

EnBW Annual Press Conference 2023
Speeches by Andreas Schell and Thomas Kusterer
Check against delivery.

Part 1: Introduction

Andreas Schell:

Slide 1: Greeting

Ladies and Gentlemen,

I would also like to welcome you to this year's press conference. Thank you for joining us – both here in the room and online.

I am very pleased to be here for the first time today. Together with Thomas Kusterer, I will be presenting EnBW's 2022 results and answering your questions.

Slide 2: Looking back

The past year has changed many things that we took for granted.

The Russian war against Ukraine marks a historical turning point. It is an event that stunned us all, and even today, more than a year later, we continue to be deeply affected by the images from the war zone and the fate of the people of Ukraine.

I would like to take this opportunity to thank all my colleagues who have supported the Ukrainian people in their homeland and the refugees here in Germany in so many different ways as part of our "EnBW hilft" campaign. Thank you for getting involved in this great show of solidarity and human kindness.

[Pause]

The war has also brought radical change to the energy industry.

We ended our dependence on Russian gas and Russian coal at short notice. But to avoid creating new dependencies, and to keep costs under control for customers, the domestic energy industry must diversify and expand capacity as quickly and as sustainably as possible.

Significantly accelerating the expansion of renewables is the only answer. The climate crisis alone was reason enough for this. But with the current energy crisis and the associated fears about our security of supply, we now have to make an extra push to create the energy industry of the future.

[Pause]

The war brought the era of reliable and affordable Russian energy supplies to an abrupt end. In this situation, security of supply and affordable energy were paramount. We took a number of steps to ensure both of these for our 5.5 million customers:

- At short notice, we kept our entire production capacity available for deployment with our coal-fired power plants and extended the operation of our Neckarwestheim nuclear power plant.
- We diversified our sourcing to reduce our dependence on supplies of Russian resources.

- In addition, we absorbed price increases for our customers as well as possible and kept price adjustments below the market average at all times.

In this way, we worked together with policymakers to prevent **an all-out energy crisis**.

Germany made it well through the winter.

But as last year made us acutely aware, the energy transition has to happen even faster if we are to meet our energy demand and climate targets.

As Germany's last integrated energy company, we at EnBW have a special responsibility. And we are happy to face the challenge.

Over the past ten years, under the leadership of my predecessor, Frank Mastiaux, EnBW has been put on the right track. Today, the company is already a pioneer of the energy transition.

And we as the management team will continue on the same path. The war in Ukraine makes a faster energy transition even more urgent. In addition to tackling the climate crisis, Germany and the rest of Europe need to diversify more quickly and become independent of individual fossil energy sources. **This is where we will invest our earnings.**

We owe these earnings to prudent planning, risks that did not materialize, and our integrated lineup across the entire value chain. These factors stabilized our earnings last year beyond expectations. Today, this strengthens our ability to invest and thus our ambitions.

[Pause]

Slide 3: Milestones of the accelerated energy transition

Let me now turn to the future.

EnBW sees itself as a driving force behind the energy transition. We have already come a long way.

But we will push ahead even more dynamically with the expansion of renewables, thus enabling us to phase out coal.

Over the past few weeks, we conducted an intensive review of our climate targets.

We have now had our contribution to the 1.5 degree target under the Paris Climate Agreement evaluated by the independent and globally recognized Science Based Target initiative, or SBTi. The SBTi has scientifically validated our reduction path.

This ensures that we have targets for all emission categories – Scopes 1 to 3 – and that we are making a significant contribution to achieving the 1.5 degree pathway.

We have defined a clear plan with milestones along the way. We aim to be fully climate neutral by 2035.

As part of this accelerated transition to lower emissions, **we plan to phase out the fossil fuel coal as early as 2028.**

[Pause]

How are we going to achieve that?

Three fuel-switch projects are already paving the way by converting power plants to climate-friendly natural gas as an interim measure. In the future, however, the fuel switch will enable us to run these plants on hydrogen.

We plan to transfer the remaining coal-fired power plants to the reserve as early as 2028.

This will accelerate our path to climate neutrality. But one thing is clear: Achieving our targets requires the faster expansion of renewables and grids in Germany planned by the German government. **So we are meeting our responsibility. But we must not be the only ones to do so.**

We will invest heavily in the energy transition – **14 billion euros in all three segments between 2021 and 2025 alone.** A large part of this will go into expanding renewables and fuel switch projects. We already made important investment decisions in this area last year, and I will go into these in more detail just now in our segment review.

[Pause]

Part 2: Segment review

Slide 4: Renewable Energies

Let's take a look at Renewable Energies. We have made good progress in the area of solar energy. After bringing the Weesow-Willmersdorf solar farm online in 2021, we added two more solar farms in Brandenburg last year. **This has created a 0.5 gigawatt solar**

cluster that saves around 325,000 tons of carbon emissions per year.

We reached two milestones in offshore wind energy:

- In February, together with bp, we won an auction to build a 2.9 gigawatt offshore wind farm off the east coast of Scotland. This is expected to be constructed beginning in 2026/2027 and **will be able to supply the equivalent of over three million households with wind power.**

The auction win is our second success in partnership with bp: In 2021, we secured two projects in the Irish Sea that we are now jointly implementing. **In total, this brings our joint offshore wind project pipeline to around 6 gigawatts.**

- On top of this, just a few days ago, we made the final investment decision to build the 960 megawatt He Dreiht offshore wind farm. **This is one of the largest energy transition projects in Europe.**

Slide 5: Green light for He Dreiht

- In 2022, we signed power purchase agreements ensuring that the North Sea wind farm can go into operation as planned in 2025.
- We secured the rights for He Dreiht back in 2017 with one of the world's first zero-cent bids in an offshore auction. We are delivering this major infrastructure project without subsidies.

How? We are involving energy-intensive companies financially in the project by signing long-term power purchase agreements with them at an early stage.

- When the wind farm goes on stream as planned, we will **almost double our offshore wind power generation capacity**. 64 turbines, each with a capacity of 15 megawatts, will then **generate green electricity for the equivalent of around one million households**.
- When I look at the He Dreiht project, the approach taken, the partnerships, the long-term purchase agreements, the technology, and the equivalent of **so many households being supplied with green power, I see that a major part of our strategy is already becoming reality today**.

Slide 6: Generation and Trading

During 2022, in the public interest and in view of the difficult situation, policymakers required energy utilities to keep power plants ready for deployment at all times.

Our market dispatched power plants made an important contribution here to security of supply.

Five additional units of our coal-fired power plants are in the grid reserve, keeping them available for deployment. Following a decision by the German government, we also extended the operation of our nuclear power plant until mid-April.

We further diversified procurement by increasing our activities in the LNG sector. An important development was the cooperation agreement signed with the

German government on the construction of new LNG terminals to secure long-term supplies of LNG via the terminals in Wilhelmshaven, Stade and Brunsbüttel.

At the same time, we are upgrading our power plants for a zero-emission future.

Slide 7: Fuel switch: enabling the hydrogen future

As I mentioned earlier, our coal-fired power plants at Altbach-Deizisau, Heilbronn and Stuttgart-Münster are being converted in fuel switch projects into modern gas-fired power plants. These are already hydrogen-ready and in the future they will be able to run on climate neutral green hydrogen.

The conversion work will be completed by 2026. 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.**

We are investing a total of 1.6 billion euros in these projects, which will reduce carbon emissions by 3.6 million tons per year and add 1.5 gigawatts of dispatchable capacity.

By 2035, the gas-fired power plants are planned to run entirely on green hydrogen.

[Pause]

Throughout this process, we will work closely with our power plant employees to support them through the transformation. Jobs will change. Where jobs have to go, this has already been agreed with employee

representatives and the works council in a socially responsible manner.

Slide 8: Smart Infrastructure for Customers

Let me turn now to our Smart Infrastructure for Customers segment. In electric mobility, we have expanded our Hypernetz with our own and numerous partner charging points to over 400,000 charging points in 17 European countries, **thus strengthening our position as Germany's largest e-mobility provider.**

It is not only our customers who appreciate our service: Stiftung Warentest, the German consumer watchdog, has also named our mobility+ app the best German charging app.

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

Slide 9: System-critical Infrastructure

Distribution networks are the foundation of a sustainable energy system. They are systemically relevant by definition. We are moving more and more towards distributed energy supplies. This is another area in which we made progress last year.

Our subsidiary Netze BW 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.

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

Our system-critical infrastructure activities also include the broadband rollout. Alongside subsidized broadband, we are also increasingly focusing on projects on our own initiative. In 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.**

[Pause]

Ladies and Gentlemen,

Allow me to summarize:

- First: **We have a clear plan to achieve climate neutrality** and we are accelerating the pace. We are already planning for a coal-free future in 2028.
- Second: **We are constantly investing in and expanding renewable energy projects.** This is an important contribution to accelerating the energy transition.
- Third: **We are going to secure Germany's long-term supply of affordable, green energy.**

In short, we are on the right track and have aligned our entire company for a greener future. My colleague

Thomas Kusterer will now take you through the details of the 2022 financial year. Over to you, Thomas.

Part 3: Financial performance

Thomas Kusterer:

Thank you, Andreas.

Ladies and Gentlemen,

In mid-February, we already published preliminary figures for the 2022 financial year, in which we expected an operating result above our guidance – both the revised guidance we gave in November 2022 and our original guidance from March 2022.

As Andreas Schell briefly mentioned at the beginning, this was mainly because some of the risks we expected as of mid-November due to market and political uncertainties did not materialize.

Warmer-than-average weather, especially in the final weeks of 2022, meant that German gas storage facilities were completely full in November and 90 percent full at the year-end.

This led to a noticeable easing of wholesale market prices, especially for gas, but also for electricity.

Due to the weather-related low demand, the expected costs for maintaining security of supply in the grid business were also significantly lower.

Also, when we published our nine-month figures in mid-November, our subsidiary VNG was still awaiting clarification on partial compensation for procurement losses to replace Russian gas.

The political, regulatory and energy situation in 2022 was anything but normal, as Andreas Schell has already explained.

This of course also had an impact on the figures for the 2022 financial year.

Slide 11: Operating result: strong results due to integrated business model

Let's first take a look at **external revenue**.

This was around 56 billion euros in 2022, significantly higher than the 32.1 billion euros in the previous year.

This strong increase was mainly due to significantly higher average annual prices, especially for electricity and gas.

As revenue increased, so did the cost of materials in all segments. As a result, revenue performance is not a direct indicator of EnBW's operating performance.

Adjusted EBITDA – our operating result – increased by 11 percent in the 2022 financial year to 3.3 billion euros. This is around 326 million euros higher than the previous year's figure of just under 3 billion euros.

Two Russian gas supply contracts at our subsidiary VNG were a particular focus of attention last year.

These contracts were affected first by a reduction and then the complete cessation of supplies from Russia.

For the first contract, with WIEH GmbH, a subsidiary of Securing Energy for Europe GmbH, agreement was reached in October on full compensation for the additional costs of replacement procurement for 2022.

With regard to the second contract with Gazprom Export LLC, under an agreement reached with the German government in December 2022, VNG was partially compensated for the additional costs it had initially incurred for replacement gas procurement.

The additional burden of the two contracts on EnBW's operating result in 2022 amounts to a total of 1.1 billion euros.

Ladies and Gentlemen,

It is important to note that there are no further risks from the two Russian gas contracts.

Both of them expired or were terminated at the end of 2022.

Let me now review the segment results that collectively contributed to our operating performance in 2022.

Slide 12: Operating result: significant increase in renewables

Adjusted EBITDA in the Smart Infrastructure for Customers segment came to 510 million euros, which was well above both the previous year and our expectations.

This was mainly due to higher B2B earnings and significant growth at our subsidiary Senec.

Electricity sales volumes were in line with the previous year, while gas sales were slightly higher.

However, this was mainly due to an increase in our trading activities. Gas sales to our residential and business customers were 15 percent down due to the weather.

In the **System Critical Infrastructure segment**, as expected, we did not meet our original guidance from March 2022. At 1 billion and 46 million euros, segment earnings were around 17 percent down year on year.

As already mentioned, 2022 was a year of massive uncertainty.

Ensuring grid stability and maintaining security of supply were the top priorities.

Among other things, this meant that reserve power plants had to be deployed much more frequently and at significantly higher cost than planned.

This placed a significant additional burden on EnBW's operating result in 2022.

However, due to the warmer-than-average weather towards the end of the year, the additional burden in the fourth quarter of 2022 turned out to be less than we had assumed in November 2022.

In contrast to System-Critical Infrastructure, the **adjusted EBITDA of 1 billion 935 million euros in the Sustainable Generation Infrastructure segment** was well above expectations.

In **Thermal Generation and Trading**, adjusted EBITDA went up by 11 percent to 828 million euros.

Two opposite effects were significant here.

The operating result was negatively impacted by the reduction and ultimate cessation of Russian gas supplies due to Russia's war in Ukraine and by energy derivatives being marked to market at the reporting date.

However, this was more than offset by positive earnings effects from trading activities, such as short- and medium-term optimization in an environment of increased market prices and volatility.

Adjusted EBITDA in the second subsegment, Renewable Energies, increased by around 39 percent year on year to 1 billion 107 million euros. This was due to:

- Higher market prices for unsubsidized and in some cases also subsidized generation assets
- Better wind conditions
- And, as Andreas Schell has already mentioned, the expansion of photovoltaics.

Ladies and Gentlemen,

The performance of our segments underscores how our integrated portfolio along the entire energy value chain ensures stable performance even in challenging times.

We want to use the resulting earnings to make the energy transition even faster and more successful. Specifically, this means accelerating the expansion of renewables and our grid infrastructure, in which we will now invest even more heavily than before.

Slide 13: Focus on accelerating the energy transition

This brings me to our investments in the 2022 financial year.

Gross investment totaled around 3 billion 154 million euros, 12 percent higher than in the previous year. 75 percent of our total investment was in growth projects.

As in the previous year, we primarily invested in the expansion of electricity transmission networks and renewables.

Investment in the **Smart Infrastructure for Customers segment**, which made up about 11 percent of total investment spending as in the previous year, continued to focus on further expanding our fast charging infrastructure for electric vehicles.

At 1 billion 899 million euros, the **System Critical Infrastructure segment** accounted for around 60 percent of our total gross investments. As in previous years, the focus was on the expansion of the electricity and gas transmission networks and the expansion and renewal of the distribution grid.

In this way, we continue to make a significant contribution to the modernization and expansion of Germany's grid-based energy infrastructure.

We invested around 860 million euros in the **Sustainable Generation Infrastructure** segment in 2022. This corresponds to 30 percent of our total gross investment.

The **Renewable Energies** subsegment accounted for almost 632 million euros, mainly from our offshore wind activities.

After securing seabed area rights in the Irish Sea in 2021, we won the auction for rights to develop an offshore wind farm off the Scottish Coast in early 2022.

We also continued to invest during the financial year in the development of our He Dreih offshore wind farm, for which – as Andreas Schell already mentioned – we made the final investment decision last week.

In Thermal Generation and Trading, the year-on-year increase in investment by almost 40 million euros to around 228 million euros mainly relates to our three coal-to-gas fuel switch projects in Baden-Württemberg.

These projects are designed to secure the long-term supply of district heating at the three locations involved and to ensure security of supply in Baden-Württemberg after the phase-out of coal.

Looking at our total investments in the period 2021 to 2025, we originally expected **net investments** of 12 billion euros.

Based on our current planning, we now expect to make net investments of approximately 14 billion euros over this period, of which we have already invested 6.2 billion euros to date.

The vast majority of our investments will continue to be in the accelerated energy transition: the expansion of grids and renewables and the development of low-carbon, dispatchable generation capacity to enable the rapid phase-out of coal.

Let us now turn to adjusted net profit and, coupled with that, the proposed dividend for the 2022 financial year.

Slide 14: Dividend proposal

Adjusted net profit attributable to the shareholders of EnBW AG came to 996 million, which is around 17 percent higher than in the previous year.

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

Over the long term, we aim to distribute no more than 40 to 60 percent of adjusted net profit.

Our **dividend proposal** for 2022 is unchanged from last year at 1 euro and 10 cents per eligible share.

This is subject to approval at the Annual General Meeting on 3 May and represents a payout ratio of 31 percent.

The proposed dividend will leave additional funds in the business to finance our future growth and further strengthen our equity base.

With the support of our shareholders, this will allow us to resolutely pursue our sustainable corporate strategy.

Slide 15: Sustainable financing strategy

As we heard earlier, our climate targets across the entire value chain are now scientifically validated. And science-based targets also make good business sense. Among other things, they provide reliable guidance to the capital markets.

Sustainable financial products are now of particular interest to many of our institutional bond investors. Our SBTi validation and the associated commitments are used by many investors as a basis for their investment decisions.

With their funding, they support sustainable companies like EnBW on their clear decarbonization pathways.

In addition, financial institutions are constantly reviewing their lending practices and adjusting their

terms to reflect the climate risks of the companies they finance.

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

Decarbonization and the expansion of renewables have already played an important role in our syndicated credit line since 2020. Our borrowing costs are linked to the corresponding non-financial key performance indicators.

Our green bonds also contribute on the road to decarbonization. In November 2022, we successfully continued our sustainable financing strategy with two green bond issues of 500 million euros each.

For the first time, the proceeds were used to expand and refinance electricity distribution grids in Baden-Württemberg. As the energy transition requires infrastructure, a large part of our investment goes into grid expansion.

To accelerate the long-term transition to a carbon-free energy supply in Germany, we also used this financing transaction to advance our renewable energy projects – particularly our offshore wind projects in the Irish Sea and off the Scottish coast and our onshore wind and solar farms in northern, southern and eastern Germany.

Since 2018, we have launched green bonds for a total of 3.5 billion euros. And the projects financed by these bonds contribute significantly towards the Paris climate targets and the United Nations Sustainable Development Goals.

To give you an idea of how we use the proceeds from our green bond issues, let me provide some key figures:

- Between 2016 and mid-2022, we installed a total of nearly 1,100 charging stations for electric vehicles at 561 locations, significantly advancing Germany's fast-charging infrastructure.
- In addition, our green bonds have financed more than 5,300 projects and investments in the electricity distribution grid over the past two years. All of this is helping to prepare the distribution grid for even more renewable energy.
- And in 2022, we avoided emissions totaling nearly 1.5 million tons of CO₂-equivalent through the expansion of renewable energy financed in this way.

Slide 16: 2023 guidance

Ladies and Gentlemen,

Let me conclude with our guidance for the 2023 financial year.

For the **Smart Infrastructure for Customers** segment, we expect adjusted EBITDA of between 400 and 500 million euros.

We expect volatility to decrease and the market to stabilize further.

We also expect the commodity business with residential and business customers to become more competitive again.

At the same time, we are forecasting stable to slightly increasing earnings in our new business areas.

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

This is because the negative impact of grid reserve and redispatch is expected to be lower in 2023 than in 2022.

Grid revenue will also increase slightly due to higher investment in projects under the electricity and gas grid development plans.

We also expect adjusted EBITDA in the **Sustainable Generation Infrastructure segment** to increase 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.

The following two effects will contribute slightly to earnings in 2023:

- First, generation volumes, particularly from run-of-river, were below the long-term average in the 2022 financial year. We expect higher volumes in 2023.
- We also expect a slight increase in the renewable generation capacity this year, with corresponding positive contributions to earnings.

On the other hand, we expect price levels to be lower than in 2022.

The windfall profit levy, which entered into force on 1 December 2022, will also have a negative impact on earnings in renewables.

In the **Thermal Generation and Trading business**, with the market environment returning to normal, we expect a significant increase in earnings in 2023.

There will be no repeat of last year's negative one-off effects at our subsidiary VNG.

On the other hand, we expect a moderate negative impact from the windfall profit levy, as we have already sold volumes for 2023 at lower market prices based on our forward-looking hedging strategy.

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

Ladies and Gentlemen,

That's it from me.

Now back to Andreas Schell.

Part 4: Outlook

Andreas Schell:

Slide 17: Conclusions and Outlook

Thank you, Thomas.

Ladies and Gentlemen,

As the figures show, we have the financial flexibility to achieve our goals.

Let me be clear: EnBW has a solid financial basis to continue on its path consistently and successfully. We set the right course early on and are aligning the company for the future.

We have a clear plan for our segments that is centered on sustainability and security of supply.

We will implement crisis instruments such as the gas and electricity price brake in a responsible manner for our customers. And, of course, we are also working on a strategy that sets the course for the period up to 2030.

Ladies and Gentlemen, allow me to repeat one thing very clearly: Comprehensive decarbonization and the successful implementation of the energy transition require the necessary economic and political framework.

They require a market-based energy market design.

This is the only way we can incentivize investment and support the accelerated expansion of renewables.

Our integrated structure gives us a 360-degree view of the energy market, which we are happy to share as

impetus in the political and public debate. Following intensive public consultation, a proposal for reform of the energy market design is now on the table. We are pleased to see that the strengths of the existing internal market for electricity – and especially the way prices are set in the market today – have been recognized in principle. A number of proposals, such as the obligation to introduce two-way contracts for differences, may harm the market integration of renewables and weaken the nascent PPA market. This will lead to higher prices in the long run.

[Pause]

This year, we will continue to contribute to a secure and sustainable energy supply. In dialog with policymakers, we are delivering on our responsibility for a green future – reliably, with focus and the courage to embrace change.

This is only possible because we – EnBW – are moving forward together as a strong team. I would like to express my sincere thanks to all of my colleagues for their commitment in the past year. I look forward to the road ahead.

Thank you for your attention.

Thomas Kusterer and I will now be happy to answer your questions.