Conference call on financial year 2013

EnBW Energie Baden-Württemberg AG

Karlsruhe, 7 March 2014
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Business environment remains difficult and further devalues fossil generation capacities

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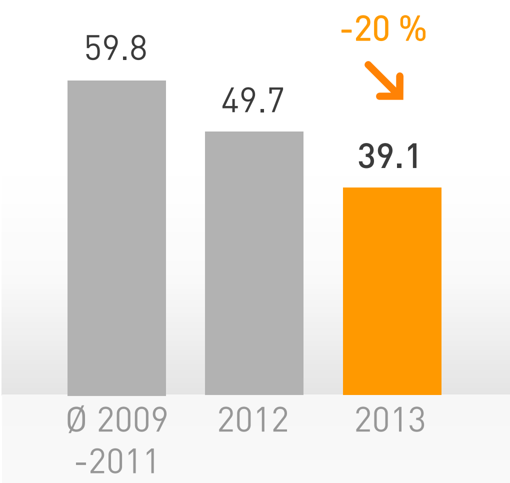
Electricity price

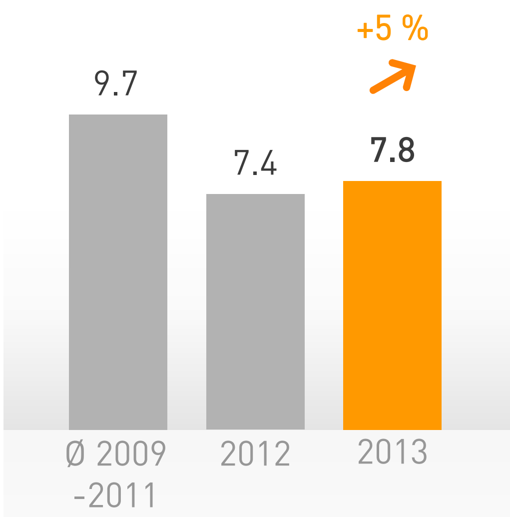
€/MWh



Average prices: EEX forward market baseload product ("Base"), 2014

Coal margin

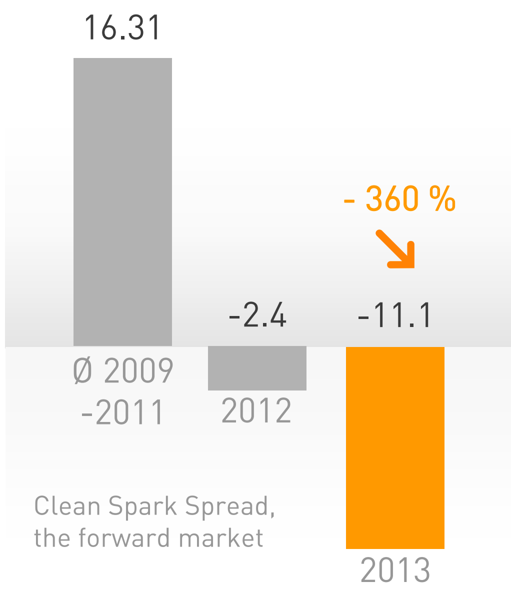
€/MWh



Clean Dark Spread, the forward market

Gas margin

€/MWh



Clean Spark Spread, the forward market

Energy sector 2013 – main aspects

Back up capacities: legal framework

- Obligation to intent of decommissioning power plants - possibility of prohibitions on decommissioning
- Obligation to continue operating systemically relevant power plants

Site Selection Act for a final repository for radioactive waste

- New search procedure, taking account of Gorleben, necessitates high provisioning
- Major aspects affecting the return of reprocessing waste remain unclear

European emissions trading for CO_2 allowances

- Excess supply of allowances causes prices to decline, no effective incentive to reduce CO2 intensity
- Decision on backloading 0.9 billion allowances

Expansion of renewable energies

- In 2013, installation of 3,3 GW photovoltaic and 3,0 GW wind capacities in Germany
- High surplus capacities put profitability of conventional power plants under significant pressure

Decline in electricity sales continues – opposite trend in gas sales

Sales figures in billions of kWh

	2013	2012[1]	Delta
Electricity sales	128.0	135.6	-5.6 % ↘
Retail customers (B2C)	17.2	18.1	-5.0 % ↘
Industry and redistributors (B2B)	36.3	42.6	-14.8 % ↘
Trading	74.5	74.9	-0.5 % ↘

	2013	2012[1]	Delta
Gas sales	100.0	73.1	36.8 % ↗
Retail customers (B2C)	10.1	9.2	9.8 % ↗
Industry and redistributors (B2B)	57.6	48.6	18.5 % ↗
Trading	32.3	15.3	111.1 % ↑

[1] Prior-year figures restated

Summary of financial year 2013 – in line with expectations

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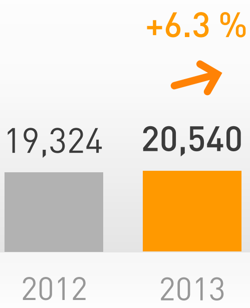
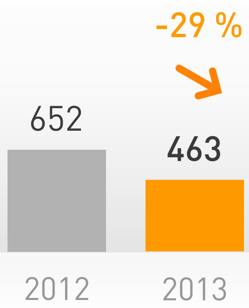
Revenue

in € million[1]



Adjusted group net profit

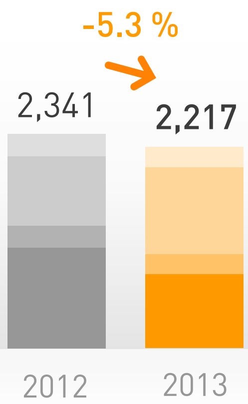
in € million[1]



Adjusted EBITDA

in € million [1,2]

	2012	2013
Sales	241	227
Grids	773	962
Renewables	239	216
Generation & Trad.	1,125	835



Non-operating EBITDA

in € million[1]

[1] Prior-year figures restated; [2] includes consolidation and valuation effects from derivatives (IAS 39)

Sales Segment

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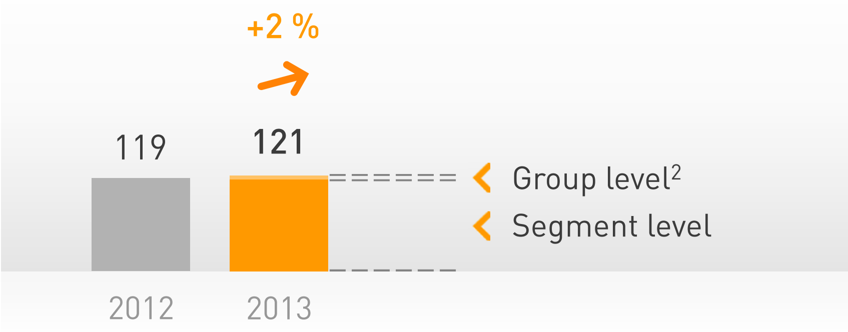
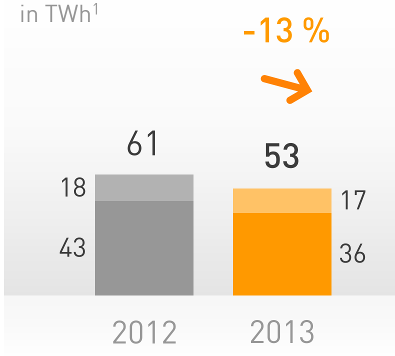
Sales

in TWh[1]



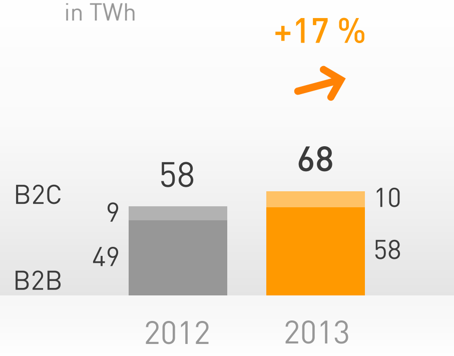
Electricity sales

in TWh[1]



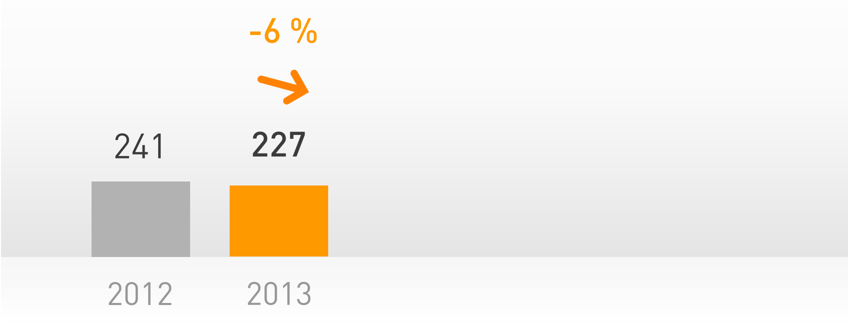
Gas sales

in TWh



Adjusted EBITDA

in € Mio.[1]



Key messages

- Declining electricity sales due to increasing competition and discontinuation of unprofitable B2B-contracts
- Upturn in gas sales owing to strong B2B business and gas midstream business
- Lower margins due to higher gas purchase prices reduced earnings
- Investments: at € 57m, slightly above year-earlier level (€ 53.3m)

[1] Prior-year figures restated; [2] Includes sales to end customers of ~ 2% (2.5 TWh) which are allocated to other segments

Grids Segment

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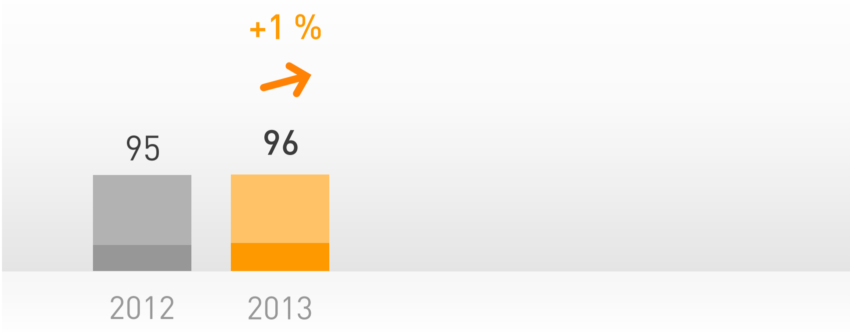
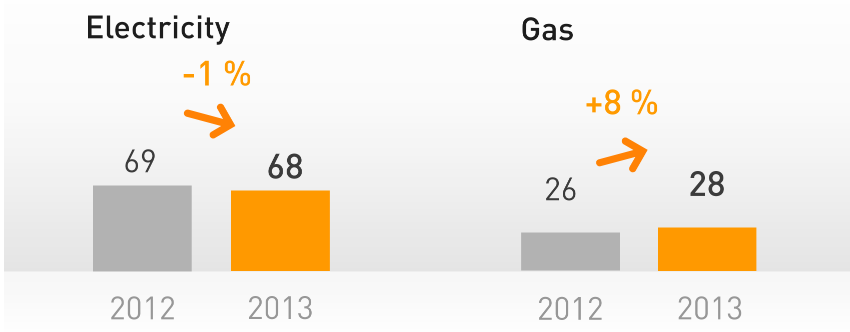
Transmission volume

in TWh[1]



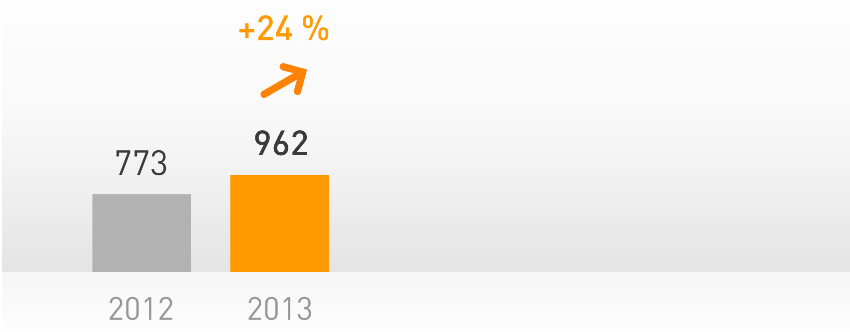
Development of transmission volumes

in TWh[1]



Adjusted EBITDA

in € Mio.[2]



Key messages

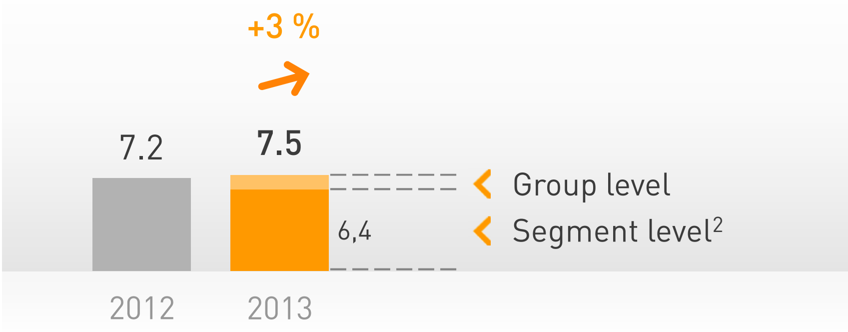
- Slight increase in total transmission volume due to higher gas transmission volume
- Higher network user charges lead to growth in Adjusted EBITDA.
- Investments at € 462m considerably higher than prior year's level (€ 391m)

[1] Distribution only; [2] Prior-year figures restated

Renewable Energies Segment

Generation

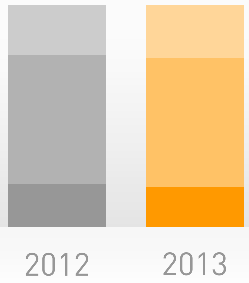
in TWh[1,2]



Development of renewables generation mix

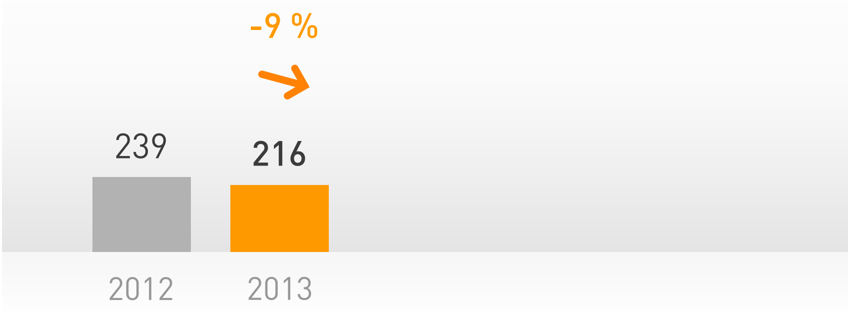
in TWh[1,2]

	2012	2013
Run-of-river	5,4	5,7
Wind	0,5	0,5
Other	0,4	0,3



Adjusted EBITDA

in € Mio.[3]



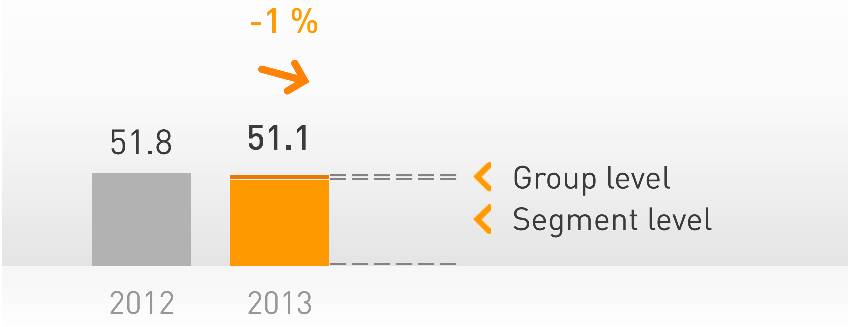
Key messages

- Increased generation volume due to favourable weather conditions, especially for run-of-river plants
- Lower margins lead to a decline in Adjusted EBITDA.
- The construction of our offshore wind park Baltic 2 significantly increased investments to € 305m compared to the prior year's level (€ 122m)

[1] Includes long-term procurement agreements and generation from partly owned power stations,
[2] Segment level excludes generation from pump storage plants that is associated in the generation and trading segment; [3] Prior-year figures restated

Conventional & nuclear generation

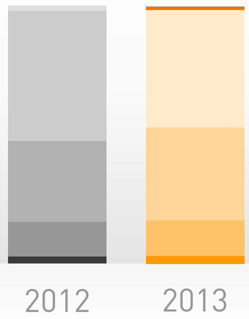
in TWh[1,2]



Development of fossil generation mix

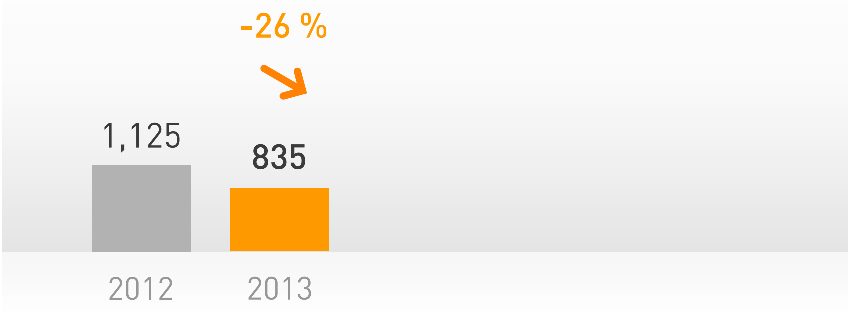
in %

	2012	2013
Gas	2	1
Nuclear	50	45
Hard coal	31	36
Lignite	13	14
Other[2]	4	4



Adjusted EBITDA

in € Mio.[3]

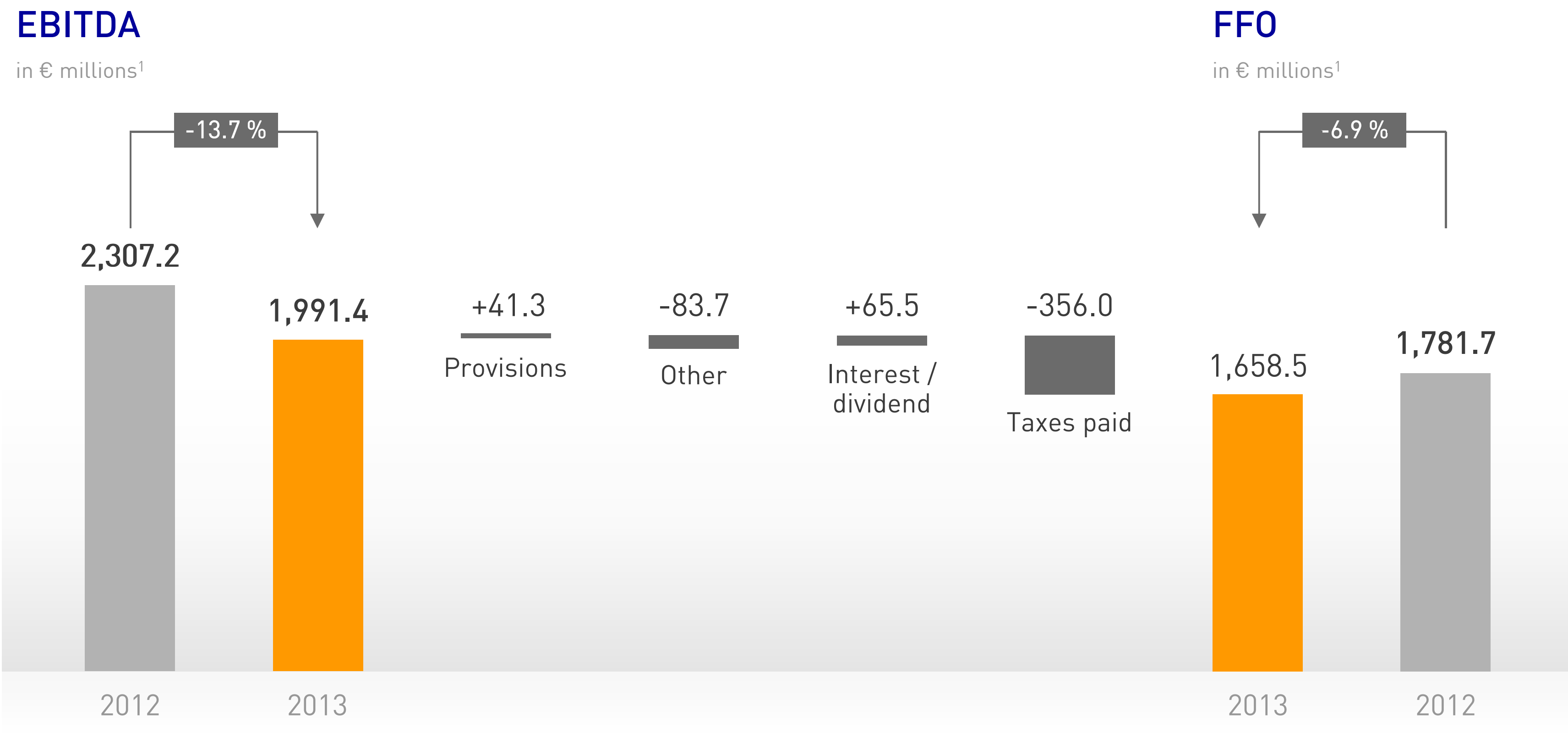


Key messages

- Slight decline in generation volume. Higher utilisation of coal-fired plants was unable to fully compensate for lower deployment of nuclear power plants
- Falling electricity prices on wholesale markets and the full auctioning of CO2 allowances lead to a decline in Adjusted EBITDA.
- Investments at € 206m, a reduction of 13.5 % compared to 2012. Main investments are RDK 8 and the CCGT in Düsseldorf.

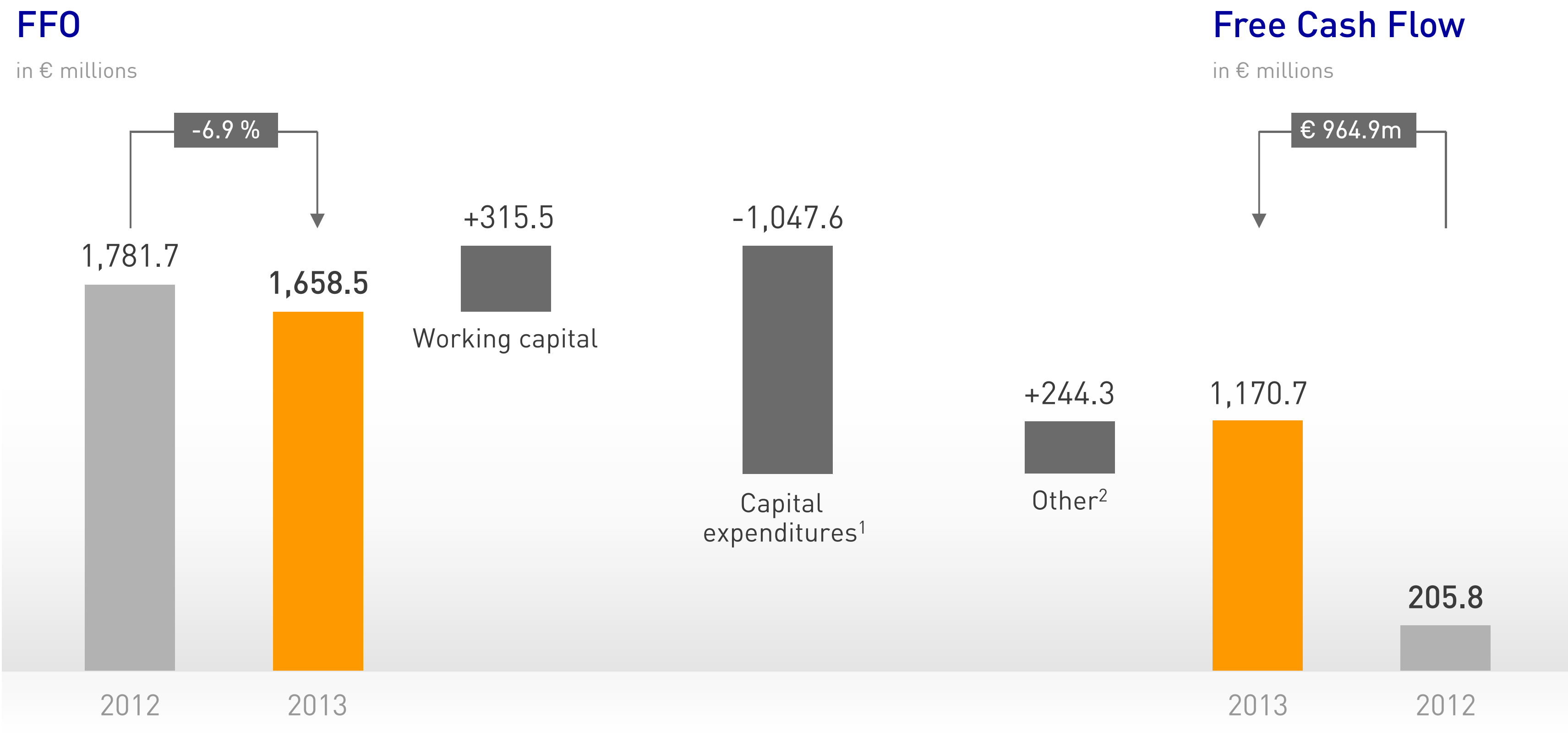
[1] Includes long-term procurement agreements and generation from partly owned power stations;
[2] Group-level includes pump storage plants (~3% of total generation); [3] Prior-year figures restated; includes valuation effects from derivatives (IAS 39)

Decline in FFO due to the lower level of EBITDA and higher taxes paid



[1] Prior-year figures restated

Free cash flow improved despite higher capital expenditures

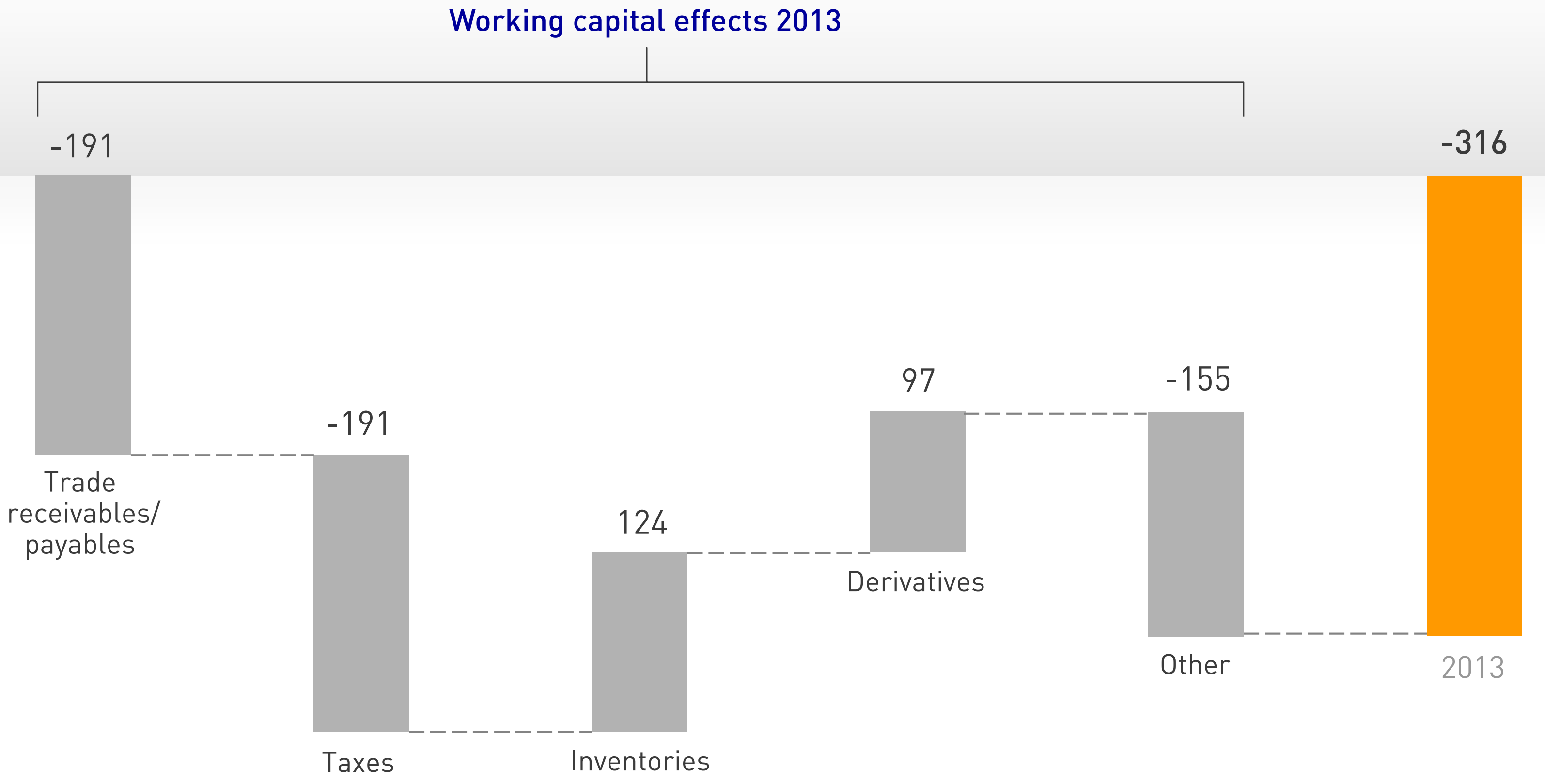


[1] For intangible assets and property, plant and equipment; [2] Cash received from disposals of intangible assets and property, plant and equipment, as well as cash received from construction costs and investment subsidies

Decline in working capital mainly due to lower trade receivables/payables

Change in working capital 2013

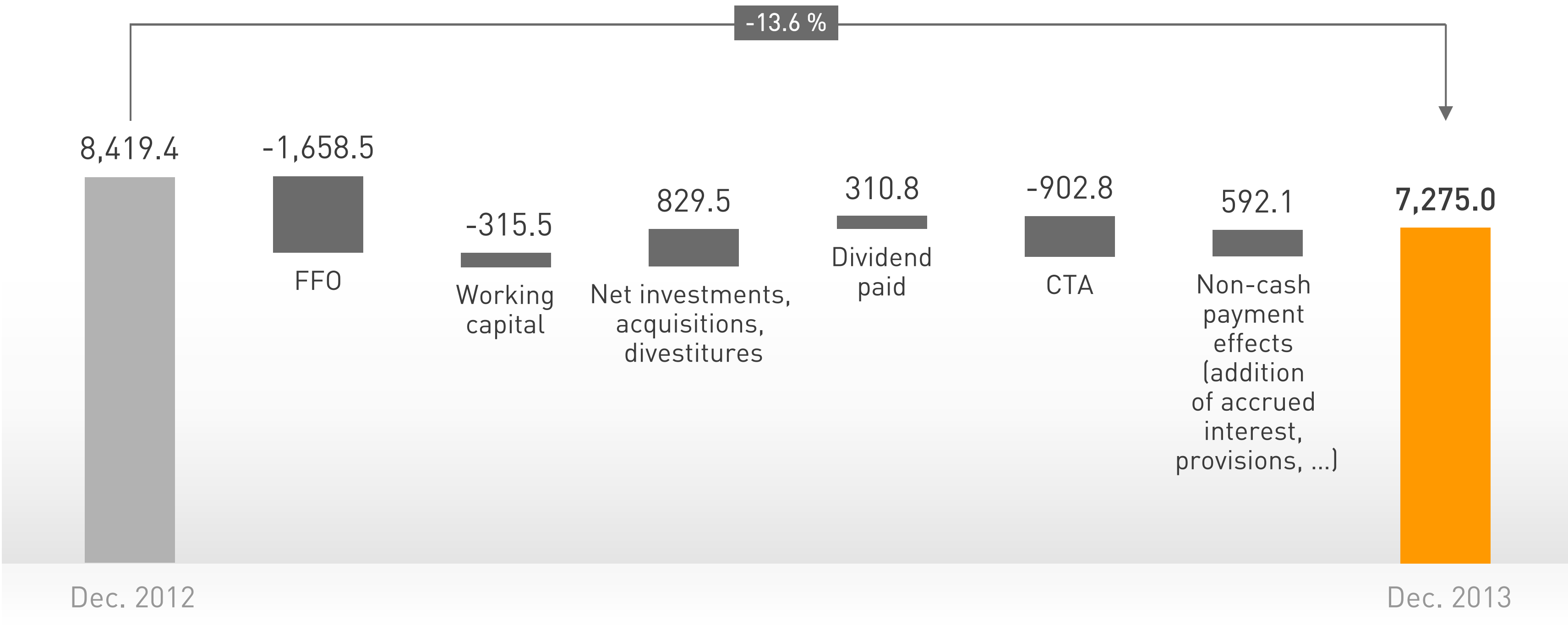
in € millions



Notable reduction in adjusted net debt

Adjusted Net Debt

in € millions[1]



[1] Prior-year figures restated

Key facts for FY 2013

Operating performance

- €624 million reduction of accountable cost achieved by the end of 2013 ✓
- Target of €750 m will be overachieved by the end of 2014 ✓

Financial performance

- Net debt ratio down to 3.28x ✓
- Reduced dividend proposal of € 0.69 per share ✓

Rating affirmation

- Moody's: A3 rating/Outlook negative (15 October 2013) ✓
- S&P: A-/Outlook stable (23 October 2013) ✓

Outlook for the financial year 2014: Marginal decline in profit

Adjusted EBITDA

	2013	Outlook[1]
Sales	€ 227 million	+10 % to +20 % ↗
Grids	€ 962 million	-5 % to -15 % ↘
Renewable Energies	€ 216 million	+5 % to +15 % ↗
Generation and Trading	€ 835 million	0 % to -5 % →
Group	**€ 2,217 million**	**0 % to -5 %** →

[1] In comparison with adjusted EBITDA 2013

Energy policy: German Renewables Energy Act (EEG) reform, urgent action required for conventional power plant economies

- **Back Up capacities – legal framework**: cost reimbursement for systemically relevant power plants
- **Market design**: EnBW favours "strategic reserve concept in the short term"
- **Permanent capacity mechanism**: to be developed in the medium term, clear preference for a market-oriented regional solution

- **Draft of EEG reform:** right direction , some adjustments required
- **Positive**: introduction of mandatory direct selling mechanism of renewables production
- **Room for improvement**: remuneration levels for onshore wind from portfolio standpoint; grid expansion conditions for offshore wind

- **Implementation of the network development plan** centrally for supply reliability "south of the Main river"
- **Promoting of smart grid technologies** for swift expansion and upgrading of the distribution grids owing to installation of local power production

Implementation of the strategic renewal initiated in 2013

Renewed strategy, new structure, new corporate culture

- EnBW 2020 Strategy developed and defined on corporate and business unit level ✓
- New corporate structure approved and implementation under way ✓
- Guidelines defined for a new "ONE EnBW" corporate culture ✓

Performance orientation

- "Focus" efficiency programme accelerated; overachievement compared even to accelerated plan ✓
- Introduction of a focused performance management process ✓

Key areas and objectives in 2014: Further targeted improvements in performance and efficiency as an ongoing task

- Optimisation of the corporate structures and processes
- Profitability of the conventional generation segment
- Sales activities: focus, growth and efficiency
- Continious improvement

Objective: sustainable performance and efficiency enhancement by a three-digit million earnings improvement p.a. by 2020

Key areas and objectives in 2014: Operating activities

Engine room of the Energiewende

Conventional power generation
- Commercial commissioning of RDK 8

Onshore wind
- Doubling of secured project pipeline to 1,000 MW and wind farm operation to 360 MW
- Significant expansion of operations in Turkey

Offshore wind
- Commissioning of the first turbines of the Baltic 2 wind farm

Customer proximity

B2B/B2C
- Expansion of energy contracting business
- Smart Home platform: rollout and advanced applications
- e-Mobility: expansion of the charging infrastructure to around 1,000 charging stations

Municipalities
- Stuttgart franchise in partnership
- Expansion of further municipal partnerships
- Four additional "Sustainable City" projects
- Regional rollout of broadband technology

Innovation
- Start of innovation management
- Launch of an Innovation Campus

Summary

- Operational profit in line with expectations in a challenging business environment,
- Strategic and cultural renewal defines clear view of future company profile
- Implementation yielding first tangible results – to be continued with discipline
- Further targeted improvements in overall efficiency and performance to come

↓

2013: The Prerequisites were created for strategic realignment created
2014: Implementation

Questions & Answers

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Appendix

Non-operating result

In € million[1]

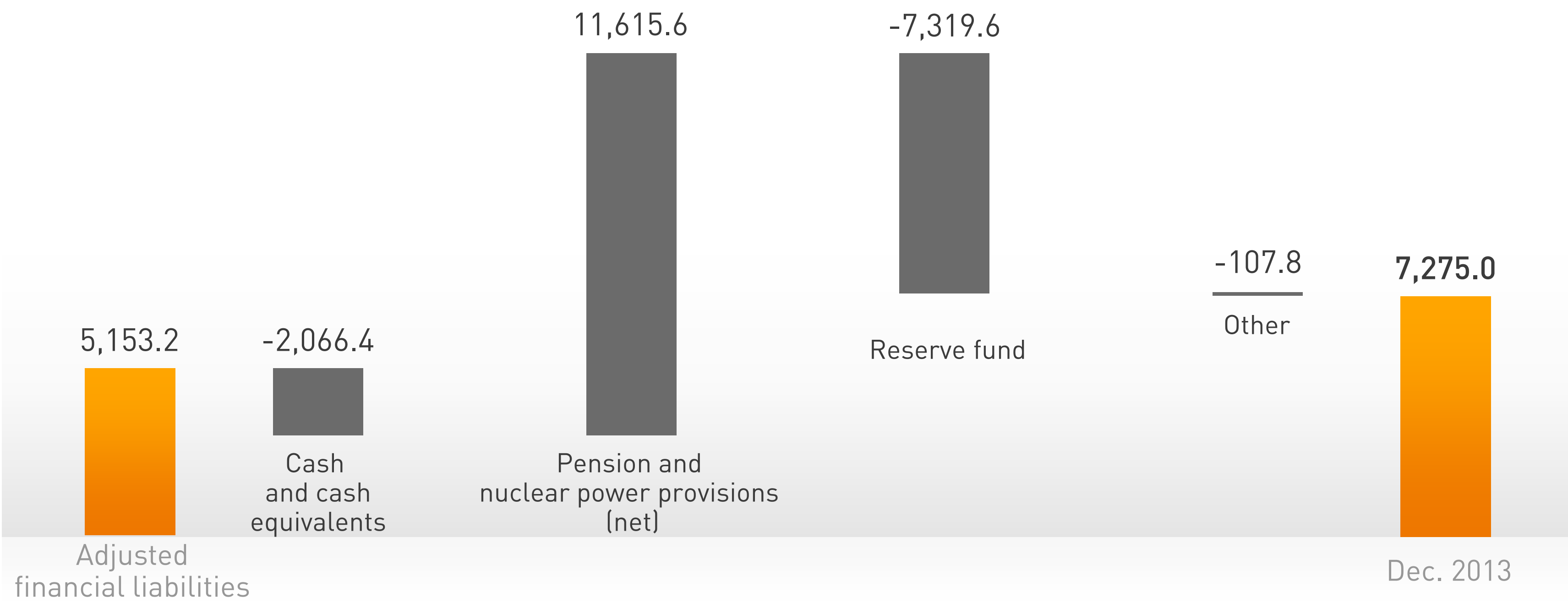
	2013	2012
Addition to the provision for onerous contracts relating to electricity procurement agreements	– 211.0	– 46.0
Income/expenses relating to nuclear power	– 119.4	– 38.5
Income from the reversal of other provisions	126.3	71.6
Disposal gains/losses	34.4	4.9
Restructuring	– 13.7	– 33.6
Other non-operating result	– 41.8	8.0
Non-operating EBITDA	**– 225.2**	**– 33.6**
Impairment losses	– 90.4	– 129.6
Non-operating EBIT	**– 315.6**	**– 163.2**
Non-operating investment result	– 18.6	– 42.5
Non-operating financial result	– 271.3	– 46.7
Non-operating income taxes	166.1	55.4
Non-operating group net loss	**– 439.4**	**–197.0**
of which loss/profit shares attributable to non-controlling interests	(– 27.9)	(– 29.4)
of which loss/profit shares attributable to the equity holders of EnBW AG	(– 411.5)	(– 167.6)

[1] The figures of the comparable period have been restated

Calculation of adjusted net debt

Adjusted Net Debt

in € millions



Income statement

In € million[1]

	2013	2012	Variance
Revenue	20,540.3	19,324.4	1,215.9
Changes in inventories/own work capitalised	56.5	33.2	23.3
Cost of materials	-17,082.1	-15,288.6	-1,793.5
Personnel expenses	-1,536.4	-1,585.2	48.8
Other operating expenses/income	13.1	-176.6	189.7
EBITDA	**1,991.4**	**2,307.2**	**-315.8**
Amortisation and depreciation	-971.0	-1,017.9	46.9
EBIT	**1,020.4**	**1,289.3**	**-268.9**
Investment and financial result	-850.5	-566.6	-283.9
EBT	**169.9**	**722.7**	**-552.8**
Income tax	-47.6	-177.1	129.5
Group net profit	**122.3**	**545.6**	**-423.3**
of which profit shares attributable to non-controlling interests	(71.3)	(61.4)	9.9
of which profit shares attributable to EnBW AG	(51.0)	(484.2)	-433.2

[1] The figures of the comparable period have been restated

Cash flow statement

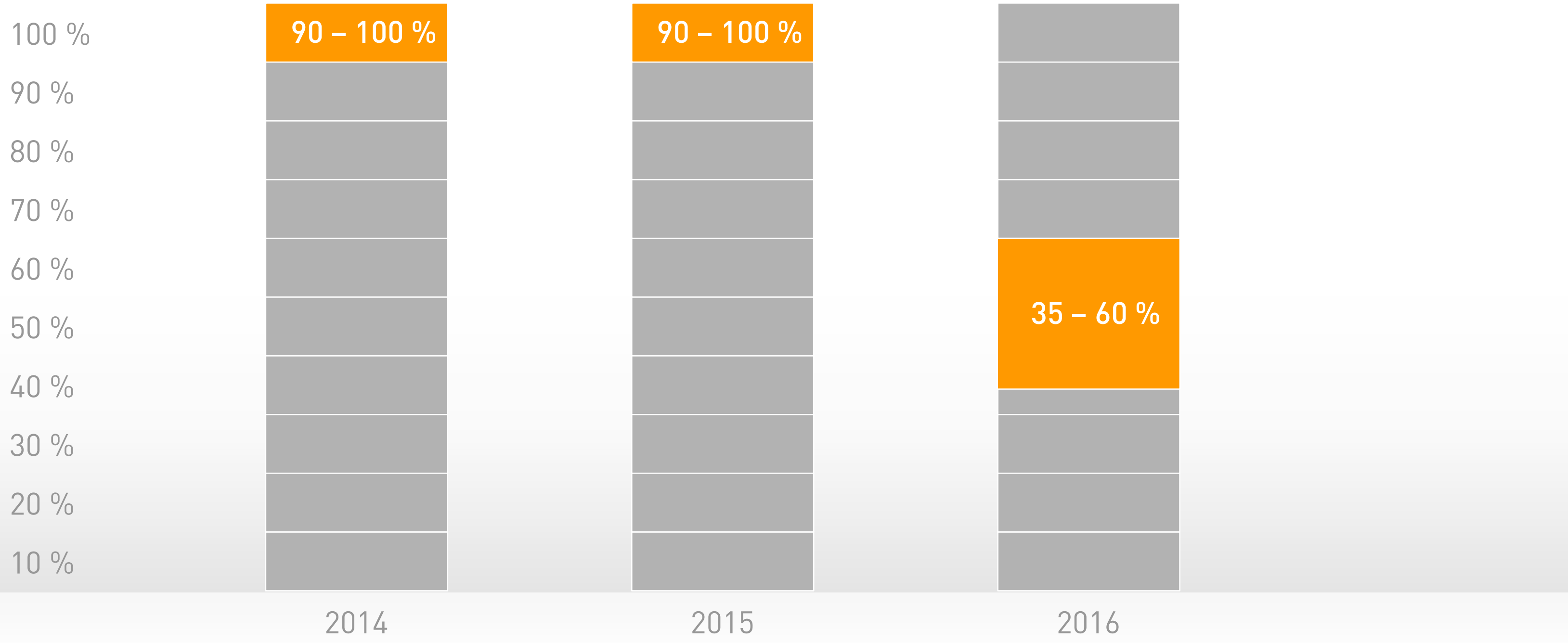
Free cash flow in € millions

	2013	2012	Variance in %
Operating cash flow	**1,908.5**	**856.3**	**122.9**
Change in assets and liabilities from operating activities	– 315.5	915.1	–
Interest and dividends received	369.5	346.2	6.7
Interest paid for financing activities	– 304.0	– 335.9	– 9.5
Funds from Operations (FFO)	**1,658.5**	**1,781.7**	**- 6.9**
Change in assets and liabilities from operating activities	315.5	– 915.1	–
Capital expenditures on intangible assets and property, plant and equipment	– 1,047.6	– 816.8	28.3
Cash received from disposals of intangible assets and property, plant and equipment	171.7	89.8	91.2
Cash received from construction cost and investment subsidies	72.6	66.2	9.7
Free cash flow	**1,170.7**	**205.8**	**-**

Hedge levels

Hedge levels[1]

in %



[1] As of 31 December 2013

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

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Commercial paper programme

- **€ 2.0 bn** (undrawn as of 31 December 2013)

Syndicated loan facility

- **€ 2.0 bn** (undrawn as of 31 December 2013)

Bilateral short-term lines of credit

- **€ 623 m** (undrawn as of 31 December 2013)

Euro Medium Term Note programme

- **€ 7.0 bn** (€ 3.4 bn utilised as of 31 December 2013)

Other measures

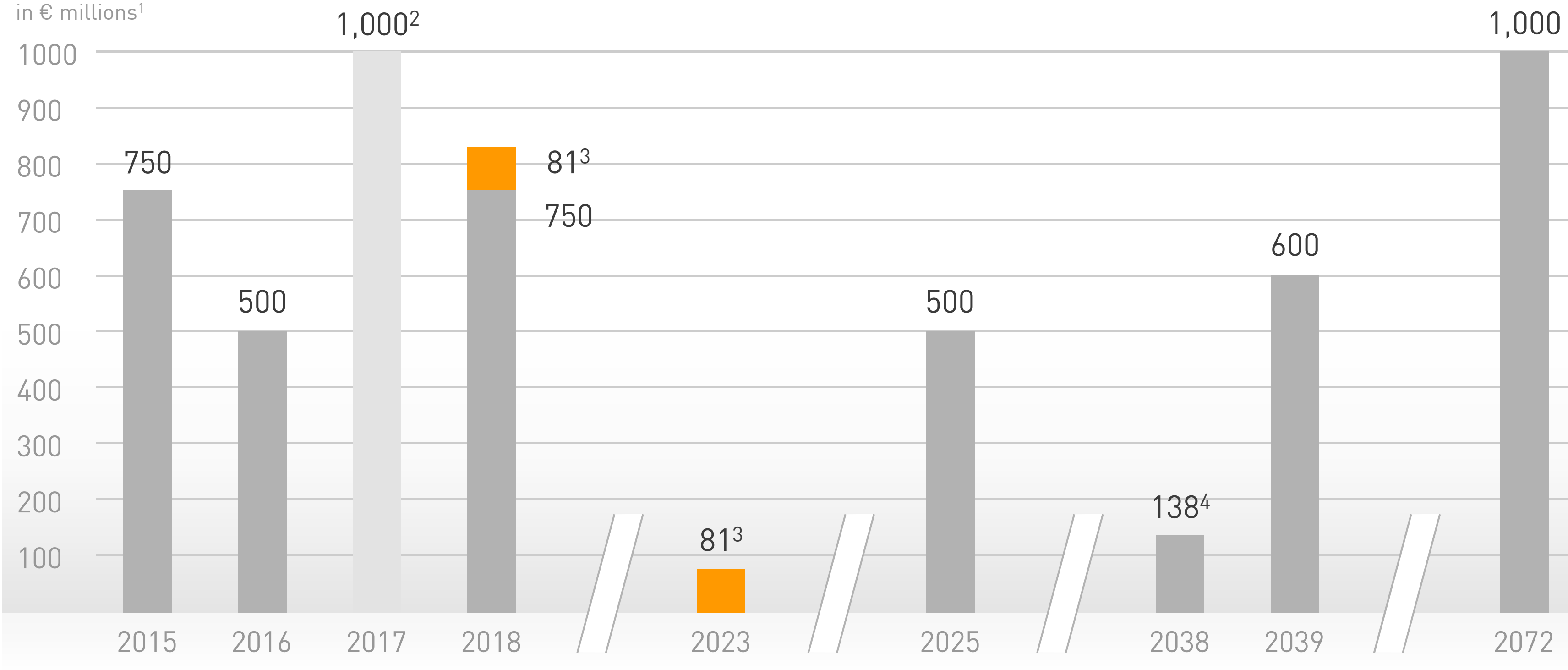
- Hybrid bond with a volume of **€ 1 bn**
- € 750m (October 2011)
- € 250m (April 2012)
- Capital increase: € 822 m (July 2012)

Details of the syndicated loan facility:

- € 2bn facility amount including € 1bn swing line
- 5+1+1 structure until 2017 with a prolongation option until 2018
- Fixed margin

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

Maturities of EnBW's bonds



[1] As of 31 December 2013; [2] First call date hybrid; [3] Including CHF 100m converted as of the reporting date 31 December 2013; [4] Nominal with conversion as of the reporting date 31 December 2013

Financial calendar 2014

- **29 April 2014** .... Annual general meeting 2014
  Live video webcast time: 10:00 CET
- **9 May 2014** .... Interim report: January–March 2014
  Conference time: 15:00 CET
- **1 August 2014** .... Interim report: January–June 2014
  Conference time: 15:00 CET
- **1 October 2014** .... Capital Market Day 2014
- **11 November 2014** .... Interim report: January–September 2014
  Conference time: 15:00 CET

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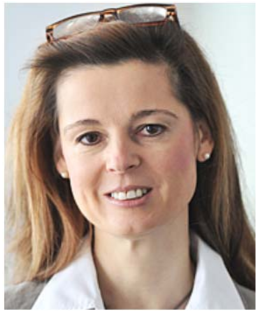

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