Six-Monthly Financial Report

January to June 2014

EnBW

Key figures

EnBW Group

€ millions[1]	01/01–30/06/2014	01/01–30/06/2013	Variance %	01/01–31/12/2013
Revenue				
Sales	4,622.5	5,015.7	-7.8	9,568.4
Grids	3,044.2	2,863.7	6.3	5,707.6
Renewable Energies	195.2	189.4	3.1	372.3
Generation and Trading	2,520.9	2,525.3	-0.2	4,888.3
Other/Consolidation	4.8	5.4	-11.1	8.2
External revenue, total	**10,387.6**	**10,599.5**	**-2.0**	**20,544.8**
Adjusted EBITDA	1,271.5	1,410.6	-9.9	2,224.7
EBITDA	899.0	1,101.1	-18.4	1,999.7
Adjusted EBIT	816.4	971.7	-16.0	1,339.5
EBIT	-789.9	661.5	–	1,024.1
Adjusted Group net profit[2]	381.0	475.5	-19.9	462.3
Group net loss/profit[2]	-735.1	190.5	–	51.0
Earnings per share from adjusted Group net profit[2] in €	1.41	1.76	-19.9	1.71
Earnings per share from Group net loss/profit[2] in €	-2.71	0.70	–	0.19
Cash flow from operating activities	1,054.2	746.0	41.3	1,919.1
Free cash flow	474.6	535.6	-11.4	1,168.2
Capital expenditures	752.1	378.4	98.8	1,108.3

Energy sales of the EnBW Group

Billions of kWh	01/01–30/06/2014	01/01–30/06/2013	Variance %	01/01–31/12/2013
Electricity	66.8	64.4	3.7	128.0
Gas	56.3	54.1	4.1	100.0

Employees of the EnBW Group

Number[1, 3]	30/06/2014	30/06/2013	Variance %	31/12/2013
Employees	19,926	19,779	0.7	19,844

[1] The figures for the comparative periods have been restated.
[2] In relation to the profit/loss shares attributable to the equity holders of EnBW AG.
[3] Number of employees excluding apprentices/trainees and excluding inactive employees.

At a glance

We are clearly committed to the German Energiewende. We have set the course for the future of EnBW with our EnBW 2020 strategy, while simultaneously asserting our position as one of Germany's largest energy supply companies.

We currently supply electricity, gas, water and energy-related products and services to approximately 5.5 million customers. In order to remain the first point of contact for energy issues, we are focusing on our strategic objective of "customer proximity" and responding to the growing demand for local and sustainable energy-related solutions with new products and services.

We are redesigning our generation facilities and grids to become the "engine room of the Energiewende" – initially by expanding wind power and hydropower and, with our grid subsidiaries, increasingly integrating renewable energies into the energy system.

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Disclaimer

This report has been prepared for information purposes only. It does not constitute an offer or an investment recommendation. EnBW undertakes no obligation whatsoever to update the information and forward-looking statements in this report. More explanations are provided on page 51.

Significant financial developments

- The adjusted EBITDA for the EnBW Group fell in the first half of 2014 by 9.9% to €1,271.5 million. Our operational results are thus developing in line with our expectations.

- The non-operating result was significantly affected by two non-cash extraordinary items: impairment losses on power plants and significantly increased provisions for onerous contracts for electricity procurement agreements which no longer cover costs.

- The adjusted Group net profit attributable to the equity holders of EnBW AG fell by 19.9% to €381.0 million.

- In order to continue to play an active role in structuring the German Energiewende, the EnBW Group has almost doubled its volume of investment in comparison to the previous year to €752.1 million. The investments were mainly focussed in the Generation and Trading segment and the Renewable Energies segment.

- EnBW continues to believe that the adjusted EBITDA for the Group will only fall slightly by 0% to 5% in the 2014 financial year despite the ongoing challenging environment.

Highlights from April to July 2014

April

"Energy Report" ensures transparency in electricity consumption

In a pilot project, 100,000 customers of EnBW received a so-called "Energy Report" for the first time. This details the customer's current consumption data and also shows reference data as a comparison. At the same time, customers also receive tailor-made energy tips in areas relevant to them. This is the first service of its kind provided by an energy company in Germany.

High-speed Internet will be delivered much faster with NetCom BW

EnBW is pooling its telecommunications activities in order to concentrate even more on bringing high-speed Internet to all remaining areas of the country. A symbolic groundbreaking ceremony signalled the launch of NetCom BW, which will invest around €30 million in this programme over the next three years. NetCom BW possesses the second-largest fibre-optic network in Baden-Württemberg, which is primarily used for controlling the electricity network.

May

EnBW starts operating the largest solar park in Baden-Württemberg

In Königsbronn in the Heidenheim district, EnBW has started operating the largest solar park in Baden-Württemberg together with its partners. The solar park has an output of around 10 MWp. Therefore, it can cover the annual, aggregate electricity requirements of around 3,000 households – this corresponds to the total energy consumption of the district of Königsbronn – and it avoids emissions of around 6,972 tonnes of CO_2 per year.

EnBW issues a bond with a term to maturity of twelve years

EnBW has once again utilised the favourable market conditions to issue a bond with a volume of €500 million and a term to maturity of twelve years. The transaction supports the implementation of the EnBW 2020 strategy. With a total investment volume of around €15 billion up to 2020, EnBW aims to play an active role in structuring the German Energiewende. EnBW had already successfully issued a hybrid bond in March with a total volume of €1 billion. There was also great interest shown by investors in the newly issued bond.

June

Elektromobility meets renewable energies

The research project "iZEUS – intelligent Zero Emission Urban System" has been successfully concluded. An interdisciplinary team from the fields of industry and science had been developing integrated smart grid and smart traffic concepts for around two and a half years. The concept developed by the iZEUS project goes far beyond any previous research projects. It is designed to deliver the optimised integration of renewable energy sources, as well as a stable, decentralised energy and charging management system. The project is being funded by the Federal Ministry of Economics and Technology (BMWi).

July

EnBW continues to expand its comprehensive range of services

After successfully winning the contracts for two invitations to tender, EnBW is further expanding its comprehensive range of services. The "Operations" business unit has won the two largest tenders to date for energy-related payment and settlement services in Germany. EnBW has thus become the market leader for the issuing of grid charges in Germany and sent out an important signal to the market, which means the company has excellent prospects of acquiring other service business.

EnBW purchases the shares held by Eni in a joint venture in the gas sector

EnBW will purchase the 50% share of EnBW Eni Verwaltungsgesellschaft mbH, Karlsruhe, held by the Eni Group, Rome, and thus indirectly 50% of GasVersorgung Süddeutschland GmbH, Stuttgart (GVS) and 50% of terranets bw GmbH, Stuttgart. EnBW and Eni founded the joint venture in 2002. By significantly expanding its position on the gas sales and gas transport markets, EnBW is continuing to rigorously implement its existing gas strategy and striving for further growth.

EnBW on the capital market

EnBW has realigned its business model to address the dramatically changing energy landscape. Safeguarding the company's financial stability and good standing on the capital market is of utmost importance in this process. The continuous financial market communication by EnBW supports its good position on the capital market.

Established issuer on the debt capital market

The business activities of EnBW are secured through equity financing, strong internal financing capabilities and the utilisation of a variety of short and long-term debt financing solutions. The company has sufficient and flexible access to the capital market at all times.

The EnBW bonds have a well-balanced maturity profile. In the 2014 financial year, there are no bonds due for repayment. EnBW constantly analyses and assesses the latest developments on the capital market with regards to current interest rates and refinancing costs in order to take advantage, where appropriate, of a favourable climate on the capital market for the issuing of bonds.

Following the issuing of a hybrid bond in March 2014 to strengthen the creditworthiness and liquidity of the company, EnBW raised a further €700 million in the second quarter of the year to pre-finance maturities due over the next few years. EnBW thus issued a bond with a volume of €500 million and a term to maturity of twelve years at the end of May 2014, as well as two private placements with a total volume of €200 million in June (The EnBW Group › Financial position › p. 18).

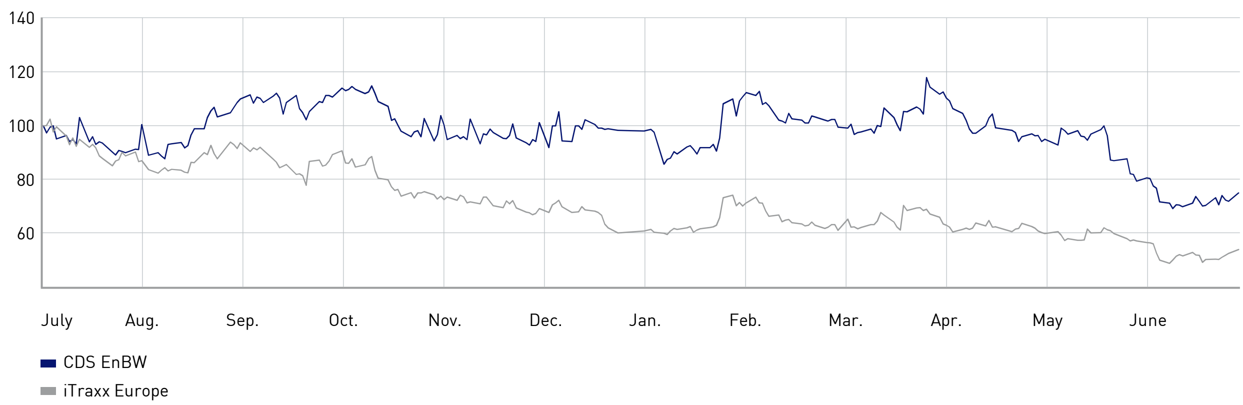
In their recent rating assessments, the rating agencies confirmed the A ratings issued to EnBW (Standard & Poor's A-/outlook stable, Moody's A3/outlook negative and Fitch A-/outlook stable). The current ratings reflect the sound financial profile of EnBW, as well as the success of the strategic restructuring of the company.

In addition to the key performance indicators used by the rating agencies, the dynamic leverage ratio (adjusted net debt/adjusted EBITDA) constitutes another central financial performance indicator used by EnBW. EnBW has set itself the goal of achieving a dynamic leverage ratio of less than 3.3; this key indicator stood at 3.28 at the end of the 2013 financial year. EnBW is aiming to reduce its net debt even further.

Development of the five-year credit default swap (CDS) for EnBW

The interest rate policy followed by the European Central Bank and its focus on rescuing the euro were the basis for a reduction in perceived risk by investors in 2013. In view of the low interest rate environment around the world, the resulting search by investors for higher-yield premiums has led to a dynamic reduction in the risk premiums amongst the 125 largest European companies, measured according to the iTraxx Europe Index, by almost 50%. The risk premiums of the German energy suppliers, including EnBW, only benefited from this positive development in the reporting period to a below-average extent. However, the EnBW risk premiums have once again gained considerable ground in comparison to the index especially in the second quarter of 2014. In June 2014, the downward trend in the risk premiums appeared to have bottomed out for the time being.

Performance of the credit default swaps July 2013 to June 2014 in %



Share and shareholder composition

The two major shareholders of EnBW AG, the Federal State of Baden-Württemberg (indirectly via NECKARPRI-Beteiligungsgesellschaft mbH) and OEW Energie-Beteiligungs GmbH have each held 46.75% of the share capital in company since 6 July 2012. The overall shareholder composition as of 30 June 2014 breaks down as follows:

Shareholders of EnBW 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 on 30 June 2014 stood at € 27.61.

The shareholders of EnBW Energie Baden-Württemberg AG agreed at the Annual General Meeting on 29 April 2014 in Karlsruhe to distribute a dividend of € 0.69 per eligible share, which corresponds to a dividend payment of € 186.9 million.

Dialogue with the capital market

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. For example, the EnBW Banking Day was held for the eleventh time at the Europa Park in Rust on 22 May 2014. This event enabled us to present part of our EnBW 2020 strategy "customer proximity" in more detail to representatives from our core banks. Around 60 guests took part in the event this year and they were provided with information on current developments within the company and the latest issues in the energy sector. EnBW will hold this year's Capital Market Day on 1 October 2014. In addition, the company will issue its "Factbook 2014" in the fourth quarter of the year.

Business activity and economic environment

As an integrated energy company, the EnBW Group operates along the entire value chain. In view of the drastic changes in the energy landscape, EnBW has restructured its business portfolio in a future-oriented way. Electricity prices on the wholesale market continue to fall, which has weakened the viability of conventional power plants. The amendment to the German Renewable Energies Act (EEG) sets important parameters for the future corporate development of the company.

Business activity

With its strong roots in Baden-Württemberg, EnBW ranks among the most important energy supply companies and energy service providers in Germany and Europe. As an integrated energy company, the EnBW Group operates along the entire value chain, offering an extensive portfolio of services. With a workforce of around 20,000 employees, the company supplies electricity, gas, water and energy-related products and services to approximately 5.5 million customers.

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 renewable energy sources – above all using wind power and hydropower – are combined under the **Renewable Energies segment**.
- The **Generation and Trading segment** includes power generated from other sources, trading in electricity, the gas midstream business (grid gas level) and waste disposal activities.

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

Heterogeneous market structures

EnBW operates on three different market levels. The business activities carried out by EnBW in the highly competitive wholesale markets include electricity generation, procurement of primary energy sources and CO_2 allowances, as well as electricity trading. An efficient and flexible generation and procurement portfolio is a key factor for success in this area. The regulated markets are characterised by political, legal and regulatory requirements. This applies to our grids and to renewable energies, above all onshore and offshore wind power and hydropower. Customer-focused energy consultation, as well as services relating to the efficient use of energy and local energy systems, are becoming increasingly important on the end customer markets.

Corporate strategy

The new energy concept in Germany, the German Energiewende, and its associated political and regulatory consequences have fundamentally transformed the energy landscape. As a major player in the German Energiewende, EnBW aims to take advantage of the opportunities arising from the changing energy market and thereby clearly differentiate itself from the competition. This requires a broad restructuring of the business portfolio, which was already initiated last year within the framework of the EnBW 2020 strategy. Our new focus is characterised by a more consistent orientation towards customer requirements, as well as by the expansion of renewable energies and the grid infrastructures required for them.

Significant restructuring of the business portfolio: The share of the generation capacity of EnBW accounted for by renewable energies is set to more than double from 19% today to over 40% by 2020. It is planned, for example, to increase onshore wind park capacities from 186 MW to around 1,750 MW. Offshore wind power represents a further opportunity for growth. As a result of considerable investments in the expansion of the grid, EnBW will be making a material contribution to providing the infrastructure required by the energy system. Innovative products will form another important pillar of our business. This restructuring of the business portfolio will increase the overall share accounted for by the stable and regulated grid business and renewable energies in adjusted EBITDA to more than 70% by 2020. This will make the business risk profile of EnBW significantly more robust as a result.

Extensive investments and divestitures: EnBW intends to invest € 14.1 billion in total by 2020. In this context, the focus will be placed on expanding wind and hydropower on an industrial scale. Moreover, EnBW will also concentrate on the targeted expansion of the transportation and distribution grid, all the way through to so-called "smart grids". On a regional basis, starting from our core market of Baden-Württemberg, the company's growth activities will focus on Germany, Austria, Switzerland and Turkey. In order to create the financial scope for these extensive investments, EnBW has considerably extended its divestiture programme – with conventional divestitures and cash flow from financial participation models, as well as the disposal of assets and subsidies – to around € 5.1 billion at the end of 2013.

Two operating models: Customers are at the heart of the EnBW 2020 strategy. Consistent innovation management, shorter development times for new products and services and balanced partnership models will become key components of our operating model **"customer proximity".** EnBW aims to establish advantages over its competitors through the use of customer-specific system solutions, as well as complete solutions, innovations and a strong brand portfolio. An innovation campus is supporting the rapid and forward-looking development of products. Particularly in the area of energy-related services, the intention is to supplement existing expertise and augment the product range through, amongst other things, partnerships. It is planned to expand business with and for municipal utilities and local authorities as an important business sector, primarily based on partnership cooperation models. In the management of infrastructure critical to the energy system – in the **"engine room of the Energiewende"** – the features of efficiency, safety, simplicity and flexibility play important roles. EnBW relies on operational excellence, a strict focus on efficiency and cost-orientation for the achievement of defined quality standards, and standardisation. Partnerships in the area of technological developments will serve to minimise cost and risk. In addition, EnBW actively offers the opportunity to invest in grids and power plants – especially to local authorities.

ONE EnBW: This term stands for a performance-driven organisational structure, which focusses on the requirements of its customers through rapid decision-making processes and maximum efficiency. The implementation of the new structure was completed on 1 May 2014 with retrospective economic effect as of 1 January 2014. The strategic realignment of EnBW comprises a new structural concept for the Group, its repositioning on the market, a new management model and the restructuring of the financial organisation of the company. The complexity of the EnBW Group was considerably reduced through the merger of important Group companies. The further optimisation of the Group remains a continuous task. Therefore, the company will also introduce measures to increase efficiency and further optimise the structure of the Group after completion of ONE EnBW.

Economic environment

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

Macroeconomic situation

International economic growth has accelerated over recent months. The momentum for this growth came primarily from the industrialised countries. The real economic output in the eurozone countries increased in the first quarter of 2014 by 0.9% in comparison to the same period of the previous year. The German economy grew particularly strongly by 2.3% after price and seasonal adjustments. Public and private consumer spending, as well as investment in construction and equipment, were the main drivers of this development. In contrast, the Austrian economy grew at the significantly more restrained rate of 0.4%, supported primarily by foreign demand. Demand from abroad for goods and services, as well as construction investment, also contributed to economic growth in Switzerland – which stood at 2.0% in the first three months of 2014. The economy in the Czech Republic has been growing again since the fourth quarter of 2013; the economic output in the country in the first quarter of 2014 increased by 2.0%. The growth rate in the Turkish economy continued to fluctuate at around 4%.

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 price trends for primary sources of energy, CO_2 allowances and electricity on the wholesale markets. Therefore, EnBW uses the forward market to procure sufficient quantities of the primary energy sources and CO_2 allowances required for electricity generation in advance, as well as to sell scheduled electricity production. The terms and conditions of the supply contracts agreed in previous years were decisive for the costs and income in the first six months of 2014. The price developments seen on the forward market in the first six months of 2014 will 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 the company on the forward market.

Oil market: Over the period from the beginning of January to the middle of June 2014, oil prices (front month) fluctuated within a range of US $105/bbl to US $112/bbl. There were slight increases and decreases in the price of oil in this period caused by reports on the trends in important economies, loss of production in Libya and the conflict in Ukraine. The comparatively stable lateral movements in the price of oil were due to the currently abundant reserve capacities of OPEC and the considerable expansion of oil production in the USA. Prices then increased to US $115/bbl from the middle of June. The trigger was the unrest in Iraq. Market participants fear a loss of production in the country and also a negative effect on the ambitious expansion plans for the Iraqi oil industry. The price trend on the forward markets largely followed the price fluctuations on the spot market. The front month price at the end of June 2014 was US $112.36/bbl (previous year: US $102.16/bbl). The front year price stood at US $109.43/bbl (previous year: US $98.23/bbl).

Coal market: The mild 2013/2014 winter in Europe and China, the devaluation of some currencies against the US dollar in emerging economies, the slower growth in the demand for coal in China and a generally good supply situation on the world market were the most significant factors that led to a drop in price on the spot market for coal in the first half of 2014.

The forward market prices, which were still following the downward trend on the spot market in the first quarter of the year, stabilised in the second quarter of 2014. This was because the demand for coal from the USA grew due to higher gas prices and falling stock levels for coal. In addition, the currencies in some emerging countries recovered and the crisis in the Ukraine tended to support price levels. The front month price at the end of June 2014 was US $73.25/t (previous year: US $73.13/t). The front year price stood at US $78.78/t (previous year: US $85.59/t).

Development of prices on the oil and coal markets	Average H1/2014	Average H1/2013	Average 2013
Crude oil (Brent) front month (daily quotes in US $/bbl)	108.82	107.88	108.70
Crude oil (Brent) annual price 2015 (daily quotes in US $/bbl)	102.83	97.43	98.42
Coal – API #2 front year price in US $/t	81.99	94.43	88.99

Gas market: Long-term gas import contracts form the basis of Germany's gas supply. Prices primarily track the oil price with a time lag. The border price index for natural gas published monthly by the German Federal Office of Economics and Export Control (BAFA) stood at € 23.98/MWh in April 2014, which is 11.3% below the December 2013 figure (€ 27.03/MWh) and 14.4% below the previous month's figure (€ 28.00/MWh). The wholesale markets such as the Dutch Title Transfer Facility (TTF) and the trading point of the NetConnect Germany (NCG) market area are other important sources of natural gas.

As a result of the mild weather, the average spot and forward prices on the TTF fell significantly in the first half of 2014. The average spot price stood € 6.03/MWh below the level in the same period of the previous year, while the forward price for the 2015 calendar year was € 1.27/MWh lower. Another consequence of the warm winter were high gas storage levels, which has ensured that the demand from the gas storage market has also remained slow in the summer months. The conflict in the Ukraine led to a short-term increase in risk premiums for forward products on the gas market. Nevertheless, the average forward price for deliveries in 2015 was lower than the level in the previous year.

Development of prices for natural gas on the TTF (Dutch wholesale) in €/MWh	Average H1/2014	Average H1/2013	Average 2013
Spot	21.63	27.66	27.06
Delivery 2015	24.92	26.19	26.03

CO_2 allowances: Under the European emissions trading system, proof must be provided of allowances for the amount of power plant emissions. After the price of emission allowances fell significantly during the course of 2013 due to the existing oversupply of certificates, the prices for CO_2 allowances initially rose sharply from January 2014 to over €7/t CO_2 after the EU resolution on backloading. Prices dropped again significantly to €4.40/t CO_2 in March, while they fluctuated around €5/t CO_2 between April and June. The average price for emission allowance certificates (EU Allowance – EUA) stood at €5.64/t CO_2 in the first half of 2014, which was around 30% above the average price for the same period in the previous year of €4.36/t CO_2. The mild winter also had an effect on the market for CO_2 allowances. The lower electricity consumption and the tighter clean dark spread led to reduced demand for EUAs. In general, the price of certified emission reductions (CERs) trades largely in parallel with the price of the EUA certificates. As a result of the limited validity of CER certificates in the EU Emissions Trading Scheme, demand is, however, lower and prices are generally below those of the EUA certificates. CER prices have been considerably below €1/t CO_2 since the end of 2012; they have been trading laterally with a low level of volatility.

Development of prices for emission allowances/daily quotes in €/t CO_2	Average H1/2014	Average H1/2013	Average 2013
EUA-13/EUA-14	5.64	4.36	4.51
CER-13/CER-14	0.22	0.37	0.47

Electricity wholesale market: In the first six months of 2014, the average price of €32.36/MWh for the immediate delivery of electricity (base load product) on the spot market of the European Energy Exchange (EEX) stood at around €5/MWh or 13% lower than the average price of €37.41/MWh in the same period of the previous year. Three factors were primarily responsible for this development: lower demand for electricity due to the weather, significantly higher feed-ins – wind and solar – from renewable energies, as well as the commissioning, for example, of the test operations for new coal power stations. On the forward market, the average price in the first six months of 2014 of €35.27/MWh for deliveries of base load product in 2015 was around €5/MWh below the price of €40.31/MWh for the same period in the previous year.

Development of prices for electricity (EEX) base load product in €/MWh	Average H1/2014	Average H1/2013	Average 2013
Spot	32.36	37.41	37.78
Delivery 2015	35.27	40.31	38.67

Prices for retail and industrial customers: According to the latest estimates from the German Energy and Water Association (BDEW) in June 2014, the average monthly electricity bill for a household with an annual consumption of 3,500 kWh amounted to €84.96 in 2014 (2013: €84.12). Taxes and levies accounted for more than half of this amount. As a result of lower procurement costs, EnBW will be able to keep electricity and gas prices stable for most customers well into 2014. Thermal energy storage applications are an exception as prices rose in this area by between 2.1% and 2.4% at the turn of the year 2013/2014.

In November 2013, the BDEW calculated an average price including electricity taxes of 15.02 ct/kWh in 2013 for industrial customers receiving a medium-voltage supply. This represents an increase of 4.8% in comparison with the value for the previous year of 14.33 ct/kWh.

According to calculations by the German Federal Statistical Office in May 2014, natural gas prices for private households had risen by 0.3% compared to the same month in the previous year; in contrast, the price of natural gas for industrial customers fell by 4.8%.

Political environment

European energy policy

Domestic European energy market: At the end of the current term of the European Commission and the European Parliament, the revision of the European law on state aid and the investigation initiated against Germany with regards to state aid remained central political issues. Initial concerns that the European Commission would demand the payment of these cost allocations in full by those energy-intensive businesses who were initially exempt from the surcharge did not materialise. The EU guidelines on state aid for environmental protection and energy published at the beginning of April did not require Germany to make any additional amendments to the German Renewable Energies Act (EEG) above and beyond the already intended EEG reforms. The concerns held by the European Commission that imported green electricity would be burdened by the EEG cost allocation system without at the same time benefiting from any financial support offered by the EEG have subsided. The financial support for renewable energies will be issued via auctions from 2017. Germany has confirmed that the auctions will also be open to foreign suppliers of green electricity. These suppliers will be considered based on the volume of imported green electricity, in accordance with the limit of 200 MW of installed capacity. In return, the European Commission has provided assurances that the EEG 2014 will be approved. The investigation initiated against Germany because of EEG 2012 is now also due to be concluded by the autumn.

However, the new guidelines may still have an impact, in particular, on the design of a new energy market. Key phrases such as "capacity markets", "capacity mechanisms" or "strategic reserves" are being used more and more frequently to discuss tools for the purpose of counteracting any possible shortage in supply from conventional generation capacities. As a first step, the European Commission is calling for member states to conduct a careful analysis and prognosis of whether this shortage in supply could actually occur. This step is designed to prevent interventions into the market for no good reason. In the second stage, the European Commission has kept their promise and formulated the guidelines in such a way that the establishment of non-market surcharge mechanisms for financing new conventional power plant capacities are tightly limited. The German government has announced that they will present their proposals on this subject by the autumn.

In addition, the European Commission is preparing a statement on the retail energy market and the future role of distribution system operators announced for the third quarter of 2014. It will possibly focus on necessary changes to the existing design of the market and any regulatory requirements.

Framework for climate and energy policy 2030: In January, the European Commission published its proposals for the 2030 policy for climate and energy. This states that the binding targets set for reducing greenhouse gas emissions (-40%) and for increasing the share of renewable energy in total energy consumption (at least 27%) will continue to be pursued. In terms of the expansion in renewable energies, the proposals – in contrast to the previous policies – do not contain any binding national targets. Proposals for further measures in the area of energy efficiency will be announced at the end of July. There is little probability that binding targets will be imposed, even if the Russia-Ukraine crisis and the resulting discussions on the new EU energy security strategy give the calls for a stricter energy efficiency policy new impetus. The introduction of a governance framework that obligates member states to present comprehensive energy action plans is designed to promote stronger cross-border cooperation, as well as the fulfilment of these different targets.

The member states must now initially agree on the basic features, and especially on the targets, before the European Commission presents concrete legislative proposals. However, there remain fundamental differences of opinion about the necessary objectives. Agreement on the most important key points is being sought by October at the latest. Although EnBW generally welcomes the proposed climate targets, it nevertheless considers the guidelines on renewable energies to be insufficient to guarantee that all member states contribute reliably and with equal effort.

Emissions trading: As a result of the marked decline in the price of emission allowances, legislation for creating a temporary shortage in tradeable allowances (backloading) was passed at the beginning of 2014 and came into force in March. Alongside setting targets for reducing CO_2 emissions by 2030, the European Commission also presented its proposals for the extensive reform of the Emissions Trading Directive in January 2014. While the proposed goal of reducing greenhouse gas emissions by 40% within the EU in comparison to the reference year of 1990 is generally a welcome step along the path to decarbonisation by 2050, the proposal for the reform of the Emissions Trading Directive is not yet sufficient in the view of EnBW to substantially support emissions trading in the short term. Therefore, EnBW is in favour of the complete removal of at least 1.4 billion emission allowance certificates, or at the very least the early introduction of the Market Stability Reserve (MSR) proposed by the European Commission, including the immediate adoption of the reduced quantity of certificates as a result of backloading. The German government has also recently officially advocated the early introduction of the MSR from 2017. This development is welcomed by EnBW. Although the legislative process for amending the Emissions Trading Directive has already begun, it is not likely that the process will be completed before the end of 2015/2016.

Financial services legislation: The intensive negotiations in the legislative process for the Markets in Financial Instruments Directive led to an agreement between the European Parliament and the member states at the start of 2014 that will have a positive impact on the energy sector. It is thus expected that the majority of trading activities will generally fall outside of the directive's scope of application or they will be generally exempted. However, the individual conditions still need to be defined in more detail at a later stage. The regulations still require formal ratification by the European Parliament and the EU member states in the Council of Ministers.

Current legislative procedures relating to the introduction of a European transaction tax still need to be followed closely. Depending on how these procedures are structured, energy trading transactions might also incur charges.

Nuclear safety: The legislative process to amend the directive on nuclear safety has now been finally concluded. National regulatory authorities are to be provided with greater powers in future and made independent of other state or private institutions. Furthermore, the requirements for transparency and the provision of information have been increased. The most important requirements in the directive are already being fulfilled by Germany.

Furthermore, subsequent to the approval of the directive on nuclear safety, a non-legislative communication on liability and off-site emergency preparedness in the nuclear sector was announced which is not expected before the autumn.

German energy policy

German Energiewende/amendment to the EEG: The implementation of the German Energiewende was also a key topic for the German government in the first half of 2014. The focus of the political agenda continued to be the further expansion of renewable energies and the future design of the energy market. The German government started work on the amendment to the German Renewable Energies Act (EEG) and the German Federal Cabinet agreed on the corresponding draft bill on the 8 April and the 7 May.

The German government found itself in the difficult situation over the last few months of having to negotiate in parallel with both the European Commission (state aid investigation) and the German federal states about the design of the EEG 2014. At the same time, it became more pressing to complete the legislative process in order to enable, in particular, industrial companies to benefit in future from the special compensation scheme (BesAR), so as not to endanger their international competitiveness and to provide planning security for 2015 at an early stage. The decisive 2nd/3rd readings of the draft bill were held in the German Bundestag on 26 June. The European Commission announced on 9 July that it had come to an agreement with the German government on all issues concerning the EEG. The law was approved by the Bundesrat on 11 July and will now come into force as planned on 1 August 2014.

Alongside the exemptions for industry, the scale of the EEG cost allocations for new own power generation plants and more effective volume controls have placed the further expansion of renewable energies at the centre of the amendments to the law. New own power generation plants larger than 10 kW will receive uniform and graduated EEG cost allocations in the amount of 30% until the end of 2015, 35% until the end of 2016 and 40% from 2017. The European Commission is calling for the inclusion of existing power plants in the EEG cost allocations, which is why the German government has agreed to review this regulation in 2017. The law is designed to limit the yearly increase from onshore wind energy to 2,500 MW plus repowering, and provide stricter controls on remuneration in the form of a "breathable cap", analogue to the existing mechanism for the promotion of photovoltaics. The validity of the so-called "acceleration model" in the area of offshore wind energy will be extended by two years to the end of 2019; continued growth in this area is to be limited at the same time to around 6.5 GW up to 2020 by a new capacity allocation process. EnBW views the amendments to the EEG as an affirmation of its strategy and is focussing on the further expansion of wind energy both on land and at sea.

Despite the growing share accounted for by renewable energies, it will be the conventional power plants that will be required to stabilise the energy supply in the future. At the same time, an increasing number of conventional power plants can no longer be operated economically. 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 reimbursed for the costs that accumulate as a result of this obligation. The precise scope of the cost reimbursements will be defined in cooperation with the German Federal Network Agency (BNetzA). For the energy supply companies, the reimbursement of the full costs, including the returns on their invested capital, will be necessary because the financial burden will soon become intolerable for companies in the sector. Overall, the success of the German Energiewende depends on what will be decided in this context. EnBW will be unable to make further investment decisions until there is sufficient confidence about future energy policy conditions.

Ultimate storage: A joint government/federal state commission has been tasked with developing the foundations for selecting sites by 2015. In addition, transports from the reprocessing plant to the Gorleben interim storage site are to be discontinued. The decentralised interim storage facilities to which waste can be brought instead must still be clarified at a political level.

Integrated energy and climate protection concept for Baden-Württemberg: The state parliament of Baden-Württemberg has deliberated on the Integrated Energy and Climate Protection Concept (IEKK) and issued its opinion on the subject on 26 June. The final approval of the IEKK by the Council of Ministers was issued on 15 July.

Regulation of the electricity and gas markets

Electricity network development plan 2014 and offshore network development plan 2014: The draft Network Development Plan (NDP) 2014 developed by the German transmission network operators (ÜNB) and the Offshore Network Development Plan (O-NDP) 2014 were available for public consultation from 16 April to 28 May 2014. On the basis of the opinions submitted during the consultation process, the ÜNB are revising both NDPs and will submit the second draft versions for both plans to the German Federal Network Agency (BNetzA) for examination and further consultation. The ÜNB has also carried out sensitivity analyses this year to evaluate individual variables – such as, for example, capping of offshore wind farms – in terms of their impact on the need to expand the network. The ÜNB have invited public comments on the results of the analyses by 31 July 2014. In particular, the ÜNB views the measures in the Federal Requirement Plan (Bundesbedarfsplan) as a robust nucleus for the required expansion of the electricity network on land. Against the background of the still much debated amendments to the EEG, the ÜNB recommends – in addition to the approved measures in the Electricity NDP 2013 – the approval of three further projects that are closely connected to the already approved projects. The expansion requirements for the offshore network determined by the ÜNB are based on the scenario framework approved by the BNetzA on 30 August 2013 for between 1,135 km in Scenario A 2024 and 2,540 km in Scenario C 2024.

Scenario framework for the electricity network development plan 2015: The draft version of the new scenario framework issued by the ÜNB on 30 April 2014 comprises important variables for the NDP 2015 and the O-NDP 2015 – particularly concerning the expected development of installed capacity from renewable energy power plants, conventional power plants and the electricity consumption in the years 2025 and 2035. In the process, the ÜNB has taken into account the expansion targets for renewable energies contained in the draft bill for the amendment of the EEG.

Gas network development plan 2013/2014: The Association of Gas Transmission System Operators in Germany published its final NDP 2013 on 18 March. In December 2013, the BNetzA confirmed the plan but with a series of amendments. The amendments focussed on projects in NDP 2012 that had been subsequently adapted or deleted by the transmission system operators in NDP 2013. In a number of cases, the BNetzA insisted that these projects were also included in NDP 2013 as originally stated in NDP 2012. In April 2014, the Association of Gas Transmission System Operators in Germany submitted the Network Development Plan 2014 (NDP 2014) to the BNetzA. The draft version of NDP 2014 contains more than 50 measures for expanding the national gas infrastructure over the next ten years and is based on the scenario framework confirmed by the BNetzA in October 2013. The volume of investment for the planned expansion comes to around €1.8 billion up to 2019 and will rise to a total of €3.1 billion by 2024. In particular, major expansion measures are planned in the south-east and north-west of Germany. The authorities now have the opportunity to submit a request for any changes within three months before the plan becomes binding.

The EnBW Group

The adjusted EBITDA for the EnBW Group fell in the first half of 2014 by 9.9% to € 1,271.5 million. This operational result is developing in line with our expectations. Extraordinary expenses resulted from necessary impairment losses on power plants and significantly increased provisions for onerous contracts for electricity procurement agreements which no longer cover costs.

Results of operations

Unit sales and revenue

Electricity sales of the EnBW Group 01/01–30/06/2014 in billions of kWh	Sales	Grids	Renewable Energies	Generation and Trading	Total
Retail customers (B2C)	8.4	0.0	0.0	0.0	8.4
Industry and redistributors (B2B)	15.6	0.0	0.0	1.0	16.6
Trade	0.2	6.9	1.9	32.8	41.8
Total	**24.2**	**6.9**	**1.9**	**33.8**	**66.8**

Electricity sales of the EnBW Group 01/01–30/06/2013 in billions of kWh	Sales	Grids	Renewable Energies	Generation and Trading	Total
Retail customers (B2C)	9.3	0.0	0.0	0.0	9.3
Industry and redistributors (B2B)	16.9	0.0	0.1	1.0	18.0
Trade	0.3	6.8	1.7	28.3	37.1
Total	**26.5**	**6.8**	**1.8**	**29.3**	**64.4**

In the first half of 2014, the electricity sales of the EnBW Group increased in total by 3.7% to 66.8 billion kWh compared with the same period in the previous year. However, this increase can be exclusively attributed to a rise of 12.7% in electricity sales in the trade business to 41.8 billion kWh, and therefore its significance for the earnings potential of the company is limited. The competitive environment for business with private customers, as well as with industrial customers and redistributors, remained very challenging. Electricity sales to private customers (B2C) was thus 9.7% below the level for the previous years at 8.4 billion kWh. In business with industrial customers and redistributors (B2B), electricity sales fell in comparison to the same period in the previous year by 7.8% to 16.6 billion kWh.

Gas sales of the EnBW Group 01/01–30/06/2014 in billions of kWh	Sales	Generation and Trading	Total
Retail customers (B2C)	5.0	0.0	5.0
Industry and redistributors (B2B)	28.4	0.0	28.4
Trade	0.3	22.6	22.9
Total	**33.7**	**22.6**	**56.3**

Gas sales of the EnBW Group 01/01–30/06/2013 in billions of kWh	Sales	Generation and Trading	Total
Retail customers (B2C)	6.3	0.0	6.3
Industry and redistributors (B2B)	31.2	0.0	31.2
Trade	0.3	16.3	16.6
Total	**37.8**	**16.3**	**54.1**

In the first half of 2014, the gas sales of the EnBW Group increased by 4.1% to 56.3 billion kWh. The higher sales are a result of the expansion of trading activities, which increased gas sales by 38.0% to 22.9 billion kWh. In the retail customer business (B2C), gas sales fell in comparison to the same period of the previous year by 20.6% to 5.0 billion kWh, which was primarily due to the mild weather. Nevertheless, after adjustments for temperature it was still possible to increase gas sales slightly in this area. In business with industrial customers and redistributors (B2B), there was a downturn in sales of 9.0% to 28.4 billion kWh.

External revenue of the EnBW Group by segment in € millions[1, 2]	01/01–30/06/2014	01/01–30/06/2013	Variance %	01/01–31/12/2013
Sales	4,622.5	5,015.7	-7.8	9,568.4
Grids	3,044.2	2,863.7	6.3	5,707.6
Renewable Energies	195.2	189.4	3.1	372.3
Generation and Trading	2,520.9	2,525.3	-0.2	4,888.3
Other/Consolidation	4.8	5.4	-11.1	8.2
Total	**10,387.6**	**10,599.5**	**-2.0**	**20,544.8**

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

Overall, the EnBW Group achieved external revenue in the reporting period, including electricity and energy taxes, of €10,795.6 million. After deducting these taxes, revenue stood at €10,387.6 million, which is 2.0% lower than the figure for the previous year.

Sales: In the Sales segment, revenue stood at €4,622.5 million for the first six months of 2014, which was 7.8% below the figure for the same period in the previous year. This fall in revenue is primarily due to the lower sales volumes in the electricity and gas sectors.

Grids: In the first half of 2014, revenue in the Grids segment rose by 6.3% to €3,044.2 million in comparison to the previous year. The increase in revenue is primarily due to higher EEG cost allocations.

Renewable Energies: Revenue in the Renewable Energies segment increased in the reporting period by 3.1% to €195.2 million in comparison to the previous year. This growth was primarily due to the expansion of onshore wind power plants.

Generation and Trading: In the first half of 2014, revenue in the Generation and Trading segment fell slightly by 0.2% to €2,520.9 million in comparison to the previous year. The fall in sales due to lower electricity prices was almost completely compensated for by growth in trading activities.

Material developments in the income statement

The balance from other operating income and other operating expenses declined from €-46.4 million in the same period of the previous year to €-93.2 million in the reporting period, this was primarily due to valuation effects from derivatives. The cost of materials fell at a disproportionately slower rate than sales by just 0.8% to €8,624.7 million due to significantly increased provisions for onerous contracts for electricity procurement agreements which no longer cover costs. Write-downs increased due to impairment losses, primarily on the generation portfolio, by €1,249.3 million to €1,688.9 million in comparison to the previous year. The investment result of €23.9 million was €56.7 million below the previous year's figure of €80.6 million. This difference was primarily due to a write-up on an associated company from the previous year. The financial result improved in the reporting period in comparison to the same period of the previous year by €123.5 million to €-235.7 million (previous year: €-359.2 million). In comparison with the same period in the previous year, this primarily included interest expenses from an adjustment to the interest rate for provisions relating to nuclear power from 5.4% to 5.3%. In addition, this was contributed to by lower interest expenses for pension provisions and higher out-of-period interest expenses in the previous year. All in all, earnings before tax (EBT) totalled € -1,001.7 million in the first six months of the 2014 financial year, compared with € 382.9 million for the same period in the previous year.

Earnings

The Group net profit attributable to the equity holders of EnBW AG fell in the first half of 2014 compared to the same period of the previous year (€ 190.5 million) by € 925.6 million to € -735.1 million. Earnings per share amounted to € -2.71 in the reporting period compared to € 0.70 in the previous year.

Adjusted earnings and non-operating result

The sustainable profitability of operating activities is of particular importance for the internal management and external communication of the current and future earnings trends 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.

Adjusted EBITDA of the EnBW Group by segment in € millions[1]	01/01–30/06/2014	01/01–30/06/2013	Variance %	01/01–31/12/2013
Sales	132.2	119.2	10.9	227.1
Grids	470.3	540.6	-13.0	961.8
Renewable Energies	81.1	103.7	-21.8	220.2
Generation and Trading	595.7	656.8	-9.3	839.0
Other/Consolidation	-7.8	-9.7	19.6	-23.4
Total	**1,271.5**	**1,410.6**	**-9.9**	**2,224.7**

[1] The figures for the comparative periods have been restated.

The adjusted EBITDA for the EnBW Group fell in the reporting period by 9.9% to €1,271.50 million compared to the same period in the previous year (€1,410.6 million). The change in earnings was influenced in the reporting period by negative valuation effects from derivatives, which had made a positive contribution to the adjusted EBITDA in the previous year. These effects will lose their importance during the remainder of the year. Therefore, we continue to expect a decline in the operating result of 0% to -5% for 2014 as a whole.

Sales: The adjusted EBITDA for the Sales segment improved in the first half of 2014 by 10.9% to € 132.2 million compared to the same period in the previous year (€119.2 million). Especially in the area of electricity sales, it was possible to significantly increase earnings through optimisation measures in the customer portfolio as part of the implementation of the EnBW 2020 strategy. In addition, temporary effects positively influenced the earnings performance that have already subsided in comparison to the first quarter of the year and will continue to subside during the remainder of the year. The result for gas sales was below the level for the previous year due to the significantly milder winter. The segment's share of the adjusted EBITDA for the Group increased to 10.4% in the first six months of 2014 compared to 8.5% in the same period of the previous year.

Grids: In the Grids segment, the adjusted EBITDA fell by 13.0% in the reporting period to € 470.3 million compared with the figure for the previous year of € 540.6 million. This development is mainly attributable to lower network user charges because of the reduced distribution volumes which resulted from lower electricity and gas sales due to the weather conditions. In addition, the earnings in the same period of the previous year benefited from positive extraordinary items from the preceding regulatory period. This segment's share of Group adjusted EBITDA fell from 38.3% in the previous year to 37.0% in the reporting period.

Renewable Energies: The adjusted EBITDA for the Renewable Energies segment dropped in the first half of 2014 by 21.8% to € 81.1 million compared to the same period in the previous year (€ 103.7 million). This was primarily caused by lower electricity production from run-of-river power plants as a result of low precipitation and low water levels. Whereas, more favourable operating conditions in the same period of the previous year had led to an above-average level of electricity generation. In contrast, electricity generation from wind power was above the level for the previous year due to the construction of new wind facilities. This segment's share of Group adjusted EBITDA fell from 7.4% in the previous year to 6.4% in the reporting period.

Generation and Trading: In the Generation and Trading segment, adjusted EBITDA fell by 9.3% from € 656.8 million in the same period of the previous year to € 595.7 million in the first half of 2014. This decrease is primarily due to two effects: On the one hand, valuation effects from derivatives, which had made a positive contribution in the previous year, and on the other hand, the lower base price in electricity production. The segment accounted for 46.9% of the Group adjusted EBITDA in the reporting period, compared to 46.6% in the previous year.

Other/Consolidation: The adjusted EBITDA stood in the reporting period at € -7.8 million (previous year: € -9.7 million).

Adjusted earnings indicators of the EnBW Group in € millions[1]	01/01–30/06/2014	01/01–30/06/2013	Variance %	01/01–31/12/2013
Adjusted EBITDA	**1,271.5**	**1,410.6**	**-9.9**	**2,224.7**
Amortisation and depreciation	-455.1	-438.9	3.7	-885.2
Adjusted EBIT	**816.4**	**971.7**	**-16.0**	**1,339.5**
Adjusted investment result	25.1	97.0	-74.1	118.2
Adjusted financial result	-238.1	-295.1	19.3	-681.7
Adjusted income taxes	-180.4	-244.7	26.3	-214.5
Adjusted Group net profit	**423.0**	**528.9**	**-20.0**	**561.5**
of which profit/loss shares attributable to non-controlling interests	(42.0)	(53.4)	-21.3	(99.2)
of which profit/loss shares attributable to the equity holders of EnBW AG	(381.0)	(475.5)	-19.9	(462.3)

[1] The figures for the comparative periods have been restated.

The adjusted investment result fell in the first half of 2014 by 74.1% to €25.1 million compared to the same period in the previous year (€97.0 million). This decline in earnings is due first and foremost to the transfer of associated companies into a Contractual Trust Arrangement (CTA) at the end of 2013. The shortfall in the adjusted financial result of €238.1 million in the reporting period was 19.3% less than in the same period for the previous year (€295.1 million). The causes were lower interest expenses for pension provisions and higher out-of-period interest expenses in the previous year.

Adjusted income taxes came to €180.4 million in the reporting period compared with €244.7 million in the previous year. The adjusted tax rate was 29.9% in the first half year of 2014, compared with 31.6% in the same period for the previous year. The adjusted Group net profit attributable to the equity holders of EnBW AG stood at €381.0 million in the reporting period. This represents a decrease of 19.9% in comparison with the value for the previous year of €475.5 million.

Non-operating result of the EnBW Group in € millions[1]	01/01–30/06/2014	01/01–30/06/2013	Variance %
Income/expenses relating to nuclear power	-65.1	-139.1	53.2
Income from the release of other provisions	6.8	41.0	-83.4
Profit/loss on disposal of non-current assets	34.0	10.2	–
Addition to the provision for onerous contracts relating to electricity procurement agreements	-344.8	-181.9	-89.6
Restructuring	-12.2	-6.2	-96.8
Other non-operating result	8.8	-33.5	–
Non-operating EBITDA	**-372.5**	**-309.5**	**-20.4**
Impairment losses	-1,233.8	-0.7	–
Non-operating EBIT	**-1,606.3**	**-310.2**	**–**
Non-operating investment result	-1.2	-16.4	92.7
Non-operating financial result	2.4	-64.1	–
Non-operating income taxes	464.9	106.9	–
Non-operating Group net loss	**-1,140.2**	**-283.8**	**–**
of which profit/loss shares attributable to non-controlling interests	(-24.1)	(1.2)	–
of which profit/loss shares attributable to the equity holders of EnBW AG	(-1,116.1)	(-285.0)	–

[1] The figures for the comparative period have been restated.

Non-operating EBITDA stood at €-372.5 million in the reporting period compared with €-309.5 million in the same period of the previous year. This development in the earnings performance was mainly caused by the significantly increase in provisions by €162.9 million to €344.8 million for onerous contracts for electricity procurement agreements which no longer cover costs. In contrast, expenses relating to nuclear power of €65.1 million in the reporting period fell by €74.0 million compared to the value in the same period of the previous year, which had been burdened by obligations within the Site Selection Act (Standortauswahlgesetz). Non-operating EBIT dropped by

€ 1,296.1 million to € -1,606.3 million in the reporting period compared to same period of the previous year. Alongside the provisions for onerous contracts, this development was primarily attributable to unscheduled write-downs predominantly on the generation portfolio in the amount of € 1,233.8 million, which were a result of the considerably worsening expectations regarding long-term electricity price developments. The forward market prices have continuously followed a downward trend since the second half of 2012 from around € 50/MWh to below € 40/MWh during the course of 2013, and now to below € 35/MWh during the course of 2014. According to assessments made by EnBW, there is no prospect of an improvement in the market situation in the medium term. Therefore, it can be assumed that there will also be a persistently low price level for electricity in the coming years, which will significantly diminish the future achievable earnings contributions particularly from coal power stations. In contrast, the tax relief from non-operating income taxes increased in the reporting period from € 106.9 million in the same period for the previous year to € 464.9 million. The non-operating Group net loss attributable to the shareholders of EnBW AG stood at € 1,116.1 million in the reporting period, after € 285.0 million in the previous year.

Financial performance of the EnBW Group
in € millions[1]

	01/01–30/06/2014	01/01–30/06/2013	Change %
Adjusted EBITDA	1,271.5	1,410.6	-9.9
Non-operating EBITDA	-372.5	-309.5	-20.4
EBITDA	899.0	1,101.1	-18.4
Adjusted EBIT	816.4	971.7	-16.0
Non-operating EBIT	-1,606.3	-310.2	–
EBIT	-789.9	661.5	–
Adjusted group net profit[2]	381.0	475.5	-19.9
Non-operating group net loss[2]	-1,116.1	-285.0	–
Group net loss/profit[2]	-735.1	190.5	–

[1] The figures for the comparative period have been restated.
[2] In relation to the profit/loss shares attributable to the equity holders of EnBW AG.

Financial position

Financing

Funds from operations (FFO), which amounted to € 992.3 million in the first six months of 2014, are a cornerstone of the financing of EnBW.

In terms of external financing, the company has various instruments at its disposal, some of which have not been utilised to date:

- Commercial paper (CP) programme for a total of € 2.0 billion (undrawn as of 30 June 2014)
- Syndicated credit line of € 2.0 billion (undrawn as of 30 June 2014)
- Bilateral short-term credit lines (€ 586 million, undrawn as of 30 June 2014)
- Euro Medium Term Note (EMTN) programme with a €7.0 billion line (€4.1 billion drawn as of 30 June 2014)

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

EnBW issued a bond with a volume of € 500 million and a term to maturity of twelve years at the end of May 2014. The bond was given a coupon of 2.5% and will be used to pre-finance future maturities due on the capital markets. The bond was significantly oversubscribed. In addition, EnBW carried out two private placements with a total volume of € 200 million in June 2014. EnBW had already successfully issued a hybrid bond with a total volume of € 1 billion in March 2014.

There are no bonds due during the current financial year. EnBW is endeavouring to reduce net debt further. The EnBW bonds have a well-balanced maturity profile. As it can make sense to issue a bond in a favourable capital market environment when taking into account corresponding opportunity costs, EnBW constantly analyses and assesses capital market trends with regard to the current interest rate environment and to any potentially favourable re-financing costs.

Capital expenditures and acquisitions

The investment volume of the EnBW Group has, as part of the implementation of the EnBW 2020 strategy, almost doubled in the first half of 2014 to € 752.1 million in comparison to the same period in the previous year (€ 378.4 million).

Investments in growth projects such as the Lausward Combined Cycle Gas Turbine (CCGT), the major project EnBW Baltic 2 and the expansion of the grid accounted for 82% of the investment in intangible assets and property, plant and equipment totalling € 725.8 million (previous year: € 377.3 million). The proportion of investments in existing facilities stood at around 18% in the first half of 2014 and was primarily allocated to existing power stations and grid infrastructure. Financial investments stood at € 26.3 million in the first half of 2014, compared to € 1.1 million in the previous year, and mainly involved capital increases in entities accounted for using the equity method. When offset against capital gains amounting to € 175.3 million that were mainly attributable to divestitures from local authority grids after the loss of the corresponding concessions, net capital expenditure in the reporting period stood at € 576.8 million. In the same period of the previous year, net capital expenditure – after divestitures amounting to € 100.2 million – stood at € 278.2 million.

Investments in the Generation and Trading segment increased from € 98.0 million in the previous period to € 324.5 million in the reporting period. The largest proportion of the investments were made in intangible assets and property, plant and equipment with 44.7% (previous year: 26.0%). Investments in the Renewable Energies segment of € 212.0 million in the first six months of 2014 more than doubled in comparison to the same period in the previous year; its proportion of the total investment in intangible assets and property, plant and equipment increased from 27.1% to 29.2%. Investment in the Grids segment stood at € 162.3 million in the reporting period compared with € 158.9 million in the previous year. This concentrated mainly on the expansion and upgrading of the grids and the connection of facilities for the generation of renewable energies by our grid subsidiaries. The Grids segment's share of the total capital expenditure by the EnBW Group declined, however, from 42.1% for the same period in the previous year to 22.4% in the reporting period. Furthermore, € 27.0 million or 3.7% of the total capital expenditure was primarily invested in strengthening sales for 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 € millions[1]	01/01–30/06/2014	01/01–30/06/2013	Variance %	01/01–31/12/2013
Sales	22.3	14.8	50.7	56.8
Grids	162.3	158.9	2.1	462.0
Renewable Energies	212.0	102.1	107.6	316.5
Generation and Trading	324.5	98.0	–	207.4
Other/Consolidation	4.7	3.5	34.3	17.5
Total capital expenditures on intangible assets and property, plant and equipment	**725.8**	**377.3**	**92.4**	**1,060.2**
Cash paid for the acquisition of subsidiaries and entities accounted for using the equity method	24.3	0.0	–	39.2
Cash paid for the acquisition of investments[2]	2.0	1.1	81.8	8.9
Total investments	**752.1**	**378.4**	**98.8**	**1,108.3**
Cash received from the disposal of intangible assets and property, plant and equipment	-107.0	-35.8	–	-172.4
Cash received from construction cost and investment subsidies	-38.0	-32.4	17.3	-72.6
Cash received from the sale of subsidiaries and entities accounted for using the equity method[3]	0.0	-11.5	–	-18.3
Income from the sale of equity investments[2]	-12.3	-4.3	–	-12.5
Cash received from participation models	-18.0	-16.2	11.1	-16.2
Total divestitures	**-175.3**	**-100.2**	**75.0**	**-292.0**
Net (cash) investments	**576.8**	**278.2**	**107.3**	**816.3**

[1] The figures for the comparative periods have been restated.
[2] Excluding investments held as financial assets.
[3] Does not include cash and cash equivalents relinquished with the divestiture. These amounted to € 0.0 million in the reporting period (01/01–30/06/2013: € 0.0 million; 01/01–31/12/2013: € 8.4 million).

Liquidity analysis

Free cash flow of the EnBW Group in € millions[1]	01/01–30/06/2014	01/01–30/06/2013	Variance %	01/01–31/12/2013
Cash flow from operating activities	**1,054.2**	**746.0**	**41.3**	**1,919.1**
Change in assets and liabilities from operating activities	-63.1	358.1	–	-318.1
Interest and dividends received	131.9	207.1	-36.3	368.0
Interest paid for financing activities	-130.7	-108.4	20.6	-303.7
Funds from operations (FFO)	**992.3**	**1,202.8**	**-17.5**	**1,665.3**
Change in assets and liabilities from operating activities	63.1	-358.1	–	318.1
Capital expenditures on intangible assets and property, plant and equipment	-725.8	-377.3	92.4	-1,060.2
Cash received from the disposal of intangible assets and property, plant and equipment	107.0	35.8	–	172.4
Cash received from construction cost and investment subsidies	38.0	32.4	17.3	72.6
Free cash flow	**474.6**	**535.6**	**-11.4**	**1,168.2**

[1] The figures for the comparative periods have been restated.

The cash flow from operating activities increased by 41.3% in the first half of 2014 to €1,054.2 million compared to the figure in the previous year of €746.0 million. Funds from operations (FFO) of €992.3 million in the reporting period reflected a 17.5% fall compared with the figure for the previous year of €1,202.8 million. This fall was primarily due to the drop in the adjusted EBITDA. The net balance of assets and liabilities arising from operating activities changed significantly in comparison to the same period in the previous year. While the balance of assets and liabilities increased by €358.1 million in the same period of the previous year, it fell in the current reporting period by €63.1 million. This was due, in particular, to the balance of trade receivables and payables, which was influenced, amongst other things, by the weather conditions and factors relating to the EEG. Therefore, free cash flow reduced by €61.0 million or 11.4% to €474.6 million.

Cash flow statement of the EnBW Group in € millions[1]	01/01–30/06/2014	01/01–30/06/2013	Variance %	01/01–31/12/2013
Cash flow from operating activities	1,054.2	746.0	41.3	1,919.1
Cash flow from investing activities	-2,006.4	-63.2	–	-572.4
Cash flow from financing activities	1,981.3	-611.9	–	-1,509.4
Net change in cash and cash equivalents	**1,029.1**	**70.9**	**–**	**-162.7**
Net foreign exchange difference	0.1	-0.4	–	-1.2
Change in cash and cash equivalents	**1,029.2**	**70.5**	**–**	**-163.9**

[1] The figures for the comparative periods have been restated.

The cash flow from investment activities reported a cash outflow of €2,006.4 million in the first six months of 2014 compared with €63.2 million the year before. This increase was the result of a significant rise in the investment in securities in comparison to the previous year. Furthermore, there was also significantly higher investment in intangible assets and property, plant and equipment in comparison to the same period of the previous year.

Cash flow from financing activities returned an inflow of cash in the amount of €1,981.3 million in the reporting period. In the same period of the previous year, there was a cash outflow in this area of €611.9 million. This change in comparison to the previous year is mainly attributable to a significant increase in financial liabilities. This figure primarily includes the issuing of a hybrid bond with a volume of €1 billion, three bonds with a total volume of €700 million and a loan from the European Investment Bank (EIB). The Group's cash and cash equivalents increased by €1,029.2 million in the reporting period.

Net assets

The total assets held by the EnBW Group increased from €35,758.3 million on the reporting date in 2013 by 6.4% to €38,035.6 million at the end of June 2014. Non-current assets increased by €693.1 million to €26,201.0 million. Other financial assets increased due to the purchase of securities for investment purposes by €1,702.6 million to €8,102.5 million and deferred taxes increased by €334.3 million to €592.1 million; this was offset by a reduction in property, plant and equipment by €1,171.5 million to €12,898.2 million, which was mainly attributable to impairment losses on power plants. Current assets increased by €1,423.8 million to €11,583.9 million, which was primarily due to a rise in other current assets, as well as cash and cash equivalents. The increase in assets held for sale was primarily attributable to the reclassification of distribution facilities as part of the re-municipalisation process.

The equity held by the EnBW Group fell from €6,082.7 million at the end of 2013 to €4,743.0 million in the middle of 2014. Revenue reserves fell due to the distribution of dividends at the end of April and as a result of covering the deficit for the reporting period. In addition, losses in other comprehensive income grew by €395.8 million to €-1,187.6 million, which was mainly attributable to a reduction in the discount rate for pension provisions. The non-current liabilities of the EnBW Group rose in the reporting period by a total of €3,063.9 million to €24,150.8 million, which was primarily due to an increase in financial liabilities and the increase in provisions. The increase in financial liabilities resulted from the issuing of a hybrid bond, three further bonds and the payment of an EIB loan for the offshore wind farm EnBW Baltic 2. Current liabilities increased in total by €444.8 million to €9,000.9 million. An increase in other liabilities and subsidies of €874.2 million, which was mainly due to derivatives, was offset in part by a drop in the current provisions of €280.3 million and trade payables of €125.0 million. This increase in liabilities directly associated with assets classified as held for sale is primarily due to the reclassification of construction cost subsidies.

Balance sheet structure of the EnBW Group in € millions[1]	30/06/2014	31/12/2013	Variance %
Non-current assets	26,201.0	25,507.9	2.7
Current assets	11,583.9	10,160.1	14.0
Assets held for sale	250.7	90.3	–
Assets	**38,035.6**	**35,758.3**	**6.4**
Equity	4,743.0	6,082.7	-22.0
Non-current liabilities	24,150.8	21,086.9	14.5
Current liabilities	9,000.9	8,556.1	5.2
Liabilities directly associated with assets classified as held for sale	140.9	32.6	–
Equity and liabilities	**38,035.6**	**35,758.3**	**6.4**

[1] The figures for the comparative period have been restated.

Adjusted net debt

As of 30 June 2014, adjusted net debt fell by 2.7% or €199.5 million compared to the figure posted at the end of 2013 to €7,071.8 million. The increase in current financial assets, long-term investments and financial liabilities was mainly attributable to the issuing of a hybrid bond with a volume of €1 billion, the issuing of three bonds with a total volume of €700 million and the payment of an EIB loan to the amount of €500 million. As 50% of the nominal value of the hybrid bond is classified as equity and is thus recognised as a deduction by the rating agencies Moody's and Standard & Poor's, the hybrid bond has led to a reduction of €500 million in the adjusted net debt. In addition, the positive free cash flow reduced the adjusted net debt. This was offset by increased pension provisions due to the reduction of the interest rate from 3.75% on 31 December 2013 to 3.10% on 30 June 2014, as well as by cash outflows for dividend payments.

Adjusted net debt of the EnBW Group in € millions[1]	30/06/2014	31/12/2013	Variance %
Cash and cash equivalents	-4,252.5	-3,154.0	34.8
Cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions	1,377.1	1,083.9	27.1
Adjusted cash and cash equivalents	**-2,875.4**	**-2,070.1**	**38.9**
Bonds	6,166.6	4,466.7	38.1
Liabilities to banks	1,690.9	1,002.3	68.7
Other financial liabilities	245.3	303.1	-19.1
Financial liabilities	**8,102.8**	**5,772.1**	**40.4**
Recognised net financial liabilities[2]	**5,227.4**	**3,702.0**	**41.2**
Pension and nuclear power provisions	13,998.3	13,308.1	5.2
Fair value of plan assets	-1,015.1	-1,068.6	-5.0
Long-term investments and loans[3]	-7,908.2	-6,235.7	26.8
Cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions	-1,377.1	-1,083.9	27.1
Other	-87.3	-73.9	18.1
Recognised net debt[3]	**8,838.0**	**8,548.0**	**3.4**
Market value of CO_2 allowances purchased for planned future electricity generation	0.0	-33.9	–
Non-current receivables associated with nuclear power provisions	-630.0	-623.9	1.0
Valuation effects from interest-induced hedging transactions	-136.2	-118.9	14.6
Restatement of 50% of the nominal amount of the hybrid bonds[4]	-1,000.0	-500.0	–
Adjusted net debt[3]	**7,071.8**	**7,271.3**	**-2.7**

[1] The figures for the comparative period have been restated.
[2] Adjusted for valuation effects from interest-induced hedging transactions and 50% of the nominal amount of the hybrid bond, net financial liabilities amounted to € 4,091.2 million (31/12/2013 restated: € 3,083.1 million).
[3] Includes investments held as financial assets.
[4] The structural characteristics of our hybrid bonds meet the criteria for half of the bond to be classified as equity, and half as debt, by the rating agencies Moody's and Standard & Poor's.

Related parties

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

Other important Group topics

EnBW strives to combine commercial and financial success with ecological and social responsibility. As a result of our active dialogue with all stakeholders, both inside and outside of the company, we are able to integrate the concerns of customers, employees, shareholders and a variety of different groups in society into the development and implementation of our corporate strategy.

Employees

Employees of the EnBW Group[1, 2]	30/06/2014	31/12/2013	Variance %
Sales	3,291	3,461	-4.9
Grids	7,582	7,487	1.3
Renewable Energies	505	485	4.1
Generation and Trading	5,468	5,436	0.6
Other/Consolidation	3,080	2,975	3.5
Total	**19,926**	**19,844**	**0.4**
Number of full-time equivalents[3]	18,398	18,378	0.1

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

As of 30 June 2014, the EnBW Group employed 19,926 people. As a result of the continuation of our recruitment policy in the first half of 2014 – essentially limited to strategic growth areas of EnBW – the number of employees remained at around the same level as at the end of the 2013 financial year. The reduction in the number of employees in the Sales segment is primarily due to the deconsolidation of EZG Operations GmbH. The reason for the change in Other/Consolidation is primarily the movement of employees from the Grids segment as a result of restructuring within the Group.

A targeted recruitment policy is required for safeguarding the future of our company. Therefore, the company started the EnBW Group Training Programme 2014/2015 on 1 June 2014. A total of 15 university graduates with a technical, scientific or economic background will get to know the Group from a variety of different perspectives during a 15-month training programme. At the end of the programme, the trainees can freely select their target occupation in the company.

In addition, EnBW will, in accordance with a resolution by the Board of Management, create a total of 218 apprenticeships and university places in 2015, after around 200 positions were created in the years 2012 and 2013. These will be divided into 127 technical and 23 commercial apprenticeships, as well as 53 technical and 15 commercial places at the Baden-Wuerttemberg Cooperative State University. After successfully completing their training, the young employees will have the best prospects for continued employment. For example, the Group is urgently looking for electronic technicians in the area of industrial engineering.

EnBW places great importance on measures for promoting health and preventing illness. For many years, one focus of the company's healthcare management has been preserving mental health. Qualified psychologists in the areas of occupational medicine and health management provide a comprehensive level of expert support for individual issues, training measures and the development of a leadership culture, as well as being responsible for the overall concept of "Mental Health" at EnBW. This work has now been honoured for the first time with the "Soul@Work Award". The award is presented by the "Stark wie Bambus" (Strong as Bamboo) initiative, which was founded in 2012, to companies who exhibit exemplary practices in the prevention and handling of mental illness.

Another measure for the promotion of health is the "EnBW-Laufbewegung" (EnBW Running Programme), which was established in 2013. EnBW employees took part in a number of events – primarily in Baden-Württemberg – this year. For example, more than 160 runners from EnBW entered the 21st Stuttgart-Lauf on 29 June 2014. Alongside the health aspect, the focus here is also placed on the concept of teamwork and the motto "Get involved" ("Mitmachen").

The environment

EnBW shares responsibility for our environment and climate protection, and 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 our 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 entrepreneurial, political and social goals in respect of ecology.

Society

EnBW regards itself as a corporate citizen. In the interests of safeguarding the future, the company provides support primarily in the areas of education, knowledge and learning. Interaction and getting involved are other guiding principles of the social commitment at EnBW, concentrating on the sphere of influence of the company – predominantly Baden-Württemberg.

The German Innovation Award (Deutscher Innovationspreis) was presented in April 2014. EnBW was a co-founder of this initiative and is patron of the "medium-sized enterprises" category of the competition, which was awarded this year to Actuator Solutions GmbH.

The series of lectures presented by EnBW called "Köpfe dieser Zeit" (Great Minds of Our Time) continued with three events in Karlsruhe, Stuttgart and Berlin – where the focus was placed on the entrepreneurial family Mack from the city of Rust. "Emotion und Qualität – die Energie der Marke Europa-Park" (Emotion and Quality – the Energy behind the Brand Europa Park) was the theme of the lectures, which offered the participants the opportunity to meet outstanding entrepreneurs and learn about their outlook on the world.

Another event organised in cooperation with Europa Park Rust were the Science Days for children held in May at the amusement park itself. EnBW has been a supporter and premium partner of this event for many years. It offers children and young people a broad range of activities with workshops, demonstrations and opportunities to participate in a hands-on way. The company contributes by providing activities and games on the subject of energy that is appropriate for the age group.

At the company's headquarters in Karlsruhe, EnBW is displaying selected caricatures from renowned artists that are dedicated to the subject of energy in both a concrete and figurative sense. The exhibition is freely accessible to everyone. The caricatures from the company's own collection subtly reveal a multifaceted insight into the sociopolitical dimensions of the current debate on energy.

Youth and popular sporting activities represent another key focus of the social commitment at EnBW. As part of the company's sports sponsorship activities, it provides, for example, full sets of football shirts to youth and adult teams to fulfil their basic equipment requirements. Under the motto "Energie für junge Talente" (Energy for Young Talent), EnBW not only supports the EnBW-Oberligajunioren (Junior Premier League) but also selected youth football tournaments across the country.

In the course of the long-standing sponsorship of the Baden and Swabian Gymnastic Federations, EnBW was recently represented with its "Energieparcours" (Energy Course) at the state gymnastics tournament in Freiburg. In line with the theme of gymnastics, visitors were offered the chance to demonstrate their vitality, reactions and stamina at the EnBW energy stands.

Procurement

A large number of suppliers and service providers contribute to the services rendered by EnBW. The Group-wide pooling of strategic and operational procurement creates transparency, ensures compliance, increases the efficiency of the handling processes and opens up additional savings potential. As a result of the optimisation measures implemented in the 2013 financial year, it has already been possible to achieve savings of €121 million during the course of this year. In view of the remaining savings potential of over €10 million in the second half of the year, we expect to exceed the previously planned company goal for 2014 of achieving a saving of €126 million by the end of the year.

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, it has been possible to generate further synergies by integrating existing processes into the pre-qualification process. In order to guarantee the high level of quality in the supplier chain, we support the observance of our high standards for environmental management with additional on-site visits to our suppliers, and by doing so, we clearly demonstrate our feeling of responsibility towards people and the environment.

In exercising this responsibility, EnBW develops codes of conduct for the responsible procurement of hard coal and other raw materials. These codes of conduct include the expectations placed on business partners by EnBW in terms of respecting human rights, compliance, working conditions and environmental protection. The findings from numerous stakeholder consultations with producers, dealers, NGOs (non-governmental organisations), trade unions and representatives from the field of science are integrated into the development of the codes of conduct. The codes of conduct will be used in future as the benchmark for evaluating EnBW and its contractual partners and are now being gradually implemented – starting with the direct dealer contracts for suppliers of hard coal.

During a fact-finding mission including members of the Board of Management to the coal mining regions of Cesar and La Guajira in Columbia in March 2014, EnBW gained an impression of the mining conditions on-site and held numerous discussions with producers and a variety of stakeholder groups. The results of the EnBW Sustainability Register, current concerns and planned corrective measures were also brought up in the discussions. By setting up an on-site presence in Columbia for the purpose of intensifying dialogue with stakeholders and checking and preparing further measures, EnBW is strengthening its commitment for the responsible procurement of coal.

Some shareholders posed questions on the responsible procurement of coal at the EnBW Annual General Meeting on 29 April 2014, in Karlsruhe. The questions related to the origins of the coal, the mining and working conditions in Columbia, South Africa and the USA, and the attitude of EnBW and its handling of accusations about the working conditions in the mines and the living conditions of local residents. Comprehensive answers were provided by EnBW to all of the questions and the company has been engaged in continued dialogue with shareholders and stakeholders following the Annual General Meeting.

EnBW takes any criticism about the observance of environmental and social standards in hard coal mining very seriously and is constantly in active dialogue with all stakeholder groups to develop common solutions.

Research and innovation

The Research and Innovation Management Departments received a new work environment in the form of the Innovation Campus at the Rhine harbour in Karlsruhe, where, in collaboration with partners, innovative ideas can be brought to fruition more quickly. The campus was established in July 2014 and promotes new business ideas together with the Product Development Department in all customer segments. In a start-up atmosphere, multi-disciplinary project teams are already working on concrete business model innovations.

The partnership with the Start-Up Bootcamp in Berlin provides additional expertise and impetus for new business ideas or joint ventures. EnBW joined this leading European start-up accelerator with its global network of mentors and alumni in April 2014. Other members include companies such as Bosch, Cisco and Daimler. The “Smart Transportation & Energy” programme promotes young companies with new business ideas. Eight teams were selected from many hundreds in July, who will be given the opportunity as part of the Bootcamp programme to accelerate their development with the support of partners and mentors for three months from August 2014.

A total of 55 participants from the field of IT at EnBW met up in May 2014 for the 1st EnBW HackDay to develop IT applications from ideas, for example, on the subjects of smart home sensors, e-learning or a virtual library. In addition, the EnBW Entrepreneurial School (EnBW-Unternehmerschule) was created in May 2014 – in which employees were asked to contribute their ideas for new business models. A total of 46 proposals for new business ideas dealing with the subject of energy were received within four weeks. The winning proposals will be developed further both internally and externally.

In cooperation with local authorities and industrial customers, a project team comprising participants from all areas of the EnBW Group is developing the street lighting of tomorrow. The new light mast contains a WiFi module with numerous application possibilities, a charging infrastructure for electric vehicles, different sensors for measuring particulate pollution or the volume of traffic and other practical applications. First enquires from across Germany have already been received.

The company Stuttgarter Strassenbahnen AG (SSB) uses the EnBW hydrogen filling station for its four H_2 buses, which started operating in Stuttgart and Fellbach in July. This collaboration is being used by EnBW to test a new service utilising innovative technology.

In the development of new energy solutions, EnBW is using a range of different methods to interact ever more closely with its customers. During the first half of the year, this has resulted in electromobility solutions being made available to companies, local authorities and energy supply companies across Germany. These solutions include a variety of services for the charging infrastructure – from planning of locations and installation through to operation and servicing, including access solutions for end customers and billing systems. EnBW has acquired fundamental expertise in this area together with its partners in the research project “iZEUS” (intelligent Zero Emission Urban System) that was concluded in June. “iZEUS” combines both smart traffic and smart grid concepts and by linking traffic and energy systems, as well as roaming and innovative billing concepts, it reaches far beyond any previous research projects. The project is designed to deliver the optimised integration of renewable energy sources, as well as a stable, decentralised energy and charging management system. In the area of virtual power plants, EnBW is working intensively to also make this attractive concept a viable option for private customers.

Report on risks and opportunities

Although there have been slight improvements compared to the report issued at the end of 2013, the risks faced by EnBW continue to be high. The general conditions in the energy industry remain difficult. At the same time, the German Energiewende also offers opportunities for 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 (especially budgeted results of operations, net assets or financial position) 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 of risks in the Group Management Report 2013 and the quarterly financial report for January to March 2014 as a basis, only the significant risks or opportunities which have changed or arisen in the reporting period are described in this six-monthly financial report.

Cross-segment risks and opportunities

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 a further 0.40 percentage points to 3.10% in the second quarter of the year, following the decrease from 3.75% to 3.50% in the first quarter of 2014. This renewed fall has led to a total increase in the present value of the defined pension benefit obligations of €551 million compared to 31 December 2013, which affects the amount of the adjusted net debt of EnBW. In this context, EnBW continues to identify a low level of opportunity and a high level of risk due to the volatility of financial markets and the resulting interest rate fluctuations. Therefore, this could lead to further effects in the mid three-digit million euro range on the adjusted net debt.

Grids segment

Renewal of concession agreements: The Municipal Council of the City of Stuttgart agreed by a large majority on 13 March 2014 to the cooperation model presented by the EnBW subsidiary Netze BW GmbH and Stadtwerke Stuttgart GmbH for the future operation of the electricity and gas grids for the state capital city. Elektrizitätswerke Schönau filed for the initiation of abuse proceedings with the German Federal Cartel Office on the 10 April 2014 with the aim of having the award process for the concession rerun. According to the media reports available to EnBW, the German Federal Cartel Office rejected the application for abuse proceedings from Elektrizitätswerke Schönau on 30 June 2014. In principle, the cooperation model can now be implemented. Therefore, there is no longer a risk of losing the concession.

Price control under cartel law: The EnBW subsidiary Netze BW GmbH increased its prices as the water supplier to Stuttgart on 1 August 2012, and in doing so was merely passing on the increased costs incurred since 2007. In 2013, the responsible energy cartel office for Baden-Württemberg (EKartB) initiated abuse proceedings against EnBW under cartel law. In March 2014, the EKartB issued Netze BW GmbH with a draft price reduction order with retroactive effect over a number of financial years. Netze BW GmbH issued a comprehensive statement in response to this draft order in May. If the price reduction order becomes legally binding, this could have negative effects on the adjusted net debt and an impact on the key performance indicator dynamic leverage ratio. As a result of the special topographical conditions for the supply of water in Stuttgart, EnBW nevertheless continues to believe that merely passing on increased costs is justified. The process is likely to continue for some considerable time.

Renewable Energies segment

Profitability of investments: In comparison to the report from the end of 2013, the commissioning of the EnBW Baltic 2 offshore wind farm, which is still under construction, is progressing slower than originally anticipated. The wind farm is now due to be in full operation by April 2015. This entails the risk that there will be a fall in earnings in the mid double-digit million euro range for the current financial year.

Generation and Trading segment

Electricity procurement agreements and power plants: As a result of the still unfavourable market prices at the present time and the considerably worsening expectations regarding long-term electricity prices, EnBW increased its provisions for onerous contracts for electricity procurement agreements which no longer cover costs at the end of the first half of 2014. Additionally, impairment losses have been carried out on our power plants. In addition to these burdens on the company's earnings, there is also the risk of other unscheduled write-downs stemming from the inspection of the profitability of conventional power plants that may result in the early decommissioning of individual plants (The EnBW Group › p. 13 ff.).

Profitability of investments: The EnBW Group is pushing ahead with a series of new construction projects that are characterised by their high level of complexity, as well as the involvement and collaboration of numerous parties. Therefore, it is not possible to exclude disruptions to the construction process that could lead to deviations from the planned execution of the project, as well as any related delays and increased costs.

The new hard coal unit RDK 8 at the Karlsruhe location commenced commercial operation on 17 May 2014. Only minor residual risks remain from this project.

Overall assessment

The risks and opportunities facing the EnBW Group at the end of the reporting period have slightly improved in comparison to the statements made in the Group Management Report 2013. Nevertheless, there continues to be an overall high level of risk, which is due, in particular, to the political and regulatory consequences of the German Energiewende. No risks currently exist that might jeopardise the EnBW Group as a going concern.

Significant events after the reporting date

EnBW will purchase the 50% share of EnBW Eni Verwaltungsgesellschaft mbH, Karlsruhe, held by the Eni Group, Rome, and thus indirectly 50% of GasVersorgung Süddeutschland GmbH, Stuttgart (GVS) and 50% of terranets bw GmbH, Stuttgart. EnBW and Eni founded the joint venture in 2002. The purchase of these shares, previously held by Eni by EnBW, is still subject to the approval of the responsible cartel office.

Forecast

The adjusted EBITDA for the EnBW Group fell by 9.9% in the first six months of 2014. Over the year as a whole, the fall in adjusted EBITDA is likely to fluctuate as expected within a range of 0% to -5%. In order to be able to play an active role in shaping the German Energiewende, EnBW is planning an extensive investment programme over the next few years.

In the following forecast, we take an in-depth look at the expected future development of EnBW and the business environment 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. The present environment provides both opportunities and risks for the corporate development of EnBW. Current risks are summarised in the chapter "Report on risks and opportunities" (Report on risks and opportunities > p. 26 f.).

Expected economic conditions

Future macroeconomic trends: The global economy is expected to develop more favourably over the 2014 financial year than in the previous year. While there were some countries in the eurozone – including Italy and Spain – that still exhibited declining economic output in 2013, the eurozone will finally free itself from the recession in 2014. Economic growth in Germany is expected to accelerate from 0.4% in 2013 to 1.9% in 2014. The driving force for this growth will be domestic demand, led by private consumption. Other foreign economies that are relevant for the business activities of EnBW are also in recovery: Following growth of 0.4% in the previous year, the economy in Austria is forecast to grow by 1.7% in 2014. The Swiss economy is expected to grow by 2.2%. In the Czech Republic, the economic output is forecast to grow again by 2.2% this year following a poor performance in 2013. It is only in Turkey that economic growth is forecast to slow down from 4.3% to 2.3%.

Gross domestic product (GDP) growth in %	2014	2013
World	3.6	3.0
Eurozone	1.1	-0.4
Germany	1.9	0.4
Austria	1.7	0.4
Switzerland	2.2	2.0
Czech Republic	2.2	-0.9
Turkey	2.3	4.3

Future demand for energy: Global energy consumption is set to increase by around one third in the 2011 to 2035 period, according to the World Energy Outlook 2013 published by the International Energy Agency (IEA). The BP Energy Outlook 2035 even envisages growth of as much as 41% between 2012 and 2035. Industrialisation and population growth in the emerging and developing economies will be the main drivers of this growth. For this reason, around 90% of the increase in energy consumption will be attributable to countries outside the Organisation for Economic Cooperation and Development, according to the IEA. The share of primary energy consumption accounted for by fossil fuel sources will fall from 82% in 2011 to 76% in 2035, with around half of the growth in electricity generation being covered by renewable energy sources by this time. Global per capita energy consumption is expected to rise at an annual rate of 0.7%.

Future trends in markets for primary energy sources, CO_2 allowances and electricity: The considerable expansion of oil production outside OPEC – particularly in North America – and the gradual return of the expansive US monetary policy have raised expectations of lower oil prices amongst market participants. This is also reflected in the prices on the future markets (backwardation).

Forward coal prices are exhibiting a contango situation for the coming year, meaning that the market participants currently expect an increase in coal prices in the next few years. However, there are a number of uncertainties that could lead to a further fall in the price of coal: Sluggish growth in China and India would lower the demand for coal in these countries, the expansion of renewable energies – predominantly in Europe – as well as measures for limiting the emissions from coal-fired power generation, as planned in the USA and China, would also result in falling demand for coal.

Market players on the gas market are expecting slightly higher prices in the next few years. However, stable or lower prices are initially expected in the coming months because the demand for gas on the gas storage market is likely to remain moderate. In addition, the demand for Liquefied Natural Gas (LNG) in Asia will initially be lower than the level in the previous year, which will also have a price-reducing effect on the European gas market. Moreover, further expansion in renewable energies will also induce a lower structural demand for gas in Europe, since such expansion will primarily reduce the periods when gas power plants are utilised.

The demand for emission allowances is likely to remain subdued over the next few months. A lot of energy supply companies had already purchased their emission allowances in advance of the backloading legislation. Therefore, it will primarily be economic developments in the EU and the associated levels of emissions that will be the major factors influencing the demand for CO_2 allowances and price trends during the remainder of the year.

Forward market prices for electricity in 2015 and 2016 stood in the middle of 2014 at €34.52/MWh and €33.34/MWh, respectively – compared to an average spot price of €37.78/MWh in 2013. Therefore, market participants expect further decreases in the spot market prices for electricity in the next couple of years. On the supply side, this expectation is supported by the expansion of renewable energies and the commissioning of new conventional power plants. The scope for passing on any possible higher prices for fuels and emission allowances remains limited. Whether the currently favourable economic developments will lead to the stabilisation of electricity prices due to increasing demand for electricity especially from industry still remains to be seen.

Future development of the sector: The energy sector is undergoing radical change in general – but particularly in Germany due to the Energiewende. Political and regulatory conditions are changing faster and more comprehensively than in past decades. This will also have a considerable effect on the structure of the market and the competition. Competition in business with private and industrial customers remains acute in both the electricity and gas sectors – not least due to the growing number of providers that are new to the sector. At the same time, customers have a very high level of price sensitivity. In this environment, companies in the sector need to review their business models and orientate themselves to the new market conditions.

Future corporate development

Capital expenditure: EnBW plans to implement an extensive investment programme totalling €5.0 billion in the period between 2014 and 2016. As a result, it also aims to continue to play an active role in shaping the German Energiewende in the future. €3.6 billion of the investment programme will be used for growth projects and €1.4 billion for existing facilities. More than a third of the investments will be made in the Renewable Energies segment, particularly in our offshore project EnBW Baltic 2 and the development of the onshore portfolio. A total of 38.1% of the investments will be made in the Grids segment in order to ensure security of supply and support the expansion in renewable energies.

In the same period, divestitures totalling €2.4 billion have been designated to finance the €5 billion investment volume. Around €1.0 billion is attributable to participation models: EnBW is providing local authorities, municipal utilities, industrial and commercial customers, as well as citizens with the opportunity to take an active role in the German Energiewende. Other disposals totalling around €0.7 billion arise mainly from concession losses by the grid companies. Around €0.6 billion is attributable to the sale of strategic investments.

The investment programme is currently progressing in line with our expectations.

Expected earnings trends for the current year: In the first six months of 2014, the adjusted EBITDA for the EnBW Group fell by 9.9% to €1,271.5 million. The earnings performance was also influenced by a base effect in the valuation of derivatives, which will continue to lose its importance during the course of the year. Therefore, we continue to expect a decline in adjusted EBITDA of 0% to -5% for the financial year 2014 – which is unchanged from the statements made in the Group Management Report 2013.

We expect that the Sales segment will deliver a growth in earnings in 2014 (+10% to +20%). In the electricity sales business, a more positive customer portfolio composition is likely to result in a higher margin. Furthermore, an extraordinary charge in the area of gas procurement deriving from 2013 will cease to apply in 2014.

In the Grids segment, the adjusted EBITDA – after a rise in 2013 – is expected to fall in 2014 by -5% to -15%. At the start of the second regulatory period, extraordinary items during the first regulatory period for the distribution grid will cease to apply.

In the Group Management Report 2013, we stated our expectation for earnings in the Renewable Energies segment to grow by +5% to +15% in 2014. However, low precipitation and low water levels in the first half of 2014 have led to reduced electricity production from our run-of-river power plants. In addition, the ramping up of our EnBW Baltic 2 offshore wind farm – which is scheduled to be fully operational by April 2015 – has been slower than originally anticipated. Against this background, the adjusted EBITDA for this segment is from today's perspective due to fall by -5% to -15% over the 2014 financial year. Here, the company's activities in the area of onshore wind energy will make a positive contribution to the earnings performance.

Alongside the Grids segment, the Generation and Trading segment will account for a significant part of the company's earnings. Adjusted EBITDA in this segment is expected to fall slightly in 2014. The primary cause for this development will continue to be the falling prices on wholesale electricity markets during preceding periods in which we agreed on fixed sales prices for quantities of electricity to be supplied in 2014. Efficiency improvement measures will only slightly cushion these negative influences in 2014.

As things currently stand, there will be no effect on earnings in 2014 due to any changes to the companies that are included in the consolidated financial statements.

As a result, adjusted EBITDA at the EnBW Group in 2014 will be between 0% and -5% below the 2013 level. This is mainly due to the reduction in wholesale market prices, as well as the fact that the extraordinary items from the first regulatory period cease to apply. The full effect of the "Fokus" efficiency project will already begin to unfold during 2014 – a year earlier than expected.

Earnings performance in 2014 (adjusted EBITDA)[1] compared with the previous year	Q2 2014	2013
Sales	+10% to +20%	+10% to +20%
Grids	-5% to -15%	-5% to -15%
Renewable Energies	-5% to -15%	+5% to +15%
Generation and Trading	0% to -5%	0% to -5%
Other/Consolidation	–	–
Consolidated companies	No change	No change
Adjusted EBITDA, Group	**0% to -5%**	**0% to -5%**

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

The extraordinary expenses due to impairment losses on power plants and significantly increased provisions for onerous contracts for electricity procurement agreements which no longer cover costs reported in the consolidated financial statements from 30 June 2014 will have no influence on the Group net profit adjusted for special factors. This is the figure used as the basis for assessing the payment of dividends.

Dynamic leverage ratio: It is probable that we will be unable to fully finance the very high level of net capital expenditure in 2014 from current cash flow (funds from operations, FFO) – especially in view of the EnBW Baltic 2 project. The decreasing discount rate for pensions will also have a negative impact on our previous prognosis for 2014. The successful issuing of our hybrid bond has had a positive effect. Adjusted net debt is expected to increase slightly for this reason. Therefore, we now expect an adjusted net debt of between €7.6 billion and €8.0 billion. Based on the earnings forecast, we are expecting a dynamic leverage ratio of between 3.4 and 3.8 as stated in the EnBW Annual Report 2013, and we are thus confident that we can retain our current rating level as a result.

There are no significant new findings related to any other key performance indicators stated in the Group Management Report 2013 in the areas of finance, customers, employees, compliance and ecology.

Interim financial statements of the EnBW Group

Income statement

€ millions[1]	01/04–30/06/2014	01/04–30/06/2013	01/01–30/06/2014	01/01–30/06/2013
Revenue including electricity and energy taxes	4,924.4	5,031.4	10,795.6	11,044.5
Electricity and energy taxes	-173.8	-197.1	-408.0	-445.0
Revenue	**4,750.6**	**4,834.3**	**10,387.6**	**10,599.5**
Changes in inventories	12.9	3.0	19.9	12.1
Other own work capitalised	17.5	13.4	31.2	22.5
Other operating income	209.1	232.7	389.9	501.1
Cost of materials	-4,161.1	-4,134.8	-8,624.7	-8,691.7
Personnel expenses	-425.8	-402.3	-821.8	-794.9
Other operating expenses	-250.6	-324.5	-483.1	-547.5
EBITDA	**152.6**	**221.8**	**899.0**	**1,101.1**
Amortisation and depreciation	-1,468.8	-221.7	-1,688.9	-439.6
Earnings before interest and taxes (EBIT)	**-1,316.2**	**0.1**	**-789.9**	**661.5**
Investment result	-8.2	-32.2	23.9	80.6
of which net profit/loss from entities accounted for using the equity method	(-21.5)	(35.5)	(12.3)	(92.9)
of which other income from investments	(13.3)	(-67.7)	(11.6)	(-12.3)
Financial result	-131.3	-226.4	-235.7	-359.2
of which finance revenue	(79.8)	(112.2)	(204.8)	(211.4)
of which finance costs	(-211.1)	(-338.6)	(-440.5)	(-570.6)
Earnings before tax (EBT)	**-1,455.7**	**-258.5**	**-1,001.7**	**382.9**
Income tax	419.9	28.0	284.5	-137.8
Group net loss/profit	**-1,035.8**	**-230.5**	**-717.2**	**245.1**
of which profit/loss shares attributable to non-controlling interests	(-6.0)	(22.0)	(17.9)	(54.6)
of which profit/loss shares attributable to the equity holders of EnBW AG	(-1,029.8)	(-252.5)	(-735.1)	(190.5)
Shares outstanding (millions), weighted average	**270,855**	**270,855**	**270,855**	**270,855**
Earnings per share from Group net loss/profit (€)[2]	**-3.80**	**-0.93**	**-2.71**	**0.70**

[1] The figures for the comparative periods have been restated.
[2] Basic and diluted; in relation to the profit/loss attributable to the equity holders of EnBW AG.

Statement of comprehensive income

€ millions	01/04–30/06/2014	01/04–30/06/2013	01/01–30/06/2014	01/01–30/06/2013
Group net loss/profit	**-1,035.8**	**-230.5**	**-717.2**	**245.1**
Revaluation of pensions and similar obligations	-390.5	75.2	-628.9	75.2
Entities accounted for using the equity method	-51.3	0.0	-51.3	0.0
Income taxes on other comprehensive income	119.0	-21.8	181.9	-21.8
Total of other comprehensive income and expenses without future reclassifications impacting earnings	**-322.8**	**53.4**	**-498.3**	**53.4**
Difference from currency translation	0.0	-6.8	0.1	-37.5
Cash flow hedge	30.5	-50.2	-62.9	-209.1
Available-for-sale financial assets	169.8	-169.8	167.4	-98.3
Entities accounted for using the equity method	-10.2	0.0	-10.2	0.0
Income taxes on other comprehensive income	-25.4	28.3	-7.0	75.1
Total of other comprehensive income and expenses with future reclassifications impacting earnings	**164.7**	**-198.5**	**87.4**	**-269.8**
Total comprehensive income	**-1,193.9**	**-375.6**	**-1,128.1**	**28.7**
of which profit/loss shares attributable to non-controlling interests	(-9.5)	(19.0)	(2.8)	(46.6)
of which profit/loss shares attributable to the equity holders of EnBW AG	(-1,184.4)	(-394.6)	(-1,130.9)	(-17.9)

Balance sheet

€ millions[1]	30/06/2014	31/12/2013	01/01/2013
Assets			
Non-current assets			
Intangible assets	1,737.5	1,844.1	1,930.2
Property, plant and equipment	12,898.2	14,069.7	13,920.2
Investment properties	77.0	77.0	81.5
Entities accounted for using the equity method	1,874.5	1,927.4	2,219.0
Other financial assets	8,102.5	6,399.9	6,058.7
Trade receivables	637.9	641.9	567.4
Income tax refund claims	13.4	12.9	17.1
Other non-current assets	267.9	277.2	298.5
Deferred taxes	592.1	257.8	48.3
	26,201.0	**25,507.9**	**25,140.9**
Current assets			
Inventories	1,065.6	1,353.9	1,285.9
Financial assets	822.1	750.3	785.6
Trade receivables	3,413.1	3,745.0	3,919.5
Income tax refund claims	337.3	343.1	169.4
Other current assets	2,491.7	1,542.9	1,836.5
Cash and cash equivalents	3,454.1	2,424.9	2,588.8
	11,583.9	**10,160.1**	**10,585.7**
Assets held for sale	250.7	90.3	681.1
	11,834.6	**10,250.4**	**11,266.8**
	38,035.6	**35,758.3**	**36,407.7**
Equity and liabilities			
Equity			
Equity holders of EnBW AG			
Subscribed capital	708.1	708.1	708.1
Capital reserve	774.2	774.2	774.2
Revenue reserves	3,467.1	4,378.9	4,559.1
Treasury shares	-204.1	-204.1	-204.1
Other comprehensive income	-1,187.6	-791.8	-697.9
	3,557.7	**4,865.3**	**5,139.4**
Non-controlling interests	1,185.3	1,217.4	1,236.5
	4,743.0	**6,082.7**	**6,375.9**
Non-current liabilities			
Provisions	13,545.9	12,450.7	12,260.6
Deferred taxes	718.2	955.7	1,000.8
Financial liabilities	7,891.6	5,547.4	5,563.9
Income tax liabilities	159.5	164.4	289.6
Other liabilities and subsidies	1,835.6	1,968.7	2,006.0
	24,150.8	**21,086.9**	**21,120.9**
Current liabilities			
Provisions	1,111.3	1,391.6	1,226.1
Financial liabilities	211.2	224.7	1,201.1
Trade payables	3,486.0	3,611.0	3,472.2
Income tax liabilities	407.4	418.0	254.6
Other liabilities and subsidies	3,785.0	2,910.8	2,756.3
	9,000.9	**8,556.1**	**8,910.3**
Liabilities directly associated with assets classified as held for sale	140.9	32.6	0.6
	9,141.8	**8,588.7**	**8,910.9**
	38,035.6	**35,758.3**	**36,407.7**

[1] The figures for the comparative periods have been restated.

Cash flow statement

€ millions[1]	01/01–30/06/2014	01/01–30/06/2013
1 Operating activities		
EBITDA	899.0	1,101.1
Changes in provisions	258.6	211.2
Profit/loss on disposal of non-current assets	-32.4	-9.6
Other non-cash expenses/income	-29.1	-30.4
Change in assets and liabilities from operating activities	63.1	-358.1
Inventories	(-21.2)	(-21.6)
Net balance of trade receivables and payables	(167.7)	(-250.2)
Net balance of other assets and liabilities	(-83.4)	(-86.3)
Income tax paid	-105.0	-168.2
Cash flow from operating activities	**1,054.2**	**746.0**
2 Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-725.8	-377.3
Cash received from the disposal of intangible assets and property, plant and equipment	107.0	35.8
Cash received from construction cost and investment subsidies	38.0	32.4
Cash paid for the acquisition of subsidiaries and entities accounted for using the equity method	-24.3	0.0
Cash received from the sale of subsidiaries and entities accounted for using the equity method	0.0	11.5
Change in securities and investments	-1,533.2	27.3
Interest received	89.8	105.3
Dividends received	42.1	101.8
Cash flow from investing activities	**-2,006.4**	**-63.2**
3 Financing activities		
Interest paid for financing activities	-130.7	-108.4
Dividends paid	-211.4	-266.5
Increase in financial liabilities	2,427.0	160.6
Repayment of financial liabilities	-103.6	-397.6
Cash flow from financing activities	**1,981.3**	**-611.9**
Net change in cash and cash equivalents	**1,029.1**	**70.9**
Net foreign exchange difference	0.1	-0.4
Change in cash and cash equivalents	**1,029.2**	**70.5**
Cash and cash equivalents at the beginning of the period	2,424.9	2,588.8
Cash and cash equivalents at the end of the period	**3,454.1**	**2,659.3**

[1] The figures for the comparative period have been restated.

Statement of changes in equity

€ millions[1]						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: 01/01/2013	**1,482.3**	**4,559.1**	**-204.1**	**-806.2**	**-74.6**	**-172.8**	**355.7**	**0.0**	**5,139.4**	**1,236.5**	**6,375.9**
Other comprehensive income					-27.9	-151.4	-83.2		-208.4	-8.0	-216.4
Group net profit		190.5							190.5	54.6	245.1
Total comprehensive income	**0.0**	**190.5**	**0.0**	**54.1**	**-27.9**	**-151.4**	**-83.2**	**0.0**	**-17.9**	**46.6**	**28.7**
Dividends paid		-230.2							-230.2	-55.6	-285.8
Other changes		-1.0							-1.0	-11.3	-12.3
As of: 30/06/2013	**1,482.3**	**4,518.4**	**-204.1**	**-752.1**	**-102.5**	**-324.2**	**272.5**	**0.0**	**4,890.3**	**1,216.2**	**6,106.5**
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				-444.8	-2.0	-30.8	143.3	-61.5	-395.8	-15.1	-410.9
Group net loss/profit		-735.1							-735.1	17.9	-717.2
Total comprehensive income	**0.0**	**-735.1**	**0.0**	**-444.8**	**-2.0**	**-30.8**	**143.3**	**-61.5**	**-1,130.9**	**2.8**	**-1,128.1**
Dividends paid		-186.9							-186.9	-42.9	-229.8
Other changes		10.2							10.2	8.0	18.2
As of: 30/06/2014	**1,482.3**	**3,467.1**	**-204.1**	**-1,227.9**	**-102.1**	**-341.9**	**545.8**	**-61.5**	**3,557.7**	**1,185.3**	**4,743.0**

[1] The figures for the comparative period have been restated.

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 30 June 2014, 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 2013 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 30 June 2014 was shortened in comparison with that used for the consolidated financial statements as of 31 December 2013.

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 2014 financial year:

- **Amendments to IAS 32 (2011) "Offsetting Financial Assets and Financial Liabilities":** The amendment specifies the prerequisites for the offsetting of financial assets and financial liabilities by establishing additional application guidelines. This amendment to the standard has led to the following effects:

Adjustment to the balance sheet in € millions	30/06/2014	31/12/2013	01/01/2013
Other current assets	-440.8	-394.1	-368.9
Other current liabilities and subsidies	-440.8	-394.1	-368.9

- **Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets":** EnBW voluntarily decided to adopt the amendment to the standard early in 2013. The first application of the standard led to additional notes in the 2013 financial year.
- **IFRS 11 "Joint Arrangements":** IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-monetary Contributions by Joint Venturers" and contains provisions regulating the identification, classification and accounting of joint arrangements. IFRS 11 now differentiates between joint ventures and joint operations. In the case of a joint venture, the parties that have joint control of a legally independent company have a share of the net assets of that arrangement. In joint operations, the parties that have joint control have direct rights to the assets, and obligations for the liabilities, relating to the arrangement. In accordance with IFRS 11, joint ventures must be accounted for using the equity method. In the case of joint operations, the proportional share of assets, liabilities, income and expenses must be reported. The initial application of IFRS 11 has led to Friedeburger Speicherbetriebsgesellschaft mbH "Crystal", Rheinkraftwerk Iffezheim GmbH and Rhonewerke AG being classified as joint operations and included in the consolidated financial statements on a proportional basis. These companies were previously accounted for in

the consolidated financial statements using the equity method. Adjustments have been carried out for previous years in accordance with IAS 8. The following shows the impact of the transition to IFRS 11:

Adjustments to the income statement in € millions	01/01–30/06/2014	01/01–30/06/2013
Revenue including electricity and energy taxes	3.4	1.7
Electricity and energy taxes	0.0	0.0
Revenue	**3.4**	**1.7**
Other operating income	-0.2	0.7
Cost of materials	3.5	3.0
Personnel expenses	-0.1	-0.1
Other operating expenses	-0.4	-0.9
EBITDA	**6.2**	**4.4**
Amortisation and depreciation	-36.9	-1.9
Earnings before interest and taxes (EBIT)	**-30.7**	**2.5**
Investment result	21.7	-1.5
of which net profit/loss from entities accounted for using the equity method	(21.7)	(-1.5)
Financial result	0.0	0.5
of which finance costs	(0.0)	(0.5)
Earnings before tax (EBT)	**-9.0**	**1.5**
Income tax	9.0	-1.5
Group net profit	**0.0**	**0.0**

Adjustment to the balance sheet in € millions	30/06/2014	31/12/2013	01/01/2013
Assets			
Non-current assets			
Intangible assets	2.4	3.3	3.5
Property, plant and equipment	110.5	145.3	137.7
Entities accounted for using the equity method	-117.7	-139.4	-136.9
Deferred taxes	6.8	0.0	0.0
	2.0	**9.2**	**4.3**
Current assets			
Trade receivables	1.6	-2.0	0.2
Other current assets	1.0	1.0	0.9
Cash and cash equivalents	4.9	3.7	5.5
	7.5	**2.7**	**6.6**
	9.5	**11.9**	**10.9**
Equity and liabilities			
Non-current liabilities			
Provisions	2.6	2.3	2.1
Deferred taxes	0.0	2.0	2.0
	2.6	**4.3**	**4.1**
Current liabilities			
Provisions	0.3	0.6	0.5
Trade payables	6.3	6.3	5.7
Income tax liabilities	0.0	0.4	0.4
Other liabilities and subsidies	0.3	0.3	0.2
	6.9	**7.6**	**6.8**
	9.5	**11.9**	**10.9**

Adjustments to the cash flow statement in € millions	01/01–30/06/2014	01/01–30/06/2013
1 Operating activities		
EBITDA	6.2	4.4
Changes in provisions	-0.2	1.3
Profit/loss on disposal of non-current assets	0.0	-0.1
Change in assets and liabilities from operating activities	-3.9	-2.8
Net balance of trade receivables and payables	(-3.4)	(-2.7)
Net balance of other assets and liabilities	(-0.5)	(-0.1)
Income tax paid	-0.7	-0.3
Cash flow from operating activities	**1.4**	**2.5**
2 Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-0.2	-3.1
Cash received from the disposal of intangible assets and property, plant and equipment	0.0	0.5
Cash paid for the acquisition of subsidiaries and entities accounted for using the equity method	0.0	0.6
Cash received from the sale of subsidiaries and entities accounted for using the equity method	0.0	-2.0
Cash flow from investing activities	**-0.2**	**-4.0**
3 Financing activities		
Interest paid for financing activities	0.0	0.5
Cash flow from financing activities	**0.0**	**0.5**
Change in cash and cash equivalents	**1.2**	**-1.0**
Cash and cash equivalents at the beginning of the period	3.7	5.5
Cash and cash equivalents at the end of the period	**4.9**	**4.5**

Adjustment to contingent liabilities and other financial obligations in € millions	30/06/2014	31/12/2013	01/01/2013
Contingent liabilities	-0.1	-0.1	-5.5
Other financial commitments	-115.0	-116.3	-99.3

- **IFRS 12 "Disclosure of Interests in Other Entities":** This new standard governs the disclosure obligations regarding Group relationships in the notes to the consolidated financial statements, as well as the disclosure obligations regarding joint arrangements and associates. The first-time adoption of IFRS 12 necessitates additional disclosures in the notes to the annual financial statements for the EnBW Group.

- The following new standards or amendments to existing standards have no significant impact on the EnBW consolidated financial statements:
  - IAS 27 revision (2011) "Separate Financial Statements"
  - IAS 28 amendments (2011) "Investments in Associates and Joint Ventures"
  - IAS 39 amendment (2013) "Novation of Derivatives"
  - IFRS 10 "Consolidated Financial Statements"
  - Amendments to IFRS 10, IFRS 11 and IFRS 12 (2012) "Transition Guidance"
  - Amendments to IFRS 10, IFRS 12 and IAS 27 (2012) "Investment Entities"

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.

Corporate acquisitions are reported using the purchase method. The acquisition costs of an acquired company constitute the fair values of the assets transferred and of the liabilities which are entered into or assumed as of the time of acquisition. The valuation of non-controlling interests is carried out at the proportional fair value of the assets identified and the liabilities assumed. Incidental acquisition costs are reported as expenses as of the time they come into being. In the case of gradual mergers, the proportion of equity previously held in the acquired company by the acquirer is redefined at its fair value as of the time of acquisition when control over the company has been attained, with the resultant gain or loss being reported through profit and loss. Any difference between the acquisition costs of a corporate acquisition plus the sum total of all non-controlling interests in the acquired company and the acquired identifiable assets and the liabilities and contingent liabilities assumed are reported as goodwill if they are asset-side or posted to profit or loss following a further analysis if they are on the liabilities side.

Any change in the size of a shareholding in a still fully consolidated company is reported as an equity transaction. When control over the company is lost, all remaining shares are measured anew at their fair value.

Any receivables, liabilities and provisions between consolidated companies are offset against each other. Intra-Group income is set off against the corresponding expenses. Intercompany profits and losses are eliminated if they are not of subordinate importance.

Consolidated companies

Under the full consolidation method, all subsidiaries under the control of the Group are included. The Group controls an associated company if it is exposed to risks or has rights to variable returns as a result of its involvement in the associated company, and the Group has the ability to use its power over the associated company in a way that affects the amount of the returns from the associated company. In the process of full consolidation, 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 agreement 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 shares 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 via the investment result.

Joint agreements 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 relevantly applicable IFRS.

Shares in subsidiaries, joint ventures or associated companies 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 Section 19 (1), German Companies Act (AktG).

The companies have been consolidated as follows:

Type of consolidation and number[1]	30/06/2014	31/12/2013	30/06/2013
Full consolidation	107	117	120
Entities accounted for using the equity method	16	16	19
Joint operations	3	3	3

[1] The figures for the comparative periods have been restated.

The decline in the number of fully consolidated companies is primarily due to mergers as part of the new structural concept "ONE EnBW" for reducing the complexity of the Group.

The initial application of IFRS 11 in 2014 has led to the classification of Friedeburger Speicherbetriebsgesellschaft mbH "Crystal", Rheinkraftwerk Iffezheim GmbH and Rhonewerke AG as joint operations. The previous year's figures have been restated accordingly.

Amortisation and depreciation

€ millions[1]	01/01–30/06/2014	01/01–30/06/2013
Write-downs of intangible assets	108.5	55.5
Write-downs of tangible assets	1,580.6	384.4
Write-downs of investment properties	0.9	1.0
Release of investment cost subsidies	-1.1	-1.3
Total	**1,688.9**	**439.6**

[1] The figures for the comparative period have been restated.

The unscheduled impairment write-downs of other intangible assets, tangible assets and investment properties amounted to €1,233.8 million (previous year: €0.7 million). In the current financial year, the unscheduled write-downs predominantly include impairment losses on power plants and can be primarily allocated to the Generation and Trading segment in the segment reporting. The recoverable amount was determined based on fair value less costs to sell and corresponds to Level 3 of the valuation hierarchy in IFRS 13. The calculation of fair value is carried out using a business valuation model, which takes cash flow planning into account, and which is based, amongst other things, on the medium-term plans approved by the Board of Management valid at the time of the impairment tests, as well as the long-term market expectations beyond the detailed planning horizon. The plans are based on past experience and on estimates concerning the future market development. The discount rate used in the valuation is 6.9% (previous year: 6.9%). The reason for the impairment losses lies in considerably worsening expectations regarding long-term electricity price developments, particularly from today's perspective and based on comprehensive market analyses. The fair value calculated for the power plants of around €3.6 billion thus lies significantly below the carrying amount.

Investment result

€ millions[1]	01/01–30/06/2014	01/01–30/06/2013
Share of profit/loss of entities accounted for using the equity method	17.4	51.2
Write-downs/write-ups of entities accounted for using the equity method	-5.1	41.7
Net profit/loss from entities accounted for using the equity method	**12.3**	**92.9**
Investment income	9.0	41.6
Write-downs of investments	-7.9	-54.0
Income from the sale of equity investments	10.5	0.1
Other profit/loss from investments	**11.6**	**-12.3**
Investment result (+ income/ - costs)	**23.9**	**80.6**

[1] The figures for the comparative period have been restated.

Financial result

€ millions[1]	01/01–30/06/2014	01/01–30/06/2013
Interest and similar income	93.2	102.4
Other financial income	111.6	109.0
Finance income	**204.8**	**211.4**
Borrowing costs	-125.1	-138.3
Other interest and similar expenses	-4.2	-90.1
Interest portion of increases in liabilities	-275.1	-296.0
Personnel provisions	(-85.5)	(-102.5)
Provisions relating to nuclear power	(-185.9)	(-188.3)
Other non-current provisions	(-1.0)	(-1.1)
Other liabilities	(-2.7)	(-4.1)
Other finance costs	-36.1	-46.2
Finance costs	**-440.5**	**-570.6**
Financial result (+ income/ - costs)	**-235.7**	**-359.2**

[1] The figures for the comparative period have been restated.

Assets held for sale and liabilities directly associated with assets classified as held for sale

The increase in the assets held for sale was due to the reclassification of the electricity and gas networks in the State Capital of Stuttgart resulting from the council resolution made by the City of Stuttgart on 13 March 2014.

The increase in liabilities directly associated with assets classified as held for sale is essentially due to the related construction cost subsidies.

Treasury shares

As of 30 June 2014, EnBW AG holds 5,749,677 treasury shares (31 December 2013: 5,749,677 treasury shares). The cost of acquiring the treasury shares in the amount of € 204.1 million was deducted from the carrying amount of the equity. The attributable amount of share capital amounts to € 14,719,173.12 (2.1% of the subscribed capital).

Dividends

On 29 April 2014, the EnBW Annual General Meeting 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 2013. This corresponds to a dividend payment of € 186.9 million.

Contingent liabilities and financial commitments

Compared to 31 December 2013, contingent liabilities and financial commitments decreased by € 223.8 million to € 29,503.0 million. This reduction results first and foremost from adjustments in the long-term purchase obligations in the electricity and gas sectors.

Notes to the cash flow statement

€ millions[1]	01/01–30/06/2014	01/01–30/06/2013
Interest paid for investing activities (capitalised borrowing costs)	-22.9	-20.1
Interest paid for financing activities	-130.7	-108.4
Total interest paid in the period	**-153.6**	**-128.5**

[1] The figures for the comparative period have been restated.

Notes relating to fair values

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

Carrying amounts and fair values of financial instruments in € millions[1]		30/06/2014				31/12/2013
	Fair value	Not within the scope of application	Carrying amount	Fair value	Not within the scope of application	Carrying amount
Financial assets	8,984.6		8,924.6	7,195.3		7,150.2
Held for trading	(264.0)		(264.0)	(258.2)		(258.2)
Available for sale[2]	(7,463.2)		(7,463.2)	(5,852.7)		(5,852.7)
Held to maturity	(1,176.3)		(1,116.3)	(1,009.2)		(964.1)
Loans and receivables	(81.1)		(81.1)	(75.2)		(75.2)
Trade receivables	4,051.0		4,051.0	4,386.9		4,386.9
Other assets	2,473.9	285.7	2,759.6	1,572.2	247.9	1,820.1
Held for trading	(1,647.3)		(1,647.3)	(914.9)		(914.9)
Loans and receivables	(651.3)		(651.3)	(495.2)		(495.2)
Derivatives in hedge relationships	(142.7)		(142.7)	(126.5)		(126.5)
Amount stated as per IAS 17	(32.6)		(32.6)	(35.6)		(35.6)
Cash and cash equivalents	3,454.1		3,454.1	2,424.9		2,424.9
Total	**18,963.6**	**285.7**	**19,189.3**	**15,579.3**	**247.9**	**15,782.1**
Financial liabilities	8,898.3		8,102.8	6,386.8		5,772.1
Measured at amortised cost[3]	(8,749.2)		(7,953.7)	(6,195.0)		(5,580.3)
Amount stated as per IAS 17	(149.1)		(149.1)	(191.8)		(191.8)
Trade payables	2,134.0	1,352.0	3,486.0	414.2	3,196.8	3,611.0
Other liabilities and subsidies	3,436.9	2,183.7	5,620.6	2,433.3	2,446.2	4,879.5
Held for trading	(2,063.0)		(2,063.0)	(1,458.4)		(1,458.4)
Measured at amortised cost	(1,151.6)		(1,151.6)	(791.7)		(791.7)
Derivatives in hedge relationships	(222.3)		(222.3)	(183.2)		(183.2)
Total	**14,469.2**	**3,535.7**	**17,209.4**	**9,234.3**	**5,643.0**	**14,262.6**

[1] The figures for the comparative period have been restated.
[2] Available-for-sale financial assets include equity instruments of € 852.8 million (previous year: € 776.8 million) measured at amortised cost whose fair value cannot be reliably determined.
[3] Of the financial liabilities measured at amortised cost, € 1,230.6 million are part of a fair value hedge (previous year: € 1,214.6 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 input data in € millions[1]	30/06/2014		31/12/2013	
	1st level	**2nd level**	1st level	2nd level
Financial assets	3,781.5	3,092.9	3,442.3	1,891.8
Held for trading	(264.0)		(258.2)	
Available for sale	(3,517.5)	(3,092.9)	(3,184.1)	(1,891.8)
Other assets	1.7	1,788.3	3.2	1,038.2
Held for trading	(1.7)	(1,645.6)	(3.2)	(911.7)
Derivatives in hedge relationships		(142.7)		(126.5)
Total	**3,783.2**	**4,881.2**	**3,445.5**	**2,930.0**
Other liabilities and subsidies	40.2	2,245.1	21.6	1,620.0
Held for trading	(26.4)	(2,036.6)	(14.0)	(1,444.4)
Derivatives in hedge relationships	(13.8)	(208.5)	(7.6)	(175.6)
Total	**40.2**	**2,245.1**	**21.6**	**1,620.0**

[1] The figures for the comparative period have been restated.

Segment reporting

01/01–30/06/2014 in € millions	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
External revenue	4,622.5	3,044.2	195.2	2,520.9	4.8	10,387.6
Intercompany revenue	171.3	1,341.4	174.3	1,472.8	-3,159.8	0.0
Total revenue	4,793.8	4,385.6	369.5	3,993.7	-3,155.0	10,387.6
Adjusted EBITDA	132.2	470.3	81.1	595.7	-7.8	1,271.5
EBITDA	143.7	501.6	73.9	187.8	-8.0	899.0
Adjusted EBIT	101.3	295.2	52.2	389.4	-21.7	816.4
EBIT	112.8	326.5	14.4	-1,221.7	-21.9	-789.9
Scheduled amortisation and depreciation	-30.9	-175.1	-28.9	-206.3	-13.9	-455.1
Impairment losses	0.0	0.0	-30.6	-1,203.2	0.0	-1,233.8
Capital employed as of 30/06/2014	887.2	4,875.1	2,214.2	2,922.5	1,973.2	12,872.2

01/01–30/06/2013 in € millions[1]	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
External revenue	5,015.7	2,863.7	189.4	2,525.3	5.4	10,599.5
Intercompany revenue	355.4	1,409.4	222.0	1,709.3	-3,696.1	0.0
Total revenue	5,371.1	4,273.1	411.4	4,234.6	-3,690.7	10,599.5
Adjusted EBITDA	119.2	540.6	103.7	656.8	-9.7	1,410.6
EBITDA	121.8	545.7	103.7	335.5	-5.6	1,101.1
Adjusted EBIT	87.8	356.1	75.1	478.3	-25.6	971.7
EBIT	89.8	361.1	75.1	157.0	-21.5	661.5
Scheduled amortisation and depreciation	-31.4	-184.5	-28.6	-178.5	-15.9	-438.9
Impairment losses	-0.6	-0.1	0.0	0.0	0.0	-0.7
Capital employed as of 31/12/2013	955.6	5,137.1	2,037.3	3,947.7	1,830.9	13,908.6

[1] The figures for the comparative period have been restated.

Adjusted EBITDA is one of the key internal performance indicators. It is an earnings ratio adjusted for non-operating effects 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:

€ millions[1]	01/01–30/06/2014	01/01–30/06/2013
Adjusted EBITDA	1,271.5	1,410.6
Non-operating EBITDA	-372.5	-309.5
EBITDA	**899.0**	**1,101.1**
Amortisation and depreciation	-1,688.9	-439.6
Earnings before interest and taxes (EBIT)	**-789.9**	**661.5**
Investment result	23.9	80.6
Financial result	-235.7	-359.2
Earnings before tax (EBT)	**-1,001.7**	**382.9**

[1] The figures for the comparative period have been restated.

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 business segment. In addition to the other generation and trading of electricity, the Generation and Trading segment now also contains gas midstream operations (grid gas level) with import contracts and infrastructure, storage, trading and portfolio management. The disposal business was also allocated to the Generation and Trading segment. Assets, liabilities, income and expenses which are attributable to EnBW AG, our shareholdings in EWE Aktiengesellschaft and other activities which cannot be attributed to the segments presented separately are shown together with eliminations between the segments in the Other/Consolidation column. The costs directly attributable to EnBW AG are allocated to the individual segments using allocation keys.

The segment figures have been determined in accordance with the accounting policies used in the consolidated financial statements. Intercompany revenue shows the level of sales between Group companies. Intersegment sales 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 30 June 2014, 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 30 June 2014. All business transactions with the federal state were based on terms and conditions customary on the market. 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.

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

Income statement in € millions	01/01–30/06/2014	01/01–30/06/2013
Revenue	5.2	5.0
Cost of materials	-1.5	-2.5

Balance sheet in € millions	30/06/2014	31/12/2013
Receivables	0.4	2.6
Liabilities	4.6	4.6

Revenues and costs of materials result predominantly from electricity supply and procurement contracts. Receivables and liabilities are due within one year. All business relationships with joint ventures were conducted at customary market terms and conditions.

In the course of ordinary business activities, transactions are also made with associated companies, including 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 € millions	01/01–30/06/2014	01/01–30/06/2013
Revenue	156.0	135.3
Cost of materials	-117.9	-129.9

Balance sheet in € millions	30/06/2014	31/12/2013
Other loans	11.6	9.8
Receivables	32.1	20.6
Payments on account	8.5	13.9
Liabilities	19.4	44.6

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 € millions	01/01–30/06/2014	01/01–30/06/2013
Revenue	0.7	0.9
Cost of materials	-4.3	-4.7

Balance sheet in € millions	30/06/2014	31/12/2013
Receivables	0.2	1.3
Liabilities	2.1	3.8

Revenues and the cost of materials result predominantly from business in the areas of electricity and gas. The receivables and liabilities are due within one year. All business relationships with joint ventures were conducted at 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.

Certification following auditor's review

To EnBW Energie Baden-Württemberg AG

We have reviewed the interim condensed consolidated financial statements, comprising the income statement, statement of comprehensive income, balance sheet, condensed cash flow statement, statement of changes in equity and selected explanatory notes, together with the interim Group management report of EnBW Energie Baden-Württemberg AG, Karlsruhe, for the period from 1 January to 30 June 2014, which are part of the six-monthly financial report pursuant to Section 37w German Securities Trading Act (WpHG). The preparation of the interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) on interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the requirements of the WpHG applicable to interim Group management reports is the responsibility of the company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim Group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS on interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance obtainable from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS on interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim Group management reports.

Mannheim, 31 July 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Janz	Stratmann
German Public Auditor	German Public Auditor

Declaration of the legal representatives

We assure to the best of our knowledge that in accordance with the accounting principles applicable for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and that the interim Group management report gives a true and fair view of the business development including the result and situation of the Group and also describes the significant opportunities and risks relating to the anticipated development of the Group for the remaining financial year.

Karlsruhe, 31 July 2014

EnBW Energie Baden-Württemberg AG

Dr. Mastiaux   Dr. Beck   Kusterer

Dr. Mausbeck   Dr. Zimmer

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. Dirk Mausbeck, Karlsruhe
Chief Commercial Officer
since 1 October 2011
Appointed until 30 September 2014

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, also Chairman of the central works council "production sector" and Chairman of the works council at the Philippsburg location for the "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 functional units at EnBW Energie Baden-Württemberg AG

Dr. Hubert Lienhard, Heidenheim an der Brenz
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 of the EnBW Group, also Chairman of the central works council for the "grids sector" and Chairman of the works council for the Middle Neckar region of Netze BW GmbH

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

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

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

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

Klaus Schörnich, Düsseldorf
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 for Baden Württemberg (retired)

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

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

Kurt Widmaier, Ravensburg
District Administrator of the Ravensburg district

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(until 30 June 2014)

Key
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Inactive member

As of: 31 July 2014

Important notes

Published by
EnBW Energie Baden-Württemberg AG
Durlacher Allee 93
76131 Karlsruhe
www.enbw.com

Coordination and editor
EnBW Energie Baden-Württemberg AG
Corporate Communications

Concept and design
IR-One AG & Co. KG, Hamburg

Typesetting
In-house using FIRE.sys

Printed by
Elanders Germany GmbH, Waiblingen

Photographs
Highlights
EnBW Energie Baden-Württemberg AG

Date of publication
1 August 2014

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Financial calendar

01 | 08 | 2014
Publication of the Six-Monthly Financial Report January to June 2014

11 | 11 | 2014
Publication of the Nine-Monthly Financial Report January to September 2014

17 | 03 | 2015
Publication of the Annual Report 2014

29 | 04 | 2015
Annual General Meeting 2015

12 | 05 | 2015
Publication of the Quarterly Financial Report January to March 2015

30 | 07 | 2015
Publication of the Six-Monthly Financial Report January to June 2015

13 | 11 | 2015
Publication of the Nine-Monthly Financial Report January to September 2015

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