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Press Release >

EnBW again with stable earnings in third quarter due to broad portfolio but expects to undershoot previous full-year guidance

Strong earnings growth in renewables / Maintaining system stability incurs high costs in grids business / New earnings guidance around 10% lower than previous guidance

Karlsruhe. The first nine months of the 2022 financial year were marked by an ongoing volatile energy market situation as a result of the Russian war in Ukraine. EnBW's broad portfolio along the entire energy value chain has so far enabled it to balance out differences in segmental performance. Renewable Energies showed a strong positive performance. The negative impacts in the Grids business remain moderate but will noticeably increase in the fourth quarter.

Despite negative impacts, Group operating earnings (adjusted EBITDA), at approximately €1.97 billion, were stable relative to the previous year (-0.2%). Group net profit attributable to the shareholders of EnBW AG fell from €564 million in the first half of 2022 to €163 million as of the end of the third quarter. With a workforce of 26,427 (+5.5%), EnBW generated revenue of some €39.5 billion in the first nine months of the financial year.

EnBW CFO Thomas Kusterer: "In the past weeks and months, EnBW, like other energy companies, has had to manage considerable uncertainty and major fluctuations in the international energy markets. The key triggers were the Ukraine war and above all the cessation of Russian natural gas supplies. Our integrated portfolio from power generation to grid infrastructure to sales has so far ensured pleasing stability. Large negative impacts in, for example, the gas business have been offset by positive performance in Renewable Energies and Trading. Our robust business model has enabled us to reliably meet our obligation to maintain security of supply for the public and for our customers at all times. We will continue to do our utmost to ensure secure and affordable energy supplies."

In the fourth quarter, however, EnBW expects significantly larger negative impacts and costs to maintain security of supply, especially in the grids business. These will be offset again in subsequent years but will have a significant impact on earnings in 2022. In addition, there is the fact that final clarification is still pending as regards the partial compensation of losses for procurement to replace Russian gas at Group company VNG and regarding the detailed implementation of the announced windfall tax.

EnBW therefore expects that it will no longer be able to achieve the original guidance for 2022, comprising an operating result 2% to 7% above the previous year (adjusted EBITDA of €3.03 billion to €3.18 billion). In view of the ongoing high level of uncertainty in the market and in the policy environment, the revised guidance is around 10% below the original guidance (adjusted EBITDA of approximately €2.7 billion to €2.9 billion).

Kusterer: "The German government's current proposals regarding a windfall tax are generally comprehensible, to the extent that it solely concerns windfall profits due to the current unusually high level of electricity prices. What matters is the detailed implementation. Earnings skimmed off in this way are fundamentally not available for investment in energy infrastructure. An excessive windfall tax, especially in the case of wind and solar farms, would negatively impact investment and thus the continued progress of the energy transition. In addition, retroactive application could potentially have a severe impact on domestic and international investor confidence in Germany as a business location. As the policy debate – in which we are constructively involved – has not yet been concluded, we are not yet able to make a final assessment of the impact on EnBW's business."

Performance by segment

Adjusted EBITDA in the **Smart Infrastructure for Customers** (Sales) segment, at €321 million, was on a similar level to the previous year (+0.8%). The steep year-on-year increase in electricity and gas procurement costs was offset by positive earnings contributions from newly added companies at Group subsidiary Senec. Without this, segmental earnings would be around 10% down year-on-year.

In the **System Critical Infrastructure** segment (Grids), the adjusted EBITDA of approximately €944 million is around 3% down year-on-year. The fall in earnings is mainly due to the increased cost of grid intervention and the grid reserve to safeguard system stability. This relates to reserve power plants that are only deployed at the request of the transmission system operator in order to safeguard the stability of electricity grids.

Adjusted EBITDA in the **Sustainable Generation Infrastructure** segment (Renewable Energies and Thermal Generation and Trading) increased by around 3% to approximately €878 million. The increase relates to the **Renewable Energies** business, where adjusted EBITDA rose by 54% to approximately €840 million. This significant earnings increase was mainly due to higher market prices and better wind conditions. In **Thermal Generation and Trading**, adjusted EBITDA was down by approximately 88% year-on-year to approximately €39 million in the first nine months of 2022. The negative impact came from expenses due to the cessation of Russian gas supplies 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 €1.84 billion in the first nine months of 2022, was slightly higher than in the same period of the previous year (€1.71 billion). Most of this total investment (73%) was for growth projects in connection with the energy transition, such as expansion of the transport and distribution grids, 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	01/01–30/09/2022	01/01–30/09/2021	Change in %	01/01–31/12/2021
External revenue	39,453.8	18,720.8	110.7	32,147.9
Adjusted EBITDA	1,967.9	1,972.6	-0.2	2,959.3
Share of adjusted EBITDA accounted for by Smart Infrastructure for Customers in € million/in % [1]	320.8/16.3	318.1/16.1	0.8/–	344.0/11.6
Share of adjusted EBITDA accounted for by System Critical Infrastructure in € million/in % [1]	943.8/48.0	968.3/49.1	-2.5/–	1,263.0/42.7
Share of adjusted EBITDA accounted for by Sustainable Generation Infrastructure in € million/in % [1]	878.1/44.6	854.4/43.3	2.8/–	1,539.7/52.0
Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in %	-174.8/-8.9	-168.2/-8.5	-3.9/–	-187.4/-6.3
EBITDA	1,612.0	1,782.6	-9.6	2,803.5
Adjusted EBIT	785.2	861.0	-8.8	1,402.9
EBIT	333.5	-286.4	–	158.8
Adjusted Group net profit [2]	397.2	729.9	-45.6	1,203.2
Group net profit [2]	163.2	-26.6	–	363.2
Earnings per share from Group net profit (€) [2]	0.60	-0.10	–	1.34
Retained cash flow	1,506.2	892.8	68.7	1,783.8
Net cash investment	1,540.1	1,433.3	7.5	2,471.2

in € million	30/09/2022	31/12/2021	Change in %
Net debt	9,397.2	8,786.1	7.0

Employees [3, 4]

	30/09/2022	30/09/2021	Change in %	31/12/2021
Employees	26,427	25,041	5.5	26,064
Employee equivalents [5]	24,820	23,527	5.5	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 Number of employees excluding apprentices/trainees and inactive employees.
4 The number of employees for the ITOs (ONTRAS Gastransport GmbH, terranets bw GmbH and TransnetBW GmbH) 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.
5 Converted into full-time equivalents.

Contact

EnBW Energie Baden-Württemberg AG
Group Communications
Martina Evers

Durlacher Allee 93
76131 Karlsruhe
Phone: +49 721 63-255550
E-mail: presse@enbw.com
Website: www.enbw.com