

# Conference call Fiscal year 2014 >

EnBW Energie  
Baden-Württemberg AG



Karlsruhe, 17 March 2015

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# The utilities environment remains challenging from an economic and regulatory perspective



## Energy market

- › Pressure on electricity and gas prices
- › Reduced power plant margins



## Capital markets

- › Interest rate at a historically low level

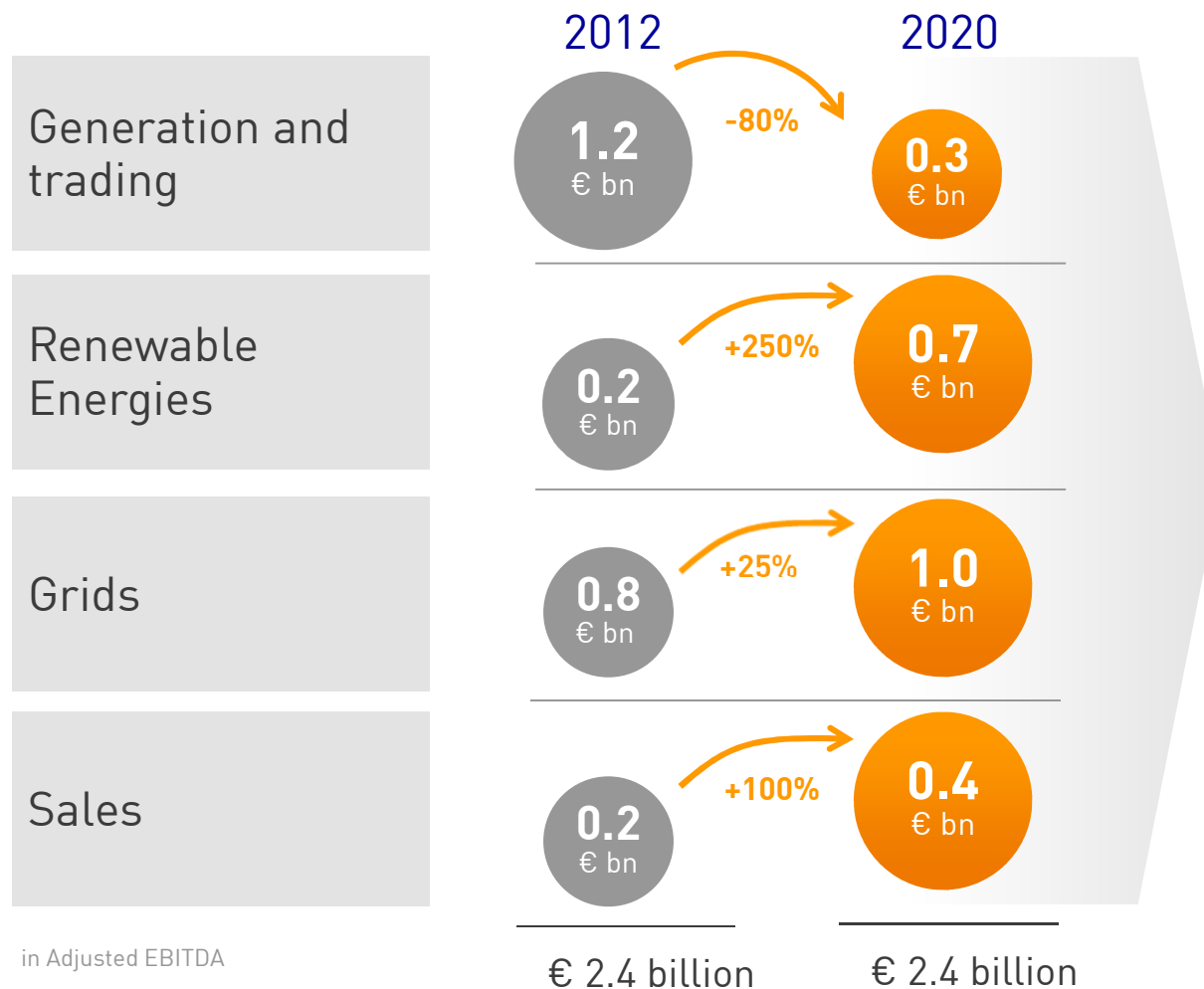


## Energy policy

- › Ordinance on Back up Power Plants
- › Nuclear matters



# As a reminder - EnBW 2020: Transforming the company with clear Adjusted EBITDA targets



in Adjusted EBITDA

# In 2014 transformation process of EnBW on track



## Cost and efficiency

- › Efficiency programme ‚FOKUS‘ with more than € 750m in 2014
- › Further € 400m efficiency improvement until 2020



## Strategy execution

- › Significant expansion of Wind Offshore portfolio and Onshore pipelines in GER and TR
- › Successful start of Operations third party business, Launch of Innovation Campus



## Portfolio management

- › Continued optimization with focus on core businesses
- › Realization of growth projects whilst maintaining financial stability



## Organisation and leadership

- › Streamlined corporate structure in place
- › New leadership culture and practices

# Good progress in continuing our growth path and streamlining our portfolio in 2014



## Operating performance

- › Acquisition of GVS and terranets
- › Commissioning of RDK 8 in Karlsruhe
- › Commissioning of wind farm Balabanli in Turkey
- › Sale of OSD Schäfer
- › Sale of 75 % share of Bexbach power station
- › Implementation of participation model for EnBW Baltic 2
- › ONE EnBW optimises structure and processes

## Performance 2014

## Financial performance

- › More than € 1 billion write-downs on conventional generation plants
- › Almost € 1.5 billion increase of pension provisions due to further reduction of discounting rate
- › Capital markets
  - › € 1.75 billion: bonds issued
  - › Ratings in A category
- › € 1.5bn syndicated loan facility until 2019
- › € 330 million free cash flow positive

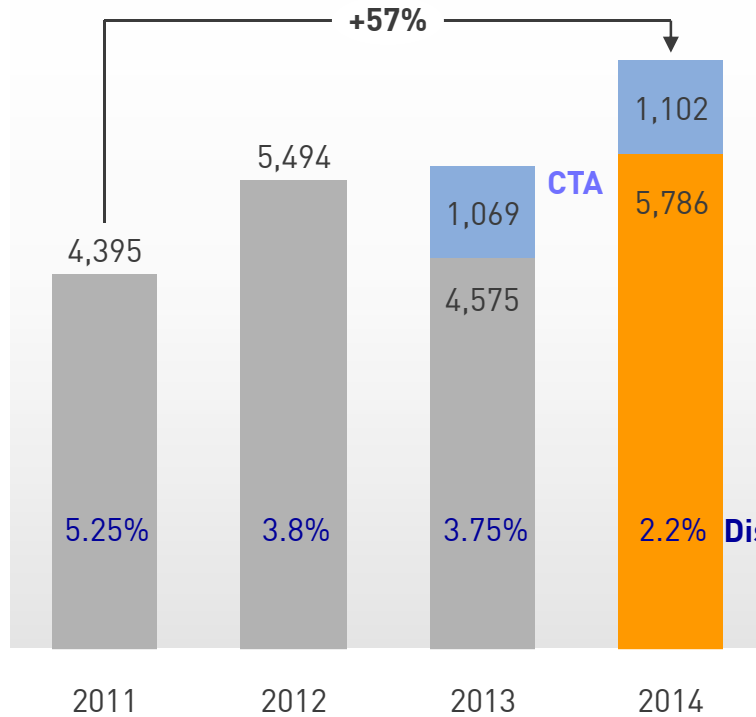
# Potential further reduction of discount rate with significant impact on net debt level



## Gross pension obligations incl. CTA

in € million

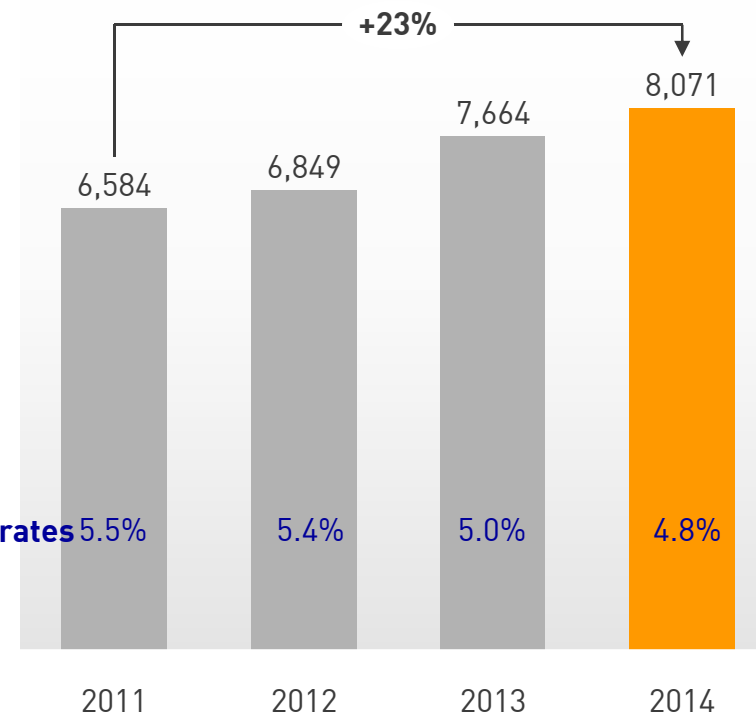
thereof interest effect: 2,376



## Nuclear provisions

in € million

thereof interest effect: 808

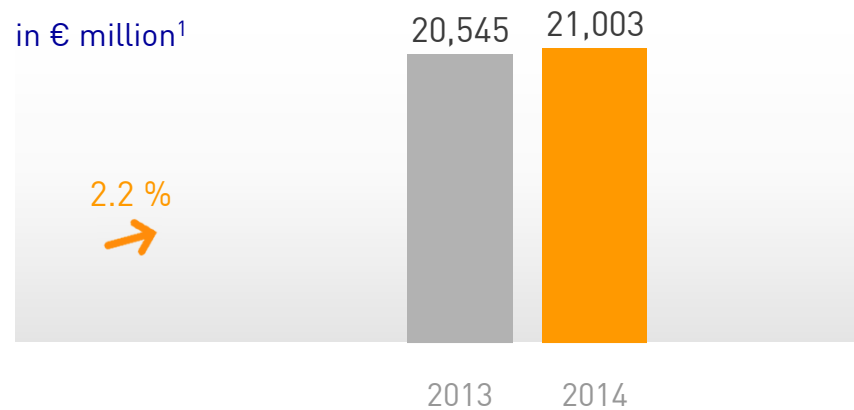


# Fiscal year 2014 – Operating results confirm outlook



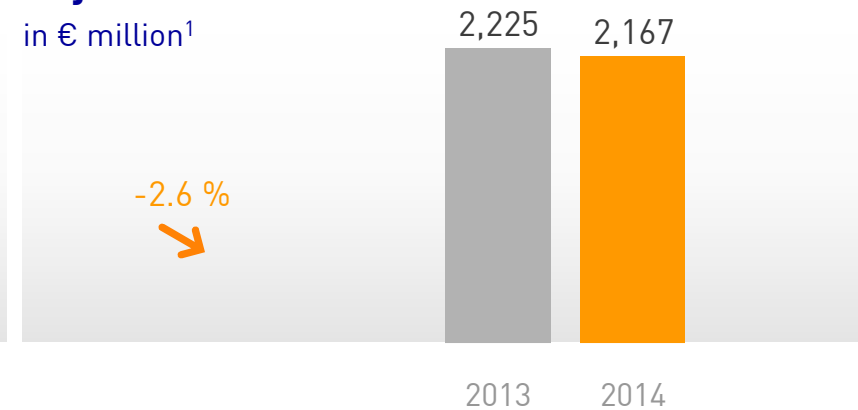
## Revenue

in € million<sup>1</sup>



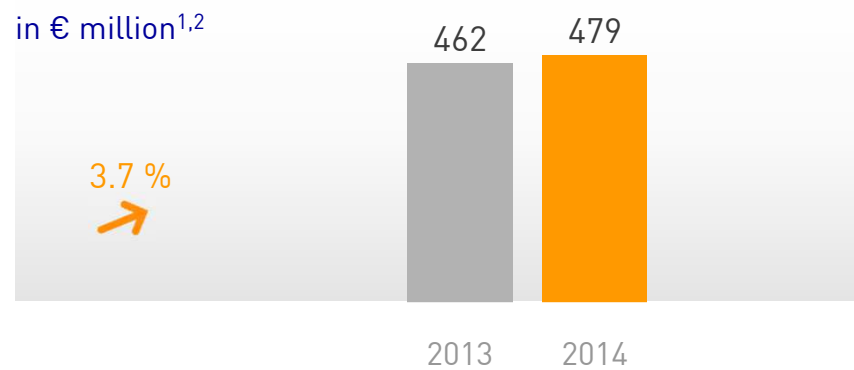
## Adjusted EBITDA

in € million<sup>1</sup>



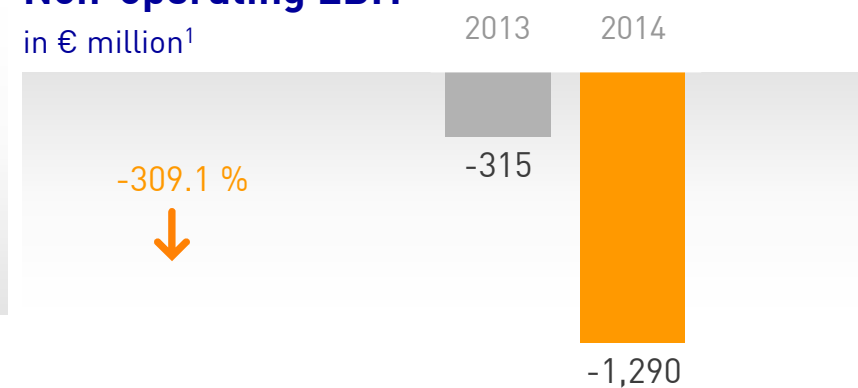
## Adjusted group net profit

in € million<sup>1,2</sup>



## Non-operating EBIT

in € million<sup>1</sup>

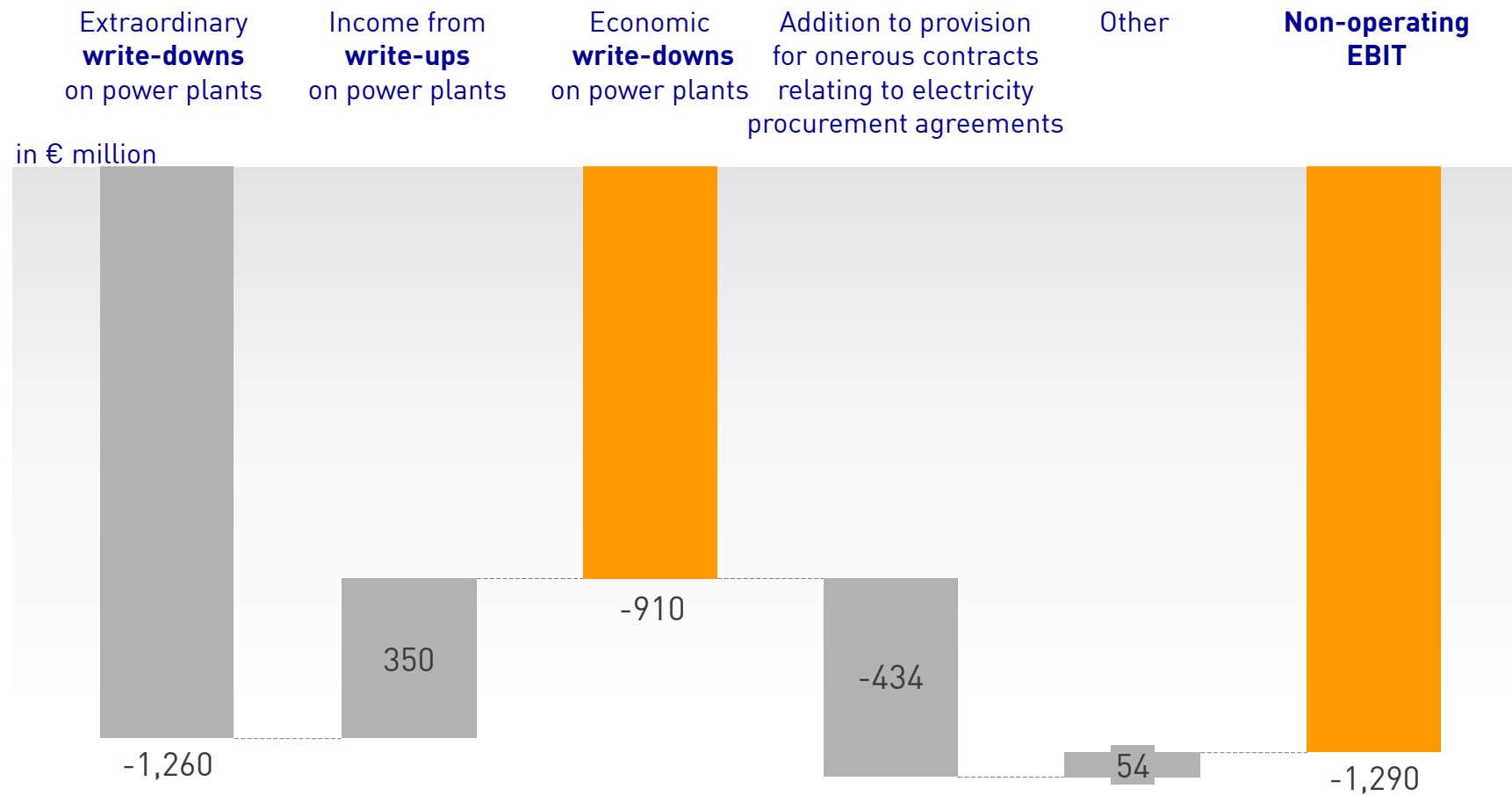


<sup>1</sup> Prior-year figures restated

<sup>2</sup> Of which profit/loss shares attributable to the shareholders of EnBW AG



# Non-operating EBIT in detail



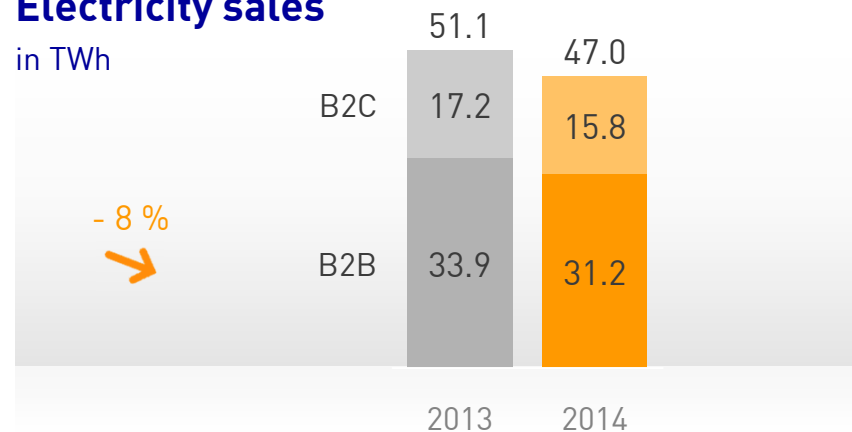


## Sales Segment – Profitability slightly below expectations



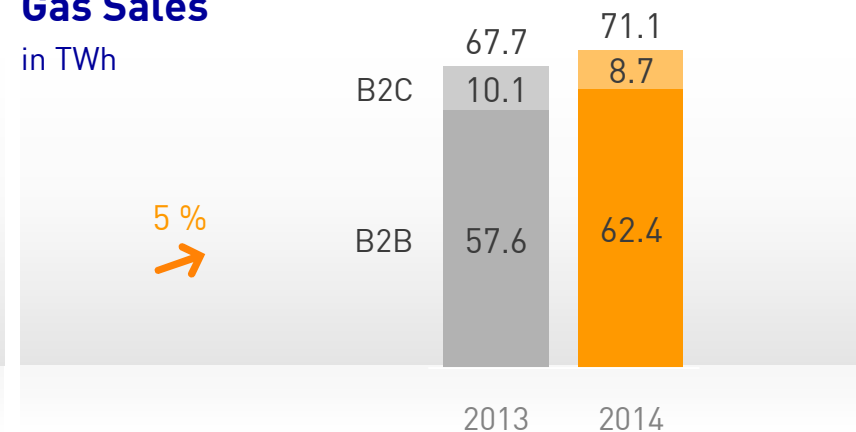
### Electricity sales

in TWh



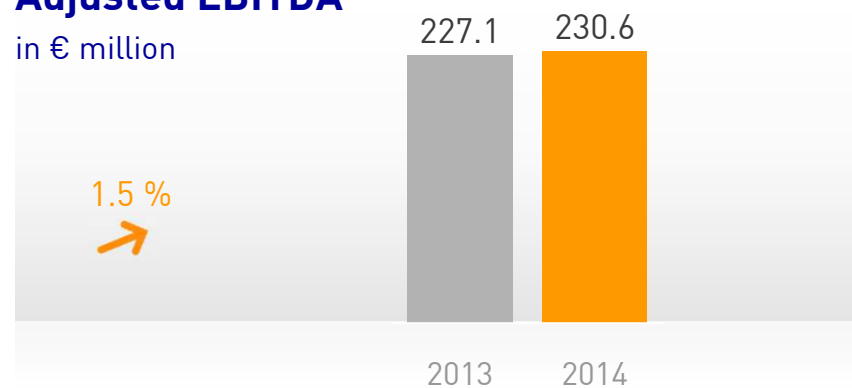
### Gas Sales

in TWh



### Adjusted EBITDA

in € million



### Key messages

- > Positive earnings development of electricity sales: Optimisation measures in the customer portfolio (EnBW 2020 strategy) and cost efficiency measures
- > Negative earnings development in gas sales: Extraordinary high temperatures, especially in Q4
- > Earnings from the increased marketing of decentralised solutions below expectations, particularly in Q4 2014
- > Investments: € 76.4m, above prior-year level (€ 56.8m)

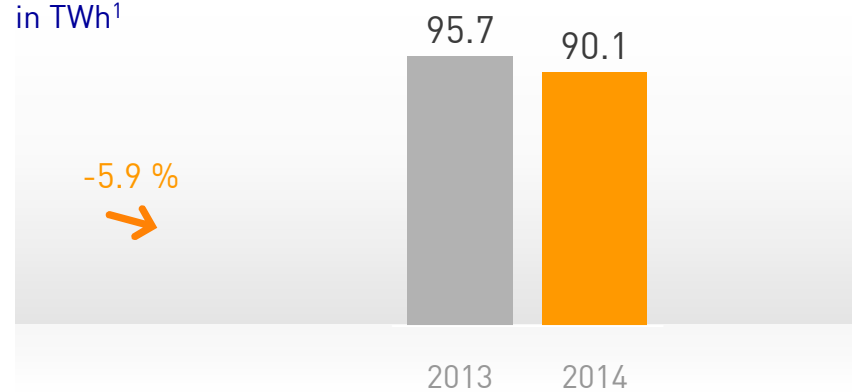


## Grids Segment – Weather-related lower transmission volumes



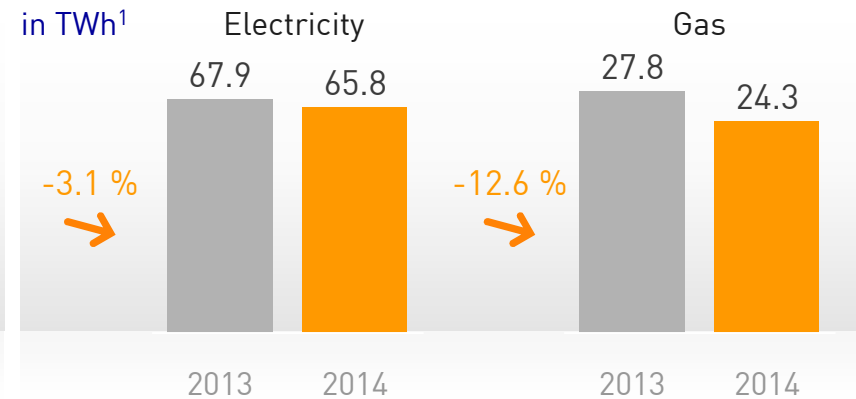
### Transmission volume

in TWh<sup>1</sup>



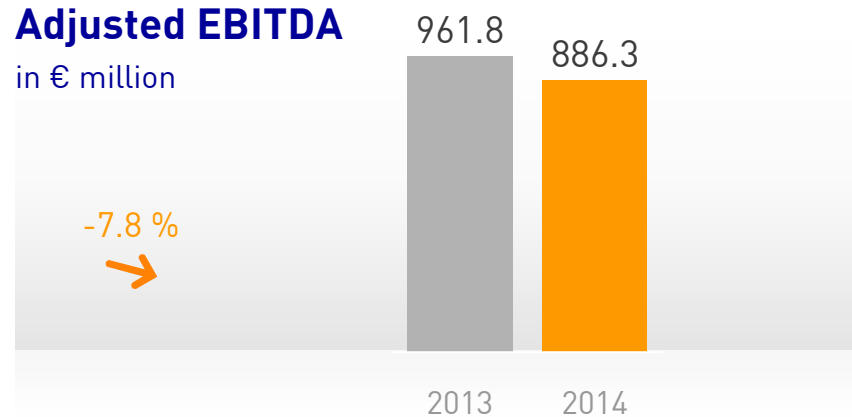
### Development of transmission volumes

in TWh<sup>1</sup>



### Adjusted EBITDA

in € million



### Key messages

- > Transmission volumes decreased due to the milder temperatures
- > Positive extraordinary items from the preceding regulatory period in 2013 no longer applied
- > Investments: With € 521.6m 12.9% above 2013 (€ 462m)

<sup>1</sup> Distribution only

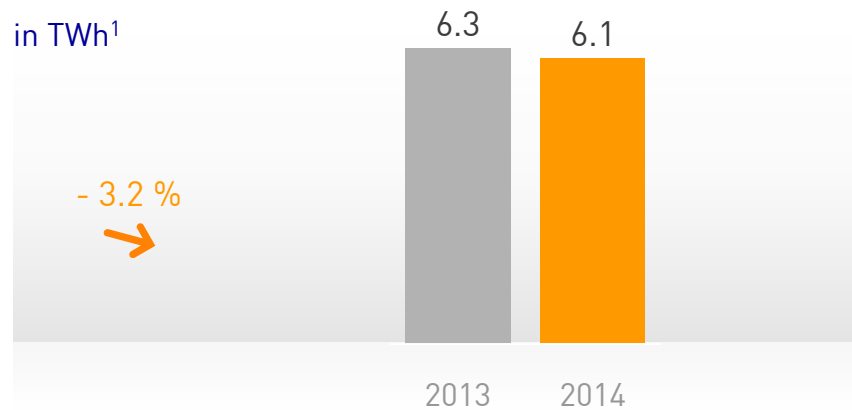


# Renewable Energies Segment – EBITDA driven by the delayed ramp-up of Baltic 2



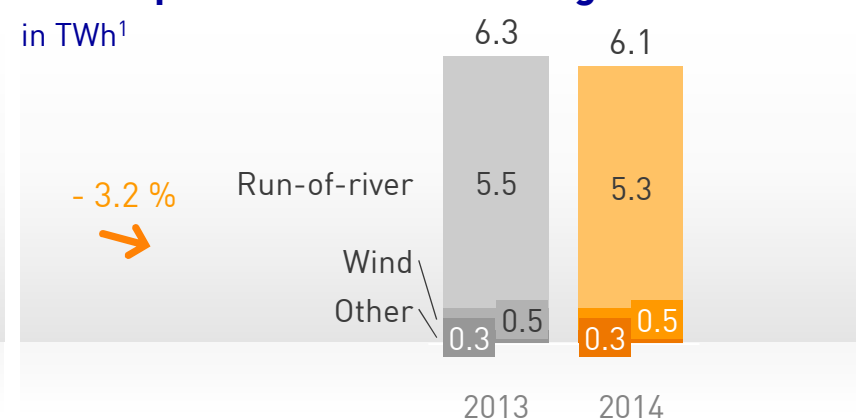
## Generation volume

in TWh<sup>1</sup>



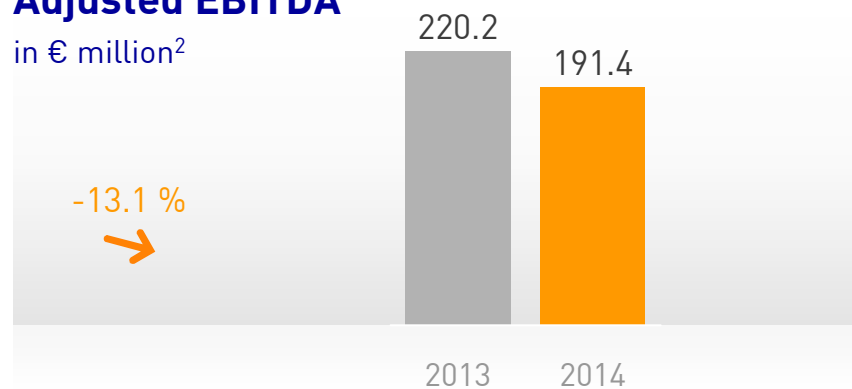
## Development of renewables generation mix

in TWh<sup>1</sup>



## Adjusted EBITDA

in € million<sup>2</sup>



## Key messages

- > Delayed commissioning of offshore wind farm EnBW Baltic 2, which will start operating in 2015
- > Lower electricity generation and negative price effects led to a decline in adjusted EBITDA from run-of-river power plants
- > Wind-related higher earnings from Baltic 1 and commissioning of new onshore wind facilities
- > Construction of our offshore wind park Baltic 2 doubled investments to € 610.8m compared to 2013 (€ 316.5m)

<sup>1</sup> Includes long-term procurement agreements and generation from partly owned power stations; the figures indicated are taken from the segments; segment excludes generation from pump storage plants that is associated in the generation and trading segment; <sup>2</sup> Prior-year figures restated

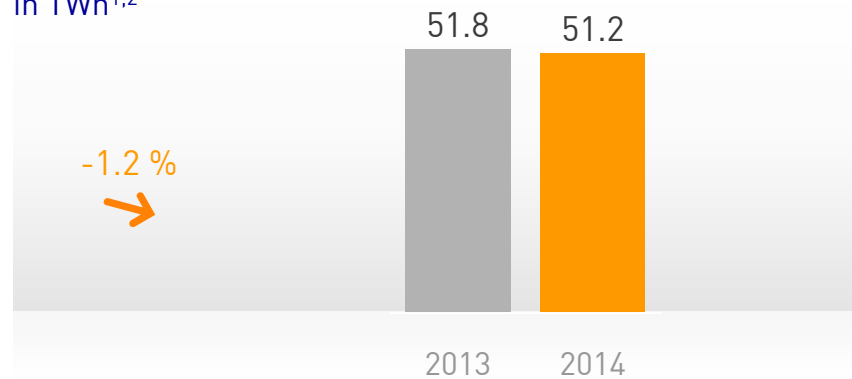


# Generation & Trading Segment – Challenging environment compensated



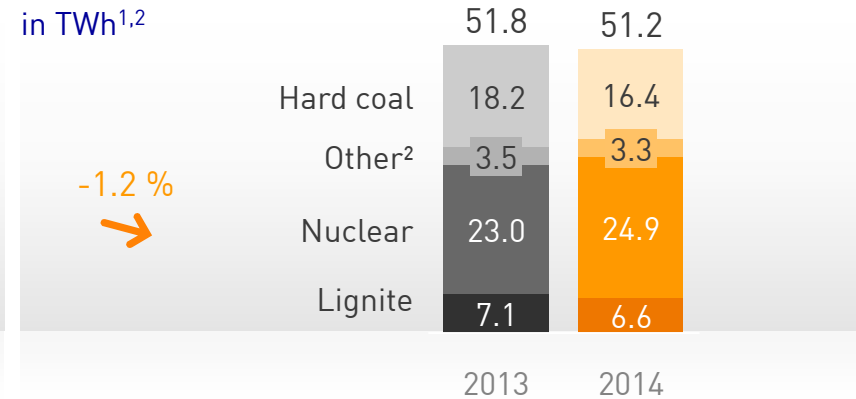
## Conventional & nuclear generation volume

in TWh<sup>1,2</sup>



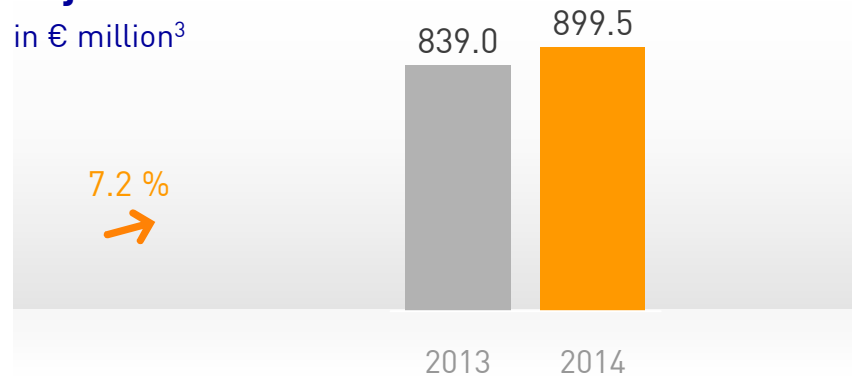
## Development of fossil generation mix

in TWh<sup>1,2</sup>



## Adjusted EBITDA

in € million<sup>3</sup>



## Key messages

- > Increased margin due to commissioning of RDK8 with significantly increased efficiency
- > Ordinance on Reserve Power Plants: cost reimbursement in second half of the year
- > Significantly increased earnings effects from efficiency measures
- > Investments: € 476.5m, significantly higher than 2013 (€ 207.4m). Main investments were RDK 8 and CCGT in Düsseldorf

<sup>1</sup> Includes long-term procurement agreements and generation from partly owned power stations; the figures indicated are taken from the segments

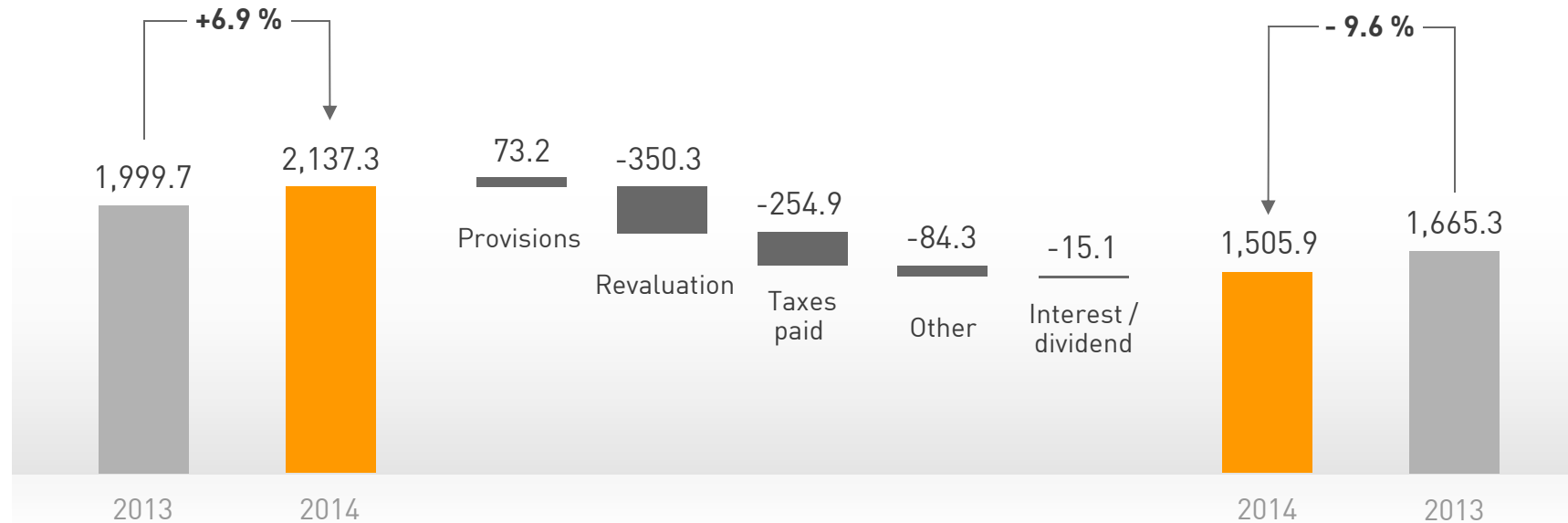
<sup>2</sup> Segment includes pump storage plants; <sup>3</sup> Prior-year figures restated

# Decline in FFO mainly attributable to Adjusted EBITDA development



## EBITDA

in € million<sup>1</sup>



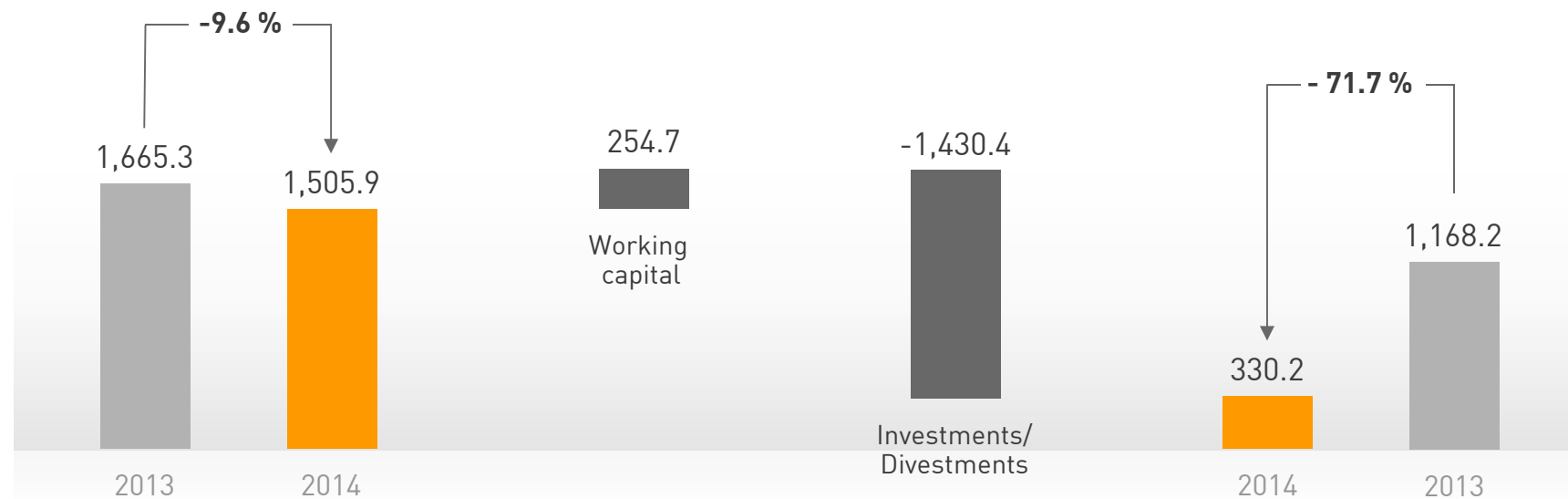
<sup>1</sup> Prior-year figures restated

# Free cash flow driven by higher capex



## FFO

in € million<sup>1</sup>



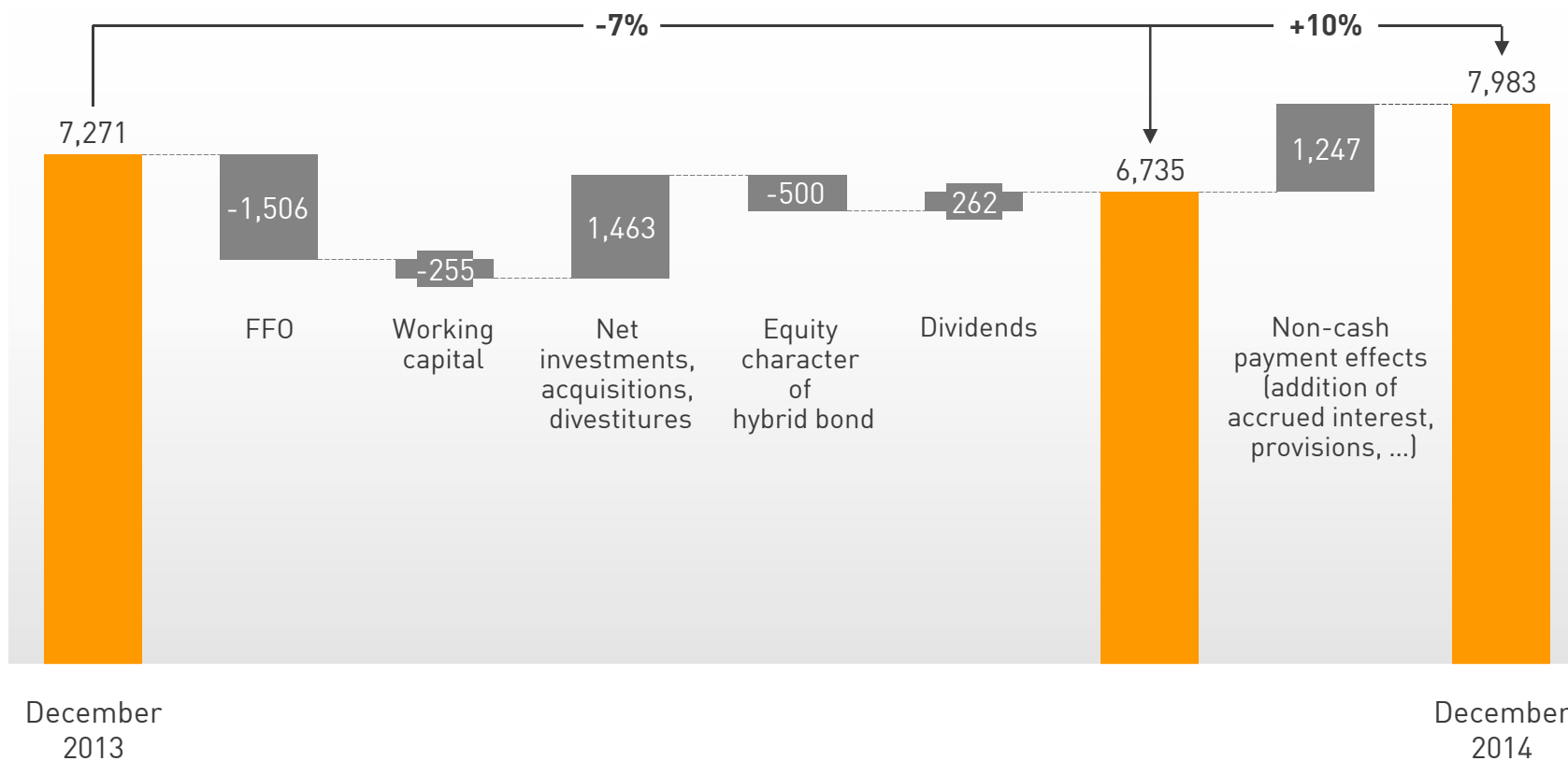
<sup>1</sup> Prior-year figures restated

# Increased net present value of provisions counter-balanced adjusted net debt reduction



## Adjusted Net Debt

in € million<sup>1</sup>



<sup>1</sup> Prior-year figures restated



# Outlook 2015 on group level with slight decrease



## Adjusted EBITDA

	2014	Outlook 2015 <sup>1</sup>	
<b>Group</b>	<b>€ 2,167 million</b>	<b>0 % to -5 %</b>	<b>↘</b>
Sales	€ 231 million	+10 % to +20 %	↗
Grids	€ 886 million	0 % to -10 %	↘
Renewable Energies	€ 191 million	> 20%	↗
Generation and Trading	€ 900 million	-15 % to -25 %	↘

<sup>1</sup> In comparison with adjusted EBITDA 2014

Our 2015 priorities are clear:  
execution, execution, execution

### Investments

- › Continued investments in our dedicated areas of growth
  - Renewables
  - Grids
  - Sales



### Growth

- › Consideration of focused M&A in our areas of growth



## 2015 EXECUTION of our strategy

### Renewal

- › Review and renewal of our Sales and Marketing organisation



### Efficiency

- › Relentless focus on efficiency

# Focusing on the generation of stable cash flows, EnBW maintains its path



## Start of transforming the business model already in 2013

- > Recovery of the group's profitability
- > Back to ~ € 2.4 billion adjusted EBITDA in 2020

2013

## Implementation of Strategy 2020

### Progress of investments and divestitures as of 31.12.2014

- > € 3.9 billion investments (until 2020: € 14.1bn)
- > €1.3 billion divestitures (until 2020: € 5.1bn)

### Rating

- > Current ratings of all three agencies in the A category
- > Financial strategy is based on safeguarding EnBW's strong credit rating

2020

## Strategy 2020

- > Expansion of renewable energies, of regulated grids business as well as sales
- > Share of low risk business of more than 70 % in 2020

# Questions & Answers >



# Appendix



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- › IR contacts ..... Page 31

# Non-operating result



## Non-operating result

in € million<sup>1</sup>

	2014	2013
Income/expenses relating to nuclear power	-30.1	-119.4
Income from the release of other provisions	36.4	126.3
Result from divestitures	96.3	34.6
Addition to the provision for onerous contracts relating to electricity procurement agreements	-433.6	-211.0
Earnings from write-ups	350.3	0.4
Restructuring	-45.0	-13.7
Other non-operating result	-4.4	-42.2
<b>Non-operating EBITDA</b>	<b>-30.1</b>	<b>-225.0</b>
Unscheduled write-downs	-1,260.3	-90.4
<b>Non-operating EBIT</b>	<b>-1,290.4</b>	<b>-315.4</b>
Non-operating investment result	-47.8	-18.6
Non-operating financial result	-92.6	-271.3
Non-operating income taxes	473.8	166.1
<b>Non-operating group net loss</b>	<b>-957.0</b>	<b>-439.2</b>
of which profit/loss shares attributable to non-controlling interests	(-26.9)	(-27.9)
of which profit/loss shares attributable to the equity holders of EnBW AG	(-930.1)	(-411.3)

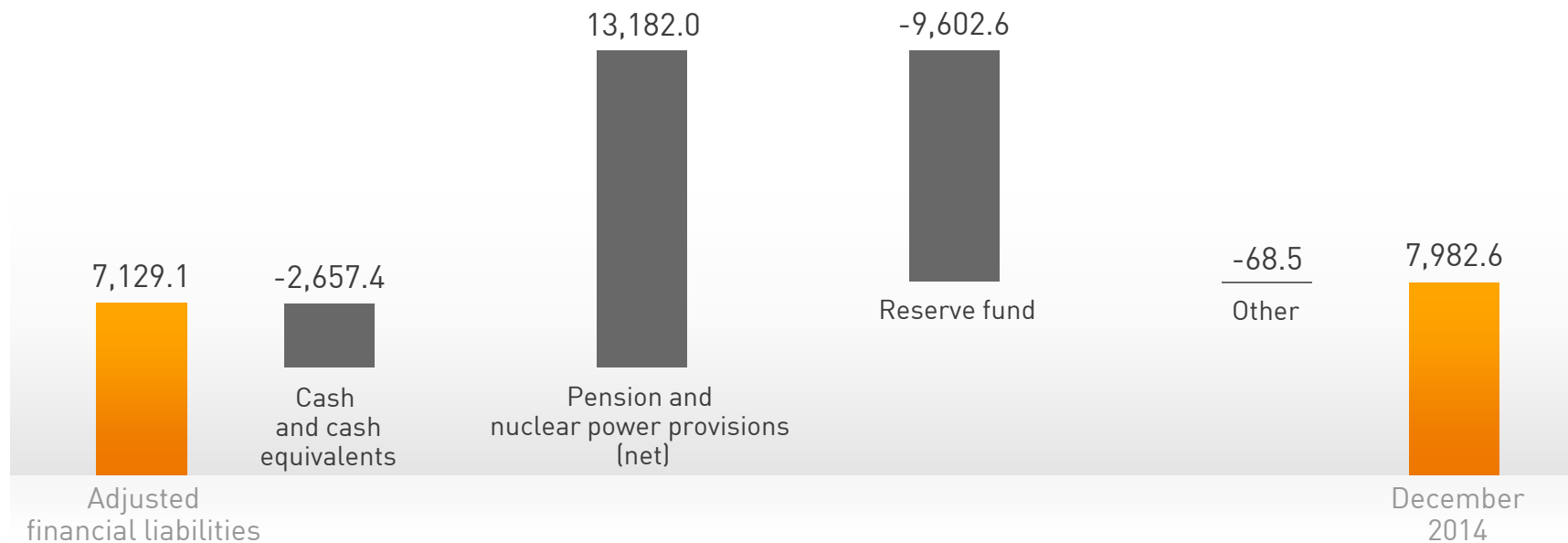
<sup>1</sup> Prior-year figures restated

# Calculation of adjusted net debt



## Adjusted Net Debt

in € million

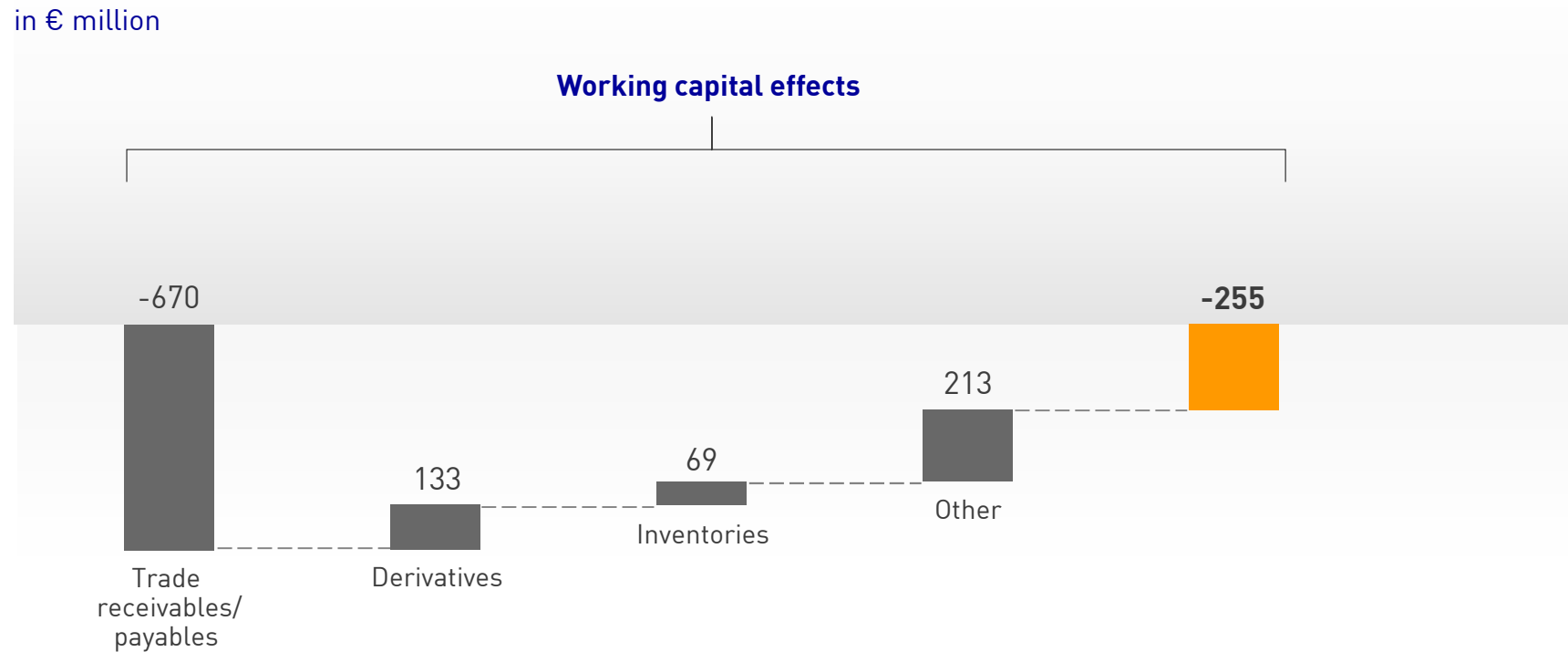


Change in working capital mainly due to decrease in trade receivables/payables



### Change in working capital 2014

in € million





# Income statement



## Income

in € million<sup>1</sup>

	2014	2013	Variance
Revenue	21,002.5	20,544.8	457.7
Changes in inventories/own work capitalised	93.5	56.6	36.9
Cost of materials	-17,511.7	-17,078.0	-433.7
Personnel expenses	-1,620.2	-1,536.6	-83.6
Other operating income/expenses	173.2	12.9	160.3
<b>EBITDA</b>	<b>2,137.3</b>	<b>1,999.7</b>	<b>137.6</b>
Amortisation and depreciation	-2,137.2	-975.6	-1,161.6
<b>EBIT</b>	<b>0.1</b>	<b>1,024.1</b>	<b>-1,024.0</b>
Investment and financial result	-609.8	-853.4	243.6
<b>EBT</b>	<b>-609.7</b>	<b>170.7</b>	<b>-780.4</b>
Income tax	222.1	-48.4	270.5
<b>Group net profit/loss</b>	<b>-387.6</b>	<b>122.3</b>	<b>-509.9</b>
of which profit/loss shares attributable to non-controlling interests	(63.1)	(71.3)	(-8.2)
of which profit/loss shares attributable to the equity holders of EnBW AG	(-450.7)	(51.0)	(-501.7)

<sup>1</sup> Prior-year figures restated

# Cash flow statement



## Free cash flow

in € million<sup>1</sup>

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

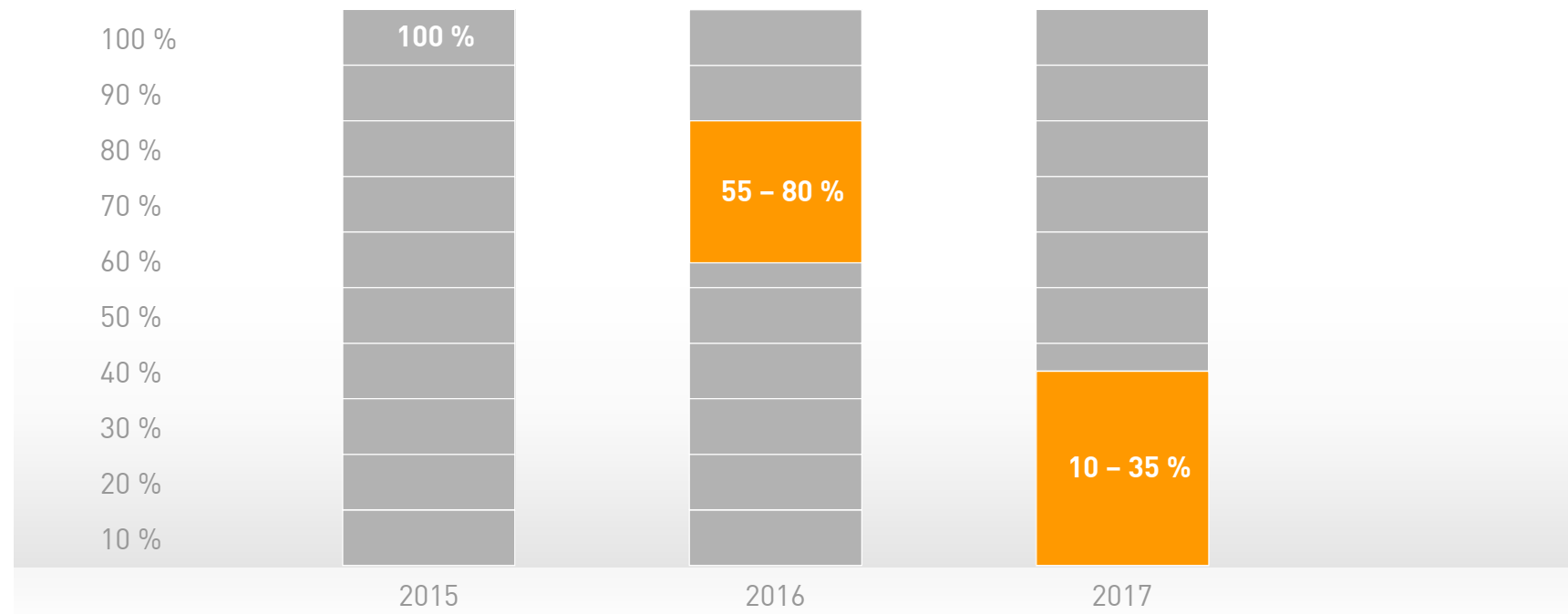
<sup>1</sup> Prior-year figures restated

# Hedge levels



## Hedge levels<sup>1</sup>

in %



<sup>1</sup> As of 29 December 2014

# EnBW's flexible access to financing sources supports its strong liquidity position



## Commercial paper programme

- > **€ 2.0 billion**  
(undrawn as of 31 Dec 2014)

## Syndicated loan facility

- > **€ 1.5 billion**  
(undrawn as of 31 Dec 2014)

## Bilateral short-term lines o. credit

- > **€ 352 million**  
(undrawn as of 31 Dec 2014)

## Euro Medium Term Note prog.

- > **€ 7.0 billion**  
(€ 4.2 billion utilised as of 31 Dec 2014)

## Other measures

- > Hybrid bonds with a volume of **€ 2 billion**
- > Capital increase: **€ 822 million** (July 2012)

### Details of the syndicated loan facility:

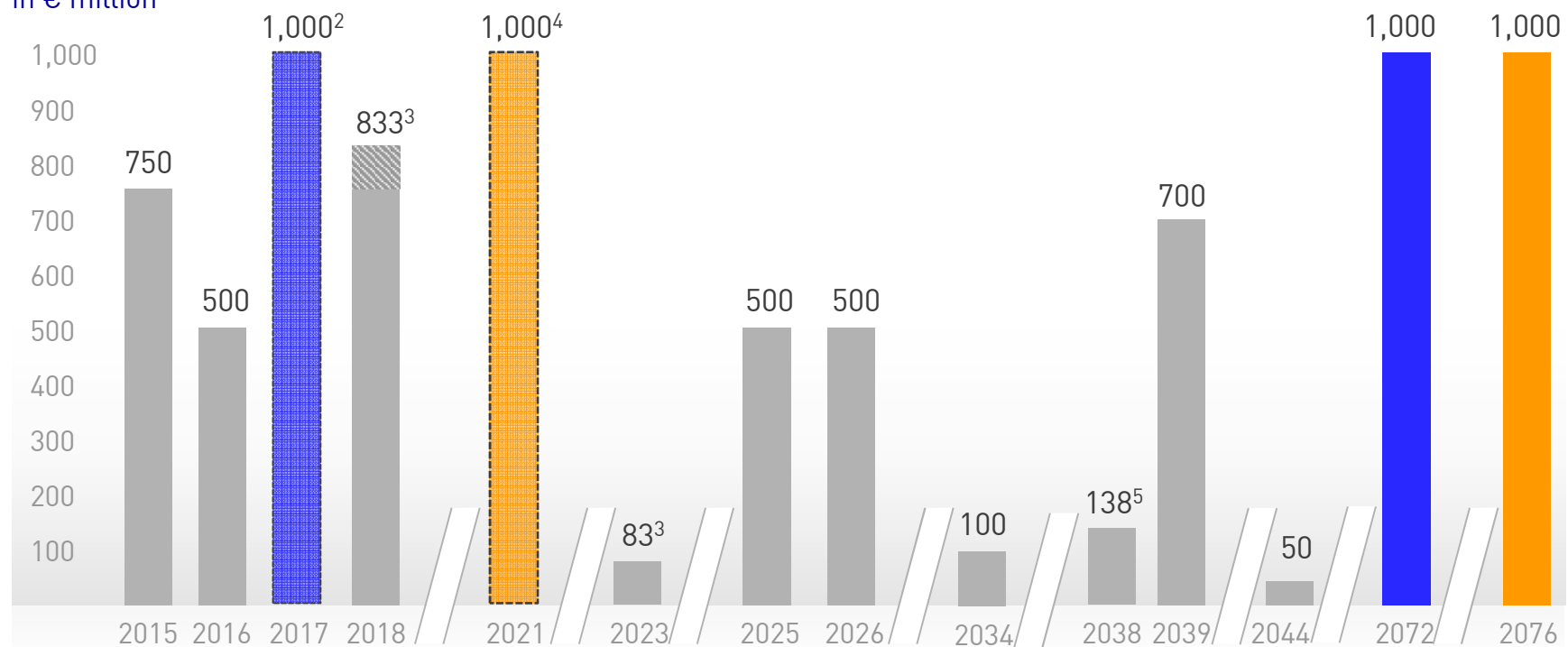
- > As of 21 July 2014 reduced facility amount of € 1.5 billion until July 2019
- > Prolongation option in 2015 respectively 2016 for a further year each until July 2021 at the latest
- > Fixed margin

# Favourable maturity profile and proactive funding puts EnBW in a comfortable financing situation



## Maturities of EnBW's bonds

in € million<sup>1</sup>



<sup>1</sup> As of 31 Dec 2014; <sup>2</sup> First call date of hybrid maturing in 2072; <sup>3</sup> Including CHF 100m converted as of the reporting date 31 Dec 2014; <sup>4</sup> First call date of hybrid maturing in 2076; <sup>5</sup> Nominal with conversion as of the reporting date 31 Dec 2014

- > **17 March 2015** ..... Annual report: January–December 2014  
Conference time: 15:00 CET
  
- > **29 April 2015** ..... Annual General Meeting 2015
  
- > **12 May 2015** ..... Interim report: January–March 2015  
Conference time: 15:00 CET
  
- > **30 July 2015** ..... Interim report: January–June 2015  
Conference time: 15:00 CET
  
- > **13 November 2015** ..... Interim report: January–September 2015  
Conference time: 15:00 CET

## EnBW IR contacts



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