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EnBW reports stable earnings in first half of 2022 despite large swings in energy markets

Integrated portfolio ensures robustness in highly volatile market environment / Noticeable negative impacts at Sales and Grids / Significant growth in Renewable Energies / CFO Kusterer: “Sticking to our strategic direction”

Karlsruhe. The first six months of the 2022 financial year were marked by an ongoing volatile market situation as a result of the Russian war in Ukraine. Despite the resulting negative impacts, the Group was able to hold operating earnings largely stable year-on-year. This was mainly due to positive performance in Renewable Energies, which offset adverse impacts in other areas. EnBW CFO Thomas Kusterer: “The persistent high energy price volatility on wholesale markets presents us, like others, with considerable challenges. However, EnBW’s integrated lineup spanning the entire energy value chain and our solid internal financing capability ensure stability here. We are therefore maintaining our full-year guidance at Group level unchanged, while keeping a very close watch on what continues to be a difficult market environment.”

With a workforce of 26,312 (+6%), EnBW generated revenue of €27.12 billion in the first half-year and an operating result (adjusted EBITDA) of €1.42 billion, marking a slight decrease of 3.7% on the same period a year earlier (€1.48 billion).

The difficult overall ongoing situation was reflected above all in the System Critical Infrastructure (Grids) and Smart Infrastructure for Customers (Sales) segments, in part with significant shortfalls in earnings (by 9% and 49% respectively). In the case of Grids, the main factor was an increase in the cost of the grid reserve. This relates to reserve power plants that are only deployed at the request of the transmission system operator in order to safeguard grid stability. To maintain security of supply, the reserve power plants had to be activated much more frequently and at significantly higher cost than budgeted in the first half of 2022 than in the first half of the previous year. For Sales, the steep year-on-year increase in electricity and gas purchase prices resulted in lower earnings.

At the same time, Renewable Energies substantially increased their contribution to earnings, mainly due to significantly better onshore and offshore wind conditions, higher market prices and the commissioning of new large solar farms constructed without any subsidies in Brandenburg.

Kusterer: “Even against the backdrop of the Russia-Ukraine war, we are sticking to our strategic lineup and our climate targets. Rapid expansion of renewables and grids is the only way for us to become independent of fossil fuels in the long term. This is now the prime task for the combined efforts of business and policymakers. We must significantly accelerate the transition in Germany to carbon-neutral energy supplies for the long-term future. This is why the vast majority of our investment is on expanding renewable energy sources and the

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expansion of grids and electric mobility. But it is also necessary to hedge in the short term against any energy shortages in order to protect households and industry as well as possible from further price increases.”

Despite heightened uncertainty due to the volatile ongoing market situation, EnBW has left its Group-level earnings guidance for the full year 2022 unchanged. Adjusted EBITDA for the 2022 financial year is expected to be in a range between €3.03 billion and €3.18 billion, corresponding to a year-on-year increase of 2% to 7%.

Net profit attributable to the shareholders of EnBW AG increased from €-162.8 million in the previous year's period to €563.9 million in the first half of 2022. The increase year-on-year mainly reflects around €700 million in impairment losses recognised last year in the conventional generation business.

Performance by segment

The Smart Infrastructure for Customers (Sales) segment recorded a significant fall in earnings. Adjusted EBITDA decreased by around 49% year-on-year to around €115 million in the first six months of 2022. The main reason for the lower earnings in the first half of 2022 was the sharp increase in electricity and gas procurement costs relative to the previous year.

In the System Critical Infrastructure segment (Grids), the adjusted EBITDA of approximately €588 million is 9% down year-on-year. The fall in earnings is mainly due to the increased cost of the grid reserve to safeguard system stability.

Adjusted EBITDA in the Sustainable Generation Infrastructure segment (Renewable Energies and Thermal Generation and Trading) increased by around 17% to approximately €852 million. The higher earnings relate to the Renewable Energies business, where adjusted EBITDA rose by 43% to approximately €547 million. This earnings increase was mainly due to significantly better wind conditions at offshore and onshore wind farms, better market prices and newly added solar farms. In Thermal Generation and Trading, adjusted EBITDA was down 12% year-on-year to approximately €305 million in the first half of 2022. The negative impact came from expenses due to the cut in Russian gas supply quantities at subsidiaries and the resulting high procurement cost to replace the shortfall in gas volumes. This was partly offset by higher earnings contributions from trading activities.

The EnBW Group's investment, at €1.07 billion in the first half of 2022, was at a similar level to the same period of the previous year (€1.08 billion). Most of this total investment was for growth projects such as grid expansion, securing seabed rights for the development of an offshore wind farm off the Scottish coast and the rollout of charging infrastructure for electric vehicles.

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Performance indicators of the EnBW Group

Financial and strategic performance indicators

in € million	01/01– 30/06/2022	01/01– 30/06/2021	Change in %	01/01– 31/12/2021
External revenue	27,119.5	12,654.7	114.3	32,147.9
Adjusted EBITDA	1,424.2	1,479.4	-3.7	2,959.3
Share of adjusted EBITDA accounted for by Smart Infrastructure for Customers in € million/in % ¹	114.9/8.1	223.0/15.1	-48.5/-	344.0/11.6
Share of adjusted EBITDA accounted for by System Critical Infrastructure in € million/in % ¹	587.7/41.3	645.7/43.6	-9.0/-	1,263.0/42.7
Share of adjusted EBITDA accounted for by Sustainable Generation Infrastructure in € million/in % ¹	851.8/59.8	727.6/49.2	17.1/-	1,539.7/52.0
Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in %	-130.2/-9.2	-116.9/-7.9	-11.4/-	-187.4/-6.3
EBITDA	1,642.3	1,167.2	40.7	2,803.5
Adjusted EBIT	647.2	731.7	-11.5	1,402.9
EBIT	769.5	-523.9	-	158.8
Adjusted Group net profit ²	299.8	594.3	-49.6	1,203.2
Group net profit/loss ²	563.9	-162.8	-	363.2
Earnings per share from Group net profit/loss (€) ²	2.08	-0.60	-	1.34
Retained cash flow	792.0	835.7	-5.2	1,783.8
Net cash investment	1,092.9	860.6	27.0	2,471.2
in € million	30/06/2022	31/12/2021	Change in %	
Net debt	7,531.2	8,786.1	-14.3	

Non-financial performance indicators³

	01/01– 30/06/2022	01/01– 30/06/2021	Change in %	01/01– 31/12/2021
Customers and society goal dimension				
EnBW/Yello Customer Satisfaction Index	139 / 166	127 / 161	9.4/3.1	127 / 159
SAIDI (electricity) in min./year	9	8	12.5	16
Employees goal dimension				
LTIF for companies controlled by the Group ^{4,5} /LTIF overall ⁴	2.6/3.7	1.7/2.5	52.9/48.0	2.3/3.3

Employees^{6,7}

	30/06/2022	30/06/2021	Change in %	31/12/2021
Employees	26,312	24,894	5.7	26,064
Full-time equivalents ⁸	24,710	23,369	5.7	24,519

1 The figures for the previous year have been restated.

2 In relation to the profit/loss attributable to the shareholders of EnBW AG.

3 The values for the key performance indicators Reputation Index, People Engagement Index (PEI), "Installed output of renewable energies (RE) in GW and the share of the generation capacity accounted for by RE in %" and CO₂ intensity are exclusively collected at the end of the year.

4 Variations in the group of consolidated companies (all companies with more than 100 employees, excluding external agency workers and contractors, are considered). Companies that were fully consolidated for the first time during the 2022 financial year were not included in the calculations for the LTIF performance indicators.

5 Except for companies in the area of waste management.

6 Number of employees excluding apprentices/trainees and inactive employees.

7 The number of employees for the ITOs (ONTRAS Gastransport, terranets bw and TransnetBW) is only updated at the end of the year; for intervals of less than a year, the number of employees from 31/12/2021 is carried forward.

8 Converted into full-time equivalents.

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