

## Press release

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**FY 2013:**

## **Strategic reorientation launched, efficiency programme successfully accelerated**

**Operating earnings down slightly by 5.3 percent year-on-year, in line with expectations**

**2014 outlook: earnings corridor between 0 and -5 percent year-on-year**

Karlsruhe. The 2013 fiscal year was again characterised by a difficult market situation and the particular burdens attributable to general energy sector conditions. Against this backdrop, EnBW launched a far-reaching strategic and structural reorientation in 2013, while at the same time stepping up its efficiency efforts. This allowed a significant portion of the negative environment effects to be offset, and operating earnings (adjusted EBITDA) of around € 2.22 billion to be achieved. These earnings were down by 5.3 percent year-on-year, at the lower end of the expected corridor. Adjusted Group net profit of around € 463 million was down by 29.0 percent. It is to be proposed to the Annual General Meeting on 29 April 2014 that a dividend of € 0.69 per share be distributed from the retained earnings of EnBW AG.

"Last year we established the preconditions to position EnBW as a successful player in the Energiewende, along with all its challenges, but especially with a view to the opportunities it presents," emphasises EnBW CEO Frank Mastiaux. "Our strategy follows the shifts in the value chain triggered by the Energiewende. Traditional markets are contracting, while new and interesting growth markets are emerging to which we will orientate ourselves consistently with our new strategy."

A high level of efficiency and competitiveness are prerequisites to the successful implementation of the strategy. "Our Fokus efficiency programme made a significant contribution this last year," underscores EnBW's CFO Thomas Kusterer. "In 2013, we consistently implemented this programme, and accelerated it. This enabled us to already achieve a sustainable earnings improvement of € 624 million in 2013. During the current 2014 year – and consequently a year earlier than we originally planned – the efficiency project will unfold its full effect, achieving even more than the € 750 million that we targeted at the time."

Within the context of the new strategy, the company is assuming that the earnings contribution from conventional power generation will drop by 80 percent by 2020. This is to be fully offset by strong growth in the areas of renewable energies (250 percent), grid infrastructure (25 percent) and the decentralised sales business (100 percent). A sustainable earnings level of at least € 2.4 billion (adjusted EBITDA) that makes future dividend payments viable is to be achieved by 2020. Almost half of EnBW's future business will then derive from the future markets of the new energy world. At the same time, the company will

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also gain stability due to the fact that three quarters of its business will be attributable to regulated areas.

**2014 operating targets**

In the current 2014 fiscal year, all efforts are to be directed at the corporate reorientation that has been launched with a view to realising this 2020 target framework. One focus in the "Engine room of the Energiewende" will be on expanding the wind power business. In the onshore wind area in Germany, the company plans to double its "wind farm in operation" to 360 MW, and its secured project development pipeline to 1,000 MW. EnBW plans a significant expansion in Turkey, having recently signed a master agreement for a wind farm portfolio totalling 207 megawatts. In the offshore wind area, plans include the gradual commissioning of EnBW Baltic 2, the largest Baltic Sea wind farm to date. In the conventional generation area, one of Europe's most modern coal power stations, RDK 8 in Karlsruhe, is to be connected to the grid this year.

E-mobility activities are to be expanded across Germany in the more decentralised "Customer proximity" business. A broad-based market launch and an expanded application are planned for our smart home product, which we are offering on the "Qivicon" platform. In its collaborative work with municipalities and local authorities, EnBW will further expand partnership-based concepts and participation investment models. The promising business in the energy contracting and efficiency consulting area is also to be advanced strongly.

Given the continued difficult environment, efficiency efforts in four activity areas are to be continued in 2014 in order to support the strategic reorientation: optimisation of structures and processes, improvements to the efficiency of energy generation, optimisation of sales, and continuous improvements. Mastiaux comments as follows: "In these four areas, we will achieve a significant triple-digit amount in millions of euros in additional earnings improvements per year by 2020 from our own efforts. Improving efficiency is an ongoing task for us."

**2014 financial outlook**

Given the full impact of the efficiency improvements that have already been implemented as part of Fokus, EnBW assumes that it can continue to offset most of the negative effects from the sector environment in 2014. As a result, adjusted EBITDA at Group level in 2014 will prospectively lie between 0 percent and 5 percent below their 2013 level.

The Sales segment is assuming a positive earnings trend (+10 percent to +20 percent) as a result of a slight increase in gas sales volumes and an optimised customer portfolio in the electricity sales area. Adjusted EBITDA in the Grids segment is expected to drop (-5 percent to -15 percent), as extraordinary items are not repeated from the first regulatory period in the distribution grid. Earnings in the Renewable Energies segment will prospectively increase (+5 percent to +15 percent) due to the expansion of both onshore and offshore wind power. EnBW anticipates a slight decline in earnings (0 percent to -5 percent) in its Generation and Trading segment due to a continued fall in prices and spreads.

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### FY 2013 financials

Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) fell 5.3 percent to € 2,216.6 million. This included positive valuation effects from derivatives that are offset when the underlying transactions are realised. After adjusting to reflect these effects, adjusted EBITDA fell by 7.6 percent, in line with our forecast range for the 2013 financial year of between -5 percent and -10 percent.

The drop in adjusted EBITDA is mainly due to earnings trends in the Generation and Trading and Renewable Energies segments. With its 19,839 employees, the EnBW Group achieved external revenue of € 20,540.3 million in the 2013 fiscal year, reflecting 6.3 percent year-on-year growth. This revenue growth is based primarily on higher gas sales volumes, higher revenues related to the German Renewable Energies Act (EEG) in the Grids segment, and the expansion of gas trading activities.

Earnings were down by 5.7 percent in the Sales segment due to declining gas sales. In turn, this was due to year-on-year higher purchasing costs accompanied by stable sales prices.

The Grids segment reported a marked earnings improvement of 24.4 percent, mainly due to the discontinuation of extraordinary items in the previous year. Moreover, higher distribution volumes in the gas business due to weather conditions, and associated income from the use of the grid, as well as lower overheads, had a positive effect on the result.

The drop in earnings of 25.8 percent in the Generation and Trading segment and of 9.3 percent in the Renewable Energies segment primarily reflect a further fall in wholesale market prices and spreads in electricity production. Charges arising from the full auctioning of CO<sub>2</sub> emission allowances also negatively affected the Generation and Trading segment. Adjusted Group net profit attributable to EnBW AG's shareholders amounted to € 462.5 million in the period under review, down by 29.0 percent compared with the previous year's € 651.8 million.

The non-operating EBITDA loss widened from € -33.6 million in the previous year to € -225.2 million in the 2013 financial year. This change mainly reflected two factors: higher costs in the nuclear energy area, which rose year-on-year by € 80.9 million to € 119.4 million in the period under review as a consequence of the approval by the Bundesrat of the German Site Selection Act on 5 July 2013, and the addition to the provision for onerous contracts relating to electricity procurement agreements, which increased by € 165.0 million to € 211.0 million. The Group non-operating loss consequently amounted to € 411.5 million, compared with a loss of € 167.6 million in the previous year.

Cash flow from operating activities reported a significant increase of € 1,052.2 million, from € 856.3 million in the previous year to € 1,908.5 million in the 2013 financial year. Despite 28.3 percent higher capital expenditure in intangible assets and property, plant and equipment, free cash flow grew by € 964.9 million to reach € 1,170.7 million.

As planned, EnBW largely repaid the approximately € 1 billion of bonds falling due in 2013 out of its cash flow. Two new bonds of CHF 100 million each were issued.

## EnBW group at a glance

€ millions <sup>1</sup>	2013	2012	Variance %
<b>Revenue</b>			
Sales	9,569.4	9,278.2	3.1
Grids	5,707.6	5,339.5	6.9
Renewable energies	369.4	352.5	4.8
Generation and trading	4,885.7	4,346.1	12.4
Other/consolidation	8.2	8.1	1.2
<b>Total external revenue</b>	<b>20,540.3</b>	<b>19,324.4</b>	<b>6.3</b>
Adjusted EBITDA	2,216.6	2,340.8	-5.3
EBITDA	1,991.4	2,307.2	-13.7
Adjusted EBIT	1,336.0	1,452.5	-8.0
EBIT	1,020.4	1,289.3	-20.9
Adjusted group net profit <sup>2</sup>	462.5	651.8	-29.0
Group net profit <sup>2</sup>	51.0	484.2	-89.5
Earnings per share from adjusted group net profit in € <sup>2</sup>	1.71	2.53	-32.4
Earnings per share from group net profit in € <sup>2</sup>	0.19	1.88	-89.9
Cash flow from operating activities	1,908.5	856.3	122.9
Free cash flow	1,170.7	205.8	-
Capital expenditure	1,100.5	877.4	25.4

Energy sales of the EnBW group <sup>1</sup>		2013	2012	Variance %
Electricity	billions of kWh	128.0	135.6	-5.6
Gas	billions of kWh	100.0	73.1	36.8

Employees of the EnBW group <sup>3</sup>		31/12/2013	31/12/2012	Variance %
Employees	number	19,839	19,998	-0.8

<sup>1</sup> Prior-year figures restated.

<sup>2</sup> In relation to the profit shares attributable to the equity holders of EnBW AG.

<sup>3</sup> Number of employees (male and female) without apprentices and without inactive employees.