Quarterly Financial Report
January to March 2015

Performance indicators of the EnBW Group

Financial performance indicators

in € million	01/01–31/03/2015	01/01–31/03/2014	Change in %	01/01–31/12/2014
External revenue	5,896.2	5,637.0	4.6	21,002.5
Adjusted EBITDA	727.9	744.8	-2.3	2,167.4
Share of the adjusted EBITDA accounted for by Sales in € million/in %	71.3/9.8	48.0/6.4	48.5/–	230.6/10.6
Share of the adjusted EBITDA accounted for by Grids in € million/in %	277.4/38.1	277.9/37.3	-0.2/–	886.3/40.9
Share of the adjusted EBITDA accounted for by Renewable Energies in € million/in %	35.5/4.9	42.7/5.7	-16.9/–	191.4/8.8
Share of the adjusted EBITDA accounted for by Generation and Trading in € million/in %	331.7/45.6	373.5/50.1	-11.2/–	899.5/41.5
Share of the adjusted EBITDA accounted for by Other/Consolidation in € million/in %	12.0/1.6	2.7/0.5	–/–	-40.4/-1.8
EBITDA	730.4	746.4	-2.1	2,137.3
Adjusted EBIT	503.2	524.7	-4.1	1,290.5
EBIT	505.7	526.3	-3.9	0.1
Adjusted Group net profit[1]	813.3	292.5	–	479.4
Group net profit/loss[1]	684.1	294.7	132.1	-450.7
Earnings per share from adjusted Group net profit[1] in €	3.00	1.08	–	1.77
Earnings per share from Group net profit/loss[1] in €	2.53	1.09	132.1	-1.66
Cash flow from operating activities	426.5	534.2	-20.2	1,775.7
Free cash flow	271.5	181.6	49.5	330.2
Capital expenditures	284.3	446.8	-36.4	1,956.7

Employees of the EnBW Group

Number[2, 3]	31/03/2015	31/03/2014	Change in %	31/12/2014
Employees	20,136	19,857	1.4	20,092

[1] In relation to shares in profit/loss attributable to the equity holders of EnBW AG.
[2] Number of employees excluding apprentices/trainees and inactive employees.
[3] The number of employees for the ITOs (TransnetBW GmbH and terranets bw GmbH) are only updated at the end of the year; for intervals of less than a year, the number of employees from 31/12/2014 is carried forward.

At a glance **2015**

EnBW decided at an early stage: We want to play a reliable and influential role in reshaping 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 foreseeable 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". 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.

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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 43.

Significant financial developments

- **The operating result of EnBW** developed in line with our expectations in the first three months of 2015: The adjusted EBITDA for the Group reached €727.9 million and was thus 2.3% below the value in the previous year.
- **The adjusted financial result** benefited due to income from the sale of securities to achieve a positive balance of €401.1 million.
- **The continued low interest rate** had a negative effect on adjusted net debt due to the required reduction in the discount rates applied to nuclear power provisions and pension provisions.
- **The Group net profit attributable to the equity holders of EnBW AG** increased significantly in comparison to the previous year from €294.7 million to €684.1 million. The earnings per share from Group net profit increased from €1.09 to €2.53.

Highlights
from January to April 2015

January

Macquarie Capital acquires shares in EnBW Baltic 2
EnBW has sold 49.89 % of the shares in the offshore wind farm EnBW Baltic 2 to the Australian financial investor Macquarie Capital for € 720 million. "This means that we have now successfully implemented our second participation model in the area of offshore wind energy", emphasised Thomas Kusterer, EnBW Chief Financial Officer. "EnBW utilises participation models in order to generate the additional financial scope for pushing forward the development of other growth projects."

"Top Local Supplier" award received
EnBW Energie Baden-Württemberg AG is the "Top Local Supplier 2015" for electricity in the entire municipal area of Stuttgart, as well as in numerous local authorities in the Lake Constance region. The independent "Energieverbraucherportal" (energy consumer portal) found that EnBW "offered fair products in terms of their price and service, had an understanding of the region and had a forward-looking awareness of the environment". The "Top Local Supplier" award evaluates a total of 25 different criteria.

February

Growth in the number of customers at NetCom BW
The EnBW telecommunications subsidiary NetCom BW has leased the broadband network operated by e.wa riss and thus gained 1,500 new customers. Both companies – e.wa riss as the operator of the network and NetCom BW as the Internet provider to customers – want to work closely together. "We are certain that this partnership will benefit both parties and also customers", explained Bernhard Palm, Managing Director of NetCom BW.

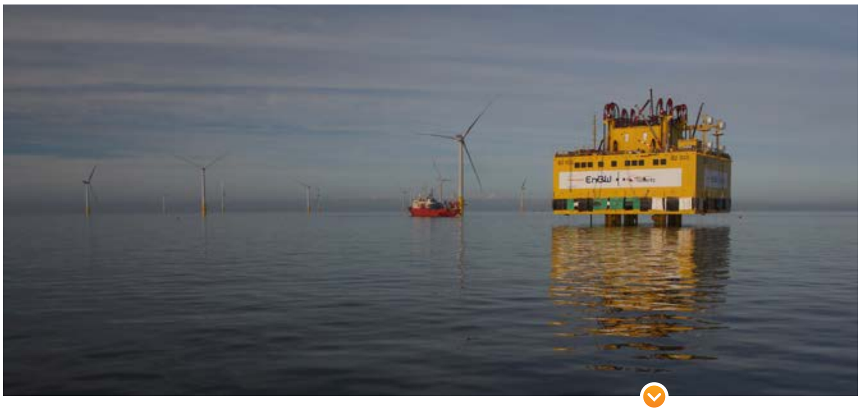
March

EnBW at CeBIT
Under the motto "EnBW goes CeBIT", the EnBW Innovation Management Department took part in this year's CeBIT in Hanover in the CODE_n hall. The future of the digital energy world and the role of EnBW as the "operating system of the Energiewende" were the focus of numerous discussions and workshops held together with partners and start-up companies.

Environmentally friendly transport vessel serves EnBW Baltic 2
From July, the crew transfer vessel "Windcat 34" will sail daily from Rostock to the offshore wind farm EnBW Baltic 2. FRS Windcat Offshore Logistics and EnBW have signed a five-year service contract. The transfer vessel is – together with its sister vessel "Windcat 35"– the first catamaran fitted with a catalytic converter. Its nitric oxide emissions and average fuel consumption are extremely low.

Electric scooters for the KA300 team
As part of the preparations for the 300th birthday of the City of Karlsruhe, EnBW presented the city with four electric-powered scooters. The environmentally friendly scooters will enable the city's employees to drive quickly back and forth between the different event locations during the summer festival.

April



Public Wi-Fi in Wiesloch's city centre
As part of a pilot project, the City of Wiesloch is modernising its local infrastructure with the multifunctional street lights "SM!GHT Base", a new development from EnBW. Five Wi-Fi access points and a central Internet connection have already been integrated into the posts of the existing street lights. EnBW is the largest supplier of street lighting in Baden-Württemberg, working together with almost 300 local authorities.

EnBW Baltic 2 feeds electricity into the grid for the first time
The first power plants belonging to the offshore wind farm EnBW Baltic 2, which is still under construction, fed their first kilowatt hours of electricity into the grid at the end of April. Of the total 80 wind power plants planned, 60 have been installed and will be successively connected up to the grid.

Interim Group management report (unaudited)

Business activity and strategy

Business activity

As an integrated energy supply company, EnBW operates in Germany along the entire energy industry value chain and has a diversified business portfolio with a balanced risk-return profile.

Business operations are divided into four segments:

- The Sales segment encompasses the sale of electricity and gas, as well as the provision of energy-related services such as invoicing services or energy supply contracting and energy-saving contracting.
- The Grids segment includes the transmission and distribution of electricity and gas, the provision of grid-related services – for instance the operation of grids for customers – and water supply services.
- The company's activities in the area of power generation from water, wind and sun are combined under the Renewable Energies 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.

Other/Consolidation includes activities which are not otherwise allocated to the separately presented segments.

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. Furthermore, we are also active in Austria.

EnBW supplies in total around 5.5 million customers with energy. The B2C (business-to-customer) customer group includes private customers, commercial enterprises, the housing industry and agriculture. The B2B (business-to-business) customer group encompasses, for example, major commercial enterprises and industrial customers, as well as redistributors, municipal utilities, local authorities and public entities. With its strong brands, EnBW enjoys a close relationship with customers, orientating itself to their needs through its efficiency and quality.

Market conditions and structures

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

The trend towards decentralisation is benefiting from technological advances, which is leading to a massive decline in the costs associated with decentralised energy generation, particularly with regard to photovoltaic power plants, but also to 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.

Corporate strategy

We have 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. On this basis, we have developed the EnBW 2020 strategy guided by the principle “Energiewende. Safe. Hands on.”, which charts the course for the future development of our business model and strengthens the future viability of the company.

Two operating models

The two complementary operating models of “Customer proximity” and the “Engine room of the Energiewende” are at the core of the EnBW 2020 strategy. “Customer proximity” shifts the focus of our activities onto the customer to an even greater degree. Core elements here are consistent innovation management, shorter development times for new products and services and well-balanced partnership models. In the "Engine room of the Energiewende", we are building, in particular, on operational excellence and a strict efficiency and cost orientation to achieve defined levels of quality, in order to ensure the efficient and safe operation, construction and decommissioning of energy supply plants and infrastructure. Furthermore, EnBW actively offers the opportunity to invest in grids and power plants, especially to local authorities.

Realigning the business portfolio

EnBW aims to more than double the share of renewable energies in its generation portfolio, raising it from the 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 infrastructure required by the energy system and thus to the security of supply.

By 2020, a significant share of the Group's earnings (the target value of adjusted EBITDA is between €2.3 and €2.5 billion) is to be raised from strategic initiatives. Innovative products and services will form another important pillar of the company's business. The overall share of adjusted EBITDA accounted for by the regulated grid business and renewable energies will increase from the 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. In addition, we will concentrate on the expansion and upgrading 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).

Around €4.2 billion of the overall investments planned up to 2020 have already been realised as of 31 March 2015, while approximately €1.3 billion of our divestiture programme was implemented as of the same date.

Economic and political environment

The business performance of EnBW is influenced by a wide range of external factors. Factors that have a decisive influence on the corporate development of EnBW are the macroeconomic environment, price trends on the markets for electricity, fuels and CO_2 allowances, as well as political and regulatory decisions.

Macroeconomic trends

The international economy is – with significant regional differences – experiencing moderate growth. The global economy grew in 2014 by 3.3% and the International Monetary Fund expects growth of 3.5% in the current year. A sharp decline in oil prices has provided the economy with additional impetus since the middle of 2014. In addition, the economy in the eurozone benefited from the marked depreciation of the euro, which can be traced back to the very loose monetary policy of the European Central Bank. Nevertheless, economic growth in this region remains restrained as many national economies continue to be burdened by structural problems. Real economic output in Germany increased in 2014 by 1.6%. The buoyant economic activity in the fourth quarter of 2014 continued in the first quarter of 2015; a noticeable acceleration in growth is expected for the whole 2015 financial year. Other foreign economies that are relevant for the business activities of EnBW are expected to experience stable or improved economic conditions in 2015 compared to the previous year. It is only in Switzerland that a fall in economic activity is expected due to the marked appreciation of the country's currency and the associated deterioration in price competitiveness. Overall, the macroeconomic trends are not expected to have any influence or only a limited positive influence on the business performance of EnBW in 2015.

Development of gross domestic product (GDP)

in %	2015	2014
World	3.5	3.3
Eurozone	1.2	0.8
Germany	2.1	1.6
Austria	0.7	0.3
Switzerland	0.9	2.0
Czech Republic	2.4	2.0
Turkey	3.5	3.0

Market situation for primary energy sources, CO_2 allowances and electricity

The overriding objective of the trading activities carried out by EnBW is to reduce the uncertainty in the generation margin that can arise as a result of the price trends in primary sources of energy, CO_2 allowances and electricity on the wholesale markets. Therefore, EnBW uses the forward market to procure the required quantities of primary energy sources and CO_2 allowances for electricity generation in advance and to sell scheduled electricity production. The terms and conditions of the supply contracts agreed in previous years are decisive factors impacting costs and income in the first three months of 2015. The price developments seen on the forward market in the first three months of 2015 will, in turn, have an effect on the results for subsequent years. This is also true on the sales side of the business for the quantities of electricity procured from EnBW on the forward market.

Oil market: The fall in oil prices, which was observed in the second half of 2014, continued into January 2015. The prices were at times below US $50/bbl (front month) at the start of the year. There were also no signals from Saudi Arabia that they would reduce supply and thus intervene to stabilise prices in the market, which had been characterised for months by an oversupply. Furthermore, the US dollar continued to remain strong on the foreign exchange market. In February, oil prices increased to a level of just above US $60/bbl (front month). One reason was the announcements by large US oil companies that they would reduce capital expenditure and deploy fewer drilling rigs for oil extraction. In addition, the political situation in Libya deteriorated – all significant oil exporting ports had to be closed because of the violent conflict in the country. There was then a renewed downward trend in oil prices in March towards US $55/bbl, which was triggered by the imminent agreement in the nuclear dispute with Iran and the subsequent easing of sanctions that would also effect oil exports from this country. The price trend on the forward markets largely followed the price fluctuations on the spot market, although at a somewhat higher level. This points to the fact that market participants expect higher oil prices again in the future. The front month price at the end of March 2015 was US $55.11/bbl (previous year: US $107.76/bbl). The front year price (Cal-16) stood at US $63.85/bbl (previous year: US $98.24/bbl).

Coal market: The prices on the coal market – both the spot prices and the forward market price – fell further during the winter half-year 2014/2015. This price trend is attributable to a number of causes:

- Slower growth in the demand for coal in China, combined with restrictions on coal imports via import duties and the establishment of quality requirements.
- The significant devaluation of currencies in producing countries, especially the rouble.
- Above-average temperatures in Europe and Asia.
- Reduced freight and production costs caused by falling oil prices.

In general, there continues to be a good supply situation on the world market for coal. The spot price at the end of March 2015 was US $59.54/t (previous year: US $78.46/t).

Forward coal prices are exhibiting marginally higher levels for subsequent years – market participants are thus expecting a slight increase in prices in the future. This expectation is determined by two factors: the prospect of a more favourable development of the global economy and the possibility that cuts in production will be made due to the sharply falling prices. However, this scenario is associated with some risks: the possibility of a further drop in demand from China, possible further devaluations of currencies in emerging countries, a gradual return to nuclear power in Japan and significantly higher CO_2 prices in Europe due to the introduction of the Market Stability Reserve (MSR). The front month price for coal, which stood at the end of March 2015 at US $57.5/t (previous year: US $80.88/t), is not yet reflecting these risks.

Development of prices on the oil and coal markets

	Average Q1/2015	Average Q1/2014	Average 2014
Crude oil (Brent) front month (daily quotes in US $/bbl)	55.13	107.87	99.45
Crude oil (Brent) annual price 2016 (daily quotes in US $/bbl)	65.43	97.24	95.48
Coal – API #2 front year price in US $/t	60.43	82.76	78.25

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 €23.04/MWh in January 2015, which was 4.4% below the figure in December 2014 (€24.10/MWh) and 16.8% below the figure in the same month of the previous year (this value was revised from €27.68/MWh to €27.70/MWh during the course of the year). 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.

At the beginning of 2015, the average spot and forward prices for gas on the TTF rose significantly, which was related to the liquidation of speculative positions at the turn of the year. The escalation of the crisis in the Ukraine and the announcement of cutbacks in production at the Groningen gas field pushed prices upwards at the end of January and beginning of February. This development in prices remained, however, at a lower level than in the previous year: The average spot price for gas in the first quarter of 2015 was €2.85/MWh below the average figure for the first quarter of the previous year, while the forward price for the 2016 calendar year fluctuated on average around €3.80/MWh below the previous year's figure in the first three months of 2015. The difference in the price levels was primarily due to the milder weather and the strong fall in oil prices in the second half of 2014.

When looking ahead to the future, the expectations of market participants are currently predominantly influenced by factors that are driving up the price: There continues to be uncertainty about the situation in the Ukraine and the possibility of stricter sanctions being imposed against Russia, the political discussions in the Netherlands about the risks of gas production on the Groningen gas field have intensified and the gas storage facilities in Germany are currently comparatively poorly stocked. However, further expansion in renewable energies will also induce a lower structural demand for gas in Europe.

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

in €/MWh	Average Q1/2015	Average Q1/2014	Average 2014
Spot	21.46	24.31	20.88
Delivery 2016	21.35	25.15	24.62

CO_2 allowances: Under the European emissions trading system, proof must be provided of allowances for CO_2 emissions from power plants. The price of emission allowances (EU Allowance – EUA) rose significantly to over €6/t CO_2 during the course of 2014 after the EU resolution on backloading. Since the beginning of 2015, the prices for CO_2 allowances have fluctuated in a range between €6.50 and €7.80/t CO_2 and are thus noticeably higher than the level in the previous year. The agreement by the Environment Committee of the EU Parliament on a proposal for an MSR , which is due to start in 2019 and envisages the transfer of the backloading volumes to the reserve, resulted in a temporary increase in prices. In contrast, the strong fall in emissions that was attributable to the mild weather and the high input of energy from renewable sources had a dampening effect on prices. There is a high level of supply for Certified Emission Reductions (CER) and a low level of demand due to their limited usability.

The future development of prices for CO_2 allowances will be determined primarily by the design of the MSR – what amounts will be transferred to the reserve at what time; the next resolutions on this subject are expected in June 2015. Furthermore, the hedging measures undertaken by the energy supply companies, the expansion of renewable energies, the effect of efforts to increase energy efficiency and economic trends will all play a role in determining price levels.

Development of prices for emission allowances/daily quotes

in €/t CO_2	Average Q1/2015	Average Q1/2014	Average 2014
EUA-14/EUA-15	7.07	5.93	6.17
CER-14/CER-15	0.43	0.30	0.42

Electricity wholesale market: In the first quarter of 2015, the average price of €32.11/MWh for the immediate delivery of electricity (base load product) on the spot market of the European Energy Exchange (EEX) was around €1.4/MWh or 4% lower than the prices in the same period of 2014. The decisive factor for this development was lower operational costs for power plants due to lower prices for gas and hard coal. In addition, there were more power plants available after some new hard coal power plants were put into operation in 2014. Another factor pushing prices downwards was the high electricity generation from wind power, above all in January 2015. The fall in prices was limited to some extent by somewhat lower temperatures in February and March, in comparison to the very mild weather in the previous year.

The forward price for electricity for delivery in the 2016 calendar year was on average €32.31/MWh in the first three months of this year – this represented a fall in prices of around €3.2/MWh or 9% in comparison to the same period in the previous year. Background: The price increase for CO_2 allowances was more than offset by the strong fall in fuel prices.

In general, the prices for forward products to be delivered up to and including the 2018 delivery year are experiencing a slight downward trend. This fall in prices reflects, above all, the expectation of the continued price-lowering expansion of renewable energies in the coming years. In particular, the significant expansion of wind power plants both on land and at sea is expected. This expansion increases the probability of lower or negative prices occurring at certain hours on the spot market, which will be factored into the forward market prices. This effect will not be offset by the expected slight increase in fuel prices for later delivery years.

Development of prices for electricity (EEX), base load product

in €/MWh	Average Q1/2015	Average Q1/2014	Average 2014
Spot	32.11	33.50	32.76
Delivery 2016	32.31	35.52	34.26

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, which have increased since 1998 by a total of 272%. In contrast, the proportion of the price relating to procurement, network user charges and sales only increased by 7% in this period.

In the case of industrial customers receiving a medium-voltage supply, the average electricity price including electricity taxes increased by 1.1% according to calculations made by the BDEW, from 15.11 ct/kWh in 2013 to 15.28 ct/kWh in 2014.

According to calculations by the German Federal Statistical Office, natural gas prices for private households in January 2015 fell by 0.7% compared to the value in the same month of the previous year; in contrast, the price of natural gas for industrial customers fell by 4.7%.

Political and regulatory environment

European energy policy

EU energy and climate strategy: At the end of February 2015, the European Commission presented its energy and climate policy goals including a concrete plan of action for the next few years. The European Commission wants to accompany the transformation of the energy sector with clear advances in energy efficiency, decarbonisation and research and development in the key focus areas of security of energy supply, foreign policy and the European internal energy market – including the further expansion of infrastructure in each case. The EU heads of state and government broadly confirmed this strategy in the middle of March. However, they want to continue to keep this topic regularly on the agenda and issue fundamental guidelines.

Alongside the already initiated revision of the security of gas supply directive, particular attention will be paid initially to the actual implementation of the rules governing the internal energy market, as well as examining the design of the market. Other important initiatives focus on the further expansion of renewable energies and the heating/refrigeration and transport sectors.

European Internal Energy Market: The European Commission plans to issue a communication package anticipated for summer 2015 to initiate a consultation process on the future design of the market, with corresponding legislative proposals to follow next year. This consultation process should focus on the following aspects: guaranteeing sufficient capacities (capacity mechanisms) and the avoidance of negative cross-border interdependencies, the integration of renewable energies into the market and system, enabling improved management of demand and the more active participation of the consumer and the clarification of the future role of distribution system operators. Possible institutional changes, such as strengthening the position of the European regulator, will also be discussed.

Targets for 2030: In October 2014, the EU heads of state and government largely confirmed the climate and energy policy targets for 2030 proposed by the European Commission: In order to implement these targets, the European Commission is expected, amongst other things, to submit the corresponding legislative proposals for the reform of the emissions trading system (ETS) regulations in the summer of 2015, although only once the current legislative process for the introduction of a Market Stability Reserve (MSR) in the ETS has been concluded. Other necessary implementation measures such as the allocation of the emission reduction targets in the non-ETS sectors to individual member states and the adaptation of the renewable energy and energy efficiency directives will then follow in 2015/2016.

In terms of the further expansion of renewable energies, the governance process to be defined by the European Commission is of particular importance in the view of EnBW. It should guarantee the fulfilment of the targets by the member states.

Emissions trading: The proposed amendment to the Emissions Trading Directive to include the introduction of an MSR, which was already negotiated during the legislative procedure, 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. Although both legislative bodies – the European Parliament and the Council of the European Union – support the immediate adoption of the backloading volumes into the reserve, there was ultimately no majority support in the council for its early introduction. This means that there are still ongoing discussions to find a compromise between the two institutions, with the start date fluctuating between 2019 (parliament) and 2021 (council). One contentious issue that remains is the question of what to do with the volume of allowances not allocated by the end of the trading period. However, it is generally expected that an agreement will be reached before the summer.

In order to prepare the further reform of the ETS directive for implementing the 2030 framework, the European Commission already initiated a consultation process in the middle of December 2014. As well as the adjustment of the linear reduction factor, this consultation comprises a fundamental examination of the system for free allocations and also the exemptions for the protection of exposed sectors that are particularly burdened by international competition (carbon leakage sectors). In the reforms, EnBW will pay particular attention to possible effects on the auction budget and possible permeability between ETS and non-ETS sectors.

Financial services legislation: The sub-legislative process for clarifying the regulations in the Markets in Financial Instruments Directive (MiFID 2) in terms of its effects on the energy industry continues to be of particular importance in this area. In particular, issues such as when the exemptions are applicable and when electricity and gas transactions are to be classified as financial instruments are still critical. Alongside the scope of application of the MiFID 2, this will also have a significant impact on the regulation governing the trading of over-the-counter derivatives, as well as on the regulation governing wholesale energy market integrity and transparency. 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.

German energy policy

Energiewende/amendment to the German Renewable Energies Act (EEG): The EEG 2014 is designed to pave the way for changing the method of funding for renewable energies to a competitive auction system. The German federal cabinet approved the corresponding ordinance on pilot photovoltaic auctions at the end of January. It stipulates that the German Federal Network Agency (BNetzA) will carry out three auctions in 2015. EnBW participated in the first auction in the middle of April. As the basis for further discussions on suitable auction models – first and foremost in the area of wind energy on land and at sea – the German Federal Ministry of Economic Affairs and Energy (BMWi) presented market analyses for the relevant renewable technologies at the beginning of March.

Reserve power plants: As a result of the general economic conditions, conventional power plants are being increasingly forced into a permanently unprofitable state and must therefore be gradually taken out of operation. 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. 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 guarantee a secure supply by strengthening market forces.

Ultimate storage: A government/federal state commission is continuing 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. The commissioning of the ultimate storage site for low- and medium-level radioactive waste – the Konrad mine – has been delayed further and is not yet due to take place before 2022. A concrete commissioning date has not been named by the German Federal Office for Radiation Protection.

Climate Protection Action Programme 2020: The German federal cabinet approved a Climate Protection Action Programme at the end of 2014 that includes, amongst other things, additional CO_2 reductions in the conventional power plant sector to the amount of 22 million t CO_2 by 2020. Further details will be regulated in a new law, the key points of which were presented by the BMWi on 19 March 2015. The law envisages a CO_2 allowance, the level of which is dependent on the age of the power plant block, and above which a "climate contribution" of €18 to 20/t CO_2 must be paid. Initial analyses indicate that this will effect old, high-emission power plants (primarily those using brown coal). This proposal is currently the subject of controversial debate. However, additional CO_2 savings contributions are due to be agreed by the cabinet before the summer break and will come into effect at the beginning of 2017. Aside from this measure, energy efficiency measures will make the greatest contribution to the Climate Protection Action Programme to ensure the achievement of the national savings targets of 40% is still possible by 2020. EnBW welcomes this general initiative but nevertheless supports above all the idea of exploiting the untapped potential for reducing greenhouse gases outside of the ETS sector. 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.

Reform of the Combined Heat and Power Act (KWKG): Together with the key points for CO_2 emissions, the BMWi also presented the key points for the reform of the Combined Heat and Power Act (KWKG) on 19 March. The reform will, amongst other things, now only apply to the existing 25% target for 2020 to thermal power plants instead of the entire generation system, raise the annual funding cap from €750 million to €1 billion and, instead of fuel-neutral funding of existing power plants, concentrate funding on gas-operated power plants for public supply. The contribution margins for coal-fired combined heat and power plants will be reduced, which will once again put the existence of power plants at risk, particularly those in the south of Germany. EnBW would also be affected by this measure. The company is thus in favour of the continuation of fuel-neutral funding. The reform of the KWKG is due to be agreed by the cabinet before the summer break and will come into force at the latest by the beginning of 2016.

National Energy Efficiency Action Plan: The German government adopted a National Energy Efficiency Action Plan in December 2014. It will be used to implement central requirements of the EU Energy Efficiency Directive, which will help to improve energy efficiency in Germany, as well as to achieve 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 plan 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 guarantee provisions for contracting agreements.

Renewable Energy Heating Law (EWärmeG) for Baden-Württemberg: The EWärmeG was approved by the state parliament in March and 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.

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 caps from the German Federal Network Agency (BNetzA). Therefore, there may still be slight differences between the preliminary and the final upper revenue caps.

Further development of the regulatory regime for network charges for electricity/gas: The BNetzA published a detailed report in January 2015 evaluating the incentive regulations in which they, on the one hand, analysed the effects of the previous incentive regulations and, on the other hand, made proposals for the further development of the regulatory regime from the third regulatory period. On the basis of this report, the BMWi presented key points on the reform of the Incentive Regulation Ordinance. A cabinet resolution on changes to the Incentive Regulation Ordinance is expected to be published in June 2015. The adjustments to the regulatory regime for network charges for electricity and gas is then due to become effective from the third regulatory period (electricity in 2019, gas in 2018).

Electricity Network Development Plan (NDP) 2014/2015, Offshore Network Development Plan (O-NDP) 2014/2015: The BNetzA has examined the draft versions of the network development plans revised by the transmission system operators (TSO) and published their preliminary results at the end of February 2015, and presented them for consultation up to 15 May 2015. EnBW will once again participate in this public dialogue by submitting its own statement. The TSO took into account the revised version of the EEG that has been valid since August 2014 when developing the NDPs. In the third joint Electricity NDP 2014, the TSO determined the requirements for the restructuring and expansion of the network on land for a time horizon of up to 2024. While also taking into account the changed framework conditions in the new EEG, the BNetzA has, in particular, once again confirmed the HVDC connections already indicated in the German Federal Requirements Plan Act. Our grid subsidiary TransnetBW is involved in the HVDC projects ULTRANET and Suedlink and is responsible for the optimisation and expansion of the high-voltage grids in Baden-Württemberg. The O-NDP 2014 contains the expansion plans for the next ten years for the connection lines for the offshore wind farms in the North Sea and the Baltic Sea. From today's perspective, the BNetzA believes two of the seven measures proposed by the TSO can be approved. The connection systems already commissioned by the TSO have been deemed to be approved and their necessity will not be reinvestigated as part of the examination of the O-NDP. The final approval of the NDPs 2014 by the BNetzA is expected in the middle of 2015. The first draft versions of the Electricity NDP 2015 and the O-NDP 2015 are then due to be submitted by the TSO.

Network Development Plan (NDP) Gas 2015: The 17 German transmission system operators published their draft version of the Gas NDP 2015 on 23 February 2015 and presented it for consultation. The draft version and the responses from the consultations were handed into the BNetzA by 1 April 2015. The BNetzA will carry out its own evaluation and then initiate a further consultation process. The current draft envisages 73 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 €2.8 billion up to 2020, and will rise to a total of €3.5 billion by 2025. In particular, major expansion measures are planned in the south-east and north-west of Germany. In order to cover the necessary transmission capacities for natural gas in Baden-Württemberg and thus to make a significant contribution to the security of supply, it is important to highlight the North Black Forest Pipeline that is already being constructed by our subsidiary terranets bw as a measure in the NDP. This measure will be realised in two construction phases. The first construction phase from Au am Rhein to Ettlingen (15 km) was completed and put into operation at the end of 2014. The second construction phase from Ettlingen to Leonberg (56 km) has been submitted for planning approval. The construction work is expected to be completed by the end of 2015.

Smart metering systems: The BMWi, which has taken the leading role in this area, presented the key points for a package of ordinances on smart networks on 9 February 2015. The paper contains seven key points on a rollout ordinance, data communications ordinance and measurement system ordinance and describes, amongst other things, the path for the rollout, installation obligations and refinancing, as well as the design of the competitive elements and secure data communications as envisaged by the BMWi. It does not envisage a comprehensive rollout of smart measurement systems but rather a gradual introduction in line with the greatest available benefits for the network and efficiency. The installation obligation starts for consumers from >6,000 kWh or for RE/CHP power plants from >7 kW. The plan is for smart meters to be comprehensively installed by 2032. The ordinances mentioned above are due to be approved by the German federal cabinet in June according to the plans stated by the German government. They will then be addressed in the Bundesrat after the summer break. The ordinances are due to come into force at the earliest in the fourth quarter of 2015. EnBW welcomes the long-awaited presentation of the paper containing these key points and will actively participate in the legislative process for the ordinances. The key issues for EnBW are the prompt refinancing of investment in smart energy networks, non-discriminatory competition and efficient data communication.

The EnBW Group

Financial key performance indicators

Results of operations

Increased electricity and gas sales

Electricity sales of the EnBW Group (without Grids)

in billions of kWh 01/01–31/03	Sales		Renewable Energies		Generation and Trading		Total (without Grids)		Change in %
	2015	2014	2015	2014	2015	2014	2015	2014	
Retail and commercial customers (B2C)	4.8	4.9	0.0	0.0	0.0	0.0	4.8	4.9	-2.0
Business and industrial customers (B2B)	8.4	8.1	0.0	0.0	0.0	0.0	8.4	8.1	3.7
Trade	0.2	0.1	0.5	1.0	15.6	14.3	16.3	15.4	5.8
Total	**13.4**	**13.1**	**0.5**	**1.0**	**15.6**	**14.3**	**29.5**	**28.4**	**3.9**

Electricity sales of the EnBW Group increased in the first three months of 2015. Since the beginning of 2015, electricity sales from the Grids segment will no longer be disclosed because the Independent Transmission Operator (ITO) no longer report their data. The previous year's figures have been restated accordingly. The increase in sales in the first quarter of 2015 can be attributed primarily to higher electricity sales in the trade business; its significance for the earnings potential of the company is thus limited. In terms of business with retail and commercial customers and with business and industrial customers, the competitive environment remained challenging. In the business and industrial customers (B2B) sector, electricity sales also increased in the reporting period due to higher demand from existing customers.

Gas sales of the EnBW Group

in billions of kWh 01/01–31/03	Sales		Generation and Trading		Total		Change in %
	2015	2014	2015	2014	2015	2014	
Retail and commercial customers (B2C)	4.6	3.8	0.0	0.0	4.6	3.8	21.1
Business and industrial customers (B2B)	30.7	18.9	0.0	0.0	30.7	18.9	62.4
Trade	0.1	0.2	23.3	14.2	23.4	14.4	62.5
Total	**35.4**	**22.9**	**23.3**	**14.2**	**58.7**	**37.1**	**58.2**

The gas sales of the EnBW Group increased significantly compared to the same period of the previous year. This development was primarily contributed to by increased sales to business and industrial customers (B2B) and growth in trading activities. The main reason for this development in the B2B sector was higher sales due to the weather. The increase in the sale of gas to trade was mostly due to the optimised management of our plants, particularly as a result of increasing withdrawals from storage reserves. However, the effect on the earnings potential of the company is limited. Gas sales in the retail customer business (B2C) increased due to the slightly cooler weather in comparison to the same period of the previous year. After adjustments for temperature, the gas sales in this segment were only slightly above the figure from the previous year.

External revenue increases due to a growth in sales

External revenue of the EnBW Group by segment

in € million[1]	01/01–31/03/2015	01/01–31/03/2014	Change in %	01/01–31/12/2014
Sales	2,909.6	2,691.5	8.1	9,066.8
Grids	1,408.2	1,472.4	-4.4	6,230.5
Renewable Energies	79.2	103.8	-23.7	407.4
Generation and Trading	1,495.4	1,365.2	9.5	5,290.1
Other/Consolidation	3.8	4.1	-7.3	7.7
Total	**5,896.2**	**5,637.0**	**4.6**	**21,002.5**

[1] After deduction of electricity and energy taxes.

Sales: Revenue in the Sales segment increased in the first three months of 2015 in comparison to the same period of the previous year, mainly as a result of higher sales volumes in the gas sector.

Grids: Revenue in the Grids segment fell in the reporting period in comparison to the previous year, mainly as a result of lower EEG revenues.

Renewable Energies: In the Renewable Energies segment, revenue fell in the first three months in comparison to the previous year. This was primarily attributable to falling electricity prices for electricity produced by run-of-river power plants.

Generation and Trading: Revenue in the Generation and Trading segment increased in the reporting period in comparison to the same period of the previous year. The fall in revenue due to lower electricity prices was more than compensated for by growth in gas trading activities.

Material developments in the income statement

The negative balance from other operating income and other operating expenses in the reporting period reduced slightly from € -51.7 million in the previous year to € -37.0 million in the reporting period. An increase in the cost of materials by 6.4% to €4,750.6 million was mainly due to an increase in Group revenue. Amortisation and depreciation of €224.7 million was around the same level as the figure in the previous year of €220.1 million. The investment result improved by €26.9 million to €59.0 million (previous year: €32.1 million) due to higher earnings from entities accounted for using the equity method. The financial result achieved a positive balance of €217.1 million in the reporting period, following a negative balance of €104.4 million in the same period of the previous year. The reason for this change was income from the sale of securities. This was offset by the adjustment to the discount rate for nuclear power provisions from 4.8% as of 31 December 2014 to 4.6% as of 31 March 2015. Overall, earnings before tax (EBT) totalled €781.8 million in the first three months of the 2015 financial year, compared with €454.0 million in the previous year.

Earnings

The Group net profit attributable to the equity holders of EnBW AG increased by €389.4 million to €684.1 million in the reporting period compared with the figure in the previous year of €294.7 million. Earnings per share came to €2.53 in the reporting period compared to €1.09 for the same period in the previous year.

Adjusted earnings and non-operating result

The sustainable profitability of operating activities is of particular importance for internal management and for the 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 adjusted for extraordinary items – which we use as a key reporting indicator. The extraordinary items are presented and explained in the section “Non-operating result”.

Adjusted EBITDA of the EnBW Group by segment

in € million	01/01–31/03/2015	01/01 – 31/03/2014	Change in %	01/01–31/12/2014
Sales	71.3	48.0	48.5	230.6
Grids	277.4	277.9	-0.2	886.3
Renewable Energies	35.5	42.7	-16.9	191.4
Generation and Trading	331.7	373.5	-11.2	899.5
Other/Consolidation	12.0	2.7	–	-40.4
Total	**727.9**	**744.8**	**-2.3**	**2,167.4**

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

in %	01/01–31/03/2015	01/01–31/03/2014	01/01–31/12/2014
Sales	9.8	6.4	10.6
Grids	38.1	37.3	40.9
Renewable Energies	4.9	5.7	8.8
Generation and Trading	45.6	50.1	41.5
Other/Consolidation	1.6	0.5	-1.8
Total	**100.0**	**100.0**	**100.0**

The adjusted EBITDA for the EnBW Group fell slightly, in line with our expectations, in comparison to the same period in the previous year.

Sales: In the Sales segment, the adjusted EBITDA increased significantly in the first three months of 2015 in comparison to the same period of the previous year due mainly to higher gas sales as a result of the temperature. In addition, optimisation measures in the area of electricity sales contributed to this improvement in earnings. The share of the adjusted EBITDA for the Group accounted for by this segment thus also increased in comparison to the previous year.

Grids: The adjusted EBITDA for the Grids segment stood at almost the same level in the reporting period as in the previous year. Higher earnings from the use of the grids due to temperature levels were primarily compensated for by planned increases in the number of employees for the expansion of the grid and expenses relating to the new contract arrangement with the City of Stuttgart. The share of the adjusted EBITDA for the Group accounted for by this segment only increased slightly in the reporting period.

Renewable Energies: The adjusted EBITDA in the Renewable Energies segment for the first three months of 2015 was below the value achieved in the same period of the previous year. The earnings performance was primarily influenced by lower prices for electricity production from run-of-river power plants in comparison to the previous year. The moderate expansion of onshore wind power plants has not yet had a noticeable impact on the earnings performance. The share of the adjusted EBITDA for the Group accounted for by this segment thus fell slightly.

Generation and Trading: The fall in the adjusted EBITDA for the Generation and Trading segment in comparison to the same period in the previous year was primarily due to lower positive valuation effects. The falling prices and spreads on wholesale electricity markets also had an effect. Therefore, this segment contributed less to the adjusted EBITDA for the Group in comparison to the previous year.

Adjusted earnings indicators of the EnBW Group

in € million	01/01–31/03/2015	01/01–31/03/2014	Change in %	01/01–31/12/2014
Adjusted EBITDA	**727.9**	**744.8**	**-2.3**	**2,167.4**
Scheduled amortisation and depreciation	-224.7	-220.1	2.1	-876.9
Adjusted EBIT	**503.2**	**524.7**	**-4.1**	**1,290.5**
Adjusted investment result	59.0	30.7	92.2	73.4
Adjusted financial result	401.1	-105.6	–	-542.8
Adjusted income taxes	-122.5	-134.6	9.0	-251.7
Adjusted Group net profit	**840.8**	**315.2**	**–**	**569.4**
of which profit/loss shares attributable to non-controlling interests	(27.5)	(22.7)	21.1	(90.0)
of which profit/loss shares attributable to the equity holders of EnBW AG	(813.3)	(292.5)	–	(479.4)

The adjusted investment result in the first three months of 2015 was higher than the figure achieved in the previous year due to higher earnings from entities accounted for using the equity method. The adjusted financial result improved significantly in the reporting period. Against the background of developments on the stock market and a possible change in the taxation of diversified shareholdings, it was possible to realise tax-free profits from the sale of securities. As a result, the adjusted tax rate stood at 12.7% in the reporting period, compared to 29.9% in the same period of the previous year. The increase in the adjusted Group net profit attributable to the equity holders of EnBW AG compared to the same period of the previous year was primarily due to this effect, which was adjusted for the calculation of the dividend payout ratio.

Non-operating result of the EnBW Group

in € million	01/01–31/03/2015	01/01–31/03/2014	Change in %
Income/expenses relating to nuclear power	-9.1	-22.3	59.2
Income from the release of other provisions	0.0	0.3	-100.0
Result from disposals	18.3	24.6	-25.6
Restructuring	-3.6	-1.2	–
Other non-operating result	-3.1	0.2	–
Non-operating EBITDA	**2.5**	**1.6**	**56.3**
Unscheduled write-downs	0.0	0.0	–
Non-operating EBIT	**2.5**	**1.6**	**56.3**
Non-operating investment result	0.0	1.4	-100.0
Non-operating financial result	-184.0	1.2	–
Non-operating income taxes	53.0	-0.8	–
Non-operating Group net profit/loss	**-128.5**	**3.4**	**–**
of which profit/loss shares attributable to non-controlling interests	(0.7)	(1.2)	-41.7
of which profit/loss shares attributable to the equity holders of EnBW AG	(-129.2)	(2.2)	–

The effects on non-operating EBITDA and non-operating EBIT were of minor significance in both reporting periods. The non-operating financial result achieved a negative balance of €184.0 million in the reporting period, following a positive balance of €1.2 million in the previous year. This development was due to the adjustment to the discount rate for nuclear power provisions from 4.8% as of 31 December 2014 to 4.6% as of 31 March 2015. This was offset in the reporting period by tax income from non-operating income taxes. The non-operating Group net loss attributable to the equity holders of EnBW AG amounted to €129.2 million in the reporting period, compared to a non-operating Group net profit of €2.2 million in the previous year.

Financial position

Financing

In addition to the Group's internal financing capabilities 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 March 2015)
- Syndicated credit line of €1.5 billion (undrawn as of 31 March 2015)
- Bilateral short-term credit lines (€490 million, undrawn as of 31 March 2015)
- Euro Medium Term Note (EMTN) programme with a €7.0 billion line (€4.2 billion drawn as of 31 March 2015)

Established issuer on the debt capital market

EnBW has sufficient and flexible access to the capital market at all times.

The bond portfolio of EnBW has a well-balanced maturity profile. Following refinancing measures in the 2014 financial year, the EnBW Group is fully financed in the medium term. The repayment of a bond with a nominal value of €750 million is due in the 2015 financial year, which will be made from the existing liquidity position. EnBW reserves the option to take advantage of a favourable climate on the capital market for the issuing of bonds to further optimise its financial structure. For this purpose, EnBW constantly analyses and assesses the latest developments on the capital market with regards to current interest rates and refinancing costs.

Rating and rating trends

Maintaining a good credit standing remains the key objective of the financing strategy of EnBW. The performance indicator for this is the dynamic leverage ratio. In general, a target value of <3.3 corresponds to the "A" ratings issued by the rating agencies. EnBW has always satisfied the criteria associated with an "A" rating for the rating agencies since they started issuing credit ratings for the company: Standard & Poor's in 2000, Moody's in 2002 and Fitch in 2009. 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 poorer business risk profile. EnBW has largely withstood the sector-wide negative rating trend to date. Furthermore, the lower discount rates applied to pension and nuclear power provisions has led to an increased burden on the key leverage indicators used by the rating agencies. However, EnBW has already established cover funds by making financial investments over the last few years. The current ratings reflect the restructuring of the EnBW portfolio with an increased focus on low risk activities.

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

Investment analysis

The investment volume of the EnBW Group fell during the first three months of 2015 compared to the figure in the previous year as the major projects of RDK 8 and the Lausward Combined Cycle Gas Turbine (CCGT) power plant are either completed or close to completion. Around 71% of the overall investment was attributable to growth projects; the proportion of investments in existing facilities stood at 29% in the first three months of 2015 and was primarily allocated to existing power stations and grid infrastructure.

In the Generation and Trading segment, investments by the EnBW Group fell significantly in the first three months of 2015 compared to the same period of the previous year due to the near completion of the major power plant projects Lausward and RDK 8. This segment's share of the total investment by the EnBW Group in intangible assets and property, plant and equipment fell from almost 59.7% in the same period of the previous year to 31.0% in the reporting period. Investment in the Renewable Energies segment was also lower than the figure for the same period of the previous year due to the planned completion of the offshore wind farm Baltic 2 in the summer of 2015. However, this segment's share of the total investment increased to almost 31.7% compared to around 21.6% in the previous year. The investment in the Grids segment was higher than the level in the previous year, mainly due to expanding and upgrading the grids and the connection of facilities for the generation of renewable energies, as well as the construction of the North Black Forest Pipeline. This segment's share of the investment in intangible assets and property, plant and equipment increased from 16.4% in the same period of the previous year to 34.8% in the reporting period. Furthermore, €6.8 million or 2.5% of the investment in intangible assets and property, plant and equipment was primarily invested in strengthening sales by expanding the range of services offered as a supplier of decentralised solutions – such as contracting, for example.

Net cash investments of the EnBW Group

in € million	01/01–31/03/2015	01/01–31/03/2014	Change in %	01/01–31/12/2014
Sales	4.7	8.0	-41.3	76.4
Grids	94.8	73.0	29.9	521.6
Renewable Energies	86.4	96.6	-10.6	610.8
Generation and Trading	84.5	266.4	-68.3	476.5
Other/Consolidation	2.1	2.4	-12.5	19.1
Capital expenditures on intangible assets and property, plant and equipment	**272.5**	**446.4**	**-39.0**	**1,704.4**
Acquisition of subsidiaries, entities accounted for using the equity method and interests in joint operations	10.0	0.0	–	40.8
Acquisition of investments[1]	1.8	0.4	–	13.6
Cash paid for changes in ownership interest without loss of control	0.0	0.0	–	197.9
Total investments	**284.3**	**446.8**	**-36.4**	**1,956.7**
Disposals of intangible assets and property, plant and equipment	-39.5	-71.8	-45.0	-194.1
Cash received from construction cost and investment subsidies	-24.9	-18.8	32.4	-79.9
Sale of subsidiaries, entities accounted for using the equity method and interests in joint operations[2]	-1.5	0.0	–	-108.9
Sale of equity investments[1]	-0.5	-4.3	-88.4	-21.2
Cash received for changes in ownership interest without loss of control	0.0	0.0	–	-89.7
Cash received from participation models	0.0	0.0	–	-35.6
Total divestitures	**-66.4**	**-94.9**	**-30.0**	**-529.4**
Net (cash) investments	**217.9**	**351.9**	**-38.1**	**1,427.3**

[1] Excluding investments held as financial assets.
[2] Does not include cash and cash equivalents relinquished with the divestiture. These amounted to €6.0 million in the reporting period (01/01–31/03/2014: €0.0 million, 01/01–31/12/2014: €0.0 million).

Liquidity analysis

Free cash flow of the EnBW Group

in € million	01/01–31/03/2015	01/01–31/03/2014	Change in %	01/01–31/12/2014
Cash flow from operating activities	**426.5**	**534.2**	**-20.2**	**1,775.7**
Change in assets and liabilities from operating activities	228.4	73.4	–	-254.7
Interest and dividends received	70.9	49.4	43.5	323.5
Interest paid for financing activities	-17.8	-46.2	-61.5	-338.6
Funds from operations (FFO)	**708.0**	**610.8**	**15.9**	**1,505.9**
Change in assets and liabilities from operating activities	-228.4	-73.4	–	254.7
Capital expenditures on intangible assets and property, plant and equipment	-272.5	-446.4	-39.0	-1,704.4
Disposals of intangible assets and property, plant and equipment	39.5	71.8	-45.0	194.1
Cash received from construction cost and investment subsidies	24.9	18.8	32.4	79.9
Free cash flow	**271.5**	**181.6**	**49.5**	**330.2**

Operating cash flow fell in comparison to the same period in the previous year, while funds from operations (FFO) stood above the level in the previous year. This increase was mainly influenced by tax refund claims in the current reporting period. In addition, lower interest from back taxes was paid in comparison to the same period of the previous year.

The net balance of assets and liabilities arising from operating activities increased more sharply in comparison to the same period of the previous year resulting in a change of €155.0 million. This was due primarily to the net balance of trade receivables and payables, which was especially influenced by factors relating to the EEG. This was offset by a larger reduction in inventories compared to the same period of the previous year; this was the result of, amongst other things, higher coal consumption from redispatch measures for stabilising the grid and from the use of gas storage reserves. The free cash flow thus increased by €89.9 million, influenced by lower investment in intangible assets and property, plant and equipment in comparison to the same period of the previous year.

Cash flow statement of the EnBW Group

in € million	01/01–31/03/2015	01/01–31/03/2014	Change in %	01/01–31/12/2014
Cash flow from operating activities	426.5	534.2	-20.2	1,775.7
Cash flow from investing activities	-312.0	-607.7	-48.7	-2,776.6
Cash flow from financing activities	-107.7	1,648.1	–	1,760.9
Net change in cash and cash equivalents	**6.8**	**1,574.6**	**-99.6**	**760.0**
Net foreign exchange difference	3.5	0.2	–	0.3
Change in cash and cash equivalents	**10.3**	**1,574.8**	**-99.3**	**760.3**

Cash flow from investing activities declined significantly in comparison to the previous year. This decrease is primarily attributable to lower capital expenditures on intangible assets and property, plant and equipment. In addition, there was also lower investment in securities in comparison to the previous year.

Cash flow from financing activities returned an outflow of cash, while there was still a cash inflow in the same period of the previous year. This change in comparison to the same period of the previous year is mainly attributable to a significant reduction in financial liabilities. The figure for the same period of the previous year included the issuing of a hybrid bond with a volume of €1 billion and a loan from the European Investment Bank (EIB). The Group's cash and cash equivalents only increased slightly by €10.3 million in the reporting period.

Net assets

The total assets held by the EnBW Group increased by €2,190.1 million as of the reporting date of 31 March 2015. Non-current assets increased by €626.6 million. Other financial assets increased here by €353.5 million to €8,866.9 million, due primarily to the increased market value of securities held for investment purposes. The value of intangible assets and property, plant and equipment at €15,667.7 million was €203.0 million above the figure at the end of 2014 as a result of the investment activities of the Group. Current assets increased by €1,630.2 million. Trade receivables increased primarily due to seasonal effects and the growth in trading activities. The fall in assets held for sale was the result of the divestitures of distribution grids and our shares in the Bexbath power plant.

The equity held by the EnBW Group fell by €140.4 million as of the reporting date of 31 March 2015. The increase in revenue reserves by €683.3 million, mainly due to the achieved result in the period, was more than offset by the increased losses in other comprehensive income of €855.9 million. This increase was mainly caused by the adjustment to the discount rate for pension provisions from 2.2% to 1.5%. The non-current liabilities of the EnBW Group rose in the reporting period by a total of €1,233.9 million, mainly due to the interest rate-related increase in the pension and nuclear power provisions. The total increase in current liabilities of €1,133.7 million is primarily attributable to liabilities relating to trade payables. These rose, on the one hand, due to seasonal factors and, on the other hand, due to increased trading activities.

Condensed balance sheet of the EnBW Group

in € million	31/03/2015	31/12/2014	Change in %
Non-current assets	28,009.2	27,382.6	2.3
Current assets	12,455.2	10,825.0	15.1
Assets held for sale	37.8	104.5	-63.8
Assets	**40,502.2**	**38,312.1**	**5.7**
Equity	4,405.2	4,545.6	-3.1
Non-current liabilities	25,380.6	24,146.7	5.1
Current liabilities	10,705.0	9,571.3	11.8
Liabilities directly associated with assets classified as held for sale	11.4	48.5	-76.5
Equity and liabilities	**40,502.2**	**38,312.1**	**5.7**

Adjusted net debt

As of 31 March 2015, adjusted net debt increased by €429.2 million compared to the figure posted at the end of 2014. This increase can mainly be attributed to higher pension and nuclear power provisions as a result of the adjustment to the discount rates. The adjusted net debt was offset by the positive free cash flow and the increased market value of long-term investments and loans.

Adjusted net debt of the EnBW Group

in € million	31/03/2015	31/12/2014	Change in %
Cash and cash equivalents	-4,201.7	-3,939.5	6.7
Cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions	1,158.9	1,282.1	-9.6
Adjusted cash and cash equivalents	**-3,042.8**	**-2,657.4**	**14.5**
Bonds	6,271.2	6,225.6	0.7
Liabilities to banks	1,753.0	1,813.1	-3.3
Other financial liabilities	204.3	226.9	-10.0
Financial liabilities	**8,228.5**	**8,265.6**	**-0.4**
Recognised net financial liabilities[1]	**5,185.7**	**5,608.2**	**-7.5**
Pension and nuclear power provisions	16,080.6	14,959.8	7.5
Fair market value of plan assets	-1,123.8	-1,102.4	1.9
Long-term investments and loans[2]	-8,673.4	-8,320.5	4.2
Cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions	-1,158.9	-1,282.1	-9.6
Other	-76.6	-68.5	11.8
Recognised net debt[2]	**10,233.6**	**9,794.5**	**4.5**
Non-current receivables associated with nuclear power provisions	-682.7	-675.4	1.1
Valuation effects from interest-induced hedging transactions	-139.1	-136.5	1.9
Restatement of 50% of the nominal amount of the hybrid bonds[3]	-1,000.0	-1,000.0	0.0
Adjusted net debt[2]	**8,411.8**	**7,982.6**	**5.4**

[1] Adjusted for valuation effects from interest-induced hedging transactions and 50% of the nominal amount of the hybrid bonds, net financial liabilities amounted to €4,046.6 million (31/12/2014: €4,471.7 million).
[2] Includes investments held as financial assets.
[3] 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.

Related parties

Transactions with related parties are disclosed in the notes and explanations of the interim consolidated financial statements.

Non-financial performance indicators

There are no significant new findings regarding the non-financial key performance indicators for the customers, employees and environment dimensions as stated in the Group management report 2014.

Customers goal dimension

Numerous activities testify to the fact that EnBW has a close relationship with customers through its brands. An important step is the fundamental overhaul and relaunch of our EnBW online customer portal with many new services in order to even better fulfil the wishes of our customers in future. Furthermore, we have introduced a new bonus system for the brand EnBW, which is oriented to the individual situation of the customer. For example, students can receive a monthly discount on the base price or an instant bonus. They thus benefit from the more favourable conditions immediately and not only at the end of the contractual period. The brand Yello has started cooperating with Payback, the leading bonus programme with over 25 million customers in Germany. New customers receive 5,000 Payback points when they switch to Yello.

Employees goal dimension

As of 31 March 2015, the EnBW Group employed 20,136 people. As a result of the continuation of our recruitment policy in 2015 – essentially limited to strategic growth areas of EnBW – the number of employees stood slightly above the level at the end of the 2014 financial year. The growing importance of regulated business is reflected in the increase in the number of employees in the Grids segment. The number of employees in the Renewable Energies segment remained largely unchanged. The reason for the increase in Other/Consolidation is primarily the movement of employees from the Sales and Generation and Trading segments as a result of restructuring within the Group.

Employees of the EnBW Group[1]

	31/03/2015	31/12/2014	Change in %
Sales	3,315	3,322	-0.2
Grids[2]	7,919	7,824	1.2
Renewable Energies	514	519	-1.0
Generation and Trading	5,252	5,432	-3.3
Other/Consolidation	3,136	2,995	4.7
Total	**20,136**	**20,092**	**0.2**
Number of full-time equivalents[3]	18,573	18,524	0.3

[1] Number of employees excluding apprentices/trainees and inactive employees.
[2] The number of employees for the ITOs (TransnetBW GmbH and terranets bw GmbH) are only updated at the end of the year; for intervals of less than a year, the number of employees from 31/12/2014 is carried forward.
[3] Converted into full-time equivalents.

The Employers Association for Electricity Power Plants in Baden-Württemberg and the union ver.di agreed a collective remuneration agreement for the years 2015 to 2017 and a follow-up regulation for the terminated collective wage agreement in March 2015. The collective remuneration agreement includes a pay increase of up to 2.1% from 1 April 2015, a lump sum payment of €1,250 in 2016 and a further increase in pay of up to 2.1% in 2017. A new remuneration system will apply from 1 January 2016 for those employees that joined the company after 1 December 2008. The future development in the pay levels has been designed to minimise wage differences between the groups of employees.

As part of the PRO EnBW project, the number of functional units had been reduced from over 20 by more than a half by 1 January 2015. The number of management functions was reduced as a result by more than 20%. The result: larger areas of responsibility, clearer responsibilities and quicker decision, making paths. The goal is also to position the functional units closer to business operations. The necessary processes and possible adjustments will be developed in close cooperation with the business units during the further course of 2015.

EnBW Kernkraft GmbH (EnKK) started the year 2015 with a new organisational structure, which was developed as part of the EnKK-NEO project and approved by the supervisory authorities. The central aspect of this structure is the splitting of the organisation into a business area for “nuclear power plant operations” and a business area for “decommissioning of nuclear power plants”. This will allow greater specialisation on the different requirements in both areas of activity.

Against the background of drastically changed market conditions, EnBW implemented the NEO^2 project to examine its entire area of energy generation, as well as shareholdings in power plants and electricity procurement agreements, with respect to possible optimisation or restructuring. Following the presentation of the results and the development of a new organisational structure in line with market conditions, negotiations were held and successfully concluded in the first quarter of 2015 with those works councils involved and their committees. The implementation of the new organisational structure was completed on 1 April 2015. The economic operation of a series of power plants is no longer possible or endangered due to the fundamentally changed framework conditions. These are taken into account in the new organisational structure. The associated reduction in personnel will be carried out primarily in a socially acceptable manner in the form of offers for phased retirement and through severance payments for those workers near to retirement age. Furthermore, a high level of flexibility is required of employees in order to successfully face the challenges posed by the difficult market conditions.

Environment goal dimension

As a large energy supply company, EnBW shares responsibility for our environment and climate protection. It actively supports the German Energiewende. Supplying our customers with energy causes emissions, above all through the operation of power plants, and uses natural resources and space. Environmental and climate protection form an integral part of the EnBW corporate strategy. The long-term success of an energy supply company’s activities hinges on acceptance by society. EnBW strives to achieve a balance between respecting the environment and achieving its corporate, political and social goals.

Amongst other things, EnBW is running the programme “Stimuli for Diversity” for the protection of amphibian species threatened with extinction in Germany together with the LUBW Baden-Württemberg State Institute for the Environment, Measurements and Nature Conservation. A total of 58 conservation projects for amphibians have been backed since 2011. Citizens were able to submit their ideas and initiatives for conserving this endangered group of species by 20 March 2015, to receive funding from the pot designated for the “EnBW Amphibian Protection Programme”.

Other important Group topics

In dialogue with our stakeholders

In dialogue with our stakeholders January to April 2015 (examples)

Stakeholder	Dialogue platforms	Significant issues	Further information
Shareholders / capital market	Publication of EnBW Report 2014 and Quarterly Financial Report January to March 2015	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
	Investor update	Implementation of EnBW 2020 strategy, conditions in energy industry	Page 24 www.enbw.com/investor-update
Employees	EnBW news	2014 financial year, activities in onshore / offshore sector, innovations	
	Dialogue with employees	Strategy, new products and services, current topics	
Customers	Online portal "EnBW EnergyPilot 3.0"	Relaunch of the B2B customer portal with additional functionality	www.enbw.com/energypilot
	"Smart friends share everything"	"Customers refer customers" campaign	www.enbw.com/privatkunden/service-und-kontakt/freunde-werben
	Energy efficiency network	Network meetings	
Local authorities / public utilities	Sustainable City	Citizen dialogue events	
	Talks, information events, workshops	On topics such as photovoltaics, wind, integrated climate protection concept, LED street cleaning	
Society	Open days	Solarpark Königsbronn and Leitwarte Barhöft	
	"Köpfe dieser Zeit" (Great Minds of Our Time)	Tenor Jay Alexander on the subject of "Sound waves – a balancing act between opera and popular music"	Page 24
	energy@school	Competition on the subject of saving energy at school	Page 24
Suppliers	Fact-finding mission to Columbia	Continuous dialogue on responsible management of coal mining in Columbia	Page 25
Politics	Debates by Energy and Climate Protection Foundation	Outlook for energy policy and importance of energy forecasts	www.energieundklimaschutzbw.de
	EnBW Energy and Business Club (EWC)	Exchange on issues such as incentive regulations and auction models for wind power plants	

Shares and capital market

The two major shareholders of EnBW AG, the federal state of Baden-Württemberg (indirectly via NECKARPRI-Beteiligungsgesellschaft mbH) and OEW Energie-Beteiligungs GmbH each hold 46.75% of the share capital in the company.

The overall shareholder composition as of 31 March 2015 breaks down as follows:

Shareholders of EnBW

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.

As a result of the small proportion of EnBW AG shares in free float and the very limited trading volumes in the shares as a result, the EnBW stock market price is only subject to minor fluctuations. The stock market price stood at €25.02 on 31 March 2015.

EnBW engages in continuous and open dialogue with capital market participants in order to ensure investors, analysts and rating agencies maintain their trust in the company at all times. As part of the annual investor updates, EnBW provided international investors with an up-to-date overview of the company in the first quarter of 2015 in the most important financial centres of London, Paris, Zurich, Frankfurt, Edinburgh and in the Netherlands. Alongside the conditions in the energy industry, the main themes covered were the implementation of the EnBW 2020 strategy, the improved risk-return profile of the Group and the financial discipline and flexibility criteria for making investments. As in previous years, EnBW will also hold a Banking Day and a Capital Market Day in 2015.

Society

EnBW regards itself as a corporate citizen. In the interests of safeguarding the future in general, the company provides support primarily in the areas of education, knowledge and learning. Interaction and getting involved are further guiding principles of our social commitment, which first and foremost focuses on Baden-Württemberg – the predominant sphere of influence of EnBW.

The City of Karlsruhe, the headquarters of EnBW, will be 300 years old in 2015. The city is celebrating its birthday from 17 June to 27 September. EnBW is supporting this major event under the motto “Together we are one idea ahead” – especially with two innovative projects: electromobility and multifunctional street lighting. As part of this cooperation, EnBW presented the city with four electric scooters on the 10 March to mark the start of the project “Sustainable mobility for Karlsruhe”. The commissioning of two charging and distribution stations for bicycles with electric drive systems will follow in June. The second project involves the installation of multifunctional street lights on the Turmberg Terrace in Karlsruhe that were developed at the EnBW Innovation Campus. They not only provide lighting but can also be used as a charging station for electric vehicles and act as Wi-Fi access points.

EnBW has been offering its expertise and up to €500 in funding through the energy@school initiative to help promote creative, energy-saving projects. School classes in years 7 to 10 across Baden-Württemberg were encouraged to submit ideas for projects and experiments that creatively and sustainably deal with the subject of “Saving energy in school” up to 31 March 2015. The response was very good and the ideas were characterised by their ingenuity and originality. One result is already clear: The idea of saving energy has found its way into everyday school life.

The series of lectures presented by EnBW called “Köpfe dieser Zeit” (Great Minds of Our Time) continued in various locations at the beginning of March: “Sound waves – a balancing act between opera and popular music” was the theme of a discussion with the distinguished tenor Jay Alexander from Pforzheim. The winner of renowned international singing competitions not only discussed the diverse range of trends in modern music, but also emphasised how important the social engagement of all citizens can be.

Research and innovation

EnBW continues to drive forward the search for new business fields with its research and innovation activities. In the process, Innovation Management specifically targets new business models outside of the established core business of EnBW. Potential business ideas are taken from EnBW and quickly developed by internal start-up teams at the EnBW Innovation Campus in close proximity to customers to make them ready for the market. Supplementary expertise for the new business is gained through partnerships with start-ups and industrial companies. EnBW is focussing here on combining capabilities in the energy industry with innovations from the digital world in order to generate new business.

Under the motto “EnBW goes CeBIT”, EnBW Innovation Management was present at this year's CeBIT in Hanover in the CODE_n hall from 16 to 20 March 2015. In a series of workshops, the future of the digital energy world and the associated role of EnBW as the so-called “operating system of the Energiewende” were discussed and further developed together with internal and external start-ups and renowned industrial partners. This resulted in, for example, new business fields such as networked solutions for the cities of tomorrow, connected homes and data analysis. These are now being taken on by EnBW internal start-ups like ERN!E (smart energy management in the home), SANDy (energy data analysis) or SM!GHT (multifunctional charging street lights).

The first successfully developed business models from the EnBW Innovation Campus have now reached the market: The smart city solution SM!GHT, which is currently installed in pilot projects in nine local authorities in Baden-Württemberg, the energy manager for the home, ERN!E, which has been installed at 15 pilot customers and is currently being tested by many trade partners, and the platform for resource management, CampusOne, which achieved sales successes across Germany in the first quarter of the year.

In addition to innovation activities, we are also carrying out research into technical solutions that could be marketed as new products for the benefit of our customers over the long term. The goal is to quickly recognise new trends and market opportunities and to realise corresponding product solutions.

The geothermal power station in Bruchsal achieved 2,100 operating hours in 2014 (2013: 3,000 hours) due to the failure of multiple components. As part of an audit in the autumn of 2014, the system technology was fundamentally optimised in order to further increase the performance capabilities. The expertise gained from Bruchsal and other projects puts EnBW in a position to exploit additional sources of geothermal energy with partners.

New opportunities for the efficient supply of low CO_2 electricity and heat to buildings are offered by heating technology systems based on innovative fuel cell technologies. EnBW is working together with market-leading partners in this area and has numerous demonstration systems in operation – many installed in single-family houses. Following tests carried out over several years, EnBW is now offering its customers a variety of fuel cell heating devices as part of, amongst other things, contracting models over a term of ten years. EnBW plans and operates the system, offering an all-round service that also includes securing any subsidies.

EnBW has been testing the interplay between renewable energies and heat transfer systems using storage heaters and heat pumps in a pilot scheme in the Baden town of Boxberg since the summer of 2014. 150 heat transfer systems are being used in Boxberg and other regions to make use of the surplus green electricity generated locally by wind farms or solar power plants, and to stabilise the grids at the same time. The potential offered by this concept of a "virtual power plant" is hugely significant: The output from the heat transfer systems installed in the grid area of EnBW corresponds in theory to the output generated by two to three large power plants. During the partial solar eclipse on 20 March 2015, it was demonstrated that the heat transfer systems could even cope with drastic changes in demand using special control systems. To do this, the switching logic of the control system was modified to include input forecasts from photovoltaics, as well as the market price of electricity.

Since January 2015, EnBW has been developing a new type of surface milling machine to remove contaminated surfaces in nuclear installations together with the company Contec. Contec specialises in technology for concrete and asphalt surfaces and has acquired the licence for an EnBW invention in nuclear decommissioning: The new method enables the quick, automated processing of vertical surfaces thanks to a particularly high removal rate in one work session, promising cost savings in the area of nuclear decommissioning.

Procurement

A large number of suppliers and service providers contribute to the services rendered by EnBW. EnBW places great importance on the efficient and sustainable design of their procurement processes and on continuously increasing the value added by the Procurement Department.

A significant step towards fulfilling these requirements was taken by the Procurement Department with the start of the "Procurement transformation" project. On the basis of best practice approaches from industry, the goal over the next two years is to better identify and realise optimisation potential for EnBW than ever before. In addition, the Procurement Department will become even more strongly anchored within the Group in its role as a partner for generating added value. The focus will be placed, amongst other things, on increasing the ratio of value added activities in the Procurement Department, as well as on boosting integration with our strategic suppliers. In cooperation with our suppliers, we are developing optimisation measures for reducing our cost base.

Procurement processes at EnBW have been made even more efficient and transparent as a result of the development of an integrated purchasing platform and the introduction of automated ordering processes. The purchasing platform includes standardised pre-qualification of suppliers, participation in invitations to tender and the submitting of offers, as well as the recording of services rendered. Suppliers and buyers can access important information on procurement processes from a central source and interact online with the Central Procurement Department.

As part of the ongoing introduction of the system, two modules were put into pilot operation during the reporting period. Specialist departments now have access to an efficient channel for registering their requirements. At the same time, first tier suppliers receive the opportunity to participate electronically in our invitations to tender and thus have a quicker and more direct link to the Procurement Department at EnBW.

In cooperation with a series of non-government organisations, EnBW led a fact-finding mission to the coal mining region of Cesar in Columbia at the end of March 2015. The trip included meetings with representatives from ministries, embassies, authorities, local authorities and coal-producing companies. In view of the overall complex situation in Columbia, continuous dialogue with all stakeholders is an important prerequisite for improving the working and living conditions in this country. EnBW strives to act economically and responsibly when it comes to purchasing coal for its power plants, increasingly by also using direct supply contracts with corresponding clauses. It will push forward its engagement with stakeholders when it comes to its procurement of coal.

Report on risks and opportunities

In comparison to the report issued at the end of 2014, the EnBW Group continued to face a high level of risk in the first three months of 2015. There are still great challenges faced by the energy industry due to the Energiewende in Germany, yet it also offers opportunities to resolute and flexible market participants. No risks currently exist that might jeopardise the EnBW Group as a going concern.

EnBW defines a risk or opportunity as an event or a number of events that might result in a potentially negative or positive future deviation from the targets that the Group has set for itself, an individual company or function. In other words, the potential non-attainment or over-attainment of strategic, operational, financial and compliance targets. Risks may either arise from events that are generally calculable, but which are nevertheless subject to chance or other unpredictable occurrences. Opportunities may arise within the sphere of operations of the EnBW Group or as part of an individual business activity. Opportunities frequently represent the reverse aspects of corresponding risks.

Using the report on risks in the Group Management Report 2014 as a basis, only the significant risks or opportunities which have changed, arisen or disappeared in the reporting period are described in this Quarterly Financial Report for January to March 2015.

Cross-segment risks and opportunities

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. If these risks lead to a significant and prolonged depreciation in the fair market value of these assets then the affected securities are subject to write-downs. As far as the market prices of financial investments are concerned, we currently identify a balanced level of opportunity and risk due to a broad diversification across various investment classes. This could have either a positive or negative impact on the key performance indicator dynamic leverage ratio through corresponding effects on adjusted net debt in the high three-digit million euro range.

Discount rate applied to pension provisions: As a result of the continued fall in interest rates, EnBW reduced the discount rate applied to pension provisions by 0.7 percentage points to 1.5% in comparison to 31 December 2014. This resulted in the present value of the defined pension benefit obligations increasing by €837.9 million. The uncertain future development of interest rates may have a positive or negative effect on adjusted net debt due to changes in pension provisions. In this context, EnBW continues to identify a low level of opportunity and a high level of risk. This could result in further effects on the adjusted net debt in a mid-three-digit million euro range and on the key performance indicator dynamic leverage ratio.

Generation and Trading segment

Changes to interest rates on nuclear power provisions: The discount rate is a key factor influencing the present value of nuclear power provisions. The interest rate was reduced by 0.2 percentage points to 4.6% as of the reporting date of 31 March 2015, which led to an increase in nuclear power provisions of €279.0 million. Furthermore, we currently identify a low level of risk for the remainder of the financial year.

Forecast

In the following forecast, we take an in-depth 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.

Expected trends in financial 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 shaping the German Energiewende. These investments are split into €2.7 billion for growth projects and €1.3 billion for investments in existing projects.

Around one third of the investment is attributable to the Renewable Energies segment. This primarily includes funds for the planning of other offshore projects, as well as for inorganic and organic growth of onshore wind farms. Around half of the investment will flow into the Grids segment to support the expansion in renewable energies and to ensure security of supply.

In order to finance this volume of investment of 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. The participation model for EnBW Baltic 2 will be realised in the summer of 2015. Divestitures in the onshore sector are also intended in the future. 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 disposal of investments.

The investment and divestiture programme for the 2015 to 2017 period has, to date, been implemented in line with expectations.

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

Expected development of earnings in 2015 [1] compared to the previous year

	Adjusted EBITDA		Share of the adjusted EBITDA accounted for by the segments in the EnBW Group	
	Q1 2015	2014	Q1 2015	2014
Sales	+10% to +20%	+10% to +20%	10% to 15%	10% to 15%
Grids	0% to -10%	0% to -10%	35% to 40%	35% to 40%
Renewable Energies	more than 20%	more than 20%	15% to 20%	15% to 20%
Generation and Trading	-15% to -25%	-15% to -25%	30% to 35%	30% to 35%
Other/Consolidation	–	–	–	–
Adjusted EBITDA, Group	**0% to -5%**	**0% to -5%**		

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

We expect that the **Sales** segment will deliver a growth in earnings in 2015. Our planning is based on there being average temperatures in 2015 – in contrast to the above-average temperatures in the previous year. As a result, we anticipate higher earnings in both the electricity and gas sales sectors. The growth area dealing with the supply of decentralised solutions in the energy sector developed unsatisfactorily in 2014. We will successively refine our goals here 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 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 in the previous year. As the weather conditions caused the revenue cap for the gas distribution grid to be exceeded in 2013, the revenue cap has been set lower in 2015 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. 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 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 the effects of 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.

The adjusted EBITDA at a Group level in 2015 will thus be between 0% and -5% below that achieved in 2014. This is mainly due to falling wholesale market 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.

Dynamic leverage ratio

Key performance indicator

	2015	2014
Dynamic leverage ratio	3.6– 4.0	3.68

As a result of the significant fall in interest and the discount rates applied to pension provisions and nuclear power provisions, the volatility of which we indicated in the Report 2014, we have adjusted our forecast for the adjusted net debt in 2015 to between €7.7 billion and €8.2 billion. Based on the earnings forecast, we are expecting a dynamic leverage ratio of between 3.6 and 4.0. Irrespective of the interest rate-related fluctuations in the pension and nuclear power provisions, we are convinced that the cash flows from these obligations can be completely settled with the help of our cover fund without needing to rely more heavily on the cash flow from operating activities and funds from operations (FFO) than in the past. We can verify this with our cash flow-based model for controlling the cover fund. The coverage ratio for pension and nuclear power provisions on 31 March 2015 was around 70%. Therefore, we are confident of retaining our rating levels even in a continued challenging environment.

Expected trends in non-financial key performance indicators

After the end of the first quarter of 2015, there are no significant changes to the non-financial key performance indicators compared to the expectations formulated for the 2015 financial year in the forecast published in the EnBW Integrated Report for 2014.

Significant events after the reporting date

No events that are considered particularly significant for assessing the results of operations, financial position and net assets of EnBW occurred after 31 March 2015.

Interim financial statements of the EnBW Group (unaudited)

Income statement

in € million	01/01–31/03/2015	01/01–31/03/2014
Revenue including electricity and energy taxes	6,124.2	5,871.2
Electricity and energy taxes	-228.0	-234.2
Revenue	**5,896.2**	**5,637.0**
Changes in inventories	11.5	7.0
Other own work capitalised	14.7	13.7
Other operating income	248.4	180.8
Cost of materials	-4,750.6	-4,463.6
Personnel expenses	-404.4	-396.0
Other operating expenses	-285.4	-232.5
EBITDA	**730.4**	**746.4**
Amortisation and depreciation	-224.7	-220.1
Earnings before interest and taxes (EBIT)	**505.7**	**526.3**
Investment result	59.0	32.1
of which net profit/loss from entities accounted for using the equity method	(56.9)	(33.8)
of which other income from investments	(2.1)	(-1.7)
Financial result	217.1	-104.4
of which finance revenue	(637.8)	(125.0)
of which finance costs	(-420.7)	(-229.4)
Earnings before tax (EBT)	**781.8**	**454.0**
Income tax	-69.5	-135.4
Group net profit	**712.3**	**318.6**
of which profit/loss shares attributable to non-controlling interests	(28.2)	(23.9)
of which profit/loss shares attributable to the equity holders of EnBW AG	(684.1)	(294.7)
EnBW AG shares outstanding (million), weighted average	**270,855**	**270,855**
Earnings per share from Group net profit (€)[1]	**2.53**	**1.09**

[1] Diluted and basic; in relation to shares in profit/loss attributable to the equity holders of EnBW AG.

Statement of comprehensive income

in € million	01/01–31/03/2015	01/01–31/03/2014
Group net profit	**712.3**	**318.6**
Revaluation of pensions and similar obligations	-769.2	-238.4
Entities accounted for using the equity method	-50.4	0.0
Income taxes on other comprehensive income	89.2	62.9
Total of other comprehensive income and expenses without future reclassifications impacting earnings	**-730.4**	**-175.5**
Currency translation differences	37.0	0.1
Cash flow hedge	-16.1	-93.4
Available-for-sale financial assets	-133.5	-2.4
Entities accounted for using the equity method	-4.7	0.0
Income taxes on other comprehensive income	4.1	18.4
Total of other comprehensive income and expenses with future reclassifications impacting earnings	**-113.2**	**-77.3**
Total other comprehensive income	**-843.6**	**-252.8**
Total comprehensive income	**-131.3**	**65.8**
of which profit/loss shares attributable to non-controlling interests	(40.5)	(12.3)
of which profit/loss shares attributable to the equity holders of EnBW AG	(-171.8)	(53.5)

Balance sheet

in € million	31/03/2015	31/12/2014
Assets		
Non-current assets		
Intangible assets	1,791.6	1,783.0
Property, plant and equipment	13,876.1	13,681.7
Investment properties	78.5	75.8
Entities accounted for using the equity method	1,971.2	1,941.0
Other financial assets	8,866.9	8,513.4
Trade receivables	685.8	678.6
Income tax refund claims	9.1	9.1
Other non-current assets	284.3	270.0
Deferred taxes	445.7	430.0
	28,009.2	**27,382.6**
Current assets		
Inventories	943.1	1,135.4
Financial assets	1,032.9	780.1
Trade receivables	4,533.3	3,193.1
Income tax refund claims	445.2	451.6
Other current assets	2,305.2	2,085.6
Cash and cash equivalents	3,195.5	3,179.2
	12,455.2	**10,825.0**
Assets held for sale	37.8	104.5
	12,493.0	**10,929.5**
	40,502.2	**38,312.1**
Equity and liabilities		
Equity		
Equity holders of EnBW AG		
Subscribed capital	708.1	708.1
Capital reserve	774.2	774.2
Revenue reserves	4,452.6	3,769.3
Treasury shares	-204.1	-204.1
Other comprehensive income	-2,463.3	-1,607.4
	3,267.5	**3,440.1**
Non-controlling interests	1,137.7	1,105.5
	4,405.2	**4,545.6**
Non-current liabilities		
Provisions	15,392.0	14,302.2
Deferred taxes	679.1	648.9
Financial liabilities	7,285.0	7,187.1
Income tax liabilities	134.3	134.3
Other liabilities and subsidies	1,890.2	1,874.2
	25,380.6	**24,146.7**
Current liabilities		
Provisions	1,171.7	1,151.6
Financial liabilities	943.5	1,078.5
Trade payables	4,866.7	3,829.6
Income tax liabilities	343.5	330.9
Other liabilities and subsidies	3,379.6	3,180.7
	10,705.0	**9,571.3**
Liabilities directly associated with assets classified as held for sale	11.4	48.5
	10,716.4	**9,619.8**
	40,502.2	**38,312.1**

Cash flow statement

in € million	01/01–31/03/2015	01/01–31/03/2014
1. Operating activities		
EBITDA	730.4	746.4
Changes in provisions	-72.1	-56.9
Result from disposals	-18.3	-24.6
Other non-cash expenses/income	-4.5	-11.3
Change in assets and liabilities from operating activities	-228.4	-73.4
Inventories	(187.1)	(66.3)
Net balance of trade receivables and payables	(-316.6)	(-3.3)
Net balance of other assets and liabilities	(-98.9)	(-136.4)
Income tax paid	19.4	-46.0
Cash flow from operating activities	**426.5**	**534.2**
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-272.5	-446.4
Disposals of intangible assets and property, plant and equipment	39.5	71.8
Cash received from construction cost and investment subsidies	24.9	18.8
Acquisition/sale of subsidiaries, entities accounted for using the equity method and interests in joint operations	-14.5	0.0
Changes in securities and investments	-160.3	-301.3
Interest received	67.6	46.3
Dividends received	3.3	3.1
Cash flow from investing activities	**-312.0**	**-607.7**
3. Financing activities		
Interest paid for financing activities	-17.8	-46.2
Increase in financial liabilities	78.2	1,727.6
Repayment of financial liabilities	-168.1	-33.3
Cash flow from financing activities	**-107.7**	**1,648.1**
Net change in cash and cash equivalents	**6.8**	**1,574.6**
Net foreign exchange difference	3.5	0.2
Change in cash and cash equivalents	**10.3**	**1,574.8**
Cash and cash equivalents at the beginning of the period	3,185.2	2,424.9
Cash and cash equivalents at the end of the period	**3,195.5**	**3,999.7**

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	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: 01/01/2014	**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				-175.5	-1.0	-52.2	-12.5		-241.2	-11.6	-252.8
Group net profit		294.7							294.7	23.9	318.6
Total comprehensive income	**0.0**	**294.7**	**0.0**	**-175.5**	**-1.0**	**-52.2**	**-12.5**	**0.0**	**53.5**	**12.3**	**65.8**
Other changes									0.0	-1.2	-1.2
As of: 31/03/2014	**1,482.3**	**4,673.6**	**-204.1**	**-958.6**	**-101.1**	**-363.3**	**390.0**	**0.0**	**4,918.8**	**1,228.5**	**6,147.3**
As of: 01/01/2015	**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**
Other comprehensive income				-678.7	27.7	-12.6	-137.2	-55.1	-855.9	12.3	-843.6
Group net profit		684.1							684.1	28.2	712.3
Total comprehensive income	**0.0**	**684.1**	**0.0**	**-678.7**	**27.7**	**-12.6**	**-137.2**	**-55.1**	**-171.8**	**40.5**	**-131.3**
Other changes		-0.8							-0.8	-8.3	-9.1
As of: 31/03/2015	**1,482.3**	**4,452.6**	**-204.1**	**-2,407.8**	**-67.9**	**-346.9**	**468.1**	**-108.8**	**3,267.5**	**1,137.7**	**4,405.2**

Notes and explanations

Accounting policies

The interim financial statements of the EnBW Group are prepared according to the International Financial Reporting Standards (IFRS), the adoption of which is mandatory in the EU as of the reporting date. In addition, the related interpretations (IFRIC/SIC) are observed. Standards and interpretations that have not yet come into force have not been adopted.

The accounting policies applied for the interim consolidated financial statements as of 31 March 2015, as well as the evaluation methods and input parameters for measuring fair value, are the same as those used for the consolidated financial statements as of 31 December 2014 with the exception of the new policies described below.

In accordance with IAS 34, the form of reporting chosen for the presentation of the consolidated financial statements of EnBW AG as of 31 March 2015 was shortened in comparison with that used for the consolidated financial statements as of 31 December 2014.

In addition to the income statement, the statement of comprehensive income, balance sheet, abridged cash flow statement and statement of changes in equity for the EnBW Group are presented separately.

All significant transactions and events in the reporting period are explained in the Interim Group Management Report.

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretation Committee (IFRS IC) have adopted the following new standards and amendments to existing standards whose application is mandatory as from the 2015 financial year:

- **Collective standard for the amendment of various IFRS (2013) "Improvements to the IFRS Cycle 2011–2013":** The amendments are the result of the annual IASB improvement process. The amendments are intended to clarify the wording of the standards and remove any unintended inconsistencies between them. The cycle affects IAS 40, IFRS 3 and IFRS 13. The amendments are effective for the first time for financial years beginning on or after 1 January 2015. The amendments have no effect on the consolidated financial statements of EnBW.
- **IFRIC 21 "Levies":** The interpretation clarifies, for levies which are imposed by government and do not fall within the application scope of another IFRS, how and, in particular, when such obligations in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" must be classified as liabilities. The amendments are effective for the first time for financial years beginning on or after 17 June 2014. The first-time adoption of IFRIC 21 has no effect on the consolidated financial statements of EnBW.

Consolidation principles

The financial statements of the domestic and foreign companies included in the consolidation were prepared in a standardised manner in accordance with the accounting policies which are applicable at EnBW.

Business combinations are accounted for using the acquisition method. The cost of a business combination is measured based on the fair value of the assets acquired and liabilities assumed or entered into as of the acquisition date. Non-controlling interests are measured at the proportionate fair value of the identified assets and the liabilities assumed. Incidental acquisition costs are expensed as incurred. If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss when the acquirer obtains control. Any excess of the cost of a business combination plus the amount of any non-controlling interest in the acquiree over the acquired identifiable assets, assumed liabilities and contingent liabilities is reported as goodwill if positive or, if negative, is reassessed and recognised as a gain through profit or loss.

A change in the ownership interest in an entity which continues to be fully consolidated is accounted for as an equity transaction. All remaining interests are remeasured at fair value upon loss of control.

Receivables, liabilities and provisions between the consolidated entities are netted. Intra-Group income is set off against the corresponding expenses. Intercompany profits and losses are eliminated unless they are of minor importance.

Consolidated companies

In accordance with the full consolidation method, all subsidiaries under the control of the Group are included. The Group controls an associate if it is exposed to risks or has rights to variable returns as a result of its involvement in the associate, and the Group has the ability to use its power over the associate in a way that affects the amount of the returns from the associate. In the full consolidation process, the assets and liabilities of a subsidiary are included in the consolidated financial statements in their entirety.

The equity method is used when there is a joint arrangement in the form of a joint venture or a significant influence may be exercised over the business policy of the associated company, but the entity does not qualify as a subsidiary. This means that when shareholdings are being measured, only the company's proportional equity, rather than its assets and liabilities, is shown in the consolidated financial statements. Any goodwill is included in the stated value of the shareholding in question. Any negative differences are recognised in profit or loss in the investment result.

Joint arrangements that are classified as joint operations are reported based on the proportion of the assets, liabilities, income and expenses which are attributable to the parent company in compliance with the respective applicable IFRS.

Interests in subsidiaries, joint ventures or associated company which, in the Group's opinion, are of minor significance are reported in accordance with IAS 39. Indicators for determining the materiality of subsidiaries are the revenue, earnings and equity of these companies.

There are no reciprocal shareholdings in the EnBW Group as defined by Sec. 19 (1) of the German Companies Act (AktG).

The consolidated companies are as follows:

Type of consolidation

Number	31/03/2015	31/12/2014	31/03/2014
Full consolidation	111	114	111
Entities accounted for using the equity method	18	18	16
Joint operations	2	2	3

Financial result

in € million	01/01–31/03/2015	01/01–31/03/2014
Interest and similar income	61.4	44.5
Other finance income	576.4	80.5
Finance income	**637.8**	**125.0**
Borrowing costs	-73.5	-58.0
Other interest and similar expenses	-197.7	-4.6
Interest portion of increases in liabilities	-131.1	-137.2
Personnel provisions	(-31.8)	(-42.8)
Provisions relating to nuclear power	(-97.4)	(-92.9)
Other non-current provisions	(-0.4)	(-0.2)
Other liabilities	(-1.5)	(-1.3)
Other finance costs	-18.4	-29.6
Finance costs	**-420.7**	**-229.4**
Financial result (+ income/- costs)	**217.1**	**-104.4**

Other finance income contains primarily market price gains on the sale of securities. Other interest and similar expenses in the first three months of 2015 contains non-operating interest expenses as a result of reducing the discount rate for nuclear power provisions from 4.8% to 4.6%.

Treasury shares

As of 31 March 2015, EnBW AG holds 5,749,677 treasury shares (31 December 2014: 5,749,677 treasury shares). The cost of acquiring the treasury shares to the amount of €204.1 million was deducted from the carrying amount of the equity. The attributable amount of share capital comes to €14,719,173.12 (2.1% of the subscribed capital).

Dividends

On 29 April 2015, the Annual General Meeting of EnBW approved the proposal by the Board of Management and the Supervisory Board to distribute a dividend of €0.69 per share for the financial year 2014. This corresponds to a dividend payment of €186.9 million.

Contingent liabilities and financial commitments

Compared to 31 December 2014, contingent liabilities and financial commitments decreased by €181.9 million to €25,958.1 million. This change results first and foremost from a reduction in the long-term purchase obligations in the gas sector.

Notes relating to fair value

The fair value and carrying amounts of the financial assets and financial liabilities under the individual balance sheet items are shown below.

Carrying amounts and fair value of financial instruments

in € million	31/03/2015			31/12/2014		
	Fair value	Not within the scope of application	Carrying amount	Fair value	Not within the scope of application	Carrying amount
Financial assets	9,975.1		9,899.8	9,369.8		9,293.5
Held for trading	(209.6)		(209.6)	(221.9)		(221.9)
Available for sale[1]	(8,496.2)		(8,496.2)	(7,895.6)		(7,895.6)
Held to maturity	(1,183.0)		(1,107.7)	(1,179.1)		(1,102.8)
Loans and receivables	(86.3)		(86.3)	(73.2)		(73.2)
Trade receivables	5,219.1		5,219.1	3,871.7		3,871.7
Other assets	2,230.0	359.5	2,589.5	2,109.8	245.8	2,355.6
Held for trading	(1,254.3)		(1,254.3)	(1,344.3)		(1,344.3)
Loans and receivables	(614.0)		(614.0)	(517.2)		(517.2)
Derivatives designated as hedging instruments	(320.9)		(320.9)	(215.1)		(215.1)
Carrying amount in accordance with IAS 17	(40.8)		(40.8)	(33.2)		(33.2)
Cash and cash equivalents	3,195.5		3,195.5	3,179.2		3,179.2
Total	**20,619.7**	**359.5**	**20,903.9**	**18,530.5**	**245.8**	**18,700.0**
Financial liabilities	9,449.8		8,228.5	9,289.2		8,265.6
Measured at amortised cost[2]	(9,370.0)		(8,148.7)	(9,185.3)		(8,161.7)
Carrying amount in accordance with IAS 17	(79.8)		(79.8)	(103.9)		(103.9)
Trade payables	2,978.2	1,888.5	4,866.7	463.8	3,365.8	3,829.6
Other liabilities and subsidies	3,007.4	2,262.4	5,269.8	2,849.2	2,205.7	5,054.9
Held for trading	(1,403.2)		(1,403.2)	(1,514.0)		(1,514.0)
Measured at amortised cost	(1,280.0)		(1,280.0)	(1,030.3)		(1,030.3)
Derivatives designated as hedging instruments	(324.2)		(324.2)	(304.9)		(304.9)
Total	**15,435.4**	**4,150.9**	**18,365.0**	**12,602.2**	**5,571.5**	**17,150.1**

[1] Available-for-sale financial assets include equity instruments of €1,014.3 million (31/12/2014: €987.4 million) measured at amortised cost whose fair value cannot be reliably determined.
[2] Of the financial liabilities measured at amortised cost, €1,260.0 million are part of a fair value hedge (31/12/2014: €1,243.6 million).

Counterparty default risk is taken into account when measuring the fair value of derivative financial instruments. Default risk with respect to an individual counterparty is calculated on the basis of the net risk position.

Hierarchy of the input data

in € million	31/03/2015		31/12/2014	
	Level 1	Level 2	Level 1	Level 2
Financial assets	4,912.8	2,778.7	4,813.0	2,317.1
Held for trading	(209.6)		(221.9)	
Available for sale	(4,703.2)	(2,778.7)	(4,591.1)	(2,317.1)
Other assets	34.6	1,540.6	45.7	1,513.7
Held for trading	(34.3)	(1,220.0)	(43.0)	(1,301.3)
Derivatives designated as hedging instruments	(0.3)	(320.6)	(2.7)	(212.4)
Total	**4,947.4**	**4,319.3**	**4,858.7**	**3,830.8**
Other liabilities and subsidies	12.7	1,714.7	12.7	1,806.2
Held for trading	(9.3)	(1,393.9)	(8.1)	(1,505.9)
Derivatives designated as hedging instruments	(3.4)	(320.8)	(4.6)	(300.3)
Total	**12.7**	**1,714.7**	**12.7**	**1,806.2**

Segment reporting

01/01–31/03/2015

in € million	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
External revenue	2,909.6	1,408.2	79.2	1,495.4	3.8	5,896.2
Internal revenue	83.0	732.2	85.8	834.2	-1,735.2	0.0
Total revenue	2,992.6	2,140.4	165.0	2,329.6	-1,731.4	5,896.2
Adjusted EBITDA	71.3	277.4	35.5	331.7	12.0	727.9
EBITDA	71.9	291.1	32.7	323.6	11.1	730.4
Adjusted EBIT	56.6	193.6	19.5	229.6	3.9	503.2
EBIT	57.2	207.3	16.7	221.5	3.0	505.7
Scheduled amortisation and depreciation	-14.7	-83.8	-16.0	-102.1	-8.1	-224.7
Capital employed as of 31/03/2015	976.9	4,581.1	2,775.4	2,445.4	3,113.8	13,892.6

01/01–31/03/2014

in € million	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
External revenue	2,691.5	1,472.4	103.8	1,365.2	4.1	5,637.0
Internal revenue	123.9	758.4	96.2	889.8	-1,868.3	0.0
Total revenue	2,815.4	2,230.8	200.0	2,255.0	-1,864.2	5,637.0
Adjusted EBITDA	48.0	277.9	42.7	373.5	2.7	744.8
EBITDA	48.5	300.4	42.6	348.0	6.9	746.4
Adjusted EBIT	34.0	190.8	28.6	275.5	-4.2	524.7
EBIT	34.5	213.3	28.5	250.0	0.0	526.3
Scheduled amortisation and depreciation	-14.0	-87.1	-14.1	-98.0	-6.9	-220.1
Capital employed as of 31/12/2014	663.3	4,709.1	2,596.6	2,704.5	2,929.4	13,602.9

Adjusted EBITDA is one of the key internal performance indicators. Adjusted EBITDA is an earnings ratio before interest, tax, depreciation and amortisation and adjusted for extraordinary items, which accurately reflects the development of results of operations. In the management report, the development of the segments is explained with the aid of adjusted EBITDA. Adjusted EBITDA can be reconciled to earnings before taxes (EBT) as follows:

in € million	01/01–31/03/2015	01/01–31/03/2014
Adjusted EBITDA	727.9	744.8
Non-operating EBITDA	2.5	1.6
EBITDA	**730.4**	**746.4**
Amortisation and depreciation	-224.7	-220.1
Earnings before interest and taxes (EBIT)	**505.7**	**526.3**
Investment result	59.0	32.1
Financial result	217.1	-104.4
Earnings before tax (EBT)	**781.8**	**454.0**

Segment reporting is based on internal reporting.

Sales of electricity and gas, as well as the provision of energy-related services, such as invoicing services or energy supply and energy-saving contracting, are summarised in the Sales segment. The Grids segment encompasses the value-added stages of transmission and distribution of electricity and gas. In addition, the provision of grid-related services and the supply of water is reported in the Grids segment. Activities in the area of power generation using renewable energies are presented in their own segment. In addition to the generation and trading of electricity, the Generation and Trading segment also comprises gas midstream operations, environmental services and the area dealing with the decommissioning of nuclear power plants. Our shareholdings in EWE Aktiengesellschaft and other activities which cannot be attributed to the segments presented separately are disclosed together with eliminations between the segments under Other/Consolidation.

The segment figures have been determined in accordance with the accounting policies used in the consolidated financial statements. Internal revenue shows the level of sales between Group companies. Sales between the segments were made at market prices.

Related parties (entities)

Related parties include, above all, the federal state of Baden-Württemberg and Zweckverband Oberschwäbische Elektrizitätswerke as indirect major shareholders of EnBW AG. As of 31 March 2015, the federal state of Baden-Württemberg and NECKARPRI GmbH indirectly held 46.75% of the shares in EnBW AG, and NECKARPRI-Beteiligungsgesellschaft mbH held the same amount directly. Zweckverband Oberschwäbische Elektrizitätswerke directly held 46.75% of the shares in EnBW AG, and OEW Energie-Beteiligungs GmbH (OEW GmbH) held the same amount indirectly.

The transactions concluded with the federal state and entities controlled or jointly controlled by it, or over which it has significant influence, essentially relate to supplying public entities such as universities, government authorities, zoos and clinics with electricity, gas and district heating. The revenue from these transactions was immaterial in the reporting period; most of the receivables had been settled as of 31 March 2015. All business transactions with the federal state were based on customary market terms and conditions. There are no contingent liabilities or financial commitments to the federal state.

Except for dividends paid, there are no business relations with OEW GmbH or NECKARPRI-Beteiligungsgesellschaft mbH. The dividend for the financial year 2014 had not yet been distributed by the end of the first quarter of 2015.

Business relations with joint ventures accounted for using the equity method are as follows:

Income statement

in € million	01/01–31/03/2015	01/01–31/03/2014
Revenue	2.9	2.1
Cost of materials	-6.5	-0.8

Balance sheet

in € million	31/03/2015	31/12/2014
Receivables	2.6	4.4
Liabilities	7.3	7.2

Revenues and costs of materials result predominantly from electricity supply and procurement contracts. Receivables and liabilities are due within one year. All business relations were based on customary market terms and conditions.

In the course of ordinary business activities, relationships also exist with associated companies, including amongst others municipal entities (municipal utilities, in particular), that are accounted for using the equity method. The exchange of services with these companies was conducted at customary market terms and conditions and had the following impact on the income statement and balance sheet of the EnBW Group:

Income statement

in € million	01/01–31/03/2015	01/01–31/03/2014
Revenue	67.6	72.0
Cost of materials	-62.5	-51.8
Financial result	0.4	0.1

Balance sheet

in € million	31/03/2015	31/12/2014
Other loans	14.3	12.1
Receivables	24.8	26.5
Payments on account	9.2	9.0
Liabilities	32.0	40.4

The receivables and liabilities for the reporting period are generally due within one year.

The business relationships in joint operations, whose assets, liabilities, income and expenses have been reported on a proportional basis, are as follows:

Income statement

in € million	01/01–31/03/2015	01/01–31/03/2014
Revenue	0.0	0.3
Cost of materials	-0.7	-2.2

Balance sheet

in € million	31/03/2015	31/12/2014
Liabilities	0.2	0.2

Revenues and the cost of materials result predominantly from business in the areas of electricity and gas. Liabilities are due within one year. All business relations were based on customary market terms and conditions.

Related parties also include the EnBW Trust e.V., which manages the plan assets for securing the pension obligations.

Related parties (individuals)

The EnBW Group has not entered into any significant transactions with individuals that are related parties.

Board of Management and Supervisory Board

Board of Management

- **Dr. Frank Mastiaux, Karlsruhe**
  Chief Executive Officer
  since 1 October 2012
  Appointed until 30 September 2017

- **Dr. Bernhard Beck LL.M., Stuttgart**
  Chief Personnel Officer
  since 1 October 2002
  Appointed until 30 September 2017

- **Thomas Kusterer, Ettlingen**
  Chief Financial Officer
  since 1 April 2011
  Appointed until 31 March 2019

- **Dr. Hans-Josef Zimmer, Steinfeld (Pfalz)**
  Chief Technical Officer
  since 1 January 2012
  Appointed until 31 December 2016

Supervisory Board

- **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 for HR 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

- **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 of 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

- **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

Key
- **Active member**
- Inactive member

As of: 1 April 2015

Important notes

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This report contains forward-looking statements which are based on current assumptions, plans, estimates and forecasts made by the management of EnBW. Forward-looking statements of this kind are therefore only valid at the time they were first published. Forward-looking statements are indicated by the context, but may also be identified by the use of the words "can", "will", "should", "plans", "intends", "expects", "thinks", "estimates", "forecasts", "potential", "continued" and similar expressions. By nature, forward-looking statements are subject to risks and uncertainties that cannot be controlled or accurately predicted by EnBW. Actual events, future results, the financial position, development or performance of EnBW and the companies of the EnBW Group may therefore diverge considerably from the forward-looking statements made in this report. Therefore, it cannot be guaranteed nor can any liability otherwise be assumed that these forward-looking statements will prove complete, correct or precise, or that expected and forecast results will actually occur in the future.

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Financial calendar

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

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