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# Press Release ›

## EnBW achieves financial turnaround and sets timely course for future growth

**Operating result increased by 9% in 2017 / EnBW plans further earnings improvement for 2018 / proposed dividend of 0.50 euros per share / course set for 2025: infrastructure fields a core area for future growth**

Stuttgart. The 2017 financial year saw EnBW Energie Baden-Württemberg AG successfully achieve the planned financial turnaround. EnBW increased its operating result (adjusted EBITDA) for the first time since 2010. EnBW CEO Frank Mastiaux: "We planned to achieve the financial turnaround for 2017, and the EnBW team delivered. This is a key milestone in our company's transformation. Not only EnBW as a whole, but each individual business segment has improved its earnings. This shows that our EnBW 2020 strategy, which remains unaltered since 2013, is delivering results. Our radical portfolio restructuring, efficiency measures and growth initiatives are taking effect and returning us to successful business performance. We are equally confident of attaining the targets we set in 2013 for 2020. And at the same time, we are laying a solid platform for new growth in existing and new markets."

With a workforce of 21,352 (+4.6%), EnBW generated revenue of some 21.97 billion euros in the 2017 financial year, marking an increase of 13.5% on the previous year (19.37 billion euros). The operating result (adjusted EBITDA) was 2.11 billion euros, up 9% on the previous year and thus well above the 0-5% guidance range. A major factor in the revenue and earnings growth was the full consolidation of VNG for the first time.

EnBW CFO Thomas Kusterer: "Negative one-off effects made for a very difficult start to the year. We successfully averted those effects with immediate countermeasures. Among other things, we accelerated our efficiency measures, so that the total of 1.4 billion euros in cost reductions planned by 2020 will already be attained a year earlier. These efforts have already had a positive effect and contributed to the healthy earnings growth in 2017."

As a result, EnBW generated a Group net profit attributable to the shareholders of EnBW AG of 2.1 billion euros in the 2017 financial year. In the previous year, EnBW had to report a Group net loss of 1.8 billion euros. Kusterer: "I am delighted that at this year's Annual General Meeting, we will once again be able to present a dividend proposal of 0.50 euros per share for the 2017 financial year."

**Business performance in 2017 positive across all segments relative to previous year**

In Sales, adjusted EBITDA went up by some 32% to 330 million euros. This partly reflected substantial cost reductions as a result of exiting the loss-making B2B commodities business under the EnBW and Watt brands. Billing services for other operators and positive one-off effects from reversals of provisions also contributed to the earnings improvement.

Adjusted EBITDA performance was likewise positive in the Grids segment. Mostly due to the full consolidation of VNG's gas grid business, adjusted EBITDA rose by 4.2% to 1.05 billion euros.

The Renewable Energies segment generated adjusted EBITDA of 331.7 million euros, an increase of 12.3%. Run-of-river power plants generated less electricity due to low water levels, and at lower prices than in the previous year. However, wind farms were able to compensate for these negative effects. In offshore wind power, the wind yield from EnBW wind farms Baltic 1 and Baltic 2 was noticeably higher than in the previous year. The onshore wind farm portfolio was expanded by a total of 204 megawatts in 2017, representing an increase of over 60%. Renewable energies accounted for some 26% of total installed output as of the 2017 year-end.

In the Generation and Trading segment, adjusted EBITDA rose by 11.8% to 377.1 million euros. The main factor here was the full consolidation of VNG, and in this instance notably the trade and storage business. There were also positive one-off effects in relation to nuclear power. These made up for the negative impact of the unplanned shutdown of Block 2 of the Philippsburg nuclear power plant and lower electricity prices on the wholesale markets compared with the previous year.

Kusterer: "The success of our restructuring to date can be seen from our earnings structure. Renewable Energies, Grids and Sales now deliver over 80% of total earnings. That shows how radically we have changed our portfolio since we started restructuring in mid-2013, and how we have systematically aligned it to the opportunities of the Energiewende."

Total investment across the EnBW Group, at 1.77 billion euros in 2017, was down by around 32%. The previous year's figure (2.59 billion euros) included the acquisition of the shares in VNG. Without this effect, investment increased in 2017 relative to the previous year, in particular in the Renewable Energies segment. At 706 million euros, investment here was considerably higher than the 295 million euros expended in the previous year, as the EnBW Hohe See and Albatros offshore wind farms are in the implementation phase and there was more rapid expansion of onshore wind farms.

**Guidance for financial year 2018**

For the financial year now underway, EnBW has targeted a continuation of the positive earnings trend. Thomas Kusterer: "After achieving earnings turnaround in 2017, we aim to increase adjusted EBITDA by up to another 5% in 2018 and at minimum to hold it stable. That would take us a further step towards our EnBW 2020 Strategy with target earnings of 2.4 billion euros.

The earnings growth planned for 2018 will be largely attributable to the Grids segment (5-15%) and the Renewable Energies segment (10-20%). By contrast, EnBW expects earnings in the conventional Generation and Trading segment to fall (by up to 10%). In Sales, the positive one-off effects from reversal of provisions will not be repeated, resulting in a 5-15% decrease in earnings.

**Looking ahead to 2025: Infrastructure fields a core area for future growth**

In light of the successful company transformation to date, EnBW is now setting course for its next strategic horizon. "We will continue to focus our efforts on completing the company's ongoing transformation by 2020 and attaining the associated goals. At the same time, we are already charting out our path beyond 2020. We aim for substantial growth of our company by 2025 and are setting ourselves clear, measurable targets to that end," underscored EnBW CEO Mastiaux.

In the years ahead, EnBW will increasingly focus on infrastructure, both in the energy sector and beyond. Mastiaux: "Coming years will in particular see a rapidly growing need for critical infrastructure. And that is precisely where we see our core competency – in the planning, construction and reliable operation of complex infrastructure systems."

As can be seen from the example of electric mobility, a defining feature of tomorrow's advanced infrastructure will be smart, digital integration that also cuts across sectoral boundaries – most of all in the urban context. This will not only mean integrating the mobility and energy sectors, but also public infrastructure with private – for example when cars are charged at home with self-generated electricity. As well as high-performance power grids and charging points, electric mobility also demands an adequate supply of carbon-neutral, solar and wind-generated electricity. Mastiaux: "Electric mobility is thus one example of a cross-cutting infrastructure field that connects and intersects with all EnBW activities. Other examples of infrastructure fields we are intensively working on include broadband rollout and urban precinct development."

In the context of its 2025 strategic horizon, EnBW will focus on three main action areas:

1. Sustainable generation infrastructure: This relates to further substantial expansion of renewable energies, increasingly towards solutions for security of supply at all times. With the He Dreiht wind farm planned for 2025 and the latest move into Asia, EnBW is already showing the way forward here in the offshore wind business especially.

2. System-critical infrastructure: This comprises the expansion and increasing digitalisation of power and gas grids, and also significant expansion of the broadband business.

3. Smart infrastructure for retail, municipal and industrial customers: The focus here is on areas such as electric mobility, home power generation, urban precinct development and contracting solutions.

Mastiaux: “Five years ago, from our starting point as a traditional energy supply group, we launched a systematic reorientation to adapt to the needs of the Energiewende. We now have successfully delivered the main stages of this journey. Today we are looking ahead to the opportunities held by the future. We aim to develop into a provider of critical infrastructure, offering solutions that are smart, sustainable and reliable. We also have our sights on new markets and technologies, and we see good prospects for generating a group net profit of at least three billion euros by 2025. That would represent growth of over 30% on our target earnings for 2020 and of 50% on today’s operating result.”

# Performance indicators of the EnBW Group

## Financial and strategic performance indicators

| in € million | 2017 | 2016 | Change in % |
|---|---|---|---|
| External revenue | 21,974.0 | 19,368.4 | 13.5 |
| TOP Adjusted EBITDA | 2,113.0 | 1,938.9 | 9.0 |
| TOP Share of adjusted EBITDA accounted for by Sales in € million/in % | 330.0/15.6 | 249.7/12.9 | 32.2/– |
| TOP Share of adjusted EBITDA accounted for by Grids in € million/in % | 1,045.9/49.5 | 1,004.1/51.8 | 4.2/– |
| TOP Share of adjusted EBITDA accounted for by Renewable Energies in € million/in % | 331.7/15.7 | 295.3/15.2 | 12.3/– |
| TOP Share of adjusted EBITDA accounted for by Generation and Trading in € million/in % | 377.1/17.8 | 337.2/17.4 | 11.8/– |
| Share of adjusted EBITDA accounted for by Other/Consolidation in € million/in % | 28.3/1.4 | 52.6/2.7 | -46.2/– |
| EBITDA | 3,752.4 | 730.7 | – |
| Adjusted EBIT | 998.8 | 1,024.5 | -2.5 |
| EBIT | 2,504.0 | -1,662.9 | – |
| Group net profit/loss[1] | 2,054.1 | -1,797.2 | – |
| Earnings per share from Group net profit/loss in €[1] | 7.58 | -6.64 | – |
| Retained cash flow | 3,050.3 | 949.5 | – |
| Retained cash flow II | 1,529.5 | 949.5 | 61.1 |
| Net (cash) investment | 1,367.1 | 1,316.9 | 3.8 |
| TOP Internal financing capability in % | 111.9 | 72.1 | 55.2 |
| Net financial liabilities[2] | 2,917.8 | 3,653.8 | -20.1 |
| Coverage ratio ALM in %[2] | 52.9 | 60.8 | – |
| TOP Return on capital employed (ROCE) in %[2] | 7.3 | 7.8 | – |
| Weighted average cost of capital before tax in % | 6.3 | 6.9 | – |
| Average capital employed[2] | 15,146.1 | 13,760.9 | 10.1 |
| Value added[2] | 151.5 | 123.8 | 22.4 |

## Non-financial key performance indicators

| | 2017 | 2016 | Change in % |
|---|---|---|---|
| Customers and society goal dimension | | | |
| TOP Reputation Index | 52.1 | 50.0 | 4.2 |
| TOP EnBW/Yello Customer Satisfaction Index[3] | 143/161 | 132/150 | 8.3/7.3 |
| TOP SAIDI (electricity) in min./year | 19 | 16 | 18.8 |
| Employees goal dimension | | | |
| TOP Employee Commitment Index (ECI)[4] | 60 | 59 | 1.7 |
| TOP LTIF[4] | 3.0 | 3.9 | -23.1 |
| Environment goal dimension | | | |
| TOP Installed output of renewable energies (RE) in GW and the share of the generation capacity accounted for by RE in % | 3.4/25.9 | 3.1/23.1 | 9.7/12.1 |
| TOP $CO_2$ intensity in g/kWh | 556 | 577 | -3.6 |

## Employees of the EnBW Group[5]

| | 31/12/2017 | 31/12/2016 | Change in % |
|---|---|---|---|
| Employees | 21,352 | 20,409 | 4.6 |
| Full-time equivalents[6] | 19,939 | 18,923 | 5.4 |

1 In relation to the profit/loss attributable to the shareholders of EnBW AG.
2 The figures for the previous year have been restated.
3 EnBW has been working together with a new market research company since 2017. Despite using the same survey methodology and random sampling, current and earlier values are only comparable to a limited extent.
4 Variations in the group of consolidated companies; see also the definition of key performance indicators on page 30.
5 Number of employees excluding marginally employed persons, apprentices/trainees and inactive employees.
6 Converted into full-time equivalents.

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