

Annual General Meeting 2023 | Speech by Andreas Schell

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EnBW shareholders,

Ladies and Gentlemen,

A warm welcome to this year's Annual General Meeting of EnBW. I stand here expressly as the representative of the entire Board of Management, speaking also on behalf of Dirk Güsewell, Thomas Kusterer, Colette Rückert-Hennen and Georg Stamatelopoulos, all of whom played a significant role in ensuring that EnBW made it so well through the past year.

This is my first Annual General Meeting since I started as CEO last November. So please allow me to share with you a few personal words and impressions.

It takes some time to become acquainted with all facets of this diverse company. I used my first weeks and months in office to get to know employees, focal areas and processes, and to look at many things in detail. This included visiting hydropower plants, the offshore team, our conventional power plants and numerous teams from all areas of the company, not to mention going up a wind turbine. I came away with many lasting impressions, from the excellent atmosphere in our training centers to the giant screens in TransnetBW's main control room, from spending a day maintaining equipment with our grid team to seeing how, with SENEK's home storage systems, the energy transition is arriving in more and more of our customers' homes. I was also there to experience the end of the nuclear era in Germany, with the shutdown of Neckarwestheim 2. That was a poignant moment for me, and even more so for many colleagues at the plant.

Ladies and Gentlemen, I would like to summarize these varied impressions from the past weeks by sharing two things. The first is the diversity of technologies and capabilities across all energy sources under the EnBW umbrella, which cannot fail to impress. The second, which impressed me even more, is the dedication and team spirit of EnBW's workforce. As diverse and varied as the areas and tasks within our integrated energy company may be, there is one thing that unites us all: the strong bond with the company and its roots in Baden-Württemberg.

At EnBW, a sustainable and secure energy supply for our customers in Baden-Württemberg and the future of energy in Germany are close to everyone's heart.

I believe that this attitude played an essential role in ensuring that EnBW made it so well through such an eventful and challenging year in 2022.

Russia's war of aggression against Ukraine beginning last spring has brought great suffering to the people there and their loved ones. It was immediately clear to us at EnBW that we should provide financial and humanitarian assistance. In addition to donations, we have also provided accommodation for refugees, and supported those arriving at Berlin's central station with free meals – to name just a couple of examples.

As part of the "EnBW hilft" (or "EnBW helps") initiative, which my esteemed Board of Management colleague Colette Rückert-Hennen supports with great personal commitment, our employees have carried out numerous volunteer activities ranging from fundraising campaigns to personal involvement on the ground – not only for Ukraine, but also just recently for the earthquake victims in Turkey.

Ladies and Gentlemen, the war in Ukraine was a turning point. It also fundamentally changed the energy industry and presented us as a company with major challenges last year.

The cessation of Russian gas supplies and skyrocketing prices clearly put us under massive pressure. Looking back, we can say that we did our part to ensure a secure energy supply for our country and our 5.5 million customers, even through this difficult time.

At short notice, we kept all of our coal-fired generating capacity available for deployment and extended the operation of our Neckarwestheim nuclear power plant until April 2023.

We have diversified our sources of supply and reduced the share of Russian coal to zero.

We have stepped up our activities with regard to liquefied natural gas, or LNG. An important part of this is the collaborative effort to build new LNG terminals to secure long-term supplies via facilities in Wilhelmshaven, Stade and Brunsbüttel. The first delivery for EnBW to a floating LNG terminal in Wilhelmshafen already took place earlier this year.

And while the tight situation made price increases unavoidable for our customers, our forward-looking procurement strategy enabled us to absorb these as well as possible and keep price adjustments below the market average at all times.

We successfully steered our company through this challenging period, working with policymakers to prevent an all-out energy crisis.

At the same time, we continued to prepare EnBW for the transformation of the energy industry that began long before the war. We have been working on innovations in the areas of sales, grids and generation. We have deepened existing partnerships and forged new ones.

And we will continue to do more in this direction. The energy transition will only succeed if we pool forces and capabilities, and optimally allocate investment spending. Long-term partnerships are key here. This is also one of the objectives of our planned partial sale of TransnetBW.

Last but not least, we have taken important steps and reached milestones to accelerate the energy transition. As the war made us all acutely aware, to become less dependent on imports and reduce our carbon emissions, we must accelerate our efforts to increase renewable generation capacity in Germany. We see ourselves as a driving force here.

Ladies and Gentlemen, sustainability and decarbonization are not only goals that we have set for ourselves. They are what all of our stakeholders expect of us, including customers, capital market decision-makers, and the general public. And rightly so. Because this is how we secure EnBW's business model for the long term. It is all the more significant that we made major progress in this area last year.

Our climate targets have been evaluated and validated by the independent Science Based Target initiative. This ensures that our carbon reduction pathway is in line with the 1.5 degree target under the Paris Climate Agreement.

We have a clear plan for gradually reducing our emissions in all emission categories, known as Scopes 1 to 3. Our goal is to be fully carbon neutral by 2035.

To achieve this goal, we plan to halt coal-based electricity and heat generation as early as 2028, provided the necessary policy framework is ready in time.

Of course, this raises the question of how we will continue to ensure security of supply. How do we make up for the electricity that we previously generated from coal?

There are two key aspects to this:

The first is the rapid expansion of renewables. Last year, we took major investment decisions for large-scale projects, especially in the area of offshore wind energy. I will come back to this later.

The second aspect is the expansion of flexible power plant capacity to meet demand when there is not enough electricity available from renewable sources. EnBW is doing this by investing in advanced natural gas-fired power plants that can switch to green hydrogen in the medium term. We also made important decisions in this area last year.

At three locations so far, we are making former coal-fired power plants future-ready with fuel switch projects. In this way, we can

ensure a secure supply of energy and at the same time offer long-term prospects for the employees at these sites.

This accelerated transition is made possible by targeted investment. And we also laid a good foundation for such investment in the past financial year.

Let's take a look at the key performance indicators for the past financial year. External revenue was around 56 billion euros in 2022, significantly higher than the 32.1 billion euros in the previous year.

We increased adjusted EBITDA – our operating result – by 11 percent to 3.3 billion euros. This means that, due to the absolutely unprecedented situation in 2022, we have already achieved the earnings target we set for 2025. There are three main reasons for this:

First: Our prudent planning.

Second: Some of the risks we anticipated last year due to the market and political uncertainties did not materialize.

Third: As the past crisis year has shown more than ever, our integrated business portfolio gives us stability, especially in uncertain and volatile circumstances.

Our results also once again testify to how EnBW has been put on the right track in recent years under the leadership of my predecessor, Frank Mastiaux.

We are already a pioneer of the energy transition. And we as the management team will continue on this path. More on that later.

But none of this would be possible without the motivated and highly capable EnBW team. On behalf of the entire Board of Management, I would like to thank all our employees for their outstanding work and performance in the past year.

Ladies and Gentlemen, let's now take a look at the milestones of the past year in our three segments.

We will start with the **Sustainable Generation Infrastructure** segment.

We have made good progress in the area of solar energy. In Brandenburg, we have brought two new solar farms into operation. Together with a solar farm that went online in 2021, this creates a 0.5 gigawatt solar cluster that saves around 325,000 tons of carbon emissions annually.

We accomplished two significant milestones in offshore wind energy:

We won an auction with bp early in the year to build a 2.9 gigawatt offshore wind farm off the east coast of Scotland. This is expected to be built from 2026/2027 and will be able to supply the equivalent of more than three million homes with wind power.

It builds on our existing offshore wind partnership with bp and brings our joint project pipeline to around six gigawatts.

Additionally, just a few weeks ago, we made the final investment decision to build the 960 megawatt He Dreiht offshore wind farm. This is scheduled to go into operation in 2025.

64 turbines, each with a capacity of 15 megawatts, will then generate green electricity for the equivalent of around one million households.

We are proud to say that He Dreiht is one of the flagship projects in Europe's energy transition. That is also because we are implementing this major project – a first in the offshore wind sector – without government subsidies. This is possible because we have already signed long-term power purchase agreements with industrial groups such as Evonik, Salzgitter, Fraport and Bosch. These PPAs allow us to plan, and they give the companies concerned access to renewable energy that will contribute to their own decarbonization. So they are a win-win arrangement.

Since 2010, when EnBW completed the first German offshore wind farm, we have built four such wind farms and put them into operation. In recent years, in combination with the projects now planned, we have become an international player, recognized beyond Germany's borders, in a technology that is highly relevant to the future of energy.

But let's return from the coast to Baden-Württemberg.

Together with the state, regional and local administrations, we have launched a pilot project in the Zollernalbkreis district to speed up the approval process for an onshore wind farm. We will apply proposals from a joint working group for the various stages of the approval process and test them for feasibility and effectiveness.

The slow pace of renewables expansion is currently a significant sticking point. With this project, we are actively addressing this issue with the involvement of policymakers and taking an important step toward accelerating the expansion of renewable energy in our home state of Baden-Württemberg. In the future, time to approval is to be used as a performance indicator for every wind energy project.

I already mentioned our fuel switch projects. In these projects, we are converting our coal-fired power plants in Heilbronn, Stuttgart-Münster and Altbach-Deizisau into modern gas-fired power plants that are hydrogen-ready right from the start.

In concrete terms, this means that there will be no more coal-fired power generation in the Stuttgart region from as early as 2025/2026 and in Heilbronn from 2026.

From 2035, the power plants are planned to run entirely on hydrogen.

A few weeks ago, we had the official groundbreaking ceremony for the first of the three power plants, in Stuttgart-Münster.

In total, we are investing 1.6 billion euros in new power plant capacity. The 1.5 gigawatts of additional dispatchable capacity will save a total of 3.6 million tons of carbon per year.

Throughout this process, we will work closely with our power plant employees to support them through the transformation.

Let me turn now to our **Smart Infrastructure for Customers** segment.

Ladies and Gentlemen, for those of you who frequently drive in Germany, you may have noticed that EnBW is almost everywhere to be seen, particularly if you have an electric car. With our fast-charging network, we remain the market leader in Germany. We are further extending this lead and investing around 100 million euros for this purpose every year.

This segment allows us to apply one of EnBW's core competencies – reliable energy supply – in a new area. After all, reliable charging infrastructure is a key factor in persuading new customers of the benefits of electric vehicles. So we are also contributing to the transformation in road transport.

Just recently, for example, we opened a new fast-charging station right here next to EnBW City. Cars can charge at 14 high-power charging points – the most powerful available. An integrated photovoltaic system on the canopy generates part of the electricity for the charging station.

It is worth noting that all of our fast-charging stations, like this one, operate on 100% green electricity.

Furthermore, in addition to serving our customers in Germany, we enable electric mobility across Europe.

Last year, we expanded our Hypernetz with our own and numerous partner charging points to over 400,000 charging points across 17 European countries.

The growth and positive earnings performance of our sales brands and subsidiaries have also contributed to the increase in our overall earnings. This includes the SENEK Group, which provides integrated solutions for solar energy self-sufficiency and home energy storage.

Regarding our commodities business, we experienced a very turbulent year in terms of both market and regulatory developments. Despite the challenging circumstances, we endeavored to minimize price increases for our customers while simultaneously safeguarding our earnings situation. Our forward-looking procurement model allowed us to achieve this, as can be verified by comparing with the competition.

This brings me to our third segment, **System Critical Infrastructure**.

The foundation of a sustainable energy system is the transmission and distribution network, without which energy cannot get from A to B. Construction of “electricity highways” from North to South is undoubtedly one of the key projects of the energy transition in Germany.

We are making significant progress in this regard. The converter station for the Ultranet project is rapidly taking shape on the former site of the cooling towers at Philippsburg. It is already visibly at a very advanced stage.

For the SuedLink project, all approval documents have been submitted for the construction of the converter in Leingarten. Our colleagues at TransnetBW plan to hold the groundbreaking ceremony in mid-2023. Another encouraging development was the start of underground cable production last year.

The cable and line routes for both of these major projects are still awaiting approval.

This is something that we will monitor closely in the coming months and support as much as possible.

As demand for electricity grows, we are also increasingly moving towards a decentralized energy supply. Our subsidiary Netze BW, as the distribution network operator, received a record number of over 40,000 feed-in applications for distributed energy systems, most of them photovoltaic.

This represents a 78 percent increase on the previous year. As this figure shows, homeowners really are willing to play an active role in the energy transition.

Demand for wallboxes used for private home charging of electric cars also remained at a high level, with 20,000 applications.

Demand for ubiquitous high-speed Internet has been growing steadily, and not just since Covid. Alongside subsidized broadband as part of the broadband rollout, we are therefore also increasingly focusing on projects of our own initiative. Over the course of the

financial year, we signed 40 cooperation agreements to promote digitalization in local communities. In total, we expanded our fiber optic network by 3,300 kilometers to 21,700 kilometers last year.

As an operator of distribution network infrastructure, we work on these developments every day and are at the heart of the energy transition. To integrate the large number of new customer installations, we are gearing our distribution networks to the decentralized energy world of the future. In 2022, for example, Netze BW launched a comprehensive grid expansion and upgrading program.

Among other things, decisions have been taken to build and expand 22 substations and two line systems. And that's just the beginning. With the 2037/2045 network development plan currently under consultation, and in view of the goal of climate neutrality under that plan, we will continue to intensify and scale up the expansion program in the years ahead.

To further optimize our distribution networks for future applications, we need to complement grid expansion with smart, digital solutions. Together with partners from research, industry and, above all, our local network customers, we are testing the practical application of these solutions in real-world labs.

Examples from last year include our NETZLabs, for the grid integration of electric vehicles at a total of eight locations in Baden-Württemberg, and the flexQgrid project in Freiamt, in which we are testing the smart coordination of installations, systems and stakeholders in a real-world setting. The knowledge we gain from these innovative pilot projects will enable us to develop smart, customer-friendly solutions and prepare our grids for the future.

Let's now take a look at our investments:

Gross investment totaled around 3 billion 154 million euros last year, 12 percent higher than in the previous year.

75 percent of our total investment was in growth projects – above all in the expansion of renewables and electricity transmission networks.

And we will keep on investing our earnings, with investments totaling 14 billion euros in all three segments between 2023 and 2025 alone.

This brings me to our dividend proposal.

Adjusted net profit attributable to you, our shareholders, came to 973 million euros, which is around 19 percent lower than in the previous year.

The decrease was mainly due to the lower financial result. This was because of the fair value of securities marked to market at the end of 2022.

Today, we are proposing a dividend of 1 euro and 10 cents per share for your approval. Our proposal is thus on the same level as the previous year and corresponds to a payout ratio of 31 percent.

As I just mentioned, the energy transition in Germany and Baden-Württemberg and securing energy supplies require massive investment spending.

This dividend proposal leaves funds in the company that we can use precisely for this purpose. You, our shareholders, are thus supporting us in continuing our growth and the consistent implementation of our corporate strategy. It also strengthens our ability to pay dividends in the long term.

An integral part of this sustainable corporate strategy is of course a sustainable financing strategy. As you heard earlier, our climate targets across the entire value chain are now scientifically validated.

This also makes good business sense. Because this much is clear: Science based targets and SBTi validation are now a compelling argument in the capital market, for retail investors, institutional investors and financial institutions alike.

We responded early to this development, among other things by issuing green bonds and including sustainability criteria in our syndicated credit line.

Our green bonds also make an important contribution on the road to decarbonization. Since 2018, we have issued green bonds for a total of 3.5 billion euros, most recently in November 2022 with two green bond issues of 500 million euros each. The projects we finance with these bonds make an important contribution to achieving the Paris climate targets.

Ladies and Gentlemen, after looking back at the developments and highlights of the past financial year, let's now look ahead.

Our outlook reflects our expectation that we should continue to make good progress in all three segments this year.

In the Smart Infrastructure for Customers segment, we expect adjusted EBITDA of between 400 and 500 million euros. We anticipate that volatility will decrease and that the market will continue to stabilize.

In the System Critical Infrastructure segment, we expect adjusted EBITDA to increase significantly to between 1.6 billion and 1.9 billion euros.

In the Sustainable Generation Infrastructure segment, we also anticipate that adjusted EBITDA will rise in 2023, to between 2.9 billion and 3.2 billion euros. The Renewable Energies subsegment is expected to be in line with last year at over 1 billion euros.

At Group level, we expect a significant increase in earnings this year, in the range of 4.7 to 5.2 billion euros.

Ladies and Gentlemen,

In summary, the past year has made three things very clear:

First: EnBW is continuing its successful transformation at an accelerated pace and with a clear plan.

We have a solid financial basis for this. This gives us the confidence not only to continue on our successful path, but to step up the pace even further.

It was good that we made the right decisions long before 2022 and are already in the midst of transforming into a sustainable, innovative infrastructure provider.

In 2023, we will continue to implement crisis instruments such as the gas and electricity price brake in a responsible manner for our customers. We have a plan for our segments that is centered on sustainability and security of supply. We consistently invest our earnings in measures and projects that will help us reduce our own emissions to zero by 2035.

We have defined measurable milestones along the way and are planning a coal-free future from as early as 2028.

Second: With our investments in grid expansion and in major renewable energy projects, we continue to play a pioneering role in Germany and are accelerating the energy transition. We are making a significant contribution to securing the long-term supply of affordable, green energy in Germany and beyond.

And third: Our integrated portfolio gives us a 360-degree view of the German energy system. With our experience and expertise, we make a constructive contribution to the dialog with policymakers.

After all, meeting Germany's energy needs while achieving the climate targets requires not only business initiative, but also the right policy framework.

Without this, we will not be able to realize our ambitious plans. The German government has set a target for renewables to provide 80 percent of the country's electricity by 2030. That requires more sites, less bureaucracy, upgraded electricity grids and a rapid ramp-up of the hydrogen economy.

All of this must be based on a market-based energy market design. This is the only way we can incentivize investment and support the accelerated expansion of renewables. Last but not least, consumers also need to play an active role in the energy transition – for example, by choosing smart energy tariffs or an electric car instead of one with a combustion engine, and by each and every one of us continuing to save energy in our daily lives where we can.

In short, the energy transition is a team effort. We can achieve it if everyone plays their part, including businesses, policymakers and society. I am optimistic that this will succeed.

Ladies and Gentlemen, as I mentioned earlier, 2022 marked a turning point for the energy industry.

With a view to our company's current strategic orientation, as well as our responsibility for ensuring a secure and sustainable energy supply, with the focus on Baden-Württemberg, we are currently conducting an intensive review of our positioning.

We are using this year to set the course for EnBW's future in the post-nuclear and post-coal era. To this end, we launched the EnBW 2030 strategy process a few weeks ago and are working on a strategic orientation for the period up to 2030 based on the new conditions in the energy industry. This process is still underway. But I can tell you this much today:

We see it as our mission to expedite the energy transition and accelerate its implementation. To achieve this goal, we must use our resources wisely and effectively.

In this context, we are also reviewing our portfolio and positioning, and will make the necessary adjustments.

In addition, we will continue to develop our culture in line with the more demanding requirements. I would like to mention two aspects here.

First: In some aspects of the digital transformation, we are already a leader in our industry. One example is our Mobility+ app, which repeatedly receives top ratings from the Stiftung Warentest consumer organization.

To meet future needs and our aspirations, we have to bring other areas up to a similar level.

Second: In a world of scarce resources – both materials and skilled labor – we also need to take a closer look at our performance.

Of course, we will share with you the results of our revised strategic direction for 2030.

Ladies and Gentlemen, I will draw to a close. I hope that my remarks have made it clear that EnBW is very well positioned.

Our stakeholders have confidence in what we do. With the combined skills of our more than 27,000 employees, we will continue on our chosen path – reliably, with focus and the courage to embrace change.

Thank you for your attention.