

Press Release

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First half of 2014:

Operating result developing in line with expectations

Overall prognosis for 2014 unchanged / high impairment losses on power plants / implementation of the strategic realignment remains on course

Karlsruhe. In the first half of 2014, the EnBW Group achieved an operating result (adjusted EBITDA) of 1,271.5 million euros with 19,926 employees and almost unchanged revenue of around 10.4 billion euros. Earnings were 9.9 per cent below the figure for the first half of 2013. Thus the operating result is developing in line with our expectations.

Extraordinary expenses in the form of impairment losses on power plants and significantly increased provisions for onerous contracts for electricity procurement agreements which no longer cover costs to the amount of around 1.58 billion euros resulted in a high Group net loss. Chief Financial Officer, Thomas Kusterer, explains: "The cause of these extraordinary expenses in the non-operating result were the considerably worsening expectations regarding long-term electricity price developments based on comprehensive market analyses. There is no prospect of an improvement in the market situation in the medium term. Therefore, it was necessary for us to reduce the future achievable earnings from the power plants and, as a consequence, to write down their values recorded on the balance sheet. However, these impairment write-downs have no direct influence on the operative development of the company or its financial strength." EnBW has confirmed its previous prognosis for the 2014 financial year and continues to expect that the adjusted EBITDA at a Group level will be between 0 per cent and -5 per cent below the 2013 level.

In the Sales segment, adjusted EBITDA in the first six months of 2014 stood at 132.2 million euros and thus improved by 10.9 per cent in comparison to the same period in the previous year (119.2 million euros). It was possible to significantly increase the result for the electricity sales business through optimisation measures in the customer portfolio as part of the implementation of the EnBW 2020 strategy. As a result of the mild winter, the result for gas sales was below the level for the same period in the previous year.

Adjusted EBITDA for the Grids segment declined in the reporting period by 13.0 per cent to 470.3 million euros (previous year: 540.6 million euros). This development is mainly attributable to lower network user charges because of the reduced distribution volumes resulting from lower electricity and gas sales due to the weather conditions. Furthermore, positive extraordinary items from the preceding regulatory period no longer applied.

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As a result of low precipitation and lower than normal water levels, the run-of-river power plants generated less electricity in comparison to the same period of the previous year. This was the primary reason for the adjusted EBITDA in the Renewable Energies segment falling in the first half of 2014 by 21.8 per cent to 81.1 million euros (previous year: 103.7 million euros). It will not be possible to compensate for this effect during the course of the year. Against this background and due to the slower progress of the commissioning of the Baltic 2 offshore wind farm, EnBW has reduced its prognosis for adjusted EBITDA in the Renewable Energies segment from +5 per cent to +15 per cent down to -5 per cent to -15 per cent.

In the Generation and Trading segment, adjusted EBITDA fell by 9.3 per cent, from 656.8 million euros in the same period of the previous year to 595.7 million euros in the first half of 2014. This decrease is primarily due to the decline in valuation effects from derivatives, as well as lower prices in electricity production in comparison to the same period in the previous year.

The adjusted Group net profit (excluding the non-operating Group net loss) attributable to the equity holders of EnBW AG stood at 381.0 million euros in the reporting period. This corresponds to a decrease of 19.9 per cent in comparison with the value for the previous year of 475.5 million euros. The non-operating Group net loss deteriorated due to the above-mentioned developments, from -285 million euros in the previous year to -1,116.1 million euros. This resulted in an overall Group net loss of -735.1 million euros (previous year: 190.5 million euros). The cash flow from operating activities increased by 41.3 per cent in the first half of 2014 to 1,054.2 million euros compared to the figure in the previous year of 746.0 million euros. This was primarily due to the balance of trade receivables and payables, which was influenced by the mild weather conditions and factors relating to the German Renewable Energies Act (EEG).

The investment volume of the EnBW Group has, as part of the implementation of the EnBW 2020 strategy, almost doubled in the first half of 2014 to 752.1 million euros in comparison to the same period in the previous year (378.4 million euros). Investments in growth projects such as the Lausward Combined Cycle Gas Turbine (CCGT), the major EnBW Baltic 2 project and the expansion of the grid accounted for 82 per cent of the investment in intangible assets and property, plant and equipment. Free cash flow fell by only 11.4 per cent to 474.6 million euros despite this increased investment.

EnBW once again took advantage of the favourable capital market environment at the end of May and issued a senior bond with a volume of 500 million euros. A hybrid bond with a total volume of 1 billion euros was already successfully issued in March 2014. Thomas Kusterer: "The market environment at the time the bond was issued was very positive. We took advantage of this situation to pre-finance future maturities and to further strengthen the balance of the maturity profile for the EnBW bonds."

The strategic realignment of EnBW that started in June 2013 remains well on course. Kusterer: "We are making pleasing progress in the implementation of the various measures and projects. The purchase of the 50 per cent share of EnBW Eni Verwaltungsgesellschaft mbH held by the Eni Group has enabled us to significantly expand our position in the gas sector and open up an important growth area. Our offshore wind farm EnBW Baltic 1 is performing better than expected and we are now starting construction of the wind turbines for EnBW Baltic 2. Another wind farm was

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recently put into operation by our joint venture in Turkey and we have given the green light for a further five wind farms. In the Sales segment, we were able to record further successes in the last few weeks by concluding some major contracts.”

EnBW Group

€ millions ¹	01/01– 30/06/2014	01/01– 30/06/2013	Variance %	01/01– 31/12/2013
Revenue				
Sales	4,622.5	5,015.7	-7.8	9,568.4
Grids	3,044.2	2,863.7	6.3	5,707.6
Renewable Energies	195.2	189.4	3.1	372.3
Generation and Trading	2,520.9	2,525.3	-0.2	4,888.3
Other/Consolidation	4.8	5.4	-11.1	8.2
External revenue, total	10,387.6	10,599.5	-2.0	20,544.8
Adjusted EBITDA	1,271.5	1,410.6	-9.9	2,224.7
EBITDA	899.0	1,101.1	-18.4	1,999.7
Adjusted EBIT	816.4	971.7	-16.0	1,339.5
EBIT	-789.9	661.5	-	1,024.1
Adjusted Group net profit ²	381.0	475.5	-19.9	462.3
Group net loss/profit ²	-735.1	190.5	-	51.0
Earnings per share from adjusted Group net profit ² in €	1.41	1.76	-19.9	1.71
Earnings per share from Group net loss/profit ² in €	-2.71	0.70	-	0.19
Cash flow from operating activities	1,054.2	746.0	41.3	1,919.1
Free cash flow	474.6	535.6	-11.4	1,168.2
Capital expenditures	752.1	378.4	98.8	1,108.3

Energy sales of the EnBW Group

Billions of kWh	01/01– 30/06/2014	01/01– 30/06/2013	Variance %	01/01– 31/12/2013
Electricity	66.8	64.4	3.7	128.0
Gas	56.3	54.1	4.1	100.0

Employees of the EnBW Group

Number ^{1,3}	30/06/2014	30/06/2013	Variance %	31/12/2013
Employees	19,926	19,779	0.7	19,844

¹ The figures for the comparative periods have been restated.

² In relation to the profit/loss shares attributable to the equity holders of EnBW AG.

³ Number of employees excluding apprentices/trainees and excluding inactive employees.