden-Württemberg

> **Dr. Bernd-Michael Zinow**
- EnBW Kernkraft GmbH
- TransnetBW GmbH

> Dirk Gaerte
- Hohenzollerische Landesbahn AG
- SV SparkassenVersicherung Holding AG
- Wirtschaftsförderungs- und Standortmarketinggesellschaft Landkreis Sigmaringen mbH (Chairman)

- Flugplatz Mengen-Hohentengen GmbH (Chairman)
- Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Anstalt des öffentlichen Rechts (Chairman)
- Kliniken Landkreis Sigmaringen GmbH (Chairman)
- Regionalverband Bodensee-Oberschwaben
- Sparkassenverband Baden-Württemberg, Körperschaft des öffentlichen Rechts
- Technologie- und Innovationszentrum Pfullendorf GmbH (TIP)
- Verkehrsverbund Neckar-Alb-Donau GmbH (naldo)
- Zweckverband Oberschwäbische Elektrizitätswerke
- Zweckverband Thermische Abfallverwertung Donautal
- Zweckverband Tierische Nebenprodukte Süd-Baden-Württemberg

Key

> **Active member**

> Inactive member

Disclosures of office holders pursuant to Sec. 285 No. 10 German Commercial Code (HGB)
- Membership in other statutory supervisory boards
- Membership in comparable domestic and foreign control bodies of business

As of: 19 February 2015

Service

Implementation status of the integrated reporting

EnBW has been an active supporter of integrated reporting since the foundation of the International Integrated Reporting Council (IIRC) four years ago. This is demonstrated by the fact that Thomas Kusterer, member of the Board of Management of EnBW, is also a member of the IIRC, as well as by the participation of EnBW in the IIRC working group that developed the IIRC framework. Through the gradual introduction of integrated reporting, EnBW is committed to making its annual report more understandable and informative, while paying particular attention to providing more information on sustainability (non-financial aspects) (page 2). Alongside the optimisation of the reporting process, integrated reporting also strengthens the holistic communication and management of the company's performance.

The IIRC framework, which is based on a series of principles, provides recommendations on key aspects that should be included in the integrated reporting. The following table provides an overview of the company's own assessment of the implementation status of these recommendations for reporting principles and reporting elements. It is based on internal discussions within the Group project "Integrated reporting" and the large amount of feedback that we have received in discussions with internal and external stakeholders.

IIRC reporting principles and elements

Alongside the existing legal requirements, the IIRC reporting principles and elements create the foundations for integrated reporting. The integrated report issued by EnBW contains a full (Group) management report in accordance with the regulations found in commercial law. Therefore, some of the recommendations found in the IIRC reporting principles could only be implemented in full to a limited extent because the different regulations are not compatible with each other. This is the case, for example, with the reporting principle (E) Conciseness. A key focus of the Group project was the implementation of reporting principle (A) Strategic focus and future orientation. This involved supplementing the goal and performance management system to include the sustainability dimension and designating short- to long-term goals. Significant progress was also made in the area of Connectivity of information (reporting principle (B)). The importance of financial

IIRC reporting principles

		Implementation status	Explanation
A	Strategic focus and future orientation	●	Presentation of goals in short- to long-term form included. The IIRC recommendations are implemented in accordance with the requirements in DRS 20.
B	Connectivity of information	◕	Important financial and non-financial elements in all sub-chapters and qualitative presentation of their interdependencies.
C	Stakeholder relationships	◕	Important stakeholder groups have already been surveyed. The future goal is to give even greater consideration to the interests of relevant stakeholders.
D	Materiality	◕	As a result of compliance with legal requirements, this IIRC reporting principle is not completely fulfilled.
E	Conciseness	◕	Substantial reduction in the number of pages; although this IIRC reporting principle cannot be completely fulfilled due to compliance with legal requirements.
F	Reliability and completeness	●	Retention of the previous principles for management reporting.
G	Consistency and comparability	●	The IIRC recommendations are implemented in accordance with the requirements in DRS 20.

and non-financial elements for the success of the company was highlighted throughout the entire report. EnBW is also striving to take even more account of the interests and expectations of stakeholders in the future. Amongst other measures, a materiality analysis was introduced for this purpose; the findings derived from this analysis will gradually flow into the entire strategy and development process.

The reporting elements recommended by the IIRC correspond in many areas to those regulations found in commercial law, as well as to the regulations in DRS 20, and were thus already implemented to a high degree in the past by EnBW (see, for example, (A) Organizational overview and (E) Strategy and resource allocation). EnBW received important impetus from the information in the IIRC framework on the topics of (C) Business model and (F) Performance. Besides fulfilling the IIRC guidelines, special attention was paid here to the development and presentation of non-financial goals and key indicators. The presentation of financial and non-financial Risks and opportunities (D), as well as the special influence various aspects of sustainability have on financial risks, was expanded and will be scrutinised even more closely in future against the background of a holistic risk assessment. The overview of the implementation status of the reporting principles and reporting content demonstrates that EnBW has already implemented the main recommendations contained within the IIRC framework.

Further information on the integrated reporting carried out at EnBW is available at:

www.enbw.com/integrated-reporting

● Implementation status: completely fulfilled
◕ Implementation status: broadly fulfilled
(based on the company's own assessment)

IIRC Reporting Elements

		Implementation status	Explanation
A	Organisational overview and external environment	●	The IIRC recommendations are implemented in accordance with the requirements in DRS 20.
B	Governance	●	Retention of the previous reporting elements for management reporting.
C	Business model	◕	Strengthening of the "Business model" chapter by adding graphical elements and expanding the key themes. Presentation of the IIRC capital model is planned for future reporting periods.
D	Risks and opportunities	◕	Introduction of a link between the top risks / opportunities and the non-financial key performance indicators.
E	Strategy and resource allocation	●	Strengthening of the "Strategy" chapter and inclusion of a value added statement.
F	Performance	●	Extended presentation of the company's performance to include non-financial aspects.
G	Outlook	●	Presentation of the short- to long-term financial and non-financial goals.

Multi-year overview

Key financial and strategic performance indicators

EnBW Group[1]		2014	2013	2012	2011	2010
Earnings						
Revenue	in € million	21,003	20,545	19,324	18,756	17,509
TOP Adjusted EBITDA	in € million	2,167	2,225	2,341	2,449	2,859
EBITDA	in € million	2,137	2,000	2,307	1,810	3,315
Adjusted EBIT	in € million	1,291	1,340	1,453	1,600	1,926
EBIT	in € million	0	1,024	1,289	678	2,125
Adjusted Group net profit[2]	in € million	479	462	652	648	964
Group net profit/loss[2]	in € million	-451	51	484	-842	1,157
Earnings per share from adjusted Group net profit[2]	in €	1.77	1.71	2.53	2.65	3.95
Earnings per share from Group net profit/loss[2]	in €	-1.66	0.19	1.88	-3.45	4.74
Balance sheet						
Non-current assets	in € million	25,995	24,318	24,205	24,358	25,883
Total assets	in € million	38,312	35,758	36,766	35,689	35,780
Equity	in € million	4,546	6,083	6,376	6,127	7,603
Equity ratio	in %	11.9	17.0	17.3	17.2	21.2
Adjusted net debt[3]	in € million	7,983	7,271	8,419	8,554	8,694
TOP Dynamic leverage ratio		3.68	3.27	3.60	3.49	3.04
Cash flow						
Cash flow from operating activities	in € million	1,776	1,919	856	1,747	2,561
Capital expenditures	in € million	1,957	1,108	877	1,315	2,328
Free cash flow	in € million	330	1,168	206	827	1,087
Profitability						
TOP Return on capital employed (ROCE)	in %	10.0	9.7	11.1	11.6	14.2
Weighted average cost of capital (WACC) before tax	in %	7.2	8.5	8.7	8.7	9.0
Average capital employed	in € million	13,473	14,973	15,148	15,434	15,404
Value added	in € million	377	180	364	448	801
Sales						
Electricity	in billions of kWh	138	128	136	155	147
Gas	in billions of kWh	117	100	73	57	54

Key financial and strategic performance indicators

EnBW Group[1]		2014	2013	2012	2011	2010
Sales						
Electricity sales	in billions of kWh	48	52	59	–[4]	–[4]
Gas sales	in billions of kWh	72	69	58	–[4]	–[4]
Revenue	in € million	9,067	9,568	9,278	–[4]	–[4]
TOP Adjusted EBITDA	in € million	231	227	241	–[4]	–[4]
Grids						
Electricity sales	in billions of kWh	12	13	17	–[4]	–[4]
Revenue	in € million	6,231	5,708	5,340	–[4]	–[4]
TOP Adjusted EBITDA	in € million	886	962	773	–[4]	–[4]
Renewable Energies						
Electricity sales	in billions of kWh	4	4	3	–[4]	–[4]
Revenue	in € million	407	372	353	–[4]	–[4]
TOP Adjusted EBITDA	in € million	191	220	239	–[4]	–[4]
Generation and Trading						
Electricity sales	in billions of kWh	75	60	57	–[4]	–[4]
Gas sales	in billions of kWh	45	31	15	–[4]	–[4]
Revenue	in € million	5,290	4,888	4,346	–[4]	–[4]
TOP Adjusted EBITDA	in € million	900	839	1,125	–[4]	–[4]

[1] The figures for the 2013 financial year have been restated.
[2] In relation to the profit/loss attributable to the equity holders of EnBW AG.
[3] Includes investments held as financial assets.
[4] No figures for the comparative periods 2010 and 2011 available for the new segment structure.

Key non-financial performance indicators

EnBW Group	2014	2013	2012
Customers goal dimension			
TOP EnBW/Yello Brand Attractiveness Index	43/36	42/38	40/36
TOP EnBW/Yello Customer Satisfaction Index	114/145	111/148	100/152
TOP SAIDI (electricity) in min/year[1]	15	21	20
Employees goal dimension			
TOP Employee Commitment Index (ECI)[2]	56	58	65[3]
TOP LTIF[1, 2]	4.3	3.7	7.4[4]
Environment goal dimension			
TOP Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	2.6/19.1	2.6/19.1	2.5/18.9

[1] The figures for the 2013 financial year have been restated.
[2] Variations in the group of consolidated companies.
[3] Figure from employees survey 2010.
[4] A new definition has been used for LTIF since 2013, the figures are therefore not comparable.

Glossary

A

Adjusted EBITDA
The operative earnings of companies are often measured based on adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation). It describes earnings adjusted for special effects (before the investment and financial results, income taxes and amortisation). Adjusted EBITDA is the central earnings indicator for EnBW.

Asset liability management model
A model for asset liability and cash flow management. A cash flow-based model is used to determine the effects of the pension and nuclear power provisions on the balance sheet, income statement and cash flow statement over the next 30 years. This ensures that the Group can cover its long-term pension and nuclear power provisions within an economically viable time period using corresponding financial investments (so-called cover funds).

Asset management
A financial asset management system means the active management of investments. The central focus of this activity is to generate appropriate returns while taking into account the risks incurred. Other goals include, for example: generating distributable earnings, a low impact on the investor's balance sheet and cash flow management for pension payments.

B

Backloading
The price of > CO_2 allowances will be stabilised by creating an artificial shortage of these allowances (so-called backloading). A total of 900 million CO_2 allowances are to be removed from the market by 2016 in order to restimulate trading in these allowances. They will be reintroduced onto the market in 2019 and 2020.

Backwardation
A market condition where the forward market price for future deliveries of a product is lower than the forward market price for short-term deliveries.

Base
Base load product. The constant base level of supply/demand over a period of time.

C

Certified Emission Reduction (CER)
Certified emission reductions from Clean Development Mechanism (CDM) projects. Pursuant to the Kyoto protocol, investors in industrialised countries earn these in developing countries with CDM emission reduction projects. 1 CER corresponds to 1 t CO_2. CERs can be used by companies to meet the obligation to return allowances under the European emissions trading system (> Emissions trading).

Clean Dark Spread (CDS)
The difference between the electricity price and the generation costs for a typical coal power station, which is calculated using the coal price, CO_2 allowance price and the degree of efficiency of the power station.

CO_2 intensity
In the energy sector, CO_2 intensity refers to CO_2 emissions connected with electricity generation. It is measured in terms of g/kWh or t/MWh. CO_2 intensity as referred to here in the energy sector should not be confused with the meaning used in the wider economy.

CO_2 allowances
CO_2 allowances have been traded on the Leipzig electricity exchange since 2005. If a company purchases a CO_2 allowance, it is entitled to emit 1 t CO_2 (> Emissions trading).

Combined heat and power (CHP)
The waste heat of a power plant can be used as process heat or to heat buildings in the surrounding area. In this way, additional energy is obtained using the same amount of fuel. A power plant that generates both electricity and heat from a single source is called a CHP plant.

Contango
A market condition where the forward market price for future deliveries of a product is higher than the forward market price for short-term deliveries.

Contracting
The outsourcing, for a specific period and for a specific area, of tasks relating to the provision and supply of energy to a third party (contractor) acting on its own behalf and on its own account. Forms of energy include, for example, cooling, heating, steam and compressed air.

D

Derivatives
Financial instrument used to hedge the market risks associated with traded products such as commodities, currencies and equities.

Direct Current (DC)
Direct current > HVDC lines

Dynamic leverage ratio
The dynamic leverage ratio is equal to adjusted net debt divided by adjusted EBITDA. It is the most important indicator used for assessing the ratings and external financing capabilities of EnBW.

E

EEG cost allocations
Cost allocations under the EEG are charged by the transmission system operators (TSO). On the one hand, the cost allocations cover the difference between the income generated by the transmission system operators from selling the electricity from EEG plants and the expenses incurred by the transmission system operators for the fixed feed-in remuneration and market premium payments to direct marketers of EEG plants, while on the other hand, they also cover the costs of implementing the EEG. EEG cost allocations are necessary as the income generated from marketing EEG electricity falls far short of the expenditure for remuneration payments and market premiums. Today, half of the electricity price consists of taxes and levies. The largest share is accounted for by the EEG

cost allocations, which fell slightly from 6.24 ct/kWh in 2014 to 6.17 ct/kWh in 2015.

Electricity Network Development Plan (NDP Electricity)
This plan describes the measures that need to be deployed over the next 10 and 20 years to expand and restructure the German land-based high-voltage grid to ensure the secure operation of the network. These measures make a significant contribution to the integration of rapidly growing renewable energies and thus also to the Energiewende. The NDP Electricity is prepared jointly by the four German transmission system operators every year, before being submitted to the German Federal Network Agency (BNetzA) as the responsible regulator. The general public has the opportunity to voice its opinion on the related measures at various consultation proceedings.

Electromobility
Electromobility describes the use of electric vehicles for individual and fleet transportation (e.g. electric cars, buses and bicycles), the necessary infrastructure required, the energy (generally renewable energies) and associated services (charging, billing, etc.), as well as the corresponding information and communications systems.

Emissions trading
Emissions trading is an EU-wide instrument for achieving the targets for reducing greenhouse gas emissions. It covers around 12,000 installations across Europe in the energy industry, energy-intensive industries and airline operators (ETS sectors). Greenhouse gas emissions from those installations covered by emissions trading are limited in total to a certain amount – the so-called cap – and distributed in the form of tradable allowances (> EU allowance (EUA)) (issued free of charge or via an auction). Every company covered by the system must provide proof of the corresponding number of allowances for their emissions.

Emissions trading allowances
(> CO_2 allowances)

Emissions trading system (ETS) sector
(> Emissions trading)

Energy Industry Act (EnWG)
The EnWG, which came into force in July 2005, introduced a regulatory regime for the supply of electricity and gas. The foundations of the act lie in the definitions of network operator duties, rules for network access and network charges, as well as monitoring by the Federal Network Agency or the state regulatory authorities. The act has been amended several times since it came into force.

Energy-only-Market (EOM 2.0)
An energy market in which operators are only remunerated for the energy supplied and not explicitly for the generating capacity they provide. According to the plans of the German government, the reformed EOM 2.0 should include, above all, measures for removing regulatory barriers to flexibility and to make integrating renewable energies into the system easier. Furthermore, the plans envisage the establishment of a capacity reserve for securing the required capacities nationwide across Germany in periods of shortage.

Energy-saving contracting
The cross-discipline optimisation of building technology and building operations based on cooperation in partnership. Investments in renewals or efficiency-enhancement measures are financed through energy cost-savings.

Energy supply contracting
The temporary or spatially delimited transfer of tasks relating to energy-optimisation or utility energy supplies to a third party.

EU allowance (EUA)
EU emission allowance. An EUA entitles a company to emit 1 t CO_2 (> Emissions trading). Each EU state allocates its supply of EUAs (1 EUA = 1 t CO_2) to its national companies either free of charge or via auctions.

F

Forward market
Market on which the supply and procurement of electricity, fuel and CO_2 allowances are traded for a future period. Usual periods include weeks, months, quarters and years. Settlement can be either physical or financial. The forward market has the primary function of acting as a price hedge.

Fuel cell
Transforms the chemical energy stored in the energy source into electrical current and heat based on the principle of inverse electrolysis. Can be deployed to supply electricity to devices and vehicles for example, and for supplying electricity and heat to buildings, as well as for industrial purposes. Fuel cell plants are an efficient technology for decentralised energy generation.

G

Gas Network Development Plan (NDP Gas)
In the NDP Gas, German long-distance gas network operators calculate the transportation capacities that they will require in the future. The plan is prepared yearly in close cooperation with the German Federal Network Agency (BNetzA) and in consultation with relevant market participants.

Geothermal energy
Energy stored in the form of heat from the interior of the earth. In Germany, temperatures can reach more than 100 °C at depths of several thousand metres, which can be used for the generation of electricity. To heat buildings, geothermal energy can be extracted using probes that only need to reach down to a depth of about 100 metres.

H

Hedging
Hedging is a structured approach for securing financial risks through financial transactions. Hedging involves engaging in countertrade transactions to offset a transaction or an existing position. This is usually carried out in the form of futures contracts.

High-voltage DC transmission lines (HVDC)
High-voltage DC transmission lines (HVDC) are used to transport electrical energy across huge distances. The transmission lines use direct current for the transport as the transmission losses are lower.

N

Nuclear fuel rod tax
This tax is being imposed from 2011 to 2016 at a rate of €145/g of nuclear fuel employed.

O

Offshore Network Development Plan (O-NDP)
Designed to enable the efficient expansion of wind energy from the North and Baltic Seas, the plan is prepared every year by the four German transmission system oper-

ators before being submitted to the German Federal Network Agency (BNetzA), as with the > **NDP Electricity**. It describes the measures required in the next 10 and 20 years to connect the wind farms in the North and Baltic Seas to the land-based transmission grid. The general public has the opportunity to voice its opinion on the related measures at various consultation proceedings.

Operating reserves
Ensures that consumers are supplied with sufficient electrical energy of an adequate quality even if unforeseen events occur in the electricity grid. Adjustments in output can be made at short notice at power plants with reserve generation capacity, power plants which can be started up quickly (such as gas turbine power plants) or pumped storage power plants. The term operating reserves is also frequently used to describe the energy purchased by the transmission system operators that enables them to provide > system services.

Over-the-counter (OTC) trading of derivatives
Off-exchange trading of > derivatives.

Over-the-counter (OTC) trading of derivatives according to the EMIR
Off-exchange trading in derivatives according to the European Market Infrastructure Regulation (EMIR). The central aspect here is reporting all transactions in a transaction register.

P

Pari passu clause
A pari passu clause (Latin "pari passu" = on equal footing) is an obligation in financial agreements (for example, in bond agreements, loan agreements). The debtor/issuer obligates themselves during the term of the uncollateralised financial liability (for example, bond or loan) to the principle of equality, meaning future uncollateralised financial liabilities will not be given precedence over the existing financial liability.

R

Renewable Energies Act (EEG)
The German law for prioritising renewable energies has existed since 2000 and regulates the preferential input of electricity from renewable sources into the electricity grid. It guarantees its producers fixed feed-in remuneration for a 20-year period. It has thereby successfully contributed to the technological development of electricity generation plants from various sources, mainly hydropower, wind power, solar energy, biomass and > geothermal energy. The German government revised the EEG in the first half of 2014 and defined new targets for expansion by 2025 and 2035.

Renewable Energies Act (EEG) state aid proceedings
Proceedings launched by the EU Commission to review exemptions granted to industry in the case of > EEG cost allocations.

Repowering
Old power plants for generating energy are replaced by newer and more efficient ones. The term is mainly used in connection with wind turbines.

ROCE
ROCE is the return on capital employed in a company. The ROCE is thus the central value-oriented performance indicator of EnBW for assessing the return on capital employed in the relevant financial year.

S

Smart grid
Smart electricity grid. A network that uses information technology to monitor and optimise the operation of its interconnected elements – from electricity generators, storage systems, consumers of electricity and network operating equipment in energy transmission and distribution grids. The aim is to optimise energy supplies in an efficient, reliable and cost-effective system.

Smart Home/Smart World
The use of the Internet to network and manage household devices, consumer electronics, heating and air-conditioning systems and household automation applications.

Spot market
Market on which electricity supply and procurement quantities are offered and requested for the following day.

Spread
This terms describes here the difference in the electricity price and the costs for coal, gas or brown coal and emissions allowances for the generation of electricity.

Summer-winter spread
Refers to the difference between wholesale gas market prices and their respective winter and summer prices.

System services
The complete set of services required to ensure the quality of electricity supplies: provision of > operating reserves, maintaining frequency stability, maintaining voltage levels, re-establishing supply and management services.

T

Treasury
Department of the company that deals with liquidity management (disposition, liquidity planning, money markets), currency management (hedging against foreign exchange risks, obtaining foreign currencies) and interest management (hedging against risks due to changes in interest rates, managing the interest rate position).

V

Value at Risk (VaR)
A specific measurement of risk in the area of financial risk, especially insurance-related risks. Based on a fixed time interval and a predetermined probability of a loss in value of a defined amount, the VaR describes a financial position where the loss level will not be exceeded with the predetermined probability.

Important notes

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The complete consolidated financial statements prepared by EnBW Energie Baden-Württemberg AG and audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Mannheim, and the management report, which is combined with the Group management report, will be published in the German Federal Gazette ("Bundesanzeiger") together with the unqualified audit opinion. The necessary documents will be submitted to the German Federal Gazette ("Bundesanzeiger") by 30 April 2015 at the latest.

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Financial calendar

17 March 2015

Publication of the Report 2014

29 April 2015

Annual General Meeting 2015

12 May 2015

Publication of the Quarterly Financial Report
January to March 2015

30 July 2015

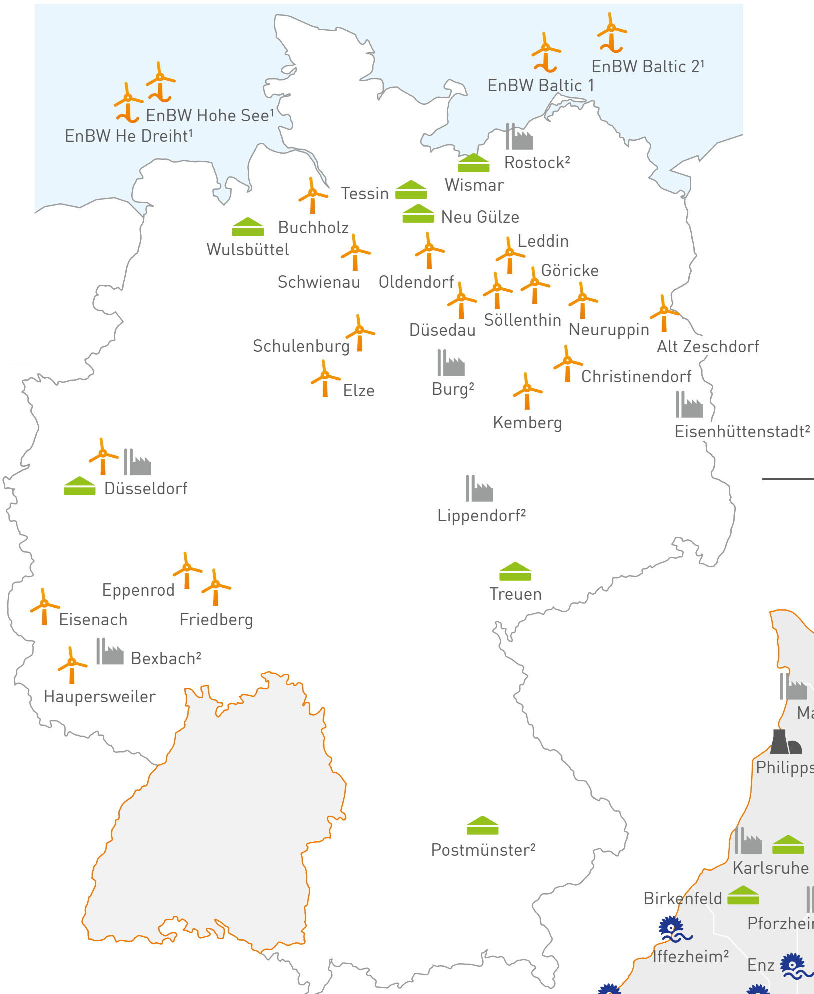
Publication of the Six-Monthly Financial Report
January to June 2015

13 November 2015

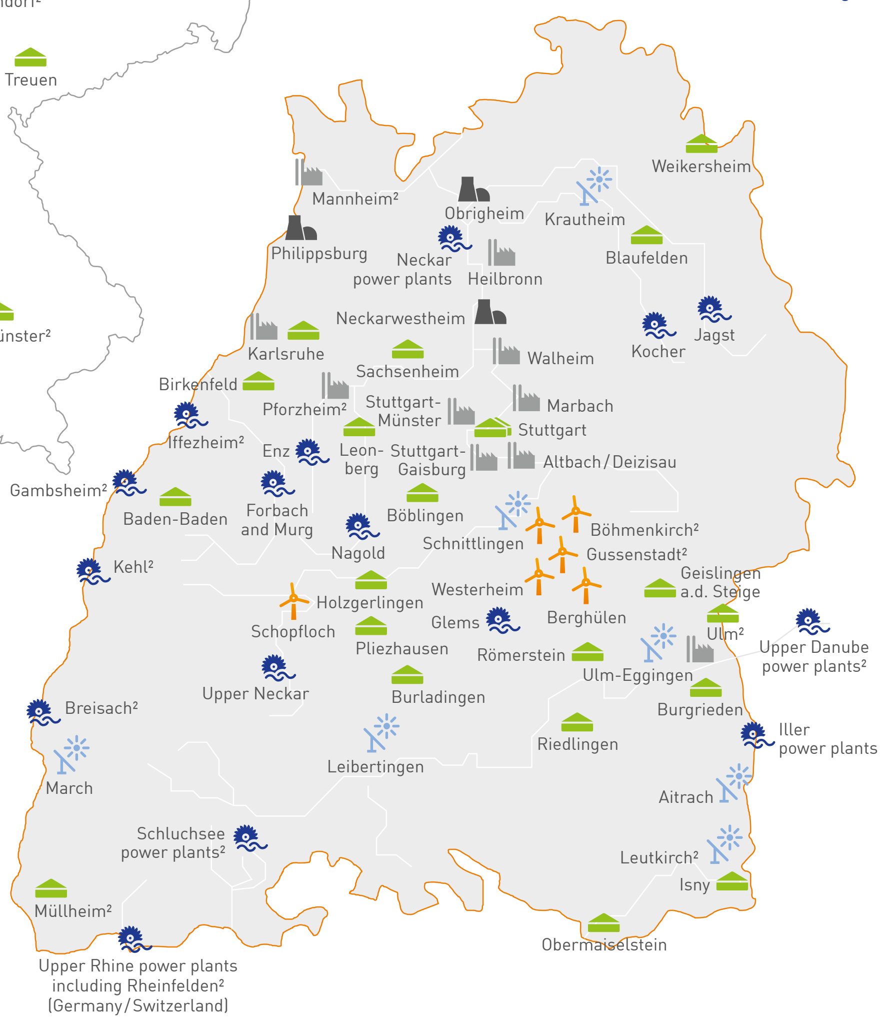
Publication of the Nine-Monthly Financial Report
January to September 2015

Our locations

Germany



Baden-Württemberg



Onshore wind farm
Offshore wind farm
Photovoltaic power plant
Hydroelectric power plant
Biomass power plant/bio gas processing
Conventional power plant
Nuclear power plant

[1] At the planning stage or under construction
[2] EnBW participation, purchase and supply contracts

EnBW operates around 70 hydroelectric power plants as well as numerous other plants producing power from renewable energies. We have therefore restricted ourselves to a number of major locations.

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