Quarterly Statement

January to March 2018

Q3

Q2

Q1

On track

2020 strategy

Adjusted EBITDA > increases by 33.7% to €686.6 million due to temporary effects

Group net profit > decreases to €137.5 million, due to, among other things, the sale of shares in EnBW Hohe See in the previous year

Earnings forecast for 2018 > confirmed at 0% to +5%

EnBW

Performance indicators of the EnBW Group

Financial and strategic performance indicators

in € million	01/01–31/03/2018	01/01–31/03/2017	Change in %	01/01–31/12/2017
External revenue	6,347.4	5,171.8	22.7	21,974.0
Adjusted EBITDA	686.6	513.4	33.7	2,113.0
Share of adjusted EBITDA accounted for by Sales in € million/in %	87.7/12.8	78.3/15.3	12.0/–	330.0/15.6
Share of adjusted EBITDA accounted for by Grids in € million/in %	359.5/52.4	308.6/60.1	16.5/–	1,045.9/49.5
Share of adjusted EBITDA accounted for by Renewable Energies in € million/in %	95.4/13.9	79.3/15.4	20.3/–	331.7/15.7
Share of adjusted EBITDA accounted for by Generation and Trading in € million/in %	147.1/21.4	42.5/8.3	–/–	377.1/17.8
Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in %	-3.1/-0.5	4.7/0.9	–/–	28.3/1.4
EBITDA	687.8	773.1	-11.0	3,752.4
Adjusted EBIT	392.1	273.0	43.6	998.8
EBIT	393.3	532.7	-26.2	2,504.0
Group net profit[1]	137.5	380.6	-63.9	2,054.1
Earnings per share from Group net profit[1] in €	0.51	1.41	-63.9	7.58
Retained cash flow	511.9	386.2	32.5	3,050.3
Retained cash flow II	561.9	386.2	45.5	1,529.5
Net (cash) investment	193.8	-3.5	–	1,367.1

Employees[2, 3]

	31/03/2018	31/03/2017	Change in %	31/12/2017
Number	21,425	20,337	5.3	21,352
Number of full-time equivalents[4]	20,025	18,900	6.0	19,939

1 In relation to the profit/loss attributable to the shareholders of EnBW AG.
2 Number of employees excluding apprentices/trainees and inactive employees.
3 The number of employees for the ITOs (ONTRAS Gastransport GmbH, terranets bw GmbH and TransnetBW GmbH) is only updated at the end of the year; for intervals of less than a year, the number of employees from 31/12/2017 is carried forward.
4 Converted into full-time equivalents.

Q1 2018

Dr. Frank Mastiaux

We want to support local authorities on the path towards a connected future and work together with them as equal partners. Broadband, infrastructure and electromobility – we do not handle these themes in a technocratic fashion but try instead to understand people´s needs.

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On track

We remain on track to achieve our goals defined in the EnBW 2020 strategy and anticipate that we will once again reach the same level of earnings in 2020 as in 2012. The further development of the EnBW strategy post 2020 is picking up speed: Based on our core expertise – the safe and reliable operation of critical infrastructure in the energy sector – we want to shift the strategic focus of our company more and more to the aspect of infrastructure within our existing business fields. We are also striving to exploit the new growth opportunities outside of the energy sector. We aim to strengthen our position as a sustainable and innovative infrastructure partner for customers, citizens and local authorities to an even greater extent.

Navigation

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Intelligent ideas for smart local authorities

Cities and municipalities are some of the most important customers of EnBW. The Group uses its experience to accompany local authorities on the path towards a connected future – and not just in the energy sector.

Whether street lights or electricity charging stations – local authorities are taking advantage of the opportunities offered by the digital revolution in an increasing number of areas and relying on smart products and services to do so. These local authorities are not only making the lives of their citizens more convenient as a result but they are also saving public funds. "Digitalisation is at the top of the agenda in our local authority", confirms Angelika Matt-Heidecker, Mayor of Kirchheim. She believes that they need support to help them exploit the benefits and many other local authorities also share her point of view. For this reason, local authorities are glad to also have EnBW working together with them as a partner on digital themes – from smart grids through to electromobility.

More than 1,000 representatives from cities and municipalities received information on what EnBW can offer them at the Local Authority Energy Day. Under the motto "The future begins now", the Group presented its range of products focussing on the theme of digitalisation – which included examples of solutions for renewable energies, districts as living spaces and electromobility.

Charging infrastructure is key to the transport transition in local regions

Electric cars are gaining in popularity in Germany. This trend is set to increase dynamically as many new models suitable for everyday use become available and charging options become more convenient. This is an important requirement for achieving the transport transition, which starts with the local authorities. That's why EnBW is supporting cities and municipalities in the development of mobility concepts fit for the future that will allow them to realise the transport transition in their local regions. We plan, construct and operate charging infrastructures for various user groups. We are working on smart solutions for local authority car parks as well as on equipping public parking spaces.

Due to the growing number of electric cars, grid operators need to plan ahead to take into account the growth in new charging stations. The challenge is less to do with the amount of electricity that needs to be supplied but rather the concentrated load placed on the local distribution grid if too many owners connect up their cars at the same time. The EnBW subsidiary Netze BW takes measurements and carries out research projects to find out where the electricity grid has to be reinforced within the local authority so it can then strengthen the affected sections of the grid accordingly.

Although more and more electrical energy is being used on the roads and in households, an extensive or costly expansion of the electricity grid should be avoided. In its role as a grid operator, Netze BW is therefore striving to make optimal use of the existing grids. Alongside new types of operating equipment, such as controllable transformers in the local grids or even the use of energy storage systems in the future, the company is also employing digital solutions.

Liveable districts with modern infrastructure

Smart and connected infrastructures make a local authority more "liveable". The need for living, recreation and economic spaces is increasing in many local authorities. Cities and municipalities address this need by building new districts. When developing these districts, it is important to plan networked and efficient infrastructures that are viable for the future. This will make it possible to meet the requirements of residents – no matter whether their priority is ecology, comfort, services or price.

The growing demand for charging stations poses challenges for local authorities. EnBW provides support for the expansion of the charging infrastructure and the strengthening of the grids.

EnBW has decades of experience in the development and operation of technical infrastructures. As a result, it is able to manage complex projects and guarantee the optimal interplay between all systems found within a district.

Smart solutions using sensors

Digital services help local authorities in various different fields. In cooperation with its partner Binando, EnBW is optimising waste management for local authorities. A smart system makes it possible to monitor the fill level of waste containers. As a result, they can be emptied at precisely the right point in time, saving local authorities time and money.

A smart heating system for schools developed by an EnBW start-up is supporting local authority energy managers. This self-learning system identifies the times at which individual rooms are occupied. Every radiator is then switched on and off proactively. This meant that local authorities were able to reduce their energy costs by 18% on average.

Another example is provided by smart solutions in the area of safety. NOYSEE is an innovation from EnBW that identifies the water levels in rivers and lakes using a sensor-based system. The data can be called up via the Internet. NOYSEE thus not only reduces the risk posed by floods but also simplifies the administrative work involved – an important goal for the digital transition of local authorities.

EnBW uses its experience to accompany local authorities on the path towards a connected future – and not just in the energy sector.

A look ahead to the future. Three questions for Steffen Ringwald.

Steffen Ringwald, Head of Local Authority Relationships

Question: What role does digitalisation play for local authorities?

Digitalisation is changing all areas of life, whereby people's needs are also changing significantly. This is especially true for local authorities. For them, digitalisation is, first and foremost, an important factor for determining the attractiveness of a location and will encourage new citizens and companies to settle in an area. Digitalisation also enables local authorities to work more efficiently and it simplifies the everyday lives of citizens, allowing them to shape their lives more easily and independently.

Question: What can EnBW offer the cities and municipalities here in Baden-Württemberg?

We offer them smart solutions to tackle the challenges faced in the areas of energy, infrastructure and mobility, secure their future viability, promote sustainability and thus create a liveable environment. Our digital products and services also promote cost efficiency which benefits local authority budgets. We do not just offer individual components but also holistic solutions. In the area of electromobility, we not only plan, for example, the charging stations but also develop complete concepts for local authorities.

Question: What does the cooperation with local authorities look like?

We offer our customers reliable, advanced and imaginative solutions. This can only work if we get to know our customers well. Therefore, partnerships are extremely important to us. Our local authority advisers work together closely with the local authorities for this reason. We offer numerous different platforms and cooperation options, such as workshop meetings, council forums, participation in the grids and wind power participation models. In these, we develop solutions, implement projects and even establish joint companies together.

More on this subject at: www.enbw.com/kommunen

The EnBW Group

Results of operations

Material developments in the income statement

Revenue and the cost of materials were 22.7% (revenue) and 24.4% (cost of materials) higher than in the previous year, which was due primarily to consolidation effects. This was offset by the net disclosure of revenue and cost of materials due to the first-time application of IFRS 15. The balance from other operating income and other operating expenses in the reporting period fell from €150.2 million in the same period of the previous year to €-49.1 million in the reporting period. This was due mainly to the sale of 49.89% of the shares in EnBW Hohe See GmbH & Co. KG and the revaluation of the remaining shares in the same period of the previous year. The financial result deteriorated significantly in the reporting period in comparison to the same period of the previous year by €144.3 million to €-134.0 million (previous year: €10.3 million). This was primarily attributable to the result of the market valuation of the securities as part of the first-time application of IFRS 9 in the 2018 financial year, as well as to a higher result from the sale of securities in the previous year. In the previous year, these securities were sold in preparation for the payment to the "fund for the financing of the disposal of nuclear waste" (disposal fund). Overall, earnings before tax (EBT) totalled €274.4 million in the first three months of the 2018 financial year, compared with €565.3 million in the same period of the previous year.

Earnings

The Group net profit/loss attributable to the shareholders of EnBW AG decreased from €380.6 million in the same period of the previous year by €243.1 million to €137.5 million in the reporting period, which was due to, among other things, the sale of shares in EnBW Hohe See GmbH & Co. KG in the previous year. Earnings per share amounted to €0.51 in the reporting period compared to €1.41 for the same period in the previous year.

Adjusted earnings and non-operating result

The sum of the adjusted earnings figures and non-operating figures gives the figures on the income sheet. The non-operating result includes effects that either cannot be predicted or cannot be directly influenced by EnBW and as such are not relevant to the ongoing management of the company. The effects are presented and explained in the section on the non-operating result (p. 5). The business activities relevant to the ongoing management of the company are of particular importance for internal management and for the external communication of the current and future earnings potential of EnBW. We use the adjusted EBITDA – earnings before the investment and financial results, income taxes and amortisation, adjusted for non-operating effects – as the key reporting indicator for disclosing this information.

Adjusted EBITDA of the EnBW Group by segment

in € million	01/01 – 31/03/2018	01/01 – 31/03/2017	Change in %	01/01 – 31/12/2017
Sales	87.7	78.3	12.0	330.0
Grids	359.5	308.6	16.5	1,045.9
Renewable Energies	95.4	79.3	20.3	331.7
Generation and Trading	147.1	42.5	–	377.1
Other/Consolidation	-3.1	4.7	–	28.3
Total	**686.6**	**513.4**	**33.7**	**2,113.0**

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

in %	01/01 – 31/03/2018	01/01 – 31/03/2017	01/01 – 31/12/2017
Sales	12.8	15.3	15.6
Grids	52.4	60.1	49.5
Renewable Energies	13.9	15.4	15.7
Generation and Trading	21.4	8.3	17.8
Other/Consolidation	-0.5	0.9	1.4
Total	**100.0**	**100.0**	**100.0**

The adjusted EBITDA of the EnBW Group increased in the first three months of 2018 in comparison to the same period of the previous year by 33.7%. The growth in earnings was thus temporarily above the forecasted range for the 2018 financial year of between 0% and 5%. Adjusted for consolidation effects, the adjusted EBITDA of the EnBW Group would have increased by 19.5%. This was predominantly due to positive temporary effects in comparison to the previous year – above all the negative impacts of the temporary shutdown of Block 2 of the Philippsburg nuclear power plant (KKP 2) in 2017.

Sales: The adjusted EBITDA in the Sales segment increased in the first three months of 2018 by 12.0% in comparison to the same period of the previous year. Adjusted for consolidation effects, there would have been a decrease of 6.1%. This development was due mainly to the elimination of positive out-of-period effects which benefited the result in the same period of the previous year.

Grids: The adjusted EBITDA in the Grids segment increased in the first three months of 2018 by 16.5% in comparison to the same period of the previous year. Adjusted for consolidation effects, the result for this segment would have been 1.1% above the level in the previous year. The earnings performance in this segment was thus significantly impacted by the full consolidation of VNG. Higher earnings from the use of the electricity grids were almost fully offset by temporarily lower earnings from the use of the gas grids.

Renewable Energies: The adjusted EBITDA in the Renewable Energies segment for the first three months of 2018 was 20.3% higher than the value achieved in the same period of the previous year. This development was due, on the one hand, to the earnings contribution made by the onshore wind farms that were placed into operation during the course of the previous year. On the other hand, the earnings performance was also influenced by the fact that more electricity was generated by our run-of-river power plants in comparison to the previous year due to higher water levels. In contrast, the wind energy yield at our offshore wind farms was slightly below the figure in the previous year.

Generation and Trading segment: In the Generation and Trading segment, the adjusted EBITDA rose significantly in the first three months of 2018 by 246.1% compared to the same period of the previous year. Adjusted for consolidation effects, there was an increase of 219.8%. This temporary improvement in earnings in comparison to the previous year is due mainly to the negative impacts of the temporary shutdown of Block 2 of the Philippsburg nuclear power plant (KKP 2) in 2017 due to damaged ventilation system brackets. This meant that the percentage change in earnings for the first quarter of 2018 was temporarily higher than will be the case at the end of the year – after twelve reporting months. It was offset to some extent by the lower out-of-period earnings as forecast. Moreover, our electricity deliveries were sold on the forward market at lower wholesale market prices than in the previous year. This negative effect on earnings will increase during the remainder of the year.

Non-operating EBITDA of the EnBW Group

in € million	01/01–31/03/2018	01/01–31/03/2017	Change in %
Income/expenses relating to nuclear power	2.9	4.0	-27.5
Result from disposals	9.2	269.3	-96.6
Restructuring	-7.9	-5.7	-38.6
Other non-operating result	-3.0	-7.9	62.0
Non-operating EBITDA	**1.2**	**259.7**	**-99.5**

The non-operating EBITDA and the non-operating EBIT decreased significantly in the reporting period compared to the previous year. This was influenced primarily by the sale of 49.89% of the shares in EnBW Hohe See GmbH & Co. KG and the revaluation of the remaining shares in the same period of the previous year.

Group net profit of the EnBW Group

in € million	01/01–31/03/2018	01/01–31/03/2017	Change in %	01/01–31/12/2017
Adjusted EBIT	392.1	273.0	43.6	998.8
Adjusted EBITDA	(686.6)	(513.4)	33.7	(2,113.0)
Scheduled amortisation and depreciation	(-294.5)	(-240.4)	22.5	(-1,114.2)
Non-operating EBIT	1.2	259.7	-99.5	1,505.2
Non-operating EBITDA	(1.2)	(259.7)	-99.5	(1,639.4)
Impairment losses	(0.0)	(0.0)	–	(-134.2)
EBIT	**393.3**	**532.7**	**-26.2**	**2,504.0**
Investment result	15.1	22.3	-32.3	159.3
Financial result	-134.0	10.3	–	194.6
Income tax	-87.4	-147.3	-40.7	-681.6
Group net profit	**187.0**	**418.0**	**-55.3**	**2,176.3**
of which profit/loss shares attributable to non-controlling interests	(49.5)	(37.4)	32.4	(122.2)
of which profit/loss shares attributable to the shareholders of EnBW AG	(137.5)	(380.6)	-63.9	(2,054.1)

The decrease in the investment result is due to the net profit/loss of entities accounted for using the equity method and here particularly the company VNG. The fall in the financial result was primarily attributable to the result of the market valuation of the securities as part of the first-time application of IFRS 9 in the 2018 financial year, as well as to a lower result from the sale of securities. In the previous year, these securities were sold in preparation for the payment to the disposal fund. Due to these effects, as well as the sale of 49.89 % of the shares in EnBW Hohe See GmbH & Co. KG and the revaluation of the remaining shares in the same period of the previous year, the Group net profit fell to €137.5 million.

Financial position

Financing

In addition to the Group's internal financing capability and its own funds, the EnBW Group has the following instruments at its disposal to cover its overall financing needs (as of 31 March 2018):

- Debt Issuance Programme (DIP), via which bonds are issued: €3.0 billion of €7.0 billion has been drawn
- Hybrid bonds: €2.0 billion
- Commercial paper (CP) programme: €2.0 billion undrawn
- Syndicated credit line: €1.5 billion undrawn with a term until 2021
- Bilateral free credit lines: €1.3 billion. The free credit lines have increased significantly due to the full consolidation of VNG. The credit lines are used to finance all business activities in the whole VNG Group, including in particular the financing of the seasonal requirement for working capital in the gas trading business and for hedging liquidity risks.
- Project financing and low-interest loans from the European Investment Bank (EIB)

Established issuer on the debt capital market

EnBW has sufficient and flexible access to the capital market at all times. The EnBW bonds have a well-balanced maturity profile. As part of its financing strategy, EnBW constantly assesses capital market trends with regard to the current interest rate environment and to any potentially favourable refinancing costs.

Two bonds are due for repayment in 2018: From today's perspective, no refinancing will be required for the CHF 100 million bond that is due for repayment in July. EnBW is examining whether the senior bond in the amount of €750 million that is due in November should be repaid from existing liquidity or whether the favourable conditions on the capital market should be utilised to finance future capital requirements at an early stage.

Rating and rating trends

Following the rating reviews in May and June 2017, EnBW received the following ratings:

- Moody's: Baa1
- Standard & Poor's (S&P): A-
- Fitch: A-

The outlook at all three rating agencies is stable.

EnBW aims to maintain a solid investment-grade rating. By limiting the cash-relevant net investment to the retained cash flow II, measured by the internal financing capability, EnBW manages the level of net financial debt. The company thus maintains its high level of financial discipline, irrespective of the interest rate-related volatility of the pension and nuclear provisions. EnBW ensures the timely coverage of the pension and nuclear obligations using its asset liability management model.

Investment analysis

Net cash investment of the EnBW Group

in € million[1, 2]	01/01–31/03/2018	01/01–31/03/2017	Change in %	01/01–31/12/2017
Investments in growth projects	178.8	213.8	-16.4	1,324.2
Investments in existing projects	56.1	52.8	6.2	446.1
Total investments	**234.9**	**266.6**	**-11.9**	**1,770.3**
Divestitures[3]	-4.6	-217.8	-97.9	-298.5
Participation models	-0.4	2.7	-114.8	61.9
Other disposals and subsidies	-36.1	-55.0	-34.4	-166.6
Total divestitures	**-41.1**	**-270.1**	**-84.8**	**-403.2**
Net (cash) investment	**193.8**	**-3.5**	**–**	**1,367.1**

1 The figures for the previous year have been restated. In the same period of the previous year, the investments in growth projects included cash and cash equivalents of €51.0 million relinquished with sale of the shares in EnBW Hohe See GmbH & Co. KG because they will be used for future investments for the realisation of the offshore wind farm.
2 Excluding investments held as financial assets.
3 Does not include cash and cash equivalents relinquished with the sale of fully consolidated companies. These amounted to €0.0 million in the reporting period (01/01–31/03/2017: €51.0 million, 01/01–31/12/2017: €57.8 million).

Investment by the EnBW Group decreased in the first quarter of 2018 in comparison to the previous year because the investment for the offshore project EnBW Hohe See is being deferred until subsequent quarters.

Around 76.1% of overall gross investment was attributable to growth projects; the proportion of investments in existing facilities stood at 23.9%.

In the reporting period, €29.9 million was invested in strengthening the **Sales** segment. In the previous year, investment in this segment stood at €17.8 million.

Investment in the **Grids** segment stood at €102.1 million, compared to €81.7 million in the previous year. It was primarily used for the expansion of the transmission grids.

Investment in the **Renewable Energies** segment of €56.2 million was lower than the figure in the previous year (previous year adjusted: €200.7 million) because there has been a temporary delay in scaling up the investment in the offshore project EnBW Hohe See.

In the first three months of 2018, investment in the **Generation and Trading** segment stood at €31.0 million, which was mainly used for the exploration and production business of VNG compared to €16.6 million in the same period of the previous year.

Other investments of €15.7 million were above the level in the previous year (€0.8 million).

Divestitures reduced significantly in the reporting period compared to the same period of the previous year. In the previous year they mainly comprised the sale of 49.89% of the shares in EnBW Hohe See GmbH & Co. KG.

Liquidity analysis

Retained cash flow of the EnBW Group

in € million	01/01–31/03/2018	01/01–31/03/2017	Change in %	01/01–31/12/2017
EBITDA	**687.8**	**773.1**	**-11.0**	**3,752.4**
Changes in provisions	-156.2	-132.6	17.8	-472.3
Non-cash-relevant expenses/income	-2.5	-263.7	-99.1	-385.9
Income tax received/paid	-50.9	-42.1	20.9	81.1
Interest and dividends received	60.2	55.4	8.7	591.7
Interest paid for financing activities	-33.9	-27.6	22.8	-425.6
Dedicated financial assets contribution	25.9	23.7	9.3	-6.4
Funds from operations (FFO)	**530.4**	**386.2**	**37.3**	**3,135.0**
Dividends paid	-18.5	0.0	–	-84.7
Retained cash flow	**511.9**	**386.2**	**32.5**	**3,050.3**
+/- effects from the reimbursement of the nuclear fuel rod tax	50.0	0.0	–	-1,520.8
Retained cash flow II	**561.9**	**386.2**	**45.5**	**1,529.5**

The funds from operations (FFO) increased compared to the previous year, which was primarily due to an increase in the cash-relevant EBITDA. In addition, interest and dividends received increased. This was offset by higher income tax paid and higher interest paid in comparison to the previous year. Despite the negative effect of dividend payments, the increase in FFO also resulted in an increase in the retained cash flow. The retained cash flow reflects the internal financing capability of EnBW after all stakeholder needs have been settled. It is available to the company for investment without the need to raise additional debt.

The reimbursement of the nuclear fuel rod tax received in 2017 will be used by EnBW to repay debts due in the 2018 financial year and also for future investments. For this reason, the retained cash flow has been translated into the retained cash flow II, which eliminates the reimbursement of the nuclear fuel rod tax in 2017 and distributes it over subsequent years. The reduction in the retained cash flow II compared to the retained cash flow at the end of 2017 will result in an increase in retained cash flow II from 2018 to 2020; the increase for the whole of 2018 will be €200.0 million.

Free cash flow of the EnBW Group

in € million	01/01–31/03/2018	01/01–31/03/2017	Change in %	01/01–31/12/2017
Funds from operations (FFO)	**530.4**	**386.2**	**37.3**	**3,135.0**
Change in assets and liabilities from operating activities	-12.3	-132.7	-90.7	-4,671.4
Capital expenditure on intangible assets and property, plant and equipment	-181.1	-167.5	8.1	-1,419.2
Disposals of intangible assets and property, plant and equipment	24.6	37.3	-34.0	52.8
Cash received from construction cost and investment subsidies and tax refunds from recognised exploration expenditure	11.5	17.7	-35.0	113.8
Free cash flow	**373.1**	**141.0**	**–**	**-2,789.0**

Free cash flow increased significantly in comparison to the same period of the previous year. This was due, on the one hand, to the increase in the FFO, while on the other hand, the net balance of assets and liabilities from operating activities reduced significantly compared to the same period of the previous year. The main reason for this was the reduction in the amount of gas stored for trading purposes. This was offset by higher capital expenditure on, and lower divestitures of, intangible assets and property, plant and equipment. Overall, free cash flow increased in comparison to the same period of the previous year by €232.1 million.

Condensed cash flow statement of the EnBW Group

in € million	01/01–31/03/2018	01/01–31/03/2017	Change in %	01/01–31/12/2017
Cash flow from operating activities	465.9	202.0	130.6	-1,696.1
Cash flow from investing activities	45.7	930.0	-95.1	2,160.7
Cash flow from financing activities	-121.7	-61.3	98.5	-1,541.3
Net change in cash and cash equivalents	**389.9**	**1,070.7**	**-63.6**	**-1,076.7**
Change in cash and cash equivalents due to changes in the consolidated companies	0.1	0.0	–	300.3
Net foreign exchange difference	0.8	0.6	33.3	-1.9
Change in cash and cash equivalents	**390.8**	**1,071.3**	**-63.5**	**-778.3**

Cash flow from operating activities increased significantly in comparison to the previous year. The reasons for this were an increase in the cash-relevant EBITDA and the clear reduction in the net balance of assets and liabilities from operating activities, primarily due to the reduction in the amount of gas stored for trading purposes.

Cash flow from investing activities decreased significantly in comparison to the same period of the previous year. In the comparative period, the sale of shares in EnBW Hohe See GmbH & Co. KG and higher sales of securities to finance the payment made to the disposal fund in July 2017 had an impact.

Cash outflow from financing activities increased significantly in comparison to the previous year. This was primarily due to increased repayments of financial liabilities.

Net assets

Condensed balance sheet of the EnBW Group

in € million	31/03/2018	31/12/2017	Change in %
Non-current assets	26,284.4	26,766.6	-1.8
Current assets	13,596.3	12,015.3	13.2
Assets held for sale	2.6	3.0	-13.3
Assets	**39,883.3**	**38,784.9**	**2.8**
Equity	6,568.9	5,862.9	12.0
Non-current liabilities	21,152.8	21,919.7	-3.5
Current liabilities	12,161.6	11,002.3	10.5
Equity and liabilities	**39,883.3**	**38,784.9**	**2.8**

As of 31 March 2018, the total assets held by the EnBW Group was higher than the level at the end of the previous year. Current assets increased by €1,581.0 million. This increase was primarily attributable to the increase in trade receivables in the trading business.

The equity held by the EnBW Group increased by €706.0 million as of the reporting date of 31 March 2018. The equity ratio increased from 15.1% at the end of 2017 to 16.5% as a result. This was mainly due to the increase in revenue reserves as a result of the IFRS implementation project and the positive result. Non-current liabilities decreased by €766.9 million. The main reason for this was the first-time application of IFRS 15 in the 2018 financial year. Current liabilities increased by €1,159.3 million. This increase was primarily attributable to the increase in trade payables in the trading business.

Net debt

Net debt of the EnBW Group

in € million	31/03/2018	31/12/2017	Change in %
Cash and cash equivalents available to the operating business	-3,167.4	-2,954.7	7.2
Current financial assets available to the operating business	-174.5	-277.0	-37.0
Long-term securities available to the operating business	-4.3	-4.3	0.0
Bonds	4,930.1	4,934.3	-0.1
Liabilities to banks	1,638.0	1,705.6	-4.0
Other financial liabilities	617.2	618.9	-0.3
Valuation effects from interest-induced hedging transactions	-81.0	-96.4	-16.0
Restatement of 50% of the nominal amount of the hybrid bonds[1]	-996.3	-996.3	0.0
Other	-10.7	-12.3	-13.0
Net financial liabilities	**2,751.1**	**2,917.8**	**-5.7**
Provisions for pensions and similar obligations[2]	6,329.7	6,341.2	-0.2
Provisions relating to nuclear power	5,690.5	5,802.7	-1.9
Pension and nuclear obligations	**12,020.2**	**12,143.9**	**-1.0**
Long-term securities and loans to cover the pension and nuclear obligations[3]	-5,248.3	-5,487.6	-4.4
Cash and cash equivalents to cover the pension and nuclear obligations	-436.7	-258.6	68.9
Current financial assets to cover the pension and nuclear obligations	-399.5	-307.2	30.0
Surplus cover from benefit entitlements	-297.2	-179.3	65.8
Dedicated financial assets	**-6,381.7**	**-6,232.7**	**2.4**
Receivables relating to nuclear obligations	-331.0	-369.5	-10.4
Net debt relating to pension and nuclear obligations	**5,307.5**	**5,541.7**	**-4.2**
Net debt	**8,058.6**	**8,459.5**	**-4.7**

1 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.
2 Less the market value of the plan assets of €1,063.6 million (31/12/2017: €1,047.3 million).
3 Includes equity investments held as financial assets.

As of 31 March 2018, net debt fell by €400.9 million compared to the figure posted at the end of 2017. This decrease was due mainly to the positive FFO.

Forecast

In the following forecast, we take a look at the expected future development of EnBW in the current financial year. It should be noted that the present conditions increase the level of uncertainty with which predictions about the future development of the company can be made, as the assumptions upon which they are based can quickly become outdated.

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

Expected development of earnings in 2018 compared to the previous year

	Adjusted EBITDA		Share of adjusted EBITDA for the Group accounted for by the segments	
	Q1 2018	2017	Q1 2018	2017
Sales	-5% to -15%	-5% to -15%	10% to 15%	10% to 15%
Grids	+5% to +15%	+5% to +15%	45% to 60%	45% to 60%
Renewable Energies	+10% to +20%	+10% to +20%	15% to 20%	15% to 20%
Generation and Trading	0% to -10%	0% to -10%	15% to 20%	15% to 20%
Other/Consolidation	–	–	–	–
Adjusted EBITDA, Group	**0% to +5%**	**0% to +5%**		

The earnings forecast for the entire Group and the individual segments for the whole 2018 financial year remains unchanged from that given in the Group management report 2017.

In the **Sales** segment, we expect earnings in 2018 to fall below the figure in the previous year. This is due to the elimination of out-of-period effects such as the reversal of provisions for issues that have since lapsed, which benefited the result in the previous year. However, this fall will be compensated for to some extent by the full-year earnings contribution of VNG. Therefore, 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 **Grids** segment will increase further in 2018. It will continue to be the segment with the highest earnings. On the one hand, there is the positive effect of the full-year earnings contribution of VNG, and on the other hand, we anticipate higher revenues from grid user charges. The share of the adjusted EBITDA for the Group accounted for by this segment is expected to remain stable or increase slightly.

The adjusted EBITDA for the **Renewable Energies** segment will increase further in 2018. This is due, on the one hand, to the better water levels for the run-of-river power plants expected in comparison to the previous year because our forecast is based on the long-term average. This will be offset to some extent by a negative effect from the electricity deliveries for 2018 from our run-of-river power plants already placed on the forward market: The margins achieved were slightly lower than those for 2017. In addition, the onshore wind farms already realised in 2017 and the planned expansion of onshore wind farms in 2018 will have a positive effect on earnings. The wind energy yield forecast is based on the long-term average. As the wind conditions in 2017 were higher than in the previous year but still below the long-term average, this alone will result in slightly higher earnings in 2018 in comparison to 2017. However, the level of improvement is dependent on the actual wind strength. In the first three months of the year, the wind energy yield was below the long-term average, especially at the offshore wind farms. We expect a stable or a slight increase in the share of the adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA for the **Generation and Trading** segment will once again fall slightly in 2018. This is due to the fact that we have already placed most of the electricity deliveries for 2018 on the forward market at lower margins than in 2017. In addition, we anticipate lower out-of-period earnings compared to the previous year because 2017 was influenced by positive effects, such as from decentralised feed-ins. The full-year earnings contribution of VNG will mitigate to some extent the negative earnings performance in comparison to the previous year. 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 EnBW Group in 2018 will increase further and be between 0% and +5% above the level in 2017. This will be primarily due to the areas of growth in the Grids and Renewable Energies segments, as well as the year-round full consolidation of VNG. In the Sales and Generation and Trading segments, we expect a weaker performance because the positive out-of-period effects from the previous year no longer exist.

Opportunities and risks

In comparison to the report issued at the end of 2017, the risks faced by the EnBW Group remained largely unchanged in the first three months of 2018. No risks currently exist that might jeopardise the EnBW Group as a going concern.

Using the report on risks in the Group management report 2017 as a basis, only the material opportunities or risks which have changed, arisen or ceased to exist in the reporting period are described in this Quarterly Statement for January to March 2018.

Cross-segment opportunities and risks

Liquidity: Due to unforeseeable developments, especially margin payments, unused project funds or tax issues, as well as exogenous shocks, such as financial market crashes, the Group's liquidity planning is subject to uncertainty that could lead to deviations between the actual payments and planned payments. In addition, there is also a risk that the rating agencies will downgrade the credit rating of EnBW due to further deterioration of the economic and political conditions or unfulfilled expectations, and this will result in additional liquidity requirements in the form of increased refinancing costs. Overall, these effects could have a negative impact in the low double-digit to mid three-digit million euro range in 2018, and a positive or negative impact in the low three-digit million euro range in 2019 on the key performance indicator ROCE. We currently identify a low level of opportunity and high level of risk in this area.

Fluctuations in wind energy yield: There is a general opportunity or risk for wind power plants due to wind fluctuations because the amounts of electricity generated by them are subject to fluctuations in the mean annual wind speed. In order to take these wind fluctuations into account, wind reports are created. This could have a positive impact in the mid single-digit million euro range or a negative impact in the low double-digit million euro range in 2018, and a positive or negative impact in the low double-digit million euro range in 2019 on the key performance indicator adjusted EBITDA and the key performance indicator internal financing capability. We identify a balanced low level of opportunity and risk in this area.

Income statement

in € million	01/01 – 31/03/2018	01/01 – 31/03/2017	Change in %
Revenue including electricity and energy taxes	6,522.3	5,355.0	21.8
Electricity and energy taxes	-174.9	-183.2	-4.5
Revenue	**6,347.4**	**5,171.8**	**22.7**
Changes in inventories	20.5	26.2	-21.8
Other own work capitalised	18.1	18.1	0.0
Other operating income	191.6	315.3	-39.2
Cost of materials	-5,220.2	-4,195.1	24.4
Personnel expenses	-428.9	-398.1	7.7
Other operating expenses	-240.7	-165.1	45.8
EBITDA	**687.8**	**773.1**	**-11.0**
Amortisation and depreciation	-294.5	-240.4	22.5
Earnings before interest and taxes (EBIT)	**393.3**	**532.7**	**-26.2**
Investment result	15.1	22.3	-32.3
of which net profit/loss from entities accounted for using the equity method	(6.8)	(15.6)	(-56.4)
of which other profit/loss from investments	(8.3)	(6.7)	(23.9)
Financial result	-134.0	10.3	–
of which finance income	(74.7)	(133.7)	(-44.1)
of which finance costs	(-208.7)	(-123.4)	(69.1)
Earnings before tax (EBT)	**274.4**	**565.3**	**-51.5**
Income tax	-87.4	-147.3	-40.7
Group net profit	**187.0**	**418.0**	**-55.3**
of which profit/loss shares attributable to non-controlling interests	(49.5)	(37.4)	(32.4)
of which profit/loss shares attributable to the shareholders of EnBW AG	(137.5)	(380.6)	(-63.9)
EnBW AG shares outstanding (million), weighted average	**270.855**	**270.855**	**0.0**
Earnings per share from Group net profit (€)[1]	**0.51**	**1.41**	**-63.9**

1 Diluted and basic; in relation to profit/loss attributable to the shareholders of EnBW AG.

Statement of comprehensive income

in € million	01/01 – 31/03/2018	01/01 – 31/03/2017	Change in %
Group net profit	**187.0**	**418.0**	**-55.3**
Revaluation of pensions and similar obligations	123.2	106.2	16.0
Income taxes on other comprehensive income	-36.0	-30.8	16.9
Total of other comprehensive income and expenses without future reclassifications impacting earnings	**87.2**	**75.4**	**15.6**
Currency translation differences	9.9	-1.1	–
Cash flow hedge	-9.9	39.1	–
Available-for-sale financial assets	-1.4	56.4	-102.5
Entities accounted for using the equity method	0.0	1.6	-100.0
Income taxes on other comprehensive income	8.6	6.5	32.3
Total of other comprehensive income and expenses with future reclassifications impacting earnings	**7.2**	**102.5**	**-93.0**
Total other comprehensive income	**94.4**	**177.9**	**-46.9**
Total comprehensive income	**281.4**	**595.9**	**–**
of which profit/loss shares attributable to non-controlling interests	(52.5)	(36.3)	44.6
of which profit/loss shares attributable to the shareholders of EnBW AG	(228.9)	(559.6)	–

Balance sheet

in € million	31/03/2018	31/12/2017
Assets		
Non-current assets		
Intangible assets	1,891.4	1,905.9
Property, plant and equipment	15,464.1	15,597.4
Entities accounted for using the equity method	1,405.1	1,388.6
Other financial assets	5,805.3	5,985.7
Trade receivables	282.5	320.9
Other non-current assets	670.9	611.7
Deferred taxes	765.1	956.4
	26,284.4	**26,766.6**
Current assets		
Inventories	706.2	958.1
Financial assets	581.9	588.1
Trade receivables	6,404.7	4,408.7
Other current assets	2,299.4	2,847.1
Cash and cash equivalents	3,604.1	3,213.3
	13,596.3	**12,015.3**
Assets held for sale	2.6	3.0
	13,598.9	**12,018.3**
	39,883.3	**38,784.9**
Equity and liabilities		
Equity		
Shares of the shareholders of EnBW AG		
Subscribed capital	708.1	708.1
Capital reserve	774.2	774.2
Revenue reserves	4,635.6	3,636.6
Treasury shares	-204.1	-204.1
Other comprehensive income	-1,729.9	-1,367.4
	4,183.9	**3,547.4**
Non-controlling interests	2,385.0	2,315.5
	6,568.9	**5,862.9**
Non-current liabilities		
Provisions	13,013.6	13,124.5
Deferred taxes	846.6	799.4
Financial liabilities	5,914.2	5,952.0
Other liabilities and subsidies	1,378.4	2,043.8
	21,152.8	**21,919.7**
Current liabilities		
Provisions	1,581.4	1,598.7
Financial liabilities	1,271.1	1,306.8
Trade payables	6,599.4	4,838.1
Other liabilities and subsidies	2,709.7	3,258.7
	12,161.6	**11,002.3**
	39,883.3	**38,784.9**

Cash flow statement

in € million	01/01 – 31/03/2018	01/01 – 31/03/2017
1. Operating activities		
EBITDA	687.8	773.1
Changes in provisions	-156.2	-132.6
Result from disposals	-9.2	-269.4
Other non-cash-relevant expenses/income	6.7	5.7
Change in assets and liabilities from operating activities	-12.3	-132.7
Inventories	(275.7)	(51.0)
Net balance of trade receivables and payables	(-206.7)	(-56.9)
Net balance of other assets and liabilities	(-81.3)	(-126.8)
Income tax paid	-50.9	-42.1
Cash flow from operating activities	**465.9**	**202.0**
2. Investing activities		
Capital expenditure on intangible assets and property, plant and equipment	-181.1	-167.5
Disposals of intangible assets and property, plant and equipment	24.6	37.3
Cash received from construction cost and investment subsidies and tax refunds from recognised exploration expenditure	11.5	17.7
Acquisition/sale of subsidiaries, entities accounted for using the equity method and interests in joint operations	-19.5	89.2
Changes in securities and financial investments	150.0	897.9
Interest received	42.8	48.7
Dividends received	17.4	6.7
Cash flow from investing activities	**45.7**	**930.0**
3. Financing activities		
Interest paid for financing activities	-33.9	-27.6
Dividends paid	-18.5	0.0
Increase in financial liabilities	27.1	1.1
Repayment of financial liabilities	-96.2	-34.5
Payments from alterations of capital in non-controlling interests	-0.2	-0.3
Cash flow from financing activities	**-121.7**	**-61.3**
Net change in cash and cash equivalents	**389.9**	**1,070.7**
Change in cash and cash equivalents due to changes in the consolidated companies	0.1	0.0
Net foreign exchange difference	0.8	0.6
Change in cash and cash equivalents	**390.8**	**1,071.3**
Cash and cash equivalents at the beginning of the period	3,213.3	3,991.6
Cash and cash equivalents at the end of the period	**3,604.1**	**5,062.9**

Statement of changes in equity

in € million				Other comprehensive income							
	Subscribed capital and capital reserve	Revenue reserves	Treasury shares	Revaluation of pensions and similar obligations	Currency translation differences	Cash flow hedge	Available-for-sale financial assets	Entities accounted for using the equity method	Shares of the shareholders of EnBW AG	Non-controlling interests	Total
As of 01/01/2017	**1,482.3**	**1,582.5**	**-204.1**	**-1,784.6**	**-48.2**	**-97.7**	**383.1**	**4.4**	**1,317.7**	**1,898.5**	**3,216.2**
Other comprehensive income				75.9	-1.8	32.9	70.4	1.6	179.0	-1.1	177.9
Group net profit		380.6							380.6	37.4	418.0
Total comprehensive income	**0.0**	**380.6**	**0.0**	**75.9**	**-1.8**	**32.9**	**70.4**	**1.6**	**559.6**	**36.3**	**595.9**
Dividends paid		0.0							0.0	-10.4	-10.4
As of 31/03/2017	**1,482.3**	**1,963.1**	**-204.1**	**-1,708.7**	**-50.0**	**-64.8**	**453.5**	**6.0**	**1,877.3**	**1,924.4**	**3,801.7**
As of 01/01/2018	**1,482.3**	**3,636.6**	**-204.1**	**-1,716.9**	**-12.0**	**-109.2**	**470.4**	**0.3**	**3,547.4**	**2,315.5**	**5,862.9**
Changes in accounting policies		861.5					-453.9		407.6	35.5	443.1
As of 01/01/2018 following the changes to the accounting policies	**1,482.3**	**4,498.1**	**-204.1**	**-1,716.9**	**-12.0**	**-109.2**	**16.5**	**0.3**	**3,955.0**	**2,351.0**	**6,306.0**
Other comprehensive income				86.9	6.6	-0.9	-1.2		91.4	3.0	94.4
Group net profit		137.5							137.5	49.5	187.0
Total comprehensive income	**0.0**	**137.5**	**0.0**	**86.9**	**6.6**	**-0.9**	**-1.2**	**0.0**	**228.9**	**52.5**	**281.4**
Dividends paid									0.0	-18.5	-18.5
As of 31/03/2018	**1,482.3**	**4,635.6**	**-204.1**	**-1,630.0**	**-5.4**	**-110.1**	**15.3**	**0.3**	**4,183.9**	**2,385.0**	**6,568.9**

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Financial calendar

15 May 2018
Publication of the Quarterly Statement
January to March 2018

26 July 2018
Publication of the Six-Monthly
Financial Report
January to June 2018

12 November 2018
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January to September 2018

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